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Building a stable framework for the meat sector

Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort

World Meat Congress

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[Ladies and gentlemen],

It's a great pleasure to join you for this Congress in Cape Town.

In the "speaker's pack" which I received a few months ago, there was a comment that the winter here in Cape Town had brought lots of rain and snow – and that these promised a pleasant green spring for the Congress.

Unfortunately, it seems that the promised spring and the weather for this Congress haven't quite matched up! But I hope this won't prevent any of us from enjoying some visits to our surroundings here in this magnificent country.

Of course, one of the things that I'm focusing on during this visit is what the weather outlook is like for the meat sector in terms of the international policy context. I find it less clear than I would like it to be.

As you know, just a few weeks ago, trade ministers from around the world boarded their respective planes at Geneva airport without having made a breakthrough in the Doha Round of world trade talks.

I see this as an enormous lost opportunity. It was a chance to push ahead with a sensible, balanced package of trade liberalisation that could have brought widespread benefits – mainly, but not only, to developing countries.

Presumably, we will now do our best to put this all back on track. Also, the floor is open for bilateral agreements. But these will never be vehicles for agreeing to cut trade-distorting domestic support.

With this in mind, the European Union strained every muscle to help get a deal, right up to the end.

Admittedly, some people have actually breathed a sigh of relief. Parts of the Europe Union's meat sector were very nervous about what a successful Doha Round could mean. I can understand this – though I must say that some of the figures which certain lobbies used to support their case were misleading.

But in any case, the failure of the July negotiations leaves us with a large cloud of uncertainty.

We don't know when multilateral talks will resume in any substantial sense. If and when they do resume, we don't know what the starting-point will be. For the European Union, this makes it more difficult to carry on the negotiations for bilateral trade deals that are under discussion. And there are worrying signs that, instead of a Doha deal, we may now see a rapid increase in the frequency of WTO panels.

All of this makes life rather unpredictable just now. And I think that predictability and stability are things which the meat sector would appreciate.

This is certainly true of the European beef sector, which has of course been through some very tough and unpredictable times over the years.

I don't like to think back to the dark days of BSE, which forced us to cull cattle on an enormous scale, and to spend very large sums of public money on propping up the market.

It has taken time and effort to emerge from that long shadow. In 2008, the European beef sector is not as large as it was in the past, but it's in good health. And it's well balanced. Europe's public beef stocks have been at zero since the spring of 2004 – and consequently, imports have increased.

As I say, the beef sector could now benefit from some predictability and stability for at least a few years!

The European pig meat sector has not been through anything as serious as the BSE crisis, but it has certainly had difficulties of its own to deal with from time to time.

Most recently, rising feed costs have put it under pressure during the last year or so. Over the last 12 years, the average pig producer margin was about € 50 per 100 kilograms. By early 2008, it had dropped close to zero. The figure in some Member States was even below zero.

Thankfully, pig producer margins have improved gradually and are now re-approaching their long-term average. Because of this clear market recovery, I decided to put refunds for fresh and frozen pigmeat carcasses, cuts and bellies back at zero as of early August.

In any case, I'm sure that the pig meat sector would also like to see as much stability in its business environment as possible.

Likewise, the European sheep and goat sector has been facing pressures from time to time. Outbreaks of bluetongue disease in several Member States in recent years have certainly not been helpful, and drought in south-eastern Europe has had a heavy impact on production. Sheep meat production in the European Union is expected to drop below 1 million tonnes this year.

Analysis of the challenges facing the European meat sector should not mask its successes. The European Union has responded very robustly to the food safety problems of the past. We have been rigorously enforcing high standards, and we have restored our solid reputation for safety and quality.

In fact, safety and quality make up the theme of the European Union stand at this Congress, which you might like to visit.

But my main point stands: the sector needs some stability. It's not within my power – or anyone else's power – to remove all uncertainty from the life of a farmer or a meat producer. Nevertheless, I would like to see an environment which is as predictable as possible – in terms of trade, and in terms of domestic policy.

Of course, with regard to trade, my Brazilian friends will tell me that right now, we're still seeing serious disruption of Brazilian beef exports to Europe.

I can sum up my attitude towards the situation by making two points.

First, it's essential that anyone who wants to export to the European Union meets our safety standards.

Those standards are not arbitrary. Nor were they dreamt up to act as a barrier to trade. They are in place because European citizens demand them. In a market where food safety scares have caused so much damage, high standards are the essential foundation of consumer confidence.

On the other hand, I'm a firm believer in the importance of trade, and I want to see these problems cleared up as soon as possible. We are doing what we can to help Brazilian producers meet European requirements, and I trust that these efforts will bear fruit in the medium term.

This is not the only restriction on beef trade that I would like to mention.

Trade with our second-biggest third-country supplier of beef, Argentina, has been disrupted repeatedly in recent times. This has caused significant supply difficulties for a number of European importers. Indeed, not a very stable or predictable trade environment.

Also, it's an ongoing irritation that potential European meat exports are still shut out of markets around the world, without any justification.

There are still countries which use BSE as a pretext for an import ban, in a way that is not supported by the OIE (the World Organisation for Animal Health).

The European Union produces much less beef than it used to, so in any case it will not be a large exporter for the foreseeable future. Nevertheless, we have producers who could probably make good returns in markets from which they are currently excluded. It would be valuable to us if these unjustified bans on European beef could be lifted.

The European pig meat sector has not faced such a high level of trade disruption as the beef sector. Nevertheless, there has been a worrying development this year.

So far this year, our pig meat exports have been doing well. Then, very suddenly, the authorities in one of our biggest export markets – it is a secret for no-one: Russia - began blocking imports from various European companies, one at a time.

The pretext given was the supposed presence of residues of antibiotics. But the antibiotic thresholds applied in this country regarding the acceptable level of these residues (almost non-detectable) are far below those which are admissible according to the Codex Alimentarius. Other countries around the world were faced with similar unexpected trade problems on that market.

Here again, I fear that food safety issues are being used as a smokescreen for protectionist behaviour. This is exactly the kind of measure that the meat trade does not need just now!

So, overall, with regard to the international context, I say again: let's make things as predictable as possible. Yes, every country must apply rules to potential imports. These rules need not cause problems provided that they are reasonable, transparent and consistent. But let's not have arbitrary restrictions.

Likewise, with regard to domestic policy in the European Union, I'm trying to give the meat sector as much predictability as possible. A few changes are desirable here and there.

First, it's time seriously to consider lifting the age threshold for testing cattle for BSE before they enter the food chain. (This doesn't fall under my responsibility, but it's important to mention it.)

We have been methodically eradicating the BSE problem from the European Union. In 2007, nearly 9.7 million tests on cattle revealed just 173 cases – giving a rate of about 0.002 per cent! Raising the age threshold would make life a little easier for the beef sector and would not in any way compromise food safety.

Another policy initiative with implications for the meat sector is the Health Check of the Common Agricultural Policy (CAP), which is currently in progress.

The CAP – a policy which covers most agricultural production in the Union - is already in quite good shape, following a number of reforms. But it can be in still better shape to meet the needs of a European Union of 27 Member States rather than 15, in the world as it is now.

So the Health Check will make sure that the reformed CAP is working as well and as simply as it can, and it will provide some tools for meeting new challenges such as climate change.

This Congress is not the place to talk about the Health Check in detail, but I would like to highlight a few of its elements.

Under the terms of a reform agreed in 2003, the majority of these direct payments have been "decoupled" from production. In other words, a farmer's overall payment no longer depends essentially on the type or level of production.

However, European Union Member States are still allowed to keep some payments partially dependent on production. This includes payments related to cattle, sheep and goats.

Decoupling has been a success. It has given farmers the freedom to produce what the market needs, and has also given them the security of a guaranteed payment, whatever the weather.

Therefore, an important proposal in the Health Check is that we should extend the principle of full decoupling to more sectors. I believe this should apply to most of the premiums in the beef sector.

However, I propose to continue to allow exceptions for two sorts of direct payment: the suckler cow premium and the sheep and goat premium.

According to the European Commission's research, obliging Member States to decouple these payments from production could lead to a fall in production which could cause economic, environmental and social problems in some Member States. As long as we do not have other policy tools to solve these problems, full decoupling for these payments should remain optional.

Let me conclude.

The last 25 years have brought a great deal of structural change to the European meat industry, because of developments on both the demand side and the supply side.

There are further challenges ahead – for the European sector and around the world - not least because of the collapse of the Doha Round talks in Geneva.

If we want the meat sector to prosper, we need to have the right regulatory framework in place. The European Union is doing its share of the necessary work – not only in terms of international trade, but also by putting food safety and quality at centre-stage, and by adjusting its agricultural policy to tomorrow's realities.

Thank you.