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Directorate G. Markets and Observatories
The Director

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MINUTES CDG

Meeting of the CDG on Animal Products – Poultrymeat and eggs

25 November 2021

Chair: Michael SCANNELL, Deputy Director General

Delegations present: all organisations were present, except AnimalhealtEurope, Beelife, BEUC, Birdlife, EFNCP, EMB, EuroCommerce, EFFAT and EPHA.

1. Approval of the agenda

The draft agenda was approved, after the Commission representative explained the new rules of procedure adopted by the CDG on Animal Products for the transition period running until the end of 2022.

2. Update on EU trade negotiations

The Commission gave an update on EU's agricultural trade performance and ongoing trade negotiations.

Despite Covid-related trade disturbances, the EU agricultural trade balance remained positive in 2020 and EU exports rebounded significantly in 2021. Positive results are due to several factors, including successive CAP reforms aligning EU and world prices, population growth in export markets, EU reputation and importantly the EU's active trade policy (40 FTAs concluded with 78 partners). The Commission is currently working on bringing into force several FTAs (Mexico, Chile, Mercosur). The FTA with Ukraine is under review and the Commission is well aware of poultry and eggs sensitivities. The Commission is committed to defend legitimate trade interests, as demonstrated by the dispute settlement launched by the Commission against safeguard measures on EU poultry imposed by South Africa and it is continuously pushing trading partners to remove unjustified SPS barriers (South Korea, China). Aspects of sustainability (e.g. deforestation, social aspects, animal welfare) are of high priority in negotiations. The EU is committed to consider the application of sustainability standards to imports, within the framework of the WTO. To this end, the Commission in 2022 will submit to the EP and the Council a report on the application of EU health and environmental standards for imported agricultural and agri-food products.

In relation to EU imports, stakeholders reiterated concerns on the cumulative impact of poultry imports under different TRQs, stressing that poultry is the most liberalised sector of all meats. The sector linked the Mercosur agreement with deforestation. Stakeholders pointed at lower production standards in third countries while the Farm to Fork Strategy further increases EU standards and production costs for EU producers. Stakeholders enquired about, the recent Brazil's WTO request for consultations with the EU on salmonella food safety criteria in poultry and, on the latest antidumping investigation against exports of poultry from several EU Member States launched by South Africa. Some stakeholders also reported issues with prelisting poultry establishments for exports to Mexico and Chile.

The Commission recalled that the poultry and egg sectors are considered as sensitive, thus market access negotiated in all FTAs is limited through TRQs. The Commission indicated that the Commission is engaging with Mercosur on an additional protocol addressing contentious issues. The Commission is confident of the WTO-compatibility of its salmonella food safety criteria that are science-based and not discriminatory. On trade issues with South Africa, the Commission will pursue its efforts. On the prelisting of establishments for exports to Mexico and Chile, the Commission is aware of the problem and works actively in cooperation with Member States to resolve it.

3. Market situation and prospects

a) Latest information on the market situation for feed

The International Grains Council (IGC) projects world total grains production at an all-time high of 2,287 million tonnes (+3.4% year-on-year) driven by expected record wheat and maize harvests. However, consumption, boosted by strong demand for feed use in particular, is also forecast at a new peak (2,290 million tonnes; +2.9%). At the same time stocks in major exporting countries are expected to tighten.

Poor harvests of several major crops in Canada, as well as much lower maize production in Brazil than initially projected, coincided with a sudden and sharp increase of Chinese feed imports, especially of maize and barley. Among others, these elements have contributed to a significant increase of cereals prices during past 12 months. Given the rapidly increasing prices for fertilizer and other inputs, the outlook is rather uncertain for the 2022/23 production cycle.

World soya beans production is forecast at a record level in 2021 with demand also reaching new highs. Moderately higher stocks and good harvests in the major producers limited price increases. Supplies are however much tighter for rapeseed and sunflower seed and prices increased sharply year-on-year.

b) Market situation for poultry meat including short term outlook

The Commission presented the short-term forecast for EU poultry meat and rabbit meat production and the most recent market data.

According to the expert forecast, EU total poultry meat production should see a minor decline in 2021 (-0.6% year-on-year) followed by return to a moderate growth in 2022 (+1.2% year-on-year). Decline in 2021 should be mainly driven by drops in turkey and duck production (-3.6% and -0.2%, respectively) while in 2022 production growth is expected for all poultry species. Rabbit meat production is expected to drop this year (-6.4%) followed by another smaller drop in 2022 (-2.2%).

By August 2021, EU cumulative poultrymeat production kept declining, albeit at lower rate than over previous months (-3.4% year-to-date). Production saw a drop in most Member States, including in all major producing countries. A combination of factors is behind this development: Covid-19-related drop in demand in Q4 2020 and Q1 2021 and the prolonged AI epidemics in the 2020-21 season together with elevated feed costs led to a prudent production strategy adopted by the EU poultry sector this year. EU broiler prices were gradually increasing from the start of the year, peaking in June at exceptionally high levels. Currently, broiler prices are again on the rise, well above last year (+14%) and historic average (+12%), driven by sustained domestic demand in a context of restricted production.

EU export performance over January-August 2021 remains hampered by lasting avian influenza-related restrictions (down -13,3% in volume and -3.1% in value) while the recent wave of avian influenza outbreaks hitting commercial poultry holdings in numerous Member States risks prolonging restrictions for the months to come. Imports are down as well (-3.6% in volume and -17.3% in value), resulting in the EU trade balance largely positive, both in volume and in value.

On EU trade balance, some stakeholders recalled that improvement of the EU trade balance in value is largely affected by Brexit as the EU traditionally exports to the UK high value breast meat. Some stakeholders expressed concerns over negative impact of repeated avian influenza epidemics on EU producers and poultry trade due in particular to unjustified trade barriers raised by trading partners. In their view, possible solution may be avian influenza vaccination programme on a global basis, coordinated by the OIE, to avoid trade restrictions – stakeholders call for research into this issue.

c) Market situation for eggs including short term outlook

The Commission presented the short-term forecast for EU egg production and the latest market data.

Production forecast by MS experts for autumn indicate a slight increase in egg production of +1.6% in 2021 followed by a marginal drop in 2022 (+1.4% year-on-year). This minimal decline in 2022 production growth is driven by the forecasted drop in egg for consumption from the current 1.8% to 1.6%, but an increase in hatching egg production from -0.7% in 2021 to +1.6%.

As regards farming method, more than half of laying hens were farmed in alternative systems to enriched cages in 2020, although in 17 Member States over 50% of laying hens were reared in cages.

Over the last month, prices have levelled off after the sharp increase from August to October. At 139.5€/100kg in week 46, they are 13% higher than last year's prices but have slipped, for the first time since March, below the five year historic average (-4.3%). EU egg prices seem to be holding well with a solid domestic demand, aided by increasing exports and a drop in imports. However, this may change in the coming weeks with the return of covid-19 restrictions in more Member States and the current avian influenza outbreaks affecting exports due to trade restrictions.

EU export over January-September 2021 has increase by 21% compared to 2020, with positive increases across all countries except for a drop in exports to Switzerland and Israel. Imports were down by -23% over the same period, driven by declining imports from most countries, most notably from our main trading countries Ukraine, USA and Argentina. The EU trade balance remains largely positive, both in volume and in value.

Exports of hatching eggs went up by +8.2% from January – September compared to last year, whilst exports of one-day old chicks were down by a -0.7% during this period.

4. EU-UK trade and TRQ negotiations

The Commission presented the poultry and egg trade developments with the UK over the period from January to August 2021. The UK poultry and egg market is significant for the EU. The UK remained the first export destination for poultry and eggs, accounting for 31% and 18%, respectively of total EU export volumes. It remained also the main import origin for poultry and eggs with 35% and 52%, respectively, of volumes imported into the EU. Although a decline in EU poultry and egg exports and imports to/from the UK had been observed since January 2021, trade is normalising with gradually increasing volumes traded over the January-August period.

The Commission gave an overview of apportionment of poultry and egg TRQs between the EU and UK. The principle of the joint approach used by the EU and the UK to split the EU WTO TRQs, was that the new EU-27 and UK volumes could not exceed the original EU-28 volumes. It further explained subsequent negotiation process undertaken by the EU and UK with the WTO partners having negotiation and consultation rights under WTO rules, which may lead to a further adjustment of certain TRQ quantities. It clarified that the negotiations were finished with Thailand and Argentina while negotiations with other WTO partners are still ongoing.

In the subsequent discussion, it was highlighted, that the status of Northern Ireland needs special attention, bearing in mind the current negotiations between the EU and the UK relating to the Northern Ireland Protocol.

5. Societal benefits of modern poultry meat production in the EU

Prof. H. von Witzke presented the results of a scientific study from 2017 on economic and environmental impacts of modern poultry production systems in the EU. The research question was: what would happen if the EU discontinue modern poultrymeat production. The study compared the effects of modern poultry production with those of "extensive" or organic poultry production. The "extensive" production was defined as using slower growing breeds, with lower feed efficiency, lower stocking densities, and higher labour input. The main assumption was a 100% shift from modern poultry production to one of the two alternatives.

The main outcomes of such modelled situation would include a rise of EU production costs, drop in EU supply, rise in EU prices but less than production costs, drop of EU producers' income, EU production partly replaced by foreign production. As EU feeding efficiency is high while average feeding efficiency in the rest of the world is low, the replacement of EU production by foreign production would cause additional expansion of the global agricultural area with corresponding negative consequences on additional loss of natural habitats and biodiversity globally, additional GHG emissions, and additional water consumption. The research thus argues that replacing modern poultry production systems by ”extensive” or by organic production would lead to major economic losses to the EU poultry sector and, at the same time, to substantial environmental damage to society at large far outweighing pure economic losses.

While the Chair acknowledged that the research may be considered as a useful contribution to the debate on sustainability of poultry production, the presentation triggered mixed reactions from CDG participants. On its methodology, it was pointed out that the research did not take into account potential changes in consumption patterns. It was also recalled, that the EU is aware of potential negative environmental impacts of imported products and working to address this issue (e.g. recent proposal on EU rules on EU-driven deforestation, see under point 6 below, or planned framework legislation for a sustainable food system). Some stakeholders insisted on environmental and animal welfare benefits of alternative poultry production (high diversity of poultry strains with robust breeds resulting in limited use of antibiotics, low use chemical pesticides or fertilizers in feed production) while several stakeholders argued that in the EU there is room for all types of production systems. Others also reminded negative environmental impact of intensive poultry production associated with substantial imports of feed and concentration of production and argued for a change in consumption habits by eating less meat and reducing food waste. Some stakeholders also point to a fact that although there seems to be a broad wish in the EU for higher animal welfare, this is not always translated into real consumer purchasing decisions.

6. State of play of the proposal for EU rules on certain products associated with deforestation and forest degradation and the linkages with the poultry sector

The Commission gave an update on the recent Commission legislative proposal aimed to ensure that imported products and value chains do not involve deforestation and forest degradation. The general aim of the framework is to minimise the EU’s contribution to deforestation worldwide, thus reducing EU-driven GHG emissions and biodiversity loss. Following an impact assessment, the proposal covers six commodities: palm oil, soya, wood, cattle, cocoa, and coffee, and some derived products (e.g. leather, chocolate, furniture) and applies to both domestically produced and imported commodities. The intention is to cover a progressive scope of commodities and products, which can be regularly updated. It introduces a “cut-off date” of 31 December 2020: commodities produced on land subject to deforestation after that date would not be allowed to enter the EU market. The proposal introduces mandatory due diligence rules for all operators that place the commodities on the EU market or export them from the EU. The Commission highlighted that poultrymeat is currently not covered while soya, a major feed source for poultry, is included. The Commission’s legislative proposal is submitted to the EP and the Council.

7. Update on the CAP reform and the Farm to Fork Strategy

The Commission presented interconnections between the CAP reform and the Green Deal and Farm to Fork Strategy. Currently, Member States are developing their CAP plans that have to be submitted by the end of 2021. Commission official observations on the plans will be publicly available. Several studies (inter alia JRC study) have shown different partial impacts of the Green Deal and Farm to Fork Strategy, varying according to the approach chosen.

The Commission highlighted a range of possibilities to support sustainable poultry and egg production within the new green architecture of the CAP. In particular, new funding possibilities were highlighted under sectoral interventions through operational programmes set up by producer organisations. Further possibilities continue to be available under rural development for targeted animal welfare measures, but also for better infrastructure or training and knowledge transfer.

(e-signed)

Michael SCANNELL

List of participants– Minutes

Civil Dialogue Group ANIMAL PRODUCTS – Poultrymeat and Eggs
25 November 2021

MEMBER ORGANISATION	NUMBER OF PERSONS
AnimalHealthEurope	--
Beelife	--
Bureau Européen des Unions des Consommateurs (BEUC)	--
EuroCommerce	--
Eurogroup for Animals	**1**
European agri-cooperatives (COGECA)	**7**
European Coordination Via Campesina (ECVC)	**1**
European Council of Young Farmers (CEJA)	**3**
European Environmental Bureau (EEB)	**2**
European farmers (COPA)	**8**
European Federation of Food, Agriculture and Tourism Trade Unions (EFFAT)	--
European Forum on Nature Conservation and Pastoralism (EFNCP)	--
European Liaison Committee for Agriculture and agri-food trade (CELCAA)	**7**
European Public Health Alliance (EPHA)	--
European Rural Poultry Association (ERPA)	**1**
FoodDrinkEurope	**6**
International Federation of Organic Agriculture Movements EU Regional Group (IFOAM EU Group)	**2**
Fédération Européenne pour la santé Animale et la Sécurité Sanitaire (FESASS)	**1**
Stichting BirdLife Europe (BirdLife Europe)	--
Speaker from Humboldt-Universität zu Berlin	**1**
	Total: 40