

Report – May 2008 – Week 21

- *Danish Pig Quote lacking behind*
- *Primal cuts markets remain dynamic*
- *German pork allowed into Japan*



DENMARK

Market

Good weather conditions in northern Europe for barbecuing impacted a highly needed improvement in the pig meat trade. As always is the case, such improved market conditions work their way through more strongly and faster in Germany and Holland, but less strong and more slowly in Denmark. This is mostly due to Danish exports of the cuts of pork for the barbecues being to many markets outside the EU. It is positive for Danish pig abattoirs that there is an increasing demand for the cuts having over the winter been put into cold storages so these can now be exhausted. It will ease the pressure on the market in the near future. It is not just in Denmark, but also in Germany and in Italy that there are reports of cold storages being emptied of pig meat.

On all markets for legs there are price increases due to a fine demand and limited supplies.

There is also a good demand for shoulder and production meat due to an increased production of sausages.

There is a strong demand for collars and backs, and price increases can be noted, in particular in Germany and in central European markets.

The British bacon market is sluggish, but it is estimated that the improved demand for pork on the Continent will by and by work its way through here as well.

The marketing situation in Japan remains unchanged, whereas sales of pig meat to Russia are still affected by the ban on import from a number of European and North American businesses imposed recently by Russian authorities. (Sources, Danish Meat Association, Danish Crown, Tican)

General

The Danish Pig Quote lacking behind

A month ago the Danish and German pig quotes were on the same level, but during the past month German quotes increased strongly, whereas pig quotes in Denmark have remained the same.

In Denmark the settling price from week 16 to week 20 increased by € 0.027 per kilo. In comparison, the quote in Germany increased by € 0.187 per kilo during the same period as calculated by Danish Meat Association. In countries such as Holland, Belgium and Austria the quotes increased by the same amount, according to statements from the German pig producers' organisation ISN. According to ISN's market evaluation the present increasing quotes cannot be stopped. It is the limited numbers of pigs being available for slaughter and a substantial "barbecue hunger" which have made German pig quotes increase for the fifth time over past five weeks. On the other hand quotes decreased in France, Italy and Spain, and French quotes are now on the same level as the Danish ones.

Usually the Danish pig quotes have difficulties in following an upward trend during the summer time. (Source, Landbrugsavisen)

Progress for American Pig Meat

The American meat exporters' organization reports of a strong increase in US exports of pork during 2008. During the first three months of 2008 exports are 41 per cent higher than in 2007.

It is in particular the record low exchange rate for the US\$ which may have had a decisive impact on the increase in US exports. The low exchange rates make US pork very competitive compared to European pork. The increasing US export goes to all the larger export markets such as Japan, China/Hong Kong, Mexico, Canada, Russia and South Korea. Japan remains the largest export market for US pig meat, but the highest increase by percentage can be registered in exports to China/Hong Kong. During the month of March this year, the US exports of pork as well as bi-products were 27,724 tonnes compared to 7,652 tonnes in March 2007. (Source, Landbrugsavisen)

Danish Crown Adjusts Capacity

At present the slaughter capacity at the Danish Crown abattoirs is higher than the number of pigs available for slaughter. The difference is of such a magnitude that it makes it necessary for Danish Crown over the next weeks to reduce its total slaughter capacity. This week the capacity was reduced by 10 per cent, and during next week the reduction will be 20 per cent.

New statements show that the total number of slaughter pigs has been reduced by approximately 10 per cent, and this has a serious impact on the slaughterhouse sector at the moment.

It is expected that the decrease in the number of slaughter pigs may reach rock bottom during this summer. During autumn there may be a slight increase in the number of pigs available for slaughter, informs Karsten Flemin, Chief Analyst of Danish Bacon and Meat Council.

Karsten Flemin estimates that the situation at present with a decrease in pigs available for slaughter is due to the warm weather conditions which diminish the growth in pigs, but also because there are expectations among pig breeders of an increase in the pig quote during next trading periods. (Source, Landbrugsavisen)

Large Investments despite Crisis

Despite losses worth billions of Danish Kroner, and threats of deficits among Danish pig producers; they are ready to invest millions in the future.

The farms expect on an average to invest approximately DKK 13 million over next three years. The money will be spend on buying land, on new stables and on new equipment.

A questionnaire filled in by pig producers on their investment intentions has been sent out to farmers under a research project prepared by Food Economic Institute and the National Farming Centre.

The research included 264 farmers, divided into two main groups – one group which made investments during the period 2003-2006 and another which did not make any investments during same period.

The research revealed that among the pig producers who did not invest and in particular investments in new stable installations, have now this as a high priority. The farmers that wanted to invest in new stables expected on an average to invest DKK 17.3 million. For both groups investing in more land also has a high priority. Approximately 50 per cent of the expected investments will be on more land. (Source, Landbrugsavisen)

Jutland Meat has a Profit

The slaughterhouse Jutland Meat came out with a fine annual report for 2006/07. The results from trade improved by Euro 2.27 million compared to last year's annual report, so this year shows a profit of DKK seven million, and a profit before taxes of Euro 0.35 million. Last year Danish Crown had to pay approximately Euro 1.6 million to Jutland Meat in relation to the merger with Steff Houlberg. The payment was a requirement by the competition authorities to cover a deficit, which Danish Crown had in the Jutland Meat slaughterhouse, as otherwise the merger would not have been allowed.

The authorities also demanded that Danish Crown made sure that Jutland Meat would receive sufficient pigs for slaughter. (Source, Berlingske Tidende)

Slurry becomes Plastic

Dennis Wowern Nielsen in co-operation with the Danish Technical University DTU have developed a new method for making slurry into a substance which is in high demand in the plastic industry, and into a fertilizer free of odours. Accordingly the farmers' pig stables can turn into gold mines.

One farmer, Anders Echberg, on Seeland will establish the first such installation on his farm. He informs that he has thrown himself into the project both to benefit his own economy, but also to improve the environment and nature. (Source, Ritzau)

Danish Slaughterhouses - payments for Week 21

Slaughterhouse	Danish Crown	Tican
Slaughter pigs (67.0 –81.9 kg Danish Crown and (67.0 - 80.9 kg Tican)	Euro 1.294*	Euro 1.254
Difference from last week	+ 0.027	+ 0.027
Sows (Above 129.9 kg)	Euro 1.053*	Euro 0.987
Difference from last week	+ 0.040	+ 0.040
Boars (Above 109.9 kg)	Euro 0.920*	Euro 0.853
Difference from last week	+ 0.040	0 0.040

A change in payments according to meat percentages 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

“Les Marchés” – report 14.05.08

Pig meat: Optimism confirmed for sales of primal cuts.

Pigs

The situation has remained uncertain on the French livestock markets. The public holidays at this time of year are unfavourable for collection from pig farmers of the pigs for slaughter. The pigs remaining longer on farms should, however, quite quickly be picked up by abattoirs since traditionally pig production is more modest at this time of year. Abattoir demand could at the same time become more buoyant since the abattoirs are doing their best to replenish stocks with orders for pig meat being heavier due to weather conditions having turned better. Therefore further price increases could perfectly well be possible at Plérin on the shorter term.

Young pigs (Weaners)

Although no great changes in the market have been seen last week for weaners, a slight recovery in activity could now take place, following improvements in live pig quotes. The markets for weaners are nevertheless continuing to be fragile. Only some minor price re-adjustments are expected this week.

Butchered meat (Primal cuts)

Trading in primal cuts has been very dynamic for this, the beginning of the third week of May with only four trading days. Retailers have rapidly been re-stocking from the modest or even insufficient stocks of pig meat, they thought would be sufficient to cover their requirements. Sales of pig meat have been rapid, and have been transacted at higher net prices for all cuts.

“Les Marchés” – report 15.05.08

Pigs: A move towards a marked increase in pig quotes at Plérin.

Pigs

It came as no surprise that the 56 TMP quote hardly moved after the Monday public holiday and gained only 0.5 cents on Tuesday at Plérin. The 8th May and the Whitsun holidays left a sufficient number of slaughter pigs at the abattoirs, which, despite buoyant requirements, only had four working days available for the slaughter. Firmer prices are therefore forecast now that the buying groups are re-stocking for the coming weeks with full five working days, and sales of pork cuts are improving.

Young pigs (Weaners)

No great change has been seen on French weaner markets. Sales have overall been fluid, and the majority of prices stable, even though readjustments have taken place in some regions.

Butchered meat (Primal cuts)

The primal cuts markets have remained very active this week. The good weather conditions have led to a significant increase in consumption of pig meat. Consequently there has been a more marked re-stocking done by meat traders and butchers. The pig abattoirs and

cutting plants are counting on buoyant activities at least until the end of this week. Next week could see demand decrease due to the heavy buying of pig meat having been done this week. It is difficult to predict consumers' reactions if weather conditions should become less favourable.

"Les Marchés" – report 16.05.08

Pigs: The 56 TMP quote beginning to increase.

Pigs

As had been forecast by a good number of people in the pig trade, firmer pig quotes returned on Thursday to Plérin. The 56 TMP quote gained 5 cents to remain at 1.225 euros / kilo. This is a trend, which can be explained by the buoyant abattoir demands (they are now back to a fifth working day in the week), but also by the modest availability of pigs available for slaughter at the farms, as often is the case at this time of year.

Young pigs (Weaners)

No changes to be noted, although it is likely that the recovery in livestock prices may offer a bit of confidence to fatteners. This trend should be confirmed over coming weeks.

Butchered meat (Primal cuts)

Trading has remained active. Sales of pig meat have been fluid and transacted on stable to bullish prices for whichever pork cut is in question. Although everyone is hoping that this activity will continue, the considerable increase in the live pig quotes and the approach of the second half of the month does leave some doubt. The weather conditions will of course also play an important role in the marketing conditions.



GERMANY

New export markets for Germany are being opened up again by first Japan and now South Korea. After many years German pork is allowed into Japan again and South Korea wants to start with poultry already next month, as confirmed by Dr. Gerd Müller (State Secretary). South Korea will then continue with pork imports from Germany, too. Meat imports to South Korea have increased from 2003 to 2007 by approx. 70 % with a price level above Germany's. (afz, May 21st, 2008)

In Germany, meat production was on the up in the first quarter of 2008. Altogether 1.86 m t of meats were processed (increase of 2.9% versus 2007). Pork production went up above average by 2.6% to 1.27 m t. The number of pig slaughtering increased by 3.1% to 13.51 m pigs.



SPAIN

Industry

The company 'Primayor' presented this week in the courts of Segovia a file of employment regulation in its factory of Jaén that will affect, according to the informations of the company committee, to 138 of their 145 employees. The situation of the plant has its origin in the opening of a process in June of 2007 on the part of 'Grupo Proinserga', after deciding to sell seven of the eight slaughter houses of 'Primayor Foods', acquired to 'Campofrío' more than three years ago. The sale of the slaughter houses was one of the solutions proposed to leave the crisis of 'Grupo Proinserga' provoked by the losses of 'Primayor' from its purchase in January of 2004 by 25.8 million Euros. (source: agroinformación)

The European Commission has launched two formal investigations into two Spanish agro-food companies: 'El Pozo Alimentación', a leading pig meat processing company, and 'J. García Carrión La Mancha', a drinks company. The Commission has expressed its doubts as to the compatibility of the aids for not containing an incentive element required under the applicable legislation. The Spanish authorities separately notified some investment aid measures in favour of the companies for the enlargement and improvement of some of their plants. The level of the aid measures for 'El Pozo Alimentación' is 15.1 million Euros. The Commission assumes that both investment aids might constitute incompatible state aid as the 'incentive effect' provided by the State aid rules applicable in the present case seems not to be respected. In fact, the investments have already been initiated before the date of the Commission approval. (source: agroinformación)

General

The Barcelonian region of Osona, the third Catalan region in importance in number of pigs and the one that has the greater number of pig farms (883) has been declared like free of Aujeszky disease. At the moment 21 of the 41 Catalan regions are described like free, 18 are on the way to being described as such and only 2 are of low prevalence. (source: 3tres3)

The department of agriculture of Catalonia has dictated a norm by which it will close during 25 days the pig farms affected by the virus of Aujeszky. This stop of almost a month in the replacement of pigs in the farms responds to the necessity to prevent that the virus undergoes sprouts again, now that the council considers that Aujeszky is in the final phase of eradication. (source: lamanyana)

Prices

Slaughterhouse	Lleida 16.05.08	Zamora 21.05.08
Piglet 20 kg	17 €/Unit (-0.00)	20 €/Unit (-1.00)
Live fattened pig	1.150 €/kg (+0.030)	-



PORTUGAL

Prices

Slaughterhouse	Lisbon 12.05.08
Fattened pig – Carcass E 57%	1.45 €/kg (+0.01)



POLAND

Growing exports

Polish pork is exported through Hamburg to the Far East. The main market is Korea with 13,500 tonnes in 2007. Some 1,000 tonnes was also exported to China, a first for Poland.



RUSSIA

Brazil is loosing market share

Brazilian pork exports are down 18.7% for the first three months of 2008 with large volumes diverted to Hong Kong. Brazil is loosing market share against the USA and Canada despite a market due to grow by 4% to 910,000 tonnes this year. (Source: Brazilian Meat Monitor)



HONG KONG

Prices are up in Asia

Pork prices rose by 14.7% between January and March to US\$ 2,100 per tonne, reflecting the tightening of supplies in mainland China.



CHINA

More pork in China

China will produce 17.1 m. tonnes more of pork by 2015, despite the fall of production of 5 m. tonnes experienced in 2007 due to the PRRS epidemic, when 10 m. sows and pigs died or were culled. Most of this increase will take place in 'backyards', adding one or more pigs to the very small herds. The Chinese authorities will restrain imports in order to maintain the 600-700 m. backyard farmers in business. They will also maintain high prices. On the other hand, cereal imports for feed are likely to grow strongly to feed more pigs. The authorities have paid direct support for production amounting to € 4.80 per sow since August 2007. They also pay 80% of the € 4.80 sow insurance premium. Production should rise by 1 m. tonne and imports by 20,000 tonnes to 150,000 tonnes in 2007. (Source: GIRA - Agrifuture)

Prices

Germany

Pork Prices ex-Hamburg Fleischgrossmarkt

(Cuts from 75–85 kg pigs)

Week commencing 19th May 2008

	Cut Name	Closest Export Manual Code No.	Price Range (Euro / kg)
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1.	Round cut leg	51121	2.45/2.65*
2.	Leg (boneless, rindless max fat level 3mm)	51121	3.45/3.65*
3.	Boneless Shoulder	56200	2.60/2.80*
4.	Picnic Shoulder	56120	2.10/2.25*
5.	Collar	56130	2.75/2.90
6.	Belly (bone in, ex-breast)	55100	2.25/2.55
7.	Sheet Boned Belly (rindless)	55210	1.70/2.00
8.	Jowl	50230	1.40/1.50
9.	Sow Carcasses	60100	-
10.	Half Pig Carcasses	R Classification	-

*Unchanged from previous week

Spain

Barcelona Market Information: Prices for week commencing 19th May 2008		
Carcasses (secondary grade)	Euros / kg	1.513/1.519
Gerona Loin Chops	Euros / kg	2.69/2.72*
Loin Eye Muscle	Euros / kg	4.02/4.05*
Spare Ribs	Euros / kg	2.39/2.42*
Fillets	Euros / kg	5.53/5.56*
Collar	Euros / kg	3.08/3.11*
Round Cut Legs	Euros / kg	2.43/2.46*
Cooked Ham	Euros / kg	2.10/2.13*
Rindless Picnic Shoulder	Euros / kg	1.44/1.47*
Belly	Euros / kg	1.75/1.78*
Smoked Belly with Spare Rib Section Cut Off	Euros / kg	2.18/2.21*
Shoulder Chap or Head Jowls	Euros / kg	0.80/0.83*
Back Fat, Rindless	Euros / kg	0.78/0.81*

*Unchanged from previous week