



Brussels, 11 December 2006

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O/REF.: **YEMCo-N-013-2006-EN**

RE: REPORT ON THE YEMCo CONFERENCE IN SPA, BELGIUM ON 17th AND 18th NOVEMBER 2006

[Friday, 17th November 2006 – Professional visits](#)

6.45am: visit to the Ciney Livestock Market.

The participants visited the « covered market » of Ciney. Since 1985 the Ciney livestock market has been the first biggest market in Belgium and the second biggest market in Europe. More than 4,000 animals pass there each week. However, on the day of the visit, because of the bluetongue affecting the region only 3,100 cattle were presented for sale.

10.00am: visit to GHL Group / visit to Stassens SA.

The visits alternated, the participants being split into two groups.

GH L GROUP (formerly known as Ets JEAN GOTTA SA) has since 1975 been active in the beef sector whose speciality is the *Blanc Bleu Belge* young bull.

The cutting plant of this firm is composed of a bone-in plant (capacity of 40 t. per day), a meat preparation plant (capacity of 5 t. per day), and two deboning plants (global capacity of 30 t. per day).

About 85 persons work there either directly or indirectly, achieving turnover amounting to EUR 27,500,000.

1.00pm: lunch at the Moulin du Val-Dieu in Aubel.

Before having lunch, the participants were presented with the sales purchasing policies of two supermarkets, nl. Delhaize and Colruyt.

Mr Jan Claessens (Manager, Meat Purchases, Delhaize) started to present Delhaize Group. This group was founded in 1867. It is active in eight countries (especially in Belgium where the group was founded, and in the United States). It achieves a turnover amounting to EUR 18.6 billion and employs 180,000 people.

This having been said, Mr Claessens explained to the participants what Delhaize's strategy in Belgium is with regard to meats. 80% of the quantities marketed by the group are prepared and wrapped by butchers, 15% are delivered in a prepared state but wrapped on the spot. 5% are delivered in a prepared and wrapped state.

Mr Claessens indicated that beef accounted for 41% of Delhaize's meat sales last year and that they have risen by 1% this year. Pork accounted for 39% of the sales last year or a fall compared to the previous years.

90% of the beef sold in Delhaize supermarkets originate in Belgium (Meritus brand), while 7% are imported mainly from South America and the United States. Almost all the pork sold in Delhaize supermarkets originates in Belgium (only 0.5% comes from Spain).

The sale of Argentine beef is on the increase. There is not much demand for Brazilian beef because it is of lower quality.

Messrs Jean-Christophe Burlet and Pascal De Kelver, spokesmen for Colruyt, presented Colruyt Group. It was founded in 1925. It employs 15,000 people.

All the meat sold in the shops belonging to Colruyt Group comes exclusively from the Group's own meat processing center (Vlevico). The meat is controlled there before going to all the Colruyt butcher's shops. So this is a full circuit process where each stage is rigorously followed and controlled.

Colruyt buys only male cattle, exclusively *Blanc Bleu Belge*.

80% of the poultry meat sold in Colruyt shops originate in Belgium, the rest coming from France (the French *Label Rouge*).

2.00pm – departure.

2.30pm – visit to Carrefour Supermarket in Herstal.

While having a look at the butcher shelves there, the participants were presented with the meat labelling policy followed by Carrefour.

Afterwards, the participants were presented with the association named **PROCERVIQ**. This association controls and certifies various production chains in the beef, pork, poultry and rabbit sectors on behalf of collective and private marks.

Certification of meat products is based upon an administrative, technical and analytic control of compliance with the requirements contained in specifications. Certificates of conformity are awarded by PROCERVIQ when all the requirements are met.

5.00pm – visit to Delhaize Supermarket in Heusy.

6.30pm – back to the hotel.

Saturday 18th November 2006 – YEMCo Conference

The Conference was opened by Mr Borremans who reminded the participants about the number of changes that affected the beef market. He underlined that the globalization of trade without restriction will give rise to problems in this sector.

The Beef Market – Supply Projections

Mr Jean-Marie Moreau (Walloon Ministry of Agriculture)

After making a general presentation on the CAP, Mr Moreau took stock of the international beef market situation.

It is estimated that this year's production will go up by 1%. World trade is on the increase despite the Brazilian and Argentine problems. Brazil's power is becoming stronger, its beef exports going up.

The EU has been showing a deficit in the beef sector since 2003.

The balance of the EU beef market rests upon the possibility to uphold exports. It also rests upon steady consumption. Resistance to importation will only be possible through concerted actions of the different links of the chain.

According to Mr Moreau, the market will evolve toward a segmentation of products having a good image and products that are not much differentiated.

Challenges of the Meat Sector – Strategy of a firm

Mr Stefaan Lambrecht (DANIS Ltd)

Mr Lambrecht indicated that the pigmeat market is very competitive and globalized. The exchange rates are deciding factors for competitiveness.

He underlined the fact that pigmeat consumption is on the increase and this trend must continue until 2013. However it is difficult to make accurate forecasts owing to uncertainty as to trade policies and exchange rates.

Mr Lambrecht then explained to the participants what the differences in production costs between Brazil and the EU are. The costs are lower in Brazil than in the EU. The EU, is protected by tariff and health barriers. Mr Lambrecht denounced production overcosts within the EU, *inter alia* veterinary, environmental ones.

In his opinion, pigmeat production and pigmeat consumption will grow in future, while imports from Brazil will soar.

Mr Lambrecht indicated that European operators must cut their production costs (large-scale savings, use of genetics) so as to be able to face foreign competition, notably Brazilian competition.

Discussion between the participants and the panelists

Mr Lambrecht answered the participants' queries about competitiveness of the pigmeat sector. He asserted that all will depend on how high demand is, adding that if it is not high domestically, operators will have difficulty in coping with foreign competition.

Mr Moreau said that beef and poultry meat imports from Brazil into the EU will increase considerably. But on the other hand, pigmeat exports will not be high. The EU health requirements are too high to be met by Brazilian operators who target the Russian market. He went on to say that there were some worries about the high price for animal feed that is likely to put European operators at a disadvantage.

Concerning the future of decoupling, Mr Moreau explained to the participants that Belgium has not yet made up its mind on the issue (the decision has to be taken by all the Belgian regions).

Mr Harvey (Meat and Livestock Australia) made it clear to the participants that Australia will have no difficulty in complying with European health rules to be able to export to the EU.

Mr Claessens indicated that consumer choices will make the European meat market in the medium term. He said that European eating habits differ a lot and these habits change.

YEMCo Conference Conclusions drawn by Mr Philippe Borremans, YEMCo President

Firstly, Mr Borremans pointed at the important reforms that were undertaken in the pigmeat sector as as to make it more competitive. He considered that it should be essential to draw our inspiration from such reforms to apply them to the beef sector which was not able to undergo an appropriate reform. Mr Borremans went on to say that operators must try to forge alliances and create partnerships so as to be able to face foreign competition, notably Brazilian competition.

Secondly, Mr Borremans underlined the need to differentiate the types of meats present on the market between first-quality meats and lower-quality meats. He considered that the quality is fundamental and must be improved.

Mr Borremans added that partnerships between operators must be created so that consumers are able to get enough resources to buy products. The consumer purchasing power must be high enough for operators to sell their products.

Mr Borremans also laid emphasis on the important role that the EU Commission will have to play during international trade negotiations in order to protect the European meat market. Taking the textile sector as an example, he indicated that customs barriers must be built against international competition.

To conclude, Mr Borremans underlined the impact of biofuels in future and the taxation of CO2 emissions.