

BPEX Export Bulletin - March/April 2011

The British Pig Executive's (BPEX) *Export Bulletin* for March/April 2011 reports pig industry trends from around the world, with the focus on the trade show, Alimentaria, which took place in Lisbon recently.



Portugal used to be a good market for British pork but Spanish pork now represents more than 95 per cent of fresh and frozen imports and the great majority of processed pork imports, although the UK still exports frozen sausages. Nonetheless, during Alimentaria in Lisbon recently, there was some good demand for pork ribs and offal from Angola, a country with strong links and a common language with Portugal and a major importer of EU meat. A green light is awaited from Defra regarding Angola but traders would still import the product as exporters' risk as there seem to be a general agreement to allow EU meat in the country.

Denmark

Market

On the European market, fresh legs and loins are sold at increasing prices. As to shoulders and production meat, the trade is stable with unchanged prices. Exports to the British bacon market are fine with increasing prices for the April contracts. For markets outside the EU the situation remains unchanged meaning continuing good activity for the Asian markets in South Korea, Japan and China. (Sources, Danish Crown, Tican, Danish Agriculture & Food Council)

Effects of the earthquake in Japan

Still it is difficult to evaluate the effects of the earthquake and the tsunami on imports of pork to Japan. Danish Crown was quick to report that there were no changes in the fine demand from Japan. In the US, the immediate reaction to the disasters in Japan was declining prices of pork futures due to American fear that a damaged Japanese infrastructure would prevent meat and other food products from reaching the consumers. Afterwards, the US future prices have adjusted and presently the US expect that Japan now and also on the longer term will need to increase its imports due to the catastrophe. (Source, Markedsnyt for Svinekød)

Tulip invests in packaging lines

Investments in three new packaging lines ensure that the Tulip canning factory at Vejle has the lowest production costs in the entire group of companies. It is also a prerequisite for keeping jobs in Denmark in the long run, says head of factory, Keld Nielsen. The investments are necessary because the factory cannot keep up with the demand. Today, there are approximately 300 employees at the plant at Vejle, which exports to 83 countries including Japan, Korea, the US and the UK. The plan is to invest €8 million in the new packaging lines during 2011 and 2012. With a capacity of 360 packaged cans per minute, equivalent of 54 tonnes daily, one of the new lines replaces two old ones. (Source, Vejle Amts Folkeblad)

Danish Slaughterhouses - payments Week 13		
Slaughterhouse	Danish Crown	Tican
Slaughter pigs (70.0-86.9kg)	Euro 1.334	Euro 1.334
Difference to last week	Unchanged	Unchanged
Sows (Above 129.9 kg)	Euro 0,854	Euro 0,854
Difference to last week	+0.027	+0.027
Boars (Above 109.9 kg)	Euro 0.721	Euro 0.721
Difference to last week	+0.027	+0.027

France

Fleury-Michon

"The ham segment does not generate impulsive purchases," claims Patrick Lerüe Head of Charcuterie marketing for Fleury-Michon (FM). The new brands developed by FM should improve the already excellent health of the cooked ham market in France (+3 per cent in volume and value last year compared with 2009). The 'New fresh' offer described in the BPEX report a month ago should respond to a demand for authenticity detected by the French leading group. Four 'kingdoms' have been re-marketed: hams from our countryside, hams from pigs reared in mountains, prepared hams and organic hams. The new packaging includes crystal trays, with 50 per cent less plastic but 63 per cent paper, with photographs of producers for countryside range, photos of mountains for the mountain range and photos of green countryside for the organic products. Fleury-Michon is the third contributor to multiple's growth in value behind Nestlé and Procter & Gamble, the group will increase its activity in the charcuterie market and in the prepared meals sector. FM increased its market share of the self-service charcuterie market in value by 16.7 points with 10.7 per cent market share in front of Herta with 10.3 per cent market share and Madrange. Own brands represent 50.4 per cent of the market and hard discount own brands represent 6.9 per cent of this market. The new base line: 'Obsessed with goodness' will appear on all products, including prepared meals.

Pigs

They are enough slaughterings to cover needs, both in the export and the French market. With the beginning of spring, the prices of porkers should continue to rise. The increase in the cost of raw materials is always in the news. The cost of the feed is still very important for the breeders.

Piglets

No big changes in the market.

Cuts

Putting aside the normal monthly evolution of the prices of cuts, prices are increasing slightly. Besides, prices may increase if the nice weather settles for any length of time.

Pork prices RUNGIS week commencing 28 March 2011	
Cut name	Price range (Euro/Kg)
Back fat, rind-on	0.40
Trimmings	1.19
Leg	2.21
Loin including chump	2.93
Loin excluding chump	2.61
Belly extra without trimmings	1.67

Germany

Market

Due to unsatisfactory margins, abattoirs and deboning plants are currently reducing the production of pig meat. Regional promotions offer collars, loins and chops at very competitive prices. Pig meat for processing, however, is marketed at mostly stable prices and sales of ham remain stable thanks to continuous demand from Italy. With the weather being relatively warm already, hopes are set on the barbecue season to start early this year.

Rising consumption

According to the Federal Bureau of Statistics, meat consumption in Germany keeps increasing. On average, every German consumed 300g more meat in 2010 than in the previous year with pig meat and poultry accounting for the highest increase. (Source, afz)

Pork Prices Hamburg Market Week commencing 28 March 2011	
Cut Name	Price Range (€ / kg)
Round cut leg	2.25/2.45
Leg (boneless, rindless max fat level 3mm)	3.25/3.40
Boneless Shoulder	2.40/2.60
Picnic Shoulder	2.25/2.45
Collar	2.45/2.60
Belly (bone in, ex-breast)	1.90/2.25
Sheet Boned Belly (rindless)	1.88/2.12
Jowl	1.05/1.20
Half Pig Carcasses U class.	1.92/2.02

Spain

Sánchez Alcaraz business increases by 28 per cent in 2010

The company from Toledo raised its turnover by 28 per cent in 2010 to €31.22 million, a figure double of 2004 turnover, the year before they started business with the German company, Abraham (owned by Bell Holding). The company's growth is mainly due to the commercial arrangement with Abraham. Sánchez supplies whole pieces and processed ham in blocks, which are then sliced by Abraham. Most of the Spanish deliveries are distributed in Germany – in chains

such as Aldi, Rewe and Lidl – and the rest in other European countries (Great Britain, Switzerland, Poland, Holland, etc). In 2010, these foreign expeditions accounted for a volume of 2,639t (2,551t of cured ham from white pigs and 88t of Iberian) compared with 1,856t sold in 2009, giving the company an export turnover of €16.96 million, a 52 per cent more than in 2009 (€11.17 million). Meanwhile, its business in the domestic market is estimated at €14.27 million.

Spanish government to complain at the Council of Ministers

The Government want to put pressure on France for a rapid cessation of French attacks on Spanish pork lorries.

Pork prices Barcelona Market Week Commencing 28 March 2011	
Cut Name	Price Range (€ / kg)
Carcases (secondary grade)	1,664/1,670
Gerona Loin Chops	2,43/2,46
Loin Eye Muscle	3,49/3,52
Spare Ribs	2,71/2,74
Fillets	5,83/5,86
Round Cut Legs	2,53/2,56
Cooked Ham	2,20/2,23
Rindless Picnic Shoulder	1,60/1,63
Belly	1,85/1,88
Smoked Belly with Spare Rib Section Cut off	2,28/2,31
Shoulder chap or Head Jowls	0,88/0,91
Back Fat, rindless	0,68/0,71

Portugal

The Portuguese pork sector

	2005	2009	Variation 05 – 09 (%)
Production	326,850	373,529	14,3
Imports	104,231	114,316	9,7
Exports	2,770	12,891	365,4
Consumption	428,311	474,954	-10,8

Pork meat production between 2005 and 2008 was very positive but in 2009, the production fell two per cent. There are great contrasts between different operators: some are highly specialised groups and others are small farms. The majority of the breeding farms are located in the regions that are close to large populations (Leiria area, Alto Alentejo, Alentejo Litoral). The degree of self-sufficiency in pork is estimated at 65 per cent, leaning more and more to the need for imports to supply the local market. The production of this kind of meat is highly integrated within the farms but not so much with the slaughterhouses where there is no relevant groups within the sector. Portugal is a country with a large number of quality meats and processed meats. According to the EU records, there are 32 protected geographical denominations for fresh meat and 36 for processed meat (sausages and cured pork meat). In addition, it should be mentioned that in the case of the Iberian pork's

production, the Quality Standard that protects these products also protects the meat and meat products made with raw materials from animals reared in Portuguese pastures.

Demand for pork and places of purchase

The consumption of pork has remained stable. Despite the growth recorded at the beginning of the past decade, has not exceeded 454,000t. This makes the consumption per capita quite stable and is estimated at 43kg per person per year. With regards to places of purchase, retail shops and traditional butchers are the most visited but gradually, sales from supermarkets and hypermarkets are gaining in importance. The main companies in the retail industry are: Soae (Continente, Modelo and Modelo Bonjour), Jeronimo Martins (Pingo Doce and Feira Nova), Grupo Os Mosqueteiros (Intermarché and Ecomarché), Auchan (Pao de Açucar and Jumbo) and Carrefour (Minipreço and Día). There are also other companies engaged in the distribution but specialised in the field of wholesalers, such as Makro and Recheio. There are large groups that own establishments known as 'entrepósitos'. These centres are dedicated to cutting and filleting meat (both for domestic and imported meats) and also serve as logistical points from which they distribute to other commercial supply chains.

Pork is winning market share

Pork consumption is winning against beef and, to a lesser extent, against chicken. Pork is less than half the price of beef in Portugal and just slightly above chicken prices. Pork penetration reached 85.2 per cent in 2010 helped by the low prices of the ever-expanding supermarket chains and cheap imports from Spain. It gained new consumers mainly in the middle and lower classes. The latter eat more meat and meat products than the Portuguese average. (Source, Kantar).

Price deflation at an end

Food prices are already rising in Portugal following years of retail price deflation and retail price wars due to the general increase of commodity prices. According to analysts, this will not affect fresh food volumes in Portugal but non-food budgets will suffer. For memory, GDP is expected to fall by 0.9 per cent in 2011. (Source, Kantar).

Who is winning the retail war?

Sonae-Continente wins on confidence, quality and fidelity. Pingo Doce-Jeronimo Martins on convenience and Intermarché with people most affected by the crisis with its low prices. In balance, Sonae is the winner. The combined market share of its two store brands, Continente and Modelo, is 29 per cent, ahead of its competitors Jeronimo Martins with 16.1 per cent and Intermarché with 9.7 per cent. (Source, Distribuição Hoje).

Pork producers destocking

In Portugal pig producers faced with losses are cutting back their sow numbers. Recently, productivity has increased and, despite the lack of national statistics, the number of 24.5 piglets born alive per sow is now considered the Portuguese average. Producers' organisations are looking at solutions to the crisis. Much of the

blamed is put on supermarkets that are paying their bills at 90 or even 120 days. (Source, Vida Rural).

Russia

Feed grain in circumvention of the exchange auctions

Vladimir Putin, Prime-Minister of Russia, has signed the resolution on the distribution of feed grain to the animal producers without participation in the exchange auctions. The document states that soft 5th grade wheat and barley will be sold throughout Russian Federation at the price level of \$211 per ton (VAT included).

(Source, RBK)

Cherkizovo expects more federal budget subsidies in order to level down negative impact of grain price increase and to secure profitability

The largest meat producer in Russia foresees a difficult year due to increasing primary cost of the products, which cannot be fully compensated by the increase of the final price for the consumers. Mr Putin instructed the Ministry of Finances and the Ministry of Agriculture to take a decision regarding direct subsidy assistance to the producers of pork and poultry within 10 days. According to the information provided in different mass-media sources, it is foreseen that more than \$440 million will be allocated to the pig and poultry industry. A similar mechanism of state support was implemented in 2008 when the grain prices significantly increased and Cherkizovo received \$33 million from the federal budget.

(Source, Finam)

New outbreak of ASF in Leningrad region

An outbreak of African swine fever on a farm in the Leningrad region has been confirmed on 18 March by the National Research Institute for Veterinary Virology and Microbiology of Russia. Following this confirmation, the Estonian Veterinary and Food Department introduced the ban on the import of pig meat and the products derived from it from Russia.

(Source, meat.info)

Belarus

Belarus to lift temporary ban from the import of meat from Germany

The Ministry of Agriculture of Belarus announced that the ban on the import of pork and products derived from pig meat produced in Germany after 1 November 2011 has been lifted. The import of each batch of the these products should be accompanied by the negative results of the tests on the content of dioxin carried out by one of the certified laboratories in the EU. The temporary ban on the import of live animals for fattening and slaughtering, feed additives (exclusive of chemical and microbiological synthesis) and animal feed is still valid.

(Source, Infobaza.ru)

Sweden

New initiative from Scan Sweden

By adding rapeseeds to the feed, Swedish company, Scan produces pork with more omega-3 fatty acids and less saturated fat. Scan hopes that it will increase the demand for Swedish pork. In Finland, HK Scan researched in fat composition of pork after feeding with a crop closely related to rapeseed, and the result after 40 years of research is a higher proportion of omega-3 fatty acids and a lower proportion of saturated fat. Furthermore, a consumer survey showed that the meat was juicy, tender and easy to cook. So now Scan in co-operation with the Swedish pig producers will develop the rapeseed pig concept. The concept offers many health advantages, which Scan evaluates that the Swedish consumers demand. Scan and its suppliers want to establish competitive advantages that will strengthen and secure Swedish pork. Scan also wants to make its suppliers believe in the future, says Dennis Mattson of Scan. It is planned to produce 200,000 rapeseed-fed pigs.

(Source, Maskinbladet)

Japan

Japan likely to increase pork imports

In private discussions, Japanese operators have told BPEX that the nuclear incident had undermined confidence in Japanese food including pork and that this is likely to lead to higher imports. Meanwhile, domestic pork prices are soaring.

Taiwan

Foot and mouth outbreak

According to an unconfirmed US report, an outbreak of FMD has been detected in the country.

(Source, Pork Network Report)

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