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#### NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	Market situation: EU pig and poultry sector – challenges and future perspectives

With a view to the meeting of the Special Committee on Agriculture on 9 September 2024, delegations will find in the Annex a background document on the above-mentioned subject.

## **EU pig and poultry sector – challenges and future perspectives**

### **Pig sector- overview and short-term outlook**

The European Union ranks second after China in pig meat production globally, contributing 18 % of the world's pig meat production. The EU produced 20.6 million tons of pig meat in 2023. To put this into context, EU production in 2022 nearly reverted to the low levels of 2009. (*Source: [https://agridata.ec.europa.eu/Reports/Pigmeat\\_Dashboard.pdf](https://agridata.ec.europa.eu/Reports/Pigmeat_Dashboard.pdf)*). Current data show a reduction in pork production for the last three years, due to various events such as problems with the input supply chain; increased African Swine Fever (ASF) outbreaks in Europe; reduced demand from China following domestic production recovery; increased concerns by producers about meeting future EU legislative requirements, increased input costs and, as in other sectors, limited interest among the younger generation.

The European Union now produces less pig meat than it did two decades ago. The EU is self sufficient in pig meat and edible offal, while parts and organs which are less popular or not consumed in the EU are exported to countries that have a demand for these products. The gap between Europe and other major pig meat producers – like China, the USA and Brazil – has widened in terms of production requirements and costs. Nevertheless, Europe remains a hub of innovation and progress in the pig industry.

The average market price for “E” grade pig carcass has shown a growing trend since 2022. High production costs of recent years have been reflected in producer prices which in turn increased pig meat prices. Reduced pig numbers and constant domestic demand for pig meat paired with export demand, even if decreasing, have kept prices stable. On the other hand, there are factors that put pressure on farmers like high interest rates, labor costs and labor shortages. In addition, the ongoing conflicts in Ukraine and in the Middle East are risking the prolongation of difficulties or causing disruptions in international trade of goods. This may lead to higher shipping costs or delays which may result in the replacement of EU-produced goods by cheaper products from third countries. Such developments would result in increasing input and agricultural commodity prices.

According to the EU Agricultural Outlook report 2023-2035, pork production is expected to fall by 0,9 % per year between now and 2035, although sales will be maintained at a relative high level because pork is the meat preferred by local consumers in most EU countries.

In the European Union, protein consumption is already high, with a slightly bigger contribution from meat than dairy. EU per capita consumption is projected to decrease by 0.7 % per year, falling to 29.7 kg in 2035. Among meat products, declines in pig meat, bovine and ovine meat consumption are expected to be partly offset by increasing poultry meat consumption which will increase its share in the total meat basket to more than 30% by 2033. Regardless of some decline by 2033, pig meat will still account for half of the total and per capita meat consumption and in the EU remain more than double the world average level.

Over the next decade, the global livestock population is projected to expand by 10%, according to the OECD-FAO outlook, whereas output on a protein basis will increase by 14%, indicating further intensification of livestock production. Expanding animal herds and the continuing intensification of production systems, fuelled by income-driven demand for animal protein and rising populations, are projected to lead to an increase in protein-equivalent feed demand globally. This also indicates an overall improvement in animal genetics, feed technology and herd management. An increase in feed conversion efficiency as well as overall feed use is expected especially in Southeast Asia, where expanding pig and poultry production will raise demand for imported protein meal and cereals.

## Poultry sector overview and short-term outlook

The European Union is one of the world's largest poultry meat producers, and together with the pig sector they are the biggest animal producing sectors in the EU. The poultry industry employs around 300,000 people directly and indirectly (*Source: AVEC*). The annual production of the EU poultry meat sector is around 13.4 million tons. The EU self-sufficiency rate exceeds 110%. Since 2001 the trade balance of the EU poultry sector has been positive both in volume and value, and the EU exports twice as much poultry meat as it imports. The main products exported are those where the EU is more competitive globally and where there is weaker demand domestically (wings, legs, and offal). EU poultry imports, mostly supplying foodservice and food processors, recovered after COVID-19. In addition, autonomous trade measures provided to Ukraine with duty-free quota-free market access (valid until June 2025) have led to a significant increase in imports of poultry meat in recent years. According to the latest EU agricultural outlook by 2035, imports are likely to have increased only slightly compared to current high levels, to a level of 910 000 tons.

In recent years, the poultry sector has faced numerous challenges. Various epidemics, Brexit, unprecedented increase in energy, feed and input prices, and cheaper import products have also caused serious competitive disadvantage to EU producers. Moreover, poultry meat production in the EU has to meet high environmental standards and provisions, which makes production more expensive.

Despite all the challenges, the long-term shift in meat consumption towards poultry continues to strengthen. The EU short term outlook anticipates that the increase in EU per capita poultry meat consumption of 3% in 2023 continues also in 2024, therefore the per capita consumption of poultry could grow by an additional 2%, while consumption of other meats stays stable or declines.

With favorable meat-to-feed price ratios compared to ruminants, together with a short production cycle, poultry producers can quickly respond to market signals while taking on board rapid improvements in genetics, animal health, and feeding practices.

On the basis of the regulations stemming from the EU Green Deal and Farm to Fork Strategy, new environmental and animal welfare obligations have to be respected by animal husbandry producers including pig and poultry. In addition to this, the poultry sector has to reckon with the fact that avian flu will become a permanent disease in the future and its prevention will raise the cost of production.

### **Trade policy issues of the sectors**

The European pig and poultry sectors are world-leaders in animal welfare, environmental sustainability, food safety, quality and traceability. All this can be favourable for markets' changing consumption preferences, quality needs and social expectations. Hence, the cost of production is higher for European pig and poultry producers than for its competitors.

For the future of these sectors, new trade deals and barrier-free market access in export destination countries play an important role in diversifying outlets for these sectors. It is of fundamental interest that, in addition to promoting fair cooperation, these instruments also serve the sustainability of the sectors.

European pig and poultry growing export rates have been capped by trade restrictions at its main export destinations because of animal diseases (outbreaks of ASF and highly pathogenic avian influenza), the non-recognition of regionalisation by trade partners or protectionist measures against imports.

### **Pig and poultry sectors in terms of CAP**

The pig and poultry sectors are not eligible for CAP coupled income support. Instead, they can benefit from investment support, or other types of support related to animal welfare and antimicrobial resistance.

The current CAP increases subsidiarity by allowing each Member State to establish its own Strategic Plan (CSP) based on national needs and structured around the nine specific objectives, cover planned interventions financed from both CAP funds and set quantified targets through indicators for the entire programming period.

To maintain the favorable position of the pork and poultry industry in the future the sectors need strategies which address problems and challenges. The pig and poultry sectors have to focus more on quality and profitability, on the development of European consumer preference as well as that of the export destinations, and on furthering the integration of the sectors. For the pork sector, a dedicated European Pigmeat Reflection group produced a report with recommendations for the future of the sector ([https://agriculture.ec.europa.eu/document/download/45d6784a-0a68-41dc-a7ffe9837dff9461\\_en?filename=report-european-pig-reflection-group\\_en.pdf](https://agriculture.ec.europa.eu/document/download/45d6784a-0a68-41dc-a7ffe9837dff9461_en?filename=report-european-pig-reflection-group_en.pdf)).

**Questions for the discussion:**

- 1. What are the biggest challenges the European pig and poultry sectors are facing at European and International level? Are there any specific structural or market problems?*
- 2. Are support measures in the current CAP toolbox fit for purpose for supporting a competitive, resilient and sustainable sector for both pig and poultry?*
- 3. How can crisis situations be better handled in the sectors and what type of prevention, risk management and crisis handling measures would be needed in the future to efficiently tackle the challenges?*