

Report –August 2008 – Week 33

- *EU subsidies come to an end*
- *France Hybrides SAS to join Hypor pig division*



DENMARK

Market

The industrial holidays in South Europe are affecting the market for legs with ample supplies compared to the demand. In spite of this, the prices remain unchanged and the forecast is that the market will improve after the holidays. There is still a high demand for shoulders and production meat and likewise for lard.

Collars have weakened due to rain in Northern Germany.

The bacon market remains unchanged.

The market in third countries remains unchanged.

The market for sows is still improving and is about to reach the record level. (Sources, Danish Crown, Tican, Danish Bacon and Meat Council)

General

EU subsidies come to an end

A majority of the EU member countries have agreed to follow a proposal from the EU Commission to reset the export subsidies.

In November last year, the export subsidy was introduced after debate in order to help the needy pig meat industry. At that time the sector was marked by very high costs on feed and at the same time low prices on pig meat because of a too high supply on the market.

Now, EU assesses that the pig meat producers' situation has improved so much that the subsidies are no longer necessary. The prices on pig carcasses have increased by 30 % compared to November, whereas the feed price is decreasing. At the same time in Brussels, the Commission states that during the next six months is expected a significantly lower pig production within the EU. Thus, the export subsidies are already being reset as of now.

Positive Forecasts

Over the next three years it will be easier to be a pig producer. At least if one trusts several of the forecasts from OECD, The US Department for Agriculture and The American Institute for Foods and Farming Production.

Prices on pig meat will namely keep increasing towards 2011, after which the prices will stabilize at a high and slightly increasing level. All three prognoses agree upon this, but disagree a little as the level of the increase. (Source, Landbrugsavisen)

HK Scan is in the red

The Finnish-Swedish slaughterhouse group HK Scan lost 2.3 mill € in the second quarter. It is the strong competition on pig meat that causes this million-level loss to the Finnish-Swedish slaughterhouse group. Thus, the group is now in significant recession compared to the same period last year where HK Scan had a surplus of 10.5 mill €.

The turnover in the second quarter increased from 524 mill € to 591 mill €. (Source, Landbrugsavisen)

Canadian Pig Producers are losing money

According to new budget calculations from the Farming Department of the state Ontario it is still difficult to be a pig producer in Canada. On the basis of feed and energy prices for June, the state Ontario, which has a comprehensive pig production, calculated that the average cost to produce one slaughter pig is 110 € whereas the revenue from selling is 90 €. It is especially the costs for feed that make the Canadian pig production a bad investment.

According to Ontario's Farming Department right now the costs of feed comprise 69 € in the pig's growth period. It corresponds to approximately 62 % of the total costs.

(Source, Landbrugsavisen)

Danish Slaughterhouses - payments for Week 33

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 1.402* Unchanged	Euro 1.362 Unchanged
Sows (Above 129.9 kg) Difference to last week	Euro 1.306* +0.040	Euro 1.24 +0.040
Boars (Above 109.9 kg) Difference to last week	Euro 1.173* +0.040	Euro 1.106 +0.040

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

Obesity

The increase of VAT from 5.5% to 19.6% on products "too fat, too rich in sugar or salt and which are not considered as a first necessity" is a proposed solution suggested in a report on obesity in France presented recently to French Ministers and which should be made public by the end of August. Charcuterie products used in fast food restaurants, sandwiches, pizzas and snacks are in first line, the industry is reacting strongly against this proposal. Let's see in September how the French government will react.

Delpeyrat erases Chevallier

The French N°2 for foie gras is now the leader of Bayonne ham. With 350 000 hams coming from their subsidiary "Montagne Noire" and 500 000 coming from the recently purchased company Chevallier, Delpeyrat represents more than half of the Bayonne ham market in France. The Bayonne ham market which celebrates its PGI 10th anniversary, increased from 700 000 hams in 1998 to 1 350 000 in 2008. Now, the objective is, with the Delpeyrat brand only, to compete with Aoste to become the leader of the dry ham market in France.

Unicopa – Madrange

The cooked ham market is also moving. When Brocéliande, the subsidiary of Unicopa purchased Argoat Le Hir, the objective was to become the leader in France of cooked ham served at the deli counter. Today, after having sold its poultry business, the French cooperative is hoping to produce 70 000 tonnes before 2010 and is keeping a close eye on Madrange.

Franco-Dutch alliance

Following an investment of the Glon group in Hendrix Genetics, the French pig genetics specialist France Hybrides SAS is joining the pig division of the famous Dutch company Hypor.

Market data for week 33:

Pigs

Stability was the thing last week.

Slaughtering activity was 400 243 pigs, 9 680 more than in week 31 and 12 778 more than last year.

Piglets

In France and the rest of the EU, the market didn't move.

Cuts

No real development expected this week for the market. Consumers are on holiday and retailers in the holiday areas will start to get ready for the end of summer months.

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



GERMANY

German Pig Producers stop

Over six months the number of pigs in the German pigsties decreased by 350,000, informs the Statistische Bundesamt (Destatis). According to the counting in May this year there were 26.8 mill pigs in Germany, which is a decrease of 1.3 % compared to November last year. The number of pig producers decreased as well – in May this year, there were 7.000 less and 73,000 producers remain.

During the last six months, the number of sows in Germany fell by 1.7 % and 5 % during one year, whereas the amount of slaughter pigs fell just by 0.4 %.

There is a recession in France too, which is calculated to be 1.2 %, and thus 14.65 mill animals during six months until May this year. Also in France, it is the number of sows that decreased and therefore the French authorities expect lower quantities to be slaughtered during the remaining part of the year. (Source, Landbrugsavisen)

Tönnies invests in Russia

The privately owned German slaughterhouse Tönnies is seriously expanding into the Russian market and wants to invest 200 mill € in a Russian slaughterhouse plant with 2,000 employees in Belgorod, 200 Km south of Moscow.

Tönnies invests together with a Russian partner, Prioskolje AG, which is the largest poultry slaughterhouse company in Russia, and is supposed to start a pig production of 500,000

slaughter pigs because the current pig stocks are not sufficient for a slaughterhouse plant this big.

It is believed that the constructions can start in ten months. In the beginning, 18 months from now, the 90,000 square meter plant will be able to process 2 mill pigs a year. When the plant is fully constructed, it will have a capacity for an annual production of 8 mill pigs.

Tönnies will own 60 % of the joint-venture company and a large part of the investment will be financed by Sberbank Russia. At present, Russia is already the most important export market for the large German slaughterhouse group with an export last year of between 70,000 and 80,000 tons of pig meat. In Germany, Tönnies processes 10 mill pigs annually and has 6,500 employees, and has an annual turnover of 3.3 bill €. Also, Tönnies owns e.g. Brørup Slagteri A/S in Denmark.

In Germany, the company has been up for debate in relation to an extensive use of low-paid Eastern European gang workers in the production. Furthermore, one of the company's founders, Bernd Tönnies, is also known as a very active president of the soccer club, Schalke 04. (Source, Landbrugsavisen)



SPAIN

Exports

The Spanish Ministry of Environment, Rural Development and Fisheries announced the first eight Spanish companies being authorised to sell their pork products in China. These companies are "Mataderos Industriales Soler", "El Pozo", "Carnes Selectas 2000; Campofrío", "Montesano Extremadura", "Ibéricos Torreón", "Jamón de Salamanca", "Patel; Vall Companys" and "Frigoríficos Costa Brava". (source, europapress)

General

The Spanish Association of Livestock Farmers "La UNIO de Llauradors i Ramaders" in Valencia, has elaborated a Market Report from 2006 to 2008 declaring that increasing costs of feeds has meant an extra-cost of 110 million Euros for Valencia's Livestock sector, the pig sector being the worst affected (with 66 million Euros of extra-cost from 2006 to 2008). (source, agricultura)

A new Spanish Quality Brand of chorizo "Chorizo Riojano" was presented in Logroño, next to the Spanish Royal Decree establishing the specific type of manufacturing, cured and dried processes of these products to fulfill. These kind of cured products mean by 68% of the meat production sector in this Spanish province (La Rioja). (source, agricultura)

Prices

Slaughterhouse	Lleida 08.08.08	Zamora 12.08.08
Piglet 20 kg	20 €/Unit (+0.00)	24.0 €/Unit (+0.00)
Live fattened pig	1.310 €/kg (+0.000)	-



PORTUGAL

Prices

Slaughterhouse	Lisbon 04.08.08
Fattened pig – Carcass E 57%	1.74 €/kg (+0.00)



RUSSIA

Russia buys meat outside CIS countries

The Federal Customs Service of Russian Federation reported that during Jan-June 2008 imports of both frozen and fresh meat into Russia grew by 11.9% vs. the corresponding indicator in 2007 showing 712,400 t. However, this could simply be a sign that meat trading leaves the shadow pattern.

Almost all of the above volume was purchased outside CIS totaling US \$ 1909.3 millions (Jan-June 2007 — US \$1554.8 millions).

For reference: Poultry meat imports grew by 9.4% — reaching 585,300 t while the overall value of imports equals US \$557.7 millions (\$419.1 million). All purchases were made outside CIS countries.



UKRAINE

WTO and meat production in Ukraine

The President of Ukraine is planning to have a meeting with large producers of meat in Ukraine in order to figure the reasons of the crisis that the industry is facing. The President suggested that the government freezes the intervention trading through the State Commodity Reserve and encouraged to increase the subsidies for domestic meat producers under conditions of Ukraine's WTO accession.

For reference: To date, Ukraine imported 230,000 t of meat already, which is equal to the annual meat import indicator. In May 2008 the Cabinet authorized ResourcePostach State owned company to sell the imported meat to the companies suggested by the Ministry of Economy at a price that should be the difference between the purchasing price and import duty paid for it.

Back in April 2008 Ukraine established a 25,000 MT monthly import quota for pork from Poland. The within-quota meat tariff will be reduced to zero but pork must be of Polish origin. Ukraine and Poland may be separated by an EU border, but at present they enjoy warm political relations. Ukraine needs to purchase 350,000 to 500,000 tons of meat, and may include pork, beef liver, or poultry. Poland understands that imports of Polish pork to Ukraine will be carried out by the Ukrainian Committee for National Reserves responsible for market intervention. The Polish delegation requested that all Polish meat plants eligible to produce products for the EU market be allowed to export meat to Ukraine. The Ukrainian veterinary authorities did not agree to this proposal and sent veterinary inspectors to Poland to audit Polish meat plants. In addition to 18 meat plants already eligible for export of meat and meat products to Ukraine, 29 plants were added to the list by the Ukrainian inspectors. Polish pork production is in a downward trend stage of the hog cycle. Farm-gate prices for pigs are low and farmers are culling herds because of high feed prices and reduced demand for export to the European Union. In 2007, Poland was a net importer of fresh/frozen pork, with its quantity imported jumping 35 percent. Exports of pork to Ukraine may create an opportunity for Polish pork producers to recover after the last year's crisis, but may not help

the domestic pig industry too much. FAS Warsaw believes higher pork exports to Ukraine will just result in growing imports of Danish, German, or Dutch pork to Poland, backfilling the market. Since the Ukrainian government established the import quota for Poland under the condition that pork exported to Ukraine originate from Poland it can be expected that since hog supplies in Poland will tighten it may import more and more feeder hogs from its neighbors.

The EU export restitution program will subsidize exports of pork to Ukraine. The Agricultural Market Agency (AMA) of the Ministry of Agriculture is responsible for distribution of EU subsidies to exporters. According to the AMA, Polish pork exports began immediately after the announcement of the quota by the Ukrainian government. The EU export restitution for pork halves amounts to Euro 311 per metric ton. Poland has repeatedly asked the Commission to raise the amount of the restitution, so far without effect. There is no announced budget limit for the total restitution payments to Polish producers. There is no export restitution for exports of live hogs. According to AMA officials, exports of live hogs to Ukraine have recently increased.

Prices

Germany

Pork Prices ex-Hamburg Fleischgrossmarkt (Cuts from 75–85 kg pigs) Week commencing 11th August 2008			
	Cut Name	Closest Export Manual Code No.	Price Range (Euro / kg)
1.	Round cut leg	51121	2.55/2.75*
2.	Leg (boneless, rindless max fat level 3mm)	51121	3.60/3.80*
3.	Boneless Shoulder	56200	2.75/2.95*
4.	Picnic Shoulder	56120	2.25/2.38*
5.	Collar	56130	2.60/2.80*
6.	Belly (bone in, ex-breast)	55100	2.50/2.70*
7.	Sheet Boned Belly (rindless)	55210	1.90/2.20*
8.	Jowl	50230	1.70/1.85*
9.	Sow Carcasses	60100	-
10.	Half Pig Carcasses	R Classification	-

*Unchanged from previous week

Spain

Barcelona Market Information Prices for week commencing 11th July 2008		
Carcasses (secondary grade)	Euros / kg	1.724/1.730*
Gerona Loin Chops	Euros / kg	2.84/2.87*
Loin Eye Muscle	Euros / kg	4.32/4.35*
Spare Ribs	Euros / kg	2.39/2.42*
Filletts	Euros / kg	5.53/5.56*
Collar	Euros / kg	3.23/3.26*
Round Cut Legs	Euros / kg	2.55/2.58*

Cooked Ham	Euros / kg	2.32/2.35*
Rindless Picnic Shoulder	Euros / kg	1.71/1.74*
Belly	Euros / kg	1.81/1.84*
Smoked Belly with Spare Rib Section Cut Off	Euros / kg	2.24/2.27*
Shoulder Chap or Head Jowls	Euros / kg	1.28/1.31*
Back Fat, Rindless	Euros / kg	1.63/1.66*

*Unchanged from previous week