

WORKING DOCUMENT ON EU PIGMEAT MARKET SITUATION

DRAFT ACTION PLAN

The present document lists the priorities that need to be explored by the EU Institutions to tackle the current crisis in the pig sector. The following list was established on the basis of the market situation in February 2015 and may be updated depending on whether the market deteriorates further.

This document is not exclusive of possible specific measures the Commission should take in the national framework in order to support primary producers in the regions directly affected by the Russian embargo on European agri-food products.

I. INTRODUCTION

Following the confirmation of cases of African Swine Fever (ASF) in wild boar in Lithuania the Russian Federation informed that the EU certificate, “free of African swine fever” with exception of Sardinia, for export of live pigs and untreated pork to Russia was no longer valid (96% of all products). This embargo was reinforced in August (political ban) by additional (and in some products) duplicated restrictions. In practice, Russia has banned all pigs and pig products, EU wide.

Furthermore, ASF cases were also found in wild boars and farms in Poland, Latvia and Estonia. It appears that the virus originates from neighbouring non-EU countries (Russia, Belorussia and Ukraine) where the disease was not contained.

The further spread of the disease into the EU would have a significant impact on both the internal market and external trade of pigmeat products. With a view to preventing the spread of African swine fever and in order to prevent any further disturbance of trade within the countries affected by African Swine Fever the Working Party calls on the Commission to assure adequate compensation for preventive measures and surveillance measures. Furthermore are in favour of strengthening cooperation with and allocating further resources and technical and financial support to neighbouring countries in order to effectively eradicate the disease in these countries.

The restrictions on the marketing of fresh pigmeat and pigmeat products resulting from the application of veterinary measures imply an important price reduction in the affected areas and are causing disruption of the pigmeat market in those areas. Adequate market support measures to these farmers is crucial to deal with any economic consequences at farm level.

II. EU MARKET DEVELOPMENT

The EU-28 produces 22.3 million tonnes of pigmeat annually, with an approximate self-sufficiency rate of 110%. About 10% of this total production is exported. EU production has decreased over the past years from 22.9 million tonnes in 2011 to 22.3 in 2013, due to new production constraints in the EU.

On average, the EU exports 800,000 tonnes of pigmeat products to Russia, totalling €1.4 billion (or 24% of the total value of EU pigmeat exports). In terms of volume, the main exporters are Germany, Denmark, Spain, France, the Netherlands and Poland, which supply the Russian market with a total of 625,000 tonnes, or 80% of EU pigmeat exports to Russia. In addition, export to Belorussia and Ukraine have been seriously disrupted. Altogether Russian, Belarussian and Ukrainian market amount to almost 1 million tonnes.

Market prices remained resilient during the summer period of 2014, yet operators have stored large quantities of certain low-value products, such as fat and offal, for which it was not possible to find alternative markets. The majority of products exported from the EU to Russia are frozen meat (43%), lard (32%) and offal (15%).

The EU pig sector has found alternative markets to some of the volumes sent to the Russian Market¹. Nevertheless, some of these products were specifically tailor made to the Russian market (e.g. high fat content) and it has been harder to find alternative for them or were sold to alternative markets by a small portion of the price and therefore these new markets are not strong enough to compensate the loss of the Russian, Ukrainian and Belorussia market.

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¹ According to the EU export figures, in 2014 the exports of EU pig products decreased by 5% when compared

In the second semester of 2014 and the situation started to degraded and initiated a dramatic decrease in prices to a level below the average price for 2009-2013, which is a low reference price for the EU market. This trend continued in January 2015. In the recent weeks the price has stabilized and initiated a tenuous upward trend following historical record but it is not clear whether this recovery will be sustainable. According to the projections of the Copa-Cogeca Working Party Group ([VP\(15\)1213 \(rev.1\)](#)), the margins will remain negative. It is estimated a stabilization of EU production in the first semester and a slight reduction in the second semester. The price is expected to decreased by 12% to 18% when compared to the same period of 2014, which is a low reference point.

The European Commission doesn't foresee any exceptional measures for the pig meat sector at the moment. If this situation changes, private storage would be the first policy option.

III. MAIN MEASURES

A – Short term measures

1. Alternative uses for co-products

The EU should develop an emergency measure to allow and support the use of fat products for non-food purposes. The quality of pig products degrades with time depending on the product. In the case of fat products they are not fit for human consumption after 9-12 months storage due to oxidation. Therefore it is crucial to:

- facilitate the removal of the high quantities of low-value products that are currently in storage, such as pig fat, lard and offal (0206 3000 and 0209 10 – pig fat) for which it was not possible to find alternative markets, in order to free up the storage capacity that will be needed in the coming months. Please provide the following information. It is important to have an estimate of – The costs of maintaining these products in the fridge and total loss of these products The costs of removing the necessary amount of low-value products? Once the fridges are empty, how much time would be necessary to re-stock to the current levels? What would be the impact in the market - the multiplication effect?. It has been estimated that the Russian market absorbed around 350,000 tonnes of these products per year (carcass weight). On top of this the price in the market for fat products has decreased from €1.50/kg to €0.50/0.60 per Kg.
- Find alternative uses for these low value products (cost of storage almost cost value of the product), such as:
 - Production of Biodiesel. Please provide information regarding the costs/benefits of using 1 tonne of fat products for biofuel. Could you provide an estimative of the cost of this measure for the Commission Animal fat has been used in small quantities in several Member States (e.g. PT, DE) to produce biodiesel. A study by the Institute for Energy and Environmental Research (IFEU) of Heideleberg confirms that biodiesel made from animal fats as waste products from food processing could cut greenhouse gas (GHG) emissions by 85% .

The EU pig producers are not targeting to set a production standard, nevertheless in such an extraordinary situation, and to avoid the destruction of certain stored products with high content of fat, the Commission should support the use of pig fat for the production of biodiesel. This measure would be limited to specific products (high content of fat) that are no longer fit for human consumption and should be limited in time.

2. Temporary aid for storage schemes

- Following the collapse of market outlets in Russia, Belarus and Ukraine the EU pigmeat market is lacking any veritable alternatives in the short term. The sector has found alternative markets (in terms of volume) for some products but not for all. It is proposed the removal of 200 thousand tonnes. Please provide the following information. Please could you share the estimative of costs to stock 200 thousand tonnes and the potential

impact of this measure in the pig market. Is it €400 per tonne a good estimate? What would be the immediate impact in the market - the multiplication effect? in the next couple of months to boost immediately the pigmarket. If an export market is not found immediately, the products could return to EU pigmeat market in the second half of the year when production is expected to decrease by 2-3%, ²and the market would find itself in a more robust situation. This scheme should include the possibility for the operator to destock as soon as (e.g. within one month) an opportunity to export arises.

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² Forecast of pig production 2015 in the EU. Source: Gira, Rabobank and DAFC own estimates [VP\(15\)1213 \(rev.1\)](#)

B – Medium/Long Term measures

3. Alternative new markets and removing SPS barriers

- The ideal measure would be the re-opening the Russian market. In the current difficult situation is important to work closely with the Russians authorities to find as quick as possible a solution that satisfies all trade partners. Therefore it's important to ensure that we are able to maintain open dialogue with our trade partners, such as the Russian Federation.

- It's important to re-open markets that have imposed restriction (e.g. Japan, China) following the outbreak of African Swine Fever in the affected countries (e.g. Poland)³

- Remove SPS barriers and accelerate the approval procedure (for example by increasing the number of inspectors who can approve slaughterhouses, simplification and acceleration of health certificates, list of establishments, questionnaires).
Priorities:
 - Countries in which the EU as already signed FTA agreements⁴, such as Peru, Colombia, Chile, Mexico. Here, the Commission has the competence to apply the correct implementation of the veterinary agreements.

 - Brazil that has established longstanding barriers for fresh and frozen pig meat (e.g. Brazil).

- Increase all avenues of support to help EU pig companies tap alternative global markets (for example speed up the process for export and health certificates).
- Increase competitiveness in well establish markets by negotiation of better access conditions.
- Coordinate an EU plan to analyse new export markets.
- Update priority SPS table prepared by DG TRADE in coordination with member states and stakeholders
- Organize a meeting with Commission services, stakeholders and Member States to identify potential markets. This meeting could set the strategy for a study that would identify for example high growth regions in the long term.
- Provide strong export policy by exploring how to develop export credit insurance via Article 219 of the single CMO in order to cover some financial risks related to new markets. Member States can use export credits via state aid. It is important to know if there is any practical experience at Member States to understand if we can propose an EU mechanism. Please share your experience with the Secretariat..

4. Promotion

Promotion is a key to increase visibility in the market. Promotion should highlight the high level of standards in terms of food safety, environment, animal health and welfare in the EU.

³ [VP\(14\)1893 \(rev.9\)](#) List of third countries that impose import restrictions to EU products concerning African Swine Fever virus (ASF)

⁴ Some Member States (ES, IT) have limited access to the market of high quality products in some of these countries.

- Projects concerning pig products should be given the priority when distributing funds on promotion. As alternative the Commission could provide a specific funds for promotion of pig products to be also used in external markets.

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- Approve the co-financing of generic promotion for pigmeat on the **internal market**⁵.
 - The sector has made huge investments on animal welfare and is looking to have a return from the market place. The EU citizen should be aware of the different production standards (e.g. animal welfare, environment) between the EU meat and imports from third countries.
 - It is also an opportunity to explain to the citizens the new rules on labelling of origin for fresh meat to be applied as from April 2015.
 - Today's EU promotion policy (Council regulation 3/2008) is designed to convey generic information on general themes (quality, nutritional value, safety, traceability, production methods). These measures do not favour brands or product origins (unless they come from a specific area identified under EU rules, such as products covered by PDO/PGI/TSG). In the opinion of the WP on pigmeat, the promotion of pigmeat products shouldn't be restricted to PGI's.
- The new promotion policy⁶ is expected to come into force in December 2015, but this should be anticipated and strengthened by increasing flexibility:
 - Increase EU co-financing from 50% to 85%.
 - Increase the number of application periods in order to adapt to a surge in new trade opportunities.

5. Animal Health

- The further spread of African Swine Fever in EU territory and the spread of the PEDv into the EU would have a significant impact on both the internal market and external trade of pigmeat products. The EU institutions have decided to quickly implement the Free Trade Agreement with Ukraine, that is facing sanitary issues. It is therefore important that the Commission assures adequate compensation for preventive measures and surveillance measures, with a view to prevent any further disturbance of trade.

6. Statistical information on market prospects

- EU pigmeat Statistics & market situation must be easy to understand and regularly updated in order to present better sectorial information. EU-wide quality and statistical information is vital in order to analyse potential market trends and to support producers and to allow a good functioning of the market. Usually it takes 2 months for the Commission to obtain reliable data on the market situation. This has a clear impact in the decision making. In addition the Copa-Cogeca Working party on pigmeat is setting up a working group to provide concrete information, every 4 months, on production and forecast (number of pigs, number of sows, piglets and slaughtering) in order to analyse market trends⁷. In addition, the WP on pigmeat would like to propose:
 - A study on how to improve the availability and quality of data, used by the European Commission.
 - Extraordinary meetings of the forecast group in times of market disruption (e.g. every two/three months).

⁵ Promotion funds in Austria have been proven key to sustain consumption levels of pigmeat.

⁶ Please find here promotion priorities for the pigmeat sector [VP\(13\)9952 \(rev.3\)](#).

⁷ See report market prospects February 2015 [VP\(15\)1213 \(rev.1\)](#)

IV. MEASURES TAKEN BY THE COMMISSION

- Set up a task force in order to:
 - o Analyse the impact and potential impact
 - o Analyse market opportunities
 - o List the policy options under the new CAP (crisis reserve), including compensation.
 - o Set management committees meetings for all agricultural products at weekly basis
 - Launched a WTO panel in order to lift the ban (the probable delay until a resolution is reached is 3 years).
 - The Commission decided to compensate farmers in the area affected by African Swine Fever by 30% for preventative slaughters and stopping production for one year.
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