

MARKET NEWS for pig meat



Market analysis

18 July 2016

Week 29

MARKET SITUATION

Europe: The holiday season has resulted in subdued trade with largely unchanged prices for all cuts.

UK and Third Countries: The sales situation is unchanged.

SLAUGHTERINGS

| | Week 25 | Week 26 | Week 27 | Week 1-27 2016/15 |
|-------|---------|---------|---------|----------------------|
| Total | 334,945 | 335,984 | 330,564 | -2.7 % |

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) | 10.60 | 10.60 |
| Sows (above 130 kg) | 6.60 | 6.60 |

Nominal prices for piglets (30 kg)

| DKK/head | Current | 52 wk av |
|-------------------------------------|---------|----------|
| Nominal prices | | |
| Basic | 408.38 | 344.51 |
| SPF+Myc | 413.38 | 349.51 |
| SPF | 417.38 | 353.51 |
| Organic | 1141.92 | 1042.11 |
| Market prices SPF region 1 | | |
| (PRRS negative) | 385.00 | 319.00 |
| (PRRS positive) | 370.00 | 298.00 |
| Market prices SPF region 2/3 | | |
| (PRRS negative) | 385.00 | 319.00 |
| (PRRS positive) | 370.00 | 298.00 |

| Weight adjustment: | 0-9 kg | 9-12 kg | 12-25 kg | 25-30 kg | 30-40 kg |
|--------------------|--------|---------|----------|----------|----------|
| DKK/head | 11.52 | 8.02 | 6.89 | 5.94 | 6.00 |

FUTURES

| | Chicago (\$ per 100 lbs slaughter weight) | | | Eurex (€/kg slaughter weight) | | |
|---|---|-------|--------|---|------|--------|
| | 15/7 | 8/7 | Change | 15/7 | 8/7 | Change |
| 2016 | | | | | | |
| Jul | 80.00 | 80.10 | -0.10 | 1.63 | 1.61 | +0.02 |
| Aug | 77.93 | 78.83 | -0.90 | 1.61 | 1.61 | 0.00 |
| Sep | - | - | - | 1.41 | 1.41 | 0.00 |
| Oct | 66.00 | 68.60 | -2.60 | 1.41 | 1.41 | 0.00 |
| Nov | - | - | - | 1.41 | 1.41 | 0.00 |
| Dec | 59.58 | 61.18 | -1.60 | 1.41 | 1.41 | 0.00 |
| 2017 | | | | | | |
| Jan | - | - | - | - | - | - |
| Feb | 63.63 | 65.85 | -2.22 | - | - | - |
| Mar | - | - | - | - | - | - |
| Apr | 68.25 | 70.65 | -2.40 | - | - | - |
| May | 73.83 | 74.88 | -1.05 | - | - | - |
| Jun | 77.03 | 78.73 | -1.70 | - | - | - |
| Jul | 76.55 | 77.68 | -1.13 | - | - | - |
| Aug | 75.85 | 76.28 | -0.43 | - | - | - |
| Sep | - | - | - | - | - | - |
| Oct | 65.15 | 64.53 | +0.62 | - | - | - |
| Nov | - | - | - | - | - | - |
| Dec | 57.88 | 57.35 | +0.53 | - | - | - |
| Conversion factors: lbs:kg = 0.4536 \$:€ = 6.6836 | | | | Conversion factor: €/kg = 7.4375 | | |

 **POLAND**
African Swine Fever

Last week, the authorities reported six new cases of ASF in wild boar in the east of the country, close to the Belarus border.

 **LITHUANIA**
African Swine Fever

Last week, the authorities reported thirteen new cases of ASF across the country: two were found at small pig farms, eleven amongst wild boar.

 **UKRAINE**
African Swine Fever

Last week, the authorities reported one new case of ASF in a herd of 527 pigs in the centre of the country.



GLOBAL

Rabobank: China ruling the global pig meat market

In its Global Pork Quarterly Q3 2016 report, Rabobank expects Chinese imports of pig meat in Q3 2016 to remain strong and to support further price rises in the global pig meat market.

Data from May 2016 reveal that the overall pig population was 4% down year-on-year and 25% down compared to its five-year peak. Nonetheless, the latest figures for developments in the Chinese pig population show early signs of recovery.

The report expects Chinese pig production to bottom out over the coming months before starting to rise again. However, with domestic demand starting to pick up seasonally, Rabobank anticipates prices to peak over the coming months.

Imports are likely to exceed 2 million tonnes in 2016. Although Chinese pig production is expected to increase in 2017, Rabobank, expects overall Chinese pig meat imports in 2017 to be on a par with 2016. This is a result of more consistent quality and lower prices for imported pig meat.



CHINA

New Hope Liuhe announces largescale investments in pig production

New Hope Liuhe, has announced a number of major investments in the company's pig production business, with RMB 5,926 billion (\$850m) earmarked for the project.

New Hope plans to establish 11 new production operations (processing 4.9 million pigs per year) in the provinces of Hebei, Liaoning, Shandong, Sichuan and other regions designated by the authorities as suitable for livestock production.

Earlier this year, New Hope, already known as a leading feed manufacturer, announced plans to produce 10 million pigs over the next 3-5 years through contract production.

Cofco Meat increases pig production

Asian Agribusiness reports that China's fourth largest pig producer, Cofco Meat Holdings Ltd, expects to increase its annual pig production from 1.2 million pigs in 2015 to 3.5 million in 2016, with plans to increase capacity to 5.5 million head by 2020.

In 2015, Cofco Meat was China's second largest importer of frozen pig meat with imports of 107,200 tonnes.

Yunnan Shennong to expand pig production

Yunnan Shennong Agricultural Industry Group is also planning major investments in new pig production operations. The company produced 88,000 finishing pigs in 2015 and the output is expected to be doubled this year. By 2020, Chairman & President He Zuxun expects production to rise to 2 million pigs per year. The expansion will be funded by a listing on the Shanghai Stock Exchange.

The company has also signed an agreement with PIC China to expand its breeding herds.

 **BRAZIL**
Tough times for pig producers

Record high feed prices and poor demand from the domestic market have presented Brazilian pig and poultry producers with a number of economic challenges, with Brazilian Animal Protein Producers (ABPA), downgrading its production forecast for 2016.

Previous forecasts of a 3% rise have been revised and ABPA now expects pig meat production in 2016 to be unchanged from last year. Pig meat exports, however, are expected to be 28% up on the year.

 **GERMANY**
More financial support for Tierwohl

German and Dutch media report that the German welfare initiative, Tierwohl (Animal Welfare), is to receive further financial support to the tune of €100 million by 2018. This should ensure that 4,500 pig producers are able to take part in the scheme. Some 2,900 pig and poultry farms have now joined the initiative, which means they receive an extra payment for complying with a number of welfare requirements.

 **HOLLAND**
More organic pork

AHDB reports that Vion's organic subsidiary, De Groene Weg, is planning to increase output from 80,000 to 100,000 pigs per year.

Around 65 pig producers supply the company, with prices being determined every three months. The Dutch organic pig meat market is recording annual growth of 6-7%.

Antibiotic-free pig meat

According to AHDB, the Dutch pig producers group, Keten Duurzaam Varkensvlees (KDV+), is discussing with Dutch retailers the marketing of antibiotic-free pig meat.

KDV+ represents 300 Dutch producers and works with the Westfort abattoir, meat distributors and processors.

Production of non-castrated entire males

According to the Dutch organisation Boars-2018, the switch to production of non-castrated entire males has stalled.

The organisation does not expect production to pick up again until a market for boar meat has been established:

According to Boars 2018, the current situation in Europe is as follows:

UK: Practically no castration of entire males

Belgium: Widespread use of the Improvac vaccine

Holland: More than 60 per cent are non-castrated

Spain: Approx. 20 per cent non-castrated

Germany: 8 per cent non-castrated

France: 8 per cent non-castrated

Denmark: 2 per cent non-castrated

Italy: All entire males castrated

Eastern Europe: All entire males are castrated

 **BELGIUM****First payment of special fund to pig farmers**

AHDB reports that Belgian pig producers last week received €7.5 million from the special help fund, Concertation Chaine. A second payment is expected in a year's time.

The money comes from a special levy of €0.10-0.15 raised in the retail sector.

 **ITALY****Meat company in financial difficulties**

International media report that the Italian company, Parmacotto, is in financial difficulties.

Gardia di Finanza (Customs & Excise) has confiscated €11 million from Parmacotto due to alleged fraud.

 **RUMANIA****New legislation requires majority of agricultural products in supermarkets to be “home grown”**

Agra Europe reports that the Rumanian President has signed a new law that requires medium-sized and large supermarkets to have at least 51 per cent of their shelves stocked with Rumanian products.

Furthermore, supermarkets are forbidden to use “shelf fees” where companies pay supermarkets for stocking shelves with their products. The legislation affects supermarkets with an annual turnover of more than €2 million. Any violation of the new legislation may mean fines for the supermarkets concerned.

 **SOUTH AFRICA****African Swine Fever**

In the past week, the authorities reported one outbreak of ASF at a small pig farm.