



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - Public distribution

Date: 12/18/2007

GAIN Report Number: NL7032

Netherlands

Livestock and Products

Opportunities on the EU Meat Market

2007

Approved by:

Steve Huete, U.S. Embassy The Hague

Prepared by:

Bob Flach, U.S. Embassy The Hague

Report Highlights: Due to CAP reforms and high feed costs, EU beef, pork and poultry production is under pressure. At the same time, the European Commission is enforcing EU legislation on imports. As a consequence, sector sources anticipate higher prices and increased opportunities for high value cuts, such as from the United States.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
The Hague [NL1]
[NL]

This report is the result of collaboration with the following FAS colleagues:

Xavier Audran from FAS Paris covering France
 Bob Flach from FAS The Hague covering the Benelux
 Mike Hanley from FAS Dublin covering Ireland
 Hasse Kristensen from FAS Copenhagen covering Denmark
 Sabine Lieberz from FAS Berlin covering Germany
 Yvan Polet from FAS Brussels U.S. Mission to the EU

EU Beef Trade

EU Beef PSD

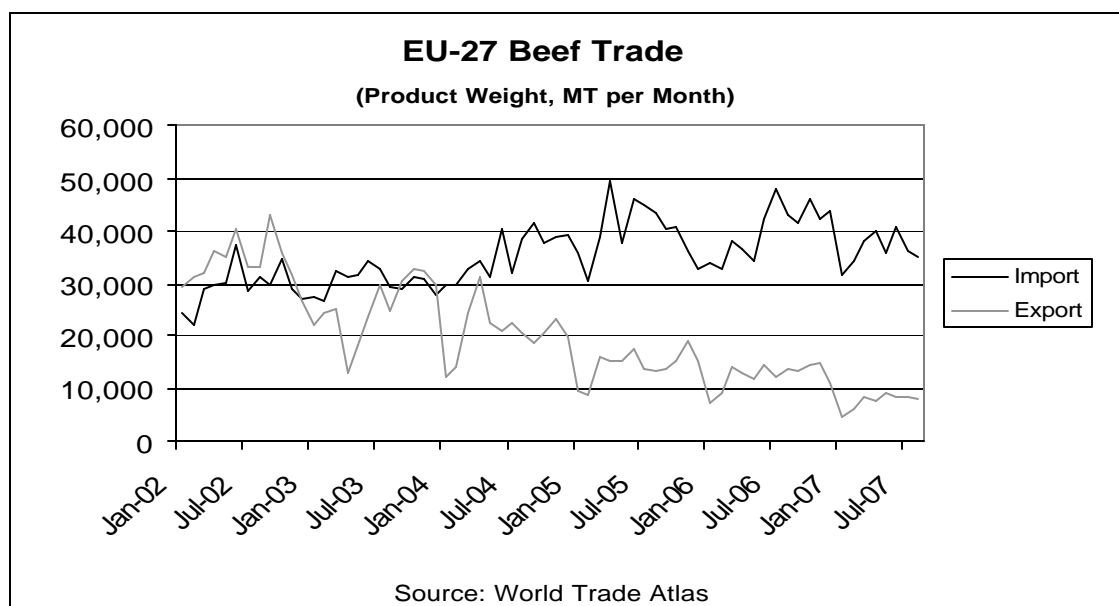
	2003	2004	2005	2006	2007f	2008f
Production	8,304	8,245	8,090	8,060	8,000	7,900
Imports	549	641	711	717	725	750
Exports	438	363	253	216	175	175
Consumption*	8,596	8,582	8,550	8,561	8,550	8,475

* Consumption includes commercial stock building. (f) forecast Source: USDA / FAS

Background on EU Beef Imports

With an expected total domestic consumption of 8.6 million MT in 2007 (see Table I), the EU is the biggest beef and veal market in the world after the United States. Since 2003, the EU has been a net importer of beef (see graph below), mainly due to shrinking domestic production. In 2006, beef imports temporarily stabilized due to restrictions on the supply from Brazil and Argentina. As from 2007, EU beef imports are anticipated to recover and increase further (see GAIN Report [E47060](#)).

The EU controls its beef imports through quotas (see Table II). The main quota for fresh beef is the Hilton quota, mainly utilized by Argentina, and is predominantly sold to restaurants. For frozen beef, the European Commission (EC) administers four quotas, mainly filled by Brazil, Namibia and Botswana, and is predominantly processed into meat and other food products. An increasing volume of beef is imported outside the quotas, paying the full tariff rate. The tariff rate consists of an Ad Volarem Duty of 12.8 percent in addition to a Fixed Duty ranging between 1,414 and 3,034 Euro per MT. Imports outside the quota mainly consist of fresh beef, about 130,000 MT, and processed beef about 110,000 MT. The main suppliers, are in order of importance, Brazil, Argentina, and Uruguay.



Anticipated EU Beef Imports

The EC forecasts that EU beef and veal imports will rise by thirty percent during 2007-2014 (see "Prospects for Agricultural Markets and Income in the EU"; [EC Report](#)). Although EU import demand is growing, importers and traders question if EU beef imports will increase or even stabilize during 2008. Their assumption is based on the growing domestic demand in Argentina, as well as in Brazil. In addition, Brazilian producers might restrict their exports to the EU as their production doesn't fully comply to EU animal registration and identification requirements (see the report of the Food and Veterinary Office of the EC; [FVO Report](#)). Such a measure might take away about forty to fifty percent of Brazilian exports to the EU, about 150,000 MT of beef. Another factor is that Brazil has ample opportunities to export to other markets. Also the EU enlargement had a negative effect on imports (see Table II) as new member states Romania and Bulgaria had to enforce the EU import regime. Following the scenario of tight supply, EU imports will stabilize or even decline, despite the growing demand. As a result, traders expect higher prices and increased opportunities for high value cuts, such as from the United States.

For many years, U.S. beef exports to the EU market have been constrained by the EU ban on imports of red meat from animals treated with growth hormones. U.S. non-hormone beef must come from cattle certified under the [Non-Hormone Treated Cattle \(NHTC\) program](#) in order to be eligible for export to the EU. The limited number of U.S. slaughter plants with EU approval also has had a negative impact on trade. Increased use of the NHTC program could, however, lead to a better economy of scale, and thus improve the competitiveness of U.S. beef on the EU market. For further analysis of the EU and Benelux beef market see GAIN Report [NL7008](#).

Table II. EU-27 Beef Imports 1,000 MT (Product Weight)							
	Origin			Quota limits 06/07	Actual Imports (CY)		
					2006	2007f	2008f
Quotas	Total			243	148	151	157
Quotas Fresh	Total			83	49	53	55
Fresh Hilton	Argentina			28	28	28	28
	Australia			7	6	7	7
	Brazil			5	5	5	5
	Uruguay			6	6	6	6
	New Zealand			1	1	1	1
	Paraguay			1	0	0	0
	U.S. / Canada			12	1	3	5
Fresh Baby Beef	Mostly Serbia M.			23	2	3	3
Quotas Frozen	Total			160	120	120	120
Frozen GATT	Mostly Brazil			53	53	53	53
Frozen A	Mostly Brazil			43	43	43	43
Frozen B	Mostly Brazil			12	12	12	12
ACP ^a	Namibia/Botswana			52	12	12	12
Outside Quota	Total				238	265	265
Fresh	Total				109	117	120
	Brazil				69	76	76
	Argentina				20	24	24
	Uruguay				8	8	8
Frozen	Total				0	0	0
Processed	Total				108	125	125
	Brazil				91	100	100
	Argentina				10	15	15
	Uruguay				5	5	5
Import EU-2^c	Mostly Brazil	21	33	71	102	20	-
Imports (CY)		2003	2004	2005	2006	2007f	2008f
Total Fresh		124	150	170	158	170	175
Total Frozen		137	160	196	216 ^b	145 ^b	120
Total Process.		101	114	110	108	125	125
Total EU-25		341	392	406	380	420	440
Total EU-27		362	424	476	482	440	420

Source: Based on figures of the European Commission and World Trade Atlas. The following quotas are not included: Dried Beef for Switzerland (1,200 MT), GATT Quota/Chili (1,350 MT) and GATT Quota/Argentina (1,500 MT). (a) African, Caribbean, and Pacific countries. (b) Figure differs from total Quota for frozen beef because of difference between quota year and calendar year. (c) Frozen beef imports by the new Member States, Romania and Bulgaria, which joined the EU as from January 2007. (f) Forecast. (CY) Calendar Year.

EU Beef Exports

During the past five years, the EU's importance as a beef exporter on the world market diminished. During this period, average EU monthly exports declined from about 50,000 MT to less than 20,000 MT (see graph above). EU exports decreased due to increasing internal prices and the high Euro/USD exchange rate. Also cuts of export refunds affected EU beef exports. Currently, export refunds range from Euro 226 per MT for frozen boneless beef to Euro 1,034 per MT for fresh boneless beef. About a third of EU beef exports are destined to Russia. With about ten percent of Russian beef imports, the EU is, however, only a minor player on the Russian market. During the past five years, most EU beef has been replaced by Brazilian beef on the Russian market. Other important markets for EU beef are in close proximity of the EU, for example Norway and Switzerland.

EU Pork Trade

EU Pork PSD

Table III. EU-27 Pork PSD						
1,000 MT (Carcass Weight)						
	2003	2004	2005	2006	2007f	2008f
Production	21,712	21,753	21,676	21,677	22,040	21,910
Imports	44	53	99	124	20	20
Exports	1,140	1,302	1,143	1,283	1,270	1,130
Consumption*	20,683	20,528	20,632	20,518	20,790	20,800

*Consumption includes commercial stock building. (f) forecast Source: USDA / FAS

Background on EU Pork Imports

With a total domestic consumption of 21 million MT in 2007 (see Table III), the EU is the biggest pork market in the world after China. Similar to beef and poultry imports, the EU regulates its pork imports through quotas (see Table IV). Due to these restrictive quotas and high tariffs, EU pork imports are still limited. The enlargement had also a significant effect on EU pork imports (see graph below). For more information about the EU pork sector see GAIN Report [E47060](#).

Anticipated EU Pork Imports

The EC forecasts that EU pork imports will stabilize at 38,000 MT until 2013 (see [EC Report](#)). During 2007, increased imports are reported from Chile, the United States and Australia. U.S. pork exports to the EU are increasing strongly as they benefit from a high Euro/USD exchange rate and simplified EU quota administration rules. The paradox is that these increased exports occur in an EU pork oversupply situation (see GAIN Report [E47102](#)).

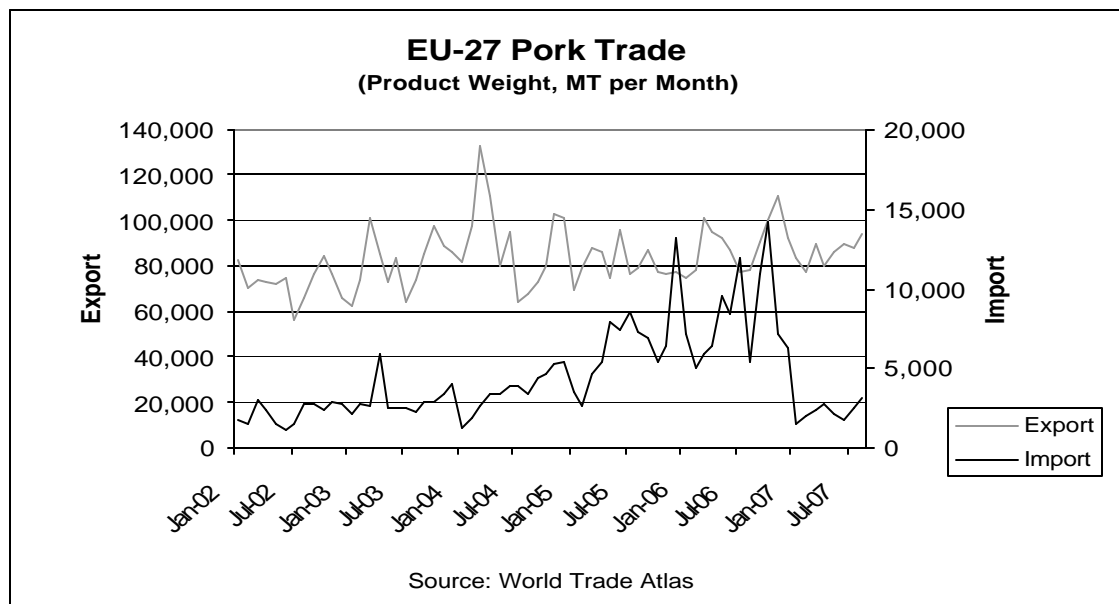


Table IV. EU-27 Pork Imports
1,000 MT (Product Weight)

	Origin			Quota limits 06/07	2006	Actual Imports (CY)	
						2007f	2008f
Quotas	Total			88			
GATT – Pork				70	6	6	6
GATT – Oilseeds				7	0	0	0
Quota Chile/Norway	Chili/Norway			5	5	5	5
ACS				1	0	0	0
Quota U.S.	U.S.			5	-	5	5
Quota Canada				5	-	0	0
Outside Quota	Total				9	15	16
Import EU-2		7	21	58	75	-	-
Imports (CY)		2003	2004	2005	2006	2007f	2008f
Total Fresh		4	5	4	6	8	8
Total Frozen		18	8	9	11	20	21
Total Process.		3	3	4	3	3	3
Total EU-25		25	16	17	20	31	32
Total EU-27		32	37	75	95	31	32

Source: Based on figures of the European Commission and World Trade Atlas. (f) Forecast. (CY) Calendar Year.

EU Pork Exports

The EU pork sector faces higher feed prices, lower export refunds and a high Euro/USD exchange rate. The EC expects, however, that EU pork exports will continue to play an important role on the world market, with about 1,200,000 MT in 2013 (see [EC Report](#)). Currently, about fifty percent of EU pork exports are shipped to Asian destinations with Japan as the main market. EU exports hold about a third of the Japanese pork imports, with the United States and Canada as the main competitors. Russia represents about twenty percent of the export market for pork. EU pork exports experience, however, strong competition, in particular on the Asian market. In response, EU slaughterers are increasingly focusing on the domestic market. In order to support EU pork exports, the EC just recently increased export refunds for pork (see GAIN Report [E47104](#)).

EU Poultry Trade

EU Poultry PSD

Table V. EU-27 Poultry PSD						
1,000 MT (Carcass Weight)						
	2003	2004	2005	2006	2007f	2008f
Production	9,944	9,884	10,088	9,661	9,875	9,920
Imports	632	590	737	717	655	655
Exports	898	895	855	820	810	805
Consumption*	9,678	9,579	9,970	9,558	9,720	9,770

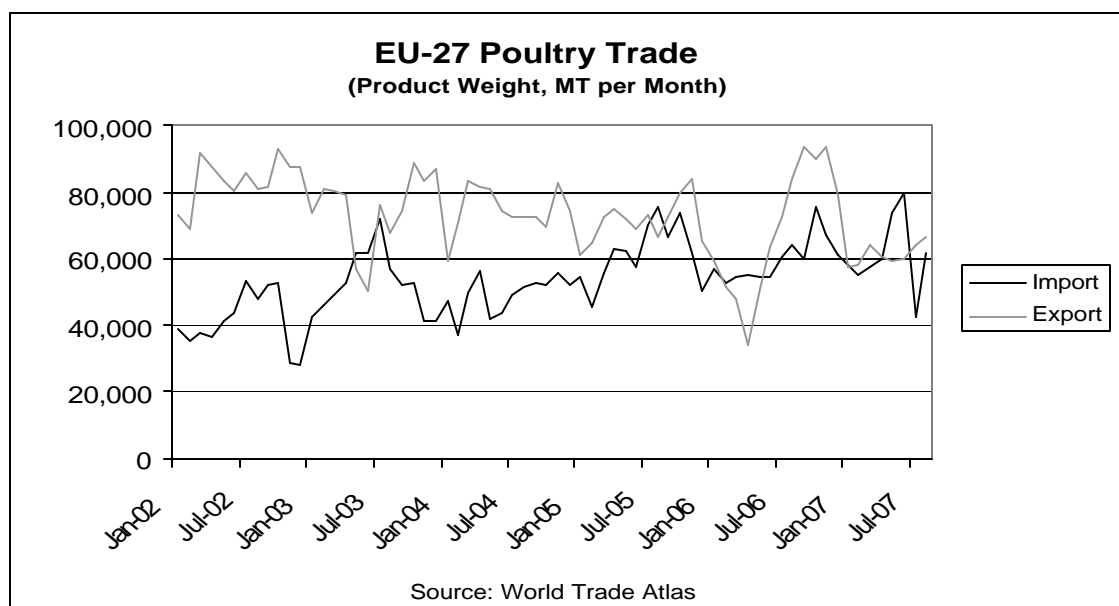
* Consumption includes commercial stock building. (f) forecast Source: USDA / FAS

Background on EU Poultry Imports

The EU is currently a net exporter of poultry meat but the gap between imports and exports is closing (see Table V and graph below). In 2003, EU imports, mainly originating from Brazil and Thailand, surged to 632,000 MT. Most of these poultry products were imported under HS code for salted poultry meat, HS 02109939, which had a lower tariff rate. In response, the EC imposed a higher tariff for salted poultry meat imports. This had a clear negative effect on imports in 2004. During 2006, imports suffered from the Avian Influenza (AI) outbreaks in the EU. As a consequence of the outcome of an [arbitrage procedure with the WTO](#), Brazil was able to resume poultry exports with the lower tariff as from end of June 2006. With the accession of Romania and Bulgaria to the EU an import volume of about 150,000 MT was terminated (see Table V, VI and GAIN Report [E47061](#)).

Anticipated EU Poultry Imports

As from June 2007, Brazil and Thailand were able to resume poultry exports under the lower tariff rate, filling the negotiated import quota (see GAIN Reports [E36137](#) and [E36143](#)). During the second half of 2007 and the whole year of 2008, EU import quotas are expected to be filled (see Table VI). An exception is the quota for salted broiler meat from Thailand, due to the AI status of country. With the implementation of the tariff quotas, traders expect EU poultry imports to stabilize (see Table VI and GAIN Report [E47061](#)).



Expansion of imports outside the quota is hindered by a tariff rate of Euro 1 per kg. During 2006, however, EU domestic broiler prices rose continuously (see graph below), which could eventually lead to more imports paying the full tariff rate. The EC forecasts that EU poultry consumption will outpace production after 2013, and as a consequence the EU will become a net importer of poultry meat (see [EC Report](#)). For 2008, however, traders expect a similar situation as described for the beef market: limited imports against growing demand and thus higher prices and more opportunity for high value special products and/or cuts, such as from the United States.

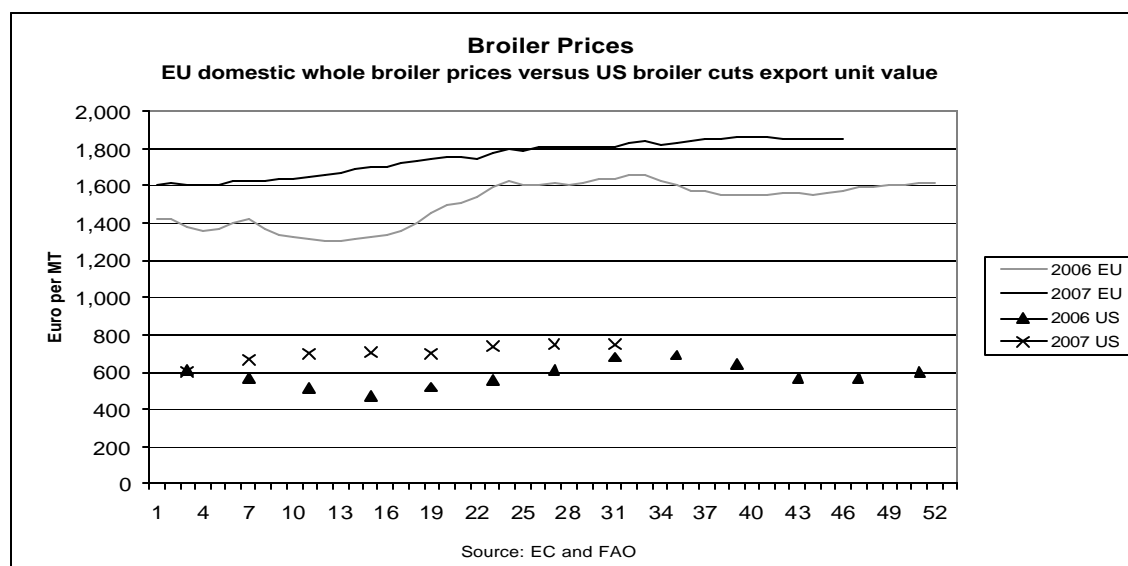
In May 2007, the EU opened a poultry TRQ for the United States (see GAIN Report [E47039](#)). Commission Regulation 536/2007 makes a 16,665 MT U.S. country-specific poultry TRQ available, which was agreed as a compensation for the EU enlargement of 2004. This TRQ is available for chicken and turkey meat and offers duty free access for high quality cuts to EU certified exporters. The EC is, however, still imposing a ban on the use of anti-microbial treatments for sanitizing poultry carcasses, effectively halting U.S. poultry exports to the EU (see GAIN Report [E35166](#)).

EU poultry Exports

EU poultry exports show a declining trend, which is expected to proceed (see [EC Report](#)). This expectation is based on the fact that EU exports face strong competition on the world market, while EU domestic consumption is expanding. EU producers have difficulty to compete due to the relatively high feed prices. Since August 2005, Dutch broiler feed for fattening rose continuously from Euro 229 per MT to Euro 334 per MT currently. Furthermore, the EC stopped the export refund for chicken parts in October 2006. At the moment, only refunds exist for the export of whole broilers. EU poultry exports are mostly destined to Russia, the Middle East, and African destinations, which each hold about a quarter of total EU poultry exports. On the Russian market, EU exports have a stable share of about fifteen percent of total imports, with the U.S. and Brazil as the most important competitors. About thirty percent of EU poultry exports is exported to the Middle East and Asian destinations, at equal shares.

Table VI. EU-27 Poultry Imports 1,000 MT (Product Weight)							
	Origin				Quota limits 07/08	Actual Imports (CY)	
						2007 ^d f	2008f
Quotas					695	316	562
Quota Salted Broiler	Brazil				171	103	171
	Thailand				93	0	0
	Other				1	1	1
Quota Prepared Broiler	Brazil				79	47	79
	Thailand				160	96	160
	Other				12	7	12
Quota Turkey^a	Brazil				92	55	92
	Thailand				0	0	0
	Other				12	7	12
Other Quotas^b	-				75	35	35
Outside Quota^c						385	180
Import EU-2		86	110	169	152	25	-
Imports (CY)		2003	2004	2005	2006	2007f	2008f
Total Fresh/Frozen		312	364	432	303	115	210
Total Salted		138	0	3	86	235	175
Total Prepared		182	231	313	326	385	355
Total EU-25		546	480	579	563	710	740
Total EU-27		632	595	748	715	735	740

Source: Based on figures of the European Commission and World Trade Atlas. (a) Predominantly prepared (b) Predominantly fresh/frozen. (c) Predominantly frozen cuts from Brazil. (d) During 2007, sixty percent is available of the quota for Brazil and Thailand. (f) Forecast. (CY) Calendar Year.



Related reports from FAS Post in the European Union:

Country	Title	Date	Report Number
EU-27	Export subsidies for raw pork reinstated	12/04/2007	E47104
EU-27	U.S. pork exports to the EU increasing despite EU oversupply situation	11/27/2007	E47102
EU-27	Livestock and Products - Annual	07/20/2007	E47060
EU-27	Poultry and Products - Annual	07/20/2007	E47061
Netherlands	The Benelux Beef Market	04/16/2007	NL7008

The GAIN Reports can be downloaded from the following FAS website:

<http://www.fas.usda.gov/scriptsw/attacherep/default.asp>

For additional livestock market related information, please contact:

Bob Flach from FAS The Hague
Phone: ++31 70 310 2303
E-mail: bob.flach@fas.usda.gov

For additional livestock policy related information, please contact:

Yvan Polet from FAS Brussels U.S. Mission to the EU
Phone: ++32 2 508 2440
E-mail: yvan.polet@fas.usda.gov