

BREEDING STRUCTURE EXPERIENCES IN EUROPE AND CHALLENGES FOR BALTIC STATES

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SUMMARY

Worldwide farmers have big interest in breeding and history shows emotional discussions about changes in strategy and breeding goals to realise economic farming. Difficult point in several countries has been that some breeders had strong influence in the operation of a breeding association which was not always in the general benefit of the farmers.

In the building up of the breeding activities, the Government played and still has in several countries an important role, also financially. The Governments support even today the breeding activities. The EU has special rules to allow EU member states to financial support breeding activities. But Governments are decreasing the subsidy and sometimes very strongly, resulting in no longer having any subsidy in breeding activities in some countries, except for endangered breeds. Also in some countries a levy system has been in place and special the milkrecording received financial support to finance the milkrecording.

Many opinions exist about the breeding goal and the same can be observed in the breeding structure. Many countries struggle to find the best structure. Especially when the Government plays an important role this can block new developments. Experiences show that when subsidy was decreased strongly, new developments and more efficiency was realised. This was on the long run more profitable for the farmers than the subsidy system.

Talking about breeding structure and services to the farmer means there is only one important focus point and that is the farmer. In all cases the farmer will decide sooner or later if he is satisfied about the services and willing to pay for it. If not, the farmer will find other possibilities to get the right service.

This paper describes the experiences in breeding structure in Europe, the today and future needs of farmers from breeding associations to manage their farm and the challenge for breeding organisations and Governments to establish a new structure and new services. Based on the result of the analyses of farmer's perspective in ten years ahead, a new structure should be realised based on the free market principle and with the main task to present services to the farmers

he is willing to pay for. To realise this is a real challenge for Government and breed associations.

Keywords: *breeding structure, breeding services, farm management, free market, EU policy, privatisation*

INTRODUCTION

Herdbooks exists more for than 125 years. A rich history, in which it was possible to realise an enormous progress in milk production and in functional traits. History also learns that some programs were not effective and periods of strong improvement were followed by periods of small or even negative progress. Breeding has always been depending on the influence of a relative small group of breeders and the last 50 years the AI breeding programs got a dominant position. Through the strong internationalisation and the possibility to compare the breeding values of bulls by Interbull internationally, the breeding has changed evolutionary. This evolution in breeding will continue with the introduction of new techniques.

The recording of data (milk production) started around 1900. After the Second World War the recording of data grow stark. In West Europe small privately organised recording organisations were established and at State level the recording was done or (partly) paid by the Government. After the seventies the financial support decreased more and more and in several countries there is no financial support from the State. The EU gives in the Commission Regulation EC/1857/2006 Member states the possibility to support under certain conditions the herdbook registration and performance recording (milk, meat, type etc.).

The result of that is, large differences can be observed in the continuation of State involvement and support of the breeding activities. In nearly all countries the Government has initiated the milk recording and it has given subsidy to carry out the milk recording. At the moment a Government decides to stop the financial support, sometimes a levy system was introduced. All farmers pay a certain amount of money per kg delivered milk and kg slaughtered meat. From the collected money some activities as milk recording or animal health programmes are paid or partly paid by the levy funds. In that situation all farmers are paying a certain amount of money for milkrecording etc without participating in the milkrecording.

More and more Governments stop the subsidy mainly or completely. Sometimes the Government only supports the introduction of new developments or software programmes. The consequence is that in many countries the State fulfils only its duty; legislation and supervision.

In many countries (Denmark, The Netherlands, UK) the herdbook registration and the performance recording are brought together, mostly the name breeding association is used. In some countries, as for example in Germany, several AI associations have a close link with a herdbook.

In this paper the term breeding association is defined as an association of farmers that carry out all activities which are related to herdbook registration and performance recording (milk, meat, type etc). It uses the recorded data and data from other activities as feeding companies, milk plants, meat plants to calculate management tools for far-

ming. Also the estimation of breeding values is carried out. The breed association is a real service organization for farmers. Farmers are paying for the service they take from the association and membership fee is low.

Beside the AI companies there are some breeding association, which carry out breeding programs and in most cases they also carry out the insemination of the animals. In most situations it is not advisable to integrate breeding programme and breeding services in one association, because the breeding programme is an international activity and it can create conflict of interest with database and with estimation of breeding values.

In some countries the insemination of the animals is done by veterinarians, in other countries the breeding association carries out the inseminations. In this article the term breed association means it is the service organization and the breeding program is done by the AI organization. The carrying out of the inseminations can be done by the veterinarians, by the AI stations or by the breed associations itself.

Since the seventies the economic effects on breeding have become more and more important. Because the genetic level for milk is already very high, other aspects as fertility, strength of the animal, the legs etc. are becoming more and more important. The software programmes to calculate the genetic value are very sophisticated, realising reliable breeding values. The values can be estimated for traits with low heredity and the economic effects are included in the estimated index. But we have always to keep in mind that when the recording of the data is not reliable, this cannot be corrected by the software.

In West Europe the data processing has improved a lot since the seventies. It is not the entering and presentation of data, but the integrated use and exchange of data from and between different bodies what creates the real benefit for the farmers. Agreements have been made about the data model and the standardised exchange of data. Having realised this, it is possible to integrate the data and to calculate a broad range of management tools. An example is the use of the insemination data by the milk recording organisation or the incorporation of the treatment data by the veterinarians. By combining the data of different resources, integrated management tools are available for the farmers. These tools can give the best possible support to farmers. Besides the farmers also extension service can use the figures to improve the quality and effectiveness of extension service strongly. Breed associations can play a leading role to realise this.

In West Europe the farmers are well organised. Many product and chain organisations are available to give support to the farmers and the related industry. Having cooperatives has the advantage of positive revenue staying within the agricultural sector and in fact with the farmers. Cooperatives have to compete with large private companies. This requires that cooperatives also have to be dynamic, competitive, evaluate, update strategy etc.

Although the West European breeding organisations have a long and rich history with each country having its specific structure and breeding service, there are still real differences between the West European countries in structure and in services offered to the farmers. This means that there is no best structure. In the structures of today the history can still be observed. This past structure relates to culture. This is the culture, the habits etc. of the farmers and the culture of the government. The last differs from

free market principle to a high protection culture. For example in The Netherlands the free market principle has always been high on the agenda. Therefore it is not surprising the Dutch farmers are really entrepreneurs.

Summarising the actual situation in the breeding structure can be observed in West Europe:

- The free market principle is realised, but some countries have still problem to accept foreign breeding associations being active in their country or that farmers can be member of a foreign breeding association.
- Large differences in structure between and within countries.
- Offering useful services to farmers is understood well, the implementation is not easy.
- Integration of data and cooperation with all stakeholders in the cattle business is objective in all countries.
- Product / chain organisations exists, which are dealing with sector strategy, quality and costs for milk, for meat, for feed etc.
- Operation of field activities are more and more centralised or carried out through large regional offices (more than 500.000 cows under milk recording).
- PC software programmes use often the calculation method of a breed association to calculate management tools. Doing this the results are fully comparable and farmers stay in milk recording.
- In countries with a high level of services provided to the farmer the influence of foreign companies is small.
- The farmer is always the responsible person, he/she decides. This should of course be done in accordance with legislation and rules for the specific activity.

East Europe. Until 1989 all breed activities were centralised in Central and East Europe (CEE) in different State organisations and State farms. The State carried out national breeding programs, the herdbook registration and the milk and meat recording. There was a strong inspection culture, which still exist in many CEE countries. Sometimes public/private herdbooks were established to promote a breed.

After 1989 the privatisation of the breeding activities started. This was and is still a difficult process. Some countries have privatised most of the breeding activities, while others still have to start to privatise the breeding activities.

These differences are mainly caused by differences in structure of the farms. When many large farms exist, the privatisation is more advanced than when having only a small number of large farms. As long as the Ministry of Agriculture (MoA) has enough funds to continue the breeding activities, there is also no discussion about privatisation. A third influencing point is the efficiency and effectiveness of the breeding activities run by MoA. When the farmer is satisfied about the service, which means it supports his farm management, there is no real need for him to change the public situation in the short time. But in the long term it is the best MoA privatises the breeding activities as quick as possible by creating a safe road for the breeding associations to take their responsibility.

With the experience in West Europe, having no ideal picture, it is for CEE countries difficult to decide on structural aspects in the privatisation process. Further the financing of the breed activities is the most difficult part. Large farms cannot make business

without good management tools. For small farms this is not a precondition. Having a structure with mainly small farms makes it extremely difficult to get enough income for breed organisation to develop and implement new services.

Comparing West Europe, CEE countries and the Baltics on participation milk recording (MR), cost for milkrecording and % of State subsidy during the period 1995 – 2005 shows the following:

1. The participation in MR has increased, with the highest increase in the Baltics. Within the Baltics Estonia has the highest participation since long.

2. The costs for milkrecording increased in West Europe with 50 % and in the CEE and the Baltics with more than 100 %. Beside this the farmers in West Europe receive more and better information (management tools and breeding values).

3. In West Europe the states contribution to milkrecording is less than 10 %, in CEE countries about 15 % and in the Baltics about 50 %.

Because the small herds in the Baltic States and the high percentage of subsidy it will not be simple to privatise the breeding activities. Therefore Government and breed associations and the related institutions should work together to prepare a plan to privatise the breeding activities with a guarantee from Government to finance the cost to change and to equip the new association and to subsidies breeding activities for some years.

Legal and rules conditions in cattle breeding. Most of the EU zootechnical legislation is established in the seventies. It is of course based on the free market principle. In that time breeding was not comparable with today. Furthermore many countries but also the EU did have a more protection attitude then to see breeding as an activity in which the farmer is competent itself to decide which bull to use. Because it is a directive, there is freedom for EU members how to implement the legislation. The Netherlands has always had a leading position. In 1984 it was decided that all animals in milk recording became a herdbook animal when the rules were fulfilled. This was possible because the rules for an animal to be registered with pedigree information were for nearly 100 % the same as for herdbook registration. A special condition was made that an official export certificate is only issued when 2 generations pedigree were registered in the herdbook.

Following the EU legislation the MoA is responsible for two important tasks:

- The recognition of organisations and the withdrawal (HB, PR, BV, AI).
- The supervision on their activities.

That the free market principle is not a simple fact can be seen by the fact that since the nineties several member states are against the positive answer of the EU on the questions:

- Is it allowed for a farmer to be member of a herdbook acknowledged in another EU country.
- Is it allowed that a recognized herdbook operates in another EU member state without being recognized in that country.

The EU commission on zootechnics has tried several times to regulate this official but, until now, this was not possible.

The EU legislation allows also having:

- more than one herdbook per breed.

- more than one breeding program per breed.

The only condition is that the breeding programme does not conflict the other (first) breeding program.

The EU legislation regulates only main points. This means that many points have to be regulated at national level. Because the EU regulates that the performance recording (milk beef, fertility, health etc) must be done in accordance with the guidelines of ICAR, the national legislation can be simple.

Important points and guidance for the national legislation are:

- National legislation is in accordance with EU and the national legislation refers to the EU legislation. This makes sure the national legislation is always actual.
- Include the official procedures etc. for recognition, supervision and withdrawal of recognition of breed associations.
 - Refer to ICAR guidelines.
 - Requests Breed Associations have books of rules including system of quality control and penalties. Through this control the farms are controlled by the breed association. Doing this the Government has no longer a task to inspect herdbook registration and performance recording at farm level.
 - Supervision by the authorised body is carried out based on the results of the quality control done by the recognized associations. The needed input to supervise will become very small.
 - Regulate only in national rules points what is national responsibility, for example the procedure to request for recognition.

EU policy, related sector and position farmers

Analysing the breeding structure and needed services for farmers it is important to consider the conditions and expected changes the farmer is confronted with. Looking back we can observe the following big changes the West European farmers have been confronted with:

- Productivity: in forty years time it changed from shortage to big overproduction of most products with a storage possibility.
- From oversupply to supply management and the introduction of Agenda 2000.
- Number of farmers dropped from 4,5 mill to 2 mill in 20 years. This process will continue
 - Restructuring in dairy and beef processing. The size of the companies has increased enormous and chain quality control is fully implemented to guarantee food safety.
 - Quality programs are introduced on farm level and processing companies are only taking products from farms following a quality scheme.
 - From national competition to international competition. For example West Europe has to compete with the new EU Member States. The number of cattle increased by 140 %, the size of farming is in some countries much more profitable.
 - The coming years price will be more fluctuating and more influenced by world market-situation.
 - EU does not provide security anymore but a painful safety net: food safety /animal health, animal welfare, nature protection etc.
 - The market position of processor used is crucial. Farmers are shopping to get the best prices.

Taking in consideration the realised changes in farming and in processing industry, the perspective for farmers is:

- The classic farmer will faint a way.
- Future is for farming entrepreneurs.
- Also local / bio products are part of market.
- Changes will come as evolutions not as revelations.
- Farmers making choices and taking options will have advantage over farmers waiting for solutions.
- Farmer has to operate with his face forward and his eye to the world.
- Farmer selects only qualified partners in supply processing, breeding, advisory etc.

Breeding structure and services. Each country has its breeding history; this can be a robe around the neck to be open for changes in structure and in services. Breeding associations can only survive when farmers survive. Having in mind the market in which the farmer operates and is confronted with, a breeding association must consider the effects of change in farming and related industry. Based on this analyses the breed association should change its strategy, marketing of services etc.

Full privatising of all breeding activities is still needed in many countries. Associations are depending on the State in reconstructing the association to a farmer's service organisation.

Factors influencing the process to privatise and create a farmers driven association are:

1. Organisation degree of farmers.
2. Structure of farms.
3. Education of farmers.
4. Sector development strategy.
5. Co-operation in the relevant sector.
6. Dependency on State subsidy.

In the same way as farmers have to decide staying in business or quitting their farm business, also the breed associations have to make this choice. When the privatisation of the breeding activities has not been realised, or when the associations are still depending on the subsidy of the State, or when services of breed associations is low, the State must take full responsibility to change the actual breeding structure. Beside the structure it will also be important to have a stepwise plan to establish and finances new services. Of course the duty includes the financing of the needed investments and a guarantee the government will financially support the new organisation for several years. All based on an agreed plan.

Boards of the associations have the duty to analyse the actual situation, to determine who (what) will be the farmer in 10 years time and what does the farmer need to manage his farm. Doing this will have the advantage to avoid discussion about the situation of today. Namely each association will think they are the best one and subsequently the discussion about the future needs is blocked.

Questions which have to be answered are:

- How can we extent the active population?
- What kind of services does the farmer need and is he willing to pay for it?

- Which related organisations / companies do we need to realise the needed services?
- What kind of services can be provided to related organisations and companies?
- which data needs to be collected by whom?
- What software program is needed both to calculate and present management tools, breeding values etc.?
- How can we finance the development and running of the services?
- How can we promote the services?
- How do we organise the extension service for these services?
- What is already available on the market to buy or to licence?

To get answer on these questions the following analysis is needed:

- Who will be the customers in 10 year time?
- How does the industry look like?
- Who creates value for who?
- What does the consumer wants?
- Look for strong points and opportunities.

Experiences in other countries learn that is not a simple task to move from a classic herdbook association to a breeders oriented service organisation. Such an organisation needs to offer a broad range of high quality management support tools for a low price.

It is impossible for the breed association to develop the requested management tools without the cooperation with the relevant partners in the sector, such as feed companies, dairy plants, slaughterhouses, accountancy offices etc. and with the relevant research institutions.

To reach results it is imperative to have one voice for all cattle breeders!

Very important is also the possibility to get financial support for the investment cost but also to have trials in practice before offering the services officially. This means again one voice talking with MoA.

To be successful qualified support of the management tools and qualified advise/extension to the breeders is needed. This part of the total package is always relative expensive. In other words also for this part cooperation with the partners in the sector is needed. Working together with the related industry is the best approach to realise qualified product support and extension service by processors, feed companies, animal health and veterinarians, accounting companies, etc.

To be successful this requires one body to be responsible for the services to the farmers and for the functionality of database with all breeding information.

At the moment it has been decided to have one body responsible for all services to farmers as herdbook, type classification, milkrecording, beef recording etc, the question rises: is it better to have one breed association or is it better to have one breed federation with breed associations and milk recording associations as member of the federation.

The final decision depends on the existing structure and if farmers are willing to pay for a small association taking care of the promotion of their breed, to organise special cattle shows etc.

In the event the milkrecording and database are already organised on national level and breed associations have only a small part of animals in milk recording, there is in

fact only one alternative available. That is the creation of 1 breed association active at national level for all breeds.

In the event a group of farmers want to have their own platform, for example all beef breeds together. There are simple solutions to realise this within the breed association or outside the association.

To summarise

- Have a strong drive for improving efficiency and marketing
- Create better service for lower prices
- Only one organisation is responsible for services to farmers and for national database(s)
 - To collect data once and use data everywhere
 - Transfer data in usable management tools
 - Use data also for estimation of breeding values
 - Offer qualified services for all breeds / farms
 - Extent active population by offering the choice to have an open herdbook at female side.
- Find solutions so all farmers pay for general benefits (use for example levy system)
 - Analyse possibilities AI organizations contribute in cost for data collecting.
 - Initiate new developments.
 - When a decision has to be taken about the breeding structure and services offered to farmers in your country, keep the following always in mind:
 - Whatever you decide the farmer will judge you.
 - No decision is also a decision.
 - Farmer needs is the driving force for your activities.

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VEISLININKYSTĖS PATIRTIS EUROPOJE IR IŠŠŪKIAI BALTIJOS ŠALIMS

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Santrauka

Worldwide farmers have big interest in breeding and history shows emotional discussions about changes in strategy and breeding goals to realise economic farming. Difficult point in several countries has been that some breeders had strong influence in the operation of a breeding association which was not always in the general benefit of the farmers.

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