European Commission

The 2018 China Agricultural Outlook conference

EU outlook for BEEF

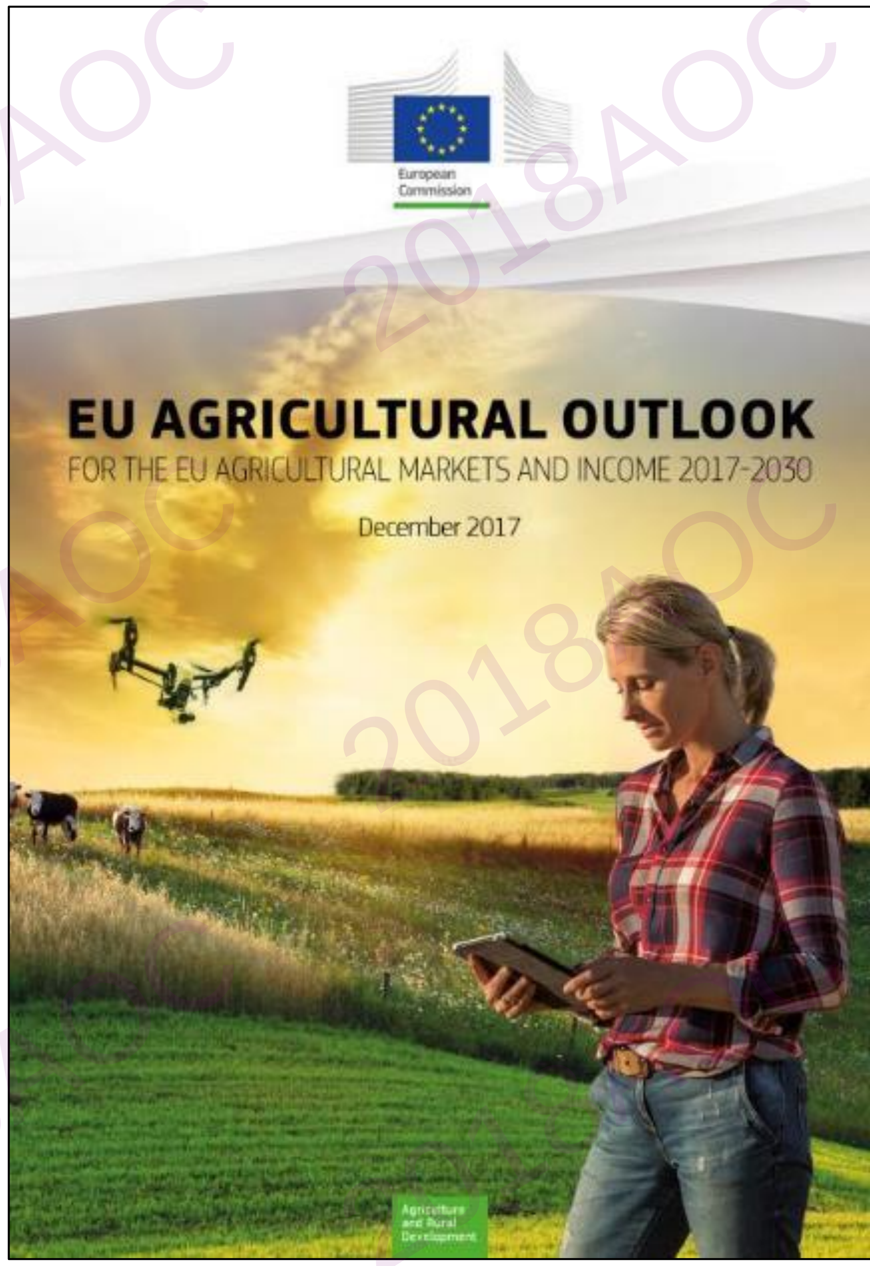
Beijing 21 April 2018

#AgriOutlook

Agriculture and Rural Developm ent

Introducing the Agricultural Outlook 2017-2030

A longer outlook period	Helps to identify the main underlying drivers Stronger focus on consumption trends
Main results	What the market outlook means for farm income and the environment
The big unknowns	A tool to tackle uncertainty and assess the potential impact of big unknowns



Outline of presentation

EU consumer trends

Trends at world market level

Effect on EU production

Current EU – China trade

Anticipating production trends starts by understanding consumers' demands

In the EU more consumers want food that:

- is produced in a sustainable way
- is healthy
- protects the environment
- helps fighting climate change
- respects the animals
- is fair to farmers
- is produced locally…

➡ Can EU agriculture respond to this challenge?

➡ How can the EU turn this challenge into an opportunity?

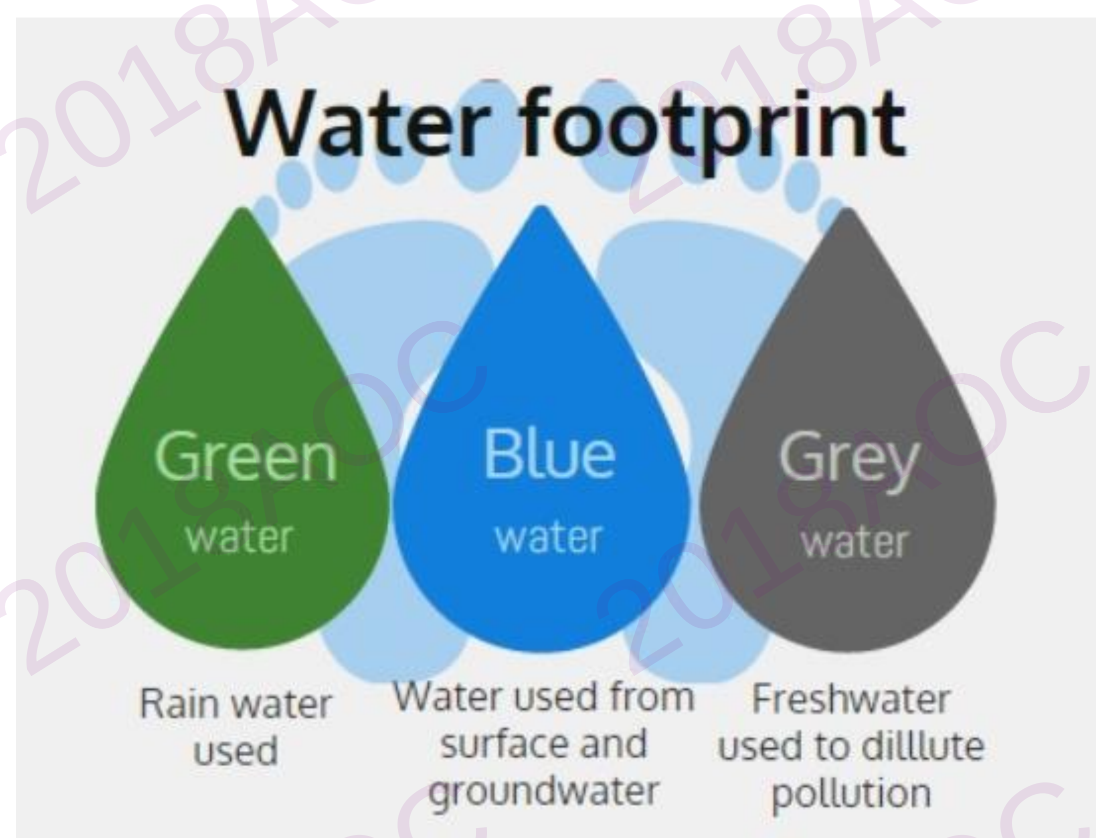
What impact for market outlook?

Meat consumption challenged

100% vegan

GREENHOUSE GAS EMISSIONS
GLOBALLY BY LIVESTOCK SPECIES

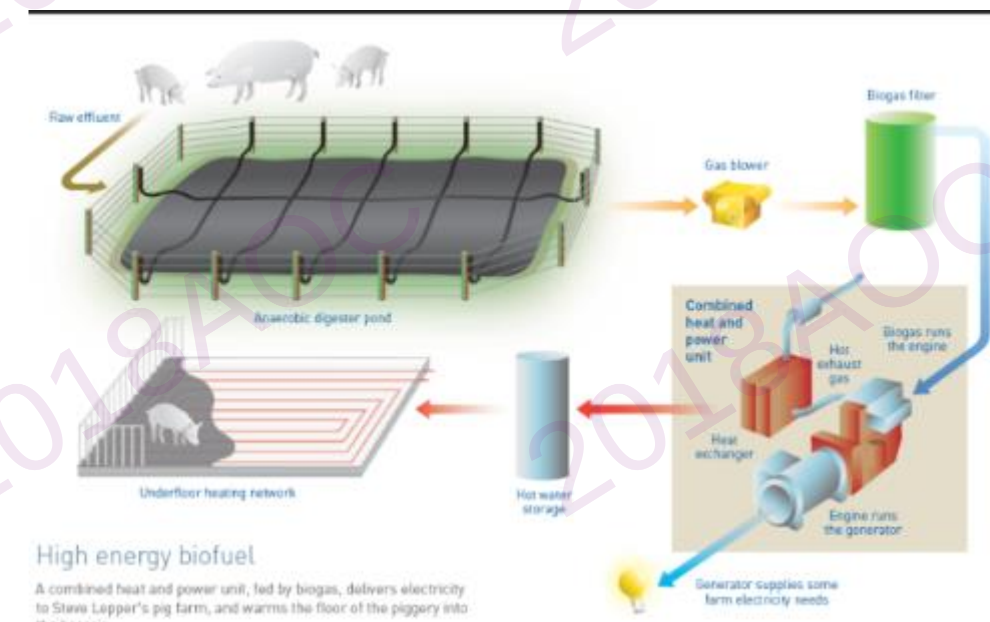
flexitarian
eat less meat



World Health Organization
Classifies Processed Meat as Being Cancer Causing

Animal welfare

Towards changes in production systems
Driven by sustainability requirements and COP 21



Main issues in meat & livestock production

- Water and air quality (Ammonia)
- GHG emissions
- Animal welfare
- Lansdcape & pastures

Potentially limiting supply development

- and possibly reduction in animal numbers (e.g. NL in 2017)

Leading to changes in production systems =>

- breeding/fattening location (e.g. NL/DK/DE/PL)
- competition between productions
- nutrient management plan, biogas plants, better management of pastures, change in feed…

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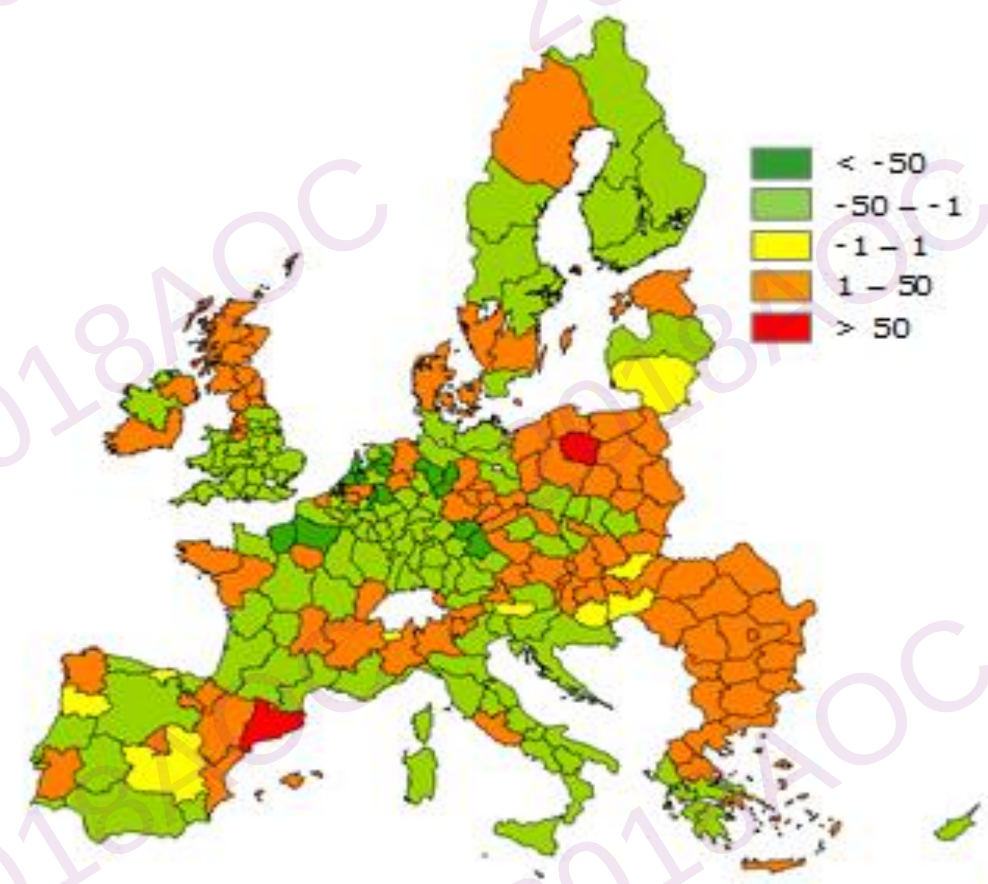
Impact on key environmental indicators

Translating market outlook into environmental indicators related to

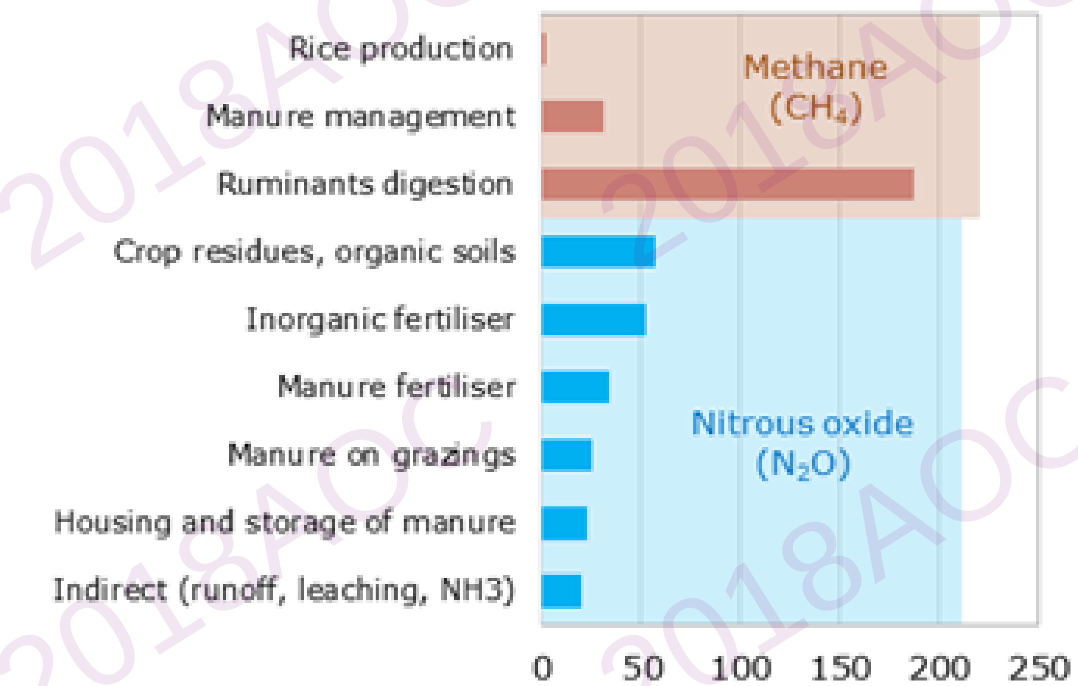
- Emissions:
  - greenhouse gas
  - and air pollutants
- Nutrient surplus

N surplus change 2030-2008 (kg N / UAA ha)

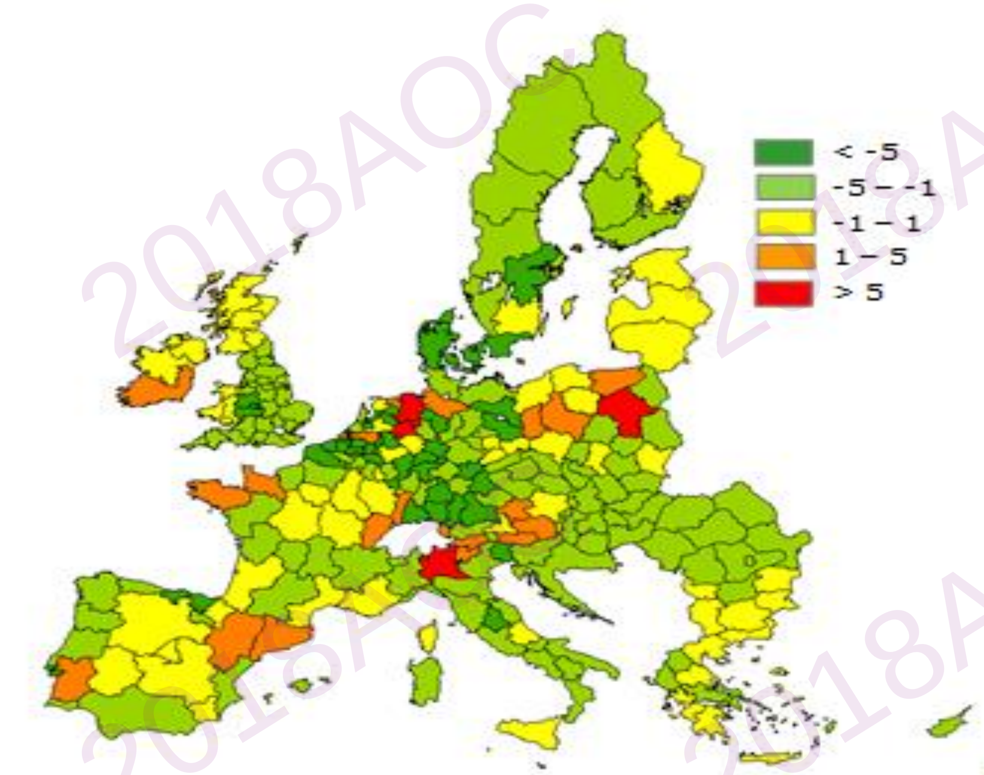


Source: DG JRC, based on the 2016 CAPRI baseline.

Non-CO2 GHG gas emissions sources in the EU-28 in 2030 (million t CO2 equivalent)



Ammonia emissions change 2030-2008 (kg NH3/UAA ha)



Source: DG JRC, based on the 2016 CAPRI baseline.

Potential to assess the contribution of farming to COP 21 and SDGs

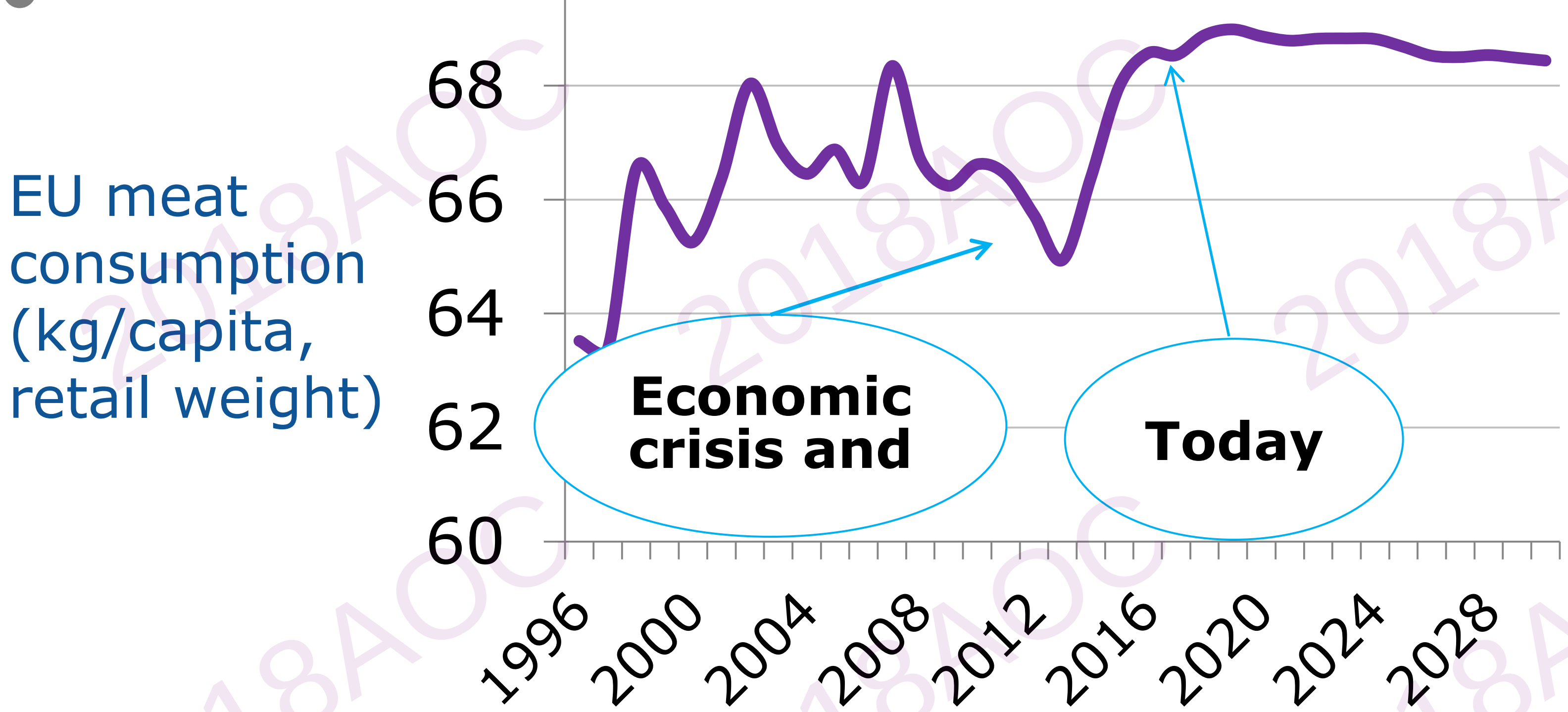
PARIS2015 COP21·CMP11

SUSTAINABLE DEVELOPMENT GOALS

In EU, we observe and expect

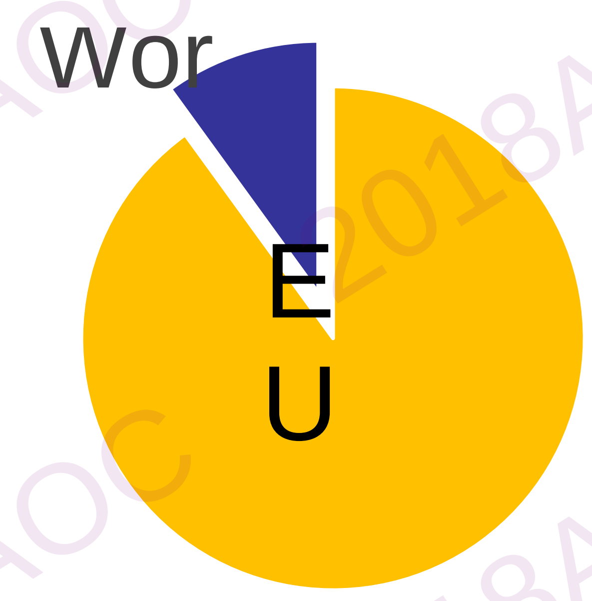
A small decline in meat consumption

- Less e poultry



- Poultry: affordable, convenience, absence of religious guidelines, healthy, lower GHG

Who eats EU agricultural products?



EU remains the main market for EU agricultural products

- Around 90% consumed by the more than half billion European consumers
- But only small growth in population and per-capita food consumption

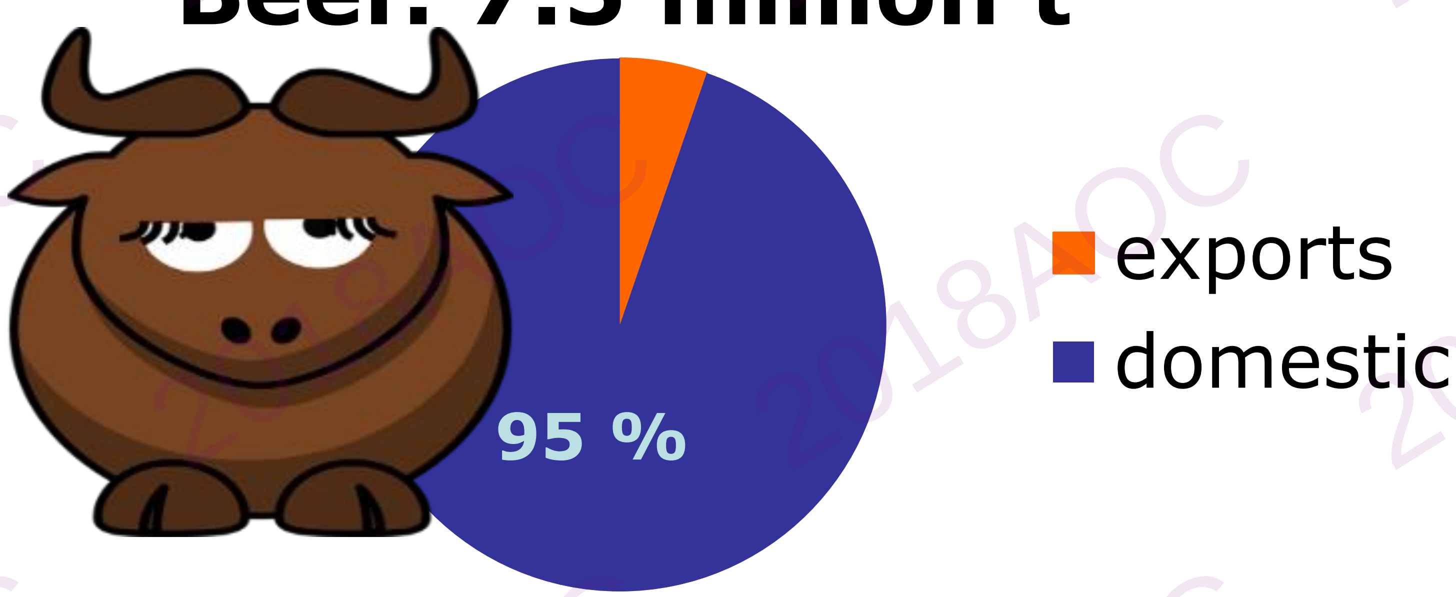
Around the world

- Growing demand for food, mostly due to population growth (although growth rates faltering) and income growth
- Often this demand growth not met by increase in their domestic production
- The EU is well placed to grasp these market opportunities

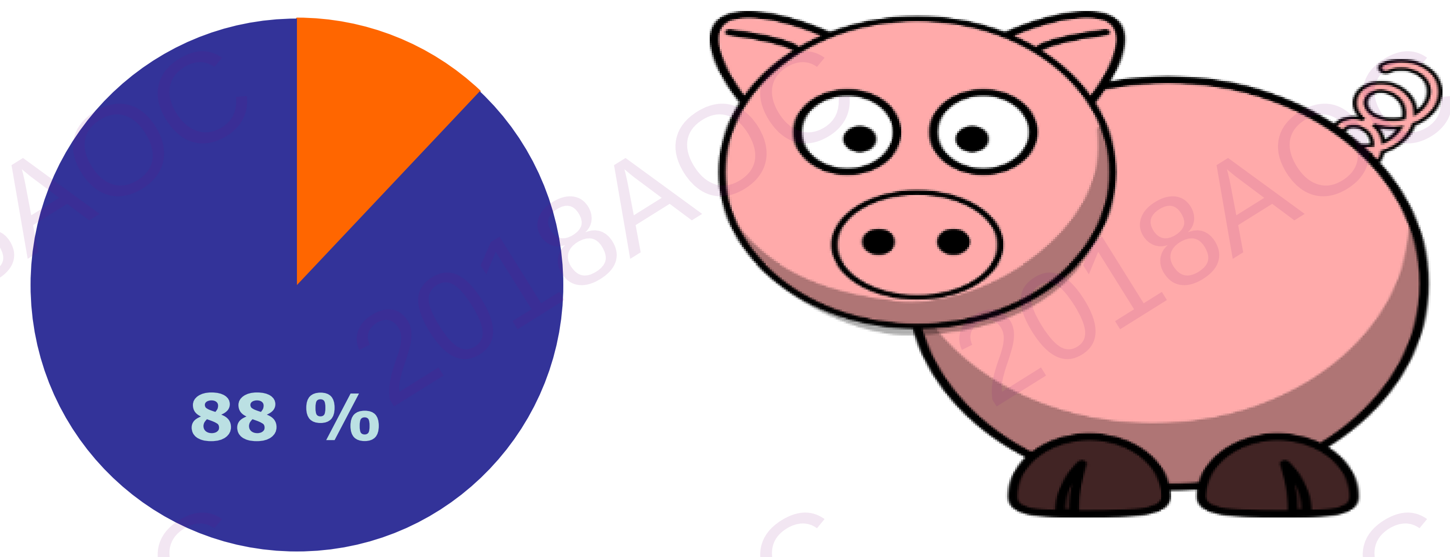
The EU domestic market main driver of EU production change

More than 88% of EU meat production goes to EU market

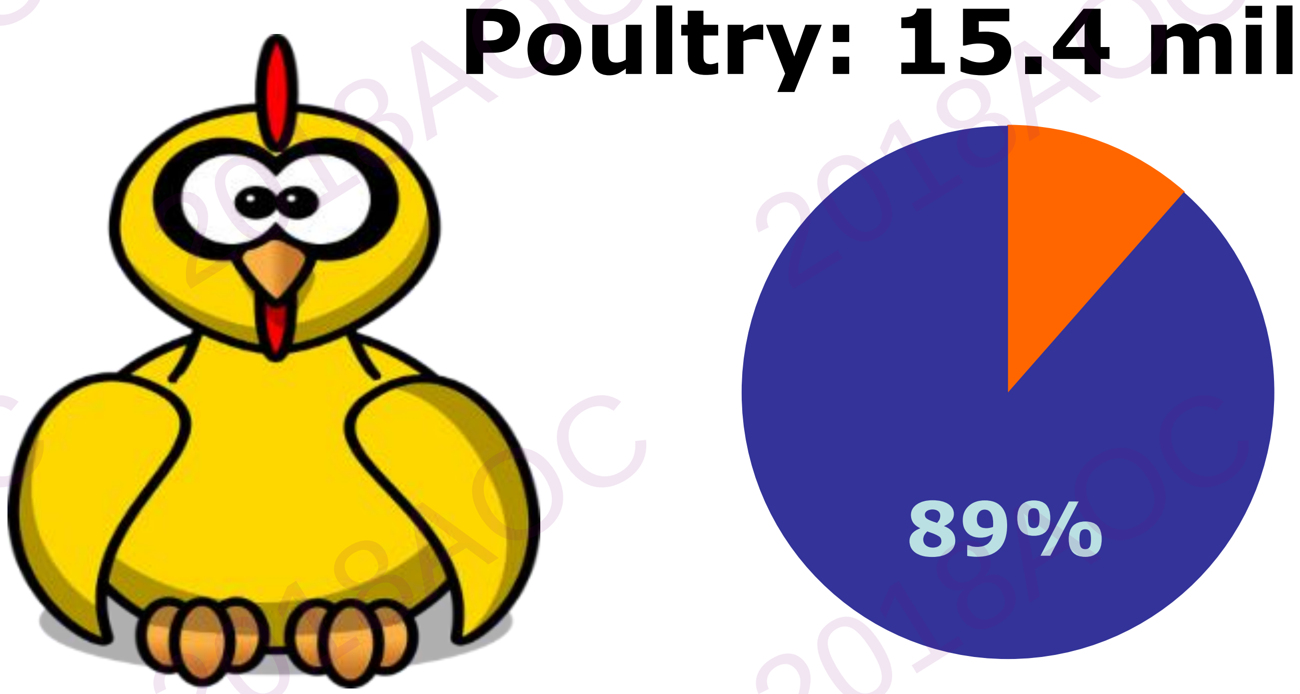
Beef: 7.5 million t



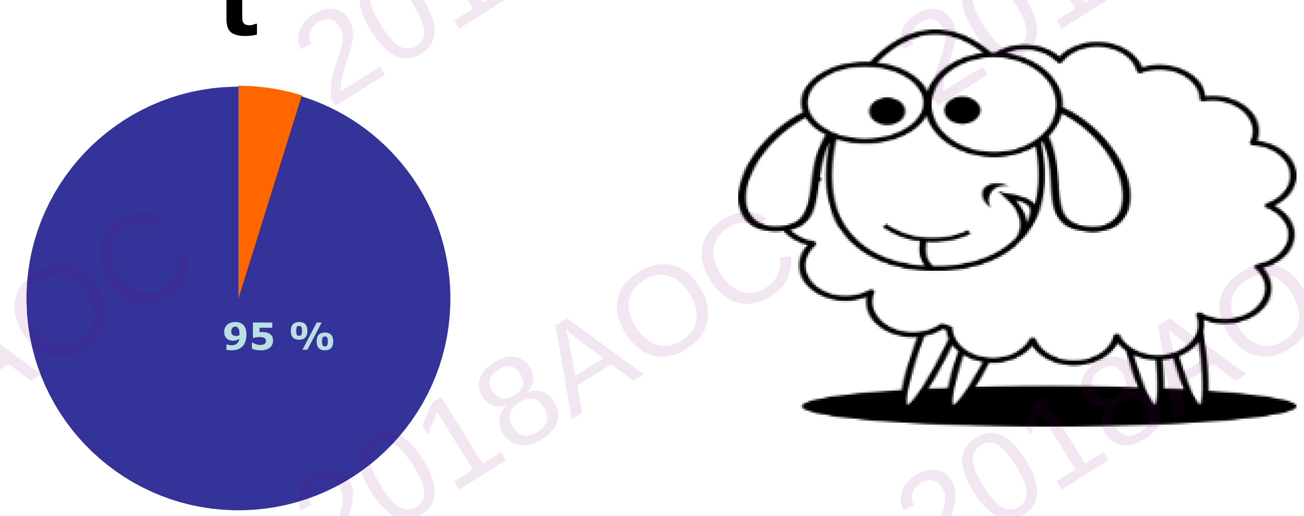
Pigmeat: 24 million t



Poultry: 15.4 million t



Sheep&goat: 1 million t



Source: DG Agriculture and Rural Development

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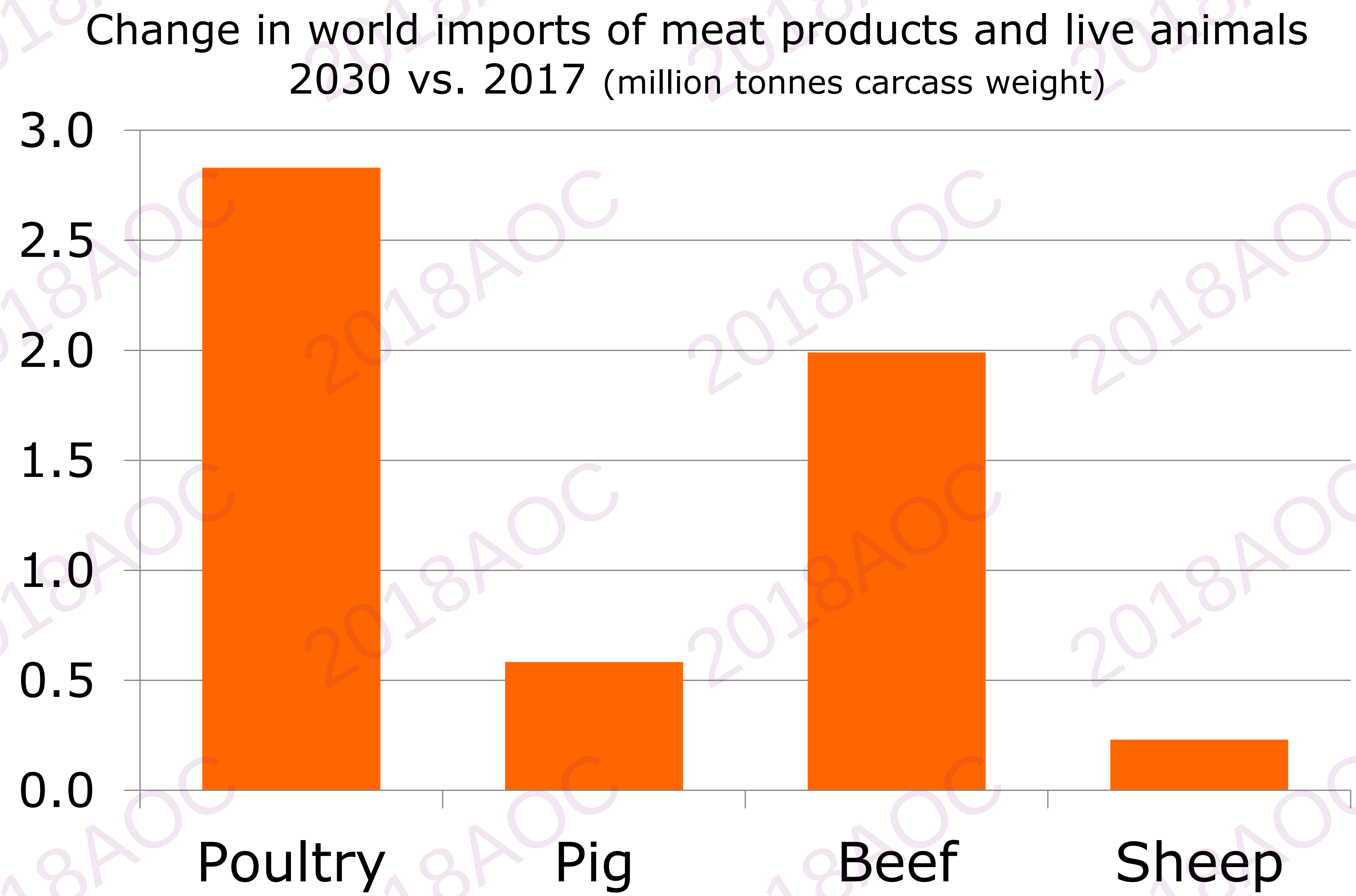
Steady growth in world meat consumption

Outlook:

- +1 % per year in world consumption
- +2 % per year in world imports

Main drivers:

- population and income growth
- convenience and price
- religious guidelines
- social and environmental concerns, …



Source: DG Agriculture and Rural Development, based on OECD-FAO Agricultural Outlook 2017-2026

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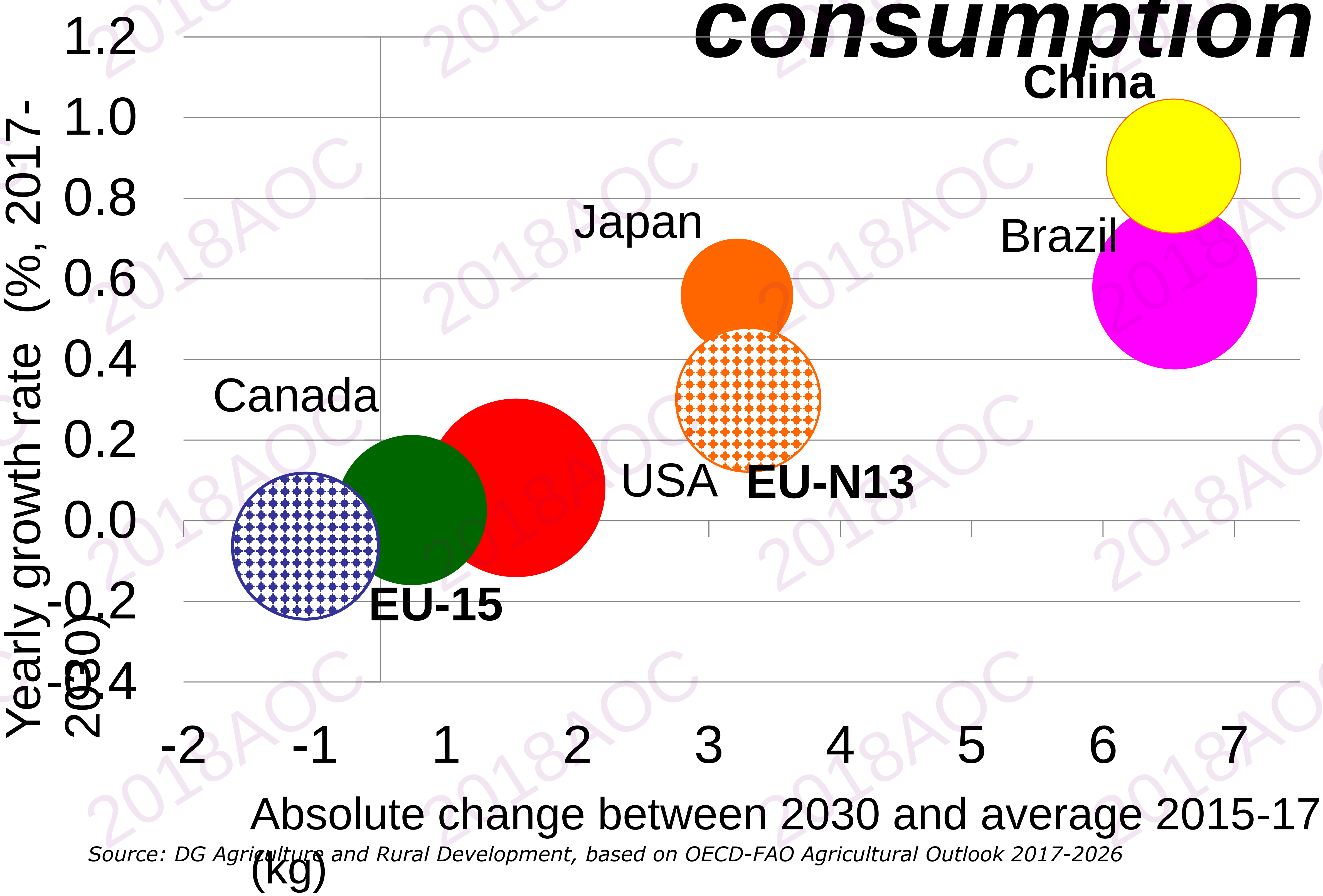
Changes in per capita meat consumption



EU-15: slight decrease

EU-N13: increase

World: +0.1% / year

Source: DG Agriculture and Rural Development, based on OECD-FAO Agricultural Outlook 2017-2026

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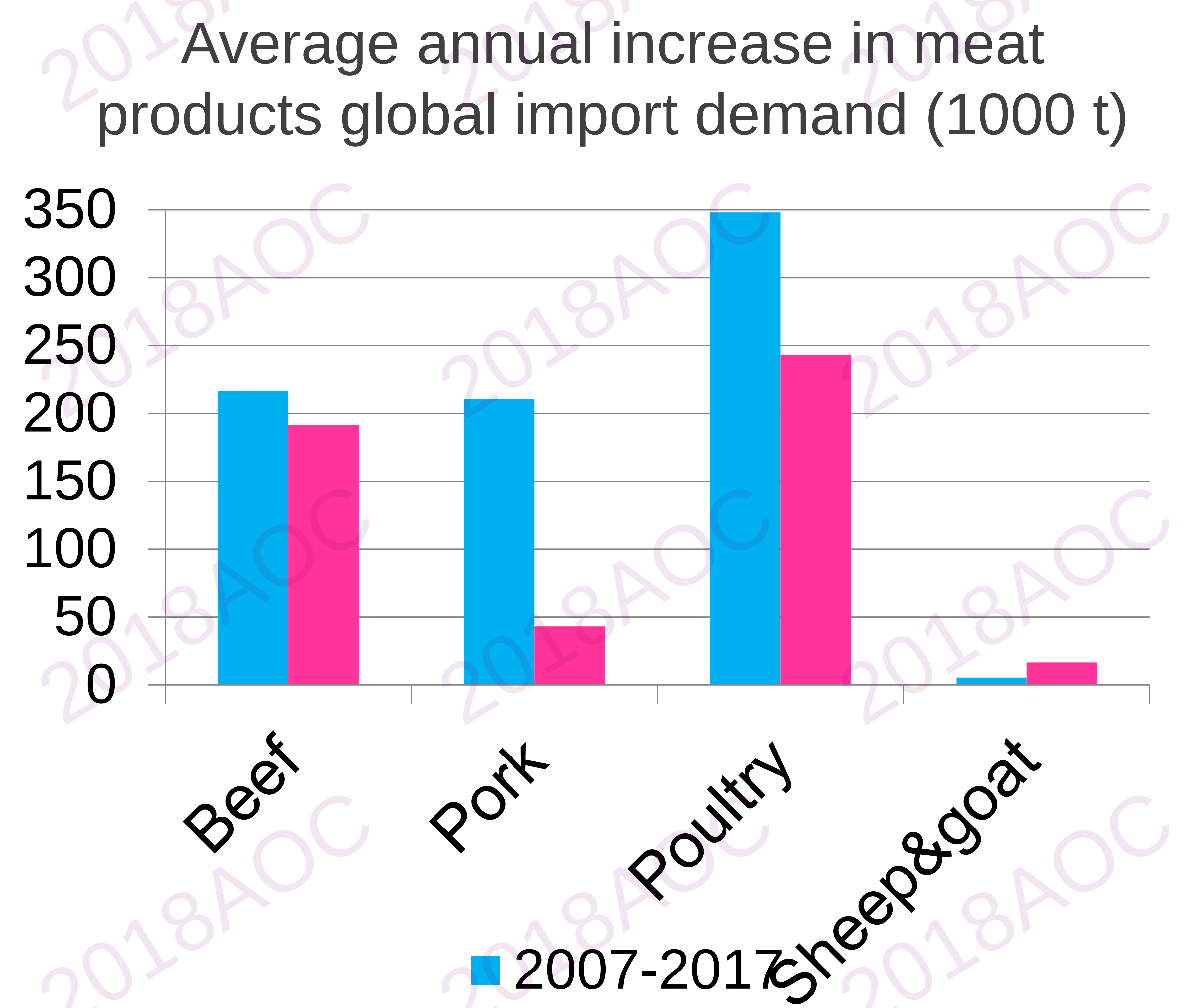
But an increase in global import demand lower than in the last decade

Import demand growth

- Beef: + 190 000 t per year
- Pork: + 43 000 t per year
- Poultry: +243 000 t per year

Main importers

- Beef: US, Vietnam, China, Japan, South East Asia and Africa
- Pork: China
- Poultry: China, Japan, EU, Mexico, SA



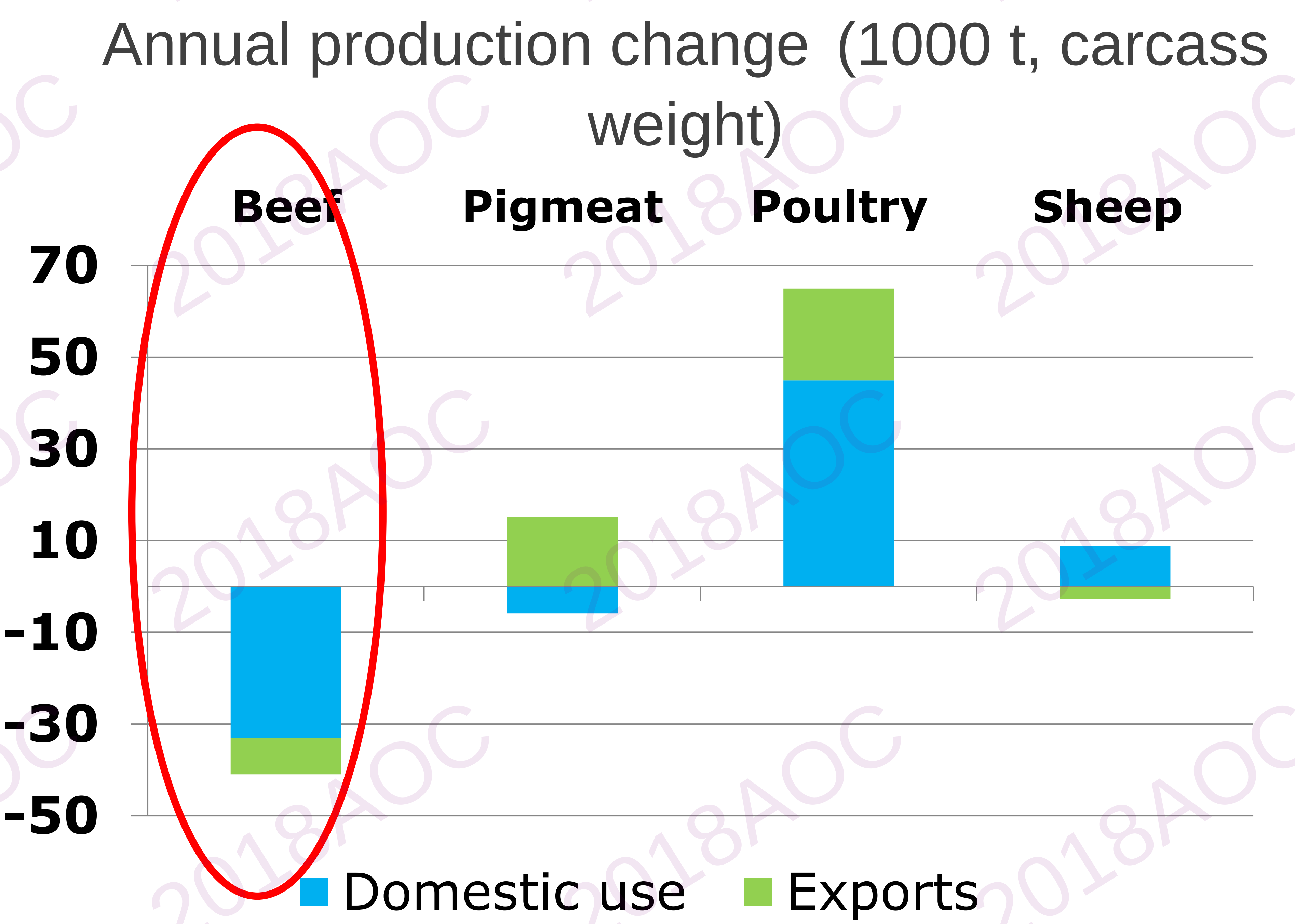
Effect of international and EU demand change on EU production change

Beef production declines

- Beef: - 40 000 t per year

Main drivers

- Decreasing beef consumption
- Competition on international level
- Shrinking cow herd



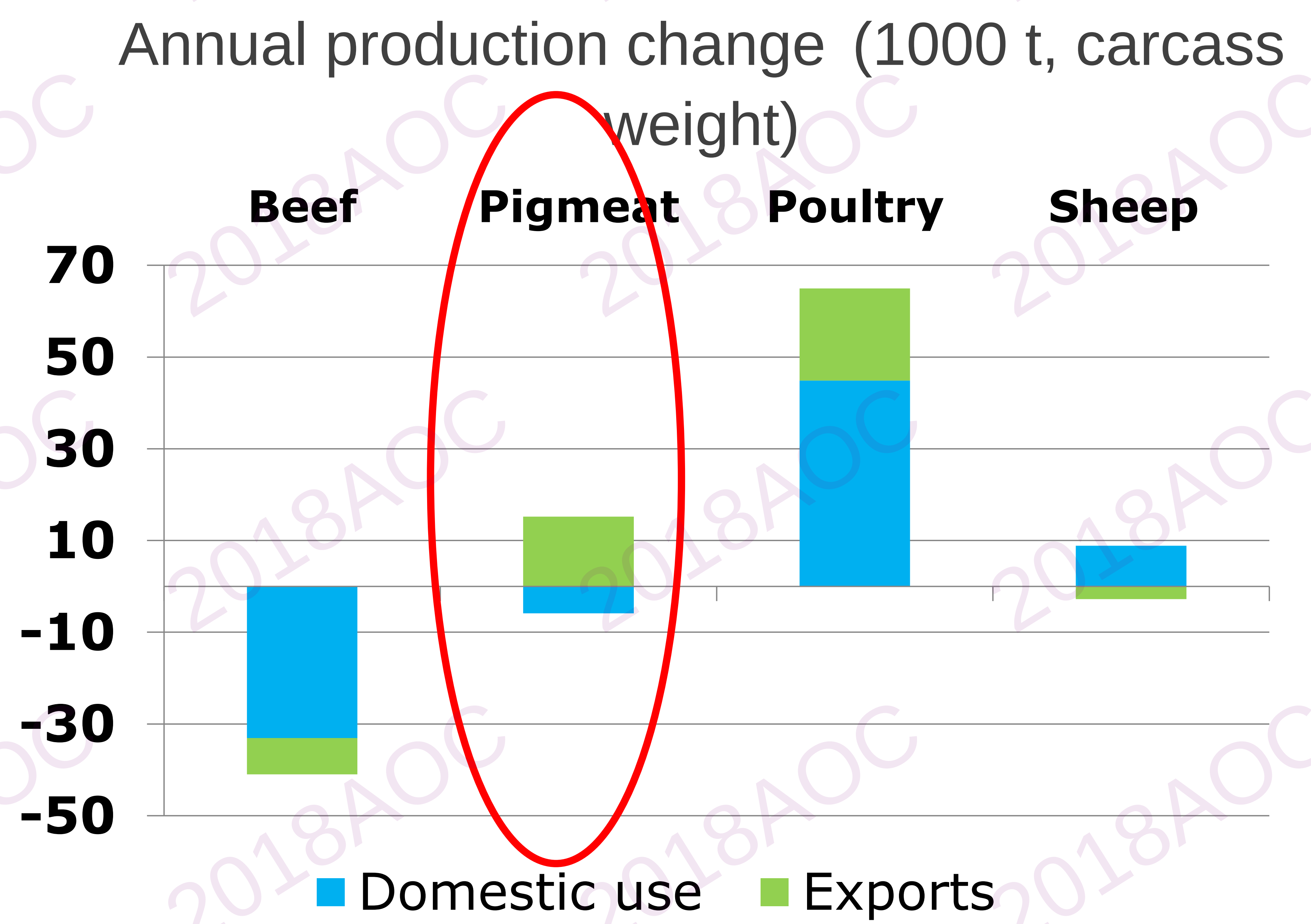
Effect of international and EU demand change on EU production change

Pig production stabilizes

- Pork: +9 000 t per year

Main drivers

- Slightly decreasing EU pork consumption
- Lower import growth
- Chinese demand uncertainty



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For pork clearly global import demand lower than in the last decade

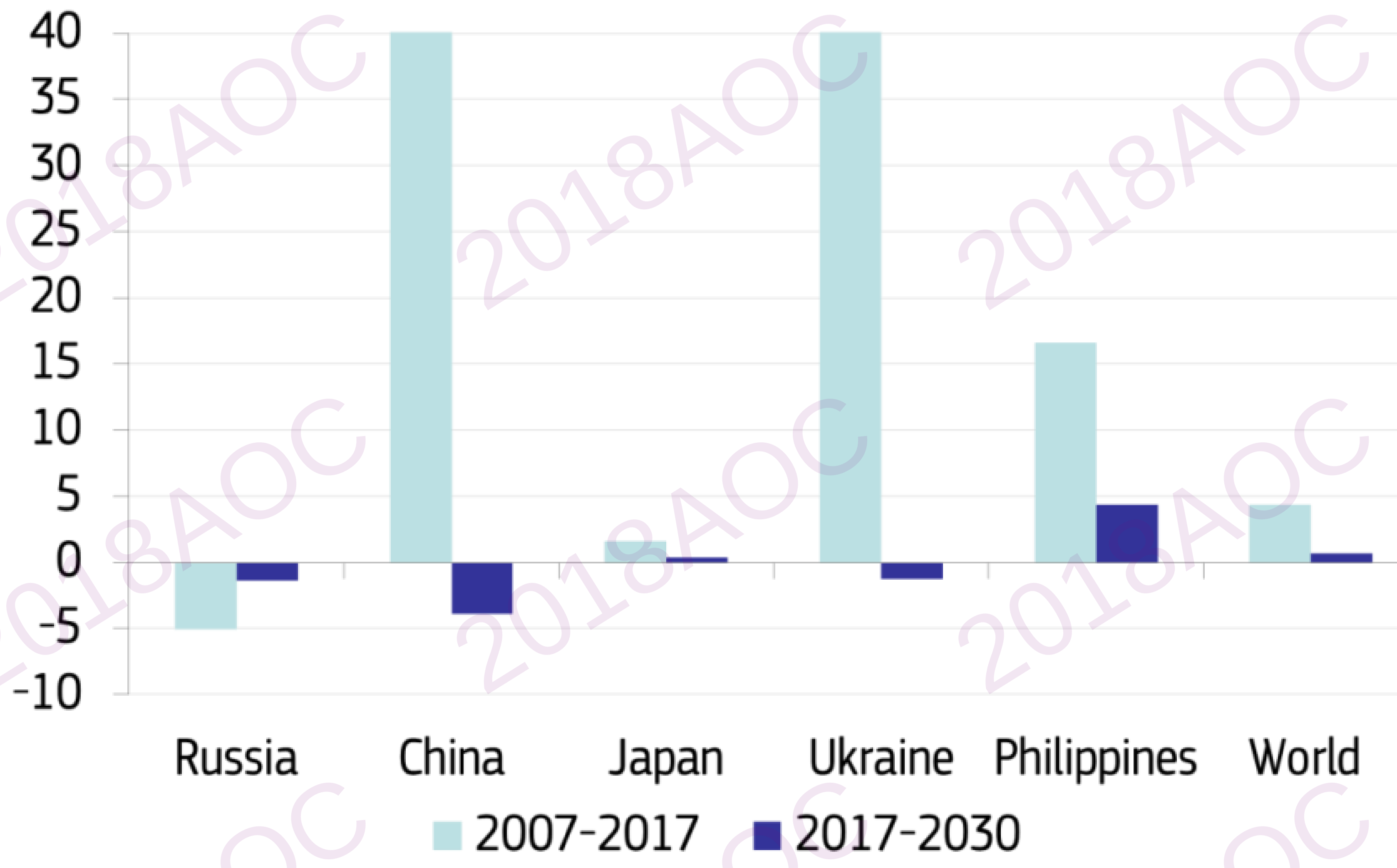
Import demand growth

- Pork: + 43 000 t per year

Main pork exporters?

- EU, US, Brazil
- EU: 2.8 mio t in 2030 (34% of world pigmeat trade vs. 37% in 2016)
- From 9 to 12% of EU's production exported

Average annual % increase in pig products global import demand



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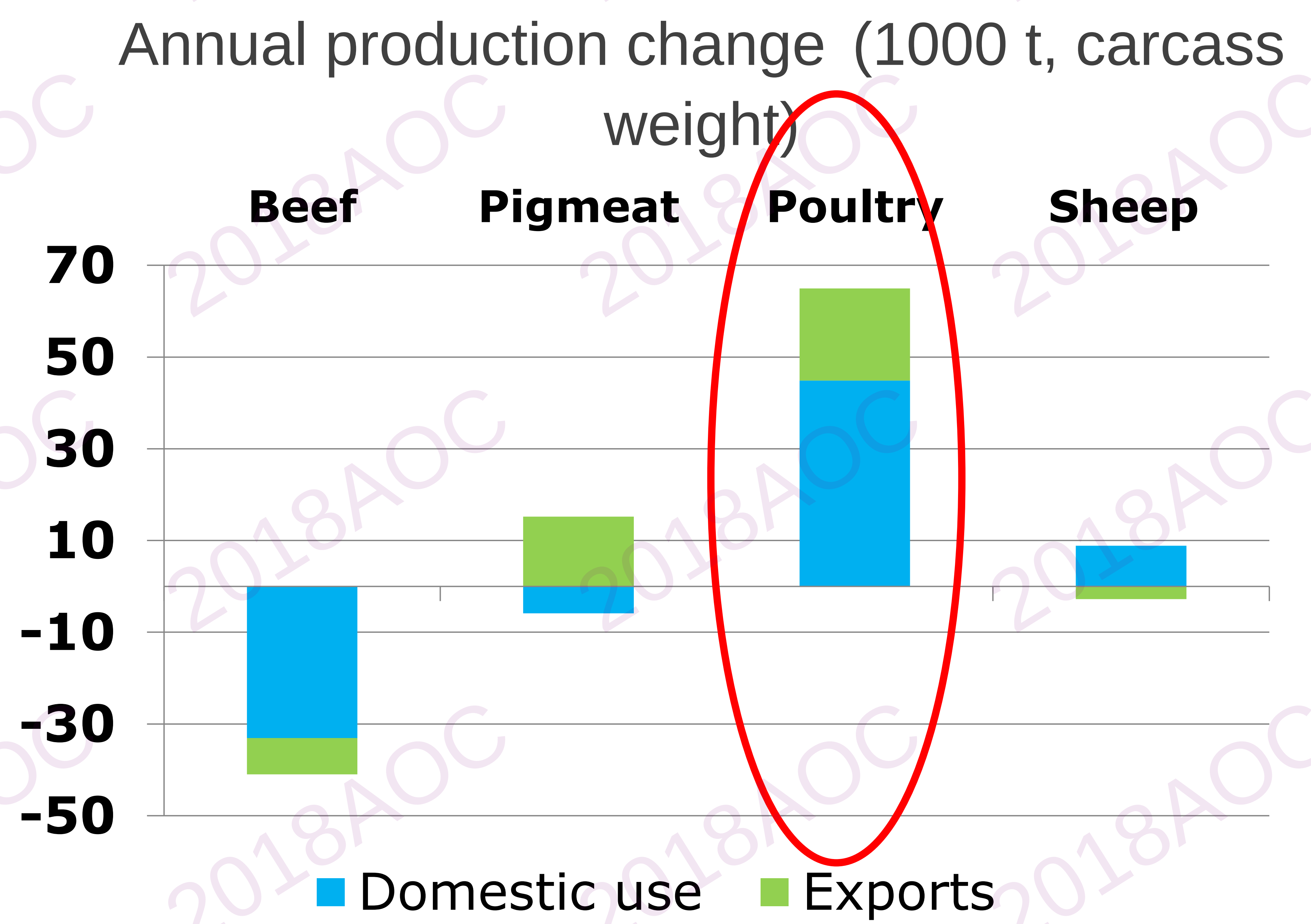
Effect of international and EU demand change on EU production change

EU Poultry production increases

- Poultry: +65 000 t per year
- But lower growth compared to past

Main drivers

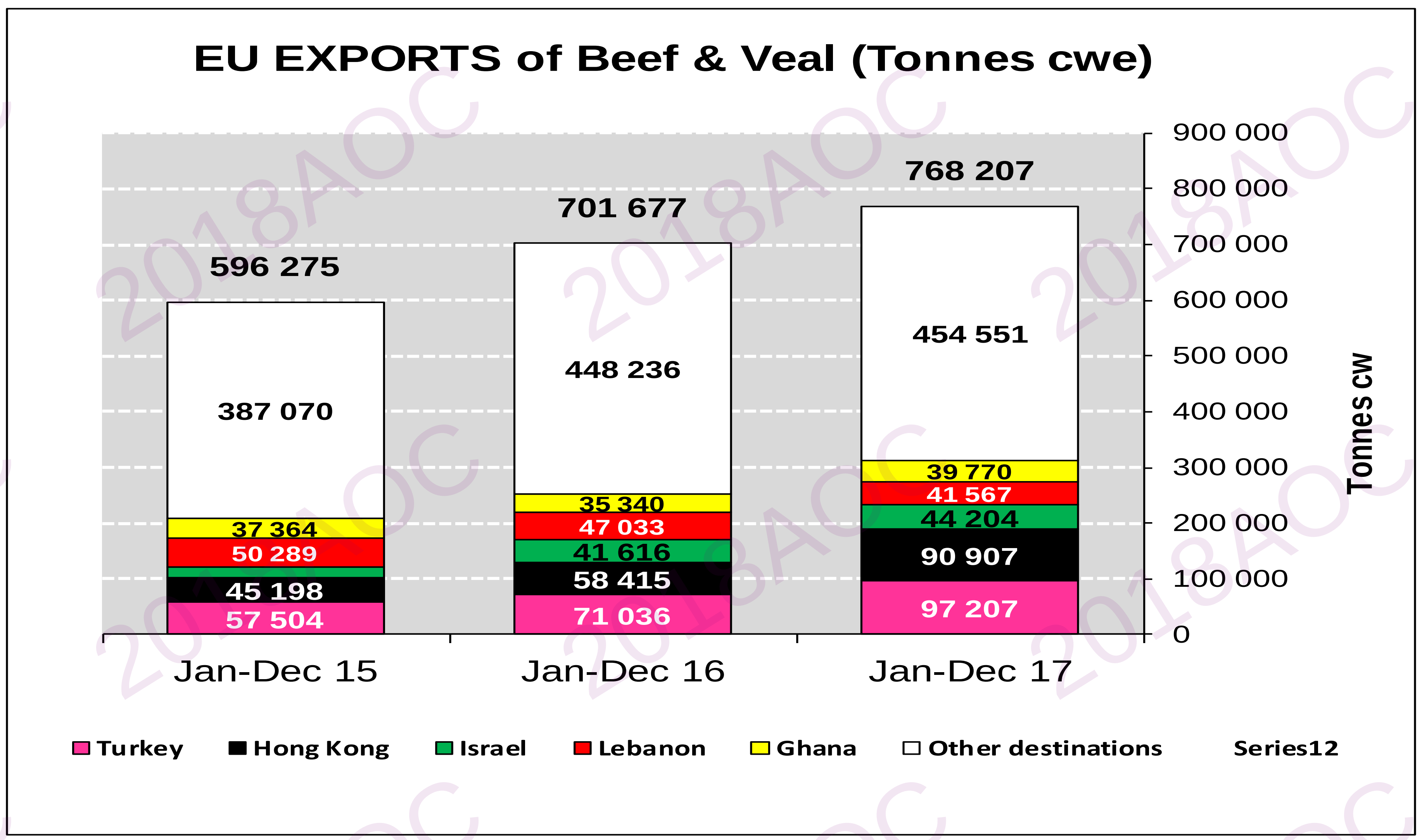
- Increasing poultry consumption given comparative advantages
- EU: high value imports vs low value exports
- Export to: Middle East, SSA, Asia (VNM, Philippines)

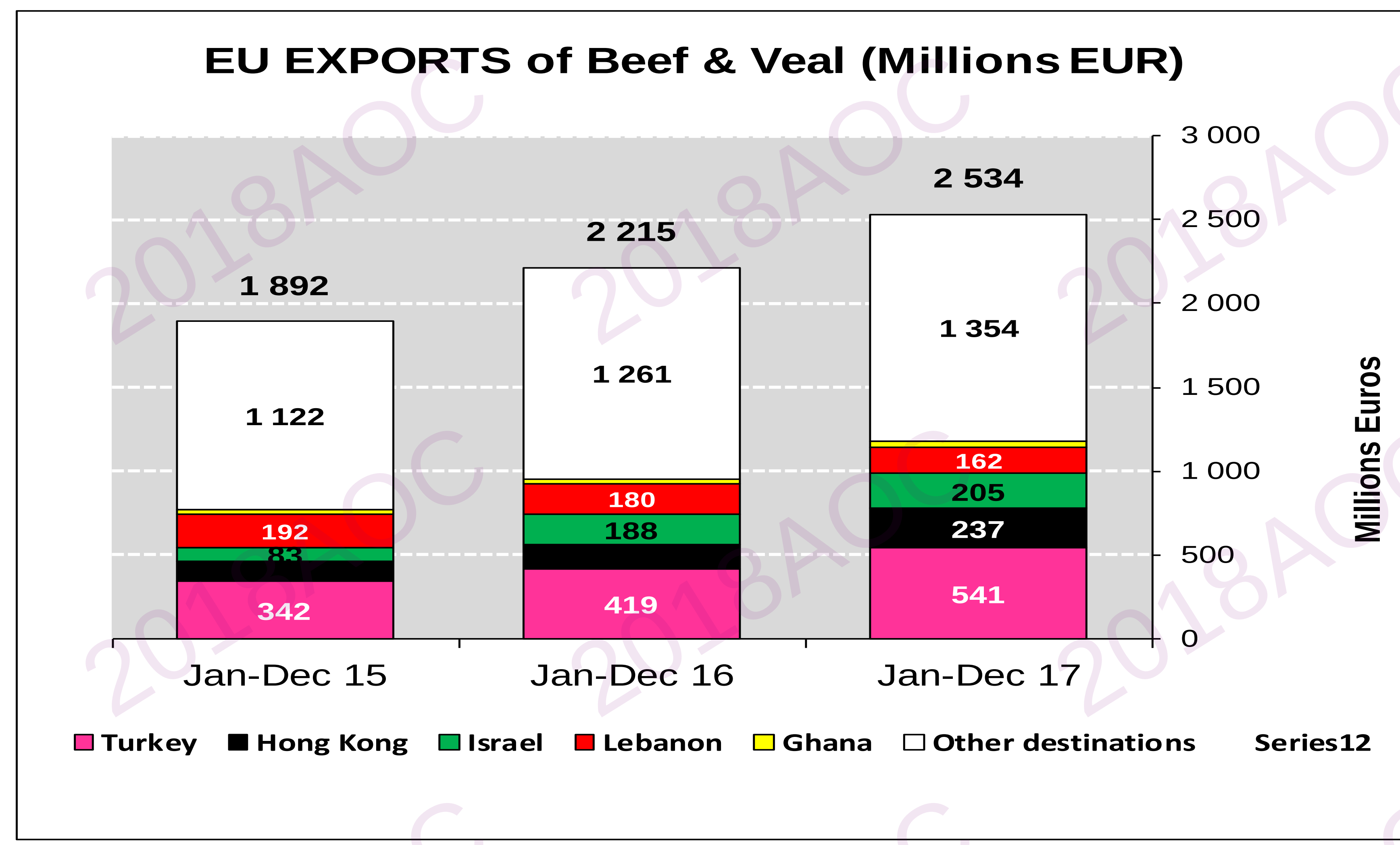


Current Trade

EU EXPORTS
Beef & Live Animals

EU exports of beef and live animals:
Trade figures (COMEXT)





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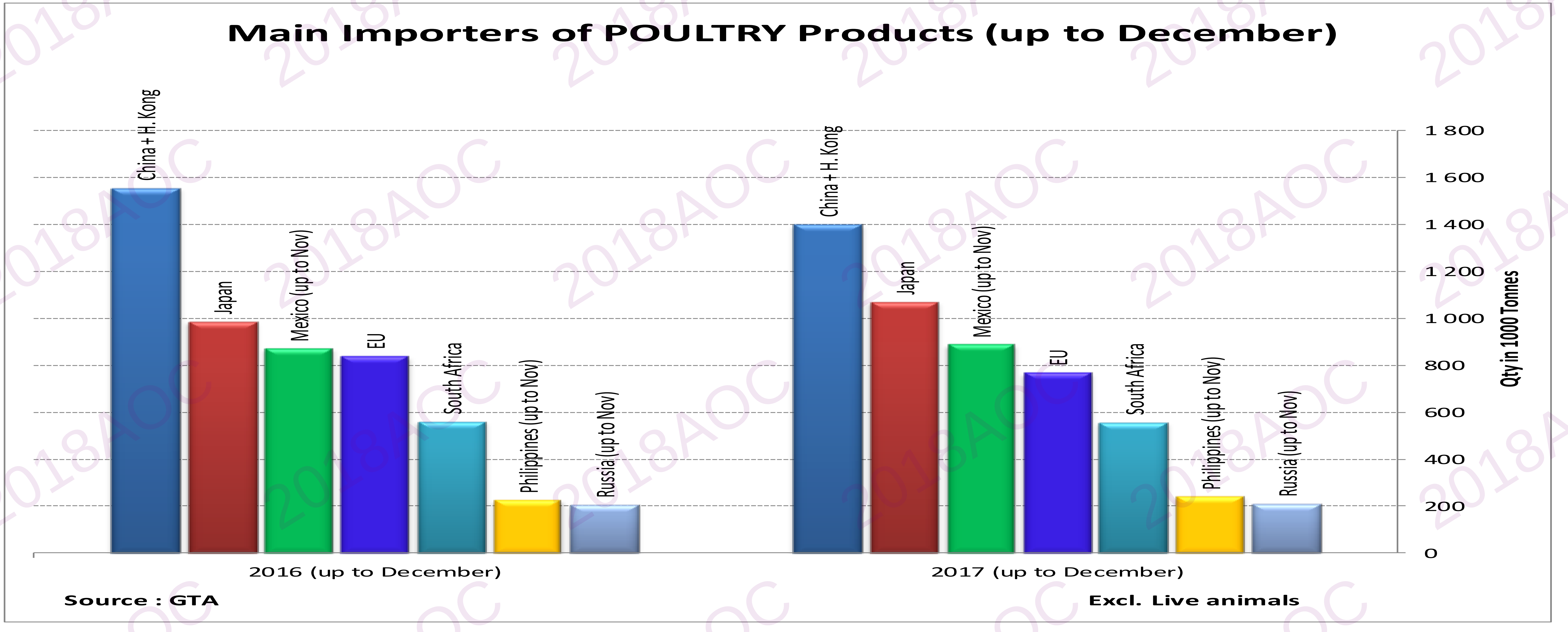
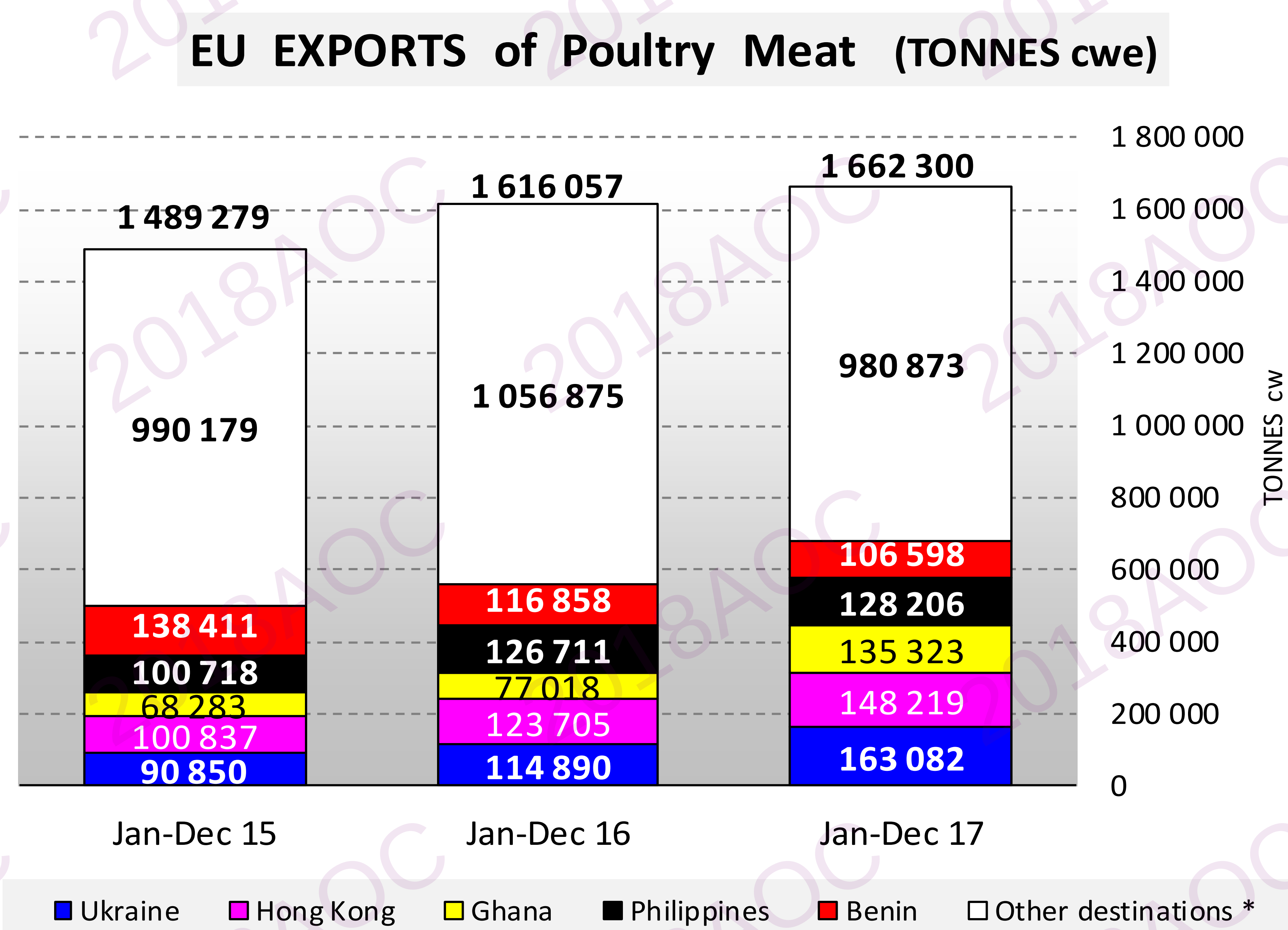
World market

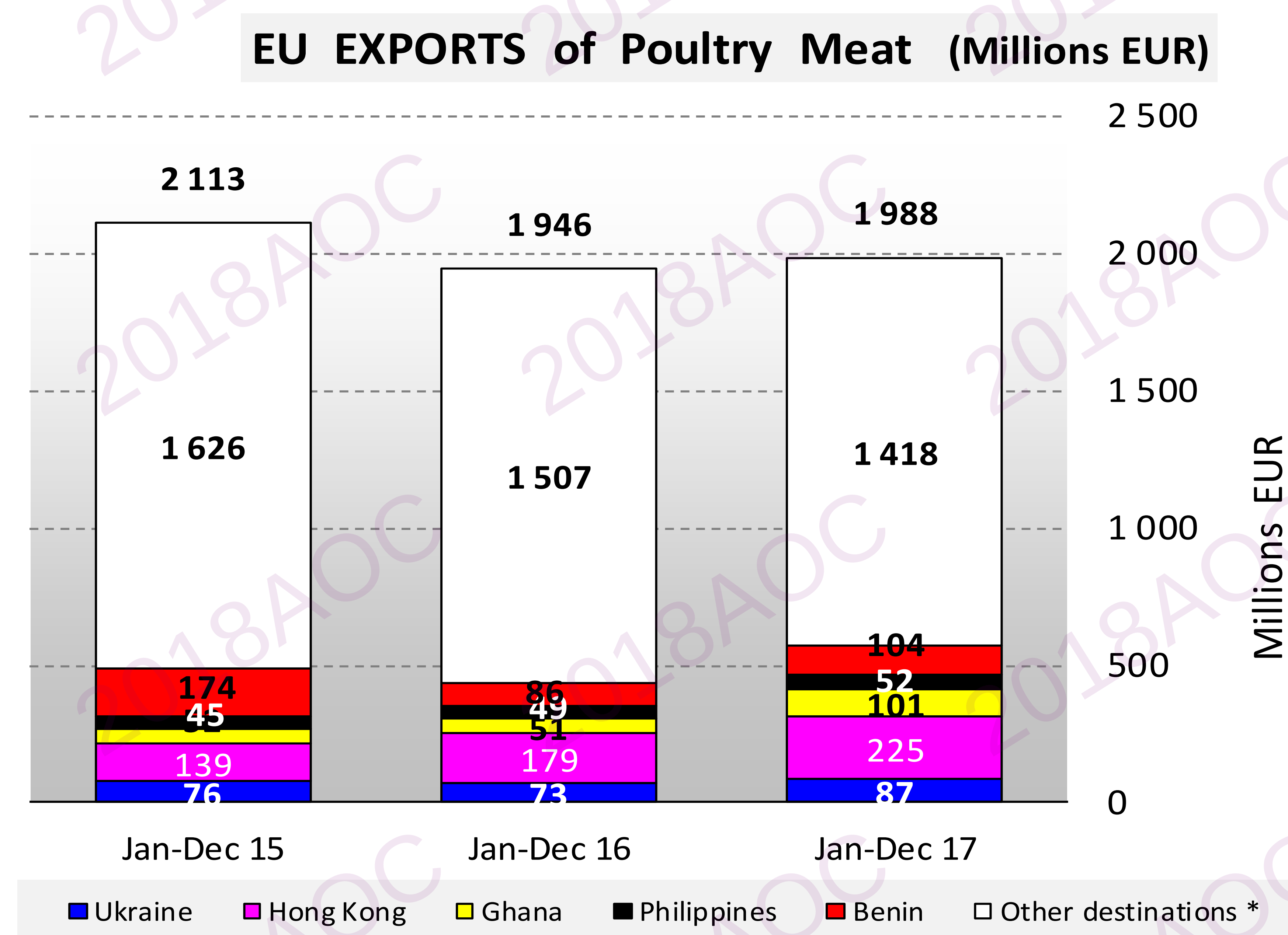
EU IMPORTS BROILER MAIN IMPORTERS



Current trade

EU Poultry meat Export

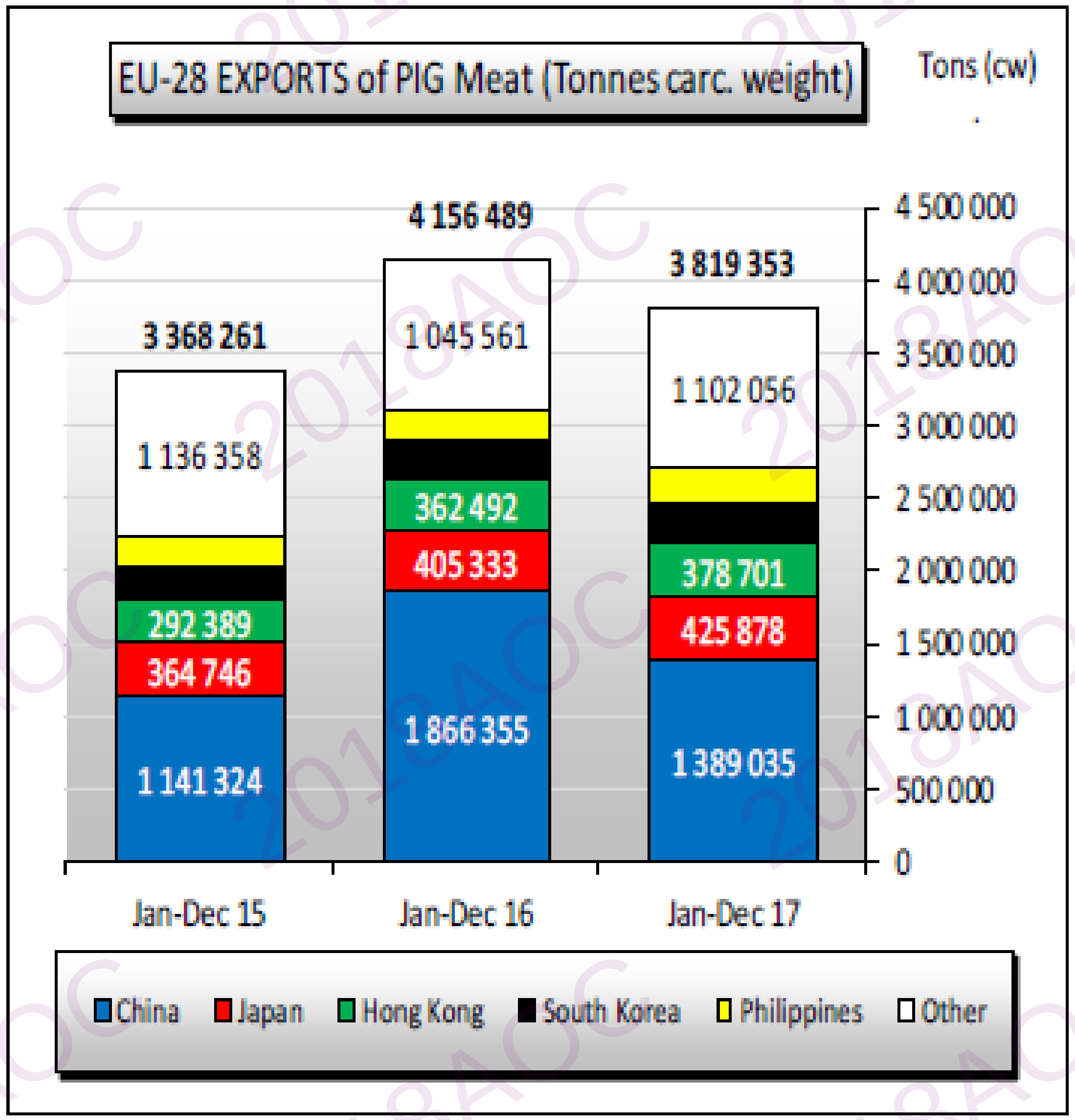


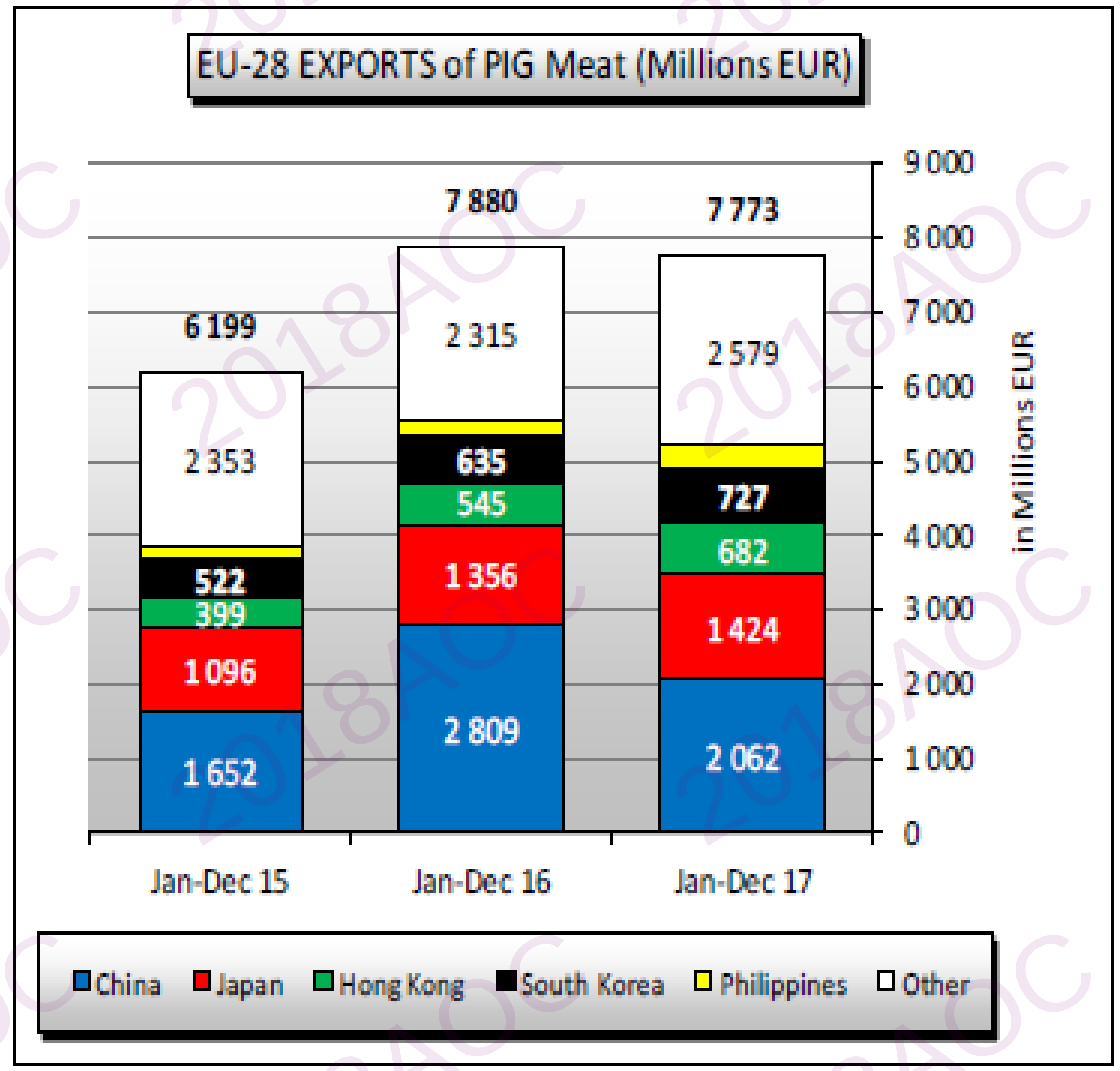


* countries trading less than 1 988 ('Millions EUR)

Current trade

EU Pig meat Export





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Question for the future

We anticipate further reduction in Chinese pig import growth

Import of pigmeat versus import of soy?

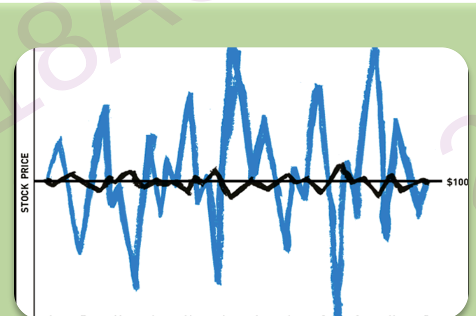
Dependency on Brasil (logistics?)

Big uncertainties for the future

Will the Russian import ban continue?
Assumed to continue until end 2018
Only gradual and partial recovery of EU exports to Russia

What will be the impact of Brexit?
As outcome of negotiation not known
Outlook for EU28 includes the United Kingdom

What will be the impact of future trade agreements?
The outlook does not include future agreements
Nor those recently concluded but not yet ratified



Will prices be more or less volatile?
The outlook assumes average weather and stable macroeconomic environment
However JRC assess the impact of past yield and macroeconomic variability

And many more: the outlook is used to assess the impact of different assumptions