

Summary

Action Plan to Revitalise Pig Farming



Regiegroep Vitale varkenshouderij

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Introduction

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The Action Plan is complete: revitalisation is necessary

The reason for launching the Action Plan to Revitalise Pig Farming (actieplan Vitalisering Varkenshouderij) is the serious structural situation in which pig farmers find themselves. Pig farmers are the only link in the chain that receive a negative return on their invested assets. Structural changes are needed to strengthen the position of pig farmers and to offer the Dutch pig chain (from feed and genetics to retail) viable prospects for the future.

In 2015, Vitale Varkenshouderij (Vital Pig Farming), a steering group led by former minister Uri Rosenthal and consisting of the Dutch Association of Pig Farmers (Producenten Organisatie Varkenshouderij, POV), Rabobank and the Ministry of Economic Affairs, launched an initiative to draw up a plan of action to revitalise the sector. This plan focuses on attaining tangible results for pig farmers and chain partners, both in the short term (2016) and in the longer term (2017-2020).

During the formation of this plan, talks were held with several parties who are directly or indirectly connected to the pig farming chain. During these talks, it was confirmed that significant changes in the sector and chain are necessary. It is not a matter of producing more or less, but of producing “better and differently”. This means responding to the changing wishes of consumers, making production more sustainable, reducing nuisance for the surroundings and finding a solution for vacant stalls, many of which are outdated.

The Dutch pig farming sector deserves its position

The pig farming sector employs over 26,000 people, has an annual production value of more than 8 billion euros and an export value of 5 billion euros. It is therefore an important economic pillar. The Vitalisering Varkenshouderij Action Plan to revitalise the pig farming sector aims to strengthen the position of Dutch pig farmers at home and abroad. This requires cooperation between pig farmers and chain partners and government. By acting together, pig farmers can have an impact, making it possible to take powerful measures and generate the necessary revitalisation through subcollectives.

The Action Plan will act as a guiding compass for the next few years. The first results of its implementation will already be visible in 2016. The envisaged end result is that measures will lead to a yield of 6% to 8% on invested assets for pig farmers by around 2020.

From individualism to collectivism

In order to achieve these results, pig farmers will be required to take the necessary measures. They will have to organise themselves in cooperative joint ventures. The days of “do as you please” and individualism are over. The future lies in collaboration.

Pig farmers will have to enter into long-term contracts within various collectives. These collectives will focus on improving their market position, which will be built up in close collaboration with other partners in the chain. This will enable them to respond better to consumer demands both in the Netherlands and abroad. Other collectives will focus on processing and adding value to manure. It is necessary to significantly lower the marketing costs of manure. Pig farmers must take the lead and aim for complete manure processing in accordance with the “DEP-model” set up by the poultry sector.



The market position will be strengthened on the basis of the Holland Varken (Dutch Pork) Chain Quality System (CQS). A chain information system (CIS) will be linked to Holland Varken. The Holland Varken CQS and CIS will form the basis for an innovative and distinctive approach to serve the domestic market in the Netherlands and international market segments in pork, fattening pigs, and piglets. Guaranteed quality, diversity, distinctiveness and continuity are the key concepts.

All shoulders to the wheel and taking responsibility

Revitalising the sector requires effort and cooperation from many different stakeholders. This Action Plan both empowers pig farmers and strengthens their collaboration with chain partners and government authorities. Pig farmers cannot manage on their own and it is therefore crucial that they organise themselves in collectives and subcollectives. Space for this was created recently within the European Common Agricultural Policy. This enables pig farmers to occupy a stronger position within chains. It also strengthens the position of the POV to organise and steer the sector, and to work together with other chain partners on building new chains and products.

The partners in the steering group and all involved chain partners will take their responsibilities. The POV, the Ministry and the Rabobank commit themselves to fulfilling the tasks and responsibilities set out in the action plan. Within the agreement framework they have explicitly acknowledged the necessity of following all three action lines fully and coherently in order to achieve their objectives.

The action plan will be implemented in the short term. The action lines will be tackled per sub-project. The Holland Varken CQS, setting up collectives for processing manure and establishing the revitalisation company will take top priority.

The Dutch Association of Pig Farmers (POV)

Pig farmers must organise and promote themselves sufficiently to ensure their future. This revitalisation process, whereby pig farmers will organise themselves into collaborative ventures, requires a strong facilitating implementation organisation. The POV is the most appropriate party to help pig farmers to establish new forms of collaboration with chain partners and to represent them to other societal organisations.



Basic premises and action lines

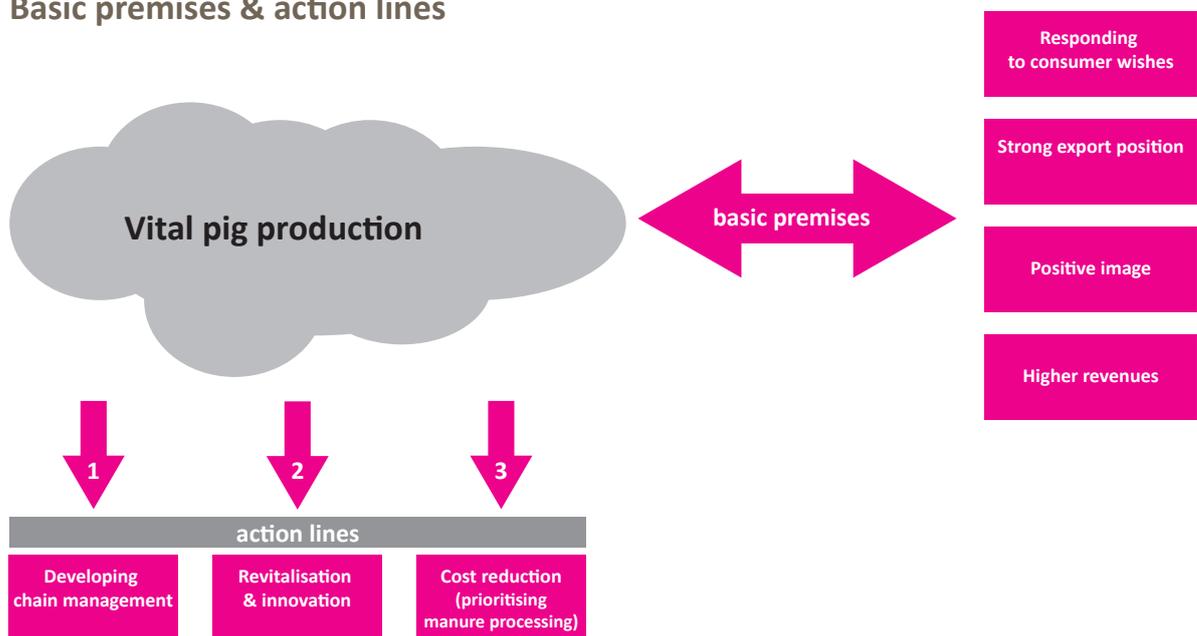
The action plan to revitalise pig farming is based on four basic premises:

- a Demand-driven operations. Market and consumer demand is decisive.
- b Strengthening the export position on the basis of a sustainable Dutch domestic market.
- c Improving the image of both the sector and its products internally and externally.
- d Higher returns for pig farmers.

These basic premises will be dealt with by three action lines:

- 1 Building chain management.
- 2 Revitalisation and innovation.
- 3 Cost reduction and manure processing.

Basic premises & action lines



These basic premises and action lines are explained in more detail below.



a. Demand-driven operations, whereby market demand is a main determinant

Pig farmers must comply with market demand. The sector must be transformed from a push market to a pull market in which the consumer demands and the pig farming sector delivers. People are becoming increasingly aware of food safety and consumers want to know where their food comes from and how it is produced. Taking market demand into account means that new production and product concepts will be developed to comply with wishes regarding sustainability, quality, taste and food safety in a way that is recognisable to consumers.

b. Strengthening the market position

By analysing the export markets (EU and third countries) it will be possible to respond accurately to international demands. The export share in a swiftly changing global market will be increased by demand-driven operation and by producing a distinctive, Dutch-labelled, high-quality product. This plan includes export promotion plans, promotion campaigns and participation in international trade fairs.

c. Improving the sector's image both internally and externally

The sector's positive features, the safe and innovative production methods, and the quality of Dutch pork will be emphasised in information and promotion campaigns aimed at stakeholders, partners, buyers and final consumers. The sector's safe and sustainable production methods and taste will be highlighted in a transparent and positive manner. Dutch pork will be distinctively positioned as a reliable, high-quality product. This will create a more positive image of the sector in general, both among stakeholders and consumers in the Netherlands and abroad. The sector's public support base must be expanded through clear information and transparent communication.

d. Higher returns for pig farmers

The objective is to obtain higher returns for pig farmers. This will be achieved by striving to increase revenue on the one hand and to reduce production costs on the other hand. It will be possible to increase revenues by developing a quality label. This label will give buyers and consumers the guarantee that the meat has been produced in a safe, sustainable manner that complies with national and international regulations. It will also serve as a basis for new profit models whereby consumers are willing to pay a fair price for this.

To achieve this, it may be necessary to change production methods among pig farmers. This can be funded by the Sustainability and Quality Fund (Fonds Duurzaamheid en Kwaliteit).

Production costs can be lowered by introducing more cost-efficient working methods, such as collectively organised inspections and lowering of inspection costs. Investments in high-quality manure processing and value creation will also be encouraged.

Action line 1 'Developing chain management'

'Holland Varken' (Dutch Pork) will be positioned as the central label. This will enable pig farmers and their chain partners both at home and abroad to deliver distinctive and guaranteed quality. Holland Varken is also the basis for innovation in market concepts and marketing plus concepts that meet more stringent quality standards than conventional products. The sector is continuously striving to serve new markets with new products in line with consumer demands regarding taste, health, animal welfare and transparency throughout the chain.



Under the Holland Varken label, customised products will be produced for sub-markets by collectives of pig farmers in new collaborative ventures, or in new companies, such as chain cooperatives with other partners in the chain. Unlike the current situation, these collectives will be based on collaboration agreements between several partners in the chain and will produce a structurally better financial position for pig farmers. Together with the chain partners, a balanced revenue model will be developed whereby customers are prepared to pay a fair price for a good product.

The Holland Varken chain quality system will be implemented as a quality guarantee for various sub-markets. Pig farmers will maintain strict control of the Holland Varken label through the POV, using the chain quality system, the chain improvement system, active communication and export promotion in collaboration with chain partners. Increased sustainability, health, welfare, taste and experience are central themes in the consultations with chain partners, societal organisations and the retail sector.

A Sustainability and Quality Fund will be set up. This is at the initiative of the Rabobank and the POV and will include a facilitating and driving role for the Ministry towards other parties, such as the retail sector. This fund will enable pig farmers to finance changes to their production methods. The fund will be worked out in more detail in close consultation with the Dutch retail sector and other chain partners in order to pay for the extra statutory (with regard to EU directives and regulations) sustainability and quality measures that have been taken and will be taken in the future. Thanks to this, pig farmers will directly receive adequate payment for any extra sustainability demands, following the example set by the German 'Initiative Tierwohl'.

Collaborating in sub-collectives and chain cooperatives requires revitalisation. Pig farmers will have to enter into contracts for sub-markets for longer periods or set up new companies with other chain partners, characterised by joint enterprise, product innovation, balanced risk and revenue distribution and transparency. Reciprocity will also be required. When new companies or chain cooperatives are set up, as many partners as possible will be included in the chain, from feed and genetics up to retail.

Collectives in the form of chain cooperatives/collaboration clusters will consist of at least two partners in the chain, for example, pig farmers and slaughterers. They will control the chain. The POV will support the sub-collectives of pig farmers and new chain relationships through the Holland Varken QCS, the chain information system (CIS) for Holland Varken, communication, export promotion and contract forming.

Action line 2 'Revitalisation and innovation'

Major restructuring and innovation are necessary in order to improve the position of pig farmers in the chain. To accomplish this, Rabobank and the POV will set up a Pig Farming Sector Revitalisation Company (Vitaliseringsmaatschappij Varkenshouderij). After its incorporation other parties will join. The sector will be revitalised by helping owners of viable companies to develop further, to carefully close down businesses with poor future prospects and to improve society's perception of the sector. This company will work through a small but powerful implementation agency, and use four instruments to bring about the envisaged revitalisation and innovation.



The four instruments to be used by the Revitalisation Company are:

- 1 A Development Company for Pig Farming (Ontwikkelingsbedrijf Varkenshouderij)
- 2 An Innovation Fund for further development of the Holland Varken Chain Quality System (CQS) and the Holland Varken Chain Information System (CIS)
- 3 A Sustainability and Quality Fund
- 4 An Innovation and Investment Fund for Manure Processing

1. The objective of the Development Company for Pig Farming is to facilitate companies that wish to expand and to help non-viable companies to wind up their business in a responsible manner. Future-oriented pig farmers will, within the frameworks of the provincial Pig Map, be linked to any immovable property that may become vacant and any pig rights that may become available. The provincial Pig Map indicates where development is possible and where there are efforts to reduce the number of pigs and/or building on the green belt. Unsuitable locations in the vicinity of nature reserves or centres of natural beauty will be sanitised. Entrepreneurs who wish to stop their pig farm will receive support from a relief scheme offering social counselling, training and career guidance. The Rabobank will provide the revolving funds to finance the aforementioned measures. Agreements will be made with the provincial authorities and other banks with regard to the structure and business operations of the Development Company for Pig Farming. Funds are available for the demolition and decontamination of roofs and stalls from the Central Government and Provinces from existing funds and EU regulations. These funds will be used complementarily for activities of the development company.

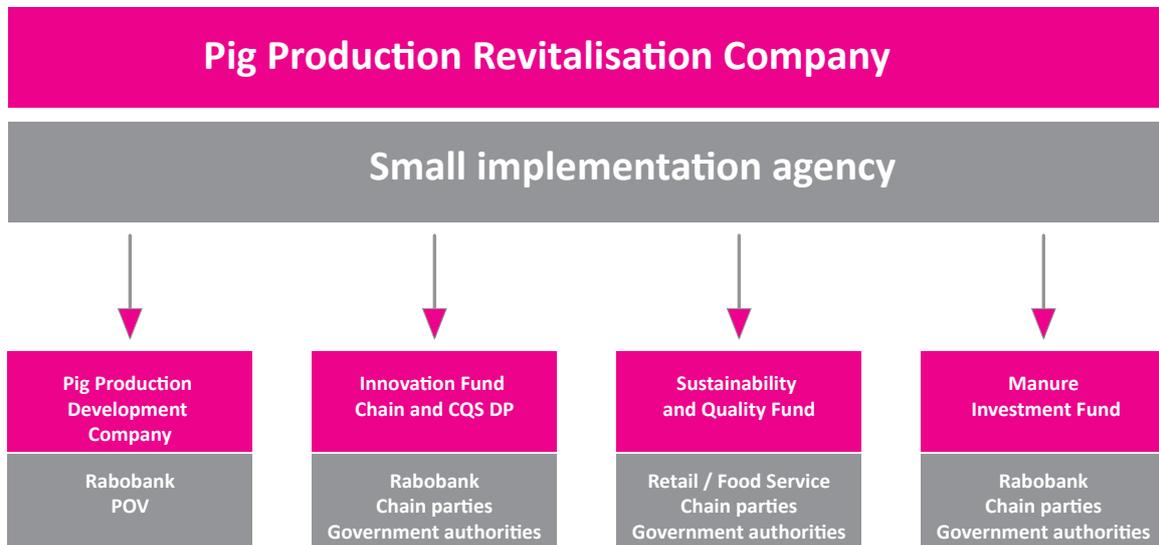
2. The Innovation Fund stimulates innovations for feed, stall systems, sustainable energy production and more. Establishing and developing the Holland Varken Chain Quality System (CQS) and the Holland Varken Chain Information System (CIS) is also the responsibility of the Innovation Fund. This Fund will also be used to encourage future-oriented pig farmers to develop their entrepreneurial and management skills through business coaching, training courses and master classes.

3. The Sustainability and Quality Fund will enable pig farmers to finance the changes to their production methods that are required for participation in the Chain-wide Quality System (Holland Varken CQS) and the Chain-wide Information System (Holland Varken CIS). The details of this fund will be worked out in close consultation with Dutch retail and chain partners in order to finance the sustainability and quality measures that have or will be taken. This will enable pig farmers to directly receive adequate payment. Using resources from this fund will be part of the Holland Varken CQS, so that extra measures related to sustainability and quality can be guaranteed properly and traced in the chain. The fund will also serve as a step towards a new pricing system for sustainable pork.

4. The Innovation and Investment Fund for Manure Processing invests in manure processing and manure value creation. This fund is a collaboration between the Rabobank, government authorities and chain partners. This will be examined in more detail in Action Line 3.



Schedule Revitalisation Company



In total, this will mean that at least €200 million will be invested by various involved stakeholders through the Revitalisation Company.

Action Line 3 'Cost reduction and manure processing'

Production costs for pig farmers in the Netherlands are significantly higher than in the rest of the EU. This is caused by the high livestock density and the supplementary national policy. POV has been drawing attention to these extra statutory measures and will continue to do so.

The regulations can be implemented more efficiently. Sharp analyses are being made on how tests and inspections can be made more simple, efficient and cheaper. This is set out in the Holland Varken CQS. These measures are aimed at renewed, risk-based control inspection methods by the Netherlands Food and Consumer Product Safety Authority (NVWA) and will lead to substantial saving for pig producers.

The pig sector is taking control of processing manure completely. The limited capacity to process manure and the many actors who see business opportunities in processing manure are important contributing factors to the current problem of high production costs. Together with the pig farmers, the POV will assume control of all processing and value creation of pig manure. To do so, six or seven regional companies will be set up, to which farmers can bring their manure as a member of one or more of these collectives. These collectives will then provide the manure to several initiatives and projects that will process and add value to the manure.

Behind these companies are collectives of groups of pig farmers who commit themselves for several years. The basic premise is that all manure surpluses from pig processing companies will be processed in the long term. The subcollectives will collaborate with other partners, investors and manufacturers to develop outlets for manure products. This will create added value for manure so that the processing costs will be structurally reduced. The ambition is to reduce costs to €10 per ton and less by 2020.



The Ministry has been asked to facilitate a joint approach involving the business sector, other departments and other government authorities in order to be able to discharge treated water that has been separated from manure into surface water at the business location and to ensure that mineral concentrates can be used as a replacement for artificial fertiliser.

To reduce costs, the system of 'moving and sampling manure' will also be examined.

Initiatives concerning manure processing and value creation for manure will be financially supported by a revolving fund, the Innovation and Investment Fund. This fund will be set up by the Rabobank and other partners can participate. This will be connected to the existing Manure Investment Fund and government resources for sustainable energy production.

In addition to investments from the Fund, EU resources are also available (€ 10 million). With these resources, the POV and ZuivelNL can double the subscribed capital of livestock farmers in the collectives (regional manure processing companies) for processing manure. The resources from the Innovation and Investment Fund for Manure processing can be used to support companies focusing on (a) total processing, (b) the mechanism of ever lower costs for processing and (c) maximum input by livestock farmers. Within two years, the capacity to process manure should have increased by over two million tons of manure.

Tasks and responsibilities

If all the parties involved take strong, consolidated action, it will be possible to improve the position of the pig farming sector structurally and sustainably. This is in the interests of the entire chain. Previous chapters have shown that not just pig farmers, but other chain partners and government bodies have a significant role to play in the successful implementation of the action plan. Below is an overview of the most important tasks of the parties directly involved with the Action Plan to Revitalise Pig Farming. Only if all parties work together to pursue their interests and fulfil their responsibilities will it be possible to move towards a Vital Pig Farming Industry. On the basis of this overview, talks will be held with each of the involved parties and work will commence on the concrete implementation of the tasks.

The members of the Steering Group commit to making every effort to raise at least €200 million in financial resources for the implementation of this plan.



The pig farmers/POV will work to:

- Co-form subcollectives for sub-markets that will enter into long-term contracts and/or to enter into chain cooperatives with other chain partners; at least two new sub collectives in 2016.
- Develop the Holland Varken CQS and make agreements regarding this with other chain partners; implemented in 2016.
- Shape the Sustainability and Quality Fund, together with the chain partners (retail).
- Undertake chain-wide activities concerning marketing/business development and export promotion together with chain partners.
- Establish and develop the Revitalisation Company and the Development Company for Pig Farmers together with the Rabobank.
- Work on a future-proof production structure for the sector, to be incorporated in a Pig Map for each province, to form the basis for the revitalisation.
- Set up 6 or 7 regional companies to process and add value to manure, to which subcollectives of pig farmers will commit for several years.

The Ministry of Economic Affairs or the National Government will work to:

- Make maximum use of the space provided within the European competition and GMO frameworks for the formation of subcollectives (Policy Framework on competition and sustainability, follow-up to the Veerman Commission set up by the European Commission); this applies in particular to the strengthening of acknowledged producer organisations such as POV and for generally binding declarations in the area of market research, innovation and outlet promotion.
- Actively follow up the commitment made by the State Secretary of Economic Affairs to examine how inspection costs can be lowered.
- Collaborate on more effective implementation measures within the European legal frameworks for quality and inspections, which are part of the new Holland Varken CQS, which has been accepted by the NVWA and is based upon risk-based supervision.
- Conduct further research, on the basis of concrete points to be put forward by the POV, on the possibilities within the political and policy frameworks for amending regulations if there is the possibility to do so.
- Amend EU regulations so that products that have added value to manure can be used as a replacement for artificial fertiliser.
- Use the Stimulation of Sustainable Energy programme (SDE+) to expedite initiatives to process manure by, for example, linking manure processing to sustainable energy production.



- Facilitate a joint approach by the business sector and other departments and government agencies in order to:
 - ensure that treated water released when manure is separated at business sites can be discharged into the surface water (with the Water Boards and the Ministry of Infrastructure and the Environment);
 - use a range of spatial instruments (such as the Crisis and Recovery Act) within the framework of the working group on Problems concerning Manure Processing consisting of the Ministry of Infrastructure and the Environment, provincial authorities and the business sector to designate locations for manure processing that can be put in to use more quickly.
- Provide EU funds (€15 million) through the three envelopes: manure, restructuring and chain management (granted, to be implemented before 1 July).
- Reach agreements with the Employee Insurance Agency (UWV), the Ministry of Social Affairs and Employment, etc. about setting up a social safety net for pig farmers who wish to terminate their company.
- Use its position/influence to motivate chain partners to perform their tasks and responsibilities, such as a driving role for retail and the food service, in addition to Rabobank and POV, to set up a Fund for Sustainability and Quality.

The Rabobank will work to:

- Establish and organise the Development Company for Pig Farmers (Ontwikkelingsbedrijf Varkenshouderij, OV) together with the POV, to help entrepreneurs with a viable company by connecting their companies to the rights, locations and stalls of farmers who are winding up their company, including providing the financial means to do so.
- Establish and organise the Revitalisation Company (Vitaliseringsmaatschappij), together with the POV.
- Carefully support pig farmers (Rabobank clients) whose companies are not viable to terminate their companies in consultation with other creditors.
- Provide revolving funds under favourable conditions to expedite several large-scale manure processing initiatives, as part of the Revitalisation Company.
- Contribute, alongside government authorities and other chain partners, to the Sustainability and Quality Fund and the innovation fund to promote entrepreneurship as part of the Revitalisation Company.



Chain partners will be approached for the purpose of:

- Developing products in sub-markets (product-market combinations), from abattoirs and retail, together with pig farmers.
- Developing and participating in the Holland Varken CQS and the Holland Varken CIS.
- Making agreements (particularly with retail and food service) about structurally higher revenues for the chain (especially pig farmers).
- Making agreements (particularly with abattoirs and trade) about delivery conditions for live animals.
- Establishing new forms of collaborative ventures between collectives of pig farmers and chain partners.
- Participating in and contributing to the Sustainability and Quality Fund.

Regional authorities (municipal and provincial authorities) will be approached for the purpose of:

- Developing a future-proof production structure, together with the pig farmers, or as the case may be, the POV, to be established in provincial Pig Maps.
- Cooperating on finding locations and expediting licensing procedures for manure processing initiatives.
- Opening up regulations/resources for demolition, asbestos removal and regional innovations.
- Providing resources from regional energy funds for (a) manure processing and (b) sustainable energy generation as part of restructuring.
- Providing resources for innovations in chains originating among entrepreneurs in their regions.

