

Pig Market Trends

July 2013, Issue 98

Key messages

Reader Survey

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Producer prices

GB pig prices, already at record levels, continue to increase in June and early July on strong demand for UK pig meat

Improved weather boosts demand and prices on EU pig market, with GB sow prices stronger as a result

Slaughterings and production

Little annual change in UK slaughterings and production in June but carcase weights remain high

Trade

UK pork exports in May up on the year again on the back of strong demand from Germany

Pork imports in May similar to year earlier but cured and processed volumes lower

Retail sales and prices

Consumer purchases of pork, bacon and sausage all subdued by higher prices but ham continues to perform well

Trust in food retailers recovering from horsemeat revelations but shoppers more aware of quality standards

Costs of production

Lower feed prices mean a further fall in pig production costs but not all producers benefitting yet

Cereals prices decline further as global weather remains favourable but soya remains expensive in short-term

UK Supplies Outlook

Higher than expected productivity gains mean 2013 pig slaughterings now expected to be only marginally lower than in 2012

Heavier carcase weights mean that pig meat production in 2013 set to be slightly up

Lower imports and higher exports mean supplies will still be tight on the UK market.

CONTENTS

Pages

• Producer prices	2/3
• Slaughterings and production	4
• Trade	5
• Retail sales and prices	6
• Costs of production	7
• FOCUS ON: Outlook for UK Pig Meat Supplies	8/9
• Other industry news	10

Key data

	Jun-13	Change since May-13	Change since Jun-12
GB DAPP (euro-spec) – p/kg dw	166.79	+2.73	+17.00
Average GB carcase weight – kg	78.82	-0.16	+0.89
30kg weaner price – £/head	51.77	+1.92	+8.82
GB cull sow price – p/kg dw	102.62	+4.71	-12.85
EU Reference price – €/100kg dw	172.06	+6.62	+4.18
UK Reference price – €/100kg dw	190.02	+2.08	+8.68
UK weekly clean pig kill – 000 head	185.8	+2.6	+1.0
UK weekly pig meat production – 000 tonnes	15.3	+0.2	+0.2
UK pork imports – 000 tonnes*	30.1	+2.5	-0.2
UK bacon imports – 000 tonnes*	18.9	+0.1	-2.8
UK pork exports – 000 tonnes*	13.6	-1.5	+1.9
Retail pig meat sales – 000 tonnes†	53.5	-1.0	-2.5
LIFFE feed wheat futures – £/tonne	167.07	-18.84	-11.68
CBOT Soyameal futures – \$/tonne	456.83	+24.33	+35.88

* Figures relate to May 2013

† Figures include household purchases of pork, bacon, sausages and ham and relate to 4 weeks to 7 July 2013

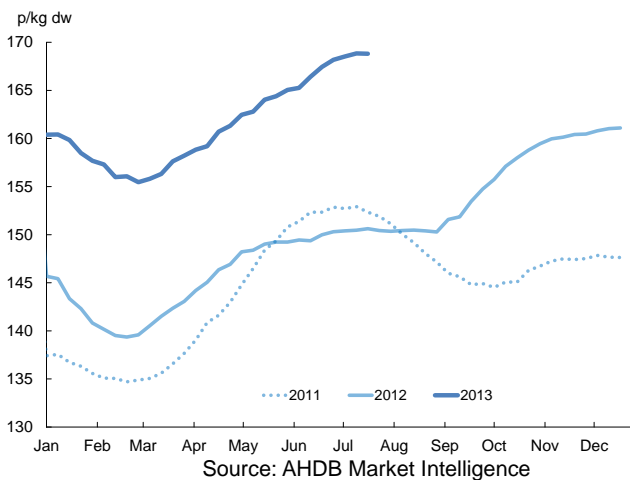
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Producer prices

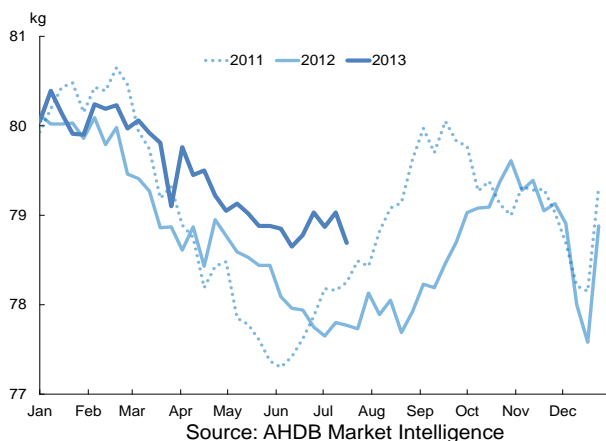
The sustained rise in finished pig prices which began in March continued throughout June before slowing into July. For the second consecutive month, the average EU-spec DAPP for June was a new record, reaching 166.79p per kg. This was nearly three pence higher than in May and 17p higher than the average for June 2012. Price rises have largely been driven by strong demand for British pigs, in part due to an increased retailer preference for domestic pig meat as they sought to shorten supply chains. This came despite EU prices being significantly below the level of the domestic market and pig supplies being at similar levels to last year. The upward momentum began to ease into July and by the middle of the month they had stabilised. For week ended 20 July, the EU-spec DAPP stood at 168.81p per kg, fractionally lower than the previous week but still at an unprecedented level.

GB finished pig prices (DAPP)



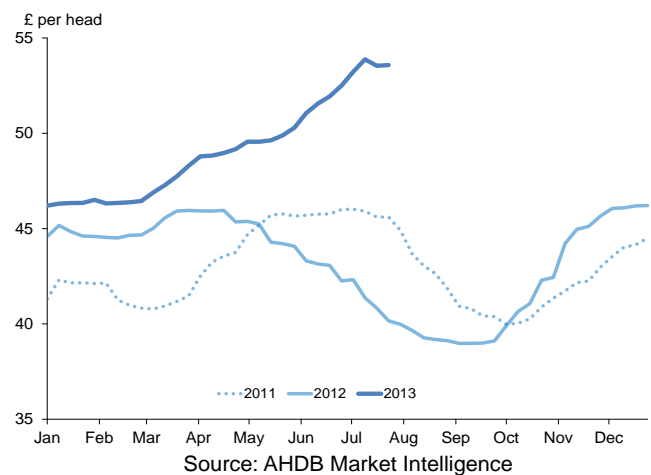
As has been the case all year, carcase weights continued to track well above year earlier levels during June and July. The monthly average for June was 78.82kg, slightly lower than the previous month but almost a kilo heavier than in June 2012. Weights have remained at a similar level into July but the hot weather during the month may be suppressing growth rates. This could delay the seasonal increase in weights which normally occurs during August and September.

Average carcase weights for GB finished pigs



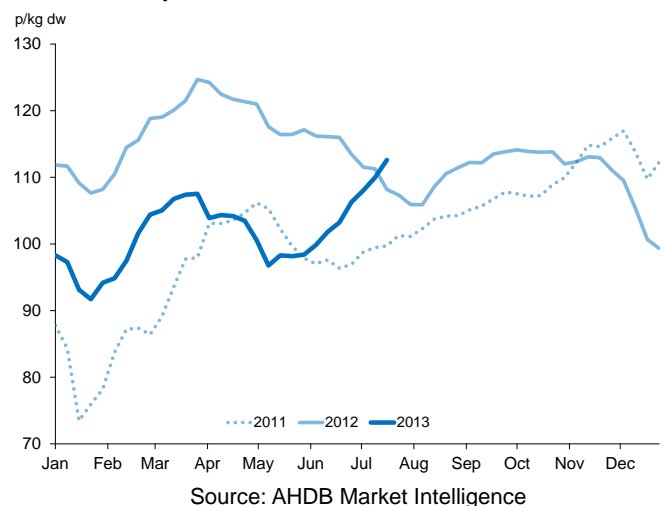
Weaner prices have generally followed the direction of the finished pig market, rising steadily from March until early July. The average price for June was £51.77 per head, the highest monthly figure since July 2010. Reducing feed prices were also a factor in the upward trend, with finishers anticipating lower costs for raising pigs to slaughter weight. By mid-July, the price had increased further before stabilising at just under £54 per head, around £13 higher than a year earlier and £7 up on the start of the year.

GB 30kg weaner prices



As usual, the GB cull sow market was more dependent on trends in the EU pig market than the domestic situation. With better weather on the continent stimulating demand, prices began to move upwards during June and accelerated into July. The monthly average price for June was 102.62p per kg, nearly five pence higher than the previous month but still 13p lower than a year earlier. However, last year prices were falling at this time of year. By week ended 20 July, the price had risen above its level a year earlier for the first time in 2013, standing at 112.61p per kg, its highest level since November 2012.

GB cull sow prices

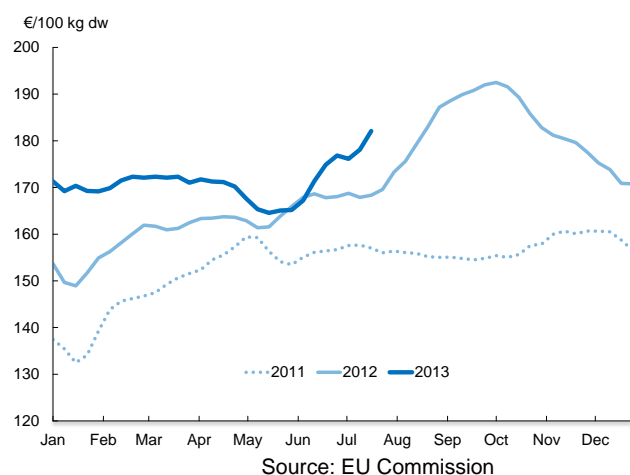


Great Britain pig prices

	DAPP Euro-spec (p/kg)	DAPP UK-spec (p/kg)	Ave. Carcase Weight (kg)	Ave. P2 Probe (mm)	30kg Weaner Price (£/head)	Cull Sow Price (p/kg)
Apr-13	160.94	158.04	79.30	10.7	49.06	103.25
May-13	164.06	161.11	78.98	10.8	49.84	97.91
Jun-13	166.79	163.79	78.82	11.0	51.77	102.62
06-Jul	168.53	165.50	78.87	11.1	53.23	108.01
13-Jul	168.84	165.79	79.03	11.1	53.88	109.97
20-Jul	168.81	165.78	78.69	11.1	53.54	112.61

With demand having been subdued for much of the year, EU pig prices have shown little sign of life. However, that began to change in June as improved weather conditions stimulated demand in northern Europe, as did the approaching holiday season in the south. At the same time, export markets were improving, notably Russia where EU pork replaced supplies from the Americas. The average reference price in June was €172.06 per 100kg, nearly seven euros up on May and four euros higher than in June 2012. Into July, there were reports that supplies were beginning to tighten while demand remained strong, which meant that prices increased rapidly. By week ended 20 July, the EU average reference price had risen to €182.09 per 100kg, its highest level since November and nearly 14 euros up on a year earlier. With prices starting to approach similar levels to last autumn, the impact on consumer demand remains to be seen.

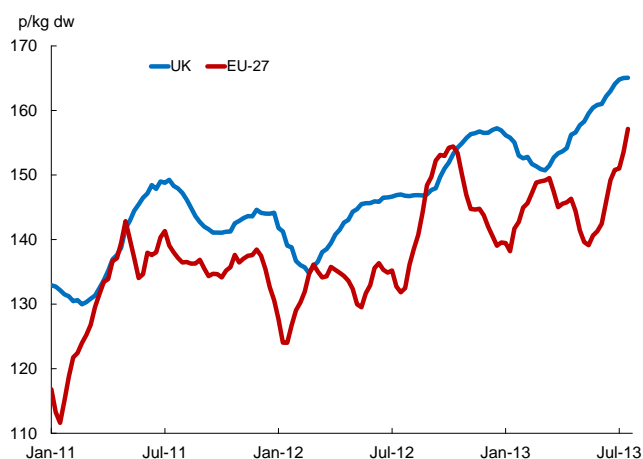
EU Average Pig Reference Price



Prices have increased in recent weeks across all major producing Member States. In Germany they increased by seven euros between May and June, with similar rises in neighbouring Belgium, the Netherlands and Poland. The largest rises were in French and Italian quotes, which increased by as much as ten euros. Growth was somewhat slower in Denmark, up by only three euros on the month. These trends generally continued into July, with prices increasing everywhere but by less in Denmark and more in Italy.

Although the UK reference price increased between May and June, the rise was smaller than elsewhere, so the UK's premium fell from over €22 in May to €18 in June. With UK prices stabilising, the gap was eroded further and by week ended 20 July it stood at just €9, its lowest level since March.

Comparison of UK and EU pig reference price



Despite lower feed prices and the strengthening finished pig market, EU weaner prices have remained subdued. The average price in June was €45.53, over a euro lower than in May. It was also down by a similar amount from June 2012 and represented the lowest monthly average since September 2012. Prices had only increased marginally by mid-July, with the average for the week ended 20 July standing at €45.81 per head. The market has been a little firmer in Denmark but price falls have been recorded in most other major producers. The biggest decline was in Italy, where prices had fallen by six euros per head since the end of May.

As usual, cull sow prices in the EU broadly followed the trend of the finished pig market, although the recovery of prices was less dramatic. In Germany, the price for an M1 Grade sow in June averaged €1.31 per kg, two cents higher than in May, although still eight cents lower than a year earlier. Prices continued to rise and by week ended 20 July had reached €1.38. This was the highest level so far this year and three cents up on a year earlier. Prices elsewhere followed a broadly similar trend.

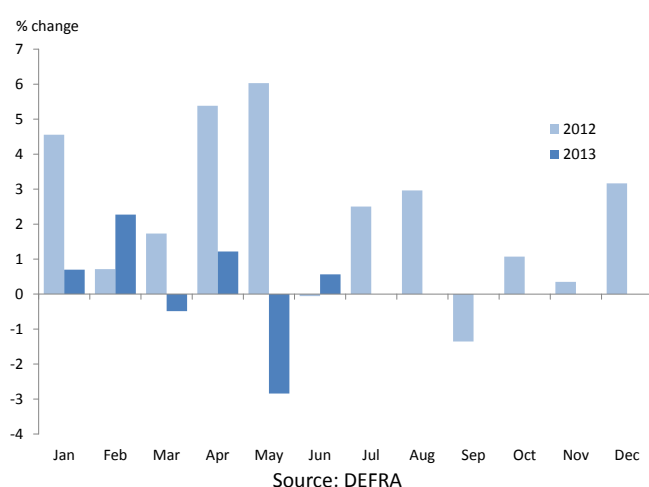
Pig Reference Prices in selected EU Member States (€ per 100kg)

	Apr 13	May 13	Jun 13	06-Jul	13-Jul	20-Jul
Denmark	154.39	150.93	154.16	158.59	158.61	158.63
France	159.30	153.77	163.63	170.00	168.00	173.00
Germany	171.43	163.53	170.82	171.36	174.42	179.52
Italy	166.43	163.73	173.82	186.17	191.44	197.27
Netherlands	156.01	148.41	155.02	154.91	156.85	162.48
Poland	171.89	164.74	172.89	175.68	174.55	181.21
Spain	192.65	185.58	191.54	196.16	202.52	206.21
UK	182.73	187.94	190.02	192.21	191.40	191.27
EU average	170.86	165.45	172.06	176.14	178.11	182.09

Slaughterings and production

UK pig supplies remained relatively tight in June, with slaughterings up less than one per cent on June 2012 at 743,200 head. This means that slaughterings in the second quarter were marginally lower than a year earlier, the first such fall since the third quarter of 2009. With more pigs continuing to cross the border from Scotland into England for slaughter, Scottish throughputs were down by more than half, while those in England were up six per cent. Northern Ireland killed one per cent fewer pigs in June, mainly due to lower imports from the Republic of Ireland. This trend has been apparent for most of 2013, with the number of imported pigs slaughtered in Northern Ireland so far this year down four per cent on a year earlier.

Annual change in UK clean pig slaughterings



The number of sows and boars culled in June was six per cent higher than a year earlier, at 20,200 head. The recent increases in the sow price indicate higher export demand, encouraging a rise in throughputs. In the first half of the year, two per cent more sows were culled compared with the same period in 2012. The increase came despite relatively weaker sow prices this year, indicating producers continue to prioritise herd productivity.

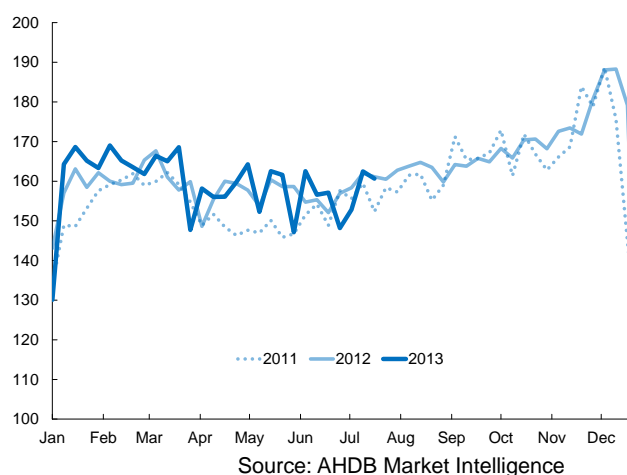
	Clean pig slaughter (000 head)	Pig meat production (000 tonnes)
Apr 13	945.2	78.2
May 13	733.0	60.2
Jun 13	743.2	61.0
% change Jan 13/ Jan 12	+0.6%	+1.0%
Jan-Jun 2013	4921.2	407.9
% change 2012/2011	+0.3%	+0.9%

* 5-week month

As has been the case all year, clean pig carcase weights were higher than in June 2012, averaging 78.2kg. This is the highest average weight ever recorded for June. Since the recent decline in feed prices, producers have been willing to sell heavier pigs. The net result was that pig meat production in June was one per cent higher than a year earlier at 61,000 tonnes. Cumulative production for the first half of the year was up by a similar proportion at 408,000 tonnes.

Based on the DAPP sample, estimated GB clean pig slaughterings in the first three weeks of July were one per cent lower than the same period in 2012, meaning the year to date figures were only marginally higher on the year. Supplies in the coming months are still expected to remain tighter than they were last year, given the fall in the breeding herd during the second half of last year.

Estimated weekly GB clean pig slaughterings



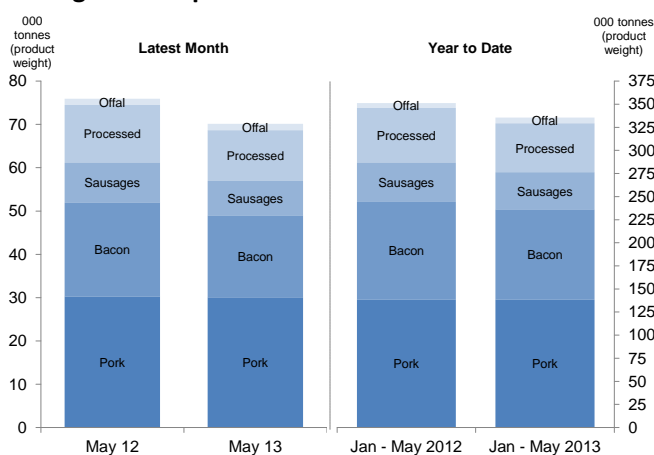
Pig slaughterings in the EU during the first four months of 2013 were one per cent lower than in the same period last year. Throughputs totalled 82.4 million head. However, with carcase weights averaging slightly higher, the amount of pig meat produced was almost identical to a year earlier at 7.45 million tonnes. Headline figures for April indicate a six per cent year-on-year increase in throughputs to 21.0 million head. However, with two more working days in the month this year, this may actually represent some tightening of supplies, with the number of pigs killed per working day down four per cent. Output during the month was also up by six per cent at 1.90 million tonnes.

The decline in slaughterings during the first four months of the year was apparent in many of the EU's major producing member states. Danish throughputs were down six per cent, as high weaner exports continued, and the Polish kill was down five per cent. Slaughterings in both France and Spain were down two per cent. In contrast, pigs remained plentiful in North West Europe, with Germany, the Netherlands and Belgium all killing more than a year earlier. Italian throughputs were also higher than in January to April 2012.

Trade

UK pork imports almost levelled in May, with a marginal decline compared with a year earlier. Imports from Denmark were down four per cent, due to lower availability from the country. However, it remained the primary supplier to the UK. While Ireland and France are smaller suppliers, imports were down by more than a quarter from both countries. Despite the falls, the UK market was somewhat balanced by the notable increases from Germany (up 12 per cent) and Netherlands (up 29 per cent). The unit price of imports was up by eight per cent at £2,070 per tonne. This was despite cheaper frozen shipments being up by more than a quarter, while fresh volumes were down seven per cent. As a result, the value of pork imports in May was seven per cent up at £62.1 million.

UK Pig Meat Imports



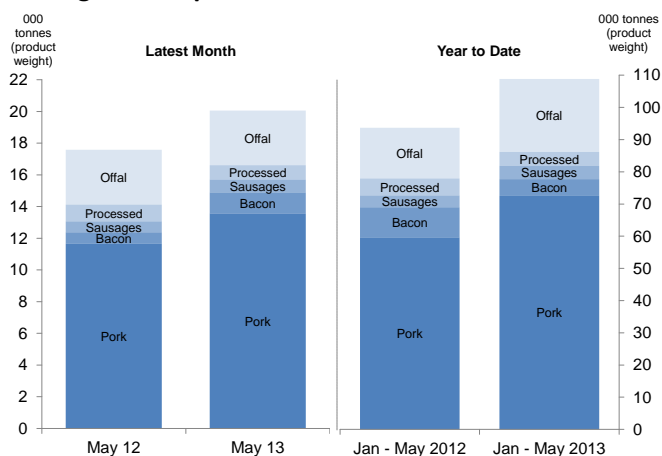
Source: Her Majesty's Revenue & Customs

Lower shipments from the Netherlands, Denmark and Germany meant that UK cured pig meat imports fell to 18,900 tonnes. This was 13 per cent lower compared with the same month a year earlier. The three main countries account for over 90 per cent of the overall trade. As a result, higher shipments from the other EU Member States failed to offset the decline from the main markets. Both sausages and other processed products also recorded a 13 per cent year-on-year decline, with Germany and the Netherlands again among the suppliers affected.

UK pork exports continued to grow in May, as supplies totalled 13,600 tonnes. This was 17 per cent higher than the same month in 2012. While still taking significant volumes, China stepped down to fifth place in May, having been the largest market the previous month. Increased exports were partly due to stronger demand from Germany, with shipments a fifth higher than a year earlier. Several other EU Member States reduced imports, including Ireland and the Netherlands but overall exports to the EU were up seven per cent. As for imports, frozen shipments rose particularly fast, being up by more than half year on year, while fresh/chilled volumes were little changed. The average price paid per unit exported came down five per cent but

increased volumes meant exports were valued 11 per cent above a year earlier at £16.1 million.

UK Pig Meat Exports



Source: Her Majesty's Revenue & Customs

Exports of cured pig meat in May increased from the low levels of the past 12 months, while sausage exports grew at a slower rate. In contrast, other processed shipments fell and pig offal exports slowed marginally. Strong offal demand from Asian markets was offset by a large decline in shipments to other EU Member States, including the Netherlands and Ireland. In addition, South Africa emerged as a new market and contributed five per cent of total UK exports.

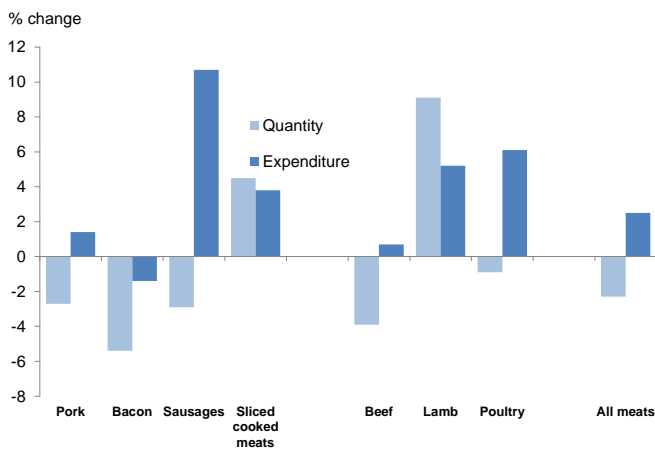
After a slow start to 2013, EU pork exports were up year-on-year in May, for the second month running. Shipments were four per cent higher than in May 2012, totalling 135,000 tonnes. The main reason for the recovery in exports in April and May was the improved Russian market. Having been down 18 per cent in the first quarter, shipments to Russia were up 27 per cent on the year in April and 21 per cent in May. This came despite higher domestic production, as restrictions placed on pork from other suppliers, notably from North and South America, left a gap in the Russian market. As has been the case all year, the other major growth market was China, with volumes to Hong Kong also higher in May. Having been up earlier in the year, shipments to Japan were lower in May, while several other important markets also took less EU pork.

Offal exports from the EU were also stronger in May than earlier in the year at 89,800 tonnes. Shipments were up 17 per cent year on year, on the back of increased volumes sent to China/Hong Kong. Unlike for pork, the Russian market remained subdued. The Philippines continued to re-emerge as an important secondary market for EU offal, accounting for nearly five per cent of shipments in May.

Retail sales and prices

In the 12 weeks to 7 July, consumer spending on pork increased one per cent compared with the same period last year, according to the latest figures from Kantar Worldpanel. This growth continued to be driven by price rises, as the amount purchased fell three per cent on the year. Pork marinades were the main bright spot, making up 14 per cent of all pork sales by volume. The largest gains were for ribs, likely driven by the barbecue season. Most other cuts recorded a decline in purchases compared to last year.

Annual percentage change in retail meat purchases (12 weeks to 7 July 2013)



Source: Kantar Worldpanel

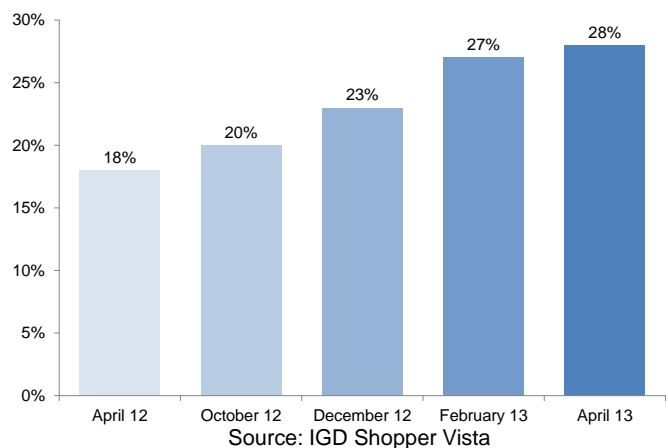
Over the same period, spending on bacon was one per cent below last year, as the amount purchased declined five per cent. Much higher prices meant expenditure on sausages was up by 10 per cent, despite volume purchases falling, although premium sausages again performed well. Sliced cooked ham has shown good growth, with expenditure up four per cent and the amount purchased five per cent ahead of last year due to shoppers buying more often and buying more per trip.

After the horsemeat scandal at the start of 2013, consumers' trust in food and food retailers fell noticeably. The decline in trust appeared to be industry wide; consumer concerns were not limited to the affected items. Product safety and quality were, understandably, the key areas of concern. However in the last few months, despite some after-effects still being apparent for certain products, consumer trust in the industry appears to be being slowly regained.

IGD reported that, after the scandal broke, only around half of shoppers agreed that food companies in Britain could be trusted to provide safe products and only 62 per cent felt they could be trusted to provide food of a reasonable quality. Mintel research from March indicated that only a third of consumers thought food manufacturers and supermarkets were aware of where their ingredients originate from, highlighting consumers' distrust at the peak of the media coverage.

Consumers have been voting with their baskets and many are thinking more about what and where they purchase their food. Shoppers are continuing to switch away from processed meat products and buying fresh cuts instead. Sales of frozen ready meals, in particular, are still being impacted and frozen burger sales remain below this time last year. Consumers are also looking more closely at labels. IGD's research in April indicated that over one in four consumers agree that products meeting quality assurance standards are worth paying more for, a 10 point jump since April 2012. Mintel has reported a rise in the number of consumers who claim that 'British', 'regional' and 'local origin' are factors when buying food.

Percentage of shoppers willing to pay extra for quality assured products



Source: IGD Shopper Vista

According to Mintel, nearly half of consumers agreed that if food contains British ingredients they would be more likely to trust the product. Manufacturing details on pack and animal welfare certification, such as the Red Tractor scheme, scored similarly on encouraging trust. Although traceability has increased in importance, only 14% say it influences their choice, implying that shoppers expect retailers and brands to shoulder that responsibility.

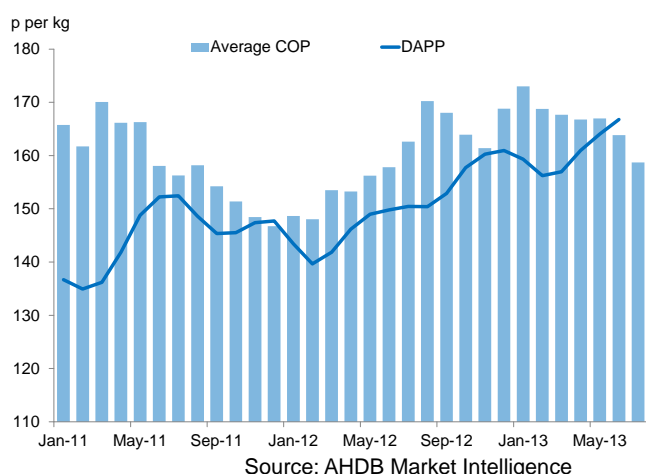
These trust-boosting factors have featured heavily in retailers' recent communications to shoppers. Many have been advertising their dedication to British produce (particularly meat) and we are already seeing more commitment towards British sourcing. However, it is important to remember that consumers still regard price as the key consideration in their product choice.

Research shows that, although trust in the industry is still lower than the end of 2012, confidence is beginning to be regained. To ensure these gains continue, retailers need to maintain focus on factors that encourage trust and make origin and manufacturing details more readily available.

Costs of production

Latest AHDB/BPEX provisional estimates show that the cost of pig production fell further in July. This was largely due to the easing of spot feed prices as prospects for this year's harvest still look positive. Average costs in July were estimated to be just under 159p per kg. This is the lowest level since June 2012 and around five pence lower than the month before. Costs have fallen by over 14p per kg since January and are now below the level a year earlier for the first time since feed prices began rising last summer.

Total cost of pig production compared with the DAPP



With the average pig price standing at over 168p per kg in July, producer margins are back in the black, having been in negative territory since late 2010. However, while this reflects the trading position in the latest month, it is worth remembering that pigs being sold during the month will have been fed through a period when costs were typically much higher. In addition, some producers will have bought feed ahead earlier in the year and they will not yet have benefitted from the lower spot prices on which the estimates are based.

The UK wheat November 2013 futures price closed at £162.75 per tonne on Thursday 25 July, down around five pounds from the settlement price a month earlier. The Chicago maize price (the main determinant of global feed grain prices) closed at \$188.48 per tonne for the December 2013 contract, down from \$214.37 a month ago and the lowest closing price since November 2010. Reports of favourable US weather have led to recent price declines and weather forecasts still point to ideal weather as the crop progresses and less weather risk is likely to be seen in the market.

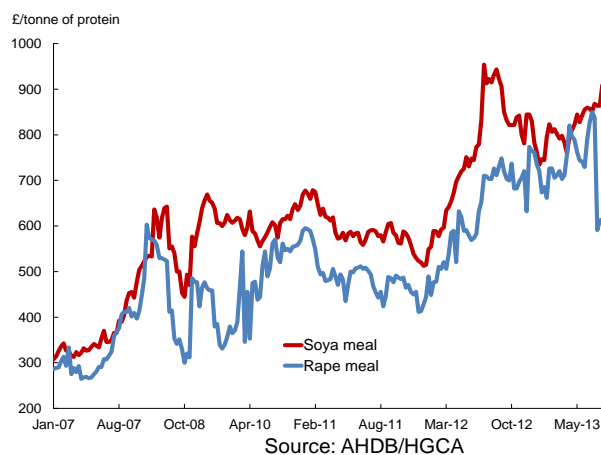
AHDB/HGCA published the 2013 GB planting and variety survey results on 22 July. As a result of the poor planting and growing conditions this year, farmers were asked to submit their intended harvest area rather than planted area. The results showed that total GB area dedicated to barley and oats has increased, while wheat and oilseed rape areas reduced, reflecting the poor planting conditions of last autumn and a switch to spring cropping. The larger area and, thus, a larger crop

will most likely see barley competitively priced into feed rations relative to other raw materials. The new crop discount between wheat and barley has already grown to over £20 per tonne to attract maximum use in feed rations, although competition from imported maize is still one to watch.

USDA, in its July report, put the global wheat crop at 698Mt, 43Mt above 2012/13, while global maize production is now estimated at 960Mt, up from 855Mt in 2012/13. Global 2013/14 wheat end-season stocks are seen lower than last season while maize stocks are expected to recover by 27Mt. Nevertheless, with maize stocks still well below the more comfortable levels seen in 2008/09, prices are likely to remain volatile on any news linked to production shortfalls.

The Chicago soyameal futures price (December 2013) closed at \$402.9 per tonne on 25 July, down from \$423.9 a month earlier. The nearby price has also declined two per cent during the month. The UK Hi-pro soyameal price (ex-store East coast) as at Friday 26 July was £432 per tonne for July delivery, up £5 on the week. Favourable US weather has also recently led to lower soyabeans prices and thus, soya meal prices. It is noteworthy that the key stage for the soyabean growth is expected in August, so prices can still move in either direction.

Comparison of UK prices for protein content of soya meal and rape meal



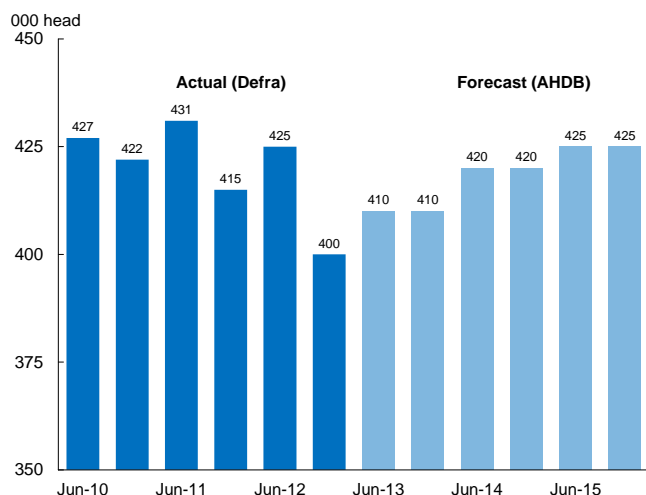
According to the latest HMRC data, the largest amount of soya meal and cake so far this season was imported in May at 242.5Kt. The total of 1.5Mt for the season to date (July-May) was still lower than the 1.6Mt imported in July 2011-May 2012. Demand for soya meal in feed production continues to lead to price increases relative to rape meal. Although rape meal prices have also increased, there has been a recent decline on the good rapeseed crop conditions and prospects seen globally. If these trends continue, rape meal may become a more attractive option to replace soya meal in rations subject to maintaining the right nutritional balance.

FOCUS ON: Outlook for UK Pig Meat Supplies - July

As reported in our previous outlook, published in April, the December Surveys of Agriculture reported a significant decline in the UK female breeding herd. It totalled 400,000 head, 25,000 down on the June figure, although a smaller decline compared with December 2011. The decline was largely in sows, with in-pig gilt numbers similar to both June 2012 and December 2011. The surveys also revealed that the total pig herd numbered 4.22 million head, its lowest level in more than 60 years.

The December Surveys also showed a sharp increase in maiden gilt numbers. This marked an acceleration of the recent trend, driven by a greater focus on productivity which has encouraged higher sow replacements. Although the acceleration may indicate some optimism returning, anything more than a modest expansion of the herd during the course of this year seems unlikely.

UK pig breeding herd trends



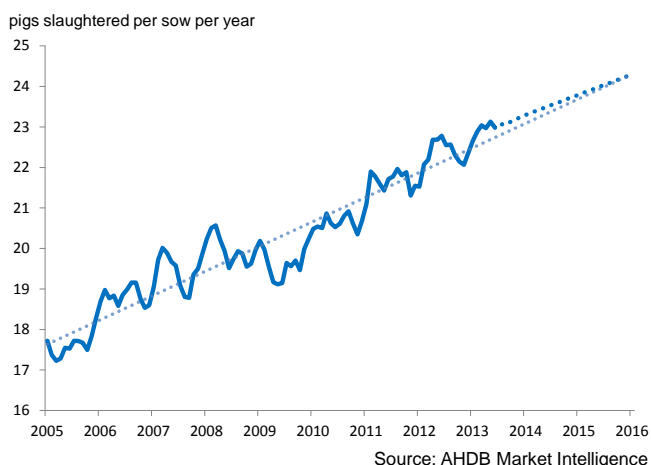
According to AHDB/BPEX estimates, until recently producers have been in a loss-making position for nearly three years. Their position has improved somewhat in recent months, as feed prices have eased and pig prices have continued to strengthen. Nevertheless, incomes will need to remain high relative to costs for some time before most producers have the confidence to invest in additional capacity. Even then, the appetite for expansion is likely to be limited, given the increased volatility in the markets in recent years and difficulties obtaining financing and planning permission.

Therefore, the gradual recovery of the breeding herd is likely to take until next year to complete. Prospects in the longer term will depend on developments in both the pig and feed markets. There are few signs that the UK breeding herd will expand beyond the levels of the last decade, at least in the medium term.

With a broadly stable breeding herd, increases in clean pig slaughterings in recent years are down to improved sow productivity. A number of factors contribute to this,

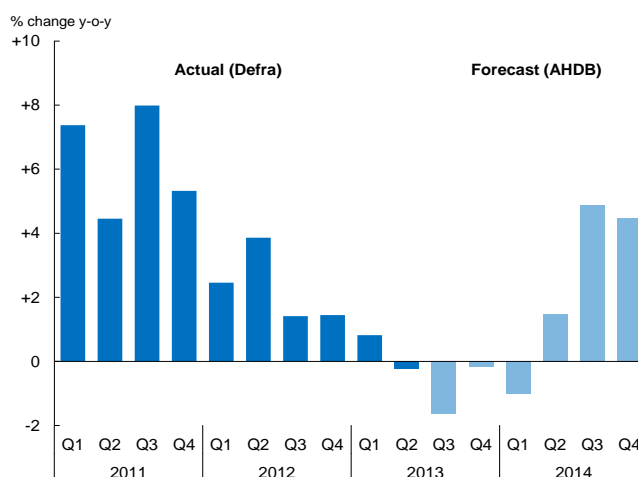
including improved health, genetics and stockmanship. This trend continues, with the number of pigs slaughtered per sow in the first half of 2013 equivalent to 23.0 per year, compared with 22.3 in 2012 and 21.7 in 2011. Further productivity improvements are likely in the coming year, not least because the producers who left the industry last year will have included some of the least efficient. With the UK herd's productivity still lower than many of our key competitors, there is scope for the upward trend to continue at something close to its recent rate.

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. Throughputs in the second quarter were lower than a year earlier for the first time since the third quarter of 2009, albeit only marginally. Further falls are expected in the remainder of the year. However, they are now expected to be smaller than in our previous outlook, largely due to a more rapid increase in productivity than previously anticipated. Looking further ahead, the expected recovery in the breeding herd and further productivity gains should lead to the resumption of the upward trend in slaughterings in 2014.

UK clean pig slaughterings and forecasts



FOCUS ON: Outlook for UK Pig Meat Supplies - July

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 above where they were before 2012.

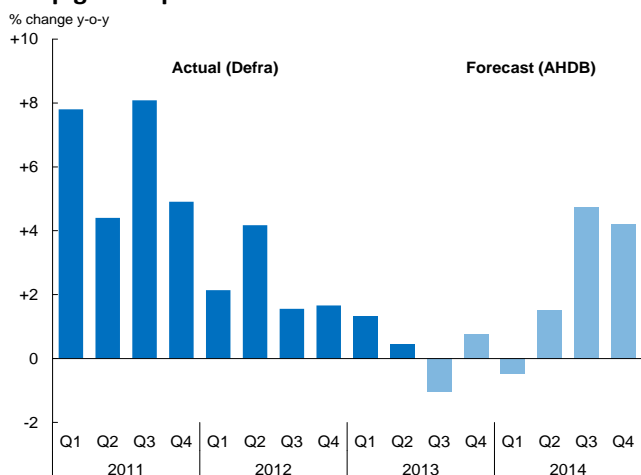
Actual and forecast UK pig slaughterings

000 head	Clean pigs			Sows and boars		
	2012	2013	2014	2012	2013	2014
Quarter 1	2,480	2,500	2,474	66	66	66
Quarter 2	2,427	2,421	2,457	62	64	63
Quarter 3	2,525	2,483	2,604	71	63	64
Quarter 4	2,603	2,598	2,715	66	65	65
Year	10,035	10,003	10,250	265	257	258

Source: Defra, AHDB. Figures in bold are forecasts

Carcase weights in the first half of 2013 have averaged around half a kilo higher than a year earlier. The seasonal fall in weights has been less marked than in recent years and appears to have finished earlier. This suggests that processors have been looking for heavier pigs to offset limited pig numbers. This trend is likely to continue for the remainder of the year as supplies tighten further. These higher carcase weights are expected to offset the fall in slaughterings, meaning that pig meat production for the year as a whole will be marginally up on last year.

UK pig meat production and forecasts



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	199	204	216	828	848
Imports	960	227	232	235	248	942	215	221	225	230	891	885
(Fresh/frozen)	(410)	(91)	(96)	(98)	(102)	(387)	(89)	(96)	(95)	(95)	(375)	(370)
(Bacon)	(328)	(77)	(71)	(75)	(79)	(302)	(70)	(65)	(70)	(70)	(275)	(265)
(Processed)	(223)	(60)	(65)	(62)	(67)	(254)	(56)	(60)	(60)	(65)	(241)	(250)
Exports	207	51	45	53	53	203	55	54	53	55	217	230
Available for consumption	1,558	382	385	388	410	1,564	369	366	376	391	1,502	1,503

Source: Defra, AHDB. Figures in bold are forecasts

Looking further ahead, some recovery in the breeding herd, coupled with the expectation of further productivity gains, means that production in 2014 is likely to reach its highest level since 2000.

In the early part of 2013, the UK has imported less pig meat than in the same period of 2012, despite the gap between UK and EU prices generally being higher than last year. The horsemeat revelations earlier in the year have increased retailers' preference for British pork. With domestic supplies slightly higher, this has led to lower demand for imports, a trend which is expected to continue through the remainder of the year. In addition, EU supplies are expected to tighten further as the year progresses. This is partly the result of the impact of the new welfare regulations which came into effect at the start of the year, coupled with poor profitability over the past year. UK imports for the year as a whole are forecast to be around five percent lower than in 2012.

UK exports of pig meat have been strong in early 2013, buoyed by demand from China. Tight supplies elsewhere in the EU have also created opportunities for exporters. In addition, the UK has recently begun shipping pork to Australia for the first time. Growth may slow somewhat in the remainder of the year, given that domestic production is expected to be similar to last year and the Chinese market was already open by the second half of 2012. Nevertheless, exports for the year as a whole are still forecast to increase.

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 purchases is likely, a trend which is already reflected in figures for the year to date. This, in turn, suggests further increases in retail prices, although with consumer confidence remaining low only modest price rises may lead to reduced demand.

Other industry news

Dutch and Danish exports down

Danish pork exports were down five per cent in the first quarter of this year, with a total of 272,800 tonnes. Lower domestic production was a factor, given the continuing increase in weaner exports. Pork exports to Germany and Poland, the two largest markets, were almost unchanged. Exports to non-EU markets were down, however. The situation in the Netherlands was similar, as first quarter figures showed a three per cent drop in exports with a total of 166,000 tonnes, with most major markets affected

Global production growth set to slow in 2013

In its latest Global Food Outlook, FAO forecasts that global meat production will grow more slowly in 2013 than in 2012. This also applies to pig meat, with output set to rise by 1.5 per cent to 114.2 million tonnes due to the impact of elevated feed prices and, in some cases, lower pig prices. Most of the increase is forecast to come from developing countries, including China, Korea, Brazil and Russia. With reduced output in some of the main exporting regions and more rapid growth in several major importers, trade volumes are expected to be constrained this year.

CAP reform political agreement reached

The European Parliament, Commission and Council have reached a political agreement on CAP reform. Full details of the deal are yet to emerge on all points, and some elements remain to be agreed. Key aspects of the deal include that 30 per cent of direct payments will be conditional on farmers undertaking greening measures. In addition, there will be a gradual convergence in the level of payments across and within Member States but countries will still be able to continue to couple some payments. The changes do not appear to have a significant direct impact on pig production, although there will be impacts on producers who own land or have mixed enterprises. AHDB Market Intelligence has produced a briefing note outlining the key aspects of the reform. [Click here](#) for more.

EU-US trade agreement negotiations launched

The EU and US have launched negotiations on a free-trade agreement, aimed to liberalise trade and investment between the two blocks. An agreement could see cost savings and increased exports from both trading partners. Agriculture is likely to be a key stumbling block, with issues such as EU bans on ractopamine-fed pork, hormone-use in beef production

and GM crops likely to be at the heart of the negotiations. In 2012, the EU exported over 42,000 tonnes of pork to the US, 3% of total exports. In comparison, US shipments of pig meat to the EU were little over 2,000 tonnes as EU import tariffs are more restrictive.

German breeding herd lowest for several decades

Latest figures show that overall German pig numbers totalled 27.4 million head in May. This was a two per cent fall compared with the same period in 2012 and was mainly a result of a declining breeding herd. The number of sows totalled just over 2 million head, down six per cent on the year, as the new EU welfare regulations led to a large fall in the number of farms with breeding sows. It remains to be seen whether this pattern will be replicated in other Member States, whose census figures will be published in the coming weeks.

Croatia joins the European Union

Croatia became the 28th Member State of the European Union at the start of July, a decade after it applied. The country has a modest pig sector and accounts for less than one per cent of total EU-28 pig meat production. However, it will be interesting to follow the Croatian pig industry to see the impact of EU regulations, especially since the majority of the country's pig producer operate on a small scale. More information about the Croatian pig market can be found in our [country report](#).

Stable pig herd in the US

According to the June census from USDA, the number of pigs in the US totalled 66.6 million head. This was virtually unchanged compared with the same month in 2012 but two per cent up on March 2013. There was a marginal year-on-year uplift in the breeding herd, to 5.88 million head. Sow productivity increased further, with the average pigs saved per litter a record high for the March to May period of 10.31. Intended sow farrowings during the June to August quarter were expected to be slightly down on the year but a small increase in the following quarter is likely to hold production up.

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