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## EU-27

## Poultry and Products

## Annual

## 2007

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### Report Highlights:

Bulgaria and Romania joined the EU to form the EU-27 at the start of 2007. This should have minor impacts on EU poultry markets, although poultry imports into these new MS will decrease as a result of EU legislation.

EU broiler markets in 2007 have recovered from the 2006 AI scare, although producers remain cautious in setting up production because of the ongoing AI threat. This has driven broiler prices to record highs. EU broiler imports have peaked in spring of 2007 before the implementation of the new quota. Broiler exports recovered in 2007 after AI related export bans ended. Broiler consumption recovered as consumers renewed confidence in broiler meat. Forecasts for 2008 foresee further increases in broiler production and consumption, except for severe AI outbreaks. Broiler imports are forecast to decrease because of restricted quota. Turkey markets did not recover and are forecast to continue contracting.

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## Executive Summary

The beginning of 2007 brought another expansion of the European Union, with two additional member states (MS): Bulgaria and Romania. While this enlargement is much smaller than the 2004 accession of ten New Member States (NMS-10), it again integrates two countries with a weaker economy, adding 29 million inhabitants, in which agriculture is an important economic sector and employer. However, both countries are net poultry importers and will therefore have a minor impact on EU meat markets. Bulgaria and Romania combined add three percent to the EU poultry production. One of the main impacts of this enlargement on the EU market was the threat from Russia to close its border for all EU animal products, for fear for the animal health situation in Bulgaria and Romania, especially for Classical Swine Fever (CSF) and Avian Influenza (AI).

EU broiler markets in 2007 have mostly recovered from the 2006 AI scare, which resulted from the arrival of AI H5N1 outbreaks in the South-East of the EU, including an outbreak on a French turkey farm. Broiler production is still below pre-AI levels because producers are cautious in setting up new production. The ongoing threat of new outbreaks and limited numbers of mother birds and hatching eggs keeps production low. This has resulted in record high broiler prices. Broiler meat imports have peaked in the spring of 2007, before the implementation of new TRQs for salted and cooked poultry for Brazil and Thailand on July 1, 2007. EU broiler exports are recovering after different export bans, mainly because of AI, were lifted. EU broiler consumption has also recovered as consumers renewed confidence in poultry meat. However, AI remains a threat that throws a shadow over the EU poultry market.

For 2008, forecasts foresee further increases in EU broiler production and consumption assuming no major AI related event occurs. Broiler imports are forecast to somewhat decrease as they are restricted by import quota. EU broiler exports are forecast to stabilize as competition from Brazil is strengthening.

EU turkey markets show a different evolution. Turkey production in 2007 has not recovered, but continued its long-term decline. Turkey imports are slightly decreasing and are also being restricted by quota as of July 1, 2007. EU turkey exports are also decreasing for lack of competitiveness with exports from Brazil. EU turkey consumption is slowly decreasing further. For 2008, EU turkey markets are forecast to continue their contracting trend.

## Broiler

Country:	EU27					
Commodity:	Meat, Broiler (1000MT CWE)					
Year	2006		2007		2008	
	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	7,625	7,803	7,700	8,035	0	8,090
Imports	525	583	600	590	0	550
<b>TOTAL SUPPLY</b>	<b>8,150</b>	<b>8,386</b>	<b>8,300</b>	<b>8,625</b>	<b>0</b>	<b>8,640</b>
Exports	770	690	770	700	0	700
TOTAL Dom. Consumption	7,380	7,696	7,530	7,925	0	7,940
Ending Stocks	0	0	0	0	0	0
<b>TOTAL DISTRIBUTION</b>	<b>8,150</b>	<b>8,386</b>	<b>8,300</b>	<b>8,625</b>	<b>0</b>	<b>8,640</b>

Source: EU FAS Offices

## 2006

In the first quarter of 2006, the Mediterranean part of the EU suffered from an AI scare, caused by infected wild birds with AI strain H5N1 and an outbreak in a French turkey farm in February of 2006. While the financial impact on the EU poultry sector was severe, the impact in terms of volume on production and consumption was much less than first feared. EU-25 broiler production decreased 3.5 percent, EU-25 broiler consumption decreased 3.1 percent and total EU-25 broiler exports were stable, although France faced a 20 percent drop in exports because of a range of import bans on France.

As AI had already been confirmed in Bulgaria and Romania in the autumn of 2005, both countries were already facing import bans to the EU-25 at the start of 2006. Production and consumption of broilers suffered, especially in Romania where production decreased by 5 percent and consumption by 7 percent compared to 2005. Consumption numbers of broilers in Romania and Bulgaria are somewhat overstated as they include some commercial stocks. Stocks were built up in anticipation of the halt of imports from non-EU countries, mainly the United States, as a result of the implementation of EU legislation at accession. In Romania, the EU requirements were suddenly enforced in the beginning of June 2006, instead of end of December 2006, giving U.S. exporters very limited time to arrange shipments to Romania. Stocks in Romania were already built (from both imports and domestic production), following an AI outbreak in a commercial flock during May 2006.

## 2007

Broiler production in the EU is expected to have recovered from the 2006 AI scare, although producers remain cautious in the set up of new broilers. Production is not expected to return to the 2005 level yet. Production of mother birds and hatching eggs at the end of 2006 lagged 2005 numbers by 5-10 percent. High feed and energy costs help explain this lag in production. The accession of Bulgaria and Romania is not expected to have any significant impact on the EU market, as they only represent 3 percent of EU broiler production. AI H5N1 remains a threat as infections in wild birds were detected in several EU Member States (MS) in June 2007. Broiler production temporarily dropped in the United Kingdom after an outbreak of AI H7N1 in a turkey flock in February of this year reduced consumer confidence

in domestic poultry meat. Production is also lagging in France, the Benelux and Hungary. However, in Germany a doubling in slaughter capacity by a major processor is expected to push up production by up to 9 percent. In Poland and Romania production is expected to increase by 2 and 17 percent, respectively. As a result of this controlled recovery in production, EU broiler prices are at record highs and profitability is above average despite high feed costs.

Broiler imports into the EU-27 are expected to remain fairly stable compared to 2006. Imports into the EU-25 are expected to increase by about 100,000 MT. This is largely due to the unlimited imports of salted poultry at low tariff in the first half of 2007 following the outcome of the WTO panel, and the consequent implementation of new TRQ's for salted and cooked poultry for Brazil and Thailand in the second half of 2007. [Commission Regulation \(EC\) No 616/2007](#)<sup>1</sup> provides that in the first two quarters of the quota year 2007/2008 licenses for 30 percent of the quota can be filed and 20 percent in each of the last two quarters in 2008. Thailand is still not able to use its salted poultry quota because of AI. Additionally, former broiler imports to Romania of about 60-90,000 MT, from the United States, have stopped because of the adoption of EU legislation upon accession.

Exports of EU broiler exports are expected to partly recover in 2007, as export bans against France, because of AI, and Denmark, as a consequence of the Mohammad cartoons in early 2006, have been lifted. The strong EURO exchange rate and vigorous competition from Brazil are hampering this recovery. Domestic consumption of broilers in the EU is also expected to recover to about the 2005 pre-AI level. Media coverage on recent outbreaks of AI in wild birds in several MS has not shown strong impacts on consumer behavior.

## 2008

EU broiler production in 2008 is forecast to recover after two turbulent years. Imports are forecast to slightly decrease as cheap imports are restricted by import quotas. However, if broiler prices maintain their high level, it is possible that out-of-quota imports at full duty become viable. EU exports are forecast to remain stable, but this also depends on the continued availability of export refunds. Broiler consumption in the EU is forecast to slightly increase further in 2008.

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

	2006	2007	2008
United Kingdom	1,250	1,230	1,250
Benelux	1,064	1,056	1,055
Spain	1,040	1,050	1,050
France	821	850	820
Poland	91	92	92

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

	2006	2007	2008
United Kingdom	1,511	1,523	1,535
Spain	1,070	1,070	1,070
France	736	775	775
Germany	727	770	780
Poland	576	580	600

<sup>1</sup> [http://eur-lex.europa.eu/LexUriServ/site/en/oj/2007/l\\_142/l\\_14220070605en00030011.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/oj/2007/l_142/l_14220070605en00030011.pdf)

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

	2006	2007	2008
Benelux	272	280	280
France	184	220	210
Germany	68	70	70
United Kingdom	57	55	55
Poland	31	36	31

## Turkey

Country:	EU27					
Commodity:	Meat, Turkey (1000MT CWE)					
Year	2006		2007		2008	
	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	1,810	1,858	1,790	1,840	0	1,830
Imports	110	112	115	105	0	105
<b>TOTAL SUPPLY</b>	<b>1,920</b>	<b>1,970</b>	<b>1,905</b>	<b>1,945</b>	<b>0</b>	<b>1,935</b>
Exports	150	130	150	110	0	105
TOTAL Dom. Consumption	1,770	1,840	1,755	1,835	0	1,830
Ending Stocks	0	0	0	0	0	0
<b>TOTAL DISTRIBUTION</b>	<b>1,920</b>	<b>1,970</b>	<b>1,905</b>	<b>1,945</b>	<b>0</b>	<b>1,935</b>

Source: EU FAS Offices

## 2006

EU turkey markets suffered from AI in 2006, but again less than originally feared. France was most severely impacted because of the AI outbreak in a turkey flock in the south-east of France in February of 2006. Bulgaria and Romania were also badly hurt as AI was already present in the autumn of 2005 and export bans were already in place.

## 2007

Contrarily to broiler production, EU turkey production is not expected to recover in 2007. Rather, a continuation of recent years' decreasing production trend is anticipated, especially in France and the United Kingdom. Production increases are expected in Poland and Hungary, but these are not expected to fully offset the decreases in the rest of the EU. EU-27 turkey imports are expected to be slightly lower, as increased imports into the EU-25 will probably not completely offset the loss in imports from the United States to Bulgaria and Romania, which results from their EU accession. EU turkey exports are expected to further decrease, as EU turkey further loses market share to the more competitive exports from Brazil. EU turkey consumption in 2007 is also not expected to recover, but rather decrease slightly further.

## 2008

The 2008 forecasts for EU turkey markets is a continuation of recent trends. A further decrease in turkey production is forecast, mainly in France, and will not be completely offset

by gains in Poland and Hungary. Imports are forecast to remain stable as they are controlled by import quota. EU turkey exports are forecast to further loose competitiveness and domestic consumption is forecast to continue its slow decrease.

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

	2006	2007	2008
France	502	470	450
Germany	380	380	380
Italy	274	276	280
Poland	220	230	230
United Kingdom	184	185	175

Turkey consumption (Top 5 EU-27 member states) 1000MT

	2006	2007	2008
Germany	428	430	430
France	364	352	346
Italy	218	223	226
United Kingdom	191	195	185
Poland	187	190	195

Turkey exports (Top 5 EU-27 member states) 1000MT

	2006	2007	2008
France	54	45	40
Benelux	25	24	24
Germany	21	15	15
United Kingdom	8	6	6
Italy	5	7	8

## Policy

### Impact of accession of Bulgaria and Romania on EU poultry markets

On January 1, 2007, Bulgaria and Romania became the 26<sup>th</sup> and 27<sup>th</sup> Member States of the European Union, adding 29 million inhabitants to the union. Their impact on EU poultry markets will be rather limited, considered the combined poultry production is about three percent of total EU poultry production and as both countries have a deficit for poultry. As a result, it is expected that both countries will increase their intra-EU import status, as imports from outside the EU mostly have come to a halt. Because of the adoption of the "acquis communautaire", which is the full set of EU legislation, including higher EU import tariffs, EU import bans on U.S. poultry are extended to these two new MS

Per capita consumption in kg	Poultry	Beef	Pork
Bulgaria	19	14	13
Romania	21	12	35
EU-15	22.5	20	42
EU-10	24.5	6.5	45

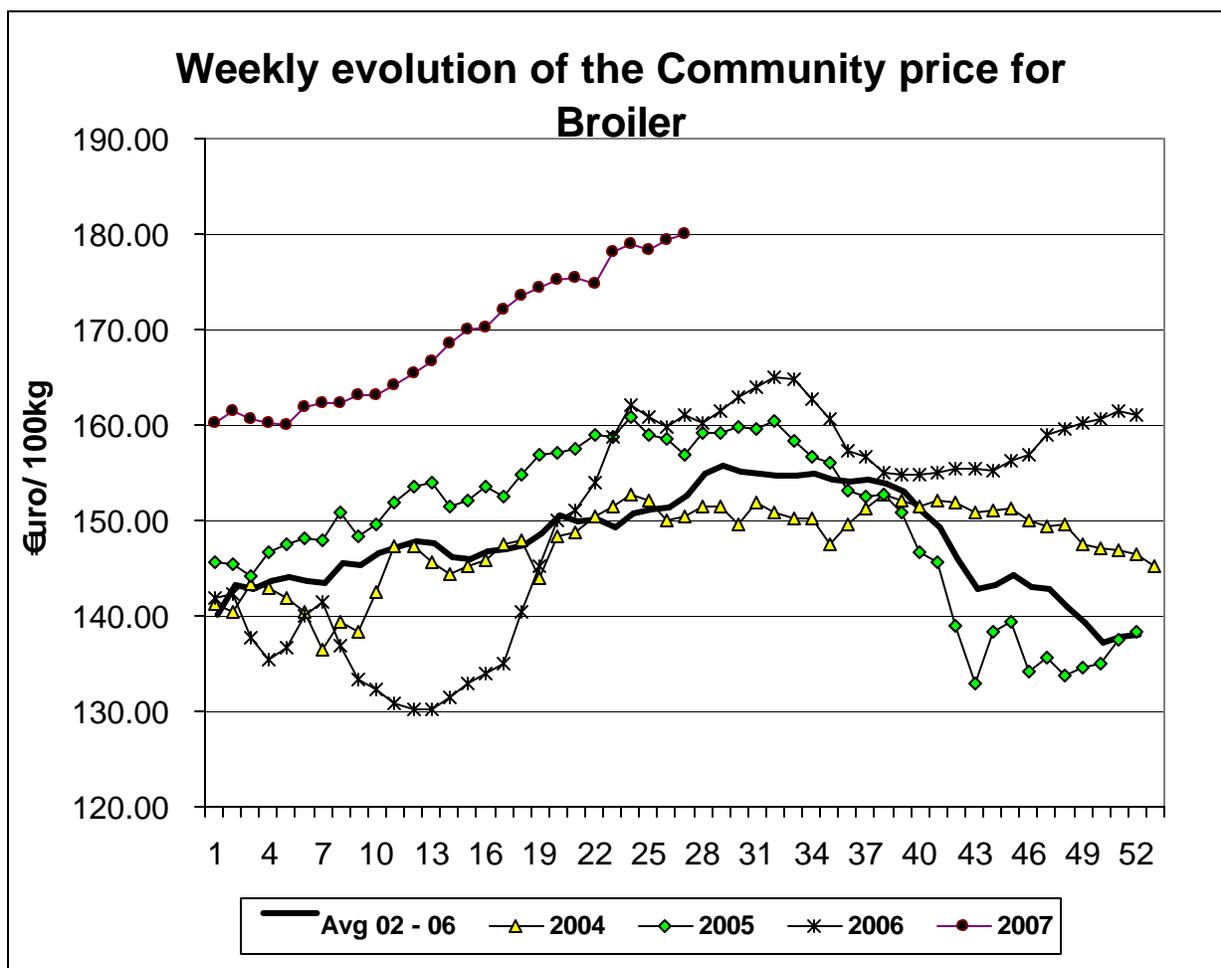
Source: - Bulgaria and Romania: FAS/Sofia, FAS/Bucharest  
 -EU-15 and NMS-10: [Prospects for agricultural markets and income 2006-2013](http://ec.europa.eu/agriculture/publi/caprep/prospects2006b/fullrep.pdf)<sup>2</sup>

<sup>2</sup> <http://ec.europa.eu/agriculture/publi/caprep/prospects2006b/fullrep.pdf>

In 2006, especially Romania’s poultry sector has severely suffered from the AI H5N1 epidemic, but on the longer term, both new MS have an advantage as low cost feed producers. This advantage is expected to offer good chances for future production increases and ultimately becoming net exporting countries of poultry meat. Their geographical situation close to privileged Middle Eastern markets for poultry is also a great asset.

**Outlook for the Avian Influenza situation**

Avian Influenza H5N1 infections in the EU resumed in the spring of 2007 with an infection in wild geese in Hungary in early March, which was followed by the detection of AI in a turkey flock in the United Kingdom. Since then, discoveries of infected wild birds have multiplied, especially within the last week of June and the first half of July, in which infected wild birds were discovered in the Czech Republic, including an outbreak in a turkey flock, as well as in Germany and the east of France. Consumer reactions have been lukewarm, with no measurable impact on poultry consumption, unlike in 2006. This may be explained that consumers have learned to live with the news, as well as media attention has focused on the animal disease side of AI. Nevertheless, the suspense of how consumers might react if significant outbreaks in commercial poultry farms were to occur is still tangible.



Source: European Commission

AI continues to have a major impact on the EU poultry market. It is the main reason why EU producers are still limiting production below pre-AI levels. The continued risk and the fear for eventual total export bans on major producing MS is as important a factor for this production limitation as is the fear for consumer reactions. This has led to record high poultry prices. Nevertheless, EU poultry producers claim that profitability is not as good as could be expected from this price level. Costs of production have increased significantly. Apart from increased feed costs, the low production levels keep some production capacity idle. The AI threat also comes at a cost for enhanced AI prevention measures. AI is also the reason why the poultry import quota are partly unused because Thailand can not ship salted product.

As a result, the EU poultry sector is uncomfortable because nobody can foresee if and when any AI outbreaks will lead to another economic disaster. A major fear is that this uncertainty could last for several years to come.

### Impact of the EU Health Check on poultry markets

In recent months, [European Commissioner Mariann Fischer-Boel](#)<sup>3</sup> on many occasions has offered clues to the issues that will be addressed at the 2008 Health Check of the 2003 CAP Reform. Some proposed changes may impact European poultry markets indirectly.

Proposals to eliminate intervention storage for cereals, such as the recently approved [elimination of corn intervention](#)<sup>4</sup>, would supposedly lead to increasing price differentials for cereals between MS, giving MS like Hungary, the Czech Republic and Poland a feed cost advantage. This would probably lead to geographical shifts in production. A proposed end to set aside in the EU, could increase cereal production, and hence trigger increased pork and poultry production. Before the start of the last Council meeting, EU Farm Commissioner Mariann Fischer Boel confirmed that the Commission intends to propose to reduce the rate of compulsory set-aside to zero percent for the 2008 harvest. Furthermore, a decrease in cereal production in France and Spain, as a result of full decoupling, could lead to increases in feed costs EU wide. This could then result in production decreases for pork and poultry.

### EU Animal Welfare Initiatives for poultry sectors

On June 12, 2007, the European Council agreed on a [Council Directive laying down minimum rules for the protection of chickens kept for meat production](#)<sup>5</sup>. This Directive sets the stocking density for broilers at 33 kg/m<sup>2</sup> and 39 kg/m<sup>2</sup> under controlled atmosphere conditions for all broiler farms of more than 500 birds. MS will have to comply with this Directive by 30 June 2010 at the latest. A proposal for this Directive was ready for approval in early 2006 after a long struggle between MS to agree on the standards, but the arrival of AI in the EU postponed the approval until the German Presidency picked it up again.

Article 5 of this Directive provides a timeline for animal welfare labeling. It requires that "the Commission shall submit a report to the European Parliament and to the Council on the possible introduction of a specific harmonized mandatory labeling scheme for chicken meat, meat products and preparations based on compliance with animal welfare standards before

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<sup>3</sup> Press releases at

<http://europa.eu/rapid/searchResultAction.do?search=OK&query=agri&username=PROF&advanced=0&guiLanguage=en>

<sup>4</sup> See GAIN E47046 - Council of the European Union adopts compromise to end corn (maize) intervention at <http://www.fas.usda.gov/gainfiles/200706/146291342.pdf>

<sup>5</sup> [http://eur-lex.europa.eu/LexUriServ/site/en/oj/2007/l\\_182/l\\_18220070712en00190028.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/oj/2007/l_182/l_18220070712en00190028.pdf)

December 31, 2009.” In a concluding speech at a [conference on animal welfare labeling](#)<sup>6</sup>, Health Commissioner Kyprianou stated that animal welfare labeling is a top priority for the Commission. According to a [Eurobarometer survey on attitudes to animal welfare](#)<sup>7</sup>, EU consumers are willing to change their shopping habits and even pay more for animal welfare friendly products. The survey also reported that consumers find it difficult to distinguish between products on animal welfare grounds and favor the idea of labeling or logos to indicate the animal welfare standards on packaging. See also the USEU website at <http://useu.usmission.gov/agri/welfare.html>.

#### **EU program for the reduction of Salmonella in poultry** (See GAIN [E47050](#))

On June 13, 2007, the EC published [Commission Regulation \(EC\) No 646/2007](#)<sup>8</sup>, which fixes the target for the reduction of Salmonella enteritidis and Salmonella typhimurium prevalence in broiler flocks at a maximum of 1 percent by the end of 2011. This Regulation implements [Regulation \(EC\) No 2160/2003](#)<sup>9</sup>, which outlined overall targets for the reduction of salmonella and other zoonotic agents in food. The annex to Regulation (EC) No 646/2007 provides instructions for frequency of sampling and testing, and the examination protocol for testing.

The targets for salmonella prevalence were set after the publication of the [Report of the Task Force on Zoonoses Data Collection on the Analysis of the baseline survey on the prevalence of Salmonella in broiler flocks of Gallus gallus, in the EU, 2005-2006 \[1\] - Part A: Salmonella prevalence estimates](#)<sup>10</sup>. While the prevalence of salmonella-positive flocks in the EU was 23.7 percent, the presence of Salmonella enteritidis and Salmonella typhimurium was observed in 11 percent of all EU broiler flocks. However, between Member States (MS) prevalence of S. Enteritidis and/or S. Typhimurium varied from 0% to 39.3 percent.

<sup>6</sup> [http://www.bmelv.de/cIn\\_045/nn\\_757140/EN/08-AnimalWelfare/AnimalLabelling/\\_AnimalLabelling\\_node.html](http://www.bmelv.de/cIn_045/nn_757140/EN/08-AnimalWelfare/AnimalLabelling/_AnimalLabelling_node.html)

<sup>7</sup> [http://ec.europa.eu/food/animal/welfare/euro\\_barometer25\\_en.pdf](http://ec.europa.eu/food/animal/welfare/euro_barometer25_en.pdf)

<sup>8</sup> [http://eur-lex.europa.eu/LexUriServ/site/en/oj/2007/l\\_151/l\\_15120070613en00210025.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/oj/2007/l_151/l_15120070613en00210025.pdf)

<sup>9</sup> [http://eur-lex.europa.eu/LexUriServ/site/en/oj/2003/l\\_325/l\\_32520031212en00010015.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/oj/2003/l_325/l_32520031212en00010015.pdf)

<sup>10</sup>

[http://www.efsa.europa.eu/en/science/monitoring\\_zoonoses/reports/zoon\\_report\\_finbroilers.html](http://www.efsa.europa.eu/en/science/monitoring_zoonoses/reports/zoon_report_finbroilers.html)

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#### Related reports from FAS EU

Report number	Title	Date
E47050	<a href="#">EC Regulation sets targets for salmonella prevalence in broiler flocks</a>	06/22/07
E47039	<a href="#">EU opens poultry TRQ for the United States</a>	05/25/07
E47009	<a href="#">Poultry – Semi-annual</a>	02/01/07
GM7030	<a href="#">AI update: Total Number Rises to 240 Wild Birds, One Goose on Small Backyard Farm</a>	07/13/07
GM7025	<a href="#">AI Re-appears in Wild Birds</a>	06/28/07
PL7022	<a href="#">Avian Influenza Update Report for Poland</a>	05/11/07
SW7002	<a href="#">Animal Welfare Legislation in Sweden</a>	02/01/07
HU7003	<a href="#">Second Case of Avian Influenza Confirmed in Hungary</a>	02/01/07
RO6017	<a href="#">Poultry - Annual</a>	09/01/06

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