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Poultry Outlook 2010

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Approved By:
James Dever
Prepared By:
Stefano Baldi

Report Highlights:
The negative effects of the global economic crisis on European (and Italian) meat consumption slowed broiler production growth to 4% in MY 2009 although the broiler industry fared better than the pork and beef industries. Based on available data, broiler meat production is expected to increase in MY 2010 by 4-5%. The broiler industry does not expect significant changes in MY 2010 both in total and in per-capita consumption.

General Information:

I. BROILER MEAT

PRODUCTION

Table 1 – Broiler meat Production, Supply and Demand ('000 MT)

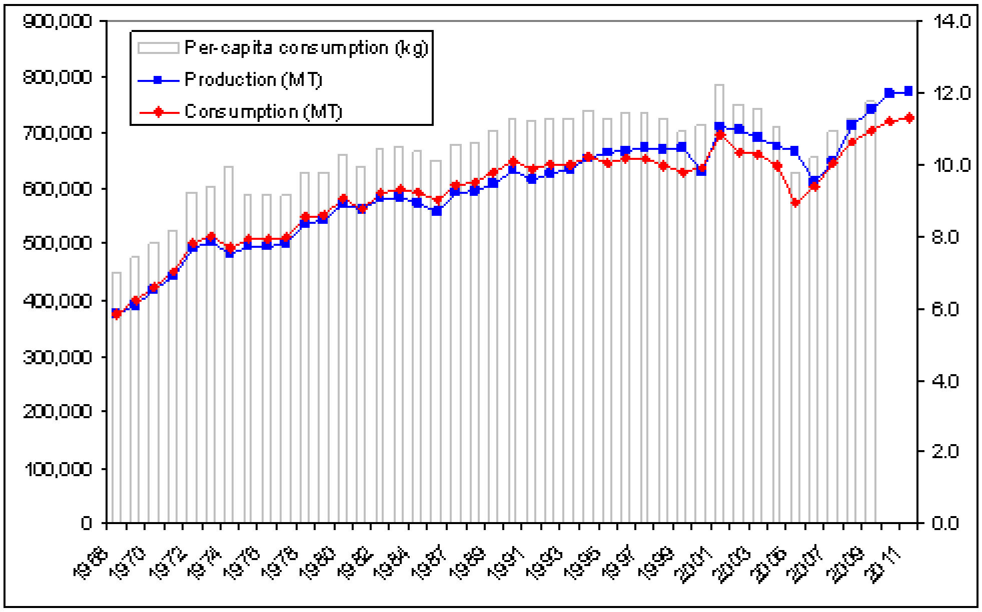
Broilers	Estimate 2009 Marketing year begin: Jan 2009 Current post data	Estimate 2010 Marketing year begin: Jan 2010 Current post data	Forecast 2011 Marketing year begin: Jan 2011 Current post data
Beginning stocks	0	0	0
Production	742	770	775
Intra EU imports	30	27	27
Extra EU imports	3	3	3
Total imports	33	30	30
Total supply	**774**	**800**	**805**
Intra EU exports	44	50	50
Extra EU exports	22	25	25
Total exports	65	75	75
Human Dom.Consumption	709	725	730
Other use, losses	0	0	0
Total domestic consumption	709	725	730
Ending stocks	0	0	0
Total distribution	**774**	**800**	**805**

Italy is the 7th largest poultry producer in the EU-27, with one of the highest average yearly growth rates (+2.7 percent) over the last 5 years. Domestically, poultry production ranks behind beef and pork production in terms of volume and importance. Even so, the poultry industry is very efficient and vertically integrated.

The negative effects of the global economic crisis on European (and Italian) meat consumption slowed broiler production growth to 4% in MY 2009, after a +12% surge in 2008. Nevertheless, the broiler industry fared better than the pork and beef industries, which recorded +1.4% and -0.9% growth, respectively. Poultry better performance is largely due to an increase in domestic demand due to the relatively lower prices for broiler meat compared to other kinds of meat. Moreover, in 2009 a significant fall in feed prices (mainly grains) and energy costs (-10% compared to 2008), combined with increasing prices driven by higher demand, allowed farmers to obtain higher margins. By the end of 2009, domestic supply exceeded demand bringing prices down and hampering the production growth in the first months of 2010.

The short and medium term forecast do not see much change in poultry meat production and consumption. Based on available data, broiler meat production is expected to increase in MY 2010 by 4-5%.

Figure 1 -Production and Consumption Trends



Source: UNA.

CONSUMPTION

After a weak start at the beginning of 2010, demand for broiler meat appears to be picking up despite increased competition from other kinds of meat (mainly pork and beef), which suffered a sharper downturn in 2009 due to the world financial crisis. The broiler industry does not expect significant consumption changes in MY 2010 and expects per-capita consumption to remain stable at approximately 11.5 kilograms.

The industry estimates broiler meat consumption by type of cut as follows: 64%—legs and legs and breasts, 21%—processed products (stuffed chicken, sausages, and hot dogs), and 15%—whole birds.

TRADE

Italy is more-or-less self-sufficient in broiler meat trade, and the small amount of trade is largely intra-EU trade.

Table 2 – 2009 Italian Broiler Meat Trade ('000 MT)

Imports		Exports	
EU-27	**29.5**	**EU-27**	**43.8**

Germany	9.6	Greece	15.1
Netherlands	5.6	Germany	9.8
France	5.5	France	3.6
Spain	2.4	UK	2.6
Hungary	1.3	Austria	2.4
Slovenia	0.8	Netherlands	0.5
Other EU-27 countries	4.4	Other EU-27 countries	9.8
Non EU-27	**3.2**	**Non EU-27**	**21.5**
Brazil	2.6	Benin	8.5
		Albania	4.6
Total	**32.7**	**Total**	**65.3**

Source: Istat.

Sources estimate MY 2010 trade figures not to be significantly different from 2009.

POLICY

The EU began blocking imports of U.S. poultry meat in 1997 because of the use by American processors of what the EU deemed unacceptable levels of chlorine as an antimicrobial wash. Before 1997 U.S. exports of broiler and turkey meat to the 15 countries that then constituted the EU were reported to total nearly 32,000 tons, valued at $44.4 million (€32.9m). Now that the EU consists of 27 countries, estimates value the lost U.S. market between $200m and $300m (€148m-€222m) a year. In May 2007, a poultry meat tariff rate quota rate of 16,665 MT was made available to the United States to try and compensate for lost markets as a result of the EU enlargement.

II. TURKEY MEAT

Figure 2 – Turkey Meat Production, Supply and Demand ('000 MT)

Turkey	Estimate 2009 Marketing year begin: Jan 2009 Current post data	Estimate 2010 Marketing year begin: Jan 2010 Current post data	Forecast 2011 Marketing year begin: Jan 2011 Current post data
Beginning stocks	0	0	0
Production	293	295	295
Intra EU imports	10	10	10
Extra EU imports	5	5	5
Total imports	15	15	15
Total supply	**308**	**310**	**310**
Intra EU exports	50	50	50
Extra EU exports	9	10	10
Total exports	59	60	60
Human Dom.Consumption	249	250	250
Other use, losses	0	0	0
Total domestic consumption	249	250	250
Ending stocks	0	0	0

Total distribution	**308**	**310**	**310**

Italy is the third largest turkey meat producer in the EU behind Germany and France. Although EU-27 turkey meat production has trended downward for the past several years, Italy's production has remained essentially stable despite a slight decrease in 2009. The short term forecast expects near zero growth in 2010.

Although overall poultry meat consumption increased by 2.1% in 2009, turkey meat consumption has been almost flat, a trend that is expected to continue in 2010. About 79% of turkey meat is sold as "selected pieces" (legs, breasts, etc.), 19% as processed products (such as stuffed or roasted turkey, sausages, wurstel and so on), and 2% as whole birds.

ITALIAN POULTRY ASSOCIATION

UNA (Unione Nazionale dell'Avicoltura) is the Italian poultry and egg producers association.

They represent:

- breeding farms
- hatcheries
- poultry and layer farms
- slaughterhouses, cutting and processing houses
- packaging and eggs product processing.

Contact info:
Via V. Mariano 58
00189 Roma
Tel: +39-06-3325-841
Fax: +39-06-3325-2427
http://www.unionenazionaleavicoltura.it/engl.aspx

Abbreviations and definitions used in this report
HS codes for broiler meat:
020711 Chickens And Capons, Whole, Fresh Or Chilled
020712 Chickens And Capons, Whole, Frozen
020713 Chicken And Capon Cuts And Edible Offal, Fresh Or Chilled
020714 Chicken And Capon Cuts And Edible Offal, Frozen
160232 Chicken & Capon Meat & Meat Offal Prep Or Preserved Excluding Livers
MT Metric ton = 1,000 kg
MS EU member state(s)
MY Marketing year: January/December