

MARKET NEWS for pig meat



Market analysis

10 October 2016

Week 41

MARKET SITUATION

Europe: Trading in fresh legs is at stable prices. For other cuts, trading is at unchanged or slightly falling prices.

UK: Trading remains stable.

Good trading is reported for Japan and stable trading for China.

SLAUGHTERINGS

	Week 37	Week 38	Week 39	Week 1-39 2016/15
Total	335,916	342,188	338,515	-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)	10.40	10.40
Sows (above 130 kg)	7.50	7.50

Nominal prices for piglets (30 kg)


DKK/head	Current	52 wk av
Basic	399.09	359.43
SPF+Myc	404.09	364.43
SPF	408.09	368.43
Organic	1092.76	1063.04
Market prices SPF region 1		
PRRS negative	430.00	344.00
PRRS positive	410.00	325.00
Market prices SPF region 2/3		
PRRS negative	430.00	344.00
PRRS positive	410.00	325.00


Weight adjustment:	7-9 kg	9-12 kg	12-25 kg	25-30 kg	30-40 kg
	11.43 kr/kg	7.28 kr/kg	6.84 kr/kg	5.89 kr/kg	5.91 kr/kg


FUTURES

	Chicago (\$ per 100 lbs slaughter weight)			Eurex (€/kg slaughter weight)		
	7/10	30/9	Change	7/10	30/9	Change
2016						
Oct	50.68	49.03	+1.65	-	-	-
Nov	-	-	-	1.56	1.56	0.00
Dec	42.60	43.98	-1.38	1.57	1.57	0.00
2017						
Jan	-	-	-	1.41	1.41	0.00
Feb	49.30	48.90	+0.40	1.41	1.41	0.00
Mar	-	-	-	1.41	1.41	0.00
Apr	56.88	55.73	+1.15	-	-	-
May	65.65	63.00	+2.65	-	-	-
Jun	70.35	67.08	+3.27	-	-	-
Jul	71.28	67.00	+4.28	-	-	-
Aug	71.10	66.73	+4.37	-	-	-
Sep	-	-	-	-	-	-
Oct	62.00	57.50	+4.50	-	-	-
Nov	-	-	-	-	-	-
Dec	58.70	54.85	+3.85	-	-	-
2018						
Jan	-	-	-	-	-	-
Feb	62.15	59.95	+2.20	-	-	-
Conversion factors: lbs = 0.4536 kg \$:€ = 6.6791				Conversion factor: € = 7.4405		

AFRICAN SWINE FEVER

 **POLAND:** Two new cases were reported last week, among wild boar in the east of the country close to the border with Belarus.

 **LITHUANIA:** Four new cases were reported last week, among wild boar in the east of the country.

 **RUSSIA:** Three new cases were reported last week at three small pig farms in the west of the country.



EU

EU pig meat exports at record level

According to the EU Commission's short-term outlook, EU pig meat exports are expected to reach a record level of 2.7 million tonnes in 2016 (+24% year-on-year) thanks to the boost in exports to China.

All EU countries exporting to China saw their exports double or triple since the beginning of 2015. Germany, Spain and Denmark took the biggest share of the cake accounting for 31%, 19% and 17% of EU pig meat exports to China respectively. Poland is unable to export to China because of African Swine Fever. However, the euro/yuan exchange rate, the EU pig meat production capacity and the consequences of the economic slowdown on Chinese consumer demand and its meat sector could result in a decline in EU exports in the coming months.

According to the Chinese agricultural outlook, a significant annual import demand for pig meat is projected to continue over the medium-term but at a lower level (close to 900,000 tonnes by 2025). With this in mind, the current level of EU exports to China should be considered as a short-term opportunity rather than a medium-term fact. Other notable increases to other markets were recorded in the first half of 2016, with shipments to Japan increasing by 16%.

US pig meat exports in the first half of 2016 reached the same level as last year. This probably explains why EU exports to Japan were better than expected. The dispute about tariffs on certain pig meat exports to the Philippines has been settled and reflected in an increase of 33% in the first half of 2016 (+17,000 tonnes). In addition, exports to South Korea dropped slightly while those to Australia are stable. The Russian import ban is expected to continue in 2016 and 2017.

EU pig slaughterings increased by 2% in the first half of 2016.

Based on the May/June pig census, slaughterings in the second half year are expected to be slightly down on last year. As a result, EU pig meat production for 2016 is set to increase by 1%, and for 2017, production is expected to little changed (-0.3 per cent).



USA

August sets new record for pig meat exports

Figures from the U.S. Department of Agriculture (USDA) show that U.S. pig meat exports in August (186,689 tonnes) were 16% higher than August 2015 - the largest August export volume on record. For the year to August, exports totalled 1.48 million tonnes, 5% more than the same period last year.

Pig meat exports in August represented 24% of the U.S. total pig meat production. For the year to August, exports represented 25% of production.

USDA anticipated an almost 9% rise in exports for Q3 2016 and more than 10% for Q4.

Smithfield to supply biogas

International news media report that Smithfield has begun supplying biogas to the national U.S. distribution grid. The biogas, in the form of 98% pure methane gas, is sourced from 2 million pigs.

Machinery for the collection and production of biogas has been installed at 41 of the 88 existing slurry lagoons at nine of Smithfield's pig production facilities in northern Missouri.

Smithfield has invested \$92 million in the project, which is the largest "slurry-to-energy" project of its type in the U.S. When the project is complete, the collected methane gas will correspond to 77 million litres diesel per year.

Shares in Tyson Foods fall

Shares in Tyson Foods took an 11% dive last week following reports by a financial institution that they had found the lawsuit against Tyson Foods legitimate. In September, a lawsuit was filed against the company and other chicken producers for having allegedly agreed a reduction in the production of chickens since 2008.

 **VIETNAM****Ratification of Trans-Pacific Partnership agreement delayed**

Agra Europe reports that, contrary to expectations, ratification of the Trans-Pacific Partnership (TPP) agreement will not be on the agenda when the Vietnamese parliament is in session from October 2016 to March 2017. This means that ratification can take place in April 2017 at the earliest.

The TPP free trade agreement among twelve of the Pacific Rim countries was negotiated in October 2015 and signed in February 2016. It includes U.S., Canada, Mexico, Japan, Vietnam, Malaysia, Singapore, Brunei, Australia, New Zealand, Chile and Peru, which together represent around 40% of the global economy.

Before the agreement can come into force, it has to be ratified in each country. Malaysia ratified the agreement back in March, but many other countries' parliaments are opposed to it. In the U.S., the two presidential candidates, Clinton and Trump, have both criticised the agreement although large parts of the U.S. business sector support it.

New pig production chain

Three French companies, Neovia, Grimaud Group and Le Boucher, along with Vietnam Livestock Association and supported by the Vietnamese Ministry of Agriculture, have formed the pig production chain Le PORC du Mékong.

The objective is for Le PORC du Mékong to support Vietnamese pig producers with innovative, efficient and sustainable solutions that can boost producer efficiency and ensure food safety and high standards of traceability and quality.

Neovia will deliver feed solutions while Grimaud Group and Le Boucher will be responsible for genetics and slaughtering/processing respectively.

So far, 600 Vietnamese pig producers have expressed an interest in the project. The first pig meat to be produced under the scheme is expected to be on the market in Q1 2017. Le Boucher hopes to reach full slaughter capacity of 360,000 finishers pigs per year by 2022, reports Asian Agribusiness.

In August, the Vietnamese authorities stated that they expect to see growth in Vietnamese pig meat production over the next two years. The Vietnamese Ministry of Agriculture believes that the new production chain has a great future ahead.