

FEFAC 55TH ANNUAL GENERAL MEETING 2012

BRUSSELS

**“WHERE IS THE GLOBAL AND
EUROPEAN FEED INDUSTRY GOING”**

OPENING SPEECH

BY

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Dear colleagues, dear partners, stakeholders, sponsors and guests from the European institutions,

Dear Ladies and Gentlemen,

It is a great pleasure for me to see you here at our Public 55th Annual General Meeting in Brussels.

Ladies and gentlemen, my pilgrimage tour to our different Member Associations brought me two weeks ago to the General Assembly of our Portuguese IACA friends, in Fatima. In the meeting there, one Portuguese compound feed producer asked me, with a keen sense of drama, if I agreed that the livestock sector and our industry needed a miracle to survive.

I answered that since the Virgin Mary appears only once every hundred years, we should count on ourselves to perform the miracle. It is indeed my strong belief that our industry and the FEFAC organisation perform a small miracle every day. Not through some divine intervention but through our own inspiration and perspiration.

Let me just share with you some of the outcomes and developments linked to the great work of our experts, who are giving their time and expertise at the various Committees, Task Forces and Issue Teams. I want to acknowledge their contribution which often amounts to personal sacrifice in terms of time commitment to FEFAC which comes on top of their busy professional agendas.

You will of course find evidence of their excellence and professional judgement in our new Activity report that contains key policy positions which FEFAC adopted over the past year since our last meeting in Bruges, which I strongly recommend you not only to read but also invite you to share your suggestions on how we could further improve its layout as this is the first attempt of providing an overview on our activities not only to our members but also to all our key feed chain partners.

With a look to our tight programme agenda this morning on key topical issues, such as the use of former foodstuffs in animal feed in our 1st session and the CAP reform impacts on EU livestock production in the 2nd session, I will, therefore, briefly refer to some major headline topics and developments, which have had an important influence on our sector activities.

Rather than waiting for a miracle to happen while wallowing in gloom, let's have a look at some of the more positive developments in the context of global and European livestock and feed production, before tackling some of the remaining more tricky issues in our European regulatory environment, which often provide some interesting challenges to our overall objective to produce safe, sustainable and secure feedstuffs as a key input for a competitive European livestock sector.

1. Global trends

Markets for compound feed

Looking at the global picture, our industry needs to get used to the concept of living dangerously.

We all know the fundamentals for livestock and aqua-feed production look tremendous, just by looking at the FAO forecast stating that we need to double meat, milk and egg production by 2050.

IFIF, our international feed industry organization, estimates that feed production by home mixers at app. 300 Mio. t, to a total volume of almost 1,200 Mio. t of feed, is

now consumed by our global livestock population. A figure which is set to grow by another staggering 1,000 Mio. t, if we want to meet FAO's prediction for the need of proteins of animal origin to feed the human population by 2050. This estimate takes into account anticipated efficiency gains expressed in conversion rates and the growing share of poultry and aquaculture products in the global protein diet.

IFIF expects to see wider geographic Europe, such as Russia, Turkey and Ukraine, and certain regions in Africa to be part of this tremendous growth scenario and catching up quickly as they adopt modern animal production systems at a high pace of development to meet growing local demand and also develop their own export capacity.

EU Market 2011 and Outlook for 2012

In the European Union, we are looking at a slightly more sobering picture:

According to the preliminary statistical data provided by FEFAC members, the compound feed production in the EU-27¹ in 2011 has reached a level of 151 Mio. t, which is almost matching the figure for 2010 (151.4 Mio. t). Cattle and pig feed have seen their production fall, respectively by -3 and -1%, whereas poultry feed increased by 1%, thereby confirming its position of leading segment of compound feed slightly above pig feed.

The most important factors which have weighed on the EU feed demand in 2011 were the still fragile economic situation of the pig sector and the high feed material costs. As regards ruminants, the severe drought in the first months led to a lower forage harvest during the spring cut but this was offset by the good autumnal weather conditions that favoured grass growth.

FEFAC experts foresee a stabilisation in cattle feed production, a further reduction in pig feed production (-0.5%) and a slight increase in poultry feed demand (+1%) which, however, could be offset by a significant setback for layers feed production in certain countries, as a direct consequence of the application of the new cages standards from 1 January 2012 on.

Further market uncertainties are linked to the development of the Schmallenberg virus in ruminant populations and the new group-housing requirements for sows, which may lead to a significant reduction in young sows' replacement in certain producer regions. Overall, compound feed production is expected to remain unchanged vs. 2011.

Feed material markets are characterised by the upward trend on soybean meal quotations due to high Chinese demand and seasonal drought in South America. Price quotations for cereals are at high levels and may remain so as the weather one day seems to be too dry and the next day too wet, while experts are still evaluating the impact of February frost in a large part of the EU countries and while fear of a potentially severe drought in Western Europe is growing. Access to corn gluten feed and DDGS has been further curtailed by the persisting problems linked to asynchronous approval of not yet authorised GM events, although we remain reasonably hopeful that the situation could change just in time for the new crop season in the fall.

The race for our raw materials is indeed in full swing. The biofuel sector will continue to tap into the same source of raw materials as the feed industry, which will keep the competition at high voltage levels. The brighter harvest prospects in some world regions are balanced by record-low end-of the season's stock. We are all walking on a tight rope, with the rope becoming thinner and with no safety net available anymore

¹ Greece, Malta and Luxembourg excluded

as intervention stocks have all but disappeared. We are, therefore, grateful for DG AGRI's decision last week to maintain the suspension of TRQ wheat import duties. When a patient develops high temperatures, an aspirin does help as fast relief.

At the same time, our customers continue to have the greatest difficulty in passing on their higher production costs to the slaughter houses and ultimately the consumer. As I always say, it is never a sustainable model for your business when your customers lose money. And agriculture without profit is gardening.

2. CAP Reform 2020

FEFAC members have welcomed the new Commission's legislative proposals on the Common Agricultural Policy (CAP) with high expectations. The new CAP Reform 2020 promotes a greener, smarter and more resource efficient agricultural model in the EU.

Ladies and gentlemen, the EU must respond to the global challenge for feed, the food production: "the global demand for food products will continue to grow while agriculture faces an unprecedented level of market price volatility and increasing demands for the sustainable use of natural resources. FEFAC members have agreed to take up the challenge of sustainable and competitive feed production hoping the new CAP will provide the necessary institutional framework to support cooperation between public and private sector initiatives to meet its objectives".

The loss of competitiveness in the EU livestock sector, linked to high volatile prices of major feed ingredients, has led to a prolonged crisis for different animal production sectors. For FEFAC, the EU feed and livestock sector needs to increase its productivity to be able to achieve its full potential on the EU and global market. The new CAP should, therefore, stimulate research and innovation in order to accelerate the modernization of EU agriculture, whose technology base is aging fast. The feed industry and livestock sector stakeholders are strongly committed to promoting the most efficient and sustainable use of the available resources. However, in order to unlock Europe's considerable production potential and efficiency gains, the new CAP Reform needs to provide the means to operators to tackle price volatility while supporting investments in new technologies to improve our long-term sustainability and competitiveness. The "greening CAP package", in particular, should allow farmers to grow ecologically-friendly protein crops to help reduce EU's protein deficit.

The new CAP should be active in the area of market stabilization, as a preliminary step, to allow investment in the agricultural sector. I, therefore, look forward with great expectations to the explanations of Mr Joao Pacheco, Deputy Director General of DG AGRI, on the progress achieved so far in Council and European Parliament discussions on the key elements of the CAP Reform proposals later this morning.

3. Sustainable livestock and feed production

At the same time, political and market pressure is growing on livestock and feed manufacturers to reduce our environmental impact. There can be no doubt that the reduction of the GHG emissions for meat and dairy production linked to feed will be a major business driver for our industry at European and global level for the years to come. We have nothing to fear from this development – on the contrary, we can only see "win-win" scenarios – we are already today the efficiency champions by converting co-products of the food and bio-fuel industry into high quality proteins for human consumptions. New technology and genetic improvements of our livestock genomes will allow us reaching new frontiers in further increasing feed efficiency.

You are well aware that FEFAC and its US sister organisation, AFIA, have decided to join forces and teamed up with five other European national feed industry associations and seven corporate members to submit a joint project proposal to FAO

for the development of the first global Life Cycle Analysis database on Carbon footprint for more than 200 key feed ingredients in order to allow FAO to improve their global calculations of Green House Gas emissions linked to meat and dairy production. FAO intends to publish its reports on ruminant meat, including small ruminants and monogastric meat (poultry meat and pork) in summer 2012, estimating total contribution of feed to CO₂ emissions at 70%. The official start of the multilateral partnership with the private sector, including the international meat, egg, and dairy federations, is programmed for the beginning of next month. Its objective is to provide an internationally recognised methodology on the environmental assessment of Green House Gas emissions while seeking to agree on the most effective mitigation measures to reduce the footprint linked to livestock production. Yes, ladies and gentlemen, with so many stakeholders involved and FAO not being a champion of fast track solutions, it took quite some time for our project plane to get off the runway, but it is in the air and flying at last.

FEFAC's own Task Force on Sustainability just produced its 2nd Environment report during a follow-up workshop on 13 June 2012, which looked at the scientific expertise on other environmental impacts linked to feed and livestock production, including water use and biodiversity. We have to stay in the driver's seat with such initiatives in order to be able to shape the agenda and outcome.

Responsible soy

FEFAC's objective is to ensure that all raw materials by the feed industry should be produced responsibly according to agreed international principles on responsible production of feed materials. The key political, market and media focus is of course the use of soybean meal by our industry. Soybean meal is the lifeblood of any intensive livestock production system in the world, so we have joint global interest to ensure market access to this unrivalled source of high-quality proteins for the long-term.

FEFAC will, therefore, continue supporting the global Round Table for Responsible Soy, the RTRS, as a credible multi-stakeholder platform, while developing a practical roadmap for a gradual adoption of the RTRS standard over a realistic time path in line with the EU 2020 roadmap on resource efficiency. The FEFAC roadmap will identify the key steps and milestones to reach the common target in a comprehensive overview. This will comprise additional communication efforts to raise market awareness about responsible soy, comparison projects to be carried out independently on existing programmes for responsible soy, which all have their merits, and more targeted activities assisting farmers to meet certification requirements of RTRS. The 7th International Conference on "Next steps for Responsible Soy" held in London on 23-24 May 2012 clearly raised market interest and acceptance for responsible soy at retail level to create an additional market pull. RTRS, however, must tackle the current "bottlenecks" to make it work better in order to overcome the "chicken & egg" situation on the market place.

4. Feed Safety

The EU feed ban

One of the key tasks for FEFAC is to promote safe and innovative processing technologies, and to work to help set stringent and effective European and international regulatory standards.

FEFAC's stance on the lifting of the ban on the use of processed animal protein (PAP) in non-ruminant feed in the EU, therefore, is a favourable one. FEFAC believes that European PAP producers developed a safer production process and have been applying it successfully for many years in Europe, leading to the near-eradication of BSE.

The feed industry is the best channel to use such a high value protein source and we believe that all safety issues have been addressed at OIE and EU level. The lifting of the EU feed ban for non-ruminant PAPs in aqua-feed, which may be voted next week at the EU Standing Committee level, is highly welcomed by FEFAC members, both from a safety as well as from a sustainability perspective, since these PAPs, which are currently used to a large extent in global aqua-feed production, can make a significant contribution to reduce pressure on wild fisheries and help restore the EU aqua-culture's competitiveness.

EFMC / Microbial risk management / former foodstuffs

FEFAC's Council has adopted yesterday a new chapter on microbial risk management in its own EU guidelines for the manufacturing of compound feed and premixes, which contains common principles for the feed chain management, which have been commonly developed and agreed upon by all EU feed chain partners, including importers, farmers, oil crushers and the feed industry (salmonella).

The feed fat dioxin crisis last year in Germany and the current public scrutiny on Antimicrobial Resistance linked with the use of antibiotics in livestock production are a constant reminder to all of us that the job on feed and food safety is never finished and that we have to use our joint industry knowledge and experience to stay ahead of the game.

There are important lessons to be learnt, which both our industry and DG SANCO should keep in mind when developing respective good manufacturing guidance and policy recommendation for the use of former foodstuffs in animal feed, which is part of the European Commission communication on food waste, our first key discussion topic this morning. We fully recognize the sustainability aspects but they should not come at the price of impairing feed safety and our industry becoming a sort of waste bin of last resort.

5. Personal observations

Ladies and gentlemen, the second year of my three year term as FEFAC President has been challenging, to say the least, and the volatile developments called for extreme flexibility in my and our team's agenda. But there have been many rewarding moments, fine hours spent with great people. I will mention just a few.

How about spending a wonderful evening in February in a muscovite datcha with the Katznelsons and the Russian feed federation friends. It was snowing heavily outside but inside the wood fire was burning and as the evening went on, we were all glowing from the warmth, the gargantuan meal, the brandy and vodka flowing profusely and the great Russian stories that were told.

And what to think of the Turkeyem Bir General Assembly where Jorge de Saja and I were treated with a gala concert featuring a peroxide blond Turkish popstar. Her voice was great, her clothing almost optional and all of a sudden, she stepped from the podium and started swirling around Jorge and me, giving to us, credulous men, that particular feeling that she was dancing for us alone in a crowd of 800 feed producers.

And two weeks ago, in Fatima, there was another endearing moment when, with IACA, we bade farewell to my predecessor, Pedro Correa de Barros. Those were fine hours, filled with human warmth and saudade.

Ladies and gentlemen, before concluding, and in the wake of the Olympic games in London, I would like to take the opportunity to hand out two FEFAC Gold Medals.

The first gold medal goes to marathon runner Adolphe Thomas. Mr Thomas is now taking leave of FEFAC, after running a marathon on our behalf for so many years, as Council and Praesidium member, as treasured treasurer. Lately, his feet and legs

were hurting a little but his analytical and debating skills remained unfailing. Thank you Mr Thomas for your great contribution to FEFAC.

The second Olympic medal goes to our FEFAC rowing team, the FEFAC Secretariat. They have been rowing against the tide, day and night, with the discipline, coordinated effort, efficiency and endurance you would expect of only the best Olympic rowing team. I would like to thank the Secretariat and, for that matter, the great FEFAC network of people for the work done.

6. Conclusion

Dear friends, despite all the recent market and feed safety challenges, our European feed and livestock industry showed its great resilience. It has remained overall and through the crises a vibrant sector showing the strength to rebound and to innovate.

In this context, I really look forward to strengthen the cooperation with all FEFAC Member Associations, feed and food chain partners, stakeholders and of course the European institutions to make sure that our feed companies can reap the benefits from an ever closer cooperation in a fast growing world market which, to my opinion, is the best guarantee that while we all need to get used living dangerously, we can do so profitably!