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EU-27

Poultry and Products Semi-annual

Semi-annual Report

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Report Highlights:
The negative impact of the global financial crisis is forecasted to slow EU-27 broiler production growth to less than 1 percent in 2010. However, with decreasing grain prices lowering producers' costs, the profitability of the EU-27 poultry sector is expected to increase further. EU-27 chicken meat imports are expected to remain stable in 2010. The rise of broiler meat imports from China should be watched closely. EU broiler exports are expected to continue to face strong competition on the world market but may however benefit from the recent drop of the value of the Euro versus other currencies, European poultry exports are not expected to benefit from the Russian ban on U.S. poultry as Russian imports are limited by an import quota. Poultry meat, which is the cheapest source of protein, was less affected than other meat by the Economic Recession in Europe. However, per capita consumption per capita is foreseen to slightly decrease in 2010 as a growing

part of EU population, hit hardly by the recession, simply lower its animal protein consumption.

Executive Summary:

The negative impact of the global financial crisis on poultry meat consumption combined with stable poultry meat trade is forecasted to slow EU-27 broiler production growth to less than 1 percent in 2010. However, with decreasing grain prices lowering producers' costs, the profitability of the EU-27 poultry sector is expected to increase further.

EU-27 chicken meat imports are expected to remain stable in 2010. It is unclear if the quota allocated to Brazil will be ill-managed in 2010 as it was in 2009, leading Brazilian exporters not to fulfill it. The rise of broiler meat imports from China which reached 3,800 MT in 2009, should be watched closely. Some analysts believe it could reach 10,000 MT in 2010.

EU broiler exports are expected to continue to face strong competition on the world market, especially from Brazil. They may however benefit from the recent drop of the value of the Euro versus other currencies (including Brazil's real). For 2010, Russia is expected to remain the primary destination for EU-27 broiler meat exports. European poultry exporters however do not believe they will indirectly benefit from the Russian ban on U.S. poultry as Russian imports are limited by an import quota. Poultry parts exports to Hong-Kong are likely to benefit from the growing demand in China.

Poultry meat, which is the cheapest source of protein, was less affected than other meat by the Economic Recession in Europe. However, per capita consumption per capita is foreseen to slightly decrease in 2010 as a growing part of EU population, hit hardly by the recession, simply lower its animal protein consumption.

The EU has started negotiations with exporting countries on redefining certain tariff lines that, when cleverly used, may offer new loopholes to evade duties on poultry imports. The Eu will also implement on July 1, 2010 the poultry welfare directive. which limits the stocking densities for poultry. It is likely that, as a consequence of this new legislation, new labeling requirements for poultry imports will be proposed. On the same date, a regulation updating the EU's marketing standards for poultry comes info force. It more clearly defines fresh poultrymeat and does not allow thawed and further prepared poultrymeat to be sold as fresh. It also tightens standards on water content in poultry.

Commodities:

Poultry, Meat, Broiler

Production, Supply and Demand Data Statistics:

Poultry, Meat, Broiler EU-27	2008		2009		2010		
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2010		Market Year Begin: Jan 2010		
	Annual Data Displayed	New Post Data	Annual Data Displayed	New Post Data	Annual Data Displayed	New Post Data	
Beginning Stocks	0	0	0	0	0	0	(1000 MT)

Production	8535	8594	8620	8660	8650	8700	(1000 MT)
Total Imports	712	712	710	710	710	720	(1000 MT)
Total Supply	**9247**	**9306**	**9330**	**9370**	**9360**	**9370**	**(1000 MT)**
Total Exports	743	737	720	777	720	770	(1000 MT)
Human Consumption	8504	8569	8610	8593	8640	8650	(1000 MT)
Other Use, Losses							(1000 MT)
Total Dom. Consumption	8504	8569	8610	8593	8640	8650	(1000 MT)
Total Use	8504	8569	8610	8593	8640	9650	(1000 MT)
Ending Stocks							(1000 MT)
Total Distribution	**9427**	**9306**	**9330**	**9370**	**9360**	**9420**	**(1000 MT)**

[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].

2008 and 2009 production figures has been revised upward due to new more accurate data from Spain.

Production:

The negative impact of the global financial crisis on meat consumption in Europe combined with stable poultry meat trade is forecasted to slow broiler production growth to less than 1 percent in 2010. However, with decreasing grain prices lowering producers' costs, the profitability of the EU-27 sector is expected to increase further.

Broiler Production (Top 5 EU-27 Member States) 1000MT			
	2008	**2009**	**2010**
United Kingdom	1214	1216	1220
Benelux	1132	1150	1130
Spain	1135	1072	1070
France	934	940	950
Poland	760	785	815

Consumption:

Broiler Consumption (Top 5 EU-27 Member States) 1000MT			
	2008	**2009**	**2010**
United Kingdom	1467	1484	1495
Spain	1146	1091	1089
France	885	882	895
Germany	826	830	835
Italy	683	702	694

While global meat consumption in the EU-27 has been negatively impacted by the economic recession, poultry meat, which is the cheapest source of protein, was less affected. However, its consumption growth is less than the demographic one, showing that, per capita, consumption is probably decreasing. Several market analyses indicate that while many European consumers switched from beef and/or pork to poultry meat as a result of high unemployment and the financial crisis, low income consumers have reduced purchases of protein, switching to carbohydrates such as bread, pasta and rice. This trend has especially happened in Spain, hard hit by the recession. Sales of cheaper cuts also increased to the detriment of more expensive parts. Such trend is foreseen to extend in 2010.

Trade:

Broiler Extra EU-27 Imports (Top 5 EU-27 Member States) 1000MT			
	2008	**2009**	**2010**
Benelux	262	278	280
United Kingdom	177	191	180
Germany	105	80	95
Spain	33	32	31
France	30	28	30

EU-27 chicken meat imports are expected to remain stable in 2010. It is unclear if the quota allocated to Brazil will be ill-managed in 2010 as it was in 2009, leading Brazilian exporters not to fulfill it. Imports outside the quota will remain hindered by a tariff rate of Euro 1 per kg. The rise of imports of preserved and cooked broiler meat from China which were non-existent before, but reached close to 3800 MT in 2009, should be watched closely. Some analysts believe it could reach 10000 MT in 2010

Broiler Extra EU-27 Exports (Top 5 EU-27 Member States) 1000MT			
	2008	**2009**	**2010**
France	253	260	265
Benelux	210	210	205
Germany	91	95	100
Poland	34	35	35
Spain	31	31	31

EU broiler exports are expected to continue to face strong competition on the world market, especially from Brazil but may benefit from the recent drop of the value of the Euro versus other currencies. Exports of French whole chicken to the Middle-East are also expected to remain stable as no increase in restitution is envisioned by the commission but importing countries (such as Saudi Arabia) are less affected by the economic recession. For 2010, Russia is expected to remain the primary destination for EU-27 broiler meat exports followed by Saudi Arabia, Hong-Kong and Benin. European poultry exporters however do not believe they will indirectly benefit from the Russian ban on U.S. poultry as Russian imports are limited by an import quota. EU-27 Poultry exports to Ukraine are also not expected to recover due to the currency issue and likely political instability. Poultry parts exports to Hong-Kong are likely to benefit from the growing demand in China.

Policy:

EU negotiating on closing new customs duty loop hole

The EU has started negotiations with exporting countries, mainly Brazil and Thailand, on redefining certain tariff lines that are believed to offer new loopholes for exporters to evade out-of-quota duties on poultry exports. In past years, EU imports of processed poultry under HS 1602 32 30 have increased rapidly to reach close to 50,000MT in 2008 and even 75,000MT in 2009. These imports benefit from an ad valorem duty level of 10.9 percent, compared to a fixed duty of €102.4/100kg net for out of quota imports under HS 1602 32 19. The in-quota tariff for HS 1602 32 19 is 8 percent. By adding non-meat product to processed poultry to bring the poultry meat content below 57 percent, exporters can extend low-duty poultry exports to the EU beyond fixed quota numbers.

EU27 (External Trade) Import Statistics
Commodity: 16023230, Prepared Or Preserved Meat Or Meat Offal Of Fowls Of The Species Gallus Domesticus Containing >= 25% But < 57% Of Poultry Meat Or Offal (Excl. Of Turkeys And Guinea Fowl, Sausages And Similar Products, Finely Homogenised Preparations Put Up For Retail Sal

Year Ending: November

Partner Country	Unit	Quantity			% Share			% Change
		2007	2008	2009	2007	2008	2009	2009/2008
World	T	24665	45668	69443	100.00	100.00	100.00	52.06
Brazil	T	18641	33729	53173	75.57	73.86	76.57	57.65
Thailand	T	4754	10504	14461	19.27	23.00	20.82	37.67
Croatia	T	1104	1285	1360	4.48	2.81	1.96	5.86
China	T	0	0	237	0.00	0.00	0.34	0.00
Israel	T	37	136	195	0.15	0.30	0.28	42.74
Switzerland	T	7	10	8	0.03	0.02	0.01	- 18.63
United States	T	0	0	6	0.00	0.00	0.01	0.00
Norway	T	0	4	3	0.00	0.01	0.00	- 20.00
Argentina	T	122	0	0	0.49	0.00	0.00	0.00
Malaysia	T	1	0	0	0.00	0.00	0.00	0.00

Source: Global Trade Atlas

Implementation of the broiler welfare directive and new poultry marketing regulation

July 1, 2010 is the final implementation date of Council Directive 2007/43/EC [1] of 28 June 2007, known as the poultry welfare directive. This directive lays down minimum rules for the protection of chickens kept for meat production. As a general rule, this directive limits the stocking densities for poultry to 33 kg/m², although Member States may still allow higher stocking densities under certain conditions. It is likely that, as a consequence of this new legislation, **new labeling requirements for poultry imports will be installed**, as Article 5 of this directive specifically mentions that the EC will submit a proposal in this context before the end of 2009.

On July 1, 2010, Commission Regulation 543/2008 [2] comes into force. This regulation updates the EU's marketing standards for poultry. It more clearly defines fresh poultrymeat and does not allow thawed and further prepared poultrymeat to be sold as fresh. It also tightens standards on water content in poultry.

Problems with EU exports to Russia

EU meat exports to Russia were severely hampered in 2009, as Russia implemented stricter hygiene and residue standards. However, towards the end of 2009 most EU exporters were relisted for exports to Russia, after the EU agreed to meet the stricter standards and processors implemented these. As a result, EU processors are moderately optimistic about increased EU poultry exports to Russia in 2010, especially as the Russian economy recovers from the 2009 economic crisis. However, on the longer term these exports are uncertain as Russia is systematically decreasing meat import quota from year to year and openly vows its goal to reach self-supply sufficiency in 2012 or about.

High pathogen avian influenza (HPAI) situation

Since the 2006 outbreaks, 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. However, a few cases of H1N1 infection in turkey flocks were detected, but these were all suspected to have occurred from human to animal infections.

[1] http://eur-lex.europa.eu/LexUriServ/site/en/oj/2007/l_182/l_18220070712en00190028.pdf

[2] http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:2008R0543:20090619:EN:PDF

Industry

After several take-over and merges in the recent years, it seems that the European poultry industry has now regained competitiveness, especially for the cuts and elaborated product markets.

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

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