

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## EU-28

### Livestock and Products Annual

## EU Pork Exports Will Reach a New Record

**Approved By:**

Christopher Riker

**Prepared By:**

Bob Flach

**Report Highlights:** The shortage of rainfall since the summer of 2018 has been affecting the supply of fodder and consequently has led to a decline of the EU dairy and beef cow herd. Despite falling slaughter and beef production, a temporary increase in beef exports is forecast for 2019 given the volume of stocks established in 2018. The EU swine sector is benefitting from increased demand from China. Supported by this demand, EU pork production and exports are forecast to reach new records in 2019 and 2020. Continued expansion of the swine sector, however, may be limited by environmental regulations.

## **Executive Summary**

### ***Cattle & Beef – Both the dairy and beef cow herd are shrinking.***

The lack of rain since the summer of 2018 is cutting into the availability and quality of cattle fodder, and reducing the already slim margins of dairy and beef cattle farmers in the European Union (EU). The Irish beef sector has also been negatively affected by the uncertainty surrounding Brexit, which is discouraging both investment and expansion. In Southeastern Europe and Spain, the future of the beef cattle sector is uncertain as live animal exports to Turkey have declined. The EU sector is also suffering from diminishing domestic demand for beef. With the smaller herd and reduced supply of young animals, slaughter and beef production are forecast to decline. In 2019, a temporary increase in beef exports is expected based on elevated production levels and stocks built up in 2018. However, in 2019 and 2020, despite an expected decline in the slaughter rate, slaughter is still projected to outpace animal replacement resulting in a new record low of 85.2 million head in 2020.

### ***Swine & Pork – Production and exports will break records in 2019 and 2020.***

After disappointing market conditions in 2018, the EU breeding and fattening sector is currently benefitting from an increase in Chinese demand and falling feed prices. However, due to reductions in the sow herd in 2018, the EU sector is not able to fully meet the demand. In fact, based on the number of available hogs, slaughter is forecast to drop. Despite a decline in the slaughter rate, a higher average slaughter weight, combined with frozen pork stocks established in 2018, is expected to lead to record export levels in 2019.

While the crisis in the German pork sector continues, the Spanish sector is increasing slaughter capacity and exports. It should be noted, however, that in Spain and in several other Western European countries, a significant expansion of the sector is constrained by environmental regulations. In Central Europe, the spread of African Swine Fever (ASF) is preventing the sector from taking advantage of increased Chinese demand and further industry growth. Despite the industry's challenges, further improvements in EU breeding efficiency coupled with heavier hogs are expected to lead the EU to another production and export record in 2020.

### ***Policy***

-After its appearance in the Baltics in 2014, ASF further spread to Poland, Romania, Bulgaria, Hungary and Slovakia. European Commission (EC) services are trying to preserve future pork trade by seeking acceptance of the 'regionalization' concept with Asian trade partners, particularly China and Japan, which, unlike the United States and Canada, currently do not recognize EU regionalization.

-On June 1, 2018, the EC published its legislative proposals for the new Common Agricultural Policy (CAP) beyond 2020, which are meant to come into effect at the beginning of 2021. It is generally understood that the new CAP will not be finalized for implementation on the foreseen date. One of the main reasons is that it is still unclear what the available budget will be given that the United Kingdom's intention to leave the EU (Brexit) has been postponed until October 31, 2019.

-The EU is negotiating and has implemented several FTAs, which include animal products, with other

countries and regions. The EU has already reached agreements with Canada, Mexico, Japan, Mercosur and Vietnam, but EU beef and pork trade increases have thus far been relatively limited as a result of these FTAs.

-In the spring of 2019, the United States and the EU concluded an updated agreement modifying the Memorandum Of Understanding (MOU) on High Quality Beef (HQB). Under the new regime, 18,500 Metric Tons (MT) product weight (PW) of hormone-free raised beef is reserved for the United States, increasing to 35,000 mt PW in year seven.

## Cattle

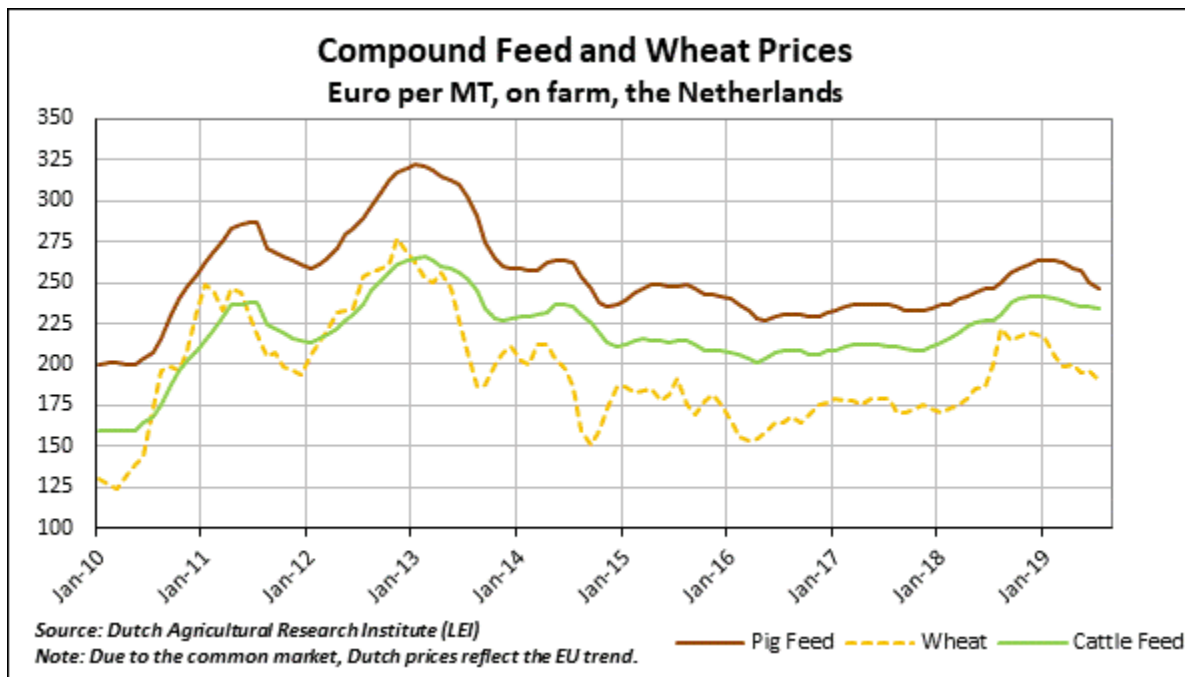
Animal Numbers, Cattle	2018		2019		2020	
Market Begin Year	Jan 2018		Jan 2019		Jan 2020	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks	88,819	88,819	87,508	87,407	0	86,080
Dairy Cows Beg. Stks	23,311	23,311	22,937	22,909	0	22,820
Beef Cows Beg. Stks	12,308	12,308	12,207	12,218	0	12,080
Production (Calf Crop)	29,080	28,800	28,800	28,350	0	28,300
Total Imports	0	0	0	0	0	0
Total Supply	117,899	117,619	116,308	115,757	0	114,380
Total Exports	1,104	1,005	1,150	950	0	920
Cow Slaughter	12,200	12,163	11,750	12,050	0	11,950
Calf Slaughter	6,550	6,595	6,500	6,560	0	6,450
Other Slaughter	8,750	8,595	8,550	8,340	0	8,100
Total Slaughter	27,500	27,353	26,800	26,950	0	26,500
Loss and Residual	1,787	1,854	1,758	1,777	0	1,730
Ending Inventories	87,508	87,407	86,600	86,080	0	85,230
Total Distribution	117,899	117,619	116,308	115,757	0	114,380

(1,000 HEAD)  
Not official USDA data. Source: Eurostat and FAS Offices. Includes backyard slaughter.

### *The lack of rain leads to a reduction of the overall herd -- possibly until the spring of 2020.*

The [Semi-Annual](#)'s forecast of a shrinking dairy and beef cow herd is maintained in this report. The is attributable to the lack of rainfall, particularly in Northern Europe (from Ireland to Poland), since the spring of 2018. The dry weather conditions are cutting the availability and quality of cattle fodder -- a situation that might last until the spring of 2020, depending on this autumn's weather. The limited

availability of fodder, and resulting increased prices (see graph below), reduced the already slim margins for Northern European dairy and beef cattle farmers. Due to the drought, slaughter in 2018 (official and backyard) reached its highest levels since 2011. During the first half of 2019, Eurostat reports slaughter fell by 1.6 percent. In 2019 and 2020, slaughter is forecast to fall to 400,000 and 450,000 head, respectively. However, this slaughter level is still high compared to the calf crop and the size of the herd. With the shrinking cow herd and calf crop, EU cattle stocks are forecast to decline to a new record low of 85.2 million head.



***The dairy herd is on the decline despite relatively high milk prices.***

In 2018 and again in 2019, the most significant reduction in the dairy cow herd is forecast in Germany, the Netherlands, Italy, France and the United Kingdom. The herd in smaller-sized dairy producing states such as Sweden, Denmark, Finland, Austria, Croatia and Bulgaria is also shrinking. Despite a relatively high price for milk, margins are slim due to the limited availability of fodder. In Germany and the Netherlands, restrictive environmental regulations have also adversely affected the cost of production. For example, a mandatory government program to reduce phosphate emissions has increased pressure on farmers in the Netherlands (see [FAS GAIN report NL7006](#)). Poland and Ireland are the only EU Member States (MSs) in which the dairy herd is expected to significantly expand. The Irish sector is feeding the herd with imported corn derivatives and taking advantage of the lower milk deliveries in other EU MSs, while Polish farmers are bullish on milk production – seeing it as profitable and as a means to earn a stable income.

***Brexit is affecting the Irish beef cattle sector.***

The beef cow herd is forecast to decline most significantly in France, the United Kingdom and Ireland. The French cattle herd is expected to decline in 2019 and 2020 as ranchers feel the pinch of low cattle prices, higher feed costs, and wrestle with reduced income. However, the rate of the decline appears to be slowing as less competitive beef farmers have already quit and an increased volume of young beef cattle is kept on the farms. The availability of forage is also challenging production in the United

Kingdom, and the Irish beef cattle market has been particularly affected by uncertainty due to Brexit. The United Kingdom is the main foreign market for Irish beef, and the devaluation of the British pound and possible closure of this market is discouraging the Irish sector to invest and expand. To support Irish beef farmers, the Irish Government opened a [€100 million Beef Exceptional Aid Measure](#).

***The size of the beef cow herd depends on subsidies and exports.***

In most Central European EU MSs, the beef cow herd is forecast to increase, most significantly in Poland, Hungary, Bulgaria and the Czech Republic, as a result of financial support from these governments. In Southeastern Europe and Spain, the future of the beef cattle sector depends on whether cattle exports to Africa and the Middle East can be sustained. During the first half of 2019, exports of cattle to Turkey fell significantly due to the devaluation of the Lira against the Euro, and restrictions established by the Turkish government in an attempt to control the oversupply of animals in the country. The decline in exports to Turkey was only partially offset by increased exports to Israel, Algeria, Russia and Morocco.

## Beef

Meat, Beef and Veal	2018		2019		2020	
Market Begin Year	Jan 2018		Jan 2019		Jan 2020	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	27,500	27,353	26,800	26,950	0	26,500
Beginning Stocks	0	0	0	0	0	0
Production	8,030	8,003	7,820	7,910	0	7,780
Total Imports	370	373	365	355	0	355
Total Supply	8,400	8,376	8,185	8,265	0	8,135
Total Exports	351	351	360	360	0	350
Human Consumption	8,049	8,025	7,825	7,905	0	7,785
Other Use, Losses	0	0	0	0	0	0
Total Consumption	8,049	8,025	7,825	7,905	0	7,785
Ending Stocks	0	0	0	0	0	0
Total Distribution	8,400	8,376	8,185	8,265	0	8,135

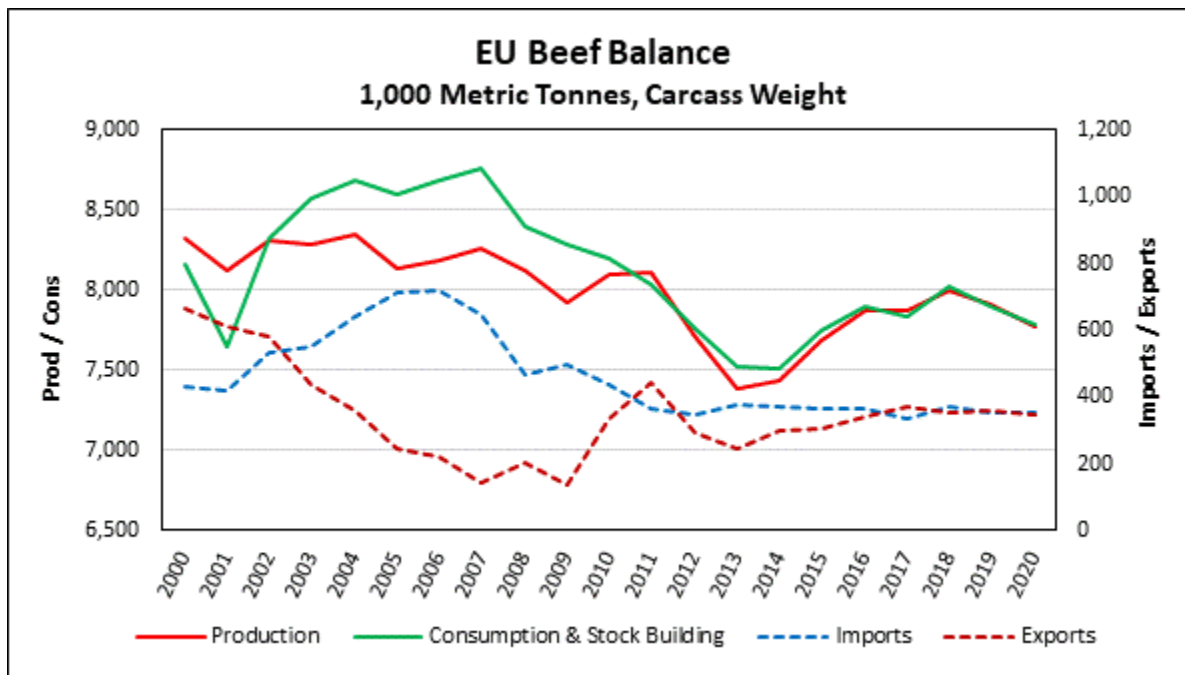
(1,000 HEAD), (1,000 MT CWE)

Not official USDA data. Source: Eurostat and FAS Offices. Includes backyard slaughter.

***After beef production increased in 2018, production is forecast to fall in 2019 and 2020.***

Based on the anticipated lower slaughter numbers, EU beef production is forecast to fall in 2019 and 2020. It should be noted that in 2018, EU beef production reached its highest level since 2011 (see graph below). In 2018 and 2019, a relatively high number of adult cattle were slaughtered, which is

generally linked with a restructuring of the herd. In 2018, the average carcass weight rose by 1.7 kilogram (kg) to 292.6 kg, the highest average weight ever reported by Eurostat. Based on official slaughter statistics during the first half of this year, the carcass weight is forecast to increase by another kg. This further increase in the average carcass weight was not anticipated in the Semi-Annual report resulting in an adjustment of the beef production forecast for 2019. Assuming normal forage availability, and a similar share of adult cattle slaughtered, the average carcass weight is forecast to remain at roughly 293.5 kg in 2020.



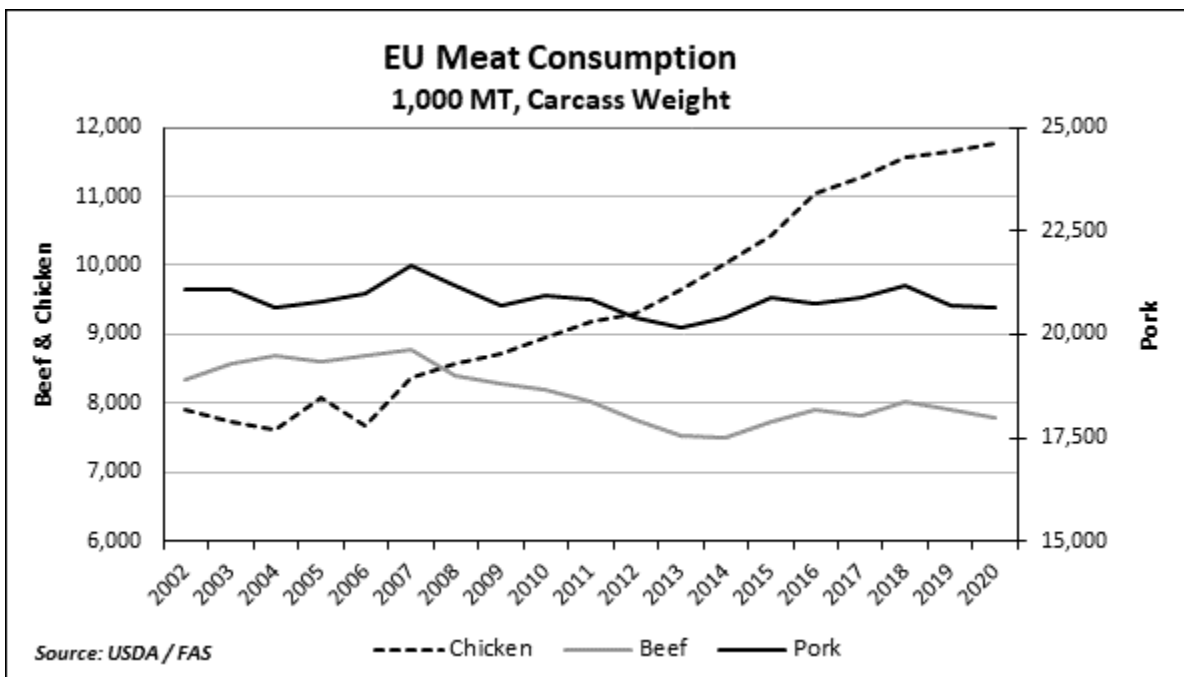
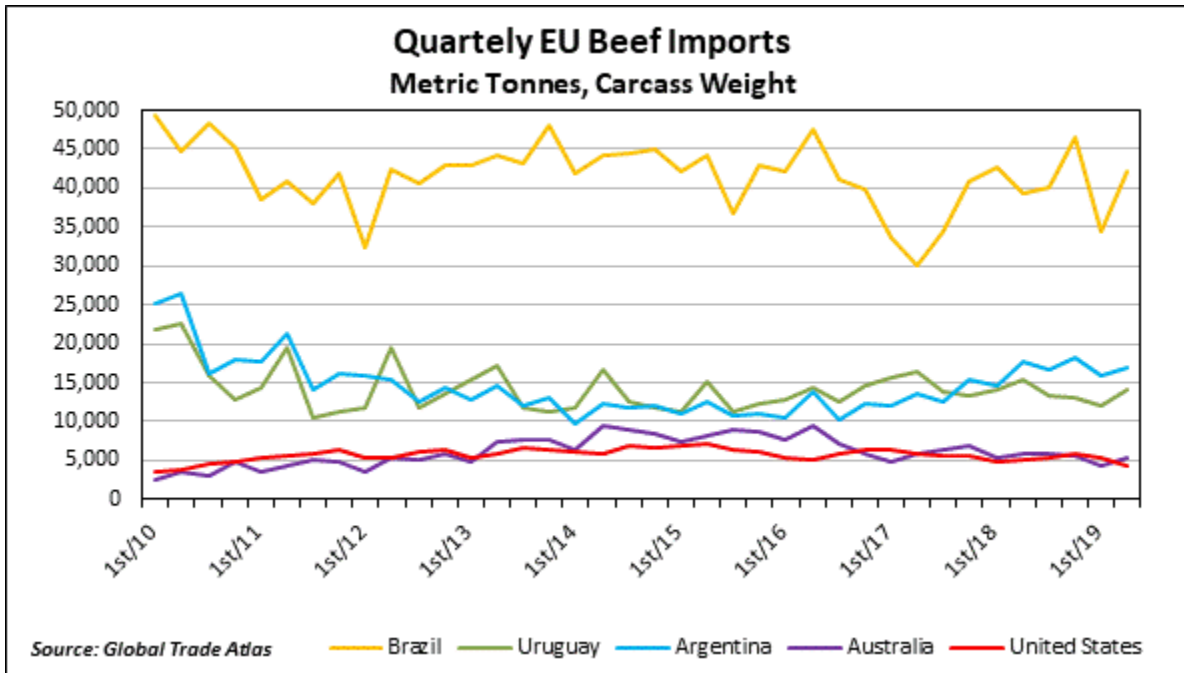
***Following lower production, beef exports are forecast to decline in 2020.***

Despite the halt of exports to Turkey, the EU’s main export market in 2018, EU beef exports rose by three percent during the first half of 2019. The rise in export shipments is partly based on the stocks built during 2018. Exports increased to a wide range of destinations, but most significantly for frozen beef to Hong Kong, China and the Philippines. An increasing volume of beef was also exported out of the United Kingdom as it is actively trying to expand trade ahead of Brexit. Exports were further supported by the lower British pound against the currencies of the UK’s export markets. In line with the decline in total beef production, however, EU beef exports are also forecast to decline in 2020.

***Demand for high quality beef is growing but imports are restricted by quotas.***

During the first half of 2019, EU beef imports declined by six percent, with reduced shipments from Brazil, Uruguay, Australia and the United States (see graph below). While imports from Brazil and Uruguay mostly declined in the lower value categories, imports from Australia and the United States were mostly reduced in the higher value categories. Beef consumption is on the decline in the EU (see graph below), but demand for high-quality beef is growing, particularly by the food service market in Germany, Italy, Spain and Poland. German demand for premium beef from non-European suppliers remains strong, with Argentina remaining the preferred origin. All other suppliers, including the United States, are struggling to keep their market share. Imports of fresh chilled beef from the United States through the zero-duty High Quality Beef Quota (see Policy section) are being squeezed by increased

competition, mainly from Argentina, which also fully used the 29,500 mt pw allocated under the “Hilton quota.” [1]



[1] The Hilton Quota is a 58,100 mt PW import quota for high quality beef with a 20 percent tariff regime.

## Swine

Animal Numbers, Swine	2018		2019		2020	
Market Begin Year	Jan 2018		Jan 2019		Jan 2020	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Beginning Stocks	150,257	150,257	148,766	148,223	0	147,000
Sow Beginning Stocks	12,164	12,164	11,805	11,787	0	11,800
Production (Pig Crop)	270,000	267,000	268,500	266,500	0	269,000
Total Imports	3	3	3	3	0	3
Total Supply	420,260	417,260	417,269	414,726	0	416,003
Total Exports	509	509	550	480	0	470
Sow Slaughter	3,850	4,432	3,700	4,000	0	3,900
Other Slaughter	260,650	257,427	258,800	257,000	0	257,100
Total Slaughter	264,500	261,859	262,500	261,000	0	261,000
Loss and Residual	6,485	6,669	5,499	6,246	0	6,033
Ending Inventories	148,766	148,223	148,720	147,000	0	148,500
Total Distribution	420,260	417,260	417,269	414,726	0	416,003
(1,000 HEAD)						

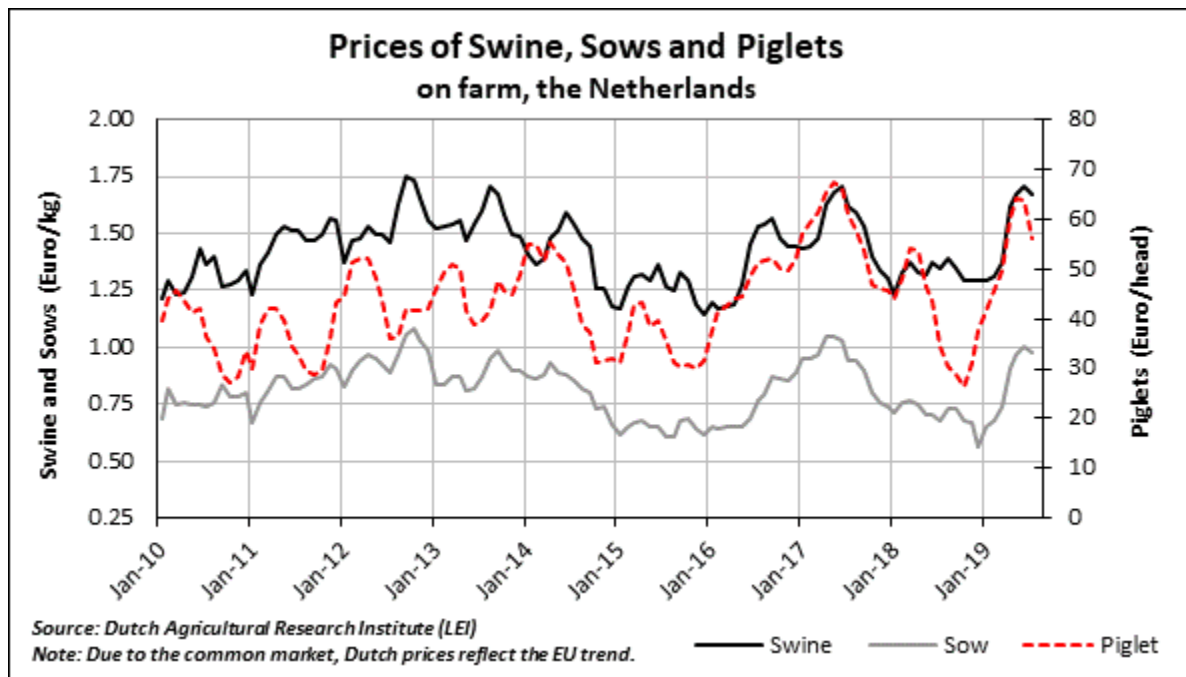
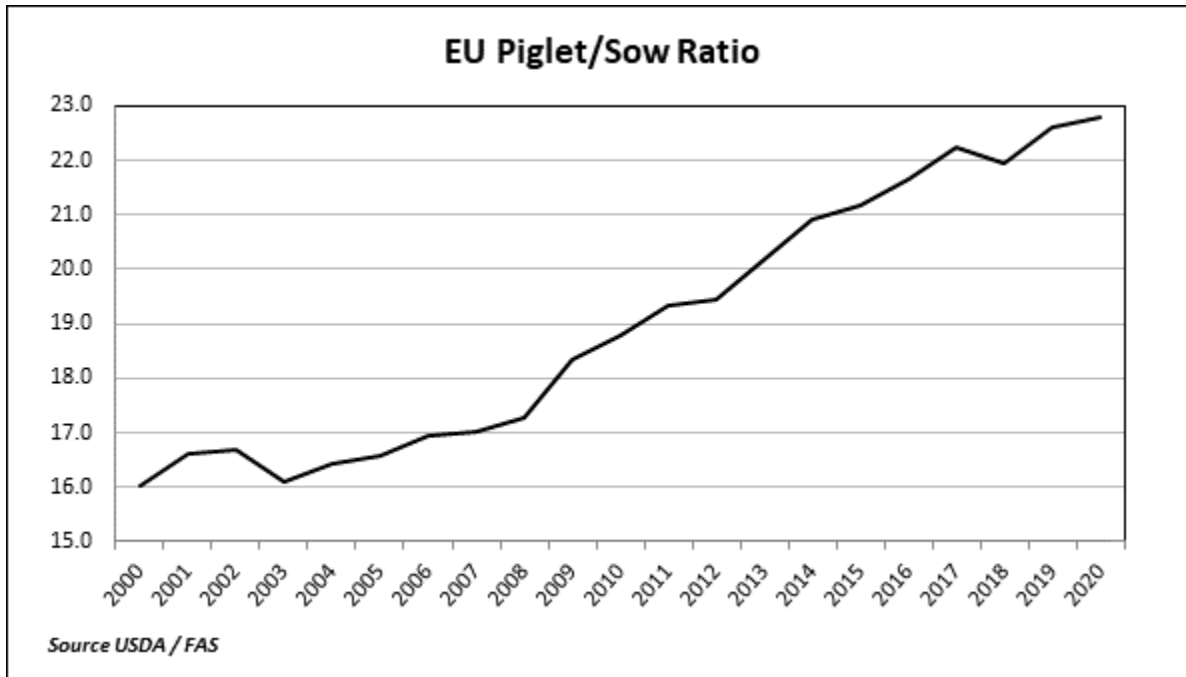
Not official USDA data. Source: Eurostat and FAS Offices. Includes backyard slaughter.

### *Last year the EU swine breeding sector experienced a “perfect storm”.*

In anticipation of elevated demand for pork from China, the EU breeding sector expanded its sow herd, ready to produce a record piglet crop of nearly 275 million head in 2018. However, as anticipated in the Semi-Annual report, the actual pig crop produced was significantly lower. In this report, the crop is further adjusted downward to 267 million head -- resulting in the first reduction in the annual piglet/sow ratio since 2003 (see graph below). There are several reasons for this drop which combined to create a “perfect storm” for the breeding sector. First, Chinese import demand for pork slowed (see graph in Pork section), which pressed carcass prices (see graph below). Second, feed prices rose as a result of the dry and hot summer (see graph in Cattle section), which further pressed fattening margins. As a result, demand for piglets fell and the piglet price declined to its lowest level reported since 2007 (see graph below). Third, the hot weather negatively affected the fertility in five main pork producing countries: Poland, Germany, the Netherlands, Belgium and Denmark. To further illustrate the crises in



the breeding sector, the estimated sow slaughter, based on the beginning stock of gilts and sows and ending stocks of sows, increased from 3.7 million head in 2017 to 4.4 million animals in 2018.



***The game changer: the outbreak of ASF in China.***

The spread of ASF in China since the summer of 2018, however, bolstered demand for EU piglets by which prices recovered by almost 150 percent as of the end of June 2019 (see graph above). Later, after demand grew for pork during the first and second quarter of 2019, carcass prices also rose. What was

planned for by the EU swine sector at the start of 2018 (a further growth in Chinese pork imports), actually happened a year later. Another positive factor for the fattening margins were falling feed prices, which fell due to increased imports of corn from the Ukraine, increased imports of corn and soybeans from the United States, and in anticipation of a good EU grain crop 2019. For more information see the [FAS GAIN Grain & Feed Annual and Oilseeds & Products Annual and related Updates](#).

***EU slaughter is held back by the supply of piglets.***

During 2018, the EU breeding herd was cut by 377,000 sows, resulting in this year's piglet production totaling roughly 267 million head. The sow herd was most significantly cut in Poland, the Netherlands, Germany and Romania. The limited availability of piglets is forecast to reduce fattening and slaughter of hogs to about 261 million head in 2019, a reduction of about 0.4 percent. Slaughter is forecast to fall most significantly in Germany, Poland, Romania, the Czech Republic and Croatia. During the first half of 2019, EU official slaughter declined by 1.7 percent. Because piglet production rose last spring, an acceleration of slaughter is forecast to occur during the last quarter of 2019.

***Export demand is expected to cause piglet production to rise close to a new record in 2020.***

Based on the drastically improved financial situation of the breeding sector, the sow herd is forecast to expand to 11.8 million head as (the beginning stock for 2020). The most significant expansion is forecast in Spain, France and Belgium. The sow herd is estimated to produce close to a record EU piglet crop of 269 million animals (269.8 head was reported in 2002). This elevated supply of animals is expected to build the total swine herd to roughly 148.5 million animals by the end of 2020. Based on the beginning stock of 147 million animals, slaughter is projected to stabilize at nearly 261 million animals in 2020.

***In 2020, Spain is forecast to surpass Germany as the biggest swine slaughterer.***

Slaughter is projected to most significantly increase in Spain, Portugal and France. The Spanish expansion is a result of strong integration of the sector, continuous improvements in production efficiency and quality of the product, and targeted marketing efforts (see the Pork section for more information). In 2019, investments were made by a new industry player in the Spanish market. The new facility is expected to have an initial slaughtering capacity of 15,000 heads per day in 2019, reaching 30,000 pig slaughtered per day by 2020. At full capacity, this facility will become the largest pork slaughtering operation in the EU. This investment in slaughter capacity coupled with an increase in international demand for Spanish pork will reduce availability of raw meat for domestic pork processors, increase the demand for hogs and, in turn, further boost hog and pork meat prices. The Portuguese pork sector also restructured and increased the productivity and performance of its farms, rebounding from a severe crisis in the pork sector over the last three years. In 2019, the Chinese market opened up for Portuguese frozen pork and pig feet (see [FAS GAIN Report SP1914](#) and [SP1936](#)). The French sector is also expected to increase production, albeit slightly, based on improved efficiency after years of restructuring. It should be noted that in Western Europe, including Spain and Portugal, environmental restrictions and social concerns are expected to limit the growth of the sector in the long-run.

***The crises in German swine sector continues.***

Slaughter in Germany, Bulgaria and Romania is forecast to further decline. The crisis in the German pork market continues as domestic demand for pork continues to fall, partly driven by animal welfare

considerations. The sector has yet to identify responses to the most pressing questions related to sow management, castration, tail docking and space limitations. This is further illustrated by the growth of the German vegan market (see [FAS GAIN Report GM17024](#)).

***ASF has stalled development of the swine sector in Central Europe.***

In Bulgaria and Romania, the decline in slaughter is solely a result of ASF outbreaks. In Bulgaria, industry sources indicate a thirty percent loss in inventory for commercial operations as a result of the disease. In addition, almost all backyard farms had to undertake preventive culling due to new government regulations to control the spread of the ASF virus. Romania also continues to struggle with ASF after being hit hard in 2018 (see [FAS GAIN RO1915](#)). Until now, ASF outbreaks have been reported in all of the countries bordering Russia, Belarus, and the Ukraine: From the North to the South -- Estonia, Latvia, Lithuania, Poland, Slovakia, Hungary, Romania and Bulgaria. In all of these EU MSs, ASF has been found at commercial operations except for Hungary. With ASF outbreaks in commercial operations leading to increased slaughter in these countries, cutbacks in hog inventories and breeding herds will result, followed by a sharp reduction in slaughter and, ultimately, pork production. In general, domestic consumption is not significantly affected, leading to increased pork imports from other EU MSs, which are generally preferred over domestic production. It is difficult to predict the repercussions if ASF would spread further westward, but the most immediate effect could be an oversupply of pork on the EU market due to closure of export markets.

## Pork

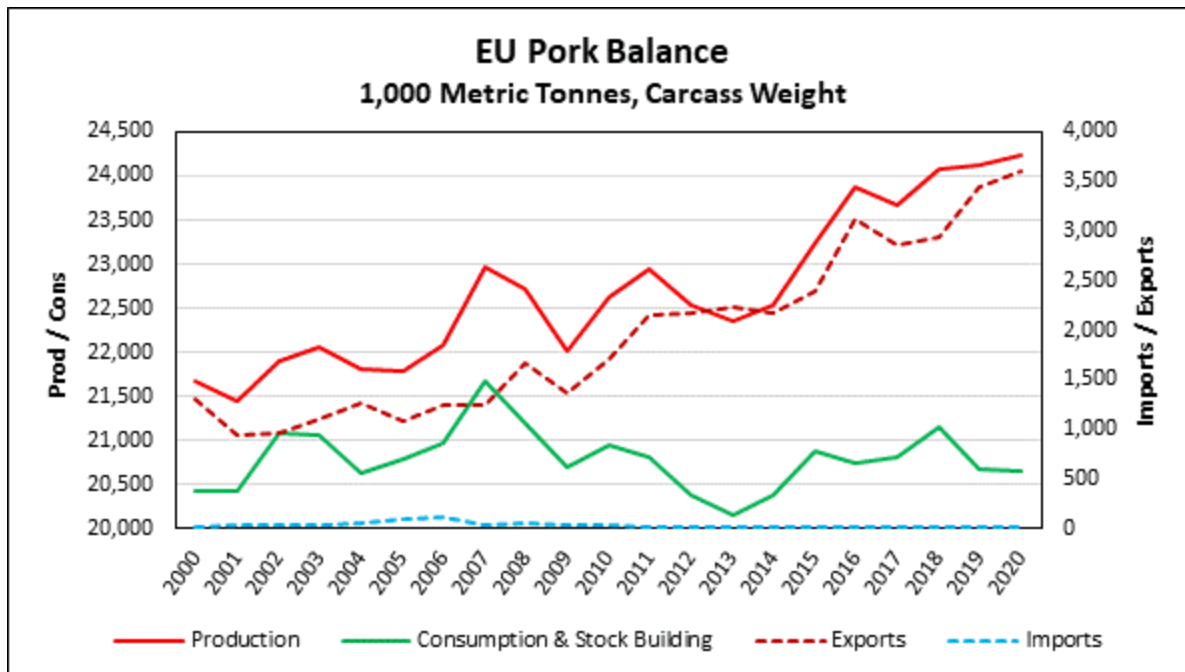
Meat, Swine	2018		2019		2020	
Market Begin Year	Jan 2018		Jan 2019		Jan 2020	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	264,500	261,859	262,500	261,000	0	261,000
Beginning Stocks	0	0	0	0	0	0
Production	24,300	24,082	24,225	24,120	0	24,240
Total Imports	14	14	15	15	0	15
Total Supply	24,314	24,096	24,240	24,135	0	24,255
Total Exports	2,934	2,934	3,250	3,450	0	3,600
Human Consumption	21,380	21,162	20,990	20,685	0	20,655
Other Use, Losses	0	0	0	0	0	0
Total Consumption	21,380	21,162	20,990	20,685	0	20,655
Ending Stocks	0	0	0	0	0	0
Total Distribution	24,314	24,096	24,240	24,135	0	24,255

(1,000 HEAD), (1,000 MT CWE)

Not official USDA data. Source: Eurostat and FAS Offices. Includes backyard slaughter.

***EU pork production is forecast to achieve three record years in a row.***

Because slaughter is forecast to stagnate around 261 million head during 2019 and 2020, the production trend will mainly depend on slaughter weights. Average slaughter weights have increased since 2011, primarily based on improving fattening economics and genetic selection, most pronounced in Spain and Poland. Based on official statistics, the average slaughter weight increased by 0.46 percent during the first half of 2019. With declining feed prices, the average weight is forecast to increase by 0.5 percent in 2019 and 2020. These weights yielded a pork production volume of 24.1 million mt carcass weight (CW) in 2019 and 24.2 million mt CW in 2020, a further increase from the record volume produced in 2018 (see graph below).



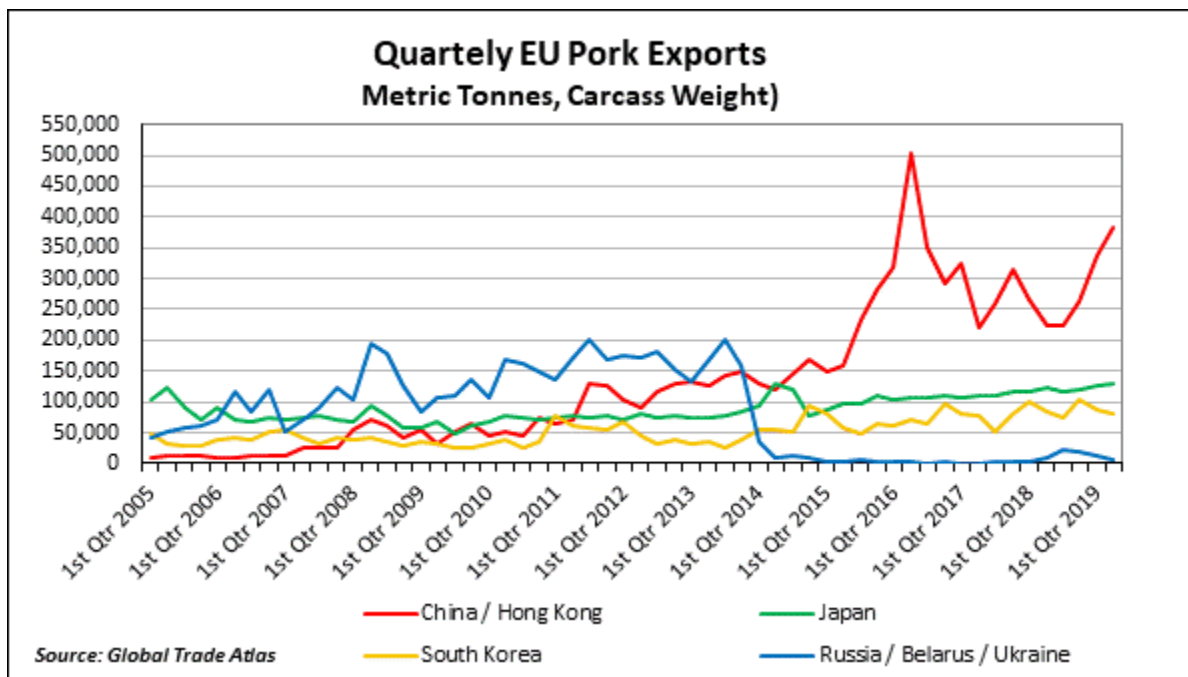
***Established stocks will be the basis of an export surge this year.***

With estimated production levels, the available volume for exports depends on the domestic use of pork and stocks. Consumption of pork is dwindling in the EU and hasn't shown any structural expansion in any of the EU MSs. Elevated prices are anticipated to further pressure consumption in the EU. Based on historic FAS figures (see the graph above), EU consumption is estimated at a maximum of 20.8 million mt CW, which leaves nearly 360,000 mt CW of stocks built up from last year. These stocks combined with more recent production are forecast to boost exports to nearly 3.5 million mt CW in 2019. Based on a new record level of production, decreasing domestic demand, and strong demand expected in Asia, EU pork exports are forecast to further increase in 2020.

***Current export expansion is based solely on the Chinese market.***

The EU signed several Free Trade Agreements, but most of them are currently not resulting in any significant change in trade as they are either not ratified or operational yet, or remain in an early tariff reduction phase (see the Policy section for more information). During the first half of this year, EU pork exports rose by 16 percent, solely due to increased shipments to China. Chinese imports are forecast to increase by roughly 600,000 mt CW in 2019, which is supported by GTIS trade statistics for the first half of this year. Extrapolating the same trade statistics, the EU could have a share of roughly

450,000 mt CW, leaving an additional 66,000 mt CW for other export markets (2019 exports will increase by 516,000 mt CW). The EU MS benefitting the most from increased exports to China is Spain, but Germany, the Netherlands, Denmark, the United Kingdom and France are also gearing up exports to China. The Spanish pork industry expects pork exports will continue to grow to Asian markets in 2019 and 2020 in response to regional ASF outbreaks and the resulting increase in Chinese demand for pork. The Spanish sector and government are actively working to further open the Chinese market for fresh pork products (see GAIN SP1906). However, any increases in trade volume will be primarily fueled by increased Chinese demand for pork meat in response to the ASF outbreaks. To support burgeoning exports, increased biosecurity measures and animal health monitoring remain major goals for the Spanish Ministry of Agriculture and Spanish hog growers.



## Policy

### *African Swine Fever (ASF)*

While Lumpy Skin Disease (LSD) and Bluetongue Disease (BT) remain a threat to EU cattle herds in Southern Europe, and highly pathogenic Avian Influenza (AI) to poultry flocks in Northern Europe, the major threat to European livestock farming comes from ASF. In 2014, ASF first entered the EU via Poland and Lithuania from the east, but seemed to be limited to the Baltic countries and the northeast of Poland. However, in 2018 and 2019, ASF further spread to Romania, Bulgaria, Hungary and Slovakia.

ASF is becoming endemic in the wild boar population in Eastern Europe, where the risk of contamination to the many backyard pig farms and even large commercial farms has become high. The number of notifications to the World Organization for Animal Health is rapidly increasing. Several EU MSs, such as France, Denmark and Bulgaria, are building fences on borders to protect against ASF. European Commission (EC) services are trying to preserve the future pork trade in case of further

outbreaks by seeking acceptance of regionalization with its Asian trade partners, particularly China and Japan, which, unlike the United States and Canada, do not recognize EU regionalization.

More information about the current ASF outbreak situation in the EU and the control measures of the EC and EU MSs is available at: [https://ec.europa.eu/food/animals/animal-diseases/control-measures/asf\\_en](https://ec.europa.eu/food/animals/animal-diseases/control-measures/asf_en).

### ***New Common Agricultural Policy (CAP)***

On June 1, 2018, the EC published its legislative proposals for the new Common Agricultural Policy (CAP) beyond 2020, which are meant to come into effect at the beginning of 2021. However, the legislative procedure was interrupted as both Council and European Parliament were unable to take the final vote before EU elections in May 2019. It is generally understood that the new CAP will not be finalized for implementation on the foreseen date. One of the main reasons is that it is still unclear what the available budget will be given that the United Kingdom's intention to leave the EU (Brexit) has now been postponed until October 31, 2019.

Content wise, the scope of the new proposal remains in line with the current CAP. The EU beef sector and cattle farmer groups in several EU MSs insist on the continuation of the EU coupled supports for their sector. Farmers are keen to highlight the increased pressure on their sector from new beef import quotas that the EU has granted in Free Trade Agreements (FTAs) with countries in South America (Mercosur), while ongoing FTA negotiations with Australia and New Zealand may also include EU concessions for beef.

### ***EU Free Trade Agreements (FTAs)***

The EU is negotiating and has implemented several FTAs, which include concessions for animal products, with other countries and regions:

-The EU - Canada Comprehensive and Economic Trade Agreement (CETA) entered into force provisionally on September 21, 2017. As part of the CETA agreement, a range of EU tariff rate quotas were established for beef, bison, and pork imports.

-Modernization of the EU - Mexico FTA was signed on April 21, 2018, through which new EU and Mexican quotas for beef and pork products were established.

-The EU - Japan's Economic Partnership Agreement entered into force on February 1, 2019. The agreement provides a complex schedule for tariff reduction for EU beef and pork exports over a 20-year period. The FTA has been ratified at the EU level, but not yet at the MS level. Currently the FTA has been provisionally implemented. During the first half of 2019, EU pork exports to Japan rose by seven percent, but year-on-year growth has been occurring since 2015.

-An agreement in principle for an EU - Mercosur FTA was announced on June 28, 2019. As part of the agreement, a range of EU tariff rate quotas were established for beef and pork. The expectation is that the FTA will be operational (at the earliest) in two years.

-The EU - Vietnam FTA, signed on June 30, 2019. The FTA includes a concession that EU exports of frozen pork meat will be duty free after seven years.

-FTA negotiations with Australia and New Zealand started in 2018.

Additional information is available at the website of the EC: <https://ec.europa.eu/trade/policy/countries-and-regions/negotiations-and-agreements/>

### ***U.S.-EU Beef Deal Update***

In the spring of 2019, the United States and the EU concluded an updated agreement modifying the Memorandum Of Understanding (MOU) on High Quality Beef (HQB). This MOU resulted from the United States win in the World Trade Organization's Beef Hormone case in 2009. Under the new regime, 18,500 mt PW of hormone-free raised beef is reserved for the United States, increasing to 35,000 mt PW in year seven under the new agreement. Upon implementation of the new agreement, the HQB quota tier for the United States for that first quarter should be roughly 4,625 mt PW.

### **DISCLAIMER**

The numbers in the PSDs in this report are not official USDA numbers, and result from a collaborative effort by FAS EU offices to consolidate PSDs from all 28 EU member states.

This report is the result of active collaboration with the following EU FAS colleagues in the following member states:

Xavier Audran from FAS Paris covering France  
Ornella Bettini from FAS Rome covering Italy  
Mila Boshnakova from FAS Sofia covering Bulgaria  
Monica Dobrescu from FAS Bucharest covering Romania  
Dimosthenis Faniadis from FAS Rome covering Greece  
Bob Flach from FAS The Hague covering the Netherlands and Nordic countries  
Gellert Golya from FAS Budapest covering Hungary and Slovenia  
Steve Knight from FAS London covering the United Kingdom and Ireland  
Roswitha Krautgartner from FAS Vienna covering Austria  
Jana Mikulasova from FAS Prague covering the Czech Republic and Slovak Republic  
Andreja Misir from FAS Zagreb covering Croatia  
Yvan Polet from FAS Brussels covering EU Policies, Belgium and Luxembourg  
Leif Rehder from FAS Berlin covering Germany  
Piotr Rucinski from FAS Warsaw covering Poland, Estonia, Latvia and Lithuania  
Carmen Valverde from FAS Madrid covering Portugal and Spain

### **NOTE**

In this report the following HS codes and conversion factors are used:

	<b>HS codes</b>	<b>Conversion factors</b>
<b>Beef</b>	0201, 0202 021020, 160250	PW X 1.40 = CW PW X 1.79 = CW
<b>Pork</b>	0203, 021011, 021012, 021019, 160241, 160242, 160249	PW X 1.30 = CW

PW = Product Weight CW = Carcass Weight

## ABBREVIATIONS

EC: European Commission

EU: All twenty-eight Member States of the European Union.

MS: An EU Member State

NMS: The thirteen new MS which joined the EU in May 2004, January 2007 and July 2012

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-For additional livestock market-related information, please contact:

Bob Flach (FAS The Hague)

Phone: ++31 70 310 2303

E-mail: [bob.flach@fas.usda.gov](mailto:bob.flach@fas.usda.gov)

-For additional livestock policy-related information, please contact:

Yvan Polet (FAS Brussels U.S. Mission to the EU)

Phone: ++32 2 811 4095

E-mail: [yvan.polet@fas.usda.gov](mailto:yvan.polet@fas.usda.gov)