

# PIG INDUSTRY MATTERS

**MARCH 2013** A monthly update for the pig industry



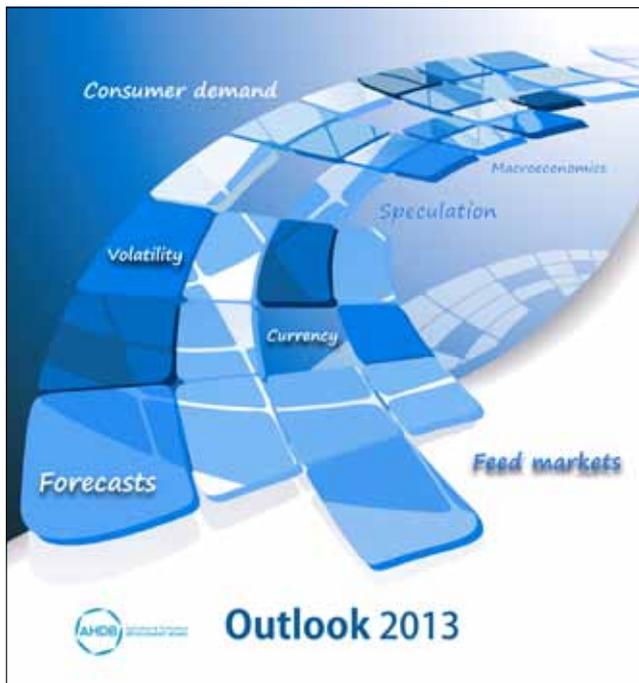
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### Special Feature:

'2013 : A snapshot of Denmark's journey to compliance'.

# 1. Outlook for 2013



The Agricultural and Horticultural Development Board (AHDB) held their 'Outlook 2013 Conference' during February. As usual, it provided an opportunity for the red meat industry to take stock of the many factors which may have an impact on their marketplace in the year ahead.

The main conclusions emerging from the day were as follows:

- The recovery of the UK economy will be painfully slow over the next couple of years, due to continuing lack of consumer confidence, with the resulting propensity to pay off debt and build savings rather than spend.
- It is likely that the Euro will continue to make gains against most of the major world currencies, including Sterling.
- Increasing pig production in Brazil, China, Russia and the US may limit opportunities for EU exports to the main world importers. In China, however, the improving economic outlook will probably mean that consumption will increase more rapidly than production and demand for imports may improve in the latter half of the year. The continuing trade dispute between Russia and the US may create opportunities for EU exporters.
- The impact of the new EU pig welfare rules has yet to manifest itself. Production was already starting to fall during the latter months of 2012 and it is most probable that we will see a more significant contraction of supplies during the second half of 2013.
- UK pig slaughterings reached 10m during 2012 but are forecast to decline to 9.8m in 2013 (down 2%) due to a decline in the breeding herd. Although productivity will continue to increase, the rate of improvement will slow.
- Although prices of feed wheat and soya have fallen off their previous peak in recent weeks, the outlook for 2013 is for continuing volatility due to low carry-over stocks and the possibility of further extreme weather events globally during the year.
- Pork consumption within the EU may be affected by higher prices and a less competitive position against the other red meats and poultry.

A copy of the presentations made at the conference can be downloaded from the [BPEx website](#).

## 2. A better year in prospect



The Danish breeding herd remained virtually unchanged in the January census and a stable level of production is forecast for 2013.

Although pig production will remain stable during 2013, the big conundrum will be the level of weaner exports. Current forecasts suggest that these will rise from around 9.2m to 9.8m this year, but this could change very rapidly, either way, according to market circumstances. Currently, high feed prices are putting the lid on weaner prices but there will be strong demand over the year from Germany and Poland, where sow numbers are already in decline. In January weaner exports rose to 835,000 head compared to 688,000 in 2012.

There has been interest expressed in the schemes offered by Danish Crown and Tican to expand finisher capacity, but securing finance for new investments remains difficult. There is anecdotal evidence of some producers 'refilling' finisher housing that was 'emptied' during the last couple of years, when decisions were made to ship weaners to the German market.

Danish pig farms did fairly well during 2012 but high grain prices were a major factor and only the more efficient producers showed a profit on the pig enterprise taken in isolation. It is estimated that, on average, farms provided 60% of the grain used in pig production – but with significant variation around this average.

New Danish price forecasts for 2013 are due shortly and price expectations will almost certainly be revised downwards. This is due to expected pressure on export markets, due to higher than expected production in China, Russia and the US and the strengthening of the € in recent months – up by 5% vs the \$, 7% vs the £ and 17% vs the Japanese ¥.

The 'private' pig slaughterhouse sector in Denmark has been in some difficulty in recent years. The recent closure of **Jutland Meat** was welcomed in the co-operative sector as it released an additional 12,000 finished pigs per week onto the market – a total reckoned to be close to the current 'overcapacity' in the rest of the industry.

'000 head	2013 Jan	2012 Jan	2012 Oct	% Change 13 vs 12
<b>Piglets</b>	2,534	2,456	2,583	+3.1
<b>Weaners</b>	5,275	5,337	5,417	-1.2
<b>Finishers</b>	3,252	3,299	3,228	-1.4
<b>Boars</b>	11	11	12	...
<b>Sows</b>	1,238	1,245	1,245	-0.6
<b>Total</b>	<b>12,310</b>	<b>12,348</b>	<b>12,485</b>	<b>-0.3</b>

Source: Danmarks Statistik

### 3. Implementation of new EU pig welfare regulations?



The British pig industry interests 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".

BPEX has launched a new trade campaign, supported by a new website 'Compliant Pork' including regular updates on levels of compliance across the EU.

Information released by the EU Commission suggested that only 10 out of the 27 Member States are 100% compliant with the new regulations, with a further 5 at least 98% compliant.

- 100%: Austria, Bulgaria, Estonia, Latvia, Lithuania, Luxemburg, Romania, Slovakia, Sweden, United Kingdom
- 99%: Czech Republic, Hungary, Italy
- 98%: Finland, Netherlands
- 96%: Spain
- 95%: Slovenia
- 94%: Denmark
- 93%: Poland
- 90%: Malta
- 89%: Belgium
- 82%: Greece, Ireland
- 73%: Germany
- 72%: France
- 63%: Cyprus
- 58%: Portugal

The Danish industry were keen to stress that the 94% figure given for their country was based on figures supplied by the Danish

government, linked to research (300 telephone interviews) undertaken in November 2012 and may not reflect the real situation 'on the ground' today.

The Danish authorities have made it clear that any farmers found to have disregarded their responsibilities in observing the new rules will be dealt with severely under the process of law and will forfeit their entitlement to support under the EU Single Farm Payments. This will surely be made very clear to the recent demands made by the EU Commission for certain Member States, including Denmark, to enforce the new regulations properly.

In addition, the traceability and control systems operating within the industry will ensure that all Danish pig meat delivered to the UK market will fully comply with all EU and Danish legislation.

LandbrugsAvisen, one of Denmark's leading farming titles, published an interview with three of Denmark's largest suppliers of equipment to the pig industry, who confirmed their belief that Danish pig producers had completed the transition to group housing of pregnant sows – on the basis of an extremely busy trading period during the latter months of 2012.

- ACO Funki
- Jydenbur
- Egebjerg International

Pig Industry Matters includes a special feature this month '2013: A snapshot of Denmark's journey to compliance', which presents 'case studies' of how three Danish pig farmers recently adapted their production to the new rules.

## 4. 'Horsegate'



The discovery by the [Food Safety Authority of Ireland](#) of 'equine DNA' in some frozen burger products created a media storm in early January.

The initial findings related to products sold under the Tesco Value label, but other retailers such as Aldi, Asda, Co-op, Lidl, Iceland and Dunnes Stores quickly followed Tesco into the eye of the storm. They were soon joined by a host of 'blue chip' frozen food brands, including Findus, Birds Eye and Nestle, with further contamination coming to light in the foodservice sector (Brakes, Compass, Sodexo and Whitbread).

To date, the [Food Standards Agency](#) has received 5,430 test results, and less than 1% or 44 samples revealed the presence of horse DNA above the 1% threshold. The authorities were keen to stress that issues of food safety were not involved in this matter and, thus far, none of the samples analysed revealed the presence of the veterinary drug, phenylbutazone, commonly used to treat horses.

Although the evidence to date clearly indicates that the presence of horse DNA in beef products is very limited, this has not diminished the media enthusiasm for investigating the occasionally rather circuitous route of horsemeat into beef products – in the case of a Findus 'Beef Lasagne' meal, the trail began in Rumania and passed through Cyprus, France and Luxemburg en route for the supermarket shelves in Northern Europe. More locally, they discovered another trail leading from a small abattoir in West Yorks to a processor in Aberystwyth in West Wales.

- [Independent](#)
- [Telegraph](#)
- [Daily Mail](#)
- [Guardian](#)

The media were also quick to jump on any latest snippet of market research offered to them, suggesting the terminal decline of the

processed meat category. They gleefully, and rather uncritically, reported that:

- 31% of adults have stopped eating ready meals (according to Consumer Intelligence)
- 20% of adults say they'll buy less meat (according to Consumer Intelligence)
- 1 million households have stopped buying frozen burgers (according to AC Nielsen)
- 33% of adults are less likely to buy processed meat (according to Kantar)
- Butchers sales up 10-15% since January – and sausages, mince and burgers up by 50% (according to the National Federation of Meat Traders)

In truth, it is far too early to make any sensible assessment of any longer term impacts on the sales of ready meals or other processed meat products. Inevitably, traditional sales patterns would have been affected by the significant 'out of stock' position which occurred in many supermarkets as the evidence of contamination emerged.

There was much debate about the need for a shorter and more transparent meat supply chain. Unsurprisingly, British farming interests were quick to seek to translate this into stronger demand for locally produced meat. The National Farmers Union launched a new campaign, entitled '[Leading the Way in High Standards](#)' and [BPEX](#) and [EBLEX](#) joined forces to launch a 'Quality Assured' campaign, linked to the Red Tractor assurance scheme.

Tesco announced their plan to develop close links with the British livestock industry and, from July, all their fresh chicken would be sourced from the UK.

The recent purchase of the [Vion](#) poultry and beef and lamb businesses by [2 Sisters](#) was seen by several commentators as being linked to the increasing demand for home-produced meat in the years ahead.

## 5. Epic proportions?



A new study produced by the European Prospective Investigation into Cancer and Nutrition (EPIC), aggregating information from separate studies undertaken in 10 different European countries, linked higher levels of consumption of processed meat to an increased risk of heart disease and cancer, and was widely picked up by the media.

- [BBC](#)
- [ITV](#)
- [Express](#)
- [Daily Mail](#)
- [Sun](#)
- [Times](#)
- [Telegraph](#)
- [Independent](#)

The conclusion of the study, in stark contrast to many of the headlines linking consumption of processed meat to an early death, was a rather more sober assessment:

“The results of our analysis support a moderate positive association between processed meat consumption and mortality, in particular due to cardiovascular diseases, but also to cancer.”

A statement issued by the [Meat Advisory Panel](#) commented on the EPIC research as follows:

- Despite the claims of the EPIC researchers, it is very difficult to disentangle the other lifestyle effects, which may also present a mortality risk. High consumers of processed meat tend to smoke and drink more, take less exercise and consume less fruit and vegetables than their peers.

- Although the total sample was large, it was drawn from quite specific and, in some cases, very diverse population groups across 10 different European countries, with all their inherent cultural differences.
- Most UK consumers do not need to change current consumption habits to fall within the recommended government dietary guidelines.

During February, a new report was issued via the MAP, based on research undertaken by the British Nutrition Foundation. The report, entitled '[Red Meat and the Seven Ages of Man](#)', demonstrates how meat can help meet the specific demands for healthy growth, development and general well-being at different life stages:

- Infants and pre-school children
- Pre-pubescent children
- Teenagers
- Adults of reproductive age
- Pregnancy and lactation
- Middle-age and older age
- Older Age

## Special Feature:

# '2013: A snapshot of Denmark's journey to compliance'



Over the past two years, Niels Christian Dørken from Central Jutland's Pig Advisory Service has spent over 50% of his time helping pig producers in his area prepare for the new EU pig welfare regulations which came into force in 2013. He advises in the region of 40 farmers; a job he has been doing for over 30 years. Although his expertise lies in housing units, Niels Christian Dørken could be described as a mentor or a morale booster to a broad cross-section of Denmark's pig producers. As such he has followed Denmark's journey to 2013 at close hand and is in no doubt that all pig farmers are now fully compliant with the regulations. In his straightforward, no nonsense Jutlandian way, he says: "Loose housing for sows is now the law and we're used to obeying the law in Denmark."

He agrees, however, that in a few cases compliance was a close call. Denmark's environmental regulations are among the strictest in the world and it can sometimes take more than two years to secure approval for any modification to existing systems. Danish banks have also been unwilling to extend the necessary funding, which means that compromises have had to be made.

With three decades of working with pig producers behind him, what is Niels Christian Dørken's own view about the new legislation? "Loose housing forces producers to change the way they manage

their sows and for some this has proved a challenge. Aggression is sometimes a problem if bigger sows are mixed with smaller sows, but there is no doubt that the sows benefit from loose housing systems. Their legs are stronger and, of course, the system offers a higher welfare standard."

### **More control visits**

The Danish veterinary authorities have implemented a programme of "unannounced visits" to pig producers to ensure that all welfare legislation is complied with. Indeed, the authorities have announced that they will increase the number of visits from 5% to 10%.

"The authorities are extremely strict in Denmark and you can rest assured that they will do what they say. I don't think they will find any non-compliant farmers," says Niels, "if only for the reason that it wouldn't be fair on the farmers who have taken action and converted their systems – some at considerable cost."

What happens in Germany, Denmark's neighbour, will also have an impact on Danish pig production. Niels Christian Dørken hopes that German pig farmers are now fully compliant, but some German sow producers may switch to finishers and as a result he estimates that Germany could see a 10-15% decline in sow production. "This will offer opportunities for Danish farmers as there will be a lack of weaners in Germany. I know of many farmers in Denmark who – if the money were available – would like to switch to sow production because this emits less ammonia, takes up less space and generates less environmental impact overall."

What does the future of Danish farming look like from the perspective of an expert who has experienced the fluctuations in the industry at first hand?

"Once pig farmers start making money again, the banks will have renewed confidence in the industry and be prepared to extend funding. If we are to be competitive on a global basis, we need to invest in our farms so that our technology and equipment are tip-top. Farms need to expand. Given that the local authorities are starting to show a little more flexibility to farmers in their area and given that our government is showing more open-mindedness towards the farming community, I would encourage young people to consider a future in pig farming."

## Case studies:



### **Erik Bredholt:**

**Chairman of Danish Crown. He was elected on to the Danish Crown board in 2001, was appointed Vice-Chairman in 2006 and Chairman in 2012. His farms are located North of Aarhus in Jutland: 540 sows and piglets up to 30 kg on one site and 15,000 finishers per year on three other sites. Grows 50% of the grain used, the rest is sourced from neighbours. Buys in soya beans.**

“Denmark is a country that respects the law,” says Erik Bredholt. “Our farmers have invested a lot of time and money in ensuring that we are now compliant with the legislation. In my case I have invested around DKK 4 million in a loose housing system without increasing our production. I think what bothers Danish farmers in general is that if other European countries fail to comply with the regulations or – what I fear the most – is that the definition of what constitutes loose housing is not the same in all European countries. Where Denmark has a huge advantage is that we have control over the entire value chain – from farm to fork. This is why Denmark is in a position to deliver more traceability to supermarkets than other supplying countries.”

When Erik Bredholt was faced with finding a solution to 2013 legislation at his own farm, he had three possibilities: to shut down his sow production; to expand - not only in terms of square metres, but also in terms of sow numbers (which is a solution a number of farmers have opted for); or extend the current facilities. Mr Bredholt opted for the latter.

“We extended our gestation unit in order to make room for the same number of sows as before. The entire process took us 6-8 months. It’s a bit too early to see what the benefits of the system are, but becoming a UK Contract farmer means that I receive a bonus payment. As far as our animals are concerned, when they were confined for three months in stalls, some of them did not want to leave. So you could say it’s now easier to move the animals from one section to another.”

Mr Bredholt has installed straw-based, self-opening “crate” system in the breeding unit where they remain for six days. Afterwards, the sows are divided into groups of 13-14 for the gestation period.



**Thomas Østergaard:**

**From Viborg in Northern Jutland. 500 sows (80 farrowing pens). Unit rebuilt in November 2012 for group housed sows. Liquid feeding in long trough. 4,500 finishers. Self-sufficient in feed.**

“When I bought this farm in 2003, I knew that we had to make changes because of the age of the farm, its size and the legislation due to come into force in 2013. The bank endorsed our plans and we went ahead and, along with other investments, spent DKK 250,000 on consultancy services (around £ 27,000). But then came 2008 and the financial crash and the equity in our farm was halved. The bank decided not to advance any funding so we were left with a huge problem,” explains Thomas Østergaard, 38, who has a degree in Business Studies.

Although money was short, Mr Østergaard had no choice but to find a compromise solution to comply with 2013 legislation. With environmental approval secured in 2011, he moved his finishers to another farm, extended his farrowing unit to pay for the investment and converted to a standard loose-housing system. The changes cost him DKK 2 million (approx. £220,000) and took nine months.

“Of course, loose housing units require a very different type of management. I have to say that I don’t understand all the thinking behind the regulations. I see why I needed bigger stalls, but I think that pregnant sows are happiest on their own, undisturbed, with plenty of straw and the right feed. With the new loose system, aggression between the sows and ensuring that the 15 sows I house together get an equal amount of feed are some of the main challenges. I’m learning every day, of course, and when I’m in a position to invest further I would like to buy an electronic feeding system and a system that allows a sow to enter and exit a box at her own volition so she can be on her own if she wishes.”

Asked whether he is aware of any farmers in Denmark who are not compliant, Thomas Østergaard says: “I am part of a buying group with 100 other farmers and all of them are 2013 compliant – as are all my neighbours. Some farmers have stopped because it’s been too hard on them economically. What we need now is to ensure that all countries compete on a level playing field. The biggest problem for us will be if “illegal” meat reaches the shops. That will undermine the situation for us.”



### **Jens Jørgen Kær:**

**From Viborg in Northern Jutland. 500 sows and UK contract producer. High efficiency - 33 weaned pigs per sow per year. Gestation unit with free access stalls. Almost all piglets are sold by 32 kg – sells to three other farmers and 1,000 to Germany. Converted to a loose system in 2008 when he became a UK contract farmer.**

Jens Kær decided to switch to UK Contract production in 2008 and change his system to match the special requirements of UK legislation. "I knew little about the loose system and had to draw on the support of consultants," recalls Mr Kær. "What was then known as the Swedish system – where sows are able to enter and leave individual stalls of their own free will - was completely new to me. It was difficult to adjust to because I thought the older, stall-based system was more efficient. Now I think this system is preferable. The sows are in better condition because they have the opportunity to move around. Their legs are stronger and, as their back muscles are more developed, they farrow more easily."

The "hotel" design that Mr Kær installed is expensive. The cost of installing such a system today is around DKK 11,000 per sow (around £1,400). Also under the old system, there was space for one third more sows.

Asked about Denmark's compliancy with the new 2013 legislation, Jens Jørgen Kær says: "All the pig farmers I know are 100% compliant with the law. It would be very difficult for a non-compliant farmer to keep producing with the procedures we currently have in place in Denmark."