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Report Highlights:

EU beef intervention stocks are now empty. Pigmeat exports increased considerably in 1999.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

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Main sources of information include: European Commission (long-term prospects and DG Agri-beef unit), Eurostat (Jan-Oct 99 figures), Meat and Livestock Commission, Danske Slagterier, Vee, Vlees en Eieren Productschappen, Union Europeenne du Commerce du Betail et de la Viande, Breiz Europe

BEEF SUMMARY

EU beef production, like EU cattle numbers, decreased very slightly in 1999, given BSE measures withdrawing animals from the market. Beef production will, however, began to increase in 2000, as calf processing aid measures have been terminated and production decisions are no longer influenced by intervention stocks. However, the beginning of the new cycle production should be moderated by the counter-cyclical effects of Agenda 2000 measures.

Against all odds, EU intervention stocks are now at zero, from 500,000mt at the beginning of 1999. A strongly pursued policy of simultaneous tenders, together with food aid and favorable market conditions helped release large quantities within a year. As support prices have begun to go down following Agenda 2000 measures, it is unlikely that intervention will be resorted to in the near future.

EU beef consumption levels are still slowly growing and reached pre-BSE levels in 1999. This, however, is only a temporary interruption of the long-term declining trend of beef consumption.

Beef exports increased by 10 percent in 1999, following better export prospects and the food aid program to Russia and sustained by a weak euro. Export levels should be lower in 2000, following Uruguay Round commitments and stronger domestic prices.

Beef imports continue to increase slowly as some preferential schemes, mostly with ACP countries and CEECs, still leave room for growth.

Beef policy debates are dominated by enlargement issues and the financing of direct aid schemes for applicants and the beginning of Agenda 2000 implementation. A reformed labeling scheme is being put into place as well as an EU-wide BSE testing scheme.

CATTLE

PSD Table						
Country	European Union					
Commodity	Animal Numbers, Cattle				(1000 HEAD)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New

Market Year Begin		01/1999		01/2000		01/2001
Total Cattle Beg. Stks	82860	82860	82800	82229	0	82230
Dairy Cows Beg. Stocks	21650	21095	21600	21000	0	20900
Beef Cows Beg. Stocks	11700	11940	11750	12000	0	12100
Production (Calf Crop)	27300	28373	27300	28088	0	28100
Intra EC Imports	0	0	0	0	0	0
Other Imports	480	540	480	550	0	550
TOTAL Imports	480	540	480	550	0	550
TOTAL SUPPLY	110640	111773	110580	110867	0	110880
Intra EC Exports	0	0	0	0	0	0
Other Exports	230	308	230	300	0	300
TOTAL Exports	230	308	230	300	0	300
Cow Slaughter	0	0	0	0	0	0
Calf Slaughter	5297	5219	5350	5228	0	5250
Other Slaughter	22313	22516	22650	22623	0	22630
Total Slaughter	27610	27735	28000	27851	0	27880
Loss	0	1501	0	486	0	470
Ending Inventories	82800	82229	82350	82230	0	82230
TOTAL DISTRIBUTION	110640	111773	110580	110867	0	110880
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

The EU dairy herd keeps decreasing at a bigger rate than beef cattle. After several years of expansion, however, the EU beef herd is recording a small contraction. This reduction is mostly noticeable in Germany, but partly offset by bigger slaughterweights, in the Netherlands, given unfavorable practicalities in premia schemes, and Ireland, following increased cattle exports. Spain continues to increase beef production, taking advantage of its comparative labor cost advantage. The UK increases its herd as a result of the termination of calf processing aid schemes.

Cattle numbers Dec. 1999 and 1999/2000 gross indigenous production by member state (000 head)

	CATTLE NUMBERS	1999 PRODUCTION	2000 PRODUCTION
Total EU	82229	28373	28088
France	20196	7056	7055
Germany	14487	5079	4910
UK	11281	2271	2384
Italy	7357	3007	3036
Ireland	6708	2533	2382

Spain	6203	2576	2541
Netherlands	4097	1731	1700
Belgium	2956	1022	1014
Austria	2155	786	760
Denmark	1976	699	713
Sweden	1679	502	492
Portugal	1269	407	411
Finland	1068	372	367
Greece	590	279	261
Luxembourg	207	62	62

Source: European Commission

Cattle numbers by type of cattle Dec. 1999 (000 head)

Total EU	82229
Calves	24098
of which calves for slaughter	3845
Bovines between 1 and 2 years	17186
Bovines 2 years and older	40773
Cows	33035
of which dairy cows	21095

Source: European Commission

Cattle and calf slaughterings by member state (000head)

	1999	2000
Total EU	22516	22623
Germany	4094	4090
France	3755	3775
Italy	3400	3450
Spain	2540	2615

UK	2267	2390
Ireland	2000	1860
Netherlands	950	932
Austria	675	673
Denmark	653	648
Belgium/Luxembourg	605	622
Sweden	522	520
Portugal	380	376
Finland	365	365
Greece	310	307

Source: Meat and Livestock Commission

Export Trade Matrix	Units:MT
Country	European Union
Commodity	Animal Numbers, Cattle
Exports for:	1999
	Full
U.S.	0
Others	
Lebanon	105350
Algeria	11300
Egypt	10600
Morocco	8400
Bosnia	8250
Total for Others	143900
Others not Listed	24400
Grand Total	168300

Source: Eurostat

EU exports of cattle, mostly from Ireland to Lebanon increased by 45 percent in 1999 compared to 1998. Lebanon is

the main market for EU slaughter cattle. This growth offset reduced exports to other traditional destinations in the Middle East. Future EU exports of cattle are likely to be restricted by more stringent and better applied conditions on animal welfare during transportation.

EU cattle exports by member state 1999 (mt)

Total EU	168300
Germany	69350
Ireland	43400
France	29800
Other member states	25750

Source: Eurostat

Import Trade Matrix	Units:MT
Country	European Union
Commodity	Animal Numbers, Cattle
Imports from:	1999
	Full
U.S.	0
Others	
Poland	36800
Romania	14600
Czech Rep.	9800
Hungary	4500
Slovakia	2750
Total for Others	68450
Others not Listed	650
Grand Total	69100

Source: Eurostat

Imports of cattle into the EU increased in 1999, in line with slightly decreasing production and increased exports. Imports continue to take place entirely within the Association Agreement tariff quota.

EU cattle imports by member state 1999 (mt)

Total EU	69100
Italy	41460
Germany	16050
Greece	10600
Other member states	990

Source: Eurostat

BEEF**Production**

PSD Table						
Country	European Union					
Commodity	Meat, Beef and Veal				(1000 MT CWE)(1000 HEAD)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Slaughter (Reference)	27610	28373	27900	28088	0	27880
Beginning Stocks	100	514	300	70	0	0
Production	16670	7560	7650	7650	0	7750
Intra EC Imports	0	0	0	0	0	0
Other Imports	80	306	400	350	0	360
TOTAL Imports	80	306	400	350	0	360
TOTAL SUPPLY	16850	8380	8350	8070	0	8110
Intra EC Exports	0	0	0	0	0	0
Other Exports	800	721	750	700	0	700
TOTAL Exports	800	721	750	700	0	700
Human Dom. Consumption	16030	7280	7350	7300	0	7300
Other Use, Losses	20	309	150	70	0	110
TOTAL Dom. Consumption	16050	7589	7500	7370	0	7410
Ending Stocks	0	70	100	0	0	0
TOTAL DISTRIBUTION	16850	8380	8350	8070	0	8110
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

EU beef production slightly decreased in 1999. Beside being the last year of EU beef production's latest cycle, it also marked the last production cuts directly resulting from BSE measures. For example, the intake of animals under BSE measures progressively decreased under the Over Thirty Months Scheme. Also, calf processing aid schemes were terminated during the course of the year.

The calf processing schemes (Herod premium and early marketing scheme) took up 6.3 million animals from 1996 to 1999. In total, from the spring 1996 to the end of 1998 period, around 5.3 million animals (about 1 million ton of beef) were withdrawn from the market under BSE schemes. Over the 1999-2001 period, a further 2.3 million animals (880,000mt of beef) are assumed to be destroyed under the remaining BSE measures.

This year, with the beginning of a new production cycle and the end of production-reducing BSE measures, EU beef production has started growing again. Also, non-existing intervention stocks have eased pressure on EU production decisions and internal competition between intervention stocks for exports and non-intervention stocks has stopped. However, this growth is rather modest, as the dairy herd, which still constitutes a fairly important part of the beef market, still continues to decrease throughout the EU as yields are improving. Furthermore, the beef herd is also recording a small contraction, after years of expansion, particularly in the number of younger animals, which could indicate a lasting reduction trend. EU representative prices have stabilized at a good level, going up to 133 euro/100 kg from 123 euro/kg at the beginning of 1999.

Any future beef production cyclical movement should be moderated by Agenda 2000 measures which were meant to be counter-cyclical and control production variations. It remains to be seen whether 'outside quota' production will be unprofitable.

EU beef production by member state (000mt)

	1999	2000
Total EU	7560	7650
France	1585	1610
Germany	1340	1355
Italy	1143	1186
UK	664	695
Spain	650	675
Ireland	619	575
Netherlands	513	507
Belgium/Luxembourg	298	306
Austria	200	198
Denmark	160	158

Sweden	140	139
Portugal	91	90
Finland	88	88
Greece	69	69

Source: Meat and Livestock Commission

France, Germany, Italy, UK and Spain remain the five largest producers and their share of total EU beef production tends to increase, from 65% in 1998 to 71% in 1999 and 72% in 2000.

Intervention

One of the most striking events of the EU beef market in 1999 was the fairly rapid disposal of the large intervention stocks built up since 1996. An aggressive policy of continuous and simultaneous sales programs was pursued throughout the year to allow beef to be released for processing, for export, for the manufacture of mince and with no end-use specified. As a result, 500,000 mt cwe were sold by the end of 1999, leaving intervention stocks virtually empty, although the formal announcement that all quantities had been sold did not come until April 2000. Only 9,400mt were bought into intervention in 1999.

Breakdown of 1999 EU intervention sales by type of sale (000mt pw)

Total sales	392.6
Food aid to Russia	122
No end use specified	91
Processing	86.4
Export	78.9
Others	14.4

Source: European Commission

EU intervention sales were made up of 233,400mt of bone-in beef and 159,200mt of boneless beef. Germany accounted for 36 percent of sales out of intervention, mainly for export and food aid to Russia. The UK came second, with 22 percent of the sales, mainly for processing. Then came Ireland with 17 percent of the sales, followed by France with 14 percent.

Intervention is unlikely to be resorted to in the near future as EU beef prices are stable and support prices have begun to be gradually cut since April 2000.

Consumption

While past forecasts predicted that the EU would return to pre-BSE consumption levels around 2001, levels in 1999 were already within 1 percent of what they were before the BSE crisis. This, however, will not modify the long-term declining trend of beef consumption in the EU. Beef is still not perceived as either a healthy or convenient food. In its original Agenda 2000 proposals, the Commission had argued that the decrease of beef market prices resulting from the lowering of support prices would boost beef consumption and balance the EU market in view of falling exports. More recently, the same institution acknowledged that only a fraction of the price cut would likely be passed down to market levels and also that other meats would maintain their competitiveness following cereals price cuts had to be taken into account.

Per capita EU consumption reached 19.86kg in 1999 and is forecast at 19.76kg for 2000.

Identification schemes and promotional campaigns, as described in the policy section, are set up by EU authorities to boost consumer confidence in beef through guaranteed traceability.

Exports

Exports of beef from the EU progressed in 1999 compared to 1998, thanks to food aid (122,000mt pwe), releases from intervention specifically for exports (79mt pwe) and to restored market opportunities in Russia. Eastern Europe and Russia still account for 57 percent of all EU beef exports while the second destination area, i.e. the Near and Middle East, accounts for 31 percent of beef exports.

EU exports to Russia, still the largest destination country for EU beef, increased to 1997 export levels. The Philippines reappears as fourth destination market in 1999, with beef coming mostly from Ireland and the Netherlands. This successful attempt to boost exports to that destination was enabled by a switch in export refund categories.

Prospects for 2000 are weaker, in line with stabilized production levels, ensuing stronger domestic prices and lower export refunds, although their effect is somewhat offset by a weak euro. EU traders can also no longer count on cheap intervention supplies to support strong export levels. On the the other hand, Uruguay Round ceilings on subsidized volumes limit restitution possibilities, with unsubsidized exports remaining largely unfeasible. However Commission officials report that some quantities were exported to Russia in 1999/2000 without refunds. Export refunds were drastically reduced in December 1999 and May 2000. Export restitutions on beef currently stand at a much lower level than at the beginning of Uruguay Round implementation.

According to Commission officials, exports to Russia should be maintained at current levels in 2000 while exports to the Middle East are expected to stagnate.

Export Trade Matrix	Unit: mt pw
Country	European Union
Commodity	Meat, Beef and Veal

Exports for:	1999
	Full
U.S.	400
Others	
Russia	355450
Egypt	129050
Saudi Arabia	22700
Philippines	17100
Algeria	13100
South Africa	11000
Bulgaria	9700
Morocco	9400
Total for Others	567500
Others not Listed	153100
Grand Total	721000

Source: Eurostat

Mostly large EU exporters increased sales volumes to third countries in 1999, thanks mainly to food aid volumes and beef sold out of intervention under regular tenders. Germany, in particular, exported 43 percent more beef in 1999 than in 1998. Germany was the most active member state (90% of exports out of intervention) in exporting intervention beef. In addition to sales out of intervention, Ireland still takes advantage of its lowest EU beef prices. France, however, is reducing its share of total EU exports and seems to focus more and more on its domestic market. The four largest EU exporters now account for 81 percent of EU beef exports, versus 76 percent in 1998.

Beef exports from the EU are made up of 75 percent of meat (of which 10 percent fresh meat and 90 percent frozen meat), 19 percent of live animals, 3 percent of meat preparations and 2 percent of offals.

Subsidized exports are made up of 11 percent live animals, 47 percent chilled meat, 37 percent frozen meat and 4 percent preparations.

EU exports of beef by member state 1999 (mt)

Total EU	721000
Ireland	249150
Germany	186500
Netherlands	79150
France	68850
Italy	41950

Spain	34050
Denmark	30400
Austria	17300
Belgium	9600
Greece	1900
Sweden	1100
Finland	600
Portugal	250
UK	200
Luxembourg	1

Source: Eurostat

WTO beef subsidization commitments and use

000mt million euro	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/01
vol. ceiling	1137	1073.9	1010.9	947.8	884.6	821.7
volume used	1019.1	1177.4	947.2	721.7	880*	
value ceiling	1922.6	1788.7	1655	1521.2	1387.4	
value used	1506.5	1526.7	840.7	642.9		

*estimated from July 99-March 2000. Export licenses in July-December 99 were 30 percent over comparable periods in 98/99 and 10 percent under 98/99 levels for Jan-March 2000.

Imports

Beef imports into the EU continue to take place mostly under concessionary schemes, although Latin American countries managed to export approximately 40,000mt cwe of beef to the EU paying full duty rates in 1999/2000. Beef imports were fairly stable in 1999 and are likely to remain so in 2000. However, ACP countries and Europe agreements countries are improving the fill up rate of their beef import quotas. This, combined with zero intervention stocks and strong prices, could push up beef imports to some extent. ACP countries (Botswana, Swaziland, Namibia and Zimbabwe) exported 38,700mt of beef to the EU in 1999, versus 26,300 in 1998. As far as CEECs are concerned, Hungary, which has the second largest association agreement beef import quota (11,000mt), filled it up in 1999/2000, while it was only half filled the previous year.

Beef imports are expected to continue to take place mostly within tariff quotas, as only an limited quantity of mostly

Latin American beef has been imported in the 1999/2000 UR year outside the various EU concessionary import schemes.

Latin American countries remain the largest beef exporters to the EU, with 73 percent of the EU beef imports market. Brazil remains the largest exporter and even increased its market share, helped by improved competitiveness due to the devaluation of its currency. Half of imports from Brazil are made up of noble cuts under the High Quality Beef quota, while the other half is made up of meat preparations.

Import Trade Matrix	Unit: mt pw
Country	European Union
Commodity	Meat, Beef and Veal
Imports from :	1999
	Full
U.S.	4042
Others	
Brazil	130150
Argentina	66450
Uruguay	27550
Botswana	12550
Poland	10100
Namibia	9800
Australia	9500
Hungary	7950
Zimbabwe	7350
New Zealand	6100
Total for Others	287500
Others not Listed	14658
Grand Total	306200

Source: Eurostat

EU beef imports by member state 1999 (mt)

Total EU	306200
UK	105600
Germany	58600

Netherlands	41850
Italy	41550
Spain	17650
France	16400
Belgium	7450
Sweden	5200
Portugal	3950
Greece	3400
Austria	2150
Ireland	1200
Denmark	900
Finland	250
Luxembourg	50

Source: Eurostat

In 1999, the Netherlands became the third largest EU beef importer, instead of Italy, while Germany increased its imports by 11 percent, in line with increased exports and reduced production.

EU beef imports are made up of 52 percent of meat (of which 50 percent chilled and 50 percent frozen), 26 percent of preparations, 18 percent of live animals and 3 percent of offals.

Association Agreements quota fill-up rate 99/2000 (estimates)

Country	Available (mt) 99/2000	Allocations (mt)
Poland	11520	11520
Hungary	10920	10920
Czech Republic	6484	1220
Romania	5216	200
Slovakia	5040	0
Bulgaria	720	0

Source: European Commission

EU Tariff quotas under the Uruguay Round (mt)

Product	2000 TRQ Quantity	In-quota Duty	1998 Imports
Live bovine animals (other than for slaughter)	10,000 head	4-6%	10,000 head
Live bovine animals (for fattening)	169,000 head	16%+582E/1000kg/net	169,000 head
High Quality Beef	58,100	20%	53,426
Frozen beef (boneless)	53,000	20%	53,000
Frozen beef for processing (bone-in)	50,700	20%+ +994.5-2,138.4E/1000kg	50,700
Edible bovine offal	1,500	4%	1,500

Source: EU 2000 Trade Policy Monitoring Report

Policy

Agenda 2000

The full beef reform under Agenda 2000 is to occur in a three year transition period, from July 2000 to July 2002. Some Agenda 2000 implementation measures which entered into force in 2000 include:

- Council Regulation 1254/1999 on the common organization of the market in beef and veal
- Commission Regulation 2342/1999 laying down detailed rules for the application of Council Regulation 1254/1999 on the common organization of the market in beef and veal as regards premium schemes, amended by Commission Regulation 1042/2000
- Commission Regulation 2730/1999 introducing a transitional arrangement for the application of the special premium scheme for male bovine animals
- Commission Regulation 562/2000 laying down detailed rules for the application of Council Regulation 1254/1999 as regards the buying-in of beef
- Commission Regulation 907/2000 laying down detailed rules for the application of Council Regulation 1254/1999 as regards aid for private storage in the beef and veal sector

It is yet too early to determine to which extent Agenda 2000 measures will affect EU production trends. It was clearly meant to be a counter-cyclical scheme which should help stabilize beef production and rebalance domestic supply and demand. However, current favorable prices and increased premia theoretically could encourage 'above-quota' production.

The success of extensification schemes, which will not be fully implemented until the year 2002 is uncertain as well. Extensification premia are subject to a national ceiling, which could mean a lowering of premia if requests exceeds foreseen quantities, making the whole scheme less interesting financially for producers.

Enlargement

The first wave of EU applicant countries (Poland, Hungary, the Czech Republic, Slovenia, Estonia and Cyprus) all submitted position papers on agriculture in the last months of 1999. In April 2000, the Commission forwarded to the member states their recommended draft responses.

The Commission generally required from applicant countries a reassessment of reference periods for production quota, transition periods and implementation mechanisms. This was a response to many applicant countries' requests for significant transitional measures, in particular on SPS issues. In general, the Commission discouraged transitional periods but recognized they could be considered on a case-by-case basis. Most applicant countries stated they should be able to implement the *acquis communautaire* by the end of 2002.

Following are applicant countries's requests for beef aid ceilings (000head), based on their position papers:

	Slaughter premia	Special beef premia	Suckler Cow premia
Poland	3,038	2,200	1,500
Hungary	480	245	300
Czech Republic	-	305	230
Slovenia	-	-	-
Estonia	190	52	-
Cyprus	-	-	-

Furthermore, Poland asked that all remaining intervention stocks at the time of accession be taken over by the EU. Slovenia asked for derogation on individual premium rights until 2012 so that ongoing restructuring would not be abruptly interrupted.

CEECs beef production (000mt)

	Production 1999	Production 2006	Domestic use 1999	Consumption p.c. 1999
Poland	478	473	422	10.9
Romania	206	214	248	10.6
Czech Republic	121	105	121	11.8
Bulgaria	75	77	79	9.6
Lithuania	69	58	70	19

Hungary	63	69	61	6
Slovakia	55	53	55	10.2
Slovenia	49	48	46	23.2
Latvia	28	38	38	15.5
Estonia	19	18	21	14.5
TOTAL	1161	1153	1160	11.1

Source: European Commission

According to Commission forecasts, beef production in the CEECs, which is closely linked with dairy production, will follow the general decreasing pattern of dairy herds and fall by 0.7 percent until 2006. The eventual introduction of dairy quotas will only reinforce this trend. Two countries dominate beef production in Eastern Europe: Poland and Romania, accounting for 59 percent of CEECs production in 1999. Consumption is expected to grow slowly, from 11.1kg per capita in 1999, to 11.6 kg per capita in 2006, but CEECS will continue to be net importers of beef. Furthermore, the remaining gap between EU consumption rates and Eastern Europe, i.e. 8.7 kg per capita in 1999 and 7.8kg forecast for 2006, leaves room for increased demand.

Negotiations on agriculture with the first wave of applicant countries started in June 2000, with discussions revolving around access for new EU countries to direct aid payments and deadlines for full accession after implementation of EU *acquis communautaire*.

Beef labeling

As the deadline for mandatory beef labeling (January 1, 2000) came near, it was widely recognized that some member states would not have an operational computerized database for cattle, on which labeling requirements relied, in time to meet that deadline. A new regulation, replacing 820/97 on beef labeling, was approved by the Farm Council in April 2000. It will have to be approved by the European Parliament with the final version probably approved by the Council in July 2000. The Council approved version of the regulation breaks down labeling obligation into two phases:

-as of September 1, 2000, member states will have to indicate on the label down to retail level, the country of slaughter, country of cutting/deboning, the reference code of the animal and its category. This requirement is also applicable to minced beef.

-as of January 1, 2002, member states will have to indicate the country of birth, fattening and slaughter. This goes beyond the Commission proposal which foresaw that beef born, raised and slaughtered in an EU member state would just be labeled 'EC beef'.

In the Council approved version of the regulation, third country products would be labeled 'non EC beef' and would also mention the country of slaughter. If beef was born, raised, and slaughtered in the same third country, it could be labeled by country of origin.

Consequences of the labeling scheme could eventually lead to a renationalization of the beef industry , considerably reducing intra-EU trade.

Beef labeling promotion

Publicity programs for the EU system of beef and veal labeling were approved for the first time in April 2000, following a Commission regulation of April 1999 (890/99). The total budget amounts to 6.8 million euro. These promotional programs are meant, according to the Commission, to inform consumers of the safety guarantees that the system offers and increase confidence in the quality of beef. Fifteen projects, which will be 100% EU financed, will include a range of media, point-of-sale, and public relations components. They are designed to emphasize the particular consumer benefits and the Community-wide scope of the labeling system.

It will be interesting to see how EU promotion specialists will manage the apparent contradiction between the obligation to keep promotion generic (i.e. not refer to brands or national identity) and a labeling scheme which specifically refers to national rather than EU origin.

Quality beef and veal promotion

In January 2000, the European Commission adopted 14 action programs in 8 member states to promote and market quality beef and veal within the EU for the 1999/2000 marketing year. The total cost of these measures is 12 million euro, of which 60% is financed by the Commission. The marketing strategy varies according to member states but always revolves around three themes:

- reassuring consumers and increasing their confidence in the value of quality beef and veal
- guaranteeing the existence of independent checks at all stages from the production of quality meats from producer to consumer
- increasing the market share of quality beef and veal.

Hormones

On January 1, 1989, the European Union implemented a ban on imports of red meat from animals treated with 6 growth promotants, cutting off U.S. beef exports to the EU. A WTO dispute settlement panel case was launched by the United States and Canada in 1996. On February 13, 1998, the WTO dispute settlement body adopted the panel and appellate body report ruling that the EU ban was inconsistent with the principles of the SPS Agreement.

On July 12, 1999, WTO arbitrators determined that the EU beef ban resulted in a significant loss to U.S. beef exporters and that the United States is entitled to suspend tariff concessions covering EU trade in the amount of \$116.8 million per year. On July 19, 1999, the United States announced the final list of agricultural products (<http://www.ustr.gov/releases/1999/07/99-60.html>) from the EU on which the United States has imposed 100% ad valorem duties, effective July 29, 1999. The Trade and Development Act of 2000, enacted on June 18, requires USTR to revise this retaliation list every 180 days unless compliance with the WTO ruling is imminent or the affected U.S. industry affected agrees with USTR not to revise the list. The U.S. legislation which required the revised retaliation, known as "carousel", has been challenged by the EU. In July, the EU requested WTO

consultations on this issue.

In May 2000, the European Commission, following an EU scientific committee opinion, proposed to ban definitively the use of estradiol in farm animals both for growth promotion and therapeutic purposes and to maintain the current prohibition on growth promotion for the five other hormones on a provisional basis while it seeks more complete scientific information. The Commission states that this provisional ban would be in compliance with the ruling of the Appellate Body. More detailed information on the ongoing hormone dispute can be found on the USEU homepage (<http://www.useu.be/agri>)

Residues

On March 9, 2000, the Standing Veterinary Committee (SVC) voted to lift the proposed ban on imports of all U.S. meat products. This vote followed USDA's decision to facilitate temporary testing of residue samples required by the EU at an EU-accredited laboratory until the private North American lab tasked with implementing this program further expands its testing programs.

The United States operates a national residue program to verify that meat and poultry are safe. In addition, the United States performs tests for a series of additional substances imposed by the EU, even though it is believed that the additional testing program requirements are redundant to the U.S. regulatory system. An April 1999 EU audit report implied that there was a safety concern with U.S. red meat exports, which prompted a proposed ban on all U.S. red meat imports into the EU.

In response to the EU's audit report, the U.S. not only reinforced its residue program but also, as of October 1999, tightened control and oversight of its NHTC (Non Hormone Treated Cattle) program. The Agriculture Marketing Service (AMS) has been designated by the Food Safety and Inspection Service (FSIS) as the competent authority for providing certification of cattle producers and meat processors for the NHTC program. All farms, ranches, feedlots, packers, and processors who raise or process beef destined for shipment to the EU as non-hormone treated cattle must be audited, approved and listed by AMS in order to be eligible for export certification from FSIS.

As of the end of June 2000, product destined for the EU is still subjected to 100% testing by EU authorities.

Lists

Red meat and meat products imported into the EU have to come from an EU list of approved U.S. establishments (see paragraph above). The updated list can be found at <http://www.useu.be/AGRI/red.html#list>.

On January 25, 2000, the Standing Veterinary Committee (SVC) agreed to permit the Commission's Health and Consumer Protection Directorate General to approve additions, modifications and/or deletions from the fresh meat list without going through the SVC. This change is in accordance with the U.S.-EU Veterinary Equivalency Agreement which came into force on August 1, 1999. From then on, the time-consuming process of having all plants approved by the SVC twice a year is eliminated. The time it takes for a U.S. meat plant to be approved to ship to the EU will therefore be considerably reduced.

Veterinary Equivalency Agreement

On July 20, 1999, the United States and the European Union signed the Veterinary Equivalency Agreement in Brussels. The agreement entered into force on August 1, 1999. The agreement covers more than \$1.5 billion in U.S. animal and animal product exports to the EU and an equal value of EU exports to the United States.

The concept of the equivalency agreement allows veterinary inspection requirements to differ from country to country but ensures the United States' right to establish its own level of public health protection. The signing of the agreement is the result of six years of negotiating and compromising on both USDA's and the EU's part. The overall framework for the Veterinary Equivalency Agreement was agreed to in April 1997.

To date, the EU has also concluded veterinary equivalency agreements with Canada, the Czech Republic and New Zealand. Negotiations are ongoing with Australia, Argentina, Uruguay and Chile.

Specified Risk Materials (SRM)

Following the repeated postponement of Decision 97/534, which was widely considered as too broad in its scope, the Commission endorsed a proposal in November 1999, classifying member states and third countries in 4 categories to be based on OIE recommendations. SRM definitions and removal requirements would then depend on each country's classification.

However, since one case of BSE was detected in March 2000 in a previously BSE-free country (Denmark), the Commission considered that no member state can assume they are free from BSE and consequently, SRM rules have to be broader than previously envisaged.

In June 2000, the Commission gave up the November 1999 proposal and decided to replace 97/534 with a decision harmonizing rules for the removal of specified risk materials presenting BSE risk as of October 1, 2000. All member states are required to make slaughterhouses and authorized meat cutting and processing plants remove the skull, including the brains and eyes, the tonsils, the spinal cord and the ileum of cattle over 12 months; the skull, including the brain and the eyes, the tonsils and the spinal cord of sheep and goat over 12 months or of younger animals that have a permanent incisor erupted through the gum; the spleen of sheep and goat of all ages. This is called the SRM short list. The UK and Portugal, which have a higher BSE incidence, will have to comply with the SRM short list and in addition remove the entire head (excluding the tongue and including the brains, eyes, trigeminal ganglia and tonsils), the thymus, the spleen, the intestines and the spinal cord of cattle above 6 months as well as the vertebral column of cattle above 30 months.

Third countries will presumably have to remove short list SRMs as of April 1, 2001, if their BSE-free status is not established by a scientific risk assessment. The Scientific Steering Committee declared the United States "provisionally BSE-free" in May 2000. This classification is not based on OIE standards. However, the U.S. Government has petitioned the Commission for a BSE free classification, since no cases of BSE have ever been found in the United States. The EU decision is thus not entirely clear about which third countries will have to comply with the SRM short list. The Commission has stated it will evaluate third countries individually by 2001.

The decision will also prohibit the use of certain slaughtering techniques which entail a risk of contamination into

the bloodstream.

Note: the new SRM requirements affect only products for food, feed and fertilizer and not cosmetics, pharmaceuticals and medical devices.

BSE

	Total cases	Cases in 1999	Incidence in 1999 (per mio head over 2 yrs)
UK	178120	2232	420
of which N. Ireland		6	11.1
Portugal	380	151	209.7
Ireland	471	101	29.5
France	88	32	2.9
Belgium	11	4	2.7
Denmark	2	1	1.1
Netherlands	6	1	0.5

Source: Meat and Livestock Commission

The ban on Portuguese cattle and certain meat products exports enacted in 1999 still continues. The ban on UK beef exports under Date Based Export Scheme (DBES) was lifted on August 1, 1999. However, France and Germany first refused to lift the ban, invoking insufficient food safety assurances and domestic legislative procedure requirements, respectively. Germany finally voted to lift the ban in March 2000. The European Commission started infringement proceedings against France, following its repeated refusal to lift the ban on UK beef exports.

The first case of BSE in a native animal in Denmark was detected in February 2000. Danish authorities reacted immediately and radically with slaughter suspension and SRM removal measures. This case in a country previously considered 'untouchable' revived BSE related issues which were slowly fading away (see SRMs). It prompted the quick approval of an EU-wide BSE testing scheme.

Member states will have to test 0.1 pct of their herd (the equivalent of 40,000 animals for the whole EU) focusing on fallen stock, animals slaughtered in emergencies and animals with particular behavioral or neurological signs. France alone is planning to test 40,000 animals over two years. Member states have the opportunity to choose between three European BSE tests approved by EU authorities in June 1999. The outstanding issue is about the financing of the scheme.

EU budget

Beef sector's budget share in 2000 accounted for 10 percent of total EU agricultural budget, versus 12 percent in 1999. The preliminary draft budget for 2001 earmarked 5.925 mio euro for beef, or 14 percent of the total EAGGF budget.

Following the Berlin Summit in 1999 and the approval of Agenda 2000 reforms, it was agreed that the EU agricultural budget would be capped. It amounted to 40,560 million euro in 1999, 44,600 million in 2000 and 41,473 million in 2001. The Commission has been very active in finding solutions to save money on all possible headings. As far as beef is concerned, savings will be made in 2000 on export refunds. Export refunds have been cut several times by management committees already, motivated by savings requirements but also facilitated by the weakness of the euro. Furthermore, export levels in 2000 are likely to be lower than in 1999 anyway. Savings will also be made on intervention costs as stocks are now empty. Higher premia under Agenda 2000 will only start entering into force in July 2000 and will thus have a limited influence on the 2000 budget.

Higher premia, however, are likely to burden the 2001 budget, adding 200 million euro in suckler cow premia, 340 million euro in special beef premia, 725 million euro in slaughter premia, and 161 million euro in national envelopes. This is only partially compensated by lower refunds, which were calculated in the draft preliminary budget, as subsidizing the same volume of exports but at lower values, reflecting the anticipated decrease of beef prices following support price cuts.

	2001 draft budget	2000 appropri.	1999 appropri.	1998 expenditures
Refunds	638	751	834	774
Intervention	0	22	139	266
Premia	5287	3836	4038	4243
Total	5925	4609	5011	5283
Total EAGGF	44100	44600	40560	38748

Source: European Commission

For 2000 budget, 1 euro was assumed to be worth 1.12 usdols

For 2001 budget, 1 euro was assumed to be worth 1.03 usdols

Organics

Council Regulation 1804/1999 published in July 1999 sets up common standards for organic livestock production, supplementing the 1991 regulation fixing general requirements for organic production. It includes an immediate ban on the use of genetically modified products in the feed used in production. Other rules such as the exclusion of antibiotics in feed must be introduced within 12 months of the entry into force of the regulation. Animal welfare criteria are also introduced but, in order to overcome the "cultural differences among member states", as stated by the Commission, certain transition periods up to 2010 have been granted.

PIG SUMMARY

EU pig production started decreasing in the later part of 1999, softening the imbalance between supply and demand after 1998's significant overproduction. This trend should continue this year, although the production cut should be modest.

Pigmeat consumption keeps growing within the EU following competitive retail prices in 1999. The scare effects on beef due to the BSE crisis, however, are fading away and the consumption growth could begin to slow down.

Pigmeat exports boomed in 1999, with large volumes shipped to Russia under high export refunds. Denmark became the first supplier of pigmeat to Japan, helped by the private storage aid scheme. Exports should be lower in 2000, in view of strict Uruguay Round ceilings on subsidized exports.

Imports of pigmeat into the EU keep growing as both Uruguay Round and Accession Agreements quotas are still unfilled. Pigmeat imports continue to come almost exclusively from Eastern Europe.

Policy issues include enlargement as applicant countries have turned in their position papers on agriculture, the nitrates issue which could compel several member states to reduce production and the regulatory fund, which the Commission tries to set up in order to help EU producers cope with the effects of cyclical low prices.

LIVE PIGS

PSD Table						
Country	European Union					

Commodity	Animal Numbers, Swine				(1000 HEAD)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
TOTAL Beginning Stocks	125486	125287	126000	124267	0	123000
Sow Beginning Stocks	13062	12992	12500	12681	0	12300
Production (Pig Crop)	205000	209772	203000	207745	0	208000
Intra EC Imports	0	0	0	0	0	0
Other Imports	22	7	25	8	0	8
TOTAL Imports	22	7	25	8	0	8
TOTAL SUPPLY	330508	335066	329025	332020	0	331008
Intra EC Exports	0	0	0	0	0	0
Other Exports	70	39	70	40	0	40
TOTAL Exports	70	39	70	40	0	40
Sow Slaughter	204438	208995	203955	206014	0	206000
OTHER SLAUGHTER	0	0	0	0	0	0
Total Slaughter	204438	208995	203955	206014	0	206000
Loss	0	1765	0	2766	0	1668
Ending Inventories	126000	124267	125000	123200	0	123300
TOTAL DISTRIBUTION	330508	335066	329025	332020	0	331008
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

The EU pig herd started shrinking in the last months of 1999, with a 0.8 percent reduction rate for the whole year compared to 1998. A stronger reduction rate in piglets and breeding sows indicates that further reduction will take place in 2000.

However, some of the largest producing member states actually augmented production in 1999, i.e. France, Italy and mainly Spain. As with beef and poultry production, Spain continues to increase fully integrated pig rearing capacities and represented in 1999 18 percent of the EU pig herd versus 17 percent in 1998. The production decrease is mostly due to smaller producers, such as Sweden, Austria and the UK. In 2000, only Spain should still increase production, although at a lower pace.

Pig numbers by member state December 1999 (000 head)

Total EU	124267
Germany	25792

Spain	22597
France	15991
Netherlands	13139
Denmark	11914
Italy	8403
Belgium	7376
UK	7037
Austria	3431
Portugal	2322
Sweden	2021
Ireland	1763
Finland	1493
Greece	906
Luxembourg	82

Source: European Commission

Pig numbers by type of animals December 1999 (000 head)

Total EU	124267
Piglets<20kg	33224
Young pigs 20-50kg	30707
Pigs for fattening>50 kg	47276
Breeding pigs>50 kg	13060
of which mated sows	8635
of which breeding sows not mated	4046

Source: European Commission

Pig slaughterings by member state (000 head)

	1999	2000
Total EU	208995	206014

Germany	43500	43200
Spain	35800	35600
France	27000	26000
Denmark	21700	22130
Netherlands	20200	21100
UK	14745	13234
Italy	12800	12400
Belgium/Lux	11000	11000
Austria	5460	5190
Portugal	5050	4900
Sweden	3850	3620
Ireland	3500	3360
Finland	2220	2150
Greece	2170	2130

Source: Meat and Livestock Commission

Export Trade Matrix	Units: MT
Country	European Union
Commodity	Animal Numbers, Swine
Exports for:	1999
	Full
U.S.	0
Others	
Switzerland	689
Croatia	331
Czech Republic	225
Total for Others	1245

Others not Listed	499
Grand Total	1744

Source: European Commission

Live pig exports 1999 by member state (mt)

Total EU	1744
Germany	871
Netherlands	468
Austria	283
France	78
UK	20
Other member states	24

Source: European Commission

Import Trade Matrix	Unit: MT
Country	European Union
Commodity	Animal Numbers, Swine
Imports from:	1999
	Full
U.S.	0
Others	
Hungary	140
Czech Republic	26
Slovenia	19
Total for Others	185
Others not Listed	43
Grand Total	228

Source: European Commission

Live pig imports 1999 by member state (mt)

Total EU	228
Greece	91
Spain	61
Austria	47
Other member states	29

Source: European Commission

PIGMEAT

Production

PSD Table						
Country	European Union					
Commodity	Meat, Swine				(1000 MT CWE)(1000 HEAD)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Slaughter (Reference)	204437	1765	203955	2766	0	1668
Beginning Stocks	110	152	0	65	0	0
Production	17373	18000	17240	17800	0	17800
Intra EC Imports	0	0	0	0	0	0
Other Imports	60	63	70	60	0	60
TOTAL Imports	60	63	70	60	0	60
TOTAL SUPPLY	17543	18215	17310	17925	0	17860
Intra EC Exports	0	0	0	0	0	0
Other Exports	1100	1550	1050	1100	0	1100
TOTAL Exports	1100	1550	1050	1100	0	1100
Human Dom. Consumption	15960	16600	16000	16825	0	16760
Other Use, Losses	483	0	260	0	0	0
TOTAL Dom. Consumption	16443	16600	16260	16825	0	16760
Ending Stocks	0	65	0	0	0	0
TOTAL DISTRIBUTION	17543	18215	17310	17925	0	17860
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

EU pig production in 1999 was stable, in spite of extremely low prices and obvious imbalance in supply and demand. Even though it was repeatedly announced that pig herds had to be cut drastically in order to stabilize the market, EU producers seemed to put off reduction decisions in view of booming exports and still growing consumption. The implementation of Agenda 2000 cuts on cereal prices also helped improve profitability for EU pig producers. The first clear sign of reduction was noticed in the first half of 2000 and is expected to remain fairly limited, in spite of limited subsidized export prospects and slowing consumption growth.

Even though they remained shaky until the end of 1999, pig representative prices have now apparently stabilized, going up to 145 euro/100kg in June 2000, versus 95 euro/100kg in January 1999.

Germany, Spain, and France remain the EU largest pigmeat producers, with 51 percent of total EU production. Germany increased production in 1999 to compensate for losses sustained in the recent CSF outbreaks. It also responded to strong exports favored by its low prices. Spain's production increase is the result of a deliberate growth in all meats production. However, this capacity increase is expected to slow down in the near future. France also increased production to compensate for stopped Belgian imports due to dioxin and also to take advantage of the private storage aid scheme. The Netherlands and Denmark obviously responded to strong export levels.

EU pigmeat production by member state (000mt)

	1999	2000
Total EU	18000	17800
Germany	4031	4000
Spain	2871	2925
France	2362	2325
Netherlands	1769	1730
Denmark	1683	1700
Italy	1454	1460
UK	1048	940
Belgium/Lux	1020	1035
Austria	518	470
Portugal	336	326
Sweden	330	311
Ireland	253	243
Finland	186	180

Greece	138	135
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Source: Meat and Livestock Commission, European Commission

Consumption

EU consumption of pigmeat continues to increase and reached an average per capita rate of 44.3kg in 1999, or 2 percent more than in 1998. The highest consumption rate is reached in Denmark, with 67.7kg per capita, followed by Spain with 67.3kg and Austria with 57.9kg. Lowest consumers are the UK with 23.1kg and Greece with 25.9kg. EU pigmeat consumption was boosted by very competitive prices at retail level, reflecting rock bottom farm prices, and turned out to be almost unaffected by the Belgian dioxin crisis.

Growth rates for per capita consumption are expected to slow down as of next year, given the high consumption rates already reached and the BSE scare effect fading away.

Exports

EU pigmeat exports rose to astronomical levels in 1999, helped by high export refunds levels and restored opportunities in Russia, as well as a weak euro. Approximately half of EU pigmeat exports were covered by export restitutions in 1999. Exports to Russia almost doubled from 1998 to 1999. These quantities include food aid, to which the EU originally committed 100,000mt of pigmeat but only shipped 60,000mt. Exports to the Far East increased as well, mainly from Denmark. Those products are not subsidized through export refunds but largely benefited from PSA aids before being shipped out. Exports to Eastern Europe fell in 1999, in line with growing production in CEECs and protests to the EU about high export refunds resulting in restitution differentiation between Russia and Eastern Europe.

Export levels for 2000 will to be lower than for 1999, given GATT ceilings and lower restitution levels. However, EU officials hope to be able to export larger quantities of pigmeat without refunds and thus bring back the ratio of subsidized versus unsubsidized exports to traditional levels, i.e. around 30 percent. Exports to the Far East are expected to be sustained, while Russia should stabilize. Exports to CEECs are likely to go down.

Export Trade Matrix	Unit: mt pw
Country	European Union
Commodity	Meat, Swine
Exports for:	1999
	Full
U.S.	76314
Others	
Russia	591227

Japan	258229
South Korea	99473
Hong Kong	91142
China	42685
Poland	32303
Czech Republic	29631
Switzerland	17443
Hungary	16270
Singapore	14331
Total for Others	1192734
Others not Listed	280907
Grand Total	1549955

Source: European Commission

Most member states took advantage of 1999 higher export levels: Denmark reinforced its number one position by increasing volumes sent to the Far East, helped by the Private Storage Aid (PSA) scheme. Denmark was the largest supplier of pigmeat to Japan in 1999, with 171,000mt. Germany became the third largest EU pigmeat exporter, thanks to resumed exports to Russia both of heavily subsidized products and food aid scheme. This situation should change in 2000, as increased German exports were largely due to exceptional circumstances.

On the other hand, Belgium considerably reduced exports in 1999, due to the devastating effects of the dioxin crisis on third countries. It is unlikely that exports recover in the near future.

Pigmeat exports 1999 by member state (mt)

Total EU	1549955
Denmark	577229
France	243354
Germany	189444
Netherlands	178133
Spain	66740
Austria	66113
Belgium-Lux	51863
UK	46176
Italy	40345
Ireland	30674

Other member states	59884
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Source: European Commission

Pig exports 1999 by product (mt)

EU total	1464950
Frozen meat	994167
Sausages and preparations	197202
Fats and offals	197202
Fresh meat	88896
Salted, smoked and dried meat	53305
Lard	17876
Live pigs	1744

Source: European Commission

For the second year in a row, the EU is expected to overshoot its UR volume ceiling on pigmeat subsidized exports in 1999/2000, by using unused quantities from previous years. This practice is explicitly forbidden for the last UR year, i.e. 2000/01. The EU will thus literally have to cut its subsidized exports from the 725,000mt estimated for this year (out of the 363,200mt ceiling for 1999/2000 added to the 490,000mt of unused volumes from past years) to the 443,000mt ceiling of next year. To this end, the EU has negotiated 'double zero' agreements with most applicant countries in Eastern Europe (with the notable exception of Poland, with which no agreement has been reached so far). These agreements offer larger tariff quota for EU exports to Eastern Europe in exchange for EU commitments to reduce or terminate export refunds to the region.

Export refunds were reduced six times between July 1999 and June 2000, eventually being reduced to zero for most meat products. Processed products still benefit from export refunds. This drastic reduction on cuts, carcasses and bellies responds to the obvious need to lower considerably subsidized export volumes in the last UR year (2000/01) as well as to strong domestic budgetary pressure. These cuts are also the immediate result of double zero agreements.

WTO pigmeat subsidization commitments and use

000mt million euro	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/01
vol. ceiling	541.8	522.1	502.5	482.8	463.2	443.5
volume used	378.2	285.9	212.7	742.7	710*	
value ceiling	288.8	269.3	249.8	230.3	210.8	191.3

value used	100.5	71.1	74.4	356.1		
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*estimated from July-May export license requests

Imports

Imports of pigmeat into the EU continue to originate almost exclusively from Eastern Europe under Association Agreements. Imports increased in 1999, following increased exports and should continue to grow, as market access commitments (both under Association Agreements and UR) still leave room for import development, and the largest importer, i.e. Hungary, is still developing capacities. Accession agreements give CEECs the opportunity to import about 250,000mt of pigmeat into the EU at 20 percent of the regular duty.

Import Trade Matrix	Units: mt pw
Country	European Union
Commodity	Meat, Swine
Imports from:	1999
	Full
U.S.	5540
Others	
Hungary	50052
Poland	3200
Norway	809
Total for Others	54061
Others not Listed	3871
Grand Total	63472

Source: European Commission

Italy remains the largest importing member state and even increases its share of total EU imports. In spite of booming domestic production, Spain takes up the second position, possibly because of growing intra-EU exports.

Pigmeat imports 1999 by member state (mt)

Total EU	63472
Italy	18378
Spain	14198
Germany	12049

France	5205
Austria	4870
UK	4625
Sweden	1427
Other member states	2720

Source: European Commission

Pig imports 1999 by product (mt)

Total EU	63472
Frozen meat	29275
Fresh meat	13521
Sausages and preparations	9643
Lard	337
Live pigs	228
Salted, smoked and dried meat	210

Source: European Commission

EU Tariff quotas under the Uruguay Round (mt)

Product	2000 TRQ Quantity	In-quota Duty	1998 Imports
Pork	59,500	233-434 E/1000kg/net	6,442
Pork loins and bellies	7,000	0%	3,316
Pork preparations	9,100	271-284 E/1000kg/net	416

Policy

Private storage aid

The private storage aid scheme, which was set up in September 1998 to help traders deal with the Russian crisis, was terminated in September 1999. It is estimated to have taken 420,000mt of pigmeat under contract (in lieu of the 70,000mt originally earmarked). The Commission had planned to terminate the scheme in July 1999 but decided to extend it given the dioxin crisis. The stabilization of prices throughout the EU and domestic budgetary pressures motivated the ending of the scheme.

Dioxin

On May 27, 1999, Belgium informed the European Commission of a case of heavy contamination of animal feed with cancer-causing dioxin. The source of the contamination was determined to be the use of fats containing dioxin in the production of animal feed.

In June 1999, the United States placed a hold on all imports of pork, poultry, dairy, eggs and egg-containing products from EU member states. As of April 2000, all restrictions were lifted on EU meat and poultry. The U.S. Food and Drug Administration (FDA) still restricts certain products from Belgium, requiring Belgian health certificates including dioxin test results. These products include all food products containing more than 2 percent egg, all animal feed, feed ingredients and most pet foods.

In July 1999, the Commission adopted a regulation on import and export licenses of beef and pigmeat in order to deal with disruptions to exports due to the dioxin crisis. Exporters had to provide proof that they had been unable to carry out export operations due to protective measures adopted by the Commission or health measures adopted by third countries, in which case their export licenses were either extended or canceled.

In April 2000, the EU Standing Veterinary Committee officially declared Belgium clear of dioxin contamination.

In May 2000, a new case of dioxin-contaminated feed was detected in Belgium again. However, through improved traceability and testing schemes, the feed manufacturer as well as feed users were immediately sequestered and the contamination was apparently contained.

Enlargement

CEECs pigmeat production (000mt)

	Production 1999	Production 2006	Domestic use 1999	Consumption p.c. 1999
Poland	2065	2162	1911	49.3
Hungary	738	867	596	58.8
Romania	646	733	631	27
Czech Republic	452	477	448	43.6
Bulgaria	281	342	262	31.8
Slovakia	178	225	213	39.4
Lithuania	97	112	98	25.2
Slovenia	66	70	83	42
Latvia	43	56	67	27.6

Estonia	29	37	39	26.7
Total	4593	5080	4348	41.4

Source: European Commission

According to Commission forecasts, pigmeat should remain the most important meat produced and consumed in the CEECs. Production is expected to increase by 10 percent between 1999 and 2006. Poland, Hungary, Romania and the Czech Republic represented 85 percent of pigmeat production in the area in 1999.

Per capita consumption is expected to increase as well, from 41.4 kg per capita in 1999 to 44.2 kg per capita in 2006 (versus 44.55 kg per capita in the EU in 1999). Although the increase in consumption is steeper than for beef, the gap with EU consumption is narrower. In view of growing production, CEECs are expected to remain net exporters of pigmeat and increasingly become direct competitors to EU pigmeat.

As far as enlargement negotiations are concerned (see beef policy section), the pig sector does not benefit from extensive EU production aids and was thus not included in the position papers submitted by applicant countries

Regulatory fund

In April 2000, the Commission proposed to establish a pigmeat regulatory fund aimed at providing risk assurance to farmers to help stabilize incomes. This proposal is based on discussions which have been taking place within the management committee since June 1999. The pigmeat regime only consists of two support schemes, export refunds and aid to private storage aid, and huge price gaps between 'high' and 'low' years were deemed to demonstrate the need for a regulatory instrument. The fund would be voluntary, with production control measures attached and paid for by a farmer levy.

Several member states have since expressed reservations on the idea of the fund, evoking the lack of EU funding and the possible distortive effect on markets. The issue was discussed within the Farm Council in June 2000, with a majority of member states rejecting the concept. It is yet uncertain whether the proposal will be sent to the Special Committee on Agriculture, but the French Presidency, which will start on July 1, 2000 is favorable to the scheme, including its light production control element, and is likely to push it forward

Feed

Based on the precautionary principle, the use of four (bacitracin zinc, tylosin phosphate, spiramycin and virginiamycin) out of the 8 permitted antibiotics in feed was banned in the EU in 1999, based on concerns of possible link between these antibiotics and human resistance to antibiotics. These four antibiotics are allowed for pig feed. The ban on antibiotics does not apply to third country imports. The Commission might ban more antibiotics in the future.

As a result of the 1999 dioxin crisis, the use of yellow grease as a feed ingredient will now have to be monitored by a HACCP system as of January 2001 if approved by the Standing Committee on Feedstuffs in July 2000. The recovering process will then have to be certified by a national authority or by an internationally or nationally

recognized body.

The dioxin crisis (and earlier the BSE crisis) highlighted weaknesses in existing Community legislation for animal feedingstuffs. Council Directive 99/29 approved in July 1999 recast a 1973 directive laying down maximum permitted levels for undesirable substances and products in feed materials and feedingstuffs. A proposal also put forward in December 1999 to extend the scope of the directive to feed additives, remove the possibility of diluting contaminated feed and limit member states derogation options, is still pending.

Nitrates

Most member states (12) now face infringement proceedings for non-respect of the 1991 Nitrates directive (concerning the protection of water against pollution caused by nitrates from agricultural sources). Most cases concern shortcomings in the content or monitoring of action programs designed to implement the directive.

Having already sent a "reasoned opinion" to the Netherlands regarding non-compliance with the EU nitrates directive, the European Commission is to take the Netherlands to court. The Commission cites the lack of limitation to production of manure and undissuasive fines for unauthorized run-off. The UK received a second warning ("reasoned opinion") while Luxembourg is to be taken to the European Court of Justice as well after having received a second warning in February 2000. Portugal and Finland will receive first warning letters.

In order to solve the nitrates problem, the Dutch government is working on a scheme facilitating the exit of pig producers from the industry. Several member states have introduced proposals towards herd reduction programs in order to help deal with the broad nitrate problem in their respective countries.

Budget

Pigmeat sector's share in the EU agricultural budget has always been minute and is likely to remain so. It represented 0.6 percent of EAGGF budget in 1999, and increased to 0.8 percent in 2000. 1999 was an expensive year for pigmeat, with the cost of private storage aid, which covered almost a year, from October 1998 to September 1999, and increased export refunds.

The draft preliminary budget for 2001 only envisaged allocations for export refunds. It was calculated that the EU would subsidize an average of 300,000mt of meat at 25 euro/100 kg as well as 145,500mt of sausages and processed products at 32 euro/100kg.

	2001 draft budget	2000 appopr.	1999 appopr.	1998 expenditures
Refunds	121	268	214	74
Intervention	0	111	23	-
Exceptional measures	0	0	25	163
Total	121	379	262	237

Pig database

In February 2000, EU farm ministers decided to promote actively the establishment of databases for cattle and pigs. Directive 2000/15 amends Council Directive 64/432 on health problems affecting Community trade in bovine animals and swine and implements the necessary measures to make the database operational for pigs. A registration of all holdings will have to be completed by the end of 2000, a database on the movement of animals from the holding of birth by the end of 2001, and from all holdings by the end of 2002.

A Court of Auditors report (Special report 1/2000), released in March 2000, on classical swine fever, had analyzed shortcomings related to the management of the 1997 fever crisis and had also concluded, among other things, that animal movements within the EU were not properly recorded.

This report also underlined the contradiction between Commission CSF aid schemes, which are 50% co-financed by member states while EU veterinary CSF aid schemes only cover 30% of total expenses. New legislation correcting that situation should be drafted before the end of the year.

Animal Welfare

Council Directive 98/58 mandates the Commission to come up with specific animal welfare requirements for farm animals. Laying hens were the first animals to be regulated in 1999. The Commission is expected to tackle pig welfare soon.

New legislation amending welfare requirements particularly for sows should be drafted soon. After tethering, stalls should be banned for sows throughout the EU. Although this is likely to affect EU production costs, long transition phases are anticipated and short-term production or export levels should not be influenced. Imports from third countries are so far left untouched by animal welfare measures.

Transportation requirements could also be made stricter in the future for all livestock. This would affect mostly intra-EU trade but could also have consequences on exports of live animals.

Animal welfare issues are likely to be emphasized by the Swedish Presidency in the first half of 2001. The EU submitted a paper on animal welfare to the WTO for the upcoming Agricultural Round negotiations. The paper outlined broad considerations on how animal welfare could affect trade. However the paper did not give any details on specific welfare actions.

Veterinary Equivalency Agreement, Residues and Lists: see beef policy section