

# Pig farmers in a dialogue with society

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Agricultural Economics Research Institute (LEI), The Hague

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This publication reports an interactive research project involving pig farmers, societal groups, pig processing firms and government representatives. The aim of the project was to develop a business perspective for pig farmers in the Netherlands, who produce for the market while taking into account societal concerns. Four areas of concern are addressed: societal acceptance, market orientation, bottlenecks in regulations, and broading the initiative.

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# Colophon



This report is published by the platform Action Plan Wageningen Declaration following the Think tank Pig Farming 1998. This platform has been established by Dr D. Van Zaane (Project leader Research of Wageningen UR) by order of the parties to the Wageningen Declaration on 15 January 1999.

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# Wageningen declaration

## *Introduction*

The Dutch pig sector is in dire straits, where particularly its lack of social acceptance plays a role. This lack of acceptance is based on numerous causes, among which the manure and ammonia problem, odour and built-up areas in the countryside, problems as to animal health and welfare, the sector's vulnerable organisation and especially because it is such a lingering issue.

Possible solutions may be found as an increasing number of pig farmers and other parties strive after real change and innovation.

## *Point of departure*

A number of myths have come into being in the pig sector. These have been described and commented on in the report 'Myths and Sagas about the pig sector' by the Think tank on the pig sector of Wageningen University and Research Centre. We suppose that discussing this report within a broad social framework will lead to a constructive dialogue, which is necessary to come to real innovation. We invite everyone to become acquainted with the report and to take positions as to its findings.

## *Message*

We recognise that the Dutch pig sector can only overcome the current social and political crisis if it obtains a 'licence to produce' from the Dutch society.

We call on everyone who is concerned with the sector's future to make real efforts to realise the improvements needed in the areas of husbandry systems and self-organising ability of the sector.

## *Obstacles*

We realise that the current market structure and high prices of pig production rights are impediments to pig farmers who are willing to produce with an eye for the market and open to society.

## *Approach*

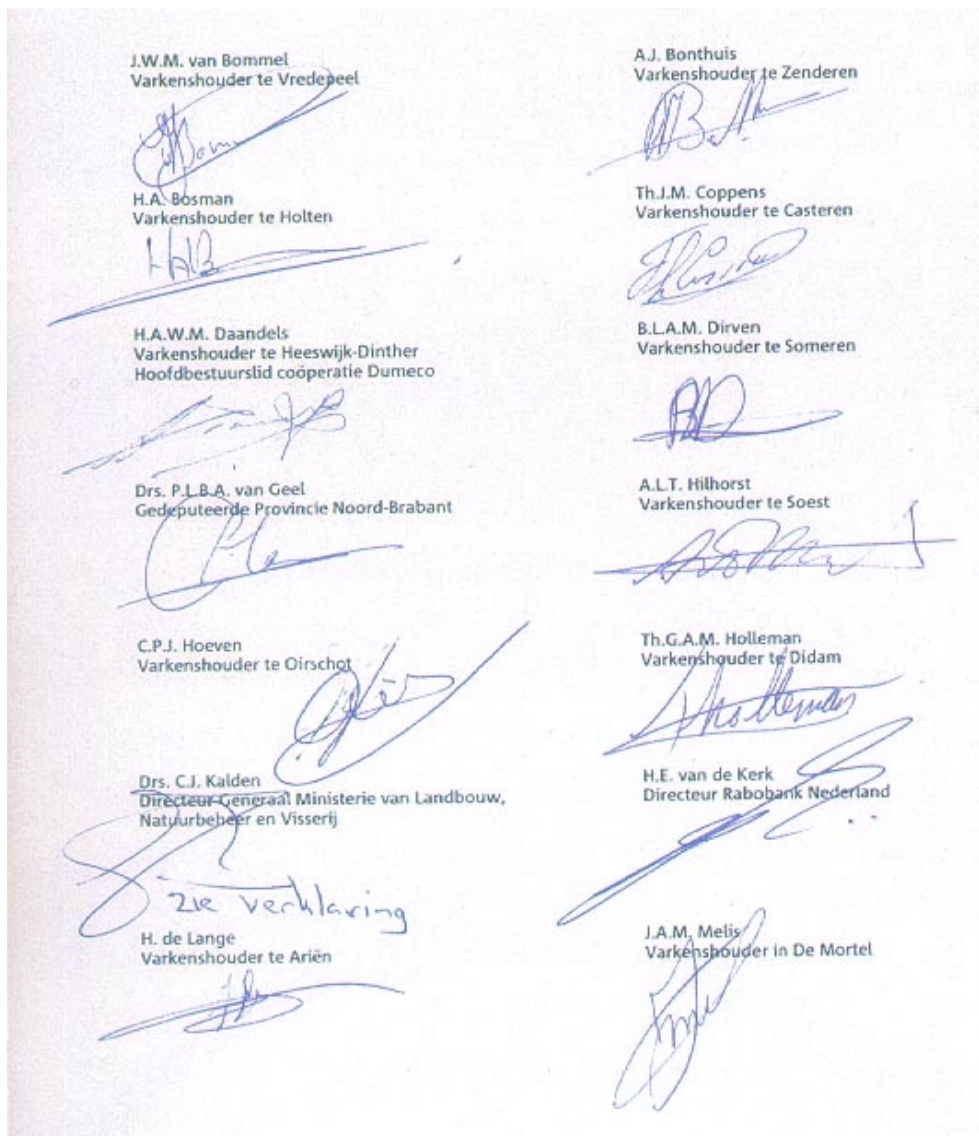
We will take concrete steps before 15 May 1999, which contribute to promoting socially acceptable ways of pig farming and which are also economically feasible. We will give

account to one another before 15 October 1999 as to our efforts in the light of this declaration.

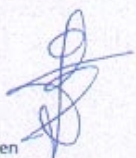
### Conclusion

We call on everyone to join in this declaration by publicly expressing approval <sup>1</sup>. We wish that our ideas will be worked out in numerous places and forms. Let this be the beginning of a new future for a renewed pig sector.


This declaration was signed by the following people at Wageningen on 15 January 1999:




<sup>1</sup> Expressions of approval can be sent to the Think tank on the pig sector, c/o DLO-Staring Centrum at Wageningen, P.O. Box 125, 6700 AC Wageningen, the Netherlands.



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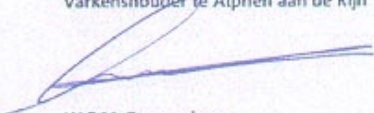
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## Preface



Following the report 'Myths and Sagas about the pig sector' by the Think tank on the pig sector, the Wageningen Declaration was signed on 15 January 1999. This was done by 22 pig farmers, representatives of the Foundation for Nature and Environment, the Dutch Society for the Prevention of Cruelty to Animals, Rabobank Netherlands, the province of North-Brabant, the Farmers' Union South-Netherlands, Wageningen UR and the Ministry of Agriculture, Nature Management and Fisheries.

The parties to the Wageningen Declaration have committed themselves to concrete actions that contribute to ways of socially acceptable pig production, which are also economically profitable. To this end, the Action Plan Wageningen Declaration was formulated in spring 1999 and embarked upon. In this Action Plan, four main points have been formulated: making the *licence to produce* concrete, improving the market structure, policy reform and broadening of the initiative. The costs of the Action Plan have been jointly defrayed by the Ministry of Agriculture, Nature Management and Fisheries, Wageningen UR, the provinces of North-Brabant and Limburg, the Administrative Platform Reconstruction East (BORCO), Rabobank Netherlands, the farmers' union South-Netherlands and the Foundation for Agro Chain Knowledge (AKK).

All parties to the Wageningen Declaration have committed themselves with this Action Plan to actually realising a *licence to produce* for the Dutch pig sector, the results of which are expressed in this report. The way in which each of the pig farmers participating in this Action Plan wants to attain a socially acceptable pig production is dealt with in the 22 unique business plans. These plans are based on a constant dialogue with the society and can serve as a point of departure. The accounts of the different parts of the Action Plan is also available on the Internet.

Realisation and reporting of the Action Plan would not have been possible without the efforts and involvement of many people and organisations. Wageningen University and Research Centre would like to thank all people involved for their faith in Wageningen UR to make this realisation and reporting possible.

Professor C.P. Veerman  
Chairman Executive Board  
Wageningen University and Research Centre

Prof. Dr. L.C. Zacheriasse  
LEI Managing Director



# 1. Introduction



Socially acceptable pig production and at the same time economically profitable.

This was the aim of the Wageningen Declaration, signed on 15 January 1999 by nine parties. In April 1999, the Action Plan was formulated to make this Declaration more substantive. This report 'Pig farmers in a dialogue with society', together with the business plans of 22 pig farmers, presents the results.

Besides on the Wageningen Declaration the Action Plan was built upon the research report 'Myths and Sagas about the pig sector'. However, while Myths and Sagas is an analysis of the problems at sector level, the Action Plan departs from the individual farm level. The Action Plan aims at those entrepreneurs who want to continue pig production in the Netherlands. Realising socially acceptable solutions for pig farmers who want to cease business will be dealt with in other projects.

The backbone is therefore the 22 business plans of the pig farmers who signed the Wageningen Declaration. In these business plans the pig farmers report the state of affairs on their farm and they express their plans to attain a socially acceptable way of pig production. These entrepreneurs lead in their willingness to start the dialogue. They spent much time in writing and discussing their business plans. They are even leaders in the Dutch private industry, for they are not afraid of openly discussing their plans via the Internet.



## *Main points of the Action Plan*

The Action Plan distinguishes four main points: making the *licence to produce* concrete, improving the market structure for pigmeat, solving problems in the rules and broadening of the initiative to a wider circle of people concerned. The first three points have been subjects of workshops. The workshops were organised on the basis of concrete *input*: the business plans of the 22 pig farmers, real data on the market for pork and a list of concrete bottlenecks in rules and regulations as appearing from the business plans. The workshops were open in nature. The organisers invited the people involved to contribute personally and not as representatives of an organisation. Preparations and results of the discussions were, and still are, available to anyone. As much clarity as possible to other parties was aimed at.

### *Framework of the Action Plan as a transformation process*

The Action Plan as a transformation process is characterised by three aspects: future-oriented (instead of past-oriented), process-oriented (instead of position-oriented), and aimed at broadening (instead of at exclusiveness).

#### *Future-oriented instead of oriented towards an analysis of the past*

The report of the Think tank on the pig sector analysed the past: how did it come? The Action Plan was aimed at concrete results towards the future. This led, for example, at crucial moments to consulting experts from outside the pig sector or from outside the Netherlands; people who did not know anything about the sector's past (for example, expertise from Shell, KLM, the Danish slaughterhouses and the Dutch fisheries). People who did know the sector were asked to be open to new perspectives, not to stick to the past, but to think along with new solutions for the future in a constructive way.

#### *Process-oriented instead of position-oriented*

The Action Plan was aimed at realising a process of change, not at confirming or discussing existing positions. The parties to the Wageningen Declaration were approached individually, and signed the Declaration in a personal capacity. For the pig farmers with a family farm this is more or less the same as their professional position, but this is not always true for the participants from social organisations. In first instance, they participated as an individual and not as a representative of an organisation. They committed themselves as persons, without being able to guarantee whether the organisation would adopt the viewpoint. The choice for the personal approach was particularly aimed at detaching people from their formal positions.

Participants cannot always sustain such an approach, however. There is almost always a moment in the interaction process, in which someone does not only speak for him/herself, but also as a representative of an organisation or a party. In any case, such a process can only be started in an environment with a certain basis of mutual trust, so that people can adopt a vulnerable attitude without being imposed on by others.

#### *Aimed at broadening instead of at exclusiveness*

All reports of the discussions are eventually open to anyone. The process' results - the business plans and the results of the discussions - are open to anyone. The Action Plan worked as an informal network aimed at elaborating innovative concepts. Subsequently it is up to the existing structures and established organisations to adopt these concepts and introduce them in a wide context.



The order of the workshops followed the reasoning behind the concept of *licence to produce*. First a dialogue should be started with the social organisations about the concrete realisation of socially acceptable production. Then possibilities should be looked for to put this production in the market. Lastly, governments should be aimed at for eliminating the bottlenecks in rules and policy. The pig farmers start from their own strength and are willing to take risks in an intensive dialogue with social organisations. This attitude deviates from a pig sector that asks without offering something extra and that makes claims without being willing to account for things. In the current model the government is in the centre between social demands on the one hand, and economic pressure from the sector on the other. In the model dealt with here, however, the first contact point for pig farmers is not the government, but the social and market organisations. The government will only be consulted if farms and social discussion partners cannot find an agreement or when there is a joint basis to solve particular problems in rules and policy. The government is, of course, also a sponsor of the interaction process; it facilitates the dialogue.

There was a clear relationship between the main points that were dealt with separately in the workshops. A pig sector with little social basis and which is not able to create a positive image as to its products will linger in bulk production and will have to put up with low margins and much governmental interference. These pig farmers are not stimulated to solve problems starting from their own strength and responsibility by means of self-control. After all, in a bulk market with much governmental interference in farm management farmers cannot lose much. Products with a positive image enjoy social trust and their producers think it of great importance not to betray this confidence. In such a situation the government can, indeed, exercise restraint.

This ideal situation has not been realised for the Dutch pig sector as yet. The objective of the Action Plan was not to bring this ideal picture further to perfection, but to take concrete steps to bring this ideal picture closer. Fortunately, also other initiatives are taken which bring a socially acceptable, economically profitable sector closer. Relevant factors that can be mentioned here are Animal Safety Index, SkoVar (foundation for chain certification of pigs), the 'Nijenrode group', the Covenant Ecological Pig Production, the AgroEcolabel and the quality programmes of the slaughterhouses. The Action Plan does certainly not claim a monopoly on this kind of initiatives. On the contrary, there was as much co-operation as possible and connections were looked for with compatible initiatives that contribute to a socially acceptable and economically profitable pig sector.

### *Executing the Action Plan*

There was much pressure of time during the process. One disadvantage of this was that not all matters could be elaborated as far as was desirable and that not everyone that should preferably be involved was involved. One advantage was that the parties constantly had to look for practical solutions. In this way the interaction process could not get bogged down in endlessly repetitious moves and in cherishing predisposed positions. The Action Plan has proved to be an intensive learning process for all concerned. Now it is a matter of how to communicate the results to people who were not involved. The report, therefore, does not only show the final results of the interaction process, but also the most important steps towards them.

The Action Plan was formulated by the parties to the Wageningen Declaration. Its realisation and control of the budget was left to the platform (see colophon). The platform met regularly to discuss substantive matters and to control progress.

This report is an account of the three workshops and a reflection. Also the fourth main point, broadening, will be dealt with. The most important result of the Action Plan is, however, not this report, but the business plans of the 22 pig farmers. The reader is kindly invited to read these.

## 2. Making the *licence to produce* concrete



The conclusion of the research report 'Myths and sagas about the pig sector' was that in the Netherlands, the pig sector does not have a social basis.

The sector must try to obtain a *licence to produce* again. Business plans can be a starting point for a dialogue, for restoring confidence and for resolving the dilemmas, which the pig farmers have to cope with.

A *licence to produce* for individual farms was aimed at, which is also widely practised in the private industry. The individual entrepreneurs are responsible for the public acceptance of their way of production. By defining the problem at sector level, there is a risk that too little is done to find solutions. On the one hand, individual entrepreneurs can hide behind the sector organisation; on the other, sector officials are held responsible, but are not in the position to change farm management of individual farms. Moreover, sector representatives aim at as wide a basis as possible; they have to take care of early adapters as well as of laggards. This does not stimulate to go one step further than minimally necessary. The responsibility for obtaining a *licence to produce*, therefore, is up to the individual entrepreneurs.

Also the economic sectors have been considered. After all, there are more industrial sectors with a lack of social basis. Initially firms ignored this, or they dealt with it defensively, but in the meantime more and more firms start from the idea that they should respond to social desires pro-actively. Creating a social basis for one's own firm is considered part of the firm's objectives, and is as important as attaining economic and/or financial objectives. Firms increasingly want to 'do business in a socially acceptable way'.



### *Doing business in a socially acceptable way*

The concept of *licence to produce* is a variation on Shell's concept of *licence to operate*; this is the room the society gives to a firm to use means and cause effects. These effects are economic, social and ecological in nature.

Social groupings increasingly appeal to the firms' accountability. For firms this means a different way of producing, with more attention to transparency. The parties should realise that choices are to be made, the correct answers of which are often not easy to determine. Sometimes economic and environmental interests are conflicting, which leads to difficult issues, where the different parties' demands are met alternately. Thus, dilemmas have to be dealt with. The responsibility remains with the enterprise, but by involving the parties surrounding the firm in the choices that are made, some acceptance is created. By making clear which dilemmas are to be coped with one can invite others to think along and try to find solutions. Then one is leader in a development, takes the initiative oneself and does not wait for the things to come. By reporting progress openly one invites people to a dialogue, which will lead to more room for doing business.

*Based on the contribution of Dr J. Wempe, Erasmus University Rotterdam, KPMG Ethics & Integrity Consulting to the workshop entitled 'Making the licence to produce concrete'.*

### *Importance of a licence to produce*

Pig farms are mostly family farms. They do not have shareholders, as for example, the petrochemical industry such as Shell, who are interested in doing business socially. But there are other parties concerned, for example, the banks. They want to have certainty about the financial continuity and increasingly pay attention to entrepreneurial skills. Social organisations want to be sure about the way in which and the extent to which individual farmers attain social objectives.

Consumers want to have more certainty about food safety. This can partly be realised by self-control by means of a certification system, but the latter cannot resolve all problems. They are not watertight, because on many farms executive and controlling tasks are done by one and the same person and because administrative control cannot always be fit in with daily practice. But even a completely watertight certification system does not automatically lead to confidence. 'People sometimes believe what you say, but always what you do'. Pig farmers will have to report to what extent they succeed in preventing problems. If necessary, consumers want to verify in which way production takes place. Steps in the production process must not be unclear or be prevented from critical attention. People living in the neighbourhood, for example, will want to know whether everything is done to prevent any nuisance, they will want to know what investments the entrepreneur will do and within which time. Consumers may want to know what entrepreneurs do to prevent disasters and why they choose for a particular way of production. The basis to compensate for the damage from public money in case of disasters is decreasing.

What holds for the private industry in general (see under section doing business in a socially acceptable way), also holds for the agricultural industry. Agricultural production has its effects on the environment and the vicinity, of which the pig farmers have to give account. Moreover, intensive farming is not a local production system; it makes use of international raw materials, which also leads to supra-local effects (manure has to be removed, discharge has consequences for the quality of drinking water). The resulting costs should be charged on to those that cause them as much as possible. However, there

will always remain effects that cannot be translated directly to economic decisions. Yet, account will have to be given.

In the workshop it has come up that the *licence to produce* in the pig sector concerns housing as well as farm management (*hardware* and *software*). It concerns results, but also efforts. The *licence to produce* is not a stamp but a continuous process. The entrepreneur enters into a dialogue with other interested parties, but remains responsible for his own management. He weighs the different interests, describes the dilemmas that he encounters, and gives account of the choices made. The social organisations do not give a stamp to the enterprise but are given the opportunity to have a look and think along in the decision-making process of the entrepreneur. They remain free to keep having their own desires. This process is realised in the business plans, which are no end products but rather a start to a continuous dialogue.

#### *Procedure followed*

Parties to the Wageningen Declaration

Formulating draft business plans by pig farmers

Formulating social organisations' demands

Dialogue of pig farmers with social organisations

Formulating bottlenecks and dilemmas by pig farmers

Presentation of business plan as a public document

Use of business plan for the purpose of environmental licences, financial applications et cetera

Broad discussion via the Internet

#### *Business plans as a starting point for a dialogue*

The pig farmers have formulated their business plans on the basis of a general idea by Wageningen researchers and DLV farm advisers. The plans have been discussed in regional meetings, to which also the Foundation for Nature and Environment and the Society for the Prevention of Cruelty to Animals were invited. At first, some farmers thought the presence of social organisations threatening, but soon there was more certainty, which led to the building of mutual trust. Pig farmers found out what in the social organisation's view was important and what were matters of less importance. Social organisations in turn could form a picture of the efforts and intentions of the pig farmers. Demands of social organisations were made clear; expectations were re-adjusted in good time. The pig farmers were sometimes inclined to choose a 'socially desirable' formulation. The presence of social organisations, however, prevented business plans becoming a *public relations* story. The pig farmers discovered that representatives of social organisations are not easy to be deceived, but that at the same time they have a realistic picture of intensive pig farming and are willing to really think about the dilemmas of the farmers. Contrary to controlling administrators, representatives of social organisations are in the position of

being able to show sympathy for an entrepreneur who has chosen for a solution which is actually serving the socially acceptable purpose, but is against statutory regulations.

To be able to have a dialogue, the social organisations were asked to draw up a list of points of interest (see framework). On the basis of these lists a checklist of answers was made for the farmers together with ZLTO Consultancy and DLV (see business plans). As many matters as possible that could be answered easily by the pig farmers were asked. The way of reporting forced the farmers to make their position clear in relation to the legal standard, or to the average of the sector. The checklist was not meant as a yardstick or a scoring system, but as a common starting point for the discussion. The entrepreneurs were invited to explain why they scored well or less well at a particular point. The underlying argumentation is certainly as important as the eventual score.

Then the entrepreneur was invited to go into the future. What plans does he or she have to attain a way of production that meets social demands and that at the same time is economically feasible? Realistic future prospects were asked for, with a fine balance between social demands and economic feasibility given the current market conditions and those to be expected. The entrepreneur will never be able to meet all social demands at the same time. He has to make choices and will face dilemmas. The business plan is aimed at making the consideration process clear to himself and others and at giving account of which choices have eventually been made. Choices are partly determined by regulations, financing and/or market structure. The entrepreneur, therefore, was also asked for the most important bottlenecks that hamper him to give shape to his ideal farm. These bottlenecks have been added to the business plans in order to place the choices made in a realistic perspective.

The description of the current situation and the account of the choices made are in the chapters on welfare, environment, food and market of the business plans. The scores on the checklist have been summarised in a figure, which generally indicates the place of the entrepreneur with regard to social interests. This graphic figure is not a judgement on the farm, but rather a general indication. The different points of interests have not been weighed, nor has been taken into account whether the entrepreneur has given arguments for meeting or not meeting certain objectives. The graphic figure does not take into account either whether and to what extent the entrepreneur is willing to allow for social demands in his future plans. All these matters are not dealt with in the checklist, but are in the business plan, the latter being the most appropriate source to form a judgement. The fact that the social organisations involved in the Action Plan subscribe to the idea of a social account by business plans does not mean that they agree to all parts of each of the business plans developed. The business plans are a means for the dialogue; the entrepreneur concerned is and will remain responsible for the contents in the business plan.

The part Wageningen UR has played was to support this process. Wageningen UR does not give any judgement on the business plans. This should be done by the social organisations and the public at large. The description of the desirable situation and the steps that have to be taken to reach such a situation (including time schedule) are in the chapter on future plans of the business plans. The bottlenecks and dilemmas the entrepreneur encounters in realising his plans are described in the chapter on dilemmas. The business plan is concluded with a signature by the entrepreneur. He, together with his

partners, is author, has the final responsibility and is the most important executor of his own business plan.

<i>Points of interests of the Foundation for Nature and Environment</i>	<i>Points of interests of the Society for the Prevention of Cruelty to Animals</i>
<p>1. Minerals            Mineral balance for nitrogen and phosphate            Mineral excretion per animal            Responsible manure removal            Extent to which the farm's own manure and/or feed is used            Manure treatment or processing on the farm            Phosphate condition of the soil            Use of artificial fertiliser</p>	<p><i>Farm layout</i>            Room to move, size, group housing, outdoor room            Daylight in pig houses            Solid floors            Straw or litter            Separation between lying and defecating area            Distraction material            Climate control</p>
<p>2. Ammonia            Green label system            Environmental licence            Relocation of farms away from the Ecological Main Structure</p>	<p><i>Care</i>            Permanent groups            No intervention for the purpose of treatment of the symptoms            Ad lib drinking water            Providing roughage            Weaning age</p>
<p>3. Animal feed            Phosphate and nitrogen contents in feed            Additives or residues in feed (guaranteeing)            Animal proteins in feed            Genetically modified components in feed            Average distance of transportation of raw materials for feed</p>	<p>Control at least twice a day            Possibility of rubbing            No preventive addition of antibiotics to feed            Hygiene measures            Treatment of pigs (last but not least):</p> <ul style="list-style-type: none"> <li>- Do not use the ears as handles</li> <li>- Call in the veterinarian timely for euthanasia</li> <li>- Remove diseased pigs from the rooms in time</li> <li>- Leave light on in (windowless) compartments during the day</li> <li>- Treat the pigs well when moving them to other rooms, when loading and unloading et cetera.</li> </ul>
<p>4. Nature and landscape            Agrarian nature management            Pig houses embedded in the rural area            Integration nature into the surroundings</p>	
<p>5. Energy            Direct energy consumption            Use of sustainable energy sources            Green power            Applying energy yardstick</p>	
<p>6. Water/waste/odour/pesticides            Reducing activities</p>	
<p>7. Market and environment            Participation in quality and environmental programmes</p>	
<p>8. Ecological pig farming</p>	

### *Dilemmas in attaining a licence to produce*

The entrepreneurs who have written a business plan are all early adapters in that they want to enter into a dialogue with the society, to take risks, to be open in their farm management and to be willing to give account of what they are doing. Nonetheless, the business plans show a wide variation in entrepreneurs. It is, after all, not to do necessarily with entrepreneurs that are ahead at all fronts. Only few meet all legal requirements for 2008. It is striking, however, that a number of dilemmas occur in several business plans.

### *Dilemma of openness - non-openness*

The report *Myths and Sagas* of the Think tank already confirmed: Openness is preferred, but if consumers visit the farm, it might give them a fright to see in which way pigs are kept.

Writing a business plan is not meant as a superficial *public relations* stunt. Farmers are willing to give account of the technical details of farm management and layout, but are afraid of scaring off the public/consumers. Moreover, they have to give account to different target groups. Policy advisers of social organisations are interested in the technical details. 'What is the plus factor of this entrepreneur compared to his colleagues?' Alternative husbandry systems are preferred by the supporters, but if a dialogue is started with farmers with a usual husbandry system, then the latter have to show that they have plus points in relation to colleagues. This plus point can be made clear by technical information. The public/consumer may pull out, however, when it comes to technical details as disease-free certificates, floor space standards, composition of feed et cetera. At best they may aim at the view of the social organisations and what they learn via the media. The public/consumer is generally more interested in a general picture, which is to do with technical details only to a limited extent. It is more a way of feeling. Pig farmers do not only want to emanate a positive feeling with their business plans, however, but also want to say something about the way of production.

Not all details need to be communicated to the public at large/consumers; it is more important that the information is available to all people that ask for it for some reason or another. This is the difference between advertising the product and way of production, and seeing to it that the information is easily available (for example, via the Internet) to those that are interested.

One problem is, however, questions on the financial position of the pig farmer. It is important to have this insight, in order to be able to judge whether the farmer does enough to attain social goals. On the other hand, considering the structure of pig farms (family farms), insight into the economic results and financial situation of the farm at the same time says something about the private situation of the farmer and his family. This is different from stock exchange-listed companies, where the annual account relates to the ins and outs of the company and gives only a very limited insight into the private matters of the entrepreneur. In these business plans, it was left to the farmers how far they wanted to go. At the same time, some farm visits have been made, during which representatives of social organisations and Wageningen researchers discussed the business plan. In these



discussions, the financial situation of the farmer concerned was informally dealt with extensively.

#### *Dilemma of being early adapter - feeling solidarity with colleagues*

The public often puts all entrepreneurs in the so-called 'usual' husbandry system in the same category, while there are great differences among them. One farmer is much more trying to meet social wishes and consumer demands than others are. Then the early adapter may be in a dilemma. On the one hand, he wants to be recognised by the fact that he does well; on the other, asking for recognition means that he has to distinguish himself from colleagues who, for whatever reason, are not that far (yet). To put yourself in a positive light with the results reached by you is not always highly appreciated by colleagues. Matters made available by enthusiastic and creative early adapters today, may be the standard to be met by all tomorrow.

The starting point of the Action Plan was the individual entrepreneur's own responsibility. The participating pig farmers have chosen for giving insight into their farm organisation, performance and future plans. The judgement as to what extent the farmer meets the social objectives is not up to him, nor to his colleagues, but is formed in the dialogue with the social organisations, buyers and suppliers, the media, politicians et cetera. Whether you want it or not, a judgement on your performance is formed anyway. Then it is better to see to it this is done in the best possible way, on the basis of facts instead of mistrust and with understanding for each other's considerations and dilemmas instead of on prejudice and ignorance.

#### *Dilemma of animal welfare - environment*

Social demands are not always in line with each other; they can even be conflicting. Animal welfare requires more floor space per animal, which leads to lack of space. Animal welfare requires outdoor room, which leads to an increase in ammonia emission. Social organisations have solved this problem by allowing more impact on the environment per animal in case of animal-friendly housing. At the same time the total impact on the environment has to be decreased by fewer animals in the Netherlands, which is, however, a solution at sector level. The individual entrepreneur is in the dilemma that he can often only invest in animal-friendly housing if he can keep more animals, since then the higher cost price can be passed on over a larger number of animals. Of course, they can also choose for an alternative way of husbandry (free-range or ecological), where fewer animals can keep up income, because the higher cost price results in a higher selling price. But this concerns a niche market, and it is to be questioned whether the higher selling price also holds when many pig farmers change to this kind of husbandry system. For more insight into the specific considerations of a pig farmer whether or not to change to free-range or ecological pig farming, please see the individual business plans.

The pig farmer who wants to invest in new pig houses has to expand, but due to the absolute maximum number of animals at national level, this can only be realised at the cost of colleagues who cease business. This poses a problem considering the legal framework still operative in 1999: the pig production rights are too expensive to be bought. This poses

a problem when investments are to be done due to social demands. Meanwhile, the policy has changed. Pig production rights will disappear in the future making place for manure removal contracts. Most entrepreneurs think this an improvement, but they are afraid that manure removal is going to cost much extra money. They postpone animal-friendly investments, because they want to keep their money available for solving the manure problem. Although the methodology of the business plans makes an integral consideration of social interests possible, where the entrepreneur tries to find a balance between animal welfare and the environment, making plans proves to be under pressure due to the changing priorities on the political agenda.

Also during the day a pig farmer has to make numerous decisions which require considering different social themes. From an animal welfare point of view, for example, it is good to provide drinking water unrestrictedly, while from an environmental point of view a limited manure production is desired. The pig farmer can even be in a dilemma within one theme. It is, for example, good to apply group housing during the entire cycle, but the pigs are sometimes that restless during the oestrus period that a way of individual housing should be considered in order to prevent fights. The considerations and dilemmas each pig farmer encounters in daily practice are not discussed in detail here. Please refer to the paragraphs concerned in the business plans of the individual entrepreneurs.

#### *Dilemma of legitimate - legal*

Pig farmers who want to show concrete results as to socially acceptable husbandry in the short term cannot always stick to the rules (Pig Regulations, licence procedures). If they observe these rules and/or licence strictly, attaining social goals is delayed. What is done can be legitimate (sufficient social basis), while it is not legal (the law and/or licence prescribes a different, in this specific case less practicable solution).

This dilemma is dealt with differently. Some pig farmers observe the legal and/or licence rules strictly, even if social goals could be attained earlier or in a better way if they ignored these rules (partly). This may, for example, result in a less far-reaching solution as far as social demand is concerned, while a further reaching improvement was aimed at, due to lack of time, because, for example, the legal term had expired within which a licence had to be realised. Other pig farmers experiment with socially acceptable husbandry systems, although these systems have not been recognised (yet) legally and/or licence-wise. This may mean that strictly legally they do not comply with the rules, but the farmer concerned accepts this because he wants to integrate the social goals into his management as soon as possible.

Usually social demands translate into legal regulations or licensing is bound to terms. Dutch pig husbandry is currently changing much, however, where it is not always clear to the individual farmer what the legal and/or licence-wise frameworks are within which to operate. In such a situation, it may paralyse pig farmers who want to meet social demands in a more far-reaching way, if (meanwhile obsolete) legal regulations and licence requirements are enforced strictly. Particularly to remove the area of tension between legitimacy and legality, it is important that pig farmers enter into a dialogue with social organisations and politicians, because in what they see as legitimate, can be recognised legally.

This dilemma functions, for that matter, also as a reflection for the social organisations and neighbouring people. Should everything be contested what is legally possible (even though a wider social goal is met)? Or should only those plans be tackled with which no social purposes are served (while legally you may not even have sufficient chances to contest these plans)?

### 3. Improving the market structure



According to the research report 'Myths and Sagas' it is the poor market structure for pork that hampers a restructuring of the sector.

During discussions on marketing it became clear that slaughterhouses are to play a prominent role in this restructuring. Together with other parties in the chain they have to look for, for example, fancy meat products with additional value. The initiative to this may be taken by the chain stores, slaughterhouses or the pig farmers themselves.

In the slaughterhouses too much emphasis is still being placed on slaughtering and processing, while this does not yield much money. Too little is done to develop and launch specialised products with more additional value. Only through price reductions can the consumer be lured into the shop, which makes the retailers to have no choice but to be opportunistic buyers. Changes as to co-operation among pig farmers, slaughterhouses and chain stores are a prerequisite for improving the market structure.



The competition between stages should change to competition between chains. Moreover, the parties should develop fancy selections of food products from meat. There is room for that, for, contrary to the large number of A-products in the segment of meat products, there are still few A-products in the segment of fresh meat. This makes that there is a relatively low additional value in the entire chain, within which retail receives a relatively high additional value. If a chain wants a particular product to appeal to the consumers, this product should have particular qualities, the so-called *Unique Selling*

*Propositions.* For pork these are: price, the sensory qualities (colour, taste) and the intrinsic quality (cutting efficiency). Also the quality of the way of production may be a sales argument, as proves from the increasing demand for animal- and environmentally-friendly produced meat. For the domestic demand for fresh meat, the *Unique Selling Proposition* can mainly be based on the sensory quality, for the foreign market mainly on the intrinsic quality. Meat products and ready-to-cook products have the highest price per kilogram of meat. Snacks and ground meat have the lowest turnover per kilogram. Particularly ready-to-cook products have increased as to sales and price lately.

Researchers have calculated what a shift from ground meat and snacks to more expensive ready-to-cook products means. Currently 7%, 9% and 17% of the pigmeat is being marketed as ground meat, snacks and ready-to-cook products respectively. A shift to fewer snacks and ground meat and more ready-to-cook products towards 5%, 6% and 22% respectively has a turnover profit in the shop of, on average, NLG 0.24 per kilogram (in 1998 the retailer received on average NLG 12.90 for 1 kg of 'bulk' pork). The processor gets, on average, NLG 0.07 more and the pig farmer NLG 0.04 (on average, they receive approximately NLG 2.75/kg).

Product innovation is thus an important means to food chains to keep their market share or to increase it in a quantitatively saturated market. In the early 1990s more than 25% of the sales of food products in the US were from products that had come on the market the preceding five years. An increase in turnover is to be realised by additional value, more nutritional value, better taste and more convenience. A strategy of low costs is less suitable for this.

#### *Co-operation between stages within the chain*

In the workshop 'market structure' pig farmers and slaughterhouses discussed about sales improvement. The first objective was to make facts and figures clear. To this end, some experts have provided factual information on market demand, structure and organisation of meat sales, valuation of all meat of the pig (meat balance) and production costs on the primary farm. During the discussion, however, it became clear that there was more than only a lack of factual information. A common framework was lacking within which this information could be interpreted; there was little mutual trust.

In the workshops the discrepancy between public demands and buying behaviour of consumers was discussed several times. The social organisations have indicated to be willing to play a role in resolving this discrepancy.

In what way should the chain be organised differently? Below a rough outline is given for co-operation within a chain, where the parties have themselves led by consumer demand. During the discussion it became clear that this co-operation should meet four conditions:

- the parties have a *partnership*-based approach;
- they can invest in quality;
- there is a predictable supply of slaughter pigs;
- there is a transparent payment scheme.

### *Rough outline for co-operation*

#### *- Partnership*

Co-operation assumes a 'win-win' basis. Profits should be earned by all parties, including the stage between pig farmer and slaughterhouse (trade), if co-operation is to be realised. Trying to remove margin from the retailer is not aimed at. Economic power of the retailer is, by the way, so strong that this would not even be possible. The solution is providing more service to the retailer, which should lead to a 'win-win' situation in the entire chain. More profit to the producer, processor and retailer, financially as well as saleswise. To this end, the entrepreneurs should be willing to enter into a business relationship, in which structural profits in the long term are more important than incidental profits in the short term.

#### *- Investing in quality*

Co-operation in the chain should be such that all stages yield returns on investments in improved quality of the product. One condition for payment according to quality is the development of new meat products and concepts for retail. At the moment it is difficult to introduce clear price differences, since there are insufficient quality differences. Market segmentation only works in the short term. More and more slaughterhouses cut the meat themselves. The distinction between retail and industrial market is fading. The risk of product differentiation is that producers make many additional costs, but that the margin proves eventually insufficient. As long as no new products are added, the supermarket can only sell at record low prices, the disadvantages of which are transferred to the entire chain.

Individual pig farmers should have the possibility of differentiation: it should be possible to establish transparent chains with additional value (for example, welfare, environment, safety, quality), where there is a clear relationship between socially acceptable ways of production and the sales of pork products. Pig farmers should be paid according to quality, with which investments in obtaining and maintaining a *licence to produce* are possible.

#### *- Predictable supply of slaughter pigs*

A predictable supply of slaughter pigs makes an optimum use of slaughter capacity and supply to the market possible. The slaughterhouse wants a fixed weekly supply on the basis of its slaughter capacity. Currently this is often not possible because pig farmers supply on the basis of market expectations: in a rising market they keep the pigs and deliver too few and in a downward market it is the opposite. The result is a lack of balance between slaughter capacity and supply pattern each week.

Solutions concern predicting the supply over more weeks for the purpose of slaughter capacity and a way of price equalisation, so that delivering slaughter pigs is no longer adjusted on the basis of market expectations.

#### *- Transparent payment scheme*

One condition for trust is that the mechanism for price forming is becoming transparent. This means a consistent rewarding for extra efforts at farm level and not that pigs are bought at a price depending on the production capacity in the slaughterhouse. The bonuses for the different quality programmes of the slaughterhouse are known, but how the base price is set at a certain moment raises questions. Moreover, the need for a more consistent base price is increasing among slaughterhouses and pig farmers.

### *Chain initiative can be with different parties*

It is important who is taking the initiative within a chain. Within a chain of pig farmer - processor - chain store the initiative can be taken by one of these three. Each of the three options has sufficient perspective to exist next to each other, provided that they can maintain their unique position for the market.

### *The chain store takes the initiative*

The supermarkets aim at an increasing assortment, more service and low purchase prices. The increase in assortment makes that important benefits can be reaped by logistic planning. Retailers want to decrease the total number of suppliers to a limited number of still mutually competing *preferred suppliers*, the benefits of which are: more stable sales, fewer transaction costs and larger orders. Because both parties are willing to invest, it becomes possible to deliver in time and to stress the fresh aspects even more. Also the so-called failure costs (products expired et cetera) can be reduced. In this concept it is important that the chain stores are willing to connect themselves to a chain. One problem is the distribution of the margin. Profit maximisation particularly occurs by playing the replaceable suppliers off against one another. In this concept, the problem of a downward pressure on prices remains present.

### *The processor takes the initiative*

The slaughterhouse is pre-eminently the central party in the chain, because it has contacts with the primary sector and can also start connections with retailers. In the Dutch market, the slaughterhouses often have these direct relations with retailers, but abroad there are fewer contacts. If the slaughterhouse takes the initiative, it should be able to offer a benefit to the chain stores, the consumer or both. It may, for example, take care of the shelves in the supermarkets. Then the slaughterhouse also markets its knowledge on meat. It can give a complete overview of the shelves, with product information, promotional activities and further extension of knowledge. The processor thus takes over the role of category manager from the chain stores. The latter will only give up if a structural improvement in the margin can be demonstrated. In this way, a broader realisation of the meat balance is possible, by which more parts of the pig can be sold via the fresh meat channel. The slaughterhouse can direct the sales and at the same time obtains information on the buying behaviour of the consumer. The 'win-win' situation is realised by a reduction in transaction costs in the last part of the chain, a better realisation of the meat balance of the carcass and a higher turnover per square metre of shelves. Such a structure can also stimulate product development at slaughterhouse level, because there are direct contacts with the market; testing and introducing new products can take place much more easily.

This 'win-win' situation requires investments, though, in information technology and in a different way of working. The shelves scheme is to be adjusted daily on the basis of actual checkout information. The supermarkets should be willing to make this information available to the processor. One condition is that there is a good co-operation between the pig farmer and slaughterhouse to be able to utilise the logistic benefits of this chain concept.

### *Pig farmers take the initiative*

If a group of pig farmers want to act as initiator, they will have to develop products that are recognised by the consumer. Examples are regional and ecolabelled products. If consumers associate the label with reliability, safety and wholesomeness, they will strongly prefer this

meat, even if it is more expensive. Retailers are forced to have this meat on the shelves, irrespective of whether they receive a higher margin or not. It remains important, however, that the label is continually brought to the attention of the consumer to prevent oversupply, since this concerns a niche market with a limited demand.

If the chain initiative is primarily with the pig farmers, the slaughterhouse will have a service function as to slaughtering and logistics. The benefits for the slaughterhouse are: a good planning and no financial risks in the product. Pig farmers communicate directly with the retailers. For such chains the costs, supply and the production conditions are clear, and consumers' control is direct. This chain concept implies that pig farmers themselves should take care of marketing the product. This requires, however, an investment in knowledge and expertise, which will not be possible for most pig farmers.

### *Evaluation of quality programmes*

The past few years slaughterhouses have introduced quality programmes. Besides meat for export to Japan, there are other programmes within which the sector provides the domestic chain stores and those abroad. All three large slaughterhouses are developing a programme for ecological pork and all slaughterhouses use Integrated Quality Control (i.e., IKB) more or less as a basic level. There is not (or hardly) any difference among the slaughterhouses as to the extra requirements for participation in the different quality programmes.

The retailers demand distraction material for the animals in the barns. Certain medication is no longer allowed. Besides, there are demands as to the transportation of the animals (courses for transporters and means for transport of diseased animals). The extra costs are partly paid by the chain stores.

The British bacon segment's main demands are that sows are housed in groups, that male piglets are not castrated and that the feed is meat-and-bonemeal-free. There is much interest among pig farmers to change to the bacon segment.

Slaughterhouses	Dumeco	Hendrix Meatgroup	Sturkomeat
IKB	Good Farming IKB	IKB	IKB-meat
Japan-worthy	Good Farming Kroon	Global Pork	
Retail	Good Farming Retail (Pork 2000+)	Pork 2000+	Environmental and Welfare Programme
Bacon	Good Farming Bacon	Welfare Pork	Welfare
Ecological	Good Farming EKO	Ecological Pork	Ecological pigs

Moreover, there are firms that produce according to requirements linked to the Ecolabel. According to this Ecolabel, manuring and acidification must not be more than 50% of the average and energy consumption not more than 75% of the average. Besides, a maximum percentage of mortality is allowed and animals should have unlimited access to drinking water.

Reasons of pig farmers for participation in the retail programme vary from purely economic reasons to willing to establish a relationship with the stages further in the chain. Some pig farmers do think, however, that the retail programme should be kept up to date



and innovated. Apparently there is a lag in maintenance. Moreover, there is little consultation, and more control is necessary as to the pigs that enter the programme. The certification is not watertight.

Pig farmers who participate in the British bacon programme consider the bacon bonus reasonable. They are satisfied about the control by the UK and the slaughterhouse. Yet, farm management changes considerably. Pigs must not be too heavy at delivery, which means more attention to feeding and adjusting the feed composition. That castration is no longer necessary is considered positive. Furthermore, the adaptations in housing are practicable. The schedule is different and more control is needed. A fairly quiet type of pig is needed. The necessary investments depend on the firm. Pig farmers who already have spacious barns, can make adaptations at low costs.

Some bacon suppliers meet in groups regularly. Information on the market is given and they exchange experiences. This is considered positive.

### *Bottlenecks and dilemmas in quality programmes*

#### *Bacon programme*

Pig farmers who want to participate in bacon programmes are aware of a number of bottlenecks. Heavy pigs are profitable if the meat price increases, but are not wanted in a bacon programme. For such a programme the growing-finishing pigs have to be lighter at delivery. This should be done extremely carefully. If it goes wrong, it will result in a considerable price reduction. Moreover, with possible catastrophes (for example, closing down a farm due to animal disease), the pig farmers cannot deliver their boars in time.

Immediately after servicing the sows should join the group again. Some sow farmers do not consider this appropriate for their management. Moreover, it is not always clear how profitable a quality programme is in the long term. Yet this is necessary to be able to carry out an adequate cost-benefit analysis in case of a programme switch.

#### *Meat balance*

In niche markets, such as the ecological pig husbandry, the relationship between cost price and retail price is important. Each guilder of cost price increase at farm level results in a difference of eight guilders in retail price. Of all carcasses only 50% are fit for retail. Of these carcasses, only 40% of the parts are intended for retail and after processing of these parts only 60% remain for retail. Thus, of all meat produced only one-eighth is in the ecological refrigerated display of the supermarket.

Production for the European market has consequences. For the British bacon market non-castrated pigs are demanded, while the German market asks for castrated pigs. However, only part of the carcass is needed for the bacon market. The other parts cannot (or with difficulty) be marketed in Germany.

#### *Choice of chain structure*

The question remains whether a chain should specialise for one retail format or that a wide range of retail formats are supplied at the same time. A more specialised chain can work more efficiently, but offers fewer possibilities of valuation of all parts of the pig. A less

specialised chain, however, may realise such an adequate meat balance by providing to different retail formats that efficiency loss is amply compensated for.

To work on a particular niche, investments have to be done. These investments require a certain payback period, or longer-lasting sales. On the other hand, too rigid a chain structure hampers an alert response to new possibilities and threats.

#### *How to build trust?*

The slaughterhouses want to choose for long-lasting relationships with pig farmers. In practice, however, bulk production is still more important. Moreover, the prices slaughterhouses pay depend on their slaughter capacity, more than on the product delivered and its background. Adjusting culture and structure of the slaughterhouses is needed to be able to build lasting and professional relationships. On the other hand, also pig farmers should learn to operate in a co-operation context with a slaughterhouse. The management should be transparent and they should be able to make agreements about the pigs to be delivered.

#### *Risks in product development*

Product development is not only important, it is also risky. Many new-developed products do not catch on, while much money and time have been spent. There is a dilemma between likely commercial possibilities of a new product and the financial risk in case the product does not catch on. Whether or not a new product is successful does not only depend on the quality, but also on the communication as to the product and its positioning in the market.

## 4. Eliminating bottlenecks in rules



Legislation and rules can delay a development towards socially acceptable pig husbandry. The Pig Welfare Regulations and particular rules as to spatial planning prove to be able to hamper a rapid and adequate adaptation of pig housing and management. Social organisations and the pig farmers can point out bottlenecks in legislation and rules and consult with the government how to eliminate these. Such a dialogue does not mean, however, that existing consultative structures are no longer

Pig farmers who discuss their business plan with other parties do not only address the government to ask something. They also have something to offer: a well-considered business plan, which has been formulated by means of a dialogue with social organisations and, thus, for which is a certain social basis. These pig farmers take their own responsibility and do not address the government to solve *all* their problems. The government, in turn, cannot and does not want to solve all problems. It stands back, or wants to, and stimulates the pig sector to solve the problems themselves, together with social organisations and parties in the chain.

But the government cannot sit back. First, because the pig sector has already to deal with many regulations. The government cannot withdraw without maintaining these existing rules, to manage them and if possible to rescind them. Second, governmental rules will remain necessary because not all responsibility can be left to the entrepreneur. The main point 'Eliminating bottlenecks in rules and legislation' of the Action Plan is not aimed at fewer governmental regulations, but at a different way: more differentiation as to individual entrepreneurs who do business in a socially acceptable way and less direct steering in firm processes. This is the longer-term perspective. To reach it, the first small steps have to be done, the point of departure of which is restoring confidence, which can only be realised by actions and not by words. The parties have to prove themselves, on the basis of which the rules can be further adapted.

The 22 business plans show various bottlenecks in rules and legislation, which were discussed in the workshop on rules. The temptation was strong to discuss at sector level and not at farm level, which was particularly apparent in discussions on realising a balance in the manure market. This discussion did not produce really new viewpoints, because it remained at this higher level. From the methodology of the Action Plan, the discussion was brought to the business plans again, for in these it is described in what way the individual entrepreneur looks for a solution to social issues, such as a responsible way of manure removal.

Following the workshop, the pig farmers were asked to explain their bottlenecks in the business plans. Moreover, farm visits were paid, together with the Society for the Prevention of Cruelty to Animals and the Foundation for Nature and Environment. On the basis of these the pig farmers and social organisations compiled a list of bottlenecks after

having had consultations with administratively responsible people. These bottlenecks and directions of solutions (see framework) can become part of the public opinion about rules and legislation to direct the pig sector.

*Directions of solutions to bottlenecks in the business plans*

*1. Linking of Pig Welfare Regulations and Restructuring Law for Pig Husbandry*

At the time, a connection was made between the Pig Welfare Regulations and the Restructuring Law for Pig Husbandry. A farmer whose pig production rights were reduced (-10%) was allowed to buy these rights again. If he, however, bought more than 10%, the entire farm had to be adapted to the requirements of the Pig Welfare Regulations 2008 (group housing and more floor space per animal), when these rights were actually going to be used. This means that pig houses not yet depreciated have to be replaced.

Assuming a permanent connection between the Pig Welfare Regulations and Restructuring Law for Pig Husbandry for the time being, the following is proposed: if purchasing more than 100% of pig production rights, for only the part that is above the 100% the requirements of the Pig Welfare Regulations 2008 when building new should be met. In case of expanding an existing barn, only the new part should be according to the requirements of 2008. The entrepreneur has to indicate when the rest will be adapted.

*2. Interpretation of the definition of barn in the Pig Welfare Regulations*

According to the current interpretation of the Pig Welfare Regulations, existing barns are only allowed to be altered, if this happens at one time for the entire barn; adaptation of only compartments is not allowed. However, pig farmers want to make these adaptations in a stepwise manner. Reasons for this are: 1) it will be possible to gain experience with a new system at a smaller scale, 2) the fact that parts of a barn have not been depreciated yet and 3) the fact that adapting an entire barn will mean too big a financial burden (at the moment).

It is proposed that it is allowed to make adaptations of the barn per animal category. Adaptation of a compartment within an animal category is only then allowed if there is a business plan from which can be seen that the barn is adapted entirely within two years. The change from individual housing to group housing for sows should occur at once.

*3. New housing systems in licensing system*

Entrepreneurs who experiment with innovative, socially acceptable, easily copyable housing systems face various costs to get their innovation officially recognised. At the moment the recognition is a fact, many others reap the benefits without the innovative entrepreneur being rewarded. Because it is to do with innovations that cannot be protected through a patent (*low cost, low technology*), there are no private parties that are interested in bearing these costs.

The government should bear these costs from a common interest point of view that socially acceptable innovations spread quickly. The financial disadvantage to the innovative entrepreneurs, compared with their colleagues that can take over these innovations at no cost, should be compensated for from public means. Not to ease obtaining the status of experimental barn, but to realise a rapid spread of innovations.

*4. Differentiation of health levies*

The health levy is directing too little as to limiting the risk of disease introduction. Currently there is a differentiation in the level of the levy on the basis of area (15% reduction outside the concentration area) and contact structure (40% reduction for completely closed). The maximum reduction, thus, is 55%. Another 20% can still be allocated, considering the fact that the ceiling for an individual farm has been set at a statutory 75%. Particularly the Society for the Prevention of Cruelty to Animals pleads for including animal welfare as a criterion for differentiation.

It is proposed to link the possible differentiation of 20% to participation in Skovar/DVI, where the reduction will increase as a higher DVI level is reached.

*5. Free-range/ecological pig farms*

On free-range and ecological pig farms, demands as to environment and animal welfare may be conflicting. The free-range and ecological pig farms have a warning function to the sector. The size of this kind of husbandry is expected to remain relatively small, so the effect on the total sector will not be insuperable. The Housing Regulation and the Green Label covenant must - if necessary - create room for ecological and free-range pig husbandry as far as ammonia emission is concerned.

Exchange between environment and animal welfare must be possible. The process of changing towards free-range and ecological husbandry must be facilitated by the Housing Regulation (Ministry of Housing, Spatial Planning and the Environment and the Ministry of Agriculture, Nature Management and Fisheries).

#### 6. *Integral licensing*

Farmers would like to have one office, which deals with all relevant rules from the government, when adapting the barn and/or expanding their farm. This may be possible via an integral (environmental) licence.

Integration of enforcement tasks at farm level can be realised in a relatively short term. Integral licensing is only possible in the (medium) long term, due to the need for readjusting the rules or fine-tuning competencies of the different governments involved.

#### 7. *Administratively combining manure numbers within a farm and combining locations*

When removing subsidiary locations to the main location, manure production rights are reduced. Thus,

many pig farmers keep using them due to the concomitant costs. When combining locations is clearly a realistic option, the manure production rights should not be reduced. Here it is assumed that combining locations serves particular social purposes, for example, spatial planning considerations: moving from Ecological Main Structure towards agricultural developing areas.

It is proposed that manure production rights are not reduced when relocating, when this is a demonstrably realistic option and within priorly defined frameworks. Moreover, it is proposed not to reduce manure production rights when locations are combined administratively.

#### 8. *Spatial planning*

The reconstruction aims at a division between nature and non-landbound agriculture. In the nature reserves farms have to be relocated, but is there still room? In the agricultural developing areas, therefore, one has to look for possibilities in the area of spatial planning, for example, as to the maximally allowed size of the building. This broadening must take place, however, under particular pre-conditions, for example, at a scale of two full-time workers at maximum.

### *Policy for the pig farmer according to Biesheuvel*

The proposed additions to existing rules might seem small technical ones, but in the business plans of the individual pig farmers they are indeed important. The idea is that when bottlenecks have been negotiated and eliminated, there is room for a development towards socially acceptable husbandry. The pig farmers can then prove that they really want to work in a socially acceptable way and will not misuse the flexibility they have been given to avoid investments and postpone goals. In the future this may lead to a different type of governmental rules for the pig sector (more directing along the main lines, more responsibility for the entrepreneurs).

Restoring confidence between the government and sector is going in stages. In that sense, the problems of the pig sector have many things in common with those in fisheries in the late 1980s. The government tried to introduce fishing quotas, but was stopped by the sector's lack of understanding. This led to an accumulation of ever more complex rules. The maintenance costs to the government increased to an unacceptable level and a normal management was almost impossible for individual entrepreneurs. In the early 1990s a change could be observed in the relationship between the government and the sector, due to the so-called policy according to Biesheuvel. Groups of fishermen took their own responsibility as to attaining common goals, by, for example, taking on a private compulsory auction. By this, maintaining the fishing quotas was considerably improved. On the other hand, the government adapted a number of public rules such that the fishermen could use them. Here it was a matter of exchanging extra private responsibilities

for some flexibility in public rules. This flexibility increased, for that matter, the longer the system had proved itself. From this example can be learned that entrepreneurs in the pig sector who are willing to take extra responsibility and pursue a transparent management reach a good position to enter into consultation with the government to eliminate bottlenecks in the rules.

### *Bounds to the dialogue*

For legislation and rules a social basis is needed. But a basis need not mean that *everyone* agrees on the proposed changes or that everybody *fully* agrees. There are bounds to the dialogue. Some surrounding people will contest each form of environmental licence adaptation, from their own, whether or not supposed interest point of view. In other cases, representatives of social organisations will not be able to support proposed adaptations in legislation and rules, even if they have an understanding for the pig farmers. One reason may be that 'it cannot be explained' to the organisation's own basis. Governmental officials may well realise that particular legislation and rules have not been geared to the specific farm situation of the individual pig farmer, but allowing a difference in legal treatment has to be practicable and it should be able to uphold it objectively. Also pig farmers have to deal with social pressure: they feel, for example, sympathy for their colleagues who do not want or cannot go that far.

In entering into a dialogue with other parties each one keeps the responsibility to make their own considerations. This means that the dialogue cannot replace existing consultative and decision-making structures. It is rather complementary. Sometimes decisions are to be made and observed, whether or not there is a 100% agreement among all parties concerned. We live in a multiform society where each and everyone are free to pursue one's own interests. The difference between a situation with a dialogue and one without is that in the former case one has gained more insight into each other's interests and considerations and that those who eventually have to take the decision are better informed about the different aspects.



## 5. Broadening the business plans



The business plans and the discussions have yielded results that carry the seeds of a change for the better.

But these seeds can only grow if pig farmers and interested parties such as banks, municipalities and slaughterhouses are actually going to use these business plans. If not, this transformation process leads to nothing.

Formulating a business plan fits in with the trend of 'doing business in a socially acceptable way'. With a social annual report firms give account to the financial relations (*shareholders*), but, more and more often, also to other, non-financial relations (*stakeholders*). In agriculture, the concept of 'doing business in a socially acceptable way' can be translated into a dialogue with the surrounding people, local governments, social organisations, banks, suppliers and buyers. For embedding of the concept of business plan, it is obvious, therefore, to look at the way in which this plan can play a role in the relations with these *stakeholders* or interested parties.

The pig sector faces an extra difficulty, however, compared with, for example, the chemical industry, because there are so many pig farmers. What will happen if large numbers of entrepreneurs embrace the methodology according to the Action Plan? Should each pig farmer have consultations with the Society for Prevention of Cruelty to Animals and the Foundation for Nature and Environment? Or will a methodology suffice, which is worked out by the pig farmer himself or in co-operation with a farm consultant? When the government retreats further and leaves solving problems to firms and social organisations more often, it cannot but have consequences for the organisation of the social debate. Then they will have to talk with each other more often. How can this be organised? Time and staffing the organisations are only two of the bottlenecks.

But it is not as far as that yet. The first question is in what way the system of the business plans can be broadened and embedded. First, formulating a business plan for the individual entrepreneur should lead to actual results. Only then will an increasing number of pig farmers, and possibly also other agricultural entrepreneurs, embrace the methodology. The most important benefit of formulating a business plan oneself in a dialogue with others may be that entrepreneurs are stimulated to think about their management. They are forced to give account of why certain things are done or omitted. Nothing is a matter of course, anything can become subject of the discussion. This keeps the entrepreneurs alert, will give them new ideas and it is possible to share problems, limitations and possibilities with others. In short, it gives room for doing business.

Business plans can also contribute to improved relations with other parties in the chain. A clear firm strategy stimulates equality in the dialogue with market organisations. The business plan also improves the communication among parties that want to co-operate.

Communicating firm data or performance creates possibilities for a better gearing between parties in the chain and for a continuous improvement of chain performance. Pig farmers can also distinguish themselves by business plans. Supermarkets and consumers can, if desired, rapidly find out which way of production a farmer advocates. Business plans can lead to granting of credits and subsidies. Banks require skills from the individual entrepreneur. They do not only pay attention to technical knowledge and skills, but also knowledge of the market and public demands. Right at a time in which governmental policy is on the move, the farmer's entrepreneurship offers extra security for financing. Also to other moneylenders (subsidisers, guarantee funds), the business plan can offer security.

Furthermore, business plans can facilitate licence procedures. Applying for a licence mostly concerns a small part of the management. The business plan, however, gives an integral picture of the firm's development as is aimed at by the entrepreneur. He can obtain a particular basis for his opinion from surrounding people and social organisations; something he would not have achieved with only asking for, for example, expansion. With a business plan as an appendix to the licence application, the licence route will be more predictable and possibly also quicker due to fewer objections.

Lastly, business plans can contribute to more flexible rules and legislation. For example, an entrepreneur commits himself in the business plan to a time schedule within which he is going to realise adaptations to the barns per animal category and per compartment. At the moment compartment-wise adaptations are not allowed. A business plan may possibly give the government sufficient clarity and trust to apply the rules and legislation in a more flexible way in this case and also in other ones. The Ministry of Agriculture, Nature Management and Fisheries, meanwhile, considers this a good perspective.

The above-mentioned examples are not exhaustive in the role business plans can play in the pig sector and society. Suggestions for more examples and to elaborate on them are more than welcome. The more benefits are connected to a new methodology, the more supporters there will be.



## 6. Final remarks



The Action Plan had four main points, which were not all worked out in detail.

Perhaps most progress has been made in making the *licence to produce* concrete. This project has proved that the *licence to produce* can be realised at individual farm level. Pig farmers write a business plan, which is the basis for a dialogue with social organisations. This idea is worth following.

A start has been made with improving the market structure. Pig farmers and slaughterhouses have been involved in developing a rough outline with conditions for co-operation in the pig chain. Disappointing experiences from the past are still fresh in the minds of many. Restoring mutual confidence needs further elaboration in a stage-like approach. The rough outline can serve as a starting point. Social organisations want to play an active role in this process.

The bottlenecks in legislation mentioned in the business plans have been discussed extensively with social organisations. This has resulted in an overview of bottlenecks for which there is a social basis to solve these problems. Existing consultative structures are challenged to achieve results as soon as possible.

There has been a dialogue on the basis of 22 business plans. The eventual goal of the Action Plan is not obtaining social acceptance for 22 pig farmers, but for all pig farmers who want to produce with an eye for the market and openness towards the society. One condition for this is that existing structures can introduce sufficient distinction as to individual pig farmers who want to produce in a socially acceptable way.





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