European Commission

SHORT-TERM OUTLOOK

FOR EU AGRICULTURAL MARKETS IN 2020

SUMMER 2020

Edition N°27

Agriculture and Rural Development

MEAT PRODUCTS

Market developments in the EU

BEEF	2019	2020
Production	-0.9%	-1.7%
Exports	+3.4%	+2.0%
Imports	+4.1%	-7.0%
Consumption	-1.0%	-2.3%

POULTRY	2019	2020
Production	+1.6%	-2.0%
Exports	+2.2%	-8.0%
Imports	+1.6%	-10%
Consumption	+1.5%	-1.6%

PIGMEAT	2019	2020
Production	-0.9%	+0.5%
Exports	+8.9%	+10%
Consumption	-3.6%	-2.7%

SHEEP & GOAT	2019	2020
Production	+5.8%	-1.5%
Exports	+9.8%	+2.0%
Imports	-5.7%	-5.0%
Consumption	+2.7%	-2.6%

Note: % compared to previous year
Net production and meat trade

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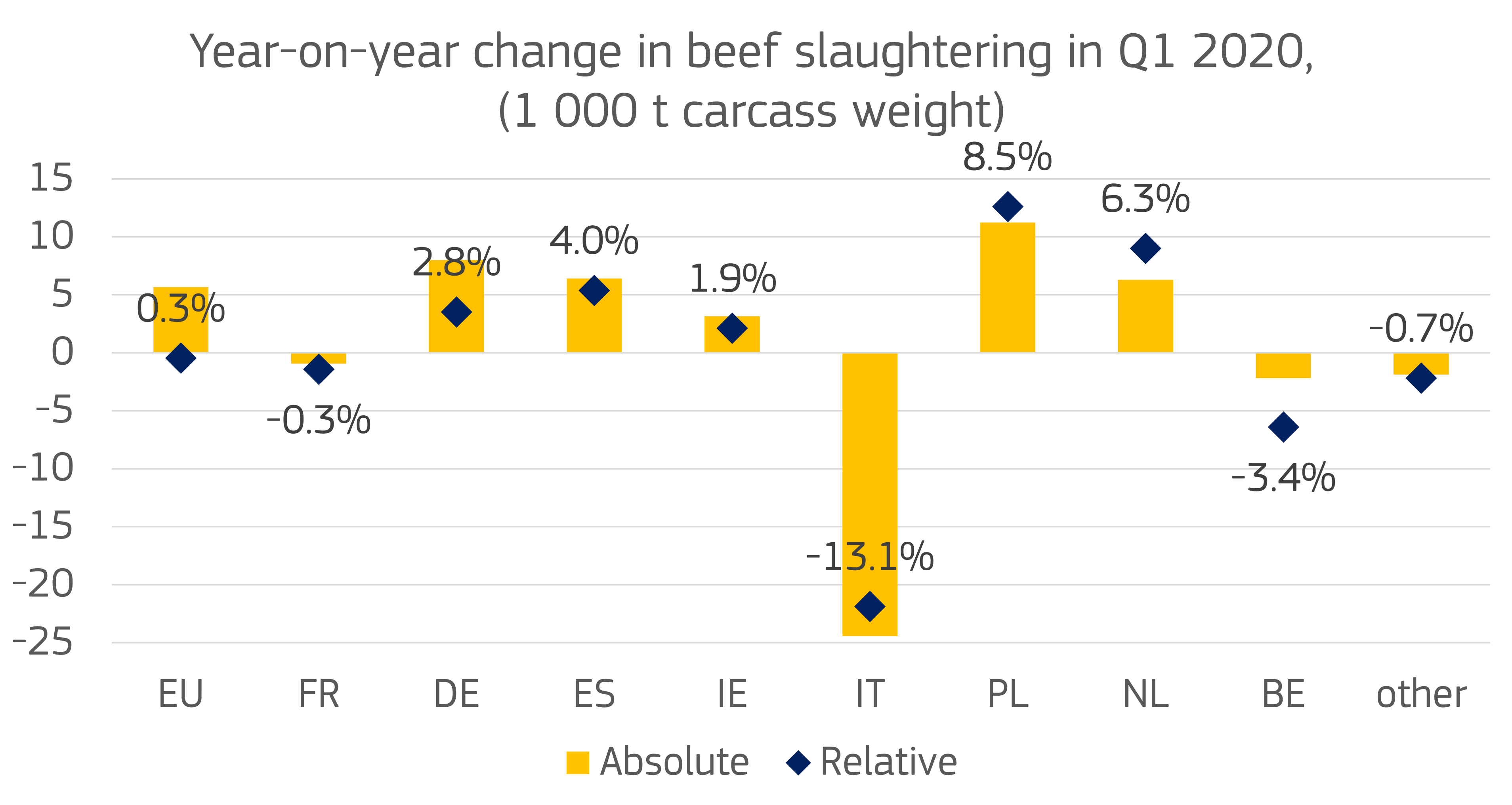
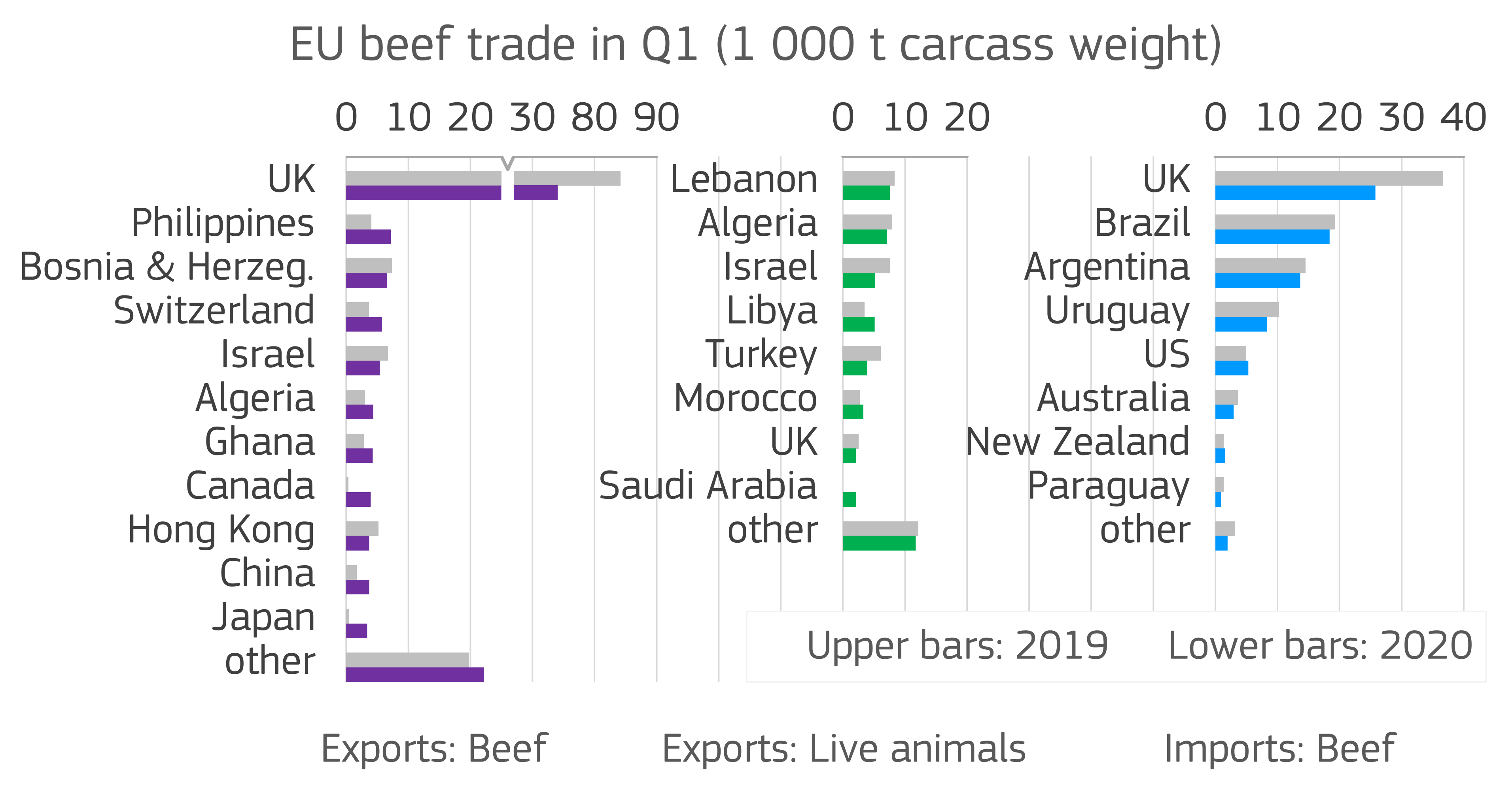
Beef and veal



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



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

EU beef production down in 2020

- **EU beef production increased slightly in Q1** (+0.3% year-on-year). Continued growth in slaughtering in DE, ES and IE and a boost in PL and NL compensated for a massive drop in IT (driven by lower slaughter of cows and heifers).
- Prices, which were more stable at the beginning of the year, have fallen since mid-March when foodservice demand for high-value cuts switched to cheaper retail products. With the reopening of restaurants, demand and therefore **prices started to recover at the beginning of May**.
- The expected **decline in beef production in 2020** (-1.7%) assumes constrained output and reduced demand in Q2. It also reflects smaller breeding herds and lower store cattle, and potential supply effects of dry spring on grazing and fodder availability in the second half of the year, which will lead to early slaughtering at lower carcass weights.

Lower imports and meat availabilities

- **Beef exports increased in Q1** (+4% year-on-year), benefitting all key EU countries except FR. Shipment to destinations other than the UK increased by around 30%. The UK share in EU exports dropped from 60% to 50%. IE redirected losses in the UK (-10 000 t) partially to Asia (+6 200 t to Philippines, China, Japan) and the US and Canada (+2 200 t). Overall, the **export growth is expected at 2% in 2020. Live exports declined** to all main destinations (except Libya, Morocco), and the same pace (-5%) is expected for the whole of 2020.
- **Imports**, mostly from the UK and Mercosur, **were down in Q1** (-17% year-on-year). The EU became less attractive for Brazil, which redirected its shipments to China and Russia. The UK switched its exports to China, Canada, the US and Japan. Tighter supplies in key exporters will contribute to an **annual EU imports drop** of 7% in 2020.
- Apparent **consumption of beef is projected to decline** to 10.4 kg per capita in 2020 (-2.7%), reflecting restaurants' closure during confinement, tighter domestic supply and lower imports.

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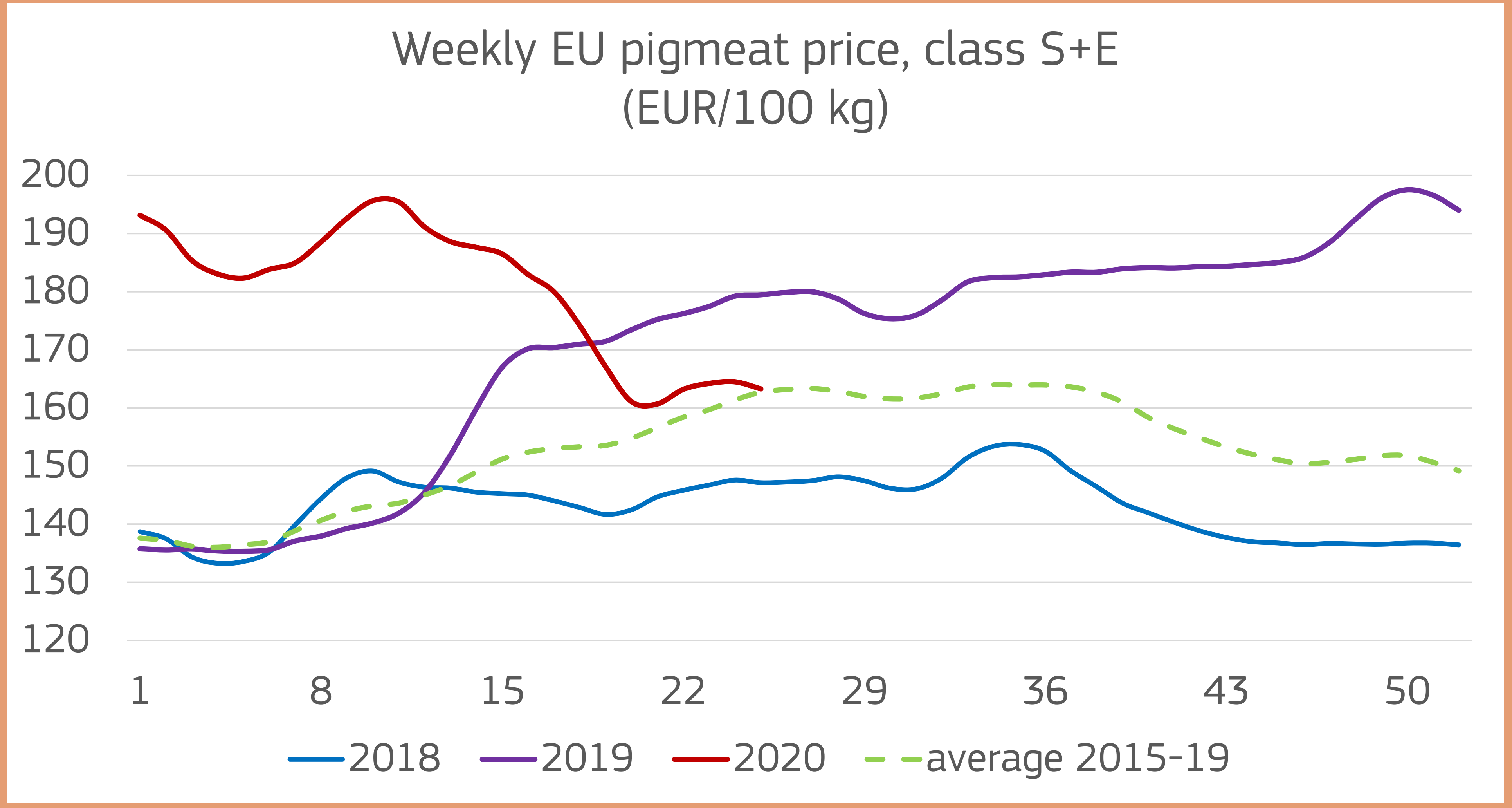
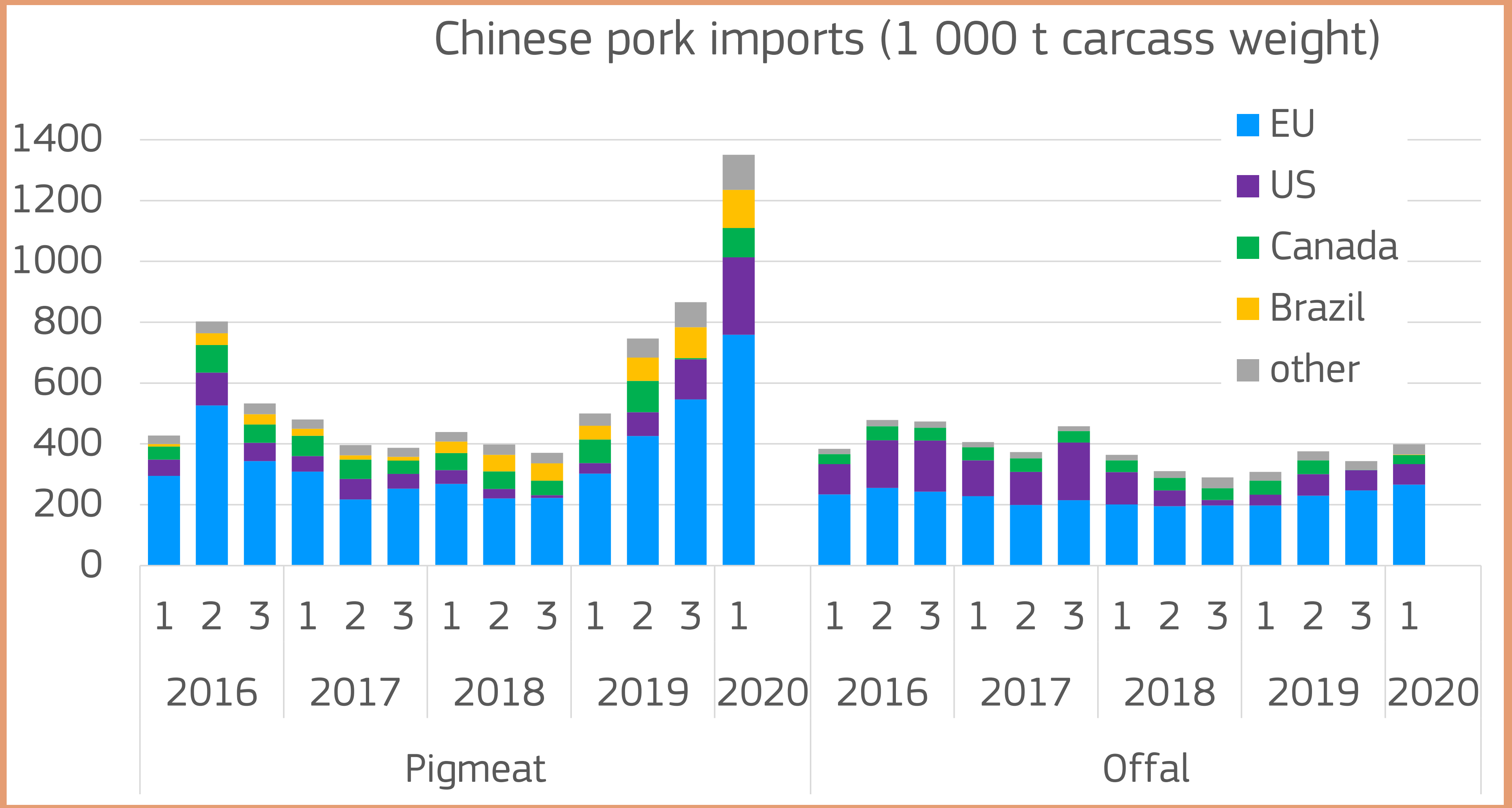
Pigmeat



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



Note: 1=January-April, 2=May-August, 3=September-December.

Source: DG Agriculture and Rural Development, based on IHS Markit/GTA.

EU pigmeat production up in 2020

- **EU pigmeat production was slightly down in Q1** (-0.5% year-on-year), driven by declines in PL (-8.2%) and IT (-20%). Growth in production, supported by high prices, was firm in other key EU producers with a rebound in DE (+1.1%) and DK (+2.7%), a continued sharp rise in NL and ES (both +4.4%, and benefitting from rebuilt herds) and a modest increase in FR (+0.6%). EU exporters benefited from strong demand from China (except PL due to the spread of ASF), which compensated the fall in demand from other main destinations (UK, Japan, South Korea, US, Philippines and Australia).
- Prices, which surged over 2019 when supply tightened and exports rose, started to recede towards the 5 year-average when foodservice demand plummeted. **Prices have started to rise again in the last weeks**, following the rebound of foodservice and world demand. They stabilized at EUR 163/100kg in week 25.
- **Pigmeat production is expected to increase slightly in 2020** (+0.5%). It will be supported by favourable prices, return of consumer demand and **solid export prospects** (+10%/2019), mainly to China, and recent investments in the sector, assuming ASF does not spread further within the EU.
- Reduction in consumer demand during confinement and overall limited domestic availability will lead the **apparent consumption of pigmeat to fall** below 30 kg per capita in 2020.

Further surge in Chinese demand, and EU exports up

- With the persistence of ASF in China, experts anticipate a further herd reduction, an associated drop in pigmeat production of 15-25% in 2020, and a **need for more imports**. China's imports of pigmeat grow massively until April (170% year-on-year), benefitting the EU (+150%) and other key suppliers (US, Brazil and Canada). The import shares in China increased for the latter countries (19%, 9% and 7% respectively) to the detriment of the EU (55%). Demand for offal also increased, but mainly to the benefit of the EU.
- The unprecedented magnitude of recent trade flows of pigmeat to China may soften in the second half of the year, urging consumption of other (imported) meats.

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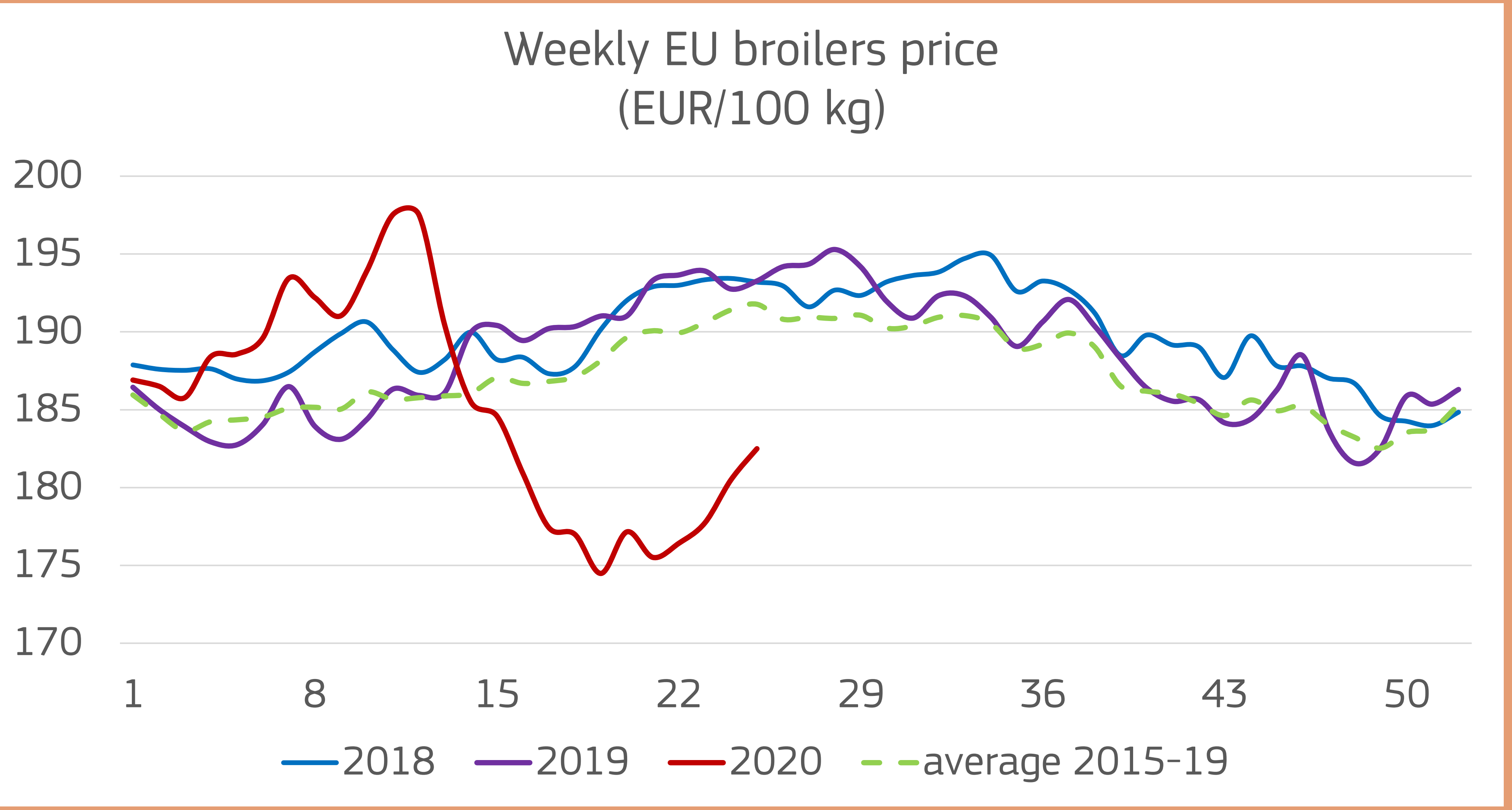
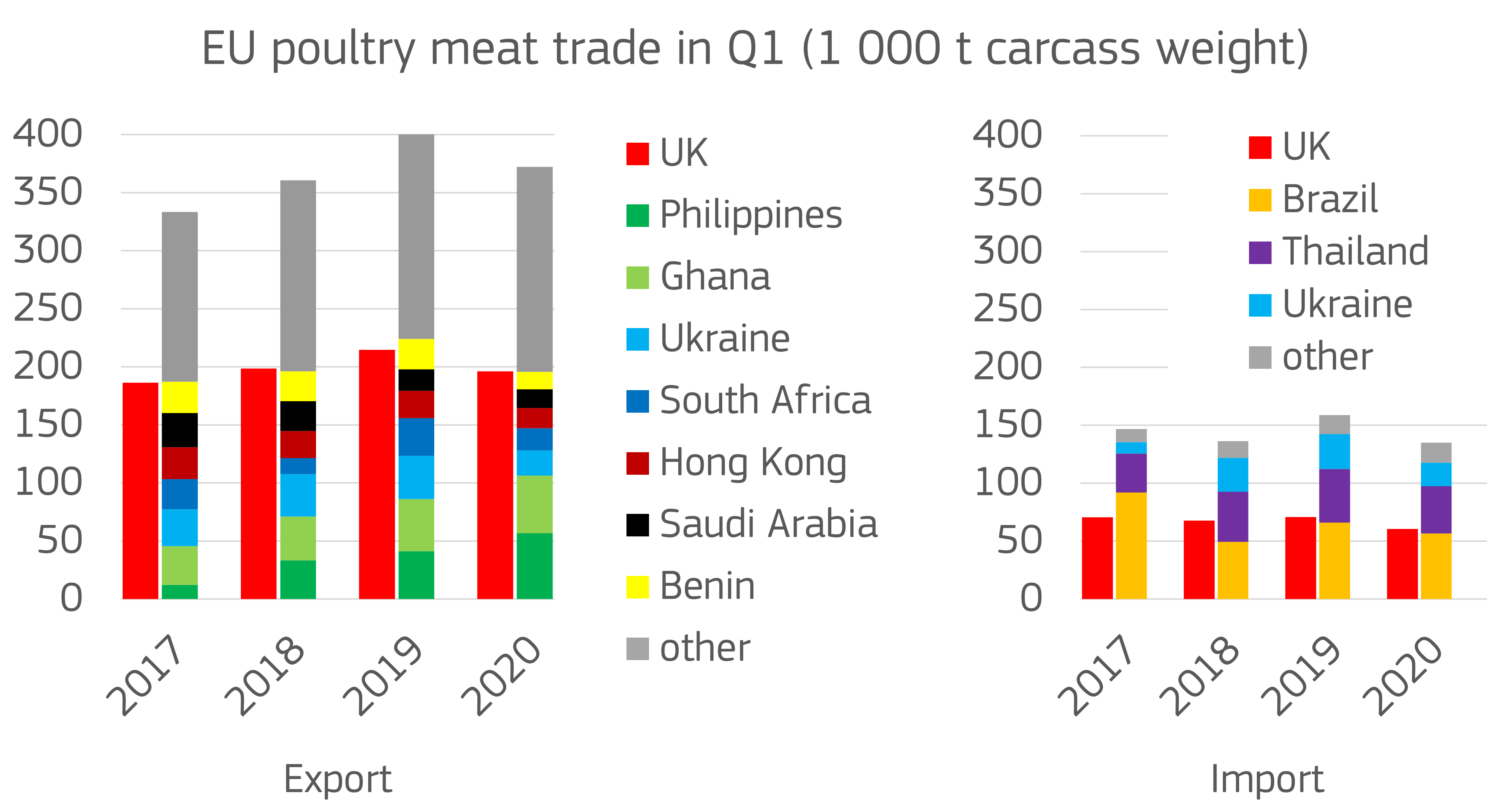
Poultry



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



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

EU poultry production down in 2020

- **The rise of EU poultry production in Q1** (+1.8% year-on-year) reflected an increase in the main producing countries (ES excepted). Higher production was supported by prior investments (in eastern EU countries) and price increase. Additionally, demand for poultry meat continued, shifting from more expensive meats.
- The **decline in EU prices** since mid-March was primarily driven by the collapse of prices in PL. Prices fell when restrained exports (due to spread of avian influenza in PL in the beginning of 2020) combined with lower domestic foodservice demand confronted ample supply.
- The expected **decline in poultry production in 2020** (-2%) assumes a drop in slaughtering in Q2-Q4 and reflects the capacity of the sector to quickly adapt to a decline in demand as well as market uncertainties, including as regards export. Poultry meats other than chicken (ducks, guinea fowls, pigeons or quails) are expected to be particularly impacted.

Lower trade, and consumption limited by drop in demand

- **Poultry exports declined sharply in Q1** (-8% year-on-year), including a drop of 9% of exports to the UK, despite the EU strengthening its position in two key destinations, the Philippines (+38%) and Ghana (+10%). The two leading EU exporters have experienced a contrasted situation, with NL increasing its shipments (+2%) in particular to the UK and the Philippines, while PL exports declined by 10%. With changes in international trade flows (return and expansion of Brazil in China and Ghana) **EU exports are expected to decrease** by 8% in 2020.
- **Imports were down in Q1** (-14% year-on-year), as the EU lost attractiveness for its suppliers in particular in Brazil, which redirected its shipments to China. **Imports are expected to fall** by 10% in 2020. The Covid-19 effects in Brazil and Thailand are an additional risk factor.
- **Apparent consumption is expected to decline by 1.9%** in 2020 to 24 kg per capita, as a consequence of the demand dropped in the EU foodservice sector.

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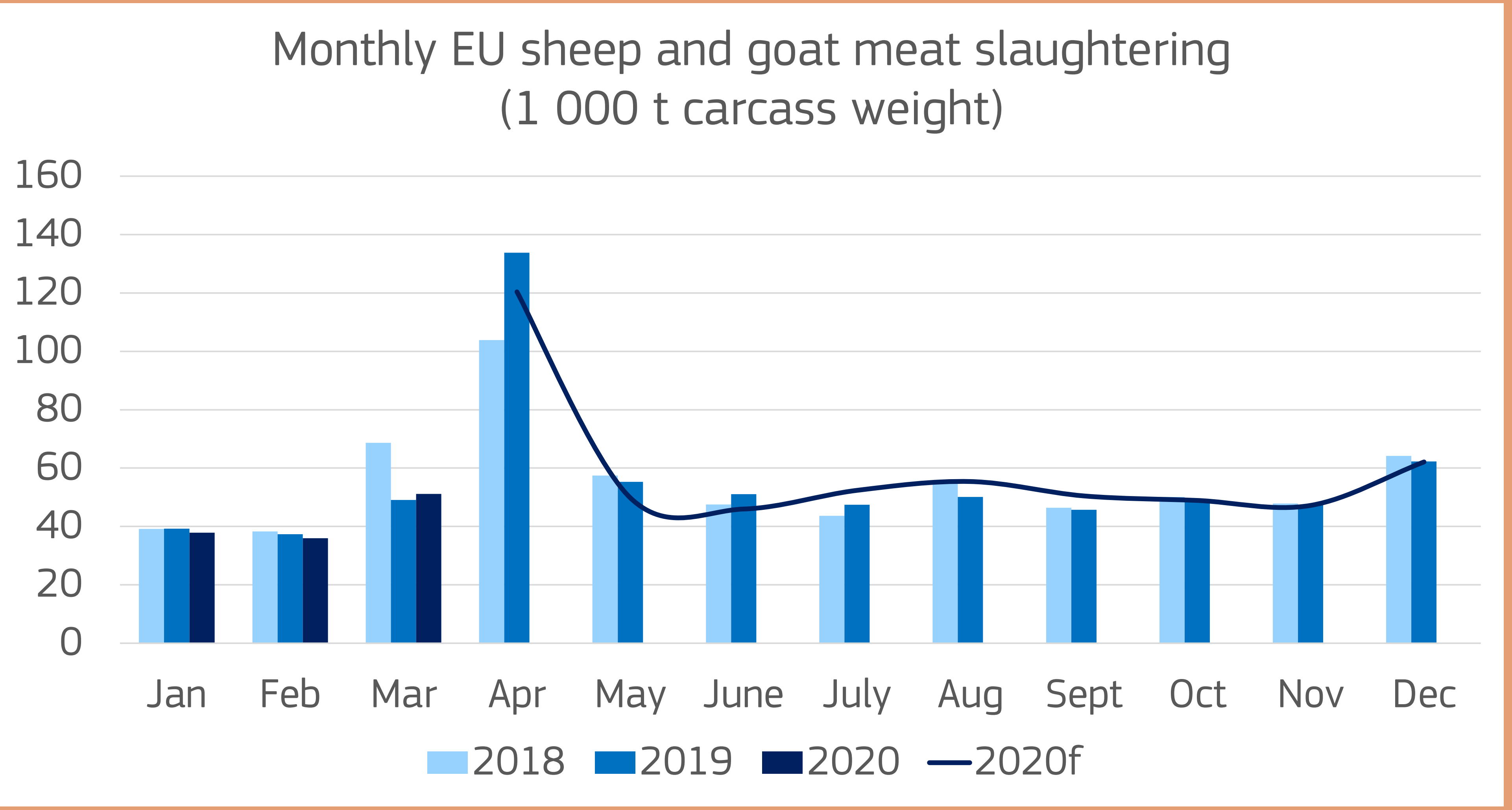
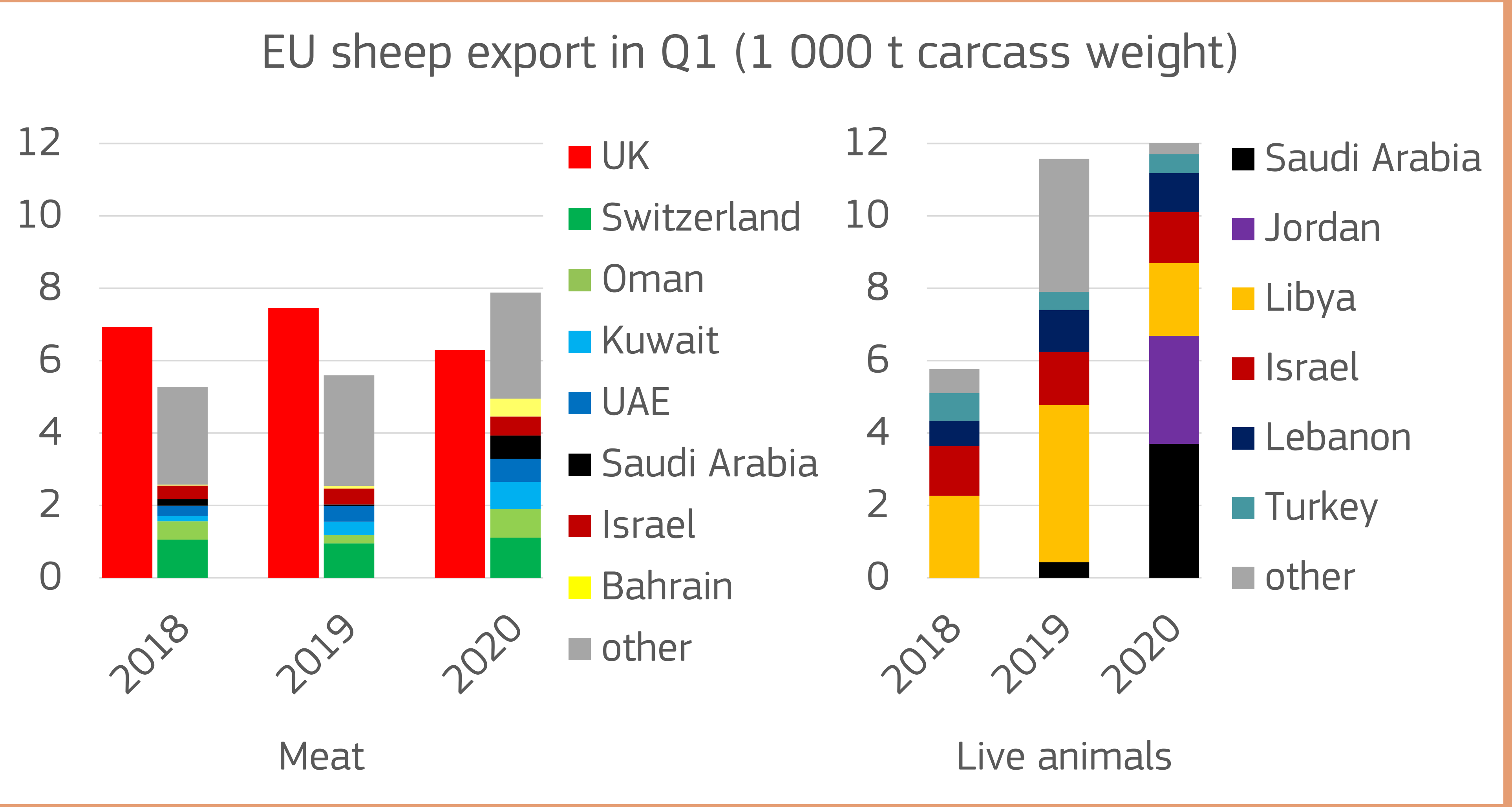
Sheep and goat meat



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



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

Sheep and goat meat production down in 2020

- EU sheep and goat meat production declined in Q1 (-0.5% year-on-year). Slaughtering of goats and sheep dropped in ES and notably in EL, following reductions of herds and fewer ewes put to the ram in 2019. IE and RO slaughtered more sheep thanks to expanding herds in 2019.
- Prices of lambs trailed strong fluctuations: an upsurge due to Brexit uncertainty and a drop due to Covid-19 measures. Prices have started to bounce back once demand from foodservice picked up.
- The expected decline in sheep and goat meat production in 2020 (-1.5%) assumes a drop in demand from foodservice and home consumption during the Easter and Ramadan celebrations, and supply shortages due to logistical problems, due to the Covid-19 crisis. It also reflects smaller herds, stagnated domestic demand, risks of lower trade and potential effects of dry weather.

Exports up, imports down

- EU sheepmeat exports increased in Q1 (+9% year-on-year). Higher volumes to key destinations (Switzerland, Oman, Kuwait, UAE, Saudi Arabia, Israel and Bahrain) compensated for a decline of exports to the UK (-15%). All EU main exporters (ES, RO, IT, NL) recorded higher exports, with the exception of IE (losses to the UK and Canada). The export growth is estimated to soften to +2% in 2020 as enough supply to satisfy trade demand may not be available.
- Exports of live animals increased in Q1 2020 (+5% year-on-year), supported by higher demand from Jordan and Saudi Arabia, and despite fewer animals being shipped to traditional partners Libya and Lebanon. Overall, exports of live animals are due to decline by 2% in 2020, as this high level of shipments might be refrained.
- Imports of sheepmeat are expected to fall in 2020 (-5%). Imports from the UK declined by around 25% in Q1, and those from New Zealand and Australia stagnated. Tight availability due to weather conditions in those countries will contribute to the expected decrease in shipments 2020.
- Apparent consumption, at 1.4 kg per capita, is expected to decline in 2020 (-2.9%) due to lower demand during festive periods, and lower meat availability as a consequence of lower imports and tight supply.