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## **EU-27**

### **Poultry and Products Semi-annual**

#### **EU-27 Poultry Sector Growth Slowing in 2011**

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**Report Highlights:**

After a significant surge in 2010 fueled by extremely strong export demand in Russia and Hong Kong, EU-27 broiler production is expected to grow moderately in 2011 as new import regulations in Russia are likely to hit exports. EU-27 chicken meat imports decreased in 2010 due to lower imports from Brazil and no rebound is expected for 2011. Poultry meat, which is the cheapest source of protein, was less affected by the European economic recession than other meats; but consumption growth (around one percent) is less than the demographic one - showing a probable slight decrease in per capita consumption. EU-27 poultry producers were generally able to pass most of the feed grain cost increase to their customers, either domestically or abroad.

**Author Defined:**

**DISCLAIMER**

The PS&D numbers as reported are not official USDA numbers, but rather represent PS&D's contributed by FAS EU-27 offices merged into a consolidated EU-27 PS&D.

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**Executive Summary:**

After a significant surge in 2010 (almost 4 percent) fueled by extremely strong export demand and lower imports, EU-27 broiler production is expected to grow moderately in 2011 by 1 percent as new import regulations in Russia are likely to hit EU exports. The German dioxin scandal of January 2011 is expected to have no impact on German broiler production, and no impact on the EU-27 production level. The hike in global grain prices since the summer of 2010 impacted directly on broiler production costs but it appears that producers were able to pass most of the increase to their customer, either domestically or abroad.

EU-27 broiler exports were buoyant in 2010, fueled by a strong demand in Russia where they partly replaced U.S. exports of broiler meat due to the PRT dispute. Exports of EU-27 broiler meat to Hong Kong doubled, with the likeness of a significant share going to mainland China. EU-27 exports of chicken meat to the Middle East and Sub-Saharan Africa also increased sharply in 2010, benefiting from the weakness of the Euro versus other currencies (especially the Brazilian Real).

EU-27 broiler exports are expected to decrease in 2011 as Russia lowered its poultry TRQ and removed its country-specific allocations, allowing all poultry exporters to compete for the TRQ. On the other hand, EU-27 broiler exports to Hong Kong are expected to remain buoyant, fueled by the demand in China.

EU-27 chicken meat imports decreased in 2010; lower Brazilian meat exports to the EU-27 not being compensated by higher Thai exports. The decrease in Brazilian exports is attributed to a combination of the strong Real versus the Euro, incorrect Brazilian use of the new EU-27 licensing system and the fact that because of the EU definition, frozen chicken meat cannot be sold as fresh after defrosting. No rebound of EU-27 broiler imports is expected for 2011.

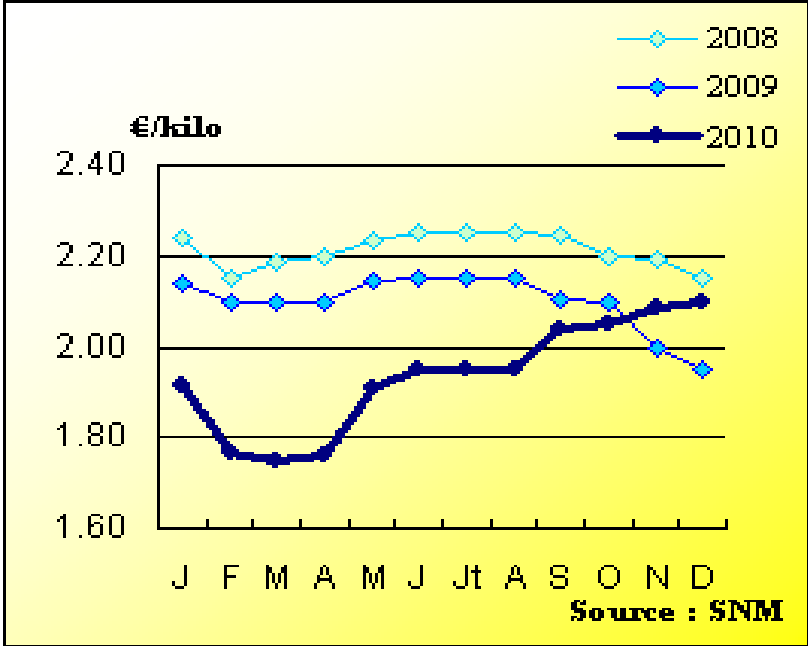
While global meat consumption in the EU-27 has been negatively impacted by the economic recession, poultry meat, which is the cheapest source of protein, was less affected. However, its consumption growth (around one percent) is less than the demographic one, showing that, per capita, consumption is probably slightly decreasing. Sales of cheaper cuts also increased to the detriment of more expensive parts. This trend is forecast to continue in 2011.

**Production:**

After a significant surge in 2010 (almost 4 percent) fuelled by extremely strong export demand and lower imports, EU-27 broiler production is expected to grow moderately in 2011 by 1 percent as new import restrictions in Russia (see trade section) are likely to hamper EU exports, thus limiting the production growth to slowly increasing domestic demand. Production is expected to increase in all major EU-27 broiler production countries such as Germany, the UK, Benelux, Spain, France and Poland. However, in all those countries, the growth is likely to be lower than in 2010. The German dioxin scandal of January 2011 is expected to have only minimal impact on the German broiler production which is also foreseen to increase. According to meat analysts, the scandal mostly affected egg consumption and pork prices.

The hike in global grain prices since the summer of 2010 impacted directly on broiler production costs but it appears that producers were able to pass most of the increase to their customers. The following graph shows that while wholesale broiler prices were low in the first half of 2010, they increased to their 2008 level (at a time when grain prices were also high) in the second half. Preliminary data show that prices continued to grow, albeit at a slower rate, in the first months of 2011.

**Figure 1 : Price of ready-to-cook chicken at Rungis wholesale market**



(source itavi.asso.fr using SNM data)

Broiler Production (Top 5 EU-27 Member States) 1000MT			
	2009	2010	2011
United Kingdom	1221	1323	1325
Benelux	1152	1190	1210
Spain	1112	1143	1176
France	935	963	980
Poland	815	880	920

**Consumption:**

While global meat consumption in the EU-27 has been negatively impacted by the economic recession, poultry meat, which is the cheapest source of protein, was less affected. However, its consumption growth (around one percent) is less than the demographic one, showing that, per capita, consumption is probably slightly decreasing. Several market analyses showed that while the average consumer switched from beef or pork meat to poultry meat, the lower income consumers simply reduced their protein purchases. Sales of cheaper cuts also increased to the detriment of more expensive parts. The poultry price increase noticed in the second half of 2010 (and expected to continue for the beginning of 2011) will only reinforce these trends in 2011.

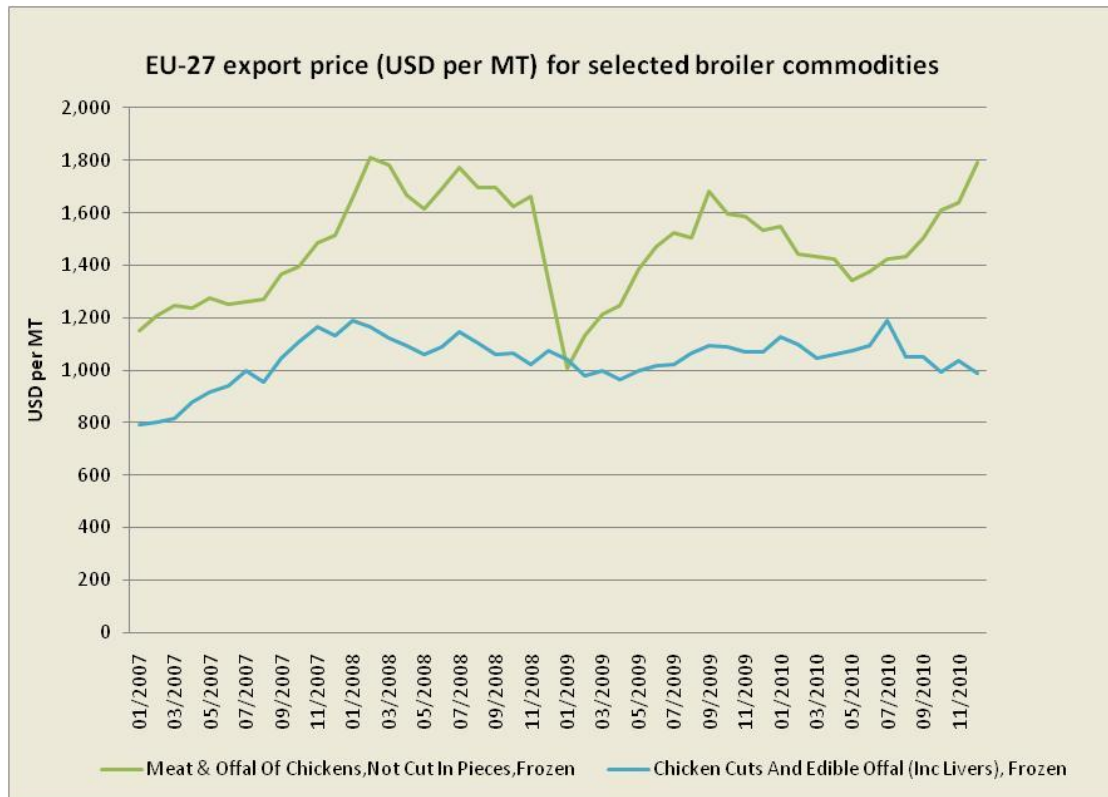
Broiler Consumption (Top 5 EU-27 Member States) 1000MT
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	2009	2010	2011
United Kingdom	1502	1645	1675
Spain	1124	1130	1135
France	912	939	970
Germany	897	910	915
Italy	709	714	717

**Trade:**

EU-27 broiler exports were buoyant in 2010, fueled by a strong demand in Russia where they partly replaced U.S. exports of broiler meat, which have been banned for several months, due to the trade dispute on the Pathogen Reduction Treatments (PRT) issue. Exports of EU-27 broiler meat to Hong Kong doubled. Presumably, a significant share of those exports might, in fact, be re-exported from Hong-Kong to mainland China. EU-27 exports of whole chicken to the Middle East (namely Saudi Arabia) and chicken parts to Sub-Saharan Africa also increased sharply in 2010, benefiting from the weakness of the Euro versus other currencies (especially the Brazilian Real) throughout 2010.

EU-27 exporters were able to pass most of their production cost increase to their customers. This is especially true for exports of whole chickens, while prices for parts remained stable. This can be attributed to the fact that most of the parts exported are low priced cuts from broiler carcasses, the most noble parts (filets) being sold on the EU-27 domestic market at a premium price.



(Source World Trade Atlas)

EU-27 broiler exports are expected to decrease in 2011, as Russia lowered its poultry TRQ to 350,000 MT and excluded whole birds from it. Russia also removed its country-specific allocations, allowing all poultry exporters (including the U.S.) to compete for the TRQ. On the other hand EU-27 broiler exports to Hong Kong are expected to remain buoyant, fueled by the demand in China.

Broiler Extra EU-27 Exports (Top 5 EU-27 Member States) 1000MT			
	2009	2010	2011
France	250	275	285
Benelux	211	240	250
Germany	92	90	90
Poland	45	60	40
Spain	31	45	56

EU-27 chicken meat imports decreased 6 percent in 2010 as Brazilian meat exports to the EU-27 fell 11 percent and were not compensated by higher Thai exports. The decrease in Brazilian exports is attributed to a combination of the strong Real versus the Euro, incorrect Brazilian use of the new EU-27 licensing system and the fact that because by EU definition, frozen chicken meat cannot be sold as fresh after defrosting. Brazil is also claiming not to be able to fill the 170,000 MT quota for salted product. No rebound of EU-27 broiler imports is expected for 2011.

Broiler Extra EU-27 Imports (Top 5 EU-27 Member States) 1000MT			
	2009	2010	2011
Benelux	300	300	300
United Kingdom	190	205	220
Germany	78	60	60
Spain	32	29	27
France	20	18	20

### Production, Supply and Demand Data Statistics:

Production, supply and demand for broiler meat for EU-27

Poultry, Meat, Broiler EU-27	2009		2010		2011	
	Market Year Begin: Oct 2008		Market Year Begin: Oct 2009		Market Year Begin: Oct 2010	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Inventory (Reference)	0		0		0	
Slaughter (Reference)	0		0		0	
Beginning Stocks	0	0	0	0	0	0
<b>Production</b>	8,756	8,758	8,920	9,095	9,000	9,185
Whole, Imports	0		0		0	
Parts, Imports	719	720	680	676	710	675
Intra-EU Imports	0		0		0	
Other Imports	0		0		0	
<b>Total Imports</b>	719	720	680	676	710	675
<b>Total Supply</b>	9,475	9,478	9,600	9,771	9,710	9,860
Whole, Exports	0		0		0	
Parts, Exports	783	778	840	992	840	940
Intra EU Exports	0		0		0	
Other Exports	0		0		0	

<b>Total Exports</b>	783	778	840	992	840	940
<b>Human Consumption</b>	8,692	8,700	8,760	8,779	8,870	8,920
<b>Other Use, Losses</b>	0		0		0	
<b>Total Dom. Consumption</b>	8,692	8,700	8,760	8,779	8,870	8,920
<b>Total Use</b>	9,475	9,478	9,600	9,771	9,710	9,860
<b>Ending Stocks</b>	0		0		0	
<b>Total Distribution</b>	9,475	9,478	9,600	9,771	9,710	9,860
MIL HEAD, 1000 MT						