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EU-27

Livestock and Products Annual

EU-27 Annual 2011

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Report Highlights:
During 2010 – 2011, the EU cattle herd is forecast to shrink as subsidies are phased out and input costs rise. Also EU swine inventories are expected to fall, as a large number of farmers are anticipated to stop before the new environmental and animal welfare legislation will be enforced in January 2013. During 2010 and the first half of 2011, the EU livestock sector has benefitted from increased demand for beef from mainly Turkey, and for pork from mainly South Korea. Further growth in exports is, however, hampered by restricted domestic production. The limited domestic supply in combination with the economic recession is pressing consumption of beef as well as pork. Import tariffs and veterinary requirements prevent imports to compensate for this lower production.

Executive Summary

Cattle & Beef

As a result of increasing input costs and cuts in subsidies, the EU cattle stock is projected to shrink 4.0 percent during 2010 – 2012. The contraction of the dairy herd is also caused by the increased milk delivery per cow inside the dairy quota system. Despite the shrinking beef and dairy cow herd, EU calving is forecast to remain stable as a result of increased fertility.

Total slaughter is declining, but a higher number of animals are slaughtered in official slaughterhouses, at a higher weight. As a consequence, EU beef production is forecast to remain relatively stagnant at around 8 MMT. Turkey and Russia have been an important market for EU beef exports during 2010 and the first half of 2011. The limited beef supply will hamper further expansion of exports to these countries.

Beef imports are not expected to recover to the levels reported during 2002 – 2007. This forecast is based on the restricted supply from South America and weak demand in the EU. In 2011 and 2012, EU beef imports are expected to rise only slightly mainly as a result of increased imports of high quality beef.

Swine & Pork

In 2010, piglet production and slaughter peaked, as the sector benefitted from lower feed prices and an increased export demand for pork. However, a large percentage of pig farms do not yet comply with the EU environmental and animal welfare requirements that enter into force in 2013. Rather than comply with this regulations, they are likely to stop farming. High feed prices are accelerating this process.

Beginning 2011 sow stocks were 2.5 percent lower than reported in 2010. The sow stock is not expected to recover during 2011 as piglet prices are at a relatively low level. Based on the lower stock of breeding animals, FAS offices forecast slaughter to fall during the second half of 2011 and 2012. Increased slaughter weights will not fully compensate for the lower slaughter, and pork production is forecast to decline during this period.

South Korea has been a growth market for EU pork exports as a result of the FMD outbreaks in this country. Pork exporters also benefitted from the economic growth, and thus demand for pork, in Russia and Asia. Lower domestic supply of pork, however, are expected to reduce exports in 2012.

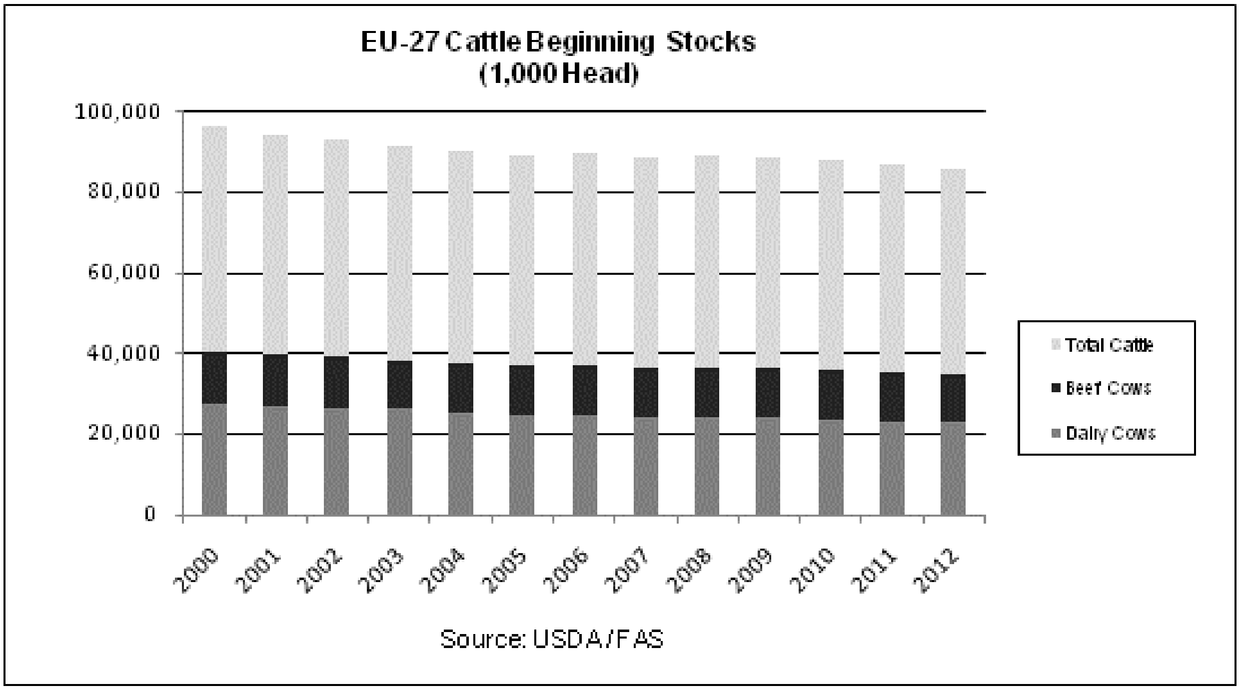
Cattle

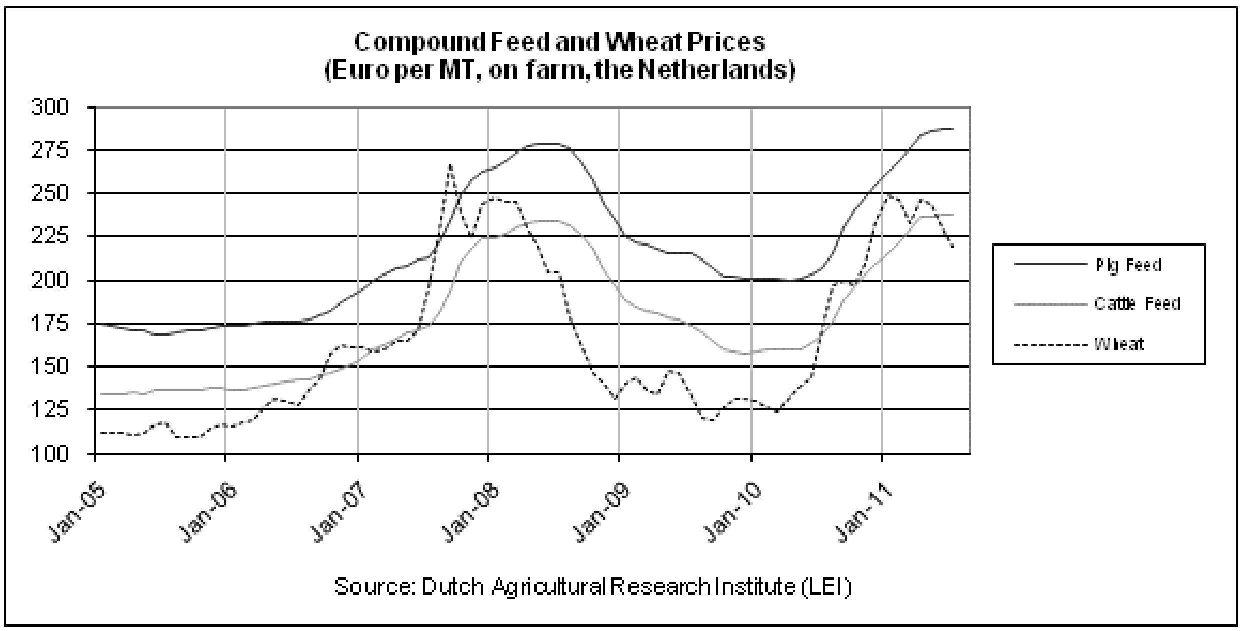
Country	EU-27					
Commodity	Animal Numbers, Cattle (1,000 Head)					
	USDA Official [EU-27]	Posts estimates [EU-27]	USDA Official [EU-27]	Posts estimates [EU-27]	USDA Official [EU-27]	Posts estimates [EU-27]
Market Year	2010		2011		2012	
Total Cattle Beg. Stocks	88,300	88,300	87,250	86,993	0	85,750
Dairy Cows Beg. Stocks	23,701	23,617	23,600	23,072	0	22,835
Beef Cows Beg. Stocks	12,271	12,337	12,280	12,285	0	12,230
Production (Calf Crop)	29,950	29,350	29,800	29,350	0	29,350
Extra EU27 imports	1	1	1	1	0	2
TOTAL SUPPLY	118,251	117,651	117,051	116,344	0	115,102
Extra EU27 exports	623	623	550	700	0	700
Cow Slaughter	7,610	11,670	7,450	11,770	0	11,665
Calf Slaughter	5,588	6,738	5,590	6,820	0	6,550
Total Slaughter	28,670	28,291	28,200	28,200	0	28,000
Loss	1,708	1,744	1,701	1,694	0	1,602
Ending Inventories	87,250	86,993	86,600	85,750	0	84,800
TOTAL DISTRIBUTION	118,251	117,651	117,051	116,344	0	115,102

Not Official USDA data. Source: Eurostat and FAS Offices in the EU. (a) Official Eurostat figure, might be revised down. (b) Cow slaughter is revised up by including the slaughter of heifers. (c) Calf slaughter is revised up by including the slaughter of young cattle. (d) The 2010 ending inventory is 357,000 head higher than the official Eurostat census figure. This adjustment is correcting inaccurate Italian census figures.

<u>The cattle herd is getting smaller and more productive</u>

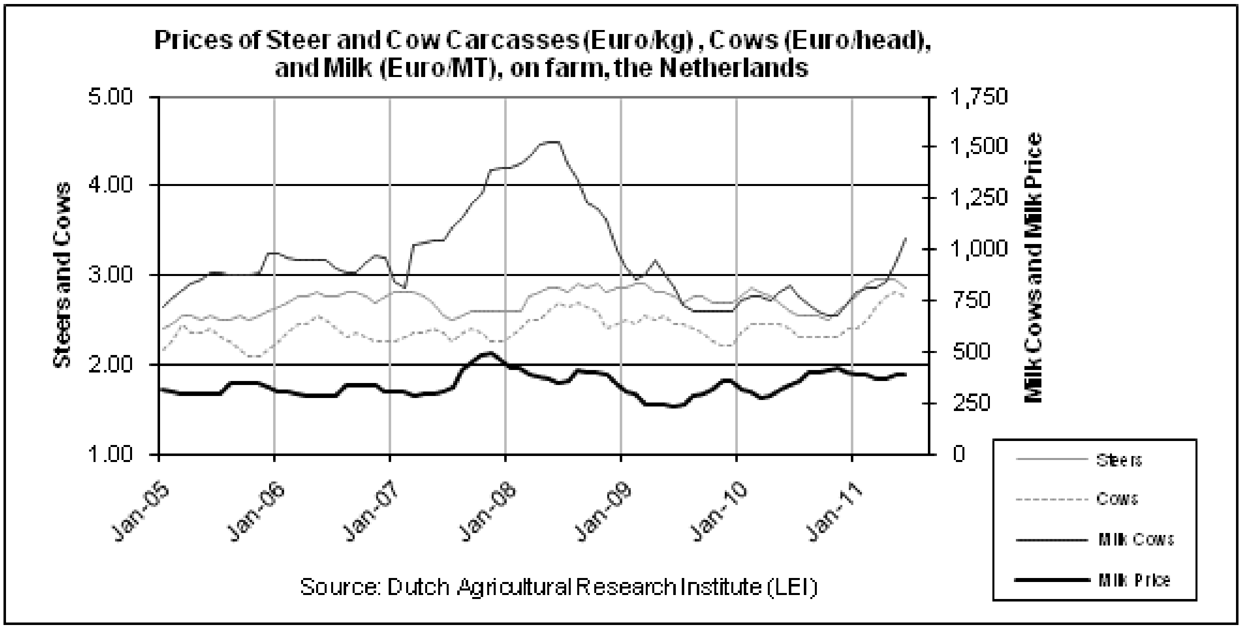
The EU cattle stock is projected to shrink 4.0 percent during 2010 – 2012, from 88.3 million head to 84.8 million head (see graph below). The annual reductions are estimated at 1.5, 1.4 and 1.1 percent, respectively. In absolute terms, the most evident cutbacks are projected in Romania, France, Italy and Germany. In relative terms, this trend is most pronounced in the New Member States (NMS). The EU herd contracts partly as a result of increasing input costs such as for feed (see graph below) and energy, and less generous government support. As a result of Common Agricultural Policy (CAP) reforms, per head subsidies, slaughter premiums and dairy product price support schemes were phase out over the past five years. The contraction of the dairy herd is also caused by the increased milk delivery per cow inside the dairy quota system. Throughout the EU, the smaller and less efficient farms with only a few cows are abandoning the sector. This is reflected in the back yard slaughter, which fell from 4.5 percent in 2009 to 3.0 percent in 2010, and is expected to further decline in 2011 and 2012. This reduction is predominantly taking place in the NMS, in particular in Romania and Bulgaria. As this reduction in back yard slaughter was not anticipated for in the previous forecast, slaughter is revised 0.6 million head lower in this report.





<u>Increased fertility will stabilize calving in 2011 and 2012</u>

The relatively low calf per cow ratio in 2010 (0.805 compared to 0.825 in 2009) can partly be explained by improving opportunities for live export and slaughter in combination with rising feed prices. This market situation could have incited farmers to destine their cows for export or slaughter instead of breeding. Better genetics and the fading effect of the Bluetongue Disease (BTD) are expected to increase the calf per cow ratio during 2011 and 2012. This is also reflected in the lower losses during this period. As a result, during 2010, 2011 and 2012, EU calf production is forecast to remain stable at about 29.4 million head annually, despite the shrinking cow herd. In the NMS, the calf crop is forecast to decline, while in the EU15, a slight recovery is expected.



<u>Cattle and beef find its way to the export markets</u>

During 2010 and the first half of 2011, EU cattle exports to Northern Africa and the Middle East increased significantly, mainly from France and Germany to Lebanon, Algeria and Morocco, and from Hungary to Turkey. Exports to Syria and Libya have declined since the political instability in these countries started. Next year, EU cattle exports are forecast to stagnate as a result of lower availability of animals. The tight availability is expressed in rising prices for live cattle as well as for carcasses (see graph above). Northern Africa and the Middle East have also been an important market for EU beef exports during 2010 and the first half of 2011. The improved trade to these regions was supported by elevated slaughter. During the first five months of 2011, slaughter in official slaughterhouses increased by 2.2 percent. During the past spring, slaughter was also induced by dry weather conditions which decimated on-farm feed supplies. As a result of a tightening supply of animals, however, cattle slaughter is expected to decline during the second half of 2011 and 2012.

Calf crop production (Top 5 EU member states) 1,000 Head

	2010	2011	2012
France	6,125	6,180	6,215
Germany	4,380	4,385	4,400
United Kingdom	3,000	3,000	2,950
Italy	2,354	2,350	2,447
Benelux	2,238	2,233	2,214

Cattle slaughter (Top 5 EU member states) 1,000 Head

	2010	2011	2012
France	5,060	5,100	5,000
Italy	3,862	3,865	3,868
Germany	3,786	3,740	3,700
Benelux	2,891	2,860	2,855
United Kingdom	2,700	2,604	2,565

Beef

Country	EU-27					
Commodity	Meat, Beef and Veal (1,000 Head)(1,000MT CW)					
	USDA Official [EU-27]	Posts estimates [EU-27]	USDA Official [EU-27]	Posts estimates [EU-27]	USDA Official [EU-27]	Posts estimates [EU-27]
	2010		2011		2012	
Slaughter (Reference)	28,670	28,291	28,200	28,200	0	28,000
Beginning Stocks	0	0	0	0	0	0
Production	8,085	8,022	8,000	8,050	0	8,000
Extra EU27 imports	436	436	450	450	0	460
TOTAL SUPPLY	8,521	8,458	8,450	8,500	0	8,460
Extra EU27 Exports	336	338	295	450	0	440
TOTAL Domestic Use	8,185	8,120	8,155	8,050	0	8,020
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	8,521	8,458	8,450	8,500	0	8,460

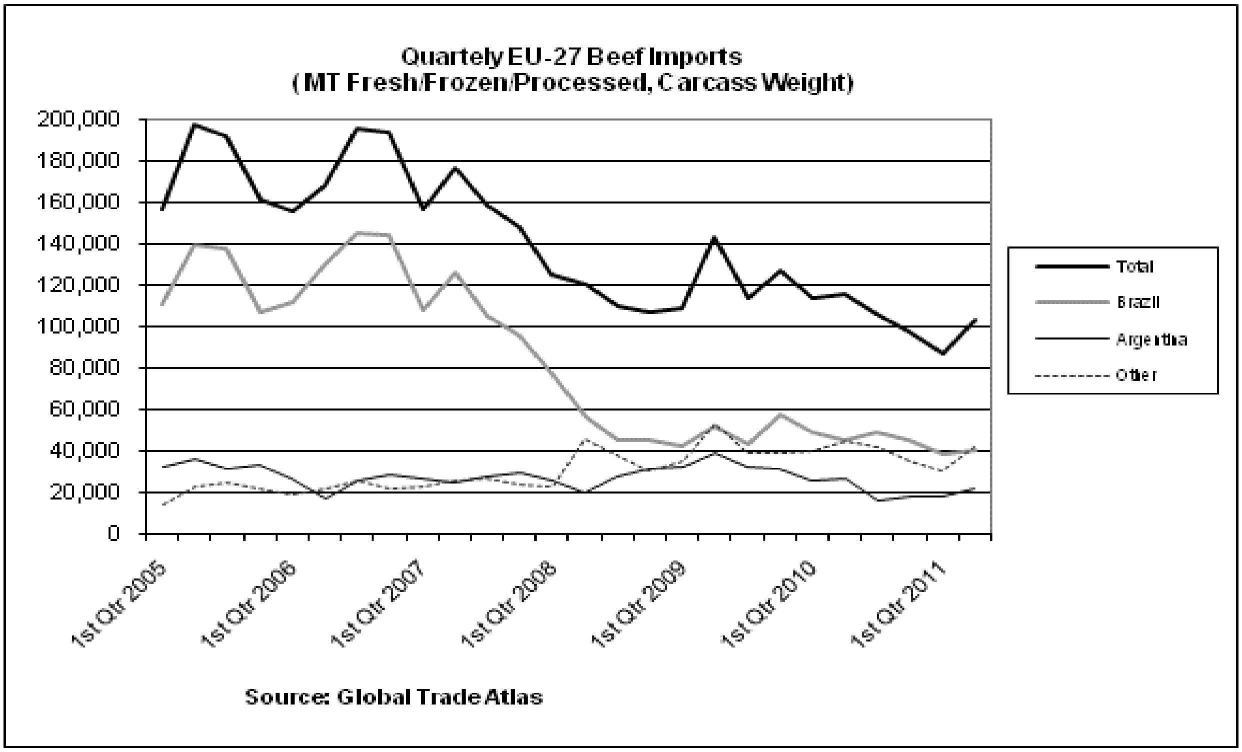
Not Official USDA data. Source: Eurostat and FAS Offices in the EU.

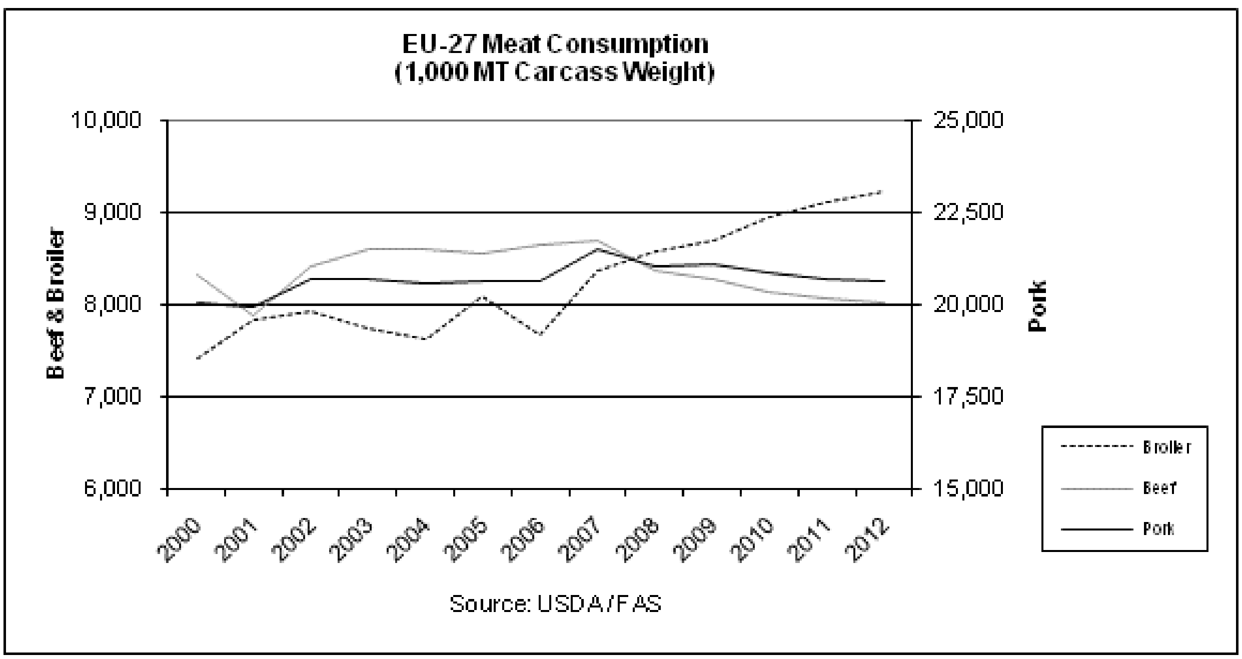
Lower slaughter numbers will partly be leveled off by increased slaughter weights

In 2010, animals were slaughtered at a higher weight than in 2009 (283.6 kg versus 278.1 kg) and at a higher weight than was anticipated in the Semi Annual Report (282.0 kg). Slaughtered cows as well as steers were heavier mainly due to the relative low feed prices quoted before the 2010 grain harvest. Another factor was the reduction of back yard slaughter of which nearly forty percent consists of animals less than one year old. A further reduction of back yard slaughter and high carcass prices are expected to increase the average slaughter weight during 2011 and 2012. Due to the higher slaughter weights, EU beef production is forecast to remain relatively stagnant at around 8 MMT, despite falling slaughter numbers.

Import supply is forecast to remain limited

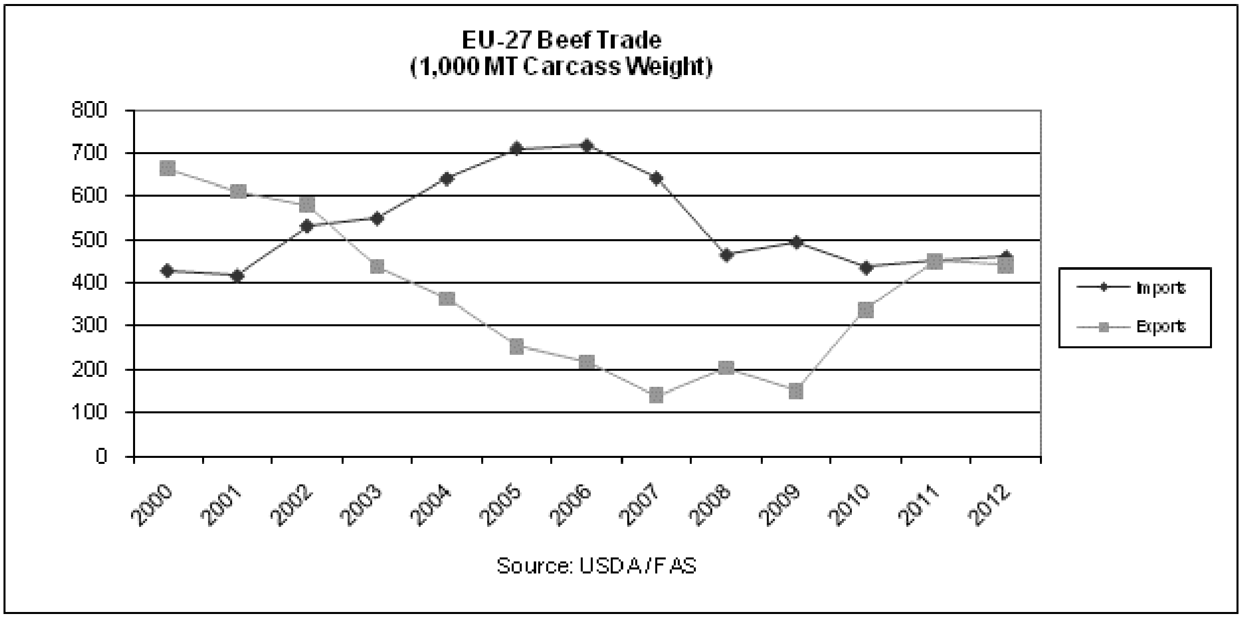
The import supply of beef, historically predominantly sourced from South America, remains limited (see graph below). During 2010 and the first half of 2011, beef prices in South America almost reached EU domestic prices. According to traders, this high price level, in combination with the import duty is pressing imports. Besides the limited supply, an important factor is weak EU demand. Higher domestic beef prices, in combination with the economic recession, reduced EU beef sales. The countries which have been hit the most by the financial crisis, namely Greece, Spain and Portugal, reported the most pronounced cuts in beef consumption during 2010. But also in France, the United Kingdom and Germany, beef consumption is on the decline. Another factor behind the falling beef consumption is the increasing popularity of broiler meat due to its lower price, perceived health advantages and convenience (see graph below). The sum of beef, pork and broiler meat consumption is expected to increase slightly in 2011, but stay well below the peak level reported in 2007. A significant import recovery in 2011 and 2012 is unlikely but possible if the supply side of the market changes, such as a drastic reduction of domestic demand in South America, a significant change of the Euro exchange rate with the South American currencies, or a change in the Argentinean export policy. An improvement in trade would above all be accomplished by relaxation of the main barrier for trade, namely the EU import policy. In 2011, and 2012, EU beef imports are expected to rise only slightly as a result increased imports of high quality beef from mainly the United States and Australia (see Policy section). In 2010, U.S. beef exports to the EU totaled 11,900 MT, with an estimated value of 113 million USD.





<u>Export demand is outpacing domestic demand</u>

As domestic consumption slackened, EU beef supply temporarily outpaced demand in 2010. This resulted in private stock building and increased availability for exports during the last half year of 2010 and 2011. As beef prices in South America rose, Russia increasingly sourced from the EU. Exports were further supported by a weak Euro against the Brazilian Real and the Russian Ruble. Most beef has been sourced from Germany, Poland and the Baltic states. The EU remains however, a minor supplier on the growing Russian compared to South America and Australia. Since the Turkish government lowered their import tariffs on beef in May 2010, Turkey became an important market for EU beef exports. Currently, the EU is practically the exclusive supplier to Turkey. Most beef has been sourced from Poland, Germany and France. The increased exports to Russia and Turkey benefitted the sector by increasing prices for cattle and beef throughout Europe. In 2012, Russia will reportedly maintain current quota volumes for fresh and frozen beef of 30,000 MT and 530,000 MT respectively. Russian demand is expected to remain strong as domestic production slackens. Despite the good prospects for trade, EU exports are expected to fall or at least stagnate during the second half of 2011 and 2012. This forecast is based on the limited EU beef supply.



Beef production (Top 5 EU member states) 1,000 MT

	2010	2011	2012
France	1,521	1,580	1,550
Germany	1,199	1,190	1,180
Italy	1,075	1,064	1,069
United Kingdom	908	884	875
Spain	590	623	621

Beef consumption (Top 5 EU member states) 1,000 MT

	2010	2011	2012
France	1,618	1,601	1,550
Italy	1,531	1,524	1,519
United Kingdom	1,220	1,170	1,155
Germany	989	980	970
Spain	576	574	556

Beef exports (Top 5 EU member states) 1,000 MT

	2010	2011	2012
Germany	72	90	100
Poland	65	60	60
France	31	50	50
Italy	44	45	47
Benelux	26	29	29

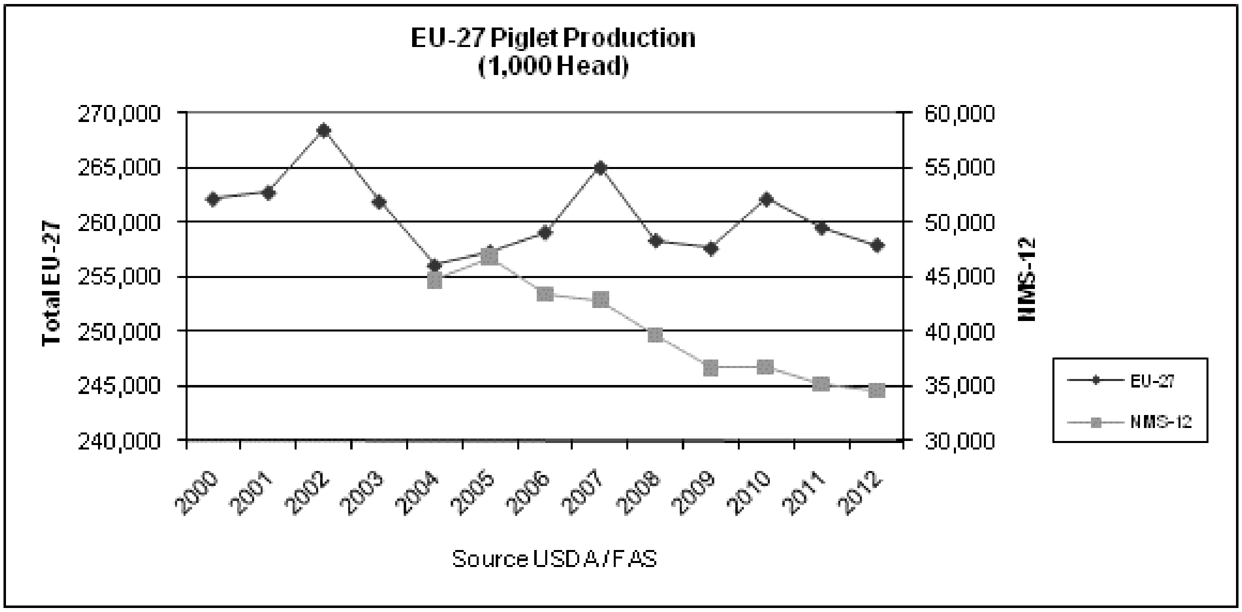
Swine

Country	EU-27					
Commodity	Animal Numbers, Swine (1,000 Head)					
	USDA official [EU-27]	Posts estimates [EU-27]	USDA official [EU-27]	Posts estimates [EU-27]	USDA official [EU-27]	Posts estimates [EU-27]
Market Year Begin	**2010**		**2011**		**2012**	
TOTAL Beginning Stocks	152,198	152,198	150,400	151,084	0	149,100
Sow Beginning Stocks	13,920	13,897	13,800	13,559	0	13,390
Production (Pig Crop)	260,000	262,200	257,500	259,600	0	258,000
Extra EU27 imports	2	2	3	1	0	1
TOTAL SUPPLY	412,200	414,400	407,903	410,685	0	407,101
Extra EU27 exports	1,616	1,614	1,600	1,650	0	1,700
Sow Slaughter	3,925	4,233	4,500	4,300	0	4,280
Total Slaughter	253,000	254,514	253,000	253,000	0	251,900
Loss	7,184	7,188	7,003	6,935	0	6,601
Ending Inventories	150,400	151,084	146,300	149,100	0	146,900
TOTAL DISTRIBUTION	412,200	414,400	407,903	410,685	0	407,101

Not Official USDA data. Source: Eurostat and FAS Offices in the EU.

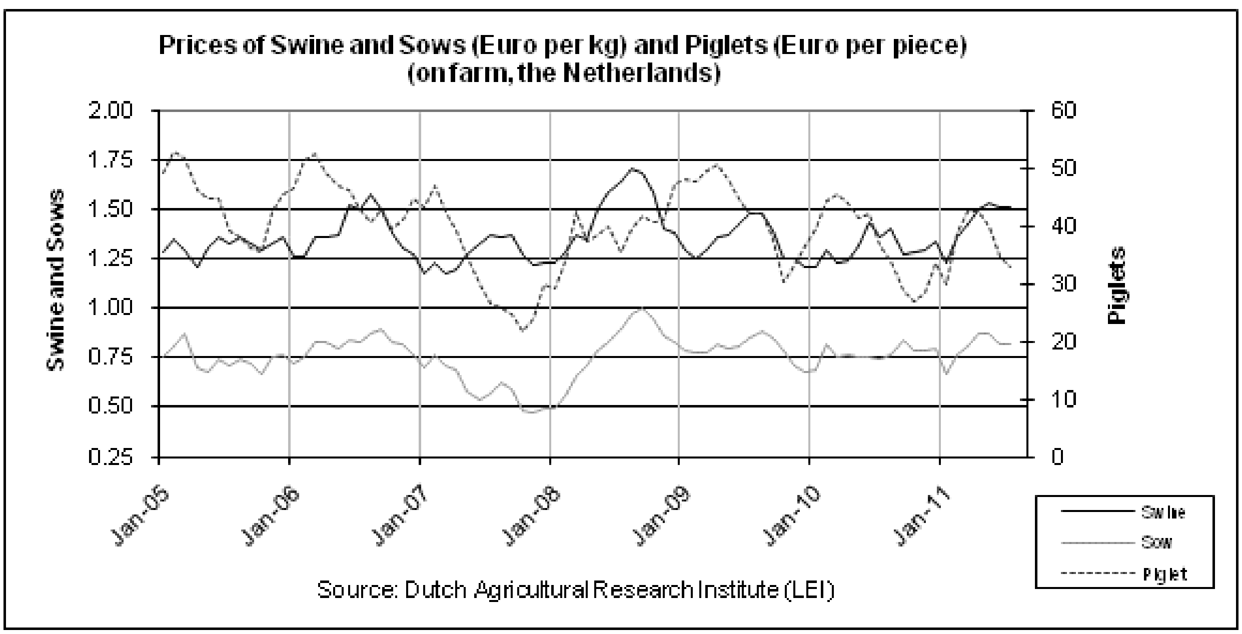
A temporary revival of the EU swine sector

The peak in piglet production and slaughter in 2010, forecast in the previous Annual report was revised up in the Semi Annual Report, and is revised further up to an annual increase of respectively 1.8 and 2.1 percent in this report (see PSD and graph below). The sector benefitted from lower feed prices, increased demand for pork in Russia and Asia, and a weak Euro. The share of back yard slaughter fell from 3.2 percent in 2009 to 2.1 percent in 2010. Stringent food safety requirements for backyard slaughter and on-farm meat sales have decimated backyard slaughter in the NMS. This trend is expected to continue in 2011 and 2012.



Stringent regulations are causing a restructuring of the sector

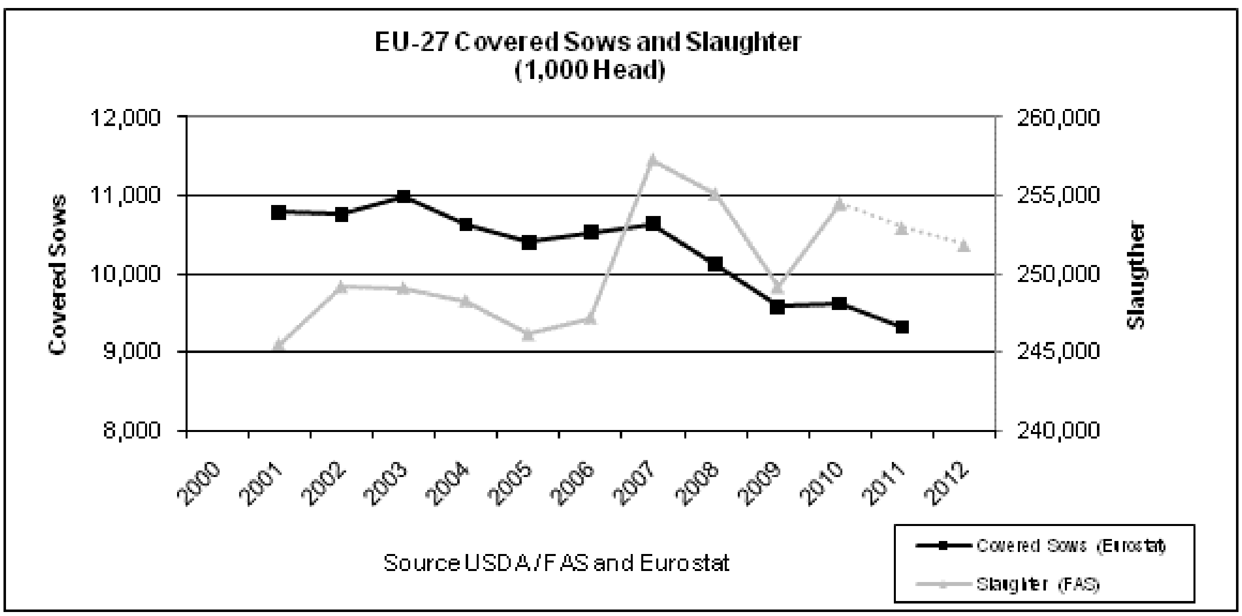
A large percentage of pig farms do not yet comply with EU environmental and animal welfare requirements entering into force in 2013 (see Policy section). As margins have been tight since 2007, farmers are reluctant to invest in their farms, and a significant number of farmers are forecast to exit the business. High feed prices are accelerating this process. Furthermore, the dioxin incident in Germany caused a dip in the carcass prices during the first two months of this year (see graph below). In February, carcass prices recovered but remain under the level on which most fatteners in Europe could achieve positive margins. The weak viability of the sector is also reflected in the current piglet prices, which are below the five-year average (see graph below). The restructuring of the EU swine sector implies closure of the most inefficient commercial farms throughout the EU.



During the second half of this year, the supply of hogs is expected to fall

Elevated piglet production during 2010 resulted in peak slaughter during the first half of 2011. Eurostat reports an increase of 2.0 percent in official slaughterhouses during the first five months. During the second half of 2011, however, FAS offices forecast slaughter to fall due to a reduction in the supply of hogs. Opposite to the EU trend, Germany is expected to increase slaughter by about half a million head in both 2011 and 2012. The projection of an overall lower supply of animals for slaughter is based on the current availability of breeding animals. The 2011 beginning sow stock fell with 0.35 million head compared to the previous year, a reduction of 2.5 percent. Also the number of covered sows fell significantly (see graph below), namely by 3.2 percent. Increased fertility is not anticipated to fully level off this reduction, and the pig crop is forecast to decline by 1.0 percent in 2011. Based on the current piglet prices, the sow stock is not expected to recover this year. As a consequence, EU piglet production is projected to decline by 0.6 percent next year. The falling trend will possibly be stopped after the environmental and welfare regulations have been enforced in January 2013, and theoretically the restructuring has been completed. Another possible, but less likely, scenario is that breeders and fatteners will continue a high level of production until they close their operation in 2013. This scenario is based on the assumption that farmers will chose to maintain their cash flow to pay off their debts on their investments.

The most significant production cuts are expected in France, Poland and Denmark. French pig producers blame higher feed and energy costs as well as unfair competition from Germany for their falling production. In Poland, a significant increase in feed prices and competition from Dutch and Danish suppliers is forecast to decimate the sector by 3.3 percent in 2011 and 2.1 percent in 2012. In the NMS, an important factor is also the diminishing interest of households to breed and fatten pigs. After an increase of 1.7 percent in 2011, the Danish sector is expected to cut piglet production by 1.4 percent in 2012. Margins of Danish breeders and fatteners are reportedly tight. The Danish pig industry is increasing its focus on animal welfare by dedicating more funds to research in this area. During 2010 – 2012, the total EU pig herd is forecast to decrease by 5.3 million animals, with annual reductions of 0.7, 1.3 and 1.5 percent, respectively.



Pig crop production (Top 5 EU member states) 1,000 Head

	2010	2011	2012
Germany	47,200	47,800	47,900
Spain	39,965	39,934	40,000
Benelux	36,440	36,400	36,300
Denmark	28,600	29,100	28,700
Poland	19,750	19,100	18,700

Swine slaughter (Top 5 EU member states) 1,000 Head

	2010	2011	2012
Germany	58,350	59,000	59,500
Spain	40,266	40,235	40,250
Benelux	26,033	25,900	25,700
France	24,935	24,000	23,100
Poland	19,745	19,350	18,800

Pork

Country	EU-27					
Commodity	Pigmeat (1,000 Head)(1,000 MT CW)					
	USDA Official [EU-27]	Posts estimates [EU-27]	USDA Official [EU-27]	Posts estimates [EU-27]	USDA Official [EU-27]	Posts estimates [EU-27]
Market Year Begin	2010		2011		2012	
Slaughter (Reference)	253,000	254,514	253,000	253,000	0	251,900
Beginning Stocks	0	0	0	0	0	0
Production	23,000	22,552	22,900	22,530	0	22,480
Extra EU27 imports	25	25	25	15	0	15
TOTAL SUPPLY	23,025	22,577	22,925	22,545	0	22,495
Extra EU27 exports	1,754	1,752	1,750	1,900	0	1,900
TOTAL Domestic Use	21,271	20,825	21,175	20,645	0	20,595
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	23,025	22,577	22,925	22,545	0	22,495

Not Official USDA data. Source: Eurostat and FAS Offices in the EU.

<u>Lower slaughter numbers will not be leveled off by increased slaughter weights</u>

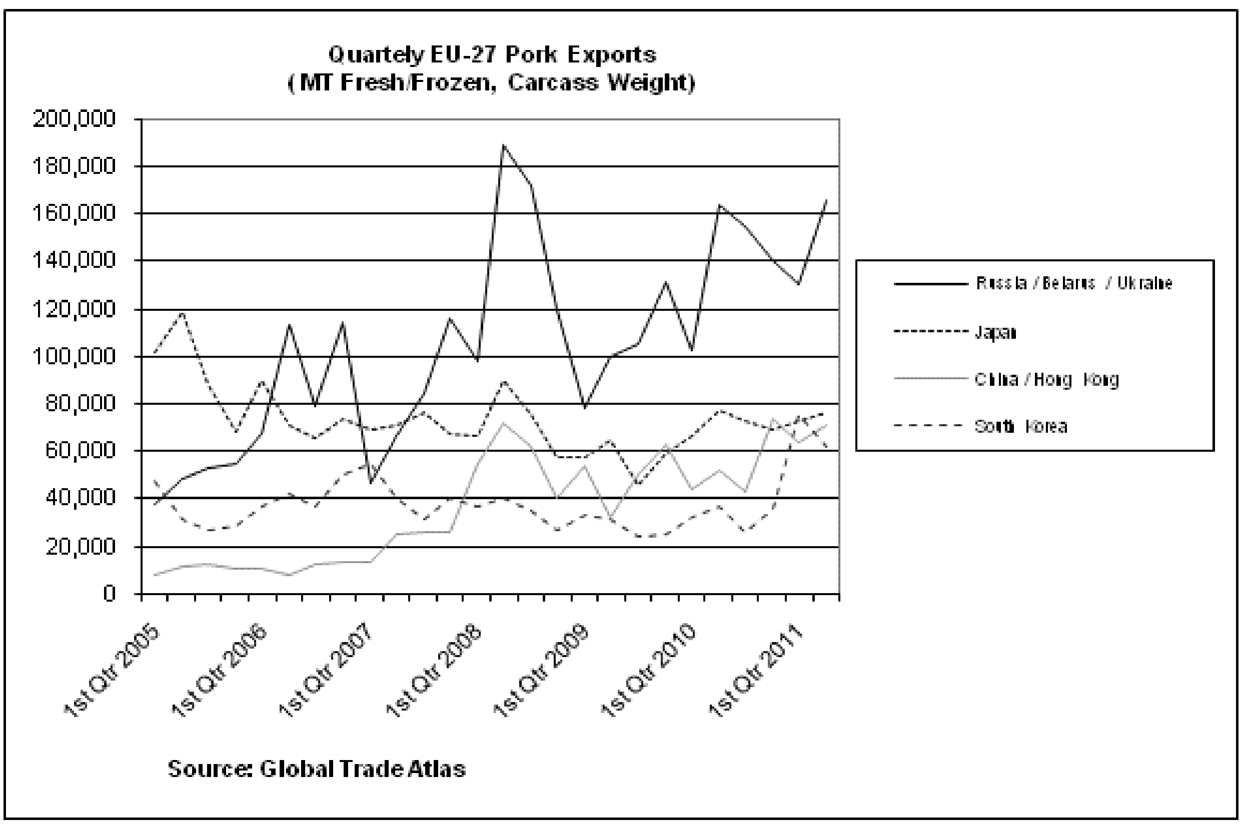
The high feed prices are expected to force farmers to slaughter their animals earlier and at lower weights in some EU Member States. Due to the falling demand, slaughter of piglets is also expected to increase in 2011. However, in most countries, the average slaughter weight is forecast to increase. This is partly a result of progression in genetics. Another factor is the increased slaughter of sows. In Germany, the average slaughter weight is expected to increase because of a change in carcass classification for payments. As a consequence of these factors, the average slaughter weight is expected to increase slightly from 88.6 kilo in 2010 to 89.1 kilo in 2011 and 89.2 kilo in 2012. However, the increased slaughter weight will not fully compensate for the lower slaughter, and pork production is forecast to decline during this period. This forecast is based on feed prices similar to current levels. If during the second half of 2011 and 2012, feed prices will significantly decline, hogs could be slaughtered at a higher weight, and pork production could even increase.

Elevated slaughter and the dioxin incident led to a temporary oversupply

Peak slaughter during the first half of 2011, in combination with the dioxin incident in December 2010 / January 2011, increased commercial stocks. The dioxin incident reduced German pork consumption temporarily by ten percent, and led to the short-term closure of some export markets. On February 1, the European Commission (EC) opened a PSA program (Private Storage Aid, see Policy section) to support pork producers. The commercial and PSA stocks increased mainly in Germany and neighboring countries; Denmark, the Netherlands and Belgium. The current PSA stocks are estimated at about 40,000 MT, and are expected to be empty by the end of August.

The temporal oversupply has been made available for exports

A part of the temporary oversupply has been made available for exports. South Korea has been a growth market as a result of the Foot and Mouth Disease (FMD) outbreaks. Producers and traders benefitted from the South Korean tariff-free quota of 130,000 MT for the first half of the year and an equal volume for the second half of the year. In the beginning of August, South Korea lifted all import tariffs for chilled pork for a period of two months. However, almost all of the pork which is shipped from the EU to South Korea is frozen. Pork exporters also benefitted from the increased demand for pork in Russia and Asia, and the low value of the Euro and Danish Kroner against the currencies of important competitors (Brazil and Canada) and customers (Japan and China). Since the start of 2010, Brazilian and U.S. pork export prices have come closer to the EU prices. During 2010, the Dutch sector has been able to export directly to China but the demand will only be for the low value parts which are only a small portion of the total carcass. Denmark has been able to export to China already since the beginning of 2007, and Germany since the end of 2009. Danish pork exports to third countries are expected to increase moderately. The Danish sector considers Russia, South Korea and China as the main growth markets for 2011. Brazil is reportedly losing market share in Russia due to veterinary restrictions, and EU exporters are benefiting from this. For the year 2011, the Russian quotas are set at the same level as in 2010; 472,100 MT for fresh and frozen pork plus 27,900 MT for trimmed pork meat, totally 500,000 MT. The EU part of the quota is 225,000 MT. For the year 2012, the Russian quotas are set at 350,000 MT of pork. Country specific allocations are not indicated.



Lower supply will eventually reduce exports
During the second half of 2011, pork production is expected to fall significantly, as slaughter peaked during the first half of the year. According to this scenario, the lower domestic supply of pork will reduce exports in 2012. For the whole year, EU pork exports are forecast to drop slightly from 1.90 MMT in 2011 to 1.89 MMT in 2012. Due to the limited domestic supply, and associated price recovery, EU domestic use of pork is forecast to decline further.

Pork production (Top 5 EU member states) 1,000 MT

	2010	2011	2012
Germany	5,461	5,540	5,580
Spain	3,401	3,354	3,400
Benelux	2,427	2,415	2,395
France	2,010	1,960	1,900
Poland	1,741	1,700	1,650

Pork consumption (Top 5 EU member states) 1,000 MT

	2010	2011	2012
Germany	4,604	4,530	4,570
Italy	2,770	2,772	2,750
Spain	2,307	2,267	2,229
Poland	1,939	1,900	1,870
France	1,882	1,863	1,853

Pork exports (Top 5 EU member states) 1,000 MT

	2010	2011	2012
Denmark	577	600	600
Germany	320	350	360
Benelux	213	210	202
France	141	150	150
Poland	130	140	120

Policy

Policy developments in the EU cattle sector

Concerns about FTA negotiations with Mercosur

The Free Trade Agreement (FTA) negotiations between the EU and Mercosur, which started in 1999, came to a halt in 2004 after the gap on agricultural positions proved unbridgeable. In May 2010, the negotiations were restarted, but after the fifth round of talks in May 2011, the negotiations were postponed for political reasons.

Nevertheless, the resumption of the EU - Mercosur trade talks spurred concerns in EU Member States, especially in the beef, poultry and sugar sector. In March 2011, EU farmers union Copa-Cogeca argued that a free trade agreement between the EU and Mercosur could cost the EU beef sector Euro 25 billion and a significant loss of employment. Also in the European Parliament critical voices were raised about the impact of an EU - Mercosur agreement for in particularly the EU beef sector.

During an informal agricultural council meeting in Hungary during May 29 - June 1, a letter of eleven Member States to Farm Commissioner Ciolos called for action to support the beef sector in the EU. The letter stressed that a bilateral trade deal with the Mercosur bloc “could put the survival of the beef sector at serious risk.” Commissioner Ciolos announced that he would form an enlarged working group to draft a report on market threats for the EU beef and veal sector. This initiative is aimed at ensuring that the EU beef and veal sector interests are properly addressed in the proposals for the upcoming CAP reform.

Update on the new EU beef import quota for high quality beef

During 2006 – 2008, annual U.S. beef exports to the EU increased from 500 MT to 5,100 MT, mainly due to increased efforts of importers and wholesalers, re-introducing this high quality meat on the market. In 2009 and 2010, U.S. beef imports were further supported by the introduction of the new zero duty quota for high quality beef (HQB). In the first quota year, which covered eleven months from August 2009 through June 2010, import licenses for 9,822 MT out of the 20,000 MT of the available quota volume were delivered. In the second quota year, import license applications for the HQB quota have been filed for nearly all the available volume, namely; 19,141 MT. The U.S. share is estimated at about 15,500 MT.

Background:

The details for the administration of this zero duty, 20,000 MT beef quota were published in Commission Regulation (EC) No 620/2009. This U.S. - EU compromise deal was formally approved in Council Regulation (EC) No 617/2009, published in the Official Journal on July 15, 2009. The quota was put into place on August 1, 2009, for a period of three years. With mutual agreement, the quota is expected to be expanded to 48,200 MT after this period, on August 1 2012. The following countries were authorized to include their beef under the HQB quota: Australia (January, 2010), Canada (March, 2011), New Zealand (July, 2011) and Uruguay (August 2011). Argentina and Brazil are in this order at different stages in the process of authorization as well. Go for more information to the website of the U.S. Mission to the EU.

Policy developments in the EU swine sector

The current EU GMO approval policy

The EU livestock sector, in particular the swine and poultry sector, is limited in sourcing feed materials by the current GMO approval policy. This situation is acknowledged by the European Commission (EC) and outlined in a 2007 Commission report titled, "Economic Impact of Unapproved GMOs on EU Feed Imports and Livestock Production."

The future housing requirements for swine

By January 1, 2013, the EU swine sector will need to comply with additional environmental (Council Directive 2008/1/EC) and animal welfare regulations (Council Directive 2001/88/EC). Council Directive 2008/1/EC sets limits on the ammonia emission of livestock farms and in many cases will require adjustments in animal husbandry and/or investments in air treatment systems. Council Directive 2001/88/EC imposes specific requirements for the housing of pigs related to animal welfare such as introduction of group housing for sows, and the expansion of the living area for weaned piglets and fattening pigs. A large percentage of pig farms do not yet comply with the EU environmental and animal welfare requirements that will enter into force in 2013. As margins have been tight since 2007, farmers are reluctant to invest in their farms, and a significant percentage is anticipated to leave the business.

Industry initiative for banning pig castration by 2018

Various organizations across the entire EU pork industry chain signed a European Declaration on alternatives to surgical castration of pigs. For more in information see the Semi Annual Livestock Report.

The dioxin incident in Germany

In response to the dioxin incident in Germany in December 2010 / January 2011, the EC opened a Private Storage Aid (PSA) program on February 1, 2011. On February 23, the EC terminated the program. It is estimated that about 150,000 MT of pork has been taken out of the market. The current PSA stocks are estimated at about 40,000 MT, and are expected to be empty by the end of August.

Other measures by the European Commission

Agriculture Commissioner Ciolos convened a European Commission Advisory Group on Pigmeat, which included representatives of the whole EU pig market chain. The conclusions of the enlarged advisory group on pig meat have been made available at:

http://register.consilium.europa.eu/pdf/en/11/st10/st10022.en11.pdf

The industry stakeholders of the pork advisory group, who drafted their own conclusion paper, are suggesting that the Commission should take the following actions:

1. Reduction in the production costs, in particular feed prices
2. Increase the competitiveness of EU pork on the international market.
3. Update the market management tools of the Common Market Organization (CMO).
4. Strengthen the position of producers in the food chain.

Animal Disease Situation

-In early 2011, Bulgaria had eleven outbreaks of Foot and Mouth Disease (FMD) which led to some loss of cattle inventory (below 2,000 head) and negatively affected trade. Overall, the economic effect was not considerable since the outbreaks were concentrated in an area with fewer commercial farms. The quarantine on the six regions near the Turkish border (see Semi Annual Report) is expected to be lifted by the end of September.

-Romanian exports of live animals and pork meat to EU Member States have been prohibited since 2003 because hogs were vaccinated against the Classical Swine Fever (CSF). In order to resume pork exports, the solution proposed by the European Commission in the beginning of 2011 was to set up a "channeled system" for pork meat production and trading, which has to be validated by the EU veterinary experts. The FVO evaluation mission is expected this fall, along with a decision regarding Romanian hog farms' access to EU pork meat market.

DISCLAIMER

The numbers in the PSDs in this report are not official USDA numbers, but they result from a collaborative effort by FAS EU offices to consolidate PSDs from all 27 EU member states.

This report is the result of active collaboration with the following EU FAS colleagues in the following member states:

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NOTE

In this report the following HS codes and conversion factors are used:

	HS codes	Conversion factors
Beef	0201, 0202 021020, 160250	PWE X 1.40 = CWE PWE X 1.79 = CWE
Pork	0203, 021011, 021012, 021019, 160241, 160242, 160249	PWE X 1.30 = CWE

PWE = Product Weight CWE = Carcass Weight

ABBREVIATIONS

EU: All twenty-seven Member States of the European Union.
EU-25: All Member States of the European Union, except NMS-2.
EC: European Commission
MS: An EU Member State
NMS: The twelve new Member States which joined the EU in May 2004 and January 2007.
NMS-2: Romania and Bulgaria, which joined the EU in January 2007.
Benelux: Belgium, the Netherlands and Luxembourg

Related reports from FAS Post in the European Union:

Country	Title	Date
EU-27	Implementation of Animal Welfare Directives in the EU	07/19/11
EU-27	New Animal Welfare Strategy 2011-2015	05/04/11
Czech Republic	Blue Tongue Vaccination	05/03/11
EU-27	EU Novel Foods Proposal failed to win Approval	04/20/11
EU-27	EU-27 Livestock Semi Annual Report 2011	03/07/11
EU-27	Proposed Novel Foods Regulation could impede Animal Product Exports	02/04/11
EU-27	EU-27 Livestock Annual Report 2010	09/06/10
Italy	Livestock Outlook 2010	08/30/10
Slovakia	Anthrax Outbreak in a Slovakian Cattle Herd	08/02/10
EU-27	New EU beef import quota – first year state of play	07/13/10

The GAIN Reports can be downloaded from the following FAS website:

http://gain.fas.usda.gov/Pages/Default.aspx

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