USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 1/27/2004

GAIN Report Number: E24019

European Union

Poultry and Products

Semi-Annual

2004

Approved by:
Justina Torry
U.S. Mission to the European Union, Brussels

Prepared by:
Karin Bendz

Report Highlights:
In 2003 overall EU poultry meat production decreased. The decrease was mainly caused by the summer heat wave and the outbreak of the Avian Influenza in the Netherlands.

The current outbreak of Avian Influenza in South East Asia makes the 2004 forecast difficult, however a large share of the imported chicken meat from Thailand is cooked poultry product, which is not expected to be severely effected by the EU embargo.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Semi-Annual Report
Brussels USEU [BE2]
[E2]

This report reflects the active contribution of:

Xavier Audran from FAS Paris
Bob Flach from FAS The Hague
Steve Knight from FAS London
David Leishman from FAS Rome
Sabine Lieberz from FAS Berlin
Alberto Menghini from FAS Rome
Diego Pazos from FAS Madrid
Yvan Polet from FAS Brussels

TABLE OF CONTENTS

EXECUTIVE SUMMARY

In 2003, the EU Poultry sector decreased from previous levels. The decrease was mainly caused by the summer heat wave, the outbreak of the Avian Influenza in the Netherlands as well as by the continuing decline in French poultry production.

In 2004, EU Poultry production is expected to increase as the Netherlands is recovering from Avian Influenza. French, Italian and to a certain extent Spanish production is expected to continue to decrease. Overall EU imports are expected to decline, due to the complete closure of the loophole on imports of salted poultry meat and the impact of the EU embargo on Thai poultry meat. Overall EU chicken meat exports are expected to grow since Dutch exports are expected to resume. EU turkey meat exports are expected to remain stable. Domestic consumption is expected to continue the normal trend, slightly increasing.

Also in 2004 the effects of Enlargement and of the CAP-reform will start. In the accession countries there is a tendency toward growing poultry consumption. There is also uncertainty concerning the degree of integration slaughterhouses from CEEC[1] countries will have onto the current EU-15 market. As a result many of the poultry products produced and slaughtered in these countries may not be immediately eligible to be placed on the current EU-15 market.

Due to the current outbreak of the Avian Influenza in Thailand and the subsequent ban on Thai exports of poultry to the European Union, the poultry situation is somewhat difficult to forecast. Most of the imported chicken meats are however cooked poultry products, which are not expected to be effected by the embargo. It is forecast that in 2004 there will be fewer chicken imports into Germany, the UK and the Netherlands. However Brazilian imports are expected to compensate for some effects of the Thai poultry ban.

[1] East and Central European Countries

CHICKEN

Commodity	Poultry Meat, Chicken-16wks (1000 MT)(MIL HEAD)					
	Revised 2002		Preliminary 2003		Forecast 2004	
	Old Report	New Report	Old Report	New Report	Old Report	New Report
Market Year Begin	01/2002		01/2003		01/2004	
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	5,950	5,950	5,700	5,850	5,900	5,900
Whole, Imports	0	0	0	0	0	0
Parts, Imports	397	397	420	480	350	400
Total extra-EU imports	397	397	420	480	350	400
TOTAL SUPPLY	6,347	6,347	6,120	6,330	6,250	6,300
Whole, Exports	0	0	0	0	0	0
Parts, Exports	841	841	700	730	800	780
Total extra-EU exports	841	841	700	730	800	780
TOTAL Domestic Use	5,506	5,506	5,420	5,600	5,450	5,520
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	6,347	6,347	6,120	6,330	6,250	6,300

Note: Commercial stocks are included in "total domestic use"

In 2003, the overall EU chicken meat production decreased from previous levels, but not as much as previously forecast. The effects of the Avian Influenza outbreak in Netherlands in the spring of 2003 and last summers heat wave were less severe than earlier anticipated. Production decreased in Netherlands, Italy and France, while production increased in Germany and the UK. The increase in production in Germany was also indirectly due to Avian Influenza since many German broilers were slaughtered in Germany instead of sent to the Netherlands for slaughter. The decrease in French production is mainly due to sluggish demand, both domestically and abroad.

Imports in 2003 increased in Germany, Spain and Italy. The strong increase in Germany can largely be attributed to the fact that the custom loopholes, related to import tariffs for salted chicken, were closed only in August 2003 in Germany, which was much later than in the other EU member states.

On the other hand, imports of frozen cuts continued to surge, despite the higher tariff, since these cuts are much more price competitive for the processing industry than EU produced cuts.

EU exports of chicken meat decreased significantly in 2003 in the Netherlands also because of Avian Influenza. Exports (especially of cuts) increased in France, which benefited indirectly from the Avian Influenza in the Netherlands. There were also slight increases in exports in Germany and Spain. Note that traditional French exports of frozen whole chicken to the Middle East region remained stagnant in 2003.

In 2004 EU production is expected to increase due to the Netherlands recovery from Avian Influenza combined with a small increase in production expected in Germany. Italian, French and Spanish chicken production is expected to decline again, while UK production is expected to remain stable.

Overall EU imports in 2004 are expected to decline due to the full implementation of the closure of the loophole on salted poultry entering Germany. Frozen chicken part imports from Brazil may increase, aided by a strong euro. On the other hand, the sanitary embargo on Thai chicken meat exports may reduce overall EU imports, even if Brazilian imports replace part of the Thai imports. A portion of Thai imports into the EU is made up of cooked chicken meat, which is not expected to be affected by the embargo. EU and Singapore are for the moment the only two countries accepting cooked Thai chicken. Thailand however has capacity of processing more cooked chicken meat if there is a market for it.

EU exports are expected to grow in 2004, set in motion by the resumption of exports from the Netherlands, although French and Spanish exports are expected to decline. French exports may slightly benefit from the embargo on Thai poultry meat but probably less than the Netherlands since France is more competitive on whole chickens. Other Member State exports are expected to remain stable.

Trade sources expect that the Avian Influenza outbreaks in Asia will benefit Brazilian and U.S. poultry exports to Japan, which could in return give opportunities for EU poultry exports to Russia.

Authorities in Thailand expect to have the outbreak of the Avian Influenza under control in two months. The Thai Government has so far appropriated 3 billion Bhat (800 million US$) in compensation for the losses to Thai farmers.

EU chicken meat consumption in 2004 is anticipated to continue the normal trend with a slight increase above 2003 levels, which would result in total domestic use being lower than in 2003.

In late 2004 overall EU chicken consumption is expected to increase due to the growing consumption trend in the accession countries.

EU Chicken production (EU and top 3 Member States) –000 MT

	2003	2004
Total EU	5,850	5,900
UK	1,215	1,220
France	1,002	980
Spain	865	865
Other Member States	2,768	2,835

EU Chicken consumption (EU and top 3 Member States) –000 MT

	2003	2004
Total EU	5,600	5,520
UK	1,313	1,315
Spain	900	905
Italy*	870	865
Other Member States	2,517	2,435

*Italy surpassed Germany and France slightly

EU Chicken exports (EU and top 3 Member States) –000 MT

	2003	2004
Total EU	730	780
France	300	290
Netherlands	100	155
Belgium*	90	90
Other Member States	240	245

* Belgium surpassed Germany slightly

TURKEY

Commodity	**Poultry, Meat, Turkey**					
	Revised 2002		**Preliminary 2003**		**Forecast 2004**	
	Old Report	**New Report**	**Old Report**	**New Report**	**Old Report**	**New Report**
Market Year Begin	**01/2002**		**01/2003**		**01/2004**	
Inventory (Reference)	**2**	**0**	**2**	**0**	**0**	**0**
Slaughter (Reference)	**0**	**0**	**0**	**0**	**0**	**0**
Beginning Stocks	**0**	**0**	**0**	**0**	**0**	**0**
Production	**1,755**	**1,755**	**1,705**	**1,675**	**1,690**	**1,665**
Whole, Imports	**0**	**0**	**0**	**0**	**0**	**0**
Parts, Imports	**88**	**88**	**108**	**108**	**110**	**100**
Total extra-EU imports	**88**	**88**	**108**	**108**	**110**	**100**
TOTAL SUPPLY	**1,843**	**1,843**	**1,813**	**1,783**	**1,800**	**1,765**
Whole, Exports	**0**	**0**	**0**	**0**	**0**	**0**
Parts, Exports	**272**	**272**	**230**	**210**	**230**	**210**
Total extra-EU exports	**272**	**272**	**230**	**210**	**230**	**210**
TOTAL Domestic Use	**1,571**	**1,571**	**1,583**	**1,573**	**1,570**	**1,555**
Ending Stocks	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL DISTRIBUTION	**1,843**	**1,843**	**1,813**	**1,783**	**1,800**	**1,765**

In 2003 EU turkey production was down. This was sharply driven by a decline in all major EU producing countries. In France the turkey producers associations initiated a voluntary decrease in production to prevent overproduction as demand, both domestically and abroad weakened. In the UK, turkey meat is becoming less attractive, leading producers to abandon production. In Germany the decrease in production was caused by competition from cheaper imports, mainly from Thailand.

Overall EU consumption in 2003 was stable. The decline in consumption in the UK was balanced by an increase in Germany where turkey meat is increasingly popular with consumers.
In 2003 EU turkey meat imports increased, fuelled by growing imports of frozen turkey parts from Brazil.

EU turkey meat exports in 2003 decreased due to the competition from Brazil in their traditional export markets (Eastern Europe including Russia and Africa). Additionally, the Russian quota system stifled EU exports.

The EU forecast for production in 2004 shows a decline in most Member States except for in Spain. This overall decline is expected to result from a lack of demand, and competition from cheap imports mainly from Brazil.

In 2004 EU imports are expected to remain stable.

In 2004 exports are expected to increase slightly, due to the resumption of exports from Netherlands, and expected increased German exports, while French exports are expected to remain weak. Higher exports to Africa of cheap MDM[2] turkey meat are not predicted to fully compensate for fewer turkey meat exports to Russia.

EU Turkey production (EU and top 3 Member States) –000 MT

	2003	2004
Total EU	1,675	1,665
France	650	640
Germany	360	370
Italy	339	332
Other Member States	326	323

EU Turkey consumption (EU and top 3 Member States) –000 MT

	2003	2004
Total EU	1,573	1,555
Germany	545	550
France	405	408
Italy	290	292
Other Member States	333	305

[2] Mechanically Deboned Meat

EU Turkey exports (EU and top 3 Member States) –000 MT

	2003	2004
Total EU	210	210
France	110	102
Netherlands	30	40
Germany	25	30
Other Member States	45	38

Visit our website: our website **www.useu.be/agri/usda.html** provides a broad range of useful information on EU import rules and food laws and allows easy access to USEU reports, trade information and other practical information.

You can also E-mail us at: AgUSEUBrussels@fas.usda.gov

OTHER RELATED REPORTS

GM 3042	Higher German egg import from the U.S.
NL 3032	Update Consequences of the Avian Influenza Outbreak