M2.1

Economic changes under the CAP – the implications for animal science and animal welfare

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INTRODUCTION

One of the major agricultural changes in the latter 25 years of the 20th Century was the consideration that concurrent with advances in animal science and productivity there were developments in the need for ethical as well as economic production. Thus side by side with issues related to developing the science behind increasing output per unit of input i.e. "intensification", were issues related to understanding that one was probably dealing with sentient creatures and not items of production. In many circumstances one of the units of input was space and this lead to larger production units. There were major research programmes examining such aspects as the psychological interaction of animals and animal caretakers e.g. Seabrook and Wilkinson (2000); understanding animal choices and preferences; and designing production systems more closely related to the "natural environment" of the animal. Some of this research was consumer and market driven, with product differentiation and "animal welfare friendly" production methods seen as good marketing images. In addition some of these more ethical values were reflected in changes in the labelling of products, identifying the production system used, and legislation for animal welfare (e.g. transport or housing). Increased production costs resulting from animal welfare friendly systems, e.g. free-range egg production have in some cases, but not always, been more than off set by the added value of the welfare friendly value product, McInerney (2004).

THE PLANNED CHANGES IN THE CAP

The planned changes in the CAP will add a further major change into animal production. Whilst the exact scheme will be different from country to country in essence there are three components of the changes.

- **Decoupling of subsidies** will occur and a Single Farm Payment (SFP) will be made. Initially this will be related to historic production levels on the farm. Then, as an example, England has opted to move towards a standard rate per hectare irrespective of previous production levels. There will be some differentials depending on location, reflecting less productive land e.g. upland areas. In either case the payment is **not** related to historic or current production levels.
- **Cross compliance**, this will mean that producers in order to achieve the SFP must maintain the land in a good agricultural and environmental condition.
- **Modulation** may occur in some countries. The SFP will be reduced to provide funds for rural development, environmental schemes and other aspects of the CAP (e.g. the possible costs of EU enlargement).

The decoupling of EU subsidies from production, will in theory at least remove some of the previous incentives to intensify production in response to a policy of maintaining high market prices where the market does not require the product. Excess supply will no longer have a guaranteed market. The price that producers will receive for any products produced will be based on a "true market" price. It will certainly give some producers the opportunity to more closely consider and investigate what the market requires, and then produce to meet those market demands and/or develop niche products. Some of these may be based on animal welfare friendly systems, provided they reflect consumer demand.

THE REACTION OF PRODUCERS

Whilst in theory there maybe less incentive for intensive production, producers will still make individual decisions, so the cumulative effect will be the sum of all these reactions. It is also true that there is in fact a great deal of uncertainty of how producers will react, most are still coming to terms with all the changes. However, It is possible to set out a range of options that producers may take, many of these will have important implications for both animal welfare and animal science. For example:

- Many of the options are likely to stimulate the ever increasing trend of declining labour inputs per animal.

- Labour may be substituted by capital, for example, better information from computerised systems and information collection and analysis. This may allow good welfare at lower labour input costs.

- The interest and skills of animal caretakers will change due to new enterprises and keeping animals for leisure, e.g. horses for riding or sheep to keep the grass, short, and other non-food purposes. There will certainly be many new carers who will need skills development.

- The human-animal interaction and the human-animal interface will undoubtedly change and that has implications for all those concerned with animal welfare.

Option 1 – The cessation of all animal production on the farm, investing the SFP in non-farm activities and merely maintaining the farmland to the minimum agricultural and environmental conditions demanded.

For many producers who are aware of their opportunity costs of land and labour, as well as their animal production costs this could be an attractive option.

Implications for animal welfare

None, in fact some benefits if a producer has previously been "farming for farming's sake".

Option 2 – The reduction in the intensity of production and maintaining a more extensive animal system

This can be seen as one of the key issues behind CAP changes, for example in the United Kingdom this process has already been encouraged in Less Favoured Areas by changes from payment per head to payment per hectare. The reduction in intensity may be achieved by fewer animals per hectare or by lowering inputs for each animal. It may well be a successful option for older producers who do not see a successor for the business. Similarly it may enable the producer to take on additional more lucrative work away from the farm. Animal scientists will need to recognise that some of these new/innovative extensive systems may need rigorous research, they cannot necessarily rely on "old" knowledge from previous systems.

Implications for animal welfare

With extensification may also come a reduction in care and welfare. If the producer has less time on the farm, animal welfare may suffer. There may be a lack of animal caretakers being "on hand" and poorer levels of observation of the animals. On the other hand extensification may reduce disease risk and hence enable the reduced labour force to "cope". Extensification is no guarantee of good animal welfare. It is important also to recognise that "intensity" does not necessarily lead to increased problems for animal welfare, much more will depend upon the level of management and the skill of the animal caretaker, (Vaarst *et al* 2004*)*. To ensure effective welfare on these systems there will need to be a re-appraisal of some research priorities.

Option 3 – The development of added value production, to meet market needs

This will be an attractive positive action for a producer who has scope for adding value to the product, for example making sausages on the farm. It must be stated that the options are likely to be relatively small and limited. However, for an innovative producer there may be some exciting opportunities, although "jumping" on to new ideas and not doing them properly is a serious possibility. Although niche products are frequently seen as a solution and panaceas there may not be sufficient rewards to cover extra the costs of good welfare. Improved marketing is often seen as a panacea for solving business problems in agriculture; however it is likely that producers who are poor managers are likely to poor marketeers.

Implications for animal welfare

There is always the potential risk that by taking on additional activities the producer may incur work overload and be distracted from the key elements of the animal production process.

Option 4 – The development of diversified non-animal activities

This can be seen as a very positive action for a producer who can see other profitable farming activities to be engaged in, e.g. contracting or growing “alternative” crops e.g. biomass. Again it must be stated that the options are likely to be relatively small and limited. However, for an innovative producer there may be some exciting opportunities.

Implications for animal welfare

There is always the potential risk that by taking on additional activities the producer may incur work overload and be distracted from the key elements of the animal production process, in simple terms “taking the eye off the ball”.

Option 5 – The development of diversified animal activities

This can be seen as a very positive action for a producer who can see other profitable animal farming activities to be engaged in. It must be stated that the options are likely to be relatively small and limited. However, for an innovative producer there may be some exciting opportunities, although “jumping” on to new ideas and not do doing them properly is a serious possibility. For example organic farming, which is not a system that is necessarily animal welfare friendly unless done correctly.

Implications for animal welfare

Innovative production, e.g. hare farming, is untested and untried and thus the welfare of the animals could be in jeopardy and a significant problem. If there is little research into the “needs” of the animals and their behaviour then inadequate and unsatisfactory systems could evolve. For many of these niche production systems the detailed science is lacking. In addition the management expertise and stockpersonship skills may be lacking.

Option 6 – Making no change

Many producers may see the SFP as having no impact on their current way of life and the way they do things. They will continue as before.

Implications for animal welfare

These could be very significant as the buildings and systems may well deteriorate in the context of falling returns in real terms. There may be little financial resources to re-invest, the SFP being used for current living expenses, and the conditions for the animals could become poor.

Option 7 – Expansion and specialisation

This can be seen as a very positive action for a producer who can see that economic returns can be enhanced by specialisation and/or increased scale and/or further intensification: in essence to be a specialised

commodity producer. This, for example, could lead to a significant increase in the size of dairy herds and pig units. However commodity prices may be such that the only way to make an economic return is to "to cut corners", e.g. too few staff, and so animal welfare may suffer. Current knowledge of animal health, in particular, is probably insufficient and inadequate to deal with these larger production units.

Implications for animal welfare

This could provide a significant challenge for those with concerns for animal welfare and behaviour. It is important also to recognise that expansion and specialisation does not necessarily lead to increased problems for animal welfare; much more will depend upon the level of management and the skill of the animal caretaker, (Vaarst *et al, 2004*) If the system is well managed then in fact there is the opportunity for good animal welfare. However with very large units it is likely that some of the natural behaviours of livestock will have been repressed. There must also be some concern over the availability of managers with sufficient skills and experience for these large units.

Option 8 – Increased vertical integration

There can be seen to be new opportunities and some advantages in retailers becoming increasingly involved in production and contractual arrangements. This may put pressure on producers to keep production costs low. However, once again commodity prices may be such that the only way to make an economic return is to "to cut corners".

Implications for animal welfare

As Option 7.

Option 9 – Separation of land ownership and land management

Some producers may withdraw from farming activities but enable other producers to manage and utilise the land and buildings. This could lead to the involvement and introduction of "new" producers with perhaps inadequate training and skill. This could involve "new" producers renting land and travelling between sites, moving animals and with inadequate regular inspection and supervision.

Implications for animal welfare

This could provide a significant challenge for those with concerns for animal welfare and behaviour. New producers may be unaware of the needs and behaviour of the stock. The role of licensing of animal caretakers may be an option to ameliorate this problem.

Option 10 – A combination of Options 1-9

Depending upon production unit size the options suggested are not necessarily mutually exclusive. For example a large mixed farm may

cease cereal farming and do nothing with the land released but at the same time intensify the dairy herd. In practice this option, certainly in the interim period, may be the most frequently chosen one.

Implications for animal welfare

This could provide a significant challenge for those with concerns for animal welfare and behaviour depending on the mix of options. The concerns will arise as producers take on new ways of producing and reducing costs. They may adopt alternative methods without full understanding of the implications and as they try to “mix and match” they have insufficient time to really efficiently manage their changing business.

THE REACTION OF CONSUMERS

The attitude of the consumer could be important in determining the effect of the changes. Just like producers, consumers are not an homogenous group and make a range of purchasing decisions, for example whilst some may consistently seek organic or animal welfare friendly products other may simply purchase on the lowest price. Some may purchase a clearly differentiated product, e.g. free-range eggs, yet for other products they may merely choose “high quality” e.g. for sausages or beefburgers. The products may be high quality but this does not imply the ingredients are necessarily produced under good welfare conditions. In addition more food is now consumed outside the home when the source is less clear and whilst some may advertise their restaurant as using locally sourced produce this label says nothing about animal welfare, despite the perception some will give to it. It is possible to set out a number of reactions of consumers to the CAP reform.

Reaction 1 – welcome it as a means of an increased supply of animal welfare friendly produce.

A new range of products may increase the choice for those who can afford it and obtain it.

Reaction 2 – assume under the new payment systems and “improved” environmental production that animal welfare conditions will improve and thus they do not need to make specific purchase decisions.

As it may be appear that support for producers is no longer linked with intensive production this may mean some consumers will assume production systems are therefore more animal welfare friendly.

Reaction 3 – increased scrutiny of production and systems

Some consumers will see producers as getting “a lot for not doing very much”, in the new scheme. The farmers individual decisions may not necessarily guarantee improved animal welfare, and therefore consumers may be keener to scrutinise systems.

Reaction 4 – continue to buy merely on price

With globalisation retailers and food manufacturers are likely to involve increased levels of purchases from cheaper production sources e.g. the Far East. This may give real concerns for animal welfare. Some consumers clearly are concerned about “wild” animals whilst rather indifferent to “domesticated” ones

Reaction 5 – a combination of reactions

It is evident that consumers rarely make totally consistent decisions on food purchases and thus for many there will be a mixture of reactions

from Reaction 1 to Reaction 4. It also relevant to consider that the consumer may have opinions that cannot be easily communicated by food purchasing behaviour. For example their views on issues such as fox hunting badgers and TB in cattle.

CONCLUSION

There is much uncertainty, but depending on the range of decisions individual producers are likely to take, there is no guarantee that there will be any reduction in intensification in animal production. In fact some of the potential options available to producers may well lead to more intensification. This intensification may cause concerns for those seeking extensification and more animal welfare friendly systems. Even extensification is thwart with problems. Cross compliance may set some minimum standards but if this raises production costs then many retailers and food producers will seek to source their requirements from countries where animal welfare stands are not as demanding as within the EU. It is almost certain that many consumers will still seek to purchase on cost rather than production system.

Society has to make complex decisions, there is always a balance between one interest group and another. As an example the balance in terms of a road building programme for the “value” of an improved quality of life for those benefiting, i.e. a quicker and safer journey, and the “cost” for those disadvantaged, i.e. the loss of their property, views and privacy. One way of doing this is to attempt to put an economic “value” on each of the components, in other words asking the question “what is it worth?”. Animal welfare, is no different, it is a “public good” to which one can ascribe an “economic” value. In animal welfare there is a balance to be made between the benefits/costs to the animal and the benefits/costs to society. To do this effectively there is a crucial role for animal scientists to provide the scientific understanding to develop that debate. To do this one needs sometimes to “think outside the box”.
e.g. in the author’s own research area

- Can we measure animal welfare by the quality of the animal carer ?
- How do we assess / measure the quality of **existing** animal carers ?
- How do we assess / measure the quality of **new** animal carers ?
- How does society value a good animal carer ?
- How does society deal with a failing animal carer ?

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