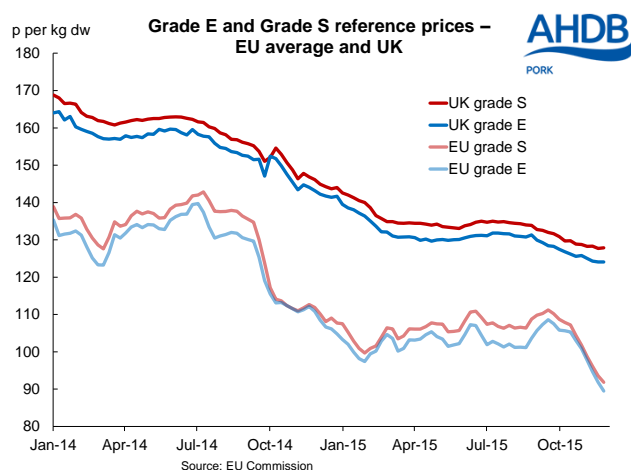**How much do pig prices really vary between EU countries?**

Throughout the year we report on EU pig prices using the reference prices published by the EU Commission. However, although reference prices are supposed to be based on a consistent definition, there are a number of reasons why that may not be consistent in reality. Most significant is that they exclude any retrospective bonus payments, such as those paid out by the Danish co-operatives to their producer members. In addition, the range of different marketing approaches across Europe (some countries sell most pigs on a liveweight basis, for example) inevitably introduce some inconsistencies. So how do pig prices in different EU countries really compare?

The reference price usually used is for grade E pigs, since this was the class which was historically published; until recently, it was the predominant class across most of Europe. However, in the last two years, the EU Commission has begun publishing prices at grade S as well, although it is only in the last year that all the main producing countries have contributed to this price. As grade S pigs make up the vast majority of UK slaughterings and are now the largest category in Europe, this might be a better basis for comparison going forward. Having said that, the two series follow very similar trends and it is arguably these trends which are most important, not the absolute price level.

Grade E and Grade S reference prices – EU average and UK
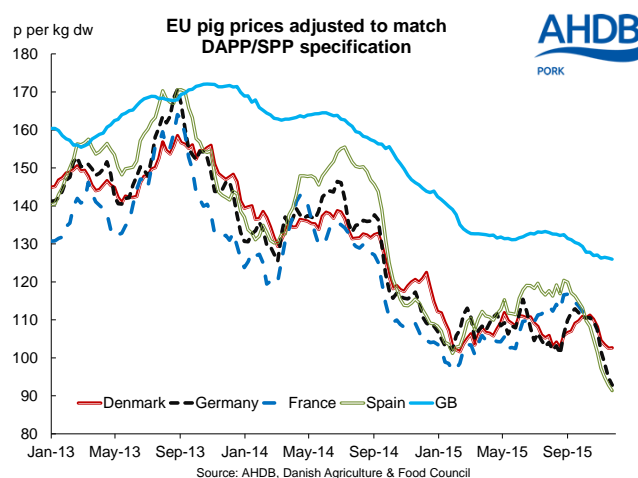
Source: EU Commission

Regardless of which reference price is used, inconsistency between countries will remain. This risks distorting analysis of relative price levels in different EU countries. For example, in late November 2015, the reference prices for the leading EU producing countries ranged from €1.07 (76p) per kg in the Netherlands to €1.29 (91p) in Denmark and Germany. Is it realistic to think that there would be such a wide spread of prices, especially in neighbouring countries with free movement between them? Prices in all these countries are well below the UK price of 124p (€1.77) but is that gap a true reflection of relative price levels?

To answer these questions, reference prices aren't the ideal starting point, as the methodologies used aren't necessarily transparent. However, other price series are available in many countries. As well as the SPP and APP in Great Britain, other examples include the Danish Crown price in Denmark, the Marche du Porc Breton Plérin price in France, national average prices from AMI in Germany and the Mercolleida price in Spain. All these have published specifications and all are widely used in their respective countries.

As the specifications for these price series are known, they can be converted to a consistent basis. Calculations of this kind are carried out on a regular basis by the Danish Agriculture and Food Council, using a range of price series including those listed above. Their formula are adjusted annually to ensure they remain consistent.

Using the Danish calculations, we can convert each of these price series to a basis which is largely consistent with the GB SPP. The results for the last three years show that the GB price has indeed been well above those in other major EU producers for more than two years. However, at times the gap has been smaller than suggested by the reference price, at least to the highest priced competitors.

EU pig prices adjusted to match DAPP/SPP specification

Source: AHDB, Danish Agriculture & Food Council

One other conclusion from the analysis is that continental prices are closer together than the official reference prices would suggest. Although tourist demand tends to mean Spanish prices are the highest in the summer, the differences reduce during the winter months. Since the start of 2013, the gap between the highest and lowest reference prices from Denmark, France, Germany and Spain has averaged 22p. The average range of the adjusted prices was just 13p.

This analysis confirms that, while EU reference prices are useful for tracking trends, the absolute level should be treated with caution. Nevertheless, the sizeable gap between UK and EU prices is still apparent, so the UK price premium does appear to be real and significant.