

Report – May 2008 – Week 22

- *Changes in the 56 TMP pig quote*
- *Russia faces rising meat prices due to continued import ban*



DENMARK

Market

In the markets for pork legs there is more optimism, and price increases have been obtained. It is expected that this trend will continue.

The barbecue season has started to effect sales of pork shoulders and other types of production meat. Price increases have also in this sector been possible and in particular in the German market.

There has been a very good demand for collars, which is especially bought for the barbecues, and the Danish slaughterhouses are reporting that all pork cuts normally put into cold storage are now sold chilled since what was in cold storage has already been sold out.

Backs are sold at slightly increasing prices. It is expected that the UK bacon market will soon be suffering from the fact that the UK supermarkets are not running any campaigns on bacon due to price increases.

So many things look promising for the pig meat industry in Western Europe, but the situation on the Russian market is more complicated. After last week when 30 EU and 4 US companies were banned from exporting to Russia, much energy has been spent on convincing the Russians that their grounds for imposing this ban are not correct. However, the Russians have so far not responded to this, so the ban is still on.

In relation to Danish Crown this means that 50 per cent of the company's slaughters in Denmark are affected by the export ban, including the slaughters at two plants that have been excluded from exporting to Russia since last year. This is a heavy burden on the slaughterhouse group with regard to its planning, not to mention the economic aspects of it. Should the ban not be changed very quickly the impact will be a drastic decrease in exports to this important market.

Other non-EU markets remain unchanged.

(Sources, Danish Meat Association, Danish Crown, Tican)

General

Export of Young Pigs from Denmark putting pressure on Danish Crown

Danish Crown did anticipate a decrease in the number of pig slaughters, but the decrease has turned out to be more than expected. This week Danish Crown will slaughter 295,000 pigs, which is a very low number and approximately 30,000 pigs less than anticipated in the budget. The difference would correspond to what could be slaughtered at a fair size abattoir, says Jens Haven Christiansen, division manager of Danish Crown.

The pig quote from Danish Crown is increasing; however, the increase is not as strong as the one from German abattoirs. Danish Crown is busy increasing the pig quote, and it is realistic to believe that it will reach DKK 10/kilo before the end of June. The management of Danish Crown is considering whether the recession will last, and will soon come out with an announcement, says Jens Haven Christiansen of Danish Crown.

(Source, JyllandsPosten)

Chinese Food Additive poisoning Australian Pig Herds

Six pig herds in Western Australia have been put into quarantine following a routine check at a slaughterhouse which revealed that the slaughter pigs contained lead. The increased content of lead is supposedly coming from the use of a Chinese additive put into feeds.

Experts are afraid that the poisonous additive may have happened during a failure in the separation process, or during the storage in China. All Australian pig producers have been warned against using the additive, which the farmers have been using as an additive in feeds as a growth stimulator.

It is not for the first time that Chinese additives are suspected of containing poisonous substances. On several occasions the US veterinarians have pointed out problems with the veterinary safety in China. (Source, Landbrugsavisen)

Improved Pig Quotes in the US

While Danish pig producers are still looking for a long awaited price increases for pig meat, prices have increased strongly in the US over past two months. Since mid March, the pig meat prices have increased by 66 per cent. Prices usually increase in the US during spring, but this year the prices have increased more than twice as much as the average for past five years.

It is worth noticing that the price increase takes place while pig production has increased by ten per cent. The explanation for the heavy price increases is probably the weak Dollar, which has made the US pig meat more competitive.

During first three months of this year exports of pig meat has increased by as much as 40 per cent, and at the same time imports have dropped by ten per cent. Exports in particular to China and Hong Kong have increased, but exports to Russia have also more than doubled. (Source, Landbrugsavisen)

Danish Pig Producers have Poor Business Results

It has been no fun being producer of piglets in Denmark in 2007. A recent analysis prepared by Danish Pig Production has revealed this based on business results from the pig farms.

According to the analysis the average business result for the producers of piglets was in 2006 plus DKK 651,000, whereas in 2007 this has been reduced to minus DKK 803,000.

It corresponds to a decrease of DKK 1.458 million, informs Danish Pig Production.

The dramatic drop is in particular due to the increasing prices for feeds.

The producers of slaughter pigs reached a business result close to zero – partly because piglet prices were lower.

The negative development will soon end, predicts Lindhart Nielsen, president of Danish Pig Production. Consequently, he is urging pig producers to fill up their stables, so that they may reap the benefits when prices are increasing. (Source, Landbrugsavisen)

Danish Slaughterhouses - payments for Week 22

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

Head line: Changes in the 56 TMP pig quote.

Last week rising prices returned to the Breton Pig Meat Market (MPB). The 56 TMP quote gained 5.5 cents over the two trading sessions. This has to be seen in the context of a modest number of pigs being available for slaughter to a quite buoyant abattoir demand. Trading in primal cuts remained very active, and this was in all pork cuts available. Consequently pig meat prices increased.

Prospects

Everything points in the direction that the seasonal traditional recovery in live pig quotes is happening. The number of pigs available on farms for slaughter has been confirmed as moderate, despite pigs having been held back due to the three public holidays at the beginning of the month. The abattoirs should be back to their usual buying level, following a return to a five day working week. At the same time consistently rising pig quotes are seen in other European countries, so pig farmers are optimistic over the future. On the other hand, some uncertainties have persisted in the markets for pork cuts. It is now the second half of the month, which could slightly slow down trade.

“Les Marchés” – report 20.05.08

Pigs: Further increases likely in pig quotes at Plérin.

Pigs

Although the public holidays did disrupt collection of pigs from farms, the buoyant demand for primal cuts has put some dynamism into the pig trade last week. In addition pig meat prices also recovered. Further increases in prices for cuts of pork are expected this week, so the prospects are for a lesser number of pigs being available for slaughter against steady abattoir requirements. Firmer pig quotes should therefore be seen throughout most of Europe.

Young pigs (Weaners)

Increases in the quotes for live pigs should lead to greater fluidity in sales of weaners with buyers putting some of their caution aside. There are still the high costs of production to deal with. Elsewhere in Europe week 20 has seen more price firmness, particularly in the northern part of Europe, viz. Germany, Belgium and the Netherlands. In Spain on the other hand, there was just stability.

Butchered meat (Primal cuts)

The primal cuts markets have been very dynamic over past two weeks with the help from good weather conditions and public holidays. There are no signs that an immediate return to a calm spell will happen this week, although there was an impression of a slowdown, but this was due the return at abattoirs to a full five day working week. Overall, sales should remain (very) active. Concerning pig meat prices, stability would be the minimum, but further increases very probable.

“Les Marchés” – report 21.05.08

Pigs: Quotes almost maintained at Plérin.

Pigs

The first trading session of the week ended in an almost stable situation for the 56 TMP quote, which gained only 0.1 cent, to remain at 1.226 euros / kilo. This was a result linked to the final number of slaughter pigs having been held back at farms at the beginning of the month due the public holidays now being delivered for slaughter. Demand, however, has shown itself to be rather buoyant, thanks to very steady trading in primal cuts for the time of year. Further increases in pig quotes have been forecast on a shorter term.

Young pigs (Weaners)

The return to active trading and price increases for live pigs has positively influenced trading in weaners. Generally, sales have been steady and prices in general stable.

Butchered meat (Primal cuts)

The return to a full five-day working week has not clearly resulted in an active pig meat trade for the slaughter and cutting plants. Although the trading atmosphere has seemed a bit less euphoric, sales have, however not been less satisfactory in this period. Prices have been stable (particularly for loin), and have even for ham and shoulders been adjusted upwards. From now on, the objectives must be to continue efforts to maintain improved profit margins for pork cuts, all the more so since price firmness should continue for live pigs.

“Les Marchés” – report 22.05.08

Pigs: Firmer prices should be confirmed for live animals.

Pigs

Many things do point in the direction of pig quotes on Thursday at Plérin once again showing some recovery. On the one hand, the number of pigs available for slaughter at farms has dwindled since deliveries held back due to the public holidays have now been absorbed and seasonal production is falling. Furthermore, activities on the primal cut markets have remained quite steady. On the other hand, abattoirs could alter their purchasing plans slightly in order to limit as much as possible the traditional June price increases.

Young pigs (Weaners)

No greater changes to be noted on the French weaner markets. Transactions have overall been steady, whether for 25 kilo piglets or for the weaned ones.

Butchered meat (Primal cuts)

Yet another calm spell in the market for cuts of pork is seen, thanks to the third week of a month. However, available volumes have not been excessive, which has allowed the pig meat traders to maintain the majority of their prices, and made it possible for them to continue their efforts to obtain higher profit margins. These efforts will need to be intensified in coming days, particularly if firmer pig quotes are confirmed on livestock markets.

“Les Marchés” – report 23.05.08

Pigs: A 3.5 cents increase in live pig quote.

Pigs

As forecast by a good number of pig farmers, the 56 TMP quote regained 3.5 cents on Thursday at Plérin, reaching a peak of 1.261 euros / kilo. According to the MPB (Marché du Porc Breton), abattoir activity has been buoyant, estimated at around 410,000 pigs in the Uniporc area for the week, while number of pigs available for slaughter has been dwindling.

Young pigs (Weaners)

Trading has remained fluid, in both 25 kilo piglets as well as in 8 kilo ones. Sales have been steady and prices renewed, or even increased in some regions.

Butchered meat (Primal cuts)

Consumers have been on the move lately, that is going on holidays or moving to summer residences, and this has by the end of this week disrupted trade in pig meat. Nevertheless, sales activities have remained quite steady. Demand has been satisfactory to good according to traders. The availability of pig meat from cold storage has not being very plentiful; and prices have varied between being stable and slightly firmer. No great change in this trend is expected on a shorter term, even though some traders fear that there may be some slow down in sales due to the effect of the end of the month.



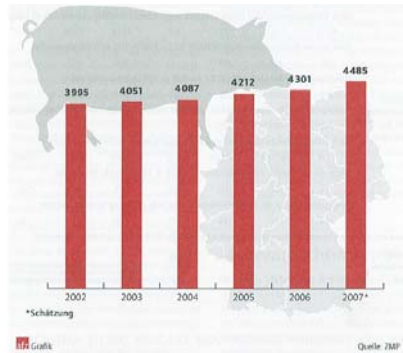
GERMANY

The German meat industry increased its turnover in 2007 by 3.8% to € 31.7 bn. Of that total, € 17.7 bn were from meat products and € 10.7 bn from slaughtering and deboning companies. The German meat industry has a 22.6% share of total food production. After the gap in 2006, pre-packed continued its growth in 2007. Only about one half of meat is now sold via service counters. Discounters increased their market share of fresh meat to 22% and cooked meat/sausage to 44%. International business grew faster than domestic with growth of 9.3% and even 10.9% with cooked meat/sausage. Pork imports from other EU countries grew by 5.8% in 2007. Exports of meat and meat products in 2007 amounted to 1.57 m tonnes, 21.8% more than in the previous year. The EU is the largest export market,

with only 11% of exports going to other countries. Imports in 2007 grew by 20.3% to 364,100 t of meat, meat products and preserved meat products (at slaughter weight). (afz, May 28th, 2008)

The gross domestic production of pig meat in Germany has constantly grown since 2002, reaching in 2007 4.485 m tonnes, more than 10% above the 3.995 m tonnes of 2002. Over the same period, imports grew from 1.087 to 1.145 m tonnes. Exports more than doubled from 742,000 t to 1.52 m t in 2007.

Gross domestic production of pigmeat in Germany, in 1000 tonnes



(afz, May 28th, 2008)



SPAIN

Exports

In the EU, certificates of export of pig meat by 319,593 ton had been asked for during 2008 (to date 27 of May); 18,867 ton corresponds to Spain. (source: agrodigital)

An enterprise group promotes the construction of a slaughterhouse in Soria suitable to export to the U.S.A. The companies 'Industrias Villiar', 'Embutidos La Hoguera' and "Cárnicas Llorente" and the swine cooperative 'Copiso' are promoting, with three other companies of La Rioja, the construction of an accredited slaughterhouse that allows sacrificing pigs according to the norm that the Asian and the United States markets demand to the Spanish producers. (source: eurocarne)

Industry

Avigase, the biggest feed cooperative in Castilla León, produced 244,747 ton feed last year, an 18% more than past year, reaching a record in its feed production. They have increased their invoicing by 40% (57 million Euros in 2007), obtaining a benefit, after taxes, of 447,000 Euros. (source: eladelantadodesegovia)

General

Meat production was on the up in the beginning of 2008. Pork production went up above average 11%. The number of slaughtered pigs increased by 8%. (source: agroinformacion)

Prices

| | | |
|-----------------------|------------------------|------------------------|
| Slaughterhouse | Lleida 22.05.08 | Zamora 27.05.08 |
|-----------------------|------------------------|------------------------|

| | | |
|-------------------|---------------------|-------------------|
| Piglet 20 kg | 16 €/Unit (-1.00) | 20 €/Unit (-0.00) |
| Live fattened pig | 1.185 €/kg (+0.035) | - |



PORTUGAL

Prices

| | |
|------------------------------|------------------------|
| Slaughterhouse | Lisbon 19.05.08 |
| Fattened pig – Carcass E 57% | 1.49 €/kg (+0.04) |



RUSSIA

Russia to face meat deficit

During the week in review the Head of the Russian Federal Consumer Rights Protection and Human Health Control Service, Mr. Gennadiy Onishchenko, approved the new sanitary and epidemiological regulations, which prohibit using frozen meat for further processing including poultry meat. If the government will adopt these regulations then Russia may face dramatic price hikes as well as a deficit of meat on the market.

98% of meat imported into Russia is frozen as bureaucratic customs clearance and geographical distance are complicating the import of chilled meat.

Therefore, to satisfy the domestic demand Russia will need to increase domestic production of beef and pork by 150% and this may take years to accomplish.

For reference: The share of imported meat in the overall consumption in Russia is 40% of which beef and pork account for 35% and poultry us around 40%.

As they imposed a ban on meat imports from various European companies continues prices have increased by 10-30% during the months of April and May.



UKRAINE

Vet office to meet WTO standards

The Ukrainian Parliament adopted the draft laws related to WTO accession. Particularly, the Law on Veterinary Medicine was amended where the new interpretation of the term "contaminant", "maximum limits of the residue" as well as provisions on systems of animal identification (group and personal identifier, tagging) shall be brought in line with the international standards.



BELARUS

Meat production is up

The Statistics Committee of Belarus reported that during January-April 2008 meat and products production totalled 152,000 t, which is 8.3% up from the corresponding period in 2007. Pork production increased by 3.9% to reach 48,101 t. Sausages production increased by 8.8% or 74,270 t.

Prices

Germany

| Pork Prices ex-Hamburg Fleischgrossmarkt (Cuts from 75–85 kg pigs) Week commencing 26th May 2008 | | | |
|---|--|--------------------------------|-------------------------|
| | Cut Name | Closest Export Manual Code No. | Price Range (Euro / kg) |
| 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 | 2.60/2.75 |
| 4. | Picnic Shoulder | 56120 | 2.10/2.28 |
| 5. | Collar | 56130 | 2.70/2.85 |
| 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 26th May 2008 | | |
|---|------------|-------------|
| Carcasses (secondary grade) | Euros / kg | 1.559/1.565 |
| Gerona Loin Chops | Euros / kg | 2.73/2.76 |
| Loin Eye Muscle | Euros / kg | 4.10/4.13 |
| Spare Ribs | Euros / kg | 2.39/2.42* |
| Fillets | Euros / kg | 5.53/5.56* |
| Collar | Euros / kg | 3.13/3.16 |
| Round Cut Legs | Euros / kg | 2.45/2.48 |

| | | |
|---|------------|------------|
| Cooked Ham | Euros / kg | 2.13/2.16 |
| Rindless Picnic Shoulder | Euros / kg | 1.49/1.52 |
| 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 | 0.85/0.88 |
| Back Fat, Rindless | Euros / kg | 0.83/0.86 |

*Unchanged from previous week