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EUROPEAN UNION
OF WHOLESALE WITH EGGS,
EGG PRODUCTS,
POULTRY AND GAME

UNION EUROPÉENNE
DU COMMERCE DE GROS DES
OEUFS, PRODUITS D'OEUFS,
VOLAILLE ET GIBIER

EUROPÄISCHE UNION
DES GROßHANDELS MIT
EIERN,
EIPRODUKTEN,
GEFLÜGEL UND WILD

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EU/USA Transatlantic Trade and Investment Partnership negotiations

We are writing to you on behalf of the European Union of Wholesale with Eggs, Egg Products, Poultry and Game (EUWEP), to provide you with the views of the EU egg industry in respect of the proposed EU/USA Transatlantic Trade and Investment Partnership negotiations.

EUWEP represents the European egg industry. It is independent and lobbies on behalf of its members on all issues relating to eggs including the broader health, safety, animal welfare, environmental and consumer debates.

The EU egg industry operates in the unsupported sector of agriculture and is efficient, innovative and wholly responsive to consumer demand. It is responsible and is proud of its world leading standards of food safety, traceability, assurance schemes, animal welfare and environmental protection.

In terms of animal welfare, the USA has an overwhelmingly conventional 'battery' cage industry, operating laying hen units that are illegal in the EU. In general these conventional 'battery' cages allow 350 - 400 cm² per hen. This is egg production aimed at the economic optimum. Even before the ban on conventional cages in the EU on 1st January 2012, the stocking density per hen in the EU was 550 cm². With the move to enriched cages in the EU, a stocking density per hen of 750 cm² is required. USA producers therefore have a further significant economic advantage over those in the EU.

The egg sector in the EU is also confronted with additional costs as a result of legislation on environmental protection and food safety. Countries outside the EU, such as the USA, do not have the same extensive legislation.

At the same time as these negotiations with the USA are progressing, the EU is involved in multilateral (WTO) negotiations and bilateral (e.g. Mercosur, India, Thailand, etc) negotiations, designed to further liberalise trade by further reducing import tariffs or removing them altogether. This results in concerns for the competitiveness of the EU egg industry.

In the EU in 2010, the additional costs of EU legislation were estimated to be almost 9% of the total production costs of eggs at farm level (LEI report on 'Competitiveness of the EU Egg Industry, 2012'). In these calculations the following legislation was taken into account:

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- *environmental protection* - Nitrates Directive to protect land and water and Directive 2008/1/EC concerning Integrated Pollution Prevention and Control (IPPC).

- *food safety* - Reduction of Salmonella prevalence (Regulation 2160/2003); ban on meat-and-bone meal in poultry feed; regulations on GMO feed ingredients; and hygiene standards (Regulations 852/2004, 853/2004 - the so called “hygiene package”).

- *animal welfare* - Minimum standards on farms (Council Directive 98/58/EC); on transport (Council Regulation (EC) No 1/2005); at the time of slaughtering (Council Directive 93/119/EC); and others. Moreover, Council Directive 1999/74/EC, laying down minimum standards for the protection of laying hens, banned the use of conventional cages and sets standards on space allowance, management and beak trimming of laying hens.

Following the implementation of Council Directive 1999/74/EC, there has been a further 6% increase in the cost of production as the industry moved from conventional cages to enriched cages. The cost of EU legislation based on the situation in 2012 is estimated to be more than 15% of the total production cost to produce eggs at farm level.

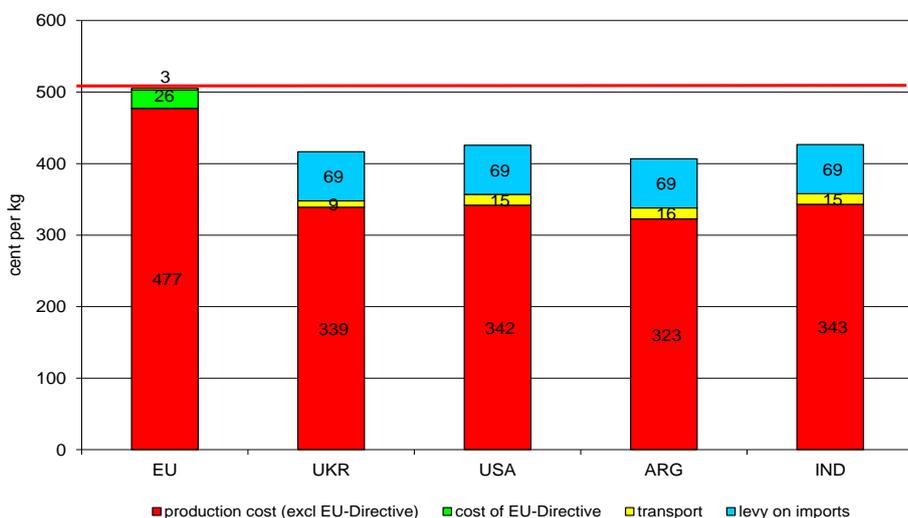
By contrast, in the countries outside the EU who comprise a very significant bulk of the present egg and egg product imports into the EU, the situation is very different. In the USA there is no federal legislation on laying hen welfare. This is similar to other countries such as Argentina, India and Ukraine, where hens are housed in conventional cages at an ‘economic’ density of 300 to 400 cm² per hen. Between countries, regions and farms, the density can change due to expected market prices (high density when high egg prices are expected). American literature shows that purely from an economic point of view, 300 to 400 cm² per hen gives the highest income for the egg producer (Bell, 2000).

In 2012, EUWEP commissioned the LEI institute (part of Wageningen University in The Netherlands) to produce a report on the ‘Competitiveness of the EU Egg Industry’. This report clearly sets out what could happen to the EU egg industry if either tariffs were to be lowered, or if currency adjustments made it more competitive for third country exporters to enlarge their share of the EU market, especially in egg products.

Despite the current import tariff on, for example, whole egg powder, third countries are competitive on the EU market. In a scenario with a 50% lower import tariff, third countries can produce and transport whole egg powder to the EU cheaper than can be produced in the EU.

Figure 1 below illustrates the effects of a 50% reduction in the import tariff for whole egg powder and a 10% lower exchange rate. However, it should be noted that the TTIP negotiations are aimed at completely removing import tariffs which would further disadvantage the EU egg industry.

Fig 1: Offer price whole egg powder to Germany in 2012 (Euro/kg), including scenario of a 50% reduction of import tariff and a 10% lower exchange rate



Key: EU = European Union, UKR = Ukraine, USA = United States of America, ARG = Argentina, IND = India

The USA is predominantly an exporter of eggs/egg products. During times of surplus production, egg products are effectively exported well below the cost of production just to remove the surplus.

We are therefore seeking recognition of our concerns in the form of eggs and egg products being treated as 'sensitive' in the negotiations. We must not export our own industry to third countries as this would result in a severe adverse knock-on effect on the EU economy, employment, and rural structure (the so-called 'EU model of production').

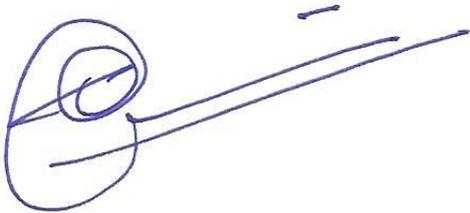
Occasionally, EU exporters wish to export egg products to the USA. However, the USA does not allow this and puts in place obstructions based on sanitary reasons which are totally unjustified.

What we are seeking is 'fair trade' and not 'free trade'.

We hope that you are able to support our genuine concerns.

We would be very willing to meet with you to discuss our concerns in more detail. Please contact Mark Williams (telephone +44 20 7608 3760, or email: mark.williams@euwep.org)

Yours sincerely.

A handwritten signature in blue ink, consisting of a large, stylized 'A' followed by a long horizontal stroke.

Arend Mijs
President

A handwritten signature in blue ink, appearing to read 'Mark Williams' in a cursive style.

Mark Williams
Secretary-General