

Voluntary Report – Voluntary - Public Distribution

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Report Name: German slaughter companies under pressure after COVID-19 infections of workers

Country: Germany

Post: Berlin

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Report Highlights:

The German Government's hand was forced to introduce higher labor standards in the meat industry after several COVID-19 infections in slaughterhouses exposed grim labor conditions. Higher labor standards is expected to result in higher production costs and lower the competitiveness of the meat industry in Germany.

COVID-19 infections have occurred in some slaughterhouses for pork, beef, and poultry across Germany in May 2020. Operations were temporarily closed and mass testing of employees carried out with 140 of 13,476 tested positive until May 19, 2020. COVID-19 infections in German slaughterhouses led to a debate in German parliament and media on tough labor and living conditions for workers from Romania and Bulgaria. Workers from these countries make up an estimated 80% of the workforce in German slaughterhouses and the virus most likely spread through shared staff housing in tight quarters. This put pressure on the German Government to take political action.

On May 20, 2020, the German Government decided on May 20, 2020 to introduce a "Labor Safety and Health Program for the Meat Industry" starting in 2021. According to the program, various legal regulations are planned, such as a ban on subcontractors and temporary workers in slaughterhouses. This means that slaughtering and processing of meat will only be permitted for permanent employees of the slaughter company making subcontracting work and temporary work no longer possible. This means higher cost of production and is likely to limit mostly the competitiveness of bigger companies with large slaughterhouses. The program for the meat industry also includes higher fines for violations of working time regulations. In future, working hours must be recorded digitally; the slaughter facilities themselves and the accommodation of employees are to be checked more frequently.

The decision by the German Government is meant to improve the labor conditions for workers in slaughterhouses which usually are not employed by the slaughterhouse operator, but by a subcontractor or a service company with temporary workers. These contractors then also take care of accommodation in collective housing. Collective housing becomes especially problematic in times of COVID-19 but also through unnecessarily expensive rents for shared housing. Breaches of health and safety regulations, such as lack of protective equipment or excessive working hours are known to be problematic when a subcontractor and not the slaughterhouse operator is held responsible.

Surplus of hogs puts pressure on prices

Germany's hog slaughter numbers have decreased in the past weeks. This was mainly due to depressed consumption on consumer level further fueled by temporary closures of slaughter operation after COVID-19 infections among workers. Although food retail increased pork sales in the past weeks, the lack of out-of-home consumption in restaurants and canteens is weighing on the market. So, supply of hogs for slaughter is more and more exceeding demand, with the surplus of hogs and slaughter weights rising steadily. The leading quotation for hogs had collapsed by 0.42 cents to 1.60 €/kg carcass weight within nine weeks.

There is currently less impact on the market for cattle and poultry. Both have a significantly lesser share of the German meat market. The poultry sector is highly integrated with long term contracts and just one poultry operation had COVID-19 infections so far. For beef, there is also just one major operation affected by COVID-19. Similar to the hog market, prices for cattle have decreased the last couple of weeks but trended stable recently.

German slaughter companies do not just face political pressure to improve labor standards. Currently, there is also pressure by food retailers. The Aldi group is demanding rapid price reductions for meat and sausages from meat producers. A price reduction at Aldi would certainly have a signal effect for other food retailers to follow. So far, prices for contracts between meat processors and food retail have been

stable, with latest adjustment dating back to February. That means, meat prices for consumers have been quite stable during the COVID-19 crisis. Maybe not for much longer, a drop in farm level prices usually arrives with a time delay of some weeks on consumer level.

Attachments:

No Attachments.