



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Scheduled Report - public distribution

Date: 8/11/1998

GAIN Report #AU8036

Austria

Livestock

Livestock, Annual

1998

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Report Highlights:

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Vienna [AU1], AU

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Executive Summary

In 1997, cattle inventories continued to see a drop. The low prices of recent years which lasted far into 1997, should result in a continuation of production and inventory decline in 1998. Due to the pessimistic mood of cattle producers, a slight production and inventory decline may again take place in 1999 despite already considerably improved prices.

As a consequence of declining cattle production, meat output will continue to drop in 1998 and probably 1999. For the same reason, exports will also decline. Beef consumption, which decreased in 1997, is expected to drop slightly or stagnate in 1998 and 1999.

Due to the EU hormone regulation, beef imports from the U.S. will remain marginal.

Stimulated by high producer prices due to the BSE affair and the hog epidemic in the Netherlands and Belgium, hog production and inventories continued to rise in 1997. Despite a considerable price drop, hog production is expected to increase again in 1998. Adjustment to the new market situation may take place as late as 2000. Pork consumption should rise slightly. At the same time, the higher slaughter rate should result in reduced imports and increased exports.

Average rate of exchange: \$ 1 = AS 12.20 in 1997
AS 12.71 in the first half of 1998

Animal Numbers, Cattle

PSD Table						
Country:						
Commodity:						
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin						
Total Cattle Beg. Stks	0	2272	0	2197	0	2164
Dairy Cows Beg. Stocks	0	698	0	685	0	678
Beef Cows Beg. Stocks	0	8	0	8	0	9
Production (Calf Crop)	0	774	0	760	0	748
Intra EC Imports	0	25	0	18	0	17
Other Imports	0	2	0	2	0	1
TOTAL Imports	0	27	0	20	0	18
TOTAL SUPPLY	0	3073	0	2977	0	2930
Intra EC Exports	0	126	0	120	0	115
Other Exports	0	15	0	6	0	5
TOTAL Exports	0	141	0	126	0	120
Cow Slaughter	0	178	0	166	0	160
Calf Slaughter	0	149	0	142	0	140
Other Slaughter	0	408	0	406	0	400
Total Slaughter	0	735	0	714	0	700
Loss	0	0	0	0	0	0
Ending Inventories	0	2197	0	2137	0	2110
TOTAL DISTRIBUTION	0	3073	0	2977	0	2930
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Production

General

In 1997, the number of cattle farmers dropped 3.2%, which is in line with the general decline in farm numbers. Due to the slight improvement of the income situation of cattle farmers, the concentration process in this sector slowed. As cattle prices show an upward trend, the number of cattle farms should decline more moderately in 1998 and 1999. This assumption is hardened by the fact that the structural cleansing process in 1996 was particularly strong.

In general, Austrian cattle producers operate combined farms which have an average cattle of 20.4 head/farm. Concentration will continue in the long term. However, it is limited by the Livestock Regulation Act which includes a cap on per-farm livestock holdings.

Production Factors

Inventories

Normally there is a 6 - 7 year cattle cycle. However, bad expectations before EU accession and the bad market situation after EU accession, caused one record inventory low after the other. In 1997, this process continued when inventories declined 2% compared to 1996.

The June 1998 count of 2.2 million head (-2.3%) of cattle indicates a further drop. With the exception of slaughter bulls (+11%) and slaughter heifers (+17%) which rose considerably, all cattle category numbers decreased.

The trend to reduced cattle inventories is expected to continue until 1999. This is confirmed by the drop in cow numbers (-2%) and the sharp decline in suckler cow numbers (-21%) in the first half of 1998. Due to the oversupply of milk in 1997/98, milk production has to be curbed in 1998/99 which requires a reduction in cow numbers. An increase in cattle inventories is not expected before 2000.

Prices

The decline in cattle prices which began with EU accession in January 1995, continued until May 1997. In February 1997, producer prices were still 10% below those of February 1996. The price recovery began in June 1997 (+1%) and in December 1997 they were already 12% above December 1996 prices. With AS 17.60/kg live weight, the average cattle price was 1% above that of 1996. The reduced market offer in the first 5 months of 1998 resulted in a further price rise (+7%). In May, the average producer price/kg live for bulls was AS 20.65 (+7%), cows 14.07 (+6%), and heifers AS 18.42 (+5%8). The average price of adult cattle was AS 18.42 (+7%). During the same month, prices of slaughter calves were 19% and of breeder calves 27% above those of May 1997. Since the market offer in Austria and other EU countries is declining, prices are expected to continue rising. This trend may last until 1999.

Slaughter Rate

The bad outlook after EU accession, declining demand and prices for beef, have prompted farmers to reduce cattle production. The lower cattle output resulted in reduced cattle slaughter (-4.5%). In January - May period of 1998, the cattle slaughter rate was particularly low compared to the same period in 1997 when farmers tried to sell as many bulls as possible to benefit from the expiring second bull premium. In the second half of 1998, the slaughter rate should come close to that of the same period of 1997. Due to the expected lower production, the slaughter rate should drop again in 1999.

Lighter cattle achieve a higher price because they are preferred by the trade, particularly Italian importers. In 1997, cattle were marketed for the second time with lower weights. The live weight of all cattle categories declined by 1.8% to an average of 617.2 kg. The average slaughter weight of bulls decreased to 359.1 kg, steers to 327.6 kg, cows 305.0 kg and heifers 283.6 kg. The average slaughter yield of all cattle categories except calves was 53.5%, up 0.1 percentage points from 1996.

The main reason for the weight decline was the farmers' interest in the expiring bull premium. Thus, many bulls were quickly sold although they had not yet achieved the intended weight. Since there is no reason for

quick sale, the average slaughter weight may rise somewhat in 1998.

Feed

Sufficient rains in the spring 1998 should have resulted in an excellent output for the first hay cutting. In some areas, the hay quality suffered because of frequent rains during the cutting period. Due to sufficient rains so far, prospects for the second hay cutting are good. Thus, no hay shortage is expected. In addition, sufficient feed grains from the domestic harvest will be available.

In June 1998, the price for feed barley (AS 1,470/MT, Vienna stock exchange) dropped 13.5%, and for feed corn (AS 1,680/MT) 13.5%, compared to June of 1997.

Domestic oilseed/pulse production is relatively small; thus, imports of large quantities of soybean meal will continue in 1998 and 1999. In July 1998 the price of soybean meal (bulk, 44% protein, from German mills) declined to AS 2,950/MT (-25%), compared to July 1997.

Production Mix

In Austria there are numerous slaughter/cutting plants ranging from small enterprises with a few laborers to large, up-to-date facilities. They are owned by private persons, cooperatives and cities. About 50 of them are EU approved. As in other segments of the food industry, considerable changes are taking place in the meat plant sector. Due to EU membership, slaughter houses have to become more competitive, which has led to separations and mergers, buying and selling of plants and increased investments in recent years. Nevertheless, the concentration process continues.

Presently, household/on-farm slaughtering accounts for only 1% of total cattle and hog slaughter. Products from household slaughter may not be sold, but used only by the family. In all slaughter plants, official veterinarians have to check animals and certain meat parts/offals.

Due to the rising size of the Islamic community, some plants have been approved for halal slaughter. There is one plant where kosher slaughter is carried out. In certain sections of this establishment, cattle are slaughtered under the supervision of a rabbi.

According to veterinary authorities, there are 36 public and 31 private cold storage plants.

As with slaughter/cutting plants, most Austrian processing plants are small compared to the EU average. They are owned by special meat processing companies, cooperatives or belong to food chains which produce their own brands. Around 30 meat processing plants are eligible to export cattle and swine products to the European Economic Area (EEA).

Production Technology

The application of growth hormones in livestock is forbidden. Random sample tests for hormones are carried out according to EU regulation. The inclusion of certain antibiotics not used in medicine is permitted in feeds.

Beef cattle breeding is gaining importance although the number of this cattle type is still low. Since 1992, there have been special beef cattle breeder organizations in each Austrian province. At the beginning of 1997, there were 734 breeders with 4,900 registered cows. The main breed is the Scottish Highland followed by Limousine, Angus, Galloway, Charolais, Blonde d'Aquitaine, and Luing. Scottish Highland, Galloway, and Angus are bred in Austria and used as pure breeds. Blue White Belgians, Charolais and Limousine are mainly imported and cross bred with Simmental. Blue White Belgian cross breeds grow faster than non-beef cattle but receive the normal price. However, Scottish Highland, Galloway, Angus etc. achieve a higher price. Meat from these cattle is usually directly sold by farmers.

Trade

The import of breeder cattle has always been small. In 1997, 2,700 head (+6%), practically all from Germany, were brought into the country. Also for slaughter cattle and dairy cows, Germany was the predominant supplier.

In 1998, imports of live animals should decline considerably as Austrian farmers are reducing cattle stocks. In the January - April period of 1998, import numbers dropped 42%. This trend should last until 1999.

In line with the inventory reduction was the export rise in 1997 (+11%). However, the 1998 exports are expected to decline, as in almost all other EU countries, Austria's predominant outlets, an inventory reduction will also take place.

In the January - April period exports decreased by 22%. Lower production and lower demand by other member countries should prolong the export decline into 1999. As in previous years, Italy should be the primary outlet with Germany a distant second.

Import Trade Matrix		Animal Numbers		
Country:			Units:	1000 HEAD
Commodity:			Partial Begin:	Jan
			Partial End:	April
Exports for	1996	1997	1997	1998
	Full	Full	Partial	Partial
U.S.	0	0	0	0
Others				
Germany	13	23		
Italy		1		
Netherlands		1		
Poland		1		

All countries			4	2
Total for Others	13	26	4	2
Others not listed	1	1		
Grand Total	14	27	4	2

Export Trade Matrix		Animal Numbers		
Country:			Units:	1000 HEAD
Commodity:			Partial Begin:	Jan
			Partial End:	April
Exports for	1996	1997	1997	1998
	Full	Full	Partial	Partial
U.S.	0	0	0	0
Others				
Germany	35	40		
Italy	63	65		
France	1			
Spain	1			
Turkey	6			
Croatia	6	6		
Czech Republic	3	1		
Bosnia-Herzegovina	3	4		
Netherlands		16		
All countries			27	21
Total for Others	118	132	27	21
Others not listed	8	9		
Grand Total	126	141	27	21

Meat, Beef and Veal

PSD Table						
Country:	Austria			53.5%	<-Conversion factor for CWE	
Commodity:	Cattle					
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
Slaughter (Reference)	0	735	0	714	0	700
Beginning Stocks	0	11	0	14	0	12
Production	0	206	0	200	0	196
Intra EC Imports	0	11	0	7	0	4
Other Imports	0	3	0	1	0	1
TOTAL Imports	0	14	0	8	0	5
TOTAL SUPPLY	0	231	0	222	0	213
Intra EC Exports	0	46	0	42	0	40
Other Exports	0	12	0	10	0	6
TOTAL Exports	0	58	0	52	0	46
Human Dom. Consumption	0	159	0	158	0	158
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	0	159	0	158	0	158
Ending Stocks	0	14	0	12	0	9
TOTAL DISTRIBUTION	0	231	0	222	0	213
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Consumption

After the unexpected slight consumption rise in 1996, beef/veal consumption dropped in 1997. Combined consumption by the population and the food industry dropped by 1.9%. Per capita consumption decreased 2% to 19.6%.

Like the producer price, the consumer price for beef rose only slightly.

In 1998 and 1999, beef/veal consumption is expected to continue the long time declining trend although consumer prices are expected to rise only moderately. Although cattle producer prices rose significantly in the first 5 months of 1998, beef prices declined (-1%) compared to the same period of 1997. The decreased profit margin of the trade was probably more than offset by the higher profit margin of pork.

At the beginning of August 1998, a report of the Federal Chancery on hormones found in Austrian beef in Italy prompted a sharp drop in beef purchases. First hormone tests in Austria were negative and if these results are confirmed by a laboratory in the Netherlands, beef consumption should sooner or later return to the normal level.

Trade

Beef imports, which in the first year of EU accession jumped up, have leveled off. In 1997, imports rose by 9%; however, a considerable drop is expected in 1998. In the January - April period, imports were down 11% from the same period of 1997. Traditionally, the major share will come from Germany which supplies particularly the neighboring western Austrian provinces. Practically all beef imports are fresh/chilled.

Austria, a strong beef exporter, suffered export losses in 1997 (-8.3%). Due to lower demand by the traditional main outlets Italy and Germany, production drop and high Austrian prices, exports should decline in 1998. This is already indicated by an export drop of 36% in the first four months of 1998 compared to the same period of 1997. As in the previous years, exports intended for non-EU countries should only be 15 - 20% of total shipments.

The import stop by Italy due to the unconfirmed hormone findings lasted only about one week. However, a week of Italian import ban causes losses of AS 20 million to cattle producers and the meat industry.

Import Trade Matrix		Meat		
Country:			Units:	1000 MT CWE
Commodity:			Partial Begin:	Jan
			Partial End:	April
Exports for	1996	1997	1997	1998
	Full	Full	Partial	Partial
U.S.	0	0	0	0
Others				
Germany	8	8		
Netherlands	3	2		
Italy		1		

All countries			3	3
Total for Others	11	11	3	3
Others not listed	2	3		
Grand Total	13	14	3	3

Export Trade Matrix		Meat		
Country:			Units:	1000 MT CWE
Commodity:			Partial Begin:	Jan
			Partial End:	April
Exports for	1996	1997	1997	1998
	Full	Full	Partial	Partial
U.S.				
Others				
Germany	15	9		
Italy	26	23		
Netherlands	2	5		
France	4			
Croatia	7	1		
Czech Republic	1			
Bosnia-Herzegovina	1			
Russia	7	4		
Denmark		2		
All countries			20	13
Total for Others	63	44	20	13
Others not listed	1	14		
Grand Total	64	58	20	13

Policy

Production and Consumption Policy

To somewhat offset their income losses caused by low prices following the BSE affair, cattle breeders received AS 210 millions in 1997. In addition, cattle breeders received a “hard currency compensation payment” of AS 158 million. In 1998, no direct payments will be provided to cattle breeders apart from the regular EU premiums (AS 1,852 for bulls/steers and AS 2,492 for suckler cows).

Austrian farmer interests reject the Agenda 2000 proposal of the Commission because the planned price reduction will not be offset by the intended increase in direct payments. The expected income losses will be a particular problem for mountain farmers for whom cattle production is the main income source. Farmer representatives always emphasize that legal conditions (box size, animal welfare, hygiene, etc.) are more restrictive in Austria than in other EU countries and particularly third countries and thus higher production costs have to be considered.

Austria wants standards concerning animal welfare to be raised in all EU countries. In addition to the “directive on the welfare of livestock” (minimum standards), the Agricultural Minister wants a positive decision by the Council and quick implementation by all member countries on the “directive of the Council on additional animal welfare regulations for road vehicles for animal transportation of more than eight hours.” Austria also wants a more restrictive handling of export restitutions for livestock exports to third countries.

Trade Policy

Imports from third countries require import licenses. The importer has to apply at "Agricultural Market Austria", but the approval is given by Brussels. Beef imports within the North America quota (11,500 MT) are subject to an import duty of 20% ad valorem.

Marketing

Only U.S. high quality beef (USHQB) produced without hormones can enter the Austrian market, beef imports have decreased significantly after EU accession. In 1997, around 100 MT of USHQB, about the same volume as in 1996, came into the country. In 1998, the same quantity or slightly more will be imported.

At present, there is only one trader importing USHQB. He purchases all the beef through a wholesaler in the Netherlands because it is not possible to buy certain cuts of hormone free produced beef in the U.S. directly. Import prices in 1997 increased somewhat compared to 1996 but no price change is expected in 1998.

Due to increased activities (contacts, fairs, etc.) of this trader, sales and consequently imports of USHQB may rise slightly in 1998. In contrast to previous years, when tenderloins were primarily imported, rib eye, strip loin, and rib roast now constitute the major share of imports from the U.S. USHQB is in competition with Austrian beef and beef imported from Argentina, Brazil, and Uruguay which are about 15% cheaper. USHQB is mainly sold to higher class restaurants and some gourmet shops.

Animal Numbers, Swine

PSD Table						
Country:						
Commodity:						
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin						
TOTAL Beginning Stocks	0	3664	0	3680	0	3737
Sow Beginning Stocks	0	385	0	385	0	390
Production (Pig Crop)	0	5101	0	5170	0	5250
Intra EC Imports	0	164	0	210	0	85
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	164	0	210	0	85
TOTAL SUPPLY	0	8929	0	9060	0	9072
Intra EC Exports	0	87	0	60	0	60
Other Exports	0	2	0	3	0	2
TOTAL Exports	0	89	0	63	0	62
Sow Slaughter	0	105	0	110	0	130
OTHER SLAUGHTER	0	4995	0	5090	0	5080
Total Slaughter	0	5100	0	5200	0	5210
Loss	0	60	0	60	0	60
Ending Inventories	0	3680	0	3737	0	3740
TOTAL DISTRIBUTION	0	8929	0	9060	0	9072
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Production

General

Hog production is primarily carried out in eastern Austria where most of the grains are grown. As in other agricultural branches, many swine producers are giving up their business. Despite high swine prices, the number of swine producers declined to 100,500 (-4%) in 1997. The low hog prices in 1998 and probably 1999 are expected to accelerate the concentration process.

Production Factors

Inventory

High prices after the BSE crisis and in 1997 stepped up hog production considerably in 1997. For this reason and due to the slightly reduced slaughter rate rise, swine inventories increased. A considerable production expansion in 1998 should again result in higher inventory numbers. At the end of the first trimester, the total swine numbers rose to 3.75 million head, up 3.3% from April 1997. The increase is noted for all age classes. The number of pregnant sows increased 1.7%; however, the number of other breeder sows also increased. The production expansion is still a consequence of the good prices of 1997.

Slaughter Rate

The intended stock increase caused a slight drop in the 1997 slaughter rate (-0.5%). However, the lower slaughter number was more than offset by higher weights. The average slaughter weight of all hogs categories rose to 93 kg (+1%) but that of breeder sows rose by 1.8% indicating longer use of sows. As a consequence of the higher slaughter weight, meat yield rose to 80.3% which stepped up total pork production by 0.5% compared to 1996.

Due to the expected production rise, the slaughter rate should also increase. In the January - May period of 1998, the slaughter rate rose 3% compared to the same period of 1997. The higher slaughter rate should reach far into 1999 which may result in a pork output rise by 2% in 1998.

Producer Prices

In the spring of 1996 producer prices were pushed up by the BSE affair and in spring 1997 by the reduced market offer due to the hog cholera in Belgium and the Netherlands. At AS 27.70, prices peaked in May 1997. The average 1997 producer price was AS 22.85/kg, up 4% from 1996.

Since pork from Belgium and the Netherlands is again on the market and competition by other EU countries is strong, prices have soared. In the first 3 months of 1998, the average price was about 12% below that of the same period of 1997. As a consequence of the expected high production, prices will probably not improve.

Trade

Import Trade Matrix		Animal Numbers		
Country:			Units:	1000 HEAD
Commodity:			Partial Begin:	Jan
			Partial End:	'April
Exports for	1996	1997	1997	1998
	Full	Full	Partial	Partial
U.S.				
Others				
Germany	149	139		
Netherlands	26	8		
Belgium	12	14		
France		3		
All countries			41	53
Total for Others	187	164	41	53
Others not listed				
Grand Total	187	164	41	53
Export Trade Matrix		Animal Numbers		
Country:			Units:	1000 HEAD
Commodity:			Partial Begin:	Jan
			Partial End:	April
Exports for	1996	1997	1997	1998
	Full	Full	Partial	Partial
U.S.				
Others				
Germany	95	44		
Italy	4	3		
Belgium	9	30		
Croatia	2	2		
Netherlands		10		

All countries			30	22
Total for Others	110	89	30	22
Others not listed				
Grand Total	110	89	30	22

Trade with live hogs and pork, which jumped up following EU accession, remains at a high level. In 1997, hog imports dropped due to less pressure from the Netherlands and Belgium. However, as these countries are back on the market, imports should rise in 1998. Nevertheless, the EU neighbor Germany will remain by far the strongest supplier.

Increased demand by the Netherlands and Belgium resulted in an export rise to these countries in 1997. However, total exports declined 9% in 1997 because of a sharp drop in supplies to Germany. According to export development in the first four months of 1998 (-26%), exports will decline significantly over the entire year.

Meat, Swine

PSD Table						
Country:	Austria				<-Conversion factor for CWE	
Commodity:	Swine					
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
Slaughter (Reference)	0	5100	0	5200	0	5210
Beginning Stocks	0	0	0	0	0	0
Production	0	474	0	484	0	486
Intra EC Imports	0	46	0	43	0	42
Other Imports	0	1	0	1	0	1
TOTAL Imports	0	47	0	44	0	43
TOTAL SUPPLY	0	521	0	528	0	529
Intra EC Exports	0	60	0	65	0	64
Other Exports	0	14	0	15	0	16

TOTAL Exports	0	74	0	80	0	80
Human Dom. Consumption	0	447	0	448	0	449
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	0	447	0	448	0	449
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	0	521	0	528	0	529
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Consumption

In 1996, human consumption and utilization by the food industry dropped to 446,000 MT (-3.1%). At the same time, per capita consumption decreased 3.3% to 55.3kg. Increased pork prices (+4.8%) and a consumer shift to poultry were probably the reasons for lower pork consumption.

In the first half of 1998, pork sales increased slightly. This trend should be confirmed by an expected drop in consumer prices. The sharp drop in producer prices should be forwarded to consumers at least in a moderate way.

According to the Statistical Central Office, Austrian per capita consumption of total meat is 97.5kg. However, of this quantity, only about two thirds actually go to human consumption. One third is used for pet food or are bones. With a share of around 59% of total meat consumption, pork is the most important meat in Austria.

Trade

Pork imports dropped slightly in 1997. Low domestic prices should cause a further import drop in 1998 and possibly in 1999.

The expected production rise will result in increased pork exports in 1998. Thus, Austria's net exports should grow considerably. The prime outlet countries for Austria's surplus pork will again be the neighboring EU countries Italy and Germany.

Besides Denmark, Austria is the only European country which fulfills the high Japanese veterinary requirements for exporting pork to this market. To use this possibility, several Austrian firms participated in the food show "Foodex" in Tokyo in February 1997. As a consequence of this marketing effort, during the January - April period of 1998, already around 20 MT were delivered to Japan. Additional quantities may follow. However, it is not expected that really large quantities will be shipped to Japan any time soon.

Import Trade Matrix		Meat		
Country:			Units:	1000 MT CWE
Commodity:			Partial Begin:	Jan
			Partial End:	'April
Exports for	1996	1997	1997	1998
	Full	Full	Partial	Partial
U.S.				
Others				
Germany	22	25		
Italy	6	6		
Netherlands	10	5		
Belgium	3	3		
France	3	3		
Hungary	2	3		
All countries			16	15
Total for Others	46	45	16	15
Others not listed	2	2		
Grand Total	48	47	16	15

Export Trade Matrix		Meat		
Country:			Units:	1000 MT CWE
Commodity:			Partial Begin:	Jan
			Partial End:	April
Exports for	1996	1997	1997	1998
	Full	Full	Partial	Partial
U.S.				
Others				
Germany	15	19		
Italy	21	25		
Switzerland	7	10		
Russia	5	0		
Czech Republic	2	0		
Croatia	1	2		
Slovenia	1	4		
Hungary	1	1		
Macedonia		2		
All countries			26	30
Total for Others	53	63	26	30
Others not listed	6	11		
Grand Total	59	74	26	30

Policy

Production and Consumption Policy

In order to moderate income losses of Austrian swine producers under EU conditions, declining premiums were intended for this sector. However, contrary to previous expectations, the “problem child” did very well due to the BSE affair and hog epidemic in competing countries. Thus, hog producers had to sacrifice some of their declining compensation payments for filling the financial gaps of other agriculture sectors. In July 1997, declining compensation payments to hog fatteners were suspended and the payments for breeder sows were reduced from AS 560 to AS 233/sow. Due to falling prices, in October 1997, declining compensation payments for fattening hogs were re-introduced with AS 32/head. Since January 1998 this payment has been reduced to AS 12/hog and to AS 210/breeder sow. Beginning January 1999, no declining compensation payments will be paid.

Agricultural economists regard the re-introduction of declining compensation payments for fattening hogs as

being wrong from the market-economical standpoint. They fear that better prices will result in a further production expansion instead of reduction.

Austria regards an EU-wide improvement of the situation of hogs in intensive barn systems as necessary. This requires modification of the relevant regulation. In general, the Agricultural Ministry regards animal welfare as needing to be in accordance with consumer wishes which must be fulfilled to maintain long-term sales of livestock products.

Trade Policy

After EU accession, the EU trade regime went into effect. Licenses for imports from third countries can be obtained by "Agricultural Market Austria".

The import duty (within the pork quota for third countries) for parts the U.S. is mainly interested in is as follows:

Boneless loins and hams	ECU 250\MT
Tenderloins	ECU 300/MT

Marketing

If U.S. pork is to be marketed in Austria, considerable market development efforts will be necessary. Consumers will have to be convinced that U.S. pork is of higher quality. To date, no U.S. pork has been sold in Austria.

There are no plans to promote U.S. pork in Austria.

