

# Competitiveness of the EU egg sector

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At CDG

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# What is EUWEP

- EU Association of egg packers, traders and egg processors
- Made up of 3 organisations
  - European Egg Packers and Traders Association (shell eggs)
  - European Egg Processors Association (egg products)
  - European Poultry and Game Association
- Represents the EU egg sector (EU 28)

# Competitiveness of the EU egg sector

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Wageningen University & Research

EUWEP report



# Content

- WUR report competitiveness EU egg sector, UPDATE
  - Production costs in EU and third countries
  - Legislation in EU and impact on production costs
  - Scenarios future position EU egg processing sector
- Economic indicators
- Conclusions

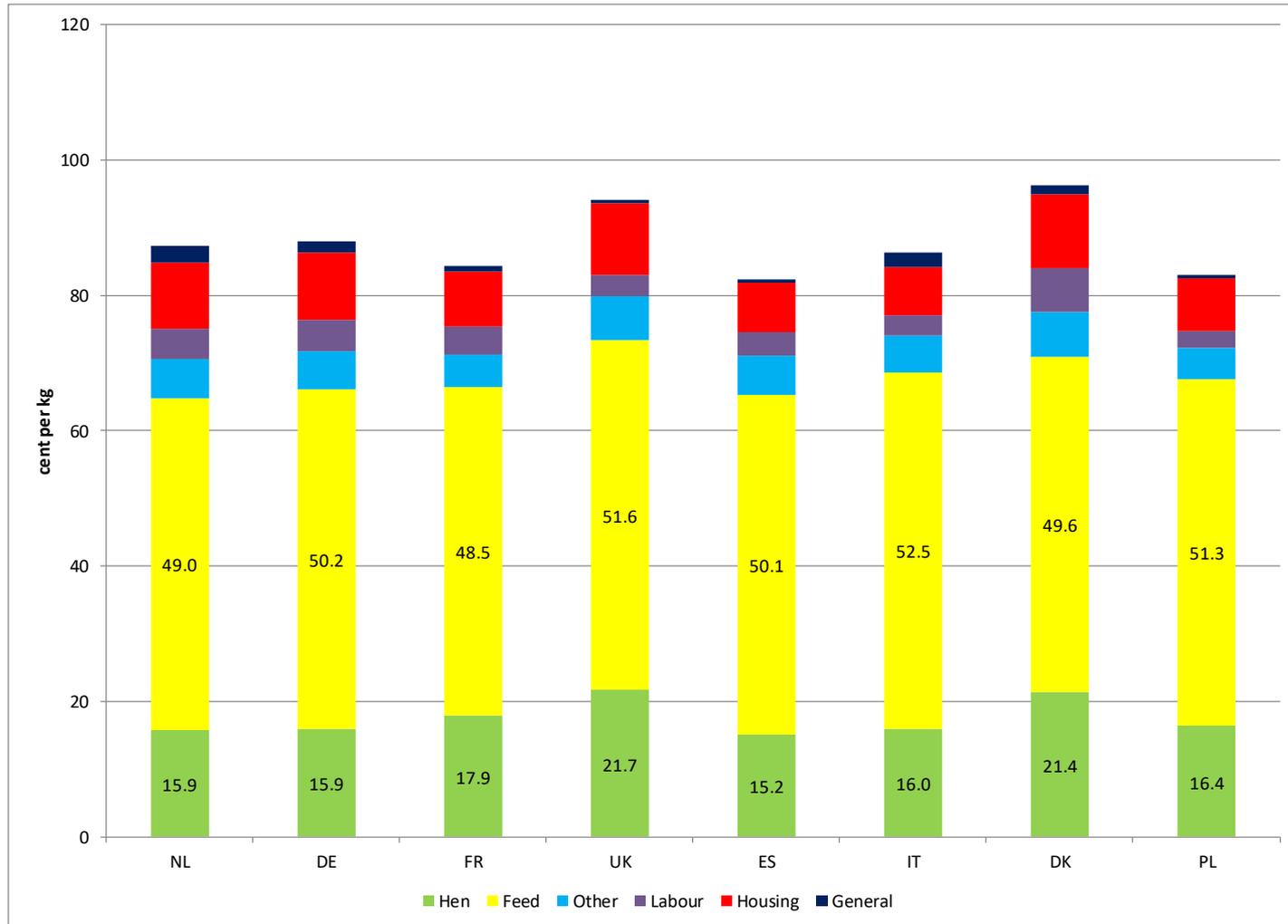


# Method production cost eggs

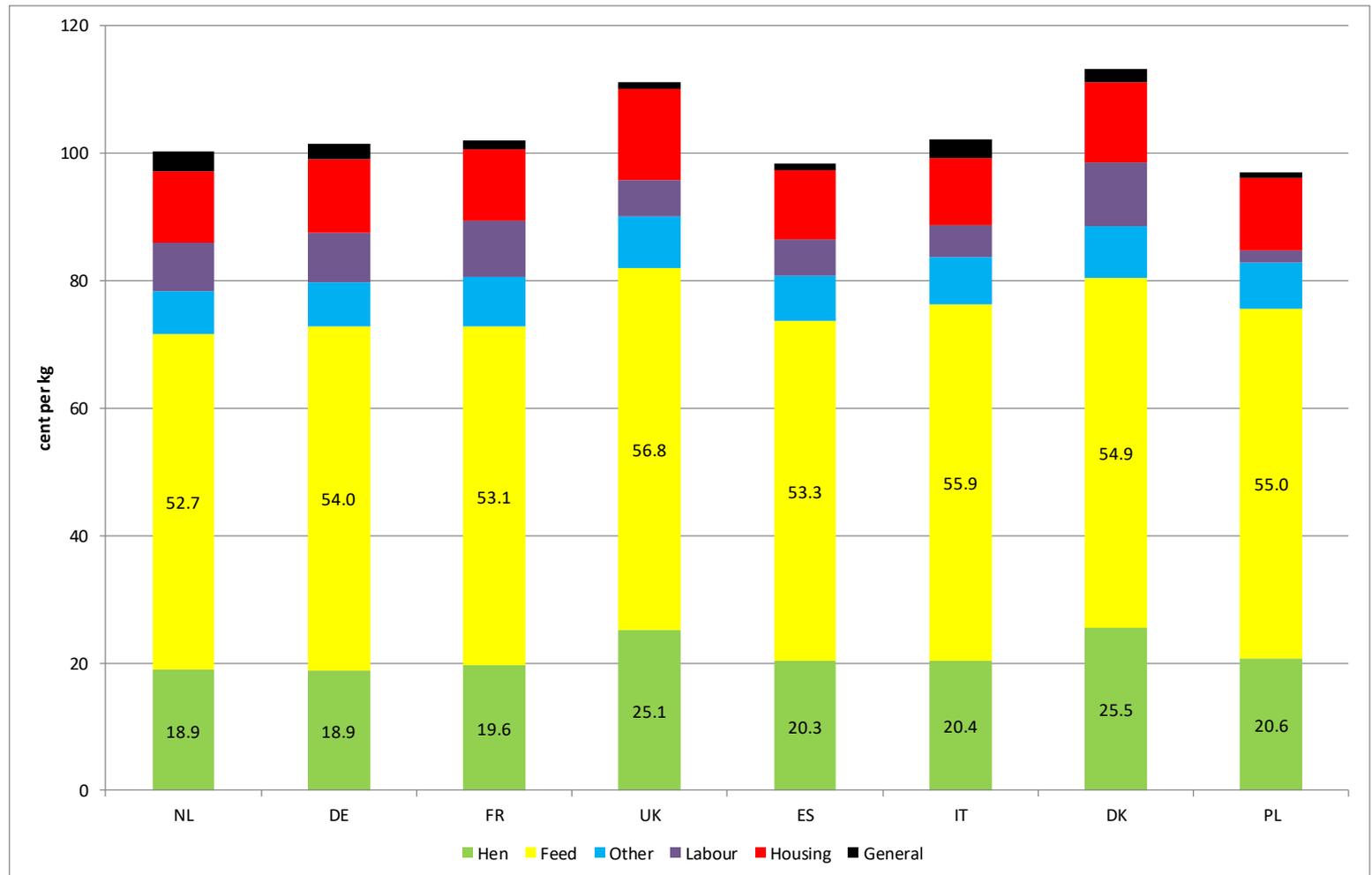
- Collecting basic data on cage production, year 2017
- Countries in EU : NL, FR, ES, IT, UK, DK, PL
- Countries non-EU : UKR, USA , ARG, INDIA
- NL calculation method
- Focus on:
  - Primary: pullet, feed, housing, labour
  - Processing: plant, equipment, labour, energy
  - Transport cost to market



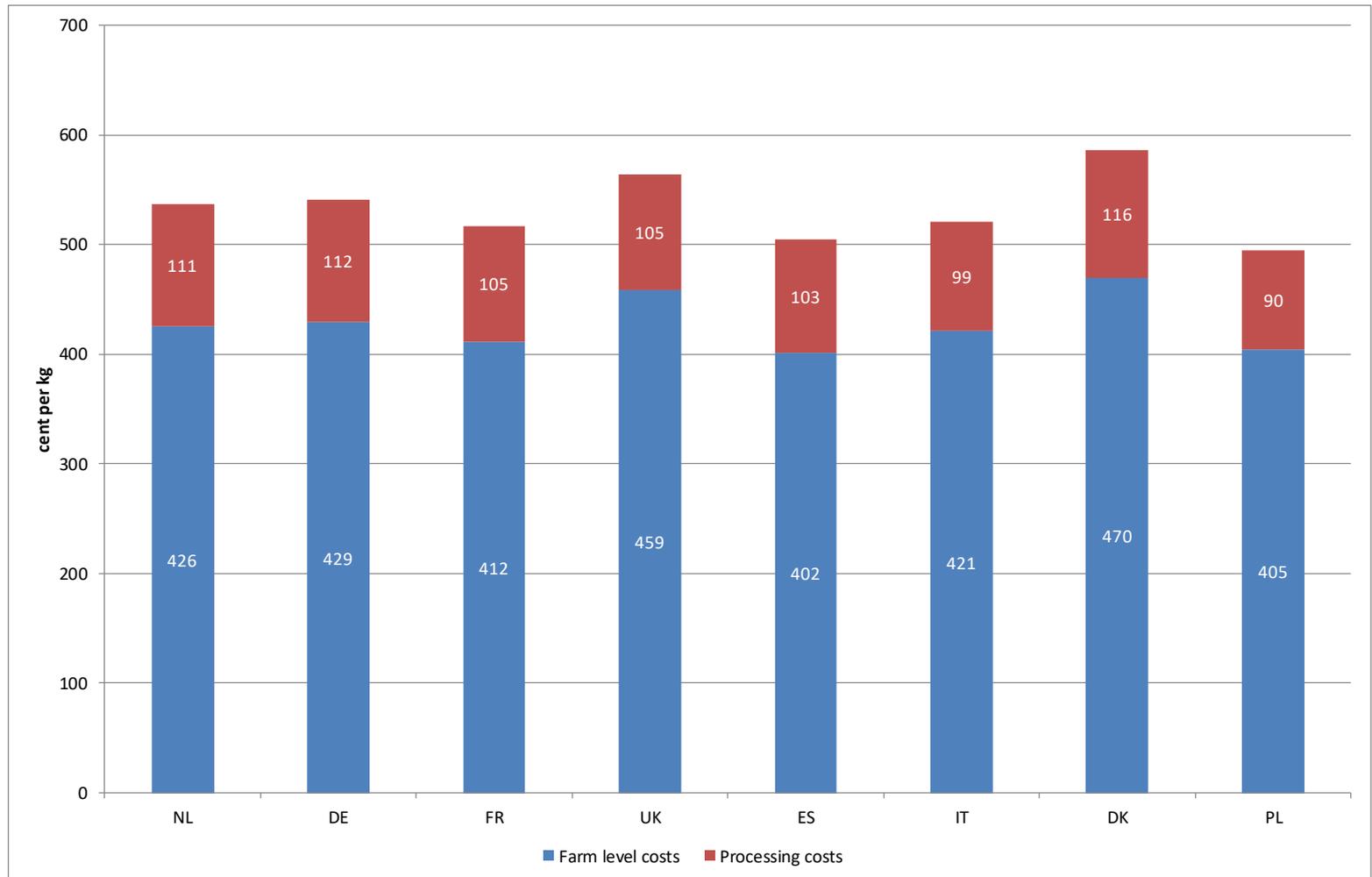
# Production costs SHELL EGGS in selected EU countries, year 2017 (Eurocents/kg shell egg) ENRICHED CAGES



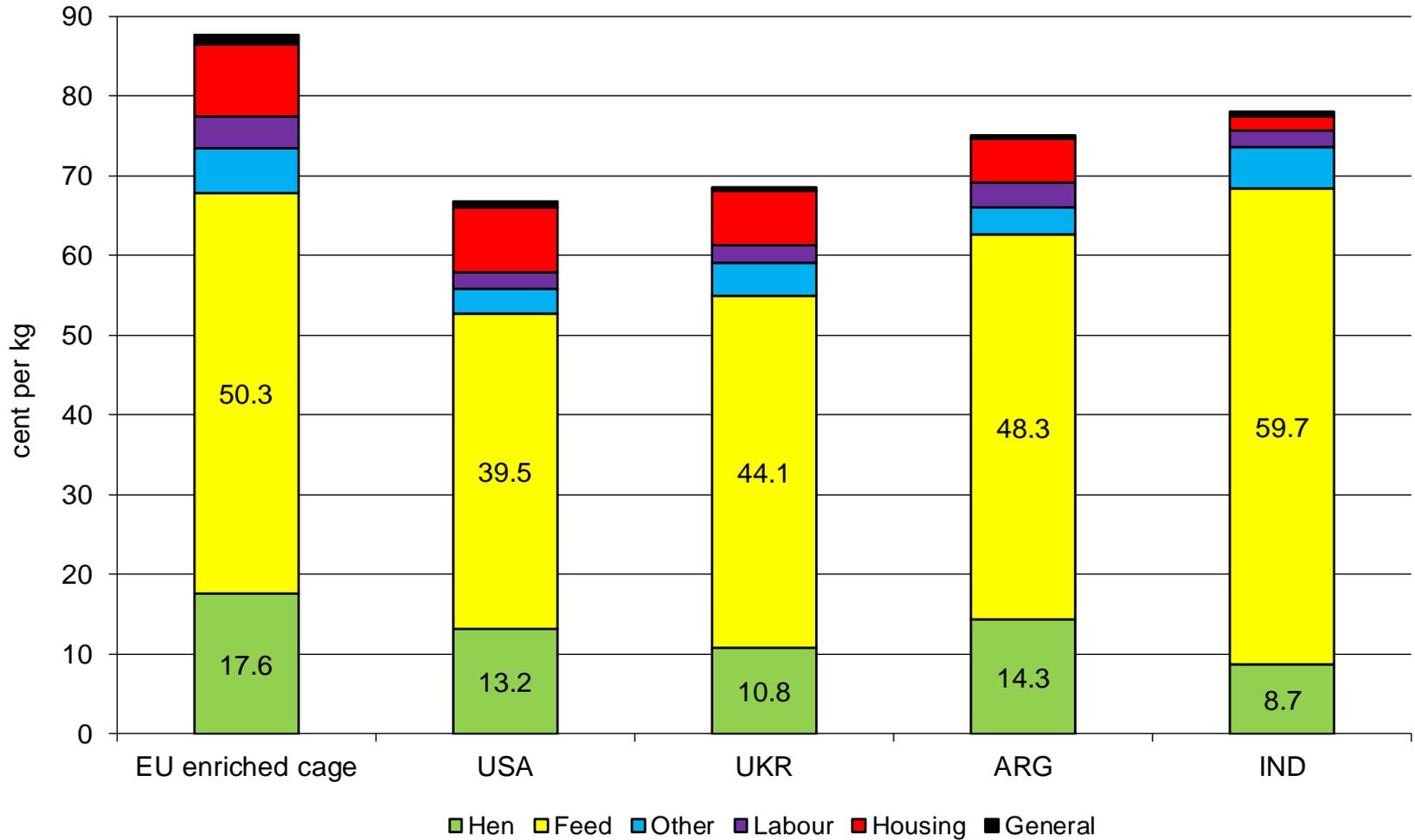
# Production costs SHELL EGGS in selected EU countries, year 2017 (Eurocents /kg shell egg) BARN/AVIARY



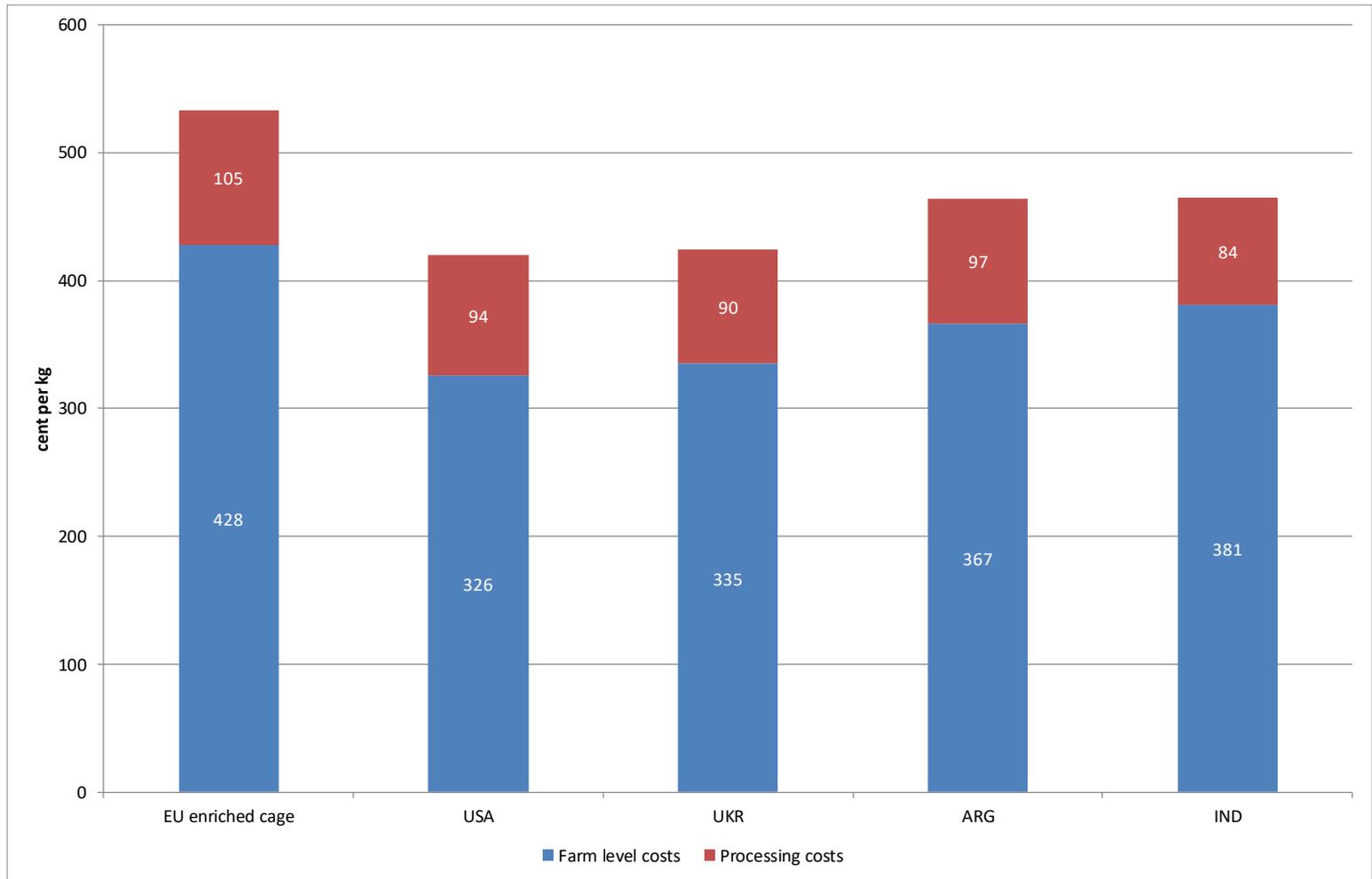
# Production costs EGG POWDER in selected EU countries (Eurocents /kg powder) ENRICHED CAGES, year 2017



# Production costs SHELL EGGS in EU ENRICHED CAGE and CAGE in selected non EU countries (Eurocents/kg shell egg)



# Production costs EGG POWDER in EU ENRICHED CAGE and CAGE in selected non EU countries (Eurocents/kg powder)

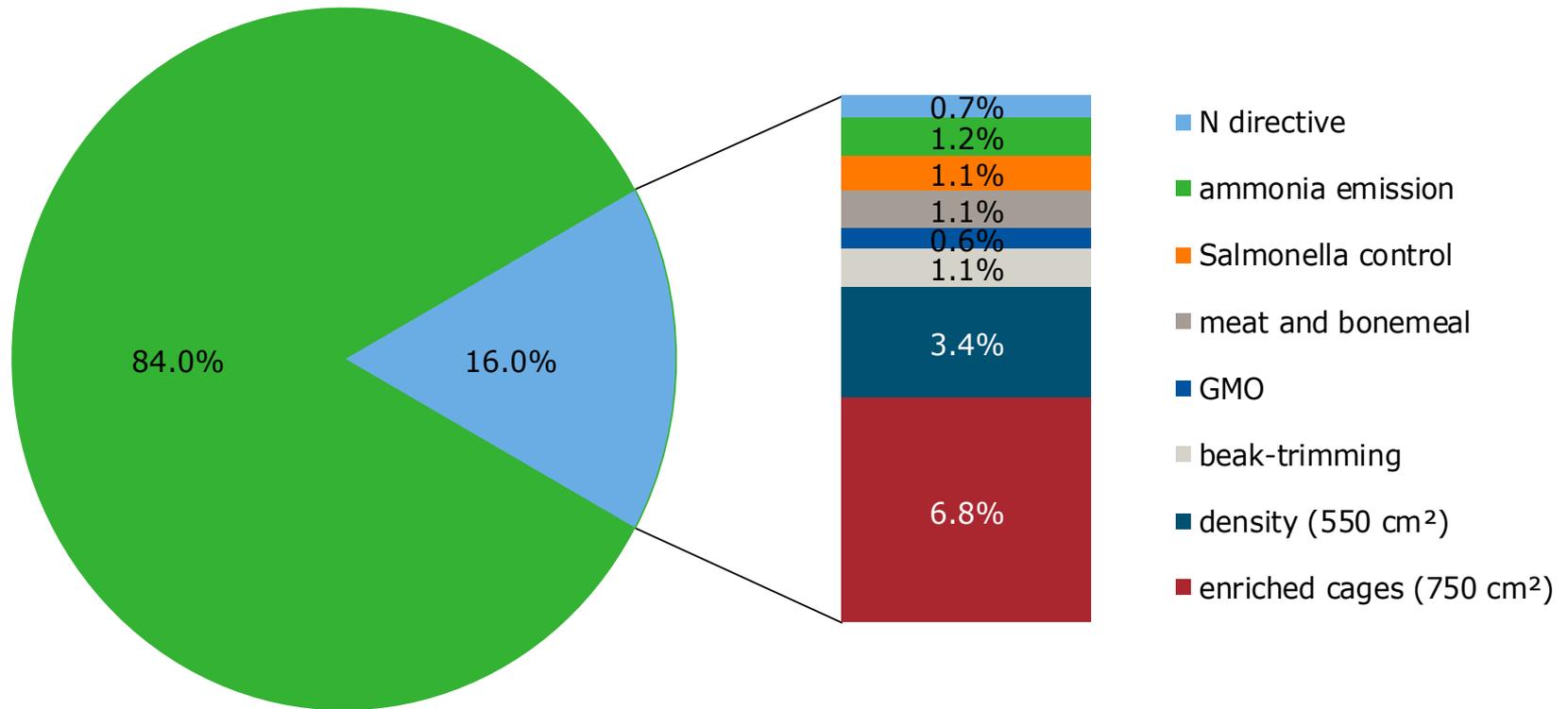


# EU legislation



- Environment
  - Nitrate directive (max amount N on land)
  - Ammonia emission (Nat. Emission Ceiling)
- Food Safety
  - Zoonosis directive / Salmonella control
  - Ban on Meat and Bone meal (MBM)
  - Restriction on use of GM crops
- Animal welfare
  - Beak trimming regulations
  - Housing systems (directive 99/74/EC)

# EU legislation in 2017: share in production costs



Share of production cost directly related to EU legislation for poultry farms:  
Can be higher in some countries.

16%

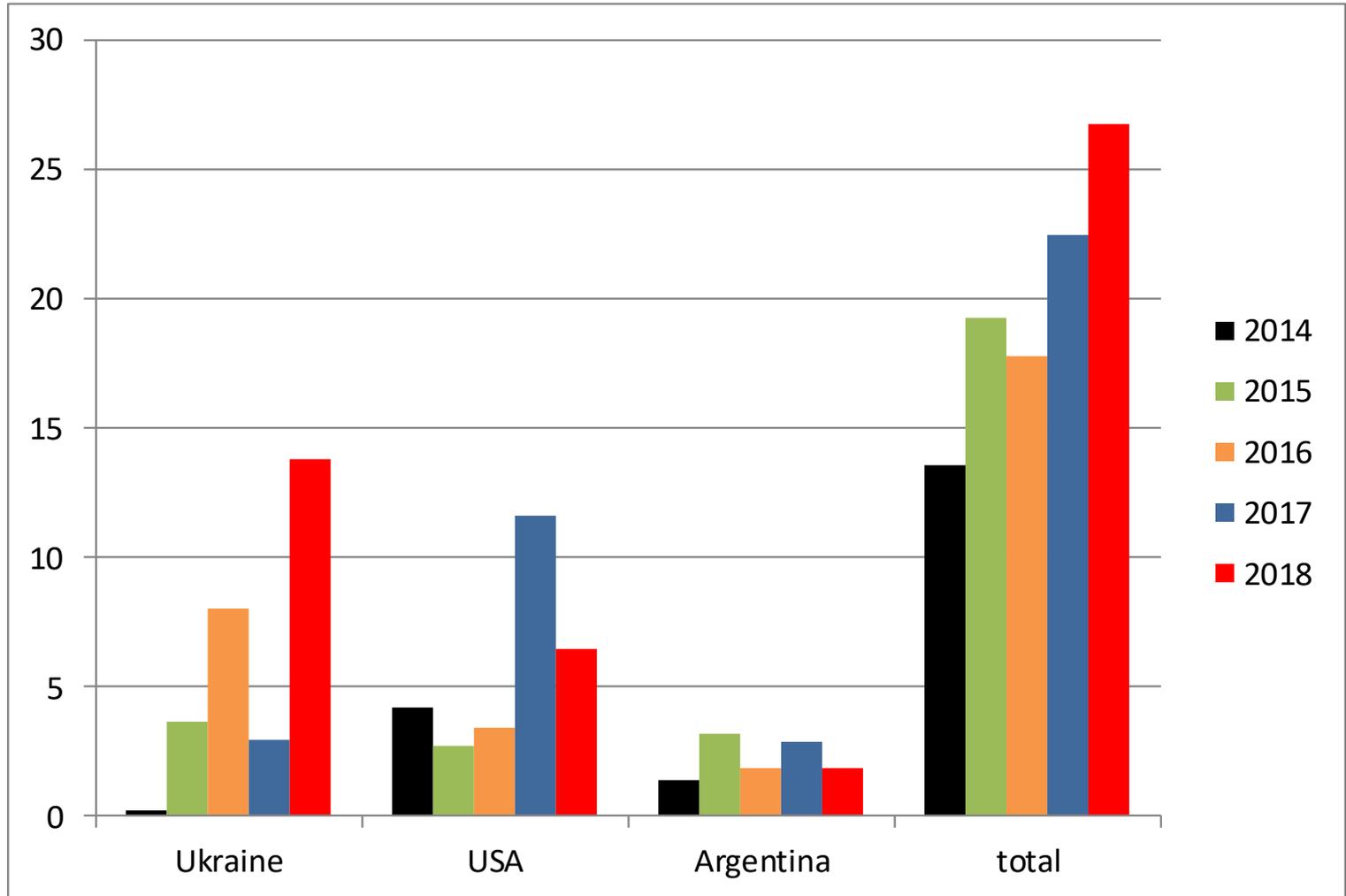
# Legislation in third countries (UKR,ARG,USA,INDIA)

| Topic                  | Political and Societal interest | Regulation in place | Situation in current practice |
|------------------------|---------------------------------|---------------------|-------------------------------|
| <b>Environment:</b>    |                                 |                     |                               |
| Manure disposal        | Medium                          | Differs *           | Manure revenue                |
| Ammonia emission       | Low                             | No                  | No measures                   |
| <b>Food safety:</b>    |                                 |                     |                               |
| Salmonella             | Medium                          | Differs **          | Limited action                |
| Meat and bone meal     | Low                             | No                  | MBM is used                   |
| GMO                    | Low                             | No                  | All GMOs are used             |
| <b>Animal welfare:</b> |                                 |                     |                               |
| Housing systems        | Low                             | No ***              | High density in cages         |

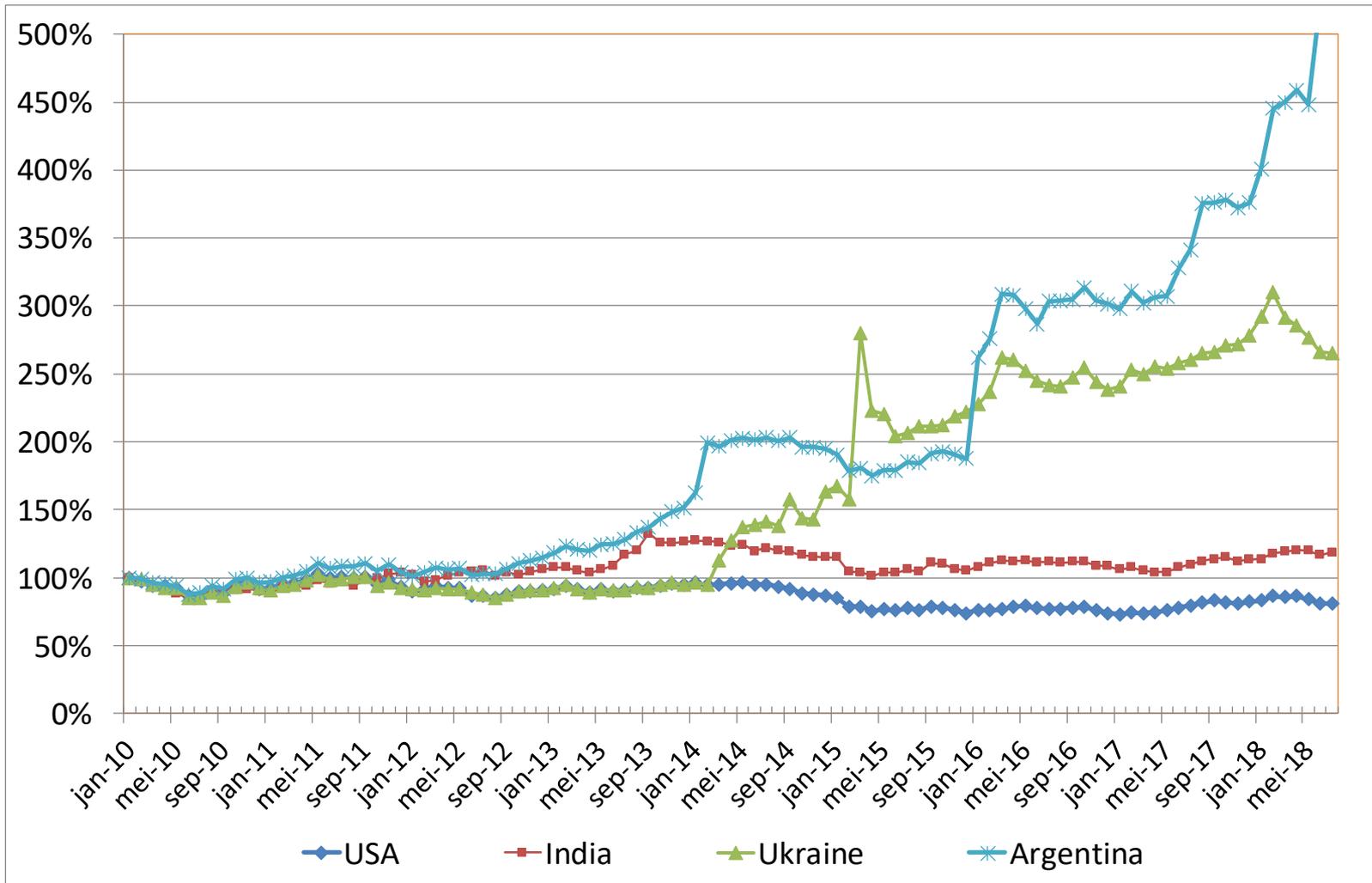
\* By region / \*\* by country or for export / \*\*\* US by market

## EU Imports third countries (1000 ton egg equivalent)

UKR, USA, and do 80 to 85% of imports)



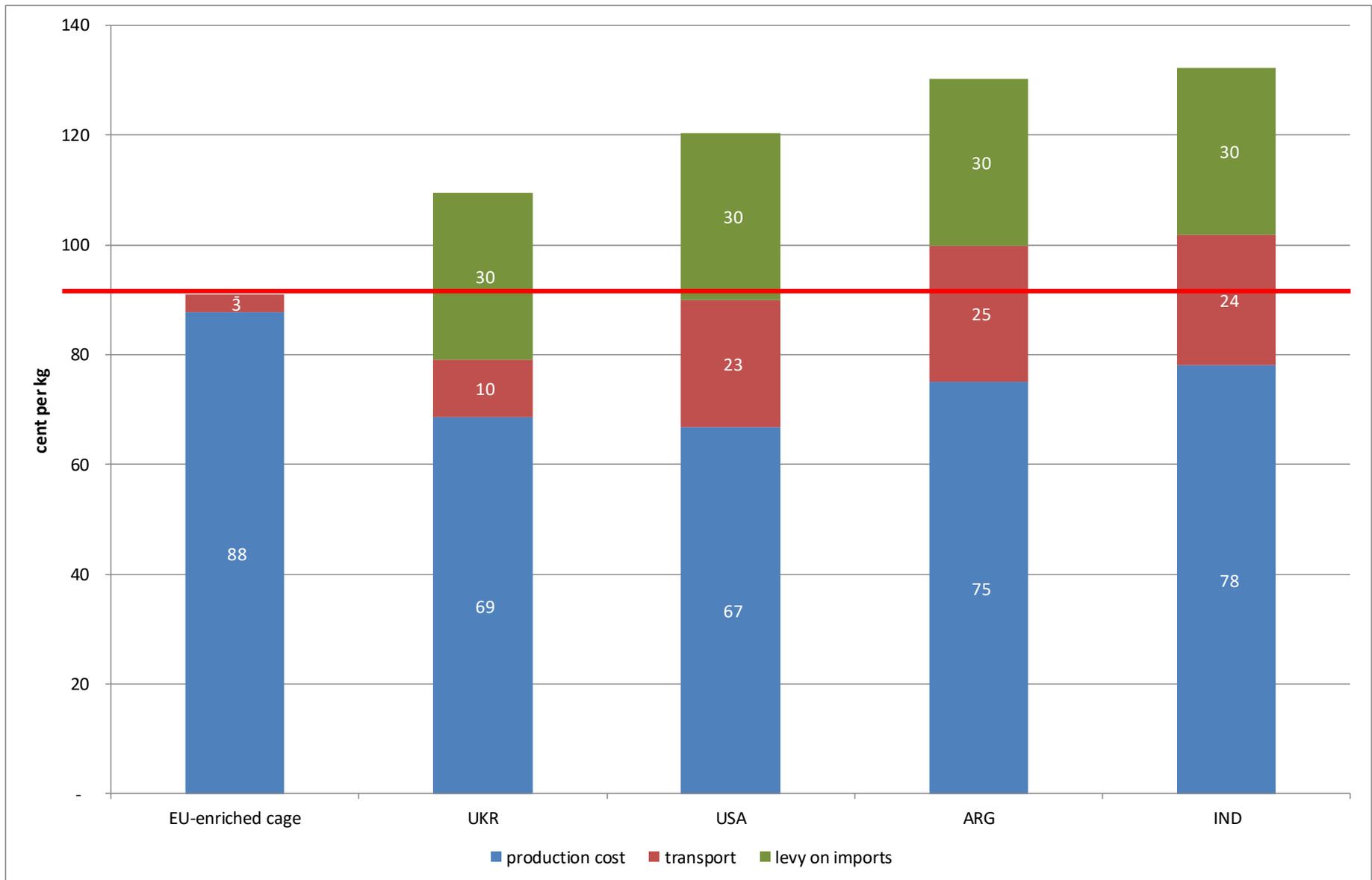
# Exchange rates currency of third countries to the Euro



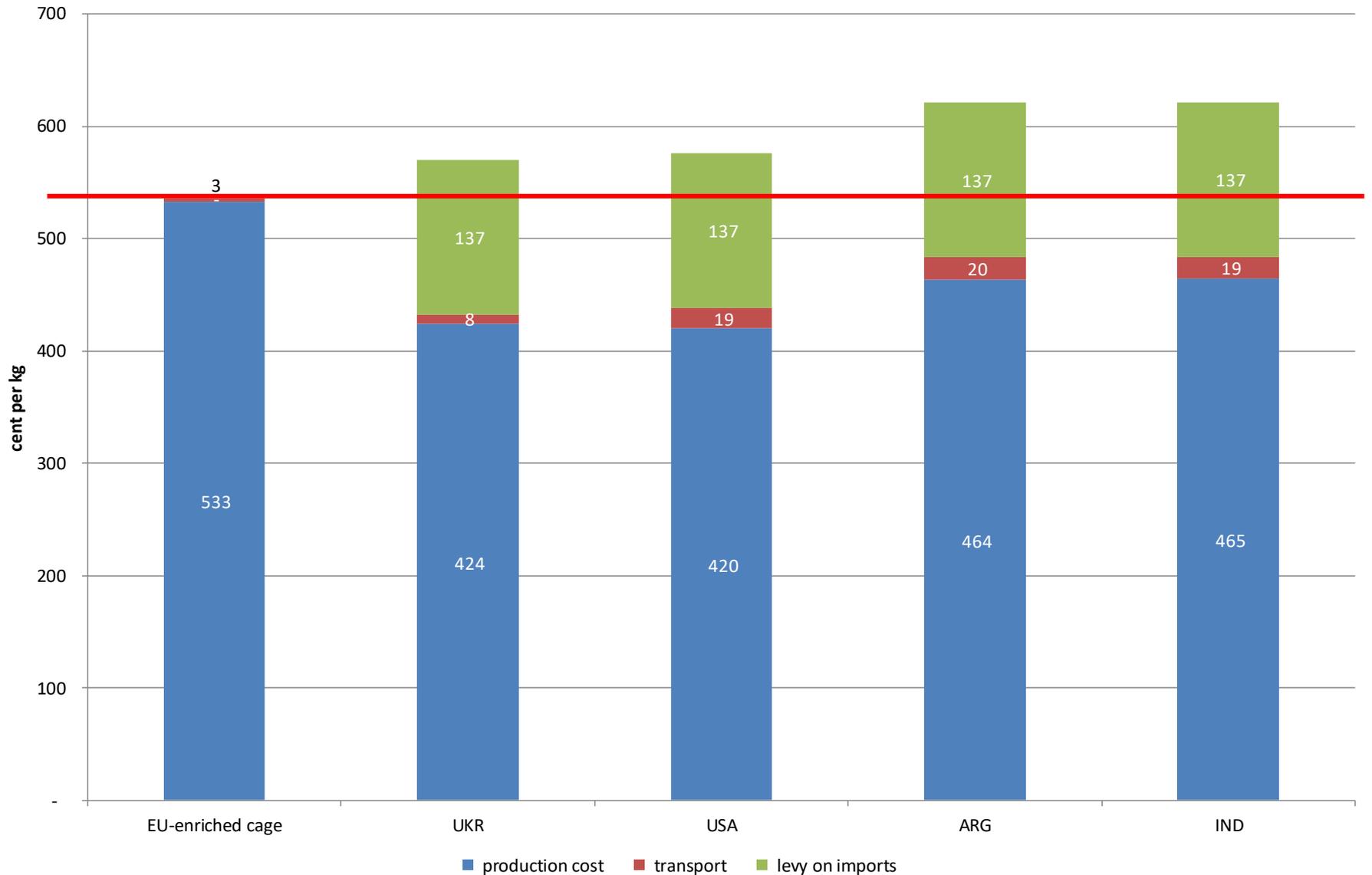
# Scenarios for the future

- Import tariffs on eggs and egg products -  
Reduction as a result of multilateral or bilateral agreements
- Exchange rates
  - large fluctuation.
- Examples: 50% reduction in import tariff  
10% change in exchange rate to Euro

# Offer price shell eggs in Germany 2017 (Eurocents/kg)

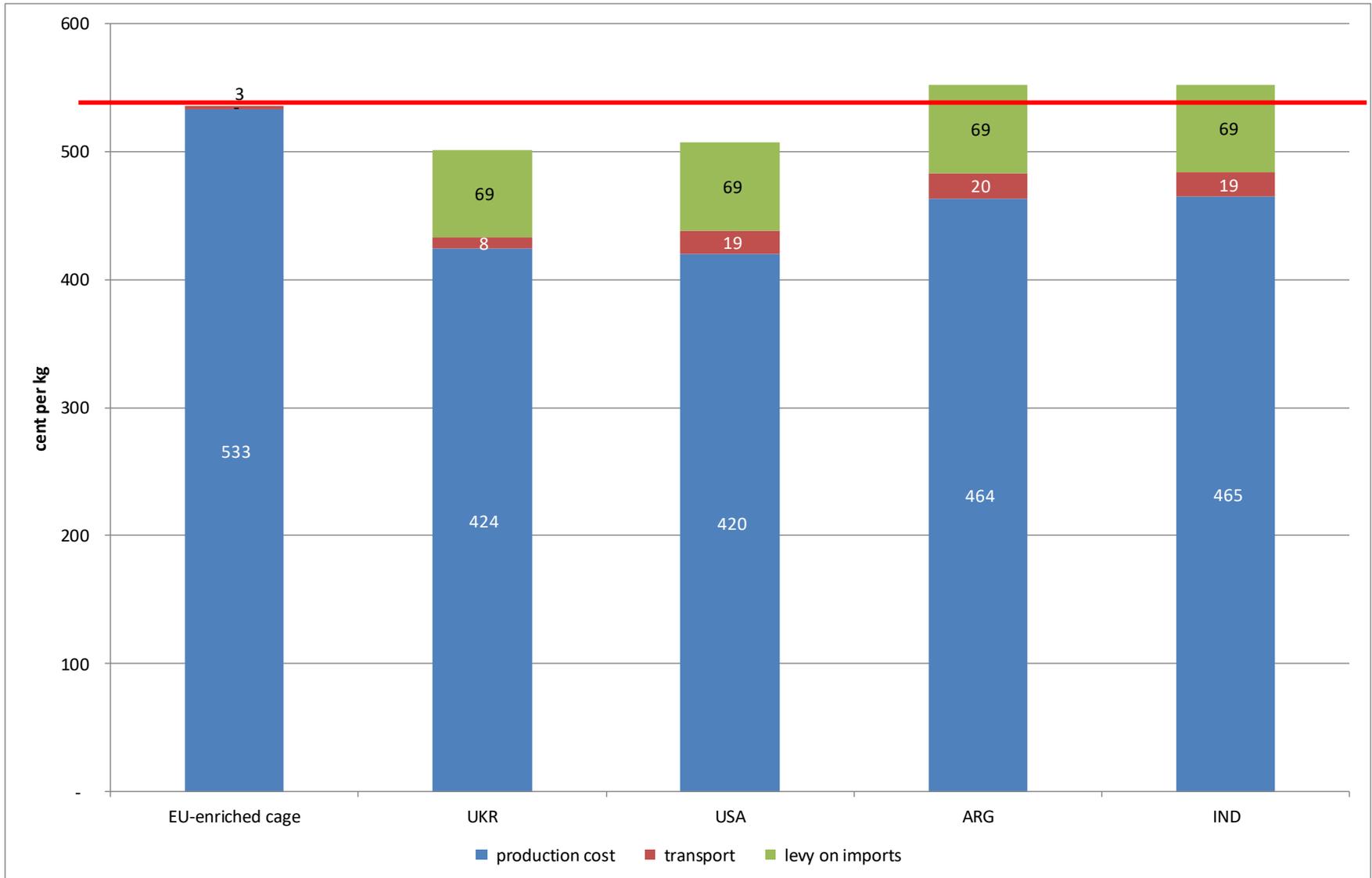


# Offer price whole egg powder Germany 2017 (Eurocents/kg)

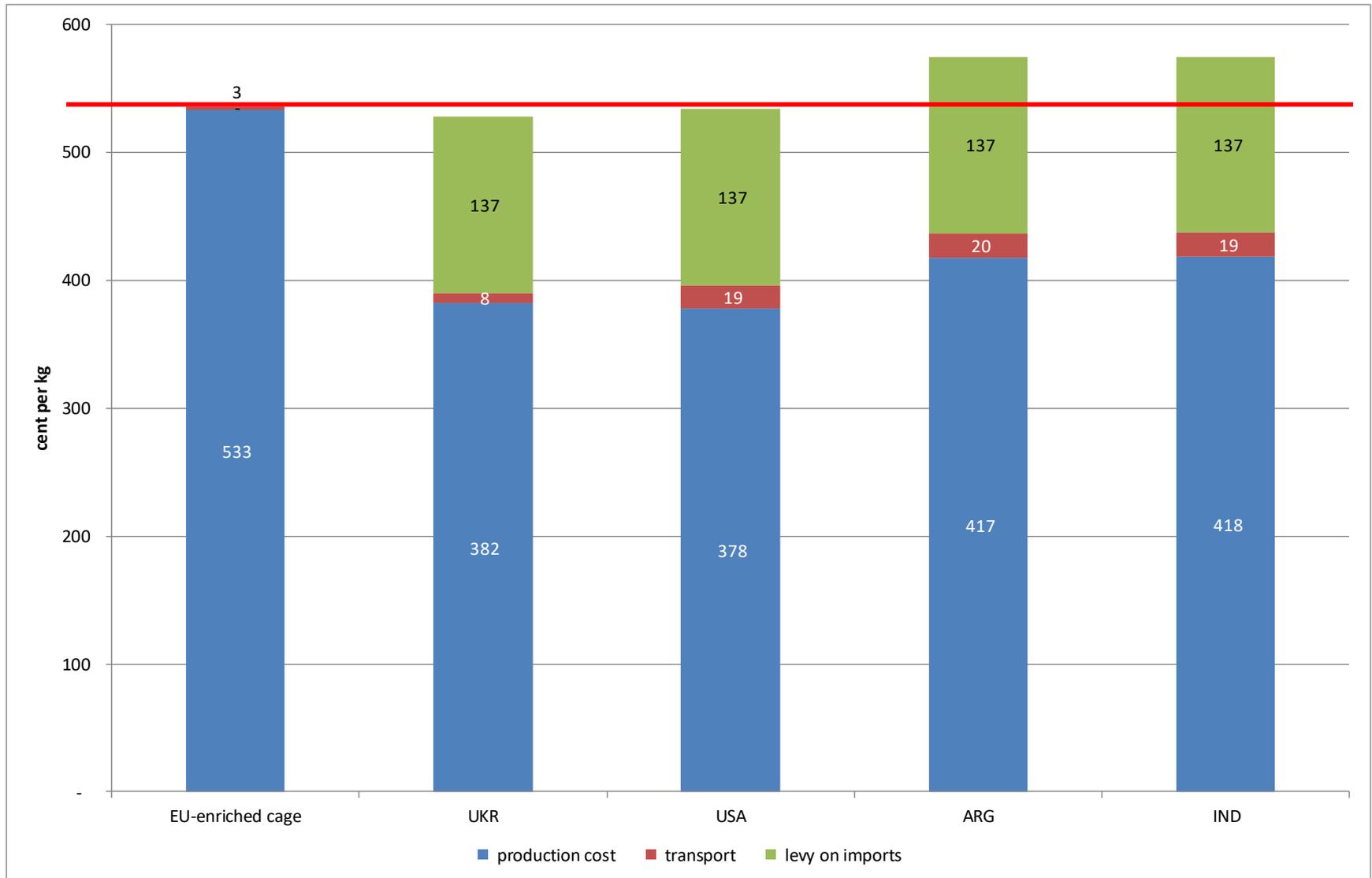


# Offer price whole egg powder Germany (Eurocents/kg)

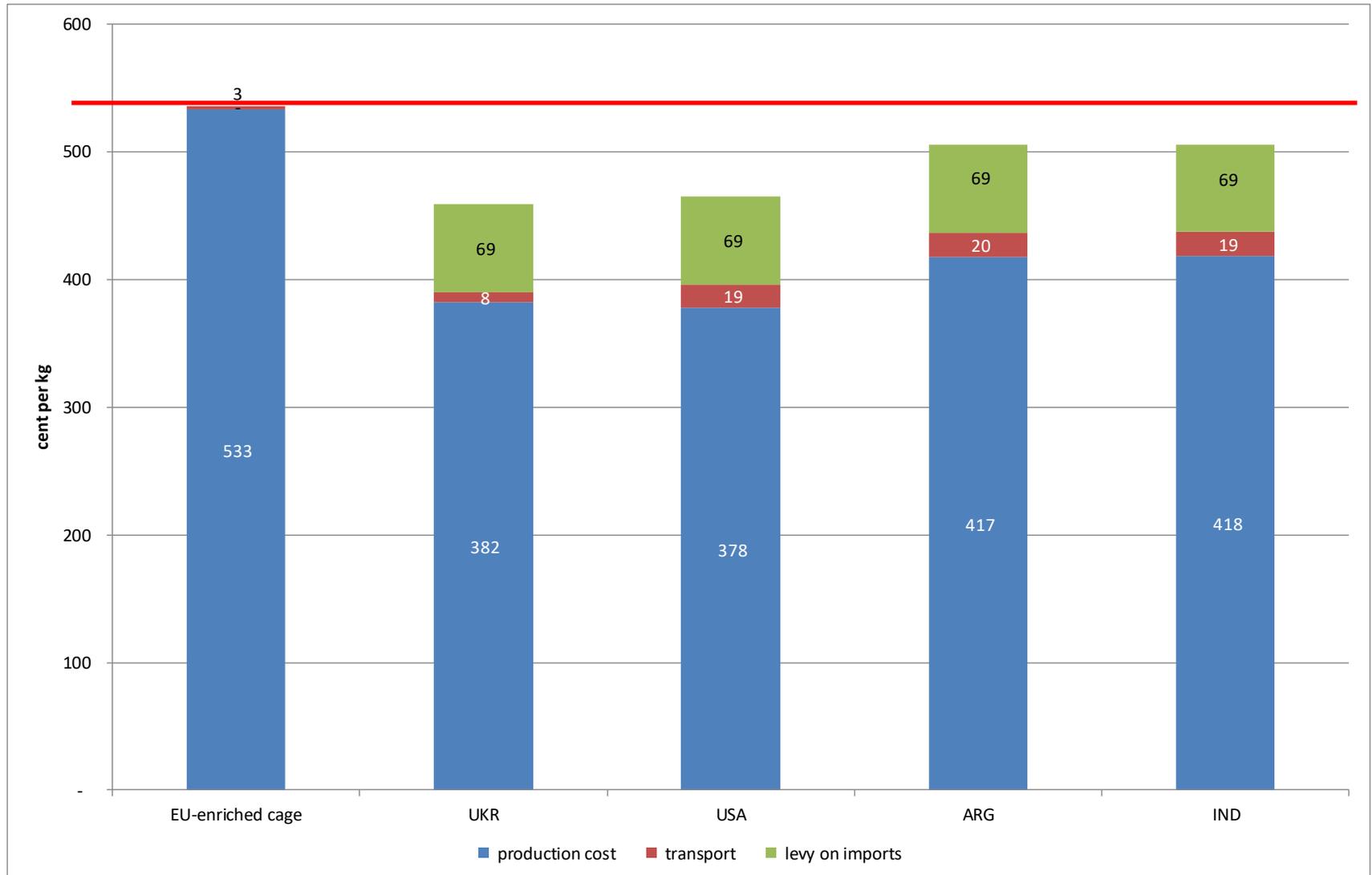
## Scenario 1 (-50% import levy)



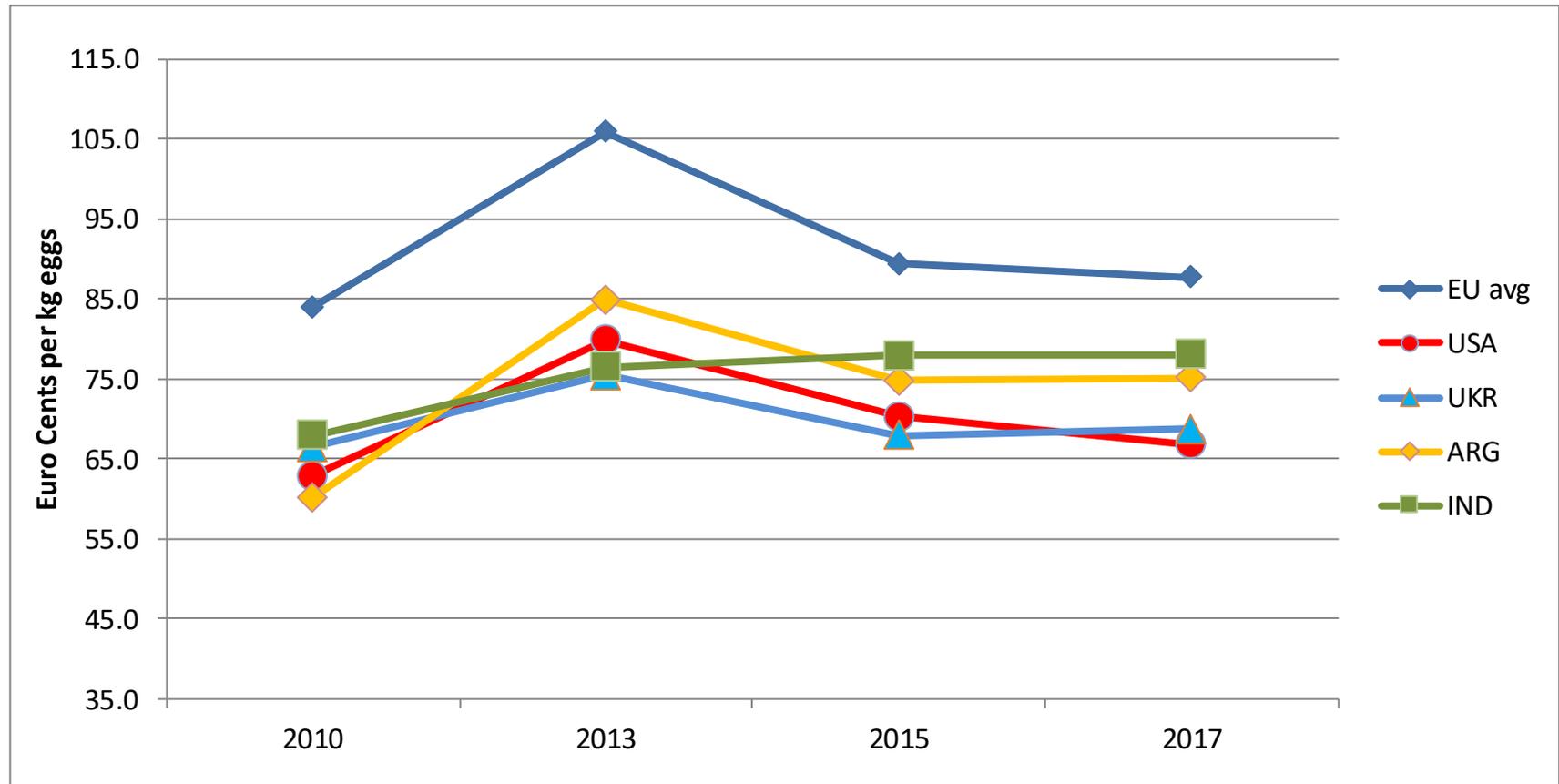
# Offer price whole egg powder Germany (Eurocents/kg), Scenario 2 (-10% exchange rate)



# Offer price whole egg powder Germany (Eurocents/kg), Scenario 3 combination -50% levy and lower exchange rate



# Overview production cost EGGS at farm level: average EU vs third countries in years 2010-2013-2015-2017



2015: larger decrease prod costs in EU  
2017: better position USA

# Conclusions (1)

- In EU relatively small differences in production costs (-6 to + 9% on EU average)
- 2017: Third countries have lower cost eggs at farm level: USA -24% and Ukraine -22% compared to EU average
- 2017: Third countries have lower cost egg powder: USA and Ukraine -21% compared to EU average
- Import levies protect EU from large volumes of imports of eggs and egg products.

## Conclusions (2)

- Many EU regulations on environment, food safety and animal welfare. Some countries with additional national regulations.
- In 2017 share of costs directly related to EU legislation was 16% of production cost
- Outside EU no or limited legislation on animal welfare, environment or food safety. Lack of political and societal interest. Clear difference on housing systems for layers.

# Conclusions (3)

- Scenarios: lower import tariffs and lower exchange rate will further weaken the competitive position of the EU egg processors.
- Threat: Combination of increased cost as a result of EU regulation and lower import tariffs

Current situation and future perspective:

→ **Weaker competitive position for EU egg processors**

# Economic indicators

- EU Production 6.7 million tonnes eggs
- Farms with layers: 16,860 farms
  - 350 -2999 hens 5,120 farms
  - > 3000 hens on 11,740 farms
- Employment: 186,000 persons
  - Direct on farms/packing 81,000 persons
  - Indirect suppliers 105,000 persons
- Production value
  - Farm prices 8,240 million euro
  - Retail prices 14,530 million euro



Thanks for your attention.

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Wageningen Economic Research

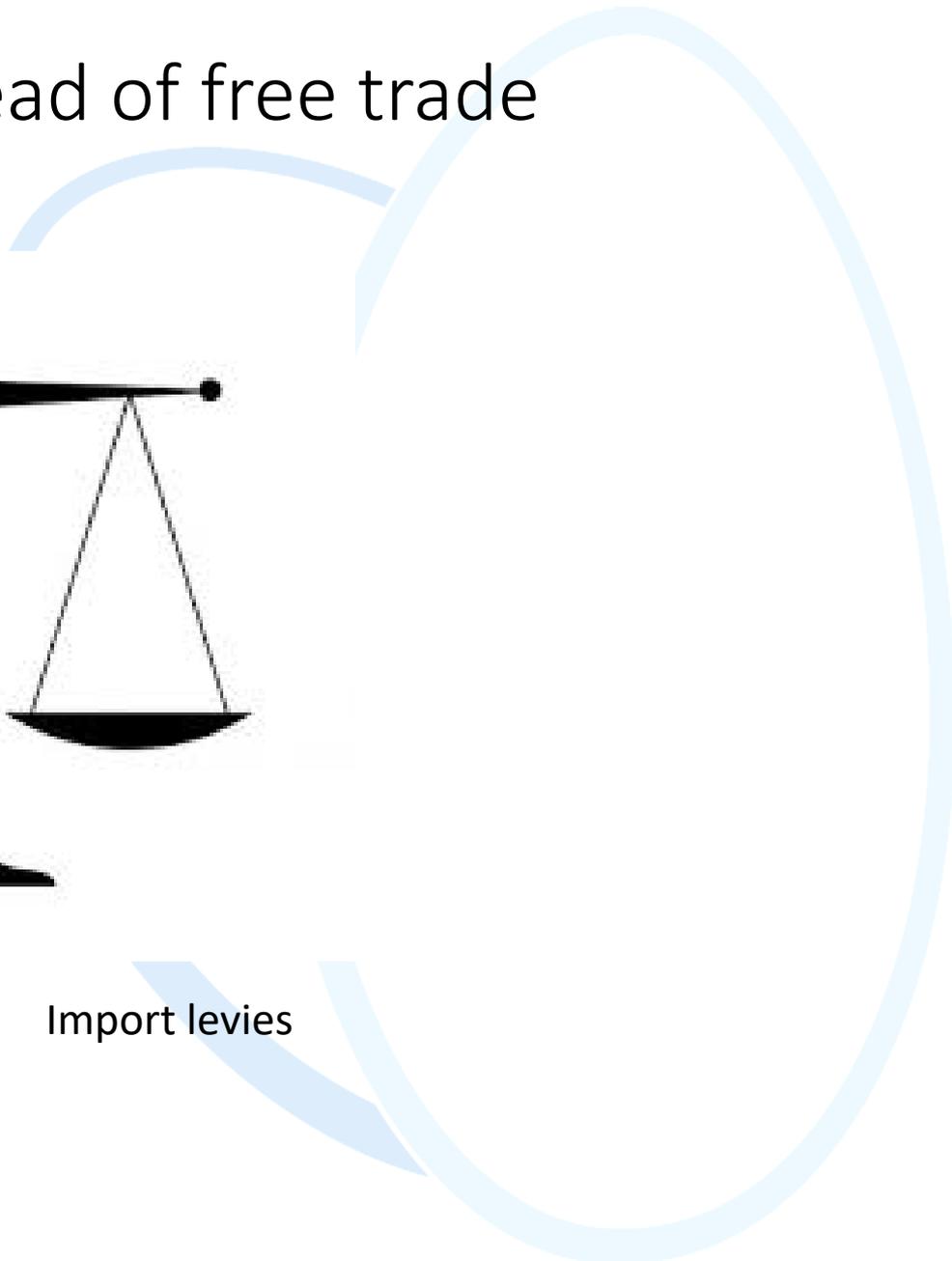


# Fair trade in stead of free trade



Production cost in EU  
due to public concern

Import levies



Thank you for your attention

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