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## **Report Name:** Poultry and Products Annual

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### **Report Highlights:**

The EU-27 chicken sector is expected to contract moderately in 2020 before rebounding in 2021. The COVID-19 pandemic and the ensuing lockdown in most EU-27 countries led to a collapse of HRI demand that was not completely offset by an increase of at-home consumption. Next year we project a continuation of the overall trend with higher production driven by a slow but steady increase in domestic demand and increased exports. Thailand is now the largest supplier of chicken meat to the EU-27, superseding Brazil, now second. Ukraine is the third largest exporter, benefiting from a TRQ for chicken meat. EU-27 chicken meat exports are expected to decrease in 2020 due to the consequences of the COVID-19 outbreak before resuming their growth in 2021. The growth is driven by a higher exports of low-priced dark meat cuts, bone-in cuts and mechanically deboned meat (MDM) to Sub-Saharan Africa and Southeast Asia.

## DISCLAIMER

The figures in the PSDs in this report are not official USDA numbers, but they result from a collaborative effort by FAS EU offices to consolidate PSDs from all 27 EU member states as well as the United Kingdom.

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

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## Executive Summary

After years of growth, **the EU-27 chicken meat production is expected to decline by 1.6 percent in 2020 due to the impact of the COVID-19 outbreak** that led to a lockdown in most EU-27 countries and the temporary closure of hotels, restaurants and institutional cafeterias (HRI). While chicken meat demand was less affected than other meats, the loss of sales from meals normally consumed in restaurants was not fully replaced by products purchased for at-home consumption. Outbreaks of COVID among workers in chicken meat slaughterhouses were limited to a few cases and did not lead to major production disruptions in EU-27 countries. Most EU-27 countries had decreases in production. Poland, still the largest EU-27 chicken producer with close to 20 percent of all EU-27 chicken production, was hit particularly hard by the closure of the HRI sector combined with difficult cross-border logistics that damped sales of exports. Prior to the COVID-19 outbreak, the growth in Polish chicken production was primarily export driven with close to 50 percent of the production exported. Much of Poland's exports to other EU-27 MS were destined to their HRI sectors. Polish exports were also affected by Highly Pathogenic Avian Influenza (HPAI) outbreaks that closed some important exports markets such as South Africa.

The post-COVID-19 economic challenges throughout most of Europe will favor cheap protein sources. Combined with the ease of preparation of chicken meat, we project a **resumption in growth in chicken meat demand and production in 2021, although at a slower growth rate than pre-COVID estimates**. However, the short two-month production cycle of the chicken industry makes it very reactive to outside events, both on the upside and downside, making accurate forecasts difficult.

**The EU-27 chicken meat trade surplus is expected to decrease in 2020 as the decline in exports exceed the decrease in imports.** The decrease in trade is due to the COVID-19 pandemic. The lockdown and closure of HRI outlets in most EU-27 countries for several months lowered the demand for cheap chicken parts popular in the HRI sector. EU import demand from Brazil, Thailand and Ukraine will all be down in 2020. It is anticipated that in 2021 (assuming no additional widescale economic lockdowns) the import demand will resume close to its pre-COVID-19 level. Imports from Ukraine are also negatively impacted by changes in the Deep and Comprehensive Free Trade Agreement (DCFTA) poultry import quotas in July 2019 that closed the loophole allowing tariff-free export of bone-in white meat.

While all sources show that total meat consumption in the EU-27 has been negatively impacted by the lockdown due to the COVID-19 outbreak, **chicken meat is a less-expensive alternative protein to beef and pork and so was impacted less**. With the anticipated slow-down of the outbreak in the coming months, analysts believe that chicken meat consumption growth will resume. Data show the rate follows demographic growth closely, which means that per capita consumption is fairly stable. In the EU-27, sales of cheaper chicken cuts also increased faster than sales of more expensive parts, such as breasts or whole birds. Finally, development of non-conventional production schemes such as organic, free range and GMO-free chickens remains strong throughout Europe.

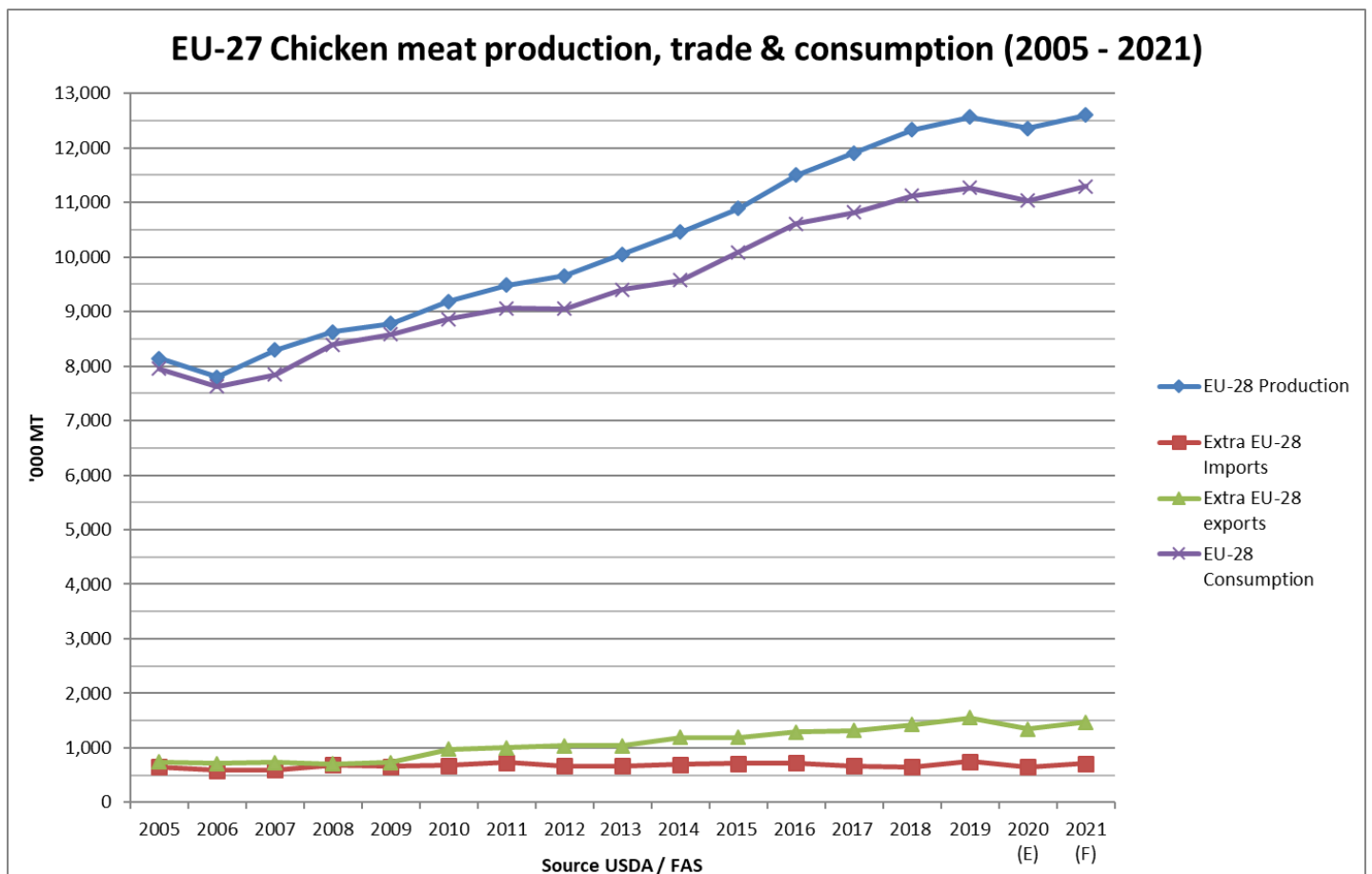
## Important Note

Unless otherwise noted, "EU-27" in this report refers to EU-27 + UK, the current EU Customs Union.

## Production, Supply and Demand Data Statistics: Chicken Meat PS&D Table

Meat, Chicken Market Year Begins European Union	2019		2020		2021	
	Jan 2019		Jan 2020		Jan 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Beginning Stocks</b> (1000 MT)	0	0	0	0	0	0
<b>Production</b> (1000 MT)	12460	12560	12300	12360	0	12600
<b>Total Imports</b> (1000 MT)	724	724	600	650	0	720
<b>Total Supply</b> (1000 MT)	13184	13284	12900	13010	0	13320
<b>Total Exports</b> (1000 MT)	1548	1548	1350	1450	0	1480
<b>Human Consumption</b> (1000 MT)	11636	11736	11550	11560	0	11840
<b>Other Use, Losses</b> (1000 MT)	0	0	0	0	0	0
<b>Total Dom. Consumption</b> (1000 MT)	11636	11736	11550	11560	0	11840
<b>Total Use</b> (1000 MT)	13184	13284	12900	13010	0	13320
<b>Ending Stocks</b> (1000 MT)	0	0	0	0	0	0
<b>Total Distribution</b> (1000 MT)	13184	13284	12900	13010	0	13320

(1000 MT)



## Production

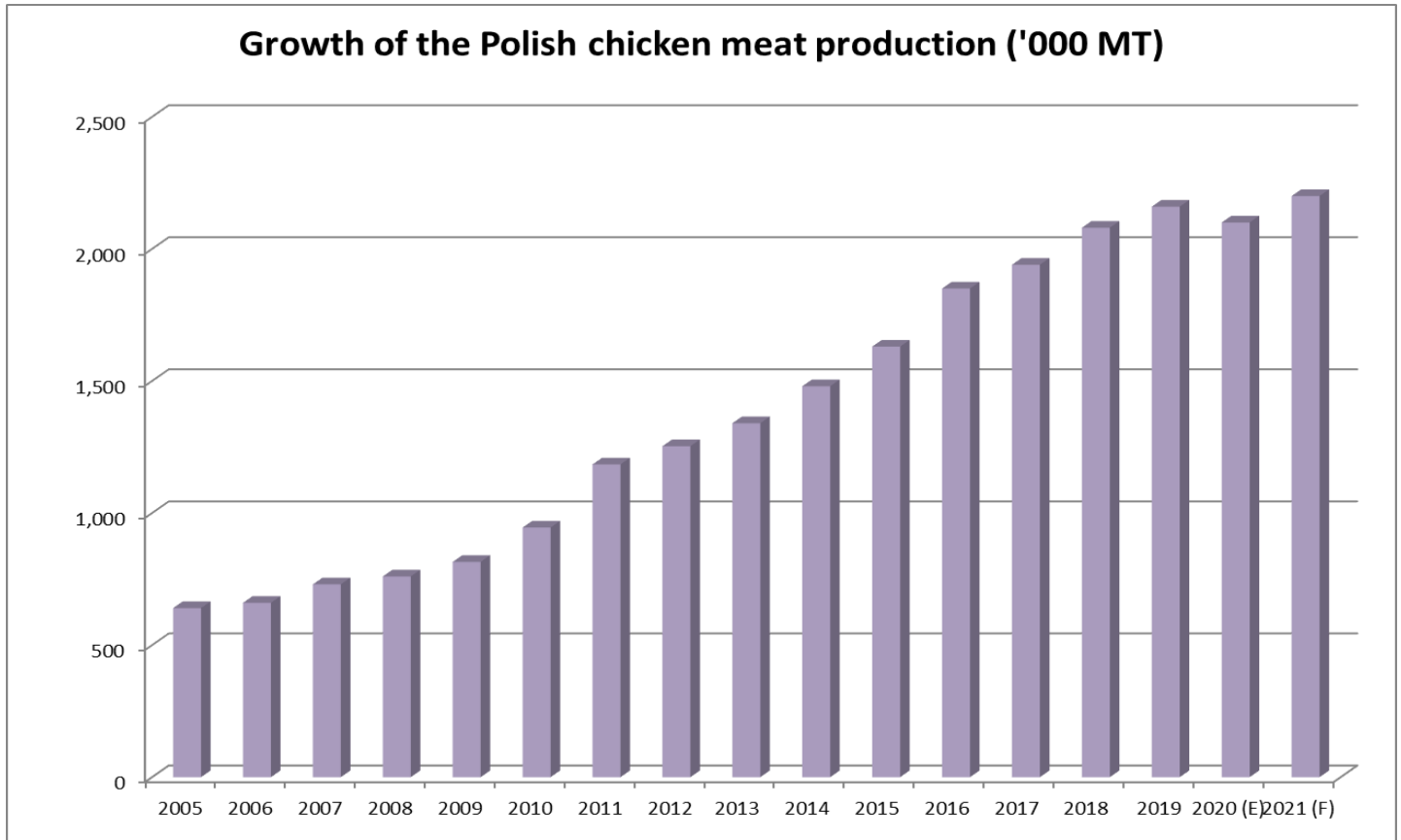
The 2019 EU-27 production has been revised upward due to revised production data from Spain and Romania.

After years of growth, the EU-27 chicken meat production is foreseen to decline by 1.6 percent in 2020 due to the impact of the COVID-19 pandemic that led to a lockdown in most EU-27 countries and the temporary closure of hotels, restaurants and institutional cafeterias (HRI). While chicken meat demand was less affected than other meats, the loss of meals taken outside the home were not fully replaced by purchases of chicken for at-home consumption. In most EU-27 countries, chicken meat slaughterhouses and processors had to switch from bulk sales to the HRI sector to sales to the retail sector for household purchases. Because of this switch, they had to make significant changes in the type of products available for the market including packaging sizes and labeling on the products. Outbreaks of COVID-19 of workers in chicken meat slaughterhouses were limited to a few cases so did not lead to a major disruption in EU-27 countries.

The post-COVID-19 difficult economic situation in most of Europe will favor cheap protein sources. Combined with the convenience for consumers of chicken meat, it could lead to a resumption in chicken meat demand in 2021 and therefore of production, although with slower growth than before the pandemic. However, the short two-month production cycle of the chicken industry makes it very reactive to outside events, both on the upside and downside, making accurate forecasts difficult.

About 98 percent of the EU-27 chicken production is made up of broiler meat, the rest (less than 2 percent) is meat from hens, primarily laying hens and cocks.

There were several cases of HPAI reported in 2019 and 2020 in Bulgaria and Poland. This led several countries to ban Polish poultry and egg products, notably South Africa, China, South Korea, Singapore, Japan, Taiwan, the United Arab Emirates, and the Philippines. Ukraine, Belarus, Hong Kong, Kazakhstan, Russia, Armenia, Cuba, and Saudi Arabia restricted Polish poultry imports based on Poland's regionalization plan. The development of free-range chicken production in several EU-27 MS that is driven by consumers' demand for free range and/or organic chicken meat is concerning for veterinary authorities because this method of production is more vulnerable to HPAI outbreaks.



(source: FAS Warsaw)

Overall EU-27 production changes in 2020 vary by country. Most EU-27 countries show decreases in production except for Germany where at-home consumption remained strong, despite pressure on production due to welfare and environmental issues that hamper the installment of new poultry farms and the enlargement of existing ones. Poland, still the largest EU-27 chicken producer with close to 20 percent of all EU-27 chicken production was particularly impacted by the closure of the HRI sector in many EU-27 Member States. Prior to the COVID-19 outbreak, the growth in Polish chicken production was primarily export driven with close to 50 percent of its production exported, and most of those exports to other EU-27 MS went to the HRI sector. Additionally, the ban on the export of Polish chicken to many third countries due to its HPAI outbreak led to sharply increased domestic meat stocks, which translated into lower farm-gate prices. From the beginning of March to the beginning of July 2020, the broiler farm-gate prices in Poland fell by nine percent and were ten percent lower when compared to July 2019 prices. It is however anticipated that with the re-opening of the HRI sector, growth of Polish chicken production will resume in 2021.

Over the past seven years, France's chicken meat production has stalled because of declining exports and competition from other EU-27 suppliers. The lockdown from March to May 2020 due to COVID-19 reduced consumer demand for chicken meat but the French domestic retail market for chicken remained strong, as households prefer domestically produced chicken when making purchasing decisions at retail stores.

Due to the temporary closure of the HRI sector and loss of tourists, the drop in Spanish chicken exports to the EU-27, and the contraction of household consumption, Spanish chicken production will fall by 5 percent in 2020 ([see GAIN SP2020-0019 Report](#)). This situation, combined with significantly lower prices (down 15 percent in April 2020) led the Spanish poultry association to

request Private Storage Aid from the EU Commission, but it was rejected. In 2021, chicken production is expected to return to its 2019 level. In the past year, the Spanish chicken meat sector has been restructuring towards the manufacturing of value-added chicken products in response to the rising popularity of ready-to-eat and ready-to-cook chicken. In this regard, the Spanish poultry industry has expressed interest in U.S. poultry technology. According to Spanish sources, many Spanish animal production companies own both swine and poultry productions, and their plans are to increase poultry export markets outside the EU-27.

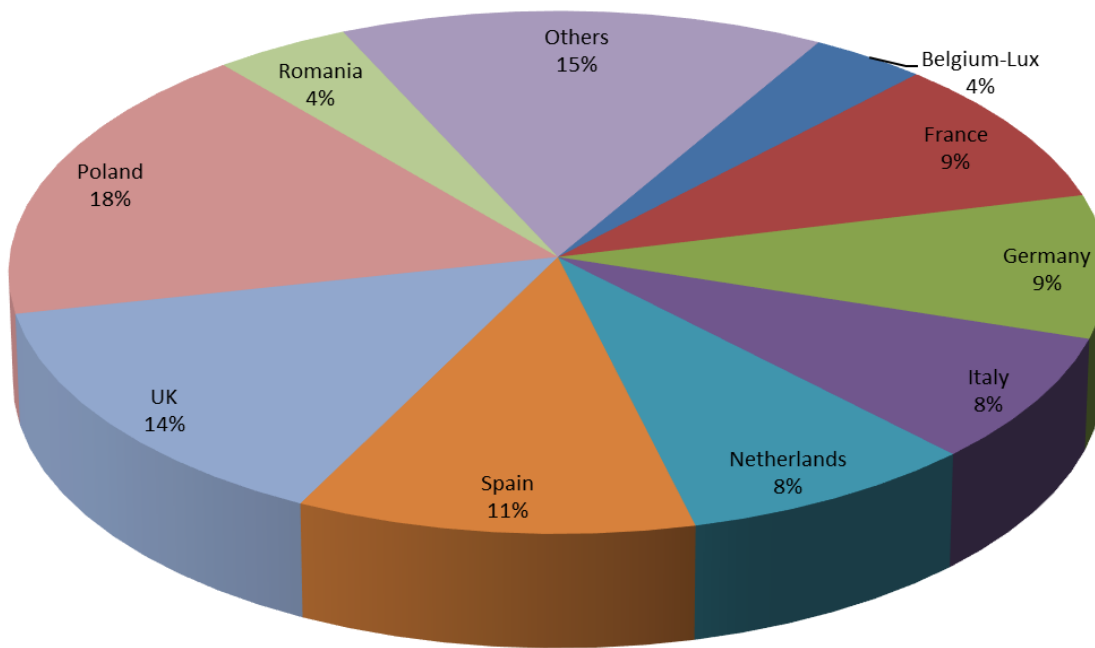
Chicken meat production in the Netherlands was also impacted by the COVID-19 even though the lockdown was not as strict as in other EU-27 countries such as France, Spain and Italy. The sector is affected by the lower demand in other EU markets, such as the United Kingdom, and an increasing competition from Poland. After a three percent decline in 2020, production growth is forecast to increase again in 2021. However, the increase will be limited by the availability of animal production licenses based on the volume of phosphate produced by the birds. The change to more sustainable production methods and better animal welfare conditions (thus reducing the size of the flock) is also limiting the production growth. In addition, the impending closure (October 1, 2020) of the large slaughterhouse Frisia that slaughters 500,000 birds per week of a total Dutch slaughter of 12 million per week, may have a slight impact on supply in the short-term. However, its competitor Plukon is planning to take over the production. Currently the potential oversupply of birds is creating downward pressure on prices.

While the effective loss of the hospitality sector in March 2020 has been challenging for the UK chicken meat sector, there has been a significant increase in retail consumption of chicken; its versatility and ease of home preparation boosted sales. Additionally, the take-out/delivery market for restaurants dramatically increased during the pandemic. The sector adjusted quickly to the changes and domestic production has been scaled up to address this demand. The UK increased exports to the Netherlands and Belgium primarily due to the devaluation of the UK pound.

The UK government permitted pubs and restaurants to reopen as of July 4 and there has been a cautious return to eating out. However, many continue to telework, particularly in the urban centers, and those restaurants that have opened face social distancing requirements that will reduce the number of consumers. As such, the future remains uncertain, but the UK poultry meat sector should be expected to react swiftly to any shift in market dynamics whether the pandemic or Brexit. Currently, MY2021 is forecast to see some recovery in imports, with a corresponding decline in domestic production.

Increase of production in 2020 is also reported in Romania encouraged by the strong consumer demand and chicken's price competitiveness as compared to pork meat. Bulgaria's poultry continues to consolidate and modernize; the number of small farms (below 10,000 birds) declined dramatically while the number of larger farms grew by eight percent. Backyard chicken meat production declined by 46 percent and its share is now less than two percent of total chicken production.

## EU-27 main chicken meat producing countries (2020)

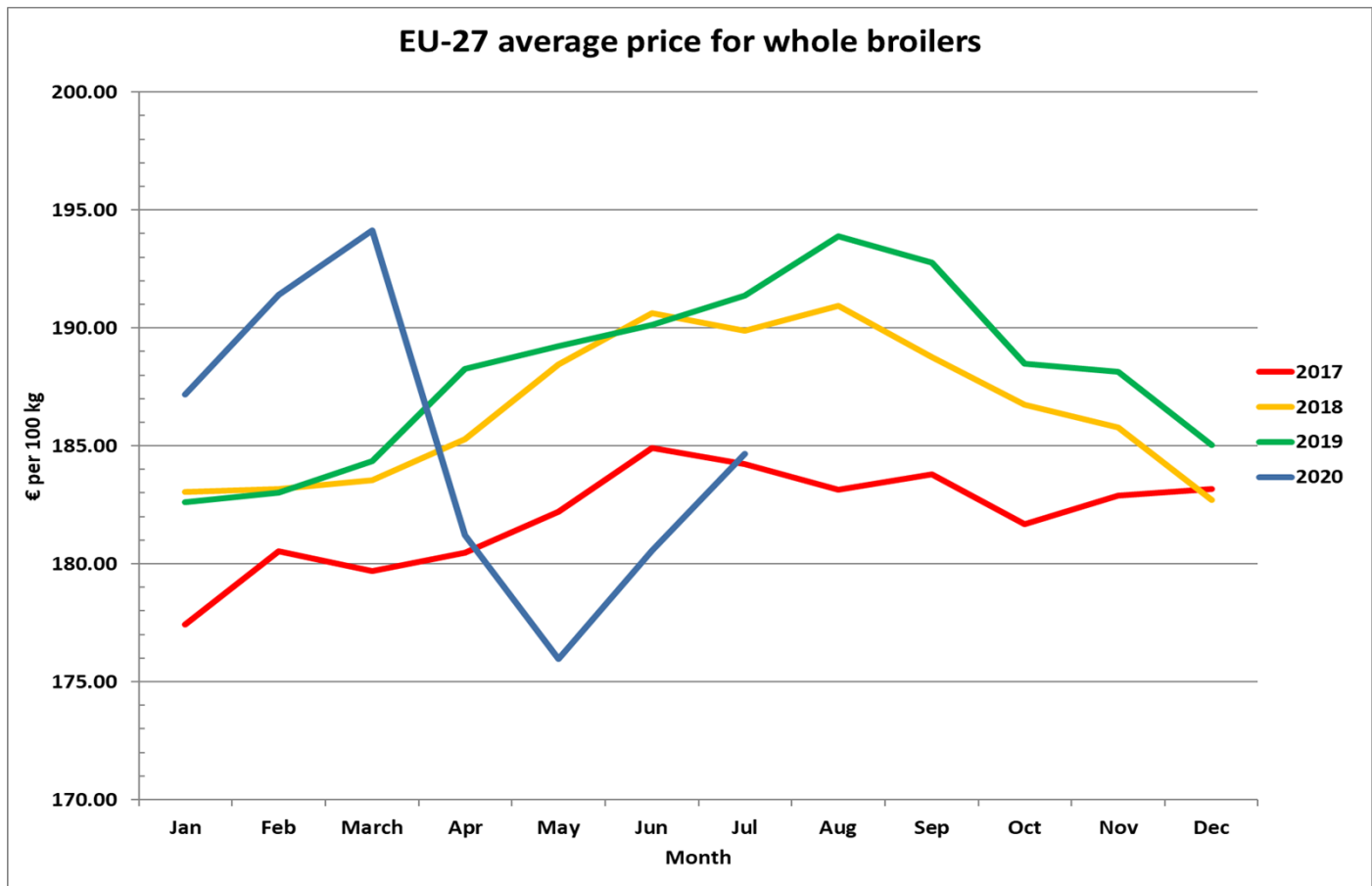


(Source FAS Posts)



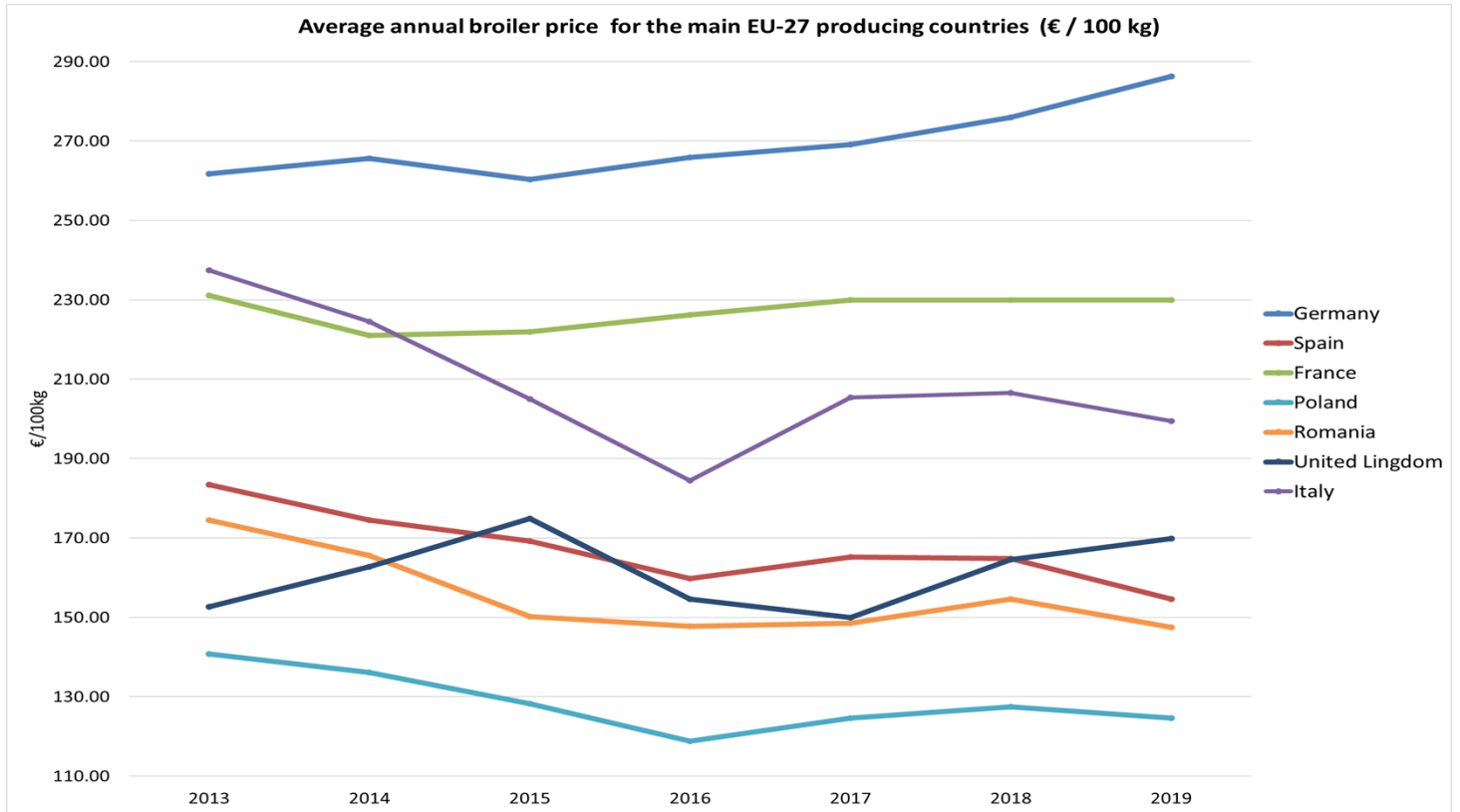
## Price

The decreasing demand in 2020 led to a steep decline in chicken prices in the EU-27 in March, April and early May 2020. However, the re-opening of restaurants and the lower production pushed prices up in late May and June, but not to their previous level. Most producers had benefited from low feed prices since 2019, thus could accommodate a reduction of their margin.



(source: European Commission, data for broilers only)

Several studies indicate that within the EU-27, significant price differences remain among Member States (MS) for chicken, particularly broiler meat. On average, chicken prices in Germany are 1.4€ per kilo (\$0.72 per lb.) more expensive than in Poland. The average price differential with France is 1€ per kilo (\$0.5 per lb.). UK prices regained some competitiveness due to the currency devaluation of the British pound versus the Euro, explaining its export growth. This price differential explains why Polish chicken meat shipments to other MS are increasing sharply, even displacing imported Brazilian chicken meat in Western Europe.



(source: European Commission, data for broilers only)

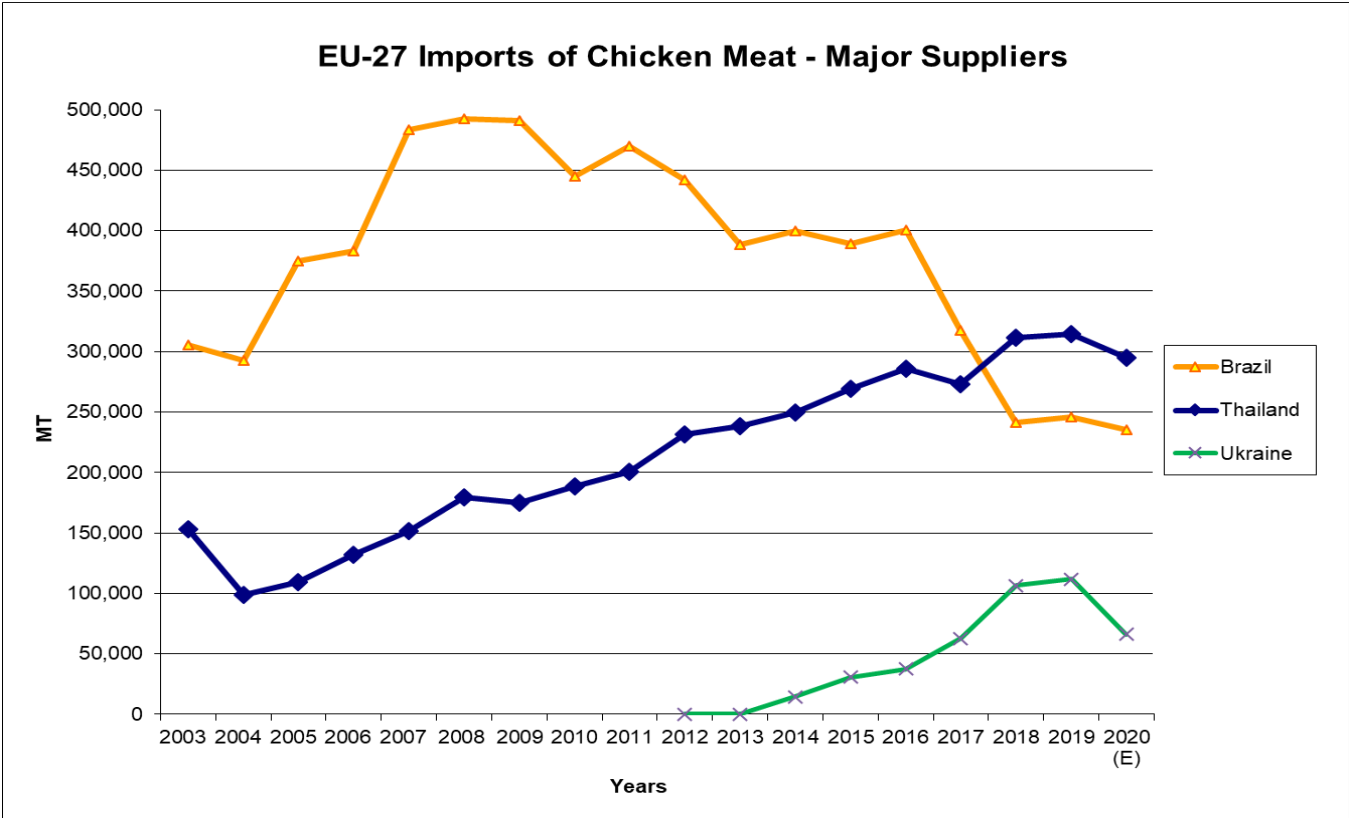
## Trade

**The EU-27 chicken meat trade surplus is expected to decrease in 2020** as the decline in exports exceed the decrease in imports. The decrease in trade is due to the COVID-19 outbreak. The lockdown and closure of HRI outlets for several months in most EU-27 countries lowered the demand for cheap chicken parts popular with restaurants which was supplied by imports. Both imports from Brazil and Thailand will be down in 2020. It is anticipated that in 2021, providing no further lockdown impacts the HRI sector, the import demand will resume close to its pre-COVID-19 level. The decline in exports in 2020 were due to the pandemic, reducing demand in most EU-27 export markets. Additionally, the ban on Polish chicken meat by several key customers of EU-27 chicken meat due to HPAI outbreaks in Poland. EU-27 exports are projected to resume their growth in 2021, fueled by demand for cheap chicken parts from Asia and Sub-Saharan Africa.

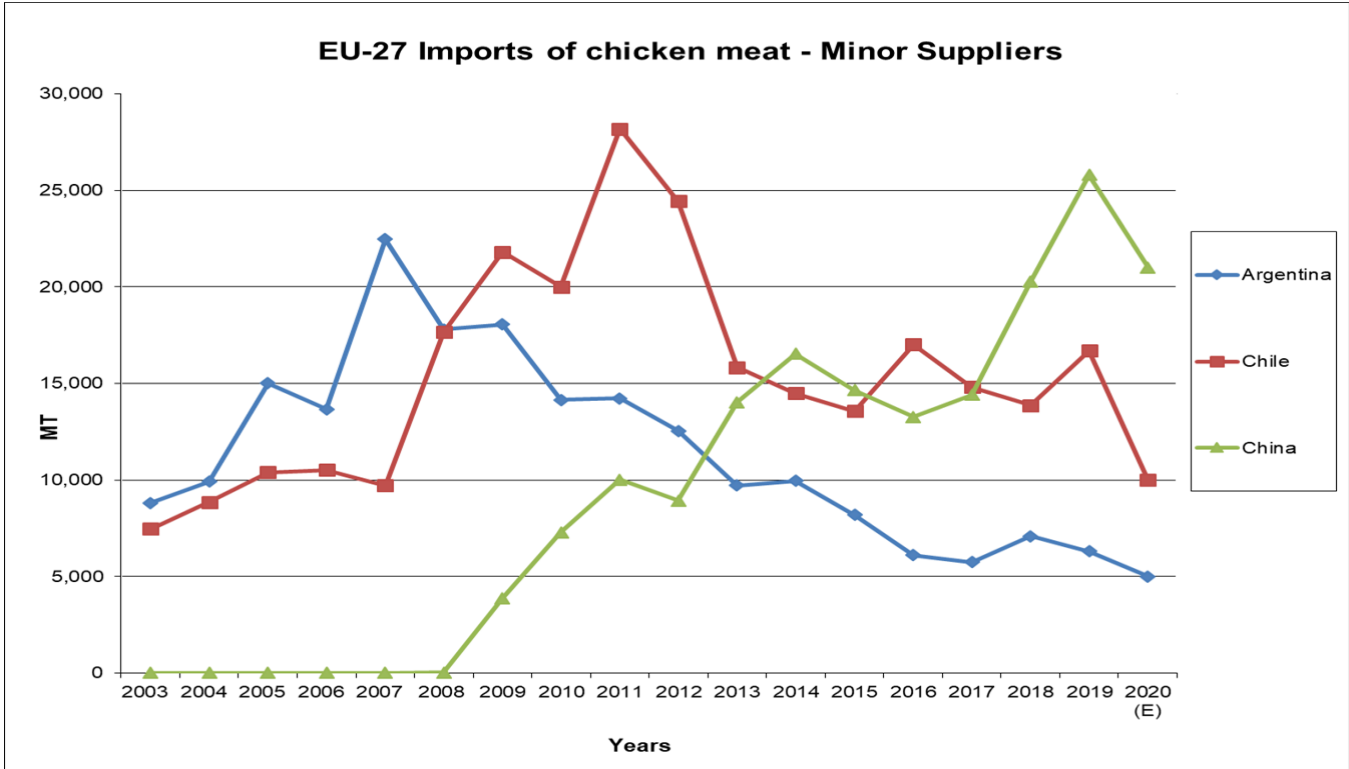
### Extra EU-27 Imports

'000 MT	Quota years (July-June)	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	Quota reg. (EC) No 616/2007 (July-June MY)
020712	Frozen whole	11	15	14	17	12	13	
020714	Frozen cuts	121	127	100	108	138	95	-
16023219	Preparations of chicken meat	304	327	343	317	316	302	251
02109939	Salted, or in brine	268	278	249	172	200	206	264
<b>Total</b>		<b>709</b>	<b>757</b>	<b>730</b>	<b>669</b>	<b>744</b>	<b>673</b>	<b>-</b>

(Source *Trade Data Monitor*)



(Source Trade Data Monitor)



(Source Trade Data Monitor)

Thailand is now the largest supplier of chicken meat to the EU-27, followed by Brazil and Ukraine. Analysts report that many EU-27 importers prefer Thai to Brazilian chicken meat because they perceive the Thai product to be of higher quality. The EU-27 market has been reopened to Thai poultry since July 1, 2012, after an eight-year closure due to avian influenza outbreaks. Exports of Thai salted and frozen chicken cuts and parts to the EU-27 have been steadily increasing. This increase of imports from Thailand has negatively impacted imports from Brazil.

In early May 2018, following an unsatisfactory oversight audit the EU-27 de-listed twenty Brazilian meat and poultry processing plants from its list of approved plants eligible to export to the EU due to salmonella contamination risks. This delisting effectively halted imports into the EU from the affected meat company facilities. The ban was a blow to Brazil's largest chicken processor, BRF SA, which had 12 plants delisted by the EU. The impacted companies need now to "comply with EU standards and build a track record of compliance," after which approval for export to the EU may once again be granted following EU inspections. The EU-27 planned to audit the Brazilian poultry plants in November 2019 before relisting them. As of late August 2020, those plants were not relisted. In July 2020, the General Court of the European Union dismissed a case brought by two Brazilian meat companies (BRF SA and SHB Comércio e Indústria de Alimentos SA) about the 2018 decision to delist their plants. The court ruled that the EU Commission lawfully passed the delisting regulation as checks had found salmonella in the poultry meat and poultry meat preparations from those plants. Additionally, cases of fraud had been detected in March 2018 during a laboratory certification of meat products exported to the EU. The court found that the fraud concerning lab certification for poultry meat and meat products exported to the EU-27 called into question the reliability of Brazilian authorities to protect public health. BRF and SHB were ordered to pay the litigation costs to the Commission.

The MERCOSUR-EU Free Trade Agreement announced in the summer of 2019 could eventually facilitate Brazil exports of poultry meat to the EU, but its ratification will take years. Several member states are voicing concerns, for example, France is against the agreement and recently Germany has added its own concerns.

Ukraine has become the third largest supplier of chicken meat to the EU-27 because of the Deep and Comprehensive Free Trade Agreement (DCFTA) signed in 2014 between Ukraine and the EU-27. The agreement sets up Tariff Rate Quotas (TRQs) for chicken parts and whole birds for imports by both parties. The initial agreement has been revised in July 2019 because in the original TRQ bone-in cuts (HS code 02071310) from Ukraine were not subject to EU-27 import quotas nor tariffs. Such cuts require further processing in the EU to make the boneless chicken meat product that is sought by EU food processors. Dutch and German chicken meat processors used it as raw material for added value-product such as sausage and deli products. Using this loophole, the major Ukrainian producer (MHP) exports to the EU-27 chicken breast cuts with a little bone attached. MHP acquired poultry processing facilities in the Netherlands and in 2017 in Slovakia where the bone was removed from those chicken cuts. The proximity of the Slovakian facility to the Ukrainian Border meant that those products could be trucked chilled, not frozen, from the Ukrainian slaughterhouses in a matter of hours. The final product (boneless breast) could then be sold as processed in the Netherlands or Slovakia, removing the Ukrainian origin of the meat to the final consumer. This situation explains why Ukraine exported until 2019 much more chicken meat to the EU-27 than what is authorized by the DCFTA. To maintain access to EU-27 markets, Ukraine's largest poultry producer - MHP SE acquired one of the largest Southeast European poultry producers - [Perutnina Ptuj](#) in Slovenia for over \$270 million in spring 2019. Note that the several AI cases in Ukraine this year did not impact Ukrainian exports to the EU as EU granted a regionalization status instead of a country-wide ban.

The new import TRQ will lead to an overall decrease of Ukraine’s chicken meat exports to EU-27. It is rumored that Poultry producers of Ukraine may push for increased EU-27 import TRQ up to 200,000 MT in 2021 when the trade chapters of DCFTA are scheduled for review.

**Import EU’s TRQs for Poultry and Poultry Products (Revised July 2019)**

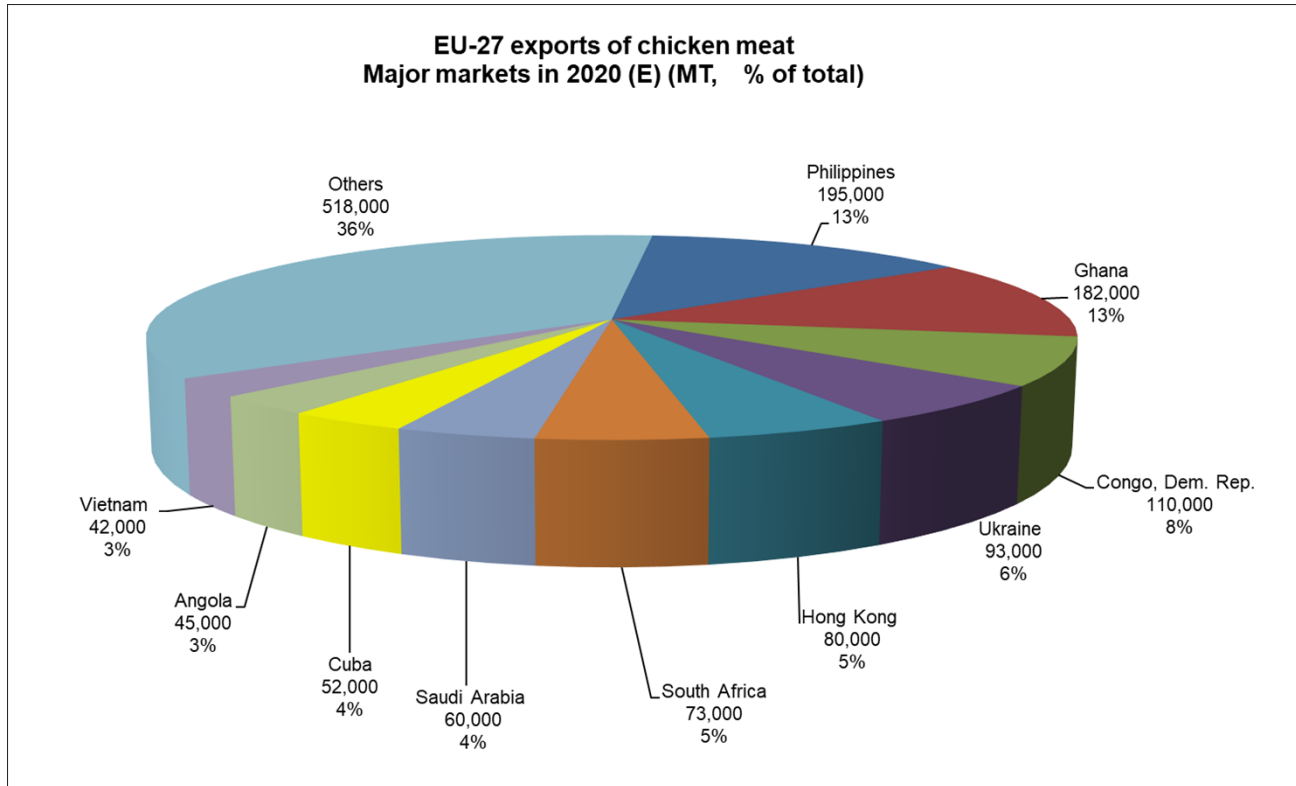
Product	HS Code	EU-27 Imports from Ukraine MT in CWE
Poultry: Whole Birds and Poultry Cuts	0207 11 (30-90) 0207 12 (10-90) 0207 13 (10-20-30-50-60-70-99) (*1) 0207 14 (10-20-30-50-60-70-99) (*1) 0207 24 (10-90) 0207 25 (10-90) 0207 26 (10-20-30-50-60-70-80-99) 0207 27 (10-20-30-50-60-70-80-99) 0207 32 (15-19-51-59-90) 0207 33 (11-19-59-90) 0207 35 (11-15-21-23-25-31-41-51-53-61-63-71-79-99) 0207 36 (11-15-21-23-31-41-51-53-61-63-79-90) 0210 99 (39) 1602 31 (11-19-30-90) 1602 32 (11-19-30-90) 1602 39 (21)	50 000 tons/year expressed in net weight + 18 400 tons/year expressed in net weight with an incremental increase of 800 tons/year expressed in net weight in year 2020 and in year 2021  + 20 000 tons/year expressed in net weight (for CN code 0207 12 (10-90))

Source: [Annex I-A](#) to Title IV of the Association Agreement.

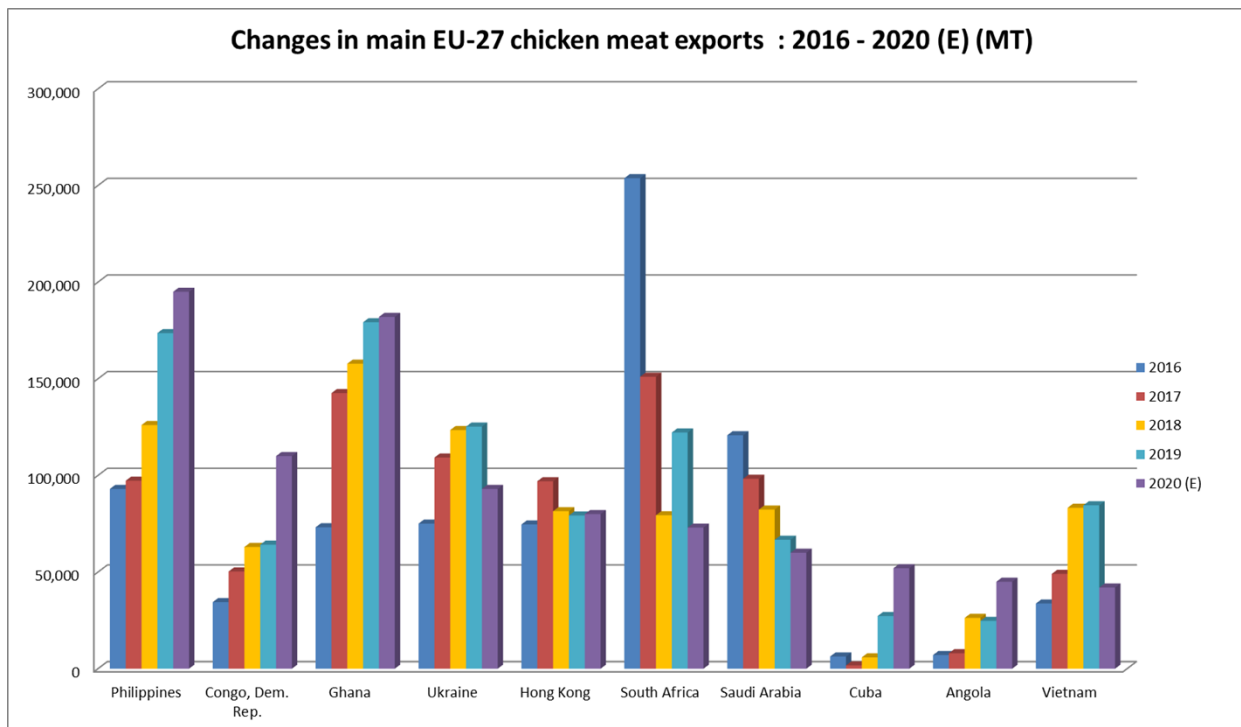
Note: TRQs are administered on a first-come, first-served basis.

The United States, which exported as much as 92,000 MT of chicken meat in 2005 to Romania and Bulgaria, is no longer a supplier to the EU-27, because the EU does not accept Pathogen Reduction Treatments (PRTs) that are used by U.S. poultry processors.

## EU-27 Exports



(Source Trade Data Monitor)



(Source Trade Data Monitor, FAS Posts estimates)

EU-27 chicken meat exports are expected to decrease in 2020 due to the COVID-19 pandemic and the lockdowns and closure of the HRI sector that ensued. The decline followed years of growth driven by the growing appetite worldwide for EU-27 sourced chicken meat parts. This growth is mainly due to the increasing export of price competitive bone-in parts (legs, wings) and mechanically deboned chicken meat from the EU-27. European exporters can lower the prices for those dark meat cuts as they get a better price in domestic EU-27 markets for more expensive breast cuts and white meat.

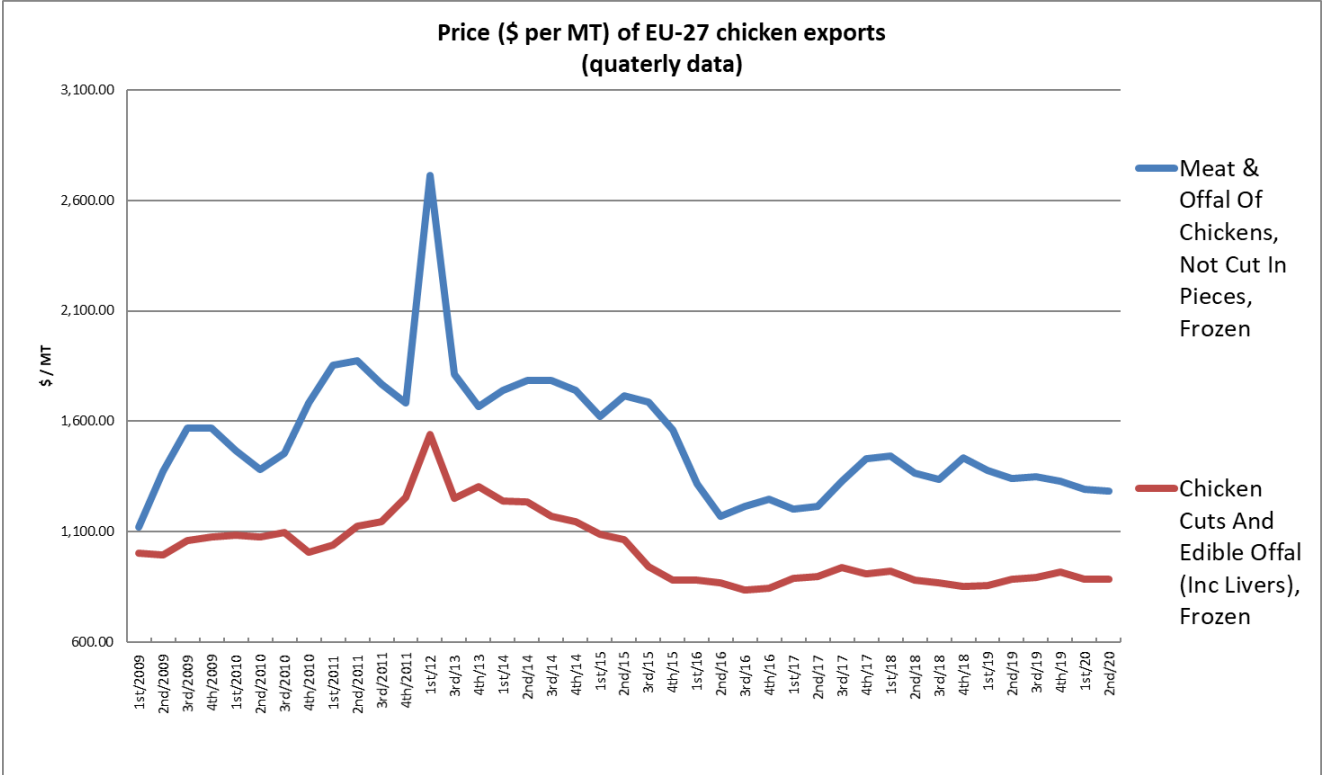
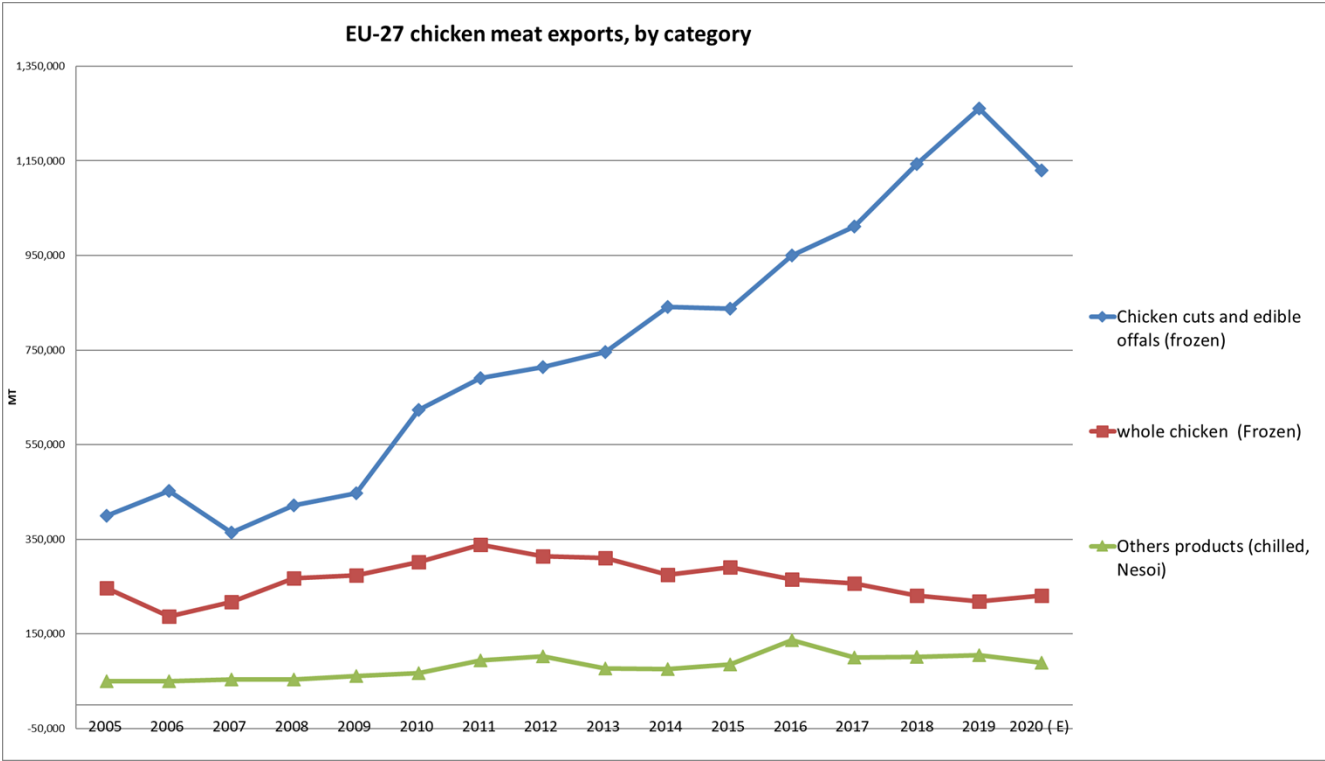
The overall decline in exports hides strong export flows of frozen low-priced chicken meat cuts to the Philippines as well as to some Sub-Saharan African countries such as Ghana and the Democratic Republic of Congo. Cuba and Angola are anticipated to have growing markets for EU-27 chicken parts in future years as well.

EU-27 exports of frozen cuts to Hong Kong are expected to remain strong in 2020, fueled by consumer demand in Hong Kong despite the competition from other sources, primarily Thailand and Brazil. However, the current political and social uncertain situation in the territory could negatively impact EU-27 chicken meat export in the second half of 2020. Note that more than 20 percent of EU-27 total chicken meat exports to Hong Kong are made up of frozen chicken feet and were removed from FAS calculated trade data.

While initially the Saudi market seemed to be more resilient to the end of the EU-27 export subsidies and more capable of absorbing the subsequent higher prices, this is not the case anymore. Trade data show that Saudi imports of EU-27 chicken meat are now decreasing, dramatically impacting French exports of frozen whole chickens which had previously benefitted from this less price-sensitive market. The decrease seems to be linked to lower oil prices since 2015, decreasing Saudi poultry demand, and competition from Brazil and, increasingly, Ukraine.

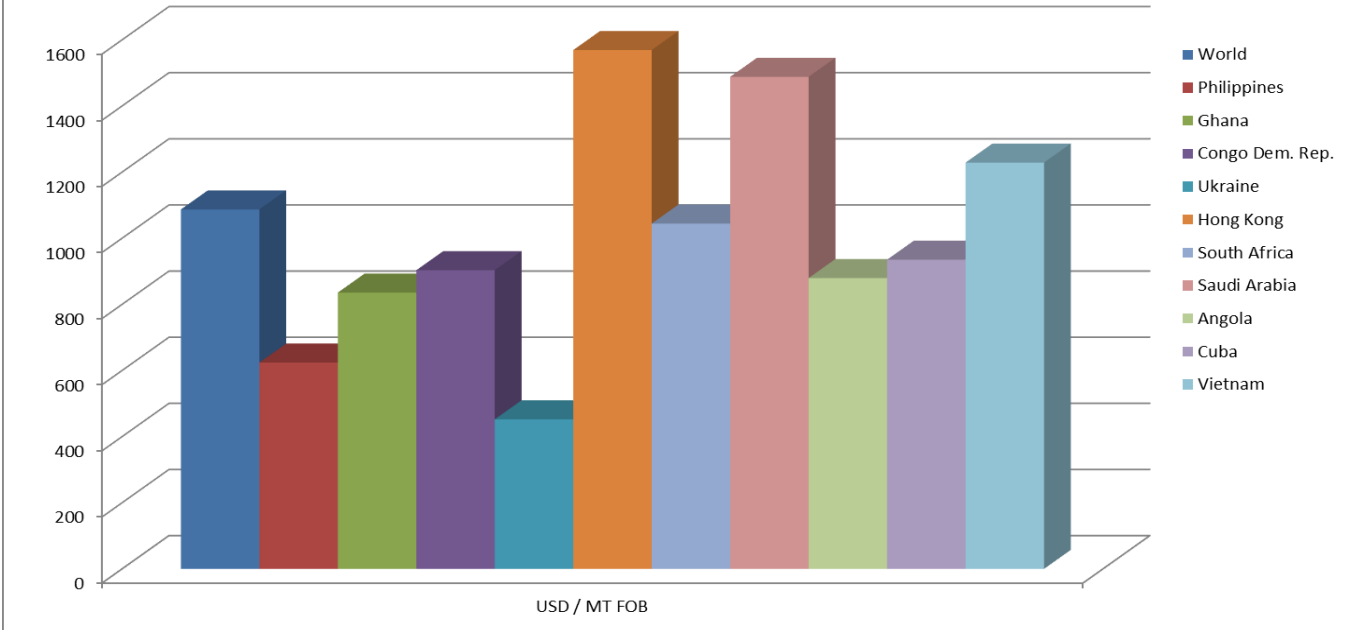
EU-27 Chicken meat exports to South Africa are anticipated to decline sharply in 2020, a decrease fueled by the ban on Polish chicken meat due to HPAI outbreaks and by its lockdown due to COVID-19. (Note: Poland regained its HPAI-free status on August 13, 2020.) The Netherlands obtained HPAI-free status in early 2020, but South Africa imports of Dutch chicken meat remained low in the first 6 months of 2020, far from the 110,000 MT exported in 2016. The limited sales of Dutch and other EU MS' chicken meat sales to South Africa is partially because EU-27 chicken meat faces strong competition from U.S. chicken meat exports to South Africa that have been growing since 2016 when the United States gained market access.





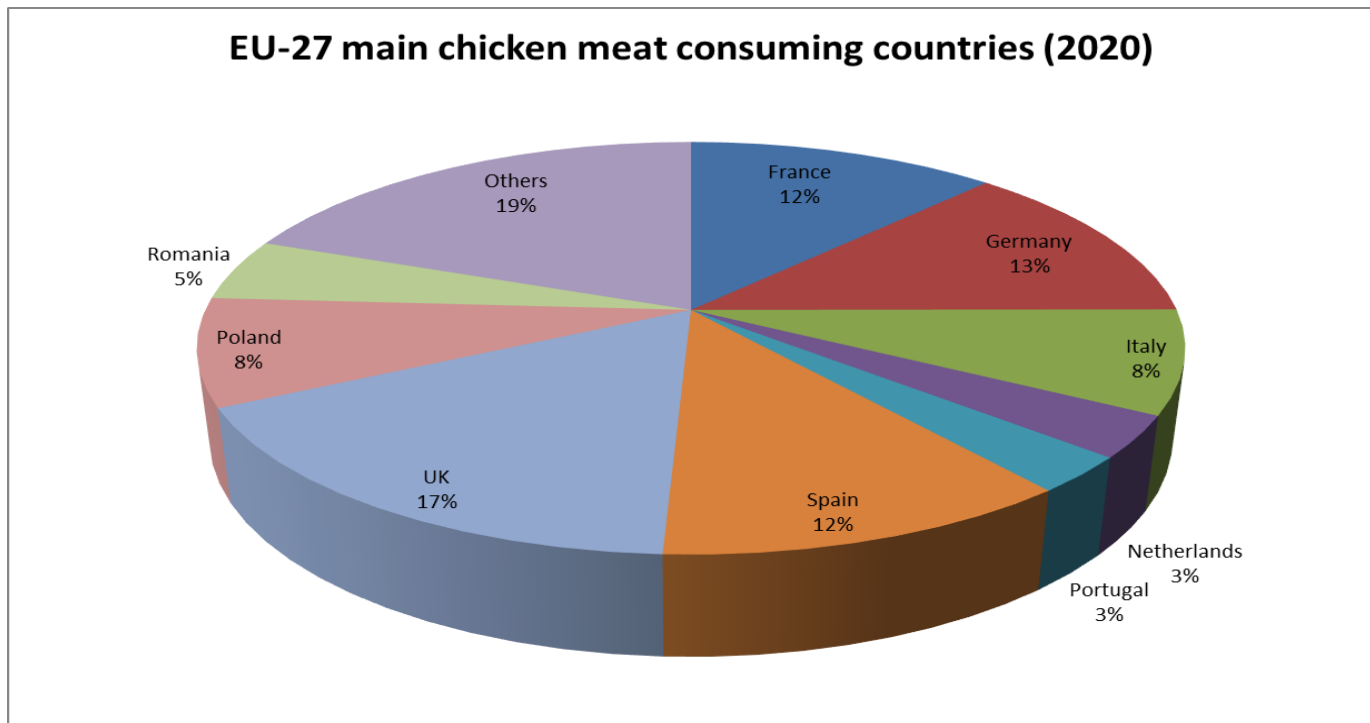
(Source Trade Data Monitor)

### Average price of EU-27 chicken meat exports in 2020, per country of destination



(Source Trade Data Monitor, data for Jan- June 2020)

## Domestic Consumption



(Source FAS Posts)

While all national and private statistical sources show that total meat consumption in the EU-27 has been negatively impacted by the lockdown due to the COVID-19 pandemic, chicken meat as a less-expensive alternative protein was less affected than beef and pork meat. With the anticipated 2021 economic recovery from the pandemic and lockdowns of 2020, analysts believe that chicken meat consumption growth will resume. Data show that growth in chicken consumption is close to demographic growth, which means that per capita consumption will remain stable. Several market studies showed that in the past, EU-27 consumers generally switched from beef or pork meat to chicken meat while the low-income consumers reduced their protein purchases, switching to carbohydrate products such as bread and pasta. In the Iberian Peninsula, there is a growing demand for slow-growth chickens for grilling and barbecue in the food service and tourism sectors that is inspired by U.S. cooking culture. In the EU-27, sales of cheaper cuts such as legs and wings also increased faster than sales of more expensive parts, such as breasts or whole birds.

In several EU-27 countries, such as Germany, France and Poland, the shift to chicken meat consumption has also increased by the perception that it is a healthier and leaner meat and because it is more convenient to prepare. It is also considered easier to prepare for catering and restaurant use than other meats.

Consumer demand in most EU-27 countries is increasing for chicken produced using specific methods and fed particular types of feed. There are a variety of consumer concerns addressed in these non-traditional production systems. Some of the production methods focus on *animal welfare*, such as cage-free and free-range chickens; others on the *type of feed*, such as GMO-free chicken; many on *organically-produced* chicken; and others focus on the *proximity of production* to the point of sale.

In France, the free-range sector is large, and much falls under a quality scheme given a "Red Label" on the package. The free-range sector in France represents about 10 percent of total consumption. Public relations campaigns by animal rights organizations such as L214 association in France against the mistreatment of chicken on poultry farms and slaughterhouses do not seem to have a significant impact on chicken meat sales but are boosting the development of these non-conventional chicken production schemes.

The growth of these production methods is also significant in Netherlands, Germany and Austria (with its "Happy Chicken" label) despite retail prices that are up to double the price of conventional chicken. Demand for locally sourced chicken is also increasing. This is particularly the case in Austria with retailers advertising local and regional suppliers. The dilemma is that many consumers want to purchase locally produced chicken but also do not want the establishment or enlargement of poultry farms in their communities.

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[COVID-19 and its Impact on Dutch Agriculture | The Hague | Netherlands | April 17, 2020 | NL2020-0008](#)

[Poultry and Products Annual | Warsaw | Poland | March 26, 2020 | PL2020-0012](#)

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#### **Attachments:**

No Attachments