

## Report - October 2008 – Week 43

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### DENMARK

#### Market

On the European market fresh legs are sold at unchanged or slightly sagging prices. The decline in consumption of products with the consumers in combination with constant supplies is causing the pressure on prices.

Front parts and shoulders are following the same pattern.

Sales of production meat and fat trimmings are characterized by a reasonable demand and unchanged high prices.

There are different evaluations of the British bacon market. Tican estimates that the trade is stable and prices remain unchanged, whereas Danish Crown estimates that prices are weaker just now due to large supplies.

Weak sales of backs in Europe and some building up of stocks are the reason for the quantity pressure.

As to markets outside the EU sales remain unchanged. A positive development of the exchange rates will have a positive influence on the prices brought home to the Danish slaughterhouses when the new contracts will be entered. (Sources, Danish Crown, Tican, Danish Bacon and Meat Council)

#### General

##### Positive Expectations

Although during the present year Danish Crown was under a hard pressure and had difficulties in raising the quote the company now announces that it is ready to make further acquisitions in Europe.

Danish Crown finds that it has to strengthen its position on the market in order to be able to manage on a market under pressure.

- We have a clear focus on expenses in Denmark and on the market dynamics. But we constantly follow the development internationally. Our strategy on strengthening our position in Europe was not changed in spite of the difficult situation during the latest years, says corporate manager of Danish Crown, Kjeld Johannesen. Accordingly Danish Crown invested e.g. in the UK where it now has 21 plants. At the same time the company dismissed 1,600 employees and closed down four Danish production plants.

Rationalizations are necessary in order to keep up during hard times.

During a certain period the pressure was hard on the primary production in the farming sector. The slaughterhouses are next followed by the processing sector. The necessary consolidation must be made. Businesses in Europe are going bankrupt, as they cannot manage the price increases that are arriving now. At the same time many businesses are offered for sale and the value of the companies has crashed all over the world says corporate manager of Danish Crown, Kjeld Johannesen.

(Source, JyllandsPosten)

### **Financial Crisis is shaking Danish Farming**

All over the world the financial crisis makes consumers save on food products and it is costing the farming sector billions. Danish pig producers are experiencing a catastrophic decrease in earnings of approximately € 280 mill. The financial crisis and the consumers' cutbacks overtake the slaughterhouses and the pig producers who already were in deep crisis. The prospects are that more losses will appear and it may have the impact that some farmers decide to stop production, which can lead to more slaughterhouses being closed.

The chairman of the Association of Danish Pig producers, Mr. Torben Poulsen, informs that the present situation is indeed very serious. He is expecting that even more pig producers will be forced to leave the sector. The expected 2009 settling price has been reduced by 13 Eurocent per kg pig meat to € 1.6.

At the same time it is expected that the sector will be affected by the decline already in the present quarter of the year. The expected settling price per kg pig meat for the fourth quarter of the year is being reduced from € 1.52 to € 1.44. (Source, JyllandsPosten)

### **Less Creditworthy**

Financial crisis, failing demand and lacking profits in the pig division make investors wave the yellow flag towards the US slaughterhouse group Smithfield.

So now the investment analytic Moody reduces the long-term creditworthiness of Smithfield from category B1 to Ba2 – a category, which is characterized by some uncertainty and a risk of losses.

The reduction to the lower category is based on the expectations that the company's creditworthiness will continue to be low due to poor earnings in the pig division and high expenses, informs the company in a press release. (Source, Landbrugsavisen)

### **Laser Beams in Pig Stables improves animal welfare**

When using the loose housing system it may be difficult to keep a check on the animals. A new system will help the farmer doing so.

It can be very time consuming to find a particular pig among 200 other animals in a pigsty. So the Engineering School at Aarhus developed a wireless system that recognizes the pigs informs associate professor Stefan Wagner of the Engineering School. The system is constructed in the way that a digital camera attached to the ceiling of the stable and a laser beam will point out a particular pig when the farmer types the number of the animal on his PDA or his mobile. (Source, Aarhus Stiftstidende)

### **Danish Slaughterhouses - payments for Week 43**

Slaughterhouse	Danish Crown	Tican
Slaughter pigs (67.0 –81.9 kg Danish Crown and (67.0 - 80.9 kg Tican)	Euro 1.373* Unchanged	Euro 1.333 Unchanged
Difference to last week		
Sows (Above 129.9 kg)	Euro 1.213* Unchanged	Euro 1.146 Unchanged
Difference to last week		
Boars (Above 109.9 kg)	Euro 1.108* Unchanged	Euro 1.041 Unchanged
Difference to last week		

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

### **BPEX at SIAL 2008**

British Pig Executive was present at SIAL, some exporters were based on the EBLEX stand and a poster with logos and contact details of main pig meat exporters was displayed on the stand. Also Stewart Houston and Mick Sloyan attended the English Meat Dinner co-sponsored with EBLEX. For the first time, the French National Pig Federation represented by M. Jacques Lemaître was also present. But more importantly, the "*Pressé de cochon aux légumes*" did demonstrate how pig trotters, belly and shoulder cuts can be subtly mixed and cooked to produce an extraordinary texture with wonderful flavour. The talented Chef Laurent Delabre was cooking for 250 guests present at this dinner organised at the Grand Hôtel Intercontinental in Paris.

### **Consumers survey**

Inaporc found some interesting information from a TNS survey organised last year. For example, French shoppers spent more for their pork chops in Hard Discount stores than in Supermarkets where largest volumes are purchased at a retail price ranging from 2.50 €/Kg to 8.50 €/Kg. Same situation for cooked ham where prices in supermarkets vary from 8 to 22 €/Kg. More striking information: Only 22% of shoppers purchased pig meat in Hypermarkets when it was on special offer in January-February at less than 3 €/Kg.

### **Market data for week 43:**

#### **Pigs**

Week 42 was synonymous with recession for 56 TMP quotation ; down 5,3 cents. This was due to a fall in Abattoirs' demand. They had difficulty in selling cuts due to poor consumption and also due to competition with imports.

#### **Perspectives**

The third week of the month is normally not good for consumption. The market will be very quiet. Abattoirs and wholesalers will try to maintain their prices because of this demand will be moderate.

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



## GERMANY

### **New regulations for use of anesthetics in piglet castration**

From the first quarter of 2009, the German quality scheme QS will introduce the mandatory use of analgetics to be used when castrating piglets. Therewith, the QS GmbH Bonn implements the joint statement of the German farmer's association, the association of the meat industry and the association of the German retail industry, in which the named associations have announced to stop castrating piglets as soon as possible, without causing any risk for consumers or animals. Until an applicable method will be available, analgetics will have to be used. ( Source, afz – allgemeine fleischer zeitung 43/2008 )

### **Reduced duty of information for small enterprises**

The mandatory classification and price information will no longer apply for abattoirs slaughtering less than 200 pigs, 75 cattle or 75 sheep per week. This easing regulation for small enterprises is included in the new meat law, coming into force on 1<sup>st</sup> November 2008. The new law replaces the old meat and livestock regulations, that had last been amended in 1977. (Source, afz – allgemeine fleischer zeitung 43/2008)



## **SPAIN**

### **Exports**

A Belgium Commission headed by the Purchasing Manager of the supermarkets Delhaize visited the farm 'Los Cotos' in order to know deeply the classical Iberian pig production system. Afterwards, this Commission visited 'Acosierra', a company manufacturing pig products. Delhaize is implemented widely in USA, representing 75% of the company sales, but also in Greece (Alfa-Beta), Czech Republic, Slovakia (Delvita), Romania (Mega-Image), Thailand, Indonesia and Singapore. (source, infocarne)

The list of Spanish establishments authorized to export pig meat and meat products to Japan has been updated recently including all the establishments on date 29<sup>th</sup> September. This new list is available in the CEXGAN Web page. The Japanese Authorities have also agreed with the Spanish Ministry the specific process to export pig products set aside only for technique use, not for human consumption (SANDACH). It will be also available in the CEXGAM Web page (sources, eurocarne and agrodigital)

The list of Spanish establishments authorized to export pig meat and meat products to Argentina has been updated recently including all the establishments on dates 2<sup>nd</sup> July, 30<sup>th</sup> September and 6<sup>th</sup> October. This new list is available in the CEXGAN Web page. (source, agrodigital)

The group 'Consorcio de Jabugo' expects to be the first company in Andalusia exporting Iberian pig products to Philippines, specifically to Manila. On the other hand, its slaughterhouse placed in 'Cumbres Mayores' (Huelva) is going to be inspected by the Spanish Department of Health in order to be admitted to export its products to the USA. (source, eurocarne)

### **Industry**

The Society 'Incova Centro Cárnico, S.A' has inaugurated a new slaughterhouse in Segovia. These facilities also include a quartering room, with slicing and packaging carrousel and the capability for producing elaborated fresh products (from pork, beef and lamb). This Society has recently started a new farm for 5,000 pigs for fattening, which will be slaughtered in the new slaughterhouse. (source, eladelanto)

### **General**

The European Commission, through the Food and Veterinary Office (FVO) has started an Infraction Process against Spain because it is considered that Spanish Authorities are not controlling accurately the legal conditions applied in livestock transports, especially in transports length and access to water in the lorries. Spanish Authorities has to implement corrective actions within two months if they want to avoid being denounced in the Justice Court of the European Union. (source, agrocope)

Decreasing in pig prices continues this week. In Mercadolleida prices decreased from 1.12 Euros per kilogram last week to 1.075 Euros per kilogram this one. The Iberian piglet value is also decreasing and it is 3 Euros lower than production costs. In the meantime, the Association of Black Pig Canary Producers has decided to increase 1,000 units its livestock, trying to promote this kind of quality products. (source, agrocope)

### Prices

<b>Slaughterhouse</b>	<b>Lleida 16.10.08</b>	<b>Zamora 21.10.08</b>
Piglet 20 kg	20 €/Unit (-2.00)	24.0 €/Unit (-1.00)
Live fattened pig	1.075 €/kg (-0.048)	-



### PORTUGAL

### Prices

<b>Slaughterhouse</b>	<b>Lisbon 13.10.08</b>
Fattened pig – Carcass E 57%	1.450 €/kg (-0.020)



### RUSSIA

#### Meat Meeting updates

Moscow recently hosted the first ever international meat processors and producers event called Meat Meeting 2008. The President of the Meat Union of Russia Mr. Musheg Mamikonyan believes that consumers under condition of the financial crunch will be tight with their wallets when buying cars, furniture, etc. but they will unlikely stop buying food. He believes that the government will make sure that the banks which are traditionally crediting the animal husbandry sector will continue financing farmers as envisaged by the State Program of livestock development.

Mr. Mamikonyan believes that in order to save the industry from a crisis imports should be decreased and relations between retailers and producers should be balanced to ensure profitable meat production. The existing system which offers import quotas comes to an end next year. The government should bring this issue to the table and decide what is the most appropriate market tool under the situation: quotas or import duties?

By the year 2015 the beef consumption in Russia may reach 2.2 million tons, pork 3.5 million tons, poultry meat 4.6 million tons. Russia is the biggest country in the world and has the eighth largest population with approximately 141 million people. According to Alex Kholopov, US Grains Council consultant in Russia, the livestock and poultry industries in his native country are growing "very rapidly." The substantial growth is due in large part to the government's decision to make agriculture a national priority. Specifically, Kholopov said prior to the government's focus on agriculture, it was nearly impossible for livestock and poultry operators to borrow money for longer than a year. Today, the Russian government has afforded the industries with loans for up to eight years with zero percent interest. But this has come to a halt because of the financial crisis. "Russia's swine industry is in a transformational phase. This industry was previously very small with operators only feeding

a few pigs at a time. We are seeing that trend shift to a more modernized industry similar to the United States," Kholopov said. The swine industry has doubled in two years and is likely to continue growing at this pace, increasing the likelihood of the industry to consume nearly all domestically produced corn. Currently in Russia, the livestock and poultry industries utilize 18 million metric tons of feed ingredients with 60 to 70 percent going into poultry rations.



## LITHUANIA

### Lithuania considers quota scheme

Concerns about environmental damage have prompted the government of Lithuania to establish a commission investigating whether the country should set limits on its annual pig production, according to news agency Leta. A yearly quota of 1.8 million pigs produced on Lithuanian farms has been put forward by environment minister Arunas Kundrotas, compared with a current on-farm level of 1.1 million pigs. Some forecasters expect the number to double by the year 2012.

No permission for new units would be granted once the quota was reached. Top-level discussions about this idea have been propelled by new evidence of foreign investment in the national pig sector. The Danish company Saerimner reportedly wants to invest €11.3 million in constructing 11 pig sites in Lithuania. Government officials want to consider the complete project, rather than issuing permits for 1-2 units at a time.

Saerimner already operates pig units in 4 districts of Lithuania, producing about 75 000 pigs last year. Adding the new sites would take the company's total Lithuanian production to 265 000 pigs/year, on local reports. The expansion plans are starting to meet strong opposition locally. A few weeks ago, the inhabitants of 2 of the districts took their protest to the national capital by demonstrating in Vilnius.



## UKRAINE

### Pork production update

	September 2008	September 2008 in %-ratio to Sept.2007	January-September 2008	January-September 2008 in %-ratio to January-September 2007
Pork (fresh and chilled), t	9,100	-22,0	98,500	-6,7
Pork frozen, t	1,600	-10,8	10,200	-42,1
Sausages, t	29,500	4,0	242,000	3,1

### Livestock and fowls number of heads and prices update

Ukrainian State Statistics Committee reported on the numbers of heads of livestock and fowls at the agricultural enterprises and households:

	All types of farms		Agricultural enterprises			Households			
	As of 1/10/08	vs 1/10/07		As of 1/10/08	vs 1/10/07		As of 1/10/08	Vs 1/10/07	
		, -	%		, -	%		, -	%
Cattle	5797,7		91,3	1817,5		86,6	3980,2		93,7
Incl. cows	3048,7		93,6	651,0		91,9	2397,7		94,1
Pigs	6942,2		85,6	2804,5		86,4	4137,7		85,1
Sheep&goats	1926,4		101,4	318,8		103,5	1607,6		101,0
Fowls	206904		105,2	90894		113,4	116010		99,5

The domestically produced 2nd category pork half-carasses in hide (33-40 kg) were sold at US \$ 4,700-5,000/t, EXW.

The internal market was saturated with the supply of the 2nd category pork half-carasses in hide from Poland at US \$ 4,040/t, EXW, from Germany at US \$ 4,140/t, and from the Netherlands at US \$ 4,200/t, EXW.



**POLAND**



**HUNGARY**

### Sharp fall for Polish and Hungarian pig numbers

Recent pig census results indicate the extent of the pig crisis in both Poland and Hungary, with further falls inevitable given the sharp decline in gilt numbers in August 2008.

Polish pig numbers, August

	2007	2008	% change
	000 head		
Total sows	1,767	1,367	-22.6
of which: in-pig sows	944	720	-23.7
in-pig gilts	175	134	-23.4
maiden gilts	63	52	-17.5
Young pigs <50 kg	10,418	8,922	-14.4
Slaughter pigs >50 kg	5,896	5,103	-13.4
<b>Total pigs</b>	<b>18,129</b>	<b>15,425</b>	<b>-14.9</b>

Hungarian pig numbers, August

	2007	2008	% change
	000 head		
Total sows	379	334	-11.9
of which: in-pig sows	182	163	-10.4
in-pig gilts	50	40	-20.0
maiden gilts	51	48	-5.9
Young pigs <50 kg	1,969	1,723	-12.5
Slaughter pigs >50 kg	1,763	1,646	-6.6
<b>Total pigs</b>	<b>4,120</b>	<b>3,709</b>	<b>-10.0</b>

Source: Eurostat

The previous contraction in the two countries' pig herds has already resulted in

sharp falls in pig slaughterings so far in 2008 compared with a year earlier. In the first half of the year, pig slaughterings in Poland were 9% lower than a year earlier and there was an 8% reduction in output in Hungary. ( Source, pig-international)



**USA**

### **Trichinae programme could boost pork exports**

USDA (United States Department of Agriculture) issued a final regulation for implementing a programme in which producers may participate to certify that their pork is free of trichinae. This could allay concerns of U.S. trading partners and help boost U.S. pork exports, according to the National Pork Producers Council, which worked to get the programme included in the 2008 Farm Bill.

Although the occurrence of *Trichinella spiralis* in the U.S. commercial herd is extraordinarily rare, a national voluntary certification programme, says NPPC, will confirm that fact and will address concerns raised by many of the United States' biggest trading partners, including the European Union, Russia, Chile and Singapore, about the possible presence of trichinae in U.S.pork.

According to NPPC President Bryan Black, the trichinae certification programme would give trading partners evidence of what USDA and every U.S. pork producer has known for years – that trichinae was not a problem in U.S. pork.

The U.S. pork industry has worked for more than 13 years with U.S. and international agencies to formulate a National Trichinae Certification Programme that will significantly increase the U.S. pork industry's global market access. Producers in a number of states have participated in voluntary pilot programs in 1995, 1997 and 2000. The certification programme includes on-farm production practices – which producers helped develop – that will mitigate the negligible risks of exposure to *Trichinella spiralis*. (Sources, National Pork Producers Council , fleischwirtschaft.com)

## Prices

### Germany

<b>Pork Prices ex-Hamburg Fleischgrossmarkt (Cuts from 75–85 kg pigs) Week commencing 20 October 2008</b>			
	Cut Name	Closest Export Manual Code No.	Price Range (Euro / kg)
1.	Round cut leg	51121	2.25/2.50
2.	Leg (boneless, rindless max fat level 3mm)	51121	3.10/3.40
3.	Boneless Shoulder	56200	2.50/2.70
4.	Picnic Shoulder	56120	2.10/2.20
5.	Collar	56130	2.10/2.35
6.	Belly (bone in, ex-breast)	55100	2.40/2.60
7.	Sheet Boned Belly (rindless)	55210	1.90/2.20*
8.	Jowl	50230	1.60/1.80
9.	Sow Carcasses	60100	1.80/2.00
10.	Half Pig Carcasses	U Classification	2.02/2.22

\*Unchanged from previous week

### Spain

<b>Barcelona Market Information Prices for week commencing 20 October 2008</b>		
Carcasses (secondary grade)	Euros / kg	1.414 / 1.420
Gerona Loin Chops	Euros / kg	2.45/2.48
Loin Eye Muscle	Euros / kg	3.58/3.61
Spare Ribs	Euros / kg	1.94/1.97
Fillets	Euros / kg	5.33/5.36
Collar	Euros / kg	2.63/2.66
Round Cut Legs	Euros / kg	2.40/2.43
Cooked Ham	Euros / kg	2.18/2.21
Rindless Picnic Shoulder	Euros / kg	1.71/1.74
Belly	Euros / kg	1.92/1.95*
Smoked Belly with Spare Rib Section Cut Off	Euros / kg	2.35/2.38*
Shoulder Chap or Head Jowls	Euros / kg	1.53/1.56*
Back Fat, Rindless	Euros / kg	1.58/1.61*

\*Unchanged from previous week