

WHOLE HOG

THE ELECTRONIC NEWSLETTER OF THE GLOBAL PIG INDUSTRY

PMWS in Denmark – 2 Euro organic meat – 3 Danish special feature – 6-9 US prices- 10 Chinese production -15

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EDITOR: DR. JOHN STRAK

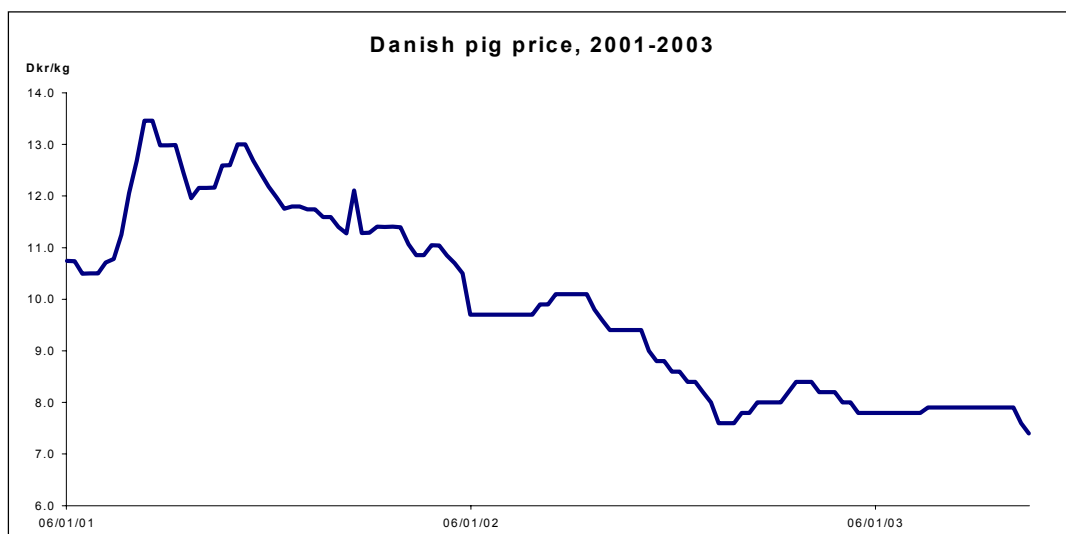
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Strong Euro costs Danish pig industry billions

Danske Slagterier chief economist Karsten Flemin told *Whole Hog* in Copenhagen (8 May) that, by his calculations, there was a "theoretical" loss to the Danish pig industry 1.8 DKr billion (US\$0.27bn) in lost exports as a result of the rise in the value of the euro/DKr against other key currencies since early 2002.

Flemin stressed that this was a "theoretical" calculation but that it represented almost 1 DKr per kg for each pig produced in Denmark. Almost on cue the Danish market confirmed further price weakness by the end of the week when it was announced that the pig price paid by the major processors would be reduced. Flemin's schedule of pig prices and his forecast for the remainder of 2003 shown above indicates that Danish pig prices will be 6% or more below the cost of production throughout this year. With an annual bonus expected to be about 60-70öre (US\$0.09-0.010), Flemin's forecast average price for 2003 is 8.50 DKr. Demand weakness caused by exchange rates, the recent Russian import quotas, and stronger beef consumption in 2003 are the underlying negative factors that Danish price formation has to deal with.

Flemin confirmed that recent Danish export performance has been good. The total value of pigmeat exported from Denmark in 2002 was 1.63 billion DKr – up from 1.578 in 2001.



Danish pig prices (excluding bonus payments), 2001-2003

Dkr/kg	2001	2002	2003 (prognosis)
Quarter	11.14	9.79	7,85 (8.00)
Quarter	12.14	9.48	(8.75)
Quarter	11.15	8.05	(8.50-9.00)
Quarter	10.55	8.12	(8.25-8.75)
Year	11.24	8.86	(8.50)

Source: Danske Slagterier

Danish pigmeat exports , 2001-2002

	2001		2002	
	1000 tonnes	Bill. DKr.	1000 tonnes	Bill. DKr.
EU TOTAL	995	17,8	1,030	15,5
JAPAN	231	6,4	243	6,0
RUSSIA	107	1,1	104	07
USA	52	1,6	54	1,4
CHINA/HONG KONG	60	0,4	56	0,3
OTHER 3 rd MARKETS	133	2,0	144	2,0
3 rd MARKET TOTAL	583	11,5	601	10,4
TOTAL EXPORT	1,578	29,2	1,630	25,8

Source: Danske Slagterier

Whole Hog Comment: It's no surprise to Whole Hog readers that Danish prices have weakened throughout 2002 and 2003. Against a background of a downturn in the global pig price cycle and weakness/strength of the dollar/euro the Danes have done well to manage the downturn. In Copenhagen, Danske Slagterier expressed hopes that the barbecue season will start early in Europe this year. This has a slightly anxious ring about it. But Danish farmers could cope with a monsoon summer if only the FOREX markets would reverse the 25% drop in the US dollar's value against the euro and the Kroner. What happens in the Central Banks' offices in Frankfurt and Washington in the next six months will probably have a greater impact on Danish pig producers' profits than anything on the farm or in the supermarket.



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Cuba reports first cases of Transmissible Gastroenteritis

On 6 May Dr Emerio F. Serrano Ramirez, Director General of the Institute of Veterinary Medicine in Cuba reported outbreaks of Transmissible Gastroenteritis in pig herds on the island. This is the first known outbreak of the disease in Cuba.

According to Dr Ramirez, there are 37,765 cases of the disease since February. These have resulted in 16,590 pig deaths and a further 6,046 pigs being destroyed.

The source of the outbreak is unknown, however the Cuban authorities have introduced quarantine measures for the affected farms and territories, and banned on the movements of pigs from the affected provinces.

Eurozone looks over the brink

Output in the 12-country eurozone in Europe was stagnant in the first quarter of 2003. Overall, year-on-year growth was 0.8%. Italy, the Netherlands and Germany are all in economic recession. Italy's economy declined by 0.1% in Q1 of 2003. The Italian government has cut its growth forecast for 2003 in half. It's now expected to be 1.1% in 2003.

In Q1 the Netherlands contracted by 0.3%, and this follows a negative growth rate in Q4 of 2002. Germany also fell into recession with a contraction of 0.2% in Q1 and this compares with a negative growth rate of 0.03% in Q4 of 2002. But, as yet, the German Government has not reduced its forecast for growth in 2003 - it still stands at 0.75%

The fall in the dollar is expected by some private forecasters to reduce growth in Europe by 0.3-1% - as a result of a fall in net trade because of the euro's appreciation. All this puts pressure on the Central European Bank in Frankfurt to reduce interest rates - and emphasises the mess that Europe's largest economies are in.

EU parliament votes for FMD vaccination policy

The European Parliament approved (15 May) tougher measures to fight foot and mouth disease, aimed at avoiding a repeat of the 2001 crisis in Britain, which spread to three other countries.

Parliament backed a European Commission proposal, which

would allow the EU executive to demand vaccination instead of waiting for an affected member state to request it, although this would still need approval from a majority of EU states.

EU farm ministers are due to adopt the Commission proposal in June.

Aside from backing the Commission proposal, parliament also adopted a non-binding amendment asking for a country, fearful of contagion from an affected state on its border, to be given the power to demand vaccination in the FMD-hit country.

PMWS will get worse in Denmark before it gets better

Anne Grete Hassing provided a full and frank account of the incidence of PMWS in the Danish pig industry in Copenhagen (8 May).

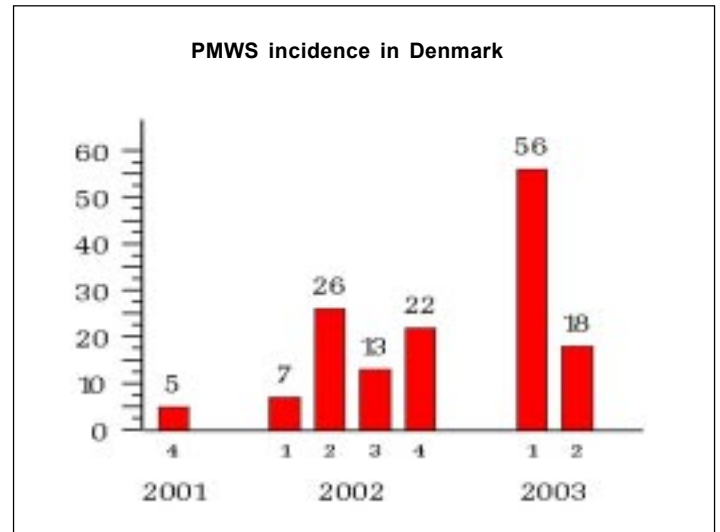
In a detailed presentation in Danske Slageterier's offices she said that PMWS had started to spread across Denmark in 2001 after the first diagnosis of two infected herds in 2000.

Although she knew of at least 147 recorded cases she suspected that the real number was twice as high.

In a startling claim Hassing said that, "in a couple of years PMWS in Denmark could be as bad as it is in the UK." And, as her powerpoint presentation noted, this could be, "A big problem for the pig farmer in economic and emotional terms".

Hassing admitted that all herds were at risk and that, so far, there seemed to be no relationship between herd size or its health state.

When it occurred PMWS was



producing average mortality rates of 11% with obvious effects on productivity and profitability.

No treatments or solutions for PMWS were available yet beyond the guidance given by the Madec 20 point plan.

R & D studies funded by the Danes using the Danish Veterinary Institute include

depopulation/repopulation strategies, risk factors and different types of PCV2 virus, and the relationship with breeds/insemination practices.

I say, I say -

Editorial comment : 16

USDA will seek least-cost rule on animal origin

The US government will seek the lowest-cost way to satisfy a law requiring country-of-origin labels on meat, Agriculture Secretary said Ann Veneman (14 May), trying to quell fears of costly paperwork.

"Whatever we do, we will be looking for the least-cost alternative for implementation" of the law, Veneman told the Senate Agriculture Committee.

Senate Minority Leader Tom Daschle, South Dakota Demo-

crat, repeatedly told Veneman of concern among farmers and ranchers of bookkeeping rules so "onerous" the law would be useless.

Minnesota Democrat Mark Dayton said livestock producers feared they would need reports verified by "three on-site inspectors and signed by the attorney general" to satisfy meatpackers and retailers. Under the law, packers and retailers are responsible for making sure country-of-origin

labels are accurate.

"Maybe they are out to destroy the program," Dayton said.

USDA was conducting a series of "listening sessions" to explain the law and gather the views of producers before writing the final rule. It has posted on its web site a list of records that might be used to comply with the law. They include purchase receipts, inventory accounts, feed bills and calving records.



European organic meat market shows signs of slowdown

Europe's organic meat industry is nearing overcapacity, according to new research by Organic Monitor (9 May). Large volumes of organic meat products are flooding a market that is showing signs of slowing down.

The European organic meat products market has been growing at over 20 per cent a year since 1998. However, market growth is forecast to slow to 9.5 per cent this year. The market is becoming increasingly competitive as many countries are suffering from oversupplies. Export markets are also drying up.

One reason for this is that most European countries are becoming self-sufficient in the supply of organic meat products. The German and British markets for ex-

ample, which have traditionally been large importers of organic meat products, have gradually decreased the amount of imported organic meat.

Instead, consumers are increasingly buying domestically produced organic meat products.

One exception to the rule is the Italian market. Organic meat supplies have been falling short of demand for a number of years and this has resulted in the Italian market becoming the most import-dependent. Although the country has the largest organic land area in Europe - 1.23 million hectares - there is still a shortage of organic meat producers. As a result, significant volumes of all organic meat products still need to be imported into Italy.

Organic beef still accounts for most of the European organic meat products market. The BSE crisis and the relatively low price premium helped make organic beef the most popular organic meat product with European consumers.

The new research study by Organic Monitor also shows that conventional meat companies dominate the supply-side for organic meat products. The majority of the largest 15 firms in Europe that deal with organic meat products are conventional. These companies have acquired market leadership through moving into the organic meat sector or by acquiring dedicated organic meat companies.

Danish Minister lives in hope for welfare premiums but "disappointed" by Harbinson paper

Danish Farm Minister Marian Fischer played host to the press in the Danish Ministry of Food, Agriculture and Fisheries in Copenhagen on 8 May and confided that she hoped that the long awaited Commission proposals on animal welfare would appear soon.

The Minister was adamant that, "There will be people who are prepared to pay more for better welfare practices."

When questioned by *Whole Hog* on how she saw these premiums being delivered in the market place Fischer responded, "I think and I hope that we will be able to move the consumers' demands in the direction of paying for animal welfare."

Fischer expressed "disappointment" that the Harbinson farm trade reform paper, produced by the WTO, did not deal with welfare-friendly animal production systems in international trade. She saw a big gap between Harbinson and the EU's approach on this issue.

Cranswick under fire over weights error

Some UK farmers are threatening legal action against Cranswick plc for underpayments on pigs sent to their slaughterhouses.

Legal firm Hammonds is said to be acting on behalf of over 100 producers who may bring a class action against the company.

On 10 March the Board of Cranswick plc became aware that Cranswick Mill Ltd Livestock trading Division had, over a period of time, been using incorrect weights when calculating payments to producers. The Board ordered a review of all payments and called in a six-man team of auditors from Ernst and Young to investigate. The enquiry is expected to report by the end of May.

Bug-free chicken flops with Danes

A unique campylobacter-free testing process on chilled, rather than frozen, chicken cuts developed by Danpo and launched with retailer COOP in February, has failed to impress Danish customers enough to pay a higher price.

The extra expense of DKr4-5 (US\$0.59-0.74) per kilo is only acceptable to about 10% of customers in grocery chains Kvickly

and SuperBrugsen, and Danpo director Jens G. Friis admits sales are "far, far under our expectations."

COOP's Jens Wang told newspaper Berlingske Tidende he believes the product has failed because consumers do not realise campylobacter is as threatening as salmonella.

The virtually omnipresent campylobacter is estimated to

cause about 50,000 cases of food poisoning per year in Denmark but sensible hygiene and preparation methods kill the bacteria.

Danpo is one of Scandinavia's major poultry companies and is owned by Swedish Spira.

Whole Hog Comment: If affluent and well-informed Danes won't pay extra for bacteria-free meat, who will?

Survival of UK pig industry not assured says MLC guru

"There is no reason why the British pig industry should survive" said MLC pig expert Pinder Gill, speaking to *Whole Hog* at the sidelines of the "Going Forward" conference for the UK pig industry at Bishop Burton on the 14 May.

Gill explained that the UK pig industry was like the UK coal industry - a producer of primary products in a globally competitive market. UK producers, Gill warned, must not show the complacency of UK miners and assume that their industry would continue to exist by right.

In his presentation to over 100

producers, Gill highlighted the work of the MLC at Stotfold to seek out innovative ways of cutting costs for producers. Gill suggested that producers could cut their costs of production from £1 per kg to 85 pence per kg by improving the training of their stockmen (a 5p saving), better sow feed (1p), improving air quality in barns (2p saving), moving to heavier slaughter weights (4p), and by adopting liquid feeding (3p).

Also speaking at the conference, Mick Sloyan, BPEX's Manager, highlighted the beneficial effects of the recent devaluation

in the British pound against the Euro for comparative costs of production across Europe. "The UK has greatly benefited from the pound's recent movements against the Euro" said Sloyan. Sloyan added that he personally supported UK membership of the Euro but stressed that it was vitally important that the UK joins the Euro at the right level.

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Back to the future with Hungarian pig farm protests

Hungarian pig farmers, organised by the Farmers' Circles, staged country-wide protests (14 May) against the crisis of the sector. They are blocking lanes of roads in 17 counties because, in their view, coordination talks with the Agricultural and Rural Development Ministry have not brought results.

In Veszprem County, the farmer demonstration on a 3km-stretch of the road between Papa and Nyarad have been joined by Agroprodukt of Papa and the Nyarad Pig Combined Farm because both sell 50,000 pigs annually, Imre Novak, chairman of the Veszprem County branch of the Farmers' Circles, said.

The two firms sided with the demonstrators because purchase prices are well below production costs. Novak said that farmers lose 7,000-8,000 forints (US\$31-36) on each fattening pig, add-

ing that under these circumstances it would be difficult to compete on EU terms.

In a statement that could have come straight from the former Hungarian Communist Party's propaganda machine, the farmers demanded immediate state intervention to end the agricultural crisis and the introduction of central pricing. In Bekes, only 160-180 forints are paid per kilo for a life pig, in some places only as much as 150 forints, whereas the production price is 280 forints per kilo.

The largest demonstration is taking place on Road No 44 between Bekescsaba and Kondoros - vehicles are queuing up for kilometres. On other roads - on Road No 47 between Bekescsaba, Bekes and Bekesmezeobereny and on Road No 46 between Gyomendroed and Mezoetur - some 40-50 cars, tractors and

combine harvesters block lanes in protest.

The government spokesman, Zoltan Gal commented on the farmers protest, saying, "Perhaps the government is not much mistaken if it detects definite political intentions behind the farmers' demonstration. Especially after that the government so far has provided 100bn forints, over and above the normal agricultural subsidies, for intervention purposes. Out of this, more than 16bn forints were spent specifically on the stabilisation of the pork market."

"You remember, that last week and the week before that I reported on the government's measures. I think that no organisation should be used for political purposes and those who have a specific political agenda should not hide behind the back of others, but come forward and spell it out."

Latvian government says OK to pork customs tariffs

The Latvian government agreed (6 May) to the introduction of domestic pork market protection measures to protect the market against damage by growing imports by introducing customs tariff quota for pork and pork offal and additional customs duties on live pigs.

"I don't hold this as an ideal solution but we are forced to take these steps because there is sufficient evidence of a crisis situation," Economics Minister Juris Lujans said in the Cabinet meeting.

After the law on protection measures is considered by the parliament which has to take the

final decision, the government still will have to decide on distributing the quota between the largest importers.

The proposals for pork market protection, drawn jointly by agriculture and economics ministries as well as pig breeder association envisage setting out a pork import quota for this year in amount of 6200 tons and pork offal import quota at 408.5 tons.

Within the quota the import will be allowed free of customs duties while imports above the quota will be subject to additional import duty in amount of 0.25 lats per kilo to put brakes on inflow of imported meat in Latvia's

market. For live pigs the import duty is planned at 203 lats per ton.

The quota volume was established by adding to the quota, allocated to the European Union, the volume of meat consumption which Latvia's producers are unable to meet - for the EU the quota is 2640 tons of pork a year and 173 tons for pork offal. The volume of the quota above the EU's amount will be granted to importers from other states.

Latvia's large meat packing companies though objected to the market protection measures saying it would increase costs and open up the market to imported processed pork.

Estonia imposes duty on Polish pork imports

The Estonian government, which on 13 May supported special protection measures with regard to imported Polish pork, will also have to adopt a stance on a draft seeking to apply temporary protection measures to all pork imports.

The draft government regulation that is currently on a coordination round between ministries says that protective measures will be applied to imported pork regardless of the country of origin. According to the covering letter, the tariff rate would range from 20 to 66% and the average rate would be 30%. The measure would be applied during 200 days.

Agriculture Minister Tiit Tammsaar said that the government's decision, which calls for tariffs of 20-66% to be applied to Polish pork imports until 31 December this year, marked the first and the most important step.

Tammsaar must nevertheless take the second draft, which calls for measures to be applied to pork imports during 200 days regardless of the country of origin, to the government because this is required under a decision of the interministerial commission for market protection measures.

Tammsaar said he had spoken about the plan with his Latvian counterpart, who said Latvia intends to introduce protective measures covering the entire sector.

"Luckily, the measures won't be applied to live animals now, thus it would be acceptable to us," the Estonian minister said.

Danish pig levies to be slashed by 40%

At her offices in Copenhagen Anne Birgitte Lundholt, Managing Director of Danske Slagterier, confirmed to *Whole Hog* (8 May) that the Danish pig farmers' levies that pay for research, promotion and other joint industry activities would

be reduced from 9.75 DKr per pig to 5.75 DKr per pig (US\$1.49 and US\$0.87 respectively).

This will take effect from the new marketing year beginning October 2003. Mrs Lundholt said that Danske Slagterier was

able to make this reduction as a result of the successful conclusion of the genome project in China and other rationalisations of DS activities that had been agreed after consultation with the industry's partners. Nevertheless,

overall levels of R & D would stay the same although marketing efforts would be reduced slightly. At the beginning of 2003 DS agreed a staff reduction programme that resulted in 17 job losses (out of a total of c. 400).



Irish pig herd continues to decline

One profitable year out of the last five has not been enough to halt the decline in the Irish sow herd.

The deeply depressed prices of 1998 and 1999 did not cause an immediate contraction in sow numbers. But the continuing poor returns, with the exception of 2001, have begun to take their toll. This has been most obvious since mid-2002.

Every two years, Teagasc pig advisers do an accurate survey of all commercial pig units in the country. This monitors changes in herd structure and distribution and provides reliable data for planning future strategy.

The main changes and trends which have taken place since January 2001 are: Sow numbers have declined by 5,740 (-3.5%) to about 160,000. The number of commercial pig units has declined by a further 8% to 510 farms. The decline in pig units was almost exclusively confined

Walsh publishes updated Irish FMD

The Minister for Agriculture and Food, Mr Joe Walsh TD, published (28 April) a detailed Contingency Plan and Operations Manual for the handling of any future FMD outbreak.

Minister Walsh said that publication of the Plan and Manual is the product of an in-depth review by his Department, with the involvement of other relevant agencies, of its management of the 2001 FMD emergency.

"The FMD crisis of 2001 was a most significant event, from a variety of perspectives," the Minister said. "The threat posed by the disease held open the prospect of real and substantial economic damage, not alone in agriculture but across a number of sectors, with attendant social consequences throughout the country. That is why at the very outset we made it clear that FMD had the potential to adversely affect directly or indirectly every man, woman and child in the country and why the measures which we took to meet this threat

to sow units with less than 300 sows, with a decline of 48 units. Only 2.4% of all sows are now found in units of less than 100 sows.

The average herd size in the Republic of Ireland has increased from 355 sows to 383 sows. Integrated breeding and finishing units have an average herd size of 387 sows, while specialised breeding units average 359 sows.

The percentage of sows in integrated units has increased by 1.4% to 86%. A significant number of producers own or lease breeding units and finishing units on separate sites. These are classified as specialised breeding or finishing units. There has been an increase of over 20,000 finishing places (+15%) in specialised finishing units since 2001.

The total sow herd of 160,360 is almost 5,000 sows less than the 165,100 sows estimated by the CSO for December 1, 2002. The current sow numbers are ca-

were swift, comprehensive and robust."

"Successful management of the crisis was characterised from the very outset by a recognition and acceptance by all sections of society of the challenge which we faced and of the potential consequences of failure, and by a sustained commitment by the entire community to winning what we termed 'the battle against FMD'."

Minister Walsh drew attention to the conclusions of a report which his Department had commissioned from the economic consultants, INDECON, and which was published in March, 2002. This found that had Ireland's efforts to prevent the further spread of FMD in 2001 not been successful, the adverse impact on GDP could have reached Euro5.6 billion representing 5.41% of GDP with job losses of up to 12,000.

The Minister said that lessons should be learned from the handling, no matter how successful, of any crisis and this was no less

pable of producing approximately 3.43 million pigs per year or 66,000 pigs per week.

Approximately 150 pig units (ie, less than 275 integrated sow places, less than 650 breeding sow places or less than 2,000 finishing places) may be liable for an IPPC licence under proposed thresholds. Where practical, herd sizes will be reduced to avoid the necessity to obtain an IPPC licence. It is estimated that about 65% of current sows will eventually have an IPPC licence.

There are still 33 units with more than 1,000 sows each carrying a total of 51,915 sows (32% of total sows). There are now 104 units with 500 sows plus, carrying 97,855 sows (61% of total sows).

The increase in specialised finishing places reflects the growth in contract finishing. This facilitates a higher slaughter weight, which has increased by over 3kg since 2000.

contingency plan

so in the case of the 2001 FMD crisis.

"The exercise which we have undertaken has allowed us to examine every aspect of the management of the crisis," the Minister said, "and to consider why we did certain things and whether we might deal with any aspects differently in a future scenario. Most importantly we drew on the experiences which we had collectively gained in 2001. We sought to capture and retain evidently successful elements, improving on them where possible, and sought to fill in any gaps and iron out any wrinkles which might have become apparent in the 2001 operation."

The Minister concluded by saying that the Plan and Manual was now being distributed to all of the relevant Departments and agencies. He said that arrangements will be put in place to ensure that the Plan and Manual are kept up-to-date with the passage of time and in complying with any future EU requirements.

JSR Genetics gets top ratings in German test

Pigs from JSR Genetics partner in Germany, JSR Hybrid Hirschmann, have given the highest margin over feed costs according to results from independent product evaluation tests (23 April).

The tests compared stock from seven different sources. Carcase value of the JSR pigs, after deducting feed costs, was Euro116.06 per pig.

When meat quality was taken into account carcasses from JSR pigs again showed the highest margin. And, after both meat quality and sow performance were considered, JSR still retained the top spot with a margin Euro120.4. JSR pigs performed strongly in all the traits measured and had the highest overall lean meat percentage - at 59% - together with the greatest percentage of lean in one of the most valuable cuts, the ham.

Each test, involving a total of 104 piglets from a minimum of 61 sows and 32 different boars, is designed to determine the true genetic worth of the stock tested. Carried out for a number of years, the 'Warentest' evaluations are conducted and monitored by Landwirtschafts-zentrum Haus Dösse - a research farm in Westphalia-Lippe which is State supported and run by the regional advisory service.

JSR, which has taken part in these tests since 1986, has always performed strongly. "These results are historic and exclusively from genes belonging to the JSR Healthbred company, which was amalgamated with Newsham two years ago," commented Ian Brisby, chief executive officer of JSR Genetics.

"Now we have three brands to manage following the acquisition of the Cotswold Pig Development Company last May. We intend to differentiate ourselves to the extent that the new company is well recognised for its integrity in R & D and quality branded products going forward."



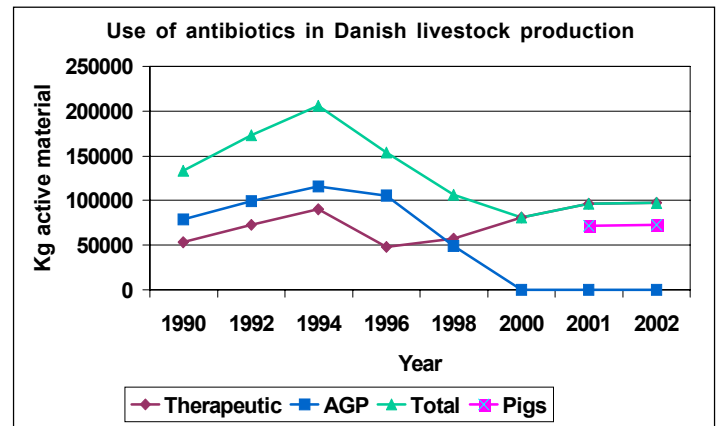
Danish PIGS follow WEFS

When you are talking pigs in Denmark you are also talking WEFS – or Welfare, Environment and Food Safety. Henrik Bækstrøm Lauritsen made all this clear when he described, in great detail in Copenhagen, the specific aspects of the Danish systems of animal welfare, the rules regarding proximity of pig units to residential developments and the operation of slurry disposal/manure contracts, and systems for eradicating salmonella and the use of antibiotics.

Lauritsen is the Quality Assurance Manager at Danske Slagterier and it's his business to know the detail of welfare, environmental and food safety regulations – and how they impact upon pig production. His briefing to *Whole Hog* left no detail untouched on these matters. Revised legislation on animal welfare came into force in January and May this year in Denmark.

The new rules provide for loose housing for sows from 4 weeks after service until 7 days before farrowing. Group housed sows should have cooling systems, rooting materials, and some fibrous feed to give satiety. Similar changes are required for new housing for weaners and finishers from mid 2005.

Environmental considerations play a large part in the Danish pig farmer's day to day decisions. Pig buildings must now be more than 300 metres from any residential dwellings. From August 2002 pig farmers have been required to show that they have a land area sufficient to cope with the pigs they produce; 1 hectare is needed for every; 6 sows and weaners, or 50 finishing pigs, or 245 weaners. They also need to show that they have slurry capacity for one year's production and a signed manure budget and manure account. Effectively, Danish pig farmers have to buy or rent



land if they increase production and this partly explained the rise in land prices and the difficulty of expansion for many Danish farmers.

Food safety is a key driver for the Danish pig industry. The ban on antibiotic growth promoters in Denmark has been followed with interest by other pig producing countries and Lauritsen was able to give an update on its impact. He maintains that there have been relatively few problems arising from the ban on AGPs for finishers. For weaners, Lauritsen admitted that there had been a significant reduction in productivity (c. -6%) and that the use of "treatment antibiotics" had increased. Lauritsen pointed out that the Danish system for checking for residues now involved more than 20,000 samples per year and that no hormone/pesticide/heavy metal residues had ever been found. In 2002 just 5 samples from 23,000 tested posi-

tive for antibiotic residues. Animal drug usage in Denmark is monitored by VetStat – an on-line survey of drugs prescribed by vets introduced two years ago – which all Danish vets have to complete. This system also enables the Danes to obtain early warning of disease outbreaks.

The Danes' salmonella action plan is now in its second phase, according to Lauritsen, and covers feedstuffs, all breeding and multiplier herds, herds that deliver more than 200 finishers per year, and all abattoir slaughter lines. There is also a special slaughter procedure for salmonella infected herds. Meatjuice sampling was used to assess salmonella levels with penalties paid by the farmer when salmonella was detected. Lauritsen claimed that 97% of Danish herds were in Salmonella Level 1 (which equates to no incidence or few positive samples)

Danish legislation for sows and gilts from May 2003

Loose housing from 4 weeks after service until 7 days before expected farrowing

Area:

- 1 - 4 sows/group	2,8 m ² pr. sow
- 5 - 10 sows/group	2,2 m ² pr. sow
- 11 - 17 sows/group	2,0 m ² pr. sow
- > 17 sows/group	2,25 m ² pr. sow
- 1 - 10 gilts	1,9 m ² pr. gilt
- 10 gilts	1,7 m ² pr. gilt

Lying area (solid/drained flooring and litter)

- Sows	1,30 m ² pr. sow
- Gilts	0,95 m ² pr. gilt

All sows from January 1st 2013

Salmonella penalty

Salmonella Level	Penalty paid by the farmer % of carcase value
2	2
3	4
3 (more than 6 months)	6
3 (more than 12 months)	8

Animal units and harmony requirements

Animal units*	Harmony req. ha	Owner req.
120 (3,600 slaughter pigs)	71	25% 18 ha
250 (7,500 slaughter pigs)	147	60% 64 ha
500 (12.000 slaughter pigs)	235	(100%**) 153 ha

* 1 animal unit corresponds to 100 kg nitrogen ex slurry tank

** Owner req. is 100% for that share of the harmony req. exceeding 250 animal units.



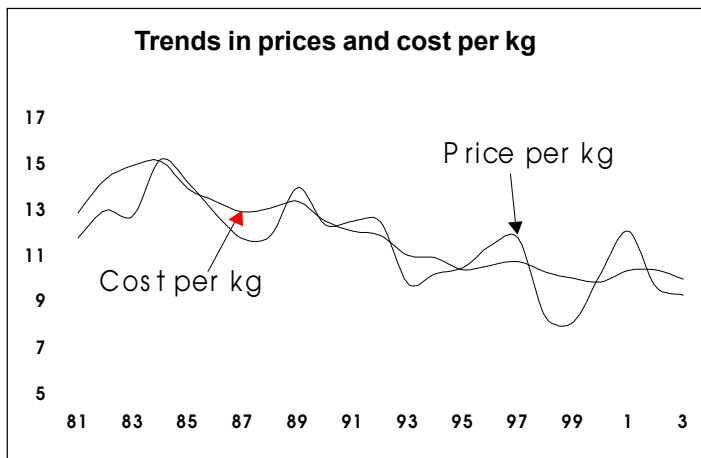
Productivity up: costs down but gloomy outlook

Finn Udesen, senior manager at the National Committee for Pig Production in Denmark, has provided some significant insights into the productivity and profitability of the Danish pig industry in Copenhagen.

His message, in simple terms, is that production costs have trended downwards and productivity has improved markedly. Profits have been more variable

removal of animal fat in feed (+6 DKr per pig) PMWS, and stricter Danish rules on slurry separation, nitrogen application and the link between farmland and pig farm expansion.

In the last 5 years Danish costs of production had fallen for feed, interest and depreciation but had risen for labour. Gross margins and profits for most farmers have exhibited a roller coaster ride

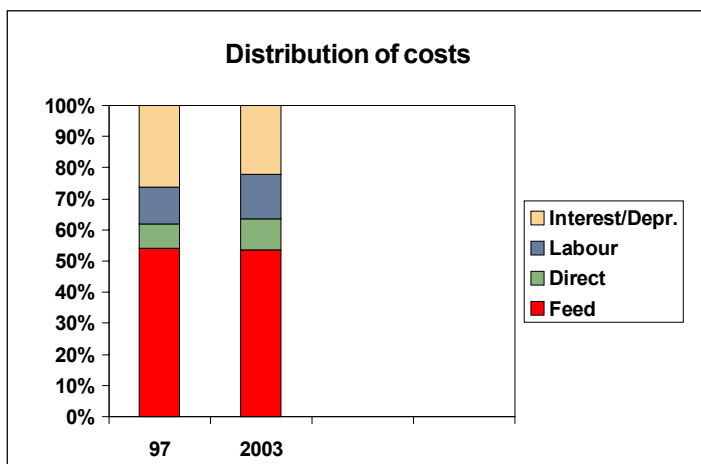


over the long term but have been sufficient to provide the investment that has fostered the increases in productivity. Production costs per kg have fallen by almost 20% in the last 10 years to an estimated 9 DKr per kg in 2003.

However, Udesen forecast that costs were set to rise in the immediate future as a result of new charges for incineration of fallen stock (+5 DKr per pig), an energy green tax (+3.5 DKr per pig),

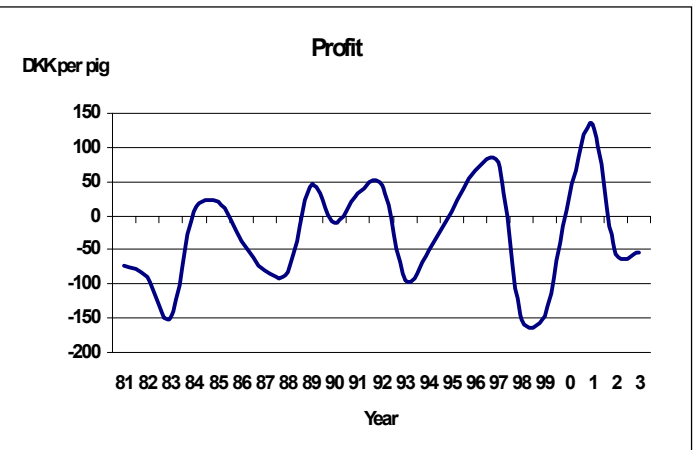
even with the relatively stable weekly pricing and annual bonus systems that are in place in Denmark.

Udesen also predicted that, by 2010 the number of pigs produced in Denmark would rise by c. 9% whilst the number of pig farms would fall by over 40%. The number of full time pig farmers would drop in the next 7 years by almost a half. The big challenge in the future would be to find enough skilled workers for the



Preliminary results for sow units, 2002 (DKK 1000) (25% in each group)

Group	I	II	III	IV
Hectare	112	85	80	115
No of sows	260	229	223	316
No of finishers	1.943	1.532	1.622	2.778
Pigs per year sow	21,6	22,3	22,7	24,7
Gross margin	1.580	1.440	1.478	2.531
Operating costs	1.232	930	881	1.402
Finance costs	693	510	400	545
Result, 2002	-345	0	197	584
Result, 2001	248	590	913	1.666



Danish pig production - 2010

Structural Development	2002	2010
No of pigs produced, (m.)	24.0	26.2
No of pig farms	11.700	7.000
Distribution of farms:		
Sows/piglets	1.250	1.200
Sows/finishers	5.200	2.000
Piglets/finishers	5.250	3.300
Herds of more than 500 sows	450	1000
Fulltime farmers	6.200	3.200
Part-time farmers	5.500	3.800

industry. Udesen drew attention to the imbalance between current weaner prices in Denmark with weaners being sold to Germany at prices almost 10% higher than those sold (on contract) in Denmark. German customers are paying c. 350 DKr per 30Kg weaner.

In Udesen's view this gap of c.40 DKr for Danish weaners exported to Germany was not sustainable.

Udesen told *Whole Hog* that too many Danish farmers were not achieving target performance for their key productivity indicators. Even so, the 2002 results show that producers in the lowest quartile achieved 22 pigs per sow per year. And that it was only this group that actually traded at a loss. The top quartile obtained nearly 25 pigs per sow per year and a gross margin of 2500 DKr per sow (US\$380).



Farmers want quality product and quality of life

Whole Hog was able to talk to a selection of Danish pig farmers in the offices of Danske Slagterier in Copenhagen and on a farm in Jutland in early May. The commitment of these farmers was very obvious but it was not single-minded. Everything they said made it clear that this sample of Danish pig farmers wanted to produce a quality product AND wanted to have a good quality of life for themselves and their families. These extracts from *Whole Hog's* conversations with the Danes illustrate the style and the substance of the Danish pig farming community.



Jutland is in the western part of Denmark, and Zealand is in the eastern part.



Soren Bak has been a pig farmer since 1980 in south west Jutland and began organic production in 1989. He is very active in the Organic Pig Producers Association. The biggest problem he has is the lack of a clear definition of "organic". In Germany and the Netherlands, for example, the organic label is allowed on meat after four months of organic feeding. He has 80 sows and finishes c. 1600 pigs each year. He operates on 51 hectares of farmland. He believes that his system offers better welfare for his pigs and for himself and his family. Whilst he admits that he makes less money from organic pig production he knows that he has more fun.

Bertel Hestberg is a 35 year old pig farmer who looks like he does fitness training with an Olympic

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athletics team. He has three children and has been farming since 1995 but the farm has been in the family for 13 generations. Not only is Bertel a fit man but he is running probably the largest outdoor sow unit in Denmark - and he never stops smiling. He is in partnership with Bo Larsen and has 1050 sows in their unit in Jutland. The farm produces 25,000 weaners (8-35kg), 5000 finishers and 1700 pigs to 8kg. Outdoor production was the reason that Bertel got into pig farming and, although he believes that it is more expensive than conventional sow units he is firmly committed to it. Disarmingly, he acknowledges that his key performance measure of 26 weaners reared per sow per year is not as high as it could be but



Carl Bruun had an unusual, but very professional, introduction to pig farming. After a spell work-



ing in the US Embassy in Copenhagen he threw away his collar and tie and started pig production in 1992. His farm dates back to the 13th century but there is nothing mediaeval about his approach to making money from pigs. Bruun describes himself as a traditional producer and he runs a 400 sow unit in Zealand which produces 10,000 piglets per year. His farming practices emphasise good record keeping and management systems and his biggest investments in the last few years have been in a finishing house and manure treatment system. His biggest challenge is to recruit skilled staff and to be able to pay the required wages and salaries. He currently expects to pay a salary of c. £30,000 for a pig manager - and to provide him with six weeks annual holiday and a house.

he regards making a business where everyone enjoys working to be more important than money. His keywords are "fun, enjoyment and, the complete life".



Lars and Jacob Valle are a father and son team farming in Zealand who have made a major investment in pig farming in the last five years. Currently they are achieving 26 weaners reared per sow per year and selling all weaners at 30kg. They have 340 hectares of land and have increased their herd size from 350 to 650 sows, built a new weaner unit for 3000 weaners, created a new service unit and fully restored a farrowing unit. Last, but by no means least, Jacob bought a 70 hectare farm in January 2003 for 11 million DKr (c. £1 million). It's on this farm that they will pro-

duce c. 9,000 finishers each year. The Valle operation is one of the "UK contract" pig farms in Denmark which is approved for production of pigs suitable to meet the particular welfare standards of the UK market. Lars and Jacob are paid an extra 3-4 pence (5-6 Us cents) per kg to compensate for the higher costs of production to meet the UK contract conditions. Lars, with some understatement, told *Whole Hog* that, "running a modern pig farm is a major challenge". He also emphasised their plans for future investment in their farms and their "quality of life".



It's life, Jim, but not as we know it

Is it a hotel? Is it a leisure centre? Is it a bowling alley? No, but it is the last word in luxury for sows and for the workers at Holmsland in Jutland. Farmer Asger Krogsgaard built this 684 sow unit in 2002 at a cost of £860 per pig place and he is keen to demonstrate his commitment to a better quality of life for animals and his employees.



The new unit is part of an expansion plan for Krogsgaard that takes his total sows from 650 to over 1100 and he now needs 260 hectares of farmland + a 100 hectare manure contract to comply with Danish rules on manure disposal. There are 3.5 employees on this farm (dealing with the 100 sows) and the farm is currently operating an exchange worker system with a British pig farm (one of Meryl Ward's employees from Lincolnshire has just completing a two week stay at Holmsland). Weaners are reared to their selling weight of 30 kg at a separate unit and sold to 5 separate finisher herds in the locality. Over 500 weaners are sold each week. Krogsgaard's aim is to achieve a target of 28 weaners reared per sow.

The unit is quite unlike any other pig unit that *Whole Hog* has seen before. For a start it had floor to ceiling windows at several points along its length and



more glass at each gable end. The walls were constructed from high quality mustard-coloured brick and the apex ceiling height was over 10 metres. The light and height combined to give a very open, airy feel to the unit. From the roadway the unit could be mistaken for a hotel for the summer tourist trade in Jutland and, inside, it would be easy to see how the floor space could be converted to Danish skittles or a full scale ten lane bowling alley. But such diversification plans don't

seem to be on Krogsgaard's mind - or his workers. It was clear that everyone was very pleased to be working in this environment - and that the sows were comfortable in their free access pens and walking areas.

All sows are on wet feed and on a free access pen system for feeding and sleeping. An under-floor scraping system moves slurry to a lagoon via a pumping system. The "social area" behind the pens allows sows to move around whilst still withdrawing to

a private pen when they wish. Krogsgaard's view of animal behaviour is that sows want this arrangement and that the new barn's design had reduced the sow fighting he had seen with loose housing systems. In fact, he had experienced no losses from aggressive sow behaviour in the new unit. Is this the future? Well, Krogsgaard thinks so and his workers agree. It's hard not to be impressed - but it's clearly not life as we know it in most pig units.





Study highlights COOL's disruptive trade potential

A joint Canada-US study has shown that the US country of origin labelling law has the potential to dramatically shift the manner in which hogs are produced in North America.

One of the main concerns with the introduction of mandatory country of origin labelling is its potential to disrupt the flow of Canadian weaner and feeder pigs into the US.

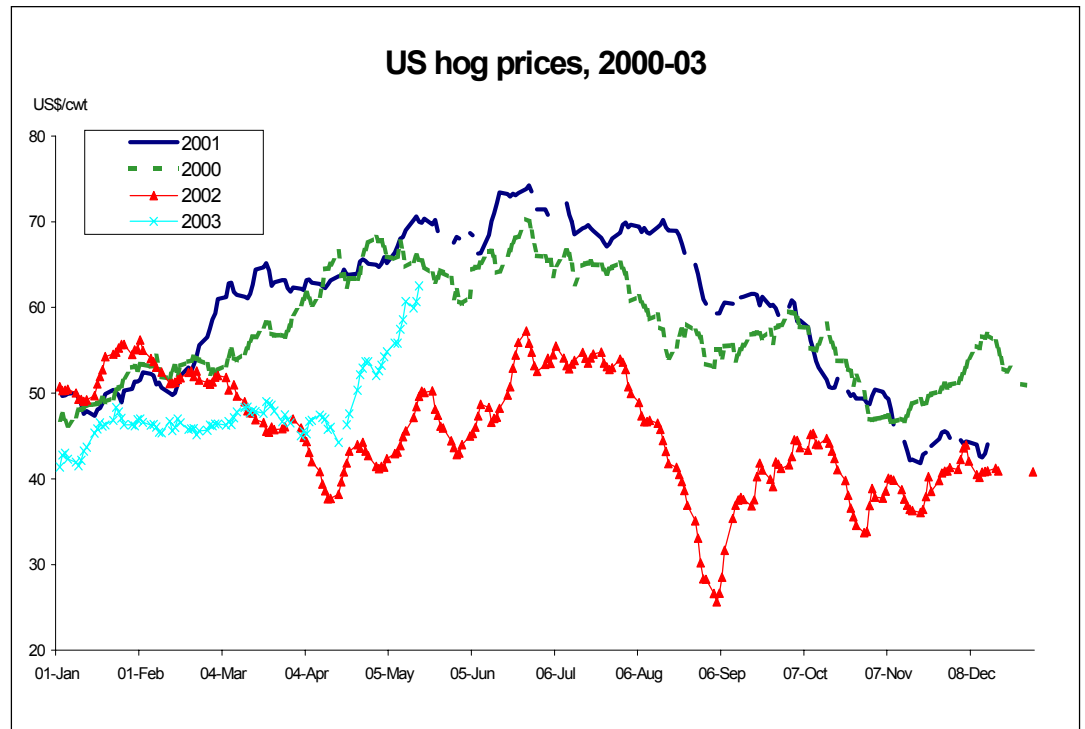
A study conducted by the George Morris Centre in partnership with Virginia Tech University explored the impact disrupting the flow of some six million Canadian pig south would have on the US industry.

George Morris Centre Senior Market Analyst Kevin Grier says Canada, particularly Manitoba and Ontario, is a very effective producer of weaner pigs and in Iowa they are very effective finishers so pigs go south for rational economic reasons.

"In a nutshell, what country of origin labelling will do, if it restricts the flow of pigs going south, it will jeopardise the livelihoods of at least one thousand typical US producers. It will increase the production from the large integrated operations. A handful of the large pork powerhouses so to speak would end up replacing a thousand or more independent producers. If six million pigs don't go south then there's going to be a loss of packing capacity in the United States and it will jeopardize about four or five plants. After that it will also result in lower prices than there would have been without country of origin labelling."

Grier said, as the large integrated operators move in to fill the void in weaner pig production in the US and Canada expands finisher barn capacity to accommodate the weaner pigs no longer moving south, total North American pork production can be expected to increase. He expects a net increase of about four million pigs after three years or so.

US pork profits "may return by the summer"



Kansas State University agricultural economist Rodney Jones said (8 May) that after a grueling several months of losses, US pork producers' returns may turn positive by this summer.

After losses of about US\$2 per pig on hogs leaving Kansas segregated early weaning nursery-to-finishing barns in February, losses deepened even further to around US\$5 to US\$10 in March and April, says Jones.

The economist expects hog

prices to recover in the next few months - possibly enough to generate modest positive returns by mid-summer.

"Break-even prices to cover total costs will increase to near the mid US\$40s on a live basis," he said. "However, average cash hog prices are projected to increase to levels slightly above those break-evens."

Jones also said that average farrow-to-finish producers can cover variable costs in the mid-US\$30s, but that they need

prices near the mid-US\$40s to cover all costs of production.

"Current cash equivalent prices are barely covering out-of-pocket costs, and have not generated enough revenue to facilitate equipment replacement and other costs for several months," Jones said. "The situation is similar for the average weaned pig producer. Pig transfer prices are barely covering variable costs of production, with fixed costs being absorbed by producer equity."

US packing companies demand proof of origin

US processing companies are imposing new record-keeping requirements on livestock producers to bring them into line with the controversial COOL labelling law that requires meat and produce to be labelled with their country of origin.

The processors are warning producers that their meat won't be allowed in supermarkets if they don't have proper documentation. Groups that back the law say packers are trying to undermine support for the labelling and

have asked the U.S. Department of Agriculture to investigate.

IBP, a unit of Tyson Foods, and Swift & Co. notified producers over the past two months that they needed to start documenting the origin of their livestock.

Hormel warned producers that it will require the records, but did not set a starting date. Producers were told they will have to get an independent firm to verify record accuracy.

Steve Cady, executive director of the Organization for Competi-

tive Markets, which backs the law, said (5 May) it's too early for packers to tell producers what they will have to do to comply because the USDA hasn't finalised its rules.

His group and another organisation called Ranchers-Cattlemen Action Legal Fund, United Stockgrowers of America have complained to the USDA that packers are misleading producers.



CPC launches Greenhouse Gas Initiative

The Canadian Pork Council has kicked off (9 May) an initiative which will establish sites across Canada to demonstrate how farmers can minimise greenhouse gas emissions.

The demonstration project is part of a greenhouse gas mitigation program for Canadian agriculture announced by the federal government in April 2002.

Canadian Pork Council Greenhouse Gas Mitigation Coordinator Cedric MacLeod said demonstration farms are being set up across Canada, many on existing research sites.

"In the prairie provinces we have several successful proponents. Alberta Pork, in association with the Alberta Taking

Charge Team and reduced tillage linkages are going to be setting up four to six demonstration sites dealing specifically with hog manure management. The same kind of idea in Saskatchewan involves the Prairie Agricultural Machinery Institute".

"They're going to have a total nine different demonstration sites set up in association with existing extension sites that are generally managed by either Ag Canada or the government of Saskatchewan".

"In Manitoba we have a few that are being established in association with DGH Engineering and one with the University of Manitoba. Actually they're using hog manure to fertilize cattle pas-

tures so that's a project we're pretty excited about."

"The ones with DGH engineering will be demonstrating barn design issues or some BMPs, beneficial management practices, that we think have the potential to reduce ammonia emissions, to reduce energy usage in the barn and to be a little more efficient with the water in our barns and reducing the total volume of manure that has to be handled."

The demonstration sites are being set up now and MacLeod said a series producer field days is planned for this summer where producers can look at the various systems and management practices they can use to reduce greenhouse gas emissions.

US meat companies slow to use irradiation says USDA

Irradiation is the single most effective tool in killing food-borne pathogens, but the cost of installing irradiation equipment at meat plants has so far prevented its widespread use, said Elsa Murano, the US government's food safety adviser (6 May).

"I think it is more cost-effective for there to be a central irradiation location that they (meat plants) can send the product to," said Murano, the US Agriculture Department's undersecretary for food safety.

"Cost-effectiveness is very important to them right now," said Murano on the sidelines of the First World Congress on Food Irradiation in Chicago.

Pathogens are types of bacte-

ria or fungus that cause illness, and several prominent recalls of tainted meat products have increased public awareness of the need for safer food.

Irradiated meat is available in stores, but sales have been slow. Meat industry sources estimate less than 5% of meat is irradiated.

"It has just recently come on line," said Janet Riley, spokeswoman for the American Meat Institute. "There really hasn't been any major consumer education for it."

As a result, major meat companies have preferred to irradiate the small quantities of meat off site rather than spending the money to install bulk treatment facilities at their plants.

The Food and Drug Administration will help educate farmers and ranchers through EQIP this fiscal year.

Two other soil and water stewardship programs were "now at the delivery stage," Knight said - the new Grasslands Reserve and the Farm and Ranch Lands Protection Program.

EQIP, created in 1996, is the largest of the three and has a backlog of requests for US\$1.6 billion in assistance.

Congress decided last year to allow large feedlots to participate

and USDA have approved irradiation for ground beef, chicken, and pork, as well as fruits and vegetables, herbs, spices and wheat flour.

"Irradiation is so effective as a single step that to accomplish the same thing you would have to have several technologies that we have now to reduce pathogens," Murano said.

While effective at killing contaminants, Murano said irradiation is not a substitute for good sanitation and proper cooking and handling.

Irradiation is endorsed by the World Health Organization, and Congress has directed USDA to allow the use of irradiated meat in the school lunch program.

USDA sets cap on EQIP contract aid

The US Agriculture Department will set a US\$450,000 limit per contract so it can fund more work to control manure and farm runoff, said the head of the Natural Resources Conservation Service (14 May).

NRCS Chief Bruce Knight said that revised rules for the Environmental Quality Incentives Program should be published within weeks. USDA will provide up to US\$587 million in cost-sharing money and expert advice to

in the program but also put a \$450,000 limit on how much assistance an individual could collect through 2008.

Knight said NRCS will limit its cost-share on a project to \$450,000 "to assist in rationing the money." There will be multiple reviews of requests for large amounts of aid.

Some lawmakers have expressed concern that mammoth "factory farms" with thousands of animals would hog EQIP funds.

CPC plans pork traceability studies

The Canadian Pork Council is planning (7 May) pilot studies aimed at developing a system for tracking hogs through the production and processing chain.

Identification and traceability has emerged as a key issue for Canadian pork producers. Canadian Pork Council Hog Production Analyst Eric Aubin said a number of identification and traceability means being used in other countries have been examined but it's uncertain whether these experiences can be transferred to Canadian conditions.

"The pork producers are exploring the possibility of conducting pilot studies where identification means and traceability means would be tested for their cost in terms of infrastructure and labour, in terms of effectiveness and in terms of retention and readability of the tags".

"We have identified permanent identification means that can be applicable for swine. When the hogs are leaving the farrowing site, we've identified two systems that could work. One is the manual ear tattoo and one is a visual tag. When they leave the nursery, we're going to look at a visual tag also an automatic shoulder tattoo and a shoulder slap tattoo.

"These are the three that we have identified when they exit the nursery. When they leave the grower finisher site we're going to look at the shoulder slap tattoo. We're also going to look at two electronic identification means, one being half duplex and the other being full duplex, which the hogs could keep for their entire life."

Aubin said the hope is to begin these pilot studies in the autumn. He estimates the studies will require the participation of about 36 farms and three or four slaughterhouses.



Co-op opens Illinois pork plant

Meadowbrooke Farms Co-Operative have opened (6 May) a new pork processing plant in Rantoul, Illinois

Almost 200 independent family farmers are involved in the co-op, said Jim Burke, Co-op CEO. Most farmers in the co-op live in Illinois, although he said a few members live in Wisconsin, Iowa and Indiana.

"Any definition you can think of to describe family farmers, we have," said Ron Ness, a co-op board director.

Burke, who is also an attorney, became involved in the co-op project when his clients in the swine industry started going out of business because of the bad market situation.

"I wanted to salvage some of that client base, so we initially looked at this with a marketing approach," Burke said.

Initially, two groups of farmers, one in southern Illinois and one in northern Illinois, tried to organize separate co-ops. However, the two groups came together to form one co-op because of financial reasons.

"Farmers have always been independent because they like to be independent, but (the price drop) really forced us to come together," Ness said.

He said initial planning for the

co-op started in 1998. Co-op members also asked University professors such as animal sciences professor Floyd McKeith for advice when developing the plant.

McKeith said members came to him for help early on in the planning of the plant to ask him questions like what kind of stunner should be used in the plant and to discuss the types of technologies available at the time.

"I've been in a lot of facilities around the world and I have a pretty good understanding of what it takes to run a plant from start to finish," McKeith said.

The purpose of the co-op for the farmers involved is to keep their hog prices consistent with store prices, said Dan Koster, a farmer and co-op member.

"We're trying to get closer to retail prices to stay in business," Koster said.

Plant cleanliness and modern machinery will give the plant an advantage over older plants, Ness said.

Koster said the plant is made almost entirely from stainless steel materials, which do not rust as easily as other metals. Cleanliness and health standards will be higher and more efficient than plants built before this option was available, he said. Koster said bacteria will not be able to breed in

cracks in the walls or machinery.

The plant also will rely on machinery to perform many jobs humans would normally be hired to do. For example, Ness said plants have difficulty finding a human worker who will split a hog's carcass down its belly all day long, so it is easier for a robot to perform the task.

The co-op plans to hire about 200 workers including administrators and plant workers, and will only operate during one shift of each day when it first opens.

Ness said the board chose Rantoul from a preliminary list of about 35 towns in Illinois interested in having the plant built in their communities. He said Rantoul's immediate access to two major highways helped them choose the location.

Koster said the co-op idea was well-received by the community. The board took concerned residents to a successful meat-processing plant in Pennsylvania, which quelled most of their concerns, Ness said.

Gary Adams, Rantoul city manager, said the plant will add considerably to the Rantoul tax base, which will benefit the community.

"I think it's definitely a good thing; our (Rantoul Village Board) worked hard to bring it to our community," he said.

Green groups oppose exemption for US factory farms

US Federal regulators should reject any proposals that would exempt huge "factory farms" feeding thousands of animals at a time from air pollution rules, six environmental groups said on 5 May.

The groups wrote to the Environmental Protection Agency one month after state and local air pollution officials voiced similar objections. The environmentalists said a decision was expected soon.

"We oppose any and all efforts to remove CAFOS (concentrated animal feeding operations) from the Clean Air Act's permit programs and to grant 'safe harbor' to CAFOS for violations of federal law," the groups said in a letter to assistant EPA administrator Jeffrey Holmstead.

According to the groups, meat industry groups have proposed a plan to EPA in which large feedlots would agree to fund a program to collect data on air emissions from their operations in exchange for shelter from a number of air pollution rules.

State and local air pollution officials said the exemption under discussion was too broad and might excuse the industry from having to take new steps to control emissions. They also said EPA was considering a ruling that emissions from livestock barns and manure lagoons were "fugitive" emissions not covered by air pollution laws.

The environmental groups said CAFOs, which can hold 1,000 head of cattle, 2,500 hogs or 30,000 chickens, "present a widespread, severe air quality problem, both to neighboring residents and impacted airsheds."

Late last year, the Bush administration issued rules that require 15,500 CAFOs to control manure runoff that causes water pollution. The cost of those rules was estimated at US\$335 million a year.

US pigmeat imports grow 4.2% year-on-year

US pork imports during February 2003 totalled 41,241 MT, 4.2% higher than the previous month and 19.8% higher than February 2002.

Out of the total pork imports, 22,971 MT were fresh, chilled pork, all of which originated from Canada. Although this was down 3.7 % from January, it was up

13.4% from February 2002.

Meanwhile, frozen pork imports totalled 9,783 MT, up 20.8% from the previous month and 39.8% from February 2002. Total pork imports from Canada, the largest supplier of pork to the US, fell slightly from the previous month, totalling 33,410 MT. Nonetheless, total

year-to-date pork imports from Canada equalled 67,157 MT, 19.2 % higher than last year, representing the growing integration between the US and Canada.

Overall, US pork imports for the year-to-date totalled 80,821 MT, which was up 21% from the corresponding period a year ago.

The next issue of Whole Hog will be available on 2 June 2003



Sadia posts massive rise in 1Qtr income

Brazil's biggest meat producer, Sadia, has reported (7 May) soaring profits in the first quarter but warned that the company's performance would not be as strong in the second quarter.

Higher prices and increased exports helped push up first-quarter sales and earnings, but costs linked to the high value of the dollar as well as stagnant prices on the domestic market are likely to make second-quarter conditions much more difficult.

"We're not forecasting blue skies," chief financial officer Luiz Gonzaga Murat was quoted by Dow Jones International News as saying. "The second quarter will be the worst in several years," he added.

In terms of net revenue, exports rose 74% to 649m reais (US\$218m) in the first quarter, helping total net revenue to increase 41% to 1.38bn reais. Net income jumped 207% to 85.9m reais.

Smithfield Foods plans private offering
Smithfield Foods, Inc. has announced (12 May) that it plans a private offering of US\$250m aggregate principal amount of its senior unsecured notes due 2013.

If the offering is completed, the company plans to apply the proceeds initially to repay indebtedness under its US revolving credit agreement, then to continue its program of expanding its processed meats business.

George Weston posts higher 1 Qtr earnings
Canadian food processor and distributor, George Weston, has reported (7 May) higher first-quarter profits, helped by a better performance by its grocery chain Loblaw.

The company reported earnings of C\$134m (US\$95.9m), or 96 cents a share, for the first quarter to late March, compared with C\$108m, or 79 cents a share, in the year-ago period.

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Farmland says meat businesses have attracted no suitable suitors

Bankrupt US farmers co-op, Farmland Industries has not received an offer for its meat businesses that it or its creditors believes is worth pursuing, a bankruptcy judge was told on 13 May.

Creditors would get more of their claims paid if the company reorganised its business around Farmland's beef and pork businesses, Larry Frazen, Farmland's lead bankruptcy attorney, told Bankruptcy Judge Jerry Venters.

"We have received offers and analysed offers, and we have no offer that would bring the same value that a reorganisation would bring," Frazen said.

Smithfield Foods had stated publicly that it wants to buy Farmland's meat businesses. Farmland officials have declined to name other companies that have expressed interest, although Excel Corp. and Swift & Co. have been mentioned in testimony.

"The situation is dynamic, and negotiations are ongoing, but at this point we don't have an offer worth pursuing," Frazen said.

Michael Small, an attorney for bondholders owed about US\$585 million, agreed with

Frazen that offers had fallen short of expectations.

Farmland filed on 31 May for bankruptcy court protection. In its most recent securities filing, Farmland listed assets of US\$1.8 billion and liabilities of US\$1.8 billion. That includes some businesses, such as its beef business, that are not part of the bankruptcy. Farmland listed assets of US\$1.4 billion and liabilities of US\$1.4 billion for the operations included in the bankruptcy.

Farmland's management proposes to sell all of the company's other assets and reorganise around the meat business. Unsecured creditors would be repaid from profits of that business.

Farmland's plan was scheduled to be filed Tuesday with the court, but it still is being evaluated by the company's banks and creditors, Frazen said. The company wants to offer a plan that will be acceptable to everyone and needs until the end of the month to work through a few issues, Frazen said.

By the end of May, Farmland will have closed a deal valued at US\$293 million to sell its fertiliser business to Koch Nitrogen

of Wichita, Frazen said. That money is pledged to its banks.

Farmland has raised about US\$42.3 million through the sale of other assets, company officials said. That money also will all go toward paying off Farmland's bank debt. By the end of June, Farmland will have paid down its debt to its banks to less than US\$30 million from the US\$430 million lent when Farmland filed for bankruptcy last 31 May.

"We think our choices will be more clear in a couple of weeks," Frazen said.

Venters granted the extension. Frazen also told the judge that the Justice Department had asked the company for information in light of the possibility of selling its meat business to a competitor. The requests are routine to evaluate a possible deal for antitrust issues.

A law firm specialising in anti-trust matters was hired to help Farmland answer the initial inquiries, but won't be needed further if a better offer for the meat business isn't made, Frazen said.

"They don't need to evaluate an offer, because we don't have an offer," Frazen said.

Smithfield launches redesigned website

Smithfield Foods, Inc., has launched (29 April) a redesigned corporate website at www.smithfieldfoods.com.

"We've grown dramatically over the past few years and are now a company with US\$8 billion in annual sales," said president Larry Pope. "Our new website reflects the changes that have taken place within the company as well as in today's business environment. Aside from being the largest US pork processor, we have become the world's largest hog producer and an important player in beef. Branded

products also account for a much larger percentage of sales. Visitors will find much more information based on these developments."

Joseph W. Luter, IV, executive

vice president, said that, consumers and food retailers will appreciate the expanded brand and product listings for each of the company's 17 US and international subsidiaries.

Chicago and Amsterdam pig futures information is available from:

www.cme.com

www.aex.nl



Danpork's Australian expansion in doubt

The Australian Government's ambitions for an expanding pork export industry may be in doubt after revelations that Danpork's parent companies, Elenium and Euphron Pty Ltd, have been placed in voluntary liquidation.

Elenium operates piggeries in Scone NSW and Warwick in Queensland. High feed prices and lower prices have been key issues in the liquidation decision but the withdrawal of support

from a Taiwanese company is believed to have been the crucial factor. Administrator Max Prentice said that, "We will continue trading in the short term because we're dealing with 38,000 pigs. But it's doubtful whether we can reconstruct the company bearing in mind that it's been trading for some time, making quite heavy losses."

Danpork Australia Ltd had plans for a 10,000 sow piggery and processing project at Pratton

in Queensland. Estimated to be costing c. US\$50 million, this project would have been a flagship for pork export marketing in Australia. Originally announced at the end of 1999 the Danpork investment in Toowoomba (in the Darling Downs Queensland) was claimed to be the most technically advanced production and processing facility in the southern hemisphere with a capacity of one million pigs per year.

Australia to join US against EU GMO ban

The Australian Federal government is gearing up for a fight with the European Union, over Europe's moratorium on genetically modified crop imports.

Trade Minister Mark Vaile has confirmed (15 May) Australia will join the United States, which is taking action in the World Trade Organisation against the EU.

Thai pig farmers join chemical-free project to boost consumption

Thai pig farmers have applauded (14 May) the Thai government's effort to make local and export food free of chemicals by the end of this year and expect the scheme to help raise local consumption of pork.

About 95% of pig farmers had agreed to co-operate by refraining from using chemicals to red-dened meat in order to attract consumers, according to Noplit Sermsaksasitorn, president of the Swine Raisers Association of Thailand.

"Only a few are reluctant to join the scheme, fearing pale meat won't attract customers and will fetch lower prices," he said

However, he said it was the

duty of the government and the association to educate farmers about hazardous residues in meat ahead of 2004, which the government has declared the Year of Food Safety.

To achieve the goal, the Agriculture Ministry will check farms and abattoirs and close those that used banned chemicals. So far, chemical residues have been found in the meat at 20 farms, which have been prohibited from sending pigs to abattoirs until the results of the tests become negative.

There are more than 30,000 pig farmers in Thailand. About 700 are medium-sized and large operators who control about 60% of total annual production of

about 10 million pigs.

The association expects its new programme to discourage the use of beta-agonists in raising pigs and consequently improve confidence among consumers.

It is expected that the scheme will also help raise pig output by about 5% from 10 million pigs last year, of which 97% are consumed locally and the rest exported.

Prices of local pigs have improved slightly since the programme was launched last month, to 38 baht from 36 baht a kilogramme for live pigs, up from 20-22 baht last year.

Revenue from exports is estimated to increase to 1.6 billion baht this year, from 1.4 billion last year. The industry exports proc-

essed meat, fresh and chilled pork mainly to Hong Kong, China, Brunei and Macau. The outbreak of SARS has had no impact on the export market, said Mr Noplit.

Singapore was another potential market for Thai pork but the city state required the meat to be free from foot-and-mouth disease, which had damaged local farms in some areas, said Mr Noplit. However, the Livestock Development Department has set up foot-and-mouth disease-free zones in seven provinces: Chon Buri, Rayong, Trat, Samut Prakan, Chachoengsao, Prachin Buri and Chanthaburi. The project will last five years, starting from early next year.

Vietnamese pork exports fall 32% year-on-year

Vietnam exported only 2,000 tons of pork in the first four months of this year, a decline of 32% on-year, according to the latest figures released by the Ministry of Agriculture and Rural Development (14 May).

The State-run Vietnam Husbandry Corporation, one of the country's biggest pork exporters, was able to ship only 300,000 tons abroad during the period. The corporation is expected to be unable to fulfil its target of exporting 14,000 tons by the year-end.

Uncompetitive price and quality were said to be the major fac-

tors in the huge tumble in Vietnam's pork exports during recent months, the Ministry said.

Vietnamese pork exported to Hong Kong and Russia, the two biggest customers of the country, was around US\$1,600-1,700 per ton, much higher than Chinese and Brazilian products, which mostly sold at only US\$1,200-1,500 per ton and US\$850-900 per ton respectively, according to the Husbandry Corporation.

The corporation also forecasts that Vietnam will ship around 10,000 tons of pork to Hong Kong this year, a significant decrease from 14,000 tons in 2002.

Shipment to the Russian market will also face more severe competition in the coming time if the price remains high, it said.

One of the main reasons for country's pork products being less competitive compared with international rivals is high production costs, mostly because of the cost of importing raw materials to produce pig feed.

Feed now accounts for 70-75% of the pig raising industry's production costs. But most husbandry bases throughout the country must import feed and raw materials because of shortage of domestic supplies.

Farmers nationwide are able to supply only 600,000 tons of corn to pig raisers, meeting only 37.5% of the total demand of 1.6 million tons.

The country spent US\$218 million on importing a total of over 900,000 tons of animal feed and raw materials last year, of which soybean, corn and fish powder accounted for 10-40%.

Vietnamese pigs have 35.4-42.6% of lean meat, significantly lower than the 55% recorded in other countries. The country has over 17.5 million pigs providing around 1.3 million tons of meat each year.



People's Food reports 25% rise in 1st Qtr profits

Chinese meat producer People's Food Holdings has reported (12 May) a 25% rise in first-quarter net profit and has reiterated its forecast that second-quarter results would be hit by the SARS outbreak in China (see *Whole Hog* issue 86).

The company reported net profit of 220.4m yuan (US\$26.6m) for the quarter, compared to 176.3m yuan in the year-ago period. First-quarter revenue was up 29% to 1.4bn yuan on high demand for fresh pork.

Oz pigs to help fight SARS

Strains of the Severe Acute Respiratory Syndrome (SARS) could be imported into Australia and injected into pigs, chickens and cats, to help find out where SARS comes from.

The Australian Animal Health Laboratory at Geelong has been approached by the World Health Organisation to do the research, but permission still needs to be given by the Australian government.

Laboratory director Martin Jeggo says viruses similar to SARS have been found in other species, including pigs, chickens and cats. But he says this doesn't mean the virus exists in livestock and shouldn't concern farmers. "The question is where did this SARS virus come from. And a number of the recent human infections some of them have been linked to infections in other species. You may well be aware of the infection that occurred in Malaysia called Nippah virus and that was found to have originated in pigs. But I would state straight away that we have absolutely no evidence that this virus even can survive in animals, let alone provide an infectious link from the animal to the human, there's no evidence of this at the moment, but something that in the longer term would need to be ruled out."

Pig production slows in China

Official Chinese statistics (released 14 May) show that for the past two years, growth in production of live pigs in China has slowed down.

Number of pigs in stock has been stagnant. From Jan 2001 to Dec 2002, out of the total eight quarters, statistics from the major producing regions showed 3 quarters of marginal increase and 5 quarters of marginal declines in pig numbers.

For the first quarter of 2003, the production of live pigs remained steady and the forecast for pork production and sales in the second quarter is seen as balanced.

For the month of Feb 2003, statistical data from the nine major producing provinces showed a total of 170,146,000 million pigs in the nine provinces, a marginal decline of 0.32% compared to the same period last year:

The number of live pigs in the first cluster of Hebei, Shandong, Henan provinces rose marginally by 0.19% to 48,227,500 head.

The number of live pigs in the second cluster of Jiangsu, Zhejiang, Anhui provinces fell by

2.02% to 36,775,000 head.

The number of live pigs in the third cluster of Sichuan, Shaanxi and Hunan rose marginally by 0.15% to 85,141,000 head.

Of the total, there were 14,028,200 sows, 34,315,900 weaning pigs and 121,801,900 fatteners.

Feed conversion ratio was reported to be on the low side. From the seven major producing regions where price comparisons were possible, the ratio during the period under review was 1:5.7 for procurement price of live pig and the selling price of corn. However, as prices of pigs have improved since April, the feed conversion ratio is currently around 1:5.5.

The report identified a number of causes for the decline in the growth rate including mass migration of farm labourers. Official statistics from Anhui province showed that 8 million people left the province to work elsewhere. This figure constitute one-sixth of the farming population.

Production by individual farmer household has been declining in the economically developed re-

gions of southern China. According to a survey in Zhejiang province, only 14,345 households were rearing pigs out of a sample population of 208,900 farming households in 640 villages spread over 16 provincial counties (cities). It represents 6.87% of total farming households in the survey and was 0.69% lower compared to a previous survey.

High regional taxes on pig farming by local authorities was also blamed, the report saying in some places taxes on live pig appeared to be "many, heavy and confused".

In the production chain, the report said, a farmer will receive RMB 623.50 by selling a 100 kg live pig that he has raised. After deducting the cost of production (RMB 560), slaughter tax (RMB 30), slaughter transportation fee (RMB 10), he is left with a profit of RMB 23.50 (US\$2.80).

In the distribution chain, there are another 17 types of taxes imposed on a pig, including city building tax, supplementary educational levy, water conservation fund and military service levy.

CPF suffers big losses after price slump

Charoen Pokphand Foods Plc, Thailand's leading food producer and exporter, reported (14 May) a net loss of 826 million baht (US\$0.6m) on first-quarter operations, against 761 million baht net profit posted in the same period last year.

Sales revenue was 17.406 billion baht, close to the level in the first quarter last year.

Chief operating officer Adirek Sripratak attributed the loss to a drop in domestic prices of chicken, pork, and eggs.

The average price of pork meat dropped 31% to 22 baht while chicken fell by 34% to only 17 baht a kilogramme.

In addition, Adirek said, shrimp farming and shrimp exports did not fully recover as ex-

pected.

The livestock business made up 66% of the company's total sales last year, worth 75.14 billion baht.

Adirek said the European Union's tight restrictions on shipments of Thai meat since the second half of last year had resulted in a pause in exports of Thai chicken and the produce had been dumped in the local market instead, leading to a fall in market prices.

He said, however, that CPF's sales from exports in the first quar-

ter rose by 10% over the same period last year.

CPF's domestic sales of food and meat accounted for about 26% of the company's total sales in 2002, worth 75 billion baht, while exports of meat and food were about 9.6 billion baht or 13% of total sales.

The company had earlier projected sales growth of less than 10% for this year.

It had expected the domestic market to recover in the second half after the problem of antibiotic contamination was resolved.

Whole Hog will have full reports from World Pork Expo and the World Pork Congress in June issues 89&90

**I say, I say....**

Albert Einstein once said that in the middle of every difficulty lies an opportunity. Well, just now all the difficulty seems to be with the euro and the (exporting) opportunity seems to be with the dollar. And it ain't gonna change for some time yet.

Ironically, the dollar's weakness and European pigmeat exporters' difficulties are nothing to do with economic growth. It just seems that low interest rates, Wall Street scandals, and Dubya's liking for tax cuts have changed the pattern of foreign exchange markets. FOREX traders to a man (sorry, person) have dumped the dollar and show no sign of changing their views this side of Thanksgiving.

We might just see a reversal of this attitude if the Pentagon captured Osama bin Laden and Saddam Hussein in the same week, but it will need some such momentous events to get the markets to re-think their impressions of the relative positions of the dollar, the euro and the yen. I am not privy to the CIA's intelligence assessments, nor do I have a crystal ball that accurately predicts the start and end of the barbecue season. But I can say, with certainty, that the supply position is relatively tight, that the price cycle is due to turn up, and that lower interest rates are making business (and investing in new plant) easier.

Will this be enough to ensure that the exporting opportunities are shared around? I don't think so. Einstein didn't say that every difficulty created an opportunity for everyone and I can see that European pigmeat exporters could have the difficulties whilst others grab the opportunities. One casualty from all this FOREX excitement could be the next WTO trade round. It's one thing to agree to liberalising trade when your currency is 20% below the dollar and it's another when you are 20% above the dollar. On the other hand, with a strong euro, there must be an incentive for European companies to buy into the Americas, Asia or anywhere but Europe - and that is an opportunity.

www.porkinfo.com

PRODUCER PRICES FOR PIGMEAT FROM AROUND THE WORLD**WHOLE HOG Price Monitor****Date: 19 May 2003**

	National currency	% Change previous week	UK £ (pence/kg dw)	US \$ (cent/kg dw)	Euro (euro/kg dw)	Week ending
European Union						
Belgium	1.22	3.0	86.93	138.30	1.22	27-Apr-03
Denmark	7.90	0	76.07	121.02	1.07	27-Apr-03
France	1.15	0	82.14	130.68	1.15	27-Apr-03
Germany	1.32	5.1	94.14	149.77	1.32	27-Apr-03
Ireland	0.98	0.3	89.25	141.99	1.25	27-Apr-03
Italy	1.43	0.3	102.29	162.74	1.43	27-Apr-03
Netherlands	1.15	6.5	82.15	130.69	1.15	27-Apr-03
Spain	1.27	0	90.50	143.98	1.27	27-Apr-03
United Kingdom	1.05	-0.8	104.8	166.63	1.47	26-Apr-03
EU Applicants						
Hungary (liveweight)	267.50	n.a.	77.76	123.84	1.09	March
Poland (liveweight)	3.09	n.a.	51.07	81.32	0.72	April
The Americas						
USA	0.98	10.0	61.60	97.94	0.86	26-Apr-03
Canada	1.32	-1.5	59.19	94.29	0.83	26-Apr-03
Mexico	10.26	-0.8	63.33	100.59	0.89	21-Apr-03
Australasia						
Australia	2.23	-0.9	89.20	142.04	1.25	02-May-03

Source: Whole Hog (www.porkinfo.com)**EXCHANGE RATES 7 May , 2003**

	per US\$	per UK£	per Euro
Australian \$	1.57	2.50	1.79
UK £	0.63	1.00	0.71
Canadian \$	1.40	2.23	1.59
Japanese Yen	116	185	132
US\$	1.00	1.59	1.14
Euro	0.88	1.40	1.00
Danish Kroner	6.54	10.4	7.43

Next Issue: 2 June 2003

Details of each price source in *Whole Hog Price Monitor* are available at www.porkinfo.com or by email from wholehog@porkinfo.com

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