

## **Report of the Advisory Group on Poultrymeat and Eggs**

**Date of meeting: 25th March 2014**

President: Charles Bourns

Vice Presidents: Paul Lopez, Mark Williams

Commission Services represented by DG AGRI and DG SANCO

### **1. Approval of the agenda and the minutes of the meeting on 16<sup>th</sup> March 2014, drafted by the President**

The minutes were approved as circulated. The agenda was approved following the introduction of one point on the future of advisory groups as AOB.

### **2. Internal Market – Latest information on the market situation for poultrymeat and egg and feed market**

A representative from the Commission's services (Unit C4 of DG AGRI) presented the market situation, following the slides sent out to the members of the AG prior to the meeting and available on CIRCA. The key points presented were as follows:

Poultry consumption in the EU increased by 0.1% in 2013 and this trend is expected to continue in 2014 (0.1%). EU broiler production is set to increase by 1.0% (12.7 million tonnes) in 2014. The weekly EU average broiler price is currently high and above the EU five-year average (around 195 €/100 kg). Moreover, this level is likely to increase in the next month, reflecting a seasonal upward trend until the high consumption season (summer).

Poultrymeat imports in 2013 decreased by 6.6% (in carcass weight) but are forecast to decrease by 2.2% in 2014. The main sources of poultrymeat imports in 2013 were Brazil and Thailand, which accounted for 63.1% and 28.1% respectively. Imports from Thailand have increased by 60% since 2009, which indicates the country's export potential. In 2013, poultrymeat exports (in carcass weight) from the EU fell by 0.3%, but a 1.2% decrease is forecast for 2014. The major recipients of EU exports were South Africa (11.1%), Saudi Arabia (10.9%), Benin (9.8%) and Hong Kong (8.2%).

EU production of eggs for consumption is expected to decrease by 0.4% in 2014. In 2013, the weekly price of eggs fell significantly, reflecting an oversupply (productions of eggs for consumption increased by +2.5% in 2013). Following high prices in 2012, egg prices decreased in 2013. Since the beginning of 2014, egg prices are following a pattern closer to the five-year average (2009-2013). Prices are likely to increase over the coming weeks due to the Easter period, but will later remain at a similar level to the previous five year average, which is significantly lower than 2012. It is believed that imports of eggs will continue to decrease in 2014 due to the ample supply of eggs in the EU.

This representative ended her presentation by calling for contributions from the experts of the forecast group, as only 8 were present at the last meeting and only 14 (out of 28) had contributed. In addition the Commission representative asked the experts to share data on feed conversion rate in order to update their system of information.

A representative from the Commission's services (DG AGRI) presented the market situation for cereals, oilseeds and protein crops. Detailed information on the presentation was available on CIRCA.

A representative of the Commission services (DG AGRI) presented the prospects for Agricultural Markets and Income in the EU 2013-2023.

*Exchange of views on market situation*

The representative of Poultry Processors and Poultry Trade asked the Commission about the future trends of the world market on poultry. The representative of Via Campesina asked whether the entry in force of all the free trade agreements being negotiated by the Commission, could substantially change the prospects for Agricultural Markets and Income in the EU.

The Commission clarified that according to the OECD-FAO outlook 2013-2023, the world demand for poultry meat will remain strong but the pace of growth will slow down when compared to the past decade. . The Commission also informed that in DG AGRI's and OECD-FAO's outlooks, the FTA's with Colombia, Peru and Central America were taken into account but the bilateral and regional trade (i.e. Ukraine and Canada) were not included as the agreements were not into force at the date of preparing the projections.

The producers representative underlined that the behaviour of EU exports are directly linked to the cost of production and this factor is very much dependent on the cost of cereals. In addition the sector in the EU relies on the export capacity. Currently the EU is engaged in several Free Trade negotiations that may open our markets to a substantial amount of imports. The representative urged the Commission to be very careful with the cumulative effect of all these trade negotiations. Furthermore, it is important to know all the instruments (market measures and export tools) available to the sector that can be used in the future.

### **3. Presentation – The a.v.e.c. study ‘Competitiveness of the EU poultry meat sector’.**

A representative from Association of Poultry Processors and Poultry Trade in the EU (a.v.e.c.) presented the preliminary conclusions of the study ‘Competitiveness of the EU poultry meat sector’, following the slides sent out to the members of the AG prior to the meeting and available on CIRCA. The key points presented were as follows:

- The biggest poultry producer in the world is Asia.
- This sector has a better carbon footprint when compared to other meat sectors.
- The EU poultry sector is an open sector, open to imports and exports
- 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 Member States 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.
- In EU there are relatively small differences in production costs
- Third countries have significant lower production costs farm and slaughter
- Import of high value breast fillet/boneless breast meat

#### *Exchange of views on presentation*

The producer representative enquired on the evolution of the cost of production in the EU and third countries, recalling that feed is the main cost for producers. According to this producer the Commission should take on board that high standards can create difficulties to EU exports and producers are very concerned for the future. The main motivation of the consumer is the price.

The representative Poultry Processors and Poultry Trade believes that if the restrictions on GMO will continue then the EU will pay more for feed materials in the future when compared to some of our direct competitors. The price of feed will increase for everyone in the world but those who don't use GMO or/and have to import feed will pay a premium. In terms of labor and building costs, these are raising in south America and China but very slowly and there is still a big gap when compared to the costs in the EU. In the other hand and according to this representative, the high standards in the EU can create some opportunities in third countries, for example there are 320 million inhabitants in India that are increasing their revenue and may be able to buy high quality meat in the future.

#### 4. New CMO – Public funds and case of crisis and new market organisations

A representative from the Commission's services (Unit C4 of DG AGRI) presented the new Common Market Organisation (Regulation (EU) No 1308/2013), following the slides sent out to the members of the AG prior to the meeting and available on CIRCA. The key points presented were as follows:

##### CMO instruments

- Safety net
  - ✓ Public Intervention
  - ✓ Aid for Private Storage
  - ✓ Export refunds
- Exceptional Measures (Commission direct action)
  - ✓ Market Disturbance
  - ✓ Animal Diseases, consumer Confidence (Art.220)
  - ✓ Specific Problems (Art.221)
- Exceptional Measures (Commission empowering stakeholders)
  - ✓ Application of Art. 101(1) TFEU in case of severe Imbalance in Markets (Art.222)
  - Market disturbance and threats thereof can be addressed via exceptional measures, including via urgency procedure in case of imperative grounds of urgency; [legal basis: article 219 of R1308/2013]
  - Export refunds can now be used only in a context of measures taken under Article 219 or 221 CMO.
  - Measures against loss of consumer confidence now cover all main sectors; [legal basis: article 220 of R1308/2013]
  - Emergency clause to "adopt necessary and justifiable emergency measures to resolve specific problems"; [legal basis: article 221 of R1308/2013]
  - Commission power to authorise stabilising collective measures by POs and IBOs. [legal basis: article 222 of R1308/2013].
  - Crisis reserve:
    - ✓ For specific measures (market intervention, exceptional measures, export refunds).
    - ✓ Legal basis: Article 226

"Funds transferred from the Reserve for crises in the agricultural sector under the conditions and procedure referred to in Article 25 of Regulation (EU) No 1306/2013 and paragraph 22 of the Interinstitutional Agreement between the European Parliament, the Council and the Commission on budgetary discipline, cooperation in budgetary matters and on sound financial management shall be made available for the measures to which this Regulation applies for the year or years for which the additional support is required and which are implemented in circumstances that go beyond normal market developments.

In particular, funds shall be transferred for any expenditure under:

- (a) Articles 8 to 21 (public intervention and aid for private storage);
- (b) Articles 196 to 204 (export refunds); and
- (c) Articles 219, 220 and 221 of this Regulation." (exceptional measures)

- Tight budget availabilities in the 2014-2020 Multiannual Financial Framework for market related expenditure and direct payments.

- Crises Reserve limited to 400 mio € (constant 2011 prices) per year funded by financial discipline
- Amounts above Crisis Reserve:
  - ✓ If underspending in other parts of the EAGF budget
  - ✓ Budgetary discipline (i.e. reduction of reimbursement to Member States).
- Not a budgetary limitation, but a procedural aspect: Use of any amount from the Crises Reserve subject to the approval by the Council and the European Parliament of a transfer between budget chapters.

### *Exchange of views*

The representative of egg packers, egg traders and egg processors enquired the Commission whether these measures are also available for the egg sector. The representative of producers recalled that some of these measures would have been crucial already in 2006 when consumers lost confidence in poultry meat because of the AI in Asia. This representative wishes that in case of new crisis the Commission will move quicker in order to support the sector.

The Commission explained that some of these measures are also available for eggs.

## **5. Promotion of poultrymeat and eggs – Roundtable within stakeholders to present their priorities in terms of promotion**

The representative of the Commission informed that no major developments are to be reported at this stage since the last meeting, followed by a roundtable within stakeholders that presented their priorities in terms of promotion.

The representative of producers informed about supports all efforts to make the promotion policy more market and consumer oriented. They have identified the following challenges and strategies:

I. High Standards - It is vital to ensure that the European Model of production of poultry and eggs is economically sustainable and supported by a strong demand (final consumer, food industry) that recognizes the product in terms of price and quality/safety. The consumer/industry shall be aware of the work done by the sector, in terms of high standards of food safety, environment, animal health and welfare and the additional costs that are associated with these high standards.

II. Health benefits - We would like to see promotion of the nutritional benefits of poultry meat and eggs. In addition, it is important to inform on the nutritional value of the egg as an indispensable part of the diet and on the benefits of its components to Human health in the context of a balanced diet.

III. Proper handling and prevention of risks - In addition we should inform on the proper food handling and prevention of risks - food security of the EU Egg.

IV. Getting new markets - Poultry: Third country markets are becoming increasingly more important in economic terms for the sector due to a significant market development. Currently, there is a higher demand on a segment of the market concerning low value cuts/products. These secondary cuts/products are not the most valorized (low price) by the EU consumer.

Eggs: To find markets for EU eggs and egg products on specific niches and high purchase power markets/high value-added markets should be a priority.

V. Cooperation: To bring together all actors of the chain on a communication strategy.

The producer representative continued her presentation by recalling that in the current promotion scheme, and regarding the eggs sector, we could only provide people information on marking of eggs.

The representative Poultry Processors and Poultry Trade underlined the current high level of bureaucracy and requirements, asking to simplify the management of funds. The representative admitted that he is more optimistic with the recent developments concerning the eligibility of funds.

## **6. Labelling of origin**

A representative of the Commission informed that the Commission proposal for *mandatory indication of country of origin or place of provenance for unprocessed meat of pigs, poultry, sheep and goats* was approved last December 2013.

### *Labelling of Meat used as an ingredient*

The adopted Regulation n° 1169/2011 on food information to consumers foresees that the European Commission shall submit a report to the European Parliament and the Council which will evaluate the possibility to extend mandatory origin indication of the “country of origin” or “place of provenance” for meat used as an ingredient (see article 26.6 of the Regulation (EU) No 1169/2011). The Commission representative informed that the report would be approved by the Commission in the next days. In order to increase transparency the Commission will publish the report prepared by an external consultant. This analysis includes all meats such as rabbit, horse meat and game and other major meats. The rules of origin for meat used as primary ingredient can't be more detailed than those for unprocessed meat. The Commission representative informed that the final report will be sent to the European Parliament and Council in order to initiate an informed discussion

### *Indication of the country of origin or place of provenance for unprocessed meat other than beef, pig, poultry sheep and goat meat*

Art.26(5) of Regulation 1169/2011 on the provision of food information to consumers stipulates that by 13 December 2014, the Commission shall submit a report to the European Parliament and the Council regarding the mandatory indication of the country of origin or place of provenance for unprocessed meat other than beef, pig, poultry sheep and goat meat. Therefore, rabbit meat will be included in this report. To write this report, DG AGRI has selected a contractor (LEI-Wageningen University) which should investigate and collect the data that would allow the Commission to assess the need for consumers to be informed regarding the origin of 'other types of meat' - It means fresh and frozen meat including minced meat and cuts of domestic ungulates, domestic solipeds, lagomorphs (rabbits, hares and rodents), small wild games birds and lagomorphs living freely in the wild or farmed).

### *Exchange of views on labelling of Meat used as an ingredient*

The representative of producers informed that he would favour the mandatory indication of the country of origin or place of provenance for poultry meat used as an ingredient - option 3 - Mandatory country of origin labelling of birth, rearing and slaughter (the beef model). In addition, the producer representative encouraged the Commission to pay attention to the meat coming from outside Europe and that is processed in Europe and afterwards becomes EU poultry.

The representative of associations of rural poultry notes that the country of origin should correspond to the place where the animal spent most of its life.

The representative of poultry processors and trade noted that processed products are more complex when compared to fresh products and it should also be aligned with the provisions on voluntary labelling.

## **7. State of Play of the implementation of the action plan on animal welfare 2012-2015: activities carried out so far**

The representative of the Commission provided an overview of the implementation of the action plan on animal welfare 2012-2015 and the timetable of future discussions. The priority of 2014 is to carry out systematic audits in several Member States focusing on slaughter and complete the hygienic teams. Furthermore EFSA has produced a number of opinions concerning slaughtering, in particular various stunning methods for poultry. The Spanish authorities have requested an opinion on stunning methods for rabbits. The EP has granted to a private project 1 million euros for the development of practices for transport. There will be no legislative proposal during the present Commission on animal welfare. The next Commissioner will be able to decide if there should be a strategy or not. In February 2014, the Commission has organised a conference on the achievements on animal welfare at EU level with references to the implementation on laying hens.

## **8. Report from the Commission to the EP and the Council on the various stunning methods for poultry**

Article 27(3) of Council Regulation (EC) N° 1099/2009 on the protection of animals at the time of Killing provides that the “No later than 8 December 2013, the Commission shall submit to the European Parliament and to the Council a report on the various stunning methods for poultry, and in particular multiple bird waterbath stunners, taking into account the animal welfare aspects, as well as the socioeconomic and environmental impacts”. To prepare this report the Commission had commissioned a “study on various methods of stunning for poultry”, with the final report submitted to the Commission in 2012. The key points presented were as follows:

- Among the various stunning methods for poultry, waterbath stunning is the most widely used in the world and in the EU. While CAS is expected to continue to expand in some Member States, because of increased demand for high quality meat and higher labour costs, waterbath stunning is likely to continue to be widely used in the EU.
- CAS represents the main commercially available alternative to waterbath. Other alternatives to waterbath are not yet sufficiently developed to represent an immediate option. CAS presents advantages for animal welfare as well as for meat quality and working conditions. However, CAS is expensive, needs more space to be installed and it is designed at present for high throughput slaughterhouses.
- The phasing out of waterbath stunning is presently not an economically viable option because in the current context, there is no practical alternative for middle or low throughput slaughterhouses which constitutes a substantial number of establishments in the EU.
- It is important that Member States apply new animal welfare requirements in a uniform manner to guarantee a level playing field for slaughterhouses operators and animal welfare.
- The Commission continues to follow-up carefully implementation in Member States, as well as assessing, benchmarking and disseminating best practices and innovation in applying the existing EU rules. The Commission representative informed that Brazil transmitted all the information to EFSA.

The representative of poultry processors and trade asked if the Commission will publish their remarks or guidance following the EFSA opinion on monitoring the stunning and killing in the slaughterhouse. The Commission representative explained that the EFSA opinion does not need further explanation for the implementation and application of the prescribed monitoring. Concerning the veterinarian certificates of animals coming from third countries that use stunning methods equivalent to EU regulation (example Brazil), this representative underlined the importance that this equivalence should only be given to methods that are truly equivalent. The

representative of producers noted the importance to bear in mind the minor species and better investigate the options available for turkey and rabbits.

## **9. Implementation of the Directive 2007/43/EC with monitoring welfare indicators**

The representative of the Commission provided an overview of the implementation of the Directive 2007/43/EC with monitoring welfare indicators.

Reports of the Commission to the EP and the Council

- Report to the EP and the Council on the influence of genetic parameters on identified deficiencies resulting in poor welfare of chickens (Article 6.1)
- In 2010 two EFSA opinions covered the scientific aspects of the problem (1) on the influence of genetic parameters on the welfare and the resistance to stress of commercial broilers (2) on the welfare aspects of the management and housing of the grandparents and parent stocks raised and kept for breeding purposes.
- A cost-economic study, aiming at describing the current and near future situation regarding genetic selection and the welfare of chickens in the European union will integrate the EFSA opinion;
- Potential solutions in relation to genetic selection that may improve the welfare of chickens and their socio-economic and environmental impacts were also included;
- The Commission had started to work on the final report – to be adopted by the end of 2014
- Member States are required to submit to the Commission the results of data collection based on monitoring of a representative samples of flocks slaughtered during a period of one year (Article 6.2)
- A harmonized data collection system of welfare indicators has been elaborated in order to collect data in a consistent manner and set the basis for a risk based approach.

Main objectives of the data collection

- To achieve an overall picture in the EU and in each of the 28 MS of the welfare of broilers;
- To detect broilers welfare conditions at farm level which occur at 1% or greater at EU level
- To provide feedback information to the farm, in order to take the necessary corrective measures.

The EFSA was asked to provide the technical assistance in relation to the sampling criteria and statistical analysis, in order:

- To assess whether a percentage of 1% of the total number of flocks slaughtered each year in each Member States is representative. The EFSA Scientific report has been published. The Commission may use the results, together with comments from the Member States for the drafting of a Commission Implementing Decision on data collection in broiler slaughterhouses. Report to the EP and the Council concerning the application of the directive and its influence on the welfare of chickens as well as the development of welfare indicators (Article 6.3); This report should be based on sufficient experience in the MS and is planned for the end of 2015.

## **10. The responsible use of antibiotics**

A representative of EPRUMA (European platform for the responsible use of medicines in animals) informed on the activities carried out in this context. The representative of the Commission provided a State of play of the EU action plan against the rising threats from Antimicrobial Resistance: activities in the veterinary sector, following the slides sent out to the members of the AG prior to the meeting and available on CIRCA. The 5 year action plan, is based in the holistic approach, and describes 7 key areas and 12 concrete actions. The presentation focused on the following actions: the appropriate use of antimicrobials (Action 2 &3), prevention of microbial infections and their spread (Action 5), need for new antimicrobials in the vet. Sector

(Action 7), improvement monitoring and surveillance (Action 10) and International cooperation (Action 8).

The Chair presented a draft statement on communication of the responsible use of antibiotics for the consideration of the group. The objective of this statement is to communicate on what has been done at a volunteer level by the food chain in this respect. It's a living document.

#### *Exchange of views*

Following exchange of views the advisory group decided to continue these discussions in the future and not take any immediate measure.

### **11. Trade – roundtable within stakeholders**

- **State of Play Mercosur**
- **State of play and opportunities and challenges for poultry and eggs: FTA Japan**
- **Thailand: State of Play**
- **Role of consumer protection in current negotiations (animal health and welfare, PAPS, GMO's antibiotics, environment)**
- **TTIP: State of Play**

The representative of the Commission informed that the Commission has set up an advisory group to deal with questions related to international aspects. The representative encouraged the participants to pose questions that will be addressed to DG Trade, the leading DG on this dossier.

The Chairman, on behalf of the advisory group, regretted this decision and urged the Commission to promote in depth discussion within stakeholders in the advisory group. The advisory group on international aspects deals with trade affairs in general and don't tackle specific points concerning poultry and eggs. Moreover the experts attending the meetings of the advisory group on international affairs are not experts on poultry and eggs. The Chairman requested that in the future at least a written contribution should be provided.

#### *Exchange of views*

The representative of the producers debriefed on the recent developments of each Free Trade Agreements. The representative of egg packers, egg traders and egg processors recalled that € 4 billion have been invested to meet standards in EU and is not correct to leave the back door open to imports not produced to EU standards. The representative understands that at multilateral level is not possible to apply animal welfare, but at bilateral level it is possible.

The representative of producers noted the big differences of costs of production between the EU producers and those producers from the countries the EU is negotiating with. He underlined that some of these costs are due to regulations that other trade partners don't have to follow.

### **11. AOB**

#### **a) Revision of the DG AGRI Advisory Groups**

The producers representative informed that DG AGRI is undertaking a revision of the DG AGRI advisory groups and recalled the letter sent by the Advisory group to Mr. Plewa. The Commission representative informed on the timetable and referred additional comments to the meeting between Commission and representatives of European organisations that would take place in June 2014

### **End of the meeting 17:00**

#### **Disclaimer**

"The opinions expressed in this report represent the point of view of the meeting participants



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