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## **EU-28**

### **Poultry and Products Annual**

#### **EU-28 Chicken Production, Imports and Exports to increase in 2019 and 2020**

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**Report Highlights:**

The EU-28 chicken industry is expected to grow in 2019 and 2020, driven by a slow but steady increase in domestic demand and expanding exports. Thailand is the largest supplier of chicken meat to the EU-28, passing Brazil that had 20 plants delisted for salmonella issues in 2018. Ukraine is now the third largest supplier because it was granted a TRQ for chicken meat. EU-28 chicken meat exports are expected to increase in 2019 and 2020 driven by a large increase in exports of low-priced dark meat cuts, bone-in cuts and mechanically deboned meat (MDM) to Sub-Saharan Africa and Southeast Asia.



## DISCLAIMER

The numbers 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 28 EU member states.

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## Executive Summary:

**The EU-28 chicken meat sector is expected to continue its growth in 2019 and 2020** due to slowly increasing domestic demand and increasing exports. The economic downturn in Europe makes the product more attractive to consumers than other meats because it is cheaper and easier to prepare. Overall, EU-28 production in 2019 varies in different regions, but **chicken meat production is foreseen to increase from 2018 in most major EU producing countries** especially in Poland, now the leading EU-28 chicken meat producing country. Highly Pathogenic Avian Influenza (HPAI) cases had no impact on EU-28 chicken production in 2018 and no cases were reported in 2019. The significant decline in grain and protein prices since 2014 boosted chicken meat competitiveness and increased operating margins even as retail prices decreased. This trend is anticipated to continue in 2019 and 2020.

**EU-28 chicken imports are expected to increase in 2019.** Thailand, Brazil and Ukraine remain the largest suppliers of chicken meat to the EU-28. After a slump in 2018 due to the delisting of 20 Brazilian poultry processors from the list of plants eligible to export to the EU-28 based on sanitary concerns, Brazilian exports are predicted to regain some lost ground with remaining eligible plants increasing their shipments. With completion of the Deep and Comprehensive Free Trade Agreement (DCFTA) between the EU-28 and Ukraine in 2014, Ukrainian chicken meat exports to the EU-28 surged. Ukraine's exports are expected to reach 115,000 MT in 2019 due to a loophole allowing Ukraine to export at zero rate bone-in breasts that are further processed (deboned) in the Netherlands

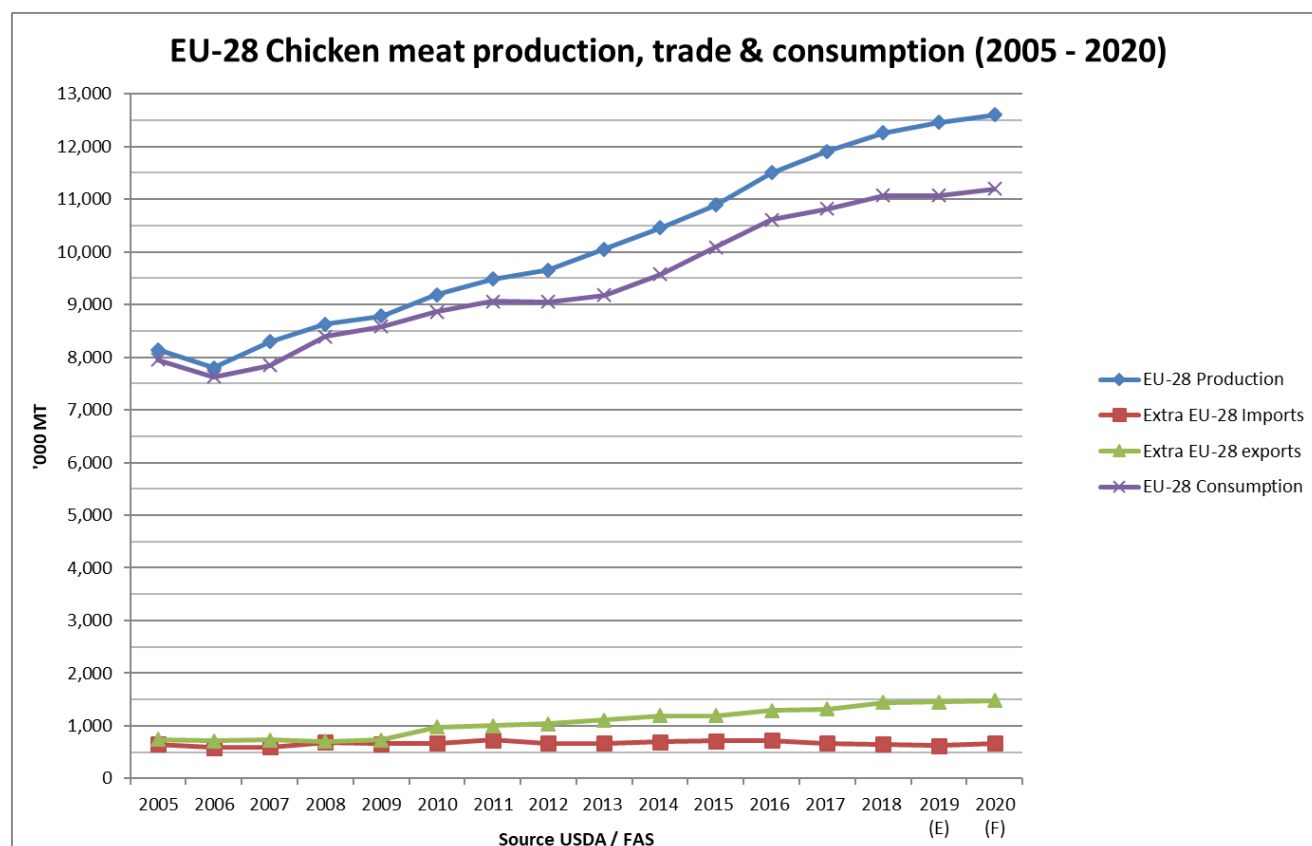
and Slovakia. However, this loophole is to be closed in 2020 following an agreement between the EU-28 and Ukraine that includes a significant increase of Ukraine's export TRQ to Europe.

**EU-28 chicken meat exports are anticipated to increase sharply in 2019 fueled by** exports of low-priced dark meat cuts, bone-in cuts and mechanically deboned meat (MDM) to Sub-Saharan Africa (SSA), Southeast Asia and Ukraine. These exports to SSA and Asia are increasing dramatically, and are growing faster because of the lifting of HPAI-related embargoes. Exports to Saudi Arabia continue to decline. After a decline due to anti-dumping tariffs, EU-28 exports to South Africa are booming again.

Poultry meat was not effected negatively by the the economic downturn in Europe because it's the most affordable protein source, while other meat product consumption decreased. Its consumption per capita is stable or slightly increasing. In the EU-28, sales of cheaper chicken cuts also increased faster than sales of more expensive parts, such as breasts or whole birds. Organic, GM-feed free and free range chicken consumption is also growing rapidly.

## Commodities:

Poultry, Meat, Broiler

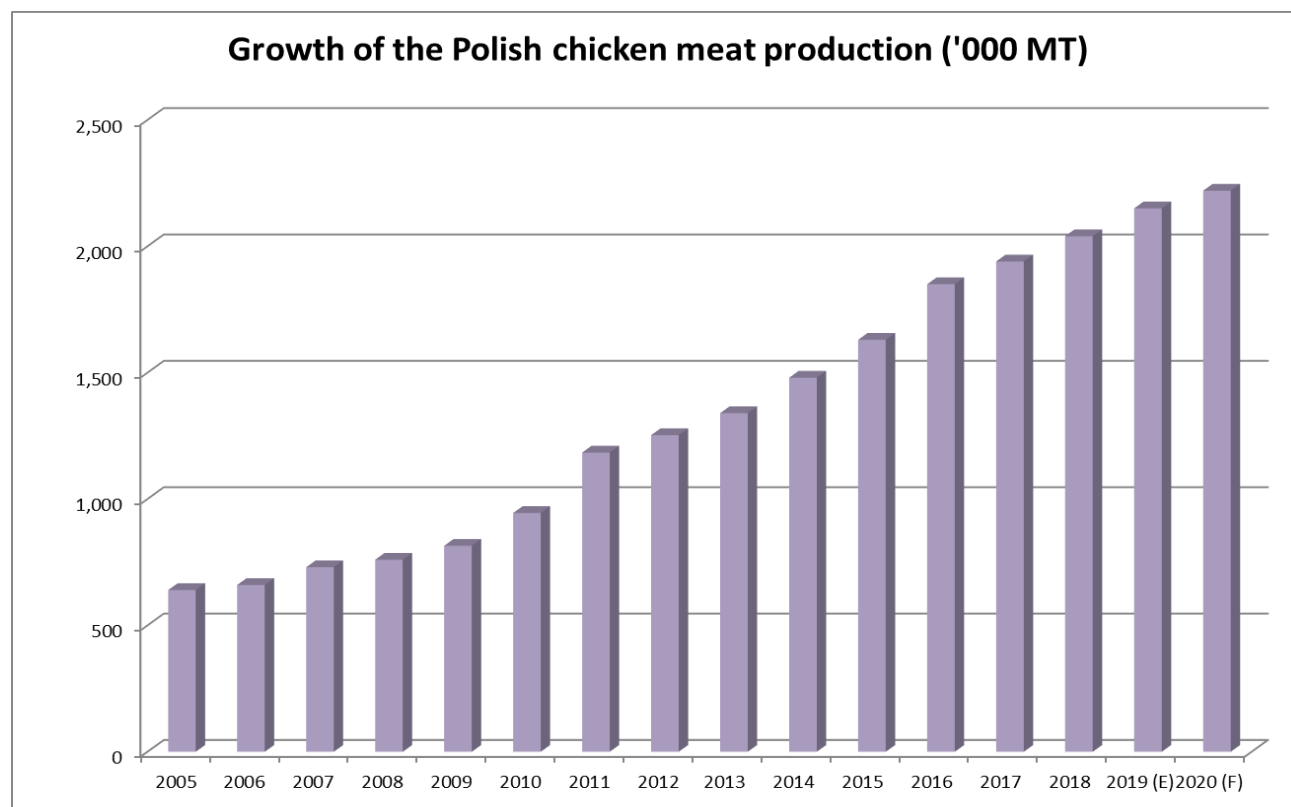


(Source FAS Posts)

## Production:

The EU-28 chicken sector is expected to continue to grow in 2019 and 2020 partly because of the slow economic growth predicted for the EU-28 in 2019 and 2020 that favors cheap protein sources and continued strong domestic demand for poultry meat due to its convenience for consumers. Demand for EU-28 poultry exports will remain strong. About 98 percent of the production is made up of broiler meat, the rest (less than 2 percent) is meat from hens, primarily laying hens and cocks. The continuing sluggishness in grain prices expected in the second half of 2019 will keep production costs low and could strengthen the trend. 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.

There were no major cases of HPAI reported in 2018 and 2019 and all EU-28 countries have recovered their HPAI free status since the summer of 2018. A few isolated cases of Newcastle Disease (NCD) were reported in Belgium in 2018 mainly affecting exhibition (pet) birds with no impact on commercial chicken production and trade. The development of free-range chicken production in several EU-28 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 epidemics.



(source: FAS Warsaw)

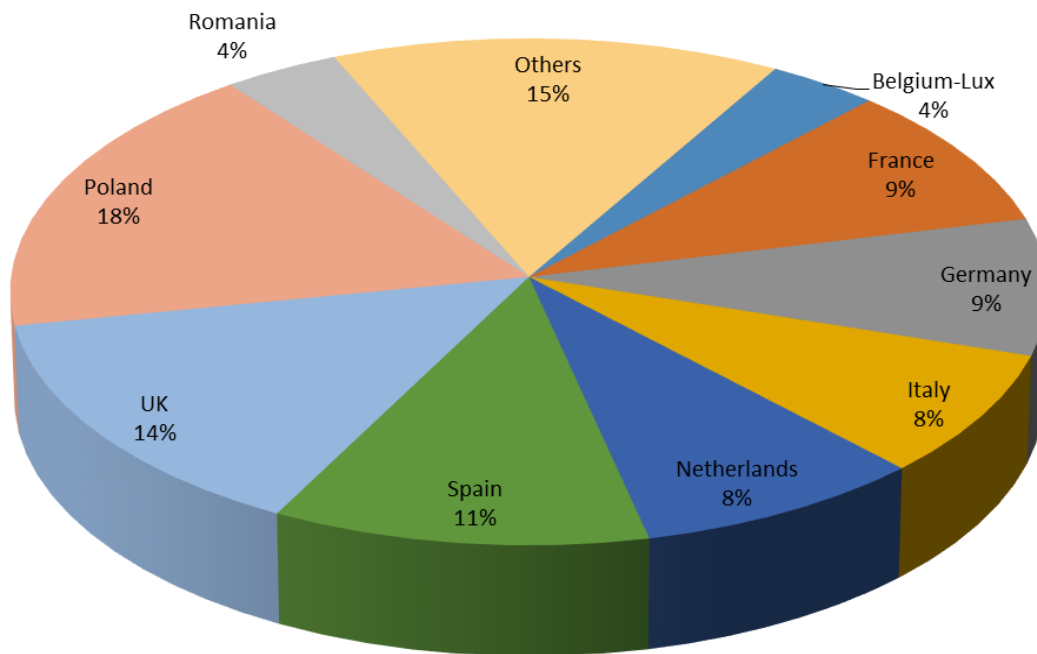
The overall EU-28 production changes in 2019 varies by location. Poland shows the largest increase, and it is now the largest EU-28 chicken producer with close to 20 percent of all EU-28

chicken production. Polish chicken production is export-focused with close to 50 percent of its production exported. Poultry manure in Poland is recycled to produce mushrooms; Poland is also the largest EU producer of mushrooms. A potential threat to the growth of Polish production is also the possible future ban on the import of GM soybean meal used to feed the chicken. Poland imports close to 2 MMT of GM soybean meal, most of it from South America but recently growing amounts from the United States. In 2006, Poland banned the use of GM feeds (including soybean meal) but since then the ban on the use of GM feed has been continuously suspended by Polish Parliament. The most recent suspension is scheduled to end in December 2020. Replacing all the GM feed by non GM meals and pulses is unrealistic, but even if implemented partially, it would be complicated and costly, and could impact Polish chicken production starting in 2021. Ukraine sunflowers meal producers have worked to improve the digestibility of sunflower meals for the past seven years that may be an alternative to soymeals for chicken production.

France's chicken meat production has stalled because of declining exports and competition from other EU-28 suppliers; the limited growth in production is now mostly sold domestically. In Germany, production will grow by less than 2 percent as it is hampered by welfare and environmental regulations that limit growth of existing production facilities and limit establishment of new producers. In Spain, after several years of stagnation, chicken production is expected to grow in 2019 and 2020 responding to upward trends in export demand and domestic chicken meat consumption. In addition, the expected rise in Spanish pork prices may boost Spanish chicken meat consumption. Chicken meat production in Italy is also expected to increase in 2019 and 2020 after a small decline in 2018 due to HPAI outbreaks in 2017 and 2018.

The growth of chicken meat production in Hungary will be stronger in 2019 after the decrease in 2017 and 2018 that was due to the HPAI outbreaks. Chicken meat production in the Netherlands is forecast to increase to a new production record in 2019 and 2020. However, the increase will be limited by the availability of animal production licenses based on the volume of phosphate produced by the birds. Currently available licenses are nearly fully used, but a number of licenses are still in the possession of brokers who can sell them to the highest bidder. Since January 1, 2018, an exemption for farms which were processing or exporting the manure has ended. The change to more sustainable production methods and better animal welfare conditions (thus reducing the size of the flock) is also limiting production growth. Increase of production is also reported in UK, Czech Republic, Sweden and Finland. Romanian poultry meat production is forecast to rise by 4.5 percent in 2019 and 2.15 percent in 2020 because of relatively low feed prices, strong consumer demand and relative competitiveness as compared to pork meat. Bulgaria's poultry continues to concentrate and professionalize, with farmers numbers down by about 60 percent at the expense of small farms (up to 10,000 birds) while the number of larger farms grew by eight percent. Backyard chicken meat production sharply declined by 46 percent and its share is now below two percent of total chicken production.

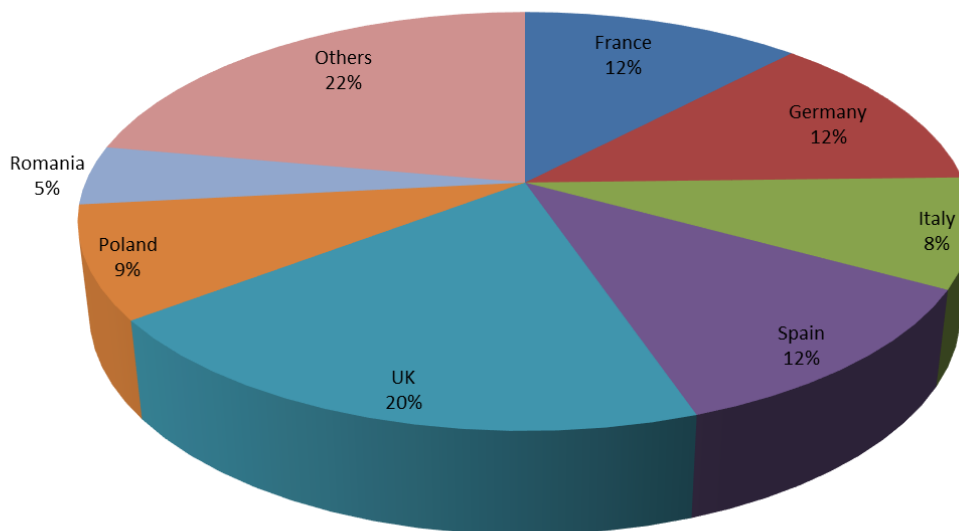
### EU-28 main chicken meat producing countries (2019)



(Source FAS Posts)

### Consumption:

### EU-28 main chicken meat consuming countries (2019)



(Source FAS Posts)

While all sources show that total meat consumption in the EU-28 has been negatively impacted by the economic downturn, chicken meat as a less-expensive alternative protein was less affected by the sluggish economy. However, consumption growth is close to the demographic growth, which means that per capita consumption is fairly stable. Several market analyses showed that while EU-28 consumers generally switched from beef or pork meat to chicken meat, the low-income consumers reduced their protein purchases, switching to carbohydrate products such as bread and pasta. Spanish consumption of poultry appears to be increasing in the food service sector fueled by the growth in tourism and more Spanish consumers eating regularly at restaurants. There is a growing demand for slow-growth chickens for grilling and barbecue, because of animal welfare concerns and inspired by U.S. cooking culture. In the EU-28, sales of cheaper cuts such as legs and wings also increased faster than sales of more expensive parts, such as breasts or whole birds. This trend is expected to extend into 2019 and 2020 in the absence of a robust economic recovery.

In several EU-28 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.

Consumers in the EU-28 are demanding more cage-free, organic, non GM-Fed type of production and many consumers will pay a premium price for products labeled as using one or more of those production methods. In France, the free-range sector under a quality scheme such as “Red Label” represents about 10 percent of the consumption. The growth of those specific schemes is especially significant in the Netherlands, Germany, Austria and Italy and Spain (with the “Happy Chicken” label), despite retail prices which can be significantly higher (even double the price of conventionally raised chicken meat). There is also a significant development of locally sourced chickens in some countries such as Austria, with retailers advertising for local/regional suppliers.

Public relations campaigns by animal rights organizations such as [L214 association](#) in France against the bad treatments of chicken on poultry farms or at the slaughterhouses do not seem to have a significant impact on chicken meat sales, but are certainly boosting the development of those non-conventional chicken production schemes.

## Trade:

**The EU-28 chicken meat trade surplus is expected to increase in 2019 and 2020.** EU-28 chicken imports are to resume their growth after a decline in 2018 due to the delisting of 20 poultry plants in Brazil in 2018. Imports from Brazil are expanding again in 2019 as are imports from Thailand, Ukraine and China. EU-28 exports are foreseen to increase even faster than imports in 2019 and 2020, fueled by demand in Asia, Sub-Saharan Africa and Ukraine

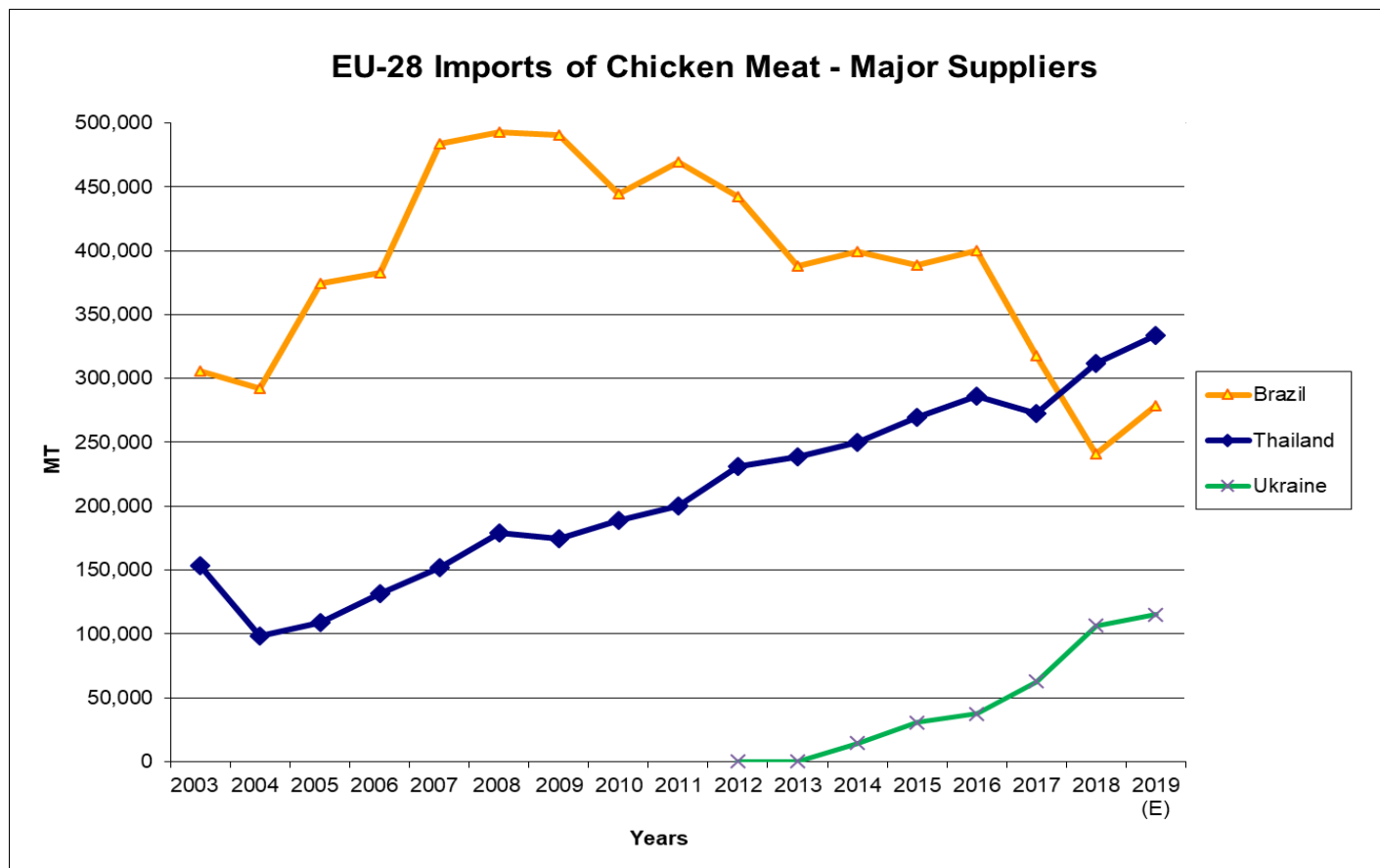
## Extra EU-28 Imports

000 MT	Quota years (July-June)	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	Quota reg. (EC) No 616/2007

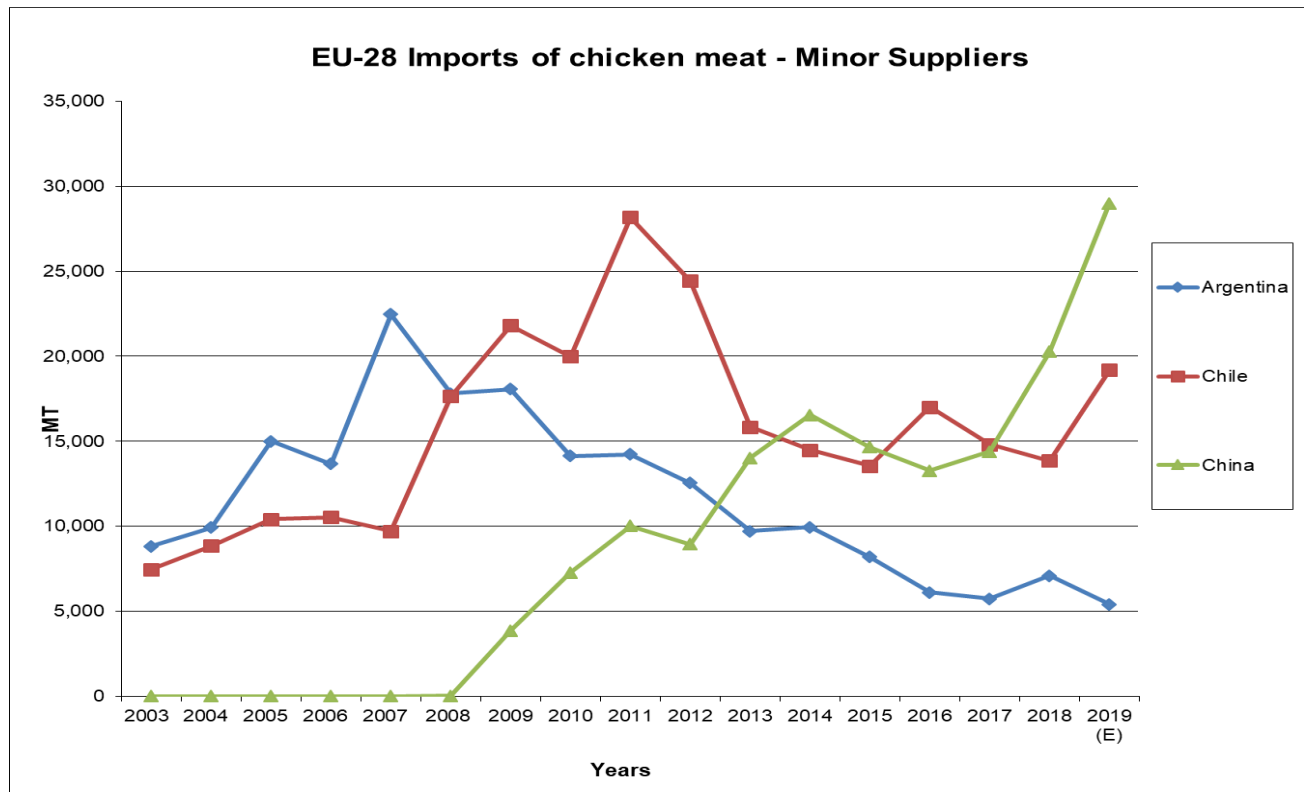


									(July-June MY)
020712	Frozen whole	10	11	11	15	14	18	12	
020714	Frozen cuts	144	117	121	127	100	108	138	-
16023219	Preparations of chicken meat	326	324	304	327	343	317	316	251
02109939	Salted, or in brine	240	218	268	278	249	172	200	264
<b>Total</b>		<b>723</b>	<b>672</b>	<b>709</b>	<b>757</b>	<b>730</b>	<b>669</b>	<b>743</b>	<b>-</b>

(Source World Trade Atlas)



(Source World Trade Atlas)



(Source World Trade Atlas)

Thailand is now the largest supplier of chicken meat to the EU-28 in 2019, followed by Brazil and Ukraine.

In early May 2018, following an unsatisfactory oversight audit, the EU-28 de-listed 20 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-28 plans to audit the Brazilian poultry plants in November 2019 before eventually relisting them. 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. In addition, France announced its opposition to the agreement in August 2019.

The EU-28 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-28 have been steadily increasing. This increase of imports from Thailand has negatively impacted imports from Brazil. Analysts report that many EU-28 importers prefer Thai to Brazilian chicken meat because the Thai product is perceived as higher quality.

Ukraine has become the third largest supplier of chicken meat to the EU-28 because of the Deep and Comprehensive Free Trade Agreement (DCFTA) signed in 2014 between Ukraine and the

EU-28. The agreement sets up Tariff Rate Quotas (TRQs) for chicken parts and whole birds for imports by both parties.

**Import Ukraine's and EU's TRQs for Poultry and Poultry Products**

Product	HS Code	EU-28 Imports from Ukraine	Ukraine imports from EU-28
		MT in CWE	MT in CWE
Poultry: Whole Birds and Poultry Cuts	0207.11.(30-90)	MT/year	MT/year
	0207.12.(10-90)		
	0207.13.(10-20-30-50-60-99)	2014=16,000 1/	2014=8,000 2/
	0207.14.(10-20-30-50-60-99)	2015=16,800 1/	2015=8,400 2/
	0207.24.(10-90)	2016=17,600	2016=8,800
	0207.25.(10-90)	2017=18,400	2017=9,200
	0207.26.(10-20-30-50-60-70-80-99)	2018=19,200	2018=9,600
	0207.27.(10-20-30-50-60-70-80-99)	2019=20,000	2019=10,000
	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)		
Poultry: Whole Birds	0207.12.(10-90)	MT/year until 2019	MT/year until 2019
		Annual=20,000 1/	Annual=10,000 3/

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

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

1/ Unilaterally implemented by the EU-28. 2/ Not implemented by Ukraine, to be opened by 01/01/2016. 3/ Not implemented by Ukraine in 2014 and 2015, to be opened by 01/01/2016

Bone-in cuts (HS code 02071310) imports from Ukraine are not subject to EU-28 import quotas nor tariffs. Such cuts require further processing in the EU to make the boneless chicken meat product that EU food processors demand. Dutch and German chicken meat processors use the boneless cuts 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-28 chicken breast cuts with a little bone attached. MHP acquired poultry processing facilities in the Netherlands and in Slovakia in 2017 where the bone is removed from those chicken cuts. The proximity of the Slovakian facility to the Ukrainian Border means that those products can be trucked chilled, not frozen, from the Ukrainian slaughterhouses in a matter of hours. The final product (boneless breast) can then be sold as processed in the Netherlands or Slovakia, without consumer knowledge of its Ukrainian origin. This situation explains why Ukraine is exporting much more chicken meat to the EU-28 than what is authorized by the DCFTA.

Because EU-28 poultry producers effectively raised this issue to the EU commission, it negotiated a [compromise agreement](#) signed in Kiev in late July 2019. The new TRQ will allow for an additional 50,000 MT of poultry cuts imports in exchange for closing the loopholes of HS

020713. The new agreement is expected to come into force in 2020. The new import TRQ is likely to result in an overall decrease of Ukraine's exports to EU-28. Ukraine chicken meat exporters are now voluntarily restraining their 2019 exports to the EU-28 despite significant production increases in view of new TRQ deal. It is expected that Ukrainian poultry **producers of Ukraine will push for increased EU-28 import TRQ up to 200,000 MT in 2021, when trade chapters of DCFTA are scheduled for review by both parties.**

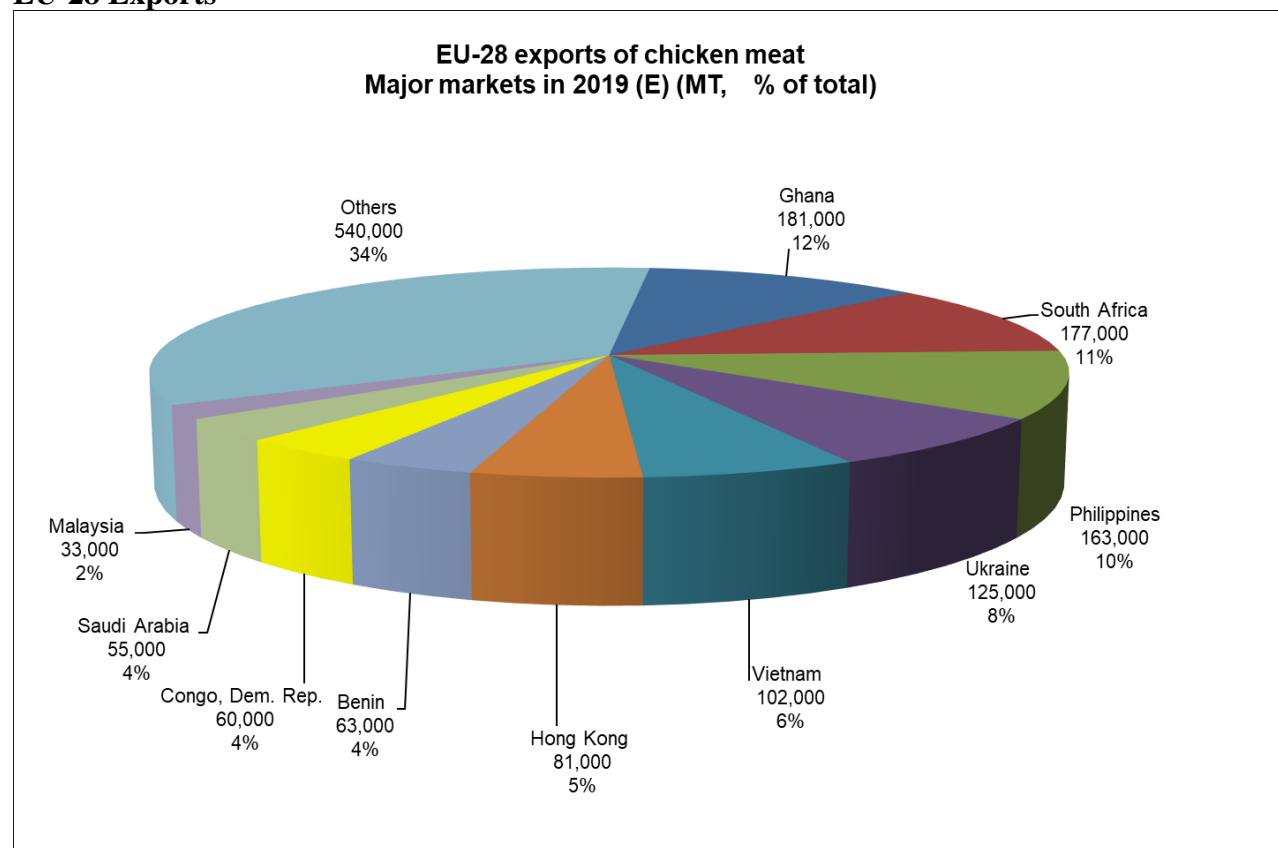
To maintain access to EU-28 markets, Ukraine's largest poultry producer - MHP SE acquired one of the largest Southeast European poultry producers - [Perutnina Ptuj](#) in Slovenia for about \$ 270 million in 2019.

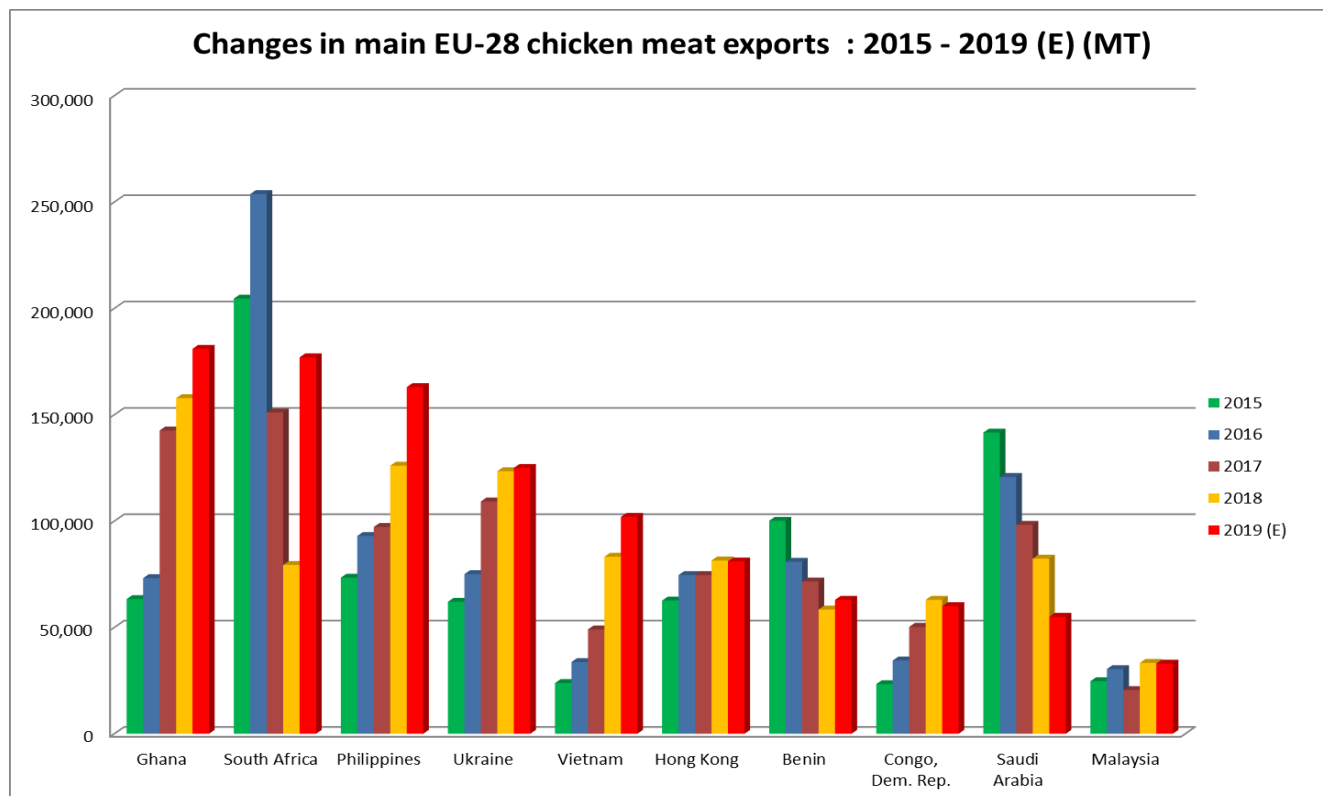
Several AI cases did not impact Ukrainian exports as EU granted a regionalization status.

The EU-28 and Vietnam signed a Free Trade agreement on June 2019 (the agreement has yet to be ratified by the EU parliament and by Member States). The result would mean Vietnam could pose competition to exports from Thailand. Vietnamese authorities proposed the Dutch company Jan Zandbergen build poultry facilities in Vietnam focused on the EU-28 export market.

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-28, because the EU does not accept Pathogen Reduction Treatments (PRTs) used by U.S. poultry processors.

## EU-28 Exports





*(Source World Trade Atlas, FAS Posts estimates)*

EU-28 chicken meat exports are expected to increase in 2019, driven by EU-28 sourced chicken meat parts demand. This demand is particularly strong in Southeast Asia (Vietnam, Malaysia and Philippines). It is also very strong in Sub-Saharan Africa where exports are surging again to South Africa. Exports are also growing to Ukraine. 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-28. European exporters are able to lower the prices for those dark meat cuts as they get a better price in domestic EU-28 markets for more expensive breast cuts and white meat.

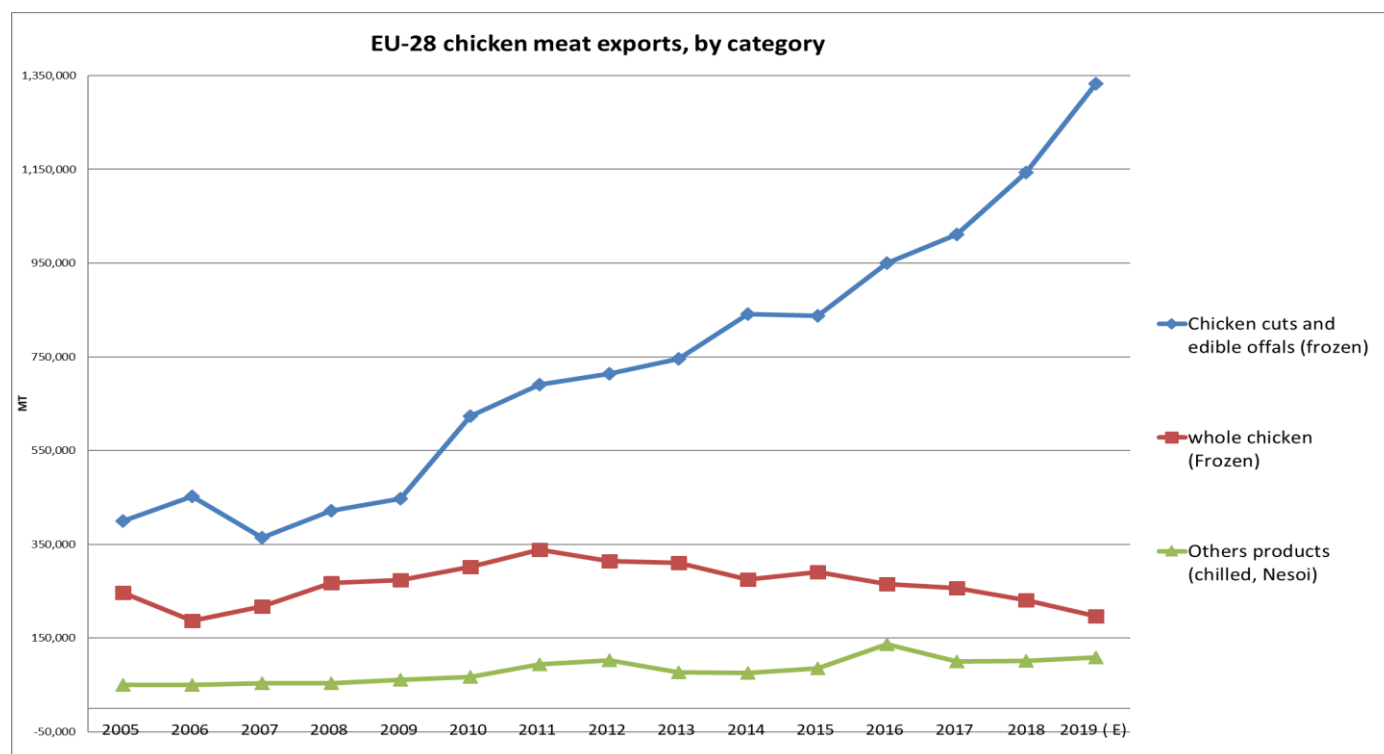
EU-28 exports of frozen cuts to Hong Kong are expected to remain strong in 2019, fueled by consumer demand in Hong Kong despite the competition from other sources, primarily Thailand and Brazil. However, the current political and social uncertain situation in the territory could negatively impact EU-28 chicken meat export in the second half of 2019. Note that more than 20 percent of EU-28 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-28 export subsidies and more capable of absorbing higher prices, this is not the case anymore. Trade data show that Saudi imports of EU-28 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.

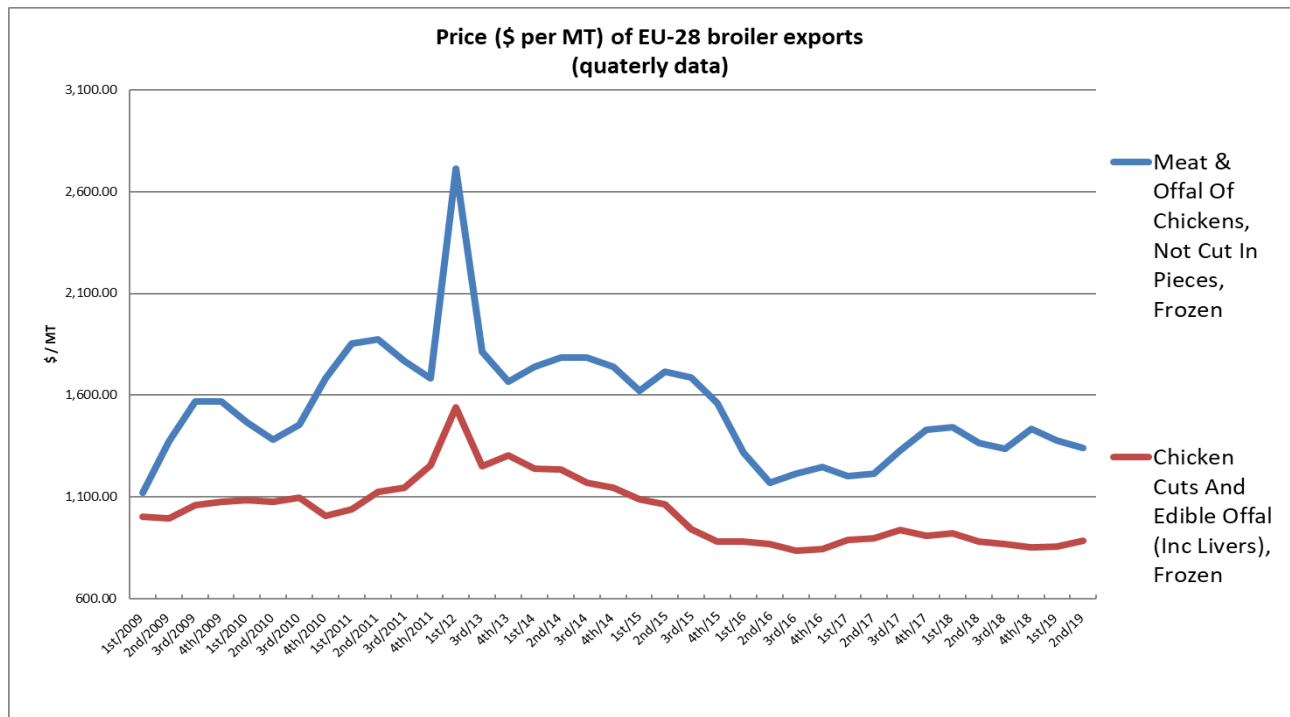
Exports to South Africa rose to a record level of 259,000 MT in CY 2016 when South Africa was the largest customer of EU-28 chicken meat. The 2004 EU-South African Trade and Development Cooperation Agreement (TDCA) had stated that no tariffs could be applied by South Africa to goods originating from the EU-28. Since 2012, EU chicken meat exports entered South Africa duty free. Nevertheless, in 2015 South Africa set anti-dumping import duties up to 73 percent on imports of frozen bone-in chicken meat from certain German, Dutch and British poultry exporters. In addition, in December 2016, a 13.9 percent import temporary tariff on bone-in chicken imports was implemented on imports of chicken meat from the EU-28. These tariffs and import duties, combined with a temporary sanitary embargo on EU-28 chicken meat from several Member States due to HPAI in 2017 caused a sharp decline of EU-28 export of chicken meat to South Africa in 2017 and 2018. In September 2018, South Africa established an extra tariff of 35.3 percent on EU-28 exports of bone-in chicken meat subject to a progressive reduction over a period of three and a half years. The EU-28 considers that tariffs undermine the provisions of the Economic Partnership Agreement (EPA) between the EU-28 and the Southern African Development Community (EU-SADC EPA) which includes South Africa. Nevertheless, EU-28 chicken meat exports to South Africa are up more than 100 percent in the first six months of 2019.

EU-28 exports of chicken meat to Russia are now zero due to the Russian embargo on many EU-28 food and agricultural products.

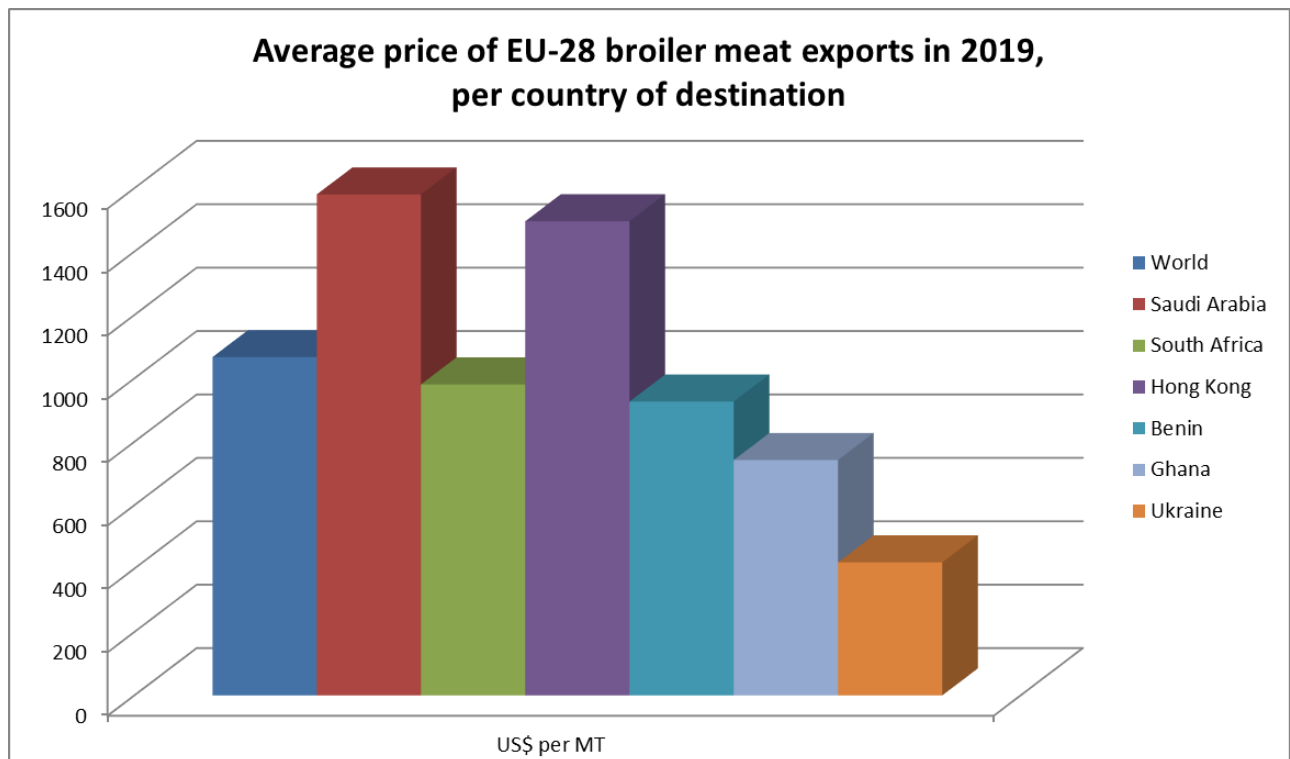
Exports of frozen low-priced chicken meat cuts and mechanically deboned chicken meat (MDM) to Sub-Saharan Africa, especially Ghana, Congo and Benin, to Ukraine and to Asian customers are expected to continue to grow in 2020.



(Source World Trade Atlas)



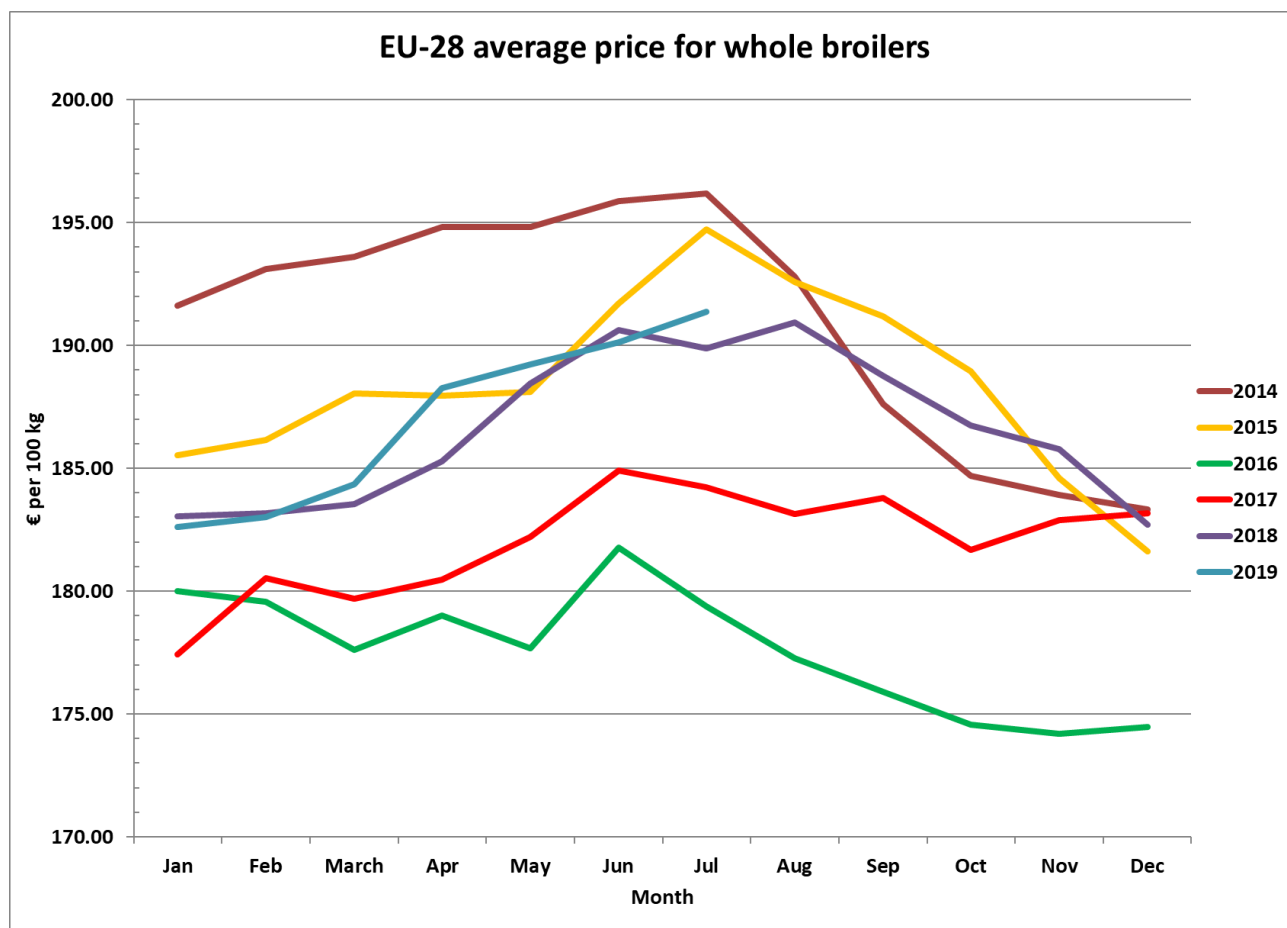
(Source World Trade Atlas)



(Source World Trade Atlas, data for Jan- June 2019)

**Price :**

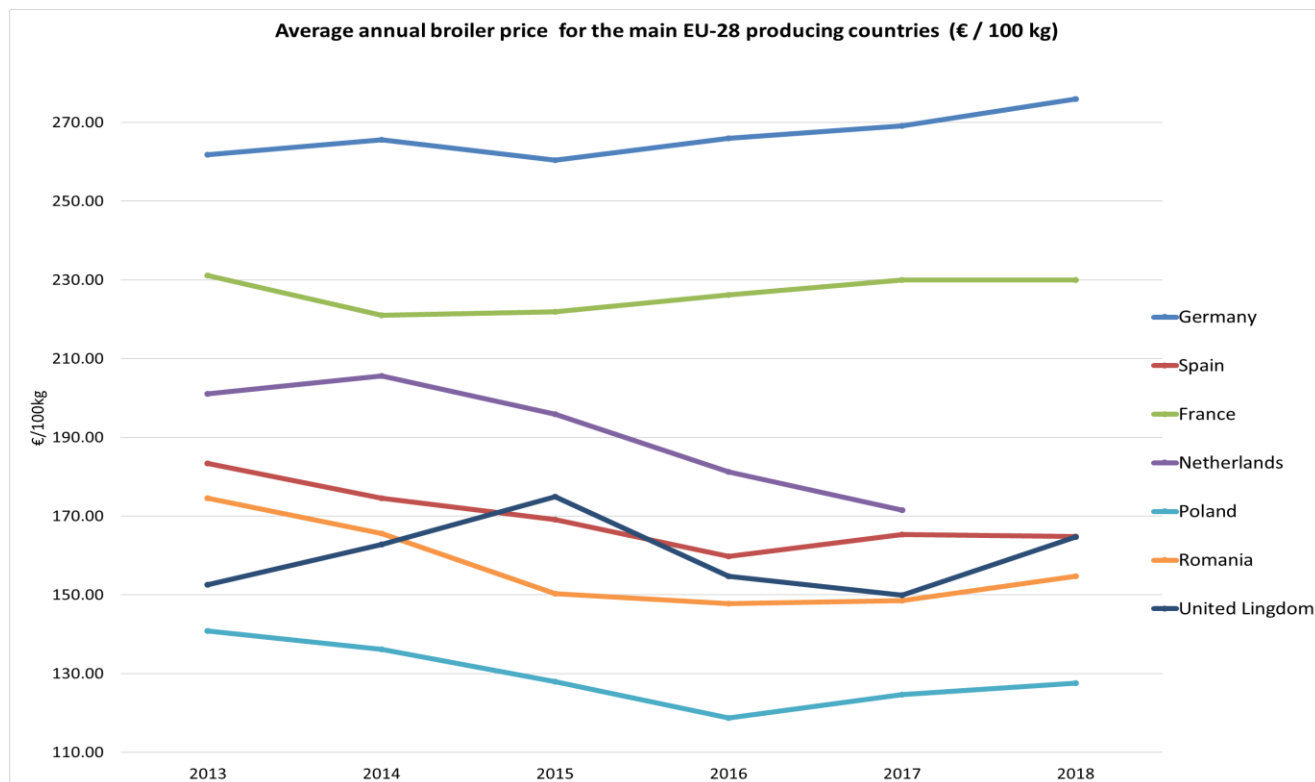
The small hike in grain prices in 2018 did not led to significant increase in chicken meat prices, so chicken meat remains competitive both in the domestic and export markets. Because the input costs only went up marginally, producers' operating margins remained fairly stable with minimal impact on profits. The grain price decline foreseen for 2019 may lead the some producers to lower their prices while other will increase their profit margin. EU-28 chicken meat production will also benefit from the lower price of soybean meals imported from the United States.



(source: European Commission, data for broilers only)

Several studies indicate that within the EU-28, 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. This situation 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)

### Production, Supply and Demand Data Statistics:

Meat, Chicken Market Begin Year European Union	2018		2019		2020	
	Jan 2018		Jan 2019		Jan 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Beginning Stocks</b>	0	0	0	0	0	0
<b>Production</b>	12200	12260	12475	12460	0	12600
<b>Total Imports</b>	703	704	720	780	0	760
<b>Total Supply</b>	12903	12964	13195	13240	0	13360
<b>Total Exports</b>	1429	1411	1460	1580	0	1600
<b>Human Consumption</b>	11474	11553	11735	11660	0	11760
<b>Other Use, Losses</b>	0	0	0	0	0	0
<b>Total Dom. Consumption</b>	11474	11553	11735	11660	0	11760
<b>Total Use</b>	12903	12964	13195	13240	0	13360
<b>Ending Stocks</b>	0	0	0	0	0	0
<b>Total Distribution</b>	12903	12964	13195	13240	0	13360

(1000 MT)

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