

Report of the Civil Dialogue Group on Animal Products sector “Poultrymeat and Eggs”

Date of meeting: Thursday 9th October 2014

Chairing the meeting: Paul Lopez

Commission Services represented by DG AGRI and DG SANCO

1. Approval of the agenda and the minutes of the meeting of 25th March 2014

The minutes were approved as circulated. The agenda was approved following the introduction of the points on Trade ((a) Ukraine and (b) information on workshop on TTIP) and the removal of the point on promotion.

2. Civil Dialogue group: functioning

The Chairman informed that on 8th October 2014, Mr David Burns (Copa-Cogeca) Mr. Paul Brand (Celcaa) and Paul Lopez (FoodDrinkEurope) were elected as Chairman and Vice-Chairmen of the CDG on Animal products, respectively, for one year term that can be renewed for one more year. A DG AGRI representative explained the outcomes of the reform of the consultation procedure for agricultural issues:

- ✓ The system of Advisory Committee in place since 2004 has been revised on the basis of Commission Decision 2013/767.
- ✓ In total 68 organisations were selected, 50% being newcomers. 47% of the organizations are non profit organisations according to their classification in the EU register.
- ✓ A better balance (in the past, the share of business representatives amounted to 93% - today it is 53% for them and 47% for NGOs).
- ✓ Improved transparency.
- ✓ A better compliance with the new DG structure following the last CAP reform.
- ✓ The new system is in a "phasing-in" period. Adjustments on working procedure might be needed in the coming months.

The role of the Chair and Vice-Chair.

- ✓ According to the Commission, chairs should be "professional in managing meetings" and steering the discussions. Chairman can bring an assistant to take notes.
- ✓ There were reiterated concerns regarding the diversity of sectors (5) represented in this group, but only three posts in the “presidency”. According to the Commission the chair and vice-chairs have the responsibility to organize the work /chair for each of the groups. Meetings will be organized by the Commission according to availability of rooms.
- ✓ Agenda need to be targeted according to the competence of the Civil Dialogue Group. Point that would be more specific to another group (e.g. international aspects, promotion, quality,...) will be discussed there. It is the responsibility of the chairmen to set the agenda under the supervision /acceptance of the Commission services.

The next steps will be:

- ✓ Rules of procedure: a draft is available, including rules for forecast groups. DG AGRI called for suggestions.
- ✓ Strategic agenda: the CDG on animal products shall decide on the topics for the next 5 to 7 years.
- ✓ CIRCA: Commission to set up one login per Member Organisation

3. Strategic Agenda

The chairman called for close collaboration with the Chairmanship in particular regarding the drafting of the agenda and the strategic agenda:

- The Commission indicates that setting a strategic agenda is a voluntary option for the group.
- The new chairmanship indicated that a strategic agenda might be useful. The chair will work on a draft with the support of the vice chairs and the organizations represented in the CDG.
- Once available the draft would be posted on CIRCA for consultation and be discussed by the various subgroups. It would serve as a basis for the work of the CDG for the next 5-7 years.
- The Chairman called for suggestions but the subgroup did not comment. However, written suggestions by 30th November 2014 will be more than welcome.

4. Internal Market – Latest information on the market situation for poultrymeat and egg and feed market

- a. Update from Forecast Group meeting on 29th September 2014**
- b. Roundtable to get a brief picture of the market in MS**
- c. Feed Market update**

Three representatives from the Commission's services (DG AGRI) presented the market situation for poultry meat and egg and feed market, following the slides sent out to the members of the AG prior to the meeting and available on CIRCA and http://ec.europa.eu/agriculture/markets-and-prices/index_en.htm. The key points presented were as follows:

Eggs and poultry

EU broiler production is set to increase by 3.3 % (11.05 million tonnes) in 2014 and by 0.5% (11.10 million tonnes) in 2015. The weekly EU average broiler price in recent weeks has initiated a downward trend (week 39, 186€/100 kg). It is expected that the price will continue its downward trend reflecting on one hand the recent slight decrease in feed prices, and on the other hand the increase in supply (increase of production and Russian ban). It is expected that the EU average broiler price will remain slightly above the average 2009-2013 but below the EU average price of 2013.

The main sources of poultrymeat imports in the first 7 months of 2014 were Brazil and Thailand, which accounted for 60.7% and 29.9% respectively. The major recipients of EU exports in the first seven months of 2014 were South Africa (12.8%), Benin (10.9%), Saudi Arabia (9.0%) and Hong Kong (8.9%).

EU gross production of eggs is expected to increase by 1.4 % in 2014 and by 0.1% in 2015. In the first seven months of 2014, the weekly price of eggs has been following the previous five-year average (2009-2013), at around 125 €/100 kg. Prices are likely to slightly increase over the coming weeks in line with the historical records.

It is believed that exports of eggs and egg products will increase whereas egg imports will decrease till the end of 2014.

This representative ended her presentation by calling for contributions from the experts of the forecast group and informing that the feed conversion ratio for eggs has been changed from 2.7 to 2.2, as agreed by the forecast group, due to improvement on feed conversion.

World forecast for feed

IGC projects world record due to higher production of wheat in Ukraine, Russian and the EU. It is projected that there will be record oilseeds production due to output of soybeans. US record production is also expected.

Regarding the EU 28 production forecast, the biggest increase is expected to come from soft wheat and maize. World cereal prices have been coming down in 2014 but in the last weeks there has been a slowing down of this reduction/small recovery of feed prices.

Exchange of views on market situation

The representative of producers pointed out that in the opposite direction to the increase of exports in volumes (tonnes), the value of exports has been decreasing. This representative asked the Commission whether the impact of Russian ban and the elimination of export refunds have been taken in consideration.

The representative of Poultry Processors and Poultry Trade underlined that EU used to send limited export quantities and value to Russia, but the ban will come on top of the provisional anti-dumping duty introduced recently by South Africa of 22% for NL and UK and about 70% for DE. In addition, with the abolition of export refunds in July 2013, in particular the French poultry whole chickens produced for the Middle East has been affected. Therefore 30% of our exports are under pressure. These events together with the Russian ban are causing difficulties and decreasing the price of these cuts in the internal market. This delegate concluded his intervention by informing that he would like to present a report on competitiveness (including 9 Member States) in the next meeting.

The representative of European food and drink industry underlined that Russia has been investing in domestic production and consequently domestic production has increased in recent years. He asked if the Commission is planning to launch a case in WTO.

The Commission clarified that the forecast didn't include these two parameters. This representative believes that export refunds will have an impact but were not considered key factors on global trade. The elimination of export refunds will mainly hit exports of frozen products to Saudi Arabia from some exporters, such as France. Concerning the Russian ban the representative pointed out that:

- Russia ranks the fifth in EU export destinations with 8% or an average of 100 000 tonnes of poultry meat, mainly fresh and frozen (92% of total poultry meat exported to Russia) exported by France, Germany, the Netherlands and Belgium (altogether 70% of the quantity). However, the EU exports to Russia are a mix between fresh and frozen valuable bone-in cuts and frozen mechanically separated meat of lower value.
- Nevertheless, since 2009, increased levels of domestic production in Russia to increase the self-sufficiency targets have been limiting gradually the EU exports to this destination (128 000 tonnes less in 2013 compared to 2009).
- The 2011-2013 average value of EU total poultry export is EUR 1.5 billion with Russia accounting for 5% (EUR 75 million).
- Week 37, EU average price situated at 190 EUR/100 kg which is 2.6% lower than the week when the ban was announced yet higher than the 2007-11 average. The largest drop was recorded in Poland (-9.7%). However the movement on prices is not associated to the Russian ban. Feed costs are decreasing and supply balance is adjusting to that. Average producers margins over feed costs are stable and remain well above the five year average.

The representative of Animal Welfare NGO enquired whether the Commission could present the figures of production of laying hens showing the breakdown per production system. The Commission informed that this data could be available in CIRCA as from 31st March.

The Commission delegate also informed that eggs are not part of the Russian embargo. In addition the Commission is studying the possibility to launch a WTO case against Russia but at this stage is not clear what will be the best strategy to follow.

The representative of egg packers, egg traders and egg processors reminded that producers have made a huge investment in enriched cages. Therefore there is a need to use full production capacity to repay the loans to the banks, and this can explain why the life of birds is a little bit longer. Currently in the EU there is a huge pressure from discount retailers to bring prices down with promotions.

Market Situation in each Member State - Roundtable through the participants

In Finland the egg consumption is going up due to the good economic situation, because eggs are considered good and affordable. Nevertheless supermarkets are placing huge pressure on prices. In addition Finland produces its own grain, so this cost hasn't come down, producers have the same costs but the profits are going down. In the poultry sector the price has been decreasing as this country is directly affected by the Russian embargo. Last year, exports to Russia amounted to 2% of the Finnish production.

In Hungary the chicken, turkey and geese sectors are quite balanced. The main problem remains in the egg sector leading to a decrease in production.

The Italian delegate reported that the price of eggs remained unchanged after the summer season. This price represents a drop of 20-30 % in prices when compared to the same period of last year, nevertheless the costs of feed are going down. Furthermore the prices of albumin in the US may help to increase the availability of yolk in the world market and consequently negatively influence the Italian market. Concerning the poultry sector, the first semester was good but the prices went down very quickly in the second part of the year. The production of chicken and turkey has stabilized.

In Belgium the market of poultry is decreasing in volume (1,4%). Cheaper products are sold easier than other more expensive, such as turkey.

The prices in Spain decreased by 3% in 2014. The only good news is the decrease in feed price. In the egg sector retailers are starting a price war and using eggs as a tool. Feed price has been going down but not sufficiently to recover part of the investments on enriched cages. Rabbit as a minor specie is not present in major retailer chains as the product targets a specific niche. The rabbit fur market is more positive and this brings some balance to the sector. Prices for fur have to make up for the meat losses.

On the other side of the border, three companies control most of the market. In Portugal, when young farmers are investing in this sector it is not sure whether they will be able to recover all the investments made. It is forecast a 4,5% increase for egg production. Animal feed and gross margins for producers have improved but can't be compared to 2013, as there is a lot of pressure from retailers to maintain prices very low. The production of meat is stable but chicken meat reached the top of the Portuguese favourite meat.

In Czech Republic, the production of poultry meat has been going down for the last five years. Most of the 100.000 tonnes of imports are coming from Poland and Brazil. The price of cereals remains high. This delegate also informed that retailers are putting pressure to decrease prices.

In the Netherlands, eggs prices are low and this accentuates the producers' dependence on finance due to the huge investments on enriched cages. We understand that Ukrainian products are not in the market yet, nevertheless people are using it to push prices down. In the poultry meat sector the situation is stable even though prices have slightly decreased. We expect the feed price to decrease more but currently this is not the case.

In the first semester Polish poultry production increased by 17%. The prices and consumption have decreased since summer. The current price barely covers production costs and definitely doesn't allow producers to pay the huge investments on enriched cages.

The national poultry market in France is currently quite balanced as consumption has stabilized for chicken. Nevertheless, the consumption of turkey is going down year after year. This delegate expressed some concerns in the future for the export of poultry products, in particular related to the exchange rate. He also pointed out the competition between retailers at the expenses of producers. Retailers think that production costs are going down but that is not always the case. France used to export 200 thousand tonnes because of export refunds. These products are now very difficult to export and consequently a lot of jobs are on the stake right now. We are in a very complex situation.

In Ireland, prices are stable and there is a lot of pressure from retailers to bring prices down as the feed price has been decreasing. Due to the huge animal welfare investments we need prices to stabilize at a higher level to get some return. Cost of production is going down and we don't have any ability to invest this money again in the sector. In Ireland some producers are interested in duck production but for turkey we don't see a future.

In Latvia the production volumes are low. Huge investments for the implementation of animal welfare have been made. The Russian ban has indirectly impacted the Latvian market as Polish products are looking for alternative markets.

The Danish broiler sector market is stable. The prices paid to the producer have slightly decreased but this is not reflected in the consumer prices. Nevertheless broiler sector is performing quite well and production is cost effective. The Russian ban causes some concerns not because of the export direct impact but due to the indirect impact of competition between meats. The pork ban started in the beginning of this year and price of broilers have been going down by 10% on certain cuts that used to go to Russia. This delegate believes that it will have a direct impact on poultry prices in the coming months.

In the United Kingdom, there has been a large expansion with new houses. Biomass and solar panels are going inside the farms due to good packages for biomass and solar panels. There is a huge concentration of production of young chicks in one company (60%). Feed prices are going down and margins have been fairly good.

In Estonia the situation is similar to Finland. The production of eggs has been stable but prices in supermarkets are going down, accompanying the prices of feed.

In Germany, the egg production is very high and probably has reached a peak this year. Imports are very high but prices in some discount retailers have decreased to less than €1 per 10 eggs. Broiler production has increased as well. The South African market became very important and now German sector is dealing with a lot of price pressure and negative growth margins.

The egg market in Austria is changing. There are virtually no cages and most of the production is free range and all use non GMO feed. The main problem is in the processing industry as Austrian products are losing market share to third countries. In the broiler sector, the market is reasonable, when it comes to turkey the domestic market has decreased by 3% in the last years as it's very difficult to make a profit.

The Chairman concluded by summarising that the broiler market is quite optimistic but there are some clouds for the future. He also proposed uniform rules to export. The egg sector reported many difficulties and he advised that the concentration of distribution should be discussed in the future meetings.

5. Promotion of poultrymeat and eggs – Roundtable within stakeholders to present their priorities in terms of promotion

This item was removed from the agenda but the floor was open for questions and comments from the participants. The Commission informed that this point would be tackled in the following meeting of the CDG on promotion and quality.

The delegate of the Poultry Processors and Poultry Trade suggested to include this point in the next agenda as promotion is crucial, especially in a period of uncertainty of export markets. Also this delegate proposed to initiate a discussion on how to promote the new labelling rules that will enter in force as from April 2015.

The delegate from the animal welfare NGO underlined that it would be possible now to identify the meat imported and pointed out labelling per production system as an important issue to be discussed.

6. State of play of the Commission's proposals on animal health, official controls and expenditure

Commission's Official Controls proposal:

- The EP adopted its opinion in April 2014
- The Greek Presidency produced a compromise text on the first Articles.
- The Italian Presidency continued the discussions, producing new compromise texts on almost all Articles and focussing the discussions on the veterinary controls and the financing of official controls. The Italian Presidency hoped to reach a compromise text by the end of 2014.

Commission proposal for the animal health law:

- The EU Commission's proposal was published in May 2013
- The EP adopted its opinion in April 2014
- The Council is still discussing the proposal at the technical level. The Italian Presidency was hopeful of having a mandate for trilogue negotiation (EU Commission, European Parliament, Council) by the end of 2014.
- An agreement might be expected in the early part of 2015.

7. AOB

Trade – roundtable within stakeholders

The representative of Poultry Processors and Poultry Trade informed on a workshop on TTIP and enquired on the state of play of the agreement with Ukraine.

The representative of the Commission informed that the Commission has set up CDG to deal with questions related to international aspects. The representative encouraged the participants to pose questions that will be addressed to DG Trade, the leading DG on this dossier.

The Chairman, on behalf of the CDG, regretted this decision and urged the Commission to promote in depth discussion within stakeholders in the CDG on animal products "sector poultry and eggs". The CDG on international aspects deals with trade affairs in general we should find the right forum to discuss specific points concerning poultry and eggs.

End of the meeting 17:00

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