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GAIN Report

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EU-28

Poultry and Products Annual

EU-28 Broiler Sector to Grow Again in 2016 and 2017

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Report Highlights:

The EU-28 broiler sector is expected to grow in 2016 and 2017, 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 2016 and 2017, despite the continuing Russian embargo, driven by booming exports of low-priced cuts, bone-in cuts, and mechanically deboned meat (MDM) to Sub-Saharan Africa and Asia.

Executive Summary:

The EU-28 broiler sector is expected to continue to grow in 2016 and 2017, 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 2016 encompasses various situations, but **broiler meat production is expected to increase from 2015 in most major EU producing countries**, and especially in Poland which is now 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 2016 and 2017.

The EU-28 broiler trade surplus is expected to increase in 2016 and 2017 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 now expected to reach 37,000 MT in 2016.

EU-28 broiler meat exports are expected to increase in 2016 despite the Russian embargo on certain EU food products imposed since August 2014 and the decrease in exports of French frozen whole broilers to the Middle-East region, due to the stagnant demand in Saudi Arabia and the political situation in Yemen. 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 and increasing EU-28 broiler price competitiveness. **The growth of exports is expected to continue in 2017.**

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.

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 28 EU member states.

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Commodities:

Poultry, Meat, Broiler

Production:

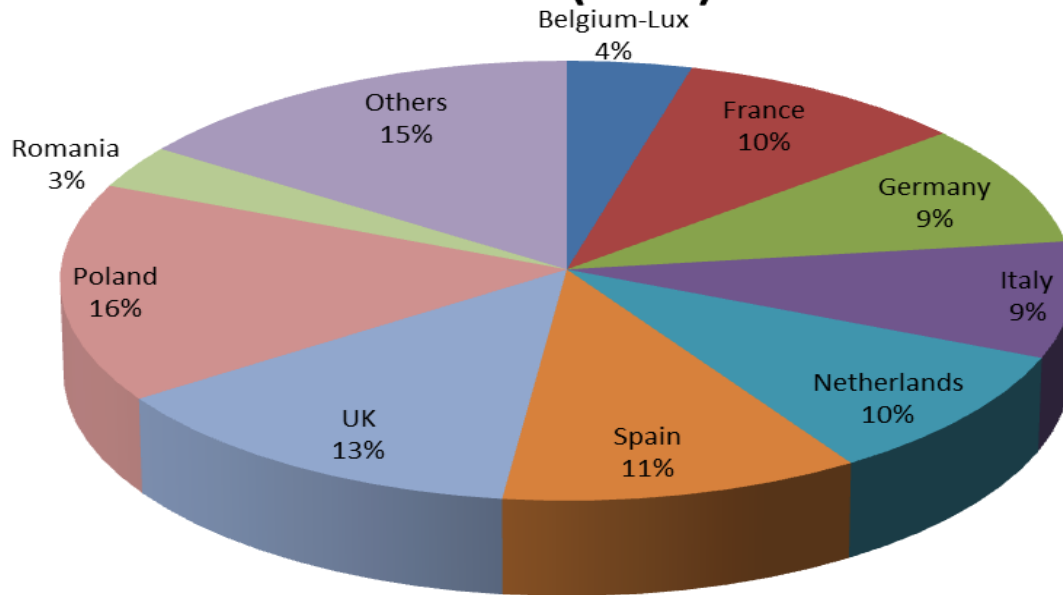
Production figures for 2015 have been revised upward due to new, more accurate production data from Poland. The EU-28 broiler sector is expected to continue to grow in 2016 and 2017, benefiting from increasing domestic demand and because it is cheaper and more convenient. Production is also supported by strong export demand.

The overall EU-28 production in 2016 encompasses various situations, but broiler meat production is expected to increase from 2015 and especially in Poland which is now the largest EU-28 broiler producer. France's production is stalling because of sluggish exports. In Germany, production growth has come to a standstill because of welfare and environmental issues. Production will also remain flat in Spain, because of the pressure from the retail industry on producers negatively impacting producer margins. On the other hand, production is expected to grow in Belgium, Italy, Hungary, Romania, Bulgaria and UK.

With a very limited rebound in the EU-28 economic situation foreseen for 2017 (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 2017, 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.

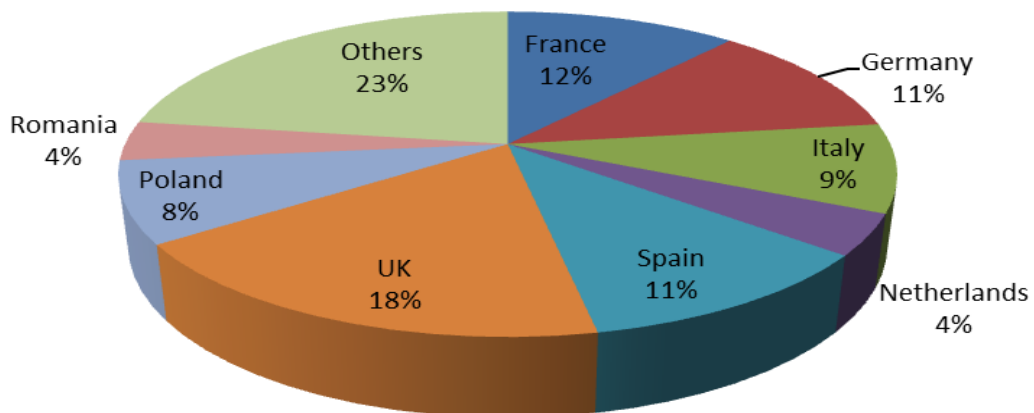
EU-28 main broiler meat producing countries (2016)



(Source FAS Posts)

Consumption:

EU-28 main broiler meat consuming countries (2016)



(Source 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 declining slightly but generally 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 2017 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. 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.

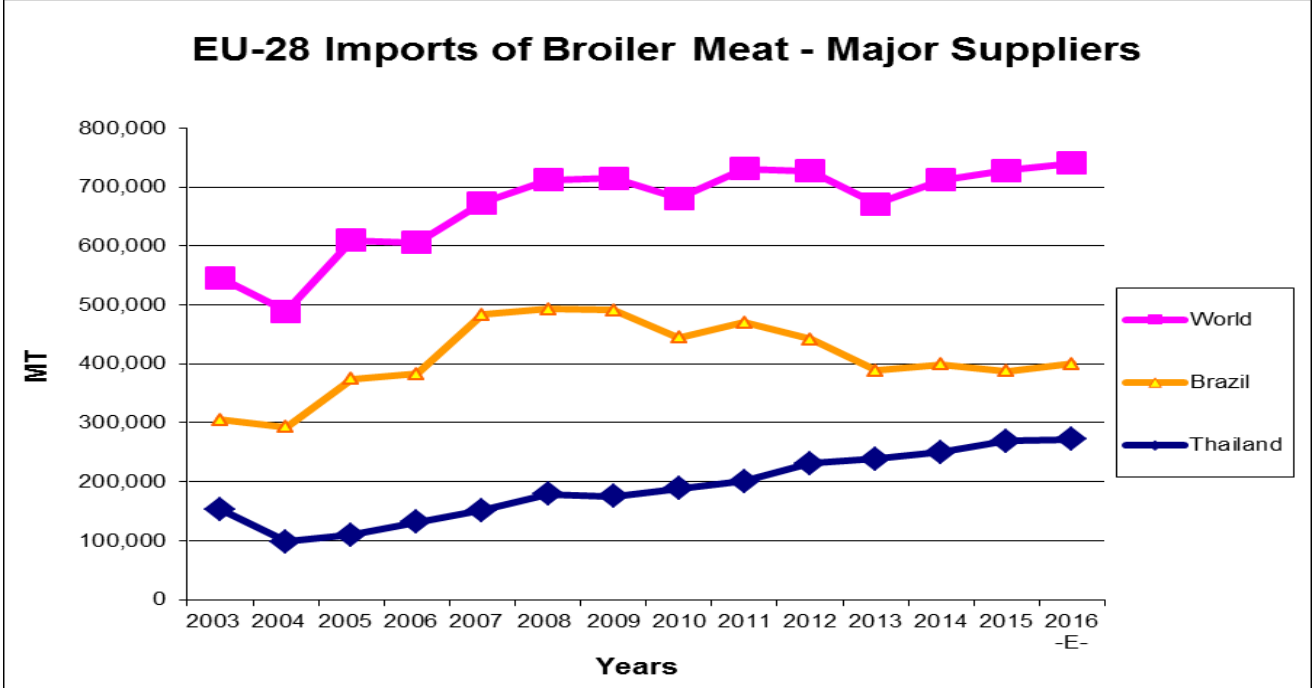
Trade:

The EU-28 broiler trade surplus is expected to increase in 2016 and 2017 and increase in 2015 in light of slightly growing imports and sharply increasing exports.

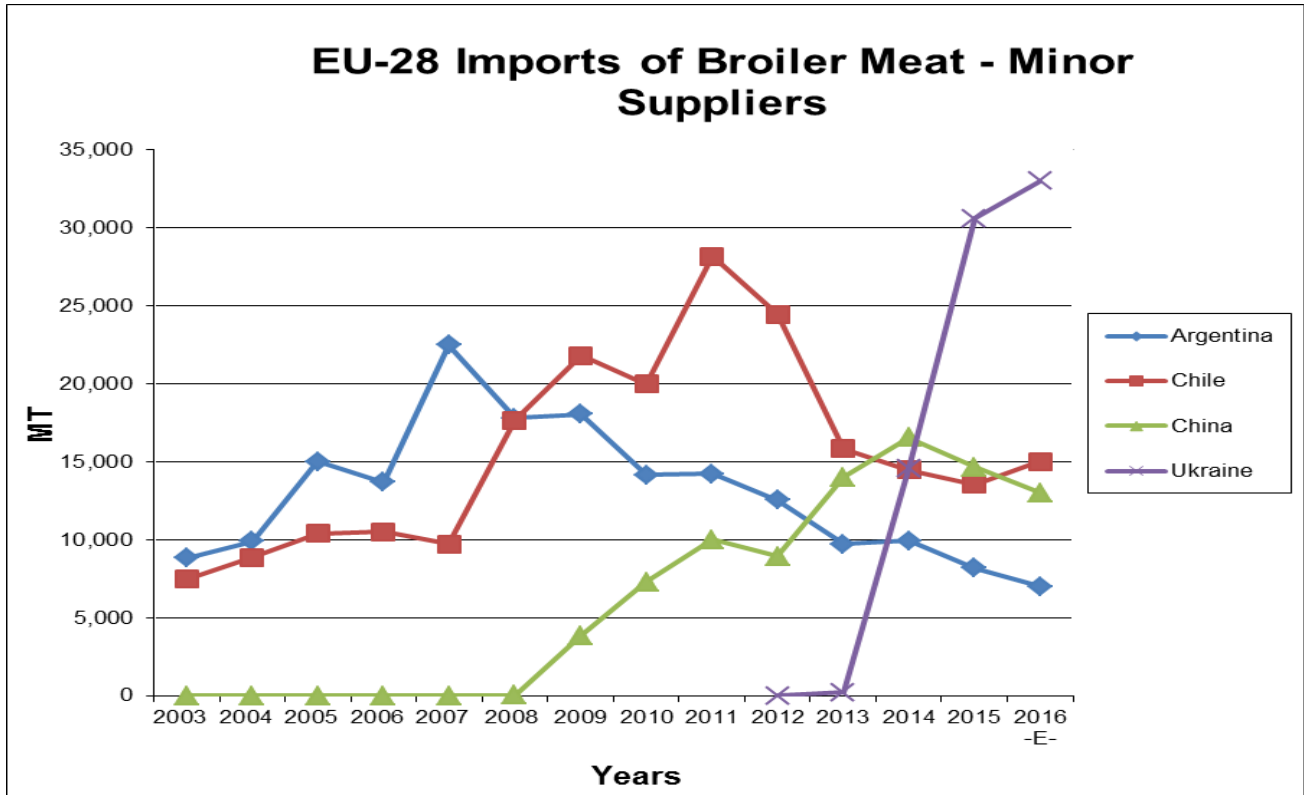
Extra EU-28 Imports

'000 MT	Quota years (July-June)	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	Quota reg. (EC) No 616/2007 (July-June MY)
020712	Frozen whole	17	17	13	12	10	11	11	15	
020714	Frozen cuts	173	141	149	137	144	117	121	127	-
16023219	Preparations of chicken meat	321	313	365	360	326	324	304	327	251
02109939	Salted, or in brine	209	200	200	205	240	218	268	278	264
Total		720	671	727	724	723	672	709	757	-

(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 2016 and 2017. 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
		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.

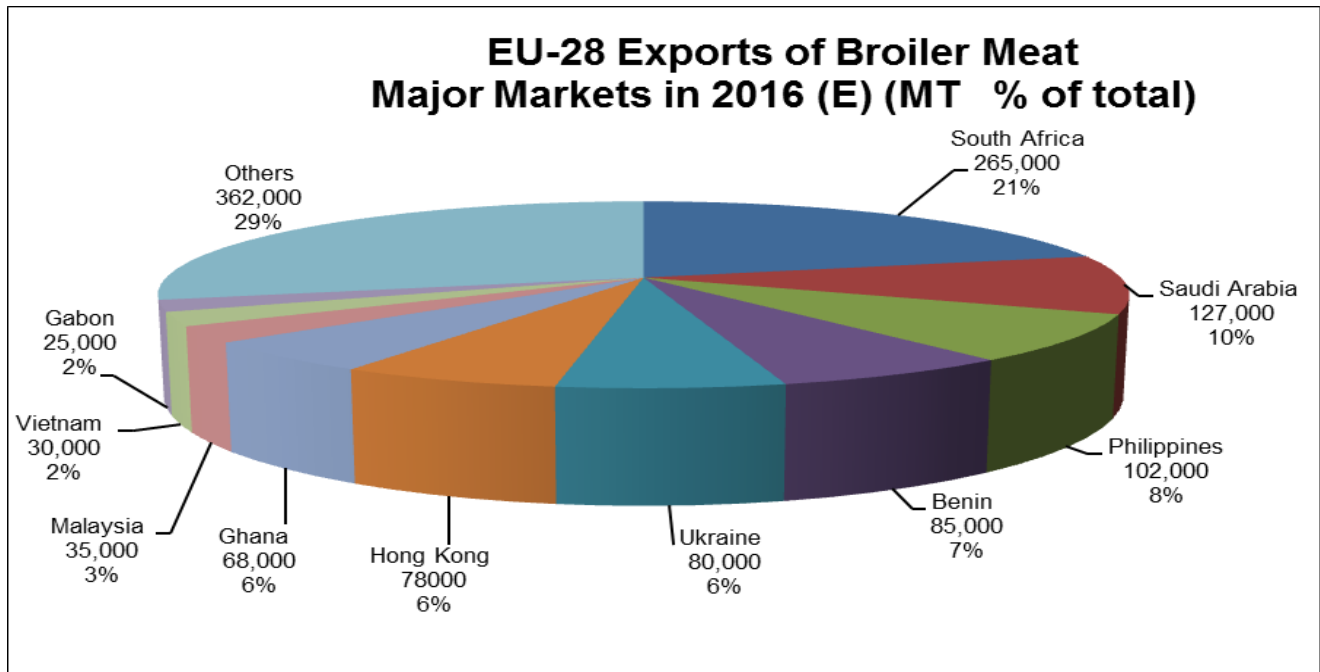
2/ Not implemented by Ukraine, to be opened by 01/01/2016.

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

It is expected that up of 35,000 MT of broiler meat could be imported from Ukraine into the EU-28 (above the TRQ) in CY 2016 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. A Ukrainian company (MHP) opened a plant in the Netherlands in 2016. This plant only processes poultry meat (8,000 MT). In 2015, the company exported 27,000 MT of poultry meat to EU-28

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

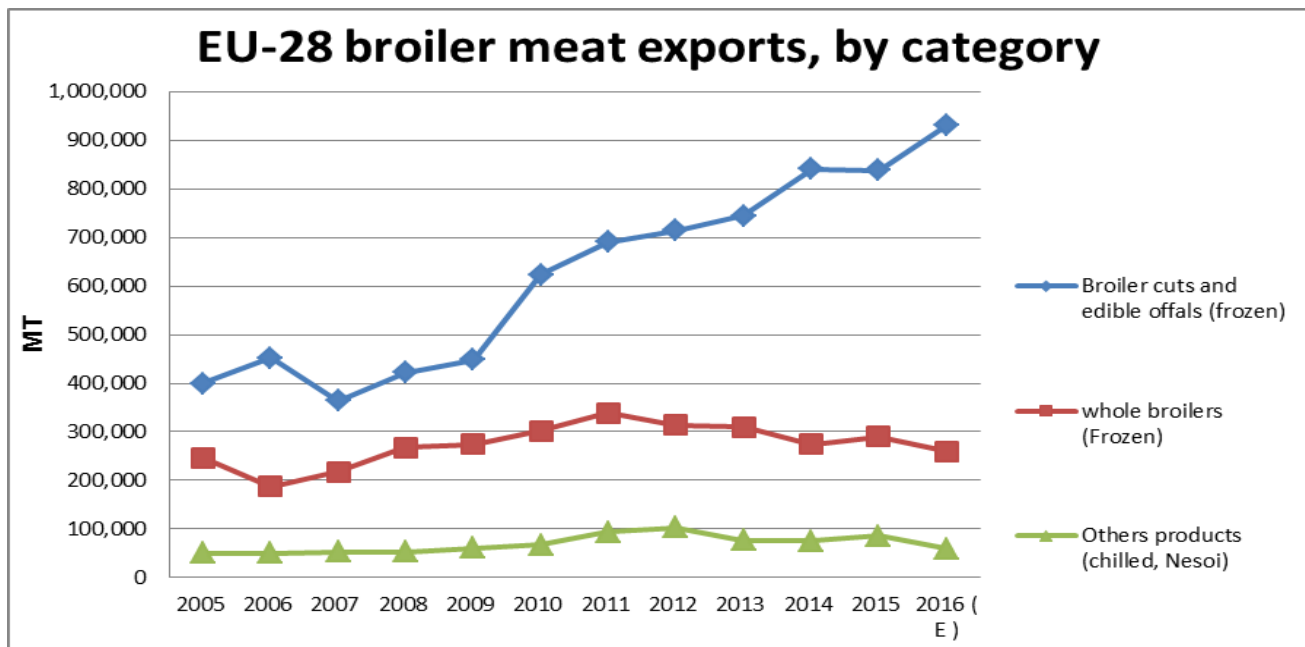


(Source World Trade Atlas, FAS Posts estimates)

EU-28 broiler meat exports are expected to increase in 2016 driven by the growing appetite worldwide for EU-28 sourced poultry parts, especially in Sub-Saharan Africa and Asia but also in Ukraine.

This upturn more than offset 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. While, initially, the Saudi market seemed to be more *resilient* to the end of those export subsidies and more capable of absorbing higher prices, recent trade data show that Saudi imports of EU broiler meat are now plummeting, dramatically impacting French broiler exports. The decrease seems to be linked to lower oil prices since 2015, which had a toll on Saudi poultry demand as Brazil is not displacing EU on the Saudi market. The political situation and civil war in Yemen also annihilated EU (mainly French) broiler exports to this country.

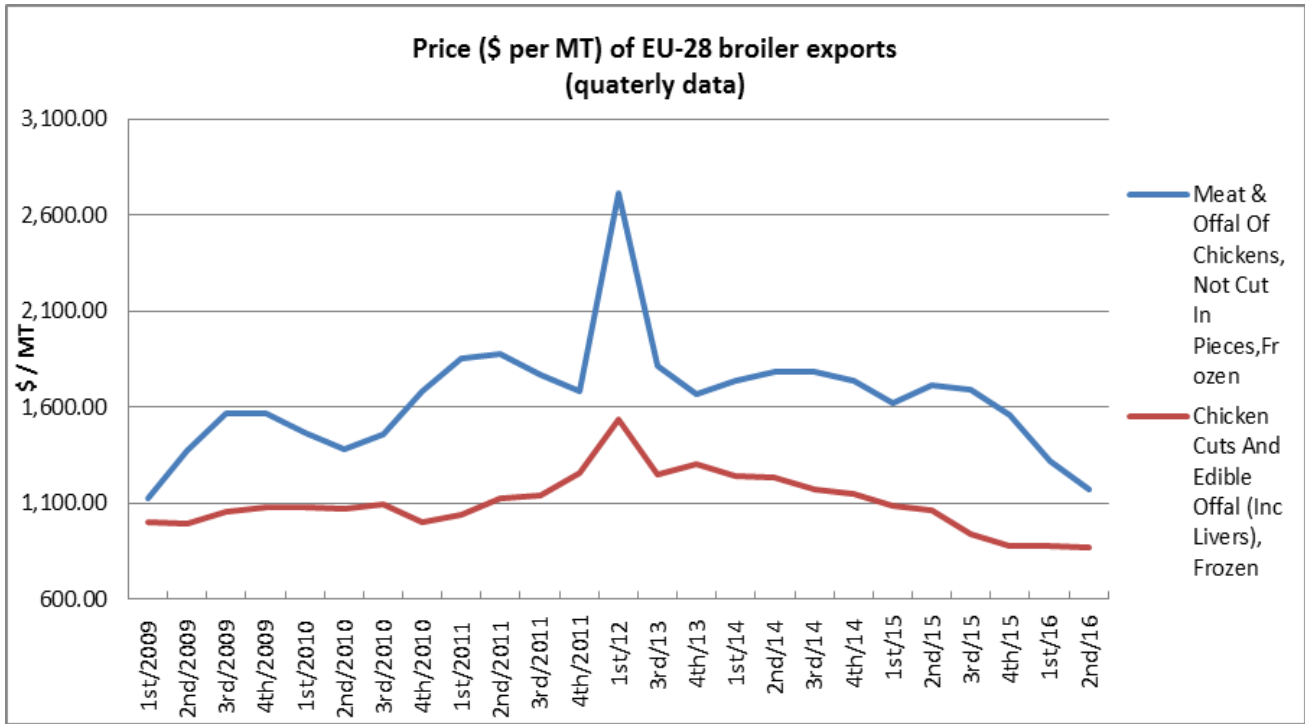
EU-28 exports are expected to continue their growth in 2017, especially since lower production costs due to expected lower grain prices should increase EU-28 broiler price competitiveness. The growth in exports will be driven by booming export of bone-in parts and deboned meat as breast cuts and white meat get a better valorization in domestic EU-28 markets.



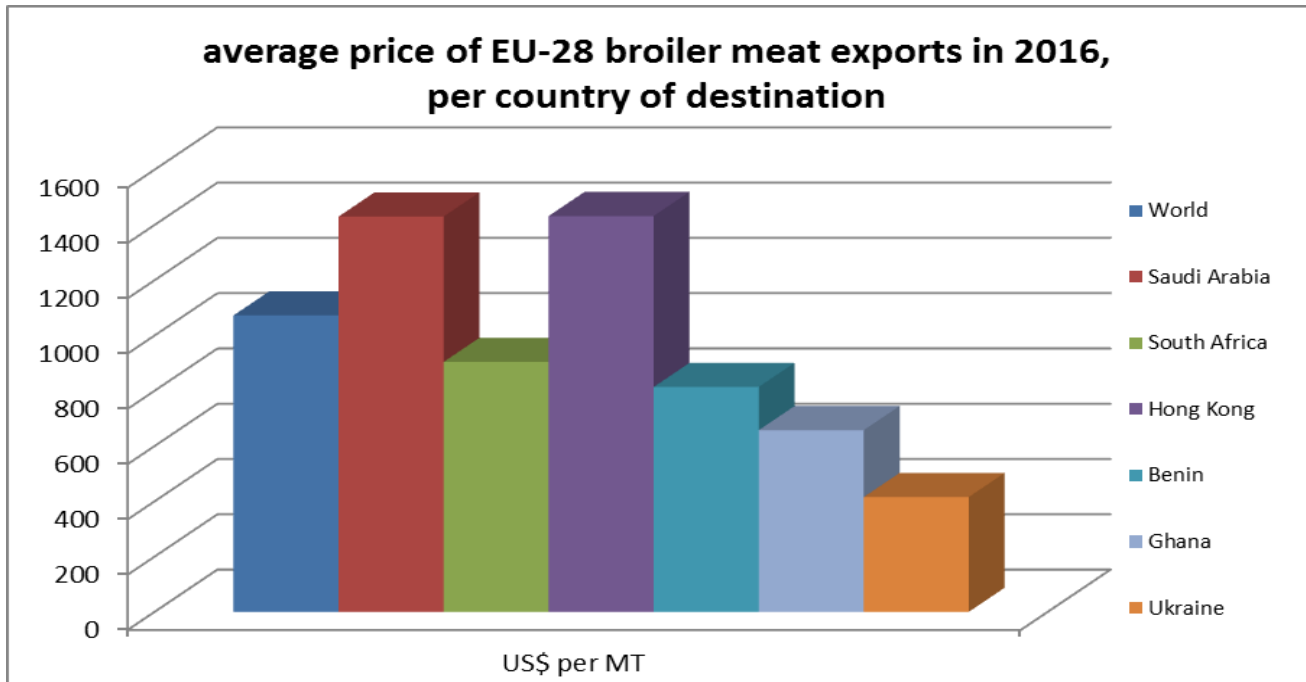
Exports of frozen, low-priced cuts and mechanically deboned meat (MDM) to Sub-Sahara Africa, especially South Africa, Benin and Ghana but also to new Asian customers such as Malaysia and Philippines, will continue to grow in 2016 and 2017. With expected exports close to 265,000 MT in CY 2016, South Africa is now the largest customer of EU-28 broiler meat, before Saudi Arabia. The 2004 EU-South African Trade and Development Cooperation Agreement (TDCA) states that no tariffs may be applied by South Africa to goods originating from the EU and since 2012, EU broiler meat export enter South Africa duty free. Nevertheless, South Africa set in 2014 (extended in 2015) anti-dumping import duties (that rose up to 73 percent) on exports of frozen bone-in broiler meat from certain companies from Germany, the Netherlands and United Kingdom but with limited impact on trade. More recently, the South African Poultry Association (SAPA) has asked the South African Government to impose some agricultural safeguards on some European broilers exports. A decision is expected in October 2016 on a 37% import tariff on bone-in chicken imports from the EU. EU export of broiler meat to South Africa may also be impacted in 2017 by the resumption of U.S. broiler meat exports to South Africa following the passing of the U.S. Africa Growth and Opportunity Act which set up a TRQ of 65.000 MT of U.S. poultry meat.

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 2016, fuelled by the internal demand despite the competition from other sources, mainly 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.



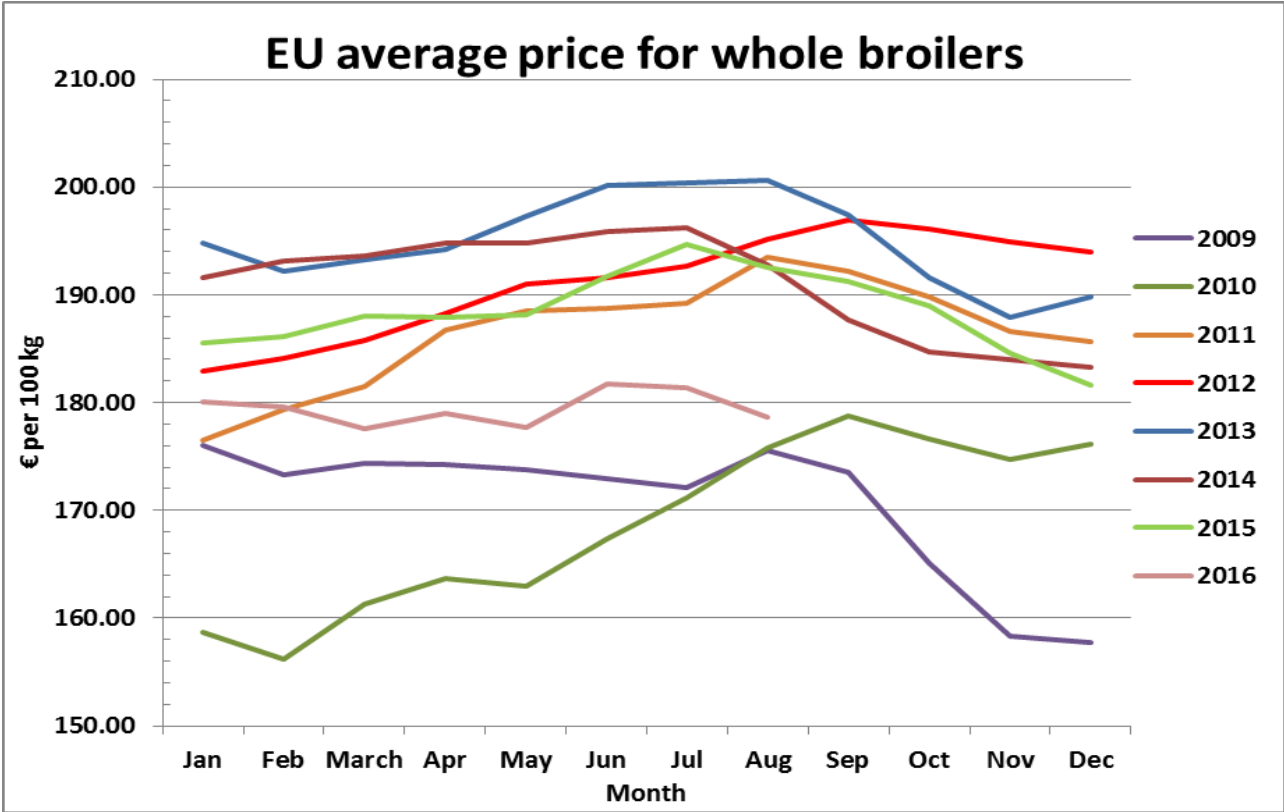
(Source World Trade Atlas)



(Source World Trade Atlas, data for Jan- June 2016)

Price:

The significant and continuous decrease of grain prices in the EU-28 since 2013, especially in 2015 and 2016, has lowered production costs and improved competitiveness of broiler meat in the domestic market and for exports.



(source European Commission)

Several studies 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.

Production, Supply and Demand Data Statistics:

Poultry, Meat, Broiler	2015		2016		2017	
Market Begin Year	Oct 2015		Oct 2016		Oct 2017	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Inventory	0	0	0	0	0	0

(Reference)						
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	10620	10810	10760	11070	0	11300
Total Imports	728	728	725	740	0	750
Total Supply	11348	11538	11485	11810	0	12050
Total Exports	1177	1177	1180	1250	0	1270
Human Consumption	10171	10361	10305	10560	0	10780
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	10171	10361	10305	10560	0	10780
Total Use	11348	11538	11485	11810	0	12050
Ending Stocks	0	0	0	0	0	0
Total Distribution	11348	11538	11485	11810	0	12050
(MIL HEAD) ,(1000 MT)						

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