

The Competitiveness of the EU Egg Sector in Relation to Trade Liberalisation

Presentation to CDG Poultry and Eggs,
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Who are we?

- 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

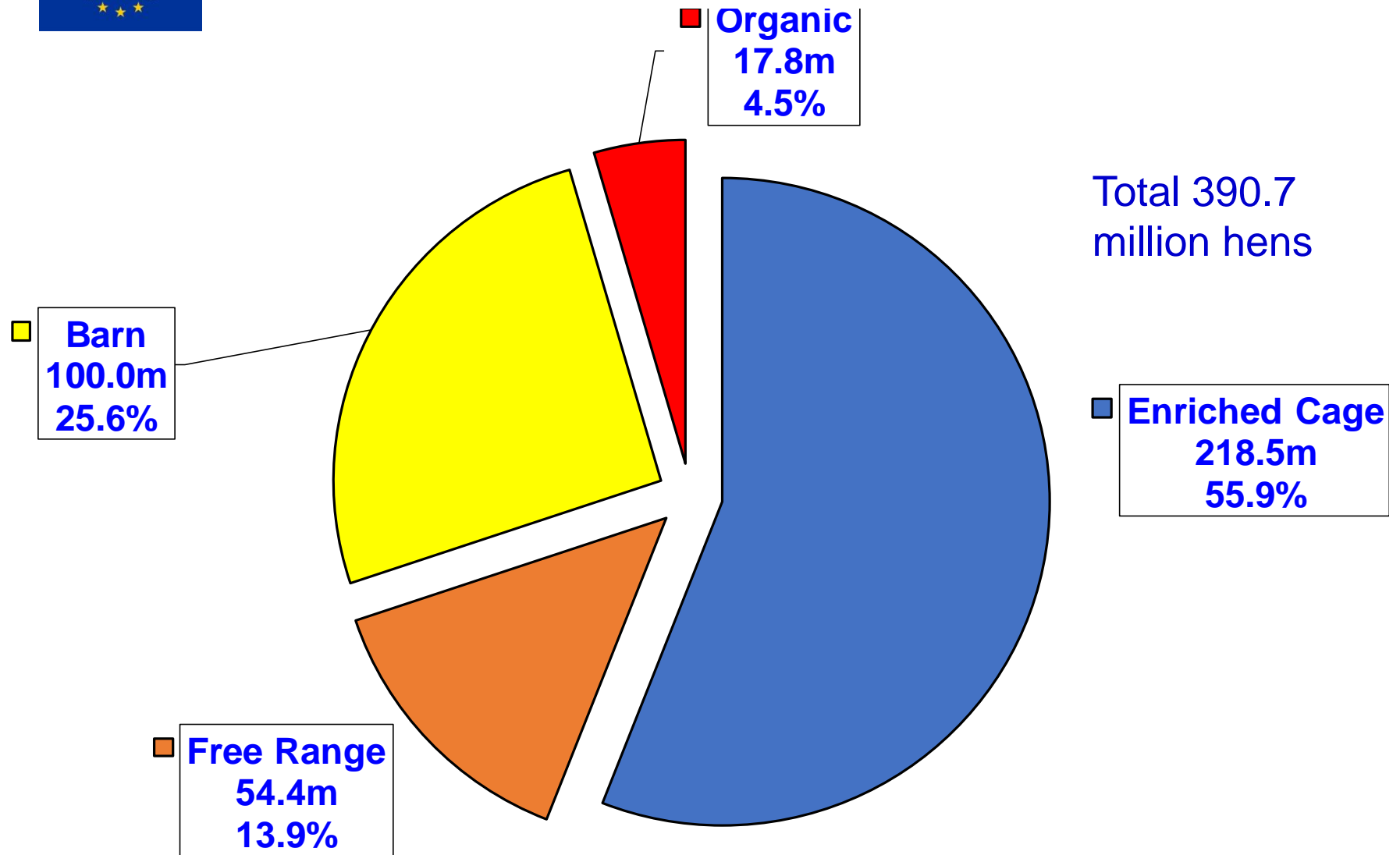
- Work with other organisations

EU Egg Sector

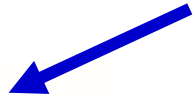
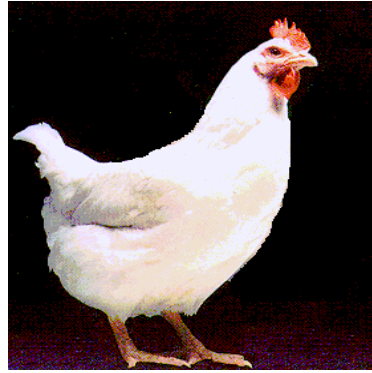
- Successful
- Unsupported
- Efficient
- Innovative
- Reactive to consumer demand
 - Free Range, Barn, Organic, Enriched Cage
- Responsible
 - Food safety, traceability, assurance schemes, animal welfare, environmental protection



EU laying Hens (million) 2016



Source: EUWEP (from EC data)



EUWEP

Conventional cage
(banned in the EU in 2012)



Enriched 'colony' cage



Aviary / Barn system



EU Imports of Eggs:

Trade Figures (*Comext - tonnes egg equiv.*) not incl. Hatching eggs

When EU production is high, imports are low, and vice versa

	2013		2014		2015		2016		Jan-Sep 17	Compared to Jan-Sep 16
	tonnes	%	tonnes	%	tonnes	%	tonnes	%	tonnes	%
India	3.855	18,9%	5.606	41,1%	5.743	29,7%	764	4,5%	4.986	34,4%
USA	6.857	33,6%	4.156	30,5%	2.745	14,2%	3.448	20,1%	2.559	17,7%
Argentina	5.797	28,4%	1.433	10,5%	3.232	16,7%	1.864	10,9%	2.549	17,6%
Ukraine	0	0,0%	163	1,2%	3.665	19,0%	8.043	46,9%	1.966	13,6%
Norway	1.968	9,7%	1.330	9,8%	1.455	7,5%	1.265	7,4%	1.101	7,6%
Albania	387	1,9%	0	0,0%	1.554	8,0%	824	4,8%	856	5,9%
Others	1.513	0,2%	939	0,0%	911	0,0%	929	0,0%	478	3,3%
Extra-EU	20.378		13.626		19.304		17.137		14.496	
% change			- 33%		+ 42%		- 11%		+ 8,1%	



Competitiveness of the EU egg sector, base year 2015

International comparison of production costs

R.L.M. van Hone, N. Bondt

Report commissioned by EUWEP

- Produced by
Agricultural Economics
Research Institute
(LEI), The Netherlands
- Independent Research
Institute (Part of
Wageningen University
and Research Centre)

This report updates
the reports published
in 2003, 2005, 2012
and 2014

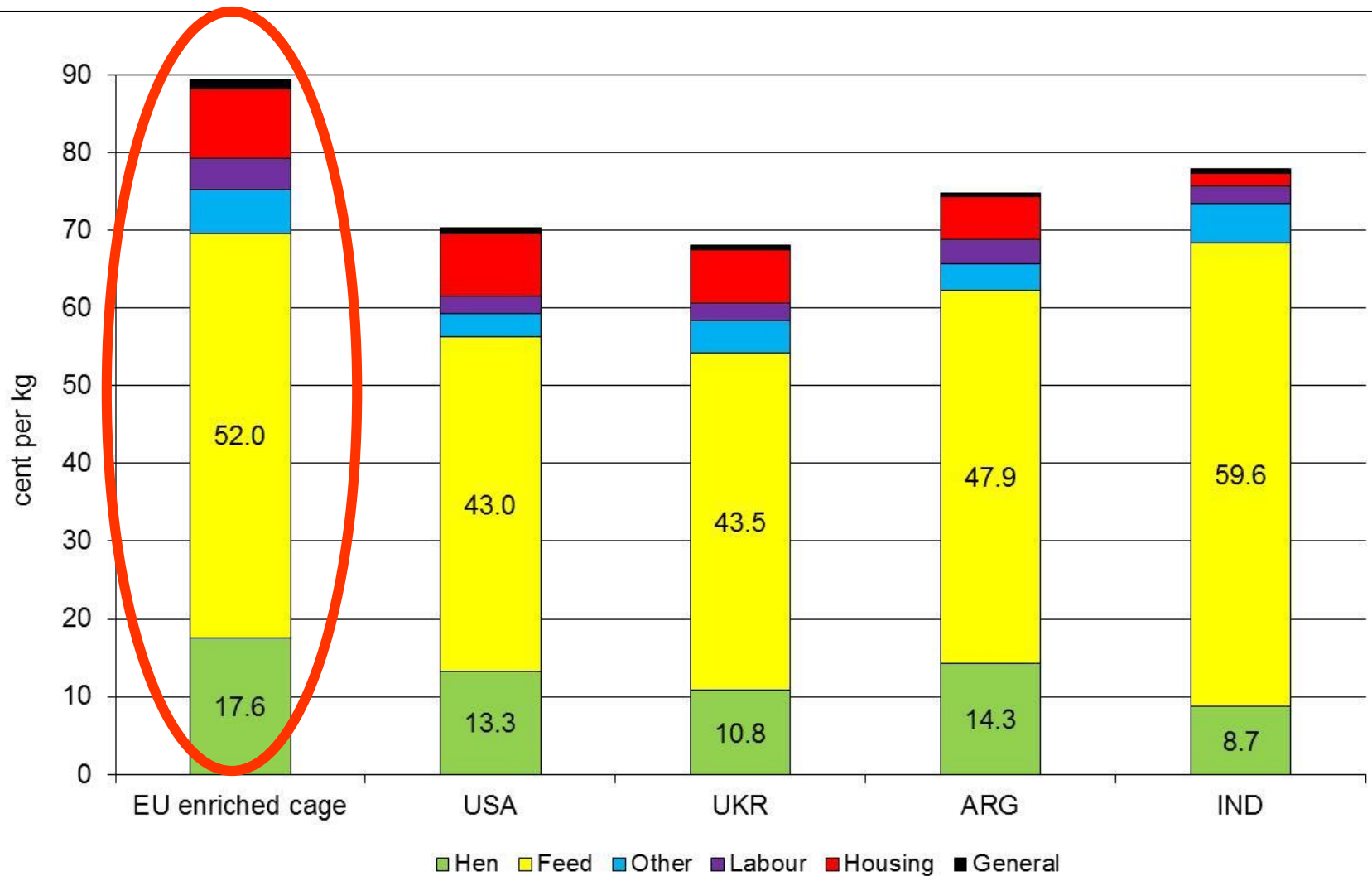
Content of Report

- Egg **production costs** during **2015** in selected EU and non-EU countries
 - EU member states - NL, DE, FR, UK, ES, IT, PL, DK
 - Non-EU countries - Ukraine, USA, Argentina, India
- Egg **production costs** during **2015** in selected EU countries **barn**
- Egg **processing costs** during **2015** in selected EU and non-EU countries
- Legislation in the EU and impact on production costs
- **Scenarios on future position** of EU shell egg and egg processing sectors
- Conclusions

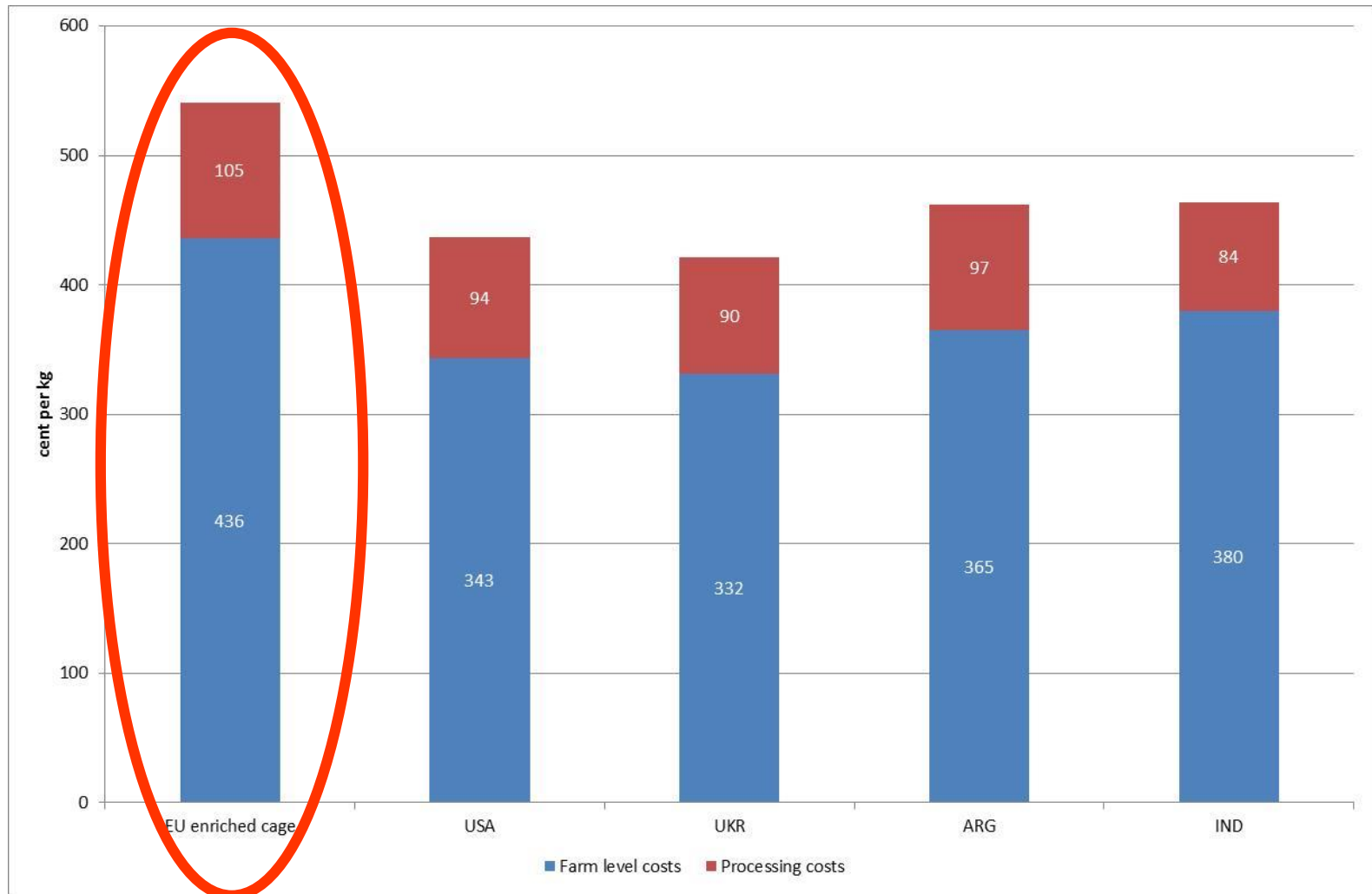
How was the report compiled?

- Focus on:
 - Primary production
 - pullet, feed, housing, labour
 - Processing
 - plant, equipment, labour, energy
 - Transport cost to market

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)

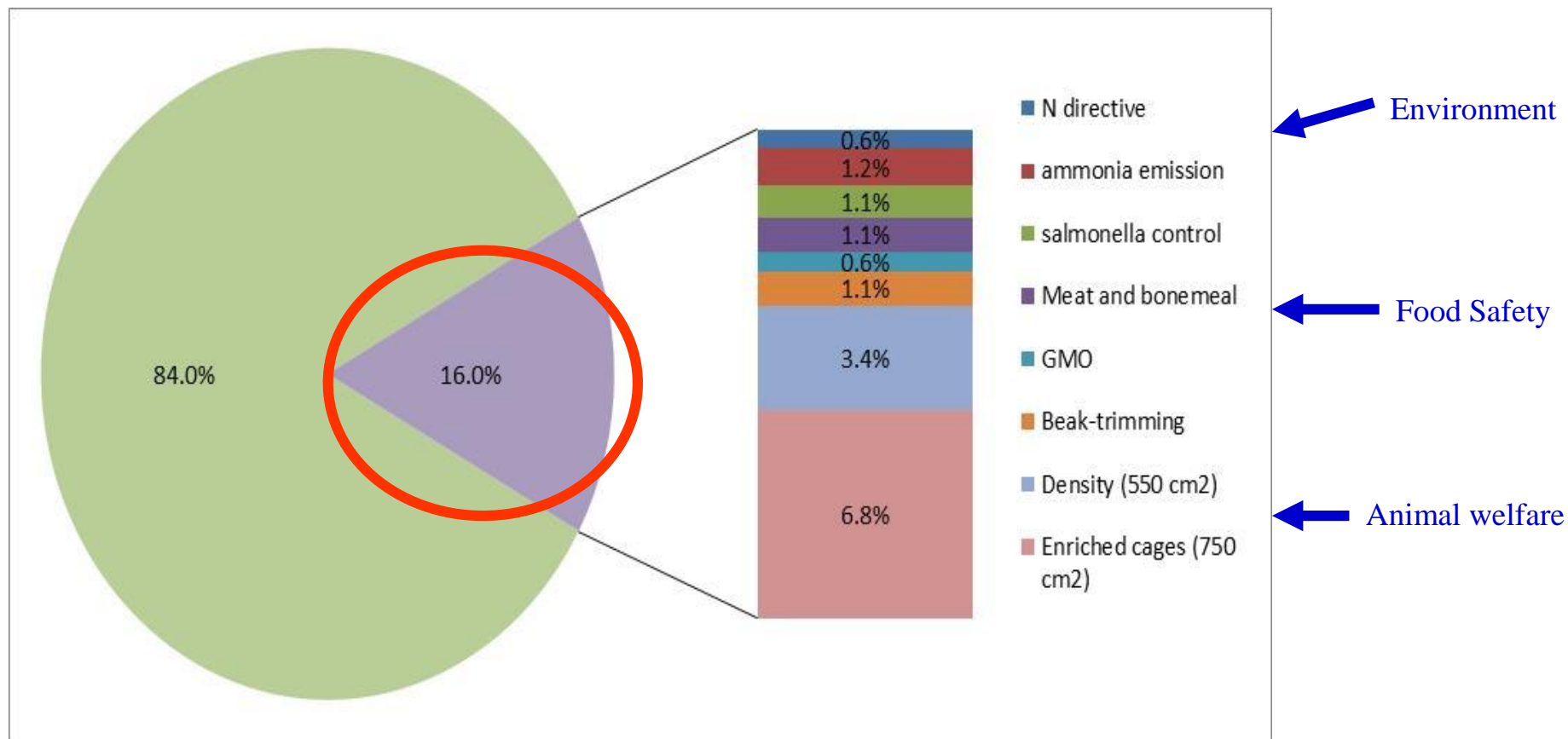


EU legislation



- Environment
 - Nitrate directive (max amount N on land)
 - Ammonia emission (National Emission Ceiling)
- Food Safety
 - Zoonoses Directive / Salmonella control
 - Ban on Meat and Bone meal (MBM)
 - Restriction on use of GM crops
- Animal welfare
 - Housing systems (Directive 1999/74/EC)
 - Beak trimming legislation

EU legislation in 2015: share in production costs

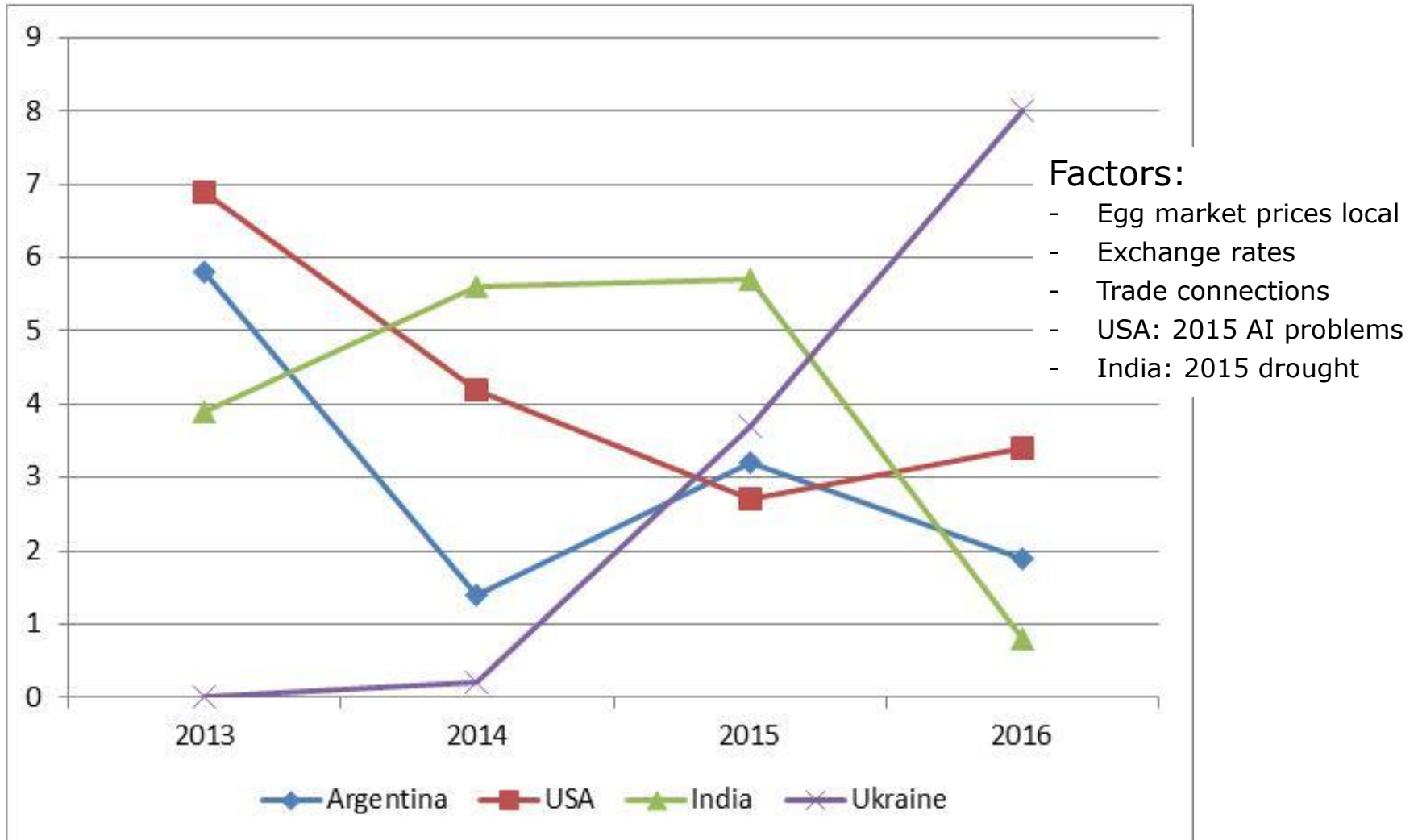


Legislation in third countries (UKR, ARG, USA, INDIA)

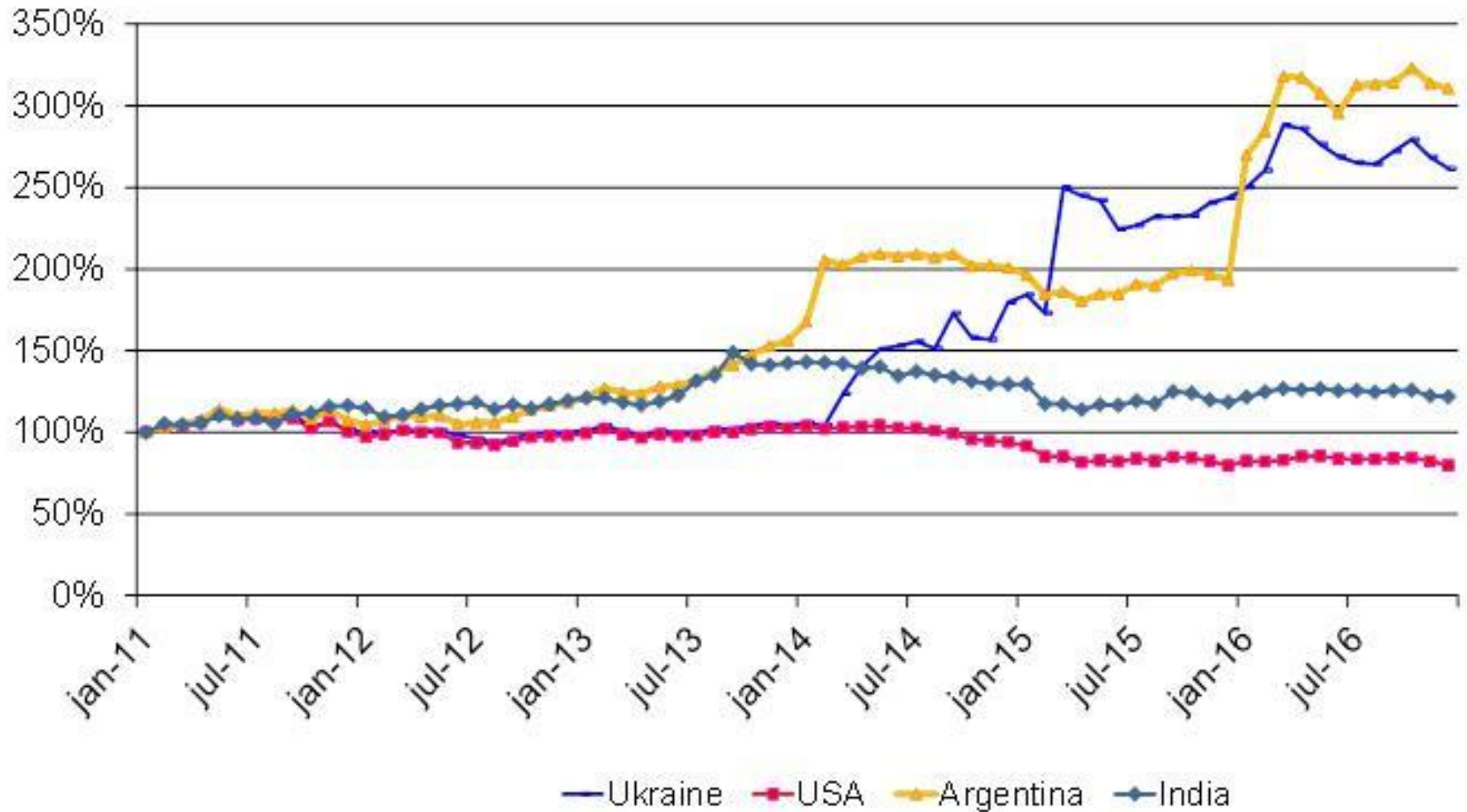
Topic	Political and Societal interest	Regulation in place	Situation in current practice
Environment:			
Manure disposal	Medium	Differs *	Manure revenue
Ammonia emission	Low	No	No measures
Food safety:			
Salmonella	Medium	Differs **	Limited action
Meat and bone meal	Low	No	MBM is used
GMO	Low	No	All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

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

EU Imports third countries (1,000 tonne egg equivalent) (UKR, USA, ARG and INDIA account for 80-85% of imports)

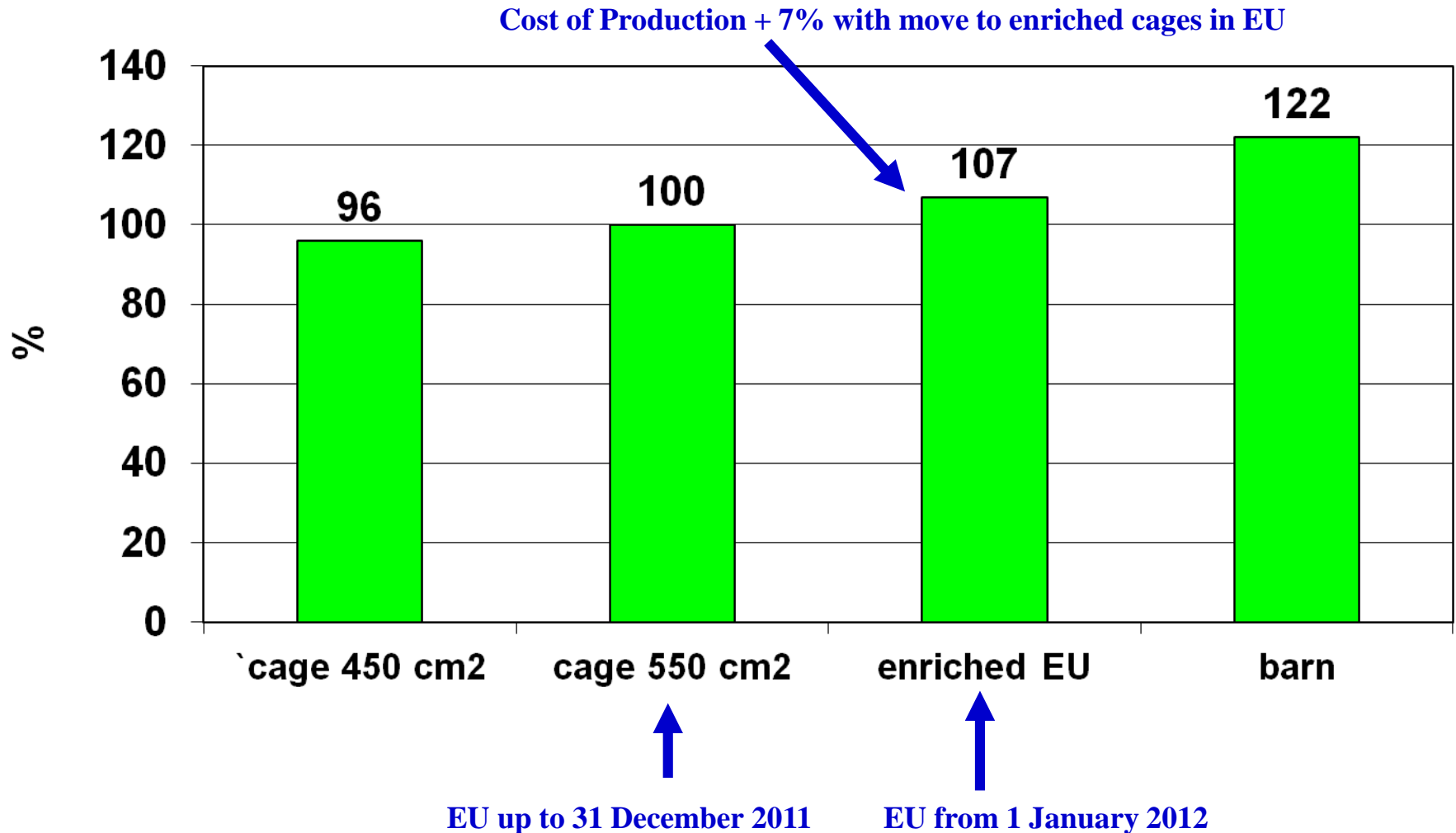


Exchange rates currency of third countries to the Euro



UKR devaluation 2015
ARG devaluation 2016

EU legislation: 'housing systems'



Scenarios for the future

- Import tariffs on eggs and egg products

Reduction as a result of;

- WTO multilateral agreement
 - Example 50% reduction in import tariffs
- Bilateral agreements
 - Removal of import tariff

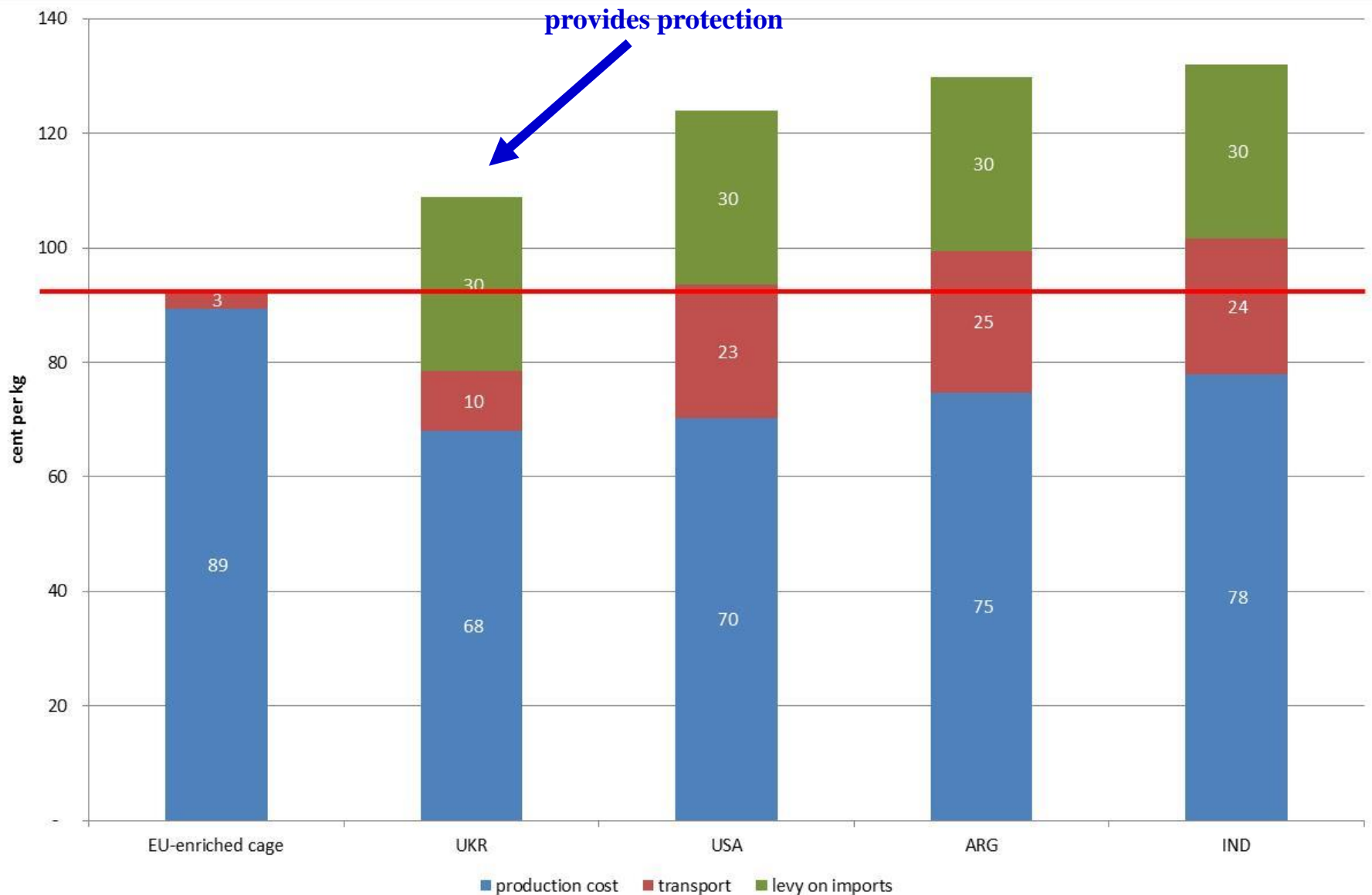
- Exchange rates

- large fluctuation

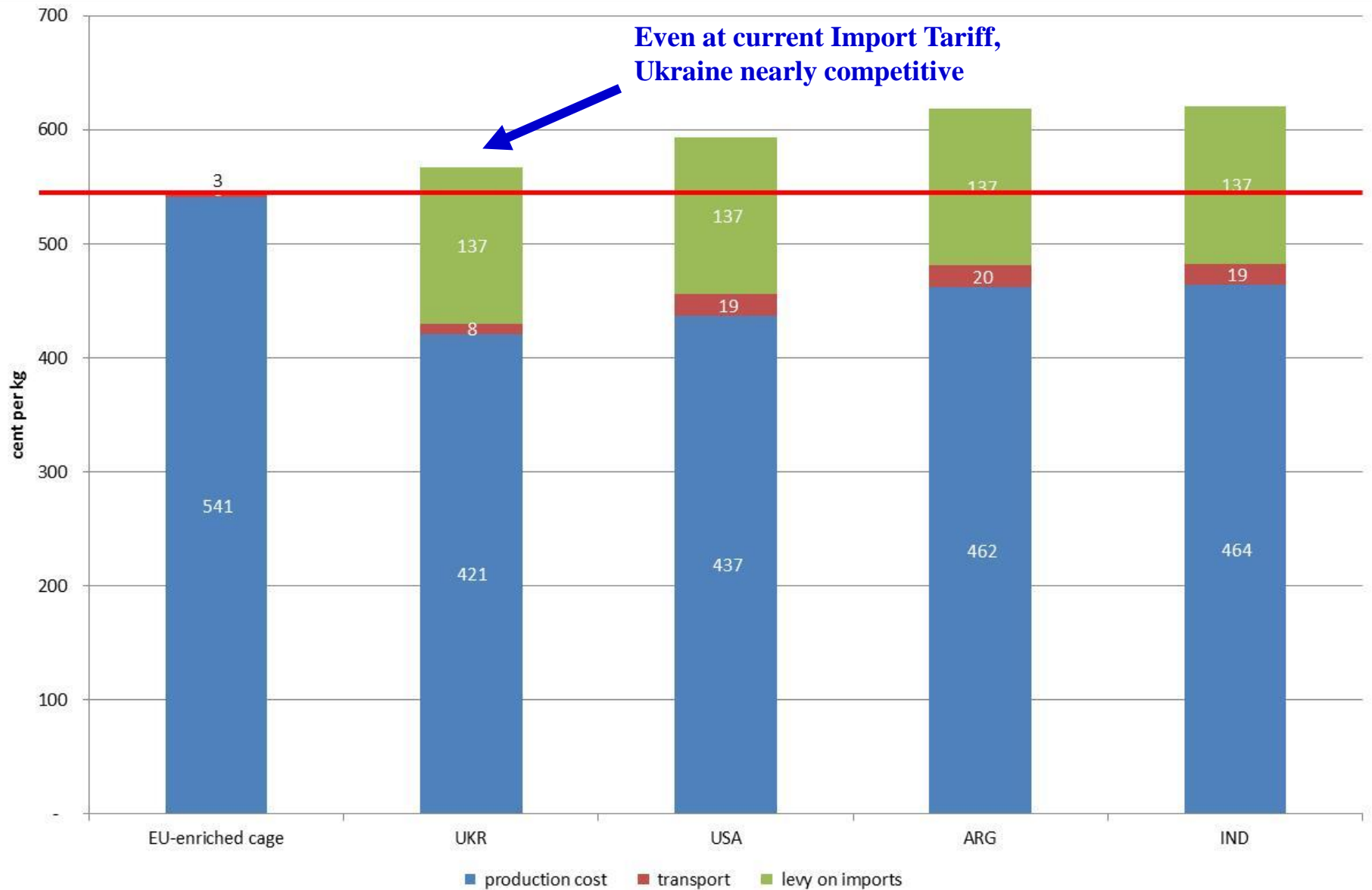
- 10% change in exchange rate to Euro

Offer price shell eggs in Germany 2015 (Eurocents/kg)

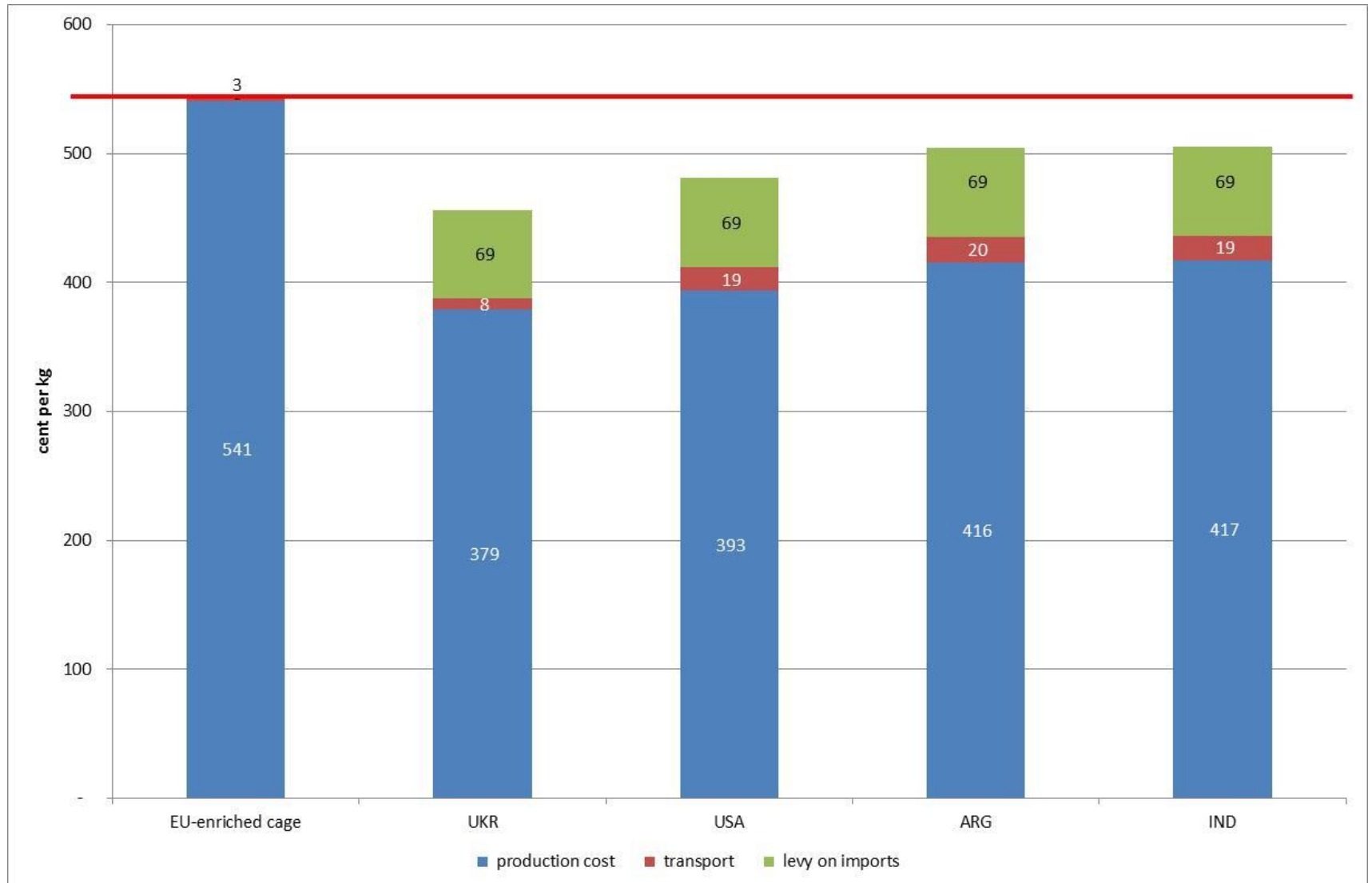
Current Import Tariff
provides protection



Offer price whole egg powder Germany 2015 (Eurocents/kg)

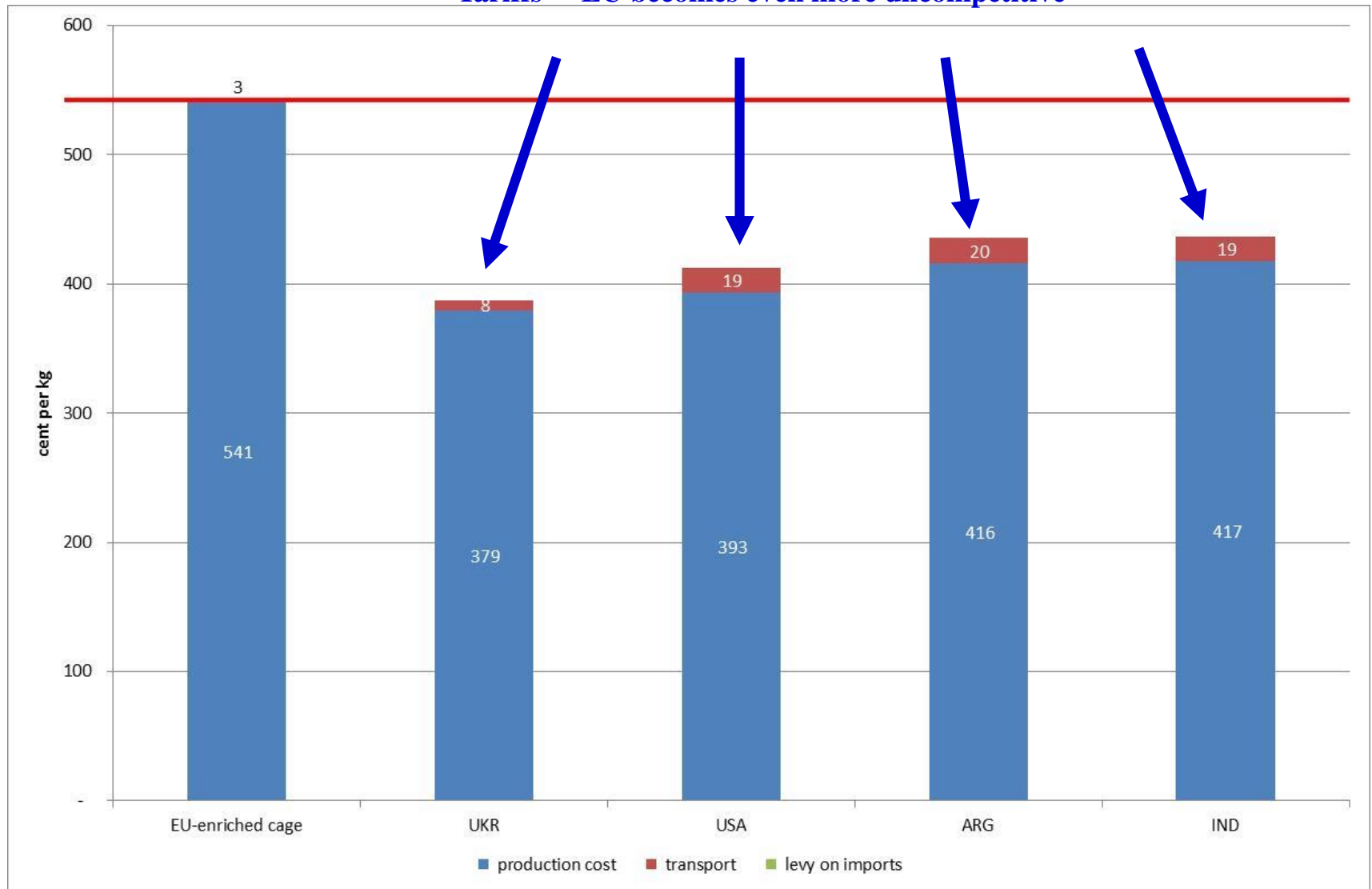


Offer price whole egg powder Germany (Eurocents/kg),
Scenario 3. combination -50% levy and lower exchange rate

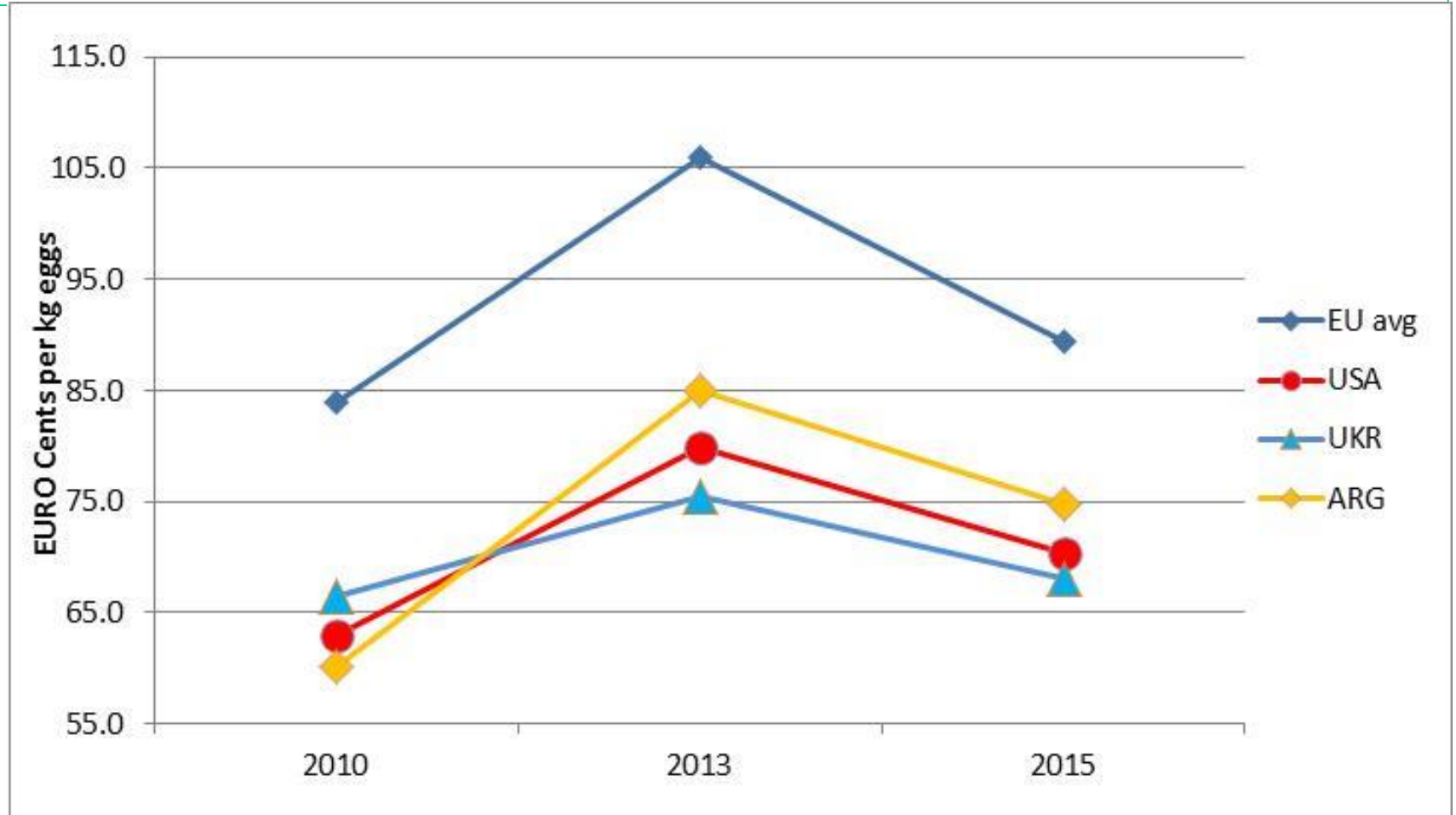


Offer price whole egg powder Germany (Eurocents/kg), Scenario 4. Zero import levy and lower exchange rate

**This is real situation. FTAs are for the removal of Import
Tariffs = EU becomes even more uncompetitive**



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



2015: larger decrease prod costs in EU

Conclusions

- In EU, relatively small differences in production costs
 - e.g. (-7 to + 9% on EU average)
- Third countries have lower cost at farm level
 - USA (-21%), Ukraine (-24%), compared to EU average
- Third countries have lower cost egg powder
 - USA (-19%) and Ukraine (-22%), compared to EU average
- Import levies currently protect EU from large volumes of imports of eggs and egg products

Conclusions (2)

- Many pieces of EU legislation on environment, food safety and animal welfare
 - Some EU member states have additional national regulations
- In 2015, cost of EU legislation was 16% of production cost
- Outside EU there is 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)

- The Future
- Combination of increased cost as a result of EU legislation on housing systems and lower/elimination of import tariffs will further weaken the competitive position of the EU egg sector
- Fair competition?
 - In general, third countries keep hens at 350 - 400 cm² per hen in conventional cages. This is economic optimum
 - No, or minimum, legislation on environment and animal welfare

2015 situation and future perspective:

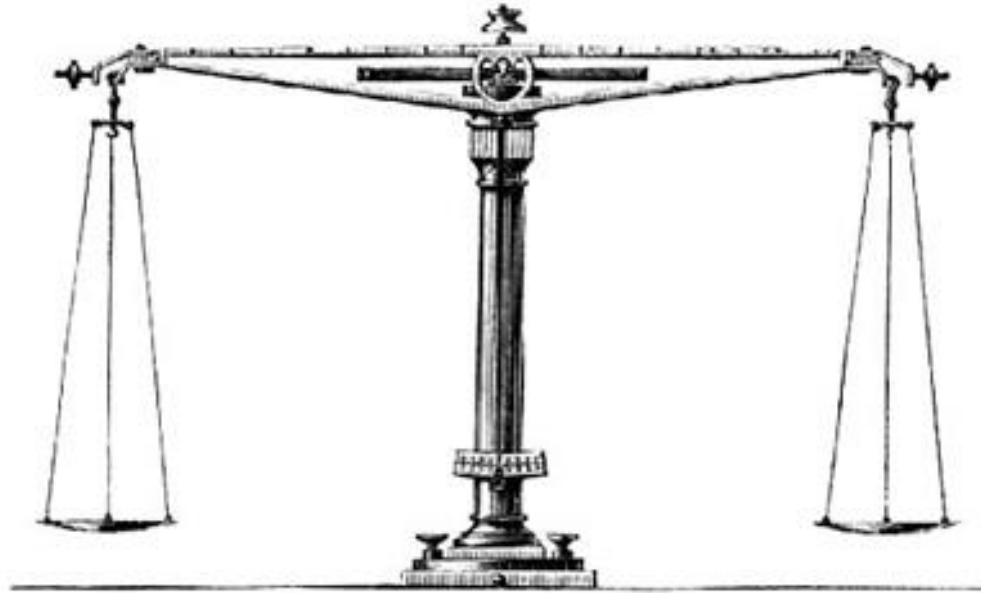
→ Weak and deteriorating competitive position for EU egg sector

What do we need?

- Egg sector has legitimate concerns
 - EU citizens wanted conventional cages banned, as considered cruel, yet EU allows imports of eggs and egg products from this system
- Need for 'Sensitive Product' status - to be afforded to the 'at risk' egg tariff lines
 - In particular, Dried egg and Liquid egg
- Need Animal Welfare standards to be included in all bilateral (and multilateral) trade negotiations
- Therefore, all imports to meet EU's high standards on;
 - Food safety
 - Environment
 - Animal Welfare
- This is 'fair trade'

Free trade

Fair trade



Production cost in
EU due to public
concern

Import levies

EUWEP

Thank you for your attention

For further information please contact

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