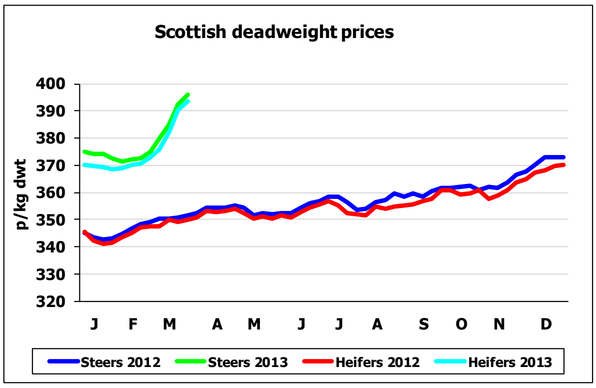
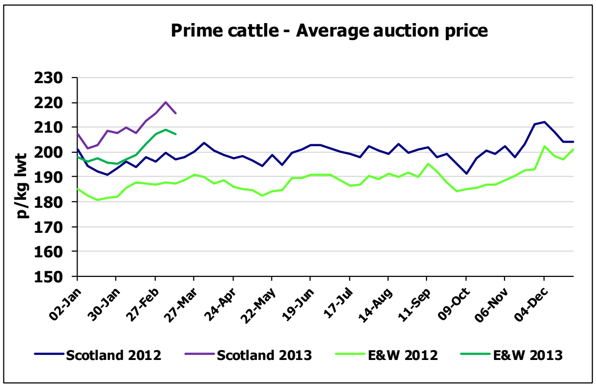
MARKET REPORT March 2013

Cattle

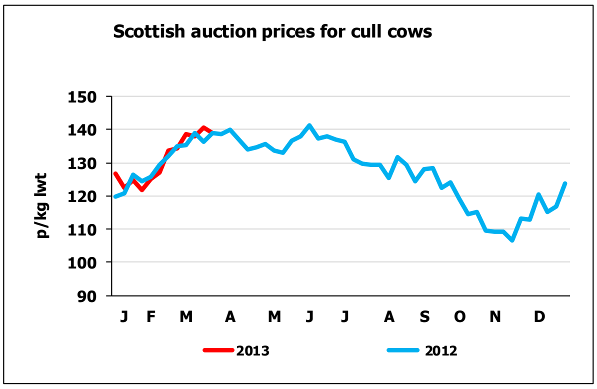
Prices and Supplies





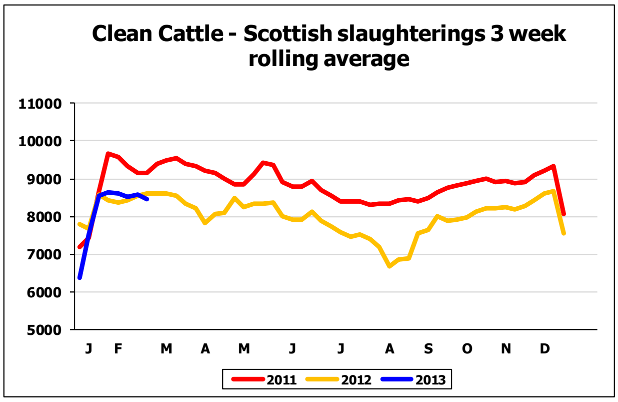
Scottish deadweight prime cattle prices jumped by 22p/kg on the month to stand at nearly 397p/kg dwt in the week ended March 23. Prices are consequently trading at record levels, and are 12.5% higher year-on-year. While the prime cattle average at Scottish auctions also spiked, passing the 220p/kg lwt mark for the first time in the week ending March 13, they then eased back to 215.5p/kg in the following week as numbers reached their highest level of the year so far. Nevertheless, auction prices still averaged 9% higher year on-year.

The trade in cull cows has also firmed in recent weeks. At Scottish auctions they have tracked last year's levels, averaging around the 140p/kg lwt mark. Meanwhile, deadweight prices have been running ahead of early 2012 levels with a record of 303p/kg dwt reached in the week to March 23. This was 18p/kg higher than in the same week last year; an increase of 6%.



UK slaughter data for February showed that although prime cattle supplies remained tight, they trailed year earlier levels by a smaller proportion than in much of 2012. Slaughterings were 2% lower year-on-year during February at 154,900 head, following a 3% decline in January. The average carcase weighed 8kg lighter at 341.7kg as wet weather has stifled daily liveweight gain. The heifer kill was once again down by more than the steer kill and may suggest higher levels of retentions for future breeding.

However, young bull slaughterings were up 2.5% year-on-year as the effect of an increased number of male dairy calf registrations in the autumn of 2011 remains in the system. These cattle have been reaching target slaughter weights since the fourth quarter of 2012 (Q4), thereby lifting young bull supplies in recent months.

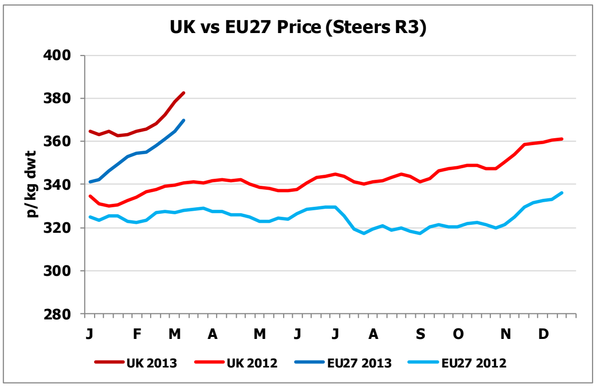


Having shown year-on-year growth for the first time in 17 months during January, Scottish abattoir throughput showed renewed tightening in February with numbers down 1% when compared with a year earlier. Nevertheless, this still marked a substantial change from last year where slaughterings had fallen by 10%. For the first time since October 2011 heifer slaughterings exceeded year earlier levels (though by just 0.1%), suggesting that a cycle of increased retentions for future breeding may be coming to an end. Meanwhile, 1.5% fewer steers were killed than in February 2012 and the recent run of increased young bull supplies came to an end with numbers down more than 3%.

During February, slaughterings of cows and mature bulls at UK abattoirs exceeded year earlier levels for an eighth consecutive month. It may be that the effect of wet weather on forage supplies has encouraged producers to remove their least productive breeding stock from their herds, and they have replaced them, where possible, with heifers. It is also likely that strong prices have drawn out stock.

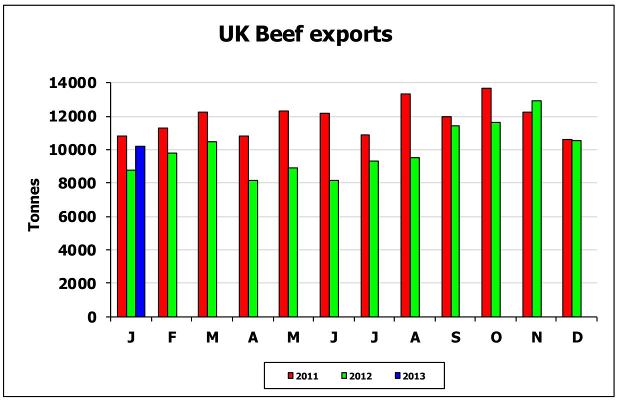
Meanwhile, in Scotland, slaughterings of mature stock rose by 10% over February 2012. This increase, coupled with the reduction in heifer slaughterings, suggests a decline in potential breeding numbers.

UK Household purchasing data from market research firm Kantar Worldpanel showed a 1% year-on-year increase in beef volumes for the 12 week period ended February 17. Higher prices at the retail level meant that purchased volumes only edged forwards despite cash spending on beef strengthening 6%. Looking more closely at the data, prices for frying and grilling cuts were lower than a year earlier and this stimulated a 15.5% rise in sales. Mince purchases picked up by 2% despite being more expensive, but sales of stewing beef and roasting joints appeared to show more reaction to higher prices, falling by 4% and 5% respectively. Within the data there is some evidence of a negative impact on sales of processed product due to the horsemeat scandal. In the four weeks immediately after it came to light in mid-January, sales fell across a range of processed products. Burgers were hit hardest with sales down by 35% year-on-year, while chilled ready meals fell 20%, pre-packed pies fell by 15% and frozen ready meals declined by 10%.



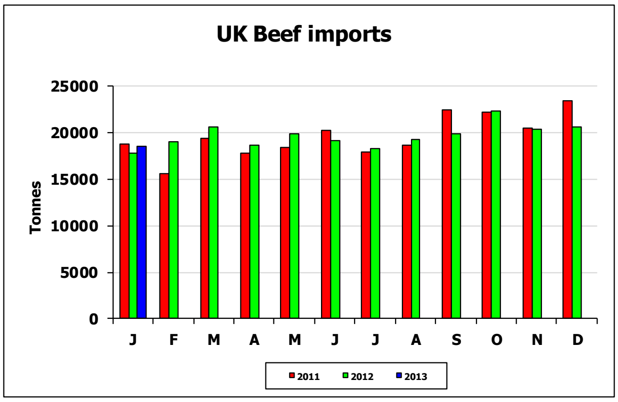
On average, prices for prime cattle across the EU have failed to follow UK prices higher over the past month. Indeed, in Euro terms, young bulls and heifers have only edged forwards by a couple of cents. However, Ireland has been a notable exception with the substantial trade links between the UK and Ireland likely to have had a considerable influence. This is reflected in the EU price for steers which has matched the 3% growth in UK and Irish prices over the past month due to the heavy weighting of both countries in the EU steer average. Other movers have been Greece, where young bulls are 4% more expensive than in mid-February, and Poland, where prices have eased by 6%. Meanwhile, compared with one-year ago, young bulls are on average 2% more expensive across the EU while heifers have gone up by 7% and steers by 8%. Whereas large gains have accrued to Dutch and French farmers selling heifers, which have risen by a respective 17% and 24% over the past year, their young bulls only average 6% and 3% higher.

In 2012, UK beef exports totalled 119,600t and fell 22,750t (16%) short of 2011 levels. However, shipments made a quick start to this year, up 15.5% in January at 10,200t, helped by a slower rate of decline in domestic supplies. Nevertheless, January shipments were still 600t below those of two years before.



Deliveries to EU markets in January took a 95% share of the total compared with 93% a year earlier. A possible contributor was the significant slide in the value of the Pound over the course of the month against the Euro which supported the competitiveness of British product in key continental markets. There were significant lifts in sales to Belgium, France, Italy and Ireland, while shipments to Germany nearly doubled and deliveries to Spain increased by nearly a factor of 6 (albeit from a low base). The rise in exports to Ireland saw it replace Holland (down 4%) as the UK's largest customer. The fall in shipments to Holland may reflect a shift in methods of product distribution as a significant volume of the beef sent to Holland is re-exported. By implication it is likely that more markets are now being supplied directly. There was an overall decline in deliveries outside of the EU to 417t from 585t a year earlier. However, Hong Kong and China bought more fresh product in January than in the whole of 2012 but held purchases of frozen beef constant.

Despite tight supplies and a stronger Sterling throughout much of 2012 the UK imported roughly the same volume of beef as it had in 2011 as lower imports of fresh product were offset by increased deliveries of frozen beef (much of which came in the lead up to the Olympic Games). Moving into 2013 and imports showed a 4% increase during January; a likely reflection of domestic supplies remaining tight plus higher exports.



In January, deliveries from the UK's principal EU suppliers fell when compared to the beginning of 2012. Ireland sent 3% less beef as a 25% increase in frozen product was insufficient to offset a 7% decline in deliveries of fresh beef. While imports from France, Germany, Holland, Italy and Belgium also fell, there was a rebalancing towards Poland, Spain and Denmark. There was also a significant increase in deliveries from third countries compared with the same month last year. Imports from Brazil and New Zealand more than doubled while Namibia sent nearly three times as much as a year earlier. In addition, shipments from Australia and Uruguay rose by one-quarter and one-third respectively. Argentina was the exception, however, with imports falling to just a quarter of January 2012 levels.

News Round Up

Slaughter data for the export plants in the Irish Republic has shown throughput running well ahead of year earlier levels in Q1 2013. Numbers rose by 10% year-on-year in the first two months to 200,000 head. A small contributor to the increase will have been a reduction in live exports of finished cattle which have fallen by 1,450 head year-on-year (16%) to 7,450 head. However, the rate of expansion in slaughterings looks to have slowed into March with numbers up by 7% in the first half of the month and by only 1% in the week ended March 16. Compared with two years ago throughput was 14% lower in the first half of March.

Meanwhile, results from Ireland's December 2012 Livestock Survey showed a 5.5% rise in the country's cattle population to 6.25m head. While the beef breeding herd increased by 4% to 1.13m head, the largest gains were seen in the category of cattle aged between 1 and 2 years. Numbers increased by 175,000 to 1.62m head; an increase of 12%. While this can be partially attributed to wet weather slowing growth rates, it is also a result of the large increase in cattle under 1 year of age that had been reported in December 2011 due to reduced live calf exports that year. Increases have again occurred in the number of cattle aged less than 12 months due to a further tightening of the live calf trade in 2012. There were 119,000 more young cattle in December 2012 than a year earlier; an increase of 6% to 1.98m head. While an expansion in Ireland's dairy sector will also have boosted overall cattle numbers, the overall picture presented by the survey data is one of a considerable increase in the pool of cattle available for slaughter and live export in the coming years.

In the first two months of 2013 the EU imported 11,000t of beef from Brazil; more than double the year earlier quantity. On the supply side, this has been facilitated by an 8% increase in slaughter numbers in Brazil. The 70:30 split in favour of frozen product was slightly wider than a year ago, despite there being an increased availability of hindquarter cuts for export in the first quarter of the year when Brazilian households are hit with the majority of their tax bills and subsequently tend to trade down towards cheaper cuts of beef in response. Last year the EU purchased 50,000t of Brazilian beef compared with 182,000 in 2007, the final year before the EU imposed enhanced traceability requirements.

Meanwhile, the 2,800 member Brazilian Association of Supermarkets (Abras) has announced plans to stop selling beef from cattle reared in the Amazon Rainforest. The pact will aim to reduce the incentive to cut and burn areas of the rainforest in order to produce cattle. The agreement is legally binding (though a start date has only been stated as 'soon') and was signed in the office of the Federal Public Prosecutor. The agreement will see Abras advise its members on how to avoid purchasing beef from the rainforest, while there will be improved origin labelling on the supermarket shelves and in online sales. The public Prosecutor is now expected to attempt a similar agreement with smaller retailers.

In Argentina, cattle slaughterings increased 17% in the first two months of the year to 2.16m head. However, cows made up 61% of the slaughter compared to 41% in the same period of last year implying that a herd consolidation is underway.

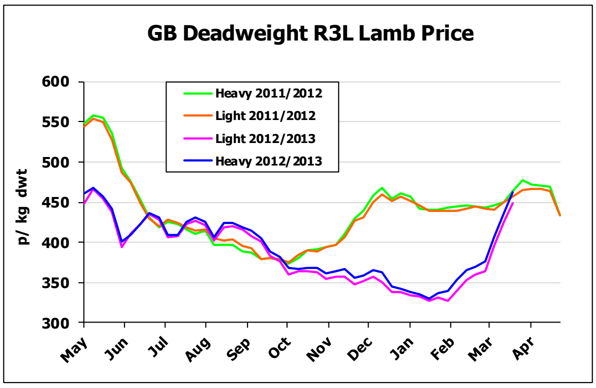
Increased supplies led to 22% increase in Argentina's total exports of fresh beef in January year-on-year as the higher level of domestic production opened opportunities which can only present themselves once domestic requirements have been satisfied. Nevertheless, at just over 8,000t, Argentine exports remain historically low. For example, five years ago January shipments had been more than 25,000t. At 1,400t, deliveries to Russia were double those of the same month a year earlier but took the same 17% share as it had in the 2012 calendar year where shipments to Russia totalled 15,100t. With the US locked out of the Russian beef market since mid-February due to its use of the feed additive ractopamine, Argentina may well be in a position to benefit from increased export opportunities. The country's Ambassador in Moscow has held meetings with the head of Russia's food safety authority to scope out increased beef sales.

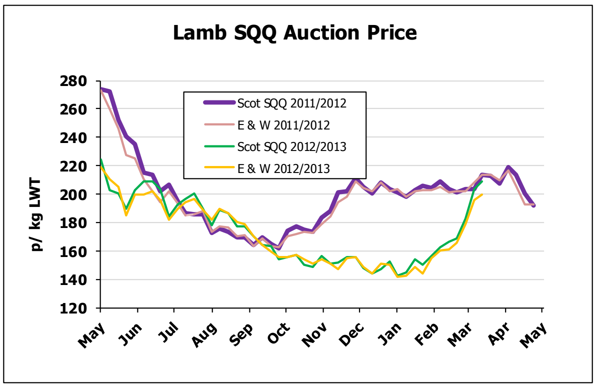
In the USA the after-effects of last summer's drought are still being felt. With slaughterings brought forward last year there are now fewer cattle about and February figures showed that the number of cattle placed in feedlots had slipped to its lowest for the month since records began in 1996. Numbers decreased by 14% on the year to 1.48m head. With placements not able to keep up with sales, the overall stock of feeder cattle continued to decline for an eighth month in succession. As March commenced there were 10.85m cattle in feedlots; 200,000 fewer than on February 1 (-2%) and almost 750,000 below year earlier levels (-7%).

By contrast, in Australia cattle supplies have improved after a couple of years of decent rainfall. At nearly 800,000 head at the end of 2012, feedlot numbers were stable when compared with a year earlier but were up 10% on the quarter. Meanwhile, the USDA has forecast that Australia will have its largest cattle population since the mid-70s this year with numbers expected to reach 29.8m head. In 2013, abattoir throughput is forecast at 8.3m head and annual beef production is predicted to set a new record of 2.2mt. Weak domestic demand means that the bulk of this extra beef is likely to be exported and export volumes have been forecast to rise 3.5% year-on-year to 1.5mt. Though an expensive Australian Dollar hinders export competitiveness, increased production has pushed farmgate prices 15-20% lower than last year's levels, enabling exporters to remain competitive in the global marketplace.

Sheep

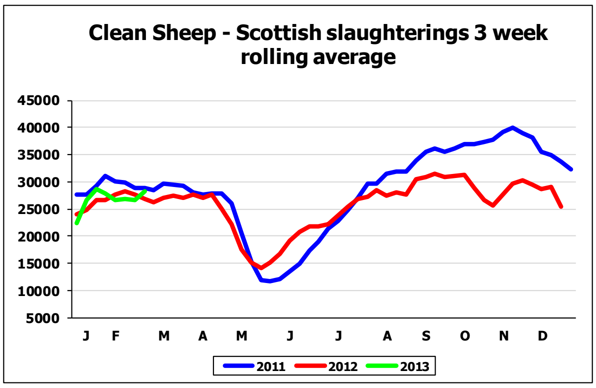
Prices and Supplies





The prime sheep trade has gone through significant change in recent weeks. Following steady growth in prices during February, March saw prices spring forwards, with deadweight prices at the GB level rising by 85p/kg dwt in the first three weeks of the month. At 455p/kg in the week ended March 23, prices were at a ten-month high and just 0.7% down on a year earlier, having averaged 22% lower year-on-year in mid-February. Auction prices in Scotland have also shown significant growth, rising by 40p/kg lwt between the end of February and the week ending March 20 to stand at 208.8p/kg lwt. However, there have since been some signs of the market starting to cool. It may be that demand has eased back due to the end of the Easter trade, higher prices, and unfavourable currency movements related to the economic crisis in Cyprus.

As a consequence of the increased carryover of hoggs, 13% more prime sheep were killed by UK abattoirs than a year earlier in the opening two months of 2013. This followed a 5% expansion in December. However, product volume increased by only 9.5% to 38,000t as the average carcase weighed 19kg compared with 19.7kg a year earlier. Nevertheless, this greater volume of product is likely to have placed considerable downwards pressure on producer prices, which averaged £1 a kilo deadweight lower on the year (22%) in January and February.



In Scotland, abattoir throughput grew more slowly than elsewhere in the UK, rising just 2.5% year-on-year in the first two months. Moreover, once lower average carcase weights have been accounted for, output of prime sheep meat actually fell 1.5% year-on-year. Scottish government data shows that numbers tightened in the first half of February, before recovering towards the end of the month. This was despite increased auction numbers throughout the period and suggests that fewer producers have been selling directly to abattoirs. Tighter supplies in Scotland relative to the rest of the UK may help explain why prices at Scottish auctions have been trading at a premium to England and Wales in recent weeks having been broadly similar for much of 2012.

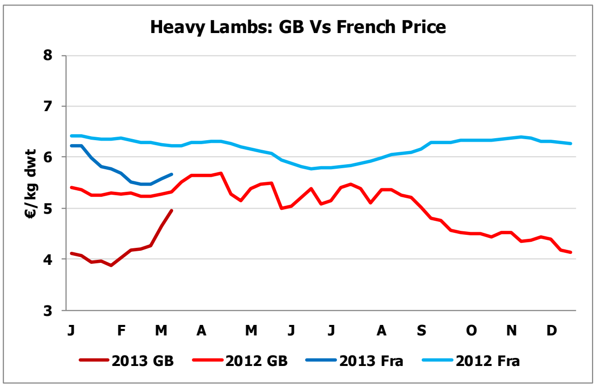
Moving forward into March, auction market data continued to show a lift in supplies with numbers at the GB level up by 40% year-on-year in the first three weeks of the month. Interestingly, producer prices rose by 40p/kg lwt over this period, suggesting that factors other than supply were at play.

One potential factor behind increased producer prices could be increased carcase quality. Indeed there is some evidence of this as the proportion of hoggs in the deadweight price reporting sample achieving at least an R3L grade averaged 57.7% in the four weeks to March 23, compared with 53.3% in the same period of 2012. Anecdotal evidence also suggests that there has been a notable improvement in the quality of hoggs being sold through the auction ring since late February. The proportion of lighter weight hoggs in the deadweight sample remains high by historical standards. In the week ending 23 March, 15% of hoggs were in the lighter 12-16kg category compared with just 8.5% in the same week of 2012. Prices in this category have been trading more than 20p/kg dwt cheaper than in the heavier weight class.

However, some more robust evidence of upwards pressure on market prices comes courtesy of Kantar household purchasing data. It shows that in the twelve weeks to February 17, lamb sales volumes improved by 22.5% on the year; a considerable shift from the more modest year-on-year growth rates observed between Easter and Christmas 2012. Leg roasting joints accounted for much of the increased sales with heavily discounted prices in the period from mid-January to mid-February driving volumes. Nevertheless, data for the four weeks to February 17 show higher sales of mince, steaks and shoulder roasts despite more modest retailer discounting. This may reflect improved competitiveness of lamb retail prices relative to beef, as well as some substitution of carcase meat for ready meals in the wake of the horsemeat scandal. It is also likely to reflect the greater availability of sheepmeat with overall UK market supplies rising by 11.5% year-on-year in January.

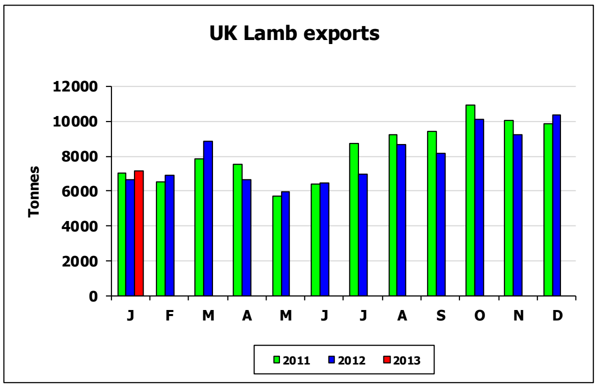
In contrast to the market for prime sheep, cull ewe prices at Scottish auctions had been holding relatively steady at around the £45 a head mark since October. However, this changed in the week ended March 20 as prices jumped to nearly £55 a head; a 28-week high. A sharp reduction in numbers may well have driven this change as it is likely that ewe prices had been held down in recent months by auction numbers generally running 15-20% ahead of last year's levels.

At the UK level, slaughter data for the first two months of 2013 showed a 12% increase in the number of ewes and rams being culled when compared with the same period of last year. Broadly similar carcase weights meant that production volumes also rose by 12%.



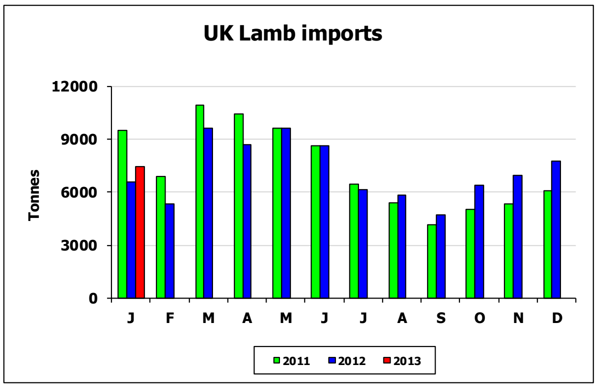
The trade in heavy lambs in Ireland has moved in a similar fashion to the UK market over the past month. In the week ended March 17, Irish prices had risen by 17% in Euro terms and by 18.5% in Sterling terms over the previous four weeks; approximately 1 percentage point lower than the rate of growth in the UK. The only other country to have seen double-digit growth was Germany (10% in Euro terms). In France and Spain, producers have seen more modest gains of around 3% on the month. This has left average prices down by a respective 9% and 19% on the year. By contrast, Irish and British prices were 5% and 7% lower respectively year-on-year.

While domestic factors can partially explain current market conditions, trade flows, and consequently exchange rates, also are an important driver of the market as approximately one-third of UK sheepmeat production is exported and a similar volume is imported. In Q4 2012 the fact that Sterling averaged 6% stronger against the Euro year-on-year placed significant downwards pressure on UK farmgate prices through the requirement for prices to be reduced in order to keep UK sheepmeat competitive in key European export markets. However, January saw a significant rebalancing of exchange rates with the Euro rising from around 81p to 86p; thereby making Sterling some 3% weaker when compared with a year earlier, and 10% weaker than at the end of July 2012. Although the Euro exchange rate has slipped back to around 85p in late March, the Pound is around 1.5% weaker than a year ago. Meanwhile, Sterling has also weakened against the currencies of Australia and New Zealand in Q1 2013, and this has subsequently placed upwards pressure on import prices.



Latest available export data shows that the UK shipped its highest January volume of lamb for five years with 7,150t exported. This was an increase of 7.5% on the year. Growth was assisted by increased domestic production and an improved competitive position due to the aforementioned exchange rate movement coupled with lower farmgate prices.

This improved competitiveness of UK product allowed exporters to make some headway in France, the UK's largest customer, where, according to Kantar data, a tough economic climate led overall lamb consumption to fall by 16% year-on-year in January. Having trailed year earlier levels by 16.5% in Q4 2012, exports to France were a fraction higher in January 2013 than in January 2012 at 4,000t. There was also a turnaround in deliveries to other EU markets with shipments to Germany, Italy, Holland, Austria, Spain and Portugal all showing growth. By contrast, increased production in Ireland reduced its need to buy lamb from the UK, while the Belgian market also proved sluggish. Non-EU markets accounted for 16% of exports (1,100t) with the vast majority going to Hong Kong, which has been the UK's second largest customer since last October. The bulk of the product exported to Hong Kong has tended to be at the lower end of the value scale.



Imports exceeded year earlier levels for a sixth consecutive month in January with shipments totalling almost 7,500t compared to 6,600t in January 2012. Interestingly, despite falling producer prices and much higher production in New

Zealand, its shipments to the UK were fractionally lower than in the opening month of last year (though they did increase for a fourth successive month). The majority of the year-on-year increase in imports can be attributed to Australia and Ireland where sheepmeat was readily available at the turn of the year.

News Round up

In Ireland, slaughter numbers have been running at a substantially higher level than last year. In the first eleven weeks of the year 426,500 lambs were slaughtered at Irish export plants. This increase of 105,300 on the year means that slaughterings have risen by close to one-third. It is also well in excess of the increase of 57,000 hoggs reported in Ireland's December 2012 Livestock Survey and may well indicate tighter supplies in the coming weeks. In terms of breeding ewes, the survey showed a 2% increase to nearly 2.58m head.

Slaughter data from Statistics New Zealand show that the country killed 2.65m lambs in January; a 4-year high for the month. This was up 17% from a year earlier and an increase of 38.5% when compared with January 2011. Nevertheless, significant industry restructuring in recent years means it was still more than a quarter below the January 2008 kill. In terms of lamb and mutton exports, volumes in the opening two months of the year were up by 29% year-on-year at approximately 80,000t; a three-year high for this period. With January UK trade data showing similar deliveries from New Zealand to January 2012 it appears that New Zealand has continued to gain traction for its exports in South East Asia, and China in particular.

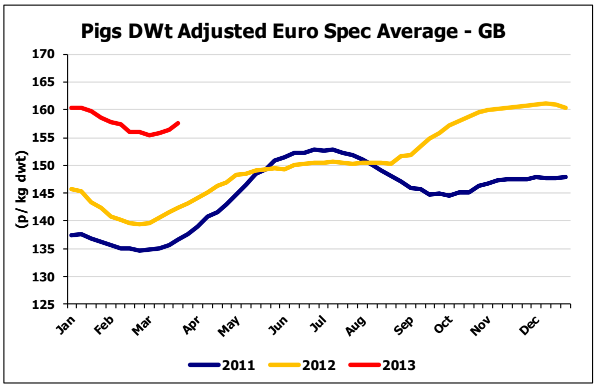
Having fallen sharply in recent months, farmgate lamb prices in New Zealand have stabilised in March at around $NZ4.27/kg (£2.33/kg) dwt for a 19kg carcase in the South Island. However, this was still down by around 10c/kg (6p) on the month and by 25% on the year (21% in Sterling terms). With the combination of a larger lamb crop and a drought drawing out stock added to a stronger currency it is not surprising that prices remain at such a significant discount to last year. However, the recent stabilisation may well have been facilitated by the sharp increase in UK prices.

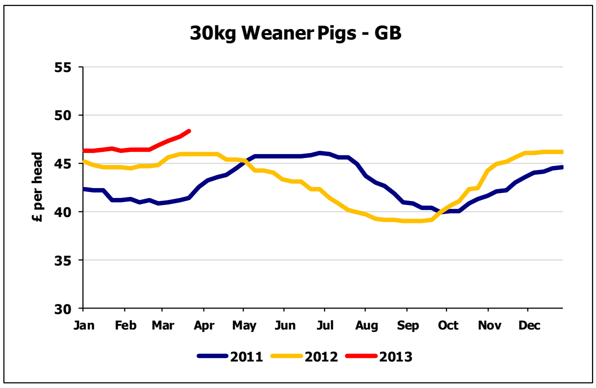
This levelling of the market in New Zealand may also have been helped by a sharp recovery of farmgate prices in Australia. During March the Eastern States Trade Lamb indicator has held stable at around A$4.30-4.40/kg dwt (£3/kg). However, this is around 20% higher than in early February and nearly 50% above its late November low point of around A$3/kg dwt (£1.95/kg). Nevertheless, it is costing abattoirs approximately 10% less to purchase lambs than at this time last year and around A$2 (£1.40) less than in March 2011 when prices had approached GB levels.

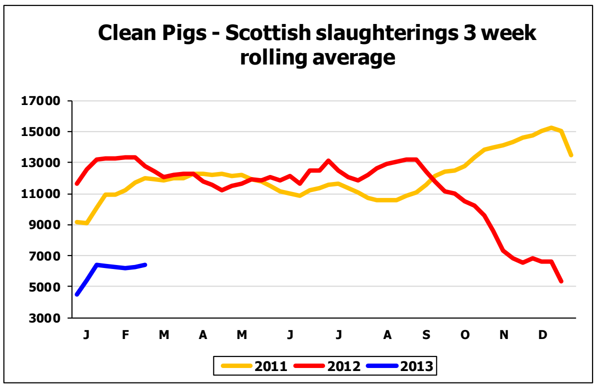
The Uruguayan sheep industry made a fast start to 2013 with abattoir throughput rising by 70% on the year to 107,900 head in January. As a consequence exports also showed rapid expansion, rising by 42% year-on-year to 1,060t. Lambs are currently trading at approximately $US3.40/kg dwt (£2.25/kg).

Pigs

Prices and Supplies







In Q1 2013 prime pig prices have followed a similar trend to the previous two years. They initially softened, due to seasonally sluggish consumer demand, before beginning to pick up in early March. In the week ended March 23 deadweight prices averaged 157.63p/kg dwt; a seven-week high. This was 10.5% higher than in the same week last year. However, since prices have risen at a slower pace than in March 2012, this gap has narrowed from 12% in February.

Defra slaughter data for February continued to show rising pig slaughterings at the UK level. Abattoir throughput increased by nearly 2% on the year to 783,100 head. When combined with heavier carcase weights (79.8kg vs 79.3kg a year ago) and a 6.5% increase in the number of sows being culled this meant that, during February, the UK produced 2.5% more pigmeat than a year earlier.

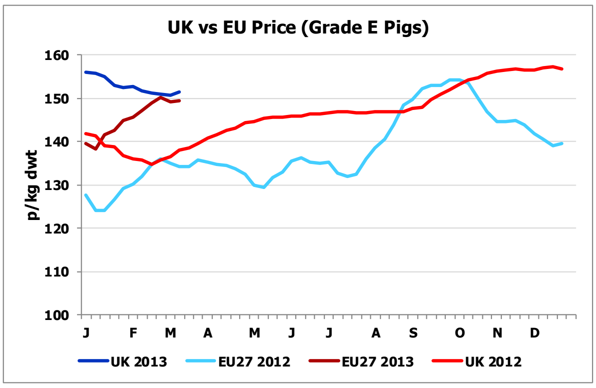
Prime pig slaughterings in Scotland continued to run at approximately 6,400 pigs per week during February. Numbers are now just under half of what they had been prior to the closure of slaughtering facilities in Broxburn. The average carcase of a pig slaughtered in a Scottish abattoir weighed 77.5kg in February, compared with 79.1kg in February 2012. This was also 3% lighter than in the UK as a whole.

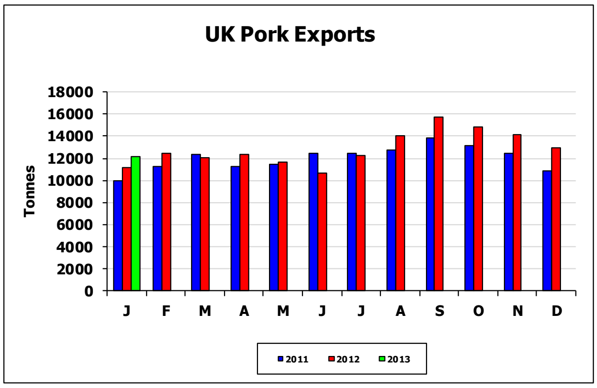
Data from Kantar for UK household pork consumption in the 12 weeks to February 17 showed a 6% decline year-on-year. As has been the case since late 2012, it would appear that falling consumption has been caused by higher retail prices (up 8%). However, data on the individual cuts indicates that there is more to the change in consumption than simply price rationing. Pork loin roasting joints continued to show growth despite further gains to prices as spending jumped by more than 50% from a year earlier. By contrast, the volume of leg joints purchased fell 16% despite prices averaging 2.5% cheaper.

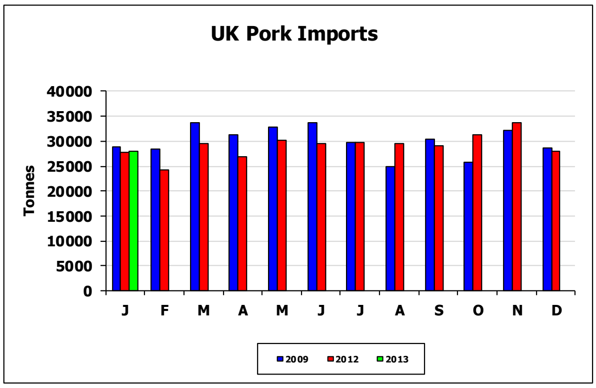
Weaner prices have picked up in March having held steady in January and only edged forwards in February. This may reflect some anticipation of better prices for finished pigs in the coming months as December census figures showed 3% fewer fattening pigs on UK farms and implies that the pig supplies will begin to tighten. A slight easing of feed wheat prices may also have boosted producer confidence. At £48.30/head in the week ended March 23, 30kg weaners were selling at a 5% premium to last year and at their most expensive since the opening week of August in 2010.

Cull sow prices have recovered somewhat in recent weeks after a sharp fall around the turn of the year. Having fallen from 111p/kg dwt as December began to less than 92p/kg by the end of January, they were then trading at nearly 107p/kg in mid-March. With the sow price heavily influenced by the export trade the recent weakening of the Pound is likely to have been a significant contributor in the recovery. Higher prices in the key German market are also likely to have had an influence by allowing UK exporters to raise prices without losing competitiveness.

Sterling terms UK producer prices have held around 1% higher than the EU average since mid-February. Considering that the gap had begun the year at 12-13% it is likely to have encouraged UK retailers to secure supplies from closer to home. In Euro terms, there has been a similar narrowing of the UK price premium, thereby making British pigmeat more competitive on the continent. In mid-March the EU average stood at €1.72/kg; up 0.5% since the year commenced and 7% higher than a year ago. In Germany, Holland, Italy and Poland producers are receiving similar prices to the start of the year, while farmers in Denmark and Ireland have seen modest declines. By contrast, there has been some weak growth in prices in France and Austria while farmers in Spain have seen prices jump forwards by 7.5% since the turn of the year.







There was a strong start to the year for UK pork exports, rising by 9% on the year to 12,150t. This was the sixth month in succession that shipments have exceeded year earlier levels with the Chinese market accounting for much of this growth.

In January the UK imported 1% more pork than in the same month of 2012. Deliveries increased by 250t to 27,900t. Denmark was the largest supplier, providing 8,400t; almost 30% of the total. Meanwhile Germany took second place with 5,750t, making up approximately one-fifth of total imports.

News Round up

Feed wheat prices have eased back since February with May futures contracts generally trading at just under £200/t in London. Farmgate prices in the North East have slipped back around £10/t on the month to £205/t, though delivered prices in Central Scotland have only eased by approximately £5/t to slightly below £220/t. Improved prospects for supplies in the 2013/14 crop year appear to have alleviated some of the pressure caused by tight domestic supplies and the UK's increased import requirement. However, a weaker Sterling has limited the fall in import prices. Meanwhile, soyameal prices have drifted higher as Brazil has found it a challenge to deliver its record soyabean crop to ports, and the world's major importer, China, has subsequently had to dip into its national reserves. A weaker Sterling against the US Dollar (by around 6% since the turn of the year) has also hindered importers.

The EU Commission has forecast EU pigmeat production to decline 2% in 2013. 22.22mt are expected to be produced compared with 22.65mt in 2012 and 22.94mt in 2011. However, volumes are predicted to partially recover in 2014, rising almost 1% to 22.4mt on the back of productivity gains. Meanwhile, consumption volumes are forecast to ease for a third year; by 0.7% to 20.3mt, before picking up slightly to 20.35mt in 2014. This would place EU consumption per person at 40.1kg in 2013 and 40.2kg in 2014; about 60% higher than the UK level of around 25kg. As a share of total meat consumption pigmeat is expected to slip from 49.4% in 2012 to 49.0% this year and next, with a direct substitution with poultry assumed for 2013. Since imports are relatively tiny at 16,000t and expected to remain stable, the slower fall in consumption than in production this year means that exports will have to decrease. Shipments to third countries have consequently been predicted down 14% at 1.88mt in 2013. However, 2014 is likely to see some modest recovery.

The prediction of falling production is not surprising given December census results from across the continent. Sow numbers declined by more than 4% to 12.34m head in the 25 Member States to have released results (Greece and Cyprus are missing). Of these 25 countries, numbers fell in 21. The most significant exceptions were the UK (+2% to 493,000 head) and Belgium (+2% to 490,800 head), while the smaller herds of Malta and Slovakia also showed expansion. However, numbers declined in all of the nations with more than 1m sows. In Spain numbers fell 6.5% to 2.25m; in Germany they slipped 3.5% to 2.12m; in Denmark they eased 1% to 1.23m; in Holland they decreased 2% to 1.08m; in France they were down 2.5% to 1.07m; and Polish numbers contracted by 10% to 1.01m head. The principal factor behind consolidation has been the ban on sow stalls, although sharply higher feed costs and tight bank credit have not helped.

Spanish meat plants slaughtered 4.13m pigs in January 2013, an increase of 4.5% from the opening month of 2012. This yielded 356,100t of pigmeat; an increase of 11,800t, or 3.5%. This follows on from a 4.5% rise in slaughter numbers and a 5% rise in production volumes to 1.81mt in the 2012 calendar year. While EU regulations on sow stalls have led to a reduction in sow numbers, it has also pushed up slaughterings as a result of fewer retentions and increased herd liquidations.

In China as many as 16,000 dead pigs have recently been found in the Huangpu River in the country's financial capital, Shanghai. With no official cause of death (though some have tested positive for porcine circovirus) the main theory is that farmers have disposed of diseased pigs in the river and they have been carried downstream towards the city.

Iain Macdonald and Stuart Ashworth – March 2013