



An Appropriate Level of Risk: Balancing the Need for Safe Livestock Products with Fair Market Access for the Poor

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EXECUTIVE SUMMARY

As the world struggles to adjust to the ideal of a fairer international trading system, one with fewer trade-distorting tariffs, some fear that non-tariff barriers (such as health and food safety standards) will increasingly be used as alternative means of restricting free and fair trade. For the global trade in livestock and livestock products, the World Trade Organisation's SPS Agreement sets out the principles and rules governing this US\$33 billion a year business. However, the WTO and the standard setting bodies responsible for developing the specific international standards, although in principle democratic membership-driven organisations, are in fact dominated by developed countries. Effective participation by developing countries in these organisations is acknowledged to be very limited and as a result the rules and standards emanating from them are often loaded in favour of developed countries' interests.

With the Millennium Development Goals focusing increased attention on global poverty, the idea that improving the access of small-scale developing country farmers to global markets could help reduce poverty has gained currency. For livestock and livestock products achieving this presents a significant challenge. Live animals, meat and meat products might be accompanied by disease causing organisms, which can pose a highly significant risk to the health of animals and people in importing countries and inflict potentially huge economic damage. The risk is especially great for those countries, such as the most developed ones, that have invested enormous amounts of time and money in eradicating such diseases, or which, by good fortune, have not previously been affected by them.

This report presents the results of a scoping study undertaken by the International Livestock Research Institute (ILRI), on behalf of the Food and Agriculture Organisation's Pro-Poor Livestock Policy Initiative, on the impacts of WTO rules, SPS regulations and other non-tariff trade barriers on access to livestock markets by developing countries. The main points and issues raised during the study have been synthesized into a series of strategic questions, which are considered here in turn:

What are the ingredients of success for effective participation by developing countries in global livestock product markets?

This study has highlighted a number of 'success stories', examples where developing countries have succeeded in exporting livestock or livestock products to external markets. An analysis of the factors governing their success revealed some commonalities: all were driven by strong private sector partners who contributed capital, management expertise and entrepreneurial flair; most concerned livestock products, rather than live animals, which matched the market's requirements; many had developed strong brand identities which had become synonymous with quality, safety and dependability; and many were vertically integrated systems, incorporating small and medium scale

outgrower producers. Often these successes have been achieved despite the absence of effective support from the public sector, such as national veterinary authorities.

The urgent need for inclusiveness: how can developing country scientists, experts, administrators and representatives of livestock commodity trading bodies play a more active and effective role in setting and adjudicating trade rules and standards?

There is a pressing need for the standard setting bodies of OIE and Codex Alimentarius Commission (Codex) to be extremely pro-active in understanding and responding to the needs of developing countries, for which livestock play an especially critical role in livelihoods, economic growth and poverty reduction policies. For the WTO, the need to consider the special requirements of developing countries is a key part of the SPS Agreement, but for OIE and Codex, acting on behalf of the WTO, this obligation is not explicitly part of their mandate.

One of the key findings of this study is the disparity between the push for global harmonisation of animal health standards for trade, and the lack of capacity of developing countries, particularly LDCs, to meet these standards. The study considers how this might be rectified and concludes that building capacity of regional bodies to create regional centres of excellence with regard to SPS matters may be the most practical way forward. Such regional bodies can also help in rectifying the sometimes blatant abuse of the SPS agreement by neighbouring countries or those within the same region when, despite a disease being present in both countries, products or animals are refused entry on the basis of the disease presence in the exporting country.

How can the poor, including poor livestock producers, best participate in livestock commodity value chains?

While urban poverty is growing in many developing countries, it is the rural areas in which poverty is often most severe. And it is in the rural areas where livestock play such an important role in the livelihoods of poor people. Livestock industries in developing countries, including those with export capacity, can play an important role in national economic growth, but what is the role of the poor within those industries? Should it be as small-scale livestock producers contributing directly to commodity value chains or are the poor better served through the creation of employment?

One element of the “success stories” was vertical integration, achieved both through company-owned units with high biosecurity and contract outgrowers. Under certain conditions in some developed countries high biosecurity units, or assemblies of them, can be recognised as “compartments”, and deemed safe for external trade despite animal disease existing in the external environment. Some fear that for many developing countries, any future insistence that livestock products emanating from environments that are not free from certain animal infectious diseases must be derived from compartments, rather than ensuring that the products are safe regardless of the source, is likely to tip the balance away from contract farming by smallholders, and this could have severe direct negative effects on many rural livelihoods. A better understanding of the implications of vertical integrated systems, compartmentalisation and indeed of other value-chain models on both risk implications and poverty reduction is required for different products in a variety of developing country settings.

How can developing countries become better equipped to deal with the challenges and complexities of the global trade in livestock products?

SPS issues can be highly complex and dynamic, and failure by developing countries to understand fully the SPS Agreement and its implications can put these countries at a real disadvantage compared to more SPS aware competitors and trading partners. Capacity building is required at a wide range of levels, including within the private sector at the level of the producer and processor, and in the public sector covering policy makers, service providers and competent authorities. The Competent Authority plays a central role in gaining the trust and confidence of importing countries regarding the overall animal health status of an exporting country and the certification of products emerging from it, but it is widely acknowledged that public sector veterinary services, especially in the least developed countries, are very weak in this regard. The report proposes various measures to enhance the credibility of the Competent Authorities.

Is the commodity-based trade approach safe and pro-poor?

Most of the 'success stories' identified were trading in livestock commodities, and many of these were not derived from recognised disease-free zones. This demonstrates that commodity-based livestock trade is with us today, and permitted within the current "rules of the game". Enabling developing countries to engage in external trade in livestock products, even when they do not have disease-free zones recognised under current OIE standards, is likely to have significant pro-poor implications. The challenge is to gain a much better understanding of the risks posed by different commodities originating from developing country settings. This needs to be coupled with a better scientific understanding of the effect on these of the 'background' animal disease environment from which they are drawn, supplemented by an understanding of how these risks can be evaluated effectively, and how they can be mitigated to the satisfaction of importing countries in an economically viable manner.

A key to the success of a commodity-based approach is effective animal health and food safety service provision to the value chain. In many of the pockets of excellence, this is largely provided by private veterinary services, in some cases sponsored by a vertically-integrated organisation. But how can such private services be better integrated with public services and gain greater acceptance by the Competent Authority?

Is animal welfare a threat or an opportunity to developing countries' participation in global livestock products markets?

Generally speaking, developed countries put far greater emphasis on animal welfare issues than do developing countries. However, many consumers in developed countries are extremely concerned, some even passionate, about animal welfare. As a result, supermarkets in developed countries are likely to be extremely cautious in stocking livestock products that may be linked to 'cruel' practices, such as inhumane transport or slaughter procedures. However, many supermarket chains have identified animal welfare as an opportunity, and sell premium priced, 'welfare-enhanced' livestock products, such as meats and eggs produced in less intensive, sometimes organic, production systems, under a specific brand label. These threats to, and opportunities for, livestock producers in developing countries need further evaluation.

For each of the strategic questions, specific recommendations have been formulated to address the issues raised.