

***PROJECT REPORT***

**SUPPORT FOR DEVELOPING COUNTRY ACCESS TO  
LIVESTOCK MARKETS**

**Contract number CNTR 06 7512**

**Project objectives**

- To test and strengthen the case for developing science-based and internationally recognized food processing standards for livestock diseases
- To present the case for new international standards in an easily digestible format to a range of policy makers at national (particularly developing country) and international (particularly ISSBs and WTO) levels
- To make practical recommendations on how to formulate internationally recognized standards and mechanisms that assure they are being met by exporters

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## **1. Summary**

The commodity-based approach to trade in animal products or products which contain substances derived from animals (such as ready-to-eat meals), provides an alternative way of dealing with a fundamental problem that confronts international trade in animal products: How to ensure that such products will not provide a vehicle for spreading dangerous animal diseases, often referred to as transboundary animal diseases or TADs.

When food products are traded internationally there are a range of agreed global standards that govern their production, processing and testing to ensure they are safe to consume. These global standards govern the safety of the food in terms of human health exclusively. There are no equivalent food product standards to control safety of products designed for human consumption in terms of animal health – that is with respect to the transmission of TADs. This paper poses the question: how can we further protect against transmission of TADs by strengthening international standards for livestock products?

This study therefore investigates ways in which both human food safety and minimization of risk of animal disease spread can be met. Such a change in approach would not only provide a more rational approach to trade in commodities derived from livestock but would also open up international markets to disadvantaged livestock farmers in the developing world by enabling greater market access to international markets for livestock commodities. This can potentially be achieved without increasing the risk of importing countries in the developed world acquiring TADs through such trade.

## **2. Achievement of project objectives**

The consultant considers that satisfactory progress was made in respect of fulfillment of the project objectives. This has been achieved through further development of the concept of 'commodity-based trade' and issues related to its possible incorporation into international standards based on wide-ranging consultation around the ideas initially outlined in two "view-point" articles published in the *Veterinary Record* (Thomson *et al.*, 2004; Thomson *et al.*, 2006).

Concrete outputs comprised the following:

- A document was prepared dealing specifically with international trade in de-boned beef and products derived from de-boned beef to provide practical illustration as to how 'commodity-based trade' (CBT) could be made a reality for a particular and widely traded commodity. This document, prepared in collaboration with 3 other consultants, was submitted by DEFRA and DFID to the OIE in February 2007 for consideration as both a specific proposal on de-boned beef and, in a more general sense, as an example which could be followed for other frequently traded commodities derived from animals.
- To explain the concept of CBT to non-specialist decision-makers, a DVD was prepared in collaboration with a production company and

communications specialists. This production used the example of beef production, specifically in the context of Botswana, to illustrate how international regulations make it difficult and expensive for developing countries and their producers to comply with standards for animal disease control based on geographic freedom from transboundary animal diseases (TADs). The DVD makes the case for international standards to espouse the concept of CBT in developing more appropriate standards for trade in commodities derived from animals which would have the effect of enabling wider access to high-value markets without increasing the hazard of spreading TADs.

- A booklet in A5 format was designed in association with publication and design specialists to support the DVD described above. The intention is to provide a hard-copy back-up to the DVD incorporating a wider perspective.
- This project report with conclusions and recommendations emanating from this study.

To date, the 6<sup>th</sup> deliverable, viz. presentation of results to relevant gatherings within WTO, OIE, *Codex Alimentarius* and the EU, has not been possible but a presentation on the issue was made to selected individuals of USAID at their Washinton office on 17 May 2007. It is envisaged that further opportunities in this respect may be possible in future but not within the time-frame of this contract.

### **3. Issues addressed and progress achieved**

#### **3.1 Introduction**

The reasons and reasoning behind the launching of this project are outlined in the terms of reference (ToRs – see Appendix A)

Essentially the UK Government is committed to an equitable international trading system, i.e. one that favours poverty reduction for the world's poor. Ensuring trade works for the poor is also central to DFID's long term strategy on trade. In 2004 DFID collaborated on the Department of Trade and Investment's (DTI) White Paper, to set out a vision of the world trading system which is "fair as well as free". The 2004 DTI Paper builds from the theme that globalisation represents an opportunity for developed countries to increase productivity, growth and jobs and also an opportunity to integrate developing countries into the global economy on a fair basis ("lifting millions out of poverty"). DFID currently shares a Public Service Agreement Target with DTI to 'ensure that the EU secures significant reductions in EU and world trade barriers by 2008 leading to improved opportunities for developing countries and a more competitive Europe'.

This report deals with standards related to trade in animals commodities destined for human consumption. The purpose is to assist developing countries to access international markets for livestock commodities in line with the World Trade Organisation's Agreement on Sanitary and Phytosanitary Measures (WTO SPS

Agreement) by building a case for further development of science-based international standards and recommendations. This is important because many regions of the world where livestock are the mainstay of rural economic activity are excluded from international trade because some trade-influencing animal diseases are prevalent in those tropical and sub-tropical regions.

An important issue is whether the present basic approach requiring proof that the area of production is free of important animal diseases for safe trade in animal commodities to take place or whether, for some particular commodities, international standards can be set which will ensure safe trade even though one or more TADs are endemic to the region concerned. Importantly, there is no suggestion that the commodities concerned should or could be derived from diseased animals.

Initial work has already been carried out in this area but a need was identified to pull together various pieces of evidence and further develop basic concepts to make a strong practical case justifying more flexibility in standard-setting processes and certification systems for trade in commodities derived from animals without concomitantly increasing the risk of pathogen dissemination.

The international standard-setting body (ISSB) mandated by the WTO to set standards in the area of animal health is the World Organisation for Animal Health (OIE). The OIE was established in 1924 to protect Europe from exotic diseases that, up to that point, had regularly devastated Europe's livestock populations. The OIE, which now has 169 member countries worldwide, places strong emphasis on establishing standards for international trade (for which it has a mandate in respect of animal diseases from the World Trade Organisation). OIE standards are contained in two 'Codes', one for aquatic animals and the other for terrestrial animals. The latter is known as the 'Terrestrial Animal Health Code' (Code). The OIE has played a commendable role in the international management of major animal diseases.

International human-food safety standards, on the other hand, are defined by the *Codex Alimentarius* (Codex) which is a product of the Codex Alimentarius Commission. Codex only deals with human health issues, extending to zoonotic diseases (i.e. diseases transmitted from animals to people) as necessary. Codex has been a key global advocate of Hazard Analysis Critical Control Points (HACCP) approach. This is a food safety methodology that relies on the identification of Critical Control Points (CCP's) in food production and preparation processes.

Any international trade in commodities derived from animals or containing animal tissues therefore needs to meet two sets of standards; those of Codex for food safety and OIE for prevention of animal disease spread through trade in animals and animal products. An important point to consider is that a number of important animal diseases that have no effect on people can be transmitted passively by human foodstuffs.

Codex sets commodity standards for ensuring safety of foodstuffs destined for human consumption on a commodity specific basis. Conversely, the OIE standards are mainly directed at ensuring that the regions of production of traded commodities are free from pathogens which cause dangerous animal diseases. There is consequently a dichotomy as well as a gap in the international standard-setting process because there are few standards for specific commodities designed to ensure that they are safe as far as spread of animal disease is concerned (for example, that processed meat products do not contain the virus that causes foot and mouth disease). This gap needs to be brought to the attention of the WTO's SPS Committee, ideally together with a practical solution.

It is important to appreciate that many high-value products derived from animals or containing animal tissues are produced and packaged using complex industrial processes. Many of these processes would ensure that if a dangerous animal pathogen (the pathogens are usually viruses) were inadvertently present it would not survive. However, this can only be effectively managed if appropriate standards are available.

As with any standard, food processing standards are only useful if there is assurance that the standard has been met. Trust, transparency and competence are vital in this respect. Currently there is a serious problem with developing country certification resulting in a serious credibility gap. It is arguable that third-party involvement in the certification process would be helpful in addressing this credibility gap and so improve access to high-value markets for developing countries. The livestock sector has a particular problem in that the OIE – in line with procedures recommended by the WTO – only recognises the competent veterinary authority (i.e. the official veterinary service of the country) as the certifying body. Third party certificates are therefore rarely used in this sector.

This project has endeavoured to identify a way forward for gaining recognition of the potential for commodity-specific standards and certification processes as a means of improving market access for developing countries, least developed countries in particular, without concomitantly increasing the risk of spreading dangerous animal diseases through international trade.

### 3.2 The concept of commodity-based trade

The commodity-based trade (CBT) concept is not new: It has been applied for many decades in a few specific instances (for example, the trade in canned meat products and hides and skins) but, on the other hand, is only starting to become recognized as a more general basis for ensuring that a wider range of traded animal commodities can be produced such that they pose no more than 'appropriate risk' as defined in Article 5 of the WTO's SPS Agreement.

The concept promotes the use of an array of alternatives, used, individually or in combination, to ensure that production and processing of a particular commodity is managed so that hazards for disease transmission are effectively negated. This could, for example, include use of disease-free zones, compartments and/or

commodity processing, i.e. any combination of appropriate measures to manage the disease hazards potentially associated with a specific commodity. Processing, i.e. the beneficiation of animal products, has particular potential in this regard because many processing methods ensure that human and animal disease-causing agents potentially present in the raw material will not survive the process if it is correctly applied.

This is not intended to imply that products obtained from diseased animals could be turned into acceptably safe food for people: quite the contrary! There is no suggestion that internationally established standards for human food safety (see below) would be applied any differently than at present which means that all animals from which products are derived would need to be healthy and in good physical condition at the time of harvesting. Thus no diseased animal, whatever the cause, should ever enter the food chain. What it does imply, on the other hand, is that the geographic region in which the animals were raised would not necessarily have to be internationally recognized as free from particular disease-causing agents (microbes) in order for specific products derived from those animals to be safe in respect of both human and animal diseases.

Conformation with commodity standards is the norm for all traded commodities other than agricultural products. The present basis for acceptably safe trade in commodities derived from animals relies on the exporting country being able to prove that its territory or, alternatively, the region (zone) of production is free from trade-influencing transboundary animal diseases (TADs). Recently, compartmentalization as an additional approach has been adopted by the OIE (Scott *et al.*, 2007). It is assumed that if a country, zone or compartment is free from specific TADs, commodities derived from those entities will likewise be free from infectious agents that cause those diseases.

This assumption, although logical, does not always hold true. For example, the foot and mouth disease (FMD) outbreak that afflicted the UK in 2001 spread to Ireland, France and The Netherlands from the UK before the UK's official veterinary service was aware of arrival of the Pan-Asian type O virus in its territory. Thus even in the most developed countries TADs may remain unrecognized for an appreciable period, i.e. before bans on export of livestock commodities are imposed. This presents obvious potential risks to trading partners. It therefore makes sense to ensure that traded commodities, whatever their origin, are inherently safe to trade.

The problem of identifying precisely where specific infections do or do not occur in a geographic context is being exacerbated by the increasing rate at which infections of humans and animals are appearing in new and unexpected locations so-called emerging and re-emerging diseases). This is amply illustrated by the appearance of H5N1 avian influenza in more than 50 countries of Asia, the Middle East, Europe and Africa since the current epidemic was first detected in South-East Asia in 2003. In a number of these countries the infection has

since become endemic. In 2003 bovine spongiform encephalopathy (BSE) was recorded for the first time in the USA with disastrous consequences for the cattle industry there, beef exporters particularly. Similarly, the unprecedented appearance of bluetongue in several countries of northern Europe in 2006 cannot, so far, be adequately explained. So the geographic location of infections is becoming increasingly complex and confused; a situation which can be confidently predicted to worsen and further disrupt international trade in livestock commodities. Reasons for this state of affairs (unpredictable spread of infectious agents) are difficult to identify precisely but it is a reasonable assumption that increasing globalization with all its ramifications and global warming (especially in the case of vector-borne diseases) are two important elements.

In essence then, the appearance of TADs in new and unexpected locations accompanied by trade bans and counter-bans are anticipated to increase together with the shocks and market volatility they precipitate (FAO, 2006a). This scenario presents difficulties for all countries whatever their state of development. However, developing countries (DCs) and least developed countries (LDCs) particularly, including of course poor livestock producers, feel these effects most acutely (Pica-Ciamarra, 2005).

The CBT approach, by contrast, aims to establish standards and methodologies for assuring that standards for safe trade in animal commodities are set irrespective of the geographic origin of the commodity and have been met to ensure safe trade so far as animal diseases are concerned.

### 3.2 What economic effects would acceptance of commodity-based trade have on international trade?

The essential premise behind the development of the CBT concept is that it will enable significant increases in the volumes and value of internationally traded products – mostly food products – derived from animals or containing substances derived from animals in the case of complex food products such as ready-to-eat meals. Adoption of CBT would preferentially benefit poor livestock producers in DCs because lessening the requirement for proof of geographic freedom from TADs would increase market access for supply chains that are presently poorly developed because of the presence of TADs but which have potential for significant growth. This, it is argued, would provide the economic incentive for investment in the supply chains of poor countries which is rarely the case presently.

This opportunity is proposed against the background of an already rapidly changing international trade environment for livestock commodities. Livestock and livestock products (commodities) make up one sixth of world agricultural trade by value (Pica-Ciamarra, 2005). Commodities derived from livestock have mostly outperformed other agricultural commodities over the last 15 years, e.g. rice, wheat and coarse grains (Morgan & Prakash, 2006). The gains in consumption and trade in pork, mutton and poultry meat are particularly

impressive. Poultry meat's contribution to total meat trade, for example, increased from 22% in 1980 to 40% in 2006 (Morgan & Prakash, 2006). This has occurred as a result of rising incomes, particularly in the booming economies of Asia, and changing consumption and demographic patterns.

While this impressive growth is largely attributable to events in better-off DCs, most DCs and especially LDCs do not currently participate significantly in international export of products derived from animals (apart from hides and skins in a few cases), although they often import high-value animal food products from developed countries (FAO, 2006b). This has contributed to a widening gap in Africa, for instance, between imported and exported products derived from animals; the gap estimated to be \$ 2.2 billion per annum and growing. By contrast, LDCs particularly are often involved in the export of live animals to regional markets but the basic international trend is in the opposite direction; toward trade in processed products (FAO, 2004). There are many reasons for this trend (although formal analyses are often lacking) including demand for sophisticated products driven by 'globalisation' and demand for convenience foods on the one hand, and avoidance of the costs and losses associated with large-scale animal transportation and resulting bio-hazards on the other. This ignores animal welfare issues associated with animal translocation which is becoming increasingly important for achieving access to high value markets, as are environmental concerns and fair labour practices.

Commodity-based trade provides the opportunity for livestock producers in DCs to benefit preferentially from the current booming trade in livestock products, especially processed higher value products. It would also encourage direct foreign investment (DFI) in production systems, in LDCs particularly, which have a competitive advantage in the form of large livestock resources raised on natural pastures and therefore with the potential to expand production for high value markets. CBT would thereby promote agro-industrial development and improve rates of employment in poor countries. Currently, unlike the situation for horticultural products for example, there is little incentive for multinational food companies or supermarkets to invest in livestock production chains in poor countries because the final products are excluded from high value markets as a result of the existence of TADs in the regions of production.

One of the fallacies surrounding upliftment of poor livestock keepers through providing access to high value markets is that this can be achieved on a significant scale for products derived from traditional production systems. That is rarely possible (some niche markets may provide the exception) because traditional systems usually do not provide the quality of product required by importers in developed countries or the necessary consistency of supply. Therefore, adaptation of traditional production systems is frequently necessary but there is currently little economic incentive to do this and therefore investment in adapting supply chains to the demand in sophisticated markets does not happen. Such investment as there is largely derives from development- and aid

agencies disbursing what is essentially 'public' money. Commercially oriented business with the resources and necessary know-how required to make a meaningful difference have little interest in such exercises. However, if the potential financial returns were to change fundamentally, the rate of commercial investment in the livestock sector of many DCs is likely to rise concomitantly. Of course, other inducements such as investor-friendly government policies would also need to be in place.

Direct foreign investment (DFI) will need innovative technical approaches to reconcile traditional livestock production systems with modern production methods to ensure quality of product and consistency of supply. At this stage it is impossible to quantify, overall, the benefits and costs of these necessary changes and investments within the array of agro-ecological circumstances that prevail where so many poor people live. However, bearing in mind that about 70% of the world's poor – perhaps a billion people – derive income from livestock, the potential benefits are intuitively enormous (Thornton et al., 2003; Perry & Sones, 2007).

Almost all products derived from animals are potentially amenable to the CBT approach, e.g. a wide range of dairy products and meat from all species of animals which, depending on the product and local circumstances, could be raw or processed. The greatest potential, as stated above, is for processed animal products because many processes ensure that animal (and human) pathogens potentially present will not survive.

One of the initiatives undertaken as part of this investigation focused on de-boned beef as an illustration of how a product, if properly prepared from healthy animals, can pose minimal risk for spreading animal pathogens, irrespective of the locality of production, i.e. it can be made to be inherently safe (Appendix B). The scientific basis for this contention is established and the practice of importation of the product into the UK over several decades has proven to be safe.

International trade in beef is considerable and is expected to have a value in 2007 in the region of \$ 25 billion. According to an economic analysis of world trade in beef commissioned during this investigation (C. Blignaut, personal communication), about 25% of internationally traded beef is de-boned. This means that the value of internationally traded de-boned beef exceeds \$ 6 billion per annum. As is the case generally for animal products, DCs and LDCs particularly – in spite their large cattle populations – play no significant part in this trade other than as importers. The supply is provided predominantly by developed countries.

As already mentioned, it is contended that the CBT approach could be adopted for a variety of other products derived from animals: Dairy products, for example, where yoghurt and many cheeses could be produced in ways which ensure their

wholesomeness and safety as food for people and minimize the potential for spreading animal diseases. The vital point is that in many cases this need not be dependent on the TAD status of the region of production.

### 3.4 What is needed for acceptance of commodity-based trade as an underlying principle for international trade in livestock commodities

There are three basic requirements for acceptance of CBT as a practical reality:

- Acceptance by the international animal health community that CBT is scientifically sound and practically implementable;
- International standards for commonly traded products that would ensure that, in respect of animal diseases, they reach “appropriate levels of protection” for importing countries (this may need to include a process for developing standards for less frequently traded products):
- A system to enable auditing of establishments and processes to ensure that products traded internationally have actually and reliably met the agreed standards.

#### 3.4.1 *Achievement of acceptance by the international animal health community that CBT is scientifically sound and practical*

The problem is that trade in livestock commodities is presently based on the necessity for geographic freedom from important animal diseases of the locality of production. Furthermore, institution of blanket trade bans based on the occurrence of TADs in new locations seems equally well established in the minds of both officials within country veterinary services and the public at large. For these reasons achieving widespread understanding of a fundamentally different system, such as the commodity approach, will require time and effort to achieve even though the logic is indisputable. In such a situation it is necessary to have a detailed strategy by which this end will be achieved within an acceptable period of time.

The suggested approach would be, firstly, to obtain acceptance of the idea by important international role players. At the top of this list is the Sanitary and Phyto-sanitary (SPS) Committee of the WTO.

Some initial discussion took place in October 2006 between the Secretary of this Committee (Dr Gretchen Stanton) and the consultant. Basically Dr Stanton indicated that, personally, she could see merit in further examination of the commodity-based option. However, to make progress a formal approach will need to be made to the Committee, presumably by either a member country or group of countries.

It is important to appreciate that the idea of geographic freedom (as well as low prevalence) of diseases and pests is well enshrined as a basis for safe trade among the 14 Articles of the SPS Agreement. On the other hand, the commodity approach forms the basis of standards for human food safety contained in the Codex Alimentarius. Therefore, the concept of commodity standards is fully

accepted by one of the standard-setting bodies acting on behalf of the SPS Committee.

The OIE has so far given this approach little attention and continues to place its focus on support for a system based largely on geographic freedom from TADs despite the fact that in 2004 a commitment to giving this issue more attention was made during a seminar jointly organised by the OIE and the African Union's Inter-African Bureau for Animal Resources (OIE/AU-IBAR, 2004).

For that reason, promotion of the commodity-based approach within the OIE and its various forums needs to be a focus of activity if change in attitude of the OIE is to become a reality. Some progress was made in this regard because the OIE agreed that its Terrestrial Animal Health Standards (Code) Commission will consider the document highlighting the potential for commodity-based trade based on de-boned beef and products produced from de-boned beef by further processing. The idea is that if this approach proves acceptable to the Code Commission for one commodity, the general approach will logically be extendable to other commonly traded products.

Further decisions on what is additionally required to promote the commodity approach should be deferred until official feed-back from the OIE is forthcoming. However, the fact that the African Union is providing strong visible support for the CBT concept is gratifying and provides a platform for further developments (the African Union's Commissioner for Rural Economy and Agriculture provided a strong message of support for CBT which has been quoted in the booklet produced to support the DVD on CBT mentioned above).

*3.4.2 International standards for commonly traded products that would ensure that, in respect of animal diseases, they reach "appropriate levels of protection" for importing countries (this may need to include a process for developing standards for less frequently traded products)*

Factors which currently make international standards problematic as far as developing countries are concerned have been reviewed and recommendations on corrective action made (Henson *et al.*, 2001; Henson & Reardon, 2005; Jaffee & Henson, 2005). The proposed solutions are rather general, focusing on procedural, financial, training and institutional issues. While such action is undoubtedly necessary they will take a considerable period of time to come about because of their general and wide-ranging nature. More recently three papers (Thomson *et al.*, 2004; Perry *et al.*, 2006; Scoones & Wolmer, 2006) have alluded to the importance of looking more critically at the fundamental approaches to international standard-setting in the livestock sector and policy development in this context. It is argued, albeit sometimes indirectly, in these papers that fundamental changes in standards which create a more level playing field for developing countries are urgently required. CBT, if it is widely accepted in future, would constitute such a fundamental change

The only international organization with the mandate to set standards in respect of animal diseases is the OIE. Therefore, if the OIE can be convinced to take the commodity concept forward, making progress with standards would be axiomatic. The commitment on the part of the OIE to investigate and promote opportunities with international and regional organisations in developing new standards for risk reduction to trade in livestock commodities has already been mentioned (see 3.4.1 above).

As also indicated above, a document (Appendix B) was prepared by a group of consultants during the exercise covered by this report dealing with the issues required to make de-boned beef and products derived from it safe for international trade. That document was formally submitted to the OIE by DEFRA and DFID. It is hoped that the OIE will use this document, not only as the basis for taking the concept of CBT forward on a generic basis, but also use the document as a guideline for producing standards specifically for safe international trade in de-boned beef because it is contended that the basic issues for setting a standard for de-boned beef as a commodity are covered in that document. It is suggested that the same or similar approach could be used for setting standards for many other commodities derived from animals.

Appendix B raises the possibility of combining standards for food safety and control of the spread of animal diseases based on the HACCP (hazard analysis, critical control points). HACCP is already the foundation on which food safety standards and control are based. The consultants argue that HACCP is equally apt for identifying and managing hazards associated with the spread of animal diseases, although this is not at present recommended by the Code. On the other hand and as already discussed, the principles on which HACCP is based are entirely consistent with those espoused by the WTO and OIE.

The problem with the production of an integrated set of standards is that the responsibilities presently lie with two different ISSBs (Codex Alimentarius Commission and OIE), albeit that both operate under the umbrella of the SPS Committee. It has traditionally been accepted that OIE covers standards for trade in animals and primary products such as meat and milk. The Codex Alimentarius, on the other hand, deals – insofar as animal products are concerned – exclusively with products derived from animals including primary products, i.e. outside the farm gate. So, as far as primary products are concerned, there is congruence between the standards set by the Codex (for human food safety) and OIE (for control of the spread of animal diseases). So, for example, Codex sets standards for abattoirs which the OIE does not. However, when it comes to standards covering issues related to processed products the OIE only deals with inactivation of some infectious agents by heating, i.e. cooking. For complex products such as hams, salmi, cheeses, ready to eat meals containing substances obtained from animals, there are therefore no standards designed to deal with the issue of animal disease spread. Consequently, as stated in the introduction, there is a clear gap when it comes to standards for animal disease

issues associated with products that have undergone any form of processing other than cooking.

It is logical that the OIE is the most appropriate ISSB to fill this gap but the danger here would be that overlapping standards would be required for human food safety and prevention of animal disease spread which would lead to an element of redundancy. The reason is that many processes required for ensuring human food safety are equally apt for ensuring safety in respect of animal pathogens. There would be obvious overlap in relation to zoonotic infections. Consequently, there is a clear need for the OIE and the Codex Alimentarius Commission to jointly produce integrated standards for processed products derived from animals or which contain substances derived from animals, i.e. covering human food safety and safety in respect of animal disease spread. Bearing in mind the uneasy relationship which has existed in the past between these two ISSBs, it may be necessary for an influential country, perhaps better a group of countries, to exert pressure for this to be done through mechanisms provided for within the SPS Committee. The OIE and Codex Alimentarius Commission are working more closely together than in the past but what benefits this has produced so far is unclear (OIE, 2006).

In the food safety sector the International Organisation for Standardization (ISO) has recently developed an international standard (ISO 22000) for food safety management systems (i.e. requirements for any organization in the food chain). The idea is that these standards complement the commodity standards prescribed by Codex by ensuring that organizations which make up the food chain have adequate management systems in place to enable attainment of the Codex standards. So ISO 22000 incorporates the standards set by the Codex as well as incorporating the HACCP approach.

This sets an example of what could be achieved if the OIE, Codex Alimentarius Commission and ISO could be persuaded to collaborate. Making this possible will require that the OIE relinquishes its apparent belief that the animal health sector is its exclusive domain. This will be difficult for an organization outside the UN system that has operated more-or-less independently for more than 80 years.

#### 3.4.3 *Private standards*

It is well known that international agro-food trade, certainly in the horticultural field, is increasingly influenced by so-called private standards set by multinational businesses and supermarkets (Chia-Hui Lee, undated; Fulponi, L., 2007; SPS Committee, 2007). UNCTAD estimates that about 400 such standards are in operation around the world today. In general these standards focus on quality and food safety issues and are usually consistent with standards set by the *Codex Alimentarius*. In fact, a common complaint is that private standards frequently and unnecessarily exceed those of the Codex to the disadvantage of producers and traders in developing countries. For that reason, the issue of private standards is currently an issue under consideration by the SPS

Committee and a 'note' on the issue has been prepared to provide a basis for further discussion (SPS Committee, 2007).

Animal health issues are rarely addressed in private standards other than indirectly through the conventional requirement for proof of freedom of the locality of production from important zoonoses or TADs transmissible by food products. The concept of commodity-specific risk management in relation to animal disease spread and trade in livestock products is consequently rarely, if ever, considered in the context of private standards.

Private standards present a conundrum in relation to the adoption of the CBT approach because, on the one hand, many private standards require measures well in excess of those set by the relevant ISSB. For that reason they are seen, by some, as an impediment to integration of products produced by poor farmers in under-developed regions of the world into global markets. Conversely, and as already alluded to above, DFI by powerful players in the agro-food industry and retail organizations such as supermarkets provides a mechanism whereby the products of farmers in DCs (LDCs particularly) can be integrated into supply chains with guaranteed access to high value markets. Importantly, the investment associated with such initiatives usually includes technical assistance in management and provision of the infrastructure necessary to ensure that the products reach the required standards for quality and safety. In that way private standards can have significant benefit but the issue is obviously complex.

To better understand the position of British supermarkets on the matter, a consultant engaged on this project attempted to discuss the issue of beef supply (using this product as an example) with representatives of leading supermarkets in Britain. The response proved disappointing (for report see Appendix C) with most supermarkets stating that they sourced beef from within the UK exclusively and seemed not to envision a change in this position in the future. This is despite the fact that there is an undersupply of beef in Europe at the moment (G Dalen, personal communication, 2006). Tesco, on the other hand, has been investigating the possibility of importation of beef from Brazil sourced from areas that are not recognized by the EU or OIE as being FMD-free. Interestingly, Tesco's idea could be argued technically as essentially representative of a commodity-based approach. OIE, when consulted by Tesco on the matter, chose to argue the case from a 'compartmentalisation' perspective. At the moment this is pointless because the OIE's Scientific Commission for Animal Diseases (SCAD) has ruled that compartmentalization may not be applied to FMD because FMD virus can be disseminated long distances by aerosols suspended in air-currents.

The validity of the SCAD decision is contestable on scientific grounds but it remains to be seen whether this will actually happen. A more fundamental problem is created by the SCAD decision: if air-borne transmission is really a practical issue in this context (in tropical and sub-tropical regions of the world it

almost certainly is not) it would mean that zonation as applied to FMD by the OIE (many countries have accredited FMD-free zones) should be equally invalid. These technical questions demonstrate how confused and confusing the whole question of standards for geographic freedom from FMD has become.

A further important issue on the horizon for free international movement of products derived from animals is the issue of “food miles”, i.e. consumers and more especially producers in Europe contend that importation of food products from distant locations not only represents unacceptable risk but also disadvantages local producers and contributes to environmental problems through generation of unnecessary green-house gases, particularly CO<sub>2</sub>. This multifaceted issue is beyond the scope of this study and will not be discussed further other than to point out that the CBT approach promotes, in general, the intercontinental movement of high value, low weight and biologically safe products rather than primary products which tend in the opposite direction.

The bottom line is that private standards have both advantages and disadvantages for developing countries. If developing countries are to improve market access for livestock projects they need to exploit situations where private standards can be used to enable and promote FDI by trans-national companies while minimizing their effects on small producer access to the supply chain.

### 3.5 *A system to enable credible auditing of establishments and processes to ensure that products traded internationally have actually and reliably met the set standards*

A major problem for DCs, and LDCs more specifically, is that certificates provided by their competent authorities to support export of livestock commodities are often simply not credible in the eyes of competent authorities in importing countries. There are a number of reasons for this, one being that the expertise and equipment needed to audit and certify industrial food processing within national veterinary services (NVSs) are often inadequate. Secondly, high levels of corruption in some developing countries make acceptance of certificates problematic. The result is that even if adequate and appropriate international trade standards were in place for widely traded animal products, access to international markets for many developing countries would remain restricted. This problem has recently been reviewed (Thomson *et al.*, 2006).

Certification requires that the certifier has a clear set of standards that need to be met (see above), is in possession of all the relevant facts to reach a conclusion with respect to compliance and also that the certifier is competent, objective and independent. Certificates produced by people/organizations lacking in any of these elements are inherently unreliable. This applies to livestock and livestock commodities just as much as to any other commodity. The urgent need is therefore for ways to make current auditing and certification systems much more credible to importers while remaining fair for exporters.

In terms of recognized WTO procedures for trade certification, responsibility is allocated to the “competent authority” of the exporting country by which is meant parties, either within the government department to which that responsibility is allocated, or other government-appointed body. Thus, if certification is found to be defective the government of the exporting country is held liable, not the trading company concerned. As far as animals and animal products are concerned the OIE, i.e. the responsible ISSB, stipulates in the Terrestrial Animal Health Code that veterinarians within the official veterinary service of the exporting country or veterinarians answerable to the official veterinary service should be the provider of certification for commodities capable of spreading animal diseases through trade (OIE, 2006a). This system is presently proving inadequate.

The OIE is aware of this situation and so an initiative, known as “Performance, Vision and Strategy (PVS)” for national veterinary services (i.e. competent authorities) has been launched. This is designed, essentially through a system of self-assessment, although national veterinary services (NVSs) may request evaluation by specially trained evaluators representing the OIE, to improve NVSs so as to achieve the competence, objectivity and independence mentioned above. While this is clearly a positive development, it is unlikely that NVSs will be sufficiently improved by this initiative within a time-frame likely to significantly improve export prospects for large numbers of poor livestock producers in DCs and LDCs especially. The idea that development of supply chains/systems associated with exports necessary to counter rural poverty affecting many millions of people should depend upon adoption of adequate standards by the NVSs, with all the historical and structural problems that involves, is untenable. It needs to be remembered that improvement of NVSs is dependent on the governments concerned allocating resources to a branch of government that is rarely seen as a political priority, certainly in environments where education, health and infrastructure development are the undeniable imperatives. The author contends that developing country governments are more likely to invest in and build veterinary capacity if they see livestock trade contributing to national coffers and addressing rural poverty.

The present OIE requirement that certification of commodity freedom from animal pathogens be performed by veterinarians authorized by the official veterinary administration of a country is inherently unreliable because, in some cases, such veterinarians are not independent (because export of livestock commodities is a national political priority and they are civil servants) and in others, such as where industrial processes are involved, they may not be qualified or equipped to audit such processes (Thomson et al., 2006).

For effective global agri-food trade, third-party certification is rapidly becoming the norm (Hatanaka, Bain & Busch, 2005). There are a number of reasons for this but essentially it reinforces the requirement for competence and independence. It seems obvious that, in addition to certification which complies

with WTO convention (i.e. through relevant competent authorities including official veterinary services), additional third-party certification could provide independent assurance to facilitate access to high value livestock product markets. Such third-parties would require international accreditation but these organizations do not presently exist. The OIE is probably not an ideal organization for this purpose for two reasons: (1) it is the standard-setter and good practice dictates that setters of standards should not adjudicate on attainment of those standards and (2) the OIE is, in effect, an association of chief veterinary officers of member countries with an inherent interest in promotion of national veterinary services of the OIE's nearly 170 member countries. This is an area where further consideration is obviously necessary. One possibility could be involvement of the International Organisation for Standardisation (ISO) but this would require the assistance of an independent broker with good access to both the OIE and ISO.

#### **4. Report on activities stipulated in the agreement covering this project**

##### **1. Testing and strengthening the case**

- Consult with ISSBs and WTO to ascertain their position and views

The 11-13 October 2006 meeting of the Committee on Sanitary and Phytosanitary Measures in Geneva was attended and positive discussions held with a number of people including Gretchen Stanton, the Secretary of the Commission. She saw merit in the objectives of the project.

Unofficial meetings were also held with two Bureau members of the OIE in Paris in October, viz. Drs Sarah Kahn and Dr Gideon Bruckner. From these discussions it is clear that only the Director General (DG) of the OIE will be able to give an official reaction to the "commodity-based" approach and the OIE's attitude to it. Dr A I Donaldson, ex-Head of the Pirbright Laboratory of the Institute for Animal Health (awarded a gold medal by the OIE 3 years ago), was therefore sub-contracted to arrange a meeting with the DG of the OIE on this issue and report back. The meeting was held on 6 November 2005 and resulted in agreement being reached that Dr Donaldson and others as required would draft a document on commodity-based trade using de-boned beef and products derived from de-boned beef as a model. It was indicated by the OIE that the document needed be in their hands by 14 February in order for it to be considered by the Code Commission at its next meeting early in 2007. A further development was the idea that, to add credibility to the document, it could be submitted to the OIE by the UK's official delegate, i.e. the Chief Veterinary Officer (Dr. Debbie Reynolds).

The document (Appendix B) was completed after some inputs from DEFRA's International Health Division and formally submitted by DFID to DEFRA on 23 January 2007. The document was submitted as an official submission by the UK's official delegate to the OIE before the deadline of 14 February 2007.

Brief discussion was also held with the DG of the Codex Alimentarius Commission in Geneva in October 2006 but his opinion is that at the international level this is an issue for the OIE. It needs to be remembered that the Codex Alimentarius is already based on a commodity approach but, on the other hand, the Codex only deals with actual and potential human pathogens.

Both the OIE and Codex Alimentarius Commission acknowledge that there are areas of overlap in their activities and that, for processed products containing animal tissues, international standards to cover issues concerned with spread of animal diseases are inadequate. However, because of the way the mandates of the two organizations are formulated this presents a structural problem. The reason is that the Codex Alimentarius Commission deals exclusively with human food safety and the OIE with animals and unprocessed products derived from animals. There is also an impression within the management of the OIE that they are to some extent in competition with other international organizations and therefore although discussions between the OIE and the Codex Alimentarius Commission are on-going to ensure that overlaps and gaps are minimized, it is doubtful whether bilateral discussion such as have and are taking place are adequate to resolve the issue speedily. This is perhaps an area where the Regional Commissions (the European Commission of the OIE for example) could launch an initiative to drive this matter more actively.

Over and above the need for clear standards for commodity processing for hazard control/risk mitigation against animal disease spread, there is the difficulty of being able to ascertain unambiguously that a given commodity has actually been subjected satisfactorily to the preparation requirements/treatment prescribed by an international standard once it is available.

As pointed out above, the issue of certification is a major problem for DCs because certificates issued by DCs and LDCs in particular often lack credibility. The possibility of investigating ways by which third-party certification could be used to assist in addressing this problem is vehemently opposed by the OIE. It appears the reason for this is the perceived threat to the status of official veterinary services.

The OIE, in contrast to the *Codex Alimentarius*, stipulates in the Code that certification in respect of animal health needs to be conducted by a veterinarian authorised by the official veterinary service of the exporting country. It has previously been pointed out (Thomson *et al.*, 2006) that this approach presents difficulties in two respects: (1) veterinarians rarely have the expertise and experience to adjudicate on issues related to food processing, particularly where industrial-scale processes are involved and (2)

such veterinarians are often required to provide assurances on the performance of the official veterinary service to which they are answerable. This amounts to lack of independence.

For these reasons, it has been argued that systems ensuring more independence of certifiers and competence in the specialist fields applicable are essential (Thomson *et al.*, 2006). The opportunities that third-party certification offers, despite its present apparent incompatibility with approaches adopted by the WTO, OIE and European Commission, requires further investigation. How this could be done in spite of official opposition is difficult to determine. Perhaps the first step should be to persuade the relevant authorities that the present approach and third-party certification are not mutually exclusive which is undeniably the case. No progress was made on this issue during this consultancy other than outlining the problem.

- Consult with private standard setting bodies and assurers particularly the International Standards Organisation (ISO) and its national members

Various discussions were held in Geneva, including with Ulrich Hoffman (Chief, Trade & Sustainable Development Section of the Trade, Environment and Development Branch of the International Trade Division, UNCTAD) and Pauline Jones (Technical Programme Manager of the Standards Department of the International Organisation for Standardization [ISO]) on the issue of private standards. Dr Hoffman, particularly, provided useful information on EUREPGAP which supplemented a presentation on that subject to the Commission meeting.

In addition, Dr A I Donaldson was subcontracted to interact with major retail/supermarket groups in the UK to gauge their attitude to public and private standards with which they increasingly have to comply. Dr Donaldson's report is provided as an appendix (Appendix C) to this report.

The International Organisation for Standardisation (ISO) specializes in setting standards and providing guidelines for auditing management and operational processes and, with the implementation of ISO 22000 (Food safety management systems requirements for any organization in the food chain), has provided management standards to complement the *Codex Alimentarius*. ISO 22000 provides assurance for management systems for achievement of more effective food safety by supporting the technical provisions of the *Codex Alimentarius*.

There is a possibility that something akin to the ISO 22000 standard (including the technical specification – ISO/TS 22004) could be developed to assist with developing management systems to ensure adequate safe-guards for food stuffs containing animal tissues in respect of animal pathogens. However, there appears to be a disinclination on the part of the OIE to investigate this possibility and to involve the ISO. In fact, the OIE has clearly

chosen to go its own way when it comes to approaches to certification with the development of its 'Performance, Vision & Strategy (PVS) for National Veterinary Services. This approach is obviously aimed at strengthening national veterinary services of OIE member countries to the extent that competent authorities will be able to provide credible certification to importers of animal products and the guardians of the public good in importing countries. This is in line with Regulation (EC) 882/2004 of the European Commission on verification of compliance with the feed and food law, animal health and animal welfare rules (including for products derived from countries outside the European Union). On the other hand, and as already pointed out, third-party certification is increasingly accepted as an underlying principle for ensuring healthy international agri-food trade (Hatanaka, Bain & Busch, 2005) but this is clearly not favoured by the OIE. Whether this is a healthy attitude and to the advantage of the global public good is a moot point.

Extensive discussion was held with members of the staffs of both DG Trade and DG Sanco during visits to European Commission offices in Brussels in October. It was clear that there is no fundamental opposition to the concept of commodity-based trade but, on the other hand, European Commission (EC) Regulations and Decisions have taken much negotiation to reach the present stage. Therefore, there is a disinclination to re-open what some of these officials consider to be a closed book. Recent enlargement of the European Union adds to the difficulty of renegotiating the present arrangements.

- Site visits to identify lessons from practical examples of food processing that overcame import bans related to particular diseases

A number of on-site visits were made to the processing plant of Karoo Cuisine (Pty) Ltd, Midrand, South Africa and to its field operations in the Eastern and Northern Cape Provinces, to follow progress they have made with export of semi-processed ostrich, lamb and game meat to the EU, including UK<sup>1</sup>. In this case there were particular issues related to recent occurrence of avian influenza (H5N2) in the Eastern Cape and to the fact that the EC (Food & Veterinary Office) does not recognize the status of a zone free from FMD in South Africa accorded by the OIE.

Karoo Cuisine has achieved considerable success so far and has obtained authorization for ostrich and, more recently, for lamb meat exports to the EU. The company provides an excellent example of what can be achieved. The lesson learned from the Karoo Cuisine experience, however, is that to make progress with the relevant officials in Brussels requires the ability, on the part of the country's veterinary service together with the company itself, to negotiate over the range of Regulations and Council Decisions applicable.

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<sup>1</sup> The consultant, prior to concluding this agreement with DFID, was contracted by Karoo Cuisine (Pty) Ltd to assist with export of these products to the EU through the provision of technical advice & drafting of supporting documentation. The contract with Karoo Cuisine had expired by the time this consultation with DFID was concluded

This is not a trivial undertaking because although all the relevant documentation is available on the EC website, which regulations will be applied and how they will be interpreted is sometimes not clear. Therefore, Karoo Cuisine made use of a private consultant to develop supporting documentation to argue the case. Even then a complication arose because the heating requirements for these meat products stipulated in Regulation 854/2004 is at variance with that required by Decision 432. Countries with inexperienced official veterinary services and small companies without the resources to acquire outside help would be at a serious disadvantage in such cases.

Conversely, it is clear that senior officials involved with imports of products derived from livestock into the EU are friendly and very helpful if a reasonable case can be presented. Furthermore, the principles of commodity-based trade are accepted and, to some extent, espoused by DG Trade and DG Sanco.

A visit was made to Farmer's Choice (Pty) Ltd in Nairobi in November. Farmer's Choice has achieved success in exporting processed pork products to the Middle East and India and is now investigating possibilities for beef in association with European partners. A meeting with this consortium which included a Director of Gilde Norsk Kjøtt BA (the largest meat supplier in Norway) was held on 18 November in Nairobi.

- General cost benefit analysis of food processing to remove animal disease agents cf. the status quo, potential disease free zones, potential equivalence negotiations and potential compartmentalization

To conduct this exercise accurately requires that information on the financial costs of disease-free zones, compartments etc be available. Unfortunately, this is not the case, even for a country like Botswana where the creation of a disease-free zone for FMD has been highly structured and intensively managed. A further factor is that the social costs of zoning, which can be very great, are inherently difficult to measure. These issues are dealt with in more detail in the study on de-boned beef (see Appendix B).

As far as equivalence is concerned, cost estimates are currently impossible because there are no good examples known to the consultant of where market access for developing countries has been achieved by arrangements reached through negotiation based on equivalence, i.e. there is no base-line.

Likewise, cost estimates for compartmentalization are presently impossible for two reasons: (1) the consultant is not aware of any recognized compartment in a developing country (the OIE recommendations in this respect are still being developed) and (2) compartmentalization is intended to be a flexible system dependent on specific arrangements which the company concerned and the competent authority of the country concerned agree upon. To estimate costs without defining the system is therefore impossible.

- Assessment of risk that development of systems to ensure removal of disease agents from food will be undermined by continued contamination of food products by unacceptable levels of medicines, pesticides and other toxins

The danger of this scenario is real but, as is pointed out in this report as well as the DVD and supporting booklet, CBT will never succeed unless the products produced are safe in respect of both human food safety and control of animal disease spread. Therefore whatever the system adopted it will need to be proven that residues of undesirable chemicals and biological products are not present at levels exceeding the international norm.

The point is that if import bans can be overcome through implementation of CBT, it potentially makes investment in management of the drug and pesticide residue problem economically worthwhile.

- Assessment of the risk that increased levels of food processing in developing countries will sideline small producers and the poor from markets

This is an important issue whose impact, if CBT were internationally accepted, is difficult to predict. It is pointed out elsewhere in this report that the idea that high-value products for export to sophisticated markets can be derived from traditional production systems is largely a misnomer. Therefore, significant DFI is likely to be necessary in most cases to produce exports of the quality and quantity (including consistency of supply) required by importers. This will inevitably require adaptation of existing traditional practices and therefore exclude producers who are unable or unwilling to adopt new livestock management practices and standards. Obviously this will potentially disadvantage or sideline some producers. However, it is argued that access to high value markets for some livestock producers will stimulate economic activity beneficial to some producers and rural communities as a whole. The horticultural industry provides useful examples of how small producers can be included in the supply chain as out growers or farmers groups if they are willing to take on board good agricultural practices (GAPs).

- Assessment of potential niche markets ('fair-trade', organic, ethical production methods) should food processing open up northern markets to developing countries

The issue of niche markets proved difficult to make progress on because although it is obvious that CBT presents opportunities in this regard, there are potentially innumerable products which could be exported to high-value niche markets all over the world. Emphasis was therefore placed on developing mechanisms rather than identifying particular niche product/market combinations which are dependent upon many factors unrelated to this study.

However, an example of a market that could offer large-scale benefit to an on-going initiative for rural development in southern Africa relates to possible sale of game meat (venison or processed game-meat products) derived from the planned transfrontier conservation areas (TFCAS) that will eventually cover large regions of the sub-continent. One of the planned TFCAs is already in existence, viz. the Great Limpopo Transfrontier Park that incorporates the Kruger National Park (South Africa), the Gonarezhou National Park (Zimbabwe) and the Limpopo National Park (Mozambique). Large numbers of poor people are resident within and adjacent to this and other planned parks. Potential markets for game-meat products exist in developed countries, particularly in Europe, where venison is popular. At present the only income-generating activity envisaged for the TFCAs revolve around eco-tourism. However, with the promise of larger numbers of antelope distributed over vast areas of country-side, sustainable utilization of the resource, other than through tourism, offers itself as potentially important income generator. At present export of such products is impossible because foot and mouth disease is endemic to the region where it is maintained by healthy buffalo populations. Using a commodity approach, however, safe venison could potentially be produced in large quantities for export. The potential for such an initiative is at present extremely difficult to estimate with any accuracy and requires specific detailed investigation which is beyond the capacity of this study.

- Estimation of trade in \$ terms that might be gained (or lost) by developing countries assuming they are able to access markets by utilising international standards for the safe removal of disease causing agents.

The idea, as already indicated, was to use de-boned beef – including products produced by further processing of de-boned beef – as a model to investigate the costs and benefits of the commodity-based approach at the macro-level (see Appendix B). Prof Chris Blignaut, a specialist in international commodity flows at the Dept of Agricultural Economics, University of Pretoria, was contracted to provide background economic data and research specific issues. The data provided has been used in compilation of the DVD and supporting booklet as well as for this report.

## 2. Policy Messages

- Commission the production of a video to provide policy makers with further information to use in decision making.

An agreement was reached with M&M Movie & Multimedia Productions to produce a DVD for this purpose. The DVD has been completed and 500 copies produced.

- Provide technical advice to the producers of that video

The company with which an agreement was reached is fully professional and therefore required minimal support. However, a media specialist was

subcontracted additionally to assist with the production and he provided valuable inputs.

- Test policy messages through interviews and mini-workshops

Although no mini-workshops were held, wide consultation has been undertaken through personal discussion, telephone contacts and e-mail exchanges with a wide variety of people in UK, other European countries, Ethiopia, South Africa, Kenya, Botswana and Mozambique. This has included representatives of both public and private sectors.

- Identification of 'killer facts' describing the status quo

These have been incorporated into the DVD and accompanying booklet.

- Preparation of glossy policy note containing key facts to accompany video and correspondence

Five hundred copies of the 'glossy policy note' which serves as a companion to the DVD have been produced. These copies are being packaged together with the DVD as 500 sets.

## 5. **Conclusions and recommendations**

The present approach to controlling the spread of TADs through international trade in livestock commodities by ensuring that they are only sourced from countries, zones or 'compartments' free from important diseases is defective in two major respects. In the first place, it is increasingly difficult to determine accurately where, geographically, particular TADs are prevalent and where not. The problems associated with avian influenza viruses demonstrate this clearly. Secondly, many products derived from livestock, especially those that have been processed adequately (and have complied with international food safety requirements), are inherently safe to trade. This can be independent of the locality of production and whether or not particular TADs occur in that locality or not.

For these basic reasons, a commodity-based approach has been proposed as a more practical and safer option for trade in animal products. Commodity-based trade (CBT) relies on the fact that different commodities derived from livestock inherently pose different types and levels of risk for importing countries and consumers. Consequently, effective management of risks posed by different commodities need to be targeted at the specific hazards which different commodities present. While this option provides a logical alternative for all international trade in livestock commodities, it would preferentially benefit livestock producers in poor countries, least developed countries particularly. There is in any case an international trend towards trade in beneficiated rather than raw products which potentially has direct and indirect benefits for developing countries ranging from employment creation to animal welfare.

This study has focused on de-boned beef as an example; a global market currently worth about \$ 6 billion per annum. However, as indicated above, there are many other commodities where the same approach could be followed. The example of de-boned beef therefore provides a model by which a similar approach could be applied to other products.

There are three requirements for CBT to become a reality:

- Acceptance by the international animal health community that CBT is scientifically sound and practically implementable;
- Development of international standards for commonly traded products that would ensure that, in respect of animal diseases, they reach “appropriate levels of protection” for importing countries (this may need to include a process for development of standards for less frequently traded products):
- A system to enable credible auditing and certification of establishments and processes to ensure that products traded internationally have actually and reliably met the set standards.

The major constraint to establishment of CBT is that the international standard-setting body (ISSB) concerned, the OIE, has been slow to adopt the approach. There are a number of reasons for this: for example, CBT does not accord with the OIE’s established system which is fundamentally based on establishing geographic freedom from important TADs. Therefore standards are based on individual diseases rather than providing standards for traded commodities. This is unhelpful for traders. Furthermore, the activities and attitudes of the OIE, like most such bodies, are dominated by office bearers representative of the major livestock trading nations of the world. The OIE is a well established independent organization (i.e. outside the UN system and predates the World Trade Organisation) which has essentially developed unique procedures over the last 80 years. It consequently has a proprietary attitude to animal health issues and is suspicious of efforts to integrate its activities with other international organizations because this is seen as encroachment on a hitherto exclusive domain.

For these reasons a strategy needs to be developed through which the OIE can be brought to realize that the commodity approach provides an opportunity and not a threat.

It must be acknowledged that during the lifetime of this consultation (10 months) the attitude of the OIE to CBT has changed perceptibly. To a large extent this seems to have been due to actions and pressures exerted by DFID and DEFRA. Apparently therefore, the concept of CBT is obviously becoming fairly widely accepted. That does not mean the objective has been achieved yet.

A continuing sticking point as far as the OIE is concerned is auditing and certification. The OIE is adamant that only veterinarians acting under the authority of the official veterinary service (i.e. the competent authority) should audit and certify procedures related to animal health. To argue against the existing approach, whatever its short-comings, is seen within the OIE – and possibly the SPS Committee as well – as a direct challenge to the authority and status of official veterinary services of member countries. If this attitude within the OIE cannot be moderated it will, in effect, maintain the *status quo*, leaving many developing countries, and least developed countries especially, with the continuing problem of certificates which are not credible to importers. This would mean that even if CBT were widely accepted its application in the developing world will remain limited and therefore be of little benefit to poor livestock producers.

On the other hand, if a case were made for third-party certification, i.e. additional to that presently required from the competent authority for international trade where credibility issues arise, this may engender less resistance from the OIE and provide a workable solution. It is therefore proposed that DFID and DEFRA follow up their success in persuading the OIE of the merits of CBT with a further initiative aimed at developing ways in which third-party certification could be incorporated into the present WTO certification and auditing systems rather than supplanting them. Bearing in mind that third-party certification is now common practice in international agri-business transactions other than for livestock products, it may be more fruitful to take the issue up through the WTO's SPS Committee rather than directly with the OIE.

The potential for using the HACCP approach for developing commodity standards as well as auditing and certification processes has so far been insufficiently recognized in the animal health field. It is suggested that an investigation in this direction may provide novel ways for practical implementation of CBT.

An issue that requires further investigation is the possibility of persuading the ISO to develop management standards aligned with rendering commodities safe with respect to animal pathogens in the same way that has been done for food safety (i.e. ISO 22000).

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