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Is the balance of world meat trade likely to change?

The second afternoon of the IMS Economics Workshop focussed on global trade - addressing the changing political environment towards trade in general and the implications for the meat sector.

The presentations and discussion covered such areas as the increasing trends towards protectionism, the 'America First' policy adopted by the new US Administration and the 'Brexit' decision of the United Kingdom. There were four presentations in this session from:

- Brian Revell - Emeritus Professor of Agriculture and Food Economics at Harper Adams University, UK
- Alan Matthews - Emeritus Professor of European Agricultural Policy at Trinity College, Dublin
- Dave Juday - Senior Analyst with World Perspectives, Inc., based in Washington DC
- Joel Haggard - Senior Vice President - Asia Pacific Region, US Meat Export Federation, based in Hong Kong

Growth in world meat trade slowing down

In looking at historical trends in world meat trade, there had been an annual rise of almost 6% over the past 30 years although the rate of increase had been slower in recent years. The biggest growth has been for poultrymeat (+ 7.2%) and pigmeat (+ 6.5%); for beef and veal (+ 4%) and sheepmeat (+1.3%) the rise had been less marked. This growth has meant that trade now accounts overall for almost 10% of world production compared with only 4% back in 1985. This major increase in trade has taken place despite the Most Favoured Nation (MFN) tariff rates for livestock and meat trade having remained relatively high; however, the Uruguay Round agreement under GATT in the 1990s together with a whole raft of RTAs and FTAs in recent years had resulted in much trade taking place at lower or zero level tariff rates - increasingly linked to Tariff Rate Quotas (TRQs). At the same time, there has been a move away from the more trade-distorting policies in many major importing countries; despite this, non-tariff barriers (NTBs) continue to inhibit trade in some key areas.



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Move towards greater protectionism may impact on world meat trade

In relation to world trade, however, lobby groups and policy makers are increasingly questioning the benefits of globalisation and greater free trade; although many still accept that trade liberalisation has stimulated global economic growth, the benefits have not always trickled down to all sectors of society. Mainstream economists would argue that more protectionism is not the answer to this problem; the solution should instead involve improvements in tax and social policies alongside effective structural measures such as retraining schemes, which would enable a more equitable redistribution of the higher economic growth. In addition to this, traditional exporters from some smaller countries have not benefitted so much from generally reducing trade barriers in recent years - due to the advantage that more powerful countries and regional blocs such as the US and EU have in negotiating FTAs.

Brexit could have important implications for some meat exporting countries

There is still much uncertainty over the consequences of Brexit for the international meat trade. However, it is clear that there will be important implications in view of the fact that the total value of UK meat and livestock imports and exports amounts to almost US$ 10 billion. The immediate reaction of the markets following the UK's Referendum vote was for the £ to drop by 10% in value against the Euro and in mid-July 2017 its value had depreciated by 13% since mid-June 2016. The UK triggered Article 50 of the EU Lisbon Treaty at the end of March which should mean that the UK will exit from the EU at the end of March 2019 unless there is a unanimous agreement from all parties to extend this period. In approaching the negotiations, the EU-27 has, not surprisingly, taken the stance that a country which decides to leave the EU should not enjoy similar benefits to those enjoyed by an existing Member State. The UK has indicated its intention to leave the EU Single Market nor to be part of the EU's Common Commercial Policy or be bound by the EU's Common External Tariff. This would allow it to establish its own MFN applied tariff schedule and establish FTAs with third countries.

The undoubted complications of the negotiations have given rise to speculation that the 'Brexit date' might have to be extended beyond March 2019. Even if this is not the case, it seems likely that there will need to be some transitional arrangements before the full trading consequences of Brexit are going to impact on the UK and other EU countries. However, there are potentially important longer-term implications for the UK meat and livestock industry - with particular concerns for the British sheep and beef industries; also, major consequences for EU exporters of beef and pigmeat to the UK not least because it does seem likely that third countries will account for a larger share of UK meat imports in future years at the expense of existing EU suppliers.

Early days for assessing impact of 'America First' policy

It is still early days for assessing the trading impact of the 'America First' policy of President Trump. So far, the President has withdrawn the US from the Trans-Pacific Partnership (TPP), and expressed his desire to re-negotiate NAFTA - the FTA between the US, Canada and Mexico, which was concluded in the mid-1990s. He has also commissioned respective reports on significant US trade deficits and trade barriers. His approach to trade policy favours bilateral trade deals rather than agreements with more than one trade partner; in this context, there has been early interest in securing FTAs with Japan and the UK (although any UK/US agreement would have to wait until the UK had exited from the EU).

Two further factors to be taken into account are ***firstly*** the constraints to the President's action which can be applied by the US Congress; under Article 1 Section 8 of the US Constitution, Congress has jurisdiction over international trade. Furthermore, although Congress can delegate negotiating authority to the President for trade negotiations under the Trade Promotion Authority (TPA), there are specific limitations to this delegation. In addition, although there are Republican majorities in both the Senate and the House of Representatives at present, there are Congressional elections due to take place at the end of next year. ***Secondly***, trade agreements have historically taken 3 to 4 years or more to negotiate; with a four-year term of office for the President, there may be a limit to the number of FTAs to be secured before his current period of office finishes.

China's latest five year plan spells out policy priorities

The global trading development for meat in recent years has been dominated by the growth in imports to China. Total meat imports in 2016, including imports into Hong Kong, were 50% higher than five years ago and now account for over 20% of world trade. Future Chinese policies affecting livestock production and trade are therefore of

great significance for major global players. China's latest 5-year plan (2016 – 2020) sheds some light on priorities for the meat and livestock sector. The principles set down for the agricultural sector focus on seven areas: food security, domestic support, agricultural trade, food safety, environmental improvements, improved technology applications, and improvements in the quality of rural life. Of particular interest is the concentration in its domestic policy on supply-side agricultural reforms, environmental protection and food safety.

In relation to trade, the plan seeks to avoid excessive reliance on imports but, at the same time, it aspires 'to build overseas production bases' in addition to pursuing the so-called One Belt One Road (OBOR) policy. President Xi outlined at Davos that 'China stands for concluding open, transparent and 'win-win' free trade arrangements and opposes forming exclusive groups that are fragmented in nature'. It was also seeking to secure agreement for the Regional Comprehensive Economic Partnership (RCEP) which would include ASEAN countries as well as China, Japan, South Korea, Australia and New Zealand. In summary, there is likely to be a movement towards greater access for meat imports into China.

Next Economic Workshop planned for Argentina

The Workshop concluded with an early morning visit to the renowned Rungis International Market on the outskirts of Paris.

Feedback from participants in the Economic Workshop was exceptionally positive and our hosts, Inaporc, Interbev, IFIP and Idele, are to be congratulated on organising such a successful event! At present, the plan is to hold the next IMS Economics Workshop in Argentina in 2019.

Bob Bansback
IMS Advisory Council

GASL alliance for sustainable livestock meeting in Ethiopia

The 7th session of the multi-stakeholder platform, the Global Agenda for Sustainable Livestock (GASL), was held in Addis Ababa from 8 to 12 May 2017. The International Livestock Research Institute (ILRI) served as the host organisation.

After its meeting in Panama last year, the GASL decided to add the future of livestock to the goals of the UN programme. This year the GASL highlighted the practices of sustainable livestock with, among others, the Carbon Dairy and Beef Carbon programmes, which I presented.

Many other initiatives were presented, including other sustainability assessment programmes such as GLEAM, RISE, and IMPACT, developed by the FAO and the ILRI (see the GASL website, www.livestockdialogue.org). But there were also several very different presentations:

- African sustainable livestock 2050 programmes;
- Goat plague eradication programme;
- Improving grassland value to intensify beef production in Vietnam;
- Asia dairy programme;
- Grasslands and nomad and migratory livestock programmes

Once again, a day was devoted to the Sustainable Development Goals in order to define the GASL's focus areas, with the objectives of reducing hunger and poverty, actions for the climate, for healthy food, as well as the important role of women in livestock farming. The development of livestock farming remains a priority for the GASL and its main targets are developing countries, even if problems are also beginning to emerge for developed countries (such as revenues and a greenhouse gas reduction programme).

One session concentrated more on East Africa. Numerous investments are taking place with Indians or companies linked to the Middle East. Ethiopia, Botswana, and Namibia are local or regional exporters and have development programmes

aimed at export or local markets.

The concern over sustainable development on all levels – economic, environmental and social – with the key role that women play in livestock and crop production, was the focus of high-level discussions, since livestock farming in this region represents a major part of these countries' economic activities. One woman, who is a pork producer in Uganda, spoke very intelligently about prices of livestock products and farmers' revenues, as well as the role of women in the livestock sector.

Learning tours were organized so that participants could discover Ethiopian farms, dairies and abattoirs, which are highly integrated into local development with other farmers. Many investors are Indian or foundations and have integrated climate-friendly solutions, such as composted manure for market produce, biogas, irrigation based on recycling abattoir water, etc. The land distribution and appropriations regime was raised at length during these tours.

At the cluster meeting the private sector suggested integrating investors into this GASL platform since they are just as much development players as are governments and privately invested money appears to be more effective. We, the private sector, want to base our intervention on services rendered by sustainable livestock in order to show its value, together with hunger and poverty reduction, but also increased GDP and the inflow of foreign currency in the case of exports and thus to bring money into the livestock sector to invest in our sector, which must develop or renew its stakeholders (livestock and agri-food industries).

At the donor cluster meeting (in which the Confederation Nationale d'Élevage, CNE, is a participant), emphasis was placed on the necessity of finding other donors. Governments presently giving are Switzerland, France, Canada and the Netherlands. The CNE is the principal donor from the private sector. Also present was the Bill and Melinda Gates Foundation, which seemed interested in the GASL.

A forum displaying the GASL's actions was held at the ILRI in the form of open air "fairs" where regular or invited organisations presented their actions or programmes. In addition to the main exhibitors (including the low carbon farms in France), the French National Institute for Agricultural Research (INRA) and CIRAD (Centre for agricultural research and international cooperation for development) also showed their activities. Entities such as Nestle and USAID, as well as foundations and other research organisations, presented their programmes. While these presentations in the form of meetings and discussion were actually very effective, they also posed the problem of how to label actions of the GASL and ILRI's role within it.

At the Guiding Group meeting, which includes the IMS and the CNE, the decision was made to hold the next seminar in 2018 in Mongolia, and in 2019 in either France, Switzerland or Norway, to be decided.

Various Action Networks were discussed:

- Closing the efficiency gap: technologies to increase natural resources
- Restoring value to grasslands: better feeding of animals and carbon storage, protecting biodiversity and water, etc.
- Waste to worth: recycling of effluents, biogas and composts
- Silvo-pastoral systems and agroforestry
- Dairy Asia Partnership: building a sustainable dairy livestock sector in Asia
- LEAP: Livestock Environmental Assessment and Performance

Antibiotic resistance and the need to establish a group on livestock and social development were also raised, as well as strengthening grasslands programmes. Reviewing the animal welfare programme was postponed.

A debate on communications took place, reflecting the desire to strengthen digital and other systems (Facebook, Tweeter, LinkedIn). I proposed examining the relationship to and communications with livestock farmers. As one of the few livestock farmers present in these bodies, I think we must work together with these farmers, who are the key and effective players within these actions. We must therefore make proposals, which could reinforce our presence and our weight in these very political and international bodies.

Emmanuel Coste
Chairman of the IMS Sheepmeat Committee

Water, water everywhere – how should it be regulated?

An Obama-era rule to define "waters of the U.S." earns scorn from the meat industry, business groups, and Trump.

The two foundational laws of environmental protection in the United States are the Clean Air Act of 1970 and the Clean Water Act of 1972. Each has been given much credit by scientists, engineers, political observers, environmentalists, and politicians for helping clean up hundreds of rivers and lakes and for curtailing emission-related problems such as acid rain. Others, however, believe both acts constitute federal regulatory overreach and tie the hands of business and manufacturing. Both acts are administered by the Environmental Protection Agency (EPA).

Of the two, the Clean Air Act bears on the U.S. meat industry only glancingly. But the Clean Water Act has a major influence. Not only does it regulate fluid emissions by meat plants and livestock production facilities, the Act also governs wastewater treatment ponds and any wetlands that may occupy a meat operation's property. In 2015 the Act was amended by what's known as the Clean Waters of the United States (WOTUS) legislation, which greatly expanded the ways in which the Clean Water Act could be used to regulate waterways, wetlands, rivers, ponds, lakes, and even storm run-off.

But this summer, the Trump Administration and its EPA Administrator, Scott Pruitt, which have strongly criticized WOTUS as well as much other environmental legislation, have moved to suspend WOTUS and return the Clean Water Act to its pre-2015 limits.

Following through on a campaign promise

The move has been strongly endorsed by the meat industry, especially livestock producers. "At long last, American landowners will be empowered to appropriately manage their land and waters once again, using common sense and environmental stewardship practices without interference from the government," begins a column by Amanda Radke in *BEEF Daily*. "While Americans may be frustrated by President Donald Trump's erratic and non-sensical tweets, farmers and ranchers can be pleased to know he is at least following through on his campaign promise to end WOTUS."

The National Cattlemen's Beef Association (NCBA) also praised the effort to end WOTUS. "This is another great step in the right direction, and the administration deserves a great deal of credit for injecting some much-needed common sense into our nation's environmental policies," NCBA President Craig Uden commented when the EPA's plan to redefine WOTUS was announced at the end of June. "It's important to remember, though, that this rule isn't dead yet. The rule-making process continues, and NCBA will submit and solicit additional comments on behalf of America's cattle producers so that they finally get the sanity and clarity they need on land use policy."

Republican lawmakers also strongly support WOTUS's end. "WOTUS has never been about clean water, it was about feeding the Obama EPA's insatiable appetite for power. Well that ends now," stated Rep. K. Michael Conway, a Republican from Texas who chairs the House Agriculture Committee. "Today's EPA announcement is an important first step to getting the federal government out of America's backyards, fields and ditches and restoring certainty and integrity to our regulatory process."

Two words

But why so much venom directed at rules designed to further clean up America's waters, which before the Clean Water Act had been so polluted in some areas that some lakes and rivers actually caught fire? The language in the original Act directed the EPA to use the legal authority of the Act to clean up "navigable waters." Though smaller waterways, including brooks and streams and small rivers, always eventually flow into larger bodies of water, the EPA's authority to regulate the smaller waterways was never clear, until WOTUS became law. While WOTUS does not include any actual new rules, it gives the EPA authority to apply Clean Water Act rules to regulate approximately 60 per cent of the streams and wetlands in the U.S., a broad swath of power to control the drinking water of more than 117 million people, or about a third of the U.S. population.

But agriculture and business groups have complained that the WOTUS definition could apply even to drainage and irrigation ditches on private land, and to rainwater run-off from roofs. The meat industry is water-intensive, from raising animals to washing down meat plants, and in general it believes less regulation, rather than more, is preferable.

WOTUS actually came about to clear up a U.S. Supreme Court decision. "Behind the entire high stakes battle are just two words, written by a single [U.S. Supreme Court] justice in 2006. The words were 'significant nexus,' authored by Anthony Kennedy — the swing vote in a muddled 4-1-4 decision that forced the government to rethink how it polices water pollution," reported the online publication Politico last May. "He suggested the government should limited itself to regulating waters that have a 'significant nexus' with major waterways. And as definitive as those words sound, the real problem was — and still is — that nobody has ever known quite what they were supposed to mean." WOTUS, then, was designed to make the meaning clear.

As *Audubon* magazine reported, "The EPA under the Obama Administration argued that the rule makes life easier for businesses, since clearer definitions would give them a better shot of understanding the regulatory issues involved. It also left the rules entirely unchanged for agriculture, adding no new requirements." But Trump disagreed, and the executive order he signed in February to dismantle WOTUS "calls for a policy that balances keeping pollution out of navigable waters with 'promoting economic growth' and 'minimizing regulatory uncertainty.'"

The final irony

Near the end of July, the EPA finally announced its proposed rule to rescind WOTUS, and the publication of the proposal started the clock ticking on a 30-day comment period, which WOTUS-supporting environmental groups have complained is far too short a period to provide informed comments. Nevertheless, "This is the first step in the two-step process to redefine 'waters of the U.S.,' and we are committed to moving through this re-evaluation to quickly provide regulatory certainty, in a way that is thoughtful, transparent and collaborative with other agencies and the public," stated EPA Administrator Pruitt when the proposal was published on July 26.

Ironically, the net effect on meat operations, livestock producers, farmers, ranchers, and everyone else in the U.S. will be negligible if WOTUS is wiped from the law books. As soon as WOTUS was enacted, a flurry of lawsuits sought to kill it, and in one of those lawsuits a judge ordered a stay on WOTUS. As a result of that stay, since 2015 WOTUS has never taken effect.

Steve Bjerklie, Contributing Editor, *Meat & Poultry* Magazine; correspondent, *The Economist*

IMS World Meat Congress 2018



The congress theme is "Trusting in Trade." As usual, there will be an exciting lineup of top speakers. The main questions to discuss include:

- Economics and trade -positives and trade-offs,
- Societal concerns
- Marketing for tomorrow -e-commerce and the packaging revolution.
- Nutrition and aging population -role of science and food
- Global value chains

A full social program is also planned to include a pre-congress golf-tournament and Texas barbecue.