

Report - November 2008 – Week 48

- Danish Crown main office at Randers to host the Japanese general consulate



DENMARK

Market

During the autumn, prices have been falling. The slaughterhouses estimate that now the bottom was reached. There is an increasing optimism on the markets for legs and shoulders in Europe. The upcoming Christmas gives an increase although it is not as much as in previous years.

Legs to the UK are sold at increasing prices whereas the price level remains unchanged on the market for loins. However, for the Danish exporters the low exchange rate of the GBP results in lower prices brought home. On the contrary pork bellies and loins to Japan bring home better prices due to the increasing exchange rate of the Yen.

There is a fine demand for pork bellies and loins and an increasing interest in shoulders and collars. The latest counting from the Czech Republic shows a remarkable reduction in the pig stock and it already resulted in an increasing demand. In general the trade with East Europe is taking place at increasing prices here before Christmas. Sales to China have come to a complete standstill, and the same applies with respect to sales of beef to South Korea. It is feared that it will affect sales of pig meat as well. The Russian market remains closed for most of the Danish pig meat export. (Sources, Danish Crown, Tican, Danish Bacon and Meat Council)

General

High Residual Payments from Tican

The turnover of the Tican group increased by more than 10 percent to € 547 mill, but the company – just like the pig meat sector in general – also felt a strong pressure on the profit. The annual result is € 10 mill which is a decrease of € 1.7 mill compared to the previous year. Tican received and processed more than 1.8 mill pigs during the financial year 2007/08, which is an increase of 5 percent compared to the previous year. A strong increase in production costs e.g. for energy, maintenance of the installations and cleaning characterize the annual report, and vet expenses alone increased by approximately 60 percent compared to the previous year.

Sales were negatively affected by the large stocks during the year and by sagging profits on several main markets where the development in exchange rates have been negative. In particular the lack of export opportunities to Russia had a strong impact on Tican. Since 1 May 2008 the company has been excluded from exporting to this lucrative market due to the alleged traces of residues found in meat products from the company. A number of other European companies experienced the same.

In order to be able to compete with Danish Crown the Tican slaughterhouse group had to give the co-operatively members a residual payment, which is higher than the annual result of the group.

The board of Tican accepted a residual payment of Eurocent 8.7 corresponding to € 13 mill although the annual result was no more than € 10 mill.

So Tican spend € 3 mill from the equity in order to compete with Danish Crown.

For comparison Danish Crown made a residual payment of Eurocent 8.0, which gives the co-operatively members € 126 mill out of the annual result of € 133 mill.

(Sources, Borsen, JyllandsPosten, Landbrugsavisen, Tican)

Fine Profits on Casings

The financial year 2007/2008 was the best ever for the DAT-Schaub group and all the production and sales companies of the group had achieved positive business results.

The fine result is due to the high demand for pig casings which in combination with difficulties in the Chinese pig production resulted in increasing world market prices on pig casings during most of the financial year. The turnover of the group increased from € 158 mill to € 289 mill, and the business result increased from € 14.5 mill to € 32.7 mill.

DAT-Schaub is one of the largest producers of casings in the world with sales of casing products to the entire world. The company is owned by the Danish co-operatively owned slaughterhouses Danish Crown and Tican. (Source, Landbrugsavisen)

Pig Producers want to abolish Act on Farming

The Danish Farming Act should be abolished to the effect that it will be possible to sell the land to external investors. The impact will be that the farmers who no longer can afford to own their land can avoid having to own it. This is the opinion expressed by the chairman of the Danish National Association of Pig Producers, Torben Poulsen who finds that the farmers' need for capital will decrease considerably should they not be forced to buy their land but could lease it from investors instead. (Source, JyllandsPosten)

Consul for Japan

The ceo of Danish Crown, Mr. Kjeld Johannesen, was appointed as honorary consul for Japan at Aarhus. The honorary consuls receive no remuneration and must take care of Japanese interests and the interests of Japanese citizens in towns where there is no Japanese embassy. In practice it will be the Danish Crown main office at Randers that will host the Japanese general consulate. (Source, Danish Crown)

Danish Slaughterhouses - payments for Week 48

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 1.253* Unchanged	Euro 1.213 Unchanged
Sows (Above 129.9 kg) Difference to last week	Euro 0.973* Unchanged	Euro 0.906 Unchanged
Boars (Above 109.9 kg) Difference to last week	Euro 0.840* Unchanged	Euro 0.773 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

What is IFIP?

IFIP results from the merger of ITP (ex Institut du Porc) and part of CTSCCV (ex Charcuterie technical centre) operated mid June 2006. The new institute offers the expertise of 100 staff to the French pig meat industry in the following areas: R&D, Support, Training and Information. The head office is located in Paris with 4 regional offices plus a R&D centre in Le Rheu (50 staff) and a new office in Maisons Alfort (AFSSA).

IFIP has expertise in four main activities

- Economics
- Production
- Fresh meat and processed products
- Genetics

For example as far as production is concerned main items on the agenda are: pollution, animal welfare, water, feed; or for genetics: preservation of local breeds.

With the appointment of Mr Philippe Lecouvey as Director General of IFIP, six new areas of expertise are being built, these are: International economics, consumption and distribution, Energy, X rays imaging (scanner), Meat technology and organic production.

Mr Lecouvey believes that with the reduced activity of research centres such as Adiv and Inra (Theix), the challenge for IFIP is to train new experts in the above areas.

The work produced by IFIP is requested by public service organisations: the Ministry, "Office de l'élevage"; or professionals such as Inaporc, groups of producers, FIC...; Institutes (R&D); or private companies.

IFIP also organizes activity groups gathering several actors of a specific sector: Feed manufacturers, selection specialists, AI companies, buildings and farming equipment, quality slaughtering / cutting, R&D (process), management techniques.

Presently IFIP is managing 450 actions and 82 contracts, all have to be commercially presented and approved.

IFIP's challenges for the next 5 years are as follows:

- Develop new production models
- Improve competitiveness of French pig meat industry
- Improve pig meat consumption
- Improve the image of the sector

According to Philippe Lecouvey the French model of operations with 200 sows is history but the improvement of production systems will have to integrate the pressure from various lobbies.

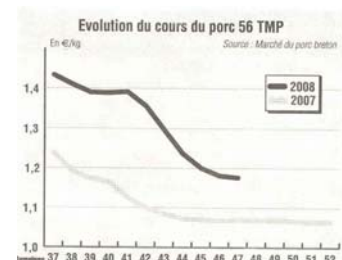
With recent mergers, today 80% of the production is in the hands of 4 groups and 40% of processed pig meat is in the hands of 10 operators amongst a total of 360 companies.

The President of IFIP is Jacques Lemaître, ex President of FNP (pig producers federation).

Market data for week 48:

Pigs

Stability was the word for last week's 56TMP quotation. Stability for meat prices was also the event for the present day. Volumes were adapted to needs in a quiet environment.



Perspectives

The end of the month is never very good for consumption, and the climate of recession is also bad for consumption. There is no recovery awaited for abattoirs and wholesalers. Wholesalers will just try to maintain their prices. Little firmness is not impossible for abattoirs if availability is moderate and because prices are hardening in neighbouring European countries.



GERMANY

Bell continues successful international expansion

The Swiss meat processor Bell Holding AG proceeds to buy abroad:

Bell takes over the majority share of the German ham producer Abraham. The Hamburg based company has an annual turnover of 190 Mio Euro and employs 650 staff.

The purchase price was kept concealed. The transaction will be carried out early in 2009, provided the German cartel office does not object. Abraham is the largest producer of smoked and air-dried ham in Germany. The company runs 6 plants in Germany, Spain and Belgium. Approximately one fifth of the profit is generated at the non-German branches. According to Bell, this recent purchase is another important step in its strategy of International expansion. With the take-over of the French Groupe Polette as well as the majority shareholding of both Zimbo and Abraham in Germany, Bell has reached the main mile stones in its foreign strategy. (Source, fleischforum.de)

German pork exports reach new record height



German pig meat exports

Imports

Exports

The export of German pork is progressing rapidly. International demand keeps increasing. Also, the temporary grant in the form of export refunds had positive effect on the development.

Russia and China/Hong Kong remain significant markets for German pork, and Eastern European markets are becoming more relevant.

ZMP assesses that more than 1.8 Mio tons of pork have been marketed abroad, which means an increase by 20%. German imports of pork however, are only slightly above last year's level, summing up to 1.2 Mio. (Source, zmp)

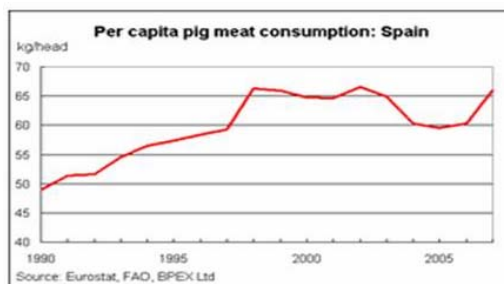


SPAIN

The production costs of pigs in Spain have raised little in relation to other European countries. Their increase of 9% between August 2007 and August 2008 has been inferior to the one of Denmark (20.7%), Germany (14%), Holland (14%) and Belgium (11%). However, although the increase of production costs of pig in Spain has been smaller, the costs are higher than in other countries. For example, to produce a kilo of pig carcass costs 1.71 € in Spain, compared to 1.66 € in Belgium and Holland and 1.69 € in Denmark. Only in Germany and United Kingdom these costs are higher: 1.82 and 1.83 €, respectively. (Source, agrodigital)

The past 24 of November Indelebre finally purchased the slaughter house L'Agudana, located in Cervera, in the province of Lleida. The agreement will allow the new owners, Indelebre and Induovo, to control 75% of l' Agudana and leaves to the door opened to the collaboration of the Cooperative d'Artesa de Segre. (Source, 3tres3)

The consumption of pig meat in Spain was 66 kg per capita in 2007, the highest in the EU. The evolution of this consumption between 1990 and 2007 is shown below. (Source, agroinformacion)



'Campofrío' could be the company investing private capital in the companies of the 'Proinserga' group. Silvia Clemente, from the Council of Agriculture and Livestock of Castilla y León, has not revealed the name of the company that would come 'to save of the closing and extinction' the three companies of the group: Primayor Elaborados with 120 workers; Castileón, in Guardo (Palencia), with 80 workers, and Proinserga S.A. with 50 workers in its feedmill in Fuentepelayo (Segovia). (Source, ediporc)

Prices

Slaughterhouse	Lleida 20.11.08	Zamora 25.11.08
Piglet 20 kg	26 €/Unit (+5.00)	30.0 €/Unit (+2.00)
Live fattened pig	1.027 €/kg (+0.032)	-



PORTUGAL

Prices

Slaughterhouse	Lisbon 17.11.08
Fattened pig – Carcass E 57%	1.340 €/kg (+0.020)



UKRAINE

Cabinet proposes introduction of minimum meat prices to regulate meat imports

Yuri Melnyk, Minister of Agriculture reported that the Ukrainian Cabinet of Ministers intended to hold a sitting on November 22, 2008 to consider the issue concerning meat and meat sub-products import regulation, approval of the minimum prices for husbandry products for 2009 scheduled for November 24-30, 2008.

Kommersant reported that, according to the Cabinet of Ministers' draft resolution, the minimum price for beef will amount to \$2,540/t, pig meat \$2,300, poultry meat \$1,760 / t (all related to live weight), milk \$480/t. **For reference:** Per Ukrainian State Statistics' data, during 10 months of 2008, the number of heads of cattle lowered by 8%, pigs by 12.4%, milk output down by 4.7%. Presently, Ukraine placed a ban for imports of pigs and pork from Russia where African swine fever outbreaks have been registered.

Verkhovna Rada to consider the draft bill on amendments to the Law of Customs Tariffs

A draft bill on amendments to the Law of Customs Tariffs was brought in for consideration at Verkhovna Rada. It is proposed to supplement a temporary target mark-up to the effective import tariffs in the conservative size of 12%, including meat and meat sub-products, fats, butter and vegetable oil, meat products, fish, molluscs, crustaceans, alcohol and non-alcohol drinks (the import tariffs shall be increased only for vermouths and ethyl alcohol). **For reference:** Earlier, Mr. Terekhin stated that Ukraine addressed WTO with the purpose of studying the issue concerning the import tariffs revision for AIC products in the time of financial crisis. The need to resolve this issue was as well emphasized in the recent Presidential Edict.



RUSSIA

Meat output update

Per Russian Statistics Committee, the meat output, including that of meat sub-products, in Russia increased by 12.3% up to 2.3 million t. in January-October 2008 compared to the same of 2007. The meat semis output increased by 11.7% up to 1.1 million t, sausage output by 2.8% up to 2 million t. **For reference:** the USA and Russia have the three year meat import contract but Russian side decided to cut imports from the USA. Russia is believed to use meat import issue as a lever to force the USA agree with Russia's WTO accession.



IRELAND

Pig prices still languishing

Since February, Irish pig prices have oscillated between 6 and 16 Euro cent/kg below European average and have consistently stayed below the cost of production. Until January 2007, Irish pig prices over-performed EU pig prices. It is not clear why this has happened but producers are blaming supermarkets. (Source, Irish Farmers' Journal)



CROATIA

Classical swine fever strikes

Two cases of classical swine fever were found in two wild boars on the Bosnian border on 20 November.

PRICES



GERMANY

Pork Prices ex-Hamburg Fleischgroßmarkt (Cuts from 75–85 kg pigs) Week commencing 24 November 2008			
	Cut Name	Closest Export Manual Code No.	Price Range (Euro / kg)
1.	Round cut leg	51121	2.15/2.35
2.	Leg (boneless, rindless max fat level 3mm)	51121	2.90/3.20
3.	Boneless Shoulder	56200	2.30/2.50*
4.	Picnic Shoulder	56120	1.90/2.05*
5.	Collar	56130	2.05/2.30
6.	Belly (bone in, ex-breast)	55100	2.30/2.50*
7.	Sheet Boned Belly (rindless)	55210	1.65/1.85*
8.	Jowl	50230	1.70/1.75
9.	Sow Carcases	60100	Ø 1.77
10.	Half Pig Carcases	U Classification	Ø 2.01*

*Unchanged from previous week



SPAIN

Barcelona Market Information Prices for week commencing 24 November 2008		
Carcases (secondary grade)	Euros / kg	1.351 / 1.357
Gerona Loin Chops	Euros / kg	2.36/2.39*
Loin Eye Muscle	Euros / kg	3.38/3.41*
Spare Ribs	Euros / kg	1.88/1.91*
Fillets	Euros / kg	5.33/5.36*
Collar	Euros / kg	2.53/2.56*
Round Cut Legs	Euros / kg	2.29/2.32*
Cooked Ham	Euros / kg	1.95/1.98*
Rindless Picnic Shoulder	Euros / kg	1.51/1.54*
Belly	Euros / kg	1.89/1.92*
Smoked Belly with Spare Rib Section Cut Off	Euros / kg	2.32/2.35*
Shoulder Chap or Head Jowls	Euros / kg	1.48/1.51*
Back Fat, Rindless	Euros / kg	1.33/1.36

*Unchanged from previous week