Evolving Standards and Industries in an Era of Market Integration: Opportunities and Obstacles within the North American Livestock Complex

Rhonda Skaggs, Andreas Boecker, and Terry Crawford

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• What Degree of Integration, Standardization & Harmonization is Possible or Desirable?
Animal Health Management & Emergency Preparedness

• A retrospective on past outbreaks & their consequences

• Emerging Issues

• The need for risk prioritization for cross-country coordination & regulatory integration

• Leading role of OIE (World Animal Health Organization) in setting standards

• Recognition of third countries’ regulation
Requirements for Integration of Animal Health Management (BSE)

• Feed regulation
• Production, shipping, slaughter standards
• Animal Identification & Traceability
• Testing regime
• Emergency response
• Support (investments & compensation in crisis)
• Monitoring & enforcement

Animal Identification & Traceability Systems (AITS):

Defining Dimensions

• Traceability Systems in General
  - Breadth
  - Depth
  - Precision

• Traceability for Animal Health & Emergency Preparedness
  - Premises ID
  - Animal ID
  - Animal Movement Tracking

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Animal Identification & Traceability in Focus: The Value of Speed

Avoided losses in mil. US$ (reduced culling of herds) through improved animal tracing in Texas cattle sector for FMD outbreak

Scenarios depend on herd contact rates and rigidity of culling (clinical signs/contact)


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Role of International Organizations in Setting Standards

• GS1 (formerly EAN)
  - Global Location Standard (to integrate premises ID)
  - Unique Product Identification
  - CanTrace (identified minimum requirements)

• ISO
  - Compliance with ISO 22005:2007 as a signal to buyers

• Codex Alimentarius Commission (CAC) & OIE
  - OIE declared proponent of “…traceability from farm to fork”
  - raise awareness of existing standards
  - advise & assist in implementing standards
Overview of AITS implementation

• Focus of efforts (still) clearly on national level
• Numerous existing programs /databases with traceability elements
• Industry/Government interactions
• Controversial Issues:
  - Clearly tangible costs vs. invisible benefits
  - Duplication of efforts
  - Definition of access rights to databases
  - Integrity of Databases
• Heterogeneity between sectors & between countries
  - Export orientation as main dividing factor
Concluding remarks:

No regulatory integration for animal identification & traceability within NAFTA but (avenues for) cross-country coordination efforts & utilization of standards are observed

• Cross-border emergency exercises, e.g. Equinox 2005

• Use of Global Location Standard (GS1) to overcome incompatibility of existing premises ID standards that are specific to species, program, state, province or country

• Setting & transferring standards:
  - particular RFID tag type required by NAIS
  - Canadian Cattle Identification Agency standard
    - industry-led
    - used by service-provider to U.S. producers
Regulatory Integration (RI) vs. Market Integration (MI)

• Is RI essential for market integration MI?

• RI implies harmonization, equivalence, standardization

• Feasibility of increased RI & MI?
  • Animal ID & traceability obstacles & pushback
  • Significant increase in regulation of live animals
  • Compromised comparative advantage?

• Resistance to increased RI & MI? Why?
Socio-Cultural Position of Livestock Production

- Protectionist behavior has deep roots
  - Multiple roles of livestock in society
  - Identity, touchstone, tradition
  - Lightly regulated
  - Culture & lifestyle
  - Ancient? Instinctual?

- Attitudes toward government (U.S., Canada, Mexico)
  - Response to NAIS

- Structure impacts of regulation & mandates
Ecology of the North American Livestock System

• Ecological principles
  • Resilience, sustainability, robustness
  • Applicable to firms, industries, supply chains,

• Systems best recover after shocks if
  • There is redundancy (broad portfolio)
  • They are diverse – not monocultural

• Regulatory integration, harmonization, standardization implies
  • Regulatory and/or process monoculture
  • Less resilience, less robust, more unstable
Effects of High Impact Events?

• Serious disruptions

• Worse in brittle systems (monocultures?)

• Catastrophic “Black Swans”
  • Have low probability
  • Have extreme impacts
  • Outside the realm of regular expectations
  • Nothing in the past point to their possibility

• What “Black Swans” lie ahead for the North American livestock complex?
Tradeoffs?

• Portfolio of functions, firms, processes, procedures, agents vs. concentration & standardization

• Redundancy vs. monoculture

• Resilience vs. short-run efficiency

• Long-run survival & stability vs. short run gains

• *Resilient systems are better positioned to survive & thrive after low probability, high impact events*
Are We Fighting the Last War?

• Animal identification & traceability initiatives
  • Arose from known disease & food safety threats
  • Will future threats be the same?

• Will monocultural regulations, standards & processes deal with emerging, unimaginable threats?

• Will additional standardization, commodification, concentration, harmonization increase the possibility of livestock system collapse?
What Degree of Integration, Standardization, Harmonization is Possible or Desirable?

• The system isn’t perfectable…
  • (Pretty) Good Practices recommendations may have a future

• Noncommercial nature of much livestock production
  • Pushback may intensify
  • Socio-cultural concerns…
  • Instinctual resistance…

• Consumer sovereignty
  • The end of mass marketing?
  • Multiple market channels or segments?
  • De-Commodification?

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What Degree of Integration, Standardization, Harmonization is Possible or Desirable?

• Many questions remain

• AITS are progressing, but not without problems & obstacles

• Feasibility transcends straightforward economic analysis of obvious costs & benefits

• Market integration is a work in progress & is likely to remain so
Questions??

Comments??

Thank-you!