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EU-28

Livestock and Products Semi-annual

Domestic Supply Will Ease

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Report Highlights:
Based on official statistics, both cattle and swine slaughter is revised downwards from previously anticipated. However, the forecast of a higher meat production in 2014 remains intact. A higher availability of animals and an abundance of feed are the main reasons for this projection to stand. As a result of the Russian ban, China is likely to become the main export market for EU pork.

Executive Summary

Cattle & Beef

Based on official Eurostat statistics, cattle slaughter is revised downwards from previously forecast. A factor which has been underestimated is the high milk price and the approaching abolishment of the milk quotas in 2015, which tempt farmers to hold to their cattle. The recovery of beef production in 2014 will together with the adjusted trade balance ease domestic supply and support an increase in domestic consumption.

Swine & Pork

Based on Eurostat statistics pig production and slaughter are adjusted downwards. However, the forecast of a recovery of the pig crop in 2014 remains intact. The abundance of feed will increase average slaughter weights and also cause a recovery of pork production this year. As a result of the Russian ban, China is likely to become the main export market for EU pork.

Policy

-In December 2013, Member States reportedly agreed to maintain support for EU beef production through reserving budgets for coupled payments for beef. In the same month, the EU also approved a regulation about country of origin labeling for pork, lamb, goat meat and poultry.

-On January 27, 2014, the European Commission (EC) notified the OIE and Chief Veterinary Officers of the detection of African Swine Fever (ASF) in wild boar in the South of Lithuania. Russia imposed a ban to the whole EU-28 on January 29. On February 17 and 18, two cases of ASF were also reported also in Poland.

Cattle

Country	EU-28					
Commodity	Animal Numbers, Cattle (1,000 Head)					
	USDA Official [EU-28]	Posts estimates [EU-28]	USDA Official [EU-28]	Posts estimates [EU-28]	USDA Official [EU-28]	Posts estimates [EU-28]
Market Year	2012		2013		2014	
Total Cattle Beg. Stocks	86,697	87,051	87,102	87,106	87,600	88,200
Dairy Cows Beg. Stocks	23,051	23,051	23,204	23,207	23,200	23,350
Beef Cows Beg. Stocks	12,190	12,190	12,076	12,059	12,100	12,000
Production (Calf Crop)	29,970	29,800	29,800	29,550	29,900	29,600
Extra EU28 imports	0	0	0	0	0	0
TOTAL SUPPLY	116,667	116,851	116,902	116,656	117,500	117,800
Extra EU28 exports	681	679	500	514	500	500
Cow Slaughter	11,541	11,541	11,500	11,200	11,450	11,250
Calf Slaughter	6,952	6,946	6,900	6,700	6,900	6,800
Total Slaughter	27,384	27,379	27,300	26,500	27,600	26,850
Loss	1,500	1,687	1,502	1,642	1,500	1,650
Ending Inventories	87,102	87,106	87,600	88,000	87,900	88,800
TOTAL DISTRIBUTION	116,667	116,851	116,902	116,656	117,500	117,800

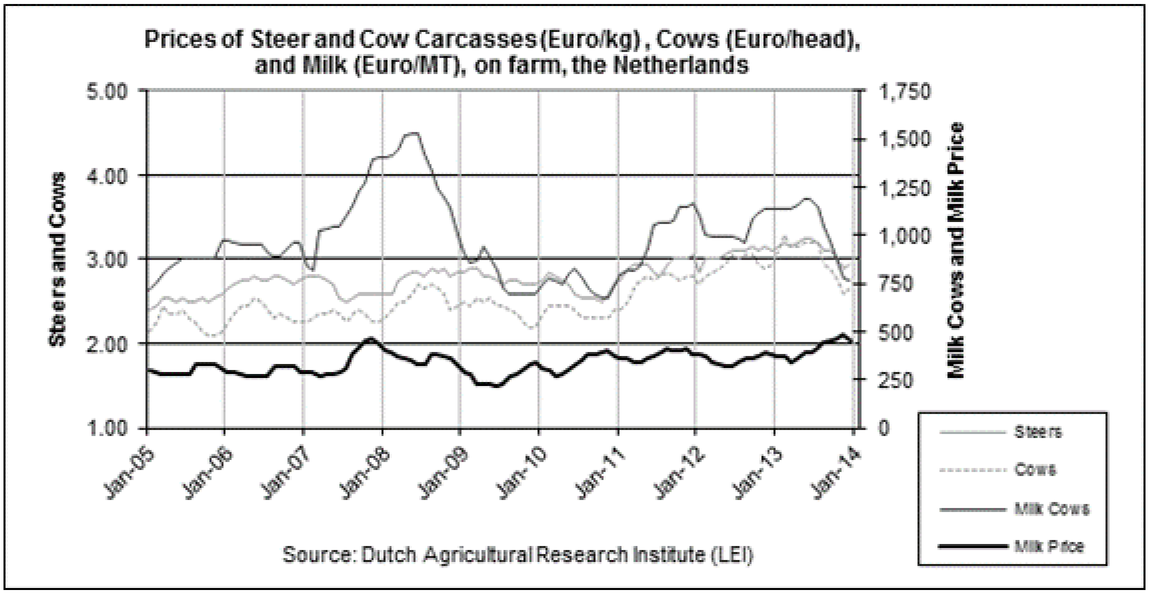
* The official Eurostat December 2011 census figure has been revised and adjusted with the calf crop and loss.
Not Official USDA data. Source: Eurostat and FAS Offices in the EU.

Slaughter is adjusted downwards as farmers rebuild their herds.

Based on official Eurostat monthly slaughter figures, slaughter has been more significantly cut in 2013 than anticipated in the FAS Annual Livestock Report. The most significant cuts are reported in Italy, Germany, France, Poland, the UK and the Benelux countries. The reduced slaughter of calves can partly be explained by the continuing economic crisis in the main veal markets, in particular Italy, France and Spain. This affected also slaughter in the Netherlands, the biggest exporter of veal in the EU. Another factor, which has been underestimated, is the high milk price, which tempts farmers to hold to their heifers and older cattle (see graph below). The abolishment of the milk quota in 2015 is a further push for farmers to enlarge their dairy herd (see for more information the FAS Dairy Annual). Based on the good margins in the dairy sector, the 2013 ending inventories of dairy cows are adjusted to a higher level, while the beef cow inventories are adjusted downwards. This year, slaughter is forecast to remain at a lower level than previously anticipated. As a result of the reduced slaughter, ending inventories in 2013 and 2014 are revised upwards from the forecast in the Livestock Annual.

Forecast of recovery of slaughter and beef production in 2014.

Despite the lower than anticipated slaughter, the forecast of increased slaughter and beef production in 2014 compared to last year remains intact. The rebound is supported by the increased availability of animals and a slight improvement of the economic situation in the EU. Increased slaughter is expected to take place across the EU and will be most pronounced in France, Spain and Ireland.



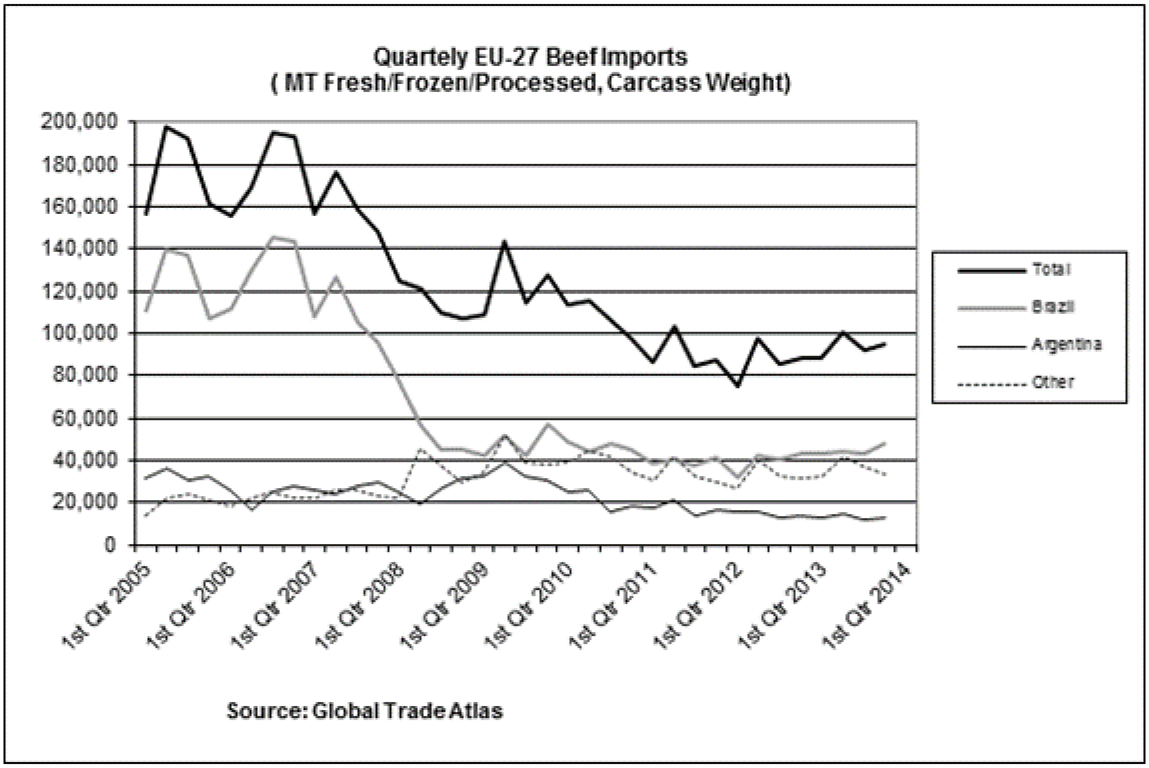
Beef

Country	EU-28					
Commodity	Meat, Beef and Veal (1,000 Head)(1,000MT CW)					
	USDA Official [EU-28]	Posts estimates [EU-28]	USDA Official [EU-28]	Posts estimates [EU-28]	USDA Official [EU-28]	Posts estimates [EU-28]
	2012		2013		2014	
Slaughter (Reference)	27,384	27,379	27,300	26,500	27,600	26,850
Beginning Stocks	0	0	0	0	0	0
Production	7,711	7,708	7,690	7,470	7,760	7,580
Extra EU28 imports	348	348	350	376	350	380
TOTAL SUPPLY	8,059	8,056	8,040	7,846	8,110	7,960
Extra EU28 Exports	297	296	260	244	270	240
TOTAL Domestic Use	7,762	7,760	7,780	7,602	7,840	7,720
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	8,059	8,056	8,040	7,846	8,110	7,960

Not Official USDA data. Source: Eurostat and FAS Offices in the EU.

Adjusted trade balance will slightly ease domestic supply.

With the lower slaughter, beef production in 2013 and 2014 is revised to a lower level accordingly. As supply of beef on the world market is limited, the lower domestic EU beef production is directly affecting availability on the market and consumption. Though, imports have been underestimated in the Annual Livestock Report. During the last quarter, imports from Brazil accelerated (see graph below) supported by the depreciation of the Real against the Euro. The depreciation of the currencies in South America is expected to maintain the slightly higher import level through 2014. At the same is the appreciation of the Euro against the currencies in the export destinations anticipated to limit EU beef exports. In 2014, the adjusted trade balance will together with the recovery of beef production ease domestic supply and support an increase in consumption and stock-building.



Swine

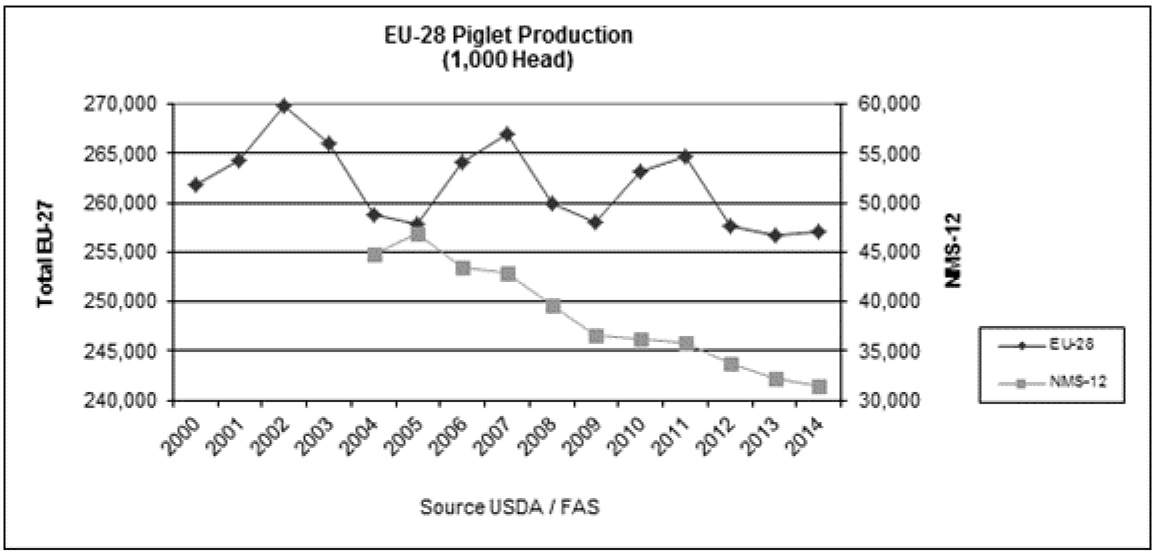
Country	EU-28					
Commodity	Animal Numbers, Swine (1,000 Head)					
	USDA official [EU-28]	Posts estimates [EU-28]	USDA official [EU-28]	Posts estimates [EU-28]	USDA official [EU-28]	Posts estimates [EU-28]
Market Year Begin	2012		2013		2014	
TOTAL Beginning Stocks	149,790	149,790	147,011	146,982	145,250	145,400
Sow Beginning Stocks	13,253	13,253	12,689	12,709	12,550	12,550
Production (Pig Crop)	257,700	257,600	257,000	256,700	258,000	257,150
Extra EU28 imports	2	2	0	1	0	0
TOTAL SUPPLY	407,492	407,392	404,011	403,683	403,250	402,550
Extra EU28 exports	743	741	500	818	500	550
Sow Slaughter	4,612	4,601	4,580	4,460	4,480	4,440
Total Slaughter	252,846	252,846	251,570	251,100	251,100	250,800
Loss	6,892	6,823	6,691	6,365	6,650	6,200
Ending Inventories	147,011	146,982	145,250	145,400	145,000	145,000
TOTAL DISTRIBUTION	407,492	407,392	404,011	403,683	403,250	402,550

Not Official USDA data. Source: Eurostat and FAS Offices in the EU.

Pig production and slaughter are adjusted downwards.

As a consequence of Eurostat updates, 2012 pig crop and ending inventories are adjusted to slightly lower levels. For the past year's statistics, the main adjustment made is the lower than anticipated slaughter. During 2013, a reduction of slaughter was reported mainly in the Netherlands, Denmark, France and Spain. Both the Dutch and Danish slaughterers suffered from competition from slaughterers in Germany and Belgium. Based on the lower slaughter statistics, the 2013 and 2014 pig crop are adjusted to a lower level accordingly. The adjustment of the production in 2014 is also taking in to account the closure of the Russian market, assuming this will not exceed two months (see Policy chapter).

Forecast of recovery remains intact.
However, the forecast of a higher piglet production compared to 2013 remains intact (see graph below). As projected, the upturn is expected to mainly take place in the Benelux countries, Denmark and the UK. An increase of fattening and slaughter is expected to take mainly place in Germany. Farmers in these countries have invested to be compliant with the EU animal welfare regulations, and are eager to take advantage of the shortfall in other Member States, in particular Poland, Hungary and France where production continues to decline steadily.



Pork

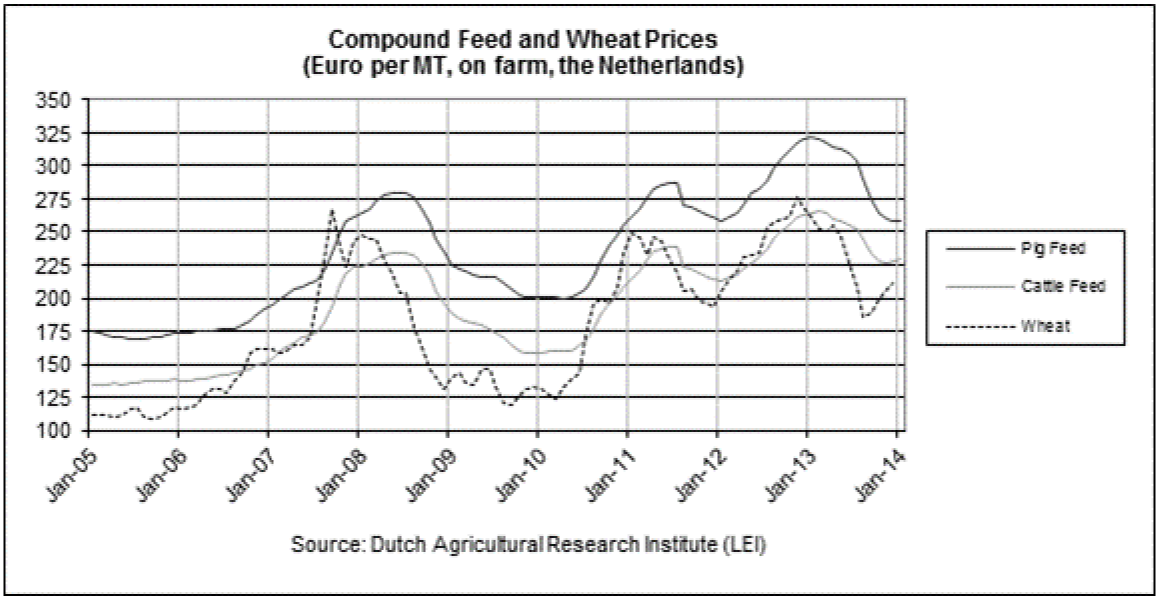
Country	EU-28					
Commodity	Pigmeat (1,000 Head)(1,000 MT CW)					
	USDA Official [EU-28]	Posts estimates [EU-28]	USDA Official [EU-28]	Posts estimates [EU-28]	USDA Official [EU-28]	Posts estimates [EU-28]
Market Year Begin	2012		2013		2014	
Slaughter (Reference)	252,846	252,846	251,570	251,100	251,100	250,800
Beginning Stocks	0	0	0	0	0	0
Production	22,526	22,526	22,450	22,390	22,450	22,400
Extra EU28 imports	20	21	18	15	20	15
TOTAL SUPPLY	22,546	22,547	22,468	22,405	22,470	22,415
Extra EU28 exports	2,171	2,165	2,200	2,232	2,200	2,230
TOTAL Domestic Use	20,375	20,382	20,268	20,173	20,270	20,185

Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	22,546	22,547	22,468	22,405	22,470	22,415

Not Official USDA data. Source: Eurostat and FAS Offices in the EU.

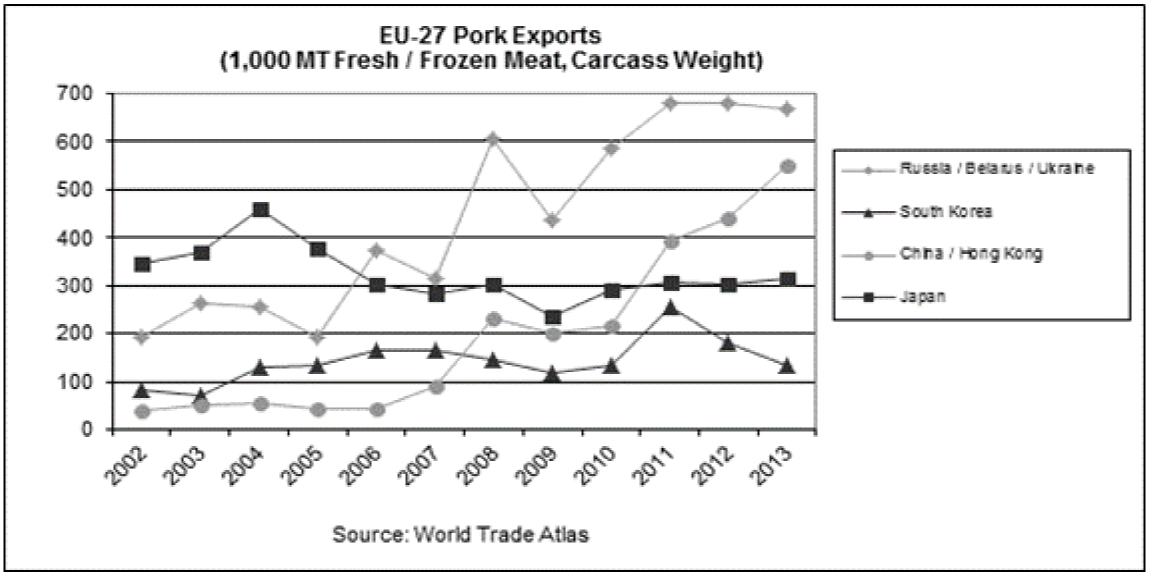
Abundance of feed will support a recovery of pork production.

Based on the corrected slaughter figures, pork production is adjusted to a lower level accordingly. During 2013, EU pork production fell by 0.6 percent, while the average slaughter weight slightly increased. Based on the abundance of feed (see graph below), in particular corn, carcass weights at slaughter are expected to increases further this year, which will result in a recovery of pork production in 2014.



China is likely to become the main export market.

In 2013, exports passed expectations and reached a new record level of 2.23 MMT (carcass weight). Exports rose most significantly to China and Russia, with an additional volume of respectively 110,000 MT and 80,000 MT. Exports to Russia were offset by lower exports to the Ukraine and Belarus (see graph below). With 500,000 MT of export sales, Russia was still the main market for EU pork, exceeding the volume of 400,000 MT exported to China. In 2014, however, China is likely to become the main market. The Russian ban on fresh and frozen pork is expected to last at least two months. Given the tight supply of pork on the world market, the oversupply is anticipated to be redirected to other destinations, mainly to China. While Spain, as the second European pork meat producer, is focusing on enhancing pork exports on new markets such as Mexico. Supported by lower prices, another part will be sold domestically in particular in Central Europe where local production is structurally on the decline. If the ban will last longer than two months, pork will accumulate in the cold stores and prices will decline. Following this scenario piglet production, slaughter and exports will be more negatively affected during 2014.



Policy

Member States Maintain Coupled Payments for Beef Production

With the new Common Agricultural Policy (CAP) agreed in December 2013, Belgium, France, Germany and Spain reportedly opt to maintain support for EU beef production through reserving budgets for coupled payments. Other Member States (MS) still have time to make this decision. Under the new CAP, MSs can opt dedicating up to ten percent of their Pillar I budget for such a coupled support.

EU Meat Origin Labeling Rules Approved

On December 13, 2013, the EU approved Regulation 1337/2013 regarding country of origin labeling for pork, lamb, goat meat and poultry. This regulation mandates labeling the place of rearing and slaughter, but not the place of birth, contrarily to the existing EU labeling for beef, which also includes place of birth.

Enforcement Procedure for Failure to Implement Pig Housing Legislation

In January 2014, the European Commission (EC) sent a reasoned opinion to Belgium, France, Cyprus and Greece for failing to implement Council Directive 2001/88 on the housing of pigs, which included a final implementing date of January 1, 2013. A reasoned opinion is the last step in the EU enforcement procedure before a formal complaint is filed to the European Court of Justice (ECJ). The four MSs have two more months to comply with this directive before being turned over to the ECJ.

African Swine Fever Detected in Lithuania and Poland

On January 27, 2014, the EC notified the OIE and Chief Veterinary Officers (CVO) of the detection of African Swine Fever (ASF) in wild boar in the South of Lithuania. Russia immediately stopped imports of pork and live swine from Lithuania. On January 29, Russia extended the ban to the whole EU-28 on the premise that the EU and Russia have no agreement on regionalization. High level representatives from EC Directorate General Health and Consumers (SANCO) have engaged talks with the Russian CVO about a pragmatic solution to the problem. On February 17 and 18, Poland confirmed that it had also found wild boars infected with ASF close to the border with Belarus.

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 28 EU member states.

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

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NOTE

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

	HS codes	**Conversion factors**
Beef	0201, 0202 021020, 160250	PWE X 1.40 = CWE PWE X 1.79 = CWE
Pork	0203, 021011, 021012, 021019, 160241, 160242, 160249	PWE X 1.30 = CWE

PWE = Product Weight CWE = 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 Member States which joined the EU in May 2004, January 2007 and July 2012
Benelux countries: Belgium, the Netherlands and Luxembourg
Nordic countries: denmark, Sweden and Finland

Related reports from FAS Post in the European Union:

Country	Title	Date
Romania	Romanian dairy sector facing new challenges	12/16/13
Hungary	Tax Cuts to Fight Fraud in Pork Market	11/19/13
Belgium	Promoting U.S. beef through social media in Belgium	10/18/13
EU-28	Livestock and Products Annual	09/11/13
Romania	Bovine Genetics suppliers regain direct access to Romanian farms	08/16/13
Romania	Foreign Bovine Genetics Access to the Romanian Market Threaten	06/10/13
Poland	General Guidance on Exporting U.S. High Quality Beef to the EU	06/07/13
Netherlands	Dutch Government Recalls 50 Million Kg of Beef	04/23/13
EU-27	Livestock and Products Semi Annual	03/01/13
Poland	Poland's Swine Sector Under Stress	02/13/13
EU-27	Two Breakthroughs in U.S. exports to Europe	02/11/13
Poland	Poland Bans Ritual Slaughter of Animals	01/10/13

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http://gain.fas.usda.gov/Pages/Default.aspx

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