

# Competitiveness of the EU poultry meat sector

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# LEI research Institute



## Agricultural Economics Research Institute (LEI)

- Independent Research Institute, NL
- Part of Wageningen University and Research Centre

International comparison production cost poultry meat  
2004 and 2007.

Initiated by AVEC: update and scenarios 2011 (report)  
and update 2013.

# Content presentation / report

- EU legislation
- Employment and economic value
- Production costs in selected EU countries 2013
- Production costs in selected non-EU countries 2013
- Imports and exports poultry meat
- Scenarios on free trade
- Conclusions

# Legislation



## ■ Environment

- Nitrate Directive / IPPC Directive
- Reduce ammonia emission

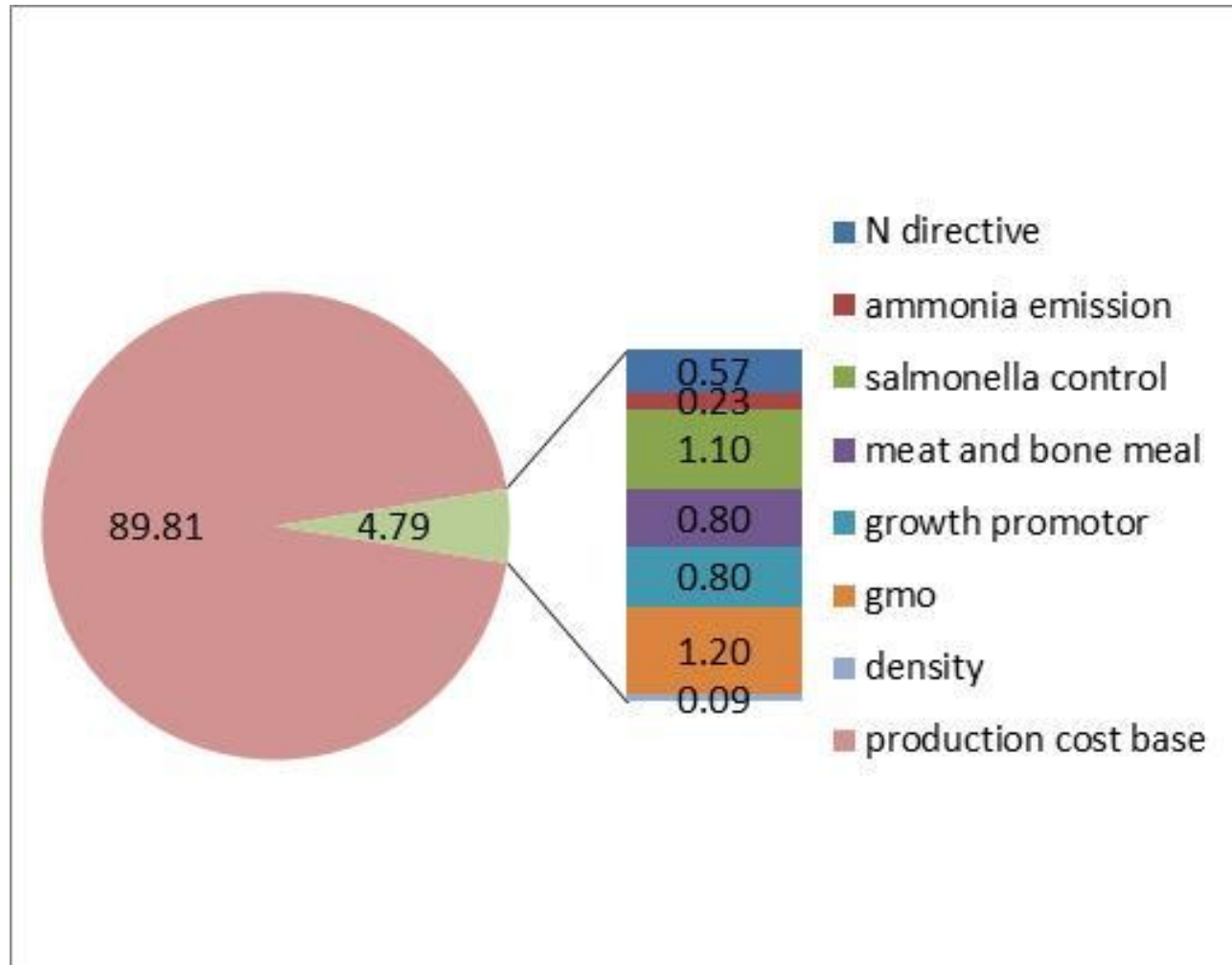
## ■ Food safety

- Salmonella control
- No meat and bone meal
- Ban on growth promoters
- GMO feed ingredients

## ■ Welfare broilers

- Housing conditions (density / mortality)

# Costs related to EU Legislation at farm level



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

# Legislation



## ■ Focus on farm level

## ■ Industry

- Salmonella control
- Ban on Meat and bone Meal (disposal offal)
- Stunning of poultry
- Origin labelling

## ■ Recent legislation / National legislation

- Reduce fine dust (NL, DE)
- Foot pad lesions (NL, DK, Sw)
- Reduce use of antibiotics (NL, DK)
- Campylobacter prevalence

# Legislation in third countries (BRA,ARG,THA,USA)

Topic	Policial 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
antibiotics	Differs	No	Common use AGP
GMO	Low	No	GMOs are used
<b>Animal welfare:</b>			
Stocking density	Low	No	Low densities

# Economic Importance

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	

Total production value in 2012:  
32 billion euro





# Structure and employment

## 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

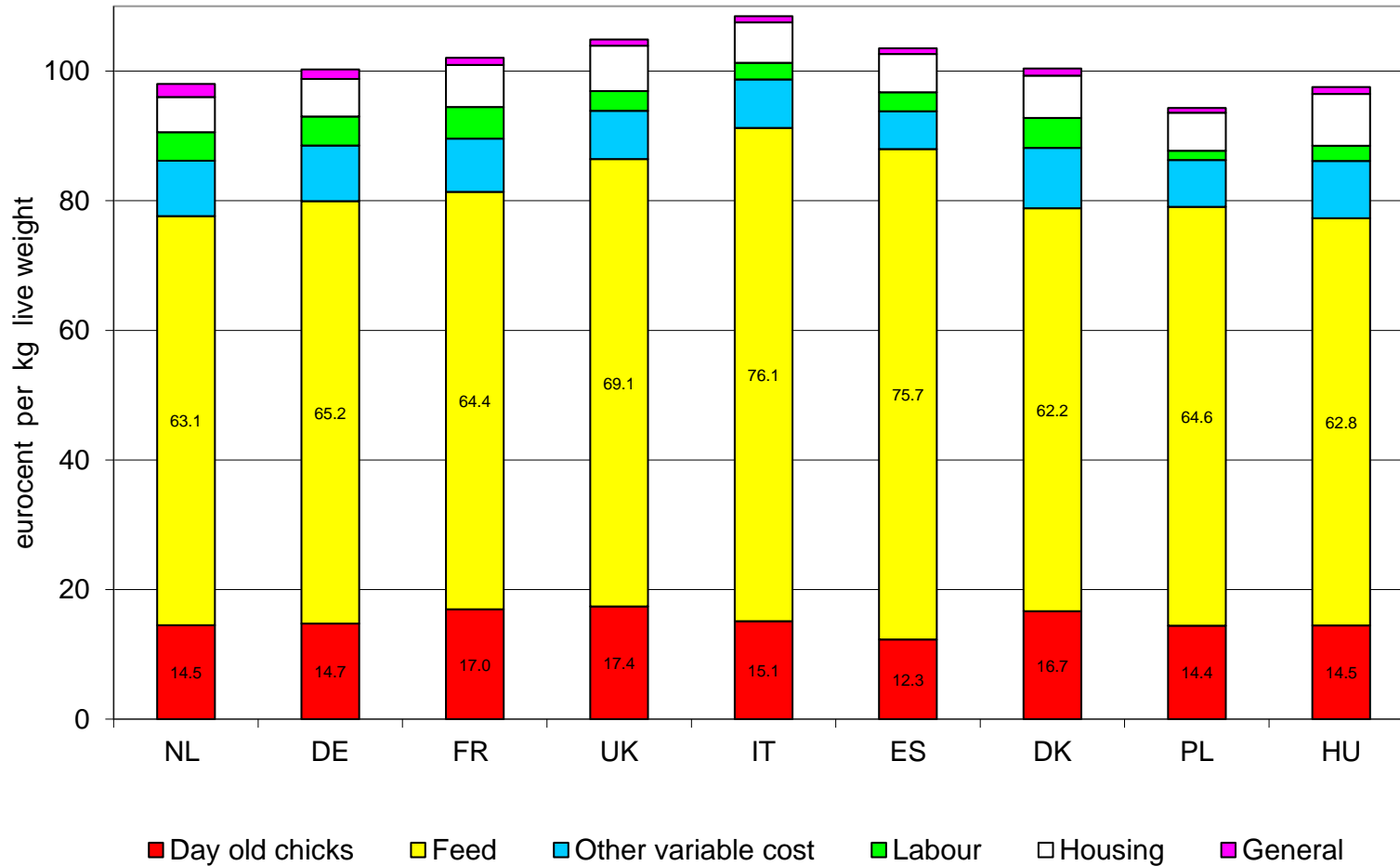
**→ EU-27 employment of 303,000 workers**

# Method production costs broiler meat

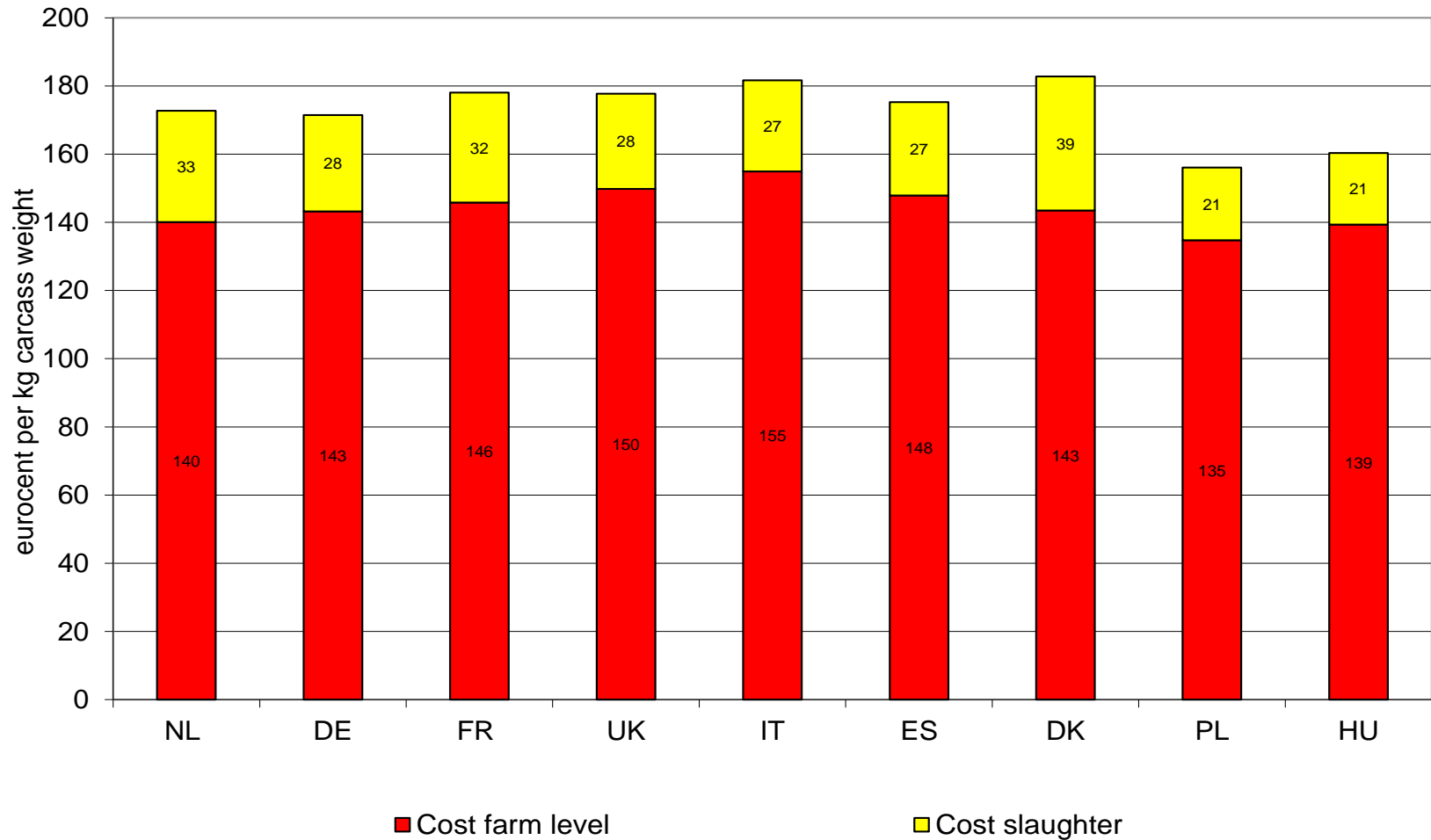
- Collecting basic data on production, 2011 / 2013
- Countries in EU : NL, DE, FR, UK, IT, ES, DK, PL, HU
- Countries non-EU : USA, THA, BRA, ARG, RUS, UKR
- NL calculation method
- Focus on:
  - Primary: feed, doc, housing, labour
  - Processing: plant, equipment, labour
  - Transport cost to market



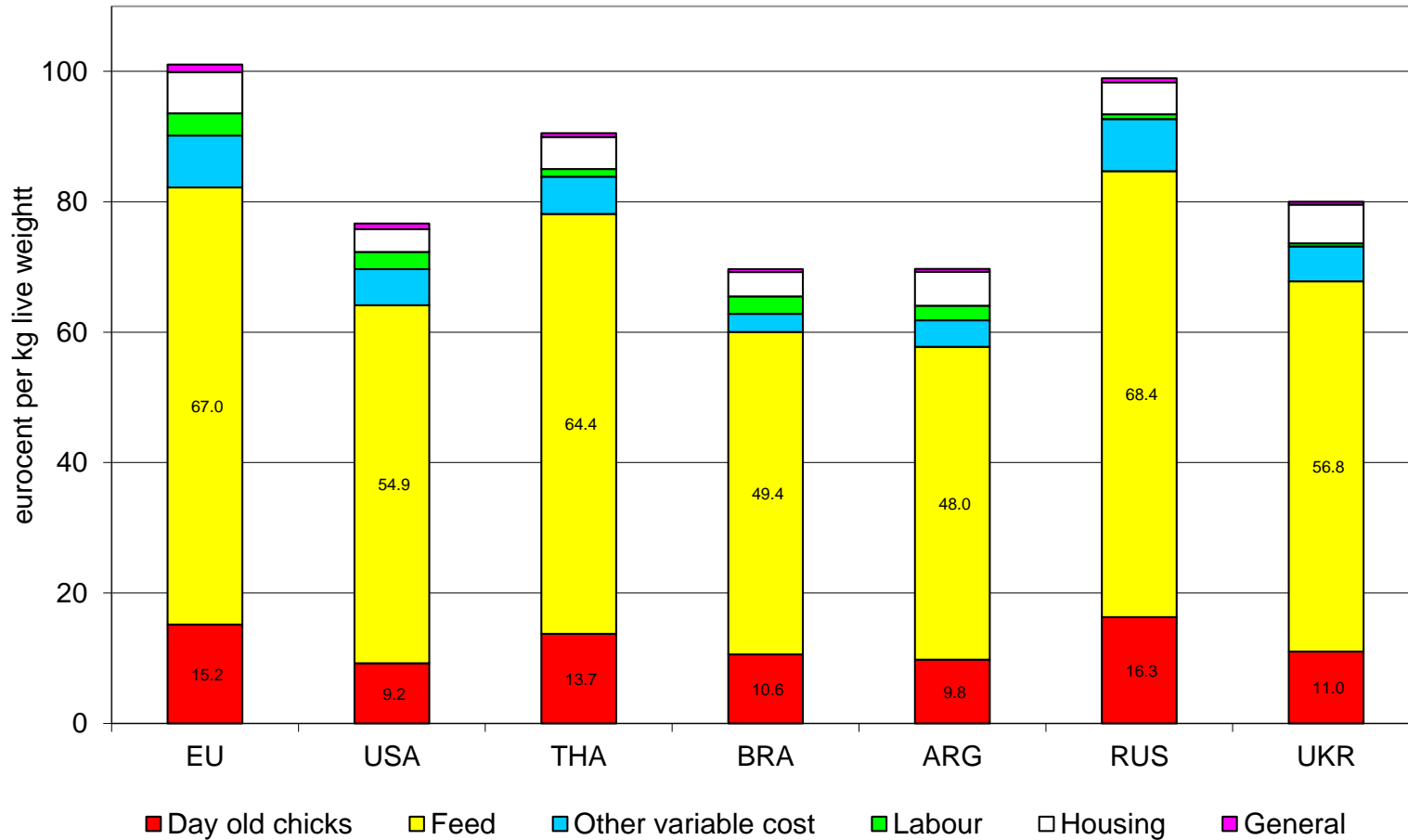
# Production costs broilers at farm level 2013 (Euro/kg LW) in EU countries



# Production costs broiler farm and slaughter **2013** (Euro/kg CW) in EU countries

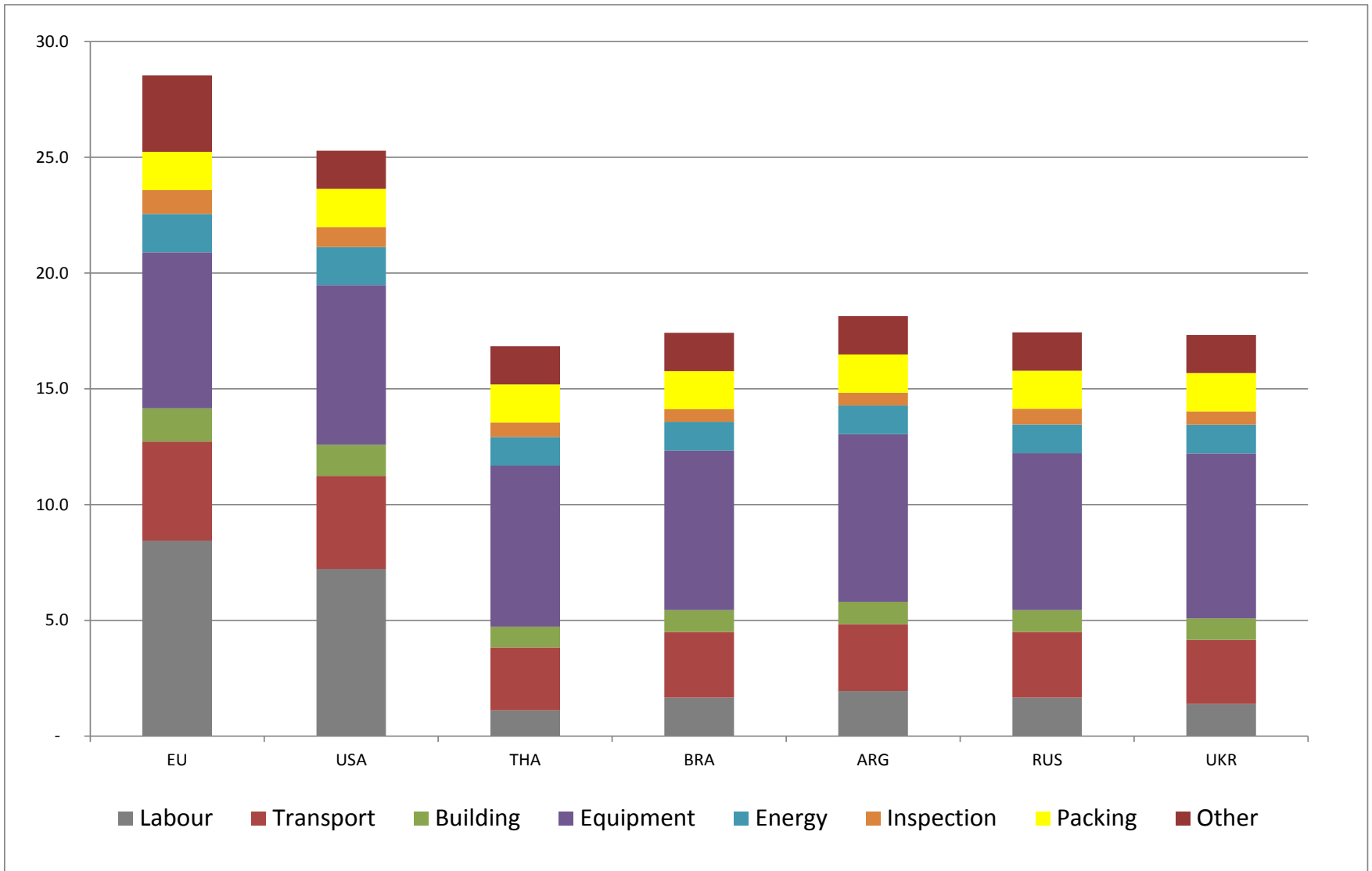


# Production costs broilers farm level **2013** (Euro/kg LW) in third countries

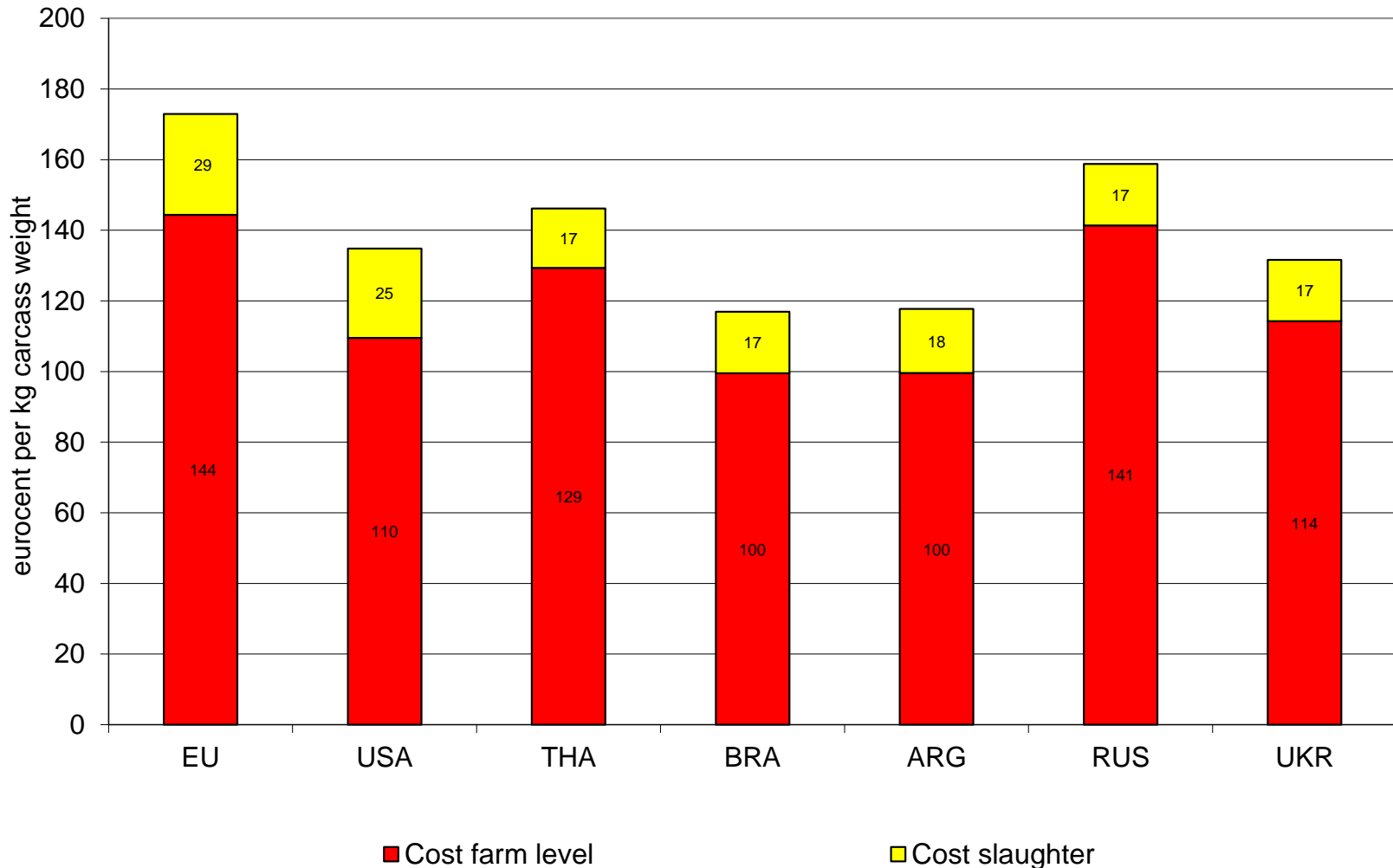


BRA, and ARG minus 30%

# Slaughter costs (Euro/kg CW) in third countries, 2013

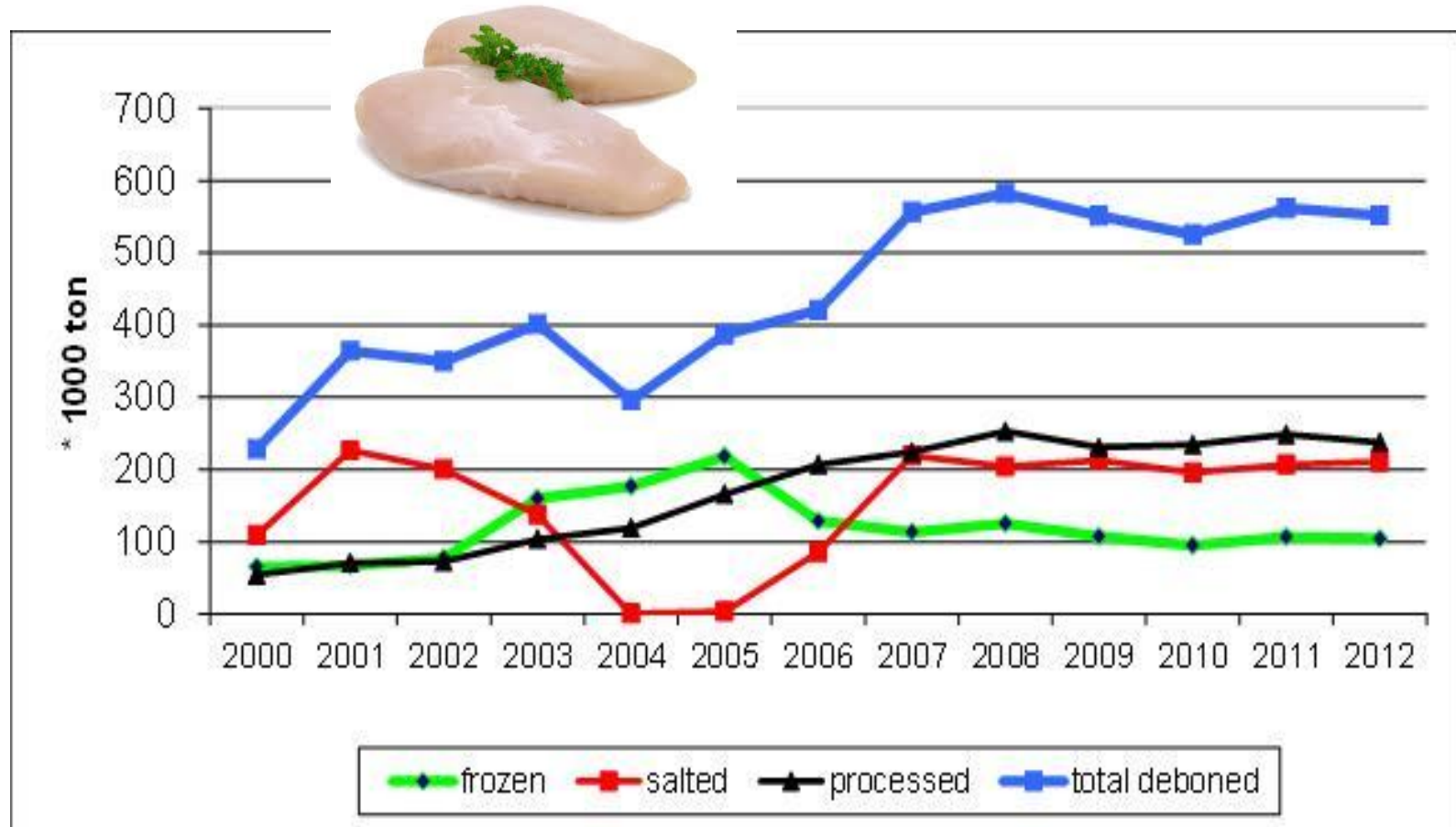


# Production costs broiler farm and slaughter **2013** (Euro/kg CW) in third countries



BRA and ARG – 32%, UKR – 23%, USA -22%

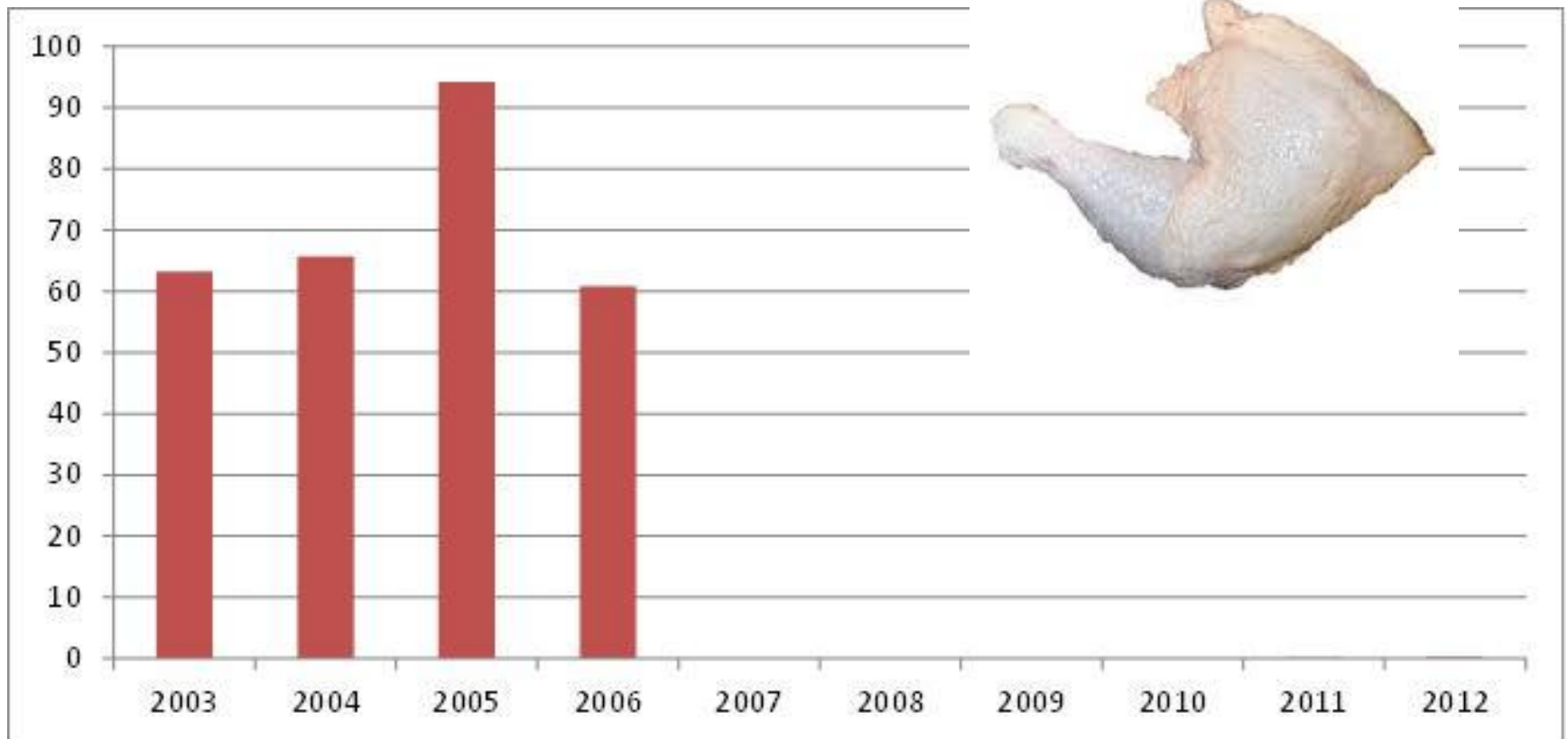
# EU Imports third countries (1000 ton) breast fillet



- High value imports
- Salted: Br and Th
- Cooked: Th and Br
- Naturel: with full levy



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



## EU-Exports Poultry meat (1000 tonnes cw)

Destination	Volume 2012	Volume 2013
Saudi Arabia	149	155
Benin	139	139
South Africa	132	159
Hong Kong	125	117
Russia	114	95

### EU Exports:

- Lower value than imports
- Outlet for full valuation of the whole birds
- Whole birds (65%) to Middle East

# Scenarios for the future

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



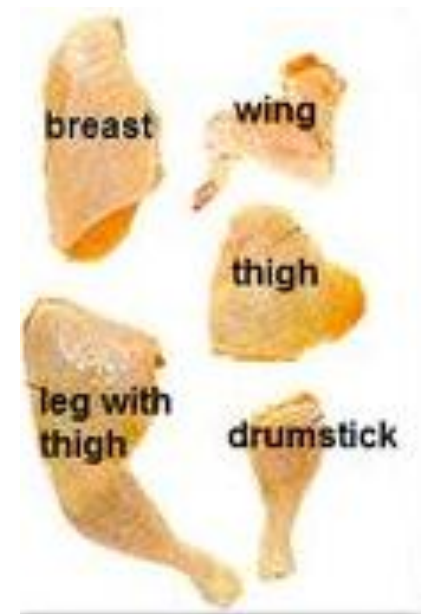
## Scenario examples:

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

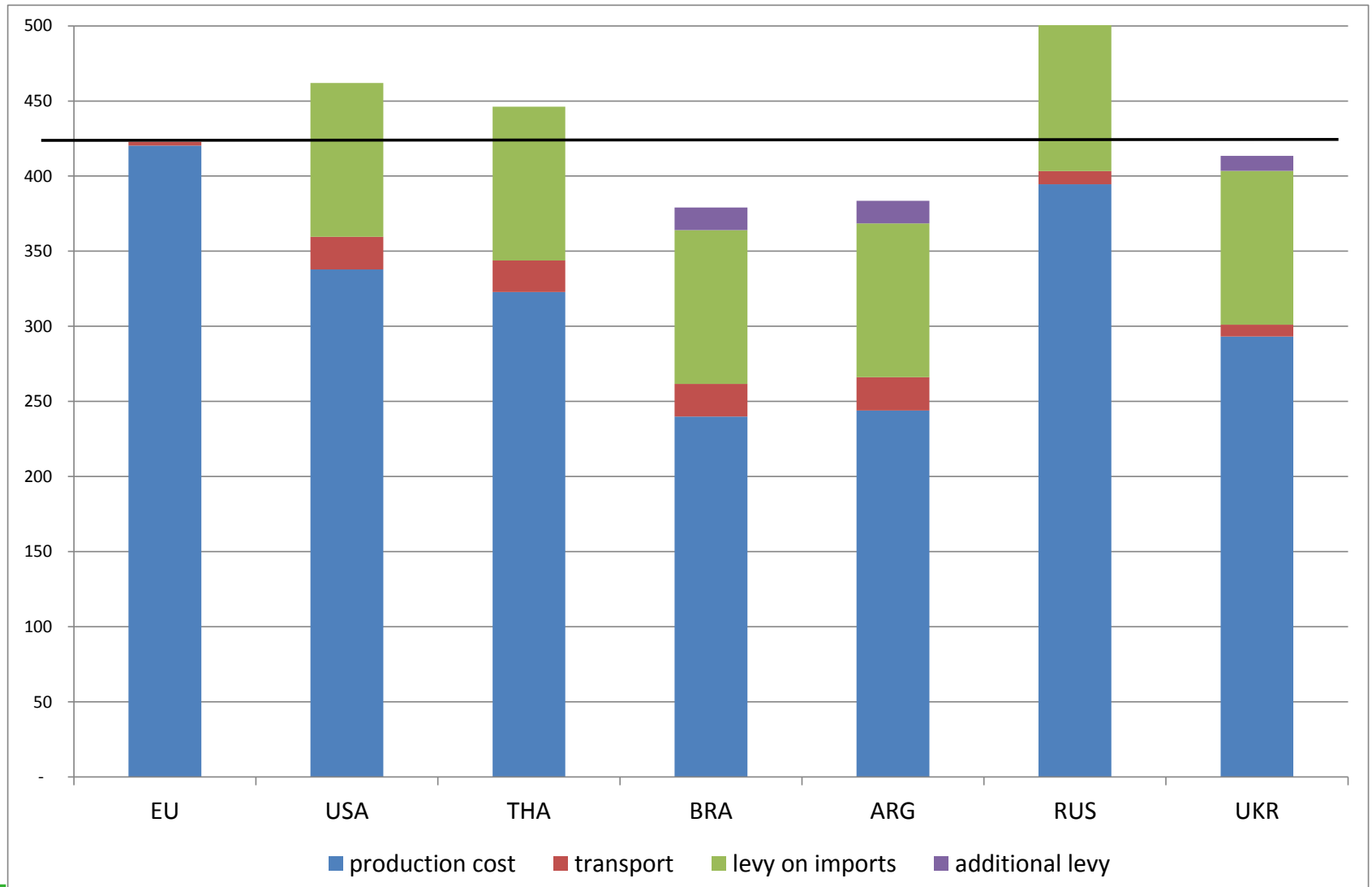
# Calculating offer price

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

→ Calculated offer price fillet

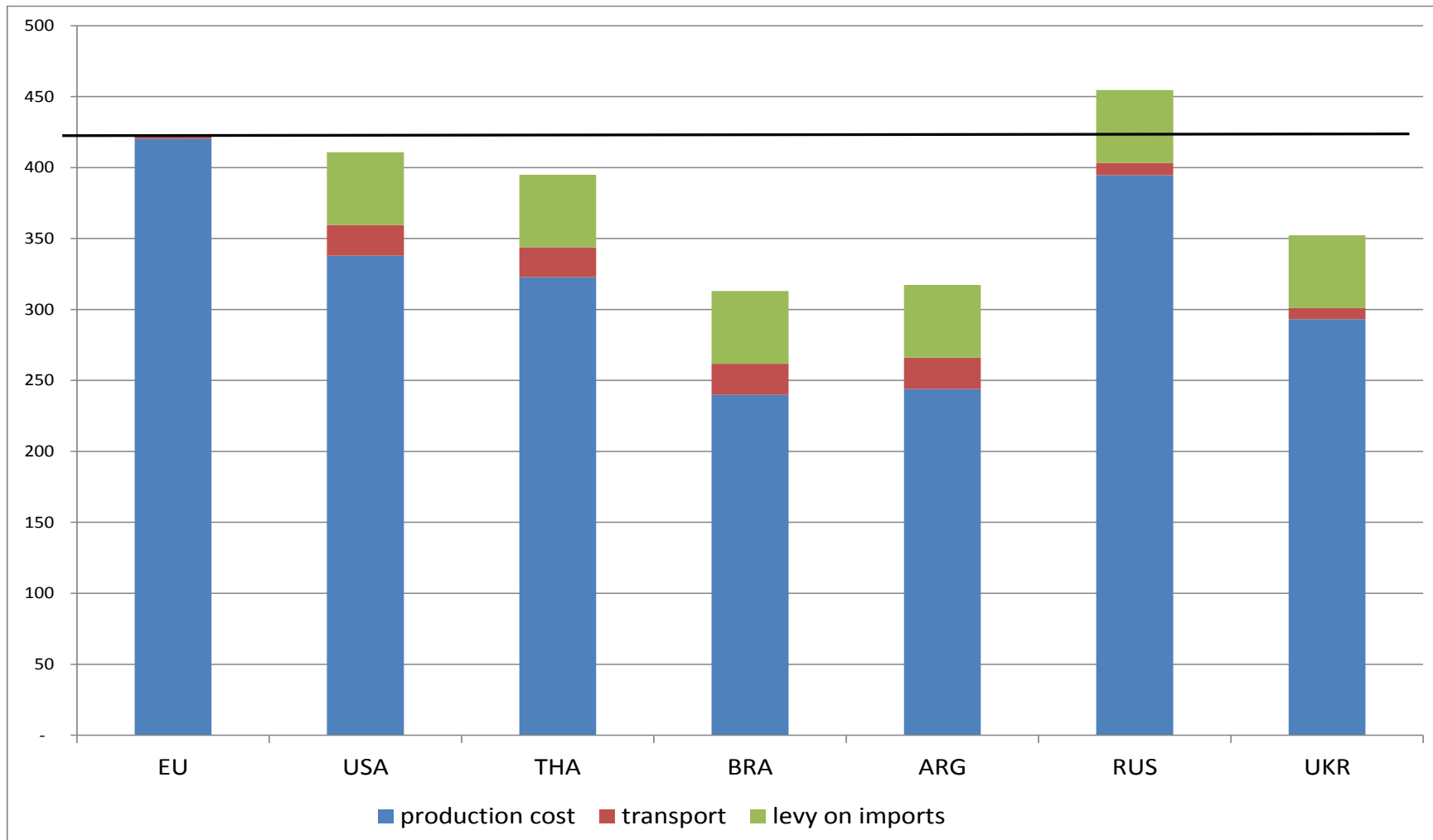


## Situation 2013: Offer price breast fillet EU and non EU (E/kg)



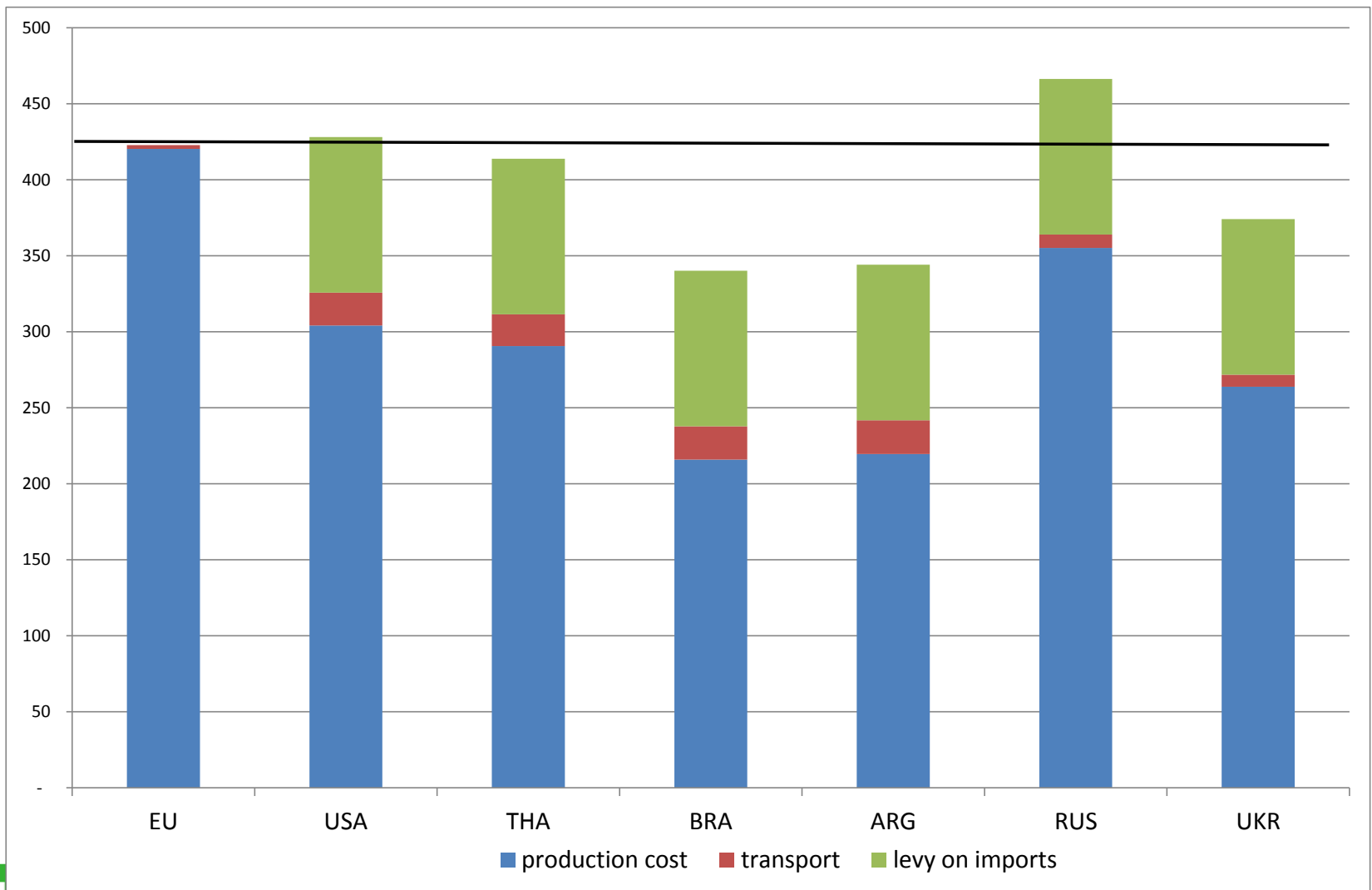
# Scenario 1: 50% lower basic levy, no additional levy

## 2013 Offer price breast fillet EU and non EU (E/kg)

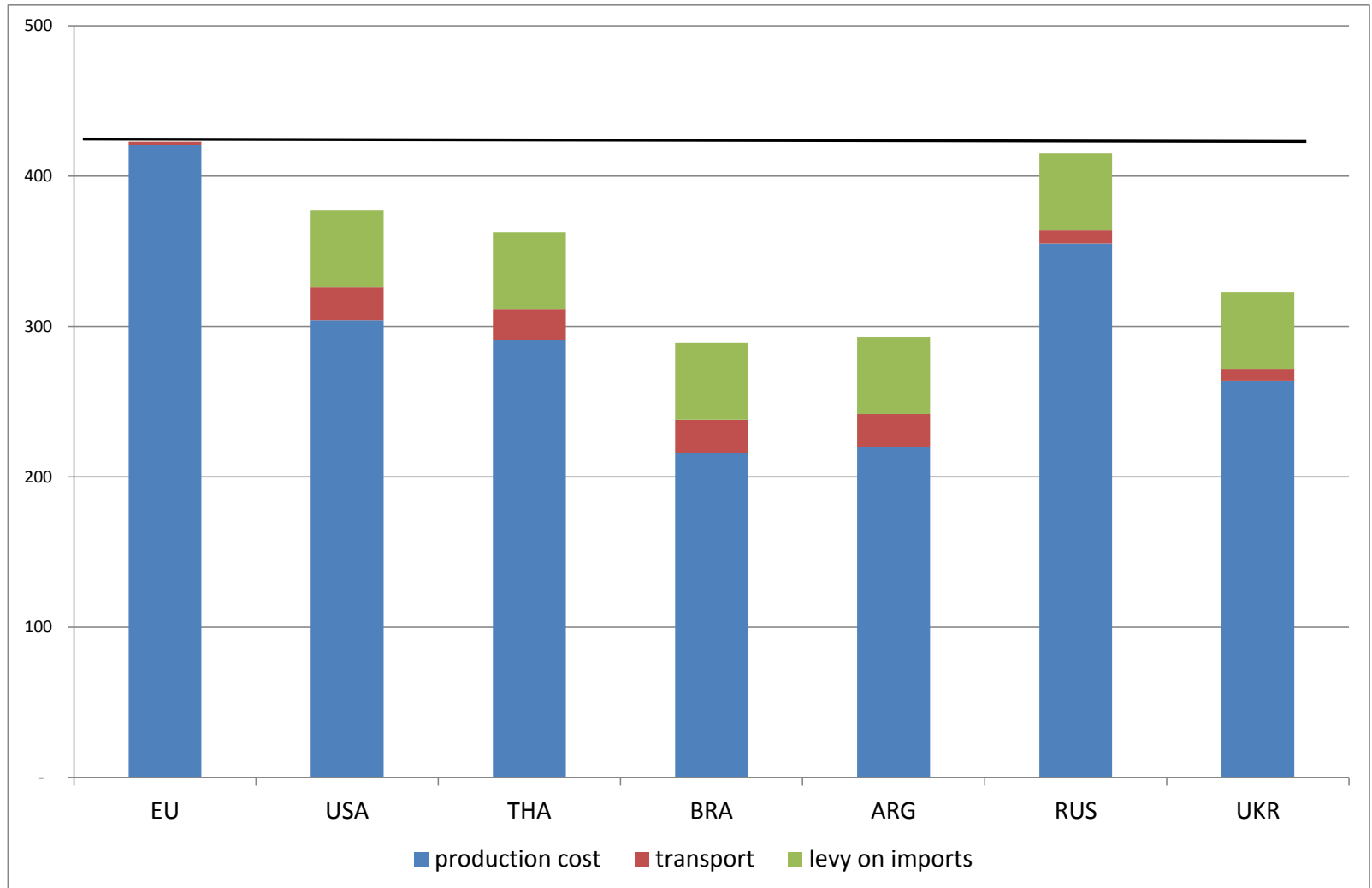


## Scenario 2: 10% lower exchange rate to the Euro

### 2013 Offer price breast fillet EU and non EU (E/kg)



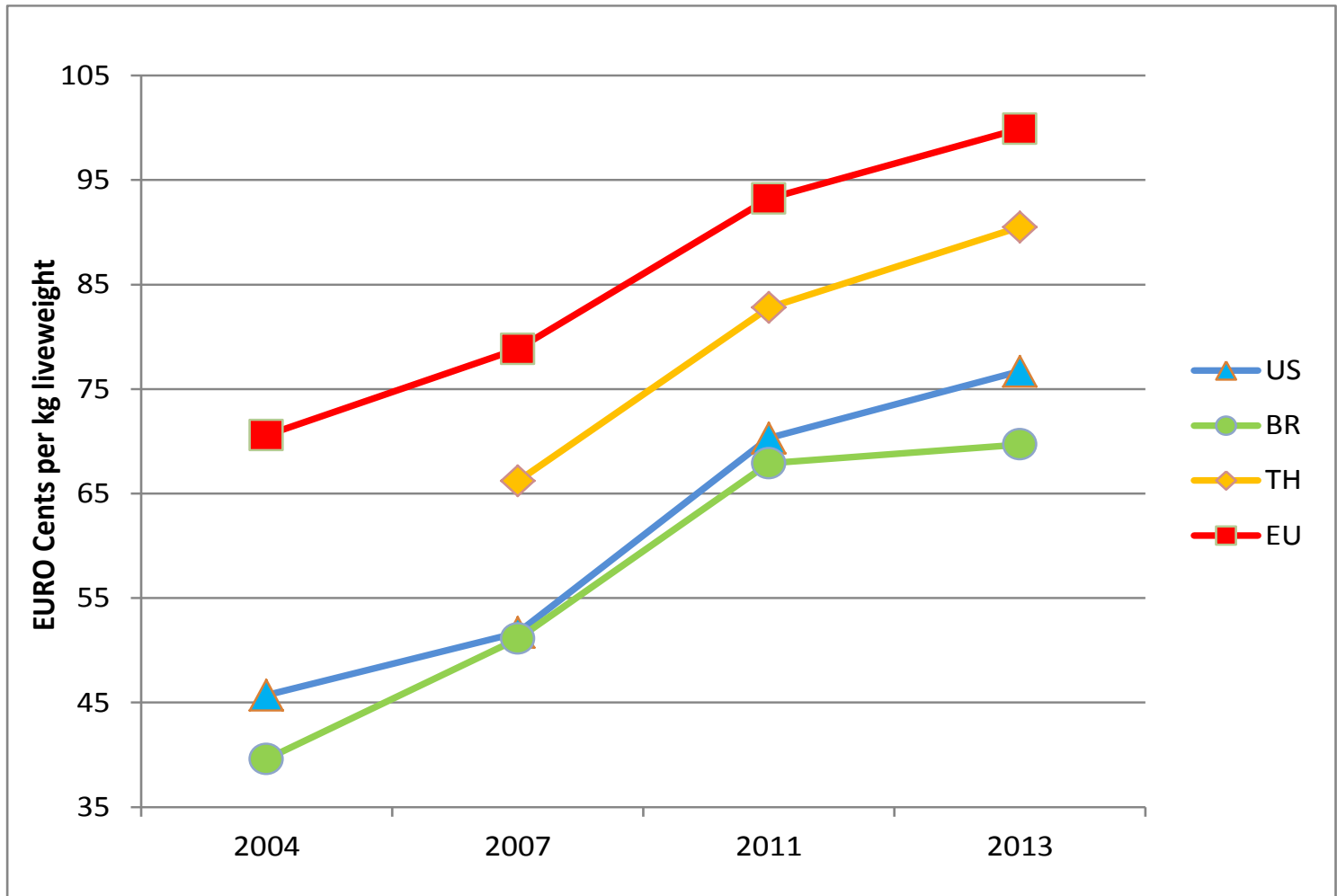
# Scenario 3: 50% lower basic levy and 10% lower exchange rate. 2013 Offer price breast fillet EU and non EU (E/kg)





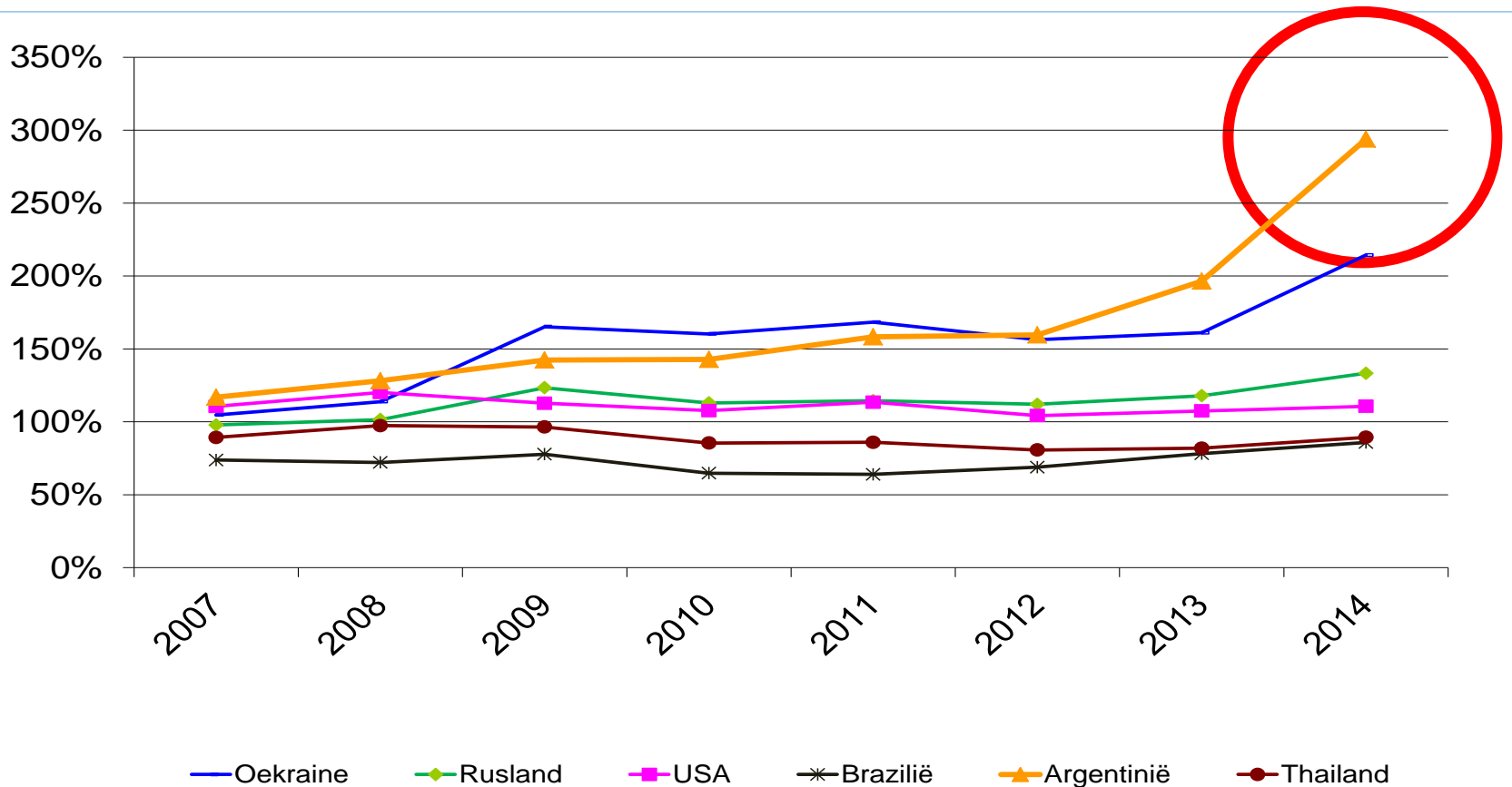
# Overview production cost farm level: average

## EU – third countries in years 2004-2007-2011-2013



# Recent development 1th half of 2014

Exchange rates currency of third countries to the euro



2014 = 1th half year

Recent development ARG and UKR lower offer price

# Conclusions (1)

- Poultry meat sector is important economic factor in many countries: production value of 32 billion euro in 2012 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

## Conclusions (2)

- In EU relatively small differences in production costs at farm level (+ or – 5%).
- Third countries have significant lower production costs farm and slaughter:
  - Brazil and Argentina – 30%
  - Ukraine and USA 20 to 25%
- Import of high value breast fillet
- Quota and Import levies protect EU from large volumes of imports of poultry meat.

# Conclusions (3)

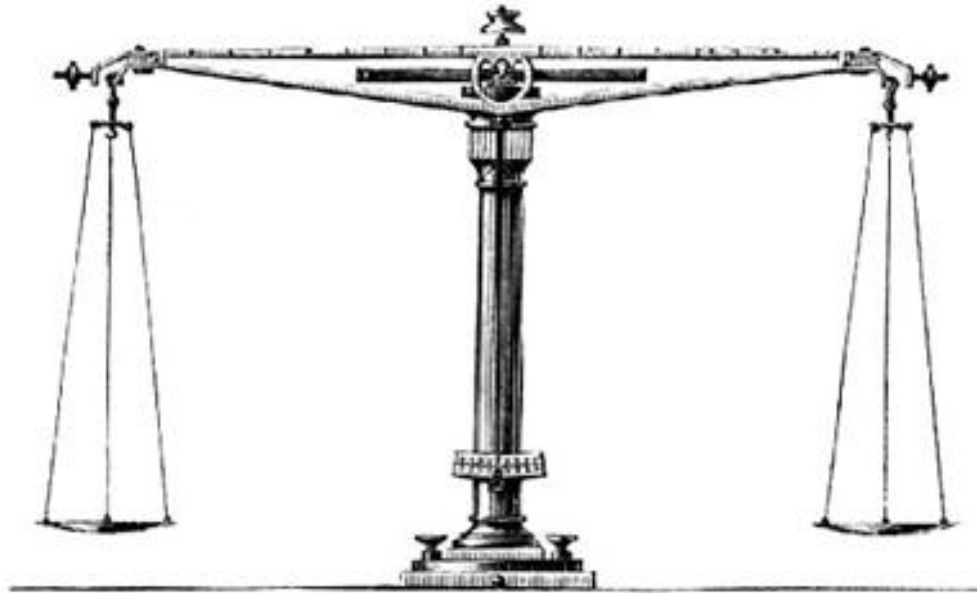
- Scenarios with lower import levies (e.g 50%): lower offer price of breast fillet: clearly below EU level for Brazil, Argentina, Ukraine. Also USA and Thailand.
- Fair competition?: Outside EU in general no or little legislation on topics of public concern in the EU.

Future perspective:

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

Free trade

Fair trade



Production cost in EU  
due to public concern

Import levies

Report is available on the website

Thanks for your attention.

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