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Report Highlights:
The Avian Flu (AI) scare in the spring of 2006 faded by the summer, although initial consumer reaction led to short-lived poultry consumption drops of up to seventy percent in European Mediterranean countries. As a result, EU broiler production in 2006 fell by 2.3 percent and consumption by 2.7 percent. While EU broiler exports were sustained through increased export refunds, poultry imports decreased significantly and some 300,000 MT of stocks were built temporarily. By 2007, European broiler markets recovered to the pre-AI situation, although tight production planning keeps pushing broiler prices up. Poultry imports are forecast to increase again in 2007, as new TRQ's for Brazil and Thailand are opened. EU turkey markets are not forecast to recover in 2007, but rather continue their pre-AI longtime decline, as EU competitiveness continues to erode.

Includes PSD Changes: Yes
Includes Trade Matrix: No
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[E4]

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DISCLAIMER

The numbers in PS&D's in this report are not official USDA numbers, but they result from a group effort by FAS EU offices to consolidate PS&D's from all 25 EU member states into an EU-25 PS&D.

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NOTE

For this report, trade with Bulgaria and Romania is still considered extra-EU trade because this report is covering the EU-25 market, even if Bulgaria and Romania have joined the EU on January 1, 2007 to form the EU-27. However, even if trade with these latest two new EU member states is still considered extra-EU trade, this report will describe expected impacts on the EU-25 market from this latest EU enlargement.

Executive Summary

The arrival of Avian Influenza (AI) H5N1 in Europe in the autumn of 2005 was the beginning of a turbulent period for EU poultry markets and, by the same token, world poultry markets. Early in 2006, alarming press reports about decreased poultry consumption in Greece and Italy were circulated. An outbreak of AI in February 2006 in a turkey flock in France set off an AI scare with Southern European consumers. However, in the rest of Europe consumer reaction was less prominent and the decrease in poultry prices even fueled poultry purchases in the United Kingdom and Poland. Because the AI impact didn't last past the summer holiday period, the impact of the AI crisis on EU broiler production and consumption was only about a two percent decrease, or only half of the decrease that was anticipated before. Much of the brunt was carried on reduced imports, while broiler exports maintained their level because of increased export refunds and support at Member State (MS) level. Some 300,000 MT of stocks had been built, which were released on the market again for consumption, both private and institutional, for exports and even as food aid to Iraq from Greece.

By 2007, EU poultry markets returned to the pre-AI situation, although producing companies are forecast to holding production tight because of continued vigilance for new AI outbreaks and low profitability as a result of high feed costs. Broiler imports are forecast to increase with the opening of the new TRQ's for Brazil and Thailand, which resulted from the WTO "salted poultry" case. Exports are forecast to remain stable because more EU broiler exports are expected to Romania and Bulgaria after their EU accession in January 2007 in replacement of lost imports from the United States mainly.

EU turkey markets suffered in a similar way from the AI crisis in the spring of 2006. However, turkey markets did not recover during the summer, but rather continued their longtime decline. The same decrease in EU turkey production and consumption is forecast in 2007, without much impact from the EU enlargement with Romania and Bulgaria on EU exports.

Broilers

Country:	**EU25**					
Commodity:	**Meat, Broiler** (1000MT CWE)					
Year	**2005**		**2006**		**2007**	
	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	7,736	7,804	7,425	7,625	7,530	7,700
Imports	522	549	600	500	645	600
TOTAL SUPPLY	**8,258**	**8,353**	**8,025**	**8,125**	**8,175**	**8,300**
Exports	755	757	620	730	685	730
TOTAL Dom. Consumption	7,503	7,596	7,405	7,395	7,490	7,570
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	**8,258**	**8,353**	**8,025**	**8,125**	**8,175**	**8,300**
Source: EU FAS Offices						

Note: "Ending stocks" refer to EU intervention stocks only. Commercial stocks are included in "Total domestic use".

2005

Final EU broiler production in 2005 was about one percent higher than previously reported. Broiler imports were also reviewed higher. As a result, EU broiler consumption in 2005 was 1.3 percent above the previous estimate.

2006

EU broiler production was previously expected to decrease by four percent as a result of the Avian Influenza (AI) epidemic and an AI outbreak in a French turkey farm in February of 2006, which led to immediate fall of broiler consumption in southern countries (France, Italy, Greece). At the peak of the crisis, household consumption was reported to down by more than 50 percent for a short period. AI outbreaks in commercial flocks in Hungary affected mainly the important duck and geese farming sectors, with more than 1 million ducks and geese being destroyed, and only indirectly broiler production. As anticipated, the impact of AI faded during the summertime, as no further AI outbreaks with any significance occurred on EU poultry farms. The recovery of the broiler market in the second half of 2006 was strong enough to limit the total damage to the EU-25 2006 broiler production to an estimated 2.3 percent. Broiler production in many EU MS, like the United Kingdom, was reduced only marginally as supplies to supermarkets is bound by delivery contracts. Broiler imports were the victim of this development, as total EU broiler imports in 2006 ended an estimated ten percent below the 2005 level, despite the reopening of EU markets for low tariff salted poultry imports from Brazil at the end of June 2006 as a result of the WTO decision in the "salted poultry" case[1],[2] won by Brazil and Thailand.

EU broiler exports were only marginally below 2005 exports with the support of increased export refunds and efforts to limit the build up of poultry stocks. Shifts in broiler exports from the Middle East to Russia, Hong Kong, and Southern Africa were significant, partly because of the AI scare and partly as a reaction to the Danish cartoon row. This overall

[1] http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds269_e.htm
[2] E35185 - WTO Appellate Body rejects EU appeal in broiler cuts classification dispute

stable figure hides a significant decrease in French broiler exports, as France was not declared free of AI again before June 2006; compensated by higher exports from other MS. EU broiler consumption for CY2006 is estimated to have ended 2.7 percent below the CY2005 level. In the North and West of Europe, broiler consumption was less affected by a consumer scare for AI. On the contrary, cheap poultry imports, from Italy mainly, increased poultry consumption in the United Kingdom, while consumers in Poland too took advantage of reduced poultry prices to eat more chicken. As expected, during the summer holiday period consumer attention to AI faded and poultry consumption recovered to pre-AI levels because of the low poultry prices, even in the most worried MS like Italy and Greece. At the end of 2006, rationing of new broiler production set up led to below normal commercial stocks in several EU MS, which kept pushing poultry prices up.

During the 2006 spring AI crisis, some 300,000 MT of poultry stocks were built up in different EU MS. Most stocks seem to have re-entered the EU market for consumption and export. In Greece, stocks were also channeled to institutional usage (military forces, hospitals & other), and in December 2006, another 2.650 MT of frozen broiler meat was going to be shipped to Iraq as food aid. The contract was signed between the Hellenic Poultry Meat Producers Association (HPMPA) and the NGO "Solidarity". Some remaining stocks are still included in the 2006 broiler consumption number, particularly in France, but these are expected to rapidly disappear in early 2007.

2007

EU broiler production in 2007 is not forecast to fully recover to pre-AI levels, as producers remain wary of the consequences of new AI outbreaks and export forecasts remain gloomy, particularly in France. An outbreak of AI on a commercial geese farm in the South-East of Hungary in January 2007 is not expected to have a significant impact. In early 2007, hatching egg numbers remain limited and broiler producer margins are low as a result of high feed costs and despite mild and favorable temperatures and high broiler prices. However, the EU poultry production climate can be regarded as favorable after the EC proposal[3] to regulate animal welfare for broilers was recently shelved for an indefinite period. Broiler imports are forecast to increase, as the new poultry TRQ's for Brazil and Thailand[4],[5], which were decided as a result of the WTO poultry case, are being opened. EU broiler exports are forecast to be stable as export refunds were lowered again after the AI crisis. EU-25 broiler meat consumption is forecast to recover to pre-AI levels. A new AI scare could eventually drive EU consumers away from poultry again if new severe AI incidents, like AI casualties, occurred. Otherwise it can be expected that consumers have learned to live with the latent threat of AI outbreaks.

Romania and Bulgaria are forecast to import more poultry from the EU after their EU accession in January 2007, as it can be expected that their imports of poultry from the United States will be greatly reduced. Although Romanian and Bulgarian poultry statistics are not included in this report, their increased dependence on the EU explains why EU broiler exports are not forecast down. However, the overall impact of Romania and Bulgaria on EU markets will be limited because their accession is not expected to impact the quota administration, additionally, the EU poultry industry is not highly regulated in the CAP.

[3] E35108 - The EC proposes the legislation for its new Broiler Welfare Directive
[4] E36137 - EU and Brazil agree on new EU poultrymeat import regime
[5] E36143 - Thailand and EU agree on poultry import quota

Broiler production (Top 5 member states) 1000MT

	2005	2006	2007
United Kingdom	1,281	1,265	1,280
Benelux	1,076	1,070	1,065
Spain	1,048	1,000	1,000
France	923	820	790
Poland	640	690	700

Italy closely follows Poland

Broiler consumption (Top 5 member states) 1000MT

	2005	2006	2007
United Kingdom	1,557	1,573	1,590
Spain	1,074	1,021	1,020
France	765	768	759
Germany	729	700	730
Poland	571	600	600

Broiler exports (Top 5 member states) 1000MT

	2005	2006	2007
Benelux	204	215	215
France	235	160	150
Germany	86	80	85
United Kingdom	46	67	70
Denmark	41	40	50

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	1,917	1,918	1,810	1,850	1,790	1,820
Imports	103	106	110	100	115	110
TOTAL SUPPLY	**2,020**	**2,024**	**1,920**	**1,950**	**1,905**	**1,930**
Exports	188	188	150	165	150	150
TOTAL Dom. Consumption	1,832	1,836	1,770	1,785	1,755	1,780
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	**2,020**	**2,024**	**1,920**	**1,950**	**1,905**	**1,930**

Source: EU FAS Offices

2005

A review of EU turkey final production, trade and consumption didn't result in any significant changes from past estimates.

2006

The impact on EU CY2006 turkey production from the spring AI crisis led to a 3.5 percent decrease compared to 2005, much less than the previously 5.5 percent decrease anticipated. Hungary and Poland were the exceptions with increases in turkey production. The impact of AI accelerated the decrease in turkey production in France and the United Kingdom. Higher exports and increased consumption, as well building some temporary stocks, supported EU production in 2006. Deviation of turkey export destinations was hardly noticeable (with the exception of France, which lost its AI free status from February to June 2006). EU turkey consumption decreased by 2.8 percent compared to 2005 instead of the anticipated 3.5 percent.

2007

EU turkey production in 2007 is not forecast to recover from the AI crisis, but rather continue its longtime decrease at a more moderate rate, except in Hungary and Poland again. The new AI outbreak in Hungary is not expected to impact the turkey market as most of the production is used for further processing into value-added products for which consumers don't make the link with AI. Turkey imports are forecast to increase as a result of the opening of the new quota TRQ for Brazil[6]. In Greece, importers still signal an appetite for U.S. turkey meat and products for an estimated 7,000 - 8,000 MT per year, although no turkey meat imports took place from the United States since 1997. EU turkey exports are forecast to further decrease as the EU turkey sector further looses competitiveness. EU turkey consumption in 2007 is forecast to decrease moderately.

The accession of Romania and Bulgaria to the EU in January 2007 is not expected to have significant impacts for EU turkey markets because Romania and Bulgaria are much less dependant on imports for turkey from the United States. Turkey imports from the United States will be greatly cut off as a result of the adoption of EU import standards. As a result, increased imports from the EU-25 to Bulgaria and Romania are also expected to be negligible.

Turkey production (Top 5 member states) 1000MT

	2005	2006	2007
France	614	536	490
Germany	397	391	375
Italy	279	293	288
United Kingdom	228	206	190
Poland	190	205	220

Turkey consumption (Top 5 member states) 1000MT

	2005	2006	2007
Germany	450	436	426
France	366	337	334
Italy	245	236	220
United Kingdom	229	194	201
Poland	180	179	187

[6] E36137 - EU and Brazil agree on new EU poultrymeat import regime

Turkey exports (Top 5 member states) 1000MT

	2005	2006	2007
France	75	60	50
Germany	45	25	35
Benelux	19	19	19
United Kingdom	12	7	7
Italy	8	8	8

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E36137	EU and Brazil agree on new EU poultrymeat import regime	11/08/06
E36117	EC market support measures in the poultry sector	09/01/06
E36108	Poultry -Annual	08/29/06
E36106	EC market support measures in the poultry sector	07/17/06
NL6029	H5N1 Avian Influenza Suspected in Dutch Zoo	08/19/06
NL6028	Import bans on Dutch poultry	08/10/06
NL6027	Low Pathogenic AI suspected on Dutch poultry farm	08/01/06
NL6019	Dutch Product Boards ask EC to ban Brazilian meat imports	07/05/06
HU7002	Hungary Announces Suspected Case of Avian Influenza in Commercial Poultry	01/25/07
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