

Report – June 2008 – Week 26

- *Further job cuts at Tican*
- *Increase in Spanish pig prices expected for 2008/2009*



DENMARK

Market

Fresh pork legs are by and large sold in the European market at unchanged prices. However, buyers are having a wait-and-see attitude due to pig meat being sold from aid to private storage schemes, and no price increases being possible in the retail sector.

Shoulders and production meat is sold at unchanged prices.

Trade in pork collars continue to be slow due to a fairly bad weather situation in Europe.

Sales to the British bacon market are calm and steady, and the price level remains unchanged. However, there are some discounts given in the market, in particular by Dutch traders.

There are reports of a good demand for pork from the Russian market, but unfortunately almost all Danish exports of pork to this market are at the moment banned (only about 20 per cent of the Danish pork production is allowed access to Russia).

The marketing situation for pig meat exports from Denmark to Japan and to other third country markets remains unchanged. (Sources, Danish Meat Association, Danish Crown, Tican)

General: TICAN lay off Staff

Only a short time after the last round of dismissals a couple of months ago, Tican will now lay off approximately further 40 employees. Another 40 employees will leave for natural or for other reasons. The Russian boycott of Danish pork has had a strong impact on Tican, and is contributing to these cuts in staff. 15 per cent of Tican's exports have gone to Russia, representing a value of € 70 million annually. (Sources, Nordjyllands stiftstidende, Landbrugsavisen)

Price Shock on Maize a Benefit to Danish Pig Farmers

Danish pig producers may benefit from the record high prices for maize since pig farmers all over the world are mostly using maize as pigs feed. These pig farmers will now have to find alternative feed programmes, which may impact a slow down in the global pig production. This could make Danish pig producers more competitive. (Source, Borsen)

Slaughterhouses become Owners of SPF-Danmark

Danish Bacon and Meat Council will cut the trading and haulage company SPF-Danmark from Danish Bacon and Meat Council. The impact will be that the two largest members of Danish Bacon and Meat Council, viz. Danish Crown and Tican, will become sole owners of SPF-Danmark.

Danish Crown and Tican, being the two most important members of Danish Bacon and Meat Council, already own SPF-Danmark indirectly today. In the future they will, however, become sole owners. So it is merely a technical decision that will have no practical effect on employees or customers.

The companies that are affected by the split will be the SPF-Company, Dansk Grisetransport and UNI-Transport.

The fourth SPF-Danmark member, viz. SPF-Sundhedsstyringen, will remain under the ownership of Danish Bacon and Meat Council.

The split up is due to Danish Bacon and Meat Council not wanting anymore to run commercial businesses. (Sources, Danske Slagterier, Landbrugsavisen)

VION the Number One Slaughterhouse Company in Europe

For a long time there have been speculations over a deal between the largest meat companies in the Netherlands and in the UK. Now the deal is a reality.

VION has acquired Grampian Country Food Group Ltd for GBP 380 million. Previously, the vice president of VION Fresh Meat, Mr. Geert Janssen, explained that VION would be focusing on getting hold of customers in the triangle between London, Berlin and Paris. On that occasion he made it clear that VION planned to expand in the UK.

By the acquisition of Grampian the Dutch will in the UK obtain a market position as the number one, closely followed by Danish Crown. Danish and Dutch pork has a strong position on the British market and are heavily competing in the large supermarkets.

Before the acquisition of Grampian, the Dutch company, which is mainly owned by a farmers' association in southern part of the Netherlands, and the Danish Crown company were almost equal in the struggle to be the strongest meat company in Europe. The Dutch have now clearly become the number one after having acquired a business with 17,500 employees in Scotland, England and Thailand, and a turnover of approximately GBP 1.7 billion.

It has been doubtful whether for reasons of fair trade it would have been possible for Danish Crown to acquire Grampian since it is already a large player in the British Isles including their subsidiary Tulip Ltd.

Grampian slaughters and processes furthermore a large number of chicken, which is far from the core business of Danish Crown which is pork and beef.

Evidently it is not a financially strong business that VION has acquired. According to Daily Record, the deal was a relief for Bank of Scotland, which is supposed to have owned as much as one fifth of the company. Grampian is also burdened with pension obligations of € 135 million. The last barrier for a conclusion of the deal is the approval of the competition board. (Source, Landbrugsavisen)

Exports of Pork to Russia Jeopardized by Drug Residues

The Russians have acquired fine measuring equipment, which is capable of measuring very small amounts of medicine residues in meat, residues which would be far below international norms.

The pinpointing of residues in meat made the Russians ban the imports from more than 50 European slaughterhouses, including three Danish ones.

The Danish slaughterhouse sector is treating the problem as very serious because exports of pork to Russia usually represent € 270 million annually, and Russia is after Japan the most important market for Denmark outside Europe.

Food safety is in general one of Denmark's top priorities, and Jan Mousing, chief veterinary officer of the Danish Food Administration, is wondering why Russia has suddenly introduced a zero tolerance for drug residues. Russia did as a matter of fact at some point join an international codex for food safety with requirements that are met by Danish meat production.

Sources, who do not want to step forward, suggest that the Russian zero tolerance is some sort of technical trade barrier, which should benefit Russia's own pig production, and that there is no documentation for drug residues in the meat coming from Danish slaughterhouses.

Bent Claudi Lassen, chairman of Danish Bacon and Meat Council points out that the Russians of course have every right to decide from where they buy their meat and why. The Danish pork sector and the Authorities will negotiate with the Russians on how the trade with the Danish slaughterhouses can be carried out in the future. (Source, Landbrugsavisen)

New Manager of Danish Crown Pork Division

In the autumn, and after more than 40 years in the slaughterhouse sector, the division manager of Danish Crown's pork Division, Mr. Jens Haven Christiansen will retire. The meat group has now found his successor. On 1st August Morten Petersen, 46 years old, will start as Division manager of the Danish Crown's pork division. Morten Petersen was purchasing manager of Danish Supermarket, a position he has held since 2003. Previously his career included various positions in the Danish food industry - Jensen Food Group, Kelsen A/S, Arla Foods and Dandy.

(Source, Danish Crown)

Danish Slaughterhouses - payments for Week 26

Slaughterhouse	Danish Crown	Tican
Slaughter pigs (67.0 –81.9 kg Danish Crown and (67.0 - 80.9 kg Tican)	Euro 1.348*	Euro 1.308
Difference from last week	Unchanged	Unchanged
Sows (Above 129.9 kg)	Euro 1.107*	Euro 1.041
Difference from last week	Unchanged	Unchanged
Boars (Above 109.9 kg)	Euro 0.974*	Euro 0.907
Difference from last week	Unchanged	Unchanged

A change in payments according to meat percentage and payments for transport to the Danish Crown slaughterhouses have had the impact that the quotes increased by Euro 0.040 for slaughter pigs and by Euro 0.067 for sows and boars. Accordingly the Danish Crown quotes are higher than the ones from Tican.



FRANCE

Fleury-Michon crosses borders

With 93% of sales completed in France the French group Fleury – Michon needs to expand its customer base. A new joint venture is about to start in Spain.

Cooperl – Arca, the new N°1

Polarisation is on its way in the French pig meat industry, a new leader resulting from the junction of the two co-operatives Arca and Cooperl is taking shape. It should represent almost 25% of French national production with 6.4 million pigs. The new set up would become the 5th pig meat processor in Europe. The French leader Cooperl should then be able to improve its turnover in terms of pig meat sales, hoping that margins will also improve and benefit to its 1 200 members who get half of the total profit of the company. Guillaume Roué, President of Inaporc believes this new structure is good news for the industry as it puts more weight on the market.

Jean-Michel Serres, active President of FNP

The French National Pig Federation is scrupulously watching supermarket shelves, and following a demonstration at Madrange in Limoges to protest about low prices paid to producers, the President of FNP is now chasing pig meat imported from USA. Visits are organised at Jean Caby (part of Smithfield Food Inc) and Herta plants.

The Basque Charcutier

Pierre Oteiza founded his company with his wife in 1987 today he employs 20 staff and owes his success to the Paris Agriculture Show. He started with a small stand in Hall 1 in the late 90's; today he runs two shops in Paris and sells dry ham, pâtés and saucissons everywhere in France mainly through Internet but also in London where he benefits from the support of famous French restaurateurs such as Hélène Darroze or Alain Ducasse. Every week he sends a load of Basque pig meat to Japan to supply restaurants in Tokyo.

The future of Omega 3 pigs under threat?

Today 7 000 pigs are involved in the Bleu-Blanc-Coeur scheme which promotes Omega 3 enriched food products. The production of linseed oil, oil seed rape and similar crops is now under threat and, in order to maintain the present production, the scheme requires the harvest of 60 000 hectares of linseed.

Market data for week 24

Livestock prices continued their recovery last week, gaining 1.4 cents over two trading sessions. Available farm stocks were limited, just about coping with rather cautious abattoir demands. Trade in cuts was steady for the period but no more than that, making it very difficult to revalue upwards prices for primal cuts.

Prospect

Trading in live animals should remain fluid this week, supplies being modest to meet a steady demand from the slaughtering and cutting sectors. The 56 TMP quote could, in this context, swing between stability and more firmness. However, the weather is a factor to be watched closely. Although for the moment, no clear recovery in consumption seems to be on the horizon, the forecast return to summer temperatures could change the markets and allow all prices to recover.

On Friday 20 June: A clear increase at the MPB.

Pigs

The 56 TMP quote saw a clear upward movement today with an increase of 1.3 cents per kilo. According to the MPB, "there will have to be 3,628 animals unsold to kick start a

market which started with stable prices". The activity for the week will be close to 375,000 pigs, with falling carcass weights.

Young pigs

No major changes have taken place on French weaner markets. Overall, supplies have appeared to be lower than current demand. In addition, the majority of regions have seen firm prices continuing, for both 25 kg animals and post-weaners.

Butchered meat (Primal cuts)

Unsurprisingly, trade has not been dynamic at this the end of the month. Consumption has been limited and the slaughtering and cutting professionals have restricted their stock levels. So, sales have appeared to be steady but no more than that. In addition, price firmness has remained *de rigueur*.

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SPAIN

Exports

The Chinese Department of Certification and Accreditation is close to start with the inspections to the Spanish companies pre-selected to export pig-meat and pig meat products to China. In a first step, that will be carried out during July, 15 of the 85 companies will be inspected. (source, eurocarne)

Industry

Campofrío confirms deal with Smithfield subsidiary. Smithfield Foods, the US packaged meats company, plans to merge its main European subsidiary with Spain's Campofrío to create a pan-European group with annual sales of more than €2bn. The Spanish company has confirmed that it was negotiating a deal with Groupe Smithfield, the Paris-based subsidiary jointly controlled by the US group and Oaktree Capital Partners. It said both parties had "formalised a non-binding agreement of intentions...that sets out the preliminary terms and conditions of an eventual merger of both companies". Under the plan, the merged entity would adopt the Campofrío name and be controlled 51.5 per cent by the Spanish group and 48.5 per cent by Groupe Smithfield. Campofrío is largely a family concern in which Smithfield Foods has accumulated a 23 per cent stake since 2004. The company is the largest meat processor in Spain, and among the biggest of its type in Europe, with processing plants in Russia and Romania. Its focus is processed pork products such as cured ham, sausages and bacon. It exports to more than 40 countries. (source, financial times, agrodigital)

The Mercantile Court Judge of Segovia has emitted a court order favourable to the transaction of the factory of Primayor Foods in Mollerusa on the part of the company Cárnicas Vilaró. The manager of Cárnicas Villaró, person in charge of the purchase of the plant of Mollerusa, will have to pay about 7.2 million euros to take control of the factory, after a negotiation that has lasted almost a year. (source, eurocarne)

General

Mercolleida, the of reference pig market in Spain, foresees increases in the pig prices this year and during 2009. (source, eurocarne)

Prices

Slaughterhouse	Lleida 19.06.08	Zamora 25.06.08
Piglet 20 kg	20 €/Unit (+4.00)	22 €/Unit (+0.00)
Live fattened pig	1.270 €/kg (-0.005)	-



PORTUGAL

Prices

Slaughterhouse	Lisbon 16.06.08
Fattened pig – Carcass E 57%	1.70 €/kg (+0.02)



RUSSIA

Russia to ban European meat imports

Russia, which recently lifted a ban on Polish meat, is now barring chicken and pork imports from 70 European companies, EU officials said Tuesday, ahead of an EU-Russia summit. The problems emerged in April, according to European Commission officials, when Moscow began refusing certain imports because they contained traces of antibiotics. Now 70 companies, from seven EU nations -- Belgium, Denmark, France, Germany, Hungary, Italy and Spain -- have been placed on the Russia embargo list, representing restrictions on produce worth "certainly more" than 100 million euros (156 million dollars) one official explained.

The worst-hit country is Denmark, which has seen its pork exports to Russia halved to the ban hitting its biggest exporters.

The commission suspects Russia is seeking to boost its national producers. "There is a suspicion," one of the officials said, as the measures appeared "shortly after Russia officials called for higher levels of self-sufficiency in the farm sector." An EU official said the issue would be brought up at the EU-Russia summit in Khanty-Mansiysk, Siberia on Friday, "even if no one wants to give it too much importance." The European Union and Russia will give the formal go-ahead for talks on a new strategic partnership accord at the summit, the first in which Russian President Dmitri Medvedev will take part.

Russia: Animal population updates May 2008

Russian Statistics Committee reported that as of May 1, 2008 cattle population showed 22.6 million heads, which is 0.9% down from corresponding indicator a year ago of which cows 9.4 million heads (1.1% down), pigs 17.2 million heads (1.4% down), goats and sheep 23.6 million heads (5.2% up).

For reference: individual private households account for 48.2% of cattle, 43.3% of pigs, 50.6% of goats and sheep which goes in line with past year's indicators. During January-May Russia produced slaughter animals in live weight 3.2 million tons.



POLAND

Poland hopes for more exports to Russia

Warsaw hopes Moscow will enlarge the number of accredited livestock produce suppliers to Russia, a Polish Embassy official said on Monday.

So far, only six Polish meat companies have been permitted to supply Russia with beef and pork. Four companies have a license to store agricultural products prior to onward shipment to Russia. An earlier Russian ban on Polish meat was previously a major source of tension between Moscow and Warsaw. In January 2008, the two countries signed a memorandum lifting the ban, imposed in 2005 over claims of low quality imports.

Poland had earlier vetoed the start of negotiations on a new EU partnership agreement with Moscow over Russia's meat embargo. Warsaw lifted its veto after the two countries resolved the dispute and took steps to improve relations.



UKRAINE

Ukraine: large pig complexes renaissance

Recently the Antimonopoly Committee approved the purchase of Ukrainian Bacon by Myronivka Khiboproduct company. Ukrainian bacon is implementing of the country's largest pig complexes totalling 100,000 heads.

In Poltava Oblast Globyne Meat Packing Company introduced a new pig complex totalling 120,000 heads.

For reference: Ukraine is meat deficient country and imports meat from Poland, Hungary, USA, Brazil, etc. Presently Polish pork delivered to Ukraine is worth US \$ 2.65 per kilo.



USA

Proposal to counter high feed prices

The National Pork Producers Council (NPPC) is calling on USDA to take steps to provide relief from high feed costs. NPPC in a meeting with USDA Secretary Ed Schafer asked USDA to:

- Release immediately and without penalty non-environmentally sensitive acres from the Conservation Reserve Program.
- Allow crop farmers to plant (at their own expense) a harvestable crop on those acres that could not be planted this spring due to weather condition, even though the farmer may have collected a disaster payment on the ground. This action also may require congressional approval.
- Support a waiver of the biofuels mandate (Renewable Fuels Standard) for ethanol as requested by Texas Gov. Rick Perry.
- Support the elimination of, or significant reduction in, the ethanol blender's tax credit.
- Support the elimination of, or significant reduction in, the tariff on ethanol imported into the U.S.

According to NPPC, "If more crops can't be planted and if there is no relief from the ethanol mandate, feed costs will go even higher than the record levels we're seeing today, many livestock producers will go out of business, meat supplies will fall and

retail meat prices will rise. That wouldn't be good for the livestock industry, American consumers or the U.S. economy."

Prices

Germany

Pork Prices ex-Hamburg Fleischgrossmarkt (Cuts from 75–85 kg pigs) Week commencing 23rd June 2008			
	Cut Name	Closest Export Manual Code No.	Price Range (Euro / kg)
1.	Round cut leg	51121	2.45/2.65
2.	Leg (boneless, rindless max fat level 3mm)	51121	3.45/3.65
3.	Boneless Shoulder	56200	2.50/2.75
4.	Picnic Shoulder	56120	2.10/2.25
5.	Collar	56130	2.50/2.70
6.	Belly (bone in, ex-breast)	55100	2.30/2.55
7.	Sheet Boned Belly (rindless)	55210	1.75/2.05
8.	Jowl	50230	1.45/1.55*
9.	Sow Carcasses	60100	-
10.	Half Pig Carcasses	R Classification	-

*Unchanged from previous week

Spain

Barcelona Market Information Prices for week commencing 23rd June 2008		
Carcasses (secondary grade)	Euros / kg	1.671/1.677
Gerona Loin Chops	Euros / kg	2.84/2.87*
Loin Eye Muscle	Euros / kg	4.32/4.35*
Spare Ribs	Euros / kg	2.39/2.42*
Fillets	Euros / kg	5.53/5.56*
Collar	Euros / kg	3.23/3.26*
Round Cut Legs	Euros / kg	2.55/2.58
Cooked Ham	Euros / kg	2.32/2.35
Rindless Picnic Shoulder	Euros / kg	1.64/1.67
Belly	Euros / kg	1.81/1.84
Smoked Belly with Spare Rib Section Cut Off	Euros / kg	2.24/2.27*
Shoulder Chap or Head Jowls	Euros / kg	1.00/1.03
Back Fat, Rindless	Euros / kg	1.13/1.16

*Unchanged from previous week