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The Netherlands

Livestock and Products

Livestock Sector is Declining

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Report Highlights:
The recent FMD crisis led to restricted exports, low prices and as a result reduced slaughtering and meat production. This situation stimulated a large number of pig farmers to sell their farms to the government. At the moment, the sector is lobbying to re-open export markets which have been closed since the FMD crisis. Imports of beef and pork have increased steadily during the past four years.

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Table of Contents

Cattle, Beef and Veal 1
Production 1
Consumption 1
Imports 1
Exports 1
Swine and Pork 2
Production 2
Consumption 2
Imports 2
Exports 2
Policy and Marketing 3
Environment 3
Quality and Marketing 3
Biotechnology 4
Veterinary Situation 4
BSE 4
FMD 4

Cattle, Beef and Veal

Production
The Dutch cattle herd declined steadily from 4.9 million in 1992 to 4.0 million head in 2001. The decline was limited in 2001, because farmers were reportedly holding their cattle as a result of the FMD restrictions on transport and low prices later in the year. Dutch calf production declined by 17 percent to 1.38 million head. The veal sector was most severely hit by the BSE and FMD crisis which led to a decline of consumption in foreign markets and restrictions on exports. Between Mid March and Mid May 2001, FMD outbreaks also hampered bovine slaughtering. Since restrictions were lifted, slaughtering only recovered partly, due to low cattle prices and high costs of BSE testing in The Netherlands. During 2001, slaughtering was reduced by 28 percent to 1.63 million head, while beef and veal production declined 23 percent to 364,000 MT. It is generally expected that slaughtering will catch up between the end of 2001 and the first months of 2002. The Agricultural Economic Institute (LEI) revealed that the annual income of dairy farmers will probably decrease from EURO 25,000 in 2000/2001 to EURO 22,500 in 2001/2002. The LEI expects that the annual income of veal farmers will decline from EURO 26,000 in 2000/2001 to EURO 17,000 in 2001/2002.

Consumption
Dutch beef consumption remained stable during the BSE crisis (see report NL0074). Beef and veal consumption reportedly increased slightly to 308,000 MT during 2001, mainly driven by sales of minced beef and snacks.

Imports
In 2001, the import value of beef and veal, (including live animals), declined by 17 percent to EURO 0.65 billion mainly as a result of lower prices. During 2001, imports of cattle declined by 56 percent to 296,000 head due to the high costs of BSE testing in The Netherlands. Beef and veal imports increased from both EU member states and third countries by 16 percent to 228,000 MT especially from Germany and Brazil.

Exports
During 2001, exports of live cattle and beef and veal were negatively affected by the BSE and FDM crisis and dropped 30 percent to EURO 0.9 billion. From mid March to mid April, exports of meat and dairy products were halted due to the FMD outbreak in The Netherlands. Important third country export destinations for Dutch live cattle are still closed. Another constraint is the maximum retention time at transit locations, 6 and 30 hours for cattle destined to and outside the EU, respectively. In 2001, Dutch cattle exports dropped 80 percent to 45,000 head. Dutch beef and veal exports were reduced by 26 percent to 268,000 MT. During the first half of 2001, Dutch beef exports to Russia nearly doubled while exports to Egypt were halted. The Product Boards for Livestock, Meat and Eggs expect that beef exports to Egypt will resume in the near future. There is reportedly, an agreement with the Egyptian authorities to lift the import ban on Dutch veal. At the moment, the Dutch Product Board and Dutch veterinarians are in discussions with authorities of several countries in Northern Africa and the Middle East.

Swine and Pork

Production
In 2000, the Dutch Minister of Agriculture, Laurens Brinkhorst, introduced a program by which subsidies are given to pig and poultry farmers who are closing down their farms. A large number of farmers used the opportunity to sell their farms. The CBS reported a considerable decline of pig stocks from 13.0 million in August 2000 to 12.6 million animals in August 2001. In 2001, Dutch pig production declined more than 10 percent to 20.3 million piglets. As a consequence of the purchase program, a drop of in production is forecast to 18.0 million in 2003. Pig stocks will decline by about 1 million animals to 11.5 million. Because of transport restrictions during the FMD crisis and a higher price paid to farmers in Germany, Dutch slaughterings declined by nearly 14 percent to only 16 million hogs. Consequently, Dutch pork production declined 10 percent to 1.46 million MT. In October 2001, Dutch slaughterhouses reached an agreement to reduce their capacity from 21.5 million to less than 18.0 million. The reorganization, planned between 2001 and 2005, will cost about EURO 56 million. The EC is reportedly examining the reorganization plans for inconsistences regarding EU free competition regulations. From 1998, the financial position of a large number of pig farms deteriorated. The LEI expects that the annual income will decline from EURO 33,000 in 2000/2001 to a negative income of EURO 2,000 in 2001/2002.

Consumption
Total pork consumption declined nearly 2 percent to 679,000 MT during the last year. This decline is clearly due to high pork prices in 2001. As a result of the BSE crisis, EU consumption shifted from beef to pork and poultry which led to a significant price increase for pork during the first half of 2001. Consumption of low priced pork products, minced pork products and snacks increased. The latest figures from the Product Board reveal a recovery of pork consumption during the last months of 2001 due to lower prices.

Imports
In 2001, import value of swine and pork, (including live animals), increased by 18 percent to EURO 0.32 billion partly as a result of high prices. During 2001, imports of piglets and slaughterhogs declined by 65 percent to 181,000 head mainly due to the FMD crisis. Dutch imports of pork meat increased steadily over the past five years. In 2001, Dutch pork meat imports increased 6 percent to 142,000 MT.

Exports
During 2001, the value of Dutch exports of swine and derived meat products increased 5 percent to EURO 2.27 billion. Since the end of May, after transport restrictions were lifted, exports of slaughterhogs and piglets surged due an oversupply in The Netherlands and a beneficial price difference. Over the whole year live swine exports decline by 2.5 percent to 4.53 million animals. Restrictions on long distance transport and the Aujeszky free status of Germany are threatening about 60 percent of Dutch piglet exports. The EC will reportedly prepare a proposal to limit the transport of live animals, excluding breeding animals, to 8 hours or 500 km. Both developments are expected in 2003/2004.

Lower demand after restrictions on Dutch pork exports were lifted, foreign demand for Dutch pork appeared to be weak. During the past year, Dutch pork exports declined nearly 14 percent to 921,000 MT. Demand was especially weak for pork derived from slaughterhogs which weight had become to high during the stop on transport and slaughtering. At the moment, Dutch bacon exports recovered to roughly the same level as during the record volume in 2000. A part of the UK bacon market is, however, reportedly taken over by Danish suppliers. The Dutch sector attempts to resume pork exports to Korea, Japan and the U.S. Dutch pork exports to the U.S. are terminated since the swine fever outbreak in 1997 conform the Veterinary Equivalency Agreement signed by both countries. During the first half of 2001, Dutch pork exports to Japan declined by 40 percent to 2,762 MT.

Policy and Marketing

Environment
To reduce the present manure surplus (21.5 million MT of phosphate), the Dutch government is allowing pig and poultry farmers to sell their farms to the government. The Dutch government contributes Euro 304 million for the purchase of phosphate producing rights. The Dutch Provinces finance Euro 508 million for the purchase of the farms. In November 2000, the Ministry of Agriculture ended the first round of the buy-out program. The second, and reportedly last purchase program by the Dutch government is regarded as a success by the Dutch MinAg. In total, including the first program, 5,482 intensive livestock farmers applied, representing about 450 hectares, producing about 20 million kg of phosphate. More than half of the phosphates produced were due to pigs. The Dutch Minister for Agriculture, Laurens Jan Brinkhorst, mentioned to the Parliament that the measures will most probably bring an end to the manure surplus in The Netherlands.

Quality and Marketing
The largest Dutch pork processor in The Netherlands cooperative, Dumeco, which accounts for 50 percent of the total slaughter production and has a turnover Euro 2.2 billion, will improve integration of their production, from research to slaughtering, processing and promotion. Dumeco is reportedly following the successful strategy of Danske Slagterier. The ultimate goal of the company is to be the largest meat supplier in Europe. Recently, Dumeco received a financial injection of nearly EURO 70 million for investments in The Netherlands, the UK, Germany, Italy, Spain and Hungary.

Production of organic beef has not been successful in The Netherlands. The main reason is the high land prices, about Euro 35,000 per hectare. During 2000, 5,800 head of organic cattle were slaughtered in The Netherlands compared to 5,100 in 1999. Good opportunities exist for imports of organic beef from Austria and Eastern European countries. About 2,300 head were imported from Austria. The number of organic milk cows is estimated to be about 40,000.

In January 2000, various organizations in the pig sector agreed to cooperate to expand the organic stock of pigs to a total of 470,000 in 2005. Currently, only about 0.6 percent of the pork supply is organic, about 23,000 head per year, produced by about 38 farmers. Major limitations in the growth of organic pork production are the high investment to switch from regular production and the small margin. The largest supermarket chain in The Netherlands, Ahold, announced to offer 15 percent of their pork assortment as organic by the year 2004. Supply of organic pork is guaranteed by an agreement with the meat processor Dumeco, and a Euro 1.8 million subsidy of the Dutch MinAg. The Ministry funds 30 percent of the additional costs made by farmers as a result of conversion to organic farming.

Biotechnology

In The Netherlands, most GM food ingredients have reportedly been eliminated from consumer foods and full acceptance of biotech foods by consumers is several years away. At the present time, the use of GM is primarily restricted to animal feeds, which has expanded due to the ban on meat and bone meal in feeds. On June 25, 2001, the first in a series of public forums or "debates" on "Biotech and Food", was initiated (see report NL1012 and NL1048). On January 9, 2002, the final report was presented which revealed an acceptance of GM food by Dutch consumers as long as there are clear benefits and strict conditions were met regarding labeling.

Veterinary Situation

BSE

Since 1997, twenty-nine cases of BSE have been discovered in The Netherlands, the latest on January 18, 2002. In addition, two Dutch cows with BSE were found in the UK. The Dutch cattle sector has been, relative to other EU member states, seriously affected by the BSE crisis due to the absence of intervention. In addition, a large percentage of Dutch beef production is exported to countries which closed their borders since the crisis.

FMD

Between March 21 - May 10, 2001, 26 cases of FMD were confirmed. Most of the cases were found in the East of the country in the provinces of Gelderland and Overijssel. By May 23, all vaccinated animals had been disposed of. The total number of farms which were culled is estimated to be 1,750. By the end of June, the final number of animals eliminated in the controlled areas was estimated at 266,155 head, of which: 92,706 were cattle, 118,360 pigs, 34,918 sheep, 8,519 goats, and 11,652 other animals.

Due to FMD outbreaks, exports of live cloven hoofed animals were prohibited until the end of May. During the first half of 2001, Dutch pork and veal exports declined by 45 percent and 37 percent, respectively. In September the EC imposed an intervention program which, however, did not improve the market situation. Only about 2,000 MT went into intervention reportedly due to restrictions on the weight of the calves and the late introduction of the program. The Netherlands Bureau for Economic Policy Analysis (CPB) estimates the total damage to the Dutch economy at US$ 1.1 billion (NLG 2.8 billion), for the agricultural sector US$ 0.5 billion (NLG 1.2 billion), for the supply and processing companies US$ 0.4 billion (NLG 1.1 billion) and for other sectors about US$ 0.2 billion (NLG 0.5 million). The CPB estimates the negative effect on the Dutch GDP at about minus 0.25 percent.