

2018 pig cost of production in selected countries



PORK

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Introduction

Welcome to the latest in a series of annual reports examining the relative costs of pig meat production up to farmgate level in selected countries. All these figures relate to 2018.

In comparison with the previous year, EU pig prices were relatively weak during 2018 as supplies increased. Good profitability during 2017 had encouraged herd expansion. On top of this, feed prices were on an upward trend, meaning that producer margins generally worsened as the year progressed. The impact of lower pig prices, particularly during the autumn, was, therefore, exaggerated.

EU pig prices started 2018 at an average of €1.40/kg, around 10 euro cents lower than a year earlier. While there was some upswing in February, prices subsequently fell away and remained generally subdued for the rest of the year. In part, this was due to falling Chinese import demand. Indeed, trade with China was worth 13% less than in 2017. Hot weather during the summer, which slowed growth rates and offered some support to demand, failed to offer much relief from low prices. A peak of €1.52/kg was reached in September, but from that point on, prices fell away and ended the year a little below where they started.

As in the EU overall, British pig slaughter increased, following an increase in the breeding herd and productivity improvements in 2017. GB pig prices were similarly subdued throughout the year, peaking at only 153p/kg in the summer. The lacklustre prices reflected developments on the wider EU market, where supply levels were increasing. Supplies of British pork were also relatively plentiful.

To assist producers in comparing their physical performance with other British pig businesses, AHDB has a **Key Performance Indicators (KPIs)** section on its website. Updated quarterly and based on Agrosoft data, the section provides average, top third and top 10% performance for indoor and outdoor breeding herds, rearing and finishing herds. **Pig production cost calculators** can also be found on the main AHDB website.

Methodology

This report examines the relative costs of production in selected countries. This is a joint project, involving the following organisations in 17 countries, known collectively as InterPIG:

- Great Britain – Agriculture and Horticulture Development Board (AHDB)
- Austria – VLV Upper Austria
- Belgium – Flemish Government and Boerenbond Belgie
- Brazil – Embrapa Swine and Poultry
Brazil submits data for two regions: Mato Grosso (MT) and Santa Catarina (SC)
- Canada – Canadian Pork Council
- Czech Republic – Institute of Agricultural Economics and Information (UZEI)
- Denmark – SEGES
- Finland – Atria
- France – IFIP
- Germany – Thuenen Institute and Interessengemeinschaft der Schweinehalter (ISN)
- Hungary – AKI Research Institute of Agricultural Economics
- Ireland – Teagasc
- Italy – Research Centre for Animal Production (CRPA)
- Netherlands – Wageningen Economic Research
- Spain – SIP Consultants
- Sweden – Svenska Pig
- USA – Iowa State University

Czech Republic is not included due to deadlines. InterPIG continues to work with other countries and organisations wishing to participate in international comparison.

Cost and performance data relate to average performance data from national recording systems operating in the participating countries. Definitions have been standardised across countries. For example, the definition of a sow is from first insemination to slaughter and the results are based on average present sows (average daily number of sows in the year).

The methodology is based on compound feed for sows, rearing and finishing, to ensure consistency of approach. However, this is in the knowledge that there are farmers in the different countries who grow their own crops and home-mix their pig feed. The proportion of farmers in each country who home-mix varies, depending on infrastructure, tradition, ingredient availability and prices.

There will inevitably still be some national differences in definition, but where this has occurred, the data is adjusted in the most appropriate way. The results are believed to provide an indication of the relative average costs of production within each country and to deliver an accurate comparison. In an attempt to continue to improve the accuracy of the data provided, the glossary of terms and formulae used in calculations is monitored and updated. In some instances, due to changes in data or participating countries, previous years' analyses may be updated. As a result, there may be some discrepancies between previous publications as definitions and formulae are realigned.

NOTE: In Great Britain, there is a difference between the methodology used for producing the national quarterly cost of production and the methodology used by InterPIG. In Great Britain, abattoir costs (transport to slaughter, meat hygiene, carcase classification and statutory levy) are included in the quarterly published cost of production figures. In InterPIG, these costs are excluded from the cost of production and are deducted from the price received at sale.

Key points

- The cost of pig meat production for indoor pigs in Great Britain increased by 8% in 2018, to £1.47 per kg. The average cost of production in the EU was £1.44 per kg deadweight – a 4% increase in sterling terms compared with 2017
- All sampled EU countries experienced an increase in the costs of production (in sterling terms) compared with 2017
- EU average reference price of £1.26 per kg was lower in 2018 than in 2017, with only Denmark and Spain having production costs lower than the EU average price
- Average feed prices were higher in 2018 than in 2017, increasing across the participating EU countries by an average of just over 9%
- In 2018 as a whole, EU feed costs per kg in sterling terms increased by 6% compared with a year earlier. All InterPIG member countries, except Brazil (SC), experienced an increase in feed costs compared with 2017
- The overall average number of pigs weaned per sow per year in the EU InterPIG countries showed a nearly 1% increase in 2018, up from 27.88 in 2017 to 28.12. Denmark yet again achieved over 33
- There was a 1% increase in pigs weaned per sow per year in Great Britain's indoor herds to 27.35 – still below the EU InterPIG average. As a consequence of the weather, Great Britain's outdoor herds' performance fell by 3% to 23.22 in 2018
- Excluding Great Britain's outdoor herds, there is a difference of 8.8 pigs weaned per sow per year between the highest- and lowest-performing EU countries
- The average number of pigs finished per sow in Great Britain's indoor herds again increased in 2018 by 1% to 25.41 pigs – still lower than the EU average of 26.44
- Great Britain's indoor herds produced over 2 tonnes of carcase meat per sow in 2018 – 1% higher than in 2017 – due to the increase in the number of pigs finished per sow

Cost of production

Aggregate results for 2018

The production costs of pig meat in 2018 for all of the countries covered in this report are shown below in Figure 1. This data includes all variable and overhead costs, other than transport of pigs to abattoirs and abattoir-related deductions, such as carcass classification and statutory levies paid at slaughter. Overhead costs include depreciation and interest costs for capital items such as buildings and equipment. Costs for regular and casual labour are included but directors' salaries or partners' drawings are not.

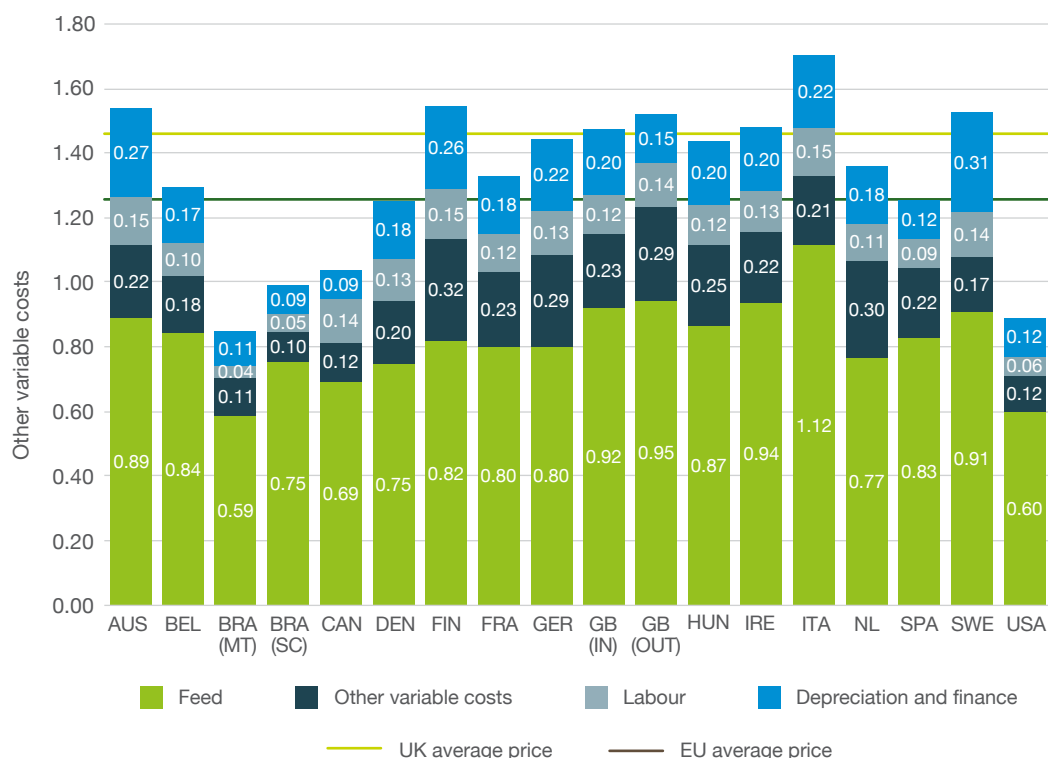


Figure 1. Cost of production in selected countries, 2018

The average cost of production in the EU in 2018 for the countries above was £1.44 per kg deadweight – a 4% increase on the previous year. Costs of production in Great Britain for pork from indoor sows was near the EU average at £1.47 – an 8% increase on the previous year. In 2018, Italy continued to have the highest costs, at £1.70 per kg deadweight. The countries with the lowest production costs in the EU were Spain and Denmark (£1.25).

The average UK reference price was nearly 7% lower during 2018 than in 2017, averaging £1.46 per kg, and 16% above the EU average of £1.26 per kg. On average, margins were negative throughout 2018, with the UK price below the estimated cost of production for the majority of the year.

Across the EU countries sampled, there was a technical margin of -2p on every kg of pig meat produced, with only Denmark and Spain having production costs lower than the EU average reference price.

Reference prices

The UK reference price is gross, before abattoir deductions such as carcass classification. It includes premium pigs (e.g. outdoor bred) and point-of-sale price adjustments, such as those based on probe measurements.

The EU reference price is usually after deductions of any abattoir-paid costs, which, in many countries, include transport to abattoir, carcass classification and insurance.

Neither price includes any bonus or price adjustment paid later than the point-of-sale transaction, such as end-of-year co-operative bonuses.

Comparisons with previous years (sterling)

Costs of production in sterling terms in 2018, compared with results for the five previous years, are shown in Table 1. The average cost of production in sterling terms in the EU countries was 4% higher than 2017 levels for the same countries and stood at £1.44 per kg. All EU countries experienced an increase in the costs of production on this basis, largely due to an increase in feed costs. Exchange rate volatility will also have an impact.

Table 1. Average costs of production, 2013–2018

Country	Average costs of production (£/kg deadweight)						
	2013	2014	2015	2016	2017	2018	2017/18 % change
Austria	1.56	1.38	1.22	1.37	1.41	1.54	9
Belgium	1.48	1.26	1.08	1.17	1.25	1.30	3
Brazil (MT)	0.96	0.84	0.70	0.91	0.85	0.85	0
Brazil (SC)	1.13	1.04	0.87	1.16	1.12	0.99	-12
Canada	1.20	0.98	0.92	1.01	0.97	1.04	7
Denmark	1.46	1.25	1.10	1.17	1.20	1.25	4
Finland	na	1.45	1.26	1.41	1.50	1.54	3
France	1.50	1.31	1.11	1.21	1.30	1.33	3
Germany	1.56	1.33	1.15	1.25	1.36	1.44	6
GB (IN)	1.58	1.42	1.35	1.27	1.37	1.47	8
GB (OUT)	1.62	1.45	1.39	1.30	1.39	1.52	10
Hungary	1.93	1.51	1.35	1.36	1.37	1.44	5
Ireland	1.63	1.40	1.25	1.32	1.44	1.48	3
Italy	1.72	1.59	1.34	1.51	1.66	1.70	3
Netherlands	1.50	1.32	1.18	1.29	1.36	1.36	0
Spain	1.39	1.20	1.06	1.13	1.20	1.25	4
Sweden	1.81	1.51	1.30	1.44	1.49	1.53	2
USA	1.04	0.83	0.80	0.86	0.86	0.89	3
EU	1.60	1.38	1.22	1.30	1.38	1.44	4

Comparisons with previous years (euros)

Costs of production in euro terms in 2018 are shown in Table 2. Continued production improvements, combined with feed price increases, have resulted in a 4% increase in costs of production on a euro basis.

Table 2. Average costs of production, 2013–2018 (€/kg deadweight)

Country	Average costs of production (€/kg deadweight)						
	2013	2014	2015	2016	2017	2018	2017/18 % change
Austria	1.83	1.71	1.68	1.67	1.61	1.74	8
Belgium	1.74	1.56	1.49	1.43	1.43	1.46	2
Brazil (MT)	1.13	1.05	0.96	1.11	0.97	0.96	-1
Brazil (SC)	1.33	1.29	1.19	1.42	1.28	1.12	-12
Canada	1.42	1.22	1.27	1.24	1.13	1.16	2
Denmark	1.71	1.55	1.51	1.43	1.37	1.41	3
Finland	na	1.80	1.74	1.72	1.71	1.76	3
France	1.76	1.62	1.53	1.48	1.48	1.51	2
Germany	1.84	1.65	1.58	1.53	1.56	1.63	5
GB (IN)	1.83	1.71	1.78	1.50	1.53	1.64	7
GB (OUT)	1.88	1.77	1.85	1.56	1.56	1.70	9
Hungary	2.28	1.87	1.86	1.66	1.56	1.63	4
Ireland	1.92	1.74	1.72	1.61	1.64	1.67	2
Italy	2.02	1.97	1.85	1.84	1.89	1.93	2
Netherlands	1.77	1.64	1.62	1.57	1.55	1.54	-1
Spain	1.64	1.49	1.46	1.38	1.37	1.41	3
Sweden	2.13	1.87	1.80	1.75	1.70	1.73	1
USA	1.22	1.02	1.10	1.05	0.98	1.01	2
EU	1.87	1.71	1.68	1.58	1.57	1.63	4



Financial performance summary

Table 3 contains financial performance data for 2018, while Table 6 presents comparisons with 2016 and 2017. All comparisons are on a compound-feed basis, with some farmers in most countries opting to grow some feed ingredients and home-mix.

Among the EU countries, there was a range of 45p per kg between the highest-cost and the lowest-cost producer, a similar range as observed in 2017. The recorded differences are due to a combination of physical performance and input costs (e.g. feed, depreciation).

Table 3. Summary of financial performance, 2018 (£/kg deadweight)

	Financial performance (£/kg deadweight)									
	AUS	BEL	BRA (MT)	BRA (SC)	CAN	DEN	FIN	FRA	GER	GB (IN)
Feed	0.89	0.84	0.59	0.75	0.69	0.75	0.82	0.80	0.80	0.92
Other variable costs	0.22	0.18	0.11	0.10	0.12	0.20	0.32	0.23	0.29	0.23
Total variable costs	1.11	1.02	0.70	0.85	0.81	0.95	1.14	1.03	1.09	1.15
Labour	0.15	0.10	0.04	0.05	0.14	0.13	0.15	0.12	0.13	0.12
Depreciation and finance	0.27	0.17	0.11	0.09	0.09	0.18	0.26	0.18	0.22	0.20
Total fixed costs	0.43	0.28	0.15	0.14	0.23	0.31	0.41	0.30	0.35	0.32
Total	1.54	1.30	0.85	0.99	1.04	1.25	1.54	1.33	1.44	1.47
	GB (OUT)	HUN	IRE	ITA	NL	SPA	SWE	USA	EU AVERAGE	
Feed	0.95	0.87	0.94	1.12	0.77	0.83	0.91	0.60	0.87	
Other variable costs	0.29	0.25	0.22	0.21	0.30	0.22	0.17	0.12	0.24	
Total variable costs	1.24	1.12	1.16	1.33	1.07	1.05	1.08	0.71	1.11	
Labour	0.14	0.12	0.13	0.15	0.11	0.09	0.14	0.06	0.13	
Depreciation and finance	0.15	0.20	0.20	0.22	0.18	0.12	0.31	0.12	0.20	
Total fixed costs	0.28	0.32	0.32	0.37	0.29	0.20	0.45	0.18	0.33	
Total	1.52	1.44	1.48	1.70	1.36	1.25	1.53	0.89	1.44	

Note: Totals may not add up due to rounding.

Feed prices and costs

Market developments in 2018/19

Nearby UK feed wheat futures started 2018 at £136.60 per tonne. This was £2.75 per tonne higher than the same period a year earlier. A relatively large wheat crop harvest in 2017, as well as a global grain surplus, meant prices were pressured to remain somewhat low. A milder winter from 2017 left on-farm feed stocks relatively unaffected. However, the extreme cold weather in March led nearby feed wheat futures to rise to a then year-to-date high of £143.25 per tonne, as demand increased.

Drought conditions in the run-up to 2018's harvest reduced production levels in both the UK and the EU. This was in addition to stock-level tightness, following increased winter demand. Thus, in August 2018, nearby feed wheat futures reached their highest level since May 2013, at £194.65 per tonne. Through winter 2018/19, feed wheat futures crept up as producers sought to fill feed barns. However, a milder winter meant some supplies lasted through until spring 2019. A plentiful cereal crop in 2019 has meant prices have fallen to reflect the greater supply available.

Soya beans started 2018 at a low, pressured from a large global supply. The price of imported Brazilian soya meal (48%, ex-store, Liverpool) was at £304.00 per tonne. Widespread feed shortages from the extreme cold weather in March 2018 led imported prices to rise £61.00 from the start of the year, to £365.00 per tonne. In the second half of 2018, soya bean prices recorded declines, as a result of large harvests in the Americas. The developing trade dispute between the US and China meant large supplies of US soya beans had to find alternative homes, which pressured prices.

In 2019, prices were again been pressured by ample global supplies and reduced demand in the face of African swine fever across Asian and Eastern European regions. Disruption arising from the US/China trade dispute also continued to exert downward pressure on global prices. In March 2019, imported Brazilian soya meal (48%, ex-store, Liverpool) was at a price of £290.00 per tonne, its lowest since August 2017.

With year-on-year price increases recorded for the main components of animal feed during 2018, it was unsurprising that this was reflected in compound-feed prices. The average price for compound pig feed in the final quarter of 2017 was £233 per tonne, while a year later it had risen by £28 per tonne (12%) to £261 per tonne. By the final quarter of 2019, the average price for compound pig feed had dropped by just over 7% to £242 per tonne.

Tables 4 and 5 below indicate the annual average compound-feed prices in various countries: Table 4 in sterling, and in Table 5, the same prices converted into euros using an annual exchange rate.

In sterling terms, at £230.06 per tonne, the average feed price per tonne increased by just over 9% compared with 2017.

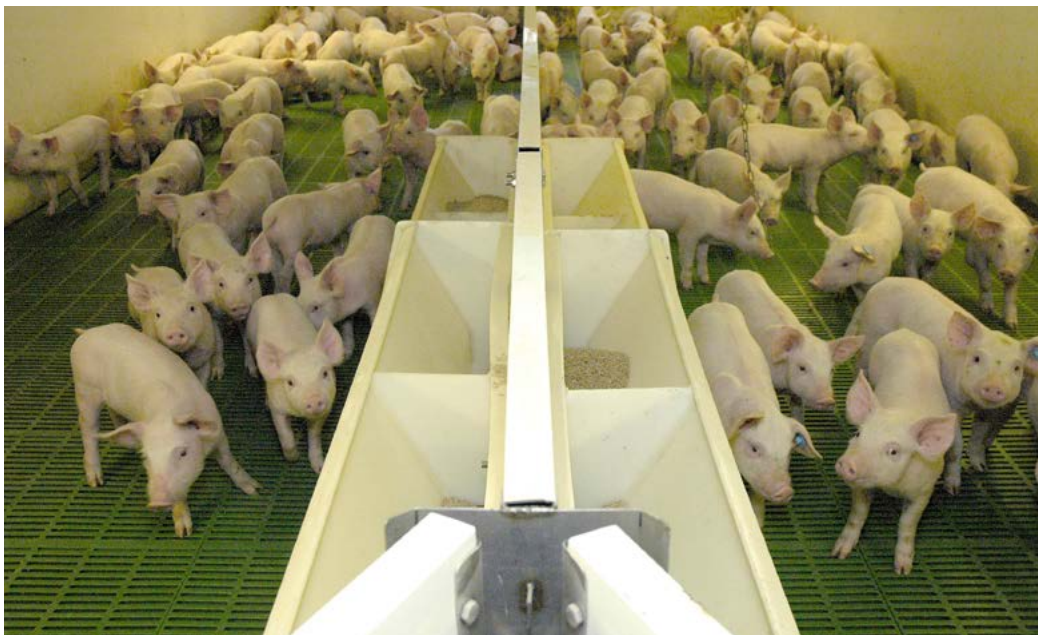


Table 4. Compound-feed prices per tonne (sterling), 2018

	Compound-feed prices (£/tonne)									
	AUS	BEL	BRA (MT)	BRA (SC)	CAN	DEN	FIN	FRA	GER	GB (IN)
Sow	240.67	232.70	158.45	186.16	165.72	197.15	212.43	221.14	215.54	236.12
Rearer	319.42	334.46	281.41	408.52	266.24	284.80	280.93	314.72	313.49	289.36
Finisher	220.32	227.40	149.79	208.73	170.33	198.34	195.54	197.70	204.04	241.31
Average farm feed price	236.82	238.07	166.22	220.72	180.02	209.95	208.94	215.23	218.40	248.54
	GB (OUT)	HUN	IRE	ITA	NL	SPA	SWE	USA	EU AVERAGE	
Sow	233.39	199.92	249.25	248.63	229.16	210.94	226.02	147.77	225.22	
Rearer	274.41	288.89	354.56	337.29	331.80	362.91	331.97	361.41	315.64	
Finisher	241.31	197.90	238.01	234.47	212.35	224.97	210.50	132.89	217.44	
Average farm feed price	245.01	208.51	261.66	243.87	225.76	232.98	227.15	153.81	230.06	

Table 5. Compound-feed prices per tonne (euros), 2018

	Compound-feed prices (€/tonne)									
	AUS	BEL	BRA (MT)	BRA (SC)	CAN	DEN	FIN	FRA	GER	GB (IN)
Sow	272.00	263.00	179.08	210.40	187.30	222.82	240.09	249.93	243.60	266.86
Rearer	361.00	378.00	318.04	461.70	300.90	321.88	317.50	355.70	354.30	327.03
Finisher	249.00	257.00	169.29	235.90	192.50	224.16	221.00	223.44	230.60	272.73
Average farm feed price	267.65	269.07	187.86	249.46	203.46	237.28	236.15	243.25	246.84	280.90
	GB (OUT)	HUN	IRE	ITA	NL	SPA	SWE	USA	EU AVERAGE	
Sow	263.78	225.95	281.70	281.00	259.00	238.41	255.44	167.01	254.54	
Rearer	310.13	326.50	400.72	381.20	375.00	410.15	375.19	408.46	356.74	
Finisher	272.73	223.67	269.00	265.00	240.00	254.26	237.90	150.19	245.75	
Average farm feed price	276.90	235.65	295.72	275.62	255.15	263.31	256.72	173.84	260.02	

Summary of financial performance

The impact on pig producers' feed costs in 2018

With higher feed prices in 2018 than in 2017, prices for EU members of InterPIG increased (in sterling terms) by an average of 12% in 2018 compared with the previous year. There was a range of feed prices across the EU countries, with a difference of £53 per tonne between the highest and lowest average farm feed price in 2018.

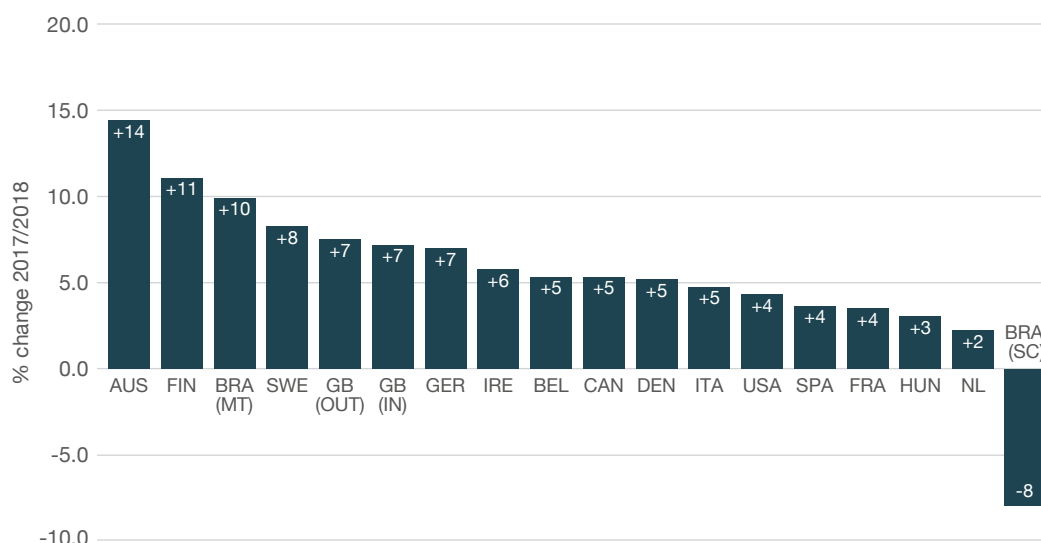


Figure 2. Changes in feed costs, 2018

The impact of feed prices on the feed cost per kg is also affected by physical performance. As shown in Figure 3, all countries, except Brazil (SC), experienced an increase in feed costs, the highest of which was 14% in Austria. Within the EU countries, 2018 feed costs increased on average by 6% compared with 2017.

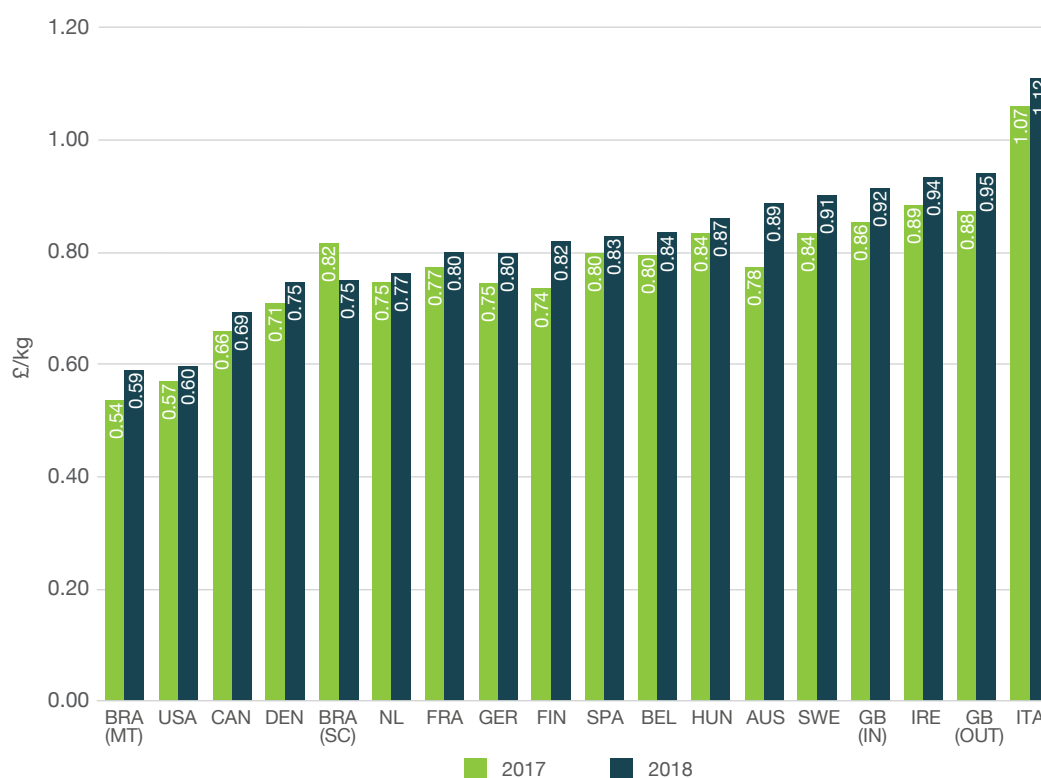


Figure 3. Feed costs, 2018

As shown in Figure 3, feed costs averaged 92p per kg of carcass produced for indoor herds in Great Britain, compared with the 86p recorded in 2017. For outdoor herds in Great Britain, feed costs averaged 95p, compared with 88p in 2017 – an increase of 7% in both cases. This is compared with the average feed cost of 87p per kg across all the participating EU countries – an average increase of 6%.

Table 6 summarises the cost of production by country for each of the past three years. Costs are expressed in sterling and, therefore, the actual costs in each country are affected by exchange rates.

Table 7 summarises the physical performance by country for each of the past three years.

For the first time, Great Britain indoor and outdoor performance are shown separately in both Table 6 and 7.

Table 6. Summary of financial performance, 2016–2018

	Financial performance (£/kg deadweight)								
	AUS			BEL			BRA (MT)		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
Feed	0.79	0.78	0.89	0.75	0.80	0.84	0.63	0.54	0.59
Other variable costs	0.20	0.22	0.22	0.17	0.19	0.18	0.12	0.14	0.11
Total variable costs	1.00	0.99	1.11	0.92	0.98	1.02	0.76	0.68	0.70
Labour	0.13	0.15	0.15	0.10	0.10	0.10	0.05	0.06	0.04
Depreciation and finance	0.24	0.27	0.27	0.16	0.17	0.17	0.10	0.11	0.11
Total fixed costs	0.37	0.41	0.43	0.25	0.27	0.28	0.15	0.17	0.15
Total	1.37	1.41	1.54	1.17	1.25	1.30	0.91	0.85	0.85
	BRA (SC)			CAN			DEN		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
Feed	0.90	0.82	0.75	0.67	0.66	0.69	0.68	0.71	0.75
Other variable costs	0.10	0.12	0.10	0.13	0.09	0.12	0.19	0.19	0.20
Total variable costs	1.00	0.94	0.85	0.80	0.75	0.81	0.87	0.90	0.95
Labour	0.06	0.07	0.05	0.12	0.13	0.14	0.12	0.12	0.13
Depreciation and finance	0.10	0.11	0.09	0.09	0.09	0.09	0.19	0.18	0.18
Total fixed costs	0.16	0.19	0.14	0.21	0.22	0.23	0.30	0.30	0.31
Total	1.16	1.12	0.99	1.01	0.97	1.04	1.17	1.20	1.25
	FIN			FRA			GER		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
Feed	0.69	0.74	0.82	0.73	0.77	0.80	0.69	0.75	0.80
Other variable costs	0.31	0.33	0.32	0.21	0.23	0.23	0.25	0.27	0.29
Total variable costs	1.00	1.07	1.14	0.94	1.01	1.03	0.94	1.02	1.09
Labour	0.15	0.15	0.15	0.11	0.12	0.12	0.12	0.13	0.13
Depreciation and finance	0.26	0.28	0.26	0.16	0.18	0.18	0.20	0.21	0.22
Total fixed costs	0.41	0.43	0.41	0.28	0.29	0.30	0.32	0.34	0.35
Total	1.41	1.50	1.54	1.21	1.30	1.33	1.25	1.36	1.44

Note: Totals may not add up due to rounding.

Table 6. Summary of financial performance, 2016–2018 (continued)

	Financial performance (£/kg deadweight)								
	GB (IN)			GB (OUT)			HUN		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
Feed	0.73	0.86	0.92	0.77	0.88	0.95	0.88	0.84	0.87
Other variable costs	0.20	0.20	0.23	0.25	0.24	0.29	0.20	0.23	0.25
Total variable costs	0.94	1.06	1.15	1.02	1.12	1.24	1.08	1.07	1.12
Labour	0.12	0.12	0.12	0.14	0.13	0.14	0.10	0.12	0.12
Depreciation and finance	0.21	0.19	0.20	0.14	0.13	0.15	0.18	0.18	0.20
Total fixed costs	0.33	0.31	0.32	0.28	0.26	0.28	0.28	0.30	0.32
Total	1.27	1.37	1.47	1.30	1.39	1.52	1.36	1.37	1.44
	IRE			ITA			NL		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
Feed	0.84	0.89	0.94	1.00	1.07	1.12	0.70	0.75	0.77
Other variable costs	0.21	0.23	0.22	0.20	0.22	0.21	0.30	0.30	0.30
Total variable costs	1.05	1.12	1.16	1.20	1.28	1.33	1.00	1.05	1.07
Labour	0.11	0.12	0.13	0.14	0.15	0.15	0.12	0.12	0.11
Depreciation and finance	0.16	0.20	0.20	0.18	0.22	0.22	0.17	0.19	0.18
Total fixed costs	0.27	0.32	0.32	0.31	0.37	0.37	0.29	0.31	0.29
Total	1.32	1.44	1.48	1.51	1.66	1.70	1.29	1.36	1.36
	SPA			SWE			USA		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
Feed	0.76	0.80	0.83	0.79	0.84	0.91	0.56	0.57	0.60
Other variable costs	0.19	0.20	0.22	0.17	0.17	0.17	0.13	0.11	0.12
Total variable costs	0.94	1.01	1.05	0.96	1.01	1.08	0.69	0.68	0.71
Labour	0.08	0.09	0.09	0.16	0.16	0.14	0.06	0.06	0.06
Depreciation and finance	0.11	0.11	0.12	0.32	0.32	0.31	0.11	0.06	0.12
Total fixed costs	0.19	0.20	0.20	0.48	0.48	0.45	0.17	0.12	0.18
Total	1.13	1.20	1.25	1.44	1.49	1.53	0.86	0.81	0.89
	EU average								
	2016	2017	2018						
Feed	0.77	0.82	0.87						
Other variable costs	0.22	0.23	0.24						
Total variable costs	0.99	1.05	1.11						
Labour	0.12	0.13	0.13						
Depreciation and finance	0.19	0.20	0.20						
Total fixed costs	0.31	0.33	0.33						
Total	1.30	1.38	1.44						

Note: Totals may not add up due to rounding.

Net margins in Great Britain

The net margins shown in Figure 4 are based on the difference between the monthly price and the estimated total cost of producing pig meat (including depreciation costs) for an average producer. The results shown in the chart should only be considered as indicative of general trends, because:

- Physical and financial performance levels can vary greatly between producers
- The assumptions used for feed costs using spot compound prices will not apply to all producers, due to the range of feed procurement strategies in the industry
- There are various rearing and finishing production systems for weaned piglets, including fully slatted, semi-slatted, straw barns and outdoor options

The monthly price used to calculate net margins for indoor-bred pigs is the SPP (Standard Pig Price) and the monthly price used to calculate net margins for outdoor-bred pigs is the APP (All Pig Price). Details of these prices can be found on the AHDB Pork website.

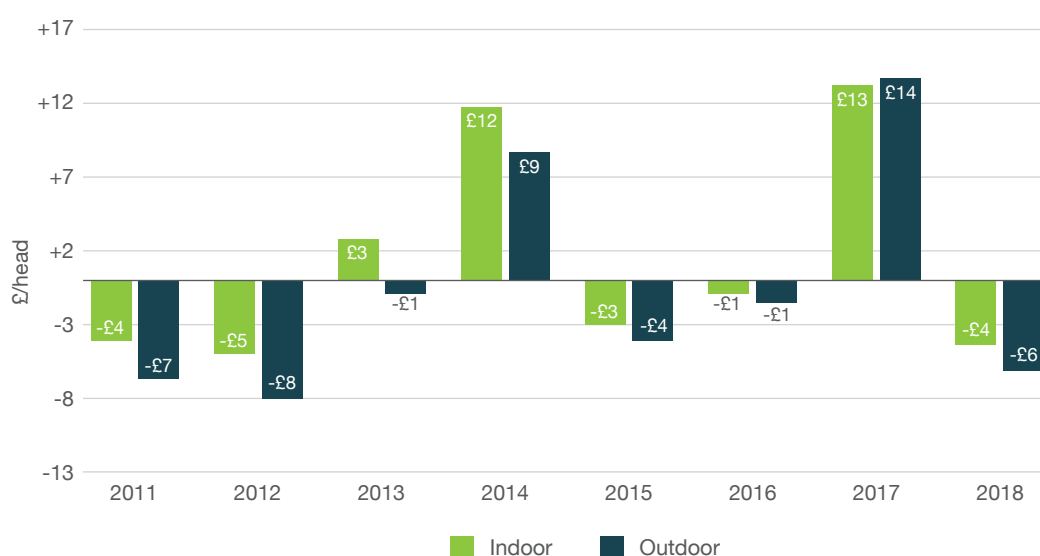


Figure 4. Estimated net margins in Great Britain, 2011–2018

The volatility of net margin returns for pig producers in Great Britain is clearly illustrated in the above chart. From 2011 to 2018 inclusive, indoor pig producers achieved positive margins in only three out of the eight years and outdoor pig producers only achieved positive margins in two of those years.

During prolonged periods of negative margins, specialist pig producers with no other farm enterprises or farm diversification are particularly vulnerable and may leave the industry. Many producers make little or no investment during these periods and some depopulate for a period of time.

Annual averages can mask volatility within years.

In 2014, early higher pig prices were followed by declining prices, resulting in a negative margin in the last month of 2014 and a positive average margin overall.

With lower feed costs but continued declining prices, 2015 resulted in an average negative margin for both indoor and outdoor pig producers.

In 2016, low prices in the first seven months of the year resulted in negative margins estimated at up to £12 per pig for indoor and outdoor producers. During the rest of 2016, rising prices covered increasing feed costs, with the end of 2016 resulting in positive net margins estimated at around £14 per pig for indoor producers and £13 for outdoor producers. This resulted in an overall small negative margin for 2016.

In 2017, despite an increase in the cost of production, rising pig prices resulted in healthy margins throughout the year.

In 2018, the combination of increasing costs of production and lower pork prices resulted in significantly lower, but still positive, net margins for indoor producers in the first half of 2018. However, outdoor producers went into negative margins after the first quarter. Estimated negative margins of up to £10 per pig for both indoor and outdoor producers resulted in negative margins on average for the year.

The start of 2019, with still relatively high feed prices and low pig prices, was challenging, resulting in both indoor and outdoor pig producers estimated to be losing up to £16 per pig. Falling feed prices, improved performance and rising pig prices have turned this around, with the second half of 2019 looking at returning positive margins, with the third-quarter net margin estimated at £7 per head.

Physical performance summary

Table 7. Summary of physical performance, 2016–2018

	Physical performance								
	AUS			BEL			BRA (MT)		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
Pigs weaned/sow/year	24.90	24.90	24.79	30.13	29.83	29.63	25.15	27.40	28.71
Pigs reared/sow/year	24.16	24.15	24.19	28.74	28.64	28.30	25.63	26.86	27.85
Pigs sold/sow/year	23.74	23.71	23.72	27.91	27.75	27.31	25.06	26.27	27.15
Litters/sow/year	2.33	2.29	2.29	2.38	2.34	2.34	2.37	2.41	2.43
Rearing mortality (%)	3.00	3.00	2.40	4.60	4.00	4.50	2.00	2.00	3.00
Finishing mortality (%)	1.74	1.81	1.96	2.90	3.10	3.50	2.20	2.20	2.50
Finishing daily liveweight gain (g/day)	802	810	805	680	694	700	831	831	880
Finishing feed conversion ratio	2.88	2.86	2.87	2.83	2.76	2.78	2.60	2.60	2.50
Average liveweight at slaughter (kg)	121	121	121	114	116	116	123	120	110
Average carcass weight – cold (kg)	94.5	94.7	95.0	91.2	94.4	95.7	91.6	89.3	82.0
Carcass meat production/sow/year (kg)	2,243	2,245	2,252	2,546	2,620	2,615	2,295	2,346	2,226
	BRA (SC)			CAN			DEN		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
Pigs weaned/sow/year	26.82	27.72	27.87	23.19	26.28	24.66	32.10	33.29	33.57
Pigs reared/sow/year	26.28	27.17	27.27	22.73	25.75	24.17	31.10	32.26	32.49
Pigs sold/sow/year	25.71	26.35	26.66	21.93	24.85	23.32	30.08	31.26	31.42
Litters/sow/year	2.30	2.33	2.33	2.30	2.30	2.30	2.27	2.28	2.26
Rearing mortality (%)	2.00	2.00	2.16	2.00	2.00	2.00	3.10	3.10	3.20
Finishing mortality (%)	2.20	3.00	2.25	3.50	3.50	3.50	3.30	3.10	3.30
Finishing daily liveweight gain (g/day)	820	820	827	876	876	876	950	971	975
Finishing feed conversion ratio	2.60	2.60	2.44	3.00	3.00	3.00	2.69	2.66	2.63
Average liveweight at slaughter (kg)	123	122	121	126	127	128	111	114	113
Average carcass weight – cold (kg)	91.8	90.7	90.1	99.3	100.0	100.8	84.2	85.8	86.0
Carcass meat production/sow/year (kg)	2,361	2,390	2,401	2,178	2,485	2,350	2,531	2,683	2704

Table 7. Summary of physical performance, 2016–2018 (continued)

	Physical performance								
	FIN			FRA			GER		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
Pigs weaned/sow/year	26.91	27.13	27.46	27.55	28.05	28.49	29.07	29.66	30.10
Pigs reared/sow/year	26.32	26.51	26.80	26.83	27.28	27.69	28.14	28.74	29.22
Pigs sold/sow/year	25.58	25.77	26.07	25.82	26.26	26.62	27.35	27.96	28.49
Litters/sow/year	2.22	2.23	2.23	2.33	2.34	2.34	2.33	2.33	2.32
Rearing mortality (%)	2.20	2.30	2.40	2.63	2.74	2.81	3.20	3.10	2.90
Finishing mortality (%)	2.82	2.80	2.70	3.76	3.74	3.89	2.80	2.70	2.50
Finishing daily liveweight gain (g/day)	967	970	980	800	803	803	824	832	842
Finishing feed conversion ratio	2.70	2.70	2.70	2.78	2.77	2.75	2.81	2.81	2.79
Average liveweight at slaughter (kg)	121	121	124	120	120	120	122	122	122
Average carcase weight – cold (kg)	89.8	90.3	90.7	91.7	91.9	92.0	94.0	94.2	94.6
Carcase meat production/sow/year (kg)	2,296	2,326	2,365	2,368	2,414	2,448	2,571	2,634	2,695
	GB (IN)			GB (OUT)			HUN		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
Pigs weaned/sow/year	26.24	26.97	27.35	22.77	23.95	23.22	24.91	25.47	25.74
Pigs reared/sow/year	25.30	25.96	26.24	21.96	23.05	22.28	24.43	24.99	25.25
Pigs sold/sow/year	24.54	25.23	25.41	21.29	22.41	21.57	23.62	24.00	24.32
Litters/sow/year	2.29	2.30	2.28	2.26	2.28	2.20	2.23	2.25	2.31
Rearing mortality (%)	3.56	3.78	4.06	3.56	3.78	4.06	1.90	1.90	1.90
Finishing mortality (%)	3.03	2.79	3.19	3.03	2.79	3.19	3.31	3.96	3.68
Finishing daily liveweight gain (g/day)	850	833	866	850	833	866	704	710	696
Finishing feed conversion ratio	2.65	2.86	2.79	2.65	2.86	2.79	3.23	3.04	3.14
Average liveweight at slaughter (kg)	109	110	110	107	109	109	113	111	109
Average carcase weight – cold (kg)	82.8	83.6	83.6	81.9	83.0	83.2	89.6	87.6	86.1
Carcase meat production/sow/year (kg)	2,032	2,110	2,124	1,744	1,859	1,793	2,116	2,103	2,094

Table 7. Summary of physical performance, 2016–2018 (continued)

	Physical performance								
	IRE			ITA			NL		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
Pigs weaned/sow/year	27.92	28.45	28.48	24.30	24.77	25.08	29.80	30.25	30.55
Pigs reared/sow/year	27.12	27.62	27.65	23.52	23.75	23.93	29.06	29.49	29.76
Pigs sold/sow/year	26.45	27.01	26.98	22.93	23.15	23.33	28.39	28.78	29.01
Litters/sow/year	2.38	2.36	2.34	2.22	2.25	2.24	2.36	2.36	2.35
Rearing mortality (%)	2.85	2.91	2.90	3.20	4.13	4.60	2.50	2.50	2.60
Finishing mortality (%)	2.49	2.21	2.43	2.50	2.50	2.50	2.30	2.40	2.50
Finishing daily liveweight gain (g/day)	860	866	885	687	687	690	808	822	829
Finishing feed conversion ratio	2.69	2.66	2.72	3.79	3.75	3.74	2.59	2.58	2.56
Average liveweight at slaughter (kg)	109	111	113	170	168	170	119	121	121
Average carcass weight – cold (kg)	83.0	84.6	86.2	136.6	135.0	136.6	93.0	94.1	94.4
Carcass meat production/sow/year (kg)	2,195	2,285	2,326	3,132	3,126	3,187	2,640	2,708	2,738
	SPA			SWE			USA		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
Pigs weaned/sow/year	27.00	26.98	27.45	25.88	26.62	26.83	25.68	26.43	26.80
Pigs reared/sow/year	25.94	25.99	26.18	25.34	26.09	26.29	24.63	25.32	25.70
Pigs sold/sow/year	25.02	25.06	25.19	24.91	25.67	25.82	23.42	24.15	24.54
Litters/sow/year	2.34	2.31	2.31	2.23	2.24	2.23	2.41	2.44	2.44
Rearing mortality (%)	3.94	3.69	4.63	2.10	2.00	2.00	4.10	4.20	4.10
Finishing mortality (%)	3.57	3.56	3.80	1.70	1.60	1.80	4.92	4.64	4.54
Finishing daily liveweight gain (g/day)	706	701	726	926	941	946	826	857	860
Finishing feed conversion ratio	2.48	2.46	2.48	2.90	2.87	2.85	2.72	2.71	2.68
Average liveweight at slaughter (kg)	110	110	112	121	122	124	128	127	127
Average carcass weight – cold (kg)	82.3	83.0	84.5	88.3	89.8	90.6	94.0	94.7	92.9
Carcass meat production/sow/year (kg)	2,060	2,081	2,129	2,199	2,304	2,338	2,202	2,287	2,280

Table 7. Summary of physical performance, 2016–2018 (continued)

	Physical performance		
	EU average		
	2016	2017	2018
Pigs weaned/sow/year	27.11	27.60	27.77
Pigs reared/sow/year	26.28	26.75	26.88
Pigs sold/sow/year	25.54	26.00	26.09
Litters/sow/year	2.30	2.30	2.29
Rearing mortality (%)	3.02	3.07	3.21
Finishing mortality (%)	2.80	2.79	2.92
Finishing daily liveweight Gain (g/day)	815	819	829
Finishing feed conversion ratio	2.83	2.83	2.83
Average liveweight at slaughter (kg)	119	120	120
Average carcase weight – cold (kg)	91.6	92.3	92.8
Carcase meat production/sow/year (kg)	2,334	2,393	2,415

Pigs weaned per sow per year

The overall average number of pigs weaned per sow per year in the EU InterPIG countries showed a nearly 1% increase in 2018, up from 27.88 in 2017 to 28.12 in 2018. As shown in Figure 5, performance improved in most EU countries, with Great Britain's outdoor herds showing a decrease of 3% compared with 2017.

Denmark and the Netherlands had the best results for pigs weaned, with Denmark yet again achieving an average of over 33 pigs weaned per sow per year. Most non-EU countries continued to perform below the EU average, but Brazil (MT) increased by 5% to perform just above.

Excluding Great Britain's outdoor herds, there is a difference of 8.8 pigs weaned per sow per year between the worst-performing EU InterPIG member country (Austria at 24.79) and the best-performing country (Denmark at 33.57).

The number of pigs weaned per sow per year in Great Britain indoor herds increased by 1% to 27.35, compared with 26.97 in 2017. Great Britain's outdoor herds were affected by the hot weather and pigs weaned per sow per year decreased to 23.22, compared with 23.95 in 2017.

While Great Britain has a significant proportion of sows kept outdoors, the lower number of pigs weaned per sow per year in all systems is still a major cause of the relatively high cost of production compared with many other EU countries and needs to be addressed if Great Britain want to be competitive with the rest of Europe.

Pigs weaned per sow per year is a result of three different elements: pigs born alive per litter, litters per sow per year and pre-weaning mortality.

- Great Britain's indoor herds averaged 2.28 litters per sow per year, compared with 2.30 in 2017. Outdoor herds averaged 2.20 in 2018, compared with 2.28 in 2017, with the weather having an effect. The EU average of 2.29 hides a variation, with a range in indoor herds from 2.23 (Finland and Sweden) to the highest at 2.35 (Netherlands)
- Pre-weaning mortality (indoor sows 11.6%; outdoor sows 12.7%) was lower than in 2017 and lower than the EU average of 13.2%
- A significant impact on pigs weaned per sow per year in Great Britain is the number of pigs born alive per litter. The 2018 average for indoor sows, at 13.6, was an increase, compared with 13.3 in 2017. Outdoor sows performed the same as 2017, with an average of 12.1 pigs alive per litter. The 2018 average for participating EU countries was 14

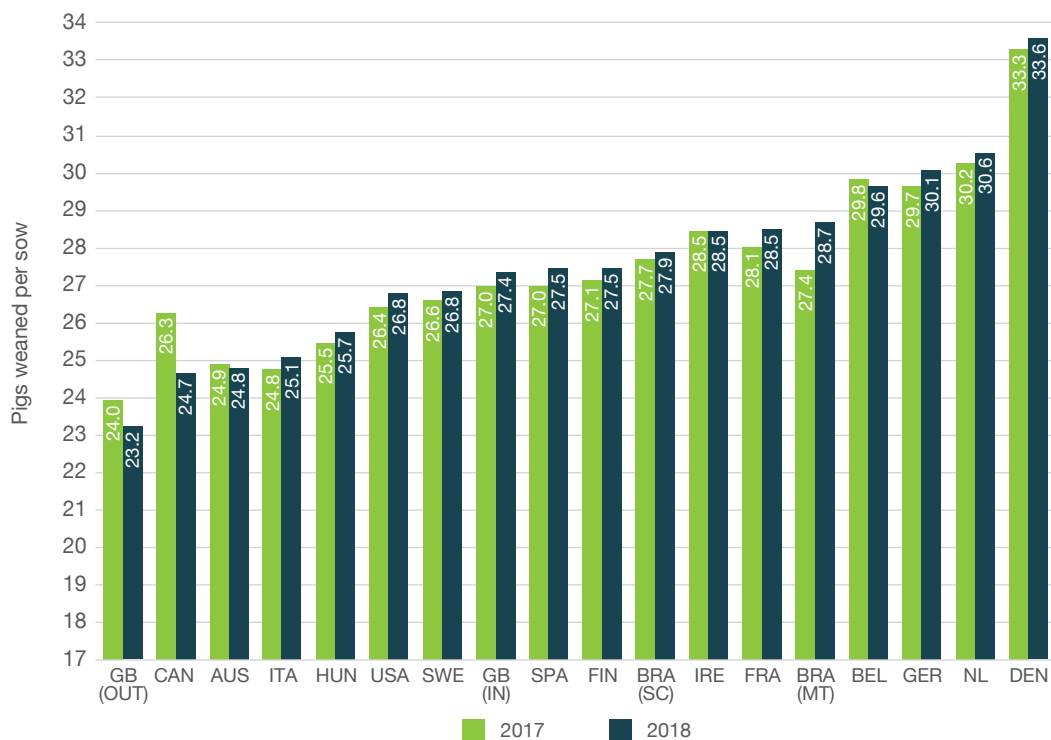


Figure 5. Pigs weaned per sow per year, 2017–2018

Pigs finished per sow per year

As shown in Figure 6, the average number of pigs finished per sow in Great Britain increased in indoor herds by 1% to 25.41, compared with 25.23 in 2017. For outdoor sows, pigs finished per sow per year decreased in 2018 by 4% to 21.57, compared with 22.41 in 2017.

In 2018, the EU average for pigs finished per sow per year was 26.44 – 1% higher than in 2017. Denmark has the highest numbers, finishing more than 31 pigs per sow per year. Within the InterPIG group, Great Britain outdoor herds have the lowest number of pigs finished per sow per year in 2018.

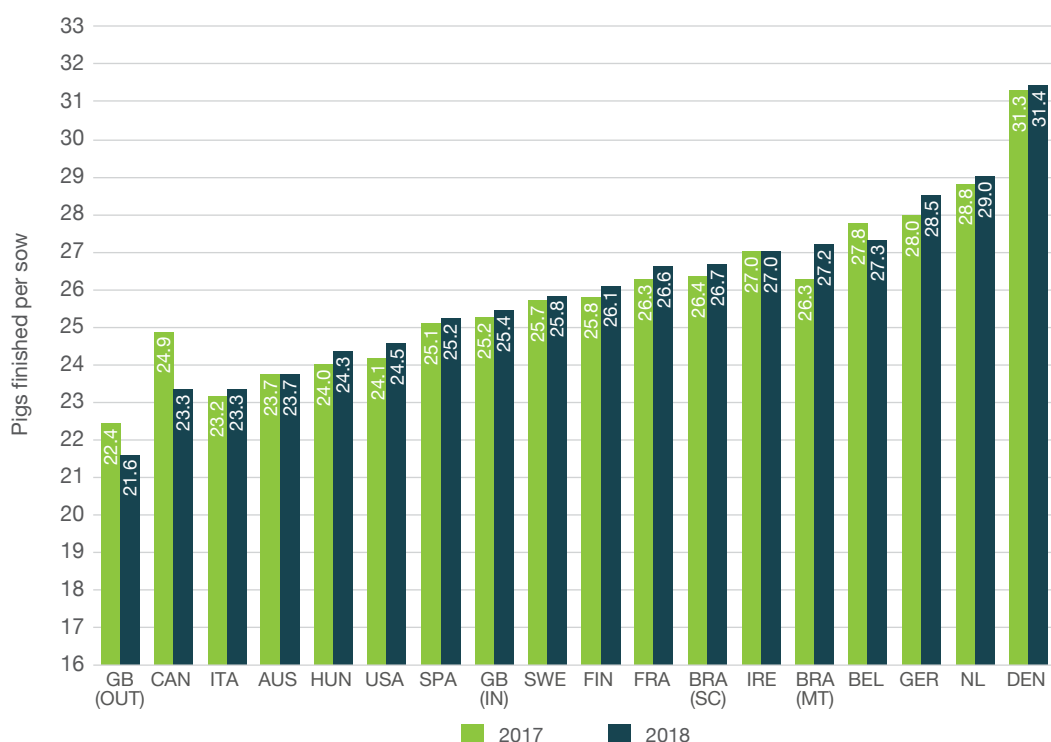


Figure 6. Pigs finished per sow per year, 2017–2018



Comparison between outdoor herds in GB and Denmark, 2018

Table 8 is a comparison between GB outdoor herds and a small dataset provided by Denmark. Although Denmark is achieving more pigs weaned per sow per year, the herds in Great Britain perform better in some areas, such as sow feed use and rearing mortality.

Denmark moves its piglets on from rearing to the finishing stage at lower weights than Great Britain and carcase weights are higher.

The cost of production in Great Britain for outdoor-bred piglets is estimated at £1.52 per deadweight kg. AHDB does not have the cost of production for outdoor herds in Denmark, but if the physical performance figures for Denmark are applied to the GB cost of production model, the cost of production in Denmark is calculated to be £1.55 per deadweight kg.

Table 8. Physical performance of outdoor herds in GB and Denmark, 2018

	Physical performance 2018	
	GB (OUT)	DEN (OUT)*
Pigs weaned/sow/year	23.22	26.22
Pigs weaned/litter	10.54	12
Litters/sow/year	2.20	2.19
Rearing mortality (%)	4.1	3.1
Finishing mortality (%)	3.2	5.0
Transfer weight from rearing to finishing unit (kg)	36.2	30.0
Rearing daily liveweight gain (g/day)	469	504
Rearing feed conversion ratio	1.7	1.96
Finishing daily liveweight gain (g/day)	866	954
Finishing feed conversion ratio	2.8	2.9
Average carcase weight – cold (kg)	83.2	86.8
Sow feed/sow/year (kg)	1,392	1,850

*Small dataset

Appendix 1

Table 9. InterPIG members' pig industry trends, 2018

	Pig industry trends, 2018								
	AUS	BEL	BRA	CAN	CZE	DEN	FIN	FRA	GER
Breeding sow numbers (000 head)	228	408	2,950	1,240	133	1,269	95	979	1,859
Annual pig slaughterings (000 head)	5,152	11,231	40,150	21,562	2,310	18,086	1,811	23,491	56,609
Pig meat production (000 tonnes)	510	1,073	3,763	1,955	211	1,581	167	2,182	5,343
Pig meat imports (000 tonnes cwe)*	181	178	2	225	360	134	38	510	1,143
Pig meat exports (000 tonnes cwe)*	236	823	645	1,045	75	1,381	22	512	2,374
Pig meat consumption (000 tonnes cwe)*	454	428	3,120	1,135	496	335	183	2,179	4,112
Pig meat consumption (kg per head)*	51.5	37.5	14.91	30.2	46.6	59.7	33.2	32.5	49.7
	HUN	IRE	ITA	NL	POL	SP	SWE	UK	USA
Breeding sow numbers (000 head)	260	147	588	1,051	871	2,498	130	491	6,179
Annual pig slaughterings (000 head)	4,705	3,447	11,251	15,915	22,650	52,289	2,646	10,936	124,435
Pig meat production (000 tonnes)	436	303	1,471	1,536	2,082	4,530	249	927	11,943
Pig meat imports (000 tonnes cwe)*	233	159	1,121	319	807	169	116	1,072	482
Pig meat exports (000 tonnes cwe)*	175	283	274	1,205	789	1,907	30	268	2,165
Pig meat consumption (000 tonnes cwe)*	493	178	2,318	650	2,101	2,792	335	1,730	10,260
Pig meat consumption (kg per head)*	50.5	37	38.3	37.8	55.3	59.8	33.1	26.0	31.4

*Estimated figures

cwe = carcass weight equivalent

Breeding sow numbers are for mid-2018 except for Brazil, Czech Republic, Finland (Dec 18)

Sources: AHDB, IHS Maritime & Trade- Global Trade Atlas®, USDA, Eurostat

Additional tables and figures

Labels on bar charts are rounded and may indicate the same results when the bars do not appear equal.

Table 10. Ranking of EU production costs, 2013–2018

	Ranking of EU production costs						
	2013	2014	2015	2016	2017	2018	% of EU average
Spain	1	1	1	1	2	1	87.0
Denmark	2	2	3	3	1	2	87.0
Belgium	3	3	2	2	3	3	90.1
France	4	4	4	4	4	4	92.6
Netherlands	5	5	6	8	6	5	94.7
Hungary	13	12	14	10	9	6	100.1
Germany	8	6	5	6	7	7	100.2
GB (IN)	6	7	10	5	5	8	100.9
Ireland	10	9	8	9	11	9	102.8
GB (OUT)	9	10	13	7	8	10	104.7
Sweden	12	13	11	13	12	11	106.2
Austria	7	8	7	11	10	12	107.0
Finland	na	11	9	12	13	13	108.3
Italy	11	14	12	14	14	14	118.5

Note: Rankings – 1 = lowest cost; 14 = highest cost



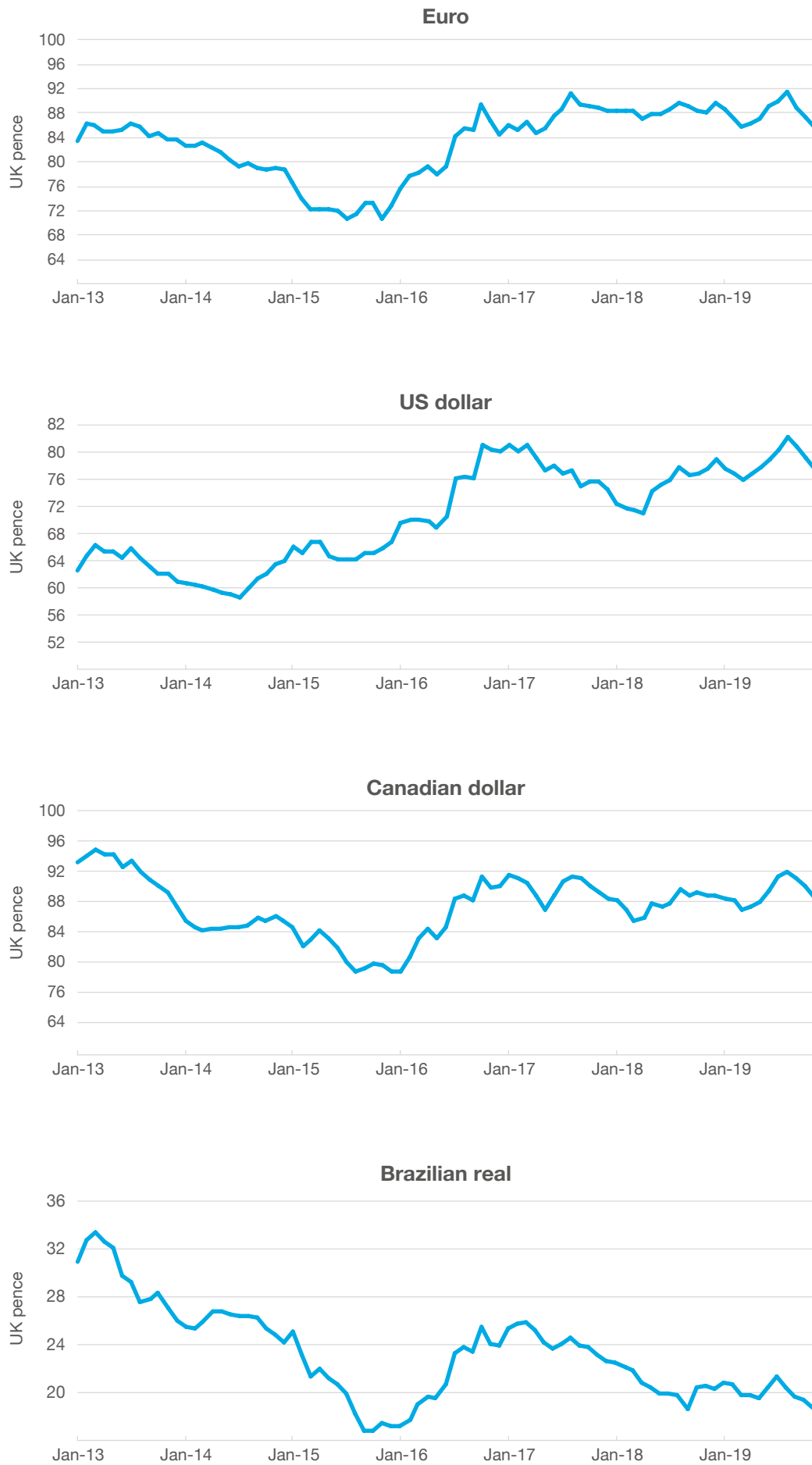


Figure 7. Exchange rate movements, 2013–2019

Table 11. Annual exchange rates

Year	1€ =	€ to £	\$US to £	\$C to £	Real to £
2013	84.9p	1.177	1.56	1.61	3.36
2014	80.6p	1.240	1.65	1.82	3.87
2015	72.6p	1.377	1.53	1.95	5.01
2016	81.9p	1.221	1.35	1.79	4.66
2017	87.6p	1.141	1.29	1.67	4.11
2018	88.5p	1.130	1.34	1.73	4.87

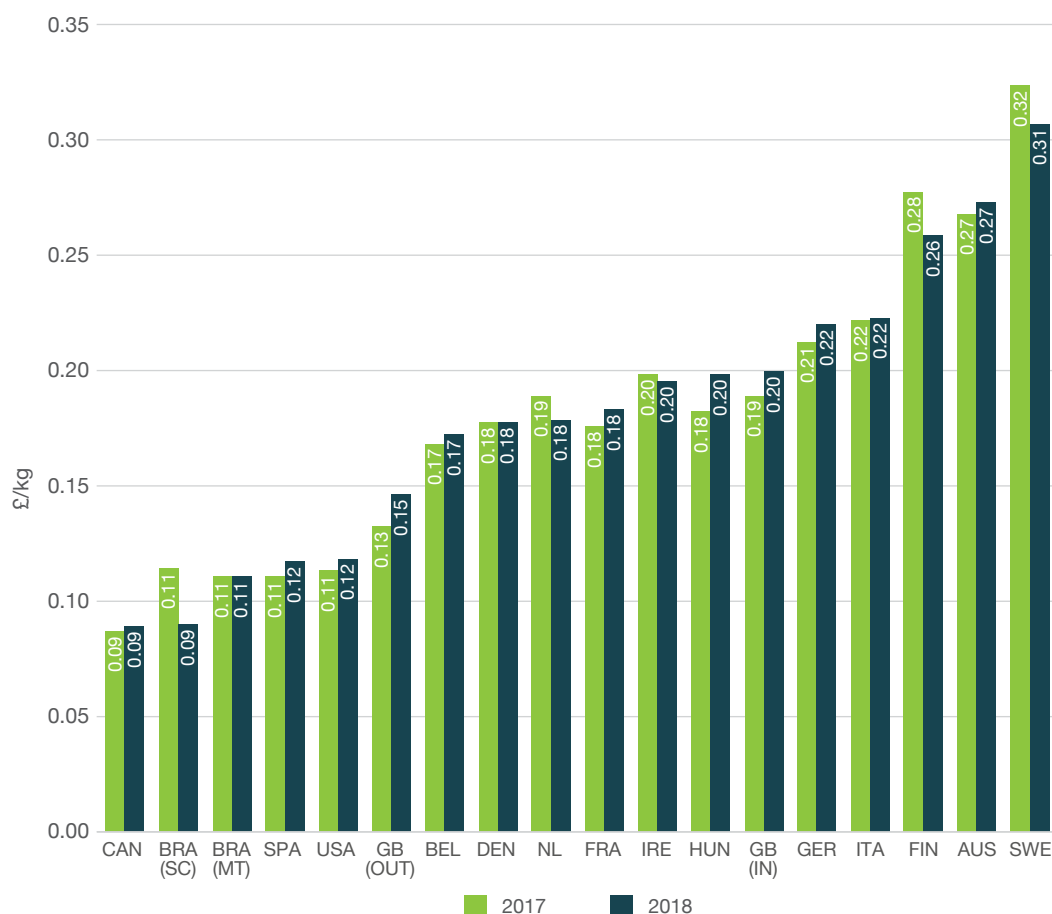


Figure 8. Depreciation and finance costs, 2017–2018



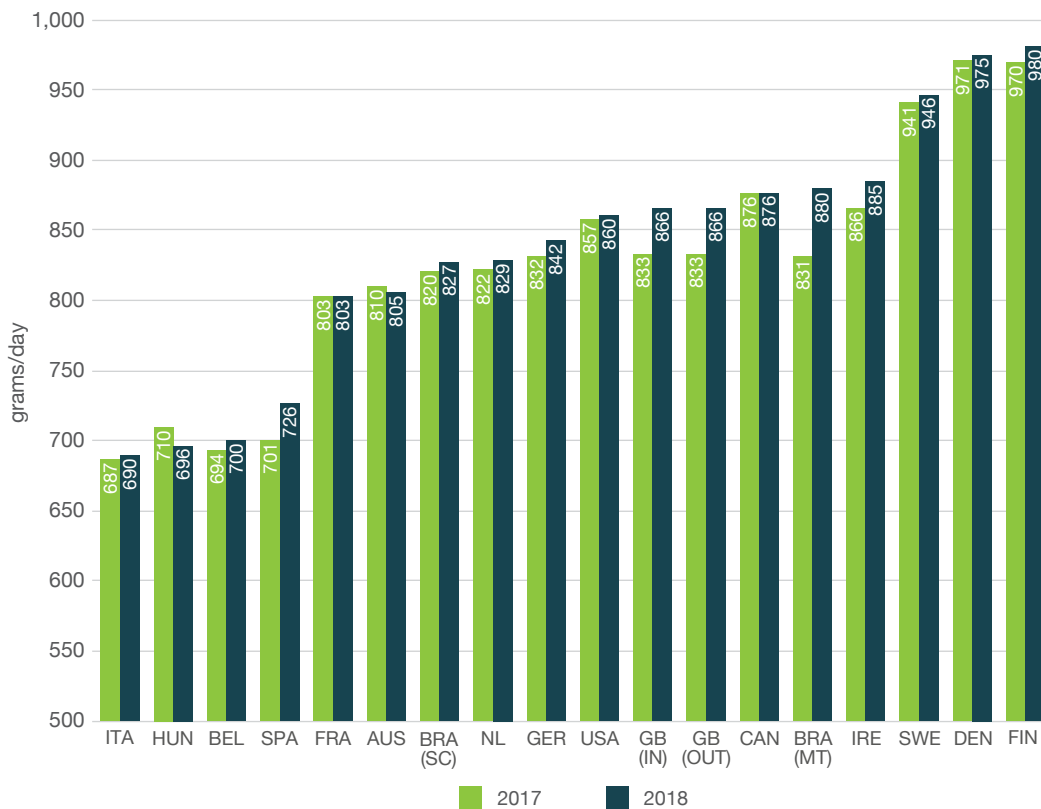


Figure 9. Daily liveweight gains (finishing herds), 2017–2018

The average Daily Liveweight Gain (DLG) and Feed Conversion Ratio (FCR) figures for indoor- and outdoor-bred piglets in Great Britain are the same because there is significant variation in the range of performance within various rearing and finishing systems (slatted, semi-slatted, straw barn, outdoor options). The available dataset has insufficient detail to split the data into multiple production systems and piglet backgrounds, so the average across the dataset has been used.

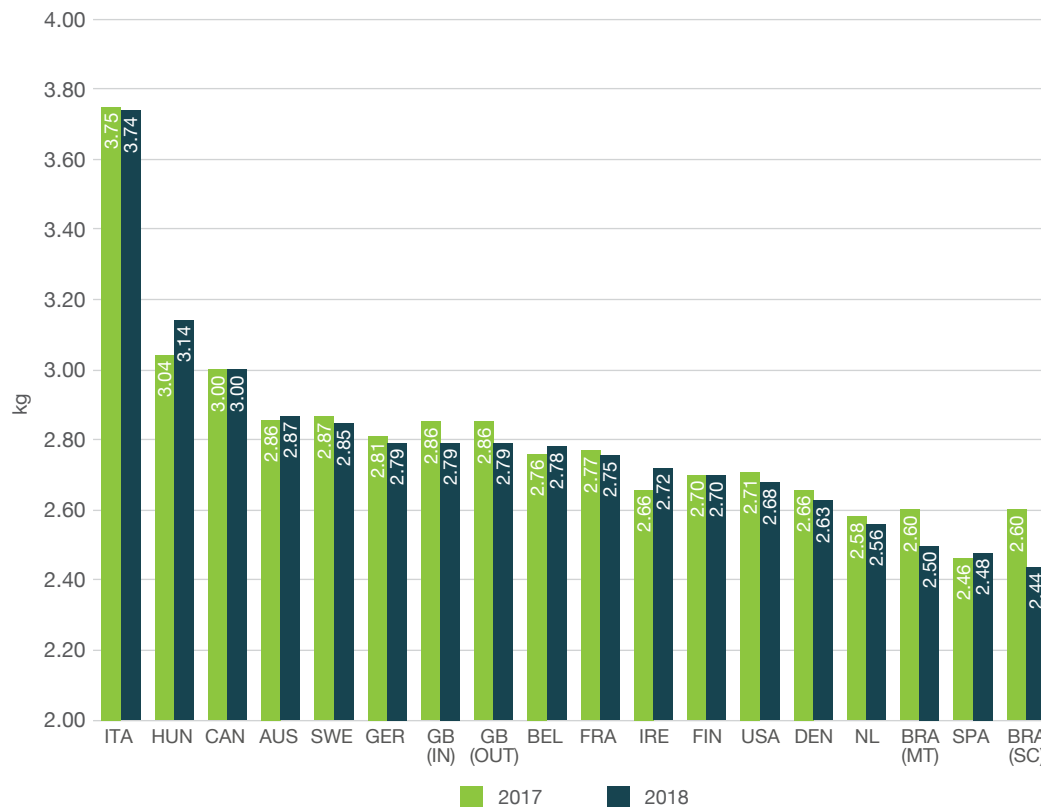


Figure 10. Feed conversion ratios (finishing herds), 2017–2018

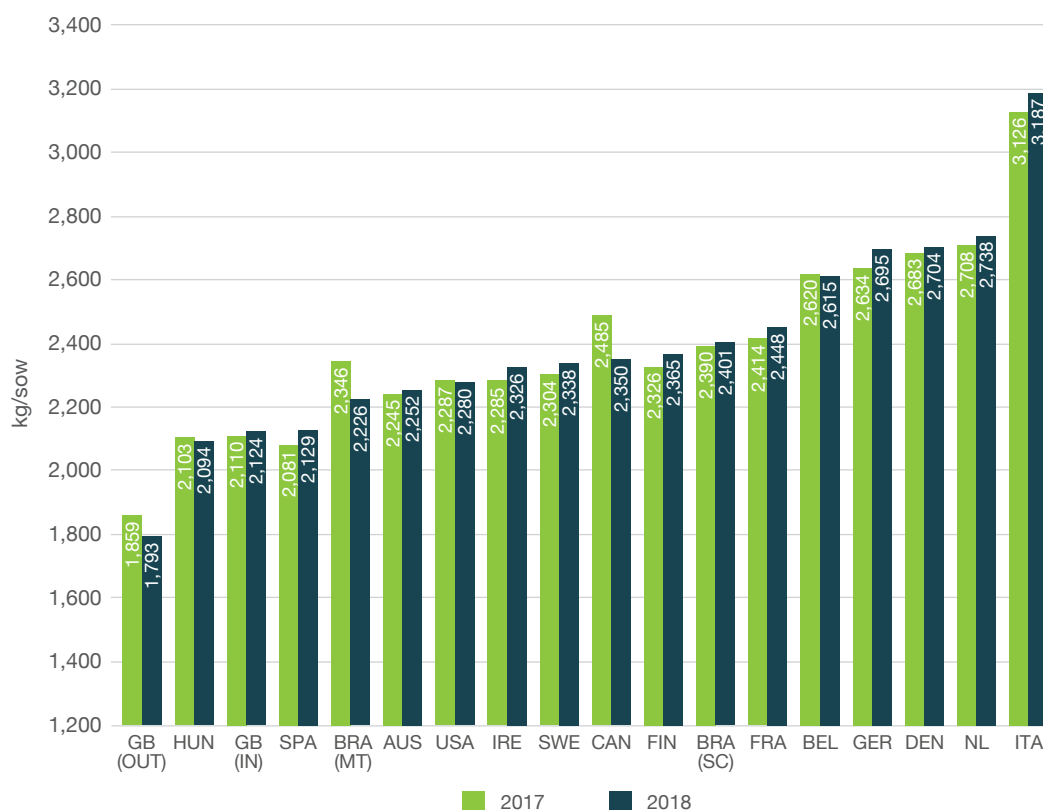


Figure 11. Carcase meat production per sow per year, 2017–2018

Standardising the physical results

Methodology

There is a wide variation in physical performance measures reported by InterPIG countries. Some of these variations could be due to differences between countries in the weight of animals produced. Other things being equal, an increase in slaughter weights and the length of time an animal is in the system will lead to a worsening in both the marginal daily liveweight gain (DLG) and the marginal feed conversion ratio (FCR).

Using methodology created by our French InterPIG partner ITP, the figures have been standardised on the basis of three weights:

- Transfer from breeding unit to rearing unit: 8 kg (GB (IN) = 7.1; GB (OUT) = 7.5 kg in 2018)
- Transfer from rearing unit to finishing unit: 30 kg (GB = 36.2 kg)
- Liveweight at slaughter: 120 kg (GB (IN) = 109.6; GB (OUT) = 109.0 kg in 2018)

This section examines the adjustments made to the finishing FCR and DLG figures in the European InterPIG countries to exclude the differences caused by variations in national transfer and slaughter weights.



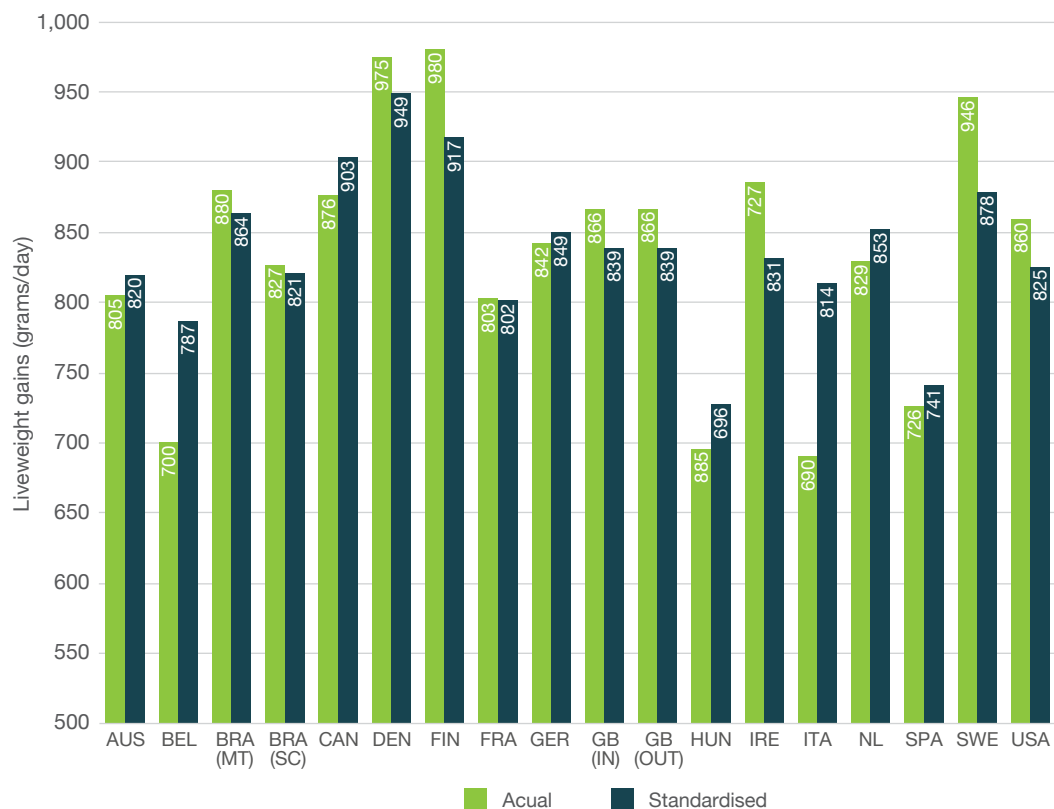


Figure 12. Standardised daily liveweight gains (finishing herds), 2018

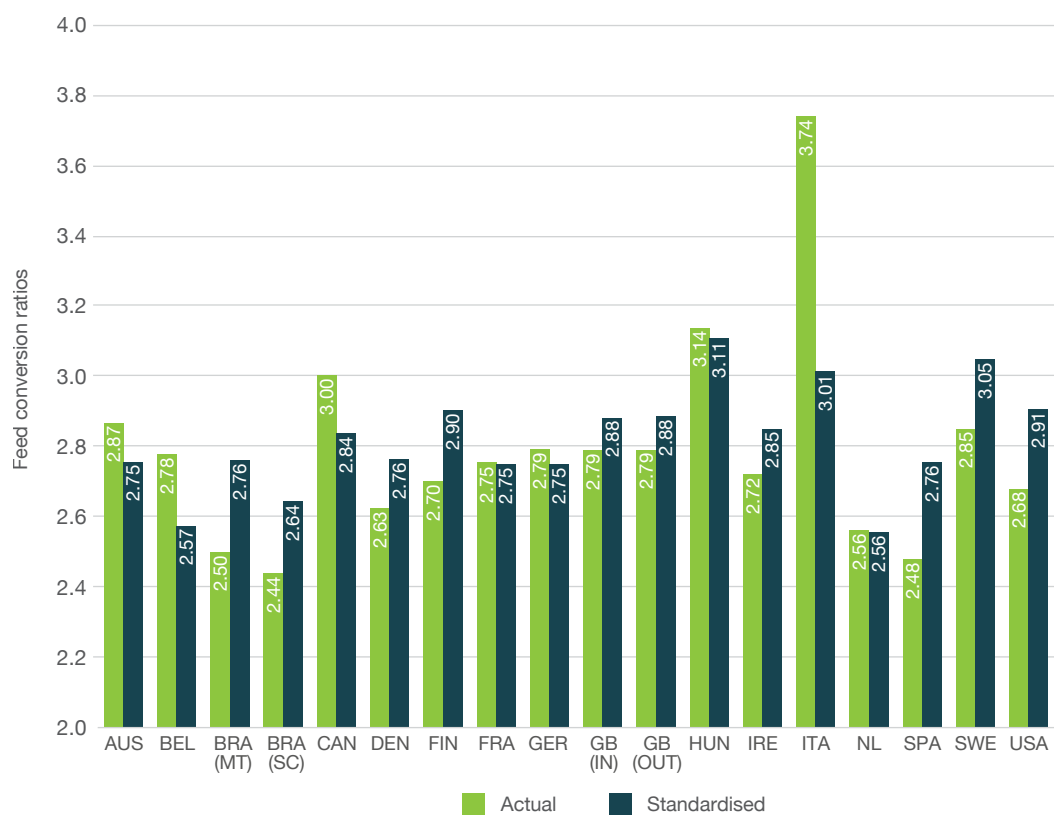


Figure 13. Standardised feed conversion ratios (finishing herds), 2018

Table 12. GB and EU physical results, 2018

	Physical results – GB and EU				
	GB indoor	GB outdoor	GB Overall 60% indoor: 40% outdoor	EU average	GB overall difference with EU average
Pigs weaned/sow/year	27.4	23.2	25.7	27.8	-7
Pigs reared/sow/year	26.2	22.3	24.7	26.9	-8
Pigs sold/sow/year	25.4	21.6	23.9	26.1	-9
Pigs born alive/litter	13.6	12.1	13.0	14.0	-7
Pigs weaned/litter	12.0	10.5	11.4	12.1	-6
Litters/sow/year	2.28	2.20	2.2	2.29	-2
Sow mortality (%)	6.1%	5.0%	5.7%	6.6%	-14
Pre-weaning mortality (%)	11.6%	12.7%	12.0%	13.2%	-9
Rearing mortality (%)			4.1%	3.2%	+26
Finishing mortality (%)			3.2%	2.9%	+9
Transfer weight from breeding to rearing unit (kg)	7.1	7.5	7.2	7.2	+1
Lactation period (days)	26.3	26.5	26.4	27.3	-3
Transfer weight from rearing to finishing unit (kg)	36.2	36.2	36.2	30.3	+20
Rearing daily liveweight gain (g/day)	469	469	469	424	+11
Rearing feed conversion ratio	1.7	1.7	1.7	1.8	-3
Finishing daily liveweight gain (g/day)	866	866	866	829	+4
Finishing feed conversion ratio	2.8	2.8	2.8	2.8	-1
Average number of days in rearing unit	62	61	62	54	+14
Average number of days in finishing unit	85	84	84	111	-24
Empty finishing unit days per cycle	7	7	7	10	-27
Pigs/pig place/year (finishing)	4.0	4.0	4.0	3.2	+25
Average live weight at slaughter (kg)	109.6	109.0	109.3	120.3	-9
Average carcase weight – cold (kg)	83.6	83.2	83.4	92.8	-10
Killing-out percentage (cold weight)			76.3%	77.1%	-1
Carcase meat production/sow/year (kg)	2,124	1,793	1,992	2,415	-18
Sow feed/sow/year (kg)	1,280	1,392	1,325	1,332	-1
Weaner/rearer feed/reared pig (kg)	50	50	50	41	+21
Finishing pigs feed consumption/slaughter (kg)	207	205	206	260	-21

GB Overall is an average of GB indoor- and outdoor-bred, with a weighting of 60% indoor and 40% outdoor for sow performance.

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Produced for you by:

AHDB Pork

Stoneleigh Park
Kenilworth
Warwickshire
CV8 2TL

T 024 7669 2051

E comms@ahdb.org.uk

W ahdb.org.uk

 [@AHDB_Pork](https://twitter.com/AHDB_Pork)

If you no longer wish to receive this
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comms@ahdb.org.uk

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