

Report – July 2008 – Week 29

- *Serious outbreak of African swine fever in Russia*
- *Russia approves list of Spanish establishments authorised to export pig meat to Russia*



DENMARK

Market

Prices are increasing on most markets for legs. However, the increases are not as strong as expected.

The market for shoulders and other types of production meat improved as well and there are price increases on many markets. For cuts of meat with a high content of fat and lard the market is particularly fine and with decent price increases.

The bacon market continues to be sluggish, but the price discounts that characterized the market over the latest weeks seem to have disappeared and it is estimated that it will lead to an improvement of the market also in August.

The export bans for the Russian market are still worked on through many channels. It was just announced that the Danish Crown slaughterhouse at Horsens reentered the list of approved businesses for export to Russia. It is expected that more slaughterhouses will be approved over the next days.

It seems that the period with sanitation of sows is ending, which will impact lower supplies to the slaughterhouses, not just in Denmark, and it will lead to a better market for sow meat. (Sources, Danish Crown, Tican, Danske Slagterier)

General

Increasing prices of pig meat expected

New figures showing strong falls in production of young pigs nourish the expectations for increasing prices. The development in prices in the rest of Europe is promising also for the Danish pig producers.

There is an atmosphere of euphoria in Holland, Germany, Belgium, France and Austria, where prices increase by up to seven Eurocents, informs ISN. The background is a limited supply of pigs and increasing exports to East Europe; The Czech Republic, Poland, Hungary and Romania are buying large quantities of pork and also live pigs for slaughtering. It means that the former problems with exports to Russia did not have a very strong effect.

In Spain the situation is somewhat different. Due to the increasing prices of energy there were strikes in the transport sector impacting problems with the transports of pigs to slaughtering. So the Spanish quote remains on the same level. Also in Denmark the quote remains unchanged and hereby the Nordic people keep the bottom ranking of pig meat prices in Europe.

But also the Danish pig meat prices are going to increase. Due to the drop in production of young pigs in Europe it is estimated that there will be strongly increasing prices within a few months.

Market analyst of Danish Bacon and Meat Council, Karsten Flemin informs that it is the strongest drop in production of young pigs ever seen, whereas chairman of Danish Bacon and Meat Council, Bent Claudi Lassen says that the figures support the expectations of an increase of the pig meat quote of € 0.2 per kg during the last six months of 2008. And the drop is so significant that it seems that prices will continue going up also during 2009 it is estimated.

The expectations are also due to the fact that the US pig producers are affected by the increasing prices of feed corn and reduced the growth. (Source, Landbrugsavisen, JyllandsPosten)

German Pig Meat Quote increases

A significant difference in prices between the German and the Danish pig meat quote is creating a bad atmosphere among the Danish pig producers.

Last week the German quote increased to € 1.70 whereas the Danish of € 1.49 is one of the lowest in Europe.

Over several years the German quote was better than the Danish impacting increasing exports of live slaughter pigs.

President of Danish Pig Producers, Mr. Torben Poulsen is afraid that the slaughterhouses and the pig producers will not be strengthened by the present crisis. The production is falling whereas exports of young pigs and slaughter pigs are increasing. Left behind are the cost heavy Danish slaughterhouses is Torben Poulsen's frightening scenario.

The chairman of Danish Crown, Niels Mikkelsen does not want to comment on the situation but leaves it to manager of the pig meat division Jens Haven Christiansen.

He states that there are no excuses. The difference in prices to Germany is too large even if one takes the seasonal variations into consideration, and the fact that traditionally the German pig meat price is higher than the Danish during exactly the present months. He explains that during the latest five years and apart from last year the German quote was higher than the Danish.

Torben Poulsen is afraid that the production will not get started again in many of the smaller pig stables that right now are empty.

He finds that the slaughterhouses cannot pay a price that the pig producers can live on and for several years the competitive power was behind. He believes that new figures for the pig stock, which will be published by the end of the month, will show a further decrease. And it gives rise to thoughts that exports of live pigs continue increasing even though there are many expenses attached to such procedure.

Selected European quotes are as follows,

Country - Week 27 - Week 28

Germany - 1.65 - 1.70

Denmark - 1.49 - 1.49

Spain - 1.75 - 1.75

Holland - 1.57 - 1.58

France - 1.54 - 1.57

Source, SVG Rendsburg

(source, Landbrugsavisen)

Poland buys more Danish Pork

Exports of Danish pig meat to Poland are excellent. A statement covering the first four months of the year shows that compared to the same period last year exports increased by more than 30 percent.

During the first four months sales of pork to Poland had a value of DKK 556 mill and should the development continue during the rest of the year the total export of pork will be approximately € 220 mill this year. Last year exports had a value of € 150 mill. There is also pig meat going the other way from Poland to Denmark but the value of imports is just 20 percent of exports. The imports mainly consist of canned meat.

Chinese are buying part of US Meat Business

A small part of the largest US slaughterhouse company is now on Chinese hands. The government owned Chinese trading company Cofco just bought five percent of the shares of Smithfield for approximately \$ 122 mill.

The acquisition is an expression of the fact that at present the Chinese are focusing hard on strengthening the country's food sector – in particular within pig production. Further, Smithfield for quite some time tried to get capital in China and to get better conditions for exports, and now the company succeeded.

China has half of the global pig stock but lost 3.7 mill pigs during the recent earthquake in the Sichuan Province. (Source, Borsen)

Danish Crown dismisses people at Herning

Between 70 and 90 people or every tenth is going to be dismissed from the slaughterhouse at Herning.

The dismissals are due to the fact that the slaughterhouse is lacking pigs – at present the production fell by 20 percent at the plant. (Source, Landbrugsavisen)

Danish Slaughterhouses - payments for Week 29

Slaughterhouse	Danish Crown	Tican
Slaughter pigs (67.0 –81.9 kg Danish Crown and (67.0 - 80.9 kg Tican) Difference to last week	Euro 1.348* Unchanged	Euro 1.308 Unchanged
Sows (Above 129.9 kg) Difference to last week	Euro 1.174* +0.067	Euro 1.108 +0.067
Boars (Above 109.9 kg) Difference to last week	Euro 1.041* +0.067	Euro 0.974 +0.067

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

Moving backwards or forward?

The Green association « Eau et rivières de Bretagne » (Water and Rivers of Brittany) is concerned about the announced relaxation on the limitation of pig herds in France. A working group set up by the French Ministries of Agriculture and Ecology are looking at stopping the limitation of the extension of pig herds in areas already saturated with excessive levels of nitrates. According to this association, if the decision is confirmed an increased concentration of pig herds is expected with dramatic consequences on the environment.

Inaporc annual general meeting

A reshuffle of the Inaporc board took place at the last board meeting on 1st July. The number of regional representatives is moving from one third to half. Producers (FNP) and cooperatives (Coop de France) are sharing the remaining seats. Also Inaporc is still battling to get a levy from ARCA, a new decision is expected by the Rennes court before the end of the year.

Special offers in question

Pig meat producers and processors want to demonstrate that special offers do not carry better returns to the industry. A retail price policy which brings retail prices down from 7.50 €/kg on standard shelf to 3 €/kg on special offers is a nightmare for slaughterers and processors. During the last 10 years special offers have decreased from almost 50% of retail sales to 18% today. Prices paid to producer are closer than ever than production prices (between 1.6 and 1.65 €/kg) but prices will probably need to move to 2 €/kg and processors' business could be affected as prices of a third of processed products are fixed with retailers on a 6 month period.

New joint venture

Two cooperatives of the centre of France: Centraporc and Beliporc are merging in one new company: Copalice which now accounts for 246 000 pigs and 106 000 piglets.

For more information, please contact MLC France on 00 33 1 60 71 04 49



GERMANY

Edeka to close plant

Edeka plans to close the Georgsmarienhütte plant in Niedersachsen by Christmas. Some 130 workers are involved.

Japan push

CMA is trying hard with the world's largest pork importer. It has a new bilingual guide of cuts; it is organising a seminar for exporters and is commissioning a market study.

Schwarzwald ham in top form

The 1,700 people employed in the sector produced 6 m. hams in 2007, worth € 500 m. Some 25% are exported. The association of producers created in 1989 has 18 members. (AFZ, 25 June)

Edeka's new formula

Scheck-in-Center from Adolf Scheck an Edeka franchise in East Frankfurt (part of a 12-strong group) combines hard discount features with top class offer. The meat proposition is regionally based with 500 specialties and benefits from a 13 m counter for fresh meat and a 18 m counter for processed meats. A second supermarket is planned in West Frankfurt.



SPAIN

Exports

The Veterinary Authorities of the Russian Federation have announced the approval of the list of Spanish establishments authorised to export pig meat to Russia. (source, agrodigital)

General

Mercabarna, central market of Barcelona, has announced the enlargement of its slaughterhouse in 2,000 m², equivalent to an increase by 10% of its actual surface, with an investment of 3 million Euro. (source, ediporc)

Mercazaragoza, central market of Ebro's valley, together with Sabeco (supermarkets, distribution) and Arento (cooperative), is planning the building of a big swine slaughterhouse, with a capacity for 1,500 to 2,000 pigs per day. (source, eurocarne)

Prices

Slaughterhouse	Lleida 10.07.08	Zamora 15.07.08
Piglet 20 kg	20 €/Unit (-2.00)	24 €/Unit (+1.00)
Live fattened pig	1.275 €/kg (-0.025)	-



PORTUGAL

Prices

Slaughterhouse	Lisbon 07.07.08
Fattened pig – Carcass E 57%	1.70 €/kg (+0.00)



SWITZERLAND

Bell expands

Bell AG has bought French processor Polette, a specialist raw ham and salami producer with a turnover of € 90 m. with 230 staff. Bell employs 3,300 people in Switzerland for a turnover of CHF 1.6 bn. It is owned by Swiss Coop.



BELGIUM

Romania and Bulgaria targeted

Vlam, the Belgium pork exporters' organisation wants to diversify from its traditional market Germany and is targeting Central Europe. Romania, a 200,000 tonnes market, and Bulgaria with 70,000 tonnes imports are logical targets. (AFZ, 25 June)



RUSSIA

Russia suffers swine fever

In the Russian republic of North Osetia (Southern Russia) pigs are massively dying of African swine fever showing around 300 pigs dead and another 700 heads slaughtered. There are four units in North Osetia where the disease was registered. Vets believe that if the epidemic situation is not taken under control then it may cover the whole republic and spread further and this is a hint that the republic may need to slaughter the whole population of pigs, which is estimated at 150,000 heads.

For reference: local small family farms refuse to slaughter their animals demanding the refunds from the government. The local government appealed to the federal government for help.

Russia keeps banning meat imports

The Agricultural Monitoring Agency of Russia (RosSelkhozNadzor) introduces temporary limitations on import of meat products from a number of European, Latin American and Australian enterprises.

Starting July 15, 2008 temporary limitations on import of products from a number of Danish, German, French, Spanish, Italian and an Argentinean enterprise into Russia are introduced. The reason is that banned and hazardous substances were found in the lots of pork meat, jowls and pork byproducts, and also poultry meat and poultry byproducts.

Starting July 21, 2008 temporary limitations on supplies of meat products from a number of Australian, Brazilian and Argentine enterprises will be imposed. Banned and hazardous substances were found during inspection of boneless kangaroo meat and boneless beef produced in Australia, and also boneless beef produced by a Brazilian enterprise and beef trimmings produced by an Argentine enterprise.

For reference: the limitations will be lifted once the vet service of the country of origin will make sure no antibiotics are used. Starting from July 15 Russia will enact the joint Russian EU memorandum on imports of meat and products from EU. According to this memo meat and products shall be supplied to Russia from Russian Vet Service certified plants and companies with a guarantee of the Vet service of country of origin. No intermediate storage of these products is allowed, no possibility to split the lots. The head of the RosSelkhozNadzor Mr. Sergey Dankvert noted that this memo was supposed to be in place already since July 1, but EU appealed for extension until July 15th.

Russia: meat prices up

In June of 2008 in Russia Consumer Price Index was 101%, for the period since beginning of the year it has been 108.7% (in June of 2007 it was 101%, for the beginning of the year 105.7%). Within meat products group prices for pork increased by 3.1%, for beef, mutton, sausages and smoked meat prices increased by 2.2-2.3%, for canned meat – by 2.1%.



BULGARIA

EU opened the doors to Bulgarian meat

The European Union has cancelled the ban on export of pork from Bulgaria into member countries of the EU and third countries. This decision allows Bulgarian enterprises which have the right to trade with European Union to export pork to European Union countries and over its boundaries excluding pork and pork products produced at households for people's own needs.

For reference: On November 24, 2006 the EU banned trading with pork and pork products from Bulgaria, which has not passed special thermo-treating thus ensuring complete disinfection and full safety in regard of classical swine fever. EU experts made a conclusion

that according to results of their inspection the National Veterinary Service of Bulgaria has significantly increased control of classical swine fever dispersion, including monitoring of wild boars.



CROATIA

Boost for the pork sector

Faced with declining livestock output, the government has set aside € 304 m. to boost pig production. This funding will be in the form of loans with an interest rate of 4% with a two-year repayment grace and will mature in 15 years. They will also have a higher ceiling (€ 1.52 m.) than existing loans.



LITHUANIA – THE BALTIC COUNTRIES

Meat inflation

One may argue that meat prices in Central European countries, now including Romania and Bulgaria were less than 50% of EU average prices. However, prices are catching up, hence the 19.1% inflation figure for Lithuania for April, 16.1% for Latvia and 12.3% for Estonia. One may respond that baltic countries consumers had a very good deal.

Prices

Germany

Pork Prices ex-Hamburg Fleischgrossmarkt (Cuts from 75–85 kg pigs) Week commencing 14th July 2008			
	Cut Name	Closest Export Manual Code No.	Price Range (Euro / kg)
1.	Round cut leg	51121	2.55/2.75
2.	Leg (boneless, rindless max fat level 3mm)	51121	3.60/3.80
3.	Boneless Shoulder	56200	2.70/2.90
4.	Picnic Shoulder	56120	2.25/2.35
5.	Collar	56130	2.65/2.85
6.	Belly (bone in, ex-breast)	55100	2.50/2.70
7.	Sheet Boned Belly (rindless)	55210	1.90/2.20
8.	Jowl	50230	1.55/1.65
9.	Sow Carcasses	60100	-
10.	Half Pig Carcasses	R Classification	-

*Unchanged from previous week

Spain

Barcelona Market Information		
Prices for week commencing 14th July 2008		
Carcases (secondary grade)	Euros / kg	1.678/1.684
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	1.33/1.36

*Unchanged from previous week