

Report – October 2008 – Week 41

- *Danish Crown under Pressure*
- *Outbreak of swine fever in Brazil*



DENMARK

Market

On the European market fresh legs are sold at slightly falling prices. Also prices of shoulders and collars are slightly decreasing. The trade with production meat and lard is stable and the price level remains unchanged. The trade to the British bacon market is stable and the price level remains unchanged. Also the trade with third countries is stable and prices remain unchanged. (Sources, Danish Crown, Tican, Danish Bacon and Meat Council)

General

Danish Crown under Pressure

Danish Crown is losing competitiveness and is under pressure from the general financial decline. In general the level of costs is high in Denmark but previously Denmark succeeded in compensating for this by selling pig meat to a high price on distant lucrative markets such as Japan. Lately however, the Danish slaughterhouses came under a strong pressure from the competitors in the US on several of these distant markets. It is due to an increasing US production and at the same time the low \$ rate gives the US slaughterhouses a huge competitive advantage, informs division manager Jens Haven Christiansen of Danish Crown. The company is exporting approximately 90 percent of its production. (Source, Jyllands Posten)

More Control in order to open Russian Market

After a minister's visit to Moscow it is possible that soon again the Danish slaughterhouses will be allowed to export to Russia. After a meeting in Moscow with the Russian Farming Minister, Aleksej Gordejev, the Danish Minister for Food, Eva Kjer Hansen, is optimistic with respect to a solution that within a few weeks will allow the Danish slaughterhouses to export.

Denmark is offering more control in order to save the billion export of pig meat to Russia. On the other hand the Danish Minister for Food wants more safety for Danish investments in Russia. (Source, Berlingske Tidende, Politiken)

High Prices of Grain is expensive for Pig Farmers

Last year, according to new statements from the Institute of Food Economics, the pig farmers experienced a decrease in profits of more than € 140,000. High prices of grain and increasing interest rates hit the pig producers hard in 2007. The full time farms went from a

positive result of € 42,000 in 2006 to a deficit of € 100,000 in 2007. (Source, Landbrugsavisen)

Expansion at Brorup Slaughterhouse

The slaughterhouse at Brorup, which is owned by Tönnies, Germany, is planning an expansion of the slaughtering capacity from 13,000 pigs weekly to 19,000 pigs weekly. By the planned expansion the slaughterhouse will reach a capacity of approximately one million slaughterings annually. It is a strong increase compared to previously. Just four years ago no more than 175,000 pigs got slaughtered annually at the slaughterhouse at Brorup. (Source, DR)

Danish Slaughterhouses - payments for Week 41

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 1.400* Unchanged	Euro 1.360 Unchanged
Sows (Above 129.9 kg) Difference to last week	Euro 1.240* -0.027	Euro 1.173 -0.027
Boars (Above 109.9 kg) Difference to last week	Euro 1.106* -0.027	Euro 1.039 -0.027

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

Bayonne ham

The famous French dry ham brand is celebrating its PGI tenth anniversary. Representing 20% of dry ham sales in France, Bayonne ham benefits from a 90% rate of awareness, it is present in 95% of supermarkets. Its market share is increasing it's now the N° 1 at deli counter. On the self service its shelf space increased from 55 to 80 cm. The main supplier today is Delpeyrat with 55% of the market followed by Salaisons "Pyrénéennes".

The end of the tunnel?

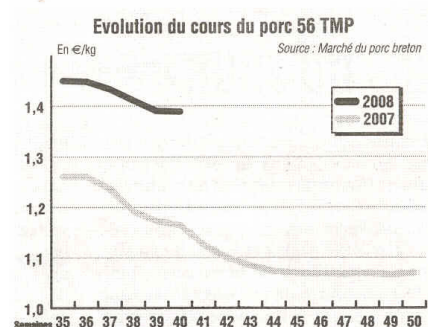
According to the French Pig Institute (IFIP) an increase of 0.30 € /kg would bring the production cost to 1.50 €/kg in the next months, which, with increased charges would have an impact of 20% on the price of cuts (loin, ham, bellies) and an impact of 5 to 12% on finished products. Then dry ham prices would increase by 5%, cooked ham by 6%, fresh pork and joints by 10% and "lardons" by 12%. IFIP are estimating that the price of pigs could reach 2 €/kg before the summer 2009. By the end of 2008, the pig herd is expected to decrease by 3.5% and similarly pig meat consumption is slightly on the downward trend but remains above 35 kg per inhabitant per year.

Market data for week 41:

Pigs

Stability was the "word" for last week !

after a slight decrease, the 56 TMP valuation has seen a slight rising. Volumes were important because demands from abattoirs were strong. Prices remained stable because the availability in breeding can establish an equivalent ratio with market needs.



Perspectives

After the promotions of the beginning of the month, one could expect a revival of sales for pig meat. If the demand remains high availability could slow down. The 56 TMP quotation will remain stable, even rising slightly in the next few days.

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



GERMANY

Tönnies Number One in Germany

In Germany the number of pig slaughterings is increasing and so is the turnover of the slaughterhouses, but the top ten list does not change according to the annual statement that just was published.

Tönnies that also owns a slaughterhouse at Brorup, Denmark and which has its main office in Rheda-Wiedenbrück is still the largest slaughterhouse in Germany having a turnover of approximately € 3 bill.

Then follows the Moksel group in Buchloe and Vion in Hamburg the previous NFZ, according to the list that was prepared in connection with the slaughterhouse fair InterMeat in Düsseldorf. The two last mentioned companies have a turnover of € 1.8 bill and 1.72 bill respectively. Number four is Westfleisch in Münster with a turnover of € 1.68 bill.

Last year Germany had 53 mill pig slaughterings, which is a record.

(Source, Landbrugsavisen)

Increasing German Pig Meat Exports

During the first six months of 2008 the German exports of pig meat increased to approximately € 2 bill. The message came from Farming Department Secretary Gerd Müller on a trade conference in Garrel, Niedersachsen.

Exports are the driving force for growth in the German pig production and meat industry. Opposite to the sluggish home demand Germany is finding dynamic growth in the demand on the global pig meat markets Müller said.

(Source, Landbrugsavisen)



SPAIN

Exports

Veterinary inspectors from the Philippines have visited some Spanish companies in order to know in deep their sanitary management. The visits are organised by the Ministry of Environment, Rural Development and Fisheries as a measure to expansion to new markets out of the EU. (source, eurocarne)

Industry

The Spanish industry 'Embutidos Fermin' has inaugurated new facilities in Tamames de la Sierra (Salamanca) for the processing and packaging of their products. (source, agrocope)

Increasing Quote in Spain

In Spain the production of pig meat is going to decrease by approximately four percent over the next three months. It will increase the pressure on the pig quotes and sources in the sector are expecting that the Spanish quote is going to increase by 35 percent over the next six months.

The Spanish pig producers welcome the forecast. The increase of the quote will have an extra strong effect as it is expected that the Spanish feed expenses are going to fall as of November. (Source, Landbrugsavisen)

General

The Spanish Confederation of Cooperatives has denounced a decrease in prices in Mercolleida (Spanish pig market). Prices have varied from 1.31 to 1.15 Euros per kilogram in the last four weeks, provoking the sells below production costs. (source, agroinformacion)

Prices

Slaughterhouse	Lleida 02.10.08	Zamora 07.10.08
Piglet 20 kg	25 €/Unit (-1.00)	26.0 €/Unit (-4.00)
Live fattened pig	1.153 €/kg (-0.040)	-



PORTUGAL

Prices

Slaughterhouse	Lisbon 29.09.08
Fattened pig – Carcass E 57%	1.520 €/kg (-0.080)



RUSSIA

Subsidies for pork and poultry producers earmarked

Russian Ministry of Agriculture approved the subsidy rates for support of pork and poultry producers. Particularly, the Minister of Agriculture Mr. Gordeyev issued a decree No. 437 under which pork producers should receive RUR 10 per each kilo of live weight of pigs for slaughter during the first six months of 2008.

The subsidies for poultry producers will total RUR 5 per each kilo of live weight of broilers for slaughter during the first six months of 2008.

For reference: The total amount of subsidies for this year is RUR 10 billions.



BELARUS

Raiders attack or pure coincidence

The Russian Agricultural Surveillance Agency (RosSelkhozNadzor) does not agree with the statements that attacks on INCO-FOOD based in Belarus is a raid but at the same time is prepared to make an investigation of the case. The official of RosSelkhozNadzor banned exports of meat and products from this company until the scheduled audit is made for the company which was banned. Interestingly enough such audits are scheduled once in six months and have to be approved by the Vet inspection of Belarus and Russian Federation which means that the company will suffer dearly as it will be forced to seek for new alternative markets.

For reference: Back in late May RosSelkhozNadzor placed a ban on temporary exports of meat and products from INCO-FOOD. Belarusian state agencies and vet service made all necessary audits and did not find any faults however allegedly Russian businesses keep asking INCO-FOOD to sell the business which indicates on a possible raider's attack on this company.

Foreign enterprise "Inco-food", a resident of the Free Economic Zone "Brest", is a meat processing factory of the European standard. The enterprise was founded in 2001. Built from the zero-cycle on a land plot, which practically had no infrastructure (no basic communications supply). The factory was built within 12 months and now it has its own electric power supply, heat supply and sewage system, which corresponds to the highest ecological standards and has no analogy in the Republic of Belarus. The total development area is 3, 66 hectares. The main types of activity: meat processing, sausage articles production, meat dainties, semi-finished fast food products, meat canned products. 90% of the production volume is exported. Main countries of export: Russia, Ukraine. Total number of produced articles is 160, 20 assortment groups. Only selected, ecologically safe raw material, which is laboratory- tested, is used for the production. Constant microbiological control of the production and waste products is carried out with the assistance of the own laboratories and appropriate communal services of the city. The enterprise works in 3 shifts, the production shipment is carried out continuously. The productivity is over 5000 tons of ready-made products monthly.



UKRAINE

Meat production growth showed 0.4%

The State Statistics Committee reported that during the first 8 months of 2008 Ukraine showed live weight meat production growth at 0.4% vs. 0.9% during the corresponding period a year ago in 2007. Particularly, live weight meat showed 1.7 million tons vs. 2.8 million tons a year ago.

For reference: Livestock population as of September 2008 showed 5.903 million heads, pigs 6.882 million heads. During late September and early October bids for meat in Ukraine dropped by US 10-20 cents which is believed to be the result of increased imports of pork and poultry. Also the traded volumes showed decline. Domestic farmers are not prepared to sell for less and are playing a waiting game. As of early October prices for live weight pigs showed less than US \$ 3/kg while in late September prices were US \$ 3.2-3.3/kg depending on the area. Ukrainian meat processors say that if the prices were US \$ 2.7-2.9/kg they would be buying domestic live meat vs. imported.

EASTERN EUROPE

Buoyant prices for pork fat

The exceptional rise of pork fat prices (back fat and cutting fats) during the summer and their continuing high level are due to the high demand from international markets but above all from Eastern Europe. However, if Russia was to decrease its import quotas, this would certainly dampen prices. (Barometre Porc, September)



BRAZIL

Swinefever outbreak

The OIE has confirmed the outbreak of swine fever on a Brazilian cattle farm, where pigs are bred for own requirements only.

A protection zone has been installed, and the movement of animals has been restricted. (Source, fleischwirtschaft)

Prices

Germany

Pork Prices ex-Hamburg Fleischgrossmarkt (Cuts from 75–85 kg pigs) Week commencing 1 September 2008			
	Cut Name	Closest Export Manual Code No.	Price Range (Euro / kg)
1.	Round cut leg	51121	2.30/2.60*
2.	Leg (boneless, rindless max fat level 3mm)	51121	3.20/3.60*
3.	Boneless Shoulder	56200	2.55/2.75*
4.	Picnic Shoulder	56120	2.15/2.25*
5.	Collar	56130	2.25/2.50*
6.	Belly (bone in, ex-breast)	55100	2.45/2.60*
7.	Sheet Boned Belly (rindless)	55210	1.90/2.20*
8.	Jowl	50230	1.70/1.90*
9.	Sow Carcasses	60100	1.85/2.03*
10.	Half Pig Carcasses	U Classification	2.08/2.28*

*Unchanged from previous week

Spain

Barcelona Market Information Prices for week commencing 1 September 2008		
Carcasses (secondary grade)	Euros / kg	1.516 / 1.522
Gerona Loin Chops	Euros / kg	2.59/2.62
Loin Eye Muscle	Euros / kg	3.88/3.91
Spare Ribs	Euros / kg	1.99/2.02

Fillets	Euros / kg	5.33/5.36
Collar	Euros / kg	2.93/2.96
Round Cut Legs	Euros / kg	2.44/2.47
Cooked Ham	Euros / kg	2.24/2.27*
Rindless Picnic Shoulder	Euros / kg	1.77/1.80*
Belly	Euros / kg	1.92/1.95*
Smoked Belly with Spare Rib Section Cut Off	Euros / kg	2.35/2.38*
Shoulder Chap or Head Jowls	Euros / kg	1.48/1.51*
Back Fat, Rindless	Euros / kg	1.73/1.76*

*Unchanged from previous week