

April 2004

E



منظمة الأغذية  
والزراعة  
للأمم المتحدة

联合国  
粮食及  
农业组织

Food  
and  
Agriculture  
Organization  
of  
the  
United  
Nations

Organisation  
des  
Nations  
Unies  
pour  
l'alimentation  
et  
l'agriculture

Organización  
de las  
Naciones  
Unidas  
para la  
Agricultura  
y la  
Alimentación

## COMMITTEE ON COMMODITY PROBLEMS

### INTERGOVERNMENTAL GROUP ON MEAT AND DAIRY PRODUCTS Twentieth Session

Winnipeg, Canada, 17-20 June 2004

### A DEVELOPMENT STRATEGY FOR MEAT

## Table of Contents

	Paragraphs
I. INTRODUCTION	1 - 2
II. CHALLENGES FACING THE MEAT INDUSTRY	3 - 7
III. STRATEGIC APPROACHES	8 - 17
A. TRADE FACILITATION	8 - 11
B. ENHANCEMENT OF PRODUCT VALUE	12 - 15
C. REDUCTION OF PRODUCTION COSTS	16 - 17
IV. CONCLUSIONS	18 - 21

For reasons of economy, this document is produced in a limited number of copies. Delegates and observers are kindly requested to bring it to the meetings and to refrain from asking for additional copies, unless strictly indispensable.  
Most FAO meeting documents are available on Internet at [www.fao.org](http://www.fao.org)

## I. INTRODUCTION

1. The request for a strategy such as that put forward in this document has arisen from the pursuit of project finance from the Common Fund for Commodities (CFC). It is one of the requirements of the Fund that projects should be shown to be part of an overall development strategy for the commodity as a whole. At the same time, the formulation of a strategy is likely to serve a broader purpose for the group by indicating priorities and guiding members in their consideration of development measures.
2. In preparing this document the Secretariat has taken cognizance of the fact that meat is but one output from a diversity of livestock production activities. The document has thus drawn on work of the Group and of FAO together with that of other authorities in this wide field. In particular, reference has been made to papers prepared jointly by FAO and UNCTAD and on records of subsequent consultations for Preparatory Meetings on Meat in the Integrated Programme for Commodities<sup>1</sup>. Finally, CFC's desiderata have been taken into account<sup>2</sup>.

## II. CHALLENGES FACING THE MEAT INDUSTRY

3. Demand for meat is likely to grow strongly in coming decades. Growth in per caput incomes, especially in the developing countries of Asia, will expand the market and widen the demand for the more convenient meats and meat products. Income growth will be amplified by that of population, again mainly in developing countries. Globally, meat consumption has been projected to grow at an annual rate of 2.4 percent to the year 2000 and that in developing countries at 4.2 percent. These growth rates are slightly below those achieved in the 1980s. However, by 1988-90 the level of annual per caput consumption in the developing countries was still only 16 kg compared with 77 kg in the developed countries. Consumption in the developing countries has been projected to rise to 21 kg per caput by 2000 and to 25 kg per caput by 2010. Simultaneously urban living will become more important and sophisticated making it less and less practical, or environmentally acceptable, for livestock to be fed and slaughtered in urban areas and so close to consumers. Thus, the meat industry, and the livestock industry on which it depends, are challenged to expand and develop to respond to the market, nutritional and environmental requirements of the 21st century.
4. These challenges to the meat industry raise major problems especially in the mobilization of supplies from areas distant from consumers to be achieved by facilitating trade. The scope for the expansion of trade may be seen in the existence of producing areas where prices are below those in consuming areas by more than the cost of efficient movement of livestock or meat between the two. The effects of reducing obstacles to trade would tend to increase prices and production in surplus areas, and, in deficit areas, expand consumption. However, some existing price differences between countries reflect the intended effects of price policies, mainly in the developed countries, and have been addressed by the Uruguay Round Agreement on Agriculture (CCP:ME 94/4). The other important obstacles to trade, both domestic and international, include:

---

<sup>1</sup> In particular, UNCTAD documents: TD/B/IPC/MEAT/6, 8, 10 and 11.

<sup>2</sup> Common Fund for Commodities, *Manual for the Preparation and Management of Projects to be financed through the Second Account*, 1993.

- a) Constraints on the movement of livestock and livestock products such as sanitary hazard controls and differences in product specifications.
- b) Under-provision of facilities for trade, such as transport inefficiencies including those in the provision of stock routes, sanitary control services, the lack of suitably arranged market places with weighing scales, and inefficiencies in distribution chains for meat and meat products.
- c) Deficient information on markets other than the nearest one, including the lack of information on prices being paid in other markets for livestock and meat of specific descriptions.

5. Another response to the challenges will be to **obtain more value from the livestock slaughtered** through development of the industry's slaughter and meat processing operations. In many places, there appears to be considerable scope for increasing efficiency in the conversion of slaughter stock into sales of meat and by products and for reducing waste of these slaughter products. The value of the meat industry's output could also be considerably increased by expansion in the use of meat preservation and processed product technologies. The result should be growth in the market value, dietary benefits and environmental acceptability of the industry's output.

6. In addition to the foregoing responses, there is considerable scope for increasing efficiency in livestock production and **reducing the cost of meat**. In many areas levels of output of meat, milk, draught power and other animal products appear to be low relative to the size of their livestock populations and their feed production resources. Interrelationships between the several outputs of livestock production and between outputs and inputs are especially relevant to cattle and buffaloes where meat is often a by-product of their prime role in providing milk or draught power. These livestock may also be in competition for resources with other activities in mixed farming systems. Under these conditions, which are quite widespread, the scale of meat production from bovines is largely dependent on their overall contribution to the farming system and especially on the value of their prime product. Thus, development of a milk industry, for example, can be an effective route to the expansion of meat supplies.

7. In summary, response to the challenges facing the meat industry will focus on: reduction in the obstacles to domestic and international trade in livestock and meat; obtaining more value from slaughter stock and reduction of livestock industry meat production costs.

### III. STRATEGIC APPROACHES

#### A. TRADE FACILITATION

8. A major component of the strategy will be action to strengthen links between consumers' interests in buying meat and the price incentives experienced by its producers. In part this would mean reducing the obstacles, including regulatory hurdles and costly inefficiencies, that distance surplus from deficit markets.

9. The Group has in the past noted the barriers to international trade. The document on the Uruguay Round Final Act (CCP: ME 94/4) in **noting provisions for** reduction in the barriers to international trade arising from sanitary controls (SPS measures) also notes the major task that many countries will face in complying with the requirements of importers. Thus, increased delivery of veterinary and other sanitary services will not only

form part of strategies for increasing the productivity of livestock but will also contribute to the reduction of trade barriers. An example would be the creation of Foot-and-Mouth Disease free areas.

10. Sales out of some areas are often constrained by deficiencies in stock routes. Improvement in facilities for livestock movement could greatly reduce its cost, particularly in regard to losses in weight and wellbeing of livestock in transit, and thus expand the numbers moving both within and between countries. Development of trade in livestock would also benefit from the provision of appropriately placed markets, especially those with facilities for weighing and auctioning livestock. Well sited and well used, these could also provide price information of value to both producers and traders. In fact, the collection and dissemination of these data is itself an important element of the development strategy. Such market information would be further enhanced by the development and use of standard methods for describing the different qualities of livestock, meat and meat products to which the prices refer. Such descriptive schemes have been shown to be effective in enabling producers to adjust the characteristics of their output to the pattern of demand in some countries.

11. The assembly and movement of livestock from surplus to deficit areas has often led to the establishment of fully fledged and fully competitive meat industries in livestock surplus areas. Such a transition from moving livestock to moving meat may be assisted through: the introduction of preservation techniques and products that can be transported and distributed to distant markets without refrigeration; and the development, at the appropriate time, of efficient and hygienic "cold chain" distribution arrangements.

## **B. ENHANCEMENT OF PRODUCT VALUE**

12. Meat industries tend to develop by making increasingly sophisticated uses of more and more of the products of livestock slaughter. A major thrust of the strategy is to assist in this development through enhancing the value of every part of the animal slaughtered. For the most valuable part, the meat, there are usually possibilities for value enhancement through sorting according to optimum usage. Some parts, most notably the fillet, usually go straight to consumption, others may be most profitably processed into products, such as sausages. Furthermore, value may be enhanced by reducing the risks of dissatisfaction with the product through the institution of quality assurance programmes and identification marks. Other slaughter products, such as organs, intestines and blood, may also be turned into protein additions to the diet. Similarly, the value of the hide or skin may be enhanced by improved handling especially at its removal from the carcass. Indeed, hides and skins, being the most valuable slaughter by-product, have a development strategy of their own (CCP:ME/HS 94/8).

13. Even where all of the slaughter products end up as products instead of highly polluting waste, the meat industry can still be a burden on the environment. In this too, development measures can further reduce the industry's negative impact through its relocation away from urban areas and the improved treatment of wastes.

14. In some countries special arrangements may be required to deal with recurrent and acute peaks in the numbers of stock for slaughter. Such gluts are often associated with drought and other failures of livestock feed supplies or with outbreaks of disease. Adoption of measures to make better use of stock offered in "distress sales" and to avoid a collapse in prices would also reduce the risks of livestock production and encourage its development.

15. Action in all of these areas would tend to enhance meat industry earnings, add to employment and to the receipts of livestock producers. In addition, it could make more local products competitive with imports and increase the value and diversity of exports.

### C. REDUCTION OF PRODUCTION COSTS

16. The dependence of the meat industry on supplies of livestock makes its development largely dependent on that of the livestock industry, feed supplies included. Changes in the following aspects of livestock production are of key importance in reducing the cost of the meat industry's primary raw material:

- d) *Increases in the value of livestock producers' other outputs:* changes on the milk side, for example, could raise the overall profitability and scale of livestock production in an area thereby affecting the supply of cull cows and of calves for beef production.
- e) *Reduction in the cost of livestock feed:* the supply of pig and poultry meat would, for example, be particularly sensitive to the price of feed grain. For ruminants a major task is to reduce the cost of feed by making pastures more productive, by introducing techniques to counter seasonality of feed supplies and by extension of accessible grazing, as through provision of water for livestock. Conversely, damage to feed resources, with desertification in extreme cases, can substantially reduce feed supplies, raise costs and curtail the industry's production capacity.
- f) *Increased efficiency in the conversion of feed into livestock products, such as through:*
  - breeding to obtain a closer match between specific production conditions and the genetic potential of the livestock being used;
  - improvement in management regimes and reduction in the levels of risk which have to be taken into account; in meat production from ruminants there is considerable scope for raising the rate of output from the animal population, often referred to as the rate of "off take";
  - reduction of the prevalence of disease, pests and parasites.

17. The meat industry's interest in these matters is broader than their direct effect on the cost of livestock supplied. Eradication of Foot-and-Mouth Disease, for example, not only raises animal performance and reduces costs but can also remove a barrier to exporting meat to leading and remunerative markets. Another example would be the establishment of schemes of sustainable production that would also address consumers' concern for the environment. However, this would require initial funding with a pay-off in the longer term.

## IV. CONCLUSIONS

18. The strategic concerns outlined in the foregoing sections have covered: mobilization of resources for meat production, especially through action to facilitate trade; enhancement of the value added by the industry; and reduction in the cost of raw materials supplied by livestock producers. Thus, in some circumstances, meat industry development may depend on increasing the attractiveness of milk production, elsewhere on controlling a specific disease or reducing damage to its resource base, or on making its

products more attractive to consumers. In many cases there are likely to be sufficient similarities between the problems faced by a number of countries for a project to be of widespread benefit.

19. By promoting action on specific problems relevant to the broad strategic concerns outlined in this document, the Group should be able to make notable contributions to raising the performance of the meat industry to the benefit of both consumers and producers. Such action would be all the more effective by being related to ongoing developments in the agri-food sector. In addition, projects to be sponsored by the Group as the Common Fund for Commodities ICB for meat could also focus on many of the strategically important areas outlined in this document.

20. In proposing projects, the ICB on Meat would, however, have to recognize that the Fund does not favour: "projects likely to produce benefits mainly to richer countries or to large estates and corporations; projects sited in countries which are not Members of the Fund; projects in which institution building is the main objective; projects whose products will have an adverse effect on the environment; projects, which in order to meet their objectives, make excessive use of international travel and meetings or which entail disproportionate overhead or administrative costs; projects in which the immediate objectives are general training and extension to improve the individual skills.

21. The above note on the objectives and development strategy for meat has been prepared taking into account the major issues facing meat and livestock industries. It focuses especially on problems of the least developed countries, a priority area for the Fund's operations. The Fund's views on the type of projects it will not finance have also been recognized. Thus, while the note does not cover all the measures that would advance the industry's development it does encompass many of those needed to achieve the key objectives identified in Section I.