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# EU-25

# Poultry and Products

# Poultry Annual

# 2004

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**Report Highlights:**
With the accession of the 10 New Member States (NMS) in May 2004, the poultry sector in both EU-15 and the NMS is expected to undergo significant changes over the coming years. The 2003 reform of the EU Common Agricultural Policy (CAP) does not directly affect the poultry sector, but could have some indirect impact through structural changes in the feed sector, as well as through the implementation of new environmental and animal welfare standards. Production structures in the NMS are fairly well developed, however technical indicators such as feed conversion are typically lower than in the EU-15. Chicken production in Poland and the Czech Republic is growing very fast, as exports to EU-15 countries increase.

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Note: this report focuses solely on broiler (chicken under 16 weeks) and turkey production in the EU-25. It does not report on Guinea Fowl, Ducks and other fowl productions, which can be significant in some Member States.

On May 1, 2004, 10 New Member States (NMS) joined the European Union (EU), increasing EU membership from 15 to 25 countries. With the 10 acceding member states - Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia – the new EU-25 encompasses 455 million people and land area of over 1.5 million square miles.

The unprecedented scope of the Enlargement and the recent reform of the Common Agricultural Policy create unusual circumstances for forecasting future trends in production, trade, and consumption.

According to the EU Commission, new legislation regarding animal transportation, specifying the length and conditions of travel, should become effective in 2005. However, many believe that it will be very difficult to keep to the proposed schedule.

# Chicken EU-25

| | 2003 | | 2004 | | 2005 | |
|---|---|---|---|---|---|---|
| | USDA official [old] | Posts estimates [new] | USDA official [old] | Posts estimates [new] | USDA official [old] | Posts estimates [new] |
| Market Year Begin | 01/2003 | | 01/2004 | | 01/2005 | |
| Inventory (Reference) | | 0 | | 0 | | 0 |
| Slaughter (Reference) | | 0 | | 0 | | 0 |
| Beginning Stocks | | 0 | | 0 | | 0 |
| Production | | 7,520 | | 7,695 | | 7,745 |
| | | | | | | |
| Extra EU25 imports | | 337 | | 305 | | 300 |
| | | | | | | |
| TOTAL SUPPLY | | 7,857 | | 8,000 | | 8,045 |
| | | | | | | |
| Extra EU25 exports | | 793 | | 805 | | 775 |
| | | | | | | |
| TOTAL Domestic Use | | 7,064 | | 7,195 | | 7,270 |
| Ending Stocks | | 0 | | | | |
| TOTAL DISTRIBUTION | | 7,857 | | 8,000 | | 8,045 |

EU-15 chicken production for 2003 was revised based on new available data from Belgium, Denmark, Germany, the United Kingdom and Italy. In 2003, French production decreased marginally, while Spanish chicken production was revised upward to reflect a new methodology adopted by the Spanish Ministry of Agriculture to calculate carcass weights.

For 2004, EU-15 production is expected to increase as Belgium and the Netherlands recover from the 2003 Avian Influenza outbreak. An increase in production is also expected in Germany, although French production is forecast to continue to marginally decrease as it loses market share in several EU countries.

In 2005, production is forecast to grow marginally, as the market situation and feeding costs remain favorable. The largest increase is expected in the Netherlands, Spain and Germany, which are likely to offset production declines in France and Italy. In the NMS, chicken production is expected to increase, as the attractiveness of higher prices in the EU-15 market will encourage exports.

In 2004, EU-15 chicken imports from Brazil are expected to decrease significantly as import regulations will close an existing tariff loophole on salted poultry meat. The continuing situation with avian influenza in South-East Asia will also have some effect on imports--even though cooked product may still be imported. More significantly, intra-trade with the NMS will displace some trade with countries outside of the EU-25. Intra-trade will be facilitated by the fact that EU-15 consumers tend to prefer the white chicken breast meat, while consumers in the NMS are more inclined to appreciate other (often cheaper) parts of the bird.

2005 EU-15 imports are expected to begin recovering as Brazil adapts to the new tariff situation by channeling more exports into cooked products, and as South East Asia recuperates from its avian influenza (AI) outbreaks. The South East Asian AI situation appears to have had minimal impact on overall consumer confidence with poultry meat. Consumption is expected to continue growing in 2004 and in 2005, as more consumers substitute beef with poultry.

Thailand's difficulties with AI have created greater opportunity for EU poultry exports. EU-15 exports for 2004 are projected to be slightly above 2003 levels. Poland has seen a significant increase in exports, particularly as it is establishing price competitiveness, and it no longer faces TRQ restraints with the EU-15. Strength in Polish chicken exports is expected continue even as EU-15 production recovers, and imports from Asia return to pre-AI levels. Growth in EU-25 domestic consumption is expected to absorb most of the increasing production. As a result, extra-EU25 exports are forecast to fall in 2005. Also, competition from other major poultry exporters is expected to intensify as Thailand recovers from the AI situation.

The Hungarian poultry sector, which consists of three almost equally important segments - chicken, turkey and waterfowl production – is expected to export fewer birds as structural conditions in the industry will limit production. Hungarian domestic consumption is expected to remain stable, while exports (mainly to Bosnia and Romania) are likely to fall.

Chicken production (Top EU-15 member states) 1000MT

| | 2004 | 2005 |
|---|---|---|
| United Kingdom | 1,250 | 1,250 |
| Spain | 1,060 | 1,066 |
| France | 995 | 990 |

Chicken production (Top 3 NMS) 1000MT

| | 2004 | 2005 |
|---|---|---|
| Poland | 600 | 620 |
| Czech Republic | 300 | 300 |
| Hungary | 173 | 170 |

Chicken consumption (Top 3 EU-15 member states) 1000MT

| | 2004 | 2005 |
|---|---|---|
| United Kingdom | 1,330 | 1,330 |
| Spain | 1,077 | 1,081 |
| Germany* | 770 | 790 |

*Germany slightly surpasses France

Chicken consumption (Top 3 NMS) 1000MT

| | 2004 | 2005 |
|---|---|---|
| Poland | 534 | 540 |
| Czech Republic | 323 | 340 |
| Hungary | 160 | 159 |

Chicken exports (Top 3 EU-15 member states) 1000MT

| | 2004 | 2005 |
|---|---|---|
| France | 285 | 285 |
| Netherlands | 200 | 225 |
| Belgium | 97 | 100 |

Chicken exports (Top NMS) 1000MT

| | 2004 | 2005 |
|---|---|---|
| Poland | 75 | 90 |
| Hungary | 22 | 21 |
| Czech Republic | 21 | 15 |

# Turkey EU-25

| Commodity | Poultry, Meat, Turkey | | | | (1000 MT)(MIL HEAD) | |
|---|---|---|---|---|---|---|
| | USDA official [old] | Posts estimates [new] | USDA official [old] | Posts estimates [new] | USDA official [old] | Posts estimates [new] |
| Market Year Begin | 01/2003 | | 01/2004 | | 01/2005 | |
| Inventory (Reference) | | 0 | | 0 | | 0 |
| Slaughter (Reference) | | 0 | | 0 | | 0 |
| Beginning Stocks | | 0 | | 0 | | 0 |
| Production | | 2,024 | | 2,030 | | 2,020 |
| | | | | | | |
| Extra EU25 imports | | 77 | | 70 | | 70 |
| | | | | | | |
| TOTAL SUPPLY | | 2,101 | | 2,100 | | 2,090 |
| | | | | | | |
| Extra EU25 exports | | 187 | | 170 | | 155 |
| | | | | | | |
| TOTAL Use | | 1,914 | | 1,930 | | 1,935 |
| Ending Stocks | | | | | | |
| TOTAL DISTRIBUTION | | 2,101 | | 2,100 | | 2,090 |

2003 EU-15 turkey production estimates were revised as new data became available. Imports from Brazil turned out to be higher than previously estimated. Strong competition with Brazil also affected earlier export estimates. Domestic consumption increased as cheaper turkey meat substituted poultry meat in many processed products – also directly as a result of the avian influenza outbreak.

In 2004, increasing turkey production in the NMS is expected to offset declining production in the EU-15. Production in France is likely to decrease significantly, as voluntary measures set by the French turkey industry to prevent overproduction are implemented. Production in Germany is expected to increase, while in the Netherlands the industry is still gradually recovering from avian influenza. EU-15 turkey imports are forecast to decline as Brazil faces new import regulations on salted poultry meat.

2005 shares a similar outlook. Turkey production in the NMS is forecast to grow by about 1 percent, driven by new export opportunities in the EU-15. This should offset any production decrease in France. Consumption is likely to follow a very gradual upward trend, with increasing imports originating from the NMS. German and French turkey exports are expected to fall in light of increasing competition with Brazil. Extra EU-25 turkey exports are typically destined for Russia and, to a lesser extent, to Francophone Africa.

Turkey production (Top 3 EU-15 member states) 1000MT

| | **2004** | **2005** |
|---|---|---|
| France | 610 | 590 |
| Germany | 375 | 375 |
| United Kingdom | 360 | 360 |

Turkey consumption (Top 3 EU-15 member states) 1000MT

| | **2004** | **2005** |
|---|---|---|
| France | 399 | 392 |
| Germany | 545 | 553 |
| United Kingdom | 350 | 350 |

Turkey exports (Top 3 EU-15 member states) 1000MT

| | **2004** | **2005** |
|---|---|---|
| France | 95 | 91 |
| Netherlands | 30 | 35 |
| Germany | 22 | 22 |

Turkey production (Top 3 NMS) 1000MT

| | **2004** | **2005** |
|---|---|---|
| Poland | 186 | 193 |
| Hungary | 93 | 94 |
| Slovakia | 72 | 72 |

Turkey consumption (Top 3 NMS) 1000MT

| | **2004** | **2005** |
|---|---|---|
| Poland | 165 | 168 |
| Slovakia | 80 | 80 |
| Hungary | 70 | 71 |

Turkey exports (Top 3 NMS) 1000MT

| | **2004** | **2005** |
|---|---|---|
| Poland | 31 | 35 |
| Hungary | 28 | 27 |
| Czech Republic | 5 | 6 |

# Diseases

**Avian Influenza**

There have been no serious outbreaks of avian influenza (AI) in the EU in 2004, and the poultry sector is expected to recover totally in the Netherlands and Belgium during 2004.

The European Commission for Health and Consumer Protection intends to publish a working paper on pandemic influenza preparedness and response planning which sets out a series of steps to be taken by member states and the European Community to address the threat of an influenza pandemic. The working paper is focused on co-ordination between national health bodies and the availability of vaccines and anti-virals.

The latest addition to the measures to combat diseases is that the European Parliament has given the green light to the establishment of the European Center for Disease Prevention (ECDC). This center is to become operational in early 2005.

In February 2004, the European Union banned poultry and egg imports from the US because of the outbreak of AI in Texas. This ban on US poultry was lifted in August 2004. In January, 2004, the European Union also banned imports of un-cooked poultry meat from Thailand due to the outbreak of the H5N1 avian influenza in South –East Asia. This ban has been renewed in August 2004 as the outbreak has not been controlled.

# Budget and Trade

**Common Agriculture Policy, CAP reform**
On September 29, 2003, the Agriculture Council formally adopted the legal texts of the June 2003 CAP Reform agreement. The regulations on CAP reform have been published in Official Journal L 270 - 10/21/2003. Reforms are to be introduced starting in 2004, though Member States have the option to delay implementing some of the decoupling measures until 2008.

Regulation 1782/2003 contains Horizontal rules (single farm payment, set-aside, modulation, etc.).

The 2003 CAP reforms did not envision any changes for the poultry sector. However, the CAP reform could indirectly affect the poultry and chicken meat sectors production and consumption, with changes in feed prices.

**The CAP and the Enlargement**
Farmers in the NMS have full and immediate access to the CAP market measures, which will help to stabilize and increase their incomes.

There is a rural development package, which is specifically adapted to the requirements of the NMS. The amount available for the NMS is fixed at € 5,100 million for 2004-2006.

Direct subsidies will be phased in over 10 years. The NMS will receive 25 percent of the full EU rate in 2004, rising to 30 percent in 2005 and 35 percent in 2006. The NMS have the opportunity to top up these payments to 55 percent in 2004, 60 percent in 2005 and 65 percent in 2006 from the NMS's rural development funds and national budgets. There is also an option to apply a simplified direct aid system for a transition period if a new Member State so wishes.

There are many “semi-subsistence” farms in the NMS, which produce for their own consumption but also market part of their production. To help to turn them into commercially viable units, and to contribute additional income support while the farm is upgrading, a specific measure of maximum € 1,000 a year per semi-subsistence farm is offered. There is also a special aid to help farmers to meet the EU standards.

From the first day of accession a wide range of rural development measures is co-financed at a maximum rate of 80 percent by the EU. The accession agreement also states that spending on the Structural Funds in the new Member States over the period 2004-06 is to be fixed at € 21,900 million. The new Member States will reach the CAP support level applicable in the current EU in 2013. As this money can be topped up with rural development money or national funds, the accession agreement should provide the new Member States' farmers and rural areas with well-targeted and well-financed measures to assist their incomes and development.

Bulgaria and Romania have concluded their accession negotiations. These two countries, along with Croatia, are now expected to join the EU in 2007. The EU has not yet determined that Turkey has met the 1993 Copenhagen criteria for beginning negotiations and will revisit the issue in December 2004.

**Export Refunds**
The Commission is following developments in the NMS. The NMS have low prices and could with the support of the export subsidies sell very cheap. However, so far they seem to have chosen to sell their meat within the European Union where they can get a good price for their products.

**Double Zero Agreements**
In 2000, the EU concluded double zero agreements with eight European countries, which had applied for EU membership. Under these arrangements, about 75 percent of EU agricultural imports from these countries was able to enter the EU at zero duty while EU export quotas to these countries at zero duty (and without export refunds) would double.

The double zero agreement is no longer in effect for the countries that are now members of the European Union. However, Bulgaria and Romania—both candidate countries for accession—still benefit from the double zero agreement.

# Policy

**Anti-Microbial Treatment**
As a result of EU requirements adopted in April 1997 banning the use of antimicrobials for decontamination, poultry exports to the EU have effectively been blocked ever since.

Although the EU-U.S. Veterinary Equivalency Agreement provides a mechanism to address many issues regarding red meat, dairy and egg products, EU restrictions on the use of anti-microbial treatments for poultry remain a problem. Since 1997, the EU has effectively blocked U.S. poultry exports, valued at USD 50 million annually, because of the use of chlorine as an anti-microbial agent.

Under the US/EU Veterinary Agreement, in October 1998 the EU released a scientific study on the use of anti-microbial treatments that rejected chlorine but was more favorable to TSP and lactic acid.

In response to the EU's report the U.S. submitted four anti-microbial studies to the Commission in December 2002 demonstrating that the anti-microbial treatments do not pose a risk to consumers.

In May 2003, the Commission adopted the scientific opinion relating to the evaluation of antimicrobial treatments for poultry carcasses. This opinion opens the door to the possible use of antimicrobial treatments for poultry decontamination provided that an integrated control strategy is used throughout the food chain. To this end, a June 2004 EU audit of US poultry plants was carried out. We are currently awaiting the results of this audit.
The opening of the poultry market remains on the US/EU Transatlantic Positive Economic Agenda.

**Salted Meat**
Because of a loophole in the tariff codes, frozen chicken fillets have been imported into the European Union at a much lower tariff rate than normal under the heading salted meat. These imports originated mostly from Thailand and Brazil, and have put a serious strain on the European poultry sector.

The possibility to import poultry meat at lower tariffs through this loophole was finally stopped by new Commission Decisions in August 2003.

**Animal by-products legislation**
European Parliament and Council regulation 1774/2002 establishes the health rules concerning animal by-products not intended for human consumption and replaces Directive 90/667/EEC.

This regulation as well as the Transmissible Spongiform Encephalopaties (TSE) regulation was developed in response to the BSE crisis and is part of the EU's strategy to eradicate food-borne crises. The Animal By-products Regulation (ABR) covers all animal products not intended for human consumption, and as such covers both products for technical uses and animal by-products used in the production of feeds and pet food. This regulation requires that animal by-products used in the production of feeds and pet food be derived from the carcasses of animal declared fit for human consumption following veterinary inspection (category 3 products in the regulation).

Provisions include a ban on intra-species recycling and fallen stock and restrictions on yellow grease. Certain categories of pet food have to be denatured with specified substances. Pet food plants have to be dedicated to production of product fit for human consumption.

Implementation of the animal by-products legislation, originally scheduled for May 1, 2003, has been postponed several times. The implementing regulation 668/2004 provides model health certificates for a large number of products including pet foods. After June 15, 2004, APHIS will only issue new certificates. Member states have been instructed to accept shipments accompanied by the old certificates until August 15, 2004, provided the shipment has left the U.S. before June 15, 2004 (Commission Regulation 878/2004).

**Animal Welfare**
The Treaty of Amsterdam, in force since 1st May 1999, lays out new ground rules for the actions of the EU on animal welfare in a special "Protocol on the animal welfare". It recognizes that animals are sentient beings and obliges the European Institutions to pay full regard to the welfare requirements of animals when formulating and implementing Community legislation.

The legislation for animal welfare covers: animal welfare on the farm, during transport and at the slaughter.

**Animal Transport**
In June 2004 the European Council signed a proposal by the European Commission adopting a decision for the European Union to sign the revised European Convention for the protection of animals during international transport. This international Convention will increase the requirements for the protection of transported animals in Europe. It revises the existing Convention adopted in 1968 and introduces major improvements for animal welfare that are consistent with the recent Commission proposal on animal transport (see IP/03/1023) and existing EU legislation.

In the new proposal, these are some of the changes:

- The maximum hours of traveling would be nine, plus minimum twelve hours of rest before next travel.
- Ban for traveling above 100 km with young animals, which is: piglets less than four weeks, lambs less than one week and calves less than 2 weeks.
- For long distances, there would be specific temperatures according to species.
- For long distances there would be a prohibition on tying animals, and more space according to species and length of journey (Forty percent more for pigs, sixteen percent more for calves).
- The new animal transport regulation is expected to be in force by the end of 2005. However actual timing of complete Member State implementation will likely vary.

Commissioner Byrne also stated that the Commission would work towards the ambition that all animals shall be slaughtered in their country of origin.

**Food Hygiene**
The White Paper outlined a radical revision of the EU's food hygiene rules. The "hygiene package" aims to merge, harmonize and simplify very detailed and complex hygiene requirements currently scattered over 17 directives. The overall aim is to create a single hygiene regime covering food and food operators in all sectors, together with effective instruments to manage food safety and any possible food crises, throughout the food chain. Food producers will bear primary responsibility for the safety of food through the use of a "Hazard Analysis and Critical Control Points" system (HACCP).

Certain food establishments will need to be registered or to be approved by the competent authorities. Competent authorities should have control systems in place in order to verify with food law in general and with food hygiene in particular.

**Feed Hygiene**
The objective of the proposal on feed hygiene is to ensure feed safety at all stages that may have an impact on feed and food safety, including primary production. The proposal introduces the HACCP principles for the feed business operators other than at the level of primary production. Only feed from approved operators in third countries could be imported. It also introduces good manufacturing and feeding practices.

The main on-farm obligations are:
--A general commitment to be followed by farmers who produce feed, ensuring that they will act in a way that minimizes hazards and that will protect products against contamination and spoilage.
--The obligation to keep records relating to feed placed on the market or used on the farm.
--The legal recognition of "codes of good practice" to be established by the agricultural sector and giving guidance to the farmers on the reduction of hazards on the farm.

--The obligation for farmers producing feed to be registered. This measure will allow the traceability of feed from the beginning of the food chain.

**Definitions of Broiler and Poultry as per Eurostat**

In the Council and Commission regulations, poultry refers always to farmyard poultry, i.e. domestic fowl, turkeys, ducks, geese and guinea fowl, without any age limitations. Total poultry takes only these species into account. Eurostat follows these requirements for the eggs statistics and the poultry slaughtering. Quails, pheasants, pigeons and ostriches are not considered as farmyard poultry. Eurostat tries to develop the poultry statistics by including more detailed categories related to poultry in the slaughtering. Now the most common covered categories are “domestic fowls” and turkeys. Other categories (ducks, geese, guinea fowl and rabbits) are seldom reported. The category “other” is in most of the cases empty; this category foreseen for ostriches.

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