

Report –August 2008 – Week 34

■ *Olympic games have negative impact on Chinese pork consumption*



DENMARK

Market

On several leg markets the demand is weak due to the industrial vacation in Southern Europe. The result is price decreases.

The fine sale of shoulders, speck and other kinds of production meat continues. There are small price increases for these products.

Collars are traded without changes in price.

The bacon and fresh loins markets remain unchanged with a steady demand and unchanged price level.

There are no changes on the third country markets.

The EU agreed to abolish the export restitutions but as many exporters already have managed to secure licenses for the next 2 or 3 months, it will not have an immediate effect on the price formation.

The increases of the Danish quote during the last week is not due to increasing prices here and now but should be regarded as an expected adjustment of prices when the vacation ends and further that the higher rate of the dollar and the GBP by and by will work through on the prices that the Danish slaughterhouses bring home.

(Sources, Danish Crown, Tican, Danish Bacon and Meat Council)

General

The European Quotes stay calm

In Europe, the pig meat quotes stay calm, which means that most likely the difference between the Danish quote and the quotes on the competing markets will not increase this week. At the moment, the Danish quote is at a low level compared to the quotes elsewhere in Europe.

Many people were anxious to see the development of the German quote as over the last week the German slaughterhouses have been pressurizing for lower prices. However, the German quote succeeded in resisting the pressure for a downward adjustment reports the news page Schweine.net.

However, the situation in Belgium is different – there the prospects are small downgradings of the quote due to pressure from the industry.

(Source, Landbrugsavisen)

Danish Crown increases sales in China

These weeks, while everybody's eyes are focused on China during the Olympics, then it is more and more often that products produced by Danish Crown end up in the Chinese pots and lunch boxes. Still bi-products make up most of the sales, but gradually with the increasing welfare in China sales of streaked bacon and particular cuts are increasing too.

The aggregate sales have increased by approximately 60 % in less than one year, states Mr. Arnth Henriksen – area manager of Danish Crown for the Eastern Asian area.

He expects that the trend with the new products to the Chinese people will continue increasing.

Danish Crown chose to strengthen its sales by co-operation with fewer trading companies. Among other things it resulted in an increased trade with Danish Crown's subsidiary, ESS-FOOD, along with the gradually opening of the large areas towards West – into the country – that thus become more accessible says Arnth Henriksen.

Besides ESS-FOOD, the sales department co-operates with several other trading companies in the area. (Source, Danish Crown)

Authorities give up on the cases of pigs

The Danish food authorities have lost a general case against a farmer who was accused of mistreating his animals because he delivered sows with shoulder wounds to the slaughterhouse.

Due to the judgment the authorities now give up a number of planned lawsuits against farmers accused of mistreating their animals. At the same time at least 150 pig producers demand their money back for fines that they already paid. (Sources, Ritzau. Politiken)

Danpork pays more than Danish Crown

So far the large pig producers, that earlier this year left Danish Crown and founded Danpork had success.

It means that the Danish manager Steen Thaysen is now ready to welcoming new suppliers in Danpork A/S. His bait is paying 0.333 € more than the Danish quote. In Danpork are five of Denmark's largest pig producers and when Danpork was established, the objective was to pay 0.16 € more than the Danish quote.

Now, there are indications that Danpork A/S is heading to surpass this objective. The company recently settled its first shipments of pigs to Germany – and by paying to the producer 1,636 €/kg with all costs to transportation and administration deducted, Danport got started in the best way one could imagine.

Thus, the producers can collect a lot of money by delivering directly to Germany. If you have a larger pig production of for example 35,000 slaughter pigs a year, your profit is 400,000 € a year with the present prices, Steen Thaysen informs.

Because of the good start, the company has now got the motivation to accept new shareholders – the objective is 20 new shareholders.

(Source, Landbrugsavisen)

Increased exports of American pig meat

While the European pig producers are fighting for survival with the hard pressure on the traditionally secure markets such as Japan and Russia; the circumstances are completely different in the US.

The American export of pig meat has for a long time been record high and now there are indications that Mexico will make the US export increase even more. Only this year exports of pig meat from the US to Mexico increased by 17 percent. The increase is taking place after a recession last year but it is expected that in the future Mexico will be a very important market for US pig meat.

Mexico is already the largest export-market for US beef and at the moment, it is the third largest export market for US pig meat.

During the latest month the US pig meat prices increased intensely and by the end of last week reached almost 1.333 €/kg. The increasing pig meat prices occur in spite of a record high pig production in the US.

The American production of pig meat for the July-quarter is expected to be 7.2 % higher compared to the same quarter last year.

For the 4th quarter in 2008 is expected an increase of 2.4 % compared to the same quarter the year before, while as of the 1st quarter of 2009 it is expected that the American production will be 2-3 % lower than the previous year. (Source, Landbrugsavisen)

Danish pig producers are losing money in Russia

Several Danish farmers and investors have suffered great losses in their common company, Agripo, which runs a complete farm with pig production in Russia.

During 2007, the company doubled the deficit going from 1.5 mill € to 3 mill €. The deficit is partly a result of the slaughter pig production being less than half of the expected production due to a break out of diarrhea among the young pigs and partly a result of the harvest yield not being as expected.

Nevertheless, the shareholders completely support the company.

The investors assess that the result will improve in the future as in Russia there is a very low own-production of pigs but an increasing demand for food product. (Source, Borsen)

Danish Slaughterhouses - payments for Week 34

Slaughterhouse	Danish Crown	Tican
Slaughter pigs (67.0 –81.9 kg Danish Crown and (67.0 - 80.9 kg Tican)	Euro 1.429*	Euro 1.389
Difference to last week	0.027	0.027
Sows (Above 129.9 kg)	Euro 1.333*	Euro 1.51
Difference to last week	+0.027	0.027
Boars (Above 109.9 kg)	Euro 1.200*	Euro 1.133
Difference to last week	+0.027	0.027

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

Mature market

With only 1% expected increase in 2008 (household purchases), the French charcuterie market has reached its maturity and marketing experts see this market growing only through new products. Innovation requires investment and today the charcuterie manufacturers need to grow to remain competitive. Following the recent restructurations: Aoste – Jean Caby; Delpeyrat – Montagne Noire – Chevallier; Stoeffler – Schmidt, the next one could involve Madrange.

Cost of transport

325 agro food companies of the west of France are gathered in an association "Cluster West" requesting the authorisation to test transport up to 44 tonnes per truck (instead of 40

tonnes today). Then the freight capacity of each lorry would increase by 15% meaning less traffic, less food miles and savings up to € 60.6 million.

Retirement

Still waiting for joining with Arca, Cooperl announced the retirement of two of their main managers. Firstly Jean-Claude Commault, General Manager is leaving the cooperative after 38 years of service together with its Industry Manager Jean Gourdet who spent 40 years with Cooperl. Emmanuel Commault is the new General Manager and the President remains Guy Dartois.

Market data for week 34:

Pigs

The orientation of business for live animals will depend, in the short term, on the direction of consumption. As it is almost certain that the Bank Holiday of August 15th is going to lead to some disturbances in collection, it is difficult to plan the demand for slaughterhouses. They will have to adjust their purchases to orders. So, the prices could oscillate between stability and firmness, according to the return of the holiday makers and the preparation for the beginning of the autumn.

Piglets

Exchanges are more or less regular according to the region. The prices are stable according to the ratio offer/demand at the moment. No increased change in trends is expected in the next few days. The beginning of the autumn is rapidly approaching, which leaves hopes of a recovery in slaughtering for cuts.

Cuts

If the calm market continues in the short term, more dynamism is expected by the weekend.

Everything will depend on the level of consumption. The price for live animals will also be watched closely at the risk of seeing margins fall back.

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



GERMANY

Moksel result slides into the red

The operative result of the Moksel group in Buchloe, belonging to Vion Holding N.V. based in Best in the Netherlands, declined considerably in the first half of 2008.

Numbers of commercial beef cattle slaughters in the Moksel group in the first six months of this year were 2.2 percent down on the equivalent figure last year: from 206,000 to 201,000. The market share fell from 12.7 percent last year to 11.9 percent in 2008. In the period from January to June the number of slaughtered pigs fell by 18.3 percent from 1.2 million in 2007 to 980,000 in the same period in 2008. The slaughter figures for 2007 included 385,000 carried out by Vion Lausitz GmbH, which has since been sold. Domestic production sales (including by-products) rose by roughly one percent, totalling 302,000 tonnes in the first half of 2008 (2007: 299,000 tonnes including by-products).

Sales of the Moksel group rose by EUR 53 million to EUR 936 million in the first six months of 2008, up from EUR 883 million in the equivalent period in 2007 (an increase of six percent). Reasons for this include higher sales quantities and a slight increase in prices.

The Moxsel group ended the first half of 2008 with a net loss of EUR 5.0 million following a balanced result in the equivalent period last year. The operative result (before debtor warrants, financial and tax result) dropped by roughly EUR twelve million to EUR -46 million. The financial result fell from EUR -1.668 million to EUR -5.788 million. The cash flow from operations was EUR -8 million in the first half of 2008, down from EUR +66 million the previous year. The balance sheet total increased from EUR 441 (31 December 2007) to EUR 466 million (30 June 2008). (*Sources, afz-allgemeine fleischer zeitung 34/2008*)



SPAIN

Exports

Russian Veterinarian Authorities have blocked all pork imports from the EU, with the worst affected countries being Germany, France and Spain. All slaughterhouses authorised to export pig meat to Russia a few weeks ago, 20 from Spain, have now lost this homologation. The Russian Government put forward having detected residues of antibiotics above the acceptable levels. In 2007, 4% of Spanish pig meat exports corresponded to Russian Federation. (source, El País)

General

The Association of Iberian Pig Producers in Extremadura (where these pigs are typically produced in Spain) has encouraged livestock farmers, industrial operators, feed manufacturers, veterinarians and consumers agents to create a Discussion Group in order to face different problems affecting Iberian Pig Sector: reduction of cured hams consumption and dramatically decreasing of prices of Iberian Pig products. (source, agrocope)

Prices

Slaughterhouse	Lleida 14.08.08	Zamora 19.08.08
Piglet 20 kg	20 €/Unit (+0.00)	25.0 €/Unit (+1.00)
Live fattened pig	1.310 €/kg (+0.000)	-



PORTUGAL

Prices

Slaughterhouse	Lisbon 11.08.08
Fattened pig – Carcass E 57%	1.74 €/kg (+0.00)



RUSSIA

Swine fever might spread across the country

The Chief State Vet Inspector of Russia Mr. Nikolay Vlasov said that African swine fever may appear in any part of Russia and the spread of this disease is a thousand times as

dangerous as bird flu. In his opinion there are two possibilities: a) the disease can be spread through human foodstuffs in Orenburg Oblast b) wild animals may spread it further from North Osetia to Astrakhan which is in the Volga Valley. This may affect Stavropol and Krasnodar.

For reference: The crucial issue here is that Russia lacks the vaccine to fight this disease and so far Russian authorities fight with this disease by slaughtering animals, fire, disinfection barriers, etc. Since the beginning of the year the RosSelkhozNadzor sent 62 instructions to the regions telling them exactly how to fight the disease.

Pig complexes grow

The Kurgansk Pig Complex hired a constructor to build large pig facilities under the management of Austrian Shauer company. This complex will have 3,400 productive sows plus pigs on fattening. The complex will be able to house 50,000 heads of pigs per year. The general plan also envisages reconstruction of some old chicken pens into pig pens.

For reference: The farm should reach the planned indicators of pig production by the year 2012. The feed will be provided by Zhitnikovske farm and meat will be processed at Kurgansk meat packing facilities. This is a vertically integrated company.



UKRAINE

Meat market updates

In early August, the purchasing prices for live pigs of 2nd category weighing 100-120 kg reached US \$ 2.7-2.9/kg. The domestic prices of suppliers showed US \$ 4,580 – 4,900/t per 33-40kg semi carcasses of 2nd category pigs unskinned EXW.

For reference: The market operators believe that during the first half of August prices for pigs and boned pork will remain stable.

Meat and products updates Jan-June 2008 (Source: State Statistics Committee)

	Jan-June 2008, MT	Jan-June 2008 versus Jan-June 2007 in %
Fresh (steamed) or chilled pork,	76,100	-6.5
Frozen pork	7,500	-46.4
Sausages (cumulative: pork, beef, poultry, etc)	183,000	3.4

Ban for Russian pigs in place

Ukraine introduced a ban for animals and products from Orenburg Oblast of Russia that are susceptible to African swine fever because of the swine fever case registered recently on the territory of the said Oblast.



KAZAKHSTAN

30-day ban for Russian pork and products

The Western Kazakhstan Oblast imposed a 30-day ban on sales of pork meat and a temporary ban on imports of live pigs and pork from Russia because of the African swine fever outbreak in Orenburg Oblast.

For reference: Motorways, airports and railroad border crossings are on alert for pork meat and products. The disease was registered in the village of Chernigovka, Orenburg

Oblast which borders Western Kazakhstan Oblast. The disease was said to be spread from an individual small farmer to a neighboring large pig unit where 112 pigs were slaughtered as a result of the disease.



CHINA

Negative “Olympic impact” on pork consumption in China

With hundreds of millions glued to home television sets and factory canteens running on low speed, the normal summer lows of pork consumption are being exacerbated by China’s hosting of the Olympic games. This lull comes as China’s hog herd has expanded close to double-digit levels year on year, with producers responding to strong industry profitability over the past nine months.

Reports from USMEF (U.S. Meat Export Federation) offices in China point to a negative “Olympic impact” on pork consumption. The effect is more pronounced in Beijing, where tourists have not offset the sharply reduced local customer traffic in many restaurants. Some have even chosen to close for the three-week run of the Olympic games. USMEF-China also notes that urban clean-up campaigns linked to Olympic events have curtailed street-hawker activity. As a result, huge volumes of imported pork and poultry products have stacked up in Chinese cold stores, with some facilities reporting 100% capacity. The Olympics have also affected national distribution of imports, as increased security on roadways has slowed product movement. Finally, falling domestic prices have narrowed the spread between the wholesale prices for imported pork and local products.

Domestic boneless fresh pork prices in large urban areas have dropped between 15% and 20% from the high point reached in February 2008. In late July, China’s ministry of agriculture announced that its total mid-year live hog inventories have increased by more than 9% from year-ago levels. More importantly, sow numbers are up 22.5%.

The Chinese government has announced significant subsidies for investors in development of large-scale hog farms. Over the past three months, USMEF is aware of at least six major company announcements of intentions to invest in these large-scale farms. Among these announcements are reports of major investments by Goldman Sachs - which already has a stake in China’s two largest meat processors - and Deutsche Bank.

(Sources, USMEF - U.S. Meat Export Federation)

Prices

Germany

Pork Prices ex-Hamburg Fleischgrossmarkt (Cuts from 75–85 kg pigs) Week commencing 18th August 2008			
	Cut Name	Closest Export Manual Code No.	Price Range (Euro / kg)
1.	Round cut leg	51121	2.45/2.75
2.	Leg (boneless, rindless max fat level 3mm)	51121	3.50/3.80
3.	Boneless Shoulder	56200	2.75/2.95*
4.	Picnic Shoulder	56120	2.25/2.38*
5.	Collar	56130	2.60/2.80*
6.	Belly (bone in, ex-breast)	55100	2.50/2.70*
7.	Sheet Boned Belly (rindless)	55210	1.90/2.20*
8.	Jowl	50230	1.70/1.85*
9.	Sow Carcasses	60100	-
10.	Half Pig Carcasses	R Classification	-

*Unchanged from previous week

Spain

Barcelona Market Information Prices for week commencing 18th July 2008		
Carcasses (secondary grade)	Euros / kg	1.724/1.730*
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	1.71/1.74*
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	1.28/1.31*
Back Fat, Rindless	Euros / kg	1.63/1.66*

*Unchanged from previous week