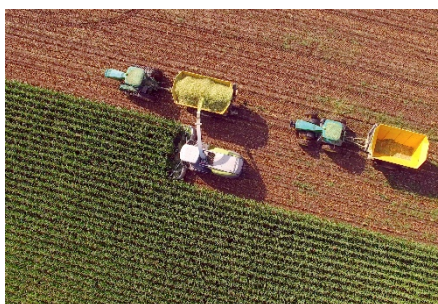


SHORT-TERM OUTLOOK

for EU agricultural markets
in 2021



SPRING 2021

Edition N°29



KEY MESSAGES

-0.9%

decline of EU beef production in 2021

High pigmeat exports

also in 2021

+1.5%

expected recovery of EU poultry exports in 2021

-1.6%

reduction of sheepmeat availability in the EU

MEAT PRODUCTS

HIGHLIGHTS

EU beef production is expected to slightly decrease in 2021, due mainly to a structural adjustment in the beef and dairy sector combined with lower demand. Exports to high-value markets should continue to increase thanks to recent trade agreements (e.g. Canada, Japan).

The outbreak of African Swine Fever in DE mid-September resulted in immediate import bans of pigmeat imports from DE by key partners: China, South Korea and Japan. Nevertheless, other EU countries filled the gap and EU trade proved resilient, resulting in continuing high export levels.

The poultry sector continues to grow slowly in the EU. Although trade is expected to pick up again, COVID-19 measures in the EU and Avian Influenza put an important downward pressure on the market.

EU sheep meat market faces strong global and domestic supply shortages (EU production -1%), leading to relatively high prices. Exports of New Zealand are partly redirected to Asia, while facing at the same time some logistical problems. The EU-UK trade relation adds uncertainty to the final picture.

BEEF AND VEAL

EU BEEF PRODUCTION CONTINUES DECREASING IN 2021

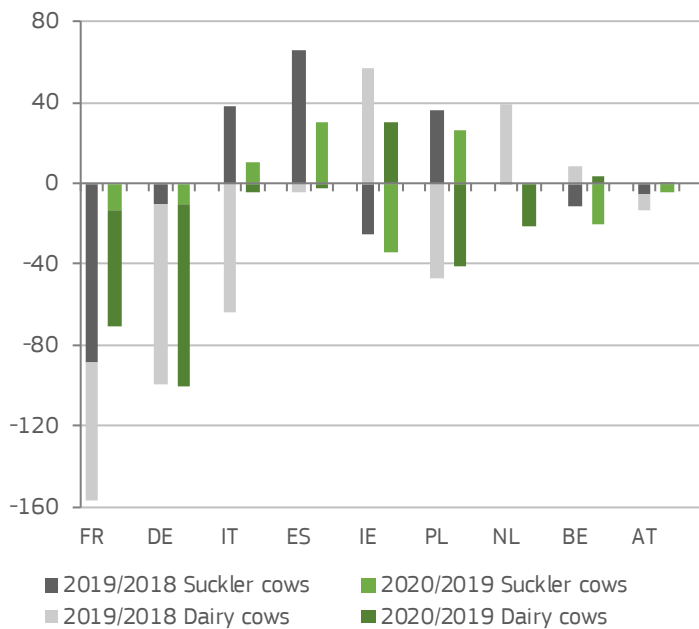
The EU beef production decreased in 2020 by 1.2%. This decrease is mainly due to changes in IT, ES, RO, AT and BE.

In the December 2020 livestock survey, the number of suckler cows decreased in BE, DE, IR, FR, while it increased in BG, ES, HU and PL, leading to an overall increase of 0.4% of the suckler cow herd in the EU (+ 48 000 heads). On the other hand, the dairy herd decreased by 1.1% (or 221 000 heads).

In 2021, the decrease of beef production is expected to continue by 0.9%, because of structural adjustments in the sector, the continuing COVID-19 measures in many EU countries and a low demand from foodservices.

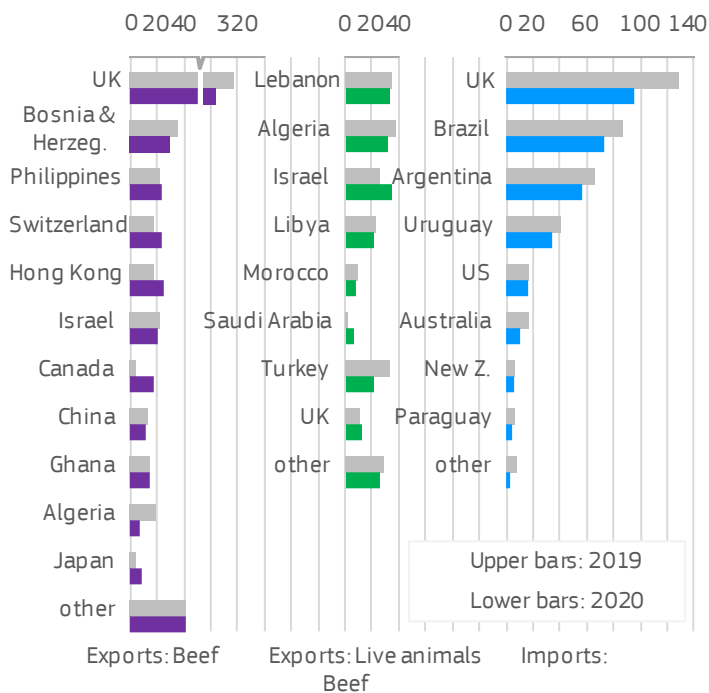
The apparent consumption of beef declined to 10.3 kg per capita in 2020 (-2.5%), and this trend may continue in 2021 by -1%, despite the recovery of demand in the second half of 2021 assuming a progressive reopening of restaurants and return of tourism.

Change in number of cows in main producing EU countries (1 000 heads)



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

EU beef trade (1 000 t carcass weight)



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

EXPORTS TO HIGH-VALUE MARKETS IMPROVE, WHILE IMPORTS SHOULD RECOVER SLIGHTLY

Beef exports improved by 1.8% in 2020, despite the economic downturn. Exports to high-value markets such as Hong Kong, Canada, Japan, Norway, Switzerland and the US have increased substantially, while shipments to the UK were down. Export growth is expected to continue in 2021 (1%), constrained by limited domestic availability and economic uncertainty. Even though the UK has postponed sanitary and phytosanitary checks and controls for EU imports till next year, trade is still facing logistical challenges. Live exports declined by almost 4% in 2020, to all main destinations. A small recovery is foreseen in 2021 (+1%) as demand will increase again.

Imports plummeted in 2020 (-21%), due to the drop in demand in the EU related to foodservices closure. The UK and Brazil redirected their shipments to China and other Asian destinations. EU imports are expected to recover only by 2% in 2021 as the reopening of foodservices in many EU countries is due to gradually take place in 2021.



PIGMEAT

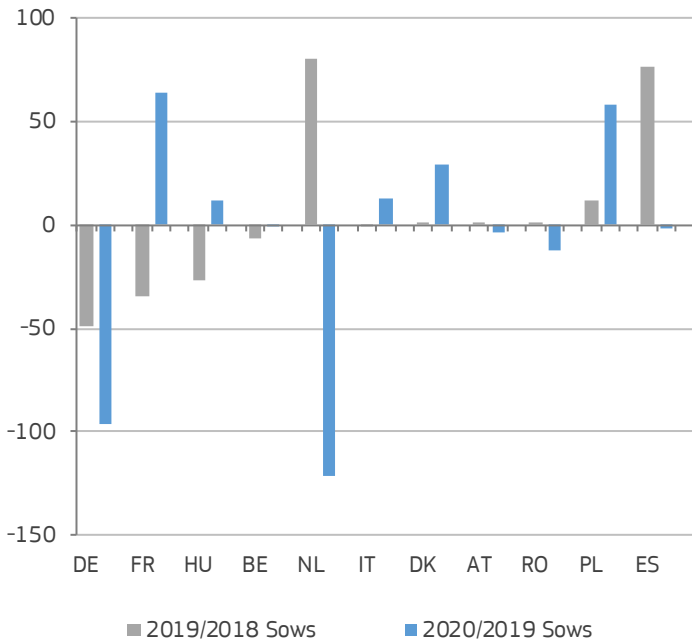
EU PIGMEAT PRODUCTION GROWTH WILL SLOW DOWN IN 2021

EU pigmeat production increased by 1.2% in 2020, driven by the export demand. The December 2020 livestock survey indicates an increase in the number of fattening pigs by 750 000 heads or 0.8%. The number of piglets also increased by 2.2 million heads, mainly in FR. This will probably lead to an increase of pigmeat production in the first half of 2021. The number of sows, on the contrary, decreased by 0.5%.

After a stabilisation during summer 2020, pig prices started to decline again mainly due to COVID-19 restrictions in slaughterhouses. This was accelerated at the end of 2020 by the discovery of ASF in wild boars in Germany mid-September and the resulting export bans. This put a downward pressure on prices until the beginning of 2021, when they started recovering notably thanks to continuous demand from China and lower domestic supply.

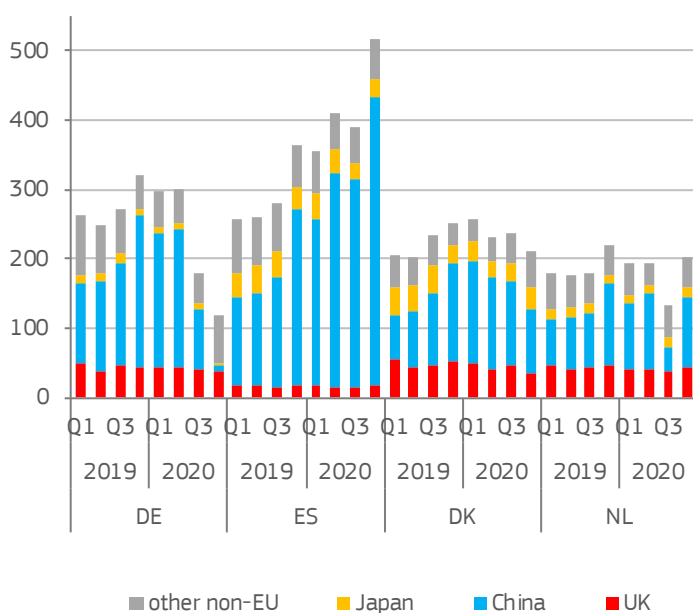
Overall, the production of pigmeat is set to increase only slightly by 0.7% in 2021. The apparent consumption of pigmeat is projected to increase to 32.7 kg per capita (+1.4%) as more pigmeat will be available on the domestic market.

Change in number of breeding sows in main producing EU countries (1 000 heads)



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

Quarterly pigmeat export (1 000 t carcass weight)



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

EXPORTS TO CHINA AT RECORD LEVEL DESPITE ASF

Exports of pigmeat were up by 18% in 2020. By far the largest share went to China, increasing its trade with the EU by around 1 million t. Although the ASF cases in Germany resulted in immediate trade restrictions of exports to key partners (China, South Korea and Japan), other EU MS were able to take over the gap left by German traders. Other EU countries, like Belgium, Hungary and Poland, are (still) facing similar export restrictions.

“ASF cases resulting in trade restrictions of exports to key partners.”

After two years of spectacular growth, exports will decrease but still stay at very high level. The pigmeat sector in China starts to recover but new cases of ASF are still appearing, which may slowdown progress. The

recovery from ASF in other Asian regions will take even more time. Despite the search for a vaccine against ASF, no successful trials or developments have been reported.



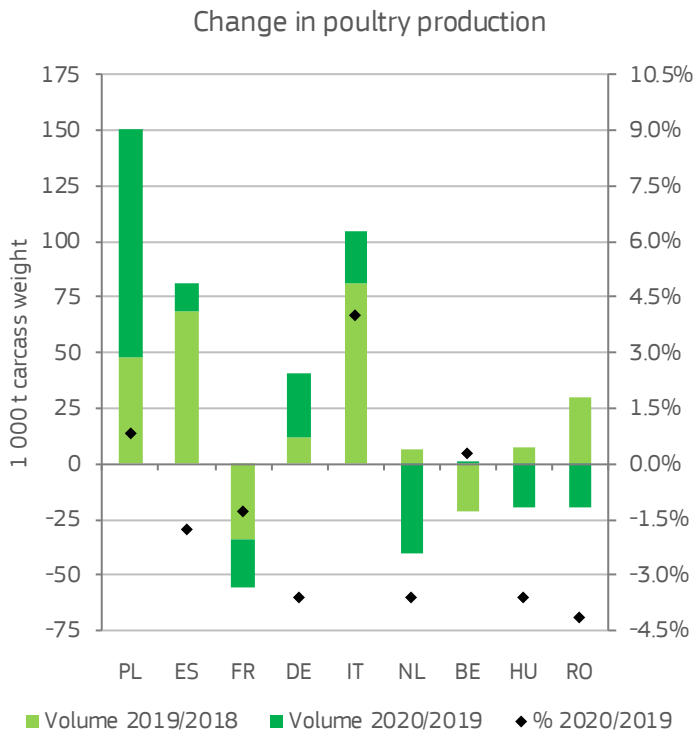
POULTRY

EU POULTRY PRODUCTION TO INCREASE MODERATELY OVER 2020 AND 2021

EU poultry production grew by only 1% in 2020, with production expanding in the larger producing countries (IT, PL, ES, DE). So far in winter 2020/21, Avian Influenza has been detected on poultry farms in 18 EU countries, affecting EU production and export potential. At the same time, the COVID-19-related closure of foodservices resulted in accumulating stocks that continue weighing on the market.

“Avian Influenza impacting on EU production and exports.”

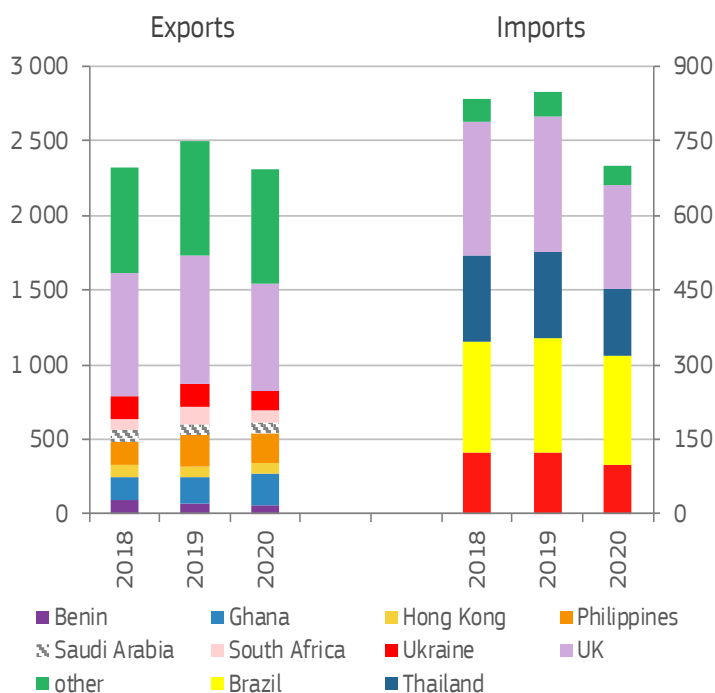
Another important factor is the recent increase of feed costs. Nevertheless, placings at the start of 2021 are higher than at the same period last year. Overall, a modest growth is forecast for 2021 (+1%).



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

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EU poultry trade by main partners (1 000 t)



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

SLOW RECOVERY OF EU TRADE IN 2021

EU poultry exports declined sharply by 7% in 2020. Several countries have closed their doors to chicken (parts) from the EU. The UK, South Africa, Ukraine and China were among the destinations that faced major setbacks. The situation with South Africa is particularly challenging because of the recent threat of additional anti-dumping duties on imports, including from the EU. As Avian Influenza continues to spread in the EU, bans on imports from the EU will be only gradually lifted. EU exports should therefore recover slowly, resulting in an overall increase of merely 1.5% in 2021.

Imports in 2020 were down by 17%. Lower demand for poultry meat from foodservices, the main client for imported poultry, played a predominant role. At the same time, key suppliers on the international market, redirected shipments to China, where prices were very remunerative. The recovery in 2021 is expected to be only partial (+4%) as the situation described above is going to continue in 2021. Moreover, 20 Brazilian poultry establishments are still delisted and cannot export to the EU. Ukraine, one of the key exporters to the EU, has also reported Avian Influenza outbreaks and could not export to the EU in the first quarter until regionalisation was accepted and exports could resume.



SHEEP/GOAT MEAT

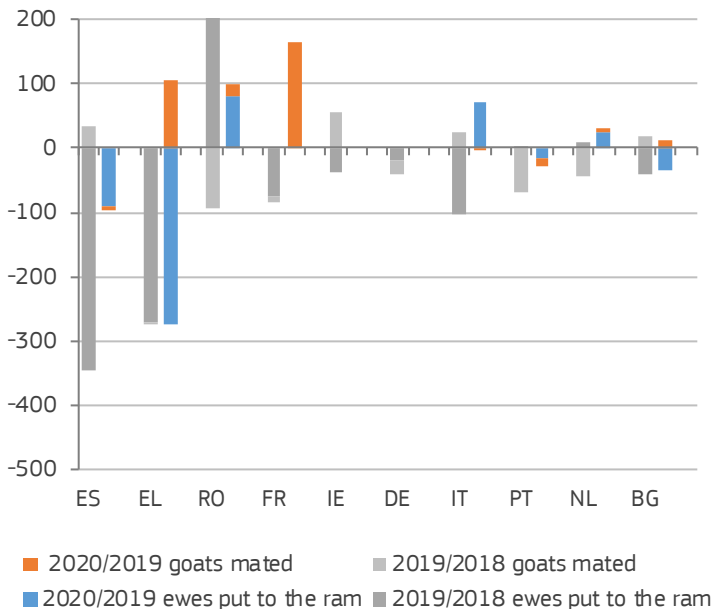
SHEEP AND GOAT MEAT PRODUCTION DOWN IN 2020

The December 2020 livestock survey showed a decline in the size of the sheep and goat flock in the EU, but the number of ewes put to the ram slightly increased, mainly in FR and EL.

Contrary to the figures of the first half of 2020, EU sheep and goat meat production increased by 2% in 2020, mainly thanks to the important share of on-farm slaughterings in RO. In 2021, a decrease in production of 1% is forecast due to a structural decline of the flock size during the last years and less on-farm slaughterings in RO. This is expected to contribute to an increase in domestic prices.

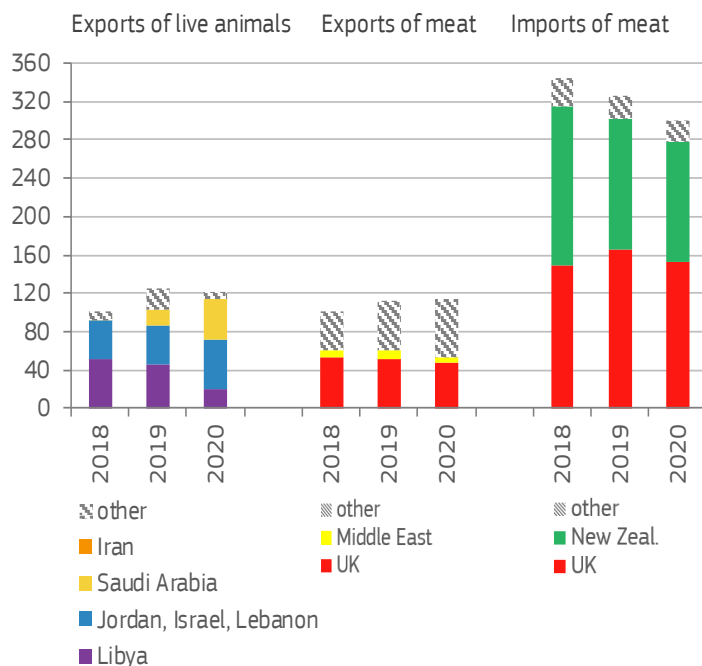
The COVID-19 measures and the closure of foodservices continue to affect the market demand. It is yet unclear how this situation will impact the seasonal demand for religious festivities in spring 2021.

Change in number of mated sheep and goats in main producing EU countries (1000 heads)



Source: DG Agriculture and Rural Development, based on Eurostat

EU sheepmeat trade by main partner (1 000 t)



Source: DG Agriculture and Rural Development, based on Eurostat

LOWER AVAILABILITY DUE TO SHORTAGES IN DOMESTIC AND GLOBAL SUPPLY

EU sheep meat exports increased by almost 3% in 2020. Higher volumes went to Switzerland and key destinations in the Middle East, compensating a decline of exports to the UK (-7%), Libya, Lebanon and Turkey. Shortage in domestic supply and relatively high prices (heavy lamb) could lead to a stabilisation of exports in 2021.

Exports of live animals decreased in 2020 by almost 3% despite the higher demand from Saudi Arabia and Jordan. Fewer animals were shipped to Libya and Lebanon. Exports of live animals are set to stabilise in 2021 due to the sustained demand in the Middle East and limited domestic supply.

Imports of sheep meat were down by 7.2% in 2020 although Australian shipments to the EU increased. Imports from the UK declined in the first half of 2020, but this was partly compensated by a more favourable second half, ending at 8% on a yearly basis. Imports from New Zealand went down (-9%) due to unfavourable weather conditions, higher shipping costs and more attractive markets in Asia. This situation is likely to continue in 2021, leading to an additional cut in imports of -3%, despite the attractive domestic prices.

