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Livestock Annual

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Report Highlights:

The size of the Belgian cattle herd continues to trend downward as a consequence of of the EU quota system. In spite of several documented cases of BSE in Belgium, beef consumption remains stable. Belgian live pig imports dropped significantly in 1997, due to the outbreak of classical swine fever in the Netherlands which adversely affected the supply of piglets.

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Executive Summary

The Belgian dairy cattle herd continues its downward trend, falling at an average annual rate of about 2% per year. The decline is attributable to a number of factors including an European Union (EU) limitation on milk production which has resulted in an increasing yield per cow, environmental concerns, and an EU system that encourages less intensive production. Profitability improved in the Belgian beef sector in 1997, due largely to improved market prices for cattle and EU subsidies. Live cattle imports dropped dramatically in 1997 falling 41% while exports fell 17%. The beef and veal export surplus continues to decline, due more to increasing imports than declining exports. Beef and veal imports were up 39% in 1997.

Bovine spongiform encephalopathy (BSE) continues to be a concern in Belgium among both producer and consumer groups. The first documented Belgian case of BSE was found in October 1997, and was followed just one month later by a second case in the Duchy of Luxembourg. The subsequent processing of the two infected carcasses into non-ruminant animal feed did little to instill confidence in the Belgian monitoring system for BSE. An additional three cases have been documented in Flanders, the northern part of Belgium. To date, the BSE outbreaks have not had a major long-term impact on beef consumption.

While the number of pig farms continues to decline at an average annual rate of approximately 4%, pig numbers increased 2.5% during the latter half of 1997. Profitability improved in 1997, due largely to higher prices for both breeders and fatteners as a result of the reduction of pig numbers in the Netherlands. However, the outlook for 1998 and 1999 is not as favourable as hog prices have dropped significantly during the first half of 1998. Hog fatteners can also expect higher costs in the future due to increasingly strict environmental regulations. Live swine imports dropped 40% in 1997, due mainly to the swine fever outbreak in the Netherlands which affected the supply of piglets. Belgian pork imports, which are almost entirely from other EU countries, jumped 8% in 1997 after falling more than 20% in 1996. In spite of the upturn, a gradual decrease can be expected in 1998 and beyond in view of production and consumption trends.

Belgium was not spared by the swine fever outbreak that swept the Netherlands. In 1997, a total of 101,364 pigs from 134 pig farms were destroyed at a total cost of 547 million Belgian Francs. Of the total cost, 54.3% was covered by the EU.

Production of hides and skins is decreasing slightly in line with the decline in the slaughter rate. Imports remain fairly stable. Domestic consumption of tallow and grease fell in 1997 due to an unfavourable price ratio with vegetable oils. Consumption is expected to trend back upward in 1998 as prices have come back down.

Meat, Beef and Veal

PSD Tables

Production, Supply and Demand for Cattle
(1,000 Head/1,000 MT CWE)

	1997		1998		1999	
	Old	New	Old	New	Old	New
Calendar Year Begin						
Total Cattle Beg. Stks	3077	3077	3001	2990	0	2920
Dairy Cows Beg. Stocks	675	662	654	652	0	642
Beef Cows Beg. Stocks	483	488	502	485	0	480
Production (Calf Crop)	1260	1252	1260	1230	0	1215
Intra EC Imports	128	108	120	110	0	105
Other Imports	0	0	0	0	0	0
TOTAL Imports	128	108	120	110	0	105
TOTAL SUPPLY	4465	4437	4381	4330	0	4240
Intra EC Exports	340	296	315	270	0	250
Other Exports	0	0	0	0	0	0
TOTAL Exports	340	296	315	270	0	250
Cow Slaughter	340	324	330	320	0	320
Calf Slaughter	282	320	280	315	0	310
Other Slaughter	400	391	390	390	0	390
Total Slaughter	1022	1035	1000	1025	0	1020
Loss	102	116	111	115	0	110
Ending Inventories	3001	2990	2955	2920	0	2860
TOTAL DISTRIBUTION	4465	4437	4381	4330	0	4240
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, Supply and Demand of Meat, Beef and Veal

(1,000 Metric Tons/Conversion Factor: 1.36 CWE)

	1997		1998		1999	
	Old	New	Old	New	Old	New
Calendar Year Begin	01/1997		01/1998		01/1999	
Slaughter (Reference)	1022	1035	1000	1025	0	1020
Beginning Stocks	8	8	10	5	0	4
Production	335	332	331	330	0	328
Intra EC Imports	29	41	23	37	0	39
Other Imports	2	2	2	2	0	2
TOTAL Imports	31	43	25	39	0	41
TOTAL SUPPLY	374	383	366	374	0	373
Intra EC Exports	95	116	95	115	0	115
Other Exports	39	41	42	37	0	37
TOTAL Exports	134	157	137	152	0	152
Human Dom. Consumption	220	218	220	218	0	218
Other Use, Losses	10	3	2	0	0	0
TOTAL Dom. Consumption	230	221	222	218	0	218
Ending Stocks	10	5	7	4	0	3
TOTAL DISTRIBUTION	374	383	366	374	0	373
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

- *Total Belgian dairy herd is declining*
- *Profitability of the beef sector improved in 1997*

The on-going replacement of dairy cows (which are decreasing in number because of the quota system) with beef (suckler) cows may have come to an end in 1997. While the number of beef cows is expected to stabilize in the coming years, the total cattle herd is expected to decline by about 2% a year due to the following:

- the EU limitation on milk production which has resulted in higher yields per cow;
- the E.U.-beef premium system which discourages intensive production;
- strict environmental regulations under the Flemish "Manure Decree" and,
- increasing demands placed on agricultural land for non-agricultural uses such as recreation.

Although the profitability of the beef sector improved in 1997 due to more favourable prices, the generally unfavourable economic climate in the cattle sector is reflected in decreasing compound feed sales; down 6.5% in 1996 and 8% in 1997. This, together with the use of more cereals in compound feed production, will likely have an adverse impact on the import of raw materials (such as soybeans) for the compound feed industry.

Carcass Weight

- Carcass weight trending downward

For the years 1984, 1994, 1996 and 1997, the average carcass weight for the various types of bovine animals in Belgium was as follows:

Average Carcass Weight in Belgium

(Unit: Kilos)

	1984	1994	1996	1997
Bullocks	368	396	386	371
Bulls	385	449	423	413
Cows	357	415	391	385
Heifers	365	421	384	376
Calves	132	161	164	151

Source: National Institute of Statistics

The decline in carcass weights is due to low market prices and the introduction of early slaughtering premiums (See "BSE and Beef Cattle Premiums"). Slaughter weights are expected to stabilize at roughly the 1997 level and remain at that level for the next several years due to the continuing beef crisis in Europe.

Consumption

- Home consumption of fresh beef is trending down while total beef consumption (included processed meat products) is stable

According to a recent survey of 3,000 households conducted by the Flemish Office for Agro-Marketing (VLAM), fresh beef consumption at home is trending downward. In 1997, home fresh beef consumption was 0.520 kg per head less than in 1996 and 2.155 kg per head less than in 1995.

Fresh Beef Consumption in Belgium

(Kilograms per Person)

1995	1996	1997
11.859	10.224	9.704

Source: VLAM (Flemish Office for Agro Marketing)

Although home consumption of fresh beef has been trending downward, "mixed" meat consumption (which includes beef) has been increasing. According to the VLAM survey, total beef consumption was 13.995 kilograms per person in 1997 versus 13.976 kilograms in 1996.

There was a temporary drop in Belgian beef consumption after the first case of BSE was reported. However, consumption has since rebounded to the pre-BSE level. In spite of the new BSE cases discovered this year, beef and veal consumption is not expected to drop appreciably as consumers seem resigned to accept the fact that not all risks, including BSE, can be eliminated. Nevertheless, a small percentage of consumers have quit eating meat all together and have become vegetarians. The number of “part-time” vegetarians who eat meat only once or twice a week has also increased.

Trade***--Cattle imports and exports fall in 1997 while beef and veal imports increase***

Cattle imports from France, the leading supplier in 1996 and 1997, consist mainly of male animals over 300 kg for slaughter (over 60% in 1997). Animals less than 80 kg (pure-bred breeding animals excluded) accounted for over half of the imports from the Netherlands in 1997 and over 80% of imports from Germany, the second and third largest suppliers, respectively. Imports from the United Kingdom fell to zero in 1997 because of the import ban due to the BSE situation.

Belgian exports of live animals fell 14% in 1997, due largely to a drop in exports to Netherlands which has long been an important destination for Belgian exports. Almost half of the animals exported to the Netherlands are 80 kg or less for use in the Dutch calf fattening industry. Cows for slaughter are the second main export animal to the Netherlands (15 percent). Exports to France, the second largest export destination in 1997, consist primarily of animals 80 kg or less and cows for slaughter, with each category accounting for about 30 percent of total exports. Italy and Germany are also important export destinations, however, the categories of animals exported to these markets are much more varied.

The beef and veal export surplus has been declining over the last four years at an average annual rate of about 3%. The decline is attributable to increasing imports (particularly from EU trade partners) rather than to decreasing exports. (Total exports have been stable for the last three years.) Imports from the United States, although small, are increasing rapidly in percentage terms. The single most striking development since 1995 is a decline in exports to France, compensated by an equally dramatic increase in exports to the Netherlands. These trends are expected to continue in the near term but at a slower pace.

Trade Matrices

Cattle Import Trade Matrix

(1,000 Head)

Belgium/Luxembourg	1996	1997
U.S.	0	0
Others:		
France	94	49
The Netherlands	32	29
Germany	41	25
Italy	0	0
The U.K.	9	0
Ireland	2	0
Spain	0	0
Other EU	0	2
Total for Others	178	105
Others not Listed	0	0
Grand Total	178	105

Source: Belgian Office of Foreign Trade

Cattle Export Trade Matrix

(1,000 Head)

Belgium/Luxembourg	1996	1997
U.S.	0	0
Others :		
France	84	72
The Netherlands	237	182
Germany	16	17
Italy	15	21
The U.K.	0	0
Ireland	0	0
Spain	2	2
Other EU	0	0
Total for Others	354	294
Others not Listed	0	0
Grand Total	354	294

Source: Belgian Office of Foreign Trade

Import Trade Matrix for Beef and Veal

(1,000 Metric Tons/PWE*)

Belgium/Lux.	1996	1997
U.S.	0	0
Others :		
France	7	11
The Netherlands	8	8
Germany	2	3
Italy	0	2
The U.K.	1	1
Ireland	0	2
Spain	0	1
Other EU	4	2
Total for Others	22	30
Others not listed	1	2
Grand Total	23	32

*Whenever necessary, conversion factor 1.36 was used to convert CWE into PWE (Product Weight Equivalent)

Export Trade Matrix for Beef and Veal

(1,000 Metric Tons/PWE*)

Belgium/Lux.	1996	1997
U.S.	0	0
Others :		
France	24	22
The Netherlands	27	32
Germany	11	11
The U.K.	0	1
Italy	0	6
Greece	0	6
Spain	0	3
Other EU	14	2
Total for Others	76	84
Others not listed	39	31
Grand Total	115	115

*Whenever necessary, conversion factor 1.36 was used to convert CWE into PWE (Product Weight Equivalent)

Source: Belgian Office of Foreign Trade

Prices

-Prices fall considerably during the last quarter of 1997

As can be seen from the prices table provided below, cattle prices (bullocks 55%) were about 1.5% lower in 1997 than in 1996. However, this does not reflect the price development in the beef sector as a whole. Prices for bullocks (60%), were higher in 1997 for virtually every month of the year as compared to 1996. The price difference was particularly significant (over 10%) during the last quarter.

Price Tables

Cattle Prices in Belgium and Luxembourg (Bullock 55%)

(Prices in Belgian Francs per 100 Kilogram Live Weight)

	1996	1997	% Change
Jan	6050	5875	-2.9%
Feb	6050	5850	-3.3%
Mar	6000	6000	0.0%
Apr	5830	5690	-2.4%
May	5750	5500	-4.3%
Jun	5750	5450	-5.2%
Jul	5750	5500	-4.3%
Aug	5675	5550	-2.2%
Sep	5650	6510	15.2%
Oct	5650	5700	0.9%
Nov	5650	5850	3.5%
Dec	5670	5850	3.2%

Exchange Rate: 37.5 BEF/USD

Date of Quote: 10-Jul-98

Source: Belgian Ministry of Agriculture

Cattle Prices in Belgium and Luxembourg (Bullock 60%)

(Prices in Belgian Francs per Metric Ton)

	1996	1997	% Change
Jan	64900	65750	1.3%
Feb	66500	67250	1.1%
Mar	66000	69000	4.5%
Apr	64300	66500	3.4%
May	63500	64500	1.6%
Jun	63520	64500	1.5%
Jul	63500	65000	2.4%
Aug	62750	65000	3.6%
Sep	62500	68700	9.9%
Oct	62500	69500	11.2%
Nov	62500	70500	12.8%
Dec	63106	71500	13.3%

Exchange Rate: 37.5 BEF/U.S.\$

Date of Quote: July 10, 1998

Source: CLE-CEA, Belgian Ministry of Agriculture

Prices of Meat in Belgium/Luxembourg
(Prices in Belgian Francs per 100 Kilogram Carcass Weight)

	1996	1997	% Change
Jan	107	104	-2.8%
Feb	105	105	0.0%
Mar	105	110	4.8%
Apr	103	111	7.8%
May	102	115	12.7%
Jun	98	114	16.3%
Jul	96	116	20.8%
Aug	96	115	19.8%
Sep	100	120	20.0%
Oct	100	121	21.0%
Nov	99	121	22.2%
Dec	102	119	16.7%

* Carcasses of bullocks, heifers and cows

Source & Contract Terms: Wholesale prices for higher grade carcasses of bullocks, heifers and cows at Anderlecht, Belgium.

Exchange Rate: 37.50 BEF/USD

Date of Quote: July 10, 1998

Policy

-Belgian authorities tighten controls on illegal hormone usage

-Belgian Ministry of Agriculture proposes changes to the SANITEL system to prevent fraud

In response to an increase in the use of illegal hormones in early 1997, Belgian authorities stepped up their efforts to discourage the illegal use of hormones in beef and veal production. The Belgian Government implemented an aggressive program on November 1, 1997 (retroactive to November 1996) stigmatising producers caught using illegal hormones. Under the program, bovine animals that test positive for illegal hormones are destroyed and the meat itself along with supporting documentation are branded with an "H" (for hormones) stamp for 12 months. Meat from the remaining bovines on the farm must be slaughtered at national slaughterhouses. In addition, animals on the farm must undergo regular testing at the farmers expense during the ensuing 12 month period. The new measure has apparently been effective as 84 farms have been branded with the "H" stamp (75 for abuses during the November 1, 1996-October 31, 1997 period and nine for the November 1, 1997 to April 30, 1998 period).

The Belgian measures currently in place to discourage illegal hormone usage are considered to be some of the toughest in Europe. Belgian measures prohibit the use of corticosteroids, which are reportedly permitted in the Netherlands and France. In addition, the percentage of animals tested in Belgium is significantly higher than the EU norm; a total of 14,330 animals in Belgium were tested versus the 2,660 required by the EU.

The Belgian Ministry of Agriculture recently proposed changes to the SANITEL system in order to prevent fraudulent practices. (The SANITEL system is a computerized tracking system that enables Belgian authorities to track the movement of livestock from birth to slaughter.) In spite of over 2,000 controls on farms, cattle markets, and slaughterhouses (whereby fraud is penalised by destroying the animals), Belgian authorities have not been able to control fraudulent practices. Under the proposed changes, a hair sample would be submitted as a genetic

“fingerprint” when the animal is initially registered under the SANITEL system. With this “fingerprint”, the identity of the animal could be determined at any point in time based on the genetic structure of the hair sample. The project is expected to be in operation as of January 1, 1999. The European pilot-project whereby chips are being implanted in the ears of one million bovines is considered, by some, to be less effective than the Belgian system. Farm organisations fear that costs to be born by the farmers will increase significantly from 110 BF/animal (SANITEL) to about 160 BF/animal (DNA databank) and have pleaded for a pilot project to test the effectiveness of the system before full-scale implementation.

Agenda 2000

- Belgian farm organization oppose changes proposed in Agenda 2000*
- If implemented, income losses for Belgian agriculture could reach 15%*

The Belgian Minister of Agriculture has expressed opposition to the Community Agricultural Policy (CAP) reforms as proposed in Agenda 2000. Under Agenda 2000, support prices for arable crops, beef and milk will be cut while direct payments will be increased to compensate for income losses. The major objective is to improve the competitiveness of EU agriculture on domestic and world markets and to reduce the risk of expensive and unsalable surpluses. While the Belgian Prime Minister has stated that adapting CAP reform is becoming inevitable, Agriculture Minister Pinxten has stated that the proposed premium scheme, particularly for dairy and beef cattle, would be disadvantageous for Belgian farmers and that income losses for Belgian agriculture would amount to 10 to 15%. According to the Boerenbond, Belgium's most influential farm organization, the value of agricultural production in Belgium would fall by 16.6 Belgian Francs, a 6.5% drop, if the proposal were implemented. The beef sector would be hardest hit followed by the dairy and cereals sectors. The livestock sector accounts for approximately 21% of Belgian agricultural output, followed by dairy at 15% and cereals at 4%.

Manure Decree

- Flemish farm organizations oppose changes proposed by Flemish Government*

On May 12, 1998 the Flemish Government announced that restrictions on manure and fertilization in environmentally sensitive areas, such as ecologically valuable farmland areas and bird habitats, will be tightened as of January 1, 1999. In addition, fertilization on farmland/grassland will no longer be permitted except for the natural excretion of a maximum of two "cattle-units" per hectare. The Boerenbond and ABS (the General Farmers Union) have criticized the new measures calling them more nature-oriented than environmentally-oriented and have requested a review of the proposed changes by the Government (which may be done as part of the overall review of the Flemish Manure Plan). If the measures are implemented, farmers hope to receive compensation for expected production losses and depreciation of farmland value. However, payments for production losses are opposed by environmentalists.

Manure Plan Under Review

- Restrictions on excess manure production expected to be tightened in order to meet EU environmental directives*

Manure surpluses at the farm level are a major environmental problem in Belgium because of the intensive nature of production, especially in the Flemish region. The Flemish Government passed the Manure Action Plan in 1991 to minimize the problem, partly by facilitating the transport of surplus manure to deficit regions. While the Action Plan has helped to attain a more uniform distribution of excess manure throughout Flanders, the Belgian authorities still face severe environmental concerns. In order to meet EU environmental directives, the Flemish Ministry of Environment is expected to reduce the spreading of manure on farmland. Among others, two alternatives being

considered are burning manure for fuel and, following the Dutch lead, a reduction in livestock numbers. In order to head off a potential mandatory reduction in livestock, the Belgian farm and agribusiness sector recently proposed an alternative Manure Plan. Described as "courageous" by the Belgian media, the plan features a licensing concept for new producers of (swine and poultry) manure and the processing of the manure.

B.S.E.

-According to an U.K. study which looked at imports of breeding cattle from the United Kingdom in the second half of the 1980s, a minimum of 17 BSE cases should be found in Belgium

Bovine Spongiform Encephalopathy (BSE or "mad cow" disease) continues to be a concern in Belgium among both producer and consumer groups. The first documented Belgian case of BSE was found in October 1997, and was followed just one month later by a second case in the Duchy of Luxembourg. The subsequent processing of the two infected carcasses into non-ruminant animal feed did nothing to instill confidence in the Belgian monitoring system for BSE. On March 10, 1998, a second BSE-case was discovered in Flanders, the northern part of Belgium. This was the first documented case in the Flemish region. Within a period of seven weeks, two additional cases were discovered in Flanders. The cattle herds on each of the three infected farms were entirely destroyed. The offspring of the BSE cows were traced through the Belgian SANITEL system and destroyed. In addition, the brains of all the animals older than two years were examined. Although authorities investigated the potential link between BSE and compound feed, no clear linkage was established. Instead, the case was termed a "sporadic" outbreak of BSE. However, many in the industry were unconvinced and pointed to the "coincidence" that all of the four BSE-infected cows found in Belgium were born during the first half of 1993. As it wasn't until 1994 that the Belgian Ministry of Agriculture, in response to an E.U.-directive, forbid the use of bonemeal for compound feed for ruminants, some believe that it is plausible that the animals were infected with BSE via compound feed. Finally, according to an U.K. study which looked at the Belgian import of breeding cattle from the United Kingdom in the second half of the 1980s, a minimum of 17 BSE cases be been found in Belgium. It is interesting to note that, before the first BSE-case was found in Belgium, cows with BSE-like symptoms, which are similar to rabies, were considered "rabies-mad" without further (brain) examination.

BSE and Beef Cattle Premiums

In addition to the traditional premiums in the beef cattle sector, the following premiums were granted to offset the BSE crisis:

- I. E.U. Regulation 1357/96
 - Dairy cow: 653 BF
 - Suckler cow: 1,419 BF
 - Total subsidy: 1.13 billion BF
- II. E.U. Regulation 2443/96
 - Early slaughtering of heifers: 74 million BF
 - Early slaughtering of male animals: 564 million BF
 - Abandoning beef production: 224 million BF
- III. E.U. Regulation 2222/96 and 2311/96
 - Early marketing of calves: 242 million BF

Hormone Seizure in Flanders

In December 1997, police raided a farm in Maldegem in East Flanders seizing 120 liters of anabolic products packaged in bottles, 70 kilos of basic products, namely Stanozol, used for the manufacture of hormones, and 250 liters of diluted products. The seized products would have enabled the manufacture of a "hormone cocktail" of about 2,000 liters. One liter of such a substance is enough to treat 300 animals. The quantity of the products discovered would have been sufficient to treat 600,000 bovines.

Meat, Swine**PSD Tables****Production, Supply and Demand for Swine**

(1,000 Head)

	1997		1998		1999	
	Old	New	Old	New	Old	New
Calendar Year Begin						
TOTAL Beginning Stocks	7108	7117	7100	7498	0	7417
Sow Beginning Stocks	725	733	720	754	0	745
Production (Pig Crop)	12250	12388	12000	12667	0	12516
Intra EC Imports	780	734	1000	750	0	718
Other Imports	7	8	5	2	0	2
TOTAL Imports	787	742	1005	752	0	720
TOTAL SUPPLY	20145	20247	20105	20917	0	20653
Intra EC Exports	555	561	600	600	0	650
Other Exports	0	0	0	0	0	0
TOTAL Exports	555	561	600	600	0	650
Sow Slaughter	8	7	7	7	0	7
OTHER SLAUGHTER	11250	11035	11250	11593	0	11493
Total Slaughter	11258	11042	11257	11600	0	11500
Loss	1232	1146	1198	1300	0	1250
Ending Inventories	7100	7498	7050	7417	0	7253
TOTAL DISTRIBUTION	20145	20247	20105	20917	0	20653
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, Supply and Demand for Pork

(1,000 Metric Tons/Conversion Factor: 1.36 for CWE)

PSD Table						
	1997		1998		1999	
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
Slaughter (Reference)	11258	11042	11257	11600	0	11500
Beginning Stocks	2	2	2	2	0	2
Production	1036	1029	1035	1050	0	1047
Intra EC Imports	67	79	65	60	0	65
Other Imports	0	0	0	0	0	0
TOTAL Imports	67	79	65	60	0	65
TOTAL SUPPLY	1105	1110	1102	1112	0	1114
Intra EC Exports	475	520	470	520	0	520
Other Exports	23	17	25	20	0	22
TOTAL Exports	498	537	495	540	0	542
Human Dom. Consumption	600	571	602	570	0	570
Other Use, Losses	5	0	3	0	0	0
TOTAL Dom. Consumption	605	571	605	570	0	570
Ending Stocks	2	2	2	2	0	2
TOTAL DISTRIBUTION	1105	1110	1102	1112	0	1114
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

While the number of pig farms continues to decline at an average annual rate of approximately 4%, pig numbers increased 2.5% between May and December 1997. The number of sows bred increased by 4% in 1997. Factors accounting for the increase include exceptional profitability in 1997 (even better than in 1996), due in part to higher prices for breeders and fatteners alike and a favourable live weight/feed price ratio. It seems clear that the reduction of the pig numbers in the Netherlands in 1997 (about 10 percent) and in Germany (about 2 percent) has been favourable for Belgian pig breeders and fatteners. However, the outlook for 1998 and 1999 is not as favourable. Hog prices have dropped significantly during the first half of 1998 and the present review of the Manure Plan may well result in stricter manure controls which means higher costs and a loss of competitiveness for producers vis a vis their competitors.

Inventory Swine Numbers (1,000 Head)

	05/1996	12/1996	05/1997	12/1997*
Pigs < 20 kg	2001	1918	2060	2026
Hogs 20 to 50 kg	1763	1762	1730	1806
Hogs 50 to 80 kg	1536	1545	1542	1631
Hogs 80 to 110 kg	1104	1073	1118	1219
Hogs > 110 kg	56	60	84	39
Boars	17	17	17	14
Sows, bred	547	542	550	563
Sows, unbred	195	190	194	194
Total	7225	7117	7313	7498

* provisional

Slaughter Rate

-Slaughter weight remains stable

The Average Hog Weight at Slaughter in Selected Years (Kilograms)

	Live weight	Carcass weight
1980	101	79
1990	113	90
1994	117	0.93
1995	115	92
1996	116	92
1997	115	92

Consumption

-Total pork consumption (including mixed meat) went up from 20.133 kg per person in 1996 to 20.613 kg in 1997

According to the VLAM survey, fresh pig meat consumption at home dropped from 14.080 kg per person in 1995, to 13.778 kg in 1996 and 13.109 kg in 1997. In the meantime, "mixed" meat consumption (mainly pig meat) went up. Total pork consumption (including mixed meat) went up from 20.133 kg per person in 1996 to 20.613 kg in 1997. It is unlikely that pork consumption will benefit from the BSE scare in Europe as consumers are seemingly becoming less enamoured with meat. A stabilization in consumption is more likely over the next several years.

After allocations of the different types of meat pigmeat consumption went up from 20.133 kg per head (1996) to 20.613 kg per head (1997). (1995 figures not available).

Trade

-The 40% drop in Belgian imports of live animals in 1997 is mainly due to the Classical Swine Fever outbreak in the Netherlands, which affected the supply of piglets

-Belgian pork imports, which are almost entirely from other EU countries, jumped 8% in 1997 after falling more than 20% in 1996

The 40% drop in Belgian imports of live animals in 1997 is mainly due to the Classical Swine Fever outbreak in the Netherlands, which affected the supply of piglets. Swine fever outbreaks in Germany also resulted in lower levels of piglet imports from that country, but to a much lesser extent. In contrast, more live pigs (mainly piglets) were imported from France in 1997. The overall decline in Belgian piglet imports can also be attributed to the increasing number of so-called "closed farms" in Belgium where breeding and fattening are done on the same farm. Such farms are encouraged, not only because they limit the movement of pigs between farms which reduces the potential for spread of the swine fever virus, but also because the manure output per farm (for the same labour input) is smaller.

Belgian pork imports, which are almost entirely from other EU countries, jumped 8% in 1997 after falling more than 20% in 1996. In spite of the upturn, a gradual decrease can be expected in 1998 and beyond in view of production and consumption trends. Exports to other EU markets have fallen over the past several years but are expected to stabilize at the current level, or slightly lower. In contrast, exports to third countries are expected to continue to expand further but at a lower growth rate (10 rather than 15%). The expected lower growth rate can be partly attributed to the economic climate in Southeast Asia. Since 1995, pork exports to Southeast Asia have been booming. Future exports levels to that region depend on changes in the economic situation.

Exports to Southeast Asia

(1000 MT)

1994	1995	1996	1997*
67	1506	2733	9799

* From January until end of August

Source: VLAM, Vlaams Dienst voor Agro-Marketing

Note: As can be seen from the above mentioned figures, the VLAM (Flemish Office for Agro-Marketing) has successfully promoted pigmeat in Southeast Asia where it has a permanent representative.

Export Refunds

In view of the unfavourable pig market situation in the EU in the first quarter of 1998, the EU Management Committee decided (May 10, 1998) to re-introduce export refunds for carcasses (20 ECU/1000 kg), parts (with bone) (20 ECU/100 kg) and bellies with bone (13 ECU/100 kg).

These refunds will certainly facilitate exports to Eastern Europe, but hardly to other third countries (such as South-East Asia) which are markets for boneless meat. It is nevertheless hoped that this measure will bring some relief on the both Belgian and EU internal markets. In a letter to the European Commission, the Belgian Boerenbond pointed out that further export aids are possible in the framework of the GATT agreement as neither the maximum support level nor the maximum quantity were exhausted last year.

Trade Matrices

Swine Import Trade Matrix

(1,000 Head)

Import Trade Matrix		Animal Numbers	
Country:		Belgium/Lux	
Commodity:		Swine	
Imports for		1996	1997
U.S.		0	0
Others :			
France		76	135
The Netherlands		836	155
Germany		418	378
The U.K.		13	36
Austria		0	18
Denmark		0	7
Ireland		0	3
Spain		1	1
Other EU		1	1
Total for Others		1345	734
Others not listed		0	8
Grand Total		1345	742

Swine Export Trade Matrix

(1,000 Head)

Export Trade Matrix		Animal Numbers	
Country:		Belgium/Lux	
Commodity:		Swine	
Exports for		1996	1997
U.S.		0	0
Others :			
France		71	39
The Netherlands		245	196
Germany		152	148
Italy		187	165
Austria		0	10
The U.K.		0	1
Spain		10	2
Other EU		13	0
Total for Others		678	561
Others not listed		1	0
Grand Total		679	561

Import Trade Matrix for Pork

(1,000 Metric Tons/PWE*)

Import Trade Matrix		Meat	
Country: Belgium-Luxemb.			
Commodity:		Swine	
Imports for		1996	1997
		Full	Full
U.S.		0	0
Others :			
France		16	15
The Netherlands		30	32
Germany		4	4
Italy		2	0
Spain		3	4
The U.K.		2	5
Denmark		0	4
Other EU		4	2
Total for Others		61	66
Others not listed		0	0
Grand Total		61	66

*Whenever necessary, conversion factor 1.36 was used to convert CWE into PWE.

Export Trade Matrix for Pork

(1,000 Metric Tons/PWE*)

Export Trade Matrix		Meat	
Country:		Belgium - Luxemb.	
Commodity:		Swine	
Exports for		1996	1997
U.S.		0	0
Others :			
France		69	46
The Netherlands		39	35
Germany		286	267
Italy		72	65
Spain		7	7
The U.K.		11	8
Greece		0	11
Portugal		0	3
Other EU		20	6
Total for Others		504	448
Others not listed		(a) 11	(b) 8
Grand Total		515	456

a) Russia: 4; Others 7;

b) South Korea:5; Japan:3;

*Whenever necessary, conversion factor 1.36 was used to convert CWE into PWE.

Policy

Swine Fever

-A total of 101, 364 pigs from 134 pig farms were destroyed at a total cost of 547 million Belgian Francs

Swine fever outbreaks in the Netherlands and Germany presented a real threat to the Belgian swine industry which has traditionally relied on the Netherlands for a steady supply of piglets. To meet the threat, the Belgian authorities instituted a number of preventive measures. However the threat became a reality on June 30, 1997 when swine fever was discovered in Belgium. Between June 30 and July 10, 1997, a total of eight farms were infected with the disease. The Belgian authorities mounted a major campaign that successfully prevented the spread of the disease. In 1997, a total of 101, 364 pigs from 134 pig farms were destroyed at a total cost of 547 Belgian Francs. Of the total cost, 54.3% was covered by the EU.

Marker Vaccines

In an EU Agricultural Council Meeting in April 1998, the Belgian Minister of Agriculture pleaded for selective use of marker vaccines for Classical Swine Fever. The debate was based on a Dutch memorandum drawn up in collaboration with Belgium, Germany and Spain. The development of marker vaccines against swine fever is reportedly in an advanced stage. From the debate, it appears that a number of member states (such as the United Kingdom and Denmark) are reluctant to accept the marker vaccines for the time being. The issue is important for the export of pork inside and outside the EU.

BSE & Pork

At a conference held in May 1998 organised by the Belgian Minister of Public Health on "BSE and meat safety", the issue of BSE transfer to pigs was debated after an article appeared in the journal "Nature". It was found that the potential transfer, although highly unlikely, can not be excluded. Belgium produces 160,000 metric tons of bonemeal that would have to be burned if use in animal feed were strictly forbidden. At this point, there is no serious discussion in Belgium of excluding animal bonemeal from feed for non-ruminants.

Prices

Belgium and Luxembourg: Swine Prices

(Half Fat Hogs/Live Weight)

(Prices in Belgian Francs per 100 Kilograms)

Year	1996	1997	% Change
Jan	4530	4650	2.6%
Feb	4625	4788	3.5%
Mar	4788	5130	7.1%
Apr	5035	6275	24.6%
May	5500	7050	28.2%
Jun	5850	5630	-3.8%
Jul	5900	5450	-7.6%
Aug	6013	5963	-0.8%
Sep	5815	6060	4.2%
Oct	5188	5475	5.5%
Nov	4525	5294	17.0%
Dec	4585	4585	0.0%

Exchange Rate: 37.50 BEF/USD

Date of Quote: July 10, 1998

Prices of Swine Meat

(Prices in Belgian Francs per 100 Kilograms/Carcasses, pork 2nd class)

Year	1996	1997	% Change
Jan	5455	5530	1.4%
Feb	5658	5750	1.6%
Mar	5831	6100	4.6%
Apr	6038	7495	24.1%
May	6695	8100	21.0%
Jun	6825	6850	0.4%
Jul	7125	6575	-7.7%
Aug	7200	7263	0.9%
Sep	6981	7200	3.1%
Oct	6125	6440	5.1%
Nov	5431	5975	10.0%
Dec	5588	5390	-3.5%

Exchange Rate: 37.50 BEF/USD

Date of Quote: July 10, 1998

Hides & Skins, Bovines

PSD Table

Production, Supply and Demand for Hides & Skins

PSD Table						
Country:		Belgium-Luxemb.				
Commodity:		Hides & Skins, Bovine				
	1997		1998		1999	
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
Beginning Stocks	24	24	23	16	0	15
Production In MT	34	33	33	33	0	32
Production In Pieces	992	1034	955	1025	0	1020
Intra EC Imports	18	16	18	16	0	16
Other Imports	2	2	2	5	0	6
TOTAL Imports	20	18	20	21	0	22
TOTAL SUPPLY	78	75	76	70	0	69
Intra EC Exports	31	33	30	30	0	28
Other Exports	9	11	9	10	0	10
TOTAL Exports	40	44	39	40	0	38
Domestic Consumption	15	15	15	15	0	15
Ending Stocks	23	16	22	15	0	16
TOTAL DISTRIBUTION	78	75	76	70	0	69
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 data are not available; production volume of bovine hides is calculated as a total carcass weight of bovine animals multiplied by 0.10.

Production

Production is decreasing slightly in line with the decline in the slaughter rate. This trend is expected to continue. Belgian processors and tanners concentrate on quality production and therefore prefer imported hides to hides from Belgian origin.

Trade

Imports from EU as well as from third countries tend to be fairly stable. However, in view of currency fluctuations, the import structure may change in 1998 and 1999. As a example, the devaluation of the Hungarian Forint may well enhance imports from Hungary. The same applies for other exporting countries with weaker currencies such as Norway.

Trade Matrices

Import Trade Matrix for Hides and Skins
 (Metric Tons)

Country	1997
U.S.	66
Others :	
France	3951
The Netherlands	2044
Germany	2687
The U.K.	1674
Ireland	3418
Spain	1263
Other EU	1114
Hungary	482
Russia	746
Total for Others	17379
Others not listed	686
Grand Total	18131

Export Trade Matrix for Hides and Skins
 (Metric Tons)

Country	1997
U.S.	242
Others :	
France	3287
The Netherlands	14943
Germany	1309
Italy	7569
The U.K.	5127
Other EU	1258
South Korea	4094
Hong Kong	3940
Total for Others	41527
Others not listed	1873
Grand Total	43642

Prices

Low wage countries like South Korea and Hong Kong increasingly import hides. For 1998 and 1999, the currency devaluations in South East Asia are not expected to be a major obstacle as the finished products (leather goods) have a significant added value and can still be exported at attractive prices.

Price Table

Whole Cattle Hide Prices on CIF Basis

(Prices in 1,000 Belgian Francs/MT)

	Total Imports	Imports from the EU	Exports to the U.S.	Total Exports
1993	86.2	87.9	58.2	86
1995	61.5	63.7	40.4	65.2
1997	68.6	69.9	41.5	72.9

Exchange Rate: 37.5 BEF/USD

Date of Quote: July 10, 1998

By Products, Tallow & Grease

PSD Table

Production, Supply and Demand Table for Tallow and Grease

PSD Table						
Country:		PSD Table				
Commodity:		By-Products, Tallow & Grease				
	1997		1998		1999	
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
Beginning Stocks	17	17	20	20	0	20
Production	23	23	23	23	0	22
Intra EC Imports	37	42	37	35	0	35
Other Imports	119	110	107	117	0	120
TOTAL Imports	156	152	144	152	0	155
TOTAL SUPPLY	196	192	187	195	0	197
Intra EC Exports	26	46	26	33	0	34
Other Exports	0	0	0	0	0	0
TOTAL Exports	26	46	26	33	0	34
Domestic Consumption	150	126	151	142	0	143
Ending Stocks	20	20	10	20	0	20
TOTAL DISTRIBUTION	196	192	187	195	0	197
Calendar Yr. Imp. from U.S.	0	11	0	13	0	15
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Production

Substitution by vegetable oils, although technically possible to only a limited extent, occurred in 1997 because of price differences between animal and vegetable oils. As a result, domestic consumption fell in 1997. For 1998, as animal fat prices have come down again to more traditional levels, consumption may increase again. We expect the same gradual development for 1999, although forecasting has become particularly difficult because of the uncertainties stemming from the BSE problem.

Trade

Imports from the U.S. fell by about 40 percent in 1997. According to a major Belgian processor that imported 90,000 metric tons in 1997, preference was given to Canadian tallow because of a more favorable price vis a vis U.S. tallow.

Trade Matrices

Import Trade Matrix Tallow & Grease
(Metric Tons)

Country	1997
U.S.	11,001
Others :	
France	19,953
The Netherlands	10,084
Germany	7,585
The U.K.	1,921
Ireland	1,590
Denmark	1,333
Canada	98,761
Total for Others	??
Others not listed	0
Grand Total	11,001

Export Trade Matrix Tallow & Grease
(Metric Tons)

Country	1997
U.S.	0
Others :	
France	21,096
The Netherlands	10,993
Germany	8,354
The U.K.	4,089
Spain	979
Denmark	603
Ireland	80
Total for Others	46,194
Others not listed	129
Grand Total	46,323

Policy

The deadline for the EU proposed ban on Specified Risk Materials (SRMs/brain spinal cord and eyes from cattle, sheep and goats over one year of age and spleens from sheep and goats of any age) which is intended to counter the spread of bovine spongiform encephalopathy (BSE), has been extended until January 1, 1999. Implementation of this ban would have a major restrictive impact on trade, including U.S. exports of tallow, tallow derivatives, gelatin, pharmaceuticals, cosmetics, and many food products. In May 1998, OIE (the recognized international animal health organization) issued new recommendations on BSE which may force the EU to alter its position regarding the definition of SRMs and re-examine rules for assessing the risk of materials. (Rather than receiving BSE-free status, countries will likely be designated as low, medium or high risk.)

In spite of the postponement, Belgium, along with some other EU member states, implemented the directive on February 1, 1998. (The ban does not apply to imports or to products such as tallow or gelatin.) Within the EU, and also within individual member states, there is no consensus on how far to go in defining SRM's. Belgium's Minister of Public Health is in favour of an enlargement of the notion of SRM, "even if this entails going beyond the current state of scientific knowledge, so as not to have to constantly modify the list of these materials and thus create uncertainty among consumers". However, not all members of the Government share his opinion.

There is also the question of which countries can be recognised as "BSE-free" or "low risk" countries. In view of the BSE cases in Belgium, it is possible that Belgium may have to forbid products such as T-bone steaks as early as January 1, 1999.

In the meantime, the market is clouded by uncertainty. As early as the fall of 1997, Belgian industrial tallow processors started buying more European tallow. In December, processors stepped up their purchases of Northern American tallow (mainly Canadian) in anticipation of the implementation of the EU directive. This contributed to a roughly 50% increase in tallow prices (from 15 BF/kilo to 23 BF/kilo for U.S. tallow, and up to 27 BF/kilo for European tallow) by the end of 1997. Although tallow prices have come down again to about 17.5 BF/kilo at present, future import levels depend largely on the outcome of the discussions within the EU on the expansion of the definition of SRMs and BSE status.