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Global Agricultural Information Network

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EU-27 POULTRY AND PRODUCTS ANNUAL

Annual Report

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Report Highlights:

The negative impact of the global financial crisis on meat consumption is expected to slow down the growth in EU-27 broiler production to below 1 percent in 2009 and 2010. Brazil and Thailand remain the largest suppliers of broiler meat to the EU-27. Broiler meat imports from China, which were non-existent in 2008, are expected to exceed 3,000 MT in 2009. In 2009, EU-27 chicken meat exports are expected to decrease slightly, mainly due to the partial ban by Russia on some EU poultry plants as well as by the impact of the global economic slowdown. US poultry exports to the EU remain blocked by a ban on Pathogen Reduction Treatments (PRTs). In 2009 and 2010, EU-27 chicken meat consumption is expected to grow slowly despite the economic slowdown as chicken meat is likely to partly replace more expensive red meat.

Executive Summary:

The negative impact of the global financial crisis on meat consumption in Europe and EU-27 poultry exports is expected to slow broiler production growth to slightly above 1 percent in 2009. Such sluggish growth is expected to extend to 2010 in absence of strong economic growth. EU-27 turkey production will likely continue its downward trend in 2009 and 2010.

The EU-27 trade balance is expected to remain slightly positive in 2009 and 2010 with stable imports and exports. In 2008 and 2009, Brazil and Thailand filled their tariff rate quota established in 2007. Imports from Chile will again double in 2009. Imports of preserved and cooked broiler meat from China, which were non-existent in 2008, are expected to exceed 3,000 MT in 2009.

For 2009, the primary markets for EU-27 broiler meat exports are expected to be Russia, Saudi Arabia and Ukraine; Vietnam is also a growing market for EU chicken meat. The 2009 Russian ban on some EU poultry plants due to alleged sanitary concerns is however having a negative impact on EU-27 exports. French broiler exports mainly to the Middle East, are expected to decrease in 2009 and 2010 due to their lack of competitiveness despite EU restitutions.

Turkey imports should remain stable under an import quota. EU-27 turkey exports should only decrease slightly as lower French exports to Africa are partly offset by higher German and Dutch exports to Russia.

EU-27 consumption of broiler meat is expected to continue to slowly grow in 2009 and 2010. The fact that chicken is competitively priced relative to red meat benefits consumption, even in times of economic difficulty. Overall poultry meat remains a staple among the general population.

Turkey meat consumption in the EU-27, overall, is expected to decline in 2009 and 2010 as consumers shift away from turkey to chicken, which is perceived as tastier and more convenient to use.

More mergers and takeovers are projected within the European poultry industry which has been weakened by increasing production costs and strong competition from Brazil.

The United States lost a 100,000 metric ton (MT) market in Romania and Bulgaria after these countries joined the EU, due to EU sanitary regulations and the ban on the use Pathogen Reduction Treatments (PRTs) in poultry processing plants. Despite European Food Safety Authority (EFSA) findings in 2003 and 2005 that these treatments were safe, Member States continue to resist approval for use in the EU-27 and for use on imported products. In January 2009, the USTR requested that the World Trade Organization (WTO) undertake dispute settlement consultations with the European Union on the PRT issue. As those consultations failed to resolve the dispute within 60 days, the United States is now entitled to request that a WTO panel be established to determine whether the EU is acting consistently with its WTO obligations.

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The PS&D numbers as reported are not official USDA numbers, but rather represent PS&D's contributed by FAS EU-27 offices merged into a consolidated EU-27 PS&D.

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Commodities:

Poultry, Meat, Broiler

Production:

Broiler Production (Top 5 EU-27 Member States) 1000MT			
	2008	2009	2010
United Kingdom	1205	1225	1250
Benelux	1125	1125	1120
Spain	1082	1080	1070
France	934	925	920
Poland	760	800	800

The negative impact of the global financial crisis on meat consumption in Europe and EU-27 poultry exports is expected to slow broiler production growth to slightly above 1 percent in 2009. Such sluggish growth is expected to extend into 2010 in absence of a full economic recovery.

Major developments from key MS :

In 2009, **Benelux** domestic production is expected to stabilize, or possibly increase further. Demand remains strong on the EU domestic market, as well as on some export markets (Ukraine, Vietnam). Prices of broilers and legs are above the five year average, while feed prices are low, resulting in average to good profit margins.

Czech poultry production is foreseen to decline through 2009 and 2010, due to the effect of high feed prices in recent years (although declining) and economic crisis (credit crunch). It is also adversely affected by increasing cheap imports from both the EU and third countries.

In **France**, broiler meat production is expected to decrease by 1 percent in 2009 and 2010, driven by lower intra and extra-EU exports not fully offset by slightly higher domestic demand.

Germany's poultry industry is optimistic about 2009 and 2010 and German slaughter companies are looking for new contract producers. The poultry industry was able to pass on higher feed costs to retailers and consumers. Slaughter increased to record levels in 2008 and 2009 albeit at a slower rate than in 2007. This is a result of increased slaughter capacity and strong demand. The successful promotion of the D/D/D origin labeling (born/raised/slaughtered) also is an effective incentive for increased slaughter in Germany as opposed to neighboring countries.

In **Hungary**, production of broilers increased slightly in 2008. Until the middle of the year producer prices were above 2007 prices. By the end of the year prices had decreased and commercial stocks were built up. The industry expects stagnation or a small drop in production for 2009 and 2010.

In **Poland**, reduced feed costs are expected to stimulate the production of chicken meat by 5 percent in 2009 in comparison to 2008. The expected increase of production in 2009 also stems from growing domestic demand caused by shortages of pork and the continuing high level of exports of poultry meat to the EU27 market.

In **Romania**, despite the feed-market situation in 2007-08, poultry domestic production grew by 11% in 2008 and is expected to maintain this upward trend in 2009 and 2010, as broiler meat continues to be a top consumers preference.

The demand is expected to increase slightly, broiler meat being more affordable compared to alternatives. Domestic production is expected to partially replace imports from both EU and third countries, leading to a drop in total imports in line with consumers' preference for fresh, local and diversified products.

Broiler production in **Spain** and **Portugal** in 2008 showed a significant increase compared to 2007 levels. Industry sources do not expect major changes in production levels for 2009. According to production estimates for the first quarter of 2009, Spanish and Portuguese production was roughly equivalent in the same period of 2008. In the long run, current and future adverse economic conditions, uncertainty and expected general reduced domestic consumption will likely prevent the sector from expanding. Industry sources indicate that the situation for 2010 is uncertain, depending on the evolution of domestic consumption and international cereal prices, as Spain is a net importer of corn, soybean and wheat.

UK was declared AI-free in November, 2008. Poultry production is expected to increase in 2009, supported by increased domestic demand.

Consumption:

Broiler Consumption (Top 5 EU-27 Member States) 1000MT			
	2008	2009	2010
United Kingdom	1453	1485	1520

Spain	1088	1095	1085
France	885	887	890
Germany	855	865	870
Italy	683	688	690

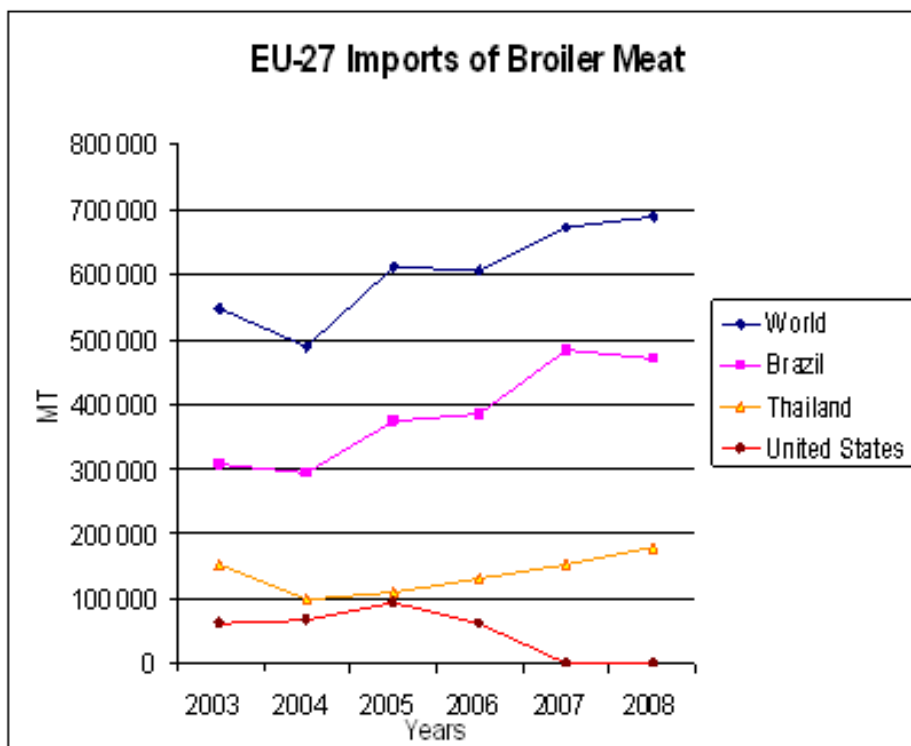
The EU-27 broiler meat consumption is expected to continue to grow slowly in 2009 and 2010. Despite the fact that soy prices are expected to increase significantly in line with Argentina's short supply and a virtual halt to U.S. soy exports to Europe because of the commercial risk of low level GMO detection in conjunction with EU's zero tolerance for unauthorized varieties, chicken production costs could decline, in line with sharply decreasing grain prices (grain comprises as much as 70 percent of chicken production costs). Moreover, production of red meats requires a higher proportion of vegetable proteins than chicken. Thus chicken meat will remain competitive even if total meat consumption declines due to the financial slowdown, since it should continue to be a relatively low cost replacement for red meat. Overall poultry meat remains a staple among the general population and is especially important to the growing EU-27 Muslim population.

Trade:

The EU-27 trade balance is expected to remain slightly positive in 2009 and 2010 in light of stable imports and exports.

Extra EU-27 Imports

Broiler Extra EU-27 Imports (Top 5 EU-27 Member States) 1000MT			
	2008	2009	2010
Benelux	262	266	266
United Kingdom	178	175	170
Germany	108	110	110
Spain	32	35	35
France	30	29	30



EU-27 chicken meat imports are expected to continue their growth in 2009 and 2010 due to their lower prices. Brazil and Thailand remain the largest suppliers of broiler meat to the EU-27, followed by Argentina and Chile. Imports from Chile doubled in 2008 and are also expected to double in 2009. It is noteworthy that imports from China which were non-existent in 2008 and before are expected to exceed 3,000 MT in 2009. The EU-27 imports mainly preserved and cooked broiler meat from China. The United States, which exported as much as 92,000 MT of broiler meat in 2005 to Romania and Bulgaria, is no longer a supplier to the EU-27 due to the PRT issue.

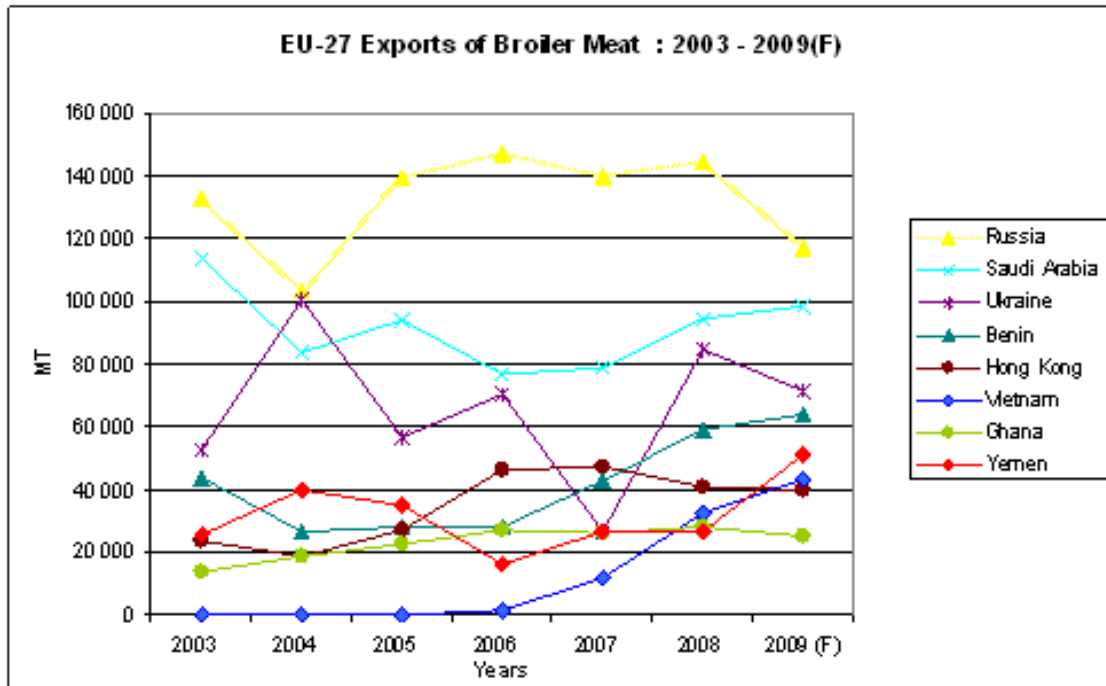
Following their successful WTO case in 2005, Brazil and Thailand got a TRQ for imports of salted poultry meat, preparations of turkey meat and cooked chicken meat into the EU-27 in July 2007.

The annual tariff rate quota (TRQ) for salted poultry meat (HS code 0210 99 39) at a bound rate of 15.4% is allocated as follows: 170,807 tons from Brazil; 92,610 tons from Thailand; and 828 tons from third countries. In addition, a TRQ for preparations of chicken meat (HS 1602 32 19) at a customs duty of 8% was created representing 79,447 tons annually from Brazil; 160,033 tons from Thailand and 11,433 tons from other countries.

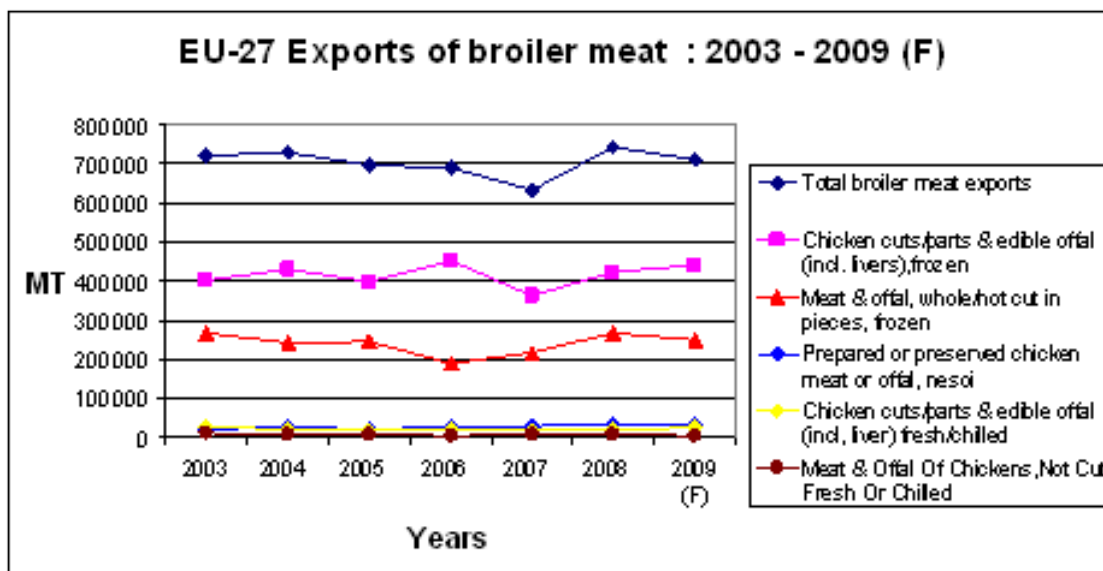
The TRQs for salted poultry and preparations of chicken meat both filled in 2008 and are expected to be filled again in 2009, with the exception of salted broiler meat from Thailand, which remains limited due to AI-related import restrictions.

Extra EU-27 Exports

Broiler Extra EU-27 Exports (Top 5 EU-27 Member States) 1000MT			
	2008	2009	2010
France	253	240	235
Benelux	210	205	205
Germany	92	90	90
Poland	34	30	30
Spain	31	30	30



EU broiler exports continue to face strong competition on the world market from Brazil and the strong Euro is also adversely affecting trade. For 2009, Russia is expected to remain the primary destination for EU-27 broiler meat exports followed by Saudi Arabia, Ukraine and Benin. Vietnam is also becoming an important market for EU poultry meat, with a 30 percent growth for the first semester of 2009 compared to 2008. In 2009, the Russian ban on some EU poultry plants due to alleged sanitary concerns is having a negative impact on trade (minus 20 percent in the first semester), which is likely to overall lower EU-27 broiler exports. Russia imports predominantly frozen cuts (legs) as well as mechanically deboned meat products while Saudi Arabia/Middle east imports whole chicken and sub-Saharan Africa imports inexpensive cuts and mechanically deboned meat.



Source GTA and Posts calculation

French poultry exports to the Middle East and sub-Saharan Africa have stabilized but have not returned to their pre-AI levels while French exports to Russia plummeted in the first semester of 2009. Higher EU export restitutions, which almost exclusively support French whole carcass exports to the Middle East, are necessary to offset the difference between French production costs, estimated at € 0.69 per live kilogram of chicken, and Brazilian production costs, estimated at € 0.45 per kilogram. Russia continues to be the main destination for German broiler exports, followed by Ukraine.

Production, Supply and Demand Data Statistics:

PSD Table						
Country:	EU27					
Commodity:	Meat, Broiler (1000MT CWE)					
Year	2008		2009		2010	
	USDA Official [EU-27]	Posts estimates [EU-27]	USDA Official [EU-27]	Posts estimates [EU-27]	USDA Official [EU-27]	Posts estimates [EU-27]
Beginning Stocks	0	0	0	0	0	0
Production	8560	8535	8600	8620		8650
Imports	677	688	680	700		700
TOTAL SUPPLY	9237	9223	9280	9320		9350
Exports	740	737	685	710		710
TOTAL Dom. Consumption	8497	8486	8595	8610		8640
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	9237	9223	9280	9320		9350
Source: EU FAS Offices						

2008 and 2009 production data are adjusted to reflect new/amended data from reporting and non reporting countries. 2008 production data was adjusted downward due to receipt of more accurate data for Malta. In the absence of official Eurostat figures for broiler meat production, FAS figures for EU-27 should be interpreted as representative of production.

Commodities:

Poultry, Meat, Turkey

Production:

Turkey Production (Top 5 EU-27 member states) 1000MT			
	2008	2009	2010
Germany	420	435	435
France	429	405	390
Italy	300	305	305
Poland	238	250	250
United Kingdom	135	131	130

EU turkey production is expected to continue falling, particularly in France and the United Kingdom, with losses forecast to outweigh gains in Germany, Poland and Hungary. The 2010 forecast for EU turkey markets is a continuation of the downward production trend.

Consumption:

Turkey Consumption (Top 5 EU-27 Member States) 1000MT			
	2008	2009	2010
Germany	443	460	460
France	343	320	309
Italy	249	260	260
Poland	167	194	185
United Kingdom	129	125	124

Turkey meat consumption in the EU-27, overall, is expected to decline in 2009 and 2010 as consumers shift away from turkey to chicken which is perceived as tastier and more convenient to use. Processors also prefer to switch to broiler from turkey as processing yields on carcasses are higher.

Trade:

Turkey Extra EU-27 Imports (Top 5 EU-27 Member States) 1000MT			
	2008	2009	2010
Benelux	58	60	60
Germany	48	50	50
France	11	10	10
Italy	6	6	6
Spain	6	5	5

Turkey Extra EU-27 Exports (Top 5 EU-27 Member States) 1000MT			
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	2008	2009	2010
France	44	40	35
Benelux	28	26	26
Germany	20	20	20
Italy	9	8	8
Spain	6	5	5

Imports should remain stable under import quota control. Lower French turkey exports to Africa will not be compensated for by higher German and Dutch exports to Russia, leading to an overall decline of EU-27 turkey meat exports

Production, Supply and Demand Data Statistics:

Country:	EU27					
Commodity:	Meat, Turkey (1000MT CWE)					
Year	2008		2009		2010	
	USDA Official [EU-25]	Posts estimates [EU-27]	USDA Official [EU-25]	Posts estimates [EU-27]	USDA Official [old]	Posts estimates [EU-27]
Beginning Stocks	0	0	0	0	0	0
Production	1760	1830	1750	1820	0	1815
Imports	115	121	120	120	0	120
TOTAL SUPPLY	1875	1936	1870	1940	0	1935
Exports	125	120	120	110	0	105
TOTAL Dom. Consumption	1750	1816	1750	1830	0	1830
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	1875	1936	1870	1940	0	1935
Source: EU FAS Offices						

Commodities:

Poultry, Meat, Broiler

Poultry, Meat, Broiler

Policy:

The EU's high cost structure

EU poultry producers are struggling with high domestic costs of production compared to those of their competitors. Higher feed and energy costs are being augmented by European requirements incorporating societal preferences into food production decisions. These include restrictions on genetically engineered products including a zero tolerance for unapproved varieties (which affect the price of feed grains and oilseeds); strict production methods; environmental restrictions and animal welfare measures. While

policies individually may have a limited impact on the production cost structure, the incremental combination has led to a significant cost gap with other world producers.

EU decision makers, increasingly sensitive to this problem, are considering several mitigation strategies. For example, the French government, during its EU presidency, suggested that Europe formally adopt an import policy favoring community preference that is, requiring exporting countries to produce exports to Europe in conformity with European food production standards.

The *PRT issue*

Pathogen Reduction Treatments (PRTs) to clean poultry carcasses at the end of the slaughtering process have been approved by the U.S. government and are common practice in the U.S. and other countries outside the EU. In April 2008, the European Food Safety Authority (EFSA) published the Biological Hazards Panel's assessment which concluded that the four antimicrobial treatment substances used in the U.S do not represent a safety concern within the proposed conditions of use.

In a [statement](#) released on May 13, 2008, the Commission committed to "propose changes to EU regulations that will allow the importation of poultry meat processed using PRTs, as well as the use of such treatments in EU Member States in the production of poultry meat for consumption in the EU". On June 2, 2008, a [Commission proposal](#) amending the EU's Food Hygiene Regulation to allow the use of PRTs was put to vote to the Standing Committee on the Food Chain and Animal Health. The Standing Committee rejected the Commission's proposal almost unanimously (see point 18A of the [summary record](#)). Subsequently the Commission forwarded the proposal to the Council. Although the European Parliament has only a limited role in this phase of the legislative procedure, it adopted a [resolution](#) calling on the Council to reject the Commission's proposal.

Although options for a viable solution to the EU's ban on imports of U.S. poultry were discussed at the [third TEC meeting](#) in October 2008, the [EU Agricultural Council](#) unanimously (with the exception of an abstention from the U.K.) rejected the proposal to approve PRTs on poultry on December 18, 2008 ([Council Decision 2009/121/EC](#)). This vote marks the last step in the EU's legislative procedure.

On January 16, 2009, USTR Susan C. Schwab [announced](#) that the United States was requesting World Trade Organization (WTO) dispute settlement consultations with the European Union under the WTO Agreement on the Application of Sanitary and Phytosanitary Measures on the PRT issue. As WTO consultations failed to resolve the dispute within 60 days, the United States is now entitled to request that a WTO panel be established to determine whether the EU is acting consistently with its WTO obligations.

Another poultry trade issue?

In the past 6 years, EU imports of processed poultry under HS code 1602 32 30 have roughly doubled yearly to reach about 50,000MT in 2008. 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 the fixed quota level. It is being argued that this is a loophole inadvertently created in settling

of the “salted” poultry case that needs an urgent fix as imports under this line might reach 70,000MT in 2009 if the import pattern observed in the first semester of 2009 continues.

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 Homogenized Preparations Put Up For Retail Sale)									
Annual Series: 2003 - 2008									
Partner Country	Unit	Quantity							
		2003	2004	2005	2006	2007	2008	Jan-June 2008	Jan - June 2009
World	T	1 584	2 373	5 631	13 497	26 060	48 356	18 069	33 003
Brazil	T	21	758	4 131	11 484	19 338	35 603	13 572	25 514
Croatia	T	965	1 197	1 152	1 193	1 078	1 289	597	675
Thailand	T	562	394	324	741	5 490	11 297	3 846	6 707
Israel	T	4	17	21	8	49	154	50	94

Source: Global Trade Atlas

Implementation of the broiler welfare directive

June 30, 2010 is the deadline before which EU Member States (MS) must implement [Council Directive 2007/43/EC](#) [1] of 28 June 2007. This directive lays down minimum rules for the protection of chickens kept for meat production and is usually referred to as the poultry welfare directive. As a general rule, this directive limits the stocking densities for poultry to 33 kg/m², although MS 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 adopted, as Article 5 of this directive specifically mentions that the EC will submit a proposal in this context before the end of 2009.

Thailand hoping to use salted poultry quota

Thailand is reportedly seeking new eligibility to export fresh poultry to the EU again, as the last outbreak of Avian Influenza (AI) H5N1 on the [OIE website](#) [2] dates from February 27, 2009. In recent years, this effort has been thwarted by continued AI outbreaks in Thailand. However, it is uncertain when Thailand would become eligible again for exports to the EU as no audit from the [European Food and Veterinary Office](#) [3] (FVO) to verify the AI situation in Thailand has been scheduled to date. The FVO audit in February of 2009 highlighted some ongoing problems.

High pathogen avian influenza (HPAI) situation

Since the 2006 outbreaks, the EU has been 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.

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

[2] http://www.oie.int/downld/AVIAN%20INFLUENZA/A_AI-Asia.htm

[3] http://ec.europa.eu/food/fvo/index_en.cfm

Marketing:

Top 10 European Poultry Companies (2007 figures)			
Ranking	Company	EU-27 Market Share (%)	Country
1	Doux	8.0	France
2	AIA	3.6	Italy
3	LDC	3.2	France
4	Grampian	2.6	United Kingdom
5	Cebeco	2.5	Netherlands
6	Wiesenhof	2.0	Germany
7	Amadori	1.5	Italy
8	Gastronome (Terrena)	1.3	France
9	Moy Park	1.2	United Kingdom
10	2 Sisters	1.2	United Kingdom

The French company, DOUX, is the largest EU poultry producer with a 2007 turnover of about € 1.5 billion. Despite processing more than 2 million birds a day, sold in over 130 countries, Doux is, nevertheless, experiencing financial difficulties, due to overinvesting in the poultry for export sector. It lost € 36 million in 2007 and announced in July 2008 that the company would close 2 of its French slaughterhouses (one for turkey, one for chicken).

The European poultry industry has been the object of a spate of mergers and takeovers since 2007 and 2008. Dutch Plusfood Groep BV, a manufacturer of poultry and beef-based processed and convenience food products, was purchased by Perdigao S/A, a pork and poultry processor based in Sao Paulo in July 2007; UK based Moy Park was bought by the Brazilian company Marfrig for \$680 million in June 2008. Together, the two companies will become the 9th largest world poultry producer with annual sales over \$2 billion. Moy Park was the largest vertically integrated poultry processor and supplier of further processed and value-added chicken products in the United Kingdom and also had processing/manufacturing facilities in France. This was followed by a takeover of the UK's Grampian COUNTRY FOOD GROUP by the Dutch company VION. This new company will have a turnover of approximately € 9.6 billion and will be active in the poultry, pork and beef sector. Poultry analysts believe that more mergers and takeovers are possible within the European poultry industry, which has been weakened by increasing production costs and strong competition from Brazil.

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