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Report Highlights:

The EU livestock sector is shaken by the outbreaks of BSE and FMD.

Includes PSD changes: Yes

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Introduction

This report is the first consolidated reporting work achieved by agricultural specialists in EU member states. Rather than providing the reader with a compartmentalized view of national cattle and pig sectors, this report offers a general, overarching vision of how the whole EU cattle, beef, swine and pigmeat sector will evolve this year and next. This report reflects activities and issues for the entire EU-15. Actively contributing to this report:

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Summary

The EU livestock sector is dramatically affected by the second BSE crisis which broke out in the fall of 2000 and by the spring 2001 FMD outbreak (see EU 2001 livestock trade policy report E21073). BSE affected all EU member states except for Austria, Finland and Sweden, while FMD occurred mainly in the UK and the Netherlands, with a few cases in France and Ireland. The effect of animal diseases on total EU production remain limited in spite of massive destruction and production-limiting schemes initiated by the Commission. However, the discrepancy between stable production and lower consumption and/or weak exports creates a market imbalance, particularly as far as cattle and beef are concerned, which is likely to mark this year and next.

Cattle

PSD Table						
Country	European Union					
Commodity	Animal Numbers, Cattle				(1000 HEAD)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Total Cattle Beg. Stks	82229	82235	82230	81337	0	80,391

Dairy Cows Beg. Stocks	21000	21784	20900	21552	0	21450
Beef Cows Beg. Stocks	12000	12067	12100	12112	0	12200
Production (Calf Crop)	28088	28363	28100	27572	0	27714
Intra EC Imports	0	0	0	0	0	0
Other Imports	550	478	550	440	0	465
TOTAL Imports	550	478	550	440	0	465
TOTAL SUPPLY	110867	111076	110880	109349	0	108570
Intra EC Exports	0	0	0	0	0	0
Other Exports	300	320	300	124	0	294
TOTAL Exports	300	320	300	124	0	294
Cow Slaughter	0	7330	0	6823	0	6934
Calf Slaughter	5228	7226	5250	6941	0	6985
Other Slaughter	22623	12504	22630	11466	0	11574
Total Slaughter	27851	27060	27880	25230	0	25493
Loss	486	2359	470	3604	0	1933
Ending Inventories	82230	81337	82230	80,391	0	80850
TOTAL DISTRIBUTION	110867	111076	110880	109349	0	108570
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 cattle populations are forecast to continue their downward trend from 2000 to 2001 and into 2002. The shrinking of the dairy cow herd, the main supplier of EU beef, as a result of quota-limited dairy production and an ever growing efficiency of dairy cows, remains the main factor for this decrease.

However, reduction rates remain limited in spite of perceived massive cull schemes implemented by the Commission to deal with the BSE and FMD outbreaks. The impact of slaughter schemes lies more in the financial costs to the EU budget, as well as the logistical requirements and environmental constraints of incineration. Even though 500,000 head were destroyed under the Purchase for Destruction scheme (mainly in France, Ireland and Germany) and close to 1 million head because of FMD (mainly in the UK and the Netherlands), the total number of slaughtered animals amounts to less than 2 pct of the total EU cattle herd.

Furthermore, the effect of FMD and BSE on the level of cattle inventories is two-pronged: in the case of FMD, slaughter schemes reduce herds while movement restrictions retain animals on the farm, temporarily inflating herds. In the case of BSE, the Purchase for Destruction scheme lowers inventories but some EU farmers are tempted to retain animals longer than previously, especially dairy cows, in view of their poor value on meat markets.

Export markets remain weak. Indeed, traditional export markets, mainly Lebanon and Egypt, drastically reduced or stopped imports of live cattle from the EU. Following heavy lobbying, particularly by Irish exporters, Egypt might reconsider its import ban towards the end of 2001, which could have a positive influence on export levels and hence

lower intervention stocks.

Domestic consumption of beef dropped considerably in the first half of 2001 throughout Europe (see policy section). However, despite these two factors, sustained production of cattle might be due to higher premia on suckler cows, steers and bulls as well as a higher slaughter premium. These increases were foreseen in Agenda 2000 to compensate EU farmers for lower intervention prices (see 1999 EU Annual Livestock Report #E29068). It is yet uncertain whether these higher premia will in fact inflate farmers' revenues or compensate for the steep drop in cattle prices. It could also help absorb additional production costs resulting from the BSE crisis: processing of SRMs, stricter traceability, BSE testing costs.

The reduction in inventories is most marked in Ireland, the Netherlands and the UK. FMD-related cull schemes and a general restructuring of the sector in this period of financial hardship are contributing factors. Surprisingly, in the Netherlands, live cattle exports to other member states are sustained, probably due to the fact that BSE testing in Dutch slaughterhouses is more expensive than in neighboring countries.

In 2002, the consequences of BSE and FMD are expected to fade away, and the various slaughter schemes terminated, which explains the near stagnation of cattle inventories or at least a reduction in the rate of cattle population decrease, and a cut in losses. EU authorities would have favored a continuing reduction in production to deal with the chronic imbalance of the EU beef market but readily admit that measures taken are likely to result only in a stabilization of the EU cattle herd, with some oversupply remaining in 2002: high intervention stocks burden the market and some export markets will be difficult to regain. Furthermore, premia will be increased in 2002, which sustains the incentive to maintain herds. EU domestic beef consumption is also expected to improve significantly while at least some traditional export markets reopen to EU cattle, which might again encourage calf production. Therefore, EU authorities have taken additional measures, such as the promotion of extensification and the mandatory percentage of heifers in suckler cow herds (see policy) in order to stabilize the EU cattle herd.

Cattle numbers Jan. 2000 and forecasts for Dec. 2001 by member state (000head)

	2000	2001
Total EU	82,235	81,337
France	20,065	20,171
Germany	14,555	14,478
UK	11,184	10,817
Italy	7,072	7,157
Ireland	6,661	6,425
Spain	6,250	6,344
Netherlands	4,112	3,823

Source: European Commission (2000) and EU FAS offices (2001)

EU live cattle exports 2000 (mt cwe)

	2000	2001
Total EU	86,217	36,000
Lebanon	49,401	35,000
Egypt	14,067	1,000

Source: European Commission and EU FAS offices

Beef

PSD Table						
Country	European Union					
Commodity	Meat, Beef and Veal				(1000 MT CWE)(1000 HEAD)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Slaughter (Reference)	28088	27209	25493	25242	0	25493
Beginning Stocks	70	400	0	339	0	686
Production	7650	7462	7750	6896	0	6932
Intra EC Imports	0	0	0	0	0	0
Other Imports	350	346	360	300	0	337
TOTAL Imports	350	346	360	300	0	337
TOTAL SUPPLY	8070	8208	8110	7535	0	7955
Intra EC Exports	0	0	0	0	0	0
Other Exports	700	564	700	400	0	539
TOTAL Exports	700	564	700	400	0	539
Human Dom. Consumption	7300	6890	7300	6006	0	6500
Other Use, Losses	70	415	110	443	0	333
TOTAL Dom. Consumption	7370	7305	7410	6449	0	6833
Ending Stocks	0	339	0	686	0	583
TOTAL DISTRIBUTION	8070	8208	8110	7535	0	7955
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

In 2001, and more than likely to continue into 2002, EU beef production is badly hit by the second wave of BSE cases which were detected from the end of 2000 onwards (see EU 2001 livestock trade policy report E21073). All of a sudden, EU consumers realized that BSE is no longer a past problem affecting just a few member states, but an everlasting menace on their health hitting all of the EU except Austria, Finland and Sweden. EU beef production has been on a downward trend since the first BSE crisis and plunged by almost 9 pct in 2001, in line with overall steep consumption decline and sluggish exports. EU young bull carcass prices dropped by 20 pct, and cow carcass prices by 25 pct. Decreases in beef production were likely to be even stronger in the first half of 2001, following FMD-linked movement restrictions and third country import bans. Surplus beef was removed from the market through the Purchase for Destruction (PFD) scheme, as a damage control measure. Already the second half of 2001 marked an improvement in beef production, the extent of which will be determined by third countries' decisions to allow or enlarge imports of EU beef, the level of EU domestic consumption growth, and the quantities destroyed under the Special Purchase Scheme, which replaced PFD on July 1, 2001.

In 2002, EU beef production is forecast to recover very slightly although it is likely to remain at the lowest level in 10 years. Unless a new BSE crisis breaks out, EU beef consumption should continue to improve, with slight national variations, and create demand. Prices began to recover in the summer in 2001 and should continue to do so in 2002, particularly for steers and bulls. Additionally, production should be encouraged by higher export levels, although high intervention stocks will undoubtedly create competition between market beef and intervention beef, especially to price-oriented destinations such as Russia. The near-stagnation of production in 2002, in line with a cyclical downward phase, might be the result of measures taken by the Commission to reduce cattle inventories (see beef policy section) and could constitute a realistic point of equilibrium for EU beef production.

Intervention stocks, which were empty in 2000, began filling up again, following the drop in prices resulting from the BSE crisis. Stocks could be as high as 500,000mt at the end of 2001, following the Commission's decision to lift the 350,000mt yearly intervention cap in June 2001. Quantities taken into intervention will depend to a large extent on a possible resumption of exports, mainly to Egypt, in the fall. A durable improvement in prices for meat from male animals (meat from female animals is not eligible for intervention according to EU rules) could keep some meat away from stocks, as the intervention price was lowered in July 2001, following Agenda 2000 provisions. Commercial stocks are mainly made up of beef not eligible for intervention schemes, such as bone-in meat or lower cuts, or of meat ready to be put on the market in the first weeks of the next year.

In 2002, intervention stocks are likely to be lower. Smaller quantities will still be taken into intervention, as markets improve. Additionally, the Commission will start organizing sales out of intervention following the usual tender procedure. This time, the Commission made sure intervention beef would be made as "marketable" as possible: only boneless beef is accepted into intervention, for space reasons, but also to make it easily sellable to third countries with animal disease concerns and to be able to differentiate between cut qualities. Labeling requirements are as strict as for regular beef, offering full traceability to the potential buyer and beef can be vac-packed upon buying into intervention. Furthermore, intervention as such will disappear as of July 1, 2002 and be replaced by a private storage aid scheme supplemented by safety net intervention, but at considerably lower prices.

In addition to EU intervention, the Special Purchase Scheme (SPS), which is operating from July 1 until December 31, 2001, but might be renewed in 2002, functions as a sort of national intervention program. Member states not only co-fund this scheme (while EU intervention is 100 pct EU-funded), but also decide whether they want to store or destroy the meat accepted under the scheme. Each release of SPS has to be approved by the Commission.

EU beef consumption was tremendously shaken by the BSE crisis, which exacerbated its traditional downward trend. Total EU beef consumption went down 25-30 pct at the beginning of 2001. This overall figure, however, hides important variations among member states. Some member states which either had to learn to live with BSE, such as the UK, or never detected a single case, such as Austria or Finland, did not experience significant change in their beef consumption rate. Others, which were convinced they would never get a case and did, such as Germany and Italy, were hit the worst: consumption went down 80 pct in Germany in the weeks after the discovery of the first case.

EU consumers then switched massively to mainly poultry, pigmeat and fish or gave up meat altogether, a significant change from the first 1996 BSE crisis. Poultry benefited most from the transfer, while pigmeat suffered from its "other red meat" image and from its high price on the domestic market.

The consumption decrease for the year 2001 is estimated at 12 pct for the whole EU. This limited cut is due to the fact that in the worst affected member states, consumption went up almost as quickly as it went down: in Germany, the drop was 60 pct in March, 40 pct in April and 20 pct in June. The relative openness of the EU media and food safety authorities as compared to the secrecy surrounding the 1996 BSE crisis, might have contributed to this quick improvement. Additionally, member states initiated numerous promotional activities on their national markets in order to regain consumer confidence. These campaigns almost unanimously emphasized the safety of national beef, even in BSE affected countries, thereby reinforcing a renationalization of the beef sector which had been unwillingly initiated by the labeling requirements set up by the EU Commission. Beside the regular EU program promoting beef and veal products, the Commission decided in August 2001 to offer an additional 12 million euro (60 pct of the total funding of the program) in order to reassure consumers and boost consumption. These EU campaigns could counter nationalistic schemes, as they oblige subscribers to promote "generic" EU beef, without reference to national origin.

The relatively quick resumption of consumption in 2001 explains why consumption is forecast to recover quite strongly in 2002, but will only maintain itself at levels comparable to 1996, when the first BSE crisis broke out.

Exports also suffered in 2001, as numerous third countries decided to ban imports of beef from the EU because of BSE and sometimes temporarily because of FMD as well. It was estimated that in March 2001, 94 pct of third country markets for EU beef exports were blocked due to the temporary BSE and FMD measures taken by third countries, including the two main destinations for EU beef, i.e. Russia and Egypt. Russia re-opened its borders quite rapidly, but required that only boneless beef be imported from the EU. Germany quickly resumed exporting sustained quantities of low priced bull meat to this traditional destination, while Ireland managed to switch part of its exports to Egypt towards Russia. Limited quantities of German beef bought into the Special Purchase Scheme will also be shipped to North Korea, but this should remain an isolated occurrence. As underlined before, the Egyptian decision to open its borders to EU beef, which could be made in the fall, will be of crucial importance to the sector.

In order to boost exports, particularly of meat from female animals, the Commission considerably increased restitutions in November 2000. However, as refunds had been repeatedly cut over the past few years, even increased restitutions are much lower than in 1996. The effects of this increase on exports levels are uncertain. It is thus becoming increasingly inconceivable that, with or without crises, the EU will ever be able to export even limited quantities without restitutions, particularly as production costs will increase in the future following feed, environmental, welfare and traceability requirements set up by EU authorities.

Imports went down in 2001, following sluggish demand on the domestic EU market but also because of FMD

restrictions on traditional suppliers in Latin America (Uruguay, Argentina and Brazil). Imports are expected to go back to normal levels in 2002.

EU beef production by member state (000mt)

	2000	2001
Total EU	7462	6810
France	1560	1580
Germany	1303	1240
Italy	1152	950
UK	708	615
Spain	632	529
Ireland	575	466

Source: EU FAS offices

EU beef consumption by member state (000mt)

	2000	2001
Total EU	6890	6006
France	1593	1500
Italy	1437	1150
UK	1030	980
Germany	800	680
Spain	550	440

Source: EU FAS offices

EU beef exports by member state (000mt pw)

	2000	2001
Total EU	564	400
Ireland	248	71
Germany	113	144
Netherlands	69	48

Source: EU FAS offices

EU beef exports by destination (000mt)

	2000
Total EU	564
Egypt	158
Russia	157
Saudi Arabia	25

Source: EU Commission and EU FAS offices

Policy

For a complete review of EU policy measures affecting the EU livestock sector, please consult the 2001 EU Livestock Trade Policy Report released in June 2001 (E21073).

In July 2001, the Farm Council adopted several measures which are meant to stabilize beef production in 2002 and 2003 and therefore balance the EU beef market for the years to come. Beside short-term measures such as the raising of intervention ceiling from 350,000mt to 500,000mt for 2001 and 2002 and allowing fodder legume crops to be cultivated on set-aside land, more extensive amendments to the beef regime were approved, affecting premia and density rates.

National ceilings for beef special premia rights were reduced to current levels, so as to avoid an increase in production in the next 2 years in member states where aid claims are below maximum. The reduction in the number of premia rights was limited to 20 pct from the current ceiling. The new EU ceiling for beef special premium is now set at 8,453,815 instead of 9,278,208 animals. This might not reduce limit production but will prevent it from growing, saving the EU money but limiting member states' flexibility in managing these premia.

The stocking density requirements are reduced from 2.0 livestock units (lu) per hectare (ha) to 1.9 lu/ha in 2002 and 1.8 lu/ha in 2003 onwards. This is part of Agriculture Commissioner Fischler's consistent effort towards extensification, for environmental reasons but also as a production control strategy. It is yet uncertain whether EU farmers will reduce their herd to comply with these new requirements or whether they will just buy more land in order to keep their current herd.

Current requirements allow a maximum of 20 pct of heifers in a suckler herd in order to be eligible for suckler cow premia. The Council set minimum (15 pct) and maximum (40 pct) limits for 2002 and 2003 for the number of heifers in a suckler herd in order to be eligible for the suckler cow premium. This will undoubtedly reduce production in member states with a large suckler cow herd.

The UK was granted several exemptions from these new requirements.

Swine

PSD Table						
Country	European Union					
Commodity	Animal Numbers, Swine				(1000 HEAD)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
TOTAL Beginning Stocks	124267	124319	123000	123261	0	122938
Sow Beginning Stocks	12681	11926	12300	11778	0	11866
Production (Pig Crop)	207745	213643	208000	213693	0	214699
Intra EC Imports	0	0	0	0	0	0
Other Imports	8	54	8	50	0	62
TOTAL Imports	8	54	8	50	0	62
TOTAL SUPPLY	332020	338016	331008	337004	0	337699
Intra EC Exports	0	0	0	0	0	0
Other Exports	40	128	40	68	0	73
TOTAL Exports	40	128	40	68	0	73
Sow Slaughter	206014	3357	206000	3250	0	3376
OTHER SLAUGHTER	0	200281	0	198248	0	201692
Total Slaughter	206014	203638	206000	201498	0	205068
Loss	2766	10989	1668	12500	0	10150
Ending Inventories	123200	123261	123300	122938	0	122408
TOTAL DISTRIBUTION	332020	338016	331008	337004	0	337699
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 population is expected to fall slightly in 2001, as the herd contraction which took place in 2000 following low prices is accelerated by the outbreak of FMD. This overall downward trend, however, masks the differentiated impact of FMD among member states and also their sometimes opposite production orientations. Therefore, the impact of FMD lies more in a disorganization of considerable pig movements throughout Europe, with resulting price and supply variations than in a significant decrease of pig numbers.

The UK's hog sector, just recovering from a 2000 Classical Swine Fever (CSF) outbreak, saw its breeding cycles disrupted and export markets shattered by the occurrence of FMD in 2001, with hog numbers falling to less than 6 million head (about 350,000 head were slaughtered under disease eradication measures). In the Netherlands, 118,000 pigs killed as a consequence of FMD brought inventories down, with the rest of the herd decrease due to environmental

restrictions on manure and a related purchase program of the Dutch government. Additionally, as with BSE measures for beef, the overall impact of FMD on inventories is blurred, as massive amounts of animals are withdrawn from the market through cull schemes (as reflected in the losses category) but many more are retained on farm because of movement restrictions and halted exports.

On the other hand, the Spanish herd keeps increasing, as structural problems which exist in the Netherlands, Belgium and parts of France regarding limited land and waste disposal problems are not affecting Spanish swine production. Spanish production growth should only be very moderately affected by recent outbreaks of hog cholera (about 100,000 hogs have been slaughtered so far). Last but not least, Denmark is forecast to increase inventories by about 5 pct in 2001. While other member states were reducing pig production in 2000, Danish producers maintained stable stocks, helped by favorable exports, particularly to other member states and sustained prices. It is also rumored that Danish farmers have been building up breeding sow numbers in order to cushion potential production cuts due to stricter environmental restrictions.

The pig crop is, in spite of reduced inventories, slightly higher in 2001 than in 2000. The EU consumer's beef scare following the BSE crisis partially benefits pigmeat, improving domestic demand and partly compensating for lost exports to third markets. This sudden increased demand also contributed to pushing up prices, particularly in the first half of the year.

While limited imports of live hogs only mildly suffer from the FMD outbreak, exports are heavily affected by third countries' decisions to at least temporarily suspend imports from the EU.

In 2002, even though stocks continue to shrink in some EU countries because of environmental constraints (see nitrates part in EU 2001 livestock trade policy report #E21073), pig production is forecast to increase slightly, in line with growing consumption and resumed exports. Slaughtered quantities grow in order to fulfill domestic demand and losses go down, as the FMD and CSF outbreaks are foreseen to be under control and slaughter programs discontinued. However, production prospects of the EU pig sector are closely linked with price levels, as only sustained prices can compensate EU farmers for additional production costs resulting from feed requirements (the meat and bone meal ban) and upcoming welfare legislation as well as increasingly enforced environmental regulations.

Hog numbers Dec. 2000 and forecasts for Dec. 2001 (000head)

	2000	2001
Total EU	123,261	122,938
Germany	25,761	25,694
Spain	22,433	22,743
France	15,901	15,859
Netherlands	12,819	12,539
Denmark	12,696	12,908

Source: EU FAS offices

Pigmeat

Note: discrepancies between old and new figures in 2000 and 2001 are due to different calculations between last year's report and the new consolidated model. For instance, intra-EU imports and exports are included in this new consolidated report, while they were ignored in the previous issues.

PSD Table						
Country	European Union					
Commodity	Meat, Swine				(1000 MT CWE)(1000 HEAD)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Slaughter (Reference)	276600	203371	166800	203900	0	205068
Beginning Stocks	65	736	0	600	0	610
Production	17800	17585	17800	17419	0	17649
Intra EC Imports	0	0	0	0	0	0
Other Imports	60	54	60	60	0	65
TOTAL Imports	60	54	60	60	0	65
TOTAL SUPPLY	17925	18375	17860	18079	0	18324
Intra EC Exports	0	0	0	0	0	0
Other Exports	1100	1500	1100	1200	0	1300
TOTAL Exports	1100	1500	1100	1200	0	1300
Human Dom. Consumption	16825	15179	16760	15300	0	15300
Other Use, Losses	0	1096	0	969	0	1024
TOTAL Dom. Consumption	16825	16275	16760	16269	0	16324
Ending Stocks	0	600	0	610	0	700
TOTAL DISTRIBUTION	17925	18375	17860	18079	0	18324
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

In 2001, EU pigmeat production is rather stable. The BSE crisis and the sudden switch of EU consumers to beef alternatives, such as pigmeat, gave the sector a welcome push and partially set off the effects of reduced inventories on pigmeat production. Without this sudden surge in consumption, production would have probably gone down more, following low prices experienced in 1998 and 1999 and diminishing exports given the fact that they were not granted export refunds. Again, as for hogs, production trends vary from member to member state: while the Netherlands and Belgium cut production because of environmental constraints, and the UK is destabilized by the FMD outbreak, Spain and Denmark increase their national production (see hogs section).

As mentioned above, after growing very slowly for the last years, EU pigmeat consumption was boosted by the scare effects of BSE on EU consumers. Even though poultry was probably the preferred option as a source of animal proteins, pigmeat benefited from part of the consumption switch.

Exports of EU pigmeat practically came to a halt in the spring of 2001, after many third countries banned the import of EU meat. In March 2001, it was estimated that 73 pct of the third country markets for EU pigmeat were blocked because of temporary FMD measures, including Japan and Russia, the EU's largest export markets (see EU 2001 livestock trade policy report #E21073 also for U.S. measures). Even though those two destinations opened their borders again after a few weeks, practical hurdles remained. For instance, France traditionally export pigmeat to Russia through Poland by truck. As Poland continues to ban French pigmeat because of FMD, French traders have to ship their products by boat, increasing shipping costs and making their pigmeat less competitive on the Russian market.

Also, the Japanese decision to impose safeguard duties on pigmeat imports is likely to affect Denmark in the second half of the year, even if Danish exports to Japan were 15 pct higher in the first part of the year compared with the same period in 2000. Furthermore, some exports to Japan have already been diverted to other Asian markets, such as Korea. Danish exporters might maintain this traditional trade, though, by choosing to export more expensive cuts to Japan, in order to cushion increased duties resulting from safeguard measures. Italy keeps favorable export levels thanks to a strong demand for Italian processed products.

New market opportunities in Eastern Europe could emerge from the conclusion of double zero agreements with ten countries in the area (see imports below).

While processed products, such as hams and sausages are granted export refunds, pigmeat is not. Restitutions on pigmeat were terminated in June 2000 but pigmeat exports were sustained for a while by the low level of the euro and low domestic prices. In spite of requests by member states, the Commission is very reluctant to reinstitute this strong incentive to produce. Oversupplies could also result from high prices which prevailed at least during the first half of 2001, due to the effect of BSE on consumption and to FMD-related supply restrictions.

In 2002, production is expected to grow again, helped by sustained consumption, profitable prices and resuming exports. The effects of FMD are likely to have faded away. Domestic consumption is likely to stabilize, in line with strongly improved beef consumption levels. Exports are likely to grow, even if they are far from reaching the all-time high levels of 1999.

Imports are likely to increase, due to larger import quotas granted to Eastern European countries after the conclusion of double zero agreements. EU imports of pigmeat, mainly for processing, almost exclusively originate from Eastern Europe, particularly from Hungary. Under these double zero agreements, which entered into force on January 1, 2001 at the latest, EU pigmeat will be exported to the 10 signatories without export refunds while larger quantities of Eastern European pigmeat will be allowed into the EU under duty-free quotas. Up to 100,000mt of pigmeat from Central and Eastern European countries (CEECs), with this basic quantity growing by an average of 10 pct every year, could theoretically enter the EU duty-free as of this year, which is more than likely to inflate EU pigmeat imports. Imports are conditional upon CEECs complying with EU sanitary requirements.

EU pigmeat production by member state (000mt)

	2000	2001
Total EU	17585	17419
Germany	3976	3970
Spain	2912	2927
France	2312	2305
Netherlands	1593	1665
Denmark	1643	1560

Source: EU FAS offices

EU pigmeat consumption by member state (000mt)

	2000	2001
Total EU	15179	15300
Germany	3296	3300
Spain	2614	2625
France	2183	2223
Italy	2100	2120
UK	1414	1390

Source: EU FAS offices

EU pigmeat exports by member state (000mt pw)

	2000	2001
Total EU	1500	1200
Denmark	628	610
France	258	153
Germany	192	152
Netherlands	150	59

Source: EU FAS offices

EU pigmeat exports by destination (000mt)

	2000	2001
Total EU	1500	1200

Russia	409	400
Japan	284	200
U.S.	84	64
South Korea	65	60
China	50	40

Source: EU FAS offices and European Commission