

MEAT PRODUCTS

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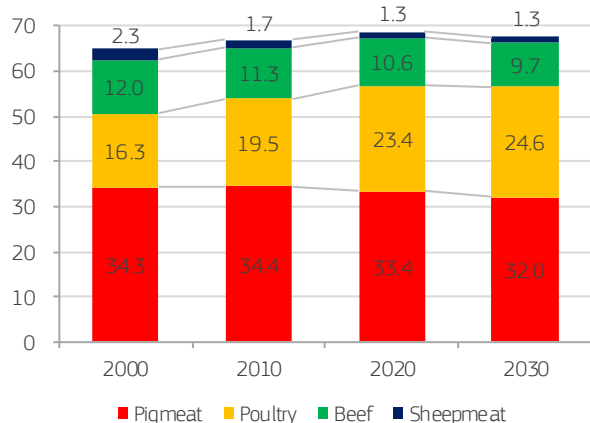
This chapter presents the drivers of EU meat markets and introduces projections for beef and veal, pigmeat, poultry, and sheep and goat meat.

Sustainability and societal concerns should take a more prominent role in shaping EU meat markets. In this context, the most influential trends that could be evident by 2030 include (i) lower consumption per capita, (ii) lower production based on more efficient systems, along with fewer animals, and (iii) reduced exports of live animals. Poultry will be the only sector to clearly expand in terms of production, consumption and exports.

The dependencies vis-à-vis global markets and current events add to uncertainties. EU prices, although generally higher, will continue to follow the world price paths. Although world consumption and demand are expected to expand, opportunities for EU export growth should benefit mostly the poultry sector. The outbreaks of and subsequent recovery from African Swine Fever in Asia, the episodes of ASF in Germany, and the current COVID-19 pandemic bring a lot of uncertainty to the global and EU meat markets.

DEVELOPMENTS IN MEAT MARKETS

GRAPH 4.1 EU meat consumption (kg per capita)



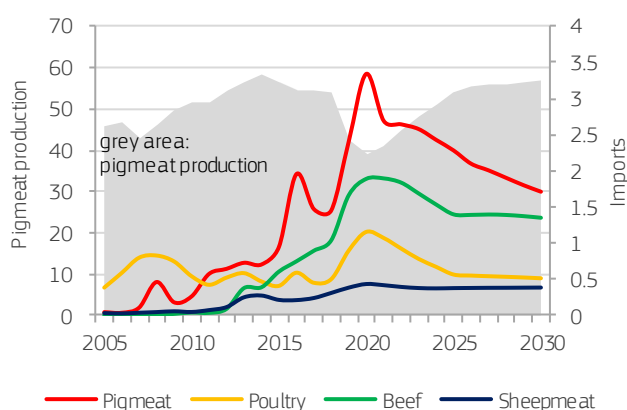
EU meat consumption is set to decline from 68.7 kg to 67.6 kg retail weight per capita by 2030, accompanied by changing consumer preferences, with consumption of beef continuing to decrease and poultry replacing pigmeat. Consumers' concerns over the environment and climate change will mean that they pay more attention to the production process (e.g. local markets, organic and other quality schemes, animal welfare, and environmental footprint). Changes in consumption habits range from dietary adjustments (more flexitarians, vegetarians and vegans) and health considerations (population ageing and lower protein needs) to convenience (with a shift from fresh meat towards more processed meat and preparations).

Availability of meat and short-term events

Nevertheless, EU meat markets are still strongly influenced by the availability of meat on the domestic market (resulting from a combination of production capacity and exports), which may alter the projected (downward) trend. The availability of meat has fluctuated in recent years, from a dip linked to the restructuring of the dairy sector, new regulations affecting the pigmeat sector and generally tight meat supply in 2013, to ample supplies of all types of meat in 2018. This was followed by a decline, particularly in imports, that was accelerated by the COVID-19 pandemic in 2020.

Dependence on the global market has intensified recently, and may continue to affect the availability of meat for EU consumption. The EU redirected a growing proportion of its meat production (pigmeat, specific poultry cuts and offal) to China in 2019-2020, in response to the African Swine Fever (ASF) outbreak in Asia. However, due to the recent ASF-related ban on meat from Germany, the outflow of pigmeat to China and other Asian countries will slow down in 2021.

GRAPH 4.2 China meat imports and pigmeat production (million t)



A bigger role for sustainability in meat production and consumption

Sustainability, with its environmental, economic and societal objectives, will play an increasingly prominent role in EU meat markets, for both producers and consumers. This could lead to a smaller EU livestock herd, particularly of bovines and pigs (-5.5 million and -4.5 million heads, respectively) by 2030²⁴. Linked to production and sustainability, the expected decline in exports will affect live animals (-30%), but an expected increase in poultry exports (+7.6%) will help to valorising cuts that are less popular with EU consumers. Total meat production is set to be lower in 2030 by 2.3%, although modernisation, adaptation and innovative technologies will lead to more efficient production.

²⁴ In this chapter, the main comparison is between 2020 (which represents the 2018-2020 average) and 2030.

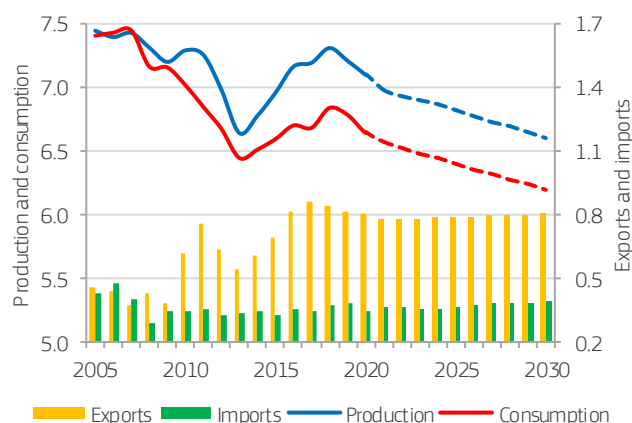
World consumption and import demand

World meat consumption is expected to continue growing (+1.1% per year), thanks to continuing population and economic growth in developing countries. While a large part of world demand will be met through domestic production (+1% per year), an additional 4 million t of imports (especially of poultry and beef) will be needed to cover the gap in many countries. The EU will benefit to a limited extent from the additional demand, mainly for poultry meat, while shipments of EU pigmeat will shrink. China's recovery in terms of livestock and production will be more or less complete by 2025, and its imports of all types of meat, boosted in 2019-2020, will shrink towards 2030.

Global diseases, like the ASF outbreaks and the later recovery in Asia or the current COVID-19 pandemic, create a lot of uncertainty around global demand for meat imports.

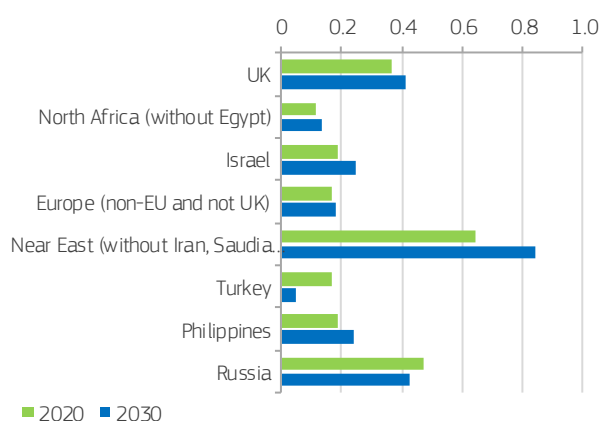
BEEF AND VEAL

GRAPH 4.3 EU beef and veal market (million t)



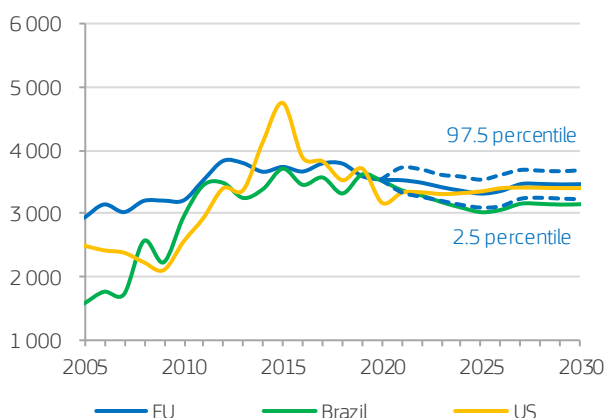
Note: Gross indigenous production; trade includes live animals.

GRAPH 4.4 Beef imports of main EU partners (million t)



Note: Total imports; countries cover 20% of world demand.

GRAPH 4.5 Beef prices (EUR/t) and uncertainty range



EU beef production and consumption falling

Continuing its downward trend from 2019 onwards, the EU gross beef production is expected to fall by 0.6 million t (-8.3%) between 2020²⁵ and 2030. While the average slaughter weight could increase slightly thanks to advanced technologies (e.g. in the management of germinal products), animal numbers will continue to shrink. The total EU cow herd is set to decline by 2.2 million heads (-7%) by 2030, and the dairy herd should decline progressively as the milk yield increases (see chapter on Milk). The suckler cow herd is set to decline to 9.9 million heads by 2030; it has already been declining for years in key producing countries (except Poland and Spain), despite the voluntary coupled support, while overall the decline is driven by loss of profitability in the current price environment. The fall in production will occur despite reasonable export prospects, slightly decreasing feed prices and an expected rebound in beef prices in 2025-2030, when the beef shortage should be more pronounced.

Beef consumption in the EU, sharply down in 2020 due to the effects of the COVID-19 pandemic, will continue its downward trend. By 2030, it could drop from 10.6 kg to 9.7 kg per capita. Overall, lower domestic production and stable imports will be in line with lower beef consumption.

Modest change in EU trade, with exports of meat offsetting exports of live animals

World demand for beef is increasing, but competition is high, both for live animals and for meat. As a result, the EU share in global exports is projected to fall from 7% in 2020 to 6% in 2030. Exports of live animals are expected to decline gradually due to lower demand from Turkey and concerns over animal welfare during transport. Some smaller niche markets for EU beef have expanded in 2020 (the US, Japan, Canada, Norway), while beef exports to the UK have declined for 2 years. Overall, EU meat exports are expected to improve after 2021, mainly thanks to rising demand in the Middle East and the Philippines. EU beef imports, which fell sharply amid the COVID-19 lockdown measures, will slowly normalise, given the gradual increase of tariff-rate quotas (TRQs) under free trade agreements. High-value beef cuts are expected to benefit most from this development.

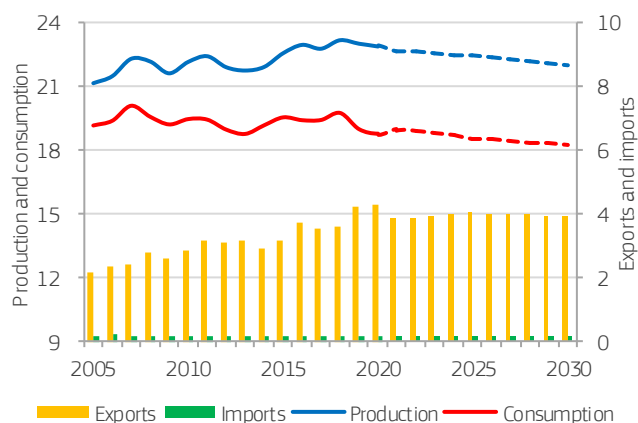
EU beef prices to follow world price developments

Ample supplies from Brazil, the US and Argentina will continue to put downward pressure on world and EU beef prices in the coming years. In 2025-2030, beef prices should rise slightly due to a deceleration in world production.

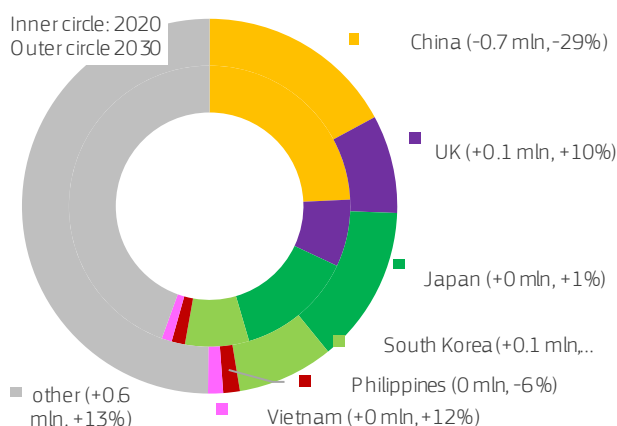
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²⁵ 2020 represents the 2018-2020 average.

PIGMEAT

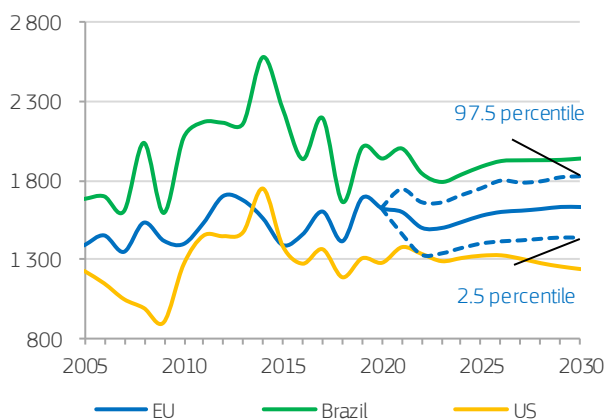
GRAPH 4.1 EU pigmeat market (million t)



GRAPH 4.7 World shares of main EU pigmeat importers (change in volume and %)



GRAPH 4.8 Pigmeat prices (EUR/t) and uncertainty range



EU pigmeat production and consumption falling

Environmental concerns in several EU Member States, coupled with the risk of ASF and changes in consumers' preferences are likely to constrain EU pigmeat production in the medium term. It is expected to fall by 1 million t (-4.6%) between 2020²⁶ and 2030. The global pigmeat market will continue to add uncertainty to production and to the availability of meat for consumption in the EU. For instance, EU production did not rise in 2020 due to the unfavourable investment climate, despite the peak in world demand and favourable prices.

EU per capita pigmeat consumption started to decline in 2019, when the EU redirected a large share of pigmeat production to China while domestic prices were high; this caused consumers to switch to cheaper alternatives. The decline is set to continue after a short recovery in 2021, to 32 kg per capita by 2030 (1.4 kg less than 2020). EU consumers may not return to pigmeat and instead are likely to favour poultry meat.

Impact of ASF on pigmeat market: EU trade stagnation

The global and EU pigmeat market remains uncertain due to the continuous but diminishing impact of ASF in Asia. Firstly, production potential in Asian countries may improve faster than expected. In China, after 2 years of shortages and high prices, which have attracted massive shipments, import demand is set to drop markedly in 2021, and pigmeat production may reach pre-ASF levels by 2025 if the restructuring of its pigmeat industry is successful. Secondly, the ASF-related import bans have intensified in Asian countries after the outbreak in Germany in September 2020 and will bring the large outflow of EU pigmeat to a halt in 2021.

In any case, EU pigmeat exports, which have already peaked in 2019-2020, will not rebound as Chinese demand recedes. By 2030, EU exports may remain slightly higher than in 2018, thanks to demand from other Asian partners who might not manage to recover entirely from ASF. Overall, the EU will remain the global leader in pigmeat exports (38%).

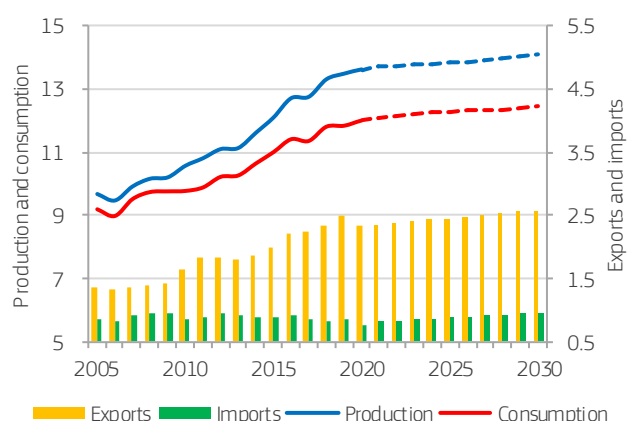
EU pigmeat prices to return slowly to current levels

EU pigmeat prices reached a peak in 2019 due to the massive demand from China, while COVID-19 and the ASF-related import bans on German pigmeat contributed to a decline in 2020. Global competition (from the US, Brazil and Canada) and the ASF-related loss of demand for EU meat will cause further falls in prices. As availability will decrease, EU prices should recover to around EUR 1 600/t by 2030.

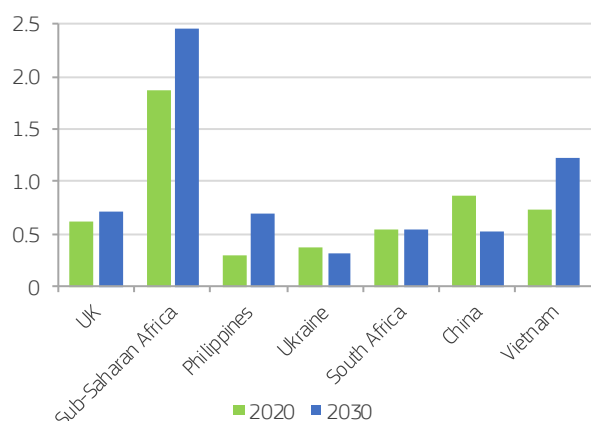
²⁶ 2020 represents the 2018-2020 average.

POULTRY MEAT

GRAPH 4.9 EU poultry meat market (million t)

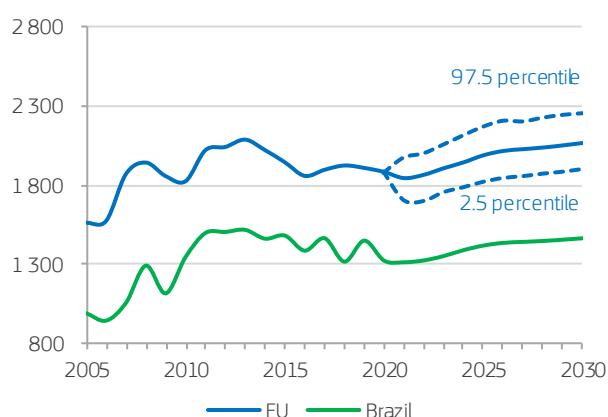


GRAPH 4.10 Poultry imports of main EU partners (million t)



Note: Total imports; countries cover 40% of world demand.

GRAPH 4.11 Poultry meat prices (EUR/t) and uncertainty range



EU poultry production and consumption to grow

EU poultry production is expected to be the only meat category to grow between 2020²⁷ and 2030 (+620 000 t or +4.6%), building on its recent performance while adapting better to consumer demand and becoming more sustainable. It is the only sector to have expanded in 2020 during the COVID-19 pandemic, even without increased exports. In the medium term, production growth should benefit from significant investments, which capitalise on lower costs in eastern European countries, as well as from increasing prices.

EU demand for poultry meat has been rising consistently for many years, as consumers perceive it to be healthy. The COVID-19 lockdown measures strengthened the importance of affordability and convenience of poultry meat for home cooking. The EU per capita consumption of poultry meat, supported by imports of breast meat, is projected to reach 24.6 kg per capita by 2030 (1.2 kg more than 2020). It is likely that EU consumers may not return to pigmeat even if it becomes more available as a result of fewer exports to Asia.

EU poultry trade to remain buoyant

EU poultry exports benefit from valorising specific cuts (e.g. wings to Asia, halves and quarters to Africa), and will increase steadily towards 2030, after the current drop. Demand is projected to grow in key export destinations (including the UK), where poultry meat is expected to replace less abundant and more expensive pigmeat. On the downside, demand will soften in Ukraine and China, while some risks linked to the uncertainty of global recovery from COVID-19 will continue. Given strong competition from Brazil, the EU's share in global exports will decrease slightly from 16.2% in 2020 to 15% in 2030.

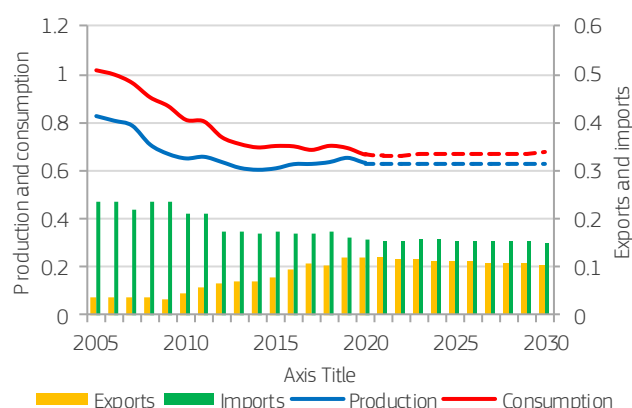
EU poultry imports, often supplying fast foods and other foodservice, should start to recover once shipments from traditional trading partners strengthen after the decline induced by COVID-19 lockdown measures and closures of food services in 2020. Total imports should grow gradually to around the total volume of tariff-rate quotas opened by the EU (around 900 000 t as of 2020).

EU poultry meat prices are expected to rise between 2020 and 2030, as production will meet increased demand.

²⁷ 2020 represents the 2018-2020 average.

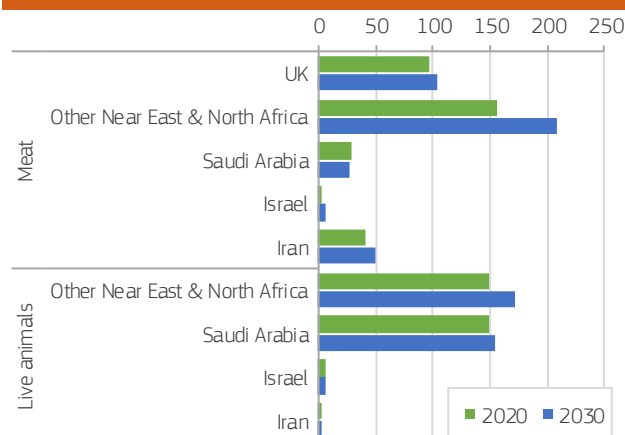
SHEEP AND GOAT MEAT

GRAPH 4.2 EU sheep and goat meat market (million t)



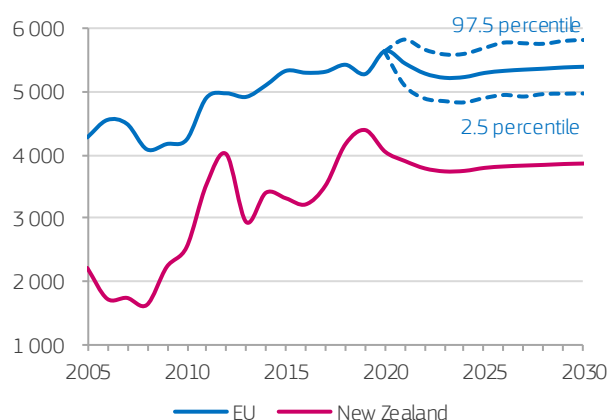
Note: Gross indigenous production; trade includes live animals.

GRAPH 4.13 Sheep imports of main EU partners (1 000 t)



Note: Total imports; countries cover 43% of world demand.

GRAPH 4.3 Sheepmeat prices (EUR/t) and uncertainty range



EU production and consumption to stabilise

After decreasing gradually up to 2013, sheep meat production stabilised and is expected to remain around 630 000 t over the next decade, supported by voluntary coupled payments and the prospect of stable returns for producers. Production will remain concentrated in a few EU Member States, with slaughterings in Spain, Greece, France and Ireland representing more than half of total EU production in 2019.

EU per capita consumption of sheep meat is expected to remain relatively stable by 2030 (1.3 kg, the same level as in 2020)²⁸. In general, sheep meat consumption, which is lower than for other meats, is less sensitive to price changes but more affected by peaks in demand related to religious celebrations.

EU trade limited by global competition

EU exports of live animals are expected to decline slowly to 40 000 t by 2030 (by -32% compared to 2020), mainly due to animal welfare concerns and financial risks linked to certain trade destinations. Exports of meat might face tough international competition since Australia and New Zealand, which represent 80% of international trade, are expected to keep their dominant position on the world market. Even though the EU is still a major export destination, Australia and New Zealand will focus more on the closer Asian markets. While Australia is expected to fill its EU tariff-rate quota (TRQ), New Zealand's production capacity is unlikely to be able to serve both the Asian and European markets. Therefore, EU imports will be stable and stay significantly below the total volume of TRQs opened by the EU.

Prices to fall, followed by a recovery

After the peak in 2020, EU prices are expected to fall, followed by a recovery in 2025-2030, similarly to the world market price. A significant gap between the EU and the world price (New Zealand) will remain, reflecting higher production costs and lower pressure from the world market.

A major uncertainty in the sheep sector is the withdrawal of the UK. The UK was not only the EU's largest producer but also a key importer from Oceania and the EU. This may have a significant impact depending on the exact conditions of the new trade relationship after withdrawal and the possible re-routing of trade flows from the main international partners.

²⁸ 2020 represents the 2018-2020 average.