Animal Welfare in Production Agriculture: An Economic Perspective

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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

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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

Cost increase
Market impact

Consumers pay higher prices. Producers have lower profits.
Market impact with trade

Cost increase

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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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