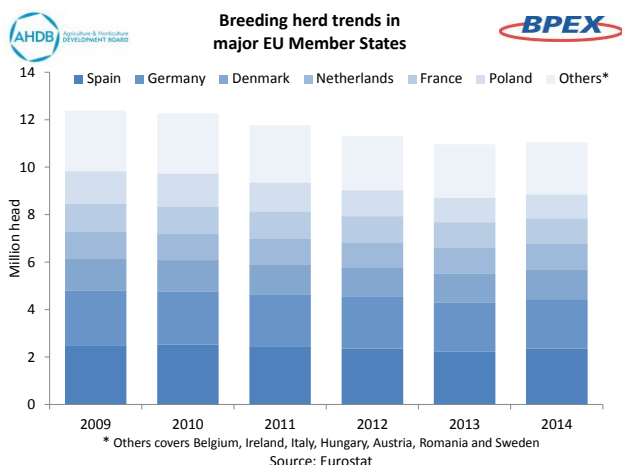


Is the decline in the EU breeding herd over?

Figures from the May/June agricultural surveys carried out in the major EU Member States show an increase in the pig herd and, for the first time in nearly a decade, there was also an increase in the breeding herd. Many of the smaller Member States only carry out surveys in December but those which do a summer one cover over 90% of the pig herd. Therefore, these results should hold for the EU as a whole.

The total pig herd in the EU Member States carrying out a survey increased by 1% to 131.6 million head in the year to June 2014. However, the herd was still smaller than in 2011 or 2012, since when the industry has been impacted by new welfare regulations (including the partial sow stall ban) and high feed prices. With both these issues now in the past, however, the herd has been able to stabilise.

More significant in a historical context is the rise in the EU breeding herd. The number of sows increased by nearly 1% compared with June 2013. Although the list of countries conducting a June survey has changed over time, this seems to be the first rise since 2005. Certainly, the December figures for the whole EU have declined every year since 2006.

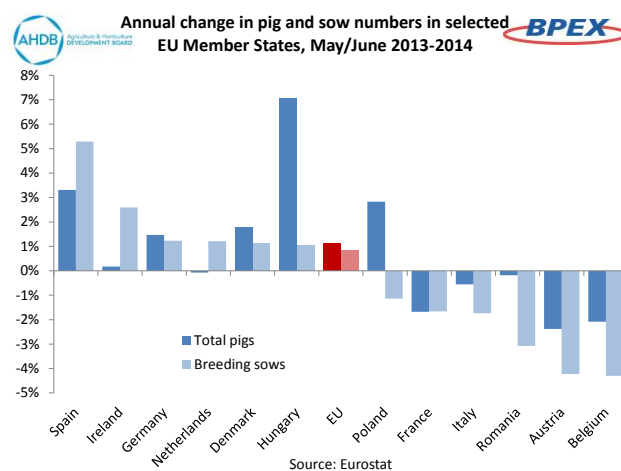


Looking at the figures in more detail, the number of in-pig gilts was almost unchanged from last year. However, maiden gilt numbers were up 4% overall, suggesting that some producers were still looking to expand. This was particularly the case in Spain, where gilt numbers were up very sharply, hinting at particular optimism among its pig producers.

Piglet numbers were up 2% across the Member States supplying data, indicating that productivity continues to improve, although possibly at a slower rate than in some previous years. Numbers of pigs in the feeding herd were also slightly higher, albeit by less than 1%. This suggests a modest upturn in supplies from the summer onwards, a development which is already starting to become apparent.

The four largest breeding herds, Spain, Germany, Denmark and the Netherlands, all recorded increases in the latest

year. Growth was most obvious in Spain, where there were 5% more sows than a year ago, confirming its position as the EU's largest pig breeder. Relatively low input costs and high pig prices mean that Spanish producers have been in a better financial position than those elsewhere, encouraging them to expand. Having fallen sharply since it joined the EU, the Polish breeding herd looks to have stabilised, with only a 1% year-on-year fall. France and Italy were among other countries whose breeding herds were still declining.



Trends in the pig herds of some individual countries were affected by the weaner trade as well as the evolution of their breeding herds. For example, a 25% (400,000 head) jump in Polish weaner imports was largely responsible for a 320,000 head rise in its pig herd. Similarly, higher imports and lower exports of weaners were contributed to the 7% increase in the Hungarian herd.

So, do the latest figures mark the end of the long-term decline of the EU breeding herd? Not necessarily. The figures came after a year when higher pig prices and lower feed costs mean that profitability has been better. Most producers will have been making money, at least for part of the year. However, pig prices this summer failed to reach the high levels of the last two years and the market is now starting to fall sharply. Despite feed prices dropping even lower, this is bound to be affecting producer margins.

The figures suggest that EU pig meat production will rise in the short-term and, with a bigger breeding herd and better productivity, growth may accelerate next year. Details will become clearer following the EU Commission's forecasting working group meeting, outcomes from which will be reported next month. Demand for pork from EU consumers is still subdued and the Russian market is now set to be closed to EU exporters until at least next summer. Therefore, any increase in supplies is likely to put pressure on price. The herd numbers suggest that growth could be fairly significant, making the outlook for prices appear relatively pessimistic. If that turns out to be the case, the upturn in the EU breeding herd may end up being a blip rather than a turning point.