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## **France**

### **Livestock and Products**

### **Impact of the BSE Crisis on the Beef Market**

**2000**

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#### **Report Highlights:**

The ongoing French and European BSE crisis started in France in late October 2000. The decline in domestic beef consumption (from both French households and institutions) and in export demand lead to reduced cattle slaughter, as well as a significant decline in cattle prices. Consequently, the GOF and EU took a series of measures to manage the beef market, including the destruction of animals over 30 months when not tested for BSE, private and intervention storage, and meat and bone ban from animal feed rations.

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Includes PSD changes: No  
Includes Trade Matrix: No

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## Summary

The ongoing French and European crisis over Bovine Spongiform Encephalopathy (BSE) started in the fourth week of October 2000 in France, corresponding to week #43. Demand for French beef declined, due to the reduction in both domestic consumption and export demand. Beef supplies had to adapt promptly to this market distortion: slaughter declined and prices went down significantly, while the GOF and the EU took a series of measures to manage the beef market.

The following analysis on the impacts of the BSE crisis is based on various sources, including the French Breeding Institute (Institut de l'Elevage), the French Meat and Livestock Board (OFIVAL), the Federation of French Oilseed Growers (FOP), the Office of Statistics (SCEES) of the French Ministry of Agriculture and Fisheries (MinAg), and the Syndicate for Food Compounders (SNIA). Websites of this organizations are the following:

Institut de l'Elevage: <http://www.inst-elevage.asso.fr>

OFIVAL: <http://www.ofival.fr>

MinAg: <http://www.agriculture.gouv.fr>

FOP: <http://www.prolea.com>

Several graphs and figures are based on weekly estimates and the rank of each week in a year are used to make the analysis. Please use the following dates as a guide for 2000:

week #1: Jan 3-9	week#28: Jul 10-16
week#4: Jan 24-30	week#31: Jul 31-Aug 6
week#7: Feb 14-20	week#34: Aug 21-27
week#10: Mar 6-12	week#37: Sep 11-17
week#13: Mar 27-Apr 2	week#40: Oct 2-8
week#16: Apr 17-23	week#43: Oct 23-29
week#19: May 8-14	week#46: Nov 13-19
week#22: May 29-Jun 4	week#49: Dec 4-10
week#25: Jun 29-25	week#52: Dec 25-31

## 1. Reduced Consumption

During the 1996 BSE crisis, French beef consumption first declined by 20 to 30 percent, remained lower than normal from April to July and was back to normal levels in late summer. Consumer trust was reestablished mainly thanks to the creation of the "French Beef" logo (VBF). One of the major impacts of the 1996 crisis in the following years was that a growing share of beef consumed in France came from domestic production. Overall, French beef consumption declined by 6 percent from 1995 to 1996, and gradually increased in 1997, 1998 and 1999, where consumption was at the same level as in 1995.

In 2000, French beef consumption was estimated to be at higher levels than in 1999, until the crisis started. During the first eight months of 2000, French beef consumption was 1 percent higher than during the same period of 1999. In 2000, the consumer survey agency SECODIP estimate that French household purchases of beef started to decline significantly during the October 23-29 (week #43), with a 25 percent decline. The decrease amounted to 28 percent in week #44, 47 percent in week #45, 40 percent in week#46, 48 percent in week #47, and 38 percent in week #48 compared to the same periods in 1999. Supermarket sales have declined more than those of specialized butcher shops. Also, beef consumption is estimated to have declined more significantly in urban areas than rural areas. By contrast, the demand for organic beef and direct farm sales have increased.

The decline in beef purchases by hotel, restaurants and institutions (HRI) has not been estimated yet, but many cities across France banned beef from school meals in the first days of the crisis. Although temporary for some of them, the ban is expected to have a significant and long-term negative impact on children's beef consumption.

## **2. Trade**

The 1996 BSE crisis resulted in reduced trade in cattle and beef in France and Europe. From 1996 to 2000, French beef imports declined but French exports of beef and live cattle to southern Europe (especially Italy) remained at high levels. French exports of live cattle in 1999 amounted to 1.59 million head, including 1.05 million head to Italy and 371,000 head to Spain. French beef exports were 330,000 MT in 1999, including 87,000 MT to Italy, 72,000 MT to Greece, 48,000 MT to Russia and 48,000 MT to Germany. During the first eight months of 2000, French live cattle exports increased by 4 percent from the same period of 1999, while French beef exports declined by 12 percent, mainly due to reduced shipments to Russia.

The 2000 BSE crisis is expected to have a negative impact on trade of both live cattle and beef in the last quarter of 2000, mainly because Italy banned French non-deboned beef and cattle over 18 months on November 17, and because Spain stopped imports of French cattle over 20 months. In addition, the Netherlands took precautionary measures to slaughter live cattle imported from France; Austria banned live French cattle and restricted French beef imports; Russia, Hungary and Poland took precautionary measures against French beef, and Morocco banned live cattle from France.

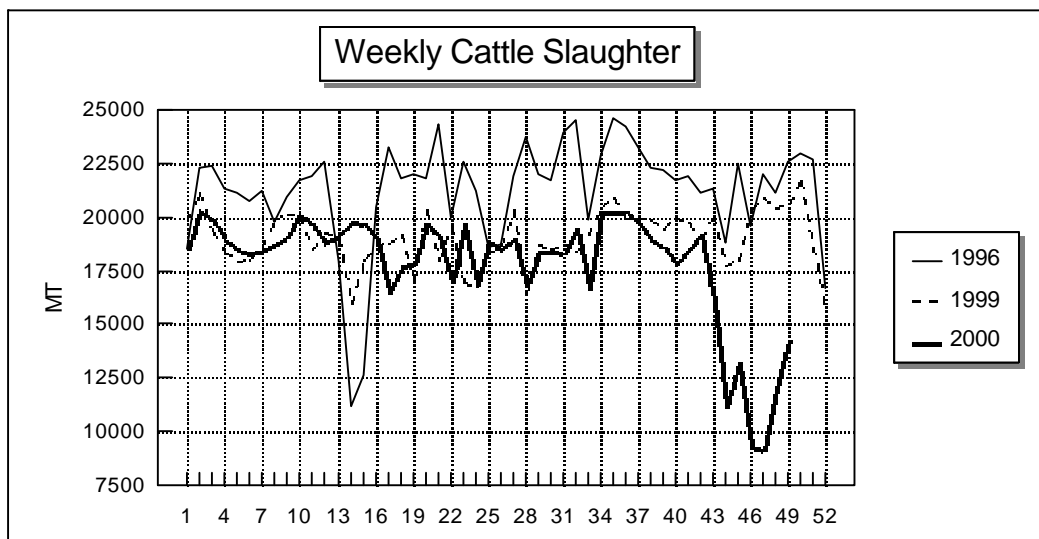
The animal categories banned by Italy and Spain account for 5-10 percent of French cattle exports to Italy and Spain. The impact on annual French exports of live cattle is therefore not likely to be significant. On the other hand, Italy, Greece, Spain and Portugal have almost stopped all imports of beef from France and this is expected to reduce significantly French beef exports for the whole year 2000, since exports to these countries accounted for 57 percent of French beef exports in 1999. This, in addition to the decline in French beef exports to Russia in 2000, may reduce total French beef exports by 10 to 15 percent in 2000 from 1999.

### 3. Cattle Supply

#### Slaughter:

Until the crisis, French cattle slaughter in 2000 was stable from that of 1999. The crisis resulted in a significant reduction in cow slaughter in week #44 (since most of beef consumed in France comes from cows), followed by a decline in young male animals slaughter in week #46, due to the Italian blockade against of French cattle. The following graph shows the fluctuations of total cattle slaughter (except calves) in 1996, 1999 and 2000. The most significant decline occurred in week #47 of 2000, when cattle slaughter accounted for 44 percent of slaughter in the week #47 in 1999.

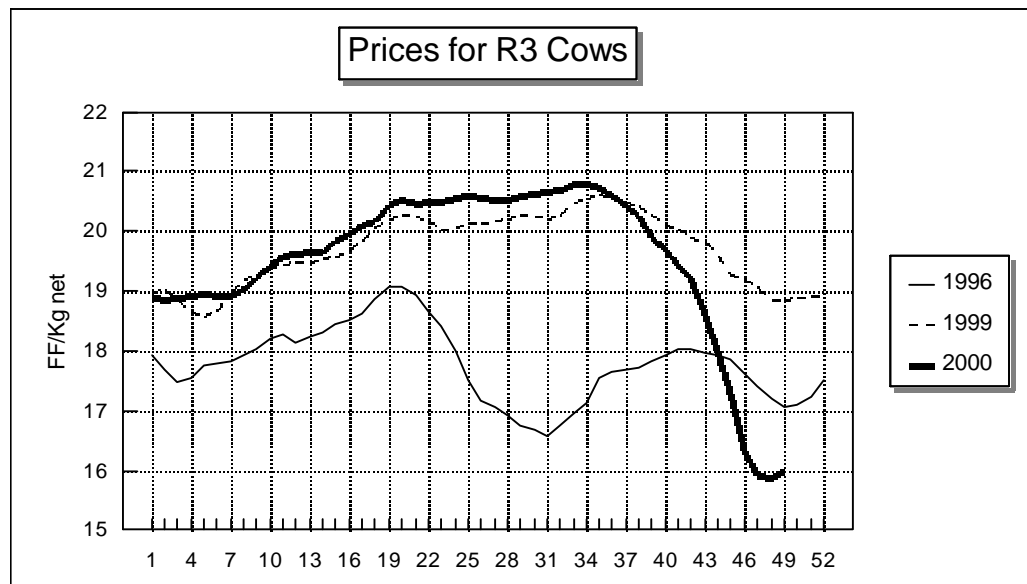
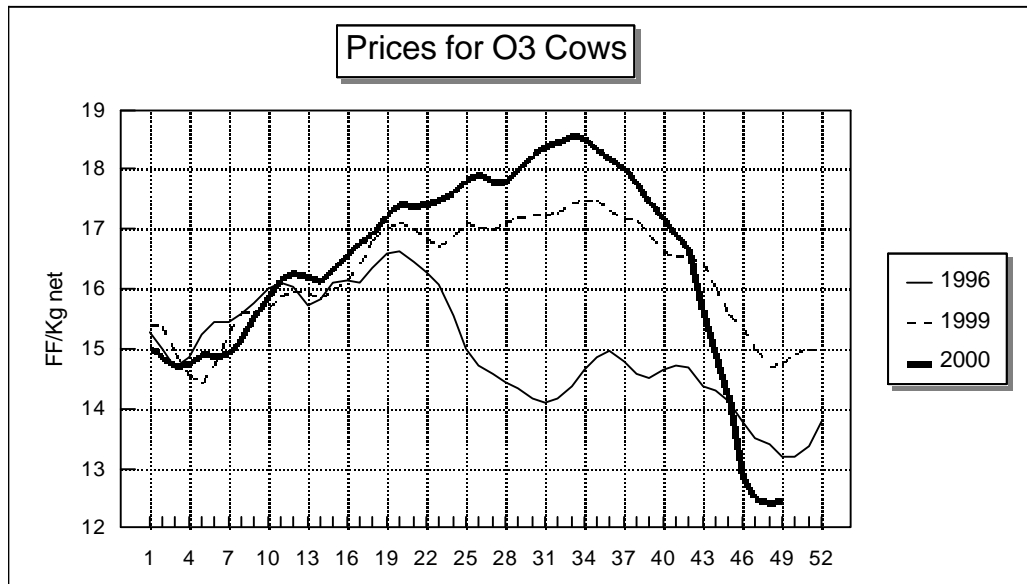
The graph also illustrates the decline slaughter that occurred in 1996 during the first BSE crisis. It shows that cattle slaughter recovered four weeks after their original decline in week #13. As indicated for beef consumption, cattle slaughter during the 2000 BSE have been affected during a longer period than during the 1996 BSE crisis. Slaughter of all animal categories is currently depressed, including cows, young male animals, steers, both from the dairy and beef herds, except beef herd heifers and specialty cattle.

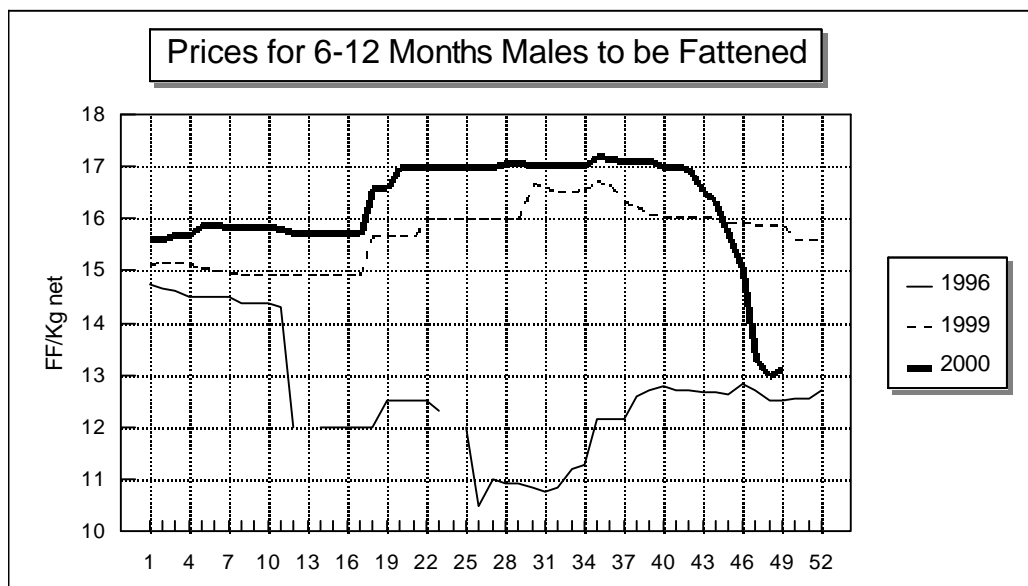
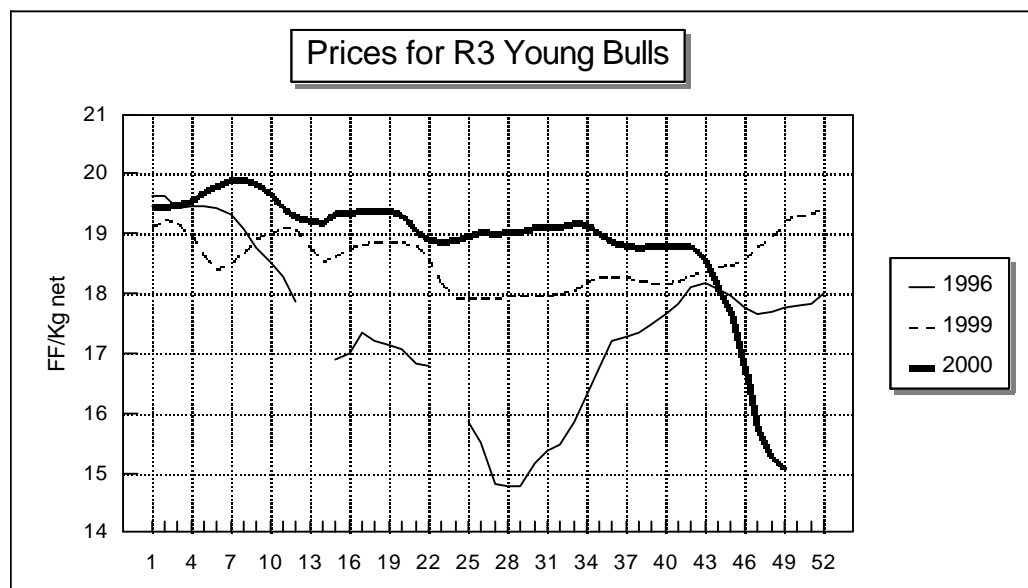


Source: SCEES, Institut de l'Elevage

#### Prices:

The decline in consumer and export demand have significantly depressed cattle prices, as indicated in the graphs below. They illustrate the fluctuations of weekly cattle producer prices (prices for live animals entering slaughterhouses). Each price is an average of all the cattle markets across France. For all categories, prices have declined by approximately 20 percent from their levels in 1999.





#### 4. Market Management Measures

Over 30 month scheme:

The EU Agriculture Ministers Council of December 8 decided that cattle over 30 months will have to be taken off the market when not tested for BSE. This was made compulsory for animals presenting a risk from January 1, 2001, and for all animals over 30 months from July 1<sup>st</sup>, 2001.

There are approximately 2.8 million cattle head over 30 months in France (out of a total cattle herd of 20.1 million head), including 1.9 million cows, 600,000 heifers and 300,000 steers. Testing all these animals in a year would require testing 12,000 animals per day.

On December 13, French Prime Minister Jospin announced that all cattle over 30 months will be tested as of January 1, 2001, therefore anticipating by 6 months the EU decision. Jospin added that the GOF's objective is to test 20,000 animals per week as quickly as possible, and to accelerate the testing up to 40,000 animals per week if necessary. There are currently 13 laboratories approved in France to perform and analyze BSE tests, but 40 will be necessary to test all animals over 30 months. Additional laboratories are therefore in the process of being approved. The Prionics test, which is currently used in France, is likely to be used for the 30-month cattle scheme.

The animals over 30 months will be "purchased for destruction" by the EU (70 percent) and each Member State (30 percent). Prices for these animals will be set according to market prices and will depend on cattle categories. For France, the maximal EU contributions will be 472 Euros per cow, 674 Euros per heifer and 713 Euros per steer. Member States are charged of funding storage and destruction of these animals.

#### Beef Storage Measures:

Private storage was launched by the EU for 125,000 MT over December 2000 and January 2001. The GOF announced on December 1 that 50,000 MT can be stored under that scheme in France. Under the private storage scheme, companies are the owners of beef carcasses, and get 472 Euro subsidies per MT for 3 months, and 0.93 Euro per MT per additional days in the fourth and fifth months.

On December 12, 2000 the EU Management Committee on Beef opened intervention for beef under a system of derogations. In general, intervention stocks can be opened when the average EU price for beef is below 84 percent of the intervention price during at least two consecutive weeks, and that beef prices in one Member State is below 80 percent of this intervention price. This time, maximum weight of carcasses eligible for intervention was increased from 340 to 430 Kg for young cattle. Beef companies' bids will be examined by the Beef Management Committee on December 22, and quantities accepted under intervention will be stored from December 26. The EU Commission proposed a maximum volume of 125,000 MT. In France, to date, there is no estimate available for the beef quantities eligible for intervention stocks under these conditions.

#### Impact of the MBM Ban on Feed Rations

On November 14, 2000, France banned Meat and Bone Meals (MBM) and several categories of fats from animal feed rations. Fats concerned are those produced from bone processing to make gelatin, and those obtained from meat meals, bone meals, boned meat meals, poultry meals, feather meals, and fish meals.

In France, MBM were banned from cattle feed rations since 1990, but were still used in swine and poultry rations until 2000. They accounted for 1 percent of swine feed rations and 3 percent of poultry feed rations. Turkey rations contained 6 to 10 percent MBM, standard chicken rations and export chicken rations included up to 5 percent MBM, while specialty poultry (produced under certified quality standards, Label Rouge) feed rations did not include MBM.

The bulk of MBM is likely to be replaced by imported soybean meals because its protein content is the closest to MBM protein content, because soybean meal is widely available at affordable prices for the French feed industry. Overall, 350,000 MT MBM are consumed per year in France, and may be replaced by 440,000 MT soybean meals. However, other feed ingredients than soybean meals are likely to partially replace MBM. Protein peas are expected to be increasingly incorporated into feed rations, but under certain limits: pea prices are high and quantities available are limited. In addition, peas would have to be complemented with synthetic amino-acids, which are expensive. In the short term, soybeans are estimated to be available in U.S. stocks, while peas are not available in large enough quantities.

Animal fats are a source of energy and facilitate granulation of compound feed. They may be replaced by a higher incorporation of EU-produced rapeseed and sunflowerseed, imported palm oil, and hydrogenated rapeseed oil and sun oil.

The French and EU oilseed production is limited by the Blair House Agreement, and the EU budget is under the limits of the Berlin accords for the Common Agricultural Policy. It is therefore unlikely that EU oilseed production will increase significantly to offset MBM in animal feed rations. Under these conditions, French oilseed growers (FOP) proposes that the EU subsidies for pulses (mainly peas) increase; asks that oilseed production be strengthened through production of crops for industrial use; favors an EU subsidy for diversification of crop planting under the rural development program; and calls for the development of specialty soybean production in France (Soja de Pays).