

COMPETITIVENESS EUROPEAN POULTRY MEAT INDUSTRY

ADVISORY GROUP POULTRY AND EGGS meeting 10 March 2015

**Cees Vermeeren
Secretary General
a.v.e.c.**



NETWORK

A.V.E.C. OFFICE

« EUROPEAN POULTRY HOUSE »

2 Associations covering the poultry chain

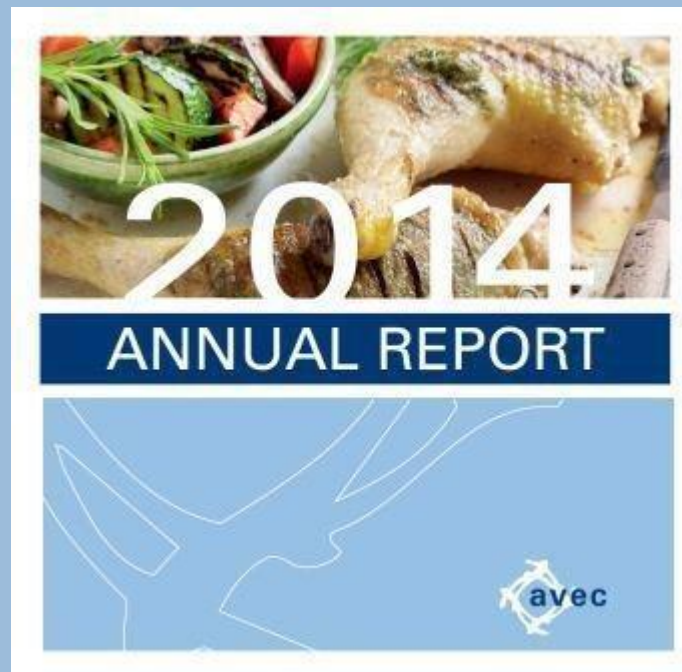
- **AVEC:** Association of Poultry Processors and Poultry Trade in the EU countries
- **ELPHA**
- ❖ **EPB:** European Poultry Breeders Association
- ❖ **AEH:** Association of European hatcheries
- ❖ **EPEXA:** Association of European hatching egg, one-day old and pullet exporters in the EU



NETWORK

ANNUAL REPORTS

<http://www.avec-poultry.eu/annual-reports-overview>



INTERNATIONAL COMPETITIVENESS

STUDY ON THE COMPETITIVENESS OF THE EU POULTRYMEAT SECTOR



2013

<http://www.avec-poultry.eu/system/files/archive/new-structure/avec/Communication/Study%20final%20version.pdf>

or

http://www.wageningenur.nl/upload_mm/c/d/d/ea51d7b4-8a74-4fc7-a2e2-6bcbaf3dd09c_15381_LEI_2013-068%20vHorne_DEF_21%20jan.pdf

2014

<http://www.avec-poultry.eu/system/files/archive/new-structure/Communications/Study%20on%20competitiveness%20of%20poultry%20meat%20sector%20updated%20with%202013%20data.pdf>

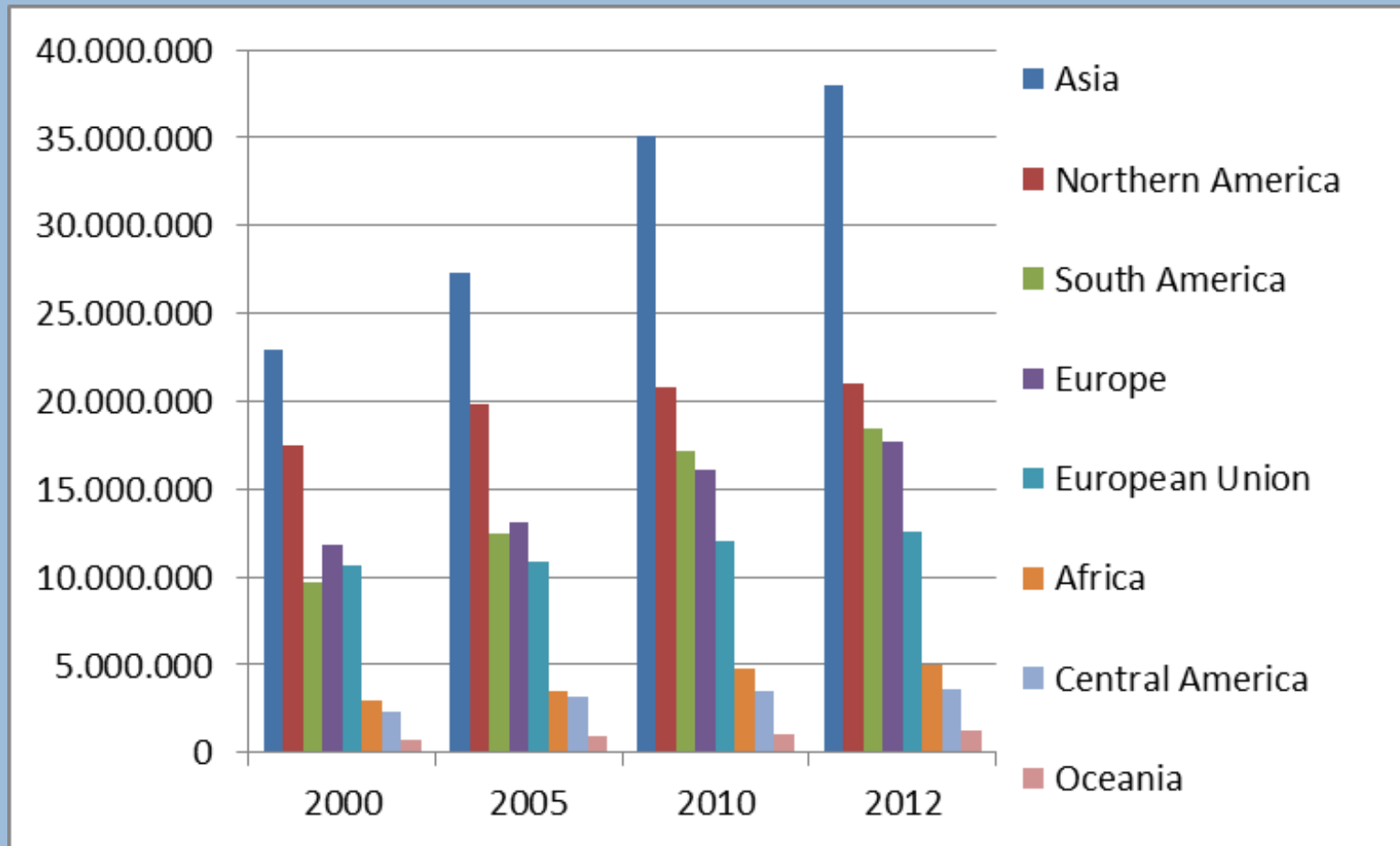
or

http://www.wageningenur.nl/upload_mm/a/2/d/2978fd38-e709-4e18-9c34-c1c1d7489fee_2014-038%20Horne_v5.1_WEB_def.pdf

POULTRY MEAT MARKET

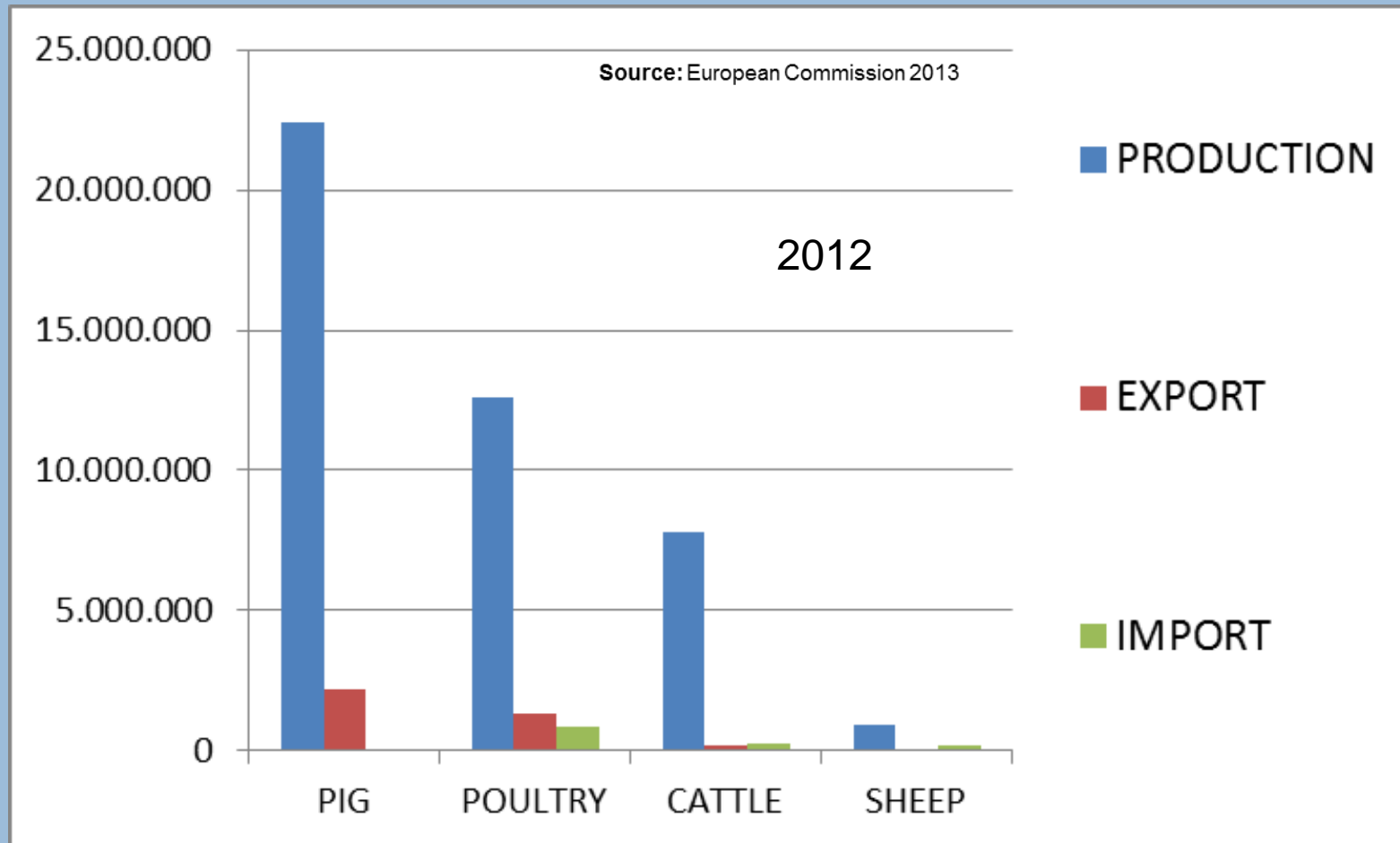
Main producers poultry meat

Source FAO



INTERNATIONAL COMPETITIVENESS

EU Production and trade different types of meat



CONTENT OF THE STUDY

- Employment and economic value
- EU legislation
- **Production costs in selected EU countries**
- **Production costs in selected non-EU countries**
- Imports and exports poultry meat
- **Scenarios on free trade**
- Discussion and Conclusions



EMPLOYMENT AND ECONOMIC VALUE

Number of companies:

- Number of farms: 2,237,000 farms (eurostat, 2010)
- Commercial farms: 19,680 (more than 5000 birds)
- Slaughterhouses: 1970 (eurostat, 2007)

Employment:

- Detailed data of Netherlands, France and Germany
- 23 workers per 1000 ton poultry meat

→ EU-27 employment of 303,000 workers

Economic value

32 billion euro in 2012



EMPLOYMENT AND ECONOMIC VALUE

Economic value: 32 billion euro 2012

sector	Production (mln ton)	Main countries
Broiler	9.9	UK, PL, DE, FR, ES, IT, NL
Turkey	1.9	FR, DE, PL, IT, UK
Duck	0.5	FR, HU, DE
Other	0.6	
Total	12.9	

EU LEGISLATION

- **Environment**
 - Nitrate Directive / IPPC Directive
 - Reduce ammonia emission
 - *Fine dust*
- **Food safety**
 - Salmonella control
 - No meat and bone meal (offal disposal)
 - Ban on growth promoters
 - GMO feed ingredients
 - *Campylobacter prevalence*
- **Welfare broilers**
 - Housing conditions (density / mortality)
 - *Stunning of poultry*
 - *Monitoring welfare indicators*
- **Other aspects**
 - *Origin labelling*
 - *Maximum water content*



LEGISLATION IN THIRD COUNTRIES

(BRA,ARG,THA,USA)

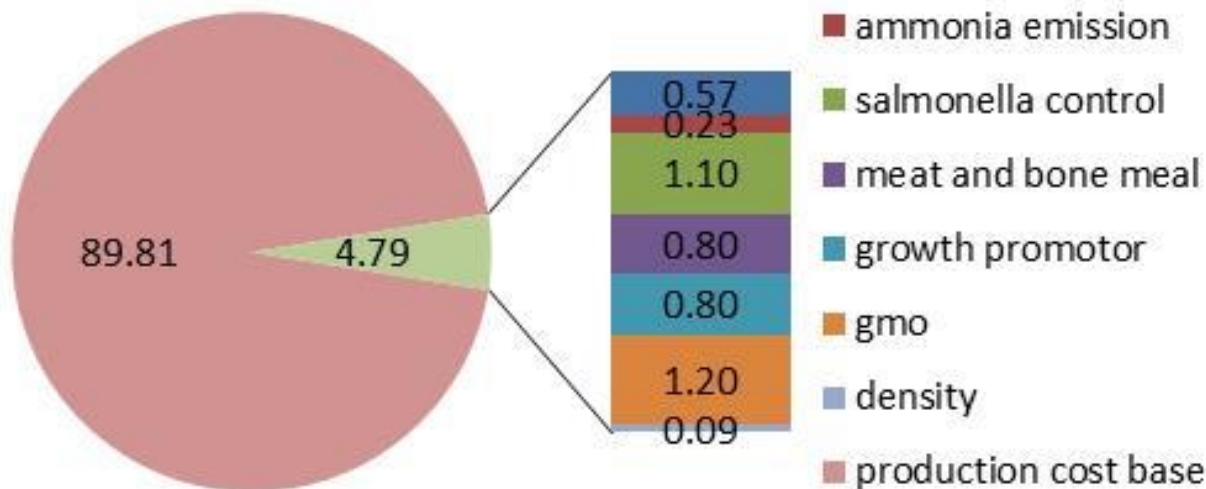
Topic	Policial and Societal interest	Regulation in place	Situation in current practice
Environment:			
Manure disposal	Medium	Differs *	Manure revenue
Ammonia emission	Low	No	No measures
Food safety:			
Salmonella	Medium	Differs **	Limited action
Meat and bone meal	Low	No	MBM is used
antibiotics	Differs	No	Common use AGP
GMO	Low	No	GMOs are used
Animal welfare:			
Stocking density	Low	No	Low densities

* By region / ** by country or for export



EU LEGISLATION

Costs related to EU Legislation at farm level



**Production costs
2011 are 94.6
euro/kg. Share
5%
Difference
between countries**

PRODUCTION COSTS

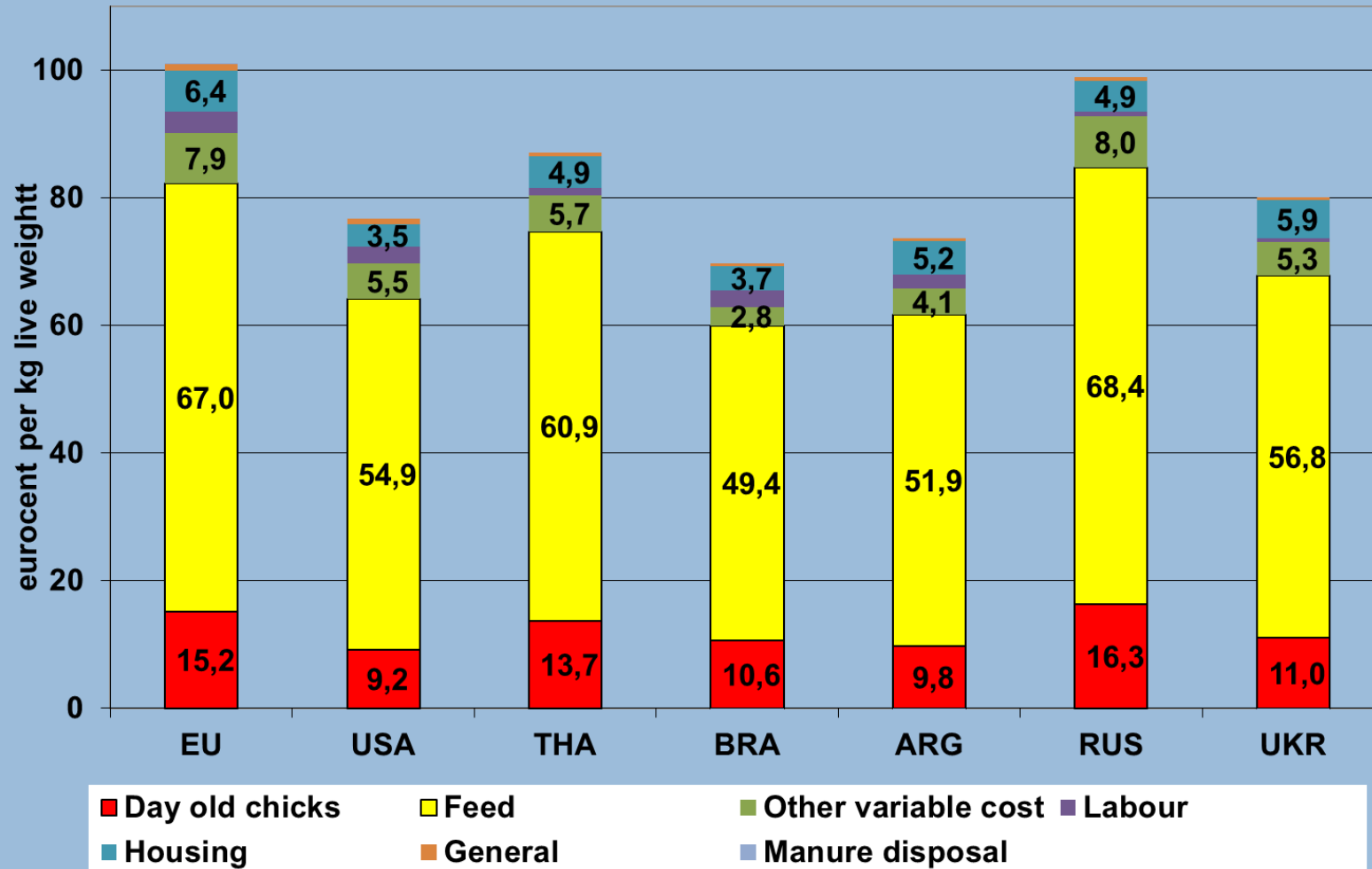
METHOD

- Collecting basic data on production, 2011/2013
- Countries in EU : NL, DE, FR, UK, IT, ES, DK, PL, HU
- Countries non-EU : USA, THA, BRA, ARG, RUS, UKR
- NL calculation method
- Focus on:
 - Farm: feed, doc, mortality, housing, labour
 - Processing: plant, equipment, labour
 - Transport cost to market

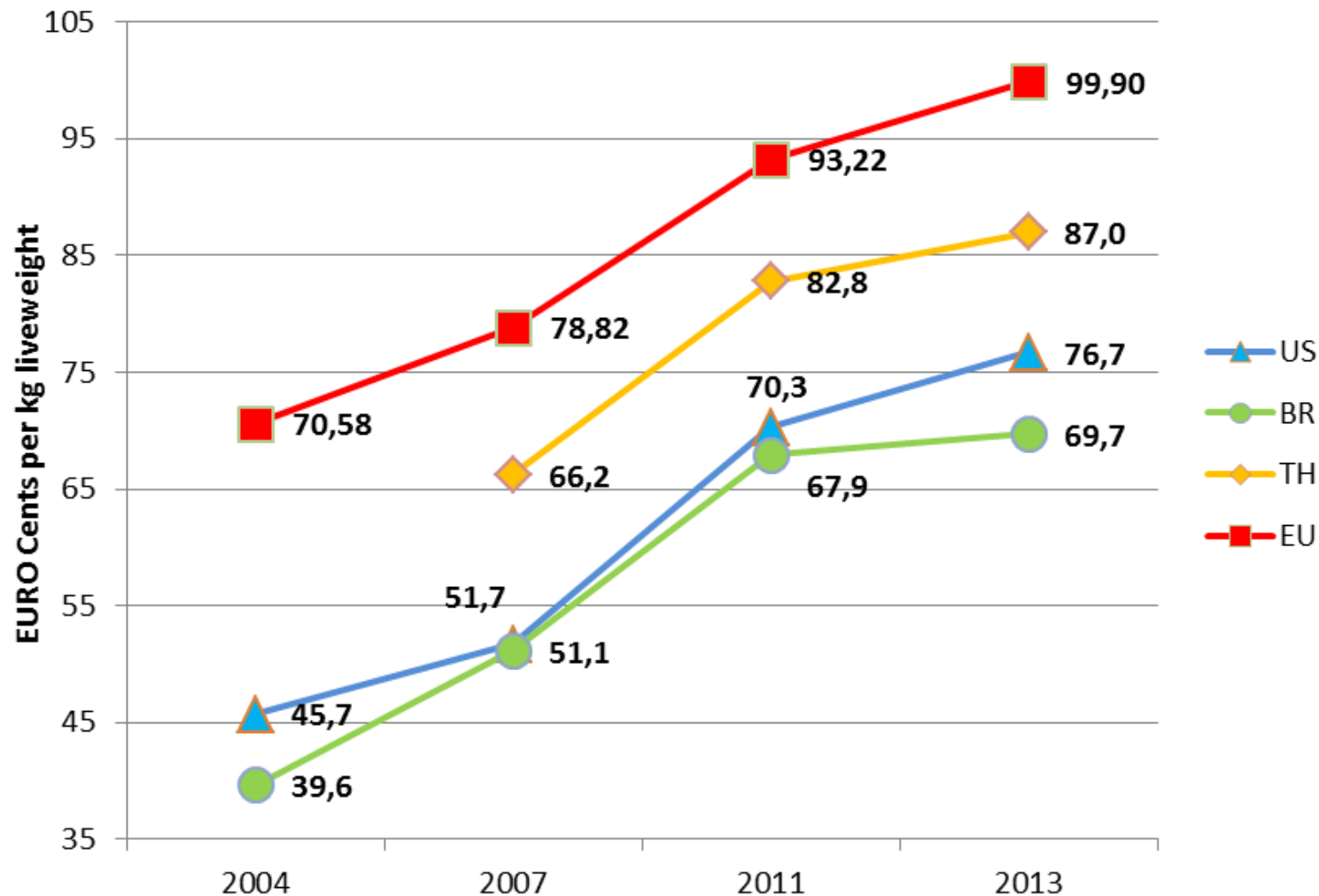


EU AND GLOBAL PRODUCTION COSTS

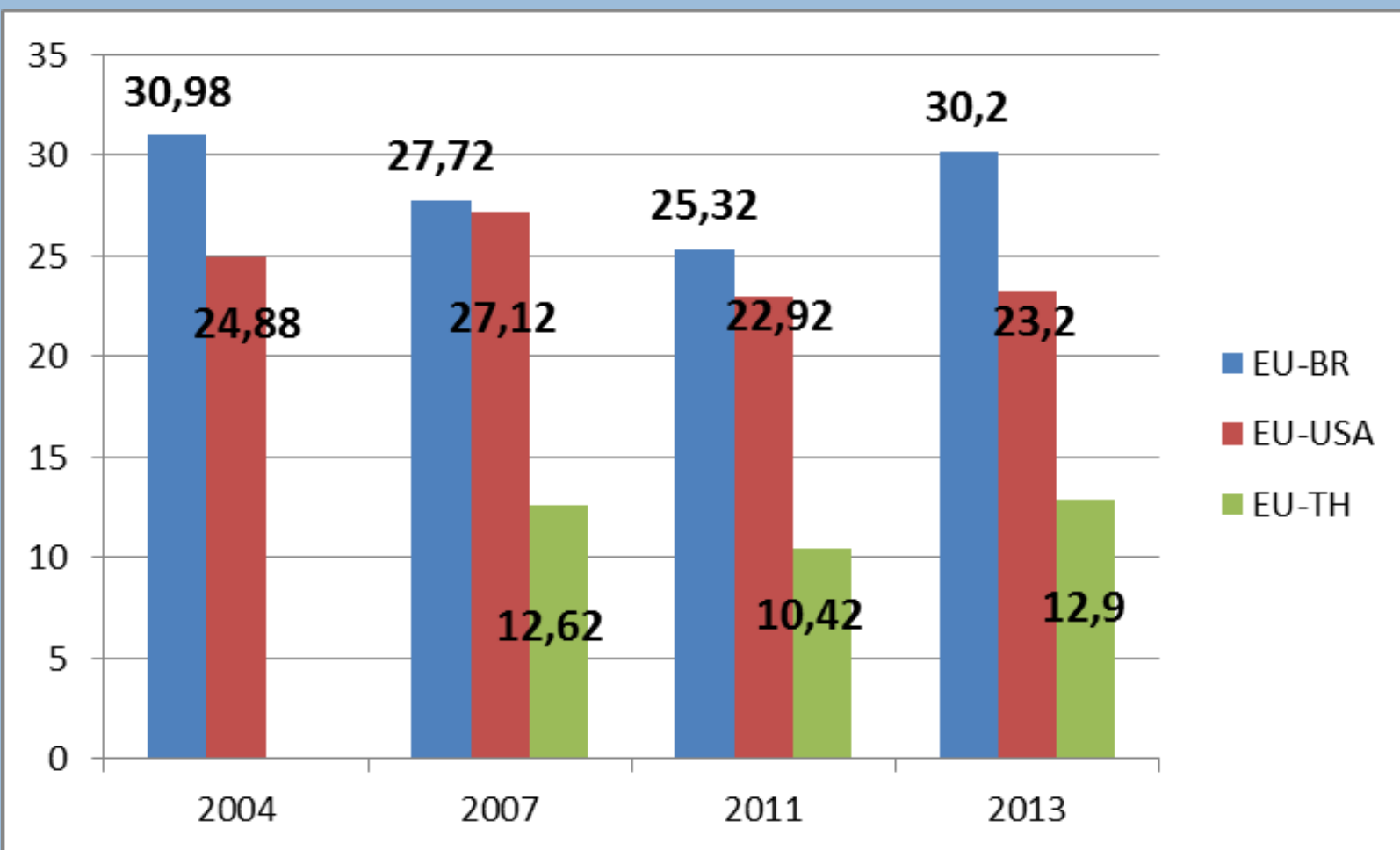
FARM LEVEL €-CENTS/KG LIVE WEIGHT



EU AND GLOBAL PRODUCTION COSTS FARM LEVEL €-CENTS/KG LIVE WEIGHT

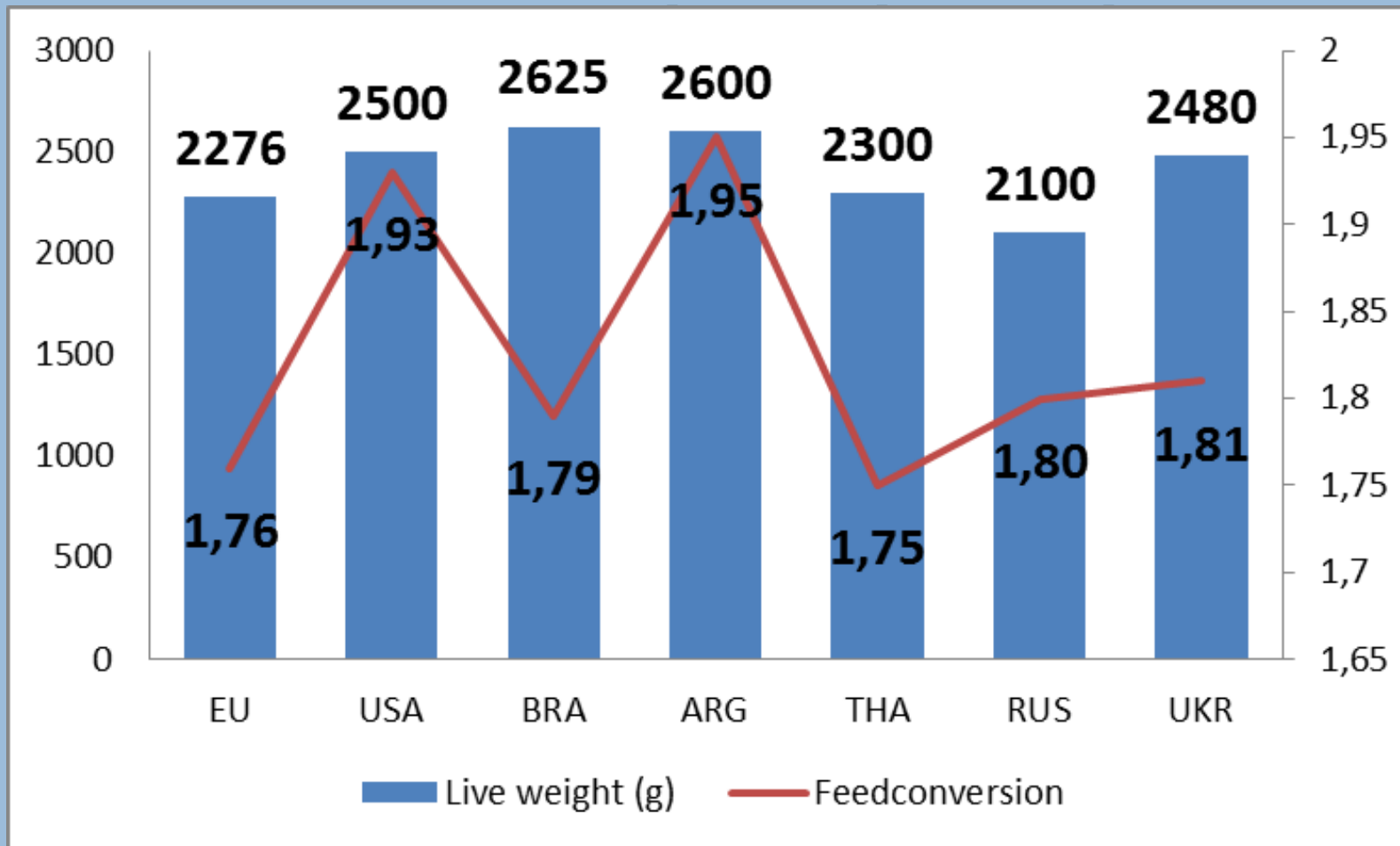


DIFFERENCE PRODUCTION COSTS WITH EU FARM LEVEL €-CENTS/KG LIVE WEIGHT



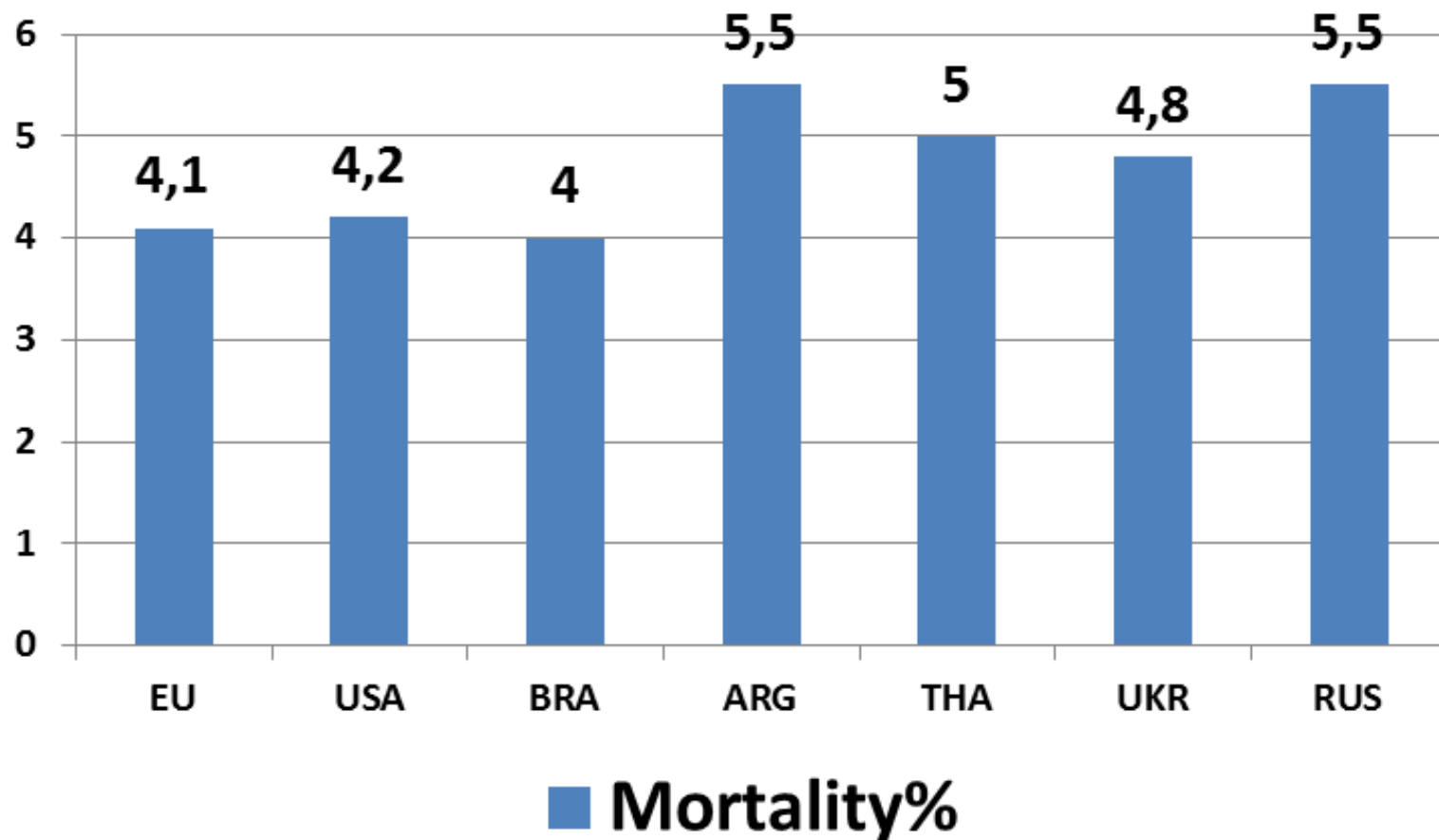
EU AND GLOBAL PRODUCTION COSTS

Basic data broilers farm level 2011



EU AND GLOBAL PRODUCTION COSTS

Basic data broilers farm level 2011



EU PRODUCTION COSTS

Cost at slaughter

- Labor (30%)
- Building
- Equipment and machinery
- Transport live poultry
- Energy and water
- AM and PM inspection
- Package
- Other

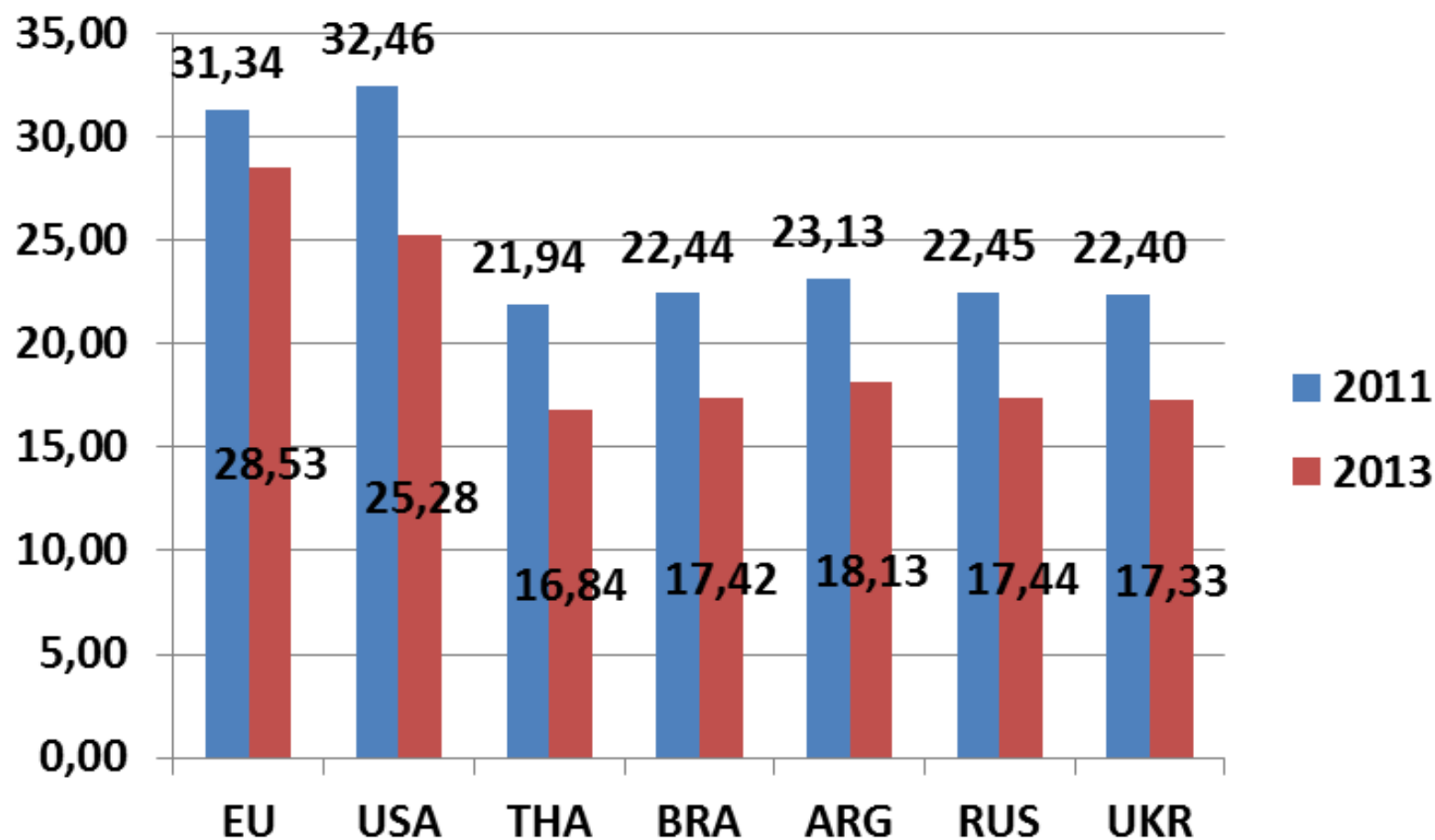
30%

40%



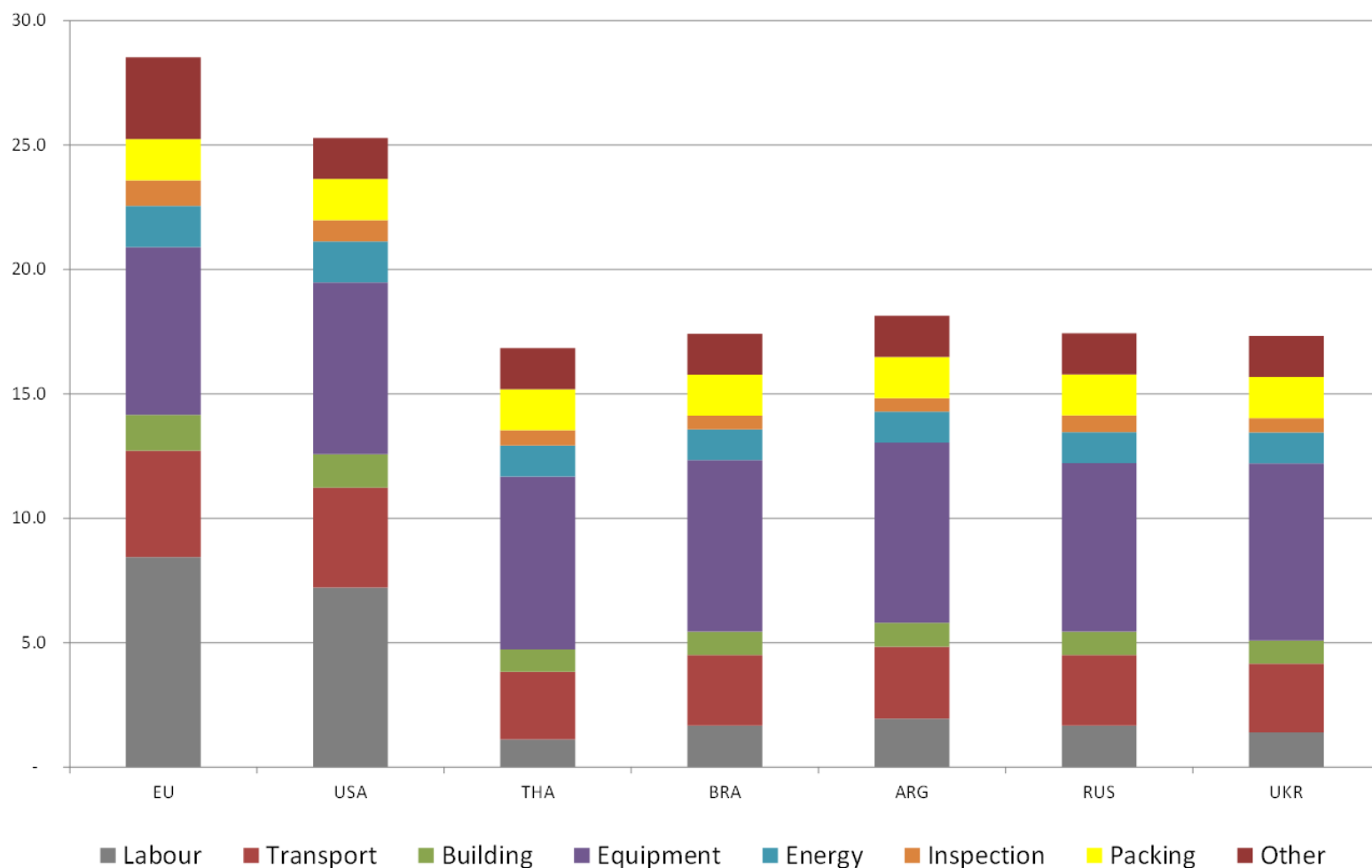
EU PRODUCTION COSTS

Slaughter costs (€-cent/kg CW) – 2011/13



EU PRODUCTION COSTS

Cost at slaughter (Eurocent/kg CW) - 2013



SCENARIOS

- Import tariffs on poultry meat. Reduction as a result of
 - WTO agreement
 - Multilateral or bilateral agreements
- Exchange rates
 - large fluctuation.

Scenario examples:

- 50% reduction in import tariff (no additional levy)
- 10% change in exchange rate to Euro



SCENARIOS

Calculating offer price

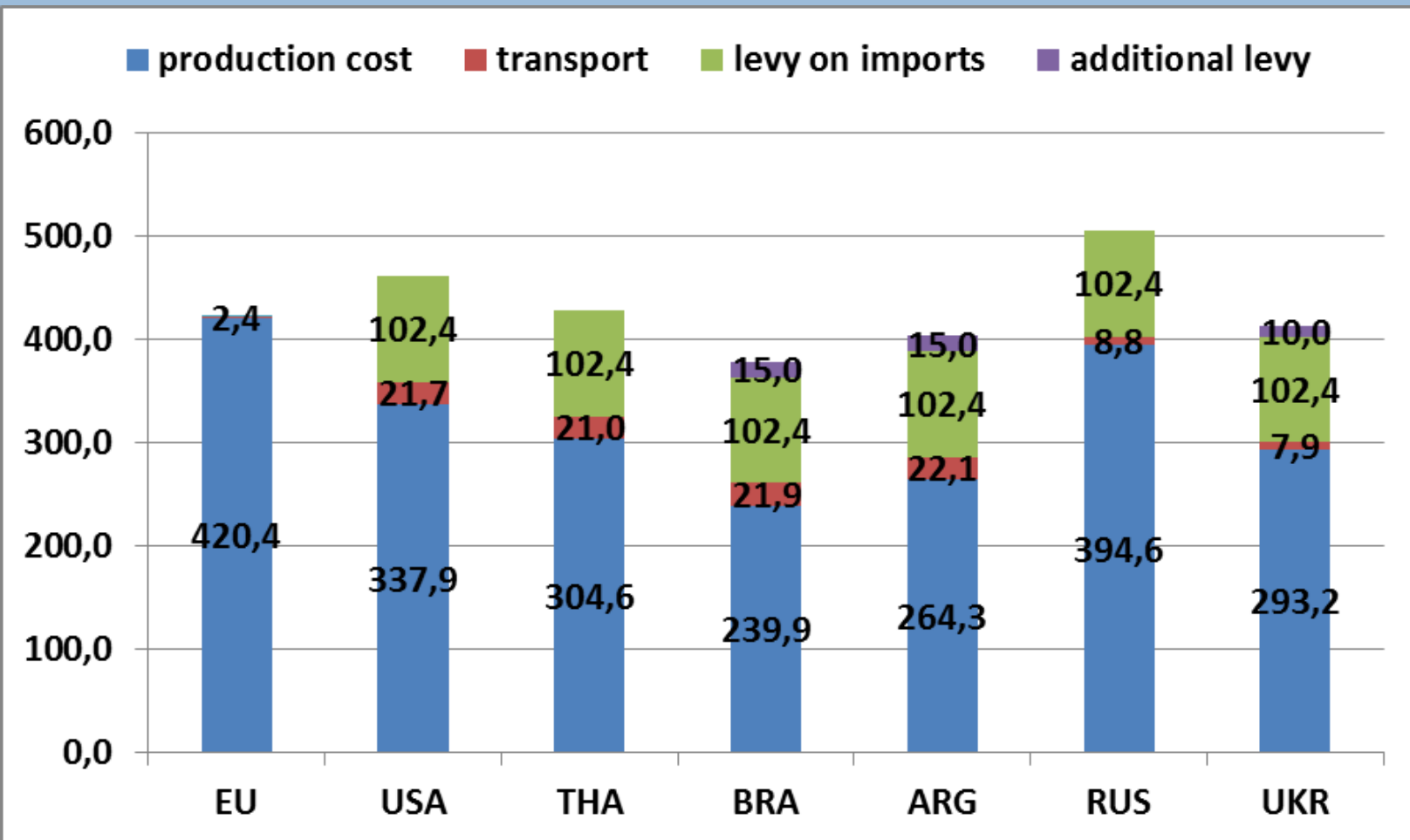
- Production cost farm level and slaughter
- Additional:
 - Cut up bird
 - Deboning breast cap
 - Revenue other parts
 - Revenue offal

→ **Calculated offer price fillet**



SCENARIOS

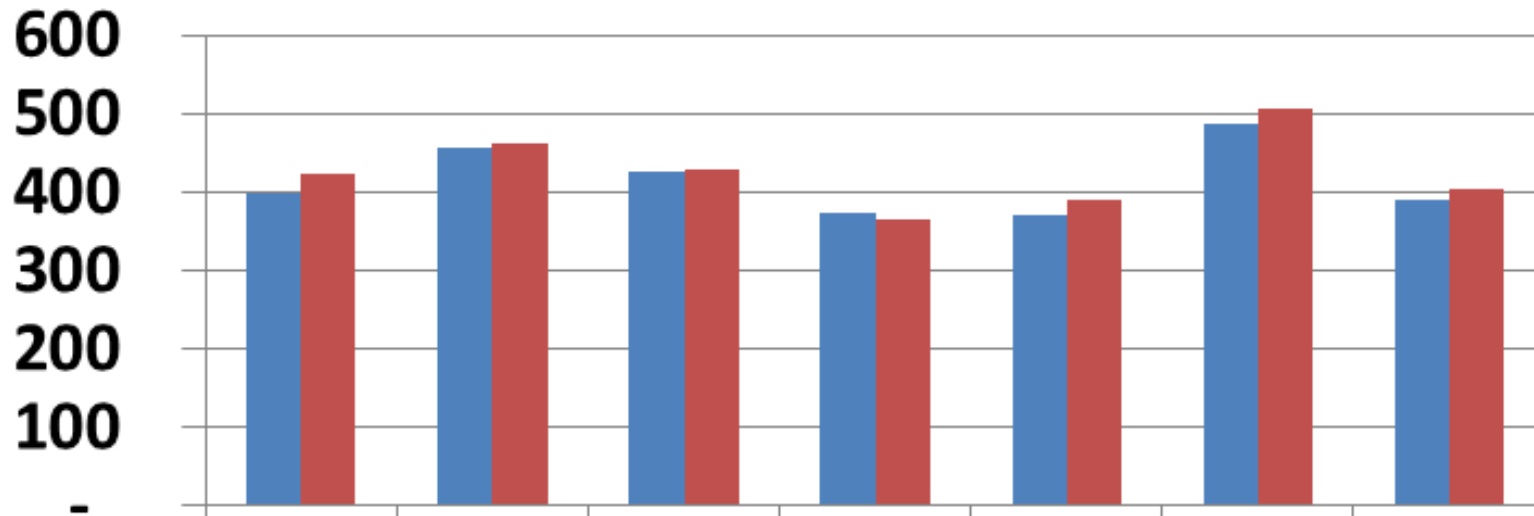
2013 Offer price breast fillet EU and non EU (€/100 kg)



SCENARIOS

Offer price breast fillet EU and non EU (€/100 kg)

■ 2011 ■ 2013



EU
scenario

USA

THA

BRA

ARG

RUS

UKR

100% levy



SCENARIOS

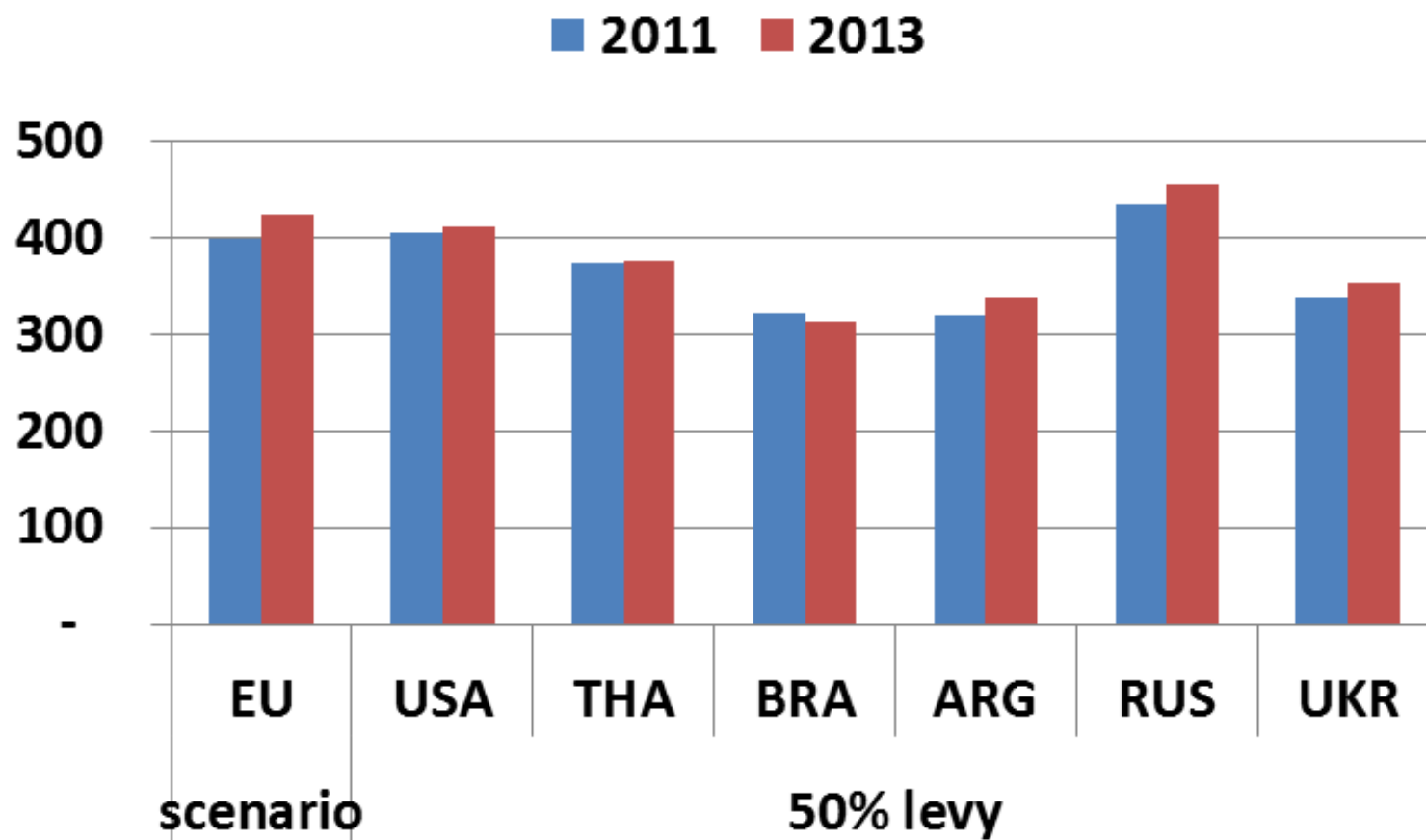
1. 50% lower basic levy, no additional levy
Offer price breast fillet EU and non EU (€/kg)
2. 10% lower exchange rate to the Euro
Offer price breast fillet EU and non EU (€/kg)
3. 50% lower basic levy and 10% lower exchange rate. Offer price breast fillet EU and non EU (€/kg)



SCENARIOS

50% lower basic levy, no additional levy

Offer price breast fillet EU and non EU (€/100 kg)



SCENARIOS

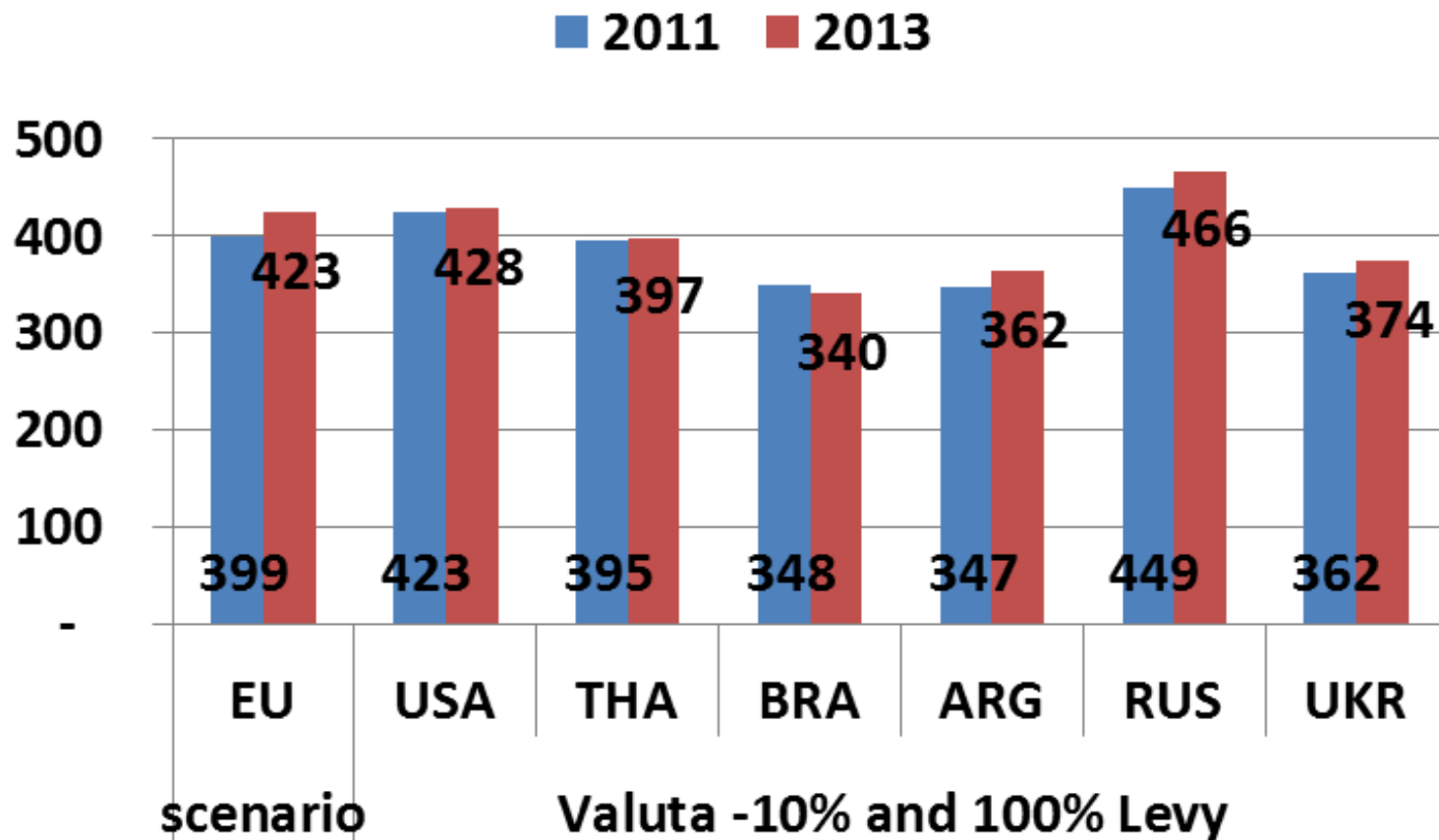
exchange rates to Euro

currency exchange rates	2011 data	2013 data	21/03/2014	17/02/2015	1€ =
Ukraine Hryvnia	0,09	0,0943	0,069	0,056	17,99
Russian rouble	0,0244	0,0237	0,020	0,014	71,89
US dollar	0,714	0,7541	0,727	0,876	1,14
Brazilian real	0,43	0,3524	0,310	0,310	3,23
Argentine Peso	0,174	0,1398	0,091	0,101	9,91
Thai baht	0,023	0,0246	0,022	0,027	37,19



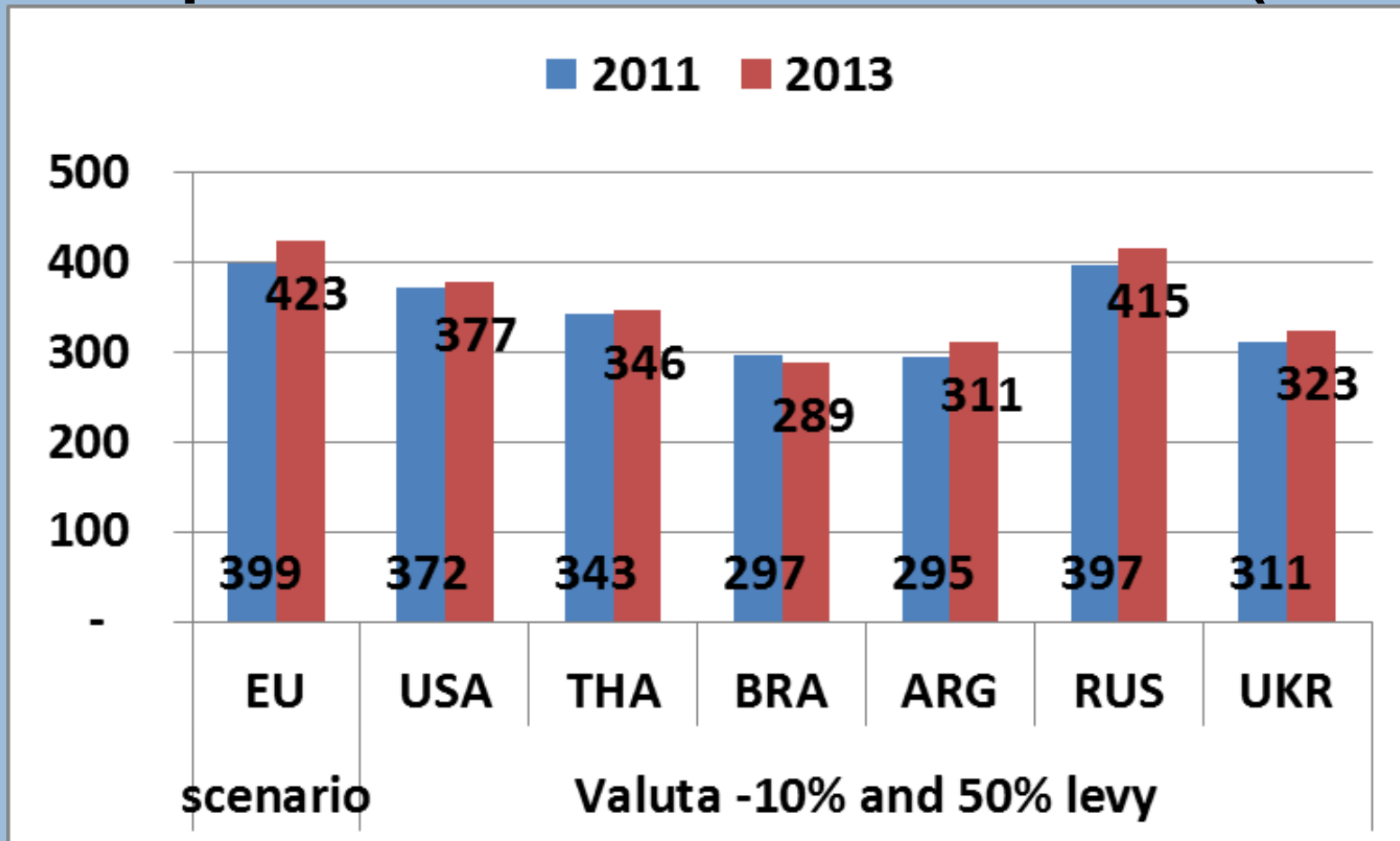
SCENARIOS

10% lower exchange rate to the Euro
Offer price breast fillet EU and non EU (€/100 kg)



SCENARIOS

**50% lower basic levy and 10% lower exchange rate.
Offer price breast fillet EU and non EU (€/100 kg)**



SCENARIOS

Import trade in 2014 of poultrymeat

Imports – 0207: 136.826 tons

Of which: 86.865 tons boneless cuts

Quota : 96.027 tons

In addition imports of

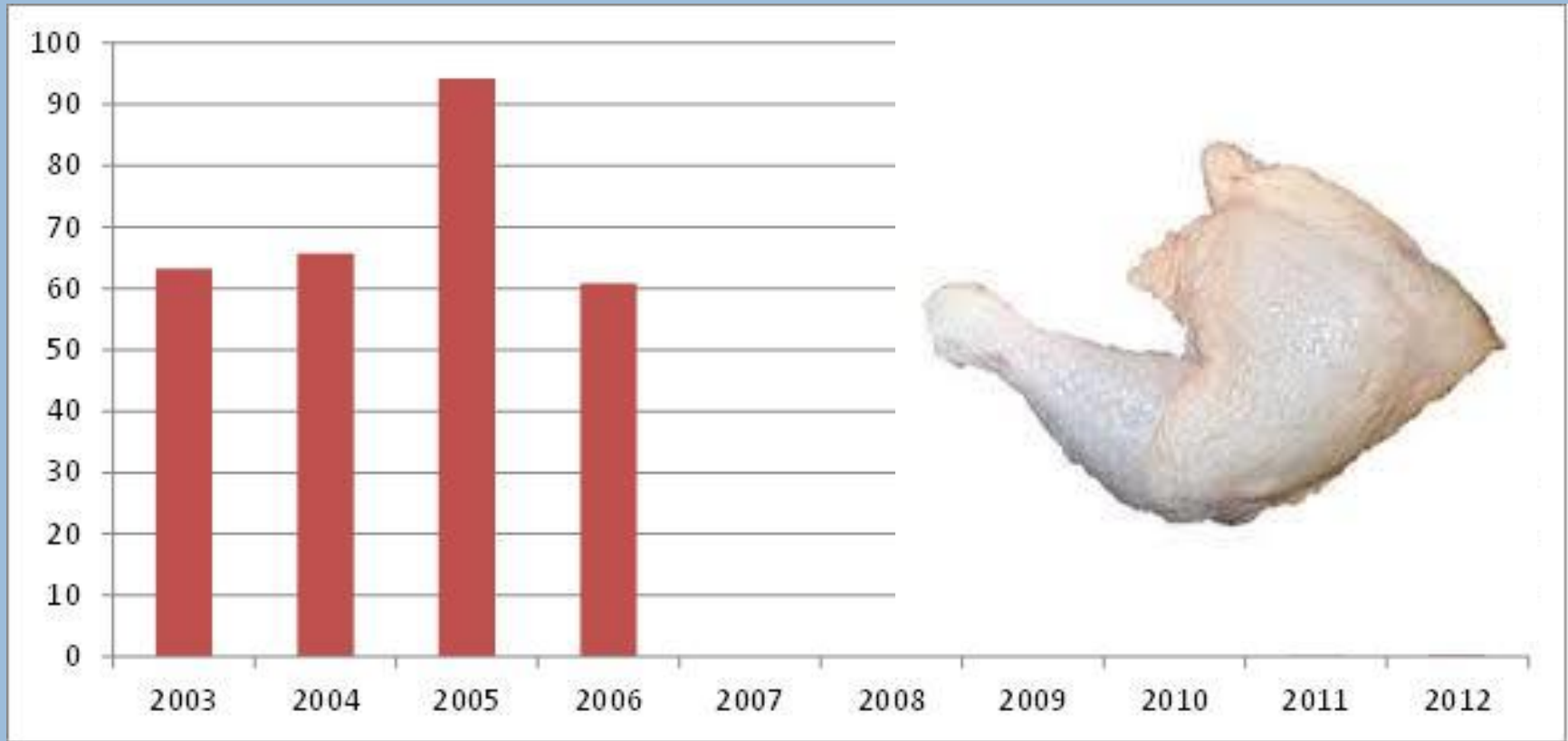
0210 – salted: 254.002 tons

1602 – prepared: 311.151 tons



SCENARIOS

EU-27 Imports leg meat from USA (1000 ton)



INTERNATIONAL TRADE - COMPETITIVENESS

CONCLUSIONS OF THE STUDY and update

- Poultry meat sector is important economic factor in many EU countries: production value of 32 billion euro and more than 300,000 persons employed.
- Many EU regulations on environment, food safety and animal welfare. Some countries with additional national regulations.
- In 2011 estimated costs of EU regulations is 5% of production cost (farm level). More regulations in 'pipeline'
- Third countries: no or very little legislation



INTERNATIONAL TRADE - COMPETITIVENESS

CONCLUSIONS OF THE STUDY

- In EU relatively small differences in production costs (+ or – 5%).
- Third countries have significant lower production costs farm and slaughter:
 - Brazil: -29% in 2011 and -32% in 2014
 - Argentina: - 29% in 2011 and 2013
 - Ukraine: -23% in 2011 and -24% in 2013
 - USA: -20% in 2011 and -22% in 2013
- Import of high value breast fillet / boneless breast meat
- Quota and Import levies protect EU from large volumes of imports of poultry meat.



INTERNATIONAL TRADE - COMPETITIVENESS

CONCLUSIONS OF THE STUDY

- Scenarios with lower import levies (e.g 50%): lower offer price of breast fillet: clearly below EU level for Brazil, Argentina, Ukraine and Thailand.
- Fair competition? Due to public concern in EU legislation that does not or little exist outside EU.

Future perspective

- Further increase of legislation?
 - Lower import levies or more market access
- Weaker competitive position for EU poultry meat industry



IMPORT QUOTA

ATTENTION POINTS



- **POULTRY: SENSITIVE PRODUCT**
- **SINGLE POCKET**
(bilateral versus multilateral)
- **REDUCED DUTY VERSUS DUTY FREE**
- **EQUAL/FAIR ALLOCATION**
(whole, cut with bone and boneless)