

INSIGHT: European Political Concerns - Reducing Nitrogen Emissions in Netherlands & Brexit

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17 December 2019 - The agriculture industry in the Netherlands has been heavily hit by demands to reduce nitrogen emissions, leading to huge farmer protests in the country. The Dutch government is now looking at how the agricultural industry can play a role in reducing overall nitrogen emissions, such as ammonia and nitrous oxide, from cows and manure. And despite the agriculture sector's big commitment to sustainability, quality and innovation, the finger of blame is still being pointed in its direction.

Meanwhile, in the UK, Brexit brings a great deal of uncertainty for the agricultural sector and wider food supply chain. The animal nutrition sector is also closely following the developments here.

These two political events are bound to have ramifications on Europe's animal nutrition sector, but what do the industry leaders think? Feedinfo News Service asked various senior executives of leading global animal nutrition companies (compound feed businesses, premixers, and feed additive firms) what their opinions are on the two ongoing debates.

The Netherlands

By means of introduction, Dutch-based Co de Heus, CEO, De Heus, summed up the problem: "Due to market initiatives to diversify meat production towards more animal welfare production, stocking densities are likely to decrease and new permits are difficult to obtain. This does not only apply for the Netherlands but also for Germany and Belgium. Unfortunately, we therefore expect a shift of production to other countries, for example to Poland."

Also based in the Netherlands, Johan De Schepper, Member of Executive Committee & Business Development Group Director, Royal Agrifirm Group, argued: "This is a big legal issue in the Netherlands and it's not black and white. The Dutch government proposed some drastic measures. So, all parts of the chain are now looking into doable and sustainable legislation, and the discussions are ongoing. There is a need for the Dutch livestock sector to keep supplying the food industry, so we have to remain realistic. Some of the herd reduction numbers communicated can be harmful to what the sector is trying to achieve."

"The Netherlands is the most densely populated country in Europe with a size over 1000 Km², and has over 40% more people per km² than neighbour Germany, that in turn is still one of the most densely populated countries in Europe. This density in population may magnify the issues. Issues and debated partial solutions may rear their heads in other European countries in the future as well. This is an example of where the global environmental and sustainability agenda clearly impacts the agribusiness. Environmental impact is becoming more and more important and poses a fascinating challenge for the feed industry to contribute with solutions to reduce environmental impact," went on to say Geert Wielsma, Vice President Business Development, Perstorp.

However, Steven Read, Chief Operating Officer, ForFarmers UK, believes it is too early to draw the conclusion that the Dutch livestock will be reduced.

"The government and the feed and food sector are discussing solutions to diminish nitrogen (ammonia) emissions taking a broader perspective. Not only looking at animal numbers, but first looking at ways in which reduction of emissions can be achieved through innovative feed concepts, possibly improving barn designs by means of technology and additional manners in which to use manure. Just recently, the government announced the short-term measures to be taken to limit nitrogen emissions. For the agri sector these focus on feed solutions, i.e. to reduce protein in feed whilst taking into account the necessary levels to ensure animal health," he said. "The Dutch agri sector will at best remain stable going forward, in terms of animal numbers. Production may still increase slightly in the ruminant sector and poultry sector. The pig sector is expected to decline over time."

As Stefaan Van Dyck, President of Kemin Animal Nutrition and Health, EMENA, put it: "Of course, our industry contributes to emissions and measures will be needed. But this will leave the room for more fertile innovation in our sector. A pragmatic balance will be needed to remain innovative and reduce emissions, while being competitive."

So in a nutshell, the feed additive sector must pursue its innovation efforts and play its part in tackling the issues seen in the Netherlands.

Aart Mateboer, Business Unit Director, DuPont Animal Nutrition, explained: "The farmers' reaction to the new rules in the Netherlands is understandable and we can't expect them to solve the environmental challenges on their own. However, we do believe that the region's agricultural industry is at the forefront of technology and has the potential to further reduce its environmental impact. In the area of phosphorus and nitrogen emissions, major improvements have been made over the years and we are working closely with a number of large industry players to reduce that even further. I expect nutritional solutions to make a positive contribution; not only in terms of lowering emissions, but also improving farm performance due to optimised use of feed materials."

"The Netherlands led the way in bringing high levels of environmental sustainability to animal production in recent decades. They have managed earlier challenges in this arena quite well, thus there is confidence that they will be able to further improve production technology and maintain their leading position. Other countries in Europe have nowhere near exploited the opportunities that come along with the consequent implementation of low protein diets in pig and poultry nutrition. There is still huge potential for reductions in nitrogen emissions without reducing livestock herds. We have done lots of practical research in this context and will be more than happy to share our concepts," added Dr. Stefan Mack, Head of Know-how Development & Technical Services Marketing, Evonik.

David Nickell, Vice President Sustainability, DSM Animal Nutrition & Health, went on to say: "We believe that feed additives can be part of the solution in both the short and long term. The Netherlands has a highly advanced agricultural sector and is renowned worldwide for its agricultural methods. We want to ensure that Dutch agriculture remains at the forefront and becomes even more innovative, with new innovative and sustainable agricultural methods. DSM strongly believes in the capability of the agricultural industry to transform itself from the inside out to be part of the solution."

And according to Laurent Genet, Chief Strategy Officer, Nutreco, to reduce nitrogen emissions by animals there are three areas to focus on: manure, grazing and feed.

"We focus on feed solutions through a broad system in which health, precision nutrition and early life nutrition are the primary focus areas. Within these areas we believe that creating solutions in modelling and feed management are at least as important as product innovation. For example, extending the life cycle and economic life of dairy cows is an extremely efficient way of curbing nitrogen or greenhouse gas emissions. If, as a responsible industry, we manage to convey the right messages while offering efficient solutions, we should be able to help governments and consumers see that the answers to this issue do not rest on the shoulders of farmers alone. We also have to move away from the buzz this is creating and have proper discussions," he commented.

Meanwhile, Patrick Charlton, Vice President, Alltech, argued that while the Netherlands is at the forefront of the media's attention today, this is a pan-European concern.

"It's a significant issue and we need to find some solutions quickly as the timeline is not working in our favour. Nitrogen emissions are easier to measure than methane or carbon, and this may lead to quicker decision-making which is not necessarily with the best outcomes for farmers," he said. "Not only will the impact be felt by farms, but also across the agricultural value chain. Farmers will be increasingly encouraged to use technologies that have positive effects on nitrogen emission reduction."

In agreement with this, David Dowell, Executive Vice President and COO, Novus International, said: "Environmental concerns as well as actions to reduce environmental impact are hugely important to our customers and to the public in general well beyond the Netherlands. We are working with our customers to continue developing practical solutions that provide healthy, nutritious food in ways that reduce the environmental impact of animal agriculture. It is vital that feed additive companies look at their portfolio of products to determine what can help the industry when faced with new regulations. We saw how regulations concerning mineral emissions in both the EU and China had been a large concern for our customers and fortunately, we developed solutions that allow them to meet these stricter requirements without sacrificing performance."

"We know that agriculture as a whole is under scrutiny. This is not only a Dutch livestock problem. It happens in the salmon industry in Norway and in emerging regulations around methane emissions from dairy in the US- to name just a couple of examples," added Adriano Marcon, President, Cargill Animal Nutrition. "This makes it a tough time to be a farmer. We need to have honest conversations about practices, expectations and trade-offs so we can foster understanding across the value chain. Consumers, for example, may be unaware that conservation practices capable of reducing nitrogen runoff, such as planting cover crops and reducing or eliminating tillage, are frequently used in modern agriculture. They may also not appreciate the connection between productivity and sustainability. Doing more with less, for example by improving feed efficiency, is one of the greatest untold sustainability stories in agriculture."

Finally, Franz Waxenecker, Managing Director, Biomin, wished to add: "It is important to keep in mind the tremendous progress that has been made to make animal husbandry more efficient and sustainable. There is a gap between the perceived wants of consumers and what they are willing to pay for. Regulatory measures should include input from those who are regulated so that business impacts

are considered. We would like to see greater involvement of the agriculture sector, including farmers and scientists, in these discussions. That we recognise the gains already achieved when it comes to reduction of nitrogen or other emissions is crucial. Better practices and nutrition also play a role.”

Brexit

And in the UK, Brexit will surely continue to be on everybody's minds in 2020. The UK conservatives won the general election held on 12 December 2019 and there has been a Brexit delay until 31 January 2020 after the EU agreed to the UK's extension request.

But no matter what the interviewed companies' exposures are, they are ready for whatever scenario plays out and remain committed to the UK market.

Patrick Charlton, Vice President, Alltech, said: “The uncertainty around Brexit has gone on for a long time now and we are not sure that the upcoming UK elections will change things. Brexit will have effects on Alltech's UK and Ireland operations but we have long-term processes in place whatever the scenario and we will be able to supply customers in the region. We are hoping that common sense will prevail.”

Laurent Genet, Chief Strategy Officer, Nutreco, also said: “The UK is an important country for Trouw Nutrition. We are well-prepared both for a hard or soft Brexit – despite the ongoing uncertainty around the outcome – so we don't foresee any problems in ensuring continuity of supply of our products, models and services, to customers in the UK and for export of operations from the UK. We have had time to prepare for the different scenarios. However, we are concerned that a hard Brexit will have a negative impact on the UK-based swine, beef and sheep sectors. They will be negatively impacted, but they will be supplied.”

Also with a large business activity in the UK, ForFarmers is ready. Steven Read, Chief Operating Officer, ForFarmers UK added: “As the feed business is predominantly local for local we continue to focus on our local customers and on helping them improve their efficiency and hence returns on farm. As the self-sufficiency in the UK is below 100% for pig meat and poultry meat, there could be an opportunity for the farmers in these sectors to eventually expand if and when Brexit takes place. This could be an opportunity for us to grow our total feed volumes. As a precaution against a sudden Brexit situation we have, of course, sourced supplies of essential raw materials for our UK operation that we believe could run into import difficulties in the short term.”

But given that very few feed additives are produced in the UK, the impact of Brexit on manufacturers will be limited.

“Brexit is not a big issue for Agrifirm,” said Johan De Schepper, Member of Executive Committee & Business Development Group Director, Royal Agrifirm Group. “We see no impact. It will of course be a big concern for companies with local activities in the UK and European importers. Agrifirm has mitigation measures in place and emergency stock if needed.”

His comments were echoed by Aart Mateboer, Business Unit Director, DuPont Animal Nutrition: “This has been a key topic of conversation for a number of years and we are fully prepared for this change. Given our geographic footprint, DuPont Animal Nutrition has limited exposure.”

And by Co de Heus, CEO, De Heus: “For us, this is an issue that has little effect on our daily operations. At the same time, I can imagine that companies or farmers with lots of activities in the UK will worry about the chaos that will be the result of a Brexit. It could affect Dutch exports of meat, but as the UK is not self-sufficient we expect the main trade flows will remain as is.”

The main concern is ensuring customer supply, helping them deal with the developments, and getting the right messages out; Cargill Animal Nutrition President Adriano Marcon's “we remain committed to animal production in the UK” being one such example.

“As a supplier you have to stay agile and flexible. You have to continue communicating with the customers and build emergency stocks if necessary. We have to be prepared for whatever scenario, including a hard Brexit,” said Stefaan Van Dyck, President of Kemin Animal Nutrition and Health, EMENA.

Geert Wielsma, Vice President Business Development, Perstorp, added: “Political changes are difficult to plan for and generally create more complexity. As an exporting company we are already well familiar with the business requirements for trading outside the EU. We believe we are prepared for any scenario. The key thing is to be in close contact with your customers and suppliers and to have a flexible mind-set to do what is best given the situation to guarantee a sustainable supply chain situation.”

Or as David Dowell, Executive Vice President and COO, Novus International, said: “Our customers are our priority. We'll continue to work with UK producers to understand their challenges and monitor regulations in the country so that we can quickly respond if and when changes in the regulatory space take place.”

