

MARKET NEWS for pig meat



Market analysis

25 July 2017

Week 30

MARKET SITUATION

Europe: Trading in fresh legs and other cuts is at unchanged prices this week.

UK: Trading is sluggish.

As regards China, trading in cuts is slow, but exports of by-products are stable. Stable trading is reported for Japan.

SLAUGHTERINGS DENMARK

| | Week 26 | Week 27 | Week 28 | Week 1-28 2017/2016 |
|-------|---------|---------|---------|------------------------|
| Total | 328,572 | 316,094 | 318,587 | -6.2 % |

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) | 11.00 | 11.00 |
| Sows (above 130 kg) | 7.40 | 7.40 |

Nominal prices for piglets (30 kg)

| DKK/head | Current | 52 wk av |
|-------------------------------------|---------|----------|
| Basic | 424.05 | 405.81 |
| SPF+Myc | 429.05 | 410.81 |
| SPF | 433.05 | 414.81 |
| Organic | 1031.00 | 1058.54 |
| Market prices SPF region 1 | | |
| PRRS negative | 485.00 | 469.00 |
| PRRS positive | 465.00 | 453.00 |
| Market prices SPF region 2/3 | | |
| PRRS negative | 485.00 | 469.00 |
| PRRS positive | 465.00 | 453.00 |

| Weight adjustment: | 7-9 kg | 9-12 kg | 12-25 kg | 25-30 kg | 30-40 kg |
|--------------------|-------------|------------|------------|------------|------------|
| | 11.62 kr/kg | 8.11 kr/kg | 7.41 kr/kg | 5.96 kr/kg | 5.99 kr/kg |

FUTURES

| | Chicago (\$ per 100 lbs slaughter weight) | | | Eurex (€/kg slaughter weight) | | |
|---|--|-------|--------|---|------|--------|
| | 21/7 | 14/7 | Change | 21/7 | 14/7 | Change |
| 2017 | | | | | | |
| Jul | - | - | - | 1.74 | 1.79 | -0.05 |
| Aug | 81.10 | 79.90 | +1.20 | 1.75 | 1.75 | 0.00 |
| Sep | - | - | - | 1.75 | 1.75 | 0.00 |
| Oct | 67.23 | 67.18 | +0.05 | 1.75 | 1.75 | 0.00 |
| Nov | - | - | - | 1.70 | 1.70 | 0.00 |
| Dec | 61.98 | 62.23 | -0.25 | 1.70 | 1.70 | 0.00 |
| 2018 | | | | | | |
| Jan | - | - | - | - | - | - |
| Feb | 66.95 | 66.15 | +0.80 | - | - | - |
| Mar | - | - | - | - | - | - |
| Apr | 70.65 | 69.88 | +0.77 | - | - | - |
| May | 75.88 | 75.20 | +0.68 | - | - | - |
| Jun | 78.60 | 77.33 | +1.27 | - | - | - |
| Jul | 77.88 | 76.70 | +1.18 | - | - | - |
| Aug | 76.60 | 75.30 | +1.30 | - | - | - |
| Sep | - | - | - | - | - | - |
| Oct | 65.65 | 65.13 | +0.52 | - | - | - |
| Nov | - | - | - | - | - | - |
| Dec | 61.05 | 60.88 | +0.17 | - | - | - |
| Conversion factors: 1 lb = 0.4536 kg \$ = €6.3879 | | | | Conversion factor DKK/kg: € = 7.4368 | | |



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:

| Country | Period 11 July – 16 July | | Year to date 1 January - 16 July | |
|----------------|-----------------------------|-----------|-------------------------------------|-----------|
| | Pigs | Wild boar | Pigs | Wild boar |
| Estonia | 1 | 19 | 2 | 403 |
| Latvia | 2 | 23 | 4 | 437 |
| Lithuania | 2 | 34 | 10 | 315 |
| Poland | 1 | 12 | 30 | 243 |
| Italy | | | 15 | 28 |
| Ukraine | 2 | 2 | 72 | 9 |
| Czech Republic | | 18 | 0 | 40 |



RUSSIA

African Swine Fever

Last week, the authorities in Russia reported 19 new cases of ASF. The cases were found at small farms in the west of the country.



Rabobank: EU, Canada and US battle for China's pork market

With the prospect of rising pig production globally and slower pork imports from China, the second half of 2017 is expected to see the EU, Canada and US battling for China's pork market, reports Rabobank's Global Pork Quarterly.

In its previous report from Q2 2017, Rabobank expected a favourable global pork market in Q3, where continuing strong Asian imports of pig meat would support pig prices globally. However, Rabobank has now adopted a more subdued outlook for Q3 2017.

For China, the recovery of local production and strong international prices are believed to be responsible for slower imports. In China, pork prices have declined by 30% from the record levels of last year. Chinese pork imports for the first five months of 2017 are largely unchanged compared to the same period last year. Rabobank expects China's pork production to increase by around 2% in 2017.

In the EU, high pork prices have challenged pork exports from the EU. The recently announced trade pact with Japan, offering tariff reductions, is good news for European exporters.

As regards the US, Rabobank expects pork exports to increase by about 10% compared with 2016. Weaker demand from China has been offset by stronger demand from Mexico. US pork exports still face uncertainty due to potential trade policy changes and a strong currency.

Brazil's pork sector faces great challenges due to political turmoil, reports Rabobank. Brazil's pork exports have declined in recent months. However, Brazilian pig producers are expected to deliver a positive result due to lower supply, low feed prices and a favourable exchange rate.



Rabobank urges pig producers to set money aside

Rabobank in the Netherlands has urged the country's pig producers to set money aside in preparation for the next downturn in pig prices.

After two good years in 2016 and 2017, Rabobank is expecting prices to come under pressure in 2018 and 2019 when the EU's self-sufficiency in pork is expected to rise. The bank advises producers to build a buffer of €30 per finished pig and €280 per sow to withstand the downturn.

Rabobank, however, expects that the decline in pig prices will be limited by a continuing decrease in the German pig population. Many German pig producers are expected to leave the industry as a result of new national and regional rules in Germany with regard to animal welfare and castration.

The bank has pointed out that pork prices are currently relatively high compared to other proteins. Prices are around 10% higher than the average for the last five years whereas prices for beef and poultry are on a par with the five year average.



Pig meat exports

The EU Commission's chart below shows EU pig meat exports according to categories, exporters and importers for the period January-May.

| Tonnes | Jan - May 2017 | Jan - May 2016 | % change 17:16 |
|--------------|------------------|------------------|----------------|
| Live pigs | 3,183 | 5,371 | -40.7 |
| Fresh/frozen | 824,989 | 884,791 | -6.8 |
| Bacon | 14,154 | 12,833 | 10.3 |
| Processed | 65,644 | 63,998 | 2.6 |
| By products | 623,283 | 668,069 | -6.7 |
| Total | 1,531,254 | 1,635,062 | -6.3 |

Exporters of pig meat from EU

| Tonnes | Jan - May 2017 | Jan - May 2016 | % change 17:16 |
|--------------|------------------|------------------|----------------|
| Germany | 324,086 | 412,532 | -21.4 |
| Spain | 328,193 | 312,474 | 5.0 |
| Denmark | 220,076 | 255,036 | -13.7 |
| France | 100,970 | 110,711 | -8.8 |
| Holland | 180,111 | 173,834 | 3.6 |
| Poland | 95,024 | 82,058 | 15.8 |
| UK | 57,937 | 58,895 | -1.6 |
| Ireland | 42,134 | 47,902 | -12.0 |
| Belgium | 40,172 | 43,397 | -7.4 |
| Italy | 40,451 | 40,228 | 0.6 |
| Hungary | 38,884 | 32,619 | 19.2 |
| Austria | 18,720 | 19,683 | -4.9 |
| Others | 44,496 | 45,693 | -2.6 |
| EU-28 | 1,531,254 | 1,635,062 | -6.3 |

Importers of pig meat from EU

| Tonnes | Jan - May 2017 | Jan - May 2016 | % change 17:16 |
|--------------|------------------|------------------|----------------|
| China | 572,230 | 762,677 | -25.0 |
| Hong Kong | 148,934 | 148,035 | 0.6 |
| Japan | 157,670 | 137,875 | 14.4 |
| Philippines | 103,183 | 94,734 | 8.9 |
| South Korea | 115,407 | 86,744 | 33.0 |
| USA | 60,040 | 49,293 | 21.8 |
| Ukraine | 26,154 | 31,880 | -18.0 |
| Australia | 36,964 | 35,669 | 3.6 |
| Montenegro | 7,661 | 8,522 | -10.1 |
| Angola | 11,968 | 11,581 | 3.3 |
| Russia | 2,311 | 2,909 | -20.6 |
| Belarus | 37 | 76 | -51.3 |
| Others | 288,694 | 265,067 | 8.9 |
| EU-28 | 1,531,254 | 1,635,062 | -6.3 |



According to the EU Commission's short-term outlook, a decrease of 9% can be expected in EU exports of pig meat in 2017. The expected decline comes after a sharp increase in exports in 2015 and 2016. The Commission also expects a further decline in exports of 2% in 2018.

The decline is attributable to a combination of less pig meat available in the EU market concurrent with the price of pig meat in the EU being so high that it has inhibited exports. A large proportion of the increase in exports in previous years is due to increased exports to China. This increase continued until April this year, but since April there has been a decline. The Commission assumes that Russia will remain closed to pig meat exports from the EU in 2017 and 2018.

The EU Commission has recorded a decline in pig meat production in the EU of 1.4% for Q1 2017 and expects a fall of 0.6% for 2017. For 2018, the Commission expects production to be largely unchanged.

According to the Commission's figures, pig meat consumption in the EU declined by 1.2% in 2016. For 2017 and 2018, stable growth in pig meat consumption in the EU market is expected.

The table below shows the EU Commission's outlook for the EU's pig meat balance in 2017 and 2018.

| Slaughter weight, 1,000 tonnes | 2013 | 2014 | 2015 | 2016 e) | 2017 f) | 2018 f) |
|--|--------|--------|--------|---------|---------|---------|
| Production (GIP) | 22,384 | 22,568 | 23,276 | 23,589 | 23,442 | 23,494 |
| Live imports | 0.05 | 0.11 | 0.25 | 0.26 | 0.22 | 0.22 |
| Live exports | 26 | 36 | 21 | 10 | 5 | 5 |
| Net production | 22,358 | 22,533 | 23,256 | 23,579 | 23,437 | 23,489 |
| Imports of pig meat | 16 | 14 | 11 | 12 | 12 | 13 |
| Exports of pig meat | 2,238 | 1,947 | 2,217 | 2,793 | 2,542 | 2,491 |
| Consumption | 20,135 | 20,600 | 21,050 | 20,798 | 20,907 | 21,011 |
| Consumption per capita (kg) | 31.0 | 31.6 | 32.2 | 31.7 | 31.8 | 31.9 |
| - percentage of total meat consumption (%) | 49.1 | 49.0 | 48.8 | 47.7 | 47.5 | 47.6 |
| Self-sufficiency rate (%) | 111 | 110 | 111 | 113 | 112 | 112 |

e) estimated

f) forecast



EU-US meeting on US beef market access to the EU market

Agra Europe reports that US officials visited Brussels last week to initiate discussions on how to re-establish access for US beef to the EU market.

The United States previously announced that steps are being taken against the introduction of a tariff on goods imported from the EU as a consequence of the EU's beef policy, whereby the EU does not allow imports of beef treated with hormones.

The dispute dates back some years and in 2009 it was decided that the EU would allow a special tariff-free import quota of 48,200 tonnes of non-hormone-treated beef. This quota was initially used by the US and Canada, but since then, US volumes under the quota have fallen and increasing volumes of beef from Australia and Uruguay are using the quota.

According to Agra Europe, the US wants a quota - only for American beef – of around three-quarters of the special tariff-free import quota of 48,200 tonnes of non-hormone treated beef.

A spokesperson from the EU Commission confirms discussions with the Americans have begun. However, he also stresses that the EU will not compromise on the ban on imports of hormone-treated beef.

 **CANADA**
New cases of PEDv

Cases of PEDv continue in the Canadian state of Manitoba. By Friday last week, 59 cases had been reported since the disease resurfaced in May.

Until last week, all cases were located in the southern part of the state, but last week, the disease was also identified in the central part of the state.

It remains unclear to the authorities how the infection is spreading. Apparently, there are no obvious links between the affected herds. Usually the virus is spread most effectively in cold and damp weather. This time, however, the infection is apparently spreading in a hot and dry period.

Both sows and finishers have been affected by the disease. Recently, however, it has been the latter that has been most affected.

Manitoba is Canada's leading producer of piglets. A large proportion are exported to the United States.

 **VIETNAM**
Rise in pig prices based on increased demand from China

Asian Agribusiness reports a rise in Vietnam's pig prices for the first time in six months. According to the Vietnamese authorities and Vietnamese producer organisations, the rise is due to increased imports to China.

In Dong Nai province, which is an important pig producing area, the pig price has risen from USD 1.01 per kg live weight in June to last week's price of between USD 1.23 and 1.32 kg live weight.

The Vice-Chairman of Dong Nai's Livestock Production Association confirms that more Chinese traders are visiting Vietnamese pig farms to buy pigs. However, many producers are refusing to sell and are waiting for higher pig prices. According to the producers' organisation, the current prices have barely covered production costs.

In May, Asian Agribusiness reported exports of around 2,000 live pigs across the border to Cambodia to compensate for the lack of exports to China.

 **CHINA**
Authorities report an increase in pig meat production of 0-8% in the first half year

According to Asian Agribusiness, China's National Bureau of Statistics has reported a 0.8% rise in pig meat production for the first half year 2017 compared to the first half year 2016. Production stands at 24.93 million tonnes.

Slaughtering for the first half year 2017 totalled 321.8 million, an increase of 0.7% on the year. The pig population stands at 403.5 million, a year-on-year rise of 0.4%.

 **CHINA**
Chinese port acquisitions double

Chinese investors doubled their investments in foreign ports, with acquisitions worth USD 20 billion last year. The acquisitions will pave the way for new shipping routes through the Arctic Circle.

 **PHILIPPINES**
Ban against imports of Brazilian meat

Reuters reports that last week, the authorities in the Philippines decided to stop imports of Brazilian meat.

The ban follows in the wake of the US stopping imports of fresh/chilled beef from Brazil because a high percentage of shipments of Brazilian beef failed to live up to US requirements.

According to the Agriculture Secretary for the Philippines, a food safety team will fly to Brazil this week to inspect a number of Brazilian export companies.

Brazil accounts for 6% of Philippine meat imports.

PHILIPPINES

Importers want meat tariffs removed

The Philippine Meat Importers and Traders Association wants tariffs on meat imports to be removed to reduce the price of meat locally.

The group said that the added tariff is a misguided protectionist policy and has become an added cost to the Filipino consumer. Tariffs mean that a large majority of the population are unable to afford quality meat.

In April, it was decided that the Philippines would import 7,000 tonnes of pig meat under the minimum access volume scheme in order to curb increasing pig meat prices.

Source: Asian Agribusiness

COLOMBIA

Foot and mouth disease sets alarm bells ringing in Brazil

As reported in Market News, foot and mouth disease has been found in Colombia. This is the first outbreak in Colombia for eight years and the first outbreak in South America since 2013.

Some six cases in Colombia have been reported to the authorities, which has raised concern in the region where foot and mouth disease was once an epidemic.

Russia, a prominent market for Colombian beef, has suspended all imports of Colombian meat products that have not been treated at high enough temperatures to kill the virus. Chile has also introduced a ban on meat from Colombia.

Colombia is still a relatively small player in the global beef market, but the recurring cases of the disease on the continent have set alarm clocks ringing in Brazil.

The authorities have linked at least one of the recent cases in Colombia to the cross-border transport of animals from Venezuela, a country that also shares its border with Brazil. Previously Venezuela's effectiveness in reporting and responding to outbreaks of foot and mouth disease has been questioned, which is why Brazil is taking precautionary measures.

The Brazilian government has stepped up surveillance and has introduced a disease prevention barrier at its border with Venezuela.

Source: Agra Europe

COLOMBIA

Foot and Mouth disease

Last week, the authorities in Colombia reported three outbreaks of foot and mouth disease. Some 91 cattle have been affected.

NAMIBIA

Foot and Mouth disease

Last week, the authorities in Namibia reported one case of foot and mouth disease. Some 400 cattle have been affected.