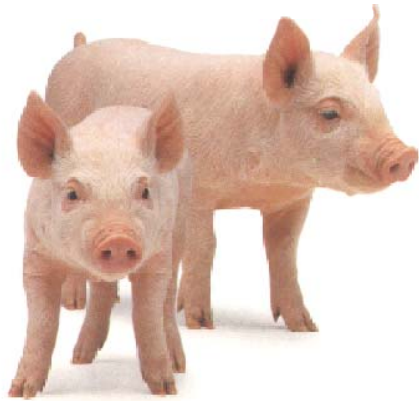




The Outlook for the World and EU Pig Meat Market

EPP Congress 31 May 2012



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BPEX Director
Deputy CEO AHDB





Agenda

- A little about BPEX
- Background to the World Pig Meat Market
- Short term Outlook
- Medium term Outlook
- The Impact of the sow stall ban



About BPEX

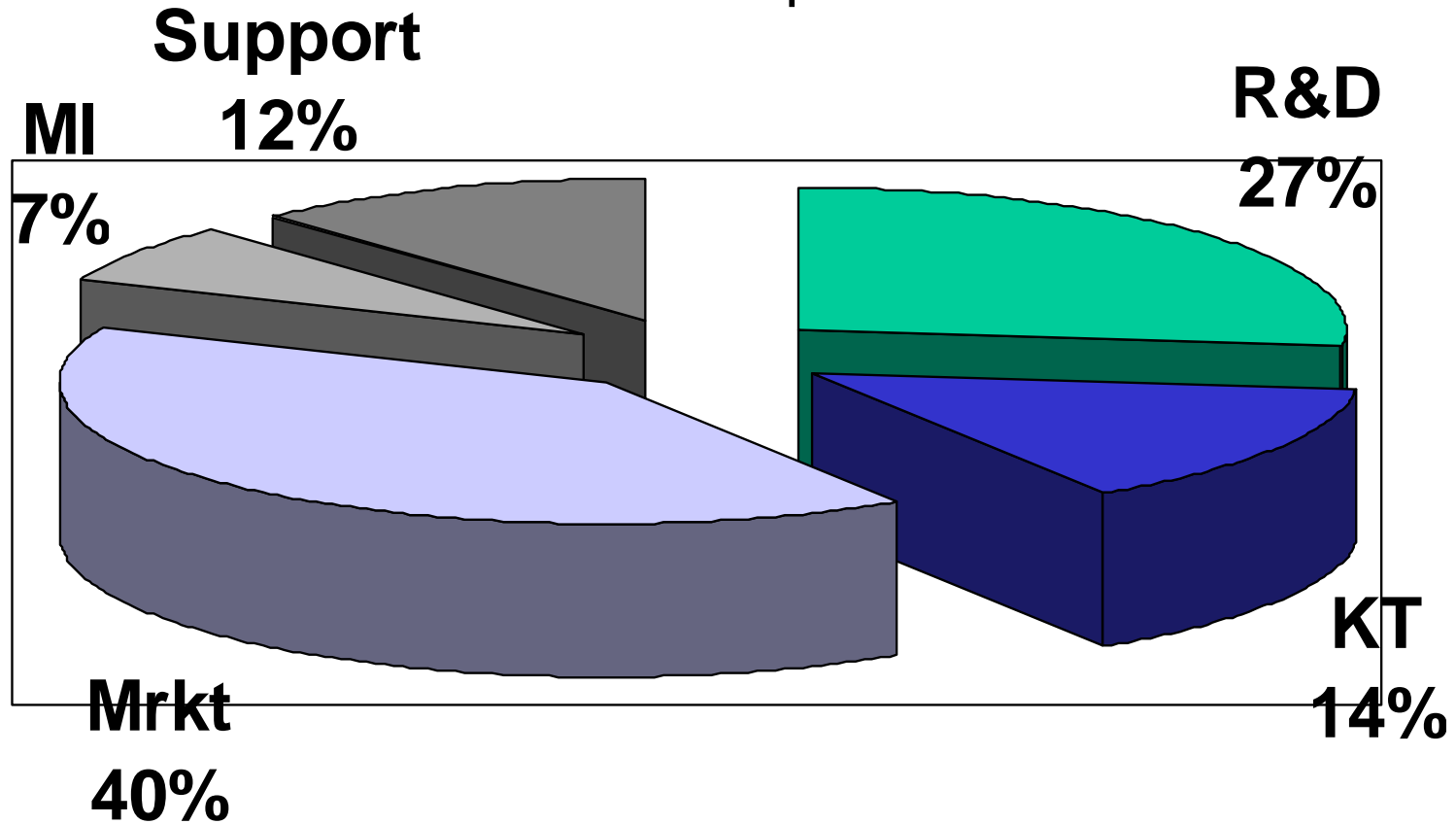
- An organisation working for pig producers and processors in England
- Financed by a levy (tax) on every pig slaughtered
- Our objective is to improve the competitiveness and sustainability of our industry
- We do that through R&D, Knowledge Transfer and Marketing
- We are part of the Agriculture and Horticulture Development Board, which includes the dairy, potato, cereals and oilseeds, beef and lamb and horticultural sectors





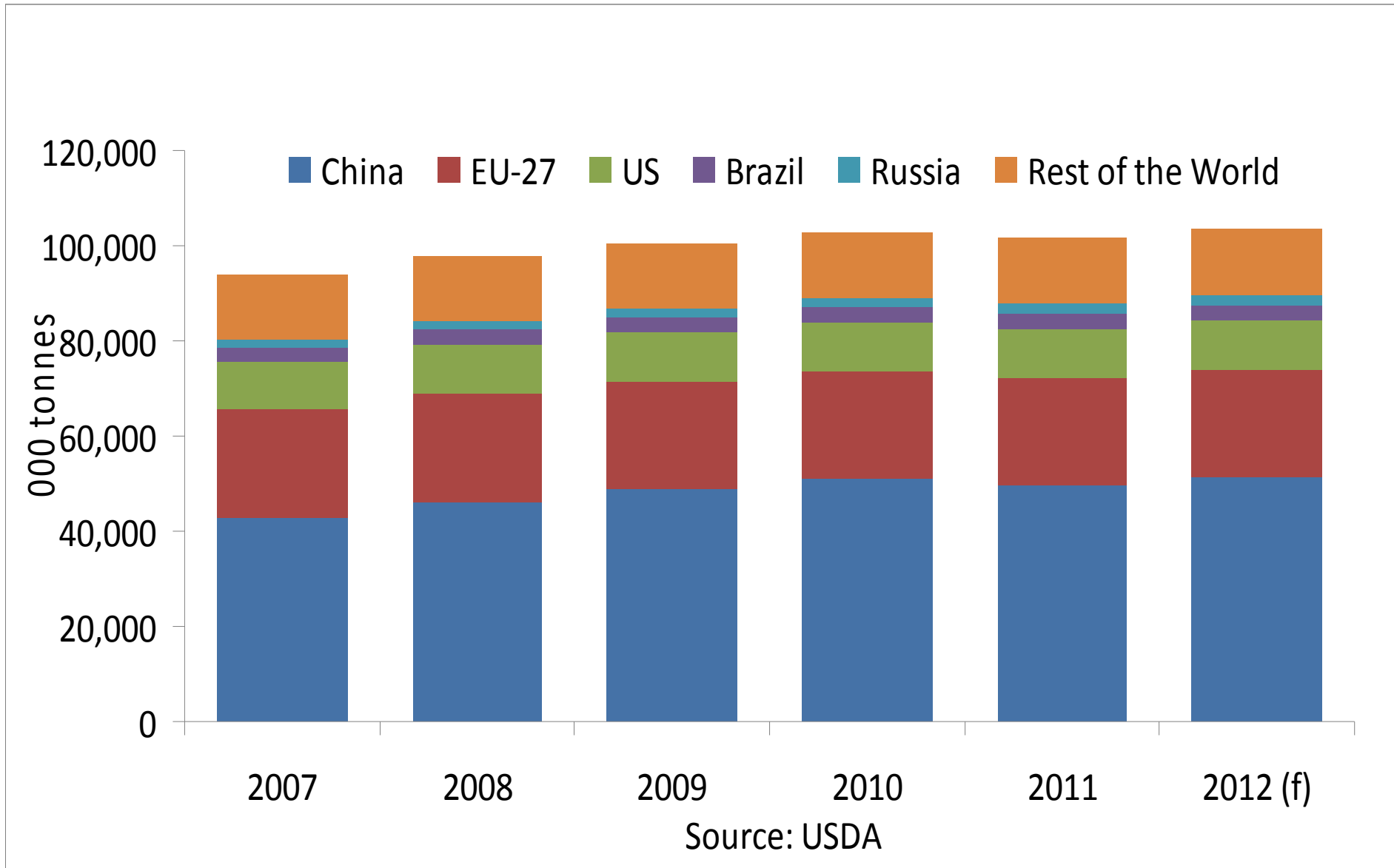
BPEX Budget c.£8 mill

Levy 85p a pig for producers 20p for processors



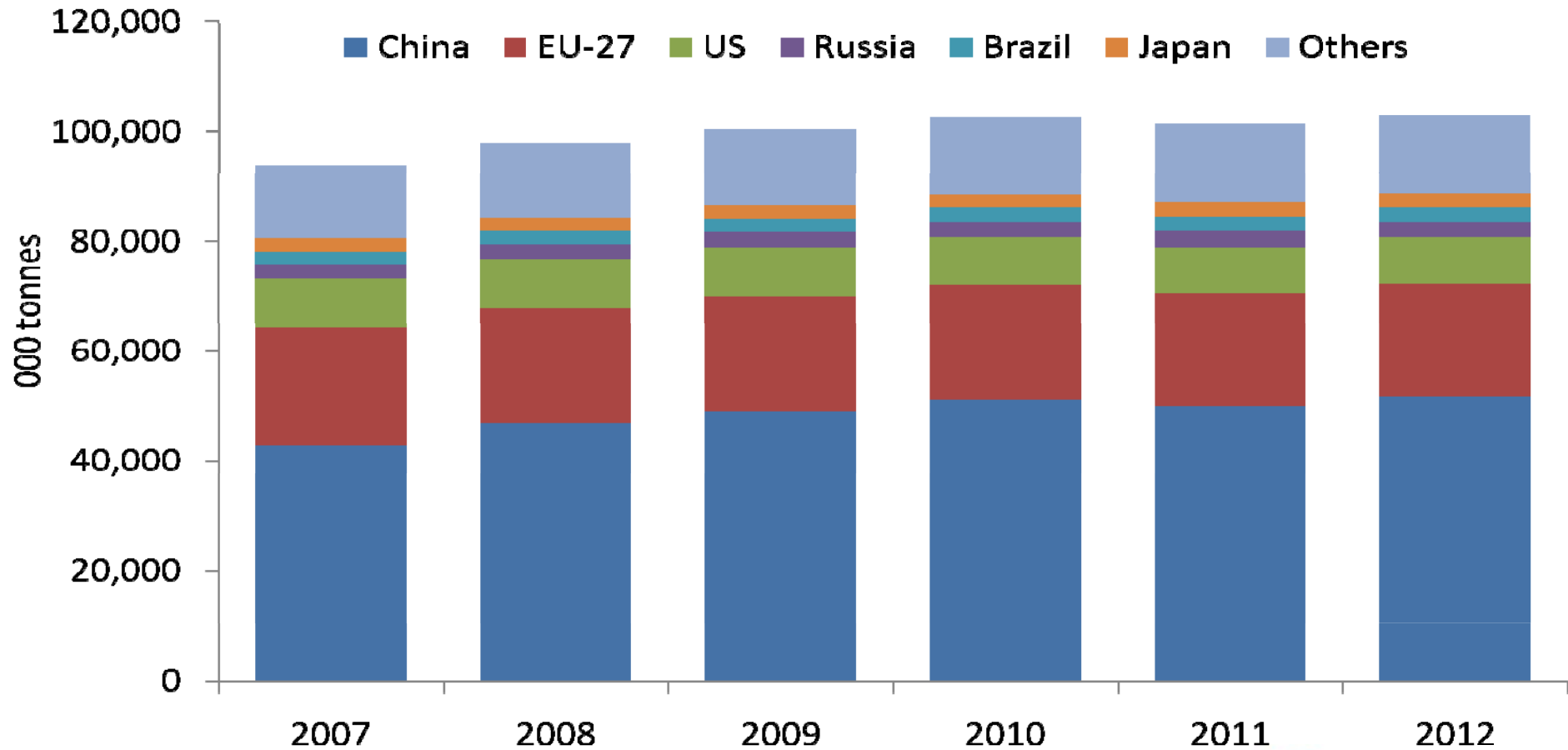


World pig meat production





World pig meat consumption

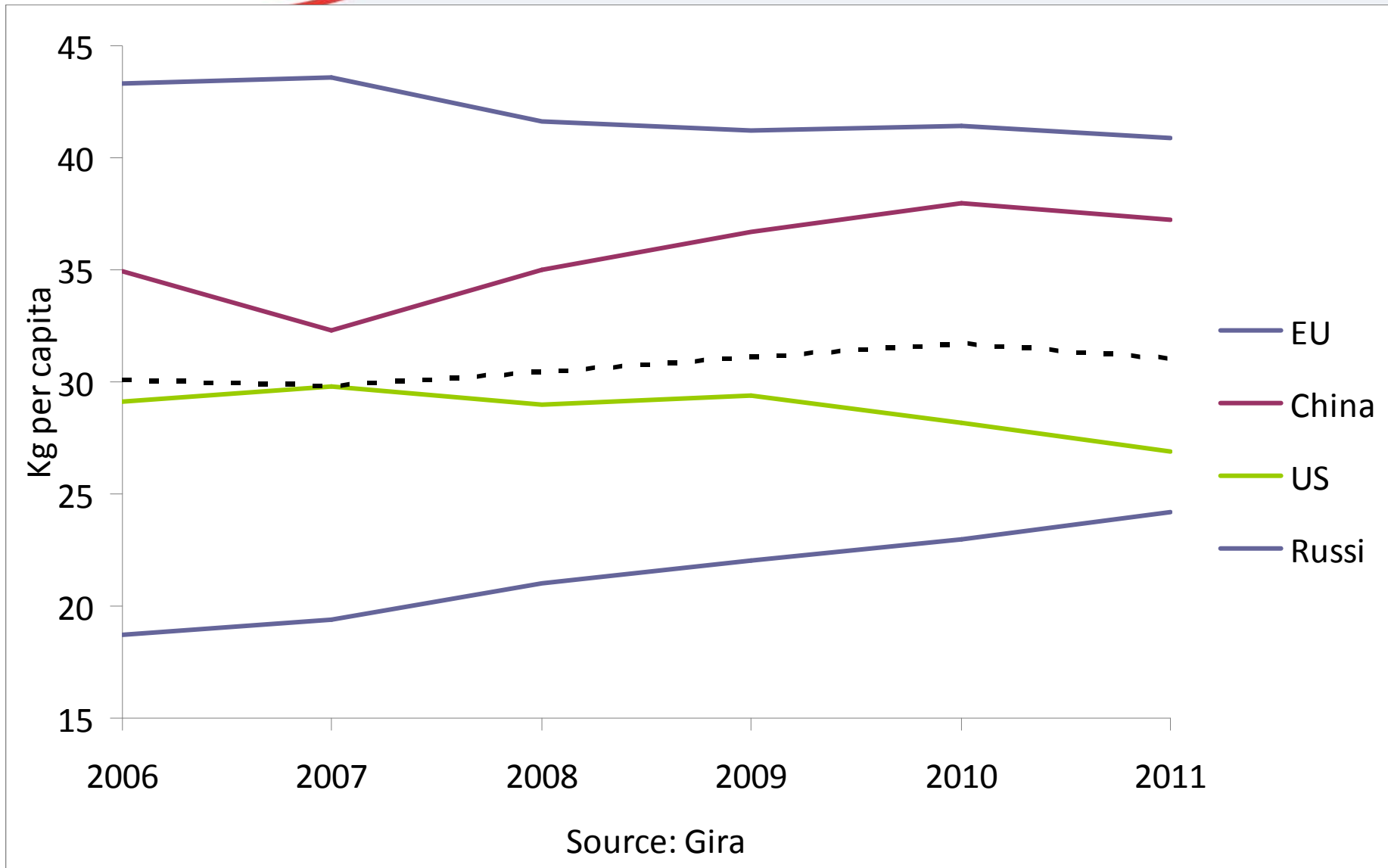


Source: USDA





Pig met consumption per capita





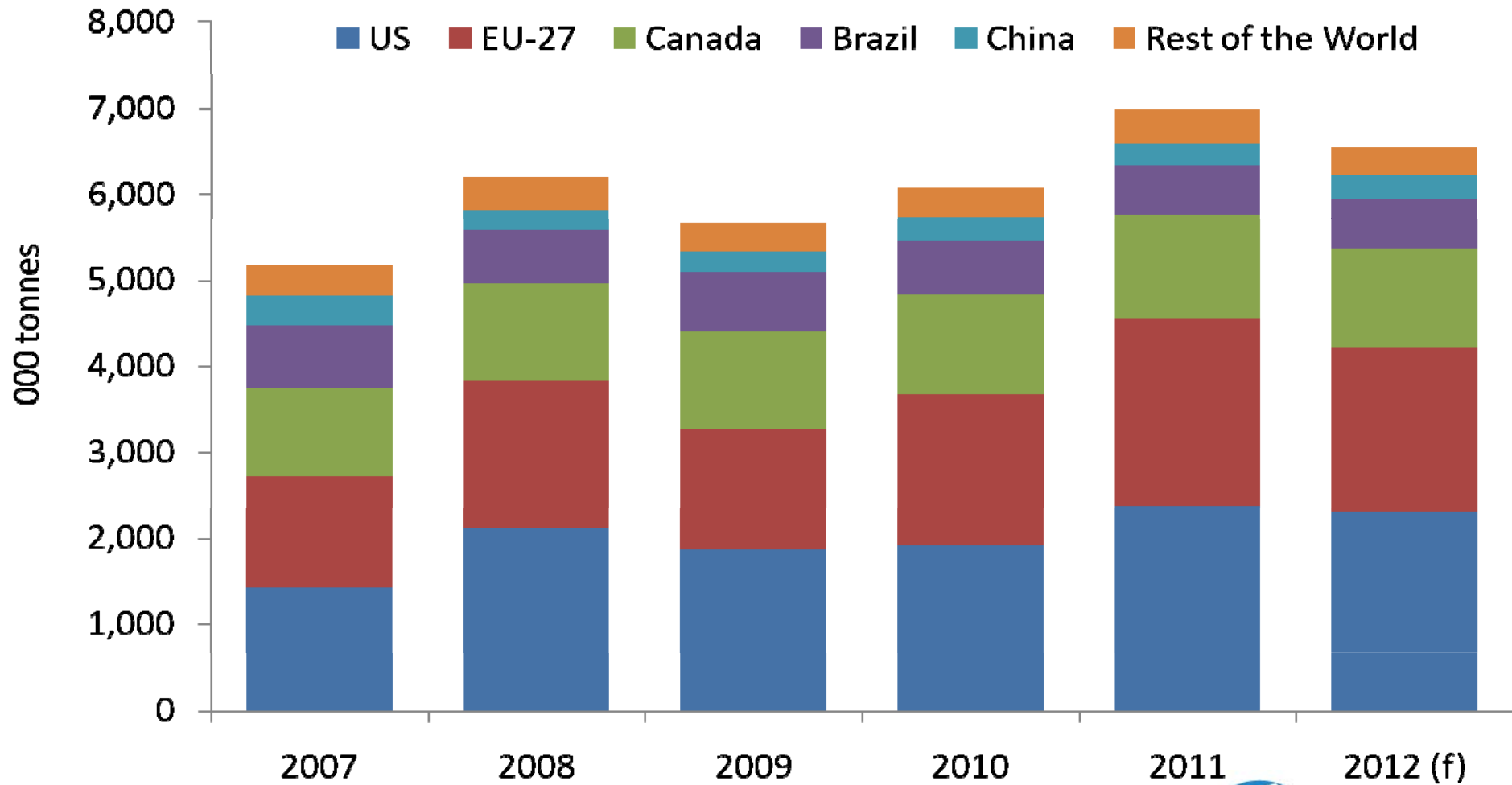
Short term Outlook - Global

- World production expected to rise by 2.6% to 112 mill tonnes in 2012 (USDA). A further smaller rise is possible next year
- Expansion in China in response to good profits and Government incentives
- Recovery in Japan (post tsunami) and South Korea (post FMD)
- Expansion possible in South America. Good demand and export disease freedom in some areas
- Russia boost to production from Government incentives. African Swine Fever remains a concern



World pig meat exports

(excluding intra-EU trade)



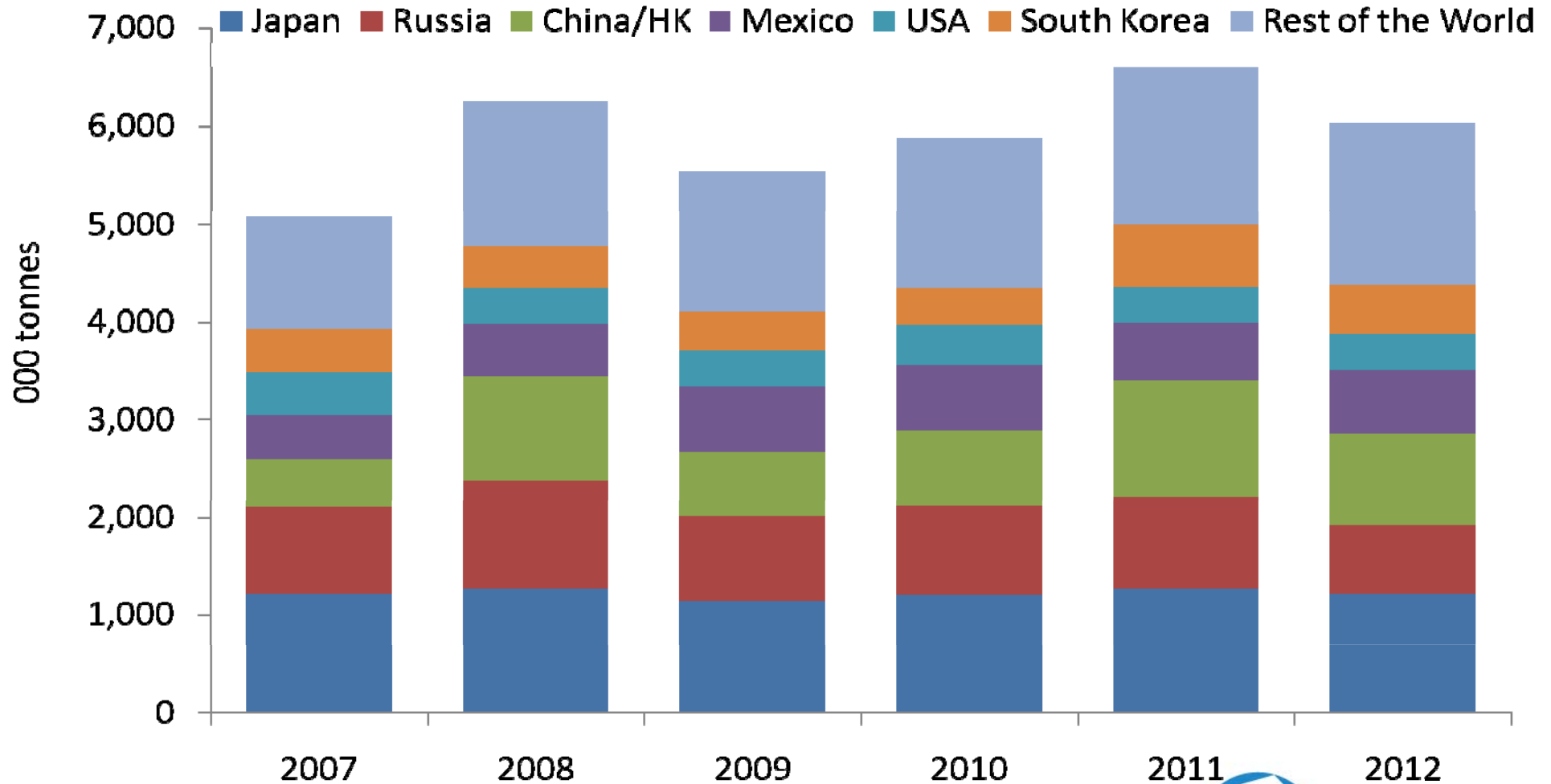
Source: USDA





World pig meat imports

(excluding intra-EU trade)



Source: USDA





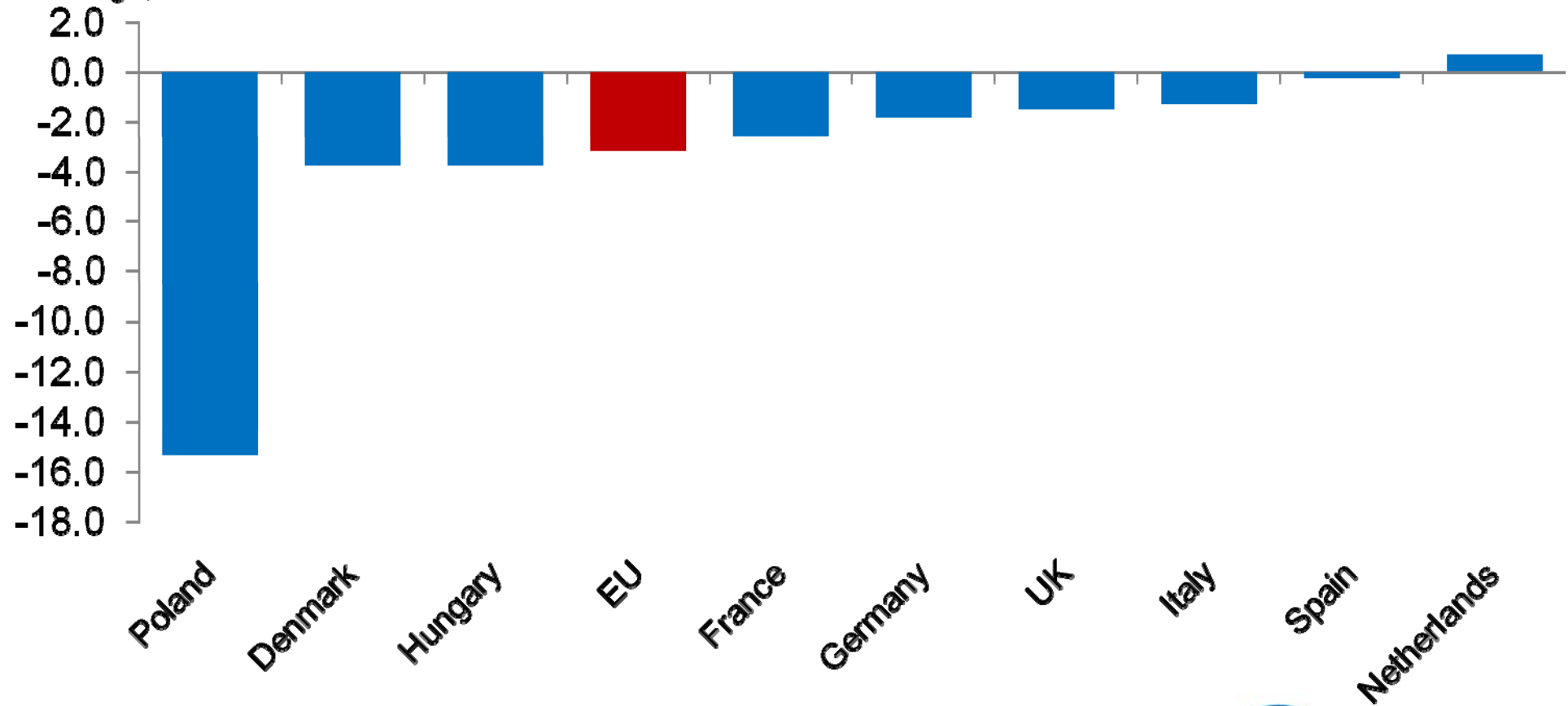
Short term Outlook - EU

- Decline in the December 2011 census
- Productivity growth continues at an impressive rate
- Overall a small decline in production in 2012 is likely
- The recession is having an impact on demand, but the extent depends on the specific market
- The Euro Crisis is having an impact on trade which is good for exports but bad for imports, especially soy.



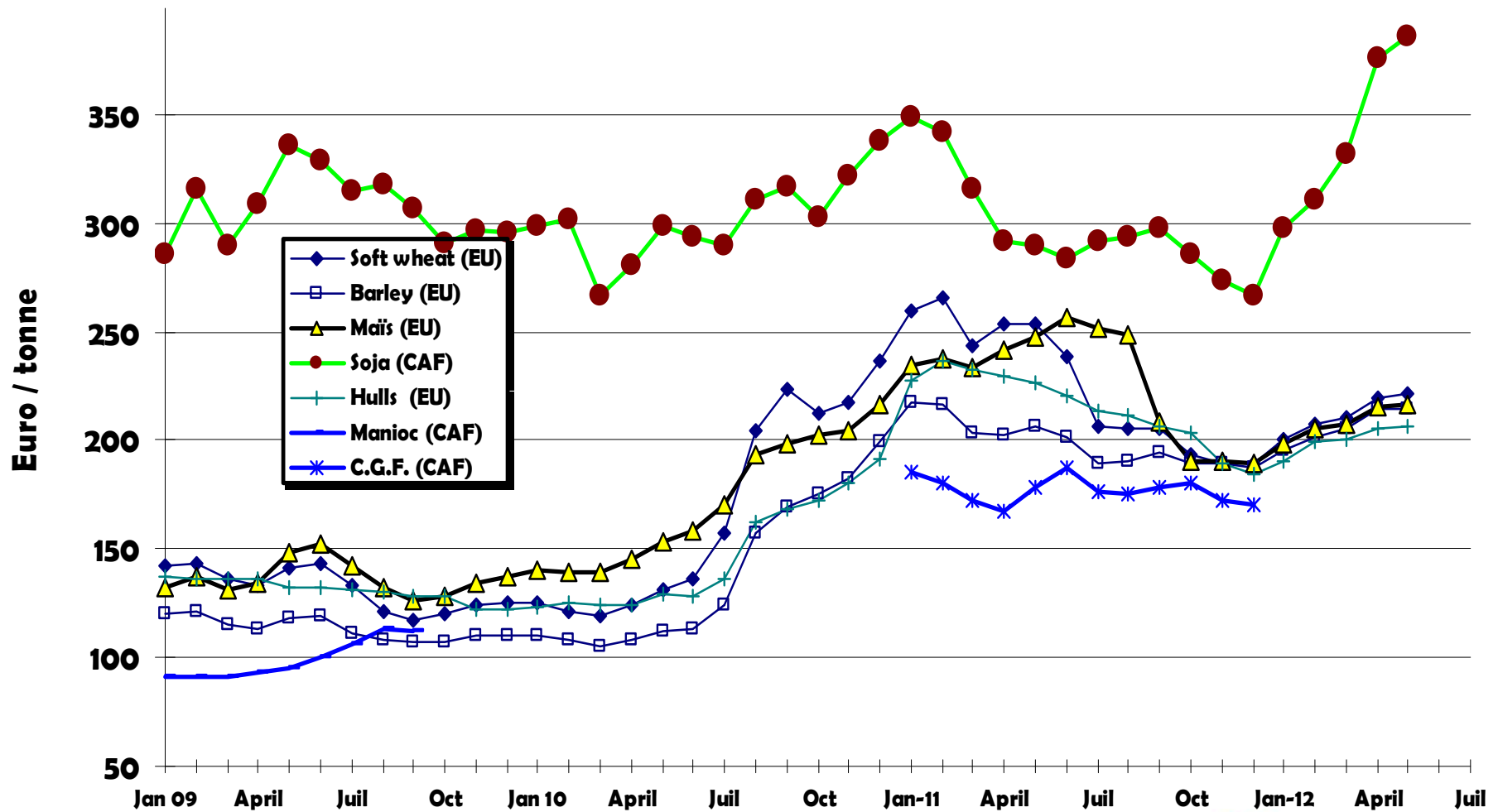
Stall ban and high costs leading to reduced EU sow herds

% change, Dec 10-11





Price of Basic Ingredients 2009 - 2012



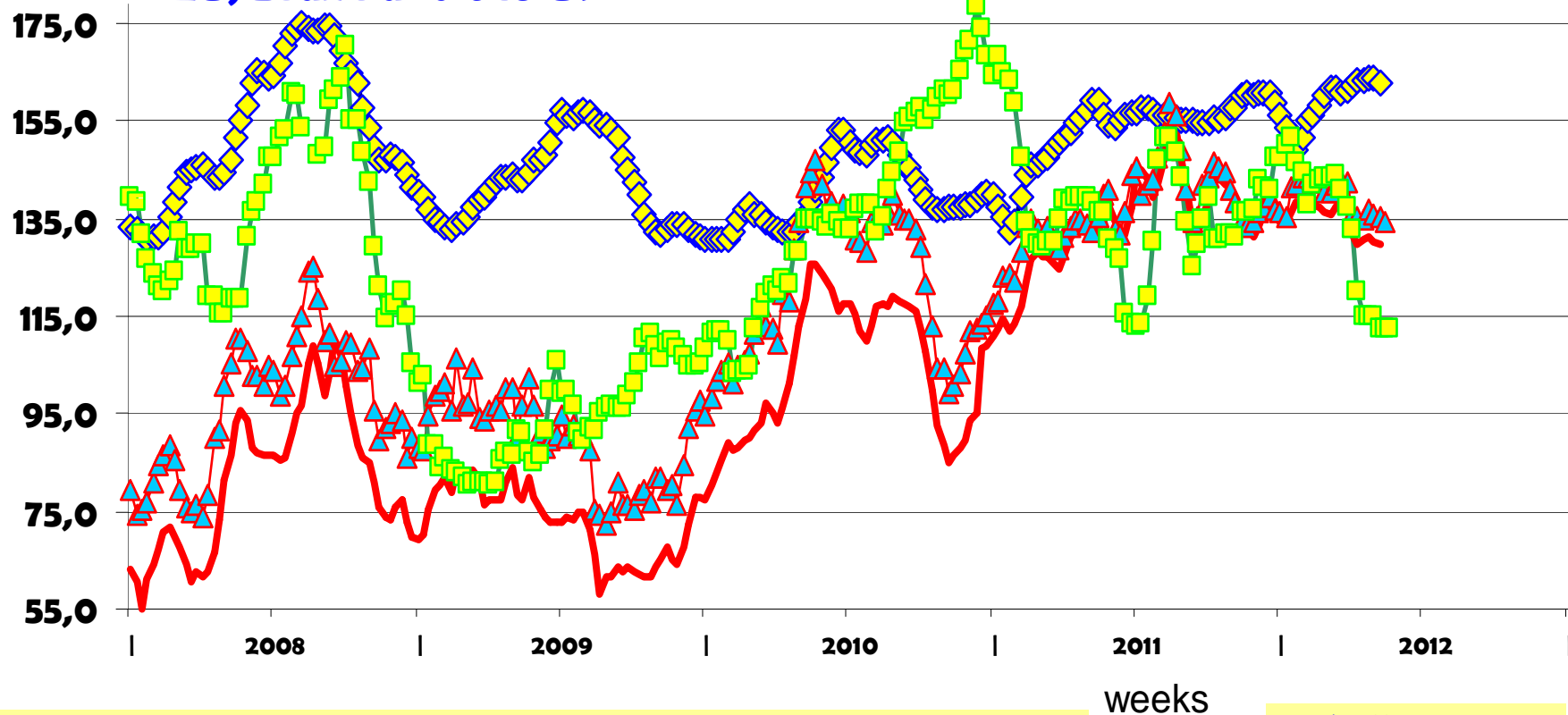
Source: EU Commission





Convergence of prices – at least in Euro's

Weekly average Pigprices 2008 - 2012 in Euro/ 100kg carcase
EU, Brazil and the US



EU = weighted avg of M\$ prices grade E <55% lean meat
US = weekly USDA prices carcase lean hogs Iowa-Minn. 167-187lb
BR = avg of maximum prices in main producing states (suino.com.br)
CDN= Ontario Dressed weight FOBAs from dec 2010, before Index 100 (agr.gc.ca)

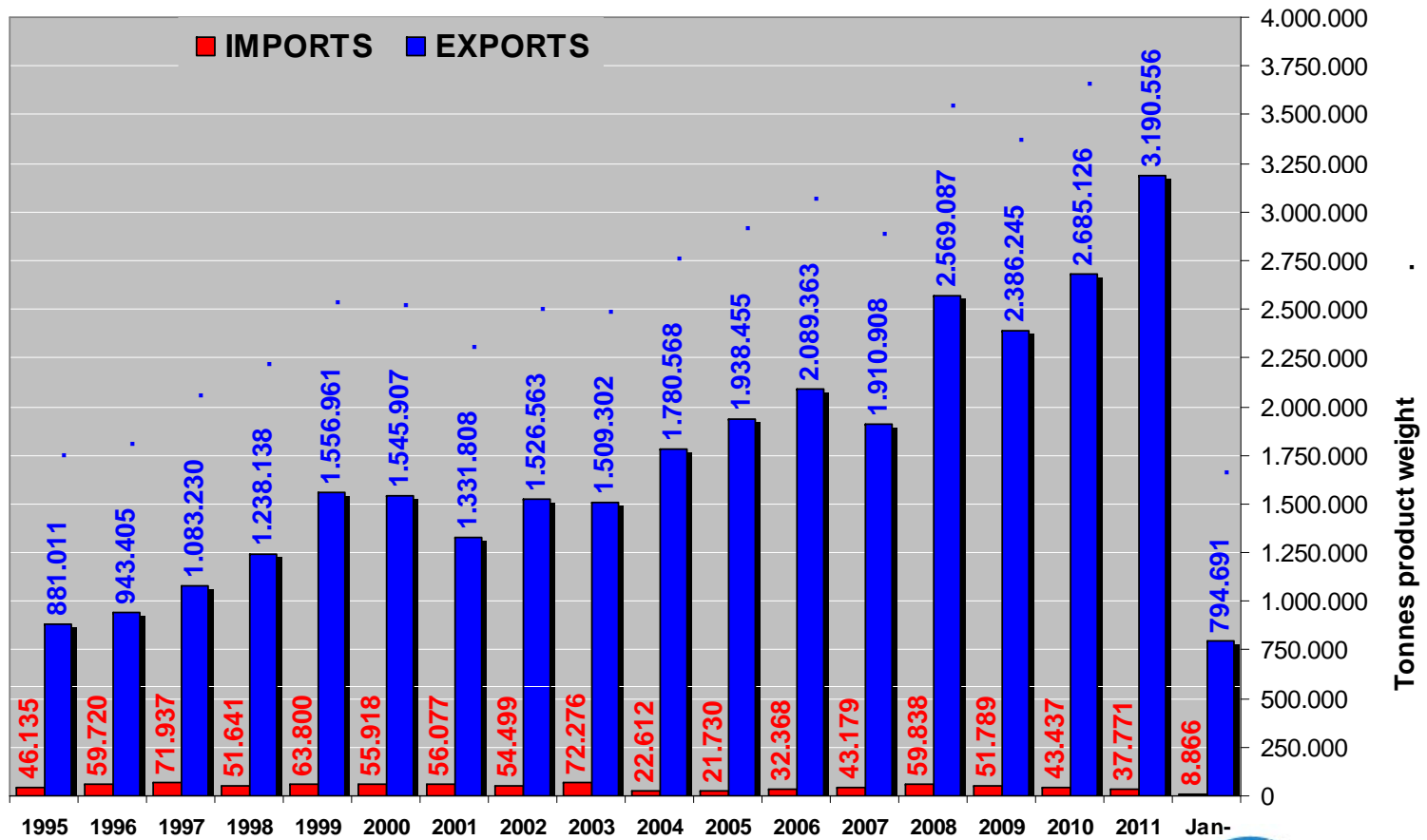
—◇— EU
—△— US
—■— Braz. avg
— CDN Ontario

Source: EU Commission



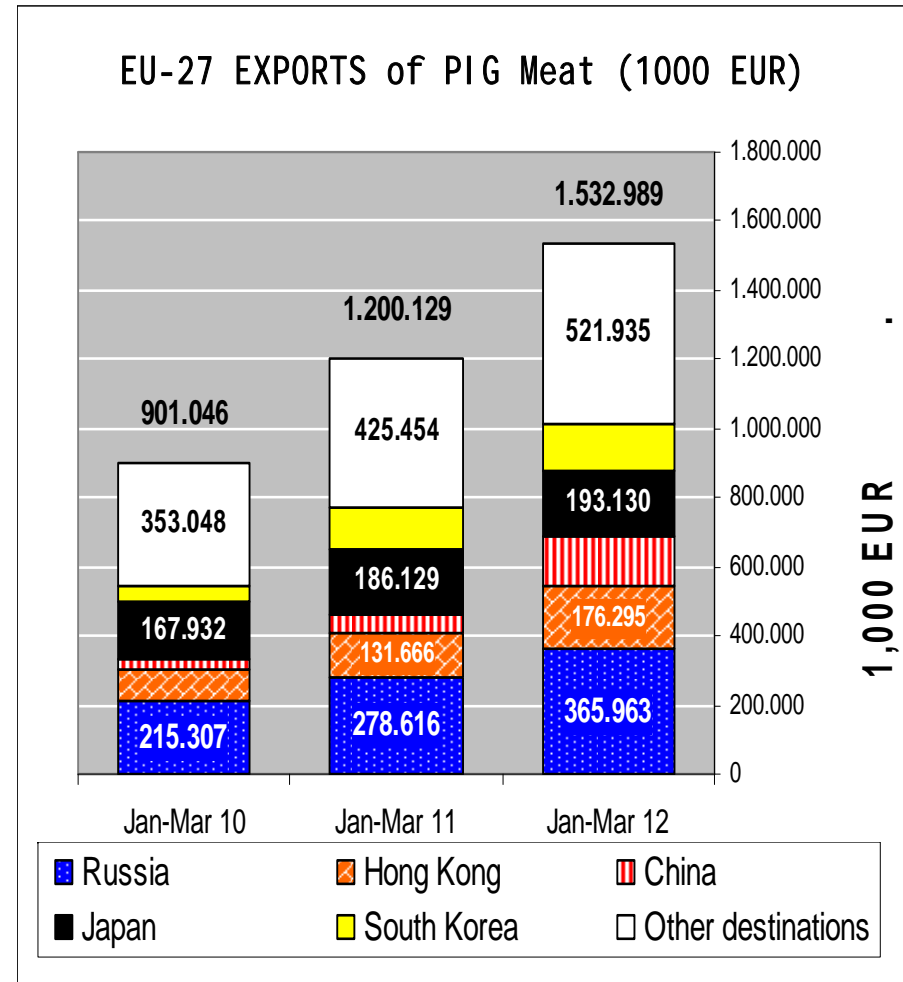
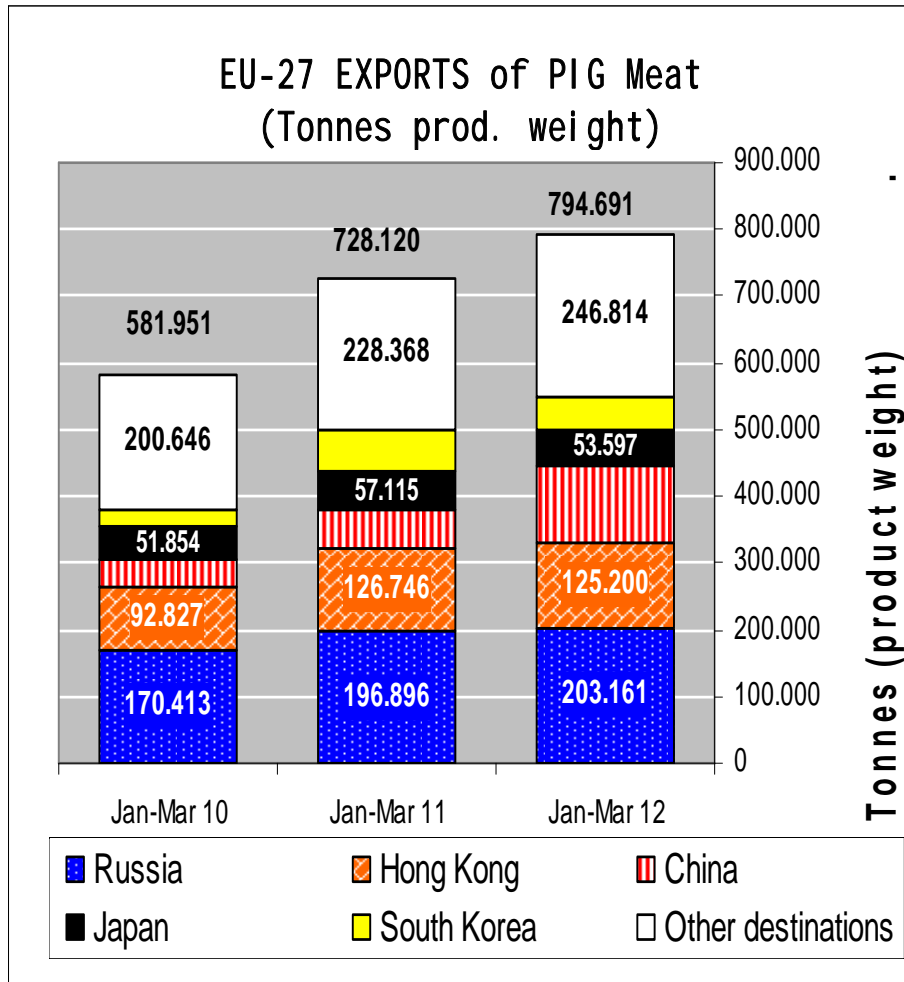


EU trade of PIG products



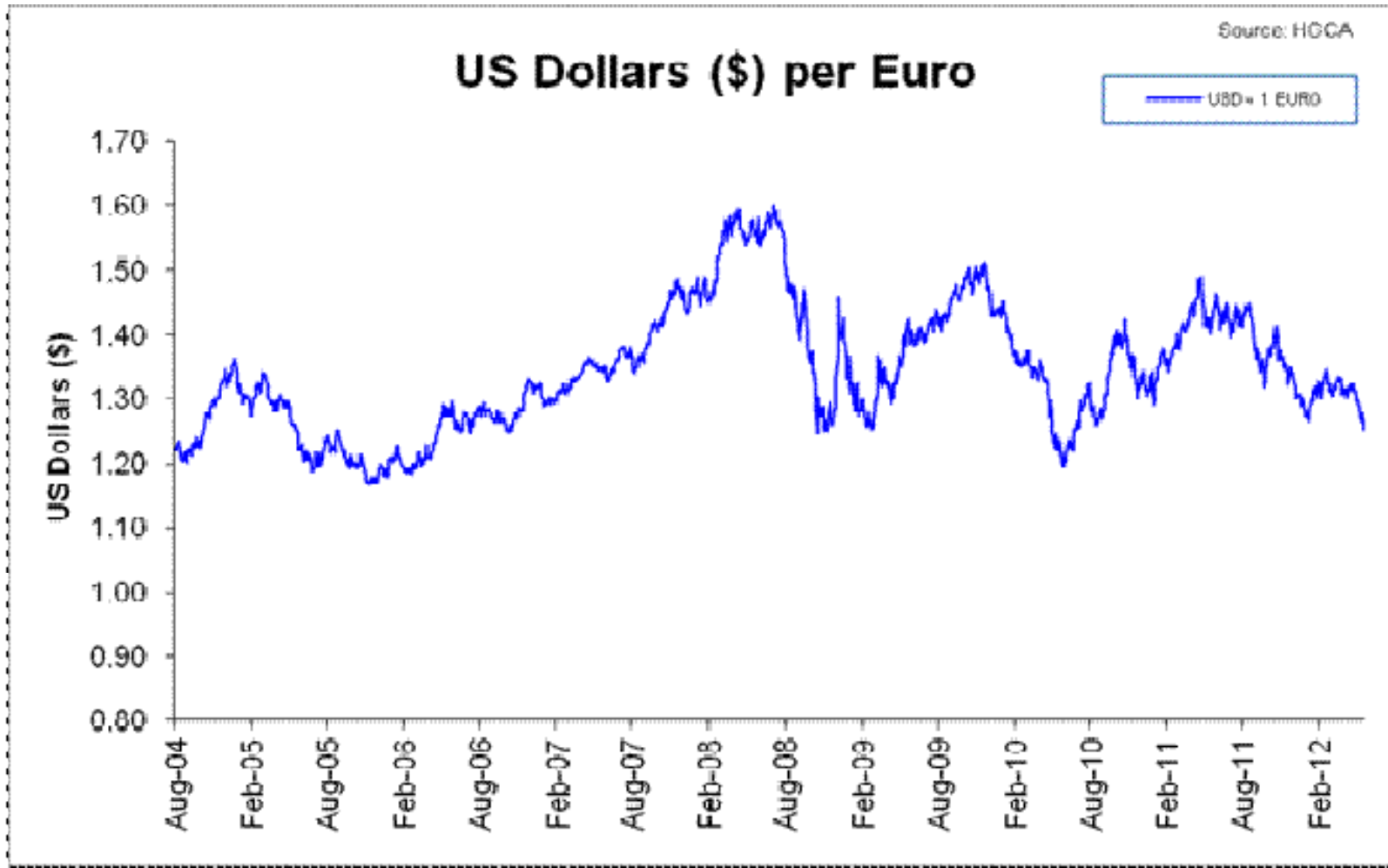


EU exports of selected PIG products Trade figures (COMEXT – tonnes product weight)





The future for the Euro ?





Medium Term Outlook



China to be significant





Tesco - Beijing Pork Chops





鮮豬蹄
13.80
元/500g

紅月

17.50
参加会员积分 元/5000
鲜猪大肠

4.50
参加会员积分 元/5000
鲜鸭血



鲜肥肠
5.88
鲜肥肠
6.37

纯鸭血
4.50
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Freshness is Important





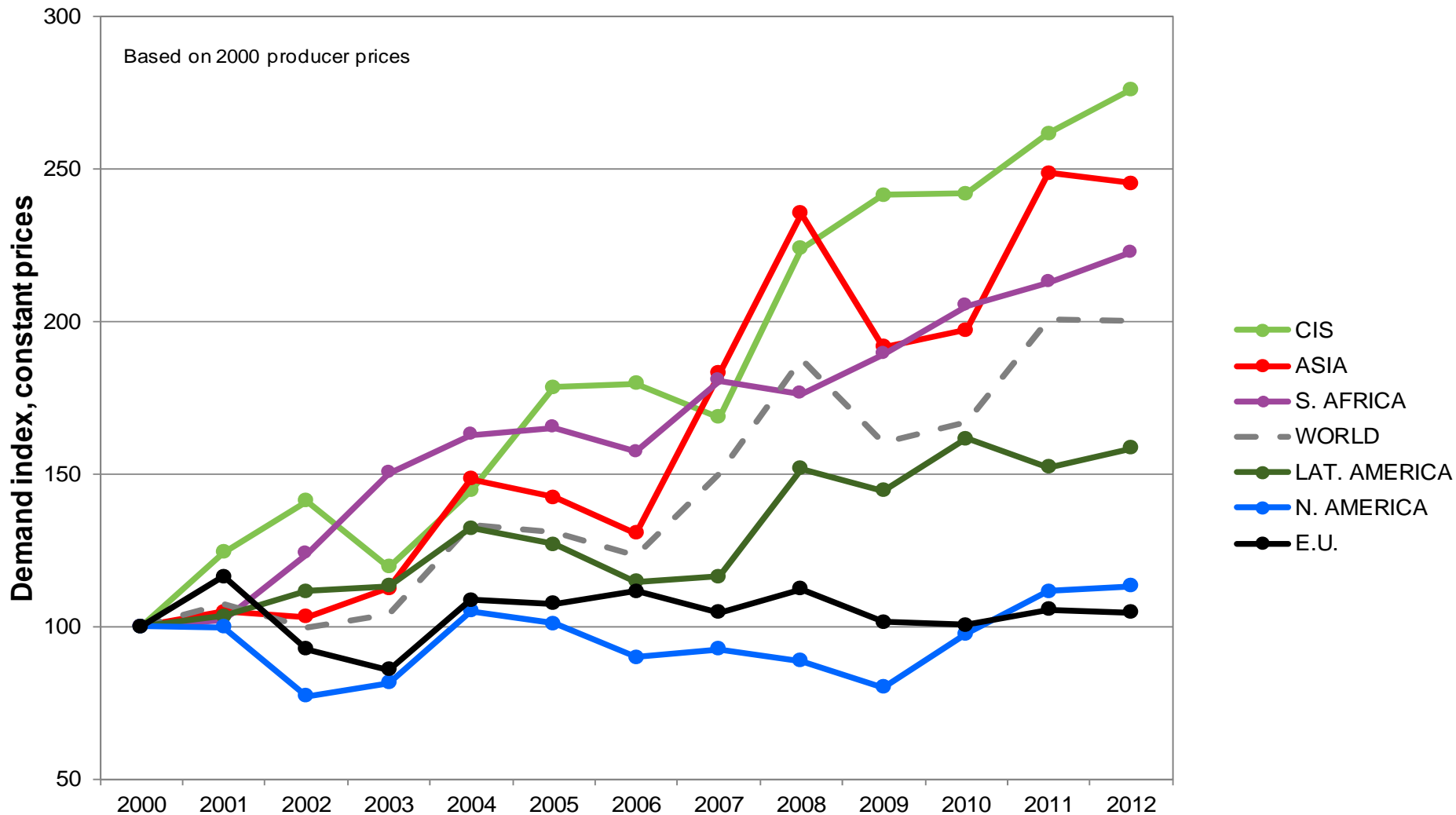
Key trends

- Urbanisation continues in China as the economy grows
- Government policy encourages modernisation of pig production and processing
- Government external policy seeks to support this development
- Economic development in South America, much of it based on commodities
- Government policy in Russia encourages expansion in production. Better quality may encourage consumption



Trend in Pigmeat demand: Demand strongly up in 2011, mainly

Pigmeat demand* index, 2000-2012(f) (2000 L.C.)

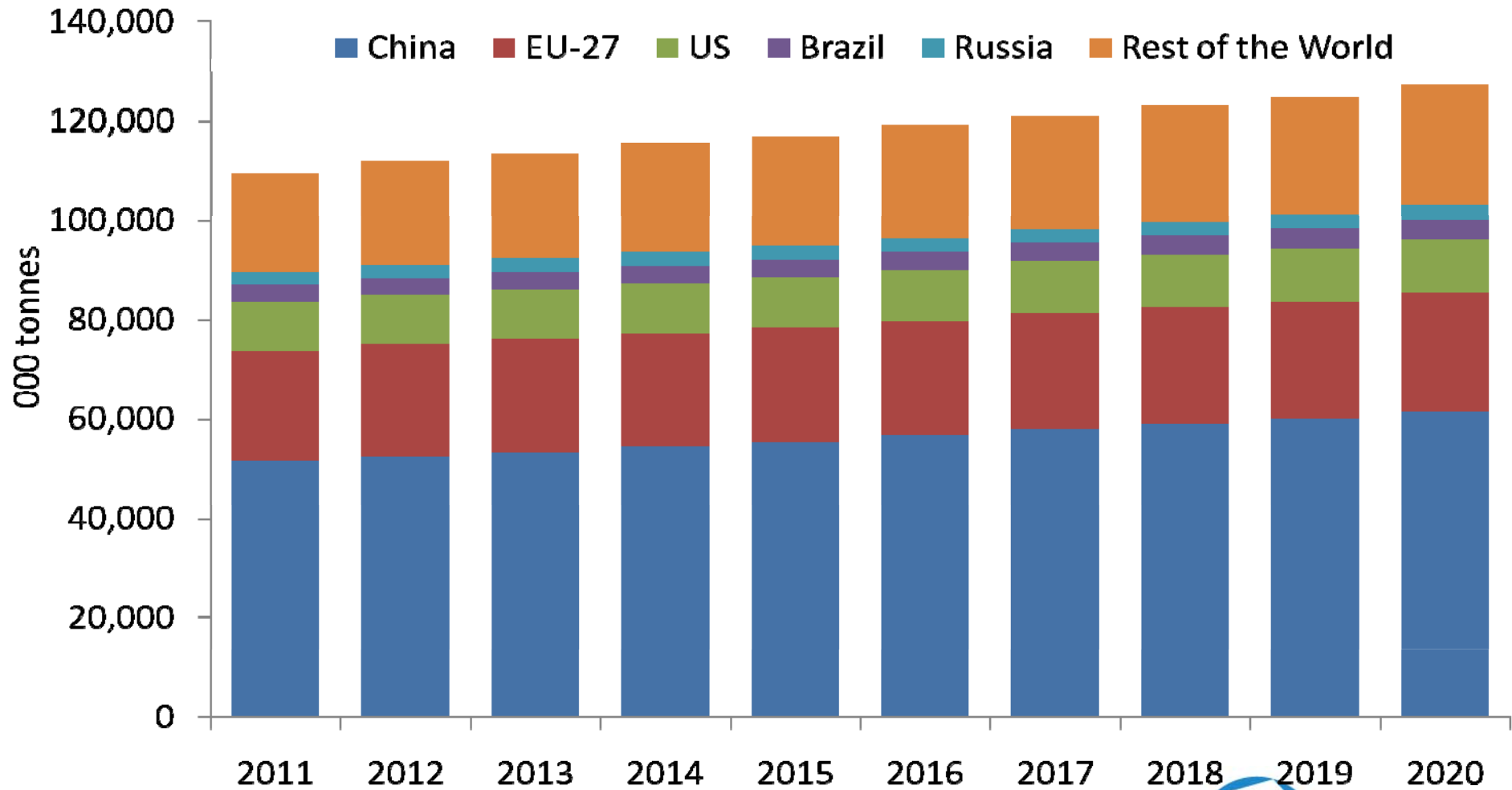


Source: GIRA GMC 2011

* Demand = producer prices x total consumption
Weighted (consumption) averages



Future world pig meat production

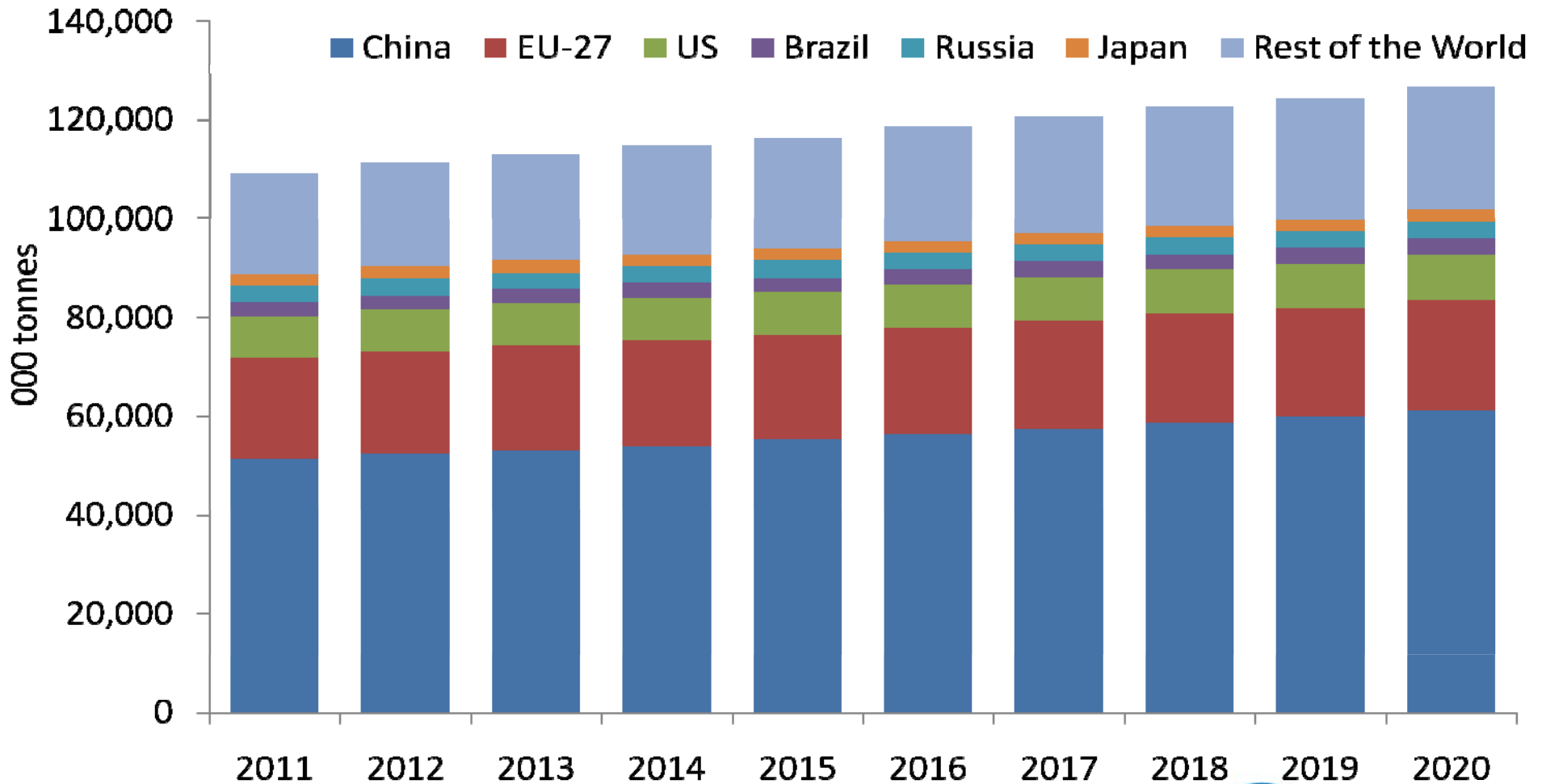


Source: FAO





Future world pig meat consumption



Source: FAO





The EU Stall Ban



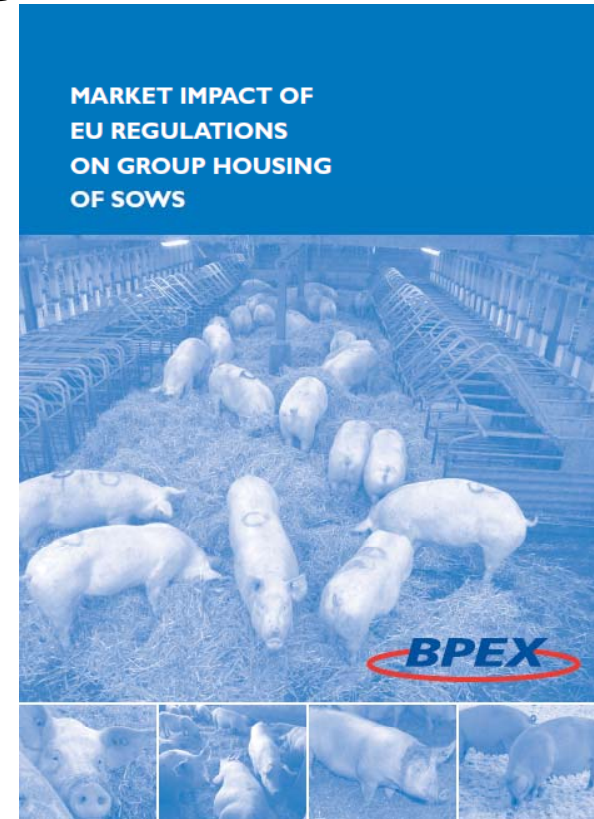


Background

- Council Directive 2001/88/EC comes into force on 1 January 2013 (it was agreed in 2001)
- Full compliance in UK, Sweden and Luxembourg
- The Directive has applied in all Member States to units that have been newly built or rebuilt or brought into use for the first time after January 2003
- Outline compliance information is available from the EU Commission
- A report has been produced by BPEX in collaboration with economists in Germany, Denmark and France.

Scenarios for market impact of the new regulations

- Review of latest situation
- Approaches to enforcement
- Three scenarios
 - 1. Most likely situation
 - 2. Rigorous enforcement
 - 3. Realignment of production



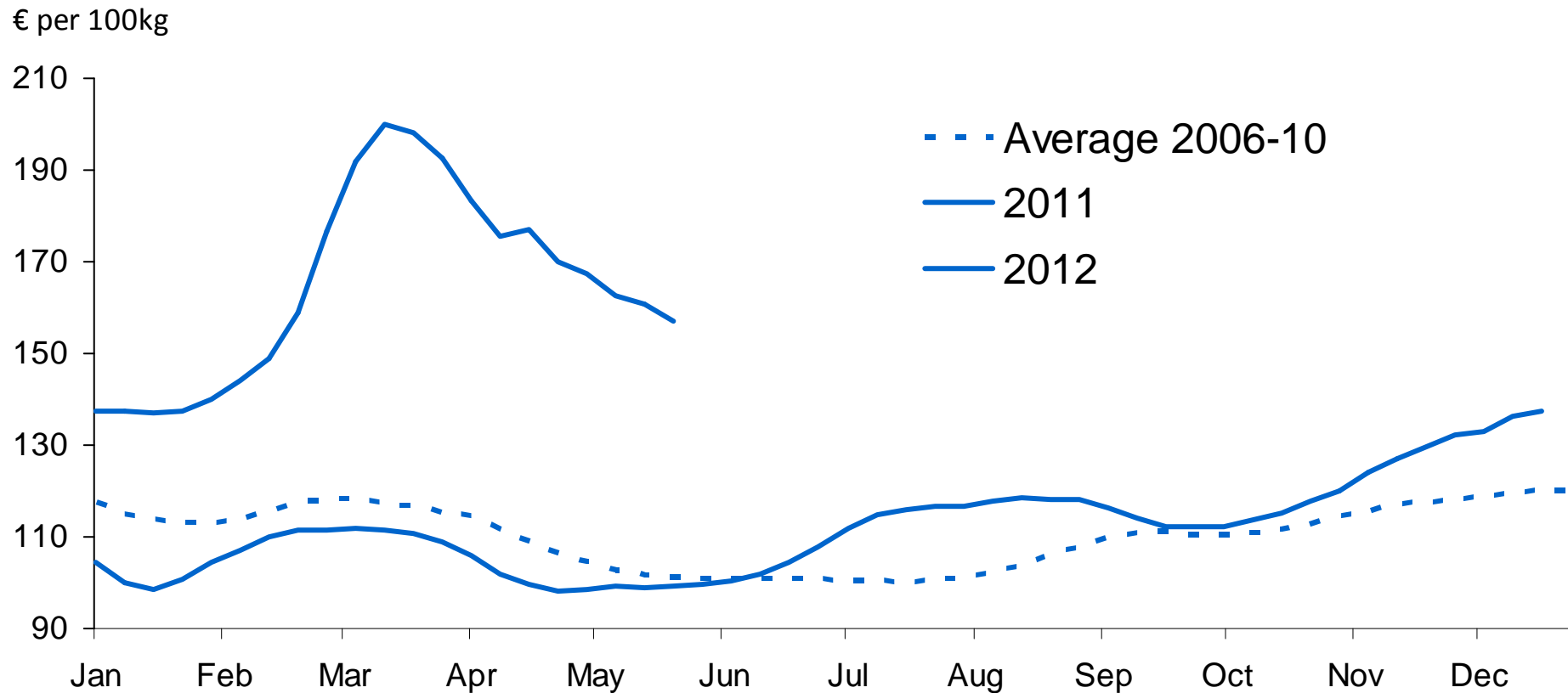


Mixed picture on compliance with the ban on sow stalls

- Three Member States already 100% compliant (UK, Sweden, Luxembourg)
- Twelve others say they will be 100% compliant by January 2013
- Five say they will be at least 90% compliant
- Four say they will be 70-90% compliant
- Three may still be less than 70% compliant



EU egg prices have rocketed since the ban on battery cages – could the same happen to pig prices?





Key Implications

- Improvements in pig welfare cannot be achieved “on the cheap”.
- Those producers that chose to make this investment should not be undermined by others that do not make the investment
- Reputation and integrity are under threat if we do not comply with the Directive
 - EU Commission / Parliament / Member States
 - Retailers / Food Service Customers
 - Assurance organisations
 - Producers
- Will traceability of live pigs, pig meat and especially processed pork products be robust enough to protect our reputation?



Thank You



PORK

www.bpex.org.uk

