



## Globalization and livestock

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For some of the biggest players in the world's rapidly globalizing livestock sector, 2004 was a year to forget. BSE-related bans on North American beef contributed to a six percent slump in world beef trade, while avian influenza in Asia slowed growth in world poultry output to its lowest rate on record and led to an unprecedented drop of 50 percent in Thailand's poultry meat exports. Result: the first decline since the mid-1980s in the volume of meat traded internationally, and severe disruption of domestic and international food marketing chains.

Analysts in FAO's Livestock Policy Branch say the 2004 slump illustrates the risks that accompany livestock globalization. In a paper that goes before FAO's Committee on Agriculture this month, they point out that while globalization can increase national income, create employment and improve nutrition, it also "globalizes" potential threats to livelihoods, human health and the environment. To balance these impacts, the paper proposes a framework to help FAO member countries deal with globalization's unintended consequences. "Demands and complexities are likely to grow, not diminish," the paper cautions, calling for greater dialogue between the international community and national governments and between the public and private sectors.

**Market access.** FAO developed its proposed framework in response to calls from member countries for an assessment of the effects of livestock trade on national food security and for action to improve market access for the developing world's estimated 600 million small-scale livestock producers. The paper finds that meat production in developing countries, both for internal consumption and for export, has grown by 230 percent and milk production by 200% since the early 1980s. By 2030, FAO forecasts, the developing world will consume almost two-thirds of the global milk and meat supply, compared to just one-third 25 years ago.



As demand grows, the volume of livestock and livestock products entering international trade has risen from four percent in the early 1980s to about 13 percent of total consumption. In value terms, several developing countries - notably Brazil, China and Thailand - are among the top 20 exporters and importers of livestock products.

But sheer tonnage of chickens reared or pork shipped is only one aspect of globalization. It also entails massive flows of capital investment, information and technology, rapidly changing food preferences and "dietary convergence", the adoption of increasingly demanding international standards, and moves toward greater market integration and concentration of ownership. Within countries, the paper says, a key - but often overlooked - catalyst of globalization is large-scale investment by national and international food processors and retailers. For example, in the past 10 to 15 years, supermarkets have grown to account for more than half of food retailing in Argentina, Chile, Mexico, the Philippines and South Africa.

To analyse the ways in which globalization affects producers, processors, traders and consumers, the proposed framework identifies "five elements of market impact": benefits, standards, exclusion, risks and externalities. Among globalization's benefits, the paper says,

are greater flexibility for producers and traders, and greater diversity of livelihoods options. Consumers benefit from food safety standards when they buy from large retailers or when standards applied to exporters lead to better standards domestically. The presence of large retail chains can also reduce prices to consumers. In assessing the benefits of globalization, however, countries need to consider their sustainability as well as their total value, the number of people benefiting, and the distribution of benefits at different points in the marketing chain.

**Impact of standards.** Driven by the "zero-risk" preferences of importers, large retailers and middle class consumers, animal health and food safety regulations tend to be strict in international and large-scale domestic markets. To comply, an exporting country may need to establish national or zonal freedom-from-disease, control livestock movements, and guarantee biosecurity during production and processing. Additional technical requirements may be imposed by retailers, such as particular meat cuts or fat levels in milk. The framework proposes that governments consider cost-cutting measures, such as harmonizing certification processes, and examine alternative technologies for meeting standards. The standards themselves might also be formulated to allow separate development of export and domestic markets.

Producers who do become part of integrated marketing chains - for example, by becoming contract farmers - usually enjoy increased levels of technical assistance and higher prices. But they face greater risk if contracts are not met or the retailer fails. "Globalized markets are inherently riskier, since the entire market can close down with the outbreak of a disease or the discovery of a quality problem," the paper says. In order to manage such risks, governments need to understand the whole market chain and its institutional relationships, including contract provisions and enforcement, services, costs and sanctions. They should also consider factors that create or reduce risk at different points in the chain, such as national labour laws and insurance schemes.

Only some producers will meet standards set for accessing globalized markets - small producers often find it hard to obtain information on standards, let alone make the investments needed to meet them. The paper stresses that "globalized markets are exclusive, and safety and quality requirements can become non-tariff barriers, as expensive to overcome as tariffs themselves." Governments need to assess both the numbers of people excluded and the reasons for exclusion, and the level of investment (e.g. for training, credit schemes and technologies) needed to reduce exclusion levels. Policy measures may also be necessary to reward large firms that partner small ones, or to devise "exit strategies" for those unable to survive in the market.

**Negative externalities.** Excluded producers - and the wider community - may also be vulnerable to what the paper calls "negative externalities". For example, small-scale domestic suppliers may face stiff competition from off-cuts from export processing or from cheap imports. If a transboundary animal disease outbreak closes the international market, the domestic market may be flooded with unsold products. Intensified and interconnected markets also pose a number of threats to human health, ranging from internal parasites among people living near commercial livestock units to major diseases, such as Rift Valley fever and Bovine Spongiform Encephalopathy (BSE). "International markets," the paper says, "increase the potential scope of disease spread, while interconnected markets can increase the problems of disease surveillance and the risk of spread between chains."

Another concern in developing countries is "environmental externalities", mainly pollution of soil and water caused by waste from commercial livestock units. There is an urgent need for policy dialogue on the problem and planning interventions, such as moving large units away from towns and major water sources.