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GUIDANCE OF THE LIVESTOCK SECTOR – ISSUES AND OPTIONS

Table of Contents

	Pages
I. Introduction	1
II. Governance of the Livestock Sector	2
III. Conclusion and Way Forward	5
IV. Guidance Sought	6

I. Introduction

1. Recognizing the livestock sector as an increasingly important contributor to economic development and food security, the 36th Session of the FAO Conference, through Resolution 6/2009, modified COAG's mandate to address explicitly livestock. The Conference also recommended that FAO emphasize the linkages between livestock policies and institutions for poverty alleviation, animal health, biodiversity and the management of animal genetic resources, and climate change adaptation and mitigation.
2. Within FAO's new Strategic Framework 2010-2019, Strategic Objective B "*Increased sustainable livestock production*" envisages a livestock sector where growth and structural changes will be accompanied by effective oversight, improved intra- and inter-sectoral collaboration and careful guidance and governance so as to optimize the sector's contribution to support livelihoods, human nutrition and public health whilst protecting natural resources, in support of Millennium Development Goals (MDG) 1, 7 and 8. Strategic Objective B, Organizational Result B4 "*Policy and practice for guiding the livestock sector are based on timely and reliable information*" proposes as Primary Tool the assembling of information on a suggested COAG-led design and negotiation of a livestock sector relevant framework agreement. The FAO Council, at its 136th Session, "noted that the COAG Secretariat would provide background information for this discussion at the next session of COAG"¹. The present document provides the requested background information for discussion and prioritization within FAO's Medium Term Plan (MTP) 2010-13.
3. The recently launched *FAO State of Food and Agriculture 2009: Livestock in the balance* provides a comprehensive assessment of the current trends and anticipated developments of the livestock sector. Livestock products contain high-quality protein and essential micronutrients. Livestock contribute to farm incomes and employment opportunities along the entire value chain, including input markets, animal production, trading, processing and retailing. The sector provides an increasing share of global agricultural output (currently 43 percent in value terms), thereby contributing to human food security and nutrition, economic growth and income; it is growing vigorously in several developing countries. Demand for animal food products is projected to continue growing for several decades. This expansion will require substantial improvements in resource use efficiencies, accelerated technological change, market and infrastructure development and major efforts for the control of product quality and safety along the value chain.
4. Surging demand for livestock products, vertically integrated livestock value chains and technological change have led to major structural changes in livestock production. There is a growing dichotomy between (i) livestock kept by large numbers of smallholders and pastoralists, and (ii) large-scale commercial livestock production. While traditional livestock systems contribute to the livelihoods of 70 percent of the world's rural poor, increasing numbers of large-scale operations with sophisticated technology, mainly based on confined animals, externally-sourced feed and animal genetics, cater for the rapidly growing markets for meat, milk and eggs. Large-scale operators also fully benefit from efficiency gains through high level of inter-firm coordination. Midsize family farms risk to be squeezed out of expanding formal markets and smallholders and pastoralists are increasingly threatened by marginalization.
5. Livestock are the world's largest land users. Grazing land and crop land used for feed grain production cover 80 percent of agriculturally used land. Through land and other resource use, livestock are prominently linked to climate change. Therefore, the rapid sector expansion requires much improved resource use efficiencies based on substantially increased investments in research and development (R&D).

¹ CL 136/REP, para. 18.

6. As one third of the global cereal harvest is used as feed grain, the sector is also affected by grain price trends. Because of the growing price linkages between grain and energy commodities, increasingly volatile grain and energy prices may disrupt livestock farming and reduce profitability. As competition for land grows, costs of animal feed, water and energy are increasing. Rapid losses of animal genetic diversity are associated with the trend to larger scale production².

7. Structural and geographic shifts in the sector have increased the probability of the (re)-emergence and spread of animal, including zoonotic, diseases and food-borne contaminations which are closely linked to changes in production environments and to increased interactions between livestock and wildlife. There is also a growing concern worldwide about the ways farm animals are handled, transported and slaughtered.

II. Governance of the Livestock Sector

8. FAO works in close collaboration with other institutions and bodies, some of which have international regulatory mandates that directly or indirectly affect the livestock sector. This section briefly describes some of the most relevant international organizations and agreements. A dynamic interaction takes place between policies negotiated within the different global fora (e.g. between the World Trade Organization (WTO) and the Multilateral Environmental Agreements).

9. The WTO and the World Intellectual Property Organization (WIPO) facilitate the mobility of goods and services. The Convention on Biological Diversity (CBD), the United Nations Framework Convention on Climate Change (UNFCCC) and the United Nations Convention to Combat Desertification (UNCCD) support environmental sustainability goals while the UN Economic and Social Council (ECOSOC) and its Commission on Sustainable Development (CSD) support broader environmental and social development goals. The FAO/WHO Codex Alimentarius Commission (CAC) and the World Organisation for Animal Health (OIE) set standards for food safety and quality of animal products and for animal and veterinary public health, respectively. Finally, the International Labour Organization (ILO) promotes social justice and human and labour rights.

10. The WIPO³ promotes measures to facilitate the efficient protection of intellectual property and to harmonize national legislation in this field. The initiatives relevant to livestock are the harmonization of the patent system and the Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore.

11. The WTO⁴ promotes and regulates international trade and includes a number of legally binding agreements relevant to livestock. Its General Agreement on Tariffs and Trade and the Agreement on Agriculture establish trade requirements based on the principles of non discrimination, national treatment, transparency and free competition, within a framework of trade liberalization. They aim to foster market-oriented policies by facilitating market access, reducing trade restrictions and export subsidies. The Agreement on Sanitary and Phytosanitary Measures (SPS) aims to guide WTO members set health standards that are least trade-restrictive. National livestock measures that are not considered sanitary measures by the SPS may fall under the scope of the Agreement on Technical Barriers to Trade (TBT) which ensures that regulations, standards, testing and certification procedures do not create unnecessary obstacles to trade. Finally, the Agreement on Trade-Related Aspects of Intellectual Property Rights sets the minimum standards for the protection of intellectual property rights. It establishes basic principles which often refer to

² FAO (2007). *The State of the World's Animal Genetic Resources for Food and Agriculture*.

³ Established in 1967, <http://www.wipo.int/portal/index.html.en>

⁴ Established by the Uruguay Round negotiations, signed at the Marrakesh ministerial meeting in April 1994. http://www.wto.org/english/thewto_e/whatis_e/tif_e/fact2_e.htm

other international intellectual property agreements, including those administered by WIPO. Future process patents may have implications for commercial livestock breeders.

12. The SPS Agreement recognizes CAC, the International Plant Protection Convention (IPPC) and OIE as international standard-setting bodies whose standards are considered science based and not more trade restrictive than necessary. The CAC aims to protect the health of the consumers, ensure fair food trade practices, and promote coordination of work on food standards by international governmental and non-governmental organizations. The OIE is the intergovernmental organization (non-UN) responsible for setting standards in animal health. Harmonization of national food safety regulations around international standards, a guiding WTO principle pertaining also to TBT, has been slow. FAO and OIE have a long history of cooperation; the respective Inter-agency Agreement was updated in 2004⁵. According to this Agreement, OIE's primary responsibilities include the "establishment of standards, guidelines and recommendations relevant to animal diseases and zoonoses in accordance with its Statutes and as defined in the WTO-SPS Agreement". FAO's responsibilities in this field include the "establishment of guidelines and recommendations on good agricultural practices relevant to the management of animal diseases". FAO, OIE and WHO have embarked on an initiative to strengthen collaboration between animal, human, and ecosystem/environment health under the banner of a "One Health" agenda.

13. Several Multilateral Environmental Agreements (MEAs) need to be taken into consideration in relation to the environmental implications of livestock production:

- The CBD provides a legal framework for the conservation and sustainable use of all biological diversity. It requires impact assessment of projects likely to have significant adverse effects on biodiversity. *The Global Plan of Action for Animal Genetic Resources*⁶, endorsed by the FAO Conference through Resolution 12/2007, was welcomed by the CBD as the internationally agreed framework for the sustainable use, development and conservation of animal genetic resources for food and agriculture, and provisions for implementation and financing⁷.
- The UNFCCC sets an overall framework for intergovernmental efforts to tackle the challenges posed by climate change. It recognizes that the climate system is a shared resource that can be affected by emissions of greenhouse gas (GHG), including from livestock. The Kyoto Protocol is an international agreement linked to the UNFCCC that sets binding targets for the signatory industrialized countries for reducing GHG emissions.
- The non-legally binding UNCCD is also relevant to the livestock sector. It aims to combat desertification and to mitigate the effects of drought in countries experiencing serious drought and/or desertification, particularly in Africa, through effective action at all levels, including sustainable livestock production.
- The CSD, one of UN ECOSOC's functional commissions, is responsible for reviewing progress in the implementation of Agenda 21 and the Rio Declaration on Environment and Development.

14. As regards social and cultural rights, labour rights related to the livestock sector fall under the scope of the ILO which is dedicated to supporting work and livelihoods, job-related security and better living standards, by promoting rights at work and opportunities for decent employment. The UN ECOSOC was established under the United Nations Charter to coordinate economic, social, and related work of UN bodies. The work ongoing in the UN Permanent Forum for

⁵ http://www.oie.int/eng/OIE/accords/en_accord_fao_2004.htm

⁶ FAO (2007). *Global Plan of Action for Animal Genetic Resources and the Interlaken Declaration*. Rome.

⁷ UNEP/CBD/COP9/L.34, <http://www.cbd.int/decisions/cop9/?m=COP-09&id=11644&lg=0>

Indigenous Issues and the UN Declaration on the Rights of Indigenous Peoples⁸ are relevant to indigenous livestock keepers and pastoralists.

15. FAO's mandate includes raising levels of nutrition, improving efficiency of agricultural production and the lives of rural populations and contributing to the growth of the world economy. FAO shall promote and, where appropriate, recommend national and international action with respect to *inter alia (c) the conservation of natural resources and the adoption of improved methods of agricultural production*⁹. It is therefore within FAO's tasks to identify areas of common interest between livestock production and the conservation of natural resources, the improvement of rural livelihoods and the nutritional adequacy of human diets, in coordination with other international organizations that have mandates in relevant areas.

16. Private voluntary standards have become a more prevalent part of the control of global agrifood value chains over the past decades, progressively pervading both domestic business and international trade. Private standards are usually developed by the private sector, as well as by civil society organizations. The majority of private standards address food safety, but in addition to those, they provide businesses with a basis for product differentiation. They can refer to other aspects of intrinsic food quality, such as geographical provenance. They can also incorporate aspects pertaining to the ethical dimension of food processing, labour and social rights, fair return to producers, environmental impacts and animal welfare.

17. Compliance with private as with public standards can have profound impacts on the structure of value chains. To the extent that there are economies of scale in compliance, proliferation of standards and compliance are likely to induce processes of consolidation and concentration. The replies to a recent WTO survey on Private Standards and the SPS Agreement point to a disproportionate effect on smallholders but also opportunities as some small-scale producers managed to obtain certification by forming associations.

18. In response to the increasing public concern on implications of the livestock sector on human health, the environment and animal welfare, mainly in developed but increasingly also in developing countries, civil society fora have emerged to facilitate professional and public discussion of such issues. Civil society organizations have become important players in the promotion of healthy diets, environmental, animal welfare and social standards.

19. Responsible livestock sector development needs to address issues that support the MDGs 1, 7 and 8. This requires consideration and prioritization of many different policy options and trade-offs since the contribution of the livestock sector to pro-poor growth, public health and environmental sustainability varies with the stage of development of the country and also between locations within countries.

20. Innovation systems and policy options need to consider the multiple roles of livestock in the livelihoods and nutritional outcomes of the poor and the different capacities of smallholders to supply formal value chains. The health concerns associated with livestock products need to be balanced by an understanding of the nutritional benefits of livestock products. Policies should also facilitate the orderly transition of farmers out of the sector, which is an inevitable consequence of economic development. Market distortions and policy failures that lead to social inequity and environmental degradation need to be corrected, property rights clarified and mechanisms promoted for cooperation and institution building, and public and private payment schemes for environmental services supported.

⁸ <http://www.un.org/esa/socdev/unpfi/en/declaration.html>

⁹ FAO's Constitution, Article I.2.c., <http://www.fao.org/docrep/010/k1713e/k1713e01.htm#1>.

III. Conclusion and Way Forward

21. The livestock sector plays a crucial role in the provision of global public goods and services. There are opportunities to alleviate many of the risks associated with the expanding sector and to develop its full potential in ensuring benefits for the poor with a gender equality perspective, and to encourage a more responsible use of increasingly scarce inputs and natural resources. This will require dynamic generation and adoption of new technologies, products and services as well as networks and institutional development within an enabling policy and regulatory environment. The vigorous growth of the livestock sector, its importance for income generation, food security, human nutrition and health, and its impact on various public goods and services require careful attention by the international community.

22. The increasingly globalized and complex food supply chains cut across multiple regulatory jurisdictions, countries and actors. Current international public investments and governance that impact upon the livestock sector are characterized by the following shortcomings:

- The public sector disengagement from the livestock sector, both at national and international levels, has resulted in low funding for R&D and a lack of effective policies and regulatory frameworks to guide the sector. Equally, the significant externalities associated with livestock production and processing need to be adequately addressed and accounted for.
- At the international public level, there is no single organization dealing with all the global public goods aspects of the livestock sector in a comprehensive manner. Many organizations and agreements have specific mandates that impact on the livestock sector but do not adequately and routinely consider the trade offs between their decisions and regulations.

23. On the other hand, the many private standards developed by the private sector and NGOs that try to fill the gaps left by international standards and agreements are being criticized for their limited legitimacy and for the variable benefits to different stakeholders. The rise of private standards is viewed, particularly by developing countries, as a threat to market access and export opportunities.

24. Such a piecemeal public and private regulation of the livestock sector does not adequately serve the needs of sector governance highlighted in the MTP and requested by the 36th FAO Conference. Livestock production needs to contribute to a more complex set of outcomes than simply producing more food or other primary products; it has to reliably contribute to sustainable food security, including safeguarding public health and broader development objectives.

25. Increased sustainable livestock production is dependent on up-to-date, relevant, comprehensive and reliable, gender-sensitive information to underpin the rural development process and to ensure that it is supported by effective policies. To support such processes, FAO has set up a web-based “Gateway to governance in the livestock sector”¹⁰. By mandate, FAO is the only international organization that has the breadth of capacity and mandate to address the livestock sector guidance in all its complexity. FAO has thus a clear comparative advantage in assisting member countries on livestock sector policies which benefit the poor, the general public and the natural resources.

26. FAO has a unique role and mandate to act as an “honest broker”, facilitating the exchange of views, building consensus and advocating evidence-based solutions and approaches. In areas where an international governance gap was recognized, FAO members have successfully negotiated codes of conduct or voluntary guidelines. Cases are the International Code of Conduct on the Distribution and Use of Pesticides, the Code of Conduct on Responsible Fisheries or the Voluntary Guidelines on the Right to Food. These codes and guidelines provide responses to issues that are equally complex as those in the livestock sector. It is therefore proposed that

¹⁰ <http://www.fao.org/ag/governance-livestock.html>

COAG request FAO to provide information for the Committee to discuss such guidance and capacity building required for the livestock sector taking into account all technical, socio-economic and cultural aspects. In this process, FAO will work in partnerships with, *inter alia*, other UN agencies, the Consultative Group on International Agricultural Research (CGIAR), regional organizations, international financial institutions, civil society organizations, the private sector and research institutions.

IV. Guidance Sought

27. The Committee on Agriculture is invited to advise on the future direction of FAO's work in livestock sector policy guidance. In particular, COAG may wish to:

- Confirm that there is a need for comprehensive oversight, improved inter-sectoral collaboration and careful governance to address all issues relevant to the livestock sector and that FAO is the primary international organization with the capacity and mandate to manage in a comprehensive, transparent, and inclusive manner, the complex social, economic and environmental issues and trade-offs associated with the livestock sector, in synergy and harmony with relevant international agreements and instruments.
- Define the objectives of the livestock sector in delivering goods and services in support of food security and nutrition, livelihoods support and economic development, environmental sustainability and public health.
- Request the FAO to present at a future session of COAG areas and subjects that may require intergovernmental action.
- Confirm that there is a need for national governments, (sub)regional organizations and the international community to establish the research, technical, institutional, financial and policy guidance necessary for the sector to effectively, safely and equitably deliver on its objectives.

28. In support of this process, COAG may wish to advise on whether a process aiming at establishing a subsidiary body to COAG on livestock, intended to facilitate its work and support the multidisciplinary consideration of livestock related questions for submission to COAG, should be initiated. The process would be carried out in accordance with Rule VII, paragraph 1 and 2 of the Rules of Procedure of COAG¹¹ and take into account all pertinent considerations, including the administrative and financial implications of the establishment of a subsidiary body for decision at a future COAG session.

¹¹ Rule VII of Rule J of the Rules of Procedure of the Committee on Agriculture (COAG) establishes: “(...) *the Committee may, on an exceptional basis, establish subsidiary or ad hoc bodies where it considers that such action is conducive to facilitating its own work and will not adversely affect the multidisciplinary consideration of questions submitted to the Committee for examination. (...) Before taking a decision on the establishment of any subsidiary or ad hoc body, the Committee shall examine the administrative and financial implications of such a decision, in the light of a report to be submitted by the Director-General.*”