United States Department of Agriculture
Foreign Agricultural Service

GAIN
Global Agricultural Information Network

Required Report: Required - Public Distribution

Date: September 29, 2023

Report Number: E42023-0039

Report Name: Poultry and Products Annual

Country: European Union

Post: Paris

Report Category: Poultry and Products

Prepared By: Xavier Audran

Approved By: David Leishman

Report Highlights:

Driven by strong internal demand, EU chicken meat production is expected to grow in 2023 and 2024. In 2024, Poland will be again the largest EU chicken producer, accounting for more than 20 percent of all EU chicken production. The EU trade surplus in chicken meat is expected to slightly decrease in 2023 as the EU continues to import more chicken products from Ukraine. This trade is facilitated by the EU decision to temporarily suspend quotas and tariffs on Ukrainian imports. A boom in EU tourism is fueling import demand in the HRI sector. Conversely, EU chicken meat exports remain constrained by HPAI-related bans in some EU customer countries. The adverse impact on trade is prompting discussions on the future of HPAI vaccination policy.

DISCLAIMER

The PSD data contained in this report are the result of a collaborative effort by USDA FAS offices in the European Union to consolidate estimates. Official USDA data for the EU are reported on the USDA FAS PSD Online website - https://apps.fas.usda.gov/psdonline/

This report is the result of contributions from the following FAS colleagues in the following EU member states:

Xavier Audran from FAS Paris covering France

Ornella Bettini from FAS Rome covering Italy

Mila Boshnakova from FAS Sofia covering Bulgaria

Monica Dobrescu from FAS Bucharest covering Romania

Dimosthenis Faniadis from FAS Rome covering Greece

Bob Flach from FAS The Hague covering the Netherlands and Nordic countries

Anna Galica from FAS Warsaw covering Poland, Estonia, Latvia, and Lithuania

Gellert Golya from FAS Budapest covering Hungary and Slovenia

Roswitha Krautgartner from FAS Vienna covering Austria

Jana Fischer from FAS Prague covering the Czech Republic and Slovak Republic

Andreja Misir from FAS Zagreb covering Croatia

Tania de Belder from FAS Brussels covering EU Policies, Belgium and Luxembourg

Antonia Rudolf from FAS Berlin covering Germany

Carmen Valverde from FAS Madrid covering Portugal and Spain

Executive Summary

Driven by strong internal demand, EU chicken meat production is expected to grow in 2023 and 2024. In 2024, Poland will be the largest EU chicken producer, accounting for more than 20 percent of all EU chicken production. After the COVID-19 related decline in 2021, Polish chicken production has resumed growth despite higher feed and energy costs and increasing competition from Ukraine. The chicken industry operates on a short two- to three-month production cycle which is very reactive to outside events. USDA forecasts are based on assumptions and information that are available at the time of publication.

EU chicken meat trade surplus is expected to slightly decline in 2023 and 2024 as imports increase and exports remain stagnant.

As consumption in the HRI sector resumes, demand for inexpensive imported chicken meat parts especially from Brazil, Thailand, and particularly Ukraine is increasing. Poultry imports from the UK continue to face post-Brexit constraints with EU veterinary inspection and other import requirements that now apply for UK chicken meat.

With an expected doubling in 2023, chicken meat imports from Ukraine continue to benefit from the EU's May 2022 decision to temporarily suspend import quotas and tariffs on Ukrainian chicken meat as it was extended for one more year in May 2023.

EU chicken exports in 2023 were adversely affected by HPAI outbreaks as several importing countries imposed trade bans. At the same time, EU chicken meat exports to UK are expected to grow by 7 percent in 2023. For 2024, EU chicken meat exports will likely remain flat as increasing competition with inexpensive Brazilian chicken will place EU producers at a disadvantage, especially in Asia and in sub-Saharan Africa. EU exports will continue to be constrained in 2023 so long as HPAI related bans continue.

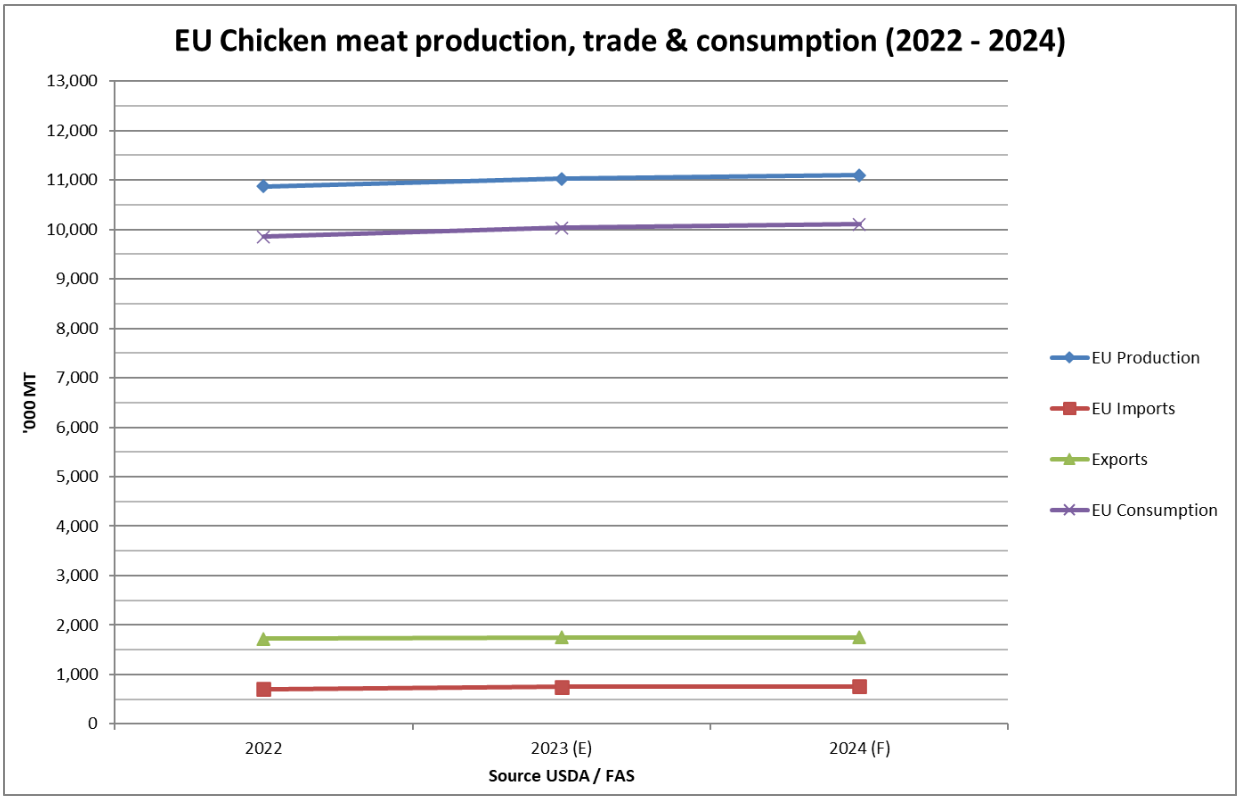
Chicken meat remains the preferred animal protein compared to more expensive beef and pork products. With growing food inflation and higher energy costs, EU chicken meat consumption will remain strong in 2023 and 2024. EU consumption is closely related to demographic growth, and per capita consumption is also slowly increasing. While special production schemes including organic, free range, and GMO-free chicken are widely supported throughout the EU, sales of inexpensive chicken meat cuts are growing at a faster rate compared to more expensive products like breasts and whole birds.

Production, Supply and Distribution:

Chicken Meat PS&D Table

Meat, Chicken	2022		2023		2024	
Market Year Begins	Jan 2022		Jan 2023		Jan 2024	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	10,970	10,870	11,050	11,030	0	11,100
Total Imports (1000 MT)	704	704	755	750	0	760
Total Supply (1000 MT)	11,674	11,574	11,805	11,780	0	11,860
Total Exports (1000 MT)	1,725	1,726	1,675	1,750	0	1,750
Human Consumption (1000 MT)	9,949	9,848	10,130	10,030	0	10,110
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	9,949	9,848	10,130	10,030	0	10,110
Total Use (1000 MT)	11,674	11,574	11,805	11,780	0	11,860
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	11,674	11,574	11,805	11,780	0	11,860
(1000 MT)						

Figure 1



Production

EU production for 2022 has been revised from previous estimates to account for final production data from Germany, Italy, Austria, Hungary and Poland. EU chicken meat production is expected to increase by 1.5 percent in 2023 driven by higher production across most EU countries. This increase is driven by sustained domestic consumer demand.

While the COVID-19 crisis has subsided, economic conditions throughout Europe have been slow to improve due to the energy crisis and the ensuing inflation caused by the war in Ukraine. Market conditions are favoring less expensive meat proteins, and this is expected to continue fueling a growing demand for chicken meat in 2023 and 2024.

An estimated 98 percent of all EU chicken production consists of broiler meat. The remaining 2 percent is primarily meat derived from laying hens and cocks.

As of June 2023, according to data from the European Food Safety Authority (EFSA), there have been 4,698 outbreaks of HPAI in 33 European countries (https://www.ecdc.europa.eu/sites/default/files/documents/AI-Report%20XXV_final.pdf). The impacts were most severe in the duck, turkey and laying hens sectors.

The expansion of free-range chicken production in several EU Member States, driven by consumers' demand for free range and/or organic chicken meat, is a growing concern for EU veterinary authorities as these production methods are believed to be more vulnerable to HPAI epidemics. Birds roaming outside are more likely to come into contact with wild birds that carry the HPAI virus.

Poland is the largest chicken producer in the EU, accounting for more than 20 percent of all EU chicken production. Close to 70 percent of the production is exported, either to the EU (44 percent of the production) or outside the EU (26 percent of the production). After struggling with high energy costs and high feed costs in 2022, the economic situation of the Polish poultry sector improved in 2023 as producers and processors were able to increase consumer prices.

The Dutch chicken sector has faced significant challenges on three fronts: COVID-19, HPAI and Brexit. While Dutch poultry producers enjoy relatively stable profit margins in the domestic retail sector, farms and slaughterhouses that depend more on export markets and the HRI sector, have experienced more difficulties in the marketplace. Although the situation is now stabilizing as consumer demand in the EU is increasing, Dutch chicken meat production is still below 2013 levels.

The Dutch retail market is almost exclusively dedicated to fresh chicken products under the scheme "Better Life". This animal welfare label was first introduced in 2007. The "Better Life" scheme is owned by the Dutch Society for the Protection of Animals (SPA). The SPA cooperates with producers and retailers. The SPA has also tried to include non-GE feed in its requirements, but this has not been welcomed by the Dutch poultry sector. Currently, the "Better Life" label is one of the most successful sustainability labels, ten times larger than the organic label for the meat sector. It is estimated that 40 to 50 percent of the Dutch chicken production is now produced under this type of scheme. It has quickly become the standard for chicken meat in supermarkets. Chicken production systems like "Better Life" promote lower bird population density on farms, and this, by definition, is a limiting factor for increasing production. On June 10, 2022, the Dutch government presented plans to reduce nitrogen emissions. The dairy and swine sector will likely be most directly affected by this policy. Dutch poultry farmers are relatively profitable and are therefore less inclined to reduce operations to participate in this scheme.

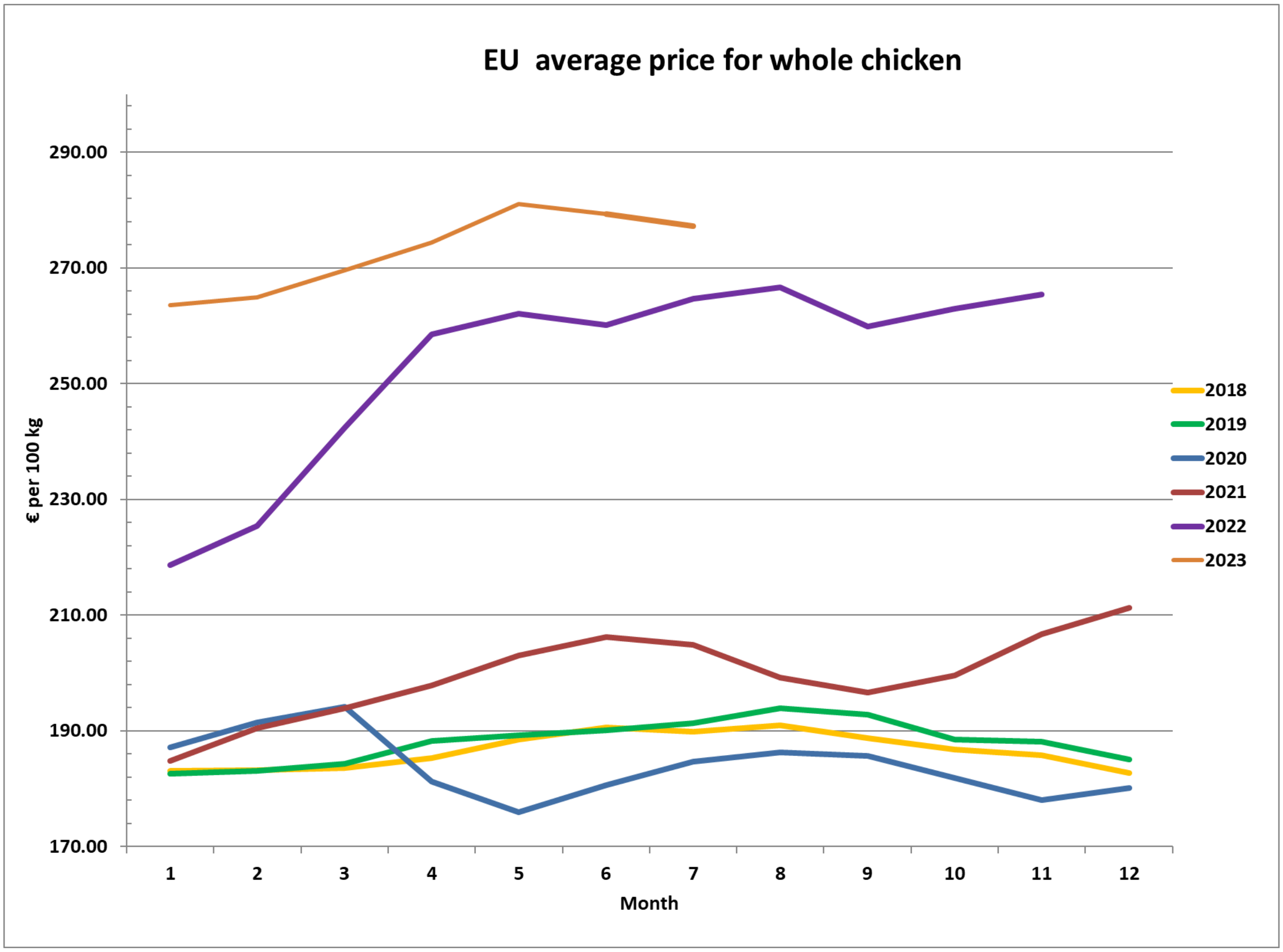
In France, chicken meat production is increasing slowly driven by domestic demand; however, exports have been declining. The French domestic retail market for chicken meat remains strong, as French households generally prefer to purchase domestically produced chicken.

Romania is also expected to increase production, encouraged by strong consumer demand and the price competitiveness of chicken meat compared to pork. Bulgaria's poultry sector continues to consolidate and modernize; medium- and large-sized farms account for 98 percent of total chicken inventory. Backyard production now accounts for less than 2 percent of total chicken production.

Price

Average EU Chicken prices have increased significantly since 2021, and even more 2022 due to higher feed and energy costs combined with a strong domestic demand. For the foreseeable future, EU chicken prices are expected to remain well above the historical average.

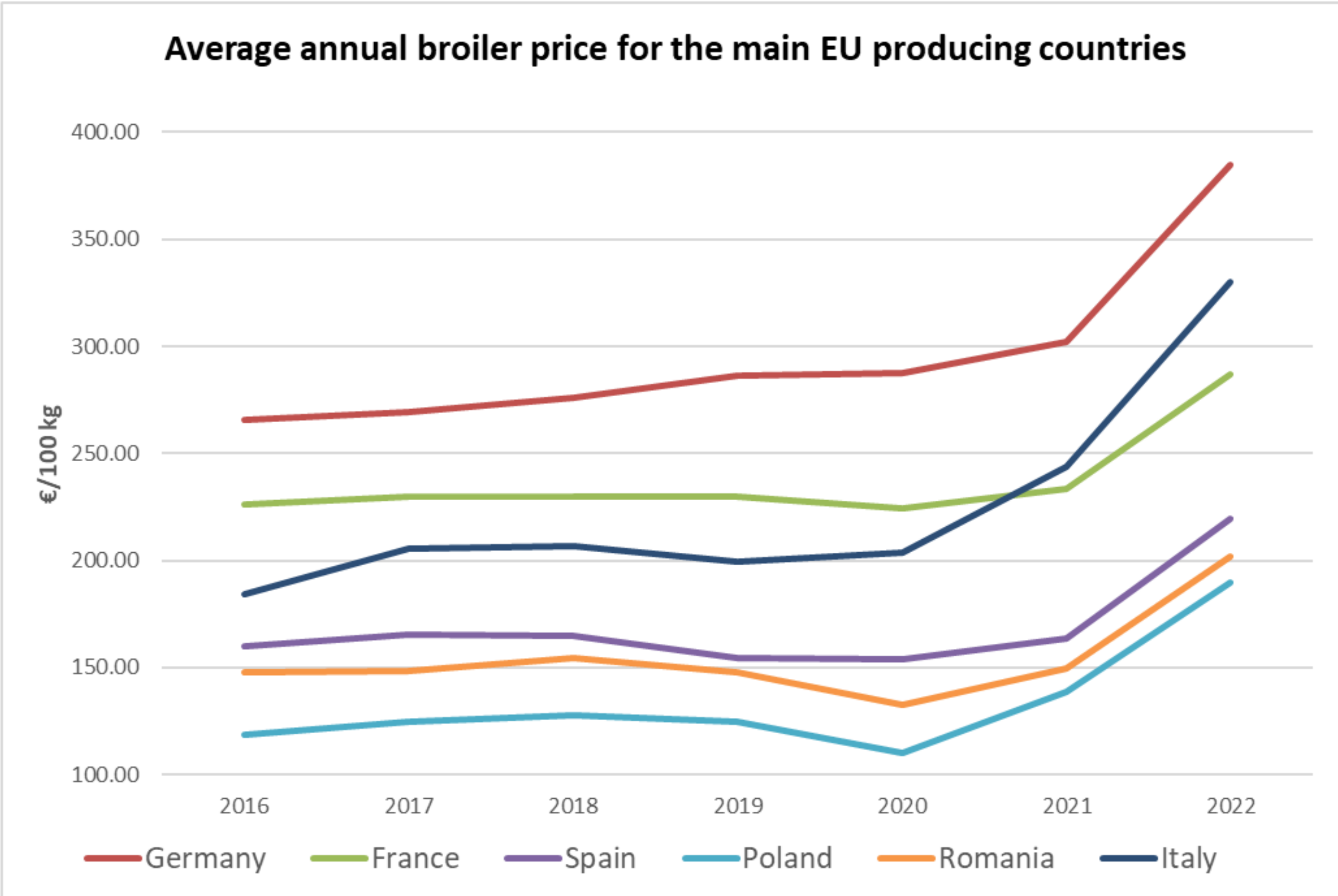
Figure 2



(Source: European Commission, data for broilers only)

Within the EU there are significant price differences between Member States. This is particularly true for broiler meat. On average, chicken prices in Germany are 1.5 € per kilo ($0.68 per lb.) higher than in Poland. The average price differential with France is 0.7 € per kilo ($0.32 per lb.). This explains why Polish chicken meat shipments to other EU Member States have increased significantly in recent years, even to the point of displacing inexpensive imported Brazilian chicken meat.

Figure 3



(Source: European Commission, data for broilers only)

Trade

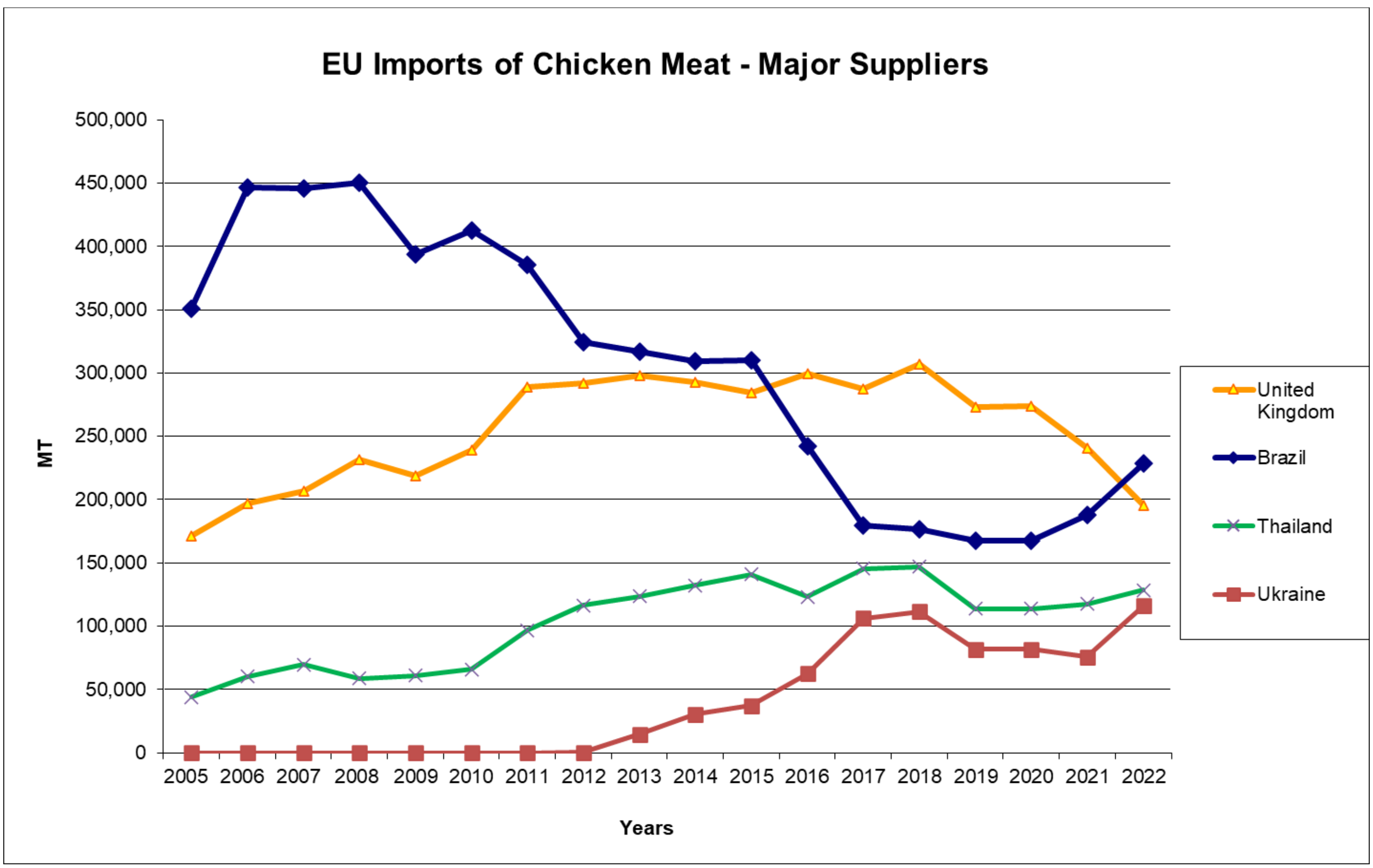
The EU chicken meat trade surplus is expected to slightly decrease in 2023 as EU imports will significantly increase (plus 6.5 percent as supported by year-to-date 2023 shipments). Exports will remain stagnant or only moderately increase. The easing of COVID-19 restrictions, the re-opening of the HRI sector and the boom in tourism have boosted the EU demand for imports. HPAI outbreaks continue to constrain EU export opportunities.

Assuming stable demand from the HRI sector, import demand in 2024 will remain strong.

EU Imports

EU imports of chicken meat are regulated by regulation (EU) 2020/760 that sets tariff rate quotas (TRQ) for specific HS code category. Products imported above the existing quotas are subject to the EU ad valorem tariff. For more information about applicable tariffs: check https://trade.ec.europa.eu/access-to-markets/en/home

Figure 4



(Source Trade Data Monitor)

In CY 2023, Brazil is expected to keep its status as the largest supplier of chicken meat to the EU, followed by Ukraine and Thailand. Since Brexit, the UK is considered to be an extra-EU trading partner, and therefore EU trade restrictions apply. This includes prohibiting imports of chilled and frozen minced poultry meat. EU imports of chicken meat from UK have declined sharply since 2021 as UK exporters face border controls and inspections following the end of the Brexit transition period: January 1, 2021.

On November 8, 2021, Brazil requested WTO consultations with the European Union with respect to measures on importation of certain poultry meat preparations from Brazil, in particular salted poultry meat and turkey meat with pepper. The request concerned the application by the European Union of Salmonella food safety criteria on fresh poultry meat and certain poultry meat preparations, and the appropriate level of sanitary protection necessary to address risks to human health from the contamination of Salmonella in products under these food categories. Brazil has noted there is no technical or scientific evidence to justify the application of stricter microbiological criteria for the detection of salmonella in salted chicken meat and turkey with pepper, in comparison to fresh poultry meat. Brazil's position is that by imposing discriminatory criteria, the European Union is in violation of the rules of the Agreement on Sanitary and Phytosanitary Measures of the WTO and creates unjustified barriers to international trade.

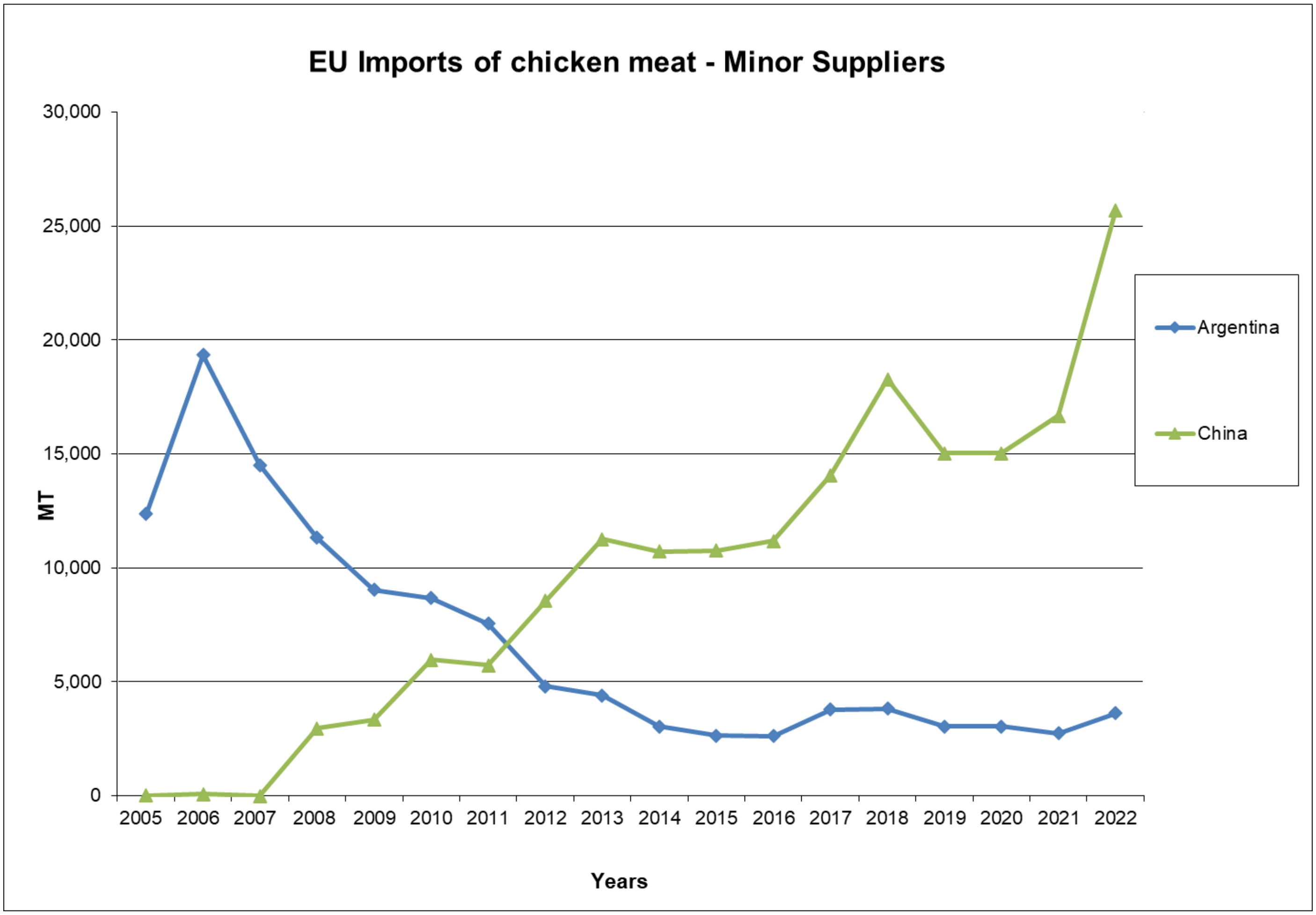
The MERCOSUR-EU Free Trade Agreement announced in the summer of 2019 could eventually facilitate EU imports of Brazil poultry meat but final ratification of this Agreement remains very uncertain. Several Member States have expressed concerns. France, for example, is against the agreement, and Germany has also indicated its own concerns.

Ukraine is currently the second largest supplier of chicken meat to the EU. The Russian invasion of Ukraine in February 2022 has ushered significant changes to the Deep and Comprehensive Free Trade Agreement (DCFTA) signed in 2014 between Ukraine and the EU. The agreement had set up Tariff Rate Quotas (TRQs) for chicken parts and whole birds for imports by both parties.

On May 30, 2022, the EU enacted EU regulation 2022/870 to support the Ukrainian economy. This EU Regulation establishes temporary free-trade measures to supplement the trade concessions under the DCTA. Ukrainian chicken meat is now eligible to enter the EU without tariffs or quotas. This measure was temporary and was extended for one year on 31 May 2023. With this measure in place, EU chicken meat imports from Ukraine have doubled from May to June 2022. Thus, Ukraine chicken meat exports to the EU in 2023 are expected to almost double from 2022, and an increase of 270 percent from 2021.

A significant share of EU chicken meat imports from Ukraine goes to Slovakia where it is processed by a local Company named EU Poultry which has a partnership with the Ukrainian company MHP. The proximity of the Slovakian facility to the Ukrainian border has meant that imports can be trucked chilled, not frozen, from the Ukrainian slaughterhouses in a matter of hours. The final product is then sold as an EU processed product, essentially bypassing the need to declare Ukrainian origin to the final consumer.

Figure 5

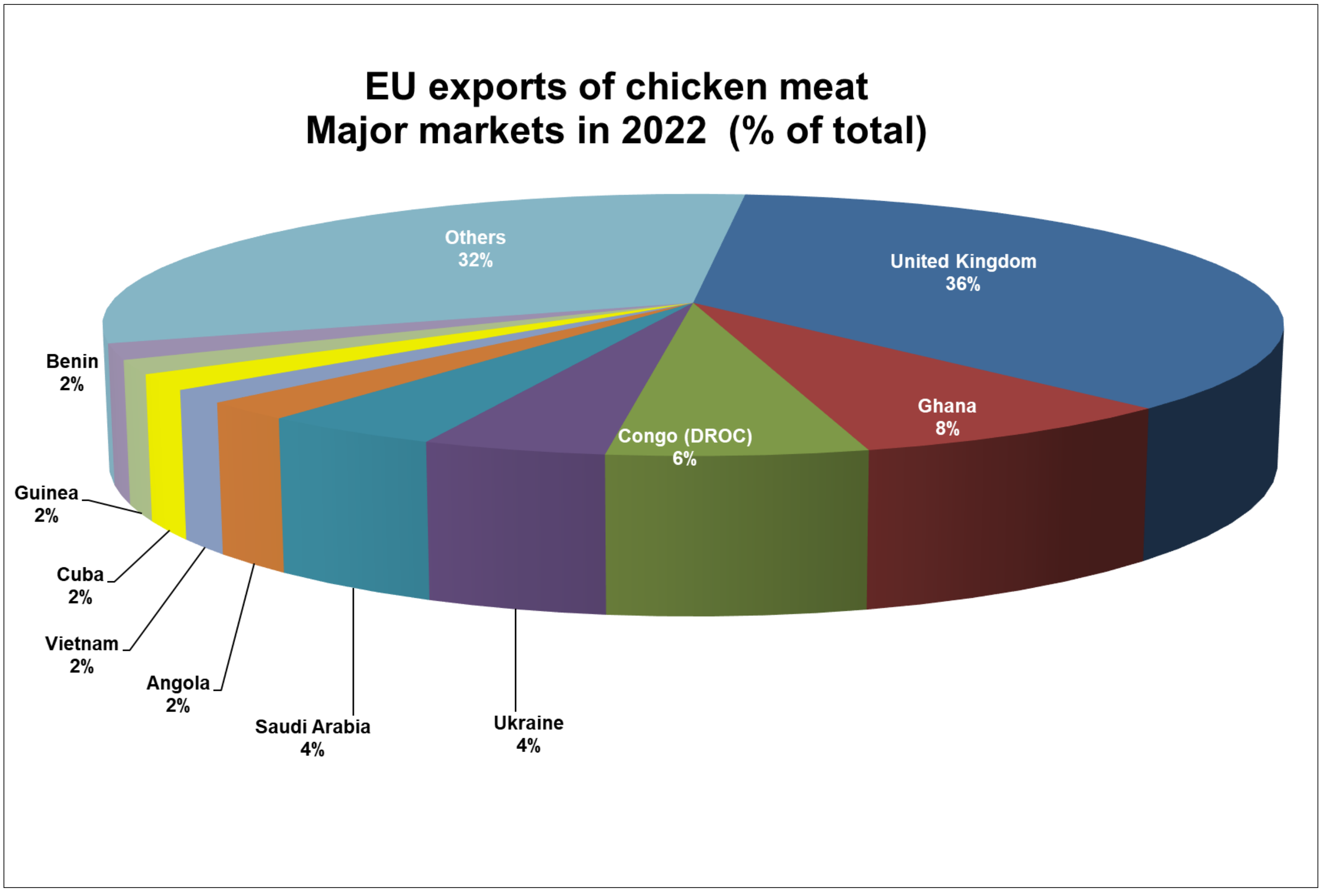


(Source Trade Data Monitor)

EU imports from Argentina have significantly decreased due to the competition from Brazil. On the other hand, EU imports from China have risen significantly, especially in 2022. Chinese chicken companies located in Shandong province were able to use larger tariffs rate quotas opened in 2019 by the EU to Chinese heat-treated chicken meat.

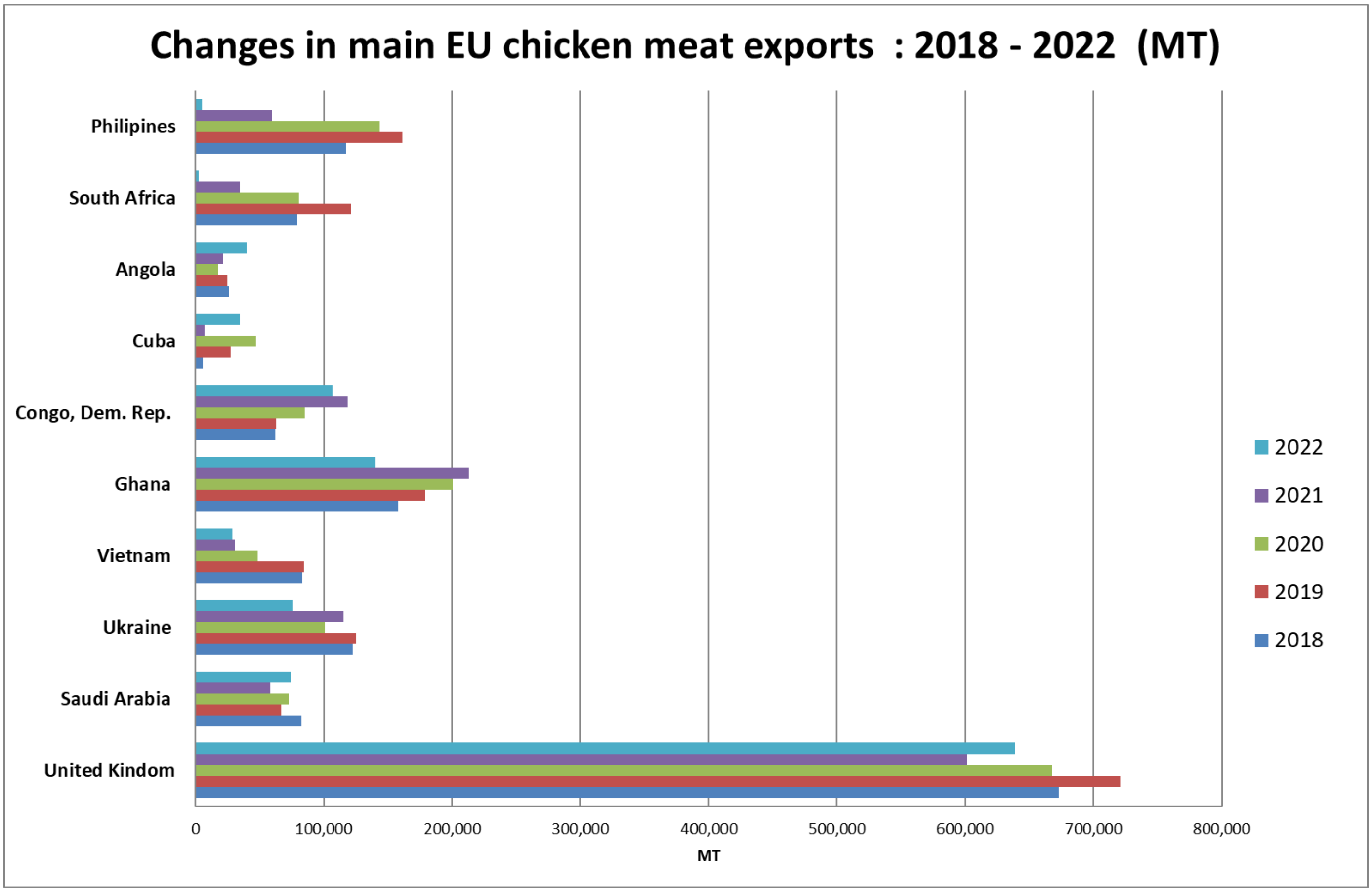
EU Exports

Figure 6



(Source Trade Data Monitor)

Figure 7



(Source Trade Data Monitor)

After a 6.1 percent decline in 2022, EU-27 chicken meat exports are expected to increase by 1.4 percent in 2023, driven by higher exports to United Kingdom, Angola, Vietnam and Cuba, and not offset by lower exports to Ghana and Congo. Such decrease is mainly due to HPAI-linked import bans in several EU chicken meat customers such as South Africa and Philippines which prohibited EU poultry meat. In both countries, the EU is forecasted to export less than 1,000 MT of chicken meat in 2023, less than 1 percent of what was exported 5 years ago.

For 2024, EU chicken meat exports will likely remain flat as increasing competition with inexpensive Brazilian chicken will place EU producers at a disadvantage, especially in Asia and in sub-Saharan Africa. Importing countries may also extend or impose HPAI related bans should outbreaks happen in the EU in 2024.

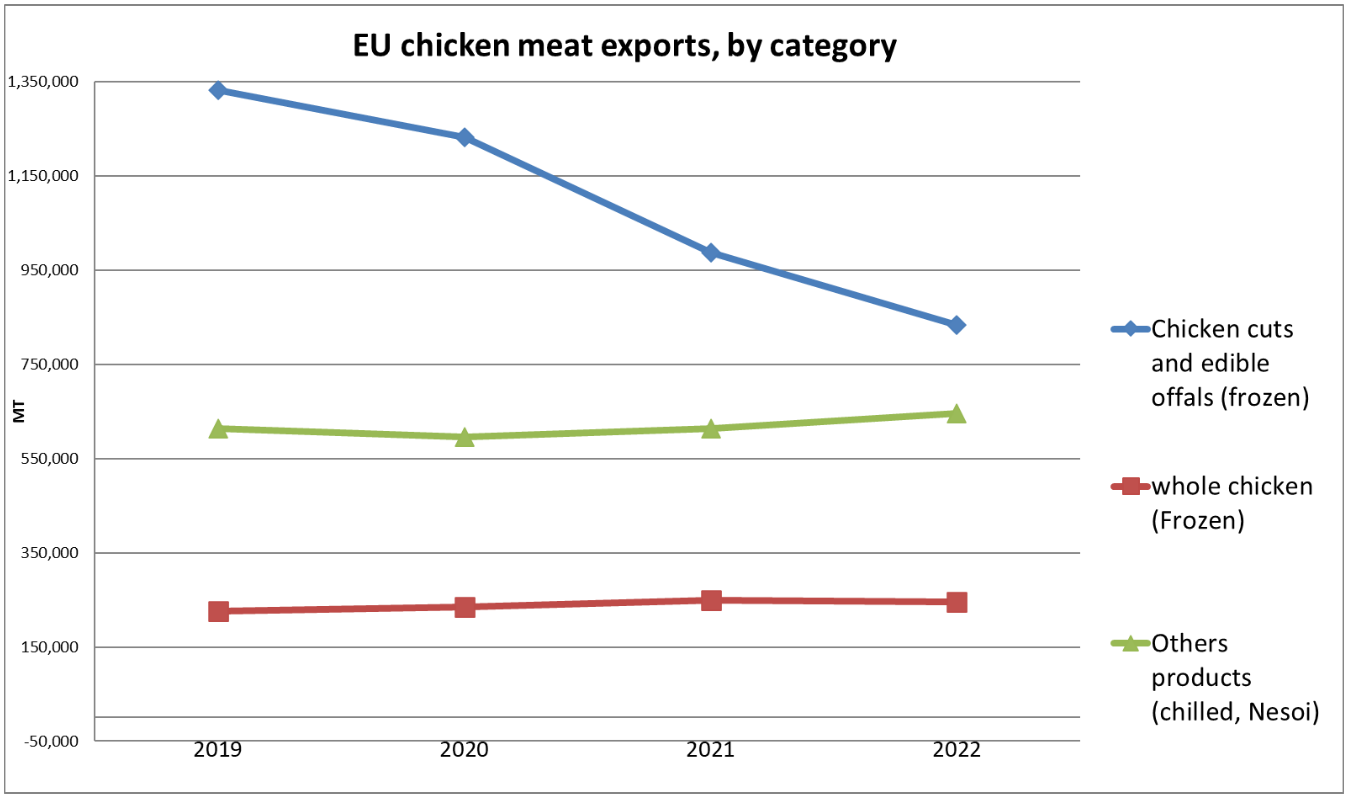
Other countries are only partly banning EU chicken meat.

List of countries temporarily banning EU poultry and egg products from HPAI affected Member States	List of countries restricting EU poultry products based on EU regionalization protocols
China	Armenia
Philippines	Belarus
South Africa	Cuba
South Korea	Egypt
	Hong Kong
	Japan
	Kazakhstan
	Mexico
	Russia
	Saudi Arabia
	Taiwan
	Ukraine
	United Arab Emirates

The UK is now the single largest client for EU chicken meat, accounting for 28 percent of EU exports. Sub-Saharan countries led by Ghana, Democratic Republic of Congo, Angola, Liberia, Benin, and Guinea are major outlets for low-priced, frozen chicken meat cuts. Cuba is also becoming again a major export market for cheap EU chicken cuts.

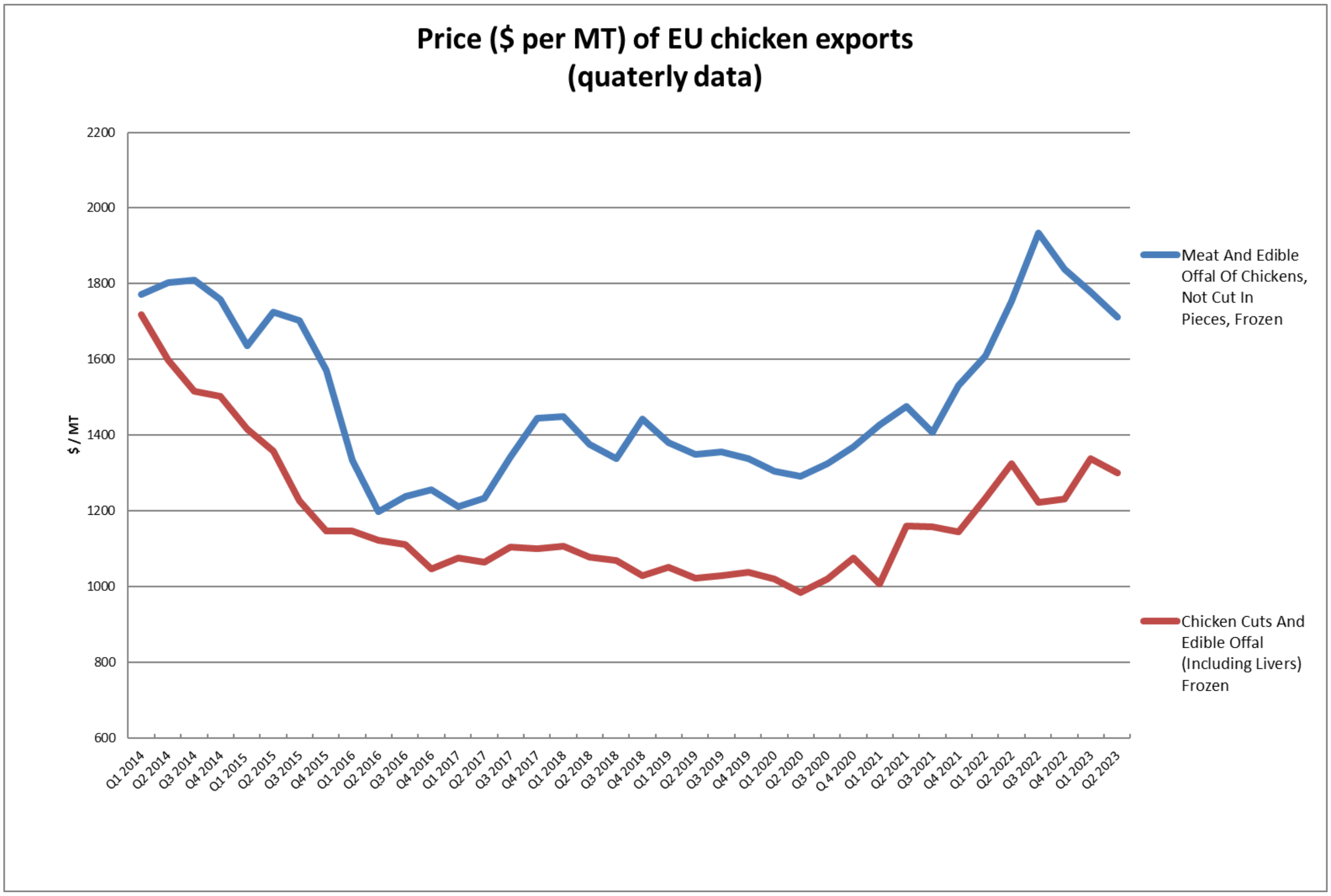
While the Saudi market has typically been more resilient in absorbing higher priced EU chicken meat, this is not the case anymore. Trade data show that Saudi imports of EU chicken meat are stable. This has had a significant impact on French exports of frozen whole chickens that faced a strong competition from Brazil, Ukraine and increasingly from Russia.

Figure 8



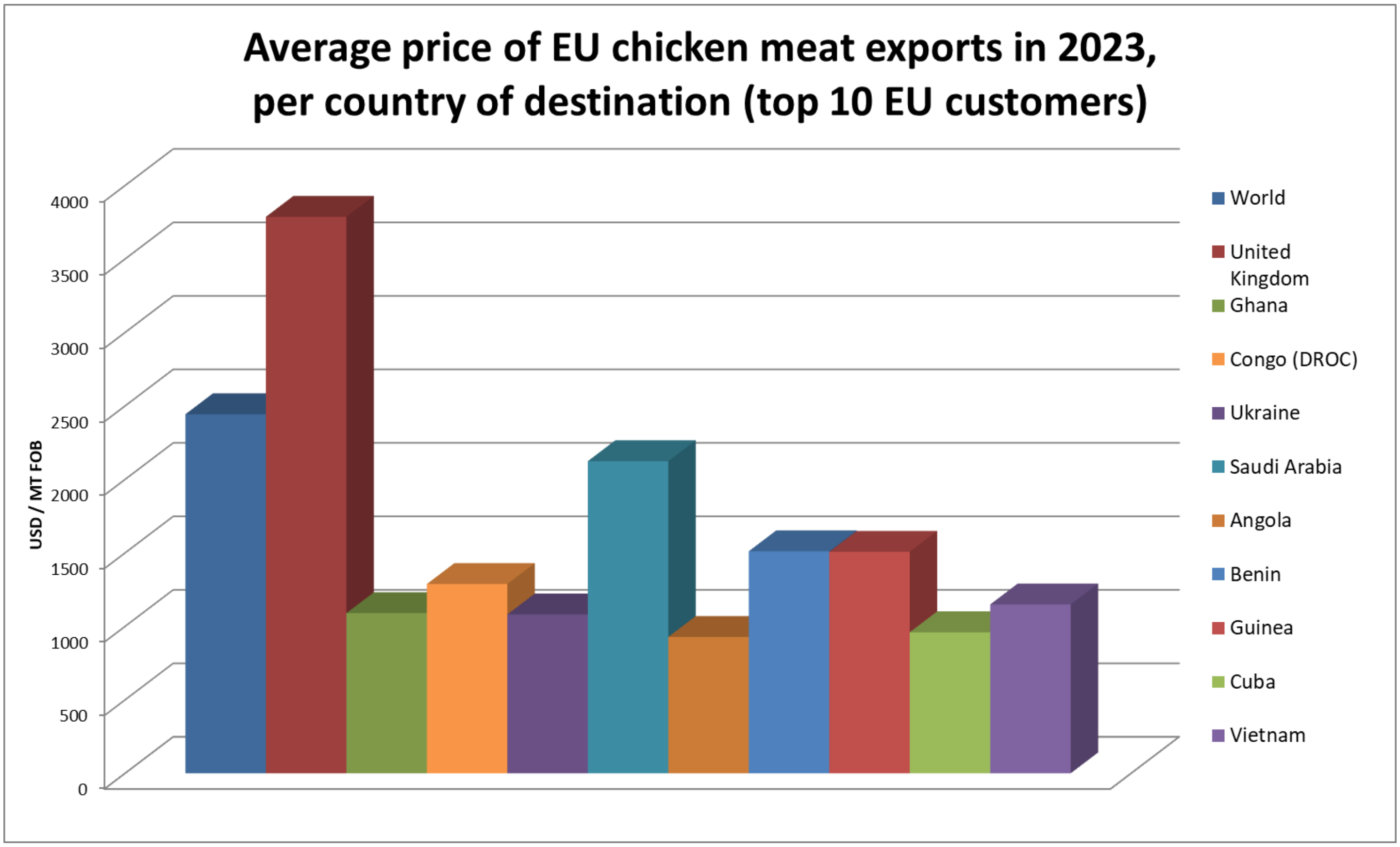
(Source Trade Data Monitor)

Figure 9



(Source Trade Data Monitor)

Figure 10



(Source Trade Data Monitor, data for Jan- June 2023)

Domestic Consumption

Numerous data sources indicate that chicken meat consumption is now the preferred (less-expensive) animal protein choice. EU chicken meat consumption is expected to grow by 1.8 percent in 2023 and 0.8 percent in 2024. Data show that growth in chicken consumption is closely related to demographic growth, and per capita consumption is expected to slightly increase. EU chicken meat consumption in 2023 and 2024 will likely continue to benefit by the influx of 6 million Ukrainian war refugees in Europe.

As the cheaper source of animal protein, chicken meat will likely be less affected by rising food inflation and energy costs in Europe. Market studies on price and income elasticity of demand generally show that EU consumers substitute from beef or pork meat to chicken meat while lowest-income consumers tend to reduce their purchases of animal protein altogether, switching to carbohydrate products such as bread and pasta.

In Germany and other EU countries, chicken meat is popular in institutional cafeterias, as there are fewer religious restrictions compared to beef and pork. This aspect is increasingly important as communities are becoming more diverse. This is especially true for food service and tourism. In the EU, sales of less expensive cuts such as legs and wings are also increasing.

In several EU countries, such as Germany, France and Poland, the shift to chicken meat consumption is also aided by the perception that it is a healthier and leaner meat, and it is generally easier to prepare.

Consumer demand is increasing for chicken produced with specific methods or feeds. Consumer preferences for animal welfare, such as cage-free and free-range chickens, or type of feed, such as GMO-free chicken or organically produced chicken are increasingly visible on the label and at the point of sale.

In France, the free-range sector is growing, and is marketed under a quality scheme known as “Red Label.” The free-range sector in France represents about 10 percent of total consumption. Public relations campaigns by animal rights organizations such as the L214 association in France have drawn attention to the mistreatment of chicken on poultry farms and slaughterhouses. This has not had a significant impact on chicken meat sales, but these efforts are boosting the development of non-conventional chicken production schemes.

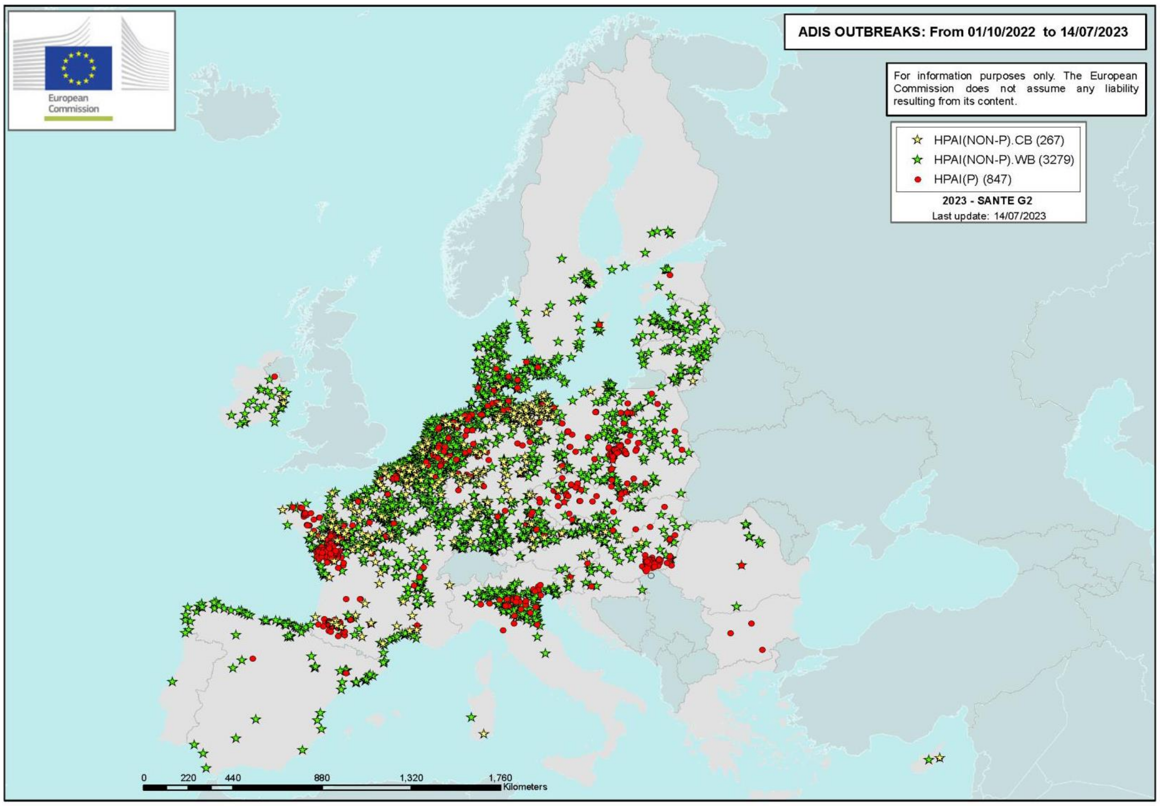
The growth of specific production schemes is also significant in Netherlands, Germany and Austria. In some cases, retail prices for these products are double the price of their conventional alternatives. There is also a significant development of locally sourced chicken as a demand driver. This is the case in Austria, with retailers advertising local and regional suppliers. The dilemma of course is that while many consumers say they want to purchase locally produced chicken, these same consumers are also often reluctant to welcome poultry farms in their communities.

Policy

Highly Pathogenic Avian Influenza (HPAI) Situation Update

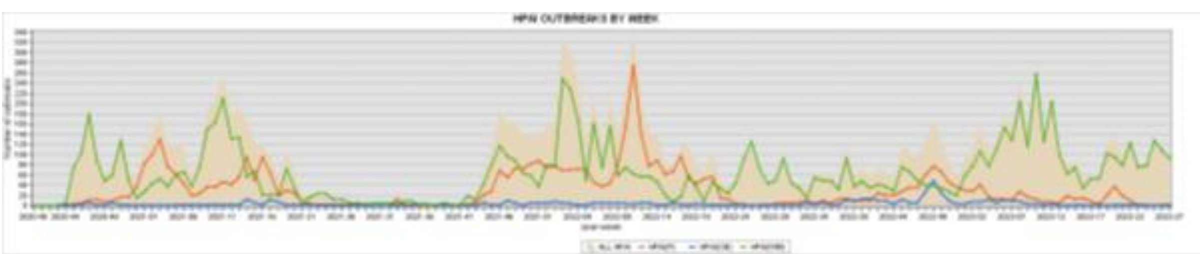
As more AI infections continue to be found, there is speculation that the disease has become endemic in wild birds throughout the European Union. The 2022-2023 epidemic has been the largest observed in the EU so far with several clusters and a high number of outbreaks in France, Italy and Hungary.

Figure 11 : *Distribution of AI Infections Since October 1, 2022*



(Source EU Commission https://food.ec.europa.eu/animals/animal-diseases/diseases-and-control-measures/avian-influenza_en)

Figure 12 *Weekly Distribution of AI Outbreaks in Europe*



Source : European Commission

In February 2023, the European Union published Regulation 2023/361 allowing Member States to vaccinate poultry against AI as long as certain conditions are met. Vaccination trials have been carried out by certain Member States since 2022. For more information about the legal framework for vaccination against AI, please see this presentation from the Commission to the World Organization for Animal Health in May 2023.

France has announced that it will start implementing an experimental vaccination program for ducks starting in October 2023.

Veterinary Medicine Legislation

On January 28, 2022, the EU implemented the new framework for veterinary medicine regulation. On October 8, 2021, the official controls, Regulation (EU) 2021/1756, were published to ensure compliance with the prohibition of certain uses for antimicrobials. On October 6, 2021, Commission Delegated Regulation (EU) 2021/1760 was published, establishing the criteria for antimicrobials to be reserved for use by humans. The European Medicines Agency (EMA) has been mandated to draft a proposal for a list of antibiotics reserved for human medicine based on these criteria. In February 2023, the Commission published Delegated Act 2023/905 implementing Article 118 of the Regulation imposing limitations on the use of antibiotics for animals in the EU, that will also apply to operators in third countries. For more information, please see GAIN Report: Delegated Act Published for Article 118 of the EU Veterinary Medicinal Products Regulation.

New EU Animal Welfare (AW) Legislative Initiatives Start with Animal Transportation Issues

On July 5, 2021, the European Parliament's Committee of Inquiry on the Protection of Animals during Transport (ANIT), published a report about livestock transport in the EU and to third countries. The report describes patterns in the European transport of animals and possible avenues for improved animal welfare. On January 21, 2022, the public consultation ended on the EU's Animal Welfare Inception Impact Assessment. This impact assessment marks the beginning of an EU revision of animal welfare legislation, which is one of the goals of the EU's Farm to Fork strategy. The proposal is expected be presented in September 2023 and will likely expand existing regulations for animal welfare during transport, at the farm level and at slaughter. A renewed Animal Welfare Platform was introduced in May 2021 as an advisory body to inform the European Council of these proposals. New initiatives for animal welfare labeling are also being discussed by the subgroup on animal welfare labeling.

Related reports from FAS Posts in the European Union:

Proposed Amendment to Animal Protection Rules in Poland | PL2023-0006

Newcastle Disease Outbreaks on Polish Poultry Farms | PL2023-0023

The GAIN Reports can be downloaded from the following FAS website:

http://gain.fas.usda.gov/Pages/Default.aspx

For additional poultry market general information, you may contact:

Xavier Audran (FAS Paris)

E-mail: xavier.audran@usda.gov

For additional livestock policy related information, please contact:

Tania De Belder (FAS Brussels UNITED STATES Mission to the EU)

E-mail: tania.debelder@usda.gov

Attachments:

No Attachments