

Animal Welfare in Production Agriculture: An Economic Perspective

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David Blandford

Professor of Agricultural and

Environmental Economics

dblandford@psu.edu

Welfare standards

■ Legislative approach

- European Union uses this extensively
- Individual pens and tethers for calves prohibited in 1998
- Battery cages for laying hens to be prohibited by 2012
- Individual stalls for pregnant sows and tethers to be prohibited by 2013
- Proposed legislation for broilers
- Transportation standards and slaughter standards
- Higher welfare standards imposed in some countries, e.g., Sweden

Standards – current US status

■ Legislation

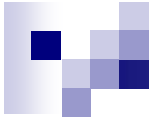
- No comprehensive legislation covering the rearing, handling and slaughter of farm animals
- Animal welfare legislation typically excludes farm animals
- Increasing number of bills introduced into the U.S. Congress
- Considerable activity at the state level, e.g., Florida, Arizona, Oregon, Colorado on veal crates and gestation crates; California (Proposition 2)

Standards – current US status

- Voluntary (developed by industry)
 - Major increase in activity in this area
 - Food service and retailers as major driver, e.g., laying hens
 - “Scientific” codes of practice
 - Independent auditing
 - Users of products decide whether to take action against non-conforming producers
 - Voluntary labeling

Drivers of change

- Consumer and public attitudes
 - Less pressure for change than in Europe, but still a factor – role of activist groups
 - Protection of ‘brand capital’ a key issue for the food industry
 - Link between animal production methods and human health – a major future driver?
- International developments
 - International standards (OIE)
 - Protection of export markets

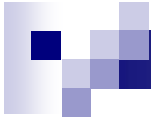


Issues in changing standards

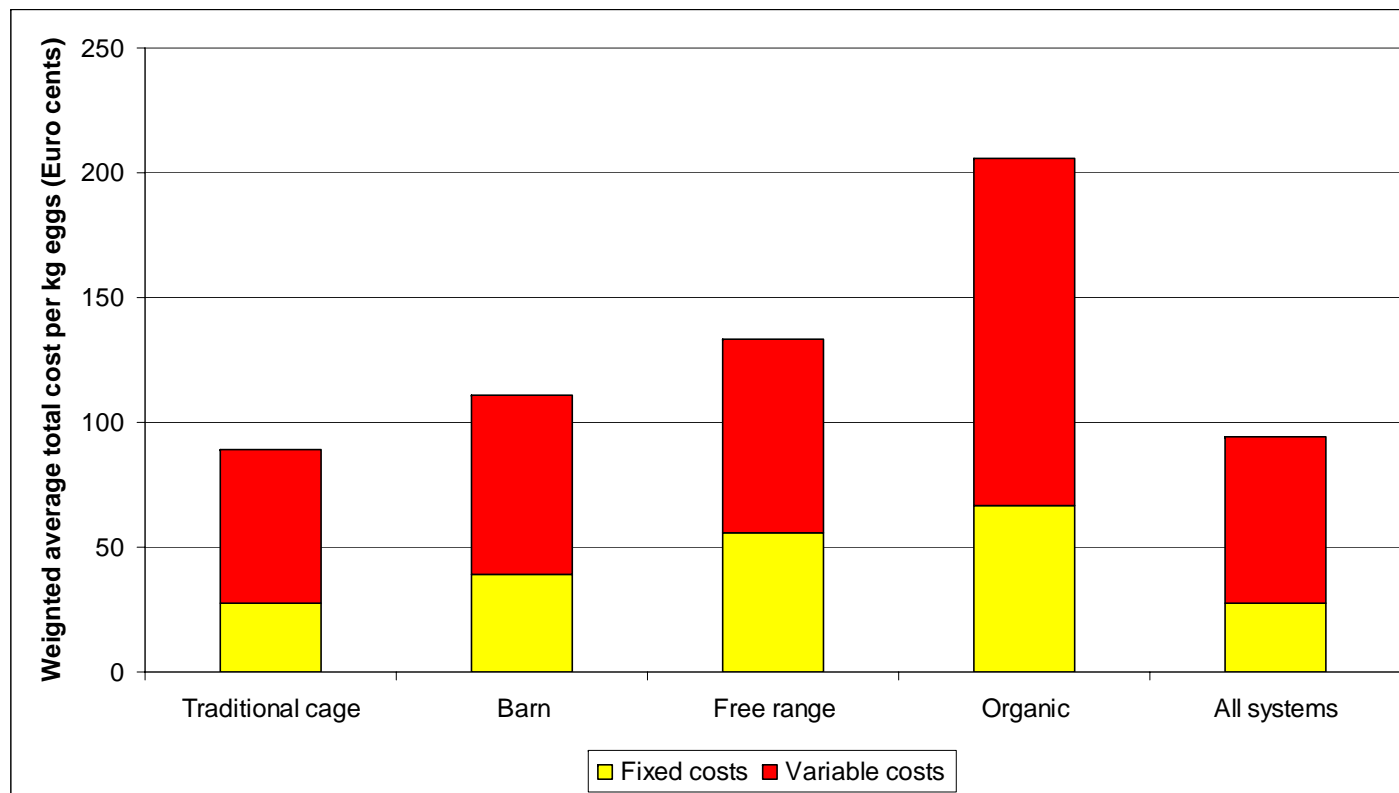
- Practices questioned – mostly associated with animal confinement and intensive production, e.g., space for laying hens, use of sow and veal crates
- What approach to use?
 - Balance between ethics and science
 - Balance between legislation and collective action

Economic issues

- Will higher standards increase production costs?
- How will consumers respond?
 - Willingness to pay?



Cost increases – eggs in Europe

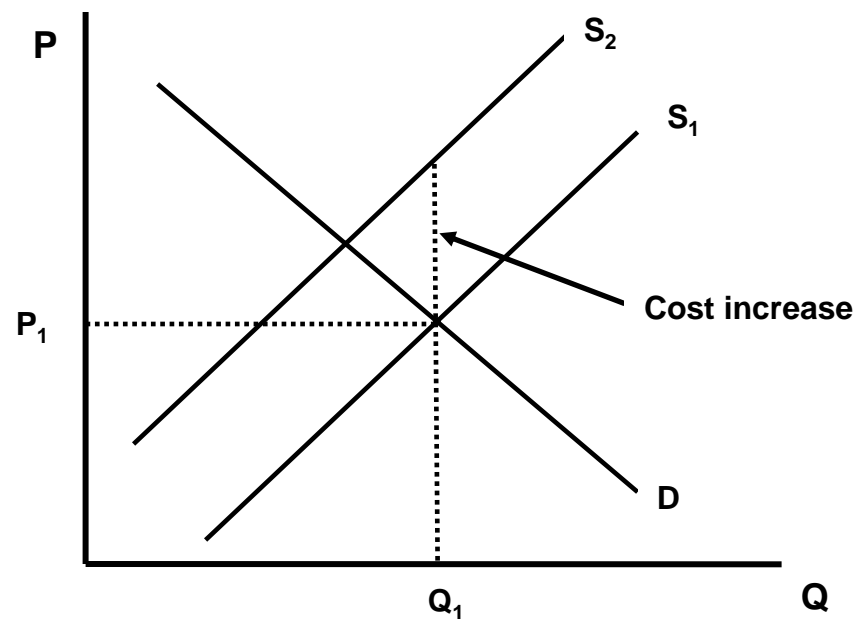


Source: Agra CEAS Consulting Ltd. 2004

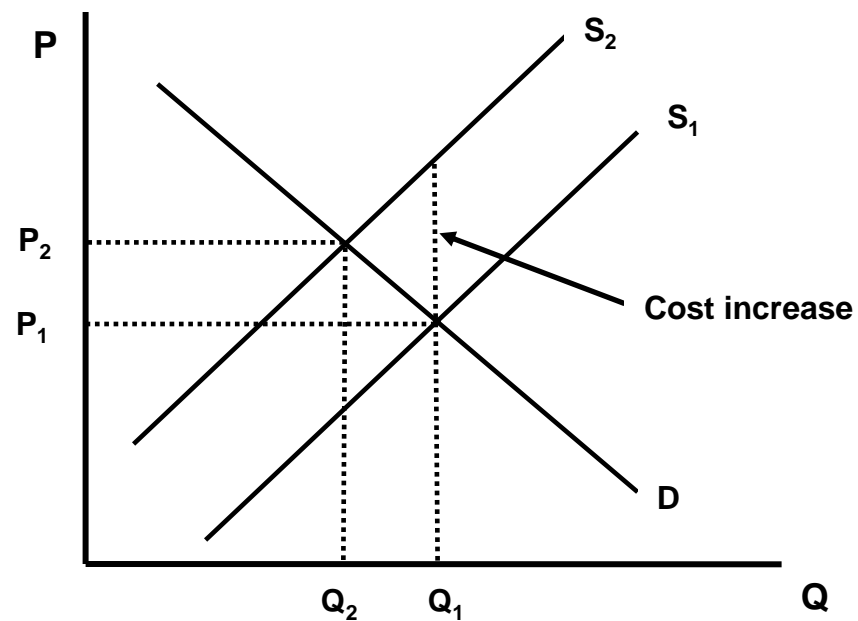
Economic issues

- Will average production costs increase?
 - Feed
 - Labor
 - Mortality rates
 - Facilities
- Could the increase in costs be smaller over the long-run?
 - Induced technical change

Market impact

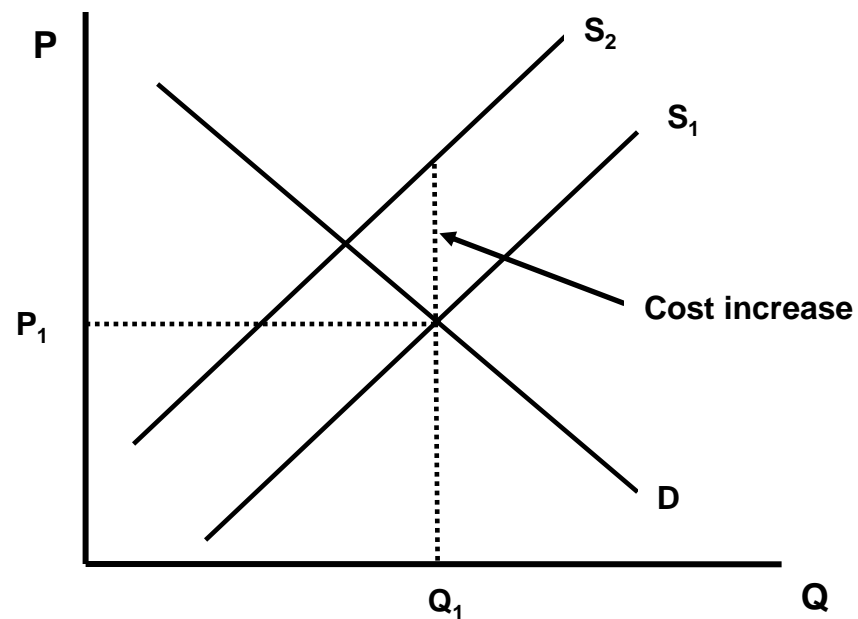


Market impact

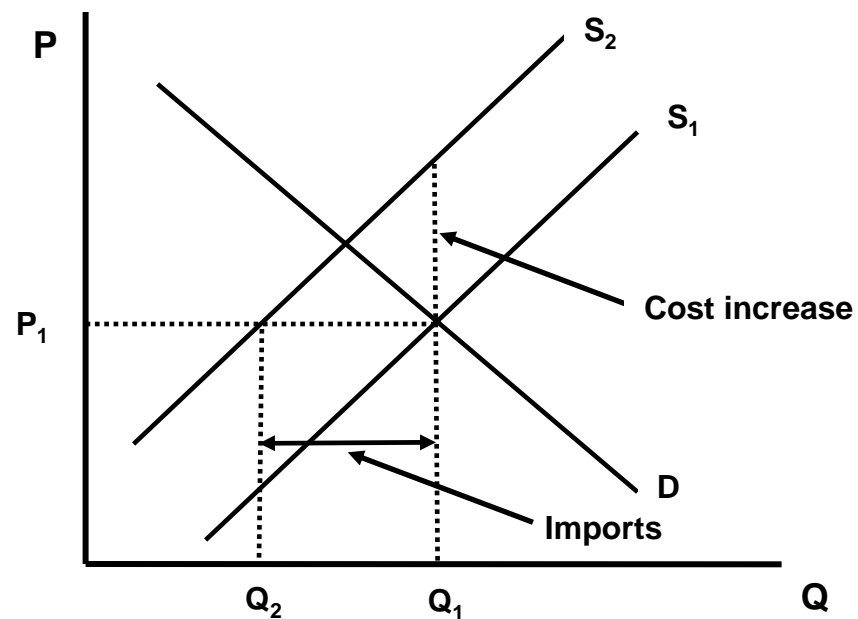


Consumers pay higher prices.
 Producers have lower profits.

Market impact with trade



Market impact with trade



Consumers switch to non-conforming imports.
Producers have significantly lower profits.

Dealing with economic issues

- Product identification
 - Labeling – assumes consumers will pay
- Assistance to offset higher production costs – limited by WTO agreements
- International trade policy
 - Trade restrictions – limited by WTO agreements
 - International standards – OIE

Strengthening the collective approach

- Improve the flow of information
- Develop and apply uniform codes of practice – but have limited effect if there are no costs for not following these!
- Strengthen research and education efforts

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