Evaluation of the market implications of veal and young cattle meat marketing standards

Executive summary
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EVALUATION OF THE MARKET IMPLICATION OF VEAL AND YOUNG CATTLE MEAT MARKETING STANDARDS

1. Objectives of the evaluation, legal and economic context, methodology used

1.1. Objectives of the evaluation

The purpose of the evaluation is to examine the relevance and effectiveness of the veal and young cattle meat marketing standards established by Regulation (EC) No 700/2007¹ (hereunder 'the Regulation'), as well as their coherence with other relevant measures applied under the CAP.

1.2. Objectives of the veal and young cattle meat marketing standards

The objectives the Regulation as laid down in the recitals are as follows:

- improve the functioning of the internal market;
- improve the organisation of the marketing of the meat of bovine animals aged 12 months or less by making it as transparent as possible;
- improve the organisation of such production;
- improve information for consumers.

The Regulation establishes two categories of bovine animals aged 12 months or less:

- (A) Category V: bovine animals aged 8 months or less
- (B) Category Z: bovine animals aged more than 8 months but not more than 12 months.

The Regulation also provides, for each category, a list of sales denominations in each Member State, as presented in the following table for the eight Member States targeted in this evaluation.

<table>
<thead>
<tr>
<th></th>
<th>Category V</th>
<th>Category Z</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>Veau, viande veau</td>
<td>Jeune bovin, viande de jeune bovin</td>
</tr>
<tr>
<td></td>
<td>Kalfsvlees / Kalbfleisch</td>
<td>Jongrundvlees / Jungrindfleisch</td>
</tr>
<tr>
<td>Germany</td>
<td>Kalbfleisch</td>
<td>Jungrindfleisch</td>
</tr>
<tr>
<td>Spain</td>
<td>Ternera blanca, carne de terna blanca</td>
<td>Ternera, carne de ternaera</td>
</tr>
<tr>
<td>France</td>
<td>Veau, viande de veau</td>
<td>Jeune bovin, viande de jeune bovin</td>
</tr>
<tr>
<td>Italy</td>
<td>Vitello, carne di vitello</td>
<td>Vitellone, carne di vitellone</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>Kalfsvlees</td>
<td>Rosé Kalfsvlees</td>
</tr>
<tr>
<td>Poland</td>
<td>Ciecielcina</td>
<td>Mloda wolowina</td>
</tr>
<tr>
<td>Portugal</td>
<td>Vitela</td>
<td>Vitelão</td>
</tr>
</tbody>
</table>


The Regulation validates the idea that veal and young cattle meat only applies to the meat of bovine animals aged 12 months or less at slaughter, that there are two distinct categories within the veal market, which mainly differ based on the age at slaughter and the type of feed. The 8-month age threshold at slaughter was set to be a relevant limit to divide these two categories.

Finally, the Regulation provides a closed list of the sales descriptions allowed in each Member State, taking into account the different local traditions (see table 1), as well as a list of sales descriptions that should no longer be used for meat from animals slaughtered over 12 months of age.

The following table presents the main changes in labelling rules, introduced by the Regulation in 2008:

<table>
<thead>
<tr>
<th>Type of information</th>
<th>Before the Regulation</th>
<th>After the Regulation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales description for bovine animals aged 12 months or less at slaughter.</td>
<td>In the absence of common provisions and of national laws, traditional usage applied (Article 5 of European Directive 2000/13/EC), except for PDO/PGI products.</td>
<td>Sales descriptions defined by Annex II of the Regulation, except for PDO/PGI products registered before the date of application of the Regulation.</td>
</tr>
<tr>
<td>Compulsory information</td>
<td>Information related to traceability (identification number of the animal, identification of the slaughterhouse and cutting hall).</td>
<td>Information related to traceability + age at slaughter and sales description based on Annex II to the Regulation.</td>
</tr>
<tr>
<td>Voluntary information</td>
<td>Optional information can be provided, in addition to the compulsory one, but it shall be based on specifications, approved by the competent authority of the Member States (Article 16 of Regulation (EC) No 1760/2000).</td>
<td>No change, the same rules apply.</td>
</tr>
</tbody>
</table>

Member States have transposed the Regulation in their own national legislation, either through special decrees, or by modifying existing ones. In some cases, the EU Regulation was applied directly without any national specific text. The main differences in the national implementation are the nature of the penalties and the extension of the labelling rules to the processed products.

1.3. Methodology used

The evaluation relies on standard evaluation tools and methods: analysis of the intervention logic, description of the legal context, description of the supply chain and answers to the seven evaluation questions using established judgement criteria and indicators. Various data sources have been used:

- statistical data from Eurostat, DG AGRI, DG SANCO, national statistics and reports, professional statistics;
- opinions gathered through a field survey (more than one hundred interviews in eight Member States including national authorities, integrators, slaughterhouses, processors, catering, retailers);
- opinions collected through six consumer focus groups set up for the study.

The analysis was focused on eight Member States: Germany, Italy, France, the Netherlands, Spain, Portugal, Belgium and Poland. Altogether they account for 90% of the veal production and consumption and 85% of young cattle production.

Methodological limits come from the specificity of the veal and young cattle industry. On the one hand, veal and young cattle meat markets are part of the bovine meat markets, thus only limited specific
data exist (for instance on trade, consumption or on farm income), on the other hand, a significant part of the interviewed stakeholders have paid little attention to the veal and young cattle meat marketing standards regulation and did not have much to report. Nevertheless, sufficient information has been collected to base the analysis on a solid ground.

1.4. **Veal and young cattle meat marketing chain**

According to Eurostat figures veal calves slaughtering in the EU reached 646,000 tons cwe (carcass weight equivalent in 2012). This volume is distributed as follows: France: 29%, The Netherlands: 28%, Italy: 19%, Belgium: 8%, Germany: 7%, Spain: 3%, Portugal: 2% and Poland: 1%. Veal consumption is mainly shared between France (37%), Italy (29%) and Germany (17%). Since the implementation of new veal and young cattle meat marketing standards, young cattle meat is also recorded by Eurostat. In 2012, 384,000 tons cwe were slaughtered in the EU-27. This volume is shared as follows: Spain: 60%, the Netherlands: 10%, France: 8%, Portugal: 4% and Germany: 3%. Spain appears to be a special case in terms of volume because ‘temera’ (young cattle) corresponds to a specific pattern of consumption.

Veal production is a kind of by-product of the milk industry. Newborn calves come mainly from the dairy herd, and the main feed source is milk powder. Nevertheless, the raw material market evolution and animal welfare rules have led integrators and breeders to use more vegetal raw materials over the recent years.

The veal market is a specific segment of the beef market (8.6%); with higher retail prices and specific consumers, this is a premium segment. Internal trade in veal represents more than one third of the production. This is due to the fact that ninety percent of the Dutch production is oriented to markets of other Member States. The Belgian production is also largely destined to be shipped to other Member States.

The veal production is organised by specialised companies, integrators that produce industrial feed, conclude contracts with breeders, operate in slaughterhouses and control a large part of the internal trade. The largest companies are Dutch; some of them have subsidiaries in France, Belgium, Italy and Portugal. Young cattle meat has been defined by the beef and veal marketing standards regulation as meat from carcasses of bovine animals slaughtered between eight and twelve months old. This type of production is the main category used in the Spanish beef industry under the name of ‘temera’. In the Netherlands, the ‘roşé kalfsvlees’ comes from this category of animal. In the other Member States, meat coming from this kind of carcasses is mainly sold as beef.

2. **Results**

2.1. **Changes in the marketing chain**

Since 2008, date of the introduction of new veal and young cattle meat marketing standards, the beef and veal industry has undergone several significant changes.

Concerning the production conditions, **the main evolution has been the increase of raw material prices (grain, milk, milk replacers).** These changes have affected all the breeding activities; **they are the consequences of a high demand in the global markets and not an effect of the Regulation.** Consequently, production costs and prices for the veal and young cattle meat have also risen, along with costs and prices for meats from all species.

**Some products have changed.** Firstly, **the Dutch integrators have developed a new type of fattened calves: eight-month-old ‘roşé’ calves fed with grain,** rather than milk replacers. This new type of product benefits from two competitive advantages. On the one hand, it can be labelled as veal (according to the new marketing standards) and on the other hand, its production costs are lower than for traditional milk-fed calf-veal production. Consequently, the volume of young cattle slaughtered in the Netherlands has decreased. Nevertheless, changes in the Netherlands have a limited impact at EU level (accounting for 8% of the EU veal and young cattle meat production in 2012). The core market is still constituted by white veal, from milk-fed calves, sold as fresh meat, to the French, German and Italian consumers.
In Spain, we have noticed a significant increase in young cattle slaughtering, this is due to a shortening of the fattening cycles, adopted by Spanish breeders in order to lower the impact of the increase in fodder prices on their production costs. According to Spanish stakeholders, this change is not a consequence of the Regulation.

2.2. Breeders’ incomes

Most of veal production is organized in the integration system, where economic risks are assumed by specialized companies — integrators. Breeders assume technical risks: they have to perform the breeding cycle, while managing the costs other than those for the feed and newborn calves as low as possible.

Based on the FADN national database annual analysis made by the LEI, a Dutch research institute, family farm income has improved since the adoption of the Regulation in the most impacted Member State (the Netherlands). The feeding costs account for 60% of the total production costs and have increased after the implementation of the Regulation; this change is due to rising raw material prices, and has no causal relationship with the veal marketing standards.

2.3. Number and prices of bovine animals aged less than twelve months

The bovine animals bred to produce veal or young cattle meat account for 19% of the bovine animals in the EU 27 and for one third of the calves produced by dairy cows. These proportions have not significantly changed since the adoption of the Regulation. Most veal-calves are born from dairy cows and we have shown that earnings from newborn calves are marginal for dairy farmers, therefore the veal and young cattle meat production do not impact the dairy industry.

Based on the price data available in Belgium, Spain, France, Italy, Germany and the Netherlands and from stakeholders’ interviews, it can be concluded that carcass prices have risen because of the increase in fodder prices. But there is no causal relationship with the Regulation. Nevertheless, in the Netherlands part of the 8-12-month-old young cattle products has been replaced by the 8-month-old rosé veal whose producer prices are slightly higher (by 6 to 7%) than those of 8-12-months-old calves. Consequently, we can conclude that the Regulation has marginally contributed to the rise in average price of veal and young cattle meat in the Netherlands.

2.4. Quantity and the price of veal and young cattle meat, main national markets evolution

The veal and young cattle production volume has not changed since the adoption of the Regulation if we consider the studied Member States, with the exception of Spain. In this country, slaughtering of young cattle meat has risen by significantly since 2008, but with no causal relationship with the Regulation (see under 2.1).

Trends in veal consumption in France, Italy and Germany (which account altogether for 60% of the total EU 27 veal consumption) have not changed since the adoption of the Regulation. Italian, French and Belgian consumers, who prefer traditional white veal, have been slowly but consistently reducing their purchases. The German market has been expanding slowly, due to the evolution of the demand for processed products (in which ‘döner-kebab is first ranked):

2.5. Distribution of value added chain along the supply chain

The analysis of the Dutch national FADN data shows that the costs structure in Dutch farms remained very similar before and after the adoption of the Regulation. The changes observed are related to external factors (feed costs, manure management costs) and did not influence the added value/output ratio between the two periods, before and after the adoption of the Regulation. The value chain tends to be more and more vertically integrated to cope with the fact that retail prices are more and more disconnected from production costs.
2.6. Functioning of the internal market

It has been demonstrated that the functioning of the internal market has been improved by the Regulation, as it brought more homogeneity and transparency to economic operators (integrators, slaughterhouses and second processors) concerning their business, by providing a clearer definition of the term ‘veal’. The internal trade has not been hampered by the Regulation as the intra-EU exports have increased and representing almost one third of EU production.

Yet, it has also been pointed out by the stakeholders that in some situations confusion still remains (in particular, concerning the Dutch description for animals more than 8 months old still contains the term ‘kalf’ (‘rosé kalfsvlees’)).

2.7. Control system and reporting

The Member States' authorities have implemented multi-annual control plans (MANCP) and national control systems are coherent.

However, the reporting of the Member States to the Commission is not sufficient to allow a proper monitoring of the controls of the veal marketing standards. No specific and detailed analysis is provided by the MANCP or in the control reports transmitted each year by the national authorities to the Commission. Available information covers either food products with no further details, or all kinds of meats and meat products, or all kinds of bovine meats, but never specifically veal and young cattle meat.

Therefore, based on the available information, we cannot draw a firm judgment on the adequacy of the control system of the veal and young cattle meat marketing standards.

2.8. Consumers’ expectations

The analysis of consumer perceptions has been undertaken through interviews with consumer associations and through consumer focus groups organised in Italy, Germany and France.

Most of the consumer associations paid little attention to the veal marketing standards regulation. Interviews with stakeholders have shown that the Regulation was an answer to a request made by the veal industry. Consumer associations expressed no particular demand relating to the labelling based on the age of animals, their expectations were on other matters (sanitary aspects, origin, etc.).

The results of the consumer focus groups have shown that the age of animals at slaughter has very little importance or none at all. The labelling provided by the veal and young cattle marketing standards does not influence the consumer perceptions of veal meat; consumers are not aware of the existence of new marketing standards. The decision to purchase veal is based on prior experience, visual inspection of the product and trust in the supplier. Beyond concrete characteristics of the meat, consumers’ expectations concern the guarantee of the product safety and of its origin.

2.9. Coherence of veal and young cattle meat marketing standards with other CAP measures

The coherence of the veal and young cattle meat standards have been examined with other CAP measures, notably:

- PDO/PGI/TSG\(^2\) schemes applied under Council Regulation (EU) No 1151/2012;
- The bovine carcass classification system applied under Commission Regulation (EC) No 1249/2008 for adult bovines;

\(^2\) PDO : Protected Designation of Origin / PGI : Protected Geographical Indication / TSG: Traditional Specialities Guaranteed
In total, thirty-nine products with the PDO or PGI designations are registered in the bovine sector, no TSG is concerned.

Eight out of the thirty-nine geographical indications in the bovine sector were registered after the new marketing standards were adopted and were thus covered by the veal and young cattle meat standards legislation. They are all fully coherent with the Regulation.

Thirty-one PDOs and PGIs were registered before the implementation of the Regulation, out of which seventeen are coherent with the veal and young cattle meat marketing standards. Fourteen PDOs and PGIs of Spain, France and Portugal remain not fully coherent with the Regulation. Their sale designations contain the term ‘veal’ (France), ‘ternera’ (Spain) and ‘vitella’ (Portugal). In all these cases, the slaughtering age defined in the PDO/PGI product specifications are not fully coherent with the Regulation. As all of these PDOs/PGIs concern different types of bovine meat and not only veal and young cattle meat, we can conclude that they are partially not coherent with the veal and young cattle meat standards.

An estimate shows however that the volume sold under these PDOs/PGIs is no more than 1% of the EU-27 veal and young cattle production.

The non-use of the carcass classification system for veal and young cattle is coherent in the sense that the main criterion for veal carcasses, and to a lesser extent, for young cattle carcasses, is colour, and that is not assessed for adult carcasses.

However, different systems for veal carcass classification have been implemented in several Member States or by private companies. These systems are based on EUROP classification with the addition of an appraisal of the colour of the meat. It should be noted that young cattle meat started to be covered by the carcass classification system since the adoption of Regulation (EU) No 1308/2013.

The implementation of Regulation (EC) No 1760/2000 is coherent with the Regulation, as both regulations have contributed to the identification of the animals and to the traceability along the supply chain. Thus, the implementation of Regulation (EC) No 1760/2000 supports the implementation of the veal and young cattle meat standards. Case studies performed in the framework of this study confirmed that the animal passports and computerised databases (based Regulation (EC) No 1760/2000) are effectively used for the identification of the age of animals aged less than 12 months.
3.  Recommendations

Recommendation 1: search for coherent sales descriptions from one Member State to another

Our conclusions show that farmers, integrators, meat companies and retailers are generally satisfied with the marketing standards. However, as reflected in the report, certain sales descriptions laid down in the Regulation may still lead to confusion, concerning the age category (e.g. due to the use of term “rosé kalfsvlees” for category Z and at the same time “kalfsvlees” for category V, or due to different approaches applied by different Member States with the same language, such as “rosé veal” and “beef”, both used to denominate category Z, or due to the fact that the terms used are not well recognisable by the actors in the chain, such as “jungrindfleisch” used for category Z).

For the sake of more clarity and transparency, it is recommended to the Member States and the Commission to consider a further review of the sales descriptions laid down in Part I of Annex VII to Regulation (EU) No 1308/2013 in order to:

- ensure more coherence between the definitions of category V and Z;
- ensure more coherence between the descriptions used by different Member States with the same language;
- adjust the descriptions to the terms well recognised by the different actors involved.

Recommendation 2: increase consumer awareness

Interviews with consumer associations and the results of the consumer focus groups show that consumers are not aware of the labelling applied to the veal and young cattle meat, while one of the objectives of the Regulation was to improve consumer information. Therefore, the Commission and the Member States should consider taking appropriate measures to increase consumer awareness on the veal and young cattle meat marketing standards.

Recommendation 3: improve the reporting quality of the control system

As described in the report controls concerning the marketing standards are carried out by the authorities and included in the MANCP. However we could not get precise and detailed information from the different reports on the specific results of such controls.

It is recommended to the Member States and to the Commission to review and enhance the control reporting system in order to allow an appropriate assessment of the level of implementation of the veal and young cattle meat marketing standards.