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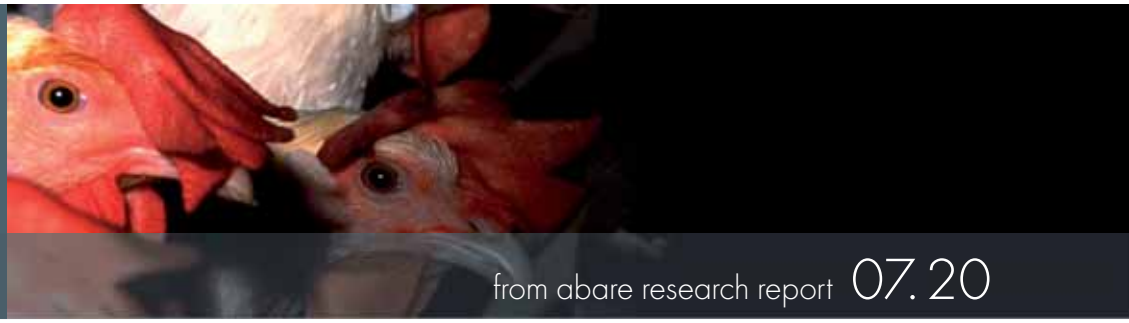


précis

from abare research report 07.20

ASEAN meat exports: the potential economic impact of livestock disease

- Various ASEAN countries have the potential to be competitive exporters of meat to world markets. Their comparative advantage as exporters of meat is based on their use of low cost labour in the labour intensive livestock production industries and meat processing systems.
- Livestock disease outbreaks lower the incomes of household farms and lower the profits of integrated livestock and meat processing systems. Outbreaks result in stock losses, reduce the quality of livestock products and can lower rates of feed conversion.
- ABARE's modelling indicates that an unanticipated outbreak of a livestock disease that reduces livestock numbers would have a high cost to producers. Policy responses to prevent and control livestock disease therefore need to be assessed and implemented.
- It is in the interest of both exporters and importers to find the least cost measures that provide net gains from trade while containing the risk of a disease outbreak.
- Regional cooperation is critical in controlling and eradicating livestock diseases in adjoining countries. If disease management is to be efficient and effective, neighbouring countries must face the same incentives to control and eradicate disease.

livestock industries in ASEAN have developed strongly in recent decades

- ASEAN meat production has increased on average by 4.6 per cent a year over the past 25 years. Rapid economic development of the region and increases in real incomes have driven growth in meat consumption and production.
- Potential ASEAN exporters continue to seek access to world markets for any products in which they may have a comparative advantage – to obtain gains from trade, which are strong drivers of economic growth.

livestock disease is a significant threat to trade in livestock products

- Livestock diseases that have the potential to spread rapidly and cause large damage costs are of particular concern for international trade in animals and animal products.
- A potential importer might impose a trade ban on an ASEAN exporter following a disease outbreak in order to prevent the disease spreading within its borders and imposing similar costs.

ABARE analysis

» ABARE compared a scenario in which there was no livestock disease outbreak in an ASEAN country (the 'reference case') with a range of scenarios in which there was a disease outbreak.

key results – best policy responses to livestock disease

for importers

» Prevention of a major disease outbreak may prove to be the most cost effective policy stragegy.

» Taking action would have benefits if it reduced the likelihood of further disease outbreaks or if there were recurrent damages from the disease.

for countries where exports are a small share of production

» The major direct cost of a livestock disease outbreak would arise from the loss of domestic stock caused by the disease itself.

» Local efforts should therefore concentrate on preventing the disease in the first place and, if that fails, then on controlling the disease.

for countries where exports are a large share of production

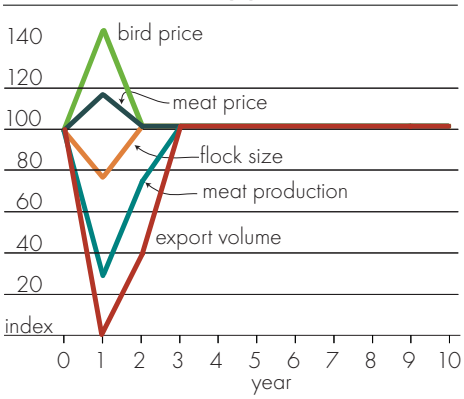
» There are major gains from a policy to control and eradicate disease that allows export markets to be reopened.

» The costs from not being able to export because of inadequate domestic disease control would be high.

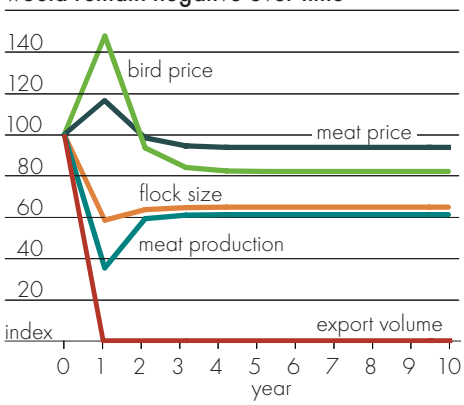
» In other words, industries with the greatest export exposure would have the most to lose from not acting to control disease. This is because export markets would be lost in addition to the direct costs of the disease outbreak.

» The graphs below show the simulated impact of a disease outbreak on the Thai poultry industry (which has a large export orientation) where no trade ban is put in place and where an indefinite trade ban is imposed. Any policy action taken to control and eradicate the disease that allowed a trade ban to be lifted would reduce the costs of the disease outbreak.

with no trade ban, the impact of a poultry disease outbreak in Thailand in year 1 would be overcome by year 3



with an indefinite trade ban, the impact would remain negative over time



Index = 100 is the 'no disease' level of all measures – movements above 100 represent an increase, while those below are decreases.

Report: Thorpe, S., Warr, S. and Andrews, N. 2007, *ASEAN Meat Exports*, ABARE Research Report 07.20 prepared for AusAID, Canberra, November.