

And secondly, by supporting pro-welfare production, rather than constraining poor-welfare production, they avoid the aspects of legislation that have made them controversial and thereby undermined their effectiveness. The aspects they avoid are:-

- Laws can place a cost on the producer. Although these costs are often overstated or not set against gains in quality or productivity, the concern is that these costs may not be recovered in the marketplace.
- For products which can be transported cheaply, such as egg powder or frozen meat, there is the potential for third countries to exploit international trade rules, avoid European welfare standards and gain a price advantage. So far the Commission has been frustratingly feeble in addressing the issue within the WTO.
- Due to the above concerns, policy makers have been consistently conservative in the legislation they have adopted.

As a result, for the period of this action plan we will need to look to laws to provide protection against the worst abuses, but we also need to look to means of supporting producers to provide the higher level of protection that Europeans demand.

The Action Plan therefore has two objectives. But the means of supporting producers make up most of the Communication under discussion. Before we examine these however, we should be clear about the forces that are driving animal welfare these days.

Governments. The Community has made explicit policy commitments to improve the welfare of its animals.

With the adoption of the Treaty of Amsterdam, we recognised animals as being more than agricultural goods, and redefined them as sentient beings.

By way of the same Treaty, the Community placed a legal obligation on itself to pay full regard to the welfare of animals in key policy areas, notably in agriculture.

This commitment has since been reaffirmed in other policy areas, such as the CAP and Rural Development and the review of the European Sustainable Development Strategy.

Citizens. The demand for animal welfare among Europeans continues to grow, leaving their governments' policies behind. A Eurobarometer survey of over 25,000 Europeans last year convincingly showed most Europeans to be dissatisfied with their governments' animal welfare provisions.

Consumers. Partly as part of the growing concern about the way our food is produced, and partly out of direct concern about animal welfare, consumers are increasingly sophisticated in their demands.

In positive terms, the demand for welfare friendly products is strong and growing.

Market leaders in retail and restaurant sectors (e.g. Ahold, Marks and Spencer, McDonalds) have been quick to position themselves in the market for animal welfare.

In negative terms, uncertainty in the market has made it a difficult area for many in the food chain to enter, and our livestock industry suffers as a result. Taking an estimate of 30 million vegetarians in Europe, vegetarianism alone represents a loss in excess of 10 billion euros a year to them.

In 2000 the National Food Centre looked at consumption of animal products in Ireland, the UK, France, Italy and Germany. They found around a third of the population had decreased meat consumption due to animal welfare concerns.

Producers. Products that consumers can easily identify as high welfare, such as free range eggs, continue to take more, in some cases most, of the market. The consumption of welfare friendly eggs is about two and half times higher than it was ten years ago, and rising.

Producers are aware of this, and the imagery of packaging will often allude to rural, extensive, outdoor production in an attempt to capitalise on the market for welfare.

Specific hi-welfare schemes are growing, notably in the UK, France, Germany, Hungary, Belgium and Austria. Sales of UK's *Freedom Foods* chicken have risen from 7 million to 17 million per annum, in three years.

Establishing such schemes does not happen overnight however, and where they do not exist, we still see producers taking advantage of the market. McDonalds sources from over 500,000 farms, and demands high standards of welfare. These farms have no problem in meeting those standards when a buyer provides the market. But McDonalds also finds South American farmers perfectly capable of meeting their standards. Meanwhile, the World Bank's Commercial arm, the International Finance Corporation, is encouraging recipients of its loans to employ high welfare production techniques, and doing it for sound business reasons.

Europe has a comparative advantage in high welfare production, but it does not have a monopoly. Failure to support the market based measures provided in the Animal Welfare Action Plan will slam the door in the face of those producers who are trying to improve the value of their product, and undermine our competitiveness.

So we have a picture of popular demand, of political commitment, of market forces and of producers trying to differentiate their product – all giving momentum to improved animal protection. This issue is not going to go away.

In response, we have the option of several mechanisms. Laws will always figure among these. Providing no legal protection to animals is unacceptable both ethically and under our obligations to the Council of Europe. Laws are not going to go away either.

But the Animal Welfare Action Plan now offers the opportunity to complement laws with measures to offset their more controversial aspects, and to support higher welfare production to a point where the laws become increasingly irrelevant.

I will now briefly detail these.

Mechanisms to support the market for animal welfare.

The problem. People care about animal welfare, but sales of high welfare goods are still not high enough.

The proposed solution.

- Analyse the market, understand the motivations and difficulties of different types of consumer, devise, implement and support measures to improve the market.
- Welfare Quality Project. 17 million Euros over 5 years, analysing the market, developing indicators of animal welfare for communication purposes. Progress to date very encouraging.
- Information platform – retailers, producers, animal welfare groups, researchers sharing practical experiences on developing the market for animal welfare.
- Further survey work on consumer attitudes.
- Use of labelling for welfare friendly meat products.
- Method of validating high welfare systems, with a view to good communication with the consumer.
- Establishment of a European Standard of High Welfare, with a view to good communication with the consumer.

Possible gains- best case.

If consumers concerns can be translated into purchases

- Welfare will be delivered by the pull of the market, rather than the push of legislation. Any increased costs to producers are recovered in the market.
- WTO rules cannot be used to undercut European produce with lower welfare production, as the demand is for higher welfare products.
- Higher standards of welfare provided to more animals.

Possible costs to producers – worst case

Zero.

Mechanisms to improve knowledge and educate.

The problem

Skills, knowledge and understanding are needed to deliver high welfare at minimum cost and to implement laws.

European consumers have high aspirations and low knowledge of how food is produced.

Even minor improvements in understanding generate very significant changes in purchasing behaviour.

The proposed solution

- Research
- Development of a centre for animal protection.
- Broad communication strategy aimed a society in general and children in particular, on farming and welfare.

Possible gains- best case.

- Less debate about what the science says, more about methods of implementing it.
- A society that can make informed choices about food, including animal welfare.
- More people looking for more hi-welfare goods in the shops.

Possible costs to producers – worst case

Zero.

Financial Support through the CAP

The problem

Adoption of new technologies in agriculture has always been slow. The main reasons relate to risk, skills and high transaction costs.

The solution

Though not well articulated in the Action Plan, the Commission offers rural development funds to support higher welfare production.

Possible gains- best case.

Easier for producers to take advantage of the market for welfare, through support with such costs as investment, training and membership of assurance schemes and therefore reduced risk.

Possible costs to producers – worst case

Zero

And finally, returning to laws, which makeup less than a third of this document, I would ask this committee to look at how they can also be used to improve the competitiveness of European Agriculture. There are many lessons to be learned from Sweden, and Swedish farmers in particular, who have used their high standards to strengthen their industry.

I would remind you that many of the measures I have mentioned in this brief address are designed to stimulate consumer loyalty in European high welfare production, and that guaranteeing the consumer animal protection through laws is part of that package.

I would also remind you that the document does not ignore the issue of third country imports. It makes the commitment to engage with third countries, both within and beyond WTO negotiations. It also aims to reduce the regulatory burden of animal welfare rules in the long term, by exploring the use of animal welfare indicators.

In conclusion, I would to ask anybody who makes an automatic assumption that animal welfare and a competitive industry are contradictory to read this document again. There are many areas where Eurogroup believes it could be strengthened, but we believe that any moves to weaken it would be a decision we would come to regret, and our competitors would come to welcome.

My sincere thanks for your attention.