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# GAIN Report

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## EU-28

### Poultry and Products Annual

## EU-28 Broiler Production and Exports to Grow Again in 2016

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**Report Highlights:**

**The EU-28 broiler sector is expected to grow in 2015 and 2016**, benefiting from slowly increasing demand, since it has been less affected than other meats by the economic downturn in Europe. Brazil and Thailand will remain the largest suppliers of broiler meat to the EU-28, with Ukraine becoming the third largest supplier after being granted a TRQ for broiler meat. EU-28 broiler meat exports are expected to increase in 2015 and 2016, despite the Russian embargo and increased South African tariffs on EU poultry meat, because of booming exports of low-priced cuts, bone-in cuts and mechanically deboned meat (MDM) to Sub-Saharan Africa and Asia.

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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 28 EU member states.

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## **Executive Summary:**

**The EU-28 broiler sector is expected to continue to grow in 2015 and 2016**, benefiting from increased exports, slowly increasing domestic demand and because it is less affected than other meats by the economic downturn in Europe since it is cheaper and more convenient. Overall EU-28 production in 2015 encompasses various situations, but **broiler meat production is expected to increase from 2014 in most major EU producing countries**, and especially in Poland which is on the verge of becoming the leading EU-28 broiler meat producing country.

The significant decline in grain prices since 2014 boosted broiler meat competitiveness and **increased operating margins**, even as retail prices decreased. This trend is expected to continue in 2015 and 2016.

**The EU-28 broiler trade surplus is expected to increase in 2015 and 2016** in light of stagnant

imports and surging exports. Brazil and Thailand remain the largest suppliers of broiler meat to the EU-28. Since 2012, the opening of the EU-28 market to Thai un-cooked broiler meat led to a significant increase in exports of Thai salted and frozen broiler cuts and parts to the EU-28 to the detriment of Brazilian exports. It has been reported that the quality of Thai broiler meat better suits EU importer needs. The signature of the Deep and Comprehensive Free Trade Agreement (DCFTA) between the EU-28 and Ukraine led to a surge of Ukrainian broiler meat exports to the EU-28 which are expected to reach 20,000 MT in 2015.

**EU-28 broiler meat exports are expected to increase in 2015** despite the Russian embargo on certain EU food products imposed in August 2014, the increase in import tariffs in South Africa in July 2014, and the decrease in exports of French frozen whole broilers to the Middle-East region, due to the suspension in July 2013 of all EU-28 poultry meat export restitutions. Exports of low-priced cuts, bone-in cuts and mechanically deboned meat (MDM) to Sub-Sahara Africa and Asia (such as Philippines and Malaysia) are booming driven by lower production costs, due to lower world grain prices, increasing EU-28 broiler price competitiveness. **The growth of exports is expected to continue in 2016.**

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

**Commodities:**

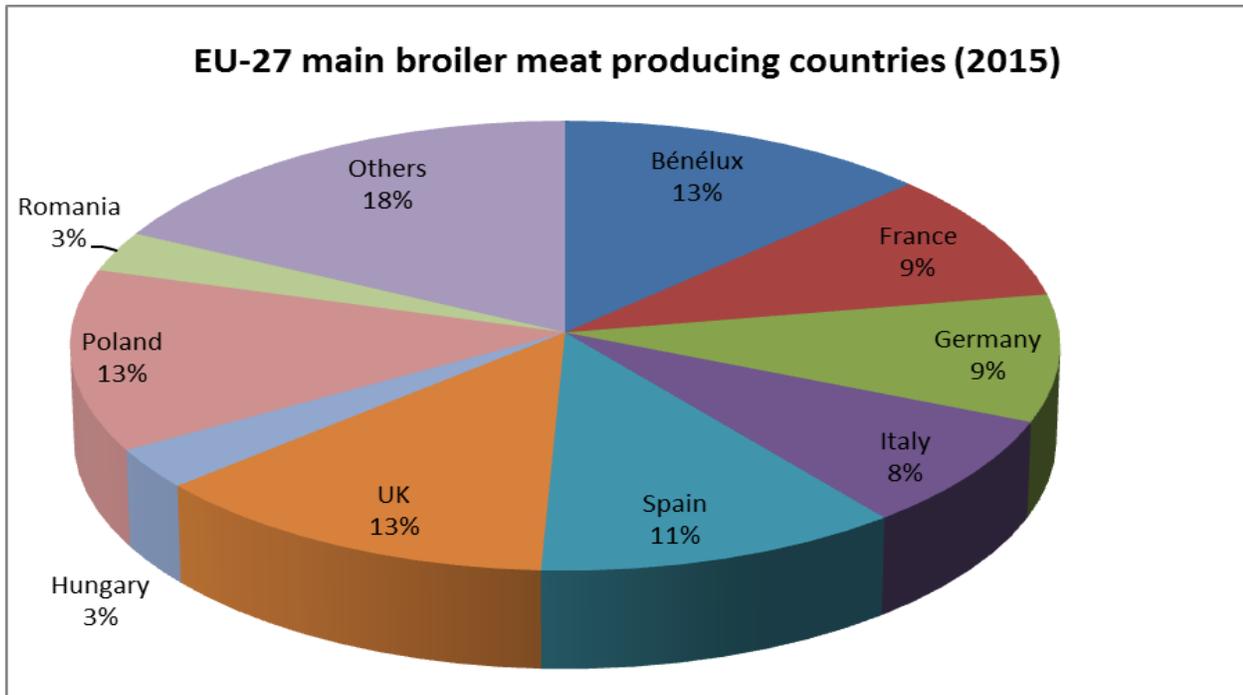
Poultry, Meat, Broiler

**Production:**

The EU-28 broiler sector is expected to continue to grow in 2015 and 2016, benefiting from growing domestic demand and because it is cheaper and more convenient. Production is also supported by strong export demand.

The overall EU-28 production in 2015 encompasses various situations, but broiler meat production is expected to increase from 2014 in major EU producing countries and especially in Poland which is on the verge of becoming the largest EU-28 broiler producer. In Germany, production will continue to grow but welfare and environmental issues are hampering faster growth in the industry. Production will however remain flat in Spain because of the pressure from the retail industry on producers negatively impacting producer margins.

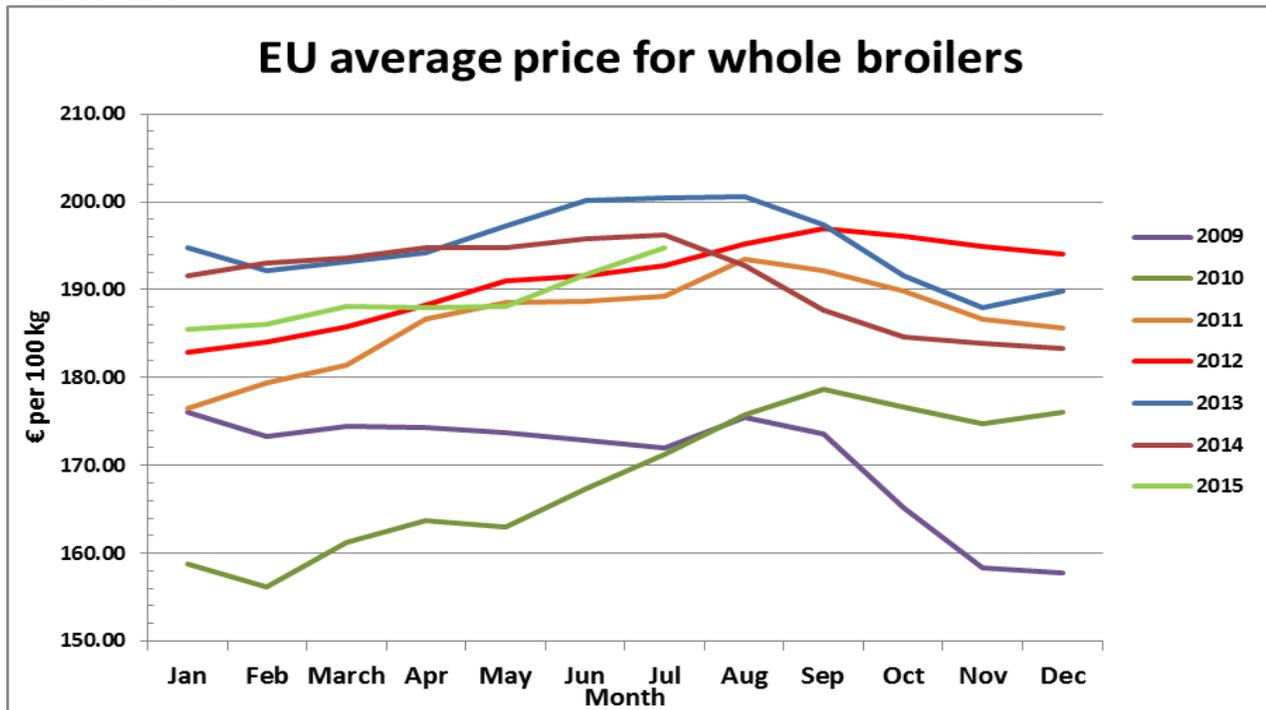
With a very limited rebound in the EU-28 economic situation foreseen for 2016 (which favors cheap protein sources and continued strong domestic demand for poultry meat) combined with continued export demand, EU-28 broiler production is expected to grow again in 2016, albeit at a slower rate. **However, 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)

## Price :

While the hike in global grain prices in 2012 directly impacted broiler production costs, data shows that producers were able to pass most of the increase on to their domestic customers (see chart below), maintaining their operating margins or only lowering them marginally. The significant and continuous decrease of grain prices in the EU-28 since 2013 has increased operating margins, as retail prices decreased less.



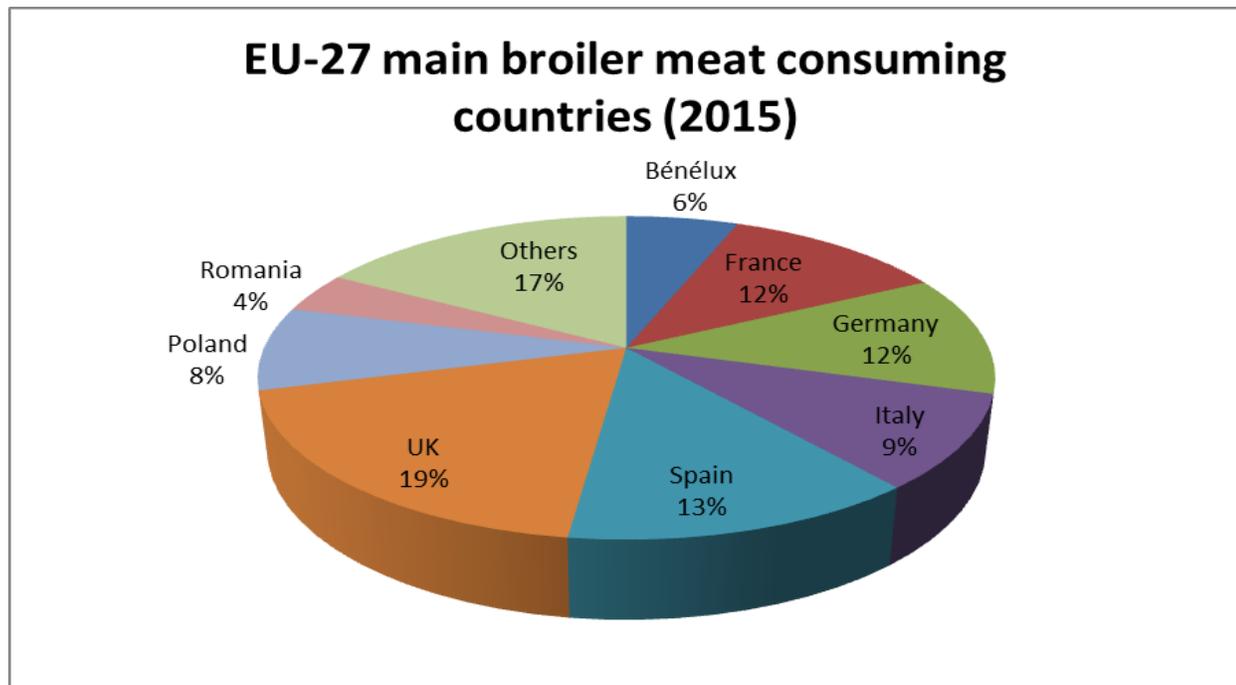
(source European Commission)

A [recent production cost study](#) commissioned by the European Association of Poultry Processors and Trade (AVEC) led by Professor [Peter Van Horne](#) from the Dutch University of Wageningen highlighted the lower competitiveness of broiler production in the EU-28 versus Brazil, Thailand, and even the United States. Feed costs, which account for a significant share of total production costs, are, on average, 25 to 30 percent lower in Brazil and Thailand. The report highlights the significant cost of the EU environmental and welfare legislation on the competitiveness of EU-28 poultry. With slaughter and processing costs also higher, total production costs in the EU-28 are, on average, 30 to 40 percent higher than in Brazil and Thailand. However, long-term studies also show that the difference between the EU-28 and Brazil was even higher in the late 1990's and early 2000s, highlighting a slow narrowing of the differences in EU and Brazilian costs, especially feed costs.

A 2010 [EU study](#) also showed that domestically produced broiler breast meat was barely competitive against imported meat, even after payment of import duties. This study and others also indicate that within the EU-28, significant differences remain between Member States (MS) for broiler meat with France being, on average, 0.2 € per kilo (or 13 percent) more expensive than the Netherlands and Germany. The difference is even larger with Poland. This situation explains the shrinking share of

France in total EU broiler meat production. It also explains why Polish broiler meat shipments to other MS are increasing sharply, even displacing imported Brazilian meat in Western Europe

## Consumption:



(Source

e FAS Posts)

While all sources show that total meat consumption in the EU-28 has been negatively impacted by the economic downturn, broiler meat, which is the cheapest source of protein, was less affected. However, its consumption growth is less than demographic growth, which means that per capita consumption is basically stable. Several market analyses showed that, while EU-28 consumers generally switched from beef or pork meat to broiler meat, the low income consumers reduced their protein purchases, switching to carbohydrate products (bread, pasta) with the exception of Spain, where pork meat is 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 2016 in the absence of any economic recovery.

In several EU countries, such as Germany, France and Poland, the switch to broiler meat is enhanced by the belief that it is a healthier and leaner meat and more convenient to cook and prepare. It is also considered easier to prepare for catering and restaurant use than other meats.

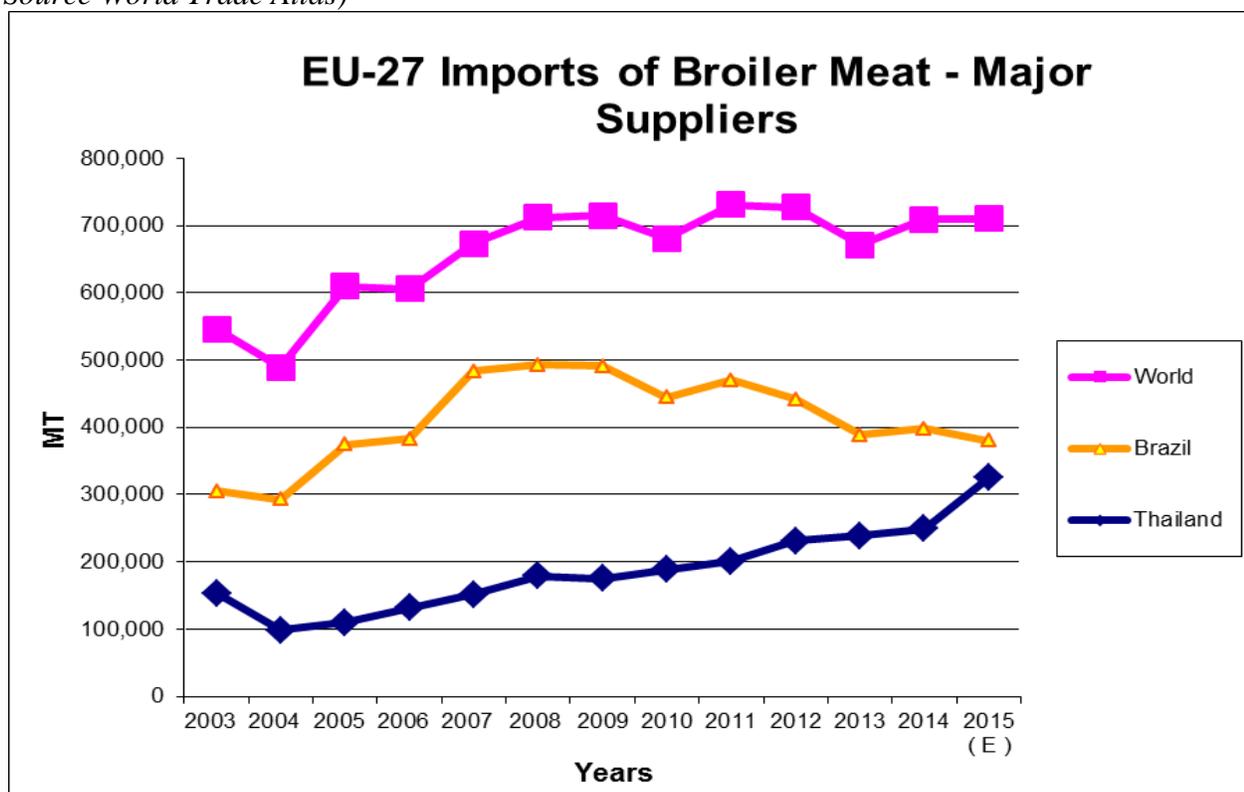
## Trade:

The EU-28 broiler trade surplus is expected to remain stable in 2014 and increase in 2015 in light of stagnating imports and increasing exports.

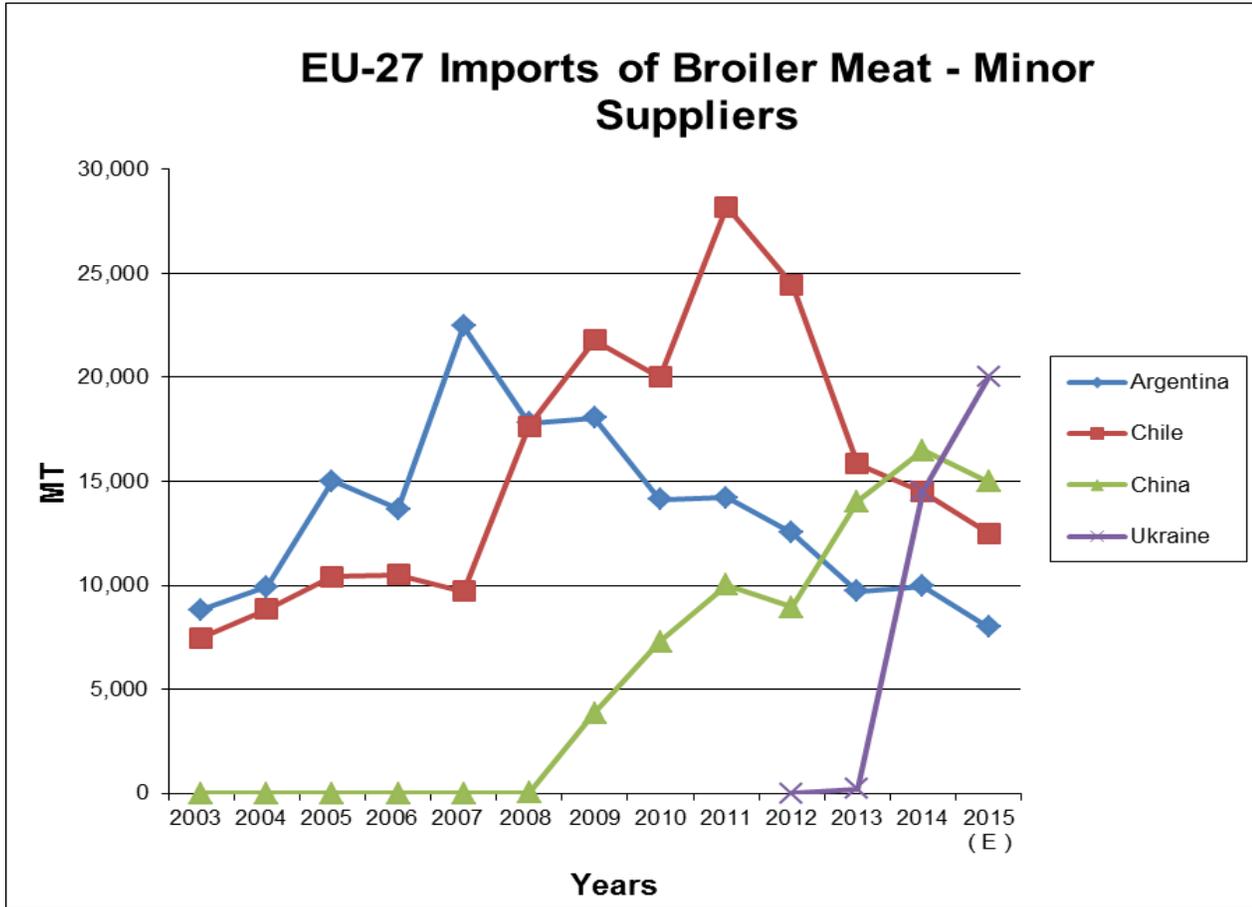
### Extra EU-28 Imports

'000 MT	Quota years (July-June)	2008 / 2009	2009 / 2010	2010 / 2011	2011 / 2012	2012 / 2013	2013/2014	2014/ 2015	Quota reg. (EC) No 616/200 7 (July- June MY)
020712	Frozen whole	17	17	13	12	10	11	11	
020714	Frozen cuts	173	141	149	137	144	117	121	-
1602321 9	Preparation s of chicken meat	321	313	365	360	326	324	304	251
0210993 9	Salted, or in brine	209	200	200	205	240	218	268	264
<b>Total</b>		<b>720</b>	<b>671</b>	<b>727</b>	<b>724</b>	<b>723</b>	<b>672</b>	<b>709</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 China.

On July 1, 2012, the EU-28 reopened its market to fresh broiler meat from Thailand, which had been closed since 2004, due to avian influenza outbreaks there. This led to a significant increase of exports of Thai salted and frozen broiler cuts and parts to the EU-28 to the detriment of Brazil exports. Analysts report that the quality of Thai broiler meat better suits EU importer needs in terms of ease of processing.

EU-28 broiler imports from China, exclusively cooked and prepared broiler meat, are expected to stabilize in 2015 and 2016. Ukraine is now becoming the third largest supplier of broiler meat to the EU-28. This hike follows the Deep and Comprehensive Free Trade Agreement (DCFTA) signed in 2014 between Ukraine and the EU-28. It 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
	0207.27.(10-20-30-50-60-70-80-99)	2019=20,000	2019=10,000
	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.

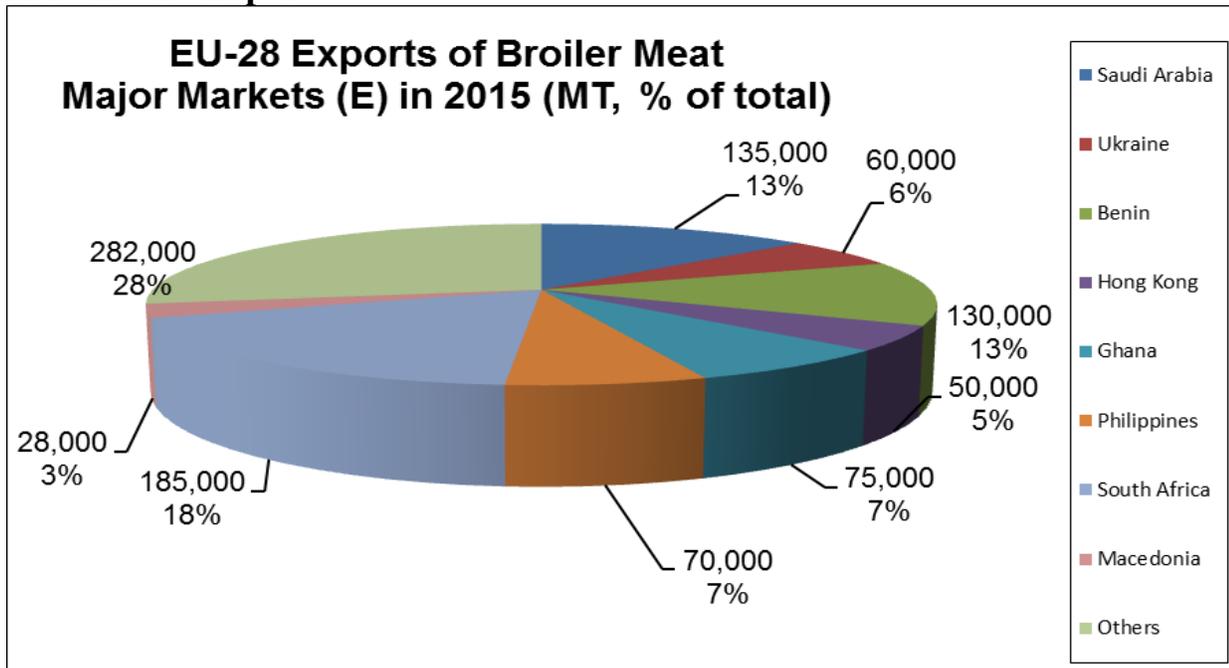
2/ Not implemented by Ukraine, to be opened by 01/01/2016.

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

It is expected that up of 20,000 MT of broiler meat could be imported from Ukraine into the EU-28 (above the TRQ) in CY 2015 because of the competitiveness of Ukrainian meat (due to low feed and labor cost enhanced by currency devaluation). It is mostly imported by Dutch and German broiler meat processors which used it as raw material for added value-product such as sausage and deli products.

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.

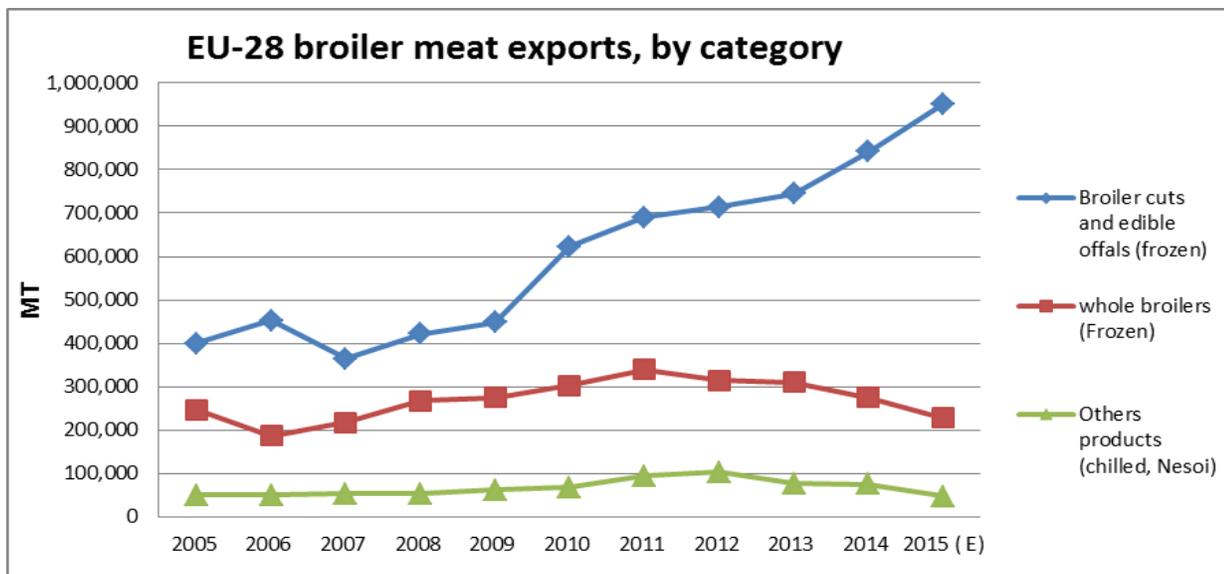
## Extra EU-28 Exports



(Source World Trade Atlas, FAS Posts estimates)

EU-28 broiler meat exports are now expected to increase in 2015 driven by the growing appetite worldwide for EU-28 sourced poultry parts, especially in Sub-Saharan Africa and Asia. This upturn is expected to outbalance the loss of the Russian market, due to the Russian Embargo on EU food products initiated in August 2014, and the absence since 2013 of all EU-28 poultry meat export restitutions which negatively impacted French exports of frozen whole broilers to the Middle-East region. The Saudi market seemed to be more *resilient* to the end of those export subsidies and more capable of absorbing higher prices without visible impact on trade volumes. It also appears that French frozen chicken exports are well suited to the Saudi market, which is looking for smaller birds (less than 1 kilogram, 40 days old at slaughter) which many competitors cannot supply.

EU-28 exports are expected to continue their growth in 2016, especially since lower production costs due to expected lower grain prices should increase EU-28 broiler price competitiveness. The growth in exports will be driven by booming export of bone-in parts and deboned meat as breast cuts and white meat get a better valorization in domestic EU-28 markets.

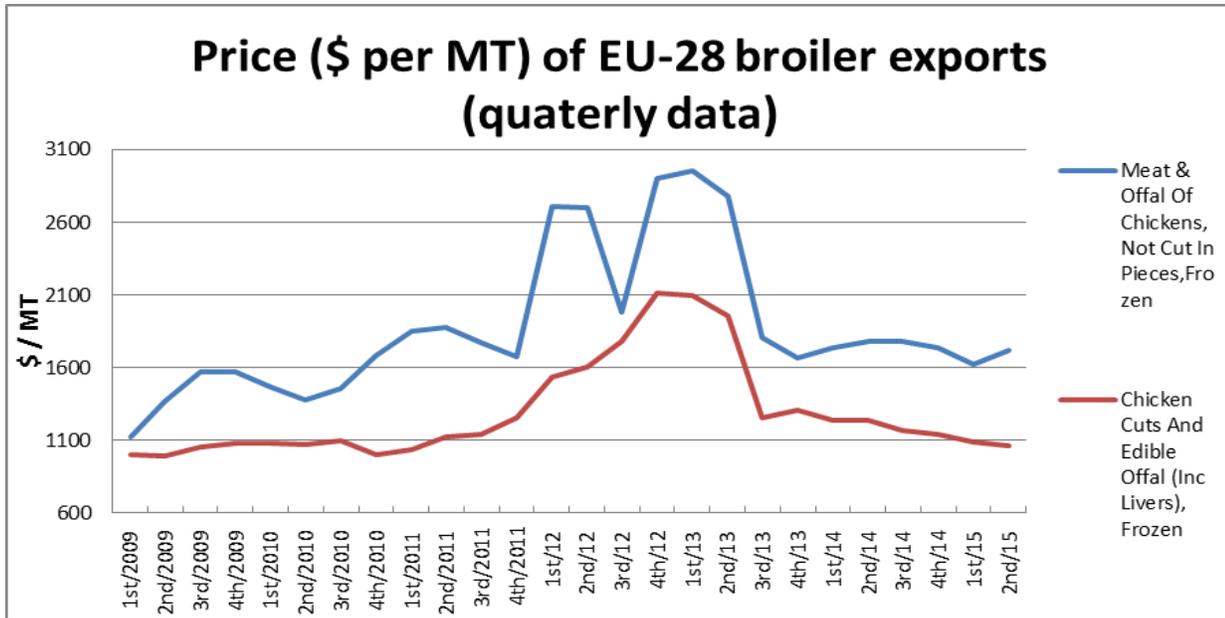


(Source World Trade Atlas, FAS Posts estimates)

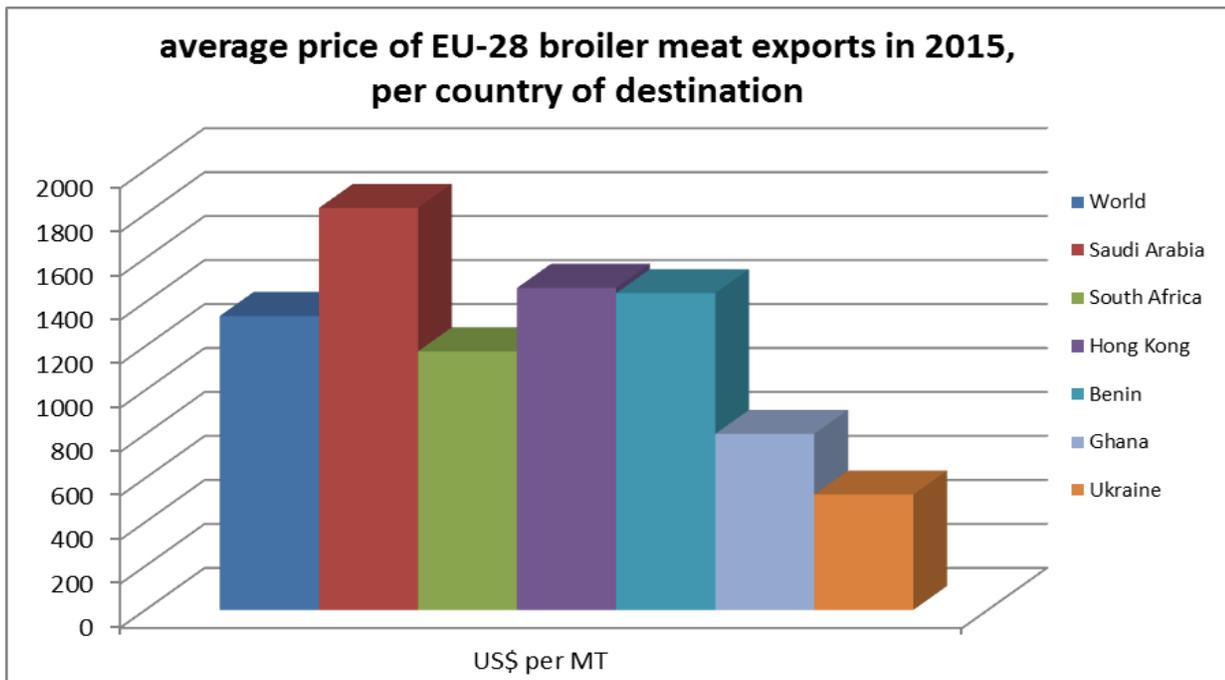
Exports of frozen low-priced cuts and mechanically deboned meat (MDM) to Sub-Sahara Africa, especially South Africa, Benin and Ghana but also to new Asian customers such as Malaysia and Philippines, will continue to grow in 2015 and 2016. With expected exports close to 165,000 MT in CY 2014, South Africa is now becoming the largest customer of EU-28 broiler meat, before Saudi Arabia, despite South African anti-dumping import duties (who rose from 22 percent to 73 percent) on bone-in broiler meat from Germany, the Netherlands and United Kingdom in 2014.

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 and China decreased in 2014 and are expected to decline in 2015, due to competition from other sources, mainly Thailand and Brazil. Note that close to 50 percent of EU-28 total broiler meat exports to Hong Kong (and 10 percent of EU-28 broiler meat exports to China) are made up of frozen broiler feet and were removed from FAS calculated trade data.



(Source World Trade Atlas)



(Source World Trade Atlas, data for Jan- June 2015)

## Production, Supply and Demand Data Statistics:

Poultry, Meat,	2014	2015	2016
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<b>Broiler</b>						
<b>Market Begin Year</b>	<b>Oct 2013</b>		<b>Oct 2015</b>		<b>Oct 2016</b>	
<b>European Union</b>	<b>USDA Official</b>	<b>New post</b>	<b>USDA Official</b>	<b>New post</b>	<b>USDA Official</b>	<b>New post</b>
<b>Inventory (Reference)</b>	0	0	0	0	0	0
<b>Slaughter (Reference)</b>	0	0	0	0	0	0
<b>Beginning Stocks</b>	0	0	0	0	0	0
<b>Production</b>	10,095	10,330	10,215	10,600	0	10,760
<b>Total Imports</b>	706	709	710	710	0	710
<b>Total Supply</b>	10,801	11,039	10,925	11,310	0	11,470
<b>Total Exports</b>	1,134	1,126	1,150	1,150	0	1,200
<b>Human Consumption</b>	9,667	9,913	9,775	10,160	0	10,270
<b>Other Use, Losses</b>	0	0	0	0	0	0
<b>Total Dom. Consumption</b>	9,667	9,913	9,775	10,160	0	10,270
<b>Total Use</b>	10,801	11,039	10,925	11,310	0	11,470
<b>Ending Stocks</b>	0	0	0	0	0	0
<b>Total Distribution</b>	10,801	11,039	10,925	11,310	0	11,470

MIL HEAD, 1000 MT, PERCENT, PEOPLE, KG

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

<b>Country</b>	<b>Title</b>	<b>Date</b>
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