



## Executive Summary of 'The Value Chain for Poultry'

The objective of the Asia-Pacific Economic Cooperation (APEC) Food System is to ensure the long term availability of food, at affordable prices, to all consumers. The food sector can then contribute to sustainable growth and development in the region. The poultry industry is an important food sector that has become increasingly sophisticated as the level of economic development has increased. The purpose of this study is to suggest ways to improve the efficiencies of the poultry value chain and to build sustainable competitive poultry industry. The recommendations contained in this report are based on best-management practices and are identified from reviews of the poultry industry from industry participants in several economies. This study examines six of the poultry value chain's constituent links: logistics, finance, tariff and non-tariff barriers, production and processing, food safety, feed grain distribution and poultry transportation and distribution. Recommendations are given for best management practices for each of the examined links.

Tariff and non-tariff barriers issues are the main focus of APEC leaders, who announced their commitment to achieve free and open trade and investment in the Asia Pacific region by year 2020. Although this study does not analyze the domestic agricultural policies that motivate tariff and non-tariff barriers, it reveals that with the exception of Australia and Hong Kong, China, all PBEC economies employ one or more tariffs on poultry, poultry feedstuffs or poultry products. In addition, several economies employ various non-tariff measures to protect their markets. The year 2020 objective is for all barriers to trade to be eliminated. A variety of problems have been afflicting the world economy since the outbreak of the Asian currency crisis, causing protectionist pressures to mount. This trend towards protectionism could aggravate the present world economic order. PBEC expresses its concern on any protectionism trend against the liberalization of the world economy.

While the long-term objective is for barriers to be eliminated (both tariff and non-tariff), it is NOT recommended that governments discard their sanitary and phytosanitary requirements that are implemented to protect the general health of consumers. These sanitary standards, however, should be based on science and agreement of international experts. Adoption of science-based sanitary requirements will provide assurance to consumers and governments that food products are subject to the best monitoring systems. Additionally, borders should be legally enforceable (so that contracts and intellectual rights can be enforced) and transparent (so that customs etc., are as efficient as possible).

In order to reach the "zero" tariff objective, it is important that each economy identifies its potential weaknesses and strengths in all areas of the poultry value chain. Once trade barriers are reduced, each economy can take advantage of other economies comparative strengths and strengthen its own position in areas where it identifies itself as potentially competitive. Given a timetable appropriate for each level of development, open trade benefits all economies.

Less developed economies should concentrate their efforts on developing their capital markets and transportation infrastructure, which are needed for their poultry industry and their economy to grow. Also needed are standards to quantify profitability, which will allow the industry to identify its weaknesses and strengths. Economies should concentrate on better organizing their poultry industry across production and processing units, and standardizing

their production at each stage of the production process. Special attention should be given to feed grain, which is the most significant cost in poultry production.

## RECOMMENDATIONS

Since, in the Pacific Basin, the poultry industry in some economies is more developed than in others, some of the recommendations will be presented for each of three levels of industry development (nonintegrated, semi-integrated, and integrated). Other recommendations are more applicable to all markets and are not segmented by level of development. Some of these recommendations are best implemented by industry, others by governments. Again, the purpose of these recommendations is to suggest solutions to inefficiencies in the poultry value chain.

### Logistics

#### ***Non-Integrated Markets***

- Improve surface, air and sea transport infrastructure.
- Improve communication infrastructure.
- Develop logistics and transportation sub-contractors.

#### ***Semi-Integrated Markets***

- Privatize key transportation and communication sectors.
- Continue to invest in transportation infrastructure and in transportation and logistics service providers.
- Develop employment and educational initiatives in logistics professions and logistics education.

#### ***Integrated Markets***

- Support the globalization of the key logistics inputs to the poultry industry – ocean shipping, air transport, and logistics service providers.
- Encourage privatization initiatives in port and airport management.
- Continue to invest in transportation, logistics service and communications infrastructures.
- Continue to support professional and educational institutions that promote and educate logistics professionals.
- Use and develop logistics firms to consolidate and coordinate transportation and logistics subcontractors into single customer facing entities.
- Invest in point of purchase inventory management software and communications.
- Continue to improve logistics process coordination between retail outlets and poultry producers.
- Continue to improve the internal logistics processes of the poultry producers as they apply throughout the supply chain of the fully integrated firm.

### Financing

#### ***Non-Integrated Markets***

- Improve capital market and credit access policy in order to decrease the costs of capital for producers.
- Develop standards to quantify profitability.
- Invest in retail and processing businesses.

#### ***Semi-Integrated markets***

- Continue to progress toward capital and currency liberalization.
- Invest in mass mechanizing of food products.
- Invest in firms whose business models expand from simple poultry processing to full scale integrated poultry supply companies.
- Support private sector firms that facilitate distribution of credit to processed poultry suppliers, transportation service suppliers, and mass market food retailers.

#### ***Integrated Markets***

- Invest in the consolidation of the retail and poultry supply industries.

- Facilitate financing of industry consolidation.
- Carefully control working and investment capital.

### **Trade**

- Progressively reduce tariffs in PBEC economies in order to achieve a “zero” tariff policy as already committed to by the APEC Leaders.
  - Eliminate unreasonable, non-scientific based sanitary and phytosanitary regulations while maintaining the vigilance over food products to maintain consumers health and welfare.
  - Imposed regulations should be based science-based data and technology and subject to agreement and review by an international body of experts in this field.
  - It should be clearly understood that it is NOT recommended that governments abandon any concern or responsibility over the general health and welfare of its citizens.
- Develop effective commercial law systems.
  - Create enforceable intellectual property rights.
  - Create mechanisms for contract enforcement.

### **Production and Processing**

- Facilitate the availability of low cost feed ingredients.
- Upgrade the nutritional value of raw feed materials.
- Support measures to mitigate high financing rates.
- Encourage reliable sources of poultry housing and housing equipment coupled with good after sales service.
- Help resolve environmental concerns.

### **Food Safety**

- Encourage collection of reliable information about food safety issues.
- Set performance standards in poultry products for food borne diseases such as *Salmonella*, and *E. coli*.
  - Standards similar to those suggested by HACCP (Hazard Analysis Critical Control Points Programs) could be implemented.
  - Standards should allow industry to place different priorities on price of the product, quality and health aspects of the product in response to consumer demand.
- Modernize production processes.
- Develop more rigorous product labeling guidelines that follow international standards.
- Provide consumers with better information about food safety issues in the home.

### **Feed Grain Distribution, Poultry Transportation, and Distribution**

- Set policies and do research to encourage the supply of feeds that are:
  - Easy to use, uniform in nutrition levels, and consistent in quality and grain size.
  - Tasty, satisfying and easily digestible for poultry.
  - Made from safe feed ingredients (not contaminated by salmonella or agricultural chemicals).
  - Inexpensive, based on, for example, increased investment in deep-water ports.
- Distribute poultry and poultry products in such a way that maintains freshness and quality.
  - Make distribution channels as simple as possible
  - Invest in cold storage transportation infrastructure.
  - Streamline quarantines, customs, and clearance systems