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Report Highlights:

High feed and energy prices and environmental restrictions are pressuring both cattle and swine farmers in the European Union (EU), leading to a reduction in operations. National implementation of the EU's Common Agricultural Policy is not anticipated to curb the continued decline in beef production, as EU Member States are expected to increasingly focus on support for smaller farms. With lower domestic production, EU beef imports are forecast to recover to near pre-coronavirus levels in 2023. In addition to high input prices, the EU swine sector faces reduced domestic and export demand. The negative market factors collectively led to a record drop in the total swine and sow stock in 2022. With a smaller breeding herd, the supply of animals for slaughter is expected to fall this year. The lower availability of animals for slaughter will also compel the sector to restructure. In 2023, pork exports are projected to fall back to 2016-2019 levels.

Executive Summary – A Restructuring of the EU Livestock Sector is Anticipated.

Note: Effective January 1, 2021, the United Kingdom (UK) completed its departure from the European Union (EU). In this report, if not otherwise indicated, the term EU refers to the current EU27 (without the UK).

Cattle and Beef – Beef Production is Forecast to Fall for the Fifth Successive Year.

High feed and energy prices and environmental restrictions are pressuring cattle farmers in the European Union (EU) leading to a continued decline in operations. The future of the EU beef cow herd, however, is more dependent on the implementation of the EU's Common Agricultural Policy (CAP). National strategic plans are not anticipated to curb the continued decline in production, as EU Member States are expected to increasingly focus on support for smaller farms. Despite record high milk prices, the EU dairy cow herd is also shrinking. With the shrinking cow herd and reduced supply of young animals, cattle slaughter is declining. In anticipation of increased availability of feed and fodders beginning in the spring of 2023, farmers are forecast to hold to their cattle longer and slaughter their animals at a higher weight in 2023. However, the higher slaughter weights will not be sufficient to offset the declining rate of slaughter, and, in turn, EU beef production is estimated to further decline this year. Despite the lifting of the COVID-19-related lockdowns, beef consumption has not yet fully recovered to pre-corona levels due to high levels of food inflation. Nevertheless, with the lower domestic production, EU beef imports are forecast to recover to near pre-corona levels in 2023.

Swine and Pork – Significant Lower Supply of Hogs Will Encourage the Sector to Restructure.

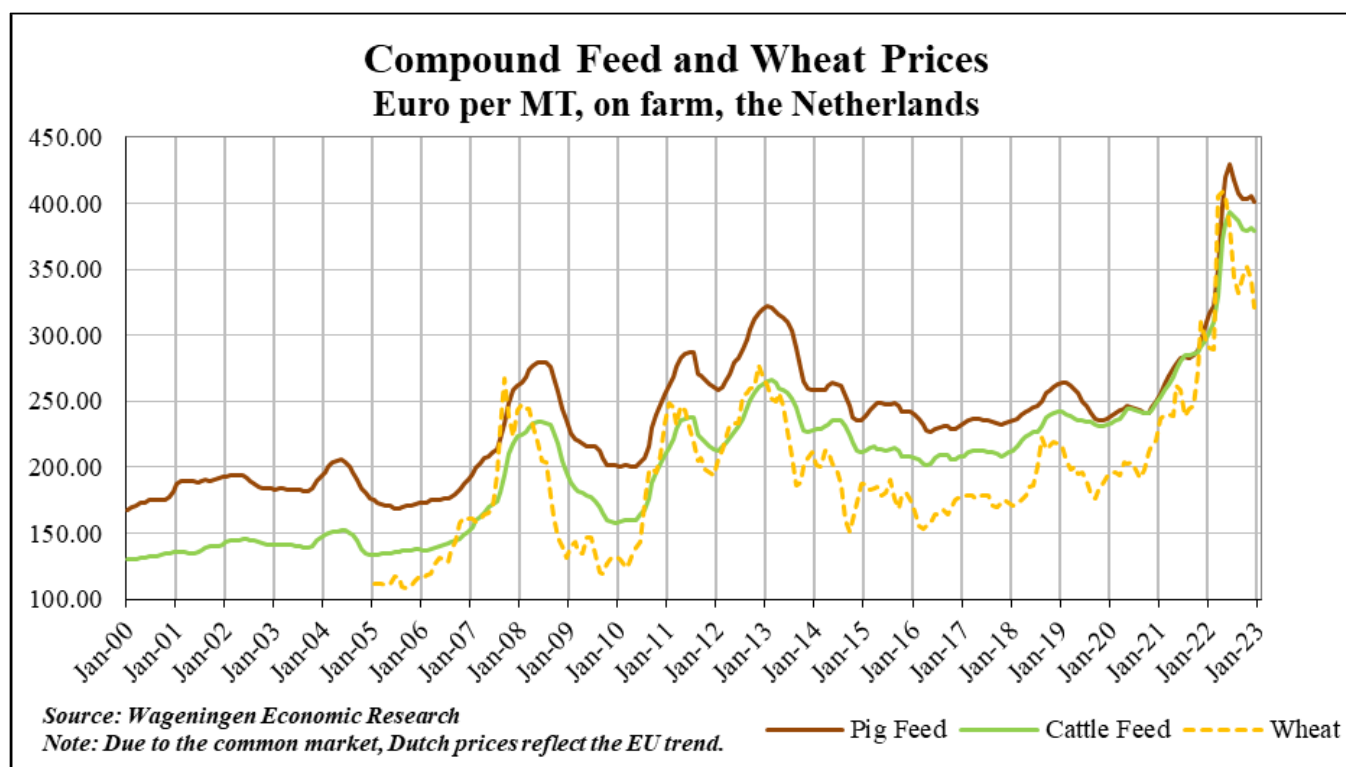
Like the cattle sector, the EU swine sector is being challenged by high input costs and environmental restrictions. However, the swine sector is also being pressed by two additional factors -- namely African Swine Fever (ASF) outbreaks in Central Europe and the reduced demand for pork from China. With declining sales to China, EU exporters have diversified their export destinations. However, these alternative, mainly Asian, markets cannot make up for the lost volumes shipped to China. Furthermore, domestic consumption is dwindling, particularly in Germany. These negative market factors collectively led to a record drop in the total swine and sow stock in 2022. With a smaller breeding herd, the supply of animals for slaughter will inevitably fall this year. The lower availability of animals for slaughter will also encourage the sector to restructure. In 2023, pork production is forecast to decline by roughly 0.75 MMT carcass weight equivalent (CWE), and pork exports are projected to fall back to 2016-2019 levels.

Cattle

Animal Numbers, Cattle	2021		2022		2023	
Market Year Begins	Jan 2021		Jan 2022		Jan 2023	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks	76,499	76,499	75,655	75,705	74,620	74,856
Dairy Cows Beg. Stocks	20,514	20,522	20,204	20,213	19,950	20,088
Beef Cows Beg. Stocks	10,699	10,718	10,554	10,565	10,450	10,424
Production (Calf Crop)	24,770	24,810	24,500	24,450	24,250	24,300

Total Imports	15	15	12	13	12	13
Total Supply	101,284	101,324	100,167	100,168	98,882	99,169
Total Exports	987	1,014	900	973	880	920
Cow Slaughter	10,296	10,296	10,250	10,265	10,200	10,200
Calf Slaughter	5,958	5,958	5,950	5,880	5,900	5,830
Other Slaughter	7,193	7,193	7,200	7,005	6,900	6,970
Total Slaughter	23,447	23,447	23,400	23,150	23,000	23,000
Loss and Residual	1,195	1,158	1,247	1,189	1,212	1,169
Ending Inventories	75,655	75,705	74,620	74,856	73,790	74,080
Total Distribution	101,284	101,324	100,167	100,168	98,882	99,169
(1,000 HEAD)						

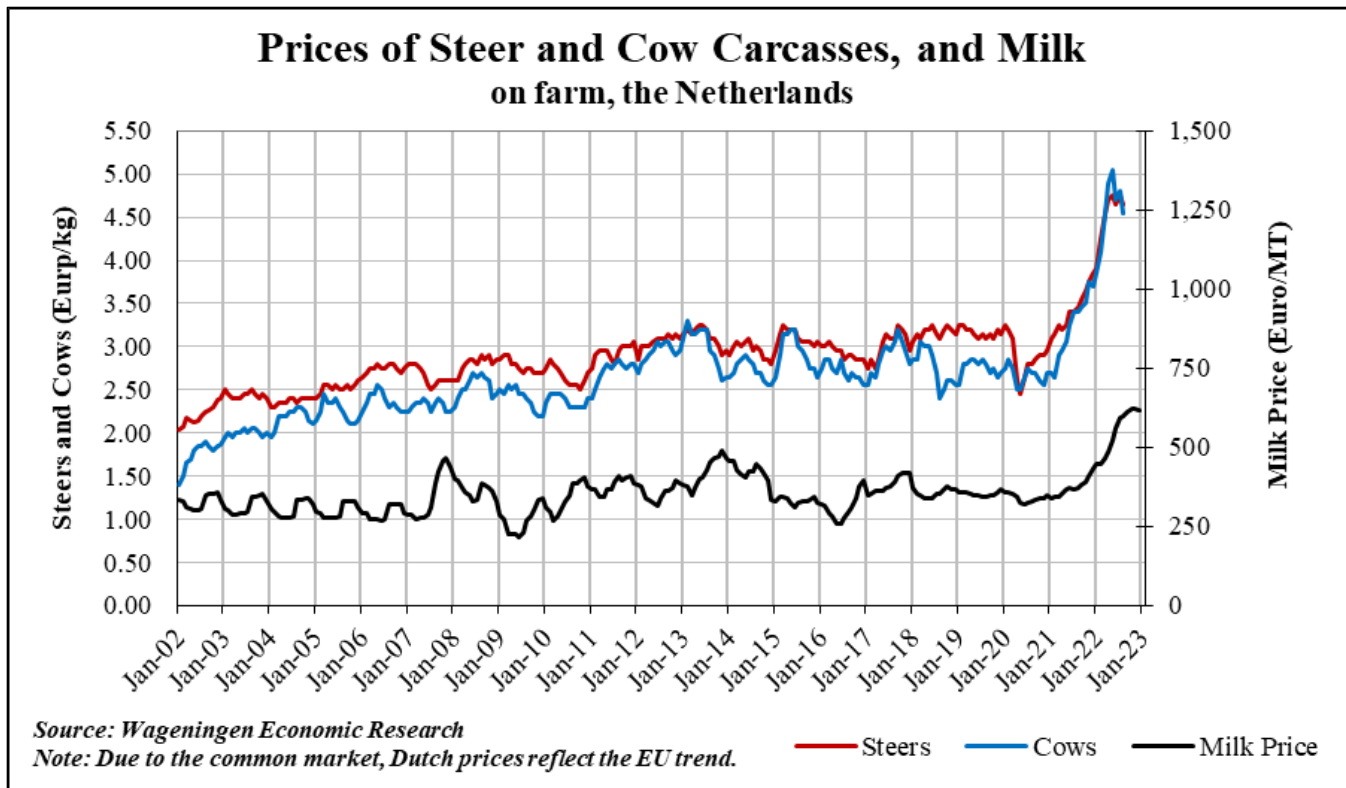
Not official USDA data. Source: Eurostat and FAS Offices. Includes backyard slaughter.



High Input Prices and Environmental Restrictions Compel Cattle Farmers to Cease Operations

The EU cattle herd is on the decline and, as previously forecast in the [Annual](#), this trend is anticipated to continue in 2023. From 2020-2022, the annual reductions in the herd, as reported by the official Eurostat December census, were -0.86 percent, -1.04 percent, and -1.12 percent, respectively. FAS projects the cattle herd will decline by roughly one percent this year, continuing the sustained contraction of the cattle herd. Both dairy and beef cattle farms have been hit by the limited availability of fodders and high feed prices (see graph above -- for more information see the [EU Grain and Feed Fall Update](#), published on December 1, 2022). However, it should be noted that feed and fodder prices differ throughout the EU Member States. In Northwestern Europe (mainly Belgium and the Netherlands) 2022 grass production recovered from the previous years' droughts. While in the Balkans (mainly Bulgaria and Romania), feed

mills and larger livestock operations began to import Ukrainian corn and wheat, which reduced prices to near pre-war levels. The structural unprofitability of the sector has been further exacerbated by high energy prices and labor shortages. Cattle farmers are abandoning the industry, not only due to rising costs but also due to a lack of successors. Another growing challenge for the industry is increased environmental restrictions. For example, in the Netherlands, the government aims to reduce overall Dutch nitrogen emissions in all sectors by fifty percent by 2030, pressuring livestock producers. For more information see, e.g., GAIN Report – [Nitrogen Report Delivered to the Dutch Government](#), published October 14, 2022.



The Future of the Beef Cow Herd Depends on the Implementation of the CAP

The reduction of the herd is most pronounced in the beef sector. The most significant cuts were reported in Poland and France. As previously indicated, the decline in inventories is mainly driven by increasing input prices. Additionally, the new EU Common Agricultural Policy (CAP; see Policy section of this report) may negatively impact beef cattle feedlot farmers. The Spanish sector expects a reduction of almost 70 percent of EU CAP support for most of its beef producers. Due to this, a restructuring of the sector is expected in the coming years to try to weather the impact of these changes. A similar restructuring is anticipated in Central Europe. An important impetus for the past expansion of the Central European beef cow herd was government financial support. On December 14, 2022, all national strategic plans of the new CAP policies were approved by the European Commission (EC), but the implementation in January 2023 is likely to be delayed. The national strategic plans are not anticipated to curb the decline in the bloc's herd, as governments are expected to increasingly focus on support for smaller farms.

Despite Record Milk Prices, the EU Dairy Cow Herd Shrunk in 2022

In some EU Member States (Austria, Italy, and the Netherlands), the dairy cow herd expanded, able to take advantage of high milk prices (see graph above). However, in most EU Member States, the dairy cow herd continued to contract, or, at best stabilized. In 2022, the most significant dairy herd reductions were reported in France, Germany, Croatia, and Bulgaria. The reduced size of the EU dairy cow herd is even outpacing its efficiency, meaning increasing milk deliveries per cow are not making up for the reduction of cows. This has led to a decline in total EU milk deliveries for the first time since 2009. For more information see the GAIN report – [Dairy and Products Annual](#), published on October 21, 2022.

EU Policies May Further Restrict EU Cattle Exports

With the shrinking cow herd and reduced supply of young animals, domestic slaughter and the export of live cattle to third countries is falling. In 2022, breeding cattle exports fell to both Russia and Turkey, as did exports of cattle for slaughter to Morocco and Libya. EU live cattle exports rose most significantly to Egypt (adult animals for breeding) and the United Kingdom (calves). While the EU has a wide range of export destinations, its overseas options are declining as animal protection associations continue to issue allegations of EU animal welfare violations. EU Animal Welfare legislation on animal transport, which is expected sometime in 2023, may further limit live cattle exports (for more information, see the Policy section). The two leading EU exporters of live cattle to third countries are Romania and Spain, but the sectors in both countries have expressed concern about the viability of their live cattle trade with third countries. From 2021-2023, slaughter will decline due to the reduced supply of animals. Despite falling inventories, the lack of farmer profitability is expected to keep slaughter at a relatively high level. Accordingly, the herd is projected to further decline to 74.1 million animals by the end of calendar year 2023.

Beef

Meat, Beef and Veal	2021		2022		2023	
Market Year Begins	Jan 2021		Jan 2022		Jan 2023	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	23,447	23,447	23,400	23,150	23,000	23,000
Beginning Stocks	0	0	0	0	0	0
Production	6,865	6,865	6,790	6,730	6,700	6,700
Total Imports	321	321	400	400	410	420
Total Supply	7,186	7,186	7,190	7,130	7,110	7,120
Total Exports	675	675	675	649	650	640
Human Dom. Cons.	6,511	6,511	6,515	6,481	6,460	6,480
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	6,511	6,511	6,515	6,481	6,460	6,480
Ending Stocks	0	0	0	0	0	0
Total Distribution	7,186	7,186	7,190	7,130	7,110	7,120

(1,000 HEAD), (1,000 MT CWE)

Not official USDA data. Source: Eurostat and FAS Offices. Includes backyard slaughter.