

Copa-Cogeca: The united voice of farmers and their cooperatives in the European Union

Civil Dialogue Group on Pigmeat 13th April 2016

The difficult economic situation in the pigmeat sector – farmers' perspective



Who are Copa and Cogeca?

Two organisations...

Copa

Created in 1958, Copa represents 23 million European farmers and family members

Cogeca

Created in 1959, Cogeca represents 22,000 European agricultural cooperatives

Copa and Cogeca

In 1962, a joint Secretariat was created, making it one of the biggest and most active lobby organisations in Brussels

How is Copa and Cogeca organised?

The Working Party on Pigmeat

- Deals with market and policy developments
- Prepares joint Copa and Cogeca positions
- Topics: cooperative affairs, rural development, environment, trade, animal health & welfare, feed, etc.



Context

- **Pig production occurs in all EU MS**
- **Strict rules at farm level on traceability, the environment, animal welfare**
- **Huge recent investments in animal welfare** (e.g. group housing of sows)
- **After years of declining production, there is an increase from 2014**
 - Forecast: total number of animals slaughtered expected to decrease by 2.5% in last quarter 2016
 - Decrease in the number of sows (survey Dec 2015)
- **With prices at their lowest level for eleven years, EU producers remain under considerable financial pressure**
- **Producers are facing cash flow problems, which is putting many farmers out of business**
- **Currently - dramatic market situation!!!!!!**

Context

- **Feed prices and margins**
- **EU average pigmeat price**
 - Slight increase due to low prices and Easter
 - 90,000 tonnes - 2/3 of the total volumes under PSA will be released as of 17th April (3% monthly production) - most products to be exported
 - Export market remains strong in volume
 - ... because the price is extremely low due to the collapse of internal market
 - ... but pig fat sales remain well below their level before the Russian ban. Lower prices wiped out virtually all growth in terms of value = **strong impact on carcass prices**
 - ... but we are loosing alternative markets (e.g. Philippines)
 - **Is the Commission ready to implement a new PSA scheme if necessary?**

Context

- **Export-orientated sector**
 - Largest world exporter & present in over 140 countries
 - Processed products (ham, etc.)
 - Fifth quarter (e.g. fat, lard, offal) amounts to €2 billion, which is vital for the overall value of the carcass
 - SPS is the main barrier faced in reaching new consumers
- **Forecasts for pigmeat** (2015-2025 prospects for EU agricultural markets)
 - Good export prospects, up to 3.5 million tonnes
 - Driven by a steady, growing world consumption (2%), especially in Asia
 - EU per capita pigmeat consumption on a declining trend
 - Increase of pigmeat consumption in central/eastern Member States (EU-N 13), from 56 kg/capita in 2013 to almost 60 kg/capita in 2024

Major challenges

- **Animal welfare & trade**

- Pigs and poultry face the highest costs for compliance with EU regulations on food safety, the environment and animal welfare - costs range from between 5% and 10% of production costs
- Voluntary guidelines on transport, Enrichment material & tail biting
- Alternatives to surgical castration
- EU welfare platform on animal welfare
- The pig sector is not asking for subsidies, but when production costs increase, the market needs to pay back a fair price – what is the Commission doing to ensure a **level playing field?**
- **Is there an opportunity to have a real discussion on animal welfare at the WTO?**

We need to reflect on capital risk management tools

- When facing price volatility, how can we guarantee that investment capital stays in the sector?

Capitalise on our strengths

- The EU is known for high-quality production and should capitalise on this (e.g. processed products)

Innovative

- More farmers are adopting precision farming techniques, big data and automation, marketing strategies, innovative entrepreneurial business strategies – there is a need for training & knowledge transfer

Major trade challenges

The pigmeat sector is facing major trade challenges

- **The CETA may enter into force in 2017** – quick use of TRQ
 - First time we are implementing a TRQ with a complementary & developed agri market
 - Easy to increase production and fill the 80,000 tonne TRQ
- **Mercosur – how can we negotiate market access with a bloc that has different production standards?**
 - 3,000 tonne TRQ (cwe) of ractopamine-free pork (loin, hams & high-quality cuts)
 - 9,250 tonne TRQ of lower quality carcass piece
 - An 83 €/tonne levy is understood to apply to both (source: agrafacts)
- **TTIP - how can we maintain a balance between cuts/carcasses and processed products & SPS** (e.g. recognise regionalisation)?
- **EU/Japan negotiations – how can we remain competitive with our main export competitors?**
 - Priority market for the EU pigmeat sector
 - SPS (e.g. recognise regionalisation)

Import restrictions

- **January 2014 SPS ban** – Following the first cases of African Swine Fever, exports to Russia (96% of all products) were stopped as the Russian authorities considered the European certificate no longer valid
 - Exclusion for pig products treated by at least 70°C heat and long-cured products
 - 25% of EU exports
 - 3% of EU pig production
 - No equivalent market for fats and lard
- During the same period, the EU pork sector lost the Belarusian market and part of the Ukrainian market
- If we want to isolate Russia, we need to overcome matters on markets that do not apply the principle of regionalisation for the Baltic countries & Poland (e.g. China, Japan, Korea, etc.)
- **August 2014 - Russia imposed a political agricultural ban, including pig products**
 - fat & lard are not included in this ban
 - we need a certificate to export

EU PIG MARKET: Negative impact on the overall price of carcasses, but this was accentuated in August 2014 with a sharp fall in turnover

Reflections

- **The main priority is to regain access to the Russian market. This would establish a balance and restore confidence in the pig market**
 - The Russian market could be attractive for certain products (fats and lards) or which the EU cannot find equivalent, alternative markets
 - Important to remove the Russian Minister for Agriculture from the black list
 - After the favourable outcome at the WTO panel – what is the COM's strategy?
- **Finding alternative markets will play a fundamental role**
 - Eliminate SPS barriers (e.g. Mexico)
 - Enforce FTA agreements (Colombia, Peru). What is the Commission doing to ensure a level playing field?
 - Animal protein will be crucial in the medium-term. In many developing countries, the middle class has more money to spend on meat products. A loss of production capacity would prevent the EU pigmeat sector from taking advantage of these changing consumption patterns on growing markets

What kind of analyses is the Commission undertaking to explore new markets?
What is the best strategy for trade policies to access fast growing markets?

Reflections

- **Promotion measures**
 - Currently promotion measures only apply when the market is open, therefore is essential to:
 - Set up joint mission business/Commission to understand the market and regulatory conditions of the import country and,
 - negotiate export certificate establishing the export rules
- **Find alternative uses for the fat that is currently in storage and is no longer used for foodstuff- e.g. Biofuel**
- **PAPs – when will the method be finally available?**
- **Food chain**
- **How can we take the most out of:**
 - Meat market observatory?
 - Agricultural market task force?

Thanks



Copa-Cogeca

Promoting and developing the European model of agriculture



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