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Report Highlights:

Both EU beef and pork production are trending down to record lows in 2023 and 2024. Livestock farmers are confronted with high input prices and a complexity of regulations, which combined are pressing profit margins and creating investment uncertainty by the farmers. In contrast to the beef sector in western Europe, the sector in central Europe is structurally subsidized by which the cattle herd is anticipated to slightly expand in some Member States. The market dynamics in the EU swine sector show a strong cycle with current record prices for piglets and hogs. The improved profitability is expected to support a temporary rebound of slaughter during the second half of this year. With the absence of a full recovery of pork sales to China, the sector is attempting to diversify exports and resetting its focus on the domestic market. However, both beef and pork producers face dwindling demand by EU consumers who show a preference for poultry meat.

Executive Summary – EU Livestock Sector Is Seeking Its Low.

Note: Effective January 1, 2021, the United Kingdom (UK) completed its departure from the European Union (EU). In this report, if not otherwise indicated, the term EU refers to the current EU27 (without the UK).

Cattle and Beef – High Carcass Prices Are Unable to Curb the Trend of Herd Contraction.

Since 2017, the European Union's cattle herd has been contracting. This will continue in 2023 and 2024. Record high carcass and milk prices have not reversed the contraction. Dairy and beef cattle farmers face reduced profit margins due to high feed, energy, and labor prices. Another challenge for the industry is new regulations imposed by the European Commission (EC), which require financial investments and changes in farm management practices. The incessant flow of new requirements creates uncertainty for farmers, limiting their ability to invest. For example, while EU cattle exports, in particular to Turkey, recovered in 2022, upcoming EU Animal Welfare legislation on animal transport is expected to limit future live cattle exports.

In Central Europe, the combination of specific and structural support, rising carcass weights, and falling feed prices is forecast to support a slight rebound in calf production. The Central European herd is expected to expand or stabilize. However, in western EU Member States (MSs), the cattle herd is forecast to contract further in 2024 due to the lack of support for the sector.

Based on the smaller cow herd and shrinking supply of young animals, EU slaughter is dropping. Estimated EU 2023 and forecast EU 2024 beef production continue the decline. The limited domestic and global supply of beef is increasing prices, reducing retail and food service sales, and curtailing EU imports of beef - particularly high-quality beef. Due to limited domestic supply, EU beef exports are anticipated to fall.

Swine and Pork – The EU Swine Sector Is Refocusing on the Domestic Market.

Plummeting export demand combined with surging feed prices created a piglet production dip in 2022, which started a new swine cycle by causing a price surge for piglets, hogs, and sows during the second half of 2022 through the first half of this year. At the same time, feed prices came down from the peak levels reported during mid-2022. With the current improved profit margins, swine farmers are generally less hesitant to stop production and more eager to keep their stables occupied. The improved profitability is expected to support a temporary rebound of slaughter during the second half of 2023, but not sufficient to balance out the reduced slaughter in the first half of the year. In absolute terms, the most significant cuts are expected in almost all main pork producing EU MSs. In line with declining slaughter, EU pork production is forecast to decrease in 2023 and 2024. Because of the absence of a full recovery of Chinese demand due to the economic slowdown, the EU swine sector attempts to diversify exports to other third countries, but none of the destinations, not even combined, were able to fill the gap left by China. The sector also faces dwindling demand at the domestic market. EU consumers show a preference for poultry over pork based on health considerations, ease of preparation, and the relatively lower price. Through restructuring, the sector strives to bring the supply back in line with traditional domestic and export demand. Leading companies in northern and southern Europe plan to focus less on

quantity and more on quality, profitability, and European consumer preference, furthering the concentration and integration of the sector.

Cattle

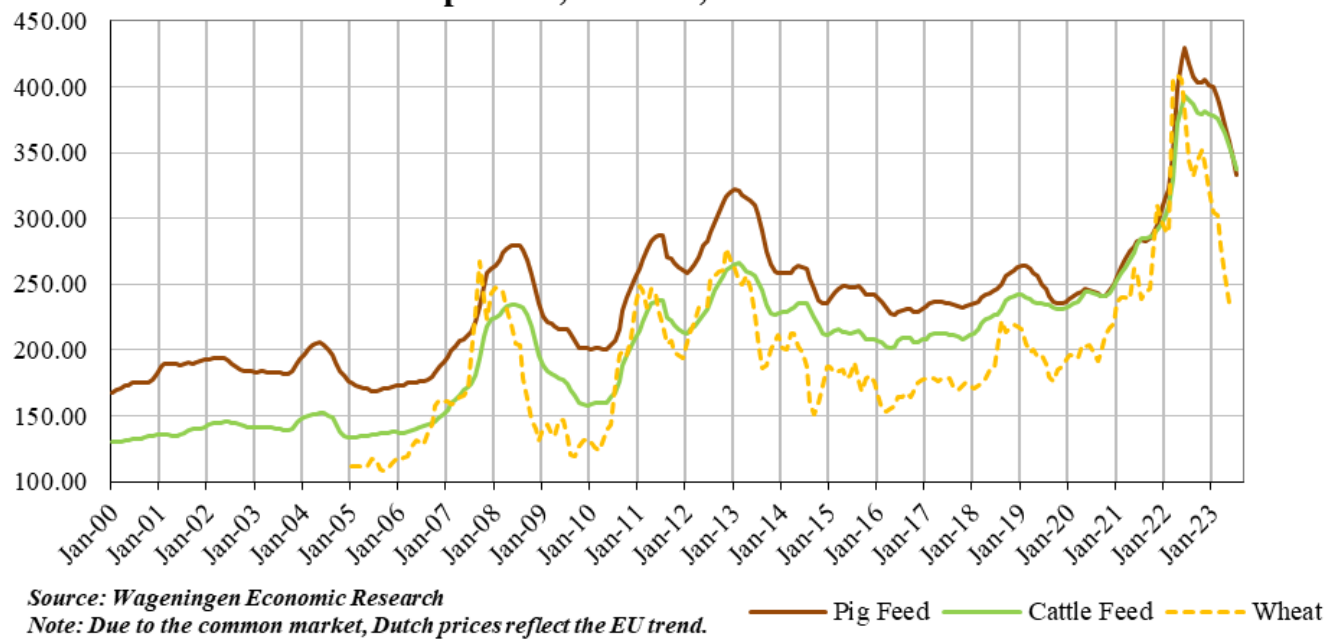
| Animal Numbers, Cattle Market Year Begins | 2022 | | 2023 | | 2024 | |
|--|------------------|----------|------------------|----------|------------------|----------|
| | Jan 2022 | | Jan 2023 | | Jan 2024 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| European Union | | | | | | |
| Total Cattle Beg. Stks | 75,705 | 75,705 | 74,807 | 74,808 | 0 | 74,200 |
| Dairy Cows Beg. Stocks | 20,213 | 20,213 | 20,074 | 20,074 | 0 | 19,940 |
| Beef Cows Beg. Stocks | 10,565 | 10,565 | 10,445 | 10,445 | 0 | 10,385 |
| Production (Calf Crop) | 24,330 | 24,650 | 24,150 | 24,350 | 0 | 24,200 |
| Total Imports | 13 | 13 | 8 | 5 | 0 | 5 |
| Total Supply | 100,048 | 100,368 | 98,965 | 99,163 | 0 | 98,405 |
| Total Exports | 980 | 980 | 970 | 1,050 | 0 | 1,000 |
| Cow Slaughter | 10,265 | 10,228 | 10,200 | 9,850 | 0 | 9,780 |
| Calf Slaughter | 5,880 | 6,071 | 5,830 | 5,875 | 0 | 5,825 |
| Other Slaughter | 6,855 | 7,017 | 6,770 | 6,925 | 0 | 6,745 |
| Total Slaughter | 23,000 | 23,316 | 22,800 | 22,650 | 0 | 22,350 |
| Loss and Residual | 1,261 | 1,264 | 1,165 | 1,263 | 0 | 1,255 |
| Ending Inventories | 74,807 | 74,808 | 74,030 | 74,200 | 0 | 73,800 |
| Total Distribution | 100,048 | 100,368 | 98,965 | 99,163 | 0 | 98,405 |
| (1,000 HEAD) | | | | | | |

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

The EU Cattle Herd Is Shrinking Due to High Input Prices.

Since 2017, the European Union's (EU) cattle herd has been shrinking and is forecast to continue this trend in 2023 and 2024. In 2021 and 2022, the annual reductions in the herd, as reported by the official Eurostat December census, were -1.11 percent and -1.18 percent. FAS EU Posts project the cattle herd contraction at -0.81 percent this year and -0.53 percent next year. During 2021 and particularly 2022, the dairy and beef cattle farmers faced slashed profit margins due to high prices of feeds and fodders (see graph below). Higher feed prices were reported throughout the EU (for more information see the [FAS EU Grain and Feed Quarterly](#), published on August 2, 2023). While in the Balkans and Central Europe (Bulgaria and Romania), some companies imported Ukrainian corn and wheat at reduced prices, most feed compounders and cattle farmers in this region purchased their rations before the influx of Ukrainian grains, and at record price levels. The structural unprofitability of the sector has been further exacerbated by high energy prices and labor shortages. Cattle farmers are abandoning the industry, not only due to rising costs, but also due to a lack of successors.

Compound Feed and Wheat Prices Euro per MT, on farm, the Netherlands



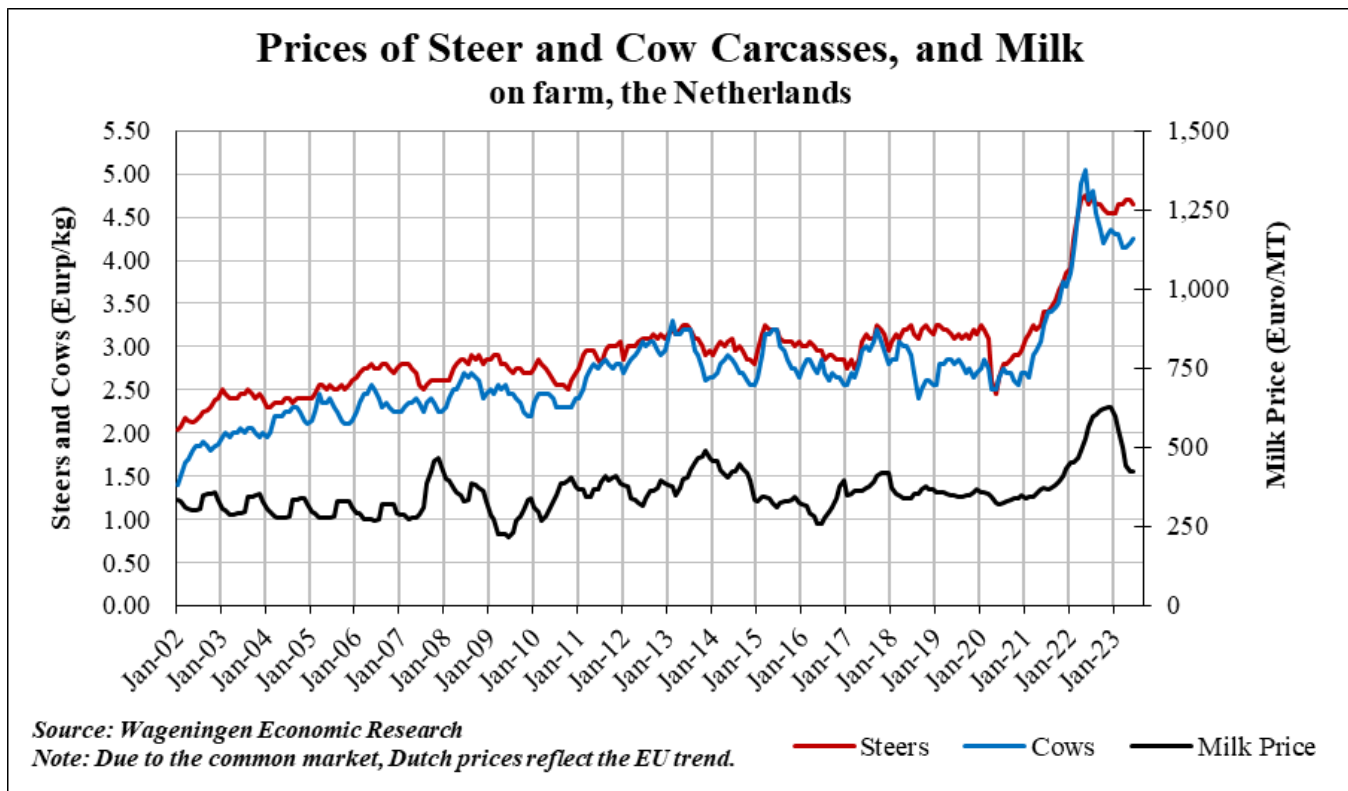
New EU Regulations Are Creating Investment Uncertainty for Farmers.

Another challenge for the industry is new regulations imposed upon the livestock sector by the European Commission (EC), especially those related to the Green Deal (the Farm to Fork Strategy, Deforestation-Free Supply Chain Regulation, and the Industrial Emissions Proposal), the Veterinary Medicine Legislation, and the new EU Animal Welfare Legislative Roadmap (for more information see the Policy section of this report). These regulations are requiring financial investments and a change of farm management, pressing profit margins even further. For instance, the reduction of antibiotics applied in cattle to avoid Antimicrobial Resistance (AMR) in align with the ‘One Health’ approach is reportedly impacting the number of animal losses in Spain. The incessant flow of new requirements is also creating an uncertainty by farmers, questioning the cost-effectiveness of the investments. Other factors hindering farmers to invest are the price inflation and high interest rates. The fact that record high carcass prices (see graph below) have not reversed the curb of herd contraction is explicative of the economic viability of the sector.

In Central Europe, CAP Support Is Provided to Small Cattle Farmers.

While the EC is providing income support to livestock farmers, it is uncertain if these funds will be sufficient to keep cattle farming profitable in the EU. On December 14, 2022, all national strategic plans of the new Common Agricultural Policies (CAP) policies were approved by the EC. The implementation of the CAP differs per EU Member State (MS). For example, in Poland specific funds are provided for the beef cattle sector, in most western EU MSs, such as France, the farmer’s income is pre-dominantly based on the farmed hectares. In Central Europe, the combination of specific sector support, rising carcass prices (see graph below), and recently falling feed prices (see graph above) is forecast to support a slight rebound of calf production and herd expansion, or at least stabilization. The national strategic plans in this region often focus on assistance to smaller farms, representing a larger voting potential. But despite the support for smaller farms, a further concertation of cattle farming is inevitable. In Hungary

for instance, large, well-run farms are increasing their inventories, while the number of medium-sized farms with 100-150 cattle are decreasing the most. Another trend reported in Central Europe is the switch from dairy to beef production. For instance, in Romania, the beef cow number is forecast to steadily increase in 2023 and 2024, driven by the challenges in marketing milk, workforce shortage for dairy farms, and strong efforts to promote local beef supplies. At the same time, the tendency to move towards local dual breeds (dairy and beef) is noticeable, due to its flexibility in adapting to market conditions and longer productive period.



In Western Europe, the Beef Cow Herd Is on a Steady Decline.

In western EU MSs, the beef cow herd is forecast to be further cut in 2024 due to the lack of specific and structural support for the sector. The most significant cuts are projected in France, Spain, and Portugal. The French cattle herd is foreseen to continue to decline in 2023 and 2024 as ranchers continue to face relatively high feed cost (above the five-year average) that negatively impact the fattening sector. At the same time, demand remains sluggish due to the higher sales prices forcing low-income consumers to switch to cheaper protein sources such as poultry meat. In addition to negative policy and market factors, Spanish and Portuguese beef cattle farms have been experiencing a severe drought, reducing pasture production, and limiting the availability of fodders and forages. Due to the drought, fertility rate may also be reduced. On May 11, the Spanish government approved direct aid of €355 million to ranchers impacted by drought, of which 40 percent will go to beef cow ranchers. The Portuguese government activated aid of €12 million for the beef cattle sector. Additionally, on June 27, 2023, the Spanish Ministry of Agriculture confirmed that Spain will receive €81 million from the EU CAP crisis reserve for farmers and ranchers affected by drought and high temperatures. For more information see the GAIN Report - [Spanish Cattle Production May Decline Driven by Reduction of Exports and Drought](#), published June 5, 2023).

The EU Dairy Sector Has Been Hit by the Lower Export Demand.

The EU dairy sector is more reliant on global market developments than the EU beef sector, as about 20 percent of the EU dairy bulk commodities is exported to third countries ([FAS PSD Online](#): five-year average statistics of cheese, butter, and milk powder). Only about 10 percent of EU beef production is exported. Due to decreased demand for dairy products in China, EU milk prices plummeted in 2023 (for more information see the EU [Dairy and Products Semi-annual](#), published on May 22, 2023). In export-oriented EU MSs, such as France and the Netherlands, the profit margins of dairy farmers and processors deteriorated significantly. After reaching a peak in 2015, the French dairy herd has been declining since, even during periods when milk prices are stronger, as less competitive dairy farmers continue to quit and other keep phasing out their older dairy cows or excess heifers. In the Netherlands, the dairy sector will be hit hardest by the implementation measures to cut nitrogen emissions, as a large share of dairy farms are located near protected nature reserves. This will likely result in less animals per farm, and to a lesser extent the closure of farms. An exception is Ireland, where the dairy cow herd is forecast to continue its growth in 2023 and 2024.

During the First Half of 2023, EU Cattle Exports to Turkey Revived.

Live cattle exports are an important factor in the profitability of most southern EU MSs. During the first half of 2023, EU cattle exports rose by eleven percent mainly due to surging exports to Turkey. Of the EU, Hungary, the Czech Republic, and Romania are the main suppliers to Turkey. Notable is the share, about a third, of pure-bred heifers shipped to Turkey by the EU. EU cattle exports to the other four main markets (Israel, Algeria, Lebanon, and Egypt) fell during this period. The elevated cattle exports to Turkey are based on the combination of increased domestic demand and limited exportable supply from Uruguay and Brazil. While the EU has a wide range of export destinations, its overseas options are declining as animal protection associations continue to issue allegations of EU animal welfare violations. EU Animal Welfare legislation on animal transport, which is expected sometime in 2023, may further limit live cattle exports (for more information, see the Policy section). The two leading EU exporters of live cattle to third countries are Romania and Spain, but the sectors in both countries have expressed concern about the viability of their live cattle trade.

The Shrinking Supply of Young Animals is Pressing Slaughter Down.

During the first half year of 2023, EU cattle slaughter fell by 3.6 percent, mainly based on a lower number of cow and heifer slaughter. FAS EU Posts forecast total slaughter to rebound during the second half of this year, and to decline by 3.0 percent over the entire year due to falling milk prices, and the draught in southern Europe. Based on the smaller cow herd and consequential shrinking supply of young animals, EU slaughter is projected to continue to fall in 2024 but at a slower pace. The most significant reductions are forecast in France and Italy. A significant increase of slaughter is not forecast in any of the 27 EU MSs. The lower supply of young animals will also result in a further decline of the EU cattle herd to 73.8 million animals by the end of calendar year 2024.

Beef

| Meat, Beef and Veal Market Year Begins European Union | 2022 | | 2023 | | 2024 | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Jan 2022 | | Jan 2023 | | Jan 2024 | |
| | USDA | New Post | USDA | New Post | USDA | New Post |

| | Official | | Official | | Official | |
|-------------------------------|----------|--------|----------|--------|----------|--------|
| Slaughter (Reference) | 23,000 | 23,316 | 22,800 | 22,650 | 0 | 22,350 |
| Beginning Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| Production | 6,710 | 6,722 | 6,600 | 6,500 | 0 | 6,440 |
| Total Imports | 399 | 399 | 400 | 390 | 0 | 390 |
| Total Supply | 7,109 | 7,121 | 7,000 | 6,890 | 0 | 6,830 |
| Total Exports | 623 | 623 | 580 | 570 | 0 | 550 |
| Human Dom. Consumption | 6,486 | 6,498 | 6,420 | 6,320 | 0 | 6,280 |
| Other Use, Losses | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Dom. Consumption | 6,486 | 6,498 | 6,420 | 6,320 | 0 | 6,280 |
| Ending Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Distribution | 7,109 | 7,121 | 7,000 | 6,890 | 0 | 6,830 |

(1,000 HEAD), (1,000 MT CWE)

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

In Line with Lower Slaughter, Beef Production Will Fall to a Record Low in 2023 and 2024.

EU beef production has been declining year-on-year since 2018. With the falling slaughter numbers, EU beef production is forecast to further decline in 2023 and 2024. In 2023, this is exacerbated by the lower average slaughter weights. During the first half year of 2023, the weights declined by 0.91 percent. The prominent reason for these lower weights at slaughter is the limited availability of fodders and high feed prices. For the same reason carcass weights are projected to increase next year as a consequence of the projected falling feed prices.

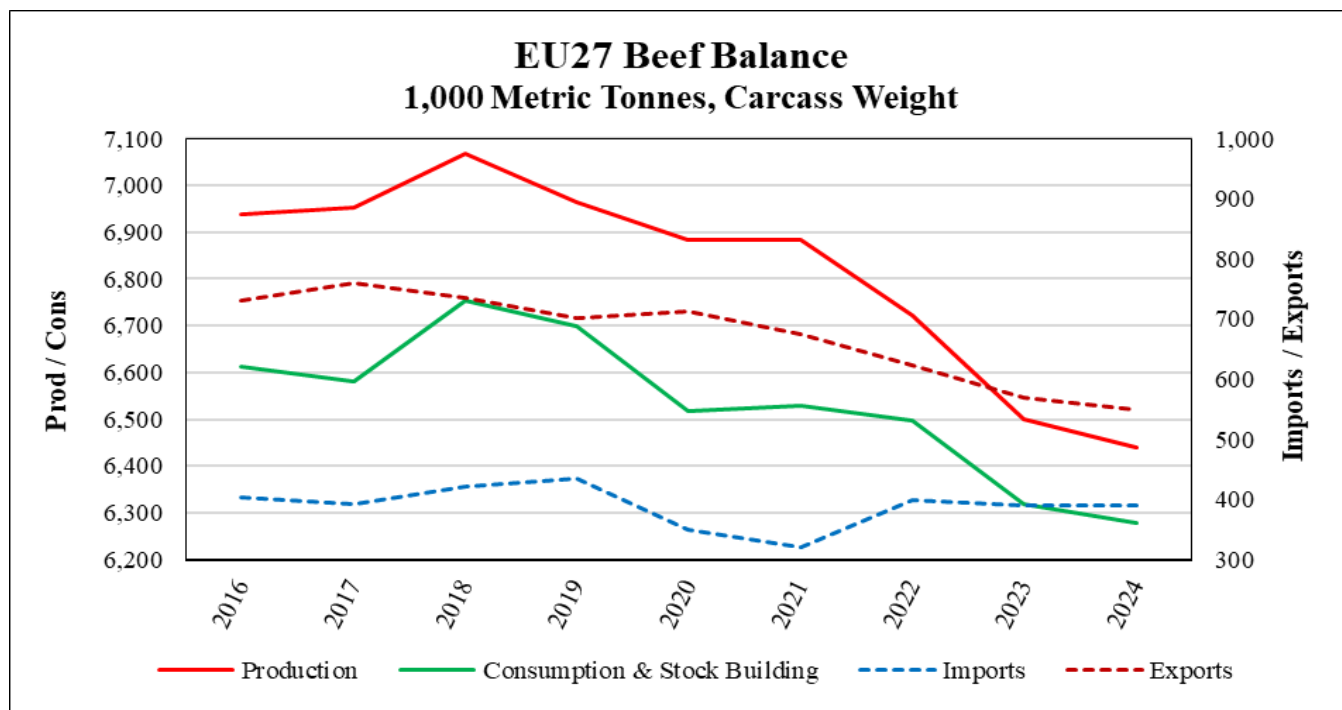
High Prices Are Pressing Consumption and Imports of High-Quality Beef.

EU beef imports reached a record in 2019 (435,000 MT CWE) but plummeted to a record low in 2021 (321,000 MT CWE) because of the COVID pandemic, during which the food service sector was closed. With the opening of restaurants, hotels, cantinas, and the recovering tourist sector, beef imports recovered in 2022 and the first quarter of 2023. While imports from Argentina, Uruguay, the United States, and Australia, increased further during the second quarter, EU beef imports from the United Kingdom, the principal supplier in 2022, fell significantly. The limited exportable supply from the United Kingdom is forecast to press the total annual EU beef imports in 2023 to a lower volume than reached in 2022. Another factor pressing imports is the high price level of beef which is eroding food service as well as retail sales of in particular high-quality beef. Note that consumption is also increasingly trending toward lower priced meats such as minced meat versus muscle, and to poultry meat (for more information see the upcoming [EU Poultry and Products Annual](#)). Based on the limited domestic and global supply, and subsequent high price levels, EU beef consumption is anticipated to further decline in 2024.

Due to Limited Supply EU Beef Exports Will Fall, Excluding to Turkey and the UK.

With lower volumes of domestically produced beef, EU exports are also falling. This trend is forecast to be sustained in 2024. During the first half year of 2023, EU beef exports dropped 6.0 percent. Major reductions were reported for a wide range of destinations from Europe (Switzerland and Norway), Asia (Philippines and Japan), Africa (Ghana and Angola), and Northern America (Canada and the United States). A notable increase was reported for EU beef exports to Turkey, reportedly supported by the

reviving tourist sector and attempts to press inflation. EU beef exports to the United Kingdom increased slightly (1.0 percent) due to the declining domestic supply in this export market.



Swine

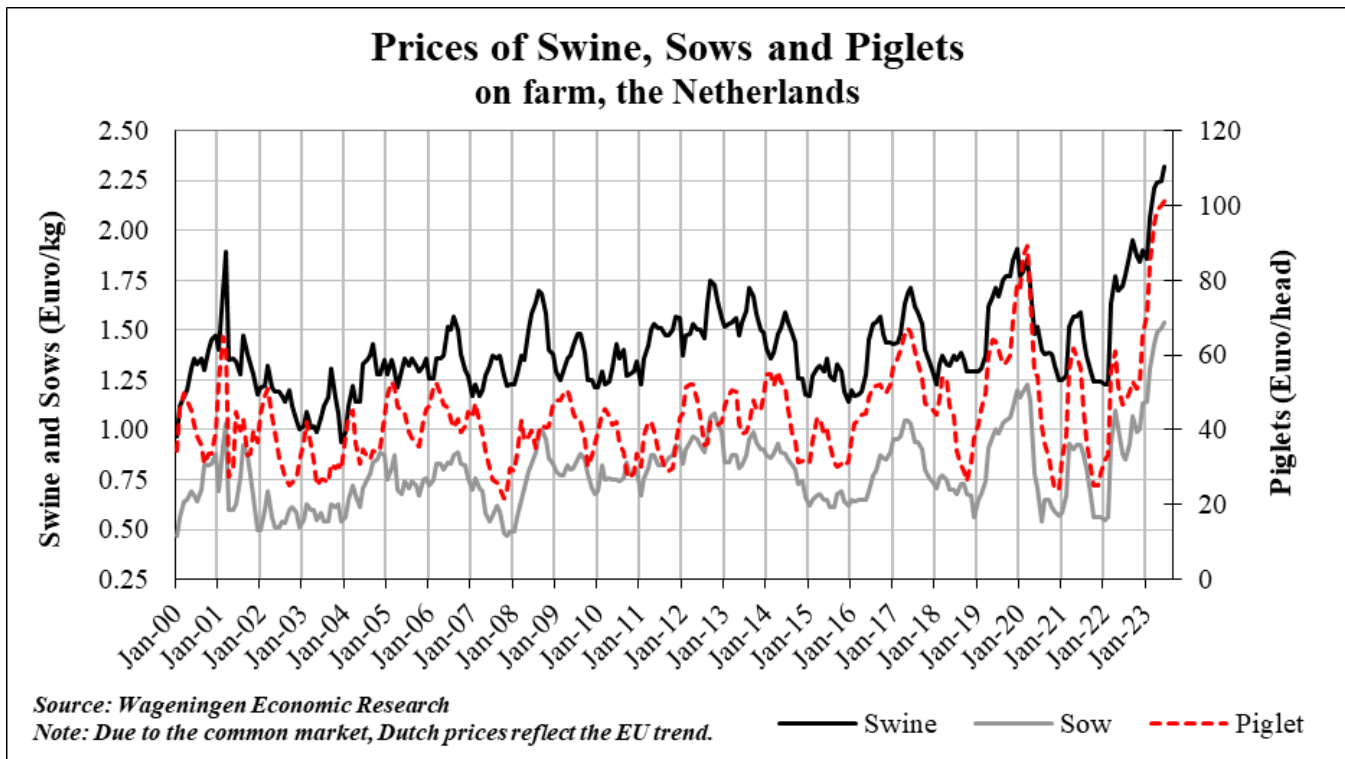
| Animal Numbers, Swine Market Year Begins | 2022 | | 2023 | | 2024 | |
|---|------------------|----------|------------------|----------|------------------|----------|
| | Jan 2022 | | Jan 2023 | | Jan 2024 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| European Union | | | | | | |
| Total Beginning Stocks | 141,681 | 141,681 | 134,489 | 134,410 | 0 | 132,100 |
| Sow Beginning Stocks | 10,883 | 10,883 | 10,397 | 10,400 | 0 | 10,250 |
| Production (Pig Crop) | 239,000 | 238,760 | 235,000 | 234,000 | 0 | 232,000 |
| Total Imports | 23 | 23 | 15 | 5 | 0 | 5 |
| Total Supply | 380,704 | 380,464 | 369,504 | 368,415 | 0 | 364,105 |
| Total Exports | 980 | 1,012 | 920 | 850 | 0 | 840 |
| Sow Slaughter | 4,177 | 4,160 | 3,900 | 4,115 | 0 | 4,020 |
| Other Slaughter | 235,073 | 234,869 | 227,600 | 225,885 | 0 | 221,980 |
| Total Slaughter | 239,250 | 239,029 | 231,500 | 230,000 | 0 | 226,000 |
| Loss and Residual | 5,985 | 6,013 | 5,484 | 5,465 | 0 | 5,265 |
| Ending Inventories | 134,489 | 134,410 | 131,600 | 132,100 | 0 | 132,000 |
| Total Distribution | 380,704 | 380,464 | 369,504 | 368,415 | 0 | 364,105 |

(1,000 HEAD)

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

A Drop in Piglet Supply in 2022 Created a Price Surge for Swine Through 2023.

While over the past five years, only about 10 percent of EU beef production was exported to third countries, about 20 percent of the pork produced in the EU was destined for exports ([FAS PSD Online](#)). As third country export demand for pork fluctuated it created a typical swine cycle. Since the start of 2021, EU pork exports to China plummeted (see Pork section) which was combined with surging feed prices (see graph further above). As a result of this dim market situation, the EU sow herd shrunk by 3.3 percent in 2021 and by 4.4 percent in 2022. EU piglet production even fell by 6.1 percent in 2022 due to a lower productivity rate per sow. This production dip was the start of a new cycle by causing a price surge for piglets, hogs, and sows during the second half of 2022 through the first half of this year (see graph below). At the same time, feed prices came down from the peak levels reported during mid-2022, which improved the margins for the swine sector considerably. Due to the uncertain future market and policy factors swine farmers are not inclined to invest in their operations. But with the current profit margins, they are generally less hesitant to stop and eager to keep their stables occupied. As a result, the EU sow herd is forecast to be cut only by 1.4 percent in 2023, bringing the EU piglet production down by 0.9 percent in 2024 (-6.1 percent in 2022 and -2.0 percent in 2023). Based on the forecast of supply, trade, and slaughter (see next paragraphs), the EU swine herd is estimated to stabilize around 132 million head at the end of 2024. Due to a further segregation of markets, the import of live swine from (predominantly piglets) as well as the export to (hogs) the United Kingdom decreased during the first half of this year. This trend is forecast to continue during the remainder of 2023 and in 2024.



The Swine Cycle Is Forecast to Support a Rebound of Slaughter in the Second Half of 2023.

The swine cycle had a distinct effect on slaughter activity. Subsequent to the supply drop of piglets in the second half of 2022, the slaughter of hogs fell by 8.9 percent during the first half year of 2023. Simultaneously, the improved margins for breeding and fattening are expected to support a rebound of

slaughter during the second half of 2023. This rebound is not sufficient to balance out the reduced slaughter in the first half of the year. FAS EU Posts forecast annual slaughter for 2023 at 230 million head, a reduction of 3.8 percent compared to 2022. In absolute terms, the most significant cuts are expected in almost all main pork producing EU MSs: Spain, Germany, France, Poland, Denmark, the Netherlands, Belgium, and Romania. Next year, annual slaughter is forecast to decline at a slower pace, by about 1.7 percent, with the most significant cuts in Germany, France, Spain, and the Netherlands. The only MS in the top-eight of EU producers, which slaughter is not forecast to be significantly cut is Italy, as the Italian sector is the least dependent on third country markets. A recovery of slaughter is not expected in any of the main producing countries, and only anticipated in smaller producing EU MSs such as Austria, the Czech Republic, the Baltics, Greece, Hungary, and Bulgaria.

The Spanish and Portuguese Swine Sectors Entered a New Phase.

Since 2020, Spain has taken over Germany's position as the largest EU pork producer. In the same year, Spain also became the largest pork exporter in the world, surpassing the United States. However, in 2022, Spanish slaughter declined for the first time since 2013. In addition, pig production in Spain has been affected by several Porcine Reproductive and Respiratory Syndrome (PRRS) outbreaks in Catalonia and Aragon that have lowered productivity. According to the Spanish sector, this downward trend in swine and pork production may continue in 2023 and 2024, driven by lower pork exports to non-EU markets (mainly China), continued high input costs, and EU regulations. Another driver to this reduction is the [Spanish Royal Decree 159/2023](#) on animal welfare with higher requirements than EU animal welfare regulations. Specifically, there are new values for the maximum density of animals in farms, new conditions regarding feeding, water, feeders, environmental conditions, and the availability of manipulable material for the animals. Existing farms will have two years to make the adaptations. Additionally, due to the measures adopted to reduce antibiotic levels in swine to avoid antimicrobial resistance (AMR), aligned with the 'One Health' approach, mortality rate and losses also increased in 2022 and may continue to rise in 2023 and 2024. New animal welfare regulations are also the main driver for changes in the Portuguese swine sector. To support the sector with the implementation of better animal welfare conditions and to reduce AMR, the new CAP will provide funds to Portuguese farmers with €60 per sow. For more information see the GAIN Report - [Spanish Swine and Pork Production Driven Down by Lower Exports and Animal Welfare Regulations](#), published September 6, 2023.

The German Government Approved a New National Labeling System.

The German sector suffered from African Swine Fever (ASF) outbreaks in the country's wild boar population which resulted in an import ban from China - the most important export market for German producers. After well over two years, revenues for breeding and fattening are finally above production costs again. Even though profitability has now been restored, many hog farmers are quitting the business because of political and financial uncertainty. On July 7, 2023, after more than a decade of political discussions, the introduction of a mandatory national livestock labelling system for fattening pigs was approved by the German government. The introduction was generally welcomed by the industry since it could contribute to more animal welfare, taking the social pressure of hog farmers. Nonetheless, a solid funding concept is lacking so far and therefore farmers are still missing an economic perspective. While the French swine sector doesn't suffer from ASF outbreaks, the industry's challenges are as structural as reported for the German sector. The French swine sector lacks the efficiency of the Spanish, Dutch, and Danish sector.

The Danish Sector Is Shifting Its Focus from Exports to the EU Market.

Even though the Danish sector is one of the most competitive in the EU, it suffered from the crisis in the German sector as they are interconnected. In July 2023, the pork company Danish Crown closed a plant (in Sæby) which slaughters 2.5 million hogs and 90,000 sows annually. During the end of 2022, Danish Crown already lowered the capacity of two plants (Sæby and Ringsted) in Denmark. As a result of this restructuring, Danish hog slaughter shrunk by about 20 percent during the first half of this year. Profitability, efficiency, traceability, and sustainability are the main elements in Danish Crown's new reorganization plan. Notable is the company's strategy to shift focus from the export market to the EU market. According to Danish Crown, the main reason for this shift are the high wages in Danish slaughterhouses. For more information see the [press release](#) from Denmark's leading pork producer. However, the Danish sector remains a dominant piglet producer. The Danish breeding sector is increasing its exports of piglets to Poland, while the Dutch breeding sector is expanding exports to Spain.

The Dutch and Belgian Governments Attempt to Cut Swine Herds.

In the Netherlands, the government is aiming to reduce nitrogen emissions by cutting livestock herds by buying out farmers (for more information see, GAIN Report – [Nitrogen Report Delivered to the Dutch Government](#), published October 14, 2022). Because the Dutch Cabinet fell in July (new parliamentary elections are planned in November 2023), a final plan for reducing the nitrogen emissions is lacking. But several existing regulations are enforced such as two “stoppers” regulations meant to incentivize farmers to stop production, with a budget of in total €1.5 billion, which target 2,000 – 3,000 farms (all livestock sectors). The end dates are December 2023 and April 2024. Currently about 500 swine farmers (of the in total about 3,000) reportedly registered to stop. But this registration is without any obligation, and considering the improved profit margins, only a few hundred are anticipated to terminate their business. Like the Netherlands, the Belgian government aims to cut nitrogen emissions from its livestock sector. By 2030, the northern region of Belgium (Flanders) must count 1.7 million fewer pigs, a decrease of 30 percent. For this purpose, a voluntary arrangement with €200 million in financial compensation was made available. In total, about 240 Flemish pig farmers applied, which could lead to a less than expected reduction of the Flemish pig herd by approximately 295,000 pigs.

While Central Europe Is Still Struggling With ASF, Some MS Herds Are Expanding.

In Romania, African Swine Fever (ASF) remains a prevalent feature of the swine sector, although the situation has improved in terms of both number of outbreaks and the farm size of the ASF-positive farms. Backyard farming plays an outsized role in the spread of ASF. In April 2023, the ‘Pig Law’ was approved, which prohibits breeding in Romanian backyard farms. Because fattening remains allowed, this law is not anticipated to have much of an effect on eradicating ASF. In contrast, Bulgarian authorities implemented legislation, which is limiting backyard farming and supporting the further commercialization of the sector. Polish pork export opportunities remain limited, despite a significantly lower number of ASF outbreaks in 2022 (for more information see the GAIN Report - [Poland Waives Certain Biosecurity Requirements for Backyard Pig Farms](#), published May 19, 2023). Likewise, the Hungarian swine sector is negatively affected by ASF outbreaks. Although all the notified ASF cases were in the country's wild boar population, and swine inventories remained free from the disease, 25 non-EU countries introduced import bans on Hungarian live pigs, pork, and pork products. But due a further concentration and commercialization of the Hungarian sector, production efficiency is improving, and a higher pig crop is forecast for 2023 and 2024. Piglet production and swine inventories are also expanding in the Czech and Slovak Republic. Czech pig farmers' farm gate prices have reached

their highest level since EU accession this year. According to national Pig Breeders' Association, in May this year, slaughter hog prices were above production costs for the first time in a long time. Nevertheless, has the association reportedly appealed to the government not to reduce subsidy support for livestock farmers which totaled CZK 1.6 billion (\$72 million) last year.

Pork

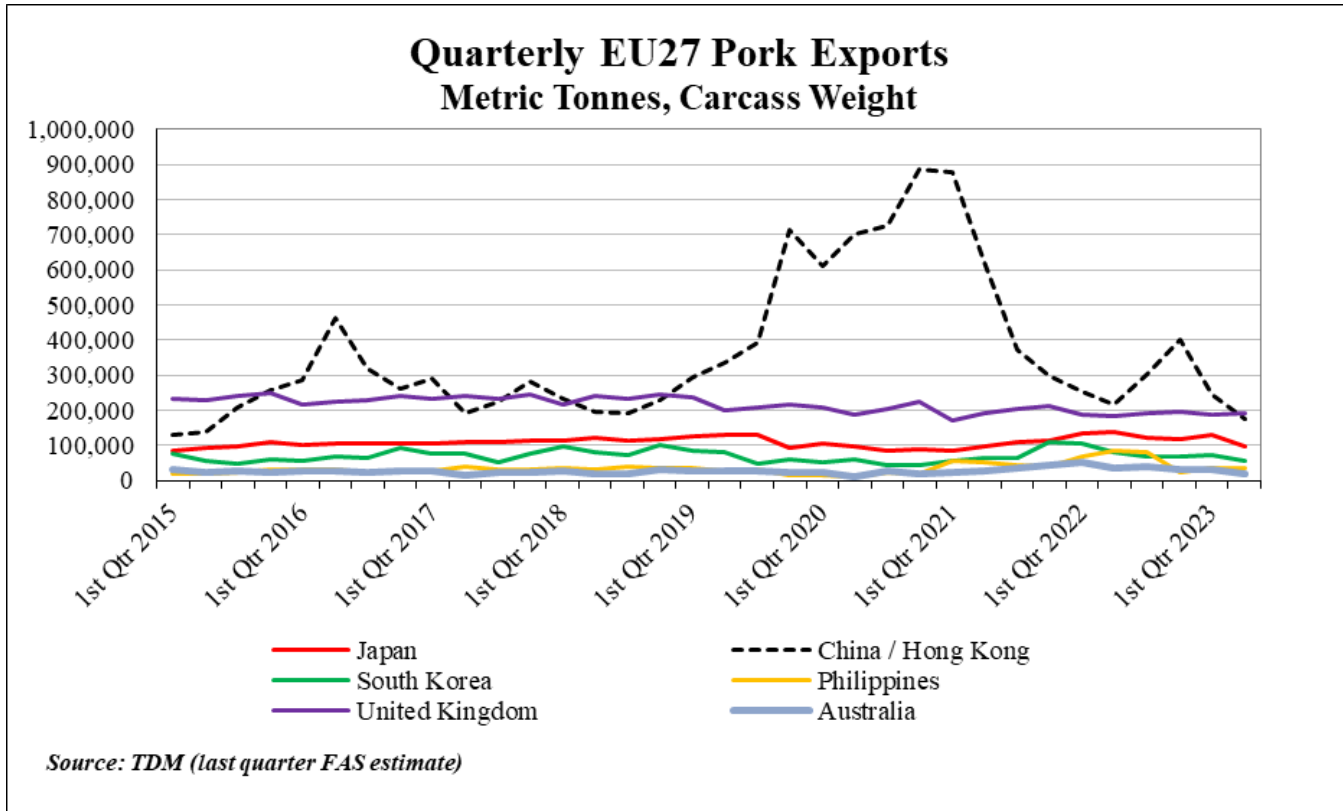
| Meat, Swine Market Year Begins | 2022 | | 2023 | | 2024 | |
|-----------------------------------|------------------|-------------|------------------|-------------|------------------|----------|
| | Jan 2022 | | Jan 2023 | | Jan 2024 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| European Union | | | | | | |
| Slaughter (Reference) | 239,250 | 239,029 | 231,500 | 230,000 | 0 | 226,000 |
| Beginning Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| Production | 22,275 | 22,277 | 21,650 | 21,500 | 0 | 21,150 |
| Total Imports | 121 | 121 | 100 | 100 | 0 | 100 |
| Total Supply | 22,396 | 22,398 | 21,750 | 21,600 | 0 | 21,250 |
| Total Exports | 4,172 | 4,174 | 3,700 | 3,600 | 0 | 3,500 |
| Human Dom. Consumption | 18,224 | 18,224 | 18,050 | 18,000 | 0 | 17,750 |
| Other Use, Losses | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Dom. Consumption | 18,224 | 18,224 | 18,050 | 18,000 | 0 | 17,750 |
| Ending Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Distribution | 22,396 | 22,398 | 21,750 | 21,600 | 0 | 21,250 |

(1,000 HEAD), (1,000 MT CWE)

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

In Line with Slaughter, EU Pork Production Is Forecast to Fall in 2023 and 2024.

With declining slaughter, EU pork production fell in 2022, and is forecast to further decline in 2023 and 2024. In 2023 and 2024, the reduction of slaughter is somewhat balanced by heavier weights at slaughter. Because feed prices have declined significantly since the start of this year, and are forecast to decline further, or at least stabilize, the average slaughter weight is anticipated to recover during 2023 and 2024 to almost the same weight as reported in 2021 (93.6 kg). This trend corresponds to the weights reported by Eurostat during the first six months of this year. Based on Eurostat statistics of the first half of 2023, EU pork production is expected to decline most significantly in the western EU MSs: Germany, Spain, Denmark, France, the Netherlands, and Belgium.



The Lost Exports to China Have Not Been Replaced by Other Destinations.

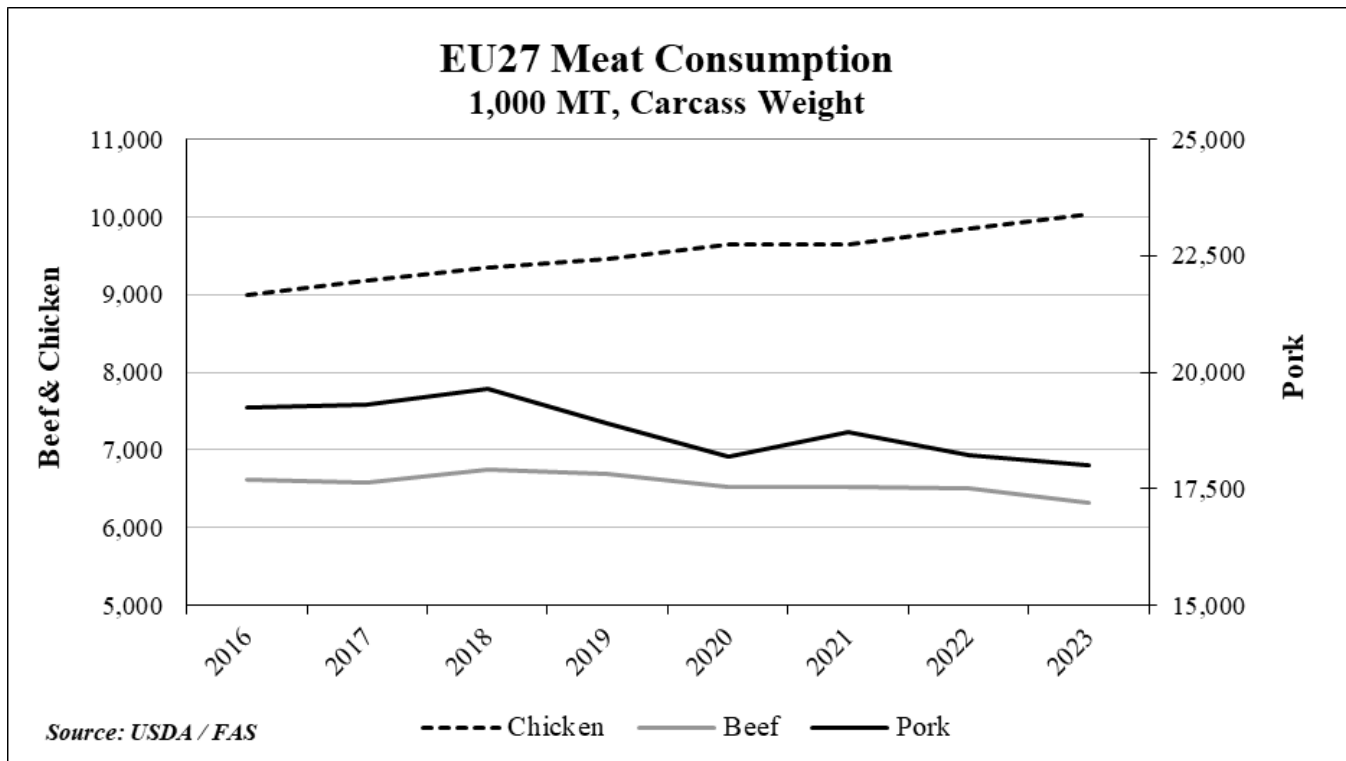
During the first half of 2023, EU pork exports decreased by 21 percent, with reductions reported for all top-12 export destinations except the United Kingdom (mainly fresh boneless pork, and bacon) and Malaysia (mainly bellies). Exports to the United Kingdom, increased slightly (3.4 percent) due to the declining domestic supply. To put the current total EU export level in perspective, the volume equals the level reported before the ASF outbreaks in China. The shortage of pork in China pushed EU exports to a record of 5.2 MMT CWE in 2020, after which Chinese demand for pork imports fell in 2021 due to the COVID pandemic followed by an economic slowdown and a partial recovery of domestic pork production (see graph above). With the absence of a full recovery of Chinese demand, the EU swine sector attempted to diversify exports to other third countries, but none of the destinations, not even combined, were able to fill the gap left by China. In 2022, Spain’s pork exports grew in Asian markets such as Japan, South Korea, the Philippines, and Taiwan which compensated for only for 50 percent of the reduction in sales to China.

EU Producers Attempt to Diversify Exports to Other Markets.

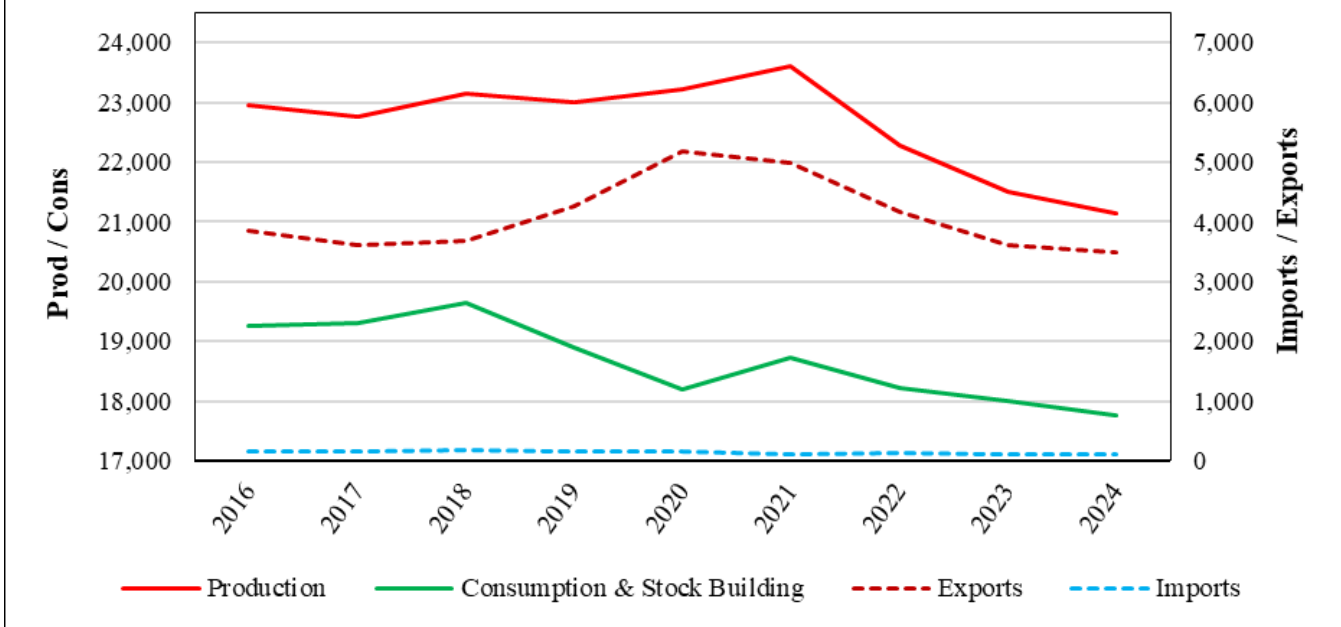
The Spanish pork industry estimates that in 2023, Spanish pork sales to non-EU markets will continue to decline in volume. The reason given is similar as reported by Danish Crown, namely the increase in EU domestic pork prices is reducing competitiveness on the global market. At the same time are producers, veterinary authorities, and governments trying to open new markets. The Portuguese sector expects to finalize the protocols to export pork to the Philippines by the end of 2023 and is also working to open Singapore and Vietnam. Germany concluded a regionalization agreement with South Korea and Ukraine and is attempting to open other markets which were closed due to ASF outbreaks.

EU Producers Also Face Sluggish Demand in the Domestic Market.

With reduced demand from China, the most competitive European producers, particularly in Spain and the Netherlands, have reoriented their sales to the EU market, competing with local “in-country” producers. During 2022 and 2023, Spain increased exports to mainly Italy. While Dutch producers shipped more pork to Poland. However, competition within the EU market is fierce as domestic demand for pork is dwindling (see graph below). EU consumers show a preference for poultry over pork based on health considerations, ease of preparation, and the relatively lower price for poultry cuts (for more information see the upcoming [EU Poultry and Products Annual](#)). The trend of declining domestic pork consumption is forecast to persist in 2024, to a record low. Food price inflation exacerbated the sluggish domestic demand for pork. For instance, in Austria animal welfare is widely discussed but when it comes to purchasing decisions price seems to be most relevant. Pork consumption is declining most significantly in Germany and France, but increasing, or at least stabilizing in most southern EU MSs (Spain, Portugal, Italy, Greece, Croatia, and Bulgaria) due to the revival of tourism after the pandemic.



EU27 Pork Balance 1,000 Metric Tonnes, Carcass Weight



Policy

Common Agricultural Policy (CAP)

The new CAP for 2023-2027 was [adopted](#) on December 2, 2021, and published in the Official Journal on December 6, 2021:

- [EU Regulation 2021/2116](#), repealing EU Regulation 1306/2013 on the financing, management and monitoring of the CAP;
- [EU Regulation 2021/2115](#), establishing rules on support for national CAP strategic plans, and repealing EU Regulations 1305/2013 and 1307/2013;
- [EU Regulation 2021/2117](#), amending EU Regulations 1308/2013 on the common organization of the agricultural markets; 1151/2012 on quality schemes for agricultural products; 251/2014 on geographical indications for aromatized wine products; and 228/2013 laying down measures for agriculture in the outermost regions of the EU.

EU Member States (MSs) were requested to submit so-called [Strategic Plans](#), incorporating MS specific goals and initiatives, by the end of 2021. By December 2022, all national strategic plans were approved by the European Commission (EC). The new CAP started to be implemented on January 1, 2023. For more information, please see GAIN Report: [EU Common Agricultural Policy Reform](#).

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. For the food and agriculture sector, the EC adopted the [Farm to Fork \(F2F\) Strategy](#) and the [Biodiversity Strategy](#) for 2030. The strategy targets a 50 percent reduction in pesticide use, a 20 percent reduction in fertilizer use, a 50 percent reduction in nutrient leakage in groundwater, 25 percent of agricultural land being used for organic farming, 10 percent of land being set aside for environmental areas, and an increase in nature conservation areas by 30 percent. Additionally, increased animal welfare goals and use limitations for veterinary drugs, particularly antimicrobials, are planned.

Because the EU livestock sector is specifically identified as critical for the EU to reach its Green House Gas (GHG) emission reduction targets, the EC commissioned an external [Study on the Future of EU Livestock](#) that was published in October 2020.

Deforestation-free supply chains

As part of the Green Deal, the EC adopted [Regulation 2023/1115](#) aimed to prevent products causing deforestation entering the EU market. The proposal targets products which are identified by the EC as the main drivers of deforestation including cattle, raw hides and skins of cattle and leather. To sell any of the covered products in the EU or export them from the EU, business operators will be required to provide extensive information about the product's origins, including the precise location(s) and general time of production. The requirements for economic operators will start on December 30, 2024. The Regulation establishes a country benchmarking system through which the EC will assess the risk that countries, or parts thereof, produce relevant commodities and products that contribute to deforestation. Products sourced from standard- or high-risk origins must comply with additional risk assessment and mitigation procedures. For more information, please see GAIN Report: [European Institutions Finalize Deforestation-Free Supply Chain Regulation](#).

Industrial Emission proposal

In April 2022, the EC published a [proposal](#) on industrial emissions. This proposal amends Directive 2010/75/EU which regulates the environmental impacts of around of Europe's large-scale, high-pollution-risk industrial installations, and extends the scope to include the largest livestock farms in the EU, considered "agro-industrial installations". The proposed text would cover all industrial farms with more than 150 livestock units or 150 adult cows / 375 calves / 10,000 laying hens / 500 pigs / 300 sows. The text is currently going through the legislative procedure and an agreement is expected by the end of 2023.

Trade/Tariffs

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. The U.S. specific quota rose to 25,400 MT in calendar year 2022, but only about half of the quota amount was used. The coronavirus 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 the next quota year, a further HQB quota increase to 25,400 MT PW was implemented. For more details see GAIN Report - [High Quality Beef Quota Year 2021-2022 Ends Positively for US Beef Exports](#).

EU Free Trade Agreements (FTAs)

The EU is negotiating and has implemented several FTAs with other countries and regions, which include concessions on oilseeds. Additional information is available on the website of the EC at: <https://ec.europa.eu/trade/policy/countries-and-regions/negotiations-and-agreements/>

In June 2022, the EU concluded negotiations for a trade agreement with New Zealand. The agreement is currently being ratified by the EU. It was signed on July 9, 2023, by the EU Council. Following signature, the text was transmitted to the European Parliament. Once the European Parliament has given its consent, and once the agreement has been ratified by New Zealand, it can then enter into force. The trade agreement removes all tariffs at entry into force on EU agri-food exports to New Zealand. However, this is not the case for all agri-food imports into the EU with tariffs rate quotas for some products, notably beef with a tariff rate quota of 10,000 MT PW to be imported with reduced duty of 7.5 percent. This volume will be gradually phased in over seven years from the entry into force of the agreement. This is limited only to high-quality grass-fed beef. More information about the agreement can be found [here](#).

Animal Specific Issues

Veterinary Medicine Legislation

On January 28, 2022, the EU implemented the new framework for [veterinary medicine regulation](#). On October 8, 2021, the official controls, [Regulation \(EU\) 2021/1756](#), were published to ensure compliance with the prohibition of certain uses for antimicrobials. On October 6, 2021, [Commission Delegated Regulation \(EU\) 2021/1760](#) was published, establishing the criteria for antimicrobials to be reserved for use by humans. The European Medicines Agency (EMA) was [mandated](#) to draft a proposal for a list of antibiotics reserved for human medicine based on these criteria. In February 2023, the EC published [Delegated Act 2023/905](#) implementing Article 118 of the Regulation imposing limitations on the use of antibiotics for animals in the EU, that will also apply to operators in third countries. For more information, please see GAIN Report: [Delegated Act Published for Article 118 of the EU Veterinary Medicinal Products Regulation](#).

New EU Animal Welfare Legislative Roadmap

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. The report describes patterns in the European transport of animals and possible avenues for improved animal welfare. On January 21, 2022, the public consultation ended on the EU's [Animal Welfare Inception](#)

[Impact Assessment](#). This impact assessment marks the beginning of an EU revision of its animal welfare legislation, which is one of the goals of the EU's Farm to Fork (F2F) strategy. The proposal is expected for September 2023 and will likely expand existing regulations for animal welfare during transport, at the farm level and at slaughter. A renewed [Animal Welfare Platform](#) was installed in May 2021 as an advisory body to inform the EC on these proposals. New initiatives for animal welfare labeling are also being discussed by the subgroup on animal welfare labeling.

African Swine Fever (ASF) Situation Update

After its initial introduction in Poland and Lithuania in 2014, ASF continued its spread across Central European MSs. In 2023, 14 EU MSs found ASF in wild boar and 10 in domestic pigs, leaving little hope for the ASF situation in the EU to improve anytime soon. Backyard farming plays a significant role in the spread of ASF. 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

The EC has long resisted taking exceptional market measures for the pork market, despite repeated pleas from affected MSs, but eventually a [Private Storage Aid \(PSA\) scheme](#) was opened from the end of March 2022 through the end of April. PSA contracts were concluded for some 46,000 MT PW with contract periods varying from 60 till 150 days of storage. The highest volumes were contracted from the Netherlands, followed by Denmark, Germany, and Spain. The PSA scheme has not yet been renewed for 2023.

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 collaboration among the following EU FAS colleagues:

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Andreja Misir from FAS Zagreb covering Croatia
Antonia Rudolf from FAS Berlin covering Germany
Carmen Valverde from FAS Madrid covering Portugal and Spain

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>).

Technical Note:

The definition of Carcass Weight Equivalent/Product Weight Equivalent remains the same. All quantities (beef and pork) are reported 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

Recent Livestock Related GAIN Reports from FAS Posts in Europe:

| Country | Title | Date |
|------------------------|--|----------|
| Spain | Spanish Swine and Pork Production Driven Down by Lower Exports and Animal Welfare Regulations | 09/09/23 |
| Bosnia and Herzegovina | Veterinary Authorities Report First Outbreak of ASF in Bosnia and Herzegovina | 07/06/23 |
| Spain | Spanish Cattle Production May Decline Driven by Reduction of Exports and Drought | 06/05/23 |
| EU | Dairy and Products Semi-annual | 05/22/23 |
| Poland | Poland Waives Certain Biosecurity Requirements for Backyard Pig Farms | 05/19/23 |
| Poland | First Polish Pig Farm Tested ASF-positive in 2023 | 04/19/23 |
| Poland | Proposed Amendment to Animal Protection Rules in Poland | 04/05/23 |
| EU | Livestock and Products Semi-annual | 03/03/23 |
| EU | US Beef Imports into the EU High Quality Beef Quota Increased in 2022 | 03/01/23 |
| EU | Draft Commission Delegated Regulation Implementing Article 118 of the EU Veterinary Medicinal Products Regulation Available for Feedback | 12/15/22 |
| Bulgaria | Bulgaria- Livestock and Products Annual | 12/12/22 |
| Romania | Romanian Swine Herd Continues Sliding | 12/09/22 |
| Denmark | Ban on Keeping Mink to Be Lifted at End of Year | 10/17/22 |
| Netherlands | Nitrogen Report Delivered to the Dutch Government | 10/14/22 |
| EU | European Food Safety Authority Updates Recommendations for Transport of Farm Animals | 10/06/22 |
| EU | Livestock and Products Annual | 09/14/22 |
| Netherlands | Dutch Minister of Agriculture Nature and Food Quality Resigns | 09/07/22 |
| EU | High Quality Beef Quota Year 2021-2022 Ends Positively for US Beef Exports | 07/29/22 |
| Netherlands | Dutch Farmer Protests Against New Nitrogen Emissions Reductions Policies | 07/27/22 |
| EU | Updated Comparison of EU Tariff Rate Quotas for High Quality Bovine Meat | 07/01/22 |
| Netherlands | Concept of a Meat Tax Under Discussion in the Netherlands | 06/29/22 |
| Poland | After a Five-Month Hiatus African Swine Fever Outbreaks Return in June | 06/27/22 |

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| EU | European Commission Opens Feedback Period on List of Antimicrobials Reserved for Human Medicine | 04/22/22 |
| EU | Livestock and Products Semi-annual 2022 | 03/02/22 |
| EU | European Food Safety Authority Opens Public Consultation on Animal Welfare Guidance Methodology | 02/16/22 |
| Spain | High Input Prices Limit Expansion of Spanish Meat Production | 02/11/22 |
| EU | US Beef Imports into the EU Remained Subdued Throughout 2021 | 02/17/22 |
| Portugal | Livestock Works to Improve Meat Self-Sufficiency to Meet Demand | 01/27/22 |
| EU | EU Commission Proposes Rules to Curb Deforestation Linked to Agricultural Production | 01/25/22 |

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

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

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Attachments:

No Attachments