

# MARKET NEWS for pig meat



Market analysis

29 August 2016

Week 35

## MARKET SITUATION

**Europe:** Fresh legs are being traded at unchanged prices, while shoulders are being traded at slightly increased prices. Trading in other cuts is at unchanged prices.

**UK:** Stable at unchanged prices.

**Third Countries:** Stable trading continues for both China and Japan.

## SLAUGHTERINGS

	Week 31	Week 32	Week 33	Week 1-33 2016/15
<b>Total</b>	<b>338,528</b>	<b>328,402</b>	<b>325,905</b>	<b>-2.8%</b>

**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)	10.40	10.40
Sows (above 130 kg)	6.80	6.80





### Nominal prices for piglets (30 kg)

DKK/head	Current	52 wk av
Basic	399.53	351.88
SPF+Myc	404.53	356.88
SPF	408.53	360.88
Organic	1080.09	1053.41
<b>Market prices SPF region 1</b>		
PRRS negative	420.00	330.00
PRRS positive	400.00	310.00
<b>Market prices SPF region 2/3</b>		
PRRS negative	420.00	330.00
PRRS positive	400.00	310.00

Weight adjustment:	7-9 kg	9-12 kg	12-25 kg	25-30 kg	30-40 kg
	11.30 kr/kg	7.95 kr/kg	6.74 kr/kg	5.86 kr/kg	5.94 kr/kg

## FUTURES

	Chicago (\$ per 100 lbs slaughter weight)			Eurex (€/kg slaughter weight)		
	26/8	19/8	Change	26/8	19/8	Change
<b>2016</b>						
Sep	-	-	-	1.56	1.41	+0.15
Oct	61.33	61.93	-0.60	1.41	1.41	0.00
Nov	-	-	-	1.56	1.41	+0.15
Dec	56.63	57.45	-0.82	1.57	1.41	+0.16
<b>2017</b>						
Jan	-	-	-	1.41	1.41	0.00
Feb	60.95	61.85	-0.90	1.41	-	-
Mar	-	-	-	-	-	-
Apr	65.98	67.10	-1.12	-	-	-
May	71.83	72.80	-0.97	-	-	-
Jun	75.80	76.65	-0.85	-	-	-
Jul	75.00	75.73	-0.73	-	-	-
Aug	74.00	74.53	-0.53	-	-	-
Sep	-	-	-	-	-	-
Oct	63.75	64.08	-0.33	-	-	-
Nov	-	-	-	-	-	-
Dec	61.00	60.75	+0.25	-	-	-
<b>2018</b>						
Jan	-	-	-	-	-	-
Feb	60.93	61.23	-0.30	-	-	-
Conversion factors: lbs:kg = 0.4536 kg \$:€ = 6.5954				Conversion factor: €/kg = 7.4462		

African Swine Fever		
	<b>RUSSIA</b>	Last week, 8 new cases were reported: in a large herd of 17,702 pigs and at 6 small farms. One case was also reported among wild boar. All cases were in the west of the country
	<b>POLAND</b>	Last week, 6 new cases were reported: 3 on small farms and 3 among wild boar. All cases were in the east of the country, close to the border with Belarus
	<b>UKRAINE</b>	5 new cases were reported: one in a large herd of 6,460 pigs, and the other 4 at smaller pig farms. All cases were spread across the country.
	<b>LITHUANIA</b>	Last week, 17 cases were reported: 5 on small farms and 12 among wild boar across the country

 **USA**

**Prestage Foods gets final approval for new pork processing plant in Iowa**

The local authorities in Wright County, Iowa, have voted unanimously to approve construction of Prestage Foods' new pork processing plant, which is scheduled for completion in mid-2018.

The new plant will create more than 900 full-time jobs with the lowest paid workers beginning at more than \$37,000 per year. Average wages at the plant are expected to be more than \$47,000 per year.

 **USA (cont'd)**

## **Pig meat exports depend on Mexico and Ractopamine**

A new report from Rabobank states that developments in US pig meat exports will be largely dependent on Mexico and the use of Ractopamine in US pig production.

As the US' largest export market for pig meat, Mexico accounts for almost one third of America's pig meat exports. It is estimated that almost one fifth of all hams produced in the US are sold in the Mexican market. Exports to Mexico have seen solid growth over the past few years partly because of problems with PEDv in Mexico. Recently, however, Mexican pig producers have experienced very strong margins in the light of the decline in domestic pig production. This means that a sharp rise in Mexican production of pig meat is forecast provided the disease situation is under control. This, in turn, will mean a decline in Mexican imports.

So far, the use of ractopamine in US pig production has been a key barrier keeping US pig meat from fully participating in the fastest growing pig meat import market – China. However, the EU, where ractopamine is not used in pig production and has been able to respond to Chinese demand. Gradually, as more American pig meat becomes ractopamine-free, the US will be in a position to increase exports to China, but Rabobank still sees the use of ractopamine in US pig meat production as a barrier to the US being able to fully benefit from the Chinese market.

Rabobank previously stated that they expect general economic pressure on American livestock producers to continue until 2018. Overall meat production is expected to increase by 2.5 per cent until 2018. US demand for meat will have difficulty keeping pace with this increase in supply, which is why the report concludes that pressure on prices and on profit margins can be expected. However, Rabobank does not expect prices and margins to reach the low levels of 2008 and 2009.

### **USDA expects increased production and pig meat exports for Q3 and Q4**

The US Department of Agriculture expects US pig meat production for the current Q3 to be 2% higher than last year, while the outlook for Q4 is for a 3% rise in production.

Exports to Mexico fell by 3.6% and for the current Q3, the USDA expects a rise in exports of almost 9%. A rise of more than 10% is expected for Q4.

US pig producer prices are expected to be 8% lower for both Q3 and Q4 compared to the corresponding quarters last year.

## **CHINA**

### **New Hope Liuhe announces investments in new pig production in Vietnam**

The large Chinese agricultural company, New Hope Liuhe, has announced plans to build seven new pig production plants, including two in the southern and northern parts of Vietnam. The overall investment will amount to \$407 million with the new plants producing 2.3 million pigs per year. Building will begin in September.

Earlier this year, New Hope announced plans to build 11 new pig production businesses in China with an annual production capacity of 4.9 million pigs. New Hope has announced that they aim to produce 10 million pigs per year by 2020.

### **Shuanghui: stable slaughterings for the first half year**

One of China's biggest pig slaughtering businesses, Henan Shuanghui Investment & Development Co, reports that 6.21 million pigs were slaughtered in the first six months of 2016, a rise of 0.09 per cent compared to the same period last year.

### **Chinese consumers call for higher welfare pig meat**

Around 72 per cent of Chinese consumers are willing to pay a higher price of around 5-10% for higher welfare pork according to a survey conducted by World Animal Protection and the Chinese Veterinary Medical Association (CVMA).

Moreover, 3% of consumers claim they are willing to pay a 25% premium. The survey, which comprised 2,070 respondents in Beijing, Shanghai, Guangzhou and Shenzhen, also revealed that 77% of consumers would be willing to switch suppliers to get higher welfare pork.

CMVA says that they are drawing up welfare standards for chicken, pig meat, beef and veal. Pig meat accounts for 64% of China's meat consumption.

Source: Asian Agribusiness

## SPAIN

### Increased pig meat exports

In the first six months of 2016, Spain's exports of fresh/frozen pig meat (product code 0203) increased by 29% to 752,311 tonnes.

Exports to China trebled compared to the same period last year and China now accounts for 20% of Spain's total exports of pig meat compared to only 8% in the first half year of 2015.

As regards EU countries, Spain's export figures show a rise of 7% for the first six months. Exports to Italy rose by 10% while exports to Poland rose by 64% year-on-year. However, there was a decline in exports to France and Portugal of 13% and 21% respectively.

<b>0203</b>			
<b>fersk/frosset svinekød</b>			
<b>1.000 tons</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<b>Jan.-jun.</b>	<b>Jan.-jun.</b>	<b>Jan.-jun.</b>
Frankrig	124.706	135.239	117.257
Italien	65.056	69.829	76.950
Portugal	54.842	56.780	44.762
Tyskland	26.526	22.158	23.556
Polen	14.008	18.186	29.877
UK	19.177	19.098	22.328
Tjekkiet	13.251	15.274	22.211
Bulgarien	11.345	14.490	17.958
Rumænien	5.502	8.044	16.569
Andre	42.328	50.160	63.549
<b>EU total</b>	<b>376.741</b>	<b>409.258</b>	<b>435.017</b>
Kina	32.395	49.327	146.988
Japan	34.529	34.961	41.666
Sydkorea	13.996	24.508	30.155
Hong Kong	9.190	7.086	14.718
Filippinerne	6.163	8.356	12.286
Andre	1.430	9.900	20.015
<b>3. lande total</b>	<b>97.703</b>	<b>134.138</b>	<b>265.828</b>
<b>Eksport total</b>	<b>505.966</b>	<b>584.616</b>	<b>752.311</b>

**Key to above chart:-** Fersk/frosset svinekød – Fresh/frozen pig meat

France, Italy, Portugal, Germany, Poland, UK, Czech Republic, Bulgaria, Rumania, Others  
China, Japan, South Korea, Hong Kong, Philippines Others, Total Third Countries, Total Exports.

## PHILIPPINES

### Rise in pig production in first half year 2016

The authorities in the Philippines have reported that the country's pig production for the first half year 2016 amounted to 1,076,530 tonnes, a rise of 6.6% year-on-year.