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Prospects for cost reductions from relaxing additional cross-border measures related to livestock trade

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ABSTRACT

Compared with the domestic trade in livestock, intra-communal trade across the European Union (EU) is subject to costly, additional veterinary measures. Short-distance transportation just across a border requires more measures than long-distance domestic transportation, while the need for such additional cross-border measures can be questioned.

This study examined the prospects for cost reductions from relaxing additional cross-border measures related to trade within the cross-border region of the Netherlands (NL) and Germany (GER); that is, North Rhine Westphalia and Lower Saxony.

The study constructed a deterministic spread-sheet cost model to calculate the costs of both routine veterinary measures (standard measures that apply to both domestic and cross-border transport) and additional cross-border measures (extra measures that only apply to cross-border transport) as applied in 2010. This model determined costs by stakeholder, region and livestock sector, and studied the prospects for cost reduction by calculating the costs after the relaxation of additional cross-border measures. The selection criteria for relaxing these measures were (1) a low expected added value on preventing contagious livestock diseases, (2) no expected additional veterinary risks in case of relaxation of measures and (3) reasonable cost-saving possibilities.

The total cost of routine veterinary measures and additional cross-border measures for the cross-border region was €22.1 million, 58% (€12.7 million) of which came from additional cross-border measures. Two-thirds of this €12.7 million resulted from the trade in slaughter animals. The main cost items were veterinary checks on animals (twice in the case of slaughter animals), export certification and control of export documentation. Four additional cross-border measures met the selection criteria for relaxation. The relaxation of these measures could save €8.2 million (€5.0 million for NL and €3.2 million for GER) annually. Farmers would experience the greatest savings (99%), and most savings resulted from relaxing additional cross-border measures related to poultry (48%), mainly slaughter broilers (GER), and pigs (48%), mainly slaughter pigs (NL).

In particular, the trade in slaughter animals (dead-end hosts) is subject to measures, such as veterinary checks on both sides of the border that might not contribute to preventing contagious livestock diseases. Therefore, this study concludes that there are several possibilities for reducing the costs of additional cross-border measures in both countries.

1. Introduction

The establishment of the European Union (EU) single market in 1992 has caused European trade in livestock and livestock commodities among member states to

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increase (EU, 2010; PVE, 2011; Bayerische Landesanstalt für Landwirtschaft, 2011). Compared with the domestic trade in livestock, intra-communal trade across the EU is subject to costly, additional cross-border measures, such as clinical examinations and health declarations for live and slaughter animals (McGrann and Wiseman, 2001). Short-distance cross-border transportation requires more measures than long-distance domestic transportation, while the need for these additional cross-border measures with respect to preventing contagious diseases is often questioned by the livestock sector (Product Boards for Livestock, Meat and Eggs (PVE), personal communication).

In the past few decades, additional cross-border measures (extra measures that only apply to cross-border transport) have been implemented in addition to routine veterinary measures (standard measures that apply to both domestic and cross-border transport) to prevent, monitor and control contagious livestock diseases. These additional cross-border measures were essential to allow trade within the EU single market because of large differences in veterinary status among EU countries (McGrann and Wiseman, 2001). Furthermore, at the time these additional cross-border measures were introduced, the production structure of livestock differed from the current structure, meaning that smaller farms transported small batches of animals across borders. This meant that cross-border transportation was more complicated and riskier than it is currently: several batches of animals from different farms were needed to fill trucks and the tracking and tracing of animals were less well-developed than they are currently. This has resulted in less transparent transportation (Jan Klaver, personal communication). EU-wide tracking and tracing systems such as Traces,[1] which record the cross-border trade of livestock, did not exist (Blancou, 2001).

More recently, there are fewer differences in the veterinary status of EU countries (Brückner, 2011) and the livestock production structure has changed into a region-specific one that often extends beyond borders, resulting in significant cross-border trade and mutual dependencies between producers and consumers across these borders (Hop et al., 2012a). Livestock transports proceed – either via gathering places or not – to just one destination farm, and the loading of additional animals along the road is no longer allowed (McGrann and Wiseman, 2001). Tracking and tracing systems are used to check for this.

As a consequence of the abovementioned changes, it is worthwhile examining the rationale of several additional cross-border measures because large savings may be achieved. This is especially worthwhile for neighbouring countries with similar veterinary status that rely heavily on cross-border trade, such as the regions of Germany (GER) and the Netherlands (NL), and GER and Luxembourg. Taking the latter case as an example, Luxembourg has no poultry slaughterhouses, resulting in a large number of cross-border transports in which slaughter animals are clinically checked on both sides of the border within 15 min.

Veterinary policy makers need to examine the rationale and potential cost-saving possibilities of changing the existing additional cross-border measures, without compromising either the economic advantages of cross-border trade or the avoidance of veterinary risks (Brückner, 2011).

In this paper, the cross-border region of NL and the two German states of North Rhine Westphalia (NRW) and Lower Saxony (LS) is used as an example to show the prospects for cost reductions from relaxing additional cross-border measures (region: Fig. 1). This region is a large and highly integrated livestock production area. For instance, 81% of the NL's total exported fattening pigs went to German slaughterhouses in 2010, 95% of which went to NRW and LS (PVE, 2011). Additionally, 52% of the NL's exported piglets went to GER in 2010, 84% of which were exported to NRW and LS (PVE, 2011). Over the years, this has resulted in mutual dependencies between producers and consumers across borders. Because the overall veterinary status of the three regions is similar (OIE, 2012), the NL–NRW–LS region is a useful example for investigating the impact of relaxing certain additional cross-border measures.

To the best of our knowledge, this is the first peer-reviewed study that examines opportunities for reducing the impact of existing additional cross-border measures at a detailed level and calculates the cost savings of these reductions. Various studies have addressed the impact of routine veterinary measures and additional cross-border measures on intra-communal trade across the EU (Ammendrup and Füssel, 2001; McGrann and Wiseman, 2001), within the US (Thornsbury et al., 1999) or on developing countries' exports (Henson and Loader, 2001; Neeliah and Goburdhun, 2010). However, these studies only mention routine veterinary measures and additional cross-border measures at a highly aggregated level. They neither quantify the related costs at a detailed level nor investigate the implications for the different groups of stakeholders.

Therefore, the objective of this study was to examine the prospects for cost reductions from relaxing additional cross-border measures related to trade within the cross-border region of NL-NRW–LS.

2. Materials and methods

2.1. Inventory of routine veterinary measures

An overview of both routine veterinary measures and additional cross-border measures was needed in order to examine the prospects for cost reductions. However, such an overview was not available and details of the measures themselves, such as which animal type they were applied to, were especially lacking. Therefore, an inventory of measures was made for the three main animal categories in the region of NL–NRW–LS: commercial pigs, cattle and poultry (PVE, 2011). Products from animal origin like milk and eggs were not considered because EU legislation is identical for transport within and among EU countries.

[1] Traces is an intra-trade system for the cross-border trade of animals. It allows the relevant authorities of different member states to inform each other of the cross-border movements of animals submitted to veterinary certification.