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Current state of mixed-feed manufacturing in (non)-community countries of the Mediterranean basin

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SUMMARY - The current state of the compound feed manufacturing industry of the EU Mediterranean countries is described. France is the only region with cereal surplus in the Mediterranean. Spain is the third largest feed manufacturer compounder since it joined the EU; the annual Spanish increase of feed production is around 2.4% which is above the community average. Over 20 years Italy feed manufacturing has been characterized by a very stable production pattern. Contrary to France or Spain, Italy has an important deficit in a range of basic foodstuffs. The Portuguese feed industry recovered its production between 1985 and 1993; since 1993 the feed manufacturing sector stagnated showing signs of decline since 1996, when protection measures were removed by the EU. Greece feed production is the lowest of the five European Union Member from the Mediterranean area. The total feed compound produced by these four Mediterranean countries accounts for 48% of the EU industrial feed production. Future prospects are described and the most important concern is related to the environment, the emergence of a new common policy of Public Health and consumer protection and in conclusion, feed issues in the EU will remain important on the agenda of politicians for many years.

Key words: Feed manufacturing, non-EU countries, Mediterranean countries.

RESUME - *"Etat actuel de la fabrication d'aliments composés dans les pays (non) communautaires du bassin méditerranéen". L'état actuel de l'industrie de fabrication des aliments composés est décrit pour les pays méditerranéens de l'Union Européenne. La France est la seule région ayant un excédent céréalier en Méditerranée. L'Espagne est le troisième fabricant d'aliments pour bétail depuis son adhésion à l'Union Européenne ; la croissance annuelle de la production d'aliment bétail en Espagne étant d'environ 2,4%, plus que la moyenne au sein de la communauté. La fabrication d'aliment bétail en Italie s'est caractérisée par la très grande stabilité de sa production sur ces vingt années. L'Italie, contrairement à la France ou l'Espagne, est fortement déficitaire pour toute une gamme d'aliments de base. L'industrie des aliments pour bétail du Portugal a vu une récupération de sa production entre 1985 et 1993 ; depuis 1993 la fabrication d'aliment bétail a stagné en montrant des signes de déclin depuis 1996, lorsque les mesures de protection ont été supprimées par l'UE. La production d'aliment bétail en Grèce est la plus faible parmi les cinq pays méditerranéens de l'UE. La production cumulée totale de ces quatre pays méditerranéens représente 48% de la production industrielle d'aliments pour bétail au sein de l'UE. Cet article décrit les perspectives futures, la question la plus importante étant d'ordre environnemental, ainsi que l'apparition d'une nouvelle politique commune de santé publique et de protection du consommateur ; en conclusion, la préoccupation concernant les aliments pour bétail sera au premier plan dans l'agenda des décideurs politiques pendant un grand nombre d'années.*

Mots-clés : *Industrie de fabrication des aliments composés, pays hors Union Européenne, pays méditerranéens.*

Introduction

Please do accept my apologies in the name of Mr G. Veronesi, chairman of FEFAC's economic and environmental affairs committee and President of the Italian Member association, Assalzoo, who had to withdraw his commitment to join this round table due to other important engagements.

A short look into history

- Italy and France are founding Members of the European Community
- Greece joined the European Community in 1981
- Portugal and Spain joined the European Community in 1986

All five countries are part of the Mediterranean bowl. However, climatic conditions seem to be the only communality between these countries if you look at the conditions and the perspectives for compound feed production. It seems therefore appropriate to give a short description country-by-country concerning the current state of the compound feed manufacturing industry.

France

I hope that our Spanish hosts will forgive me if I start with France in my 'tour de horizon'. This choice is solely determined by the fact that France is undoubtedly 'la grande nation' in Europe when it comes to compound feed production. If we look back ten years ago, France was only the number three producer of compound feed in the European Union with 15,7 Mio t for the year 1987 behind the Netherlands and Germany. 10 years later France produced more than 23 Mio t of compound feed corresponding to an annual increase of 4.7%, which is a staggering result as it represents more than twice the growth rate of industrial compound feed production in the European Union which totalled 119 Mio t in 1997 compared to 102 Mio t in 1987. In other terms almost every second ton of compound feed that was produced in the European Union over the past ten years on top of the 1987 result was produced in France.

I will not endeavour to list all the factors that made compound feed production a success story in France, the real experts to answer that question are sitting in the audience. However with regard to the situation in the other Mediterranean countries I will mention just one of them, namely the cheap access to home-grown raw materials. France is the only surplus region for cereals in the Mediterranean bowl. The competitive advantage of home-grown cereals has been greatly enhanced by the 1992 reform of the Common Agricultural Policy and its market organization of cereals. France has been the winner of this reform to the detriment of those countries that relied traditionally on imports of so-called cereal substitutes or Non-grain feed ingredients. The dominant feed type is poultry feed which accounts for about 40% of all compound feed sales.

Spain

It is now more than time to speak about our host country Spain. And yet again it may seem surprising on first sight to comment on a substantial increase of compound feed production in this country since it became member to the European Union. In fact compound feed production was on the decline in Spain before the accession to the EU to a seven-year low of only 11,3 Mio t in the accession year 1986. Production returned immediately to an upward trend in the following year and never ceased to increase despite a few ups and downs, which I was told had more to do with the erratic climatic conditions more familiar to my colleagues around the table. In 1997 production totalled 15,3 Mio t corresponding to a stable annual increase of 2.4% which again is above the Community average. On top of this positive development, Spain is about to become the third largest compound feed producing country in the European Union after France and Germany in the current year if the forecasts hold true, thereby relegating The Netherlands to the ungrateful 4th position. In Spain pigfeed is the number One feed type with more than 40% of total sales.

I do admit that as a Secretary General I do not often hear from my members such a positive evaluation of the membership in the European Union, but of course I gladly accept that as part of my job assignment which has been more that of a trouble-shooter for this industry in the past years than that of being the herald of the industry on its beneficial effects to the rural economy and society as a whole.

Once again I will refrain from commenting the underlying reasons for the strong growth of compound feed production in Spain, as you will all have had the occasion to learn at this conference more about the factors that led to this dynamic development which certainly has not come to an end yet in my conviction.

Italy

Compound feed manufacturing in Italy is characterized by a very stable production pattern for almost twenty years, reaching a production high of 12,7 Mio t in 1991 and a production low of

10,6 Mio t in 1985. The 1997 result of 11,7 Mio t can therefore be considered as the average production level in Italy. It must be noted that Italy still accounts for the largest number of individual compound feed manufacturers in the European Union with more than a thousand registered feed mills, despite the presence of one of the largest compound feed companies in the European Union. Italy in contrast to France or Spain is highly deficitary in a range of basic foodstuffs therefore relying heavily on food imports from the rest of the European Union. Italy ranks 6th in the hierarchy of European compound feed production on even level with the United Kingdom. As in France, poultry feed is the most important feed type with app. 38% of total sales.

Portugal

In the first years after accession to the European Union, the Portuguese compound feed industry saw a rapid recovery of its production levels from an all time low of 2,8 Mio t in 1985 to reach again 4 Mio t in 1993, a production level that has been previously recorded in the year 1981. Since 1993 compound feed production levels stagnated showing signs of erosion since 1996, when the last protection measures under the accession treaty were removed by the European Commission at the end of the ten-years transition period. However some confidence could return to the industry in the current year as millions of tourists will come to visit Lisbon and its world exhibition.

Greece

In terms of compound feed production, Greece is the smallest of the five European Union Member countries from the Mediterranean bowl. Although available statistical data on the Greek production is scarce, amplified by the fact that Greek manufacturers are not represented within FEFAC, estimates show a production level of app. 2,8 Mio t annual production in the 1990s.

Adding this estimate to the production of the other four Mediterranean countries results in a total production of 56,7 Mio t or 48% of industrial compound feed production in the European Union moving up 5% from a 43% share in 1987 on an EU 15 basis. Looking at these facts we can conclude without false modesty that the Mediterranean countries of the European Union have successfully underpinned their dominant position as leading region inside the European Union for the production of compound feed.

A short look into the future

Despite the relatively positive evaluation of the development of compound feed production in European member countries of the Mediterranean bowl, their can be no doubt the compound feed industry in these countries as in the rest of Europe has to cope with serious challenges on the eve of the new millennium. Some of them are internal, or home-made, some of them are external.

While total production volumes have not eroded significantly as we just heard, profit margins certainly have over the past years and that has to do with ever increasing competition in a saturated home market for products of animal origin. Production overcapacity is the word of the game which will be a heavier burden for the industry as production technology progresses and business opportunities dwindle.

Environmental issues will gain in importance in particular in the high-density livestock production areas facing the double challenge of finding solutions to respect ever stricter standards and controlling the outbreak of air-borne animal diseases.

Not all the problems are home-made, indeed some of the worries concerning the future of the European livestock industry find their origin in Brussels. In all fairness we must underline that some not all problems of the industry are created by the so-called Eurocrats in Brussels.

The European Commission responsible for the management of the Common Agricultural Policy, the only true common European policy worth its name just tabled its new proposals for the further development of the reform of the Common Agricultural Policy which started in 1992.

Agricultural Ministers and key officials have accepted that the future for the livestock farming industry lies in its capacity to take advantage of the new opportunities on the world market with a strong steady increase of the demand in animal proteins. Our competitors will not wait for Europe to increase their market share.

However it is doubtful whether the new reform package will achieve this objective on its own. New menaces in the form of renationalisation of certain support measures and new environmental restrictions could hamper the development of more efficient livestock production systems capable of competing on the world market.

At the end of my short survey on the challenges faced by the compound feed industry in Europe I must speak about the public disaster called BSE that hit the European industry in 1996, 10 years after the first mad cow was diagnosed in the UK. The European consumer was amazed, not to say shocked, to learn that food animals were no longer fed on grass and barley alone but to a large extend by industrial feed composed by a wide range of obscure raw materials of which many of them he or she would not be too shy to call them waste products.

The consequence of the public debate that ensued was the emergence of whole new common policy at European level called Public Health and consumer protection which was laid down in June 1997 in the Amsterdam Treaty of the European Union.

We only see the beginning of the new challenges to the compound feed industry resulting which are called transparency, traceability, sustainability and not the least control. While formulation of feed recipes was left to the chief nutritionist and his computer in the past, these new and still somewhat abstract concepts mean that feed manufacturers are asked to produce feed for customers that are no longer primarily interested in feed conversion rates, but in the origin of raw materials, the presence or absence of genetically modified organisms and/or antibiotics just to give a few examples. These are requests on which the feed computer hardly provides the appropriate answers.

Feed issues have become political issues in the European Union and they will stay high on the agenda of politicians in the European Union for many years to come. This is why compound feed manufacturers must continue to develop a new attitude in their relation to their customers including the final consumer in order to rebuild or maintain confidence in animal products to stay in business. I have no doubt that many of the experts present here at the Conference are already on the way forward for the industry in an environment that will certainly not become easier both on the home-front and in the international arena but still provides opportunities for the innovative company open to the world and capable to effectively communicate with its customers.