

Required Report: Required - Public Distribution

Date: September 14,2020

Report Number: E42020-0057

Report Name: Livestock and Products Annual

Country: European Union

Post: The Hague

Report Category: Livestock and Products

Prepared By: Bob Flach

Approved By: Christopher Riker

Report Highlights:

Coronavirus (COVID-19) put pressure on European Union (EU) slaughter rates and domestic beef consumption, and motivated farmers to hold on to their cattle. Despite a slowdown in slaughter, the trend of declining EU cow inventories is expected to continue. However, demand for EU pork rose as shipments to China doubled in the first half of 2020. Slaughter in Northwestern Europe, however, was distorted due to COVID-19 outbreaks at plants. Moreover, in September 2020, China and other major Asian markets imposed an import ban on German pork as a consequence of the recent African Swine Fever (ASF) case in Germany. The COVID-19 outbreak pressured hog and piglet prices and damaged farmer margins, and the ASF finding in Germany may as well. Despite production falling below previous forecasts, EU pork production is still forecast to rise in 2020, at levels sufficient to sustain exports to China. In 2021, pork production is forecast to further increase based on improved productivity and higher slaughter weights.

Executive Summary - *A turbulent year but not a crisis year for the EU meat sector*

EU = 'EU' in this report refers to EU27+UK, the current EU Customs Union.

Cattle & Beef – EU beef production as well as consumption is on a structural decline.

The transport restrictions and lockdowns that arose from the coronavirus (COVID-19) pandemic distorted cattle slaughter and cut beef and veal consumption throughout the EU. As a result, cattle prices dropped which encouraged farmers to hold on to their animals. However, this COVID-19-related effect will not arrest the long-term trend of a shrinking EU dairy and beef cow herd. At the Member State level, the Irish dairy herd continues to expand, offsetting lower milk deliveries in other EU Member States, while contraction of the dairy herd in France and Germany will continue because of structural unprofitability.

For beef, the Central European herd is forecast to increase slightly as a beneficiary of continued financial support for the sector. The slaughter rate has slowed throughout the EU given reduced demand for beef. However, a relatively higher number of animals are expected to be slaughtered once the demand for beef returns to pre-COVID-19 levels. Nevertheless, overall EU beef production continues to decline, and some of the most recent EU policy proposals (e.g., the Green Deal, Farm to Fork strategy, and Biodiversity Strategy) make it unrealistic to expect any increase in EU beef production in the near-term. Because local demand has stagnated, the sector is increasingly looking for export opportunities. However, the shortage of high-quality beef in the EU is forecast to return once the food service sector returns to pre-COVID-19 business levels.

Swine & Pork – Chinese demand is supporting the EU sector.

With carcass prices soaring to their highest levels in twenty years, and the expectation of record export demand, the EU swine sector was ready to produce a record pig crop in 2020. Unlike beef, the overall demand for EU pork rose as shipments to China continued. However, due to the COVID-19 crisis, the slaughter rate was distorted due to outbreaks among the workers in the plants. As enterprises went offline, the slaughter system became clogged which led to a decline in piglet prices (from March to May 2020) of roughly forty percent. Declining demand for piglets led to elevated slaughter of the breeding herd¹ (to move swine off the farm to reduce costs), which is expected to result in a smaller piglet crop than previously forecast in the [Semi-Annual](#). As most of the hogs which will be slaughtered in 2020 were born before the COVID-19 crisis, and as no major culling has been reported, these animals inevitably will begin to enter the slaughter line in the third quarter of this year.

Due to a further increase in carcass weights, partly caused by the delay in slaughter, the EU is forecast to produce 24.0 million metric tons (MMT) carcass weight equivalent (CWE) of pork, slightly more than in 2019 and slightly less than in 2018. In the first half of 2020, exports to China doubled to 1.34 MMT CWE, but fell 25 percent to other foreign markets. Anticipating reduced demand, EU exports to China are forecast to fall back to nearly 1.0 MMT CWE during the second half of 2020. Due to the recent African Swine Fever (ASF) finding in Germany, German exports to China and other important Asian markets are banned. However, with decelerating Chinese demand for imports, alternative EU suppliers

¹ The EU does not publish official statistics on sow slaughter.

(e.g., Denmark, the Netherlands, and Spain) will marginally benefit from this ban. Anticipating unchanged export volumes to non-China destinations (0.74 MMT CWE during both the first and second half of 2020), total exports are expected to reach nearly 3.85 MMT CWE. With the market tightening (but farmers still realizing positive margins), the sector is forecast to produce a record volume of pork in 2021. Next year, however, exports to China are forecast to level off and recover in other Asian markets. Nevertheless, the strong Euro exchange rate against the U.S. dollar and Brazilian Real is anticipated to be a major obstacle for EU pork exports in the near-term.

Cattle

Animal Numbers, Cattle	2019		2020		2021	
Market Year Begins	Jan 2019		Jan 2020		Jan 2021	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks	87,450	87,450	86,694	86,597	0	85,820
Dairy Cows Beg. Stocks	22,908	22,908	22,617	22,627	0	22,525
Beef Cows Beg. Stocks	12,222	12,222	12,210	12,211	0	12,110
Production (Calf Crop)	28,900	28,580	28,500	28,250	0	28,120
Total Imports	1	1	1	0	0	0
Total Supply	116,351	116,031	115,195	114,847	0	113,940
Total Exports	1,018	1,018	990	960	0	1,000
Cow Slaughter	11,800	11,763	11,500	11,500	0	11,450
Calf Slaughter	6,500	6,376	6,350	6,250	0	6,200
Other Slaughter	8,575	8,527	8,850	8,500	0	8,500
Total Slaughter	26,875	26,666	26,700	26,250	0	26,150
Loss and Residual	1,764	1,750	1,735	1,817	0	1,770
Ending Inventories (HEAD)	86,694	86,597	85,770	85,820	0	85,020
Total Distribution	116,351	116,031	115,195	114,847	0	113,940

(1000 HEAD)

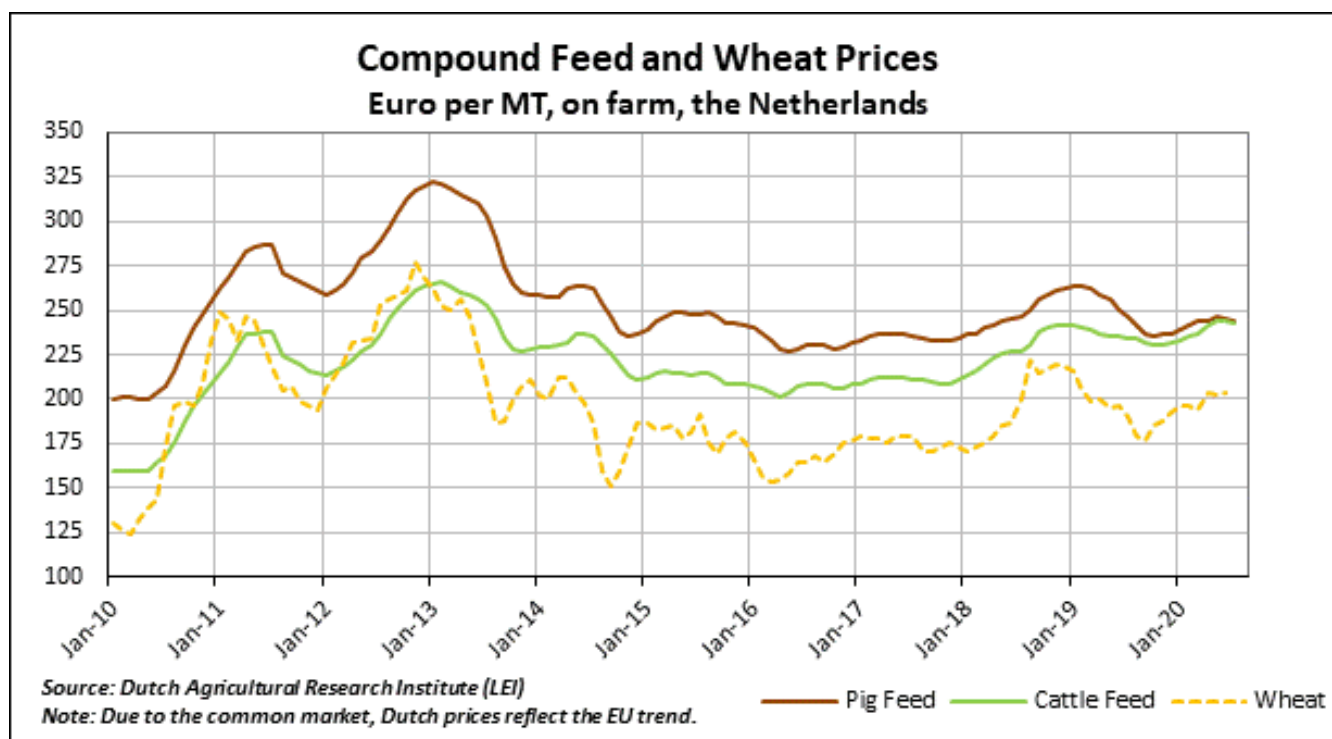
Not official USDA data. Source: Eurostat and FAS Offices. Includes backyard slaughter. The revisions of the 2019 figures are a result of updates to the Romanian backyard slaughter data (down 209,000 head) and ending inventories (down 97,000 head). These revisions result in a significantly reduced calf crop for last year – a year with an extremely dry and hot summer.

The EU dairy cow herd shrunk in 2018 and 2019 (except in Ireland).

The EU began 2020 with a significantly smaller dairy cow herd. In 2019, the dairy cow herd shrunk by 281,000 head, after a reduction of 405,000 head in 2018. In both years, a hot and dry summer impacted fodder prices which motivated farmers to slaughter their cattle (see graph below). Restrictive environmental regulations also pressured the dairy herd in Western Europe.² In 2019, the most significant cuts in dairy cattle inventories were reported in Germany, France, Italy, and Poland. Increases were reported in Ireland and the Netherlands. While the expansion of the Dutch dairy cow

² See GAIN report - [New Phosphate Reduction Plan Sets Limits to Dutch Dairy Production](#).

herd is a recovery from the declines realized in 2017 and 2018, the expansion of the Irish herd is structural. Since 2010, the Irish herd has expanded 39 percent (an increase of 403,000 head). The Irish sector is feeding the herd with imported corn derivatives and taking advantage of the lower milk deliveries in other EU Member States. Since 2010, the EU dairy cow herd shrunk by six percent (1.2 million head), with the most significant cuts in Poland (418,000), Romania (281,000), France (262,000), Germany (158,000) and Lithuania (134,000). It should be noted that despite fewer cows, EU milk deliveries continuously increased, with an average increase of roughly 1.6 percent per year since 2010. For more information see the [Dairy Semi-Annual](#).



The EU beef cow herd further shrunk (except in Central Europe and the Iberian Peninsula).

Over the past ten years, the size of the EU beef cow herd was relatively stable compared to the dairy cow herd. Since 2010, the beef cow herd shrunk most notably in France, the United Kingdom, and Ireland due to structural unprofitability. However, the herd expanded in Central European countries -- Poland, Hungary, Bulgaria, and the Czech Republic -- based on financial support, as well as on the Iberian Peninsula -- Spain and Portugal -- because of the export demand for animals. This trend persisted in 2019. However, in France, a lack of profits was worsened by high feed prices. In Belgium, the non-competitiveness of the Belgian Blue cattle sector continued to drive producers out of business, shifting the industry towards dairy. A similar trend occurred in Ireland, where the beef sector is also feeling pressure from the uncertain outcome of Brexit. The United Kingdom is the main foreign market for Irish beef, and the possibility of trade frictions is discouraging the Irish sector from investing in expansion.

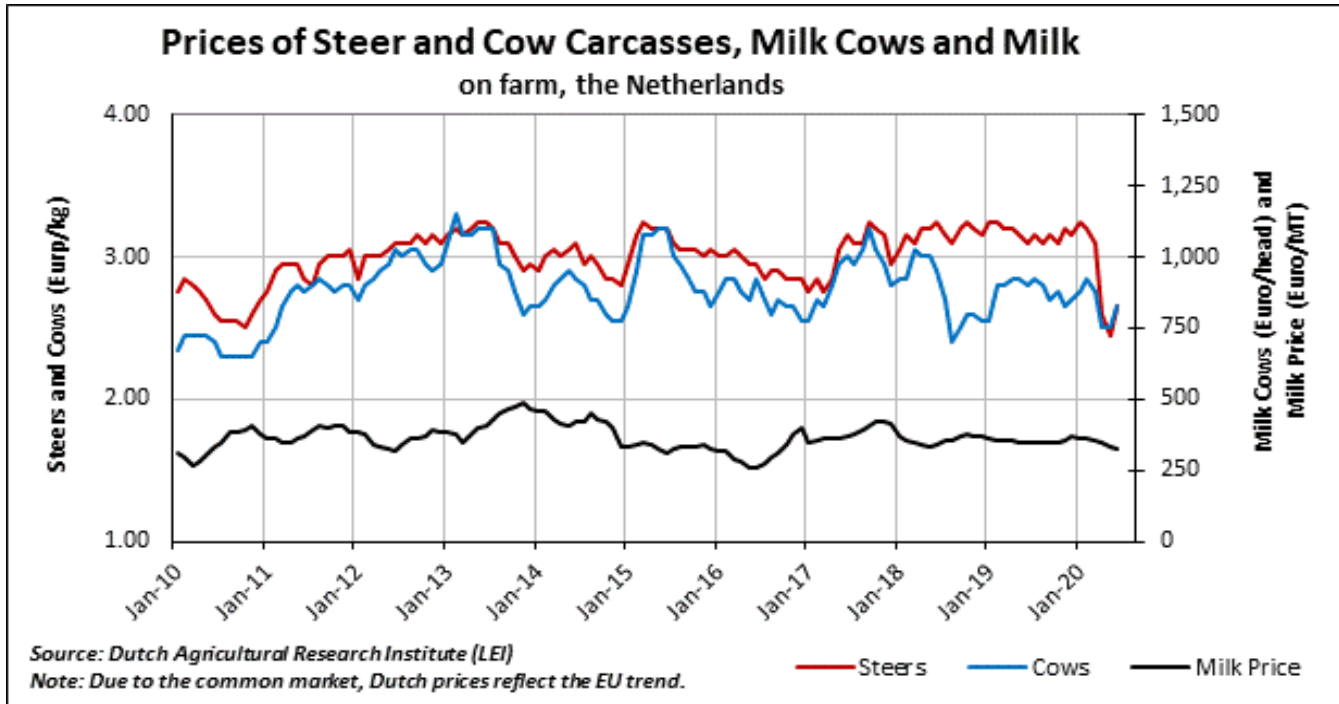
In most Central European countries, government subsidies support expansion of the beef herd, which is normally offset by a reduction in the number of dairy cows. Expansion of the Central European beef

herd is further supported by third country demand for animals, particularly in Romania, Croatia, and Hungary. In 2019 and through the first half of 2020, EU beef cattle exports to Turkey fell significantly due to restrictions established by the Turkish government to control the oversupply of animals in the country.

After a steep decline during the first half of 2020, slaughter will return to average levels.

The COVID-19 outbreak, and the resulting lockdowns throughout the EU, had a significant effect on the sector. First, restrictions on the transport of animals and enforcement of new slaughter protocols disrupted and slowed slaughter. Second, demand for veal and high-quality beef was negatively affected by the closure of the food service sector. Both developments, on the supply and sales sides, caused a sudden drop in prices for steers (see graph below). The distorted demand for animals coupled with reduced prices, encouraged farmers to hold on to their cattle. In fact, during the first six months of 2020, EU slaughter declined by 2.6 percent. Slaughter of calves and young cattle dropped most significantly, by 6.7 percent, with the most substantial cuts reported in the Netherlands, Belgium, France, and Italy. As veal is almost exclusively consumed in restaurants, demand dropped almost overnight. The return to normal slaughter levels will not only depend on the recovery of consumer demand and prices, but also on the costs of retaining animals, primarily for feeding. As fodder prices are relatively high, monthly slaughter is forecast to quickly return to average or even above-average levels once the market can bear it.

Assuming slaughter will return to levels seen in the latter half of 2019, annual slaughter is expected to decline by 1.6 percent to 26.25 million head. Due to the market conditions, productivity (calf/cow ratio) and loss are forecast at 81.1 percent and 6.4 percent, respectively. These ratios are roughly the same as realized in 2018, a year with a dry summer and high fodder prices. With this productivity and loss forecast, the EU cattle herd will shrink by 0.90 percent, a slightly slower pace than reported for 2019 (-0.98 percent), as COVID-19 slowed the contraction of the herd.



In 2020, the beef cow herd will be cut more significantly than the dairy cow herd.

The developments next year will depend on the course of the COVID-19 spread and related economic crises. The COVID-19 crisis has had a limited effect on the EU dairy sector, as milk prices remained relatively stable compared to meat prices. Based on these market conditions, the EU dairy cow herd is forecast to decline marginally (by 0.5 percent) this year. For the same reasons as outlined above, reductions in dairy cow inventories are predominantly expected in Germany and France, while continued expansion is forecast in Ireland.

The EU-wide beef cow herd is projected to shrink by 0.8 percent (based on the more substantial market repercussions for the beef market). Low cattle prices coupled with limited structural improvement of the profit margins will encourage farmers to either stop farming or cut their breeding herd. The beef cow herd is anticipated to decline in France, Belgium, the United Kingdom, and Ireland, and stagnate in other EU Member States. Assuming a gradual tamping out of COVID-19 over the course this year, having only a moderate effect on the EU economy in 2021, the 2021 calf/cow ratio is forecast at 81.2 percent and the loss ratio at 6.3 percent. Under these conditions, the cattle herd is forecast to shrink at a steady pace of 0.93 percent, with most of the cuts forecast in France and Germany, and a minor increase projected in Central Europe, mainly Poland. With recent EU policy proposals (e.g., the Green Deal, Farm to Fork, and Biodiversity Strategies), any chance of growth appears unrealistic in the near-term (for more information see the Policy section of this report).

Beef

Meat, Beef and Veal	2019		2020		2021	
Market Year Begins	Jan 2019		Jan 2020		Jan 2021	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	26,875	26,666	26,700	26,250	0	26,150
Beginning Stocks	0	0	0	0	0	0
Production	7,928	7,878	7,850	7,800	0	7,730
Total Imports	341	341	300	300	0	320
Total Supply	8,269	8,219	8,150	8,100	0	8,050
Total Exports	330	330	350	340	0	350
Human Dom. Consumption	7,939	7,889	7,800	7,760	0	7,700
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	7,939	7,889	7,800	7,760	0	7,700
Ending Stocks	0	0	0	0	0	0
Total Distribution	8,269	8,219	8,150	8,100	0	8,050

(1000 HEAD), (1000 MT CWE)

Not official USDA data. Source: Eurostat and FAS Offices. Includes backyard slaughter. The 2019 production figures are updated based on revisions of the Eurostat slaughter statistics of official slaughter in Germany, and backyard slaughter in Romania.

The sudden drop in demand for beef stymies EU production and imports.

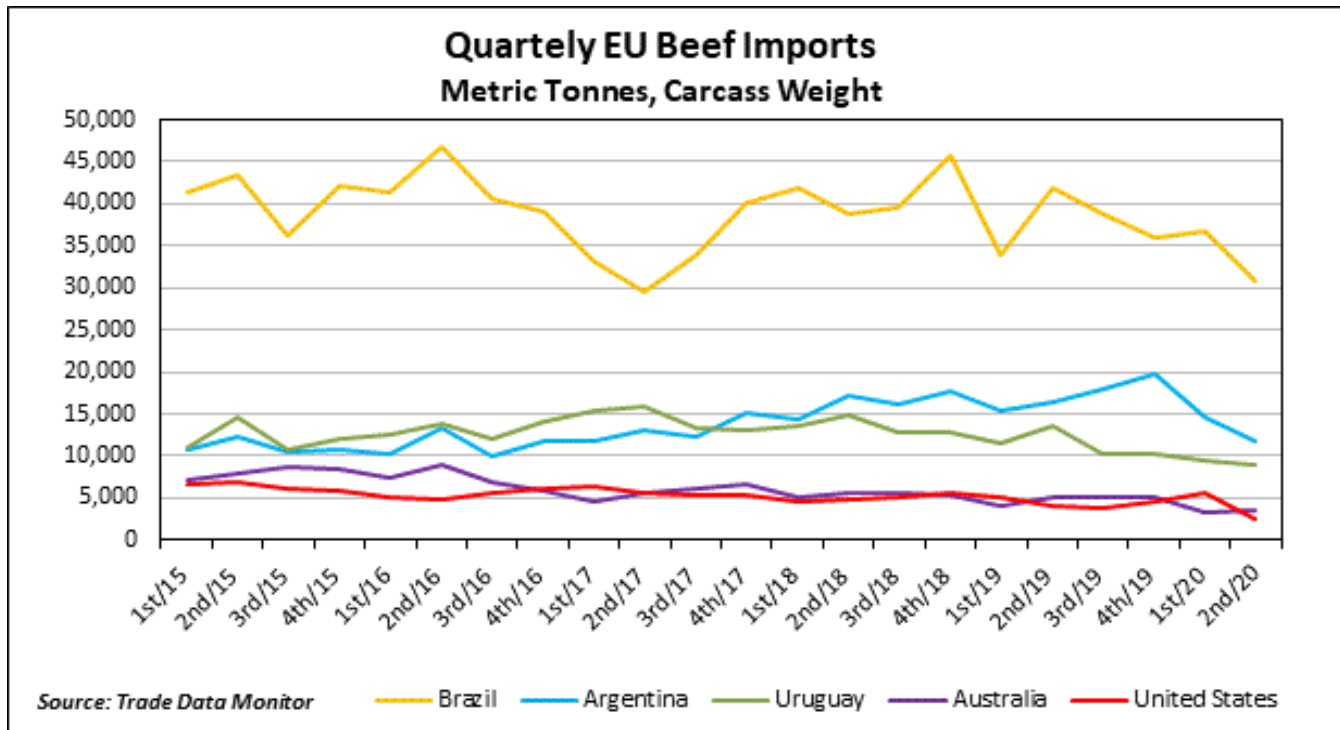
2020 EU beef production is now anticipated to decline more significantly than previously forecast in the [Semi-Annual](#). As outlined in the Cattle section, production fell because of the COVID-19 outbreak, which affected both demand and slaughter. Considering the widespread closure of restaurants across the EU, as social distancing rules were imposed, it can safely be assumed that the consumption of veal³ and high-quality beef cuts took the biggest hit when compared to all meat products. Industry sources report that some of the EU's high value beef supply was minced and sold at a lower value by retail (where demand was still strong).

The suppressed demand for high value beef is also reflected by lower import volumes, particularly under the [High Quality Beef \(HQB\) quota](#) and [Hilton quotas](#). 76 percent of the second quarter Hilton quota (mainly supplied by Uruguay, Argentina, and the United States) was utilized, while 70 percent was used in the third quarter -- utilization is normally close to 100 percent. The new HQB quota for beef from non-hormone treated cattle from the United States was forecast to lift imports, albeit by a limited volume (see the Policy section for more information). However, due to the COVID-19 crisis, the second quarter of the quota was only filled by forty percent. Elevated sales are reported for minced beef, burgers, and sausages, as their demand was further supported by the good BBQ weather throughout the summer. On May 4, 2020, the European Commission (EC) opened a Private Storage Aid (PSA) program for beef.⁴ However, as the utilization was limited, the program was terminated on July 15. Looking at the total EU beef balance, the abnormal trend of imports (declining) and exports (increasing)

³ See GAIN report - [Dutch Veal Sector Faces Sharp Decline in Demand](#).

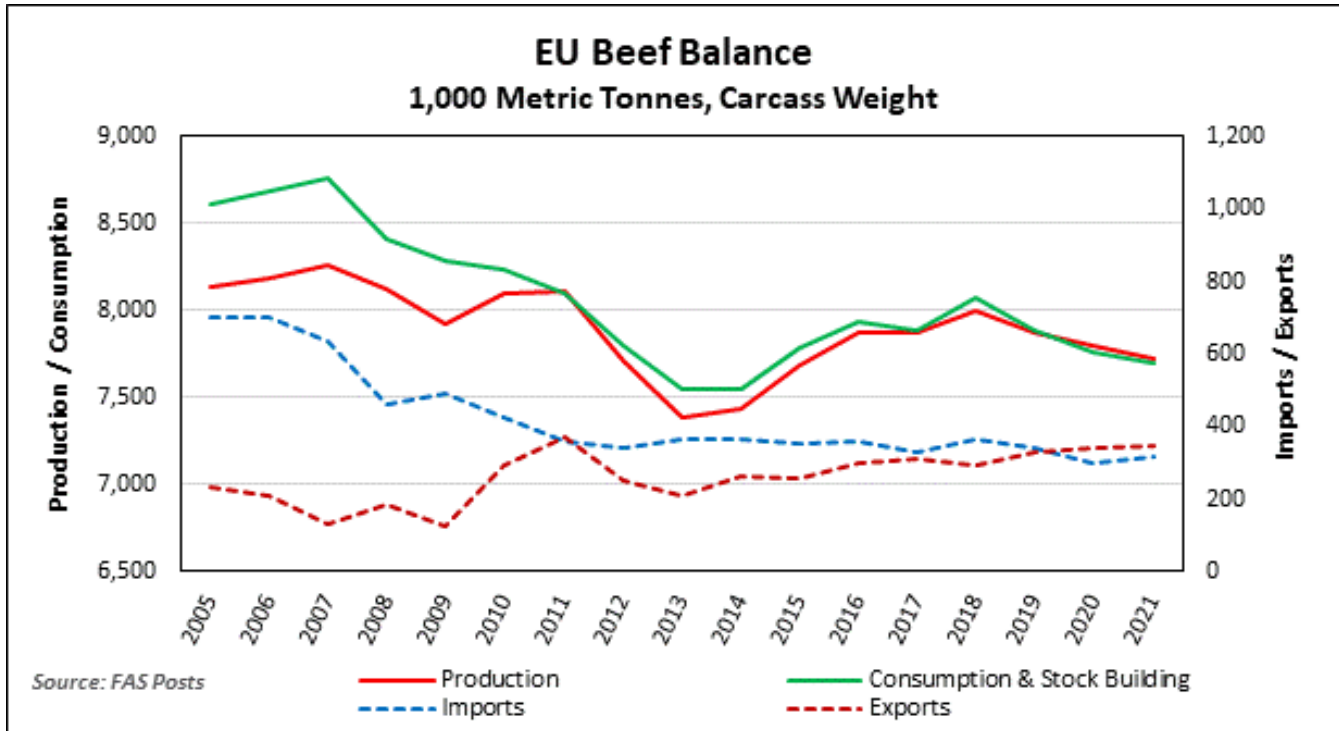
⁴ This program provides a subsidy for the storage of beef by the private sector.

made the EU a net beef exporter for the first time since 2011 (see the EU beef balance graph further below).



In 2021, EU beef production and consumption are expected to continue to decline.

Based on reduced slaughter, beef production is forecast to further decline in 2021, reinforced by a lower carcass weight (as it is expected that animals will be kept for a shorter period on the farm next year, and relatively more calves and young cattle will be slaughtered). With production declining, given the closed nature of the EU beef market, total consumption will also inevitably fall in 2021. However, imports of high-quality beef are forecast to recover in 2021, assuming a gradual tamping out of COVID-19 and the re-opening of the EU-wide food service sector. Despite a decline in production, EU beef exports to third countries are steadily increasing. During the first half of 2020, EU frozen boneless beef exports increased (mainly to China, the Philippines, Japan, Israel, and Ghana) and chilled bone-in beef exports increased to Northern Africa (Algeria and Morocco). Ireland and the United Kingdom are the leading suppliers to Asia, while Spain is the main supplier to Northern Africa. However, the Spanish sector is increasingly focusing on the Asian markets and Canada. With shrinking demand in the EU, the EU meat sector is looking for alternative markets, particularly since the closure of the Russian market in 2014.



Swine

Animal Numbers, Swine	2019		2020		2021	
	Jan 2019		Jan 2020		Jan 2021	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Beginning Stocks	148,167	148,167	147,830	147,830	0	147,300
Sow Beginning Stocks	11,784	11,784	11,816	11,816	0	11,735
Production (Pig Crop)	264,500	264,500	268,000	263,500	0	264,300
Total Imports	3	3	3	3	0	3
Total Supply	412,670	412,670	415,833	411,333	0	411,603
Total Exports	369	369	350	320	0	320
Sow Slaughter	4,150	3,812	4,200	4,000	0	3,950
Other Slaughter	254,750	254,835	255,300	253,200	0	254,050
Total Slaughter	258,900	258,647	259,500	257,200	0	258,000
Loss and Residual	5,571	5,824	5,983	6,513	0	6,003
Ending Inventories	147,830	147,830	150,000	147,300	0	147,280
Total Distribution	412,670	412,670	415,833	411,333	0	411,603

(1000 HEAD)

Not official USDA data. Source: Eurostat and FAS Offices. Includes backyard slaughter.

It is premature to label 2020 a crisis year for the swine sector.

The EU swine sector began 2020 with a larger breeding herd than the year before. Since 2008, this has only happened twice, namely in 2015 and 2018, and both years turned into crisis years for the sector -- clearly illustrated by the piglet, sow, and carcass prices (see graph below). In both years, the elevated supply of piglets, slaughter, and pork production faced challenges after a sudden drop in export demand for pork -- in 2015 from Russia and in 2018 from China. This year, export demand for pork is forecast to remain relatively strong, despite the COVID-19 crisis. Furthermore, domestic demand for pork is not as significantly affected as for beef, as most parts of the swine carcass are sold through retail (see Pork section). Another difference between this year and the two earlier crisis years is the relatively low feed price, which is expected to remain favorable for farmers (see [EU Grain & Feed Annual](#), and [updates](#)). A crisis is also not reflected in the prices as piglet as well as hog prices are still well above the five-year average.

COVID-19 outbreaks in plants led to a disruption in slaughter.

In March and April 2020, the COVID-19 outbreak and lockdowns put pressure on prices as domestic pork consumption was affected for certain cuts and regions (for more information see Pork section). In the following months, mainly in May and June, slaughter itself was affected as virus outbreaks among slaughterhouse workers led to temporary closures⁵ of several slaughter plants (mainly in France, Germany, and the Netherlands). For more information see the country reports listed at the end of this report. The communal living conditions of migrant workers, commonly employed by meat companies in Northwestern Europe, may have played a role in the spread of the virus. However, because this part of Europe has an oversupply of slaughter capacity, and the plants are in relatively close proximity to one another, the hog supplies were diverted to other plants. Because each plant serves a specific market segment, deviation in the hog supply caused a delay in slaughter and a logistical challenge for the distribution of the end-product. The distortion resulted in plants slowing their intake from farmers which led to a sudden drop in prices for hogs as well as for piglets (see graph below). Important for the image of the sector is that no major culling of piglets or hogs was reported.

⁵ See GAIN reports:

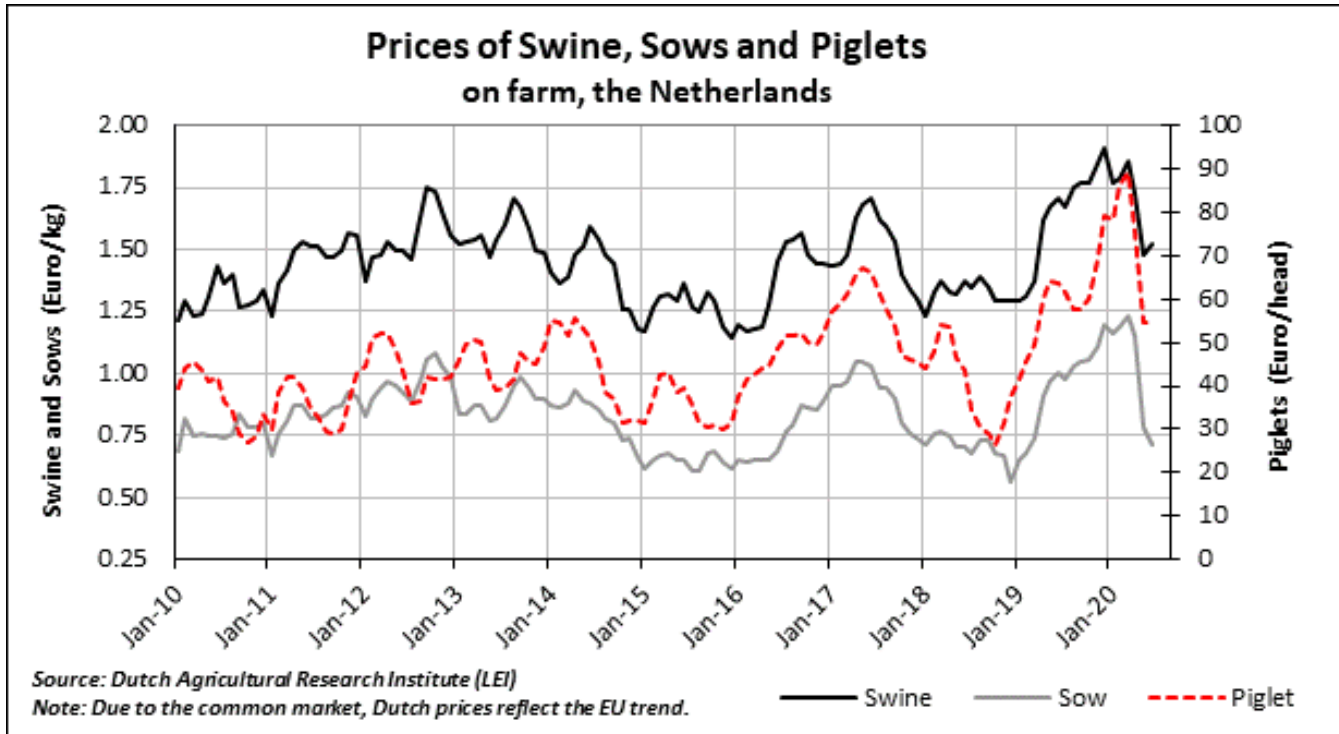
-[Dutch Meat Producers Told to Implement Strict COVID-19 Control Measures.](#)

-[Dutch Slaughterhouse Closed After COVID-19 Detected.](#)

-[COVID-19 clusters identified in French slaughterhouse workers.](#)

-[German slaughter companies under pressure after COVID-19 infections of workers.](#)

-[COVID-19 Will Change German Livestock Industry.](#)



Slaughter recovered during the summer of 2020.

During the first six months of 2020, EU slaughter declined by 1.6 percent. However, the final slaughter level for 2020 is determined mainly by the hogs produced before the COVID-19 outbreak (the lockdowns started in March 2020, and the average weaning and fattening time is about seven months). After the re-opening of several slaughterhouses in Germany and the Netherlands, recent weekly slaughter rates show a swift return to normal levels. Based on the available hog supply, no culling of animals, and a return to normal slaughter activity, slaughter is expected to reach 257.2 million head in 2020, a reduction of only 0.56 percent compared to 2019 levels. A strong increase in the total slaughter rate is forecast in Spain and the United Kingdom. Spanish slaughter is projected to increase by more than one million head because of sustained growth in export demand (mainly in the Asian market). In 2019, a new plant became operational with an initial slaughter capacity of 15,000 head per day. This plant is expected to reach full operation at 30,000 head per day in 2020. At full operation, this facility would become the largest pork slaughtering operation in the EU, and Spanish slaughter will surpass German slaughter. In the United Kingdom, slaughter is supported by strong export demand buoyed by the weak British pound.

African Swine Fever (ASF) crossed the Polish-German border.

The most significant swine slaughter reductions are anticipated in Germany, France, Belgium, Bulgaria, Romania, and Hungary. In France, the COVID-19 outbreak accelerated the present crisis in the countries' swine sector (i.e., mounting environmental and animal welfare requirements combined with a decline in domestic consumption). In Germany, Belgium, and Central Europe, ASF outbreaks are the predominant reason for reduced slaughter. As of this report, ASF outbreaks have been reported in all the countries bordering Russia, Belarus, and the Ukraine - from the North to the South: Estonia, Latvia,

Lithuania, Poland, Slovakia, Hungary, Romania, and Bulgaria. In Poland, a spike in ASF⁶ cases was reported during this summer. In Belgium, the last ASF finding was in August 2019. The Belgian pork industry hopes that it will regain its ASF-free status again so it can resume pork exports to Asia.

On September 10, 2020, Germany's Federal Minister of Food and Agriculture confirmed an ASF case in a wild boar found in Eastern Germany near the German-Polish border. As a result, all pork from Germany was banned by China, and other important export markets such as South Korea and Japan (for more information see the GAIN report - [African Swine Fever- An Unwelcome Arrival in Germany, GAIN updates on this issue](#), and the Pork section of this report). The ASF finding in Germany is also anticipated to affect the domestic piglet market. In particular, the Danish and Dutch sectors are worried about a drop in demand for piglets from Germany. The import bans on German pork will downward pressure on piglet and carcass prices and will lower farmer profit margins throughout the EU. Despite the burgeoning number of cases, ASF has not yet reached the commercial facilities in the main production regions in the western part of the EU. For more information about ASF, see Policy section and the country reports for Germany, Poland, Romania, and Bulgaria listed at the end of this report.

The EU breeding herd is forecast to decline in 2020.

Overall, it can be assumed that the distortion of the market by the COVID-19 outbreak was temporary, and slaughter and sales will return to their normal level this year. However, another more structural imbalance in the market remains. The EU swine sector started the year with a breeding herd capable of producing a record EU pig crop of 268 million head, but the collapsing piglet prices caused by COVID-19 certainly led to elevated sow slaughter.⁷ This likely will result in a smaller breeding herd and a smaller pig crop than previously anticipated in the [Semi-Annual](#). Another challenge for the herd will be the higher than usual loss due to the hot weather across the EU in August. Annual productivity and loss will ultimately depend on the spread of COVID-19, resulting lockdowns and plant closures, and the length of the Chinese import ban on German pork. However, the piglet/sow ratio (22.3 percent) and loss ratio (2.47 percent) are estimated to fall squarely between levels reported in 2018 (21.95 and 2.52 percent), the latest crisis year, and 2019 (22.45 and 2.20 percent), which was a lucrative year for the sector.

Productivity will recover in 2021.

Due to COVID-19 and ASF outbreaks, the EU swine sector will start 2021 with a smaller total swine and sow herd. Based on the aggregate of the EU Posts' numbers, the EU sow herd is forecast to shrink by roughly 80,000 head (with the main cuts in Germany, France, Romania, and Hungary). The underlying factors for the herd's decline (i.e., structural unprofitability, environmental requirements, COVID-19, and further spread of ASF) are outlined further above. A reduction is also forecast in the Netherlands as the Dutch government has implemented a buy-out program⁸ to help curb agricultural nitrogen emissions. It is anticipated that there will only be a slight reduction in pork production in the Netherlands because fewer piglets and hogs will be exported to Germany (meaning a higher proportion of Dutch hogs will be fattened and slaughtered domestically). Spain is expected to marginally increase its breeding herd because of increased export demand. In Poland, declining poultry meat production

⁶ See GAIN report - [Polish ASF Cases Spike in Summer 2020](#).

⁷ It remains to be seen if the ASF detection in Germany will have a similar affect.

⁸ See GAIN Report - [Dutch Government Begins Efforts to Curb Agricultural Nitrogen Emissions](#).

(due to avian influenza outbreaks) is expected to play an important role in the expansion of the swine sector and associated breeding herd. An evident effect of the COVID-19 crisis and the continued spread of ASF is that the sector will shake-out the least efficient farmers, and further consolidation will occur across the industry in favor of bigger and more efficient farms. As a result, even with the shrinking herd, productivity (pig crop / sow herd) is forecast to increase 0.5 percent in 2021, slightly more than the average annual increase over the past ten years (i.e., 0.4 percent), and the piglet crop is expected to recover to nearly the same levels reached in 2019.

Pork

Meat, Swine	2019		2020		2021	
	Jan 2019		Jan 2020		Jan 2021	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	258,900	258,647	259,500	257,200	0	258,000
Beginning Stocks	0	0	0	0	0	0
Production	23,960	23,956	24,130	24,000	0	24,190
Total Imports	16	16	18	18	0	20
Total Supply	23,976	23,972	24,148	24,018	0	24,210
Total Exports	3,549	3,548	4,100	3,850	0	4,000
Human Dom. Consumption	20,427	20,424	20,048	20,168	0	20,210
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	20,427	20,424	20,048	20,168	0	20,210
Ending Stocks	0	0	0	0	0	0
Total Distribution	23,976	23,972	24,148	24,018	0	24,210

(1000 HEAD), (1000 MT CWE)

Not official USDA data. Source: Eurostat and FAS Offices. Includes backyard slaughter.

In 2020, EU pork production is forecast to increase because of higher carcass weights.

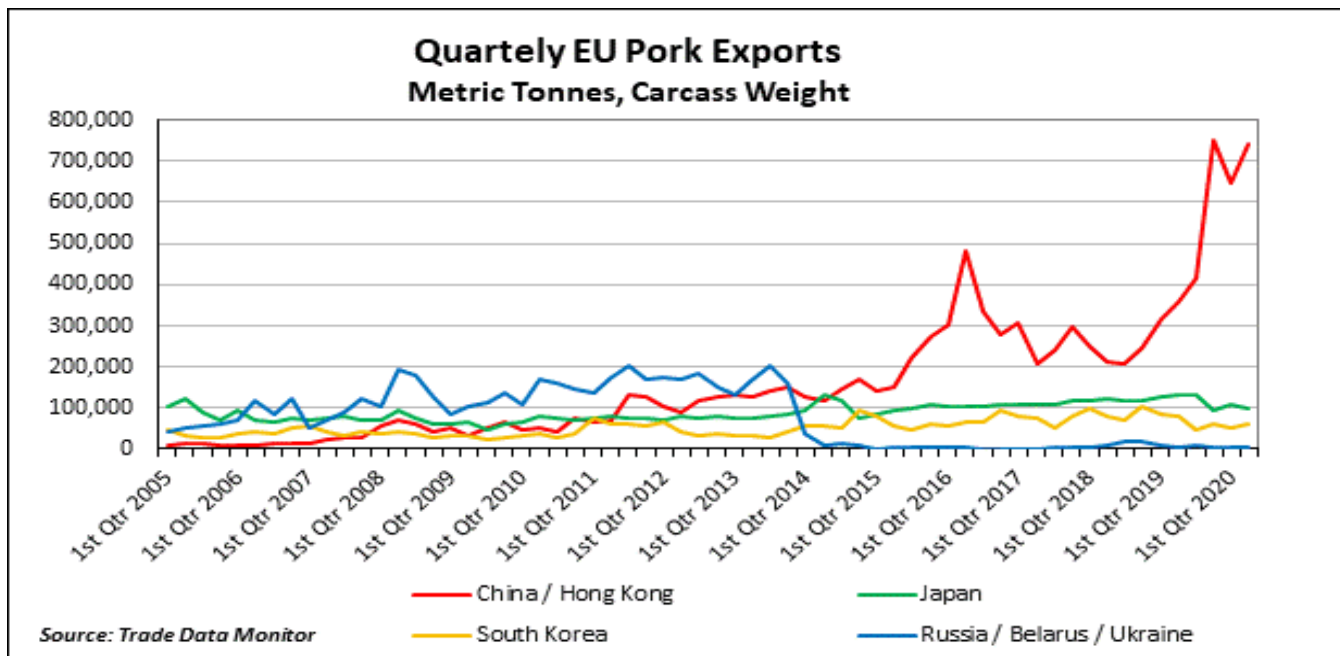
The key factor for projecting pork production is the average carcass weight. Increases in the weight due to delayed slaughter are reported in several countries, such as Spain, Germany, the Netherlands, Poland, and the Czech Republic, but there is also a structural increase of slaughter weights. A higher weight is reducing the slaughter costs per kg of pork, in addition the Chinese market is demanding heavier and fatter animals. Since 2014, the weight of hogs, both official and backyard, has continually increased, with an average increase of 0.65 percent per year. During the first six months of 2020, weights in official slaughterhouses increased by 0.80 percent. These higher weights are reported by meat companies throughout August. Normally, slaughter hogs are 1-2 kg lighter during July – August. Applying the 0.80 percent weight increase to the remainder of the year, pork production will reach approximately 24 MMT in 2020, a slightly higher volume than produced in 2019.

Pork consumption is not as affected by COVID-19 as beef consumption.

During the spring and early summer, the COVID-19-related lockdowns affected the domestic demand for pork in the food service and tourist sectors in Southern Europe. In Greece, for instance, imports of beef were down ten percent, while imports for pork were down fifteen percent during the first half year. In Spain, Portugal, and Croatia, the consumption of suckling piglets also declined as 95 percent are sold through the food service sector. In total, pork consumption is not as significantly affected as EU beef consumption, as most pork is sold through retail channels and consumed at home. Given increased household consumption during the lockdowns, increased consumption is reported in some Member States for certain processed pork products (e.g., Parma ham in Italy). However, given the industry’s export dependency (roughly accounting for fifteen percent of production), market dynamics in foreign markets will play an equally important role as the dynamics in the traditional EU markets.

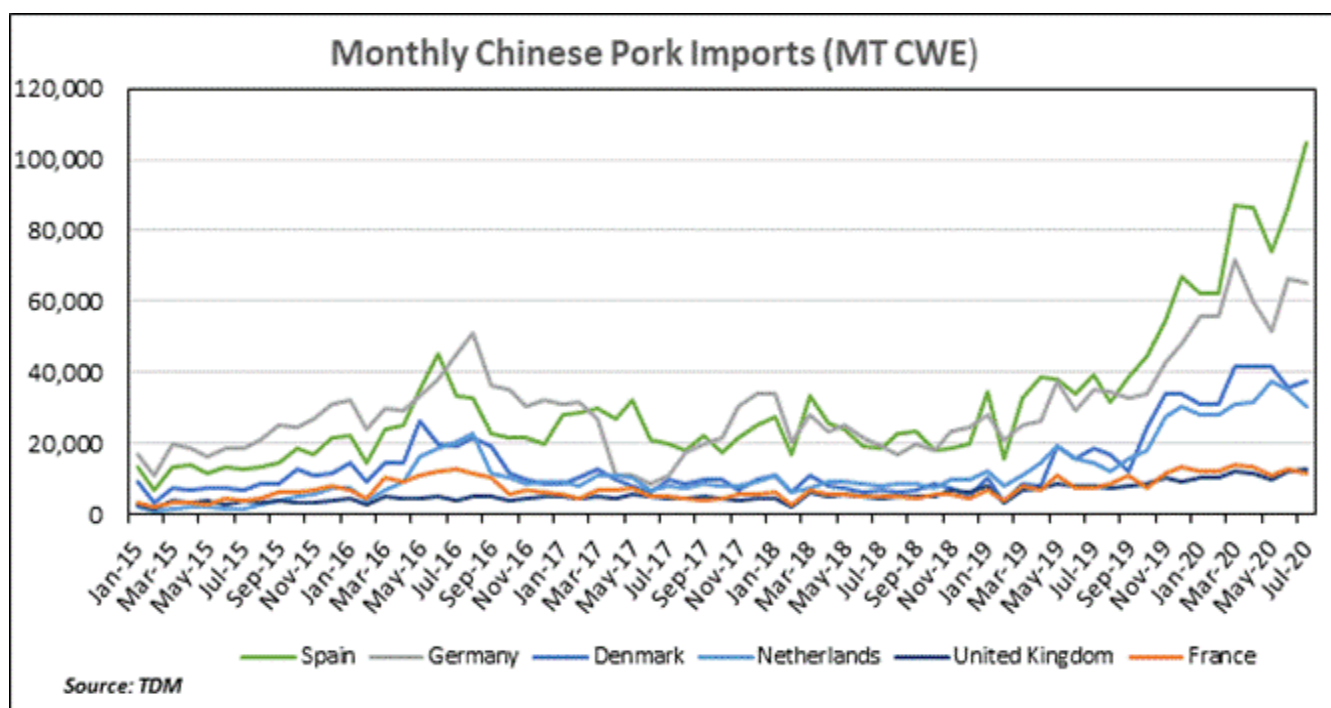
In the first half of 2020, exports to China doubled at the expense of other export markets.

Despite the COVID-19 outbreaks in the country, China has continued to import pork to meet its strong demand. Currently, China is the second largest market for EU pork, after the leading European market, Germany. During the first half of 2020, world-wide EU pork exports rose by 28 percent compared to the first half year of 2019, to total 2,077,000 MT CWE. During the same period, EU exports to China increased by 114 percent to total 1,339,000 MT CWE (see graph below). Sales to China soared for frozen boneless “muscle” cuts and, to a lesser extent, bellies, hams, and other frozen bone-in cuts. Shipments to other export markets declined by 25 percent —namely Japan (down 52,000 MT CWE), South Korea (down 50,000 MT CWE), the United States (down 32,000 MT CWE), Australia (down 22,000 MT CWE), and the Philippines (down 42,000 MT CWE).



EU pork exports to China are forecast to fall during the second half of 2020.

Considering the rebuilding of the herd in China, it is questionable if the EU’s export volume to China will be sustained over the last six months of 2020. For more information see the recent [Livestock and Products Annual drafted by FAS/Beijing](#), published on August 7, 2020. In addition, due to COVID-19 outbreaks among workers, China imposed bans (including some that were self-imposed) on slaughterhouses in the Netherlands, Germany, and Denmark. In the Netherlands, five plants (representing roughly sixty percent of Dutch slaughter capacity) were banned from exporting at the end of June. As of the end of August, three plants had regained their eligibility to export to China. In Germany, one major plant was banned for nearly four weeks during the summer. In Denmark, one plant was shut down mid-August and terminated exports to China. Since the end of August, the Danish plant has re-opened, but it currently slaughters at half of its capacity. It should be noted that meat produced during the Chinese ban, which was stored, cannot be shipped to China. However, reportedly a portion of the hog supply was diverted to plants that kept their eligibility to export to the Chinese market. A more recent factor is the finding of an ASF case in Germany in September 2020. As a result, China, South Korea, and Japan banned all German pork. These bans will have significant repercussions for EU exports as well as in the EU domestic market.



Slowing imports by China will almost cover the gap caused by the ban on German pork.

During the first seven months in 2020, China imported roughly 60,000 MT CWE per month from Germany (see graph above). With the ban on German pork, China will need to source pork from alternative suppliers. However, according to [FAS/Beijing’s forecast](#) -- China will reduce its imports during the second half 2020. If FAS/Beijing’s forecast is accurate, a ban on German pork can be absorbed with little impact as pork from other EU Member States should be sufficient to meet the supply needed from the EU. The Spanish, Dutch, Danish, and UK sector will likely increase exports to meet

the need for EU pork. If, however, China is to sustain the import levels realized thus far in 2020 (and not slow its imports), the remaining EU Member States must ramp up production and opportunities exist for pork from outside the EU (e.g., Brazil and the United States). As noted, within the EU, the most likely candidates to increase exports are Spain (exported, on average, approximately 80,000 MT CWE per month to China during the first half of 2020), Denmark (37,000 MT CWE), the Netherlands (32,000 MT CWE), and the United Kingdom (11,000 MT CWE).

Impact on the EU Market.

Overall, if China were to reduce its demand for imports then the impact of the bans on German pork will be limited. However, the consequences for the internal EU market will be significant. Assuming all German pork exported to third countries is eventually banned (and depending on the length of those bans) -- roughly 700,000 MT CWE of pork exported outside of the EU per year could be marketed inside the EU. Based on the effects of previous bans and sudden drops in exports (in 2014 and 2015 to Russia, and in 2018 to China), some of the supply will be stored and consumed in the long run (both in the EU and in third countries). The increase in German supply will cause prices to fall. Major price reductions for carcasses are anticipated in the countries with a limited export outlet -- Germany, Poland, and Belgium. Overall, lower pork prices will pressure EU production in 2020 and 2021. How long the industry remains under pressure will be a direct result of how long the bans on German pork remains in place.

The EU has the supply available to sustain exports, but it is tight.

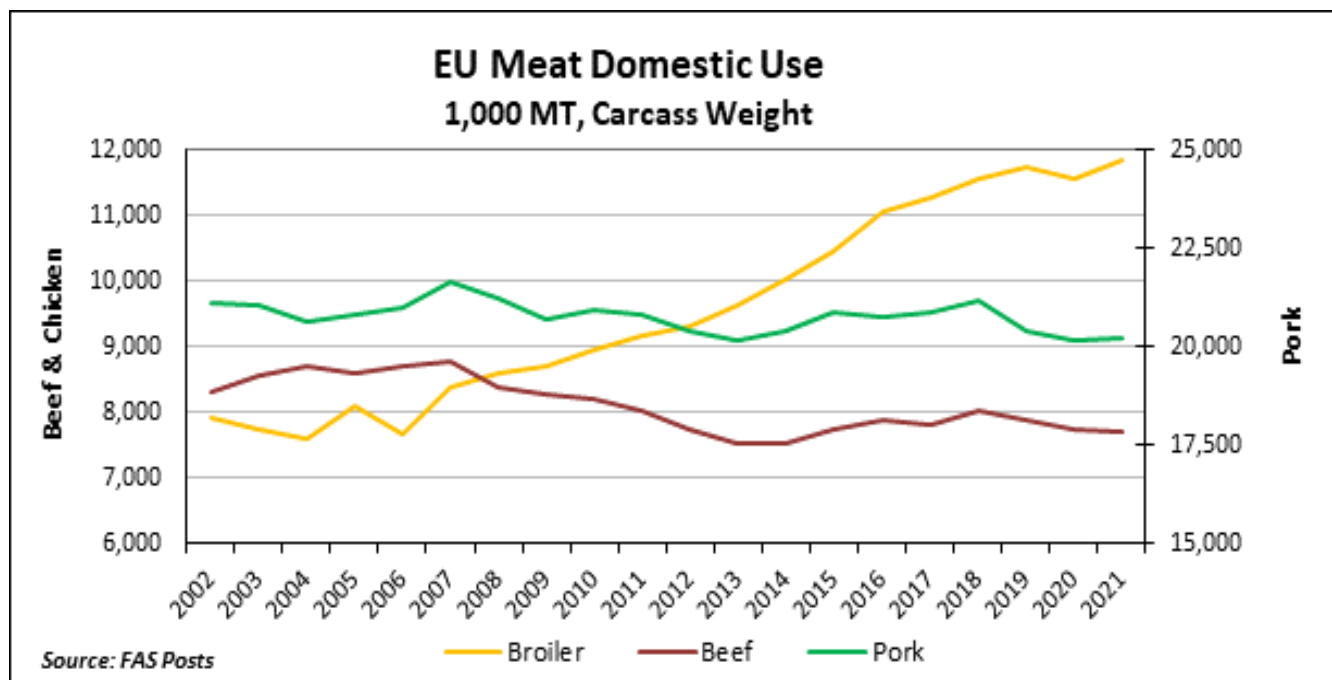
Based on average consumption and stock building during the past ten years, EU domestic pork consumption is estimated at an average of 20.8 MMT CWE per year (see graphs below). Due to declining consumption in Germany, total EU consumption is estimated at 20.4 MMT CWE for 2019, taking in account an absence of stock-building. Due to the COVID-19 crisis and structural decline, consumption will certainly be lower this year. With marginal stocks at the end of 2019, and limited stock-building through 2020 (170,000 MT CWE), total domestic consumption is forecast to decline to nearly 20.0 MMT CWE in 2020, leaving 3.85 MMT CWE available for exports. This roughly corresponds with FAS/Beijing's forecast -- China will import 4.3 MMT CWE of pork in 2020, leaving 1.74 MMT to be imported during the second half of the year. If we apply the sixty percent market share achieved during the first half of 2020 to the entire year, this represents 1.0 MMT CWE for EU second-half 2020 exports. Adding the 1.0 MMT CWE to the volume exported to China in the first half year, annual EU exports to China will reach 2.34 MMT CWE in 2020. This leaves 1.5 MMT CWE for destinations other than China, corresponding with the volume exported during the first half year (0.74 MMT CWE). If global EU exports would remain at the same level as the first half of the year, total EU exports could reach 4.15 MMT CWE, which would imply a full depletion of stocks and domestic consumption well below the 20.0 MMT CWE. This scenario is possible from the supply side, but would cause domestic carcass prices to rise, and, in effect, deteriorate the competitiveness of EU pork on the global market.

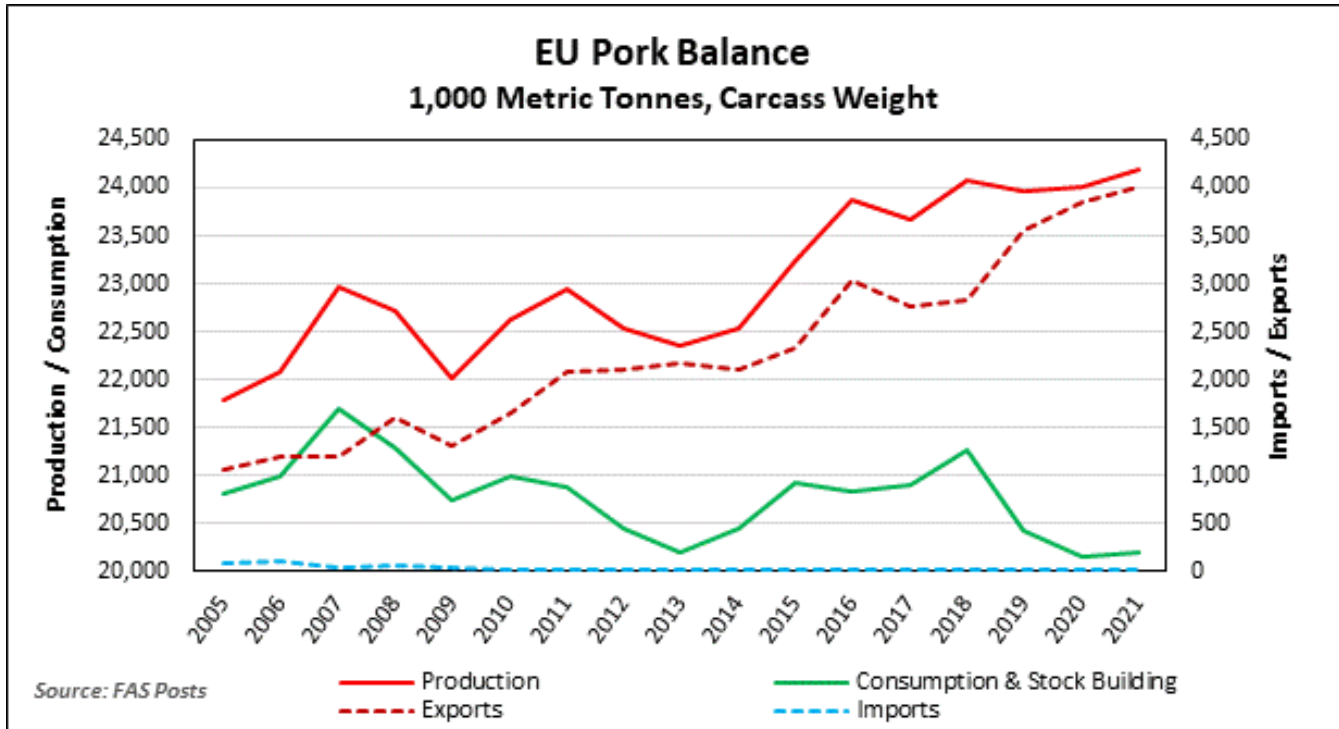
The EU will have more pork available for export in 2021 but faces a changing market.

With a modest increase (0.5 percent) in the average slaughter weight in 2021, EU pork production is forecast to reach 24.19 MMT CWE. A portion of this additional volume will be absorbed by a modest

increase in domestic consumption. However, it is anticipated that most of the increase in supply will need to be exported. As in 2020, except for Germany, the main exporters to China will be Spain, Denmark, and the Netherlands. Spain is even expanding domestic production to take advantage of strong Chinese demand. On April 8, 2020, China approved eight new Spanish establishments to export to China, increasing the total number to fifty-seven. For more information see the GAIN report - [Spanish Livestock and Poultry Sector Update](#) (not public yet on the publishing date of this report).

Next year, however, EU pork exports to China may level off. First, China is forecast to rebuild production at the expense of imports (see the recent [Livestock and Products Annual drafted by FAS/Beijing](#)). Another challenge for EU exports is the increased competition by Brazil and the United States in the Chinese market, which is exacerbated by the stronger Euro relative to the U.S. dollar and Brazilian Real. Under these conditions, with more pork available and China buying less from the EU, the sector will have to look at alternative markets, most likely those which bought less this year: Japan, South Korea, and the Philippines. Another potential challenge for EU-27 exports is Brexit, which, at a minimum, will bring additional administrative and inspection costs for shipments to the United Kingdom. [Tariffs](#) will also have to be considered if the EU does not come to a trade agreement with the United Kingdom. In 2020, sustained Chinese demand has prevented crisis in the EU pork sector, but the sector is expected to face new uncertainties as soon as next year.





Policy

Common Agricultural Policy (CAP)

The CAP proposal

The European Commission (EC) published its new [CAP proposal](#) for the 2021 – 2027 period on June 1, 2018, but it was evident from the start that, given the EU elections in May 2019, it would be up to the incoming institutions to finalize the agreement.

The Green Deal

On December 11, 2019, the EC announced the [European Green Deal](#). The EC sees the Green Deal and accompanying strategies as a way of achieving the [Paris Climate Agreement](#) and [UN Sustainable Development Goal](#) commitments. No legislative proposals to implement the Green Deal have been made to the Council and the European Parliament as of yet – both of which will need to approve them through joint compromises.

The Farm to Fork (F2F) Strategy and Biodiversity Strategy

On May 20, 2020, the EC announced both the [Farm to Fork \(F2F\) Strategy](#) and the [Biodiversity Strategy](#) for 2030 as roadmaps for enhancing food and agricultural sustainability by 2030 under the Green Deal. The strategies aim to fundamentally change the way agriculture operates in the EU. The goal is for Member States to tailor their new CAP programs through a [system](#) of conditions (“conditionalities”) to be met by farmers receiving area- and animal-based CAP payments. The strategy targets a fifty percent reduction in pesticide use, a twenty percent reduction in fertilizer use, a fifty percent reduction in nutrient leakage in groundwater, twenty-five percent of agricultural land being used for organic farming,

ten percent of land being set aside for environmental areas, and an increase in nature conservation areas by thirty percent. Additionally, increased animal welfare goals and use limitations for veterinary drugs, particularly antimicrobials, are planned. Because the EU legislative process is expected to be arduous and lengthy, the EC has proposed a one-year extension to the current CAP, but both the Council and Parliament requested a two-year transition.

The Multiannual Financial Framework and the Next Generation EU (NGUE) proposal

On July 20, 2020 the EU Council approved a [€1.8 billion support package](#), which is a combination of the new multiannual financial framework 2021-2027 (MFF) proposal (€1.07 trillion), with a specific recovery effort, the Next Generation EU (NGUE) proposal (€750 billion). The package aims to rebuild the EU after the COVID-19 pandemic and support investment in green and digital transitions. The proposal includes €356.4 billion for the new CAP and Fisheries policy, of which €239.9 billion is allocated for direct payments and €19.7 billion is set aside for market measures (together Pillar I), while €77.9 billion is earmarked for rural development (Pillar II) for the 2021-2027 period. For more information about the recent proposals see the GAIN report - [Green Deal Strategies for the EU Agri-Food Sector Present a Politically Ambitious Policy Roadmap](#).

Subsidies Related to the COVID-19 Crisis

In response to the market distortion caused by the COVID-19 pandemic, the EU meat sector requested the EC to implement market support measures. On May 4, 2020, the EC published [private storage \(PSA\) measures](#) for beef, sheep, and goat meat. Because of limited interest in the program (used by only 2,215 MT of beef and 140 MT of lamb), the EC ended the PSA schemes on July 15, 2020. Most EU Member States provide generic aid measures (including flexible loans or delayed tax payment programs) to their entirety of their economy. Nevertheless, some Member States (like the Czech Republic⁹, Spain, Lithuania, and Bulgaria) provided country-specific support programs to help their livestock sectors weather the pandemic. For example, the Spanish Ministry of Agriculture will allocate €10 million to reduce Iberico pork production and rebalance the market. Spanish Iberico production currently represents ten percent of total Spanish pork production and has been hit hard by reduced demand stemming from the COVID-19 crisis. The full list of state aid can be found online at:

https://ec.europa.eu/competition/elojade/isef/index.cfm?fuseaction=dsp_sa_by_date.

African Swine Fever (ASF) Situation Update

After its initial introduction in Poland and Lithuania in 2014, ASF continues its spread across Central European Member States. Hungary, Romania, and Slovakia have seen many new outbreaks, mostly in wild boar and backyard hogs. In Poland, the disease keeps spreading westward (now only 10.5 km away from the German border). Backyard farming plays a role in the spread of ASF. In Bulgaria, the ASF eradication plan includes new regulations about backyard farming which will limit the number of animals at these farms and restrict slaughter.

On September 10, 2020, Germany's Federal Minister of Food and Agriculture confirmed an ASF case in a wild boar found in Eastern Germany near the German-Polish border. For more information see GAIN

⁹ See GAIN report - [Czech Government Increased Agricultural Subsidies](#).

report - [African Swine Fever- An Unwelcome Arrival in Germany](#). It has been a year since Belgium last found an infected boar, in August 2019, and the country is hopeful that it can soon regain its ASF-free status. After the Czech Republic in Spring of 2019, Belgium could be only the second EU Member State to become ASF-free again after an ASF outbreak in its wild boar population. More information about the current ASF situation in the EU is available in the [latest map](#) and online at:

https://ec.europa.eu/food/animals/animal-diseases/control-measures/asf_en

Veterinary Medicine Legislation

The EU approved its new framework for veterinary medicine regulation ([Regulation \(EU\) 2019/6](#)) on December 11, 2018. The final implementation date will be January 28, 2022. [Drafts for implementing legislation](#) are being discussed as part of the approval procedure, but the installation of the new EC and European Parliament in 2019 have slowed the approval process, in addition to the COVID-19 crisis. Consequently, it remains unclear what impact this regulation could have on imports of animal products.

U.S.-EU Beef Deal Update

In the spring of 2019, the United States and the EU concluded an updated agreement modifying the Memorandum of Understanding (MOU) on High Quality Beef (HQB). Under the new regime, 18,500 MT Product Weight (PW) of hormone-free raised beef is reserved for the United States, increasing to 35,000 MT PW in year seven under the new agreement.

For January-March 2020, which was the first quarter of the HQB quota, ninety percent of the 4,624 MT quarterly allocation was imported. However, because the majority of U.S. beef imports are destined for the EU restaurant sector, which shut down because of the COVID-19 pandemic, U.S. beef exports into the HQB in the April-June quarter totaled only 1,873 MT, leaving an unused balance in the 2019-2020 quota of 3,223.6 MT (including carryover of 471.67 MT from the January-March quarter). July 1 marked the start of a new 2020-2021 quota year. Under the terms of the new agreement, the U.S. share remains at 4,625 MT for the remainder of this calendar year and then increases to 5,750 MT for each quarter in calendar year 2021.

For more information see GAIN Report - [New High Quality Beef TRQ Allocation Starting January 1 of 2020](#).

Brexit Update

The United Kingdom formally left the EU on January 31, 2020, and is in a transition period until December 31, during which it continues to fully comply with EU rules and legislation. During this transition period, it is negotiating an [agreement](#) with the remaining 27 EU Member States on its future relationship (particularly with regard to trade). Because the UK government notified the EU that it will not extend the transition period, it remains uncertain whether an agreement will be concluded by the end of the year, or if the United Kingdom will depart without a deal, meaning that its trade relationship with the EU would fall back to WTO mandates (with full border controls, including on the Irish island and on the border between Spain and Gibraltar).

EU Free Trade Agreements (FTAs)

The EU is negotiating and has implemented several FTAs with other countries and regions, which include concessions on animal products. Additional information is available on the website of the EC at:

<https://ec.europa.eu/trade/policy/countries-and-regions/negotiations-and-agreements/>

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:

Xavier Audran from FAS Paris covering France
Ornella Bettini from FAS Rome covering Italy
Mila Boshnakova from FAS Sofia covering Bulgaria
Monica Dobrescu from FAS Bucharest covering Romania
Dimosthenis Faniadis from FAS Rome covering Greece
Bob Flach from FAS The Hague covering the Netherlands and Nordic countries
Gellert Golya from FAS Budapest covering Hungary and Slovenia
Steve Knight from FAS London covering the United Kingdom and Ireland
Roswitha Krautgartner from FAS Vienna covering Austria
Jana Fisher from FAS Prague covering the Czech Republic and Slovak Republic
Andreja Misir from FAS Zagreb covering Croatia
Yvan Polet from FAS Brussels covering EU Policies, Belgium, and Luxembourg
Leif Rehder from FAS Berlin covering Germany
Piotr Rucinski from FAS Warsaw covering Poland, Estonia, Latvia, and Lithuania
Carmen Valverde from FAS Madrid covering Portugal and Spain

NOTE

Conversion Rates:

As a result of continuous efforts to improve data reliability, the “New Post” trade forecasts in this report reflect new conversion rates. Historical data revisions (from 2005 onward) were published in April 2020 in the PSD database (<http://www.fas.usda.gov/psdonline>).

Beef and Veal Conversion Factors		
Code	Description	Conversion Rate*
020110	Bovine carcasses and half carcasses, fresh or chilled	1.0
020120	Bovine cuts bone in, fresh or chilled	1.0
020130	Bovine cuts boneless, fresh or chilled	1.36
020210	Bovine carcasses and half carcasses, frozen	1.0
020220	Bovine cuts bone in, frozen	1.0
020230	Bovine cuts boneless, frozen	1.36
021020	Bovine meat salted, dried or smoked	1.74
160250	Bovine meat, offal nes, not livers, prepared/preserve	1.79
* Exception		
Argentina - Exports of HS 160250 are excluded.		

Pork Conversion Factors		Conversion factor (T to CWE)
HS Code	Description	
020311	Carcasses/half-carcasses, fr/ch	1.00
020312	Bone-In hams, shoulders and cuts thereof, fr/ch	1.00
020319	Other pork cuts, fr/ch	1.30
020321	Carcasses/half-carcasses, frozen	1.00
020322	Bone-In hams, shoulders and cuts thereof, frozen	1.00
020329	Other pork cuts, frozen	1.30
021011	Bone-In hams, shoulders and cuts thereof, processed	1.10
021012	Bellies (streaky) and cuts thereof, processed	1.20
021019	Other meat of swine, processed	1.16
160241	Hams and cuts thereof, prep/pres	1.30
160242	Shoulders and cuts thereof, prep/pres	1.30
160249	Other meat of swine including mixtures, prep/pres	1.30

Technical Note

The definition of Carcass Weight Equivalent/Product Weight Equivalent remains the same. All quantities (beef and pork) noted are in Carcass Weight Equivalent (CWE) unless otherwise noted as Product Weight Equivalent (PWE). CWE is the weight of an animal after slaughter and removal of internal organs, head, and skin. PWE is the actual weight of the meat product exported.

ABBREVIATIONS

EC: European Commission

EU: All twenty-eight Member States of the European Union.

MS: An EU Member State

Livestock Related reports from FAS Posts in Europe:

Country	Title	Date
Germany	African Swine Fever- An Unwelcome Arrival in Germany ^(a)	NA
Spain	Spanish Livestock and Poultry Sector Update ^(a)	NA
Poland	Polish ASF Cases Spike in Summer 2020	08/28/20
Netherlands	Coronavirus Continues to Challenge Dutch Mink Farms	08/03/20
Romania	African Swine Fever Update	07/14/20
EU	EFSA Scientific Opinion Evaluates EU Pig Animal Welfare Rules at Slaughter	07/14/20
Poland	Sixth 2020 ASF Outbreak in Northeastern Poland	07/07/20
Germany	COVID-19 Will Change German Livestock Industry	07/05/20
Poland	Fifth 2020 Commercial ASF Outbreak in Western Poland	06/26/20
Denmark	Government to Cull Mink on COVID-19 Infected Farm in North Jutland	06/18/20
Netherlands	Council Critical of Government Approach to Reduce Nitrogen Emissions	06/17/20
Netherlands	Government to Cull Mink on COVID-19 Infected Farms	06/08/20
Netherlands	COVID-19 Found on Additional Dutch Mink Farms	06/02/20
Spain	Spanish Meat Sector Update	05/29/20
Netherlands	Dutch Meat Producers Told to Implement Strict COVID-19 Control Measures	05/27/20
Netherlands	Dutch Slaughterhouse Closed After COVID-19 Detected	05/22/20
Germany	Slaughter companies under pressure after COVID-19 infections of workers	05/20/20
France	COVID-19 clusters identified in French slaughterhouse workers	05/19/20
Netherlands	COVID-19 Found on Dutch Mink Farms	05/18/20
EU	Dairy and Products Semi-annual	05/15/20
Netherlands	Dutch Veal Sector Faces Sharp Decline in Demand	04/22/20
Netherlands	COVID-19 and its Impact on Dutch Agriculture	04/17/20
Czech Rep.	Czech Government Increased Agricultural Subsidies	04/14/20
Poland	Preliminary Assessment of COVID 19 on Polish Food and Agriculture	04/13/20
Romania	Preliminary Assessment of COVID 19 on Romanian Food and Agriculture	04/09/20
Bulgaria	Preliminary Assessment of COVID 19 on Bulgarian Food and Agriculture	04/07/20
Germany	COVID19 Pummels German Food Service Sector	04/03/20
Romania	ASF Drives Romanian Swine Herd to New Low	03/23/20
EU	Livestock and Products Semi-annual	03/02/20
Poland	Poland 2019 Livestock and Products	01/13/20
Poland	Highly Pathogenic Avian Influenza Strikes Commercial Flocks in Poland	01/03/20
EU	New High-Quality Beef TRQ Allocation Starting January 1 of 2020	12/23/19
Bulgaria	African Swine Fever Update	12/12/19
Spain	An Update on the Spanish Program for Animal Health	11/20/19

(a) Not public yet on the publishing date of the EU Livestock & Products Annual 2020.

These GAIN Reports, and more, can be downloaded from the following FAS website:

<https://gain.fas.usda.gov/#/search>

-For additional livestock market-related information, please contact:

Bob Flach (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 (FAS Brussels U.S. Mission to the EU)

Phone: ++32 2 811 4095
E-mail: yvan.polet@fas.usda.gov

Attachments:

No Attachments