

An update on the CAP Reform and the beef sector in the European Union

M. Zjalic, A. Rosati, A. Dimitriadou

European Association for Animal Production
Rome - Italy

THE PRESENT PAPER

contains parts of the article “*Beef Production in the European Union and the CAP Reform*”, prepared by authors in January 2006 and published on the EAAP web site, in addition to some updates on developments in the last two years.

IMPORTANCE OF BEEF SECTOR

The EU beef and veal sector:

- contributes 10 % to the total value of agricultural production in the EU
- is the second biggest contributor after the dairy sector (14 % of the total value)
- has a total production of about 8 million tons
- represents about 13 % of the total production of beef and veal in the world

PRODUCTION

- Since the 1990s beef production in the EU has been gradually declining (total drop of 7,6% in 2003 compared with 1993).
- In the same period, global beef production increased by 6,3 million tons (16,8%) due to the substantial increase in other continents, particularly South America (increase of 2,6 million tons or 26%).
- 2004: high production due to increased end-of-year slaughtering in the Member States that started applying decoupling from 2005.
- 2005: EU-25 net production declined considerably (2,5%).
- 2006: EU-25 production is estimated to have increased to 8,0 million tons, up 2 %. Increase mainly linked to impact of the end of the Over Thirty Months Scheme in the UK with more beef entering the market.

CONSUMPTION

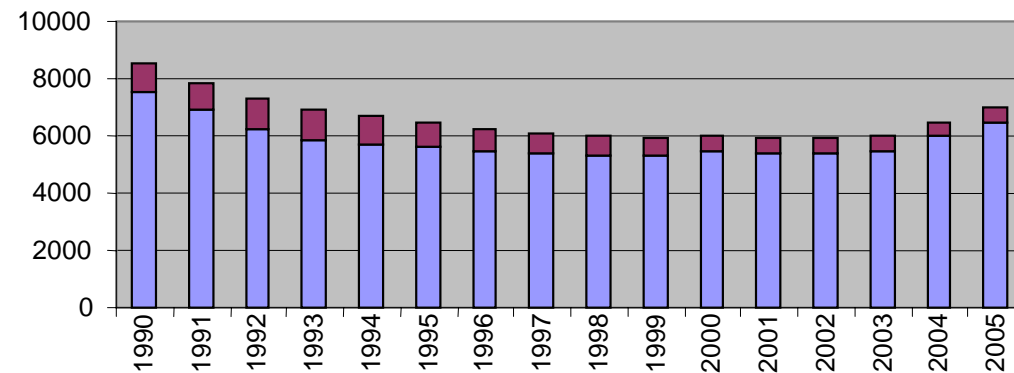
- Negative connotations associated with red meat consumption:
 - Cholesterophobia
 - BSE crisis
 - outbreak of FMD in the nineties
- Result: beef and veal consumption per head almost 25 kg in 1985, while 19,3 kg/head in 2000.
- Strong recovery in the period 2002-2006 (consumers' preference for beef and other meats compared to poultry due to the effect of Avian Influenza, the re-entry of “Over Thirty Months” beef on the UK market and the re-opening of the single market for British beef and live animal exports).

3rd Cattle Network – EAAP Workshop

Friday 24 AUGUST 2007 – DUBLIN, Ireland



EU-27 Bovine meat consumption



Source: FAOSTAT 2007

EXPORTS

- Extra EU-25 meat exports fell by 33.5% in 2005 (effect of strong euro, relatively high internal prices, cuts in export refunds and lower net production).
- Extra EU-25 meat exports will continue to be constrained by low domestic availability and lower competitiveness and thus are projected to decline further.

CAP REFORM AND BEEF SECTOR

- 2005 premium rates for bovine animals

Premium	Rate
Suckler cow premium	200 €/ animal
Slaughter premium	80 €/ animal
Calf slaughter premium	50 €/ animal
Special male premium	150 or 210 €/ animal (depending on type)

CAP REFORM AND BEEF SECTOR

▪ **Single Payment Scheme (SPS)**

A system of annual aid paid to producers irrespective of production ('decoupled'). The SPS combines a number of existing direct payments received by farmers in a single payment, determined on the basis of payments received over a reference period.

▪ **Options for EU Member States**

- Keep up to 100% of the 'suckler cow premium' and up to 40% of the 'slaughter premium for adult bovine animals' coupled.
- Keep 100% of the slaughter premium for adult bovine animals coupled or, instead, up to 75% of the 'special male premium'.
- Keep up to 100 % of the 'calf slaughter premium' amounts as product-specific payment.

PERSPECTIVES TO 2013 (i)

- 78% of budgetary transfers to beef sector will be direct payments.
- **Beef production:** expected to decrease over the medium term to slightly below 7,5 mio t in 2013, a reduction of 5 % from 2005.
- **Beef consumption:** relative stagnation is expected over the medium term. In the new Member States the potential increase (fuelled by rising income levels) to be broadly offset by the sustained price increase and the low consumer preference for beef.

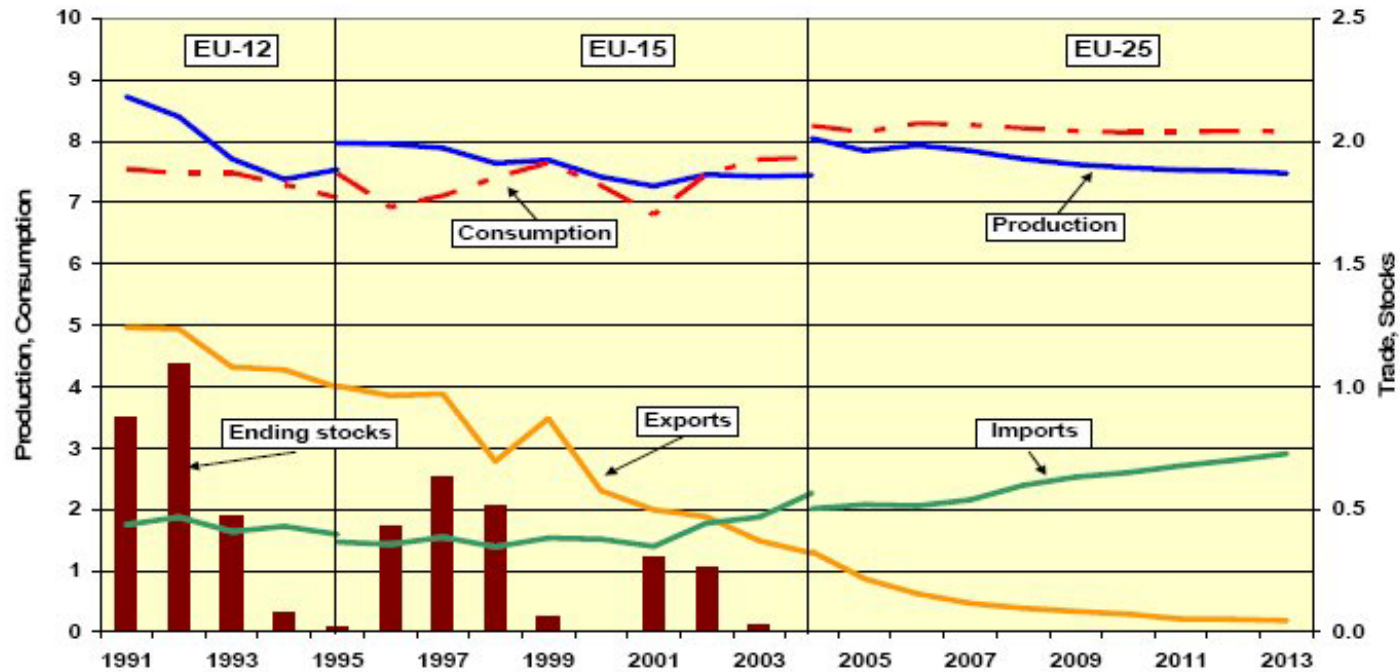
PERSPECTIVES TO 2013 (ii)

- Relatively steady demand and tight domestic supply are expected to result in **firm prices**, attracting more imports of beef entering at full duty (mainly high-quality beef cuts from South America).
- **Total beef imports:** expected to resume their growth and exceed 0,7 mio t by 2013.
- **Live animal exports:** expected to remain at a low level after the considerable decline in 2005 (-34%), due to higher domestic prices and the abolition of export refunds for live animals for slaughter

PERSPECTIVES TO 2013 (iii)

- The medium-term development of beef production would continue to be **highly dependent on developments in the milk sector**. Given the increasing trend in milk yields, the dairy cow herd would continue to decrease – resulting in lower calve availability and lower level of fattening activities.
- Expected increase of **suckler cow herds** mainly in the countries keeping most of animal premia coupled. This is not expected to counterbalance the effects resulting from both the decreasing EU-25 dairy cow herd and shrinking suckler cow herds in Member States which have fully decoupled (and in certain cases additionally re-distributed) direct payments.

Outlook of the EU beef market (mio t), 1991-2013



Source: European Commission, 2006