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2008 PIG COST OF PRODUCTION IN SELECTED COUNTRIES

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INTRODUCTION

This is the eighth in a series of annual reports that examines the relative costs of pig meat production up to farmgate level in selected countries. The latest results in this report relate to 2008.

2008 marked the return to profitability of the European pig sector. In the first quarter of the year significant losses were being recorded in most of the InterPIG countries. However, weakening feed prices during the course of the year meant that production costs were significantly lower at the end of the year than at the start. The British pig industry also benefited from a substantial fall in the sterling exchange rate, which had two positive effects: it led to an improvement in the relative competitiveness of Great Britain pig production and it boosted pig prices through its impact on import and export levels.

Further improvements in technical efficiency have helped to trim production costs. One positive factor in 2008 was the success of the BPEX program to distribute the PCV2 vaccine, which is used to control PMWS, to English pig producers. In the first two months of the scheme, applications representing 250,000 sows - 70 per cent of the English breeding herd - had been received. Sow productivity, post-weaning, mortality and growth rates improved in 2008 and this is likely to have been due in no small part to PCV2. Further gains are being seen in 2009. However, although British pig meat production is making some impressive performance gains, it is still lagging behind the European average in some areas, in particular, pigs born/sow.

2009 has seen a further weakening in sterling, which together with declines in production, has pushed pig prices to record levels. At the same time, feed prices have continued to move lower. Consequently, profit margins this autumn have been the highest for over ten years. However, this is not a reason for complacency. The pig industry does not control world feed prices. The exchange rate is unpredictable and could move the other way, with negative implications for prices.

The one thing that is within the power of the pig sector is to take action to reduce production costs. A knowledge of the costs of production is the first step to reducing them, and will help producers cope with potential fluctuations in market prices and input costs.

METHODOLOGY

This report is the eighth in a series that examines the relative costs of production in selected countries. This is a joint project currently involving the following organisations in 11 countries, which are known collectively as InterPIG.

- Great Britain - BPEX
- Austria - VLV Upper Austria
- Belgium - Boerenbond Belgie
- Denmark - Danske Slagterier
- France - Institute Technique du Porc
- Germany - Institut für Betriebswirtschaft (FAL), and Interessengemeinschaft der Schweinehalter (ISN)
- Ireland - Teagasc Rural Economy Research, Dublin
- Italy - Centro Ricerche Produzioni Animali
- Netherlands - Agricultural Economics Research Institute (LEI), and Productschappen Vee, Vlees en Eieren (PVE)
- Spain - SIP Consultors
- Sweden - LRF Konsult

In the two previous years organisations in Brazil, Canada and the United States also supplied data to InterPIG, but for various reasons they have not supplied results for 2008. It is to be hoped that we can get information from them again in the future.

The cost and performance data relates to average performance data from the national recording systems operating in the participating countries. Definitions have been standardised across countries. For example, the definition of a sow is from first insemination to slaughter, and the results are based on average present sows (average daily number of sows in the year).

There will inevitably still be some national differences in definition, but where this has occurred the data has been adjusted in the most appropriate way. The results are believed to provide a clear indication of the relative average costs of production within each country and to provide an accurate comparison within 1-2pkg deadweight.

KEY POINTS

- The cost of pig meat production in Great Britain production increased by 12 per cent in 2008, to 136.8p/kg. The average cost of production in the EU was 135.9p/kg dw, up 24 per cent. Production costs in Great Britain were therefore much closer to the EU average than in previous years, when we had been one of the highest-cost countries.

- The improvement in the relative cost of production in Great Britain was in part due to improved physical performance, but it was mainly due to the lower exchange rate.

- The major cause of the increased production costs in the first half of the year was high feed prices. However, feed costs trended lower during the course of 2008, which means that end-year costs of production in most countries are likely to have been lower than the annual averages.

- The cash costs of production, ie excluding finance costs, were120.0p/kg in 2008. This was about 15p higher than in 2007 and 30p higher than in 2006. The UK cash costs of production were 5p higher than the EU average, significantly less than the differential seen in previous years.

- In 2008 as a whole, EU feed costs increased by 34 per cent compared with a year earlier in sterling terms although they were just 18 per cent higher in Euro terms. The cost increase (in sterling) was 25 per cent in Great Britain

- The overall average number of pigs weaned/sow/year in the European InterPIG countries showed a three per cent increase in 2008, up from 23.24 in 2007 to 23.93. There was a further two per cent increase in pigs weaned/sow in Great Britain, to 22.09. This was only slightly below the record level of 2000. However, performance results for Great Britain remain near the bottom of the European league.

- Great Britain continued to show improvements in post-weaning mortality, down from 7.0 per cent to 5.6 per cent. By far the most marked improvement in post-weaning mortality in recent years has occurred in Great Britain Between 2004, when the mortality rate peaked, and 2008 mortality declined by 51 per cent in Great Britain compared with nine per cent in the EU as a whole.

- The average number of pigs finished/sow in Great Britain increased for the fifth consecutive year in 2008. At 20.9 pigs/sow, average performance was 0.7 pigs (4%) higher than in 2007 and 2.0 pigs (11%) higher than in 2004. This was the highest annual improvement recorded for at least 15 years

- The most marked improvement in daily liveweight gain for feeding herds occurred in Great Britain, up 11 per cent to a record 757g. Great Britain results have increased every year since 2003, when they averaged 627g/day, and they are now up to the EU average.

- Great Britain produces lighter pigs than most other countries in Europe and this, together with the below-average number of pigs finished per sow, means that the amount of carcase meat produced per sow is the lowest of all the EU countries. However, production in Great Britain has been increas ing faster than the EU average, up from 75 per cent of the EU average in 2004 to 80 per cent in 2008.

- Feed prices have continued to fall in 2009. In Euro terms, EU feed prices in August were on average 19 per cent lower than in the 2008 year, but due to the depreciation of sterling, they were just 11 per cent lower in sterling terms. Compound feed prices in Great Britain have risen relative to other countries; in August 2009 they averaged four per cent less than a year earlier in sterling terms

- In 2009 there has been a further decline in sterling but the impact of this has been offset by the increase in British feed prices, leaving competitiveness little changed. Costs of production in Great Britain averaged 101 per cent of the EU average in 2008 while in August 2009 they were 100 per cent of the EU average.

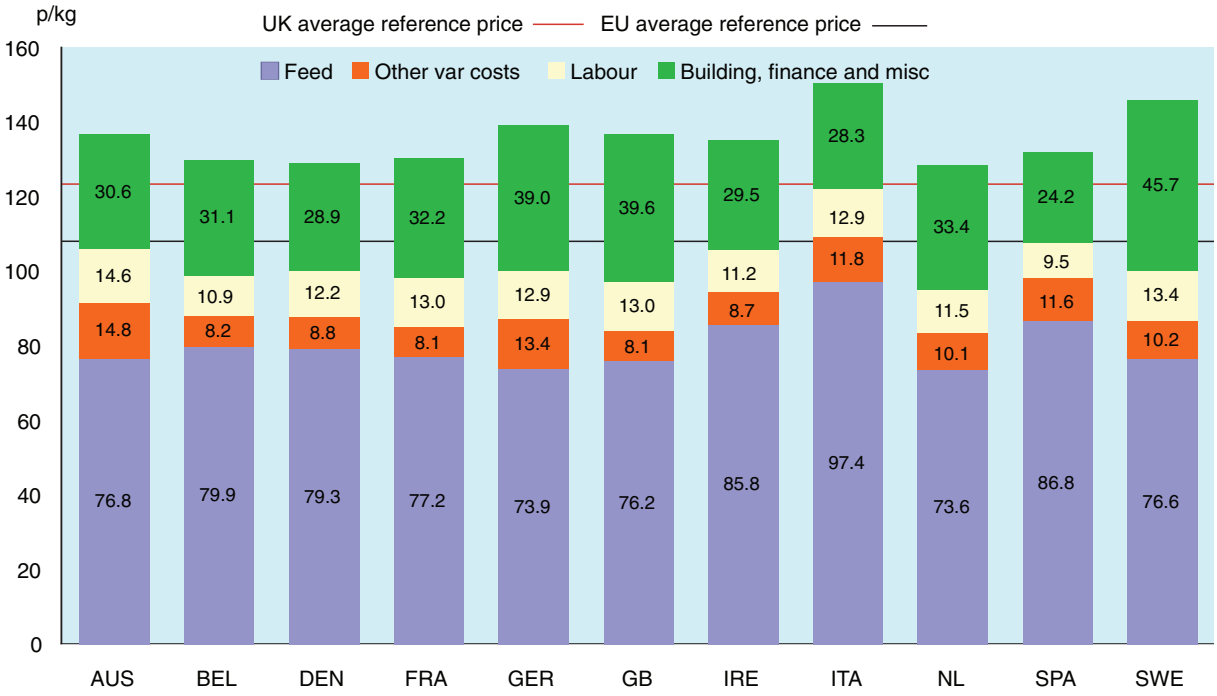
- During the first five months of 2008, British pig producers were losing on average between £20 and £25 per pig. By August 2009, the average net profit is estimated to have risen to £17/pig.

COST OF PRODUCTION

Aggregate results for 2008

The production costs of pig meat in 2008 for all the countries covered in this report are shown below in Figure 1. This data includes all variable costs (other than transport of pigs to abattoirs) and fixed costs. Fixed costs include depreciation and interest costs for capital items such as buildings and equipment. Costs for regular and casual labour are included but no allowances are made for directors' salaries or partners' drawings.

Figure 1 Cost of production in selected countries, 2008



The average cost of production in the EU in 2008 was 135.9p/kg dw. Costs of production in Great Britain, at 136.8p, up from 121.7p in 2007, were much closer to the EU average than in previous years. Italy continued to have the highest production costs in 2008, at 150.5p, but this was because Italian pigs are generally finished to heavier weights than in other EU countries. The second highest production cost was in Sweden, at 145.9p. Lowest production costs in the EU were in the Netherlands (128.6p) and Denmark (129.1p). Feed costs trended lower during the course of 2008, which means that end-year costs of production in most countries are likely to have been lower than the annual averages.

The average UK reference price remained above the EU average in 2008 but, at 122.7p, it was well below the cost of production. These figures imply a loss of 14p on every kg of pig meat produced (compared with 17p in 2007) if a sustainable level of reinvestment is undertaken by producers in their businesses. This was equivalent to a loss of £10/pig. Most of these losses were incurred in the first half of 2008, as by the end of the year the industry was making small profits.

Comparisons with previous years (in sterling terms)

Costs of production in 2008, compared with results for the four previous years, are shown in Table 1. The average cost of production in the EU countries increased by 24 per cent in 2008 to 135.9p/kg, due both to the impact of high feed costs in the first half of the year and to a sharp decline in the value of sterling. Costs increased in all countries, with the exception of Great Britain and Denmark, by between 20 and 29 per cent. Great Britain showed the smallest increase (12%) due to the exchange rate factor. The Danish cost of production increased by 35 per cent, although it is still one of the lowest-cost producers.

Table 1 Average costs of production, 2004-2008 (p/kg dw)

Year	2004	2005	2006	2007	2008	2008/07 % change
Austria	111.6	103.5	107.6	113.5	136.8	+20
Belgium	92.0	86.8	90.8	105.6	130.0	+23
Denmark	92.4	88.3	87.3	95.9	129.1	+35
France	94.5	90.6	92.0	103.2	130.5	+26
Germany	105.6	99.1	99.4	109.3	139.2	+27
Great Britain	110.2	104.4	108.6	121.7	136.8	+12
Ireland	96.9	94.6	99.9	109.1	135.2	+24
Italy	121.8	117.0	114.2	125.7	150.5	+20
Netherlands	90.3	84.4	86.1	100.0	128.6	+29
Spain	na	na	96.5	107.5	132.1	+23
Sweden	100.3	96.3	102.3	115.9	145.9	+26
EU	101.5	96.5	98.6	109.8	135.9	+24

Table 2 examines national cost structures in rank order and looks at how these rankings have varied over time. The range between the lowest cost producer declined from 27 per cent of the EU average in 2007 to 16 per cent in 2008. Based on the InterPIG results from the last few years, there are three broad bands of costs structure within the EU. Countries may change position within the band, but there is only limited movement between bands.

High costs in Italy, Great Britain, Sweden and Austria. Countries are in the high-cost band due to a combination of factors including relatively high feed prices, lower sow productivity than in some other countries and due to carcase weights. Low carcase weights in Great Britain contribute to high costs because the cost per pig is divided by fewer kg but paradoxically, in Italy, higher carcase weights also contribute to higher costs because feed conversion rate deteriorates as pigs get heavier.

Within this band, Sweden had above average cost increases in 2008 and now has the second highest production costs. However, in 2008, Great Britain moved into the medium-cost band. In part this was due to improved physical performance, but it was mainly due to the lower exchange rate. As exchange rates can go the other way, the continued presence of Great Britain in the medium-cost band is uncertain.

Medium costs in Germany, Ireland and Spain. Again, costs in these countries are lower than in Great Britain (up to 2007) due to different combinations of technical and economic factors. For example, Ireland and Spain have some of the highest feed costs in the EU, while German feed costs are the lowest.

Low costs in France, Belgium, the Netherlands and Denmark. Countries in the low-cost band are characterised by a combination of superior technical performance and low feed prices.

Within this cost band, Denmark moved from first place to second place in 2008 while the Netherlands fell from second place to first place.

Table 2 Ranking of EU production costs, 2004-2008

Year	2004	2005	2006	2007	2008	%ofEU ave
Netherlands	1	1	1	2	1	94.6
Denmark	3	3	2	1	2	95.0
Belgium	2	2	3	4	3	95.7
France	4	4	4	3	4	96.0
Spain	na	na	5	5	5	97.2
Ireland	5	5	7	6	6	99.5
Austria	9	8	9	8	7	100.6
Great Britain	8	9	10	10	8	100.7
Germany	7	7	6	7	9	102.5
Sweden	6	6	8	9	10	107.4
Italy	10	10	11	11	11	110.7

Notes: Rankings: 1 = lowest, 11 = highest

Exchange rate movements

Of the 27 EU countries, 16 are currently in the Eurozone while some of the other currencies, such as the Danish Krone, tend to track movements in the Euro. For these countries, pig meat trade with the other countries within the Greater Eurozone will therefore not be influenced by currency fluctuations. There are, however, two major pig players in the EU who are not in the Euro and whose pig industry can be influenced by currency fluctuations: Poland and the United Kingdom.

Exchange rate movements can affect the British pig industry in a number of ways.

- Empirical evidence shows that they have sometimes had a significant effect on relative competitive ness from year to year.
- Changes in the value of sterling against the Euro will affect relative UK pig prices, which will consequently impact on trade flows.

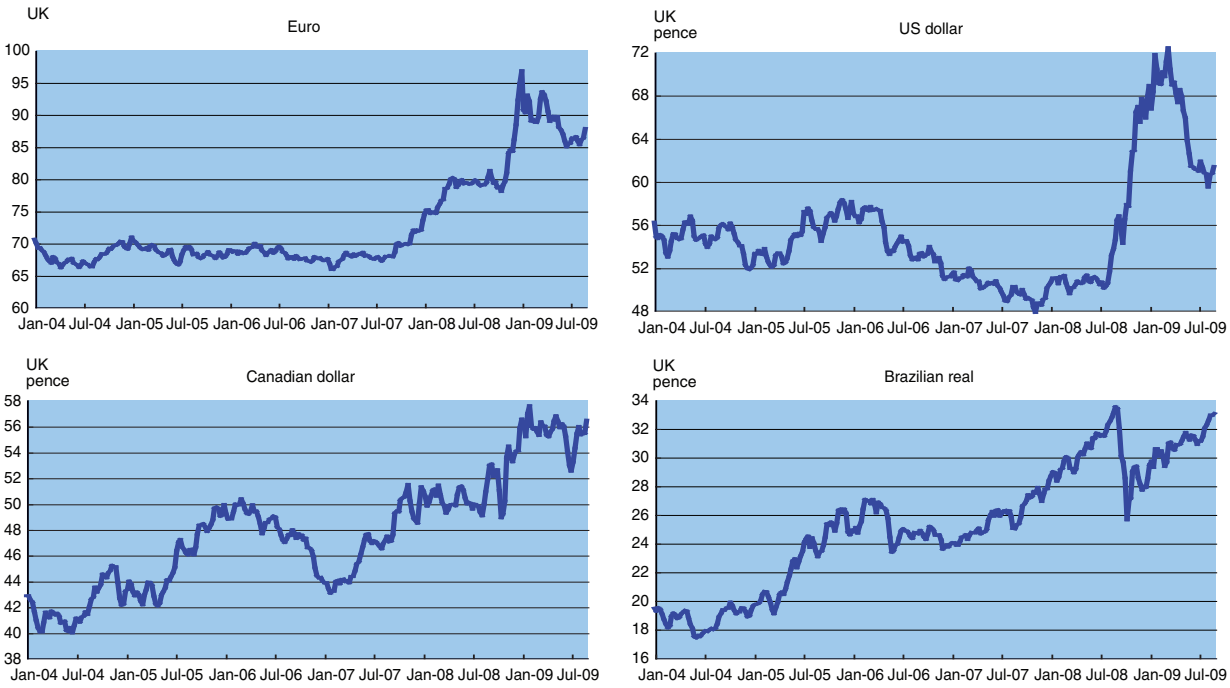
In 2008 and 2009 sterling has been weaker against the Euro, meaning that our prices and production costs have been relatively lower. There has, therefore, been a tendency for imports to be lower and exports higher. Although a weaker sterling will discourage imports and encourage exports, it also means that items that are not produced in the United Kingdom and have to be imported, such as soya, will cost more.

Euro

Between 2003 and late 2007, the sterling: Euro exchange rate was relatively steady, with the Euro trading between 66p and 70p. The exchange rate position changed during the first quarter of 2008 when economic problems led to a decline in the sterling exchange rate. By April the value of the Euro had increased to 80p in sterling terms.

Foreign exchange markets have been very volatile from the autumn of 2008 due to uncertainties caused by the “credit crunch” and the move into recession by the United Kingdom and other economies. The value of the UK pound was also hit by several cuts in base rates, to 0.5 per cent, the lowest for over 300 years. By early 2009, the value of the Euro had increased to over 95p. Although it has since fallen back to between 85 and 90p, the Euro is still stronger than a year ago.

Figure 2 Exchange rate movements, 2004-2009



At the time of writing (September 2008) the Pound has begun to weaken against the Euro again. The foreign exchange markets are worried about the impact of the vast increase in the UK national debt over the past year, mainly caused by a policy called "quantitative easing". The increase in debt also means that the Bank of England is unlikely to put up interest rates very quickly, as this will mean increasing interest costs payable on the debt.

US dollar

Between the beginning of 2003 and late 2007, the US dollar lost over 30 per cent of its value against sterling, due to economic concerns and low interest rates. This led to a significant improvement in the relative competitiveness of US pigs, a factor that has been reflected in booming export sales. Sterling reached a 26-year high against the dollar in November 2007 ($2.09). It has fallen back significantly since then, and is currently (September 2009) worth $1.63

Table 3 Annual exchange rates

Year	1 =	: £	$US:£	$C:£	Real:£
2004	67.8p	1.47	1.83	2.38	5.36
2005	68.4p	1.46	1.82	2.21	4.44
2006	68.2p	1.47	1.84	2.09	4.01
2007	68.4p	1.46	2.00	2.16	3.92
2008	78.2p	1.28	1.92	1.98	3.32
2009 (Jan-Jun)	89.3p	1.12	1.49	1.80	3.27

Comparisons with previous years (in Euro terms)

Between 2004 and 2007 there was very little change in the value of the Pound against the Euro, so exchange rate fluctuations had little impact on relative competitiveness. 2008 was a very different year, however. The value of sterling declined by 12 per cent against the Euro. Consequently, although average EU prices increased by 24 per cent in sterling terms (Table 1) they only increased by eight per cent in Euro terms (Table 4).

Great Britain was the only country where costs of production declined in 2008 (-2%), which gives a clear indication of the gains in competitiveness arising from exchange rate fluctuations.

Table 4 Average costs of production, 2004-2008 (Euro cents/kg dw)

Year	2004	2005	2006	2007	2008	2008/07 % change
Austria	164.5	151.4	157.8	165.8	174.9	+5
Belgium	135.7	127.0	133.2	154.2	166.3	+8
Denmark	136.1	129.2	128.1	140.0	165.1	+18
France	139.2	132.5	135.0	150.8	166.9	+11
Germany	155.6	145.0	145.9	159.7	178.1	+11
Great Britain	162.4	152.8	159.3	177.8	175.0	-2
Ireland	142.8	138.4	146.5	159.3	173.0	+9
Italy	179.5	171.2	167.6	183.7	192.5	+5
Netherlands	133.1	123.4	126.4	146.0	164.5	+13
Spain	na	na	141.6	157.1	169.0	+8
Sweden	147.8	141.0	150.0	169.3	186.6	+10
EU	149.7	141.2	144.7	160.4	173.8	+8

CASH COSTS OF PRODUCTION

Table 5 gives a breakdown of the costs of production in Great Britain compared with the overall (excluding Italy) results.

The production costs estimated for Great Britain and other countries include "Finance Costs", ie the depreciation of buildings and machinery. While this is the true cost of production, it is recognised that for many purposes (cash flow analyses, business plans, etc) producers will be more interested in the cash tied up in the production process.

The overall cost of producing a kg of pig meat in Great Britain in 2008 was 136.8p. However, if the finance costs element (16.8p) is excluded from the calculations, the cash costs of production fall to 120.0p/kg. This was about 15p higher than in 2007 and 30p higher than in 2006. The UK cash costs of production were 5p higher than the EU average, significantly less than the differential seen in previous years. The 2007 cash cost for Great Britain was 14p more than the EU average.

Table 5 Cash costs of production in 2008

	GB		EU-	
Variable costs	**105.1**		**101.0**	
Feed	76.2		80.4	
Breeding cost	1.3		2.5	
Vet and med	2.4		3.8	
Energy	4.5	Cash	4.1	Cash
Maintenance	9.2	costs =	3.0	costs =
Levies, insurance, inspection	2.9	120.0p	1.3	114.9p
Miscellaneous	8.7		5.9	
Fixed costs	**31.7**		**34.9**	
Labour	13.0		12.2	
Finance costs	16.8		21.0	
Interest on working capital	1.9		1.8	
Total costs (a)	**136.8**		**135.9**	

(a) Excludes transport from farm to abattoir

In estimating the depreciation charges we have assumed that buildings are amortized over a period of 20 years and equipment over a period of 10 years. These are the default amortization periods for EU countries, although the periods may be changed if there is evidence that they are different.

Since the late 1990s, the British pig industry has been characterised by a lack of investment in buildings and equipment as a result of a long run of economic and health crises. Consequently, many producers will be in the position of using buildings/machinery that have been completely amortized. Therefore, assuming they do not intend to replace their existing assets, their total costs will be much closer to the cash costs of production. However, this is not a sustainable position for those businesses in the medium term.

Producing pigs in ageing buildings is, however, also likely to mean higher maintenance costs, and this trend has been apparent in Great Britain in recent years.

FINANCIAL PERFORMANCE SUMMARY

Table 6 contains financial performance data for 2008, while Table 10 presents, where available, comparisons with 2004-2007. Among the EU countries there was a range of 22p between the highest-cost producer and the lowest-cost producer, although the range was smaller than in previous years. The recorded differences are due to a combination of differences in physical performance and differences in the prices of inputs (eg feed prices or wage rates). This chapter examines the cost centres of pig production to try to identify the causes of the wide range of total production costs.

Table 6 Summary of financial performance, 2008

	AUS	BEL	DEN	FR	GER	GB
Feed	76.82	79.90	79.25	77.23	73.89	76.15
Other Variable Costs	14.77	8.22	8.81	8.12	13.43	8.12
Total Variable Costs	91.59	88.12	88.06	85.35	87.32	84.27
Labour	14.56	10.86	12.15	13.02	12.86	13.02
Building, finance and misc	30.60	31.07	28.87	32.15	39.04	39.55
Total fixed costs	45.16	41.93	41.02	45.17	51.90	52.57
Total	136.75	130.05	129.08	130.52	139.22	136.84
	IRE	**IT**	**NL**	**SPA**	**SWE**	**AVE EU**
Feed	85.82	97.41	73.60	86.76	76.57	80.42
Other Variable Costs	8.68	11.85	10.12	11.59	10.24	10.39
Total Variable Costs	94.49	109.26	83.72	98.35	86.81	90.80
Labour	11.24	12.90	11.51	9.50	13.41	12.17
Building, finance and misc	29.51	28.34	33.35	24.25	45.70	32.93
Total fixed costs	40.75	41.24	44.86	33.74	59.11	45.10
Total	135.24	150.49	128.58	132.10	145.92	135.90

Feed costs

Market developments in 2008

Uncertainties in the cereals markets caused some considerable fluctuations in prices in 2008. Indeed, some daily movements in prices were as much as annual fluctuations in some previous years. Cereal prices peaked in March, but subsequently fell back in advance of the new harvest. They continued to move lower over the summer and autumn due to increasing crop production estimates. Another factor which helped drive prices lower was the banking crisis, with investment funds cashing in their positions to generate much-needed short term finance.

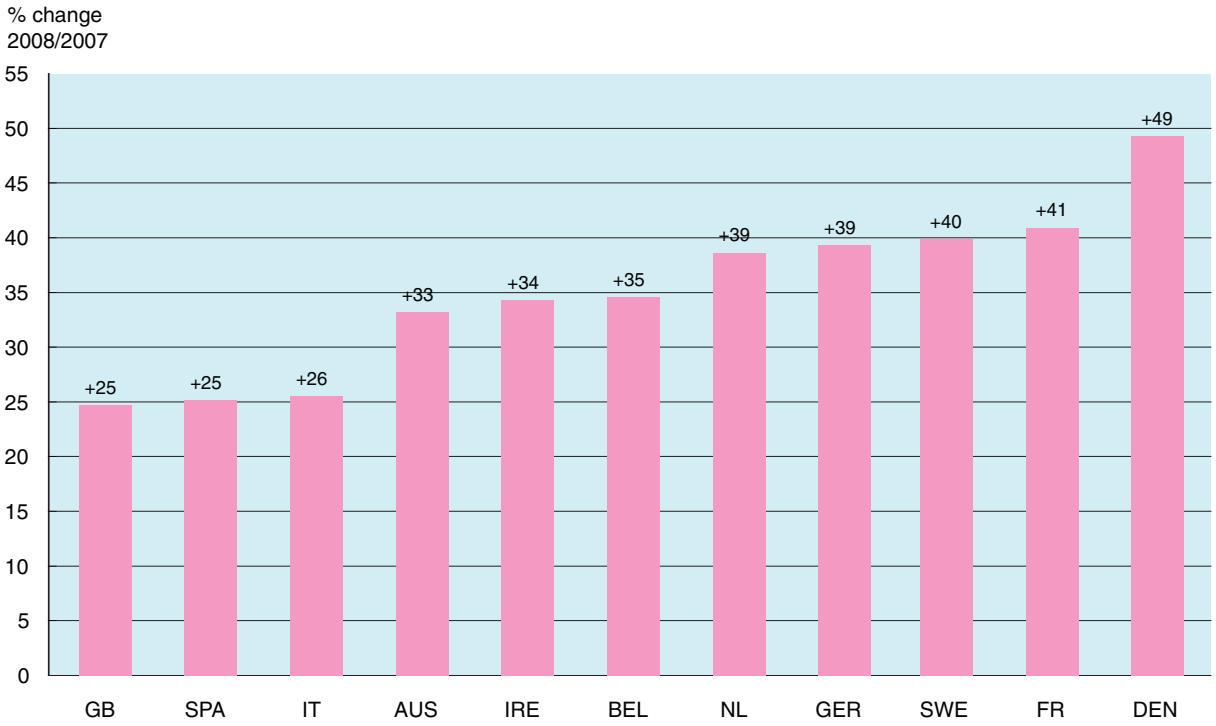
The final 2008 HGCA Cereals Quality Survey results confirmed a decrease in wheat quality compared to the previous season due to unfavourable weather conditions during the last part of the harvest. This led to increased feed wheat availability in 2008/09 in the domestic and export markets. The weak pound helped to support export demand into Europe and some third countries. UK delivered feed wheat prices increased slightly during November and December, partly due to the depreciation of sterling. In the week ended 19 December feed wheat prices averaged £97.50/tonne, 43 per cent lower than a year earlier.

Soya prices increased in the first half of 2008 and then trended downwards in the second half of the year. Prices reached £300/tonne in May/June, almost double what they were a year earlier. The main cause of this was a strike by Argentinean producers in response to an export levy imposed by the government. Uncertainty over the size of the US soyabean plantings and concern over adequate supplies in 2008/09 also

resulted in volatility in soyabean futures market prices. Influenced by falling crude oil prices and improved crop estimates in the United States, soya prices subsequently fell. Soya prices in mid December averaged £244/tonne (ex-mill, Liverpool), 13 per cent lower than a year earlier. However, if the exchange rate against the US dollar was still at the same level as in early August, it is estimated that the price would have been about £190/tonne.

The impact on pig producers' feed costs in 2008

Figure 3 Changes in feed costs, 2008

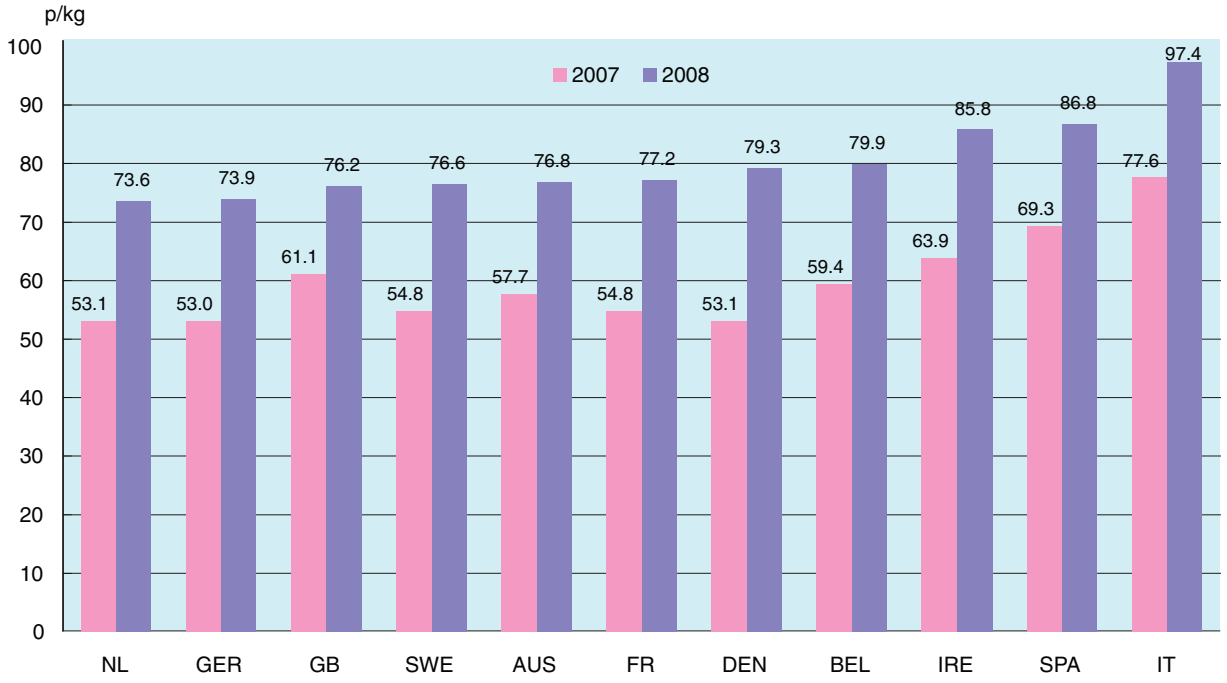


Average compound feed prices across the EU peaked in the April-June period, when they averaged £224/tonne (285). With prices of raw ingredients falling, compound prices then began to move lower. By December, the average price was down to £196/tonne, 12 per cent lower than in June. However, the decline was much more marked in Euro terms, down 21 per cent to 226 , as a result of the fall in the value of sterling over this period.

In 2008 as a whole, EU feed costs increased by 34 per cent compared with a year earlier, in sterling terms, although they were just 18 per cent higher in Euro terms. Cost increases (in sterling) ranged from 25 per cent in Great Britain and Spain to 49 per cent in Denmark. The Netherlands, Germany, Sweden and France all saw feed costs increases of between 21 and 23 per cent.

Feed costs averaged 76.2p/kg in Great Britain compared with the 61.1p recorded in 2007 and 50.1p in 2006. The less-marked increase in Great Britain feed costs in 2008 than in other countries means that it fell below the EU average, from 102 per cent of the EU average in 2007 to 95 per cent in 2008. This was clearly a major cause of the relative improvement in GB costs of production in 2008.

Figure 4 Feed costs in 2008



Feed prices/tonne and energy content

EU feed prices/tonne show a considerable range, although the size of the range narrowed in 2008 compared with previous years. At the lower end of the range, German feed prices were 93 per cent of the EU average in 2008 while prices in Great Britain were 94 per cent of the average. At the top end of the range, Irish prices were 112 per cent of the average.

There is also a considerable variation in the relative costs of sow, rearer and finisher feed. Sow feed in Great Britain is the lowest in the EU, at 78 per cent of the average. Rearer and finisher feeds were relatively expensive in previous years but they were also below the EU average in 2008.

Some of the variations in feed costs will be due to national differences in the composition of pig rations. Table 7 also compares the Metabolizable Energy (ME) of pig feed with the cost of the feed. Within the EU, the average cost of feed per kg MJ ME, varied from 1.45p in Germany to 1.71p in Ireland, with Great Britain at 1.47p.

Table 7 Feed prices and energy content

	AUS	BEL	DEN	FR	GER	BG
£/tonne						
Sow	204.85	204.70	211.74	200.16	200.16	155.14
Rearer	265.83	285.61	277.50	261.14	261.14	272.80
Finisher	183.74	200.82	208.87	188.82	178.26	184.12
Average	197.57	208.89	219.56	199.74	190.60	193.00
Energy content (MJ ME/kg)						
Sow	12.30	12.30	12.99	12.80	12.90	13.02
Rearer	13.10	13.10	14.38	13.30	13.40	13.73
Finisher	12.90	12.90	13.38	12.80	13.20	12.96
Average	12.83	12.82	13.45	12.86	13.17	13.11
Cost of feed (p/kg MJ ME)						
Sow	1.67	1.66	1.63	1.56	1.55	1.19
Rearer	2.03	2.18	1.93	1.96	1.95	1.99
Finisher	1.42	1.56	1.56	1.48	1.35	1.42
Average	1.54	1.63	1.63	1.55	1.45	1.47

	IRE	IT	NL	SPA	SWE	AVE EU
£/tonne						
Sow	211.38	191.56	202.69	199.37	195.14	197.90
Rearer	310.68	265.05	276.01	345.58	256.48	279.80
Finisher	210.32	200.16	192.23	211.88	182.59	194.71
Average	229.16	205.08	201.27	219.62	193.82	205.30
Energy content (MJ ME/kg)						
Sow	13.30	11.90	12.90	na	12.40	12.68
Rearer	14.00	13.73	13.60	na	12.68	13.50
Finisher	13.20	12.70	13.80	na	12.50	13.03
Average	13.37	12.70	13.65	na	12.50	13.05
Cost of feed (p/kg MJ ME)						
Sow	1.59	1.61	1.57	na	1.57	1.56
Rearer	2.22	1.93	2.03	na	2.02	2.02
Finisher	1.59	1.58	1.39	na	1.46	1.48
Average	1.71	1.61	1.47	na	1.55	1.56

Labour costs

There is a substantial range in each of the three elements in labour cost: the amount of labour per pig, labour cost per hour and the average carcase weight.

Labour input

Labour input expressed as hours/year per finished pig can vary for a number of reasons including differences in husbandry methods, types of building and the availability of labour. Labour input will also be influenced by sow productivity, with an increase in pigs finished/sow/year leading to a decline in hours/year. This trend has, in fact, improved labour productivity in a number of countries over the past five years.

The EU average figure was 0.95 hours/pig in 2008, a four per cent improvement on the 2007 results of 0.99 hours/pig. National results ranged from 0.64 hours in the Netherlands and 0.62 hours in Denmark to 1.32 hours in Austria and 1.64 hours in Italy. The Italian labour input figures are, however, not directly comparable with other countries because of the much heavier pigs. Labour input in Great Britain, at 1.05 hours, was significantly lower than the 2007 figure of 1.12 hours and the 1.23 hours recorded in 2004, as a result of improving productivity. Together with feed, this is a key determinant of the improved relative production costs.

Labour cost per hour

The average labour cost per hour in the EU was £11.92 in 2008, 14 per cent higher than in 2007. There was a substantial range in costs, from £9.38 in Ireland, although this was 19 per cent higher than in 2007, to £15.94 in the Netherlands. These variations not only reflect average wage rates but also national differences in social security payments made by employers as well as differences in the relative usage of unskilled labour. Cost per hour in Great Britain was £9.54, just three per cent more than in 2007.

Table 8 Labour costs in 2008 (p/kg dw)

	AUS	BEL	DEN	FR	GER	GB
Labour per finished pig (hours/year)	1.32	0.85	0.62	0.85	1.00	1.05
Labour cost/hour (£)	10.16	11.52	16.06	13.48	11.88	9.54
Labour cost/pig (£)	13.42	9.81	9.89	11.49	11.85	10.04
Average carcase weight (cold)	92.12	90.27	81.39	88.28	92.13	77.10
Labour cost/kg (p)	14.56	10.87	12.15	13.02	12.86	13.02
	IRE	**IT**	**NL**	**SPA**	**SWE**	**AVE EU**
Labour per finished pig (hours/year)	0.92	1.58	0.64	0.73	0.84	0.95
Labour cost/hour (£)	9.38	10.44	15.94	10.16	13.91	12.04
Labour cost/pig (£)	8.61	16.54	10.26	7.44	11.62	11.39
Average carcase weight (cold)	76.60	128.20	89.18	78.35	86.70	89.12
Labour cost/kg (p)	11.24	12.90	11.51	9.50	13.40	12.73

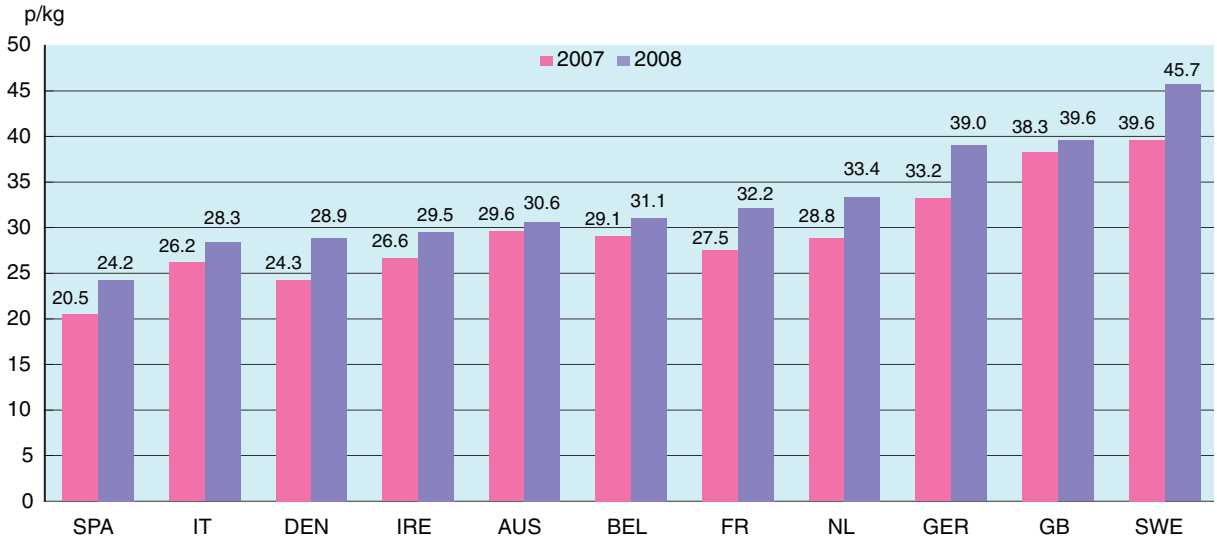
The average labour cost per pig in the EU was £11.34 in 2008, 14 per cent more than in 2007. The cost of labour per pig was lowest in Spain, at £7.44 (although this was 13 per cent higher than in 2007. Excluding the atypical Italian results, the cost was highest in Austria (£13.42) and Germany (£11.85). Costs in Great Britain per pig were £10.04/pig, down from £10.41 in 2007, due to improvements in productivity.

The cost of labour per pig in Great Britain was 11 per cent below the EU average in 2008. However, the average weight of British pigs is lower than in most other countries. When this factor is taken into account, the labour cost per kg (12.73p) rose to 102 per cent of the overall EU average. Nevertheless, this is well below the 121 per cent recorded in 2007. British costs per kg were exceeded only by Austria and Sweden. The lowest labour costs in the EU were in Spain (9.50p/kg) and Belgium (10.87p).

Building, Finance and Miscellaneous (BFM)

Building, finance and miscellaneous costs include depreciation charges on buildings and machinery, maintenance charges, interest on working capital, levies, manure disposal charges and costs of disposal of dead animals. The depreciation estimates are based on replacement costs, with buildings being amortized over a default period of 20 years and equipment over a period of 10 years. Countries can choose a different amortization period, although the only ones currently doing so are Denmark and the Netherlands.

Figure 5 Building, finance and miscellaneous costs, 2008



BFM costs across the EU countries averaged 42.1 /kg in 2008, two per cent less than in 2007. However, in sterling terms there was a 12 per cent increase to 33.0p/kg from 29.5p/kg dw in 2007. Costs increased in all countries, ranging from three per cent (in sterling terms) in Austria and Great Britain to 18 per cent in Germany.

There is a considerable range in BFM costs, much more than feed or labour costs. The lowest costs have continued to be in Spain, at 24.2p/kg. Spain, however, has relatively high feed costs, which partly offset the competitive advantage arising from low BFM costs. Up to 2006, BFM costs were highest in Great Britain, a major cause of our relatively high total production costs; but since then, Swedish costs have been the highest. A sharp increase in German BFM costs, up 18 per cent in sterling terms, mean their costs are now much the same as in Great Britain.

The relatively high BFM costs in Great Britain are not due to high building costs, as these are below the EU average, but are due to a combination of other factors. Maintenance costs are nearly three times the EU average, probably due to a long period of under-investment in new buildings. Levies, insurance and inspection charges are over twice the average and "miscellaneous costs" which include items such as disposal of dead animals, are also high.

Average building/equipment costs per pig place were £1,416 in 2008, 35 per cent below the EU average. The lowest costs are in Spain (£1,243) and the highest are in Sweden (£3,904).

Table 9 Analysis of building, finance and miscellaneous costs in 2008

	AUS	BEL	DEN	FR	GER	GB
Building/equipment costs per pig place	£2,502	£2,033	£2,230	£2,239	£2,404	£1,416
Average mortgage interest rate	4.0%	5.2%	5.1%	4.6%	5.2%	5.9%
Finance costs	21.5	19.9	19.0	22.0	25.3	16.8
Maintenance	3.8	1.6	2.4	1.0	3.4	9.2
Levies, insurance, inspection	1.3	0.7	1.1	0.7	1.0	2.9
Miscellaneous	2.4	6.9	4.9	7.1	7.4	8.7
Interest on working capital	1.5	2.0	1.4	1.4	1.9	1.9
Total BFM	30.6	31.1	28.9	32.2	39.0	39.6

	IRE	IT	NL	SPA	SWE	AVE EU
Building/equipment costs per pig place	£1,720	£2,283	£2,065	£1,243	£3,904	£2,185
Average mortgage interest rate	4.5%	3.2%	6.3%	5.0%	5.0%	4.9%
Finance costs	19.1	20.0	18.7	15.4	33.6	21.0
Maintenance	1.9	2.4	2.5	2.1	3.3	3.1
Levies, insurance, inspection	2.2	0.5	0.2	2.5	0.6	1.3
Miscellaneous	4.3	3.4	9.9	2.6	0.0	5.2
Interest on working capital	2.1	2.0	2.1	1.6	1.5	1.8
Total BFM	29.5	28.3	33.4	24.2	45.7	32.9

Table 10 Summary of financial performance 2004 - 2008

	AUS					BEL					DEN				
	2004	2005	2006	2007	2008	2004	2005	2006	2007	2008	2004	2005	2006	2007	2008
Feed	50.45	45.69	48.09	57.67	76.82	52.26	46.01	48.14	59.39	79.90	46.12	44.49	43.81	53.10	79.25
Other Variable Costs	12.09	11.10	11.40	11.59	14.77	6.14	6.83	7.42	7.20	8.22	7.88	8.02	7.78	7.75	8.81
Total Variable Costs	62.54	56.79	59.49	69.26	91.59	58.40	52.84	55.57	66.58	88.12	53.99	52.52	51.59	60.85	88.06
Labour	16.51	14.92	14.12	14.67	14.56	10.56	10.46	10.54	9.87	10.86	11.16	10.03	10.28	10.74	12.15
Building, finance and misc	32.54	31.78	33.97	29.58	30.60	23.07	23.50	24.72	29.12	31.07	27.21	25.79	25.47	24.26	28.87
Total fixed costs	49.06	46.70	48.09	44.25	45.16	33.63	33.96	35.26	38.98	41.93	38.36	35.82	35.75	35.00	1.02
Total	111.60	103.49	107.58	113.51	136.75	92.03	86.80	90.82	105.56	130.05	92.36	88.33	87.34	95.85	129.08
	FRA					GER					GB				
	2004	2005	2006	2007	2008	2004	2005	2006	2007	2008	2004	2005	2006	2007	2008
Feed	49.54	44.31	44.66	54.81	77.23	47.24	42.53	43.99	53.04	73.89	54.77	48.74	50.11	61.07	76.15
Other Variable Costs	7.38	7.57	7.78	7.97	8.12	10.81	11.24	11.35	11.66	13.43	6.91	6.60	6.18	8.71	8.12
Total Variable Costs	56.92	51.87	52.44	62.78	85.35	58.05	53.77	55.33	64.70	87.32	61.68	55.33	56.28	69.78	84.27
Labour	12.01	12.63	12.78	12.91	13.02	13.54	13.34	12.08	11.42	12.86	13.27	13.34	13.64	13.62	13.02
Building, finance and misc	25.54	26.08	26.81	27.53	32.15	34.00	32.02	32.01	33.21	39.04	35.21	35.78	38.65	38.30	39.55
Total fixed costs	37.55	38.70	39.60	40.44	45.17	47.55	45.36	44.09	44.63	51.90	48.49	49.12	52.30	51.92	52.57
Total	94.47	90.58	92.03	103.22	130.52	105.59	99.13	99.42	109.33	139.22	110.17	104.45	108.58	121.70	136.84
	IRE					IT					NL				
	2004	2005	2006	2007	2008	2004	2005	2006	2007	2008	2004	2005	2006	2007	2008
Feed	58.77	54.61	55.92	63.90	85.82	74.48	70.44	65.96	77.59	97.41	44.76	40.38	43.64	53.10	73.60
Other Variable Costs	6.87	7.70	8.49	8.77	8.68	8.62	9.35	10.30	10.24	11.85	8.58	9.08	9.08	10.55	10.12
Total Variable Costs	65.64	62.32	64.41	72.66	94.49	83.10	79.79	76.26	87.84	109.26	53.34	49.46	52.71	63.64	83.72
Labour	9.09	9.19	9.65	9.76	11.24	11.88	12.07	11.88	11.71	12.90	11.96	10.97	9.32	7.52	11.51
Building, finance and misc	22.14	23.10	25.81	26.64	29.51	26.80	25.16	26.08	26.17	28.34	24.97	23.94	24.10	28.80	33.35
Total fixed costs	31.23	32.30	35.46	36.40	40.75	38.68	37.23	37.96	37.88	41.24	36.93	34.91	33.42	36.32	44.86
Total	96.86	94.61	99.87	109.06	135.24	121.77	117.02	114.22	125.71	150.49	90.27	84.37	86.13	99.97	128.58
	SPA					SWE					EU AVERAGE				
	2004	2005	2006	2007	2008	2004	2005	2006	2007	2008	2004	2005	2006	2007	2008
Feed	na	na	56.29	69.32	86.76	45.71	40.76	43.52	54.75	76.56	52.41	47.80	49.47	59.79	80.31
Other Variable Costs	na	na	9.58	9.40	11.59	6.38	6.88	7.62	8.24	10.24	8.16	8.44	8.82	9.28	10.36
Total Variable Costs	na	na	65.87	78.72	98.35	52.09	47.64	51.15	62.99	86.80	60.57	56.23	58.28	69.07	90.67
Labour	na	na	8.88	8.32	9.50	12.80	15.24	15.05	13.32	13.40	12.28	12.22	11.66	11.26	12.28
Building, finance and misc	na	na	21.75	20.48	24.25	35.39	33.47	36.07	39.59	45.68	28.69	28.06	28.68	29.42	32.95
Total fixed costs	na	na	30.63	28.80	33.74	48.19	48.71	51.13	52.90	59.08	40.97	40.28	40.33	40.68	45.22
Total	na	na	96.50	107.52	132.10	100.27	96.35	102.27	115.90	145.88	101.54	96.51	98.62	109.76	135.89

PHYSICAL PERFORMANCE SUMMARY

Table 11 contains physical performance data for the InterPIG countries in 2008, while Table 12 presents comparisons with 2004 to 2007.

Table 11 Summary of physical performance, 2008

	AUS	BEL	DEN	FRA	GER	GB
Pigs Weaned Per Sow Per Year	22.20	23.05	27.15	25.34	23.09	22.09
Pigs Sold Per Sow Per year	20.62	21.82	25.50	23.89	21.64	20.85
Litters/sow/year(1)	2.25	2.28	2.25	2.28	2.28	2.25
Pigs born alive per litter	11.20	11.69	14.00	12.90	11.90	11.23
Sow mortality	2.0%	4.8%	14.5%	5.3%	4.0%	4.3%
Pre Weaning Mortality	11.9%	13.5%	13.8%	13.7%	14.9%	12.6%
Rearing Mortality	3.5%	3.3%	2.7%	2.1%	3.0%	2.4%
Finishing Mortality	3.8%	3.6%	3.5%	3.7%	3.4%	3.3%
Sow replacement rate	34.9%	41.8%	53.1%	42.9%	41.4%	45.9%
Transfer weight from breeding to rearing unit (kg)	7.50	7.05	7.30	7.40	7.50	7.70
Age of weaning	28	26	28	25	27	27
Transfer weight from rearing to finishing unit (kg)	31.50	22.84	32.80	32.00	30.00	38.50
Rearing Daily Liveweight Gain (g/day)	430	320	469	468	440	478
Rearing Feed Conversion Ratio	1.90	1.93	1.71	1.74	1.70	1.73
Finishing Daily Liveweight Gain (g/day)	755	632	904	780	736	757
Finishing Feed Conversion Ratio	2.95	2.94	2.64	2.91	2.95	2.87
Ave number of days in rearing unit	56	50	54	53	51	64
Ave number of days in finishing unit	115	142	83	107	121	83
Pigs per pig place per year (finishing)	2.95	2.56	4.10	3.20	2.85	4.04
Average live weight at slaughter	118.00	112.83	107.81	115.40	119.00	101.60
Carcase weighed hot or cold?	H	H	H	C	H	H
Average carcase weight - Hot	94.0	92.1	82.3	91.3	94.0	=78.7
Adjustment from hot to cold	-2.0%	- 2.0%	-1.1%	-3.3%	-2.0%	-2.0%
Adjusted carcase weight - Cold	92.1	90.3	81.4	88.3	92.1	77.1
Killing out percentage	78.1%	80.0%	75.5%	76.5%	77.4%	75.9%
Carcase meat production per sow per year (kg)	1,900	1,970	2,075	2,109	1,993	1,608
Average lean meat percentage	60.1%	61.1%	60.4%	60.2%	56.5%	61.6%
Lean meat production per sow per year (kg)	1,142	1,204	1,253	1,270	1,125	990
Sow feed (kg) per sow per year	1,184	1,163	1,330	1,334	1,220	1,456
Sow ration Ave Energy Content (MJ ME/kg)	12.3	12.3	13.0	12.8	12.9	13.0
Weaner/Rearer feed (kg) per pig	45.6	30.4	43.6	42.8	38.3	53.3
Weaner/Rearer ration Ave Energy Content (MJ ME/kg)	13.1	13.1	14.4	13.3	13.4	13.7
Finishing pigs feed consumption (kg) per pig	255.2	261.6	198.0	242.7	262.6	181.1
Finisher ration Ave Energy Content (MJ ME/kg)	12.9	12.9	13.4	12.8	13.2	13.0

	IRE	ITA	NL	SPA	SWE	AVE EU
Pigs Weaned Per Sow Per Year	24.73	21.87	26.72	23.78	23.17	23.93
Pigs Sold Per Sow Per year	23.35	20.91	25.56	21.48	22.03	22.51
Litters/sow/year(1)	2.31	2.19	2.36	2.33	2.20	2.27
Pigs born alive per litter	11.88	11.12	13.00	11.50	12.60	12.09
Sow mortality	6.5%	0.8%	5.0%	9.0%	7.5%	5.8%
Pre Weaning Mortality	9.9%	10.2%	12.9%	11.4%	16.4%	12.8%
Rearing Mortality	2.9%	3.7%	1.9%	3.8%	2.5%	2.9%
Finishing Mortality	2.8%	0.7%	2.5%	6.1%	2.5%	3.3%
Sow replacement rate	50.3%	35.0%	42.0%	52.0%	54.3%	44.9%
Transfer weight from breeding to rearing unit (kg)	6.90	7.60	6.80	6.20	10.00	7.45
Age of weaning	28	27	26	23	34	27
Transfer weight from rearing to finishing unit (kg)	36.50	35.00	25.40	19.20	31.00	30.43
Rearing Daily Liveweight Gain (g/day)	456	450	369	280	428	417
Rearing Feed Conversion Ratio	1.80	2.02	1.58	1.76	1.98	1.80
Finishing Daily Liveweight Gain (g/day)	776	638	780	643	879	753
Finishing Feed Conversion Ratio	2.80	3.70	2.78	2.77	2.81	2.92
Ave number of days in rearing unit	65	61	50	46	49	55
Ave number of days in finishing unit	83	205	115	131	97	117
Pigs per pig place per year (finishing)	4.06	1.72	2.92	2.55	3.51	3.13
Average live weight at slaughter	100.80	166.00	115.19	103.70	116.20	116.05
Carcase weighed hot or cold?	C	C	H	H	C	
Average carcase weight - Hot	78.1	131.1	91.0	79.3	88.5	90.9
Adjustment from hot to cold	-2.0%	-2.2%	-2.0%	-1.2%	-2.0%	-2.0%
Adjusted carcase weight - Cold	76.6	128.2	89.2	78.3	86.7	89.1
Killing out percentage	76.0%	77.2%	77.4%	75.6%	74.6%	76.7%
Carcase meat production per sow per year (kg)	1,789	2,681	2,279	1,683	1,910	2,000
Average lean meat percentage	58.5%	47.0%	56.2%	58.0%	57.7%	57.9%
Lean meat production per sow per year (kg)	1,046	1,260	1,281	976	1,102	1,150
Sow feed (kg) per sow per year	1,250	1,440	1,207	1,132	1,358	1,279
Sow ration Ave Energy Content (MJ ME/kg)	13.3	11.9	12.9	na	12.4	12.7
Weaner/Rearer feed (kg) per pig	53.3	55.3	29.3	22.8	41.6	41.5
Weaner/Rearer ration Ave Energy Content (MJ ME/kg)	14.0	13.7	13.6	na	12.7	13.5
Finishing pigs feed consumption (kg) per pig	180.0	484.7	249.6	na	239.2	255.5
Finisher ration Ave Energy Content (MJ ME/kg)	13.2	12.7	13.8	na	12.5	13.0

Pigs weaned per sow per year

The overall average number of pigs weaned/sow/year in the European InterPIG countries showed a three per cent increase in 2008, up from 23.24 in 2007 to 23.93. Performance in all of the 11 countries showed an improvement, with the highest increase occurring in Italy. Denmark and the Netherlands again had the best results for pigs weaned, both showing an increase of three per cent compared with 2007.

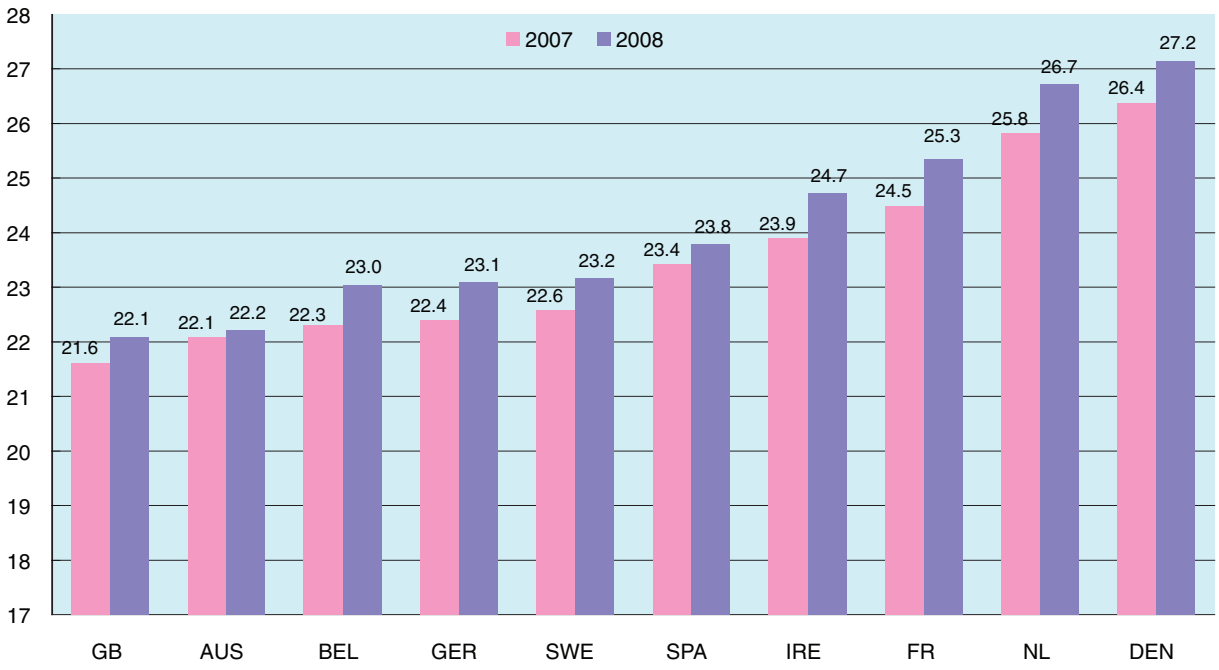
There was a further two per cent increase in pigs weaned/sow in Great Britain, to 22.09. This was only slightly below the record level of 2000. However, performance results for Great Britain remain near the bottom of the European league. This is a major cause of the relatively high costs of production in Great Britain, and is a problem which needs to be addressed if costs of production are to be reduced in the future. Only Italy had a lower figure, and this is because Italian pig production is different from the other countries - with pigs typically being finished to much heavier weights.

Pigs weaned are made up of three different elements: pigs born alive/litter, litters/sow/year (together these give pigs born/sow/year) and pre-weaning mortality.

- The GB result for litters/sow was 2.25, only fractionally below the EU average and up from 2.22 in 2007
- pre-weaning mortality, at 12.6 per cent, was up from 10.9 per cent in 2007, and was slightly higher than the EU average of 12.1 per cent

The main reason that Great Britain has a below average number of pigs weaned/sow lies in the number of pigs born alive/litter. The 2008 average, at 11.23, was seven per cent less than the EU as a whole.

Figure 6 Pigs weaned per sow per Year, 2007 - 2008



Post-weaning mortality

The number of pigs finished per sow per year is determined by pigs weaned and by post-weaning mortality. Table 12 shows national comparisons of post-weaning mortality (rearing and finishing herd combined), and how these have changed between 2004 and 2008.

Great Britain continued to show improvements in post-weaning mortality in 2008, down from 7.0 per cent to 5.6 per cent. In April 2008, BPEX began distributing PCV2 vaccine to the English pig industry. Although the optimum benefits of this programme in terms of further reducing post-weaning mortality are likely to be seen in 2009, it had clearly already begun to have an effect in 2008.

By far the most marked improvement in post-weaning mortality in recent years has occurred in Great Britain, due largely to the declining incidence of PMWS. Between 2004, when the mortality rate peaked, and 2008, mortality declined by 51 per cent in Great Britain, compared with nine per cent in the EU as a whole. Post-weaning mortality in Great Britain is, however, still slightly higher than in 2000, before the spread of PMWS, when it stood at 5.3 per cent. This indicates that further gains are still able to be made.

The continued decline in 2008 meant that post-weaning mortality in Great Britain fell below the EU average of 5.9 per cent. More recent quarterly data from Agrosoft (see Appendix 4) indicate that post-weaning mortality was continuing to improve through to the second quarter of 2009. Appendix 4 also shows how post-weaning mortality has changed for the top-third herds. Clearly there are some considerable cost benefits to be made for average or below average performing producers to improve the health status of their herds to this level.

There was a considerable range in national mortality levels. The lowest mortality in national herds in 2008 was in Italy and the Netherlands, both at 4.4 per cent, while Spain had the highest mortality (9.7%). Denmark recorded a significant decline in post-weaning mortality in 2008 (-16%) although it remains higher than in Great Britain.

Table 12 Post-weaning mortality, 2004 - 2008

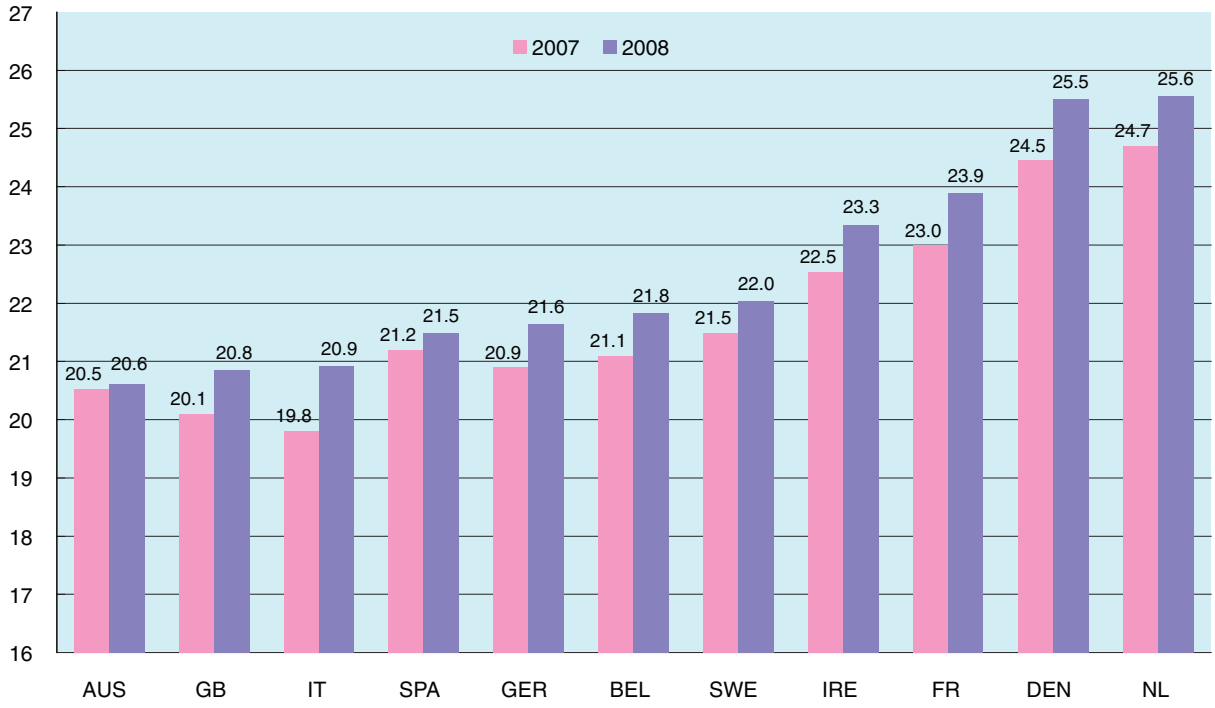
	2004	2005	2006	2007	2008	2008/04	2008/07
Austria	5.9%	6.9%	5.9%	6.9%	7.1%	+20%	+4%
Belgium	7.4%	8.0%	5.8%	5.4%	5.2%	-29%	-2%
Denmark	8.6%	7.9%	7.1%	7.3%	6.1%	-29%	-16%
France	7.4%	7.1%	6.6%	6.1%	5.7%	-22%	-6%
Germany	6.8%	7.0%	6.8%	6.7%	6.3%	-7%	-6%
Great Britain	11.4%	9.7%	8.0%	7.0%	5.6%	-51%	-19%
Ireland	5.5%	5.4%	5.7%	5.6%	5.6%	+1%	-1%
Italy	3.9%	3.9%	4.0%	4.1%	4.4%	+13%	+7%
Netherlands	4.6%	4.7%	4.6%	4.4%	4.4%	-6%	+0%
Spain	na	na	9.5%	9.3%	9.7%	na	+4%
Sweden	3.9%	4.2%	4.5%	4.7%	4.9%	+28%	+4%
EU average	6.5%	6.5%	6.2%	6.1%	5.9%	-9%	-3%

Pigs finished per sow per year

The average number of pigs finished/sow increased for the fifth consecutive year in 2008. At 20.9 pigs/sow, average performance was 0.7 pigs (4%) higher than in 2007 and 2.0 pigs (11%) higher than in 2004. This was in fact the highest annual improvement recorded for at least 15 years. Results for Great Britain have been boosted by increases in pigs weaned/sow and the declining trend in post-weaning mortality, but we are still near the bottom of the European rankings.

In 2008, there was an average 22.5 pigs finished/sow in the EU, three per cent higher than in 2007 and eight per cent more than in 2004. Denmark and the Netherlands continue to have the highest numbers, and they both recorded a further increase in 2007.

Figure 7 Pigs finished per sow per year, 2007 - 2008



Daily liveweight gains (DLG)

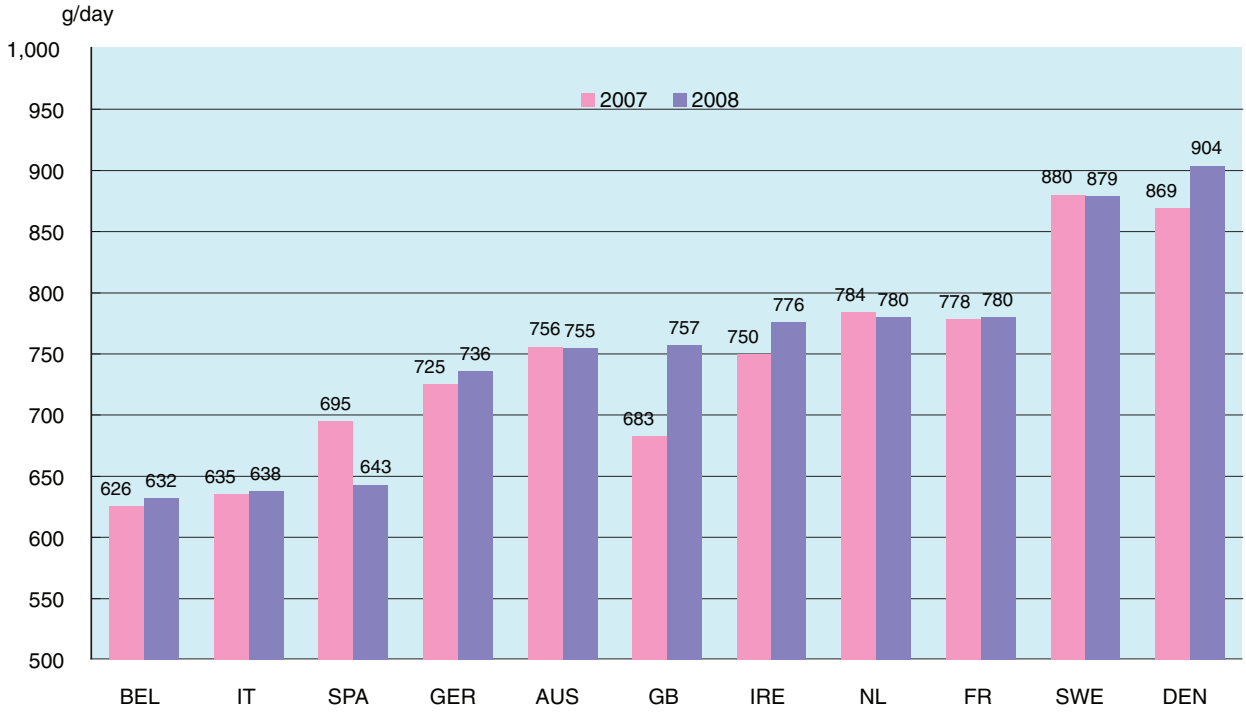
The average DLG for finishing herds across the EU countries increased by a further one per cent in 2008 to 753g. Sweden (879g) and Denmark (904g) again had the best growth rates. The Danish figure is notable for being the first country to have a DLG in excess of 900g. DLG in Spain declined by seven per cent in 2008.

The most marked improvement occurred in Great Britain, up 11 per cent to a record 757g. Great Britain results have increased every year since 2003, when they averaged 627g/day, and they are now up to the EU average. This improvement in DLG has made an important contribution to holding costs of production down. It is estimated that if the DLG in 2008 had still been at the 2003 level, pigs would have needed to have spent 18 days more in the finishing unit to reach the same weight, with consequent implications for production costs.

As a result of the improvements that were recorded in 2008, Great Britain moved up the European league from ninth place to sixth place. However, average results are continuing to be negatively affected by a lack of investment in new buildings and equipment.

Rearing DLG figures have shown few signs of sustained improvement in recent years. Daily liveweight gain peaked in 2004 at 509g, but fell back in the following two years. Average results for 2008 were 478g, only slightly better than in 2007. Nevertheless, they were the highest in the EU.

Figure 8 Daily liveweight gains (finishing herds) 2007 - 2008



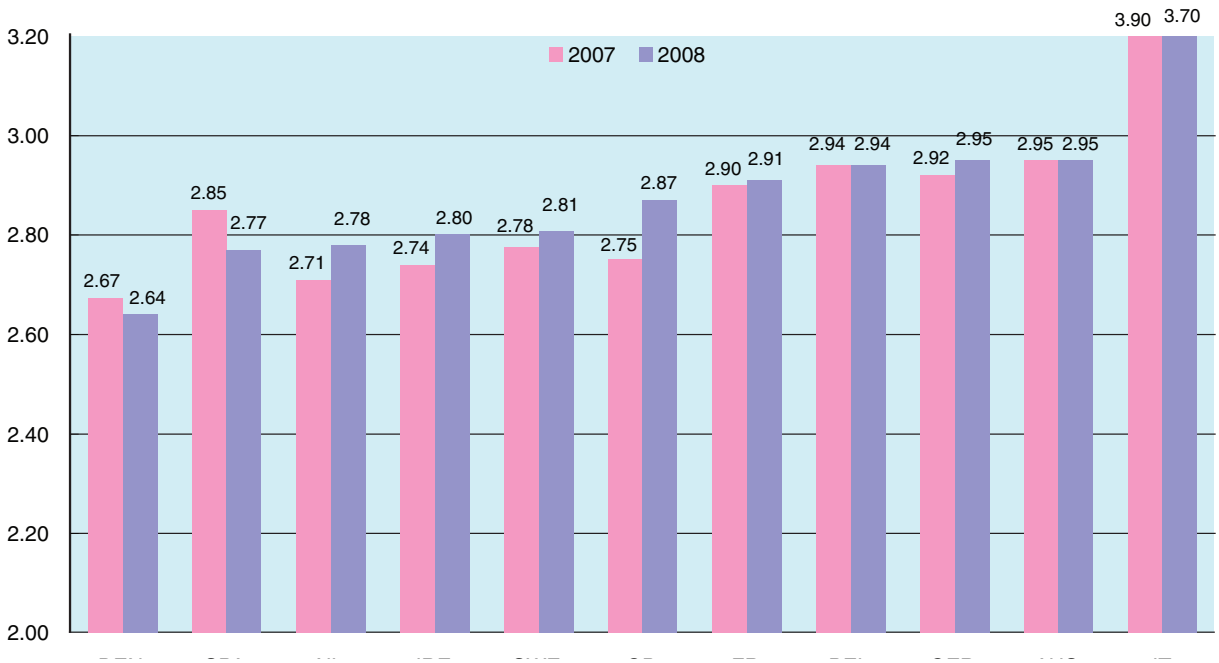
Feed conversion ratios (FCR)

Great Britain usually has one of the lower finishing herd Feed Conversion Ratios in the InterPIG countries, due to the fact that pigs are finished to lighter weights than in most other countries. The average Feed Conversion Ratio was little changed between 2002 and 2007 but it increased (ie deteriorated) in 2008 by four per cent to 2.87. At this level, it was only slightly below the EU average.

The EU average FCR in 2008 was unchanged at 2.92. Spain recorded a decline of three per cent, partly offsetting the increase of 2007, but the Dutch FCR increased by three per cent.

The rearing herd Feed Conversion Ratio in Great Britain was 1.73 in 2008, slightly better than the EU average of 1.80. Great Britain results improved slightly compared with 2007, although they were still higher than the results for the previous two years.

Figure 9 Feed conversion ratios (finishing herds), 2007 - 2008



Carcase weight production per sow/year

The amount of carcase meat produced per sow is the product of the number of pigs finished per sow and the average carcase weight of pigs. Great Britain produces lighter pigs than most other countries in Europe and this, together with the below-average number of pigs finished per sow, means that the amount of carcase meat produced per sow is the lowest of all the EU countries. However, production in Great Britain has been increasing faster than the EU average, up from 75 per cent of the EU average in 2004 to 80 per cent in 2008.

Great Britain produced 1.61 tonnes of carcase meat per sow in 2008, five per cent higher than in 2007 due to a combination of higher carcase weights and increased pigs finished/sow. The Great Britain figures have been on a longer-term upward trend, increasing from 1.35 tonnes in 2002.

The average amount of carcase meat produced per sow in the EU reached two tonnes for the first time in 2008. At 2.00 tonnes, average production per sow, was three per cent higher than in 2007. Improvements in the number of pigs finished/sow and higher average carcase weights mean that production/sow has increased every year since 2003. The highest amount of pig meat produced per sow is in Italy, but this is because of its much heavier pig production. Excluding Italy, the Netherlands and France were again the most productive countries. Dutch production per sow increased to 2.28 tonnes, 42 per cent higher than Great Britain.

Figure 10 Carcase meat production per sow/year

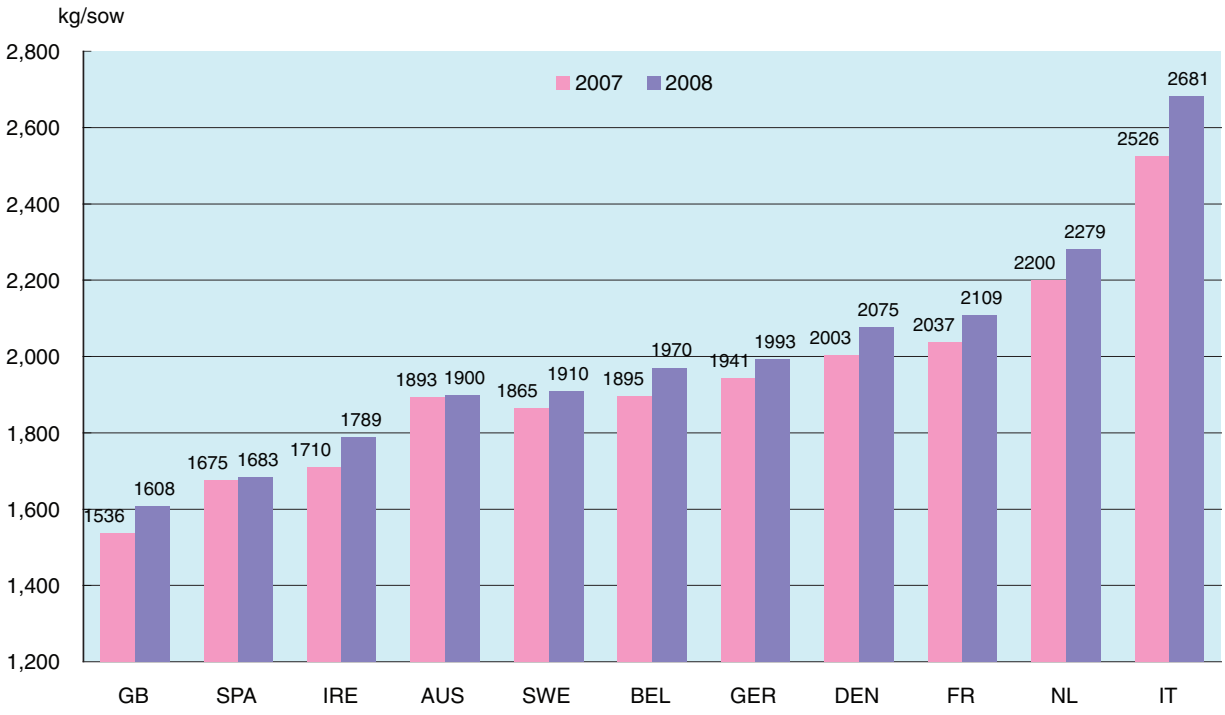


Table 13 Summary of physical performance 2004 - 2008 (Part 1)

	AUS					BEL				
	2004	2005	2006	2007	2008	2004	2005	2006	2007	2008
Pigs Weaned Per Sow Per Year	20.69	21.56	21.56	22.08	22.20	20.86	21.41	21.11	22.30	23.05
Pigs Sold Per Sow Per year	19.45	20.05	20.27	20.53	20.62	19.32	19.69	19.87	21.09	21.82
Litters/sow/year	2.19	2.24	2.23	2.26	2.25	2.25	2.28	2.26	2.27	2.28
Pigs born alive per litter	10.79	10.90	11.00	11.10	11.20	10.57	10.72	10.86	11.31	11.69
Pre Weaning Mortality	12.4%	11.7%	12.1%	12.0%	11.9%	12.3%	12.4%	13.9%	13.1%	13.5%
Rearing Mortality	3.0%	4.0%	3.0%	3.5%	3.5%	3.6%	4.0%	2.0%	1.5%	1.7%
Finishing Mortality	3.0%	3.0%	3.0%	3.5%	3.8%	3.9%	4.2%	3.9%	4.0%	3.6%
Finishing Daily Liveweight Gain (g/day)	740	747	752	756	755	604	608	609	626	632
Finishing Feed Conversion Ratio	2.95	2.93	2.95	2.95	2.95	2.99	2.99	2.95	2.94	2.94
Average live weight at slaughter	117.3	118.0	118.0	118.0	118.0	114.1	114.6	112.5	112.3	112.8
Adjusted carcase weight - Cold	91.6	92.0	91.8	92.2	92.1	91.7	92.1	90.7	89.8	90.3
Carcase meat production/sow/year (kg)	1782	1845	1861	1893	1900	1771	1813	1803	1895	1970
Average lean meat percentage	60.5%	59.2%	59.2%	59.3%	60.1%	60.5%	61.5%	61.8%	61.6%	61.1%
Lean meat production/sow/year (kg)	1078	1092	1101	1122	1142	1072	1115	1114	1167	1204

	DEN					FR				
	2004	2005	2006	2007	2008	2004	2005	2006	2007	2008
Pigs Weaned Per Sow Per Year	24.66	25.43	25.86	26.37	27.15	23.86	24.16	24.53	24.49	25.34
Pigs Sold Per Sow Per year	22.54	23.41	24.03	24.46	25.50	22.10	22.45	22.91	22.99	23.89
Litters/sow/year	2.25	2.24	2.23	2.23	2.25	2.23	2.24	2.26	2.22	2.28
Pigs born alive per litter	12.70	13.20	13.50	13.80	14.00	12.50	12.60	12.70	12.80	12.90
Pre Weaning Mortality	13.7%	14.0%	14.1%	14.3%	13.8%	14.2%	14.4%	14.4%	14.0%	5.3%
Rearing Mortality	4.6%	3.8%	3.2%	3.1%	2.7%	2.5%	2.4%	2.3%	2.2%	2.1%
Finishing Mortality	4.2%	4.3%	4.0%	4.3%	3.5%	5.0%	4.8%	4.4%	4.0%	3.7%
Finishing Daily Liveweight Gain (g/day)	835	842	861	869	904	760	768	773	778	778
Finishing Feed Conversion Ratio	2.69	2.66	2.65	2.67	2.64	2.94	2.92	2.90	2.90	2.91
Average live weight at slaughter	102.0	105.0	106.8	108.5	107.8	114.9	114.6	115.5	115.8	115.4
Adjusted carcase weight - Cold	77.1	79.2	80.5	81.9	81.4	87.9	87.7	88.4	88.6	88.3
Carcase meat production/sow/year (kg)	1738	1854	1935	2003	2075	1943	1968	2024	2037	2109
Average lean meat percentage	60.1%	60.2%	60.3%	60.3%	60.4%	61.1%	61.3%	61.5%	60.1%	60.2%
Lean meat production/sow/year (kg)	1044	1116	1167	1208	1253	1187	1206	1245	1224	1270

	GER					GB				
	2004	2005	2006	2007	2008	2004	2005	2006	2007	2008
Pigs Weaned Per Sow Per Year	20.88	21.50	21.79	22.39	23.09	21.27	21.50	21.36	21.61	22.09
Pigs Sold Per Sow Per year	19.46	20.00	20.31	20.89	21.64	18.85	19.42	19.66	20.11	20.85
Litters/sow/year	2.24	2.26	2.27	2.28	2.28	2.21	2.22	2.26	2.22	2.25
Pigs born alive per litter	10.90	11.10	11.20	11.50	11.90	10.74	10.87	10.90	10.93	11.23
Pre Weaning Mortality	14.5%	14.3%	14.3%	14.6%	14.9%	10.4%	10.9%	13.3%	10.9%	12.6%
Rearing Mortality	3.0%	3.0%	3.0%	3.0%	3.0%	5.0%	3.4%	2.5%	2.5%	2.4%
Finishing Mortality	3.9%	4.1%	3.9%	3.8%	3.4%	6.7%	6.5%	5.6%	4.6%	3.3%
Finishing Daily Liveweight Gain (g/day)	708	715	720	725	736	630	639	655	683	757
Finishing Feed Conversion Ratio	2.96	2.95	2.95	2.92	2.95	2.77	2.74	2.75	2.75	2.87
Average live weight at slaughter	118.2	119.0	119.0	120.0	119.0	97.9	96.9	99.1	98.8	101.6
Adjusted carcase weight - Cold	91.8	92.3	92.1	92.9	92.1	73.7	74.2	74.3	76.4	77.1
Carcase meat production/sow/year (kg)	1787	1845	1871	1941	1993	1389	1441	1461	1536	1608
Average lean meat percentage	56.4%	56.5%	56.5%	56.5%	56.5%	61.3%	61.1%	61.3%	61.2%	61.6%
Lean meat production/sow/year (kg)	1008	1042	1056	1096	1125	852	880	895	940	990

Table 13 Summary of physical performance 2004 - 2008 (Part 2)

	IRE					IT				
	2004	2005	2006	2007	2008	2004	2005	2006	2007	2008
Pigs Weaned Per Sow Per Year	23.13	23.14	23.52	23.89	24.73	20.20	20.55	20.61	20.66	21.87
Pigs Sold Per Sow Per year	21.84	21.87	22.16	22.53	23.35	19.41	19.74	19.78	19.81	20.91
Litters/sow/year(1)	2.28	2.28	2.29	2.30	2.31	2.15	2.17	2.18	2.17	2.19
Pigs born alive per litter	11.16	11.19	11.35	11.53	11.88	10.52	10.60	10.57	10.60	11.12
Pre Weaning Mortality	9.1%	9.3%	9.5%	9.9%	9.9%	10.7%	10.7%	10.6%	10.2%	10.2%
Rearing Mortality	3.2%	3.2%	3.3%	3.3%	2.9%	3.3%	3.3%	3.4%	3.4%	3.7%
Finishing Mortality	2.4%	2.3%	2.5%	2.4%	2.8%	0.6%	0.6%	0.7%	0.7%	0.7%
Finishing Daily Liveweight Gain (g/day)	738	740	738	750	776	623	625	626	635	638
Finishing Feed Conversion Ratio	2.79	2.74	2.78	2.74	2.80	3.90	3.90	3.90	3.90	3.70
Average live weight at slaughter	96.5	98.6	97.4	98.4	100.8	168.0	163.0	165.0	165.0	166.0
Adjusted carcase weight - Cold	73.0	75.1	74.0	75.9	76.6	129.7	126.3	127.5	127.5	128.2
Carcase meat production/sow/year (kg)	1594	1642	1640	1710	1789	2517	2493	2523	2526	2681
Average lean meat percentage	58.3%	58.9%	58.6%	58.5%	58.5%	47.0%	47.0%	47.0%	47.0%	47.0%
Lean meat production/sow/year (kg)	929	967	961	1000	1046	1183	1172	1186	1187	1260

	NL					SPA				
	2004	2005	2006	2007	2008	2004	2005	2006	2007	2008
Pigs Weaned Per Sow Per Year	24.34	24.52	25.13	25.82	26.72	na	na	22.82	23.42	23.78
Pigs Sold Per Sow Per year	23.21	23.36	23.96	24.70	25.56	na	na	20.66	21.20	21.48
Litters/sow/year(1)	2.33	2.33	2.34	2.35	2.36	na	na	2.31	2.33	2.33
Pigs born alive per litter	11.90	12.00	12.30	12.60	13.00	na	na	11.10	11.20	11.50
Pre Weaning Mortality	12.2%	12.3%	12.7%	12.8%	12.9%	na	na	11.0%	10.3%	11.4%
Rearing Mortality	1.8%	1.9%	2.0%	1.9%	1.9%	na	na	3.6%	3.6%	3.8%
Finishing Mortality	2.9%	2.9%	2.7%	2.5%	2.5%	na	na	6.1%	5.9%	6.1%
Finishing Daily Liveweight Gain (g/day)	774	779	772	784	780	na	na	698	695	643
Finishing Feed Conversion Ratio	2.65	2.66	2.71	2.71	2.78	na	na	2.72	2.85	2.77
Average live weight at slaughter	113.0	113.8	114.2	115.1	115.2	na	na	99.6	106.2	103.7
Adjusted carcase weight - Cold	87.5	88.1	88.4	89.1	89.2	na	na	75.1	79.0	78.3
Carcase meat production/sow/year (kg)	2031	2058	2118	2200	2279	na	na	1551	1675	1683
Average lean meat percentage	56.1%	56.2%	56.4%	56.3%	56.2%	na	na	58.0%	58.0%	58.0%
Lean meat production/sow/year (kg)	1140	1157	1194	1239	1281	na	na	900	972	976

	SWE					EU AVERAGE				
	2004	2005	2006	2007	2008	2004	2005	2006	2007	2008
Pigs Weaned Per Sow Per Year	22.75	22.91	22.71	22.57	23.17	22.26	22.67	22.82	23.24	23.93
Pigs Sold Per Sow Per year	21.86	21.95	21.66	21.49	22.03	20.81	21.19	21.39	21.80	22.51
Litters/sow/year(1)	2.21	2.22	2.20	2.19	2.20	2.23	2.25	2.26	2.26	2.27
Pigs born alive per litter	12.10	12.10	12.20	12.30	12.60	11.39	11.53	11.61	11.79	12.09
Pre Weaning Mortality	14.8%	14.7%	15.4%	16.2%	16.4%	12.4%	12.5%	12.8%	12.6%	12.1%
Rearing Mortality	2.5%	2.6%	2.7%	2.5%	2.5%	3.2%	3.2%	2.8%	2.8%	2.7%
Finishing Mortality	1.4%	1.6%	1.9%	2.3%	2.5%	3.4%	3.4%	3.5%	3.5%	3.3%
Finishing Daily Liveweight Gain (g/day)	873	874	873	880	879	729	734	734	744	753
Finishing Feed Conversion Ratio	2.79	2.79	2.79	2.78	2.81	2.94	2.93	2.91	2.92	2.92
Average live weight at slaughter	115.8	114.8	115.6	116.3	116.2	115.8	115.8	114.8	115.8	116.0
Adjusted carcase weight - Cold	86.4	85.7	86.3	86.8	86.7	89.0	89.3	88.1	89.1	89.1
Carcase meat production/sow/year (kg)	1889	1881	1869	1865	1910	1844	1884	1878	1935	2000
Average lean meat percentage	57.4%	57.5%	57.5%	57.6%	57.7%	57.9%	57.9%	58.0%	57.8%	57.9%
Lean meat production/sow/year (kg)	1084	1082	1075	1074	1102	1058	1083	1081	1112	1150

STANDARDISING THE PHYSICAL RESULTS

Methodology

There is a wide variation in physical performance measures reported by InterPIG countries. However, some of these variations could in fact be due to differences between countries in the weight of animals produced. Other things being equal, an increase in slaughter weights, and the length of time an animal is in the system, will lead to a decline in both the marginal daily liveweight gain and the marginal feed conversion ratio.

Using methodology created by our French InterPIG partner, ITP, the figures have been standardised on the basis of three weights:

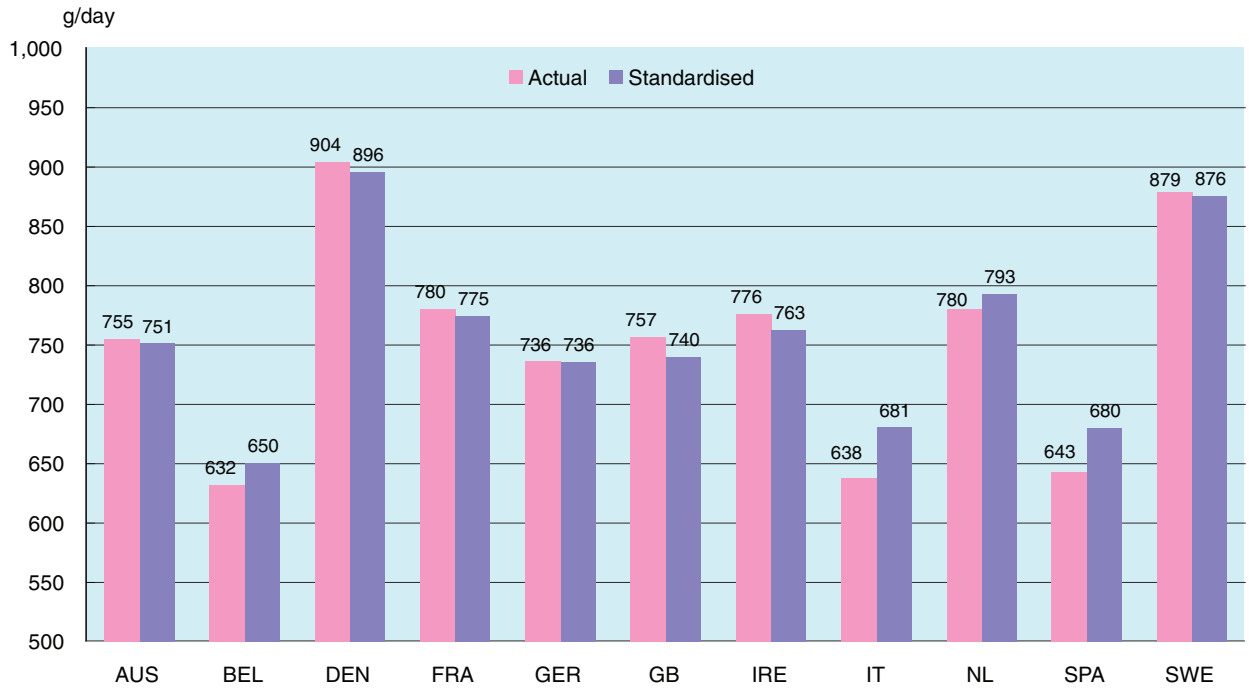
- Transfer from breeding unit to rearing unit: 8kg (GB = 7.7kg in 2008)
- Transfer from rearing unit to finishing unit: 30kg (GB = 38.5kg)
- Liveweight at slaughter: 120kg (GB = 101.6kg)

This section examines the adjustments that have been made to the finishing FCR and DLG figures in the European InterPIG countries to exclude the differences caused by variations in national transfer and slaughter weights.

Daily liveweight gain (DLG)

Average liveweight at slaughter in Great Britain in 2008 was 102kg, well below the EU average of 116kg. Increasing the average weight to the standardised figure of 120kg and reducing the transfer weight from the rearing herd to 30kg would imply a reduction in daily liveweight gain from 757g to 740g. In actual terms, Great Britain DLG is ranked sixth of the 11 EU countries but in standardised terms it is seventh. As a proportion of the EU average, Great Britain falls from 101 per cent (actual) to 98 per cent (standardised). The most marked upwards adjustment as a result of standardisation is in Italy, up from 638g to 681g.

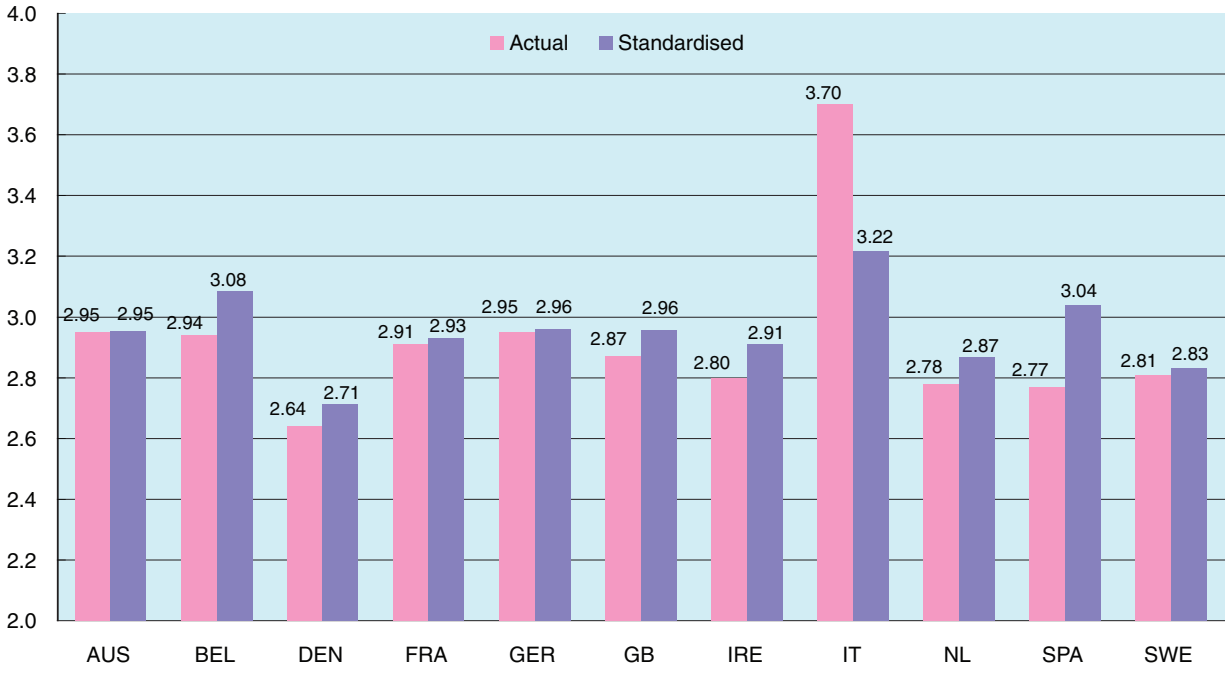
Figure 11 Standardised daily liveweight gains (finishing herds), 2008



Feed conversion ratios (FCR)

An increase in average liveweight at slaughter in Great Britain from 102kg to 116kg implies a deterioration in the average feed conversion ratio from 2.87 to 2.96. Great Britain ranks sixth in the EU countries before standardisation (fourth in 2007) and seventh after standardisation. The main change arising from standardisation is in Spain, which moves from second place to ninth place.

Figure 12 Standardised feed conversion ratios, 2008



PERFORMANCE AND PRODUCTION COSTS

Comparison of GB results with EU averagee

Table 14 shows 2008 Great Britain and overall EU comparisons of physical results. These indicate the areas where British performance falls short of the EU average, thus contributing to relatively high costs of production. They are, therefore, the potential areas that we should pay particular attention to in order to improve our relative performance. The table also shows improvement/deterioration in these performance measures compared with 2007.

Table 14 GB and EU physical results

	GB	EU ave	GB deviation (per cent) (a)	
			2008	2007
Pigs Weaned Per Sow Per Year	22.1	23.9	-8	-7
Pigs Sold Per Sow Per year	20.8	22.5	-7	-8
Litters/sow/year	2.3	2.3	-1	-2
Pigs born alive per litter	11.2	12.1	-7	-7
Sow mortality	4.3%	5.8%		
Pre Weaning Mortality	12.6%	12.8%	+2	+13
Rearing Mortality	2.4%	2.9%	+17	+15
Finishing Mortality	3.3%	3.3%	-1	-34
Transfer weight from breeding to rearing unit (kg)	7.7	7.5		
Age of weaning (days)	27.0	27.1		
Transfer weight from rearing to finishing unit (kg)	38.5	30.4		
Rearing Daily Liveweight Gain (g/day)	478	417	+15	+13
Rearing Feed Conversion Ratio	1.73	1.80	+4	+3
Finishing Daily Liveweight Gain (g/day)	757	753	+1	-8
Finishing Feed Conversion Ratio	2.87	2.92	+2	+6
Ave number of days in rearing unit	64.4	54.5		
Ave number of days in finishing unit	83.4	116.6		
Pigs per pig place per year (finishing)	4.04	3.13	+29	+22
Average live weight at slaughter	101.6	116.0	-12	-15
Adjusted carcase weight - Cold	77.1	89.1	-13	-14
Killing out percentage	75.9%	76.7%	-1	+1
Carcase meat production per sow per year (kg)	1608	2000	-20	-21
Average lean meat percentage	61.6%	57.9%	+6	+6
Lean meat production per sow per year (kg)	990	1150	-14	-16
Sow feed (kg) per sow per year	1456	1279	-14	-8
Weaner/Rearer feed (kg) per pig	53	41	-28	-26
Finishing pigs feed consumption (kg) per pig	181	255	+29	+33
Labour per finished pig per year in hours	1.05	0.95	-11	-13

(a) Where the production factor makes a definite contribution to costs, a -ve implies higher costs and a +ve implies lower costs

Impact on costs of improving performance

There are a number of key areas where the performance of the British pig industry falls short of the EU average. Improvements in these areas could therefore be expected to lead to reductions in costs of production. Nevertheless, over time there has been a relative improvement in some of the GB physical results.

The following table shows the impact on production costs of improvements in key variables where GB performance is currently below the EU average. It shows the effect on average production costs if performance improves to the EU average. Each of the variables is examined in turn, with the other variables held constant.

Table 15 Impact of changes in performance on production costs (a)

	GB	EU	Cost change p/kg
Born alive per litter	11.2	12.1	-2.4
Litters/sow/year	2.25	2.27	-0.3
DLWG (Finishing Herds)(g)	757	753	
Post-weaning mortality (%)	5.6	5.9	
Increase weight at slaughter (kg lw)	101.6	116.0	-1.0
Total of above			-3.7

(a) Based on improving GB performance figures to the EU average

In practical terms there could be constraints on increasing the average weight at slaughter by 15kg lw, due to the implications for housing and contract specifications. However, offsetting this, the fact that British pigs are significantly lighter than the EU average means that producers should be aiming for a daily liveweight gain of more than the current average of 757 grams.

MONITORING CHANGES IN COSTS OF PRODUCTION

The relative costs analysed in this report relate to the 2008 calendar year. However, there was a significant variation in prices during the course of the year. Feed prices remained at or near record levels in the first half of 2008 but from the middle of the year they moved lower. So that by the end of the year production costs in most countries were lower than the annual average.

This chapter examines how the changes in monthly average feed prices have affected relative costs of production in 2009. In these calculations, feed prices are the only factors that have been changed; all other variables have been left unchanged. For this reason, and also because the current feed costs will not have applied throughout 2009, these figures should not be considered as provisional 2009 results.

Feed cost movements

Table 16 Changes in feed costs in 2009

	2007	2008	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Aug-09 compared with 2008
Weighted average feed prices (/tonne)											
Austria	220.3	252.7	165.8	196.3	191.3	197.4	202.6	202.6	192.4	192.4	-24
Belgium	232.4	267.2	152.1	na	na	na	na	na	na	na	na
Denmark	206.6	280.8	263.3	200.9	205.9	200.9	197.6	198.5	206.0	204.5	-27
France	207.2	255.5	204.5	198.1	193.8	193.8	194.9	198.1	193.7	193.7	-24
Germany	200.3	243.8	214.5	215.3	212.6	211.4	210.9	215.1	213.9	202.9	-17
GB	235.1	246.8	197.5	232.1	216.3	225.7	239.7	239.8	224.5	214.6	-13
Ireland	255.1	293.1	256.8	259.2	257.6	255.9	253.6	252.8	248.6	248.6	-15
Italy	227.4	262.3	256.8	251.0	240.4	241.2	248.7	257.0	233.4	231.0	-12
Netherlands	215.5	257.4	223.7	221.8	220.2	218.5	216.5	216.0	216.0	213.0	-17
Spain	246.9	280.9	224.2	233.0	228.3	225.5	226.8	241.7	238.7	235.0	-16
Sweden	201.9	247.9	192.5	189.6	185.8	190.2	198.2	193.1	192.9	185.7	-25
Average	**222.6**	**262.6**	**213.8**	**219.7**	**215.2**	**216.1**	**218.9**	**221.5**	**216.0**	**212.1**	**-19**
Weighted average feed prices (£/tonne)											
Austria	150.8	197.5	151.8	174.2	176.1	177.1	179.3	173.4	165.6	166.2	-16
Belgium	159.1	208.8	139.2	na	na	na	na	na	na	na	na
Denmark	141.4	219.5	241.0	178.3	189.6	180.2	174.9	170.0	177.3	176.6	-20
France	141.8	199.7	187.2	175.8	178.4	173.8	172.5	169.6	166.7	167.3	-16
Germany	137.1	190.6	196.4	191.1	195.8	189.7	186.6	184.1	184.0	175.2	-8
GB	160.9	193.0	180.8	206.0	199.2	202.5	212.2	205.3	193.2	185.3	-4
Ireland	174.6	229.1	235.1	230.1	237.2	229.5	224.5	216.4	213.9	214.7	-6
Italy	155.7	205.0	235.1	222.8	221.4	216.4	220.1	220.1	200.8	199.5	-3
Netherlands	147.5	201.2	204.8	196.9	202.8	196.0	191.6	184.9	185.9	183.9	-9
Spain	169.0	219.6	205.3	206.9	210.2	202.3	200.8	206.9	205.4	202.9	-8
Sweden	138.2	193.8	176.2	168.3	171.0	170.6	175.4	165.4	166.0	160.3	-17
Average	**152.4**	**205.3**	**195.7**	**195.0**	**198.2**	**193.8**	**193.8**	**189.6**	**185.9**	**183.2**	**-11**

UK cereal prices throughout the first half of 2009 were significantly lower, down 30 to 40 per cent, on the levels of a year earlier. USDA July forecasts indicate that global wheat production in 2009/2010 is expected to fall by four per cent; but this would still be seven per cent higher than the disappointing crop of 2007/2008. As a result of the lower crop estimates, there was some strengthening of feed wheat prices in May and June. However, prices have fallen seasonally from mid-year, and in September were 12 per cent down on a year earlier. Soya prices have been at near record high levels, at over £300/tonne since the beginning of 2009. In part this is due to the strength of the US dollar against the British Pound, as soya is traded in dollars.

Compound feed prices, on which Table 16 is based, will not necessarily change as quickly as spot raw ingredient prices. This is because manufacturers would have bought cover forwards a few months, and in a weakening market this is likely to have been at higher prices. Compound feed prices (in domestic currency terms) in most InterPIG countries were fairly stable during the first half of 2009, but they moved lower in July and August. Prices in Great Britain increased during the first half of 2009, although they were also lower in July and August.

In Euro terms, EU feed prices in August were on average 19 per cent lower than in the 2008 year, but due to the depreciation of sterling, they were just 11 per cent lower in sterling terms. Compound feed prices in Great Britain have risen relative to other countries; in August 2009 they averaged four per cent less than a year earlier in sterling terms.

Total production costs

The estimates of total production costs in Table 17 are based on the changes in feed costs only, with all other factors being held constant. In reality, of course, there will be other changes affecting production costs. However, the dominance of feed in the cost of producing pig meat means that these other factors are likely to be dwarfed by the effects of feed price changes.

Table 17 Changes in total production costs in 2009

	2007	2008	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Aug-09 compared with 2008
Pigmeat production costs (Euro cents/kg)											
Austria	165.8	174.9	156.7	156.7	154.7	157.1	159.1	159.1	151.5	151.5	-13
Belgium	165.9	166.3	na	na	na	na	na	na	na	na	na
Denmark	140.0	165.1	161.3	137.9	139.8	137.9	136.6	137.0	138.1	137.6	-17
France	151.0	166.9	150.0	147.5	145.9	145.9	146.3	147.5	143.1	143.1	-14
Germany	159.7	178.1	165.2	165.5	164.5	164.0	163.8	165.4	166.5	162.2	-9
GB	177.8	175.0	141.3	156.7	148.2	153.6	159.9	162.2	159.1	154.9	-11
Ireland	159.3	173.0	159.9	160.8	160.3	159.6	158.8	158.5	156.3	156.3	-10
Italy	183.7	192.5	198.3	195.4	190.2	190.6	194.2	198.4	178.7	177.6	-8
Netherlands	163.4	164.5	149.0	148.3	147.7	147.1	146.4	146.2	149.4	148.2	-10
Spain	169.9	169.0	147.8	151.4	149.5	148.3	148.9	155.0	152.3	150.8	-11
Sweden	169.3	186.6	165.6	164.4	162.9	164.7	167.8	165.8	164.9	162.1	-13
Average	**164.2**	**173.8**	**159.5**	**158.5**	**156.4**	**156.9**	**158.2**	**159.5**	**156.0**	**154.4**	**-11**
Pigmeat production costs (p/kg)											
Austria	113.5	136.7	143.4	139.1	142.5	140.9	140.8	136.2	130.3	130.8	-4
Belgium	113.5	130.0	na	na	na	na	na	na	na	na	na
Denmark	95.9	129.1	147.7	122.4	128.7	123.7	120.9	117.3	118.8	118.8	-8
France	103.4	130.5	137.3	130.9	134.3	130.8	129.5	126.3	123.1	123.6	-5
Germany	109.3	139.2	151.3	146.9	151.4	147.1	145.0	141.6	143.2	140.1	+1
GB	121.7	136.8	129.4	139.1	136.5	137.7	141.5	138.8	136.9	133.8	-2
Ireland	109.1	135.2	146.4	142.8	147.5	143.2	140.6	135.7	134.5	135.0	-0
Italy	125.7	150.5	181.6	173.5	175.1	170.9	171.9	169.9	153.8	153.4	+2
Netherlands	111.9	128.6	136.4	131.6	136.0	132.0	129.6	125.2	128.5	128.0	-0
Spain	116.3	132.1	135.3	134.4	137.6	133.1	131.8	132.7	131.0	130.2	-1
Sweden	115.9	145.9	151.6	146.0	150.0	147.7	148.6	142.0	141.9	139.9	-4
Average	**112.4**	**135.9**	**146.0**	**140.7**	**144.0**	**140.7**	**140.0**	**136.6**	**134.2**	**133.4**	**-2**

Consequently, the pattern of changes in total production costs mirrors the changes in feed prices. EU total production costs in August 2008 were 11 per cent below the 2008 average, in Euro terms but, due to the lower value of sterling, they were two per cent lower in sterling terms.

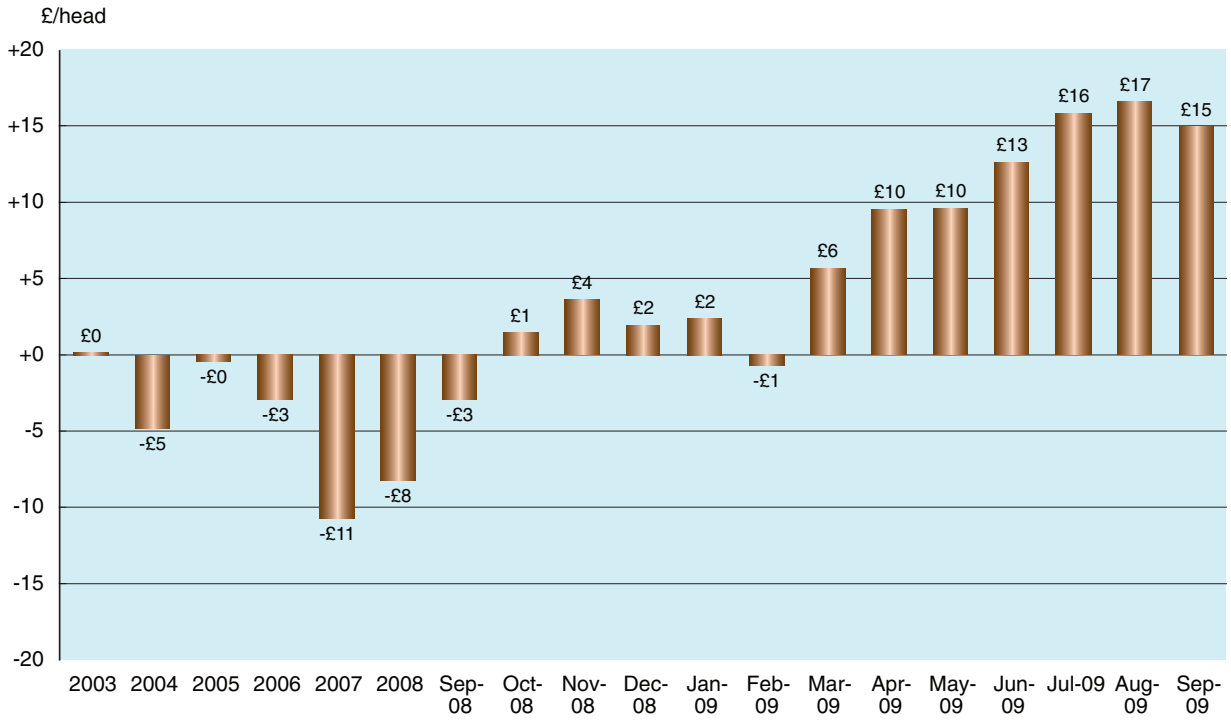
In 2008, the decline in sterling improved the relative competitiveness of British pigs. In 2009, there has been a further decline in sterling but the impact of this has been offset by the increase in British feed prices, leaving competitiveness little changed. Costs of production in Great Britain averaged 101 per cent of the EU average in 2008 while in August 2009 they were 100 per cent of the EU average.

Net margins in Great Britain

The net margins shown in Figure 13 are based on the difference between the monthly DAPP and the total cost of producing pig meat (including depreciation costs) for an average producer. The results shown in the chart should, however, only be considered as indicative of general trends, because:

- Physical and financial performance levels can vary greatly between producers.
- The assumptions used for feed costs of spot compound prices will not apply to all producers due to the range of feed procurement strategies in the industry.

Figure 13 Estimated net margins in Great Britain



During the first five months of 2008, British pig producers were losing on average between £20 and £25 per pig. But since then there has been a significant improvement. At the same time that costs of production have been increasing, producer prices were strengthening. Consequently, by October 2008 average producers were making a profit, albeit a small one.

Net margins have shown a more marked improvement in 2009. This has been, to a small extent, due to further declines in production costs but has been mainly due to very high sale prices. Prices were high due to a combination of factors including lower production costs, relatively strong demand and the impact of exchange rate fluctuations on imports and exports. By August 2009, the average net profit is estimated to have risen to £17/pig.

APPENDIX I

European pig industry trends in 2008

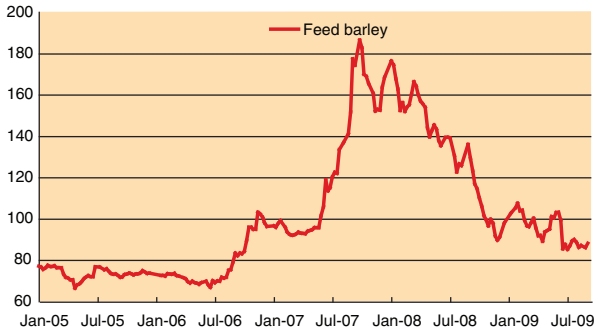
	AUS	BEL	DEN	FR	GER	IRE	IT	NL	POL	SP	SWE	UK
Breeding sow numbers (000 head)	291	552	1,289	1,201	2,296	155	756	1,025	1,279	2,542	168	488
Annual pig slaughterings (000 head)	5,553	11,307	20,790	25,735	54,848	2,578	13,616	14,505	22,321	41,306	3,034	9,427
Pig meat production (000 tonnes)	526	1,066	1,707	2,277	5,111	202	1,606	1,318	1,888	3,484	267	740
Pig meat imports (000 tonnes cwe)*	169	103	89	592	1,113	71	890	275	456	100	118	942
Pig meat exports (000 tonnes cwe)*	241	713	1,623	730	1,789	115	375	901	314	1,062	46	168
Pig meat consumption (000 tonnes cwe)*	453	456	173	2,138	4,435	157	2,120	691	2,029	2,523	339	1,514
Pig meat consumption (kg/head)*	54.0	41.7	31.6	34.5	53.6	36.0	35.9	41.9	53.4	56.0	37.0	24.6

* Estimated figures for 2008
All figures are subject to revision
Source: AHDB Meat Services, Eurostat

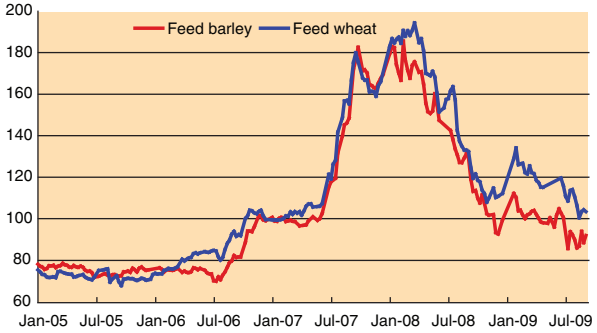
APPENDIX II

European feed price trends

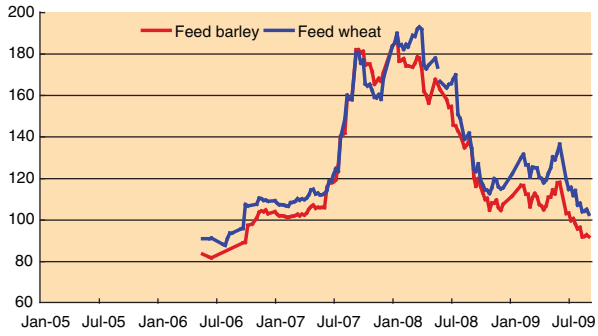
Delivered prices: France



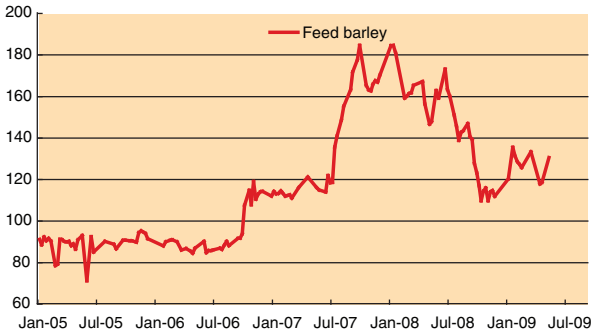
Delivered prices: Germany



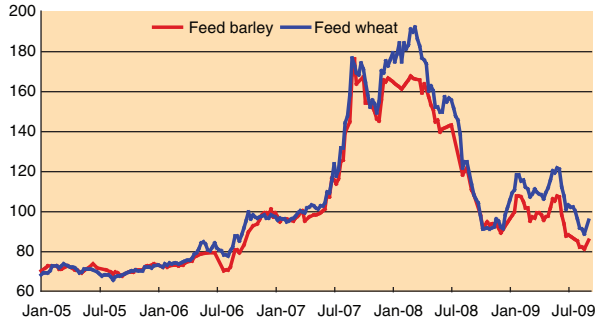
Delivered prices: Netherlands



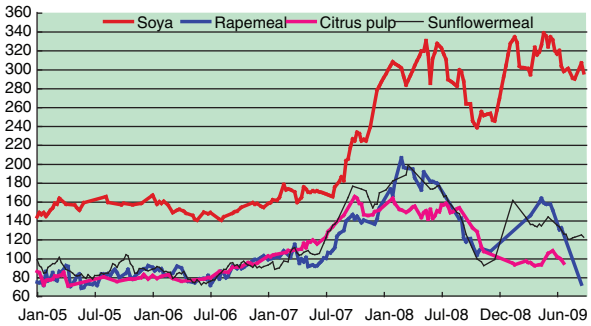
Delivered prices: Spain



Delivered prices: United Kingdom



Feed ingredient prices: United Kingdom



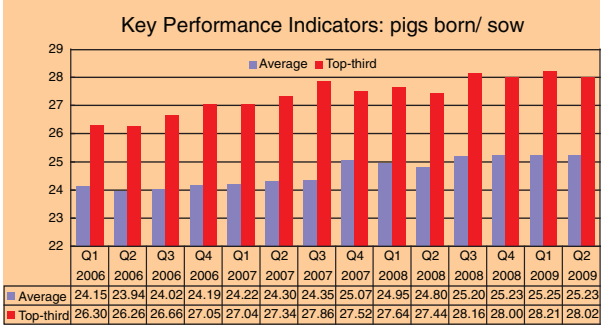
APPENDIX III

National carcase dressing specifications

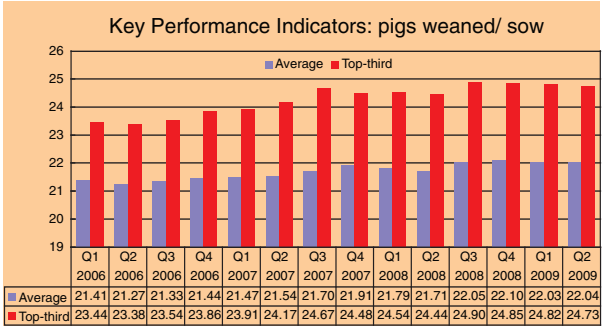
Country	Presentation of the carcase	Payment
Denmark	with head and feet, without flare fat, kidneys and trimmings	hot
Belgium	without head and feet, without flare fat, kidneys and trimmings	hot -2%
France	with head (including eyes, ears and tongue), with hooves and tail, without kidneys, diaphragm and flare fat	cold
Netherlands	with the head and feet (without nails), without flare fat, kidneys and trimmings	hot
UK	with head, feet and tail but without flare fat, kidneys and diaphragm	cold
Czech Republic	with the head, flare fat, skin, without brain, kidneys and organs ind breast, abdomen and pelvic cavity	hot
Germany	without reproductive organs, tongue, spinal cord, lard, kidneys, diaphragm, brain and the organs of thoracic cavity and abdominal cavity	hot
Sweden	with the head, feet and tail. No intestines of any kind. No flare fat.	cold
Ireland	REMOVED : Oesophagus, stomach, intestines, spleen, bladder, heart, liver, lungs, testicles, hair, neck glands, fatty tissue, blood, flare fat, kidneys and diaphragm	cold
Austria	without reproductive organs, tongue, spinal cord, lard, kidneys, diaphragm, brain, and the organs of thoracic cavity and abdominal cavity, with the head and feet (without nails)	hot

APPENDIX IV

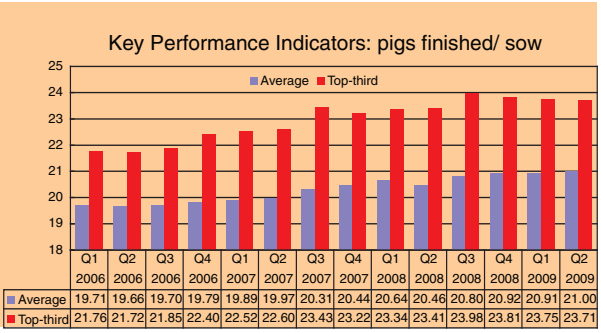
Quarterly key performance indicators



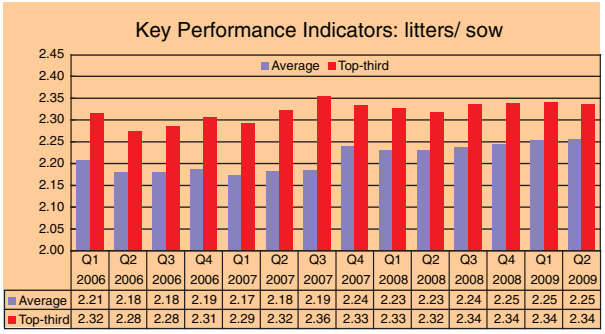
	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009
Average	24.15	23.94	24.02	24.19	24.22	24.30	24.35	25.07	24.95	24.80	25.20	25.23	25.25	25.23
Top-third	26.30	26.26	26.66	27.05	27.04	27.34	27.86	27.52	27.64	27.44	28.16	28.00	28.21	28.02



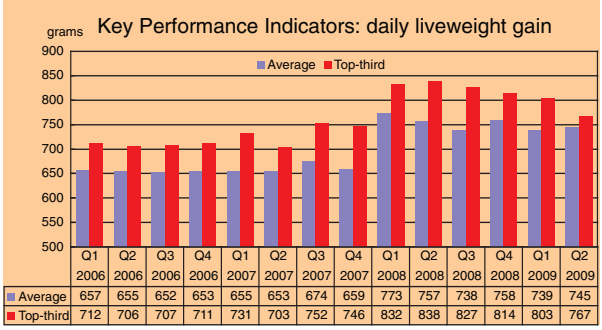
	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009
Average	21.41	21.27	21.33	21.44	21.47	21.54	21.70	21.91	21.79	21.71	22.05	22.10	22.03	22.04
Top-third	23.44	23.38	23.54	23.86	23.91	24.17	24.67	24.48	24.54	24.44	24.90	24.85	24.82	24.73



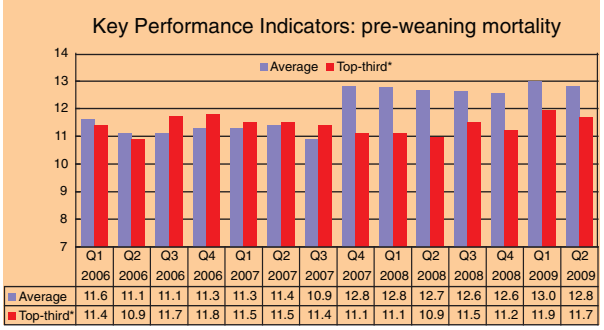
	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009
Average	19.71	19.66	19.70	19.79	19.89	19.97	20.31	20.44	20.64	20.46	20.80	20.92	20.91	21.00
Top-third	21.76	21.72	21.85	22.40	22.52	22.60	23.43	23.22	23.34	23.41	23.98	23.81	23.75	23.71



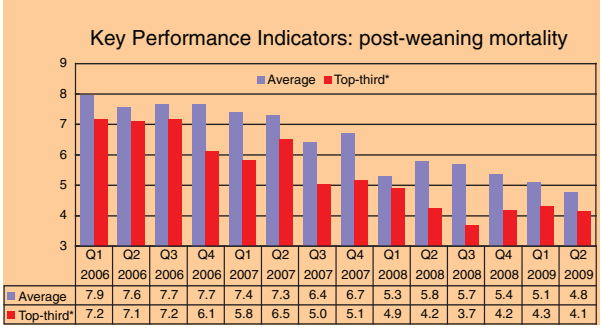
	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009
Average	2.21	2.18	2.18	2.19	2.17	2.18	2.19	2.24	2.23	2.23	2.24	2.25	2.25	2.25
Top-third	2.32	2.28	2.28	2.31	2.29	2.32	2.36	2.33	2.33	2.32	2.34	2.34	2.34	2.34



	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009
Average	657	655	652	653	655	653	674	659	773	757	738	758	739	745
Top-third	712	706	707	711	731	703	752	746	832	838	827	814	803	767



	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009
Average	11.6	11.1	11.1	11.3	11.3	11.4	10.9	12.8	12.8	12.7	12.6	12.6	13.0	12.8
Top-third*	11.4	10.9	11.7	11.8	11.5	11.5	11.4	11.1	11.1	10.9	11.5	11.2	11.9	11.7



	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009
Average	7.9	7.6	7.7	7.7	7.4	7.3	6.4	6.7	5.3	5.8	5.7	5.4	5.1	4.8
Top-third*	7.2	7.1	7.2	6.1	5.8	6.5	5.0	5.1	4.9	4.2	3.7	4.2	4.3	4.1

APPENDIX V

List of tables and charts

LOOK FOR THE MARK OF DISTINCTION

All pork, bacon, ham and sausages that carry the Quality Standard Mark come from farmers and processors committed to high standards of animal welfare, quality control and traceability. The production-chain is independently audited to ensure compliance with these standards.

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