

Controlling Avian Flu and Protecting People's
Livelihoods in the Mekong Region

HPAI Control from a Demand-side Perspective

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Pro-Poor Policy Options for Control of Highly Pathogenic Avian Influenza
(HPAI) in Africa and Southeast Asia

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Motivation

- Conventional HPAI control strategies pose serious incentive problems and entail significant long term fiscal obligations.
- As a form of product quality, HPAI safety can be promoted from the demand side, enlisting private agency to improve biosafety and increase value to both consumers and producers.

Control Measures Can Undermine Safety

Adverse incentives in control measures can lead to a variety of unintended and undesirable outcomes:

- **Producers** loss aversion may lead them to circumvent health standards, sell illegally, hide or swap stocks, etc.
- **Traders** may actually profit in these circumstances by purchasing animals known to be sub-standard and reselling them without this information.
- **Buyers** with low levels of risk aversion can also facilitate trade in sub-standard animals by ignoring minimum sanitary requirements to save money (this includes households, restaurants and butchers).

At all three levels, incentives exist for behaviour that will increase surveillance costs, undermine animal health standards, and transfer disease risk down the supply chain.

Control Measures Can Undermine Value

By blending animals without adequate regard for safety, traders contribute to bio-containment problems and undermine value in three ways:

1. **Spillover** of disease risk – blending promotes contagion within and between species
2. **Adverse selection** – masking producer sources reduces incentives to invest in quality, increasing risk and reducing producer incomes
3. **Perception** of these uncertainties undermines consumer willingness to pay

HPAI and Resources

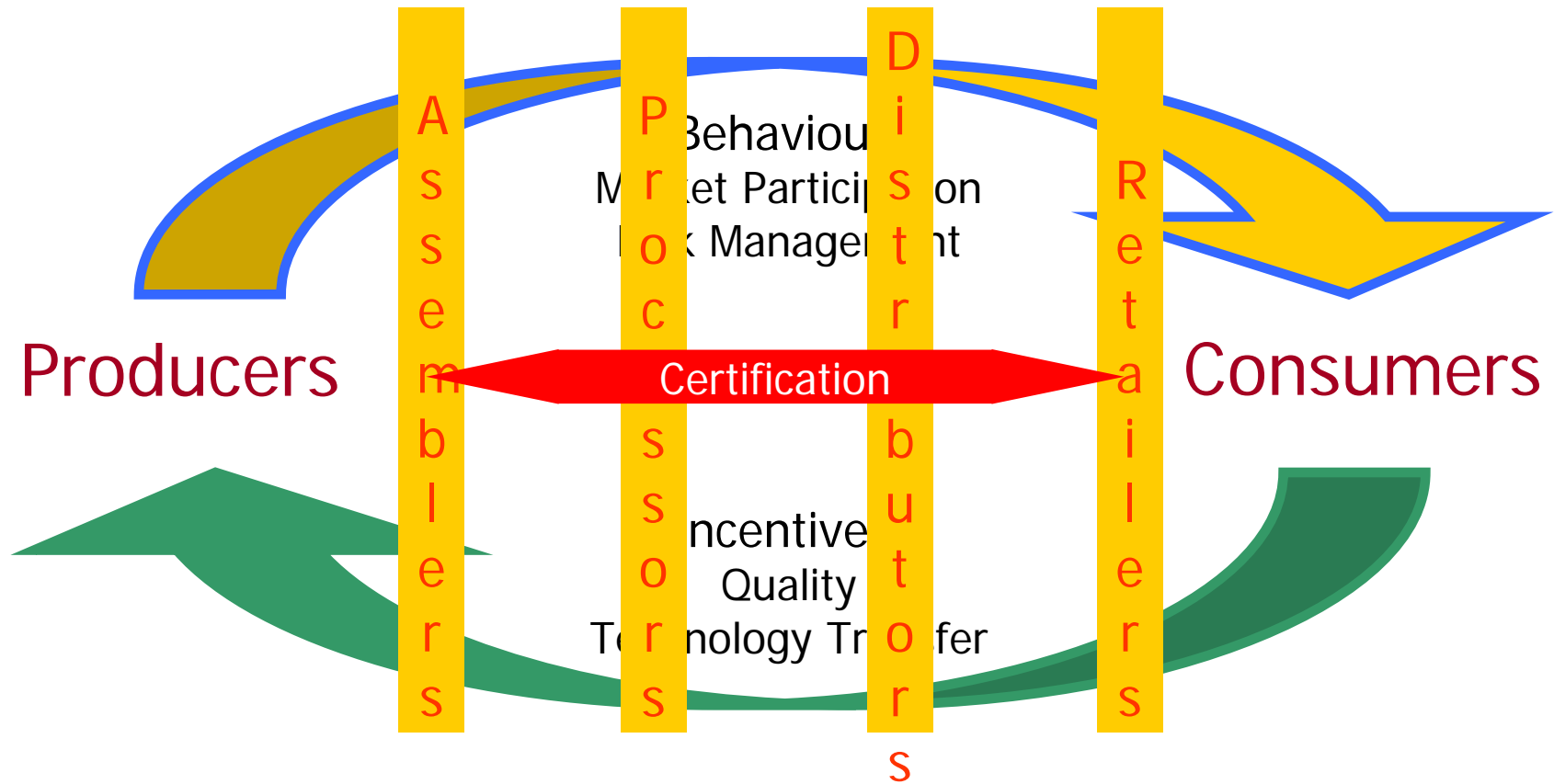
- Conventional HPAI control measures entail significant resource commitments, sustained indefinitely where the disease is endemic
- In HPAI epicentre countries, resources for public health and rural agricultural development are scarce
- Political support for defensive public spending may be difficult to sustain

Demand-side Opportunities

- If consumers care about and are willing to pay for certified HPAI-free poultry, there may exist options for private finance of more bio-secure and safe poultry supply chains.
- When significant safety premia exist and can be reliably identified, smallholders could be recruited into a virtuous quality cycle that increases their incomes.

Market Flow: Resources & Income

Supply Chain – Resource Flow



Value Chain – Income Flow

Market Surveys

To ascertain the feasibility of such systems, we are conducting focused market surveys in Mekong countries.

- **Resource flow surveys** – to identify vertical and horizontal linkages that transmit economic incentives and health/quality risks
- **Consumer surveys** – preferences toward product varieties, quality, risks, and institutions, with special reference to social heterogeneity and willingness to pay

Surveys Completed, Underway, or Planned

Completed:

- Viet Nam – eight resource flow and consumer surveys
- Lao PDR – one resource flow and one consumer survey

Underway:

- Thailand – farmer, trader, and consumer surveys

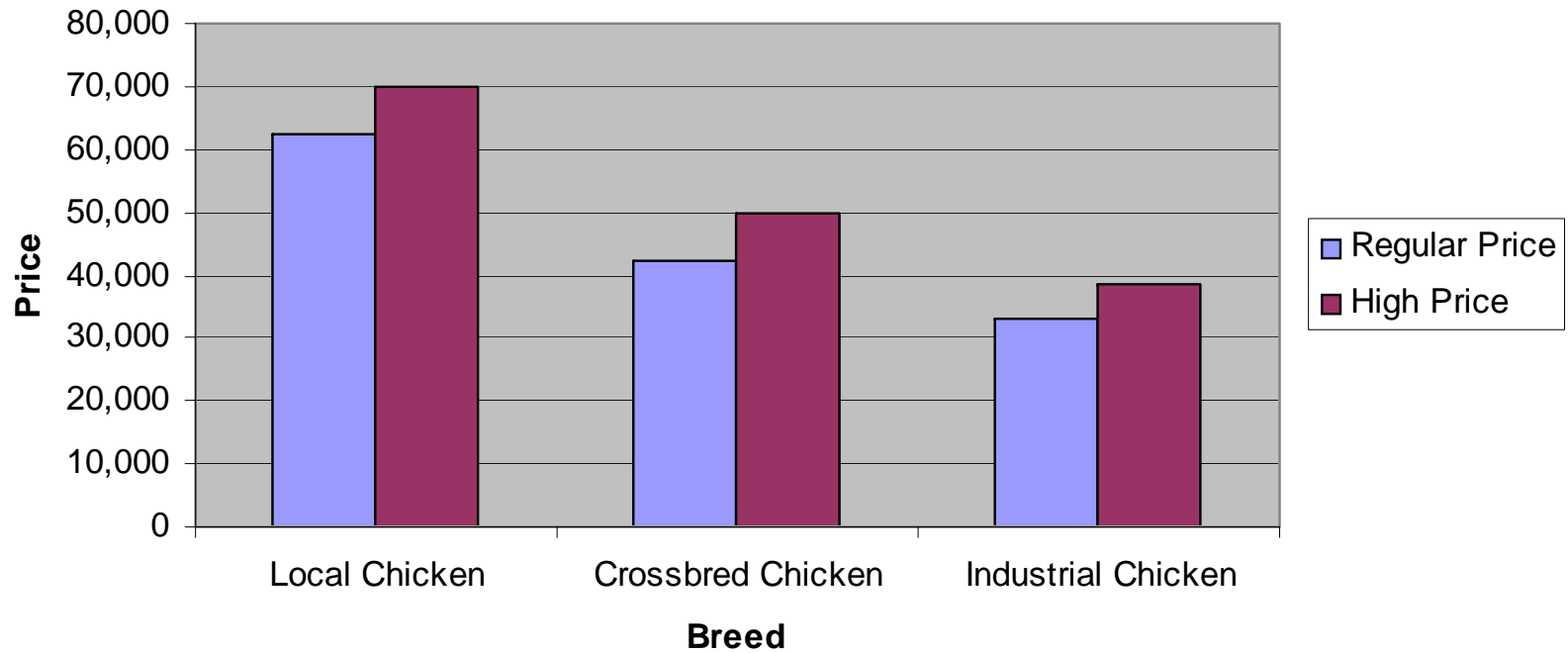
Planned:

- Cambodia

Indicative Results from Viet Nam

Consumers strongly prefer local chickens!

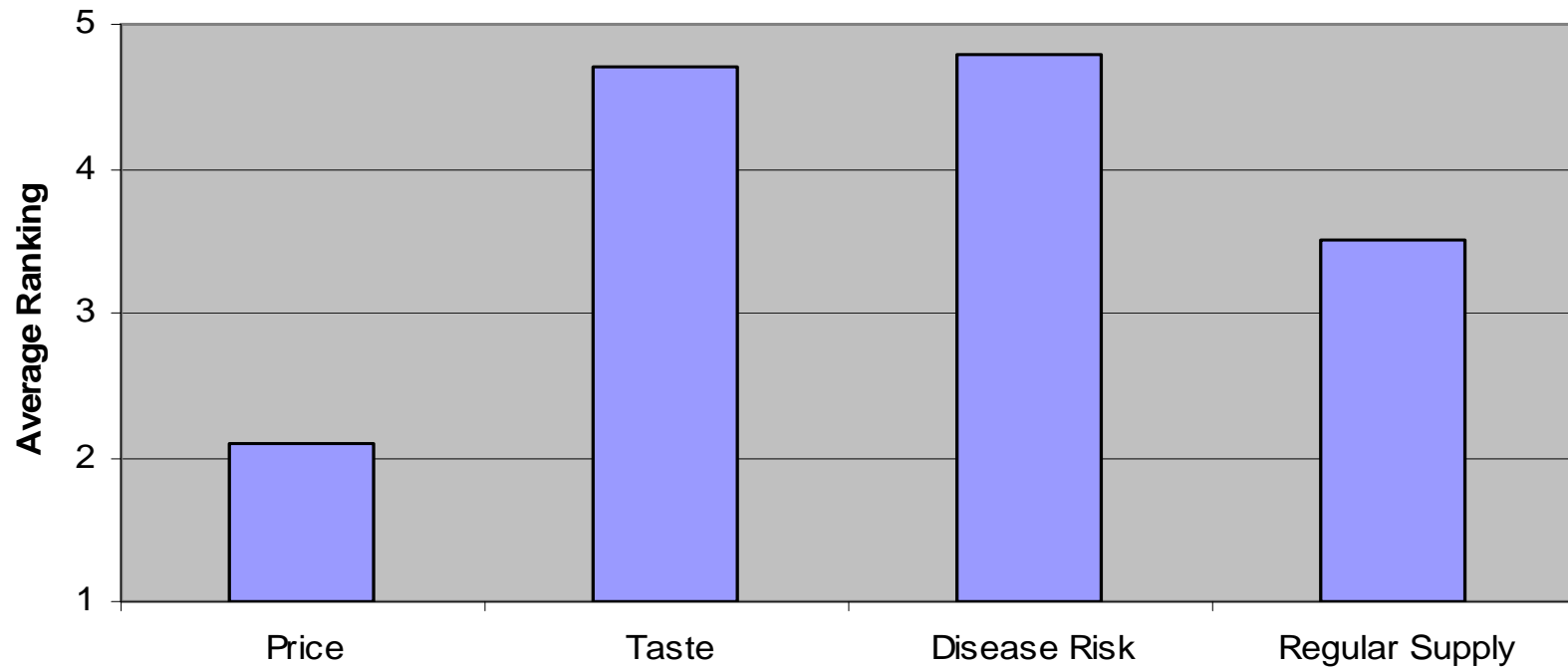
Average Prices by Chicken Breed



See HPAI Research Brief No. 3

Taste & Safety are Both Important

Concern for Different Attributes of Chicken Meat



Ranking of quality concerns on 1-5 scale, where 5=high concern;
Source: Ha Noi Price Survey, 2007

Preferences Regarding Risk

Average Ranking of Safety Concerns

