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Report Highlights:

Avian Influenza (AI) is the big unknown in the 2006 EU market. If the EU escapes AI outbreaks, broiler production and consumption are forecast to slightly increase, mainly in the New Member States (NMS). Imports are expected to further increase and exports are forecast to falter due to competition from Brazil and Thailand. This forecast is mainly a continuation from trends in 2005, in which increases in production in the NMS have offset decreases in the EU-15. Increasing consumption has fueled increased imports.

In the turkey market, it is expected that the AI situation will only aggravate the downward market trend in 2006. Turkey production and consumption were already decreasing in 2005. The trend increase in imports is forecast to end in 2006, while exports continue to suffer from competition, mainly from Brazil.

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Executive Summary

Concerns about Avian Influenza (AI) and consumer reaction are resulting in decreased poultry consumption at the start of 2006. This has already put tremendous downward pressure on poultry prices and has decreased consumption. However, it is too early to decide if this AI scare will actually reduce 2006 consumption and production compared to 2005. Therefore, the EU broiler outlook for 2006 still shows a moderate increase in production and consumption, as production in the New Member States started increasing in line with consumer demand. Imports are forecast to slightly increase, while low prices are expected to sustain exports at the 2005 level. The 2006 outlook could however turn sour, if Avian Influenza outbreaks were to occur within the European union as a result of infection by migratory birds. EC sources suggest this could derail the poultry market as consumption would crumble and exports banned.

In 2005, broiler production remained at the same level as in 2004, with increased production in the NMS compensating for decreasing production in the EU-15. Increasing consumption fueled higher imports, while broiler exports decreased as a result of increasing competition from Brazil and Thailand. The first outbreaks of AI in Romania and Croatia in October 2005 sent a short-lived shockwave through the European poultry market. Consumers in the South-East of Europe temporarily decreased consumption and broiler prices fell by more than 10 percent, but consumption was back to normal levels for the Christmas holidays. As a result, 2005 consumption was only lightly impacted.

Turkey production and consumption were already decreasing before the AI outbreaks, but the decrease is accelerated by the AI. Turkey imports increased in 2005, but are forecast to stabilize at the current level. EU turkey exports are decreasing as a result of stiff competition mainly from Brazil. EU turkey markets too are expected to be in trouble if AI outbreaks were to occur within the EU.

Broilers

Country:	EU25					
Commodity:	Meat, Broiler (1000MT CWE)					
Year	2004		2005		2006	
	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
Production	7,656	7,627	7,670	7,625	7,690	7,650
Imports	441	466	440	485	460	500
TOTAL SUPPLY	8,097	8,093	8,110	8,110	8,150	8,150
Exports	789	813	780	740	780	740
TOTAL Dom. Consumption	7,308	7,280	7,330	7,370	7,370	7,410
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	8,097	8,093	8,110	8,110	8,150	8,150

Source: EU FAS Offices

2004

EU broiler production was slightly lower than previously reported. A technical review of EU trade data showed slightly higher imports and exports. Benelux, Spanish and UK imports increased. Exports increased mainly from the Benelux and Hungary. As a result, EU domestic consumption was slightly lower.

2005

EU broiler production is stagnating. Decreases in production in Italy and Spain are compensated by increases in Poland and the Czech Republic. These Eastern European countries have a competitive advantage because of the availability of cheap feed grains. Hungary should be in this league too but Hungarian poultry producers are struggling to adapt to the loss of lavish government support after EU accession. In the last months of 2005, production lowered in response to the steep decrease in poultry prices, which resulted from the October outbreaks of Avian Influenza (AI) in Romania and Croatia.

EU imports are increasing from Brazil and Thailand. Thailand switched to exports of cooked products in response to the ban on fresh poultry exports because of AI. In September 2005, the WTO ruled against the EU in the case of "salted meat" imports from Brazil and Thailand¹. The panel decided that the EU must allow imports of these salted meats under the lower tariff rate again. Exports are decreasing because of the stiff competition from Brazil and Thailand in traditional European export markets in the Middle East, mainly from France, but also in Russia. Some AI related substitution of poultry meat by pork might have aggravated this decrease in exports to Russia at the end of 2005. Polish poultry exports have been increasing to Ukraine. The EC has been supporting poultry exports to the maximum through export refunds, to the extent that export refunds had to be halted for a few weeks at the end of the marketing year in June 2005 as the EU hit its WTO ceiling.

Domestic consumption of poultry is slightly increasing as a result of population growth, changing consumer choice and high beef prices. In the last two months of 2005, poultry consumption dwindled in the South-East of Europe, mainly Italy, but also in France, in a panic reaction to the outbreaks of AI in Romania and Croatia. Consumption recovered almost entirely within a few weeks after it became clear that AI had not spread into the EU. In the North and the West of the EU consumption remained mostly unchanged. In the UK, a drop in poultry prices in late 2005 maintained poultry consumption levels.

2006

Broiler production is forecast to slightly increase, as production increases in Poland are expected to more than compensate for a decrease in production in France. Production in southern Europe, mainly Italy will likely depend much on the evolution of the AI situation in nearby areas of Romania, Croatia and Turkey.

EU poultry imports from Brazil and Thailand are forecast to further increase, although the implementation of WTO ruling on "salted meat" was not taken into account for this report. The EU and Brazil have not succeeded in negotiating a date for implementing the ruling and Brazil has started an arbitration procedure with the WTO. A decision was expected by the end of January 2006. Poultry exports are not forecast to further decrease, because of low prices.

Domestic consumption of poultry is forecast to further increase slightly. Poultry consumption in Greece, Italy and, to a lesser extent, France fell dramatically in the early days of January 2006, in response of the AI outbreak and the casualties in Turkey. The Italian government issued a law to withdraw 17 thousand MT of poultry from the market, but it was disavowed by the EC for non-compliance with EU competition rules. During 2005, an unknown quantity of poultry has reportedly already been taken out of the Italian market and is being stored until the market improves. This frozen stock is currently hanging over the market and is depressing domestic poultry prices. If the AI situation in Turkey stays under control for the rest of the year, as it seems to evolve, the impact from on the consumption in 2006 may prove to be limited. To support the EU

¹ GAIN E35185 [WTO Appellate Body rejects EU appeal in chicken cuts classification dispute](#)

poultry market, the EC has increased export restitutions by €0.10 per kg for legs to the Middle East and Russia, as of November 25, 2005. However, if returning migratory wild birds from Africa introduce AI in the EU, the market is expected to completely collapse. The main reason is that poultry producers will not be able to anticipate an immediate ban from export markets and consumer reaction. With the only market intervention tool being export refunds, the EC has no other way to support the market.

Chicken production (Top 5 member states) 1000MT

	2004	2005	2006
United Kingdom	1,246	1,270	1,280
Spain	1,053	1,040	1,040
Benelux	1,080	1,080	1,080
France	897	900	850
Italy	662	600	630

Chicken consumption (Top 5 member states) 1000MT

	2004	2005	2006
United Kingdom	1,506	1,540	1,560
Spain	1,071	1,065	1,070
France	723	737	710
Germany	742	757	760
Italy	0	580	600

Chicken exports (Top 5 member states) 1000MT

	2004	2005	2006
France	238	234	220
Benelux	244	220	220
Germany	87	80	85
Denmark	53	59	60
United Kingdom	65	45	45

Turkey

Country:	EU25					
Commodity:	Meat, Turkey (1000MT CWE)					
Year	2004		2005		2006	
	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
Production	2,038	2,030	2,030	1,945	2,035	1,900
Imports	84	88	105	100	115	100
TOTAL SUPPLY	2,122	2,118	2,135	2,045	2,150	2,000
Exports	191	205	210	185	210	180
TOTAL Dom. Consumption	1,931	1,913	1,925	1,860	1,940	1,820
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	2,122	2,118	2,135	2,045	2,150	2,000

Source: EU FAS Offices

2004

EU-25 turkey production in 2004 was revised slightly downwards from previous estimates. Final imports were higher than previously reported, while final export data was also revised at a higher level than previously reported. This resulted in slightly lower domestic consumption numbers.

2005

A decrease in turkey production in the EU was observed in 2005. Main production decreases were reported in France, the Benelux, the Czech Republic and Hungary. The French decrease in production was initiated by the French Turkey Industry association (CIDEF), as mandatory breakings of turkey hatching eggs as well as an extension of the sanitary vacuum in farms between productions of two consecutive flocks led to a sharp drop in production. These decreases were only partly offset by moderate increases in production and consumption in Germany and Poland. This decrease in production was the result of decreases in domestic consumption and export opportunities, because of increasing competition from Brazil and Thailand. Turkey imports, mainly for further processing, increased. French turkey meat exports to Russia were significantly down due to the competition from Brazil.

2006

The decreasing trend in domestic consumption is forecast to drive EU turkey production down further, especially in France. The only exceptions are again forecast to be Germany and Poland. This decrease in production will expectedly be enhanced by strong competition from Brazil and Thailand. As a result, imports into the EU are forecast to continue at the same level, while further competition in export markets will further lower exports.

Turkey production (Top 5 member states) 1000MT

	2004	2005	2006
France	614	540	490
Germany	397	400	405
Italy	279	280	280
United Kingdom	228	225	225
Poland	190	200	210

Turkey consumption (Top 5 member states) 1000MT

	2004	2005	2006
Germany	450	460	465
France	366	339	320
Italy	245	220	255
United Kingdom	229	205	200
Poland	180	185	192

Turkey exports (Top 5 member states) 1000MT

	2004	2005	2006
France	98	78	70
Germany	40	42	45
Benelux	18	16	16
United Kingdom	10	14	10
Poland	7	10	10

Italy closely follows Poland

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Report number	Title	Date
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E35166	Analysis of US poultry meat trade with the EU: Past, present, future	08/29/2005
E35142	Poultry Annual	07/20/2005
IT6002	EU Commission questions Italian measures for Avian Influenza recovery and chocolate labeling	01/17/2006
UK6001	AI - UK poultry meat consumption remains resilient	01/12/2006
UK5031	Update on HPAI H5N1 in quarantine in the UK	11/17/2005
GM5042	Avian Influenza Update: Free Range Chicken Allowed Outside Again	12/20/2005
GM5035	AI-Threat: German Poultry Must Stay Inside - But Only in Certain Regions	09/15/2005
SP5043	Bird Flu and its effects in Spain	12/15/2005
PL5035	Polish Poultry Meat Market Reaction to the Eventual Outbreak of the AI	11/27/2005
HU5015	Avian Influenza Threat Hurts Poultry Sales	11/23/2005
FR5080	A Brief Overview of the French Poultry Sector	11/08/2005
AU5023	Austria Requires Mandatory Housing of Poultry and Domestic Birds	25/10/2005

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