The European Pork Industry

Recent developments, issues and challenges

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INRA SCIENCE & IMPACT

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A quick look at Andalusia - Los Pedroches (summer 2016)

An outstanding European industry:

Iberian pigs for *“bellota”* quality ham are raised in a *Dehesa*, an agricultural forest ecosystem found in southwest central Spain.

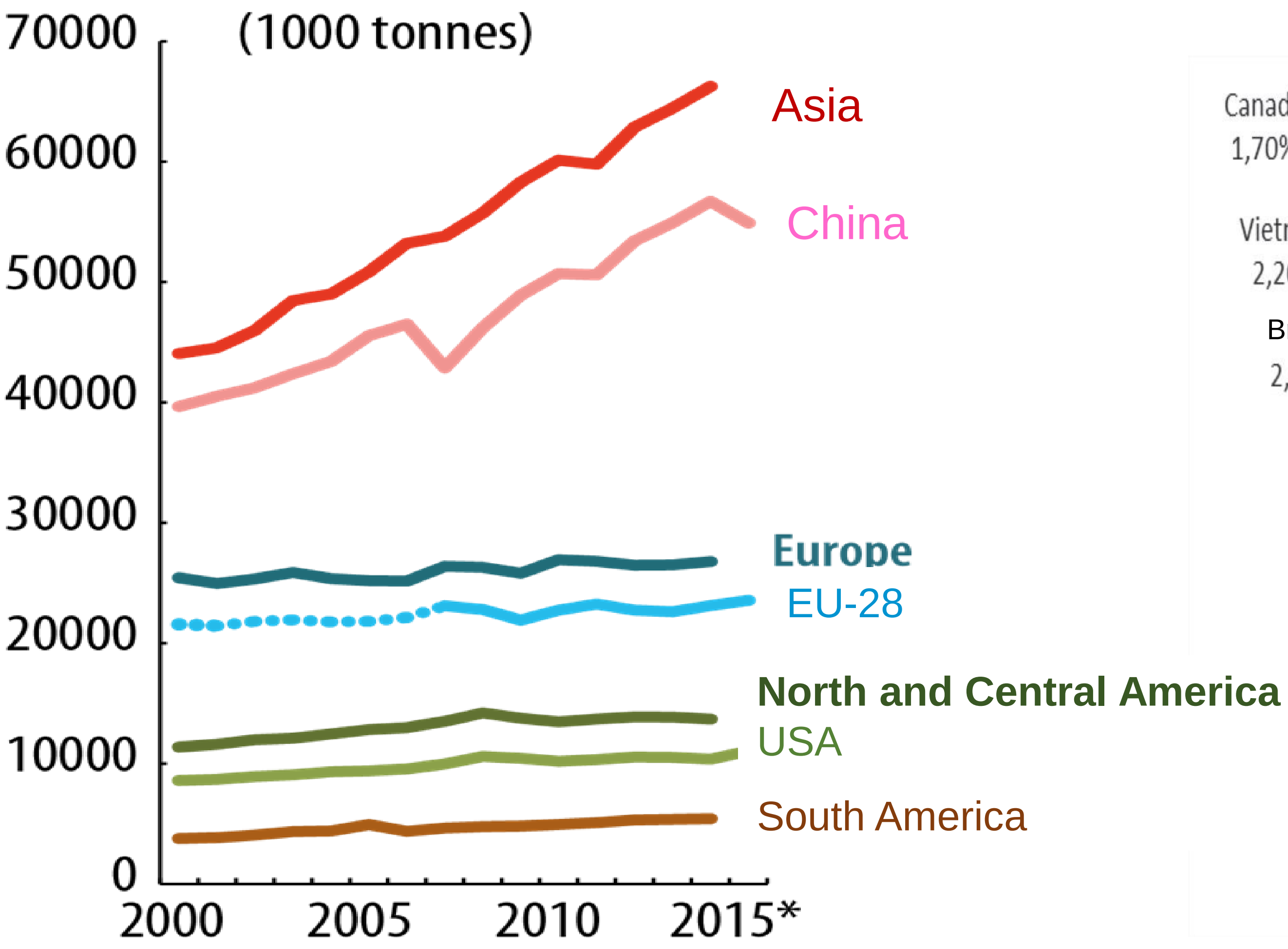
Photography : Vincent Chatellier

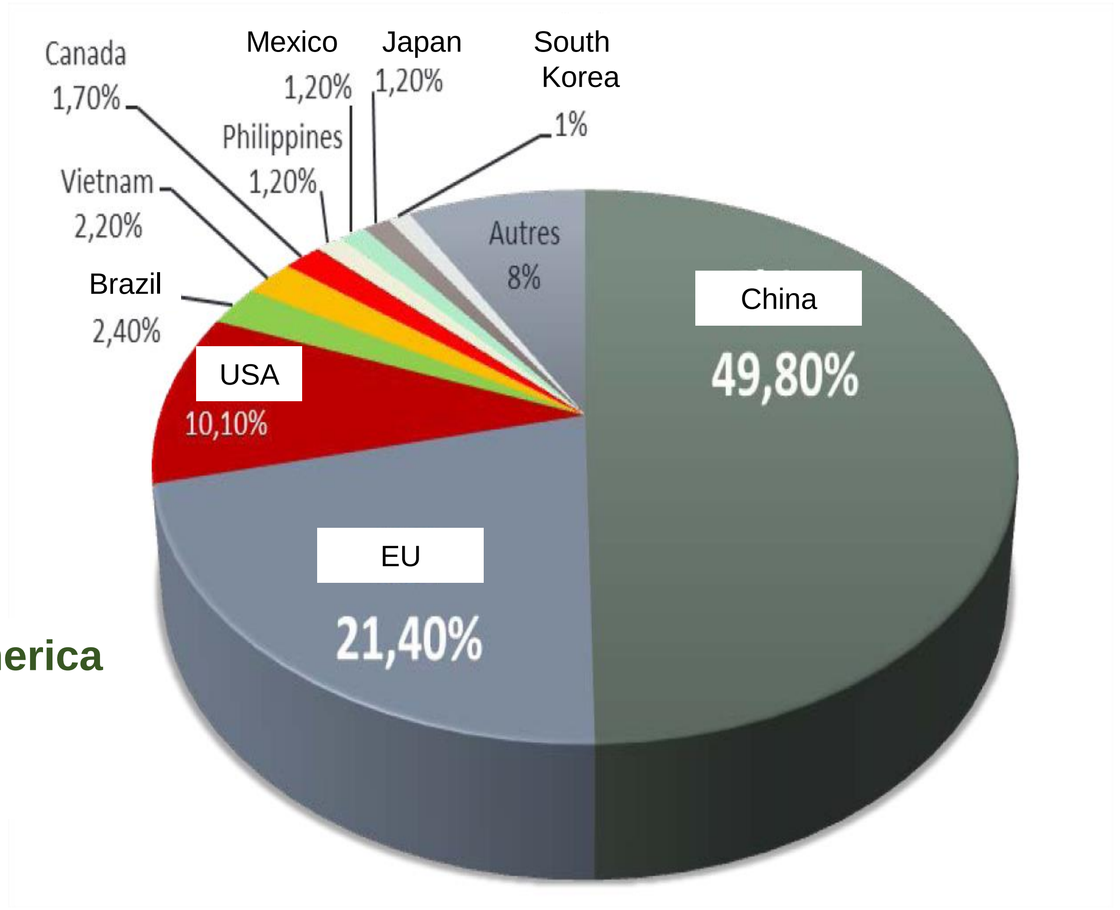
Contents

1- The place of the EU in the world pork economy



Pork production worldwide

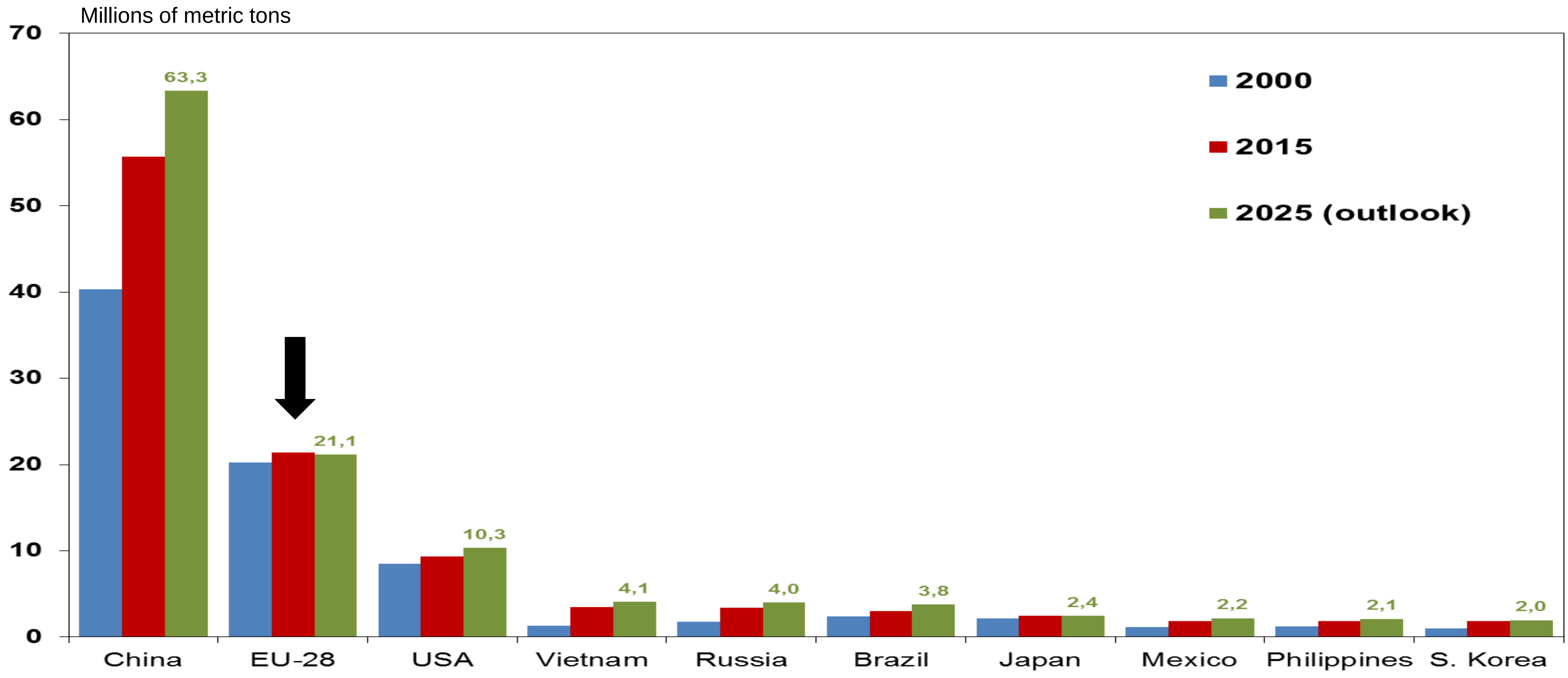




IFIP

Leading pork consumers

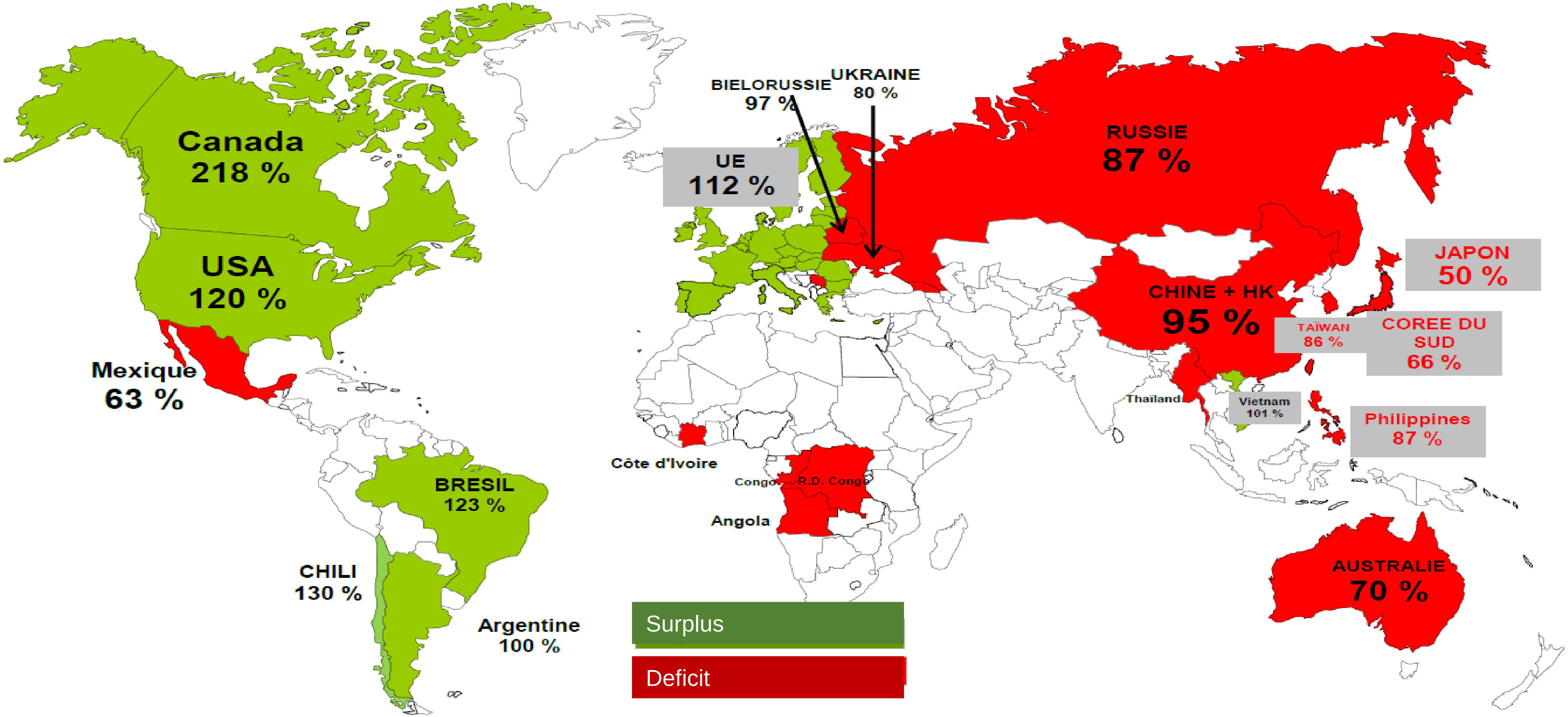
(Millions of metric tons, 2000, 2015 and outlook for 2025)



FAO-OECD

Pigmeat self-supply ratios

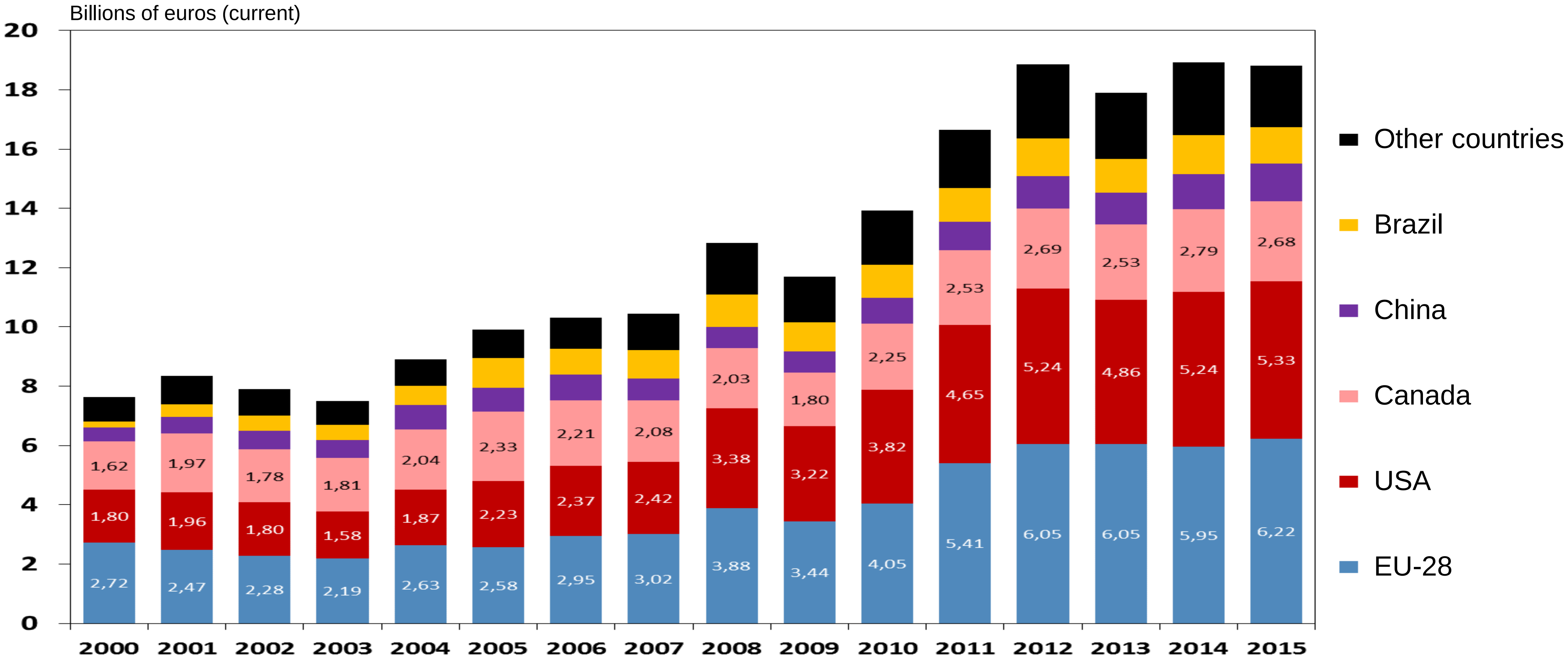
(%, 2015)



MPB from USDA, Eurostat, national customs records and other sources

Main pork sector exporters*

(Billions of euros [current], 2000-2015)

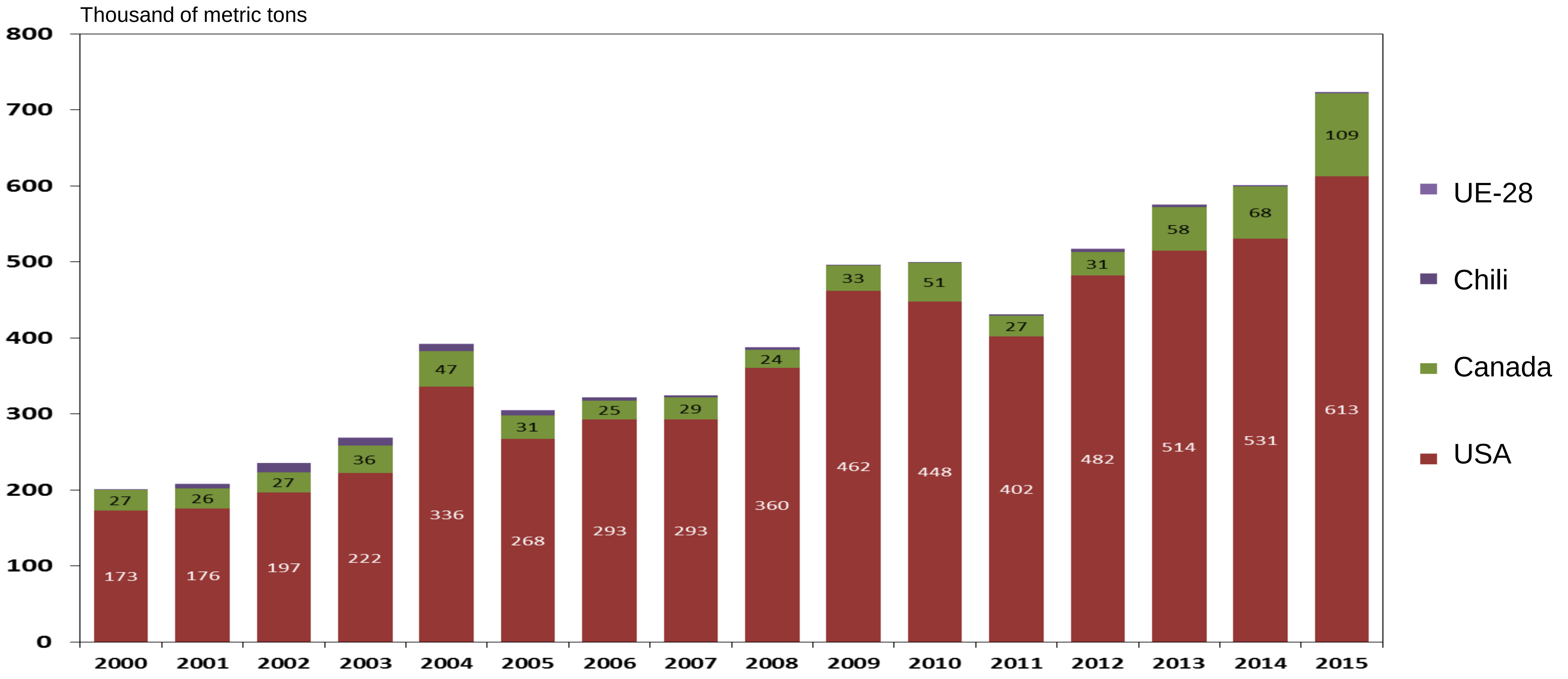


(*) Live pigs + Fresh, refrigerated and frozen meat + Offal + Lard and fat + Dried salted and smoked meat + Other processed products

Comtrade / INRA, SMART-LERECO

Pig meat imports by Mexico

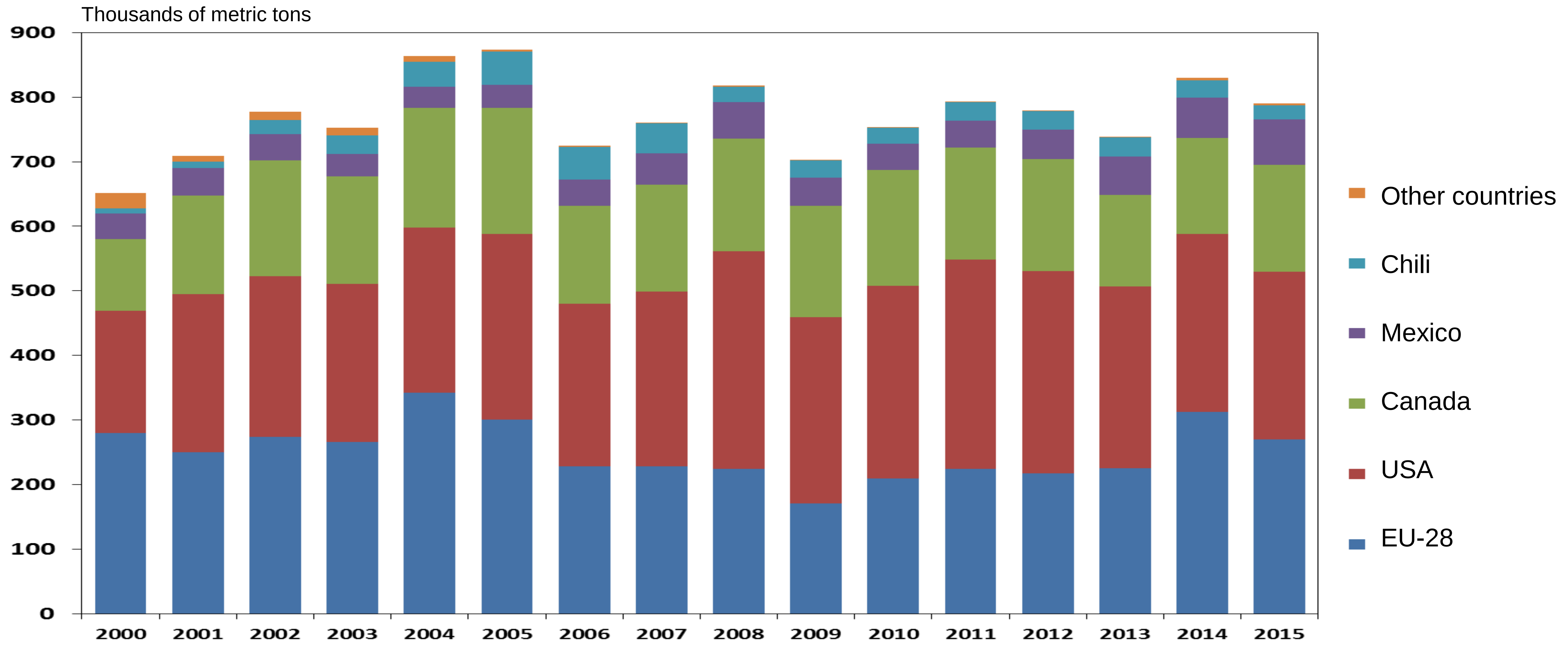
(Fresh, refrigerated, and frozen meat – Thousands of metric tons, 2000-2015)



Comext / INRA, SMART-LERECO

Pig meat imports by Japan

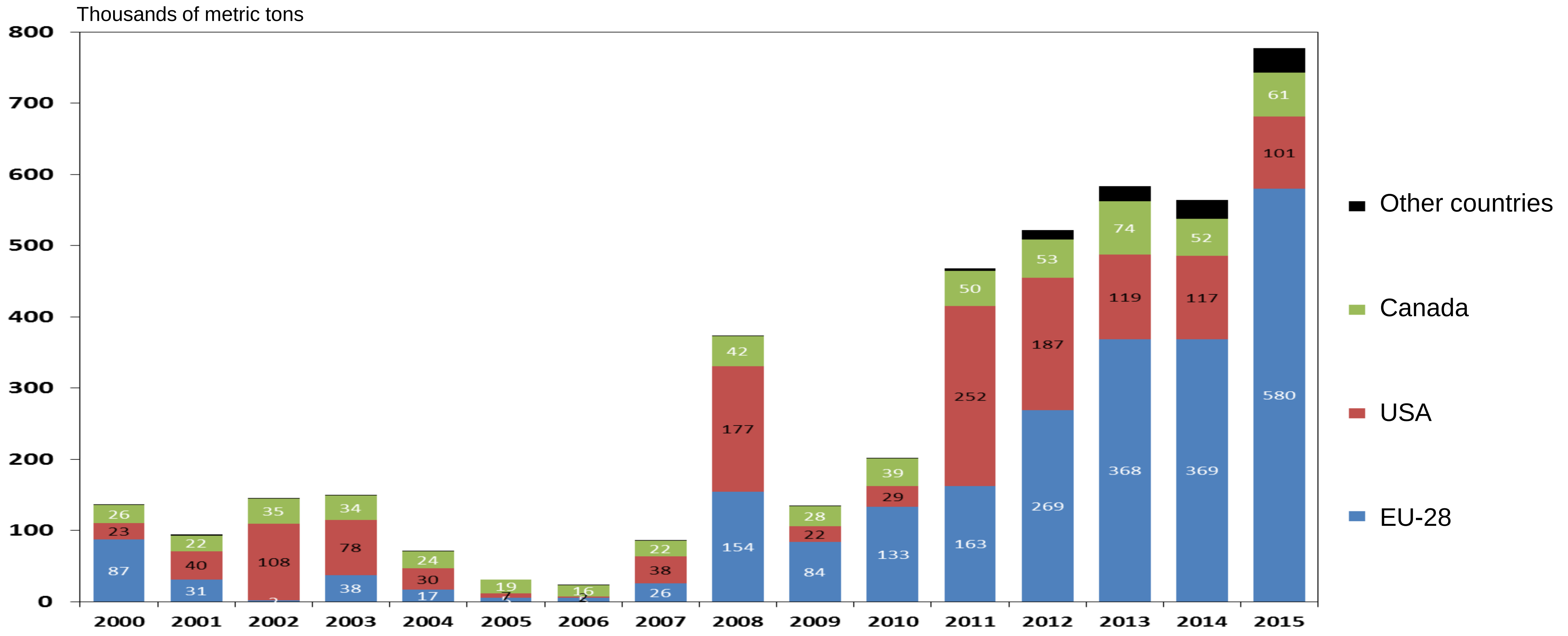
(Fresh, refrigerated, and frozen meat - Thousands of metric tons, 2000-2015)



Comext / INRA, SMART-LERECO

Pig meat imports by China

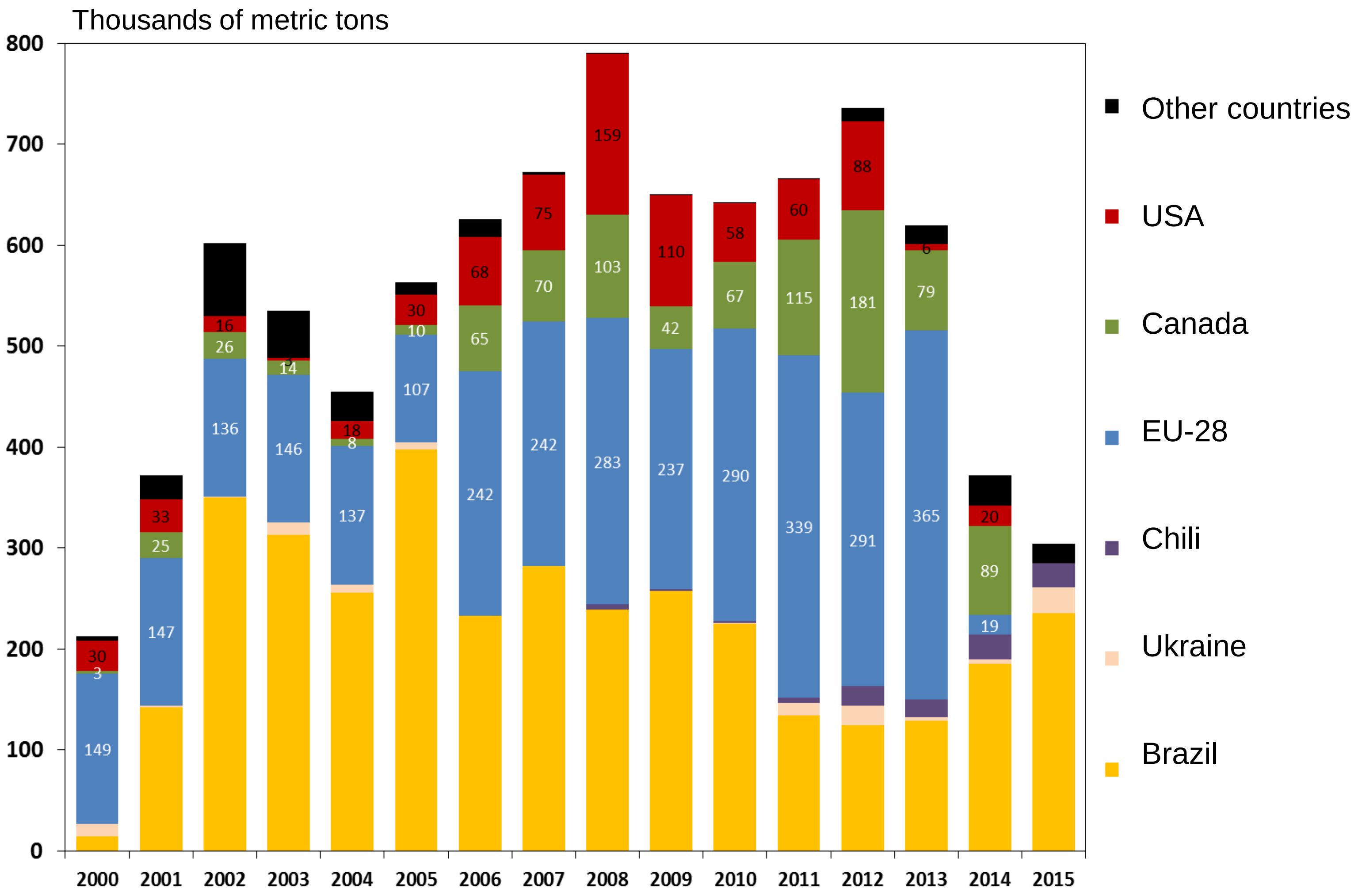
(Fresh, refrigerated, and frozen meat - Thousands of metric tons, 2000-2015)



Comext / INRA, SMART-LERECO

Pig meat imports by Russia

(Fresh, refrigerated, and frozen meat - Thousands of metric tons, 2000-2015)



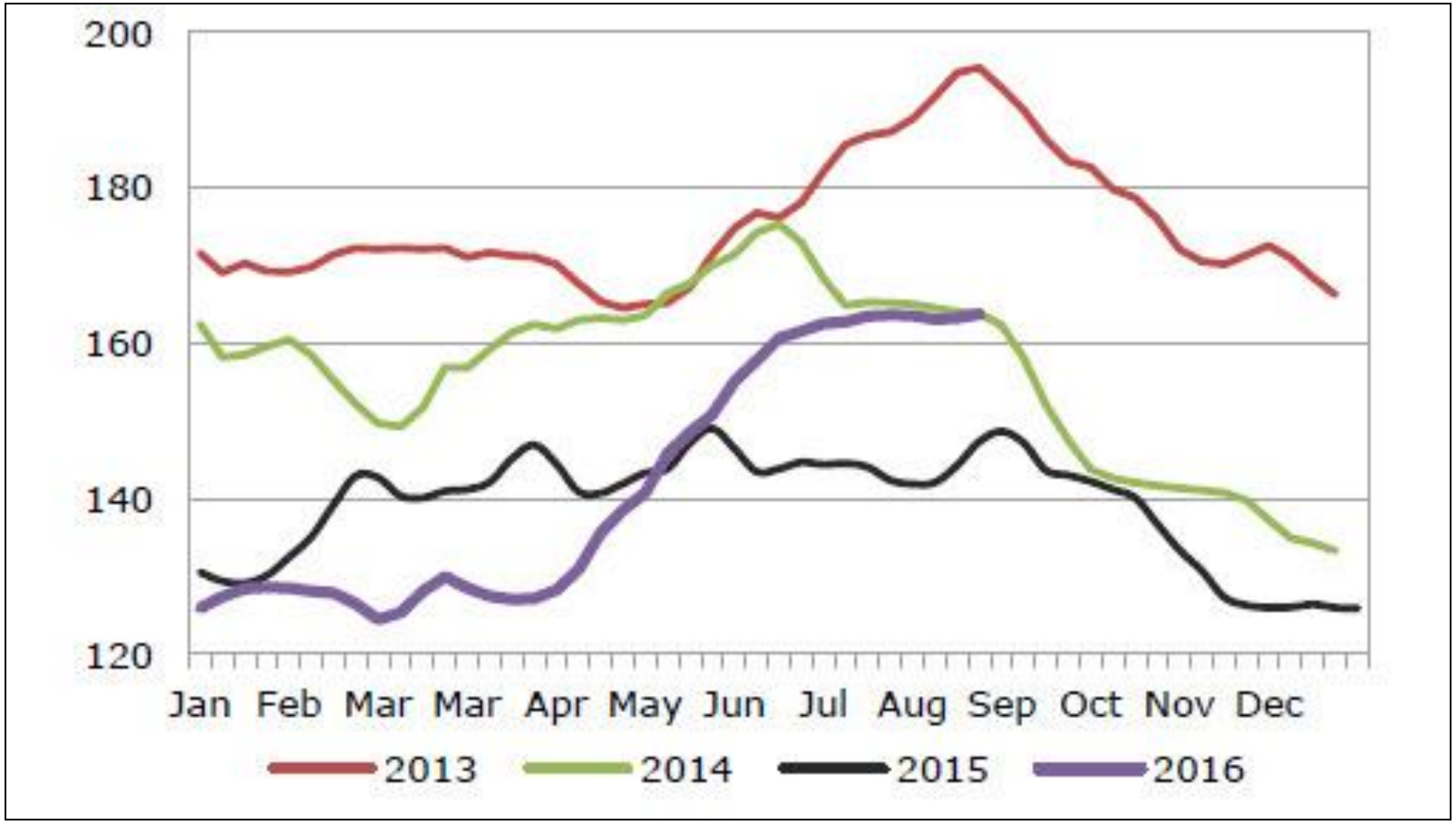
- **2012: No embargo**
- **In 2013,** US sales collapsed (-93%) after a decision by Russia to ban imports of pig meat from animals using **Ractopamine.**
- **In January 2014,** when the existence of the Asian swine fever (ASF) virus among wild boars in Eastern EU countries was officially made public, Russia declared a **health embargo** on all European exporters. Exports from the EU to Russia ceased at this time.
- **In August 2014,** an **economic embargo** was imposed, closing this outlet to the EU, the US, and Canada.
- **In 2015,** only Brazil (a member of BRICS, with Russia) is able to export to Russia.

Comext / INRA, SMART-LERECO

2- The pork sector in the EU as a whole

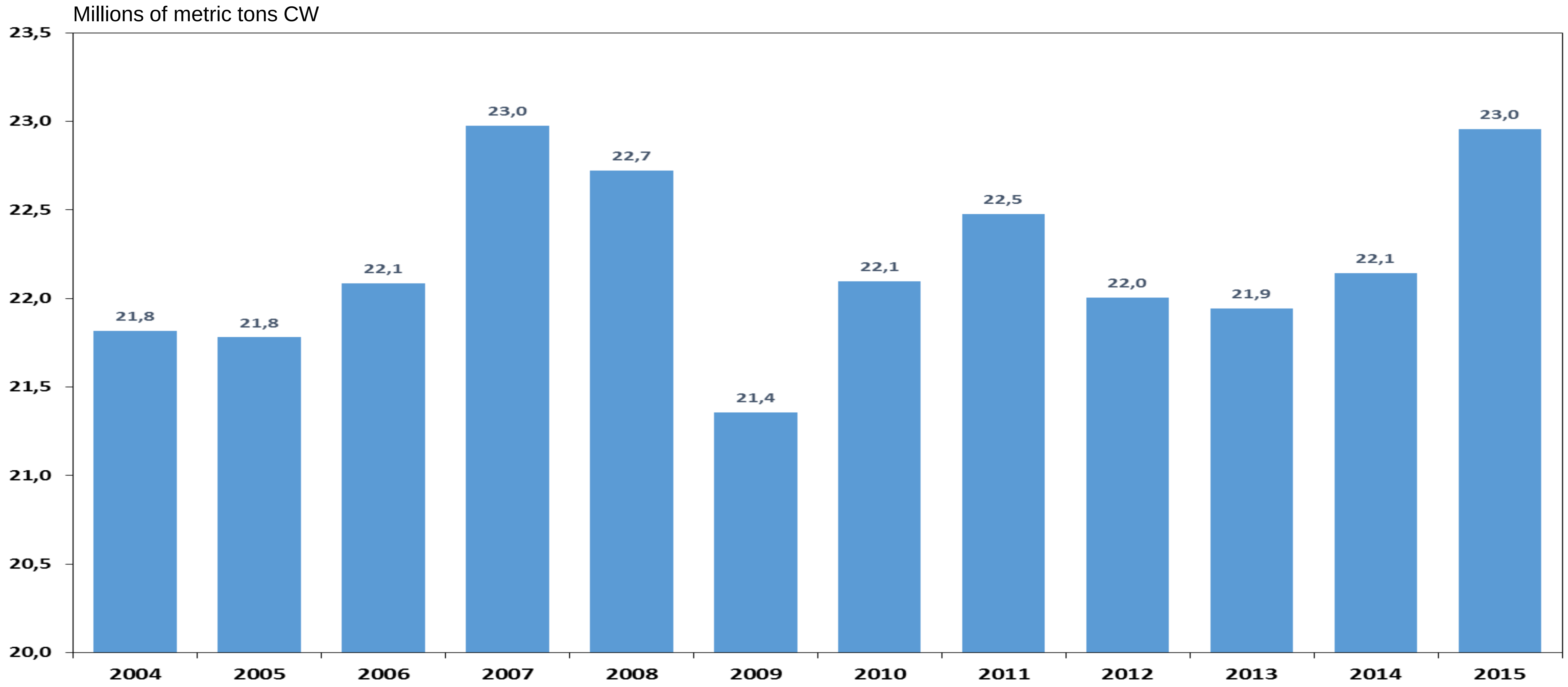


Price of Pork in EU (euro per 100 kg, class E)



European Commission

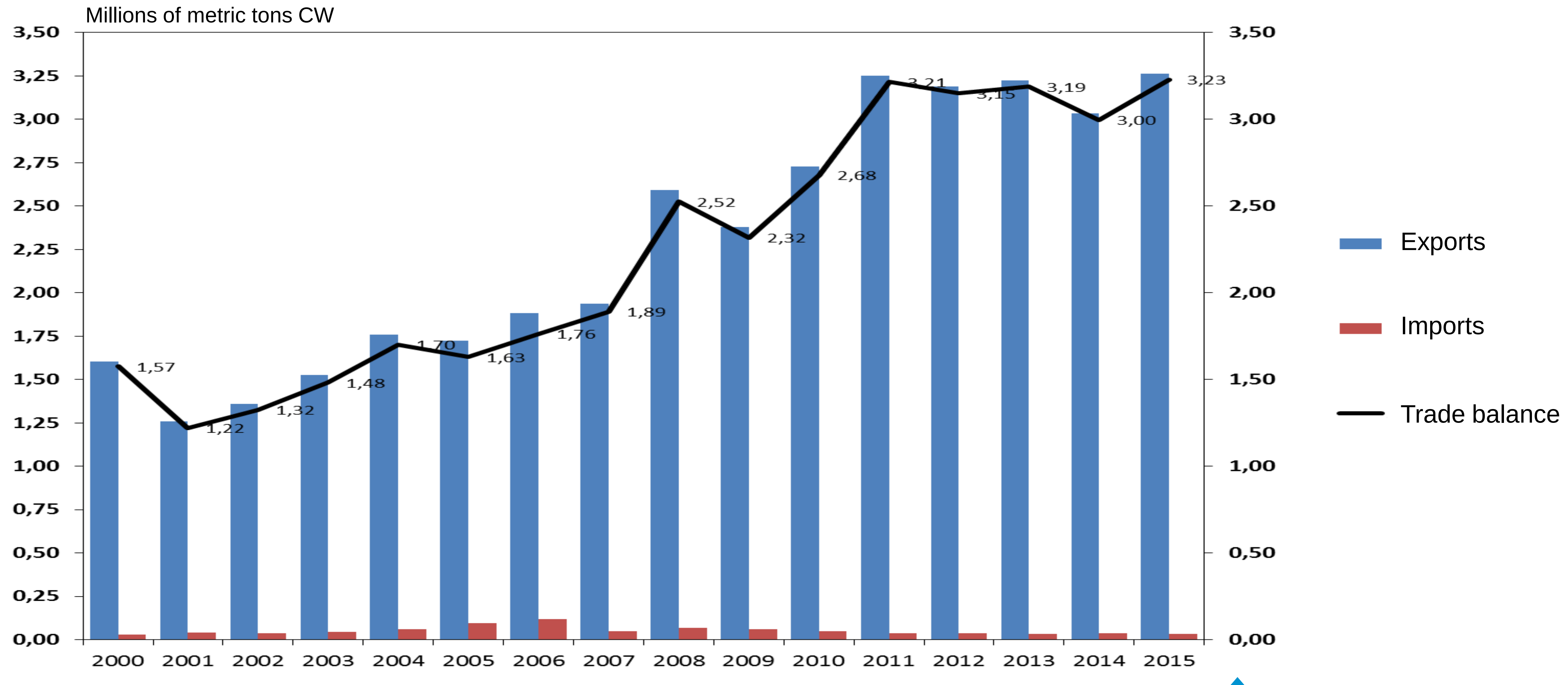
Pigmeat slaughter in EU
(Millions of metric tons CW)



European Commission

EU pigmeat* trade with third countries

(Millions of metric tons CW, 2000-2015)



(*) Fresh, refrigerated and frozen meat + Offal + Lard and fat + Dried salted and smoked meat + Other processed products

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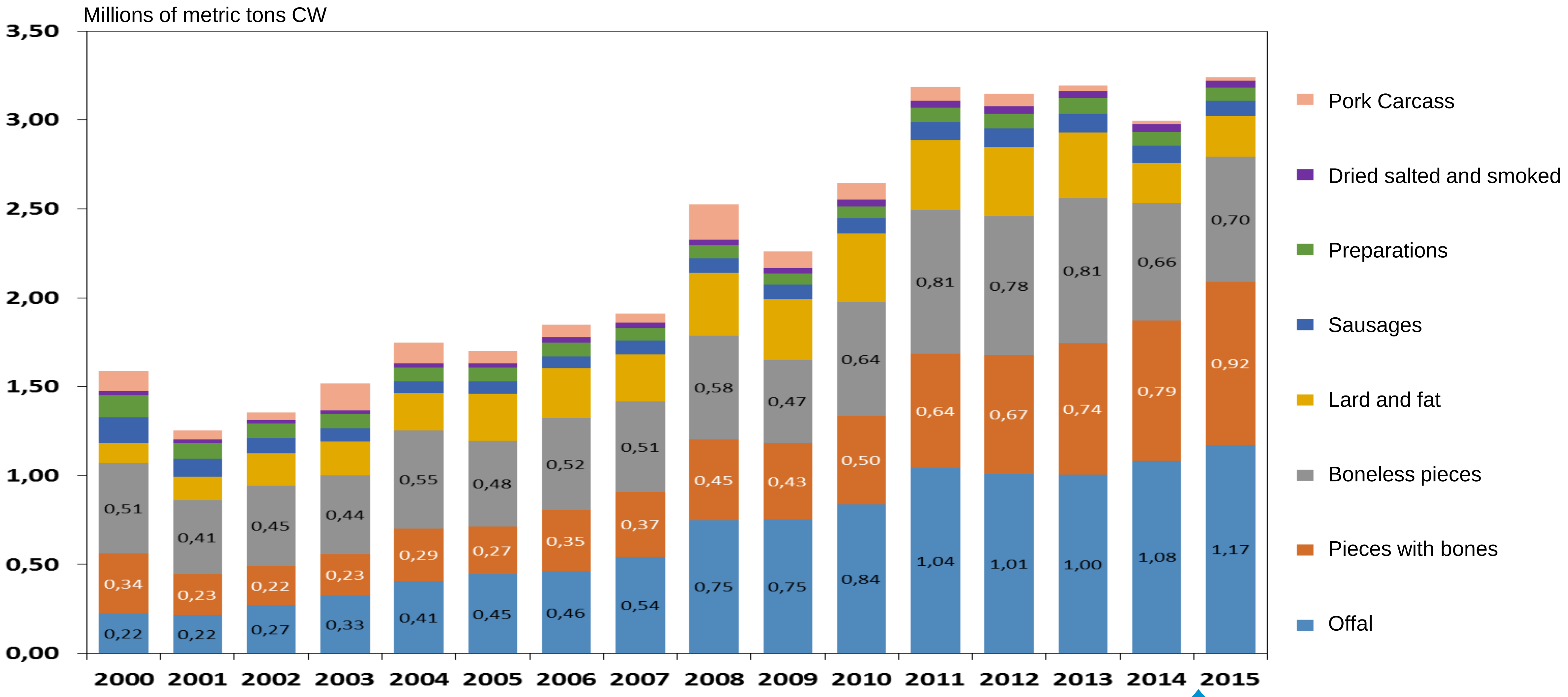
EU pigmeat exports
(Millions of metric tons CW, 2000-2015)



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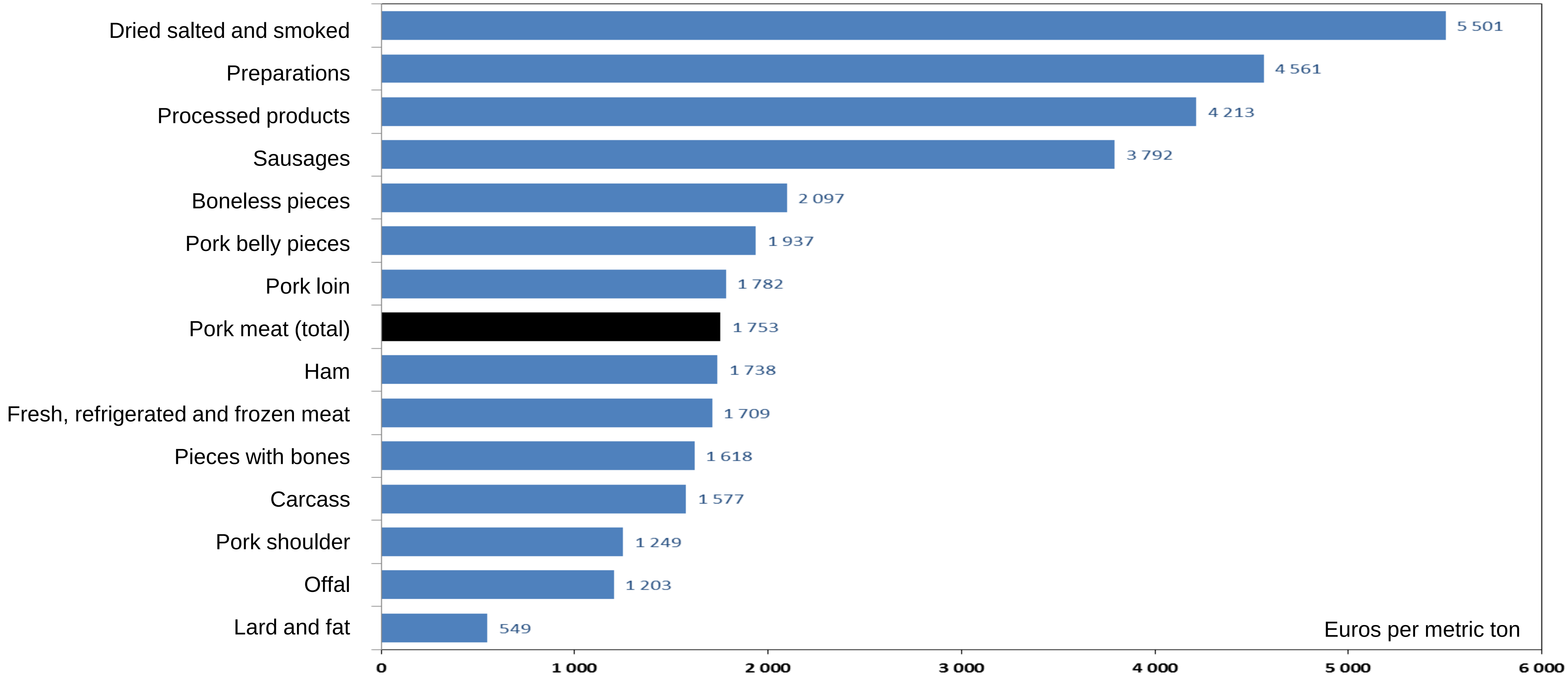
European pigmeat export prices
(Euros per metric tons, in 2015)



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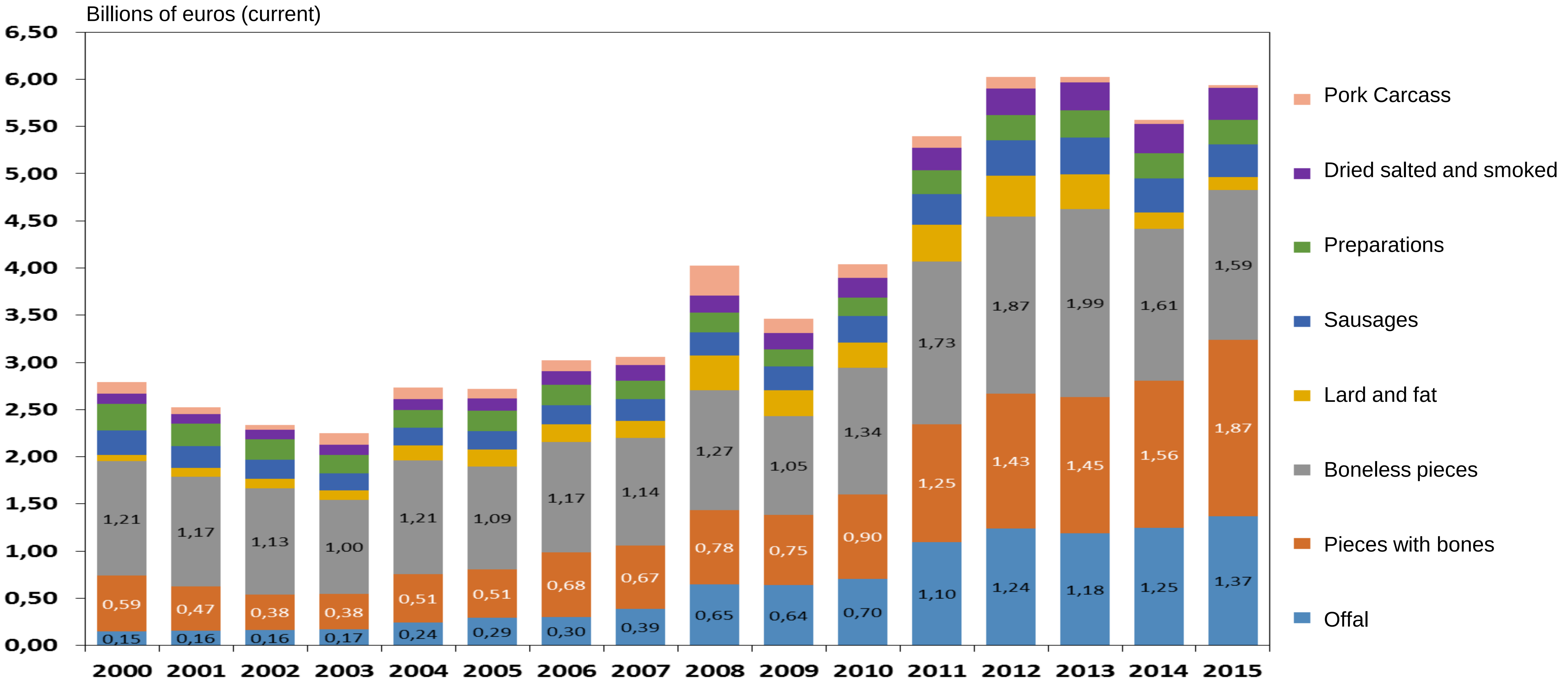
EU pigmeat* exports

(Billions of euros [current], 2000-2015)

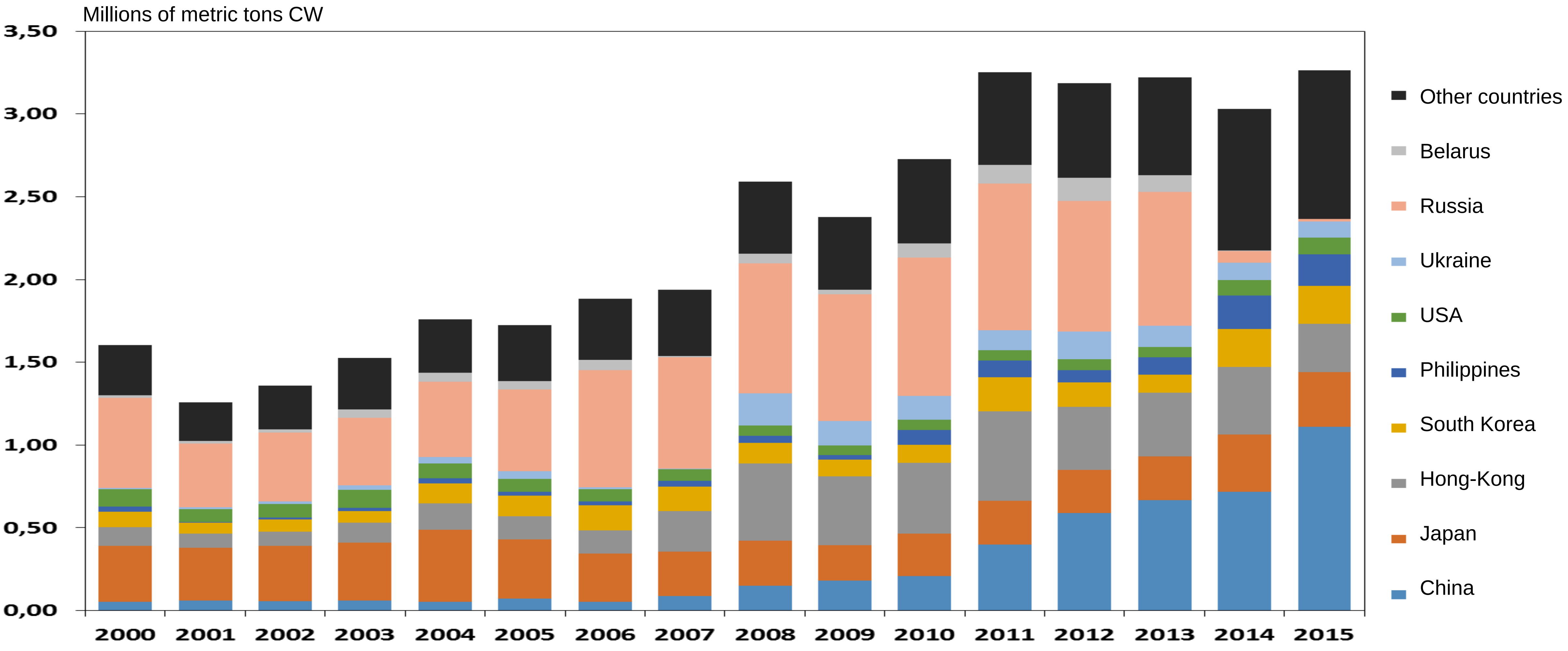


(*) Fresh, refrigerated and frozen meat + Offal + Lard and fat + Dried salted and smoked meat + Other processed products

Comext / INRA, SMART-LERECO

EU pigmeat* customers

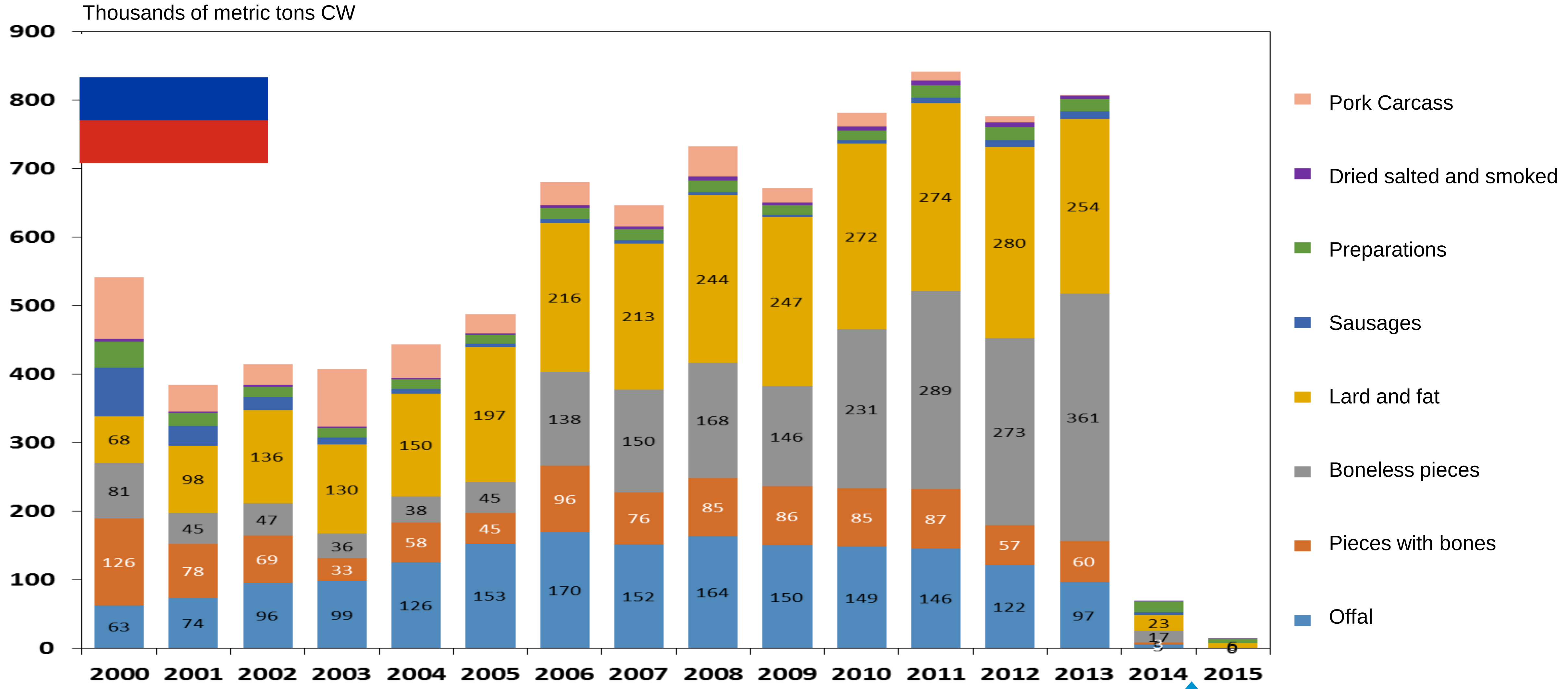
(Millions of metric tons CW, 2000-2015)



(*) Fresh, refrigerated and frozen meat + Offal + Lard and fat + Dried salted and smoked meat + Other processed products

Comext / NRA, SMART-LERECO

EU pigmeat* exports to Russia
(Thousands of metric tons CW, 2000-2015)

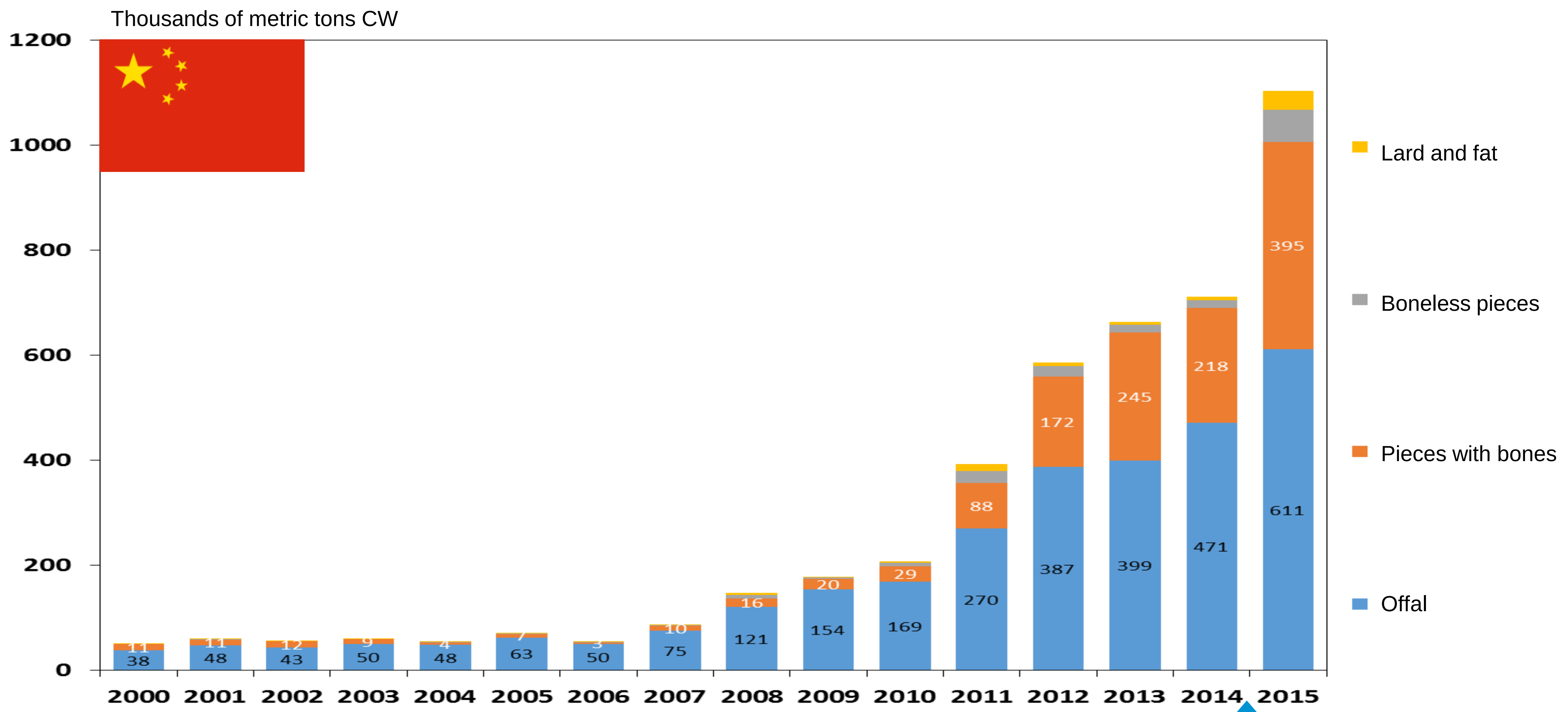


(*) Fresh, refrigerated and frozen meat + Offal + Lard and fat + Dried salted and smoked meat + Other processed products

Comext / Traitement INRA, SMART-LERECO

EU pigmeat* exports to China + Hong-Kong

(Thousands of metric tons CW, 2000-2015)



(*) Fresh, refrigerated and frozen meat + Offal + Lard and fat + Dried salted and smoked meat + Other processed products

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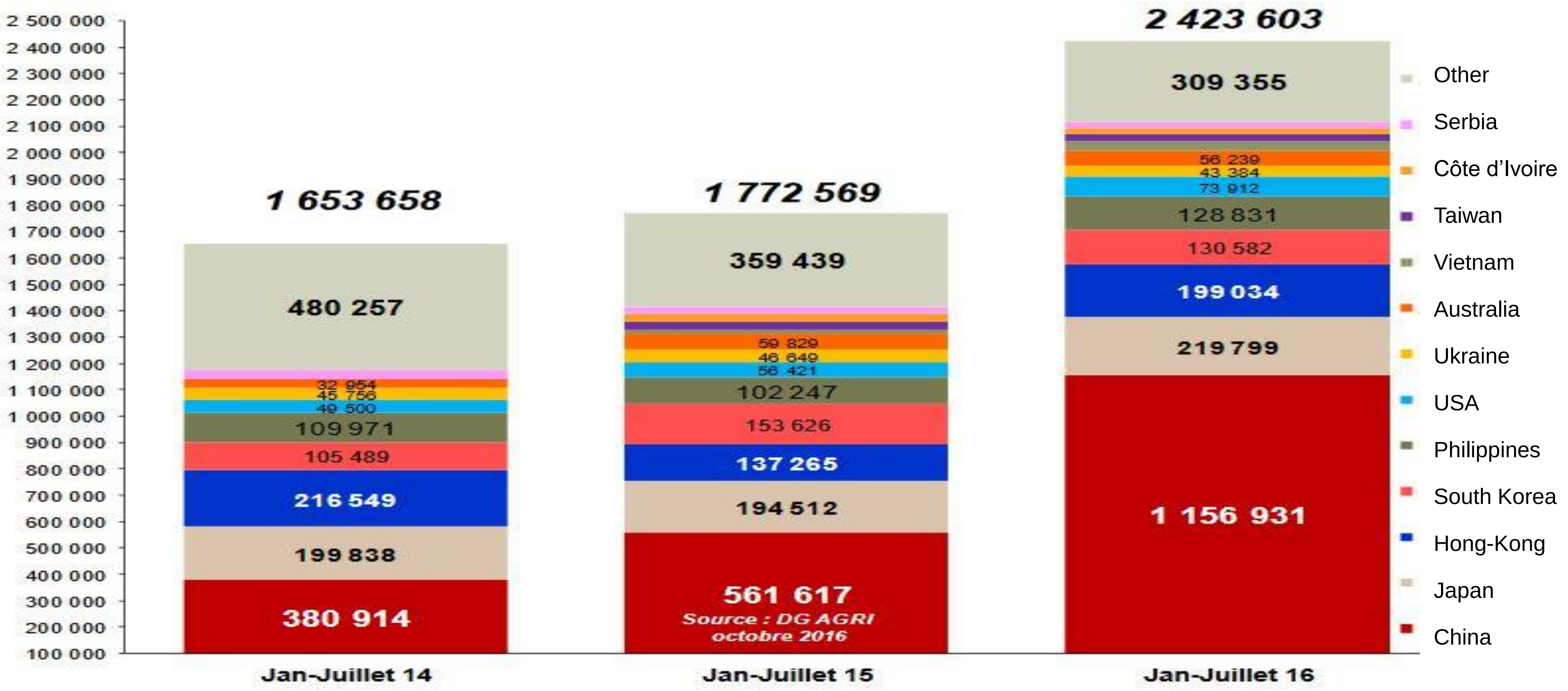
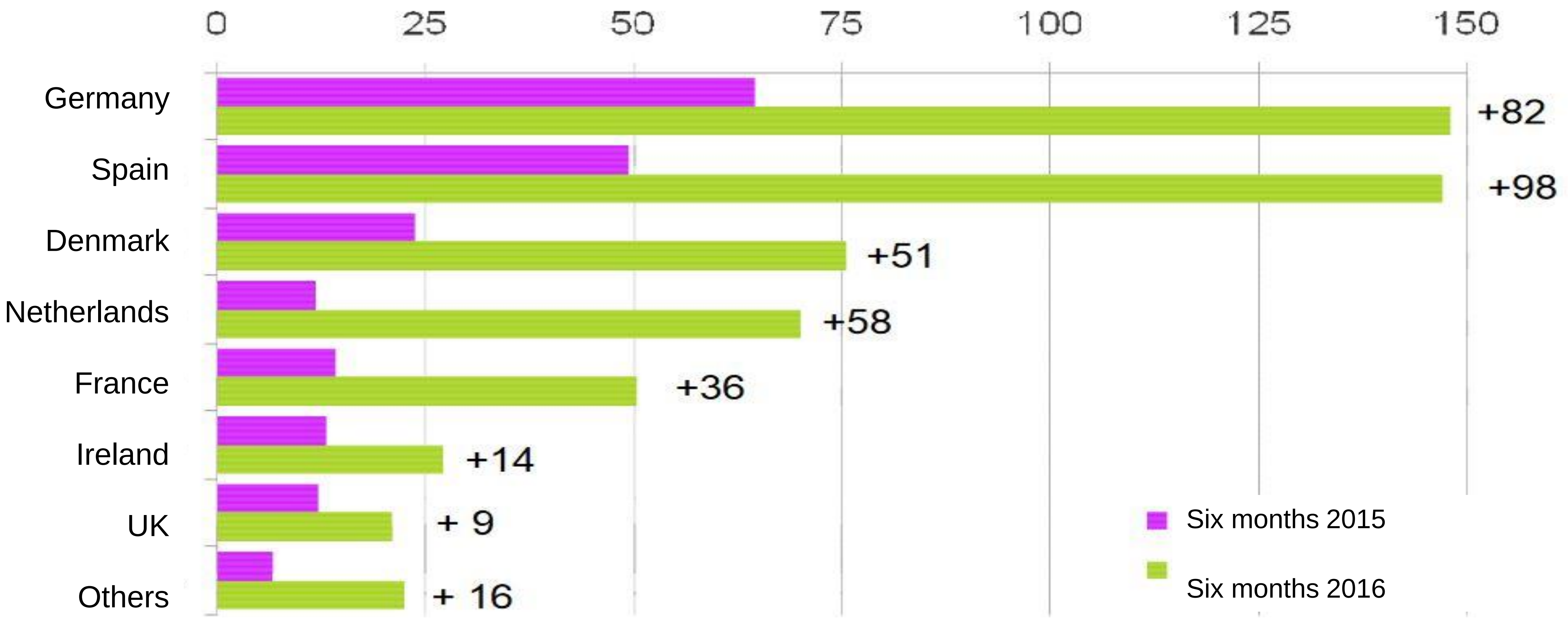
EU pigmeat customers (by volume)

(Metric tons CW, first half-year 2014, 2015 et 2016)



European Commission

EU pigmeat exports to China
(Thousands of Metric tons CW, first half-year 2015 and 2016)



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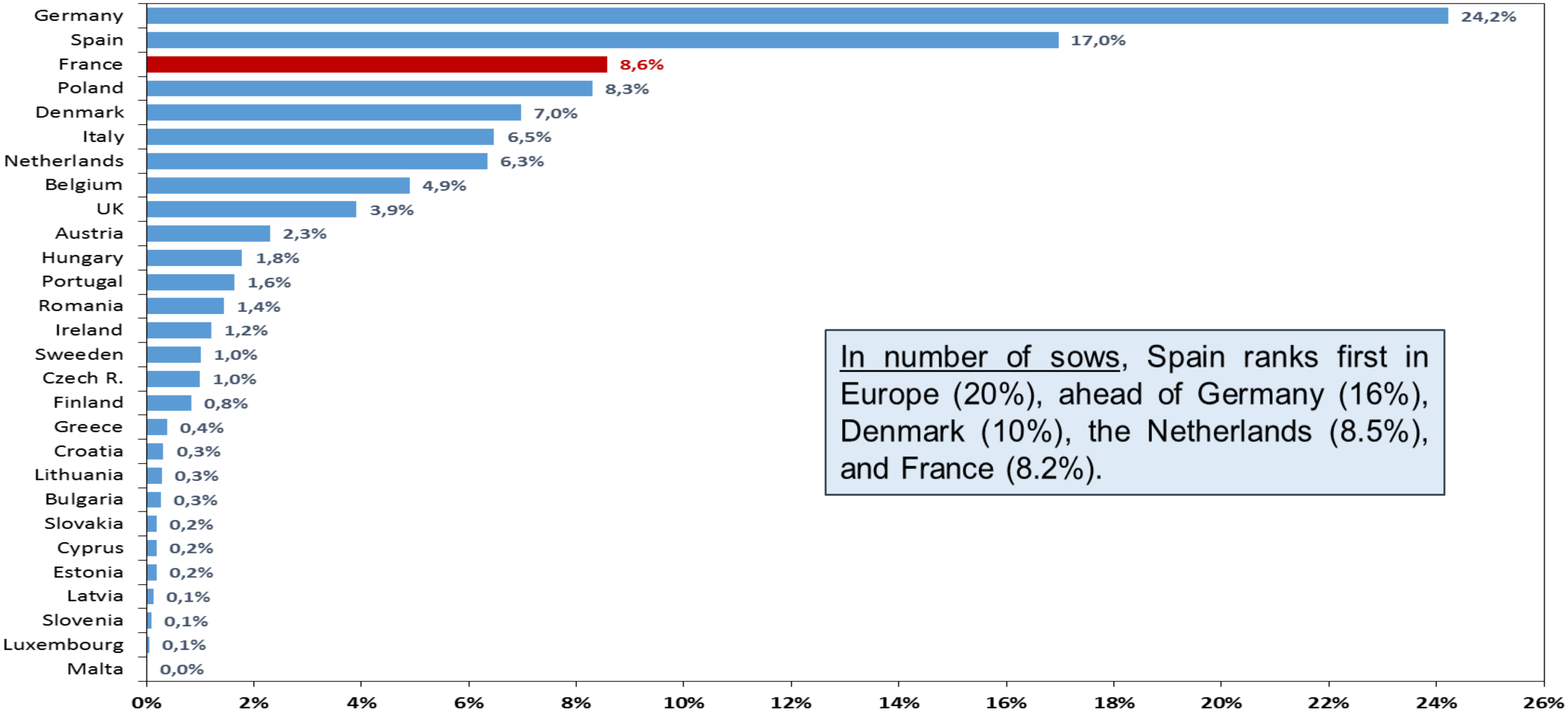
3- The pork sector in EU Member States

Pigmeat slaughter in EU countries

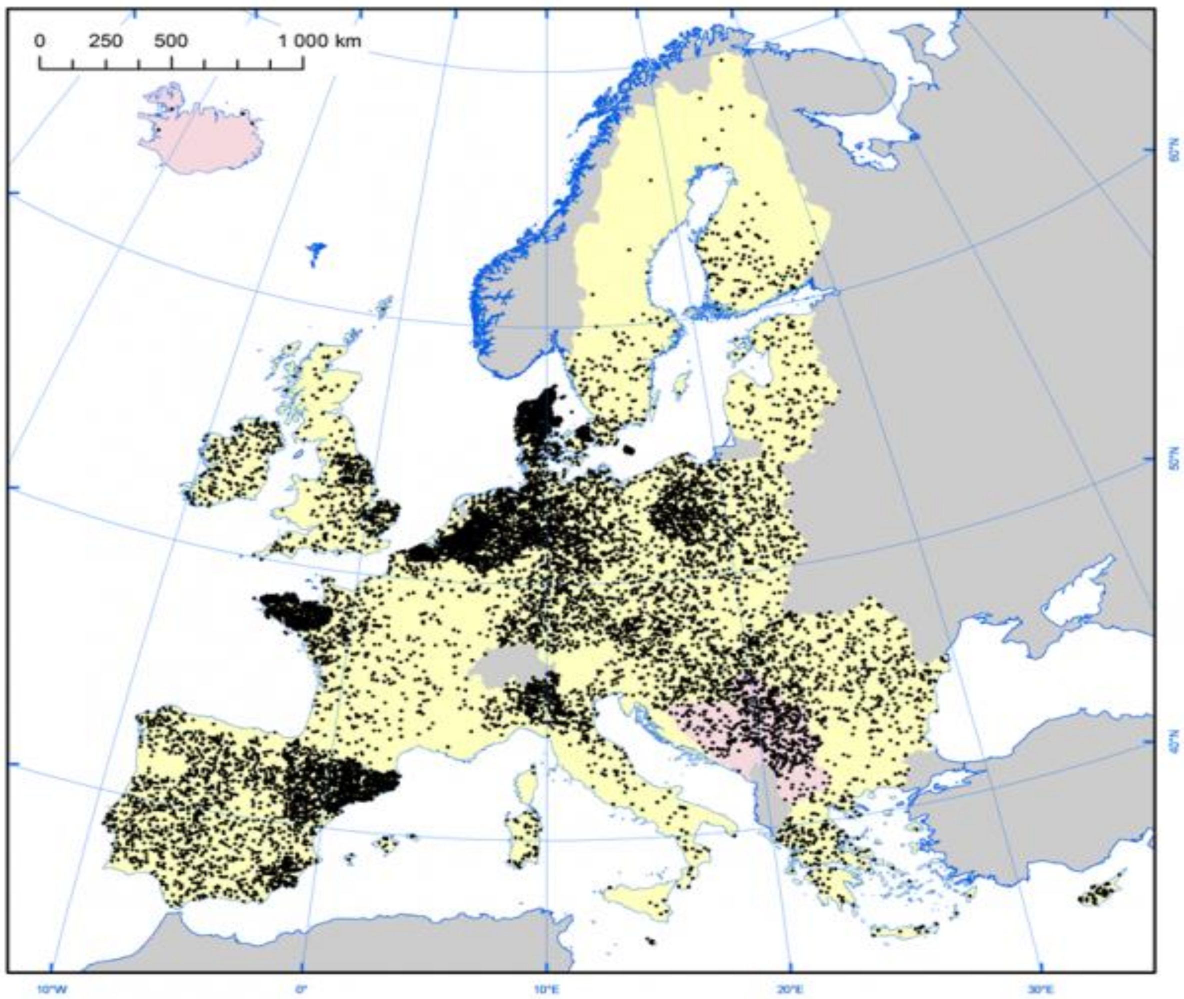
(% of EU Total, in 2015)



In number of sows, Spain ranks first in Europe (20%), ahead of Germany (16%), Denmark (10%), the Netherlands (8.5%), and France (8.2%).

Eurostat

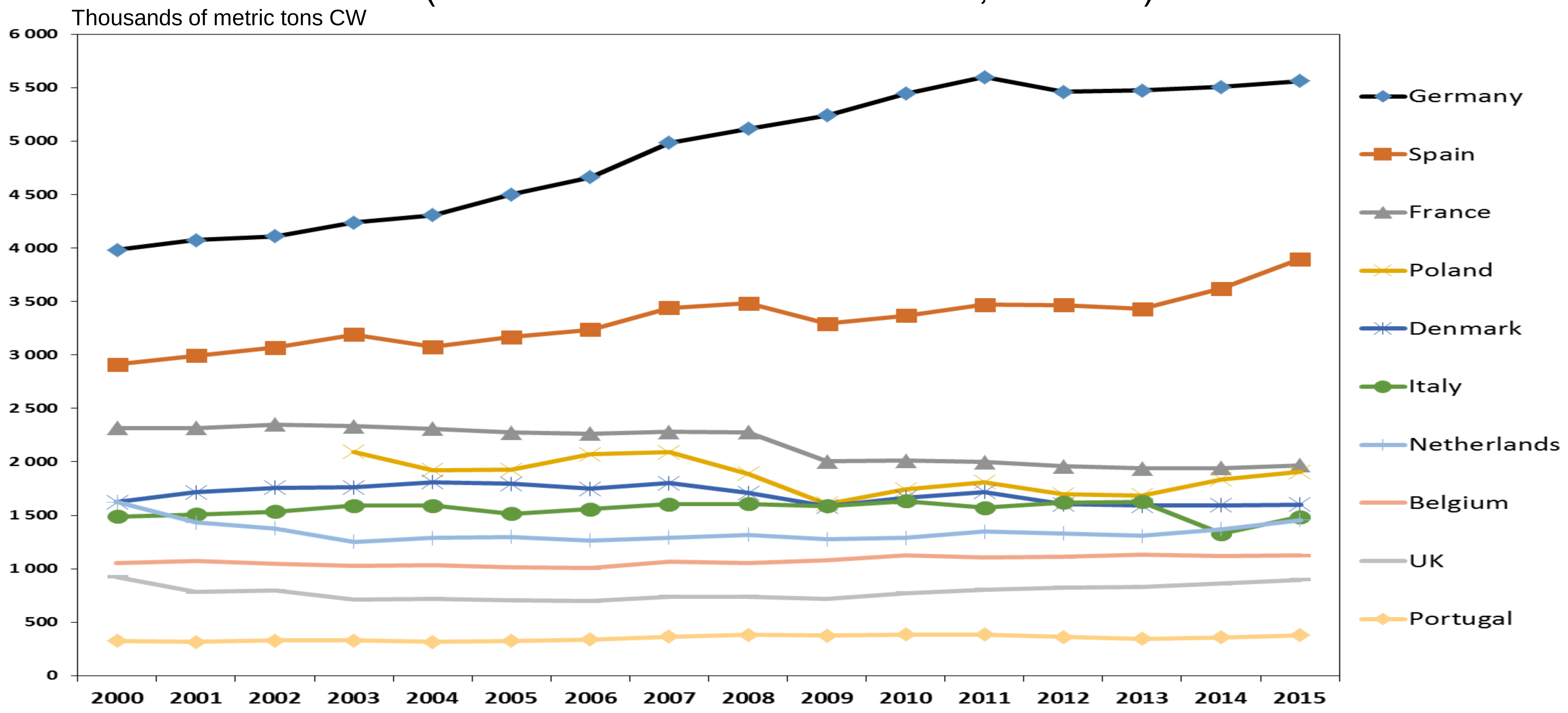
Number of sows by region in EU



European Commission

Pigmeat slaughter in EU countries

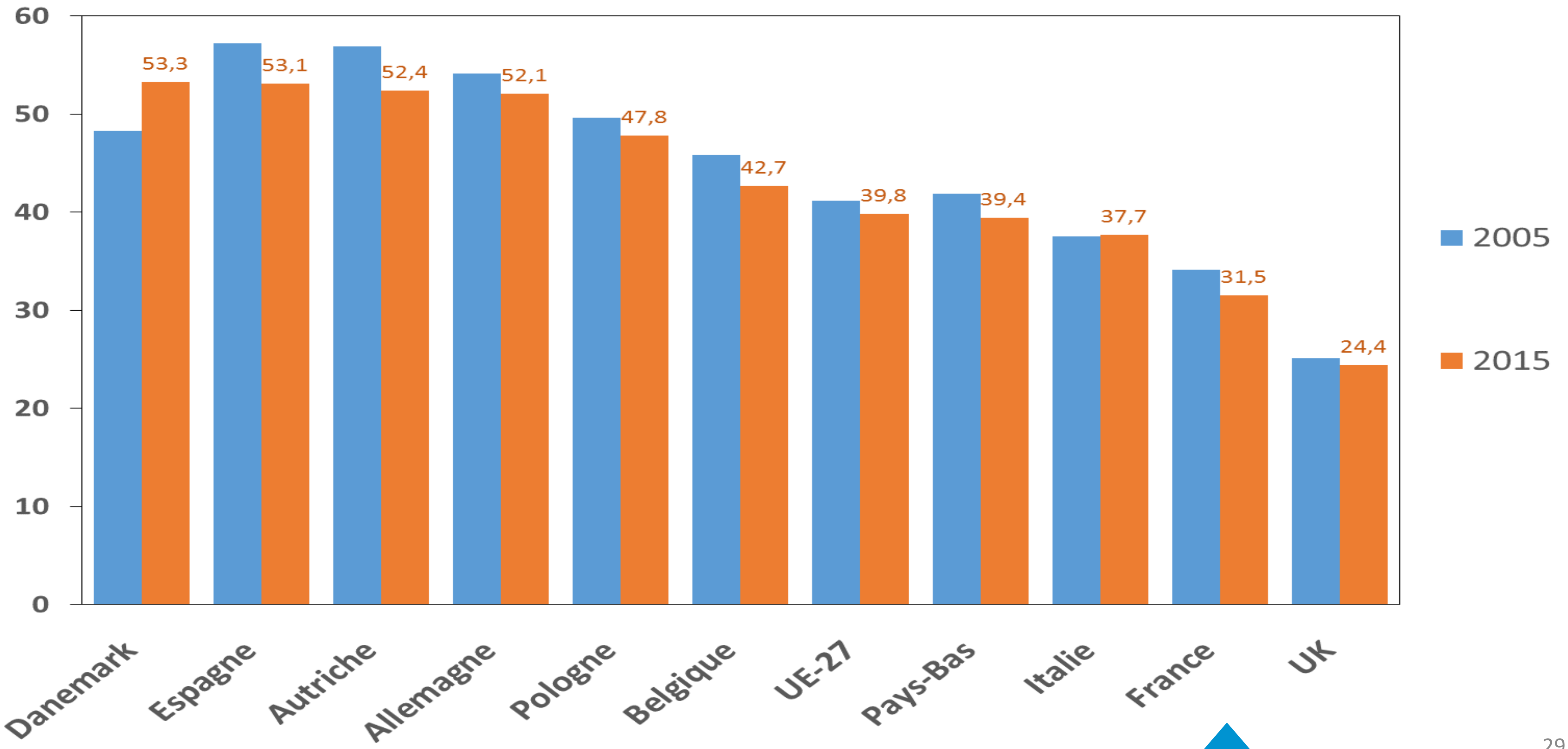
(Thousands of metric tons CW, in 2015)



Eurostat

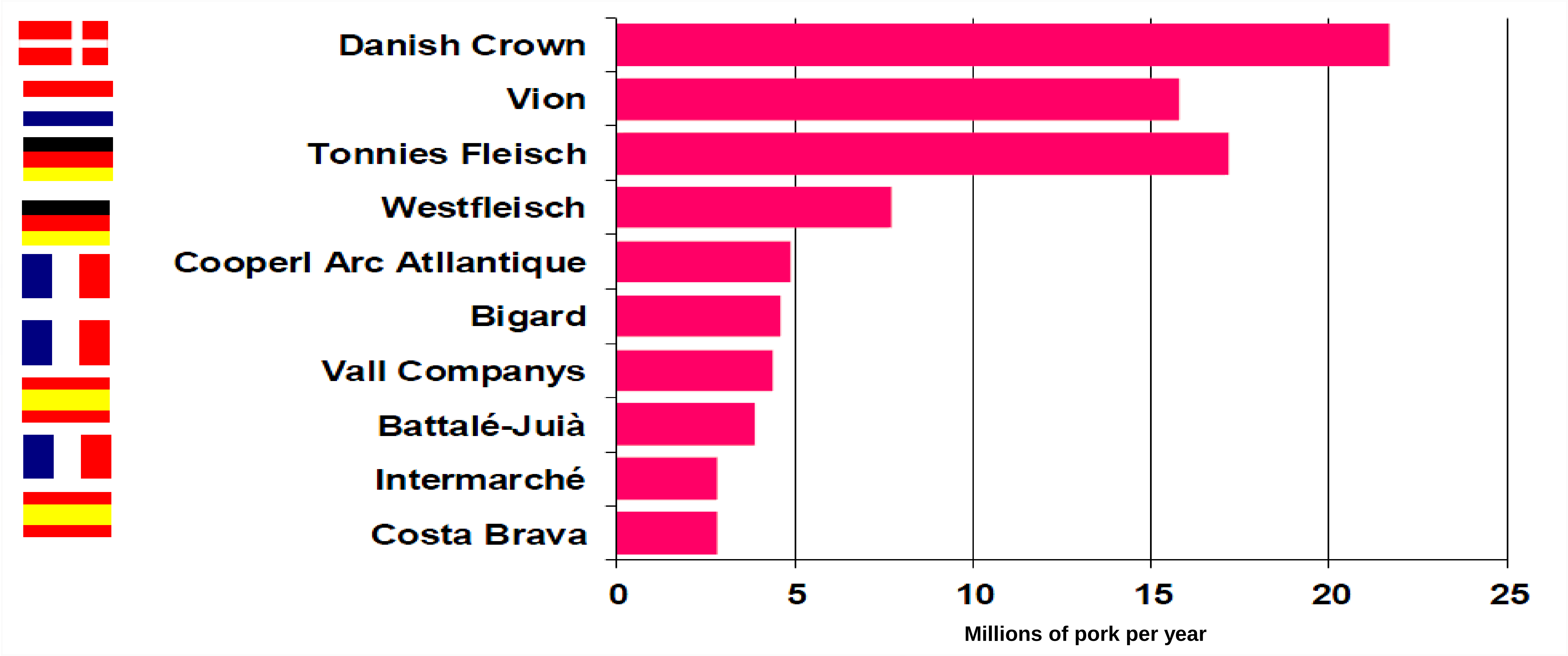
Individual pigmeat consumption in EU

(kg per resident per year, 2005 and 2015)



GIRA

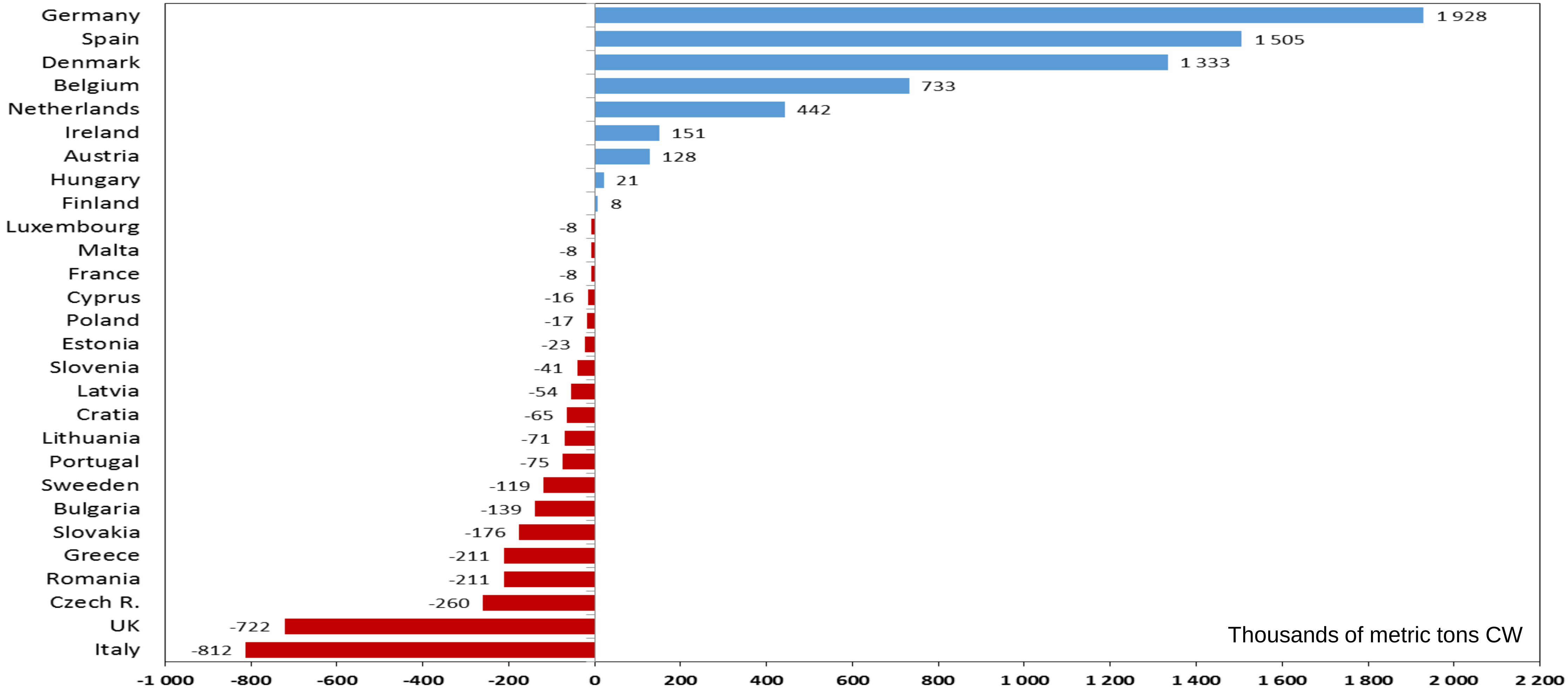
Pigmeat slaughter: European industry leaders



FranceAgriMer based on various sources (2013/2014)

Pigmeat* trade balance in EU by country

(Thousands of metric tons CW, in 2015)

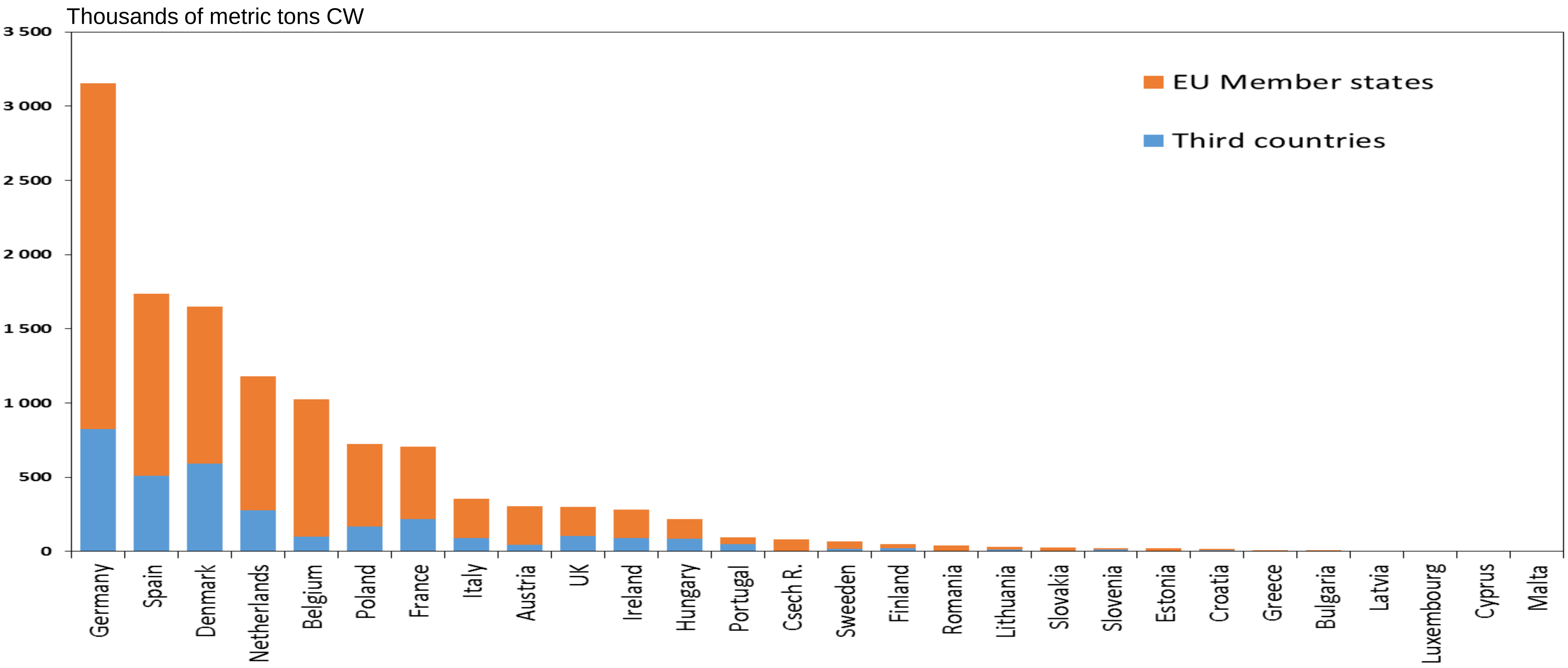


(*) Fresh, refrigerated and frozen meat + Offal + Lard and fat + Dried salted and smoked meat + Other processed products

Comext / INRA, SMART-LERECO

Pigmeat* exports by EU Member States

(Thousands of metric tons CW, in 2015)

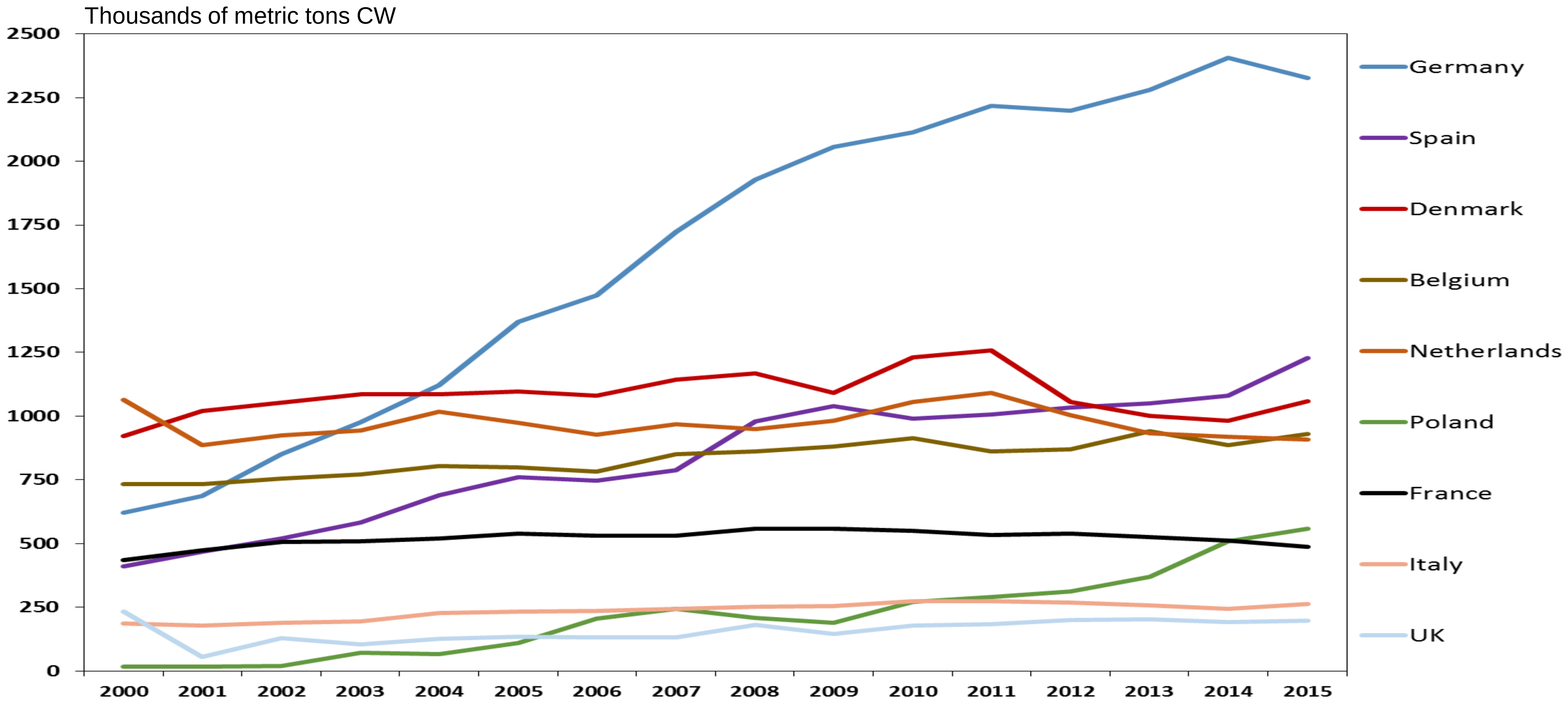


(*) Fresh, refrigerated and frozen meat + Offal + Lard and fat + Dried salted and smoked meat + Other processed products

Comext / INRA, SMART-LERECO

Pigmeat* exports to EU countries

(Thousands of metric tons CW per year, 2000-2015, for leading exporters)

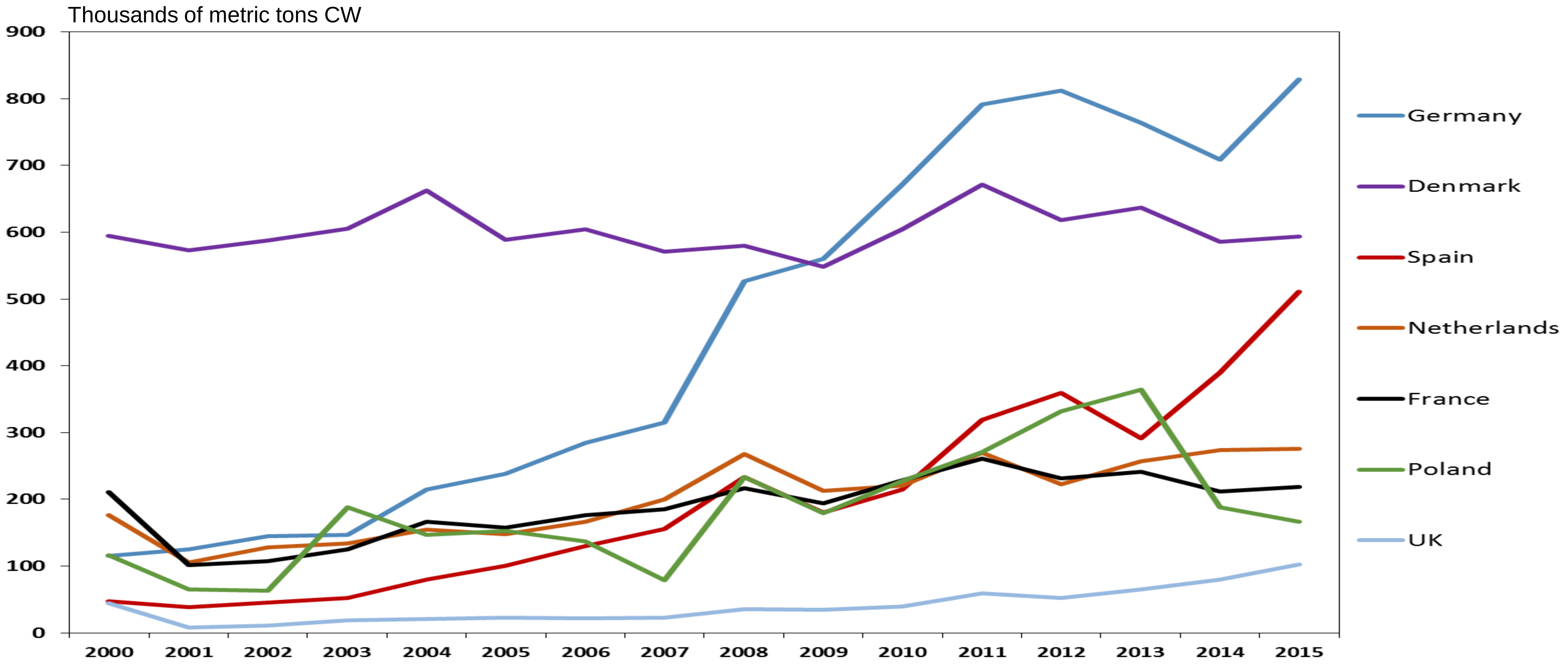


(*) Fresh, refrigerated and frozen meat + Offal + Lard and fat + Dried salted and smoked meat + Other processed products

Comext / INRA, SMART-LERECO

Pigmeat* exports to third countries

(Thousands of metric tons CW per year, 2000-2015, for leading exporters)



(*) Fresh, refrigerated and frozen meat + Offal + Lard and fat + Dried salted and smoked meat + Other processed products

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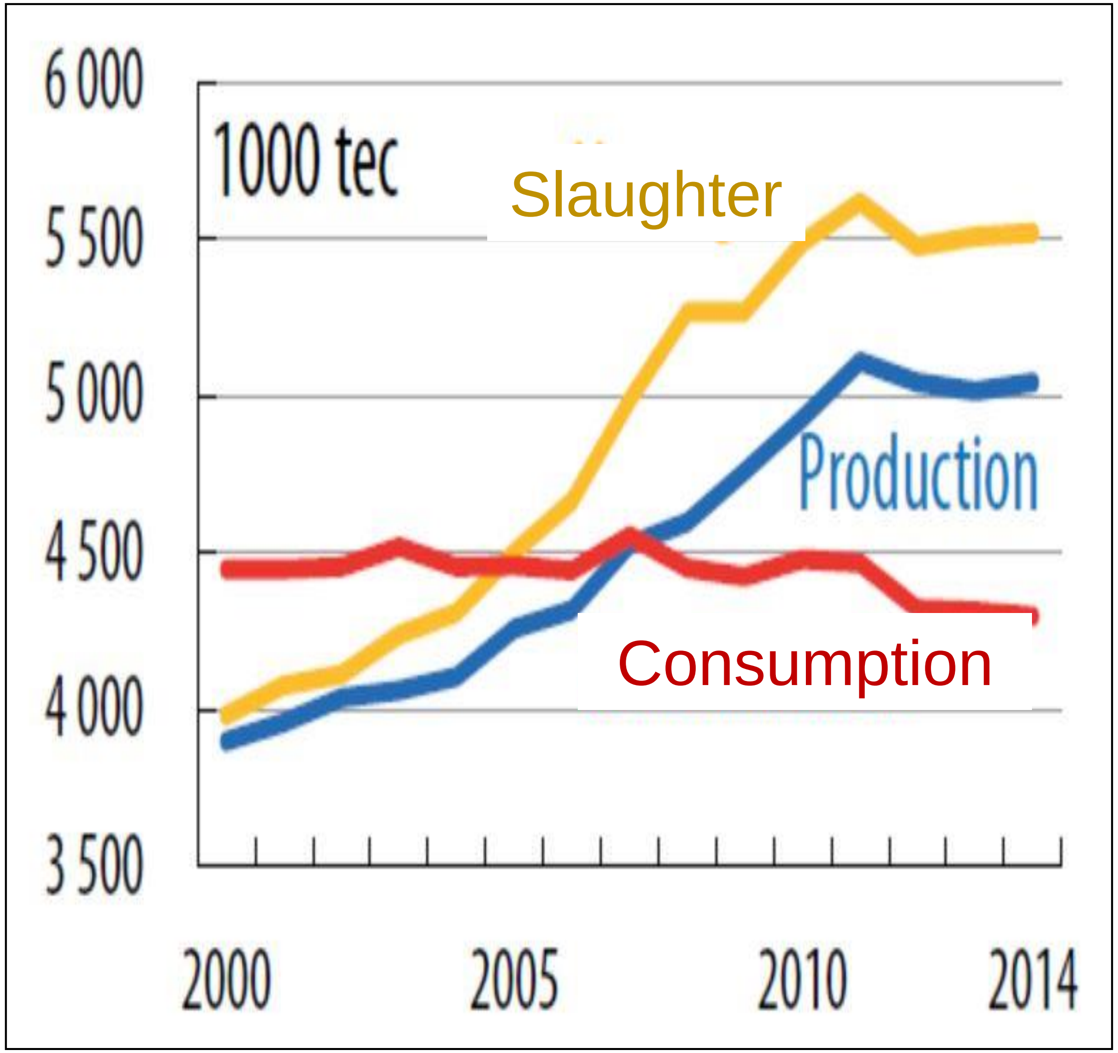
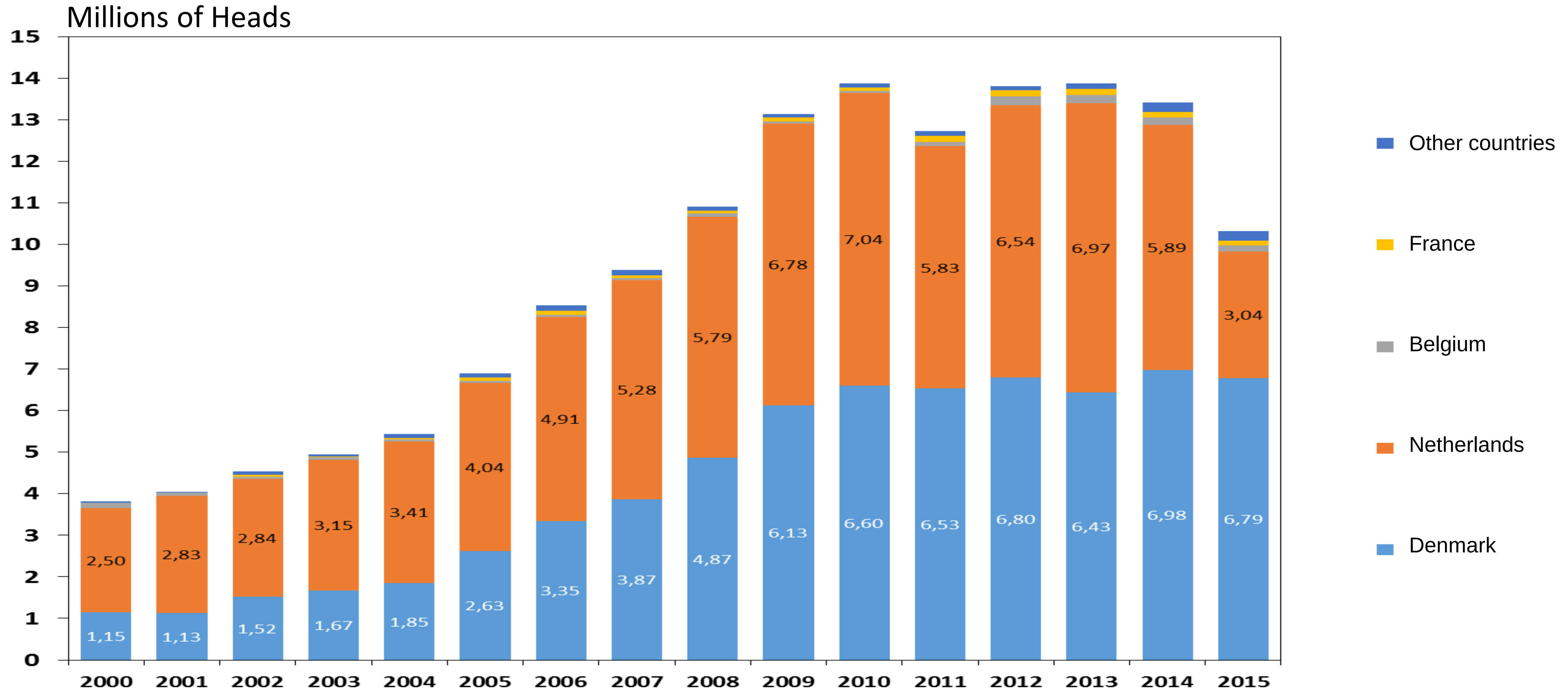
Pig production in Germany



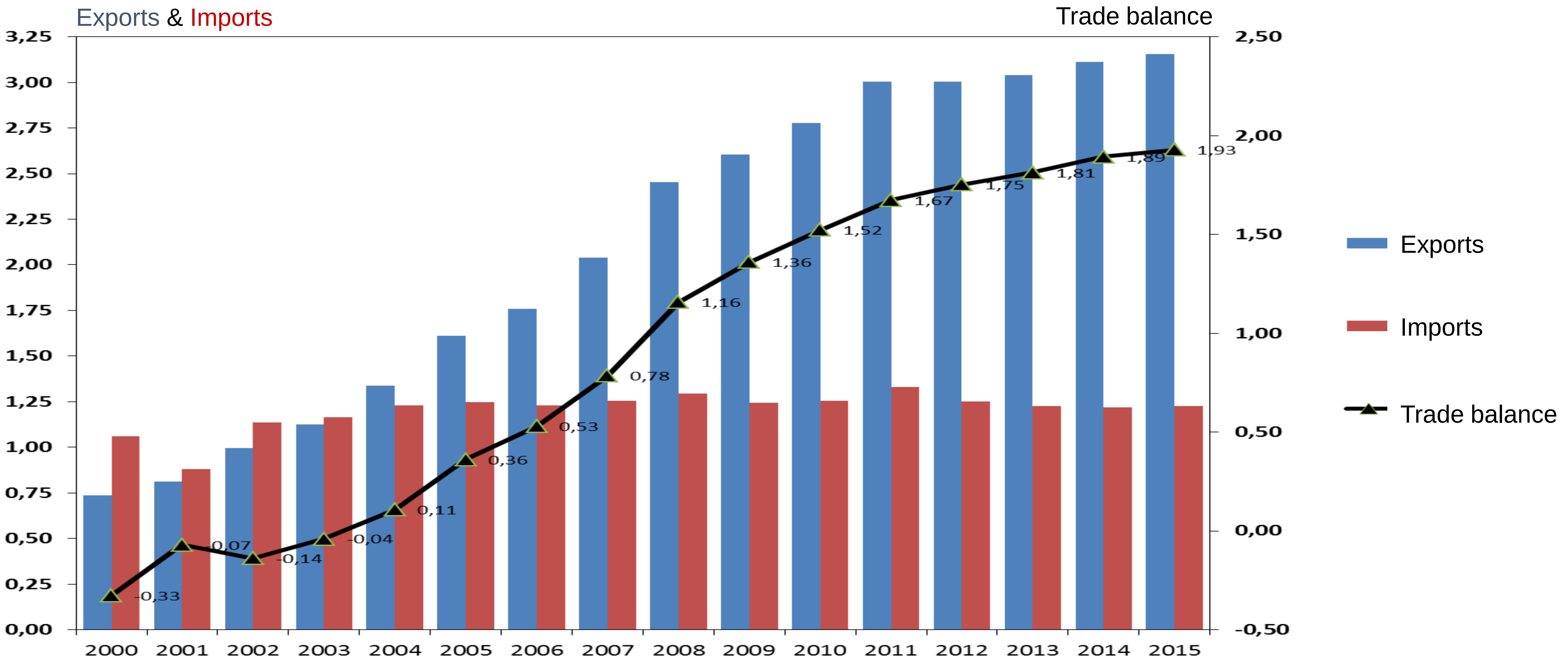
- From 2000 to 2011, **pig production grew by 31% and slaughter output by 41%.**
- The number of pigs born in Germany grew by only 15% while **the number of sows fell by 16%.**
- This change was due to the major increase of imported piglets (dynamic fattening) and slaughter pigs (dynamic slaughter industry), and to a net improvement in sow productivity.
- A certain levelling off in production and slaughter output is noticeable after 2011.
- **Public debate that is becoming more complex** (animal welfare, location of pig barns, nitrate pollution, etc.).

Live pig imports from Germany
(Millions of heads)



Comext / INRA, SMART-LERECO

Trade in pigmeat* from Germany
(Millions of metric tons CW, 2000-2015)



(*) Fresh, refrigerated and frozen meat + Offal + Lard and fat + Dried salted and smoked meat + Other processed products

Comext / INRA, SMART-LERECO

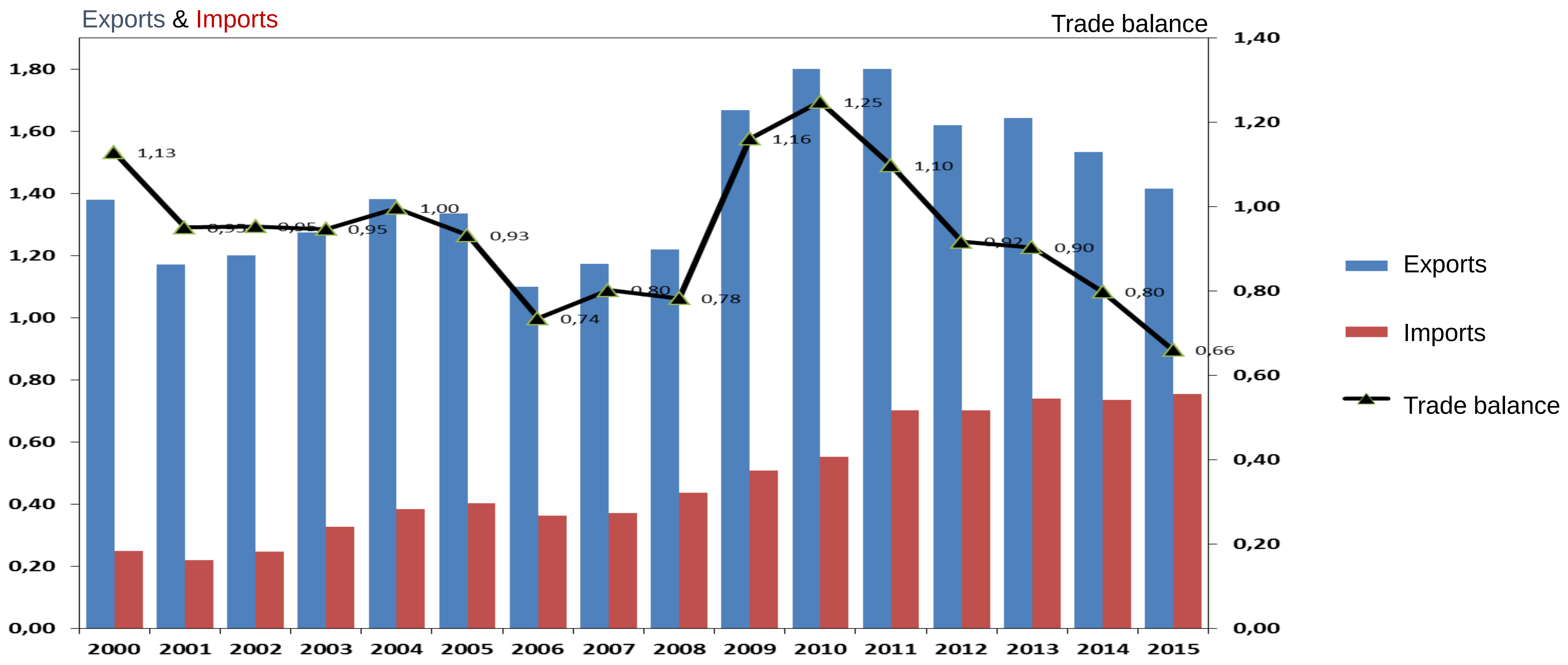
A German leader: the Tönnies Fleish family group

- Tönnies Fleish slaughters **16.5 million pigs annually** (28% of the total in Germany).
- Growth is essentially internal and is backed by **a major partnership with the hard discount**, which guarantees a regular outlet.
- Massive investment in **automation of slaughter production lines** has led to major **standardization** of products and reduced product lines, generating economies of scale.
- Their slaughterhouse in northern Germany (Rheda-Wiedenbrück) is **the largest in the EU**: 140,000 pigs per week (7.3 million per year).
- The company's slaughter and meat-cutting costs are highly competitive. Second-cut work is done mainly by **foreign workers** from Eastern Europe.
- The group **exports half of its production output** to the EU market (Italy, Poland, Netherlands, UK) and markets in Asia.

Source : F. Djaout et Y. Trégaro, JRP

Trade in pigmeat* from Netherlands

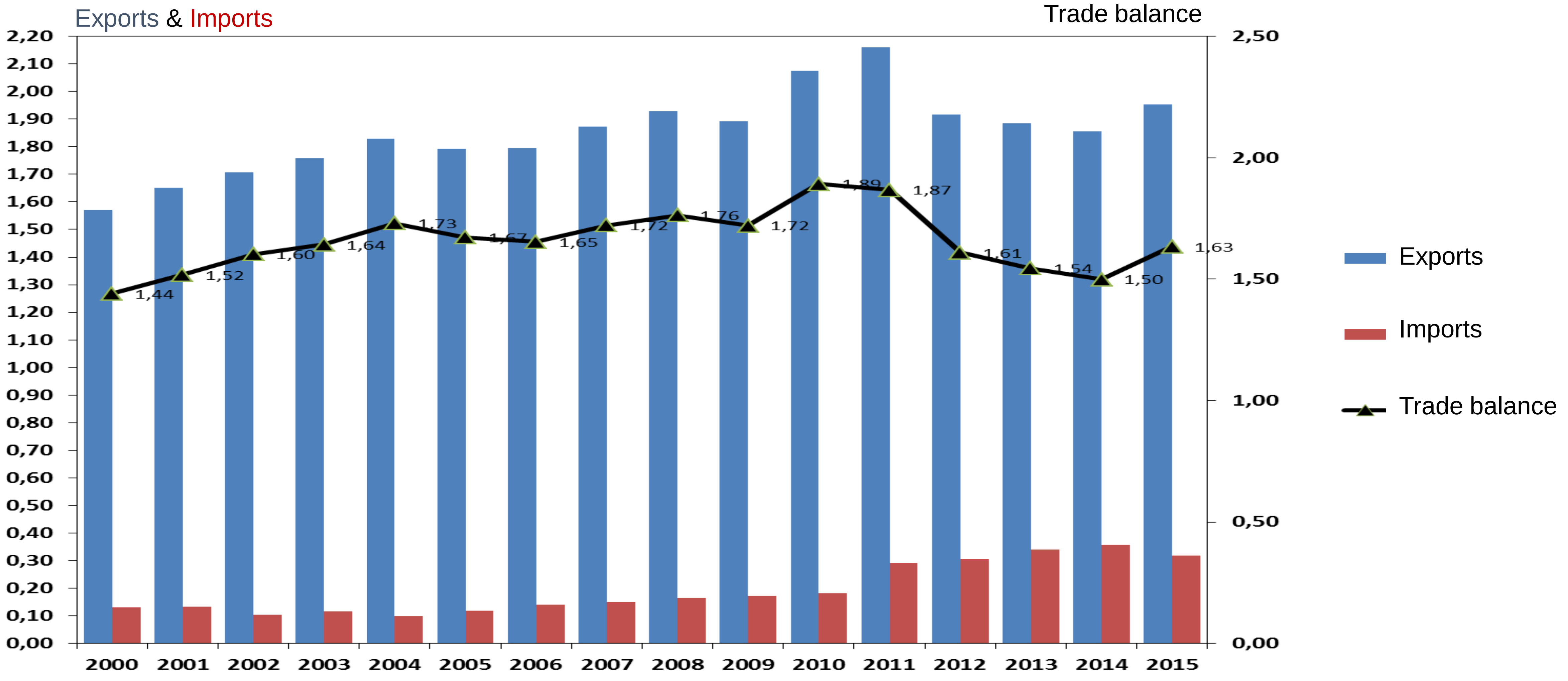
(Millions of metric tons CW, 2000-2015)



(*) Fresh, refrigerated and frozen meat + Offal + Lard and fat + Dried salted and smoked meat + Other processed products

Comext / INRA, SMART-LERECO

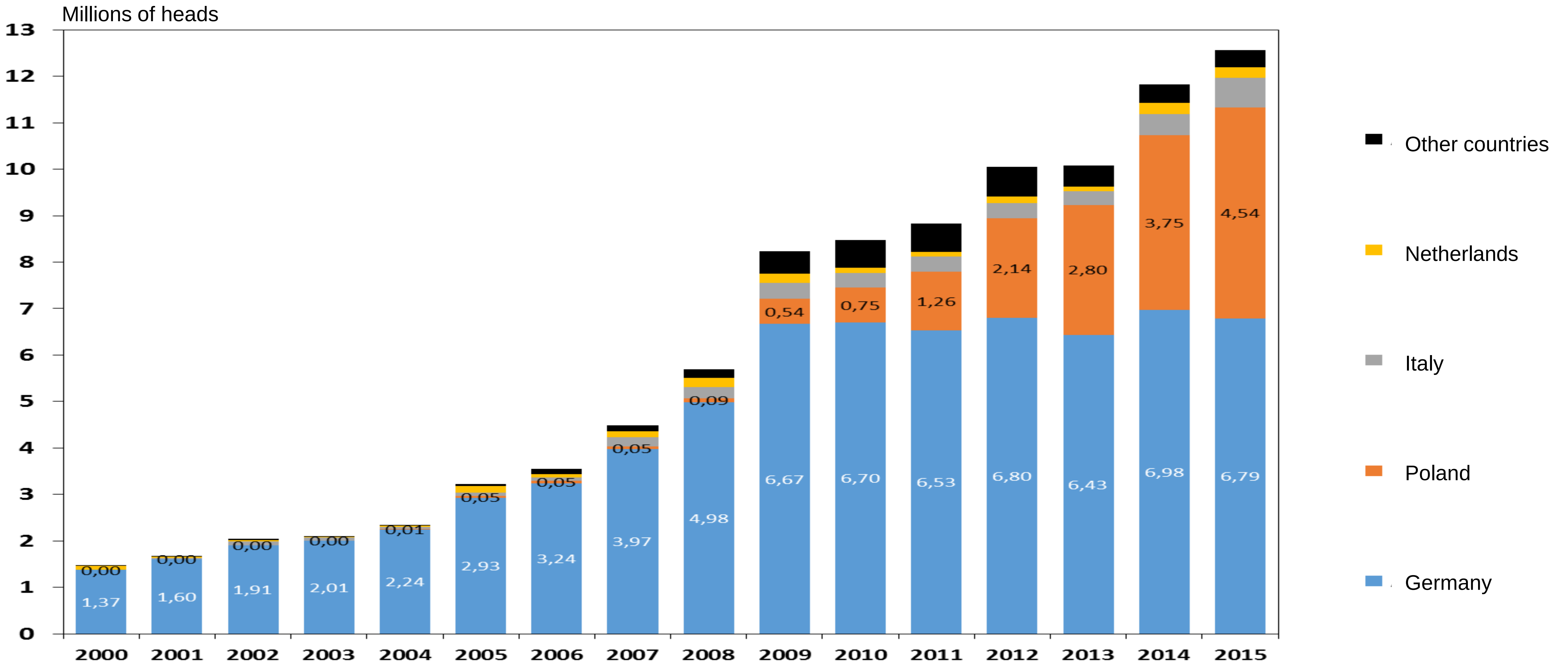
Trade in pigmeat* from Denmark
(Millions of metric tons CW, 2000-2015)



(*) Fresh, refrigerated and frozen meat + Offal + Lard and fat + Dried salted and smoked meat + Other processed products

Comext / INRA, SMART-LERECO

Live pig exports from Denmark
(Millions of heads)



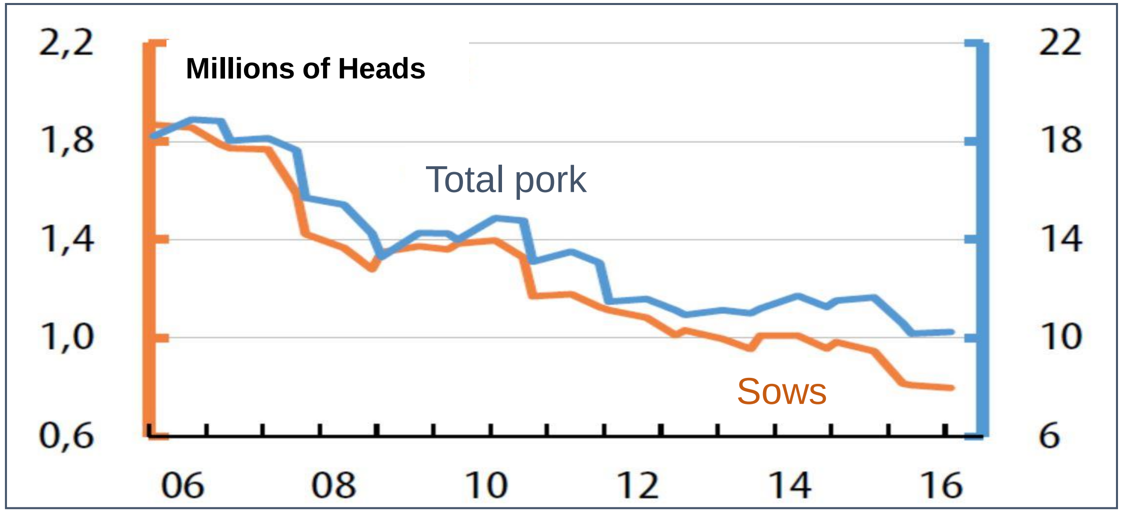
Comext / INRA, SMART-LERECO

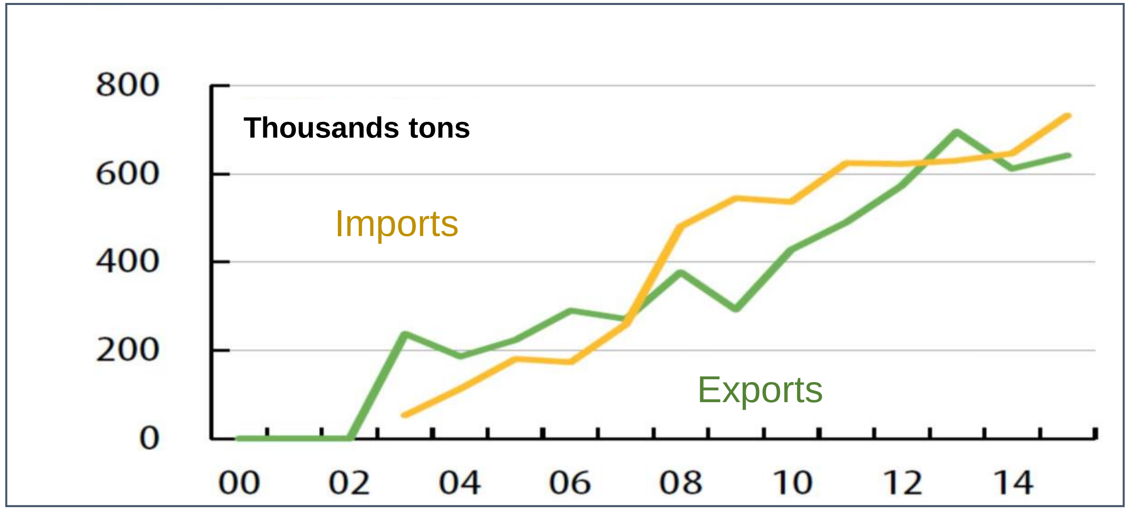
Danish Crown: the European industry leader

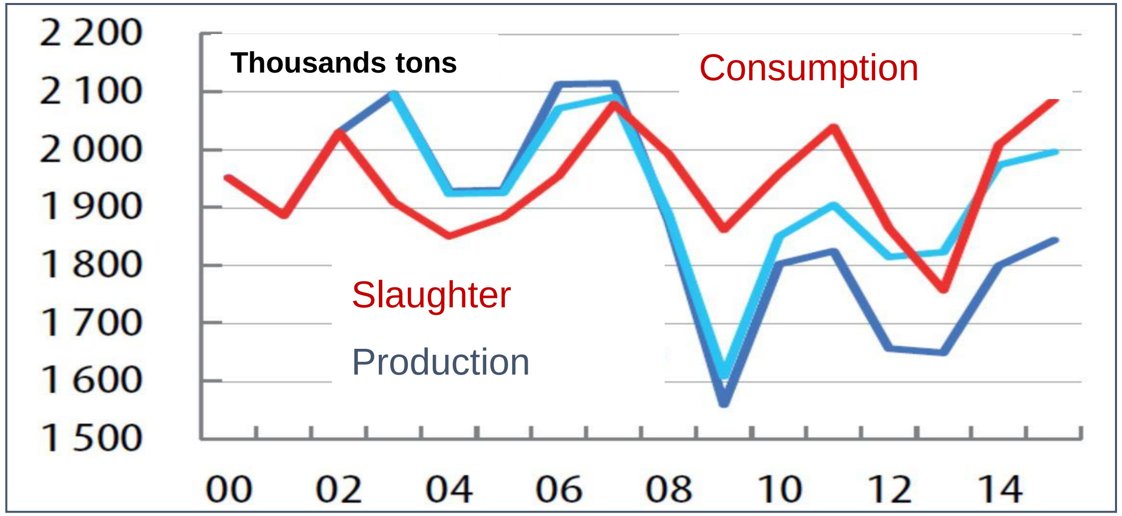
- Danish Crown slaughters **23 million pigs annually**.
- The group was formerly a **Danish pig farmers' cooperative,** which brought a majority of Danish production on board through acquisition of competitors.
- Despite its position as a **near-monopoly in Denmark** (nearly 90% of total volume), the group is facing a decline in Danish production due to constraints imposed by environmental regulations.
- The group **continues to grow in neighbouring countries through a succession of takeovers** (UK in 2004, Poland in 2004, Sweden in 2007, and Germany 2010).
- In 2010, the board of directors decided to change its status from a cooperative to a joint stock company. This change allows the **entry of new capital partners into the company** over and above individual farmers.
- The company must concurrently finance a restructuring of slaughterhouse operations in Denmark and **partial relocation of cutting operations to Germany and Poland**, where labour costs are more competitive.

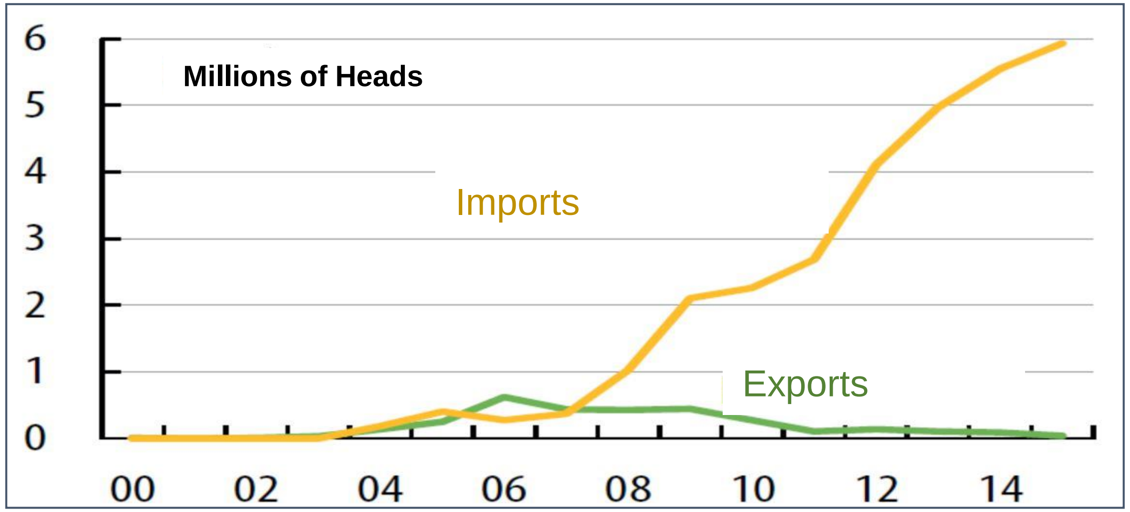
Source : F. Djaout et Y. Trégaro, JRP

The pork sector in Poland





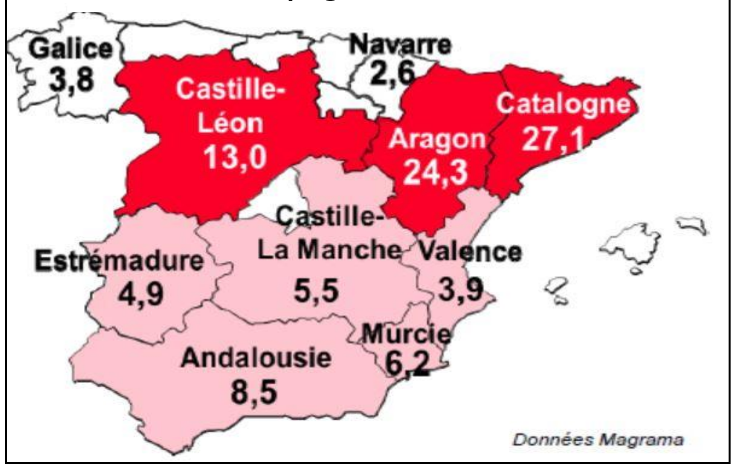




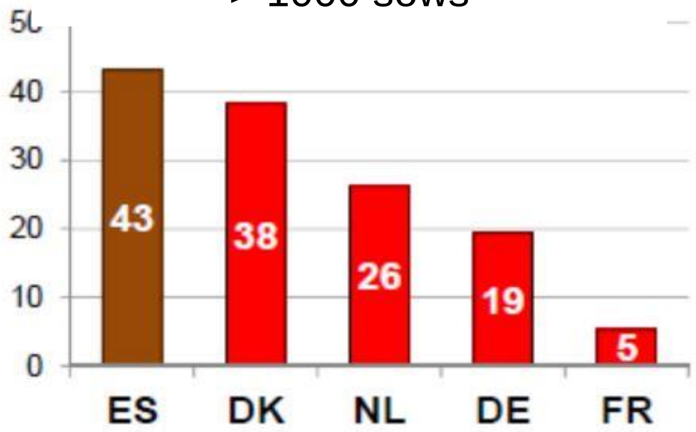
IFIP

Pork production in Spain

% of pig Heads



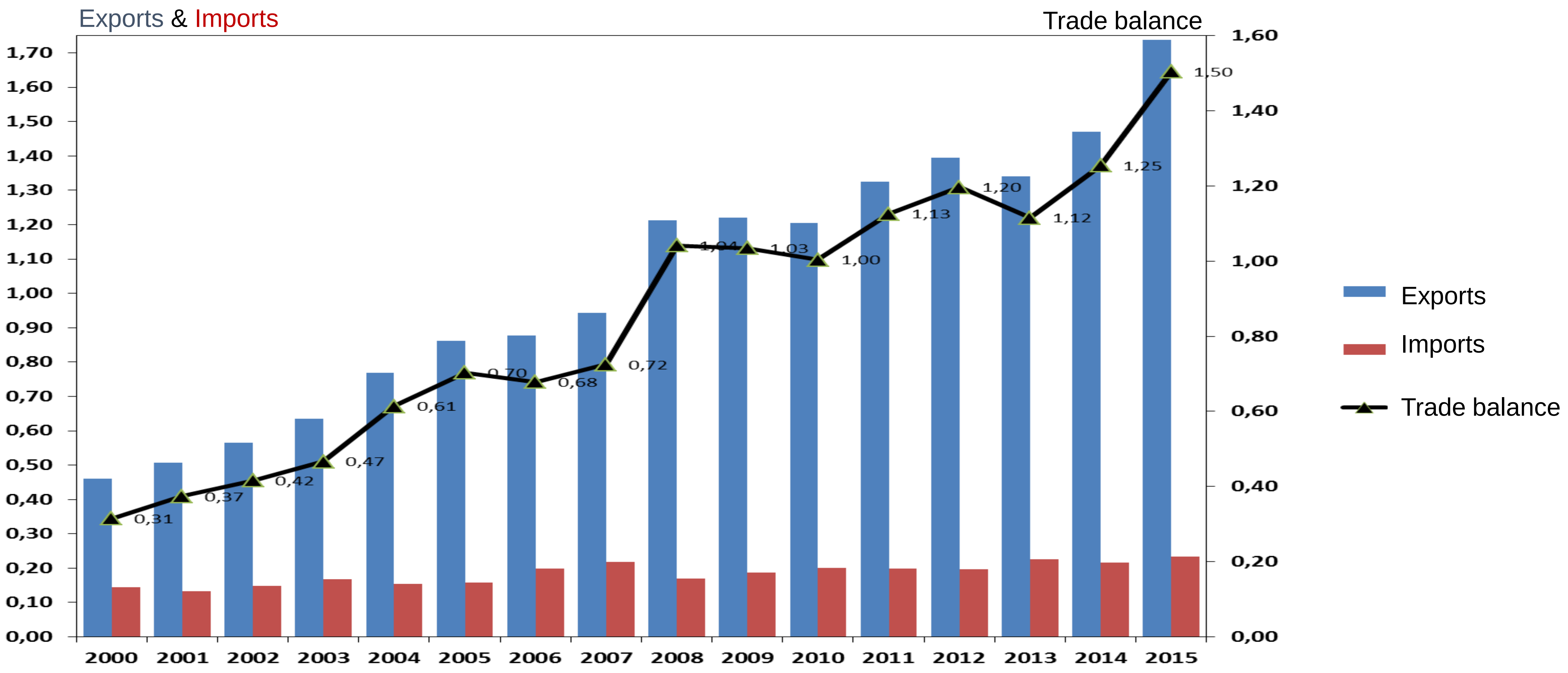
% of sows in farms
> 1000 sows



- **Impressive growth in production, with a high concentration**: +5% in 2014, +6,7% in 2015, +5.2% over 7 months in 2016.
- 63% of all farms have an integration contract.
- **Intensive specialization in production sites** (farrowing, post-weaning, fattening) for optimized health conditions.
- Modernization of farm buildings for better technical performance (but still inferior to France).
- **Higher feed costs** than in France, but currently improving.
- Better control over structural costs (labour, construction costs, etc.) than in France.
- Competitive supports encourage investment and maintain steady pork prices.

IFIP and MPB

Trade in pigmeat* from Spain
(Millions of metric tons CW, 2000-2015)



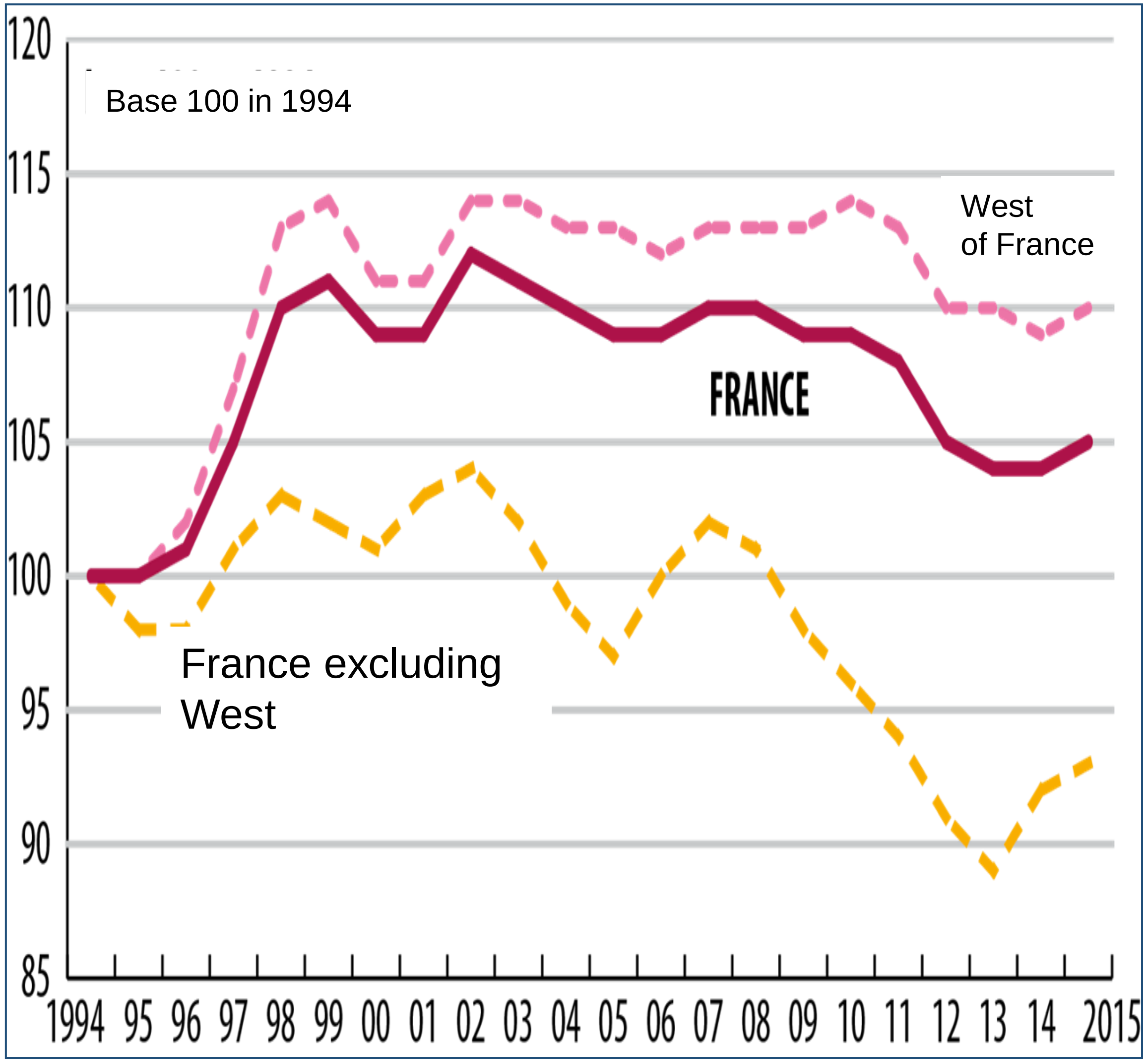
(*) Fresh, refrigerated and frozen meat + Offal + Lard and fat + Dried salted and smoked meat + Other processed products

Comext / INRA, SMART-LERECO

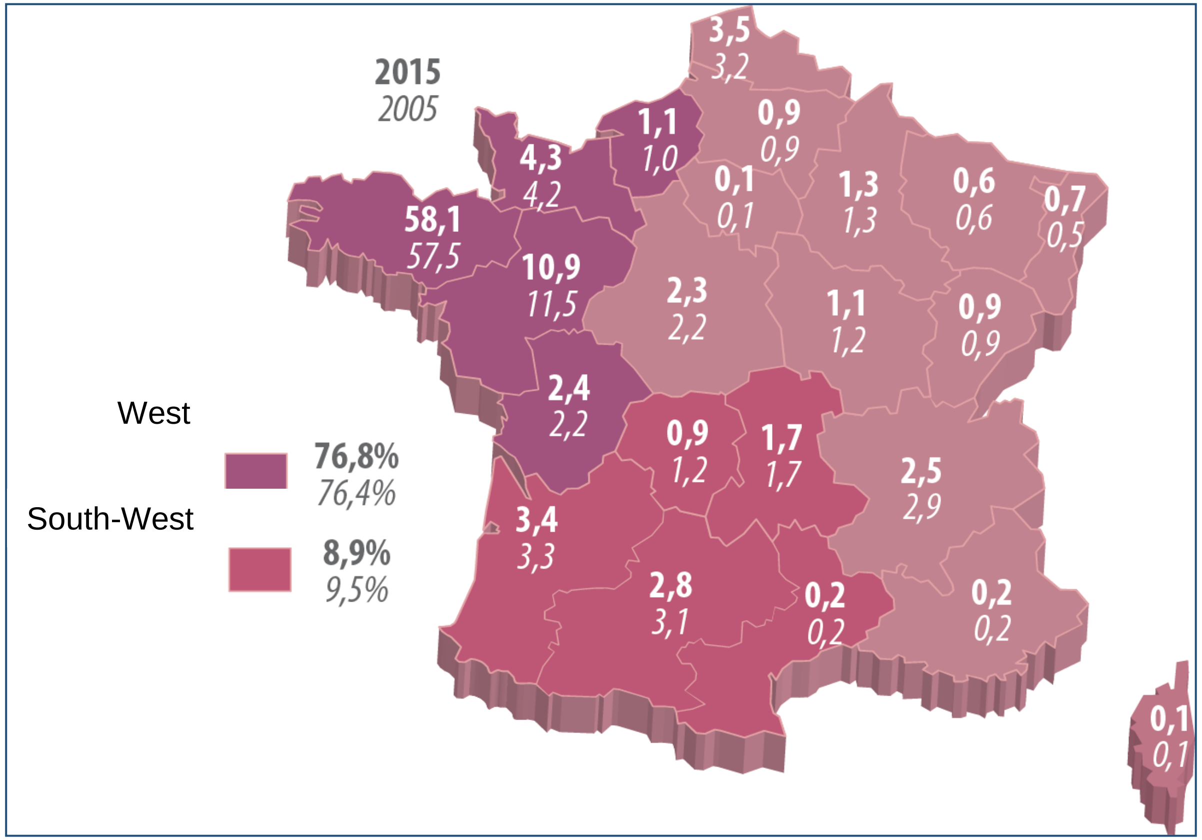
4- The pork sector in France

Viande de Porc Française
Fiers de nos éleveurs

Pig stocks in France: number and location



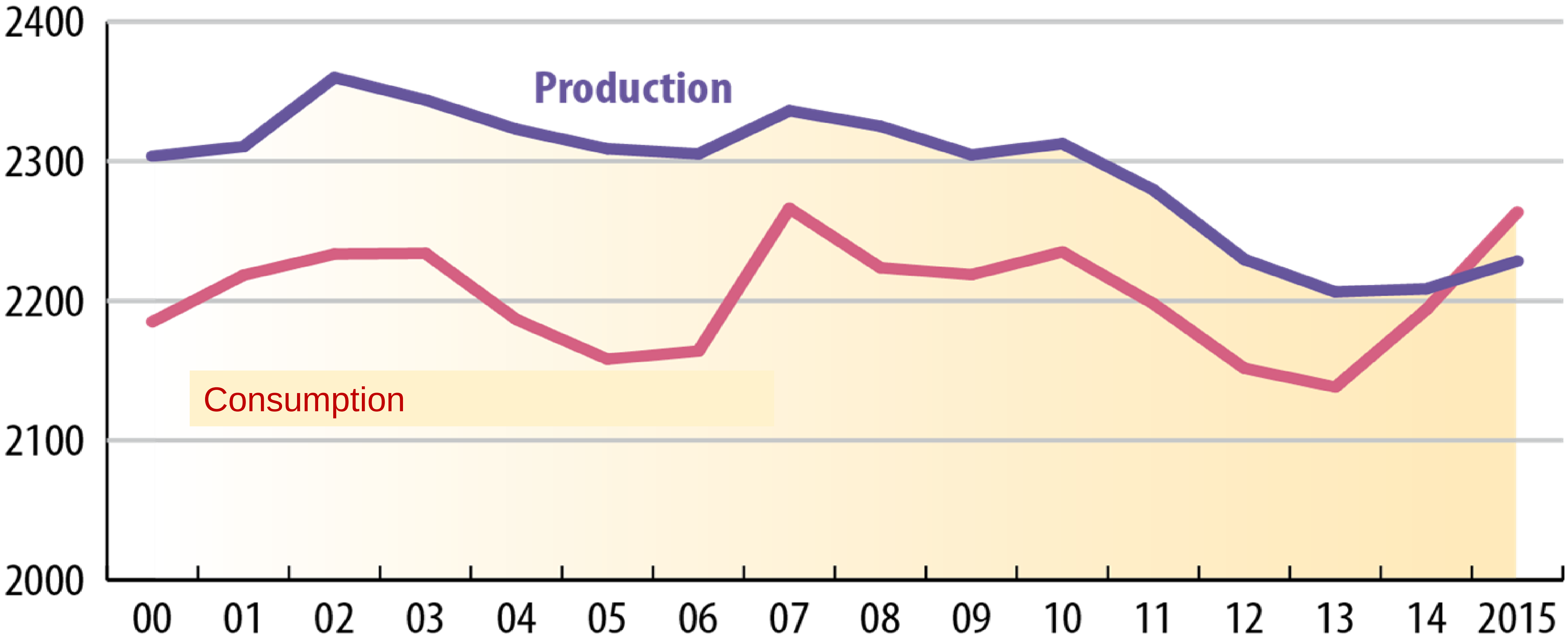
Pig production in French regions (% of France)



IFIP

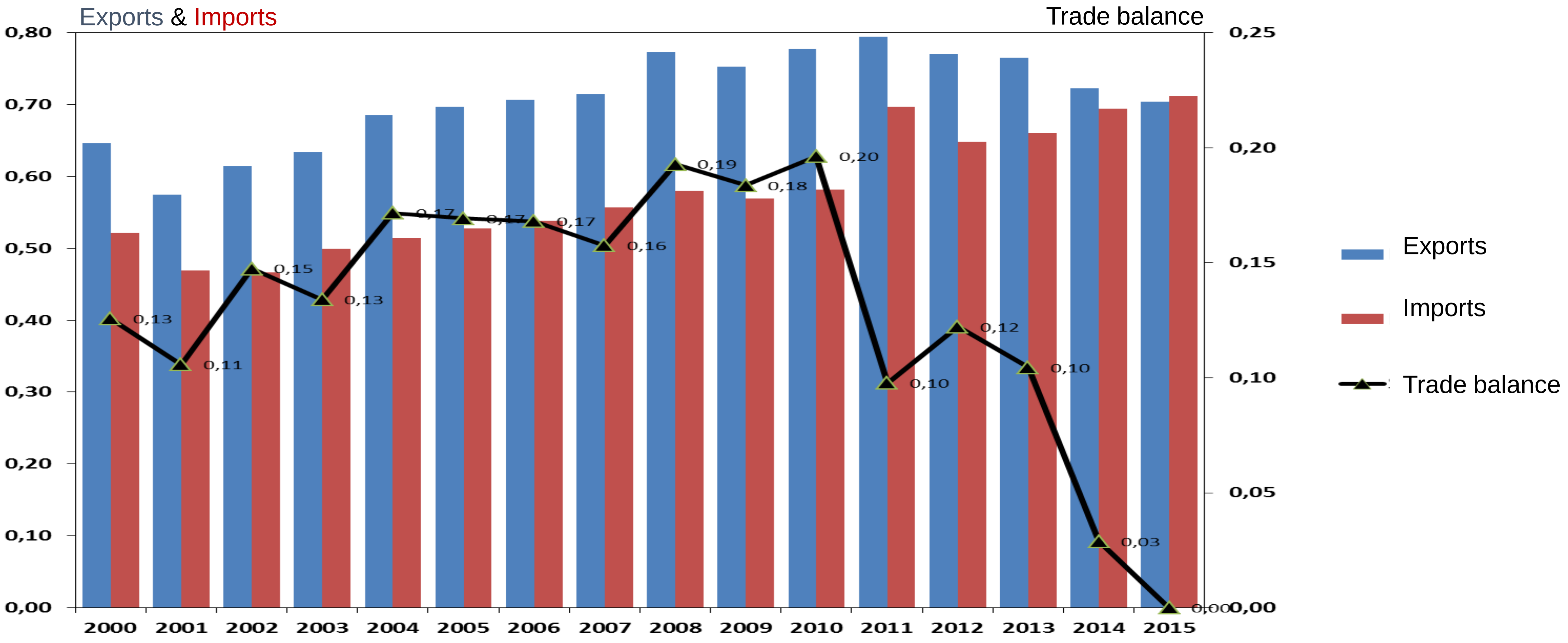
Pork production and consumption in France

(Thousands of metric tons CW)



IFIP from SSP- Agreste, Eurostat and Douanes

Trade in pigmeat* from France
(Millions of metric tons CW, 2000-2015)



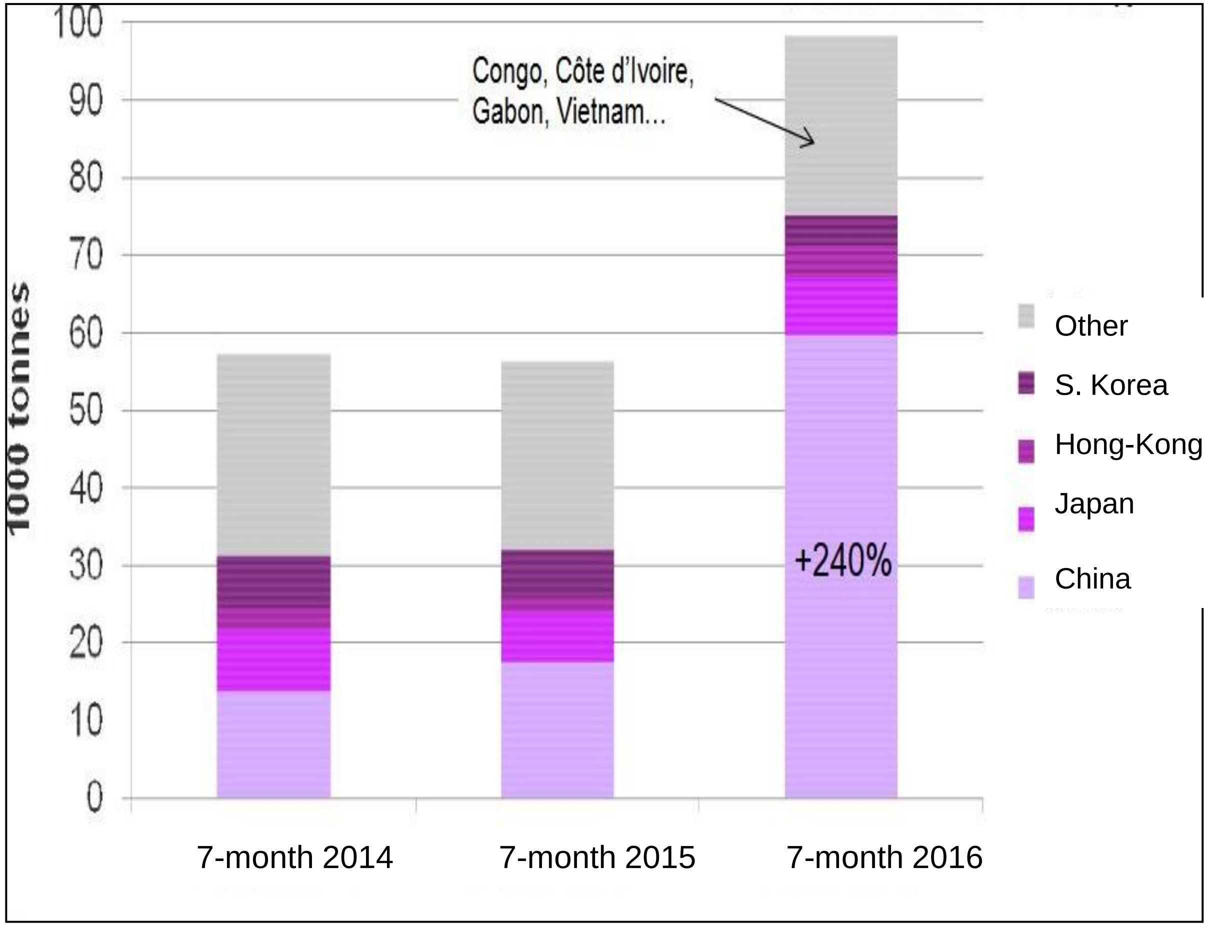
(*) Fresh, refrigerated and frozen meat + Offal + Lard and fat + Dried salted and smoked meat + Other processed products

Comext / INRA, SMART-LERECO

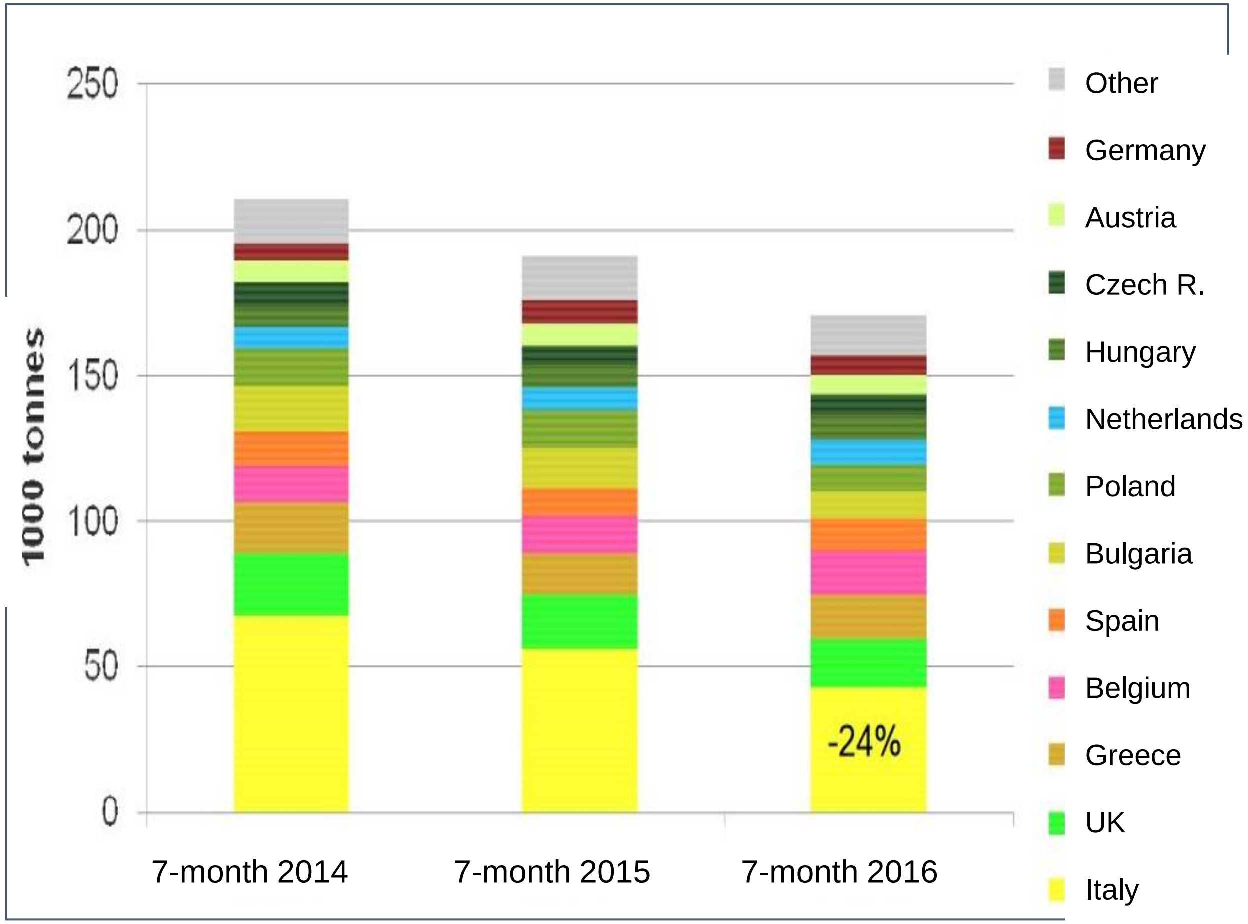
Pigmeat exports from France

(Thousands of metric tons CW, 7-month in 2014, 2015 and 2016)

Third countries



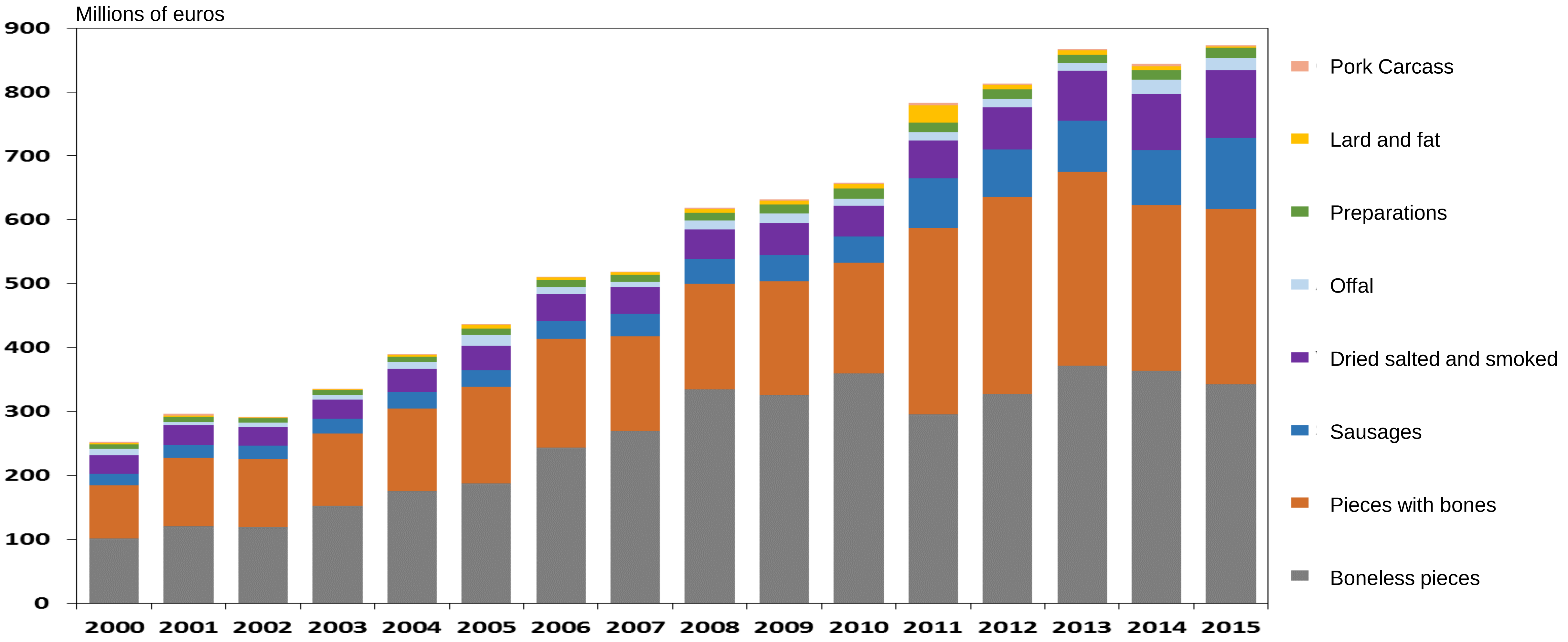
EU Member States



FranceAgriMer from French customs records

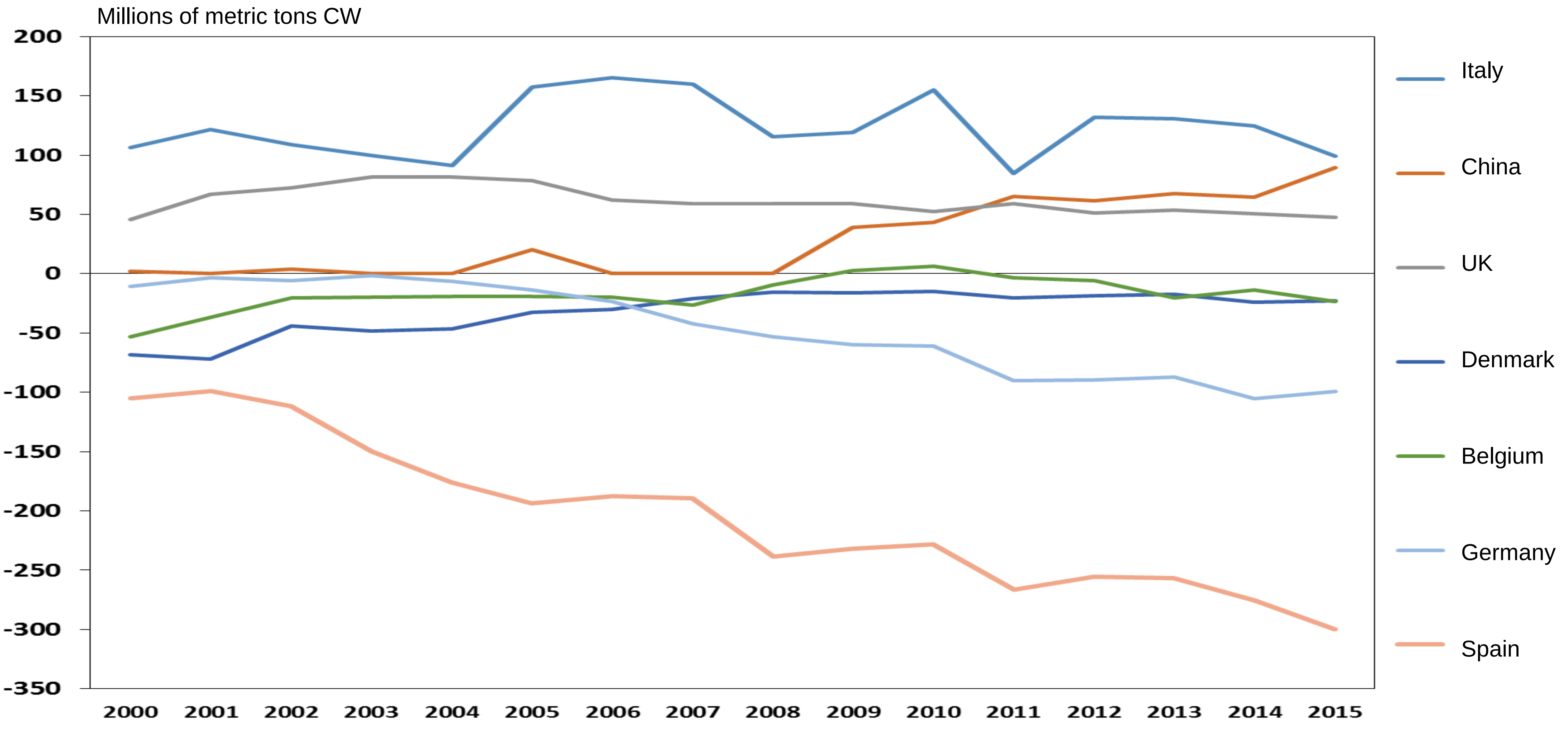
Pigmeat imports to France from Spain

(Millions of euros)



Comext / INRA, SMART-LERECO

Pigmeat* trade balance in France
(Millions of metric tons CW, 2000-2015)

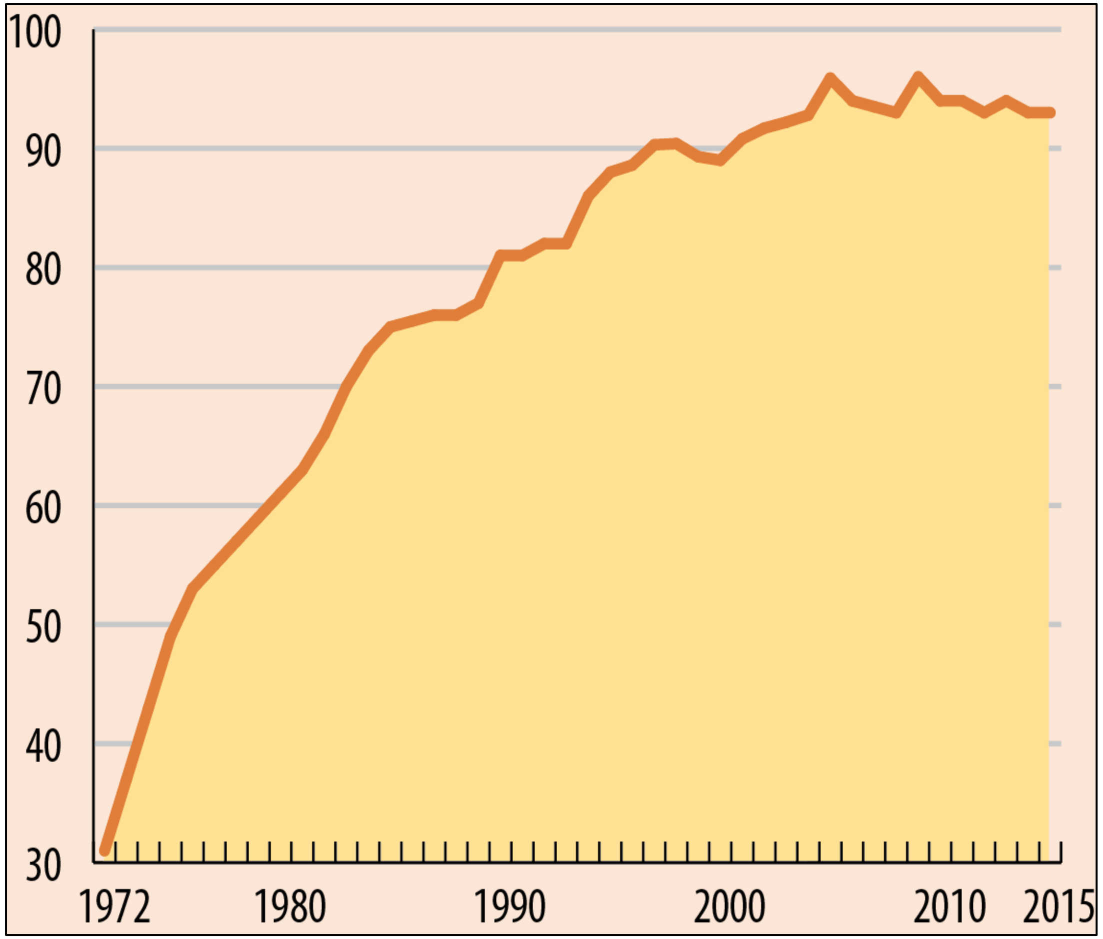


(*) Fresh, refrigerated and frozen meat + Offal + Lard and fat + Dried salted and smoked meat + Other processed products

Comext / INRA, SMART-LERECO

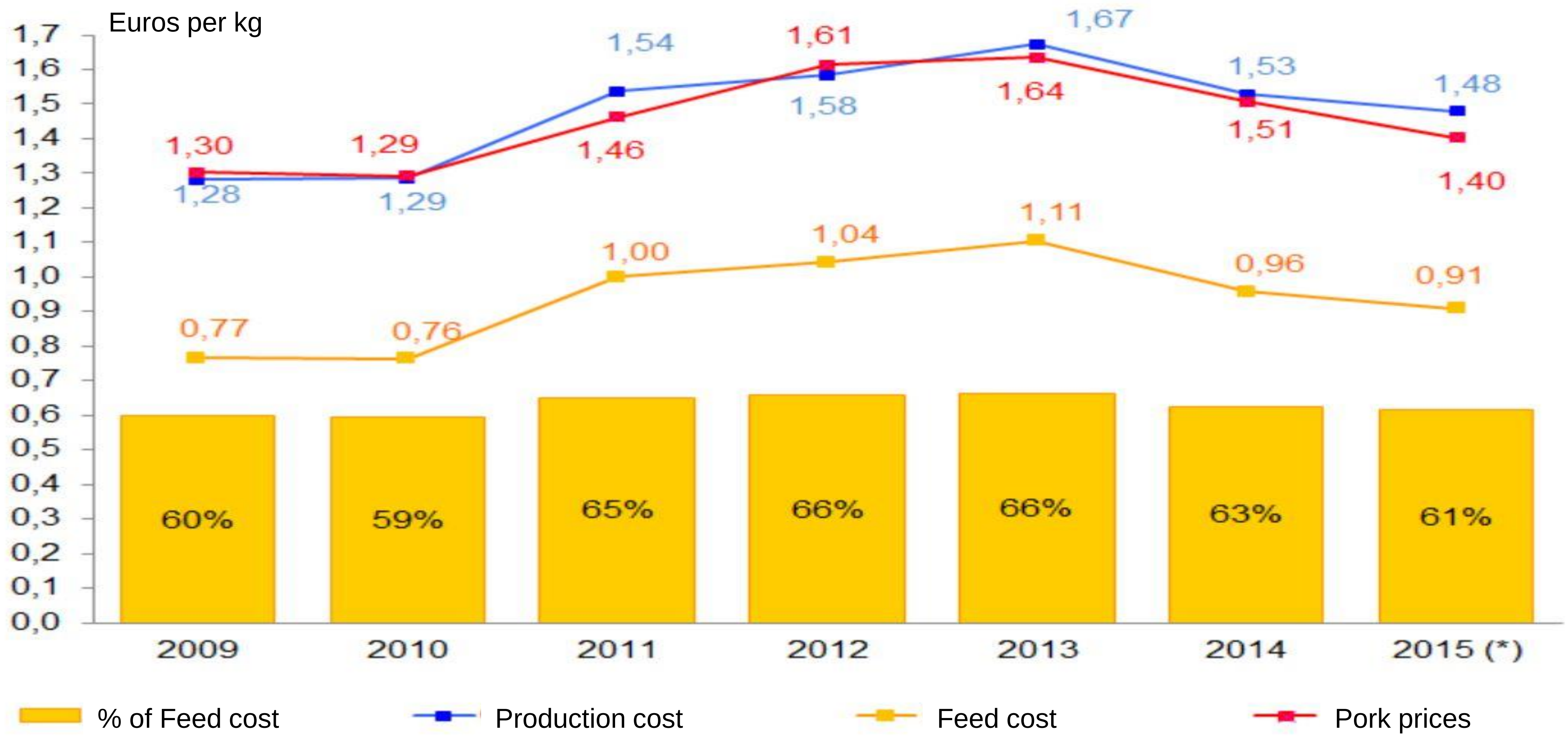
Organization of pork production in France

Organized production as % of controlled production



- ❑ 37 pork producer groups (producer organizations) with 9,500 members.
- ❑ These market cover 90% of all meat pigs slaughtered in France.
- ❑ 83% are cooperatives or cooperative unions.
- ❑ The Top 10 producer organizations represent 77% of the total volume and 6 market over 1 million pigs annually, or 64% of the total slaughter in France.
- ❑ The number of pigs to market is roughly 22 to 23 million head.

Pork prices and production costs in France



European Commission

Factors affecting the French pork sector

- Pig farms have suffered from **inadequate investment** for the past 10 years.

- Growth or modernization plans are often stymied by **opposition from the public**.

- With feed cost controls and limited depreciation (due to limited investment), the **cost of pork production remains competitive** in France compared to other European countries.

- **Individual pork consumption is low** (32 kg CW per resident per year), compared to competitors, and is still declining.

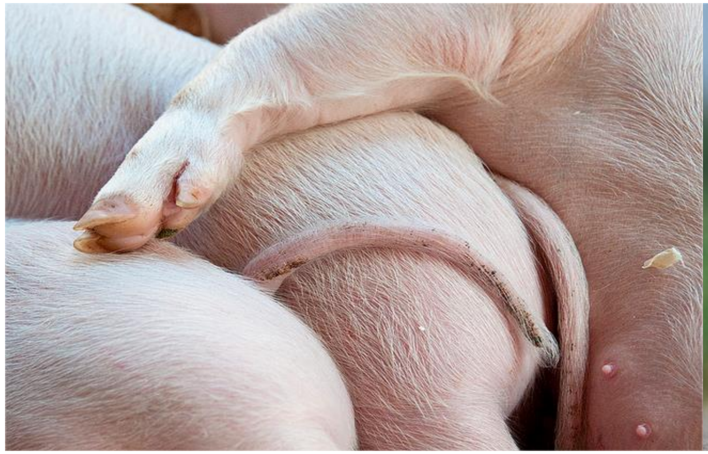
- **In France, 75% of all pork is converted into secondary products** (chiefly sausages and delicatessen) and 25% is sold as fresh meat.

- **France exports raw products** (animals, carcasses, carcass parts, offal) and imports more developed products (deboned meat, delicatessen, and cured meats), primarily from sources in Spain, Germany, and Italy.

- The market power of industrial operations as a ratio of overall distribution is weak.

- **Modernization of slaughterhouse and processing facilities is needed** in order to regain a competitive edge.

Conclusion : Reasons for optimism, and challenges ahead



Conclusion

Reasons for optimism

- Worldwide demand for pork is growing, primarily in Asia
- The EU is the second largest producer and a major exporter (quality, technology)
- Individual pork consumption is high in the EU
- Several Member States rank as leaders (Germany, Spain, though not France)
- Industry standards, traceability, and segmentation will play a more decisive role
- Companies are amalgamating and modernizing

Challenges

- Consider technology transfers as leveraging a competitive edge
- Reconciles productivity and environmental responsibility
- Product-oriented innovation to meet the rising power of the poultry industry
- Don’t ignore new social expectations and a role for quality-oriented industries
- Encourage investment and adapt methods of financing
- Better communication about hog farming and its valuable role in society

Thank you for your attention

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