

## **BEEF PRODUCTION IN THE EUROPEAN UNION AND THE CAP REFORM**

### **An overview of situation and trends**

#### **General picture of the EU beef and veal sector**

The importance of the EU beef and veal sector goes beyond the economic figures, which alone are significant: 10% of the total value of the EU agricultural production and 13% of the world beef and veal production. The social and environmental role of the sector is equally important: sustaining rural populations and countryside. In the last 10 years however, beef production in Europe has been declining, mainly due to disease crises and the consequent reduction in demand. The EU enlargement has also contributed to lower production, because of transition issues in the new member states.

Among the variety of beef production systems in Europe, two main types stand out: pasture-based systems in the west and cereal-based systems in the central-eastern parts of Europe and the Mediterranean. Combinations of these systems are also commonly found. A wide range of different farm sizes and final products is found in the different parts of Europe.

Historically, the EU has been a major beef exporter. However, the year 2003 marked the shift in the EU beef trade balance, with beef and veal imports exceeding exports to date. Reduced production and policy changes led to this change.

As regards consumption trends, these have changed significantly over the past decades, mainly influenced by economic reasons and health issues. Europeans like beef and veal and this is demonstrated also by the recovery of consumption in the last 5 years, stimulated also by the European Union.

#### **EU policies in support of the beef sector**

The Common Agricultural Policy (CAP) is the EU policy instrument determining the development of the beef sector. Established in 1962, the CAP has undergone numerous changes over the decades. The last CAP reform in 2003 reflects growing concerns about food safety, environmental preservation, farm income and sustainable development in the ever-larger EU and the ever-demanding international trade setting.

The 2003 CAP reform introduced the Single Payment Scheme (SPS), a system of annual aid paid to producers irrespective of production ('decoupled'). National ceilings determine the maximum amount of direct aid payments that each State can apply. There is also the possibility of 'partial decoupling', i.e. maintaining a proportion of direct aids in their existing form. Producer payments in the new EU members will be phased in over a 10-year period starting from 2004, converted to Single Farm Payments (SFP) in 2005 at 30% of the EU-15 level.

The SPS came into operation on 1 January 2005. Member States may decide to apply the SPS after a transitional period (until 31/12/2005, or 31/12/2006), where special agricultural conditions so justify. There is provision for additional payments during the transition period, to ensure equal treatment among farmers and avoid market distortions, to support environmental protection activities, or to improve the quality and marketing of production. The SPS provides for national flexibility in the calculation and application of payments.

The application of cross compliance standards is obligatory in the SPS. These regard good agricultural and environmental conditions, as well as animal health and welfare standards. The preservation of permanent pasture area at farm level is also included in the 2003 CAP reform.

#### **Prospects of the beef sector after the reforms**

According to the latest report of the European Commission's DG Agriculture, the medium-term agricultural income projections display an increase of 11.7 % between 2004 and 2012. A steady demand and a tight domestic supply are expected to result in firm prices over the projection period, attracting

more imports entering at full duty, notably high-quality beef cuts from South America. Extra-EU-25 exports will be more and more constrained by low domestic availability and lower competitiveness and exports are projected to continue their declining trend. It is expected to remain so over the projection period as production would decrease to around 7.6 million tons by 2012, in line with the structural reduction of the dairy herd and the impact of the introduction of the SFP. The medium-term review of the CAP in 2008 will evaluate the concrete results of the reform.

At farm level, the reforms will encourage farmers to select the type of production according to market demand and production capacity of their farms. The majority of farms will continue operations, while some will cease operations due to the ageing agricultural population or low profitability. Reforms will highlight the need of farmers to draw their own strategy in order to adapt to the new requirements.

### **EAAP: Services offered to the EU Beef sector**

- Role of the EAAP Beef Task Force

In June 2005, the EAAP Council established the Beef Task Force (BTF) within its Cattle Network Working Group to monitor developments in the beef sector in Europe, to identify research needs and priorities in developing tools and methods for policy impact analysis and for monitoring and analysis of farm strategies. It is composed of experts and researchers from the EU Member States representing some 80% of the beef production in the European Union. The BTF has agreed on the methods of defining standard procedures for monitoring and analyzing economic efficiency of beef farm operations. In addition to its role in policy analysis, it will also serve as a forum for the exchange of information and experience and as a body for the development and coordination of Community financed research projects within the scope of its mandate and expertise. Its findings and recommendations will be forwarded to the EAAP Council, to Member Organizations and to national and EU representative farmers associations.

- Role and future steps of EAAP

EAAP, as the unique organization composed of national representative bodies encompassing animal research and science, administration and animal industry, is best placed to provide this type of services to its Members, particularly in view of the fact that out of 38 national member organizations, 23 come from the EU Member States and four from the EU candidate countries.

Through the programs and activities of its technical bodies (Study Commissions on Cattle and on Farm Animal Production Systems, Cattle Network Working Group and Beef Task Force) it will support national efforts in monitoring and analysis of impact of SPS on various production systems, of developments in beef production and consumption in Europe and of the impact of global trends on the European situation.

Research programs of the EAAP Members also include genetics, nutrition, farm management and health as scientific disciplines with a direct bearing on the efficiency of the beef sector. Annual meetings of EAAP are fora for the exchange of information on results and achievements in the field of animal research. Sessions of study commissions and working groups as well as numerous symposia deal with specific issues related to animal production, quality and safety of animal products and technical and economic efficiency of the animal industry. Research results are published in EAAP scientific and technical series.

Upcoming symposia to be organised during the EAAP meetings in 2006 (Antalya, Turkey) and 2007 (Dublin, Ireland) will deal with cattle production in the eastern part of Europe and with the impact of the CAP reform on beef production, respectively. The second symposium will also discuss reports of the Beef Task Force on the impact of the implementation of the SPS in the beef sector.

Cattle Network website ([www.cattlenetwork.net](http://www.cattlenetwork.net)): contains information on key topics and events in fields related to the cattle industry, including EU policy, markets, prices, training and job opportunities, new publications, fairs and activities of professional organizations and associations of cattle producers and breeders.