

## Pork Labels and the EU Farm to Fork Strategy

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*The European Commission has published its Farm to Fork strategy. To raise animal welfare standards, the strategy will also consider options for animal welfare labelling, emphasizing that using labelling to link production methods to consumer demand can enhance opportunities for farmers. Private pork labels have already proliferated in recent years. An overview of existing pork labels in major pig producing countries is presented. Aligning the Farm to Fork strategy with private pork labels could be attractive for both the public and the private sector. Labels are an opportunity for the EU to implement and promote their action plan more quickly. Stimulating the desired direction creates a more positive effect than just sanctioning.*

### *Farm to Fork strategy*

The EU has published its 27-action point food policy aiming to transform producing, distributing and consuming food in Europe. The Farm to Fork Strategy is aiming to make food systems fair and sustainable. The strategy also pledges to revise the animal welfare legislation and to make it easier to ensure a higher level of animal welfare. Combined with certification and labelling of the sustainability performance of food products and with targeted incentives, the policy framework will allow operators to benefit from sustainable practices and progressively raise sustainability standards so as to become the norm for all food products placed on the EU market. The Commission will also consider options for animal welfare labelling, emphasizing that using labelling to link production methods to consumer demand can enhance opportunities for farmers.

### *Labelling*

Labels are designed to communicate information about e.g. the specific attributes of products. They are visible at the point of sale and convey information that would be impossible for consumers to collect or to verify. Labels inform and influence production and purchasing behavior. Farmers voluntarily link their products to a label, almost always incurring some cost in doing so.

Many labels emphasize the unique characteristics of food products targeted for specific niche markets. For commodity products that are not easily differentiated, however, they may also be used to assure that minimum standards are met. Potential benefits are market access and price premiums, although price premiums can be difficult to realize for commodity products. Shifting consumer awareness and purchase behavior, are the main reasons for proliferation of sustainability labels. Consumers find it difficult to identify sustainable food products. Labels provide information and assurance that sustainability concerns are being addressed and that self-regulation is being imposed. The effectiveness of sustainability labels in actually influencing behavior can be questioned, however, given the fundamental features of consumer behavior (low involvement with food, unconsciousness, habit-based purchases). At the same time, labels can have an influence which originates from food companies, who may use the label as a tool in market competition, in order to distinguish themselves in the mind of the consumer. Labels can have their influence along the path of business to business and/or business to consumer.

Whether they originate from government or within private sector organizations, sustainability standards that regulate and control, add value by directing consumer behavior toward what is believed to be a higher level of sustainability. They also add to costs associated with measurement and enforcement.

### *Existing Pork Labels*

For decades, the focus in livestock farming has been on efficiency and economies of scale, whereby competition and market shares are mainly won on cost price. However, the last few years have emerged more and more value concepts that match the changing value perception of consumers. Farmers and processors try to develop value-added products and thus to develop specific or exclusive products to serve markets. For the primary sector in major pig producing EU countries, it also plays a role that the cost price due to stricter regulations has come under relative pressure.

In pork, the trend was set in 1996 by the English supermarket chain Tesco with additional requirements regarding animal welfare. Gradually, more and more market-oriented sustainability labels were introduced, with distinctive aspects such as regional origin, meat quality, sustainability or animal welfare.

An overview of existing pork market labels on animal welfare attributes is presented in this paper. In the overview, we present current labels in The Netherlands, Belgium, Denmark, France, Germany, Spain and the United Kingdom. Almost all labels include standards on stocking density, outdoor access, and alternatives to castration. Several labels include also standards for the prevention of tail docking, loose housing of sows or animal transport. Some labels have also included other quality attributes e.g. taste, non-GMO, no antibiotics, or CO<sub>2</sub>-footprint. Most labels are intended for the domestic market, either for exclusive niche segments or for major retail formulas or out of home markets. The labels for niche market segments often include standards on outdoor access.

A few labels (e.g. *Initiative Tierwohl* and *Bienestar Animal Certificado Welfair*) are based on a system with points whereby farmers have some choice options to substitute one animal welfare aspect for another. This is always a dilemma for labels. The advantage of a points system with performance indicators is the flexibility and the connection with the working method and direction of the entrepreneur, the disadvantage is that it is difficult to communicate something concrete to the customer because you can only communicate where everyone meets.

Financial compensation to the farmer for the costs associated with higher animal welfare standards, is mostly based on a calculated average increase in production cost related to specific animal welfare standards. A few labels have a pricing system with more stable pricing contracts. The consumer price for labelled products in major retail formulas is usually between the price for mainstream products and organic products, the farmer receiving a compensation for added cost of up to 5-7% of total production cost. A further increase of the financial compensation is difficult, as retail organizations are reluctant to increase consumer prices of labelled pork products, and therefore try to focus on reducing failure cost elsewhere in the pork supply chain. The product pricing within pork labels is further complicated by the limited share of the pig carcass that can be marketed under the label, and still the premium from these cuts shall cover the cost of producing the whole pig.

### *Concluding comments*

Aligning the Farm to Fork strategy with existing private pork labels can be attractive. Pig farmers are incentivised most by market actors making it attractive to link EU labels with private labels, preferably via an integrated points system. A potential benefit for governments is the reduction of the administrative burdens of certification and auditing. More added value for pork products will bring benefits to the pork supply chain. However, several issues have to be taken into account, e.g. the costs for auditing, the decreasing share of the pig carcass that is part of food products in which pork is only one part that, as such, is not recognizable on the product information label, and the provision of incentives for market

organizations to further develop private pork labels. It is crucial, however, to effectively encourage farmers to produce under higher animal welfare standards. The equitable distribution of costs and returns across segments in the pork supply chain is posing and will pose important challenges.