

Irish prices static as Europe slides



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Through the weeks of December, and since, stand on prices have been received by the majority of producers. There was a slight increase for some and a slight decrease for others but, all in all, it has been static. If the cost of production was not still standing at such a high level this would be a positive result for farmers.

In December, however, the cost of production remained unsustainable high and Teagasc recorded a December price of feed at 109c/kg and an average for the year of 112c/kg. Considering that the average pig price was 146c/kg, this left just 37c/kg for non-feed costs and even the most efficient, high health pig producer would struggle to lower non-feed costs to this level. In January, estimates suggest that the price of feed will have only dropped marginally.

Ultimately, this leaves little room in any budget plan for the steam train that is coming at the end of 2012, the full implementation of the sow welfare programme.

Although it was welcome to see the reopening of the

grant, many producers will not be able to secure sufficient credit to carry out this work in 2012 considering the huge draw on finances that the last two years have had simply to survive.

The heading of the pig league printed this time last year read, 'European pig prices on upward trend'. This upward trend started in mid-January and continued until May. Then prices traded up and down a cent from June to September (about €1.55c/kg).

The EU average appeared as if it would finish the year on a December €1.60/kg before falls in some major producing countries in the last two weeks of the year brought the average back a cent to €1.59c/kg.

Although pig prices so far in 2012 have been falling, EU pig producers have started the year on a different footing. In the opening weeks of 2011, the EU average was just under €1.40/kg whereas the figure this year opened at €1.56/kg.

Table 2 shows the corrected EU prices compiled by German analysts ISN. The Irish price, according to the ISN calculation, currently stands at €1.41c/kg, which is still behind our neighbouring countries despite the recent decreases. Irish farmers averaged (according to these figures) €1.37 in 2011, while none of our major competitors fell below the 1.40 mark.

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Table 1: November 2011 pigmeat price league table

Factory	Dec 11 per kg DW	Nov 11 per kg DW	Dec 2010	Dec 11 price as % of Dec 10	Est. share of national kill in each factory %
All prices quoted excl. VAT refund					
Division No. 1 €1.44 and over					
Stauntons	1.46	1.46	1.31	111%	10%
Roscrea	1.44	1.44	1.29	112%	24%
Dawn	1.44	1.44	1.29	112%	18%
Division No. 2 under €1.56					
Edenderry	1.43	1.43	1.29	111%	28%
McCarren	1.42	1.42	1.31	108%	9%
Green Pastures	1.43	1.43	1.32	108%	7%
Weighted Average	1.44	1.44	1.29	112%	
Ballon	1.48	1.48	1.37	108%	2%
Northern Prices					
Cookstown	1.45	1.45	1.33	109%	
Grants	1.45	1.45	1.33	109%	
Cullybackey	1.45	1.45	1.37	106%	

New year reports bring hope

THE start of a new year always brings the analysts out in force and the vibe across all publications, from our own Bord Bia to Rabobank to the USDA, is positive for producers of pigs in 2012.

EU pig farmers are set to benefit from lower feed prices and a drop in pig numbers should boost margins in 2012.

According to many sources, rising prices and increased profitability will be a feature of the EU pig cycle as other countries have come through a period of strong margins and their trend could be downwards.

Feed prices are expected to drop on the back of world wheat stocks being revised higher due to increased production in Russia, Kazakhstan and Brazil (USDA).

However, it is hard to rely on any estimates and a fall in prices will be dependent on speculators not artificially increasing prices and a lack of freak weather events.

The RaboBank report (*Improving but Fragile Outlook for EU Meat Industry*) references the importance of exports to this EU recovery.

Asian demand has been the big talking point for exporters

in 2011 and continued growth in the area is vital. The eyes of the world's major exporters are looking east and, now, Brazil has gained access to both China and Japan.

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American exports to China in 2011 increased by 278% from 70,000 tonnes in 2010 to 264,000 tonnes in 2011.

EU exports could fall off slightly on this year's performance due to lower production in the EU and higher internal supplies in many importing countries.

The slight increase in the American herd size will encourage them to follow on the impressive increase (+18%) in export sales volumes achieved in 2011.

2012 has the potential to put pig producers back in the black but there are serious challenges to overcome. Farmers have increased efficiency and kept the factories full of pigs.

Despite the serious losses that they have incurred, they are looking forward.

Hopefully 2012 will be a year of recovery. It's well overdue.

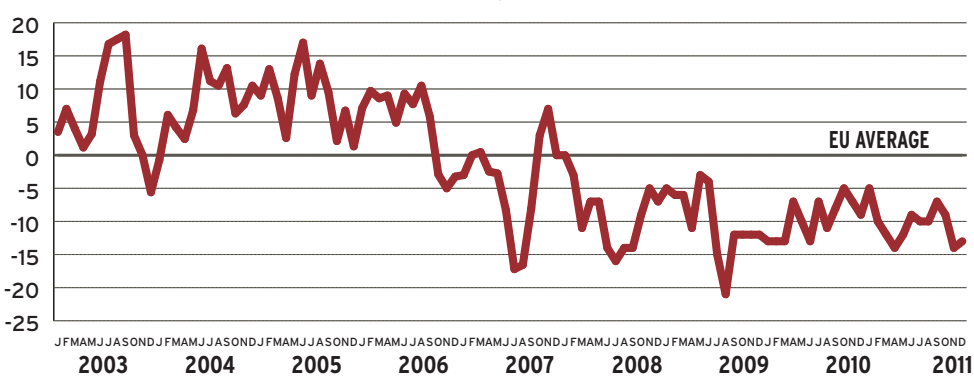
Table 2

Country	Avg wk 1-3	Avg 2011
Netherlands	1.39	1.41
Belgium	1.44	1.45
Denmark	1.50	1.49
France	1.46	1.51
Spain	1.49	1.62
Germany	1.44	1.47
Britain	1.62	1.60

Pig prices corrected for VAT, killout lean meat percentage (ISN) €/kg

Irish pig price gap compared to EU average (c/kg)

January 2003 to September 2011 with a 70kg carcass



Average weighted pig league price (c/kg)

January 2003 to September 2011

