

Scottish Egg Producer Retailers Association

18th September

MARKET REPORT

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	Size	V. Large	Large	Medium	Small
Farm to Shop	Prices	£1.49	£1.25	£1.15	80p
Scottish Wholesaler	Prices	£1.20 £1.50	90p(-5p) £1.40	80p(-5p) £1.30	
English Wholesaler	Colony F/R	£1.40 £1.70 £1.45(-5p) £1.45	£1.10 £1.50 £1.20(-5p) £1.45	95p £1.40 £1.15(-5p) £1.20	80p 80p 75p> 85p<
Packer / Producer Contracted average Price					
		Organic	FreeRange	Barn	Colony
		£1.20/£1.45	90p/£1.15	75p/95p	65p/85p
Producer / Consumer		V. Large	Large	Medium	Small
- Colony	Prices	£2.00	£1.85	£1.40	90p
- Free Range	Prices	£3.00	£2.35	£1.93	£1.05
Free-Range to Farm Shop	Prices	£1.75/£2.25	£1.31/£1.91	£1.15/£1.45	95p
Central Egg Agency	Colony F/R	£1.11 £1.43	96p £1.33	86p £1.23	65p 98p
Imported Continental Prices in Bulk					
Dutch Eggs	Barn	93p	74p(-3p) 81p	70p(-3p) 75p	64p(+4p)

Apology we had a computer glitch a few months ago and somehow lost the email addresses of over 40 of our members, after receiving numerous phone calls and emails we have now found the problem so if you bear with us we hope to rectify the problem in the coming weeks.

The market, it appears to be reasonably in balance, all Colony seem to be finding a home and Free Range are starting to get tighter in supply with all the special offers that are still ongoing.

This week we have included 2 articles from the chicken industry as they give us an indication as to the direction that our egg industry is heading.

The first from Holland is showing how they are moving towards slower growing chickens with considerably more space which is an increase in welfare standards, but obviously with a considerable increase in cost of production, their supermarkets and consumers are paying more for the privilege.

The second article is from the Ukraine lower standards of welfare, much cheaper feed, who are now exporting to the EU, one of their biggest customers is Holland.

By increasing our welfare standards with related costs of production linked to alternative systems Free Range, Organic Etc. which is obviously linked to our nations higher standard of living, are we leaving the back door open for production and particularly product from other countries.

How does all this affect us in Scotland, we have witnessed our chicken industry being moved to Southern England, basically because of the price of feed and logistics, as feed is lowest in Southern England and gradually increases the further North you go, with a considerable hike when you cross the Border and as for the North of Scotland and our remote places there are only certain firms that will deliver.

Add to this that our minister of Agriculture Richard Lockhead has decreed that there has to be no GM crops in Scotland in order to maintain our high ethical standards, we are dependent on feed and ingredients from other countries, will we see more of our Scottish egg production being transferred to Southern England, or abroad through supermarket pricing pressures as we are witnessing more eggs appearing without **SCO** on their shells as indication of Scottish production.

Do we need a new advertising campaign for our customers in Scotland that really

Only the shell can tell that the egg has been produced in Scotland to our higher welfare and ethical standards.

The piece from Mac Donald's in the USA is not a plug for them, as they have been using Free Range eggs in the UK for a great many years, it is they are a multinational company extremely data organised they are aware that by going Free Range it was an extremely good PR move, gave them and their customers that feel good feeling, increased business and obviously (profits) this information is now being transferring to their own back yard, good business sense, other major firms have followed their example, but if you are a large bakery or food processor, because of pricing pressures you will purchase the cheapest of liquid or dried and the back door has been left wide open for cheap product from other countries.

Another example is David Burch's article on antimicrobials and the EU.

Main EU producers focus on prospects of differentiation

There is no question that the production of conventional broiler chickens for mainstream markets all around the world has a bright future. However, a new mainstream is emerging - the market for premium chickens. During the first Hubbard Premium Forum the main producers in Europe of these types of chickens exchanged knowledge and shared results on what has become far beyond a niche market.

Slow growing broilers, in this case with access to a wintergarten, have unique characteristics which are useful in marketing the product.

Differentiation is the name of the game when it comes to the European poultry market. Consumer demands are changing with more attention paid to animal welfare, the use of antibiotics in animal production has to come down to a minimum level due to societal demands and government legislation. Also, supermarkets are moving more and more from anonymous bulk products to added value upper market products.

Wilbert Hilkens from ABN-Amro bank researched consumer behaviour and looked five years ahead. "Price still is an important factor when someone is buying poultry meat, but consumers prefer meat concepts with unique selling points such as taste, ease of use and with benefits for health of unique origin. On top of that the welfare and environmental aspects of production are a nice add-on."

Shift to added value broiler meat essential for profitability

When it comes to production in Europe a shift to added value broiler meat is essential for profitability. Agricultural economist Peter van Horne showed that third countries have significantly lower production costs on farm and at slaughter. Compared to Brazil and Argentina the EU is about 30% more expensive and compared to Ukraine and the US about 20-25%.

"At this time quota and import levies protect the EU from large volumes of import of poultry meat, but seeing what is on the negotiating table on world trade level (for instance TTIP) one can foresee scenarios with lower import levies and more market access for third countries." The weaker competitive position for the EU poultry meat industry is a threat for conventional production, according to Van Horne.

Not leading on cost price

It may be so that 'feeding the hungry world' is top of mind with many, but the question is if Europe has to feed the whole world? Europe has the technical know-how to produce at least part of the world's meat demand, but on cost price it is not leading. And societal demands won't allow the European producers to go to the proverbial maximum production possible. Even within the existing legal constraints the industry is facing headwind, especially from animal welfare and animal rights organisations. And the pressure groups have success. By targeting individual retailers they convinced them to replace the conventional chicken meat by meat from slower growing, less densely stocked birds.

Market leader Albert Heijn supermarket in the Netherlands sells meat of a slower growing broiler (max 50 grammes of average daily growth) kept in an enriched environment at a maximum stocking density of 38 kilo's per square metre as their basic product. Competitor Jumbo supermarket even chooses as a basis for a maximum of 45 grammes a day with 30 kilo's stocking density kept in daylight.

That also means that Dutch farmers producing for these supermarkets lost the cost price rat race, the slower growing birds lead to a 20% hike in production costs, leading to a price rise of €1,75 per kilo breast meat. Paul van Boekholt of Hubbard states, "Consumers in Europe are willing to pay extra for value added meat, especially when it is marketed in a specific way. With households spending up to \$US500 per week for food alone that can not come as a surprise.

That said, also in the slow growing markets there should be a continuous focus on cost price. Within it's constraints it has to be super-efficient. Marketing wise, the consumers have to be continuously educated about the quality of the product, as they should also be educated about the cost of it!"

Room for differentiation

The marketing supporting product differentiation will be helped by the development of the conventional broiler on the one hand and the restructure of supermarkets on the other.

Van Boekholt explains: "In 1992 the conventional broiler took 46 days to reach its targeted slaughter weight, opposed to 56 days for the slow growing certified bird and 81 days for the label chicken. Nowadays the conventional bird is kept only 35 days and we foresee that in 2020 that will be only 32 days." The age gap between conventional broilers and 56-day broilers is growing, allowing for more differentiation."

"An EFSA report from 2010 showed that 7% of all broiler parent stock in the EU was for the production of slow(er) growing broilers and that developed fast with initiatives such as the Dutch 'Chicken of Tomorrow', the French 'Certifié', the British 'RSPCA Freedom Food', the German 'Tierschutzlabel' and the Dutch 'Beter Leven' mark. "France has always had a focus on cuisine and tradition and 35% of all breeders are producing slow(er) growing broilers, but the Netherlands is at the forefront of recent development with the 'Chicken of Tomorrow' which should replace all conventional poultry meat by 2020, as agreed between the poultry sector and all supermarkets."

Supermarkets to become specialty shops

Banker Wilbert Hilkens sees other movements in the supermarket sector which are favourable towards added value products as well. "Fresh foods in 2020' is about changing consumer preferences and its implications for the supply chains of meat, eggs and vegetables. Well educated and higher income consumers look for something extra in meat, such as better taste, known origin and intrinsic value of good production."

Even more important is the supermarket sector tuning in to those demands: "Supermarkets will become more and more specialty shops, places of inspiration and taste experience. Actual food delivery will move more and more to home delivery and pick up points after internet orders. Products with the 'right story' and a meat supply chain which is in touch with the challenges of food retail and food service will be successful. The world of consumers is on the move and that is more an opportunity than a challenge."



Fabian Brockotter

Ukraine becomes third largest supplier of chicken to EU

Ukraine has become the third largest supplier of poultry to the European Union after Brazil and Thailand, according to Konstantin Yeliseyev, a representative of Ukraine to the European Union (EU).

"According to our partners in the Directorate-General for Agriculture and Rural Development in the first four months of this year Ukraine has become the third largest importer of chicken meat to the EU. Now Ukraine follows only Brazil and Thailand, which are traditionally major chicken suppliers to the EU," he said.

The Ukrainian diplomat also said that this "significant leap became possible due to two factors: the opening of access for Ukrainian poultry to EU markets - and efforts of domestic poultry farmers, as well as the autonomous trade preferences, which actually mean a unilateral acceptance of conditions of free trade with Ukraine."

Yeliseyev said that the greatest demand for Ukrainian chicken has been observed in the Netherlands and Germany. "During the first four months of this year, these countries have imported 2,950 and 2,550 tonnes of such products respectively," he confirmed.

World Poultry

McDonalds to transition to cage-free eggs in US

To meet consumers' changing expectations and preferences, US fast food outlet McDonald's will fully transition to cage-free eggs for its nearly 16,000 restaurants in the US and Canada over the next 10 years.

"Our customers are increasingly interested in knowing more about their food and where it comes from," said McDonald's USA president Mike Andres. "Our decision to source only cage-free eggs reinforces the focus we place on food quality and our menu to meet and exceed our customers' expectations."

"A bold move"

"We're proud of the work we're doing with farmers and suppliers to advance environmentally and socially conscious practices for the animals in our supply chain," said Marion Gross, senior vice president and Chief Supply Chain Officer of McDonald's North America. "This is a bold move and we're confident in our ability to provide a quality, safe, and consistent supply."

On an annual basis, McDonald's USA purchases approximately two billion eggs and McDonald's Canada purchases 120 million eggs to serve on its breakfast menus, which includes popular breakfast sandwiches, such as the Egg McMuffin and Egg White Delight. Since 2011, McDonald's USA has been purchasing more than 13 million cage-free eggs annually.

Demand for responsibly-sourced food

Herbruck's Poultry Ranch, a family-owned and operated farm in Michigan, has worked with McDonald's for decades to supply nutritious eggs. "Cage-free systems play an important role in our work to keep hens healthy and meet the growing consumer demand for responsibly-sourced food," said Greg Herbruck, executive vice president of Herbruck's Poultry Ranch.

"We welcome McDonald's actions to continue these efforts and are pleased to join them in sourcing cage-free eggs across their supply chain. We continue embracing new technologies and strategies to ensure our hens are well-cared for."

Hen housing system standard

In 2000, McDonald's USA was the first food service company to adopt a standard for hen housing systems, which provided more space per bird than the industry standard. In 2010, the company initiated research with the Coalition for a Sustainable Egg Supply to better understand the impact of various hen housing systems on animal health and welfare, the environment, worker health, food safety and food affordability. This research provided important insights into the trade-offs of various housing systems for the company to make informed sourcing decisions.

Chicken without antibiotics

The announcement follows other actions announced this year by McDonald's USA to source only chicken raised without antibiotics important to human medicine by 2017 and to offer milk jugs of low-fat white milk and fat-free chocolate milk from cows that have not been treated with rbST, an artificial growth hormone.



[Rosie Burgin](#)

Antimicrobials: Has the EU parliament resorted to propaganda?

The recent report entitled 'Antimicrobials Restrictions in Animal Feed' really does leave one quite bemused – is this really the basis of political discussion and decision making in the EU?

The report, published in July 2015, is meant to be an '**In-Depth Analysis for the ENVI Committee**' part of the Directorate-General for Internal Policies, Policy Department A – Economic and Scientific Policy – Environment, Public Health and Food Safety (Com-ENVI).

The abstract states:

"Abstract

The antimicrobials usage in food-producing animals has affected public health with the development of antibiotic resistance. The annual societal costs related to antibiotic resistance are significant. Preserving the effectiveness of the current antibiotics is important as this can incentivize pharmaceutical firms to develop new drugs. Restriction of antibiotics usage can potentially lead to less resistant strains, diminished health care costs and productivity losses, and fewer side effects for humans."

There is actually no mention of **Antimicrobial Restrictions in Animal Feed**, or why there should or should not be restrictions. The first sentence is rather a sweeping generalisation, largely unsupported in the document. **Is this tantamount to propaganda?**

In the **Executive Summary** it states:

*"Findings show that the use of antimicrobials in livestock animals has **potential** effects on humans through horizontal transfer.... These can be either pathogens that can directly and indirectly infect humans, or commensals that may carry transferable resistance determinants across species and therefore, can reach humans through multiple routes of transfer."*

Interesting **potentially**, but what about some good examples?

"Other evidence shows that it is the inappropriate use of antibiotics in people that has accelerated the antibiotics resistance."

Now that is a surprise, or is it? Let's see.

Further on in the Report:

"3. USAGE IN ANIMAL FEED

Scientific evidence shows that both therapeutic and nontherapeutic antimicrobial usage in animals lead to an increase of substantial amounts of antimicrobial-resistant bacteria. These can exist in two different forms: as pathogens, which can directly and indirectly infect humans, and as commensals, which may carry transferable resistance determinants across species and therefore, can reach humans through multiple routes of transfer, such as food, water, sludge, and manure applications to food crop soils (27).

*There is strong evidence that the use of antimicrobials in livestock animals has potential effects on humans through horizontal transfer (22, 28). This is the process in which genetic material can be transferred between individual bacteria of the same species or between different species. This mechanism can accelerate the spread of antibiotic-resistant genes (29). **An example of interspecies transfer between animals and humans is through the commonly used antibiotic extended-spectrum cephalosporins. This is mostly used for treating serious human and animal infections, such as sepsis, skin and soft-tissue infections, and urinary tract infections. The extended-spectrum beta-lactamases (ESBL) are enzymes able to inactivate this antibiotic in veterinary medicine, which are present in life threatening pathogens in both humans and animals and determine the resistance to β -lactam antibiotics (22, 27)."***

Potentially, this is true but the **one example** given is the use of extended spectrum cephalosporins (3rd and 4th generation cephalosporins) and these are not **used in feed but by injection and as intramammary products** in veterinary medicine.

Wu and others (2013) examined ESBLs found in *E. coli* (commensals) from animals and food in the UK, The Netherlands and Germany and compared them with ESBLs found in man (mainly from *E. coli* urinary tract infections) using genetic means (multi-locus sequence typing – MLST). They found **0/127 ESBLs** from human isolates were identical to those from animals and food i.e. **there was no link**.

[I reported in a recent weblog that the Swedish authorities \(SVARM, 2015\) looked at the transmission of ESBLs from food](#) (imported and locally produced) and animals to man. Using genetic means also (MLST) in a larger survey, they could show that only **1/379 ESBLs** associated with blood infections in man was identical to and potentially related to those found in animals or food i.e. **a very small link**.

Therefore, if we take "one health" as a whole using this Com-ENVI report example of ESBLs, which is totally unrelated to in-feed use of antimicrobials – indirect transmission of antimicrobial resistance in animals and food to man contribute 0.26% and direct transmission from use in man 99.74%.

Is this really an example of the basis that the European Parliament and possibly the whole of Europe are making major legislative decisions on veterinary medicines and in-feed medication in particular? I despair. What do you think?



David Burch



Inchcolm Veterinary Services

Leaders in Poultry Health