

## Report –August 2008 – Week 35

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### DENMARK

#### Market

By and large the leg markets remain unchanged, still with a sluggish trade but it is expected that sales are going to improve during the week because the industrial vacation is about to end.

Sales of shoulders, production meat and lard are still fine and without changes in prices. The sale of collars for barbecuing has now come to a standstill – above all due to bad weather in Germany and because the barbecue season is coming to an end.

Sales in Central Europe are fine.

The bacon market and the market for fresh backs remain unchanged.

Sales to Japan and other third market countries are going well.

(Sources, Danish Crown, Tican, Danish Bacon and Meat Council)

#### General

##### Pig industry loses billions

Recent statements from the pig industry's organizations show that the pig producers will end 2008 with a deficit of 600 mill €, which makes 2008 the worst year ever in this sector. In spite hereof, the prices of farmland are constantly increasing and the number of forced sales is a very low. However, the development is not tenable. In the long run, we cannot base an entire industry on increasing prices of farmland and property. The production is being carried out on still fewer farms and gradually as still more properties are traded for more than 15 mill €, there must come an increasing demand that the fundamental business must be sound, says Torben Poulsen, president of the Danish National Association of Pig Producers. (Source, JyllandsPosten)

##### Turbo on pig exports

During the first six months of 2008, the Danish export of baby pigs increased by 563,000 pigs to a total of 2.94 mill pigs, which is the highest level ever seen. The increasing exports of young pigs are due to increasing prices in Germany and to the Danish environmental regulations. It is a difficult and long process to get permission to build or expand a slaughter pigsty. But at the same time it is easy to get permission to establish a production of young pigs of viable size, informs market analyst of Danish Meat Association, Karsten Flemin. Should exports of small pigs continue to increase, it may have a serious impact on the Danish meat production. It will be difficult to sustain an efficient production at the slaughterhouses, and further, there is a risk that the pig producers will experience very strong price fluctuations, informs Bent Claudi Lassen, chairman of Danish Bacon and Meat Council. Thus, Mr. Lassen thinks that the Danish framework and conditions for pig producers must be adjusted to be in accordance with the ones in the remaining EU countries. (Source, JyllandsPosten)

### **Many indications of infected Spanish pig meat**

In Denmark this summer, there have been an increasing number of salmonella outbreaks. It has still not been possible to find the source of infection but it was believed that the reason to the many infection outbreaks of Salmonella was the increasing amounts of imported meat. Based on this the Danish food politicians have demanded more control of the imported meats and labeling of meat with its country of origin.

However, now it turns out to be the Danish pig meat, which is the main suspect of this summer's many salmonella outbreaks. According to food readiness manager, Kim Vandrup Sigsgaard, the food control now is basing its work on the theory that the source of the infection is Danish. (Source, Borsen)

### **Tulip sells meat in shell service- and gas station**

In Denmark, Tulip Food Company recently finished the fitting out of the first Shell shops with food counters, cabinets and much more. During the next 18 months, a total of the 75 largest Shell gas stations will be equipped with completely new food areas where among other things healthier food will be served. According to the agreement with Shell Denmark, Tulip is not only supposed to sell sausages and meat products, but a full assortment of muffins, pizzas and sandwiches. (Source, Laqndbrugsavisen)

### **Encouragement to pig farmers and their banks**

Today, a great number of the Danish pig producers are losing money on every pig they send to the slaughterhouse, but the prospects are that next year one can expect an encouragement.

In the spring of 2009 - according to the prognosis from the sector organization Danish Meat, the settling price of pig meat will reach 1,667 €/kg plus residual payments and will finally exceed the production costs, which are approximately 1.650 €/kg. The average annual settling price is expected to be 1,617 €/kg plus residual payments.

It is especially the decreasing pig production within the EU, which is the explanation to the optimistic view on next year. Even though the total pig production did not yet decreased very much in countries such as France, Holland and Germany, there are strong decreases in the breeding stocks in all European countries.

It is evaluated that it will have a serious effect over the next six months. In 2009 within the EU, a decrease of 3 to 4 % in the aggregate pig stock is expected. It is cautious estimates but should it happen a situation with shortage of pig meat in Europe is approaching. No doubt that this will make prices go up.

Other factors of importance to the price of pig meat are e.g. the moderately decreasing production in North America over the next year, better sales to the Chinese market and a neutral effect from the sale of beef and poultry. (Source, JyskeVestkysten)

### **Manager leaves the slaughterhouses' research institute**

Claus Fertin decided to seek new opportunities outside Danish Meat Association (DMA). Therefore, he resigns as manager of the Slaughterhouses' Research Institute by the end of August.

Claus Fertin has worked in DMA since the 1st November 2000, first as deputy manager and since 1st August 2001 as general manager of the Slaughterhouses' Research Institute. (Source, Danish Meat Association)

### **Danish Slaughterhouses - payments for Week 35**

Slaughterhouse	Danish Crown	Tican
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Slaughter pigs (67.0 –81.9 kg Danish Crown and (67.0 - 80.9 kg Tican)	Euro 1.429*	Euro 1.389
Difference to last week	Unchanged	Unchanged
Sows (Above 129.9 kg)	Euro 1.333*	Euro 1.51
Difference to last week	Unchanged	Unchanged
Boars (Above 109.9 kg)	Euro 1.200*	Euro 1.133
Difference to last week	Unchanged	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

### Cooperl results

In 2007 the net situation of the French cooperative decreased from 14.5 million euros in 2006 to 7.5 millions. The meat turnover of Cooperl decreased by 3.03% and margins were squeezed by increasing competition, support to producers and feed cost reduced to minimum. Nevertheless half of these 7.5 millions euros will be re-distributed to members. Thanks to an increased productivity (26.9 weaned piglets per producing sow) the number of pigs produced increased by 5.61%. One issue is the gap of profit between producers in Finistère : 126 € per sow and 192 € per sow in Côte d'Armor. In 2007 the cooperative re-invested 29 million € in equipment and buildings and as far as animal welfare is concerned the company is now approved for the British market...

### Market data for week 35:

#### Pigs

From now onwards, fluidity is back in livestock farms, hopefully the demand for abattoirs will be more constant.

#### Piglets

The European market showed little evolution last week and few changes are outlined for the future. Prices are stable, in particular in Germany and Denmark.

FNI-FNCBV index increased for week 34: + 1 cent for 25 kg and +13,6 cents for weaners.

#### Cuts

This week, the commercial recovery will be more significant in slaughtering for cuts. The holiday makers are back and more dynamism is expected for consumption.

No change is expected because the beginning of the autumn is the period where consumers have a lot of household expenses.

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



## SPAIN

## Industry

The Spanish Competence Committee has authorised the first step in the merging process between the Spanish company Campofrío and the main European subsidiary of the US Smithfield Foods (Groupe Smithfield Holdings), announced last June. (source, eurocarne)

España, the Catalanian company making pork products, will produce cured hams in Utrillas (Teruel) under the quality brand "Jamón de Teruel", never before 2010. The city council will invest 2.6 million Euros to build the new plant of 4 thousand square meters. España already has in this city facilities for debone hams and also for preparing sliced products. (source, infocarne)

Embutidos Sadisa S.L., the Catalanian company making pork products, will open a new production plant in Mata de los Olmos (Teruel) next month. This company produced 3.3 million of kilograms of pork products (cured and stuffed) in 2007, and in the future, they will double this production owing to the new facilities. (source, ediporc)

Nico Jamones, the Spanish company producing cured hams, has obtained the Food Quality and Security Certificate "IFS" (International Food Standard) with higher level. This company is recently trying to increase its exports internationally, especially in the EU market. (source, eurocarne)

## General

The new owners of the slaughterhouse of l'Agudana, the Spanish companies Indelebre and Induovo, has reopened the slaughterhouse 1 month after it was closed due to 25 million of Euros of accumulative losses. The new management wants to increase international exports, especially to China, Japan and Africa. (source, agroinformacion)

The Autonomous Government of Castilla y León has reopened the Ponferrada slaughterhouse, once the facilities have been adjusted to the European Legislation. The slaughterhouse stopped its activity on last May. (source, agroinformacion)

## Prices

Slaughterhouse	Lleida 21.08.08	Zamora 26.08.08
Piglet 20 kg	21 €/Unit (+1.00)	27.0 €/Unit (+2.00)
Live fattened pig	1.310 €/kg (+0.000)	-



## PORTUGAL

The Portuguese Parliament has approved a credit line of 35 million of Euros for intensive stockbreeders. This proposal, coming from the Minister of Agriculture, Jaime Silva, is channelled into minimizing the difficulties suffered by these stockbreeders in the last months. (source, agroportal)

## Prices

Slaughterhouse	Lisbon 18.08.08
Fattened pig – Carcass E 57%	1.74 €/kg (+0.00)



## RUSSIA

### Livestock population updates

The Russian Statistics Committee reported that as of August 1, 2008 the cattle population in country showed 22.6 million heads which is 1% down from the corresponding indicator a year ago of which cows - 9.4 million heads (1% down from last year), pigs - 17.5 millions (0.8% down), goats and sheep – 24.1 millions (4.8% up).

**For reference:** the small individual private farmers raise 48.7% of cattle, 43% of pigs, 50.6% of sheep and goats which goes in line with past year's indicator.

### Animal products updates

The Russian Statistics Committee reported that during January-July 2008 meat production in country grew by 13.4 % reaching 1.6 million tons.

**For reference:** sausages production increased by 4.2% showing 1.4 million tons. Dairy products manufacturing dropped by 4.7% showing 5.9 million tons.

### Pork imports into Russia may decrease

The Minister of Agriculture Mr. Alexey Godreyev said that Russia would decrease pork import quotas into the country by hundreds of thousands of tons. The Minister said that Mr. Putin ordered all the Ministries to review the import regulations and especially in terms of customs clearance and tariffs.

**For reference:** at the moment the officials are calculating how they can decrease the imports of pork and poultry. The international agreements about imports of pork and poultry were signed three years ago and are no more in the interest of Russia. The WTO regulations applied to Russia which is not yet the member of the WTO shall not be applied any more, said Gordeyev, as this does not seem to be fair. Experts believe that the above measures may lead to price hikes in Russia in the near future as domestic production is not self sufficient yet but has shown growth during the past several years especially in the pig and poultry sector.

### New pig complexes to appear soon

The closed JSC Meat Industrial Company (MIC) announced the start up of the construction project for a pig complex for 100,000 heads worth to serve the needs of the existing meat-packing factory owned by the said company in Orenburg Oblast.

**For reference:** the plan for the complex to start working is 2010. When the complex will be working at its capacity the company should be in a position to produce up to 11,000 t of pig meat in live weight per year. The MIC is the management company for Orsk Meat Packing facilities.



## UKRAINE

**Pig population updates as of August 1, 2008 (source: State Statistics Committee):**

	All farms	Agricultural enterprises	Individual farmers
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	As of 01.08		Vs. 1.08.2007		As of 1.08.		Vs. 1.08.2007	
	2008	%	2008	%	2008.	%	2007	%
Pigs	6831,0	82,3	2703,0	81,9	4128,0	82,6		

**For reference:** the share of the population (small individual farms) in the cattle production is 68.5% of which cows 78.5%, pigs - 60.4%, goats and sheep – 83.3%, poultry – 59%.

**Animal products updates as of August 1, 2008 (source: State Statistics Committee):**

	All farms		Agricultural enterprises		Individual farmers		Share of the small individual farms, %	
	Jan-July 2008	% vs Jan-July 2007	Jan-July 2008	% vs Jan-July 2007	Jan-July 2008	% vs Jan-July 2007	2008	2007
Meat in live weight, ths. tons	1493,1	101,6	756,7	108,2	736,4	95,5	49,3	52,4



**CZECH REPUBLIC**

### **Pig Breeding Loses Self-Sufficiency**

The Czech Republic is losing self-sufficiency in pig breeding which will lead to growth in pork imports in the coming years. This, it is felt, will have a negative impact on pork prices. According to Agricultural Chamber president Jan Veleba, pork producers now cover only 60 percent of domestic pork consumption and in a year or two; the share may drop to just 50 percent.

Pig stocks in the country decreased by 14% on the year, which will have a large impact on grain producers, as they will lack buyers. Processors will be affected as well, and employment will fall.

"It will have an impact on consumers. When we lose competitiveness, the price will be completely different," Veleba said.

The trend has lasted for over two years. The fall in pig stocks registered in the country in the second quarter of the year is the biggest of all EU countries, Veleba said.

"Farmer prices of pigs have to be raised to stop the decline [in pig stocks] because if this continues, consumers will pay the price," Veleba said.

According to the Chamber's data, since the start of the crisis, losses of pig breeders have got near Kc4.5bn.

However, retailers raised their margins by one third in the period, the Chamber said.

**For reference:** The deficit in Czech foreign trade in pork reached Kc4.98bn last year. As much as 130,000 tons of meat was imported last year, eight times more than in 2001. Farmers claim that talks with the Agriculture Ministry have brought no results thus far.

## Prices

### Germany

<b>Pork Prices ex-Hamburg Fleischgrossmarkt (Cuts from 75–85 kg pigs) Week commencing 25<sup>th</sup> August 2008</b>			
	Cut Name	Closest Export Manual Code No.	Price Range (Euro / kg)
1.	Round cut leg	51121	2.45/2.75*
2.	Leg (boneless, rindless max fat level 3mm)	51121	3.50/3.80*
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

<b>Barcelona Market Information Prices for week commencing 25<sup>th</sup> July 2008</b>		
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*
Fillets	Euros / kg	5.53/5.56*
Collar	Euros / kg	3.23/3.26*
Round Cut Legs	Euros / kg	2.53/2.58
Cooked Ham	Euros / kg	2.29/2.32
Rindless Picnic Shoulder	Euros / kg	1.74/1.77
Belly	Euros / kg	1.87/1.90
Smoked Belly with Spare Rib Section Cut Off	Euros / kg	2.30/2.33
Shoulder Chap or Head Jowls	Euros / kg	1.38/1.41
Back Fat, Rindless	Euros / kg	1.73/1.76

\*Unchanged from previous week