

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## EU-28

### Poultry and Products Annual

#### EU-28 Broiler Production to Grow in 2017 and 2018

**Approved By:**

Kate Snipes

**Prepared By:**

Xavier Audran

**Report Highlights:**

The EU-28 broiler sector is expected to grow in 2017 and 2018, driven by a slow but steady increase in domestic demand. Brazil and Thailand will remain the largest suppliers of broiler meat to the EU-28. Ukraine is the third-largest supplier, benefitting from its 2014 EU-28 free trade agreement. EU-28 broiler meat exports are expected to decrease in 2017 due to HPAI related embargoes in several export destinations, notably South Africa. Exports are expected to resume growth in 2018 driven by a large increase in exports of low-priced cuts, bone-in cuts and mechanically deboned meat (MDM) to Sub-Saharan Africa and parts of Asia.

## Executive Summary:

**The EU-28 broiler sector is expected to continue to grow in 2017 and 2018** due to slowly increasing domestic demand. The economic downturn in Europe has not negatively impacted sales because broiler meat is less expensive than other types of meat. Overall EU-28 2017 production varies in different regions, but **broiler meat production is expected to increase from 2016 in most major EU producing countries**. Poland has particularly strong growth and it is now the leading EU-28 broiler meat producing country. HPAI cases had no impact on EU-28 broiler production. The significant decline in grain and protein prices since 2014 boosted broiler meat competitiveness and increased operating margins even as retail prices decreased. This trend is expected to continue in 2017 and 2018.

**The EU-28 broiler imports are expected to decrease in 2017 and 2018.** Brazil and Thailand remain the largest suppliers of broiler meat to the EU-28, but Brazilian exports are expected to decline due to sanitary concerns about tainted products and improper sanitary oversight in Brazil. Ukrainian broiler meat exports to the EU-28 surged following completion of the Deep Comprehensive Free Trade Agreement (DCFTA) between the EU-28 and Ukraine in 2014 that provides a TRQ for broiler meat. Ukraine's exports are expected to reach 64,000 MT in 2017 including 20,000 MT of fresh broiler carcasses for further processing in the EU-28.

**EU-28 broiler meat exports are expected to decrease slightly in 2017 due to HPAI related embargoes in several EU-28 export destinations, notably South Africa,** and the stagnant demand in Saudi Arabia. On the other hand, exports of low-priced cuts, bone-in cuts and mechanically deboned meat (MDM) to Sub-Sahara Africa and Asia are booming driven by lower production costs due to lower world grain and protein prices that will increase EU-28 broiler price competitiveness. EU-28 exports of frozen cuts to Hong Kong are also expected to increase in 2017, because of increasing consumption. **The growth of exports is expected to resume in 2018 once HPAI related embargoes are lifted.**

While all sources show that total meat consumption in the EU-28 has been negatively impacted by the economic downturn in Europe, poultry meat as the cheapest source of protein was generally unaffected. Its consumption per capita is stable or slightly increasing. In the EU-28, sales of cheaper broiler cuts increased faster than sales of more expensive parts, such as breasts or whole birds.

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This report is the result of active collaboration with the following EU FAS colleagues in the following member states:

Xavier Audran from FAS Paris covering France  
Ornella Bettini from FAS Rome covering Italy  
Mila Boshnakova from FAS Sofia covering Bulgaria

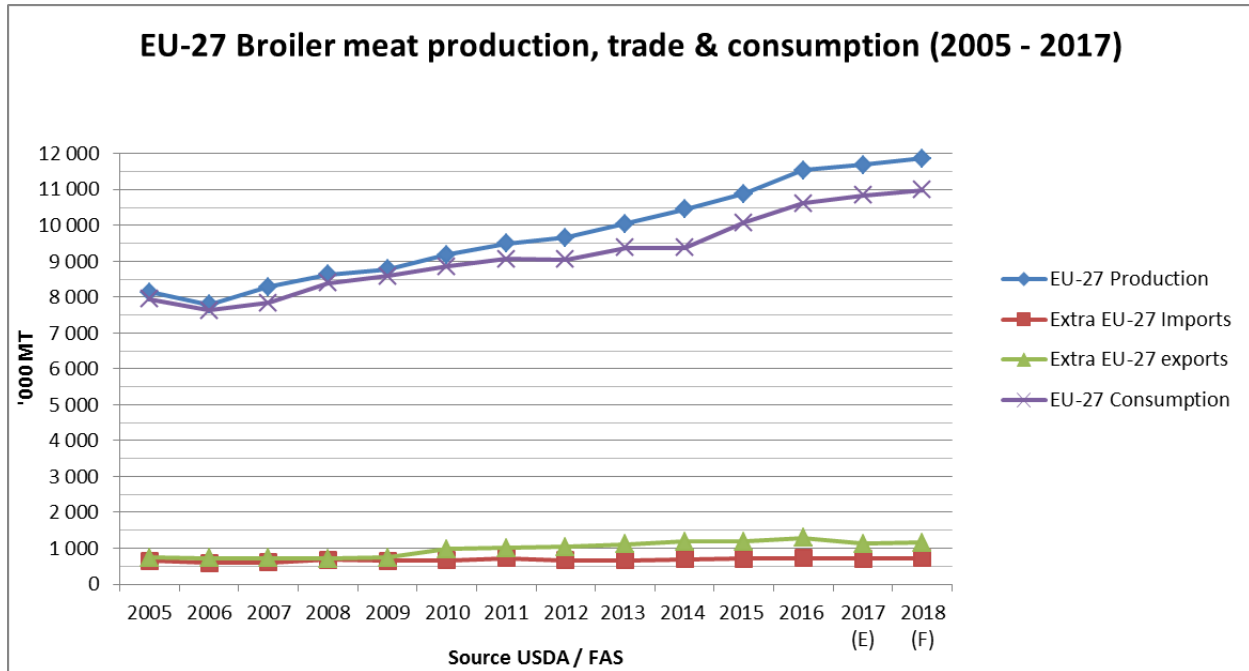
Monica Dobrescu from FAS Bucharest covering Romania  
 Dimosthenis Faniadis from FAS Rome covering Greece  
 Bob Flach from FAS The Hague covering the Netherlands and Nordic countries  
 Gellert Golya from FAS Budapest covering Hungary and Slovenia  
 Steve Knight from FAS London covering the United Kingdom and Ireland  
 Roswitha Krautgartner from FAS Vienna covering Austria  
 Jana Mikulasova from FAS Prague covering the Czech Republic and Slovak Republic  
 Andreja Misir from FAS Zagreb covering Croatia  
 Yvan Polet from FAS Brussels covering EU Policies, Belgium and Luxembourg  
 Leif Rehder from FAS Berlin covering Germany  
 Piotr Rucinski from FAS Warsaw covering Poland, Estonia, Latvia and Lithuania  
 Carmen Valverde from FAS Madrid covering Portugal and Spain

and input from Alexander Tarasseych from FAS-Kiev, Ukraine

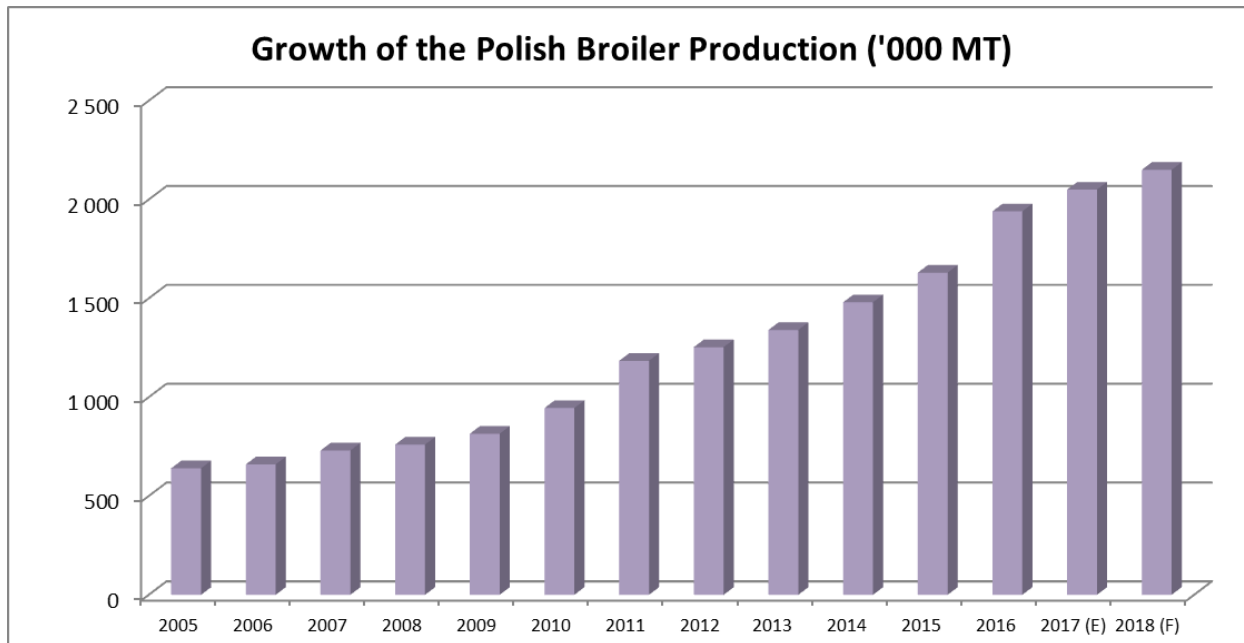
**Commodities:**

Poultry, Meat, Broiler

**Production:**



Production figures for 2016 have been revised upward due to new, more accurate production data from Poland. Specifically, the new data that was released show that the increase in small to medium-sized production facilities in Poland had been underestimated. The growth in Polish broiler production is mainly export driven.



(source: FAS Warsaw)

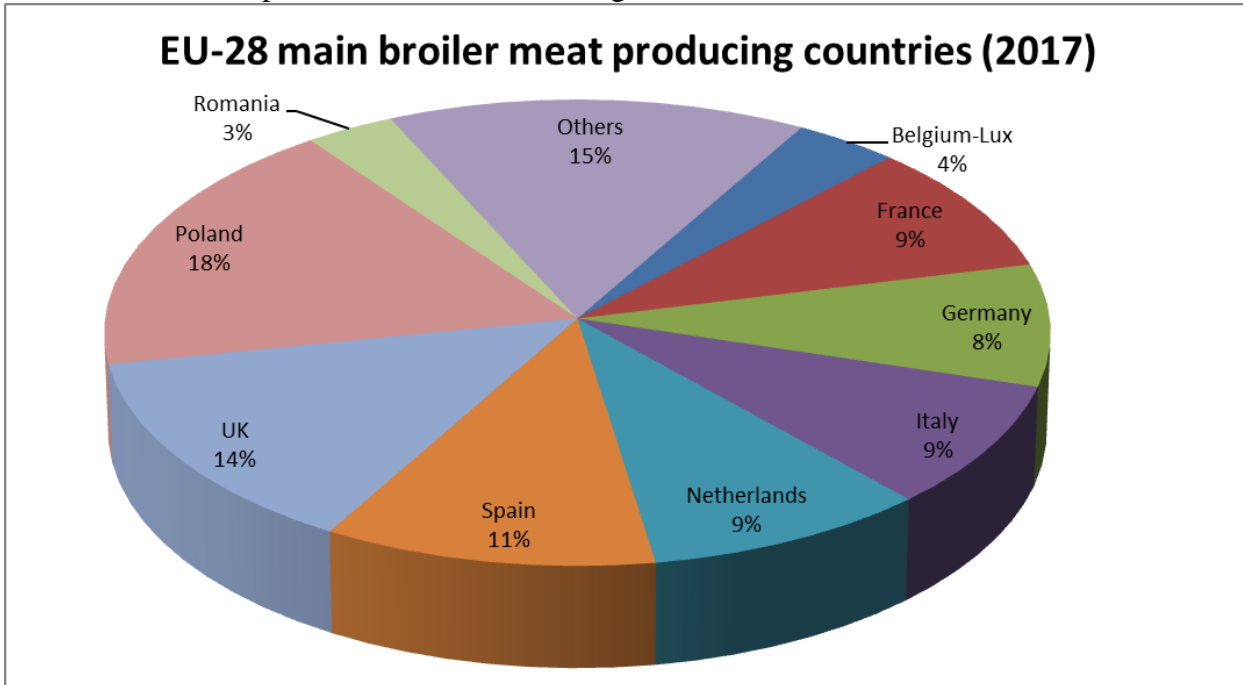
The EU-28 broiler sector is expected to continue to grow in 2017 and 2018, benefiting from growing domestic and export demand. This growth varies by location and Poland is projected to have the largest increase. Poland is now the largest EU-28 broiler producer with close to 20 percent of all EU-28 broiler production. Various HPAI cases in several EU Members States beginning fall 2016 did not significantly impact broiler production in the countries affected, with the exception of Hungary, where production is expected to decline by six percent in 2017. Production of other poultry products such as turkeys, ducks and geese were much more affected by the HPAI outbreaks.

The development of free-range broiler production in several EU-28 MS that is driven by consumers' demand for free range and/or organic broiler meat, is concerning for veterinary authorities because this method of production is more vulnerable to HPAI epidemics. In France, the Ministry of Agriculture granted a temporary derogation for broilers and other poultry to still benefit from the free-range Red Label (Label Rouge) despite the mandate that birds be raised indoors until the spring of 2017.

France's broiler production has stalled because of sluggish exports; the limited growth in production is now driven exclusively by domestic consumption. In Germany, production growth has stopped because welfare and environmental issues hamper the establishment of new poultry farms and the enlargement of existing ones. In Spain, broiler production grew in the past years but will likely stabilize in 2017 and 2018 because the decline in prices paid to farmers (despite decreasing feed costs) have lowered producers' margins and led to the closure of uncompetitive poultry farms. In addition, some producers are switching production to other poultry products such as turkey or duck. However, production is expected to grow in Belgium, Italy, Netherlands, Romania, and UK. The Fipronil scandal in the Netherlands in the summer of 2017 had no impact on broiler production.

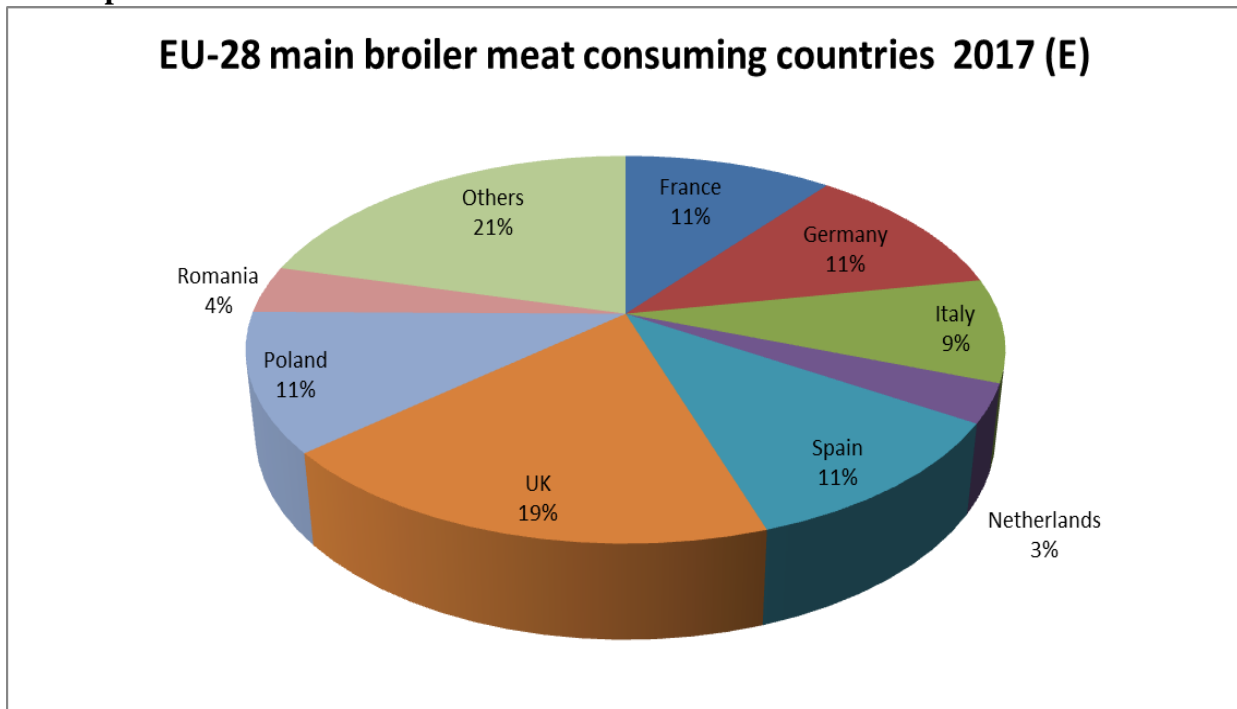
EU-28 broiler production is predicted to grow slightly in 2018 because of the predicted limited economic recovery that favors cheap protein sources for domestic consumption and because of exports.

However, the short two-month production cycle of the broiler industry makes it very reactive to outside events, both on the upside and downside, making accurate forecasts difficult.



(Source FAS Posts)

### Consumption:



(Source FAS Posts)

While sources show that total meat consumption in the EU-28 has been negatively impacted by the economic downturn, broiler meat as a less-expensive alternative protein benefited from the sluggish economy. However, consumption growth is slightly less than demographic growth, which means that per capita consumption is fairly stable. Several market analyses showed that while EU-28 consumers generally switched from beef or pork meat to broiler meat, low-income consumers reduced their protein purchases, switching to carbohydrate-based products such as bread and pasta. The exception is in Spain, where pork meat is still preferred over broiler meat.

In the EU-28, sales of cheaper cuts (legs and wings) also increased faster than sales of more expensive parts, such as breasts or whole birds. This trend is expected to extend into 2017 and 2018 in the absence of a robust economic recovery.

In several EU-28 countries, such as Germany, France and Poland, consumers are switching to broiler meat because they believe it is a healthier, leaner meat and because it is more convenient to prepare. It is also considered easier to prepare for catering and restaurant use than other meats. The consumption of organic, GMO-Free and free-range broilers is also on the increase in most EU-28 countries and especially in Austria, Germany and the Netherlands.

#### Trade:

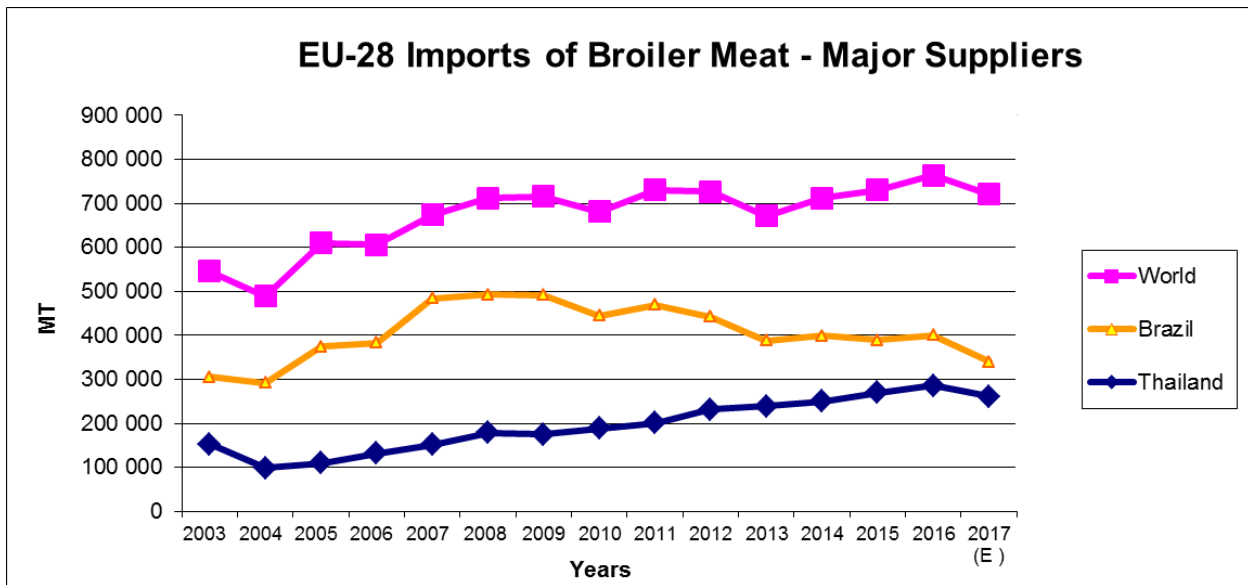
**The EU-28 broiler trade surplus is expected to decrease in 2017** in light of slightly decreasing exports mainly due to AI related bans in several importers of EU-28 broiler meat.

Exports are anticipated to renew their growth in 2018.

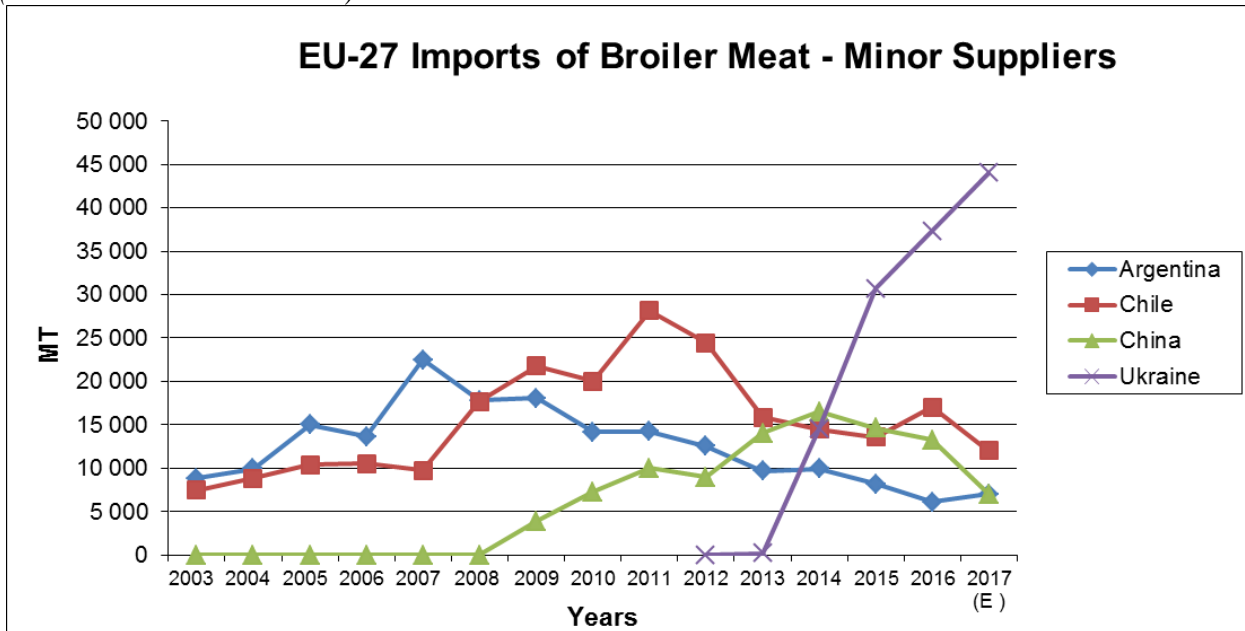
#### EU-28 Imports

'000 MT	Quota years (July-June)	2011 / 2012	2012 / 2013	2013/2014	2014 / 2015	2015/2016	2016/2017	Quota reg. (EC) No 616/2007 (July- June MY)
020712	Frozen whole	12	10	11	11	15	13	
020714	Frozen cuts	137	144	117	121	127	99	-
16023219	Preparation s of chicken meat	360	326	324	304	327	343	251
02109939	Salted, or in brine	205	240	218	268	278	249	264
<b>Total</b>		<b>724</b>	<b>723</b>	<b>672</b>	<b>709</b>	<b>757</b>	<b>730</b>	-

(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-28, followed by a newcomer, Ukraine, then Chile, and Argentina. After a surge since 2009, imports from China are declining. Brazil broiler meat exports to EU-28 are expected to decline in 2017 due to sanitary concerns about tainted products and improper sanitary oversight in Brazil.

On July 1, 2012, the EU-28 reopened its market to fresh broiler meat from Thailand that had been closed since 2004 due to avian influenza outbreaks. This led to a significant and steady increase of exports of Thai salted and frozen broiler cuts and parts to the EU-28 to the detriment of Brazilian exports. Analysts report that importers prefer Thai over Brazilian broilers because it is generally considered a higher quality product by EU importers and processors.

Ukraine has become the third largest supplier of broiler meat to the EU-28 because of the Deep and Comprehensive Free Trade Agreement (DCFTA) implemented by Ukraine and the EU-28 in 2014. The agreement sets up Tariff Rate Quotas (TRQs) for chicken parts and whole birds for imports by both parties.

**Import Ukraine’s and EU’s TRQs for Poultry and Poultry Products**

Product	HS Code	EU-28 Imports from Ukraine	Ukraine imports from EU-28
		MT in CWE	MT in CWE
Poultry: Whole Birds and Poultry Cuts	0207.11.(30-90)	MT/year	MT/year
	0207.12.(10-90)		
	0207.13.(10-20-30-50-60-99)	2014=16,000 1/	2014=8,000 2/
	0207.14.(10-20-30-50-60-99)	2015=16,800 1/	2015=8,400 2/
	0207.24.(10-90)	2016=17,600	2016=8,800
	0207.25.(10-90)	2017=18,400	2017=9,200
	0207.26.(10-20-30-50-60-70-80-99)	2018=19,200	2018=9,600
		2019=20,000	2019=10,000
	0207.27.(10-20-30-50-60-70-80-99)		
	0207.32.(15-19-51-59-90)		
	0207.33.(11-19-59-90)		
	0207.35.(11-15-21-23-25-31-41-51-53-61-63-71-79-99)		
	0207.36.(11-15-21-23-31-41-51-53- 61-63-79-90)		
	0210.99.(39)		
1602.31.(11-19-30-90)			
1602.32.(11-19-30-90)			
1602.39.(21)			
Poultry: Whole Birds	0207.12.(10-90)	MT/year until 2019	MT/year until 2019
		Annual=20,000 1/	Annual=10,000 3/

Source: [Annex I-A](#) to Title IV of the Association Agreement.

Note: TRQs are administered on a first-come, first-served basis.

1/ Unilaterally implemented by the EU-28.



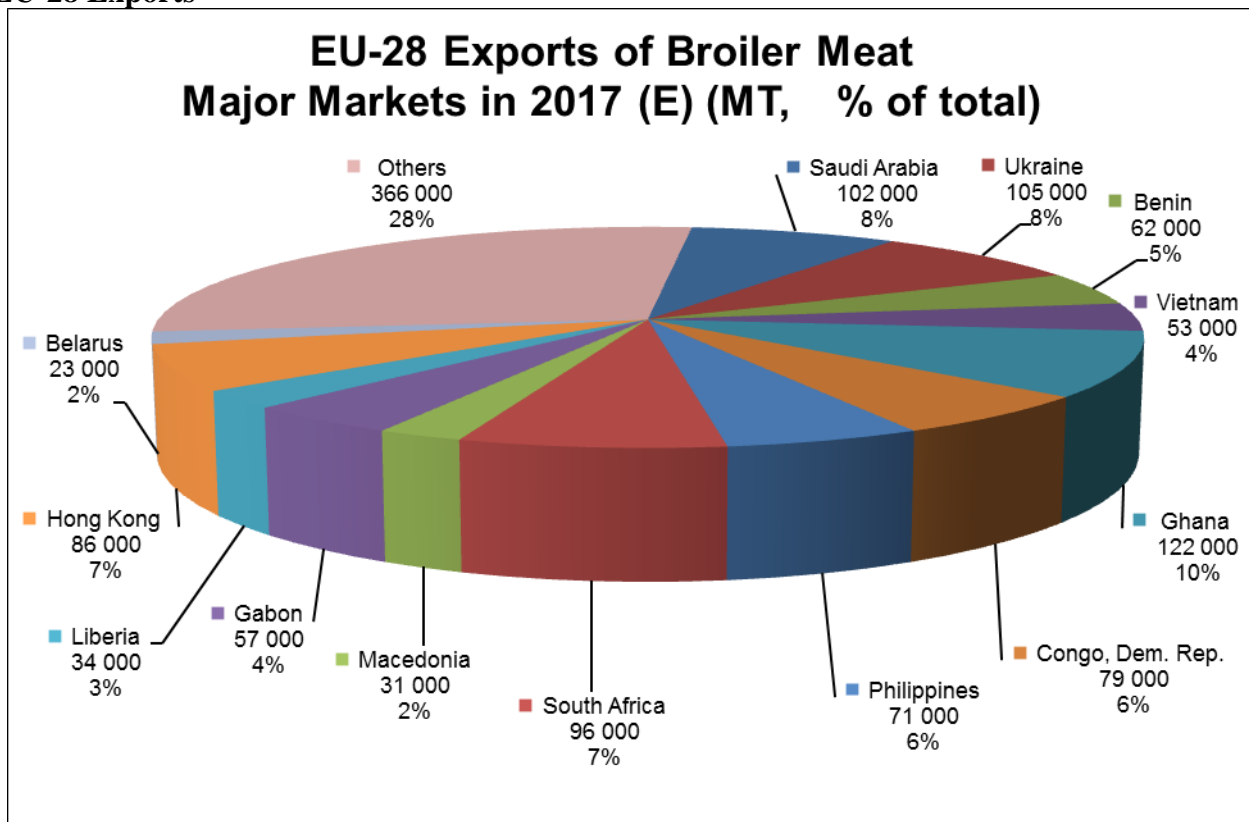
2/ Not implemented by Ukraine, to be opened by 01/01/2016.

3/ Not implemented by Ukraine in 2014 and 2015, to be opened by 01/01/2016

It is projected that up to 44,000 MT of broiler cuts will be imported from Ukraine into the EU-28, which is above the TRQ, in CY 2017. Ukrainian meat is very price competitive because of low feed and labor costs and currency devaluation. AI cases did not impact Ukrainian exports as EU quickly granted a regionalization status. Ukrainian meat is primarily imported by Dutch and German broiler meat processors who use it as raw material for added value-products such as sausage and deli meat. Ukrainian exporters who ship chilled broiler carcasses for further processing in the EU-28 are using more and more of the 20,000 MT quota for whole birds. In addition to a facility in the Netherlands, Ukrainians recently bought a facility in Slovakia where they can truck chilled birds from Ukraine within one day of slaughtering. Industry analysts predict that Ukrainians will purchase additional facilities in Germany to do the same.

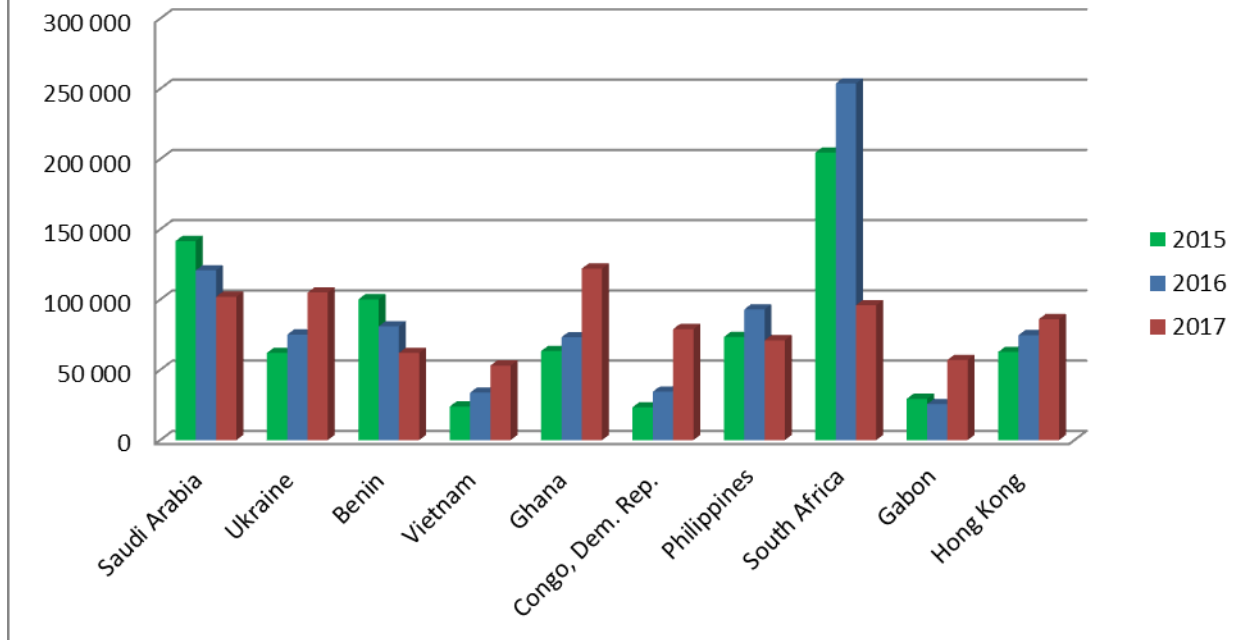
The United States, which exported as much as 92,000 MT of broiler meat in 2005 to Romania and Bulgaria, is no longer a supplier to the EU-28 because the EU doesn't accept Pathogen Reduction Treatments (PRTs) that are used by U.S. poultry processors.

### EU-28 Exports



(Source World Trade Atlas, FAS Posts estimates)

## Changes in main EU-28 Broiler Exports : 2015 - 2017(E) (MT)



*(Source World Trade Atlas, FAS Posts estimates)*

EU-28 broiler meat exports are expected to decrease in 2017 because of HPAI-related sanitary embargoes implemented by several countries, notably South Africa, Malaysia and the Philippines. However, the growing appetite worldwide for EU-28 sourced broiler meat parts, especially in Sub-Saharan Africa, Asia and Ukraine will limit the impact of the embargos.

While initially the Saudi market seemed to be more resilient to the end of the EU-28 export subsidies and more capable of absorbing higher prices, this pattern has not continued. Recent trade data show that Saudi imports of EU-28 broiler meat are plummeting, dramatically impacting French broiler exports which benefitted from the less price-sensitive market. The decrease seems to be linked to lower oil prices since 2015, decreasing Saudi poultry demand. In addition, Ukrainian exports are displacing EU-28 broiler meat exports to Saudi Arabia. The political situation and civil war in Yemen brought an end to EU-28 (mainly French) broiler exports to this country.

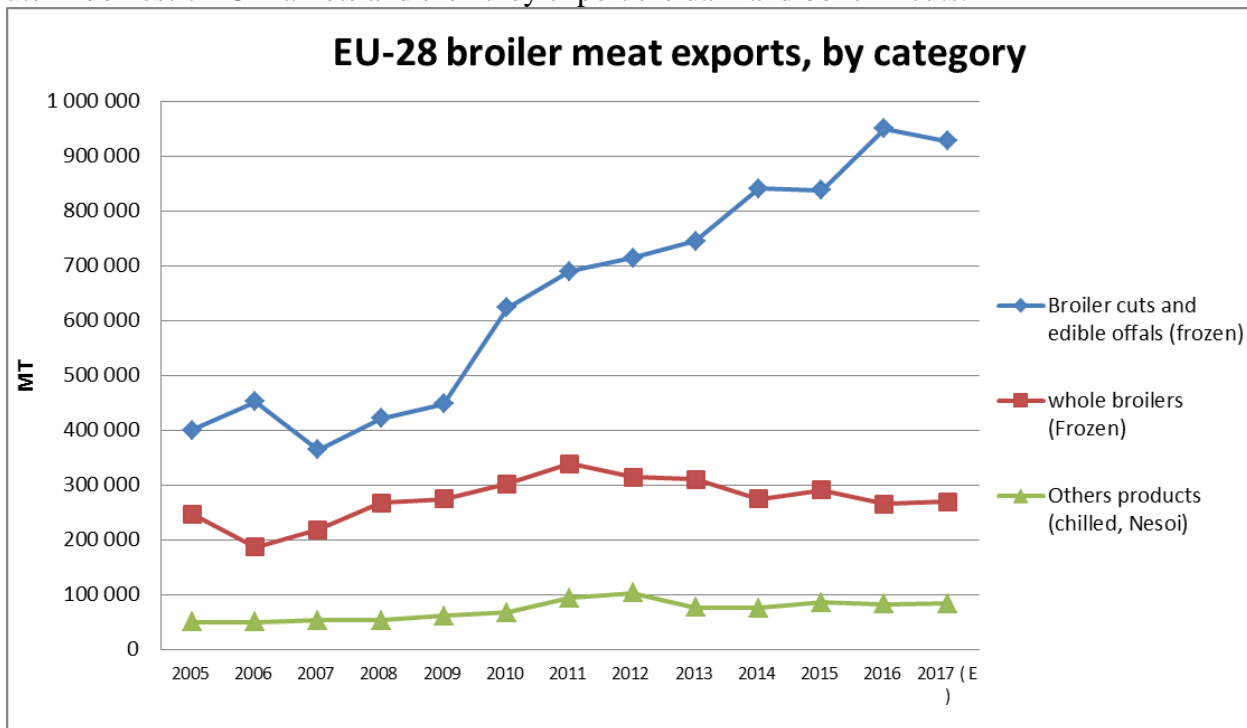
Exports to South Africa rose to a record level of 259,000 MT in CY 2016 which made South Africa the largest customer of EU-28 broiler meat, before Saudi Arabia. The 2004 EU-South African Trade and Development Cooperation Agreement (TDCA) had stated that no tariffs could be applied by South Africa to goods originating from the EU. Since 2012, EU broiler meat exports entered South Africa duty-free. Nevertheless, in 2015 South Africa set anti-dumping import duties up to 73 percent on imports of frozen bone-in broiler meat from certain German, Dutch and British poultry exporters. In December 2016, a 13.9 percent import temporary tariff on bone-in chicken imports was implemented on imports of broiler meat from the EU. The resumption of U.S. broiler meat exports to South Africa with a TRQ of 65,000 MT is displacing some EU-28 exports. Competition from other supplies, HPAI-country

specific embargoes, as well as tariffs and import duties caused a 62 percent drop of EU-28 exports of broiler meat to South Africa in the January to June period from 2016 to 2017.

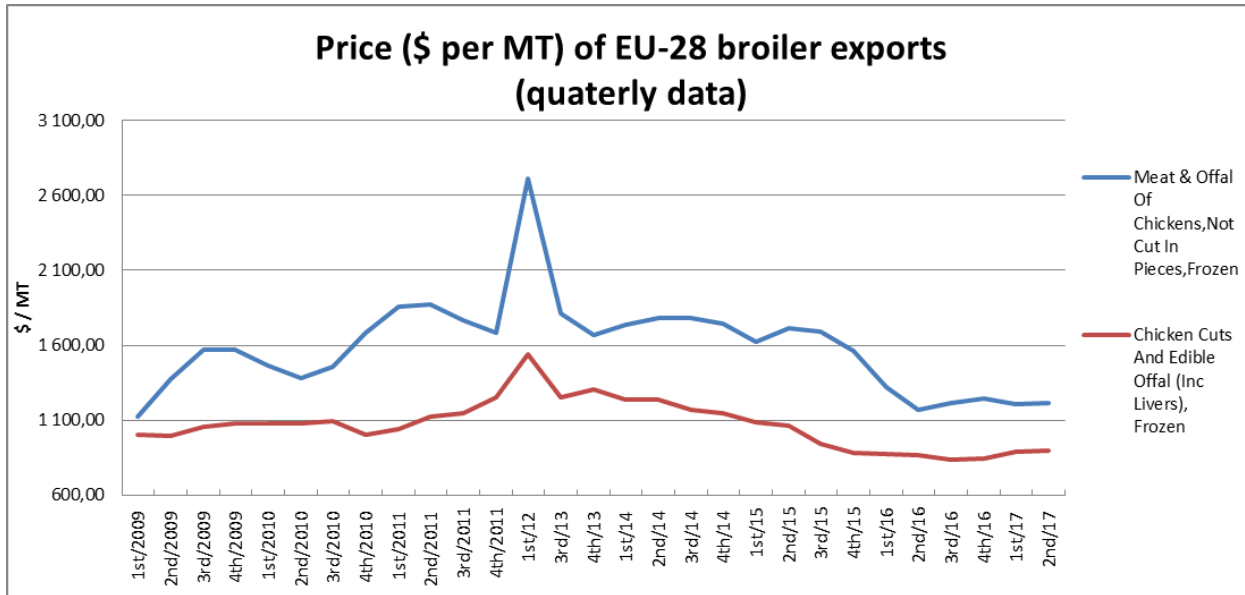
EU-28 exports of broiler meat to Russia are now zero due to the Russian embargo on many EU-28 food and agricultural products.

EU-28 exports of frozen cuts to Hong Kong are expected to increase in 2017, fueled by consumer demand in Hong Kong despite the competition from other sources, primarily Thailand and Brazil. Note that more than 20 percent of EU-28 total broiler meat exports to Hong Kong are made up of frozen broiler feet and were removed from FAS calculated trade data.

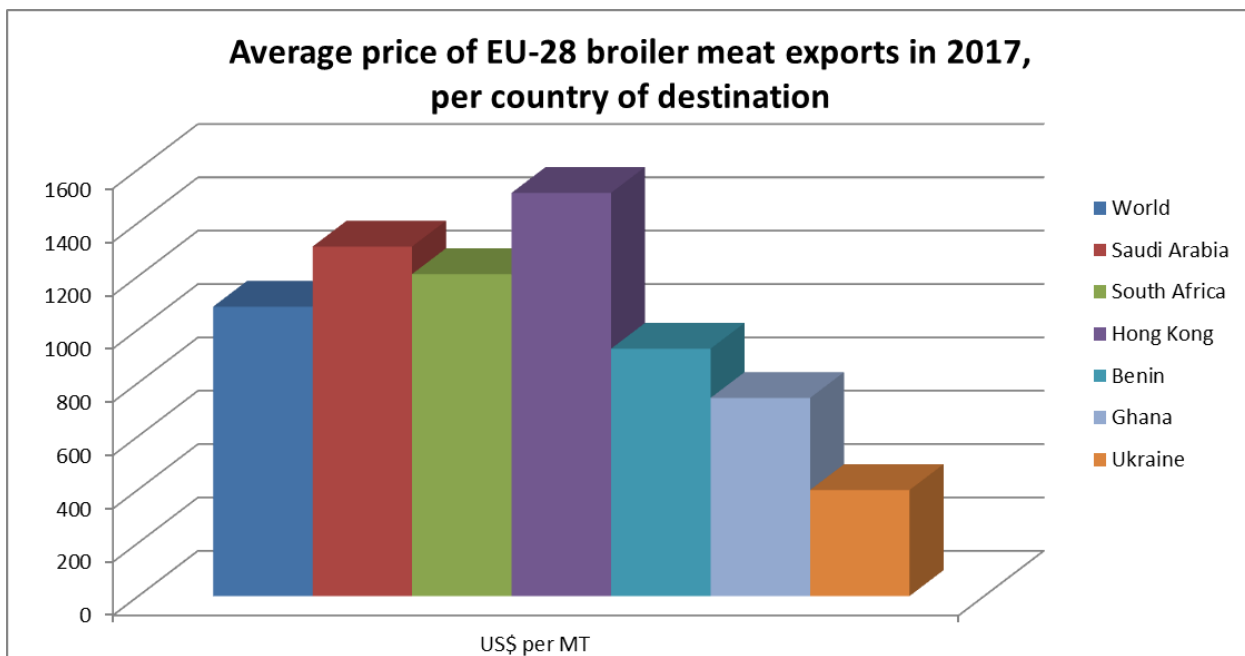
EU-28 exports are expected to renew with their growth in 2018. The increasing export of price competitive bone-in parts (legs, wings) and mechanically deboned meat will drive the growth in EU-28 broiler meat exports. Exporters are able to sell the more expensive products such as white meat breast cuts in domestic EU markets and then they export the dark and bone-in cuts.



(Source World Trade Atlas, FAS Posts estimates)



(Source World Trade Atlas)



(Source World Trade Atlas, data for Jan- June 2017)

Exports of frozen low-priced cuts and mechanically deboned meat (MDM) to Sub-Sahara Africa, especially South Africa, Benin and Ghana-the largest customer of EU-28 poultry in 2017- and to new Asian customers are expected to resume growth in 2018 following the lifting of HPAI embargoes.

**Policy:**

*EU Short Term Outlook for 2017-2018*

The Commission recently published its summer 2017 [EU Short Term Outlook report for 2017-2018](#) [1]. The report assumed the Russian ban would continue, and since the report’s publication it has been extended until the end of 2018. For poultry, the outlook reports a slowing in the expansion of EU-28 production to 1.7 percent in 2017 compared to 2016 as a result of strong competition in export markets.

*Avian Influenza Outbreaks Continue to Threaten EU Poultry Markets*

Highly Pathogenic Avian Influenza (HPAI) outbreaks in various EU-28 MS have continued after the 2017 migration season ended indicating its presence in wild bird populations (see [map](#) [2]). In June 2017 several high pathogenic outbreaks of virus type H5N8 occurred in hobby birds in Belgium and the North of France as the virus was likely transmitted at bird markets.

*EU-Vietnam FTA Possibly Implemented at Beginning of 2018*

The EU-28 and Vietnam concluded FTA negotiations in December 2015 and both parties hope to finalize the ratification procedure for the agreement by the end of 2017. If ratified, the agreement could be implemented in early 2018. While Vietnam will receive duty-free access to the EU beef and pork market from the start of the agreement, it grants an eight-year delay limiting full EU-28 access for Vietnamese poultry. The EU-28 will receive reduced duty access for beef and pork after varying grace periods depending on the cuts. The agreed EU and Vietnam tariff schedules are available [online](#) [3]. The EU will obtain reduced-duty access for poultry products after 11 years.

The EU-Japan FTA is in its early stages of discussion and no information is available yet on issues related to poultry or broiler meat trade.

[1] [https://ec.europa.eu/agriculture/sites/agriculture/files/markets-and-prices/short-term-outlook/current\\_en.pdf](https://ec.europa.eu/agriculture/sites/agriculture/files/markets-and-prices/short-term-outlook/current_en.pdf)

[2] [https://ec.europa.eu/food/sites/food/files/animals/docs/ad\\_control-measures\\_hapai\\_chrono\\_2017\\_map.pdf?wtclear=laco](https://ec.europa.eu/food/sites/food/files/animals/docs/ad_control-measures_hapai_chrono_2017_map.pdf?wtclear=laco)

[3] <http://trade.ec.europa.eu/doclib/press/index.cfm?id=1437>

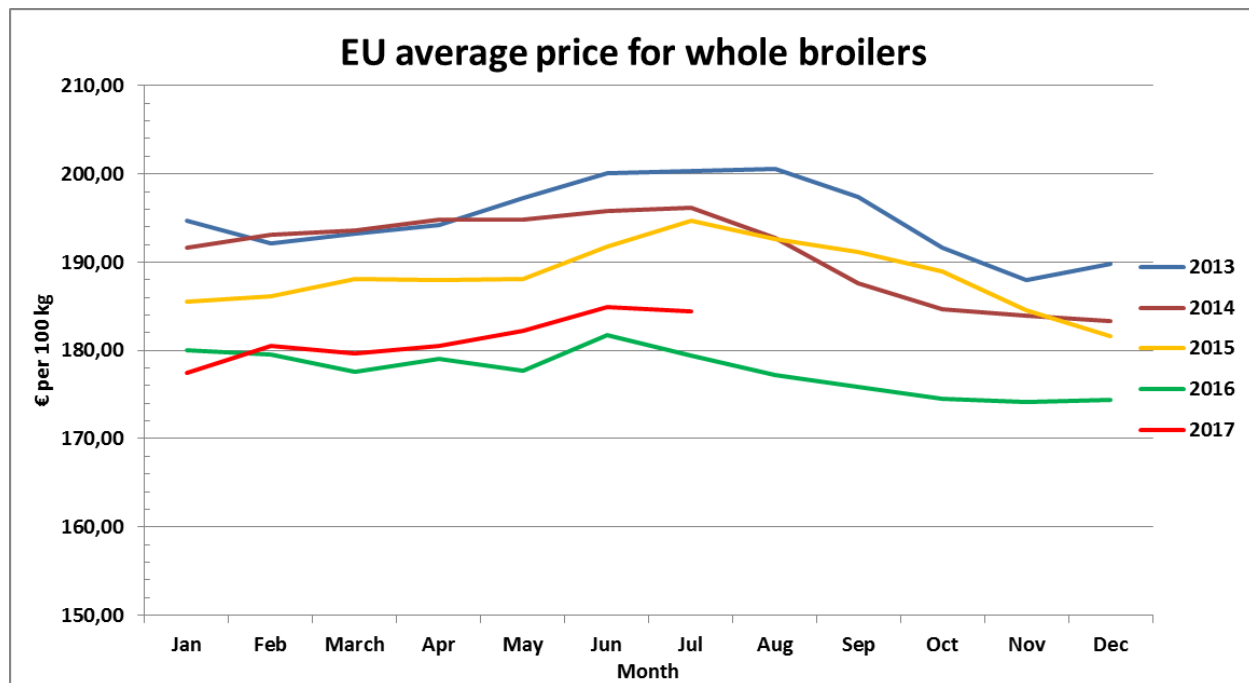
**Production, Supply and Demand Data Statistics:**

Poultry, Meat, Broiler	2016		2017		2018	
	Jan 2016		Jan 2017		Jan 2018	
Market Begin Year	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	11,330	11,533	11,450	11,700	0	11,880

<b>Total Imports</b>	761	762	770	720	0	720
<b>Total Supply</b>	12,091	12,295	1,2220	12,420	0	12,600
<b>Total Exports</b>	1,276	1,275	1,170	1,250	0	1,280
<b>Human Consumption</b>	10,815	11,020	11,050	11,170	0	11,320
<b>Other Use, Losses</b>	0	0	0	0	0	0
<b>Total Dom. Consumption</b>	10,815	11,020	11,050	11,170	0	11,320
<b>Total Use</b>	12,091	12,295	12,220	12,420	0	12,600
<b>Ending Stocks</b>	0	0	0	0	0	0
<b>Total Distribution</b>	12,091	12,295	12,220	12,420	0	12,600

(MIL HEAD) ,(1000 MT)

**Price :**



(source: European Commission)

Several studies indicate that within the EU-28, significant price differences remain among Member States (MS) for broiler meat. On average prices in France are 0.2 € per kilo, 13 percent, more expensive than the Netherlands and Germany. The price difference in Poland is more significant; broiler prices can be 30 to 50 percent less expensive in Poland than those in France depending on the specific cut or product. This situation explains the France’s decline in total EU broiler meat production—it is not price competitive. It also explains why Polish broiler meat shipments to other MS are increasing sharply, even displacing imported Brazilian meat in Western Europe.

**Related reports from FAS Posts in the European Union:**

[Belgian Fipronil Crisis - Fraud or Food Safety |Agriculture in the News Sanitary/Phytosanitary/Food Safety Poultry and Products|Brussels USEU|Belgium-Luxembourg|8/17/2017](#)

[EU Avian Flu Threatens Export Markets for Spanish Eggs|Poultry and Products|Madrid|Spain|3/3/2017](#)

[New Phosphate Reduction Plan Sets Limits to Dutch Dairy Production|Dairy and Products Livestock and Products Poultry and Products|The Hague|Netherlands|2/15/2017](#)

[Agricultural Turnaround starts with Animal Welfare|Livestock and Products Poultry and Products Agriculture in the News Policy and Program Announcements|Berlin|Germany|2/1/2017](#)

[Bird Flu Situation in the Czech Republic|Poultry and Products Pest/Disease Occurrences Agriculture in the Economy|Prague|Czech Republic|2/1/2017](#)

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For additional poultry market general information, you may contact:

Xavier Audran (FAS Paris)

E-mail: [xavier.audran@fas.usda.gov](mailto:xavier.audran@fas.usda.gov)

For additional livestock policy related information, please contact:

Yvan Polet (FAS Brussels U.S. Mission to the EU)

E-mail: [yvan.polet@fas.usda.gov](mailto:yvan.polet@fas.usda.gov)