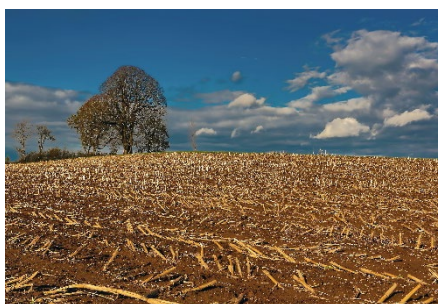
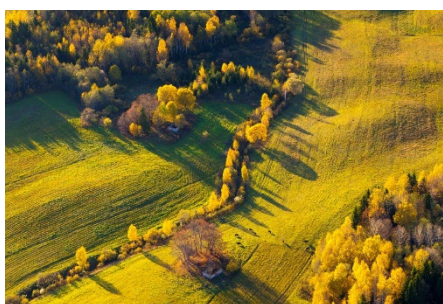


# SHORT-TERM OUTLOOK

for EU agricultural markets  
in 2021



AUTUMN 2021

*Edition N°31*



© Denise Jans\_Unsplash

## KEY MESSAGES

**-0.5%**

EU beef production in 2021

**+4.1%**

EU pigmeat production year-on-year increase, first half 2021

**-5%**

expected EU poultry exports in 2021

**-18%**

Sheepmeat imports into the EU

## MEAT PRODUCTS

### HIGHLIGHTS

EU beef production is expected to decrease moderately in 2021, mainly due to a reduction of cow herd in the beef and dairy sector, combined with lower demand from food service. Exports to high-value markets, such as Japan, Norway and Hong-Kong, are increasing, while exports to the UK show a notable decline due to trade frictions.

The current oversupply in the EU pigmeat market is driving a decrease in price amid high feed costs. However, that situation is expected to fade away by the end of 2021, as the production increase should slow down. Export increases to several destinations are expected to continue to compensate for the reduction of exports to the UK.

Lasting effects of Avian Influenza (AI), reduced foodservice demand and high feed costs are hindering EU poultry production, which is expected to decrease by about 1% in 2021. EU trade partners apply AI-related bans, which are negatively impacting exports in 2021. The prospects for a largely positive trade balance in 2022 are not overshadowed by the forthcoming entry into force of the UK's SPS checks.

The EU sheep meat market faces strong global and domestic supply shortages (EU production +1.3%), leading to relatively high prices. Exports from New Zealand are partly redirected to Asia, while facing higher shipping costs at the same time. The current trade situation between the EU and the UK continues to add downward pressure on exports and imports.

# BEEF AND VEAL

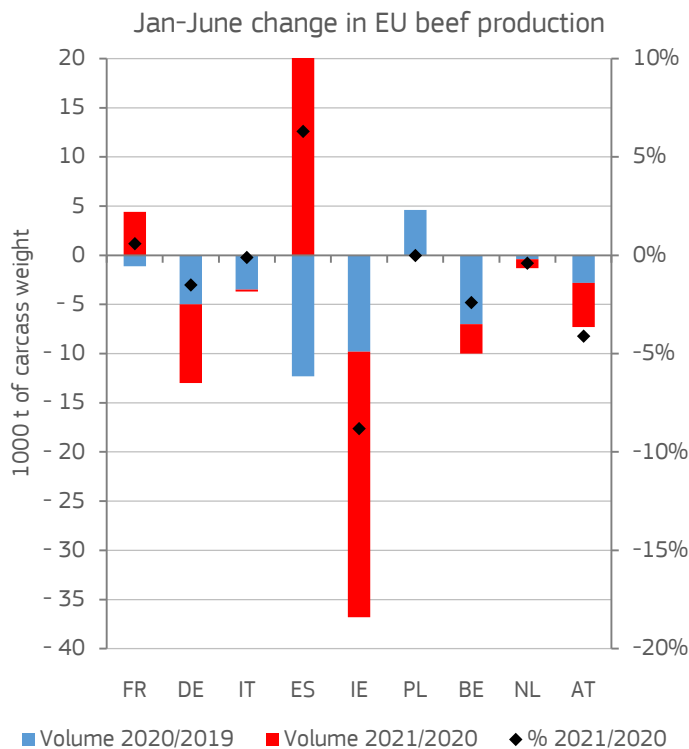
## EU BEEF PRODUCTION CONTINUES TO DECREASE IN 2021

In the first half (H1) of 2021, EU beef production declined by 0.5% year-on-year in volume, but the picture by individual EU country is very different. The main contribution to this decline came from IE (-7% or 41 000 t). This was mainly due to the uncertainties around the management of the border between the UK and IE after the UK left the single market, and the anticipation of potential tensions that led to higher production at the end of 2020. Beef production in DE showed a reduction of -1.5% (16 000 t) in H1, reflecting a reduction of the cow herd, COVID-19 measures and a low demand from foodservices. In ES, on the contrary, production increased by 6.3% (20 000 t). Favourable prices in a tight domestic market and an increasing cow herd form the basis for this evolution.

Due to higher feed prices, additional slaughtering can be expected in the second half of 2021. Moreover, the gradually improving economic situation and the current favourable prices in the EU will limit further decline in beef production, at only -0.5% in 2021, before resuming its downward trend in 2022 (-0.9%).

The declining development of apparent consumption may continue in 2021 (-0.6%), despite the expected recovery of demand in the second half of 2021.

22

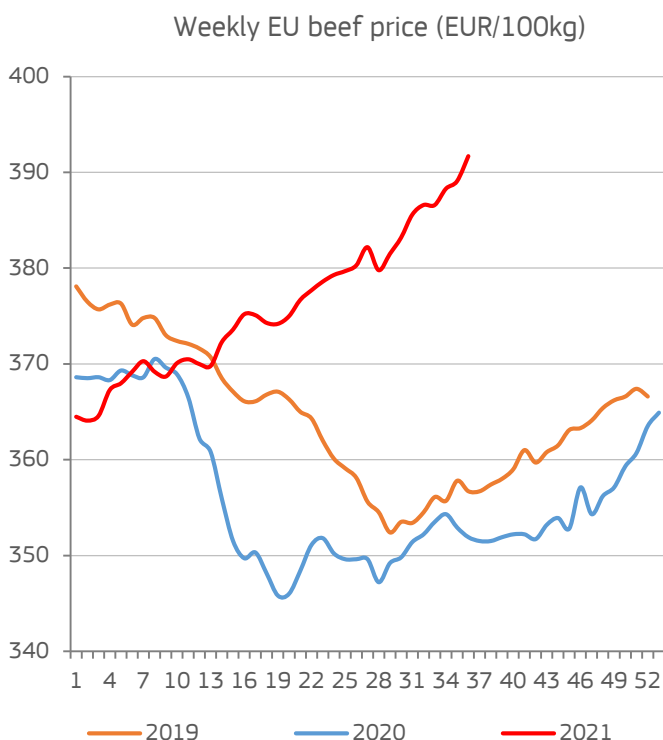


Source: DG Agriculture and Rural Development, based on Eurostat.

## RECOVERY OF IMPORTS AND EXPORTS IS EXPECTED

EU beef exports decreased by almost 6% in H1 2021, mainly driven by the drop in exports to the UK (-27 000 t), although trade flows between the UK and the EU have appeared to stabilise (Q1: -29%, Q2: -6%). Relatively high EU prices are playing a role in this. On the other hand, exports to certain high-value markets such as Hong Kong and Norway keep growing. Therefore, a small increase is expected on an annual basis in 2021 (+2%) and a more important increase in 2022 (+5%).

There is currently a short supply of beef on the international market. Australia and Brazil are restocking and therefore have less beef available for export. Argentina suspended its export licences several times and Indian slaughterhouses have been impacted by COVID-19 measures. Import figures in H1 2021 are still negative (-11%), due to the drop in demand in the EU related to the closure of foodservices, and the shortage of beef on the world market. EU imports are expected to recover by 5% in 2021, driven by the gradual reopening of foodservices and tourism in many EU countries.



Source: DG Agriculture and Rural Development, based on MS notifications.



# PIGMEAT

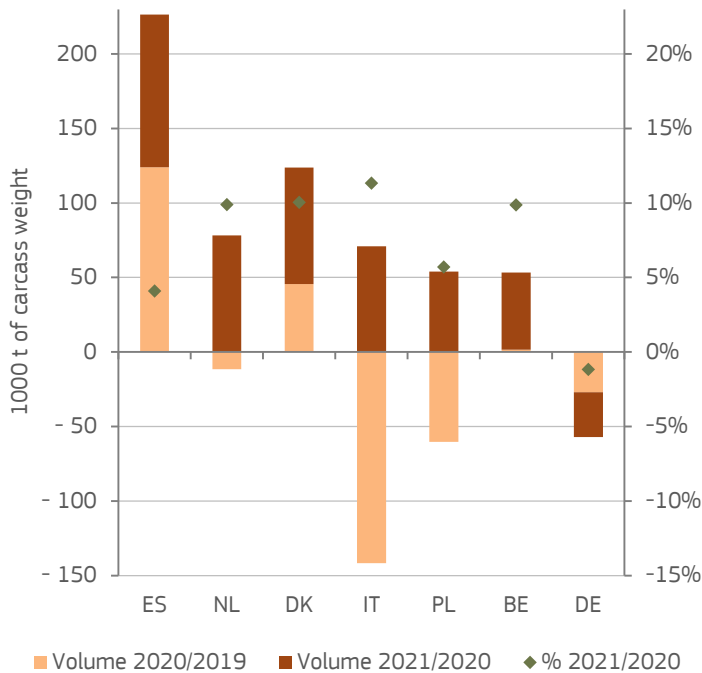
## THE EU MARKET IMBALANCE PUTS PRESSURE ON PRICES

The EU pigmeat market is in a difficult situation due to increased production in the first half of 2021, while the demand from the foodservices decreased and Chinese demand slowed down. Prices have been falling steadily in recent months, raising concerns regarding pig farmers' margins.

Due to COVID-19 disruptions in 2020, the slaughtering statistics in the first half of 2021 show a significant production increase in major producing countries: ES (+4.1% year-on-year), NL (+9.9%), DK (+10%), PL (+5.7%) and IT (+11%). In DE, the loss of the Chinese market because of ASF and the resulting price decline have already had an impact on production (-1.2%). Overall, EU pigmeat production increased by 466 000 t in the first half of 2021 (+4.1% year-on-year).

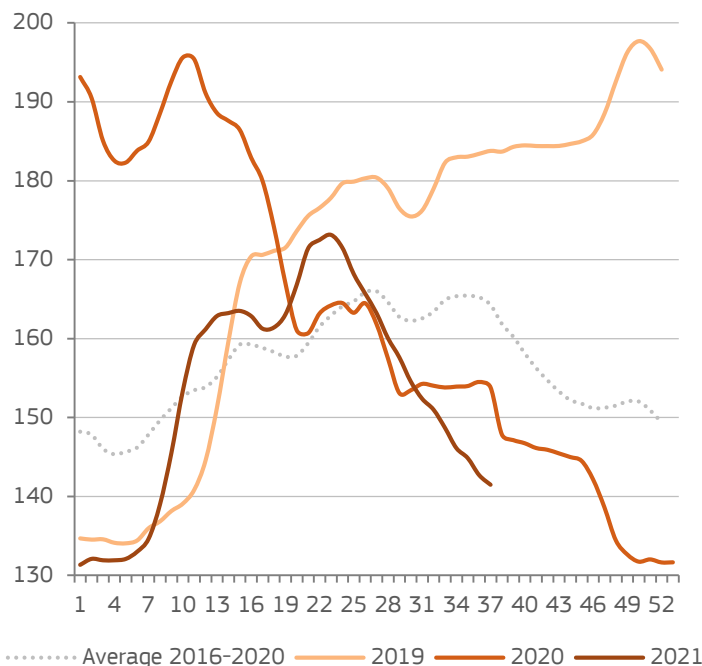
In response to this situation, and faced with increasing feed costs, the EU pigmeat sector is expected to react by slowing down the production increase. The 2021 yearly production growth is forecast at +1.7% year-on-year. In 2022, that trend could continue, with a projected yearly growth of +0.6%.

Jan-June change in EU pigmeat production



Source: DG Agriculture and Rural Development, based on Eurostat.

Weekly EU pigmeat price classes E and S (EUR/100 kg)



Source: DG Agriculture and Rural Development, based on MS notifications.

## MIXED PICTURE ON THE WORLD MARKETS

EU pigmeat prices peaked in June and since then have fallen steadily, down to almost EUR 140/100 kg in the month of September. These low prices negatively impact the EU pig farmers' margins but give EU pigmeat a comparative advantage on the world markets.

EU exports to China, the main destination for EU pigmeat, continued to increase in the first half of 2021 (+157 000 t or +14% year-on-year). EU exports to other destinations also changed significantly: Asia (Philippines +260%, Vietnam +100% - as ASF reduced domestic production in both countries, Hong Kong +38%), America (Chile +1600%, the US +37%), Oceania (New Zealand +72%, Australia +42%), Ukraine (+18%), the UK (-10%) and Japan (-13%, partly due to restrictions in foodservices ahead of the Olympics). In volume, the net increase of EU pigmeat exports to those destinations amounted to 121 000 t year-on-year (+14%).

Overall, EU pigmeat exports are projected to remain dynamic, with a +6% increase in 2021 and +7% in 2022. The EU export situation will be strongly influenced by the developments on the Chinese market, which has entered a situation of oversupply following a temporary reduction in stocks, in part to upgrade the sow herd. China is likely to continue heading towards more self-sufficiency in 2022.





# POULTRY

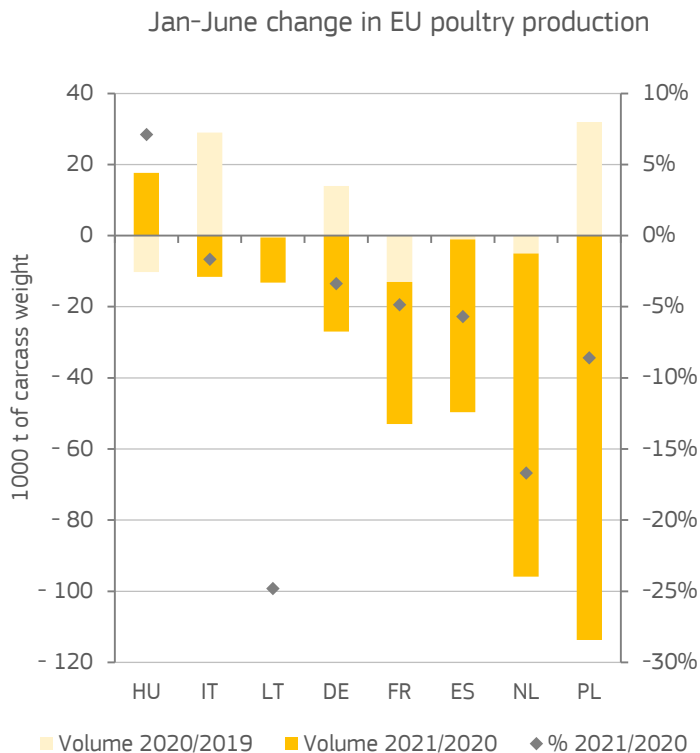
## MULTI-FACETED PRODUCTION DECREASE

The sector has been faced with lasting AI impacts in recent months, most frequently affecting duck, turkey and laying hen farms, as well as smaller holdings. This is compounded by subdued foodservices demand due to COVID-19 restrictions and high feed costs. In this context, the EU poultry industry reacted by implementing a disciplined production strategy.

As a consequence, EU poultry production continued to decline in the first half of 2021 (-4.7% year-on-year), with reduction in output recorded in all major producing countries (NL -17%, PL -8.6%, ES -5.7%, FR -4.9%, DE -3.4%).

Overall, EU poultry production is expected to partly recover in the second half of the year, decreasing by only -0.9% in 2021 compared to 2020. Provided the demand from foodservices returns to normal and AI impacts continue to decrease, production could grow in 2022 (+1%/2021).

EU poultry consumption should remain stable in 2021, and be back to moderate growth in 2022 (+1.2%/2021).



Source: DG Agriculture and Rural Development, based on Eurostat.

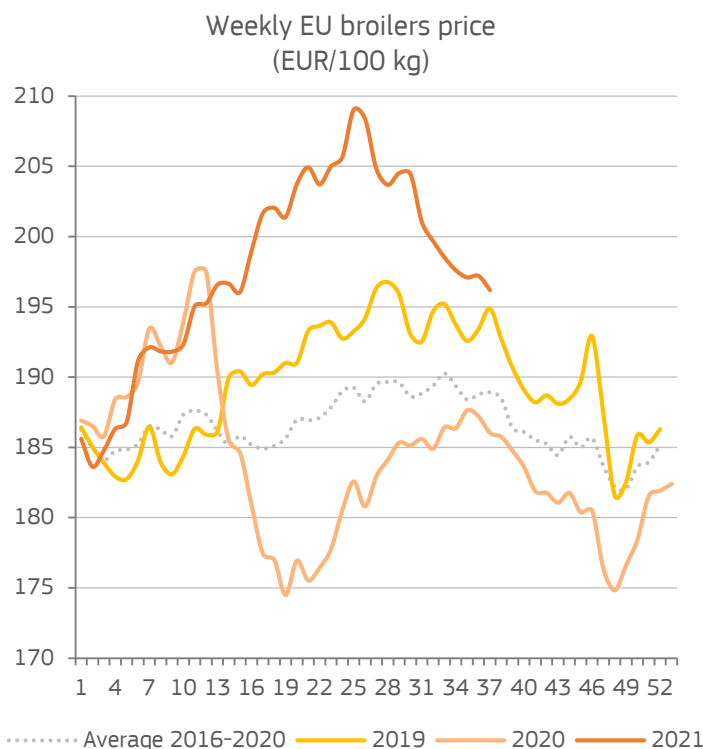
## AI AND FOODSERVICE ACTIVITY SHAPE THE TRADE

EU average broiler prices have peaked in mid-June and since then declined following the normal seasonal trend. They were down to EUR 196/100 kg in mid-September, still well above the 2016-2020 average.

Many EU trading partners have applied country-wide or regional AI-related bans that risk hampering export performance for the rest of the year. The UK decision to postpone the implementation of SPS controls at the border until 1 July 2022 (instead of 1 October 2021 as initially planned) should bring some comfort to operators exporting to the UK.

During the first half of 2021, EU exports decreased by 150 000 t year-on-year (-13%). Lower exports to the Philippines (-61%), the UK (-15%), Hong Kong (-68%), and South Africa (-54%) – -215 000 t in total – were only partially compensated by increased exports to Ghana (+26%) and Ukraine (+26%) – +38 000 t in total. EU exports are expected to decrease in 2021 (-5%/2020) before stabilising in 2022, provided AI-related bans are gradually lifted.

Mostly reflecting the activity of foodservices, EU poultry imports decreased by 13% during the first half of 2021, recovering only gradually.

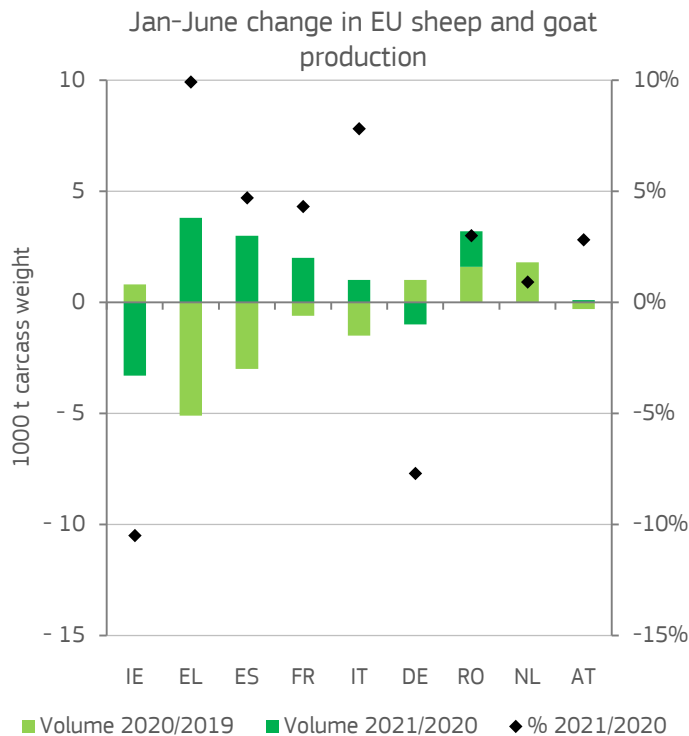


Source: DG Agriculture and Rural Development, based on MS notifications.



# SHEEP/GOAT MEAT

## MODEST INCREASE IN EU SHEEP AND GOAT MEAT PRODUCTION IN 2021



Source: DG Agriculture and Rural Development, based on Eurostat

EU sheep and goat meat production increased by 2.2% in H1 2021, influenced by positive sheep prices. The main contributions to this situation come from EL (+9.9%, despite the declining sheep herd), ES (+4.7%), FR (+4.3%) and RO (+3%). On the other hand, production in IE is low, mainly due to the anticipation of slaughtering at the end of last year, ahead of possible frictions created by the new trade relationship with the UK. This resulted in a decrease of -10.5% year-on-year. While the EU flock size stayed relatively stable in the last five years, there were some shifts between MS. This limits any substantial increase of total slaughterings in 2021. EU production is therefore projected to grow modestly by 1.3%.

A decline in imports, not compensated by greater domestic production, explains why heavy lamb prices are substantially higher in 2021 than previous years. The reopening of foodservices in the second half of 2021 might bring more demand for sheep meat on the EU market.

## LOGISTICAL COSTS AND DEMAND IN ASIA LIMIT EU IMPORTS

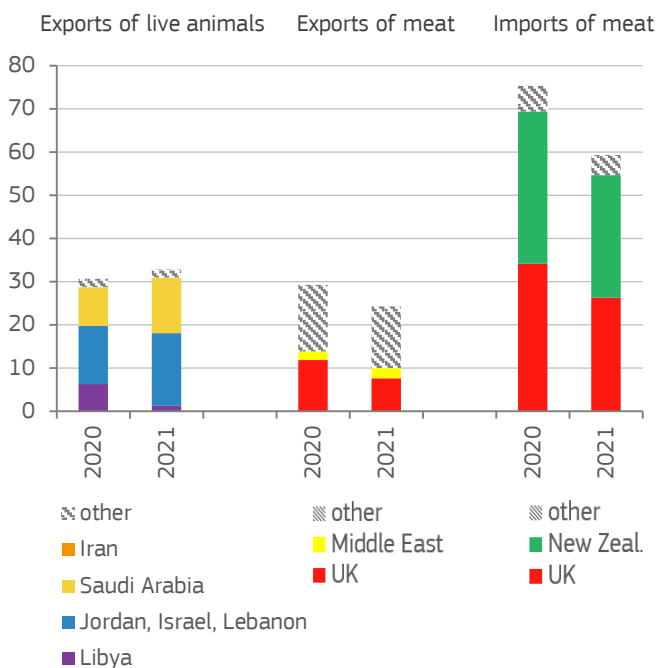
25

Frictions in trade relations with, and low demand from, the UK have heavily influenced EU sheep meat exports. Moreover, the current high domestic prices and supply shortage are also keeping the produce within the EU. Sheep meat exports went down by 17% in H1 2021. Export markets in the Middle East showed mixed evolutions. Overall, a decline of 12% in EU exports is expected by the end of 2021, followed by a small recovery in 2022 (+5%).

In contrast, exports of live animals showed an increase of 32% in Q1 2021 but decreased after the religious festivities by -9% in Q2. Much fewer animals were shipped to Libya in (-80% in H1), while exports increased to Jordan (+29%), Saudi Arabia (+44%) and Israel (+46%). Overall, exports of live animals are set to stabilise in 2021 due to sustained demand in the Middle East alongside a limited domestic supply.

Imports of sheep meat were down by 21% in H1 2021 due to lower shipments from the UK and New Zealand. Imports from New Zealand dropped by 21% in H1 2021 due to high shipping costs and the attractiveness of the Asian market. The relatively high EU prices should attract additional imports in the second half of the year. With high shipping costs likely to continue to limit import volumes at least in the short term, imports are expected to decrease by -18% in 2021.

EU sheep and goat trade by main partners  
(Jan-June, 1 000 t)



Source: DG Agriculture and Rural Development, based on Eurostat

