

MARKET NEWS for pig meat



Market analysis

12 June 2017

Week 24

MARKET SITUATION

Europe: Trading in fresh legs and other cuts remains slightly under pressure. Trading, however, is largely at unchanged prices.

UK: Trading is stable.

Calm trading continues to be reported for China while stable trade is reported for Japan.

SLAUGHTERINGS DENMARK

	Week 20	Week 21	Week 22	Week 1-22 2017/2016
Total	338,348	222,096	362,354	-7.0 %

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	401.52
SPF+Myc	451.02	406.52
SPF	455.02	410.52
Organic	1061.93	1066.84
Market prices SPF region 1		
PRRS negative	555.00	451.00
PRRS positive	550.00	435.00
Market prices SPF region 2/3		
PRRS negative	555.00	451.00
PRRS positive	550.00	435.00

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)		
	9/6	2/6	Change	9/6	2/6	Change
2017						
Jun	82.48	81.23	+1.25	1.80	1.79	+0.01
Jul	82.70	81.98	+0.72	1.75	1.75	0.00
Aug	82.05	81.70	+0.35	1.75	1.75	0.00
Sep	-	-	-	1.75	1.75	0.00
Oct	69.50	68.70	+0.80	1.75	1.75	0.00
Nov	-	-	-	1.70	1.70	0.00
Dec	63.55	63.05	+0.50	-	-	-
2018						
Jan	-	-	-	-	-	-
Feb	66.88	66.38	+0.50	-	-	-
Mar	70.30	69.48	+0.82	-	-	-
Apr	74.20	73.50	+0.70	-	-	-
May	77.85	77.20	+0.65	-	-	-
Jun	77.25	76.70	+0.55	-	-	-
Jul	76.28	76.10	+0.18	-	-	-
Aug	67.28	67.00	+0.28	-	-	-
Conversion factors: 1 lb = 0.4536 kg \$ = €6.6552				Conversion factor DKK/kg: € = 7.4378		



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:

Countries	Period		Year to date	
	28 May – 4 June		1 January – 4 June	
	Pigs	Wild boar	Pigs	Wild boar
Estonia		7	0	318
Latvia		24	2	326
Lithuania		10	1	200
Poland		10	0	175
Italy			13	28
Ukraine	2	1	67	6



RUSSIA

African Swine Fever

Last week, the authorities in Russia reported one new case of African Swine Fever at a small farm in the west of the country near the border with Kazakhstan.



EU

New measures to fight African Swine Fever

According to Agra Europe, EU Member States have unanimously approved a proposal from the EU Commission, which will update the measures for more effective control of African Swine Fever (ASF).

The proposals were adopted at a meeting held a few days after EU countries shared their experiences of tackling African Swine Fever at a conference in Latvia. Based on recent experiences and the latest scientific input, the new regulatory measures will be more flexible in terms of the movement and slaughter of pigs.

The new initiatives also mean that individual Member States will have to deal with the infection more effectively in small production units and among wild boar. The draft also updates the regionalisation for Latvia, Lithuania and Poland.

The Commission states that the aim is to ensure long-term and sustainable measures while offering greater protection of the EU's Inner Market against African Swine Fever.

Alongside the new EU initiatives, Finland has announced new national legislation to ensure better protection against ASF. A new decree will make it illegal in Finland to have free-range pigs unless the land is fenced in a way that effectively protects against contact with wild boar. Grants will be available to help farmers pay for the fencing.



GERMANY

New labour regulations for the meat industry

Germany has adopted more rigorous legislation for employees working in the meat processing industry. The new law means that employers must assume responsibility for the entire sub-contractor chain and for the payment of social contributions.

According to a spokesperson for the German Food Union, NGG, the new legislation will make it easier to check whether the minimum wage is being paid. "Although the new law is insufficient to remove all the differences between the way companies handle foreign labour, it is a milestone in ensuring better and fairer conditions for companies in the meat industry," said the spokesman.



SPAIN

Rise in the number of slaughterings in Q1 2017

Figures from Spain's Ministry of Agriculture show that Spanish slaughterings for the period January-March this year totalled 12,845 million, which is a rise of 2.8 per cent compared to the same period last year.

Catalonia heads the list with 5,331 million, a rise of 2.7 per cent. The Castilla y León region is next with 1,882 million, a fall of 5.8 per cent, while Aragon slaughtered 1,424 million a rise of 12.1 per cent.



TAIWAN

Counterfeit vaccines

International news media report that nine suspects are being held for allegedly selling fake pig vaccines to pig producers.

The investigation began following the sudden deaths of piglets in Yunlin and Changhua counties and after prosecutors in the two counties received a tip-off that fake vaccines were in circulation.

A total of 7,800 counterfeit vaccines were sold to 32 pig farms and around 393,600 vaccinations were given to pigs.

Many pigs have died as a result because the diluted vaccine (8 per cent of normal strength) was unable to protect them against PCV. The vaccines also contained bacteria.

 **CHINA**
Rabobank forecasts lower EU pig meat exports to China in 2017

Rabobank expects EU pig meat exports to China to fall from 1.8 million tonnes in 2016 to 1.6 million tonnes in 2017. A combination of lower pork prices in China and less competitive EU product is the reason.

"European meat companies exporting to China saw an export boom in 2016, but the prospects for 2017 and going forward are less rosy as a result of rising domestic production in China and increased competition from other parts of the world. The question now is what European companies will do to maintain their position in China. The market has become more competitive, but this does not mean that the European industry is powerless to trade," says Justin Sherrard, global strategist at Rabobank.

Sherrard advises the European pig meat industry to continue to upgrade partnerships with Chinese companies and, if necessary, share investments in product innovation and marketing with the Chinese. Another solution could be to invest directly in the Chinese meat industry to ensure control and ownership of products/brands.

 **CHINA**
Genus sees no signs of rising Chinese pig production

As opposed to many others, Jim Long, President and CEO of Genus Genetics, sees no signs of rising Chinese pig production.

Long bases his assessment on figures from the Chinese Ministry of Agriculture showing developments in the country's pig population. The latest figures from April 2017 show a total pig population of 354.46 million, which is 4.1 per cent lower compared to one year ago. As regards sows, the figures reveal a population of 36.33 million, a fall of 3.7 per cent compared to one year ago.

 **CHINA**
WH Group to invest in beef and poultry production in the U.S. and Europe

Reuters news agency reports that the Chinese company, WH Group Ltd, which owns Smithfield Foods Inc, plans to invest in beef and poultry production in the U.S. and Europe. The move is set to intensify competition with global meat producers like Tyson Foods Inc and JBS SA.

Smithfield's CEO, Ken Sullivan, told Reuters that the group is interested in the potential of diversifying into other meats to broaden the company's product portfolio. "We're a food company and no one said that we're strictly a pork company."

According to WH Group's Director of Investor Relations, Luis Chein, the group is looking for targets in beef and poultry in the U.S. and Europe, but he declined to name specific targets. He said, however, that it was an attractive time to enter the U.S. beef business because China last month agreed to resume US imports of beef after blocking most shipments since a U.S. scare over mad cow disease in 2003.

WH Group, which acquired Smithfield for USD 4.7 billion in 2013, is still keen to make further acquisitions. According to the company's recent annual report, bank balances and cash stood at USD 1.14 billion at the end of 2016 and USD 2.72 billion in unutilised bank facilities.

Chein said it was "certainly the direction" for the company to mirror the vertically integrated model it has for the pork business in other meats. Smithfield owns most of the pigs it slaughters and a number of processing plants. Chein went on to say that WH Group would prefer to buy slaughterhouses and production plants to expand into beef. He added that the company would consider all types of operation in the poultry supply chain and that the company sees scope for growth in beef and poultry consumption in China.

 **BRAZIL**
Fall in pig meat exports

According to figures from the Brazilian Association of Animal Protein (ABPA) there was a 3.3 per cent fall in Brazilian pig meat exports for the period January-May this year. Total exports for the period amounted to 240,000 tonnes. The fall is due to the fact that exports in May were 24.4 per cent lower compared to one year ago.

In terms of value, exports for the period January-May this year were worth USD 598.7 million - 30 per cent higher than last year.

BRAZIL

JBS sells activities in Argentina

Last week, JBS announced the sale of its activities in Argentina to Minerva SA, a smaller Brazilian meat company, for USD 300 million. The transaction also covers the sale of plants in Uruguay and Paraguay.

This is the first deal for JBS to be involved in since the company's founder and Chairman, Joseley Batista, admitted bribing a number of politicians and civil servants. JBS' holding company, J&F, recently agreed to pay a substantial fine.

BRAZIL

JBS headquarters searched by police

Brazilian federal police searched the headquarters of JBS last Friday, reports Reuters news agency.

According to the police, the operation was an attempt to find evidence that JBS – with insider knowledge – illegally traded with JBS shares and currency futures.

JBS shares, which have been on a huge roller-coaster ride in recent weeks, fell by 5.8 per cent immediately following the search but closed the day at a modest fall of 0.8 per cent. JBS shares have fallen 16 per cent since new corruption charges against the Brazilian President Michel Temer were revealed.