

MARKET NEWS for pig meat



Market analysis

27 August 2018

Week 35

MARKET SITUATION

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

UK: Prices are reported as stable.

Sales activity is sluggish for China but stable for Japan.

Slaughterings in Denmark

	Week 31	Week 32	Week 33	Week 1-33 2018/2017
Total	321,250	329,917	329,555	+3.7 %

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

FUTURES

	Chicago (\$ per 100 lbs slaughter weight)		
	24/8	17/8	Change
2018			
Oct	51.78	58.60	-6.83
Nov	-	-	-
Dec	51.23	55.28	-4.05
2019			
Jan	-	-	-
Feb	61.80	61.65	0.15
Mar	-	-	-
Apr	67.93	67.40	0.52
May	74.38	73.50	0.88
Jun	78.73	78.60	0.13
Jul	78.30	78.30	0.00
Aug	77.10	77.00	0.10
Sep	-	-	-
Oct	63.70	64.25	-0.55
Nov	-	-	-
Dec	59.65	59.63	0.02
2020			
Jan	-	-	-
Feb	64.33	63.50	0.83
Conversion factors: 1 lb. = 0.4536 kg \$ = DKK 6.4370			



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 countries and Ukraine up to and including 19 August.

Countries	Period 12 August – 19 August		Year to date 1 Jan – 19 August	
	Pigs	Wild boar	Pigs	Wild boar
Estonia				191
Latvia	1	9	10	496
Lithuania	2	22	45	1169
Poland	8	24	99	1800
Italy			3	24
Ukraine	2		64	36
Czech Republic				28
Romania	57	1	732	22
Hungary		2		32

ROMANIA

African Swine Fever

African Swine Fever continues to spread uncontrollably in Romania. Most of the outbreaks are in the south of the country, but there have also been cases in the north-west. A total of 10 of the country's 41 regions have now been affected.

Although most of the outbreaks have been confirmed at small pig farms, eight large pig operations in the Tulcea and Braila regions have been affected and 117,700 pigs have been culled.

Reuters reports that Romania's largest pig producer, owned by TEBU Consult, was hit by African Swine Fever at the weekend. All 140,000 pigs at the company's farms in the southern region of Braila were culled. According to the company's CEO, the nearby River Danube has been used by small farms in the area as a dumping ground for their infected pigs.

Romanian media are blaming regional and local authorities for not doing enough to prevent further outbreaks. The authorities are also blamed for not providing enough information to affected and endangered farms.

Crops, particularly maize, are also thought to be a contaminating factor in several areas.

MOLDOVA

African Swine Fever

Last week the authorities in Moldova reported one outbreak of African Swine Fever at a small farm in the south of the country close to the border with Romania.

RUSSIA

African Swine Fever

Last week, the authorities in Russia reported two outbreaks of African Swine Fever at small farms in the Kaliningrad and Oryol regions.

 **CHINA**
Fourth outbreak of African Swine Fever

On Thursday of last week, the authorities in China announced the fourth outbreak of African Swine Fever in the country.

The new outbreak was confirmed at a farm of more than 400 pigs in the city of Wenzhou in the eastern province of Zhejiang. 340 pigs at the farm have been culled. The new outbreak is 2,150 km south of the first outbreak in the north-eastern province of Liaoning.

The vast distances between the outbreaks makes it difficult for the authorities to control the disease.

Following the outbreak in Zhejiang, the authorities in Shandong announced that they have imposed a ban on the import of live pigs and pig meat products into the province from areas affected by the disease. However, control of all pigs transported through the province will be difficult to enforce.

A significant expansion of pig production in China's north eastern provinces in recent years means that many pigs now have to be transported across large distances from farms in the north-east to slaughterhouses in the south. Many of these shipments are through Shandong province.

Reuters reports that the United Nations Food and Agriculture Organisation (FAO) warned in March that the future spread of African Swine Fever to China would have devastating consequences for animal health, food safety and food security and raise the possibility of the disease spreading to Southeast Asia.

According to the FAO report, effective control of the disease is also hampered by a very mixed farm structure in China, with largescale commercial operations and small, family-run operations. It is estimated that so-called backyard farms currently account for 27 per cent of Chinese pig production. A majority of pigs probably have frequent access to untreated and non-heat-treated food waste as feed.

In addition, the FAO has stated that China's large wild boar population can harbour the disease without showing symptoms. Based on data from the FAO, Reuters estimates that the wild boar population in China totals around 33.5 million. A ban on hunting wild boar in China has been in force since 1994.

 **CHINA**
Cofco increases imports of pig meat from Chile and EU

China's major importer and producer of pig meat, Cofco Meat, has increased imports of pig meat from Chile and the EU to the detriment of the United States, as reported in the company's recently published interim report.

The report shows a substantial dip in earnings owing to the decline in Chinese pig prices. Prices reached a low point in May before showing an increase at the beginning of August. In recent weeks, prices have again come under pressure after the country reported its first outbreak of African Swine Fever.

Cofco expects to begin the construction of a new slaughterhouse in Hubei province in central China in the second half of the year. The slaughterhouse will have the capacity to slaughter 1 million pigs per year.

Cofco stated in its interim report:

"China's pig production amounted to 334 million pigs in the first half of 2018 and production totalled 26 million tonnes. This was an increase of 1.2 and 1.4 per cent respectively compared to the previous year. The increased number of pigs on the market led to a sharp fall in pig prices until May 2018. However, the prospect of losses in pig production has meant that an increasing number of backyard farms have ceased production while relatively tight budgets have slowed the expansion of new large pig productions. This - in conjunction with additional environmental requirements and disease among China's pig population - resulted in rising pig prices between May and July 2018."

 **CHINA**
Foot and mouth disease

Last week, the authorities in China reported one outbreak of foot and mouth disease with 175 head of cattle in the Xinjiang region affected.

 **EU**
May-June pig census

Eurostat has now published the preliminary results of the May/June pig census for six EU countries - Germany, Denmark (census 1 July), Holland, Italy, Austria and Hungary. In addition, Eurostat has published the results of its May/June census for Serbia.

The preliminary results are shown in the following table.

14 EU countries are expected to publish their figures for their respective pig populations for May/June 2018 compared to May/June 2017. Figures for the other 8 EU countries are expected to be made available over the coming weeks.

1,000 head	Total population			Breeding sows			Pregnant sows		
	2018	2017	% change	2018	2017	% change	2018	2017	% change
Germany	26,888	27,175	-1.1	1,858	1,906	-2.5	1,362	1,396	-2.4
Spain									
France									
Denmark	12,878	12,467	3.3	1,269	1,228	3.3	793	771	2.9
Holland	12,509	12,401	0.9	1,059	1,064	-0.5	700	707	-1.0
Poland									
Italy	8,766	8,774	-0.1	588	579	1.6	482	478	0.8
Belgium									
UK									
Romania									
Hungary	2,859	2,807	1.9	260	253	2.8	174	171	1.8
Austria	2,679	2,669	0.4	228	236	-3.4	159	164	-3.0
Ireland									
Sweden									
EU (6)	66,579	66,293	0.4	5,262	5,266	-0.1	3,670	3,687	-0.5
EU (14)		136,576			11,043			7,674	
Serbia	2,680	2,883	-7.0	413	427	-3.3	177	213	-16.9



EU

Pig meat exports

The EU Commission has published preliminary figures for EU pig meat exports (measured in carcase weight) for the period January-June 2018 compared to the same period last year.

Carcase weight, tonnes	Jan-June 2018	Jan-June 2017	% change
China	680,458	693,000	-1.8
Japan	231,734	221,053	4.8
South Korea	176,677	151,096	16.9
Philippines	143,103	131,264	9.0
Hong Kong	115,032	176,534	-34.8
USA	93,219	79,992	16.5
Other	494,862	471,202	5.0
Total	1,935,085	1,924,141	0.6



EU

Agricultural Commissioner rejects drought aid

Agra Europe, citing Finnish news media, reports that the EU's Agricultural Commissioner has rejected a request from the Nordic and Baltic countries to provide support for drought hit farmers.

According to the Finnish media, Commissioner Hogan stated that the drought problems are so widespread that the EU has insufficient funds for any action to be taken.



GERMANY

Drought aid for German farmers

Agra Europe reports that the German government has decided to extend EUR 340 million in emergency aid to German farmers affected by drought. Half the funds will come from the government and half from regional authorities.



GERMANY

Fall in German slaughterings in first half year 2018

German pig slaughterings for the first half year 2018 amount to 28,455,408. This is a fall of 0.8 per cent compared to the first half year of 2017. Following several years of increasing slaughterings, Germany's figures fell in 2017 and the trend seems to be continuing.

As is shown in the table below (provided by AMI), German slaughterings in the first half year 2018 were 233,000 below the first half year 2017. This is due to the fact that the supplies of imported finished pigs (primarily from Holland) fell by 286,000. Supplies of German finished pigs increased by 53,000 in the first half year.

	Total slaughterings	German finished pigs	Imported finished pigs	Percentage of imported pigs
2012	58,349,687	53,846,106	4,503,581	7.7
2013	58,761,125	53,950,291	4,810,834	8.2
2014	58,852,376	54,474,527	4,377,849	7.4
2015	59,435,349	55,161,102	4,274,247	7.2
2016	59,480,468	54,826,352	4,654,116	7.8
2017	57,941,570	54,126,398	3,815,172	6.6
1st half year 2017	28,688,630	26,662,976	2,025,654	7.1
1st half year 2018	28,455,408	26,715,697	1,739,711	6.1

 **GLOBAL****Maersk sends first container ship through Arctic route**

A Maersk vessel loaded with frozen fish from Vladivostok and headed for St Petersburg will be the first container ship to navigate the Northern Sea Route. The voyage will total 12,200 km instead of 21,200 km using the traditional route through the Suez Canal.

Maersk has pointed out that this is a trial voyage and the route has not yet proved to be commercially viable for container shippers. The passage is only feasible for around three months a year and only with the assistance of Russian ice-breaker escorts.

Chinese shipping companies have previously completed similar sailings north of Russia.

 **BRAZIL****Meat sector hit by Russian import ban and drivers' strike**

The Brazilian meat exporters' organisation, ABPA, describes 2018 as a bad year when the Brazilian meat sector was hard hit by the Russian import ban and the lorry drivers' strike in Brazil.

ABPA expects that Brazilian pig meat exports for 2018 will decline by 12 per cent compared with 2017 when exports reached 697,000 tonnes - a fall which is entirely attributable to the Russian import ban. As for Brazilian pig meat production, ABPA expects an increase of 1 per cent to 3.8 million tonnes in 2018. A 3 per cent increase in production was previously projected for 2018.

With regard to the drivers' strike, ABPA states that in addition to late deliveries to ports and supermarkets, the strike also meant increased feed costs due to rising transport costs.

The strike was ended by the government introducing minimum prices for transport. A step that, according to ABPA, has impacted meat companies' logistics costs by 35 per cent and increased Brazilian consumer prices for meat by 15 per cent.

 **ISRAEL****Foot and mouth disease**

Last week, five cases of foot and mouth disease were reported in Israel. 1,565 head of cattle, six deer and 500 sheep have been affected.