Pig meat
Conrad Rees

Pig prices to fall further
In 2017–18 the Australian weighted over-the-hooks pig price fell to a record low in real terms. This sharp decline was due to an increase in the supply of pigs for slaughter and increased competition from other meats, particularly beef.

In 2018–19 Australian pig prices are expected to continue to decline year-on-year. However, reductions in pig meat production are expected to place some upward pressure on prices. Consumer preferences and income growth are expected to underpin consumer demand for fresh pig meat.

Production to decline
Closing sow numbers are expected to decline in 2018–19. Producers are increasing sow slaughter in response to low pig prices and rising feed costs. Sow turn-off will most likely slow towards the end of the year, stabilising breeding herd numbers.

Total pig slaughter is expected to fall in 2018–19 as a result of a declining sow herd. Increases in average slaughter weights are expected to somewhat offset the effects of lower pig slaughter on pig meat production.

Imports to rise
Australia’s biosecurity protocols require that before sale, all imported pig meat is processed, usually into bacon, ham or smallgoods. All fresh pig meat sold in Australia is domestically produced.

International prices for processed pig meat are projected to decline as a result of expanding pig production in Europe and North America. This is expected to moderately increase Australian consumption of processed pig meat imports. It is not expected to displace domestic consumption of fresh pig meat, because the two products are not directly substitutable.

Pig meat supply, Australia, 2004–05 to 2018–19

Export volumes to fall
The Australian pig industry is expected to continue to focus on supplying fresh pork products to the domestic market and export only...
a small share of production. Australian pig meat exports are expected to fall in 2018–19.

**Opportunities and challenges**

**African swine fever**

The discovery of African swine fever in China will result in the culling of infected animals over the coming months. Any decline in the local pig meat supply is likely to result in a short-term increase in imports. Australia does not currently have pig meat export protocols in place for China. Any increase in Chinese imports is expected to be sourced from major exporting regions, such as Europe and North America.

**Industry consolidation**

Over the decade to 2016–17, consolidation and economies of scale in the Australian pig industry have resulted in strong productivity growth and driven production higher.

The pig-to-wheat price ratio, an indicator of relative profitability, has fallen from record highs since 2016–17. The forecast average pig-to-wheat price ratio for 2018–19 is expected to be well below the long-term average. Rising feed grain prices and low pig prices will continue to place pressure on farm returns in 2018–19. This is likely to drive continued structural adjustment in the industry.
## Outlook for pig meat

<table>
<thead>
<tr>
<th></th>
<th>unit</th>
<th>2016–17</th>
<th>2017–18 s</th>
<th>2018–19 f</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over-the-hooks price</td>
<td>c/kg (cw)</td>
<td>348</td>
<td>270</td>
<td>250</td>
<td>– 7</td>
</tr>
<tr>
<td>Sow numbers a</td>
<td>'000</td>
<td></td>
<td>278</td>
<td>273</td>
<td>269</td>
</tr>
<tr>
<td>Slaughterings</td>
<td>'000</td>
<td></td>
<td>5,160</td>
<td>5,378</td>
<td>5,320</td>
</tr>
<tr>
<td>Production</td>
<td>kt (cw)</td>
<td>397</td>
<td>417</td>
<td>410</td>
<td>– 2</td>
</tr>
<tr>
<td>Import volume</td>
<td>kt (sw)</td>
<td>167</td>
<td>162</td>
<td>165</td>
<td>2</td>
</tr>
<tr>
<td>Export volume</td>
<td>kt (sw)</td>
<td>30.7</td>
<td>35.4</td>
<td>34.0</td>
<td>– 3</td>
</tr>
<tr>
<td>Export value</td>
<td>$m</td>
<td>124</td>
<td>133</td>
<td>119</td>
<td>– 11</td>
</tr>
</tbody>
</table>

a At 30 June. f ABARES forecast. s ABARES estimate.

Sources: ABARES; Australian Bureau of Statistics; Australian Pork Limited