



House of Commons
Environment, Food and Rural
Affairs Committee

**The English pig
industry**

First Report of Session 2008–09

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House of Commons
Environment, Food and Rural
Affairs Committee

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First Report of Session 2008–09

*Report, together with formal minutes, oral and
written evidence*

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Environment, Food and Rural Affairs Committee

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Summary

The pig industry is highly competitive and is well known for being cyclical. The last ten years have seen a steady decline in the scale and productivity of the English pig industry and an increase in the pig meat imported into the UK to satisfy consumer demand. UK pigs cost more to produce than their EU counterparts, but the price received by farmers for their pigs does not appear to be sufficient to cover the rising costs of production or provide sufficient margins to enable investment in more efficient production methods. The lack of transparency in the supply chain leads farmers to form the view that they are not getting their fair share. The industry blames the high cost of production on the effects of disease outbreaks, high feed prices, burdensome environmental regulations and the high cost of the introduction of new welfare standards of housing for pigs in 1999. However, evidence to the Committee has questioned whether pig production is as efficient as it could be in the UK, whether carcass utilisation could be improved, and whether there is sufficient demand to support both producers and processors in the supply chain.

The UK Government assisted the pig industry with a one-off restructuring grant in 2000 but has said that it will not provide further funding to assist producers with the cost of high welfare housing or the cost of implementing environmental regulations. The Committee considers that, despite its reluctance to provide further grants for the industry, the Government has an important role to play in facilitating round table discussions to ensure better cooperation within the pig supply chain. These discussions could help the industry identify how it can help itself to improve its efficiency and productivity through health, welfare, research and marketing strategies. Defra must continue to advise other Government departments and public bodies on the welfare standards of farm assurance schemes in order to encourage them to adopt a more innovative approach in public sector procurement of pig meat. Defra must continue to liaise closely with the industry on its Health and Welfare Council and also continue to fund research into the pig-specific diseases which have severely impacted on the industry in recent years.

We believe that the Government should discuss with the Scottish administration the common issues facing both Scottish and English pig industries.

Pig producers are rightly proud of their high welfare standards, but we do not consider that they have successfully promoted to the consumer the justification for the higher cost of English pig meat. Retailers and catering suppliers are responsible for ensuring that labelling of pig meat products is clear and unambiguous, but producers, animal welfare groups such as the RSPCA, and Government, have a role in making certain that consumers understand the difference between the standards of welfare in the various methods of pig production and ensuring that pig meat produced in the UK is of a high welfare standard.

1 Introduction

Aims of the inquiry

1. The British pig industry comprises some 470,000 breeding sows producing just over nine million pigs a year equating to approximately 800,000 tonnes of bacon and pork for the food chain.¹ England accounts for about 82% of the UK's breeding pigs, Scotland 9.4% and Wales under 1%.² Approximately 92% of pigs are kept on 1,400 modern commercial farms and the rest on some 10,000 small holdings and farms. The average pig herd size on a modern commercial farm is in the region of 500 breeding sows. In England, most herds are situated in the east of the country.

2. The pig meat supply chain consists of producers (farmers), the marketing of pigs from farm to abattoir, processors, sometimes specialist manufacturers and then retailers. Carcasses are broken down into prime cuts (e.g. pork chops and steaks) which are generally sold to retailers and cheaper cuts (e.g. legs, shoulders and bellies) which may be sent to food manufacturers or exported.

3. The consumption of bacon and ham in the UK has remained fairly constant over the past 10 years (between 400,000–500,000 tonnes per year), but the consumption of fresh pig meat and other processed pig meat has increased since 2001 from 700,000 to 900,000 tonnes.³ Despite this increase in demand, between 1997 and 2007 the size of the UK pig herd decreased by some 40%, although by 2006–7 the national herd size appeared more stable.⁴ The increase in demand has been met by an increase in imports, particularly from Denmark and the Netherlands.⁵ Over half the pork meat eaten in the UK is imported.⁶

4. The pig industry is highly competitive and is known to be a cyclical one. Traditionally, producers would react to an increase in profitability by expanding their production. This would then lead to a fall in pig prices and producers contracting their businesses, eventually leading back to an increase in profits. However, it has been argued that the reduction in production of 36% between 1998 and 2007 is not simply a low point in the “pig cycle”, the term given to the regular fluctuation in the size of the national herd in response to market demand, but is indicative of a long-term erosion of the competitiveness of the industry.⁷

5. On 17 July 2008, the Committee announced its inquiry to examine what was wrong with the pig industry in England. In particular it asked:

1 British Pig Executive Production Guide, <http://www.bpex.org.uk/Press/PigProductionGuide>, and Competition Commission, *Final Report: Market investigation into the supply of groceries in the UK*, April 2008, Appendix 9.5, p 1

2 Ev 68

3 Scottish Executive, *Pig Sector Task Force Report*, June 2008, p 3

4 Ev 70

5 Ev 69

6 Q 56

7 Ev 3

- Are present problems more than just a cyclical imbalance between supply and demand?
- Are domestic pig welfare standards a principal reason that English producers have problems competing with those outside the UK? Are there other reasons?
- What could supermarkets and the hospitality industry do to alleviate the pressure on the domestic pig industry?
- Can the Government do more to support the industry either directly or through its public procurement policies?

6. The Committee received 28 submissions. We took oral evidence from: British Pig Executive Ltd and National Pig Association; British Meat Processors Association; British Hospitality Association; Waitrose and British Retail Consortium; Rt Hon Jane Kennedy MP, Minister for Sustainable Food, Farming and Animal Health, and Duncan Prior, Policy Advisor, Livestock and Livestock Products, Department for Environment, Food and Rural Affairs. We also received an informal briefing from the Office of Fair Trading and the Competition Commission. We are grateful to all those who gave evidence to or assisted us with the inquiry.

2 Background

Key factors affecting the pig industry in the last 10 years

7. Pig farm incomes have fluctuated over the last 10 years due to the movements in pig meat and feed prices.⁸ According to the British Pig Executive (BPEX), the English pig sector subsidiary of the Agriculture and Horticulture Development Board,⁹ most English pig farmers are currently producing pigs at a loss of around £7 per finished pig, but in November 2007 this loss was as high as £25 per pig.¹⁰ Defra estimated that the average commercial farm had losses of £4,100 in the year ending February 2008.¹¹ In 2007, farmers were being paid approximately £1.10 per kg for a pig that cost them £1.44 per kg to produce.¹² Several farmers submitted evidence to the inquiry about their struggle to continue pig farming during the current perceived crisis in the industry. One pig farmer had given up farming altogether, another now relied on his arable farming to support the pig side of the business, and another relied on the poultry side of his business to support pig production.¹³

8. Most submissions to the inquiry agreed that the reduction in production of 36% between 1998 and 2007 was due to more than a trough in the cycle. Many argued the decline in production was indicative of a long-term erosion of the competitiveness of the industry. The following series of events were identified as having contributed to the steady deterioration of the pig industry:

- The global slump in the pig meat prices in 1998 created a market where it is claimed that even the most efficient UK producers lost money;¹⁴
- In 1999, the UK introduced a ban on tethers and close-confinement stalls for breeding sows. Pig World magazine estimated that the move from stalls to loose housing with straw cost the industry £323m.¹⁵ BPEX claimed that this added 6.4p per kilo to the ongoing cost of production (although this cost is disputed by animal welfare groups);¹⁶

8 Competition Commission, *Final Report: Market investigation into the supply of groceries in the UK*, Appendix 9.5, p 2

9 BPEX Ltd is a statutory body funded by a single levy with flexibility to use funds on a range of activities (within the constraints of State Aid rules). The levy is funded by producers and processors. BPEX Ltd has the task of increasing the competitiveness, efficiency and profitability of English pig levy payers and on driving demand for English pork and pig meat products in the UK and globally.

10 Ev 2

11 Ev 68

12 BPEX, *The impact of feed costs on the British Pig Industry*, September 2007, p 7

13 Ev 6, 109, 115

14 Ev 91

15 Ev 99

16 Ev 4

- Outbreaks of Classical Swine Fever (CSF) (2000) and Foot and Mouth Disease (FMD) (2001) hit the industry hard, leading to movement restrictions and the closure of export markets;¹⁷
- Overcrowding of pigs due to the movement restrictions in 2000/2001 is thought to have triggered outbreaks of Post Weaning Multisystemic Wasting disease (PMWS), Porcine Dermatitis Nephropathy Syndrome (PDNS) and Porcine circovirus type 2 (PCV2);¹⁸
- A further outbreak of FMD in 2007 led to export restrictions, often of the part of the carcase known as the “fifth quarter”,¹⁹ to both the EU and the valuable non-EU markets in China. BPEX told the Committee that the loss of non-EU markets due to exotic disease (disease that is not usually found in the UK) can take years to re-establish,²⁰ and
- 2007 saw sharp increases in fuel prices and record increases in feed prices, which had a dramatic effect on the cost of pig production as feed represents more than 50% of the cost of producing a pig.²¹ However, the market returns for pig meat failed to keep pace with the increase in production costs, leading to losses for farmers.²²

9. The industry blamed these key factors for reducing profitability, which in turn led to reduced producer confidence and therefore reduced the level of reinvestment in production systems by pig producers.²³ The following additional ongoing challenges were also considered to be critical to the health of the industry:

- Continued competition from cheaper imports within the EU. The English pig industry has lower, and less efficient, production than its EU counterparts and as a result, parts of the retail, hospitality and public sectors choose to buy the cheaper product from overseas producers;²⁴
- Food labelling of pig meat products has been described as ambiguous—consumers are not sure whether they are buying domestic pig meat.²⁵ Labelling often does not tell the consumer whether the meat was raised to British standards of welfare. The industry believes that more accurate and helpful labelling would enable the consumer to make more informed choices about the pig meat they wish to eat;²⁶

17 Ev 2

18 Ev 11, 91, 99

19 “Fifth quarter” refers to the parts of the carcase which are not lean meat, e.g. head, lungs, hide, and offal. If it is not sold then disposal has to be paid for.

20 Q 80 [Stewart Houston]

21 Ev 69

22 Ev 68

23 Ev 2

24 Q 130, Ev 55

25 Ev 100

26 Ev 1

- The financial and administrative burden placed on the producer by environmental regulations, in particular the Integrated Pollution Prevention and Control Directive (IPPC), Waste, and Nitrates Directives;²⁷
- The efficient use of all parts of a pig to ensure a decent price is called “carcase balance”—however, it has been suggested that the English pig industry fails to fully utilise the carcase to the same degree of efficiency as its EU counterparts;²⁸
- Pig industry supply chains have been described as “fragmented [...] and generally adversarial”.²⁹ With few exceptions, the producer is at arm’s length from the retailer and the lack of long-term contracts between producer, processor and retailer is blamed for unstable and opaque supply chains.
- The preparedness of the industry for the ongoing threat of exotic disease outbreaks.

Previous Government financial support of the pig industry

10. The pig sector does not, and has not ever, received assistance from the Common Agricultural Policy. The only support available has been through intervention in the market and aid for private storage.³⁰ However, Rt. Hon Jane Kennedy MP, Minister of State for Farming and the Environment, told the Committee that the Department had a responsibility to “ensure a thriving agricultural industry across the UK”.³¹

11. Limited government assistance was provided following the Prime Minister’s summit with industry representatives in response to an outbreak of CSF in 2000. The Pig Industry Restructuring Scheme, with a grant of £37 million over three years, was announced as part of the Action Plan for Farming on 30 March 2000. Its aim was to help pig producers reduce breeding capacity, reduce costs, overcome any competitive disadvantage and restore long term viability.³² There were two elements to the scheme, “Outgoers” and “Ongoers”. Outgoers offered aid to those who wished to cease pig production and either leave the agriculture industry completely or continue in another form of agricultural production. Ongoers offered aid in the form of an interest rebate on borrowing related to pig production and a business plan to producers who wished to restructure their business to become viable in the longer term. The scheme closed to applicants in 2001 and all payments have been made. In its submission to the inquiry, the Government said that it would not assist the industry again as it had in 2000/01,³³ and that:

[T]he pig sector’s long term sustainability will continue to depend on its ability to compete successfully upon market principles, involving performance, quality and welfare standards. [...] Continued investments by the industry will be key, although

27 Ev 7, 13, 30, 108, Qq 46–52

28 Ev 4, 54, Qq 223–225,

29 Ev 57

30 Scottish Executive, *Pig Sector Task Force Report*, p 4

31 Q 227

32 Defra website information on the Pig Industry Restructuring Scheme, www.defra.gov.uk/farm/livestock

33 Ev 70

the current priorities for many producers may be re-establishing profitability and clearing debts.³⁴

Previous Select Committee inquiry into the pig industry

12. The Agriculture Committee, our predecessors before machinery of Government changes, looked at the pig industry in 1999 when the UK herd numbered about 8.1m pigs, with 780,000 breeding sows kept on approximately 14,000 farm holdings.³⁵ At this time the figure represented a high point in the pig cycle. The Committee concluded that the introduction of the ban on stalls and tethers in the UK ahead of the rest of the EU would weaken the competitive position of the UK industry and that the relevant Government Department, then the Ministry of Agriculture, Fisheries and Food, should consider appropriate and limited compensation for the changes necessary.³⁶ That Committee considered that the Government had been too quick to impose costs and burdens on UK agriculture without adequate consideration of the impact on its competitiveness and the financial implications of unilateral actions in the UK.³⁷

13. The Agriculture Committee also concluded that processors, manufacturers and retailers made reasonable profits in a depressed and oversupplied market, whilst producers incurred heavy losses, and did not appear to take the long-term viability of the industry into account. The Committee recommended that retailers support the Government's efforts to provide higher standards of animal welfare by not buying cheaper imports or by demanding that imports meet the same welfare standards as UK reared meat.³⁸

14. 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.

34 Ev 70

35 Agriculture Committee, Third Report of Session 1998–99, *The UK Pig Industry*, HC 87, para 11

36 Agriculture Committee, *The UK Pig Industry*, para 22

37 Agriculture Committee, *The UK Pig Industry*, para 25

38 Agriculture Committee, *The UK Pig Industry*, para 35

3 The current challenges facing the English pig industry

Feed prices

15. Many submissions argued that the recent dramatic increase in feed prices was the most significant factor in the current crisis in the industry. In the UK (and the rest of the EU) animal feed consists mainly of wheat, soya and some barley.³⁹ Feed accounts for almost half the price of producing a pig, and the rising price of feed commodities during 2006–2008 (in particular soya and wheat) caused pig production costs to soar. Wheat almost doubled in price between March 2007 and March 2008 due to two successive poor harvests in many parts of the world and the growing demand from India and China for wheat.⁴⁰ Soya production is falling as land is switched from soya to maize for biofuels.⁴¹ Defra's submission said that the increase in global feed prices accounted for 2% of the decline in pig production in 2008 throughout the EU.⁴²

16. Defra reports that since March 2008 cereal prices, and hence feed costs, have started to fall and the department believes that prospects for the global 2008 harvest are generally favourable for both maize and wheat. If pig prices remain the same and cereal prices stabilise or continue to fall through to February 2009, then Defra predicts that there will be a partial recovery in profitability for the pig industry in 2008–2009.⁴³

17. Evidence to the Committee from farmers and BPEX suggested that during the recent increase in feed prices, the “farmgate prices”, the price paid to farmers, did not increase at the same rate as retail prices. BPEX told us:

Average retail prices of pork and pork products have increased substantially over the last year, by 179p per kg or 37% (at August 2008 on the previous year). Over the same period the average pig price paid to farmers has increased by only 27p per kg.⁴⁴

BPEX bases its retail figures on a weekly independent survey of retail prices in the four largest supermarkets which is carried out on behalf of BPEX.⁴⁵

18. BPEX believes that the net profit margins are not being shared through the whole supply chain and that farmer and abattoir returns could be increased to more sustainable levels without a huge increase in retail prices for the consumer.⁴⁶ In 2007, farmers were being paid around £1.10 per kg for a pig that cost them £1.44 per kg to produce.⁴⁷ BPEX

39 BPEX, *The impact of feed costs on the British Pig Industry*, p4

40 Ev 69, and BPEX, *The impact of feed costs on the British Pig Industry*, p 5

41 BPEX, *The impact of feed costs on the British Pig Industry*, p 6

42 Ev 68

43 Ev 69

44 Ev 4

45 Ev 33

46 Ev 4

47 BPEX, *The impact of feed costs on the British Pig Industry*, p 7

estimated that abattoirs were also losing £4 for every pig slaughtered.⁴⁸ Despite the fall in feed prices in early 2008, the figures provided by BPEX in September 2008 suggested that for every pig a farmer rears and sells, he is likely to lose £7.⁴⁹ The Pigs Are Worth It campaign (run by BPEX) has asked for supermarkets to pay an extra 34p per kg for pigs to help preserve British pig farming. The campaign claims that, if passed on to shoppers without any additional margin added to the price, it would only mean between 7p and 17p on the pack price of typical pork products.⁵⁰

19. The British Retail Consortium (BRC) argued that during the time of rising feed prices, the producers had earned a larger proportion of the net profit than others in the supply chain. The BRC states that figures provided by the Office of National Statistics show that the average pig price paid to farmers had risen from 109.8p/kg in August 2007 to 137p/kg in August 2008 (an increase of 24.7%). BRC compared this to the increases over the same period of the retail price of bacon (7.4%) and pork loin (14.1%). BRC claim that this demonstrates that: “Retailers, through competition and promotion have kept the price increases to consumers to a minimum whilst not penalising farmers, a point that is demonstrated by the increase in their share of the final price”.⁵¹

20. The Competition Commission looked at the increases in both farmgate and retail prices for pig meat in its report *Market investigation into the supply of groceries in the UK*. The Commission found that grocery retailers had not appeared to have increased their share of the retail price for pig meat over the period of sharp increases in feed. However, the report concluded that farmers were bearing the cost of higher production costs due to the increases in feed prices:

During 2007 the pig meat industry has been experiencing high feed prices as a result of high cereal prices. Defra has estimated that in 2007 this has added approximately 20% to the cost of production for the primary producer. In comparison, processor prices have only increased by 3% and retail prices by 4%. This has meant that the spread between the retail and the producer price has narrowed, but that primary producers are currently carrying more of the burden of increased production costs.⁵²

21. Defra states that it had supported measures taken by the European Commission to increase the supply of feed grains and reduce prices. These measures included:

[S]uspending the duty on imports of third country cereals, re-selling the remaining intervention (public) stocks of grain and removing the requirement for farmers to keep land out of production for the 2008 and 2009 harvests [...] We also support further reductions in market support in the on-going CAP Healthcheck.⁵³

48 BPEX, *The impact of feed costs on the British Pig Industry*, p 8

49 Ev 2

50 BPEX, *The impact of feed costs on the British Pig Industry*, p 9

51 Ev 67

52 Competition Commission, *Market investigation into the supply of groceries in the UK*, Appendix 9.5, p4

53 Ev 70–71

Defra states that, as a consequence of these measures, the production of EU cereals was forecast to be 16% higher than in 2007 and since the start of 2008, feed wheat prices had fallen by approximately 32%.⁵⁴

22. The British Meat Processors Association (BMPA) told the Committee that the Government could reduce the pressure on the pig industry from fluctuating feed prices by pressing for swifter action on the use of GM feed in the European Union.⁵⁵ Mr Stewart Roberts, Chairman of the BMPA, questioned why it was possible to import products into the UK that had been fed on a diet of GM feed, but it was not possible to import GM feed to produce animals in the UK.⁵⁶ The BMPA also urged the EU to take a science-based approach to the issue of non-ruminant meat and bone meal as an alternative protein source to grain for pigs.⁵⁷ In its submission, Defra acknowledged the industry's concern that feed imports were affected by delays in the EU approval regime for GM products, and stated that it had encouraged the European Commission to find ways of speeding-up the approval regime without compromising on safety.⁵⁸

23. However, concern was expressed by Friends of the Earth on the global environmental impact of the domestic pig industry and the sustainability of its use of soya from South America and its reliance on imported animal feeds.⁵⁹ Waitrose and FARM (a national organisation promoting sustainable farming in the UK) suggested that there was a need to improve domestic food security by investigating alternative feeds and farming systems to reduce the risk of relying on imported feeds.⁶⁰

24. 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.

Competitiveness

25. Although the demand for fresh pork in the UK has increased, UK pig meat production fell from 1.155 million tonnes in 1998 to 0.739 million tonnes in 2007.⁶¹ There has been an increase in imports from the EU. Denmark, the Netherlands and Germany are the main

54 Ev 71

55 Ev 39

56 Q 107

57 Ev 39

58 Ev 71

59 Ev 87

60 Ev 57, 84

61 Ev 2

EU importers of pig meat to the UK.⁶² In 1998 the UK produced 84% of the pig meat that it consumed; now more than half of the pig meat eaten in the UK is imported.⁶³

26. The need for imports to satisfy demand is exacerbated by the fact that British pigs cost more than their EU counterparts to produce. The BMPA said that the UK had the highest cost of production in the EU in 2006: 108.2p/kg compared with 91.3p for Denmark and 87.2p for the Netherlands.⁶⁴ Defra noted that UK production costs are 12% higher than the EU average.⁶⁵ The average daily live weight of UK pigs was at the lower half of the EU league table and the annual number of pigs weaned per sow was 21.4 compared to 25.9 in Denmark and 25.1 in the Netherlands.⁶⁶ BPEX pointed out that the latest figure for pigs weaned per sow had improved in recent years as a result of industry strategies (in 2004 pigs weaned per sow had been 18.84).⁶⁷ BPEX's Pig Health and Welfare Council, its health and welfare strategy, and research and development strategy aimed to tackle the issues of the lower efficiency and productivity of the English pig industry.⁶⁸

27. The British Hospitality Association (BHA) claims that the UK is competitive with other EU countries in shoulder and belly pig meat, but pork loins and legs are 15–20% more expensive. Back bacon, which is consumed in large amounts in the UK, and preferred by customers to streaky bacon, is far more expensive if sourced from the UK.⁶⁹

28. Farmers and BPEX blame higher welfare standards for the higher cost of production. The BMPA suggested that environmental regulations prevented pig units reaching their optimum production size and that they were also responsible for the difference in production costs. BPEX argued that EU producers did not seem to have the same pressure of legislation and inspections as their UK counterparts had.⁷⁰ The issue of abattoirs being closer to farms on the continent than they are in the UK was raised by John Godfrey, a pig farmer.⁷¹

29. According to Waitrose, some retailers, against the background of a ready supply of cheaper pig meat in the EU, have not been willing to increase prices paid to British producers to allow them to recover the costs of increased feed prices during recent years. Waitrose also noted that the UK had smaller processing factories than some other EU countries with large abattoir groups which also added to the costs of UK production.⁷² Mr Duncan Sinclair, Agricultural Manager with Waitrose told the Committee: "I think it is an

62 Ev 69, 70

63 Q 56, and Letter to Richard Lochhead, Cabinet Secretary for Rural Affairs, from the Farm Animal Welfare Council, 7 July 2008, www.fawc.org.uk/pdf/letter070708.pdf

64 Ev 37

65 Ev 69

66 Ev 37

67 Q 2

68 Q 1

69 Ev 48

70 Q 10

71 Q 10

72 Ev 57

important consideration in terms of the economies of scale and the scale of the processing facilities and unit costs right through the whole process.”⁷³

30. The BMPA questioned whether there was room for both farmers and processors in an efficient pig industry. It thought that the UK had been slow to embrace the integration of farming and processing—an approach that appears to have been successful in other countries:⁷⁴

[T]here is not enough profit for the farmer and the processor and if we continue that argument forward effectively you cannot have the two sustaining alongside each other in the long term.⁷⁵

31. The Pig Veterinary Society suggested that the most effective response of pig farmers to the current problems they face is to:

(i) enlarge in scale, so that the size of slaughter agreements gives some bargaining power to the producer, (ii) purchase their own processing facilities, and (iii) develop niche markets with higher value-added returns. Progressive farmers will adopt one or all of these strategies and the PVS supports these trends—there is no value for our pigs or the industry in small, non-profitable farms battling into bankruptcy situations.⁷⁶

32. The BMPA told the Committee that in the past the UK had “world-class efficient pig production” through the use of genetics, but “what has happened is that much of the rest of the world has caught up with us.”⁷⁷ The BMPA warned that unless the UK industry became more efficient, there would continue to be a commercial pressure on processors from retailers and caterers to source cheaper products from outside the UK.⁷⁸

33. 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 productions 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.

34. Evidence to the Committee identified several factors as affecting the competitiveness of the English pig industry. We examine these below.

73 Q 170

74 Ev 37

75 Q 108

76 Ev 112

77 Q 106

78 Ev 37

Welfare standards

35. In 1999, the UK banned tethers and close-confinement stalls for breeding sows to improve pig welfare. The UK bans were introduced ahead of EU wide bans on tethers in 2006, and sow stalls expected in 2013 (keeping sows in close-confinement stalls for the first four weeks after service will still be allowed).⁷⁹ In addition to welfare legislation affecting the whole industry, 92% of British pig production falls under a voluntary pig farm assurance scheme. Farms in the scheme are inspected every three months by a veterinarian and annually by an independent inspector. The scheme sets out standards on pig husbandry, welfare, traceability and food safety that exceed UK legislation (e.g. castration of male pigs is prohibited).⁸⁰ Pig meat raised to the required levels of welfare under the scheme is awarded a Quality Assurance Standard mark. The UK is not alone in employing high welfare standards for pig production. Certain other EU Member States (Sweden, the Netherlands and Germany) have introduced national requirements that exceed the common minimum standards for pig welfare set by Council Directives 91/630/EEC and 2001/88/EC and Commission Directive 2001/93/EC.⁸¹ Some UK retailers have contractually bound producers in other EU countries, such as Denmark, to raise pigs destined for the UK market to UK welfare standards.⁸² BPEX told the Committee that as a result of their higher standards, UK farmers were paid more for pig meat than their EU counterparts, and in some cases supermarkets pay producers a premium for additional welfare standards, such as outdoor reared pig meat.⁸³

36. Defra states that in 1991, when the unilateral ban on stalls and tethers by 1 January 1999 was agreed to, the cost to the UK pig industry was estimated at about £9 million.⁸⁴ However, Pig World estimates that the cost to the industry was approximately £323 million.⁸⁵ Defra acknowledges that the initial cost of conversion may have caused some difficulties for the UK pig industry, but has no analyses of the current impact of the UK ban on close-confinement stalls and tethers for breeding sows on production costs.⁸⁶ The Farm Animal Welfare Council, an independent advisory body,⁸⁷ recently put the capital costs of feeding systems and buildings at £400 to £700 per sow.⁸⁸ BPEX agree with this estimate.⁸⁹ Most submissions from farmers, and others like Waitrose, agreed that the cost

79 Ev 69.

80 Pig Production Guide on the BPEX website, www.bpex.org.uk/Press/PigProductionGuide/overview.aspx

81 Ev 69

82 Ev 4, 25

83 Qq 38–40

84 Ev 69

85 Ev 99

86 Ev 69

87 The Farm Animal Welfare Council was established by the Government in 1979. Its terms of reference are to keep under review the welfare of farm animals on agricultural land, at market, in transit and at the place of slaughter; and to advise the Government of any legislative or other changes that may be necessary.

88 Letter to Richard Lochhead, Cabinet Secretary for Rural Affairs, from the Farm Animal Welfare Council, www.fawc.org.uk/pdf/letter070708.pdf

89 Q 7

of conversion to group housing has been difficult for them to bear. One farmer said that it cost £400,000 for her farm to meet the new legislation in 1999.⁹⁰

37. In addition to the capital investment necessary to create larger sow accommodation (a doubling of space allowance per sow), additional straw storage and new feeding systems, farmers also incur ongoing higher operating costs from higher feed usage, additional labour, and reduced productivity as a result of less efficient feeding, reduced farrowing rates and smaller litter sizes.⁹¹ BPEX estimated that running a stall system is 15% cheaper than running a loose housing system, with the higher welfare standards adding 6.4p per kg deadweight to the cost of pig meat.⁹² BPEX also states that information from their Danish sources put the cost of Danish producers raising meat to UK welfare specifications, for export to the UK, at an additional 5–6p per kg.⁹³

38. Some evidence to the Committee questioned the extent to which the higher welfare standards could be blamed for the ongoing higher costs of production compared to other EU countries. Compassion in World Farming claimed that moving from stalls to group housing adds just 2p per kg of pig meat.⁹⁴ The RSPCA argued that studies had shown that, contrary to BPEX's evidence, although there were initial capital costs for the farmers, there were no additional ongoing running costs from moving to group housing.⁹⁵ The RSPCA noted that Sweden, which has higher national welfare standards than the UK in many areas (e.g. greater space allowances, and a ban on the use of farrowing crates), has lower costs of production than in the UK.⁹⁶ BPEX claimed that the difference between Swedish and British production costs is only 2.4p/kg.⁹⁷ Less than 1% of imported pig meat to the UK comes from Sweden.⁹⁸

39. In addition to the statutory welfare standards, BPEX said that UK farmers do not castrate their pigs for welfare reasons. The lack of castration meant that male pigs are not taken to such great weights as they are in other EU countries, causing lower productivity.⁹⁹ BPEX told the Committee that a ban on castration was high on the agenda in Europe.¹⁰⁰

40. Whilst Defra noted the Farm Animal Welfare Council's conclusions on the effect of high welfare standards on the cost of production, the Department considered that factors other than welfare have a significant role in relative costs—physical performance of the herd, feed costs, land and labour costs.¹⁰¹

90 Ev 91

91 Ev 4, 25–26

92 Ev 4, Q 7

93 Ev 4

94 Ev 94

95 Ev 106

96 Ev 106

97 Ev 24

98 Letter to Richard Lochhead, Cabinet Secretary for Rural Affairs, from the Farm Animal Welfare Council, www.fawc.org.uk/pdf/letter070708.pdf

99 Q 7

100 Q 9

101 Ev 69

41. Some submissions have argued that after 2013 meat that does not meet EU welfare standards should be banned.¹⁰² In its submission, Defra said that:

WTO rules do not allow members to restrict trade in products based solely on the method of production (e.g. on animal welfare grounds) and the UK adheres to the principle that developing countries should be granted equal access to our markets without having processing standards imposed. Developing countries in particular fear that animal welfare production standards will be used as an excuse for protectionism.¹⁰³

42. BPEX raised with the Committee the issue of Government financial assistance for the cost of conversion to the use of open housing, and provided details of the assistance provided by Irish and French Governments to their farmers. In Ireland, this consisted of a 40% grant for capital investment in new or altering existing accommodation. There was a maximum grant per farm of €120,000. In France, the aid consisted of support of up to 20% of total eligible investment, with a ceiling of €15,000 per farm.¹⁰⁴ Defra had told BPEX that it could not be done in the UK.¹⁰⁵ When asked why UK farmers had not received similar help, Mr Duncan Prior, Policy Advisor, Livestock and Livestock Products, Defra, told the Committee that “this Government does not generally speaking feel that it has to use public money to pay people to meet their legal obligations.”¹⁰⁶ In supplementary evidence to the Committee, the Minister said that it was unable to corroborate the information provided by BPEX, but that the Government did not favour the use of taxpayers money for the type of schemes BPEX had suggested were available in France and Ireland.¹⁰⁷

43. 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.

44. 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

102 Ev 7, 94

103 Ev 70

104 Ev 31–32

105 Q 69 [Mr Nigel Penlington]

106 Q 260

107 Ev 81

production costs that UK farmers have to pay to support higher welfare production systems.

45. 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.

46. BPEX and individual producers also raised the issue of the phasing out of the agricultural buildings allowance between 2008/09 to 2011/12 which was expected to exacerbate the cost to farmers of converting or replacing buildings at high cost to meet the statutory UK welfare standards. It was argued that housing for pigs, unlike other agricultural buildings, cannot be used for a variety of uses, and has to be replaced on a fairly regular basis (approximately every 15 years) due to the destructive nature of the animal.¹⁰⁸

47. The Minister told the Committee that the decision to remove the allowance had been made by HM Treasury, and no representation had been made by Defra on behalf of the pig industry.¹⁰⁹ Supplementary evidence from the Minister stated that Defra officials did not have specific discussions with the pig industry on this issue, but had discussions with the NFU on the new capital allowances. Defra officials have been working with HM Treasury and HM Revenue and Customs to ensure that official guidance reflects how the rules on plant and machinery capital allowances and the new Annual Investment Allowance apply to expenditure on slurry storage facilities.¹¹⁰

48. 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.

Retailers' support for the pig industry

49. The general consensus is that British farmers are proud of their high welfare standards and would not wish to return to the use of stalls or introduce castration. However, several submissions from farmers stated that they felt that the Government and retailers had pushed for the introduction of higher welfare standards in the 1990s, but have not been prepared since to support producers who have had to invest heavily in converting to the new standards.¹¹¹ BPEX's "Pork Watch" regularly surveys meat sold in the UK. It estimates that only 65% of pork, 22% of bacon, 10% of ham and 30% of sausage meat has the Quality

¹⁰⁸ Ev 35–36

¹⁰⁹ Q 271

¹¹⁰ Ev 82

¹¹¹ Ev 11, 102, 108, 116

Standard Mark on it.¹¹² Although some importers have introduced special “UK contracts” which are compatible with key aspects of British pig welfare legislation, BPEX estimates that 66% of imported pig meat has not been reared to UK statutory welfare standards and would be illegal if produced in this country.¹¹³

50. The British Retail Consortium (BRC) argues that its members (the major UK supermarkets) only import pig meat from EU producers using equivalent welfare standards to the UK,¹¹⁴ (although ASDA told the Competition Commission during its study of pig meat supply chain profitability, that “in most instances” it used pig meat produced to UK standards. In the exceptions where it did not, meat was produced to EU welfare standards.¹¹⁵) The BRC estimates that if the rest of the retail and hospitality sector does not, then the overall proportion of imported pig meat that would not meet UK welfare standards would be approximately 50%.¹¹⁶

51. In order to achieve a fair playing field for UK producers, BPEX has called for all UK retailers and food service companies to specify that they only buy pig products that meet the legal minimum standard for animal welfare in the UK.¹¹⁷ BPEX told the Committee that overseas producers had said that they could produce greater volumes of higher welfare-quality product, at a higher premium, but there was not the demand for it from retailers and food service companies in the UK.¹¹⁸ The British Hospitality Association and BRC argue that the consumer demand is for cheaper products, not higher-price meat produced to high welfare standards.¹¹⁹ BPEX believes that the lack of clear labelling of pig meat has resulted in a low level of awareness amongst consumers of the issue of animal welfare.¹²⁰

Food labelling

52. Several submissions to the inquiry raised the concern that there was a lack of a consistent approach on country of origin labelling.¹²¹ For example, the Food Labelling Regulations 1996 (as amended) require that food that is ready for delivery to the consumer or catering establishment be marked or labelled with:

[...] particulars of the place of origin or provenance of the food if failure to give such particulars might mislead a purchaser to a material degree as to the true origin or provenance of the food.¹²²

112 Q 15

113 Ev 34–35

114 Qq 177, 186

115 Competition Commission, *Market investigation into the supply of groceries in the UK*, Appendix 9.5, p 5

116 Ev 67

117 Q 17 [Mr Mick Sloyan]

118 Q 17 [Mr Mick Sloyan]

119 Q 132 [Mr John Dyson], 191 [Mr Andrew Opie]

120 Q 17 [Mr Mick Sloyan]

121 Ev 3, 5, 7, 100, 117–118

122 The Food Labelling Regulations 1996 (SI 1996/1499 as amended), 5(f)

53. However, section 36 of the Trade Descriptions Act 1968 states:

Goods are deemed to have been manufactured or produced in the country in which they last underwent a treatment or process resulting in a substantial change.¹²³

Turning pork into bacon, ham or pies could be deemed to be “substantial change”. Therefore, pork from pigs reared in the EU could be cured in the UK and labelled “British”. However, recent guidance issued by the Food Standards Agency (FSA) on country of origin labelling states that a substantial change would not cover slicing, cutting, mincing or packing.¹²⁴ Similarly, the FSA advises that pork sausages made in Britain using pork from countries outside the UK should not be described as “British pork sausages”.¹²⁵ It is the responsibility of Trading Standards Officers to ensure that food labelling rules are enforced at retail level and the consumer is not misled.¹²⁶

54. The Committee were shown an example of a pack of Tesco’s back bacon which was labelled as “Produce of BRITAIN”, but the small print showed the text “Produced using pork from the UK, Denmark, Holland or Sweden and packed in the UK”.¹²⁷ The pack was from August 2006. The British Meat Processors Association said that retailers were able to offer the impression of loyalty to the UK pig industry without adding value to the UK supply chain,¹²⁸ and said that unclear labelling was one of the “most damning things to our premium product.”¹²⁹

55. The issue of unclear labelling has been highlighted by the recent contamination of animal feed used to produce Irish pork. Newspaper reports suggested that supermarkets and consumers were unclear which pork products labelled “British” were in fact Irish and possibly contaminated, particularly those food items containing a mixture of ingredients.¹³⁰ It was reported that two days after the contamination was announced on 6 December, several supermarkets had still not produced lists of affected products.¹³¹

56. Currently, EU general labelling requirements for all foodstuffs are set out in Directive 2000/13/EC. On January 30, 2008, the Commission adopted a draft Regulation ensuring that a product’s essential nutritional information will be provided on its packaging in a legible and comprehensible manner.¹³² The proposal aims to clarify and tighten the rules on providing country of origin declarations, but does not extend the list of foods that require mandatory country of origin labelling. Where an origin declaration is provided and the origin of the primary ingredient(s) of a food differs from where the product has been made, the origin of those ingredient(s) should also be given, for example, “Made in the UK

123 Trade Descriptions Act 1968, section 36

124 Food Standards Agency, *Country of Origin labelling guidance*, October 2008, p 7

125 Food Standards Agency, *Country of Origin labelling guidance*, October 2008, p 8

126 Ev 82

127 Ev 102

128 Ev 38

129 Q 129

130 “Irish pork problem highlights labelling”, *Agra Europe Weekly*, 9 December 2008, and “Pork industry urges tougher labelling”, *Financial Times*, 9 December 2008

131 “Contaminated pork can be labelled British”, *Daily Telegraph*, 9 December 2008

132 European Commission proposal for a regulation, COM (2008) 40

from Dutch Pork”.¹³³ Defra considers that the regulation would be helpful and is working with the Food Standards Agency (which has produced recent guidance on both country of origin labelling and on clear food labelling) to support the new proposals.¹³⁴

57. Both BRC and the British Hospitality Association (BHA) argued that rather than country of origin, the number one factor affecting consumers’ choice was cost.¹³⁵ The BRC said that research by the Institute of Grocery Distribution (IGD) had shown that country of origin and the “British” label were not enough on their own to convince the consumer to buy the product.¹³⁶ Mr Andrew Opie, Food Policy Director of the BRC, told the Committee that “in the top five buying preferences for consumers country of origin was not one of those”.¹³⁷

58. BHA told the Committee that “British” food presented a good marketing opportunity for some restaurants to use provenance to attract customers, but it was not always possible for small cafés.¹³⁸ It was particularly difficult if a meal contained several raw ingredients from different countries.¹³⁹ Some catering companies were interested in animal welfare, and some such as Compass with its “Best of British” promotion, had had success in promoting meat in terms of welfare but the success had been limited by what the customer wanted to pay.¹⁴⁰ BHA had agreed to join a Scottish Executive-sponsored working party to look at provenance labelling.¹⁴¹

59. The Food Standards Agency states that better country of origin labelling is high on the list of consumers’ demands for change.¹⁴² Pig World magazine argued that surveys had shown that consumers would choose British pig meat over imported equivalents provided that the labelling is clear so that consumers can make their decision in 30 seconds or less, and the price differential is not too great.¹⁴³

60. BPEX told the Committee that whilst people may well put price high in the list of their considerations, it did not mean that it was the only thing consumers were interested in: “if you ask them [...] ‘would you like your pork to be produced to the same legal standards as it is in this country?’ the answer is overwhelmingly yes, because they do not appreciate that it is not for a lot of imported product.”¹⁴⁴ BPEX sent the Committee the results of the YouGov survey of May 2008 in which 40% of respondents said that they would be willing

133 Information on the proposal for a new regulation on the provision of food information to consumers, Food Standards Agency, February 2008, www.food.gov.uk/consultations/ukwideconsults/2008/infoprovision

134 Ev 69, 71, 82

135 Q 137 [Mr John Dyson], 191 [Mr Andrew Opie]

136 Institute of Grocery Distribution, *Connecting Consumers with Farming and Farm Produce*, 2005

137 Q 191

138 Q 134

139 Q 148

140 Qq 132–133

141 Q 166

142 Food Standards Agency, *Country of Origin labelling guidance*, October 2008, p 4, “Industry urged to give clear country of origin labelling”, Food Standards Agency press release, November 2002, www.foodstandards.gov.uk/news

143 Ev 100

144 Q 20

to pay between 1p and 10p extra for a pack of bacon to “help British farmers and support sustainable agriculture in the UK.”¹⁴⁵

61. In addition to the country of origin labelling on products, the Pork Quality Standard Mark was introduced in 1999 by BPEX to help consumers identify pork products (pork joints/bacon/ham) that conform to the UK’s welfare standards. Submissions to the Committee suggested that consumers were confused by both labelling and product displays mixing welfare and non-welfare products. Pig World magazine told the Committee:

When British bacon carrying the Quality Standard Mark was displayed in segregated blocks in ASDA stores for a test period in 2002, sales increased 3% by volume, 7% by value.¹⁴⁶

62. The EU Community Action Plan on the Protection and Welfare of Animals 2006–2010 envisages the introduction by 2009–10 of standardised welfare indicators and an EU wide welfare labelling scheme. Defra’s evidence to the Committee states that:

The aim is to facilitate the choice of consumers between products obtained with basic welfare standards or with higher standards. The 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.¹⁴⁷

63. The Minister told the Committee that there was not enough information currently on labels for consumers to understand the conditions under which the animal had been raised:

I think clearer and more effective labelling will allow purchasers in supermarkets to make it clear through what they buy that they want to support farmers who use better animal welfare production methods.”¹⁴⁸

[M]y experience as a consumer would be that there is not sufficient information on the labelling of food products, for example, to be able to judge from what you are reading what the welfare standards have been in the way that meat has been produced.¹⁴⁹

64. BRC said that supermarkets were responsible for clear labelling,¹⁵⁰ and that its Members have strived to improve the clarity of labelling in recent years.¹⁵¹ Mr Opie told the Committee “what all good supermarkets do is help consumers make a choice. If you go into any major UK supermarket now, which we all do, you will see lots of products [...]

¹⁴⁵ Ev 29–30

¹⁴⁶ Ev 100

¹⁴⁷ Ev 70

¹⁴⁸ Q 238

¹⁴⁹ Q 248

¹⁵⁰ Q 205

¹⁵¹ Q 200

very clearly labelled as British with “British”, with the Union Jack, with the BPEX quality mark”.¹⁵²

65. However, Mr Opie of the BRC told the Committee “I am not sure whether UK consumers would necessarily understand some of the animal welfare issues. I think they understand country of origin better than they would necessarily understand the nuances of animal welfare.”¹⁵³

66. BPEX admitted that it was difficult to communicate the issue of welfare standards in one label or symbol, but the industry had tried to do this through the use of the Quality Standard Mark.¹⁵⁴ BPEX admitted that it had not succeeded in making sure that consumers fully understood the issue, and that it only had limited funds to communicate the message it wished to convey.¹⁵⁵ It believed that the retail and hospitality sectors did not always adequately indicate the methods or systems used in the production of pig meat to allow consumers to make an informed choice.¹⁵⁶ In this context, retailers were described as the “gatekeepers” to demand in the market place.¹⁵⁷ Mr Mick Sloyan, Chief Executive of BPEX said:

I do really think that retailers cannot abdicate the responsibility in terms of the specifications that they have; nor food service companies; nor, dare I say it, government in terms of the specifications it uses to buy the products we have which we know are not universally specifying at least a legal minimum standard for UK product. There are a lot of people in the chain who all have a responsibility to communicate this. One thing I am very sure of though is that if consumers were fully aware that when they pick up a very cheap packet of bacon, for example, those standards of welfare were not just not the highest but would be illegal in this country, it would change consumption patterns, not for everybody—I fully accept that—but certainly for a significant proportion of the population.¹⁵⁸

67. BPEX used fair trade bananas as an example of where retailers and food service companies provided information to the consumer on the benefits of fair trade and created a demand for the product as a result.¹⁵⁹

68. The British Meat Processors Association (BMPPA) believed that processors ought to sit down around a table with producers and retailers to work out how to provide consumers with what they wanted, arguing that consumers wanted to know what the product was, what was in it and where it came from, but were confused about the different production

152 Q 192

153 Q 202

154 Q 21

155 Q 25

156 Q 25

157 Q 28

158 Q 25

159 Q 27

systems.¹⁶⁰ The debate on labelling had become muddled and it was time to agree what they were trying to tell the consumer.¹⁶¹

The FSA want to highlight the healthy side of the product or the unhealthy side of the product. The producers want to focus on the provenance. The retailers want to sell the product. It is their responsibility to see it move off the shelf and they are the ones who understand consumers better than we do. We have an input into that but at the end of the day, yes, it is in particular to educate consumers but we have almost got too many vested interests and in the end we do not get a decision and we carry on regardless with the same confusion on the pack.¹⁶²

69. The Minister agreed, when asked by the Committee, that there ought to be a greater effort from Defra to alert consumers to the differences between categories of labelling for pork.¹⁶³

70. BPEX are currently working with the RSPCA for legal definitions to describe and label pig meat as “free-range”, “outdoor” or “indoor”,¹⁶⁴ similar to the description applied to eggs and poultry that it believed would be understood by the consumer.¹⁶⁵ BPEX said that it hoped to have agreed that voluntary labelling code with the RSPCA by the end of the year.¹⁶⁶ The RSPCA asked that the Government lobby for marketing terms legislation at European level for compulsory pig meat labelling, to help end the confusion for consumers over welfare standards.¹⁶⁷

71. 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.

160 Q 111

161 Q 109

162 Q 112 [Mr Gerry Finley]

163 Q 247

164 The RSPCA’s draft definitions state that “free range” would mean outside in fields on soil with huts for shelter throughout life, “outdoor” would mean straw bedded indoor/covered area with access to outdoor enclosures (soil or other flooring) throughout life, and “premium indoor” would mean indoor, straw-based, free farrowing system throughout life.

165 Ev 107

166 Q 23

167 Ev 107

72. 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.

Carcase balance

73. Several submissions described the importance of "carcase balance" or selling as much of the meat and by-products of the animal as possible to achieve maximum efficiency. BMPA described it as "a bit of a holy grail in the industry".¹⁶⁸ BPEX told the Committee:

For us the issue is trying to maximise the value for each of those cuts, not just trying to find a home for them, if you like, and that falls into two areas. One is trying to add value to cuts that perhaps are a bit less popular, and one of the other very good examples of late is trying to encourage consumers to use belly pork.¹⁶⁹

74. The BRC agreed that retailers had successfully attempted to promote cuts of pork that had been less popular historically. It gave the example of one retailer being so successful with its promotion of pork belly that their suppliers could not keep up with the demand.¹⁷⁰ Mr Andrew Opie said that the downturn in the economy meant that consumers were actively seeking cheaper cuts: "that has been a great opportunity to supermarkets to bring both value and a better carcase balance into the equation."¹⁷¹

75. Mr Duncan Sinclair, Agricultural Manager, Waitrose told the Committee that Waitrose aimed to use as much as possible from a carcase as then pig meat used for sausage, ham, bacon, ready meals and ready-to-cook meals would all have the same provenance and quality as the pig meat used for fresh pork. The same principle was applied to beef and lamb.¹⁷² Waitrose estimated that the average level of carcase balance that it achieved on a weekly basis in the integrated Waitrose supply chain was 88%.¹⁷³

76. BMPA said that a lack of clear labelling for high-welfare British meat across the food sector was responsible in part for carcase imbalance.¹⁷⁴ BHA told the Committee that, whilst it was not mainstream catering, several restaurants were promoting the use of different parts of the pig.¹⁷⁵

168 Q 125

169 Q 78

170 Ev 55

171 Q 225 [Mr Andrew Opie]

172 Q 223

173 Ev 68

174 Q 129

175 Q 142

77. The BRC commented on the ability of EU producers to carcase balance more effectively than the UK:

One of the other problems in the UK is competition from a large well established pig industry in Europe. This has led to strong price competition, especially in processed pork products. Competing countries have well structured, efficient industries, which have also been able to overcome the problems of carcase balancing faced by our producers. This competition over an extended period has meant they now have a substantial share of parts of the UK market.¹⁷⁶

78. BPEX claimed that processors did not always maximise the use of domestic carcasses in bacon, ham and sausages and instead meat was imported for manufacture into those products displacing domestic meat.¹⁷⁷ Mr Opie of the BRC told the Committee: “whilst retailers can continue to promote some of the cuts which we traditionally have not eaten so much here [...] ultimately the processors are best placed to try and help the whole industry in terms of maximising the carcase balance.”¹⁷⁸

79. BMPA told the Committee that as many of the remaining products such as feet and tails had no substantive market in the UK, the industry was reliant on export to foreign markets—and had suffered accordingly when export restrictions were in place following outbreaks of FMD in 2001 and 2007.¹⁷⁹ BPEX confirmed this view, saying that the cost to the English pig industry of losing the Chinese market following the FMD outbreak in 2001 should not be underestimated. Defra had worked hard to reopen access to Chinese markets, but it took years to build up export markets again once they had been lost.¹⁸⁰ Defra had also provided funding for a DVD promoting less popular cuts of meat in the public sector and also a cook book of recipes using less popular cuts of meat produced by the Government Office for West Midlands and the Heart of England Fine Foods.¹⁸¹

80. 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 carcase. Defra should have a significant role in working with the industry to develop markets for the whole carcase. Defra should continue to support literature which encourages the public sector to use recipes for less popular meat cuts.

Regulatory Burden on the pig industry

81. Several submissions from farmers, and also Waitrose and the BMPA, commented on the heavy burden of regulation on producers. In particular, the following regulations were considered particularly onerous to producers:

¹⁷⁶ Ev 54

¹⁷⁷ Ev 4

¹⁷⁸ Q 225

¹⁷⁹ Ev 38

¹⁸⁰ Q 80

¹⁸¹ Ev 71

- IPPC (Integrated Prevention & Pollution Control) Directive
- Waste Directive
- Nitrates Directive.

82. We recently inquired into the implementation of the Nitrates Directive in England. Under Defra's new Action Programme, farmers were asked to provide 26 weeks' storage capacity for pig slurry and poultry manure and 22 weeks' storage capacity for all other slurry. Both Environment Agency and NFU evidence questioned the rationale behind the different requirements for pig slurry and poultry manure, compared with other slurries. The Committee's Report urged Defra to reconsider the necessity for longer storage times for pig slurry and poultry manure.¹⁸²

83. BPEX questioned why it was necessary for both Defra to interpret how the EU intended to implement the IPPC regulations, and then for the Environment Agency to interpret what Defra meant. The pig industry had been forced to employ a specialist to help producers understand IPPC and all its implications.¹⁸³ John Godfrey, a pig farmer, said that the rules on how the Waste Directive and IPPC would be implemented appeared to be changing frequently which made it confusing for producers:

Two or three years ago we were asked to register every premise we have for exception for the Waste Directive. We were told at that stage that it would be a once and for all registration and would not cost anything. We have done that. A consultation has now just come out to say, "No, we have changed our minds. We want you to register once every three years and it will cost you £50 per premise."¹⁸⁴

84. Defra argued that "[R]egulation in livestock sectors, including pigs, is essential to protect public and animal health and welfare and the environment", but acknowledged that the cost of meeting regulations was a concern for farmers in the present climate:

Understandably, especially at the present time, pig operators are concerned about meeting regulatory costs such as the environmental controls under the Integrated Pollution Prevention and Control (IPPC) Directive, although the sector has had over 10 years since the IPPC Directive was agreed to come to terms with it and its costs.¹⁸⁵

85. Mr Godfrey, when told of Defra's position, accepted that it had been 10 years since the IPPC had been agreed to, but said that as the rules and regulations were still being written, the farming sector had no idea what it was supposed to do.

The regulations are changing all the time. We have no idea what we are supposed to do. We had one unit that was supposed to have ammonia emissions because there was a SSSI not far away and, fortunately for us, they decided that the ammonia emissions were not sufficient to put any restriction on that unit but I understand

182 Environment, Food and Rural Affairs Committee, Seventh Report of Session 2007–08, *Implementation of the Nitrates Directive in England*, HC 412, para 72

183 Q 48

184 Q 46

185 Ev 69

there are other key units where that has been done. The Environment Agency has calculated the figures wrongly and they have had two or three shots at saying how much they have to reduce the emissions. The problem is that we do not know. Although this legislation was previewed ten years ago and we knew it was coming in, we do not know next year what we are going to have to do to comply because the rules have been changed.¹⁸⁶

Mr Godfrey estimated that the IPPC had cost his farm so far over 500 hours of management time.¹⁸⁷ His farm will be inspected twice a year and required to improve units to what are “the best available techniques”. He was sceptical whether the improvements would provide any benefit to the environment.¹⁸⁸ Mr Duncan Prior, Policy Advisor, Livestock and Livestock Products, Defra, told us that implementation of the IPPC was being carried forward with very close working relationships between Defra, the Environment Agency and the industry,¹⁸⁹ and that a joint working party between those parties had looked at whether IPPC annual inspections could be undertaken by third parties, for example assurance scheme inspectors who might already be on the farm, at a reduced cost for farmers.¹⁹⁰

86. BPEX reported that other EU countries had provided financial support to farmers to meet the cost of implementing environmental regulations.¹⁹¹ Information from Interpig Group (a group of industry economists lead by BPEX) indicated that aid was provided in Northern Ireland, Scotland, Ireland, the Netherlands, Germany, Italy, Denmark, France and Belgium. The types of financial aid and assistance varied in each country.¹⁹² For example, in Belgium, if farmers replace existing pig housing with housing offering a 50% reduction in ammonia emissions, farmers can either apply for a 20% subsidy on the cost of construction, or if using his own capital, 3% of the interest of the whole cost.¹⁹³

87. BPEX had been told by Defra that whilst other countries had been able to assist their farmers, it was not possible to do in the UK.¹⁹⁴

88. 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.

186 Q 46

187 Ev 7

188 *Ibid.*

189 Q 274

190 Q 279

191 Q 66

192 Ev 31–32

193 Ev 32

194 Q 69 [Mr Nigel Penlington]

Supply chains

89. Several submissions raised the issue of the poor efficiency and transparency of the supply chain having a deleterious effect on the industry. Waitrose identified the lack of long-term committed relationships as a key problem for the industry.

The English industry is in the main structured in a fragmented manner and is generally adversarial between producers, processors, retailers and manufacturers. Few examples exist of integrated supply chains (either partial or completely) where all the parties work together and add value for the benefit of all in the supply chain, thereby driving sales of English pig meat where profitability is respected and delivered for all the parties involved.¹⁹⁵

90. BPEX agreed that the absence of effective contractual relationships between producer, processor and retailer has undermined the industry's willingness to re-invest in more efficient production systems.¹⁹⁶ There were very few cost of production contracts between producer and processor, as these tended to be unsustainable for the processor.¹⁹⁷ Relationships between producer and retailer tended to be at arm's length. The Minister reported that producers had told her that they felt a sense of powerlessness when dealing with the big grocery retailers,¹⁹⁸ but she said that it was not the Government's role to "dictate what should happen between producers and the retailers."¹⁹⁹

91. One farmer highlighted the problem of a lack of legally binding contracts between processor and retailers, with prices decided on the day of delivery. Retailers often relied on short-term buying initiatives which were not conducive to long-term stability of the supply chain.²⁰⁰ Another farmer noted that problems such as demand in the retail or processing sector were passed down to the producer, but problems such as the increase in feed costs had not had an impact on the other way up the chain.²⁰¹ The Competition Commission also told us that costs incurred by retailers, such as shrinkage through shoplifting, were passed down the supply chain to the producer. BPEX claimed that consumers had seen prices increase by 90p but producers' prices had only increased by 27p. It was not apparent where the difference in increase had gone.²⁰² We were disappointed that the BMPA were unable or unwilling to provide us with an indication of the share of the pig meat retail price between the elements of the supply chain.²⁰³

92. John Godfrey, another farmer, asked that retailers be more involved in dialogue with producers to ensure the meat they were supplying better met the retailers' requirements within longer term contracts.²⁰⁴ Pig farmer Leonard Goodier agreed that it would help if

195 Ev 57

196 Ev 3

197 Q 5

198 Q 236

199 Q 280

200 Ev 93

201 Ev 103

202 Q 41

203 Ev 47

204 Ev 7

processors and supermarkets got to know farmers and the issues facing the industry—in the same way that processors appeared to understand the costs of the poultry industry.²⁰⁵

93. BPEX told us that:

What we would dearly like—and if we managed it BPEX’s job would be almost complete—is a series of supply chains that run from producer, through the processor to the retailer, all of them understanding each other’s problems and mitigating the prices to all three parties through that.²⁰⁶

The British Meat Processor Association (BMPA) agreed that the industry needed to develop long term relationships between producers and processors, but that the UK chain had been slow to embrace the integration of farming and processing,²⁰⁷ but believed that there was a lack of interest in long term contracts between farmers and processors.²⁰⁸ BMPA said that there were no formal contracts between processors and retailers and that supply of meat was on the basis of a “gentleman’s agreement.”²⁰⁹ The processing industry felt that it was taking all the risk.²¹⁰ It wished to see a commitment from the retailers in the form of a contract to enable processors to commit to their supply base.²¹¹

94. Waitrose has spent 10 years developing its own supply chain which it considers to be a model of best practice. During the time in which the industry has decreased in size this supply chain has continued to grow and develop, with the aim of being both transparent and mutually beneficial for all in the chain. The Waitrose supply chain, comprises BQP (a pig production company) coordinating the pig farmer supply base, Dalehead Foods processing the wide range of pig meat-based products and Waitrose as the retailer—marketing and selling the final products. Waitrose ensures the health of its supply chain by adhering to the following principles: a long term view on requirements; clear definitions of production standards for specific lines at retail level; sustainable prices for the farmers involved; and sustainable prices for the processor involved in both directions. The security of the supply chain gives processors and producers the confidence to invest in new production systems or processing facilities to add value or to lower cost. Within the chain there are structured farmer groups that meet regularly to discuss and advise on best practice, and there is communication both up and down the chain, enabling issues to be resolved to the mutual benefit of all in the chain.²¹² Waitrose also has a research facility looking at how to drive best practice in the sourcing of animal feed, with the aim of providing a more stable supply chain.²¹³

205 Ev 116

206 Q 57

207 Ev 37

208 Ev 38

209 Q 84

210 Q 83

211 Q 92

212 Ev 56–57

213 Q 180

95. Sainsbury's submission stated that they were actively engaged with producers and processors to better understand the pressures they were facing and had set up a "Partnership in Livestock" scheme for pork.²¹⁴ The British Retail Consortium believed that retailers had worked with the pig industry for a long time to promote and find new opportunities for English products and that when feed prices were high, retailers had increased prices paid to farmers whilst minimising the cost to the consumer.²¹⁵

96. BPEX believed that retailers were very concerned about potential action from the Office of Fair Trading (OFT) following the OFT's action against supermarkets for discussing milk prices. The intention of the discussions had been to assist the milk producers, but resulted in fines of millions of pounds. Supermarkets appeared to believe that any discussion they may enter into with producer representatives placed them "in some sort of danger".²¹⁶

97. Mr Opie of the BRC said that two or three of his members continued to have constructive dialogue with producer groups.²¹⁷ He said that it was possible to do this if you "have a well scripted agenda before you go in and people should understand what they can and cannot talk about."²¹⁸ However, the first thing that many farming groups wanted to discuss was price.²¹⁹

98. In supplementary evidence to the Committee, BPEX gave details of the National Pig Association (NPA) meeting with OFT on 24 September 2007 at which the OFT gave guidance on what subjects should be avoided when producers met retailers:

[T]he Office advised [...] that in any discussions with retailers, any discussion of retail competitors' pricing intentions should be avoided. Whether deliberately or unwittingly, BPEX and NPA must not act as a channel for disclosing to any retailer their competitors' pricing intentions. No reference should be made to the outcome of any discussion previously undertaken with the competitors of any chain. This would preserve the principle that competitive uncertainty and risk would not be reduced for any individual retailer and, thus, the competitive market would be maintained.

The OFT confirmed that objective information on cost of production increases could be communicated. Similarly, information that was historic and in the public domain (e.g. actual retail price increases which had occurred) could be communicated. It was acceptable to discuss supply chain issues on a chain-by-chain basis, and there were no objections to discrete supply chain issues being debated by participants in that chain.²²⁰

As a result, BPEX believe that:

214 Ev 111

215 Ev 55

216 Q 60 [Mr Mick Sloyan]

217 Q 216

218 Q 217

219 Q 220

220 Ev 33

[I]t would be very helpful if the OFT were to issue clear and comprehensive public guidance. This would help to ensure that, whilst remaining safely within OFT rules, meaningful discussions can take place amongst actors in the supply chain in order to improve understanding, transparency, efficiency, and trust within, in this case, the pig supply chain.²²¹

99. The OFT submission stated that there was “nothing, in itself, wrong with bilateral discussions between different parts of a supply chain. They may serve a useful and necessary function, benefiting consumers by encouraging greater efficiency. However [...] if the object of discussions is to restrict the range or volume of products on the market or to artificially raise their prices then such discussions would be illegal under competition law.”²²²

100. The OFT does not generally provide specific guidance to individual sectors, and does not issue definitive lists of practices that are, or are not permissible under competition law. Providing specific guidance is considered to be prohibitively resource-intensive, particularly in the case of publishing an Opinion to aid business compliance in the application of UK or EU competition law where novel or unresolved questions are raised. The OFT does, however publish guidance for businesses and industry representatives in general to “assess their actions for compliance with all aspects of UK and EU competition law.” Guidance has also been published setting out examples of activities that may or may not be permitted and includes details on information sharing.²²³ The OFT told us that it also assists where it can by holding informal meetings with groups (such as BPEX and the NPA).

101. 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.

The Scottish Pig Sector Task Force

102. The Scottish pig industry faces most of the same recent challenges as the English pig industry, although it is much smaller in size and benefits from a more integrated supply chain. On 16 April, the Cabinet Secretary for Rural Affairs and the Environment in the Scottish Executive, Richard Lochhead, set up a task force to “consider actions to assist the pig sector and to determine which actions may be suitable for implementation provided resources are available and State Aids allow.”²²⁴ The Scottish Government invited the task force to discuss suggestions for action raised by the industry. These included: resurrecting the “Ongoers” scheme; funding trial vaccination; relaxing rules on the importation of GM feed; health initiatives; government insistence on procuring only Scottish produce in their contracts; an audit of standards, transparency and labelling of imported pork; improved

221 Ev 33

222 Ev 119

223 Ev 120

224 Scottish Executive, *Pig Sector Task Force Report*, p 1

food labelling; research funding; and placing a higher value on locally produced food.²²⁵ Richard Lochhead also asked the Farm Animal Welfare Council to report on welfare standards for pig meat imports to Scotland and wrote to all major retailers asking what they were doing to help ensure the long-term sustainability of the pig sector.

103. In May, Richard Lochhead organised a meeting bringing the hospitality, retail and wholesale sectors together with Scotland's pig industry to discuss how the different sectors could work to ensure the future sustainability of the pig industry. The meeting was attended by representatives from the British Hospitality Association, Scottish Retail Consortium, major supermarkets, Scottish Association of Meat Wholesalers, Scottish Federation of Meat Traders, Scottish Pig Producers, NFU Scotland, Quality Meat Scotland, Office of Fair Trading and Campbell's Prime Meats.²²⁶

104. On 7 August 2008, the Task Force report was published and the Scottish Executive announced a £1m package to support the pig industry. Richard Lochhead said:

We are pledging £1 million to fund projects that will improve marketing, productivity and pig health to help achieve long-term sustainability for this vital sector [...] This package is the first of its kind in Scotland for the pig sector and demonstrates the Scottish Government's confidence in a sector that produces a top quality product and meets the highest welfare standards.²²⁷

105. The £1 million package included the following elements:

- An immediate £200,000 to improve the marketing of pig meat products to consumers, to be drawn from resources already earmarked for the red meat sector following the foot and mouth outbreak in 2007;
- Around £100,000 to begin research into labelling and work to improve animal health (in particular, research into post-weaning multi-systemic syndrome), and
- Around £700,000 for future projects to be allocated in partnership with the industry, allowing the impact of new industry player Vion to be fully taken into account.

106. The package was described by the Scottish Executive as additional to other actions already underway or completed which included:

- A £30,000 strategic review into the pig sector to help develop market resilience;
- A £300,000 project to look at adding value to the fifth quarter in the red meat sector;
- Writing to all major retailers to ask what they are doing to help ensure the long-term sustainability of the pig sector;

225 "Pig Industry Task Force", Scottish Executive press release, 23 April 2008

226 "Meeting to discuss pig sector", Scottish Executive press release, 15 May 2008

227 "£1 million for pig industry", Scottish Executive press release, 7 August 2008

- Highlighting the difficulties facing the pig sector at the highest levels in the European Commission, and
- Hosting a meeting to bring the whole supply chain together for the first time—retailers, hospitality and wholesale sector with the pig industry—to discuss ways forward for the future sustainability of the pig sector.

107. On 22 October, Mr Lochhead announced the priorities for £700,000 of Scottish Government funding which had been announced in August. The four projects to be funded had been agreed with the industry. They were:

- A pig business network to improve benchmarking, collaboration and efficiencies across the supply chain;
- The appointment of a Pig Veterinary Adviser to offer practical on-farm advice on disease control and elimination;
- New guidance and one-to-one advice on slurry and waste management, and
- Research to develop a test for mycotoxin zearalenone, a feed contaminant affecting breeding and growth rates, in pig tissues.

108. Pig World suggested that the UK Government should set up a similar task force to examine the English pig industry.²²⁸ BPEX and BMPA also referred to the Northern Ireland Red Meat Task Force, which examined the sheep and beef industry in Northern Ireland, as a possible model for the Government to adopt for scrutiny of the English pig industry.²²⁹

109. The Minister, told us on 27 October that she had not yet met Richard Lochhead or discussed the conclusions of the Pig Sector Task Force report with him.²³⁰ Although the pig industry had not asked for a similar round table meeting to discuss the problems facing the English industry, she would not be averse to such a proposal, but first she wished to read all the evidence and the Committee's report before instigating that course of action.²³¹ In a follow up letter to the Committee, the Minister stated that she had no intention of discussing the report with Mr Lochhead, but there is ongoing contact at official level between the Scottish Executive and Defra. Whilst the Minister said she was aware of the issues raised in the report, these were "matters for the Scottish Government to address."²³²

110. 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

228 Ev 101

229 The Northern Ireland Red Meat Task Force (consisting of the Department of Agriculture and Rural Development, the Livestock and Meat Commission, Ulster Farmers' Union, Northern Ireland Meat Exporters' Association, Invest NI and the National Beef Association) was set up to develop a long-term strategy for the Northern Ireland beef and sheep meat industry. Its work involved a comprehensive investigation of all aspects of the Northern Ireland red meat chain to determine how a profitable and sustainable industry can be achieved. The research included all aspects of production, processing and marketing and a comprehensive involvement across all of the industry interests. It reported in October 2007.

230 Q 282

231 Qq 256, 259

232 Ev 82

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, carcase 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.

Public Sector Food Procurement Initiative

111. The Public Sector Food Procurement Initiative (PSFPI) was launched in 2003 to encourage public bodies in England to use the £2 billion they spend on food and catering services to help deliver a world-class sustainable farming and food sector. Public procurement law regulates the purchasing by public sector bodies of contracts for goods, works or services. The law is designed to open up the EU's public procurement market to competition and to promote the free movement of goods and services. It does not allow public bodies to give greater weight to locally produced food and drink when deciding to award contracts. However, there is some flexibility, and the objectives for PSFPI includes that public bodies should increase tenders from small and local producers, and that procurement should promote higher standards of animal welfare.²³³

112. Defra created the model specification clause for procurement which covers farm assurance and organic standards to enable public bodies to specify Red Tractor or equivalent criteria as evidence that suppliers met these standards.²³⁴ Defra is also in the process of producing a model clause for the procurement of pork and bacon which it hopes to clear by the end of the year.²³⁵ Defra intends to give advice to other Government Departments on which farm assurance schemes already meet the required standards, e.g. those marketed under the Red Tractor, Linking Environment and Farming (LEAF), BPEX Quality Standard Mark and RSPCA Freedom Food labels. Under the procurement rules buyers must accept other evidence proving equivalence to these standards.²³⁶

113. Defra told us that the then Meat and Livestock Commission and now the Agriculture and Horticulture Development Board have worked under the PSFPI to improve supplies of red meat into the public sector.²³⁷

114. However, a recent report from BPEX and the National Pig Association questioned whether public sector procurement could do more to support the British pig industry.²³⁸ On average, in 2006–07, only 65% of pork and 25% of bacon procured by Government Departments was British. Several Departments (Ministry of Defence, Foreign and

²³³ Ev 71

²³⁴ Ev 71

²³⁵ Ev 83

²³⁶ *Ibid.*

²³⁷ Ev 71

²³⁸ BPEX and the National Pig Association, *Is the Government buying British?*, July 2008

Commonwealth Office, Department for Work and Pensions, Department for Children, Schools and Families and HM Prison Service) sourced all their bacon from abroad.²³⁹

115. Several submissions to the inquiry argued that the Government could do more to encourage departments and local authorities to procure British pork, bacon and ham, or at least procure products that were raised in equivalent welfare standards.²⁴⁰

116. Defra published its own report on public procurement on 26 November, *Proportion of domestically produced food used by government departments and also supplied to hospitals and prisons under contracts negotiated by NHS Supply Chain and National Offender Management Service (previously HM Prison Service)*.²⁴¹ This confirmed BPEX's earlier report that several departments and the National Offender Management Service procured all their bacon from abroad. Even Defra sourced only 75% of its bacon from the UK.²⁴² However, the figures for 2007–08 showed that overall, the average figures for the proportion procurement of British pork bought by departments had risen from 65% to 74%. The figure for British bacon had risen from 25% to 29%.²⁴³

117. Before the publication of the Defra report the Minister, when questioned about the figures in the BPEX report, had told the Committee that in buying pig products of a high welfare standard: “the Government has to lead by example and show what can be done [...] it is not perfect and we need to work harder at it but we are making progress.”²⁴⁴ However, in supplementary evidence the Minister stated that cost constraints and the requirement among public bodies to achieve savings in their procurement of goods and services would remain the main barrier to progress.²⁴⁵

118. 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.

Pig-specific diseases

119. The pig industry has faced several serious outbreaks of disease in the past 10 years that has contributed to the situation it finds itself in today (FMD, PWMS, CSF, PDNS). BPEX

239 BPEX and the National Pig Association, *Is the Government buying British?*, July 2008

240 Ev 5, 8, 96, 101, 107, 108, 111, 116

241 Department for Environment, Food and Rural Affairs, *Proportion of domestically produced food used by government departments and also supplied to hospitals and prisons under contracts negotiated by NHS Supply Chain and National Offender Management Service (previously HM Prison Service)*, November 2008

242 Defra, *Proportion of domestically produced food used by government departments and also supplied to hospitals and prisons under contracts negotiated by NHS Supply Chain and National Offender Management Service (previously HM Prison Service)*, p 10

243 Defra, *Proportion of domestically produced food used by government departments and also supplied to hospitals and prisons under contracts negotiated by NHS Supply Chain and National Offender Management Service (previously HM Prison Service)*, p 11

244 Q 241

245 Ev 83

told us that it had taken four years to recover from the effects of the movement restrictions imposed during 2001 outbreak of FMD. Consequently, farmers were unable to afford to invest in their farming systems which became inefficient as a result.²⁴⁶ BPEX reported that the industry was taking steps itself to develop a disease control strategy. These include funding the take up of vaccine to tackle PWMS, participating in the Zoonoses National Control Plan, and working with industry to develop a pig health and welfare strategy.²⁴⁷ BPEX suggested that the Government provide support for pig health and disease eradication strategies through the Rural Development Programme for England.²⁴⁸

120. In its submission, Defra detailed its contribution of £1.5million per annum towards the costs of a scanning surveillance programme to facilitate early detection of new pig disease threats and changes in disease trends, to facilitate prompt intervention when threats arise. BPEX are provided with the monthly reports on disease threats published by the Veterinary Laboratories Agency. Also, a Defra representative sits on the British Pig Health and Welfare Council subgroup which is developing the health and welfare strategy with the industry.²⁴⁹ Defra stated that the Government had invested approximately £38 million on pig-specific projects.²⁵⁰

121. BPEX invests “substantial” funds into short-term applied research but needs Defra and BBSRC to continue to provide long-term research and development funding and support of collaborative research with the industry.²⁵¹ BPEX asked that the Government work closely with the industry to identify research priorities to improve efficiency in the industry.²⁵²

122. 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.

Conclusion

123. 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

246 Q 35 [Mr Richard Lister]

247 Ev 6

248 Ev 5

249 Ev 71

250 Ev 71

251 Ev 5

252 Ev 5

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.

124. 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 production 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.

125. 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.

126. 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.

127. 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.

128. 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.

Conclusions and recommendations

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)

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)

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 productions 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)

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)
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)

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)

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

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)

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)

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, carcase 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)

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)

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)

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 production 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, carcase 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)

Formal Minutes

Monday 15 December 2008

Members present:

Mr Michael Jack, in the Chair	
Mr David Drew	David Taylor
Miss Anne McIntosh	Mr Roger Williams
Dr Gavin Strang	

Draft Report (*The English pig industry*), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 128 read and agreed to.

Summary agreed to.

Resolved, That the Report be the First Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No.134.

Written evidence was ordered to be reported to the House for printing with the Report.

[Adjourned till Wednesday 14 January at 3.45 p.m.]

Witnesses

Monday 13 October 2008

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Mr Stewart Houston, Chairman of the British Pig Executive Ltd and Chairman of the National Pig Association, **Mr Richard Lister**, Chairman of the National Pig Association Producer Group, **Mr Mick Sloyan**, Chief Executive of the British Pig Executive Ltd and **Mr John Godfrey**, farmer and member of the British Pig Executive Ltd Ev 13

Mr Stuart Roberts, Director, British Meat Processors Association, **Mr Gerry Finley**, Site Director, Tulip Ltd and **Mr Adrian Dowling**, Chief Executive Officer, Bowes of Norfolk Ev 40

Monday 27 October 2008

Mr John Dyson, Food and Technical Affairs Adviser, British Hospitality Association Ev 49

Mr Andrew Opie, Food Policy Director, British Retail Consortium and **Mr Duncan Sinclair**, Agricultural Manager, Waitrose Ev 59

Rt Hon Jane Kennedy MP, Minister for Farming and the Environment and **Mr Duncan Prior**, Policy Advisor, Livestock and Livestock Products, Department for Environment, Food and Rural Affairs Ev 72

List of written evidence

1	BPEX Ltd	Evs 1, 23, 34
2	British Hospitality Association	Ev 48
3	British Meat Processors Association	Evs 37, 46
4	British Retail Consortium	Evs 53, 67
5	Compassion in World Farming	Ev 94
6	Department for Environment, Food and Rural Affairs	Evs 68, 81
7	FARM	Ev 84
8	Food Security Ltd	Ev 117
9	Fresh One Productions	Ev 117
10	Friends of the Earth	Ev 86
11	John Godfrey	Evs 6, 35
12	Leonard Goodier	Ev 115
13	Robert Hanson	Ev 89
14	Fred Henley	Ev 109
15	David Kilbey	Ev 108
16	Laurence Gould Partnership Limited	Ev 97
17	Richard Longthorp	Ev 102
18	Neville Meeker	Ev 108
19	National Pig Association	Ev 10
20	Office of Fair Trading	Ev 118
21	Pig Veterinary Society	Ev 112
22	Pig World	Ev 99
23	Provision Trade Federation	Ev 96
24	Royal Society for the Prevention of Cruelty to Animals	Ev 105
25	Sainsbury's plc	Ev 109
26	David Turton	Ev 89
27	Waitrose	Evs 55, 68
28	Meryl Ward	Ev 91

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2007–08

Fifth Special Report	Energy efficiency and fuel poverty: written evidence	HC 1099
Eleventh Report	The potential of England's rural economy	HC 544-I
Tenth Report	Badgers and cattle TB: the final report of the Independent Scientific Group on Cattle TB: Government response to the Committee's Fourth Report of Session 2007–08	HC 1010
Ninth Report	Draft Marine Bill: Coastal Access Provisions	HC 656-I (CM 7422)
Eighth Report	British Waterways: follow-up	HC 438 (HC 1081)
Seventh Report	Implementation of the Nitrates Directive in England	HC 412 (HC 1080)
Sixth Report	The Veterinary Surgeons Act 1966	HC 348 (HC 1011)
Fifth Report	Flooding	HC 49-I (HC 901)
Fourth Report	Badgers and cattle TB: the final report of the Independent Scientific Group on Cattle TB	HC 130-I (HC 1010)
Third Report	The work of the Committee in 2007	HC 250
Second Report	Climate change: the "citizen's agenda": Government response to the Committee's Eighth Report, Session 2006–07	HC 189
First Report	The UK Government's "Vision for the Common Agricultural Policy: Government response to the Committee's Fourth Report, Session 2006–07	HC 48

Session 2006–07

Eighth Report	Climate change: the "citizen's agenda"	HC 88-I (HC 189 07–08)
Seventh Report	British Waterways	HC 345-I (HC 1059)
Sixth Report	The Implementation of the Environmental Liability Directive	HC 694 (HC 1058)
Fifth Report	Draft Climate Change Bill	HC 534-I (CM 7225)
Fourth Report	The UK Government's "Vision for the Common Agricultural Policy"	HC 546-I (HC 48 07–08)
Third Report	The Rural Payments Agency and the implementation of the Single Payment Scheme	HC 107-I (HC 956)
Second Report	Defra's Annual Report 2006 and Defra's budget	HC 132 (HC 522)
First Report	The work of the Committee in 2005–06	HC 213

Session 2005–06

Eighth Report	Climate change: the role of bioenergy	HC 965-I (HC 131 06–07)
Seventh Report	The Environment Agency	HC 780-I (HC 1519)
Sixth Report	Bovine TB: badger culling	HC 905-I
Fifth Report	Rural Payments Agency: interim report	HC 840

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Fourth Report	The Departmental Annual Report 2005	HC 693-I (HC 966)
Third Report	The Animal Welfare Bill	HC 683
Second Report	Reform of the EU Sugar Regime	HC 585-I (HC 927)
First Report	The future for UK fishing: Government Response	HC 532