

PIG INDUSTRY MATTERS

APRIL 2013 A monthly update for the pig industry



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1. Better outlook for Danish producers



Following several years of poor results, it now seems that Denmark's pig producers can look forward to better days. This was revealed in a recent report compiled by the Danish Pig Research Centre. Danish pig producers' operating profits saw a strong year-on-year improvement in 2012. Despite the fact that price expectations were recently revised downwards, an improving position is forecast during the coming year.

The advances in 2012 and 2013 are due to better prices for pig meat, low interest rates and high grain prices, as Danish pig farmers produce significant amounts of arable crops, much of which is used to feed their pigs. Grain prices are expected to fall after the 2013 harvest, which will, of course, reduce feed costs. Weaner producers have seen the strongest advances over the 2011-2013 period, as a result of strong demand on export markets.

Weaner exports continued to grow strongly in the early weeks of 2013, with shipments in January and February rising to 1.57m from 1.43m in 2012, primarily to increased demand from the German and Polish markets.

The prospect of increased investment in the building of new finishing capacity in Denmark received a boost, with an announcement that the Danish government are to allocate a budget of DKK 150m (£17m) to supporting the building of new, environmentally friendly pig housing. Coupled with the initiatives announced by Danish Crown and Tican, the Danish Pig Research Centre estimate this has the potential to expand pig finishing in Denmark by 1.5m head, with all the additional benefits of higher local employment and increased export value.

2. Exports down...and up



With pig slaughtering declining by over 1m head during 2012 (from 20.4m to 18.9m), it was no surprise to see a decline in exports of Danish pig meat over the year. All the key markets experienced some decline. Within the EU, tonnages to Germany and Poland were only marginally down due to an increase in shipment of Danish weaners. Outside of Europe, the Chinese market retained its significant share of pig meat exports, but, if shipments to Hong Kong were included, volumes were also down by a small amount.

However, all is not gloomy on the export front, as the Danish Pig Research Centre announced that, for the first time ever, more 'Danish' pigs are being produced outside Denmark than in the country itself, due to the rapidly expanding export of breeding stock and boar semen.



In 2012, around 65 million "Danish" pigs were produced globally and around 35 million of these were produced outside Denmark. Exports of breeding stock and semen represented a value of DKK 1.5 billion – a new record.

The export of breeding stock is managed by DanAvl (also known as **DanBred**), who sell and distribute breeding material from one of the world's most innovative breeding systems, which has started to make fuller use of DNA testing in the selection of breeding stock, which ensures that only the best animals are selected. **DanBred** sows have worldwide reputation for producing large and robust litters.

Although Germany and Russia are currently the biggest markets for Danish breeding stock, Danish farmers have also begun to export breeding stock and semen to China and a "satellite" herd with 700 breeding pigs was opened in the country in January.

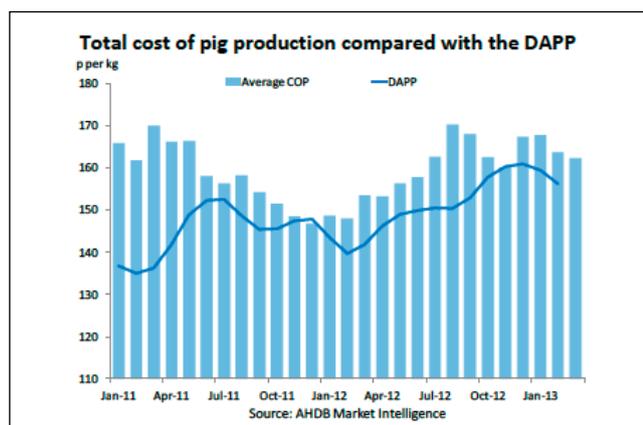
Danish Pig Meat Exports

Jan – Dec 000 Tonnes

	2011	2012
Germany	612	602
UK	281	236
Poland	210	208
Italy	125	109
Other EU	201	178
Total EU	1429	1333
China (inc. Hong Kong)	214	210
Russia	118	104
Japan	136	125
Other Third Country		
Total Third Country	173	155
Total	2071	1927

Source: Danmarks Statistik

3. UK market trends



UK pig prices finally began an upward move in the second half of March and the DAPP began to rise towards 160p per kg level, which had been reached in December. According to the AHDB, prices still lagged behind the average GB 'cost of production'. Despite the recent easing of feed prices, the COP remained at around 162p per kg.

The final results of the DEFRA pig census showed that the breeding herd had shrunk to 400,000 sows in December 2012, the lowest level since 1952. However, pig production in 2013 is forecast to show a relatively modest decline to 9.8m head, compared to 10.0m in 2012.

Pigs on UK agricultural holdings, 1 December

	2011	2012	% change
	000 head		
Total pigs	4,326	4,221	-2
Female breeding pigs	409	400	-2
<i>Sows in pig</i>	<i>264</i>	<i>269</i>	<i>+2</i>
<i>Gilt in pigs</i>	<i>66</i>	<i>68</i>	<i>+3</i>
<i>Other sows</i>	<i>79</i>	<i>63</i>	<i>-20</i>
Maiden gilts	75	93	+25
Fattening pigs	3,827	3,711	-3

Source: DEFRA

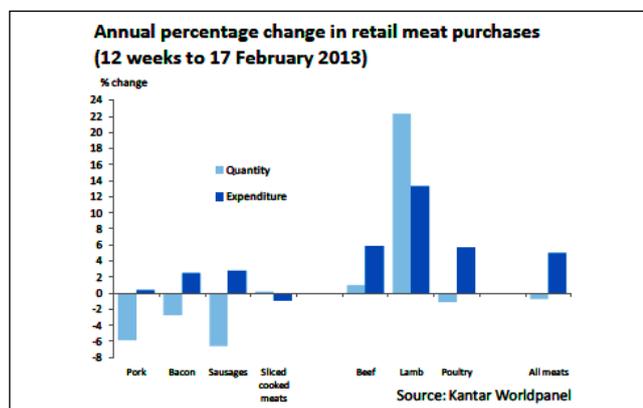
However the UK pig meat trade balance did show some improvement in 2012, with a fall in imports of fresh pork and bacon and higher pig meat exports.

The latest consumer purchasing data suggested that higher retail prices, coupled with a lull in promotion activity, were starting to influence sales of pork, bacon and sausages. In the latest quarter, volumes were down following a long period of growth in all three categories. Among the other species, both lamb and beef performed strongly.

UK Pig Meat trade

	Dec 2011	Dec 2012	% Change	Jan-Dec 2011	Jan-Dec 2012	% Change
	000 tonnes (product weight)					
Imports						
Fresh/frozen pork	30.7	27.8	-9	372.8	349.0	-6
Bacon	24.5	21.3	-13	280.0	257.8	-8
Sausages	9.0	8.5	-5	99.1	106.4	+7
Processed	15.1	15.2	+0	121.6	171.4	+41
Offal	0.8	1.1	+45	12.5	15.8	+27
Exports						
Fresh/frozen pork	10.9	12.9	+18	144.4	154.3	+7
Bacon	3.1	1.2	-62	34.1	15.5	-55
Sausages	0.6	0.7	+20	6.4	9.6	+50
Processed	0.9	1.0	+5	10.0	12.1	+22
Offal	2.8	2.8	+1	34.9	44.0	+26

Source: HMRC



4. No hiding place...



Many British pig industry interests, including the [NFU](#), have continued to raise concerns about lack of enforcement of the new rules across the EU and the prospects of 'illegally produced' pig meat arriving on the market in a few months.

The National Pig Association continued to promote their '[Wall of Fame \(or Shame\)](#)' and retailers and meat processors were pressed to sign a pledge stating that "all of the pork we use has come from legal farms". The NPA reported that over 100 companies were now signatories to their petition.

BPEX continued to update their dedicated website '[Compliant Pork](#)' with news on levels of compliance across the EU.

In the March edition of Pig Industry Matters, a special feature ([2013: a snapshot of Denmark's journey to compliance](#)) described the different experiences of three Danish pig farmers in adapting their production to meet the new EU rules.

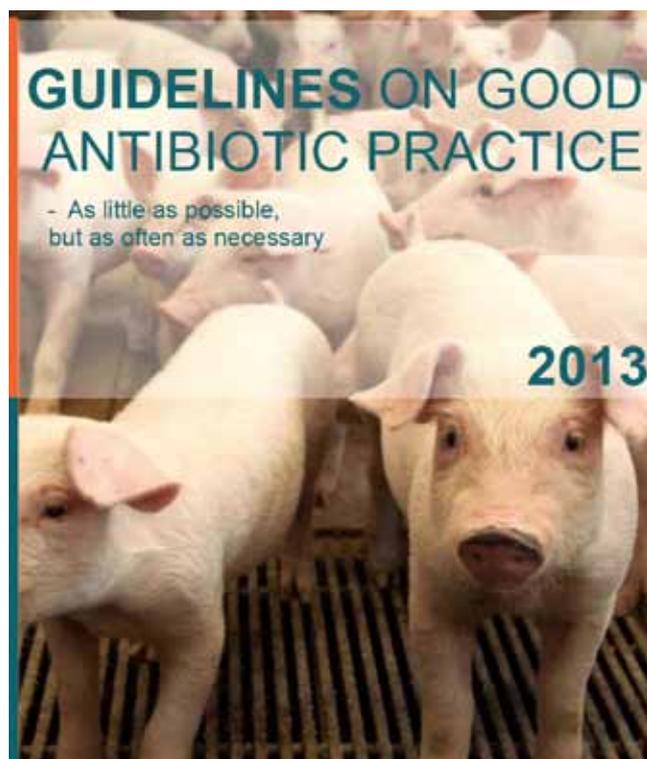
The seriousness with which Denmark views non-compliance with the new legislation is also illustrated by a new initiative designed to verify compliance. The veterinary authorities have just announced that in addition to the 200 farms that will be subject to a full 'unannounced' welfare inspection this year, a further 200 or so farms will also be inspected in the first half of this year to check on their compliance with the legislation. These visits are made as part of a programme of audits to ensure Danish farmers are meeting the specific requirements of welfare legislation.

Last year, the DVFA sent out a letter to all Danish sow producers warning them of the seriousness of non-compliance. In fact, non-compliant farmers will be reported to the police and risk a reduction in their cross-compliance payment from the EU. The additional visits will mean that around 20% of Denmark's 2,000 sow producers will receive a visit from the DVFA during 2013.

These visits will run in tandem with the industry's own independently monitored assurance programme, which, in addition to the scheme audit, also requires that pig farmers receive a monthly visit from their local veterinarian, who is under obligation to report any non-compliance regarding the maltreatment of animals.

So, there's no hiding place..

5. Antibiotics under scrutiny



The public debate surrounding the use of antibiotics and veterinary medicines by the livestock industry was re-ignited during March by the publication of the [Chief Medical Officer's Annual Report](#), which referred to the growth of antimicrobial resistance as a “catastrophic threat” on a global scale. Although much of the report focused on overuse of antibiotic medicines in the human population, it also referred to the risks of antibiotic resistance in animals.

The statement by the Chief Medical Officer was swiftly followed by a report from '[Alliance to Save Our Antibiotics](#)', representing the Soil Association, Compassion in World Farming and Sustain. The report was entitled “Antibiotic resistance – the impact of intensive farming on human health”, calling for more effective strategies to eliminate “inappropriate” antibiotic use in the livestock industry. While not in full agreement with all the report's recommendations, the Danish pig industry was heartened that it acknowledged some of the initiatives taken in Denmark to reduce as much unnecessary use of antibiotics as possible, while recognising that proper use of medicine is an integral part of delivering high welfare standards. The Danish Pig Research Centre recently issued updated advice to producers on 'best practice' regarding use of veterinary medicines – [Guidelines on Good Antibiotic Practice](#).

Since 1995, Danish legislation has stated that the local veterinarian may prescribe but cannot sell antibiotics, and medicines may not be used prophylactically but must be prescribed to treat a specific disease identified in the herd. This has placed a much stronger emphasis on the vet's role in working with farmers to raise the levels of animal health in the herd on the principle that prevention is better than cure.

Recent concerns have been expressed about the use of the same classes of antibiotics for both animal and human medicine and in 2010 the Danish pig industry agreed to ban the use of cephalosporins, used widely to treat staphylococcus infections in the human population. Denmark is also one of the few countries to have banned the use of fluoroquinolones in pigs, the latter also being widely used in human medication.

Denmark has robust measurement systems in place, which have informed a proper risk-based strategy in the development of controls on the use of veterinary medicines. The annual DANMAP survey was established in 1995 and tracks the development of antibiotic resistant bacteria in animals, food and the human population.

In 2000, the Danish authorities established VETSTAT, a central database, in which vets and pharmacists register all prescriptions of veterinary medicines issued to individual farmers. It enables a much more

5. Antibiotics under scrutiny (continued)



accurate picture of the overall use of veterinary medicines for different species of livestock as well as an exact record of medicines used by individual farmers. Most other countries estimate use of veterinary medicines using sales data provided by pharmaceutical manufacturers, which often means one is unable to accurately assess use for individual species.

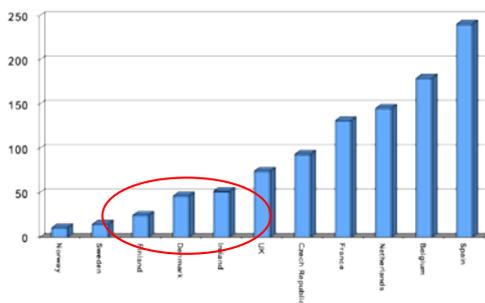
In 2009, VETSTAT data was used to issue a 'yellow card' to producers using above average amounts of antibiotics, who are then required to implement measures to reduce their usage.

The Danish pig industry has halved its usage of antibiotic medicines since 1995 it currently works out at 3.5g per pig produced compared to over 7g in the mid-1990s. Recent data published by the European Medicines Agency indicated that the Danish pig industry has one of the lowest levels of veterinary medicine usage among all major EU pig producing countries.

At a recent conference hosted by the National Office of Animal Health, [consumer research](#) was presented which clearly indicated many public misconceptions about the use of animal medicines.

'[The Alliance to Save Our Antibiotics](#)' made a series of recommendations, including improved surveillance of antibiotic use and antibiotic-resistant bacteria in farm animals, as well as a ban on the use of antibiotics in animals, which have a 'critically important' role in human medication. The Danish pig industry can demonstrate that it has taken decisive action in both these areas.

Sales of veterinary medicines in EU countries (Est. mg sold per kg of meat produced - 2010)



Source : European Medicines Agency : Oct 2012

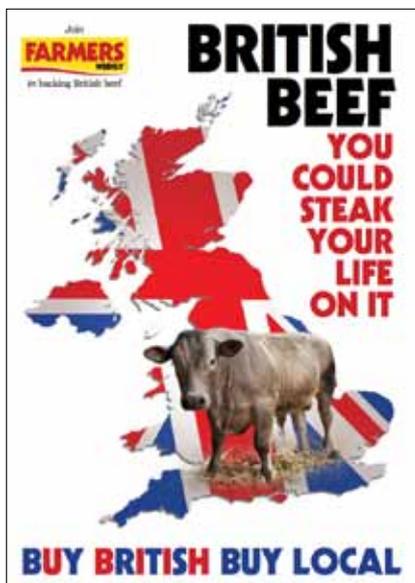
6. 'Horsegate' (continued)



'Horsegate' continued to fascinate the media, who gleefully reported each new discovery of 'contaminated' product.

The news that samples of Asda 'Smart Price' Corned Beef contained traces of 'bute' or phenylbutazone, a veterinary drug frequently prescribed for horses, received wide coverage in recent days:

- [BBC](#)
- [Guardian](#)
- [Independent](#)
- [Daily Mail](#)
- [Times](#)



A statement by Asda that the substance was detected at 'very low levels' seems to have done little to diminish media interest.

The Food Standards Agency have issued regular information regarding their test results which have revealed that less than 1% of beef products analysed contained the presence of 'equine DNA' above the 1% threshold.

The discovery of 'pork DNA' in halal sausages being served in a school in West London served as further evidence of lack of proper controls in the processing meat industry:

- [BBC](#)
- [Sky](#)
- [Daily Star](#)
- [Daily Mail](#)
- [Times](#)

The official results of testing for 'horsemeat contamination' in beef products across the EU are expected shortly. In advance of their publication, the [BBC](#) and others reported that the Dutch authorities had issued an alert that around 50,000 tonnes of potentially contaminated product had been sold throughout Europe to around 500 customers since January 2011. It was also reported

that eight UK companies may have bought product from two Dutch wholesalers (Wiljo Import en Export BV & Vleesgroothandel Willy Selten).

A plethora of market reports and comment have been released, invariably suggesting the future demise of the processed meat industry. The Consumer Association released information that 30% of consumers would buy less processed meat and 24% less ready meals, via their [Which?](#) Report.

[Symphony IRI](#) reported that, since the horsemeat 'scare' broke, sales of ready meals are no longer enjoying the consistent growth pattern of previous years but are now showing 'year on year' declines.

[Mintel](#) provided comfort to the home industry by reporting a surge in 'Buy British Meat' sentiment since the beginning of the year.

However, [Andrew Rhodes](#) of the Food Standards Agency challenged the announcement of many retailers about 'shortening' supply chains by buying more local rather than imported product. He said that the issue was not a simple question of shortening supply chains but rather addressing their complexity.

7. Supply chain round-up



As **Vion** finally concluded the sale of its UK meat processing businesses to **2 Sisters**, further rationalisation in the pig meat supply chain continued apace.

The Irish meat group **Dunbia** acquired the pork abattoir and processing business of G Wood & Sons in Mansfield. The move represented an addition to its pig meat processing interests at Crewe (formerly Heathfield Foods) and at Preston (formerly Kepak).

Cranswick announced a successful 12 month trading period up to 30th March 2013. Sales rose by 7% and the company made investments of £30m in its UK businesses.



8. The future of meat?



Bill Gates, founder and chairman of Microsoft, made a surprise entrance into the debate about food security.

In a recent item on his official website, [The Gates Notes](#), he predicted a future where traditional livestock production would be unable to satisfy the growing global demand for livestock products, and new technologies would develop a range of synthetic meat products made from plant protein. A fuller exposition of his hypothesis is published in [mashable.com](#).

