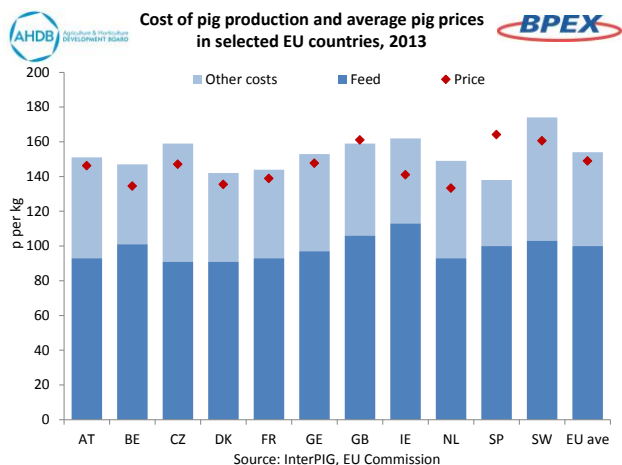


GB margins positive despite above average costs

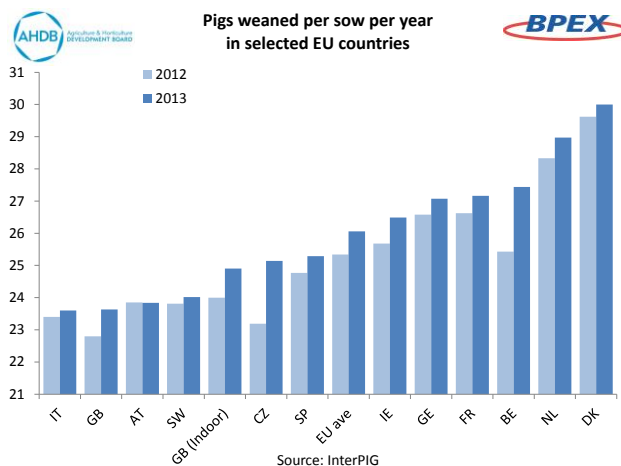
Latest figures from InterPIG, an international group of pig economists, show that pig production costs in Great Britain remained higher than most other major producing countries in 2013. Across the year, the average production cost in GB was £1.59 per kg, around 5p more than the average for the other major EU producers. However, GB costs increased more slowly between 2012 and 2013 than in other countries, rising by 6p/kg, compared with an EU average of 9p.



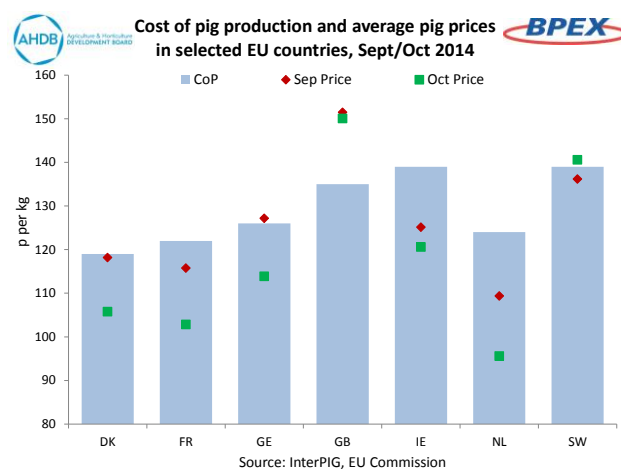
Despite having above average costs, the financial position of GB producers was among the best in Europe. Pig prices averaged 12p above the EU level during 2013. This gave GB producers a small positive margin during the course of the year, while their counterparts in most other EU countries broke even or made a small loss. The main exception was Spain, which had the lowest costs and highest prices among the European members of InterPIG.

Spain's position as the EU's lowest cost producer was largely a result of its fixed costs; labour rates were relatively low and less labour was used, while buildings also cost less. Feed costs were higher than in some countries, despite low feed conversion ratios. This was partly because Spain's productivity was unremarkable and carcase weights were relatively light, meaning Spain produced less meat per sow per year than many other countries.

As in previous years, the other countries with low production costs were those with the most productive herds. Danish breeders weaned 30 pigs per sow for the first time, while Dutch, Belgian, French and German producers all topped 27. In contrast, the GB figure was just 23.6, with even indoor breeders achieving only 24.9 pigs weaned per sow. This does represent a slight closing of the gap compared with 2013 but, among InterPIG members, only Italy and Canada weaned fewer pigs per sow than GB. The relatively poor GB performance was mainly down to small litter sizes; the average was 11.87 piglets born alive per litter, while the EU mark was 13.03 and Denmark achieved 15.44 per litter.



Since 2013, feed prices have fallen across Europe. This means production costs would be significantly lower, if all other factors remained unchanged. Based on updated figures from some members of InterPIG, by September 2014, the effect on costs would be between 20p and 30p per kg compared with the 2013 estimates. However, with pig prices also much lower than in 2013, this wouldn't be sufficient to leave most EU producers with positive margins. With prices falling even further by October, average EU producers would have been well into the red. In contrast, UK prices have held up relatively well and GB producer margins have been much more positive than those elsewhere.



These estimates paint a relatively positive picture for GB producers, despite their above average costs and some decline in domestic prices. However, this situation has been dependent on an unprecedented pig price premium over other EU countries. This may well prove to be unsustainable, putting margins under increasing pressure. To protect themselves from further price falls, producers will need to continue to do as much as they can to control their costs and close the performance gap on their European competitors.

Information on production costs and physical performance across the world's major pig producing countries are analysed in more detail in the annual AHDB/BPEX report *Pig Cost of Production in Selected Countries*. The 2013 edition of this report will be published in early December.