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## Livestock and Products

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## 2006

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**Report Highlights:**

EU dairy cattle herds continue to decrease. The EU beef cattle herd is forecast to reverse its decreasing trend into a marginal increase in 2007, as some dairy farmers turn to beef production. Cattle slaughter and beef production see a one-time increase in production in 2006, because of the end of the UK OTMS, which will allow about 500 thousand older cattle in the food chain again. EU beef imports are decreasing in 2006 as a result of FMD in Brazil and are forecast to increase in 2007. EU beef exports continue to decrease.

EU swine numbers increase in 2006, but are forecast to decrease by the end of 2007, as the pig cycle ends. Exports of pigs and piglets increase in 2006 but are forecast to decrease again in 2007. EU pig slaughter and pork production continue to increase in 2006 and through 2007. Pork imports are slowly increasing from the U.S. and Chili. EU pork exports continue increase. EU pork consumption increases further in 2006 and 2007.

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## Table of Contents

<b>Executive Summary .....</b>	<b>4</b>
<b>Cattle .....</b>	<b>5</b>
2005.....	5
2006.....	5
End of OTMS and EU export ban of UK cattle and beef exports .....	6
2007 forecast.....	6
<b>Beef.....</b>	<b>7</b>
2005.....	8
2006.....	8
2007 forecast.....	8
<b>Swine .....</b>	<b>9</b>
2005.....	9
2006.....	10
2007 forecast.....	10
Pork.....	11
2005.....	12
2006.....	12
2007 forecast.....	12
<b>Policy .....</b>	<b>13</b>
Consequences of the accession of Romania and Bulgaria .....	13
Consequences of an agreement in the Doha Round.....	13
The WTO Hormone case.....	14
Consequences of the FVO report on control of veterinary medication in Brazil and FVO meat inspection audits in Brazil, Argentina and Paraguay.....	14
<b>Related reports from FAS EU.....</b>	<b>15</b>

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## Executive Summary

The EU cattle herd continues its long-term decrease, as a result of further efficiency improvements in milk production, which is tied to fixed production quota. The decline in beef herds seems to be stabilizing and a slight increase in the beef herd is being forecast for 2007, because beef production is gaining more interest in areas where dairy production is decreasing, like in some parts of France, or because producers, like in Poland, hope to benefit from the deficit in the EU beef market. Cattle imports are slowly increasing and cattle exports are shrinking further. Cattle slaughter is expected to show a one-time increase since many years in 2006 as a result of the ending of the Over Thirty Month Scheme (OTMS) in the United Kingdom to dispose of older cattle. This will allow some 400 to 500 thousand animals to enter the food chain again yearly. In 2007, cattle slaughter is forecast to again decrease.

The increased slaughter in 2006 is leading to increased EU beef production in 2006. Beef imports are decreasing in 2006, mainly as a consequence of Foot and Mouth disease (FMD) outbreaks in Brazil, but also as a result of a self-imposed export ban in Argentina. EU 2007 beef imports are forecast to slightly increase. EU beef exports are decreasing in 2006, because of record high prices on the EU market and because of the decrease in export refunds. Beef exports are forecast to be stable in 2007. EU beef consumption is increasing in 2006, mainly because of higher veal consumption in Italy and France, as a replacement for chicken because of consumer scare for Avian Influenza (AI). In 2007, EU beef consumption is forecast to slightly further increase.

Swine numbers in the EU are still increasing in 2006, but are forecast to start falling again in 2007 as the current pig production cycle moves to its end. As a result, exports of piglets, but also some pigs for slaughter, are expected to reach a maximum of 850 thousand pigs in 2006, after which they are forecast to decrease again in 2007. EU pig export destinations are in the Balkan countries, Romania and Ukraine mainly. Pig slaughter is increasing in 2006 and is forecast to still further increase in 2007.

EU pork production is increasing, in line with pig slaughter in 2006 and is forecast to further increase in 2007. EU pork imports are slowly increasing, albeit at a low level, from the U.S. and Chili. A new U.S. specific pork TRO of 4,700 MT, as part of the U.S. compensation for lost markets upon EU enlargement, should allow U.S. exports to the EU to further increase. EU pork exports are still increasing in 2006, despite high EU pork prices. However, EU pork exports to Russia are benefiting from the export problems in Brazil as a result of the FMD situation. EU pork exports in 2007 are forecast to marginally further increase. Pork consumption in the EU continues to increase, especially in the New Member States (NMS) as household incomes are increasing. This consumption increase is forecast to continue in 2007.

## Cattle

Country	EU-25					
	Animal Numbers, Cattle (1000 Head)					
Commodity	USDA Official [old]	Posts estimates [new]	USDA Official [old]	Posts estimates [new]	USDA Official [old]	Posts estimates [new]
Market Year	2005		2006		2007	
Total Cattle Beg. Stks	86,412	86,412	85,900	85,806	0	85,150
Dairy Cows Beg. Stocks	23,400	23,400	23,000	22,974	0	22,460
Beef Cows Beg. Stocks	12,073	12,073	12,250	12,031	0	12,100
Production (Calf Crop)	30,509	30,242	30,450	29,900	0	29,600
Extra EU25 imports	65	63	60	65	0	70
<b>TOTAL SUPPLY</b>	<b>116,986</b>	<b>116,717</b>	<b>116,410</b>	<b>115,771</b>	<b>0</b>	<b>114,820</b>
Extra EU25 exports	325	322	300	270	0	260
Cow Slaughter	6,975	6,940	7,450	7,200	0	7,250
Calf Slaughter	5,689	5,897	5,660	5,630	0	5,620
Total Slaughter	28,027	28,058	28,400	28,250	0	28,200
Loss	2,734	2,531	1,980	2,101	0	1,610
Ending Inventories	85,900	85,806	85,730	85,150	0	84,750
<b>TOTAL DISTRIBUTION</b>	<b>116,986</b>	<b>116,717</b>	<b>116,410</b>	<b>115,771</b>	<b>0</b>	<b>114,820</b>

Source: FAS EU Offices

## 2005

Cattle numbers for 2005 were updated to include EU December census data. The census showed slightly lower ending cattle stocks than previously estimated, mainly as the result of a slightly higher slaughter number. The ending to the Over Thirty Month Scheme (OTMS) in October 2005 in the United Kingdom didn't significantly impact 2005 slaughter figures, because few slaughterhouses were approved to receive these older cows for slaughter and only 16 thousand older cows were slaughtered for human consumption.

## 2006

Dairy cow herds continue their long term decreasing trend as milk production efficiency continues to increase. Contrarily to previous expectations and despite increased numbers in several of the NMS, beef cow herds had slightly further decreased at the beginning of 2006, compared to 2005. This was mainly a consequence of the 2005 drought in Spain, while readjustment to decoupling led to a reduction in the beef herd in the United Kingdom. The beef herd in France is breaking with the decreasing trend and expanding again as a result of high EU beef prices and because France kept all cattle premia maximally coupled to beef production. As a result, the EU calf production number is significantly decreased from the previous forecast. Cattle imports, mainly from Romania with the rest coming from Switzerland and Bulgaria, show a slight decrease. Cattle export estimates for 2006 are further decreased from a previous forecast, because high EU prices make EU cattle exports unattractive after the halt to export refunds. Exports to Lebanon had already halved in 2005 and exports in 2006 to this destination are completely evaporating. Exports to Croatia and Bosnia and Herzegovina are suffering to a lesser extent from the end of EU export refunds for live animals. Internal EU cattle trade remains important with continued strong demand from Italy, The Netherlands and Germany for calves and cattle from Poland, but also from Lithuania, Hungary, the Czech Republic and Slovak Republic. Total internal EU cattle trade surpasses 2.5 million adult cattle and calves, with end destination in Italy for about 1.5

million head, into Spain for some 700 to 800 thousand head and into the Benelux for another 500 thousand head. Cow slaughter is forecast to increase compared to 2005, although to a lower extent than previously estimated (see following paragraph on OTMS and the end of the EU export ban for the UK). Hence, total EU cattle slaughter forecast for 2006 is decreased, but remains well above 2005 cattle slaughter, which was depressed because cattle herds in the NMS were depressed after the large exports to the EU-15 upon accession in May 2004. German slaughter is expected to decrease, albeit at a lower pace than in 2005. In 2005, farmers reduced their beef herd as a response to the CAP reform. In addition, some young bull slaughter had been shifted from January 2005 to December 2004 to make use of the slaughter premium before decoupling started. Irish slaughter numbers in the first half of 2006 indicate increased slaughter in response to high beef prices. However, this is very atypical, as Irish beef is predominantly grass fed from the summer grazing, with traditionally little extra feeding from grain, and consequently increased slaughter in autumn. Expectations are now that this will not happen to the same extent in 2006. EU cattle loss numbers are expected significantly decrease in 2006, as a result of the end of OTMS in the UK. EU cattle numbers are expected to have further decreased at the end of 2006, although cattle inventories in a few MS, including Poland, are increasing as the government encourages beef production.

*End of OTMS and EU export ban of UK cattle and beef exports*

(See GAIN [UK6017- UK prepares for resumption of beef and cattle exports](#)<sup>1</sup>)

Older than thirty month (OTM) UK cattle can be slaughtered for human consumption again since November 2005, if they are being tested for BSE. However, the ongoing approval of slaughterhouses to slaughter these older cattle is still hampering slaughter capacity in some areas of the UK in 2006. Expectations are that some 430 thousand UK OTM cows will be slaughtered for human consumption in 2006. The number of OTM cattle slaughtered for human consumption is expected to further increase in 2007. Cattle born before August 1996 in the UK are still excluded from the food chain and are now disposed off through the Older Cattle Disposal Scheme (OCDS), which replaced the OTMS when it was formally phased out on January 23, 2006. UK cattle loss numbers are expected to decrease by about the number of UK OTM slaughter.

The EU ban on the export of live cattle, beef and beef products from the UK was finally lifted on May 3, 2006. Promptly, the traditional export of UK calves for veal production to The Netherlands and France started again, under the critical observation from animal rights defenders. To avoid problems, calf exports to The Netherlands are even occurring by air.

## **2007 forecast**

Most trends from 2006 are expected to continue throughout 2007. Dairy herds are forecast to further decrease, while young bull herds in Germany are expected to decrease even at an increased rate because increased corn prices, which are the result from corn demand for biogas production, are expected to eat into beef production margins. Beef herds in Spain should further recover from the 2005 drought, while beef herd expansion throughout the Mid-European NMS is forecast to continue. This is nevertheless expected to result in a further decrease in calf production. EU cattle imports should slightly increase, while cattle exports are forecast to further decrease. Total EU cattle slaughter forecast should slightly further decrease compared to 2006. Cattle loss is forecast to further decrease as UK OTM slaughter reaches full capacity. Finally, 2007 EU cattle ending stocks are expected to decrease by another 400 thousand head or 0.5 percent.

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<sup>1</sup> <http://www.fas.usda.gov/gainfiles/200604/146187579.pdf>

## Cattle calf crop production (Top 5 EU-25 member states) 1000Head

	2005	2006	2007
France	6,604	6,617	6,640
Germany	4,452	4,227	4,180
United Kingdom	3,155	2,994	2,950
Italy	2,600	2,550	2,520
Benelux	2,344	2,300	2,270

Benelux: Belgium, The Netherlands and Luxembourg are treated as one market

Benelux is closely followed by Poland and Spain

## Cattle slaughter (Top 5 EU-25 member states) 1000Head

	2005	2006	2007
France	5270	5200	5220
Italy	4078	3950	3950
Germany	3769	3750	3650
Benelux	2785	2770	2760
Spain	2731	2740	2750

## Cattle exports (Top 5 EU-25 member states) 1000Head

	2005	2006	2007
Poland	94	100	100
Germany	63	45	40
Hungary	43	40	40
Benelux	21	25	25
France	36	20	20

**Beef**

Country	EU-25					
	Meat, Beef and Veal (1000 Head; 1000MT CWE)					
	2005		2006		2007	
Commodity	USDA official [old]	Posts Estimates [new]	USDA official [old]	Posts Estimates [new]	USDA official [old]	Posts Estimates [new]
Slaughter (Reference)	28,027	28,058	28,400	28,250	0	28,200
Beginning Stocks	0	0	0	0	0	0
Production	7,770	7,770	7,820	7,880	0	7,880
Extra EU25 imports	625	599	600	540	0	550
<b>TOTAL SUPPLY</b>	<b>8,395</b>	<b>8,369</b>	<b>8,420</b>	<b>8,420</b>	<b>0</b>	<b>8,430</b>
Extra EU25 Exports	250	255	220	200	0	200
TOTAL Domestic Use	8,145	8,114	8,200	8,220	0	8,230
Ending Stocks	0	0	0	0	0	0
<b>TOTAL DISTRIBUTION</b>	<b>8,395</b>	<b>8,369</b>	<b>8,420</b>	<b>8,420</b>	<b>0</b>	<b>8,430</b>

Source: FAS EU Offices

## 2005

EU 2005 beef numbers were updated to include full year trade data, which showed lower imports and slightly higher exports than previously expected. While total 2005 EU beef imports were still higher than total 2004 EU beef imports, 2005 fourth quarter beef imports into the EU show a decline over 2004 fourth quarter imports, because of a 25 percent decrease in imports from Brazil, which results from the partial EU ban on beef imports from Mato Grosso do Sul, Parana and Sao Paulo because of Foot and Mouth disease (FMD). Increased imports of beef from Argentina and even doubled beef imports from Uruguay only partially offset the loss of imports from Brazil. As a result beef consumption was adjusted downwards.

## 2006

Beef production in 2006 is expected to partially recover from the low in 2005. Beef imports are expected to decline more than previously forecast, as a result of the continued partial EU ban on imports from Brazil and the temporary self-imposed beef export ban from Argentina in the first half of 2006. It is yet unclear what the impact on exports from Brazil will be from the audit report by the EC Food and Veterinary Office (FVO) "Final report of a mission carried out in Brazil from 23 November to 1 December 2005 concerning the evaluation of the controls of residues and contaminants in live animals and animal products, including controls on veterinary medicinal products"<sup>2</sup>, nor what the results will be of the EC Food and Veterinary Office (FVO) audit in July 2006 of the Brazil meat inspection system<sup>3</sup>. EU member states are already asking the EC to ban Brazilian meat imports<sup>4</sup>. EU beef exports are also expected to decrease more than previously forecast as a result of record high EU beef prices and reduced export refunds. Against the long-term trend, EU domestic beef consumption is expected to increase compared to 2005, despite record high prices. This can be explained by increased veal consumption to replace poultry consumption as a consequence of the Avian Influenza (AI) scare, especially in Italy, and increased consumption in the UK because of increased domestic supplies. Beef consumption in the NMS is also slowly recovering as average household income increases. In Sweden, extra costs for increased BSE testing of cattle, as a consequence of Sweden's first case of BSE in February 2006, will be borne by Swedish consumers but is not expected to have negative effects on Swedish beef consumption<sup>5</sup>.

## 2007 forecast

EU beef production in 2007 is forecast at the same level as in 2006, as a result of slightly increasing carcass weights and the increased cattle supplies for human consumption in the UK. As a result, beef imports are forecast to only slightly increase, as it is unclear how the Brazil beef export situation will evolve. EU beef exports are forecast to stabilize, with Russia accounting for 60 percent of exports. Domestic consumption is forecast to stay at the same level.

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<sup>2</sup> [http://ec.europa.eu/food/fvo/ir\\_search\\_en.cfm](http://ec.europa.eu/food/fvo/ir_search_en.cfm)

<sup>3</sup> [http://ec.europa.eu/food/fvo/inspectprog/2006-year\\_fr.pdf](http://ec.europa.eu/food/fvo/inspectprog/2006-year_fr.pdf)

<sup>4</sup> [NL6019 - Dutch Product Boards ask EC to ban Brazilian meat imports](#)

(<http://www.fas.usda.gov/gainfiles/200607/146208159.pdf>)

<sup>5</sup> [SW6008 - First Swedish BSE Case Confirmed](#)

(<http://www.fas.usda.gov/gainfiles/200603/146187015.pdf>)

## Beef production (Top 5 EU-25 member states) 1000MT

	2005	2006	2007
France	1,517	1,515	1,510
Germany	1,166	1,155	1,130
Italy	1,120	1,121	1,120
Spain	714	710	712
United Kingdom	758	864	842

## Beef consumption (Top 5 EU-25 member states) 1000MT

	2005	2006	2007
France	1,638	1,620	1,645
Italy	1,472	1,503	1,510
United Kingdom	1,344	1,360	1,360
Germany	925	930	920
Spain	649	670	680

## Beef exports (Top 5 EU-25 member states) 1000MT

	2005	2006	2007
Germany	52	40	35
Italy	36	36	35
Ireland	39	30	30
Poland	22	20	20
France	23	20	15

Beef exports from Benelux and Spain closely follow France

## Swine

Country	EU-25					
	Animal Numbers, Swine (1000 Head)					
Commodity	USDA official [old]	Posts estimates [new]	USDA official [old]	Posts estimates [new]	USDA official [old]	Posts estimates [new]
Market Year Begin	2005		2006		2007	
TOTAL Beginning Stocks	151,143	151,143	153,100	151,673	0	152,000
Sow Beginning Stocks	14,880	14,880	14,900	14,899	0	14,850
Production (Pig Crop)	251,040	250,486	252,670	253,350	0	252,800
Extra EU25 imports	1	1	1	1	0	1
<b>TOTAL SUPPLY</b>	<b>402,184</b>	<b>401,630</b>	<b>405,771</b>	<b>405,024</b>	<b>0</b>	<b>404,801</b>
Extra EU25 exports	800	765	700	850	0	800
Sow Slaughter	3,670	3,682	3,700	3,670	0	3,730
Total Slaughter	239,685	239,128	242,000	243,000	0	243,600
Loss	8,599	10,064	9,071	9,174	0	9,201
Ending Inventories	153,100	151,673	154,000	152,000	0	151,200
<b>TOTAL DISTRIBUTION</b>	<b>402,184</b>	<b>401,630</b>	<b>405,771</b>	<b>405,024</b>	<b>0</b>	<b>404,801</b>

Source: EU FAS Offices

## 2005

A review of swine numbers for 2005 showed little surprises. Final EU swine exports were lower than previously estimated, but still significantly higher than in 2004. Swine exports to

Croatia almost doubled to 280 thousand head, while Ukraine imported about 150 thousand swine for the first time in more than five years. Total EU swine slaughter ended about 0.5 million head or 0.2 percent lower than previously estimated. Slaughter was lower than estimated in Denmark, Germany and Poland, but this was partly offset by underestimation of slaughter in Hungary and the Czech Republic. Finally, the EU December census showed a much smaller increase in EU pig numbers than previously anticipated.

## 2006

The estimation for EU pig production in 2006 is slightly increased as a result of slightly higher sow fertility. Swine exports are expected to increase by more than 10 percent compared to 2005, as already in the period until April Russia has imported almost 100 thousand pigs, compared to only two thousand in 2005, while export of piglets to Croatia, Romania, Bulgaria, Serbia and Ukraine are also significantly higher. Exports to these destinations originate mostly in The Netherlands, Germany, Poland, Hungary, Denmark and Austria. Intra EU trade of piglets between The Netherlands and Germany was disrupted by a German outbreak of Classical Swine Fever (CSF) at the beginning of March 2006<sup>6</sup>. However, this CSF outbreak is not expected to change German pork production as it is anticipated that the piglets that were prevented to enter Germany, eventually will be imported as slaughter pigs and only a total of 92 thousand pigs were destroyed in Germany as a disease containment measure. Intra EU trade of pigs and piglets totals about 10 million head, with the Benelux and Denmark accounting for most of the net exports, followed by Ireland and France, while Germany is the largest net importer, followed at considerable distance by Italy, Portugal, Austria, Spain, the UK and Hungary. A comparative German advantage in slaughter costs is at the origin of these large imports of pigs for slaughter. This advantage results from low labor costs, as a result of flexible contract labor, and large underused slaughter capacity.

Total EU pig slaughter is expected to increase by some 1.5 percent compared to 2005, while the EC expects a 1 percent increase. The most significant increases in slaughter are expected in Poland, Spain, Germany, Italy and Portugal, while decreases in slaughter rate are being observed in Denmark, Hungary, the Benelux countries and the United Kingdom. EU pig ending stocks are expected to further increase compared to 2005, but at an albeit slower pace than previously forecast as the pig production cycle approaches its end. Increases in ending inventories are mainly expected in Denmark, Germany and Spain. Greece is expecting a significant decrease in 2006 swine ending inventories as domestic swine are slaughtered to meet increased demand for pork to replace poultry meat as a consequence of the AI scare in Greece.

## 2007 forecast

EU pig production in 2007 is forecast to decrease by 550 thousand head or 0.2 percent, because the current pig production cycle is nearing its end in the most important producer countries. This is expected to result in some decrease in exports. EU pig slaughter is forecast to further increase in 2007, mainly in Germany and Denmark, and only partially offset by decreased slaughter in Poland, Hungary and Greece. EU 2007 ending inventories for swine is forecast to decrease by 0.5 percent in anticipation of the onset of a new pig production cycle.

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<sup>6</sup> [GM6010 - Germany Reports a Hog Cholera Outbreak](http://www.fas.usda.gov/gainfiles/200603/146187010.pdf)  
(<http://www.fas.usda.gov/gainfiles/200603/146187010.pdf>)

## Pig crop production (Top 5 EU-25 member states) 1000Head

	2005	2006	2007
Germany	44,735	45,000	45,032
Spain	38,993	40,100	39,780
Benelux	32,900	32,850	32,750
Denmark	26,857	27,800	28,000
France	25,914	25,730	25,650

## Swine slaughter (Top 5 EU-25 member states) 1000Head

	2005	2006	2007
Germany	48,225	49,100	49,700
Spain	38,030	39,500	39,600
Benelux	25,473	25,350	25,350
France	25,115	25,100	25,000
Poland	22,736	24,500	24,200

## Swine exports (Top 5 EU-25 member states) 1000Head

	2005	2006	2007
Poland	198	200	220
Benelux	157	200	200
Hungary	142	100	120
Germany	127	100	140
Austria	53	50	45

## Pork

Country	EU-25							
	Pigmeat (1000 MT CWE)(1000 HEAD)							
Commodity	USDA official [old]		Posts estimates [new]		USDA official [old]		Posts estimates [new]	
Market Year Begin	2005		2006		2007			
Slaughter (Reference)	239,685	239,128	242,000	243,000	0	243,600		
Beginning Stocks	0	0	0	0	0	0		
Production	21200	21102	21520	21450	0	21500		
Extra EU25 imports	19	21	15	22	0	22		
<b>TOTAL SUPPLY</b>	<b>21219</b>	<b>21123</b>	<b>21535</b>	<b>21472</b>	<b>0</b>	<b>21522</b>		
Extra EU25 exports	1380	1357	1450	1400	0	1400		
TOTAL Domestic Use	19839	19766	20085	20072	0	20122		
Ending Stocks	0	0	0	0	0	0		
<b>TOTAL DISTRIBUTION</b>	<b>21219</b>	<b>21123</b>	<b>21535</b>	<b>21472</b>	<b>0</b>	<b>21522</b>		

Source: EU FAS Offices

**2005**

An update of EU 2005 pork numbers resulted in minor decreases to production and consequently pork exports and domestic consumption.

**2006**

EU pork production in 2006 is expected to increase in line with increased slaughter expectations compared to 2005, but to a lower extent than previously forecast. Imports are expected to slightly increase, as imports from the U.S. and Chili to Germany are increasing. The new U.S. specific EU pork quota<sup>7</sup>, which was negotiated as a compensation for lost market access upon accession of the 10 NMS might also start enhancing U.S. exports to the EU. EU pork exports are expected to further increase, to Asia and Russia, despite record high EU pork prices. Germany is an exception as a consequence of the CSF outbreak in March 2006. EU pork exports to Russia are anticipated to increase due to fading competition from Brazil as a result of FMD outbreaks. Because of strong competition from the U.S. and Canada, EU exports to Asian destinations, mainly Japan and South Korea are expected to decrease. Hence, the EC believes the Japanese Special Safeguard will not be triggered in 2006. Domestic pork consumption in the EU is expected to increase, notably in Germany as a result of enhanced consumption related to the World Soccer tournament and some replacement of poultry because of AI scare, in Spain and to a lesser extent France to replace poultry as a result of the AI scare. Domestic consumption in the NMS is increasing because of increased household incomes. Pork producers in North Western Europe, mainly Germany, Denmark, and the Benelux, regard the NMS as a growth market until domestic production will recover.

**2007 forecast**

EU pork production in 2007 is forecast to further increase as a result of increased slaughter. Imports are expected to be stable again. EU pork exports are forecast to stabilize as competition on world pork markets is increasing. EU domestic consumption is forecast to further increase, mostly in the NMS. German domestic consumption should decrease slightly again as the World Soccer Cup was a temporary opportunity for increased pork consumption in 2006.

Pig meat production (Top 5 EU-25 member states) 1000MT

	<b>2005</b>	<b>2006</b>	<b>2007</b>
Germany	4,499	4,580	4,630
Spain	3,101	3,200	3,220
Benelux	2,346	2,340	2,340
France	2,018	2,020	2,015
Denmark*	1,782	1,750	1,800

\* Denmark slightly surpasses Poland

<sup>7</sup> [http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/l\\_124/l\\_12420060511en00010007.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/l_124/l_12420060511en00010007.pdf)

Pig meat consumption (Top 5 EU-25 member states) 1000MT

	2005	2006	2007
Germany	4,496	4,540	4,500
Spain	2,390	2,480	2,500
Italy	2,237	2,240	2,240
France	1,858	1,872	1,884
Poland	1,629	1,720	1,710

Pig meat exports (Top 5 EU-25 member states) 1000MT

	2005	2006	2007
Denmark	546	550	550
France	118	124	127
Germany	112	100	120
Poland	107	120	120
Benelux	106	110	110

## Policy

### *Consequences of the accession of Romania and Bulgaria*

With the accession of Romania and Bulgaria, which is scheduled at the beginning of 2007 after a final evaluation by the European Council in October of 2006, some 5.1 million farms will be added to the 9.9 of the EU-25. More than 95 percent of farms in Romania and Bulgaria are smaller than 5 hectares and over 98 percent smaller than 10 hectares<sup>8</sup> ([BU5012](#)<sup>9</sup> and [RO5011](#)<sup>10</sup>). This will also mean the addition of some 30 million consumers to the existing 497 million in the EU-25.

Romania and Bulgaria will add some 3.5 million cattle to the EU's 86.4 million<sup>11</sup> or 4 percent, as well as 7.5 million pigs to the EU herd of 151.1 million<sup>12</sup> or 5 percent. Romania and Bulgaria are net exporters of cattle and beef and net importers of swine and pork. Much of this trade was already with the EU and that is expected to largely increase upon accession. U.S. pork exporters are already losing out on these markets, especially as Romania has already started implementing EU legislation, including for imports from third countries before accession ([RO6005 - New Trade Regime for Poultry and Pork Products](#)<sup>13</sup>).

### *Consequences of an agreement in the Doha Round*

Upon a agreement in the DOHA round on the terms of the European market access proposal, EU beef tariffs would be cut by 60 percent, while under the G20 market access proposal the cut would be 70 percent. Under the EU proposal, EU pork tariffs would be cut by 45 percent and under the G20 proposal by 55 percent.

<sup>8</sup> [http://ec.europa.eu/agriculture/agrista/2005/table\\_en/3541.pdf](http://ec.europa.eu/agriculture/agrista/2005/table_en/3541.pdf) and [http://ec.europa.eu/agriculture/agrista/2005/table\\_en/3541s4.pdf](http://ec.europa.eu/agriculture/agrista/2005/table_en/3541s4.pdf)

<sup>9</sup> <http://www.fas.usda.gov/gainfiles/200607/146208224.pdf>

<sup>10</sup> <http://www.fas.usda.gov/gainfiles/200509/146130772.pdf>

<sup>11</sup> [http://ec.europa.eu/agriculture/agrista/2005/table\\_en/41501.pdf](http://ec.europa.eu/agriculture/agrista/2005/table_en/41501.pdf)

<sup>12</sup> [http://ec.europa.eu/agriculture/agrista/2005/table\\_en/41601.pdf](http://ec.europa.eu/agriculture/agrista/2005/table_en/41601.pdf)

<sup>13</sup> <http://www.fas.usda.gov/gainfiles/200602/146176866.pdf>

In a situation where already now Brazilian quality beef was able to enter the EU at full tariff, any tariff cut will directly impact EU domestic prices. Even if the EC compensates EU beef producers for this loss through additional direct payments, which is highly unlikely because of the implications for the EU budget and the EU green box spending, the least competitive EU beef producers will be forced to stop cattle raising for beef. The EC has calculated that this could lead to extra market opportunities for beef imports of up to 800 thousand MT under the EU proposal (February 2, 2006 speech by Commissioner Fischer-Boel "[Getting the facts straight on the EU's agriculture offer in the Doha round](#)"<sup>14</sup>). It could probably be 1 million MT or more under the G20 proposal. Total EU beef imports could then surge to 1.5 million MT or about 18 percent of total EU beef consumption. Hence, the reason why obtaining sensitive product status for beef is a key priority for European beef producers. For different WTO proposals, see CRS report "[WTO Doha Round: The Agricultural Negotiations](#)"<sup>15</sup>

#### *The WTO Hormone case*

On 8 November 2004, the European Communities filed a request for consultations to the WTO, asserting that the United States should have removed its retaliatory measures since the EC has removed the measures found to be WTO-inconsistent in the EC — Hormones case<sup>16</sup>. The EU claims that it had taken the necessary steps to comply with the WTO panel in the [WTO case ds26](#)<sup>17</sup> of January 1996, in which the U.S. had filed a complaint against the EU hormone ban, through the adoption of [Directive 2003/74/EC of 22 September 2003 amending Council Directive 96/22/EC concerning the prohibition on the use in stock farming of certain substances having a hormonal or thyrostatic action and of beta-agonists](#)<sup>18</sup>.

The hearings in this case will occur in September and October of 2006 and will be public. Registration for the public hearing can be done online at the WTO website at [http://www.wto.org/english/tratop\\_e/dispu\\_e/public\\_hearing\\_sep06\\_e.htm](http://www.wto.org/english/tratop_e/dispu_e/public_hearing_sep06_e.htm)

#### *Consequences of the FVO report on control of veterinary medication in Brazil and FVO meat inspection audits in Brazil, Argentina and Paraguay*

In its report by the EC Food and Veterinary Office (FVO) "Final report of a mission carried out in Brazil from 23 November to 1 December 2005 concerning the evaluation of the controls of residues and contaminants in live animals and animal products, including controls on veterinary medicinal products"<sup>19</sup>, the FVO expressed several concerns on the fact that veterinary products, including hormones like clenbuterol, are freely available on the market. As a result, widespread use without veterinary prescription can't be excluded. Also, the fact that farmers do not need to keep record of stocks and use of veterinary products, which is mandatory in the EU, makes any control on the proper use impossible. This could lead to increased EU requirements on sampling and testing of animals, which are slaughtered for export to the EU.

The FVO is also on a mission in July 2006 to Brazil, Argentina and Paraguay to audit the meat inspection systems of these countries<sup>20</sup>. In the report of the previous audit in February

<sup>14</sup>

<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/06/55&format=HTML&aged=0&language=EN&guiLanguage=en>

<sup>15</sup> <http://fpc.state.gov/documents/organization/61057.pdf>

<sup>16</sup> [http://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds320\\_e.htm](http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds320_e.htm)

<sup>17</sup> [http://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds26\\_e.htm](http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds26_e.htm)

<sup>18</sup> [http://europa.eu.int/eur-lex/pri/en/oj/dat/2003/l\\_262/l\\_26220031014en00170021.pdf](http://europa.eu.int/eur-lex/pri/en/oj/dat/2003/l_262/l_26220031014en00170021.pdf)

<sup>19</sup> [http://ec.europa.eu/food/fvo/ir\\_search\\_en.cfm](http://ec.europa.eu/food/fvo/ir_search_en.cfm)

<sup>20</sup> [http://ec.europa.eu/food/fvo/inspectprog/2006-year\\_fr.pdf](http://ec.europa.eu/food/fvo/inspectprog/2006-year_fr.pdf)

2003, a number of deficiencies had highlighted especially with the failure of the Brazil animal identification system [SISBOV](#)<sup>21</sup> to guarantee traceability of exported products as required by EU law. Some deficiencies in the residue-testing program were also highlighted. Rumors are that Brazilian exporters are concerned about the lack of progress the Brazilian government has made in improving animal registration in the SISBOV system. Also, budgetary restraints are reported to constrain the proper functioning of Brazil testing laboratories. It is preliminary to speculate about the consequences of an eventual negative FVO audit report, but already, producers in EU member states are asking the EC to ban Brazilian meat imports<sup>22, 23</sup>. With current FMD problems in Brazil, it isn't likely that the FVO and the EC will be inclined to take any chances with animal health risks for the EU, considering that the FMD crisis of 2001 in the UK and The Netherlands lies still fresh in the minds of EU producers, the public and politicians.

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<sup>21</sup> <http://www.certificadora.com.br/english.php>

<sup>22</sup> [NL6019 - Dutch Product Boards ask EC to ban Brazilian meat imports](#)

(<http://www.fas.usda.gov/gainfiles/200607/146208159.pdf>)

<sup>23</sup> [http://www.cogeca.be/pdf/cdp\\_06\\_33\\_1e.pdf](http://www.cogeca.be/pdf/cdp_06_33_1e.pdf)

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