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## EU-27

### Livestock and Products

### Export subsidies for raw pork reinstated

**2007**

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**Report Highlights:**

On November 29, 2007, the EC reinstated export refunds for raw pork in an attempt to support waning pork exports which result from the unfavorable €/U.S. \$ exchange rate. EU pork farmers are suffering severely from high feed costs, even as EU pork prices are still at the 5-year average level. EU feed costs are the result of a poor EU grain harvest and the impossibility to import cheap feed ingredients as a result of the EU GM policy.

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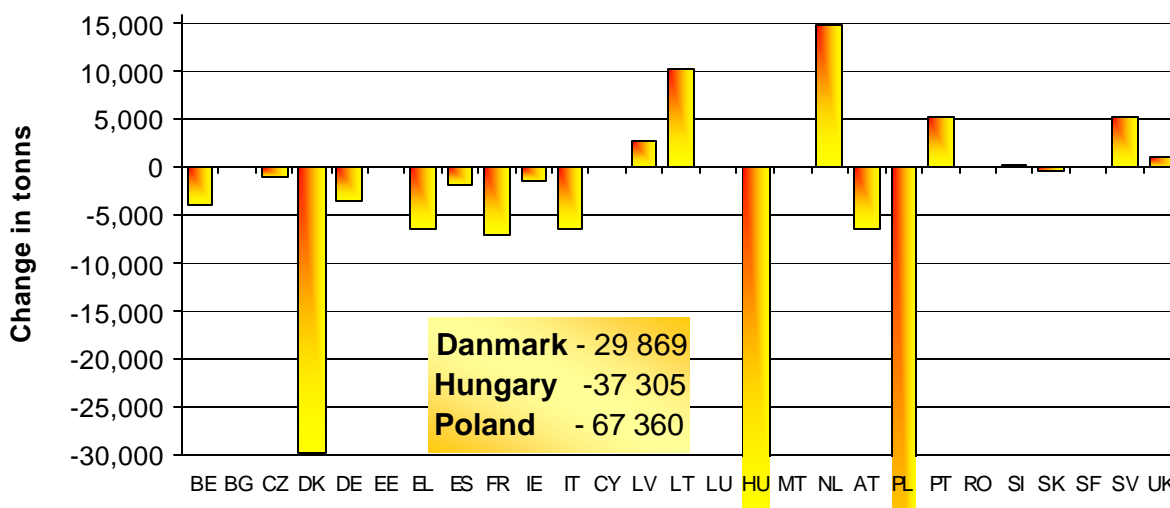
Includes PSD Changes: No  
Includes Trade Matrix: No  
Annual Report  
Brussels USEU [BE2]  
[E4]

In a special meeting on November 29, 2007, the EU Pig Management Committee agreed to implement export subsidies to support exports of fresh and frozen pork. However, it appears that several EU Member States (MS) did not vote in favor, including Denmark and the United Kingdom as the usual no-voters. The details of this export subsidy scheme were published in [COMMISSION REGULATION \(EC\) No 1410/2007](#)<sup>1</sup> of November 29, 2007. EU pork exports have gradually lost export competitiveness during 2007 as the €/U.S. \$ exchange rate further deteriorated, pushing EU pork off mostly dollar-based world pork markets. While Danish pork exports decreased 7.8 percent compared to 2006, exports from Poland and Hungary, but also from the Czech and Slovak Republics, lost well over 50 percent of their pork exports. As a result, pork producers in these New Member States (NMS) are hardest hit by the current pig crisis (see also [GAIN HU7011](#)). The export subsidy of €31.10/100 kg for pork carcasses and cuts covers for almost 25 percent of the current EU pork average carcass price of around €130/100 kg. The levels of export subsidies for processed pork products were not increased from their previous levels, as these products suffer much less from exchange rate driven competition.

### Quarter 1+2+3 of 2007 Export of pigmeat

Change compared to the same period in the previous year

Total decrease of export volumen = 133 552 Tonn



Source: DGAgri

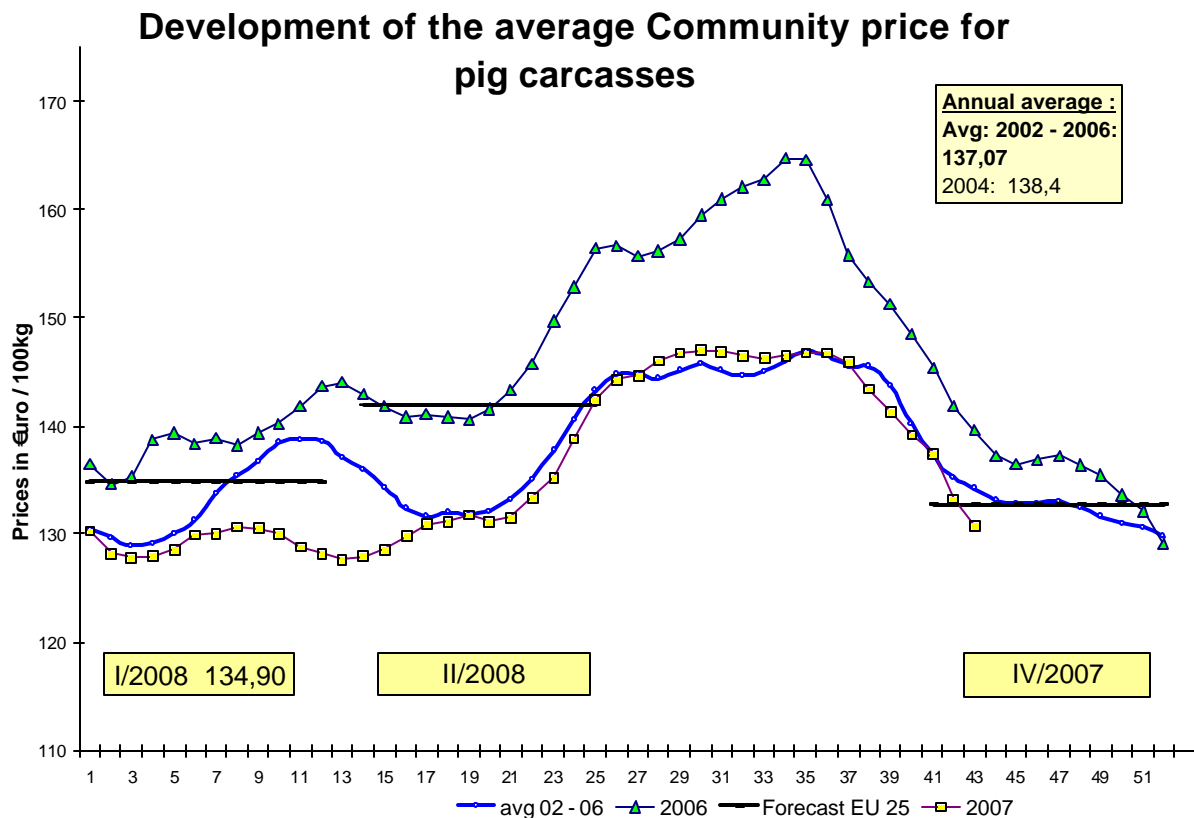
Expectations are that the EC will not keep the export refunds in place for a long time as EU pork production is forecast to start decreasing in early 2008. It is also expected that these export subsidies will have a limited impact as the end of the year is typically the low season for pork exports, especially to Russia.

The European Commission (EC) decided to install this export subsidy just two days after the EU Private Storage Aid (PSA) scheme to temporarily take pork off the EU market was prematurely ended through [COMMISSION REGULATION \(EC\) No 1391/2007](#)<sup>2</sup> because

<sup>1</sup> [http://eur-lex.europa.eu/LexUriServ/site/en/oj/2007/l\\_312/l\\_31220071130en00210022.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/oj/2007/l_312/l_31220071130en00210022.pdf)

<sup>2</sup> [http://eur-lex.europa.eu/LexUriServ/site/en/oj/2007/l\\_310/l\\_31020071128en00100010.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/oj/2007/l_310/l_31020071128en00100010.pdf)

applications had about reached the 100,000MT mark for which funding had been provided. The PSA scheme had been opened at the end of October 2007 to alleviate the pork oversupply situation in the EU, which resulted from lost export competitiveness and increasing imports (see also GAIN E47102). However, the PSA scheme was perceived to have failed to raise pig prices.



Source: DGAgri

### Measures to alleviate feeding cost exhausted?

EU pig prices in the autumn of 2007 are still at about 5-year average levels, but EU pig producers are hard squeezed by the high feed cost, which mainly resulted from the second poor cereal harvest in a row in the EU, low EU intervention stocks and high grain prices on the world market. Before intervening in the pork market, the EC had first taken several measures to alleviate the feed cost on EU pork and poultry producers. In September 2007 in a [Communication to EU arable farmers](http://eur-lex.europa.eu/LexUriServ/site/en/oj/2007/c_217/c_21720070915en00050005.pdf)<sup>3</sup>, the EC fixed the mandatory set-aside percentage for the 2008 crop at the zero level. In [COMMISSION REGULATION \(EC\) No 1339/2007](http://eur-lex.europa.eu/LexUriServ/site/en/oj/2007/l_298/l_29820071116en00140016.pdf)<sup>4</sup> of 15 November 2007, the EC also decided to lift all import duties on cereal imports (also see GAIN E47103). In the meantime, the EC had also released virtually all remaining EU grain intervention stocks to the EU market. However, the EU industry is pointing out that the EC GM policy is a major factor putting EU pig and poultry producers at a major disadvantage because of the higher feed costs, as it blocks imports of cheaper GM feed ingredients. The

<sup>3</sup> [http://eur-lex.europa.eu/LexUriServ/site/en/oj/2007/c\\_217/c\\_21720070915en00050005.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/oj/2007/c_217/c_21720070915en00050005.pdf)

<sup>4</sup> [http://eur-lex.europa.eu/LexUriServ/site/en/oj/2007/l\\_298/l\\_29820071116en00140016.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/oj/2007/l_298/l_29820071116en00140016.pdf)

European Grain Trade Federation COCERAL and the European Feed Federation FEFAC warned about this in a [press release](#)<sup>5</sup> as recent as November 22, 2007.

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<sup>5</sup> <http://www.fefac.org/file.pdf?FileID=10381>