



## Export Bulletin

August 2010 – Week 34

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The tussle on the world grain market has moved from Russia to the Ukraine and a debate is raging not only between government and the grain sector and consumers (voters) but also within government. All is not what it seems and we detail below some of the arguments. However, world grain prices, a major concern for pig producers are now easing.



**DENMARK**

### Market

The European markets are getting started after the summer holidays. The businesses must fill up their stock, which means that there is a fine demand for loins, legs and production meat. On the other hand the number of slaughterings is increasing as well and so are supplies. So the positive effect on prices still is moderate. According to the Danish exporters the bacon prices in the UK remain unchanged but satisfactory, and the demand is fine here before Bank Holiday by the end of August. Third country markets remain unchanged with a stable demand and unchanged prices. (Sources, Danish Crown, Tican, Danish Agriculture and Food Council)

### Health project with Danish Crown

On 1st October the Danish Crown Group launches a landmark project, which will lead to a more profound knowledge both in the company and in the entire slaughterhouse sector on how to prevent physical deterioration. Prevention measures are taken in quite a new manner as the health project has its focus on the employee by including both the workplace and the single employee's health. Besides identifying the impact of the work on the employees the project will also take into consideration the employee's health by including diet and exercise. The project involves 1,160 production workers at three factories. The health project is so innovative that the Prevention Fund allocated DKK 12.4 mill to the project. (Source, Danish Crown)

**Russia allows imports of pork from Tican**

On 10 July Russia banned exports from Tican as test samples showed too high contents of bacteria in a shipment. But now Tican was again allowed to export pork to Russia. Exports to the Russian market are of major importance for Tican that annually exports between 14 and 15 % of its total production to Russia. (Source, Landbrugsavisen)

**Danish Slaughterhouses - payments Week 34**

Slaughterhouse	Danish Crown	Tican
Slaughter pigs (70.0 – 86.9 kg)	Euro 1.308	Euro 1.308
Difference to last week	Unchanged	Unchanged
Sows (Above 129.9 kg)	Euro 0,900	Euro 0.900
Difference to last week	Unchanged	Unchanged
Boars (Above 109.9 kg)	Euro 0.761	Euro 0.761
Difference to last week	Unchanged	Unchanged



**FRANCE**

**The Hénaff “whole pig” fresh sausage**

With 15% market share in Brittany, Hénaff fresh sausages show that the product does not sell only on price. The Hénaff sausage only contains 17% fat (compared with 54% for standard sausages and 30% for “superior” sausages) and the recipe includes cuts such as loin and leg, there is no colouring ingredients or preserves. The two ranges: chipolatas and Toulouse have some seasoned versions, but also a seaweed smoked version. 130 producers are involved in the supply through 3 groups of producers (Aveltis, Cofiporc and Coopagri). The retail price of these sausages (€ 12.00/kg) is three times higher than the value range price. The cherry on the cake comes from a very sophisticated traceability system that allows Hénaff to mention on each retail pack (5 sausages per pack) the farm from which the pigs, processed to produce the sausages, came from, some labels even include a photograph of the farmer...

### PGI status for Morteau sausage

Morteau sausage is a specialty of Franche-Comté, in the east of France. It is produced from pigs reared in the Franche-Comté region and fed with whey; Franche-Comté is a very rich region in terms of cow cheeses production, the most famous being the Comté. These pigs are slaughtered later than standard ones. Morteau sausage has a 40 mm diameter and there is a larger version called the Jesus with a diameter of 65 mm. Both sausages are smoked in large smokers called Thués or Tuyés (local translation of pipe) using pine trees or epiceas. Morteau / Jesus production is estimated at 4 100 tonnes, processed by 31 companies including 9 still involved in a "label rouge" scheme.

### Pigs


According to FNICGV, for the first half of 2010, the balance of the porcine foreign trade of France remained positive with 58 200 tons, an increase of 15 % compared to 2009. Our imports increased compared to other Member states (+ 5 % to 176 500 tons). It's our exports to the third countries which made possible to maintain the balance. Exports to Russia doubled to 16 700 tons.

### Piglets

No major evolution for the French piglets' market but a slight slowing down in prices, in a context where the fatteners are worried about the increase in the cost of feed.

### Cuts

In the "Ile de France" area operators are waiting for a restart in activity today. Prices are globally renewed. The sale of loins is more difficult.

 <b>Pork prices RUNGIS week commencing 23 August 2010</b>	
<b>Cut name</b>	<b>Price range (Euro/Kg)</b>
Back fat, rind-on	0,35
Trimming	1,33
Leg	2,10
Loin including chump	2,87
Loin excluding chump	2,31
Belly extra without trimmings	2,28

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

**GERMANY****Market**

The number of pigs slaughtered continues to increase steadily. Last week, 1.002.000 pigs were slaughtered which is a 2 % increase compared with the previous week. The average slaughter weight however decreased slightly to 94.3 kg. With the end of the holiday season demand for pork is rising but there is still ample supply. Prices for collars decreased again by 5 Eurocent/kg

**Mince+**

Following a successful trial period in the ‚Netto‘ discount shops Vion is preparing for the nationwide launch of a their new concept ‚mince +‘ - minced meat enriched with wheat protein that contains 30% less fat and cholesterol than normal minced meat. Due to its meat-like structure wheat protein already is a very popular vegetarian alternative to meat. The idea to enrich minced meat with wheat protein is also pursued on the Dutch and UK markets. Being the second largest supplier to the German food retail industry Vion works closely with the society for consumer research (GfK). GfK frequently surveys 4000 representative households about their opinion on meat and meat products to gain insight into consumer’s preferences. According to Vion, some 42% of all Germans eat less meat nowadays in order to live a more healthy life. However, 75% consider meat to be an indispensable part of their diet. As of October/November 2010 Vion plans the nationwide introduction of beef mince, pork mince and mixed beef and pork mince that will be available in 400 g packs with a shelf life of seven days. Further sales opportunities such as frozen or convenience products are being considered. (Source, fleischwirtschaft)

**SPAIN****Investment in processed chilled pork**

Major manufacturers, such as Carnes Selectas, Martínez Lorient Group, Arcadia and Emcesa are expanding. The largest investment in recent years to develop the production of chilled pork products was by Carnes Selectas, a subsidiary of Campofrío, who built in the same site of its

slaughterhouse in Burgos a € 20 m. factory for Eroski supermarkets. The investment effort from Loriente Martínez in their new factories for hamburgers and mince meat, both moved to their Buñol's (Valencia) complex and launched in 2008. In fact, the € 120 m spent on those facilities, the plant for mince meat absorbed € 29 m, the rest was divided between Martínez Loriente and Embutidos F. Martínez at the Cheste and Torrent plants. Arcadia has two factories, one located in Terrasa (Barcelona) and one in Peraleda de la Mata (Cáceres) and has been invested € 2m in each in 2009-10. The latter plant is well placed to serve the Portuguese market and generates € 5 m. exports out of a total turnover of € 56 m. Emcesa who already moved in 2007 from their rented facilities, located in Fuenlabrada (Madrid), to their new building – with an investment of € 7 m – in another municipality of Toledo, Casarrubios del Monte. Now, the company prepares an ambitious expansion of 7,500 sqm and budgeted at € 10 m, which is the largest industrial project for the chilled processed pork meat at this time. Chilled processed pork also forms part of another major industrial initiative, their pioneers a group from Aragón province, Arento, which will invest € 35 m in the construction of a facility for processing meat in Mercazaragoza. This project is linked to a supply agreement for Sabeco supermarkets (Auchan), an alliance that will include the purchase of Cárnicas Cesaraugusta by Arento, proprietor of the distribution chain. For Schorn, the € 7 m. investment led to bankruptcy proceedings in 2006. The business saved by supplying sausages to Mercadona and food service and the integration of new products (bacon, cooked ham and pâtés).

### **Too much waste**

Due to great difficulties with the disposal of animal waste, the abattoir in Palma de Mallorca will stop to operate for the time being. Further Majorcan slaughterhouses are concerned about having to take the same measures. The crisis is caused by an animal waste management facility plant in Lluçmajor being used to maximum capacity. The site that has been target of residents' protests recently is currently unable to accept further slaughterhouse's waste.

**RUSSIA****15.000 pigs to be destroyed**

Sergey Nazarov, the Vice-Governor of the Rostov region, reported that all pigs, about 14.5 thousand heads, on the farm of CJSC Russian pork will have to be destroyed due to outbreaks of ASF. Pigs began dying a week ago in three of the nine buildings of the farm №4 of JSC Russian pork. According to the Russian CVO, this farm is the first industrial complex of such a high level and class of protection in Russia that has suffered from this disease. Initially, some 5000 pigs were supposed to be culled but the spreading of the disease couldn't be controlled. According to the CVO the most likely cause of the outbreak was illegal or semi-legal carriers. Since the beginning of the year there have been 70 recorded outbreaks of ASF in Russia, half of them in the Rostov region.

**U.S. pork returns to Russia**

The import of pork and chicken from the United States has resumed after a long break and long negotiations. This is not only a political decision but reflects the authorities' trend to increase import volumes due to crop failure. It's a result of Americans managing to solve some technical problems, as reported the CEO of Agro-Industrial Holding Miratorg. Product safety requirements will not be affected. The level of antibiotics in pork was the reason for the ban, and the Americans have tightened the according control measures. Russia has always been loyal to the U.S. suppliers, and they were assigned higher quotas. New rules for import of meat to Russia were introduced in January 2009. They were postponed for a year at the request of the U.S. Government, but even then, many U.S. companies were in no hurry to adjust to Russian requirements. As a result, they lost their share of the market. American suppliers have to compete with other exporters, especially Brazilians, whose prices are lower. In addition, there is pork supplied from Canada, Germany, Holland, and other countries. The Russian manufacturers are protected both by import quotas and higher quality meat. Large pig farms nowadays use the same technology that is used in the West and the main advantage to Russian producers is that Russian meat is chilled instead of frozen. The poor harvest is unlikely to lead to an increase in pork prices, experts report. Profitability of new Russian farms remains at a high level even when

feed prices rise. The competition with imports will not allow raising the price on the final product. At the very outside, the quotas on imports may increase.

### **Some Brazilian companies may be not be allowed to supply meat to Russia**

The Federal Service for Veterinary and Phytosanitary Surveillance may prohibit the supply of meat from a number of companies in Brazil. Russian experts request an inspection of the premises after the inspection of the supplied products was non-satisfactory. Prior to the inspection, the FSVPS has to intensify the control over supervised Brazilian products supplied to the Russian market. If, after another appeal of the FSVPS to the veterinary service of Brazil, the latter will not advise in the near future on the terms of inspections, FSVPS will have to consider the guarantees previously provided by the Brazilian side as not confirmed, and will be forced to limit the import of products to Russia from the companies that did not meet the requirements.

**UKRAINE**

### **Grain export debates**

Ukraine's grain quota strategy could potentially backfire. With global wheat prices skyrocketing, and fears of a backlash from voters already high after natural gas prices for households were increased by 50% on 1 August, the government is mulling grain export quotas to prevent prices on bread and other foods from spiking ahead of the 31 October local elections. But to the surprise of most observers, officials failed to reach a decision on the issue by 19 August, despite earlier statements indicating it was a done deal. President Viktor Yanukovich told reporters on 18 August that the government would take all measures to stop the bread price increasing significantly, but said no one could rule out a minor increase. Comments from top government officials the previous day had pointed to the swift introduction of quotas on grain exports, in an effort to stop bread prices increasing. Agriculture Minister Mykola Prysyzhnyuk said on 17 August that the government would restrict exports to 2.5 m. t. until the end of the year: milling wheat exports were to be restricted to 500,000 t., livestock feed wheat to 1 m. t., and barley also to 1 m. t. Even the Economy Ministry later posted a draft of the government directive under discussion. While concern over food prices and inflation provide powerful motivation for

introducing export quotas, the hesitation may result from financial considerations (grain exports account for 20% of Ukraine foreign earnings) and commitments to international organizations (the Ukraine joined the WTO in 2008, although the government points out to food security issues), experts say.

### **Traders' opposition**

"The quotas discussed could reduce Ukrainian grain export by 29% this year, to 11.3 m. t., and this will strongly affect profit figures for traders," said Ivan Panin of Sokrat brokerage. Traders have naturally expressed fierce opposition to the quotas: "The stated quotas are too low and will have negative effects for the market and Ukraine as a whole," the Ukrainian Grain Association said in an open letter to Prime Minister Mykola Azarov, published hours before the 18 August government meeting. The letter called for no measures to be taken before 15 September. It is also unclear how effective quotas might be in keeping down the price of bread. Analysts point out that Ukraine had high bread prices from 2006 to 2007, at a time when there was a complete prohibition of grain exports. And if Ukrainian restrictions cause global grain prices to spike again, this could have a delayed impact pushing up domestic prices, rather than reducing them. While export restrictions could keep more grain on home turf and available at lower prices, it would, as in the past, hit Ukraine's farmers hardest.

### **Poor harvest confirmed but quality is up, easing shortage**

Ukraine's grain harvest this season is expected to be 40-42 million metric tons, down from the 46 million metric tons produced last season, or about a 10% drop. Severe winter frosts and a scorching summer are to blame. Serhiy Feofilov head of UkrAgroConsul points out that, although the overall harvest forecast was down for this year from 2009, the summer heat wave could boost the proportion of the wheat crop attaining high enough quality to be used for baking bread, which would help with the deficit. Feofilov said its share of the harvest was higher than usual, at 35-40 percent of wheat. "Ukraine will produce 6 m. t. of milling wheat this year, while consumption is only 5 m. t.," said Feofilov. These figures could undermine the government's claim that food security, and not just price, is under threat. According to Volodymyr Klymenko, president of the Ukrainian Grain Association, the baking of "social bread" -- the cheapest, most basic sorts such as "batons," "bricks" and "Ukrainian" -- uses only 900,000 t. of milling grain per year. "To keep the price of 'social bread' stable, these 900,000 metric tons will suffice," he said,

adding that the state food reserve was by law obliged to stockpile at least 1.2 m. t. of grain at all times.

**KAZAKHSTAN****Grain market**

Kazakhstan is likely to export 2 m. tonnes of grain to Russia in the current marketing year. "Many people are calling from Russia, asking for wheat and even flour" said one trader in northern Kazakhstan, "I think it will be around 2 million tonnes." Shipments of Kazakh wheat to Russia were likely to exceed 1 m. tonnes in the marketing year to June 30, 2010. Russia has a large number of border regions with elevators that demand wheat every day.

**CHINA****Slowdown in growth of production**

Animal feed production should increase by 4% this year to 154 m. tonnes, well below average growth rates seen over the past decade (AgraEurope).

 <b>Pork Prices Hamburg Market Week commencing 23 August 2010</b>		
<b>Cut Name</b>	<b>Closest Export Manual Code No.</b>	<b>Price Range (€ / kg)</b>
Round cut leg	51121	2.25/2.35
Leg (boneless, rindless max fat level 3mm)	51121	3.20/3.35
Boneless Shoulder	56200	2.45/2.60
Picnic Shoulder	56120	1.85/2.00
Collar	56130	2.60/2.80
Belly (bone in, ex-breast)	55100	1.80/1.95
Sheet Boned Belly (rindless)	55210	1.75/1.90
Jowl	50230	1.10/1.20
Half Pig Carcases	U Classification	1.90/2.10
 <b>Pork prices Barcelona Market Week commencing 23 August 2010</b>		
<b>Cut Name</b>	<b>Price Range (€ / kg)</b>	
Carcases (secondary grade)	1.612/ 1.618	
Gerona Loin Chops	2.43/2.46	
Loin Eye Muscle	3.53/3.56	
Spare Ribs	2.68/2.71	
Fillets	5.83/5.86	
Cooked Ham	2.50/2.53	
Rindless Picnic Shoulder	1.53/1.56	
Belly	1.84/1.87	
Smoked Belly with Spare Rib Section Cut Off	2.27/2.30	
Shoulder Chap or Head Jowls	0.88/0.91	
Back Fat, Rindless	0.58/0.61	