Export Bulletin

December 2009 – Week 51

- ***British pork allowed again in Canada***
- ***Tican prepared to sell Polish business***

EU

EU Pig Prices: Mostly steady

On the European market for pigs for slaughter prices appear mostly steady this week. The Swedish and Danish prices went down by a corrected 6 and 5 cents, respectively. Having remained on an unchanged level the week before, Denmark's quotation thus caught up with the other European markets. The prices in Spain, Germany, the Netherlands, France, Belgium and Austria remained unchanged. These countries report large quantities of pigs on offer. However, those quantities can be sold on the respective markets without problem. As to meat sales, high-qualitycuts are mainly looked for by food retailing over the pre-Christmas period. **Tendency**: The still extensive quantities of pigs for slaughter on offer are sold reasonably well on the market. The selling of high-quality parts in particular attributes to the margin remaining consistent on the part of the slaughter companies. This way, prices are expected to remain unchanged. (Source, schweine.net)

Major jump of productivity in Europe

Despite the fall in the European breeding herd, more pork is likely to be produced in 2010 (+ 0.3 - + 0.7%) due to the marked jump in productivity experienced in most Western European countries. In 2009, EU production fell by 2.4%.

DENMARK

Market

In general the fact that the Christmas trade is coming to an end is affecting the market situation. Sales to the British bacon market are quiet and the price level remains unchanged, and it is expected that the price of gammons to the UK will keep for another week. As to countries outside the EU slower sales can be noted as well. (Sources, Danish Crown, Tican, Danish Agriculture and Food Council)

Jutland Meat wants to increase production

At Jutland Meat at Struer they have celebrated the expiration of the four year contract with Danish Crown. In the future the slaughterhouse will have no limitations on the quantities of pigs it is allowed to slaughter. The slaughterhouse plans to increase production by 50 % from a maximum of 10,000 pigs weekly to 14,000 pigs weekly. Also more staff will be employed, says Jutland Meat CEO Frans Stortelder. According to Stortelder the slaughterhouse has contracts with its suppliers and has no problems with selling all its products for export. (Source, DR)

Continuing increases in exports of piglets

According to the Danish Agriculture and Food Council exports of piglets continue to increase and numbers are expected to reach 7.2 mill pigs before the turn of the year. This is an increase of 2 mio piglets or 38 %. Until October this year 5.8 mill piglets were exported compared to 4.2 mill during the same period last year. Also approximately 950,000 slaughter pigs were exported compared to 713,000 the previous year. The number of exported sows is decreasing due to the effort the slaughterhouses made in this field. Thus, in October no more than 9,100 sows were exported compared to approximately 14,000 during the same month last year, and the aggregate exports during the first 10 months are 120,000 sows or almost 30 % less than last year. The number of exported live pigs amounts to approximately 7 mio during the first 10 months of the year and it is expected that the total for 2009 will be 8.5 mill. Germany is the main destination for pig transports. But also Italy and Poland are buying part of the Danish pigs. (Source, Landbrugsavisen)

Tican wants to sell its businesses in Poland

Tican's adventure in Poland has now cost more than € 15 mill, which corresponds to a little less than 14 Eurocent per kg slaughtered pig meat. So Tican is preparing to sell its activities in Poland and the processing business Nove. Tican's ambition is to prepare the business in Poland for sale. However, before selling it the business must be profitable says Ove Thejls, CEO of Tican. But he stresses that yet no decision has been made to sell the subsidiary Nove. If so it will not take place until 2011 at the earliest as it is expected that the business will not make a profit before. Ove Thejls does not hesitate to call the strategy of making acquisitions in Poland a failure. He finds that strategically Tican is using too many management resources on the Polish company. Resources that might be utilized better elsewhere he says. (Source, Borsen)

Danish Slaughterhouses - payments for 2009 Week 51

Slaughterhouse	Danish Crown	Tican
Slaughter pigs (70.0 - 86.9 kg) Difference to last week	Euro 1.144* -0.027	Euro 1.106 -0.027
Sows (Above 129.9 kg) Difference to last week	Euro 0,865* -0.027	Euro 0.798 -0.027
Boars (Above 109.9 kg) Difference to last week	Euro 0.678* -0.027	Euro 0.611 -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

New products

In spite of a difficult year Madrange decided to move on and launched two innovations:

1) A range of three mini-terrines presented in an attractive packaging with a traditional look

- Terrine Perigourdine with duck and mushrooms
- Terrine Provençale with sun dried tomatoes and olives
- Terrine Normande with Calvados and apple

2) The "Mini Jambon" presented in an innovative packaging is one single eye of cooked ham at a fixed weight of 500g, to be consumed either cold or heated in a pan, in microwave or on the BBQ.

Demand for Organic Pigs

The Basse Normandie region is short of organic pigs. The organic association that gathers 215 cattle and sheep producers is now in search of pig producers as the region only has 75 sows on two farms...! Objective for 2011: 160 sows for a production of 2 000 pigs.

Market

France begins the week with a slight decrease of the 56 TMP price of 0,3 cents. In the rest of Europe, stability was observed at the end of week 50.

Piglets

The market remains dynamic. Offers are lower than demands and prices continue to rise. A tendency which should remain over the next few days, before the stabilization of the prices at rather higher levels. It should be noted that indices FNP –FNCBV were re-examined ; +2,9 cents in 25Kg and +54,3 cents in post weaning.

Cuts

The third week of the month and the approach of Christmas is not good for the market. Exchanges slow down and abattoirs as wholesalers try to adjust their offers with the demands of the moment in order to maintain their selling prices as high as possible.

GERMANY

EU production hub

Some 35% of EU pork is now produced in the integrated Netherlands-Belgium-Northeast Germany and Denmark. Despite a slow down of investment, new fattening units and methane plants are still being built in Germany to accommodate the increasing number of piglets from Denmark and Holland.

Pessimism for forward weaner prices

Weaner prices for the huge German trade are likely to be disappointing said the Chamber of Agriculture of Nord Rhein Westfalen.

Kaufland to invest in own meat production facilities

The large discount supermarket chain Kaufland is investing 85 Mio Euro in the company's own meat production facilities. A new site will be based in Heiligenstadt in Thueringen, in the Eastern part of the country. The processing plant that will be supplying up to 600 Kaufland shops will employ some 400 staff. Building will start in 2011 and the plant is expected to start its operation in 2013. (Source, schweine.net)

SPAIN

Pig market business model

'Mercadolleida', the reference pig market of Spain and Europe, is negotiating with the Poland Region of 'Wielkopolska' the exportation of this business model developed in Spain. It will be the first region of Eastern Europe assimilating a market system were prices are setting, taking into account all the chain operators. It could be the first step to introduce this system also in Russia. (Source, Eurocarne)

Exports

The Ukrainian sanitary authorities have recently approved the new model of certificate for exportation of breeding pigs to Ukraine (ASE-893). At the same time, all European companies that were requested to be inspected individually to be allowed to export pig products to Ukraine have been released from this restriction. (Source, Eurocarne)

''Consorcio de Jabugo' - one of the 10 biggest companies producing Iberian hams in Spain – have announced that exports of hams to the US, Asia, Canada and Mexico will have to wait until next summer, since activity of the slaughterhouse started in autumn and it is not compatible with reforms required. Redesigning works started in 2007 and will continue with a total investment of € 1 million. 'Consorcio de Jabugo' is, and their sales are expected to again reach 2008's figures of € 30 Mio (Source, Eurocarne)

New ecological strategies

The Spanish company 'Embutidos Cordón' has started to sell its new ecological Iberian hams under the quality brand 'Los Pedroches'. They expect Christmas time to be a good season to increase sales of this type of products. At the same time, it has been inaugurated the fifth ecological pig farm in Catalonia, being 'Embotits Salgot' the owner of this farm. (Sources, Eurocarne and Infocarne)

Slaughterhouse	**Lleida 10.12.09**	**Zamora 15.12.09**
Piglet 20 kg	36.0 €/Unit (+0.50)	43.0 €/Unit (+0.00)
Live fattened pig	1.020 €/kg (+0.000)	-

PORTUGAL

'Sonae Distribuçao' one of the largest market distribution companies in Portugal, has decided to use reusable plastic containers (CHEP) for transporting and distributing meat products. This new containers will allow 'Sonae Distribuçao' to reduce losses during transport and safe money too. (Source, Eurocarne)

Slaughterhouse	**Lisbon 07.12.09**
Fattened pig – Carcass E 57%	1.380 €/kg (+0.000)

NETHERLANDS

"Comfort Class" still in the news

Jumbo wants to expand the scheme to all its stores including the recently taken-over Super de Boar outlets said buyer Corrie Meijer at the Raalte trial farm. Jumbo is one of the few supermarkets still with in-store butcheries. Meanwhile research organisation LTO said producing these pigs costs 9% more than standard pigs mostly due to the use of straw in the system.

Albert Heijn British solution

Meanwhile, the leader of Dutch retailing sells British pork for its premium high welfare offer.

RUSSIA

Rising production

In 2009, production rose by 6% and topped 2 m. tonnes. In 2010, some further growth of 3.8% is expected. Consumption and imports were sharply down due to the economic crisis.

Miratorg project not out

This major Belgorod pig complex project is still waiting for loans.

Investments planned for pig breeding

Russia is planning to invest EUR 2 billion into the development of the domestic pig breeding industry during the next two years. Analysts say that should allow for the production of pork in the country to grow by 30% compared to 2008 year, while by 2020 to stop all pork imports from abroad. The investments are foreseen within the plans of the Russian Ministry of Agriculture. Earlier local vice prime minister Viktor Zubkov reported that by 2012 the volume of production is expected at the level of 2.7 million tons.

Market to be closed for American pork?

Russia is considering imposing a total ban on exports of US pork due to its high antibiotic content. According to Rosselkhoznadzor US standards relating to the antibiotics content in meat are higher than in Codex Alimentarius. Currently Russia has already banned supplies from 15 US enterprises. Rosselkhoznadzor had requested the US pork enterprises to bring the supply of its products in line with Russia's standards by December 1, 2009. However, these recommendations were ignored.

Japanese pigs and pork allowed back in the country

Russia has cancelled temporary restrictions on supply of live pigs, pork and pig products from Japan that did not go through thermal treatment. The restrictions were implemented because of the spreading of A H1N1 among people.

Corresponding import requirements

Russia, Kazakhstan and Belarus are working on the unification of the phytosanitary and veterinary control requirements for imports. The three countries are expected to get the united requirements by April of 2010. The officials explain that it should permit to bring imported milk, for example, once examined in Belarus to Russia and Kazakhstan without examinations there.

THE UKRAINE

Difficult times

The country GDP retracted by 16% in 2009 and pork production by 60,000 tonnes to 530,000 tonnes. In 2010, production is expected to rebound to 600,000 tonnes.

BRAZIL

Processing structure

Following the major shake-up in 2009, there are now 122 SIF (high quality) abattoirs in Brazil. Some 80% of pigs are produced by integrators and another 20% by independent producers. The market leader is BRF (Brazil Foods) the result of the merger of Sadia and Perdigão with a market share of 25% of integrated pigs, followed by Aurora with 9%, Marfrig 6%, Alibem 4%, Riosulense 3%, Doux-Frangosul 2% (rumoured wanting to exit pigs) and Frimesa 2%. However, smaller players still make 49% of the market, so there is still a lot of scope for further mergers.

Regarding meat processing, the sector is much more concentrated with BRF under the spotlight of competition authorities.

2010 forecasts

Brazilian pig prices have returned to their long term level of around US$ 1 /kg due to the rise of the Real. However, pork production is increasing. The great majority of the additional volume is expected to the consumed locally as Brazilians only eat 14 kg of pork /person/year. Exports are likely to be stable at 600,000 tonnes with Russia remaining the main market.

CANADA

British pork allowed again in Canada

A new certificate, 7068EHC is now available for the export of pork to Canada. This is the result of the bilateral EU-Canada negotiations.

Pork sector crisis

Losses were C$ 18 /pig in 2007, C$ 38 in 2008 and C$ 35 in 2009. The inventory is down 16% since 2005 and is expected to fall by a further 4% in 2010. Prices are expected to rebound in 2010 but not enough to restore profitability. Reasons include the strength of C$, the country of origin regulations in the USA and poor world demand.

Export news

According the Canadian Pork Int., there will be a reduction of exports in 2010 with more fresh and less frozen pork, the product mix is changing, smaller orders due to the issue of credit and insurance. Prices will be lower in 2010. Smaller markets like Australia, New Zealand, South Africa, the Philippines and South Africa are getting more important.

USA

Pork issues (1)

In 2009, the typical Iowa farmer lost US$ 25 /pig. Losses are huge and autumn prices remain low. US consumers eat less pork even at lower prices As a consequence pork production should fall by 4% in 2010. Prices are expected to rise strongly.

Pork issues (2)

The subsidy for ethanol production and the associated high corn prices are one of the biggest headache for pig producers. The percentage of the corn harvest transformed as ethanol was 7.5% in 2003, 23.2 % in 2008 and is expected to reach 35% in 2015 if subsidies are kept.

CHINA

Changes in pig production

In 2003, 81% of pigs were produced in farms of less than 100 pigs. In 2008, this has fallen to 65%, a measure of the rapid development of the Chinese pig sector. There remain 21,000 pig abattoirs in China. In 2010, an increase of 5% of production is expected.

JAPAN

Pork consumption rising

With fish prices rising, pork consumption is increasing. It is more popular than poultry it is very widely available and benefits from the fall of consumption of more expensive beef.

Pork Prices Hamburg Market Week commencing 14 December 2009		
Cut Name	**Closest Export Manual Code No.**	**Price Range (Euros / kg)**
Round cut leg	51121	2.05/2.20
Leg (boneless, rindless max fat level 3mm)	51121	2.95/3.15
Boneless Shoulder	56200	2.30/2.40
Picnic Shoulder	56120	1.65/1.75
Collar	56130	1.90/2.10
Belly (bone in, ex-breast)	55100	1.85/2.05
Sheet Boned Belly (rindless)	55210	1.75/2.00
Jowl	50230	1.10/1.30
Half Pig Carcases	U Classification	1.70/1.90

Pork prices Barcelona Market Week commencing 14 December 2009	
Cut Name	**Price Range (Euros/kg)**
Carcases (secondary grade)	1.342/ 1.348
Gerona Loin Chops	2.05/2.08
Loin Eye Muscle	2.98/3.01
Spare Ribs	2.13/2.16
Fillets	5.73/5.76
Round Cut Legs	
Cooked Ham	1.93/1.96
Rindless Picnic Shoulder	1.47/1.50
Belly	1.83/1.86
Smoked Belly with Spare Rib Section Cut Off	2.26/2.29
Shoulder Chap or Head Jowls	1.28/1.31
Back Fat, Rindless	0.83/0.86