Impact of SPS Controls on Exports

“SPS – The Trade Tactic of Choice”

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International Trade & SPS Controls

• Importance of International Trade for Meat Industry
  – Global Supply/Demand Trends
  – Productivity Gains
  – Importance of International Trade

• Technology, SPS and International Trade
  – WTO SPS Agreement and Codex Alimentarius Commission
  – Public Safety or Protectionism?
  – Example: Beta-agonist Bans in Key Markets (Taiwan, Russia, China, etc.)
  – U.S. “Practice What We Preach”
  – The Role of industry in the discourse
Who Is AMI?
Who We Are

- Represent 95% of red meat and 70% of turkey processing companies in the U.S
- Monitor Legislation, Regulations and Media Activity that impacts our industry
- Governed by our elected Officers, Executive Committee and Board of Directors
- Staffed by 27 professionals.
- Policy Committees
AMI Membership

- Meat packers, processors, importers and exporters: 160 companies.

- Supplier Members: 225 companies.
Importance of International Trade for Meat Industry
Global Supply/Demand Trends for Meat

• Supplies of some meats, especially beef, will be severely constrained due to reduced global animal numbers.

• Per Capita meat consumption is decreasing in the U.S., but demand is increasing rapidly in developing economies.

• New technologies and international trade offer the opportunity to meet the increased demand from emerging markets.
Global Cattle Inventory Trending Lower

Source: USDA PSD
U.S. Cattle Inventory Declining

Source: CME
North American Cattle Inventory Declining Significantly

Source: CME
Global Swine Supplies Stagnant

Source: USDA PSD
Breeding Hog Supplies in North America are Falling

Source: CME
Animal Decline ≠ Less Meat

• Though the global production of livestock animals has been steady or in decline, meat production has increased due to the adoption of innovative technologies.

Reasons for stability in meat production:

• Genetic Improvements and animal husbandry

• Advances in Feed Technology
  – Increased Live Weights (beta-agonists, etc.)
Increase in Beef Productivity

U.S. CATTLE SLAUGHTER & BEEF PRODUCTION, ANNUAL

Source: CME
Emerging Market Demand is Expanding Significantly

• Per capita meat consumption is trending down in the U.S.

• However, more consumers from emerging economies are entering the market, sending prices for available meat supplies higher
U.S. Meat Consumption Declining

TOTAL MEAT & POULTRY CONSUMPTION, PER CAPITA, BONELESS EQUIVALENT

Source: CME

Decline of 12.2%, 2007 thru 2012
More Consumers, Higher Prices

More Money Chasing Fewer Animals

World GDP Growth vs. Growth in World Cattle/Hog Inventories, 2000 = 100%

Source: CME
Emerging Markets Driving Demand

Image: Graph showing meat consumption in China and the United States from 1960 to 2012. The graph indicates a significant increase in meat consumption in China compared to the United States during the same period.
Driver: China's Expanding Middle Class

Source: Global Insight’s Global Consumer Markets Service & FAS China Forecast
Importance of International Trade

• Beef
  – The U.S. exported $5.5 Billion in 2012; 1.1 Million MT
  – Top markets: Canada, Japan, Mexico, South Korea, China/HK

• Pork
  – Exports topped $6.3 Billion in 2012; 2.2 Million MT
  – Top markets: Japan, Mexico, China/HK, Canada, South Korea

• Poultry
  – Exported over $5.5 Billion in 2012; 4.1 Million MT
  – Top Markets: Mexico, China/HK, Canada, Russia, Angola
Importance of International Trade

U.S. meat export values, 1989-2011

Technology, SPS and International Trade
Technology, SPS and International Trade

• New production technologies facilitate efforts to meet surging demand from emerging markets

• International trade becomes increasingly important to ensure available food supplies reach consumers and the U.S. remains competitive in global markets.

• However, use of new technologies in food production may also translate into SPS trade barriers
Regulations enacted to protect human or plant life or health must:
- be based on science.
- be based on international standards, guidelines and recommendations where they exist.
- not arbitrarily or unjustifiably discriminate between countries where identical or similar conditions prevail.

Members have two options to show that their measures are based on science. They may either:
- base their measures on international standards; or
- base their measures on scientific risk assessment.
Public Safety or Protectionism?

- Production technologies are sometimes banned by governments as an excuse to protect domestic industries from foreign competition.

- Due to the technical complexities associated with establishing risk assessments for these technologies, it is difficult to challenge unjustified trade restrictions.
  - Example: China Pork risk assessment

- Challenging technology-related barriers to trade can take years to resolve.
Number of WTO Notifications over SPS Measures
Codex Alimentarius Commission

- SPS standards must either be based on science or international standards.

- Codex Goal: “develop harmonized international food standards, guidelines and codes of practice to protect the health of consumers and ensure fair practices in the food trade.”

- However, there is a concern that some countries may try to circumvent the Codex process to achieve a predetermined outcome.
  - Ex. Negative List
Example: Ractopamine

- Approved by FDA in 1999

- Adopted by 26 countries for use in livestock production (US, Canada, Brazil, Australia, etc.)

- Approved for use by JECFA and other international risk assessment bodies
  - MRL adopted by Codex July 2012, 69 to 67 Vote
  - AMI and NPPC Outreach Effort
Banned by....

- European Union
- Russia
- China

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- Taiwan
  - For pork, but not beef – political reasons
- Japan
  - Though imported products may still contain acceptable MRL
  - Model for purposes of international trade barriers
Effect of Ban...Market Closure

• A ban on Ractopamine can significantly interrupt international trade.

• Examples:
  – Taiwan beef/pork in 2012
  – Russia Turkey ban
Effect of Taiwan Ractopamine Ban

U.S. Beef/Pork Exports to Taiwan by Month (MT)

- 5 Year AVG
- 2012
Effect of Russia Ractopamine Ban on Turkey

• Exports to Russia:
  – Feb. 2012: US exported $954,000 (546MT) of Turkey meat to Russia

• As 2013 goes on, this trend is expected to continue unless this trade restriction is resolved.
U.S. “Practice What We Preach”

- China Cooked Poultry Issue
- BSE Comprehensive Rule
- Country of Origin Labeling (COOL)
What AMI and NPPC are Doing

• Outreach Prior to Ractopamine MRL Vote and support for Codex process

• TPP/TTIP Negotiations – Advocate for Binding SPS Chapter

• Support USG efforts to enforce SPS obligations
  - Ex: Indonesia WTO action
What Industry Can Do

- Educate stakeholders (domestic and foreign) about the role of Codex.

- Advocate for strong, binding SPS measures in free trade agreements.

- Engage emerging markets regarding the importance of new production technologies.
Conclusion

• The global supply/demand situation for meat products suggests a need for increased productivity and technological innovation.

• In order for available supplies to reach consumers, international trade must flow freely.

• However, some countries ban methods or technologies as an excuse to restrict trade and insulate domestic industries from foreign competition.
Questions?