

## **Speech by Commissioner Phil Hogan at AVEC General Assembly**

**- *"Market Orientation of the Global Poultry Meat Business in European and a Global Perspective."***

**30<sup>th</sup> September 2016, Lisbon, Portugal.**

- Check Against Delivery –
  
- Minister Capoulas Santos, President Lopez, Secretary General Cees, honourable AVEC members, ladies and gentlemen,
  
- I'm very pleased to be here with you in Lisbon today, many thanks for inviting me.
  
- Today I want to speak to you about markets, and what the Common Agricultural Policy is doing to support your sector's prospects for job creation and growth.

- First of all, let me congratulate you on your continuing strong performance in recent years. The figures show that the poultry sector is broadly a healthy one.
- And the sector continues to expand, to the point where the EU was 104% self-sufficient in poultry meat in 2015.
- In the same year, 2015, production increased by 3.8% in the majority of EU Member States - and in particular in new Member States. Poland is now the first poultry meat producer in the EU accounting for 14% of the EU total, followed by France, the UK, Germany, Spain, and Italy.
- These six leading Member States combined produce more than 70% of EU poultry.
- From a consumer outlook perspective, the indications are also positive. Poultry meat remains very popular with EU consumers. It is perceived as healthy meat, with a relatively low carbon footprint which is affordable and easy to prepare.
- With an annual consumption of some 23 kg/capita, it is the second most popular meat consumed in the EU after pork.

- Perspectives generally look bright as well. In 2016, the poultry sector continues on a high growth path – approximately 6% by June 2016. However, average EU broiler prices are currently quoted around 174 EUR/100kg, which is some 10% below the five-year average.
- I am confident that this production growth will continue in the coming years, albeit at a potentially slower pace.
- We must recall that the EU market is more mature, and there are a number of potential constraints on further expansion. These include the stocking densities of birds in holdings, environmental constraints, and strong competition on world poultry market.
- That is why it is absolutely vital that we work together to develop new market opportunities. It is clear that exports are vital for your businesses. Currently, the EU exports around 11% of its total production.
- I am aware that competition on the world market is strengthening. Brazil and the USA represent strong competition for EU producers.

- In 2015, Brazil became the world's number one poultry exporter and it remains so today, thanks to its competitive prices, arising from low production costs combined with a devaluation of the Brazilian real.
- A further factor has been the weakened state of the USA on the world market, in recent years although it has made a cautious return this year as the dollar has weakened.
- I am also aware of the impact animal welfare standards have on EU production costs. In Brazil and the USA, production costs are 68% and 78% of those in the EU. For this reason, elements such as animal welfare and food safety practices are taken into account in the evaluation of the access that can be granted to the US and Mercosur producers in each sensitive sector.
- Let me briefly mention a few other important market developments. I am following with increasing concern the situation relating to a **potential introduction of safeguard measures by South Africa** on poultry imports from the EU.
- Please rest assured that I am well aware of the economic importance of the South African market for the EU poultry industry.

- The broader political implications in South Africa and the fact that this action is taking place in the context of an imminent entry into force of the SADC-EU Economic Partnership Agreement are significant.
- A.v.e.c. has been fully associated with the responses submitted so far by the Commission to the South African investigating authority, the International Trade Administration Commission (ITAC).
- Furthermore, given the significant EU interest in this case, many Member States' authorities have approached the Commission services and are also actively associated with the investigation.
- So far, the coordination between you, the Member States concerned and the Commission has been exemplary and I want to take this opportunity to thank you for that. I hope that our joint actions will yield the expected positive results.
- Given the nature of these agreements, it is important that the EU speaks with one voice at official level when developing these new export opportunities.

- Turning now to imports, the Commission is fully aware of your concerns regarding our main competitors **Brazil and Thailand**. As you know, imports from those countries are limited in quantity by the country specific TRQs.
- I am also aware of your concerns over the level of poultry imports from **Ukraine** and the fact that Ukrainian poultry is not yet subject to the same animal welfare rules as those applied in the EU.
- I would like to stress that the majority of Ukrainian imports are entering the EU through limited country specific TRQs – which in total amount to 36 000 tonnes. It must be noted that these are not fully filled.
- In relation to animal welfare rules, under the free trade agreement Ukraine is obliged to align its SPS and animal welfare legislation to EU standards and has to that effect prepared a comprehensive SPS strategy currently being discussed with the Commission.

- The EU poultry meat sector already demonstrated its ability to react to serious challenges such as avian influenza and the Russian embargo, and I am sure that we will overcome current challenges as well.
- I know industry representatives here repeatedly expressed concerns over poultry imports from Russia. As with all third countries, DG Sante – which is the Commission's Health Directorate – ensures that imported products are in compliance with EU requirements. In the first half of this year, 103 tonnes were imported into the EU from Russia.
- The Commission is working hard to **increase market access for the EU agri-food sector including the poultry business.**
- **Let me give you an overview of where we stand on the most promising prospects.**
- **First of all, Vietnam. I am satisfied that the agreement we concluded in 2015 represents a good outcome for the EU in relation to tariffs, GI Origin Products, Rules of Origin and SPS.**
- Full liberalisation was achieved for all EU offensive agricultural sectors such as meats.

- Entry into force of the agreement is expected in early 2018, which will give the EU better access to a market of 90 million people with a growing middle class.
- Negotiations on FTAs continue with other ASEAN countries and India, all of which will bring real gains to EU exporters. Negotiations started with the **Philippines** in May, and this is a country with interesting potential for EU meat exports. Meanwhile, the first round of negotiations with Indonesia took place this month.
- **Concluding an agreement with Japan** is also a key target for the export interests of the EU agri-food sector. The Commission is strongly committed to reaching a highly ambitious and comprehensive agreement, possibly by the end of this year.
- Negotiations with Mexico also kicked off in June, with the view to modernising the 2000 Agreement. Our aim is to get an ambitious outcome on agriculture, notably on market access and on GI protection.
- Besides bilateral discussions, **in 2016 I'm also undertaking a Diplomatic Offensive to intensify and create new trade relationships with third countries.**

- I have already visited Mexico, Colombia, Japan and China – each time bringing a delegation of EU agri-businesses with me, including representatives from the poultry sector. Later this year, I will also visit Vietnam and Indonesia with a business delegation. Again, I am pleased to report that the poultry industry will be well represented.
- I believe these trade missions will go a long way towards finding new openings for our exporters. **And let me repeat the fact that EU standards will be upheld at every step of the journey.**
- Among the EU's ongoing bilateral negotiations, **TTIP** continues to be a trade priority. However, the reality is that although after three years, much work has been achieved across the board, it is unlikely there will be an agreement under the outgoing US Administration.
- Given the common values of the EU and the US, as well as the strategic, political and economic importance of the transatlantic relationship, the Commission remains ready to conclude an **ambitious, balanced and high-standard TTIP agreement.**

- **On Mercosur, meanwhile, the** negotiating process has been effectively re-launched with an exchange of market access offers. As you know well, the agricultural sector is a key offensive interest for the Mercosur. However, we have made clear to these countries that they need to moderate their expectations for what is manageable and acceptable to the EU.
- Before I conclude, it would be remiss of me not to mention Brexit and its implications. The UK is a major importer of poultry meat. The first thing to be said is that until the moment the UK leaves the EU, it remains a full member. To date, the British government has made no progress in clarifying its negotiating position on Brexit.
- **I would also like to mention the fact that we are promoting our products harder than ever.** The Commission took strong action by more than tripling the Agri-food Promotion Budget from €60m to €200m over the next four years.
- **The new promotion policy** is designed to help the sector's professionals to find new markets, consolidate existing ones, and promote the high standards of EU agricultural products to consumers in Europe and around the world.

- Under the new policy, poultry meat belongs to the products eligible for support! And I would also remind you that we have been promoting the sector vigorously for many years.
- Since 2001 the EU has co-financed 13 promotion programmes on poultry. The total cost of these programmes is 34.7 million EUR and the EU co-financing amounts to 17.3 million EUR.
- With the new system, among others, the Commission will further help the sectors to expand and diversify agricultural exports with a yearly work programme of the Commission defining strategic priorities on internal and external markets. Another important instrument will be a coordinated platform which will allow easier preparatory work - especially of multinational campaigns.
- In conclusion, ladies and gentlemen, I want to commend AVEC for the role it plays in representing and promoting the interests of the European poultry sector.
- I am convinced that overall, prospects for the sector will remain strong, because of the concerted effort by industry and the EU.

- Thank you for inviting me here today, and I look forward to working closely with you in the coming months and years.  
Thank you.