



Export Bulletin

June 2010 – Week 25

Positive trends on the European markets



DENMARK

Market

It is estimated that the development in pork prices on the European market has peaked this time round. Further, the pig supplies seem to match the demand. On the European market, fresh legs are traded at unchanged prices. Collars and tenderloins are sold nicely. Also bacon sales to the UK remain strong. The Chinese market is under pressure. The imports via Hong Kong and Vietnam stopped and several customers have stocks tied there, which are giving them liquidity problems. So prices are under pressure but for Danish exporters the increasing US dollar compensates for this problem. Sales to other high-price third markets remain unchanged. (Sources, Danish Crown, Tican, Danish Agriculture and Food Council)

British owners declare Vraa slaughterhouse bankrupt

Danish Meat Company at Vraa is now declared bankrupt by the British owners, the privately owned Midland Bacon. It will be the final end of the slaughterhouse and its 50 employees with CEO Leif Koch in the lead after just 10 weeks of operation. The closure led to heated emotions. The former employee, Jan B. Moller from Hjorring said that his colleagues together with himself have been stabbed in the back by the British owners. Joint shop steward at Danish Meat Company, Boje Sorensen, called the closure a dirty trick. (Source, Nordjyske medier)

Large order to Japan

Danish Crow just agreed on an important order to deliver pork bellies to a large Japanese customer. The bellies will be cut so precisely that the pieces will fit into the portion of the menus

of which the Japanese customer annually sells 10 million through approximately 1,000 restaurants. Every portion contains 120 grs of meat. The order arrives after a long dialogue about moving the production from the customer's factory in Japan to the Danish Crown plant at Hadsund and it is now part of the doubling of the production of pork bellies at Hadsund. (Source, Landbrugsavisen, Danish Crown)

Stable exports of piglets

Exports of piglets from Denmark to first of all Germany remain at a high level in 2010, but statements from Agriculture & Food show that the increase last year of approximately 40 percent has been curbed. Over the first four months of the year 2,438,000 piglets were exported and it is five percent more than during the same period of last year. Should the level of exports be maintained during the rest of the year the total export will be 7.5 million in 2010. The total export of live pigs decreased slightly during the first four months, and it is due to the fact that exports of live sows have decreased. But also exports of slaughter pigs are slightly lower and were 375,000 during the four months. (Source, Landbrugsavisen)

Danish Slaughterhouses - payments Week 25

Slaughterhouse	Danish Crown	Tican
Slaughter pigs (70.0 - 86.9 kg) Difference to last week	Euro 1.389 Unchanged	Euro 1.389 Unchanged
Sows (Above 129.9 kg) Difference to last week	Euro 0,895 Unchanged	Euro 0.895 Unchanged
Boars (Above 109.9 kg) Difference to last week	Euro 0.761 Unchanged	Euro 0.761 Unchanged



FRANCE

Loïc Hénaff

On 10 June, Jean-Jacques Hénaff passed the leadership of the first pâté manufacturer in France to his son Loïc. Loïc represents the fourth generation of the family run business: € 40 million turnover, 207 staff, 35 million pâtés tins and a market share of 26.7%. Renowned for its famous

“Hénaff canned pâté”, the company has also developed a large activity for fresh charcuterie products: pâtés of course but also sausages which today represent almost 20% of the business. Loïc is planning to launch a new range of products in 2011.

Charcuterie figures

In 2009, household consumption of charcuterie products increased by 1.9% in volume (compared to -0.3% in 2008) and by 2% over the five first months of 2010. In spite of these good results, production is stagnating at 1.37 million tonnes (+ 0.2%) with a small increase for dry charcuterie products (+1.3%) and a decrease of catering products (-3.8%). Also added value decreased and is now below 20% (19.7%) for the first time in the last 7 years. The gross margin of charcuterie processors is only 3.7% of total turnover or 20 cents per Kg sold. Exports are also on the decrease (-11%) with a deficit of – € 225 million which fell by 8.2% in one year. The trade balance with EU members is largely in deficit (-€ 265 million) especially with buyers of dry charcuterie such as Germany, Italy and Spain, the good news comes from the UK and Belgium who remain net importers as well as from third countries (+ € 40.8 million).

Piglets

Nothing much to report on the market for piglets. Offers correspond to demands at the moment. No changes to announce in the short term although there is a slight hesitation in the charcuterie market.

Cuts

The sun has returned to the major part of the France and has restored confidence to retailers. Their renewed interest had been expected by the industry. Sales and prices are stable for bellies, shoulders and loins. An increase in activity is expected just before the weekend and an increase in sales next week may be helped by the weather forecast and the start of the month.

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

**GERMANY****Market**

Prices for pigs for slaughter are rising throughout Europe. The price level per 100 kg slaughter weight averaged out by the European Commission rose by 2.98 Euro or 2 % to a total of 149.70 Euro. Compared to last year's level this is an increase by 1.3 %. In Spain, Germany, Czech Republic, Poland and Slovakia prices increased by between 2.5 % and 2.8 %.

Sales of cuts remain sluggish in Germany which is why abattoirs and deboning plants tried to curtail production. However, stable prices still couldn't always be realised.

Westfleisch

Westfleisch Finance AG has presented last year's financial figures. The accumulated profits of 1.8 mio Euro (2008: 1.7 mio Euro) not only allow for a dividend of 4.5 % to be distributed to shareholders but also for an increase of the AG's equity by 400.000 Euro in retained earnings. Westfleisch Finance AG's purpose is the construction and funding of operations buildings and technical facilities for abattoirs and deboning plants that are exclusively leased to Westfleisch eG. The Finance AG's turnover of 8.1. mio Euro was mainly derived from proceeds of leasing arrangements. Investments of 3.5 mio Euro were used to increase productivity and capacity of technical facilities. (Source, Land und Forst)



As of July 2010 the pig breeding association Baden-Württemberg and the state association of pig breeders from the Rhein region are merging to form the joint venture "German Hybrid". According to officials, the aim is the development of a brand of top quality genetics. The German pure lines and hybrid breeding programme will be based on the requirements of the German market for piglets and slaughter pigs. Some 110 breeding enterprises from various regions are supplying animals for this concept. (Source, topagrar)

**THE NETHERLANDS****Sligro goes for entire pigs**

The retailer is the latest to join the move toward ending castration. It plans switch to pork from entire pigs by 1 January 2015 (Agrarisch Dagblad).

**SPAIN****Spanish pork consumption up**

Despite the slump in food service sales, overall pork consumption is up as the Spanish population eats more at home and tries to find solace from the economic crisis with home cooked dishes. Ministry data shows an impressive growth of 11.4% in home meat consumption for the first four months of the year.

Range change for Campofrío

Campofrío Food Group, the Spanish processed pork leader, has renewed and expanded this range with the launch of four new varieties of branded cooked sausages with 'light' and 'ham and cheese' varieties. Also, Campofrío has expanded its range "Naturísimos" by launching the new sausages, characterised by no added phosphates, dyes or gluten containing 30% less fat.

Monter will invest € 4 m to supply Mercadona

The manufacturer of cured meat products, Embutidos Monter who supplies all its cured sausages to Mercadona, based in Sant Jaume de Llierca (Girona), driven by its strong growth and by Mercadona's increasing demand, intends to invest about € 4 m during this year in the expansion and renovation of the plant Les Planes d'Hostoles (Girona). In 2009, Embutidos Monter achieved revenues of € 71.4 m, representing a tremendous increase of 31.2 %, compares with € 54.42 m invoiced the previous year. In volume terms, this progression was at 25.4 % up to 13,000 t of commercialised cured meats. For 2010, the company plans to produce 15,000 t.

**IRELAND****IFA accuses processors**

The powerful Irish Farmers' Association is accusing local processors of profiteering and is calling for an immediate € 10 c. increase. It is correct that the rise of EU pork prices has not been passed to pig farmers. Irish prices have only risen by € 4 c./kg since January (Agra Europe).

Master plan for Irish pig sector

A development strategy for the sector has been presented to Minister Brendan Smith. It set out growth potential of 50% by 2015 with an annual output rising from 3.2. to 4.8 m. This would be achieved by an increase of the national herd from 150 to 200,000 sows and increase in productivity to 24 finished pigs per sow per year. The Irish Association of Pigmear Processors (IAPP) has welcomed the plan as only 75% of processing capacity is currently used. The association also points out that processing costs are 40% higher than in the UK. [Note: feed costs, the Achilles heel of Irish pig production, do not seem to have been taken into account] (Agra Europe).

**RUSSIA****Russia bans two German pork suppliers**

The Federal Service for Veterinary and Phytosanitary Surveillance reported that according to the notification of the German Veterinary Service two companies namely Plants Fleischzentrum Rettstadt e. K. and Heinrich Hörstkamp-Tovar Vieh-und Fleischhandel have been excluded from the List (authorized by the Rosselkhoznadzor on 21.01.2009) of German companies approved for export of pork and raw pork products to the Russian Federation.

**UKRAINE****IFC to grant \$25 millions to a Ukrainian meat producer**

IFC, part of the World Bank Group, is becoming an investor into a holding company Globino in order to support one of the leading meat production centers in Ukraine. IFC will grant the company a debt financing program and capital totaling up to US \$25 millions. The funds will be devoted to the expansion of meat production capacities as well as to the increase of productivity. Some 600 jobs will be created. The founder of the Group of companies Globino reported that the partnership with IFC is very important to the company. Globino is a young company which is driven by further growth and development improving its production quality standards. IFC funds should help Globino expand production capacities in order to satisfy the increasing pork demand on domestic market of Ukraine. This agreement proves the interest of foreign companies in the Ukrainian agriculture business and is considered a guarantee of long-term economic development in the country. IFC's investments are crucially important after the financial crisis.

**KAZAKHSTAN****New pig complex in Aktyubinsk area**

A new pig complex Parizhskaya Komunna XXI was launched within a framework of a program focused on accelerated industrial innovative development of Kazakhstan. The project was delivered at the expense of the Joint Stock Company KazAgroFinans worth US \$10 million and the balance was the farm's own investment worth almost US \$5 million. Bestmak pig complex is expected to produce around 3,200 tons of pork and apply modern European technologies which should provide domestic market of the area with value added high quality pork. Currently this complex has 1,400 sows which produce around 10,000 piglets. First products of Bestmark complex should hit the market in September 2010. This project will create up to 250 jobs.



CZECH REPUBLIC

National livestock strategy

With the continuous fall of livestock numbers in the country and pig production at its lowest level in fifty years, the government has launched a new agriculture strategy. There is no easy fix to increase sow numbers from the current 120,000. Producers' subsidies of € 15.6 m. are mooted.



USA

Marfrig takes over Keystone

A major industry shock this week was an announcement by the Brazil giant Marfrig that it is acquiring total ownership of the US meat giant Keystone Foods, which also has operations in Australia and Asia (it had already sold its Brazil operations to Marfrig). This now will make Marfrig a major worldwide supplier to some of the world's largest restaurant chains such as McDonald, Campbell Soup Co., Subway, ConAgra, Yum Brands and Chipotle. The company serves 28,000 restaurants in 13 countries. Marfrig is having problems with the integration of Seara and the company is highly leveraged.

Antitrust legislation proposals

The US meat sector is in uproar against USDA proposals for antitrust legislation that could fundamentally change how the sector could operate in the future (AHDB).

Cargill new innovation centre

The company will plans to build a US\$ 14.7 m. new meat research and development facility in Wichita, Kansas. This will include a pilot plant and development kitchens and will involve the development of new products for the US and Canadian retail and foods sectors and processing technologies (Agra Europe).

Smithfield got a deficit

America's largest slaughterhouse company, Smithfield Foods, is still licking its financial wounds. At a recent conference broadcasted directly worldwide via the Internet the group published its financial accounts. Over the three last months of the year the group got a deficit of 4.6mio US dollars, an increase of 76.6 mio US dollar compared to the same period the previous year. The aggregate result of the year, which ended in April, was a loss, of 101.4 mio US dollar compared to a loss of 198 mio US dollars last year. The primary pig production resulted in a deficit of 460 mio dollars. Smithfield notes that the result here is 60 mio US dollar better than the year before, when the deficit was 521 mio dollars. In particular it is the primary pig production, which weakens the company - despite huge cuts in recent years. Thus, the number of sows was reduced by 13 %. Smithfield's total turnover was 11.2 bn dollars. The last two years have been the most challenging for 30 years, explained CEO Larry Pope referring to the economic and financial crisis, high grain prices, fear of avian flu and the closure of key export markets. The key words for 2011 will be that pig production has become profitable again as prospects are that the production is not going to increase and accordingly prices will get stabilized at a fine level. Thus Smithfield promises to get out of the next financial year with a strong result. (Source, Landbrugsavisen)

**CHINA****AgFeed plans another complex**

AgFeed Industries Inc. plans to invest in a large pig production complex in Xinyu, Jiangzi province. The complex will comprise five pig farms for a total of 25,000 sows and will be completed in 2012. The company produced 680,000 pigs and 117,000 tonnes of feed in 2009 for a turnover of US\$ 173.2 m. (Asian Pork).

Danish breeding offensive


Danebred, Scandinavian Farms and investor IFU are planning an investment of US\$ 4.5 m. in a new pig breeding farm in the eastern province of Jiangsu. The nucleus will be based on 500-600 sows imported from Denmark and the venture will be called Dan Yu Pig Breeding Technology (Asian Pork).




BRAZIL

Copaga opens a new unit

Copaga the Catalan co-operative that operates its own genetic programme with GGP and GP programme with 4,000 sows Landrace, Large White (male and female) and Piétrain lines in multiplication and a production of 450,000 pigs per year has opened a 1,000 sows unit in Brazil (Eurocarne).

 Pork Prices Hamburg Market Week commencing 21 June 2010	
Cut Name	Price Range (Euros / kg)
Round cut leg	2.35/2.45
Leg (boneless, rindless max fat 3mm)	3.30/3.50
Boneless Shoulder	2.45/2.60
Picnic Shoulder	1.75/1.95
Collar	2.55/2.80
Belly (bone in, ex-breast)	1.75/1.95
Sheet Boned Belly (rindless)	1.70/1.85
Jowl	1.10/1.20
Half Pig Carcasses U-Class.	1.96/2.16

 Pork prices Barcelona Market Week Commencing 21 June 2010	
Cut Name	Price Range (Euro/Kg)
Carcases (secondary grade)	1.672/1.678
Gerona Loin Chops	2.43/2.41
Loin Eye Muscle	3.53/3.56
Spare Ribs	2.68/2.71
Fillets	5.83/5.86
Round Cut Legs	
Cooked Ham	2.23/2.26
Rindless Picnic Shoulder	1.53/1.56
Belly	1,84/1,87
Smoked Belly with Spare Rib Section Cut off	2.27/2.30
Shoulder chap or Head Jowls	0.88/0.91
Back Fat, rindless	0.58/0.61