

Pig Market Trends

April 2013, Issue 95

Key messages

Producer prices

GB finished pig prices rising seasonally during March and April but at higher level than in earlier years

Cull sow and weaner prices also rising in March but sow prices drop in April

EU pig prices stable since start of year on weak demand so gap between UK & EU prices rising again

Slaughterings and production

UK pig meat production in March similar to year earlier, with slaughterings down but carcase weights up

Little sign of tightening EU supplies in early 2013, with production close to year earlier levels

Trade

February another good month for UK exports, particularly of pork and pig offal

Pig meat imports remain subdued in February, with lower supplies from Denmark in particular

Retail sales and prices

Decline in pig meat sales slowing as year progresses but volumes still down, prices up on year earlier

Consumers are using technology in new ways to change or enhance their shopping experience

Costs of production

Producer losses declining as cost of production falls but prices still short of break-even level

Feed prices lower as global weather conditions improving but crop planting and development delayed

Outlook for UK pig meat supplies

Lower breeding herd expected to lead to fewer pigs being slaughtered in 2013

Productivity gains and higher carcase weights set to mean pig meat production only down marginally

Tighter EU supplies and weak pound forecast to lead to lower imports

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Key data

	Mar-13	Change since Feb-13	Change since Mar-12
GB DAPP (euro-spec) – p/kg dw	156.96	+0.75	+15.11
Average GB carcase weight – kg	79.74	-0.42	+0.63
30kg weaner price – £/head	47.55	+1.18	+1.94
GB cull sow price – p/kg dw	106.68	+6.95	-14.65
EU Reference price – €/100kg dw	171.93	+0.81	+10.33
UK Reference price – €/100kg dw	175.47	-1.06	+10.44
UK weekly clean pig kill – 000 head	191.8	-4.7	-0.9
UK weekly pig meat production – 000 tonnes	15.9	-0.5	-0.0
UK pork imports – 000 tonnes*	21.7	-6.8	-2.5
UK bacon imports – 000 tonnes*	17.7	-1.5	-2.8
UK pork exports – 000 tonnes*	14.7	+1.1	+2.3
Retail pig meat sales – 000 tonnes†	55.8	-1.2	-1.2
LIFFE feed wheat futures – £/tonne	198.08	-7.46	+27.99
CBOT Soyameal futures – \$/tonne	424.52	-1.09	+56.90

* Figures relate to February 2013

† Figures include household purchases of pork, bacon, sausages and ham and relate to 4 weeks to 17 March 2013

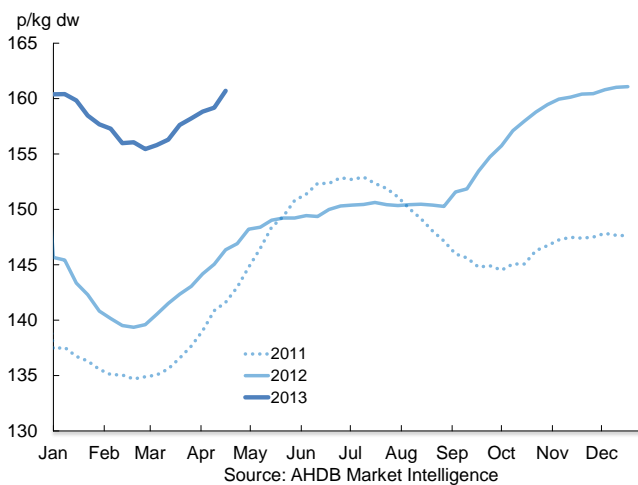
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Producer prices

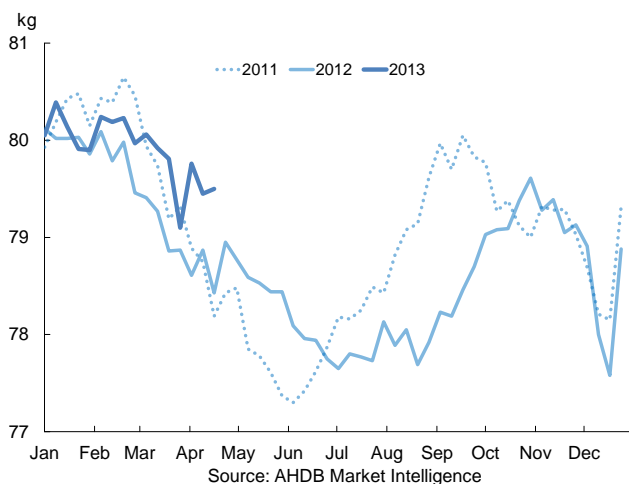
As is normally the case at this time of year, GB finished pig prices increased steadily during March, rising by about three pence over the month. Nevertheless, with prices low at the start of the month, the average DAPP was less than a penny higher than in February at 156.96p per kg dw. This was over 15 pence higher than in March 2012 and was the fifth highest monthly average on record. The weak pound helped to support prices by increasing the value of imported pork while some tightening of supplies also played a part. However, consumer demand was still subdued, limiting any gains, not helped by cold weather both at home and across Europe. Prices continued to rise into April, reaching 160.71p per kg by week ended 20 April.

GB finished pig prices (DAPP)



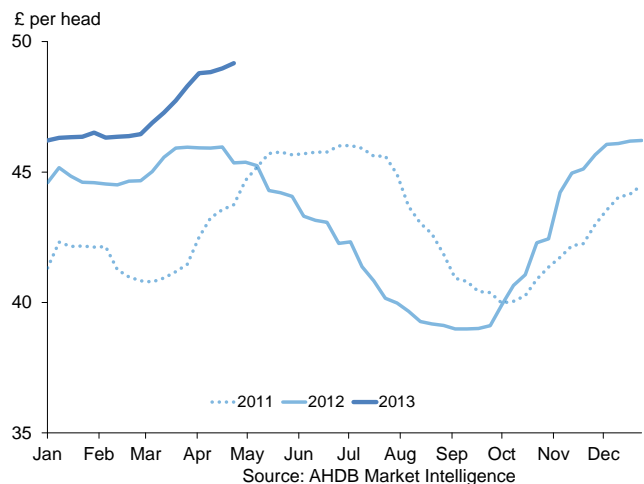
Average clean pig carcase weights have remained relatively high throughout the first quarter of 2013, apart from a typical dip in the week before Easter. The seasonal fall which normally begins around the start of March has been less apparent this year, meaning the average weight for the month was over 600g heavier than last year at 79.74kg. This might be attributable to good growth rates earlier in the winter, with firm pig prices also playing a role. Weights have remained well above year earlier levels into April.

Average carcase weights for GB finished pigs



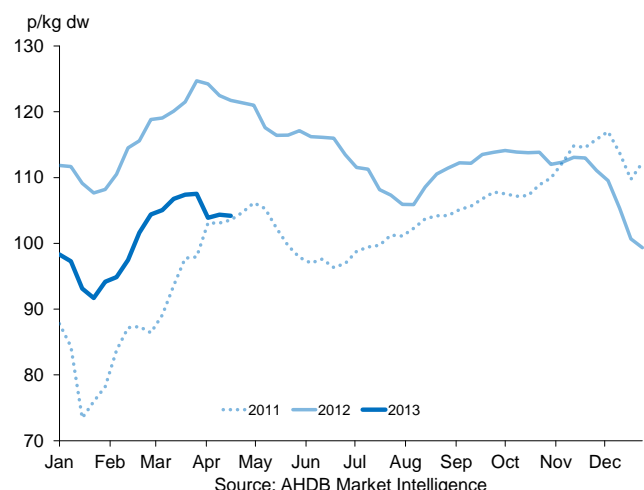
The increase in finished pig prices during the month encouraged some firming of weaner prices in March. The monthly average of £47.55 per head for a 30kg animal was over a pound higher than in February and about two pounds more than in March 2012. At this level, prices were at their highest since August 2010. Nevertheless, with feed prices remaining inflated, there is a limit to how much finishers are prepared to pay. Prices continued to rise, albeit more slowly, during April reaching just over £49 per head by week ended 27 April.

GB 30kg weaner prices



The GB cull sow price also followed a rising trend throughout March, averaging 106.68p per kg, seven pence higher than in February, although nearly 15 pence lower than in March 2012. The recent rise is partly attributable to developments in the finished pig market. However, with most sow carcasses destined for export, exchange rate movements were also a major factor. Sow prices have been stable on export markets since mid-February but the weak pound meant that higher prices continued to be available for British producers. However, with the situation in Cyprus hitting the value of the euro, there was some decline in the sow price in April, taking it to 104.18p per kg for week ended 20 April.

GB cull sow prices

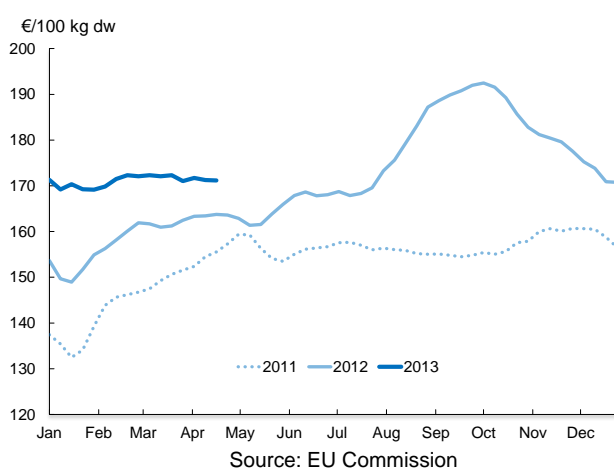


Great Britain pig prices

	DAPP Euro-spec (p/kg)	DAPP UK-spec (p/kg)	Ave. Carcase Weight (kg)	Ave. P2 Probe (mm)	30kg Weaner Price (£/)	Cull Sow Price (p/kg)
Jan-13	159.32	156.45	80.08	10.9	46.34	94.90
Feb-13	156.21	153.39	80.16	10.8	46.38	99.72
Mar-13	156.96	154.13	79.74	10.7	47.55	106.68
06-Apr	158.83	155.97	79.76	10.6	48.79	103.88
13-Apr	159.19	156.32	79.45	10.7	48.83	104.34
20-Apr	160.71	157.80	79.50	10.7	48.97	104.18

Average EU pig prices have been largely stable in euro terms since mid-February, fluctuating around €172 per 100kg. The monthly average for March was less than a euro higher than the previous month at €171.93. Prices typically rise at this time of year as consumer demand picks up with rising temperatures. However, cold weather across Europe in March limited demand and this has been exacerbated by subdued export markets, notably Russia and Japan. Nevertheless, relatively tight pig supplies mean that the average price in March remained over ten euros higher than a year earlier. The price stability continued into April, with the average price for week ended 21 April standing at €171.16 per 100kg, still over seven euros higher than a year before.

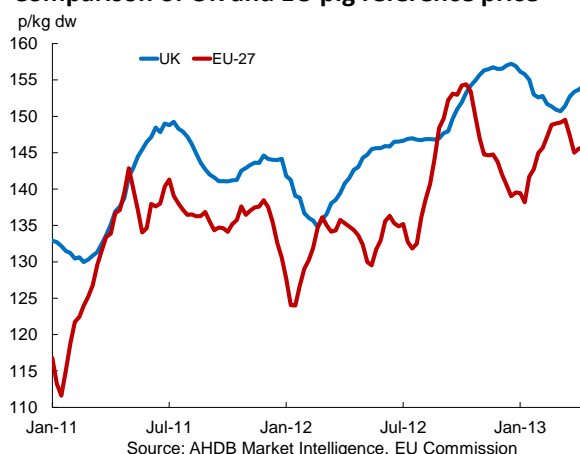
EU Average Pig Reference Price



The stability seen in the EU average price was also apparent in prices in some key Member States, notably those in North West Europe, including Germany, Denmark and the Netherlands. However, prices further south were more varied. Prices in France and Spain were on an upward trend until mid-March as supplies tightened but have since eased back a little. Spanish prices are now the highest among major producers at over €190. In contrast, Italian prices have fallen sharply since mid-February, dropping by over 30 euros in eight weeks to reach just under €164 in the latest week. This was reportedly the result of a noticeable fall in consumer demand for speciality products which account for 70 per cent of Italian pigs.

The weak pound meant that in euro terms the UK reference price continued falling until mid-March. Since then, with prices rising and the pound gaining strength against the euro, the UK price has risen steadily. As a result, having closed to less than two euros in early March, the gap between the UK and EU reference prices had opened to over ten euros by mid-April.

Comparison of UK and EU pig reference price



The EU weaner price in March averaged €51.91 per head, an increase of a little under two euros on the month. At this price, producers received less than one euro per head more than the corresponding month in 2012. Prices continued to broadly follow the normal seasonal trend, levelling off as March progressed at a slightly higher level than a year earlier. Despite tight supplies, price rises have been limited by a combination of the lack of upward movement in the finished pig market and ongoing high feed prices.

Sow prices in key EU Member States have been stable since late February. The key German price was unchanged throughout March and most of April at €1.35 per kg. This was around four cents higher than the average price for February but was five cents lower than in March 2012. German sow slaughterings so far this year have been seven per cent higher than year earlier levels. The picture was similar in Denmark and the Netherlands, with prices in March stable at €1.03 and €1.15 per kg respectively.

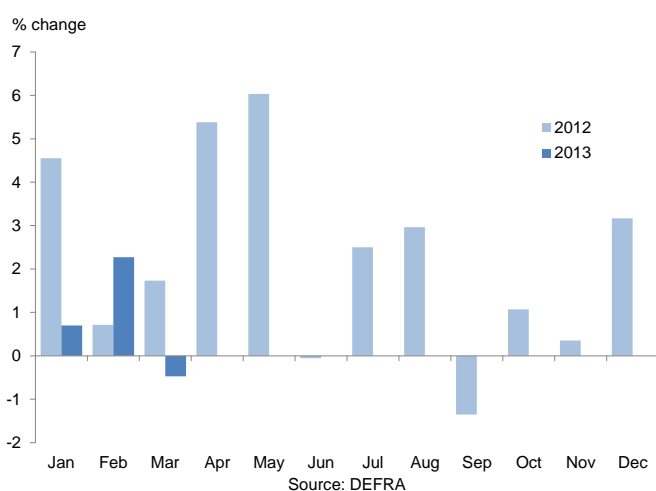
Pig Reference Prices in selected EU Member States (€ per 100kg)

	Jan-13	Feb-13	Mar-13	06-Apr	13-Apr	20-Apr
Denmark	159.84	156.70	155.38	154.40	154.38	154.38
France	155.16	155.36	162.16	163.00	161.00	159.00
Germany	169.35	171.03	171.36	171.36	172.38	173.40
Italy	190.50	194.41	183.04	172.31	166.48	163.84
Netherlands	151.90	152.58	154.36	155.29	155.52	157.25
Poland	165.81	166.30	170.04	170.51	173.56	173.15
Spain	178.50	187.13	192.27	194.42	192.80	192.11
UK	186.22	176.53	175.47	181.34	181.12	182.76
EU average	169.93	171.12	171.93	171.74	171.27	171.16

Slaughterings and production

UK clean pig slaughtering in March 2013 totalled 767,000 head. This was almost in line with the same month last year, being less than 4,000 down on the year. The Easter period is likely to have affected the lower kill with a short week for the Bank Holiday at the end of the month; Easter was into April last year. The Scottish pig kill recorded a decline by almost half. This reduction reflected the increased number of pigs sent to slaughter in England; throughputs in English and Welsh abattoirs totalled 622,000 head, up 4% on the year. Throughputs in Northern Ireland were 4% lower compared with March 2012.

Annual change in UK clean pig slaughterings



Adult pig slaughterings were one per cent down on the year at 20,500 head. This was close to the kill figure from the previous month and the small year-on-year decline was again likely due to the earlier Easter. Nevertheless, replacement rates remain relatively high by historic standards, despite the decline in sow prices compared with last year. This is the result of an increased focus on improving herd productivity by optimising the age and parity of sows.

	Clean pig slaughter (000 head)	Pig meat production (000 tonnes)
Jan 13	946.4	79.2
Feb 13	786.2	65.7
Mar 13	767.3	63.7
% change Mar	-0.5%	-0.3%
Jan-Mar 2013	2,499.9	208.5
% change 2013/2012	+0.8%	+1.3%

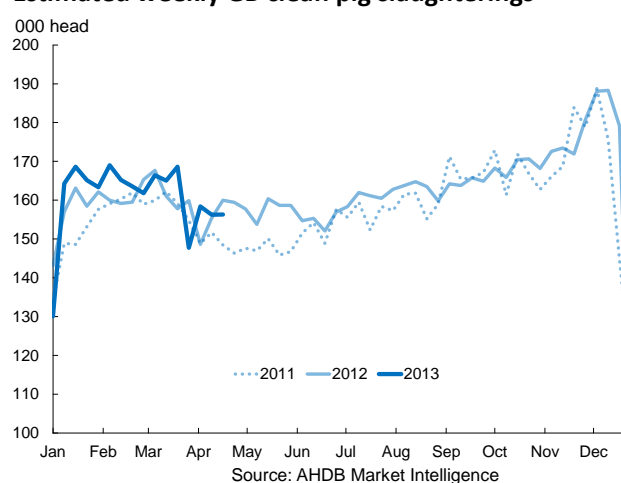
* 5-week month

UK clean pig carcase weights averaged 79.2kg in March, a marginal fall on the month but nearly half a kilo up on a year earlier. The ongoing high carcase weights may also mark a shift in processor requirements, as they aim to offset the lower pig numbers expected in the coming

months. Northern Ireland recorded a year-on-year increment of over a kilo in their average carcase weight while the Scottish pigs weighed less by a similar amount. However, Scottish pigs account for only a small share of the total and so UK pig meat production was only marginally lower than March 2012 at 63,700 tonnes.

Based on the DAPP sample, estimated GB clean pigs slaughterings were higher in the first three weeks of April, although this was largely because of the earlier Easter. By the middle of the month there were increasing signs that supplies were beginning to tighten, with throughputs down on a year earlier and lower than in the first quarter of the year.

Estimated weekly GB clean pig slaughterings



According to latest figures from Eurostat, the expected tightening of pig supplies across the EU was not readily apparent in January. Slaughterings during the month were actually four per cent higher than in January 2012 at 22.2 million head. However, this is partly because there was one extra working day in the month this year. Taking this into account, the true position was probably a modest decline. However, higher carcase weights meant that, even allowing for the extra day, pig meat production was around one per cent higher than last January.

Most major producers slaughtered more pigs in January than a year earlier, with Belgium, Germany and Italy among countries with higher throughputs even accounting for the extra day. In contrast, Danish slaughterings were seven per cent down on a year earlier, as further increases in weaner exports continued to hit production. Supplies were also tight in France, with only a one per cent year-on-year increase in throughputs, effectively a three per cent decline.

Early figures for February again provide little sign of tightening supplies, with slaughterings down over two per cent but with one working day fewer the underlying position may actually have been a small increase.

Trade

The UK imported 10% less pork in February compared with the corresponding month in 2012, the largest annual fall in more than six months. The easing in import volumes is partially the result of a drop in EU production for the month but demand in the UK has also been relatively weak, with the latest retail figures showed a decline in purchases. In addition the average import price increased by 7 per cent so the total value of pork imports was down by four per cent to £43.8m. Volumes from Denmark were down by nearly 30 per cent and their market share declined to be almost the same level as the Germans. In contrast, shipments from Germany and the Netherlands increased by five per cent and 23 per cent respectively, partly filling in the shortage of Danish pig meat. Reductions were also recorded from other EU Member States like Ireland, France, Belgium and Spain.

UK Pig Meat Imports

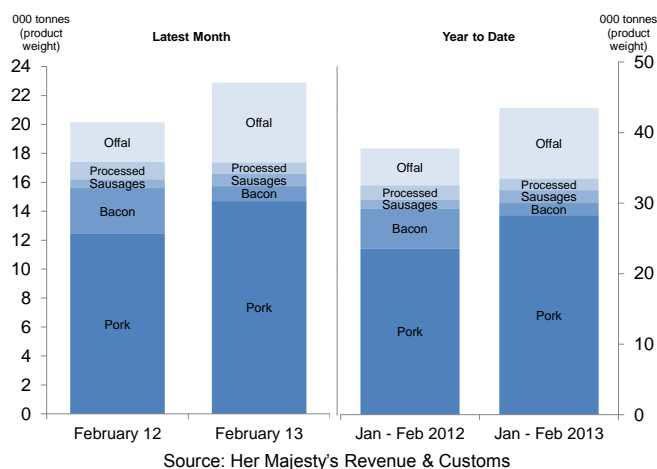


Bacon and ham imports continued the downward trend from the start of the year, with a 13 per cent decline recorded in February. With only a marginal increase from the other major suppliers (Netherlands and Germany), a notable 38 per cent drop in Danish imports was the main factor affecting the overall cured pig meat supplies. Further falls were recorded in processed pig meat during February, down by 29 per cent compared with the same month in 2012. Sausage imports also decreased by 13 per cent, which meant that the overall UK imports for February were significantly lower than a year earlier.

In contrast, the UK export market performed better in February, with an 18 per cent year-on-year increase in pork shipments. Volumes of both fresh and frozen increased but the rise was sharpest for the latter, which were up 22 per cent. There were considerable increases in exports to Denmark, likely for re-export, and China (which took 2,200 tonnes). Demand for UK products was also higher in the German and the Irish markets by 14 per cent and 12 per cent. Lower supplies to the Netherlands and Hong Kong did not offset the overall increment. With unit prices slightly higher, the value of

UK pork exports increased by 20 per cent to £17.9 million.

UK Pig Meat Exports



Shipments of cured pig meat followed a similar downward trend to recent months but the fall failed to fully offset the rise in pork shipments. During February, bacon and ham exports fell 67 per cent compared to a year earlier, with contributions from all the main markets. Similarly, processed pig meat exports were down 35 per cent on the year as Ireland imported considerably less from the UK. However, as has been the case since September last year, offal exports were much higher, almost doubling with the majority of the increase coming from shipments to Belgium, Germany and China.

As in January, EU pork exports were subdued in February and were 9% lower than in the same month last year. The slow start to the year has been a key factor in limiting the normal seasonal rise in pig prices, although consumer demand in the EU has also played a part. The situation would have been even worse but for a near doubling of shipments to China, indicating demand for imported pork remains strong despite increased production there. Demand was lower on most other major markets, notably from the countries of the former Soviet Union, where production was higher and prices lower. One interesting growth market was Croatia, with shipments up seven per cent in advance of its accession to the EU in July; it accounted for three per cent of EU exports.

Pig offal exports were also subdued in February after a more positive January. Shipments were down by a similar proportion to pork. Volumes sent to China/Hong Kong declined as increased exports to the mainland failed to offset the fall to Hong Kong. Shipments to the significant secondary markets of Russia, the Philippines and Ukraine also fell but exports to Africa were up by 15 per cent, increasing that continent's share from five to seven per cent.

Retail sales and prices

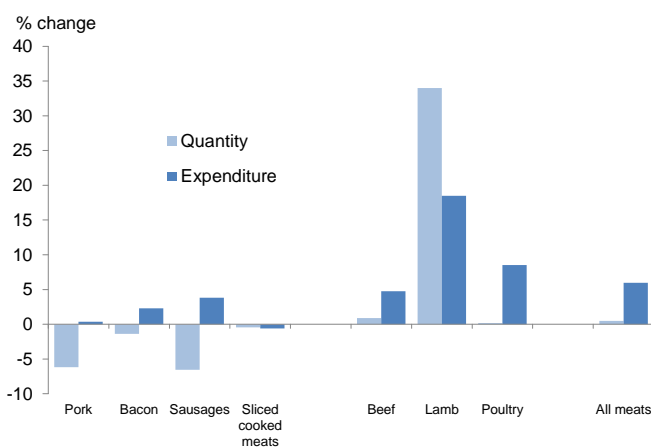
According to the latest retail data from Kantar Worldpanel, in the 12 weeks ending 17 March purchases of pork declined six per cent compared with a year earlier. The decline was due to smaller volumes purchased per trip and a reduction in the number of households buying pork as switching to lamb and poultry meat continued from the previous month. However, loin roasting joints continued to post very impressive growth; purchases were up by more than a third, driving expenditure growth of more than half. Spending on bacon and sausages continued to grow, driven by average price rises, but the amount purchased declined. Ham purchases were similar to last year but a decline in average price resulted in a decrease in spending over the 12 weeks.

Average GB retail prices for selected meat products (p per Kg)

	4 wk to 20/01/13	4 wk to 17/02/13	4 wk to 17/03/13	Change Y-o-Y
Fresh/frozen pork	552.6	527.6	541.9	+9.0%
Bacon	627.6	634.2	627.5	+1.6%
Pork sausages	412.4	395.8	405.7	+11.1%
Pork sliced cooked meats	902.3	895.6	887.9	-0.2%
Fresh/frozen lamb	833.2	768.5	793.6	-9.2%
Fresh/frozen beef	717.8	712.4	711.8	+4.7%
Fresh/frozen poultry	491.6	463.0	462.2	+6.3%
All fresh/frozen meats	588.0	568.7	569.7	+5.2%

In the most recent four weeks, purchases of pork continued to decline year on year but at a slower rate of two per cent. Average prices jumped nine per cent, driving expenditure up seven per cent. Spending on bacon decreased slightly as declines in volume purchases accelerated.

Annual percentage change in retail meat purchases (12 weeks to 17 March 2013)



Sales of sausages also remained behind last year but average price inflation supported expenditure. Sliced cooked ham showed a more positive picture, with spending similar to last year and the amount purchased up one per cent.

Consumer shopping habits change over time, influenced by a number of factors. One of these is technological advancements, such as improved access to high-speed Internet, coupled with growing ownership of mobile devices. But how has this impacted the grocery market? It has never been as important that grocery shopping is shaped to meet the needs of more sophisticated digital consumers. They are looking for initiatives that can save them time and money, or preferably both. This has led retailers to be heavily focused on ensuring better integration between online and offline channels, allowing shoppers to easily and impulsively transition between the two.

The growth and investment in online grocery services has been a key priority for the majority of leading retailers, a trend set to continue. According to Kantar Worldpanel, online sales reached £5.1 billion in the 52 weeks to 17 March 2013. While they still represent a small share of the total grocery market at five per cent, they recorded 19 per cent growth year on year. The opportunity to harness technology doesn't just stop at getting your groceries delivered to your door. There has also been a notable increase in the number of 'click and collect' schemes being rolled out.

Growing access to Wi-Fi in-store and the mobile internet also gives consumers new ways of searching for information while shopping. Quick Response (QR) codes increasingly feature on food labelling. Every month new apps for smartphone are launched; one example is the recent launch of the 'where's this from' app which uses the 4-digit EU identification mark printed on pack to provide consumers with the ability to research more about the product they are purchasing.

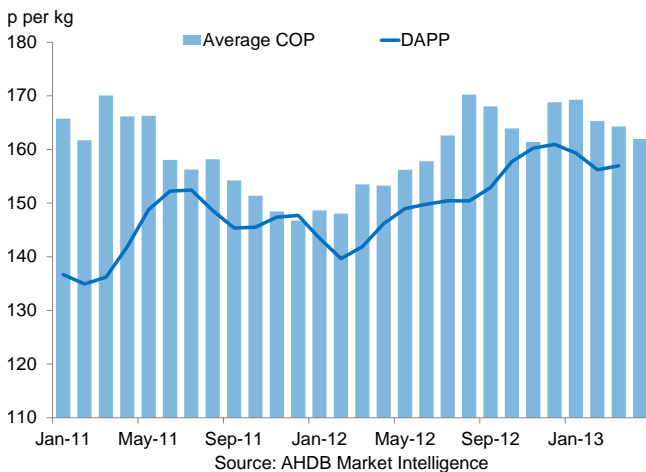
With any technological advances there are barriers to overcome; the most notable for meat is the freshness of product. However there are things to consider for those looking to make the most from e-commerce, such as availability of deals on-line, recipe and nutritional information, product photos and customer reviews.

Maximising e-commerce opportunities is not just about the technology, it's about understanding the consumer needs driving solutions. It is also important to remember that for many households, traditional grocery shopping in store will continue. Therefore the choice isn't whether to operate online or offline but an integration of both.

Costs of production

According to AHDB's provisional estimates, the cost of pig production figure in April fell for the third consecutive month to 162p per kg. A small fall in feed prices remained the main factor affecting the latest cost of production. The estimated figure was around 2p lower than March but was at a similar level to early summer last year, before the rapid rise in feed prices post-harvest. However, compared with the same month in 2012, costs are almost 9p higher but they are lower than 2011 levels for the same period, when feed prices were even higher.

Total cost of pig production compared with the DAPP



Despite a relative fall in the cost of production, based on the current DAPP producers were still losing an estimated £2 per pig. This is the equivalent to a loss of 3p per kg. However, producer returns have improved since the start of the New Year, with losses estimated to be as much as £7 per pig in January. Forecasts suggest some easing in the feed costs for the remainder of this year, particularly after the harvest, indicating prospects of positive margins. However, this is weather dependent and assumes that pig prices maintain their current level or even strengthen further, based on the expected shortage of EU pig production.

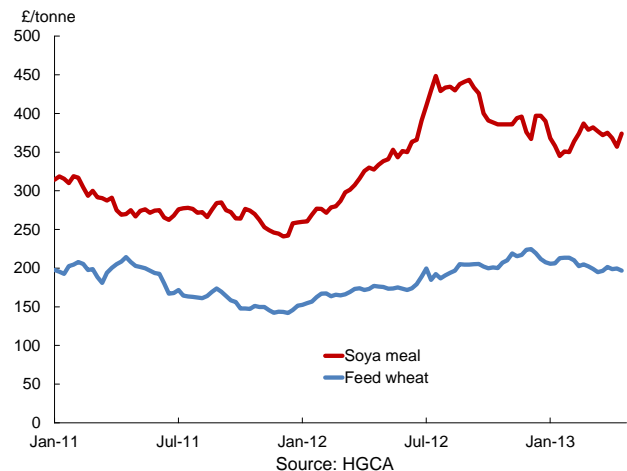
The LIFFE feed wheat futures price, for May delivery, closed at £193.05 per tonne on Tuesday 23 April, representing the lowest closing price since late July 2012. This represents a monthly decline of £5.70, or three per cent, as closing prices ranged between £193 and £204 per tonne within the month. The new crop price (November 2013) closed at £184 per tonne, compared to £185.70 a month earlier.

The CBOT May 2013 wheat price closed at \$256.26 per tonne, down four per cent on a month earlier. The maize price recorded a significant monthly decline of \$34.54 (12 per cent). The main recent price driver has been crop conditions and weather reports. Grain prices have fallen over the month, following reports of slightly better weather in the US and across Europe compared to conditions in March.

Prices have declined despite crop conditions in the US reported to be behind, as there is still time for improvement. As at week ending 21 April, 35 per cent of the winter wheat crop was reported to be in good/excellent condition compared to 63 per cent at the same time last year. Crop development was also well behind the same time last year. US maize plantings were behind the normal schedule but data shows that, at this stage, there is very weak correlation between maize planting progress and the final planted area and yield.

ADAS report that the UK's winter wheat growth and development was limited by the cold and wet weather experienced in March. The UK crop condition report will be updated on 1 May and it will show how the improved weather of recent weeks has assisted domestic crops. With a large decline in UK wheat plantings and current crop condition concerns, the size of the UK wheat crop in 2013 is an important issue but it is worth reiterating that grain markets operate in a global environment. Thus, large scale price movements will be dictated by production prospects in wider Europe, the Black Sea region and North America.

Prices for feed wheat and soya meal



The May CBOT soyabean price has also experienced a monthly decline and closed at \$521.62 per tonne, down \$7.62 on a month earlier as the price ranged between \$500.31 and \$534.11 during the month.

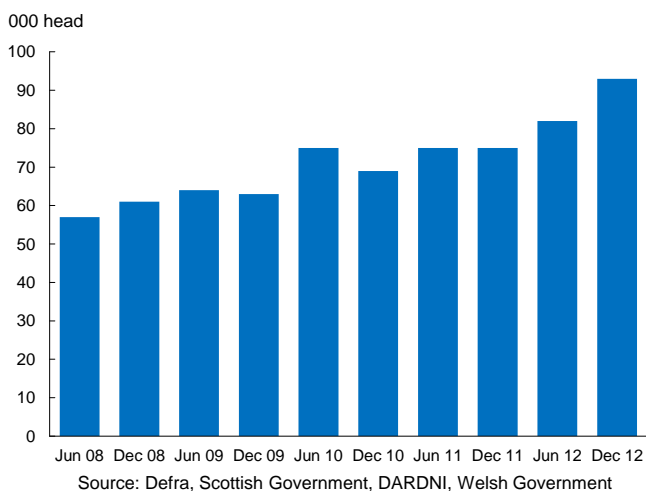
The global soyabean market has followed the trend of grain prices to some extent but the dominant news has been the tightness in the US soyabean supplies. The market has had to rely on the US for longer than usual this season, due to a slower than expected export pace in South America. Brazil has experienced port congestion while there are reports of reluctant farmer selling in Argentina. However, favourable weather has allowed harvest to progress fairly well in both countries; Brazil's harvest was nearing completion with about 90 per cent of the crop harvested by 23 April and approximately 40 per cent done in Argentina.

FOCUS ON: Outlook for UK Pig Meat Supplies – April 2013

As expected, the December Surveys of Agriculture confirmed a significant decline in the UK female breeding herd since the summer. In December, the breeding herd totalled 400,000 head, 25,000 down on the June figure, although a smaller decline compared with a year earlier. The decline was largely in sows, with in-pig gilt numbers similar to both June 2012 and December 2011. However, it should be noted that official figures usually indicate a slightly higher breeding herd in June than in December but in reality this is unlikely. The surveys also revealed that the total pig herd numbered 4.22 million head, its lowest level in more than 60 years.

Perhaps more surprisingly, the December Surveys showed a sharp increase in maiden gilt numbers. They were a quarter higher than a year earlier and around 13 per cent up on June. This increase marks an acceleration of the recent trend, driven by a greater focus on productivity which has encouraged higher sow replacements, a situation helped by the firm cull sow market during most of 2012. The acceleration may indicate that optimism is starting to return with some producers restocking following depopulation in the autumn and others planning some expansion.

UK maiden gilt numbers

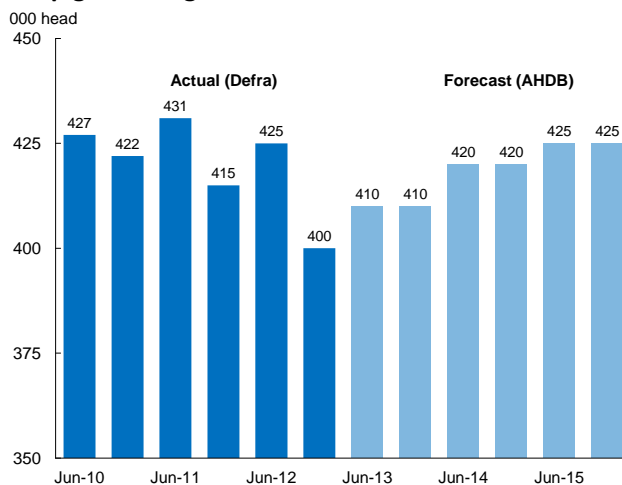


The increase in maiden gilts may indicate that a modest expansion of the herd might be expected over the coming months. However, with feed prices still high and the estimated cost of pig production still above the pig price, any expansion is likely to be small scale. As a result, the June survey results are forecast to show a year-on-year decline in the breeding herd. However, they may be slightly higher than the December figures.

Longer-term prospects will depend on developments in both the pig and feed markets. Currently, there are promising signs that the financial situation of the industry will be better going forward. If that is the case, then further modest growth might be expected. However, the appetite for expansion is likely to be limited in the medium term, given the increased

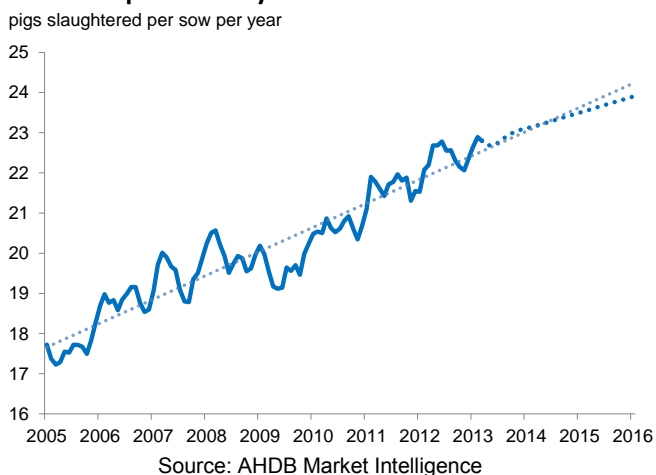
volatility in the markets in recent years and difficulties obtaining finance and planning permission.

UK pig breeding herd trends



With a broadly stable breeding herd, increases in clean pig slaughterings in recent years are down to improved sow productivity. This trend has continued, with the number of pigs slaughtered per sow in 2012 averaging 22.3, compared with 21.7 in 2011. Further productivity improvements are likely in the coming year, not least because the producers who left the industry last year will have included many of the least efficient. Thereafter, further improvements might be expected but the rate of growth may slow down, especially if there is a further shift to outdoor production.

Trends in productivity in the UK sow herd



Despite the productivity improvements, the fall in the breeding herd means that the upward trend in clean pig slaughterings seen since 2009 is forecast to reverse in 2013. However, the drop is now expected to be smaller than in our previous outlook, largely due to further productivity gains. Looking further ahead, the recovery in the breeding herd and further productivity gains should lead to the resumption of the upward trend in slaughterings in 2014.

High feed prices in the second half of 2012 led to increased levels of culling of adult breeding pigs but

they have now returned to more normal levels. This year, cullings are likely to be closer to seasonal norms. However, with replacement rates high, they may be higher than they were before 2012.

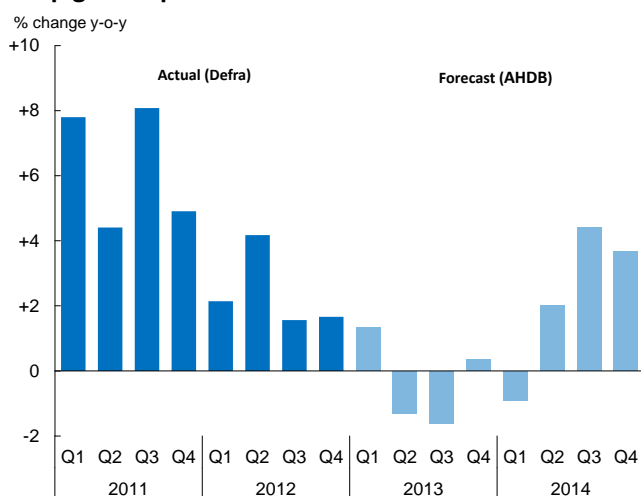
Actual and forecast UK pig slaughterings

000 head	Clean pigs			Sows and boars		
	2012	2013	2014	2012	2013	2014
Quarter 1	2,480	2,500	2,465	66	66	66
Quarter 2	2,427	2,379	2,429	62	64	63
Quarter 3	2,525	2,469	2,582	71	63	64
Quarter 4	2,603	2,587	2,690	66	65	65
Year	10,035	9,935	10,166	265	257	258

Source: Defra, AHDB. Figures in bold are forecasts

Having dipped during last autumn, carcase weights have returned to more normal levels. If anything, they have started 2013 above year earlier levels and there has been little sign of the seasonal fall normally seen from spring onwards. Looking ahead, there are reports that processors may look for heavier pigs to offset lower slaughterings. As a result carcase weights are likely to stay higher for the rest of the year.

UK pig meat production and forecasts



These higher carcase weights are expected to partly offset the fall in slaughterings, leading to only a marginal fall in pig meat production for the year as a whole.

Actual and forecast supplies of pig meat in the UK

000 tonnes (cwe)	2011	2012					2013					2014
	Year	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Year	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Year	Year
Production	805	206	198	206	214	825	209	196	203	215	822	841
Imports	960	236	240	243	259	978	220	222	230	243	915	945
(Fresh/frozen)	(410)	(91)	(96)	(98)	(102)	(387)	(85)	(90)	(90)	(95)	(360)	(375)
(Bacon)	(328)	(77)	(71)	(75)	(79)	(302)	(70)	(62)	(70)	(73)	(275)	(270)
(Processed)	(223)	(69)	(73)	(71)	(78)	(290)	(65)	(70)	(70)	(75)	(280)	(300)
Exports	207	51	45	53	53	203	55	48	52	51	206	220
Available for consumption	1,558	391	393	396	420	1,600	374	370	381	407	1,531	1,566

Nevertheless, supplies will be tighter through most of the rest of 2013 and early 2014. Thereafter, the recovery in slaughterings is forecast to lead to higher production.

At the same time as UK supplies are tightening, the downward trend in EU production recorded over the last year is expected to continue. Latest forecasts suggest a particularly sharp fall in EU production in the second half of 2013, perhaps as much as 4% year on year. There is still some uncertainty about these forecasts due to the impact of the new welfare regulations which came into force at the start of the year. As well as further reducing the breeding herd, the move to group housing could limit any productivity gains, at least in the short-term.

With tighter supplies across the EU, any shortfall in pig meat production in the UK is unlikely to be filled by pulling in higher imports. In fact, the supply situation is likely to mean that UK pig meat imports are lower in 2013 than in 2012, perhaps by as much as six per cent. This is consistent with the drop already recorded in the first two months of the year.

The tight supply situation in the EU will create opportunities for UK exporters. If the pound remains relatively weak, this will help to ensure the competitiveness of UK pig meat on export markets. In addition, in 2013, the UK will have a full year of exporting to China and will begin shipping to Australia for the first time. All these factors point to strong export prospects and, despite lower production, a small increase in shipments is forecast.

The balance of production, imports and exports suggest that there will be a significant fall in supplies available for consumption in the UK during 2013. This would indicate that a decline in retail sales is likely, already reflected in figures for the year to date. This, in turn, suggests further increases in retail prices, although this will depend on consumer confidence, which currently remains low.

Other industry news

Dutch and Danish exports down in 2012

Danish pork exports in 2012 totalled 1.1 million tonnes, 15 per cent lower compared with the year before. This was partly a result of a seven per cent decline in Danish pig meat production, with notable declines in shipments to the major trading partners such as Germany and Poland. Demand from the UK and Italy was also lower. Amongst non-EU markets, supplies to Japan and Russia were also down.

Dutch exports showed similar trends as volumes shipped were down 17 per cent year on year, with similar declines across all major markets. Italy, the leading destination, recorded a 16 per cent drop while exports to Germany were 18 per cent lower. Shipments to the Greek and Polish markets were also down while demand from the UK was almost a third lower.

Promising outlook for second half of 2013

In its latest Pork Quarterly report, Rabobank forecasts a promising outlook for the pig sector in the second half of 2013. The report suggests that the growing importance of China and Russia as export markets for the US and EU means that seasonal trends in the Northern Hemisphere may be starting to change. As was the case last year, prices could be higher in the second half of the year with the first half more difficult. Carcase balance may also change, given different preferences in these markets. Lower production is expected in the second half of this year in the EU and possibly elsewhere, reinforcing this trend. With feed prices currently expected to be lower, this could mean that producer margins will look healthier than in recent years.

US pig numbers up slightly

According to the latest figures published by USDA, pig numbers on 1 March totalled 65.9 million head. This was one per cent up on the year, mainly a result of a two per cent rise in the number of pigs being raised for slaughter. However, there were one per cent fewer pigs available for slaughter compared with 1 December 2012. The breeding herd was only marginally up on the year at 5.83 million head. The number of pigs per litter, at 10.08, was the highest ever recorded in this quarter but lower than the previous three quarters. Intended farrowings for the March to May quarter are one per cent lower than the actual farrowings during the same period in 2012.

Russia extends import restrictions

Russia's state veterinary service is reportedly preparing to extend its ban on beef and pork imports. The ban comes as part of an ongoing dispute over the use of the feed additive Ractopamine. Inability to present proof of Ractopamine-free beef meant Russia imposed a total ban from the US market as of 11 February. Since then Russia restricted Mexican supplies, mainly affecting beef. Reports suggest a similar ban will be extended to Canadian suppliers, which would be more significant for the pork trade.

EU takes larger share of Chinese imports

In the first quarter of 2013, China imported 10 per cent less pork than in the same period last year, largely due to a sharp decline in the amount of US pork shipped. This was mainly the result of new requirements that all pork imports must be independently certified to be free of Ractopamine. This decline left a significant gap in the market, which has largely been filled by EU supplies which were up by two-thirds and accounted for 67 per cent of imports during the quarter, compared with 36 per cent a year earlier. All EU exporters benefitted, with the exception of Ireland. There was a similar pattern for offal exports, with US shipments falling by nearly 40 per cent year on year and volumes from the EU rising by nearly three-quarters.

EU pig meat consumption still falling

Recently published AHDB/BPEX estimates, based on EU production and trade, show that the amount of pig meat available for consumption in the EU fell again in 2012. Per capita consumption was estimated to be 40.4kg, down 300g compared with 2011. The fall was largely the result of a two per cent fall in EU pig meat production, with exports little changed compared with the previous year.

Levels of consumption of pig meat varied widely across Europe, with the UK averaging at just over 25kg, reflecting the relatively high consumption of other meats in the UK, with chicken the favourite protein. Among the larger EU Member States, consumption was highest in Austria, Germany and Spain, where over 50kg of pig meat was eaten per person.

Read more about these and other stories in Pig Meat Weekly. To view past editions or to subscribe, [click here](#).

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