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activities on the competitiveness of European livestock producers in a
globalized world

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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND
THE COUNCIL**

**On the impact of animal welfare international activities on the competitiveness of
European livestock producers in a globalized world**

1. INTRODUCTION

The European Union (EU) has always been at the forefront in developing a solid and science-based legislative model on animal welfare. The Commission from earlier on understood that, to be sustainable, such a model should also be disseminated internationally.

Promoting animal welfare and fair competition globally remains one of the Commission's priorities on animal welfare.

The overall objective of the Commission's international activities on animal welfare is promoting EU values regarding animals, to raise awareness and encourage globally, particularly with EU-trading partners, high animal welfare standards, reflecting the EU model and principles. Improving animal welfare standards globally also contributes to ensure a level playing field between EU and non-EU operators.

In 2012, within its **EU Strategy for the Protection and Welfare of Animals 2012-2015**¹ the Commission decided to continue its international activities on animal welfare.

The Commission outlined the need to include animal welfare provisions in bilateral trade agreements or to establish other forms of cooperation, as well as develop concrete collaboration with non-EU countries.

The Commission also wanted to remain active in the multilateral arena, especially at the World Organisation for Animal Health (OIE) and the Food and Agriculture Organisation of the United Nations (FAO), as well as in the framework of the European Neighbourhood Policy.

The EU Strategy foresaw the adoption of this report. It constitutes an important step to take account of the international activities^{2,3,4} conducted in the last 15 years in the area of animal welfare.

2. OBJECTIVES

This report aims at reviewing the main international activities on the welfare of food producing animals carried out by the Commission with the support of the EU Member States.

It evaluates their outcomes in promoting animal welfare standards globally and analyses how they have contributed to ensuring a level playing field between EU and non-EU operators.

The report aims therefore at identifying the activities and policy instruments that have been most effective in terms of outcomes over the period 2004-2016.

This report is based on the "*Study on the impact of animal welfare international activities*"⁵ (referred later as "the study"). It also takes into account the study "*Assessing farmers' cost of compliance with EU legislation in the fields of environment, animal welfare and food safety*"⁶. This later study is not dedicated to animal welfare but contains relevant information for this report.

¹ COM(2012) 6, final/2.

² COM(2002) 626 final.

³ COM(2006) 13 final.

⁴ *Evaluation of the EU Policy on Animal Welfare and Possible Policy Options for the future*, https://ec.europa.eu/food/sites/food/files/animals/docs/aw_arch_122010_full_ev_report_en.pdf

⁵ <https://publications.europa.eu/en/publication-detail/-/publication/dc039353-ca9c-11e7-8e69-01aa75ed71a1/language-en/format-PDF/source-49926262>

⁶ https://ec.europa.eu/agriculture/sites/agriculture/files/external-studies/2014/farmer-costs/fulltext_en.pdf

3. INTERNATIONAL ACTIVITIES

The Commission's international activities on animal welfare take place both at multilateral and bilateral level.

Multilateral activities refer to the activities carried out in the framework of international inter-governmental organisations operating on a worldwide basis (e.g. OIE, FAO).

Bilateral activities refer to the cooperation with individual or regional groups of non-EU countries like Mercosur. Such cooperation can take place in the framework of trade agreements, or in other forms of cooperation (see Annex II).

The **key instruments** to increase awareness on animal welfare are training and capacity building initiatives, such as the Better Training for Safer Food⁷ (BTSF) program and the Technical Assistance and Information Exchange instrument (TAIEX)⁸, EU research programs⁹ and targeted projects.

3.1. GENERAL CONSIDERATIONS

In 1995 the Council mandated¹⁰ the Commission to conduct negotiations with a view to conclude agreements with non-EU countries on sanitary and phytosanitary measures, including on animal welfare related to trade.

With the exception of standards at slaughter¹¹, EU animal welfare standards apply only to EU production and not to imported products. Furthermore, when live animals are exported, only certain requirements on animal transport are applicable outside the EU territory¹². For other EU animal welfare standards the Commission has limited power to influence non-EU countries. Animal welfare has not been explicitly recognised as trade relevant under the General Agreement on Tariff and Trade (GATT). Consequently, animal welfare-related provisions included in trade agreements mostly relate to cooperation and not to compliance with given requirements. The EU achievements in this area depend on the degree of willingness of non-EU countries to cooperate.

3.2. MULTILATERAL ACTIVITIES

These activities are aimed at supporting the development and adoption of international standards by the OIE and cooperating with the FAO.

The **main objectives** of the activities with the OIE are to:

1. Ensure that OIE animal welfare standards reflect to the extent possible the EU principles and model;
2. Build consensus with non-EU countries to adopt these standards;
3. Promote and support the implementation of the OIE standards in non-EU countries;
4. Use the OIE standards as the basis to reach common understanding on animal welfare with non-EU countries.

⁷ https://ec.europa.eu/food/safety/btsf_en

⁸ https://ec.europa.eu/neighbourhood-enlargement/tenders/taix_en

⁹ <http://ec.europa.eu/research/index.cfm?pg=sitemap>

¹⁰ Directives for the negotiation of Agreements between the European Community and Third Countries concerning sanitary and phytosanitary measures.

¹¹ Article 12 of Regulation (EC) No 1099/2009 on the protection of animals at the time of killing.

¹² Judgment of the Court of Justice of the EU in cases C-424/13 and C-383/16.

Since 2002, the Commission and the EU Member States have been working with the OIE at each step of the **standards setting process** as well as during their **implementation** by the OIE Member countries.

The **main contributions** by the Commission are:

1. Involvement in the **standard setting process** through its participation to working groups and by providing EU coordinated positions;
2. Provision of financial support and co-organisation of OIE training events to facilitate the **implementation** of international standards;
3. Supporting the development and implementation of **OIE regional strategies** on animal welfare.

All the EU Member States are members of the OIE, while the Commission has an observer status. In the **standard setting process**, at an early stage, the Commission contributes to relevant OIE's experts groups¹³. Once the standards are presented for adoption, the Commission contributes through the "one-voice" EU coordination mechanism. The Commission indeed plays a key role in order to present EU common positions at each consultation step and at the moment of adoption of the standards by the OIE.

In addition, the Commission contributes to facilitate the **adoption** of the standards by coordinating positions with OIE non-EU member countries. The Commission also supports OIE member countries in the standards setting process by, for example, organising regional seminars for OIE animal welfare focal points. Furthermore Commission's cooperation projects¹⁴, dedicated to the reinforcement of veterinary services, supported the regional coordination among African countries and their involvement in the OIE standards setting process.

Since 2002, as a result, **14 international standards on animal welfare** as well as guiding principles were adopted (see Annex I). Furthermore the EU managed to achieve a notable degree of alignment between OIE and EU animal welfare standards in most areas¹⁵.

As regards **standard implementation**, the Commission has supported the development of knowledge and skills among the competent authorities of non-EU countries members of the OIE. Since 2004, the Commission has also financially contributed to the organisation of global and regional OIE initiatives, and has been part of the committees outlining the objectives and programs of such events. The Commission's activities have facilitated the implementation of OIE standards in non-EU countries in particular at slaughter and on transport.

At regional level, the Commission facilitated the development of **OIE Regional Animal Welfare Strategies**¹⁶ and has co-financed the organisation of events in the five OIE regions. The Commission funded the activities of the OIE Platform on Animal Welfare for Europe where it plays a key role in steering priorities and outlining the Platform's activities¹⁷.

¹³ A Commission's representative was member of the OIE Working Group on Animal Welfare.

¹⁴ E.g. Sanitary and Phytosanitary Standards Setting Organizations project (PANSPO), study p.42

¹⁵ OIE standards for pigs and laying hens are under development.

¹⁶ A Commission's representative was observer at meetings of the Coordination Group of the Regional Animal Welfare Strategy for Asia, the Far East and Oceania.

¹⁷ OIE Platform on Animal Welfare for Europe focuses on OIE standards on transport, slaughter, and on stray dog population control.

In 2017, a milestone was achieved when the OIE adopted, with the support of the EU, **its first global strategy on animal welfare**. Indeed it promotes animal welfare as part of other key social values such as socio-economic development and sustainability. Furthermore the OIE strategy is based on development and implementation of science-based standards, capacity building, education, and multi-stakeholders dialogue. This approach is in line with the EU vision and principles on animal welfare.

The Commission has also cooperated with **FAO** in organising **capacity building events**, promoting animal welfare as a public good and a component of sustainable production. In this context, the Commission contributed to milestone events, such as the first "*FAO Expert meeting on capacity building to implement good animal welfare practices*¹⁸". The Commission has also contributed to the development of the FAO Gateway to Farm Animal Welfare, a virtual multi-stakeholder knowledge exchange platform¹⁹. The Gateway, for which the Commission is part of the Editorial Board, contributed to raise awareness on animal welfare globally, including on Commission's initiatives.

3.3. BILATERAL ACTIVITIES

The **main objectives** of the bilateral cooperation are to:

1. Raise awareness and establish a common understanding on animal welfare;
2. Share technical knowledge;
3. Support the partner country in developing and implementing animal welfare legislation and standards based on the EU or OIE model and principles;
4. Discuss topics on animal welfare with impact in trade between the parties.

The **main instruments** used by the Commission to reach such objectives are:

1. Conferences and international events;
2. Training workshops or experts missions;
3. Common research programs, targeted to the local context ;
4. Technical assistance.

The first bilateral trade agreement with an explicit reference to animal welfare was signed with Chile²⁰ in 2002. Since then, cooperation on animal welfare has been included in most of bilateral trade agreements²¹ including sanitary and phytosanitary matters and has been consistently proposed in all ongoing trade negotiations.

The Commission has also established cooperation outside trade agreements (see Annex II).

OIE standards are often used as basis to reach common understanding with non-EU countries. Indeed these standards provide a widely accepted framework to initiate and develop cooperation with non-EU countries²².

¹⁸ FAO Headquarters, Rome, Sep-Oct 2008, <http://www.fao.org/ag/againfo/themes/animal-welfare/>

¹⁹ <http://www.fao.org/ag/againfo/themes/animal-welfare/en/>

²⁰ In the Sanitary and Phytosanitary Chapter of the Association Agreement with the EU.

²¹ The EU-Mexico Veterinary Agreement is under renegotiation.

²² E.g. the formal cooperation with Argentina and Brazil refers to OIE standards. Work done on bilateral basis has always been based on OIE standards.

The inclusion of animal welfare in bilateral trade agreements has always been at the EU request. Within or outside trade agreements, the bilateral cooperation has achieved concrete results over the years. Working groups between EU and its partners (e.g. Chile and New Zealand) are often established to define annual work plans with corresponding actions. As a result, Chile has developed a full body of national legislation on animal welfare, New Zealand and Canada have set up equivalence on animal welfare at slaughter.

Short term projects have also achieved tangible results such as the actions²³ implemented since 2014 under the EU-Brazil Sectorial Dialogue Instrument in the context of a Memorandum of Understanding on animal welfare. Overall, these actions can be considered as having influenced the attitude of farmers and industries on the debate on animal welfare, leading them in some cases to engage in animal welfare voluntary commitments, such as on the group housing of sows²⁴.

3.4. RESEARCH, TECHNICAL ASSISTANCE AND CAPACITY BUILDING ACTIVITIES

Research activities

The Commission financed 15 projects²⁵ concerning animal welfare under the Sixth and Seventh Framework Programs, involving research institutions from non-EU countries. Among them, the Welfare Quality®²⁶ was the first major EU project on animal welfare which established a long-standing scientific network between EU and non-EU countries.

Furthermore, since 2004, EFSA has been producing scientific opinions on animal welfare which the Commission promotes in non-EU countries. The Commission has also facilitated exchanges between EFSA's experts and scientists from partner countries (e.g. New Zealand, Chile).

Both activities have contributed to provide the scientific basis for the development of international animal welfare standards and guidelines.

Technical Assistance and Capacity building activities

The **BTSF Program** and **TAIEX** are the main instruments for capacity building. Additionally, **twinning projects** have been used in the context of the Neighbourhood Policy.

The BTSF program targets officials in non-EU countries exporting food and animals to the EU. The trained officials are then responsible to disseminate the acquired knowledge and implement cascade trainings.

The BTSF has been delivering capacity building to non-EU countries through:

1. BTSF World, dedicated and organised in non-EU countries, such as regional workshops²⁷ and Sustained Training Missions²⁸ ;
2. Integration of non-EU officials into training sessions organised for the EU;

²³ Study p. 48-50.

²⁴ Study p. 48 and <http://sectordialogues.org/> .

²⁵ Study p. 29.

²⁶ The project accounted for 14.6 million EUR EU contribution.

²⁷ Canada, China, Chile, South Korea, Thailand, Brazil, Costa Rica, Sri Lanka.

²⁸ Thailand, Malawi, Lesotho, Chile, Brazil.

3. E-learning modules.

The topics covered by the BTSF have ranged from basic scientific principles to specific EU legislation and OIE standards on animal welfare, in particular on slaughter and transport. Between 2004 and 2015, BTSF World activities dedicated to animal welfare reached around 1.000 participants from non-EU countries.

TAIEX supports the administration in all candidate and neighbourhood countries for the approximation, transposition and enforcement of EU legislation²⁹.

Between 2004 and 2015, TAIEX funded over 60 animal welfare projects, with over 40 workshops and 16 expert missions. A successful example of these workshops has been the one which took place in Lebanon³⁰, in 2015. The workshop, organised in cooperation with the OIE, aimed at improving animal welfare during transport and at slaughter.

In the period reviewed, animal welfare was included in twinning projects in particular with Balkans countries and Ukraine.

3.5. IMPACT ON COMPETITIVENESS

This section assesses to which extent animal welfare international activities have contributed to improving the level playing field at global level between EU and non-EU producers.

The study has evaluated the competitiveness of EU sectors influenced by animal welfare standards as well as the impact of compliance of animal welfare standards on four key dimensions of competitiveness:

1. Productivity and cost competitiveness;
2. Market access;
3. Trade distortions;
4. Capacity to innovate.

The methodology applied for the analysis of competitiveness has been based on four key sources of information: i) available literature, ii) interviews with EU business associations, iii) trade flows, iv) two dedicated surveys targeted at EU and non-EU operators in selected non-EU countries.

Based on the limited number of responses to the surveys, it seems that EU and non-EU operators have a very different perception of the impact on competitiveness of animal welfare standards.

Productivity and cost competitiveness

The results of the surveys suggest that the compliance with animal welfare legislation/standards implies higher production costs for operators regardless of their geographical position.

As regards **competitiveness on the EU and international markets**, the study highlighted significant differences between EU and non-EU operators in their perception of competitiveness factors. On one hand EU operators consider that the animal welfare legislation puts them at a significant disadvantage for their costs and market shares within and

²⁹ Study p. 36.

³⁰ Multi-beneficiary workshop on animal welfare at the time of slaughter, 9-10 March 2015, attended by Lebanon, Turkey, Jordan, Palestine, Egypt and Algeria.

outside the EU. Non-EU operators on the other hand do not see the differences in animal welfare standards as a source of advantage for them. In fact the study found that in most cases costs of compliance with animal welfare legislation are relatively low when compared to other production costs (such as feed and labour). For egg and egg products the study found evidence suggesting that differential in animal welfare standards could cause trade diversion and product relocation. However, this has hardly materialized yet for imports into the EU, because of concurrent sanitary and phytosanitary requirements.

Literature^{31,32,33} indicated that costs advantages in some non-EU countries are mainly due to feed and labour costs as well as availability of natural resources. Differences in animal welfare standards seem to have a much lower impact³⁴. For example the literature on broiler production shows that in countries such as Brazil and Thailand competitive advantages are mainly due to lower feed and labour costs and more favourable climatic conditions³⁵. In brief, in the vast majority of cases non-EU operators will remain more competitive even if EU animal welfare standards were applied, due to more favourable structural conditions.

However, despite the fact that the EU pig and poultry meat sectors are subject to comprehensive animal welfare legislation, they remain net exporters for a number of market segments. Over the period considered in the report, the EU has strengthened its position as the leading exporter of pig meat at world level³⁶. Furthermore, the EU ranks third among the leading world exporter of poultry meat but is also a major importer of poultry products. Likewise the EU is one of the biggest exporters of eggs and egg products with around 25% of the total trade in 2013-2015³⁷. The EU meanwhile is a minor player in areas not regulated by species-specific EU legislation and, in particular, is a net importer of beef and sheep meat. At the same time, one of the leading world exporters of sheep meat, New Zealand, has high animal welfare standards.

Hence, animal welfare standards are not a key driver of competitiveness on the world market as other factors strongly influence competitiveness (such as proximity of market, other production factors, the type of market segments or the existence or not of trade agreements).

Notwithstanding the above, growing consumer perception of the EU's sustainable production methods – including high animal welfare standards – can and does improve the market position of EU products.

Overall EU and non-EU operators seem to have a different perception also on the impact of animal welfare standards on **productivity**. Non-EU operators report a higher productivity resulting from compliance with animal welfare legislation, while EU operators reported the opposite. Both considered that compliance with animal welfare legislation has a positive impact on **product quality**.

³¹ Footnote 6.

³² *Study on the stunning/killing practices in slaughterhouses and their economic, social and environmental consequences,*
https://ec.europa.eu/food/sites/food/files/animals/docs/aw_arch_report_parti_en.pdf

³³ *Study on various methods of stunning for poultry,*
https://ec.europa.eu/food/sites/food/files/animals/docs/aw_practice_slaughter_study_stunning_poultry_en.pdf

³⁴ Study p. 143.

³⁵ Study p. 118.

³⁶ Study p. 134.

³⁷ Study p. 137.

Market access

The majority of both EU and non-EU operators indicated that compliance with animal welfare legislation and standards helped accessing **new market outlets**.

A different perception exists on the **access to non-EU markets** due to animal welfare related factors. While more than half of the non-EU respondents reported an improved access to international markets, EU respondents denied such improved access.

Compliance with EU animal welfare requirements at slaughter contributed to equal conditions of access to the EU, and to reduce the gap between exporting countries and the EU. In addition, non-EU operators consider that such compliance has positive impacts in terms of access to premium exports markets other than the EU. This shows that the global promotion of Union standards on animal welfare represents an opportunity to valorise the market value of products obtained under such standards. This is indeed one of the objectives of the EU Platform on Animal Welfare³⁸.

Trade distortions

The study detected two potential cases of trade distortions deriving from differences in animal welfare legislation applied between EU and non-EU countries. It concerns eggs and eggs products and live bovine exports.

As regards eggs and eggs products, the study³⁹ shows that the delayed implementation of EU requirements for laying hens in Neighbourhood countries, in particular in Ukraine, could have caused EU operators cost disadvantages. However, they have not materialized in trade distortions in the market for table eggs because of concurrent sanitary factors (e.g. equivalent salmonella control system) that did not allow exporting to the EU. Distortions in the market for egg products remained limited in size due to delayed implementation of quotas.

Concerning trade of live bovine to non-EU countries⁴⁰, EU operators perceived that animal welfare standards could distort long transport of animals (particularly by sea). However, the study found no conclusive evidence that different animal welfare standards on sea transport have impacted on trade flows, or damaged the EU competitive position in the case studies analysed.

Capacity to innovate

The study shows that it was difficult to quantify the economic importance of the market of animal welfare friendly products. Data were often not available and other components (e.g. environmental sustainability) were combined with animal welfare both in the marketing of the products and in the perception of consumers.

4. CONCLUSIONS

1. The Commission has a cooperative approach to promote animal welfare on the international scene.

³⁸ Commission Decision C/2017/0280 OJ C 31, 31.1.2017, p. 61.

³⁹ Study p. 87, 93, 154.

⁴⁰ Study p. 92, 93, 154, 167.

2. Animal welfare international activities are a **long-term investment**, based on three subsequent steps: **awareness raising, capacity building and funding**. Over the years, the Commission has allocated significant resources to such initiatives.
3. The Commission, with the EU Member States, has played a **prominent and decisive role** in raising global awareness on animal welfare and significant results have been achieved.
4. The Commission is strongly committed to international trade based on values as highlighted in the "Trade for All" strategy⁴¹. It recognises that promoting animal welfare is important.
5. The EU animal welfare standards have had a **lighthouse effect** and often represented a source of inspiration for voluntary industry initiatives on animal welfare.
6. The Commission has succeeded in **putting animal welfare in the dialogue** with many non-EU countries.
7. At **multi-lateral level**, the activities carried out with international organisations have promoted the EU model on animal welfare in a high number of non-EU countries.
8. The EU has played a **pivotal role** in promoting and supporting OIE activities. In particular, the EU has been a **major contributor to the OIE standards setting process** and has been proactive in fostering active participation by several non-EU countries.
9. The Commission has also played a **key role** in the implementation of OIE standards in non-EU countries, in particular on animal welfare at slaughter and during transport.
10. Bilateral cooperation has **improved the welfare conditions** of farmed animals in some non-EU countries. It has facilitated the implementation of EU import requirements on animal welfare standards at slaughter.
11. The Commission's research, training and capacity building activities have reached thousands of professionals. This has substantially **increased the knowledge and skills on animal welfare** and has supported the implementation of animal welfare policies and standards in beneficiary countries.
12. Animal welfare standards have a **limited impact overall on the competitiveness** of EU producers on world markets.
13. **Overall costs of compliance with animal welfare standards** remain **very low** when compared to other production costs that affect global competitiveness and influence world trade patterns.
14. The global promotion of Union standards on animal welfare contributes to the long term objective to improve animal welfare in the world and reduce unfair trading practices. It is also an opportunity to better **valorise the added market value** of products obtained under such standards.

⁴¹ COM(2015)497.