

The Farm Management Handbook



Farm  
Advisory  
Service

Pigs



The UK reference  
for farm business  
management



Part of Scotland's  
Rural College (SRUC)

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# Introduction

## Markets and prices

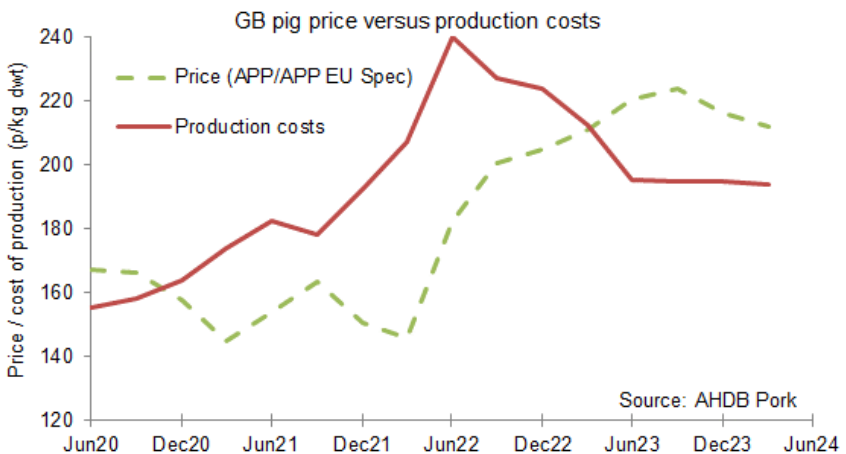
While pig prices have fallen back from the highs of twelve months ago, the last six months have been remarkable for the relative stability of the market, with prices remaining fairly constant along with feed prices and other inputs resulting in a period of sustained profitability albeit with lower margins than a year ago. This is a far cry from the roller-coaster nature of prices and margins historically associated with the pig industry. The pig sector in the UK and the EU has of course contracted significantly over the past few years and with little sign of numbers recovering, this has meant that for those producers remaining, there has been an opportunity to recover some of the losses made a few years ago and indeed start thinking about re-investing again.

The All Pigs Price (A.P.P.) EU Spec. started 2023 at just over 206p/kg before peaking at a record 225.42p/kg in mid-August before falling through the Autumn to just over 212p/kg at the turn of the year. Thereafter the price has hovered around this level and at the end of June 2024, was 212.65p/kg (AHDB). UK pig prices are influenced heavily by markets in the EU and while in the past this has kept a firm lid on the UK prices with cheaper EU pigmeat finding a ready outlet on UK supermarket shelves, the contraction of the EU pig herd has meant that prices in EU have also climbed significantly, lending support to UK prices. The prolonged period of sustained losses in the early 2020s saw a significant contraction in both the UK and EU breeding herds as producers left the sector. Brexit, Covid-19, and staff numbers have impacted the processing sector in recent years and this has led to a number of plants closing as the processing sector having also shrunk to fit the smaller UK pig herd. Slaughter weights continue to increase over time with average slaughter weights now typically around 88kg, this compares with 80kg in 2014. Despite this significant increase in weight, average P2 probes have only slightly gone up in that time.

With falling grain prices leading to a fall in producer costs in the first half of 2023, the last twelve months have seen costs (including feed) remain remarkably constant. The main cost in pig production is feed and in particular the main constituents wheat and barley. When grain prices reached their peak in summer 2022, feed costs represented 175p/kg of pig meat before falling sharply to 139p/kg and 123p/kg in Q1 and Q2 of 2023 respectively. Since then, feed prices have levelled off, estimated at 120p/kg in Q1 of 2024 (AHDB). Energy and labour costs have also increased over the past few years although like feed costs, have levelled off over the past 12 months. Labour has been a problem for a number of years and this has seen wages and salaries increase to both attract new staff to the sector and also retain existing stockpeople. Interest rates remain higher than they have been for some time, and this continues to impact on the sector with borrowings being stretched during the pig crisis

of the early 2020's, whereby the pig sector was estimated to have lost £750m cumulatively in that time.

After having been on a proverbial rollercoaster for a number of years, the latest published producer margins have been much more stable over the last 12 months (to Q1 2024) albeit falling slightly over that time (AHDB). At the start of 2020 producers were making a margin of £14/head (16p/kg). Despite prices continuing to increase through the summer, costs increased more rapidly, and with prices starting to fall in the autumn of 2020, margins quickly went from a positive to a negative of 6p/kg (£6 per pig) in the final quarter of 2020. A sharp drop in prices coupled with rising costs in early 2021 meant that producers were soon losing 29p/kg (£26/pig). By Q3 2021, these losses had reduced to 15p/kg as prices improved however this proved to be short-lived with the perfect storm of rapidly rising costs of production and falling pig prices, meaning producers were losing 61p/kg or £58 per finished pig by Q1 in 2022. Costs reached a peak of 240p/kg in Q2 of 2022, by which time prices received had started to recover with losses falling slightly to 58p/kg or £52 per pig. Since then, production costs fell to 213p/kg in Q1 of 2023 as pig meat prices had risen to 211p/kg resulting in a loss of 2p/kg or £1 per pig, meaning pig producers were almost breaking even for the first time in two and a half years. Pig prices then continued to rise for much of 2023 as costs continued to fall with producer margins reaching a peak of £25 per pig (28p/kg.) in Q3 of 2023. Since then pig prices have fallen back although still remain well above the costs of production which have been consistent over the past twelve months. The latest published margins show producers making £16 per pig or 18p/kg.



The December 2023 DEFRA census indicated a slight decline in the overall English breeding herd from 303,694 to 300,800, a reduction of 1% on the year, however this needs to be seen in the context that there were

7% and 21% declines recorded during 2021 and 2022 respectively, reflecting the severe challenges faced by the sector at the time. Further analysis revealed that within these figures that there were slight increases in terms of number of sows in pig (3.5%) however a 15% decrease in the number of gilts in pig. The December 2023 census also tempered some of the optimism following the June 2023 census which had suggested the beginning of a recovery in the English pig breeding herd. The pig crisis has also changed the profile of the industry with some of the larger producer/processors putting more sows on the ground suggesting that the proportion of the herd owned by independent producers is falling. In Scotland, sow numbers have also decreased over the past few years with the latest census data (June 2023) revealing the total breeding herd had fallen 7% to 31,100 pigs from the 5-year average (33,500). As has been the trend for several years, many pigs are born and weaned in Scotland before being moved to England for finishing and slaughtering.

Sow productivity continues to improve with indoor units seeing around 28 pigs weaned per sow per year on average (compared with 22.50 in 2010) with the top third now weaning 32 pigs per sow per annum. Litter size has driven this with numbers born alive increasing from 11.5 in 2010 to around 15 on average in 2024 with top third herds seeing 16 piglets born alive per litter. Outdoor herd performance also continues to improve in terms of productivity with numbers weaned per sow annually now around 26 (top third weaning 28 pigs per sow annually) compared to 21 in 2010.

In 2023 the UK was 58% self-sufficient in pig meat, a fall from 62.4% in 2022. As the UK breeding herd has significantly contracted in recent years, this has fed through to the number of finishing pigs, with 10.061 million clean pigs slaughtered in 2023 compared to 11.207 million in 2022 – a fall of 10.2%. Average slaughter weights were 89.1kg in 2023, and while this was slightly back on 2022 (90.1kg), it should be remembered that 2022 saw pigs kept on farm longer due to supply chain issues creating backlogs. The long-term trend has seen slaughter weights increase, rising nearly 9kg per carcass (11%) during the last decade. Unsurprisingly the fall in slaughterings also resulted in a fall in pig meat produced in the UK in 2023 with 927,400 tons produced compared to 1,046,300 tons in 2022, a fall of 11%. In context, there was almost 3% more pig meat produced in the UK than beef during 2023 and over 3 times more pig meat produced than lamb. UK domestic consumption figures decreased by 1% in 2023. While the strain on household budgets due to the cost-of-living crisis is mostly to blame, pig meat is well placed to benefit from consumers switching away from more expensive proteins (e.g. beef and lamb) although is under competition from cheaper chicken. Exports (including offal) dropped 20% in terms of volume in 2023, to 298,500 tons with a value of nearly £571m. The UK also imports a significant volume of product from a range of countries to fulfil the shortfall in domestic production and these decreased by 2.5% in 2023 to

781,780 tons. Most of these suppliers are from within the European Union with the biggest countries being the Netherlands and Denmark.

With UK product being seen by some markets as premium and the need to ensure maximum value from the carcass, the UK also exports a relatively large volume of lower value product with offal making up 45% of the export volume in 2023. Most exports of UK pig meat have been to the EU historically with 57% by volume going to the EU in 2023 although exports to other countries have been growing over time.

### **Marketing and processing**

The UK pig industry is much more rationalised than other livestock sectors, such as beef and sheep with the supply chain for pigs more vertically integrated with contracts much more common. Most of the pigs finished in Scotland are also marketed through two producer co-operatives.

In Scotland, there has been an expansion in slaughtering capacity in recent years following the development of the plant at Brechin. Slaughtering of clean pigs in Scotland had been increasing up to 2020 however the disruption caused by Covid-19 and Brexit saw clean pig numbers decrease to 280,000, down 21% in 2021. Further consolidation and disruption saw slaughtering reduce further to 225,000 in 2022 with a further fall to a low of 212,000 in 2023. This is a far cry from the turn of the century when 750,000 clean pigs were slaughtered in Scotland annually. This means there is still a large number of finished Scottish pigs crossing the border to England for slaughter, in addition to the large number of weaners born and reared in Scotland before moving to England.

In 2018, Quality Meat Scotland launched '*Provenance and Profit – A strategy for Scotland's pig industry*'. The initiative aims to double the sector value by 2030. Quality Meat Scotland have also run successful marketing campaigns in recent years building on the "Specially Selected Pork" brand including "Go Places with Pork" in 2021 and in 2022, "Make it with Cred" to target a younger demographic, highlighting the health benefits and versatility of pork. June 2023 saw the launch of QMS's new five-year strategy which aims to make Scotland the choice for premium red meat with the Specially Selected Pork brand an integral part of this, along with Scotch Beef and Lamb, and this was followed up in 2024 with the "Make it scotch" campaign on social media and local radio.

### **Sector Summary**

Feed is the biggest cost in pig production and typically accounts for 50-60% of overall costs and although this peaked at 73% in spring 2022 (AHDB) the latest published results (Q1 2024) show that feed has fallen to 62% of production costs. The profitability of pig production generally hinges on three factors; the price received for pigs, the feed price, and the efficiency of feed conversion. A more enduring route to profitability for pig producers is to raise the number of pigs reared per sow.

Significant gains have been achieved over the past 15 years with improved genetics leading to transformative increases in prolificacy and productivity. Fifteen years ago, the 2-ton sow seemed an almost impossible dream for the industry, now selling 3 tons of pigmeat per sow per year is just about within reach. Attention to detail is also a key element of pig production, and the use of management software and benchmarking is commonplace enabling managers to remove inefficiencies in the breeding herd such as improving the farrowing index and reducing the number of empty days. Health also plays a key role with producers working closely with their vets to monitor their own herds as well as working collaboratively to eliminate wider industry health issues with the announcement in July 2024 of funding from the Scottish Government for a national PRRS eradication scheme an example of this. If successful, this will help improve herd health across the country and ultimately further improve efficiency. The outlook for the sector in summer 2024 is one of cautious optimism and with profits being made again, re-investment is starting to take place to drive further production efficiencies, improve future business resilience, and improve environmental performance with an increasing focus on further reducing the carbon footprint of the sector. In 2021, the Scottish Pig Industry Leadership Group published “Bringing home the bacon” outlining its recommendations to the Scottish Government to support the sector towards achieving its emissions targets in future.



# Breeding Pigs - Indoor Units

## PHYSICAL DATA\*

	4 week weaning	
	Average	Premium
Litters/sow/year (no)	2.23	2.30
Live pigs born/litter (no)	15.00	16.00
Piglet mortality (%)	14.00	12.00
Weaners/litter (no)	12.90	14.08
Pigs weaned/sow/annum**	28.77	32.38
Pigs sold/sow/annum	27.90	31.41
Age at weaning (days)		27.0
Age at sale/transfer (days)		75
Liveweight at weaning (kg)		7.50
Liveweight at sale (kg)		33.0
Sow:boar ratio		100
No. sows replaced annually (%)		55.0
No. boars replaced annually (%)		40
Sow mortality (%)		7.50
Feed use (conventional diets):		
sow meal (sow, boar, gilt) (kg)		1,425
Daily liveweight gain (g/day)		0.440
Feed conversion ratio (:1)		1.75
<i>Feed (kg of feed/sow/annum):</i>		
Creep feed (14 days of age to 9 kg lwt)	73	82
Weaner diet (9 to 15 kg lwt)	293	327
Rearing diet (15 to 34 kg lwt)	854	953
Total feed/sow/annum	2,645	2,786

\* Based on data derived from AHDB Pork.

\*\* Per sow and gilt in the herd, rounded and with an allowance for barreners.



# Breeding Pigs - Indoor Units

## GROSS MARGIN DATA

	£/sow/annum 4 week weaning	
	Average	Premium
OUTPUT		
Weaners sold @ £70*	1,953	2,199
Less:		
sow and boar replacement (net)	65	65
	<u>1,888</u>	<u>2,134</u>
VARIABLE COSTS		
Feed:		
sow meal @ £300/t	428	428
creep feed @ £875/t	64	71
weaner diet @ £500/t	146	163
rearing diet @ £375/t	320	357
Vet & medicines	32	33
Other livestock expenses	95	95
Total Variable Costs	<u>1,085</u>	<u>1,147</u>
GROSS MARGIN	<u>803</u>	<u>987</u>
Gross Margin/weaner sold	<u>28.78</u>	<u>31.42</u>

Sensitivity-Change ±	Change in Gross Margin/sow/annum (£)	
£1/weaner sold	28	31
1 weaner pig for sale	70	70
£5/t in feed prices	13	14

### Replacement cost prices:

Cull sow (150 kg @ 100 p/kg dwt)	£150	Replacement gilt	£250
Cull boar (180 kg @ 80 p/kg dwt)	£144	Replacement boar	£1,000

\* Weaners sold includes a 3% post weaning mortality.

### Basis of data:

1. Feed cost is purchased feed, an estimate derived from quoted list prices.
2. Vet and medicine costs and other livestock expenses are SAC Consulting estimates.

# Breeding Pigs - Outdoor Units

## PHYSICAL DATA

	Average	Premium*
<b>Breeding herd</b>		
Stocking rate (sows/ha)	14	14
Litters/sow/year (no.)	2.23	2.30
Live pigs born/litter (no.)	13.3	13.8
Piglet mortality (%)	12.0	11.0
Weaners/litter (no.)	11.7	12.2
Pigs weaned/sow/annum	26.0	28.1
Weight at weaning (kg)	7.5	7.5
Age at weaning (days)	27.0	27.0
Proportion sows replaced annually (%)	45.0	45.0
Proportion boars replaced annually (%)	40	40
Sow mortality (%)	6.5	5.5
Sow:boar ratio (:1)	100	100
Sow feed used (kg/annum)	1,600	1,575
<b>Weaners</b>		
Post weaning mortality (%)	3.8	3.5
Weaners sold/sow	25.03	27.16
Age at sale/transfer (days)	75	75
Weight at sale (kg)	33.00	33.00
Weight gain (kg)	25.50	25.50
Daily liveweight gain (g/day)	450	475
Feed conversion ratio (:1)	1.80	1.75
Weaner feed (kg/weaner)	45.90	44.63

\* Selected on pigs reared/sow/year.

## Breeding Pigs - Outdoor Units

### GROSS MARGIN DATA

	£/sow/annum	
	Average	Premium
<b>OUTPUT</b>		
Weaned pigs @ £70	1,752	1,901
Less: sow and boar replacement (net)	53	52
	<u>1,699</u>	<u>1,849</u>
<b>VARIABLE COSTS</b>		
Feed: sow cobs @ £315/t	504	496
weaner feed @ £500/t	597	628
Vet & medicines	32	32
Transport	32	32
Other livestock expenses	95	95
Total Variable Costs	<u>1,260</u>	<u>1,283</u>
GROSS MARGIN	<u>439</u>	<u>566</u>
GROSS MARGIN/weaner sold	<u>17.55</u>	<u>20.83</u>
GROSS MARGIN £/ha (acre)	<u>6,150</u> (2,489)	<u>7,922</u> (3,206)

<b>Sensitivity-Change ±</b>	<b>Change in Gross Margin/sow/annum (£)</b>	
£1/weaner sold	25	27
1 weaner pig for sale	70	70
£5/t in feed prices	- 9	- 8

#### **Replacement cost prices:**

Cull sow (150 kg @ 100 p/kg dwt)	£150	Replacement gilt	£250
Cull boar (180 kg @ 80 p/kg dwt)	£144	Replacement boar	£1,000

#### Note:

Sow costs are higher than indoor units due to the requirement for cob nuts for management purposes.

## Finishing Pigs

### PHYSICAL DATA

Type of finisher	<b>All Average</b>	<b>Finishers Premium</b>
Liveweight: at purchase/transfer (kg)	33.0	33.0
at slaughter (kg)	118.0	117.5
Deadweight: at slaughter (kg)	89.1	89.3
Killing out (%)	75.5	76
Mortality (%)	4.0	3.5
Liveweight gain (g/day)	885	929
Feed conversion ratio (:1)	3.00	2.78
Feed use (kg)	255	235
Days in herd	96	91
Sale price (p/kg dwt)	210	210
Feed price (£/t)	285	285

## Finishing Pigs

### GROSS MARGIN DATA

	£/hd	
	All Average	Finishers Premium
OUTPUT		
Sales	187.09	187.53
Less: weaner cost @ £70 (plus allowance for mortality)	72.80	72.45
	<hr/> 114.29	<hr/> 115.08
VARIABLE COSTS		
Feed	72.68	66.98
Vet & medicines	3.0	3.0
Other livestock expenses	12.00	12.00
Total Variable Costs	<hr/> 87.68	<hr/> 81.98
GROSS MARGIN	<hr/> 26.61	<hr/> 33.11
<b>Sensitivity-Change ±</b>		
1 p/kg dwt in sale price	0.89	0.89
£10/t in feed prices	2.55	2.35

#### *Basis of data:*

Other livestock expenses include deductions for power, water, bedding, haulage, commission and levies.