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EU-27

Poultry and Products Annual

EU-27 Broiler and Turkey Sectors to Grow in 2012 and 2013

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Report Highlights:

Both EU-27 broiler and turkey sectors are expected to grow in 2012 and 2013, benefiting both from slowly growing domestic demand (which is less affected than other meats by the economic recession) and increased broiler exports. Brazil and Thailand will remain the largest suppliers of broiler meat to the EU-27. The 2012 hike in global grain prices is likely to tighten poultry processors margins in the second half of 2012 and early 2013.

Executive Summary:

The EU-27 broiler sector is expected to grow in 2012 and 2013, benefiting both from slow growing domestic demand (which is less affected than other meats by the economic recession) and increased exports. The overall broiler production in 2012 encompasses various situations, and is forecast to increase from 2011 in all major EU producing countries, except for France.

The hike in global grain prices since the late spring of 2012 will directly impact broiler production costs. This year, the ongoing gloomy economic situation throughout the EU-27 may prevent processors and retailers from further increasing their prices, thus leading to tighter processors margins in the second half of 2012 and early 2013.

Member States broiler trade surplus is expected to increase in 2012 and 2013 in light of stable imports (mainly due to the strength of the Brazilian Real) and surging exports. Brazil and Thailand remain the largest suppliers of broiler meat to the EU-27. The July 1, 2012, opening of the EU-27 market to Thai un-cooked broiler meat could lead to a moderate increase in imports of Thai salted and frozen broiler cuts and parts into the EU-27 to the detriment of Brazil in the second half of 2012 and in 2013.

EU-27 broiler meat exports are now expected to increase by 4.5 percent in 2012 and again by more than 3 percent in 2013, driven by booming exports of low-priced cuts to Western and Southern Africa, particularly Ghana and South Africa, are now becoming the largest customer of EU-27 broiler meat, equivalent with Saudi Arabia. Export growth to Russia (helped by the accession of Russia to the WTO), Ukraine, and Yemen will also resume, more than compensating lower exports to Saudi Arabia, Hong Kong, China, and Vietnam.

Poultry meat, which is the cheapest source of animal protein, per-capita consumption is stable. Sales of cheaper broiler cuts also increased faster than sales of more expensive parts.

EU-27 turkey production is now expected to increase in 2012 and 2013, as declines in France are forecast to be outweighed by gains in Poland, Spain, and above all the UK, the latter fueled by an increased consumption demand due to aggressive promotions and advertizing campaigns. Turkey meat imports should remain stable in 2012 and 2013 under import quota control. French turkey exports to Western and Southern Africa are expected to remain stable as well as German and Dutch exports to Russia. After years of decline, turkey meat consumption is expected to increase in 2012 and 2013, benefiting from its convenience and health credentials and the decrease in red meat consumption.

DISCLAIMER

The numbers in the PSDs in this report are not official USDA numbers, but they result from a collaborative effort by FAS EU offices to consolidate PSDs from all 27 EU member states.

This report is the active collaboration of EU-27 FAS colleagues in the following member states:

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Commodities:

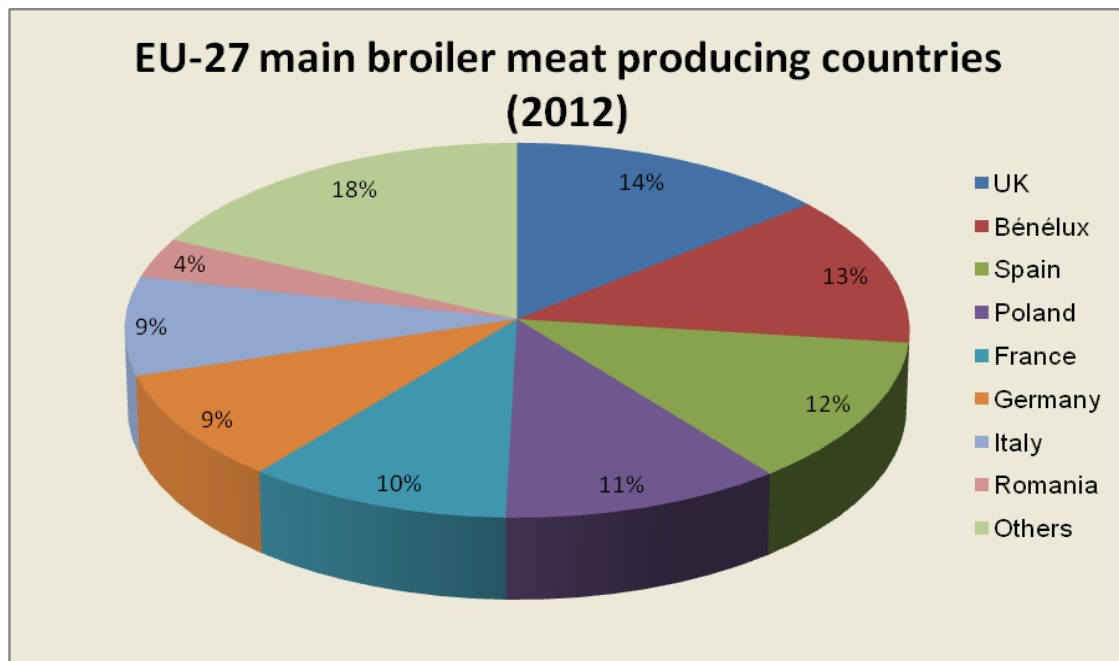
Poultry, Meat, Broiler

Production:

The EU-27 broiler sector is expected to continue to grow in 2012, benefiting both from slowly growing domestic demand (which is less affected than other meats by the economic recession, because it is cheaper and more convenient) and increased exports. The difference between previous 2012 estimate reflects adjusted data from Poland, Slovak Republic, and Spain that correct previous overestimated data, as well as lower than anticipated production in France, Denmark and Czech Republic.

Broiler meat production is forecast to increase in all major EU producing countries, excluding France due to the demise of the poultry company, Doux. Doux, the largest EU poultry meat producer with 2011 sales over € 1.4 billion (USD 1.8 billion) and a major exporter of especially frozen whole broilers to the Middle East, filed for bankruptcy in early June 2012. Earlier investments, like the purchase of the Brazilian company Frangosul in 1998, had inflated Doux’s indebtedness. Doux’s liquidators have rented all of their Brazilian facilities to the Brazilian meat company JBS, while the French part of the company will be dismantled. Doux French assets are likely to be split, with the export business still operating before another review on November 30, 2012. The main French competitor on export markets, Tilly Sabco, with the help of the oilseed sector investment agency, Sofiproteol, has proposed to take over Doux’s export branch. Another option is a take-over by the company creditors, the Barclays Bank, with the help from a Saudi investor. Saudi Arabia is a key customer for Doux. . The fresh meat business, which focused on the French domestic market, is likely to be broken-up with some slaughterhouses being taken over by domestic competitors. While it is difficult to precisely assess at this time the impact of such reorganization, most analysts agree that it will lower French broiler production by at least 2 to 3 percent in 2012.

With no rebound in the EU-27 economic situation foreseen for 2013 and the continued strong domestic demand for poultry meat combined with strong export demand, the EU-27 broiler production is expected to grow again in 2013, albeit a slower growth. The short production cycle (a couple of months) of the broiler industry makes it very reactive to outside events, thus making accurate forecasts more difficult.



Source: FAS EU-27 Posts

Consumption:

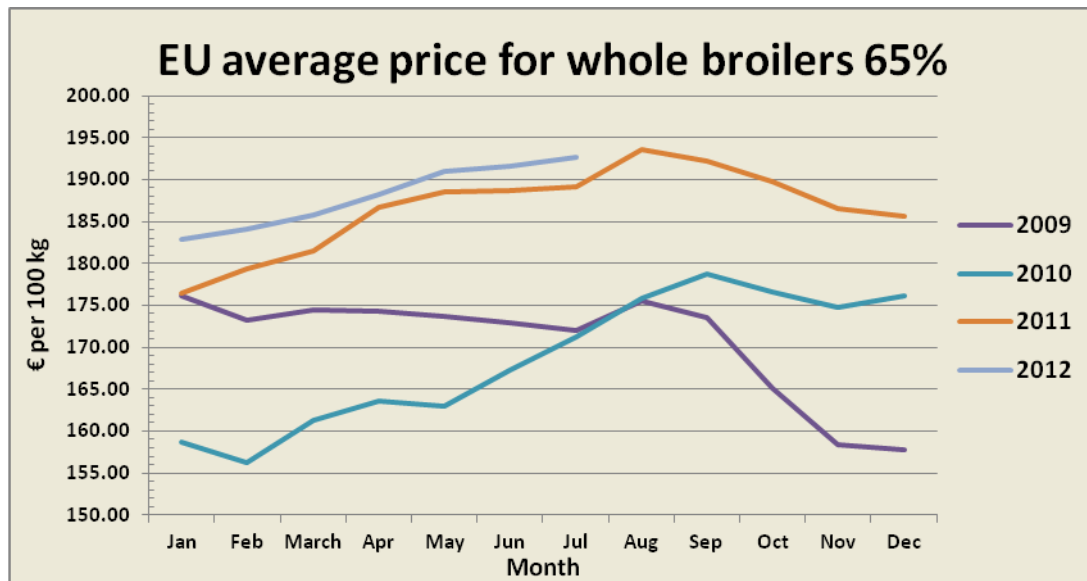
While all sources show that total meat consumption in the EU-27 has been negatively impacted by the economic recession, broiler meat, which is the cheapest source of animal protein, was less affected. Its consumption growth (calculated by balance) is less than the demographic one, showing that per-capita consumption is almost stable. Several market analyses show that most EU-27 consumers switched from beef or pork meat to broiler meat, while other consumers reduced their protein purchases, switching to carbohydrate products (bread, pasta).

In the EU-27, sales of cheaper cuts (legs and wings) also increased faster than sales of more expensive parts (breasts and sales of whole birds). Such a trend is foreseen to extend into 2013 in the absence of any economic recovery.

In several EU countries, including Germany, France, Spain and Poland, the switch to broiler meat is enhanced by the feeling that it is a healthier and leaner meat and more convenient to cook and prepare. The German domestic broiler meat consumption has benefitted tremendously from the decision of the major discount retail chains, e.g., LIDL and ALDI, to sell fresh meat and convenience products in their stores, but it is only two-thirds of the average European per-capita consumption.

Prices:

The hike in global grain prices since the late spring of 2012 will directly impact broiler production costs. The ongoing gloomy economic situation throughout the EU-27 may prevent processors and retailers to further increase their prices or at least, to pass only part of their increased costs.



Source: European Commission

Trade:

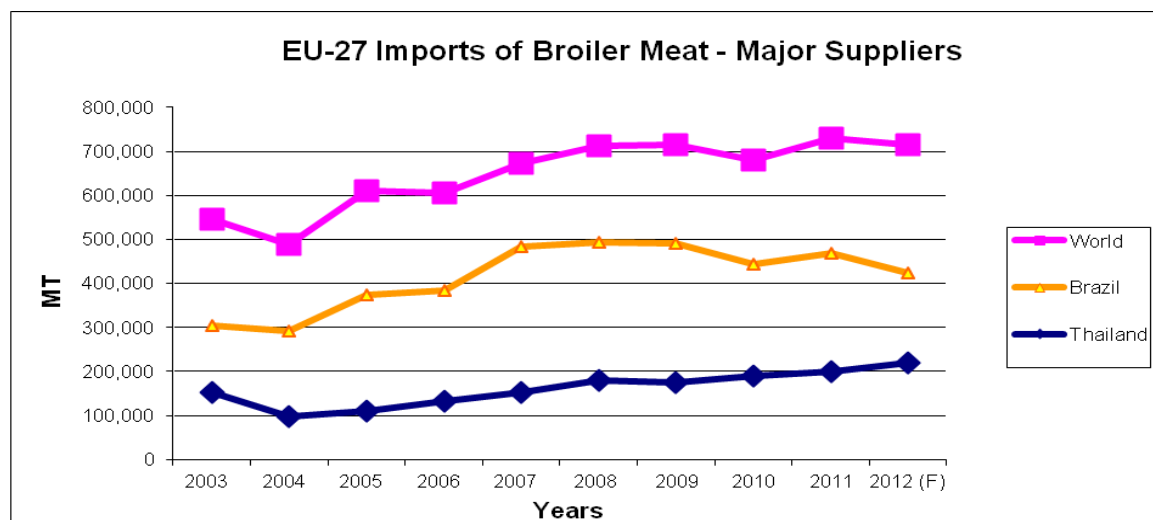
The EU-27 broiler trade surplus is expected to increase in 2012 and 2013 in light of stable imports and surging exports.

Extra EU-27 Imports

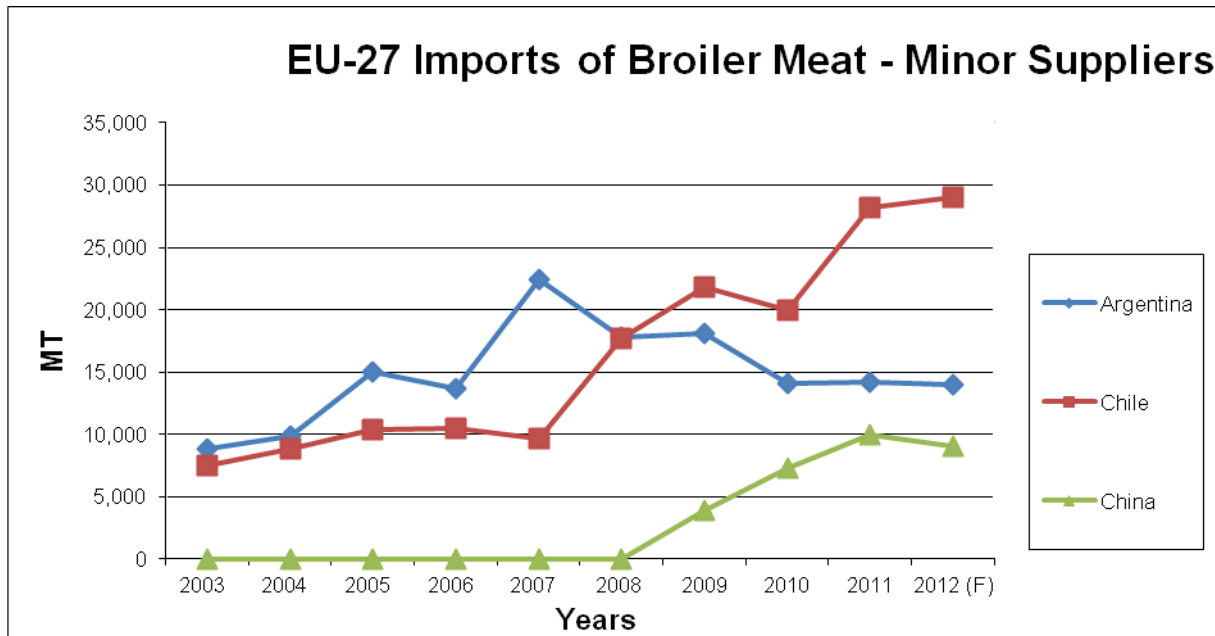
'000 MT	Quota years (July-June)	2007	2008	2009	2010	2011	2012*	Quota reg. (EC) No 616/2007 (July-June MY)
020712	Frozen whole	21	17	17	14	12	12	
020714	Frozen cuts	161	177	141	149	136	120	-
16023219	Preparations of broilerbroiler meat	252	313	313	365	359	355	251
02109939	Salted, or in brine	217	204	200	199	208	205	264
Total		652	712	671	727	716	701	-

*Forecast

Source: World Trade Atlas



Source: World Trade Atlas



Source: World Trade Atlas

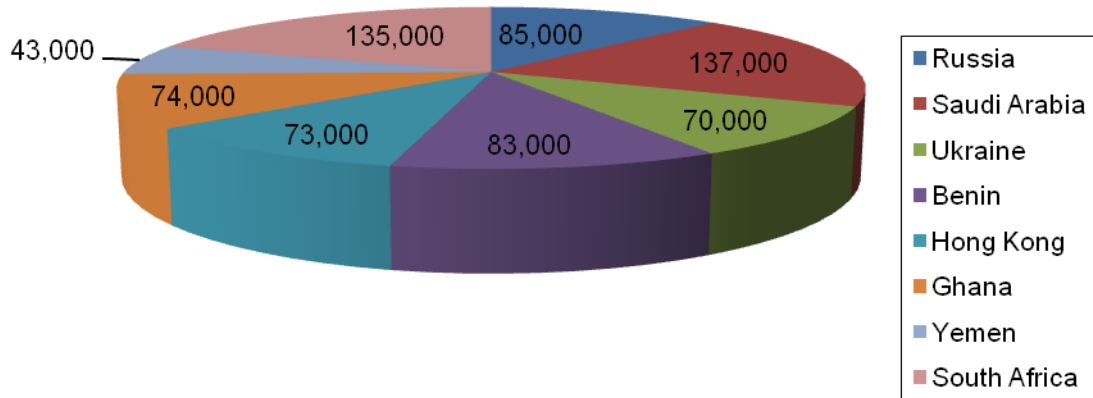
Brazil and Thailand remain the largest suppliers of broiler meat to the EU-27, followed by Chile and Argentina. Imports from Brazil will continue to be impacted negatively by the strength of the Brazilian Real against the Euro and due to Brazilian companies' management of the import quota. It is estimated that less than 50,000 metric tons (MT) of broiler meat is imported outside the quota. Some importers import outside the quota in order to build an import volume with a company to be eligible to participate in the quota in the next year.

On July 1st 2012, the EU-27 re-opened its market to fresh broiler meat from Thailand, which had been closed since 2004 due to avian influenza (AI) outbreaks in Thailand. This could lead to a moderate Thai salted and frozen broiler cuts and parts increase into the EU-27 to the detriment of imports from Brazil in the second half of 2012 and in 2013. The resumption of imports of uncooked broiler meat may also displace some imports of cooked broiler meat from Thailand. However, some importers mentioned that some Thai exporters were reluctant to switch all their export efforts toward uncooked products, since such efforts could be destroyed should any AI case happen again in Thailand.

EU-27 broiler imports from China (exclusively cooked and prepared broiler meat) are expected to stabilize in 2012, after a significant increase in 2011. 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 because the EU doesn't accept pathogen reduction treatments, which are used by U.S. poultry processors.

Extra EU-27 Exports

EU-27 Exports of Broiler Meat Major Markets in 2012 (estimates, MT)



Source: World Trade Atlas

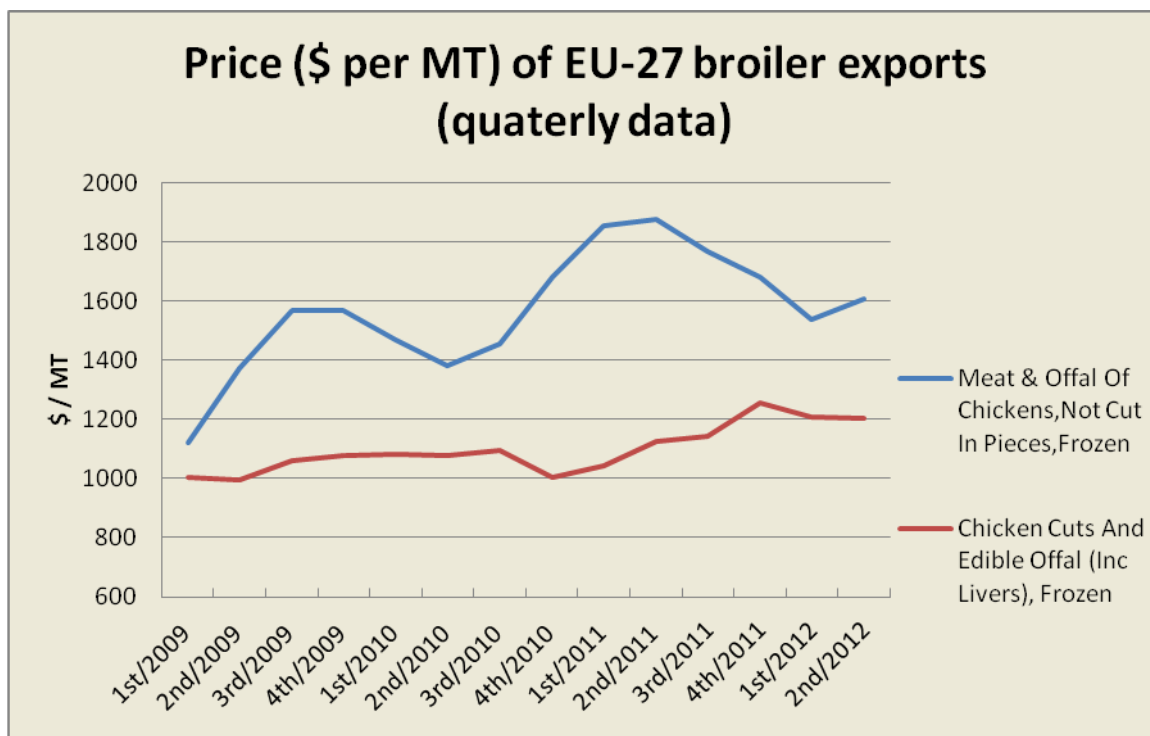
EU-27 broiler meat exports are expected to increase by 4.5 percent in 2012 and again by more than 3 percent in 2013. This increase is driven by booming exports of low-priced cuts and mechanically deboned meat to Western and Southern Africa, particularly South Africa and Ghana, and a resumption of the export growth to Russia, Ukraine, and Yemen. Those increases more than compensate lower exports to Saudi Arabia, Hong Kong, China and Vietnam. With expected exports close to 140,000 MT in CY 2012, South Africa is becoming the largest customer of EU-27 broiler meat, on par with Saudi Arabia. The EU-27 has not joined Brazil in its WTO challenge against South African poultry tariffs.

EU-27 exports of broiler meat to Russia are expected to resume their growth in 2012 after a decrease in 2011, mainly due to Russia halving its frozen broiler meat TRQ to 350,000 MT (330,000 MT in 2011). This is driven by Russian internal demand for poultry meat not being met by domestic production and market opening commitments under WTO rules, which Russia joined in 2012.

Exports to Saudi Arabia in 2012 are likely to be impacted by the demise of the French company Doux which accounted for about 70 - 75 per cent of EU broiler meat exports to the Kingdom. Since the company filed for bankruptcy in early June 2012, trade flows of frozen whole broilers have continued, but at a slightly lower rate than in previous years. If Doux's main French competitor Tilly Sabco takes over their export branch when the company is dismembered, some analysts question if the European Union would continue to subsidize whole broiler exports the subsidies would go to only one (French) company.

EU-27 exports (of frozen cuts) to Hong Kong and China are expected to remain stable or slightly decrease in 2012 and 2013. It's important to note that close to 50 percent of EU-27 total broiler meat exports to Hong Kong (and 10 percent of EU-27 broiler meat exports to China), which are made up of frozen broiler feet, were removed from FAS calculated trade data.

Competition from Brazil has pushed prices back. The economic situation in key import markets, such as the UAE and Saudi Arabia, may allow frozen whole bird exporters to pass on part of their increased production cost in the second half of 2012 to their customer again. But the gloomy economic situation and the competition from Thailand and Brazil in other EU-27 markets such as Western and Southern Africa is likely to prevent such hike for exports of broiler cuts and parts.



Source: World Trade Atlas

Policy:

EU negotiates additional TRQ for poultry with Brazil and Thailand

In recent years EU imports of processed poultry products with a poultry content below 57 percent under HS 16033230 have rapidly increased. In June 2009, the EU notified the WTO of its wish to increase tariffs and to start compensation negotiations with Brazil and Thailand on HS 16023230 and a range of other product lines under WTO article XXVIII. These negotiations with Brazil and Thailand resulted in an agreement under the form of an exchange of letters on the modification of concessions in March 2012. The resulting proposal [COM \(2012\) 105](#)^[1] was approved and published on April 23, 2012 as [Council Decision 2012/231/EU](#) [2] .

As a result of this agreement the EU bound rate of duty for items 1602 3230, 1602 3290 and 1602 39 will increase to 2,765 €/MT. In compensation the following quota were agreed. The agreement has not been ratified by EU-27 Member States

List of additional TRQ for EU-27 imports of broiler meat

Product code		Quota quantity/MT	Rate of Import duty
1602 3211	Total	16 140	€630/MT
	Brazil	15 800	
	Other	340	
1602 3230	Total	79 705	10.9%
	Brazil	62 905	
	Thailand	14 000	
	Other	2800	

1602 3290	Total	2 865	10.9%
	Brazil	295	
	Thailand	2 100	
	Other	470	
1602 3921	Thailand	10	€630/MT
1602 3929	Total	13 720	10.9%
	Thailand	13 500	
	Other	220	
1602 3940	Total	748	10.9%
	Thailand	600	
	Other	148	
1602 3980	Total	725	10.9%
	Thailand	600	
	Other	125	

^[1] <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2012:0105:FIN:EN:PDF>

^[2] <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:117:0001:0001:EN:PDF>

Production, Supply and Demand Data Statistics:

Poultry, Meat, Broiler EU-27	2011		2012		2013	
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Inventory (Reference)	0		0			
Slaughter (Reference)	0		0			
Beginning Stocks	0	0	0	0		0
Production	9,420	9,310	9,600	9,480		9,580
Total Imports	718	722	740	740		750
Total Supply	10,138	10,032	10,340	10,220		10,330
Total Exports	1,036	1,035	1,060	1,080		1,120
Human Consumption	9,102	8,997	9,280	9,140		9,210
Other Use, Losses	0		0			
Total Dom. Consumption	9,102	8,997	9,280	9,140		9,210
Total Use	10,138	10,032	10,340	10,220		10,330
Ending Stocks	0		0			
Total Distribution	10,138	10,032	10,340	10,220		10,330

MIL HEAD, 1000 MT, PERCENT, PEOPLE, KG

Commodities:

Poultry, Meat, Turkey

Production:

EU-27 turkey production is now expected to increase in 2012 and 2013, as declines in France are forecast to be outweighed by gains in Poland, Spain, and above all, the UK. The latter is fueled by an increased consumption demand due to aggressive promotions and advertizing campaigns. In France, turkey processors have shut down several slaughterhouses for profitability reasons.

Consumption:

After years of decline, EU-27 turkey meat consumption is expected to increase in 2012 and 2013. It benefited from the overall gloomy EU-27 economic situation and the decrease in red meat consumption and higher consumption in Spain and UK. For Spain, the consumption of fresh turkey steaks is increasing for its convenience and health credentials. In the UK, turkey breast steaks and mince showed significant consumption increases, boosted by retailers' promotions and allocating increased space to turkey. An advertising campaign, "Lean on Turkey," by the largest turkey meat producer focused on the healthy aspects of turkey meat consumption. It can be credited for some of the increase. Per-capita turkey meat consumption in Germany is expected to remain 50 percent higher than the European average of 4kg per inhabitant per year.

Trade:

Imports should remain stable under import quota control. French turkey exports to Western and Southern Africa are expected to remain stable as well as German and Dutch exports to Russia.

Production, Supply and Demand Data Statistics:

Poultry, Meat, Turkey EU-27	2011		2012		2013	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Inventory (Reference)	0		0			
Slaughter (Reference)	0		0			
Beginning Stocks	0	0	0	0		0
Production	1,940	1,950	1,910	2,020		2,030
Total Imports	90	82	90	81		80
Total Supply	2,030	2,032	2,000	2,101		2,110
Total Exports	150	147	150	150		150
Human Consumption	1,880	1,885	1,850	1,951		1,960
Other Use, Losses	0		0			
Total Dom. Consumption	1,880	1,885	1,850	1,951		1,960
Total Use	2,030	2,032	2,000	2,101		2,110
Ending Stocks	0		0			
Total Distribution	2,030	2,032	2,000	2,101		2,110
MIL HEAD, 1000 MT, PERCENT, PEOPLE, KG						

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<http://fasintranetapps-gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>

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