

Briefing for Commissioner WOJCIECHOWSKI

Meeting with Personal data Personal data **of AVEC-Poultry,** **and a representative of COPA COGECA**

**on the situation of EU poultry sector
in the context of quota-free duty-free trade with Ukraine**

23/06/2022, 11:00 – 12:00

Berlaymont

Contents

SCENE SETTER.....	2
SPEAKING ELEMENTS.....	4
DEFENSIVES.....	6
BACKGROUND.....	12
ANNEX.....	16
1. Curriculum vitae – Personal data	16

SCENE SETTER

- AVEC has requested a meeting to discuss the current situation of the EU poultry sector. In the afternoon on the same day, they will also meet Head of Cabinet Vice-President Dombrovskis.
- They are likely to underline the difficult economic context (high feed and energy costs) coupled with the longest ever epizootic avian influenza season. While they support EU actions to help Ukraine, they are deeply concerned by potential market disruptions caused by granting a duty-free quota-free access to Ukrainian poultry on the EU market for 1 year. You can understand their concerns and point to the safeguard mechanism embedded in the Regulation that liberalised imports from Ukraine (see speaking points).
- AVEC would like also to express their concern that with the influx of poultry imports, prices started to decrease. You can reply by underlining regular monitoring from your services and point out to a very high food inflation, which makes food affordability a major concern (see speaking points).
- AVEC may inquire about possible support measures for the sector. You can indicate recently adopted exceptional support package, available financing under the new CAP for the green transition (see defensives).
- They may also raise a suggestion to redirect Ukraine's poultry imports as humanitarian aid to third countries. You can answer by stating that the EU humanitarian aid is managed through DG ECHO and funded through external aid budget. You can also highlight COM initiatives in rerouting Ukraine exports and establishment of Solidarity lanes (see defensives).
- They may also raise the agreement with Chile which contains an increased TRQ for poultry. You can answer to their concerns by referring to the fact that it puts an end to the growth factor and by referring to the introduction of a chapter in the agreement on sustainable food systems (see defensives).
- A.V.E.C. (*) is the association of Poultry Processors and Poultry Trade in the EU. It is a non-profit association created in 1966. AVEC represents and promotes the interests of the European poultry sector. Today, it includes national organisations representing poultry slaughterhouses and poultry trade in 16 EU Member States: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Hungary, Italy, Latvia, the Netherlands, Poland, Portugal, Romania, Spain, and Sweden. The British Poultry Council of the United Kingdom continues to be a member of AVEC.

(*Association de l'Aviculture, de l'Industrie et du Commerce de Volailles dans les Pays de l'Union Européenne)

- Personal data of AVEC Personal data from the French association FIA (“Fédération des Industries Avicoles”), and its Personal data Personal data

Personal data AGRI Personal data (for CdF unit)

SPEAKING ELEMENTS

- I welcome this meeting as an opportunity to discuss the situation of the poultry sector in the EU, in particular in the context of the war in Ukraine.
- We both agree that we are facing an unprecedentedly challenging situation on the European and global agri-food markets following the unjustified and unprovoked Russian invasion of Ukraine.
- In response, the Commission has taken a number of measures to support EU farmers. To name only a few, these include allowing the production of crops on fallow lands, exceptional support measures, temporary crisis framework for state aid, flexibilities to existing import requirements on animal feed.
- The EU also supports Ukraine through several measures. Besides the creation of solidarity lanes, the EU has recently adopted a Regulation liberalising imports from Ukraine.
- The aim of these measures is to boost the Ukrainian economy severely weakened by the war and to underscore the EU strong commitment to help Ukraine to maintain its trade position with the rest of the world and further deepen our trade relations.
- I welcome that AVEC and COPA COGECA expressed support for EU actions helping Ukraine. I equally understand the concerns of the poultry sector in particular.
- We are acutely aware of the risk that Ukraine may start exporting to the EU quantities that threaten to cause difficulties to EU producers.
- For this reason, the Regulation foresees a safeguard mechanism. While its operation might take time, it is also foreseen that, in exceptional circumstances requiring immediate action and making investigation impossible, the Commission may take any preventive measure which is necessary.
- My services are following closely the situation and provide regular reporting on poultry imports. In the first four months of this year,

imports to the EU reached levels far higher than those in 2021 but similar to those reported in 2020. This shows that, unlike for grains that need maritime transport via the Black Sea, Ukraine's capacity to export poultry to the EU has not been affected by the war. But they still remain at levels close to those observed in past years. [The lower volumes of 2021 were due to HPAI outbreaks in Ukraine.]

- Preliminary data for the first two weeks of June indicate though stronger imports. My services are following the situation very closely and are alerting me, should any action prove necessary.
- I am aware of the difficult situation of EU agricultural producers in the current economic context, which is challenging and uncertain. I know that our producers are still facing high costs of inputs and materials, as well as energy. My services continue to closely monitor the developments and report regularly on production, prices and international trade for the sector.
- We observe for some time now that prices for broiler carcase or chicken cuts have reached exceptionally high level- up to 36% five-year historic average. But these margins are not necessarily fully transferred along the chain or covering increases in input costs.
- However, we need to remain extremely vigilant as this comes also at a cost for the consumers. We have now a very high food inflation, even surpassing the general inflation. Food affordability remains therefore a major preoccupation.

DEFENSIVES

UKRAINE

Can the EU redirect Ukraine's agri-food exports to third countries in the form of humanitarian aid?

- The European Union cannot purchase Ukraine's agri-food exports and redirect them as humanitarian aid to third countries.
- The EU humanitarian aid is administered through DG ECHO and financed through funds destined for external aid assistance. The aid is delivered in partnership with UN agencies, international organisations and NGOs.

What the EU is doing to enable Ukraine to export its agricultural products?

- An element of our response is in the Commission Communication adopted on 12 May that proposes number of actions aiming at the full integration of Ukraine in the global supply chain of agri-food products.
- One of these actions is the establishment of the alternative logistic routes ('EU-Ukraine Solidarity Lanes') and financing different modes of transportation.
- The European Commission, together with the Member States, is facilitating the re-routing of Ukraine's exports through new logistics routes - combining all transport modes- to connect Ukraine to global trading partners.

Poultry sector has already a negative experience with increased imports from Ukraine. The suspension of TRQs create a risk that such situation can occur again. Was the interest of the EU poultry sector considered when the Regulation was designed and adopted?

- We are well aware of the past case of exponential increase of poultry imports from Ukraine. We kept this case in mind when we designed the Regulation. Therefore, close monitoring and safeguard clause were inserted in the Regulation.

The safeguard investigation takes long-time. Before it is concluded, there might be already damage to the EU producers. What will the Commission do to react quickly to avoid damage to the EU producers caused by Ukrainian imports?

- The deadlines listed in the Regulation are maximum deadlines. If needed, the Commission is willing to speed-up the process.
- The safeguard investigation can start either on the basis of a request (complaint) from a Member State or an EU industry or on the Commission's

own initiative. Negative development as demonstrated in the Commission monitoring can serve as a trigger for launching a safeguard investigation.

- Moreover, in exceptional circumstances requiring immediate action, the Commission may take any preventive measure which is necessary (Art.4(9) of the Regulation).



When the revised agreement with Chile can enter into force?

- Technical negotiations were concluded in November 2021. New Chilean government (which took office in March 2022) is currently scrutinizing the deal. The EU has intention to finalize this scrutiny process rapidly, preferably by the end of this year with ratification procedure (following announcement of deal and publication of texts) possibly starting in early 2023.

CAP

What are the possibilities to support poultry producers in the green transition?

- Under the new reformed Common Agricultural Policy (CAP), the enabling framework for the green transition is very present. CAP needs to contribute at least 40% of its funds to climate expenditure.

- With the budget of EUR 387 billion over seven years, it will thus incentivise and support European farmers in helping them to contribute more decisively to tackling climate change and protecting the environment.
- To make the green transition successful, the new CAP offers to Member States different support tools that may be pertinent for your activities:
 - **Eco-schemes** aiming at unlocking new funding and additional incentives for climate- and environment-friendly farming practices.
 - **Enhanced conditionality** with more ambitious basic requirements on fulfilling environment- and climate-friendly requirements and standards.
 - **Agri-environment-climate measures and investments** under **rural development support** aiming to enhance ecosystems, promote resource efficiency, and help to move towards a low carbon, climate resilient economy. At least 30% of rural development expenditure must be dedicated to environment and climate.

HPAI

What is available EU support for individual producers affected by outbreaks of highly pathogenic avian influenza?

SANTE fund (Reg. 2016/429 ‘Animal Health Law’)

- The support can be provided to farmers affected by outbreaks of avian influenza for costs related to stamping out of the disease.
- Compensation to owners for the value of their animals slaughtered or culled, costs of slaughtering or culling the animals and related transport costs; costs of compensation to owners for the value of their destroyed products of animal origin, limited to the market value of those products immediately before any suspicion of the disease arose or was confirmed.
- Costs of cleaning, and disinfection, costs for the transport and the destruction of the contaminated feeding stuffs; costs of purchase, storage, administration or distribution of vaccines and baits as well as the costs of inoculation itself, if the Commission decides or authorizes such actions; costs of transport and disposal of carcasses; in exceptional and duly justified cases, any other costs essential for the eradication of the disease.

AGRI fund (Exceptional market support under Article 220 of Reg. 1308/2008 (CMO Reg.))

- For loss of earnings of individual producers due to veterinary measures taken to fight against the spread of diseases that impact on animals’ movements.

- Requires an explicit justified and documented request from the MS concerned.
- Foresees a 50% co-financing by MS.

State aid examples

- Depends on national governments.
- Biosecurity programme aimed at preventing the spread of communicable diseases that are subject to compulsory control measures.
- Support for the eradication of contagious animal diseases.
- Biosecurity programme aimed at the prevention of the spread of animal diseases.

BACKGROUND

On Ukraine access to the EU market

AVEC is concerned by the fact that poultry meat enters the EU market duty free without any volume limitation.

On 4 June 2022, **Regulation (EU) 2022/870** of the EP and of the Council of 30 May 2022 entered into force **on temporary trade-liberalisation measures** supplementing trade concessions applicable to Ukrainian products under the Association Agreement.

The Commission proposed this regulation to boost Ukraine's economy severely weakened by the Russian aggression and to underscore the EU's strong commitment to help Ukraine to maintain its trade position with the rest of the world and further deepen its trade relations with the EU.

In the past European poultry sector was hit by increased imports of poultry meat from Ukraine: Since 2016, the EU observed a rapid increase in imports of a new type of poultry cut from Ukraine, which took place under two tariff lines which were fully liberalised in the DCFTA. To close this loophole, the Commission negotiated an agreement with Ukraine: the two tariff lines were included in the scope of the zero-duty tariff rate quota (TRQ) for poultry meat with an additional volume of 50.000 tons, and the imports beyond the TRQ volume were subject of the MFN duty. This agreement entered into force of 1 February 2020.

AVEC is afraid that Ukraine could again exploit the duty-free quota-free regime and significantly increase poultry meat exports. **You can reassure AVEC that the Commission will closely monitor poultry meat imports from Ukraine and the situation on the EU market, and will react promptly to possible negative development.**

On the market situation

1. Latest situation on the EU poultry market

In January-March 2022, EU total poultry meat production decreased slightly compared to the same period in 2021 (-1.3% year-on-year). While increase in production in the first three months of the year was experienced in majority of Member States as a reaction to good demand, major declines were observed in IT (-21%) and HU (-18%) – partly as a repercussion of significant spread of seasonal highly pathogenic avian flu (HPAI) outbreaks.

On the other hand, **EU broiler prices have been on steady increasing path since last October and are now reaching exceptionally high levels.** Solid domestic demand in combination with limited supply and high feed prices all drive poultry prices upwards.

2. External market

2.1. Exports

In January-March 2022, EU poultry exports declined in volume (-5%) and increased strongly in value terms (+23%) compared to the same period last year, indicating generally higher world market prices this year compared to the previous period.

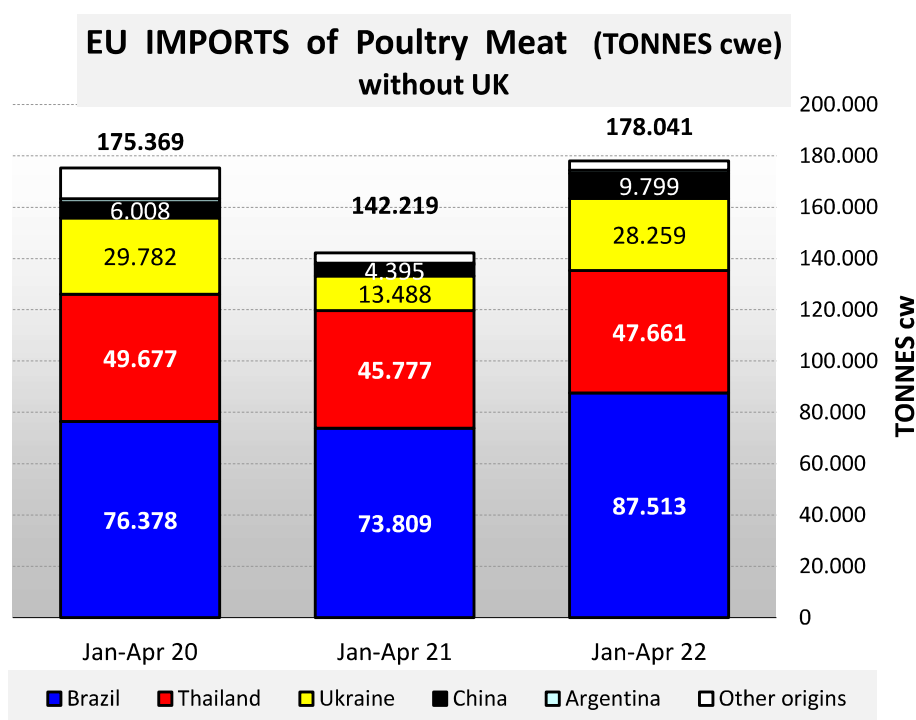
Over the first quarter year-on-year shipments fell in volume to some of EU main destinations (Ghana, Ukraine, Democratic Republic of Congo and Saudi Arabia). On the other hand, EU poultry exports increased to the UK, Cuba, Liberia, and Switzerland. The general downward trend is mainly attributable to lasting and newly imposed AI-related trade restrictions on EU poultry while the ongoing AI wave in certain Member States will cause prolongation or reintroduction of sanitary bans on poultry meat exports from the EU.

2.2. Imports

In January-March 2022, EU poultry imports increased markedly in volume (+26%) and significantly more in value terms (+67%) compared to the same period last year.

EU imports from Ukraine increased most – more than 7 times when comparing to the period in 2021 but still less than during the same quarter of 2020 (-8%). In regard to 2021, it needs to be underlined that EU imports from Ukraine were lower during the first quarter of 2021 due the HPAI outbreaks and they resumed to normal levels when the EU accepted the regionalisation. Imports from Brazil- the most important origin- increased by 12%, whereas slightly lower supplies came from Thailand, the second top origin.

Imports from Brazil, Thailand and Ukraine account for almost 85% of EU total poultry imports.



2.3. Imports/exports with Ukraine

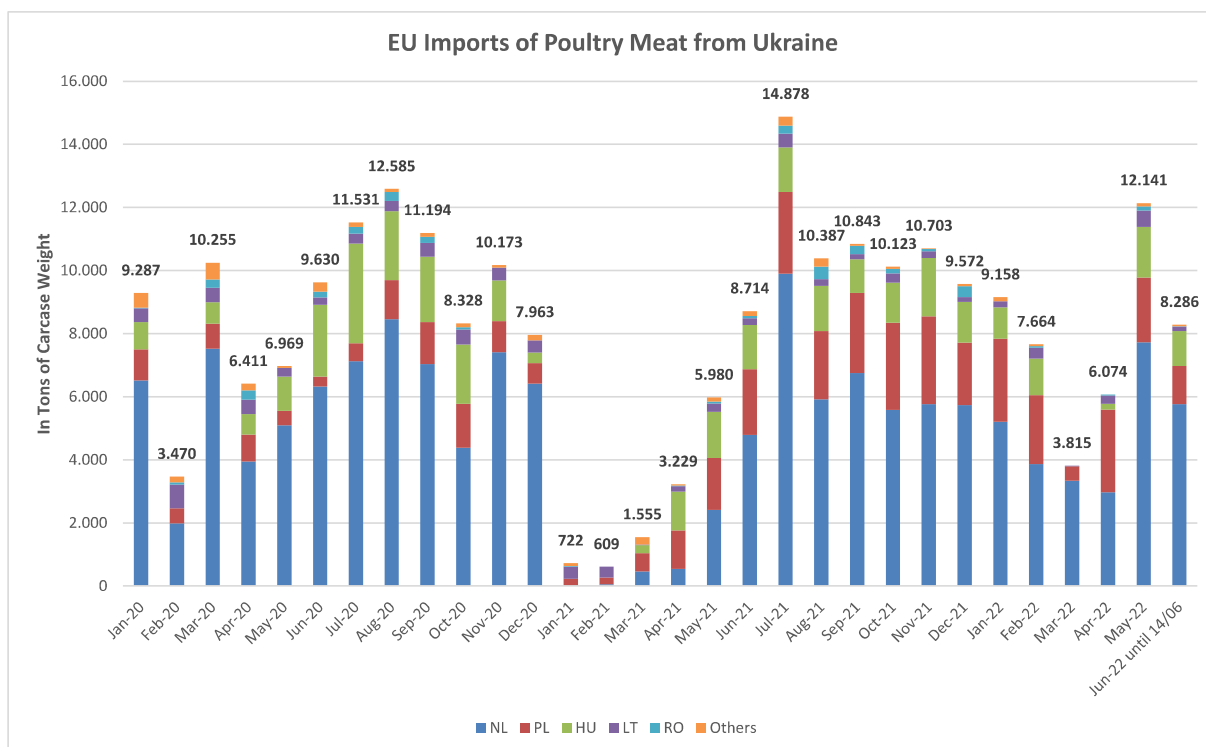
Ukraine is the 4th supplier of poultry meat products to the EU, after Brazil, UK and Thailand.

Available trade figures indicate that imports of poultry from Ukraine (and also EU exports to Ukraine) have been continuing after the Russian invasion and they are currently reaching much higher levels than in 2021, but still lower than values of the same period in 2020.

During the first four months of 2022, EU poultry imports from Ukraine totalled 28 259 tonnes that represent more than double what was imported during the same period in 2021 (low imports due to HPAI outbreaks in Ukraine) and a 5% decrease compared to the same period in 2020. In value terms, these imports went up 12%.

EU exports to Ukraine amounted to 33 988 tonnes, which is 31% less than in 2021, and 22% lower in value.

For the first two weeks of June, preliminary data indicates Ukraine imports resumed strongly and reached already levels corresponding to previous values representing one month. However, one needs to take into account possible effect of frontloading that took place after the entry into force of duty-free quota free access as of 4th June. This data is still indicative and requires close monitoring.



For the month of May only, preliminary data indicates Ukraine imports resumed strongly and were 103% higher in volume compared to May 2021 and 74% higher than in May 2020.

EU Imports of POULTRY from Ukraine in Tons of Carcase Weight																
	Week 1 to 23 2020		Week 1 to 23 2021		% change 2021/2020	Week 1 to 23 2022		% change 2022/2021	May 2020		May 2021		May 2022		% change May 2022/May 2021	% change May 2022/May 2020
Fresh	16.531	43%	6.936	52%	📉 -58,0%	12.419	30%	📈 +79,1%	3.298	47%	3.406	57%	2.795	23%	📉 -17,9%	📉 -15,2%
Frozen	16.686	44%	2.717	21%	📉 -83,7%	22.971	56%	📈 +745,5%	3.104	45%	1.499	25%	7.420	61%	📈 +394,9%	📈 +139,0%
Salted	0	0%	30	0%		18	0%	📉 -42,0%	0	0%	30	1%	0	0%	📉 -100,0%	
Prepared	30	0%	172	1%	📈 +479,3%	257	1%	📈 +49,7%	0	0%	60	1%	45	0%	📉 -24,8%	
Fat	4.938	13%	3.390	26%	📉 -31,4%	5.393	13%	📈 +59,1%	567	8%	985	16%	1.880	15%	📈 +90,9%	📈 +231,6%
Total	38.184		13.244		📉 -65,3%	41.059		📈 +210,0%	6.969		5.980		12.141		📈 +103,0%	📈 +74,2%

2.4. Issue of increased poultry imports from Ukraine in 2016-2019

Since 2016, the EU observed a rapid increase in imports of a new type of poultry cut from Ukraine. It consisted of a traditional breast cap with the numerous bones of the wings attached, the latter making up for a very small part of the total weight of the cut, and meaning that for commercial purposes, the product is sold as poultry breast. Imports of these poultry cuts have increased exponentially from 3.700 tons in 2016 to 55.000 tons in 2018. Imports took place under tariff lines 0207 1370 and 0207 1470 (other cuts) which were fully liberalised in the DCFTA. Against the background of Ukraine's agricultural potential, the prospect of unlimited imports of this new type of poultry cut presented a serious risk for the stability of the EU poultry market. Hence informal consultations were held with Ukraine in summer 2018 with a view to exploring a mutually satisfactory solution closing this loophole in the DCFTA. In December 2018, the Commission obtained authorisation from the Council to negotiate an amendment to the relevant provisions of the DCFTA. After two rounds of negotiations in January and February 2019, an agreement was reached at negotiators level. The agreement included tariff lines 0207 1370 and 0207 1470 within the scope of the existing zero duty tariff rate quota (TRQ) for poultry meat + provided an additional volume of 50.000 tons in the TRQ for poultry meat + reinstated the Most Favoured Nation (MFN) duty for tariff lines 0207 1370 and 0207 1470 for imports beyond the quantities of the TRQ. While the approval of the agreement on the EU side went smoothly, it took more time than expected in

Ukraine, leaving a bad taste within the EU poultry sector that complained about Ukraine delaying entry into force of the additional TRQ and thus benefiting as long as possible from duty-free imports not limited by the TRQ. Eventually, the agreement entered into force and the additional TRQ started to be implemented as of 1 February 2020.

2.5. Ukrainian Poultry Industry

Poultry production in Ukraine is highly concentrated. The top 6 companies are responsible for 91% of industrial production. The three largest poultry operators in Ukraine according to their share in Ukrainian industrial poultry production are MHP (Mironivsky Hliboprodukt) 61%, Agromars 12%, and Volodymyr-Volynska (6%).

3. Avian influenza situation

From 1 September 2021 to 13 June 2022, overall **2029 outbreaks were detected across 19 Member States** while more than **41 million birds needed to be culled**.

Most outbreaks were detected in **FR, IT, HU and PL** while **most bird losses** reported in **IT (40% of EU total), FR (32%), PL (8.5%), HU and NL (with 5% each)**.

In terms of farm type, **most frequently hit are duck holdings, followed by turkey and laying hen farms**.

EU poultry exports are still hampered by **lasting country-wide AI-related import bans** imposed by some trading partners on Member States affected by the 2020-21 AI wave (e.g. South Africa, Cuba, Japan, South Korea, China) while the latest AI brought about **new trade restrictions on imports of poultry and eggs from the affected Member States** (e.g. the Philippines, South Korea, Kuwait, Thailand, the UAE, Kyrgyzstan, Belarus, Kazakhstan, Turkey, North Macedonia, Japan and Morocco).

As a result, **EU poultry meat exports will be under pressure in the months to come**.

In order to contain the spread of HPAI outbreaks, Commission underlines the following:

- **Emphasize** the importance of **enhanced biosecurity practices and early detection** of the virus in the high-risk period for HPAI, in particular in the high-risk areas identified by the Member States, to prevent the introduction and spread of HPAI virus to poultry.
- **Stress** the need for **determined and urgent** actions to **change of risky behaviour and “traditional” husbandry** of certain poultry sectors (e.g. foie gras and fattening turkeys) for ensuring correct implementation of biosecurity measures by all the stakeholders involved in the production chain.
- Confirm that the Commission is working to ensure that additional measures to prevent or control the disease, like vaccination, will be enabled and accompanied by appropriate surveillance and risk mitigation measures.

ANNEX

1. Curriculum vitae

Personal data

Personal data

Personal data



t: Personal data | m: Personal data

Personal data [poultry.eu](mailto:personal.data@poultry.eu) | w: www.avec-poultry.eu

Follow us on Twitter [@AvecPoultry](https://twitter.com/AvecPoultry)

Personal data