

AID FOR PIGMEAT INDUSTRY

This briefing note deals with the support available to the pigmeat industry in Northern Ireland and the EU. It outlines the challenges that are faced. It details the latest position of policy which helps the farmer to reduce operating costs in order to remain profitable.

Background

Europe's pork farmers are suffering severely from high feed costs, even as EU pork prices are still at the 5 – year average level. EU high feed costs have been the result of a poor grain harvest and the impossibility to import cheap feed ingredients as a result of the EU Genetically Modified policy. The EU has implemented certain measures in recent months to alleviate the cost pressures.

On 29th November, 2007, the European Commission reinstated export refunds¹ for raw pork in an attempt to support waning pork exports which result from the unfavourable exchange rate between the € Euro and the \$ U.S. This has been an important issue; however, costs of production remain the key issue.

Support Being Provided to the Pig Industry In NI And EU:

In a special meeting on November 29th 2007, the *EU Pig Management Committee*² agreed to implement export subsidies to support exports of fresh and frozen pork. Several EU Member States did not vote in favor, including Denmark and the United Kingdom. These export subsidies are intended only to be a short term solution.

The export subsidy of €31.10/100kg for pork carcasses and cuts covers for almost 25 % of the current EU pork average carcass price of around €130/100kg.

Expectations are that the *EC* will not keep the export refunds in place for a long time as EU pork production is forecast to start decreasing in 2008. It is also expected that these export subsidies will have a limited impact as the end of the year is typically the low season for pork exports, especially to Russia.

Measures Provided to Alleviate Costs:

The *EU Private Storage Aid (PSA)*³ scheme had been opened at the end of October 2007 to alleviate the pork oversupply situation in the EU, which resulted from lost

¹ This is when the EU Commission pays exporters the difference between EU and world price.

² <http://ec.europa.eu/agriculture/minco/manco/pork/669.pdf>

³ <http://www.fwi.co.uk/Articles/2007/10/19/107702/private-storage-aid-introduced-to-help-pig-market.html>

export competitiveness and increasing imports. This *PSA* scheme was perceived to have failed to raise pig prices.

The scheme was short-lived. Two days prior to the installation of the export subsidy, the EC prematurely ended the *Private Storage Aid* because applications had reached the 100,000 Tonnes mark for which funding had been provided.

Under the *PSA* programme, operators who stored meat at their own expense and their own risk for a period of between 3 to 5 months would be eligible to receive a community aid to cover storage costs. This enabled them to choose to release the meat back into the market at a later stage when the market situation had improved.

Operators have shown a lot of interest in the *PSA* scheme until it was abandoned. By the 29th October 2007, 'aid had been requested for around 85,000 tonnes, of which 16,000 tonnes in Spain, 14,000 tonnes in Italy, 12,500 tonnes in Denmark and 12,000 tonnes in Germany'⁴. The Commission claims that this seems to have stabilised prices, but margins over feed costs have dropped by approximately 65-70% in 2007 compared to the 2002-2006 average.

'Feed Costs' Remain the Most Important Issue:

EU pig prices in the autumn of 2007 were still at about 5 - year average levels, but EU pig producers are hard squeezed by the high feed cost, which mainly resulted from the second poor cereal harvest in a row in the EU, low EU intervention stocks and high grain prices on the world market.

As detailed in *Commission Regulation (EC) No 1339/2007*⁵, on 15th November 2007, the EC also decided to lift all import duties on cereal imports. Furthermore, the EC has recently released virtually all remaining EU grain intervention stocks to the EU market.

EU Consideration of Genetically Modified Crops:⁶

On 28th March 2008, The European Commission adopted a decision authorizing the GM maize GA21 for feed and food use and for importing and processing. This new decision extends the authorisation of products derived from GA21 to maize grains and thus allows imports from third countries where this genetically modified organism (GMO) is cultivated.

GA21 is not approved for cultivation in the EU. GA21 maize received a positive safety assessment from the *European Food Safety Authority*⁷ (EFSA) and underwent the full authorization procedure set out under EU legislation.

As Member States did not reach a qualified majority for or against this authorization in the Standing Committee on the *Food Chain and Animal Health*⁸, and then in the Council, the proposal was then sent back to the Commission for decision. The authorisation would be valid for ten years, and any products produced from this GMO would be subject to the EU's strict labelling and traceability rules.

⁴ <http://www.thepigsite.com/swinenews/16372/eu-pig-meat-export-refunds-proposed>

⁵ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2007:298:0014:0016:EN:PDF>

⁶ <http://ec.europa.eu/agriculture/newsdigest/2008/185.htm#cnt9>

⁷ http://www.efsa.europa.eu/EFSA/efsa_locale-1178620753812_home.htm

⁸ http://ec.europa.eu/food/fs/rc/scfcah/index_en.html

Nitrates Directive Derogation⁹ – The derogation is available to Northern Ireland. It means that, subject to meeting certain key measures, the farmer can go above the 170kg Nitrogen/hectare/year limit to a limit of 250 kg Nitrogen/hectare/year for livestock manure.

To be eligible, 80% or more of the agricultural area of the holding must be grassland. The farmer cannot apply more than 250 kg Nitrogen/hectare/year from grazing livestock manure to land. This includes application by the animal itself.

However, for pig and poultry farmers, it is important to note that manure from pigs and poultry will **not** be eligible for the higher derogation limit and therefore must not exceed the 170kg Nitrogen/hectare/year limit.

⁹ <http://www.ehsni.gov.uk/other-index/news.htm?act=d&id=18729>