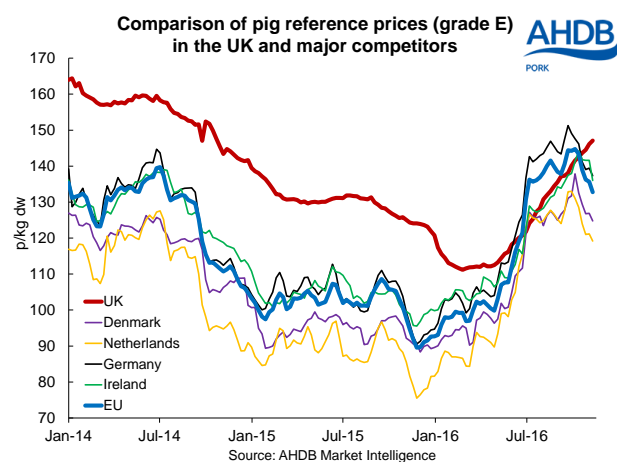


Comparing UK pig prices with competitors' prices

Last month, we [published analysis](#) looking at how GB pig prices compare with the EU average price. That analysis showed that the EU Commission's reference prices, which normally form the basis of any comparison, overstate the price premium which domestic producers receive relative to their EU counterparts. The analysis estimated that for standard UK production (mostly indoors), the UK reference price should be reduced by between 5-6p/kg to provide a more valid like-for-like comparison.

There are two main reasons why the reference prices overstate the GB price premium. First, they are gross prices, before deductions and bonuses are applied. Secondly, the UK reference price includes 'premium pigs', mainly those which are outdoor-bred, meat from which is not generally competing directly with imported pork. Partly offsetting this, the UK price includes pigs from Northern Ireland, where prices are typically lower than in Great Britain.

The earlier analysis shows how GB prices compare with the EU average. However, in reality British pork is mainly competing with product from a smaller number of countries; three-quarters of UK imports come from just four, Denmark, the Netherlands, Germany and Ireland.



So how do GB prices compare with these four countries? Based on their respective reference prices, the GB premium would be even larger than over the EU average, as their prices are close to or below the average. During 2015 the UK reference price averaged 26p higher than the German and Irish prices, similar to the gap to the EU average. It was 35p more than the Danish price and 42p above the Dutch quote.

However, in the UK, a range of deductions are made from the gross price to cover services such as transportation, meat inspection, classification and levies. The size of these deductions varies but they are estimated to average between £5 and £6 per head. This is larger than in many Member States, including those mentioned above. That is

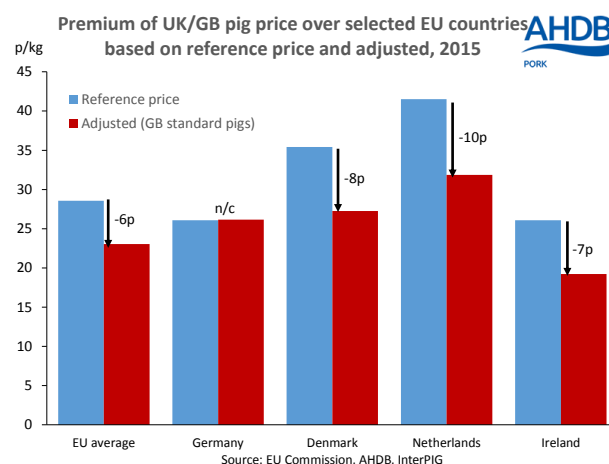
particularly due to transport costs, which are paid for by processors in many other countries. Furthermore, in some countries, including Denmark, many producers receive annual bonuses from processors.

We have used figures from the InterPIG group to look at the actual price received by producers in the different countries, after deductions and bonuses.

German producers also face deductions from the gross price for transportation to the abattoir, along with other costs such as insurance, classification and a marketing fee. Total deductions are only slightly lower than those in Great Britain, which means that the relative price level indicated by the InterPIG data is similar to that based on the reference prices.

Unlike in Germany and the UK, Danish slaughterhouses pay the cost of transporting pigs, although a levy is deducted from the gross price. However, this is more than offset by the annual bonus paid to producer members of the co-ops which own most Danish processors. This varies from year to year but was substantial in 2015 (although reports suggest it will be lower in 2016). As a result, the gap between prices paid to Danish and GB producers for standard pigs was more like 27p, rather than the 35p based on the reference prices.

Based on the InterPIG datasets, the prices paid to producers in the Netherlands and Ireland were slightly higher than the quoted reference price. In addition, deductions from the gross price are much lower in both countries than in the UK. This means that the GB premium over Dutch and Irish prices is again overstated by the reference prices, with the true figures closer to 32p and 19p, respectively.



Overall, this analysis suggests the prices paid to producers across the countries examined are more consistent, and closer to the EU average, than the reference prices imply. This confirms that the adjusted premium for GB standard pigs over the EU average, described in the previous article, probably provides a realistic assessment of how British pig meat prices compare with its main domestic competitors.