

Agricultural Outlook Forum 2001

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What's at Stake for U.S. Livestock Producers

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Based on a transcription

Thank you, Kevin. I appreciate the opportunity to be here today. Originally, when I was contacted to do this presentation, I said I really think it should be our trade counsel who deals with more of the technical issues. And the response back was, we want someone who speaks plainly, and don't want just a panel of lawyers and trade analysts. So you're going to get a veterinarian's view of trade agreements and how well they work.

One thing I would correct: The program says I'm a Washington representative, and I'm not. I live in Des Moines, Iowa. I've been very adamant that even though we do have a D.C. office, the technical people continue to reside at the main office, where we do programs, we do research, and make sure that the advice that we provide on technical issues is related to the science of the issue.

I will try to convey quite a bit of information in a short period of time. Hopefully I can convey some good information from the standpoint of how producers look at these issues. And, how technical people like myself and at the commodity groups view some of these issues, and how we get involved in trying to address some of them.

Obviously, there have been a lot of good talks in the past about why trade is important to U.S. livestock producers. I think you all heard Phil Seng yesterday give many good numbers, and other speakers talked about the opportunities for the industry. I think you all recognize that trade creates more outlets. And also, for products that do not have a good value in the U.S., many times other markets offer more value.

Another important note that I think some people don't recognize is, when you have a thriving industry, more resources are allocated to it. You have research and development, both by the government and private companies. New technologies flow into your industry that let you provide a better product for the international consumers, but for your domestic consumers as well. And when you have a mature, stagnant industry, you don't have those types of resources providing assistance to producers.

I'm going to do a little bit of a take-off of a David Letterman approach. I'm going to talk about the top 10 producer concerns with trade in the SPS agreement. I want to preface this with saying, while I think there would be broad-based support for the concepts I'm going to raise, I want to emphasize that these are from the pork producer standpoint.

The first concern is transparent market access. Sometimes when agreements are put in place, you think this is the way trade is going to happen. You think the technical issues have been resolved. And then as you start implementing that trade, there are actually differences in how that access was viewed, and it is not as transparent.

Dr. Victor mentioned sound science. This is getting, I think, more and more emphasis. Then the question gets to be: whose science? Is it the majority of the scientists? Is it peer reviewed science?

One of the challenges that we're seeing now is that the science has been brought to the fore. So you actually have people looking for new science, maybe being very aggressive in looking for new science on specific issues, which can be good.

This, I think, is an area that is going to be more and more challenging in the future. I really have to say that using sound science is the only sustainable approach. Once you start down the slippery slope of interconnecting politics and science, where do you stop? I think that's a message not just for our trading partners, but for the U.S. as well.

We have to be extremely careful to make sure that the decisions we make in the science arena are allowed to operate and are brought forward independently of the political process or perhaps the desires at times of producers or the government as well.

When you apply sound science, the principals of economics need to really be a part of this. If you have a competitive and comparative advantage, you will prevail in certain cases, and should. So when you try to avoid science, and try to avoid economics, you go down a path that you really can't find your way out of.

Another concern as we move forward is that the SPS agreement is not the place for social science, or social engineering for a country. If you want to provide some type of rural setting, you find a different way than pushing it through an SPS type of standard. You need to find a way to provide that direct support, but not in a trade-distorting fashion.

I get phone calls from producers asking, "how do we know?" We're allowing trade and products are coming into this country. We put science-based standards in place, but how do we know that there is continued adherence to those standards, that the situation is not changing in the country of origin.

It is very important both for the countries that we provide products for, and the countries that trade with us, that once you put standards in place, you have some credible system to audit them.

I would like to spend a little bit of time on the issue of market segmentation and non-tariff trade barriers, using an example from the U.K. of pig welfare.

Many times we hear, "This is the type of products that our consumers want; it is not protectionist." This is where it gets very difficult to understand exactly what the consumers say they want, and what is a mix of some protectionistic efforts.

Many of you may be familiar with the U.K. example. There were very active, aggressive campaigns between retailers, in very competitive marketplace in the U.K. Retailers were using many quality assurance schemes to help in their competitiveness. There also were structure issues, just as everyone is dealing with, of larger producers and smaller producers.

Retailers said, "Here are the standards we would like to have in place," and producers thought, well, maybe there would be some competitive advantage if I'm a certain type of producer, and the government was brought into it. They created a set of welfare standards across the industry, and put them in place, and the producers incurred much increased cost.

Then, the retailers, while they were buying U.K. product, were also buying imported product at a lower price, because the consumers were still looking for price.

Pig producers then had to picket the retailers to inform consumers that their product was a more welfare-friendly product. I've seen pictures of the producers. Certain stores were targeted that

were buying in product.

The pig producers also did some consumer research and found out that welfare issues were not at the top of the consumer's radar screen as the retailers claimed.

The producers found out that they had to hit this welfare issue head on. So they created a series of ads that talked about conditions in other countries, very in your face production issues about how other countries raised animals compared to their methods.

When those ads were run, they were challenged by animal welfare groups that said, those ads are not still accurate. You still don't do things as you should. The Danish producer organization also challenged the ads, claiming they did not accurately represent what was going on.

Then the ads were banned by an ad-watch group. So now producers are appealing for whether they can use those types of ads. In the meantime, their industry has been under a lot of severe economic pressures to meet welfare standards.

I think it is very important that when consumers make demands, let it happen in the marketplace, let economics deal with that issue. Producers will produce the type of products consumers want them when the market signals are there.

As Kevin said, regionalization is a big issue. We now have trade agreements that permit not just an entire country to have disease-free status, but actually for a region within the country to have that status. I think it's a good opportunity for everyone, if you have a disease in a limited part of the country.

(End of Tape)

DR. LAUTNER: If a country has had a disease, we have 11 criteria that a region or country must meet to be declared disease free. We do not quite have the policy right, I think, because if a country is free, and then has a disease outbreak in a limited area, what are our policy and procedures are to deal with that? That's an area that needs some examination.

Dr. Victor mentioned the science focus for Codex in the OIE. Before, these organizations put out guidelines. But now, with the WTO, they really gained in credibility, and responsibility. So organizations that were created many years ago, such as OIE in 1924, now have a new role and a new emphasis. And you are seeing more political influence coming into the scientific process, because what gets put into standards now has very significant ramifications for countries and the trade.

We heard some discussion already about the dispute settlement process. I think it is a much better process than what was there before. But there still are some things that could be done to streamline it. Producers in this country have concerns with enforcement: what does an agreement mean? When you go through the process and you have a decision, then what happens? As mentioned in the hormone case, we have seen what happens.

So those are the top 10 concerns, or top nine. If we can't address concerns one through nine, then we will revert back to the non-scientific, the political, the illogical types of chaos that we had before.

And that is something, I think, no one wants, whether it's Europe, Asia, or the developing countries. So it's really important that we have a commitment to try to move forward and address these issues together. I would just conclude that agricultural trade that's not based on science is not sustainable agriculture. Thank you.