



**F E F A C**

## **DECREASE IN EU COMPOUND FEED PRODUCTION IN 2016 (-1%)**

### **A FURTHER DROP EXPECTED IN 2017 DUE TO AVIAN INFLUENZA & ENVIRONMENTAL RESTRICTIONS**

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#### **Compound feed production estimates for 2016**

The industrial compound feed production for farmed animals<sup>1</sup> in the EU-28<sup>2</sup> in 2016 reached an estimated level of 153.4 mio. t, i.e. 1% less than in 2015, according to data provided by FEFAC members.

As regards cattle feed, the picture is extremely contrasted throughout Europe. The Netherlands and Poland have seen their production of cattle feed increase by more than 8%, whereas France moved in the opposite direction, reflecting the diverging national milk production following the abolishment of dairy quotas. Overall, due to low milk prices, dairy farmers were not encouraged to purchase high performing feed to maximise milk production, resulting in an aggregate downturn of EU cattle feed production of 1.5%.

Although poultry feed production was expected to perform rather well in 2016, the Avian Influenza outbreak at the end of 2016 severely impacted several poultry producing regions of Europe, in particular France where a 4% decrease in poultry feed production was recorded. All in all, EU poultry feed production remained almost stable and is still the leading segment of EU industrial compound feed production, well ahead of pig feed.

On the pig feed side, after two years of moderate growth, the production decreased by 1.5% in 2016. This can partly be explained by the effects of African Swine Fever in Eastern Europe, which weighed heavily on the development of pigmeat production, but also by low market prices for pigmeat in the first half of 2016 and large availability of feed grade cereals at low prices which benefitted on-farm mixing.

| (mio.t)             | <b>2015</b> | <b>2016</b> | <b>%Var 2016/2015</b> |
|---------------------|-------------|-------------|-----------------------|
| <b>Cattle feed</b>  | 42.0        | 41.4        | -1.5                  |
| <b>Pig feed</b>     | 50.2        | 49.4        | -1.6                  |
| <b>Poultry feed</b> | 53.7        | 53.6        | -0.2                  |
| <b>Total</b>        | 155.0       | 153.4       | -1.0                  |

For the third year in a row, Poland was one of the best performing countries, with annual growth of +4.7%, boosted by the demand for poultry feed which has turned Poland into the largest poultry producing country in the EU. The Netherlands, boosted by the demand for dairy feed, recorded a 1% growth vs. 2015. Germany, Spain and Belgium saw their total

<sup>1</sup> From 2016 on, FEFAC does no longer include dry petfood production in its statistics, considering that a large part of the production was missing in national statistics.

<sup>2</sup> Greece, Malta and Luxembourg excluded

compound feed production fall by 1-2%, whereas France saw its production drop by 4%. Germany strengthened its position as leading EU country in terms of total compound feed production, ahead of Spain and France.

The final estimate and detailed breakdown of the 2016 figures will be issued in June 2017.

### **Market Outlook for 2017**

FEFAC market experts are relatively pessimistic concerning industrial compound feed production in 2017. The dairy sector still needs to recover from the severe milk price crisis, thereby likely negatively impacting the dairy herd in 2017, while also national adjustments to meet environmental criteria play a role. These developments may lead to a further reduction of cattle feed production by 2%. The expected stabilisation of pigmeat production in Europe could induce a moderate reduction in demand for pig feed (-1%). Poultry exports will continue to be affected by Avian Influenza, thus putting pressure on EU poultry production and subsequently the feed segment (-0.5%). Overall, this would lead to a further 1% decrease in compound feed production in 2017 vs. 2016.

A number of parameters will evidently affect this outlook. The evolution of outbreaks of Avian Influenza and African Swine Fever will be decisive, in particular in terms of EU export capacities preservation. The scope for reestablishment of Russian imports of EU pork as a result of WTO conclusions on the illegality of the Russian sanitary ban introduced in 2014, may on the other hand offer some opportunities for certain EU countries, although it is unlikely that this development will lead to action in the short term. This case is one among many political factors that undoubtedly will affect the market in the EU and worldwide.

Cereals market quotations are now on a moderate upward trend, after reaching a record low level in autumn 2016. However, the relatively comfortable level of end stocks at global level, the good prospects on the South American harvest and the good state of EU winter cereals plantings should maintain prices at a low level in the first half of 2017. As regards soybeans, signals from South America are positive both in terms of acreage and yields for the spring harvest. An additional positive indication is predicted increase in the US soybean acreage for 2017. Nevertheless, with the demand for soybeans and soybean products increasing at global level by 4% per year, the balance sheet remains tight.

### **Notes to the editor:**

1. FEFAC, the European Compound Feed Manufacturers' Federation, represents 24 national Associations in 23 EU Member States as well as Associations in Switzerland, Turkey, Serbia, Russia and Norway with observer/associate member status. The European compound feed industry employs over 100,000 persons on app. 3,500 production sites often in rural areas, which offer few employment opportunities.
2. Farm animals in the EU-28 consume an estimated 480 million tonnes of feed a year, of which about 30% are produced by the compound feed manufacturers. Turnover of the European compound feed industry is estimated at € 50 billion.
3. For more information see our web site ([www.fefac.eu](http://www.fefac.eu)) or please contact Alexander Döring, Secretary General Tel. +32-2-285.00.50, Fax +32-2-230.57.22, e-mail: [fefac@fefac.eu](mailto:fefac@fefac.eu).