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Report Highlights:
Beef consumption in almost all EU countries has returned to pre-BSE levels with German consumption rebounding faster than originally expected. For pigmeat, the EU has seen some reopening of traditional markets after the FMD crisis. In particular, Danish pork exports to Japan rose by 10 percent, despite the safeguard clause, while EU exports to Russia also showed some recovery.

Includes PSD changes: Yes
Includes Trade Matrix: No
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EXECUTIVE SUMMARY

In 2003 the EU cattle market is forecast to have lower cow numbers as higher milk yields per cow result in fewer cows being necessary to fill milk-quota levels. There is also expected to be a smaller EU beef herd. The number of animals slaughtered in 2003 is forecast to decline marginally mainly as a result of the lower cattle stocks. Average carcass weights are also expected to decline marginally compared with the higher weights recorded in 2002. Additionally, exports of EU animals could increase in 2003 if disease control bans in importing countries are relaxed.

EU beef production in 2002 was higher than expected due to the combined effect of increased slaughter numbers and increased average carcass weights as older heavier cows were slaughtered. Beef imports were lower than previously anticipated as domestic supply within the EU was stronger than expected.

The EU pig crop increased in 2002 compared to both 2001 and previous estimates. This was due to a combination of increases in the Spanish and Danish pig crops and a less than anticipated decline in the EU sow production as older animals were carried over from 2001 following the Foot and Mouth Disease (FMD) outbreak. Despite low prices, Spanish pig production is forecast to continue to rise in 2003 and into 2004.

Additionally, there has been some reopening of the traditional markets after the FMD crisis. In particular, Danish pork exports to Japan rose by 10 percent, despite the safeguard clause, while EU exports to Russia also showed some recovery.

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CATTLE

PSD Table						
Country	European Union					
Commodity	Animal Numbers, Cattle				(1000 HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Total Cattle Beg. Stks	81337	0	80448	80448	79800	79819
Dairy Cows Beg. Stocks	21552	0	20600	20475	20000	20050
Beef Cows Beg. Stocks	12112	0	12884	13112	12839	12940
Production (Calf Crop)	27572	0	27500	28185	27000	27570
Extra EC Imports	438	0	500	500	485	485
TOTAL SUPPLY	109347	0	108448	109133	107285	107874
Extra EC Exports	169	0	250	235	270	250
Cow Slaughter	6823	0	7100	7136	6683	6890
Calf Slaughter	6941	0	5678	5741	5570	5650
Total Slaughter	25230	0	26100	26600	26100	26400
Loss	3500	0	2298	2479	2115	2224
Ending Inventories	80448	0	79800	79819	78800	79000
TOTAL DISTRIBUTION	109347	0	108448	109133	107285	107874

(Source: EU-FAS Offices)

The EU calf crop rose in 2002 compared to both 2001 and previous estimates. The largest increases were seen in France (250,000) and Spain (175,000) but most member states also recorded some increases. The larger calf crop can be mainly attributed to the cattle sector's recovery from the difficulties it encountered in 2001 due to disease outbreaks such as FMD and the continuing market difficulties caused by BSE. In France, the calf crop increased as a result of a higher than normal cow herd caused by the later marketing of animals due to BSE crisis in 2001

Note that while overall slaughter increased in the UK, there was a decline in the calf crop during 2002. This can be explained by the fact that slaughtering requirements, following the FMD crisis of 2001, resulted in increased heifer slaughter.

Total slaughter in the EU increased significantly in 2002. Most notably in Belgium where cow slaughters increased by 70,000 head. This increase is attributed to the difficult market conditions farmers faced as exports decreased over the last two years. Belgian farmers responded by decreasing herds significantly by slaughtering cows. Slaughtering was also high in France for the first half of 2002 but weakened somewhat during the second half of the year. In the Netherlands, total slaughtering increased by 200,000 animals, mainly due to a recovery in the number of calves slaughtered. In the UK the 2002 cattle slaughter number is considerably higher than in 2001 due to the very low 2001 slaughter figure. In 2001 animals slaughtered due to FMD were removed from the food chain and were thus recorded as a "loss".

In 2003 the EU cattle market is forecast to have lower cow numbers as higher milk yields per cow result in fewer cows being necessary to fill milk-quota levels. There is also expected to be a smaller EU beef herd due to extensification. The number of animals slaughtered in 2003 is forecast to decline marginally mainly as a result of the lower cattle stocks. Average carcass weights are also expected to decline marginally compared with the higher weights recorded in 2002.

While EU exports of live animals increased compared to 2001, exports in 2002 were not as strong as previously estimated. Nevertheless, 2003 could see a further relaxing of disease control bans in importing countries and as a result exports of EU animals may increase slightly in 2003.

EU cattle prices in general recovered throughout the EU during 2002. Some countries like Germany for example experienced large increases from much lower than average 2001 prices. Prices in some countries have returned to pre-BSE crisis levels. In Ireland and the UK prices remain low for all animals but despite this exporters face stiff price competition in non-EU markets.

EU calf crop production (EU and top 3 member states) - ‘000 head

	2002	2003
Total EU	28185	27570
France	6830	6750
Germany	4943	4870
Italy	3069	3036
Other member states	13343	12914

EU cattle slaughter data (EU and top 3 member states) - ‘000 head

	2002	2003
EU Total	26600	26400
France	5730	5670
Italy	4420	4500
Germany	4370	4300
Other Member States	12080	11930

EU cattle exports (EU and top 3 member states) - ‘000 head

	2002	2003
EU total	235	250
Germany	114	100
France	65	70
Ireland	26	30
Other Member states	30	50

BEEF

PSD Table						
Country	European Union					
Commodity	Meat, Beef and Veal				(1000 MT CWE)(1000 HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Slaughter (Reference)	25230	0	26100	26600	26100	26400
Beginning Stocks	20	0	302	302	250	260
Production	6896	0	7250	7400	7150	7260
Extra EC Imports	413	0	500	455	530	485
TOTAL SUPPLY	7329	0	8052	8157	7930	8005
Extra EC Exports	572	0	530	445	570	475
TOTAL Dom. Consumption	6455	0	7272	7452	7260	7430
Ending Stocks	302	0	250	260	100	100
TOTAL DISTRIBUTION	7329	0	8052	8157	7930	8005

(Source: EU-FAS Offices)

EU beef production in 2002 was higher than expected due to the combined effect of increased slaughter numbers and increased average carcass weights as older heavier cows were slaughtered. This occurred as cattle were not sold or moved off the farm during the 2001 FMD crisis.

A decline in beef production is forecast for 2003 as lower numbers are expected to be slaughtered and carcass weights are also expected to somewhat return to more traditional levels.

During 2002, beef imports were lower than previously anticipated as domestic supply within the EU was stronger than expected. However, it is noticeable that there is increased availability of within- quota and other South American beef on the market. Having gained market share, imports of less-expensive South American beef could increase further in the future. Additionally, the EU market could see diminishing effects from double profit agreements which could force a decline in imports into the future.

Exports of EU beef in 2002 were lower than originally predicted as EU beef exporters have not yet been able to re-capture markets lost resulting from the BSE scare of 2001. In 2002 the EU also experienced strong competition in their traditional beef markets especially from South American exporters. While Russia remains an important export market for EU beef, exports to other destinations have declined. In particular, the import restrictions placed on EU beef by Egypt over BSE concerns has severely reduced Irish exports to non-EU markets in 2002. Should there be some relaxation of import controls (imposed due to BSE) in Middle East markets, exports could increase slightly in 2003.

In 2002, Germany exported about 20,000 mt of SPS beef to North Korea as food aid.

Consumption in almost all EU countries has returned to pre-BSE levels with German consumption rebounding faster than originally expected. Over the long term, France and the UK could see a decrease in beef consumption as more people are switching to other meats. Germany, Spain, Ireland, and Italy could see marginal increases in beef consumption. Thus in 2003, consumption is expected to stabilize with some regional variations.

SPS (Special Purchase Scheme) stocks are expected to be depleted during 2003 and intervention stocks are expected to further reduce as they are released onto the internal EU market.

Note: Stock in the table reflect official intervention stocks only. Commercial stocks where applicable were included in "Domestic consumption".

Note: Figures in the PSD table are stated in carcass weight equivalent.

EU beef production (EU and top 3 member states) - '000 MT

	2002	2003
EU Total	7400	7260
France	1550	1520
Germany	1400	1380
Italy	1145	1155
Other member states	3305	2190

EU Beef Consumption data (EU and top 3 member states) - '000 MT

	2002	2003
EU total	7452	7430
France	1720	1775
Italy	1375	1400
Germany	1050	1100
Other member states	3307	3155

EU exports (EU and top 3 member states) - '000 MT

	2002	2003
EU total	445	475
Germany	171	160
Ireland	90	130
Italy	47	50
Other member states	137	135

SWINE

PSD Table						
Country	European Union					
Commodity	Animal Numbers, Swine				(1000 HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
TOTAL Beginning Stocks	123261	0	121315	121315	121026	120900
Sow Beginning Stocks	11568	0	11694	11650	11580	11575
Production (Pig Crop)	213693	0	214000	214750	213750	213750
Extra EC Imports	50	0	36	22	40	25
TOTAL SUPPLY	337004	0	335351	336087	334816	334675
Extra EC Exports	68	0	108	114	120	125
Sow Slaughter	3250	0	4411	4460	4400	4460
Total Slaughter	201498	0	204210	202750	204100	202650
Loss	14123	0	10007	12323	9596	11350
Ending Inventories	121315	0	121026	120900	121000	120550
TOTAL DISTRIBUTION	337004	0	335351	336087	334816	334675

(Source: EU-FAS Offices)

The EU pig crop increased in 2002 compared to both 2001 and previous estimates. This was due to a combination of increases in the Spanish and Danish pig crops and a less than anticipated decline in the EU sow production as older animals were carried over from 2001 following the Foot and Mouth Disease (FMD) outbreak. This overall increase from the previous forecast is despite higher 2002 sow beginning stocks. While positive market expectations and an ongoing shift towards economies of scale saw increases in sow stocks in France, Denmark and Spain. The increase was ultimately tempered by a decline in the UK sow numbers, where low market prices, disease and a lack of producer confidence have weighed heavy on the market. Also, in the Netherlands and Belgium, where environmental and animal welfare restrictions continue to have a negative impact on herd size.

In 2003 sow production is forecast to fall back to 2001 levels. This is in line with poor market expectations on the part of producers - 2002 did not see the market improving as previously anticipated due to consumers returning to beef and strong competition in export markets. As such, the EU pig output is forecast to drop by one million head. As in 2002, in contrast to most other EU Member States and despite low prices, Spanish pig production is forecast to continue to rise in 2003 and into 2004.

The poor internal EU market conditions in 2002 led to a halving of live imports as compared to 2001. In contrast, live animal exports rose sharply following the re-opening of many of the traditional EU markets which closed the previous year due to FMD related concerns. In particular, Austria resumed exports to Croatia and the former Yugoslavia; and the Netherlands to

Croatia and Bosnia-Herzegovina, Germany increased exports to Romania and Croatia. While the 2003 import number is forecast to remain very low, exports are expected to continue to recover as the shadow cast by FMD continues to recede.

Although much below previous forecasts, EU total slaughter in 2002 increased compared to 2001, much of this due to increases in Denmark, Spain and, to a lesser extent, France. Smaller herds necessarily reduced slaughter volumes in Belgium, the Netherlands and the UK. As a consequence of both this and a market led reduction in the herd renewal rate in much of the EU, a small contraction in the 2002 EU ending inventory is expected. The smaller herd size is forecast to further reduce the slaughter number in 2003. This is most notable in the UK where ongoing reductions in the breeding herd mean that the slaughter number is forecast to hit a 30 year low. Another small contraction in EU ending inventories is expected in 2003.

EU pig crop production (EU and top 3 member states) - '000 head

	2002	2003
EU Total	214750	213750
Germany	43210	43522
Spain	39223	39287
France	26700	26905
Other member states	105617	104036

EU pig slaughter data (EU and top 3 member states) - '000 head

	2002	2003
EU total	202750	202650
Germany	43990	44200
Spain	38830	39040
France	26710	26920
Other member states	93220	92490

EU pig exports (EU and top 3 member states) - '000 head

	2002	2003
EU total	114	125
Germany	64	65
Netherlands	25	40
Austria	12	12
Other member states	13	8

PIGMEAT

PSD Table						
Country	European Union					
Commodity	Pigmeat				(1000 MT CWE)(1000 HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Slaughter (Reference)	201498	0	204210	202750	204100	202650
Beginning Stocks	0	0	0	0	0	50
Production	17419	0	17800	17550	17820	17550
Extra EC Imports	55	0	60	60	60	60
TOTAL SUPPLY	17474	0	17860	17610	17880	17660
Extra EC Exports	1235	0	1300	1245	1325	1300
TOTAL Dom. Consumption	16239	0	16560	16316	16555	16360
Ending Stocks	0	0	0	50	0	0
TOTAL DISTRIBUTION	17474	0	17860	17611	17880	17660

(Source: EU-FAS Offices)

The average slaughter weight in the EU increased in 2002. This was largely due to increases in the UK, where animals held on farm in 2001 during the FMD outbreak entered the food chain in 2002, and in Germany due to a change in the German pricing structure. Despite this, the downward revision to the previous, albeit increased, slaughter estimates for 2002 means that EU pig meat production rose less than previously forecast in 2002. EU pig meat production in 2003 is forecast unchanged, a small decline in the slaughter number expected to be offset by a further small rise in slaughter weight. Of particular note is the expectation that production in Spain will continue to rise.

EU pig meat exports rose in 2002 compared to 2001 but to a lesser extent than previously forecast. There has been some reopening of the traditional markets after the FMD crisis. In particular, Danish pork exports to Japan rose by 10 percent, despite the safeguard clause, while EU exports to Russia also showed some recovery. The 2003 forecast sees a further increase in exports as a result of the anticipated ongoing improvement of trade with traditional markets.

While overall EU pig meat consumption rose in 2002, human consumption fell. In Germany this was partly a result of food scandals while elsewhere in the EU, particularly in France and Belgium, consumers are returning to beef. The overall increase recorded is a consequence of a rise in private stocks, such as cured pig meat in Spain, due to low domestic prices. EU total pig meat consumption is also forecast to rise in 2003. However, human consumption is again forecast to fall while private stocks rise. In addition to the prevailing market conditions encouraging increased storage of pig meat products, Private Storage Aid (PSA) will end in 2003 as shown in the official ending stock figure.

EU pigmeat production (EU and top 3 member states) - '000 MT

	2002	2003
EU Total	17550	17550
Germany	4115	4130
Spain	3300	3314
France	2380	2400
Other Member States	7755	7706

EU pigmeat consumption data (EU and top 3 member states) - '000 MT

	2002	2003
EU Total	16416	16460
Germany	4325	4350
Spain	2972	2956
France	2260	2270
Other Member States	6859	6884

EU Pigmeat exports (EU and top 3 member states) - '000 MT

	2002	2003
EU Total	1145	1200
Denmark	539	550
Germany	150	145

France	120	140
Other Member States	336	365

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