United States Department of Agriculture
Foreign Agricultural Service

GAIN
Global Agricultural Information Network

Required Report: Required - Public Distribution **Date:** September 09, 2021

Report Number: E42021-0066

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:

EU domestic beef production is under pressure from a shrinking dairy herd (with increased milk deliveries but a lower output of animals for slaughter). In combination with a reduction of imports from the United Kingdom and South America, the availability of lower quality beef is tight. While the beef cow herd has increased in Central Europe, the Balkans, and Baltics, this is most likely a temporary increase. Despite a series of negative market factors in 2020, the EU swine sector is projected to produce a record volume of pork in 2021. As a result of Europe's success in diversifying its export markets, falling pork exports to China are expected to be largely offset by increased exports to other markets.

Executive Summary

Note: Effective January 1, 2021, the separation of the United Kingdom (UK) from the European Union (EU) is complete, including trade between both entities. In this report if not indicated otherwise, the EU means the current EU27 (without the UK). However, Production, Supply, and Distribution Tables (PSD) tables still include numbers for EU27+UK in the columns titled: "USDA official." The column "New Post" in the PSD tables only include data for the EU27 (without UK). Therefore, please note that "USDA official" and "New Post" cannot be compared due to different data sets.

Cattle & Beef – The EU Beef Market Is Tight Due to Low Production and the Brexit.

The EU cattle herd is mainly contracting due to the shrinking dairy cow herd. The EU dairy sector is restructuring, resulting in an overall increase in farm efficiencies, most importantly in milk production per cow. With fewer cows, however, the EU dairy sector produces less beef. The reduced supply of lower quality beef resulted in a tight market exacerbated by reduced imports from the UK because of trade complexities brought on by Brexit. In contrast, demand for higher quality beef is still constrained as the European food service sector hasn't fully re-opened (closures stemmed from the coronavirus {COVID-19} pandemic). In Central Europe, the Balkans, and Baltics, the beef cow herd is expanding because of government financial support for the sector and lower financial risks compared to other livestock (specifically related to feed costs, animal diseases, and returns on investment). Further expansion of the EU beef cattle sector is highly dependent on the implementation of the EU's Common Agricultural Policy (CAP).

Swine & Pork – The Pork Sector Is Competitive but Dependent on Chinese Demand.

With the EU market leaders continuing to expand production (i.e., Spain, Denmark, and the Netherlands), and production recovering in Italy, France, Belgium and Poland, EU swine slaughter and pork production is forecast to further increase in 2021. While exports to China and the UK are falling, exports are increasing to other Asian markets (e.g., Philippines and Vietnam) which are anticipated to mostly offset reduced exports to China. However, in 2022, EU pork production is forecast to decline based on lower carcass prices and the threat of additional African Swine Fever (ASF) outbreaks in Central Europe. Thus far, EU exports have been able to outcompete other net producers based on producer flexibility and control over the production chain. However, the current market situation is fragile given the EU's dependency on the Chinese market. To reduce its dependency on the Chinese market, the EU swine sector is aiming to control production expansion and to continue to diversify its export markets.

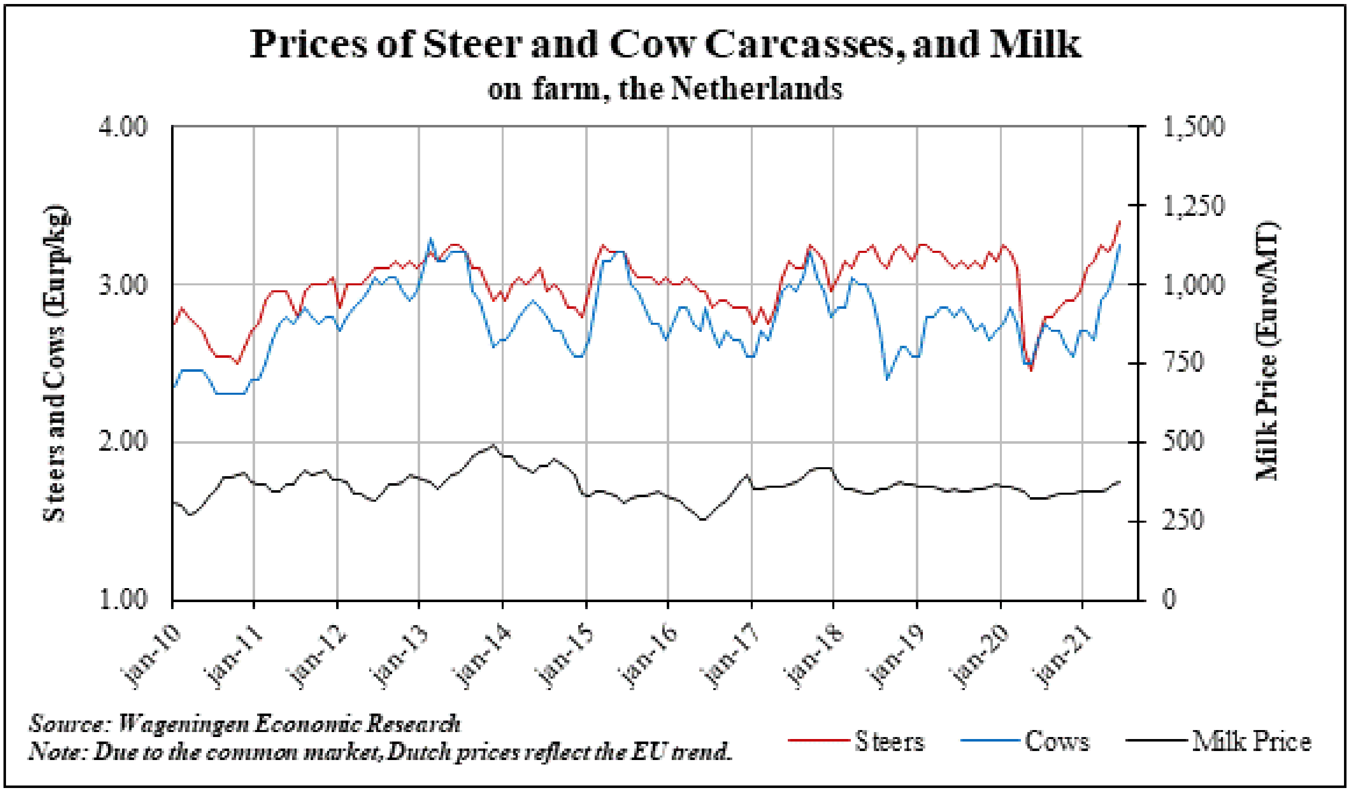
Cattle

Animal Numbers, Cattle	2020		2021		2022	
Market Year Begins	Jan 2020		Jan 2021		Jan 2022	
European Union	USDA Official EU28	New Post EU27	USDA Official EU28	New Post EU27	USDA Official EU28	New Post EU27
Total Cattle Beg. Stks	86,620	77,161	85,827	76,462	0	75,725
Dairy Cows Beg. Stks	22,633	20,766	22,421	20,562	0	20,440
Beef Cows Beg.	12,218	10,748	12,287	10,838	0	10,825
Production (Calf Crop)	28,050	24,970	28,100	24,850	0	24,740
Total Imports	0	42	0	35	0	35
Total Supply	114,670	102,173	113,927	101,347	0	100,500
Total Exports	969	1,123	950	1,050	0	1,050
Cow Slaughter	11,645	10,164	11,600	10,250	0	10,200
Calf Slaughter	6,000	5,942	6,050	5,900	0	5,915
Other Slaughter	8,398	7,239	8,350	7,150	0	7,085
Total Slaughter	26,043	23,345	26,000	23,300	0	23,200
Loss and Residual	1,831	1,243	1,747	1,272	0	1,250
Ending Inventories	85,827	76,462	85,230	75,725	0	75,000
Total Distribution	114,670	102,173	113,927	101,347	0	100,500
(1,000 HEAD)						

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

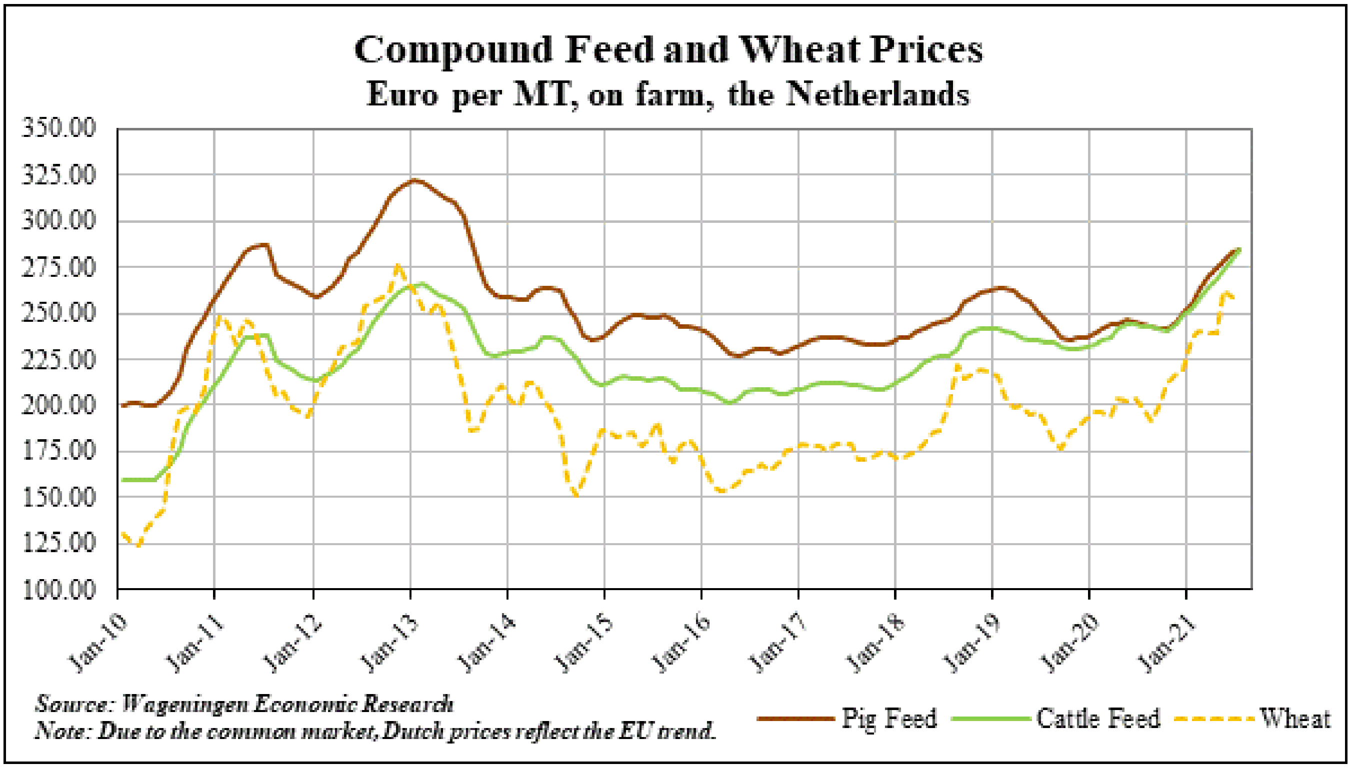
The EU Beef Cow Herd Expands in Central Europe, the Balkans, and Baltics.
The EU cattle herd has been on the decline since 2017, with the dairy herd contracting more significantly than the beef herd. While the number of EU beef cows increased in 2020, which could represent the beginning of a change to shrinking year-on-year inventories, it is more than likely that the 2020 increase was simply an outlier. In most of the Central European countries (i.e., Poland, Hungary, the Czech Republic, and Romania), the Balkan countries (i.e., Bulgaria, Croatia, and Greece), and the Baltic countries (i.e., Latvia, Lithuania, and Estonia) an expansion of the beef cow herd is reported.

The expansion of the beef cow herd in these countries is supported by several factors: (1) financial support for the beef sector, (2) lower financial risks related to holding beef cattle compared to dairy cattle, swine, and poultry (specifically related to feed costs, animal diseases, and returns on investment), and (3) opportunities for exporting beef cattle and beef. Additionally, the COVID-19 crisis led to people increasingly leaving the cities in some of these regions for rural areas (where they have country houses), and where they elected to hold livestock. In Bulgaria, for instance, the reported number of small holdings increased, which is also anticipated to increase backyard cattle slaughter this and next year. Additionally, the price increase of cattle for slaughter (see graph below) may have further supported raising beef cattle -- as demand for lower quality beef is currently quite high. For more information about this price rally, see the Beef section of this report.



Live Animal Exports, One of the Main Drivers for Holding Beef Cattle, are Under Scrutiny.
In contrast, the leading producers' beef cow herd, mostly located in the Western Europe (i.e., Ireland, France, Germany, Belgium, and Spain) is contracting due to structural unprofitability further exacerbated by high feed prices over the past four years (see graph below). An exception is Portugal (Azores) where inefficient dairy ranchers have shifted to beef production. Further expansion of the EU beef cow herd will largely depend on the national implementation of the EU CAP (see Policy section of this report), and export opportunities for live cattle.

Exports of live cattle for slaughter has been one of the main drivers for holding beef cows in the EU, and an increasing share of the EU cattle herd has been exported to Northern Africa and the Middle East each year. In 2021, however, EU cattle exports were significantly affected by Brexit. After Brexit, exports of live cattle to the UK plummeted, resulting in an overall reduction of EU cattle exports in the first half of 2021. EU cattle exports to markets other than the UK are forecast to remain steady in 2021 and 2022, with increasing exports mainly to Israel. While the EU has a wide range of export destinations, the options are declining as animal protection associations continue to issue accusations of violations of animal welfare rights due to the difficulty in transporting these animals. On July 5, 2021, the European Parliament's Committee of Inquiry on the Protection of Animals during Transport (ANIT), published a report about livestock transport in the EU and to third countries (for more information, see the Policy section).



The EU Dairy Sector Produces More Milk but Less Beef.

The contraction of the dairy cow herd has predominantly been seen in Germany, France, Italy, the Netherlands, and Poland. This reduction in the herd, however, has not led to reduced milk production. In fact, milk production has largely remained unchanged, or, in some cases, even increased because of restructuring of the sector which has led to improved efficiency. Since 2010, EU milk deliveries continuously rose, by an average of roughly 1.4 percent per year. Ireland is the only EU Member State for which the dairy herd is forecast to significantly increase. For more information, see the FAS EU Dairy and Products Semi-Annual of 2021.

While milk deliveries are not affected by the shrinking dairy herd, the supply of calves, heifers, and dairy cows for slaughter has been. About two-thirds of the EU's beef and veal production is sourced from the dairy sector. With the reduced supply of young cattle and dairy cows, EU slaughter has been declining since 2018. In 2021, the reduction is forecast to be limited due to the backlog of slaughter in 2020, caused by the COVID-19 crisis. After a build-up of animals, slaughter increased by 0.12 percent in the first half year of 2021, but is forecast to level off and fall back just below the annual level reported by Eurostat in 2020. Under similar market conditions, the cattle herd is forecast to contract further in 2022, most significantly in France and Germany.

Beef

Meat, Beef and Veal	2020		2021		2022	
Market Year Begins	Jan 2020		Jan 2021		Jan 2022	
European Union	USDA Official EU28	New Post EU27	USDA Official EU28	New Post EU27	USDA Official EU28	New Post EU27
Slaughter	26,043	23,345	26,000	23,300	0	23,200
Beginning Stocks	0	0	0	0	0	0
Production	7,803	6,882	7,750	6,840	0	6,830
Total Imports	285	351	320	320	0	340
Total Supply	8,088	7,233	8,070	7,160	0	7,170
Total Exports	350	713	360	690	0	700
Human Dom. Cons.	7,738	6,520	7,710	6,470	0	6,470
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	7,738	6,520	7,710	6,470	0	6,470
Ending Stocks	0	0	0	0	0	0
Total Distribution	8,088	7,233	8,070	7,160	0	7,170
(1,000 HEAD), (1,000 MT CWE)						

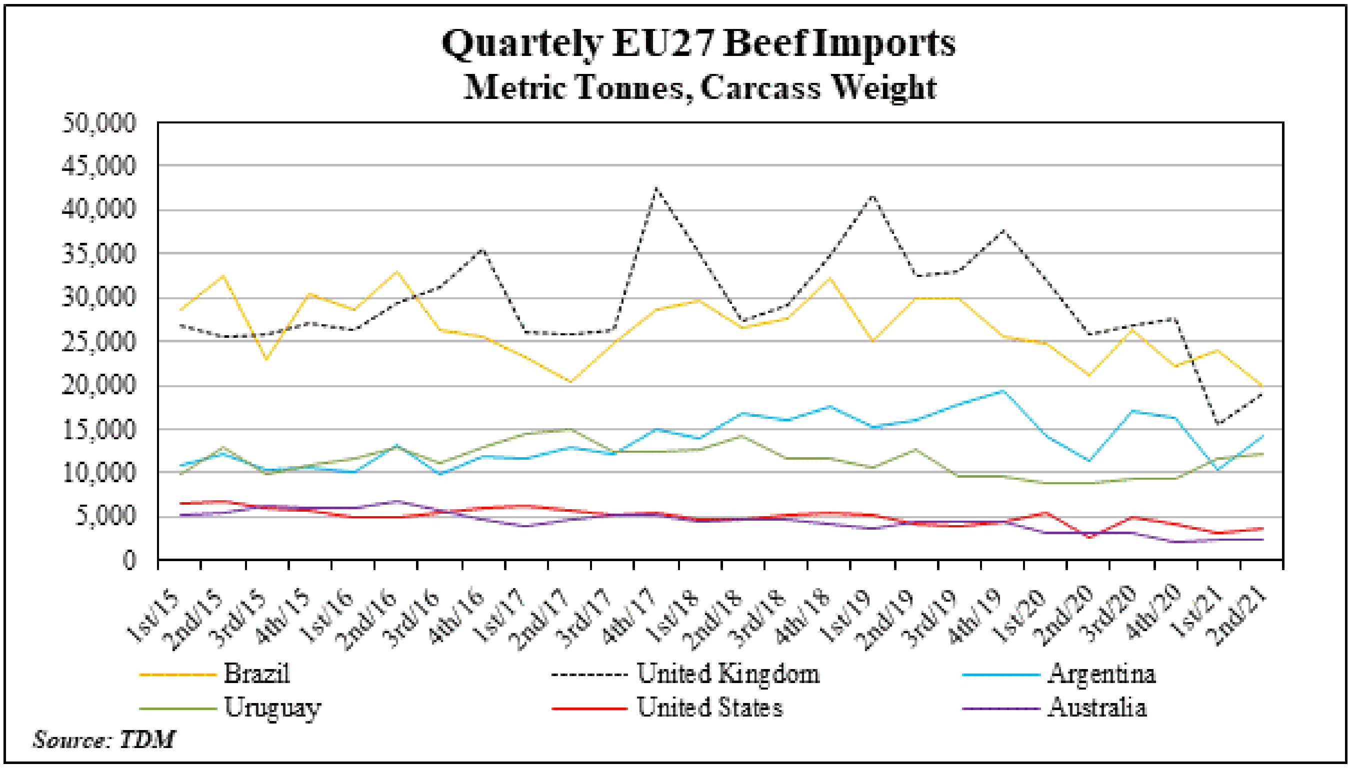
Not official USDA data. Source: Eurostat and FAS Offices. Includes backyard slaughter.

EU Beef Production is Forecast to Decline in 2021.
In calendar year 2020, the average carcass weight at slaughter increased significantly due to a higher share of older animals being slaughtered as a result of a backlog of slaughter (for more information see the Semi-annual). However, the slaughter weight is forecast to decline and return to a more traditional share of young and adult animals slaughtered. High feed costs are another factor that is likely to result in lower carcass weights. High feed costs will pressure weights in countries which depend on imported feed, such as Spain. In countries where a large share of the feed is produced on farm (hay, silage), such as France, weights are less dependent on international feed prices. Ultimately, the lower weights, in tandem with reduced slaughter levels, will result in a reduction of beef produced this year. During the first half of 2021, Eurostat statistics for official slaughter report a 0.53 percent reduction in beef production (when compared to the same period in 2020), with a 0.65 percent lower average carcass weight.

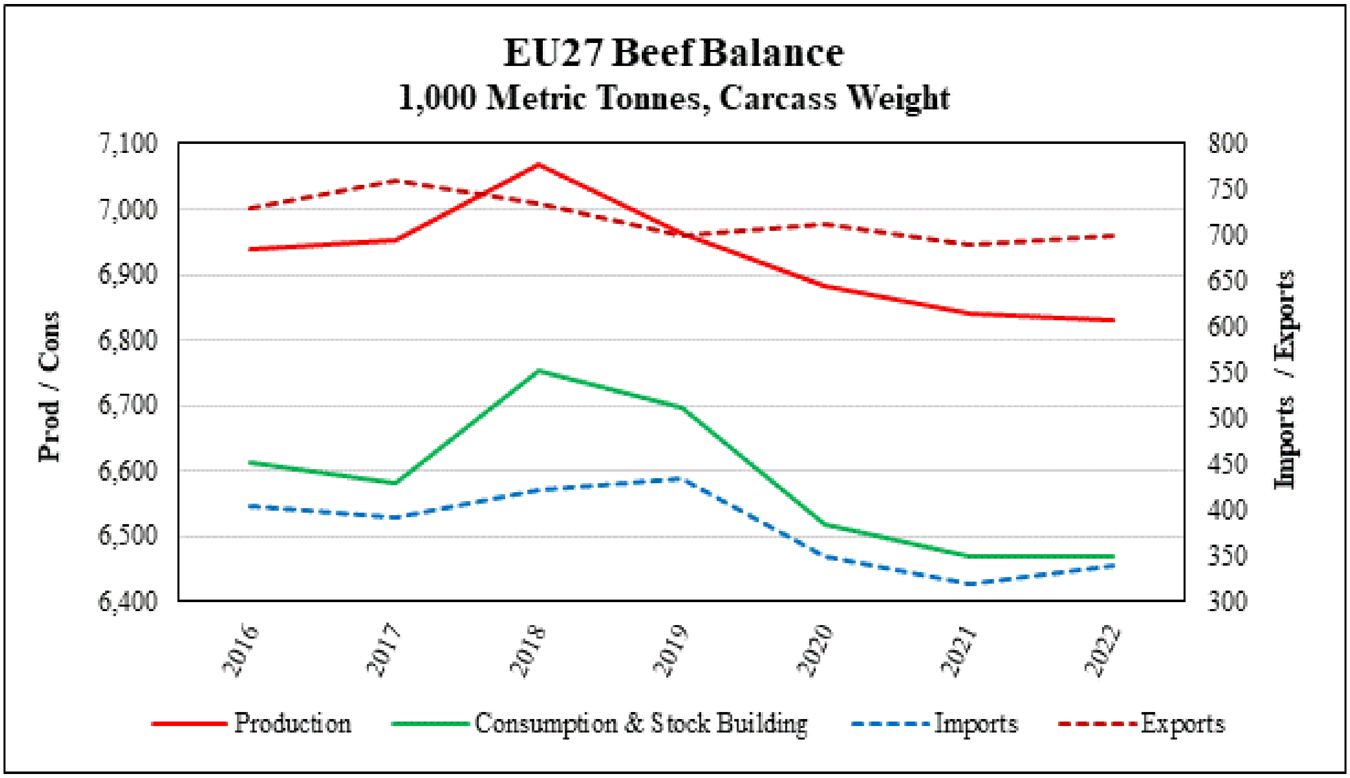
Market Demand for Lower Quality Beef is Strong.
The decline in beef production in tandem with a decline in EU beef imports, caused carcass prices to rise to record levels (see graph above). The high prices indicate that EU beef imports did not decline in response to reduced demand for beef but due to a lower beef supply available for imports. Imports from the UK saw the largest decline, likely caused by the Brexit (see graph below) as UK exporters were reportedly unprepared to comply with the EU import requirements (see Policy section). However, imports also fell from South America, as the region increased its exports to China. While the demand for lower quality beef was not affected by the COVID-19 crisis, the closure of much of the EU's food service sector for an extended period of time led to lower import volumes of high quality beef, particularly under the High Quality Beef (HQB) quota[1] and Hilton quota.

[1] GAIN: COVID-19 Costs US Beef Exporters USD 100 Million of Lost High Quality Beef Sales to the EU in Quota Year 2020-21

Brexit has also had an impact on EU beef exports. During the first half of 2021, EU beef exports to the UK fell by roughly 40,000 MT CWE, while exports to other destinations, mainly Norway and Hong Kong, increased by nearly 10,000 MT CWE. During the second half of this year, exports to the UK are forecast to recover slightly, with total EU exports expected to reach 690,000 MT CWE.



Market Demand Will Remain Strong in 2022 Due to Reduced Domestic Beef Supplies.
The average slaughter weight is forecast to increase slightly in 2022, based on the long-term trend of growth (about 2 kg per year since 2000), and the expectation that feed costs will begin to ease (see for more information the EU Grain Situation Update of July 15, 2021). However, this increase in slaughter weight will be insufficient to offset the reduced rate of slaughter that is expected. With production declining, and third-country supplies limited, EU demand for lower quality beef is expected to remain strong in 2022. However, imports of high-quality beef are forecast to recover in 2022, assuming a gradual tamping out of COVID-19 and the continued re-opening of the EU-wide food service sector.



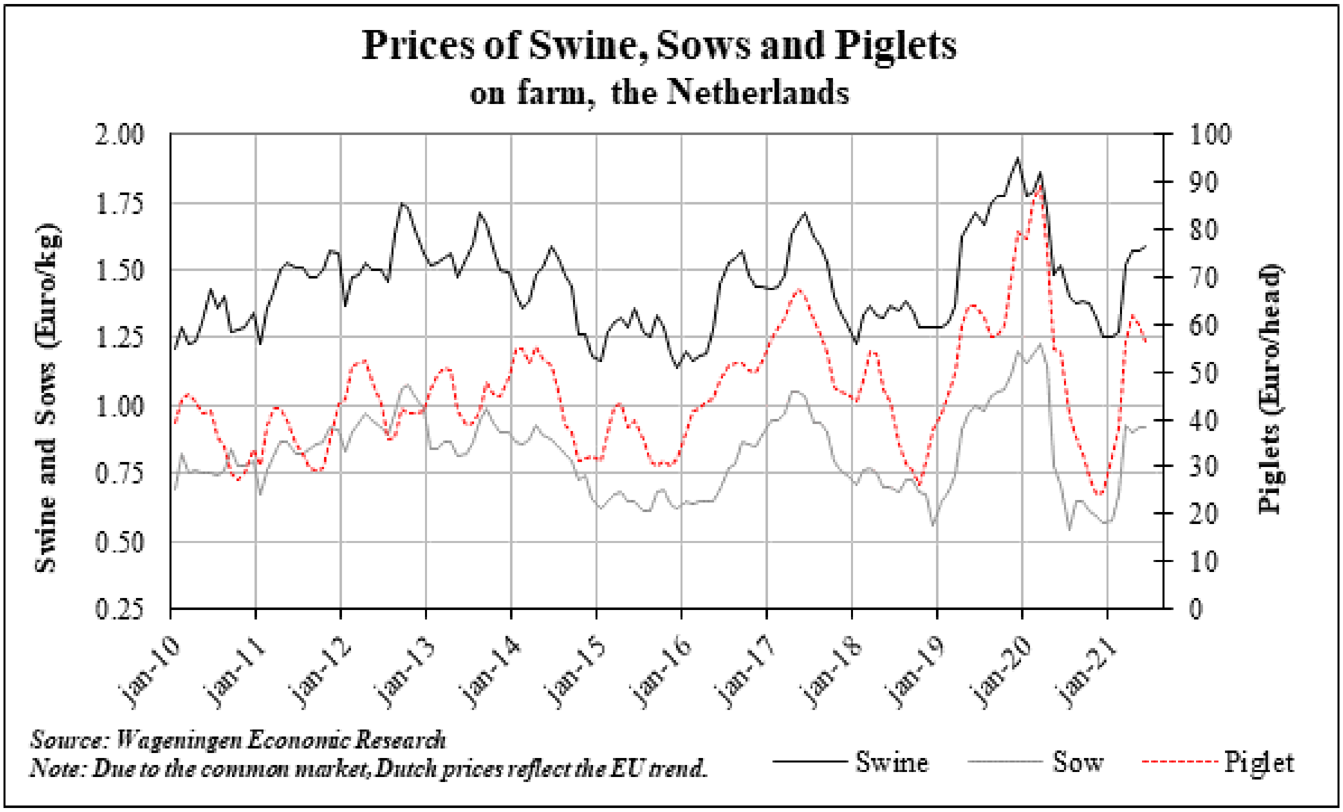
Swine

Animal Numbers, Swine	2020		2021		2022	
Market Year Begins	Jan 2020		Jan 2021		Jan 2022	
European Union	USDA Official EU28	New Post EU27	USDA Official EU28	New Post EU27	USDA Official EU28	New Post EU27
Total Beginning Stocks	147,887	143,146	150,987	146,228	0	145,400
Sow Beginning Stocks	11,818	11,328	11,822	11,328	0	11,150
Production (Pig Crop)	268,900	256,500	271,000	257,000	0	256,000
Total Imports	3	16	2	5	0	5
Total Supply	416,790	399,662	421,989	403,233	0	401,405
Total Exports	360	492	350	600	0	610
Sow Slaughter	3,853	3,638	3,830	3,650	0	3,620
Other Slaughter	255,563	243,676	261,170	247,850	0	247,380
Total Slaughter	259,416	247,314	265,000	251,500	0	251,000
Loss and Residual	6,027	5,628	5,859	5,733	0	5,595
Ending Inventories	150,987	146,228	150,780	145,400	0	144,200
Total Distribution	416,790	399,662	421,989	403,233	0	401,405
(1,000 HEAD)						

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

Carcass Prices Fell in 2020 from a Record High to a Record Low.

The EU swine sector experienced a series of challenges in 2020. However, the sector was able to overcome most of the difficulties and produced a record high piglet crop and record high pork production. While the Belgian and German sectors were hit by African Swine Fever (ASF) outbreaks,[2] the Spanish, Dutch, and Danish sectors benefitted from the Chinese export ban on Belgian and German pork and boosted their exports (as Chinese demand surged during the second half of the year). Furthermore, domestic consumption was not significantly affected by the COVID-19 outbreak as the closure of the food service sector was partly offset by increased retail sales. Nevertheless, production and trade disrupting factors slashed piglet and carcass prices (see graph below) -- roughly forty percent from December 2019 to December 2020 in the Netherlands. A similar price reduction was reported in other leading EU pork producing countries such as Germany and Poland. However, a less significant reduction was seen in Spain, France, and Denmark (prices in these three countries fell roughly 25 percent).



Exports are Driving Pork Production in Western Europe, Restructuring in Central Europe.

Partly due to a backlog in slaughter in Northwestern Europe, the EU swine herd increased significantly, while sow stocks remained virtually unchanged in 2020. Total stocks increased most significantly in Spain, Denmark, Poland, France, Hungary, and Bulgaria. The expansion in Spain, Denmark, and, to a lesser extent, France was mainly driven by pork exports to China. The expansion in Poland was a result of the opening of large-scale operations with a high biosecurity standard in response to the persistent ASF outbreaks in the country. The situation is somewhat similar in Hungary and Bulgaria, where the

---

[2] GAIN: African Swine Fever- An Unwelcome Arrival in Germany

herd expanded due to EU co-financed support programs for farm modernization. This increase is expected to be a one-time occurrence as the number of sows in Poland and Hungary are forecast to, once again, fall this year. While most countries in Central Europe (such as Poland, Hungary, the Czech and Slovak Republics) are traditional pork-eating countries with a surplus of feed, their sectors have, to date, been unsuccessful in increasing domestic pork production and reaching self-sufficiency due to pressure from ASF in the region.

Increased Slaughter is Forecast in the Leading Pork Producing Countries, Except Germany.
Strong sow inventories coupled with the expectation of further improvements in fertility rates are forecast to result in a new record piglet crop for the EU in 2021. The pig crop is forecast to increase most significantly in Spain, France, Denmark, and Poland. Piglet production is also forecast to increase in Italy -- anticipating a recovery in demand for dry, cured meat products. However, major reductions are projected in the Netherlands and Romania. An inventory reduction has taken place in the Netherlands as the Dutch government has implemented a buy-out program to help curb agricultural nitrogen emissions.[3] In Romania, sow stocks are forecast to decline as farmers are being cautious in the face of ASF.[4] Bulgaria, however, reportedly made progress in its recovery from ASF.[5] Despite numerous calls from Europe's swine industry, the EU policy draft prohibiting swine breeding in backyard farms is still pending.

An upsurge in the number of piglets to be slaughtered in the second half of the year is expected, predominantly in Poland, Spain, France, Denmark, Belgium, and the Netherlands. Elevated slaughter in the Netherlands and Belgium is mainly a result of the reduction of exports of slaughter hogs to Germany (because of ASF and its impact on German pork exports). During the first half of this year, EU official slaughter rose by 3.45 percent.

Profit Margins are Expected to Cut Piglet Production and Slaughter in 2022.
In the early summer of 2021, improving market conditions were negatively impacted by reduced Chinese demand for pork and elevated feed prices. In both 2021 and 2022, Chinese pork imports are forecast to remain below the level reached in 2020 (for more information see the Livestock and Products Annual of FAS Beijing, published August 26, 2021). The erosion in profit margins for fattening has also pressed piglet prices and is expected to negatively affect production of piglets. Under the current market conditions, sow stocks are expected to fall to a record low of 11.15 million head in 2022.

Major cuts to sow inventories are anticipated in Germany, Poland, France, and the Netherlands. The German swine sector was already under pressure before 2020, but with the ASF outbreaks in the wild boar population, the situation has worsened. Even in Spain, which has shown steady growth in slaughter since 2013, a leveling-off of slaughter is anticipated. The Spanish sector aims at controlled expansion with investments to improve sustainability. Exceptions are France, Italy, Portugal, the Czech Republic, and Hungary, which are still recovering from significant cuts made in 2020. A decline in Polish slaughter is also forecast after an increase in 2021.

[3] GAIN: Dutch Parliament Approves Law to Reduce Nitrogen Emissions
[4] GAIN: ASF Continues to Plague Romania's Hog Sector
[5] GAIN: Bulgaria Makes Progress Recovering from ASF

Pork

Meat, Swine	2020		2021		2022	
Market Year Begins	Jan 2020		Jan 2021		Jan 2022	
European Union	USDA Official EU28	New Post EU27	USDA Official EU28	New Post EU27	USDA Official EU28	New Post EU27
Slaughter	259,416	247,314	265,000	251,500	0	251,000
Beginning Stocks	0	0	0	0	0	0
Production	24,267	23,219	24,800	23,680	0	23,660
Total Imports	17	159	15	100	0	100
Total Supply	24,284	23,378	24,815	23,780	0	23,760
Total Exports	4,533	5,167	4,450	5,100	0	5,150
Human Dom. Cons.	19,751	18,211	20,365	18,680	0	18,610
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	19,751	18,211	20,365	18,680	0	18,610
Ending Stocks	0	0	0	0	0	0
Total Distribution	24,284	23,378	24,815	23,780	0	23,760
(1,000 HEAD), (1,000 MT CWE)						

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

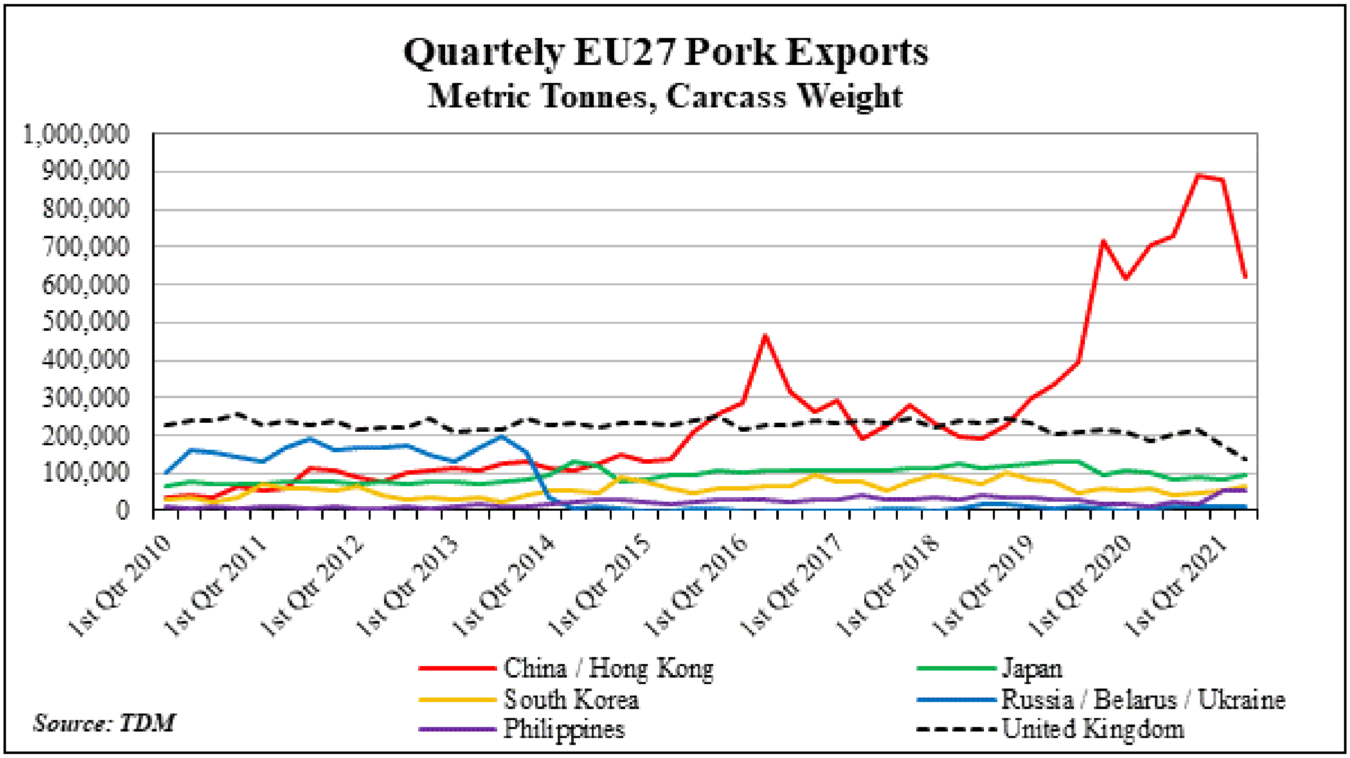
EU Pork Production Will Reach a New Record in 2021.
Slaughter weights are a key element in forecasting pork production, and the EU average has increased steadily since 2012. Over the past twenty years, slaughter weights increased 0.4 percent per year, equivalent to approximately 0.36 kg. One of the reasons is that higher weights are reducing the slaughter costs per kilogram of pork. Due to the distortion and delay in slaughter, weights increased by more than one percent, equivalent to nearly one kg, in 2020 (for more information see the Semi-annual). During the first half of 2021, pork production rose by 4.1 percent (official slaughter statistics of Eurostat). Carcass weights increased by 0.64 percent (predominantly due to Italy returning to a standard weight of about 130 kg at slaughter). However, elevated feed prices and falling carcass prices are forecast to pressure weights for the remainder of the year. Despite this, over the course of the entire calendar year, the slaughter weight is anticipated to increase by an average of 0.30 percent, resulting in a record EU pork production in 2021 of 23.68 MMT.

Record Production Will Be Challenged by Decreased Chinese Demand.
During the first half of 2021, EU pork exports rose fourteen percent -- with increased exports to China (+173,000 MT CWE), the Philippines (+82,000), Vietnam (+35,000), and Chile (+28,000). EU pork exports to the Philippines reportedly benefitted from lower import duties.[6] Due to Brexit disruptions, exports to the UK fell 22 percent (-86,000). However, EU exports are forecast to drop significantly during the second half of 2021.

FAS/Beijing forecasts Chinese pork imports to decline by 528,000 MT CWE in 2021 when compared to 2020 (for more information see the Livestock and Products Annual of FAS Beijing). Roughly sixty percent of Chinese pork imports are of EU origin, which could imply a reduction of more than 300,000 MT CWE of pork exports from the EU. A further expansion of exports to non-Chinese destinations,

[6] USDA - World Markets and Trade - Philippines Pork Imports Expected to Reach Record Levels

mainly the Philippines and Vietnam, and a recovery of exports to the UK is expected to largely offset the reduction of exports to China. During the first half of 2021, EU pork exports rose to all the EU's top-15 destinations, except the UK and Japan. In addition to China, the Philippines, and Vietnam, exports rose most significantly to Chile, the United States, Canada, Australia, and New Zealand.

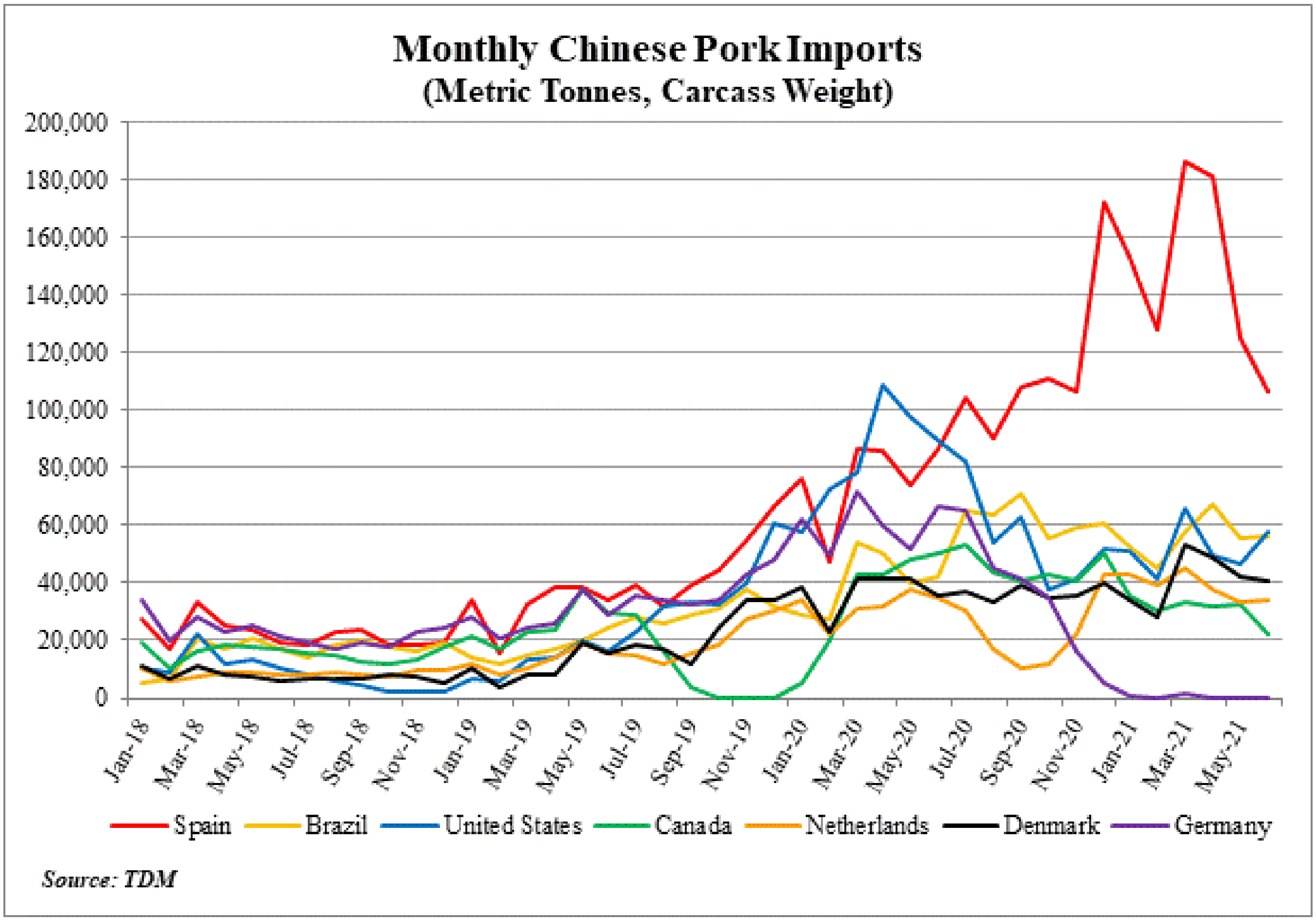


EU Pork Consumption Is Still Declining.

From 2016 to 2020, EU pork consumption averaged 19,000 MT CWE (see graph further below). With the long-term trend of declining EU pork consumption, further exacerbated by the COVID-19 crisis, current consumption is estimated at roughly 18,700 MT CWE, leaving only a small amount of pork for stock-building. While still declining, pork consumption is returning to pre-COVID-19 levels, led by recovering food service sales, particularly in Southern Europe (e.g., Spain, Portugal, Italy, Croatia, and Greece). In Central Europe, where pork is the preferred meat, pork sales are supported by a low-price point. In Northern Europe, however, consumption is still falling due to the cancellation of public events and fewer BBQs because of physical distancing measures.

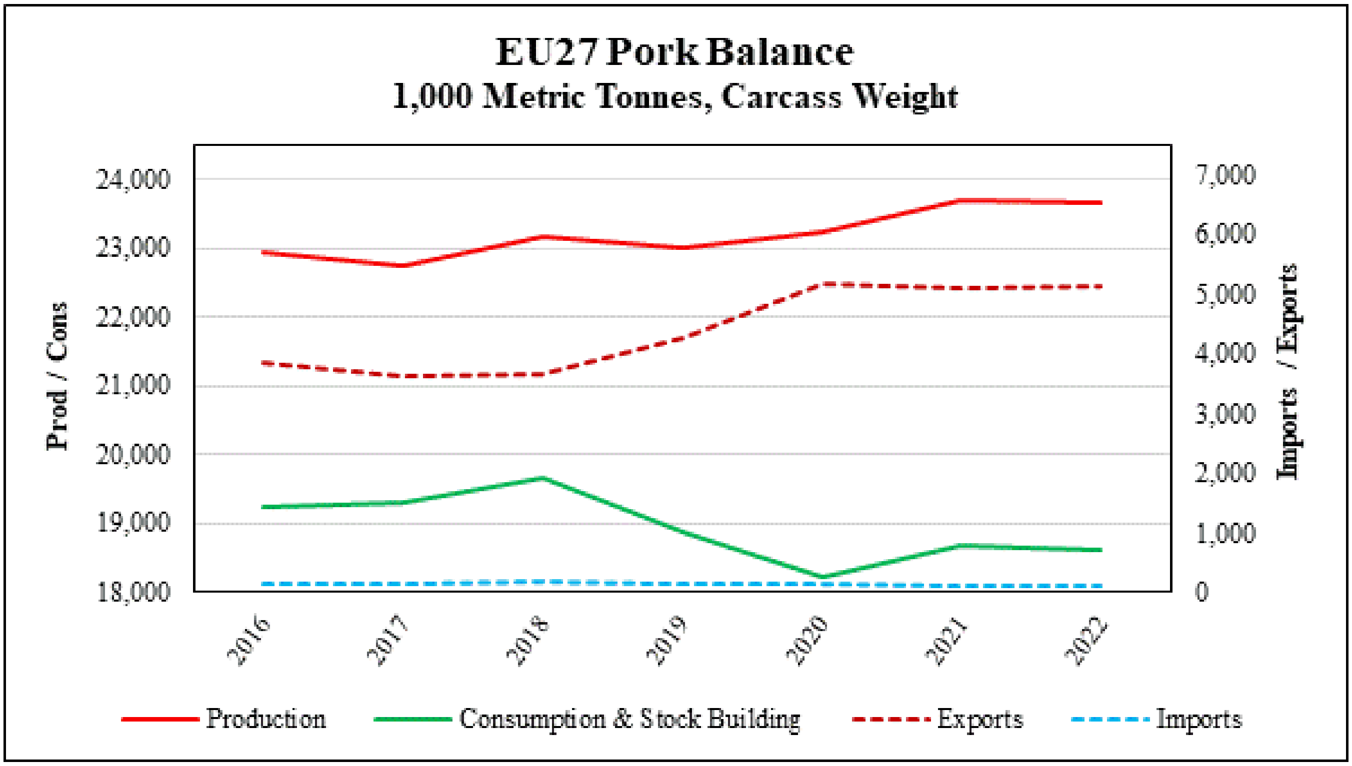
The EU Will Produce Sufficient Volumes in 2022 to Maintain Exports.

In 2022, the average carcass is forecast to increase slightly as feed prices are expected to ease (see for more information the EU Grain Situation Update of July 15, 2021). As a result, EU pork production is projected to reach nearly the same volume as this year, 23.66 MMT CWE. At this level, and with stagnating consumption in the EU, the EU will have approximately 5.15 MMT CWE of pork available for export.



The EU Swine Sector Aims at Diversification of Export Markets.

Since 2013, the EU has been the biggest pork exporter in the world, but it is facing increased competition from Brazil and the United States. Until recently, the EU swine sector, in particular the Spanish sector (see graph above), has been able to out-compete other suppliers based on its reliability and flexibility in meeting market requests. To reduce the dependency on the Chinese market, the EU swine sector is looking at alternative markets. A diversification of exports is already reflected in the export data of 2021, with increased shipments to nearly all the EU's top-15 markets. This also fits into the strategy of the EU sector -- controlled expansion, increased focus on environmental and economical sustainability, and diversification of export markets. An alternative market for the total volume of pork shipped to shipped to China, however, is currently not available, which creates a challenge for EU pork exporters.



Policy

Common Agricultural Policy (CAP)

The CAP proposal
On June 1, 2018, the European Commission (EC) published its new CAP proposal for the 2021 – 2027 period. Given the level of ambition in the strategies, the EC has agreed upon a two-year transition period, up to January 2023, to implement the CAP. The European Council agreed on the CAP deal on June 28, 2021. Trialogue negotiations between the EC, European Parliament (EP), and Council on the programs for the new CAP are expected to be finalized in October or November 2021. EU Member States are requested to submit so-called Strategic Plans by the end of 2021, incorporating Member State specific goals and initiatives.

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 or the European Parliament (EP), as of yet – both of which will need to approve them through joint compromises. Both legislative bodies have already requested that impact assessments be made available before legislative initiatives are proposed. Because the EU livestock sector is specifically identified as critical for the EU to reach its Green House Gas (GHG) emission reduction targets, as a part of the new strategies the EC commissioned an external Study on the Future of EU Livestock that was published in October 2020.

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.

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), and 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 new MFF proposal received final approval on December 17, 2020, and includes €356.4 billion for the new CAP and Fisheries policy, of which €270 billion for direct payments and market measures (together Pillar I) and €85.4 billion for rural development (Pillar II) for the 2021-2017 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.

Veterinary Medicine Legislation
The implementation date of the new framework for veterinary medicine regulation (Regulation (EU) 2019/6) will be January 28, 2022. Drafts for the implementing legislation, including the list of antibiotics that will be exclusively preserved for human medicine and the modalities of use for permissible products, are going through the approval procedure. On July 13, 2021, the EP Committee on the Environment, Public Health and Food Safety adopted a motion against the draft delegated act which is setting the criteria for the list of restricted products. If the EP plenary in September 2021 also rejects this draft delegated act, it will stop the implementation process. Consequently, it remains unclear what impact this regulation could have on EU imports of animal products.

New EU Animal Welfare Legislative Roadmap
On June 28, 2021, the EP's Committee of Inquiry on the Protection of Animals during Transport (ANIT), published a report about livestock transport in the EU and to third countries. The report describes patterns in the European transport of animals and possible avenues for improved animal welfare. On July 6, 2021, the EC's Directorate General for Health and Food Safety (DGSante) published its Inception Impact Assessment Report considering the upcoming revision of EU animal welfare legislation as part of the Farm to Fork Strategy. The aim is to have a draft animal welfare regulation approved by the end of 2023. The proposal will likely expand existing regulations for animal welfare during transport, at the farm level and at slaughter.

African Swine Fever (ASF) Situation Update

After its initial introduction in Poland and Lithuania in 2014, ASF continued its spread across Central European Member States. Hungary, Romania, and Slovakia have seen outbreaks mostly in wild boar and backyard hogs. Backyard farming plays a role in the spread of ASF. On September 10, 2020, Germany's Federal Minister of Food and Agriculture confirmed an outbreak of ASF in wild boar found in Eastern Germany near the German-Polish border. For more information see GAIN report - African Swine Fever- An Unwelcome Arrival in Germany. 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

Updated U.S.-EU Beef Deal

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.

In quota year 2020-21, 11,783 MT of U.S. beef was imported into the EU, almost 9,000 MT short of the 20,750 MT available under the new agreement. The COVID-19 pandemic is the main reason for this result because most U.S. beef imports are destined for the EU restaurant sector, which was largely shut down since the beginning of the pandemic. For more information see FAS GAIN Report - COVID-19 Costs US Beef Exporters USD 100 Million of Lost High Quality Beef Sales to the EU.

Brexit Update

The UK formally left the EU on January 31, 2020, and entered an 11-month transition period until December 31, 2020. During this time it continued to fully comply with EU rules and legislation and the two parties negotiated a Trade and Cooperation Agreement (TCA) on their future relationship. This was only concluded on December 24, 2020, but avoided a no deal outcome (hard Brexit). The UK Parliament ratified the TCA in a special assembly on December 30, 2020, allowing the provisional implementation of the agreement on January 1, 2021.

From January 1, 2021 the provisions of the TCA immediately led to some border disruption, delays, and stuck shipments, especially on the UK side as EU ports and customs immediately enforced the new customs documents requirements according to EU guidelines, while the UK implemented a phased grace period through July 1, 2021. Some of these problems reflect the speed with which traders had to familiarize themselves with the new arrangements, while others are more structural in nature and will mean long term change, such as the amount of paperwork required for groupage shipping or the availability of export health certification for certain products.

With regards to the impact of Brexit on EU Tariff Rate Quotas (TRQ), the EC published a specific guide, as well as for import licenses. The EU provides specific guidance about the Brexit and the EU Customs Rules, including preferential origin aspects. For more information see also the FAS UK Food and Agricultural Import Regulations and Standards (FAIRS) Export Certificate Report of January 11, 2021.

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 27 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 Fischer 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
Sabine Lieberz from FAS Berlin covering Germany
Anna Galica from FAS Warsaw covering Poland, Estonia, Latvia, and Lithuania
Carmen Valverde from FAS Madrid covering Portugal and Spain

NOTE

Historic EU27 figures:

Cattle (Head) – EU27					
	2016	**2017**	**2018**	**2019**	**2020**
Beginning Stocks	79,303	79,698	79,010	77,840	77,161
Dairy Cows Beg. Stocks	21,652	21,634	21,409	21,029	20,766
Beef Cows Beg. Stocks	10,794	10,806	10,767	10,719	10,748
Production	26,907	25,652	25,461	25,365	24,970
Imports	25	43	71	99	42
Total Supply	106,235	105,393	104,542	103,304	102,173
Exports	1,040	1,086	1,060	1,070	1,123
Cow Slaughter	10,476	10,408	10,695	10,301	10,164

Calf Slaughter	6,327	6,207	6,270	6,224	5,942
Total Slaughter	24,186	24,087	24,336	23,820	23,345
Loss and Residual	1,312	1,210	1,305	1,253	1,243
Ending Stocks	79,698	79,010	77,840	77,161	76,462
Total Distribution	106,235	105,393	104,542	103,304	102,173

Beef (MT) – EU27					
	2016	**2017**	**2018**	**2019**	**2020**
Beginning Stocks	0	0	0	0	0
Production	6,939	6,951	7,067	6,964	6,882
Imports	404	392	422	435	351
Total Supply	7,343	7,343	7,489	7,399	7,233
Exports	730	761	736	701	713
Domestic Consumption	6,613	6,582	6,753	6,698	6,520
Ending Stocks	0	0	0	0	0
Total Distribution	7,343	7,343	7,489	7,399	7,233

Swine (Head) – EU27					
	2016	**2017**	**2018**	**2019**	**2020**
Beginning Stocks	144,294	142,650	145,544	143,519	143,146
Sow Beginning Stocks	11,805	11,532	11,674	11,294	11,328
Production	255,200	256,400	256,050	253,325	256,500
Imports	19	65	17	13	16
Total Supply	399,513	399,115	401,611	396,857	399,662
Exports	772	829	1,011	828	492
Sow Slaughter	3,923	3,461	4,219	3,591	3,638
Total Slaughter	250,649	247,610	250,922	247,512	247,313
Loss and Residual	5,442	5,133	6,159	5,370	5,628
Ending Stocks	142,650	145,544	143,519	143,146	146,228
Total Distribution	399,513	399,115	401,611	396,857	399,662

Pork (MT) – EU27					
	2016	**2017**	**2018**	**2019**	**2020**
Beginning Stocks	0	0	0	0	0
Production	22,947	22,758	23,156	22,996	23,219
Imports	156	156	169	164	159
Total Supply	23,103	22,914	23,325	23,160	23,378
Exports	3,847	3,617	3,671	4,266	5,167
Domestic Consumption	19,256	19,297	19,654	18,894	18,211
Ending Stocks	0	0	0	0	0
Total Distribution	23,103	22,914	23,325	23,160	23,378

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
HS Code	Description	(T to CWE)
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-seven Member States of the European Union.
MS: An EU Member State

Livestock Related Reports from FAS Posts in Europe:

Country	Title	Date
EU	COVID-19 Costs US Beef Exporters USD 100 Million of Lost High Quality Beef Sales to the EU in Quota Year 2020-21	07/20/21
Bulgaria	Bulgaria Makes Progress Recovering from ASF	05/11/21
EU	European Commission Launches Public Consultation on Revision of Feed Additives Legislation	04/27/21
Spain	Spanish Livestock Exports Keep Trotting to non-EU Markets	04/14/21
Romania	ASF Continues to Plague Romania's Hog Sector	04/08/21
EU	European Commission Launches Publishes Consultation on Criteria for the Designation of Antimicrobials to be Reserved for Human Use	04/07/21
EU	Livestock and Products Semi-annual	03/01/21
Poland	COVID-19 Outbreak on Polish Mink Farm	02/04/21
Sweden	Sweden Bans Mink Breeding Until 2022	01/29/21
EU	EFSA Evaluates EU Animal Welfare Situation in Farm to Fork REFIT Effort	01/22/21
Netherlands	Dutch Ministry of Agriculture Launches National Protein Strategy	01/15/21
EU	EU Pork Exports Reached Record Levels in 2020	01/15/21
EU	COVID-19 Hampers 2020 US High Quality Beef Quota Exports to the EU	01/11/21
Netherlands	Dutch Parliament Approves Law to Reduce Nitrogen Emissions	01/07/21
EU	EC Launches Public Consultation on Possible Revision of Feed Additives Legislation	12/21/20
Lithuania	COVID-19 Outbreak on Lithuanian Mink Farm	12/03/20
Belgium	Belgian Regains African Swine Fever-Free Status	11/24/20
Czech Rep.	African Swine Fever Nears the Czech Border	11/17/20
Portugal	Exports Continue to Fuel Expansion of the Portuguese Meat Sector	10/30/20
Iceland	Scrapie Identified in Sheep in Iceland	10/29/20
EU	EU Adopts Its Methane Strategy	10/21/20
Bulgaria	Livestock and Products Annual	10/16/20
Denmark	Denmark to Cull One Million Mink Due to Coronavirus	10/08/20
Spain	Spanish Livestock and Poultry Sector Update	09/30/20
Romania	Romania Approves COVID Subsidies for Farmers	09/29/20
Germany	African Swine Fever- An Unwelcome Arrival in Germany	09/10/20
Poland	Polish ASF Cases Spike in Summer 2020	08/28/20

These GAIN Reports, and more, can be downloaded from the following FAS website:
https://gain.fas.usda.gov/#/search

For additional EU 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 EU 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