



Brussels, 21 April 2020

To:

Janusz Wojciechowski, Commissioner for Agriculture

Phil Hogan, Commissioner for Trade

The impact of the COVID 19 Crisis on the EU Poultry sector

The European Poultry Sector - AVEC, the Association of Poultry Processors and Poultry Trade in the EU and ELPHA, the European Live Poultry and Hatching Egg Association - would like to express deep concerns on the impact of the COVID-19 Crisis on the EU poultry market.

A. Description of the impact of the Covid-19 crisis on the sector:

1. Oversupply on the poultry market:

The lockdown has put a stop to all out of home consumption. This means that the EU Slaughterhouses have had to stop with production for the food service market – which normally represents 20 to 40 % of the production, depending on the country.

Only a limited part of the production intended for food service can be converted to retail, due to different size of the birds and/or different slaughterhouse equipment.

A lot of poultry meat (850 000 T) is imported into the EU from third countries – mainly Brazil, Thailand and Ukraine - every year, and those imports are mostly destined to the food service market. In order not to lose their rights in the EU Tariff Rate Quota system, importers continue to import poultry meat, although it is not demanded by the EU market at the moment, and store the meat until the restaurants etc. re-opens.

This will result in large oversupply of poultry meat on the EU market in the weeks and months to come.

On top of that, Avian Influenza outbreaks in Eastern Europe continue to hit hard on some countries (Poland, Hungary, Romania). This has resulted in the closing down of export markets in third countries, driving this meat that was intended for exports back on the EU market, and adding to the crisis.

2. A chain effect on the sector: reduction of the production on short and longer term

As a consequence, the prices on poultry meat in the EU have considerably dropped (now the decline is 20% - but the trend shows that it will drop even further).

The result of the above-mentioned factors is a reduction of the EU poultry meat production: the slaughterhouses demand a significant lower number of birds for slaughter (10-30 % decline) – and this of course affects the farmers who are starting to empty their poultry houses, which reduces their revenue significantly.



Further in the chain, the cancellation of orders to the hatcheries results in a decline on the prices of hatching eggs and day-old chicks. The decline in turnover on the hatcheries is around 15 % now – and since the business model is based on fully utilised hatcheries, a decline of more than 5% can cause bankruptcy, if the crisis gets prolonged.

Lastly, on the top of the poultry chain, breeding companies are reducing the number of animals raised for rearing. This will have longer term consequences, with a reduction of the EU poultry production capacity in the next 2 years.

In the Annex, a graphic demonstrates the impact of the Covid-19 crisis and the chain reaction over the whole poultry production.

B. What we ask of the Commission:

This is a very serious situation and we need the Commission to play a determining role to help the sector.

1. The adjustment of imports: a simple measure, with no budgetary cost and with strong and immediate effect

We urgently need the EU Commission to take a measure that is simple, with no budgetary cost and which will have an immediate and strong effect: the adjustment of the imports of poultry meat.

The poultry market needs a strong signal to stop the decline of the prices and the chain reaction explained before. The continuation of imports while the market does not need products, is the main driver of this situation.

Because we are going through an unprecedented situation, we need to overcome WTO rules and take unprecedented measures.

On top of that, it would be particularly unacceptable that the EU producers have to reduce their production, while we continue to import and store poultry from third countries. A simple declaration of force majeure by the Member States will not be enough, as we understand that that the importers will continue to import to try benefiting from the situation when the crisis is over.

An adjustment of imports on a limited timeframe (for instance until the end of the year), will have the biggest effect and will bring back the confidence that the market needs at the moment.

Without that signal from the Commission, the decrease of the prices and ultimately of the EU production will continue, to the benefit of third countries.

2. Additional market measures:

The need for additional measures will all depend on the rapidity and capacity from the Commission to reduce the imports. Without this reduction explained on point 1, the necessity of those additional market measures will be more urgent and at a much larger scale.

The additional measures that could be carried out (most probably at Member State level, with the help of the Commission):



- Cold storage subsidies
 - Needed for frozen store products that were intended to foodservice
- Compensation revenues for the farmers
 - Who will not grow birds because of the reduction of placements
 - Who will stay empty to stop producing hatching eggs
- Compensation revenues for non-integrated hatcheries
 - Who will get out-of-balance by reduced placements of day-old-chicks in combination with costly action in supply chain
 - Support to maintain the parent stocks of small species which will disappear without support

We are looking forward to explaining our requests further and to continuing our constructive cooperation with your services in order to limit the effects of the COVID-19 crisis on the EU Poultry Sector as much as possible.

Yours sincerely

Paul Lopez
President, AVEC

Wout van Wolfswinkel
President, ELPHA



HOW COVID-19 IS IMPACTING THE DIFFERENTS ACTORS OF THE FOOD SUPPLY CHAIN - THE EXAMPLE OF THE POULTRY SECTOR






Chicken Meat



Breeding Company

Choice of breeds

		
Pure lines	1st Generation	2nd Generation
1	20	750

Up to 4 years



1st Farm

Rearing on until fertile



3rd Generation
37.500

0-18 weeks



2nd Farm

Production of hatching eggs



6.000.000

18-60 weeks



Hatchery

Incubation and hatching



21 days




3rd Farm

Growing broilers



Final Generation
4.875.000

32-56 days



Slaughterhouse and/or processing

Processing




10.725.000 kg




Short term Impact

- No out of home consumption
- No production for Food Service




Short term Impact

- 90 % reduction of export of day-old chicks because of the lack of airfreight



Short term Impact

- 20% decline of the turnover of breeder farms




Short term Impact

- 10-30% surplus of hatching eggs
- 15% decline of the turnover registered



Short term Impact

- 10-30% less day-old chicks delivered on farms



Short term Impact

- 10-30% drop in broilers orders from slaughterhouses

Consequences

- 5-10% decline in the EU demand for poultry meat
- 20% drop in prices on the EU Market

Consequences

- Breeding companies are reducing the number of animals placed for rearing.
- Production will be reduced for over a year

Consequences

- Hatcheries have to decrease the number of parent stock.
- Production will be reduced for the next 3 months

Consequences

- Export fertilised eggs have reduced of 25 %

Consequences

- Hatcheries have to destroy fertilised eggs
- A decline of more than 5 % can cause bankruptcy



Meanwhile Avian influenza is impacting Eastern Europe.