



## **Trader notice 01 AHWD/2018**

**To: the poultry industry**

### **Poultry Valuation Tables**

The Department of Agriculture, Food and the Marine (DAFM) have commissioned poultry valuation specialists (RSK ADAS, a UK-based consultancy company) to develop poultry valuation tables. These tables will be used to quickly and consistently determine the compensation values for the most common poultry species and production systems in Ireland, in the event of an outbreak of a disease affecting poultry necessitating compulsory slaughter of a flock. ADAS has extensive experience over many years of developing and maintaining poultry valuation tables in both Great Britain and Northern Ireland.

In 2017 and 2018 ADAS specialists consulted widely with stakeholders in the poultry industry to gather information on both the structure and nature of the sector in Ireland and on current individual input and output costs and returns. These stakeholders included individual farmers, poultry production companies, ancillary supply services and private practice specialist veterinarians. Following the consultation exercise, ADAS developed a suite of valuation tables – a list of the tables, and the principles used to determine the valuations are in the Annex to this Trader Notice.

#### **Scope of valuation tables**

A total of 26 valuation tables were commissioned, covering table poultry (chicken, turkey, goose and duck), laying hens, laying ducks and replacement pullets. In addition, tables have been developed for broiler, turkey and duck parent breeding stock (rearing and laying) and for organic production systems. Highly specialised parts of the poultry sector, such as grandparent and great-grandparent breeders are not included in the list of tables. DAFM may, if necessary, request specific valuations for these highly specialised sectors of the poultry industry.

#### **Overview of legal framework in relation to compensation**

- It is important to be aware that the Animal Health and Welfare Act 2013 states that the Minister may pay compensation to the owner of a farm animal or animal

product, feed or other thing relating to a farm animal, if the animal or product/feed/other thing is affected with a disease and is killed or destroyed to alleviate the risk of disease, to prevent the spread of disease or to diagnose, control or eradicate disease. This means that in the event of a disease outbreak, if poultry is ordered to be killed, only the owner of the poultry may be eligible for compensation. Any compensation payable by the State will not be paid to anyone other than the owner. (See Part 6 of the Act for more details.)

- It is vital that appropriate biosecurity measures are in place at all times in order to mitigate against an introduction of disease. Section 35 of the Act provides that compensation may be reduced or not payable at all in a number of situations, including if an owner failed to implement appropriate biosecurity measures.

- Consequential losses will not be compensated for.

### **Registration of poultry premises**

DAFM has introduced an online form to apply for registration of poultry premises and update details (supplementing the paper PR1 form) in an effort to make the process easier for flock owners. DAFM would be grateful for any assistance industry stakeholders might be able to provide with publicising the online system, and the need to register poultry premises. More information is available at [www.agriculture.gov.ie/avian\\_influenza](http://www.agriculture.gov.ie/avian_influenza).

Animal Health and Welfare Division

20<sup>th</sup> April 2018

## ANNEX

### List of tables

	<b>Table Egg Production</b>
1	Organic egg layers
2	Free Range Egg layers
3	Barn Egg Layers
4	Enriched Cage Egg Layers
5	Litter reared pullets (conventional)
6	Litter reared pullets (organic)
	<b>Broiler Production</b>
7	Broiler Breeder Layers
8	Broiler Breeder Rearing
9	Commercial Broilers
10	Cornfed Broilers
11	Free Range Broilers
12	Free Range Broilers with on-farm slaughter/Local sales
13	Organic Broilers
	<b>Turkey Production</b>
14	White Turkey Breeder Layers
15	White Turkey Breeder Rearing
16	Organic White Turkeys
17	Organic Bronze Turkeys
18	Free Range White Turkeys
19	Free Range Bronze Turkeys
20	Commercial Turkeys
	<b>Duck Production</b>
21	Duck Breeder Layers
22	Duck Breeder Rearing
23	Table Ducks
	<b>Goose Production</b>
24	Table Geese
	<b>Duck Egg Production</b>
25	Duck Rearing (Table Eggs)
26	Duck Laying (Table Eggs)

## Valuation principles

The principles used to determine the valuations are based on those used in Great Britain since 2005. A wide range of production cost items are taken into account, and total costs are calculated in euro or cents either on a daily or a weekly basis. A financial margin allowance is added to the costs to reflect expected normal commercial returns.

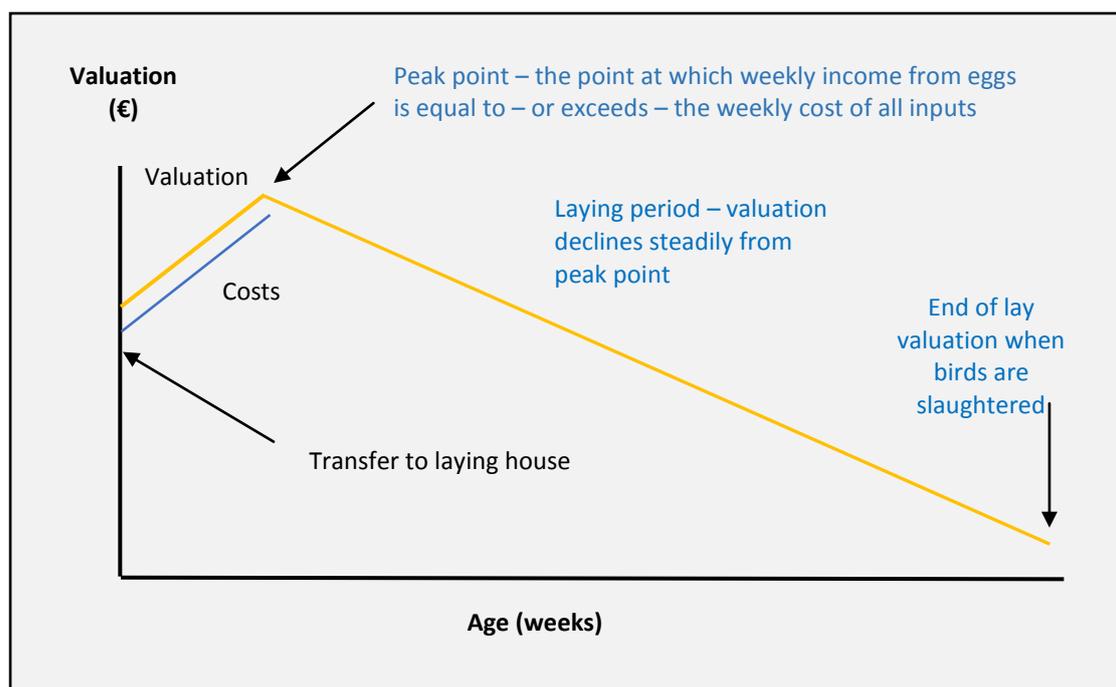
Since input costs such as the price of compound feed vary according to raw material prices, the valuation tables will be regularly reviewed and updated.

Three different approaches are used in determining valuations according to stock type and marketing intentions. These are summarised in the pages below.

### 1. Valuation of laying birds

For egg laying flocks (table egg layers and breeding stock for broilers, turkeys and ducks), valuations are based on costs incurred and the expected final valuation of the birds at the time of depopulation.

The chart below summarises the valuation principles.



At point of lay, birds are transferred from the rearing premises to the laying site. The starting valuation is therefore based on the cost of the stock and the house preparation costs. In this context, preparation costs include all normal expenditure incurred in getting the house ready for the birds e.g. site preparation, labour, electricity etc.

Incoming laying flocks continue to accrue costs (e.g. costs of feed consumed) until the onset of egg production. The peak point is the flock age at which the weekly income received from eggs reaches the point at which it is equal to – or exceeds – the weekly cost of all inputs.

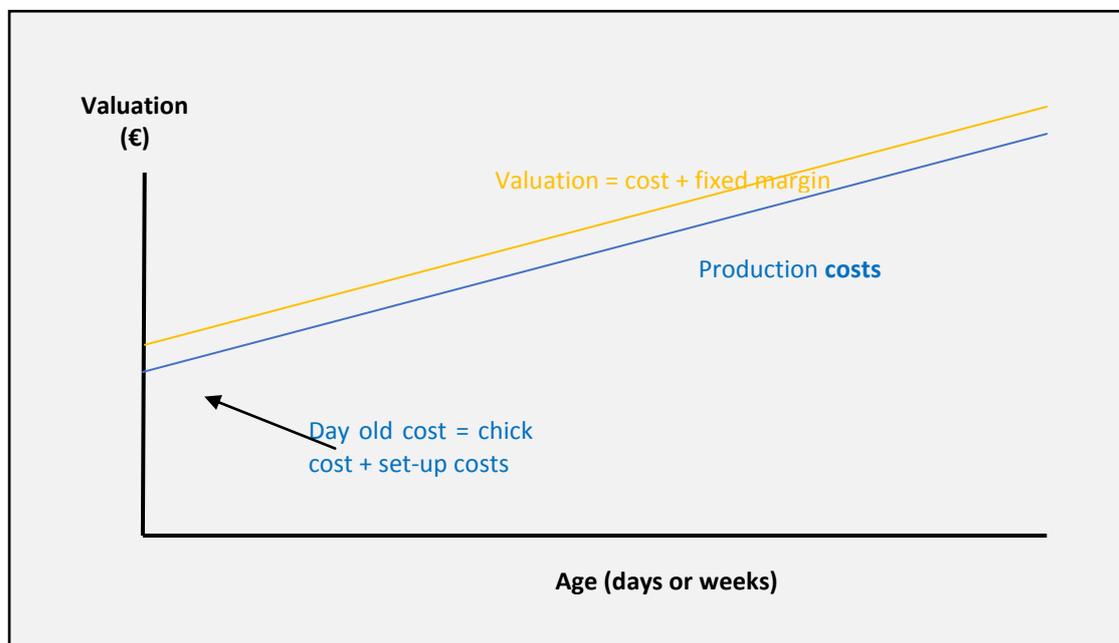
From peak point onwards, the valuation of the bird is depreciated on a straight-line basis to the end of lay valuation ('cull' valuation). The difference between the peak point and the final valuation determines the rate at which the valuation decreases as laying flocks get older.

This approach is widely used within the egg sector for accounting purposes as the way of determining bird valuations at different ages.

## 2. Valuation of large-scale table poultry and replacement layers

For most table poultry species and for rearing replacement layers birds, the valuation at each flock age is calculated from the costs incurred to that point. The approach is based on the recognition that in large scale, high volume production, there is a close correlation between the cost of production and the subsequent market value.

The chart below summarises the valuation principles.



Costs at the time of stocking are derived from the cost of the chick or poul and the normal "preparation" costs as before.

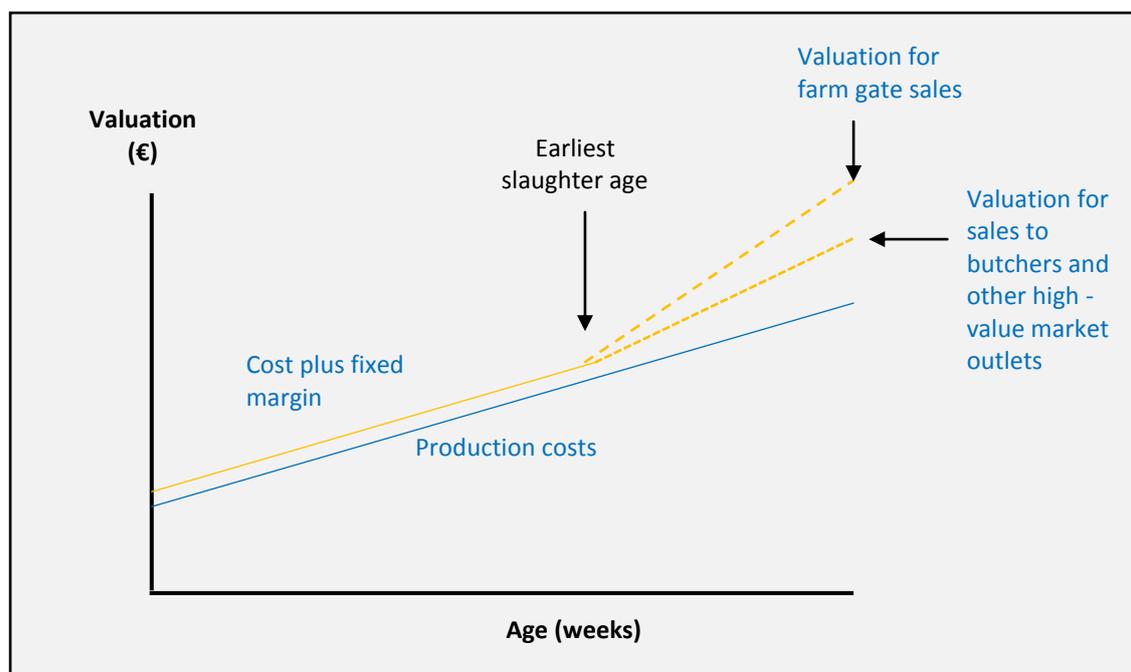
Further costs are accrued on a daily basis as the birds grow. These production costs are shown in the lower of the two lines in the above chart. Throughout the

production cycle, a fixed financial margin is added to the production costs to reflect notional market value and this is indicated by the higher of the two lines.

### 3 Valuation of high value seasonal table poultry

Some table bird enterprises (e.g. geese and seasonal turkey production) attain a very high market value at normal slaughter ages relative to their costs of production. This reflects the specialist nature of production systems and the marketing activities normally undertaken to develop sales. In order to address this issue and arrive at valuations that are fair and reasonable for this type of enterprise, valuation principles have been developed that are based on costs of production (with a fixed margin) during the early growing stages and actual market value at typical slaughter ages.

The chart below summarises the valuation principles.



Up to the point at which the birds can normally be marketed (for example at approximately 15 weeks of age for turkeys), valuations are based on costs of production plus a fixed margin as before.

Once the birds are at an age when they are mature enough to be slaughtered and offered for sale through regular channels, the valuations are based on a sliding scale according to their expected marketing method (e.g. to retailers, butchers, farm gate sales), less typical slaughter, processing and distribution costs.

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