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International Agricultural Trade Report

Less UK Poultry Meat Exports Will Not Impact EU Exportable Supplies

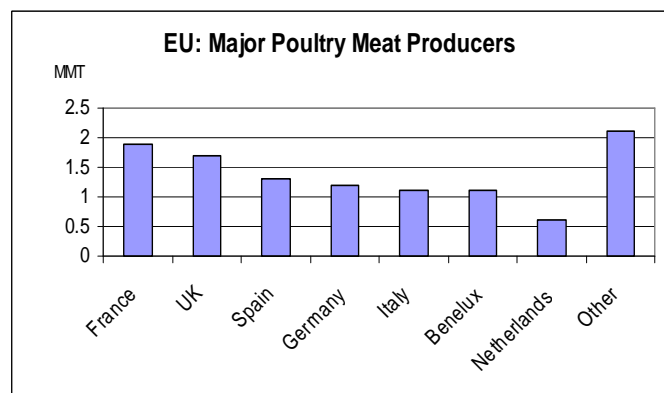
Summary

The highly-pathogenic bird flu outbreak found in UK's largest commercial turkey farm is not expected to cause a significant shortfall in EU exportable supplies of poultry meat.

UK's Bird Flu Outbreak Has Little Impact On EU Production..

The UK is a major poultry producer, accounting for roughly 15 percent of EU's production. It is also a major consumer, accounting for roughly 19 percent of EU's consumption.

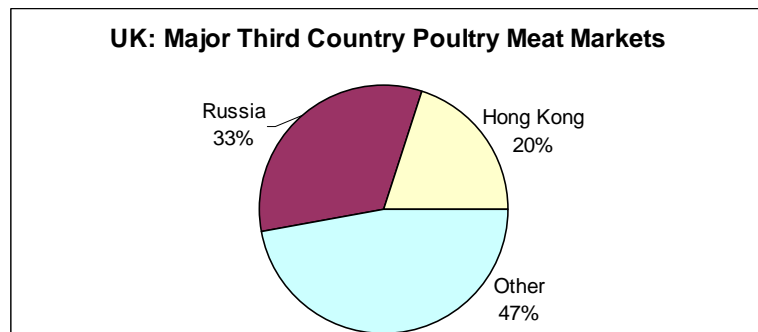
Authorities have completed the culling from the infected farm of almost 160,000 turkeys (out of 17 million turkeys and 167 million chickens produced annually in the UK). Although weekly turkey and chicken meat sales are showing a 10 percent decline in some supermarkets, it is expected to be only temporary and consumer demand is expected to fully recover with little impact on production.



The last string of bird flu outbreaks from fall of 2005 to 2006, demonstrated both the cyclical, yet resilient nature of the poultry industry in Europe (Italy, Germany, France, Spain, Romania). Retailers bought fewer poultry products, raising stocks and causing prices to drop 40 percent. But lower prices eventually created more demand, which in turn reduced the accumulated stocks, and ultimately left little impact on production cycles. The UK incident, though relatively minor, is already following that same pattern.

And Only Temporarily Affects EU Exports..

The UK is not a major exporter. On average only 25 percent of UK exports, roughly 50,000 tons, are shipped to third countries, mostly to Russia and Hong Kong. Many third countries, including Russia, Hong Kong, South



Africa, South Korea and Japan, have placed bans on UK poultry, so UK third country exports are expected to slow down.

In contrast, last year, when France had a similar outbreak, some countries temporarily banned French poultry meat and exports dropped by 19 percent.

Because Other EU Countries Will Compensate

On average, the EU exports 1.0 million tons of poultry meat. So a reduction in UK exportable supplies or a shift away by current importers can be easily offset by major European suppliers like France, Belgium or Germany.

For example, despite the steep drop in French exports last year, EU exports were only down 4 percent, as other EU countries increased their output.

