International trade and marketing of animal commodities and products.

Introduction

INTERNATIONAL TRADE AND MARKETING OF ANIMAL COMMODITIES AND PRODUCTS

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PREAMBLE

Although most commodities and products of animal origin are sold within the country of production, i.e. to local markets, this module does not consider such trade because it varies between countries and is governed by the abundance of animal resources, national law and regulation as well as established trade practices. International trade in these commodities and products, on the other hand, is determined to a large degree by international standards and conventions. Therefore, understanding these standards and conventions and their interactions is integral to success in international and regional trade. The latter is a major objective of many countries and livestock-based industries in southern Africa even though success in this respect is currently limited for reasons that are outlined below.

Trade is commonly defined as the voluntary exchange of goods or services; in the modern world these are usually exchanged for money. For the purposes of the following discussion it is accepted that ‘trade’ involves both buying and selling activities but the focus is on the needs of producers and distributors (usually companies). ‘Marketing’ involves finding buyers for a given quality and quantity of product on the most advantageous terms for the seller and therefore focuses on understanding the needs of the buyer. International buyers are commonly traders or retailers that reflect or presume the requirements of the consumers they serve. In the case of international trade, producers and buyers are usually located in different countries although the advent of integrated multinational agribusinesses and supermarkets complicates this situation.

With industrialization and commercialization of agriculture, productive efficiency became vital, but equally important for sustainability of production was the marketing of commodities and products so that buyers could be offered products which suited their needs and/or desires for a price they were able or willing to pay.

Producers, whether aiming at local or international markets need to decide on (1) what to produce, (2) how to produce it, (3) how much to produce and (4) how to distribute production so that they will be able to realize a profitable return. For producers of agricultural products this is often a more complicated issue that for other industries because production cycles commonly last more than a season.
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For exporters to be successful they need to identify potentially profitable markets bearing in mind their cost-structure and, if possible, acquire a ‘competitive advantage’ over other suppliers to that target market. This, however, is influenced by factors over which producers (and buyers) have limited or no influence such as tariffs, exchange rates and peculiarities of particular markets that influence access to them (e.g. various protectionist practices adopted by importing countries or powerful industries). Regulatory standards recommended by international bodies and enforced by national governments (including ratcheting-up, i.e. imposition of requirements higher than those defined by international standards) are a further crucial issue. These so-called non-tariff/sanitary barriers are particularly influential when it comes to trade in animals and products derived from animals.

The World Organisation for Animal Health (OIE) includes ‘live animals, products of animal origin, animal genetic material, biological products and pathological material’ as commodities (see glossary of the Terrestrial Animal Health Code (TAHC). However, this definition differs from that commonly employed by the commercial sector that distinguishes between commodities and products. WikiAnswers – www.answers.com – illustrates this difference using an example: ‘if you have a ton of wheat, you have a commodity; if you grind the flour and make bread out of it, you have turned it into a product’. So beef is a commodity while sausages and meat pies are products. Increasingly, international trade is in animal products rather than commodities such as live animals and unprocessed beef. However, there are major regional differences in this respect. The important point is that in the animal health context ‘commodity’ is an all-encompassing concept which differs from that generally applied in the commercial environment.

This module does not address trade and marketing of live animals (although live animals are considered as commodities by the OIE) because this is a specialized subject, distinct from trade in products such as meat, milk and fibers derived from animals, including products resulting from further processing. An enormous variety of animals other than farm animals and pets are traded internationally, i.e. almost any species one can think of, with exotic non-mammalian species being particularly popular. Trade in live animals needs to comply with standards for animal welfare (for which the OIE has recently begun to be provide standards), considerations associated with endangered species (CITES\(^1\)) as well as animal health for which the OIE provides detailed standards in its codes for terrestrial and aquatic animals (see below).

Meat, milk and products derived from them present two special complications additional to those of other commonly traded commodities and products: (1) most are highly perishable and (2) the risks associated with such trade are not confined to the private domain. The risks to the ‘public good’ are of two major types that to some extent overlap, viz. threats to human health where the imported commodity/product is destined for inclusion in human foodstuffs (i.e. food safety issues) and threats to animal populations in cases where the commodity could potentially disseminate infectious agents or other substances that may have serious consequences for animals and therefore indirectly on rural economies.

\(^{1}\) CITES – Convention on international trade in endangered species of wild fauna and flora (www.cites.org)
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It is undeniable that in the recent past some hysteria and consequently unrealistic demands in respect of human food safety and trade have been imposed as a complication of public concern over threats posed by zoonoses that potentially affect the health of large numbers of people. The BSE [bovine spongiform encephalopathy] or mad cow disease saga in the UK and Europe in the 1980-90s, major foot and mouth disease (FMD) outbreaks in the UK in 2001 and 2007, highly pathogenic avian influenza (HPAI – H5N1) that arose in northern China and from 2003 spread to other parts of Asia, the Middle East, Europe and Africa, all fanned this concern. Furthermore, food safety accidents are an on-going problem throughout the world; food poisoning is common in all countries, especially those where public health standards are not enforced. The WHO estimates that food- and water-borne diarrhoeal diseases together kill about 2.2 million people annually, 1.9 million of them children (www.who.int/foodsafety/en/). As a result, all responsible governments are increasingly concerned with monitoring and securing control of foodstuffs, including livestock commodity/product imports that pose potential health risks.

Non-tariff measures aimed at preventing the entry of infections such as those outlined above have also sometimes been used to exclude imports in order to protect domestic agricultural industries from competition. Minimizing this practice is one of the objectives of the UN’s World Trade Organisation (WTO) which tries to ensure that trade is as ‘free’ as possible. This is a particularly serious issue for the sub-Saharan African Region because many transboundary animal diseases (TADs); a larger number are endemic to sub-Saharan Africa than in any other region of the world. Countries in sub-Saharan Africa therefore have greater difficulty in overcoming non-tariff barriers and thereby accessing international and even regional markets for animal commodities than other developing regions of the world, i.e. even where import tariffs are not a constraining factor.

It is widely recognized that Africa and sub-Saharan Africa in particular have the highest rates of poverty in the world. Africa’s share of the global economy is only 3-4% while 15% of the world’s population is African. Unless the poverty issue is addressed effectively the continent’s people will continue to be denied the material benefits of modern life. The importance of ‘trade not aid’ in promoting economic progress is reflected in the articles of the Millennium Development Goals which were adopted by the UN in 2000 with projection to 2015 (www.undp.org/mdg/goal8/shtml). There is much room for improvement in Africa’s trade performance; exemplified by the fact that Africa is involved in only about 2% of international trade in all commodities and products. Furthermore, despite the fact that much of sub-Saharan Africa’s population is rural and involved in livestock farming, African contribution to international trade in animal commodities and products is only about 2.5%.

There are two major contributors to this situation in the livestock sector: (1) uncompetitive production and (2) difficulties in accessing high value markets for animal commodities and products. This module is aimed at providing explanations for this situation but more particularly at identifying ways in which this poor performance could be improved.
MODULE CONTENT

This module outlines and attempts to contextualize issues related to international trade in commodities and products derived from animals as well as presenting ways by which current threats and opportunities – with an emphasis on southern Africa – could be better managed. It is divided into the following topics:

General issues associated with international trade

- Overview of international agricultural trade and marketing
- Economic issues associated with international trade
- Understanding markets and market opportunities
- Livestock product supply chains, marketing channels and the issue of competitiveness

Standards and norms associated with international trade in animal commodities & products

- International standard setting bodies and the relationship between public and private standards
- Identification, measurement and management of risk associated with trade in animal commodities and products
- Methodologies for assuring the biological safety of animal production (value) chains
- Challenges for developing countries in meeting sanitary and phyto-sanitary (SPS) standards
- Special issues related to trade in wildlife and products derived from wildlife

Assuring the biological safety of animal production (value) chains

- Traceability requirements for foodstuffs derived from animals
- Integration of food safety and animal disease risk management
- Auditing and certification in support of trade in commodities and products derived from animals.
SCOPE, SOURCES AND FURTHER READING

In a module such as this it is impossible to cover all aspects of international trade and marketing of animal commodities and products because some are highly specialised and cover fields that few people involved in the regulatory aspects of this trade have significant knowledge. Nevertheless, regulatory issues cannot be considered in isolation because they interact with and are influenced by factors such as macro-economic principles, global economic trends and other activities necessary for rural development. For that reason it is expected of students to have at least a basic understanding of international trading practices, macro-economics and major factors that influence international competitiveness.

It is advised that students be able to access the following resources:

Websites

- World Organisation for Animal Health (OIE)
- Terrestrial Animal Health Code (TAHC)
- The World Health Organization (WHO)
- Food and Agriculture Organization of the United Nations (FAO)
- Codex Alimentarius

DVDs


Books


Papers

- Ferguson, K. and J. Hanks, (eds), 2010: Fencing Impacts: A Review of the Environmental, Social and Economic Impacts of Game and Veterinary Fencing in Africa with Particular Reference to the
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Great Limpopo and Kavango-Zambezi Transfrontier Conservation Areas. Mammal Research Institute, University of Pretoria, Pretoria, South Africa.


- Thomson, G.R., Leyland, T.J. & Donaldson, A.I. (2009). De-boned beef – An example of a commodity for which specific standards could be developed to ensure an appropriate level of protection for international trade. Transboundary & Emerging Diseases, 56, 9-17.


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