

**Opinion of the Economic and Social Committee on the 'Proposal for a Council Regulation amending Regulation (EEC) No 2759/75 on the common organisation of the market in pigmeat'**

(2000/C 367/12)

On 27 April 2000 the Council decided to consult the Economic and Social Committee, under Articles 43 and 198 of the Treaty establishing the European Community, on the above-mentioned proposal.

The Section for Agriculture, Rural Development and the Environment, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 6 September 2000. The rapporteur was Mr Bastian.

At its 375th plenary session held on 20 and 21 September 2000 (meeting of 20 September) the Economic and Social Committee adopted the following opinion by 64 votes to seven, with four abstentions.

## 1. Introduction

1.1. The European Union market in pigmeat is cyclical, alternating between periods in which pig prices are satisfactory and the market is in balance, and periods of very low prices and surplus supply. However, the Committee recognises that this cycle has changed, with the emergence of longer, more intense recession periods. The reason for this shift is the growing specialisation among pigmeat producers in a bid to become more efficient and more competitive. Such specialisation makes it impossible for producers to adapt to market requirements as they did during past recessions, since their income is derived solely from pig-related activities. It is thus much more difficult for Community pigmeat production to adjust to the needs of the market, even when prices are very low. Moreover, the scale of the recession may be exacerbated by unforeseen circumstances such as health-related incidents or the sudden closure of export markets.

1.2. The recent unprecedented recession that has hit EU pig farmers is a good illustration of this intensification of the cycle. Production prices in the Community dropped by an average 27 % in 1998, and by a further 6 % the following year, touching new depths and falling well short of production costs. The recession was so exceptionally long and sharp because of the following factors, which compounded the known implications of the 'natural' pigmeat cycle:

- the impact of the 1997 swine fever epidemics, which, although now over, still remain a threat;
- overproduction in Europe and across the world as a result of increased specialisation and production capacities in the European Union and the United States;

- the Russian crisis of August 1998 in which the temporary non-convertibility of the rouble led to the suspension for a time of European exports of pigmeat and processed products to that country.

1.3. Recessions such as these endanger the cash flow of many producers, particularly the most vulnerable such as recent investors and young people starting out. Clear structural changes are thus discernible in the pigmeat sector, and these have been accelerated by the latest recession. They involve a concentration of production, ever dwindling numbers of pig farmers and the disappearance of the smallest pig farms. The most vulnerable pig farms are also being absorbed by large 'industrial' groups in which producers become 'employees' of agro-industry and lose both their identity and their autonomy.

## 2. The European Commission proposal

2.1. The Commission proposal amending Regulation (EEC) No 2759/75 on the common organisation of the market in pigmeat provides for the establishment of a regulatory fund to stabilise the incomes of pigmeat producers. The proposal comes in response to the severe recession which hit the pigmeat sector in 1998/1999. The Commission has thus recognised that, over the past few years, periods of recession have been lengthening, endangering pig farmers' cash flow situation.

2.2. The main components of the proposal are the following:

- Member States will be authorised to establish regulatory funds in their territory. Participation by pig farmers, producer groups or collective bodies will be on a voluntary basis and for a period of not less than five years;

- the regulatory funds will be financed by the pig farmers themselves, on the basis of a levy paid in respect of each fattening pig. Member States may grant degressive launching aid. In order to obtain the resources needed to operate their regulatory fund, the funds may seek loans from banks and public or private institutions on market terms;
- the regulatory mechanism will have two components: a levy threshold, triggering the collection by the funds of an amount in respect of each fattening pig, and a payment threshold, triggering the grant of an amount in respect of each pig farmer. The thresholds will be set taking into account the market price for standard quality slaughtered pigs in the Member State concerned, the production costs in that country, the financial situation of the fund and the position of pigmeat within the Community;
- the regulatory funds may adjust the amounts granted in respect of each fattening pig and the number of eligible pigs per farmer in the light, in particular, of the size and structure of the pig farms in the Member State concerned. The levy may also be adjusted;
- where a fund must start a payment period without the necessary financial resources being available, the Member State concerned may grant it an interest-free loan. The loan must be reimbursed by the fund in full. Where a regulatory fund has sufficient financial resources, it may suspend collection of the levy temporarily;
- upon becoming a member of a fund, the pig farmers must give an undertaking not to increase the number of their fattening places during their period of membership. However, where market prospects permit, Member States may be authorised by the Commission to derogate from that requirement.

### 3. General comments

3.1. The Committee takes note of the Commission's proposed regulation, the purpose of which is to authorise Member States to establish regulatory funds in the pigmeat sector. The Committee feels that this proposal is a first step towards putting additional instruments in place for use in market management and to support producers' income in times of recession. The proposal also opens up the debate in a sector which has seen no real development in the common organisation of the market since it was set up.

3.2. The Committee understands that the Commission's aim is to help producers cope with ever sharper recessions in the pigmeat sector through a scheme to stabilise their income

which complements current market management arrangements in the pigmeat CMO. However, the Committee considers that the proposed regulation does not go far enough to meet that target and that it is desirable to broaden its scope to include other crisis management measures and to draw, among other things, on established practice in some non-EU countries (USA, Canada) such as the income insurance schemes currently under discussion in the WTO negotiations.

3.3. Action cannot be restricted to pig farmers alone. The European Union must act to boost the draft regulation's effectiveness. Moreover, the arrangements for setting up regulatory funds must involve no risk of renationalising the CAP and distorting competition among Member States (depending on whether or not a Member State is party to the regulatory fund). The Committee therefore proposes greater EU involvement via co-financing of the regulatory funds with producers.

### 4. Specific comments

4.1. The Committee welcomes the proposed regulation insofar as it fosters solidarity among pigmeat producers by helping the weakest and authorising adjustments in the amounts granted to take account of pig-farm size and structure, for instance by assisting young people starting out. However, the Committee wonders what producers really stand to gain from taking part in such a fund as opposed to using the options already at their disposal, i.e. personal savings, equalisation funds set up by some producer associations, bridging loans from banks to safeguard liquidity etc. It is difficult to see the advantages to be gained by pig farmers under the current proposals, particularly since they alone are responsible for financing the regulatory funds and, moreover, must commit themselves not to increase production for five years.

4.2. The Committee recognises that one of the Commission's objectives in bringing forward this proposal is to control the Community's pigmeat production in order to mitigate the scale of recessions in the pigmeat sector. However, as the Committee would stress, there is a risk that competition among producers may be distorted by the requirement for pig farmers taking part in a regulatory fund not to increase their production for five years. It may be that the most vulnerable farms will be the first to express an interest in taking part in a regulatory fund. This would mean that only the largest and most competitive pig farms would be able to increase their production capacities. The Committee feels that effective supply management is impossible unless a large number of (or even all) producers take part in a regulatory fund in the main European production areas. Hence, when setting up the regulatory funds, incentives — such as a Community contribution — must be devised to encourage producers to take part.

4.3. Even an improved version of the Commission proposal, while providing for stability in producers' income, would offer no quicker way out of a recession. The Committee therefore asks the Commission to bring forward an additional proposal for tools to cut production in the case of serious recession in the pigmeat sector, as defined in the context of the Management Committee for Pigmeat. It would be up to each Member State to select the appropriate tools which would be applied within a Community framework. Each country would be required to produce results and some pig farmers could be asked to make a more substantial effort (e.g. those who have increased production most since a particular reference date and whose farm holding exceeds a certain size).

4.4. Livestock breeders are generally the first to be hit by recessions. Hence, they should not be excluded from the regulatory funds. Levy and payment thresholds can also be set in line with piglet prices.

## 5. Towards a more coherent Community policy for the pigmeat sector

5.1. Community policy on pigmeat must develop so that it is better able to respond to sector-specific challenges. The Committee would like to set out these three challenges in greater detail.

### *A key economic sector*

5.1.1. The European Union pigmeat sector is dynamic and competitive. In 1999, the EU exported almost 1,5 million tonnes of pigmeat to non-member countries, making it the world's largest exporter. At the same time, import levels remain very low, at less than 65 000 tonnes in 1999.

5.1.2. The Community's pigmeat sector also constitutes a sizeable industry, comprising 11 % of the EU's final agricultural production.

5.1.3. One of the main challenges for Community policy on pigmeat therefore is to safeguard this key economic sector in the face of tough international competition.

5.1.4. The Committee would emphasise that pigmeat production is also a key economic sector in the CEEC which have applied to join the EU, particularly Poland, Hungary and the Czech Republic<sup>(1)</sup>.

<sup>(1)</sup> In 1999, these three countries' combined pigmeat production was 3,3 million tonnes, or 18 % of that of the EU 15.

### *Jobs and spatial planning*

5.1.5. The Committee notes that pigmeat production is a key source of employment at every stage (animal feed, production, services, slaughtering/cutting, meat preparation and salting). A study conducted in France has shown that for every one job on the production side, 2,5 jobs are generated across the sector<sup>(2)</sup>.

5.1.6. As with all agricultural production, pig farming plays an important role in spatial planning and rural land use. The Committee asks that the wide range of rearing methods be recognised and fostered, taking due account of specific local conditions.

5.1.7. For this reason, Community policy in the pigmeat sector must, in the Committee's view, work not only to keep production high, but also to maintain a large pool of producers and help renew the generations.

### *What citizens and consumers expect*

5.1.8. Community pigmeat production must meet citizen and consumer expectations. Many of these are environment-related, including the management of livestock effluents, animal welfare, animal nutrition, food safety, health protection and product quality.

5.1.9. Community policy in the pigmeat sector must enable producers to meet these expectations by striking a proper balance with economic issues. For it is important to take account of constraints arising from international competition in order not to undermine the EU pigmeat sector.

5.2. The management tools available under the pigmeat CMO (refunds, private storage) help maintain a competitive Community pigmeat sector which is able to export. These tools should therefore be retained and defended in the WTO negotiations. It must be said, however, that deploying these tools to the full during the last recession in 1998/99 was not enough to prevent the collapse of pig prices across all EU production areas to levels unprecedented in any earlier crisis. This shows just how difficult it is to maintain profitable prices using only traditional market management tools.

<sup>(2)</sup> This is the estimated number of pigmeat-sector jobs in 1997, calculated in September 1999 by the Pork Technical Institute (*Institut technique du porc*). It covers jobs in animal feed, production, producer groups, other services, slaughtering/cutting, meat preparation and salting. It excludes other farm suppliers and the entire distribution side.

5.3. For this reason, current Community policy is not consistent with the challenges facing the Community pigmeat sector outlined above. To better meet these challenges, the Committee would ask the European institutions (i) to continue to consider both the changes required to Community pigmeat policy and the need for appropriate funding to this end and (ii) to encourage and promote debate with the relevant occupational groups. Furthermore, the Committee recommends that participation in any Community scheme should be tied to greater respect for animal welfare, while at the same time avoiding distortions of competition.

5.4. In the pigmeat sector, the Committee would also ask the Commission to explore the possibility of using bodies such as producer associations to set in place operational programmes which already exist in other sectors. These operational programmes — co-financed by the EU — would bring in a raft of new measures to manage the pigmeat market and support producers (promotion of pigmeat products, income insurance etc.), as well as programmes to boost quality

and improve traceability in order to meet the demands of the European consumer.

5.5. The Committee does not feel that Community policy in the pigmeat sector can be based solely on competitiveness, which inevitably carries with it a downward spiral of production costs and prices. Such a policy would run counter to the European model of multifunctional agriculture which meets European consumer requirements. In this regard, the Committee would refer to its 1999 opinion on a policy to consolidate the European agricultural model<sup>(1)</sup>.

5.6. The Committee hopes that the Commission will press ahead with its work in the pigmeat sector by broadening the debate on certain issues raised in this opinion, including income insurance, the environment, the role of production associations and the establishment of a pigmeat market observatory.

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<sup>(1)</sup> OJ C 368, 20.12.1999.

Brussels, 20 September 2000.

*The President  
of the Economic and Social Committee*  
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