Workshop for Industry and Scientists

SUSTAINABLE BEEF QUALITY FOR EUROPE

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The beef market in Europe and Italy: trends and perspectives

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UE-28 beef supply balance sheet

.000 ton	2010	2011	2012	2013	2014	Var. 14/10	DG AGRI forecast 2015	2016	Var. 16/14
Production	**8,114**	**8,052**	**7,708**	**7,388**	**7,570**	**-6,7%**	**7,675**	**7,718**	**2,0%**
Import (beef)	321	286	275	304	307	-4,2%	295	302	-1,8%
Availability	**8,435**	**8,338**	**7,983**	**7,691**	**7,877**	**-6,6%**	**7,970**	**8,020**	**1,8%**
Export (beef)	253	327	210	161	207	-18,2%	225	232	12,3%
Consumption	**8,182**	**8,011**	**7,773**	**7,530**	**7,670**	***-6,3%***	**7,746**	**7,787**	***1,5%***
Per capita consumption (kg)	**11.4**	**11.1**	**10.7**	**10.4**	**10.5**	***-7,1%***	**10.4**	**10.5**	***1,1%***

Source: DG AGRI

Beef production in UE-28: after a decline a slight recovery expected in 2015-2016

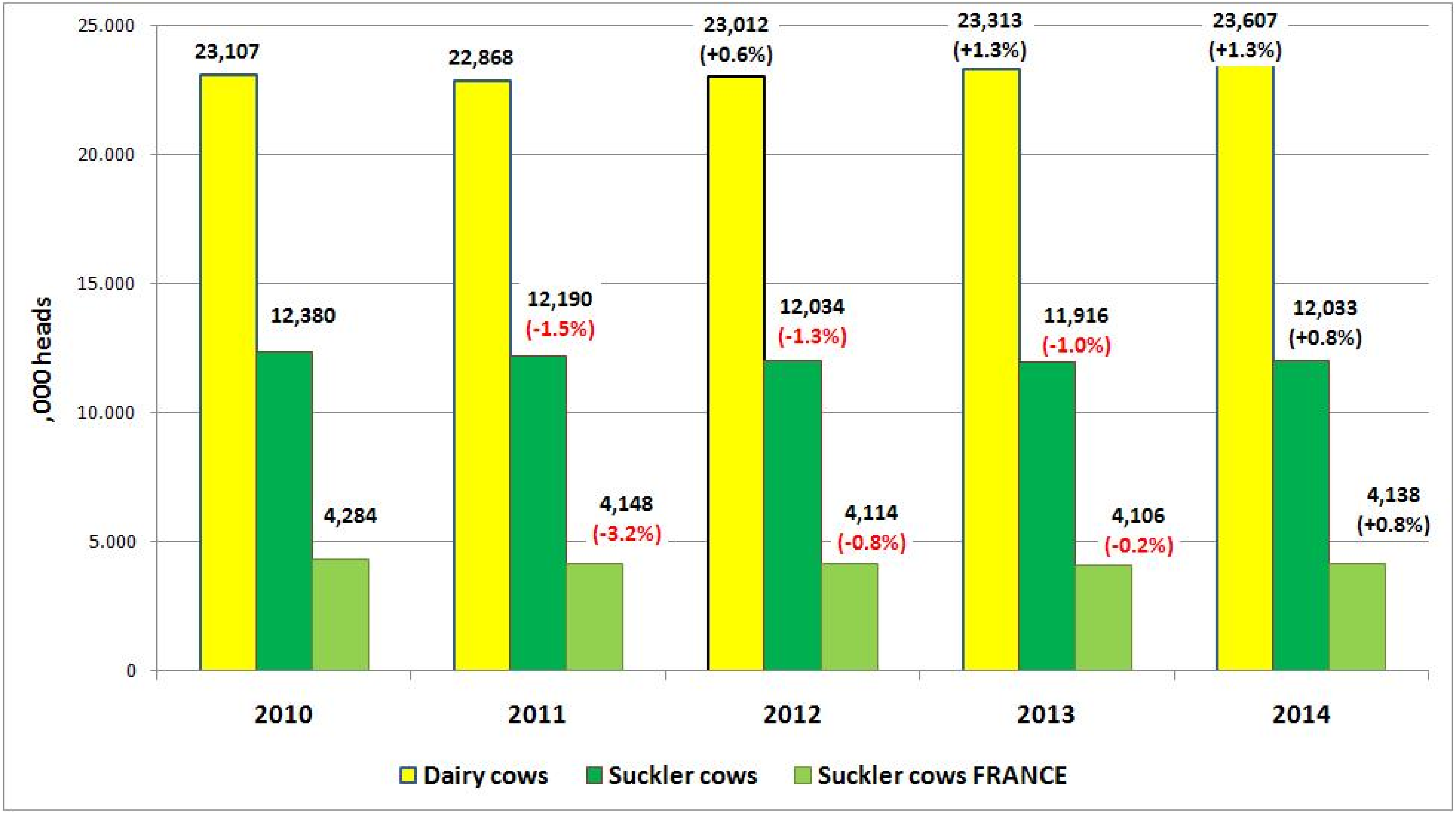
2011/2013 a 9% decrease due to:

- Reduction of suckler cows herd (-480,000 heads)
- Reduction of dairy cows slaughterings and increase of heads for replacement in dairy farms (expecting the milk quotas removal).
- Impact on production costs of the high price of cereals and oilseeds

In **2015/2016** small increase of production because of:

- Stabilisation suckler cow herd
- More male calves from dairy herd
- Decline of feed prices

Dairy and suckler cows herd in the EU-28



Source: EUROSTAT

Beef production in UE-28 by Member States

.000 t	2010	2011	2012	2013	2014	Var 14/13
France	1,535	1,573	1,491	1,421	1,433	0,9%
Germany	1,201	1,171	1,150	1,116	1,137	1,9%
United Kingdom	924	936	883	848	878	3,5%
Italy	1,075	1,009	981	855	813	-4,9%
Ireland	559	547	495	518	582	12,4%
Spain	607	604	591	581	576	-0,9%
Poland	391	390	378	347	424	22,3%
Others	1,821	1,821	1,739	1,703	1,727	1,4%
EU-28	**8,114**	**8,052**	**7,708**	**7,388**	**7,570**	**2,5%**

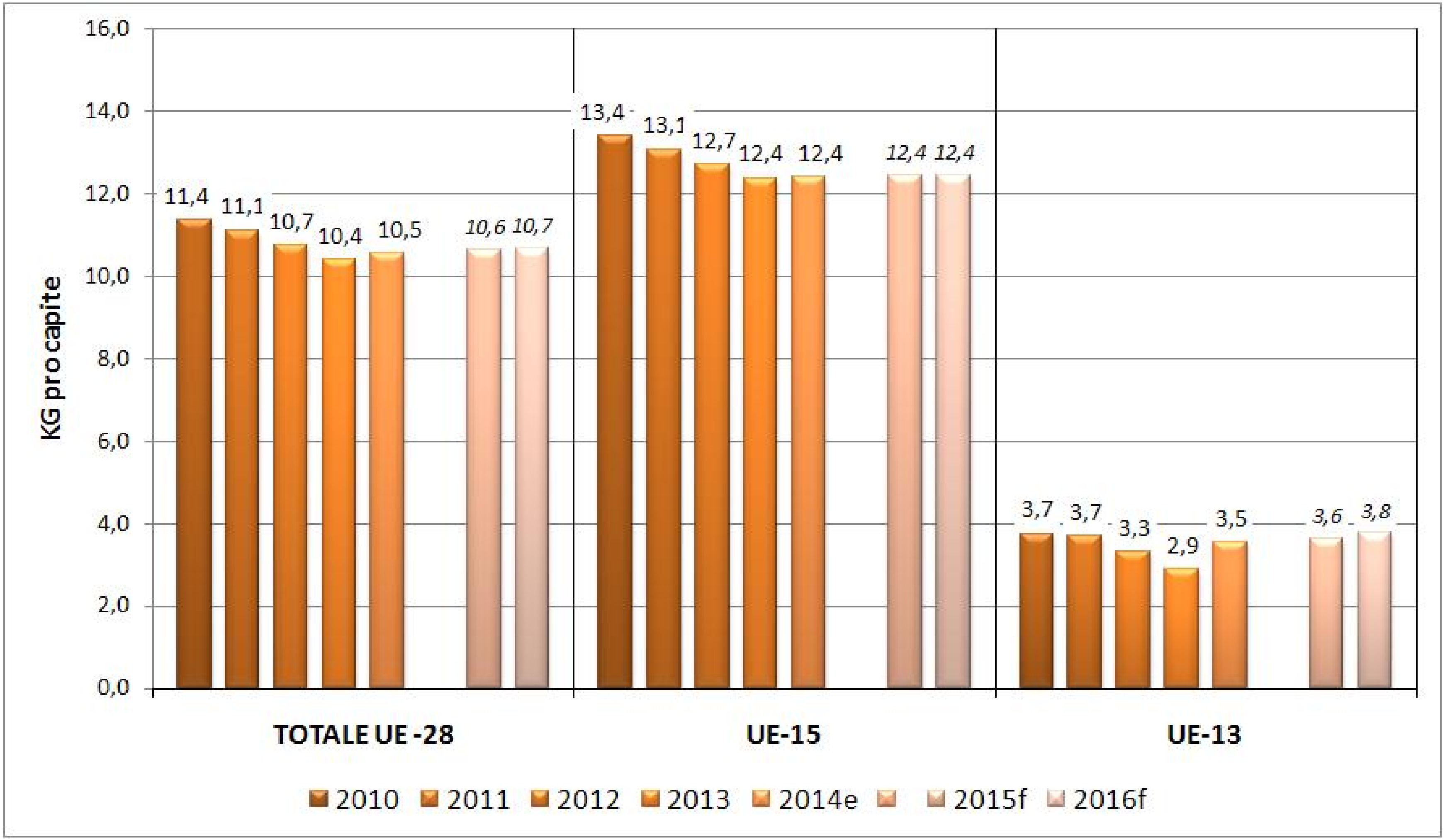
Source: EUROSTAT

Partial recovery in 2014 (+2%) due to:

- more availabilty of male cattle from daries in **Ireland, UK and Germany**.

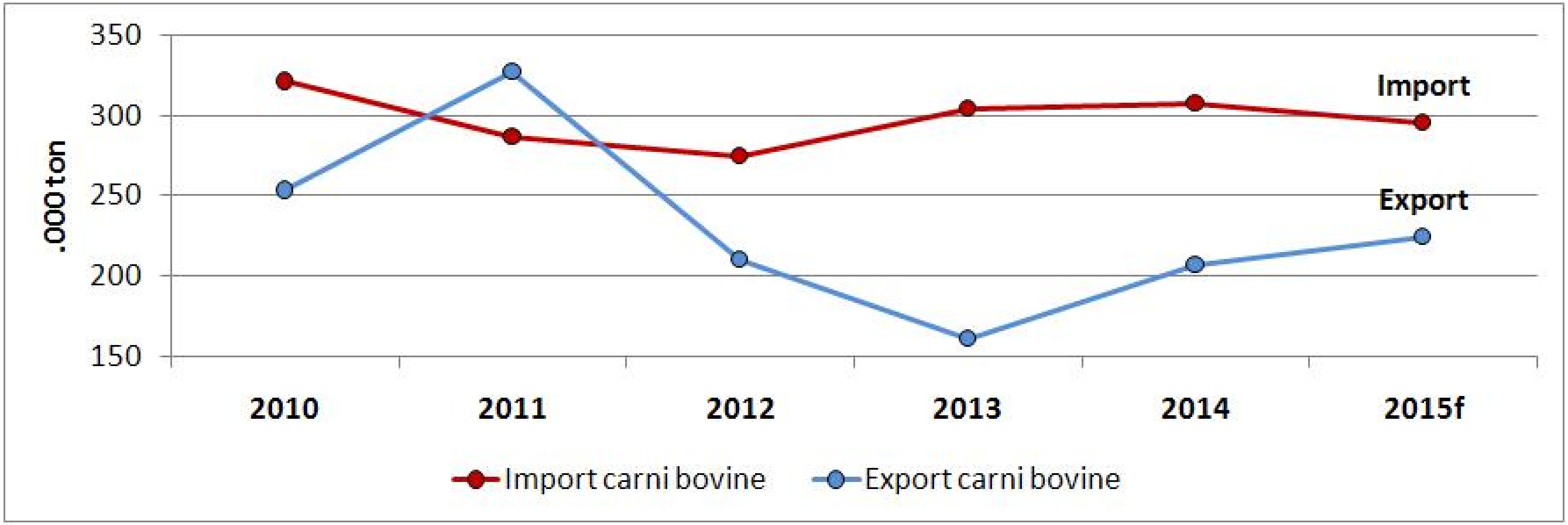
- remarkable rise in **Poland** (+22%) for dairy cows slaughters (downturn of milk price and overshooting of milk quota) and for the continuos increase of fattened cattle (in the previous years destined to export).

Beef consumption is expected to rise mainly in Eastern Europe



Source: DG AGRI

Eu beef trade



Export:

- In **2012 and 2013** 50% drop because of closure of turkish market and the reduction of export to Russia. **Return to deficit situation**.

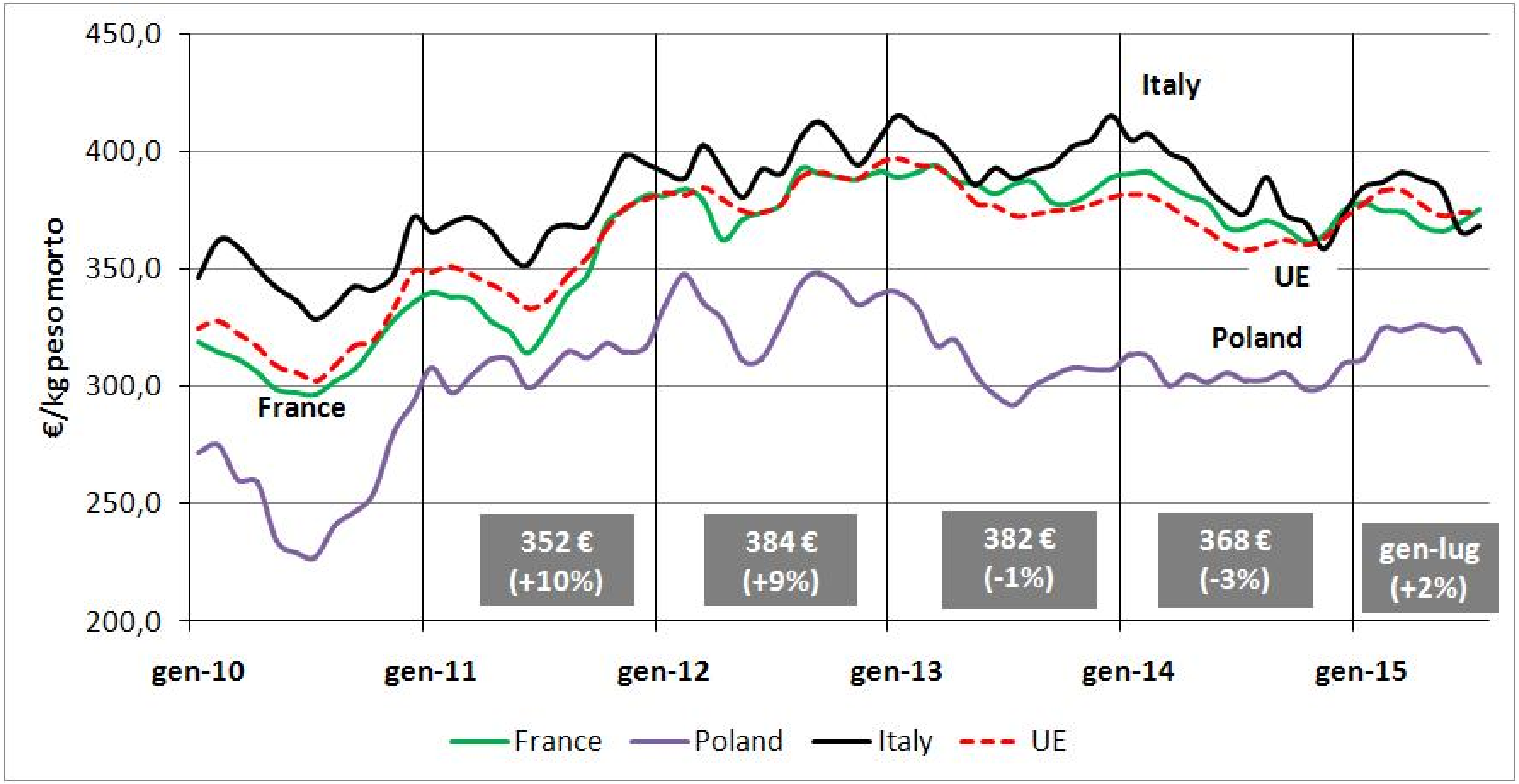
- In **2014** 25% increase: Russian embargo more than offset by export to the Balkans, Hong kong and Philippines.

Import:

- 10% increase from **2012 e 2014** (Brazil, Australia). Brazil still first supplier to the EU, but more focused on the Russian market (for the EU embargo)

EU Beef price (young bulls R3).

The tightening of availability caused the increase of beef price starting from 2011. In 2014 a downward adjustment (-3%). New increase in the 1° half of 2015 in line with world market trend.

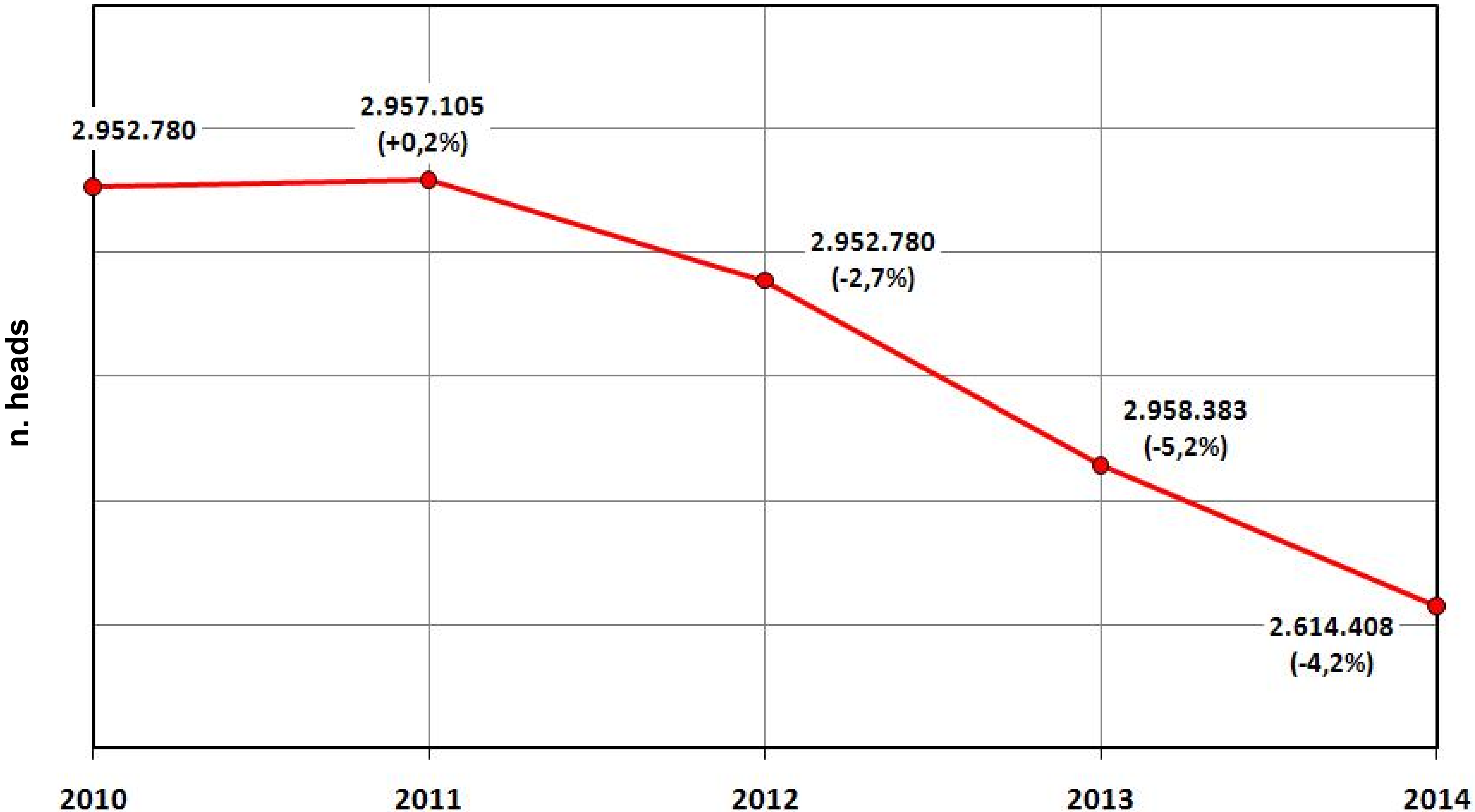


- Poland: prices 20% lower than UE average (-30% compared to Italy)
- Italy: prices 5 -10% above UE average

Italian beef supply balance sheet

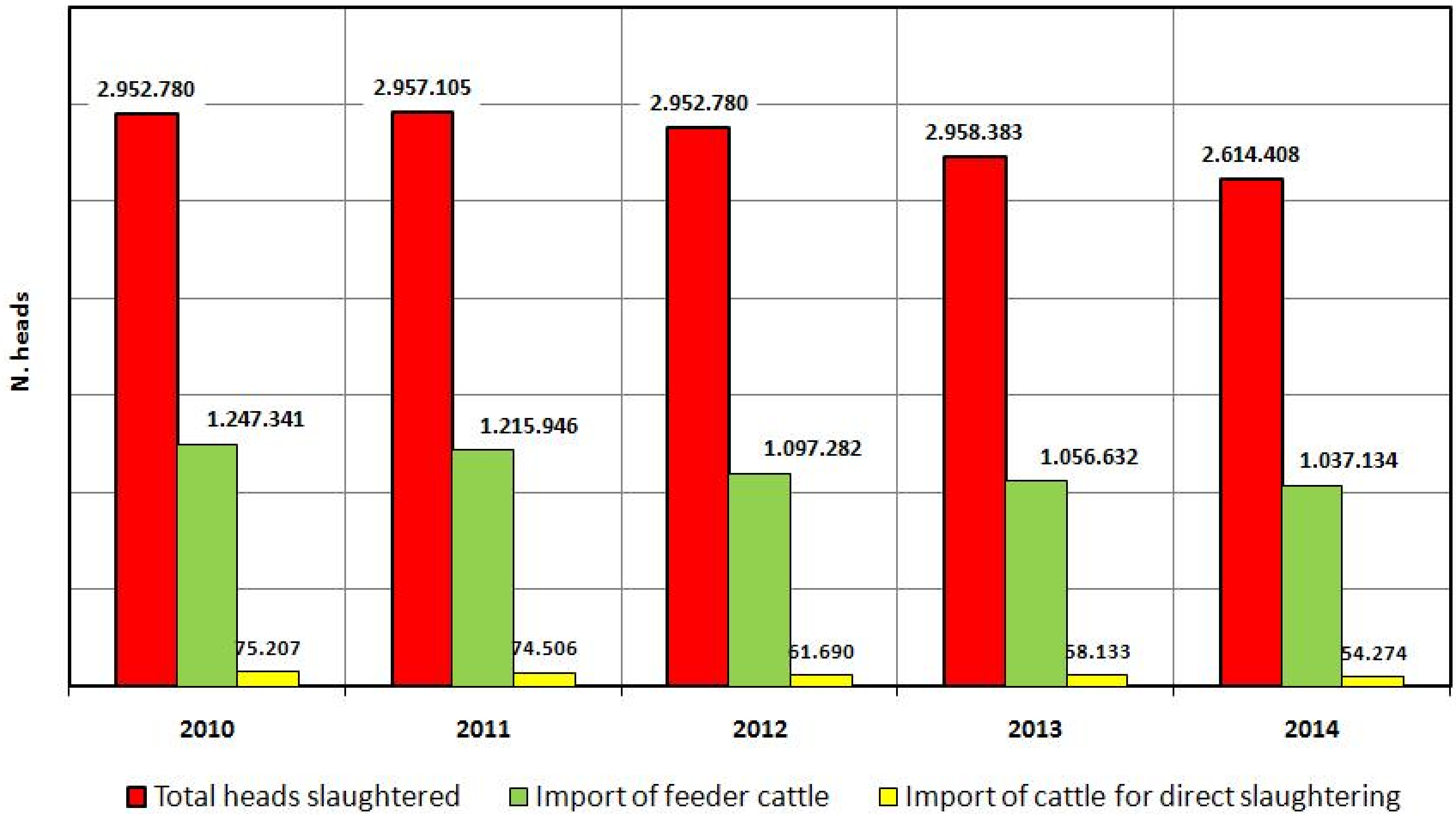
,000 ton	2011	2012	2013	2014	Var. 14/10
Production	**1,000**	**958**	**855**	**835**	**-16,5%**
Import carni	426	403	397	413	-3,1%
Availability	**1,426**	**1,361**	**1,252**	**1,248**	**-12,5%**
Export	134	134	124	117	-12,5%
Consumption	**1,293**	**1,227**	**1,129**	**1,131**	***-8,6%***
Per capita consumption (kg)	**21.8**	**20.8**	**20.2**	**19.9**	***-12,5%***
Self sufficency rate	58.2%	59.0%	58.2%	58.0%	

Decline of Italian production: 11% decrease in cattle slaughterings in 3 years



Source: BDN

The decline of slaughterings and beef cattle import



Source: BDN

Feeder cattle import from EU partners

n.heads	2010	2011	2012	2013	2014	Var 14/10
FRANCE	930,358	954,870	876,550	845,766	813,183	-12.6%
AUSTRIA	67,729	70,136	61,817	67,108	76,753	+13.3%
POLAND	112,273	87,849	70,405	58,694	48,946	-56.4%
ROMANIA	22,880	22,519	36,268	42,097	39,485	+72.6%
IRELAND	67,581	50,603	36,470	27,027	28,583	-57.7%
GERMANY	42,274	39,847	27,055	16,608	20,472	-51.6%
OTHERS	79,453	64,628	50,407	57,465	63,986	-19.5%
TOTAL	**1,322,548**	**1,290,452**	**1,158,972**	**1,114,765**	**1,091,408**	**-17.5%**
Annual var	**+0.4%**	**-2.4%**	**-10.2%**	**-3.8%**	**-2.1%**	

Source: BDN

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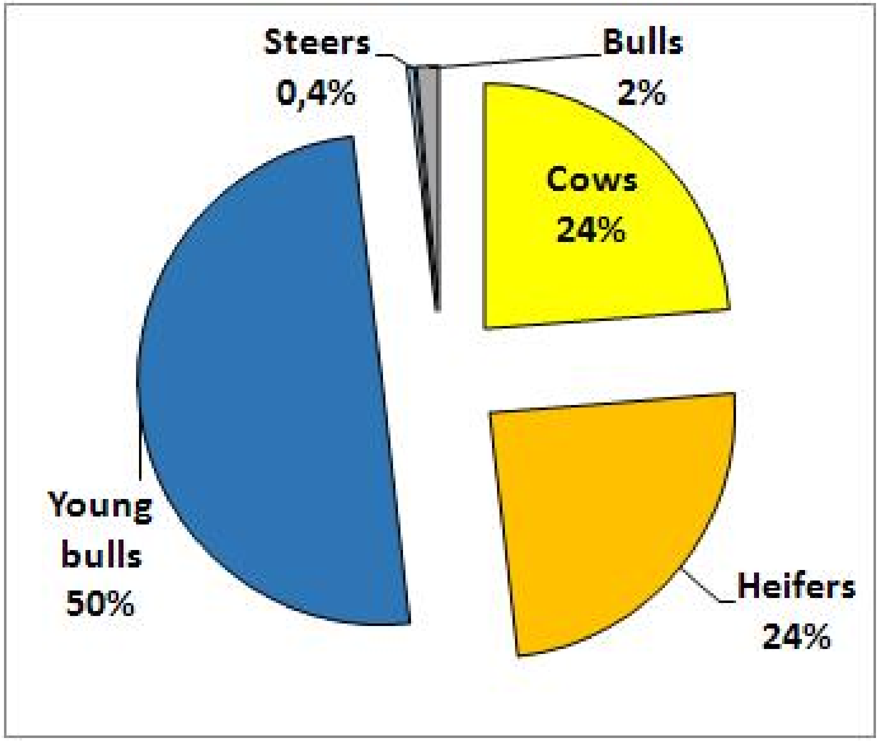
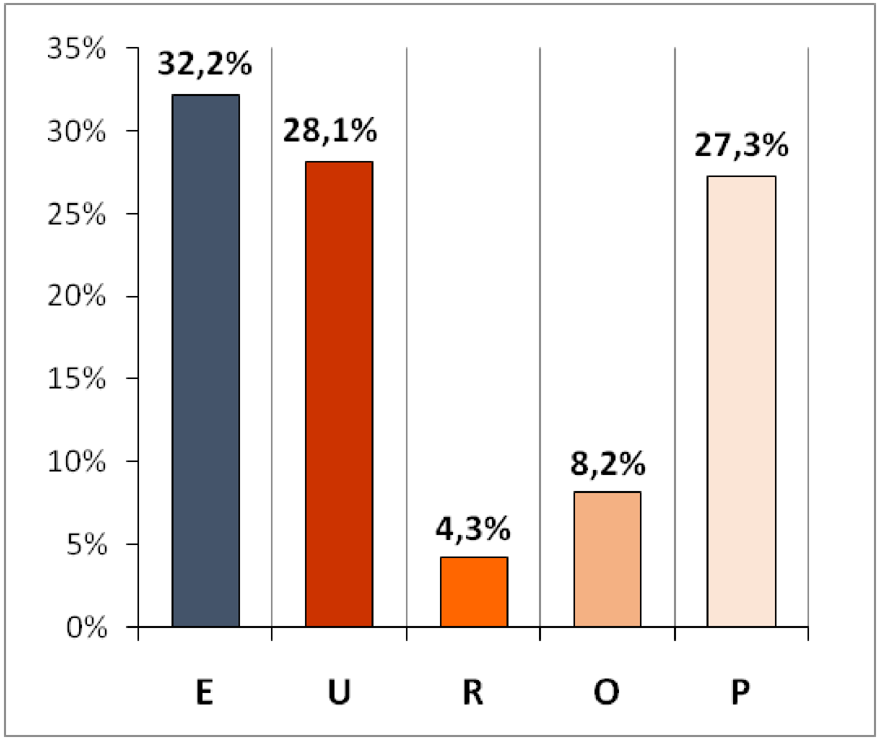
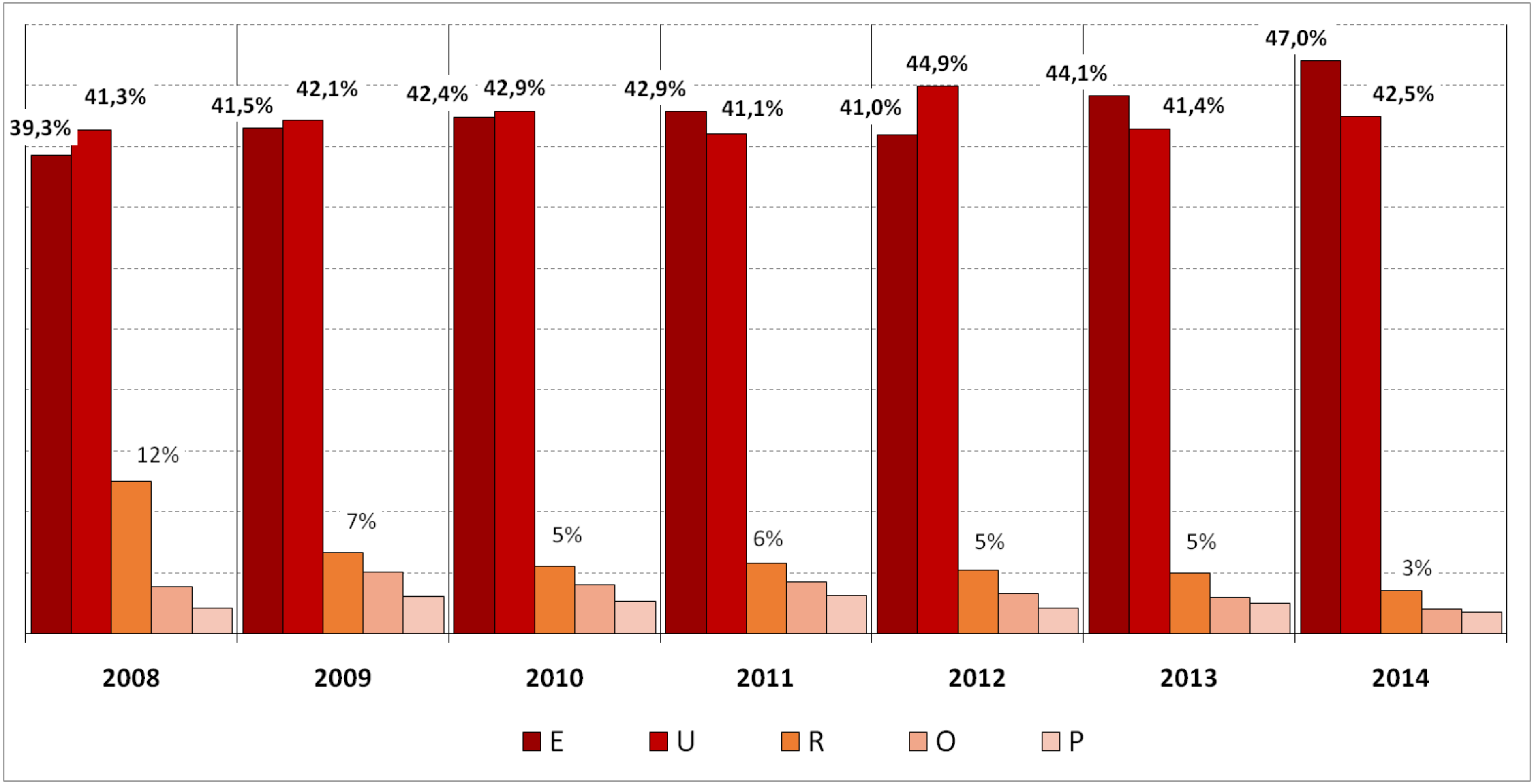
IT: Slaughterings by category and carcasses conformation





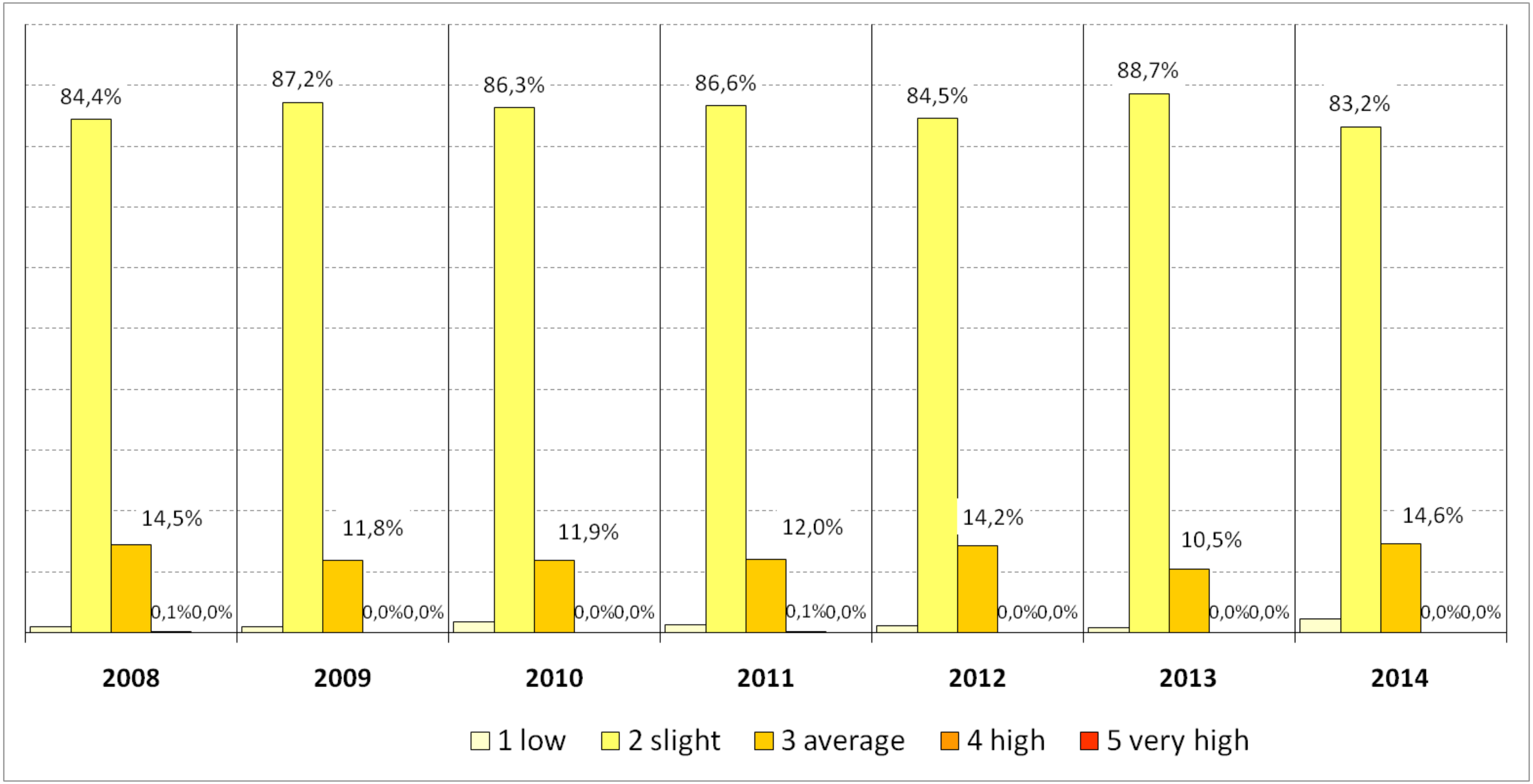
Source: MIPAAF, elaborated by CRPA

IT: Young bulls carcasses conformation



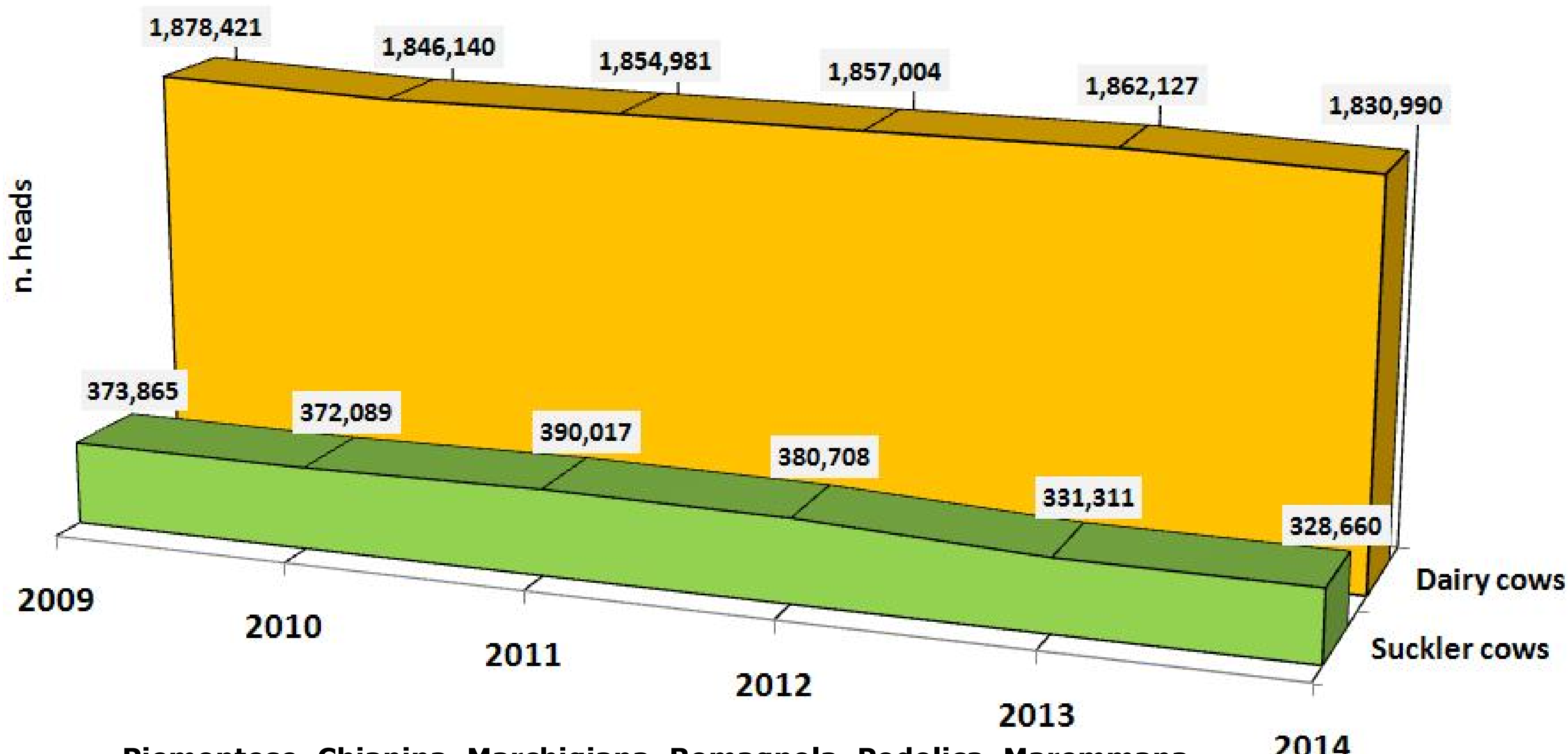
Source: MIPAAF, elaborated by CRPA

IT: Young bulls fat cover



Source: MIPAAF, elaborated by CRPA

A downward trends of suckler cows herds



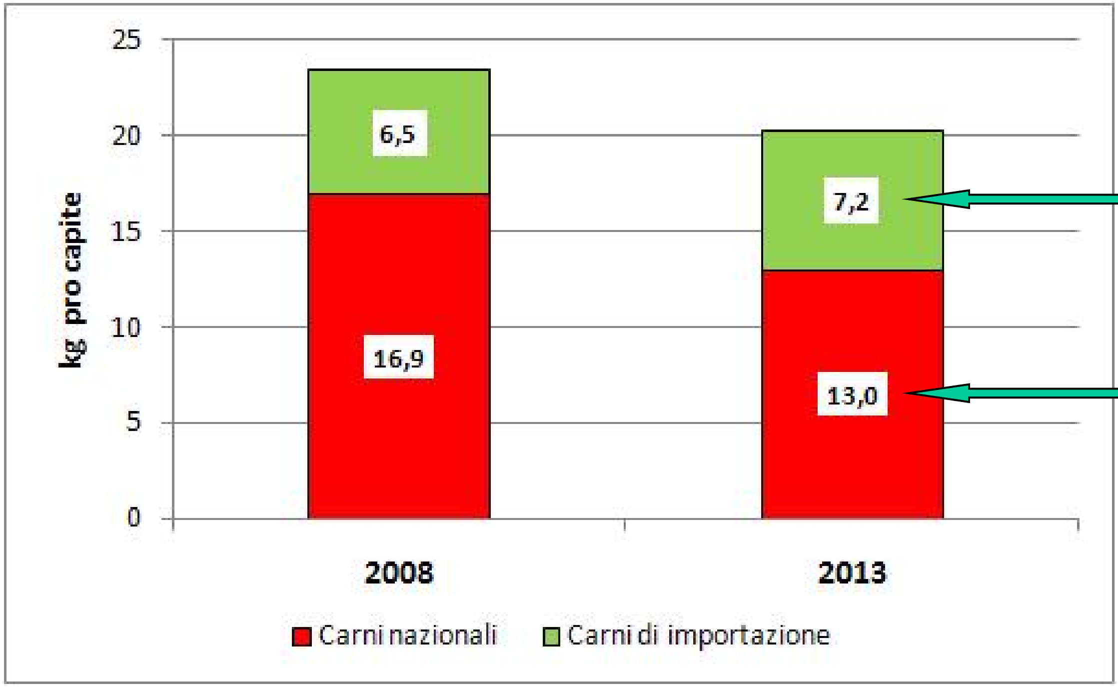
Piemontese, Chianina, Marchigiana, Romagnola, Podolica, Maremmana

Source: ISTAT

The share of low cost imported beef is increasing (Poland and Brazil)

Despite declining demand, the consumption of imported meat is growing.

Beef import increases from countries with good logistics and distribution services (France) and/or lower prices (Poland (+ 26%) and Brazil (+40%))



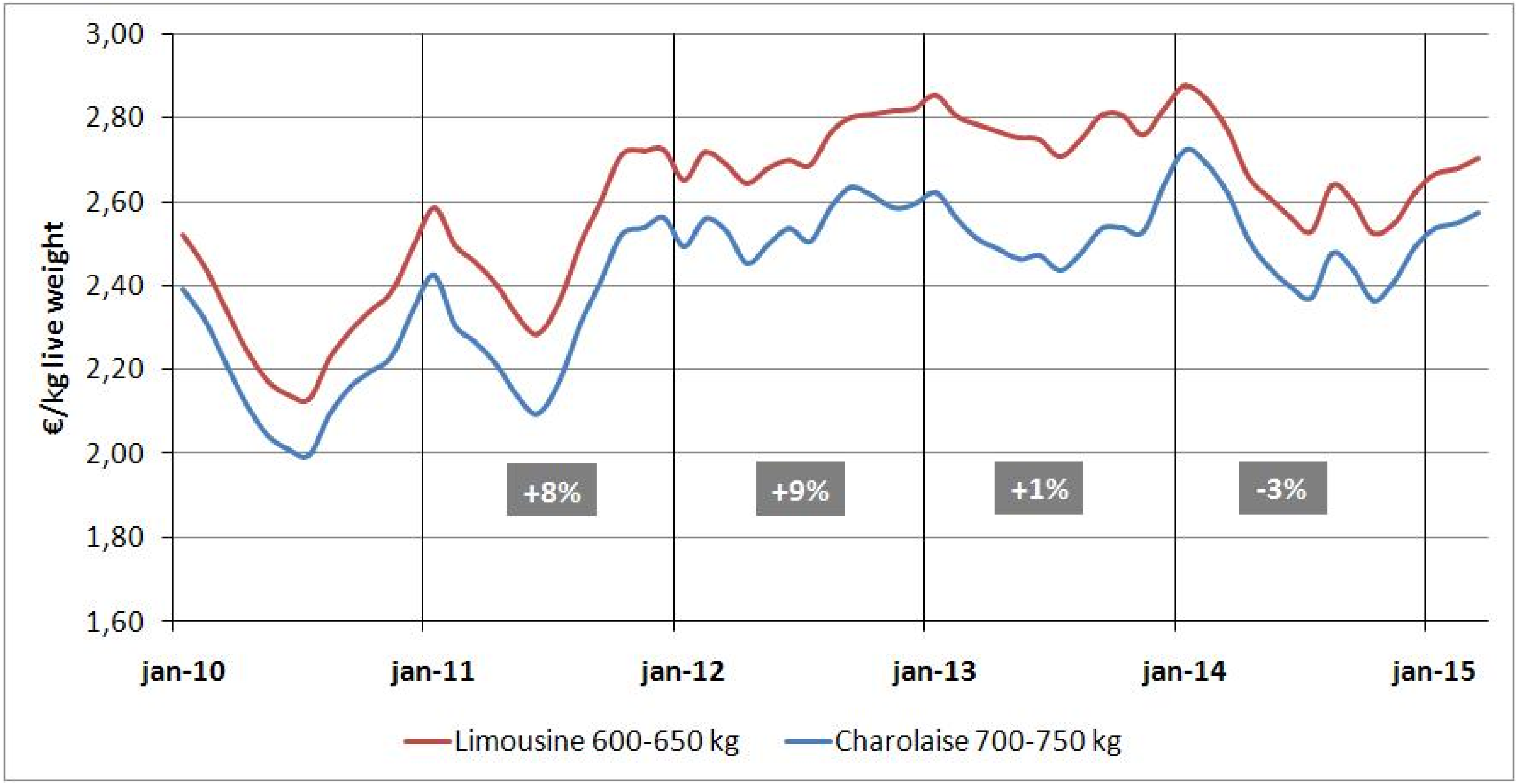
Pro capita consumption decreased by 14% from 2008 to 2013

Imported beef consumption increased by 10%%

Beef consumption from national livestock farms decreased by 23%

Fonte: ISMEA

Young bulls prices (Charolaise and Limousine)



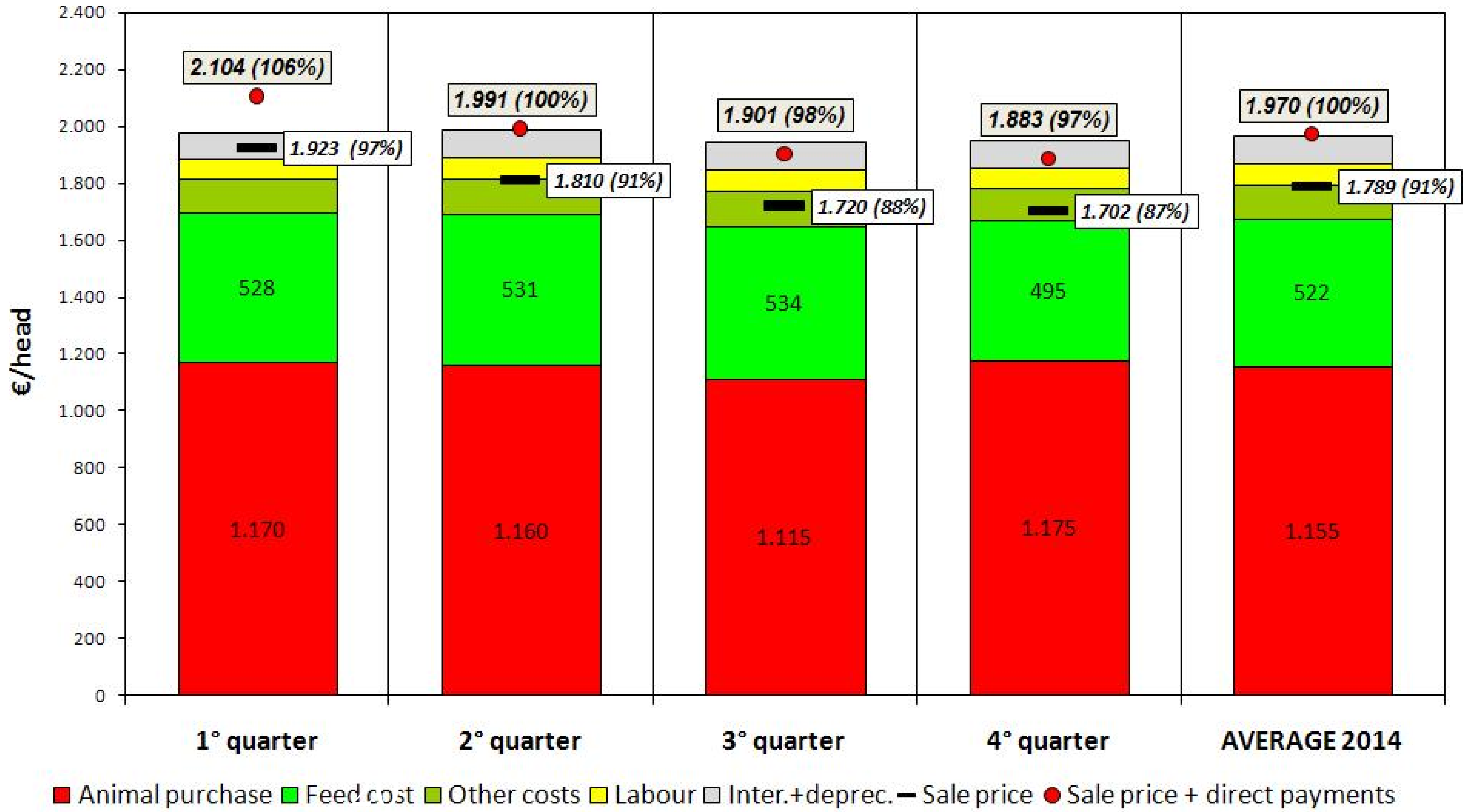
Lower beef cattle availability on domestic market pushed the price, as in the rest of EU markets. A dowturn occurred in the 2° half of 2014 for the tight demand and the increase of beef import. New recovery in the 1° quarter of 2015

Profitability analysis of MEDIUM sized finishing farms: characteristichs

Farms size (heads)	420
Breed and type	Charolaise, young bulls
N° groups analysed	35
Total heads	1.220
Starting weight (kg)	414
Final weight (kg)	723
Finishing period (days)	224
Daily weight gain (kg/days)	1,38
Mortality rate	0,5%
Morbidity rate	0,5%

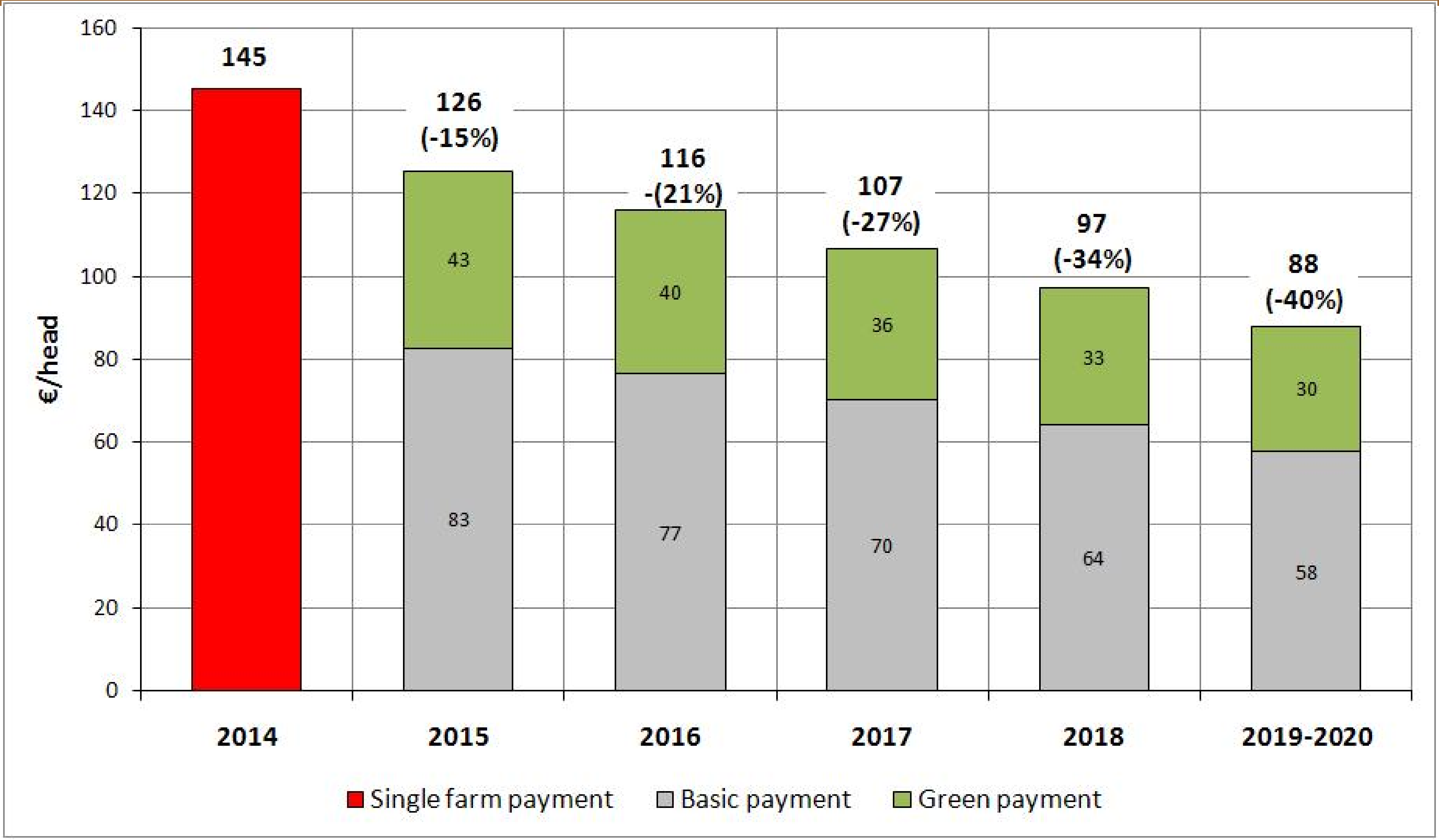
Fonte: ISMEA-CRPA

Profitability net and gross of direct payments (per head sold)



Fonte: ISMEA-CRPA

Decoupled payments per head sold



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Coupled CAP payments for beef farms change

Coupled payments for beef sector in 2014 (art. 68 Reg. 73/2009)

	National ceiling	Eligibility criteria	Average payment	n° of eligible heads
Slaughtering Cattle	27.5 mln €	- aged 12-24 months, reared in farms for 7 months, compliance with voluntary labelling scheme	42 €/head	640,000
		- aged 12-24 months, reared in farms for 7 months, PGI certification	75 €/head	17,450
Suckler cows	24 mln €	Registered in beef breeds herdbooks or beef breeds registries (calf born)	125 €/head	195,000

Coupled payments for beef sector in 2015 (art. 52 Reg 1307/2013)

	National ceiling	Eligibility criteria	Average payment	n° of eligible heads
Slaughtering Cattle	66.4 mln €	- aged 12-24 months, reared for 6 months	36 €/head	400,000
		- aged 12-24 months, reared for 6 months + voluntary labelling/SQN	70 €/head	700,000
		- aged 12-24 months, reared for 6 months + PGI certification	84 €/head	17,000
Suckler cows	40.5 mln €	Registered in beef breeds herdbooks or beef breeds registries (calf born)	210 €/head	195,000

Conclusions (1)

- Finishing farms profitability strictly linked to French broutards availability
- Limited suckler cows herd with low possibilities of development and not yet fully exploited through genetic development
- Decline of consumption, change in consumers habits
- Local beef breeds able to serve niche markets with high retail prices (+30%), efforts in differentiating mainstream beef by quality labels
- Profitability of the farms still <u>dependent on direct CAP payments</u>

Conclusions (2)

- Due to the prevailing specialization in French breeds young bulls and have good carcass conformation and low fat cover (<u>positive and negative for consumption</u>)
- EUROP grid is unable to assess the <u>eating quality</u> of beef as well as being inaccurate in assessing the actual % of saleable meat
- More appropriate classification systems should be introduced in order to meet quality standards required by consumers (e.g. MSA).