

Trade Issues for the Egg Industry: WTO and OIE

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What's More Entertaining Than Listening to a Speech about International Trade Policy?

- Watching Paint Dry
- A Non-Invasive Medical Exam
- Listening to Your Brother-in-Law Explain the Secret of His Success

Trade and the Egg Industry

- "Trade? What Trade?"
 - Exports/Imports Small Part of Egg Supply & Demand
 - Vast Majority of Eggs Consumed Where Produced

Trade and the Egg Industry

- Some FAO Statistics From 2003 ...
 - World Shell Egg Production:
 - 60,985,484 metric tons
 - (Vs. 59,555,915 metric tons '02)
 - World Shell Egg Exports:
 - 1,056,372 metric tons
 - = 1.7% of production

Source: UN/FAO

Trade and the Egg Industry

- Significant Portion of Shell Egg Trade is Intra-EU
 - EU-25: Exports 618,117 MT
 - EU-25: Imports 598,684 MT
- World Product Exports Also Modest
 - Liquid Egg: 183,012 MT
 - Dry Whole Yolks: 31,989 MT

Source: UN/FAO

Trade and the Egg Industry

- Similar Story for USA
 - 2005 Projections from USDA
 - Exports 200 million dozen
 - 2.6% of Projected Production
 - Follows 2 Years of Declines (AI-Related)

Source: USDA/WAOB, World Agricultural Supply & Demand Estimates

Trade and the Egg Industry

- So Why Should We Care About the WTO?
- Trade Has Been Growing
 - 1990-2001:
 - World Trade in Dried Whole Yolk > Doubled
 - Liquid Egg Trade Rose 40%
 - Shell Egg Trade Grew 10%

Source: *Egg Industry Magazine*

Trade and the Egg Industry

- Further Growth Seems Likely
 - Changes in Husbandry Practices May Shift Regional Production
 - Incomes Will Trend Upward in Developing Countries
- Small Changes in Supply in Domestic Market Have Much Larger Price Effects

Trade and the Egg Industry

- Trade in Other Products Affects Eggs Directly
 - Rising Grain, Oilseed Exports May Raise Prices & Therefore Feed Costs
 - BSE Trade Issues Create Climate of Tension, Alarm Over Animal Health Issues
 - EU Retaliation Against Egg Products in FSC/ETI Dispute
- Yes, We Should Care

World Trade Organization

- Global Trade Negotiations Began in 2001
- "Framework" Agreement Already Reached
- Overall Agreement Possible This Year
- Conclusion of Negotiations in 2006 (?)
- More Than Just Agriculture ...
Manufacturing, Services

World Trade Organization

- One of Youngest International Bodies
 - Supposed to be Part of “Bretton Woods”
 - On Hold for Nearly 40 Years
 - Created in 1995 After Uruguay Round
- Already Has Much More Clout than Old “GATT”
 - Binding Dispute Resolution
 - E.g., U.S. Had to Change Corporate Tax Law

World Trade Organization

- Since 1995, Has Influenced Domestic Farm Policies
- “Three Pillars” of '80s-'90s Uruguay Round
 - Export Subsidies
 - Domestic Support
 - Market Access
- Current Talks Involve Same 3 Pillars

Doha Round

- Began in late 2001
 - Previous Failure in Seattle, 1999
 - Launch at End-'01 Reflected Post-9/11 Geopolitics
- Round = Multi-Year Trade Talks
- Doha = Capital of Qatar, Site of Formal Launch (Most Talks in Geneva)

Doha Round

- “Framework Agreement” August ‘04
 - “Substantial reductions in trade-distorting **domestic support**”
 - Related to Current Production or Price
 - % Cuts to be Negotiated

Doha Round

- “Framework Agreement” August ‘04
 - “Elimination of all forms of **export subsidies**”
 - EU Primary User – Restitutions
 - Disciplines Will Also Apply to Export Credits, State Trading Entities

Doha Round

- “Framework Agreement” August ‘04
 - “Substantial improvements in **market access**”
 - Tariff Cuts (World Average Agricultural Tariff: 62%)
 - Quotas Will Allow More Imports
 - Developing Countries Will Open Markets Less

Doha Round

- Timetable
 - Complete Round in '06 to Beat Expiration of U.S. Law in '07, **so ...**
 - Spend '06 Compiling Individual Country Tariff Schedules, **so ...**
 - **Finish Basic Work by End-'05 (Hong Kong Ministerial in December)**

Doha Round

- Timetable
 - Deals Should be Made Before Hong Kong
 - October-November Cuts It Too Close
 - Nothing Much Happens in August
 - **Basic Agreement Needed by July '05**
 - September Might Still Work

Doha Round

- Timetable
 - Monthly Meetings in Geneva
 - Some Ministerial or Sub-Ministerial Work Among Few Leading Countries

What Impact on Eggs?

- Some Things to Watch ...
- Timetable for Phasing Out Export Subsidies
 - Affects Export Restitutions
- How Much Import Quota Expansion Required?
 - Affects Supply Management
- What About Animal Welfare?

What Impact on Eggs?

- Animal Welfare is a “Non-Trade Concern” in Eyes of Some Countries (= Can Be Discussed in WTO)
- Some Interest (Mostly European) in Animal Welfare as Basis of “Green Box” (Non-Trade-Distorting) Payments
- Could Costs of Husbandry Practices Become Excuse to Restrict Imports?
- Controversial Even Within EU
 - Commission Challenge to Swedish Cage Ban

What's Missing?

- In Poultry and Egg Trade ...
 - What Do Exporters Worry About Most?
 - What Do Importers Worry About Most?
 - Where Do Governments Spend Their Time & Political Capital?
- Avian Influenza!
 - (& Other Animal Diseases)

What's Missing?

- Animal Health is Not Among 3 Doha Round "Pillars"
- Some Countries (Notably USA) Actively Resist Opening "Agreement on Sanitary and Phytosanitary Measures"
- Doha Round Probably Won't Address Animal Health Issues

Avian Influenza

- Despite WTO, A Lot is Happening!
 - Development of National Surveillance, Control Programs (e.g., \$23 Million in '05 USDA Budget)
 - Bilateral Negotiations (e.g., U.S.-Japan Protocol on Liquid Egg Products)
 - Multilateral Consideration of New AI Trade Rules

Avian Influenza

- World Animal Health Organization (OIE)
 - Scientific Standards for Disease Reporting, Testing, Surveillance, Trade Response
 - Recognized by WTO
 - New AI Chapter for Terrestrial Animal Code

OIE and WTO

- WTO SPS Agreement
 - Base Measures on *“international standards, guidelines or recommendations”*
 - For Animal Health, SPS Agreement Defines These as *“standards, guidelines and recommendations developed under the auspices of the International Office of Epizootics”*

OIE and WTO

- OIE has Official Status in WTO Law ...
- But Little Guidance or Case Law
- Still ... When It Comes to International Rules for Animal Health ...
- OIE is Main Authority

OIE: A New AI Chapter

- Currently: Highly Pathogenic Avian Influenza is Reportable
- New Chapter (If Approved): HPAI and H5 & H7 Low Path AI are Notifiable

OIE: A New AI Chapter

- Why a New Chapter?
 - Existing Rules Seen as Outdated
 - Desire for Practical Standards to Govern Trade
 - Later – Asian HPAI Crisis

OIE: A New Chapter

- Expert Committee Formed
 - 1st Draft – Spring '03
 - 2nd Draft – Fall '03
 - Entire Chapter “Under Study” – May '04

OIE: A New AI Chapter

- OIE Will Meet in May
 - Many Observers Expect Approval
 - Revised Draft Now Circulating
 - Asian AI Crisis Creates More Pressure to Show Progress
 - “Under Study” = Not Official but Progress Being Made

What's in the New Chapter?

- Low-Path H5 and H7 Notifiable (and all HPAI)
- Defines "Poultry" as Commercial
- Uses "Compartmentalization"
 - Similar to Regionalization but Not Just Geographic
 - Insecure Backyard Flocks Could Coexist with Secure, Separate Commercial Sector
- Appendix on Surveillance
- Allows Vaccination

Issues Ahead

- Will All Countries Implement Surveillance Programs & Report Accurately?
 - The “Honest Man” Problem
- Will Importing Countries Abide by Guidelines?
 - Compartmentalization vs. Entire Country

Issues Ahead

- If You Test More, Will You Find More?
 - LPAI Can Circulate Without Clinical Signs
- Will Producers be Indemnified?
 - Issue in Implementing U.S. Program
- Will Consistent Rules Help Producers?
 - Notify LPAI Only if H5 or H7
 - Case for Indemnities Stronger if LPAI is Notifiable

U.S. Response

- Congress Appropriated \$23 Million '05
- President Requested \$23 Million '06
- Initial Focus on Live Bird Markets
 - LPAI Circulating in Northeast USA
- Development of Surveillance/Control Program
 - National Poultry Improvement Program
 - USDA Preparing Regulations Now

Principles for Our Industries

- Must Maintain Consumer Confidence
 - Defensible Science-Based Measures
 - Credible Institutions (OIE)
 - Avoid Mutation in HPAI
- Standards Need to Apply Everywhere
 - Can't Just Apply to Developed Countries
 - Importing Countries Have Critical Role

Principles for Our Industries

- Producers Should be Indemnified
 - Encourage Cooperation in Fighting Disease that Can Occur Without Clinical Signs
 - Public Benefits Dispersed, Costs Concentrated
- Cooperation Among Industries Worldwide
 - Industry Involvement Promotes Realistic Regulation
 - Compete on Price, Quality – Not Disease Status