

Animal welfare and developing countries: opportunities for trade in high-welfare products from developing countries

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Summary

Discussion on the potential for developing countries to develop trade in niche markets such as higher welfare standards has been highlighted with moves by the World Organisation for Animal Health (OIE) to set internationally agreed standards for animal welfare. This paper examines the existing and potential trade in value-added higher welfare products using case studies in the beef and poultry sectors from three countries in Africa, Asia and Latin America. It shows that at present there is only a small trade in these products but that this can have a major effect at a national level. In the beef export trade from Namibia, the existence of the only assurance scheme in Africa setting standards in hygiene, veterinary care and animal welfare has created a trusted, safe and healthy product and ensured that Namibia has grown into Africa's largest exporter of beef to the European Union. In Thailand, the broiler industry, which has enjoyed annual growth in the past 15 years, is developing value-added products to develop markets to counter competition from other countries. The development and implementation of standards for organic products in both Thailand and Argentina over the past decade have also resulted in growth in the export markets of these products. The paper concludes that there is growth potential for the sectors in all three markets which can be assisted by the development of OIE baseline standards.

Keywords

Animal welfare – Beef – Broiler chicken – Developing country – Farm assurance – World Trade Organization.

Introduction

The relationship between measures to raise standards on the protection and welfare of farm animals and the multilateral trading system has become increasingly important since the General Agreement on Tariffs and Trade was incorporated into the Agreement establishing the World Trade Organization (WTO) in 1995. Although it is often stated that the WTO suite of agreements allows a country to pursue and apply its standards where these do not have trade-related provisions, there is invariably still a direct consequence from raising welfare provisions. Most importantly, there is often a cost consequence from

improving standards. This cost has been analysed for a number of sectors such as laying hens (1). As a trading bloc that has some of the highest animal welfare standards already in legislation (14), the European Union (EU) put forward proposals for the agriculture negotiations that are now being undertaken as part of the WTO Doha Development Round of trade negotiations. These proposals offered three solutions to ensure that trade did not undermine improvements in the welfare of animals; they were, as follows (16):

– to develop multilateral animal welfare agreements and clarify the relationship between WTO rules and trade measures

- to develop appropriate labelling
- to agree that non-trade-distorting compensation can be paid where additional costs arise from higher welfare standards.

The relationship between trade and animal health and welfare standards has been changing (6). Discussions on the last two of the proposals are on-going under the WTO's Doha Development Round negotiations, due to be complete by 2006. In response to the first of the proposals, a process of agreeing multilateral animal welfare agreements has been initiated under the auspices of the World Organisation for Animal Health (OIE) (Petrini & Wilson, this volume). However there is a recognition that OIE standards may be used as equivalence benchmarks and to establish import measures (15). It is recognised that any regulations would impose constraints which could be especially stringent on developing countries and that solutions must be found to allow these countries access to international markets (6). This has also provoked discussion in the agricultural negotiations on the opportunities for raising welfare standards for developing countries. There is some evidence that the issue of animal welfare is not only a concern of northern developed countries. Good agricultural practices and traceability systems are being implemented in Namibia, Botswana, South Africa and Zimbabwe. Livestock traceability is starting in four of the main South American beef exporting countries and a basic organic beef industry is growing in Argentina (R.D. Paskin, 2004, unpublished data). Consumers in developing countries are also becoming preoccupied with the ways in which meat is produced (9). This paper is aimed at providing further information on this issue. It looks at existing case studies where higher welfare standards in specific farming sectors have resulted in niche trade opportunities for developing countries and at the future opportunities for developing countries in converting to higher welfare standards. The countries have been selected for the case studies according to their geographical location, giving one each from Africa, Asia and South America where the share of trade in exports of primary agricultural products was 20%, 46% and 47% respectively in 2003 (R.D. Paskin, 2004, unpublished data). The sectors that are discussed are the beef and poultry sectors. An overview is given of the sector in each country and of its potential to produce added-value products for the export market.

Case study: the beef industry in Namibia

Agriculture, and especially livestock farming, is a key sector in Namibia, accounting for 11% of the country's gross domestic product (GDP) in 2001. Much of the

livestock agriculture is subsistence, but there is a growing manufacturing sector that deals with meat and fish processing. This sector is important as it contributes 90% of the country's agricultural GDP and is responsible for over 6% of the country's total exports.

There are estimated to be at least 2.5 million cattle in Namibia, of which around 850,000 are commercially reared. The export market is important to Namibia's trade balance as well as to the beef industry. The meat industry is responsible for over 6% of the country's total exports, earning over US\$87 million in 2001 (5); 80% of the beef produced annually in Namibia is exported. Exports of processed meat products are expected to rise with the introduction of benefits for manufacturers and exporters in the future. Although the main trading partners are the EU, South Africa and Japan, the EU is the most important destination as it offers a beef quota of 13,000 tonnes per year. This quota has not been fully taken up due to production problems, but the EU still accounts for just under a third of Namibia beef exports (5) and exports have been relatively stable in the past twelve years (2). The United Kingdom (UK) consumes the majority of these exports, accounting for nearly 90% in 2001 (8). Namibia's exports have grown to such an extent that they now represent the largest export of beef in Africa to the UK and account for 3% of total UK beef imports (8). During the past five years Namibia overtook Botswana as the market leader for beef exports to the UK, mainly because the industry regards Namibian beef as being of superior quality and because of the problems of foot and mouth disease in Botswana. The quality issue of the meat is connected to the Farm Assured Namibian Meat Scheme (FANMEAT) assurance scheme, which guarantees certain animal welfare and veterinary standards.

The beef industry is regulated by the government-owned and privately financed Meat Board of Namibia, which links the industry with its customers and is responsible for the development of the industry and its health and welfare standards. The Meat Board also manages the FANMEAT. The abattoirs used for export are operated by Meatco, an independent company that is jointly owned by the government and the private sector and that uses technology to ensure that traceability is ensured. The products are marketed overseas by subsidiaries.

The FANMEAT was initiated by government decree in September 1999 to meet EU requirements for a traceability and welfare scheme. About 13,000 farmers have so far joined the scheme, entitling them to use the FANMEAT logo. A summary of the main standards is given in the box. The animal welfare standards are laid out in [Table I](#) (7).

The FANMEAT logo is designed to give consumers the assurance that any meat product bearing this logo is safe and healthy. In addition to the traceability element, the

Table I
A summary of the animal welfare standards in the Farm Assured Namibian Meat Scheme

| Issue | Standard and animal welfare applicability |
|---|---|
| Production systems and general animal welfare | Hormone free; livestock owners are responsible for the welfare of their animals and must ensure that they are aware of all welfare requirements |
| Veterinary issues | Records are kept and annual veterinary inspections carried out |
| Animal handling | All animal handling facilities must be designed to ease handling of the animals and prevent injuries. The animals must be handled carefully to prevent stress and injuries. The use of electric goads is prohibited |
| Transportation | The vehicle must comply with the conditions of the Code of Practice for the Transport and Handling of Animals. There must be adequate handling facilities at the point of loading and off loading |
| Housing and environment | There shall be no features of the environment that could cause recurring injuries to animals |

assurance scheme has a number of specific animal welfare standards. There is no other comparable scheme operating in Africa which is as highly regarded in terms of traceability and animal welfare and this has resulted in considerable buyer confidence in Namibia's beef and increasing sales.

At present, about 75% of the beef exports from Namibia to the UK are used in the catering trade, although the large retail outlets are now becoming interested in FANMEAT as it is hormone free, hygienic and reared according to higher welfare standards.

About 13,000 farmers have joined the scheme to date. Members do not get a premium from the scheme and indeed incur additional costs associated with animal identification and record-keeping of animal movement and the higher standards for on-farm hygiene and animal welfare. However they benefit through healthier stock, fewer thefts (since all animals are tagged), and an increasing export market share.

Namibian exports to the EU have been fairly stable for the past twelve years (2), but the reform of the Common Agriculture Policy and the resultant lowering in beef prices has meant that earning from beef exports have declined. New markets are being looked at, particularly in East Asia and Latin America.

Potential for animal welfare as an added-value product in the export market

Namibia is uniquely placed to assess the potential for markets for higher welfare products as it already has an assurance scheme in operation, implemented to satisfy the demands of export markets. It is the only African assurance scheme in existence that offers a high level of traceability and animal welfare standards. Although Namibia does not yet take up its full export quota to the EU, the FANMEAT assurance logo has resulted in greater buyer confidence

and consequently ensured that exports to markets such as the UK have been stable. It has also ensured that Namibia is now the foremost exporter of beef from Africa to the EU and has given it the competitive edge over other countries.

Case study: the broiler chicken industry in Argentina

Argentina is one of the largest producers of cereals, soy and beef in the world. Its poultry sector is growing due to a stronger demand from existing markets and it has also found new markets in over 30 countries. The quality of poultry products is very high because of the excellent natural resources and widespread feed availability, and production is being focused on niche markets for value-added products. The export industry in the broiler sector has been growing and is forecast to double between 2003 and 2005 where total broiler production is estimated to be just under one million tonnes (13). This record level of production has improved profitability in the sector and shows excellent prospects for local and emerging external markets. The first five months of 2004 showed a 60% rise in year on year exports compared to 2003, mostly going to the People's Republic of China, Germany and Hong Kong. The Netherlands and Germany accounted for most processed chicken exports.

Potential for animal welfare as an added-value product in the export market

Although organic production in Argentina has a relatively brief history it is growing in importance. The origins of the organic sector can be traced back to 1985 when the first association for organic production, Canecos, was formed. In 1992 the sector was restructured when the first directives were issued for the National System of Organic Product Control, broadly based on the directives of the

European Commission and the International Federation of Organic Agriculture Movements. Following the decision of the EU in 1996 to include Argentina in its equivalence list, organic exports from Argentina increased considerably to the EU and the sector saw annual growth rates of 100% during the second half of the 1990s. By 1999 annual organic production totalled approximately US\$20 million, of which 85% was exported (10). The EU imports about 80% of the organic exports.

Although the organics sector is at present mainly concentrated on the vegetables and fruit market there is growing interest in animal products. Organic milk production increased in 2003 and although numbers in the organic beef herd declined slightly in 2003, exports of organic beef increased from 50 tonnes to 270 tonnes, the majority going to the UK (11).

As regards high welfare standards in the broiler industry, there is currently only one company, Campos de Areco, that produces organic broiler chickens. At present this broiler range is not exported to the EU, but the sector views this as a product that can be generated relatively quickly and could be linked into the existing experience with organics in Argentina.

With Argentina's twenty years of experience in the organics market, coupled with a growth in the broiler industry during the last five years, there is potential for Argentina to supply welfare-friendly broilers to developed countries.

Case study: the broiler chicken industry in Thailand

Agricultural production employs around 60% of the labour force in Thailand and contributes about 13% of the country's GDP (4). In 2002, total food and drink exports were worth over 8.4 billion, about 15% of the country's exports. Although rice remains the largest agricultural export its importance has declined significantly over the last fifteen or so years. The poultry industry is now a very significant export earner, generating around 8% to 10% (€720 million in 2002) of food exports and 78% of all meat exports in 2002. Of total broiler output, around 30% to 40% is destined for the export market (3).

Commercial broiler production started in the 1970s and has increased considerably since, particularly over the past six years. There have been a number of driving factors for this, including increased export demand for chicken meat, where the demand has grown due to health concerns about the beef industry, namely, the effects of bovine spongiform encephalopathy and foot and mouth disease. However, poultry prices slumped in 1999 due to oversupply and

veterinary control measures in the EU that meant that products due for export were dumped on the domestic market. In an effort to counter this trend the added-value products are expected to be further developed.

The industry is regulated through the Department of Livestock Development (DLD) under the Bureau of Quality Control of Livestock Products and the Bureau of Livestock Standards and Certification. These bodies are responsible for quality control and the DLD has issued a number of standards, including for animal health, farm management and the environment. The tenet behind these standards is to guarantee hygiene standards and be in a position to offer an added-value range, as the industry is very export-focused, a trend that is increasing.

Although the export market is dominated by Asia, the EU is increasing its market share. It has grown from only 1% of Thailand's export markets in 1988 to nearly 30% in 2002 (12). In 2003 exports to the EU rose again by 18% from the 2002 figures. Today, Thailand has 41 approved processing plants for export into the EU; Germany, the Netherlands and the UK take the greatest volumes.

The major integrated suppliers are now segregating export production farms from domestic farms and have switched to source their live broiler production only from their own farms and reliable contracting farms. They have also been looking to separate poultry feed from other feed production and may switch to raising all broilers in-house as a safety procedure and to reduce production costs.

Some processors are able to satisfy specific requirements such as meat free of antibiotics, or birds fed with no animal protein. The integrated companies must comply with international standards such as Good Manufacturing Practice (GMP) and Hazard Analysis and Critical Control Point procedures (HACCP) as their output is primarily for export markets.

Potential for animal welfare as an added-value product in the export market

There is currently less emphasis on animal welfare than human health issues, although Thailand has also implemented a standard on farms from 1999 that included animal welfare indices.

However, there is a recognition that animal welfare could be an important quality characteristic for added-value products for the export market. Certain international retailers are already sourcing from Thailand on animal welfare grounds and all of the UK's largest retailers expect their foreign suppliers to adhere to the same quality assurance systems as UK suppliers. These systems include animal welfare standards.

A marketing strategy to export free-range chicken meat from Thailand to the EU and Japan, is being developed in conjunction between ministries and companies. This strategy recognises the potential for chemical-free meat in these markets and the different taste from free-range chicken. The DLD has found that free-range chicken gives tastier meat than industrially fed birds and there seems to be an intention to supply technical and financial support to get acceptance for these products in export markets. This strategy is also being driven by the competition the country is facing from Vietnam and Myanmar, both of which have lower labour costs and so could undercut Thailand.

The government is also promoting organic agriculture to limit the use of pesticides, fertilisers and medicines, and to ensure that Thailand can capitalise on the export potential of the organic food industry. The Ministry of Agriculture and Cooperatives has planned a programme to develop a variety of agricultural exports. Government support has led to the establishment of a National Research Institute of Organic Agriculture. Independent inspectors have been assigned and trained by the government to inspect and certify organic foods. National standards were introduced in 2001 and the Government has also provided free certification to organic farmers. Thailand is one of the few Asian countries to have formal national organic farming and food regulations.

However, although the broiler industry in Thailand has grown into a significant export earner, there is a threat to this position from the growing competitiveness of other countries as well as established low-cost producers in Brazil and the People's Republic of China. The broiler industry recognises this threat and is moving into free-range and organic poultry meat and premium cooked products. The growing importance of the EU market, with its stringent hygiene standards and animal welfare measures, could be an obstacle to its potential competitors and allow Thai exporters to evade the competition from other low-cost producers and allow it to capture premium standard broiler production. Thai broiler exporters have a strict control system in place and already meet standards such as HACCP and GMP as well as the animal welfare standards required by certain retailers. There is a recognition from government and industry that further market opportunities lie in an increased focus on value-added further processed products, including enhanced animal welfare standards.

Conclusions

Since the issue of animal welfare was raised by the EU under the WTO's agricultural negotiations there has been uncertainty about its applicability to developing countries

and in particular that it may prevent market access. The OIE has recently developed baseline animal welfare standards in the fields of sea and land transport, slaughter for disease control, and slaughter for human consumption. It is expected that this process will continue and that standards will be established for other areas such as livestock production.

It is timely to undertake a survey of the trade in welfare-assured products from developing countries into markets such as the EU. This study shows that at present there is minimal trade in such products. However, in all three countries where case studies were undertaken there is a recognition that added-value products, including those which meet high standards of animal welfare, can play an important and increasing role in gaining market access, particularly to markets such as the EU.

In Namibia the development of animal welfare standards already plays an important role in market access. The operation of the assurance scheme with its guaranteed traceability and animal welfare standards has given the Namibian beef industry product quality recognition. This has resulted in increased market leverage and a trade advantage over its competitors. The market in beef is also starting to cross over from the catering sector into the retail sector, adding another market for the product.

The broiler industry in Thailand has recognised that animal welfare could be an important characteristic of added-value products for the export market and a marketing strategy is being developed to counter the competition from neighbouring countries and to promote Thai broilers as an added-value product. The broiler export market in Argentina is growing, although at present there is no export trade in higher welfare broilers.

In both Argentina and Thailand, organic production is being promoted with government support in devising and promoting recognised national organic standards. Growth within the organic foods market is expected and will continue to allow many exporters in developing markets to access markets, provided they comply with the standards.

There should be potential for trade in welfare-assured products from developing countries, as exporters in all three countries are already complying with stricter hygiene, health and safety standards. Many of the multinational retailers, particularly in the UK and other European countries, already have established standards which include animal welfare. Certain international retailers are already sourcing on animal welfare grounds and expect their foreign suppliers to adhere to the same quality assurance systems as domestic suppliers. The rise in emphasis on organic production in Argentina and Thailand can bring benefits for animal welfare.

This study shows that there can be recognised benefits for developing countries from developing niche markets in higher welfare products, and the OIE process

in developing baseline standards for animal welfare will assist in the harmonisation and equivalency of standards in this area. ■

Bien-être animal et pays en développement : possibilités d'échanges commerciaux de produits répondant à des normes élevées en termes de bien-être en provenance de pays en développement

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Résumé

Le débat sur la capacité des pays en développement à mettre en place des échanges commerciaux sur des marchés spécialisés, tels que celui de produits répondant à des normes supérieures en termes de bien-être animal, a été intensifié par les actions de l'Organisation mondiale de la santé animale (OIE) visant à établir des normes acceptées sur le plan international en matière de bien-être animal. Le présent article examine les échanges commerciaux existants et potentiels de produits à valeur ajoutée répondant à des normes supérieures en termes de bien-être animal en s'appuyant sur des études de cas réalisées dans les secteurs de la viande de bœuf et de volaille dans trois pays d'Afrique, d'Asie et d'Amérique Latine. Il est indiqué que pour l'instant, le commerce est limité pour ces produits mais qu'il peut avoir des répercussions majeures au plan national. Concernant les exportations de bœuf en provenance de Namibie, l'existence du seul programme d'assurance en Afrique établissant des normes en matière d'hygiène, de soins vétérinaires et de bien-être animal a créé un produit éprouvé, sûr et sain et a fait de la Namibie le principal exportateur de bœuf d'Afrique à destination de l'Union européenne. En Thaïlande, le secteur des poulets de chair, qui a bénéficié d'une croissance annuelle au cours des 15 dernières années, met au point des produits à valeur ajoutée pour créer des marchés visant à contrer la concurrence d'autres pays. L'élaboration et l'application, ces dix dernières années, de normes pour des produits de l'agriculture biologique tant en Thaïlande qu'en Argentine ont également engendré un essor sur les marchés d'exportation de ces produits. La conclusion de l'article est qu'il existe un potentiel de croissance pour les secteurs sur les trois marchés qui peut être favorisé par l'élaboration de normes de référence de l'OIE.

Mots-clés

Assurance agricole – Bien-être animal – Bœuf – Organisation mondiale du commerce – Pays en développement – Poulet de chair. ■

Bienestar animal y países en desarrollo: posibilidades para el comercio de productos con un fuerte componente de bienestar animal procedentes de los países en desarrollo

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Resumen

La labor emprendida por la Organización Mundial de Sanidad Animal (OIE) para definir normas de bienestar animal internacionalmente aceptadas ha venido a alimentar el debate sobre las posibilidades de los países en desarrollo de intensificar el comercio en segmentos de mercado especializados, como el de productos obtenidos con criterios muy estrictos de bienestar animal. A través de ejemplos del sector bovino y avícola de tres países de África, Asia y América Latina, los autores examinan la situación actual y las posibilidades futuras del comercio en productos dotados de valor añadido por su elevado componente de bienestar animal. El análisis demuestra que, pese a sus reducidas dimensiones, el comercio actual de estos productos puede tener importantes repercusiones a escala nacional. En el caso de la exportación de carne vacuna de Namibia, por ejemplo, la existencia en África del único sistema de garantía que impone normas de higiene, atención veterinaria y bienestar animal ha dado lugar a un producto fiable, inocuo y saludable y permitido que Namibia llegue a ser el mayor exportador africano de carne vacuna a la Unión Europea. En Tailandia, la industria productora de pollos asaderos, que viene creciendo ininterrumpidamente desde hace 15 años, está elaborando productos dotados de valor añadido para desarrollar ciertos segmentos de mercado y contrarrestar así la competencia de otros países. En los últimos diez años, la elaboración y aplicación de normas relativas a los productos ecológicos en Tailandia y Argentina ha propiciado también el desarrollo de los mercados de exportación de ese tipo de productos. Los autores llegan a la conclusión de que hay posibilidades de crecimiento para los sectores de los tres mercados y de que esa prometedora vía puede verse potenciada por la elaboración de normas de referencia de la OIE.

Palabras clave

Bienestar animal – Carne vacuna – Garantía de producción – País en desarrollo – Pollo asadero – Organización Mundial del Comercio.



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