Current problems of poultry production in the EEC

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I. – General presentation of the current problems

In comparison with other agricultural sectors, the market for eggs and poultry in the European Community is subject to a very liberal market organization. For instance, there are no guaranteed prices or intervention systems, nor does the poultry sector have any systems providing aid to private stocks. In principle, egg and poultry products can therefore move freely from one member State to another.

As far as trade relations with third countries are concerned, the present market organizations include a system of export restitutions to compensate for the difference in cereal prices at world market level and within the European Community, as well as a system of sluice-gate prices and import levies to prevent products from third countries from being imported to the EEC at dumping prices.

The poultry sector in the EEC also differs in other respects from the other agricultural sectors. For instance, there is no possibility of obtaining aid for establishment of egg and poultry farms, except in cases where environmental protection is involved. Aid from public funds may be granted to modernization of egg packing stations and slaughtering plants, but not to an increase of productive capacity.

In its administration of the market organization, the EEC Commission makes every effort to ensure that the products can move as freely as possible from one market to another. This is for instance facilitated by the common marketing standards for eggs, which clearly specify that an egg of a certain size and quality is the same in Rome as in London. The latest revision of the marketing standards for eggs has established rules for description of production methods, thereby ensuring that the production method indicated on eggs is the same throughout the Community.

At EEC level, common standards for the water content of frozen poultrymeat are laid down in a Council Regulation. These standards determine the maximum water content in poultrymeat, but certain misunderstandings have arisen due to different methods of measurement, and the EEC Commission has therefore decided to set up an expert committee to evaluate the practical experiences acquired since the adoption of the regulation on water content in 1976. Moreover, the EEC Commission presented in 1971 a proposal for a Council regulation on marketing standards for poultrymeat. That proposal was never adopted, but its main principles were later adopted by the United Nations Economic Commission for Europe and have now been tested in practice for two years.

It has sometimes been suggested that there should be better possibilities of intervention in the market for eggs and poultrymeat. My experience is, however, that for several reasons it is better for the market not to have such possibilities. For instance, it is technically impossible to store consumption eggs for long periods, and storage of egg products would in my opinion not help stabilize the egg market, if only for the reason that it is a very limited part of the egg production that is processed into egg products.

It would also be inadvisable to support private storage in the poultrymeat sector, if only for the reason that the production period is very short, indeed it might even prove to be an inconvenient support measure just because of the short production period. In some fields, however, certain intervention measures have been carried out successfully, for instance in member countries where egg laying hens have been killed in periods of overproduction or imminent overproduction but, it is very important to ensure such measures are carried out at EEC level in order to obtain the desired effect.

As far as quota systems are concerned, the lessons learned by other agricultural sectors should be discouraging enough to prevent anybody from venturing to express the wish for any kind of quota system to be introduced in the egg and poultry sector. From time to time, however, some member countries have suggested the introduction of national quotas. My personnal opinion is that quota systems are contrary to the principles of the Rome Treaty. It should also be considered that the quota systems in other sectors may have been introduced for other reasons than just to control the volume of production. I could imagine, for instance, that one of the arguments for introducing production quotas in the milk sector was the wish to reduce the EEC budget for the milk sector.

For many years, European poultry organizations have been discussing the establishment of a common European Poultry Council. My idea of such an interprofessional organization is that it should be constituted by national interprofessional organizations in order to ensure that it is a fully representative organization serving the interests of all branches of the European poultry sector.

Today, the trade interest organizations of the poultry sector in Europe are members of horizontal European organizations. Producers and co-operative societies are represented by the common agricultural and co-operative organization COPA-COGECA; the industry, including the poultry processors organized in AVEC, is affiliated to the European industry organization UNICE and its agricultural section CIAA, and the wholesale trade is organized in EUWEP through the European wholesale organization CELCAA.

However, not all these horizontal organizations represent the substructures in all member countries, so there exist certain branches of trade and industry, some small, some larger, which do not have access to the EEC Commission through the horizontal organizations. Therefore it sometimes appears that the Commission does not have a clear picture of the whole situation in all sectors. The Commission itself is favourably disposed towards the establishment of a European poultry council, and it is now preparing a proposal for the rules of such interprofessional organizations in all agricultural sectors.

The contact between the poultry sector and the Commission is today maintained partly through the Commission's advisory committees for eggs and poultrymeat.

These committees have set up subcommittees, one of which is the committee on statistics and forecasts, where representatives of the poultry industry and the Commission evaluate the market situation and make forecasts on production and marketing possibilities. The EEC Commission has kindly placed the working material of this committee at the disposal of the poultry industry, and it is my clear impression that this material is of great value, both for the industry and the Commission. Furthermore, the Commission has a close co-operation with the official statistical from them, so that it is able to provide the best possible information.

It may be a result of these activities that the balance between production and demand has improved during the last few years. But it is obvious that the poultry sector is entitled to compensation whenever the Commission's support measures in other meat sectors reduce the market for poultrymeat and make it impossible to compete with other kinds of meat, for which the price has been artificially reduced.

II. – The situation on the European market

1. The situation on the egg market

In 1986, the total production of eggs in the EEC represented a self-sufficiency of 101.9%. Egg exports represent 2.5% of production. As far as intercommunity trade is concerned, a few of the member countries import considerable quantities of eggs and egg products from other member states, for instance Italy.

In 1986, the egg market in most member countries was very depressed, although the situation was not as bad as the crisis in 1982-83. Towards the end of 1986, the market situation improved, and this development continued until Easter 1987, when prices had reached a reasonable level. The decrease in feed prices contributed to raise the gross profit, and according to the EEC Commission's statistics, profitability has been almost 30% better than in normal periods, as far as the relation between the development in prices for eggs and feedingstuffs is concerned. Even after the decrease in prices which followed after Easter, the relation between egg prices and feed prices was still above the normal level, and still considerably better than in 1986. There has been a slight decrease in the egg production in the EEC, and in this connection it is particularly important to note that the Dutch production has decreased by 2% since 1984 and is expected to show a further decrease of 2-3% in 1987. One of the reasons for this decrease may be the legislation on environmental protection adopted in some member countries, which imposes certain restrictions on the volume of production and prescribes a minimum area per member of hens. For instance, the Danish regulations require a certain area of farm land for spreading of poultry manure. For hens, it is only permitted to spread manure from 300 animals per hectare of farm land per year, and for broiler chickens, the corresponding figure is 5 000 broilers per hectare per year.

Of course it cannot be denied that the severe losses sustained in this sector for a number of years have contributed to a moderate and better controlled volume of production.

The consumption of eggs has also shown a certain stagnation or even decrease, a fact which emphasizes the need for a more cautious production policy to avoid an indesirable overproduction. It is the sector's impression that the EEC Commission is following the market development very closely, and the industry has interpreted the reduction in restitutions for eggs in shell as a clear warning not to let the production exceed the demand of the market.

Imports from third countries amount to less than 1% of production and are for the greater part further processed and re-exported as egg products. In the EEC, the possibilities of selling products in third country markets are examined very carefully. Many of these markets appear to be very uncertain.

It is my impression that the EEC Commission makes every effort to establish a more consistent anticyclic management within the egg sector, but in spite of many attempts to monitor the egg market, we have not yet found the perfect system to avoid overproduction and the ensuing economic risks for the sector.

2. The situation on the poultrymeat market

The EEC produced in 1986 4 523 000 tons of poultrymeat, which corresponds to a selfsufficiency of 105.8%. It exported 267 000 tons of poultrymeat in 1986.

This makes the EEC the second largest producer of poultrymeat after the USA, which produced 8 323 000 tons and exported 249 000. After the EEC came the USSR with a production of 2 750 000 tons and an import of 140 000 tons mostly from Eastern Europe. Number four is Eastern Europe, which produced 1 978 000 tons and exported 284 000 tons. Then came Brazil with a production of 1 691 000 tons and an export of 230 000 tons.

In the EEC, broilers represent three quarters of the poultrymeat production.

After the last critical period in 1982-83, we have seen that the poultrymeat sector has also tried to keep production in step with the demand of the market, and in 1986, the market was in reasonable balance. Now we fear that production will expand further and exceed the limit of the expected increase in demand.

As regards exports to third country markets, I have already mentioned that the EEC exports something under 300 000 tons to third countries, which represents about 8% of European production. Most of these products are sold in the Middle East. In EEC countries we have noted a slight increase in the demand from these countries, but the main reason for this may be that Brazil reduced its exports in 1986, and also that certain European countries were less prominent in the market after the Tchernobyl catastrophe.

As regards the USA, we have noted that they have supported export of broilers to Egypt, Iraq and in smaller quantities, the Canary Islands. This is expected to affect exports from Brazil, which will probably return to their provious markets, including Egypt and Iraq. Combined with the expected increase of production in Eastern European countries, this will in all probability intensify competition in the world market. Regarding the EEC exports of hatching eggs and day-old chicks for production of broilers, we have noted a decrease in exports to African and Arab countries, and that these supplies have been replaced by imports from other suppliers, especially Yugoslavia and Hungary. Generally speaking, however, there has been a satisfactory development in production and demand within the EEC, but problems in traditional third country market may soon cause serious difficulties in the internal EEC market.

Looking at the development of EEC exports from 1981 to 1985, we observe that they were reduced by 30% from 449 000 tons to 318 000 tons. This is mainly explained by the fact that exports to the Middle East and the USSR were reduced by 85 000 tons and 84 000 tons respectively. In the same period, American exports dropped by 42% from 327 000 tons to 198 000 tons, while the Brazilians were able to maintain most of their exports and only suffered a reduction of 20 000 tons, bringing their exports down from 294 000 tons to 274 000 tons.

As mentioned before, EEC countries succeeded in changing this tendency in 1986 by curbing the decrease in their exports. At the same time, however, the USA was able to increase its exports, particularly those to Japan, Egypt and certain markets on the American continent.

All things considered, the reduction in exports from Brazil is considered to be the main factor of the development of the export market in 1986. This year, however, we have already observed that Brazil is on its way back to the markets in the Middle East, a fact which calls for serious consideration on the part of the European poultry industry.

As far as the demand for poultrymeat is concerned, the average consumption has increased from 10.6 kg to 15.1 kg *per capita* from 1976 to 1986. In the USA, per capital consumption has now reached a level of no less than 33.9 kg against 15.1 kg in the EEC. What is perhaps most surprising is that the Middle East countries have a *per capita* consumption of no more than 8.1 kg.

Looking at meat consumption in general, we observe that poultrymeat is gaining an increasing share of the total *per capita* meat consumption in all important parts of the world, and that this development is expected to continue. It is even expected that in several important markets, poultrymeat will in a few years be the most common kind of meat, and it is particularly interesting to note that consumption of poultrymeat continues to increase even when prices go up.

At the same time, however, international trade in poultrymeat continues to decrease. The figures show a decline from 1 294 000 tons in 1981 to 1 028 000 tons in 1986, and in 1987, the trade turnover is expected to go down to 950 000 tons. One of the reasons for this decline may be the increasing domestic production in traditional export markets, for instance in a number of Middle East countries, where a considerable further increase in poultry production must be expected.

III. – Development of some particular problems

1. Egg production and egg products

The common regulations on marketing standards for eggs were revised in 1984. Among other adjustments, the revision included a set of new rules for egg marking. The European trade and producer organization has expressed the wish for a more liberal solution, according to which it should be permitted to choose any date you wish except the laying date. This leaves the option between the packing date and the "best before" date.

The EEC Commission is now examining the possibilities of granting the trade and producer organization's request for a liberalization of the rules on date marking, but such a liberalization is expected to be very difficult to carry through.

Although the administration of the common marketing standards for eggs is not without problems, it is, as mentioned in my introduction, an advantage that quality marking in one member country is identical with quality marking in another, since it makes it easier to sell eggs anywhere in the Community. At the same time, the EEC authorities have issued a Council regulation which prohibits the use of incubated eggs for human consumption. As a control measure, all hatching eggs shall be marked individually from July 1st, 1987.

☐ *Directive on egg products*

The European wholesale trade has for many years pointed out to the Commission's Advisory Committee for eggs and egg products that there is an urgent need for common marketing standards for egg products in the EEC.

It was therefore a great satisfaction to the egg industry when the Commission in February 1987 presented a proposal for a directive on marketing standards for egg products in the Community, but as in many other sectors, it often takes a long time after the Commission has prepared a proposal and before it is adopted by the Council. However, the egg industry will put strong pressure on the proposal debated by the Council as soon as possible, so that it can be adopted and implemented. It is a pleasure to note that in this proposal, the Commission has to a large extent followed the unanimous recommendations submitted by the egg industry.

☐ *Battery systems for egg production*

On March 25, 1986, the EEC Council adopted a Directive laying down minimum standards for cages used for laying hens in the EEC. The main objective was to establish common rules to eliminate an unfortunate distorsion of competition between member countries which had different rules and therefore also different costs of egg production. The common EEC regulations prescribe a minimum area of 450 m^2 per hen after a transition period. However, there is one important mistake in the common regulations : what they prescribe are minimum standards which do not prevent individual member States from having stricter national regulations. Denmark has for instance adopted national regulations prescribing a minimum area of 600 cm^2 per hen as from July 1st, 1988.

It is difficult for the egg industry to understand how the Council of Ministers and the member States can live up to their declared intention of establishing common rules to avoid distortion of competition when they allow individual member States to apply stricter regulations and thereby remove the purpose of the common EEC rules.

2. Poultrymeat

☐ *Marketing standards for poultrymeat*

As already mentioned, the Commission's proposal for common marketing standards for poultrymeat has till now suffered a sad fate. It is therefore fortunate that the United Nations Economic Commission for Europe in Geneva has succeeded in preparing a recommendation for common marketing standards for poultrymeat.

The main principles of these standards were adopted in 1985 with certain reservations from a number of countries, and were published in a popular form for a trial period of two years. The purpose of the trial period was to evaluate the presentation form of the standards. After the trial period, the marketing standards were revised in 1987. Most of the previous reservations have been withdrawn. Now a new revised set of marketing standards will be prepared, which be considered as final. However, the work on the common marketing standards will continue with a view to making current adjustments and additions. The marketing standards are to a certain extent considered to form the basis of national regulations.

☐ *EEC regulation on water content of frozen poultrymeat*

The increasing intercommunity trade in poultrymeat has now again brought the common EEC rules on control of water content into focus. While we have common standards for water content, the methods of analysis differ from one member country to another. Some use a chemical method, and others the so-called drip method. This has caused certain differences of opinion, and the Commission has therefore asked experts from the member countries to examine the problems that have arisen in connection with the administration of the present system, with a view to making an adjustment of the regulation which will eliminate any impediments to trade caused by the regulation on water uptake.

IV. – Conclusion

It is quite certain that important adjustments will be made in Community legislation as a result of the adoption of the Common European Act and the completion of the internal market in 1992.

It is unlikely that the production of eggs and trade in eggs and egg products will increase in the foreseeable future. We must therefore concentrate our efforts on adapting our production of eggs and egg products to the demand of the market. It is also difficult to imagine any considerable increase in the consumption of eggs.

As far as poultrymeat is concerned, international trade will probably continue to go down, while consumption of poultrymeat is expected to increase. As already explained, this development should be seen in the light of increasing domestic production in traditional import countries.

Recent consumer inquiries seem to indicate that future generations will have a preference for poultrymeat because of its consumer appeal and special qualities, such as low fat content and high protein content. The rapid evolution we have seen in the field of further processed poultry products and ready-to-serve products gives us reason to predict a fairly bright future for the poultry sector. Competition is certain to be intensified, however, and there is no doubt that we must be prepared for an uncertain situation, both as regards national and international production and sale of poultrymeat, so our future production programmes must be analysed very carefully in the light of the trend of the market. On the long view, however, I am convinced that poultrymeat will gain an ever increasing share of total meat consumption.