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Livestock and Products

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Report Highlights:
The French beef industry has been significantly hurt by the ongoing crisis over BSE, which resulted in a decline in beef consumption and slaughter in 2000 from 1999, combined with shrinking trade in both live cattle and meat. A further decline in consumption is expected in 2001. French consumers partially replaced beef with pork, poultry lamb, horsemeat, seafood and prepared meals. The year 2000 was the last year of a cyclical decline in pork production in France and the EU, and 2001 is expected to be the first year of a cyclical increase in production. French pork exports to Russia declined significantly in 2000, due to cuts in EU export restitutions, while shipments to Japan and South Korea increased, although low compared with shipments to Russia.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

The French beef industry has been significantly hurt by the ongoing crisis over BSE, which resulted in a decline in beef consumption and slaughter in 2000 from 1999, combined with shrinking trade in both live cattle and meat. A further decline in consumption is expected in 2001. French consumers partially replaced beef with pork, poultry lamb, horsemeat, seafood and prepared meals. The year 2000 was the last year of a cyclical decline in pork production in France and the EU, and 2001 is expected to be the first year of a cyclical increase in production. French pork exports to Russia declined significantly in 2000, due to cuts in EU export restitutions, while shipments to Japan and South Korea increased, although low compared with shipments to Russia.

Section I: Situation and Outlook

The French and European beef sector has been significantly hurt by the crisis over Bovine Spongiform Encephalopathy (BSE), which started in late October 2000. Since then, beef consumer and export demand has declined, and the EU has set a number of measures to adapt supply to demand, such as intervention stocks. French beef consumption declined by 5.7 percent from 1999 to 2000, leading to a 4 percent decline in cattle slaughter. As a result, 5,000 MT stocks of French beef were purchased for intervention, and 50,000 MT of beef was put into the EU private storage scheme. The forecast for 2001 is a 3 percent decline in beef consumption, combined with reduced trade in both live cattle and beef and veal meat.

The purchase for destruction scheme is implemented on cattle over 30 months which are not tested for BSE. In France, people tend to develop BSE tests to prevent safe animals from being destroyed. There has been one BSE case detected so far by the quick BSE tests out of the 72,000 animals tested.

The year 2000 is expected to be the last year of cyclical pork production decline in France and the EU, and 2001 is expected to be the first year of a new cycle of rising production. Pork producer prices increased by 20 percent to 2000 from abnormally low levels of 1999, affected by the Russian economic crisis. As a result, pork retail prices also increased but in lower proportions, and consumption therefore declined by 1 percent. French exports of pork to Russia declined significantly in 2000, due to reduced export restitutions on frozen pork. French exports of frozen pork to Japan and South Korea increased significantly in 2000, although low compared with the volumes exported to Russia. In 2001, the forecast is for a 2 percent increase in consumption, as a result of growing production and imports, combined with reduced exports.

Section II: Statistical Tables

Cattle

Production, Supply and Demand Tables

PSD Table						
Country	France					
Commodity	Animal Numbers, Cattle				(1000 HEAD)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Total Cattle Beg. Stks	20097	20097	20194	20194	20150	20190
Dairy Cows Beg. Stocks	4433	4433	4419	4421	4400	4420
Beef Cows Beg. Stocks	4049	4049	4068	4066	4080	4070
Production (Calf Crop)	7115	7115	7070	6717	7100	6680
Intra EC Imports	289	292	255	208	259	209
Other Imports	3	3	1	1	1	1
TOTAL Imports	292	295	256	209	260	210
TOTAL SUPPLY	27504	27507	27520	27120	27510	27080
Intra EC Exports	1500	1500	1560	1465	1560	1460
Other Exports	43	43	40	50	40	40
TOTAL Exports	1543	1543	1600	1515	1600	1500
Cow Slaughter	2483	2483	2520	2343	2520	2350
Calf Slaughter	1892	1892	1960	1850	1960	1850
Other Slaughter	1267	1267	1290	1222	1280	1230
Total Slaughter	5642	5642	5770	5415	5760	5430
Loss	125	125	0	0	0	0
Ending Inventories	20194	20194	20150	20190	20150	20150
TOTAL DISTRIBUTION	27504	27504	27520	27120	27510	27080
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Sources: OFIVAL, SCEES, French Customs

PSD Table						
Country	France					
Commodity	Meat, Beef and Veal				(1000 MT CWE)(1000 HEAD)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Slaughter (Reference)	5642	5642	5770	5415	5760	5430
Beginning Stocks	72	72	11	12	5	5
Production	1568	1568	1600	1490	1600	1495
Intra EC Imports	320	323	320	310	321	280
Other Imports	18	18	20	15	20	10
TOTAL Imports	338	341	340	325	341	290
TOTAL SUPPLY	1978	1981	1951	1827	1946	1790
Intra EC Exports	293	293	295	301	295	290
Other Exports	85	85	55	10	55	10
TOTAL Exports	378	378	350	311	350	300
Human Dom. Consumption	1589	1591	1596	1501	1596	1455
Other Use, Losses	0	0	0	10	0	0
TOTAL Dom. Consumption	1589	1591	1596	1511	1596	1455
Ending Stocks	11	12	5	5	0	35
TOTAL DISTRIBUTION	1978	1981	1951	1827	1946	1790
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Sources: OFIVAL, SCEES, French Customs

Trade Matrices

Export Trade Matrix					
Country	France		Units:	1,000 head	
Commodity	Animal Numbers, Cattle		Partial Begin	January	
			Partial End	September	
Exports for:	1999	2000	2001	1999	2000
	Full	Full	Full	Partial	Partial
U.S.	0			0	0
Others					
Italy	1049			738	759
Spain	371			247	274
Lebanon	39			28	42
Netherlands	41			20	19
Greece	26			18	13
Germany	19			14	12
Belgium	18			12	4
Total for Others	1563	0	0	1077	1123
Others not Listed	25			20	15
Grand Total	1588	0	0	1097	1138

Sources: French Customs, CFCE

Import Trade Matrix					
Country	France		Units:	1,000 head	
Commodity	Animal Numbers, Cattle		Partial Begin	January	
			Partial End	September	
Imports for:	1999	2000	2001	1999	2000
	Full	Full	Full	Partial	Partial
U.S.	0			0	0
Others					
Spain	53			43	51
Germany	71			59	42
Belgium	50			35	27
Netherlands	42			34	20
Italy	67			58	12
Ireland	8			7	11
Austria	11			8	10
Total for Others	302	0	0	244	173
Others not Listed	3			6	7
Grand Total	305	0	0	250	180

Sources: French Customs, CFCE

Export Trade Matrix					
Country	France		Units:	1,000 MT, PWE	
Commodity	Meat, Beef and Veal		Partial Begin	January	
			Partial End	September	
Exports for:	1999	2000	2001	1999	2000
	Full	Full	Full	Partial	Partial
U.S.	0			0	0
Others					
Italy	87			63	68
Greece	72			53	56
Germany	48			35	34
Portugal	18			14	14
Spain	11			8	7
Netherlands	10			8	7
Belgium	11			7	7
Russia	48			40	6
UK	4			3	3
Egypt	0			1	2
Total for Others	309	0	0	232	204
Others not Listed	21			15	10
Grand Total	330	0	0	247	214

Sources: French Customs, CFCE

Import Trade Matrix					
Country	France		Units:	1000 MT, PWE	
Commodity	Meat, Beef and Veal		Partial Begin	January	
			Partial End	September	
Imports for:	1999	2000	2001	1999	2000
	Full	Full	Full	Partial	Partial
U.S.	0			0	0
Others					
Netherlands	72			53	57
Germany	64			48	50
Ireland	48			36	30
Spain	32			24	29
Italy	36			27	25
Belgium	23			16	17
Austria	5			4	4
Denmark	4			3	2
Hungary	2			1	2
Argentina	3			2	2
Total for Others	289	0	0	214	218
Others not Listed	4			4	4
Grand Total	293	0	0	218	222

Sources: French Customs, CFCE

Swine

Production, Supply and Demand Tables

PSD Table						
Country	France					
Commodity	Animal Numbers, Swine				(1000 HEAD)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
TOTAL Beginning Stocks	15869	15869	15990	15991	15700	15911
Sow Beginning Stocks	1518	1518	1467	1467	1440	1458
Production (Pig Crop)	27324	27325	26241	26583	26000	26934
Intra EC Imports	451	451	352	443	340	445
Other Imports	0	0	0	0	0	0
TOTAL Imports	451	451	352	443	340	445
TOTAL SUPPLY	43644	43645	42583	43017	42040	43290
Intra EC Exports	349	348	283	220	270	200
Other Exports	0	1	0	0	0	0
TOTAL Exports	349	349	283	220	270	200
Sow Slaughter	614	614	610	585	610	570
OTHER SLAUGHTER	26691	26691	25990	26301	25540	26450
Total Slaughter	27305	27305	26600	26886	26150	27020
Loss	0	0	0	0	0	0
Ending Inventories	15990	15991	15700	15911	15620	16070
TOTAL DISTRIBUTION	43644	43645	42583	43017	42040	43290
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Sources: OFIVAL, SCEES, French Customs

PSD Table						
Country	France					
Commodity	Meat, Swine				(1000 MT CWE)(1000 HEAD)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Slaughter (Reference)	27305	27305	26600	26886	26150	27020
Beginning Stocks	9	9	3	6	0	0
Production	2378	2378	2315	2337	2270	2350
Intra EC Imports	443	444	455	444	464	452
Other Imports	5	6	1	6	1	8
TOTAL Imports	448	450	456	450	465	460
TOTAL SUPPLY	2835	2837	2774	2793	2735	2810
Intra EC Exports	359	359	400	379	400	390
Other Exports	247	247	150	211	130	170
TOTAL Exports	606	606	550	590	530	560
Human Dom. Consumption	2226	2225	2224	2203	2205	2250
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	2226	2225	2224	2203	2205	2250
Ending Stocks	3	6	0	0	0	0
TOTAL DISTRIBUTION	2835	2837	2774	2793	2735	2810
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Sources: OFIVAL, SCEES, French Customs

Trade Matrices

Export Trade Matrix					
Country	France		Units:	1,000 head	
Commodity	Animal Numbers, Swine		Partial Begin	January	
			Partial End	September	
Exports for:	1999	2000	2001	1999	2000
	Full	Full	Full	Partial	Partial
U.S.	0			0	0
Others					
Spain	198			167	65
Italy	49			34	48
Belgium	68			56	27
Netherlands	41			34	25
Germany	0			0	6
Luxemburg	2			2	4
UK	0			0	4
Portugal	2			2	2
Poland	0			0	1
Total for Others	360	0	0	295	182
Others not Listed	3			2	3
Grand Total	363	0	0	297	185

Sources: French Customs, CFCE

Import Trade Matrix					
Country	France		Units:	1,000 head	
Commodity	Animal Numbers, Swine		Partial Begin	January	
			Partial End	September	
Imports for:	1999	2000	2001	1999	2000
	Full	Full	Full	Partial	Partial
U.S.	0			0	0
Others					
Netherlands	232			173	165
Germany	106			80	101
Spain	62			39	67
Belgium	51			35	28
UK	5			4	2
Total for Others	456	0	0	331	363
Others not Listed	6			7	5
Grand Total	462	0	0	338	368

Sources: French Customs, CFCE

Export Trade Matrix					
Country	France		Units:	1,000 MT, PWE	
Commodity	Meat, Swine		Partial Begin	January	
			Partial End	September	
Exports for:	1999	2000	2001	1999	2000
	Full	Full	Full	Partial	Partial
U.S.	0			0	0
Others					
Italy	125			90	96
Russia	105			81	36
UK	33			25	25
Greece	19			14	20
Germany	24			17	18
Japan	11			8	17
South Korea	13			10	15
Netherlands	10			8	8
Ireland	8			5	8
Belgium	7			5	7
Total for Others	355	0	0	263	250
Others not Listed	62			44	48
Grand Total	417	0	0	307	298

Sources: French Customs, CFCE

Import Trade Matrix					
Country	France		Units:	1,000 MT, PWE	
Commodity	Meat, Swine		Partial Begin	January	
			Partial End	September	
Imports for:	1999	2000	2001	1999	2000
	Full	Full	Full	Partial	Partial
U.S.	0			0	0
Others					
Spain	74			54	65
Netherlands	87			65	61
Denmark	67			54	44
Belgium	43			31	34
Germany	12			9	11
UK	18			14	7
Hungary	5			3	2
Ireland	5			4	2
Sweden	4			3	2
Italy	2			1	1
Total for Others	317	0	0	238	229
Others not Listed	2			4	4
Grand Total	319	0	0	242	233

Sources: French Customs, CFCE

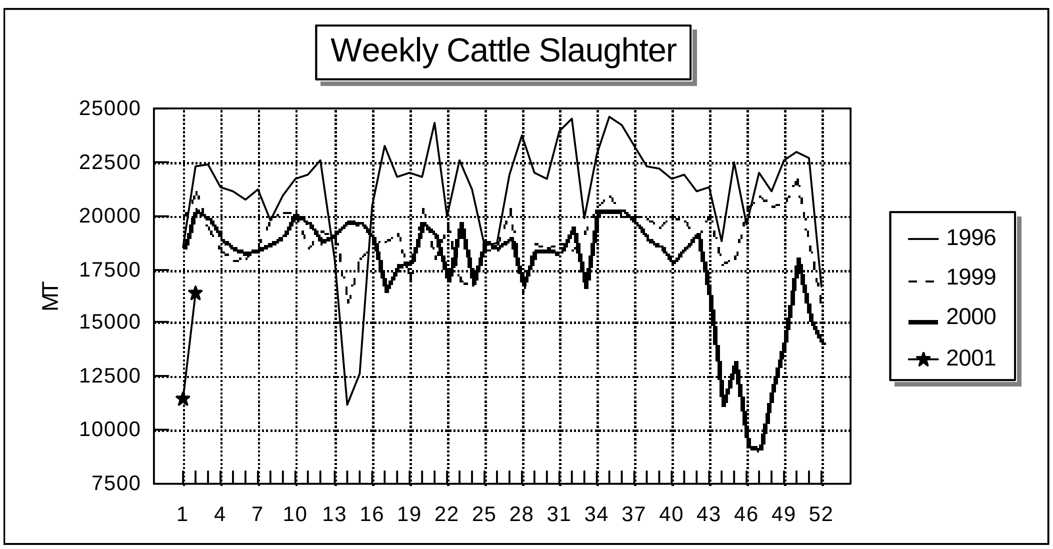
Section III: Narrative on Supply, Demand, Policy and Marketing

Production

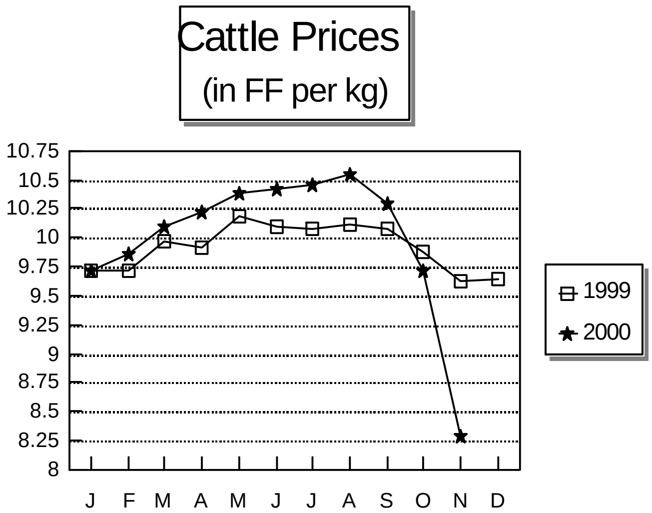
Cattle

Throughout the year, total French cattle slaughter is estimated to have declined by 4 percent from 1999 to 2000, including a 5 percent decline in slaughter of "adult animals" (other than calves). As a result, French beef and veal production is estimated to have declined by 4 percent from 1999 to 2000. Any forecast for 2001 is currently very difficult to make. Beef and veal production estimate was maintained relatively stable in the PS&D table, as a result of declined consumer demand for beef, pushing slaughter down, combined with increased cattle slaughter of animals that should have been slaughtered in 2000 but were kept in farms waiting for higher prices.

The graph below illustrates a 10-week decline in cattle slaughter (except calves) relative to the previous year, while slaughter decline during the 1996 BSE crisis only last 5 weeks and then recovered to normal levels. French cattle slaughter in 2000 was stable from 1999 during the first 42 weeks of the year. The French beef sector has been hurt significantly by the crisis over BSE since week #43, 2000. Cattle slaughter partially recovered from week #47 because of the young bulls taken off the market, their carcasses being put into intervention stocks. Also, young bull slaughter increased to replace cows for human consumption, due to the launching of the over 30 month slaughter scheme, reduced market demand for animals over 30 months (most of them being cows).

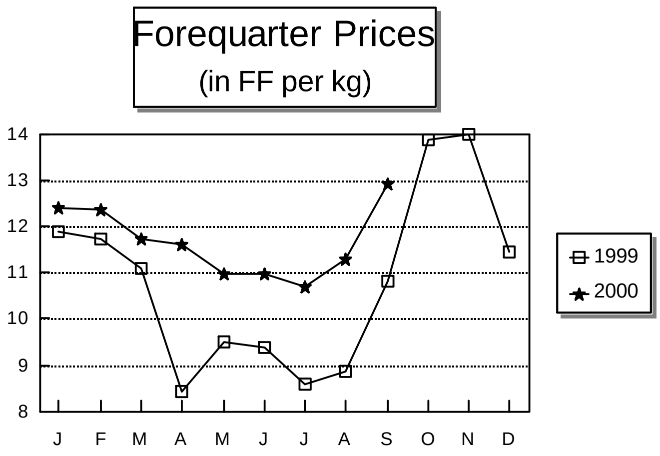


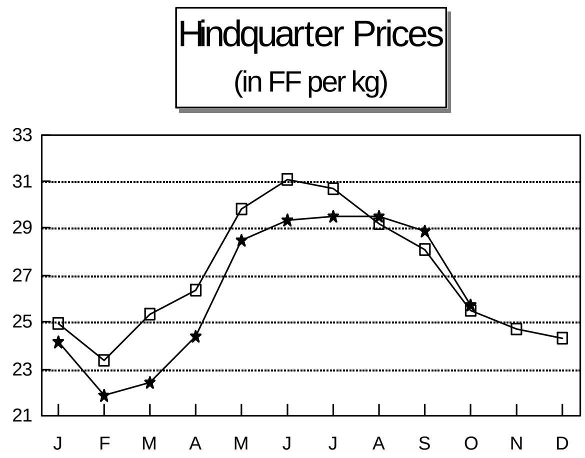
Source: SCEES



The opposite graph represents the fluctuations of producer prices for cattle (except calves) in 1999 and 2000. Until October, prices have been higher in 2000 than in 1999, where they were abnormally low. Lower supply combined with high and stable beef consumption until October 2000 resulted in increased cattle prices. However, prices declined in October and November, as a result of the BSE crisis.

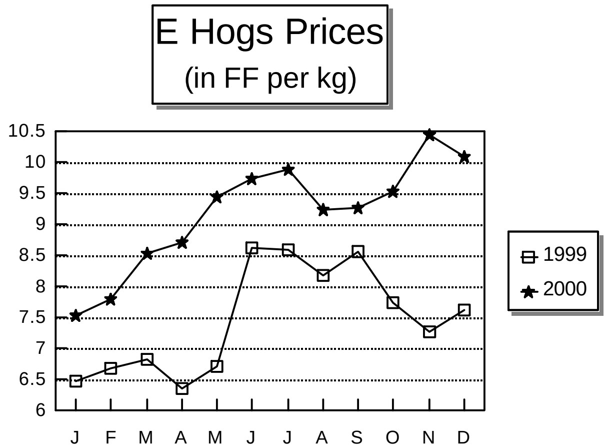
The two graphs below show wholesale prices for R beef on the Paris wholesale market (Rungis). Forequarters are generally purchased in winter and hindquarters in summer by French consumers, which explains their price fluctuations. Prices are unfortunately not yet available for the last months of 2000.



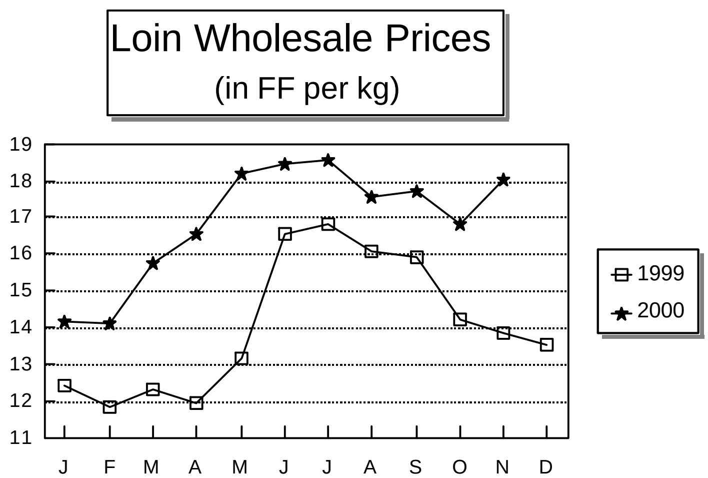


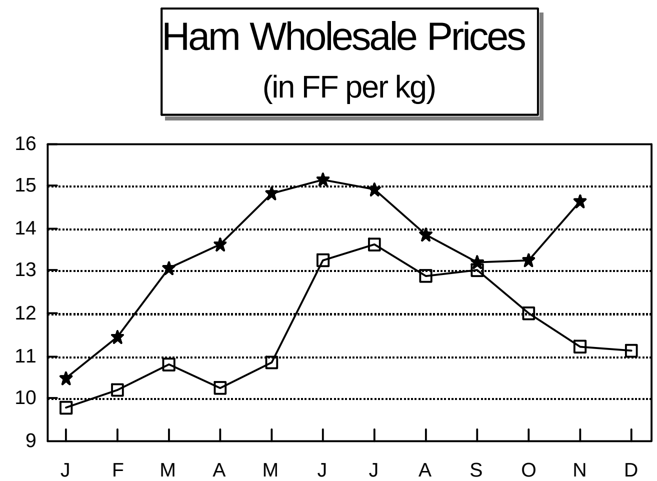
Swine

The year 2000 is expected to be the last year of cyclical pork production decline in France and the EU, and 2001 should be the first year of a new cycle of rising production. French swine slaughter declined by 1.5 percent in 2000 from 1999, and is expected to increase back in 2001. The French swine herd is expected to increase by 1 percent from December 2000 to December 2001.



French pork producer prices increased by 20 percent from their abnormally low levels of 1999 (see opposite graph), and pork wholesale and retail prices also increased in 2000 from 1999, but in lower proportions, as illustrated in the graphs below.





Consumption

Cattle

French beef and veal consumption increased by 1.6 percent during the 3 first quarters of 2000 relative to the same period of 1999, and declined by 25 percent in the last quarter, due to consumer fear of BSE. As a result, total beef and veal consumption was estimated to drop by 5.7 percent throughout the year 2000 from 1999. In 2001, consumption is forecast to be down 3 percent from 2000, as a result of partial recovery from its low levels of late 2000.

Three surveys conducted by various poll institutes (CREDOC, SOFRES and IFOP) from May to December 2000, looked into French consumers' attitudes toward beef. Their conclusions were:

- 14 to 18 percent of consumers stopped purchasing beef in fear of catching nvCJD, or as an action to protest against productivity-oriented agriculture;
- 25 to 27 percent French consumers reduced their beef purchases because they switched to smaller volumes of specialty beef sold in small butcher shops, where prices are higher than in supermarkets. Some people also explain that they eat less beef to limit the risk of catching nvCJD;

- 52 to 57 percent consumers have not changed their purchasing habits. They believe that BSE risk belongs to the past. However, some of them have stopped feeding their children beef.

During the 2000 crisis over BSE, French consumers reduced their beef purchases and partially replaced them with pork, poultry, lamb and horsemeat. Total meat consumption declined, and consumers seem to have turned to other sources of protein, such as seafood and prepared meals. Also, specialty beef is estimated to have benefitted from the crisis, since consumers trust this meat more, which comes from the French beef herd (mainly Charolais and Limousin breeds) and is traced from ranchers to retailers, meeting high quality standards.

Swine

French pork consumption declined by 1 percent in 2000 from 1999, due mainly to higher retail prices, triggered by increasing producer prices. Consumption in 2001 is likely to go up 2 percent, as a result of growing supply (production and imports) combined with reduced exports.

Trade

Live Cattle

French imports and exports of live cattle declined in 2000 from 1999. Reduced imports resulted mainly from lower shipments from Germany and Belgium during the three first quarters of 2000, accelerated by the BSE crisis during the last quarter. French exports of live cattle increased during the first nine months of 2000 from the same period of 1999, due mainly to higher shipments to Italy, Spain and Lebanon, but exports were sharply cut in the last quarter of 2000, principally to Italy, Greece and Germany.

It is difficult to predict trends for live cattle trade in 2001, since these will depend on beef consumption trends in France and the EU, and on EU policy to manage the beef crisis. However, a decline may be expected in both imports and exports, due to an increased share of domestically-produced beef in French and other Member States consumption. This was observed in France as an impact of the first BSE crisis in 1996.

Beef and Veal

The decline in French beef and veal trade in 2000 and 2001 is estimated for similar reasons as trends in live cattle trade. Also, French beef exports were significantly down to Russia in 2000, due to the sharp decline in stocks of frozen beef in France and the EU.

Live Swine

French trade of live swine declined significantly in 2000 from 1999. During January-September 2000, French exports of piglets to Spain were less than half their level in the same period of 1999, and imports, mainly from the Netherlands and Spain, declined. Exports in 2001 are likely to be limited by higher producer prices.

Pork Meat

While exports of frozen pork to Russia had been favored by restitutions in 1999, they declined in 2000 because of the sharp decline in export restitutions in June 2000. French exports to South Korea and Japan increased significantly in 2000, but volumes were limited compared with those shipped to Russia. In 2001, exports are likely to continue to decline because of the absence of restitutions to Russia. Reduced shipments to Russia are expected to be offset partially by increased exports to EU Member States.

Stocks

Beef and Veal

Two categories of beef stocks exist. Public stocks are quantities of beef purchased under intervention conditions by the EU. Intervention was opened for beef on December 12, 2000 as a market management tool. For France, 5,000 MT were accepted under intervention in December 2000, and stocks are expected to increase to 35,000 MT in December 2001.

The second category of stocks is private storage, which appears in the PS&D table under the "other use, loss" line. Private storage was launched at the EU level in December 2000, and 50,000 MT of cow meat were stored by French companies under this scheme. However, this meat was not tested for BSE before it was stored, and this may be a problem for releasing it on the market, since all animals over 30 months must be tested for BSE before entering the food chain, as of January 1, 2001.

Policy

Cattle

1. Animals over 30 months must be tested for BSE or taken from the food chain

The EU decided that in 2001, animals over 30 months will have to be tested for BSE before entering the food chain, or purchased for destruction. This was made compulsory by the EU for animals presenting a risk from January to June 2001, and all animals over 30 months from July to December 2001. The GOF made it compulsory as of January 1, 2001.

The implementation of this scheme started with difficulty in the first half of January, owing to a limited number of laboratories approved for BSE testing by the French Food Safety Agency (AFSSA), compared with the large number of laboratories spread all over France. This resulted in reduced slaughter of animals over 30 months, because farmers did not want to have their animals purchased for destruction, and preferred to wait until testing programs worked well.

The number of laboratories approved by AFSSA to perform BSE tests was extended from 13 to 29, to date, and their capacity is 7,000 tests per day. They perform the quick tests, principally with the Prionics technique, and rarely with the Biorad/CEA equipment. When a quick test results in a positive, it is verified in the national reference laboratory of AFSSA, located in Lyon. To date, only one case has been confirmed positive under this program, out of a total of 72,000 tests performed.

The objective of the GOF is to tests 40,000 animals per week. While the GOF formerly wanted to fund the BSE testing program through a tax on retailers, it recently decided, in conjunction with the beef industry, that consumers will fund the program: retail prices will be increased by approximately 2FF/kg (29 cts/kg).

2. Meat and Bone Meal Ban from Animal Feed

The GOF bans meat and bone meal (MBM) as well as fats otained from MBM and from bone processing to make gelatin. There are 250,000 MT fats and 850,000 MT MBM produced in France annually from cattle slaughter, which have to be taken from the food chain. The GOF charged the Prefet Mr. Jean-Paul Proust to find ways of disposing of these MBM and fats. Retailers (mainly supermarket chains) pay a tax (so called "rendering tax") to fund the program disposing of MBM and fats.

Currently, there are 12,000 MT of fats stored in four places in France (in Dunkerque, Le Havre, Ambes, and Brest). These will be sold through bids as a fuel to industrials, saving FF 200 million (USD 28.6 million) of storage for the GOF.

In addition, there are 17 sites of storage of MBM across France, whose total capacity is 400,000 MT. The cement industry will expand its capacity to burn 450,000 MT of MBM per year. In addition, recycling may be used though "phenolic concrete" made from MBM and resin, as is the case in Denmark.