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2009 PIG COST OF PRODUCTION IN SELECTED COUNTRIES

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AHDB - Market Intelligence

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BPEX

CONTENTS

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INTRODUCTION

This is the ninth 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 2009.

The year marked a return to profitability for the European pig sector. Reduced feed costs and generally improved producer prices resulted in an opportunity for producers to generate positive margins. The British pig industry benefitted from the decline in the value of sterling, which helped to boost prices as the equivalent price of imports increased. During 2009, sterling remained historically weak against the euro although in the second quarter of 2010, despite still being low, the value of sterling appreciated, which may lead to a reduced comparative advantage on the continent. Reflecting a positive attitude by consumers during the recession, consumption of pork and pork products increased in 2009 despite an increase in retail price. Pork is seen as good value for money, compared with other meats.

During 2009 further improvements in technical efficiency helped reduce production costs which were below the European average. The results of the BPEX program to distribute the PCV2 Vaccine, used to control PMWS have been successful. However, post-weaning mortality in Great Britain is still slightly higher than it was in 2000, before the spread of PMWS, indicating that further gains are still able to be made.

In May 2010 BPEX launched the innovative Two-Tonne Sow (2TS) campaign with the objective of lifting average sow productivity in England to 2,000 kg of pig meat per sow per year. Closing the performance gap with European competitors is crucial to ensure the longterm competitiveness of the English pig sector. The campaign focuses on six pillars of activity in breeding, finishing, buildings, health, staff training and nutrition. BPEX will provide information, advice and support to producers in addressing this challenge. For more information on the campaign and to find out how to participate in the programme either as a producer of as a member of the allied industries, go to www.bpex.org.uk/2ts

To assist producers compare their physical performance with other pig businesses in England, BPEX has launched a new Key Performance Indicators (KPIs) section on the BPEX website which is updated quarterly based on Agrosoft data. The section provides average, top third and top 10 per cent performance for the 'super six' KPIs and more detailed KPIs for indoor and outdoor breeding herds, rearing and finishing herds. For more information visit the Market Intelligence section of the BPEX website at www.bpex.org.uk

METHODOLOGY

This report is the ninth in a series that examines the relative costs of production in selected countries. This is a joint project currently involving the following organisations in 12 countries, which are known collectively as InterPIG.

- Great Britain – AHDB Market Intelligence, BPEX
- Austria – VLV Upper Austria
- Belgium – Boerenbond Belgie
- Brazil – Embrapa Swine and Poultry
- 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 – Svenska Pig.

This year's publication welcomes the return of Brazil to the InterPIG group. Embrapa Swine and Poultry have submitted results for the Brazilian industry which have been presented in comparison to previous submissions by Brazilian representatives. This comparison is provided as an indicative analysis due to the variances among the two samples and the formulation of the data.

The InterPIG group has also received a good level of interaction and data from Canadian and Polish organisations and work towards presenting data in a standardised format for next year's publication. We continue to work with other countries and organisations who wish to provide standardised results for international comparison.

The cost and performance data relates to average performance data from the national recording systems operated 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 1-2p/kg deadweight. In an attempt to continue to improve the accuracy of the data provided the glossary of terms and formula used in calculations is monitored and updated. As a result, there may be some discrepancies with previous publications as formulas have been re-aligned.

KEY POINTS

- The cost of pig meat production in Great Britain decreased by four per cent in 2009, to 131.4p/kg. The average cost of production in the EU was 131.7p/kg dw, down three per cent. Production costs in Great Britain were below that of the European average as a result of the depreciation of sterling.

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

- Producer prices increased notably during 2009 which resulted in record highs since 1996.

- Feed prices decreased following high quotations during 2008. As a result, this assisted the member countries in controlling costs of production.

- The cash costs of production, ie excluding finance costs, were 115.5p/kg in 2009. This was about five pence lower than in 2008.

- In 2009 as a whole, EU feed costs decreased by seven per cent compared with a year earlier in sterling terms, although the increase recorded in 2008 was considerably higher. The cost decrease (in sterling) was one per cent in Great Britain.

- The overall average number of pigs weaned/sow/year in the European InterPIG countries increased from 23.98 in 2008 to 24.32 in 2009. The number of pigs weaned/sow/year in Great Britain, increased to 22.25.

- Great Britain maintained a post-weaning mortality of 5.6 per cent. This was worse than the EU average post-weaning mortality of 5.4 per cent.

- The average number of pigs finished/sow in Great Britain increased for the sixth consecutive year in 2009. At 21.0 pigs/sow, average performance was 0.15 pigs higher than in 2008 and 2.2 pigs higher, an 11 per cent improvement, compared with 2004.

- Daily liveweight gains continued to improve markedly in Great Britain during 2009. Feeding herds daily liveweight gains increased by eight per cent in 2009 to 819g/day, following an 11 per cent increase in 2008.

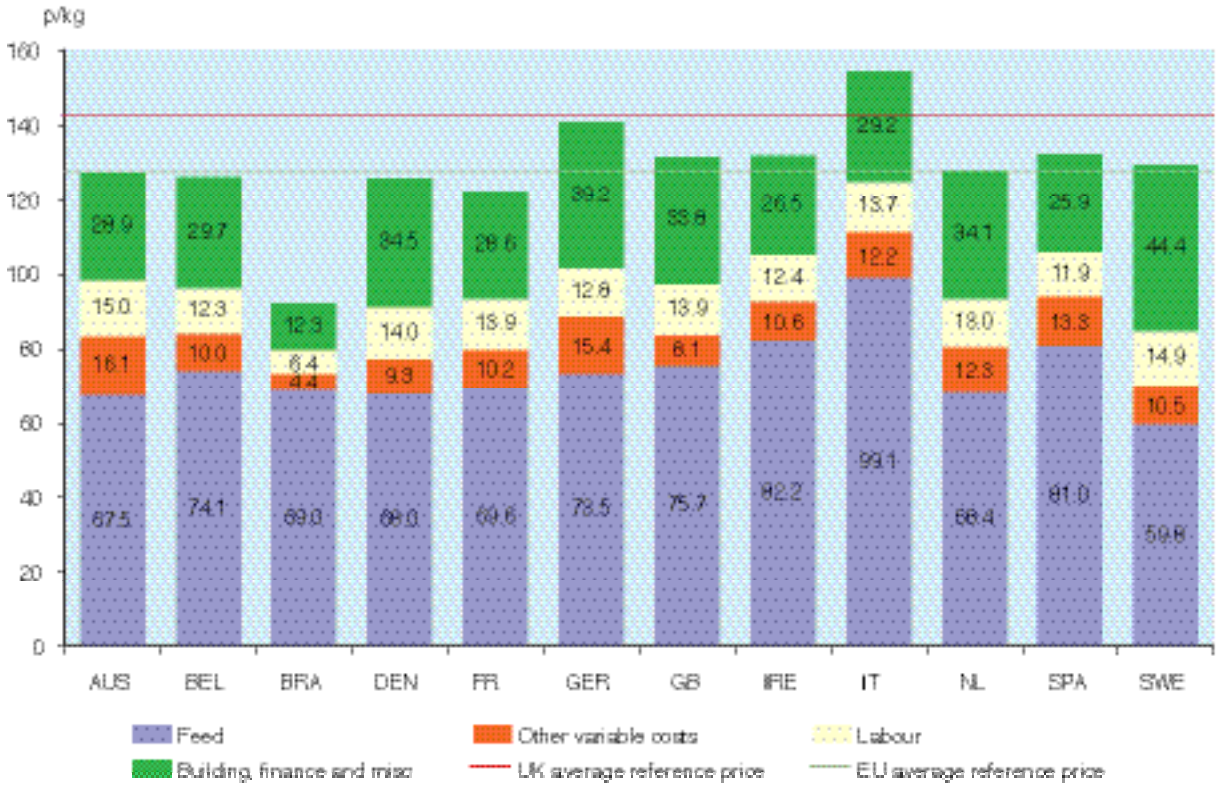
- Great Britain produced 1643kg pig meat per sow in 2009, an increase of two per cent compared with 2008. Great Britain produced relatively light pigs compared with the European average and this, together with the below-average number of pigs finished per sow, means that the amount of carcase meat produced per sow is the lowest of all the EU countries.

COST OF PRODUCTION

Aggregate results for 2009

The production costs of pig meat in 2009 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, 2009



The average cost of production in the EU in 2009 was 131.7p/kg dw, a fall of three per cent compared with the previous year. Costs of production in Great Britain, at 131.4p, down from the highs of 136.8p in 2008, were closer to the EU average than in previous years. Italy continued to have the highest costs of production at 154.2p, due to Italian pigs being finished at heavier weights than in other EU countries. The second highest production cost was in Germany which in contradiction to the trend, increased by one per cent to 140.9p. The lowest production costs in the EU were in France (122.3p) and Denmark (125.8p).

The average UK reference price increased notably during 2009 to average 142p/kg to remain 12 per cent above the EU average of 126p/kg. As average prices increased for producers, 2009 was also a year where input costs reduced from highs in 2008. As a result in Great Britain, the average costs of production throughout the year were below that of the average price received during the 12 months. These figures imply a gain of 11p on every kg of pig meat produced in the UK (compared with a 14p loss in 2008). Across the EU countries which were sampled, there was an average loss of five pence on every kg of pig meat produced.

Comparisons with previous years (in sterling terms)

Costs of production in 2009, compared with results for the five previous years, are shown in Table 1. The average cost of production in the EU countries decreased by three per cent in 2009 to 131.7p/kg, largely due to the decline in feed costs which fell from sharp rises in 2008. However, costs did not decline across all countries. Costs reduced in eight of the countries sampled, with costs in Sweden 11 per cent lower than in 2008. Despite lower global feed prices, costs of production increased in sterling terms in Italy and Germany by two and one per cent respectively.

Table 1 Average costs of production, 2004 - 2009 (p/kg dw)

Year	2004	2005	2006	2007	2008	2009	2009/08 % change
Austria	111.6	103.5	107.6	113.5	136.8	127.5	-7
Belgium	93.5	88.1	89.4	104.7	131.1	126.1	-4
Brazil	na	na	na	64.2	88.4	92.2	+4
Denmark	92.7	88.8	87.8	96.4	129.1	125.8	-3
France	94.5	90.6	92.0	103.2	130.5	122.3	-6
Germany	105.6	99.1	99.4	109.3	139.2	140.9	+1
Great Britain	110.2	104.4	108.6	121.7	136.8	131.4	-4
Ireland	96.9	94.6	99.9	109.1	135.2	131.7	-3
Italy	121.8	117.0	114.2	125.7	150.5	154.2	+2
Netherlands	90.3	84.4	86.1	100.0	128.6	127.9	-1
Spain	na	na	96.5	107.5	132.1	132.1	0
Sweden	100.3	96.3	102.3	115.9	145.7	129.5	-11
EU	101.7	96.7	98.5	109.7	136.0	131.7	-3

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 producers increased from 16 per cent of the EU average in 2008 to 26 per cent in 2009. The ranking of countries is indicative of the range of costs involved among the member countries although this has changed over time as countries amend and improve their data.

High costs in Italy, Germany and Spain. Italy remains the highest cost producer due to higher carcase weights and poorer feed conversion ratios. Spain has moved into this group for the first time as it has a high reliance on higher priced imported feed, as a result, it did not benefit to the same extent as other European member states by a reduced feed cost in 2009.

Medium costs in Ireland, Great Britain and Sweden. Great Britain has spent its second year in this band due to the exchange rate. With the euro weakening in 2010 this may revert Great Britain to the high-cost band.

Low costs in France, Denmark, Belgium, Austria and the Netherlands. Austria has traditionally been a high cost producer. A significant decline in feed costs and increase in the number of pigs finished per sow producing over 100kg more pig meat per sow per year has helped to improve costs in Austria.

Table 2 Ranking of EU production costs, 2004 - 2009

Year	2004	2005	2006	2007	2008	2009	% of EU ave
France	4	4	4	3	3	1	92.8
Denmark	2	3	2	1	2	2	95.5
Belgium	3	2	3	4	4	3	95.7
Austria	9	8	9	8	7	4	96.8
Netherlands	1	1	1	2	1	5	97.0
Sweden	6	6	8	9	10	6	98.3
Great Britain	8	9	10	10	8	7	99.7
Ireland	5	5	7	6	6	8	100.0
Spain	na	na	5	5	5	9	100.2
Germany	7	7	6	7	9	10	106.9
Italy	10	10	11	11	11	11	117.0

Notes: Rankings: 1 = lowest, 11 = highest

Exchange rate movements

Exchange rate fluctuations influence the competitiveness of a country's exports and can even affect its domestic industry through direct competition with imports. Historical evidence has shown that movements in the exchange rate can have a significant effect on relative competitiveness and consequent implications on trade flows. This issue has been at the forefront of the argument for the adaptation of the euro and encouraging intra-EU trade since its beginning.

Of the 27 European countries, 16 are currently in the Eurozone, while several others have directly pegged their currencies to the euro. For these states, trade between themselves has the benefit of reducing the influence of currency fluctuations on their competitiveness. However, of the EU's major pig producers, Poland and the UK lie outside the Eurozone, increasing the extent to which exchange rates influence pig trade within with EU.

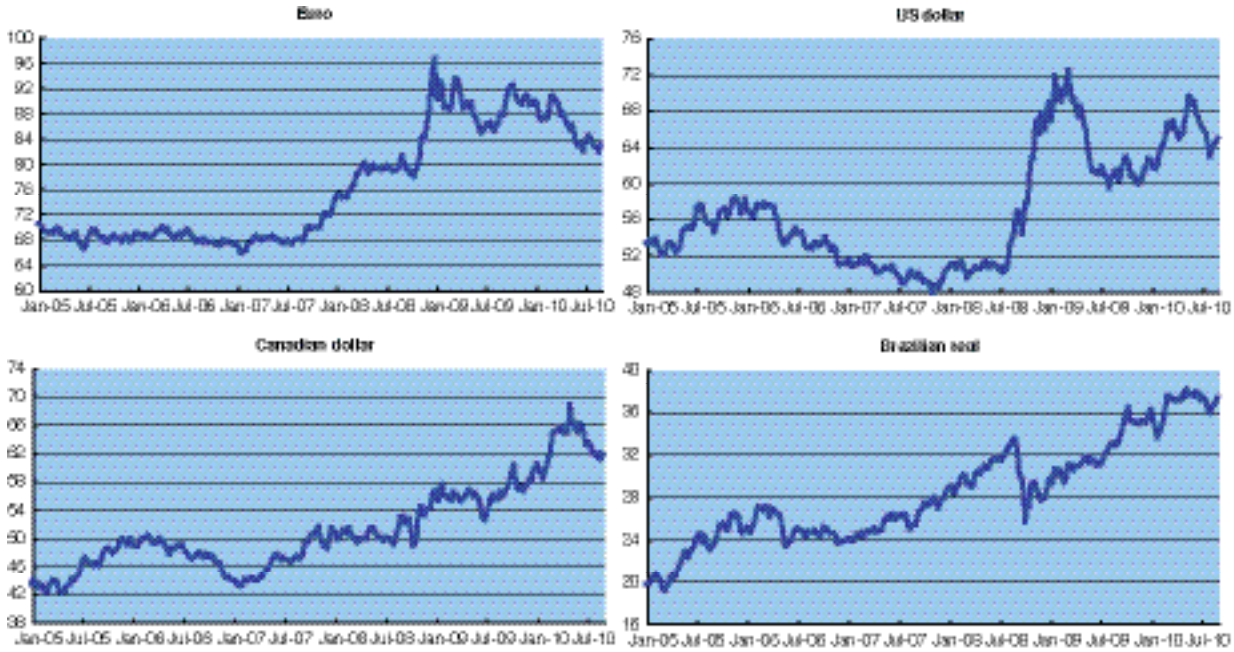
Since mid-2007, sterling has depreciated significantly against the euro, meaning in effect a competitive advantage for UK producers as the weaker sterling encourages exports while dampening imports. However, it also means that any imported inputs to the production process, such as soya feed, increase in cost thereby reducing the net benefit. The overall effect is ultimately determined by the extent to which agro-inputs can be sourced locally.

Euro

Between 2003 and late 2007, the euro remained relatively steady to sterling, trading between 66p and 70p. The sharp movements in the exchange rate that occurred at the start of the financial crisis largely reflected the perceived vulnerability of the UK economy and the relative strength of the EU.

The sharpest depreciation of sterling to the euro occurred in the final few months of 2008, as the financial crisis intensified following the bankruptcy of Lehman Brothers in September 2008, as well as higher UK relative inflation.

Figure 2 Exchange rate movements, 2005 - 2010



Since the second quarter of 2010, the euro has fallen in value. Sovereign debt concerns continue to undermine the euro and, despite the provision of financial support for vulnerable economies such as Greece, investors remain mindful. In contrast, the UK's push with faster and more aggressive fiscal tightening have bolstered support for the sterling.

US dollar

Between 2003 and late 2007, the US dollar lost over 30 per cent of its value against sterling due to concerns with the state of the US economy and its low interest rates. This resulted in a significant competitive advantage for US pig producers, ultimately reflected in booming export sales.

The start of the financial crisis showed little movement in the sterling/US dollar relative exchange rate as both economies were perceived to be similarly affected. Both the sterling and US dollar depreciated relative to other currencies but at levels fairly consistent with each other.

The US dollar appreciated sharply at the end of 2008, before a reversal in the first half of 2009 as confidence in the dollar fell and increasing anxiety of significant long term inflation resulting from massive government borrowing and anticipated ongoing deficit spending. The first half of 2010 witnessed an appreciation of the dollar due to its perceived relative strength in the global economy amid concerns of flailing European economies and debt crises.

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	89.0p	1.12	1.57	1.78	3.11
2010 (Jan-Jun)	86.9p	1.15	1.53	1.58	2.74

Brazilian real

The real has appreciated dramatically since 2005, initially fuelled by capital inflows and the country's current account surplus. In early 2008, the surplus slipped into deficit but this was counterbalanced by continued high levels of foreign direct investment. Despite a sharp, yet fairly brief depreciation in late 2008, following Brazil's economic contraction in the wake of the financial crisis, the currency has appreciated by 23 per cent since the start of 2009, or 86 per cent since January 2005. Continued endeavours to create more in-country resources have sustained the appreciation of the Brazilian real exchange rate as the country continues to attract investors seeking opportunities.

Although the real's relative appreciation has been to the disadvantage of Brazil's exporters, the country has continued to improve its agricultural resources and livestock production system that have, among other things, supported Brazil's international competitiveness. With domestic policies that have focused on import-substitution, the appreciation of the real has not led to increasing costs of agro-inputs.

Comparisons with previous years (in euro terms)

Between 2004 and 2007 there was very little change in the value of the pound sterling against the euro, so exchange rate fluctuations had little impact on relative competitiveness. However, 2008 was a very different year. The value of sterling declined by 12 per cent against the euro. Consequently, although average EU costs of production 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.

During 2009 and the first quarter of 2010 sterling remained historically weak compared with the euro but nevertheless stabilised after a large scale depreciation in the final quarter of 2008. The trend during the second quarter of 2010 was for sterling to appreciate to a degree against the euro although not to previous values measured in 2007 or the first three quarters of 2008.

Table 4 Average costs of production, 2004 - 2009 (euro cents/kg dw)

Year	2004	2005	2006	2007	2008	2009	2009/08 % change
Austria	164.5	151.4	157.8	165.8	174.9	143.2	-18
Belgium	137.7	128.9	131.2	153.0	167.7	141.6	-16
Brazil	na	na	na	93.0	112.4	103.5	-8
Denmark	135.6	128.9	127.7	140.0	165.1	141.3	-14
France	139.2	132.5	135.0	150.8	166.9	137.3	-18
Germany	155.6	145.0	145.9	159.7	178.1	158.2	-11
Great Britain	158.4	152.8	159.1	177.5	175.0	147.6	-16
Ireland	142.8	138.4	146.5	159.3	173.0	147.9	-14
Italy	179.5	171.2	167.6	183.7	192.5	173.2	-10
Netherlands	133.1	123.4	126.4	146.0	164.5	143.6	-13
Spain	na	na	138.2	157.1	169.0	148.3	-12
Sweden	147.8	141.0	150.0	169.3	186.4	145.5	-22
EU	149.4	141.4	144.1	160.2	173.9	148.0	-15

CASH COSTS OF PRODUCTION

Table 5 gives a breakdown of the costs of production in Great Britain compared with the overall results for the European members of InterPIG.

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 2009 was 131.4p. However, if the finance costs element (15.9p) is excluded from the calculations, the cash costs of production fall to 115.5p/kg. This was almost five pence lower than in 2008 and 20p higher than in 2007. The UK cash costs of production were five pence higher than the EU average, the same differential as that recorded in 2008.

Table 5 Cash costs of production, 2009

	GB		EU	
Variable costs	**100.0**	Cash costs = 115.5p	**95.6**	Cash costs = 110.4p
Feed	75.7		74.4	
Breeding cost	1.2		3.0	
Vet and med	2.4		4.2	
Energy	4.6		4.4	
Maintenance	2.9		1.9	
Levies, insurance, inspection	2.9		1.2	
Miscellaneous	10.5		6.5	
Fixed costs	**31.4**		**36.1**	
Labour	13.9		13.4	
Interest on working capital	1.6		1.4	
Finance costs	15.9		21.3	
Total costs (a)	**131.4**		**131.8**	

(a) Excludes transport from farm to abattoir

In estimating the depreciation charges we have assumed that buildings are amortized over a period of 25 years and equipment over a period of 15 years. These are the default amortization periods for EU countries, although the periods may be changed if there is evidence that they are different. For the 2009 survey, the default periods have been increased among the members from 20 years for buildings and 10 years for equipment.

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. Pig producers in Great Britain, following a relatively successful year in terms of return in 2009, have begun to increase their re-investment in infrastructure, although the level to which the investment has reached is still, at the time of writing, to be measured.

Greater volume of investment should lead to improved performance across the herd as well as reduced maintenance costs for the pigs which has been apparent within the UK industry in recent years.

FINANCIAL PERFORMANCE SUMMARY

Table 6 contains financial performance data for 2009, while Table 10 presents, where available, comparisons with 2007-2009. Among the EU countries there was a range of 32p between the highest and lowest-cost producer, a larger range than in 2008. The recorded differences are due to a combination of physical performance and the prices of inputs (e.g. 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, 2009

	AUS	BEL	BRA	DEN	FR	GER	
Feed	67.52	74.07	69.05	67.97	69.64	73.50	
Other variable costs	16.11	10.04	4.45	9.33	10.20	15.44	
Total variable costs	83.63	84.10	73.49	77.30	79.84	88.93	
Labour	15.01	12.26	6.36	13.99	13.87	12.82	
Building, finance and misc	28.86	29.75	12.33	34.51	28.56	39.16	
Total fixed costs	43.86	42.01	18.69	48.50	42.43	51.99	
Total	127.50	126.11	92.19	125.80	122.27	140.92	
	GB	**IRE**	**IT**	**NL**	**SPA**	**SWE**	**EU AVE**
EU feed	75.67	82.23	99.06	68.42	80.97	59.81	74.44
Other variable costs	8.12	10.64	12.25	12.27	13.31	10.47	11.65
Total variable costs	83.79	92.88	111.31	80.69	94.28	70.28	86.09
Labour	13.85	12.35	13.74	13.02	11.86	14.85	13.42
Building, finance and misc	33.76	26.49	29.15	34.14	25.92	44.41	32.25
Total fixed costs	47.61	38.84	42.90	47.16	37.78	59.26	45.67
Total	131.40	131.72	154.21	127.85	132.06	129.54	131.76

Figures may not total due to rounding

Feed costs

Market developments in 2009

Uncertainties continued in 2009 grain markets spilling over from the massive volatility seen during 2008. For the calendar year, the UK wheat market saw a £35/t trading range, peaking in February at £125/t and reaching the lowest values in mid-September of £90/t. The record 17.7Mt UK wheat crop of 2008 ensured good availability for the first half of 2009, which was also compounded by the wet harvest, which downgraded much of the crop to feed. Internationally, feed grain availability was also high, especially from Russia and Ukraine.

In the lead-up to the 2009 harvest, the usual weather concerns emerged in the northern hemisphere, with UK prices reaching £124/t in June. However, as harvest progressed and production estimates became more robust, few production fears were seen and markets fell £25/t in the space of a month. Following the massive over production of 2008, 2009 created a second consecutive surplus, pushing global wheat stocks higher.

Weak sterling and a weak euro, made UK and EU grain exports competitive, especially feed grain, which helped exports to progress. During 2009, the global economy was trying to make a fragile recovery, but the fear of double dip recession was overhead, which made investors very nervous of commodity investments, which are generally led by energy and metals.

Global soyameal values also saw large volatility in 2009 trading in a range from $250/t through to $425/t. The upward volatility can be attributed to the severe drought in Argentina which had a devastating impact on its

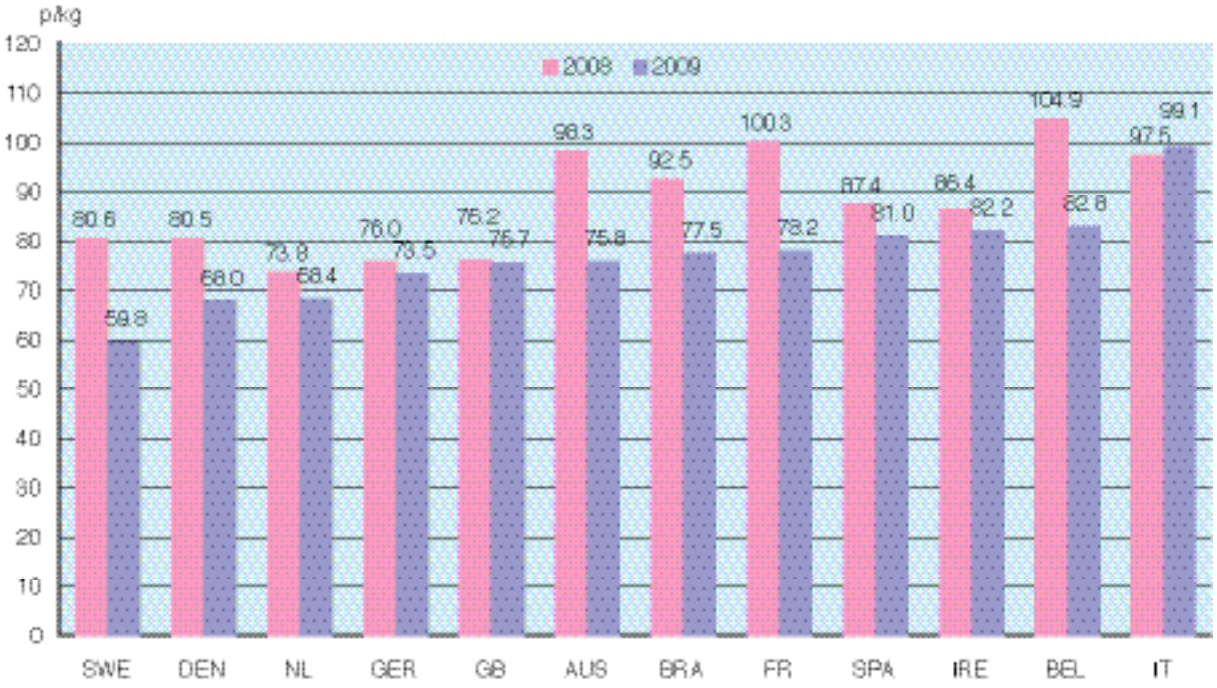
soyabean crop and meal availability. Markets eased greatly as autumn approached and new US crop became available. However, China's growing demand for oilseed imports added another dimension to the market, which has shown no sign of slowing. In the UK, this gave price ranges for Hi-Pro Soya of £285-£340/t.

The impact on pig producers' feed costs in 2009

Figure 3 Changes in feed costs, 2009

With prices of raw ingredients falling, compound feed prices moved lower during 2009. In 2009 as a whole reductions in price (in sterling) were evident in all but one of the InterPIG countries, ranging from 26 per cent in Sweden to one per cent in Great Britain. Denmark, France and Austria all saw feed costs decrease between 16 and 23 per cent. Feed prices in the Netherlands fell seven per cent. In contrast, prices in Italy increased two per cent in 2009.

Figure 4 Feed costs, 2008 - 2009



Feed costs averaged 75.7p/kg of pig meat produced in Great Britain compared with the 76.2p/kg recorded in 2008. The less-marked decrease in feed costs in Great Britain during 2009 than in other countries means that it was above the EU average. In 2008, feed costs in Great Britain were 94 per cent of the EU average and in 2009 were 102 per cent of the EU average.

Feed prices/tonne and energy content

Table 7 indicates that within the EU feed prices/tonne there is a considerable range. At the lower end of the range, Spanish feed prices were 91 per cent of the EU average in 2009 while prices in Great Britain were 94 per cent of the average, the same as in 2008. At the top end of the range, Irish prices were 114 per cent of the average. Feed prices/tonne in Brazil were comparable with prices in the lower end of the range and were 96 per cent of the EU average.

There is also a considerable variation in the relative costs of sow, rearer and finisher feed. Sow feed in Sweden is the lowest in the EU, at 87 per cent of the average and the most expensive in Italy where it is 116 per cent of the average. Sow feed in Great Britain is 88 per cent of the average. Rearer feed in Great Britain was relatively expensive in 2008, however, still below the EU average, by 2009 it had fallen in price and was 90 per cent of the EU average.

Table 7 Feed prices and energy content, 2009

	AUS	BEL	BRA	DEN	FR	GER	
£/tonne							
Sow	187.60	190.10	172.75	171.04	183.05	204.03	
Rearer	240.58	248.52	278.17	249.44	242.27	313.38	
Finisher	157.32	170.10	164.41	177.23	190.88	203.03	
Average	190.65	196.05	187.73	184.47	193.85	221.29	
Energy content (MJ ME/kg)							
Sow	12.30	12.30	12.20	13.20	12.80	13.00	
Rearer	13.00	13.10	12.00	14.07	13.30	13.40	
Finisher	12.90	12.90	na	13.32	12.80	13.20	
Average	12.49	12.53	10.32	13.36	12.88	13.10	
Cost of feed (p/kg MJ ME)							
Sow	1.53	1.55	1.42	1.30	1.43	1.57	
Rearer	1.85	1.90	2.32	1.77	1.82	2.34	
Finisher	1.22	1.32	na	1.33	1.49	1.54	
Average	1.53	1.56	1.82	1.38	1.51	1.69	
	GB	**IRE**	**IT**	**NL**	**SPA**	**SWE**	**AVE EU**
£/tonne							
Sow	169.87	204.01	203.03	190.19	178.09	156.72	185.25
Rearer	242.27	313.38	290.29	279.57	346.14	207.48	270.30
Finisher	190.88	203.03	201.25	179.07	199.05	137.13	182.63
Average	184.02	222.10	214.10	203.91	178.09	161.03	195.42
Energy content (MJ ME/kg)							
Sow	13.02	13.30	11.90	12.90	0.00	12.24	11.54
Rearer	13.73	14.00	13.73	13.60	22.00	12.28	14.20
Finisher	12.96	13.20	12.70	13.80	0.00	12.32	11.83
Average	13.12	13.40	12.26	13.19	0.00	12.26	11.69
Cost of feed (p/kg MJ ME)							
Sow	1.30	1.53	1.71	1.47	na	1.28	1.47
Rearer	1.76	2.24	2.11	2.06	2.06	1.69	1.96
Finisher	1.47	1.54	1.58	1.30	na	1.11	1.39
Average	1.40	1.66	1.75	1.55	na	1.31	1.53

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 along with the cost. Within the EU, the average cost of feed per kg MJ ME, varied from 1.31p in Sweden to 1.75p in Italy, with Great Britain at 1.40p, slightly lower than in 2008.

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/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 six years.

The EU average figure was 0.91 hours/pig in 2009, a four per cent improvement on the 2008 results of 0.95 hours/pig. National results ranged from 0.59 hours in Denmark and 0.64 hours in the Netherlands to 1.21 hours in Austria and 1.48 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 1.09 hours, was significantly lower than the the 1.23 hours recorded in 2004, but an increase on the 2008 figure of 1.05. Productivity has been improving in recent years and 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 £13.83 in 2009, 15 per cent higher than in 2008. There was a substantial range in costs, from £9.98 in Great Britain, to £19.12 in Denmark. 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. The cost per hour in Great Britain represented a five per cent increase year on year.

Table 8 Labour costs, 2009 (p/kg dw)

	AUS	BEL	BRA	DEN	FR	GER	
Labour per finished pig (hours/year)	1.21	0.83	2.55	0.59	0.79	0.88	
Labour cost/hour (£)	11.58	13.39	2.13	19.12	15.61	13.54	
Labour cost/pig (£)	13.96	11.07	5.42	11.27	12.29	11.89	
Average carcase weight (cold)	93.00	90.32	85.26	80.53	88.60	92.75	
Labour cost/kg (p)	15.01	12.26	6.36	13.99	13.87	12.82	
	GB	**IRE**	**IT**	**NL**	**SPA**	**SWE**	**AVE EU**
Labour per finished pig (hours/year)	1.09	0.92	1.48	0.64	0.75	0.83	0.91
Labour cost/hour (£)	9.98	10.69	11.89	18.39	12.47	15.51	13.83
Labour cost/pig (£)	10.83	9.82	17.62	11.75	9.40	12.92	12.08
Average carcase weight (cold)	78.21	79.50	128.20	90.26	79.28	87.00	89.79
Labour cost/kg (p)	13.85	12.35	13.74	13.02	11.86	14.85	13.42

The average labour cost/pig in the EU was £12.08 in 2009, marginally higher than in 2008. The cost of labour /pig was lowest in Spain, at £9.40 (although this was 26 per cent higher than in 2008). Excluding the atypical Italian results, the cost was highest in Sweden (£12.92) and France (£12.29). Costs in Great Britain were

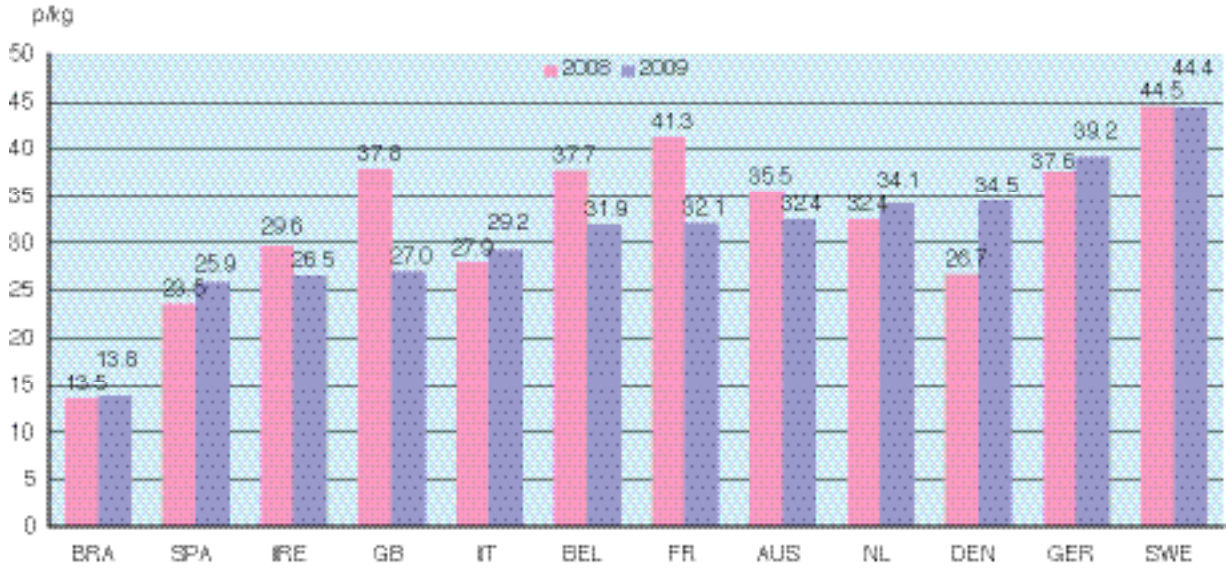
£10.83/pig in 2009, up from £10.04/pig in 2008, due to greater labour costs and increased time spent on husbandry which resulted in increased labour per finished pig.

The cost of labour per pig in Great Britain was 10 per cent below the EU average in 2009. However, the average weight of British pigs is lower than in most other countries. When this factor is taken into account, the labour cost/kg (13.85p) rose to 103 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 by Austria, France, Denmark and Sweden. The lowest labour costs in the EU were in Spain (11.86p). Brazil has a labour cost/kg of just 6.36p. The average cost of labour/pig is significantly below the EU average at just £2.13 but the labour input is significantly higher than the EU average at 2.55 hr/finished pig.

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 25 years and equipment over a period of 15 years.

Figure 5 Building, finance and miscellaneous costs, 2008 - 2009



BFM costs across the EU countries decreased in 2009. This was partly due to a change in the definition and formula involved for maintenance costs and the effect is specifically noticeable in the results recorded for Great Britain, Belgium and France.

Of the InterPIG group members, Brazil had the lowest BFM costs. Spain had the lowest BFM costs of the European countries within the sample, despite costs increasing in 2009.

Sweden had the highest BFM costs, although costs changed marginally compared with a year earlier. The Netherlands, Denmark and Germany increased BFM costs during 2009 to be in the top quartile in terms of costs.

Table 9 Analysis of building, finance and miscellaneous costs, 2009

	AUS	BEL	BRA	DEN	FR	GER	
Building/equipment costs per pig place	£415	£320	£85	£428	£352	£418	
Average mortgage interest rate	4.5%	4.0%	6.1%	6.4%	3.7%	4.9%	
Finance costs	21.3	20.3	6.1	23.2	18.8	26.7	
Maintenance	2.2	0.7	0.5	1.5	1.5	2.1	
Levies, insurance, inspection	1.5	1.7	1.8	0.0	0.0	0.6	
Miscellaneous	2.7	5.8	2.7	8.3	7.4	8.3	
Interest on working capital	1.2	1.2	1.3	1.5	1.0	1.5	
Total BFM	28.9	29.7	12.3	34.5	28.6	39.2	
	GB	**IRE**	**IT**	**NL**	**SPA**	**SWE**	**AVE EU**
Building/equipment costs per pig place	£251	£275	£426	£393	£208	£533	£365
Average mortgage interest rate	6.3%	7.0%	2.5%	5.1%	5.0%	4.5%	4.9%
Finance costs	15.9	17.2	21.2	19.1	17.2	33.9	21.3
Maintenance	2.9	1.6	2.2	2.0	1.5	2.5	1.9
Levies, insurance, inspection	2.9	2.1	0.6	0.2	2.8	0.6	1.2
Miscellaneous	10.5	3.8	3.9	11.4	2.9	0.0	5.9
Interest on working capital	1.6	1.8	1.3	1.4	1.5	1.0	1.4
Total BFM	33.8	26.5	29.2	34.1	25.9	44.4	32.2

Table 10 Summary of financial performance, 2007 - 2009

	AUS			BEL			BRA		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
Feed	57.67	76.82	67.52	59.35	82.00	74.07	49.64	71.96	69.05
Other variable costs	11.59	14.77	16.11	7.62	8.64	10.04	1.73	1.95	4.45
Total variable costs	69.26	91.59	83.63	66.97	90.65	84.10	51.38	73.91	73.49
Labour	14.67	14.56	15.01	9.20	9.48	12.26	2.68	3.02	6.36
Building, finance and misc	29.58	30.60	28.86	28.56	31.01	29.75	10.15	11.45	12.33
Total fixed costs	44.25	45.16	43.86	37.75	40.49	42.01	12.82	14.47	18.69
Total	113.51	136.75	127.50	104.72	131.14	126.11	64.20	88.37	92.19
	DEN			FR			GER		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
Feed	53.68	79.25	67.97	54.81	77.23	69.64	53.04	73.89	73.50
Other variable costs	7.75	8.81	9.33	7.97	8.12	10.20	11.66	13.43	15.44
Total variable costs	61.44	88.06	77.30	62.78	85.35	79.84	64.70	87.32	88.93
Labour	10.74	12.15	13.99	12.91	13.02	13.87	11.42	12.86	12.82
Building, finance and misc	24.27	28.87	34.51	27.53	32.15	28.56	33.21	39.04	39.16
Total fixed costs	35.01	41.02	48.50	40.44	45.17	42.43	44.63	51.90	51.99
Total	96.45	129.08	125.80	103.22	130.52	122.27	109.33	139.22	140.92
	GB			IRE			IT		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
Feed	61.07	76.15	75.67	63.90	85.82	82.23	77.59	97.41	99.06
Other variable costs	8.71	8.12	8.12	8.77	8.68	10.64	10.24	11.85	12.25
Total variable costs	69.78	84.27	83.79	72.66	94.49	92.88	87.84	109.26	111.31
Labour	13.62	13.02	13.85	9.76	11.24	12.35	11.71	12.90	13.74
Building, finance and misc	38.30	39.55	33.29	26.64	29.51	26.49	26.17	28.34	29.15
Total fixed costs	51.92	52.57	47.15	36.40	40.75	38.84	37.88	41.24	42.90
Total	121.70	136.84	130.94	109.06	135.24	131.72	125.71	150.49	154.21
	NL			SPA			SWE		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
Feed	53.10	73.60	68.42	69.32	86.76	80.97	54.75	76.56	59.81
Other variable costs	10.55	10.12	12.27	9.40	11.59	0.00	8.24	10.24	10.47
Total variable costs	63.64	83.72	80.69	78.72	98.35	80.97	62.99	86.80	70.28
Labour	7.52	11.51	13.02	8.32	9.50	11.86	13.32	13.41	14.85
Building, finance and misc	28.80	33.35	34.14	20.48	24.25	25.92	39.59	45.53	44.41
Total fixed costs	36.32	44.86	47.16	28.80	33.74	37.78	52.90	58.94	59.26
Total	99.97	128.58	127.85	107.52	132.10	118.75	115.90	145.74	129.54
		EU AVERAGE							
	2007	2008	2009						
Feed	59.84	80.50	74.44						
Other variable costs	9.32	10.40	10.44						
Total variable costs	69.16	90.90	84.88						
Labour	11.20	12.15	13.42						
Building, finance and misc	29.37	32.93	32.20						
Total fixed costs	40.57	45.08	45.63						
Total	109.73	135.97	130.51						

PHYSICAL PERFORMANCE SUMMARY

Table 11 contains physical performance data for selected EU countries in 2009, while Table 13 presents comparisons with 2007 to 2009.

Table 11 Summary of physical performance, 2009

	AUS	BEL	BRA	DEN	FR	GER	GB
Pigs weaned per sow per year	22.76	23.94	24.05	27.45	26.16	23.90	22.25
Pigs reared per sow per year	22.19	23.43	23.69	26.73	25.62	23.19	21.70
Pigs sold per sow per year	21.70	22.63	23.17	25.63	24.70	22.47	21.00
Litters per sow per year	2.27	2.29	2.31	2.25	2.33	2.30	2.23
Pigs born alive per litter	11.50	11.91	11.32	14.19	13.07	12.20	11.40
Sow mortality (%)	3.0%	4.5%	6.0%	14.4%	4.4%	6.0%	4.9%
Pre-weaning mortality (%)	12.8%	12.3%	8.0%	14.0%	14.0%	14.8%	12.5%
Rearing mortality (%)	2.5%	2.2%	1.5%	2.6%	2.1%	3.0%	2.5%
Finishing mortality (%)	2.2%	3.4%	2.2%	4.1%	3.6%	3.1%	3.2%
Sow replacement rate (%)	37.2%	41.2%	45.0%	53.8%	45.4%	43.2%	48.1%
Transfer weight from breeding to rearing unit (kg)	7.50	6.93	7.00	7.45	7.19	7.50	7.30
Lactation period (days; since 2009, before: age of weaning)	27	25	28	31	25	27	28
Transfer weight from rearing to finishing unit (kg)	31.50	23.07	24.00	31.40	31.57	29.90	36.60
Rearing daily liveweight gain (g/day)	440	318	405	460	475	440	492
Rearing feed conversion ratio	1.88	1.83	1.70	1.70	1.69	1.70	1.80
Ave number of days in rearing unit	55	51	42	52	51	51	60
Empty rearing unit days per cycle	5	5	5	5	5	5	5
Pigs per pig place per year (rearing)	6.13	6.55	7.77	6.40	6.49	6.53	5.65
Finishing daily liveweight gain (g/day)	776.00	630.00	826.79	898.00	785.30	753.00	819.00
Finishing feed conversion ratio	2.92	2.96	2.75	2.66	2.85	2.92	2.77
Ave number of days in finishing unit	112.76	141.87	114.90	83.81	107.28	119.39	81.44
Empty finishing unit days per cycle	8.50	7.00	7.00	6.00	7.00	7.00	7.00
Pigs per pig place per year (finishing)	3.01	2.45	2.99	4.06	3.19	2.89	4.13
Average live weight at slaughter (kg)	119.00	12.45	119.00	106.66	115.81	119.80	103.30
Carcase weighed: live, hot or cold?	Hot	Hot	Hot	Hot	Hot	Hot	Hot
Average carcase weight - hot (kg)	94.90	92.21	87.00	81.42	90.87	94.64	79.81
Adjustment from hot to cold (%)	-2.0%	-2.0%	-2.0%	-1.1%	-2.5%	-2.0%	-2.0%
Average carcase weight - cold (kg)	93.00	90.32	85.26	80.53	88.60	92.75	78.21
Killing out percentage (cold weight)	78.2%	80.3%	71.6%	75.5%	76.5%	77.4%	75.7%
Killing out percentage (hot weight)	79.7%	82.0%	73.1%	76.3%	78.5%	79.0%	77.3%
Carcase meat production per sow per year (kg)	2018	2044	1975	2064	2189	2084	1643
Average lean meat percentage	60.4%	61.7%	53.6%	60.2%	60.1%	56.5%	62.0%
Lean meat production per sow per year (kg)	1219	1261	1058	1243	1316	1176	1019
Sow feed (kg) per sow per year	1284	1163	1273	1442	1327	1240	1265
Sow ration ave energy content (MJ ME/kg)	12.30	12.30	12.20	13.20	12.80	13.00	13.02
Weaner/rearer feed (kg) per reared pig	45.50	29.57	29.04	41.07	41.53	38.46	53.18
Weaner/rearer ration ave energy content (MJ ME/kg)	13.00	13.10	12.00	14.07	13.30	13.40	13.73
Finishing pigs feed consumption (kg) per finished pig	257.41	264.20	263.17	202.63	242.58	265.22	186.73
Finisher ration ave energy content (MJ ME/kg)	12.90	12.90	0.00	13.32	12.80	13.20	12.96

	IRE	IT	NL	SPA	SWE	AVE EU	
Pigs weaned per sow per year	24.33	22.64	27.19	23.71	23.19	24.32	
Pigs reared per sow per year	23.82	21.84	26.67	22.91	22.66	23.70	
Pigs sold per sow per year	23.30	21.69	26.03	21.81	22.11	23.01	
Litters per sow per year	2.29	2.22	2.38	2.32	2.20	2.28	
Pigs born alive per litter	11.78	11.31	13.10	11.60	12.70	12.25	
Sow mortality (%)	5.8%	0.8%	5.0%	8.7%	7.5%	5.9%	
Pre-weaning mortality (%)	9.8%	10.0%	12.8%	11.9%	17.0%	12.9%	
Rearing mortality (%)	2.1%	3.5%	1.9%	3.4%	2.3%	2.5%	
Finishing mortality (%)	2.2%	0.7%	2.4%	4.8%	2.4%	2.9%	
Sow replacement rate (%)	52.2%	34.0%	42.0%	52.7%	51.3%	45.5%	
Transfer weight from breeding to rearing unit (kg)	7.00	7.60	6.70	6.20	10.00	7.40	
Lactation period (days; since 2009, before: age of weaning)	28	27	25	23	34	27	
Transfer weight from rearing to finishing unit (kg)	36.20	35.00	25.10	19.00	31.00	30.03	
Rearing daily liveweight gain (g/day)	498	450	362	285	437	423	
Rearing feed conversion ratio	1.74	2.02	1.54	1.70	1.97	1.78	
Ave number of days in rearing unit	59	61	51	45	48	53	
Empty rearing unit days per cycle	6	5	5	5	5	5	
Pigs per pig place per year (rearing)	5.65	5.54	6.54	7.31	6.88	6.33	
Finishing daily liveweight gain (g/day)	828.00	640.00	792.00	642.50	876.00	767.25	
Finishing feed conversion ratio	2.77	3.68	2.71	2.71	2.83	2.89	
Ave number of days in finishing unit	82.25	204.69	115.51	133.85	97.69	116.41	
Empty finishing unit days per cycle	8.00	7.00	9.00	7.00	7.00	7.32	
Pigs per pig place per year (finishing)	4.04	1.72	2.93	2.59	3.49	3.14	
Average live weight at slaughter (kg)	104.30	166.00	116.58	105.00	116.58	116.86	
Carcase weighed: live, hot or cold?	Cold	Cold	Hot	Hot	Cold	na	
Average carcase weight - hot (kg)	81.10	131.10	92.10	80.90	88.78	91.62	
Adjustment from hot to cold (%)	2.0%	-2.2%	-2.0%	-2.0%	-2.0%	-1.6%	
Average carcase weight - cold (kg)	79.50	128.20	90.26	79.28	87.00	89.79	
Killing out percentage (cold weight)	76.2%	77.2%	77.4%	75.5%	74.6%	76.8%	
Killing out percentage (hot weight)	77.8%	79.0%	79.0%	77.0%	76.1%	78.3%	
Carcase meat production per sow per year (kg)	1852	2781	2349	1729	1924	2062	
Average lean meat percentage	58.3%	47.0%	56.4%	58.0%	57.7%	58.0%	
Lean meat production per sow per year (kg)	1080	1307	1325	1003	1110	1187	
Sow feed (kg) per sow per year	1220	1430	1211	1120	1412	1283	
Sow ration ave energy content (MJ ME/kg)	13.30	11.90	12.90	0.00	12.24	11.54	
Weaner/rearer feed (kg) per reared pig	51.16	55.99	28.60	22.00	41.37	40.77	
Weaner/rearer ration ave energy content (MJ ME/kg)	14.00	13.73	13.60	0.00	12.28	12.20	
Finishing pigs feed consumption (kg) per finished pig	188.64	483.20	249.75	236.35	242.36	256.28	
Finisher ration ave energy content (MJ ME/kg)	13.20	12.70	13.80	0.00	12.32	11.83	

Pigs weaned/sow/year

The overall average number of pigs weaned/sow/year in the European InterPIG countries showed a two per cent increase in 2009, up from 23.93 in 2008 to 24.32 in 2009. Performance in nine of the 11 European countries showed an improvement, with the highest increases occurring in Belgium and Italy both showing an increase of four per cent compared with 2008. The Netherlands and Denmark again had the best results for pigs weaned, showing an increase of two and one per cent respectively compared with 2008. In contrast, performance in Ireland fell by two per cent year on year. Performance in Brazil at 24.05 was one per cent below the EU average.

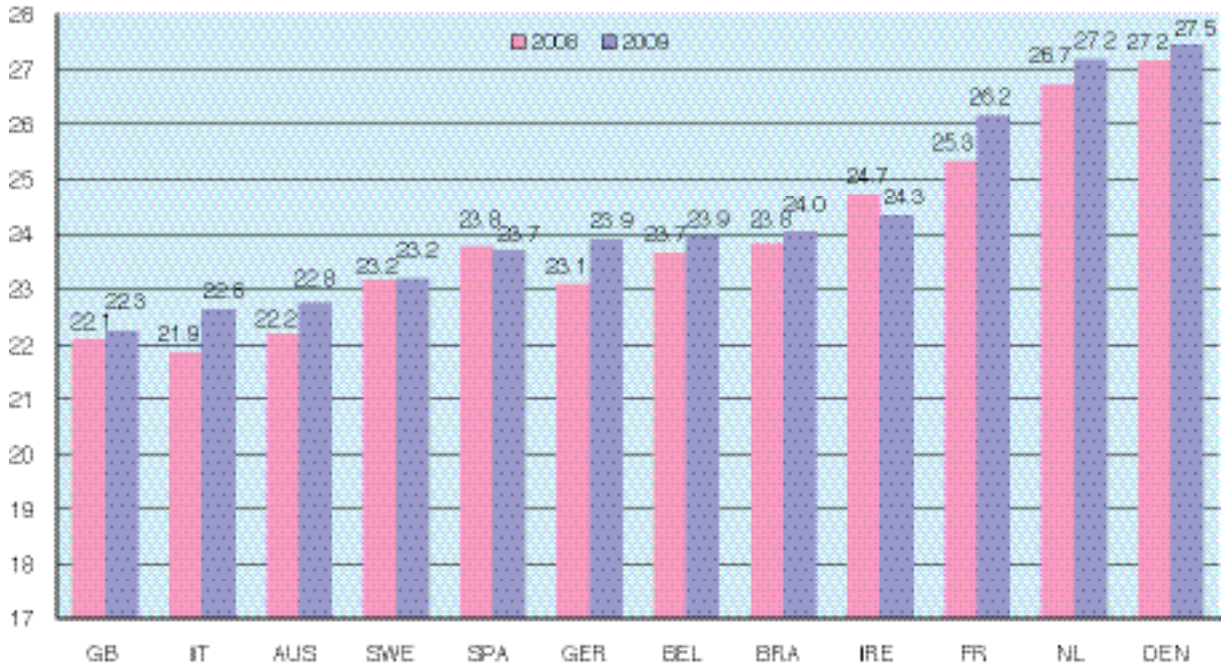
There was a further one per cent increase in pigs weaned/sow in Great Britain, to 22.25. However, as performance in Italy increased on the year, Great Britain was at the bottom of the European league. This is a major cause of relatively high costs of production in Great Britain and is a problem which needs to be addressed if costs are to be reduced in the future.

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 Great Britain result for litters/sow was 2.23, two per cent below the EU average and fractionally down from 2.25 in 2008
- Pre-weaning mortality, at 12.5 per cent, was down from 12.6 per cent in 2008, and was exactly the same as the EU average.

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 2009 average, at 11.40, was seven per cent less than the EU as a whole.

Figure 6 Pigs weaned/sow/year, 2008 – 2009



Post-weaning mortality

The number of pigs finished/sow/year is determined by pigs weaned and by post-weaning mortality. Table 12 below shows national comparisons of post-weaning mortality (rearing and finishing herd combined) and how these have changed between 2005 and 2009.

During 2009 post weaning mortality in Great Britain at 5.6 per cent, was at the same level as in 2008. In April 2008 BPEX began distributing PCV2 vaccine to the English pig industry. Continued benefits of this programme in terms of further reducing post-weaning mortality may be seen in 2010. 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 2005, when mortality was at almost 10 per cent and 2009, mortality

declined by 42 per cent in Great Britain compared with 17 per cent in the EU as a whole. However, post-weaning mortality in Great Britain is 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. As a result of some significant improvements in post weaning mortality in other European countries, post-weaning mortality in Great Britain was slightly above the EU average of 5.4 per cent.

Great Britain, similar to Europe, experienced a very severe winter in January 2010 and initial data from Agrosoft indicates that there has been some negative impact on physical performance in the first half of 2010. The ability to compare individual producer performance with industry trends has become a great deal easier with the introduction of a Key Performance Indicator (KPI) section in the Market Intelligence section of www.bpex.org.uk

There was a considerable range in national mortality levels. The lowest mortality in national herds during 2009 was in Italy, at 4.2 per cent. Ireland recorded a significant decline in post-weaning mortality, down 24 per cent year on year to 4.3 per cent. Mortality in the Irish herd was considerably lower than in Great Britain. Spain continued to have the highest mortality (8.0%). Mortality levels in the national herd in Brazil, at 3.7 per cent, was lower than in all the European InterPIG countries.

Table 12 Post-weaning mortality, 2005 - 2009

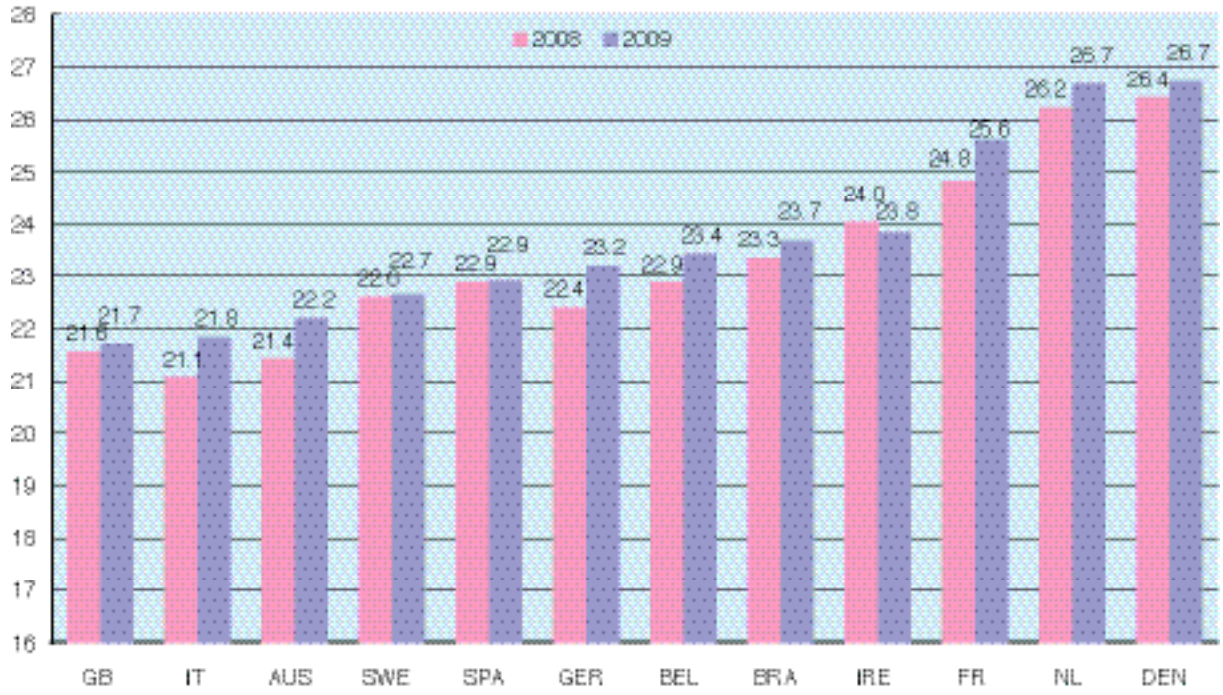
	2005	2006	2007	2008	2009	2009/05	2009/08
Austria	6.9%	5.9%	6.9%	7.1%	4.7%	-32%	-34%
Belgium	8.0%	7.6%	6.8%	6.9%	5.5%	-32%	-21%
Brazil	na	na	5.9%	5.9%	3.7%	na	-38%
Denmark	7.9%	7.1%	7.3%	6.1%	6.6%	-17%	+8%
France	7.1%	6.6%	6.1%	5.7%	5.6%	-22%	-3%
Germany	7.0%	6.8%	6.7%	6.3%	6.0%	-14%	-5%
Great Britain	9.7%	8.0%	7.0%	5.6%	5.6%	-42%	0%
Ireland	5.4%	5.7%	5.6%	5.6%	4.3%	-22%	-24%
Italy	3.9%	4.0%	4.1%	4.4%	4.2%	+6%	-5%
Netherlands	4.7%	4.6%	4.4%	4.4%	4.3%	-10%	-2%
Spain	na	9.5%	9.3%	9.7%	8.0%	na	-17%
Sweden	4.2%	4.5%	4.7%	4.9%	4.6%	+12%	-6%
EU average	6.5%	6.5%	6.2%	6.1%	5.4%	-17%	-11%

Pigs finished/sow/year

The average number of pigs finished/sow increased for the sixth consecutive year in Great Britain in 2009. At 21.7 pigs/sow, average performance was marginally higher than in 2008 and 0.9 pigs (4%) higher than in 2005. Results for Great Britain have been boosted by increases in pigs weaned/sow and the year on year declining trend in post-weaning mortality, but in 2009 it was at the bottom of the European league.

In 2009, there was an average 23.0 pigs finished/sow in the EU, two per cent higher than in 2008 and nine per cent more than in 2005. Denmark and the Netherlands continue to have the highest numbers, they both recorded a further increase in 2009. The average number of pigs finished/sow in Brazil was 23.7, three per cent above the EU average.

Figure 7 Pigs finished/sow/year, 2008 – 2009



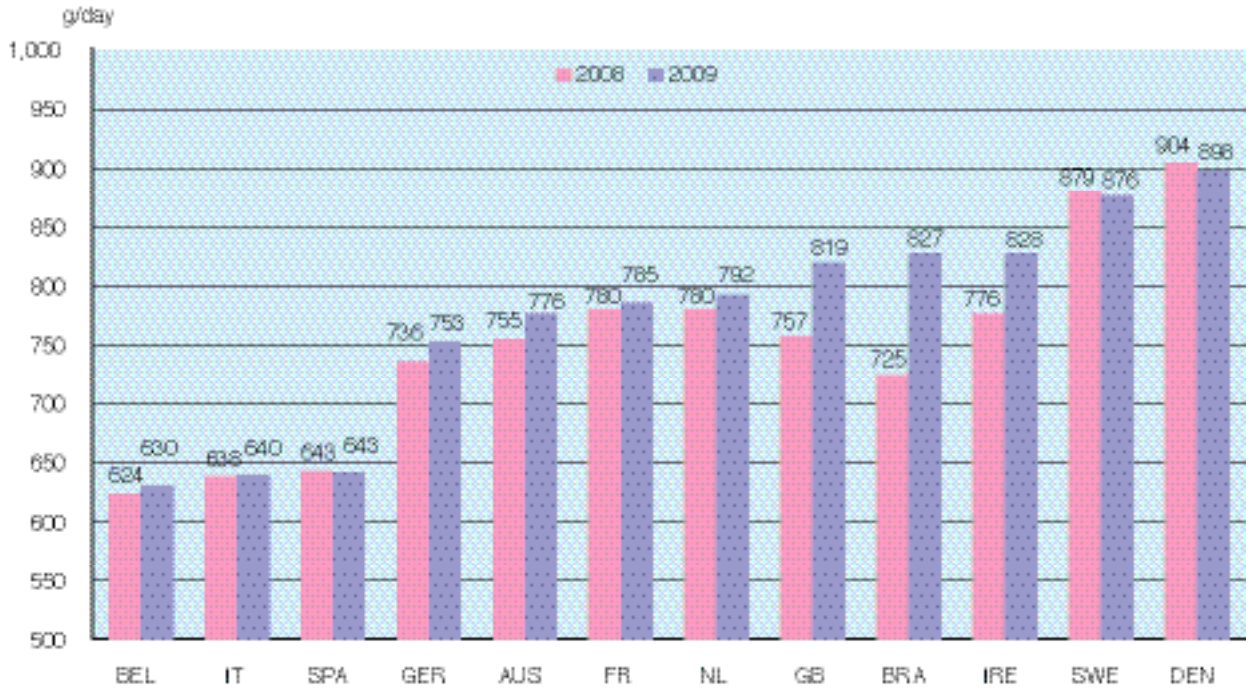
Daily liveweight gains (DLG)

The average DLG for finishing herds across the EU countries increased by a further two per cent in 2009 to 767g. Denmark (898g) and Sweden (876g) again had the best growth rates, although both were slightly lower than in 2008.

For the second consecutive year by far the most marked improvement occurred in Great Britain, up eight per cent to a record 819g. Great Britain results have increased every year since 2003, when they averaged 627g/day and in 2009 it was seven per cent above the EU average. This improvement in DLG made an important contribution to holding costs of production down during the year.

As a result of the improvements that were recorded in 2009, Great Britain moved up the European league from sixth to fifth place. However, average results are continuing to be negatively affected by a lack of investment in new buildings and equipment.

Figure 8 Daily liveweight gains (finishing herds), 2008 – 2009



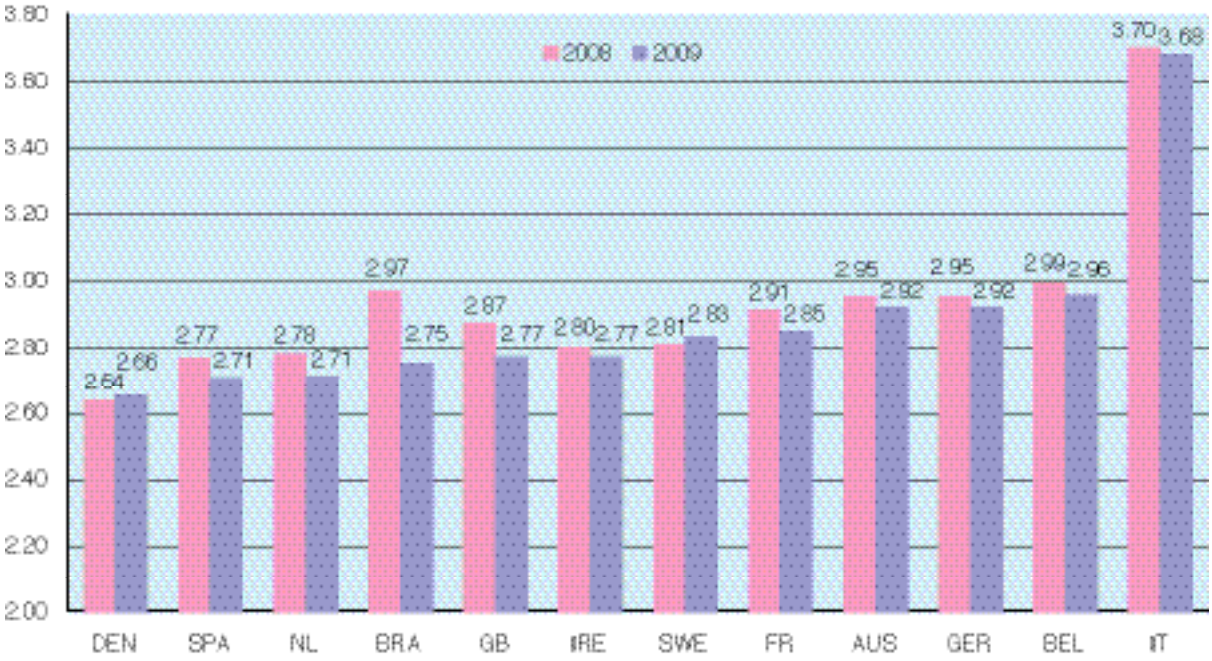
Feed conversion ratios (FCR)

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. With the exception of an increase in 2008 (ie deteriorated), the average FCR in 2009 at 2.77 had changed very little since 2005. At this level, it was four per cent below the EU average.

The EU average FCR in 2009 decreased (ie improved) to 2.89. The Netherlands recorded a decline of three per cent while the French and Spanish FCR both declined two per cent year on year. However, the FCR in Denmark increased by one per cent.

The rearing herd FCR in Great Britain was 1.80 in 2009, slightly above the than the EU average of 1.78. Great Britain results deteriorated slightly compared with 2008.

Figure 9 Feed conversion ratios (finishing herds), 2008 - 2009



Carcase weight production/sow/year

The amount of carcase meat produced/sow is the product of the number of pigs finished/sow and the average carcase weight of pigs. Great Britain produces lighter pigs than elsewhere in Europe and this, together with the below-average number of pigs finished/sow, means that the amount of carcase meat produced/sow in 2009 is the lowest of all the EU countries.

Great Britain produced 1.64 tonnes of carcase meat/sow in 2009, two per cent higher than in 2008 due to a combination of higher carcase weights and increased pigs finished/sow. The Great Britain figures have been on a long-term upward trend, increasing 14 per cent from 1.44 tonnes in 2005.

The average amount of carcase meat produced/sow in the EU reached two tonnes for the first time in 2008. In 2009 at 2.06 tonnes, average production/sow, was three per cent higher than in 2008. Improvements in the number of pigs finished/sow and higher average carcase weights mean that production/sow has increased every year since 2005. The highest amount of pig meat produced/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 in 2009. Dutch production/sow increased three per cent to 2.35 tonnes, 43 per cent higher than in Great Britain.

BPEX has recently launched the Two-Tonne Sow Programme (2TS), designed to help English producers achieve an industry average of two tonnes of pig meat/sow/year by 2013. Despite improvements in physical performance in recent years, closing the performance gap is crucial to ensure the long term competitiveness

of the English pig sector. BPEX is providing information, advice and support through activities focused on:

- Breeding
- Finishing
- Health
- Nutrition
- Buildings
- Training.

The 2TS campaign will provide a single pig performance target for the industry to work towards collectively and aims to:

- Raise physical performance to compete with other European countries
- Improve financial performance and sustainability for every English herd
- Further reduce the environmental impact of English pig production.

Figure 10 Carcase meat production/sow/year, 2008 - 2009

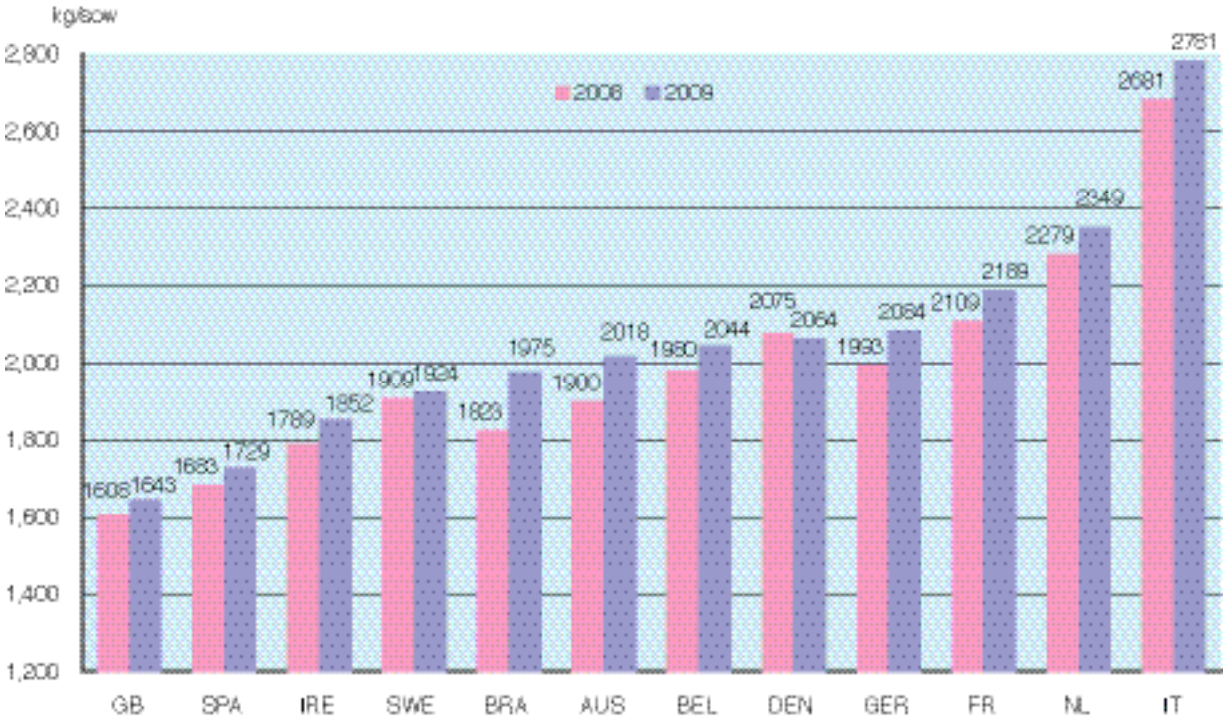


Table 13 Summary of physical performance 2007 - 2009 (Part 1)

	AUS			BEL		
	2007	2008	2009	2007	2008	2009
Pigs weaned per sow per year	22.08	22.20	22.76	23.07	23.66	23.94
Pigs reared per sow per year	21.30	21.42	22.19	22.40	22.87	23.43
Pigs sold per sow per year	20.53	20.62	21.70	21.51	22.02	22.63
Litters per sow per year	2.26	2.25	2.27	2.31	2.31	2.29
Pigs born alive per litter	11.10	11.20	11.50	11.37	11.69	11.91
Pre-weaning mortality (%)	12.0%	11.9%	12.8%	12.2%	12.2%	12.3%
Rearing mortality (%)	3.5%	3.5%	2.5%	2.9%	3.3%	2.2%
Finishing mortality (%)	3.5%	3.8%	2.2%	4.0%	3.7%	3.4%
Finishing daily liveweight gain (g/day)	756	755	776	617	624	630
Finishing feed conversion ratio	2.95	2.95	2.92	2.98	2.99	2.96
Average live weight at slaughter (kg)	118.0	118.0	119.0	112.2	112.0	112.5
Average carcase weight - cold (kg)	92.2	92.1	93.0	90.1	89.9	90.3
Carcase meat production per sow per year (kg)	1893	1900	2018	1939	1980	2044
Average lean meat percentage	59.3%	60.1%	60.4%	61.7%	61.7%	61.7%
Lean meat production per sow per year (kg)	1122	1142	1219	1196	1222	1261

	BRA			DEN		
	2007	2008	2009	2007	2008	2009
Pigs weaned per sow per year	23.62	23.83	24.05	26.37	27.15	27.45
Pigs reared per sow per year	23.14	23.35	23.69	25.56	26.42	26.73
Pigs sold per sow per year	22.20	22.42	23.17	24.46	25.50	25.63
Litters per sow per year	2.30	2.30	2.31	2.23	2.25	2.25
Pigs born alive per litter	11.10	11.20	11.32	13.80	14.00	14.19
Pre-weaning mortality (%)	7.5%	7.5%	8.0%	14.3%	13.8%	14.0%
Rearing mortality (%)	2.0%	2.0%	1.5%	3.1%	2.7%	2.6%
Finishing mortality (%)	4.0%	4.0%	2.2%	4.3%	3.5%	4.1%
Finishing daily liveweight gain (g/day)	725	725	827	869	904	898
Finishing feed conversion ratio	2.97	2.97	2.75	2.67	2.64	2.66
Average live weight at slaughter (kg)	108.7	108.7	119.0	108.5	107.8	106.7
Average carcase weight - cold (kg)	81.3	81.3	85.3	81.9	81.4	80.5
Carcase meat production per sow per year (kg)	1805	1823	1975	2003	2075	2064
Average lean meat percentage	57.4%	57.4%	53.6%	60.3%	60.4%	60.2%
Lean meat production per sow per year (kg)	1035	1046	1058	1208	1253	1243

	FR			GER		
	2007	2008	2009	2007	2008	2009
Pigs weaned per sow per year	24.49	25.34	26.16	22.39	23.09	23.90
Pigs reared per sow per year	23.95	24.81	25.62	21.72	22.40	23.19
Pigs sold per sow per year	22.99	23.89	24.70	20.89	21.64	22.47
Litters per sow per year	2.22	2.28	2.33	2.28	2.28	2.30
Pigs born alive per litter	12.80	12.90	13.07	11.50	11.90	12.20
Pre-weaning mortality (%)	14.0%	13.7%	14.0%	14.6%	14.9%	14.8%
Rearing mortality (%)	2.2%	2.1%	2.1%	3.0%	3.0%	3.0%
Finishing mortality (%)	4.0%	3.7%	3.6%	3.8%	3.4%	3.1%
Finishing daily liveweight gain (g/day)	778	780	785	725	736	753
Finishing feed conversion ratio	2.90	2.91	2.85	2.92	2.95	2.92
Average live weight at slaughter (kg)	115.8	115.4	115.8	120.0	119.0	119.8
Average carcase weight - cold (kg)	88.6	88.3	88.6	92.9	92.1	92.7
Carcase meat production per sow per year (kg)	2037	2109	2189	1941	1993	2084
Average lean meat percentage	60.1%	60.2%	60.1%	56.5%	56.5%	56.5%
Lean meat production per sow per year (kg)	1224	1270	1316	1096	1125	1176

	GB			IRE		
	2007	2008	2009	2007	2008	2009
Pigs weaned per sow per year	21.61	22.09	22.25	23.89	24.73	24.33
Pigs reared per sow per year	21.08	21.56	21.70	23.11	24.02	23.82
Pigs sold per sow per year	20.11	20.85	21.00	22.53	23.35	23.30
Litters per sow per year	2.22	2.25	2.23	2.30	2.31	2.29
Pigs born alive per litter	10.93	11.23	11.40	11.53	11.88	11.78
Pre-weaning mortality (%)	10.9%	12.6%	12.5%	9.9%	9.9%	9.8%
Rearing mortality (%)	2.5%	2.4%	2.5%	3.3%	2.9%	2.1%
Finishing mortality (%)	4.6%	3.3%	3.2%	2.4%	2.8%	2.2%
Finishing daily liveweight gain (g/day)	683	757	819	750	776	828
Finishing feed conversion ratio	2.75	2.87	2.77	2.74	2.80	2.77
Average live weight at slaughter (kg)	98.8	101.6	103.3	98.4	100.8	104.3
Average carcase weight - cold (kg)	76.4	77.1	78.2	75.9	76.6	79.5
Carcase meat production per sow per year (kg)	1536	1608	1643	1710	1789	1852
Average lean meat percentage	61.2%	61.6%	62.0%	58.5%	58.5%	58.3%
Lean meat production per sow per year (kg)	940	990	1019	1000	1046	1080

Table 13 Summary of physical performance 2007 - 2009 (Part 2)

	IT 2007	2008	2009	NL 2007	2008	2009
Pigs weaned per sow per year	20.66	21.87	22.64	25.82	26.72	27.19
Pigs reared per sow per year	19.95	21.06	21.84	25.33	26.21	26.67
Pigs sold per sow per year	19.81	20.91	21.69	24.70	25.56	26.03
Litters per sow per year	2.17	2.19	2.22	2.35	2.36	2.38
Pigs born alive per litter	10.60	11.12	11.31	12.60	13.00	13.10
Pre-weaning mortality (%)	10.2%	10.2%	10.0%	12.8%	12.9%	12.8%
Rearing mortality (%)	3.4%	3.7%	3.5%	1.9%	1.9%	1.9%
Finishing mortality (%)	0.7%	0.7%	0.7%	2.5%	2.5%	2.4%
Finishing daily liveweight gain (g/day)	635	638	640	784	780	792
Finishing feed conversion ratio	3.90	3.70	3.68	2.71	2.78	2.71
Average live weight at slaughter (kg)	165.0	166.0	166.0	115.1	115.2	116.6
Average carcase weight - cold (kg)	127.5	128.2	128.2	89.1	89.2	90.3
Carcase meat production per sow per year (kg)	2526	2681	2781	2200	2279	2349
Average lean meat percentage	47.0%	47.0%	47.0%	56.3%	56.2%	56.4%
Lean meat production per sow per year (kg)	1187	1260	1307	1239	1281	1325

	SPA 2007	2008	2009	SWE 2007	2008	2009
Pigs weaned per sow per year	23.42	23.78	23.71	22.57	23.17	23.19
Pigs reared per sow per year	22.58	22.88	22.91	22.01	22.59	22.66
Pigs sold per sow per year	21.20	21.48	21.81	21.49	22.02	22.11
Litters per sow per year	2.33	2.33	2.32	2.19	2.20	2.20
Pigs born alive per litter	11.20	11.50	11.60	12.30	12.60	12.70
Pre-weaning mortality (%)	10.3%	11.4%	11.9%	16.2%	16.4%	17.0%
Rearing mortality (%)	3.6%	3.8%	3.4%	2.5%	2.5%	2.3%
Finishing mortality (%)	5.9%	6.1%	4.8%	2.3%	2.5%	2.4%
Finishing daily liveweight gain (g/day)	695	643	643	880	879	876
Finishing feed conversion ratio	2.85	2.77	2.71	2.78	2.81	2.83
Average live weight at slaughter (kg)	106.2	103.7	105.0	116.3	116.2	116.6
Average carcase weight - cold (kg)	79.0	78.3	79.3	86.8	86.7	87.0
Carcase meat production per sow per year (kg)	1675	1683	1729	1865	1909	1924
Average lean meat percentage	58.0%	58.0%	58.0%	57.6%	57.7%	57.7%
Lean meat production per sow per year (kg)	972	976	1003	1074	1101	1110

	EU AVERAGE 2007	2008	2009
Pigs weaned per sow per year	23.31	23.98	24.32
Pigs reared per sow per year	22.64	23.30	23.70
Pigs sold per sow per year	21.84	22.53	23.01
Litters per sow per year	2.26	2.27	2.28
Pigs born alive per litter	11.79	12.09	12.25
Pre-weaning mortality (%)	12.5%	12.7%	12.9%
Rearing mortality (%)	2.9%	2.9%	2.5%
Finishing mortality (%)	3.5%	3.3%	2.9%
Finishing daily liveweight gain (g/day)	743	752	767
Finishing feed conversion ratio	2.92	2.92	2.89
Average live weight at slaughter (kg)	115.8	116.0	116.9
Average carcase weight - cold (kg)	89.1	89.1	89.8
Carcase meat production per sow per year (kg)	1939	2000	2062
Average lean meat percentage	57.9%	58.0%	58.0%
Lean meat production per sow per year (kg)	1114	1151	1187

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:

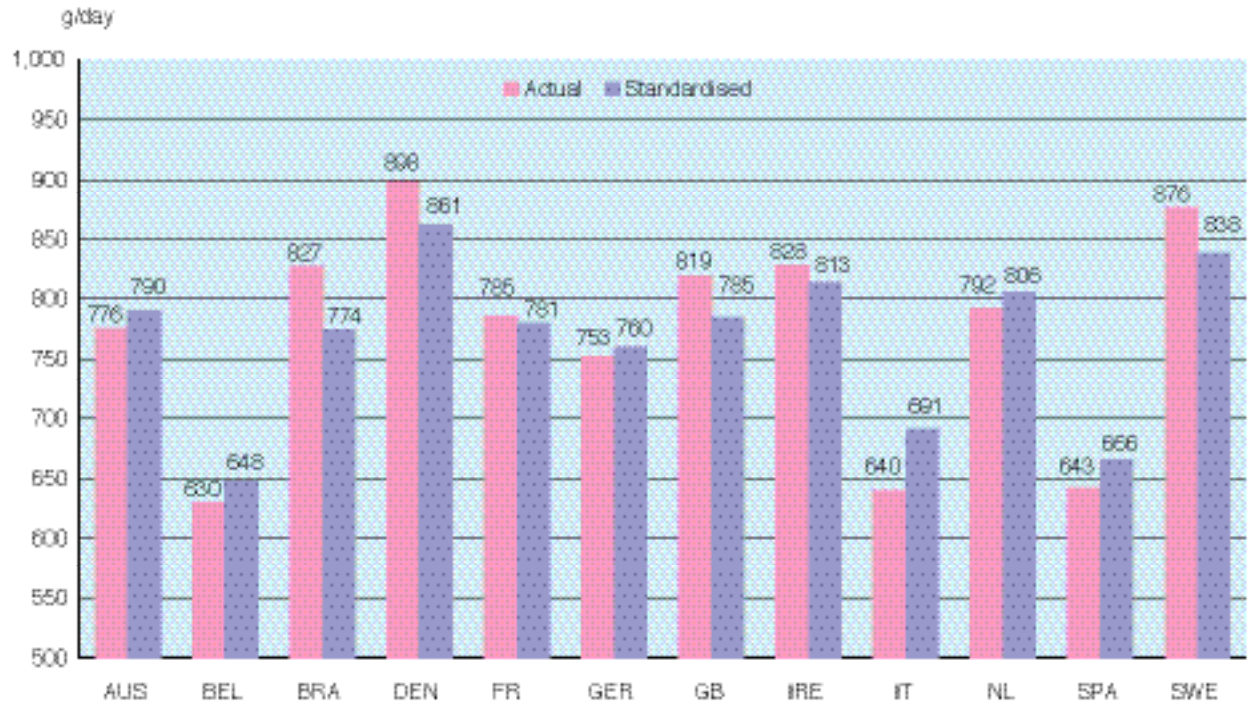
- Transfer from breeding unit to rearing unit: 8kg (GB = 7.3kg in 2009)
- Transfer from rearing unit to finishing unit: 30kg (GB = 36.6kg)
- Liveweight at slaughter: 120kg (GB = 103.3kg).

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 slaughter in Great Britain in 2009 was 103kg, well below the EU average of 117kg. 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 819g to 785g. In actual terms, Great Britain DLG is ranked fifth of the 12 InterPIG countries but in standardised terms it is sixth. As a proportion of the EU average, Great Britain fell from 107 per cent (actual) to 102 per cent (standardised). The most marked upwards adjustment as a result of standardisation is in Italy, up from 640g to 691g, while the most marked downwards adjustment is in Brazil down 827g to 774g.

Figure 11 Standardised daily liveweight gains (finishing herds), 2009

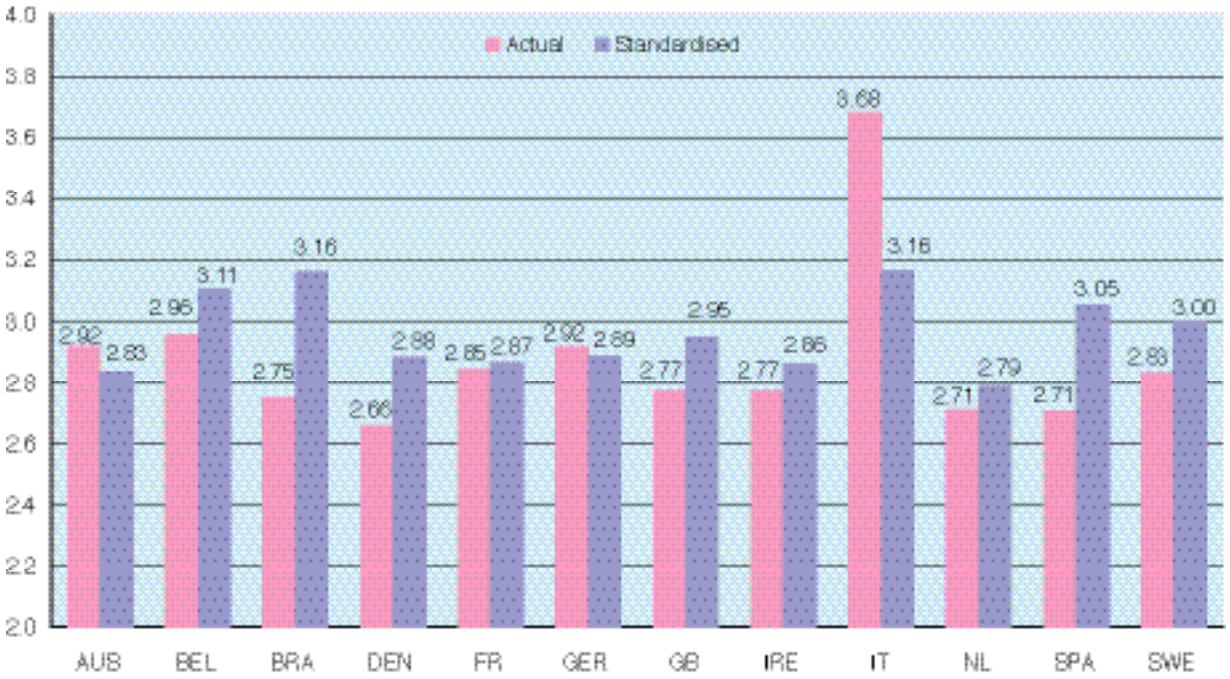


Feed conversion ratios (FCR)

An increase in average liveweight at slaughter in Great Britain from 103kg to 117kg (as a result of the standardisation) implies deterioration in the average feed conversion ratio from 2.77 to 2.95. Great Britain ranks joint fifth of the 12 InterPIG countries before standardisation and eighth afterwards. The main change arising from standardisation is in Brazil, which moves fourth place to joint eleventh.

Due to heavier carcase weights, Italy's FCR is very low. Standardisation improves the average FCR for Italy significantly and brings it in line with the standardised result for Brazil and close to Belgium.

Figure 12 Standardised feed conversion ratios, 2009



Comparison of GB results with the EU average

Table 14 shows 2009 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 requiring attention in order to improve relative performance. The table also shows improvement/deterioration in these performance measures compared with 2008.

Table 14 GB and EU physical results

	GB	EU ave	GB deviation (a) (per cent)	
			2009	2008
Pigs weaned per sow per year	22.3	24.3	-8	-8
Pigs reared per sow per year	21.7	23.7	-8	-7
Pigs sold per sow per year	21.0	23.0	-9	-7
Litters per sow per year	2.23	2.28	-2	-1
Pigs born alive per litter	11.4	12.3	-7	-7
Sow mortality (%)	4.9%	5.9%	-17	
Pre-weaning mortality (%)	12.5%	12.9%	-3	+2
Rearing mortality (%)	2.5%	2.5%	-2	+17
Finishing mortality (%)	3.2%	2.9%	+10	-1
Transfer weight from breeding to rearing unit (kg)	7.3	7.4	-1	
Lactation period (days; since 2009, before: age of weaning)	28.0	27.2	+3	
Transfer weight from rearing to finishing unit (kg)	36.6	30.0	+22	
Rearing daily liveweight gain (g/day)	492	423	+16	+15
Rearing feed conversion ratio	1.80	1.78	+1	+4
Finishing daily liveweight gain (g/day)	819	767	+7	+1
Finishing feed conversion ratio	2.77	2.89	-4	+2
Ave number of days in rearing unit	59.6	52.9	+12	
Ave number of days in finishing unit	81.4	116.4	-30	
Pigs per pig place per year (finishing)	4.13	3.14	+32	+29
Average live weight at slaughter (kg)	103.3	116.9	-12	-12
Average carcase weight - cold (kg)	78.2	89.8	-13	-13
Killing out percentage (cold weight)	75.7%	76.8%	-1	-1
Carcase meat production per sow per year (kg)	1643	2062	-20	-20
Average lean meat percentage	62.0%	58.0%	+7	+6
Lean meat production per sow per year (kg)	1019	1187	-14	-14
Sow feed (kg) per sow per year	1265	1283	-1	-14
Weaner/rearer feed (kg) per reared pig	53	41	+30	-28
Finishing pigs feed consumption (kg) per finished pig	187	256	-27	+29
Labour per finished pig per year in hours	1.09	0.91	+19	-11

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

	GB	EU	Cost change
		p/kg	
Pigs born alive per litter	11.4	12.3	-2.5
Litters per sow per year	2.23	2.28	-0.8
Finishing daily liveweight gain (g/day)	819	767	
Post-weaning mortality (%)	5.6	5.4	
Increase weight at slaughter (kg/lw)	103.3	116.9	-1.0
Total of above			**-4.3**

In practical terms there could be constraints on increasing indicators such as the average weight at slaughter by 14kg lw, due to the implications for housing and contract specifications.

The relative costs analysed in this report relate to the 2009 calendar year. The average cost of feed reduced significantly during 2009 compared with 2008, which benefitted pig producers. However, in 2010 the market indicated greater volatility again following unpredicted weather conditions which ultimately led to uncertainty over crop production. This also led to Russia placing an export ban on grain and, despite world stock volumes being adequate, the accessibility of world stocks was low. As a result the grain market prices increased and put pressure on producer margins to a similar extent as in 2007/8.

This chapter examines how the changes in monthly average feed prices have affected relative costs of production in 2010. 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 2010, these figures should not be considered as provisional 2010 results.

Feed cost movements

Table 16 Changes in feed costs, 2007 - 2010

	2007	2008	2009	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Jul-10 compared with 2009
Weighted average feed prices (€/tonne)											
Austria	220.3	252.7	195.4	186.6	186.6	188.3	188.3	na	na	203.3	+4
Belgium	232.4	267.2	216.4	201.0	201.0	199.7	199.3	203.1	207.5	na	na
Brazil	214.3	na	190.2	na	na	na	na	na	na	na	na
Denmark	206.6	280.8	202.5	190.0	190.0	192.3	193.9	194.7	198.6	207.3	+2
France	207.2	255.5	203.8	184.1	184.1	185.2	186.3	192.0	195.3	198.9	-2
Germany	200.3	243.8	213.8	199.6	198.6	198.6	198.4	201.4	203.2	203.4	-5
GB	235.1	246.8	216.8	222.0	225.4	218.3	223.1	228.0	240.5	232.7	+7
Ireland	255.1	293.1	247.7	232.9	233.2	232.8	233.4	233.4	232.9	239.7	-3
Italy	227.4	262.3	235.2	225.5	222.2	227.2	235.3	na	na	na	na
Netherlands	215.5	257.4	212.9	202.5	203.1	203.3	202.4	202.8	205.7	223.2	+5
Spain	246.9	280.9	227.7	227.8	230.6	230.0	229.7	234.3	234.4	220.0	-3
Sweden	201.9	247.9	168.1	190.8	185.8	188.3	189.2	194.2	194.4	203.8	+21
Average	**221.9**	**262.6**	**210.9**	**205.7**	**205.5**	**205.8**	**207.2**	**209.3**	**212.5**	**214.7**	**+2**
Weighted average feed prices (£/tonne)											
Austria	150.8	200.8	174.0	170.8	165.6	173.3	168.9	na	na	174.9	+1
Belgium	159.1	212.3	192.6	184.0	178.5	183.8	178.8	179.8	177.7	na	na
Brazil	146.7	na	169.4	na	na	na	na	na	na	na	na
Denmark	141.4	223.2	180.3	173.9	168.6	177.0	173.9	172.4	170.0	178.4	-1
France	141.8	203.0	181.5	168.6	163.5	170.5	167.1	169.9	167.2	171.2	-6
Germany	137.1	193.7	190.4	182.7	176.3	182.8	178.0	178.3	174.0	175.0	-8
GB	160.9	196.2	193.0	203.2	200.1	201.0	200.1	201.8	205.9	200.2	+4
Ireland	174.6	232.9	220.6	213.3	207.1	214.3	209.3	206.6	199.4	206.2	-6
Italy	155.7	208.5	209.4	206.5	197.2	209.2	211.0	na	na	na	na
Netherlands	147.5	204.6	189.5	185.3	180.3	187.1	181.6	179.5	176.1	192.0	+1
Spain	169.0	223.2	202.8	208.5	204.7	211.7	206.1	207.4	200.7	189.3	-7
Sweden	138.2	197.0	149.6	174.7	164.9	173.4	169.7	171.9	166.4	175.3	+17
Average	**151.9**	**208.7**	**187.8**	**188.3**	**182.4**	**189.5**	**185.9**	**185.3**	**181.9**	**184.7**	**-2**

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. As a result, annual averages for 2009 were considerably lower than in 2008. During the majority of the first half of 2010 feed prices were relatively stable and the degree of fluctuation was not great.

However, drought conditions and reports of poor harvest, particularly in Russia and the Black Sea region, resulted in prices increasing at a rate similar to that in 2007. Therefore, the situation in 2010 is expected to be considerably less favourable for producers as uncertainty in feed prices increases and the importance of buying feed becomes more influential on profitability rather than the productivity on farm.

The lag effect from increased grain prices, particularly wheat, on compound feed prices is notable as wheat prices increased considerably in June and July, although this is not represented in terms of the effect on feed prices amongst member states.

The ability for producers to control their costs, such as feed, is paramount in maintaining or even obtaining a positive margin. Having the ability to remove this risk from the production process is one which producers in Great Britain are becoming more aware of.

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, 2007 - 2010

	2007	2008	2009	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Jul-10 compared with 2009
Pig meat production costs (euro cents/kg)											
Austria	165.8	174.9	143.2	149.2	149.2	149.9	149.9	na	na	146.2	+2
Belgium	152.1	166.3	141.6	141.0	141.0	140.5	140.4	141.8	143.5	na	na
Brazil	109.7	na	103.5	na	na	na	na	na	na	na	na
Denmark	140.0	165.1	141.3	132.3	132.3	133.1	133.7	134.0	135.4	143.1	+1
France	151.0	166.9	137.3	139.4	139.4	139.8	140.2	142.4	143.7	135.4	-1
Germany	159.7	178.1	158.2	160.9	160.6	160.6	160.5	161.6	162.4	154.2	-3
GB	177.8	175.0	147.6	156.3	158.3	153.5	157.4	160.9	168.3	166.0	+12
Ireland	159.3	173.0	147.9	150.4	150.6	150.4	150.6	150.6	150.4	144.9	-2
Italy	183.7	192.5	173.2	175.0	173.4	175.8	179.6	na	na	na	na
Netherlands	146.0	164.5	143.6	144.3	144.6	144.6	144.3	144.5	145.5	147.3	+3
Spain	157.1	169.0	148.3	148.0	149.1	148.8	148.7	150.5	150.6	145.2	-2
Sweden	169.3	186.6	145.5	158.9	159.1	162.1	163.0	164.9	165.9	160.7	+10
EU Average	**160.2**	**173.8**	**148.0**	**150.5**	**150.7**	**150.8**	**151.7**	**150.1**	**151.7**	**149.2**	**+1**
Pig meat production costs (p/kg)											
Austria	113.5	139.0	127.5	136.6	132.5	138.0	134.4	na	na	125.8	-1
Belgium	104.1	132.2	126.1	129.1	125.2	129.4	125.9	125.5	122.9	na	na
Brazil	75.1	na	92.2	na	na	na	na	na	na	na	na
Denmark	95.9	131.2	125.8	121.1	117.4	122.6	119.9	118.6	115.9	123.1	-2
France	103.4	132.7	122.3	127.6	123.7	128.7	125.7	126.0	123.0	116.5	-5
Germany	109.3	141.5	140.9	147.3	142.5	147.8	144.0	143.1	139.0	132.7	-6
GB	121.7	139.1	131.4	143.1	140.5	141.3	141.2	142.4	144.1	142.8	+9
Ireland	109.1	137.5	131.7	137.7	133.7	138.4	135.1	133.3	128.8	124.7	-5
Italy	125.7	153.0	154.2	160.2	154.0	161.9	161.1	na	na	na	na
Netherlands	100.0	130.7	127.8	132.2	128.3	133.2	129.5	127.9	124.6	126.7	-1
Spain	107.5	134.3	132.0	135.5	132.3	137.0	133.4	133.2	128.9	125.0	-5
Sweden	115.9	148.3	129.5	145.5	141.3	149.2	146.2	145.9	142.0	138.3	+7
EU Average	**109.6**	**138.1**	**131.7**	**137.8**	**133.8**	**138.9**	**136.0**	**132.9**	**129.9**	**128.4**	**-3**

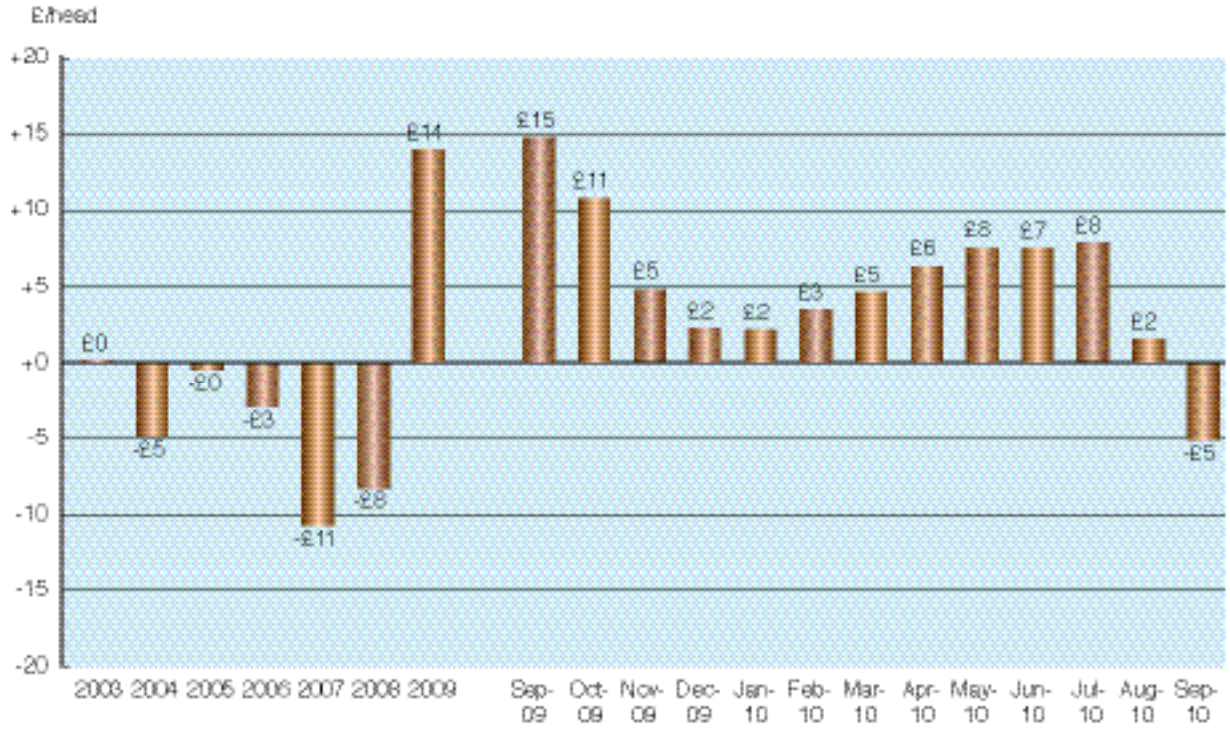
Consequently, the pattern of changes in total production costs mirrors the changes in feed prices. In 2008, the decline in sterling improved the relative competitiveness of British pigs. In 2009, there was a further decline in sterling but the impact of this was offset by the increase in British feed prices, leaving competitiveness little changed. In 2010 the value of sterling appeared to reach the short-to-medium term low value and in the second quarter of 2010 the value of sterling increased, leading to a reversal in the fortunes of producers in Great Britain.

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 2009 producers in Great Britain obtained a good positive margin per pig produced. However, this followed several years of negative returns and considerable losses in the industry where producers were reliant on having diverse enterprises in order to continue with pig production.

Producers' continued to obtain positive margins in the first eight months of 2010 although decreasing producer prices and higher input costs estimated a return to negative margins in September 2010.

APPENDIX I

European pig industry trends, 2009

	AUS	BEL	DEN	FR	GER	IRE	IT	NL	POL	SP	SWE	UK
Breeding sow numbers (000 head)	288	552	1,346	1,185	2,216	163	746	1,100	1,361	2,440	159	504
Annual pig slaughterings (000 head)	5,537	11,292	19,308	24,908	56,177	2,418	12,698	13,816	18,678	40,118	2,956	9,031
Pig meat production (000 tonnes)	540	1,059	1,825	2,244	5,277	209	1,550	1,290	1,580	3,230	264	706
Pig meat imports (000 tonnes cwe)*	169	103	89	592	1,113	71	890	240	560	100	118	940
Pig meat exports (000 tonnes cwe)*	241	713	1,623	730	1,789	115	375	812	181	1,062	46	139
Pig meat consumption (000 tonnes cwe)*	540	449	1,825	2,244	5,277	209	514	670	1,959	3,230	264	1,547
Pig meat consumption (kg/head)*	57.0	41.0	81.0	34.0	54.0	33.0	39.0	41.0	54.0	61.0	35.0	20.0

*estimated figures for 2009
All figures are subject to revision
Source: AHDB Meat Services, Eurostat

APPENDIX II

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 in 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 III

List of tables and charts

CHA CHA SAUSAGE CHILLI

Serves: 4
Cooking time: About 30 minutes

INGREDIENTS:

450g	(1lb)	Pork chipolata sausages
1 x 15mlsp	(1tbsp)	Oil
1		Onion, chopped
1-2		Red chillies, seeds removed and finely chopped
		Seasoning
1 x 5mlsp	(1tsp)	Cumin
1		Red pepper, seeds removed and cut into chunks
1		Orange pepper, seeds removed and cut into chunks
1 (approx 400g)		Can chopped tomatoes
1 (approx 400g)		Can red kidney beans, drained and rinsed
125ml	(4 fl oz)	Passatta – sieved tomato

METHOD:

Heat the oil in a large pan. Add onion, chillies, seasoning and cumin, cook for 2-3 minutes.

Add the peppers and sausages and brown lightly on all sides.

Add can of tomatoes, red kidney beans and passatta, stir well.

Bring to the boil, turn down to simmer and cover with a lid.

Gently simmer for about 30 minutes.

Serve with rice, guacamole and Mexican snacks.

LOOK FOR THE MARK OF DISTINCTION

All pork, bacon, ham and sausages that carry the Red Tractor Logo come from farmers and processors committed to high standards of animal welfare, quality control and traceability. The production chain is independently audited to endure compliance with these standards.