

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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POLICY

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**Report Highlights:**

The 2011 and 2012 cattle production, slaughter and stock figures are adjusted to a higher level than anticipated in the Annual Livestock Report. Also the 2011 and 2012 cattle export figure has been adjusted upwards as Turkey lowered the import tariff for live cattle countering the higher Turkish import tariffs for beef. The 2011 and 2012 pig production and slaughter figure is revised upwards based on higher than expected breeding efficiency. Breeding and fattening is expected to continue on a high level until 2013. Most of this additional volume of pork produced is expected to be destined for exports.

## Executive Summary

### Cattle & Beef

A revision of official census and slaughter numbers in 2010 is the basis for higher estimates of the calf crop and ending inventories in 2011 and 2012. Slaughter is also revised to a higher level as a result of increased feed costs and high carcass prices throughout the EU. The 2011 cattle export figure has been adjusted upwards by more than 100,000 head as Turkey lowered the import tariff for live cattle countering the higher Turkish import tariffs for beef. The 2011 and 2012 beef export figures are adjusted to a lower level accordingly.

### Swine & Pork

The 2011 and 2012 pig crop and slaughter figure is adjusted upwards based on higher than expected breeding efficiency, likely caused by the restructuring of the industry. Breeding and fattening is expected to continue on a high level until 2013, the year when the new environment and animal welfare regulations will be imposed. Due to good demand on the world market, most of this additional volume of pork produced is expected to be destined for exports.

## Cattle

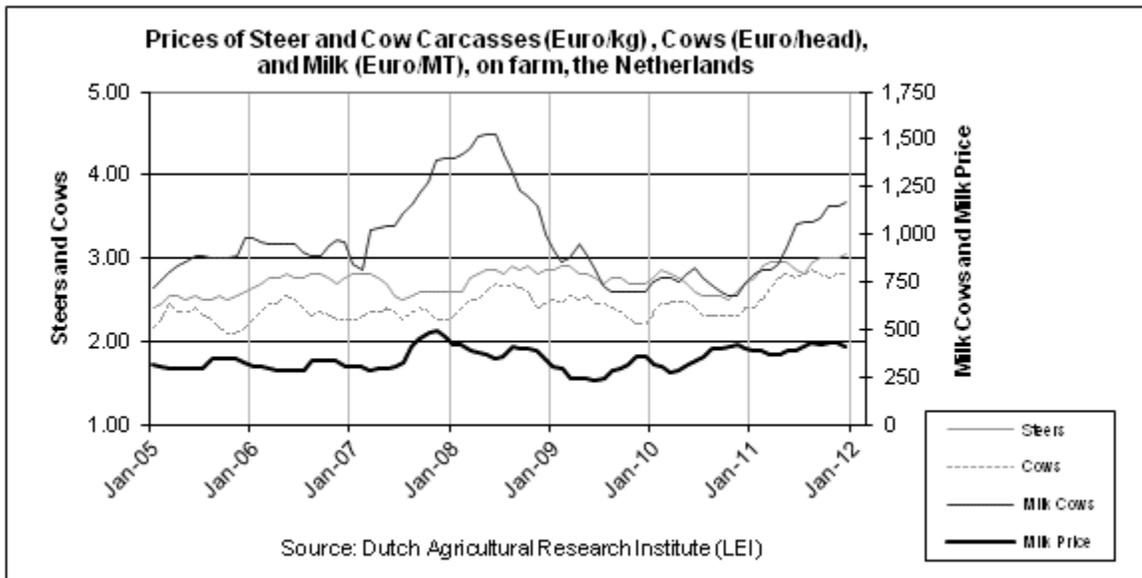
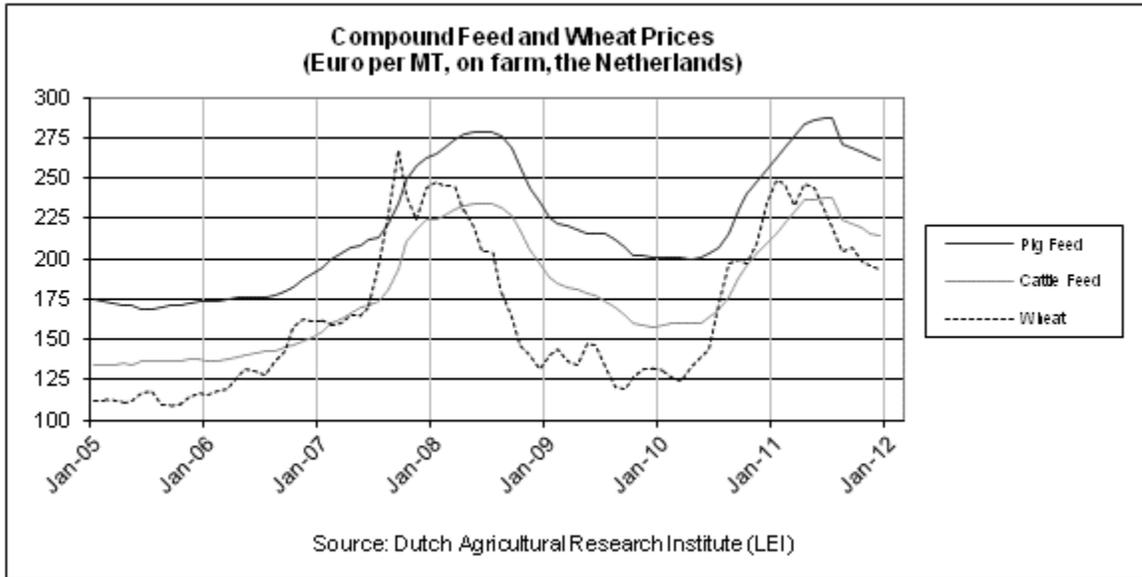
Country	EU-27					
Commodity	Animal Numbers, Cattle (1,000 Head)					
	USDA Official [EU- 27]	Posts estimates [EU-27]	USDA Official [EU- 27]	Posts estimates [EU-27]	USDA Official [EU- 27]	Posts estimates [EU-27]
Market Year	2010		2011		2012	
Total Cattle Beg. Stocks	88,300	88,300	86,993	87,437	85,750	86,500
Dairy Cows Beg. Stocks	23,617	23,566	23,072	23,122	22,835	22,900
Beef Cows Beg. Stocks	12,337	12,320	12,285	12,306	12,230	12,180
Production (Calf Crop)	29,350	30,000	29,350	29,750	29,350	29,600
Extra EU27 imports	1	1	1	19	2	1
<b>TOTAL SUPPLY</b>	<b>117,651</b>	<b>118,301</b>	<b>116,344</b>	<b>117,206</b>	<b>115,102</b>	<b>116,101</b>
Extra EU27 exports	623	623	700	811	700	750
Cow Slaughter	11,670	11,679	11,770	11,850	11,665	11,650
Calf Slaughter	6,738	6,954	6,820	7,000	6,550	6,800
Total Slaughter	28,291	28,524	28,200	28,230	28,000	28,100
Loss	1,744	1,717	1,694	1,665	1,602	1,601
Ending Inventories	86,993	87,437	85,750	86,500	84,800	85,650
<b>TOTAL DISTRIBUTION</b>	<b>117,651</b>	<b>118,301</b>	<b>116,344</b>	<b>117,206</b>	<b>115,102</b>	<b>116,101</b>

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

### Revision of the official 2010 census figure lifts the stock forecasts for 2011 and 2012.

Official census numbers for the cattle herd in December 2010 have been revised up by 444,000 head to 87.4 million head. In addition, slaughter was higher than anticipated due to new figures of backyard slaughtering of young cattle. These revisions are the basis for higher estimates of the calf crop and ending inventories in 2011 and 2012. Slaughter is also revised to a higher level as a result of the situation in the French dairy and beef sector. The French dairy sector experiences uncertainties with new milk contract conditions while the effect of the drought on the beef sector was more significant than previously

foreseen. Also slaughter in the United Kingdom has been revised upwards as a consequence of increased feed costs (see graph below). Another factor for the elevated slaughter was the high carcass prices throughout the EU (see graph below). The outbreak of the Schmallenberg Virus (SBV) is not expected to significantly affect calf production or loss, in contrast to exports, in particular to Russia, Northern Africa and the Middle East. Despite the losses in these regions exports will still be 50,000 higher than previously forecast due to the new trade opening in Turkey. The 2011 export figure of live animals has been adjusted by more than 100,000 head as Turkey lowered the import tariff for live cattle countering the higher Turkish import tariffs for beef (see Beef Section).



## 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)	28,291	28,524	28,200	28,230	28,000	28,100
Beginning Stocks	0	0	0	0	0	0
Production	8,022	8,048	8,050	8,030	8,000	8,000
Extra EU27 imports	437	437	370	365	375	360
<b>TOTAL SUPPLY</b>	<b>8,459</b>	<b>8,485</b>	<b>8,420</b>	<b>8,395</b>	<b>8,375</b>	<b>8,360</b>
Extra EU27 Exports	337	337	475	450	465	445
TOTAL Domestic Use	8,122	8,148	7,945	7,945	7,910	7,915
Ending Stocks	0	0	0	0	0	0
<b>TOTAL DISTRIBUTION</b>	<b>8,459</b>	<b>8,485</b>	<b>8,420</b>	<b>8,395</b>	<b>8,375</b>	<b>8,360</b>

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

Export figures are revised lower as Turkey lifted its import tariffs.

The higher than expected slaughter is not expected to result in higher domestic beef supply in 2011 and 2012. This can be explained by the higher portion of young cattle slaughtered, commercially as well as back yard. The import of beef, historically predominantly sourced from South America, remains limited. An important factor is weak EU demand as a result of high prices in combination with the waning buying power of European consumers. Consumption, in particular in France and Italy is declining more than anticipated. Since the Turkish government lowered their import tariffs on beef in May 2010, Turkey became an important market for EU beef exports. In July 2011, however, Turkey adjusted its import tariff to support more live cattle imports instead of beef. The 2011 and 2012 beef exports are adjusted to a lower level accordingly.

## Swine

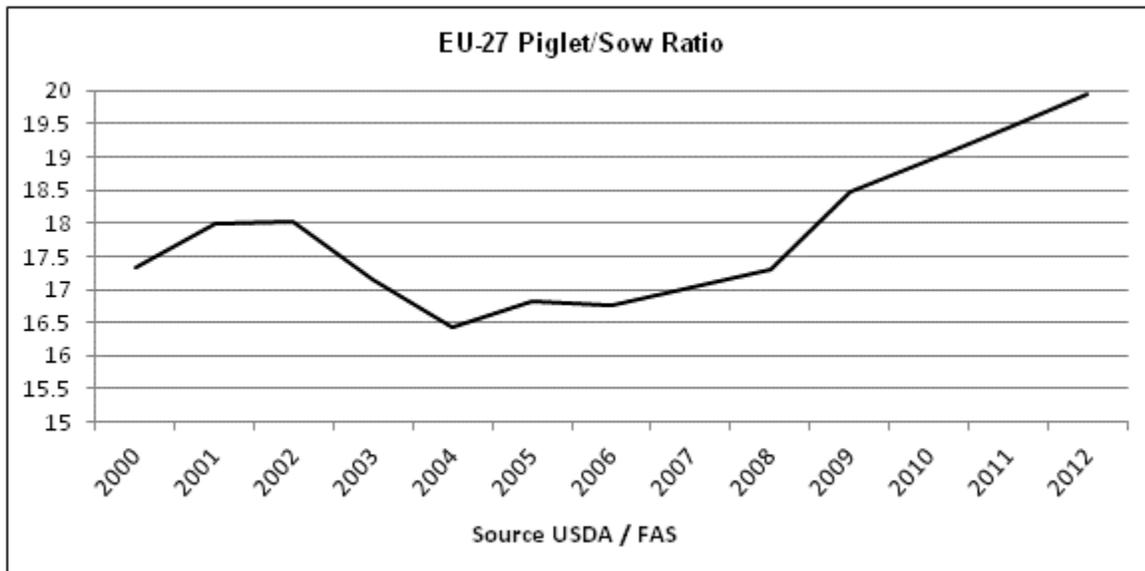
Country	EU-27					
Commodity	Animal Numbers, Swine (1,000 Head)					
	USDA official [EU- 27]	Posts estimates [EU-27]	USDA official [EU- 27]	Posts estimates [EU-27]	USDA official [EU- 27]	Posts estimates [EU-27]
Market Year Begin	2010		2011		2012	
TOTAL Beginning Stocks	152,198	152,198	151,084	150,773	149,100	148,384
Sow Beginning Stocks	13,897	13,842	13,559	13,534	13,390	13,086
Production (Pig Crop)	262,200	262,200	259,600	263,200	258,000	261,000
Extra EU27 imports	2	2	1	1	1	1
<b>TOTAL SUPPLY</b>	<b>414,400</b>	<b>414,400</b>	<b>410,685</b>	<b>413,974</b>	<b>407,101</b>	<b>409,385</b>
Extra EU27	1,614	1,628	1,650	1,582	1,700	1,550

exports						
Sow Slaughter	4,233	4,211	4,300	4,130	4,280	4,000
Total Slaughter	254,514	254,873	253,000	257,000	251,900	255,000
Loss	7,188	7,126	6,935	7,008	6,601	6,835
Ending Inventories	151,084	150,773	149,100	148,384	146,900	146,000
TOTAL DISTRIBUTION	414,400	414,400	410,685	413,974	407,101	409,385

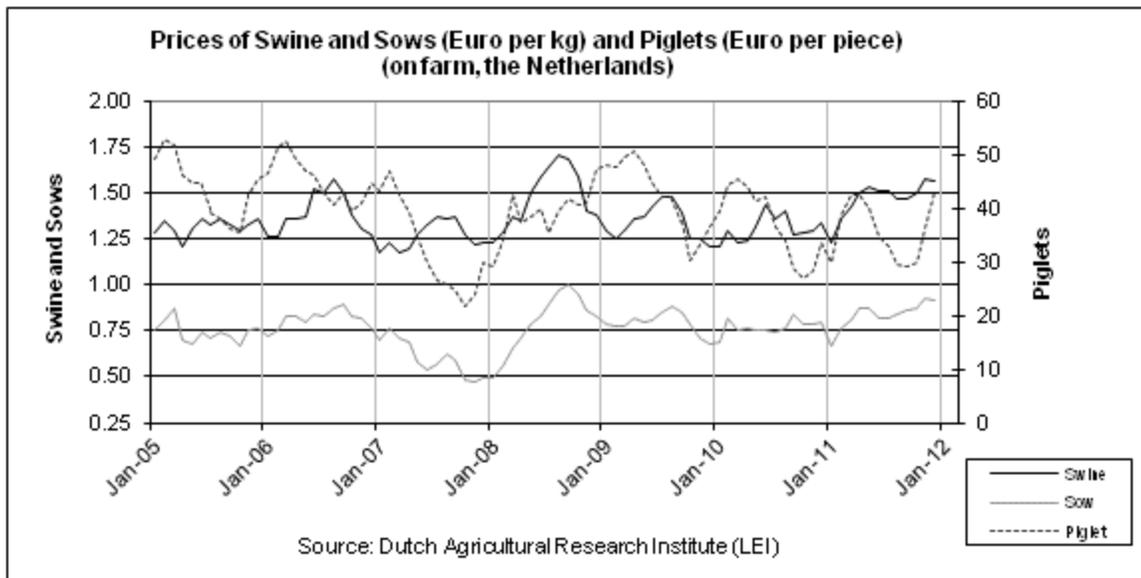
Not Official USDA data. Source: Eurostat and FAS Offices in the EU.

The pig crop and slaughter is adjusted higher based on increased breeding efficiency.

In 2011, the EU swine sector started with a significantly smaller breeding stock than a year before; the number of sows and covered sows were reduced by 2.2 percent and 3.2 percent respectively. Possibly this cut is a statistical inaccuracy of the census, but the reduction is reported for the majority of the Member States. Based on this cut of the breeding stock, the pig crop was expected to fall one percent in 2011. Elevated commercial slaughter figures in 2011 suggest, however, that the pig crop must have increased compared to 2010. This can be explained by a significant higher piglet sow ratio (see graph below), likely caused by the restructuring of the industry by which the most inefficient farmers terminated their breeding activities.



The relatively low slaughter weight of the animals, also suggest slaughter of animals at an earlier stage, and thus an acceleration of slaughter, with a significant cut of the stock. Based on this theory, elevated commercial slaughter is anticipated to cause ending inventories to be cut by 1.6 percent. A stronger cut than was foreseen in the Annual Report.



Elevated piglet prices and increased efficiency will keep production on a high level.

Piglet prices recovered strongly during the last quarter of 2011, and the first month of 2012. Based on this positive market circumstances, the pig crop and slaughter is adjusted upwards from the forecast in the Annual Report. This adjustment to higher production levels is only reported in the EU-15 and most pronounced in Spain, Germany, Denmark and France. According this scenario, breeding and fattening will continue at a high level until 2013, the year the new environment and animal welfare regulations will be imposed. Following this scenario of elevated slaughter, the ending inventories for the year 2012 are adjusted lower.

## Pork

Country	EU-27					
	Pigmeat (1,000 Head)(1,000 MT CW)					
Commodity	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)	254,514	254,873	253,000	257,000	251,900	255,000
Beginning Stocks	0	0	0	0	0	0
Production	22,552	22,571	22,530	22,750	22,480	22,600
Extra EU27 imports	25	25	15	18	15	15
<b>TOTAL SUPPLY</b>	<b>22,577</b>	<b>22,596</b>	<b>22,545</b>	<b>22,768</b>	<b>22,495</b>	<b>22,615</b>
Extra EU27 exports	1,754	1,752	2,000	2,202	1,900	2,150
TOTAL Domestic Use	20,823	20,844	20,545	20,566	20,595	20,465
Ending Stocks	0	0	0	0	0	0
<b>TOTAL DISTRIBUTION</b>	<b>22,577</b>	<b>22,596</b>	<b>22,545</b>	<b>22,768</b>	<b>22,495</b>	<b>22,615</b>

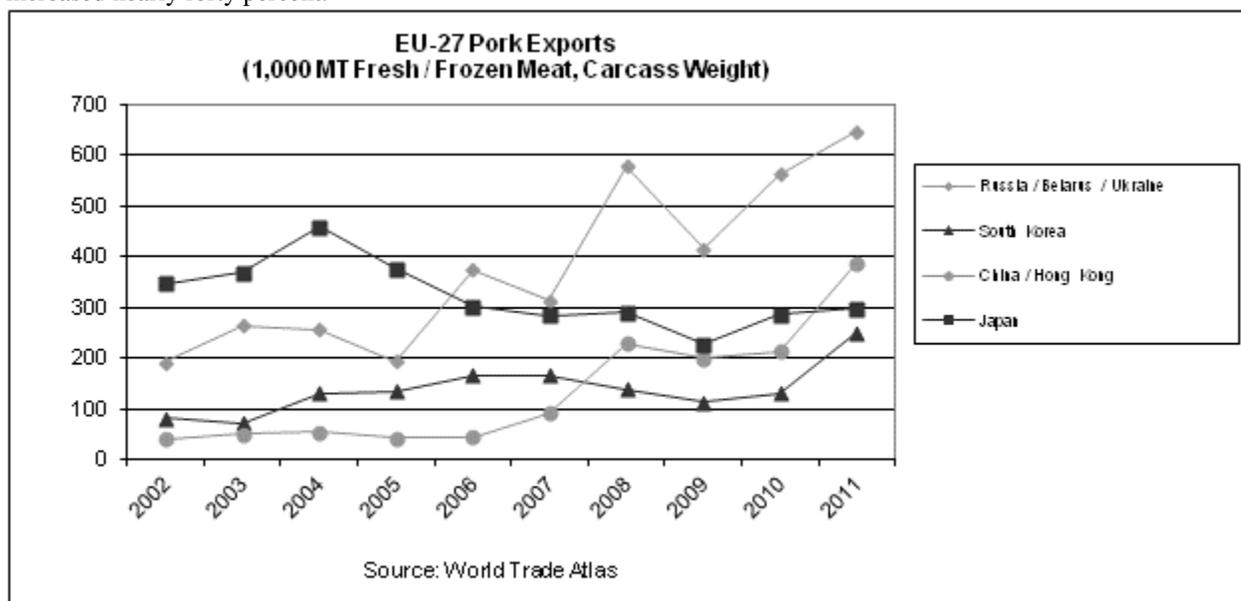
Not Official USDA data. Source: Eurostat and FAS Offices in the EU.

Despite higher pork production than expected, the declining trend remains intact.

Based on the adjustment of slaughter, pork production is estimated at a higher level for the year 2011 and 2012. The forecast of a lower pork production in 2012 compared to 2011 remains however, intact. Due to good demand on the world market,

most of this additional volume is expected to be destined for exports. Pork exporters are benefitting from the increased demand for pork in particular Russia, South Korea, China and Hong Kong (see graph below). Also the low value of the Euro and Danish Kroner against the currencies of important competitors (Brazil and Canada) and customers (Japan and China) is benefitting exports.

Exports to South Korea might decline, as this market is rebuilding its stock after the Foot and Mouth Disease (FMD) outbreaks. EU exporters are most optimistic regarding exports to China, as more Member States are becoming eligible to export to this market (see Annual Report), despite growing competition from other exporters and Chinese domestic production. During 2011, EU exports of fresh and frozen pork nearly tripled to China, while exports to Hong Kong increased nearly forty percent.



## Policy

### Policy developments in the EU cattle sector

#### *Update on the EU beef import quota for high quality beef*

In the first 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. Through February of the current quota year 2011/2012, demand for import licenses for the HQB quota continues to outstrip availability. License allocations for the United States stand at 11,231 MT out of the current total of 13,333 MT. Australia has secured 1,787 MT, Canada 140 MT and New Zealand 175 MT.

#### *Background:*

The HQB quota is the result of a U.S. - EU compromise to settle the hormone dispute and the resulting Memorandum of Understanding (MOU) was formally approved in Council Regulation (EC) No 617/2009, published in the Official Journal on July 15, 2009. The details for the administration of this zero duty, 20,000 MT beef quota were published in Commission Regulation (EC) No 620/2009. The quota was put into place on August 1, 2009, for a period of three years. As foreseen in the MOU and with mutual agreement, the quota is expected to be expanded to 45,000 MT on August 1, 2012. The HQB quota will then total 48,200 MT as Canada also settled with the EU on its own hormone dispute. The following countries

received EU authorization to certify beef under the HQB quota: Australia (January, 2010), Canada (March, 2011), New Zealand (July, 2011) and Uruguay (August 2011). Argentina and Brazil are at different stages in the process of authorization as well.

### Animal Disease Situation

The Schmallenberg virus has been found in cattle in Germany, the Netherlands, Belgium, the UK and France. Russia, the Ukraine, Egypt and Mexico imposed a ban on live cattle, embryo's and semen from these countries. For more information see GAIN Reports NL2003 and NL2007.

### 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
<b>Beef</b>	0201, 0202	PWE X 1.40 = CWE
	021020, 160250	PWE X 1.79 = CWE
<b>Pork</b>	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	Update of the Schmallenberg virus outbreak in the EU	02/27/12
EU-27	Sustainability in the EU Commodity Markets	02/03/12
EU-27	Schmallenberg virus found in cattle	02/03/12
Italy	Italian Livestock and Products Outlook 2012	01/30/12
EU-27	EU reviews Regulation on Animal Welfare during transportation	12/21/11
Romania	EU lifts the export ban of Romanian pork	12/07/11
Czech Republic	Czech Agricultural Census 2010 Confirms the Largest Farm Size	12/09/11
Germany	Stricter Control On Antibiotics In Animal Husbandry	11/14/11
Poland	Increased Demand for U.S. Bovine Genetics in Poland and Baltic Countries	11/08/11
EU-27	Livestock and Products Annual	9/6/2011
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

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

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

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