



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 2/20/2009

GAIN Report Number: E49020

EU-27

Poultry and Products

Semi-Annual

2009

Approved by:

Elizabeth B. Berry
U.S. Embassy

Prepared by:

X. Audran, M. Boshnakova, D. Biasetti, B. Flach, M. Hanley, I. Ionescu, S. Knight, R. Krautgartner, H. Kristensen, A. Lexmon, S. Lieberz, A. Medina, J. Mikulasova, F. Nemes, Y. Polet, P. Rucinski, S. Sekliziotis

Report Highlights:

In 2008 EU chicken production increased, fueled by rising export demand and internal consumption. However, the negative impact of the global financial crisis on meat consumption is expected to slow down broiler production growth to below 1 percent in 2009. In 2008, EU-27 chicken meat exports grew significantly (+ 16 percent), exceeding imports. Russia, Saudi Arabia and Ukraine remain the major customers for EU chicken meat. While EU exports are likely to be affected by the financial crisis, they may benefit from the slated 2009 Russian ban on PRTs. In 2008, EU-27 chicken meat consumption continued to grow despite rising prices due to higher feed costs. It is expected that consumption will continue to grow in 2009, albeit at a slower pace, as chicken meat is likely to partly replace more expensive red meat.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Paris [FR1]
[E4]

Table of Contents

Executive Summary 3

Production 3

Trade 4

Consumption 6

Policy 6

 Impact from the financial and economic crisis 6

 Exports to Russia 7

 Impact from the Health Check 7

 High pathogen avian influenza (HPAI) situation 7

Related reports from FAS Post in the European Union: 7

DISCLAIMER

The PS&D numbers were contributed by FAS EU-27 offices and merged into a consolidated EU-27 PS&D and are not official USDA statistics.

This report is the result of active collaboration of FAS colleagues in the member states:

- Xavier Audran from FAS Paris covering France (coordinator)
- Mila Boshnakova from FAS Sofia covering Bulgaria
- Dana Biasetti from FAS Rome covering Italy
- Bob Flach from FAS the Hague covering the Benelux
- Michael Hanley from FAS Dublin covering Ireland
- Ioana Ionescu from FAS Bucharest covering Romania
- Steve Knight from FAS London covering the United Kingdom
- Roswitha Krautgartner from FAS Vienna covering Austria
- Hasse Kristensen from FAS Copenhagen covering Denmark
- Asa Lexmon from FAS Stockholm covering Finland and Sweden
- Sabine Lieberz from FAS Berlin covering Germany
- Arantxa Medina from FAS Madrid covering Portugal and Spain
- Jana Mikulasova from FAS Prague covering the Czech Republic and the Slovak Republic
- Ferenc Nemes from FAS Budapest covering Hungary and Slovenia
- Yvan Polet from FAS USEU covering EU-27 policy issues
- Piotr Rucinski from FAS Warsaw covering Estonia, Latvia, Lithuania and Poland
- Stamatis Sekliziotis from FAS Athens covering Greece

Executive Summary

Production: In 2008, strong internal and export demand fueled increased poultry production in the EU-27. However, the negative impact of the global financial crisis on meat consumption is expected to keep broiler production growth to below 1 percent in 2009.

Trade: EU-27 broiler imports grew in 2008, albeit more slowly than in 2007, and are likely remain stable in 2009. Brazil, the EU's main supplier of chicken meat, is expected to fill its 2008/2009 tariff rate quota (TRQ).

Based on strong exports in 2008 (+ 16 percent), the EU regained its positive trade balance in chicken meat after being a net importer in 2007. Saudi Arabia, Russia and Ukraine were the major export destinations last year. While exports are expected to remain stable in 2009, demand could be affected by the impact of the world financial situation on major export markets, such as Saudi Arabia; by whether Russia implements a ban on poultry imports treated with Pathogen Reduction Treatments in 2009; and by whether the EU increases export restitutions to African countries and Ukraine.

Consumption: In 2008, EU-27 chicken meat consumption continued to grow, despite rising prices, and should continue to trend upward in 2009 but at a slower rate. Chicken is a relatively low cost protein source which often replaces more expensive red meat.

Production

Poultry, Meat, Broiler EU-27	2007		2008		2009		
	Market Year Begin: Jan 2007		Market Year Begin: Jan 2008		Market Year Begin: Jan 2009		
	Annual Data Displayed	New Post	Annual Data Displayed	New Post	Annual Data Displayed	New Post	
		Data		Data		Data	
Beginning Stocks	0	0	0	0	0	0	(1000 MT)
Production	8 250	8 320	8 400	8 560	8 495	8 600	(1000 MT)
Total Imports	640	673	670	685	680	680	(1000 MT)
Total Supply	8 890	8 993	9 070	9 245	9 175	9 280	(1000 MT)
Total Exports	625	621	620	720	610	700	(1000 MT)
Human Consumption	8 265	8 372	8 450	8 525	8 565	8 580	(1000 MT)
Other Use, Losses	0		0		0		(1000 MT)
Total Dom. Consumption	8 265	8 372	8 450	8 525	8 565	8 580	(1000 MT)
Total Use	8 890	8 993	9 070	9 245	9 175	9 280	(1000 MT)
Ending Stocks	0		0		0		(1000 MT)
Total Distribution	8 890	8 993	9 070	9 245	9 175	9 280	(1000 MT)

[2007 production data reflects new and more reliable data from several reporting countries, namely Italy and Bulgaria. In the absence of official Eurostat figures for broiler meat production, FAS figures for EU-27 should be interpreted as indicative of production and trade.]

In 2008, strong internal and export demand fueled increased poultry production in the EU-27. The negative impact of the global financial crisis on meat consumption is expected to slow broiler production growth to below 1 percent in 2009.

In 2008, EU-27 broiler meat production varied among Member States. For example, strong demand, a successful promotion campaign (D/D/D origin labeling -born/raised/slaughtered in Deutschland) and enlarged slaughter capacity fostered increased production in Germany.

In Italy, strong market signals, including a return in consumer confidence following a high pathogen avian influenza scare and the attractiveness of poultry as a low cost meat alternative (average prices have fallen by 7.4 percent since 2007) also encouraged a production increase in 2008. To further support industry growth, the Italian Ministry of Agriculture announced the creation of an Italian National Poultry Consortium. The group will connect small to medium sized companies and link them directly to the consumer by promoting "home-grown" poultry products. In addition, the Italian Ministry of Health will require a labeling system that distinguishes Italian origin poultry from imports.

In Benelux, during 2007 and through 2008, the price for broilers increased close to the record price reported in 1997 (BSE crisis). The price recovery was a result of low commercial stocks as production was still at a low level after the AI crisis. Another important factor is the recent EU enlargement. EU poultry meat reportedly replaced U.S. poultry meat imports on the new EU domestic markets, i.e. Romania and in lesser extent Bulgaria. As a consequence of these elevated prices, the average poultry farmer benefitted from good profit margins, despite the high feed costs. Due to the good market conditions, Benelux broiler production peaked during 2008. In 2009, domestic production is expected to decline. This forecast is based on deteriorating demand on export markets and the expectation that feed prices will not decline to the pre-2007 level.

In France, broiler meat production increased 1 percent in 2008, driven by strong extra-EU export demand which compensated for sluggish intra-EU exports. However, recent indications are that French broiler producers are preparing for a potential drop in demand: slaughter data for November and December 2008 show a notable decrease (- 5 percent) from the corresponding months of 2007 and, following several months of growth, the increase in broiler chicks stabilized at the end of 2008, as producers lowered their production expectations.

In Bulgaria, the broiler sector continued to grow in 2008. Higher production cost and strong consumer demand led to 25% higher broiler meat prices in 2007. In the second half of 2008 and in 2009, broiler production is likely be affected by the economic slowdown, however, consumption of poultry meat may increase provided that prices remain competitive compared to red meats.

Broiler Production (Top 5 EU-27 Member States) 1000MT			
	2007	2008	2009
United Kingdom	1477	1422	1420
Benelux	1114	1125	1120
Spain	1059	1080	1090
France	921	930	935
Poland	730	800	850

Trade

The EU-27 chicken meat trade balance was positive in 2008 (rebounding from a net importer position in 2007) due to export growth, and is expected to remain positive in 2009. EU-27

broiler imports grew in 2008, albeit more slowly than in 2007, and are expected to stabilize in 2009, limited by a tariff rate quota and potential slow growth in demand.

Traditionally strong import suppliers, Brazil and Thailand (whose products are used primarily by the processing and food service industries), had mixed results in 2008. Brazil filled its 2007/2008 tariff rate quota (TRQ) for broiler meat but saw exports decline in the second half of the year (2008/09 TRQ) (any change in types of imports from Brazil or same mix as previous years?). Thai poultry exports to the EU, which are limited to cooked, processed products due to HPAI concerns, grew significantly from _ MT to 179,000 MT in 2008 driven by the demand from the EU-27 processing industry. Chile entered the import scene in 2008 as the development of its poultry industry led to an almost doubling of European chicken meat imports (frozen chicken breasts and salted chicken cuts).

EU-27 exports of chicken meat in 2008 grew(+ 16 percent) following the complete lifting of all sanitary barriers by importers of EU chicken meat. Russia, Saudi Arabia and Ukraine remained the major markets for EU chicken meat. Exports to Vietnam more than tripled in 2008. EU poultry meat is reportedly replacing U.S. poultry meat imports in the new EU domestic markets, particularly Romania, and to a lesser extent, Bulgaria. 2009 forecasts are mixed as experts evaluate the likely impact of the financial crisis on major export markets. The EU may benefit indirectly if a Russian PRT ban scheduled for implementation in 2009 results in the displacement of US poultry exports. However, exports to African countries and Ukraine are likely to decrease unless the EU increases its export restitutions.

Among Member States, France has a negative intra-EU trade balance in poultry meat, importing three times more than it exports (for both processing and HRI sectors), with exports to the UK down by a third in 2008 (replaced by imports from Thailand and Brazil). It remains, though, the largest EU exporter to third countries, with exports of whole frozen chickens to Saudi Arabia and Yemen. France regained some market share previously lost to Brazil thanks to exports restitutions and a better match to market requirements. French exports of parts and processed chicken meat to Russia, increased significantly in 2008. Extra-EU exports are expected to increase in 2009, though at a slower pace than 2008.

Brazil and Thailand continue to be the main extra-EU suppliers for Germany. However, Brazil is exporting less salted and more standard broiler meat. Russia continues to be the main destination for German poultry meat exports, followed by the Ukraine. Exports to both destinations increased in 2008 and are expected to be stable in 2009.

The UK remains a significant importer of poultry cuts, particularly white meat from Brazil and Thailand. Following HPAI outbreaks in early 2008 which blocked trade, the UK regained a number of third country markets in November. Intra-EU exports resumed on July 8, 2008 under separate EU rules on AI.

Austria is almost self-sufficient in broiler meat so it trades primarily with other EU Member States, and in particular, Germany.

As Spain is not a major importer/exporter of broiler meat, its major EU suppliers are Germany and France, though the biggest source of imports in 2007 was Brazil, with poultry meat imports of 36,000 MT.

Hungary's broiler trade within the EU-27 should be stable for several years. Hungary imports 2,000-3,000 MT annually of frozen parts and offal from Brazil and exports 14,000-16,000 MT (of chicken cuts and offals, and whole chicken) mainly to Ukraine.

Broiler Extra EU-27 Imports (Top 5 EU-27 Member States) 1000MT			
	2007	2008	2009
Benelux	248	233	231
United Kingdom	159	183	170
Germany	106	110	120
Spain	37	40	40
France	33	31	35

Broiler Extra EU-27 Exports (Top 5 EU-27 Member States) 1000MT			
	2007	2008	2009
France	218	245	255
Benelux	173	186	170
Germany	71	90	90
Poland	30	35	40
Spain	21	30	30

Consumption

In 2008, EU-27 chicken meat consumption continued to grow despite rising prices resulting from higher feed costs (grain comprises as much as 70 percent of chicken production costs) and is expected to continue to increase in 2009, the main exception being the UK where a 9 percent hike in average prices in 2008 led consumers to reduce their purchases. Chicken meat remains a low cost protein source and is especially important to the growing EU-27 Muslim population. Even if total meat consumption is forecast to fall due to the financial slowdown, chicken meat is often a replacement for more expensive red meat. Processors and consumers are expected to increase demand for chicken meat as a partial substitution for beef. In France, while overall consumption of chicken meat increased, studies showed that households' purchases actually declined in 2008, especially in the expensive, free-range sector of the market, but were more than compensated for by higher hotel, restaurant, institutional (HRI) purchases.

Broiler Consumption (Top 5 EU-27 Member States) 1000MT			
	2007	2008	2009
United Kingdom	1477	1422	1420
Spain	1089	1100	1150
France	873	890	905
Germany	813	845	860
Poland	614	655	700

Policy

Impact from the financial and economic crisis

The economic downturn in 2008 has had effects on consumer behavior. EU meat consumption decreased in 2008, with consumers switching to lower cost poultry meat. Prices for broilers in the EU remained above 2007 prices until September, but have been falling slightly as the economic crisis started to hamper exports. Poultry exports in 2008 were

strong, particularly to Ukraine and Vietnam. EU production expectations for broilers in 2009 are flat as the economic crisis continues. However, as feed prices began to fall, production margins improved slightly at the end of 2008.

Exports to Russia

EU broiler exports to Russia increased in 2008 to 144,000 MT. However, Russia has decreased its import quota for EU poultry for 2009 to 185,800MT from 244,400MT in 2008, or a 24 percent decrease, which will limit the room for an increase in EU exports. It is unclear to what extent poultry exports to Russia will be affected by the Russian delisting of several EU poultry plants in 2008 for not complying with Russian sanitary regulations, including alleged violations of very strict Russian residue limits. On the other hand, the EU, together with Brazil, may try to benefit from the potential Russian ban on poultry treated with PRTs scheduled to be implemented sometime in 2009 and other sanitary issues between the United States and Russia.

Impact from the Health Check

The approval of the Health Check in December of 2008 is expected to have only a moderate impact on EU meat sectors. The abolition of mandatory set aside should lead to increased grain production and therefore lower feed prices, although the new eligibility of potato and vegetable crops for the activation of decoupled area premiums could result in a decrease in grain production.

High pathogen avian influenza (HPAI) situation

In 2008, the EU was spared from any significant outbreaks of HPAI in commercial poultry flocks. However, regular findings of HPAI in wild birds in various EU MS, are clear warnings that continued caution and strict surveillance remain important.

Related reports from FAS Post in the European Union:

Country	Title	Date	Report Number
Germany	AI in Turkey Flocks in Northern Germany - Low-Path H5	12/16/2008	GM8054
Germany	AI update: Suspect case in Saxony	10/10/2008	GM8046
EU-27	Update on the EU Pathogen Reduction Treatment approval process	07/28/2008	E48081

The GAIN Reports can be downloaded from the following FAS website:
[USDA Foreign Agricultural Service \(FAS\) — Attache Reports](#)