The Impact of Welfare on the European Poultry Production: Political Remarks

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Abstract
The paper examine the impact of wellbeing of animals for laying hens. Directive 1999/74/CE provides for three different possible breeding structures: non-modified cages, modified cages and alternative systems. The estimates, carried out taking into consideration only the cost of acquisition and installation of the enriched cages, allow the calculation of an increase of the cost of realization of the systems of approximately 28% with respect to traditional farms. Considering an amortization of 10 years of the cost of installation and the increase of consumption and the cost of the labour linked to the functionality of the new cages, the increase in the base cost per egg is estimated to be about 1 cent (+14%). It is estimated that, at the European level, the obligation of the substitution of the cages by 2011 would lead to the slaughter of approximately 150 million animals, generating a loss of productive potential of more than 40% in the EU and the elimination of many operators from the market.

Keywords: laying hen; histological evaluation; welfare.

Introduction
The wellbeing of animals has been progressively affirmed as a relevant theme in the context of European Union policies and, in this sense, the Community legislator has produced a well-constructed corpus juris which regulates breeding, transportation and slaughtering with reference to animal protection. The operators of the sector have been asked to pay constant attention to the evolution of the law which, above all in recent years, has been enriched with various changes which often produce the need for the more or less extensive renovation of structures and production systems. In Europe, two organisations control legislation concerning domestic animal welfare: these are the Council of Europe and the European Union. A general convention covering all domestic species (1976) and a comparable directive (98/58/CE, 1998) have been adopted, by the standing committee of the European Convention (Council of Europe) and the European Union, respectively. Both of these texts apply to all domestic species and therefore to domestic birds. Furthermore, in 1999, the European Union adopted a second version of a specific directive concerning the laying hen (Gallus gallus). Scientific reports concerning laying hens (1992, 1996), « foie gras » production (1998) and broiler breeders (2000) have also been commissioned at the request of the scientific veterinary committee (presently European Food Safety
Authority [E.F.S.A.] of the E.U. and a directive concerning the broiler production is under preparation. In the meantime, the standing committee of the European Council has adopted six specific recommendations devoted to laying hens (1986), ratites (1997), waterfowl (3 recommendations in 1999) and turkeys (2001). In accordance with the convention of 1976, all these recommendations should be reviewed within 5 years after their adoption and be amended if appropriate. Furthermore, according to directive 98/58/CE (European Union, 1998), each adopted recommendation should be incorporated in the law of member states and applied. In any case, these texts can only be more restrictive.

For laying hens, the law in force (Directive 1999/74/CE) provides for three different possible breeding structures: non-modified cages, modified cages and alternative systems. One of the most important changes introduced regards the obligation of substituting conventional cages by 1 January 2012, the date from which breeding will be allowed only in alternative structures (without cages) or with modified cages (enriched).

The adaptation of breeding structures in cages will involve notable efforts of structural reorganization of the structures since the differences between conventional and enriched cages are, from this point of view, relevant. The enriched cages require structures of greater capacity in order to keep the current productive capacity unaltered. The estimates carried out show how, in order to leave the productive capacity intact, structural investments are needed which will have a significant impact on the cost of production.

This is in one of the sectors which are associated with an elevated exposition to the risks of the market. In fact, the sector does not have access to any form of internal or Community support and the competitive strategies are largely conditioned by the variable price, although dealing with a market which, in recent years has demonstrated a certain propensity for diversification. Furthermore, the future scenario, also in proportion to the very low level of protection that eggs and egg products receive from the WTO, will predictably see further competitive pressure.

The state of art is quite critical in some Member States:

- **France**: a survey is conducted near the egg farmers to have a better idea of their plans for the future evolutions of their egg houses in order to show to the ministry the real situation and the needs of the egg production in terms of finance and technique. Each time the egg organization discusses with the ministry give producers the opportunity to speak about the difficulties to apply the welfare regulation in due time;

- **Spain**: a survey is also conducted near the companies to know if they will invest in the future and how (which breeding system and size), in order to ask for a quantified financial help to their ministry.

- **Italy**: The largest part of the farmers did not start investing. A certain number of producers have installed enrichable cages. 50% of the production goes to the egg industry. So, having to compete on the world market not applying the same rules, it will be more difficult for such producers to remain competitive and to compensate the costs of investments. More in general, the egg producers have no financial availability to fulfil Directive requirements (replacing existing cages) in due time.

- **Hungary**: Farmers did not start to invest, they do not have money for it. The agricultural ministry, like in Poland, will support the egg producers to ask for a delay to apply the directive, at national EU level.
Impact of Regulation

Specifically examining the Italian situation, it is possible to point out how, on a total of 45 million animals bred, 36 million live in conventional cages, 3.5 million in convertible cages, 1.5 million in enriched cages in accordance with Directive 1999/74/CE and 4 million bred with alternative systems. With reference to the dimensional typologies most used in the national productive milieu, it is possible to estimate that the actual dimensions of the structures, if subject to the adaptation, could host a number equal to approximately 50% of the current productive capacity.

On the other hand, the resources which would be necessary to maintain the current productive capacity are considerable, and the realization of new structures is not free from difficulties linked to the authorization procedures.

The estimates, carried out taking into consideration only the cost of acquisition and installation of the enriched cages, allow the calculation of an increase of the cost of realization of the systems of approximately 28% with respect to traditional farms. Considering an amortization of 10 years of the cost of installation and the increase of consumption and the cost of the labour linked to the functionality of the new cages, the increase in the base cost per egg is estimated to be about 1 cent (+14%).

Application of the rules for the wellbeing of the hens according to the time and modalities expected risks dismantling the structure of an already vulnerable sector with respect to the current competitive strategies, also re-proposing, on a more general plane, the theme of the distortion of competition generated by the diversity of standards adopted in different countries of production.

It is estimated that, at the European level, the obligation of the substitution of the cages by 2011 would lead to the slaughter of approximately 150 million animals, generating a loss of productive potential of more than 40% in the EU and the elimination of many operators from the market.

Relevant to this, it would be desirable to review the time limits of the application of Directive 1999/74/CE, although sharing the spirit and the objectives of the regulation itself, with the aim of allowing a transition to the new system which does not jeopardize the productive and competitive capacity of the European producers in an irreversible manner.
To be more specific and to achieve this goal, the following should be taken into consideration:
- the possibility of agreeing on a period of transition of at least five years for the application of the Directive;
- the opportunity of applying evaluation programs managed at the national level, with the aim of also taking into account the existing conditions of wellbeing;
- the possibility of identifying possibilities for financial support for the substitution of conventional cages in relation to the extent of the investment.

**Final considerations and political remarks**

Critical remarks can be addressed to the Communication from the Commission to the European Parliament and the Council on the various systems of rearing laying hens, in particular those covered by Directive 1999/74/EC.

The European Commission is conscious that the majority of EU egg production could not apply the welfare directive on time. In the main time, the Commission doesn’t plan to make any change to the directive from its side. Consequently, every Ministry of concerned Member States have to locally manage the unconformity to the Directive requirements. In the long term, at the Commission level is perceived the intention to ban the cages at all.

The Communication presented by the Commission the 8th of January is based in the Article 10 of the Directive 1999/74, that establishes:

“Not later than 1 January 2005 the Commission shall submit to the Council a report, drawn up on the basis of an opinion from the Scientific Veterinary Committee, on the various systems of rearing laying hens, and in particular on those covered by this Directive, taking account both of pathological, zootechnical, physiological, and ethological aspects of the various systems and of their health and environmental impact.

That report shall also be drawn up on the basis of a study of the socio-economic implications of the various systems and their effects on the Community's economic partners. In addition, it shall be accompanied by appropriate proposals taking into account the conclusions of the report and the outcome of the World Trade Organisation negotiations.

The Council shall act by a qualified majority on these proposals within 12 months of their submission. The delay in the Commission report has been an important source of uncertainty for the producers. Added to the insecurity related with the sanitary situation and the rules related with it, the economical perspectives due to the increasing cost of production, the EU policy on GMO’s, the reform of the CAP and the unfinished negotiations in the WTO. All together are decisive for the economics of the egg sector, and reasons enough to condition the adoption of the Directive. And all of them are not considered in the text of the Communication.

Moreover, the Communication does not answer all the points that the Directive says it should be taken in account. The main concerns about the Commission text are the following ones:
- The text does not include the conclusions of the studies on the socio-economical consequences of each system of egg production, that’s mean, the effects for the producers, industry, traders and consumers of the Directive implementation and its impact in the commercial exchanges with third countries. The main conclusions of
the Agra CEAS study (chapter 6) on this point are not mentioned in the Commission report.
- In the world economical context derived of high energy prices, the market of raw materials for feedstuff and the increasing cost and prices of the eggs and other animal products, looks irresponsible to mention that the price of eggs will only increase 1 cent per egg (12 cents per dozen) with the new enriched cages (this is a minimum as any other system will be more expensive). The Commission underestimates the real effect in the market (a common market of 27 members) of the increases in the egg prices. The over cost due to welfare rules can appear to be a small amount, but this uses to be the benefit for the producer. Furthermore, retailers are reluctant to accept increases in prices, making very difficult for producers to maintain their business with less benefits and more costs. On the other side, consumers are nowadays very sensitive with the increasing cost of the food basket, as the prices are higher and the economical situation is not so optimistic for the future. A reaction in the form of going back to cheap and basic food, mainly in the poorer countries of Eastern Europe, could be expected.
- The information and reports taken in account and presented in the text are not based in the data of the new UE of 27 Member States. The socio-economical situation, egg market and consumer demands are substantially different now. The Commission doesn’t mention this in the Communication, which is not acceptable at all.
- The problems for the future competitiveness of the egg sector related with the UE policy on animal welfare are minimized in the Communication, and the proposed solutions for maintaining the market quota for the UE egg production are not acceptable solutions for the UE producers and industry.
- There are not references to the current WTO negotiations and the effects of a future commercial agreement on the international exchanges between third members and the UE in the egg and egg products markets.
- Welfare, environmental and sanitary conditions in the EU egg production makes not possible the competitiveness as they add high cost of production that are not required for the eggs and egg products form third countries imported to the EU. The EU egg producers need a clear definition and political strategies for the future of the egg sector before taking any decision in the long term (as it is investing in new cages/alternative systems).
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conventionnelles) sur les performances zootechniques et divers critères de qualité des œufs. Résultats d’une étude en élevages de production”


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### Table 1: Balance sheet for Eggs Eur 15 / EUR 25

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</thead>
<tbody>
<tr>
<td><strong>Gross indigenous production</strong></td>
<td>7.055</td>
<td></td>
<td>6.893</td>
<td>-2.3%</td>
<td>6.853</td>
<td>-0.6%</td>
<td>6.819</td>
<td>-0.5%</td>
<td>7.259</td>
<td></td>
<td>7.284</td>
<td>0.4%</td>
</tr>
<tr>
<td><strong>Import of eggs'and egg products' (egg equivalent)</strong></td>
<td>25</td>
<td></td>
<td>30</td>
<td>20.2%</td>
<td>39</td>
<td>31.0%</td>
<td>51</td>
<td>30.3%</td>
<td>44</td>
<td></td>
<td>24</td>
<td>-47.1%</td>
</tr>
<tr>
<td><strong>Export of eggs'and egg products' (egg equivalent)</strong></td>
<td>197</td>
<td></td>
<td>196</td>
<td>-0.7%</td>
<td>203</td>
<td>3.5%</td>
<td>204</td>
<td>0.8%</td>
<td>167</td>
<td></td>
<td>186</td>
<td>11.4%</td>
</tr>
<tr>
<td><strong>Internal use</strong></td>
<td>6.882</td>
<td></td>
<td>6.727</td>
<td>-2.3%</td>
<td>6.689</td>
<td>-0.6%</td>
<td>6.665</td>
<td>-0.4%</td>
<td>7.136</td>
<td></td>
<td>7.122</td>
<td>-0.2%</td>
</tr>
<tr>
<td><strong>Hatching eggs</strong></td>
<td>456</td>
<td></td>
<td>622</td>
<td></td>
<td>490</td>
<td></td>
<td>643</td>
<td></td>
<td>788</td>
<td></td>
<td>851</td>
<td>7.9%</td>
</tr>
<tr>
<td><strong>Losses</strong></td>
<td>38</td>
<td></td>
<td>42</td>
<td></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Industrial use</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Consumption</strong></td>
<td>6.346</td>
<td></td>
<td>6.105</td>
<td>-3.8%</td>
<td>6.199</td>
<td>1.5%</td>
<td>6.022</td>
<td>-2.9%</td>
<td>6.348</td>
<td></td>
<td>6.271</td>
<td>-1.2%</td>
</tr>
<tr>
<td><strong>Population (million)'(1st of January)</strong></td>
<td>459,244</td>
<td></td>
<td>460,803</td>
<td>0.3%</td>
<td>462,903</td>
<td>0.5%</td>
<td>465,200</td>
<td>0.5%</td>
<td>494,407</td>
<td></td>
<td>496,684</td>
<td>0.5%</td>
</tr>
<tr>
<td><strong>Consumption (kg/head)</strong></td>
<td>14.99</td>
<td></td>
<td>14.60</td>
<td>-2.6%</td>
<td>14.45</td>
<td>-1.0%</td>
<td>14.33</td>
<td>-0.8%</td>
<td>14.43</td>
<td></td>
<td>14.34</td>
<td>-0.7%</td>
</tr>
<tr>
<td>**Price (Ecu/100 kg) ***</td>
<td>86.33</td>
<td></td>
<td>86.08</td>
<td>-0.3%</td>
<td>95.73</td>
<td>11.2%</td>
<td>110.42</td>
<td></td>
<td>117.00</td>
<td></td>
<td></td>
<td>6.0%</td>
</tr>
<tr>
<td><strong>Selfsufficiency (in %)</strong></td>
<td>102.5%</td>
<td></td>
<td>102.5%</td>
<td>0.0%</td>
<td>102.4%</td>
<td>0.0%</td>
<td>102.3%</td>
<td>-0.1%</td>
<td>101.7%</td>
<td></td>
<td>102.3%</td>
<td>0.6%</td>
</tr>
</tbody>
</table>
### Table 2: Balance sheet for Poultrymeat Eur 15 / EUR 25

<table>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Usable production (slaughterings) 1000 head Tonnes</strong></td>
<td>11,142</td>
<td></td>
<td>11,084</td>
<td>-0,5%</td>
<td>10,754</td>
<td>-3,0%</td>
<td>11,045</td>
<td>2,7%</td>
<td>11,501</td>
<td></td>
<td>11,600</td>
<td>0,9%</td>
</tr>
<tr>
<td><strong>Import of live animals (carcassweight,)</strong></td>
<td>0</td>
<td></td>
<td>0</td>
<td>-30,4%</td>
<td>0</td>
<td>65,2%</td>
<td>0</td>
<td>0,0%</td>
<td>0</td>
<td></td>
<td>0</td>
<td>-33,3%</td>
</tr>
<tr>
<td><strong>Export of live animals (carcassweight,)</strong></td>
<td>2</td>
<td></td>
<td>2</td>
<td>5,2%</td>
<td>2</td>
<td>-30,4%</td>
<td>2</td>
<td>0,0%</td>
<td>5</td>
<td></td>
<td>6</td>
<td>5,6%</td>
</tr>
<tr>
<td><strong>Gross indigenous production</strong></td>
<td>11,144</td>
<td></td>
<td>11,087</td>
<td>-0,5%</td>
<td>10,756</td>
<td>-3,0%</td>
<td>11,046</td>
<td>2,7%</td>
<td>11,505</td>
<td></td>
<td>11,605</td>
<td>0,9%</td>
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<tr>
<td><strong>Import of meat (carcassweight,)</strong></td>
<td>473</td>
<td>27,3%</td>
<td>602</td>
<td>0,0%</td>
<td>775</td>
<td>28,6%</td>
<td>759</td>
<td>0,0%</td>
<td>773</td>
<td></td>
<td>1,8%</td>
<td></td>
</tr>
<tr>
<td><strong>Export of meat (carcassweight,)</strong></td>
<td>967</td>
<td>-4,7%</td>
<td>922</td>
<td>0,8%</td>
<td>893</td>
<td>-4,0%</td>
<td>811</td>
<td>11,3%</td>
<td>903</td>
<td></td>
<td>11,3%</td>
<td></td>
</tr>
<tr>
<td><strong>Internal use</strong></td>
<td>10,648</td>
<td>1,1%</td>
<td>10,765</td>
<td>0,8%</td>
<td>10,427</td>
<td>-3,1%</td>
<td>10,927</td>
<td>4,8%</td>
<td>11,449</td>
<td></td>
<td>11,470</td>
<td>0,2%</td>
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<tr>
<td><strong>Population (million)</strong> (1st of January)</td>
<td>459,244</td>
<td>0,3%</td>
<td>460,803</td>
<td>0,5%</td>
<td>465,200</td>
<td>0,5%</td>
<td>494,407</td>
<td>0,5%</td>
<td>496,684</td>
<td></td>
<td>0,5%</td>
<td></td>
</tr>
<tr>
<td><strong>Consumption (kg/head)</strong></td>
<td>23,19</td>
<td>0,8%</td>
<td>22,36</td>
<td>-3,6%</td>
<td>23,49</td>
<td>4,3%</td>
<td>23,16</td>
<td>-0,3%</td>
<td>23,09</td>
<td></td>
<td>-0,3%</td>
<td></td>
</tr>
<tr>
<td><strong>Price (Ecu/100 kg)</strong> *</td>
<td>147,83</td>
<td>1,0%</td>
<td>149,25</td>
<td>1,4%</td>
<td>151,30</td>
<td>1,4%</td>
<td>174,40</td>
<td>4,4%</td>
<td>182,00</td>
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<td>4,4%</td>
<td></td>
</tr>
<tr>
<td><strong>Selfsufficiency (in %)</strong></td>
<td>104,7%</td>
<td>-1,6%</td>
<td>103,0%</td>
<td>0,2%</td>
<td>101,1%</td>
<td>-2,0%</td>
<td>100,5%</td>
<td>0,7%</td>
<td>101,2%</td>
<td></td>
<td>0,7%</td>
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