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EU-25

Poultry and Products

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Report Highlights:
The poultry sector in the New Member Sates (NMS) has benefited from the accession in May 2004, especially in Poland. The large price gap before accession led to large exports to the EU-15 immediately upon accession. As a result, prices increased rapidly to similar levels as in the EU-15 by July 2004. Production in 2004 is estimated to have expanded by 3 percent and consumption by 1 percent, while imports decreased. Forecasts for 2005 expect further production and consumption increases. The strong EURO and competition from Brazil are expected to hamper EU poultry exports in 2005.

Includes PSD Changes: Yes
Includes Trade Matrix: No
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Table of Contents

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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.

Executive Summary

With the largest expansion of the European Union (EU) in history, from 15 to 25 member states (MS), having taken place only eight months ago, the tremendous impact of it, especially on agriculture in the New Member States (NMS), is already becoming clear. In order to grasp these changes as good as possible for the purpose of this report, an in-depth revision of all data was carried out for all 25 MS. This means that some apparent changes in market trends may only result from the improved quality of the statistical data. Compiling credible data sets for some of the NMS is no easy task, as even the European Commission (EC) lacks them. This report offers up-to-date data for EU broiler and turkey markets, sourced from MS statistics, as processed by FAS offices, EUROSTAT[1] and FAO[2].

Chicken

Country:	EU25						
Commodity:	Meat, Broiler						
Year	**2003**		**2004**		**2005**		**UOM**
Market Year Begin	Jan-03		Jan-04		Jan-05		
	USDA Official [old]	Posts estimates [new]	USDA Official [old]	Posts estimates [new]	USDA Official [old]	Posts estimates [new]	
Beginning Stocks	0	0	0	0	0	0	(1000 MT CWE)
Production	7,520	7,439	7,695	7,640	7,745	7,720	(1000 MT CWE)
Imports	337	479	305	380	300	380	(1000 MT CWE)
TOTAL SUPPLY	**7,857**	**7,918**	**8,000**	**8,020**	**8,045**	**8,100**	**(1000 MT CWE)**
Exports	793	763	805	825	775	830	(1000 MT CWE)
TOTAL Dom. Consumption	7,064	7,155	7,195	7,195	7,270	7,270	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	0	(1000 MT CWE)
TOTAL DISTRIBUTION	**7,857**	**7,918**	**8,000**	**8,020**	**8,045**	**8,100**	**(1000 MT CWE)**

Sources: EU FAS offices

Production

Broiler meat production in the EU-25 is increasing in response to increasing domestic consumption. Production in **2004** was increasing in Denmark, Germany, Poland, the Czech Republic, the Benelux and Portugal. Production in the Benelux in 2004 was still recovering from the outbreak of avian influenza (AI) in the spring of 2003, but expectations are that it has not recovered to the record production level of 2002 because many producers have switched to free-range egg production. Portuguese production had fallen drastically in 2003 as a result of an aflatoxin contamination in feed. Production in the United Kingdom is stable. In 2004, production decreases were recorded in France, Italy and Sweden. This was mainly attributed to sluggish exports to other MS, most especially to the UK and Germany, where there was higher local domestic production (in Germany) and increased competition from other imports. The longtime increase in Polish production slowed in early 2004, because of high feed prices, but it regained pace after accession as prices climbed almost to EU-15 level by July 2004.

[1] http://europa.eu.int/comm/eurostat/newcronos/reference/display.do?screen=welcomeref&open=/&product=EU_agriculture_forestry_fisheries&depth=1&language=en
[2] http://faostat.fao.org/faostat/collections?subset=agriculture

Forecasts for **2005** expect a further one percent increase in production, mainly in the Benelux, Spain and Poland. However, overall, production trends from 2004 are expected to continue. France's broiler production is on a long-term decreasing trend.

Imports

In **2004**, EU-25 broiler meat imports from third countries, mainly from Brazil and Thailand, declined from 479,000 MT in 2003 to about 380,000 MT due to closure of the salted meat loophole. The import of salted poultry meat has been hampered since tariff rates have been amended from October 29, 2002. German customs interpreted the tariff regulations differently, and imposed the new tariffs as from August 22, 2003 only, which led to abnormal levels of salted poultry meat imports before that date. There was reportedly a switch in trade flows between NMS and EU-15 with less NMS broiler meat going into Germany and more into the UK. There is also a belief that more valuable cuts (breasts and filets) are now being imported compared to pre-accession imports. In addition, imports from Thailand dropped due to the Avian Influenza outbreaks, but reportedly it continues to export cooked poultry meat to the EU.

Forecasts for **2005** anticipate the same level of imports, as the increase in domestic production will fill growing domestic demand. It is expected that Poland and other NMS will import lower quality poultry cuts from the EU-15 for processing. The poultry sector is lobbying strongly against a potential increase in poultry import quota for Mercosur countries, which could drive down European poultry prices and production.

Poland remains a major transshipment country for U.S. poultry meat. Since January 1, a new border inspection post at Gdynia has opened which is expected to provide further possibilities for transshipment to Ukraine and Moldova. The European Commission is requesting new certificates for all transshipments starting January 1, 2005 (see instructions on the FSIS website at http://www.fsis.usda.gov/regulations_&_policies//EU_Alert/index.asp).

Consumption

Broiler meat consumption has seen a continuation of its upward trend in 2004 and it is expected to further increase in 2005 and beyond. However, there are differing trends between the EU-15 and the NMS. In the EU-15, there is a modest annual consumption increase of mainly breast meat and fillets, as consumers consider this a healthy substitute for beef. Also, in 2004 poultry consumption in The Benelux and Portugal recovered after they dropped in response to the AI outbreaks (in Benelux) and aflatoxin contamination (Portugal) in 2003. In France, competitive prices for whole chicken led to a recovery of consumption, after it had decreased in 2003 as a result of the summer heath wave. In the NMS, poultry meat will account for most of the increase in meat consumption in the next few years, because it is the least expensive meat. Poultry meat consumption was reportedly at the same level of around 23 kg per capita in the EU-15 and the NMS in 2004, but expectations are that the poultry consumption increase in the NMS will be the double of the increase in the EU-15.

Exports

In **2004**, EU-25 exports of broiler meat have expectedly increased by some eight percent compared to 2003. Mostly exports of low value cuts, as well as mechanically recovered meat (MRM) from the Benelux, Germany, Spain and the UK increased to Russia, Ukraine and Romania, where they were competing with U.S. exports. France recorded declines in its exports to Russia, due to the implementation of the import quotas, Saudi Arabia and the United Arab Emirates, its main export markets, due to the competition from Brazilian broilers' meat. This competition led to a drop in French chicken meat export prices to 890 USD/MT FOB, down 150 USD/MT FOB from the beginning of CY 2004. Poland had built stocks in anticipation of exports to the EU-15 after accession on May 1. Polish exports, of cheap MRM mainly, to Russia and Romania increased by 13 percent, widely offsetting a decrease to Switzerland, although Polish poultry processors were struggling to get approvals for export from the Russian authorities. The Benelux and the UK felt strong competition from Brazil exports on markets in Africa, the Middle East and Asia, while France reported an increase in exports to Yemen, Iran and Cuba, the latter probably as a barter arrangement for sugar.

Chicken production (Top 5 member states) 1000MT

	2003	2004	2005
United Kingdom	1,244	1,245	1,245
Spain	1,066	1,060	1,066
Benelux	959	1,050	1,070
France	1,005	996	990
Poland	560	600	640

Benelux: Belgium, The Netherlands and Luxembourg are considered as one market

Chicken consumption (Top 5 member states) 1000MT

	2003	2004	2005
United Kingdom	1,420	1,499	1,510
Spain	1,086	1,086	1,090
Germany	777	790	800
France	757	779	796
Italy	690	680	680

Chicken exports (Top 5 member states) 1000MT

	2003	2004	2005
France	278	275	270
Benelux	203	255	265
Germany	75	85	85
Denmark	55	64	65
United Kingdom	68	56	55

Sources: EU FAS offices

Turkey

Country:	EU25						
Commodity:	Meat, Turkey						
Year	2003		2004		2005		UOM
Market Year Begin	Jan-03		Jan-04		Jan-05		
	USDA Official [old]	Posts estimates [new]	USDA Official [old]	Posts estimates [new]	USDA Official [old]	Posts estimates [new]	
Beginning Stocks	0	0	0	0	0	0	(1000 MT CWE)
Production	2,024	2,025	2,030	2,070	2,020	2,085	(1000 MT CWE)
Imports	77	85	70	65	70	65	(1000 MT CWE)
TOTAL SUPPLY	**2,101**	**2,110**	**2,100**	**2,135**	**2,090**	**2,150**	**(1000 MT CWE)**
Exports	187	198	170	175	155	170	(1000 MT CWE)
TOTAL Dom. Consumption	1,914	1,912	1,930	1,960	1,935	1,980	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	0	(1000 MT CWE)
TOTAL DISTRIBUTION	**2,101**	**2,110**	**2,100**	**2,135**	**2,090**	**2,150**	**(1000 MT CWE)**

Sources: EU FAS offices

Production

Turkey production in the EU-25 is increasing in response to increasing domestic consumption. In **2004**, production increases are recorded in Germany, Hungary, Poland and, to a minor extent, Italy and the UK. Production in the Benelux in 2004 recovered from the 2003 AI outbreak. A decrease in production is recorded in France as a result of loss of competitiveness on export markets, and sluggish domestic demand, but France remains the largest producer by far. Expectations for **2005** are a continuation of 2004 production trends.

Imports

In 2004, imports from outside of the EU-25 decreased as a result of the tariff change for salted meat. Germany reportedly had an increase in imports from Chile and Israel. Imports for 2005 are forecast at the same level.

Consumption

Domestic consumption of turkey is increasing. In **2004**, moderate increases in turkey consumption are expected in the EU-15 and the NMS, but the increase for **2005** is mainly forecast in the NMS. These increases in turkey consumption are reportedly mainly in processed poultry products, in which turkey is a cheaper substitute for chicken meat. In Poland, a new developing meat processing industry also uses turkey as a cheap substitute for pork in sausages. The Benelux reportedly had a turkey consumption peak in 2004, but that was because of the building of commercial stocks. In the UK turkey consumption is in a long term decline, while consumption in France and Germany is stable.

Exports

In **2004**, EU-25 exports declined compared to 2003, because of increased competition from Brazil. France, EU's number one exporter, reported lower exports to Russia (due to implementation of import quotas) and Africa, which were only partly offset by doubled exports of turkey MRM from Germany to Russia, Ukraine and Romania, and by increased French exports to Cuba (up 150 percent over CY 2003). The UK reported some increase in exports to other MS. No significant changes are expected for **2005.**

Turkey production (Top 5 member states) 1000MT

	2003	2004	2005
France	631	620	610
Germany	361	393	400
Italy	295	300	300
United Kingdom	235	235	235
Poland	180	186	193

Turkey consumption (Top 5 member states) 1000MT

	2003	2004	2005
Germany	542	545	545
France	375	381	377
Italy	258	255	255
United Kingdom	241	238	238
Poland	163	165	168

Turkey exports (Top 5 member states) 1000MT

	2003	2004	2005
France	101	77	75
Germany	24	37	40
Benelux	28	16	16
Italy	13	10	8
Spain	8	8	10

Benelux: Belgium, The Netherlands and Luxembourg are considered as one market
Sources: EU FAS offices

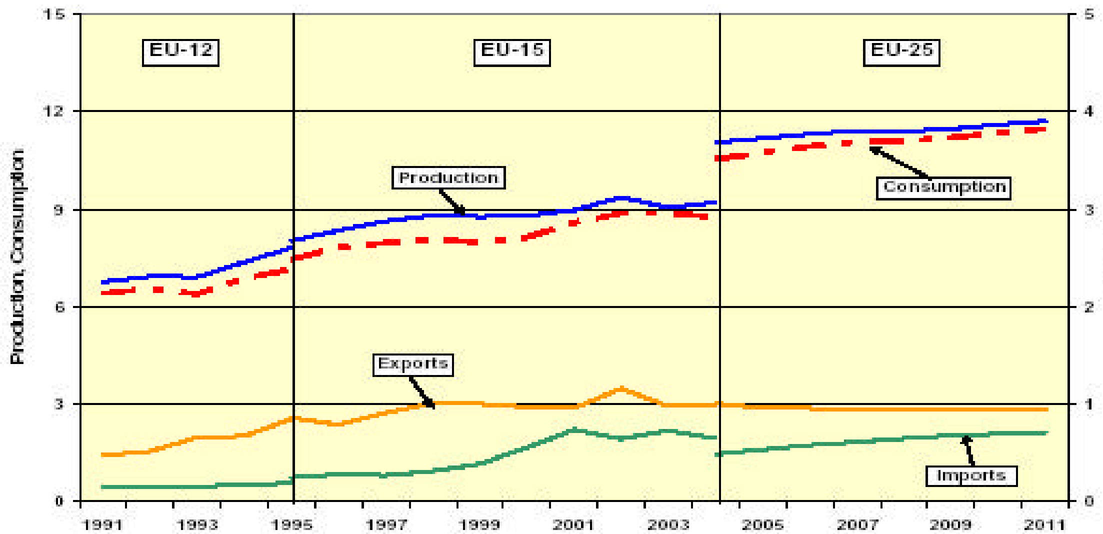
New developments and outlook

EU market prospects

In 2004, poultry production has mostly recovered from the avian influenza outbreak in the Benelux, which reduced EU production in 2003 by more than 2 percent. As a result, a new study "Prospects for agricultural markets and Income 2004-2011 - for EU-25", which was published in early January 2005, forecasts a poultry meat production increase from 11.1 million MT in 2004 to 11.2 million MT in 2005, to 11.7 million MT in 2011[3]. However, 80 % of the production increase is expected in the NMS.

[3] It must be noted that EU statistics include all poultry meat only broiler but also other chicken meat (layers).

Graph 1.12 Outlook for the EU poultry meat market (mio t), 1991-2011



Source: "Prospects for agricultural markets and income 2004-2011 and the impact of enlargement"

Table A.11 Poultry meat market projections in the EU-25, 2002 - 2011 ('000 t cwe)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Gross Indigenous Production	**11 116**	**10 886**	**11 082**	**11 271**	**11 351**	**11 479**	**11 568**	**11 654**	**11 719**	**11 822**
Live Imports	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Live Exports	**7**	**5**	**6**	**6**	**6**	**6**	**6**	**6**	**6**	**6**
Net Production	**11 109**	**10 880**	**11 077**	**11 266**	**11 346**	**11 474**	**11 563**	**11 649**	**11 713**	**11 816**
EU 15	9 376	9 062	9 231	9 266	9 279	9 290	9 309	9 319	9 325	9 331
EU N10*	1 733	1 818	1 846	2 000	2 066	2 184	2 254	2 330	2 388	2 485
Import	**547**	**632**	**486**	**541**	**541**	**549**	**559**	**568**	**573**	**581**
Exports	**1 134**	**970**	**915**	**1 040**	**1 000**	**1 000**	**1 000**	**1 000**	**1 000**	**1 000**
Consumption	**10 522**	**10 543**	**10 648**	**10 767**	**10 886**	**11 023**	**11 122**	**11 217**	**11 286**	**11 397**
Per Capita Consumption	**23.1**	**23.1**	**23.3**	**23.5**	**23.7**	**23.9**	**24.0**	**24.2**	**24.3**	**24.5**
EU 15	23.3	23.2	23.5	23.7	23.8	23.9	24.0	24.2	24.2	24.4
EU N10*	22.0	22.6	22.1	22.2	22.7	23.6	24.2	24.4	24.6	24.8

* EU N10: ten new Member States
Source: "Prospects for agricultural markets and income 2004-2011 and the impact of enlargement"

Consumption is expected to increase from 10.5 million MT in 2004 to 10.8 million MT in 2005, to 11.5 million MT in 2011. Consumption per capita over this period is forecast to increase by 5% in the EU-15, mainly in higher quality poultry breasts, compared to a 10% increase in poultry consumption of cheaper cuts in the NMS. The reasons for this difference are consumer preference for cheap poultry meat in the NMS as well as a competitive advantage for production because of the availability of large supplies of grains. An expected increase in poultry imports, combined with a steady domestic production surplus, will also drive exports higher, mainly to the East (Russia,...). However, extra EU-25 poultry exports could be seriously hampered by strong competition from low cost producers and unfavorable US$/€ and Brazilian Real/€ exchange rates. Environmental constraints and animal welfare issues will likely also play a role in poultry production, but to a smaller extent than for pig production.

In a press release from December 17, 2004 titled "Accession boosts farm income in new Member States by more than 50%, says Eurostat"[4], a first estimation of agricultural income announces a 53.8 increase in the NMS. A real increase in value of poultry production of more than 4 percent is forecast, despite the strong rise in input costs. Increases in poultry prices of up to 30 percent in a number of the NMS, due to strong export opportunities to the old MS, explains that. Probably the main factor was the substantial increase in the level of subsidies granted to the farm sector in the NMS following accession. Agriculture in the Czech Republic (+108 percent) and Poland (+74 percent) has reportedly benefited most (also see GAIN report PL4013 "Polish Farmer incomes After EU Accession" at http://www.fas.usda.gov/gainfiles/200405/146106445.pdf).

MidTerm Review implementation, animal welfare and environmental constraints

Although CAP has no direct impact on poultry production, decoupling of subsidies for cereals is likely to increase the competitive advantage of NMS, especially Poland and Hungary, for poultry production because of the availability of cheap feed grains. This is anticipated to stimulate the growth in production and processing capacities, with focus on exports to the intra EU-25 market, to the detriment of mainly French exports.

The European Commission announced that a proposal on welfare of broiler chicken would be released in the coming weeks. This new legislation will reduce stocking densities below 30 kg live weight per square meter, together with new specifications to govern access to water, feeding, litter, ventilation and heating, noise, light and inspection of welfare conditions. While it is hard to understand what this will mean for production costs, it can be expected that new production facilities in the NMS will more easily implement these new rules than existing facilities. Similar advantages can be expected to meet environmental restrictions, which have caused so much pain on animal farming in some areas of the EU-15.

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[4]http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/04/1509&format=HTML&aged=0&language=EN&guiLanguage=en

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