What Drives European Beef Production?

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EU Beef

- Only 19% of total EU meat market
- 13% of world beef consumption
- 2nd largest market after the US
- 7% of world imports
- Big variations in consumption levels by country
- Widely diverse production systems

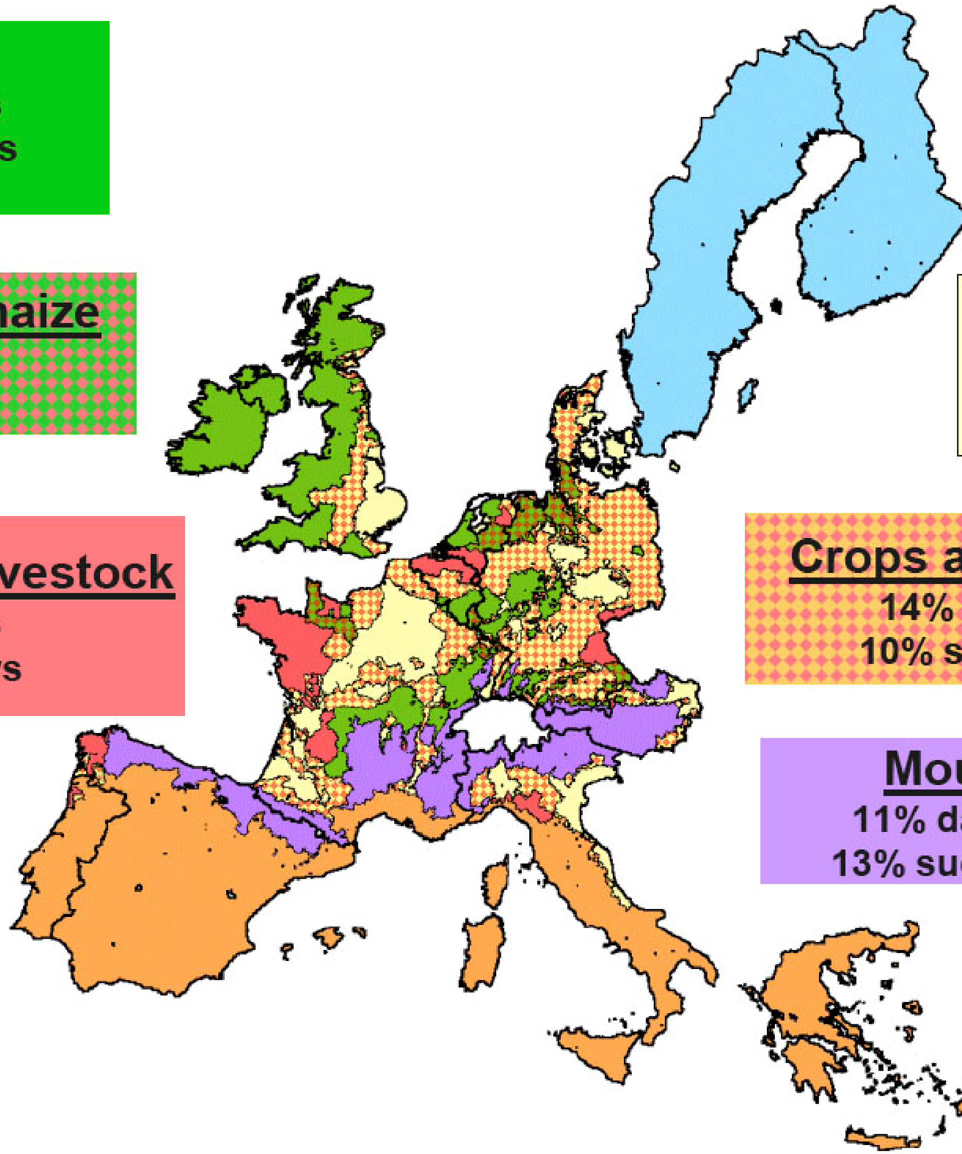
Diversity of Beef Production Systems

Grasslands
23% dairy cows
34% suckler cows
33% sheep

Grasslands and maize
11% dairy cows
3% suckler cows

Forage crops and livestock
26% dairy cows
18% suckler cows

Mediterranean
17% suckler cows
48% sheep



Nordic
4% dairy cows

Crops
5% dairy cows
4% suckler cows

Crops and livestock
14% dairy cows
10% suckler cows

Mountain
11% dairy cows
13% suckler cows

Distribution of areas and animals per zone

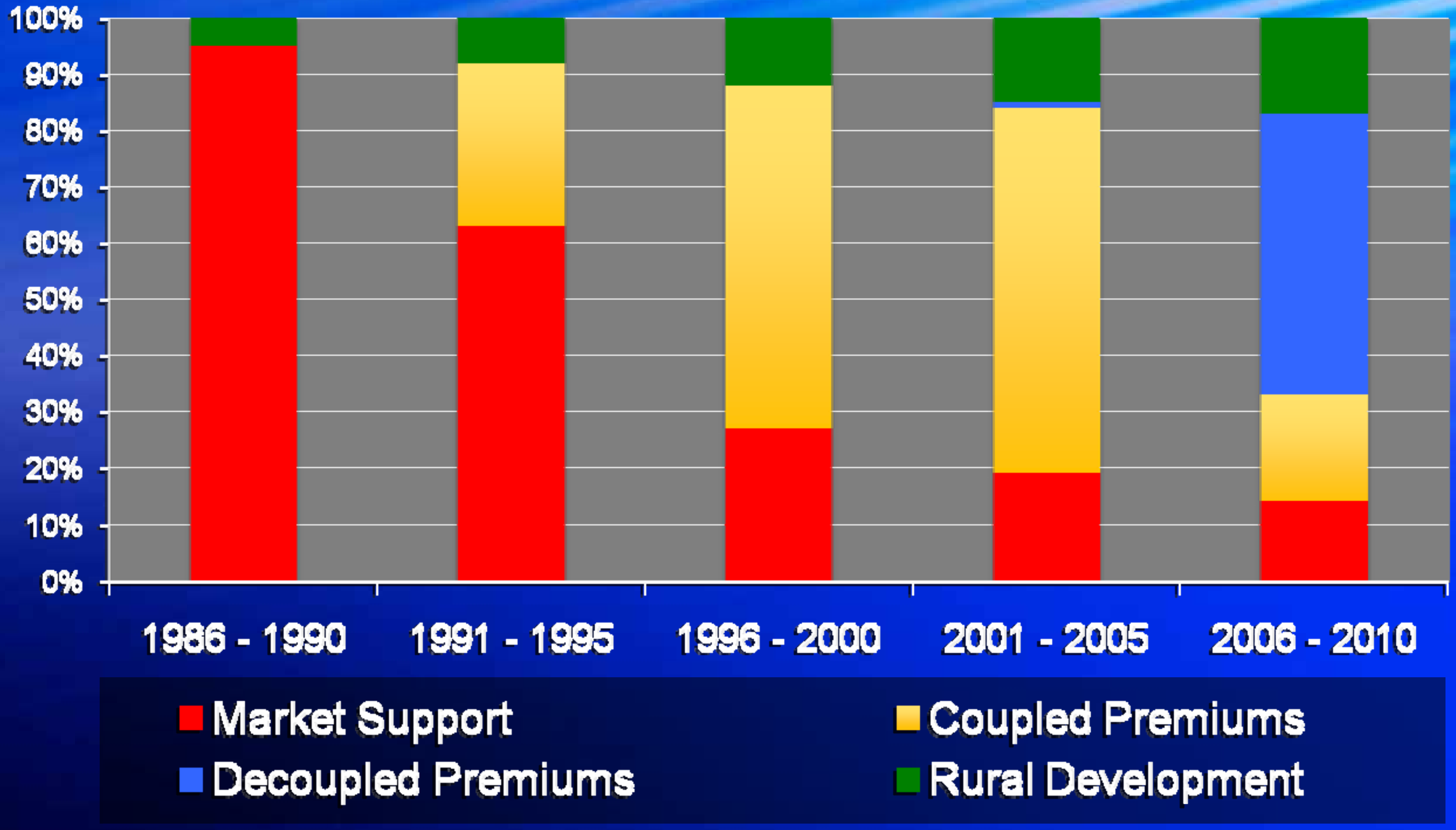
AHDB Agriculture & Horticulture Development Board

Source : Eurostat – Structure Census 2000 adapted by the French Livestock Institute

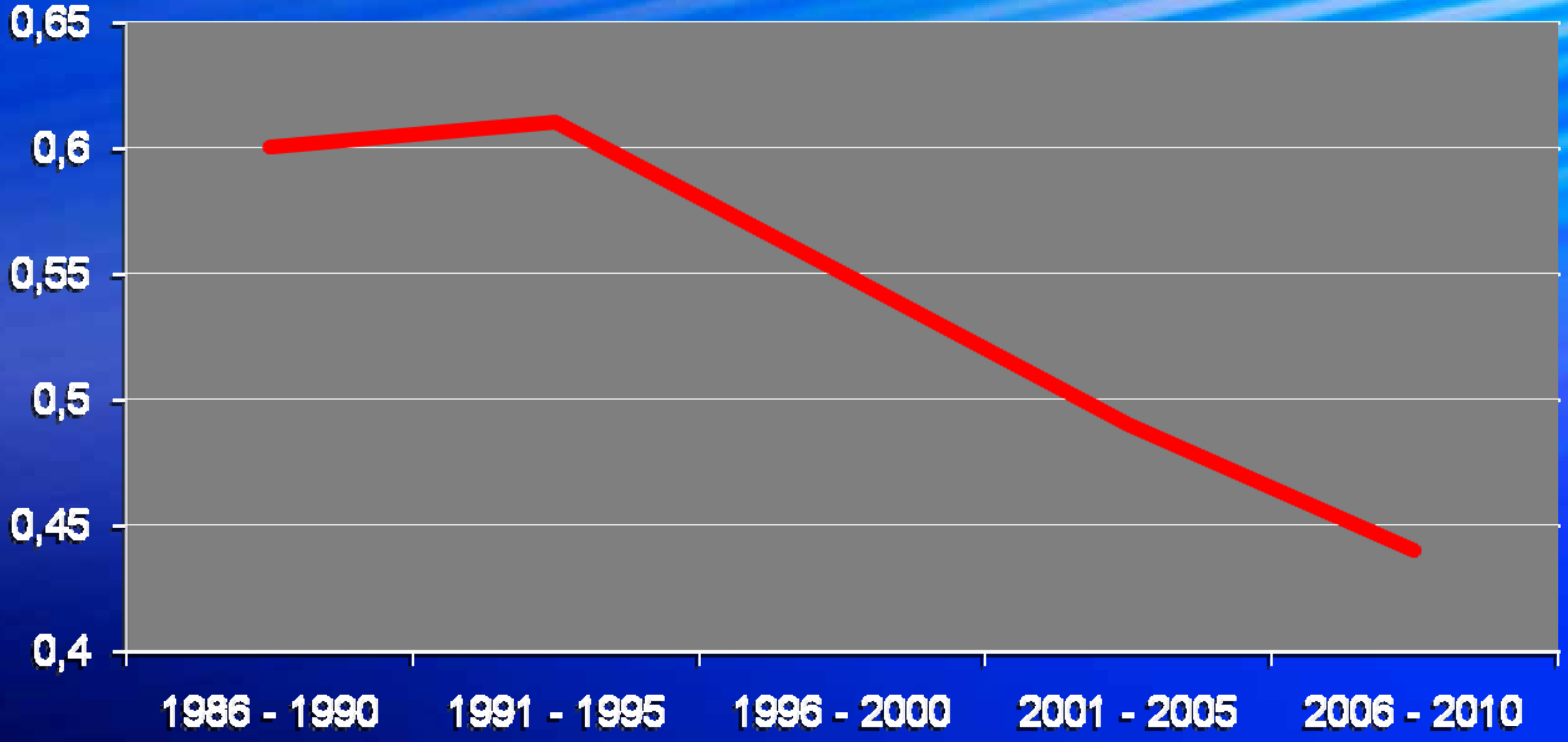
Key Drivers

- Policy – EU and International
- Consumer Preferences
- Structural Factors
- Competitiveness
- Production Costs
- Environmental Issues

% EU Farm Support Measures
(1986 – 2010)



CAP Spending as % of EU GDP



EU support payments vital for most beef producers

Further Reform of CAP from 2014

EU Commission ideas currently under discussion	Proposed EU Budget from 2014 still to be announced	EU Commission proposals to be made	Agreement to be reached on CAP & Budget	Implementing Rules to be agreed	New CAP starts ?
Now	Later in 2011	Dec 2011	Dec 2012	During 2013	Jan 2014

Many Challenges for EU Decision-Making

Role of
European Parliament

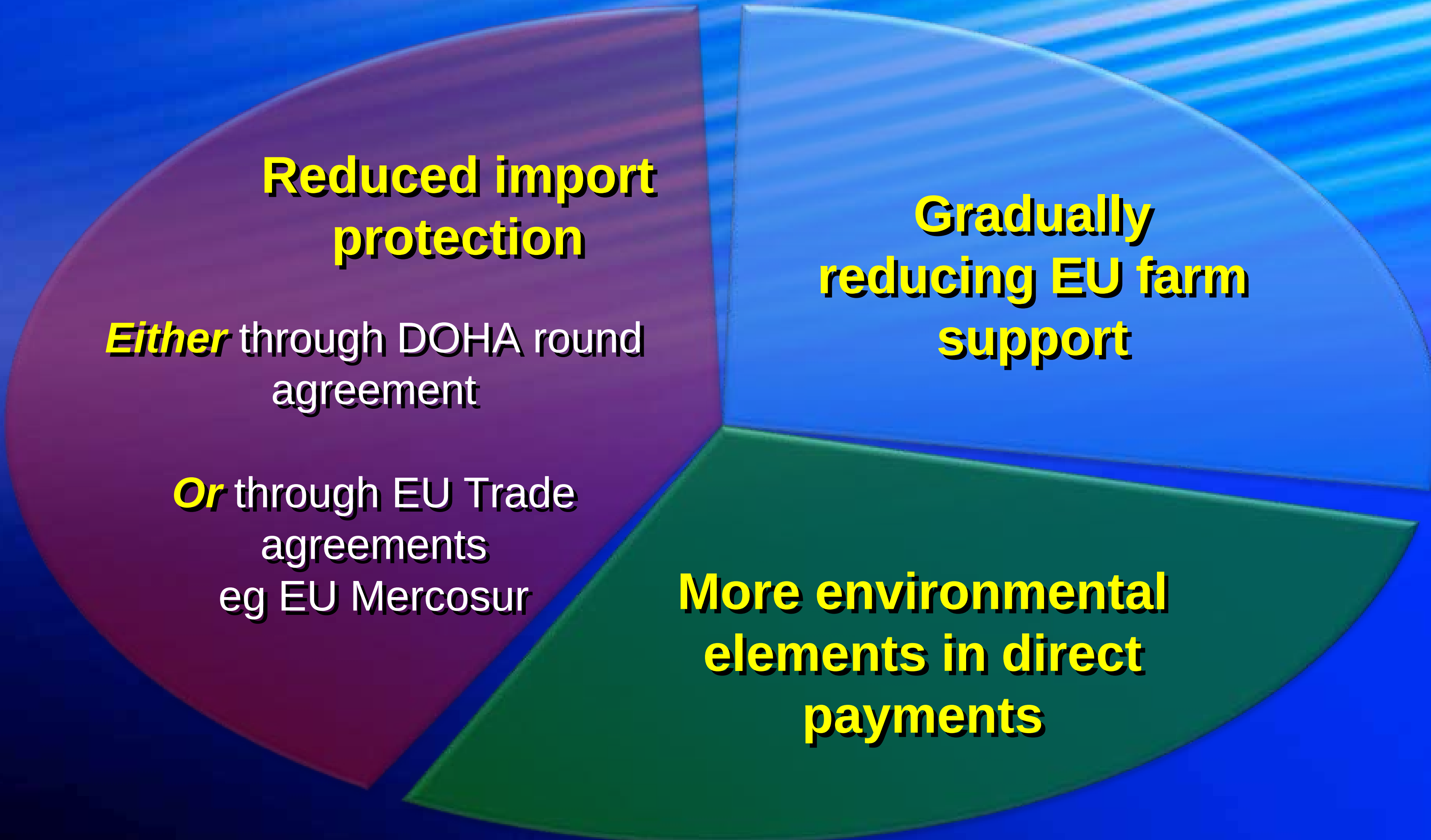
27 EU
member States

Divergent Views on
the EU Budget

CAP to fund ‘public goods’

New challenge of climate change

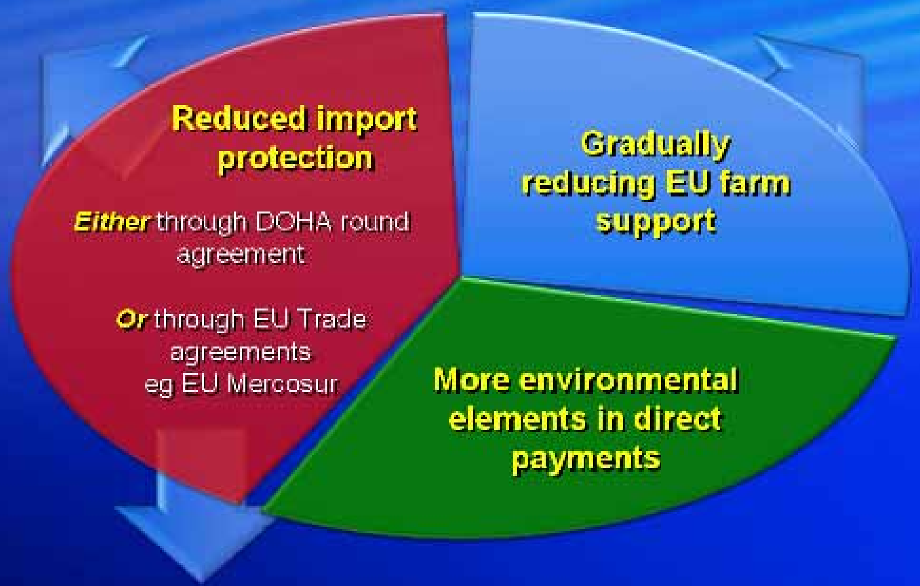
Likely Key Features of Policy Factors to 2020



Resulting by 2020 in:

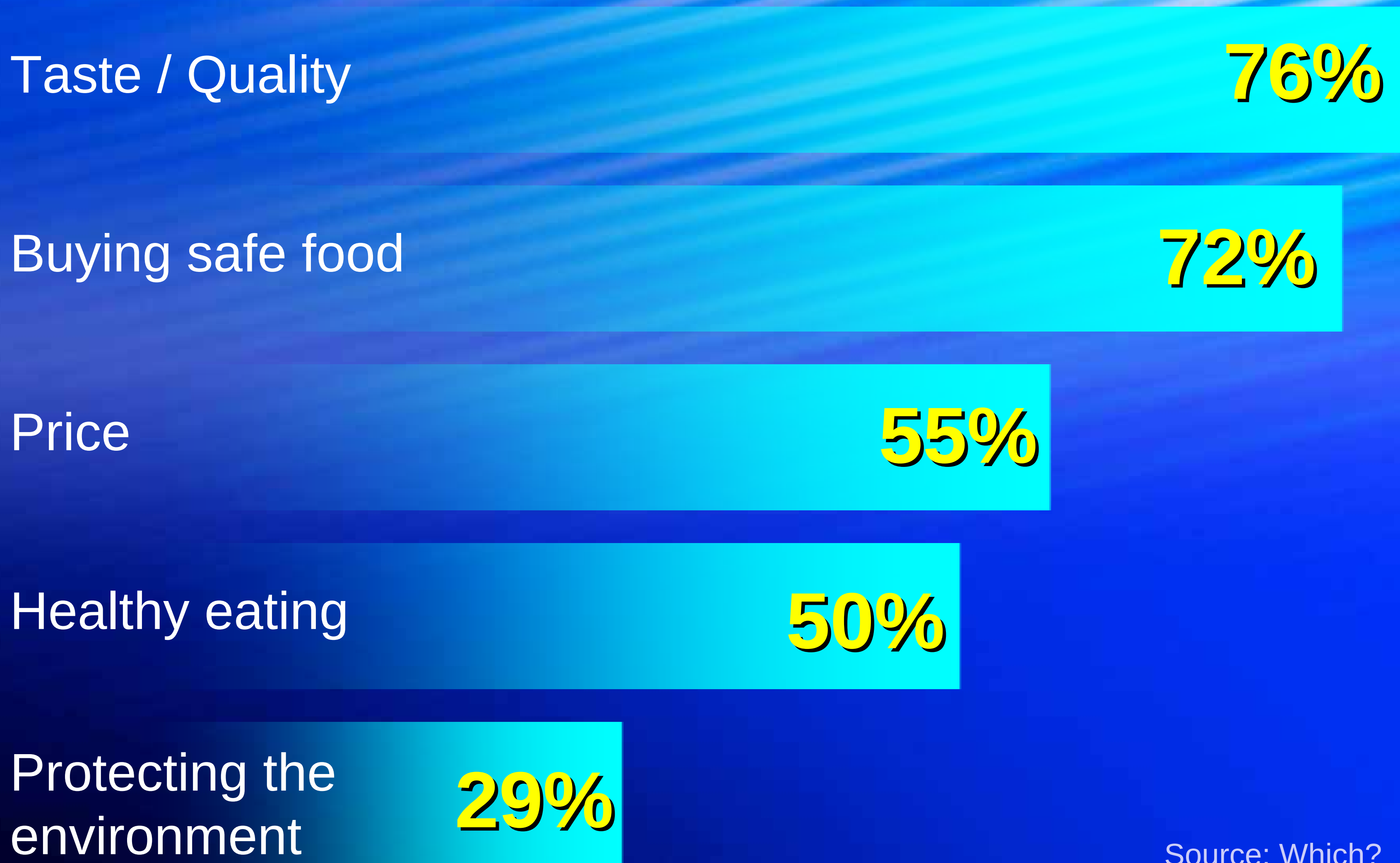
More imports but retailers/food service insisting on higher standards

Lower cattle numbers <u>but</u> productivity increases



No significant decline in EU beef consumption

Factors Influencing Consumer Buying Decisions (UK)



Source: Which?

Consumer Attitudes to CAP

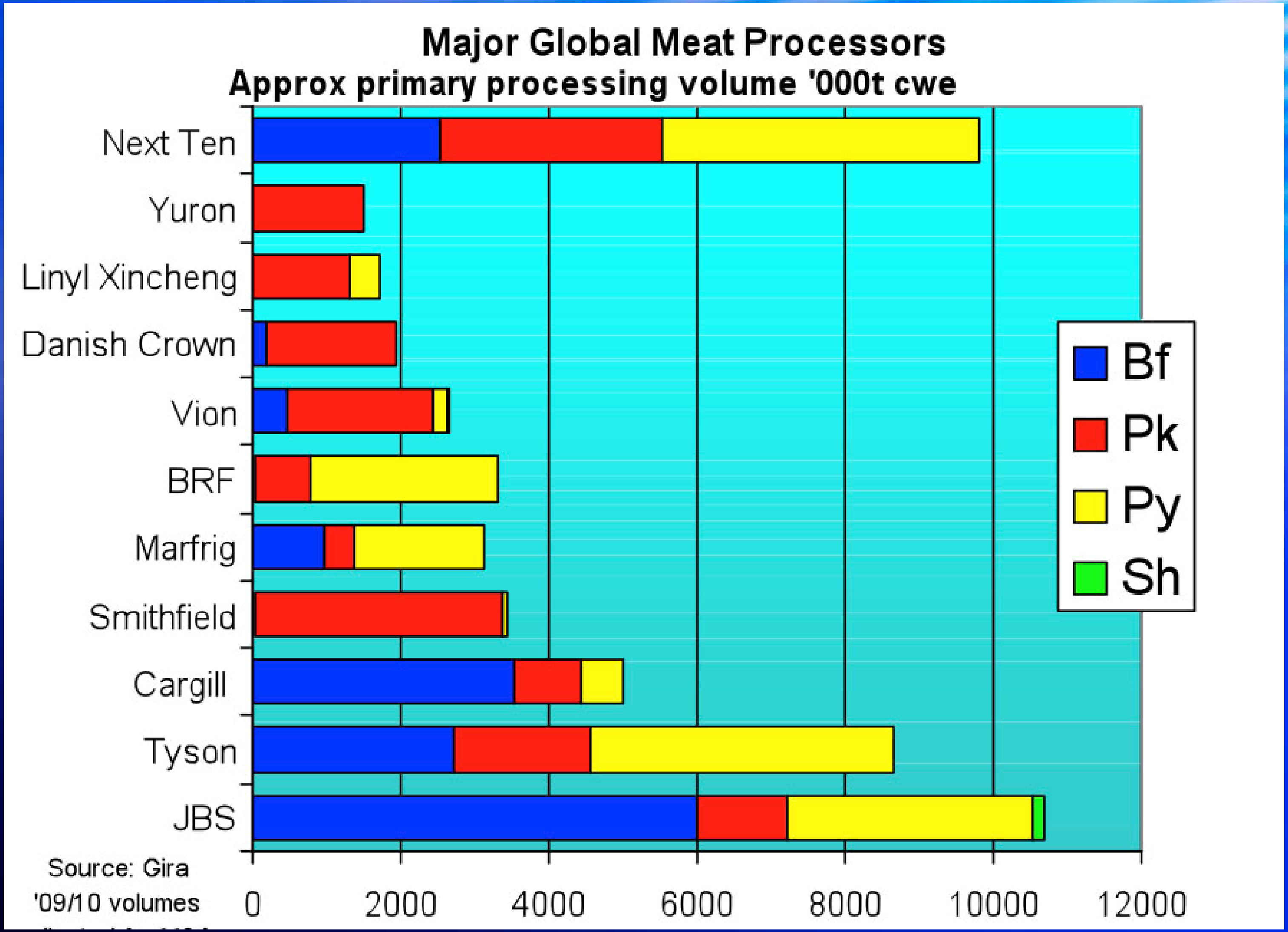
What should be the Priorities?

Source: Which?

Europe's Largest Grocery Retailers

TESCO REWE Auchan EDEKA LIDL ALDI Carrefour

Largest World Meat Companies
– By Volume



Increasing Power of Retailers and Food Service Operators resulting in:

- More concentration among companies
- Wider role for key processors
- More necessity for integrated supply chains

Leading to greater diversity of products on sale:

Convenience 21%

Finer Foods 16%

Upmarket 27%

Mainstream 25%

Healthy 15%

Mid-market 45%

Traditional 11%

Price Sensitive 17%

Less Affluent 28%

Older Adults

Younger families

Older Families

Young Adults

Pensioners

Shopping Habits

Geographical area

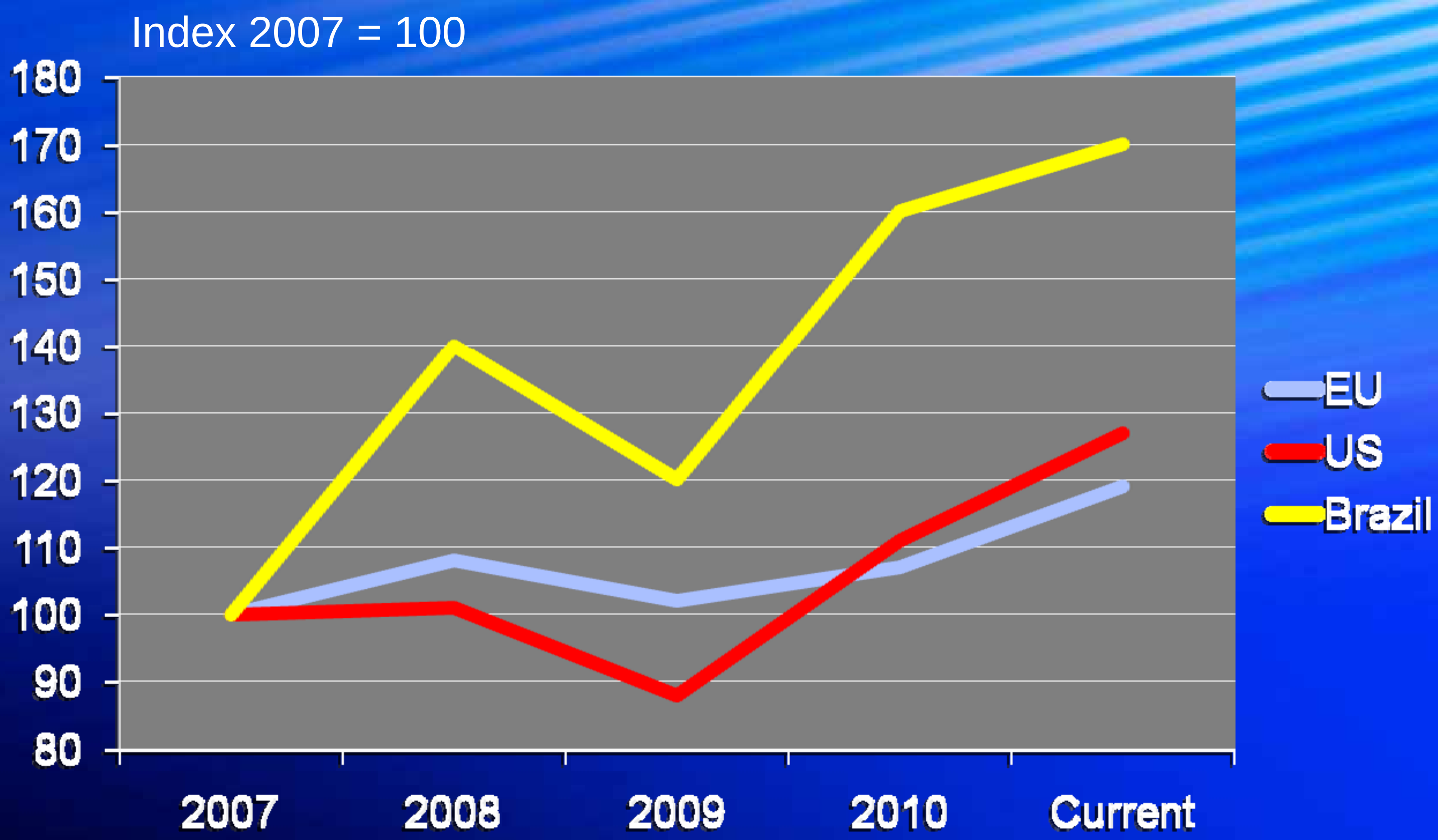
Social Group

EU Beef Processors leading concerns:

- Livestock Quality and Cost
- Capacity Utilisation
- Labour Productivity and Cost
- Currency Risk and Payment Security

Competitiveness increasingly driven by exchange rates

Average price movements for cattle over past 4 years



Key conclusions:

- Gradual reduction in EU farm support
- Competitive threats
- Consumers becoming more demanding
- Greater concentration amongst processors and retailers
- Bigger need for supply chain involvement
- Environmental issues posing challenges to consumption and production