

Trends in the European poultry and egg market and the impact of European Union enlargement

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1. Developments in European production of poultry meat and eggs

a. Stabilised European production of poultry meat, contrasted national dynamics

Poultry production in the 25-country European Union reached 10.6 million tonnes in 2006, a slight increase since 2000, thanks to the dynamism of Germany and Poland, and in spite of a 2.9% decrease in 2006, linked to the crisis brought about by the spread of avian flu. Production dynamics in the different member states are, however, relatively contrasted. France has suffered the largest decrease since 2000, its export markets, both in non-member countries and within on the intra-Community market, having strongly decreased since the end of the 90s, while its imports are constantly increasing.

Among the other main producers of the European Union, Spain, Germany and particularly Poland enjoy strong dynamism; the United Kingdom and Italy have recorded moderate progress, while The Netherlands remain affected by the avian flu crisis of 2003.

From 2000 to 2006, poultry production in the 25-country European Union recorded a slight growth of 2.5%, production of the 15-country European Union decreasing by 2.8 % while that of the 10 New Member States increased by 35%.

Table n°1: Main poultry meat producers in the 25-country European Union
(ITAVI from SCEES and European Commission)

	2006 production (1000 T)	2000-2005 Average yearly development	2006/2005 Development
France	1 776	- 3,1 %	- 7,6 %
United Kingdom	1 551	+ 0.8%	- 2.5 %
Spain	1 283	+ 3,0 %	- 1.5 %
Germany	1 195	+ 5,3 %	- 0,1 %
Italy	1 041	+ 0,6 %	- 6,4 %
Poland	1 027	+ 10,7 %	+ 5,7 %
The Netherlands	564	- 3,9 %	- 0.9 %
Hungary*	426	+ 0,5 %	- 5.1 %
Czech Republic*	226	+ 1.8 %	+ 0.1 %
EU-15	8 693	+ 0.2 %	- 3.9 %
10 NMS	1 945	+ 5.9 %	+ 1.7 %
Together EU-25	10 638	+ 1.1 %	- 2,9 %

* Production volumes indicated by the FAO are higher

With 7.9 million tonnes produced in 2005, the chicken sector has developed by 9% since 2000, while turkey production (barely 2 million tonnes in 2006) is in gentle decline.

European production thus represented in 2006, 13% of world production (estimated at 82 million tonnes), which increased by 18.5% from 2000 to 2006.

b. European egg production in slight decline: diversification of production systems and development in egg product production

The 25-country European Union was estimated by the Commission at 6.23 million tonnes in 2006 (i.e. about 102 thousand million eggs), in decline by 1.3% in relation to 2005. Since 2000, the 25-country European Union progression has undergone a slight increase of 1%, the 15-country European Union production recording a decrease of 5%, while production in the ten New Member States increased by 35% despite settling over the last two years.

Table n°2: Main 25-country European Union egg producers.
(ITAVI from SCEES and European Commission)

	2006 Production (thousand million eggs)	2000-2005 Average annual development	2006/2005 Development
France	14.9	- 0.6 %	- 2.3 %
Spain	12.8	+ 1.7 %	- 5.1 %
Germany	12.0	- 2.9 %	- 1.1 %
Italy	12.1	= *	+ 0.4 %
United Kingdom	9.4	+ 0.6 %	- 1.9 %
Poland	8.0	+ 3.0 %	=
The Netherlands	9.1	- 1.8 %	+ 1.1 %
Hungary	4.6	+ 1.6 %	+ 3.7 %
Czech Republic	3.8	- 5.1 %	- 2.1 %
EU-15	82.3	- 0.7%	- 1.7 %
10 NMS	20.1	+ 6.2 %	+ 0.3 %
Together EU 25	102.2	+ 0.4 %	- 1.3 %

* *Italy development 2005/2001*

Production systems have greatly increased within the European Union in relation to new consumer expectations and to the implementation of EC Directive 99/74 aimed at promoting the welfare of laying hens.

According to a compilation of Commission data, from the IEC and ITAVI for France, about 65 million laying hens were raised in alternative systems (not in cages) within the 25-country European Union, i.e. about 21% of the total numbers for laying hens within the European Union. The Netherlands are now the largest producer of alternative eggs within the European Union, with 14.3 million alternative laying hens in 2005 (52% of national figures), followed by Germany 12.5 million alternative laying hens (30% of figures), the United Kingdom and France.

Over the last years, within the alternative systems, rearing in barns in claustration has greatly increased and today represents 51% of laying hens in alternative systems. Also worthy of note is the development of organic farming with 6.8 million laying hens recorded in 2005. The United Kingdom and France are the main producers of organic eggs in Europe (about 1.6 million hens), ahead of Germany (1.46 million organic laying hens).

Table n°3: Share of alternative systems within the 25-country European Union: figures of laying hens per system (ITAVI from surveys, IEC and European Commission)

	Cage	Outdoor	Barn	Organic	Whole of alternative systems
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1996 (EU-15)	92 %	4 %	4%	ND	8 %
2000 (EU-15)	89 %	6 %	5 %	ND	11%
2005 (EU-25)	79 %	8 %	11%	2 %	21%
Of which France	80 %	13 %	4 %	3 %	20 %
Spain	97 %	1 %	1 %	-	3 %
Germany	70 %	10 %	16 %	3 %	30 %
The Netherlands	48 %	15 %	35 %	2 %	52 %
United Kingdom	68 %	20 %	6 %	5 %	32 %
Italy	90 %	2 %	6 %	2 %	10 %

In the New Member States, the share of farmyards remain large (20 to 40%), and even though alternative systems as defined in the Community regulations are still sparsely represented, we note however a development in egg production in barns and a more modest development in production from farms with runs.

European egg product production has undergone uneven development depending on the country. It is estimated at about 1.5 million tonnes shell egg equivalent, i.e. a little less than a quarter of European egg production. The main producers are France and Italy, followed by Germany, The Netherlands and the United Kingdom. Italy and Germany have the largest share of eggs processed into egg products with nearly 40% of national production. Within the New Member States, the share of eggs aimed at the production of egg products is in progression, but remained less than 10% of national egg production for 2005.

Table n°4: Main egg product producing countries in Europe (in tonnes of shell egg equivalent) (Estimation ITAVI from SCEES, IEC, Ubifrance and national statistics)

	2005 production in shell egg equivalent	Share of processed production
France	330 000	35 %
Italy	280 to 300 000	38 %
Germany	280 000	38 %
The Netherlands	160 000	29 %
United Kingdom	140 000	24 %
EU- 25 TOTAL	1 500 000	24 %

2. Characteristics of the intra-Community poultry meat and egg market

a. Development of European consumption and segmentation of the market in relation to new consumer expectation and regulatory developments

Poultry meat consumption within the 25-country European Union represented 10.3 million tonnes in 2006, that is 22.4 kg/inhabitant, in decline by over 3% in relation to 2005, due to the negative impact of the avian flu outbreak, but in progression by over 3kg per person in relation to 1995 (the 15-country European Union). That of eggs for consumption is over 6 million tonnes, i.e. about 240 eggs per person per year, with strong variations according to countries.

The development of individual consumption of poultry meat is contrasted, with slight progression on average within the 15-strong European Union, and a strong growth in the

New Member States (Hungary, Czech Republic and Poland). The level of consumption in the ten New Member States has thus today largely caught up with the level of consumption within the 15-country European Union.

Table n° 5: Individual consumption of poultry and eggs in the different 25-country European Union countries (in kg/person/year) in 1995 and 2005.

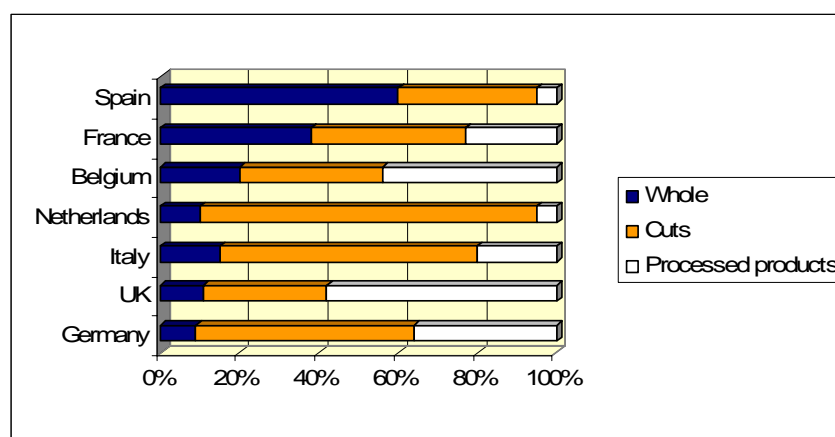
(ITAVI from Commission, ZMP, IEC and national statistics)

	Poultry meat (kg/pers./year)		Eggs and egg products (eggs /pers./year)	
	1995	2005	1995	2005
United Kingdom	25,7	28,3	169	172
Spain	26,6	33,0	266	287
France	23,2	23,3	264	251
Italy	18,3	17,3	219	218
Germany	13,4	17,7	224	207
EU-15	19,1	ND	226	ND
Poland	11,3	23,5	181	223
Hungary	21,5	33,2	266	295
Czech Republic	13,0	25,5	350	243
EU-25	ND	23,2	ND	240

The slow-down in growth in the poultry and egg market is accompanied, as is generally the case for mature markets, by a strong segmentation around two main axes – on the one hand, the development of more processed products responding to a search for practicality and time-saving, on the other hand, the development of more qualitative products and responding to more or less recent citizen consumer expectations on themes of animal welfare and protection of the environment.

On the poultry meat market, goods bought by households for home consumption thus leave a growing share to cut products, but above all to processed products (breaded products, poultry meat preparations, raw or cooked marinated products). The progression in the food service catering industry also directs demand aimed at poultry industrialists towards processed products. The European market is opening progressively to "certified" products, lending weight to national quality assurance schemes bearing on sanitary safety, the traceability and animal welfare, but the segmentation of the market in relation to rearing methods is still weak, and poultry reared with a run (of the free range or organic type) only represent a small percentage of the Community market.

Graph n° 1: Degree of development of chicken supply to super- and hyper-markets. (ITAVI from Ubifrance 2003, TNS Worldpanel 2005)



On the egg market, development of consumer demand, in conjunction with regulation developments has caused, in certain Member States, marked segmentation of the shell egg market, whereas the share of egg products in global consumption is undergoing growth, carried by canteen and restaurant and industrial uses. Penetration of eggs from alternative (non-cage) production systems is still weak in the industrial production of egg products. In the New Member States, the share of egg products in global consumption is developing and is alleged to be 15% in Poland.

Table n° 6: Segmentation of the egg market in different Member States.
(ITAVI from the Commission, ZMP, IEC and national statistics)

	2005 consumption eggs /inhab.	Share of egg products	Share of alternative eggs in household consumption (volume)
France	251	31 %	26 %
Germany	207	ND	57 %
Italy	218	34 %	< 5 %
The Netherlands	183	23 %	84 %
United Kingdom	172	28 %	37 %
Sweden	200	22 %	63 %

b. Intra-Community exchanges

Intra-Community exchanges of poultry meat reached 2.7 million tonnes in 2006 (source: Office de l'Elevage according to Eurostat), a slight decrease in relation to 2005. They are dominated by The Netherlands, the main supplier on the intra-Community market with 680 KT exported, followed by Germany (450 KT) and France (300 KT). The main intra-Community importer is the United Kingdom, with purchases coming from The Netherlands, France, Germany and the ten New Member States. These New Member States exported 380 KT comprised of 270 KT towards the 15-country European Union and 110 KT towards other New Member States.

3. Impact of the integration of the New Member States

a. Different sector contexts in Poland, Hungary and Czech Republic

Among the new countries having joined the European Union in 2004, three countries (Poland, Hungary and the Czech Republic) represented respectively 87% and 81% of poultry meat and egg production of the New Member States. In the three countries studied, before

1989, the upstream and downstream activities were State-run and centrally planned. The structures of Polish farms, characterised by a large domination of small, individual farms, contrasted strongly with the collective forms of co-operative or State status that dominated in the other countries of the Soviet block.

These three countries are traditionally consumers of white meat but pork still remains the first meat consumed in Poland and the Czech Republic. The current tendency is for substitution of pork by poultry meat, particularly in meat preparations. Poultry meat consumption, already high in Hungary in 1997 continued its growth until 2000 and seems then to stabilise at around 33 to 35 kg per inhabitant per year. In the Czech Republic and in Poland, consumption of poultry meat, which is very dynamic caught up with and even overtook the level of consumption of the 15-country European Union. The development of large distribution outlets (super and hyper markets) favoured the development of sales of cut poultry products, most often in the form of fresh products.

Hungary and the Czech Republic present the highest levels of consumption among the 25-country European Union while Poland still has a consumption level less than the average of the countries of the 15-country European Union in spite of an upwards trend in recent years. The segmentation of the shell egg market remains low, as the limited purchasing power does not enable great diversification of supply, even if initiatives in this direction have been recorded, particularly in Poland.

The Polish sector has largely benefited from opportunities linked to membership. It has undertaken a rapid reorganisation of its meat sectors since the end of the 1990s. The input of foreign capital and European aids (SAPARD Funds) have contributed to this modernisation. The sector has adapted to the demands of the West and for now benefits from a moderate cost of the work-force. The level of organisation of the sectors remains insufficient, but the farmers are now conscious of the need to group together and to organise themselves. Improvement in competitiveness of the Polish poultry sector is substantial. Its exports have developed evenly towards the 15-country European Union and its Eastern neighbours, and the level of auto-sufficiency is clearly increasing.

Table n° 7: Development of the level of auto-sufficiency in poultry meat and eggs in Poland, Hungary and the Czech Republic (in %) (Source : ZMP, BTT, VUZE, IERiGZ, FAO)

	Poland		Hungary		Czech Republic	
	Poultry	Eggs	Poultry	Eggs	Poultry	Eggs
1998	99	100	160	110	98	101
2000	105	100	133	102	96	100
2003	111	106	137	101	95	101
2006	112	110	120	<100	83	89

Hungary remains a major exporting country, but the difficulties linked to the reorganisation of the poultry sector, and a relative loss of price competitiveness have prevented it from taking full advantage of the opportunities linked to membership, in terms of positioning, particularly on the Community markets. In 2006, the avian flu epidemic had a strong impact on the sector and the Hungarian market, and production dropped by 5%. The arrival of new operators, buying companies that had gone bankrupt could boost the dynamism of the Hungarian sector.

European Union membership has offered fewer opportunities for the Czech sector in terms of aid for the modernisation of structures (the level of technicality of production tools was already high before joining the European Union); imports of poultry products are in constant progression and the rate of auto-sufficiency is declining.

b. Necessary adaptations for the new regulatory constraints: the example of Poland and Hungary and the Czech Republic

The New Member States had to adapt to the European regulatory framework, in different areas (sanitary, environmental, animal welfare), even if application deadline extensions were sometimes granted.

The 1992 Nitrates Directive was translated into national law in each of the three aforementioned countries and its application does not seem to pose problems. The three countries obtained transition periods for the application of this directive (2015 for Poland and Hungary, 2010 for the Czech Republic).

In the area of sanitation, the New Member States had to carry out upgrading to standards concerning various aspects. Thus, the ban on animal meal was enforced for the three countries in November 2003, even if this ban does not seem always effective. The ban on growth promoter antibiotics was enforced, as for the whole of the European Union, in January 2006.

Some slaughterhouses and processing factories obtained transitory periods for sanitary upgrading to standards. The Czech Republic had until December 2006, whereas Poland has an extra year (31/12/2007). Poultry products from these establishments can only be sold on the national market. All Hungarian slaughterhouses were approved from late 2005.

Concerning the application of Directive 1999/74 (concerning the welfare of laying hens), the three countries benefited from transition periods for the upgrading to standards of certain laying hen farms (for implementation of stocking density of 750 cm² / hen for new farms until March 2004, for building equipment in enriched cages until 31 December 2009). Until this date, the concerned farms can only sell their products on the national market. This concerns, however, a very small part of national production for each country.

The SAPARD programme was put into place in each of the future European Union Member States. It aimed to support efforts made by the Central and Eastern European candidate countries to prepare to take part in the common agricultural policy and the single market. Since the 10 New Member States entered the European Union, structural funds have taken over from SAPARD aids. Slaughterhouses and processing factories are the operators to have benefited most from the SAPARD aids within the poultry sector. These aids have enabled the necessary investments to be carried out for sanitary upgrading to standards (installation of air carcass-cooling systems in particular), but also for environmental upgrading to standards (implementation of waste recuperation systems) and for the development of new production technologies (new lines enabling, in particular, the manufacture of processed products).

c. Impact of enlargement on production and intra-European exchanges

The integration of the ten new members into the European Union in May 2004 gave rise to an increase of European poultry production by 21%, and that of eggs for consumption by 22%, which corresponds to the increase in population. Supported by European funds, it favoured the growth of poultry production of the new members, in particular Poland, and thus boosted production and the intra-Community poultry market. It enabled consumption support in the countries entering with a low level of consumption, countries which today have caught up with the average level of consumption of the 15-country European Union. Exchanges between the new entrants and the 15-country European Union were stimulated by the double zero agreements from 2000, at the expense of exchanges with the non-member countries (disappearance of North American poultry on the Polish market in 2004). The weight of the 15-country European Union, the New Member States' main partner was therefore reinforced: the 15-country European Union ensured 32 % of the three countries' poultry meat supplies (Poland, Hungary and the Czech Republic) in 1999 as opposed to 74% in 2006. The exports of the three countries towards the 15-country European Union represented 57% of their poultry exports in 1999 as opposed to 62% in 2006. Given the level of consumption in the New Member States, future production gains among the new entrants will give rise from now on to increased competitive pressure on the intra-Community market.

Conclusions and development perspectives for the European market

In the short term, the perspective seems to be improving for the European poultry sectors, with a return to normal consumption in many countries that were affected by confidence crises during the avian flu crisis, and the reopening of export markets. The large increase of costs of the primary materials in animal food is, however, a worrying factor for these sectors, contributing to the increase in production costs for poultry and eggs and the erosion of margins at each level of the sectors. The new enlargement of the Union to New Member States, Romania and Bulgaria on January 1, 2007, both net importers of poultry, opens new growth perspective for the intra-Community market.

In the longer term, the differences in price competitiveness between the European poultry sector and its main competitors on the international market subsist (see Peter van Horne's communication), calling into question European Union auto-sufficiency in poultry meat. This rate of auto-sufficiency went from 109% in 1998 to 102% in 2006.

In the face of globalisation, the European sectors must be able to stand apart from imported products offering a large and diverse range of poultry products, fulfilling different citizen consumer expectations (which are sometimes contradictory) in terms of service, price, organoleptic quality and origin, while guaranteeing traceability and sanitary safety, which are essential elements today for any food product offer.

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