

Producer margins eroded further in Q1

Rising production costs and falling finished pig prices meant that producer margins were further depressed during Q1 2018. Provisional AHDB estimates suggest average producer net margins fell to 5p/kg during the period. This was 9p/kg less than the previous quarter and the lowest margin since mid-2016.

The average cost of production between January and March 2018 was estimated at 145p/kg. This was over 1p/kg higher than the previous quarter. The increase was particularly driven by rising finance costs. Additionally, building costs have been rising, in particular for sows.

Straw and bedding prices also recorded a rise, but this made a smaller contribution to the overall increase in costs. Conversely,

feed costs declined slightly compared to the previous quarter. This drop has been supported by an improved feed conversion ratio. As such, even though feed prices during the period increased on the quarter, feed costs declined as the volume of feed fed to finished pigs and sows fell.

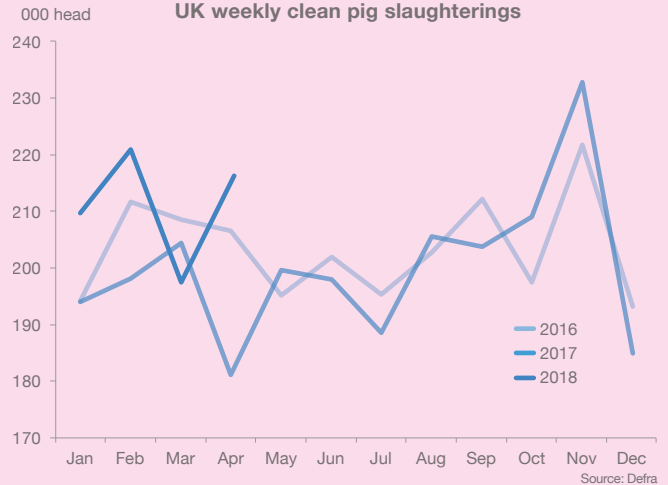
Pig prices continued to follow a downward trajectory in Q1. The first quarter is traditionally a more challenging time for pig prices and it is not uncommon for producers to make a loss. The five-year rolling average shows a loss of around 0.4p/kg. Therefore, margins are more favourable from a long-term perspective than from a short-term view.

Sources of pig meat consumed in the UK



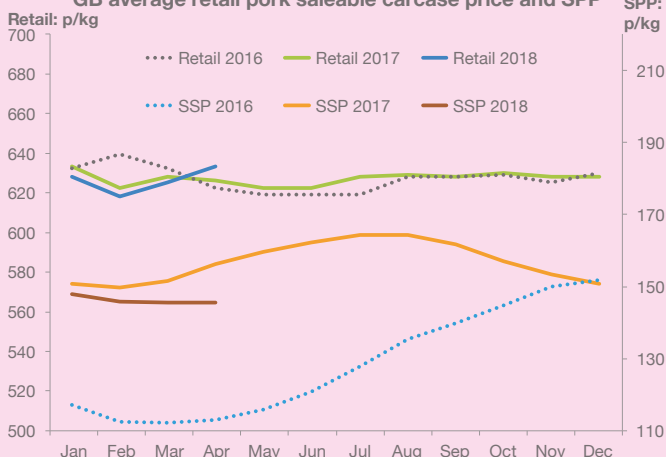
Source: Defra, HMRC, IHS Maritime & Trade-Global Trade Atlas®

UK weekly clean pig slaughterings



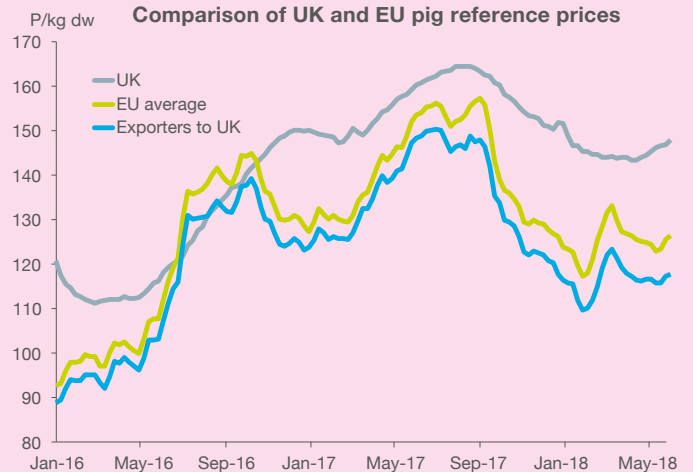
Source: Defra

GB average retail pork saleable carcass price and SPP



Source: AHDB Market Intelligence

Comparison of UK and EU pig reference prices



Source: AHDB Market Intelligence, EU Commission

A different view of gilt management

Gilt Watch members found plenty of potential to reduce losses and boost herd performance when they met in their regions last month.

They got a picture of their herd performance not seen before, with their young sow retention rates presented parity by parity. This sparked plenty of discussion. Producers asked each other about how they managed their gilts and started to consider which factors might have most impact on retention and performance.

A key aim of Gilt Watch is for a larger number of gilts from each intake to make it past parity two, which saves money on

replacements as fewer are needed. Another is to help those young sows become more productive throughout their lifetime.

The most productive herds have a high proportion of sows in parities three to five, indicating the ability to retain young sows in the herd.

AHDB knowledge exchange manager Angela Cliff reminded producers that 20 to 25 per cent of production should be from gilts at any one time. Its important to make sure there are enough gilts available to serve in the correct condition, at the right time - to enable the planned culling of old or less productive sows.

Visit: pork.ahdb.org.uk/pig-production/gilt-watch



Innovative on-farm ideas

Take a look at some on-farm innovations online, with photos and videos from producers explaining how they tackle a range of challenges, from reducing antibiotic use to rearing pigs with intact tails.

The producers featured are EU PiG Ambassadors, winners of the 2017 EU PiG Grand Prix, an annual contest which seeks out innovation from pig producers across Europe.

When pig producers visit another farm or go on a study tour they almost always learn something valuable and EU PiG provides an alternative way to do this.

Led by AHDB in the UK, EU PiG is a network of 19 partner organisations from 13 member states. It enables producers to find out the latest on-farm innovations and ideas from farms across Europe, sharing new knowledge in one place, online.

Entrants in the 2018 Grand Prix have also now been judged and Ambassador details will be online later in the summer. Visit: eupig.eu/best-practice

Guidance to improve on-farm water distribution

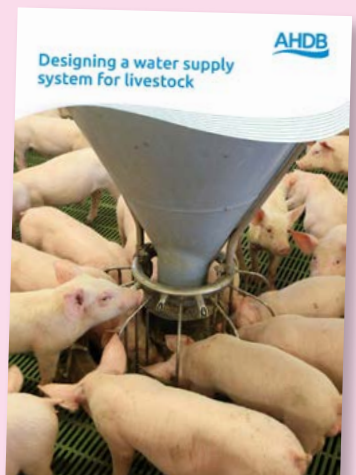
To continue our work on water supply and quality, we have produced a new guide which explains the steps involved in designing a water supply system for a pig unit.

The aim is to provide readers with an understanding of what is involved in the design of a system and help with decision making, either to improve existing systems or, when installing a new one.

It includes standard values and calculations, which are a basis for ensuring water is distributed safely, at flow rates and pressures that deliver volumes to satisfy the demand from livestock.

You can download the guide from our website and for more information on this topic, get in touch via:

pork.environment@ahdb.org.uk



pork.ahdb.org.uk/news/david-black-award

Asian demand

Recently released export data shows that in the January to April period this year, exporters shipped four per cent more pork than in the same four months last year. This was all despite the Chinese market easing up on UK shipments by around 15 per cent on the year. Shipments of pork and pig meat offal to China accounted for 22 per cent of total export volume in the four month period, thus keeping its title as the largest destination for UK pig meat exports.



AHDB has recently hosted UK exporters at the largest meat show in China and will be flying the flag for UK pork at two important shows in Beijing and Shanghai later this year. Pork is still in high demand across Asia. Sausage exports to Hong Kong increased by 25 per cent on the year in the first four months of 2018. Hong Kong has been a key market for UK trade, particularly for high-quality pork into top-class retailers and the all-important food service sector.

The Philippines is proving an interesting proposition for UK pig meat exporters. AHDB first led a group to the country back in 2014 and visited again this April with eight of the UK's leading meat exporters. Since the 2014 visit, the population has surpassed 100 million and demand for UK pig meat has grown strongly. In 2017, shipments to Manila increased by 45 per cent on the year and in the first four months of 2018 we have seen a 45 per cent increase in volume taken.

Japan is another market seeing growth, exports to the country have increased by 64 per cent since the beginning of this year. It's a country that AHDB took pork exporters to in 2016. Face-to-face business meetings between our exporters and the local supply chain participants have been key to this success. Building relationships is important throughout the export business, but nowhere more so than on Asian markets.

Social media polls inform pork TV advert

Work is well under way for the third phase of the Midweek Meals marketing campaign which returns this autumn.

After the successful launch in September 2017 and a health-focused second phase this January, the third burst will dial up the versatility messaging of pork loin cuts. Expanding the range to include loin steaks alongside loin medallions, fillet medallions and whole fillet, the key messages of ease, speed and taste will remain but will also demonstrate the versatility of these cuts.

Suggesting that pork is a great substitute for chicken, which has been the long-standing routine staple for many, this range of pork cuts offers an exciting alternative and a break to the usual midweek boredom.

New delicious recipes have been developed which offer an inspiring range of flavours

and dishes, all easily achieved in under 30 minutes and would work well across the range of different loin cuts.

These recipes will form the central content for the autumn campaign, being featured on the TV ad, in retailers and butchers point of sale, on-pack stickers and as part of the digital social advertising. Now with such a host of great recipes it has been hard to choose which should take the lead.

For the new 10 second loin steak TV advert it was narrowed down to two: 'Tandoori pork steaks' and 'Balsamic pork steaks with apples', and from there we decided to let the public decide. Setting up a Facebook poll and an Instagram story we asked which recipe they'd prefer to see in our next TV advert? Both dishes were given the thumbs up but we have gone with the most popular

choice: the balsamic recipe. Now it's on to planning the rest of the campaign!

