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Poultry and Products

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Report Highlights:

EU-27 broiler production is expected to grow 1 percent in 2008. Broilers imports, mainly from Brazil, are expected to increase in 2008, including imports at full duty price, while exports will continue to decline. The EU-27 may become for the first time, in 2008, a net importer of chicken meat. EU-27 chicken meat consumption is expected to increase in 2008 as it remains an inexpensive source of protein.

Includes PSD Changes: No
Includes Trade Matrix: No
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DISCLAIMER

The numbers in PS&D’s in this report are not official USDA numbers, but they result from a group effort by FAS EU offices to consolidate PS&D’s from all 27 EU member states into an EU-27 PS&D.

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Executive Summary

In 2007, the EU-27 broiler market recovered from a 2006 decline resulting from an avian influenza (AI) crisis. EU-27 chicken meat consumption is expected to grow in 2008 as chicken meat remains an attractive, low cost protein source. Broiler production is expected to grow 1 percent in 2008 in response to higher domestic consumption.

EU-27 broilers imports grew significantly in 2007, and are expected to increase in 2008, albeit at a slower pace. Brazil, the main supplier of chicken meat to the EU-27, is expected to fill its 2007/2008 tariff rate quota (TRQ) and even over-quota imports in 2008 may still be profitable for Brazil poultry exporters. After a small rebound in 2007, EU-27 exports are expected to decline in 2008. France, the main EU-27 chicken meat exporter, continues to lose market share to Brazil in Middle East and Sub-Sahara African markets. The EU-27 may become a net importer of chicken meat in 2008.

AI outbreaks in wild birds, and occasional AI outbreaks in small farms, occurred in various EU member states (MS) in 2007. However, EU poultry markets remained stable and no major exporting regions faced export bans. An EU Food and Veterinary Office (FVO) report on poultry was critical of Brazil's ability to conduct serological analyses, especially in the case of a future AI outbreak but confirmed that the hygiene conditions for slaughter, cutting and processing of poultry meat were generally satisfactory in Brazil. Brazil voiced dissatisfaction with the EU's poultry quota management system.

PSD Table

| Country: | EU27 | | | | | |
|---------------------------|----------------------------|-------------------------|-----------------------|-------------------------|-----------------------|-------------------------|
| Commodity: | Meat, Broiler (1000MT CWE) | | | | | |
| Year | 2006 | | 2007 | | 2008 | |
| | 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 | 7 803 | 7 740 | 8 035 | 8 111 | 8 090 | 8 200 |
| Imports | 583 | 605 | 590 | 640 | 550 | 650 |
| TOTAL SUPPLY | 8 386 | 8 345 | 8 625 | 8 751 | 8 640 | 8 850 |
| Exports | 690 | 690 | 700 | 656 | 700 | 620 |
| TOTAL Dom. Consumption | 7 696 | 7 655 | 7 925 | 8 095 | 7 940 | 8 230 |
| Ending Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL DISTRIBUTION | 8 386 | 8 345 | 8 625 | 8 751 | 8 640 | 8 850 |

Source: EU FAS Offices

Production

2006 and 2007 production data are adjusted to reflect new data from reporting countries. In the absence of official Eurostat figures for broiler meat production, FAS figures for EU-27 should be interpreted as representative of production and trade.

In 2007, EU-27 broiler production is almost back to pre-AI levels, except for the UK which had an AI case in 2007. Other AI cases in Poland and Germany did not impact production. In fact, Germany's production increased sharply (up 14 percent) in 2007 as one company doubled its slaughter capacity. French production also increased but was still below its 2005 level as producers remained cautious about market conditions, including potential AI impacts, decreasing exports and growing production costs.

EU-27 broiler production is expected to grow 1 percent in 2008 driven by higher consumption, additional capacity (Germany), resumption of UK production and investments in Eastern Europe, mainly Romania, which will boost broiler production as well.

Chicken production (Top 5 EU-27 member states)
1000MT

| | 2006 | 2007 | 2008 |
|----------------|-------|-------|-------|
| United Kingdom | 1 236 | 1 215 | 1 235 |
| Benelux | 1 064 | 1 115 | 1 090 |
| Spain | 1 014 | 1 030 | 1 050 |
| France | 821 | 903 | 920 |
| Poland | 660 | 680 | 690 |

Trade

In 2007, the EU-27 broiler imports rose with Brazil remaining the primary chicken meat supplier. The growth was notable for HT line 021099 (Meat & Offal, Salt, in Brine, Dried, Smoked, incl. Flr etc, nesoi) which almost tripled from 2006, due to two factors: first, a reduced tariff for imports of salted poultry in the first half of 2007, and second, the implementation of a new TRQ for salted and cooked poultry for Brazil and Thailand in the

second half of 2007. Thai poultry exports to the EU-27 remain limited to heat-treated products due to AI concerns, but nevertheless grew 11 percent in 2007.

FAS EU-27 analysts assumed a moderate 1.5 percent growth for total poultry imports in 2008 from 2007 levels. The 2007/08 TRQ is expected to fill and the TRQ for the first half of 2008 is limited to 40 percent of the total 2007/08 TRQ. However, according to trade contacts, exports of 20 to 30 percent over the TRQ could still be profitable for Brazilian exporters.

Brazilian poultry meat exporters have recently purchased several European poultry processors and Brazil poultry giant SADIA may buy the UK poultry leader Grampian Country Group in 2008. These purchases guarantee stable and significant commercial outlets for Brazilian products in the EU.

It is yet to be seen if the trade dispute between the EU-27 and the United States on Pathogen Reduction treatments (PRT) on poultry carcasses could be resolved in 2008, despite advances on this issue by the Transatlantic Economic Council (TEC). It would be then over-optimistic to assume that the United States could resume its chicken meat exports to the EU-27 in CY 2008.

After a small rebound in 2007, the decline in EU-27 exports is expected to continue in 2008. France, the main EU-27 chicken meat exporter, is losing market share to Brazil in the Middle East and Sub-Saharan Africa. EU-27 chicken meat competitiveness in 2008 will be impacted by the rising value of the Euro and increased internal production costs. Overall, the EU-27 may become a net importer of chicken meat in 2008.

Consumption

In 2007, EU-27 chicken meat demand returned to pre-2006 levels and consumption is expected to show growth in 2008. Despite rising prices due to higher feed costs (grain comprises as much as 70 percent of chicken production costs) chicken meat remains a low cost protein source and is especially important to the growing EU-27 Muslim population.

Policy

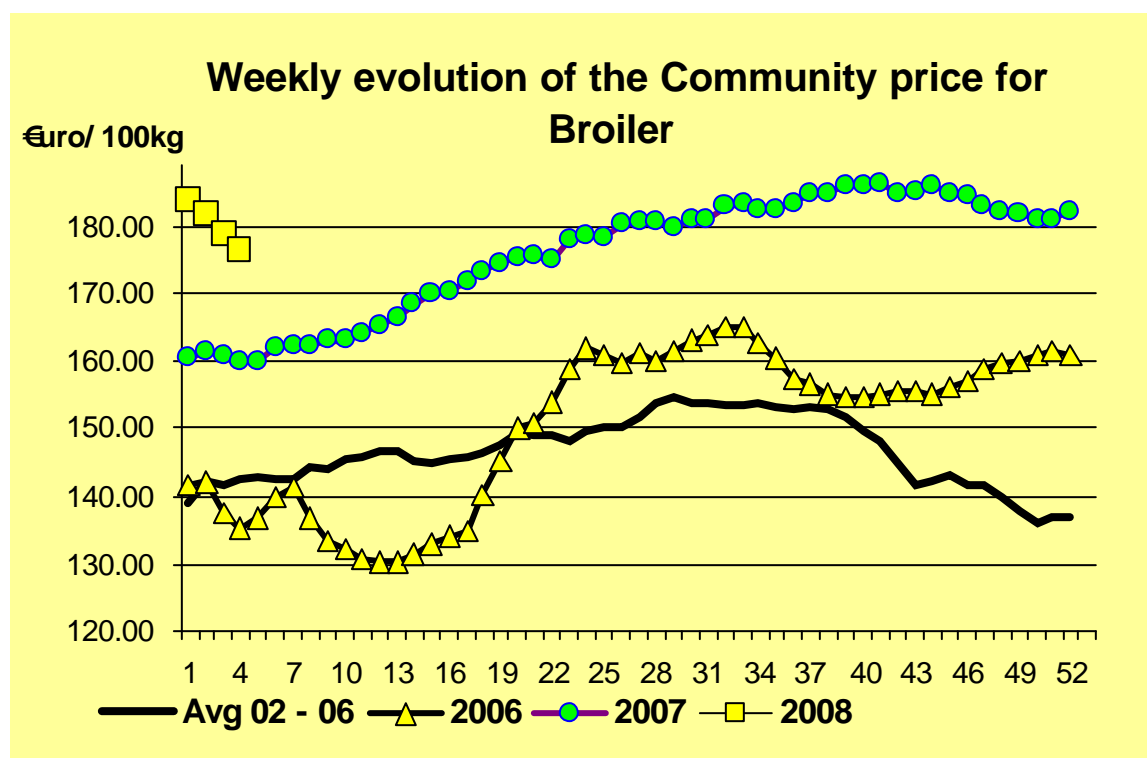
Avian Influenza (AI) still most pronounced threat

[AI H5N1 outbreaks in wild birds](#)¹ occurred in various EU MS, such as Poland, the United Kingdom, and Germany, signaling the need for continued vigilance by commercial poultry breeders. AI outbreaks in 2007 occurred in small operations that observe less strict biosecurity measures. No major exporting regions faced export bans.

EU poultry market developments

Throughout 2007, poultry producers kept poultry production numbers tight, fearing market disruptions in case of AI outbreaks. This helped increase EU poultry prices to record levels, thus preserving poultry production margins in spite of increased feed costs.

¹ http://ec.europa.eu/food/animal/diseases/adns/adns_wildbirds2007.pdf



Source: DGAgri

An EU Food and Veterinary Office (FVO) [report_7214/2007](#)² on poultry, poultry meat and poultry meat products was critical of Brazil's capacity to conduct serological analyses, especially in the case of a future AI outbreak, as only one laboratory is currently able to perform this analysis. The report nevertheless confirmed that the hygiene conditions for slaughter, cutting and processing of poultry meat are generally satisfactory.

Brazil has voiced dissatisfaction with the EU's poultry quota management system where strong demand has led to license trading between companies.

Related reports from FAS Post in the European Union:

| Report number | Title | Date |
|---------------|---|------------|
| GM7025 | AI Re-appears in Wild Birds | 06/27/2007 |
| GM7030 | AI update: Total Number Rises to 240 Wild Birds, One Goose on Backyard Farm | 07/16/2007 |
| E47050 | EC Regulation Sets Targets for Salmonella Prevalence in Broiler Flocks | 07/19/2007 |
| E47061 | Poultry - Annual | 07/20/2007 |
| FR7021 | Avian Flu Confirmed in Three Dead Wild Swans in Eastern France | 08/16/2007 |
| GM7040 | AI: Outbreak in Commercial Duck Farm | 08/27/2007 |
| E47096 | EC Adopts Community Animal Health Policy 2007-13 | 11/05/2007 |
| RO7015 | Avian Influenza (AI) Outbreak confirmed in Romania | 11/30/2007 |

² http://ec.europa.eu/food/fvo/ir_search_en.cfm

| | | |
|--------|---|------------|
| UK7035 | UK confirms highly pathogenic Avian Influenza H5N1 in free range turkey flock | 11/13/2007 |
| PL7056 | Outbreak of Highly Pathogenic Avian Influenza | 12/03/2007 |
| PL7057 | Update on AI Outbreak in Poland | 12/05/2007 |
| PL7058 | New Avian Influenza H5N1 Outbreak in Poland | 12/11/2007 |
| GM7055 | AI update | 12/13/2007 |
| NL7033 | Opportunities on the EU Poultry Meat Market | 12/18/2007 |
| E47110 | European Commission approves €187 million to fight animal diseases in 2008 | 12/18/2007 |
| GM7059 | AI update: New case on non-commercial poultry operation | 12/19/2007 |
| PL7062 | Highly Pathogenic Avian Influenza Update and Market Implications | 12/28/2007 |
| GM7060 | AI update: Two more cases on small non-commercial poultry operations | 12/31/2007 |
| RO8001 | Avian Influenza (AI) – Outbreak eradication | 01/08/2008 |
| E48004 | Update on the European animal disease situation | 01/11/2008 |
| UK8001 | H5N1 confirmed again in wild birds in the UK | 01/11/2008 |
| PL8004 | EU Lifts AI-based Trade Restrictions | 02/05/2008 |

These reports can be accessed through the FAS website:
<http://www.fas.usda.gov/scriptsw/attacherep/default.asp>.