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**Report Highlights:**

After a temporary upturn, the EU cattle herd is forecast to resume its long term trend of contraction. This trend is mainly a result of increasing farm input costs, lagging milk prices, and restricted government support. During 2008 and 2009, EU imports of Brazilian beef were hampered by veterinary restrictions, the strong Real, and the economic slowdown in the EU. It is anticipated that Brazil and alternative suppliers will not be able to increase their exports to the EU substantially this year. Anticipated higher consumer prices resulting from restricted imports together with the falling beef production and the current economic situation will further reduce beef consumption. As a consequence of the financial crisis, the restructuring of the intensive pig sector continued in 2009. It is expected that the swine cycle, expressed as piglet production, will bottom out in 2010. This upturn is based on the assumption that the current piglet supply is insufficient to fulfill the domestic and export demand for pork. This year, domestic consumption is forecast to decline only marginally, while the import demand in Russia and China is expected to rebound.

## DISCLAIMER

The numbers in the PSDs in this report are not official USDA numbers, but they result from a collaborative effort by FAS EU offices to consolidate PSDs from all 27 EU member states.

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## 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	PWE X 1.40 = CWE PWE X 1.79 = CWE
<b>Pork</b>	0203, 021011, 021012, 021019, 160241, 160242, 160249	PWE X 1.30 = CWE

PWE = Product Weight    CWE = Carcass Weight

## ABBREVIATIONS

EU:            All twenty-seven Member States of the European Union.  
EU-25:        All Member States of the European Union, except NMS-2.  
NMS:         The twelve New Member States which joined the EU in May 2004 and January 2007.  
NMS-2:       Romania and Bulgaria, which joined the EU in January 2007.

## **Executive Summary**

### **Cattle & Beef:**

After a temporary upturn in 2007 and 2008, the EU cattle herd is forecast to resume its long term trend of contraction. This trend is mainly a result of increasing farm input costs, lagging milk prices, and restricted government support. Calf production in 2008, 2009, and 2010 is adjusted further downwards from the forecast in the Annual Report. Ending inventories as well as slaughter are revised to a lower number accordingly. Since the start of 2008, EU beef imports fell due to sanitary restrictions laid down by the European Commission (EC) on EU beef imports from Brazil. During 2009, EU imports of Brazilian beef were also hampered by the strong Real and the economic slowdown in the EU. It is anticipated that, as in 2008 and 2009, alternative suppliers will not be able to increase their exports to the EU substantially this year. Anticipated higher consumer prices resulting from restricted imports together with the falling beef production and the current global economic situation will further reduce beef consumption.

### **Swine & Pork:**

As a consequence of the financial crisis, the restructuring of the intensive pig sector continued in 2009. Restructuring implied termination of the most inefficient farms throughout the EU and reduction of backyard farming in mainly the NMS. It is expected that the swine cycle, expressed as piglet production, will bottom out in 2010. This upturn is based on the assumption that the current piglet supply is insufficient to fulfill the domestic and export demand for pork. This year, domestic consumption is forecast to decline only marginally, while the demand for EU pork in Russia and China is anticipated to rebound. EU pork exporters believe that the firm economic growth will further elevate pork consumption in these markets. At present, the supply of competitive pork exporters to the Russian market has been cut off. Another factor is the termination of EU trade of slaughter hogs exports to Russia, which will probably reduce Russian slaughter and pork production. On the longer term, through 2010 and later, the EU is also expected to receive increased access to the Chinese market.

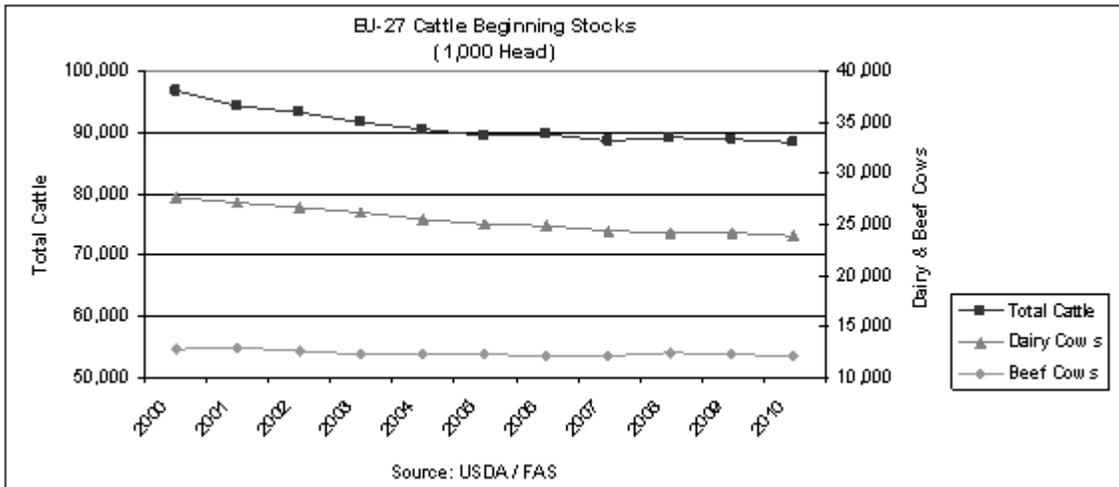
# Cattle

Country Commodity	EU-27					
	Animal Numbers, Cattle (1,000 Head)					
	USDA Official [EU-27]	Posts estimates [EU-27]	USDA Official [EU-27]	Posts estimates [EU-27]	USDA Official [EU-27]	Posts estimates [EU-27]
Market Year	2008		2009		2010	
Total Cattle Beg. Stocks	89,043	89,043	88,945	88,837	88,630	88,400
Dairy Cows Beg. Stocks	24,176	24,176	24,240	24,248	23,900	23,800
Beef Cows Beg. Stocks	12,445	12,445	12,240	12,250	12,220	12,200
Production (Calf Crop)	31,000	30,850	30,600	30,400	30,300	30,150
Extra EU27 imports	4	4	4	5	4	5
<b>TOTAL SUPPLY</b>	<b>120,047</b>	<b>119,897</b>	<b>119,549</b>	<b>119,242</b>	<b>118,934</b>	<b>118,555</b>
Extra EU27 exports	376	376	350	403	350	400
Cow Slaughter	7,808	7,808	7,750	7,750	7,750	7,500
Calf Slaughter	5,804	5,804	5,750	5,720	5,700	5,650
Total Slaughter	28,919	28,919	28,800	28,700	28,600	28,450
Loss	1,807	1,765	1,769	1,739	1,734	1,705
Ending Inventories	88,945	88,837	88,630	88,400	88,250	88,000
<b>TOTAL DISTRIBUTION</b>	<b>120,047</b>	<b>119,897</b>	<b>119,549</b>	<b>119,242</b>	<b>118,934</b>	<b>118,555</b>

Source: FAS EU Offices.

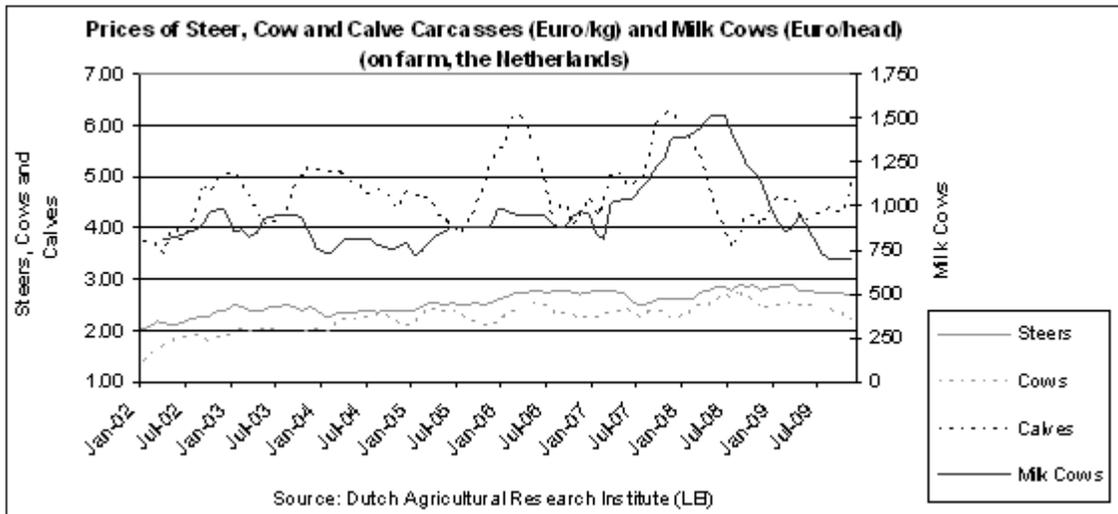
2009 & 2010 The herd is forecast to resume its long term trend of contraction.

During 2007 and 2008, the long term trend of contraction of the cattle herd was temporarily halted (see graph below) mainly as a result of the high beef and milk prices.



After the temporary upturn, the EU cattle herd is forecast to resume its long term trend of contraction. This trend is mainly a result of increasing costs for land, feed and energy, lagging milk prices, and restricted government support. Calf production in 2008, 2009, and 2010 is adjusted slightly downwards from the forecast in the Annual Report (GAIN Report NL9022). Ending inventories as well as slaughter are revised to a lower number accordingly. After a reduction of 2.1 percent in 2008, the calf crop is expected to decline 1.5 percent in 2009 and 0.8 percent in 2010. During 2008 - 2010, the

EU cattle stock is projected to fall from 89 million head to 88 million head. Throughout the EU, the smaller farms with only a few cows are abandoning the sector, while the biggest and most efficient farms are expanding. Due to the plummeting milk prices, the dairy herd is estimated to have been cut by 1.8 percent in 2009. The oversupply of milk cows is reflected in their price development (see graph below). The beef cow herd is expected to have shrunk by only 0.4 percent during last year. Carcass prices are supported by the limited beef supply from Brazil, which benefitted beef intra-trade, and beef export opportunities to Switzerland and Russia. Cattle exports are revised upwards as exports to mainly Northern African destinations recovered after have been limited by Bluetongue Disease related trade restrictions.



## EU disease situation

Bluetongue Disease remains widespread, decreasing fertility rates and calf per cow ratio, but most EU commercial herds have acquired immunity through past infections as well as from vaccinations. Food and Mouth Disease appears to be under control and BSE cases also continued their steep decline from recent years. The EU Animal Health Plan for 2010 provides funding for continued monitoring and combating of these and other major livestock diseases (see GAIN report E49088 - EC animal disease eradication, control and monitoring program for 2010).

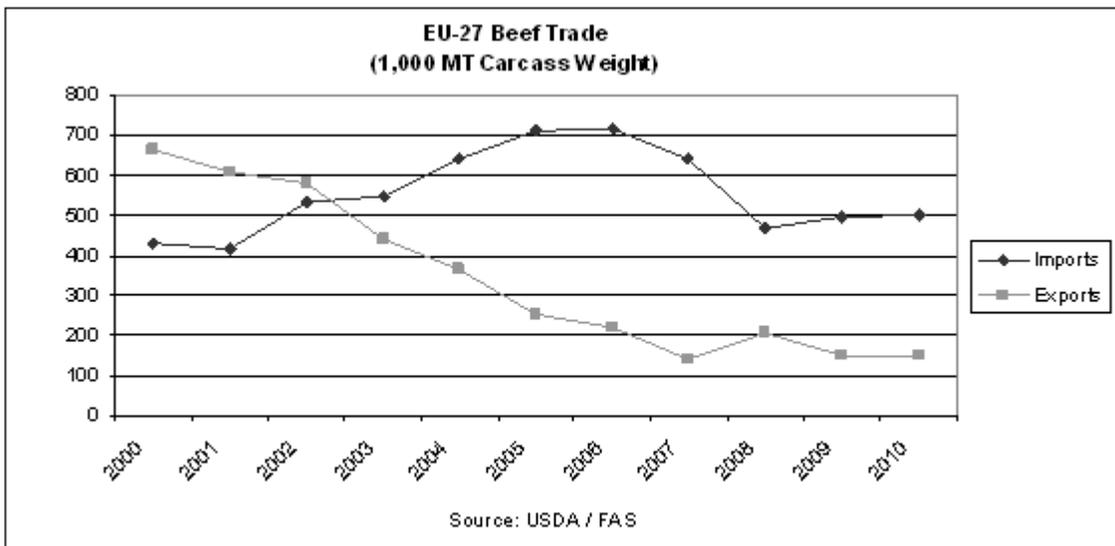
## Beef

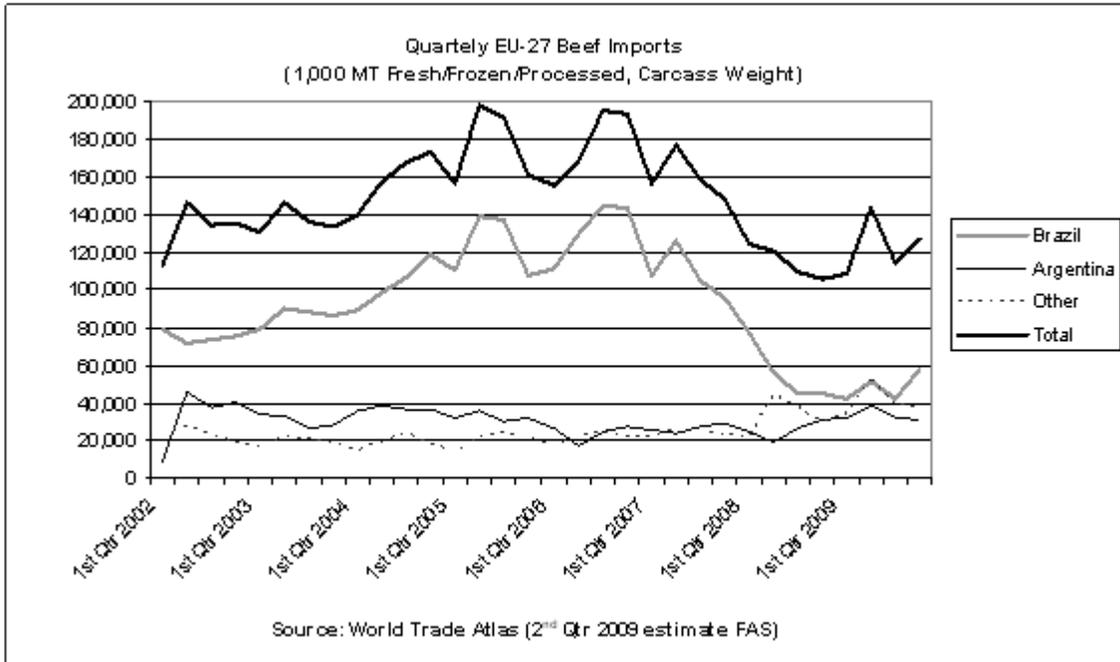
Country	EU-27					
Commodity	Meat, Beef and Veal (1,000 Head)(1,000MT CW)					
	USDA Official [EU-27]	Posts estimates [EU-27]	USDA Official [EU-27]	Posts estimates [EU-27]	USDA Official [EU-27]	Posts estimates [EU-27]
	2008		2009		2010	
Slaughter (Reference)	28,919	28,919	28,800	28,700	28,600	28,450
Beginning Stocks	0	0	0	0	0	0
Production	8,090	8,090	8,000	7,970	7,950	7,920
Extra EU27 imports	465	467	470	495	490	500
<b>TOTAL SUPPLY</b>	<b>8,555</b>	<b>8,557</b>	<b>8,470</b>	<b>8,465</b>	<b>8,440</b>	<b>8,420</b>
Extra EU27 Exports	203	205	160	148	160	150
TOTAL Domestic Use	8,352	8,352	8,310	8,317	8,280	8,270
Ending Stocks	0	0	0	0	0	0
<b>TOTAL DISTRIBUTION</b>	<b>8,555</b>	<b>8,557</b>	<b>8,470</b>	<b>8,465</b>	<b>8,440</b>	<b>8,420</b>

Source: FAS EU Offices

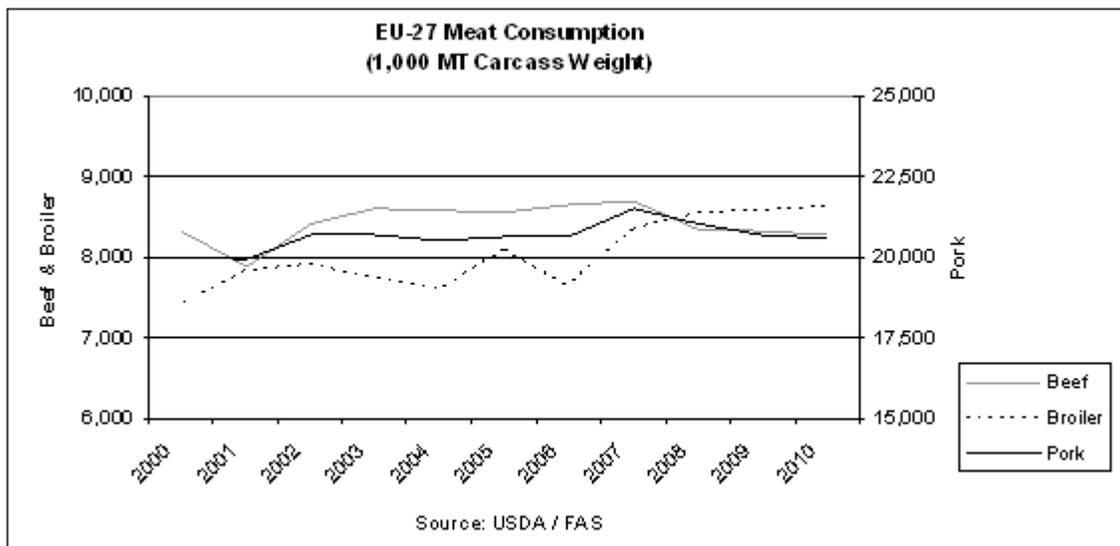
### 2009 & 2010 EU beef market contracted due to limited supply and the recession.

As a result of reduced production and imports, the EU domestic beef supply fell drastically in 2008 (see the two graphs below). The limited imports are due to sanitary restrictions laid down by the European Commission (EC) on EU beef imports from Brazil in January 2008 (see GAIN Report E48016 and policy section). Due to the limited number of farms regaining eligibility to export and the strong Real, imports from Brazil recovered only marginally during 2009. Another factor is the economic slowdown in the EU.





While the domestic demand for beef in Brazil continues to grow, EU consumers cut down their beef consumption. As a consequence of this variety of factors, EU importers believe that imports from Brazil will remain constrained during 2010. Through 2009, increases were reported for imports from Argentina and to a lesser extent from Uruguay, Australia and the United States. While the supply from Uruguay, Australia and the United States is expected to grow further, imports from Argentina are anticipated to be limited due to cattle shortages and export restrictions imposed by the Argentinean government.



As a result of lower EU slaughtering, domestic beef production is estimated to have decreased to below 8 MMT in 2009. Lower production is reported in particular in Germany, France and the Benelux. The falling beef production, together with the restricted imports will tighten the supply of beef on the domestic market further in 2010. As a result, consumer prices are forecast to remain on a high level. The high price level, in combination with the current economic situation, will further reduce beef consumption, and shift consumption to the cheaper cuts, such as minced meat. Another factor for the stagnating beef consumption is the increasing popularity of poultry meat for its low price, leanness, and convenience (see graph above). As a result of the limited domestic supply, EU exports are expected to remain on a low level.

### **Brazilian beef exports to the EU**

On January 31, 2008, the EC imposed stricter traceability requirements for Brazilian beef imports, which in practice banned Brazilian beef from the EU market (see GAIN Report E48016). Based on an audit conducted in January-February of 2009, the EU Food and Veterinary Office (FVO) reports that progress has been made but remains critical of the Brazil animal identification and traceability system. The list of [Brazilian cattle farms](#) approved for export to the EU has increased to about 2,000. This is, however, only a fraction of the 6,780 Brazilian farms which had been certified during 2007.

### **Update on the new EU beef import quota for high quality beef**

The details for the administration of this new 20,000 MT beef quota were published in [Commission Regulation \(EC\) No 620/2009](#) [1]. This U.S. - EU hormone compromise deal was formally approved in [Council Regulation \(EC\) No 617/2009](#) [2], published in the Official Journal on July 15, 2009. The quota has been imposed on August 1, 2009, for a period of two years. With mutual agreement the quota will possibly be enlarged to 45,000 MT after this period. The 20,000 MT quota is a small part of EU beef consumption, but it is a significant opening into the high-end beef market. During 2006 – 2008, EU imports of U.S. beef tripled from 2,100 MT to 6,400 MT. With this new quota, U.S. beef exports to the EU grew further to nearly 9,000 MT in 2009, with a value of 107 million USD. The quota is not expected to be filled during the first year. During the first six months after the opening, sales of U.S. beef amounted to nearly 7,000 MT. But this new duty free quota has induced Australia to also file for access, which was granted by [publication](#) [3] on January 20, 2010. While the supply from Australia is believed to be limited, expectations are that the quota will be filled in the second year.

[1] <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:182:0025:0030:EN:PDF>

[2] <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:182:0001:0001:EN:PDF>

[3] <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2010:013:0011:0011:EN:PDF>

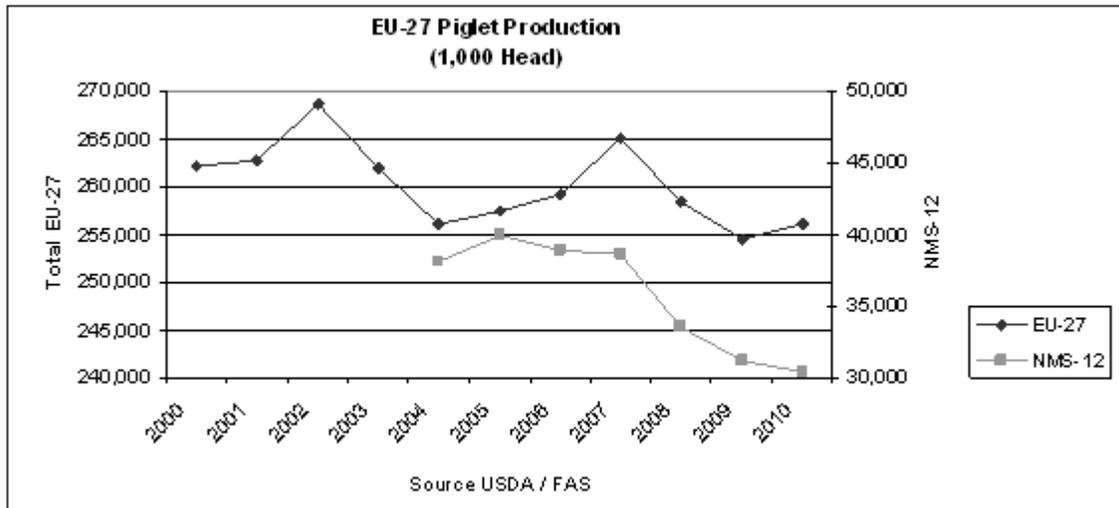
## Swine

Country	EU-27					
	Animal Numbers, Swine (1,000 Head)					
Commodity	USDA official [EU-27]	Posts estimates [EU-27]	USDA official [EU-27]	Posts estimates [EU-27]	USDA official [EU-27]	Posts estimates [EU-27]
Market Year Begin	2008		2009		2010	
TOTAL Beginning Stocks	159,732	159,732	152,960	153,067	149,250	149,000
Sow Beginning Stocks	14,926	14,925	13,970	13,951	13,900	13,800
Production (Pig Crop)	258,400	258,400	254,250	254,500	256,000	256,000
Extra EU27 imports	2	2	2	3	2	3
<b>TOTAL SUPPLY</b>	<b>418,134</b>	<b>418,134</b>	<b>407,212</b>	<b>407,570</b>	<b>405,252</b>	<b>405,003</b>
Extra EU27 exports	1,508	1,508	2,100	2,208	2,400	1,500
Sow Slaughter	5,343	5,359	5,100	5,250	5,100	5,000
Total Slaughter	255,107	255,107	248,500	249,000	246,500	248,000
Loss	8,559	8,452	7,362	7,362	7,102	7,003
Ending Inventories	152,960	153,067	149,250	149,000	149,250	148,500
<b>TOTAL DISTRIBUTION</b>	<b>418,134</b>	<b>418,134</b>	<b>407,212</b>	<b>407,570</b>	<b>405,252</b>	<b>405,003</b>

Source: FAS EU Offices

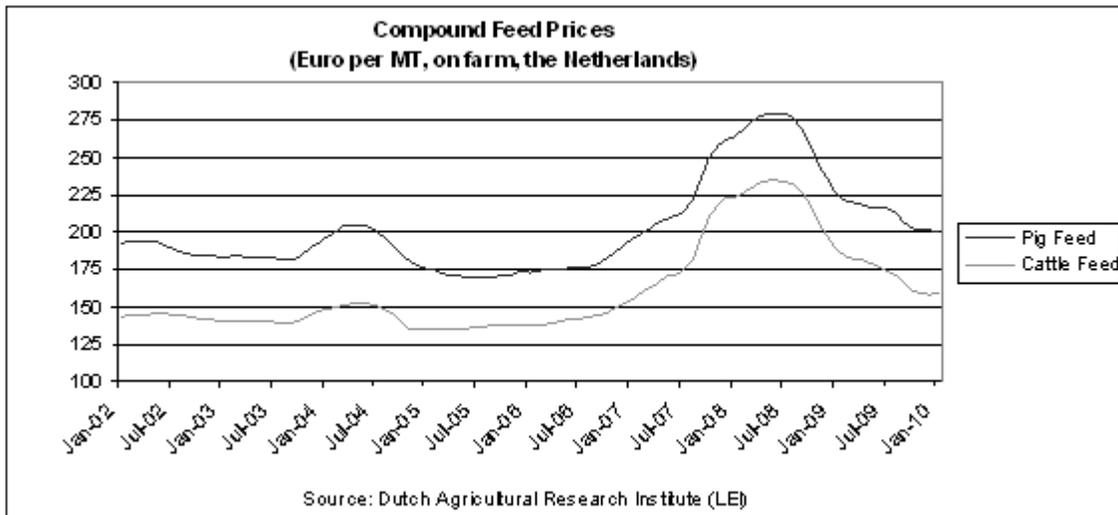
2009 & 2010 The swine cycle is expected to bottom out in 2010

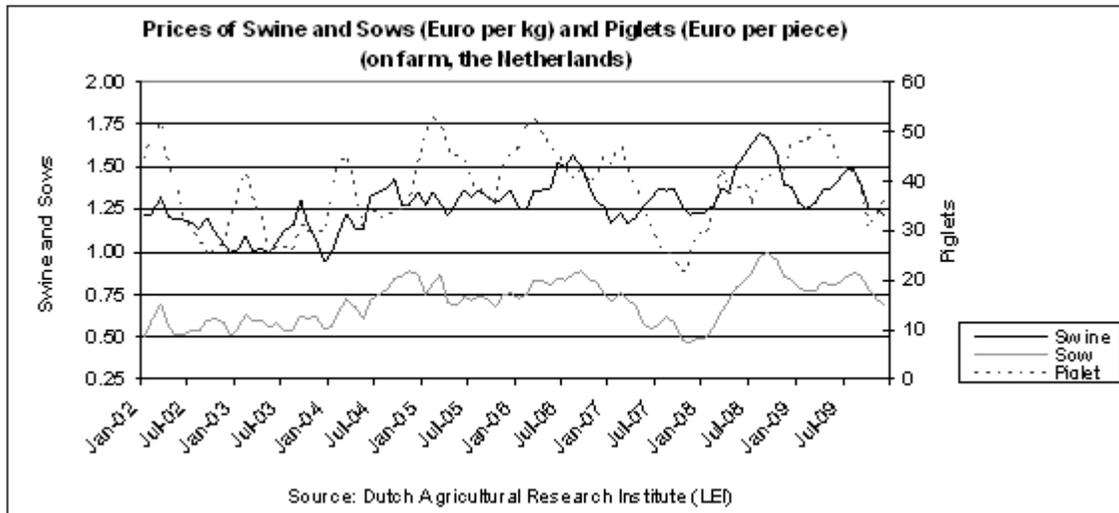
The EU pig crop declined significantly in 2008 (see graph below). One of the main factors for this decline was the high feed price during the period between July 2007 and January 2009, which affected profitability (see graph below).



In 2009, feed costs were reduced. These benefitted the fattening margins, but the financial crisis pressed carcass prices under the five-year average (see graph below), and as a result fattening margins remained tight. As a consequence, the restructuring of the intensive pig sector continued. Restructuring implied termination of the most inefficient farms throughout the EU and a reduction in backyard farming, in mainly the NMS. Spain and Poland accounted for almost half of the total EU cut back in piglet production. It is expected that the swine cycle, expressed as piglet production, will bottom out in 2010. Due to a recovery in mainly the UK and Denmark, annual EU piglet production is actually expected to increase by 0.6 percent to about 256 million piglets. This upturn is based on the assumption that the current piglet supply is insufficient to fulfill the domestic and export demand for pork. This year, domestic consumption is forecast to decline only marginally, while the import demand for EU pork in Russia and China is expected to rebound.

In contrast to of what was expected in the Annual Report, piglet production is not anticipated to recover in the NMS in 2010. During 2009, the import of piglets by the NMS, from mainly the Netherlands and Denmark, further increased. This trend is expected to continue this year. Another adjustment is the lower than anticipated swine export in 2010. Due to the new customs union of Russia, Belarus and Kazakhstan, import duties on live pigs were raised from 5 to 40 percent. As a result, the trade of about 1 million slaughter hogs to Russia has been cut off. These animals are expected to be slaughtered on the EU domestic market, which increased the 2010 slaughter number from the forecast in the Annual Report. After the cutback of the EU pig stock in 2008 (-4.2%) and 2009 (-2.7%), the stock is forecast to only decrease slightly by 0.3 percent to 148.5 million head in 2010.





## EU disease situation

Classical Swine Fever (CSF) has retreated to the most Eastern Member States and is largely under control in wild boar populations. In Romania, the first FVO inspection visit concerning this disease took place in mid-January 2010. If a CSF outbreak will occur in the coming months, the stamping-out policy will be applied in the affected area. If no major outbreaks occur, Romania will potentially gain the status of CSF free country before the second half of 2010. In the EU, Food and Mouth Disease appears to be under control. The EU Animal Health Plan for 2010 provides funding for continued monitoring and combating of these and other major livestock diseases (see GAIN report E49088 - EC animal disease eradication, control and monitoring program for 2010).

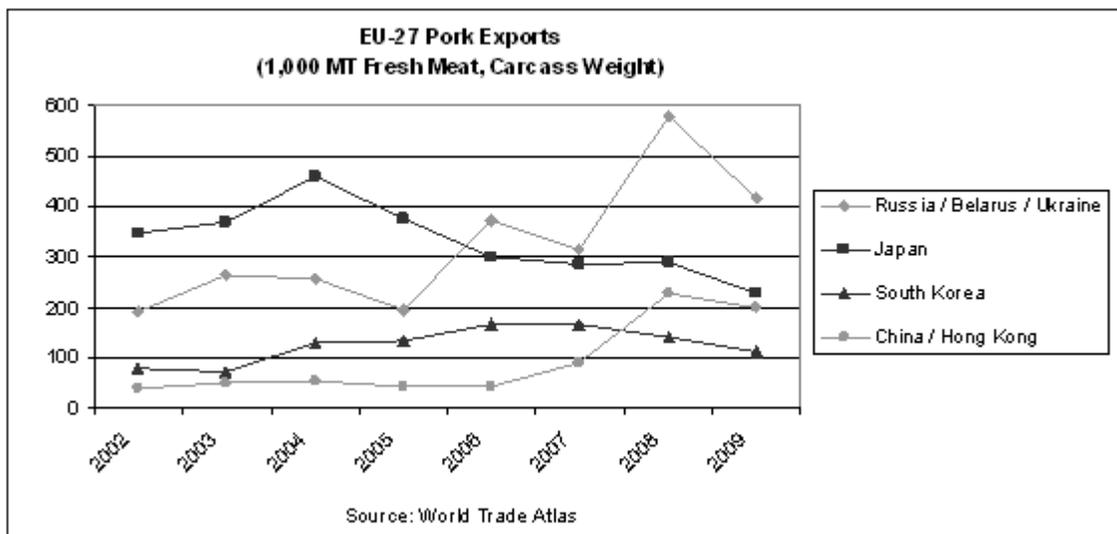
## Pork

Country	EU-27					
	Pigmeat (1,000 Head)(1,000 MT CW)					
Commodity	USDA Official [EU-27]	Posts estimates [EU-27]	USDA Official [EU-27]	Posts estimates [EU-27]	USDA Official [EU-27]	Posts estimates [EU-27]
Market Year Begin	<b>2008</b>		<b>2009</b>		<b>2010</b>	
Slaughter (Reference)	255,107	255,107	248,500	249,000	246,500	248,000
Beginning Stocks	99	99	0	0	0	0
Production	22,596	22,596	22,000	22,060	21,900	22,000
Extra EU27 imports	56	56	50	38	50	50
<b>TOTAL SUPPLY</b>	<b>22,751</b>	<b>22,751</b>	<b>22,050</b>	<b>22,098</b>	<b>21,950</b>	<b>22,050</b>
Extra EU27 exports	1,726	1,728	1,250	1,414	1,200	1,450
<b>TOTAL Domestic Use</b>	<b>21,025</b>	<b>21,023</b>	<b>20,800</b>	<b>20,684</b>	<b>20,750</b>	<b>20,600</b>
Ending Stocks	0	0	0	0	0	0
<b>TOTAL DISTRIBUTION</b>	<b>22,751</b>	<b>22,751</b>	<b>22,050</b>	<b>22,098</b>	<b>21,950</b>	<b>22,050</b>

Source: FAS EU Offices

2009 & 2010 Exports are forecast to recover in 2010.

The elevated supply of pork in 2007, in combination with EC export funding, boosted EU pork exports in 2008, to a record level of 1.7 MMT. Exports increased most significantly to Eastern Europe and China/Hong Kong (see graph below). The export refunds were terminated on August 8, 2008. During 2009, EU pork exports to Eastern Europe and Asia plummeted, mainly due to the economic recession. Other factors were the lower domestic supply, and absence of EC export refunds. Exports to Russia were also restricted due to veterinary issues (see policy section). The 2009 and 2010 export volume has, however, been revised upwards from the forecasts in the Annual Report. Pork consumption is revised to a lower level accordingly. This revision is due to the graduate recovery of the trade through the year. In addition, 2010 EU pork exports are expected to benefit from the economic growth, and thus demand for pork, in Russia and China. While Danish sector sources expect their 2010 export volume to remain stable, German and Dutch sector sources anticipate EU access to in particular Russia to improve on the short term. At present, the supply of competitive pork exporters to the Russian market has been cut off. Another factor is the termination of EU trade of slaughter hogs exports to Russia (see Swine section), which will probably press Russian slaughter and pork production. According to industry sources, the limited number of plants still blocked by Russian authorities has no effect on the export capacity of the EU. EU pork exports to Russia have been growing steadily since the low point at the beginning of 2009. Over the longer term, the EU is also expected to receive increased access to the Chinese market. While Denmark, France and Spain already export directly to China, the Netherlands is likely to receive eligibility beginning of 2010. Even if China reaches self sufficiency, import demand for pork by-products is expected to grow.



As the swine cycle is expected to bottom out in 2010, the cut down in EU pork production is forecast to be limited in that year: by only about 0.3 percent to 22.0 MMT. Production of pork is anticipated to increase significantly in Germany and the UK. The German production expansion is mainly based on piglets and slaughter hogs sourced from Denmark and the Netherlands. German slaughter numbers have increased steadily since 2000 and are currently nearly a quarter of total EU slaughter. In the UK, the low Sterling / Euro exchange rate benefited profitability to which farmers responded by increasing sow stocks. In the NMS, the first signs of recovery are reflected in the expansion of commercial slaughter.

Due to restricted consumer budgets pork consumption is expected to decline in the NMS. In Northwestern Europe an important factor for the stagnating pork consumption is the increasing popularity of poultry meat. In this market, the financial crisis has only a limited effect on total pork consumption, except the trend of consumers shifting from buying expensive parts to the cheaper parts.

### **Veterinary problems with EU exports to Russia**

EU meat exports to Russia, especially pork, were severely hampered in 2009, as Russia implemented stricter hygiene and residue standards. However, towards the end of 2009 most EU exporters were relisted for exports to Russia, after the EU agreed to meet the stricter standards, and processors implemented these. However, on the longer term these exports are uncertain as Russia is systematically decreasing meat import quota from year to year and is publicly aiming to reach self-sufficiency in 2012 or thereabouts.

Related reports from FAS Post in the European Union:

Country	Title	Date	Report Number
EU-27	EC animal disease eradication; control and monitoring program for 2010	01/29/10	-
Austria	Confirmed BSE Case in the Province Upper Austria	01/29/10	-
France	French Agriculture Addressing Climate Change	12/08/09	-
Sweden	Animal Welfare Problems in Swedish Pig Production	12/02/09	-
U.K.	Northern Irish pigs first in EU to catch H1N1	09/25/09	-
EU-27	Annual Livestock Report	08/28/09	-
Poland	Bovine Genetics Market	06/25/09	-
Hungary	Innovations Support U.S. Bovine Semen Exports to Hungary	05/18/09	-
Italy	Italian Pig Breeding Sector Ailing	05/18/09	-
Czech Republic	BSE Confirmed in a Cow in the Region of Liberec in the Czech Republic	04/20/09	-
EU-27	EC engages on Universal Declaration on Animal Welfare	03/24/09	-
EU-27	EC animal disease eradication; control and monitoring program for 2009	03/19/09	-
EU-27	Semi-Annual Livestock Report	03/04/09	E49019
EU-27	EC Orientation Debate on Animal Cloning	02/06/09	E41010
Spain	BSE Update for Spain and Portugal	02/05/09	SP9002

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