

Economic Perspective for the EU Egg Industry

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LEI research Institute



Agricultural Economics Research Institute (LEI)

- Independent Research Institute in the Netherlands
- Part of Wageningen University and Research Centre
- Projects: NL Ministry, EU, EP, Industry, FAO etc
- Peter van Horne: Poultry economist.
 - Chairman of WPSA working group 1 (poultry economics)
 - Economic analyst / advisor Int Egg Commission (IEC)

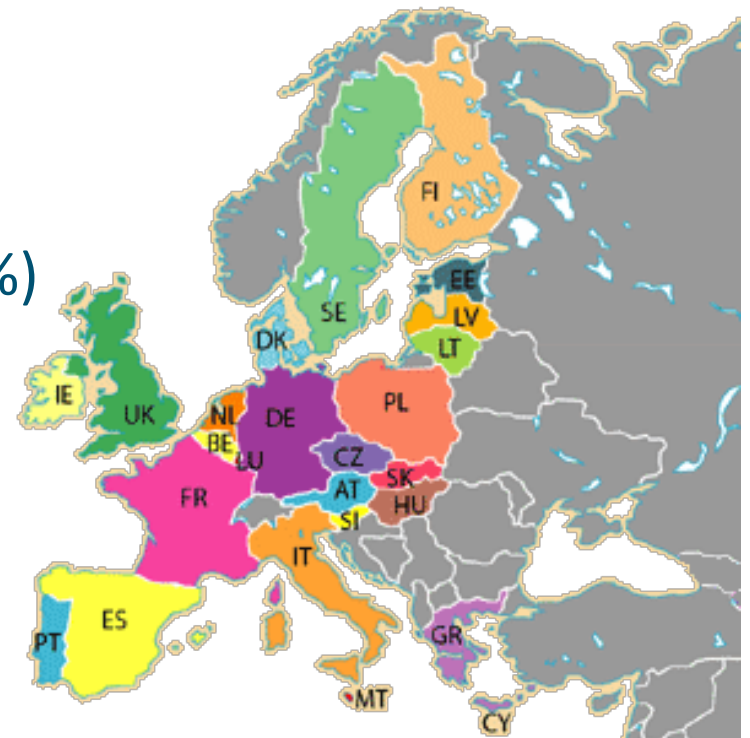
Content

- EU Egg Industry
- Production / consumption
- Legislation
- Production costs
- Egg price / farm income
- International trade
- Future / perspective / conclusions

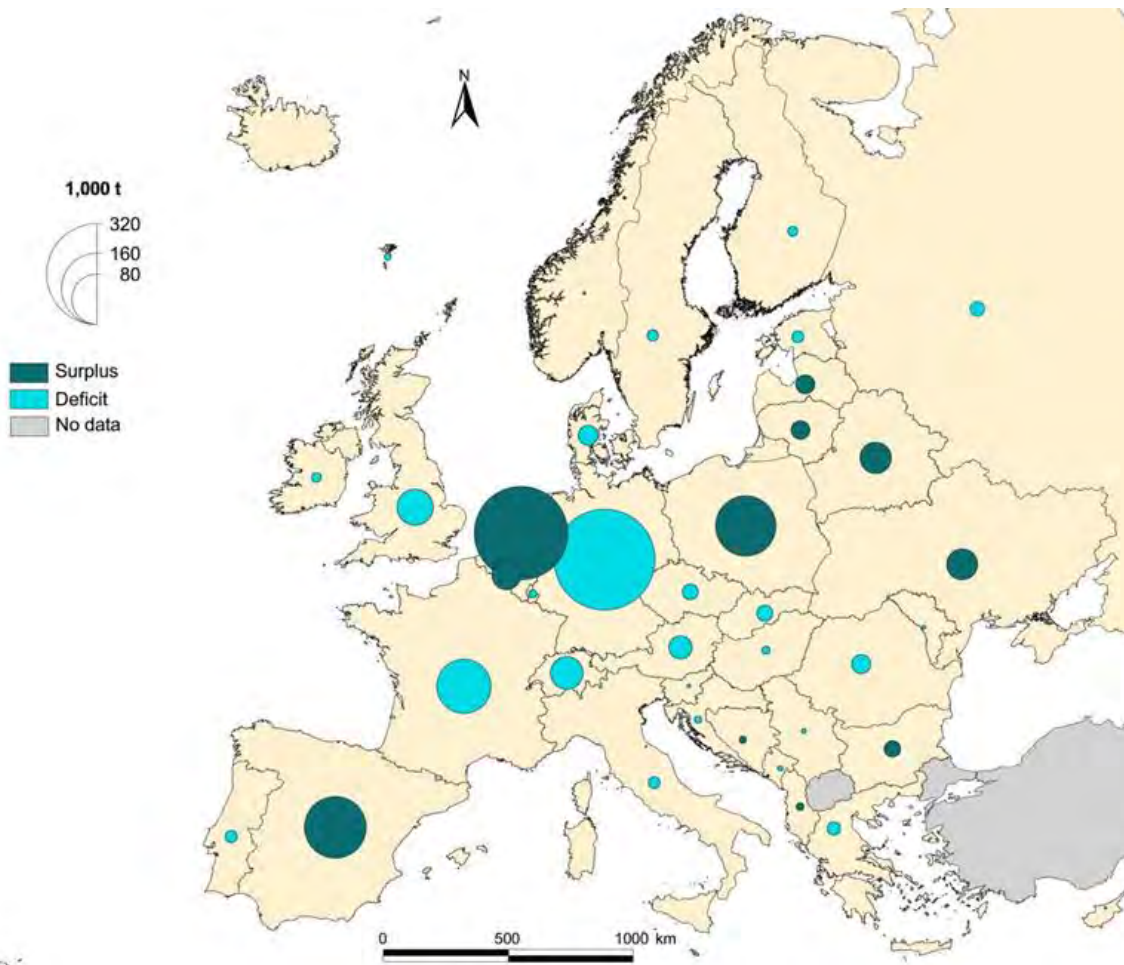


EU Egg Industry

- 28 countries (very different)
- Number of layers 370 to 380 million (saturated market)
- Intra trade between countries
- Self sufficiency rate 102 - 103%
- Shell eggs (74%), egg products (26%)
- Import / export:
 - Shell eggs: region
 - Egg powder: Outside EU

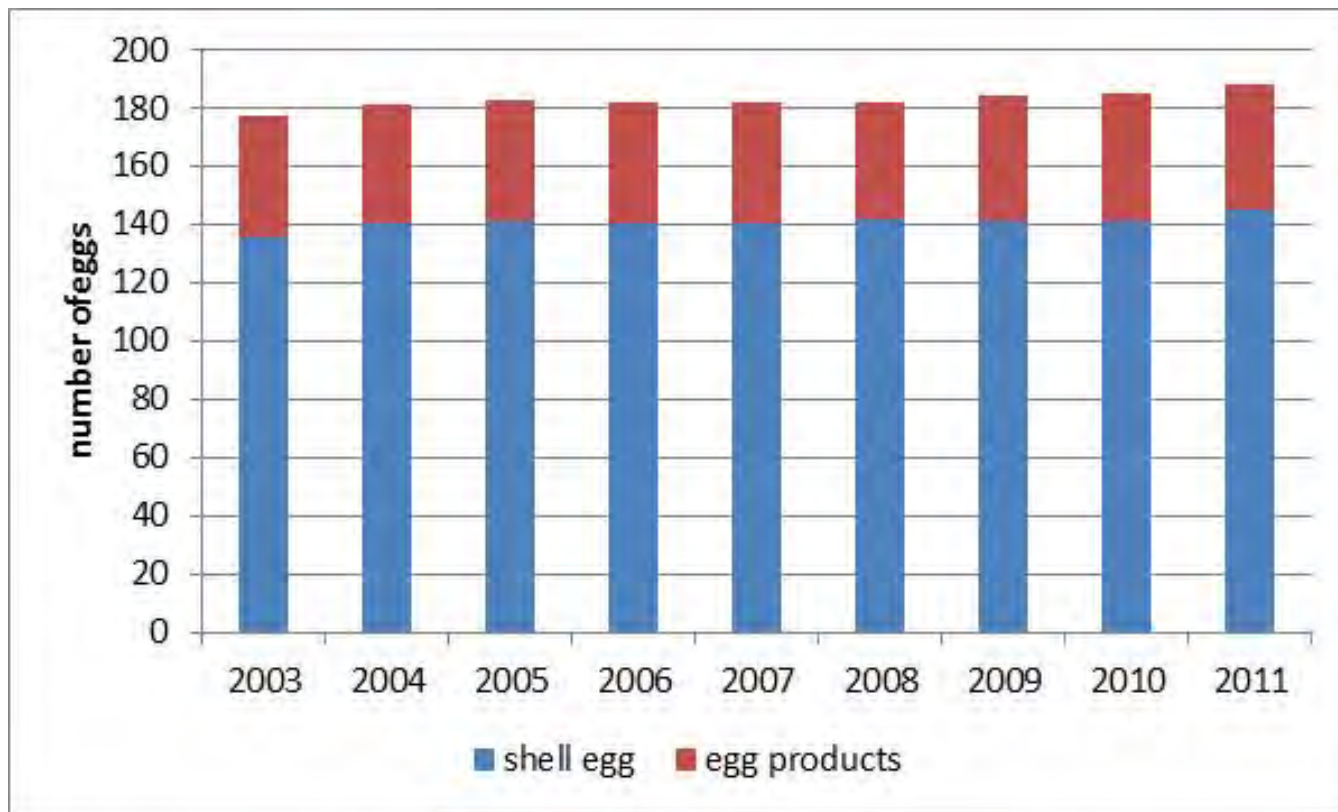


Egg Surplus and Deficit in Europe by country



- Exporters:
- Netherlands
 - Spain
 - Poland
- Importers:
- Germany
 - France
 - UK

Consumption NL (eggs/hd/yr) in shell egg and eggproducts



Source: PVE, IEC

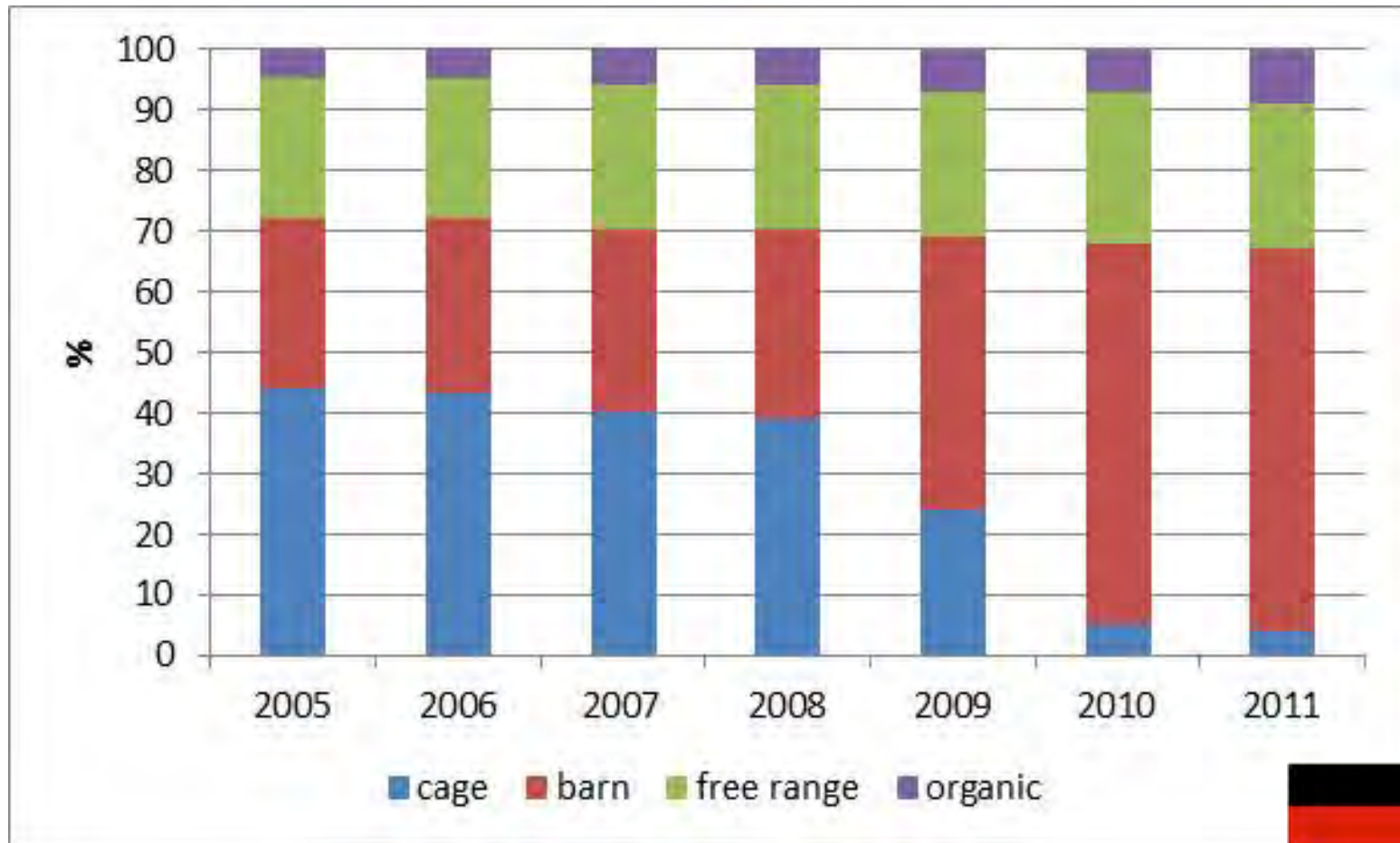
Hungary: 235 eggs, decreasing

Germany: 217 eggs, slightly increasing

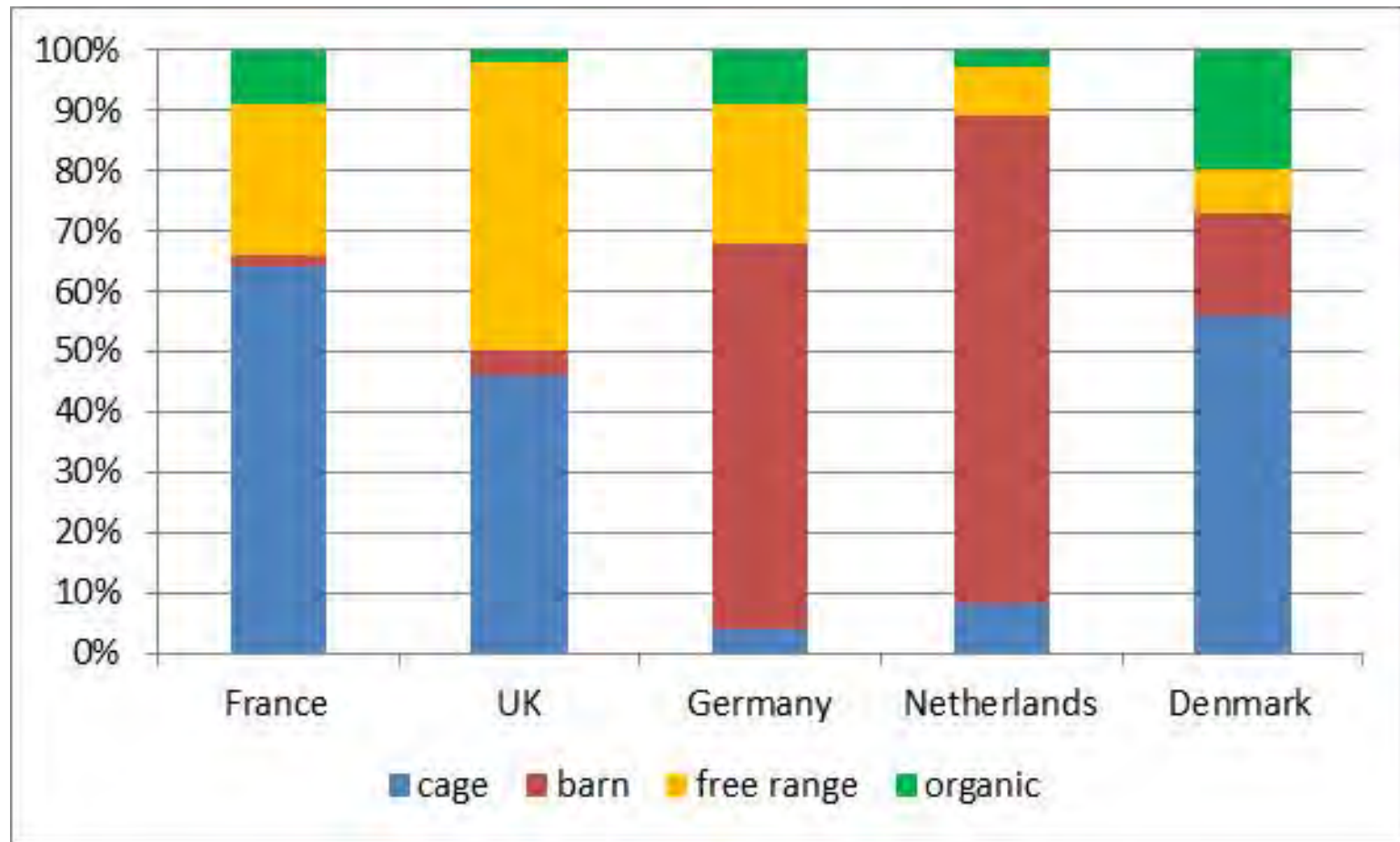
Italy: 206 eggs, decreasing

UK: 182 eggs, stable

Household purchase Germany by type of eggs (vol %)



Market shell eggs in % of total purchase in 2011 in some EU countries (consumer panels)



Layer farms in the NL / Europe



- Average 40.000 layers
(30.000 – 150.000 layers)
- Family owned, independent farms



Housing systems in EU

(% 2013, non official estimate, PvH)



Free range: 7% + 3% organic



Barn: 30 -35%



Cage (enriched/ colony) 55 - 60%

A growing fragmentation in EU egg market



Legislation



■ Environment

- Nitrate Directive / IPPC Directive
- Reduce ammonia emission

■ Food safety

- Salmonella control
- No meat and bone meal in feed
- Restrictions on use of GMO feed ingredients

■ Welfare

- Density, 550 cm² per hen (since 2003)
- Beak trimming regulations
- Housing systems: enriched cage with 750 cm²/hen

Legislation: Housing system layers in EU

January 2012:

Ban on traditional cage:

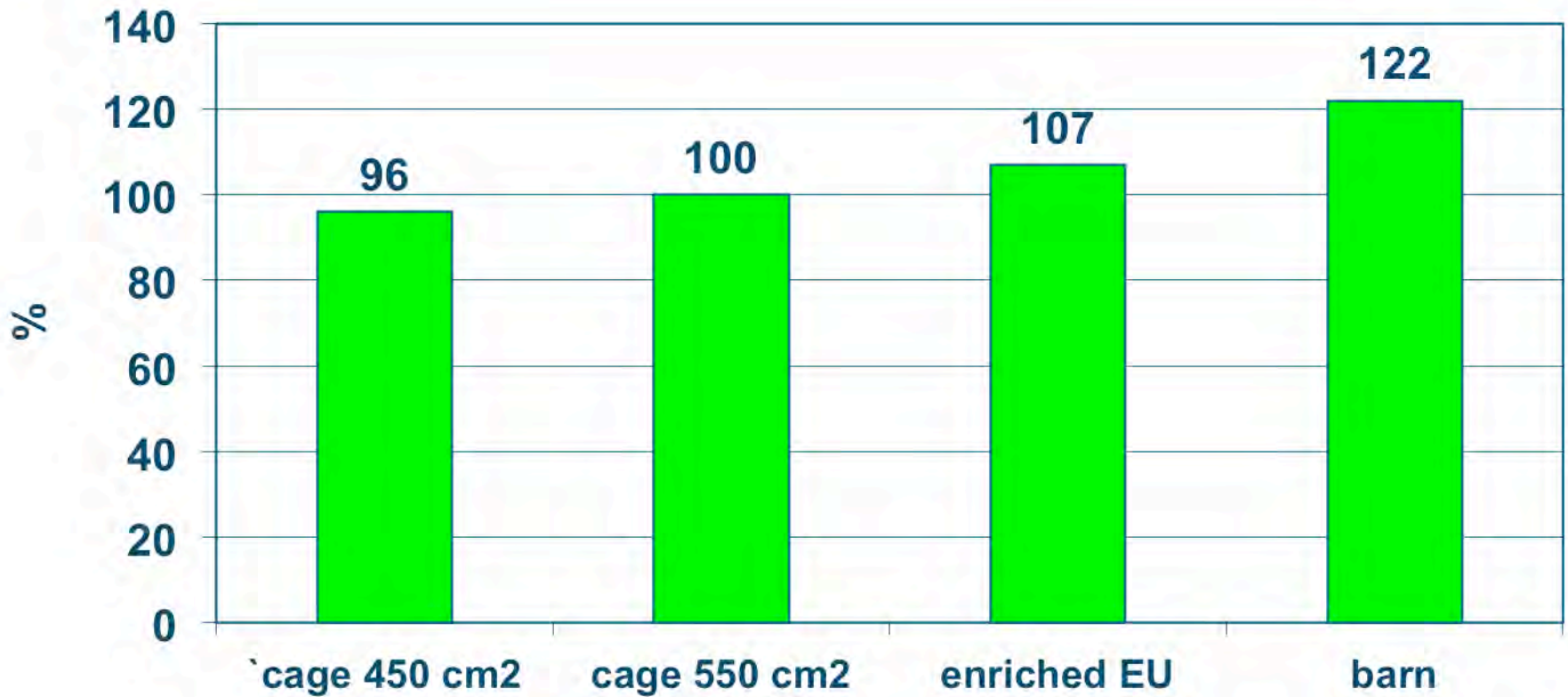
Enriched cage



Barn / aviary system:



EU legislation: enriched cage +7%

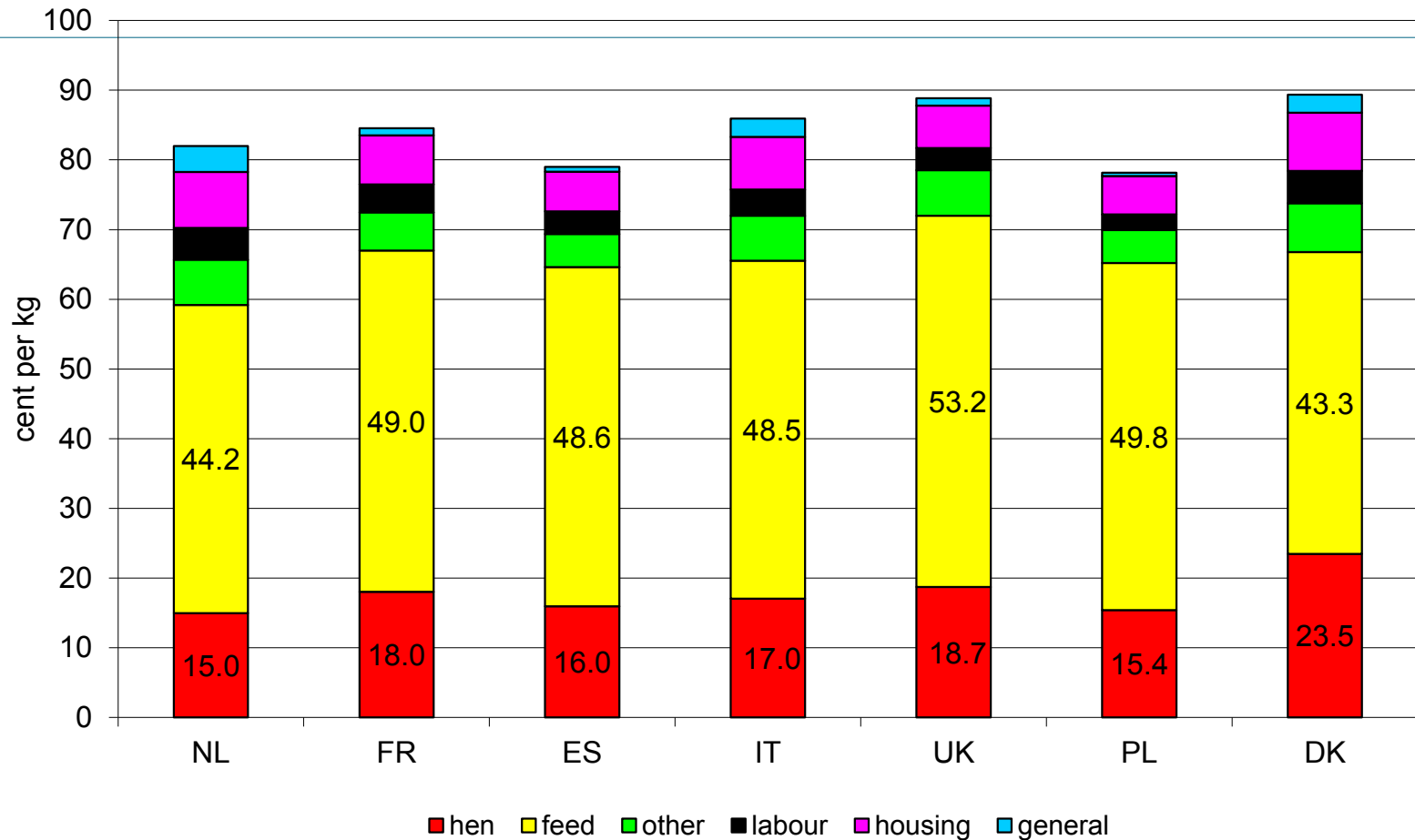


International comparison production cost eggs

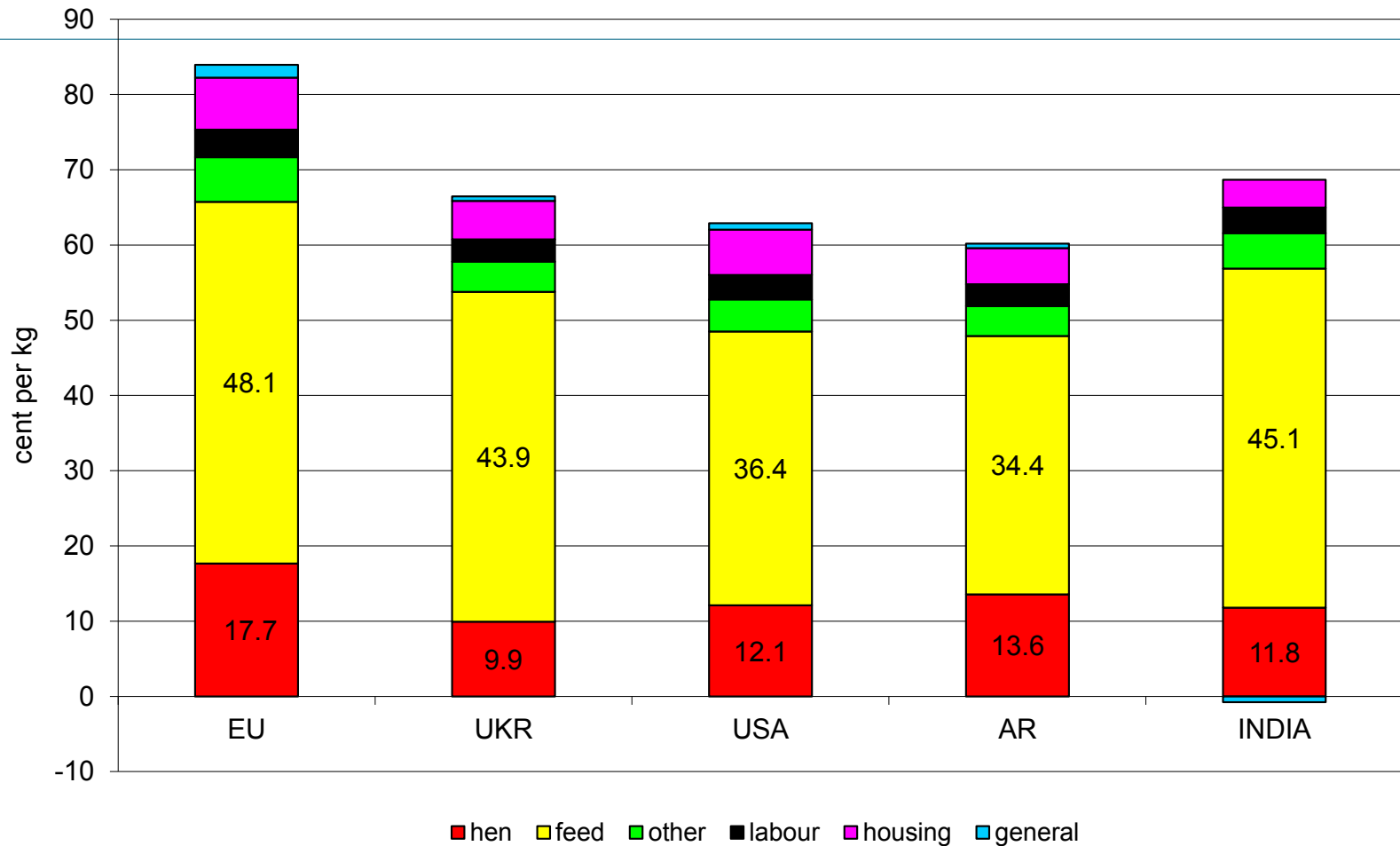
- Collecting basic data on cage production, 2010
- Countries in EU : NL, FR, ES, IT, UK, DK, PL
- Countries non-EU : UKR, USA , ARG, INDIA
- NL calculation method
- Focus on:
 - Primary: pullet, feed, housing, labour



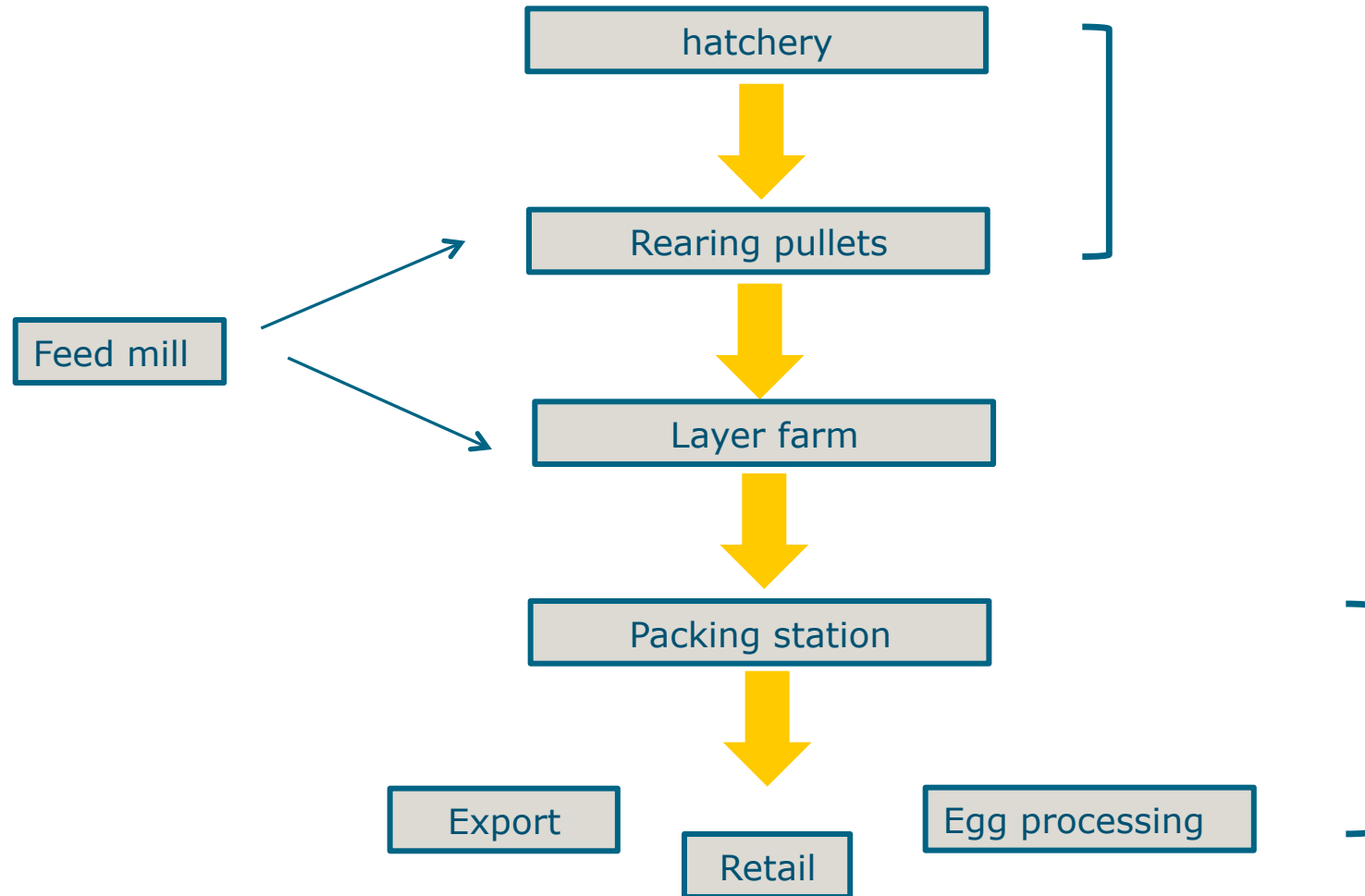
Production costs eggs 2010 (Euro/kg) in some EU countries



Production costs eggs 2010 (Euro/kg) in selected non EU countries



Production chain in the Netherlands

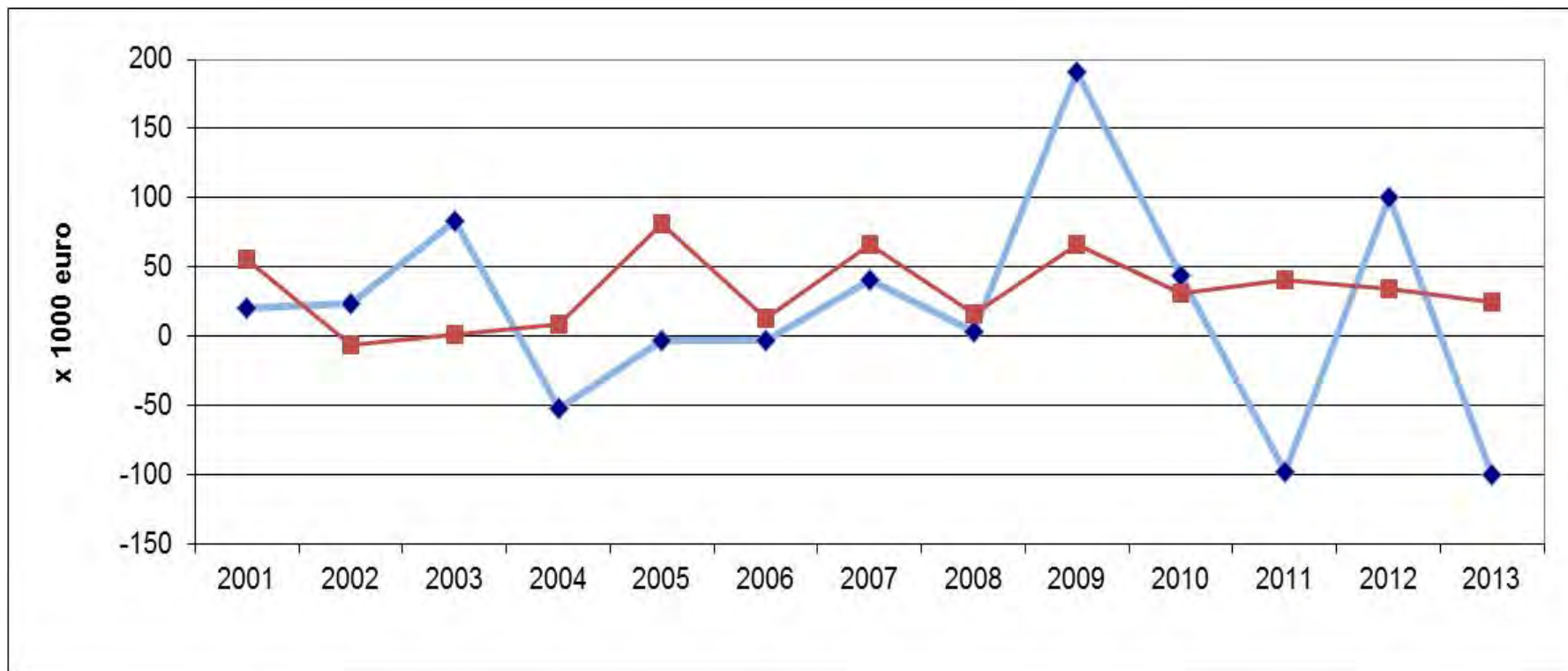


Layer farms in the Netherlands

- Farmer and family is running the farms: labour and capital.
- Input:
 - Pullets from hatchery / pullet farm
 - Layer feed from feed mill
- Output:
 - Contracts for one flock with market price for eggs
 - Contracts with 'fixed' price (20 – 30%)

→ **Farmer has 'risk' on feed price and egg price**

Income layer farm (blue) and broiler farm (red) 2001-2013

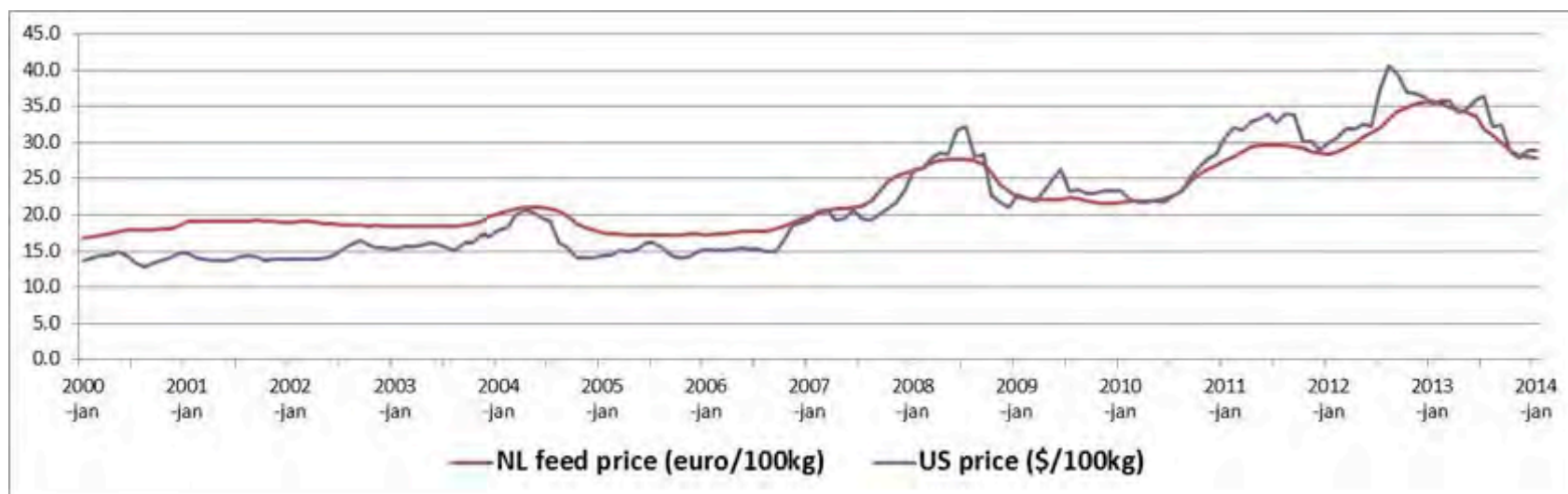


2009: record high income (cage ban in Germany)

2012: high income (cage ban EU)

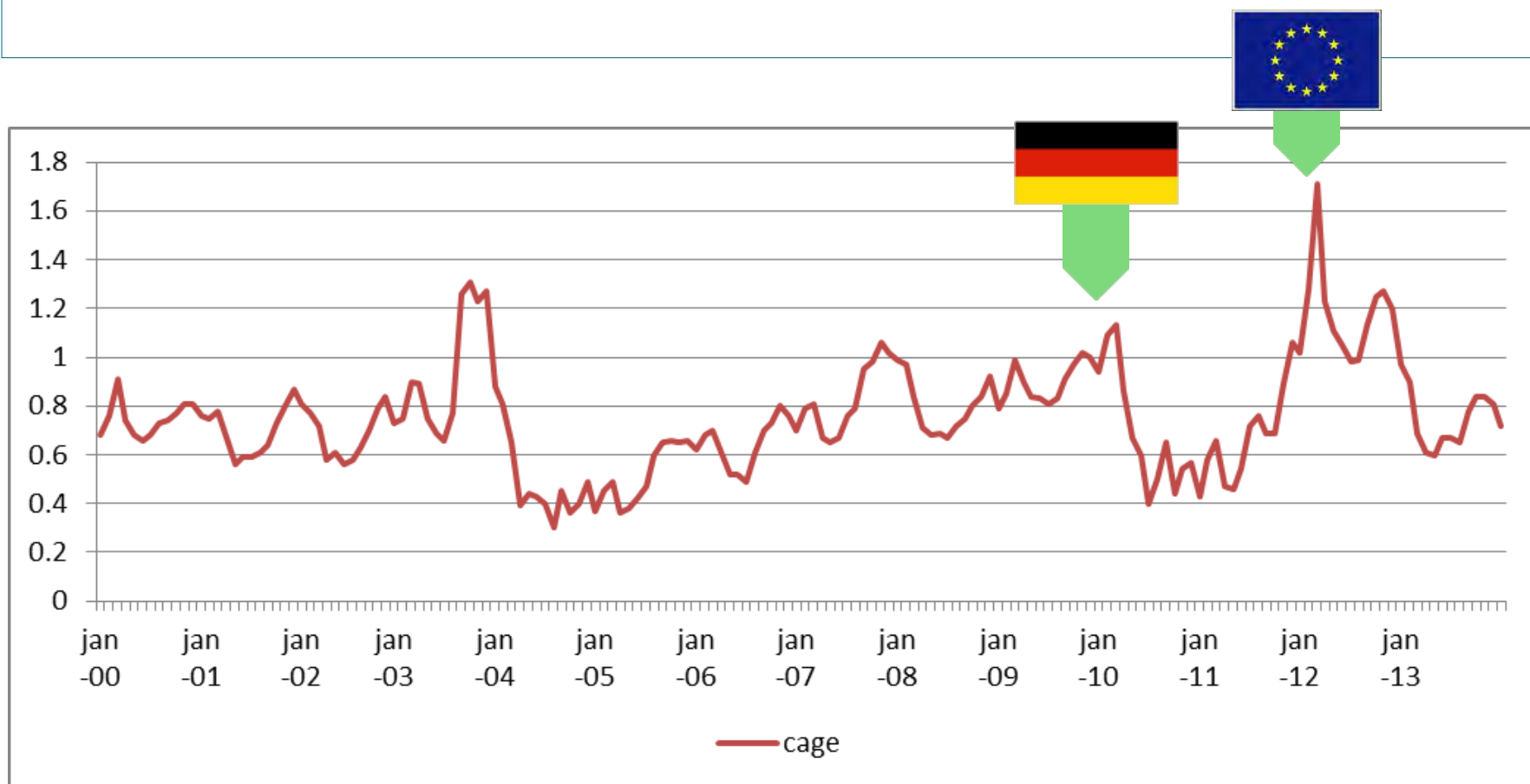
2011 and 2013: record low income

Development feed price NL and USA 2000-2014 (layer feed euro and US\$/100 kg)



2008: higher feed prices
2013: first half; record high feed prices
2014: decrease, still at high level !

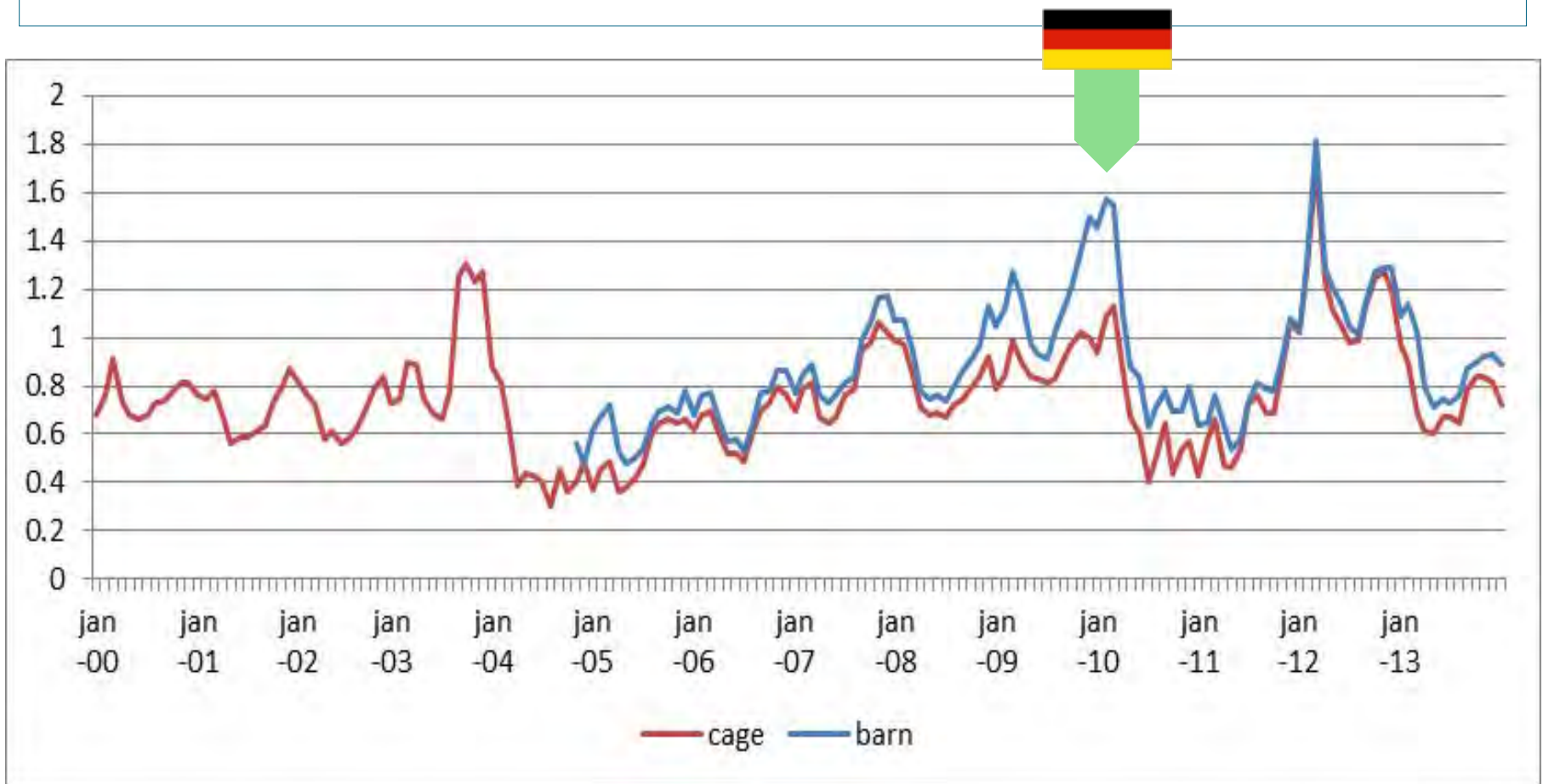
Development egg price (NL, **CAGE** eggs, in eurocent/kg)



2010 jan 1th: cage ban in Germany
2012 jan 1th: cage ban in EU

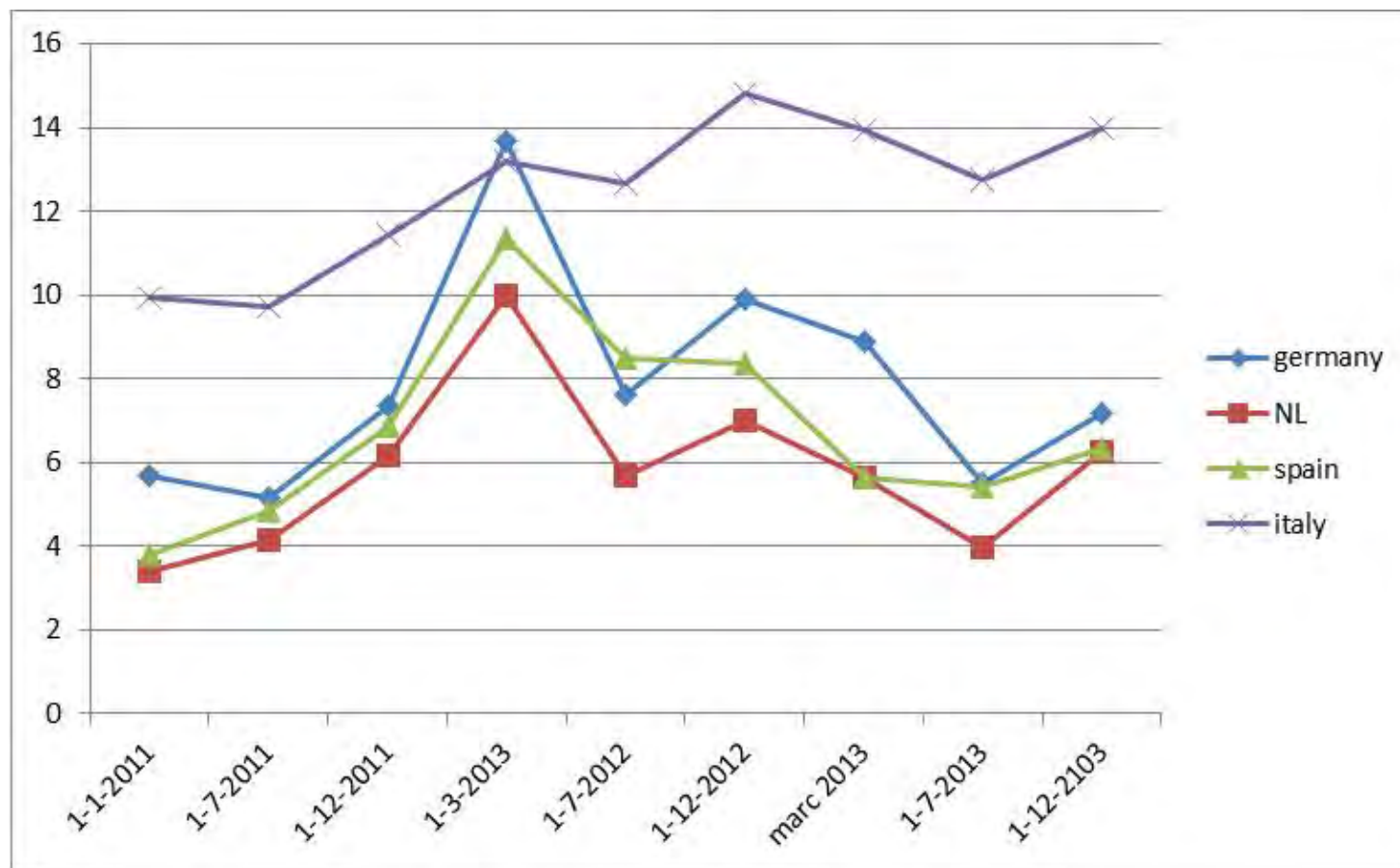
Bron: LEI, price information

Development egg price (NL, **BARN** eggs, in eurocent/kg)



2009 end 2010 start: high prices barn eggs
2012: first months peak in cage and barn eggs

Development Egg prices in some EU countries



Source: MEG, EMA, Windhorst

International trade in eggs and egg products

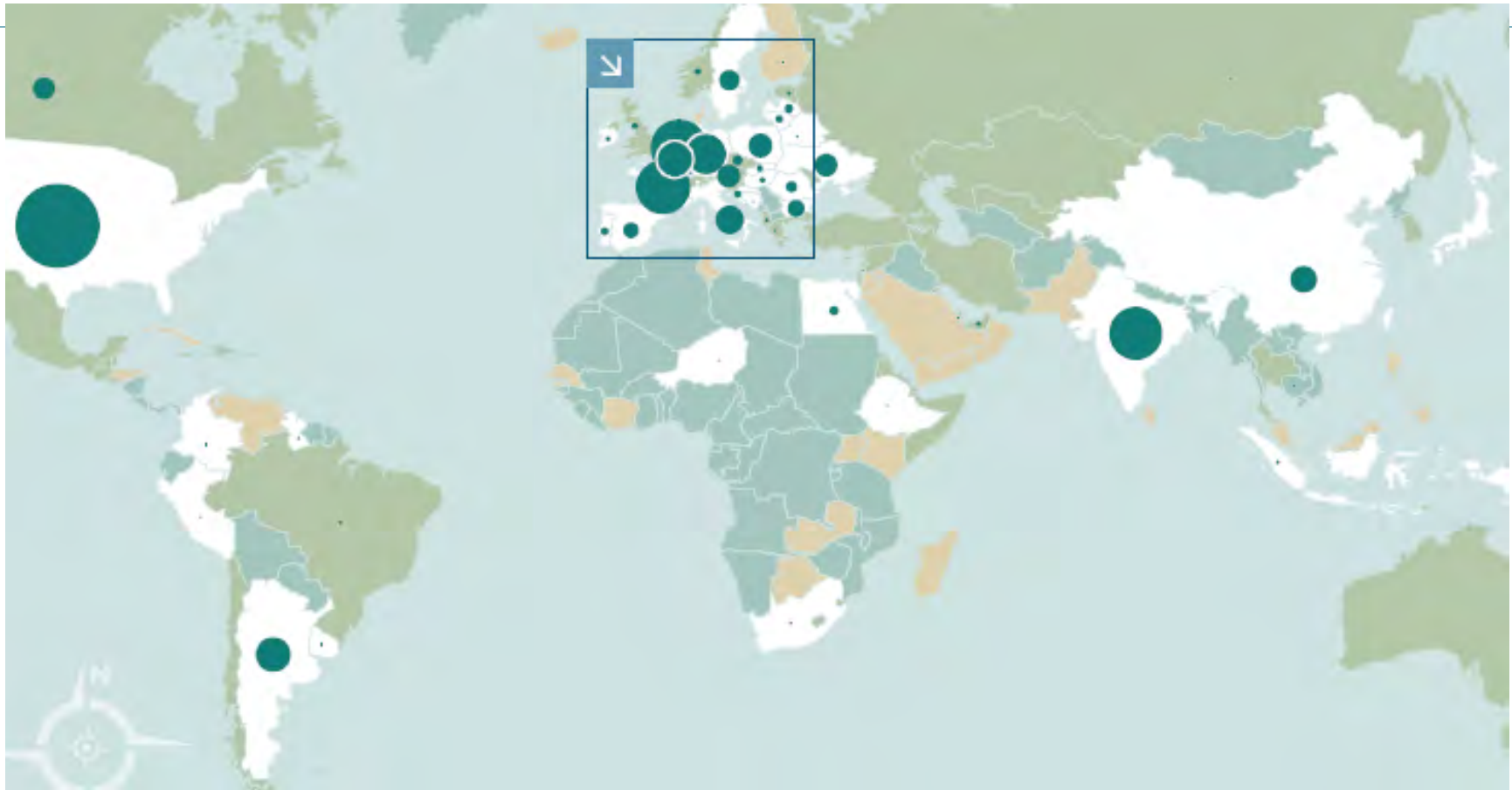
- Shell eggs
 - Fresh, mainly local
- Liquid egg products
 - Short shelf life, Mainly local
- Dried egg products
 - Long shelf life
 - Low transport costs
- **Limited trade in eggs and egg-products**



Regional trade in shell eggs



Dried egg exports 2010



Source : IEC Global Atlas

Exporters
USA
India
Argentina

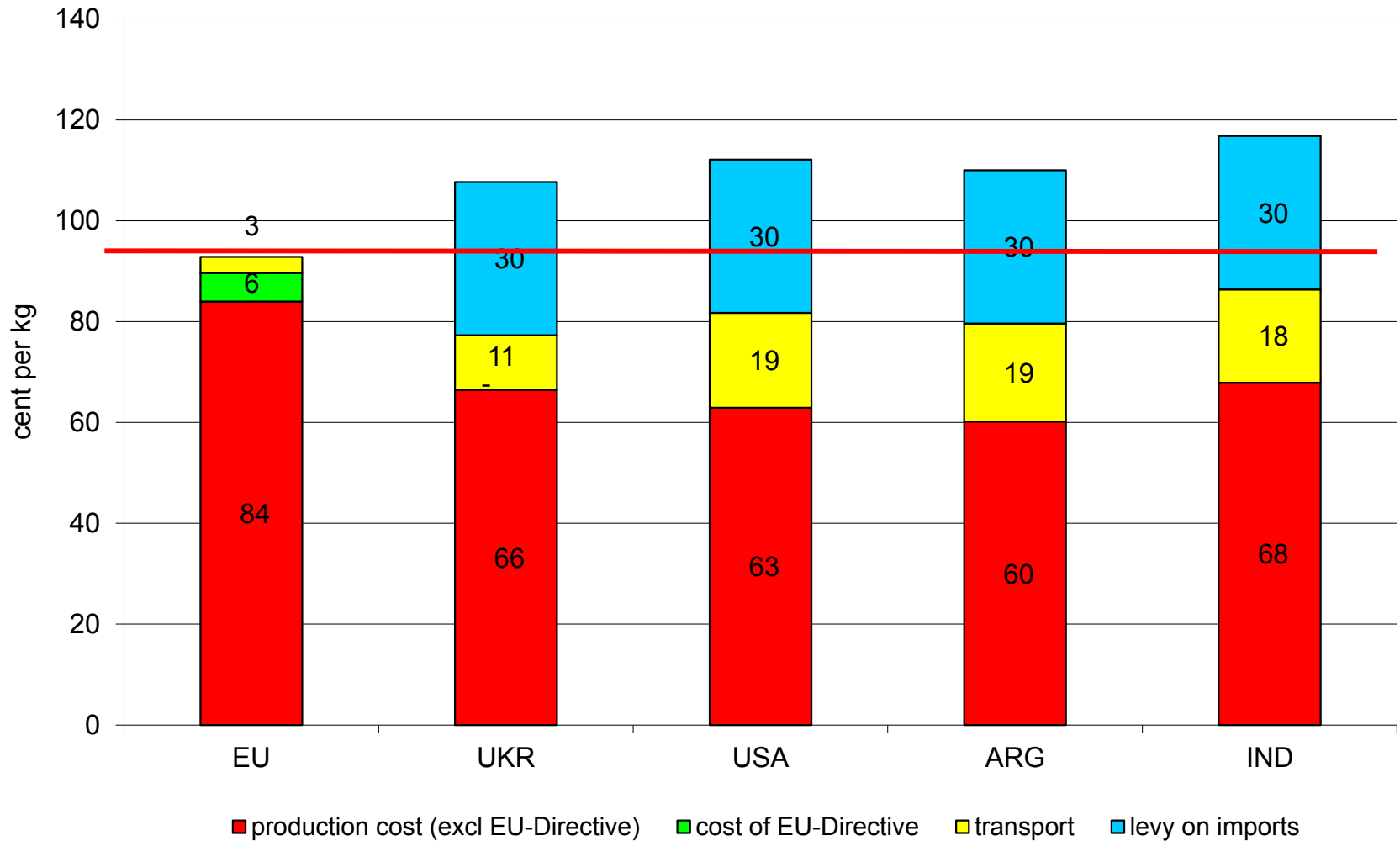
Importers:
Japan
Europe
Middle East

Free trade agreements

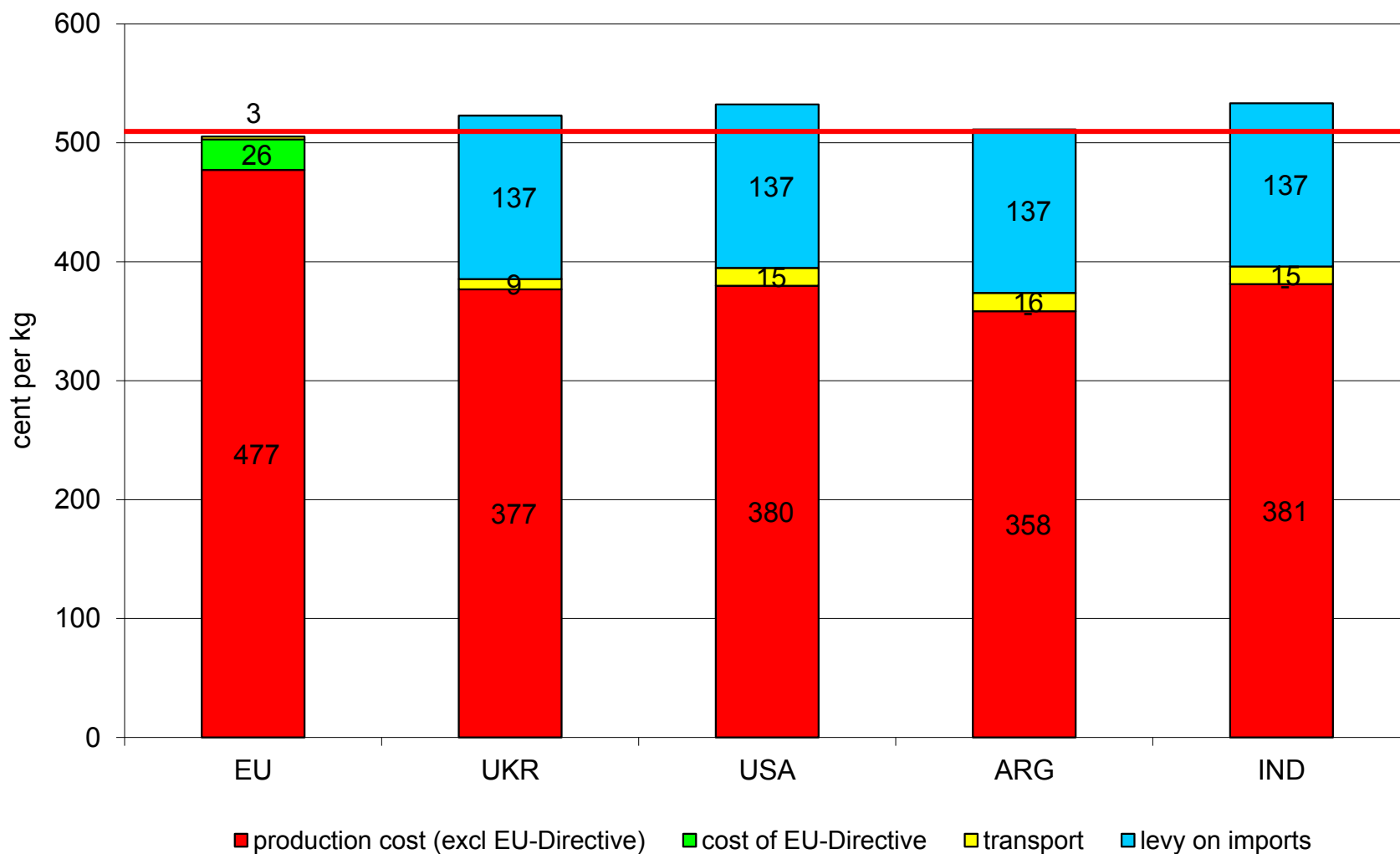
- WTO: no world wide general agreement on free trade
- Trend: Bi-lateral and multi-lateral agreements
- EU with:
 - India
 - Ukraine
 - Canada
 - USA
- USA
 - EU



Offer price eggs in Germany 2012 (Euro/kg)

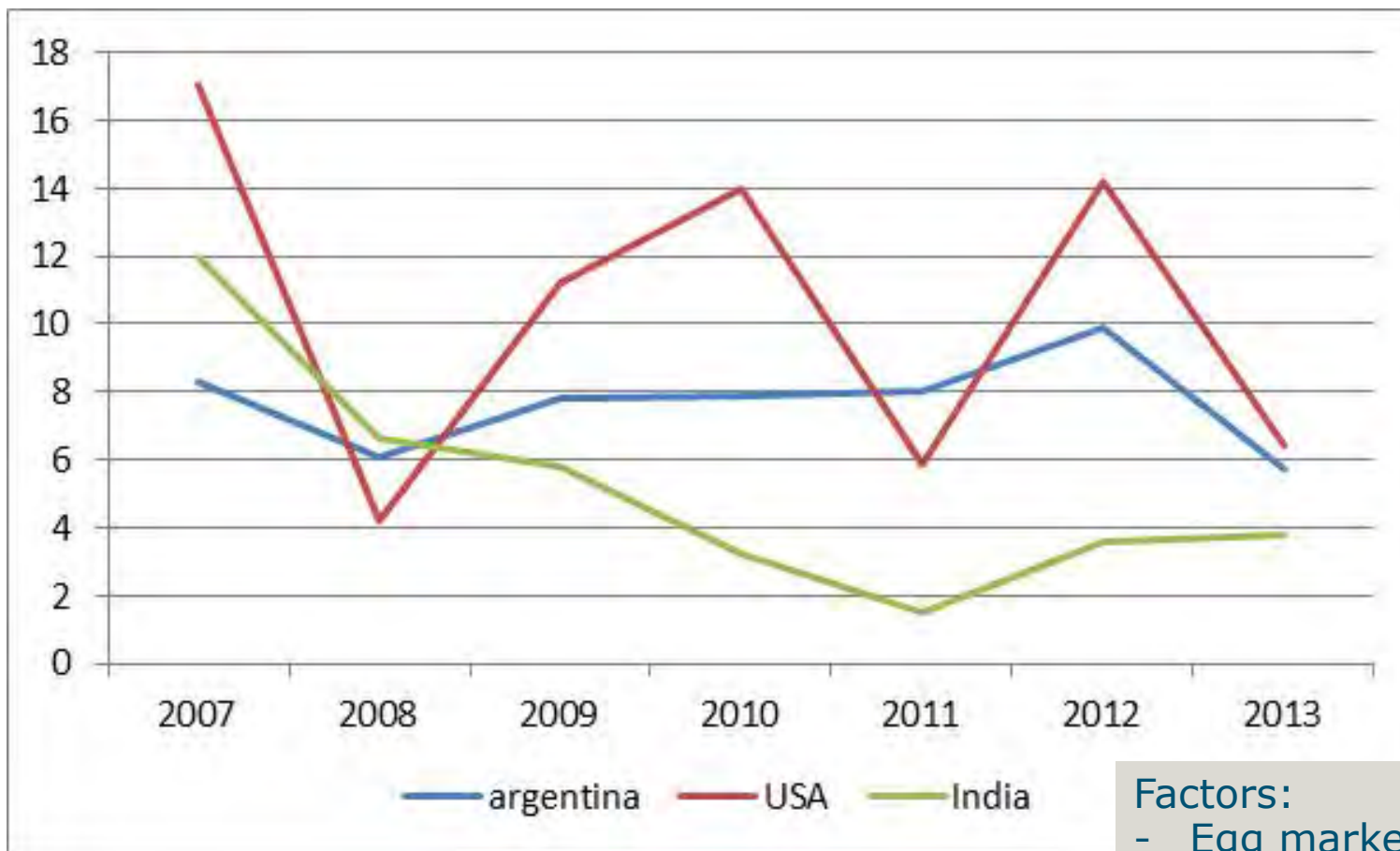


Offer price whole egg powder in Germany 2012 (Euro/kg)



EU Imports third countries (1000 ton egg equivalent)

USA, ARG and India take 70 to 80% of imports)

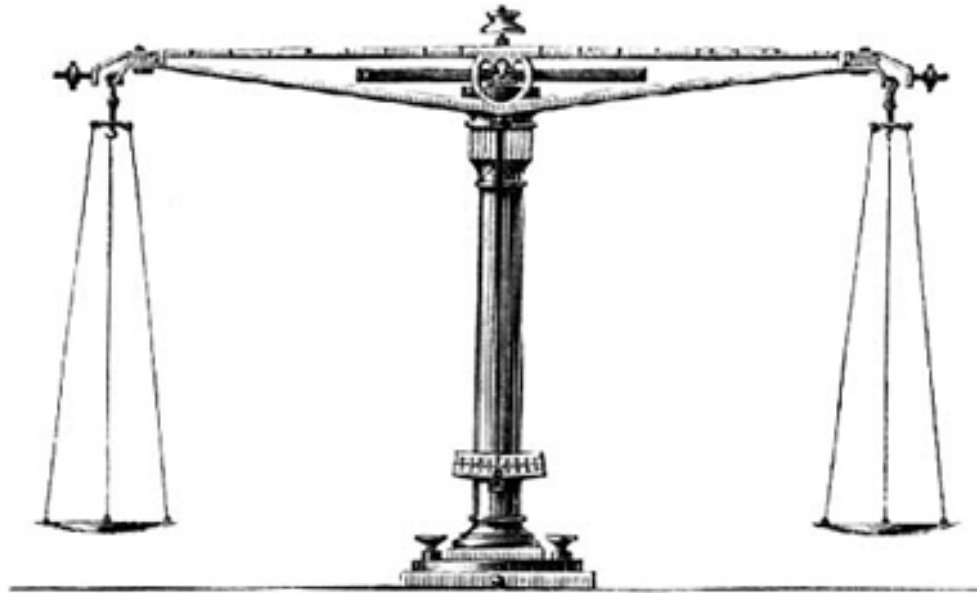


Factors:

- Egg market prices local
- Egg market prices in EU
- Exchange rates
- Trade connections
- Special egg products

Free trade

Fair trade



Production cost in EU
due to public concern

Import levies

Example of Imbalance



Conclusions (1)

- EU has large Egg industry
- Mainly intra trade / Total consumption stable
- Extensive legislation in environment, food safety and animal welfare
- High production costs of eggs; (USA -25%)
- EU market protected with import levies

Conclusions (2)

- Extreme fluctuations in Farm Income
- High egg prices during transition period in Germany (end 2009) and EU (start 2012)
- Low egg prices after transition period
 - Large supply barn eggs in NL and DE
 - Large supply of cage eggs in EU
- Fluctuations has negative impact for farmers, packers, industry and retail

Conclusions (3)

Cage ban:

- Farmers wait till last moment to change
- Combine renovation/change with expansion
- Farmers in NL and DE (North-West Europe) choose for alternative systems

Conclusions (4)

Lessons on 'cage ban':

- Regulate a more gradual change (e.g increase space allowance by steps)
- Farmers respond on legislation and 'long term' market perspective
- Industry: EU only sets conditions on food safety, not on animal welfare. No 'level playing field'.

Be Prepared! Legislation, free trade, market changes...



Thanks for your attention

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