

MARKET NEWS for pig meat



Market analysis

22 May 2017

Week 21

MARKET SITUATION

Europe: Trading in fresh legs is at slightly increasing prices this week. As regards other cuts, trading is largely at unchanged prices.

UK: Trading is stable although the fall in sterling is having an impact.

Stable demand is reported for markets outside Europe. However, higher European prices mean quiet and stable trade to China, Japan and South Korea.

SLAUGHTERINGS DENMARK

	Week 17	Week 18	Week 19	Week 1-19 2017/2016
Total	361,591	307,888	303,795	-7.4 %

Source: Danish Classification Control Service – representing around 98% of all finished pigs and sows slaughtered, excluding culled pigs.

PIG PRICES

Finished pigs and sows

DKK/kg	DC	Tican
Finished pigs (basic weight class and basic meat percentage)	11.60	11.60
Sows (above 130 kg)	8.20	8.20

Nominal prices for piglets (30 kg)

DKK/head	Current	52 wk av
Basic	446.02	397.83
SPF+Myc	451.02	402.83
SPF	455.02	406.83
Organic	1061.93	1068.20
Market prices SPF region 1		
PRRS negative	555.00	440.00
PRRS positive	550.00	423.00
Market prices SPF region 2/3		
PRRS negative	555.00	440.00
PRRS positive	550.00	423.00

Weight adjustment:	7-9 kg	9-12 kg	12-25 kg	25-30 kg	30-40 kg
	12.83 kr/kg	7.53 kr/kg	7.60 kr/kg	6.28 kr/kg	6.34 kr/kg

FUTURES

	Chicago (\$ per 100 lbs slaughter weight)			Eurex (€/kg slaughter weight)		
	19/5	12/5	Change	19/5	12/5	Change
2017						
May	-	71.90	-	1.75	1.75	0.00
Jun	79.50	77.95	+1.55	1.74	1.74	0.00
Jul	80.18	78.60	+1.58	1.75	1.75	0.00
Aug	79.23	77.90	+1.33	1.75	1.75	0.00
Sep	-	-	-	1.75	1.75	0.00
Oct	67.90	67.05	+0.85	1.75	1.75	0.00
Nov	-	-	-	-	-	-
Dec	62.00	61.60	+0.40	-	-	-
2018						
Jan	-	-	-	-	-	-
Feb	65.73	66.03	-0.30	-	-	-
Mar	69.20	69.38	-0.18	-	-	-
Apr	73.53	73.68	-0.15	-	-	-
May	77.18	77.75	-0.57	-	-	-
Jun	76.43	76.90	-0.47	-	-	-
Jul	75.75	76.10	-0.35	-	-	-
Aug	69.25	75.30	-6.05	-	-	-
Conversion factors: 1 lb = 0,4536 kg \$ = €6,6563				Conversion factor DKK/kg: € = 7,4401		



EU

African Swine Fever

According to the EU Commission's reporting system for the outbreak of disease, the following outbreaks of ASF were reported for the following EU countries and the Ukraine up to and including 7 May:

Countries	Period 30 April – 7 May		Year to date 1 January – 7 May	
	Pigs	Wild boar	Pigs	Wild boar
Estonia		5	0	293
Latvia		15	2	254
Liithuania			1	171
Poland		5	0	119
Italy			10	28
Ukraine	1		61	5

 **DENMARK**
Structural development

Statistics Denmark has published data from the farming census 2016 (summer census).

As the following figures are based on a random survey, they are subject to some uncertainty.

	2016	2015	2014	2013	2012	2006	1996
Number of pig farms	3,294	3,769	3,626	3,855	4,181	7,842	19,823
Of which:							
Finished pigs and sows	1,215	1,300	1,359	1,454	1,617	3,122	8,738
Finished pigs only	1,335	1,688	1,569	1,746	1,790	3,621	6,574
Sows only	497	573	510	434	445	750	3,310
Neither finished pigs nor sows 1)	247	208	188	221	329	349	1,201

1) This group is a result of the fact that Statistics Denmark's definition of a finished pig is 50 kg and above.

Farms with pigs below 50 kg and no sows are therefore registered as "Neither finished pigs nor sows"

 **BRAZIL**
JBS involved in charges against Brazil's President

The Brazilian meat company, JBS, is playing a very active role in the new corruption charges being levelled against Brazilian President Michel Temer.

According to the Brazilian press, JBS Chairman, Joseley Batista, secretly taped conversations during which the President encouraged Batista to continue to supply an imprisoned politician with hush-money pay-offs.

Moreover, the two Batista brothers, Joseley and Wesley (Chairman and CEO respectively and JBS's controlling shareholders) claim that the President received USD 4.6 million in bribes from JBS.

The new charges against the President resulted in the Brazilian real falling 8 per cent against the US dollar last Thursday.

Last week, Brazilian police announced that they are initiating a new investigation into possible corruption in connection with loans from the development bank, BNDES, to the Brazilian meat company, JBS.

The Brazilian press have also stated that the police are investigating accusations against the Batista brothers regarding the purchase of dollars shortly before the new charges against the President were announced as well as the sale of JBS shares in April before the new charges against JBS were announced.

 **USA**
Increasing pig prices

American pig prices increased significantly in May because of a seasonally lower number of slaughtering, good BBQ weather and rising beef prices.

 **USA**
New slaughterhouse opens

The first of a number of planned American pig slaughterhouses opened last month. The first concerns Prime Food in Minnesota.

The plant will slaughter 6,000 pigs per day and employ 350 people. Slaughtering and cutting will take place in buildings previously belonging to PM Beef.

The slaughterhouse is owned by entrepreneur, Glen Taylor, together with other investors.

 **CHINA**
Expanding Chinese pig production expected from 2018

Reuters reports that Feng Yonghui, chief analyst at the Chinese consultancy, Soozhu, expects to see an expansion of Chinese pig production from 2018.

Sow numbers have not increased yet, but are expected to do so within the next 2-3 months. This means that next year, this profit-making cycle will end and turn to losses, stated Feng.

Sow productions, which have been closed down in southern China to tackle water pollution, are being transferred elsewhere, particularly to northern China. According to Feng, this means that a further reduction in the sow herd in China is not expected.

Feng also referred to the expansion plans of many of the major producers in China. Wen's, for example, expects to increase pig production from the current 17 million to 27.5 million pigs by 2019. Moreover, smallholders also saw their earnings increase last year, so they don't want to shut down production either, says Feng.

Pan Chenjun from Rabobank, China, agrees with Feng that from the middle of next year, some farmers will be losing money. She expects pig production to increase by 2 per cent this year, putting prices under pressure. Pan also expects productivity to rise significantly.

 **CHINA**
Wen's to exploit falling pig prices to push into slaughtering and processing

China's largest livestock producer, Guangdong Wen's Foodstuff Group, plans to exploit falling pig prices and push into the slaughtering and processing of pig meat, reports Reuters.

According to Wen's Vice-President, Luo Xufang, in the second half of the year, the company will push ahead into the slaughtering and processing industry. Luo did not elaborate further.

Moreover, Wen's is planning to build more than 5,000 retail outlets in southern China to sell Wen's products, a move that fulfils government policy to focus more on consumption rather than simply production.

Chinese pig prices are currently around 15 yuan (USD 2.18) per kg live weight and are expected to fall further after dropping from a record 22 yuan per kg last June. But entering the processing market could also be risky because rivals, including WH Group Ltd., have increased investments in processing in recent years, leading to overcapacity.

Wen's produced 17.13 million finished pigs and 819 million poultry last year. In addition to pigs and poultry, Wen's is also involved in dairy, veterinary medicine and agricultural machinery. Wen's previously announced that it plans to produce and sell 27.50 million pigs per year by 2019.

China's 10 largest pig farming companies accounted for 5.8 per cent of total slaughtering in China last year – up from 2.8 percentage points on the previous year, said Zhang Guangan, Director of the China Swine Industry Association. Production from the largest producers is expected to rise further over the next few years.

Source: Reuters

 **CHINA**
Fall in WH Group shares after CHD Investments sells stake

Reuters reports that WH Group shares fell by more than 3 per cent after the Chinese private equity group, CHD Investments, announced plans to sell a 6 per cent stake in WH Group.

CHD plans to reduce its stake in WH Group from 9.27 per cent to 3.24 pct. The sale is expected to bring in USD 743 million.



RUSSIA

Imports of pig meat Jan-March

Tonnes	0203 fresh/frozen pig meat		020649+020641 By-products pigs		020910 Fat		Total			
	Jan-March 2017	Jan-March 2016	Jan-March 2017	Jan-March 2016	Jan-March 2017	Jan-March 2016	Jan-March 2017	Jan-March 2016	Jan-March 2015	% change 17:16
Canada	-	-	-	-	-	-	-	-	33,924	-
Brazil	50,563	45,935	1,274	854	913	923	52,751	47,713	31,549	10.6
Denmark	-	-	-	-	-	-	-	-	9,749	-
Germany	-	-	-	-	-	-	-	-	7,180	-
Holland	-	-	-	-	-	-	-	-	5,837	-
Italy	-	-	-	-	-	-	-	-	3,334	-
France	-	-	-	-	-	-	-	-	5,454	-
Belgium	-	-	-	-	-	-	-	-	3,162	-
Chile	1,216	3,228	888	777	1,679	2,203	3,783	6,207	2,703	-39.1
Ireland	-	-	-	-	-	-	-	-	2,695	-
Poland	-	-	-	-	-	-	-	-	2,642	-
Hungary	-	-	-	-	-	-	-	-	2,293	-
Austria	-	-	-	-	-	-	-	-	1,800	-
Ukraine	-	-	-	-	-	-	-	-	508	-
Sweden	-	-	-	-	-	-	-	-	491	-
Finland	-	-	-	-	-	-	-	-	392	-
Serbia	282	46	14	-	87	-	383	46	305	731.0
Portugal	-	-	-	-	-	-	-	-	298	-
Paraguay	318	278	140	116	102	320	559	714	218	-21.6
Argentina	88	52	202	21	2,022	233	2,312	306	71	560
USA	-	-	-	-	805	2,105	805	2,105	-	-61.8
Spain	-	-	-	-	-	-	-	-	43	-
Others	1,434	660	92	96	129	43	1,656	800	2,438	107.1
Total	53,900	50,199	2,611	1,864	5,736	5,828	62,247	57,891	117,086	7.5

Source: GTA

Imports of live pigs Jan-March

	010392 Pigs > 50 kg			010391 Piglets < 50 kg			010310 Breeding stock		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Belarus	-	-	-	-	-	-	-	1,196	-
Canada	-	-	-	-	-	-	711	55	-
Denmark	-	-	-	-	-	-	-	-	-
France	-	-	-	-	-	-	-	-	-
Norway	-	-	-	-	-	-	43	30	90
Spain	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	754	1,281	-
Total	-	-	-	-	-	-	754	1,281	90

Source: GTA



Pig meat exports

The EU Commission has published preliminary figures for EU pig meat exports (measured in slaughter weight) for the period January-March 2017 compared to the same period last year.

Slaughter weight, tonnes	Jan-March 2017	Jan-March 2016	% change
China	398,876	401,292	-0.6
Japan	104,085	90,907	14.5
Hong Kong	96,972	85,419	13.5
South Korea	73,897	51,896	42.4
Philippines	56,343	60,590	-7.0
USA	38,174	31,131	22.6
Others	240,737	216,013	11.4
Total	1,009,085	937,249	7.7

As is shown in the above chart, there is a slight decline in exports to China while exports to Hong Kong continue to increase.

A probable contributory factor is that in February, two Tönnies' slaughterhouses in Germany lost their licences to export to China. However, they can continue to export to Hong Kong.



France is seeking PDO status for two pork products

France is seeking to add two pork products to the EU's register of Protected Designation of Origin (PDO). Such designation requires that a product is produced in a specific geographical area throughout all stages of the production process.

The two products concerned are Porc de noir de Bigorre and Jambon noir de Bigorre. Both products are produced from pure bred local Gascon pigs slaughtered between 12 and 24 months.

Source: Agra Europe



Foot and Mouth disease

The Palestinian authorities have reported two outbreaks of Foot and Mouth disease. 200 cattle and 241 sheep have been affected.

Please note that next week, Market News will be published on Wednesday.