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Report Highlights:

EU broiler production in 2006 is decreasing as a consequence of the Avian Flu (AI) impact. Chicken imports are however increasing in 2006 as a consequence of the outcome of the WTO "salted poultry" case. Broiler exports in 2006 decrease because of decreased demand and a temporary ban on French exports as a result of an AI outbreak. Consumption is only slightly down overall, but regional differences are large between the South and the North of Europe. The forecast for 2007 is a partial recovery of chicken production, exports and consumption. Imports are forecast to further increase.

The EU turkey situation is similar, with decreased production, decreased exports and decreased consumption in 2006 because of AI. Imports are increasing too. The difference is that turkey markets are not expected to recover, but rather continue their long-time decline.

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[E3]

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Executive Summary

EU broiler production in 2006 is expected to decrease by 4 percent as a consequence of Avian Influenza (AI) outbreaks in the EU and the resulting consumer scare for poultry meat, mainly in the Mediterranean member states (MS). Despite this decrease in production, commercial stocks amounting some 300 thousand MT were built through April 2006. EU chicken imports are expected to increase in 2006, because imports at reduced tariff are allowed in again from Brazil and Thailand after June 27, 2006 as a consequence of the lost EU appeal in the WTO "salted poultry" case. Already cooked poultry imports from Thailand had been increasing after that country had converted to cooked products as a way to bypass the AI-related ban on fresh poultry exports to the EU. EU chicken exports are expected to decrease significantly during 2006, as a result of decreased demand in world markets because of the AI crisis and a glut of cheap poultry from Brazil and the U.S. EU exports over the first 4 months of 2006 were down 22 percent, mainly as a result of the partial and blank bans on chicken from France, after its AI outbreak in a commercial turkey flock in February 2006. Total EU consumption of chicken in 2006 is expected to decrease by 1.3 percent. However, this overall number disguises a wide spread of consumption decreases in time and geography in Europe. In Greece and Italy, temporary consumption decreases of 90 and 70 percent respectively were reported, while consumption in the United Kingdom and some of the New Member States (NMS) increased, benefiting from the strongly depressed prices.

Broiler production in 2007 is forecast to only partially recover, as some uncompetitive producers stopped chicken farming. Chicken imports are forecast to further increase. EU chicken exports are forecast to only partially recover too, because of increased competition from Brazil, Thailand and the U.S. EU domestic consumption is forecast to recover also, even if it is a widespread belief that it will take years to eradicate AI again in wild birds.

EU turkey markets follow mainly the same trend. They do worse actually, because turkey production and consumption had already been declining in past years, especially in France, which is the largest producer. EU turkey imports in 2006 and 2007 are expected to increase as a consequence of the outcome "salted poultry" case. However, turkey production, export and consumption are not forecast to recover, but rather continue their long-time slide.

Broilers

Country:	EU25					
Commodity:	Meat, Broiler (1000MT CWE)					
Year	2005		2006		2007	
	USDA Official [old]	Posts estimates [new]	USDA Official [old]	Posts estimates [new]	USDA Official [old]	Posts estimates [new]
Beginning Stocks	0	0	0	0	0	0
Production	7,625	7,736	7,540	7,425	0	7,530
Imports	485	522	450	600	0	645
TOTAL SUPPLY	8,110	8,258	7,990	8,025	0	8,175
Exports	740	755	720	620	0	685
TOTAL Dom. Consumption	7,370	7,503	7,270	7,405	0	7,490
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	8,110	8,258	7,990	8,025	0	8,175

2005

Final EU broiler production numbers were higher than previously estimated. Chicken imports also were higher than estimated, as a result of increasing imports of cooked poultry from Thailand in the second half of 2005. EU broiler exports remained steady until the end of the year. EU domestic chicken consumption in 2005 broke all records, despite reports of a starting AI scare in some of the EU Mediterranean countries.

2006

Avian Flu impacts production and exports

EU broiler production in 2006 is expected to decrease by 4 percent compared to 2005. Chicken production started to decrease in Greece and Italy, as AI outbreaks in Romania, Turkey, and subsequently Greece, were shying consumers in Greece and Italy away from poultry consumption. The discovery of the first European AI outbreak in a commercial turkey flock in France in late February 2006 marked the start for a more widespread chicken production cut, as this outbreak had a direct impact on French chicken exports. Hence, the largest cuts in chicken production are reported in France, Italy and Spain, while most of Northern Europe or the NMS are not or only marginally impacted by the AI scare. However, severely depressed poultry prices and market volatility has also forced producers in other EU countries to reduce chicken production, especially in those MS that are highly export oriented like The Netherlands, Germany and Denmark. EU chicken exports in the first quarter of 2006 decreased by 22 percent compared to the same period in 2005, mainly as a result of decreased demand in world markets, a glut of cheap poultry from Brazil and the U.S. and the bans on exports from of France. The end of the ban on French poultry exports, as well as some easing of the international AI impact on poultry consumption, are expected to allow EU chicken exports to partially recover over the rest of 2006. For more details on AI developments in the EU and its impacts see GAIN reports [E36055](http://www.fas.usda.gov/gainfiles/200605/146187337.pdf)¹ and [E36038](http://www.fas.usda.gov/gainfiles/200603/146187030.pdf)², as well as GAIN reports from FAS EU offices in the reports list at the end of this report). A map and lists of AI cases in wild and domestic birds can be downloaded from the EC [Animal Disease Notification System](http://ec.europa.eu/food/animal/diseases/adns/index_en.htm#)³ website. EC press releases concerning AI outbreaks in EU MS and EU

¹ <http://www.fas.usda.gov/gainfiles/200604/146187337.pdf>

² <http://www.fas.usda.gov/gainfiles/200603/146187030.pdf>

³ http://ec.europa.eu/food/animal/diseases/adns/index_en.htm#

measures are available at

http://ec.europa.eu/dgs/health_consumer/dyna/influenza/archives_press.cfm.

WTO case on salted poultry and its impact on EU markets

EU chicken imports are expected to increase by 15 percent or more, despite the AI situation in the EU. This is a consequence of the WTO appeal ruling against the EU in the "salted poultry" case by Brazil and Thailand⁴. Under this ruling Brazil and Thailand could restart poultry exports to the EU under reduced tariff lines after June 27, 2006. Reports are that this is already taking place and therefore, EU imports are expected to accelerate in the second half of 2006. Already, Thailand was increasing exports of cooked chicken to the EU, after it built the necessary infrastructure because of the export ban on fresh poultry exports that resulted from the AI situation in Thailand. EU domestic chicken consumption is expected to decrease, especially in the first half of 2006, as a result of the AI scare in the Southern part of the EU mainly. Reports of increased domestic consumption in Northern Europe, the United Kingdom and some of the NMS as a result of significantly depressed poultry prices have been recorded. These differences in poultry demand between EU regions resulted in significant imports into the UK from Italy and The Netherlands mainly.

2007 forecast

EU broiler production is forecast to partially recover in 2007; however, not quite to the pre-AI level. Without anticipating on any potential AI outbreaks in commercial flocks in 2007, the AI crisis in the EU in the spring of 2006 is resulting in a reorganization of the sector and probably consolidation with lower production capacity. Chicken imports are forecast to further increase as a consequence of the WTO case on reduced tariffs and increased cooking capacity in Thailand. EU chicken exports are forecast to partially recover too, as the consumption depressing impact of AI is fading away. Recovery of exports is expected to be partial only because of increased competition in these poultry markets from Brazil, Thai and U.S. chicken exports.

Chicken production (Top 5 member states) 1000MT

	2005	2006	2007
United Kingdom	1,281	1,250	1,280
Benelux	1,069	1,060	1,060
Spain	1,040	1,000	1,000
France	923	840	830
Italy	656	580	620

Chicken consumption (Top 5 member states) 1000MT

	2005	2006	2007
United Kingdom	1,557	1,580	1,600
Spain	1,074	1,021	1,020
Germany	766	785	805
France	765	745	755
Italy	620	650	650

⁴ http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds269_e.htm

Chicken exports (Top 5 member states) 1000MT

	2005	2005	2006
Benelux	204	190	190
France	235	170	180
Germany	86	85	90
United Kingdom	46	50	55
Denmark	41	40	50

Turkey

Country:	EU25					
Commodity:	Meat, Turkey (1000MT CWE)					
Year	2004		2005		2006	
	USDA Official [old]	Posts estimates [new]	USDA Official [old]	Posts estimates [new]	USDA Official [old]	Posts estimates [new]
Beginning Stocks	0	0	0	0	0	0
Production	1,945	1,917	1,865	1,810	0	1,790
Imports	100	103	80	110	0	115
TOTAL SUPPLY	2,045	2,020	1,945	1,920	0	1,905
Exports	185	188	170	150	0	150
TOTAL Dom. Consumption	1,860	1,832	1,775	1,770	0	1,755
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	2,045	2,020	1,945	1,920	0	1,905

2005

A review of 2005 turkey numbers for the EU revealed that EU turkey production decreased slightly more than previously estimated, especially in Germany and the United Kingdom. This was the result of decreased domestic consumption of turkey.

2006

The AI outbreaks in the EU are expected to decrease EU turkey production in 2006 by 5 percent, mainly in France, which is the largest producer. Turkey imports are expected to increase, as they will benefit from the WTO "salted poultry" outcome too. EU turkey exports are expected to suffer a 20 percent decrease as a result of the AI outbreak in France mainly. EU domestic consumption of turkey is also decreasing as a consequence of the consumer scare of AI in the Southern part of the EU mainly.

2007 forecast

Contrarily to broilers, EU turkey production is forecast to continue its decreasing trend in 2007. Turkey imports are forecast to increase marginally again. EU turkey exports are not forecast to recover lost markets in 2007. EU domestic consumption of turkey in 2007 is forecast to further decrease, as consumers prefer chicken to turkey meat.

Turkey production (Top 5 member states) 1000MT

	2005	2006	2007
France	536	490	465
Germany	391	370	375
Italy	300	280	280
Poland	200	200	200
United Kingdom	206	190	185

Turkey consumption (Top 5 member states) 1000MT

	2005	2006	2007
Germany	459	445	458
France	337	302	285
Italy	220	240	240
United Kingdom	194	190	185
Poland	174	165	165

Turkey exports (Top 5 member states) 1000MT

	2005	2006	2007
France	75	60	55
Germany	39	32	35
Benelux	20	22	22
United Kingdom	12	10	10
Italy	9	9	9

Policy

EU aid for European poultry producers to mitigate AI impact

On April 25, 2006, the European Agricultural Ministers approved a European Commission proposal for EC financial aid for the European poultry and egg sector (see GAIN Report [E36070](#)⁵). The measure, Council Regulation 679/2006, is intended to counter balance the negative market impact of the avian flu crisis in the EU. On July 3, 2006, the details of the market support measures were laid down in Commission Regulation 1010/2006 and published in the Official Journal of the European Commission (see also GAIN Report E36106 - EC market support measures in the poultry sector). The Regulation describes the maximum levels of compensation for destruction and depopulation. The Commission Regulation can be downloaded from the website:

<http://europa.eu.int/eur-lex/lex/JOIndex.do?ihmlang=en>, Official Journal L180.

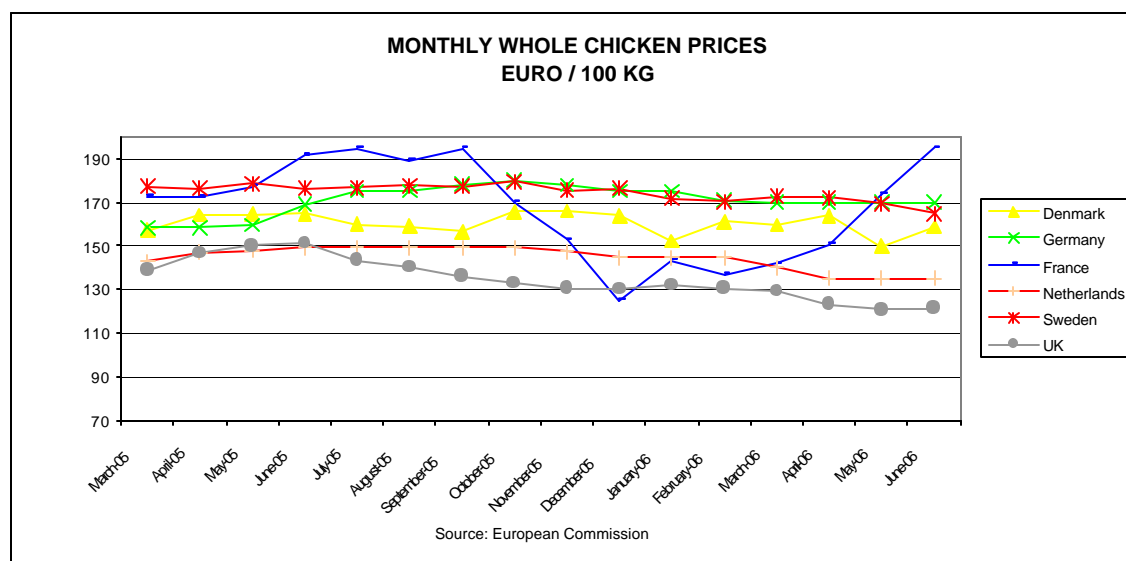
In most Member States, the support will be co-financed by the governments on a 50-50 percent basis, putting in half of the support. The EC reportedly calculated the maximum level of support at about Euro 75 million. The sector expects, however, that in practice only about half of this amount will be allocated. On July 12, 2006, the EC amended some details in Regulation 1010/2006. Within two weeks, these amendments are expected to be made public in the Official Journal of the EC.

⁵ <http://www.fas.usda.gov/gainfiles/200605/146187625.pdf>

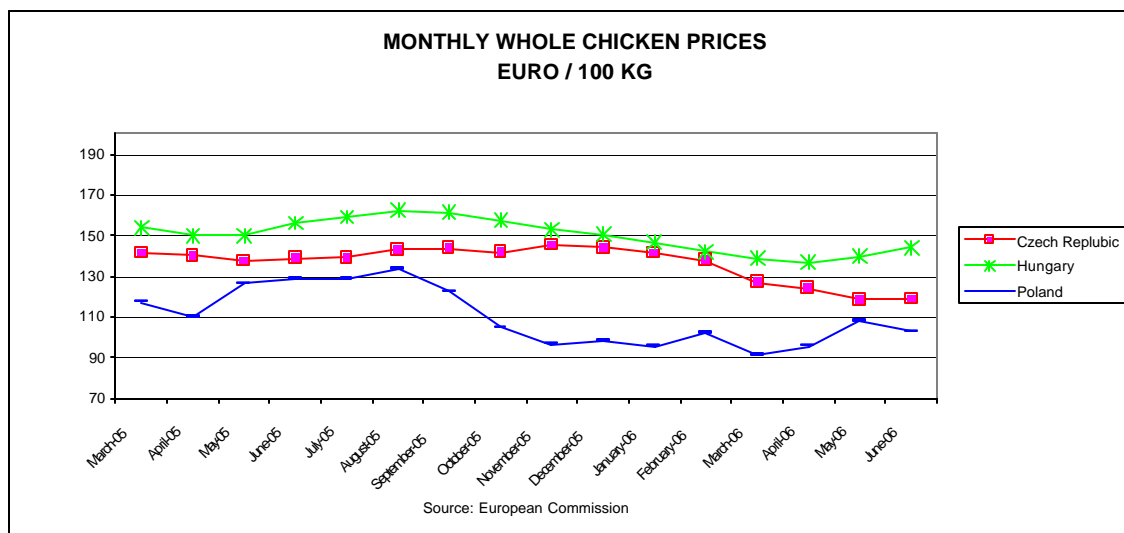
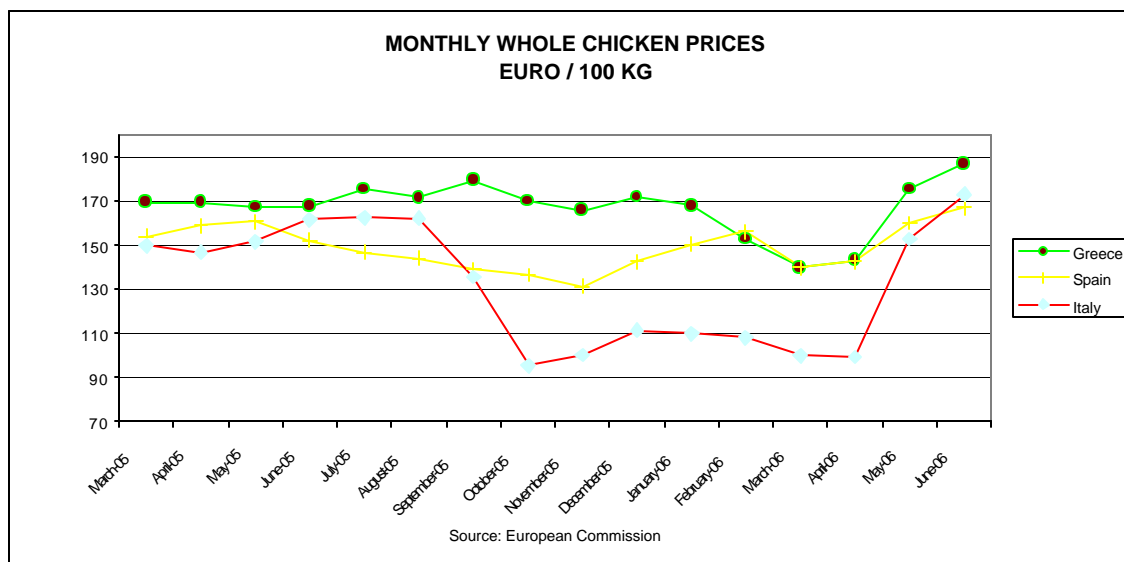
In December 2005 already, poultry producers in Italy and Greece were calling for veterinary emergency help. However, EC veterinary emergency subsidies are strictly reserved for directly disease infected farmers and neighboring producers that become victim of a disease stamping out effort. No EU aid is allocated for market support measures under this regulation. However, the only market management tool for poultry at the disposal of the EC is export refunds, which very rapidly proved to be ineffective because export markets in the Middle East and Asia had melted away because of AI too and poultry stocks started to build. When France joined the claims from Italy and Greece, after their AI outbreak in a turkey farm, the EC felt compelled to extend the veterinary emergency aid regulation to also compensate producers for scaling down poultry production in reaction to an AI outbreak⁶.

Some 14 Member States (Czech Republic, Germany, Greece, Spain, France, Ireland, Italy, Cyprus, Hungary, the Netherlands, Austria, Poland, Portugal, Slovakia) have applied for EU support for their poultry sector. The approved measures are for the destruction of hatching eggs; processing of hatching eggs; destruction of chicks; early slaughter of some of the breeding flock; extension of periods of temporary non-production beyond three weeks; voluntary reduction in output by reduced placing of chicks; and early slaughter of ready to lay pullets.

The volatility in EU poultry sectors of the different MS is well reflected in the monthly prices in different MS.



⁶ [E36070 EU financial aid within reach for EU poultry sector](#)



WTO case on "salted poultry" by Brazil and Thailand: outcome and consequences

The EC lost its appeal against the WTO ruling against the EU in the "salted poultry" case by Brazil and Thailand⁷. Under this ruling Brazil and Thailand could restart poultry exports to the EU under reduced tariff lines after June 27, 2006. It is commonly recognized that the EC appealed the ruling mainly to win time and work on a solution. The consequence of the lost appeal is that cheap imports of poultry can again squeeze uncompetitive EU producers out of the market. The main problem for the EC is that they don't have any adequate tools to manage the poultry market, especially if export refunds are being phased out as part of a WTO agreement in the Doha negotiations. Rumors are going that the EC is negotiating a poultry import TRQ of 300 thousand MT with Brazil and Thailand. That amount is the volume of poultry imports from Brazil and Thailand that entered the EU under the reduced tariff loophole in 2003. That is about half of current poultry imports and about 3 percent of total

⁷ http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds269_e.htm

EU poultry consumption. See also GAIN [E35185 - WTO Appellate Body rejects EU appeal in chicken cuts classification dispute](#)⁸

Consequences of the FVO report on control of veterinary medication in Brazil and FVO meat inspection audits in Brazil, Argentina and Paraguay

In its report by the EC Food and Veterinary Office (FVO) "Final report of a mission carried out in Brazil from 23 November to 1 December 2005 concerning the evaluation of the controls of residues and contaminants in live animals and animal products, including controls on veterinary medicinal products"⁹, the FVO expressed several concerns on the fact that veterinary products, including hormones like clenbuterol, are freely available on the market. As a result, widespread use without veterinary prescription can't be excluded. Also, the fact that farmers do not need to keep record of stocks and use of veterinary products, which is mandatory in the EU, makes any control on the proper use impossible. This could lead to increased EU requirements on sampling and testing of animals, which are slaughtered for export to the EU.

The FVO is also on a mission in July 2006 to Brazil, Argentina and Paraguay to audit the meat inspection systems of these countries¹⁰. In the report of the previous audit in February 2003, a number of deficiencies had highlighted especially with the failure of the Brazil animal identification system [SISBOV](#)¹¹ to guarantee traceability of exported products as required by EU law. Some deficiencies in the residue-testing program were also highlighted. Rumors are that Brazilian exporters are concerned about the lack of progress the Brazilian government has made in improving animal registration in the SISBOV system. Also, budgetary restraints are reported to constrain the proper functioning of Brazil testing laboratories. It is preliminary to speculate about the consequences of an eventual negative FVO audit report, but already, producers in EU member states are asking the EC to ban Brazilian meat imports^{12, 13}.

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Related reports from FAS EU

Report number	Title	Date
E36106	EC market support measures in the poultry sector	07/14/06
E36070	EU financial aid within reach for EU poultry sector	05/05/06
E36055	Avian Influenza: Impact on EU Poultry Trade and Prices	04/07/06
E36038	Avian Influenza: Impact of Outbreaks on European Poultry and Meat Markets	03/07/06
E36015	Poultry –Semi-annual	01/31/06
E35185	WTO Appellate Body rejects EU appeal in chicken cuts	09/16/05

⁸ <http://www.fas.usda.gov/gainfiles/200509/146130935.pdf>

⁹ http://ec.europa.eu/food/fvo/ir_search_en.cfm

¹⁰ http://ec.europa.eu/food/fvo/inspectprog/2006-year_fr.pdf

¹¹ <http://www.certificadora.com.br/english.php>

¹² [NL6019 - Dutch Product Boards ask EC to ban Brazilian meat imports](#)

(<http://www.fas.usda.gov/gainfiles/200607/146208159.pdf>)

¹³ http://www.cogeca.be/pdf/cdp_06_33_1e.pdf

	classification dispute	
UK6018	Preliminary confirmation of H7 avian influenza in UK	04/28/06
UK6015	Update on UK case of H5N1 in wild swan	04/14/06
UK6013	UK confirms first case of H5N1	04/07/06
UK6008	UK - Avian Influenza Update	03/07/06
DA6007	H5N1 Avian Influenza in Domestic Poultry	04/07/06
FR6017	French Response to Discovery of AI in a Commercial Farm	03/09/06
GM6015	AI confirmed in a Commercial Poultry Farm - Consumer Reaction Limited	04/12/06
GM6011	AI Update: AI Confirmed in Cats and Suspected in a Beech Marten	03/02/06
GM6008	AI update: 127 cases in wild birds none in domestic poultry	03/03/06
GM6007	AI among wild birds reaches German mainland	02/21/06
GM6005	AI Confirmed in Two Dead Swans in Northern Germany	02/16/06
NL6012	Dutch vaccination against AI started	03/17/06
AU6013	Free Range Ban Extended	05/01/06
AU6007	Avian Flu Update	03/10/06
AU6006	H5N1 Found in Three Cats in the Southern Region of Styria	03/07/06
AU6005	Austria Confirms 1st Case of Avian Influenza in Dead Swans	02/17/06
IT3011	Italy and EU Commission Discuss Poultry Sector Compensation for Avian Influenza	02/23/06
IT6010	Avian Influenza Update - Italian Demand for Poultry Drops and Industry Seek	02/21/06
IT6008	H5N1 AI Found in Migrating Swans in Italy	02/14/06
PL6037	Poland Lifts all AI Related Restrictions	06/12/06
PL6023	Current Status of AI Outbreaks in Poland	04/26/06
PL6010	First Case of H5N1 Strain of Avian Influenza in Poland	03/06/06
HU6007	GOH Confirms 1st Case of Avian Influenza in Commercial Poultry	06/12/06
EZ6006	Czech Republic Confirms Seventh Case of H5 Avian Influenza	04/07/06
EZ6004	Czech Republic Confirms 3rd Case of H5 Avian Influenza	04/06/06
EZ6003	Czech Republic Confirms 2nd Case of H5 Avian Influenza in a Dead Swan	03/30/06
EZ6002	Czech Republic confirms 1st case of H5 avian influenza in a dead swan	03/27/06
LO6002	Slovakia Announces Two Cases of Avian Influenza in Dead Birds	02/24/06
SI6001	Slovenia Confirms 1st Case of H5 Avian Influenza in Dead Swans	02/15/06
SW6009	Avian Influenza Update	04/04/06
SW6006	First Case of Highly Pathogenic Avian Influenza in Sweden	03/01/06
GR6001	Update on Avian Influenza	02/27/06

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