



British Egg Industry Council

September 2020

UK trade negotiations

Summary

1. The British Egg Industry Council (BEIC) was set up in 1986 to represent the UK egg industry. Its members are the 11 major organisations concerned with the egg industry, these are: the British Egg Association; British Egg Products Association; British Free Range Egg Production Association; National Egg Marketing Association; Northern Ireland Poultry Federation; Pullet Hatcheries and Breeders Association; Pullet Rearers' Association; Scottish Egg Producers Retailers Association; Ulster Farmers Union; National Farmers Union; the National Farmers Union (Scotland). It is funded by voluntary subscriptions from egg packers and producers.
2. The BEIC owns the Lion Quality Trademark and runs the Lion Quality Scheme for egg production, which accounts for over 90% of UK production. BEIC funds a marketing and promotion programme for Lion Quality eggs and egg products and funds the British Egg Information Service. It also funds research and development. The principal function of the BEIC is to represent the interests of its Members (the UK egg industry) in discussions with Government, MPs, devolved institutions, and other bodies. The BEIC is recognised by Government and Parliament as the representative voice of the UK egg industry.
3. The BEIC in partnership with Compassion in World Farming and the RSPCA, has welcomed the Government's decision to maintain the current tariff levels on imported eggs and egg products. We had feared that the UK's Global Tariff Policy (UKGTP) would allow the import of eggs and egg products produced to lower standards of animal welfare, potentially destroying British egg farming, but was delighted that, following sustained engagement with MPs and officials, this will not be the case. The Most Favoured Nation (MFN) regime has been converted from Euros to Pounds Sterling, with a small change in egg tariffs which were set at 31% to 29% - a marginal reduction.
4. There are eight egg-tariff lines currently in place, ranging from eggs in shell, liquid and frozen whole egg / yolk / albumin and dried albumen and yolk. Currently, these are set at a level which considers the higher cost of egg production in the UK, because of legislation on animal welfare, food safety and environmental protection. A BEIC commissioned report¹ from [Wageningen University in The Netherlands \(December 2019\)](#) showed that 16% of the cost of producing a kilogramme of eggs is the result of legislation on animal welfare, environmental protection, and food safety. These costs do not apply to non-EU countries.

¹ Van Horne. P.L.M, 2019, *Competitiveness of the UK egg sector, base year 2018*, Wageningen University & Research

5. We will be watching how the Government will balance the benefits of liberalising trade and opening opportunities for more exports abroad, while meeting its responsibilities for promoting sustainable, climate-friendly farming, and addresses the issue of food imports that would be illegal to produce here. This includes eggs and egg products from laying hens kept in barren conventional 'battery' cages, a system of production that was outlawed in the UK and throughout the EU in 2012.
6. The British egg industry is worth £1bn per annum to the UK economy, is 89% self-sufficient, technically efficient, innovative, unsupported, and competitive, and has seen over 10 years of consecutive growth in domestic egg consumption. There is also a desire to grow this industry and to eventually be able to export. The 11% of imports to the UK are mostly egg products, over 90% of which come from EU countries with equitable levels of animal welfare and environmental protection. This is likely to change if the Government removes or reduces tariffs in bilateral trade deals with non-EU countries. There would also be a negative economic impact on the many kinds of ancillary businesses that service the British egg industry that employs over 13,000 people indirectly, while over 10,000 people are employed directly, according to industry data.

What are the potential opportunities and risks of each proposed FTA?

- UK-USA
7. Egg production in the USA is mainly concentrated in the Mid-West where there is access to cheap cereals. In the commercial egg sector numerous independent producers are marketing on a local basis, applying price competition as a major component of their marketing strategy. The top 20 egg producers have in total 230 million layers, representing 80% of the sector. These companies have the 'economies of scale' and have a high efficiency in production, marketing, and distribution. The USA is a large exporter of eggs and egg products. In terms of methods of production 76.4% of eggs are produced using conventional cages, with the remaining 17.8% being cage-free and 5.8% organic.
 8. The issue of animal welfare has become a more significant consumer concern in the USA in recent years. There is no federal legislation in the USA governing laying hen welfare. A proposal for federal legislation in 2011 to replace conventional cages by enriched cages (similar to UK/EU standards), after a transition period of 15 to 18 years, was not accepted by the federal government. Some individual States have animal welfare legislation. For example, the State of California has additional legislation for the housing of layers. Also, some other states, with no significant production of eggs, have legislation with various effective dates. The producers' organisation United Egg Producers (UEP) has established voluntary guidelines to improve the welfare of laying hens. The guidelines include provisions for more space for layers in conventional cages, conditions for moulting birds and standards for beak trimming. The space allowance per bird is 432 cm² for white layers. However, this space allowance is still less than in the EU (550 cm²) before conventional cages were banned in 2012. At this point the market for alternative (non-cage) eggs in the USA is small. In 2015 almost all major retailers, foodservice and food companies announced to purchase only cage-free shell egg and egg products by the year 2020 or 2025. This change in market demand is expected to increase the share of layers kept in non-cage systems by 2025, although as US

consumers are not prepared to pay for the additional cost of production, this transition is not likely to happen on time.

9. In the UK, egg producers must comply with European legislation that has been converted into UK law by the European Union (Withdrawal Act) 2018 covering environmental protection, animal welfare and food safety. The additional costs directly related to European legislation are estimated to be 16% of the total production costs of eggs at farm level. Most of these additional costs are because of enriched cages (additional living space and other enrichments). The EU's Welfare of Laying Hens Directive, banned barren 'battery' cages in 2012 and replaced them with enriched cages, increased the space and height of the cages and introduced enrichments such as a nesting area, litter for scratching and perches so birds could perform more of their natural behaviours.
10. Egg powder is more suitable for long distance transport than shell eggs because there is no decrease in product quality after months of storage. Another advantage of egg powder is the relatively low cost of transport as the product is dried. Current UK/EU import levies on whole egg powder provide protection for the UK egg sector.
11. If the UK concludes bilateral trade deals with countries such as the USA, and decides to reduce or eliminate these tariff lines, the British egg industry would become uncompetitive. The offer price is the total of production costs including animal welfare, processing costs, transportation costs and import levies. A scenario with a combination of zero import levies and 10% lower currency exchange rate would mean that all non-EU countries would be very cheap suppliers of whole egg powder to the UK market. The Wageningen report illustrated different scenarios of reducing import tariffs and varying exchange rates.
 - UK-Australia
12. There is not a threat from the Australian egg industry, due to its size and geographic distance from the UK. There are no exports of shell egg or egg products from Australia to the UK. We do not foresee there being any issues for the UK egg industry in a trade agreement being concluded with Australia.
 - UK-New Zealand
13. There is not a threat from the New Zealand egg industry, due to its size and geographic distance from the UK. There are no exports of shell egg or egg products from NZ to the UK. We do not foresee there being any issues for the UK egg industry in a trade agreement being concluded with NZ.

In respect of each negotiation, how effectively is the Government representing the interests of, and communicating with, devolved nations, local government, businesses, consumers and civil society groups?

14. The BEIC has engaged with the devolved governments in Scotland, Wales and Northern Ireland, as well as the devolved institutions, over many months to communicate our position on retaining tariffs on eggs and egg products imports. Officials and Ministers in both the Welsh and Scottish governments have expressed concern over the lack of engagement of the UK Government over the process of negotiating trade agreements with the EU and the rest of the world. Officials in the devolved governments assured us that they would add the research the BEIC commissioned on the impact that removing

tariffs on eggs and egg products imports would have on the egg industry in their nations, and press the matter in their meeting with DIT, Defra, and other relevant UK Government departments.

15. The UK Government could be doing a lot more to engage with businesses and consumers, as well as civil society groups in terms of representing their interests when negotiating trade deals. This could include regular participation of DIT officials and the Secretary of State in roundtable discussions with the UK agri-food sector, for our respective representative organisations to feed directly into the negotiations on the pertinent issues of standards and animal welfare.

- **Is Parliament able to effectively scrutinise ongoing negotiations?**

16. The BEIC supported calls to establish a Trade, Food and Farming Standards Commission to deal with exactly these issues. We welcomed the Government's recent establishment of the Trade and Agriculture Commission and look forward to assisting the Commission in producing its report that will be presented to Parliament at the end of its term. We do regret that the Government did not choose to include the BEIC in the membership of the Commission, and that there is a lack of representation of any organisation in the British poultry sector. We were also disappointed by the lack of animal welfare groups in the membership, given that animal welfare is a specific remit of the group's work, and that strengthening these standards was a commitment of the General Election Manifesto of the Conservatives.

17. Given that the Government wishes to conclude 80% of its free trade agreements over 3 years, it is also regretful that the Commission has not been given a longer term than 6 months. To truly help inform post-Brexit trade policy, it would be logical for the Commission to exist for at least 3 years or more, or potentially indefinitely. For parliamentarians to scrutinise trade agreements, and debate the poignant issues, it is vital that they can receive regular recommendations, research, and opinions from a body like the Trade and Agriculture Commission. Fundamentally, the Commission would look to develop constructive solutions to promote free trade, while upholding our standards. Indeed, it would be at the forefront of an international drive towards a more sustainable model of free trade that would demonstrate real substance to the Global Britain brand.

If you need further information, please let me know.

Yours faithfully.



Mark Williams
Chief Executive

Written evidence from the British Egg Industry Council (UKT0012)