

## STRATEGIES FOR A QUALITY LIVESTOCK FEED AREA: ORGANIZING A QUALITY EUROPEAN PROTEIN PRODUCTION CYCLE

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SEPTEMBER 2011

The livestock industry in the Forlì-Cesena Province produces over 300 million euros of output in value terms. Production areas (poultry, eggs, cattle and pigs) are organizing themselves into strongly integrated systems in order to reduce market risks and capture greater product ranges of value added. To complete the process of integration and specialization with targeted market positioning, it is also necessary to specialize the feed component. This component has an estimated value of approximately 150 million euros per year, using mainly imported raw materials. In particular, vegetable proteins, which cover approximately one-third of the feed production value (approximately 50 million euros) are imported mainly from the US and Brazil and are based on soy crops with the consequent problems of ensuring GMO-free inputs for quality production cycles. This situation has necessitated the establishment of an integrated European production cycle to produce quality vegetable proteins so as to ensure GMO-free feed, i.e. GMO-free livestock. Europe imports over 70% of its

vegetable proteins from the American hemisphere. In spite of this, the EU is no longer one of the US's major partners. US interests in China dominate, since the latter imports three times as much soy as the EU does. This market situation, for example, has radically changed the Argentinian market as well: the priority of exporting soy to China has sacrificed Argentina's national meat production, thus putting its self-sufficiency at risk.

At the same time, it is also in the US and South America's (Brazil's) interest to export meat directly to Europe in order to overcome the frequent blockages encountered due to notifications of soy with unauthorized GMO. Regulation 1829/2003 does in fact foresee zero tolerance for unauthorized GMO. This scenario creates a situation in Europe of continuous risk of blockage of feed inputs as well as difficulties in ensuring completely GMO-free meat for the feed component. European production of vegetable proteins is based mainly on rapeseed and sunflower seed. However, these crops have a lower protein content than soy so that feed yields are lower, with higher costs per unit of protein. However, these crops also produce vegetable oil, in larger quantities than soy. Actually, integrating the different production cycles (protein, oil and energy) could make the development of a quality feed production cycle in Europe profitable and sustainable. The Italian law no. 99 of July, 2009 also opens up the possibility of producing agro energy, incentivised by the all-inclusive tariff of 28 cents/Kwh, produced from biomass including pure vegetable oils. The Italian Ministry of Agricultural Policy's explanatory memorandum of March 31, 2010 defines the traceability system for pure vegetable oils for the production of electrical energy based on European Commission Regulation no. 73 of 2009. The goal is to organize a local production system based on the production of protein - oleaginous crops (rapeseed, sunflower seed) in Central and Eastern Europe for the production of traced

vegetable oil (for energy production) and by-product in the form of protein meal to use for livestock farming in Romagna.

This system would fit into the livestock production cycle by improving feed quality but also lowering costs due to the fact that the main product is destined for the energy market. The production of energy from biomass must occur on Italian territory whereas that of biodiesel must be done in the production location of protein-oleaginous crops. Potential synergies with East European countries (Bulgaria and Romania) can be found with their local production of protein crops (rapeseed and sunflower seed) and the possibility of working on large-scale farms, thus achieving adequate economies of scale. The natural territory for these crops is in the countries of Eastern Europe.

The OECD-FAO Agricultural Outlook 2011-2020 (<http://www.agrioutlook.org>) says that a good harvest in the coming months should push commodity prices down from the extreme levels seen earlier this year. However, the Outlook states that over the coming decade real prices for cereals could average as much as 20% higher and those for meats as much as 30% higher, compared to 2001-10. Higher food prices and volatility in commodity markets are here to stay, according to a new report by the OECD and the UN Food and Agriculture Organisation (FAO). This Outlook is cautiously optimistic that commodity prices will fall from their 2010-11 levels, as markets respond to these higher prices and the opportunities for increased profitability that they afford. In real terms, agricultural commodity prices are likely to remain on a higher plateau during the next decade compared to the previous decade. All commodity prices in nominal terms will average higher to 2020 than in the previous decade. In real terms, prices are anticipated to average up to 20% higher for cereals and 50% higher for some meats, compared to the previous decade. The Outlook takes a look at the key forces driving price volatility, which create uncertainty and risk for

producers, traders, consumers and governments. Global agricultural production is projected to grow at 1.7% annually on average compared to 2.6% in the previous decade. Slower growth is expected for most crops, especially oilseeds and coarse grains, while the livestock sector stays close to recent trends. The use of agricultural output as feedstock for biofuels will continue its robust growth, largely driven by biofuel mandates and support policies. By 2020, biofuels will make up an estimated 13% of global coarse grain production.

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