



House of Commons
Environment, Food and Rural
Affairs Committee

**The English pig
industry: Government
response to the
Committee's First
Report of Session
2008–09**

**Second Special Report of Session
2008–09**

*Ordered by The House of Commons
to be printed 30 March 2009*

HC 391
Published on 2 April 2009
by authority of the House of Commons
London: The Stationery Office Limited
£0.00

Environment, Food and Rural Affairs Committee

The Environment, Food and Rural Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Environment, Food and Rural Affairs and its associated bodies.

Current membership

Mr Michael Jack (Conservative, Fylde) (Chairman)
Mr Geoffrey Cox (Conservative, Torridge & West Devon)
Mr David Drew (Labour, Stroud)
Mr James Gray (Conservative, North Wiltshire)
Patrick Hall (Labour, Bedford)
Lynne Jones (Labour, Birmingham, Selly Oak)
David Lepper (Labour, Brighton Pavilion)
Miss Anne McIntosh (Conservative, Vale of York)
Dan Rogerson (Liberal Democrat, North Cornwall)
Sir Peter Soulsby (Labour, Leicester South)
Dr Gavin Strang (Labour, Edinburgh East)
David Taylor (Labour, North West Leicestershire)
Paddy Tipping (Labour, Sherwood)
Mr Roger Williams (Liberal Democrat, Brecon & Radnorshire)

Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No. 152. These are available on the Internet via www.parliament.uk.

Publications

The reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at

www.parliament.uk/efracom

Committee staff

The current staff of the Committee are Richard Cooke (Clerk), Nerys Welfoot (Second Clerk), Sarah Coe (Committee Specialist—Environment), Joanna Dodd (Inquiry Manager), Andy Boyd (Senior Committee Assistant), Briony Potts and Mandy Sullivan (Committee Assistants).

Contacts

All correspondence should be addressed to the Clerk of the Environment, Food and Rural Affairs Committee, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 5774; the Committee's e-mail address is: efracom@parliament.uk. Media inquiries should be addressed to Hannah Pearce on 020 7219 8430.

Second Special Report

The Environment, Food and Rural Affairs Committee reported to the House on *The English pig industry* in its First Report of Session 2008–09, published on 13 January 2009 as HC 96. The Government's response to the Report was received on 18 March 2009.

Government response

Introduction

1. The Government welcomes the Environment, Food and Rural Affairs Committee's report on a subject which is highly relevant to one of Defra's key Departmental Strategic Objectives—to secure a thriving farming and food sector with an improving net environmental impact. The Government has taken careful note of the Committee's recommendations and conclusions on a variety of issues which are of major concern to the English pig industry. The Government agrees with the main thrust of the report that to achieve a sustainable future for the industry its resilience and competitiveness need to improve.

2. The report's overarching theme is that there should be more co-operation between all segments of the supply chain and it concludes that government has a central role to play in facilitating this. Whilst the Government has made it clear in evidence to the Inquiry that the pig sector's long term sustainability will continue to depend on its own ability to compete successfully upon market principles, it does nevertheless accept that there is an important role for government to play in fostering greater transparency up and down the supply chain. It has become evident that there is a need for Government to bring the relevant parties together to see what can be done to encourage greater interaction between key parts of the chain. A large proportion of pig farmers are genuinely struggling to make sufficient returns from the market to invest in their longer term future.

3. Consequently, the Government announced at the NFU AGM on 17 February 2009 that a Pig Meat Supply Chain Task Force was being set up to facilitate cross-sector action in England. This response will therefore first describe the overarching role and function of the Task Force and then through the individual responses to the Committee's recommendations indicate those that will be addressed by the Task Force and those that will be covered by other means.

THE PIG MEAT SUPPLY CHAIN TASK FORCE

4. The Task Force will address current issues that threaten the viability of the English pig industry, and in doing so will address a number of the factors identified in the report. It will not duplicate work already being done elsewhere, but will add value to that work especially in fostering greater whole chain interaction. The draft Terms of Reference of the Task Force will be discussed at its first meeting on 18 March 2009. They will be subsequently published on the Defra website

<http://www.defra.gov.uk/farm/livestock/pigs/index.htm>

5. A Defra Minister will chair the Task Force. The membership comprises senior representatives from key players in the pigmeat supply chain and public bodies that have an influence over the industry such as the Environment Agency and RDAs in pig dense regions. They will be well placed to drive forward the work of the Task Force and to contribute positively towards achieving its desired outcomes.

6. The Task Force's primary focus will be to improve the economic resilience of the industry within the current regulatory framework through increased collaboration and the achievement of best practice throughout the chain. The Government will expect the work programme to make significant progress towards delivering agreed outcomes in a realistic timeframe. It is important that such outcomes should include:

- Improving levels of co-operation in individual supply chains
- Reviewing enforcement processes so that they achieve regulatory goals which are affordable to those involved
- Taking a wider overview of Defra/industry collaboration on R&D to improve production efficiency and pig health and welfare
- Establishing a labelling code of practice throughout the whole supply chain that helps to eliminate practices that adversely impact on the domestic pig industry and provides consumers with the information they need to make informed choices when they buy food
- Making significant progress on disease control
- A further increase in the level of public sector procurement of pork and bacon products that meet British welfare standards

7. The final list of outcomes and targets will be for members of the Task Force to consider, agree, amend and prioritise as they see fit at the first meeting. Some of these outcomes will be achievable within the lifetime of the Task Force, others will take longer.

8. The following are the Government's specific responses to the Committee's recommendations and conclusions in the report, indicating where relevant the role of the Task Force in acting upon those recommendations.

RESPONSE TO RECOMMENDATIONS AND CONCLUSIONS

Previous Select Committee inquiry into the English pig industry

1. *In 1999 the Agriculture Committee predicted that the early introduction in the UK of the ban on stalls and tethers, together with the lack of sufficient support from the retail sector for UK welfare standards, would have a detrimental effect on the English pig industry. Our predecessor Committee's fears appear to have been justified. Since 1999 the size of the English pig herd has reduced by 40%, production of English pig meat has decreased and imports of pig meat have risen rapidly. In the Minister's own words, it is the Government's responsibility to ensure a thriving agricultural industry,*

and yet Defra appears unable or unwilling to respond whilst the industry diminishes. (Paragraph 14)

It has already been pointed out that the Government agrees it has an important role to play as facilitator in helping the pig industry itself to achieve more resilience and competitiveness in the face of rigorous competition within the Single Market. The original UK ban on stalls and tethers in 1999 was achieved through an all-party consensus and, as was given in the evidence to the Committee, Government spent £37 million of public funds from 2000 onwards to help the pig industry to restructure. The Government made it clear in a speech to the NFU AGM in February that it believes everyone involved now has a duty to ensure that there is greater transparency up and down the supply chain so that a fairer deal for all is achieved and producers in particular have the confidence to invest in their own future.

That is why the Task Force is being set up. Its agenda will address many of the priorities highlighted in the Report and it strongly demonstrates the willingness and commitment of the Government to respond positively to the problems of the sector and to do what we can to re-establish a thriving English pig industry.

Feed prices

2. The recent increase in the price of animal feed had a severe impact on the cost of production for farmers, a burden that does not appear to be shared with retailers. The pig industry's reliance on imported feed, particularly soya, is an issue that Defra should address, particularly in the light of the current weakness of sterling. Defra should establish a working party with the industry to identify useful research on feed sources that could be undertaken to aid the sustainability of the industry. (Paragraph 24)

Feed prices largely reflect the supply and demand situation on the world market. After reaching a peak in March 2008, UK feed wheat prices have fallen by around 40% following the record 2008 harvest. Further reforms to the EU cereals regime agreed in the context of the CAP Health Check, including the abolition of set-aside and the further reduction of the role of intervention will benefit the livestock sector, although the industry will increasingly need to focus on price risk management strategies.

The livestock sector throughout the EU imports a large proportion of its vegetable protein requirements from third countries, in particular North and South America where the climate is better suited to large scale soya production. The supply chain is well established and works well, but Defra is aware of industry concerns that feed imports could be affected by delays in the EU approval regime for GM products (because supplier countries may adopt new GM feed crops before they secure EU import approval, and the EU doesn't allow any unintended trace of non-approved GMOs in conventional imports). In EU discussions Defra has encouraged the Commission to find ways of speeding-up the approval regime without compromising on safety, and there have been signs of some improvement (e.g. the import of a new GM soya variety has been approved more quickly than expected). Defra is also producing an analysis of the potential impact on the livestock

sector, should feed imports be disrupted. This is looking at the UK's reliance on imported soya feed and what scope there might be to use alternative feeds in livestock diets.

Competitiveness

3. How to improve the English pig industry's competitiveness with its EU counterparts is at the heart of the problem and needs to be tackled head on by producers and processors. As part of its responsibility to ensure a healthy agricultural sector, Defra must work with the industry to identify specific actions that can be taken to improve efficiency and productivity through existing health and welfare strategies, including research into genetics and pig production systems. However, the pig industry must also consider the difficult question of whether integration of production and processing is necessary for it to compete with EU counterparts. (Paragraph 33)

Response

The Government agrees that Defra must continue to work with the English pig industry to identify specific actions that can be taken to improve efficiency and productivity.

Improving the competitiveness of the industry is a key area to be addressed by the Task Force not least through delivering the outcomes listed in Paragraph 6 above. Where lessons can be learnt from industries in other parts of the EU, these will be investigated. Indeed, representatives of two of the largest pig processing companies in the UK are now under Danish and Dutch ownership—and they are represented on the Task Force so their contributions and experience should prove invaluable.

Defra has also been very active in funding research into pig diseases and welfare, environmentally sustainable production and genetics. 137 research projects on pig animal health and welfare and other aspects of pig production and processing have been funded by Defra since 1995. Ten of these projects are either currently in action or were completed in 2008 and eleven were funded, at a cost of £3.4million, specifically on the potential improvement in efficiency through the application of genetics.

Defra and the Scottish Government also work together to co-fund a number of research and development projects to support sustainable development and competitiveness in the UK pig industry. BPEX and a wide range of industry partners participate in projects within the Sustainable Livestock LINK programme. The co-funding of these pre-competitive research projects by Government and industry addresses market failure and ensures that the projects are market focussed. There are currently three projects within this programme which include research to improve diet and health at a cost of just over £2.1 million, split between Defra and industry.

The Agriculture and Horticulture Development Board (AHDB), through BPEX, is active in ensuring that knowledge from this research is transferred to the industry and especially to individual pig producers through various user friendly means so that there is a return on the taxpayer's investment in R&D.

Over the 2007–13 period, £107 million of Rural Development Programme for England (RDPE) support had been earmarked for the livestock industry, to help it meet challenges

relating to competitiveness, nutrient management and animal health and welfare. As well as being eligible for aid under this particular category, pig producers are also able to benefit from the £140 million of RDPE Axis 1 socio-economic core funding which, together with the £107 million livestock package, Regional Development Agencies (RDAs) are delivering on behalf of Defra over the same period. Available evidence suggests that the pig industry has been at the forefront of livestock sector organisations seeking to make full use of these support opportunities. For example, BPEX has secured RDPE funding of its vocational and higher skills training programme from a number of RDAs, starting with Yorkshire Forward.

Also, under Axis 1 of RDPE, BPEX, NPA and Yorkshire Forward are working together on a proposal to deliver a major animal health project, looking at addressing a series of pig diseases that have an economic cost at farm level. The aim will be to deliver to each farm a tailored plan to reduce the impact of selected diseases. Yorkshire Forward are also represented on the Task Force and it is hoped that this project could form a blueprint for other RDA's that have significant pig populations, to follow.

Welfare standards

4. Whilst English pig farmers are rightly proud of their high welfare standards, there can be no doubt that the early introduction of a ban on stalls and tethers ahead of most of the EU, and without assistance from the Government, placed a heavy financial burden on the industry. Many farmers are still recovering from the capital cost of the outlay necessary to comply with the welfare standards. It appears that the analysis of the cost on businesses likely to be imposed by the animal welfare measures introduced in 1999 significantly underestimated the capital costs to the pig industry. The Government must accept that its decision to introduce welfare legislation many years ahead of most of the EU was a significant factor in driving many farms out of business. The decision has placed English producers at a serious disadvantage to their EU counterparts, as our predecessor the Agriculture Committee predicted in 1999. (Paragraph 43)

5. BPEX has provided compelling evidence that the higher welfare standards of the English pig industry has increased the cost of producing a pig. However, although UK pig farmers receive a premium from retailers for producing higher welfare standard pigs, the farmgate prices do not appear to realistically reflect the increased ongoing production costs that UK farmers have to pay to support higher welfare production systems. (Paragraph 44)

6. EU counterparts have been able to produce cheaper pig meat for the past ten years and as some of them are now receiving financial assistance to convert housing, English farmers are unlikely to compete on a level playing field even when the EU wide welfare standards are introduced in 2013. In future, when measures on animal welfare are imposed on the livestock industry, Defra must ensure that the Impact Assessment made of those measures takes into account the long and short term costs likely for livestock businesses. (Paragraph 45)

Response

In 1991, when the UK took the decision to ban tethers and close-confinement stalls for breeding sows by 1999, there were no EU rules in place for pig welfare and therefore no base level that EU Member States agreed to be acceptable against which to judge increases in standards. There was, however, increasingly strong evidence that close-confinement stalls and tethers represented a system for keeping breeding sows that resulted in unacceptably poor animal welfare. That view was later borne out by the EU Commission's Scientific Veterinary Committee in their 1997 report on the welfare of pigs. The UK ban on tethers and close-confinement stalls in 1991 was introduced for these animal welfare reasons and with the overwhelming and cross-party support of Parliament.

The Government agrees that the unilateral decision to ban stalls and tethers in the UK did place a heavy financial burden on the industry, despite the 8-year phase-out period until 1999 that was given to enable the industry to minimise the costs of conversion to alternative systems. Defra has no analyses of the current impact of the UK ban on close-confinement stalls and tethers for breeding sows on production costs. An InterPig study in 2006 showed 12% higher production costs in the UK than the EU average, but it is likely that other factors will have a significant role in relative costs, such as performance of the herd, feed costs, land and labour.

It should be recognised that in those areas in which UK law goes beyond the requirements of EU minimum pig welfare standards, the Government has worked hard to ensure that there will be a level playing field in the future. When the EU pig welfare Directive was revised in 2001, for example, the UK pressed for and succeeded in obtaining an EU ban on close-confinement stalls for breeding sows, but the disappointingly long phase-out period to 2013 was the price that had to be paid to secure the ban.

Since 1991, the Government has considerably strengthened the process by which new legislative requirements of all kinds are assessed for their impact on business, in particular small businesses such as those that largely make up the pig industry. Now, any proposal that imposes costs on business requires an Impact Assessment, which will include an in depth analysis of how and why new policies will impact on business, and the estimated short and long term costs and benefits (economic, social and environmental) of the proposed measure.

This Government's policy has for some years been to seek future improvements in welfare standards at an EU level, rather than take unilateral action. This will help to ensure that our livestock producers are not put at a commercial disadvantage compared with their European counterparts in the future.

Agricultural Buildings Allowance

7. *We were surprised to hear that Defra had not supported the pig industry in its request for the agricultural buildings allowance to be retained. We believe that there is a case for pig farmers to be awarded the allowance, based on the high rate of replacement necessary for pig housing. We ask the Government to reconsider this matter and report back to us on its decision. (Paragraph 48)*

Response

The Government decided to withdraw agricultural and industrial buildings allowances (ABAs and IBAs) gradually, as part of the wider 'Business Tax Reform' package which was implemented in Finance Act 2008. This package included cuts in the basic rate of income tax and the main rate of corporation tax, and the introduction of the valuable, new Annual Investment Allowance (AIA). While it is true that the package (including the phasing-out of ABAs) will affect firms differently, depending on their precise circumstances, overall it is designed to promote investment and growth. IBAs and ABAs are being withdrawn because they were originally introduced in the 1940s, as post-war reconstruction incentives, and that purpose has now been served. There is simply no good economic case for preserving a selective subsidy for some buildings, but not for others (for example, there is no relief available for offices and shops).

The valuable new AIA is, effectively, a 100% allowance of £50,000 a year, for business expenditure on plant or machinery (apart from cars) incurred on or after 1 April 2008 (Corporation Tax) or 6 April 2008 (Income Tax). The AIA is available for all expenditure on plant or machinery, but buildings and fixed structures do not generally fall within the case law meaning of the term 'plant or machinery'. The underlying distinction here is the distinction between the premises *in which* the a business is carried on, and the plant or machinery *with which* the business is carried on. However, the pig industry have made the point that many pig buildings are in their design and construction integral to the production process (that is, that they may not simply be 'premises' or 'setting') and that they cannot be used for any other purpose. In response, HMRC has indicated its willingness to listen very carefully to the industry's detailed arguments to see whether there is scope to treat pig structures and other industry assets as "plant or machinery" for the purposes of qualifying for the new AIA.

Retailers' support for the pig industry

8. *It is the responsibility of retailers to ensure that the labelling on its products is clear and unambiguous, especially when retailers use the qualities of British meat as a marketing tool. The Government should support actively the European Commission's proposals for clearer country of origin, and also welfare labelling. We are encouraged that the Minister believes that Defra and the Food Standards Agency could do more to promote understanding of the differences in labelling, and we note the recent publication of Food Standards Agency guidance on country of origin labelling. We ask that the Department do keep us informed on progress in this area. The pig industry is responsible for raising awareness amongst consumers of its high welfare standards, but the Government has a responsibility to ensure that consumers have access to clear product information through labelling. Defra must bring together the pig industry with the processing, retail, catering and hospitality industries to establish a strategy for the best way of informing the consumer of the choices available. (Paragraph 71)*

9. *We are disappointed that such a high proportion of imported pig meat does not meet UK welfare standards. It is not possible from the information available to provide a definitive figure, but we believe that consumers would be shocked to hear that as*

much as 66% of imported pig meat might have been reared in conditions banned in this country. Whilst price might be the number one factor in consumers' choice, consumers have the right to be properly informed of the country of origin and welfare standards when making their choice of product. The responsibility for this, until the Commission implements its welfare labelling scheme, lies with the whole supply chain. (Paragraph 72)

Response

Retailers and manufacturers have improved their labelling in recent years but the Government recognises that consumers are increasingly interested in knowing where their food comes from, particularly meat and meat products. This is why the Government strongly supports the EU Commission's aim to tighten up origin labelling rules in their proposal on the Food Information Regulation, which is currently being discussed in Brussels. During negotiations the UK will be pressing hard for changes that will ensure that consumers have clear information on the country of origin of meat and meat products specifically.

The Government also knows that it will take some time before the new rules will come into effect. So in January the Secretary of State and the Minister for Farming and the Environment met the supermarkets and the Food and Drink Federation, who represent manufacturers, to encourage them to provide clearer and more accurate origin information so that consumers can make an informed choice when buying their food and are more readily able to buy pork, bacon and other pigmeat products that have been raised to higher UK welfare standards. The Department will be meeting the caterers and manufacturers later this month.

The Department will be asking the Task Force to build on the Food Standards Agency guidance on country of origin labelling, make proposals and then implement these throughout the supply chain.

This Government supports the work the RSPCA is doing with the pig industry and with supermarkets to find consistent definitions of marketing terms such as free range, outdoor-bred and outdoor-reared. This initiative will help to improve consumer awareness of the husbandry systems of available pork products.

The EU Commission has been charged by the Council of Ministers to assess further the issue of animal welfare labelling and to submit a report to the Council in order to allow an in-depth debate on this subject. The aim is to facilitate the choice of consumers between products obtained with basic welfare standards or with higher standards. The Government awaits the Commission's report with interest.

Carcase balance

10. *Carcase balance remains an important issue for the industry to tackle as a way of increasing its competitiveness. We believe that producers, processors and retailers could have useful discussions on how to promote different cuts to the consumer and provide more efficient use of the whole carcass. Defra should have a significant role in*

working with the industry to develop markets for the whole carcass. Defra should continue to support literature which encourages the public sector to use recipes for less popular meat cuts. (Paragraph 80)

Response

The Government agrees that promoting the lesser utilised cuts in the pig carcass at different times of the year is an important means of raising the overall value of the carcass and the return to pig producers. Initiatives which highlight to the public the value of lesser known cuts (such as shoulder and belly joints) are welcome—especially at a time when household budgets are tight. Taylor Nelson Survey data showed consumer purchases of pork shoulder roasting joints were up by 75.3% during the week following the broadcast of a Channel 4 programme “Jamie Saves Our Bacon”, which equates to an extra 100,000 or so roasting joints. Indeed domestic pork sales were up by 15.8% in volume which shows that this market can be expanded¹.

In order to continue the momentum generated by the Channel 4 programme the BPEX ‘Pigs are Worth it’ campaign will encourage a better return on carcass balance, by providing advice to the industry on turning pork shoulders into a variety of interesting cuts which not only taste good but are also good value for money. This is being combined with a concerted consumer marketing and PR campaign supported by retailers to promote the full range of lesser known cuts.

Furthermore Defra will continue to work alongside BPEX to ensure publicity materials on good value cuts are directed towards public sector organizations. Shoulder roasts and collar steaks were recently presented to “The Good Food on the Public Plate” Seminar, attended by Local Education Authorities and NHS Trusts and to the London University Purchasing Alliance (LUPA). Collar steaks are also to be trialled by the Metropolitan Police and also presented to the MOD. Previous trials of collar steaks with some LEAs were successful and it is intended to make this the basis of a case study for other LEAs. Pork forequarter specifications have been prepared and circulated to all caterers with Whitehall contracts which we fully endorse.

Regulatory Burden on the pig industry

11. It appears that once again UK pig farmers are placed at a disadvantage to their EU counterparts who are receiving financial aid through a variety of schemes to comply with environmental regulations. Defra must review the assistance provided by other EU countries and assess whether it is possible for the UK to provide similar assistance for its pig farmers and report back to the Committee on its decision. The Government must work with the Environment Agency and the industry to ensure that the IPPC, Waste and Nitrates Directives do not place an unfair unmanageable burden on the pig sector. (Paragraph 88)

¹ TNS Worldpanel Surveys 2009 for AHDB Meat Services

Response

Defra and the Environment Agency (EA) have worked very closely with the Livestock Industry (including the pig sector) to address many of the concerns on environmental regulation and costs. Specifically, some of the steps the Government has taken to assist pig farmers and minimise burdens include:

- devising a standardised approach which kept permit application charges (at typically about £3,000) some 50% lower than they might otherwise have been. A 2008 Deloitte study of permitting charges has since shown that the average time taken to process an application fully was currently 67.1 hours rather than the 46 hours that were estimated before the permitting process started. This means that the Agency has not covered its costs of permitting the pig sector². The report said that there were a number of reasons contributing to this including time spent in assisting producers in properly completing their applications;
- combining inspection and product assurance regimes for farms designated to take part in the scheme by the EA resulting in annual fees of £1500. This was developed following Defra-brokered discussions between the sector, the Agency and the assurance bodies. Installations not authorised to participate—perhaps because of poor compliance history or other concerns about the operation—are charged £2,386 annually; and
- in line with representations made by industry to Government and following consultations, devising a new charging regime which takes environmental performance into account and postponing its implementation to April 2010 in order to allow industry to prepare.

Over the course of implementing the IPPC regime, the EA worked very hard to prepare and assist the Livestock industry as a whole. The implementing Regulations set a timetable for existing installations in each industry sector to apply for permits. Because of pressure from its representatives, the intensive livestock sector was placed at the very end of the timetable so that applications had to be made in the period November 2006 to January 2007. The Environment Agency worked extensively with the NFU, the National Pig Association and the British Pig Executive from 2000 onwards to prepare the sector for making those applications, producing guidance, holding workshops and making every effort to ease the burden.

There are a number of potential existing sources of financial support available to farmers which could help with implementation of the rules which apply within Nitrate Vulnerable Zones (NVZs). For example:

- the England Catchment Sensitive Farming Delivery Initiative is providing grants for farmers with land in a priority catchment for a range of capital items including roofs for slurry stores and for improving yard drainage (clean and foul water separation). There have been two rounds of applications for these grants since April 2007 and subject to funding being available we expect there will be further rounds.

² The Environment Agency is obliged to recover its regulatory costs from those whom it regulates. This under-recovery from the pig and poultry sector was therefore in effect subsidised by permit charges upon other sectors

- As noted in the answer to Recommendation 3, funds are available under RDPE for improving the efficiency of nutrient management in the livestock industry. As a general rule support is provided within the framework of a strategic farm plan involving capital investments for modernising farm holdings, structures and equipment together with appropriate skills and knowledge transfer, and other measures that reduce nitrate leaching.

Additionally, business expenditure on slurry storage systems used for the temporary storage of slurry will qualify for plant and machinery capital allowances, including the new Annual Investment Allowance (AIA). As described earlier in the response to Recommendation 7 the AIA is, effectively, a 100% first-year allowance, capped at £50,000 a year, for business expenditure incurred on or after 1 April 2008 (Corporation Tax) or 6 April 2008 (Income Tax) on plant and machinery (other than cars).

Other steps government has taken to help pig farmers prepare for implementation of the NVZ rules and minimise burdens include:

- working with stakeholders and industry to design a package of practical advice and support that includes guidance booklets for farmers, a mass mail out of key information, a technical helpline, a series of workshops and information events, and comprehensive information available on the Defra website. The events have been well attended and additional events are being organised to cope with demand.
- providing templates for record-keeping and publishing software to assist with the various calculations and record keeping requirements.
- providing a three year implementation period for some of the more onerous NVZ rules (e.g. the slurry storage capacity requirement).

Defra and the EA remain engaged with industry stakeholders. Government officials and industry representatives discussed regulatory burdens and other matters of concern at a meeting in February 2009.

Reviewing enforcement processes and costs in the pig sector so that they achieve regulatory goals which are affordable to those involved will form a key outcome.

Supply chains

12. It is important that all links in the supply chain understand the issues each faces. The OFT must continue to provide clear guidance and advice to the businesses on the issues that can be discussed whilst avoiding breaking competition regulations. Defra must facilitate discussions of the supply chain in England, as it has been possible to do so in Scotland. (Paragraph 101)

Response

Defra recognises the efforts made by several supermarkets to commit themselves to British pigmeat supply chains and establish greater transparency and understanding between

producer, processor and retailer. The position is still far from ideal and many producers find it hard to plan ahead with confidence.

There have also been some acquisitions and consolidations recently within the industry leading to more vertical integration of the supply chain. The apparent 'divide' between producers and retailers was given in oral evidence to the Committee. The relationship between retailers and producers is primarily a commercial one for them and is not a matter on which the Government would or should be directly involved. However, given the particular problems that have been faced by the industry over a number of years, the time is right for a concerted effort to catalyse greater understanding of the potential mutual benefits from greater collaboration up and down the supply chain and encourage further integration where there are gains to be made.

The Pig Meat Supply Chain Task Force, with its membership drawn from all elements on the chain is expected to look closely at this issue.

As the Committee has recognised, any such forum must be cognisant of the constraints of competition regulations. The OFT will be invited to give a presentation to the Task Force on its guidance on competition issues. Defra will need to explore further with the OFT the practicalities of ensuring that the guidance is followed.

The Scottish Pig Sector Task Force

13. *The Minister for Farming and the Environment must make it a priority to discuss the report of the Pig Sector Task Force with the Scottish Executive's Cabinet Secretary for Rural Affairs and the Environment. The work of the Task Force has indicated that it is possible to organise fruitful discussions between retailers and producer groups to promote the sustainability of the industry. Whilst certain matters fall under competition law, we consider it important that retailers, processors and producers cooperate on issues such as labelling, carcass balance, the threat of disease and the regulatory burden faced by the pig industry. The English pig industry should not be at a disadvantage because other administrations are doing more to tackle the problems of their own pig industry than the rest of the UK. Defra can learn from the Scottish example of how to organise and facilitate such discussions. (Paragraph 110)*

Response

The Government agrees that in order to promote the sustainability of the pig meat industry there needs to be more resilience and competitiveness achieved by greater co-operation between all sectors of the supply chain. It also agrees with the conclusion that the Government has a central role to play in facilitating this.

As part of setting up the Task Force the Scottish Executive's Cabinet Secretary for Rural Affairs and the Environment was consulted to learn from his experience. Defra is grateful to him for his advice.

Public Sector Food Procurement Initiative

14. We are surprised that Defra does not lead by example and procure as much of its bacon from British suppliers as it does its pork. We ask that Defra confirms whether or not the bacon it procures from outside the UK is raised to UK welfare standards. Defra should encourage all Government Departments and public sector organisations to buy pig meat which was raised using equivalent welfare standards to those in the UK and submit details to the Committee of how it intends to do this. (Paragraph 118)

Response

Defra supports and promotes high animal welfare standards. As a Government department, Defra has to ensure all its procurements are conducted in accordance with the EU public procurement directives and UK public procurement policy. The Directives stress that any requirements asked of a supplier must be relevant to the subject of the contract and therefore animal welfare can be considered where this has a direct affect on the meat being produced. The EU procurement rules also demand that all procurements are conducted in a fair, open and non-discriminatory manner and as such, Defra cannot require that its contractors procure bacon from British suppliers.

In November 2008, Defra published its second report on the proportion of domestically produced food used by Government Departments, hospitals and prisons, which showed that the Department consumed 75% bacon and 100% pork in 2007–8 which was produced from pigs reared in the UK. The report also showed that overall the proportion of UK produced bacon across Government Departments increased from 25% to 29% and for pork from 65% to 74%.

Copies of this report for the period 1 April 2007 to 1 April 2008 and of the first report from July 2006 to 30 June 2007 are on the PSFPI web site at

<http://www.defra.gov.uk/farm/policy/sustain/procurement/awareness.htm>.

Defra is taking action to encourage Government Departments and public sector organisations to procure meat from pigs reared to high standards of animal welfare. For example:

- The Department issued a notice early in January 2009, which alerted public sector buyers of pork and bacon to the EU ban on sow stalls in 2013 and also highlighted the Defra Select Committee's concern that public bodies were not insisting on higher animal welfare standards. A copy is published on the PSFPI web site at

<http://www.defra.gov.uk/farm/policy/sustain/procurement/pdf/psfpi-advice-note081222.pdf>.

- Defra is working with the Office of Government Commerce to consider how we can work within the legal and policy framework to procure pork and bacon that meets high animal welfare standards. The Department aims to provide guidance on this and consult with key stakeholders.

Securing the specification of higher standards for animal welfare in the public procurement of food and catering services will be another key aim of the Task Force. This might best be achieved through the inclusion of a model clause in OGC's recently published food quality standards for the public sector. Defra will however need to be sure that in seeking to promote high standards of animal welfare the risk of legal challenge on the grounds of setting up barriers to trade is not enhanced and this is currently under consideration.

Pig-specific diseases

15. Defra should continue to contribute to the scanning surveillance programme and to participate in discussions with the British Pig Health and Welfare Council to identify what actions Defra should be taking to tackle pig-specific diseases. In addition to discussing long-term research priorities, the Council should also investigate ways in which the Rural Development Programme for England could be used to support disease control strategies. (Paragraph 122)

Response

The Government can confirm that Defra will continue to participate as an observer on the British Pig Health and Welfare Council (BPHWC). The Department strongly supports the BPHWC and values highly its contribution. The Department takes account of its views in setting policy on pig health and welfare, although it will continue to focus expenditure of public money on diseases where there is a clear public interest, particularly zoonoses. The Government believes that the primary responsibility for control of non-zoonotic disease that is not notifiable is for the industry. Defra will continue to fund basic research and work with the industry in tackling the more serious diseases.

Defra will also continue to contribute to the scanning surveillance project, currently costing circa £1.3m per annum. The project aims to identify changes in current disease prevalence or the emergence of new threats. This is a powerful technique only made possible through the investment made by government in funding surveillance and analytical activities. Early identification of new or emerging threats is important in order to protect animal and public health and to minimise the economic, social and environmental damage that can be inflicted by outbreaks of disease.

In addition to increasing the likelihood of the rapid detection of new or emerging threats, the surveillance programme enables significant cost saving for the industry in a number of ways. Close collaboration between the VLA Pig Group and Defra allows issues causing concern at farm level to be considered by experts and quickly highlighted to Defra vets and policy makers when appropriate. Diagnostic work performed as part of this project is subsidised, allowing cases of low productivity or high mortality to be investigated in situations where this may otherwise not be financially feasible. Private veterinary surgeons are able to use the information from such investigations to advise farmers on how to address the problems identified in the aim of improving disease control and increasing productivity. Current submission rates for investigation would be unlikely to be maintained without Defra funding.

Salmonella control remains a major challenge for the UK pig industry. In accordance with EU Zoonoses Regulation 2160/2003, Member States are required to take effective measures to control *Salmonella* of public health significance. Targets for reduction in *Salmonella* prevalence in pigs are expected to be set by the European Commission by 2011. Defra will be working closely with industry to implement a National Control Plan for *Salmonella* once these targets are announced. Defra is supportive of the current industry-led Zoonoses National Control Plan (ZNCP, formerly ZAP) and participates in the steering group for this project. In addition, Defra continue to fund research focussed on Salmonella control and reduction.

Complimentary to the above activities it is key to the resilience and long term sustainability of the pig industry that significant progress is made on reducing the economic impact of endemic and exotic diseases in the pig sector. This will be a key desired outcome of the Task Force. It will be achieved through continuing partnership with the industry through the Defra driven plans and programmes described above as well as collaborative work on local disease control and eradication schemes part funded with the RDAs. If the initiative being developed between Yorkshire Forward, BPEX and the NPA does go ahead and is successful this could provide a model for other RDAs to follow.

Conclusion

16. *Over the past 10 years the pig industry has faced serious challenges in addition to the usual peaks and troughs of the pig cycle. The industry should be praised for implementing the changes required of it by UK legislation, and for attempting to organise itself and inform the public of the high welfare standards of British pork. However, there is evidence that several outbreaks of disease, together with the implementation of burdensome legislation and unusually high global prices of animal feed have left the industry either unwilling or unable to invest in the production systems necessary to improve efficiency in the face of overseas competition. (Paragraph 123)*

17. *It is apparent that a portion of the retail industry has undermined the efforts of Government and the pig industry to introduce and implement desirable animal welfare legislation in the UK. Whilst pig farmers have strived to introduce open housing for pigs ahead of most of their EU counterparts at a significant cost to their businesses, some retailers and catering suppliers have continued to import pig meat that does not meet UK statutory welfare standards, which in some cases is labelled ambiguously so that consumers are ill-equipped to make informed choices. The price paid to English farmers for pig meat should properly reflect the cost of producing it to high welfare standards. Retailers should be more mindful of changes in productions costs affecting the industry in future and must be prepared to respond rapidly should producers be faced with the same scale of feed price increases as they were in 2006–07. Otherwise, the whole English pig supply chain is put at risk. In addition, the lack of transparency in the supply chain leads farmers to form the view that they are not getting a fair share. (Paragraph 124)*

18. The pig industry itself must ensure that consumers are aware of the difference in welfare standards between UK-reared meat and some imported pig meat, but the retailing and hospitality industry have a duty to label their products responsibly. The Government must support the Commission's proposals for food labelling changes, and must make clear to the retail and hospitality industries that it expects food to be clearly and unambiguously labelled with country of origin and welfare standard labels. (Paragraph 125)

19. Defra must ensure that government departments and other public bodies source their pork and bacon from suppliers employing high welfare methods of production. In this respect, Defra must lead by example. (Paragraph 126)

20. More generally, Defra must use its leverage to bring together the key elements of the pig meat supply chain to address the problems that threaten the sustainability of the English pig meat industry. Defra must discuss with the industry what work it can usefully commission to ensure the future sustainability of the industry. With goodwill and encouragement, we believe many of these could be resolved. Defra must seriously consider, in discussion with the industry, whether England needs to set up its own Pig Sector Task Force to tackle the issues such as labelling, carcass balance, productivity and efficiency facing the entire supply chain. (Paragraph 127)

21. A level playing field between English pig farmers and their EU counterparts is unlikely to develop in 2013 when the EU ban on stalls and tethers is brought into force as several EU countries are assisting their pig farmers financially to make the necessary changes. The Government must ensure that never again are UK farmers placed at such a disadvantage compared to their EU counterparts as a result of unilateral national action. (Paragraph 128)

Response

The Government is grateful to the Efra Committee for its timely Inquiry into the state of the English pig industry. As already indicated, Government accepts the main thrust of the Report that to achieve a sustainable future the resilience and competitiveness of the pig industry in England must improve. This is entirely in harmony with Defra's Departmental Strategic Objective to secure a thriving farming and food sector with an improving net environmental impact.

The Efra Report identifies a number of areas that need to be addressed by government and industry. For the Government these centre around facilitating round table discussions with all parts of the supply chain from farmers to retailers. The Report calls for greater transparency and return to producers that reflects their higher welfare standards and enables them to invest in a long term sustainable future. The recently announced Pig Meat Supply Chain Task Force is the preferred vehicle for delivering this critical facilitation role over the next twelve months.

In response to the Report's more specific conclusions it should be emphasised that the Government has a clear position to support clearer and tighter country of origin labelling

and Defra is working closely with the Food Standards Agency to achieve this in the negotiations on the Food Information Regulation (FIR) in Brussels and on increasing uptake of FSA guidelines domestically.

The Committee should be assured that the Department does take seriously its responsibility in seeking to obtain meat from pigs reared to UK standards of animal welfare. The Department is already setting a very good example on pork (100% domestically produced) and are leading the way with BERR on bacon (75% domestically produced). Defra will under the existing Public Sector Food Procurement Initiative continue to monitor progress across Government Departments and is currently working with OGC to develop a model clause for the procurement of pork and bacon to higher animal welfare standards which will aim to provide additional guidance on the appropriate use of quality standards.

The Government fully endorses one of the Report's conclusions that the industry should be praised for implementing the changes required of it by UK legislation, and for attempting to organise itself and inform the public of the high welfare standards of British pigmeat. The Government has made clear its support for the pig industry and believe the measures outlined in this response will make a positive contribution towards improving its resilience and long term sustainability.

Department for Environment, Food and Rural Affairs

March 2009