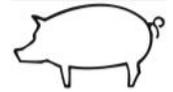




USA



The United States is the world's second largest producer of pig meat. Although consumption is also high, it produces substantially more than it consumes and is, therefore, a major player in the global pig market. Indeed, it is the EU's main rival in many export markets, with both accounting for around a third of global trade in pig meat (excluding intra-EU trade). Despite this, US exports of pig meat to the EU are minimal, partly because of high import tariffs but also because of EU restrictions on certain feed supplements which are widely used in the US.

Pig Numbers

According to the latest figures published by the USDA, the US pig herd on 1 September was marginally higher than a year earlier at 67.5 million head. This was also three per cent higher than on 1 June 2012, which is the normal seasonal pattern. Similarly, there was a small increase in the number of pigs available for slaughter, with more pigs in the heaviest weight band but fewer in lighter weight bands, suggesting a fall in slaughterings is likely later in the year. Breeding pig numbers were marginally lower than last year at 5.8 million head. This was also one per cent lower than the previous quarter.

Sow farrowings for June to August stood at 2.89 million head, one per cent lower than the same quarter last year. However, as the average number of pigs weaned per litter reached a record high of 10.13, the pig crop was little changed. Looking ahead, the future for the US pig herd is looking more pessimistic, as producers intend to farrow 2.85 million sows during the autumn quarter, three per cent lower than the actual farrowings during the same period in 2011. Intended farrowings for the winter quarter are lower still at 2.82 million sows, which would make it the lowest quarterly figure for nine years. This indicates that producers are lacking confidence, due to the recent drought and rising feed costs and suggests lower supplies and, hence, higher prices next year.

US hog inventory, September

	2011	2012	% change
	000 head		
Breeding pigs	5,806	5,788	-0.3
Slaughter pigs	61,428	61,684	+0.4
Of which:			
<27kg	19,761	19,653	-0.5
27-54kg	17,884	17,675	-1.2
54-87kg	12,822	12,899	+0.6
>87kg	10,961	11,475	+4.7
Total Pigs	67,234	67,472	+0.4

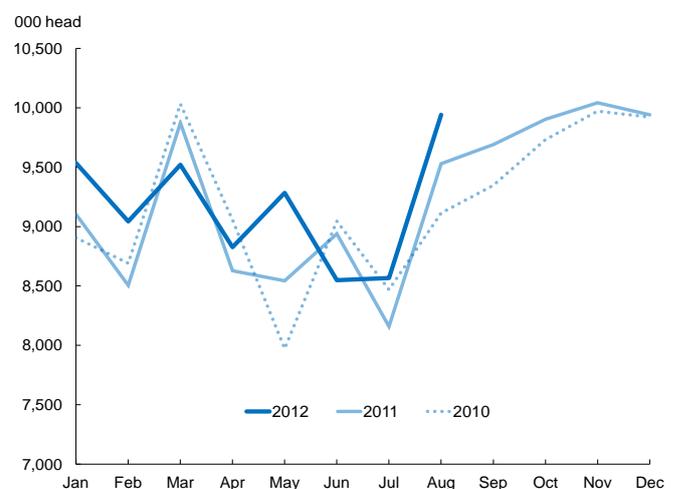
Source: USDA

Production

Between January and August 2012, US pig slaughterings increased by just over three per cent year on year reaching 73.3 million head. This reflects the increases in the breeding herd in the second half of 2011 and early 2012. Carcase weights were at a similar level to last year, rising by less than 0.5 per cent during the first eight months of 2012. This resulted in a three per cent increase in pig meat production to 6.8 million tonnes.

The number of sows slaughtered in the first half of this year was down marginally. However, the onset of higher feed prices led to a five per cent year-on-year increase in sow throughputs during July and August, with August's figure the highest since October 2009. This meant that overall during the first eight months of the year, sow slaughterings were up fractionally at just under 2 million head.

US pig slaughterings



Source: USDA

Trade

The US export market performed strongly in the first half of 2012 as total fresh and frozen pork exports increased by 17 per cent year on year. A relatively weak dollar at the start of the year encouraged the US trade but in June it was notably down as the value of the US dollar picked up across the markets and pig prices increased. In addition, there was strong demand from the Chinese and Mexican markets. In particular, pork shipments to China doubled as a result of the continuing increase in consumption of pig meat there.

January - June		2010	2011	2012
		000 tonnes		
EXPORTS				
Total fresh/frozen pork		629.2	719.9	840.8
to:	Japan	206.8	231.8	213.2
	Mexico	135.9	123.4	198.3
	China	2.5	54.0	116.9
	South Korea	39.3	94.5	75.4
	Russia	18.0	29.7	46.7
	Australia	25.9	33.2	31.1
	Hong Kong	43.4	13.6	20.0
IMPORTS				
Total fresh/frozen pork		147.6	141.6	148.4
from:	Canada	124.6	116.5	122.3
	Denmark	16.4	16.4	15.9
	Mexico	1.6	2.2	2.9
	Ireland	0.9	1.5	2.3

Source: US Dept of Commerce, GTIS

Shipments to Russia also increased by more than a half as a result of import restrictions on Brazilian pork and lower shipments from Europe. In contrast, Japan's relatively fast recovery from the tsunami and earthquake supported their domestic production so Japanese demand for US pork was back by eight per cent compared to last year. Trade with South Korea was also down by a fifth. This was mainly due to higher domestic pork production given their gradual recovery from FMD as farmers in South Korea rebuild their pig industry.

The US imports a large volume of fresh and frozen pork from Canada, accounting for 82 per cent of the total. Steady pork production accompanied by lower Canadian trade with Japan and South Korea resulted in a five per cent increase in imports from Canada. Shipments of pig meat from the second largest supplier Denmark have fallen by just over three per cent in first half of 2012 compared to last year.

Although live pig supplies from Canada are moving at a slower rate, Canada has maintained its position as the main exporter of live pigs to the US, supplying 2.9 million head between January and June this year.

Prices

Prices for finished pigs have been below last year's highs for most of 2012. The short rise in January was soon over as prices fell between February and May partly due to higher production. Although prices in June and July were about two cents per pound below last year's level, they fell back in August and then sharply in September. This was due to increased marketing of hogs as a result of the drought conditions and subsequent increase in feed costs. Nevertheless, until September prices remained high by historic standards, driven by higher export-led demand for US pig meat mainly from China and Mexico. By September wholesale prices for pork were down from September 2011 by over 18 per cent. The largest drop was seen in the price for trimmings, which had fallen by nearly half over the year.

US barrows and gilts price, National base



Source: USDA

Outlook

So far this year, sow productivity has been rising by more than the fall in farrowings, which means an increased pig crop, leading to a rise in total slaughterings, which should be sustained through the remainder of 2012. Carcase weights are expected to remain relatively stable. This means that pig slaughtering and meat production will also increase by two per cent year on year in 2012. The rise in production is more likely to feed into higher exports to strong markets such as China and Mexico whilst domestic consumption is expected to remain stable.

During the autumn and winter quarters, the USDA reports that pig producers intend to farrow fewer sows than in recent periods. The actual fall in farrowings could be even larger as high feed prices continue to raise the cost of pig production, impacting on producer margins and leading to pessimistic sentiment in the

industry. Although, prices have begun to pick up from their low-point in September, it is neither fast enough nor sufficient to compensate for the rise in cost of production. This leaves a serious threat to the future profitability for the US pig industry, which may result in producers cutting down on their production plans. As a result we can expect further liquidation of sow numbers.

The means that slaughterings and production in 2013 are likely to be lower than in 2012, although the scale of the decline is less certain since it will depend on the industry's response to higher feed prices. In turn, this will depend on the development of the pig price. USDA currently forecast a one per cent fall in slaughtering and production but a larger fall is possible, despite further improvements in productivity.

US pig meat production and consumption forecasts

	Jan-Aug 2011	Jan-Aug 2012	2011	2012 (f)	% change	2013 (f)	% change
(000 head)							
Slaughterings	71,281	73,271	110,864	112,950	+2	111,550	-1
(000 tonnes)							
Net production	6,631	6,848	10,323	10,567	+2	10,433	-1
Consumption			8,339	8,340	-	8,250	-1

Interested in data? Get more detail about these and other areas from <http://www.bpex.org/prices-facts-figures/>

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