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Industry perspectives and preparedness for regionalization

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Introduction

Maintaining and enhancing US opportunities for export of pork is critical to US producers. One of the key elements in our ability to export pork is the health status of our swine herds. Currently, the health status of the animal population within a country is viewed as the same—without recognition of the differences that may exist within regions of the country. Countries including the US are moving to assign health status for purposes of trade based on regions within a country. This allows more opportunities for trade in the event of a disease outbreak in one clearly defined region of a country.

Overview

Signatory countries to the Uruguay Round Agreement and the North American Free Trade Agreement (NAFTA) agreed to base their plant and animal health import requirements on scientific evidence. Previously, US regulations restricted the importation of animals and animal products based on whether a particular disease exists in any part of the foreign country from which the animals or animal products originate. However, both the Uruguay Round Agreement and NAFTA provided that member countries should recognize the concepts of *regions* with regard to their disease status. The Animal and Plant Health Inspection Service (APHIS) defines a region as “any defined geographic land region identifiable by geological, political, or surveyed boundaries.” The implementation of regionalization requires taking a more scientifically rigorous approach to recognizing differences in disease prevalence within a country.

Current status of regionalization

On October 28, 1997, APHIS published a final rule outlining the procedures for recognizing regions, rather than only countries, for the purpose of importation of animals and animal products into the US. This regionalization policy meets US obligations under trade agreements. The policy allows a single country to have many regions with different risk characteristics and different import requirements. The regionalization rule extends to ruminants, swine, poultry, birds, equine, and their products.

In the final rule, APHIS outlined the information that must accompany each request for approval to export animals or animal products to the US. Eleven factors have been established for consideration. They include the following:

- Veterinary infrastructure
- Disease status
- Disease status of adjacent regions
- Active disease control programs
- Vaccination status of the region
- Separation from higher risk regions
- Movement controls
- Livestock demographics
- Disease surveillance
- Diagnostic laboratory capabilities
- Emergency response capability

Based on the information provided for each risk factor, the region will be assigned to one of the following five risk categories:

- Negligible risk
- Slight risk
- Low risk
- Moderate risk
- High risk

Once APHIS has received the necessary information to conduct a risk assessment, evaluated the risk, and believes the importation can be safely allowed, a proposed rule to discuss how the decision was reached and to allow the importation will be published. The public will then have an opportunity to comment on the regionalization request. APHIS also provides the supporting documentation submitted in a region's application through electronic means.

Under regionalization policies, countries would no longer be able to state that they do not have a disease based on no reported occurrences, but instead, they will need to have a surveillance system that proves they do not have

the disease. This will help address some of the trade barriers experienced in the past by US pork producers.

While the final rule describes how the US will view other countries importing animals or products to the US with regard to regionalization, it is expected to be the model that will be adopted by other countries. The US is the first government to put forward a regionalization plan. While this was being developed, APHIS took into consideration that it would most likely be applied to the US if we had an outbreak of a foreign animal disease in one region of the country. By developing this document, the US has provided a framework for countries to continue to accept animals and products from disease-free areas of our country, thereby minimizing the effect of a foreign animal disease introduction on our exports.

To date, APHIS has applied regionalization concepts to allow the importation of fresh, chilled, or frozen pork from Sonora under specified, controlled conditions. Recently, APHIS has published two proposed rules to allow importation of pork and pork products from Yucatan and to allow recognition of regions in the European Union where Classical Swine Fever (CSF) is not known to exist and where pork and pork products may be imported into the US under certain, specified conditions.

Pork producers perspective on regionalization

The National Pork Producers Council (NPPC) supports the concept of regionalization. It is hoped that the APHIS approach will be accepted as the international model for adoption of regionalization concepts. In addition, NPPC urges APHIS to ensure transparency in the process of how countries are regionalized, to provide adequate resources to carry out thorough reviews of applications, to substantiate assurances of the country's disease control infrastructure, to conduct in a scientifically sound manner the needed risk assessments, and to continue to consider other less well-known diseases that may exist in a country but not be present in the US.

NPPC, after an extensive review of the documentation provided by Mexico and APHIS, is generally supportive of allowing the importation of pork and pork products from Yucatan with certain restrictions. However, in written comments, NPPC posed several questions on the provided information that will need to be addressed prior to publishing the final rule.

With regard to regionalization of the European Union for CSF, NPPC is currently reviewing the submitted documentation and will be providing comments to APHIS. Of concern are the continued cases of CSF in certain parts of Europe and the potential spread with pig movements to other regions and countries prior to its detection and implementation of appropriate control measures.

It is important to recognize that while applying regionalization concepts to other countries does open the door for more "free trade," US pork producers will greatly benefit from worldwide acceptance of the concept of regionalization. For the US, this means that countries will no longer be able to justify banning all US agricultural imports into their country due to an isolated US disease outbreak. It will be incumbent upon the US trade representatives to see that the US is treated in a fair manner in that event.

The only current example for the US pork industry of how regionalization may work for US producers is the December 1998 decision by Canada to allow slaughter swine to enter Canada from states in Stage IV or V of the National Pseudorabies (PRV) Eradication Program. NPPC has worked with APHIS since 1995 to provide information to Canadian government and industry representatives on the status of the PRV program. While the regulations allowing this movement were published in December, they were not functionally feasible. It is expected that modifications will be released in the very near future.

Preparedness for a foreign animal disease

Increases in international air, land, and sea travel; implementation of "free trade" practices; illegal animal importations; and bioterrorism all provide potential routes for entry of a foreign animal disease. Just as individual farms establish biosecurity guidelines to keep certain domestic diseases from entering their herd from other herds, the US must have a comprehensive nationwide biosecurity system to prevent the introduction of foreign animal diseases from other countries. Both government and industry have a role in the implementation of this biosecurity system.

Animal industry groups, State animal health officials, and Federal officials have been concerned about the nation's ability to prepare for and/or respond to emergency disease situations. Because of this concern, the Animal Agriculture Coalition (of which NPPC is an active member) in early 1996 facilitated the formation of a Working Group on National Animal Health Emergency Management which has evolved to be the National Animal Health Emergency Management Steering Committee. The Steering Committee is composed of animal agriculture industry associations, APHIS, State veterinarians, and the American Veterinary Medical Association. Key activities of the Steering Committee include development of a Strategic Plan for State, Federal, and industry cooperation, workshops for industry and State and Federal animal health officials, development of a State Self-Assessment Form, and review of the November 1998 foreign animal disease test exercise.

The Steering Committee believes that a sense of shared responsibility between the animal industries, practitioners, and State and Federal government animal health officials should replace the attitude of emergency management being solely a Federal responsibility. Each partner must accept their responsibility in the four key areas of emergency management: prevention, preparedness, response, and recovery. Industry, for example, in the area of prevention has responsibilities to provide input in development of import policies, pass on information on health status of other countries that it receives, develop priorities for research, and solicit funding for prevention activities of Federal and State governments. In the area of preparedness, industry must encourage producer participation in reporting of diseases, participate in test exercises, and disseminate educational information on foreign animal diseases to its members. During a response to a foreign animal disease, industry must be an active participant in the decisions that need to be made with regard to quarantine zones, disposal methods, and use of vaccines and in communication to producers, the public, and Congress. Producers must be involved in the recovery phase by assuring appropriate availability of indemnity funds and providing feedback to improve future responses.

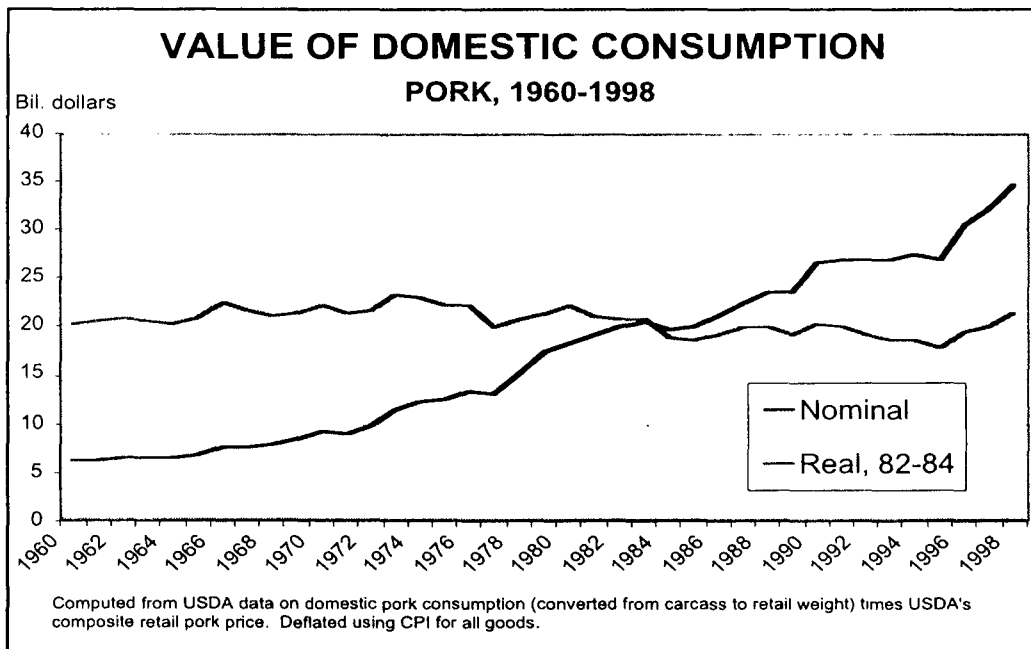
NPPC also participated in a Working Group on Research and Diagnostic Needs for Animal Health Emergency Preparedness and Response. The objectives of the Working Group were to review the current emerging and foreign animal health research and diagnostic programs, determine future animal health research and diagnostic needs, and develop strategies to meet these needs including fund-

ing, facilities, and staffing. Foreign animal disease research and diagnostic development are key components to the national strategy on emergency management. It is critical that the appropriate research and diagnostic capabilities are in place. NPPC participated in 1998 in reviews of the foreign animal disease research at the Plum Island Animal Disease Center and the diagnostic programs at the National Veterinary Services Laboratories (NVSL). NPPC is supportive of the new joint plan to address the facility needs at the National Animal Disease Center and NVSL at Ames.

In addition, to these efforts, NPPC is represented on the Secretary of Agriculture's Advisory Committee on Foreign Animal and Poultry Diseases. This Committee reviews current capabilities and makes recommendations for improvements. NPPC has also developed biosecurity information for use by producers who host international visitors to ensure all precautions are taken. Additional educational information and research on biosecurity measures are being developed by a Biosecurity Working Group in conjunction with the American Association of Swine Practitioners. NPPC is participating in the development of a strategic and operational plan for addressing an outbreak of CSF in the US.

NPPC is continuing to educate the public and Congress that investing in foreign animal disease prevention is not just a producer issue, but is in the best interests of protecting the efficient, inexpensive food supply currently available to US consumers. NPPC supports a line item in the APHIS budget specifically for emergency manage-

Figure 1



ment. In addition, NPPC has encouraged efforts to enhance our current border inspection procedures and US Department of Agriculture efforts to work with foreign animal diseases in countries that pose a potential threat to US herds such as Haiti and the Dominican Republic. NPPC views foreign animal disease research and diagnostics as a top priority. NPPC supports development of a CSF research program in addition to the current foreign animal disease research programs.

Conclusion

The occurrence of a foreign animal disease such as CSF, African Swine Fever, or Foot-and-Mouth Disease in US swine herds would devastate the pork industry. It is critical that all precautions are taken by the industry and government to protect US swine herds from the incursion of a foreign animal disease. If prevention efforts fail and a foreign animal disease occurs in the US, significant efforts must be made to rapidly control the disease and provide information to other countries to allow trade to continue to take place through regionalization.

Figure 2

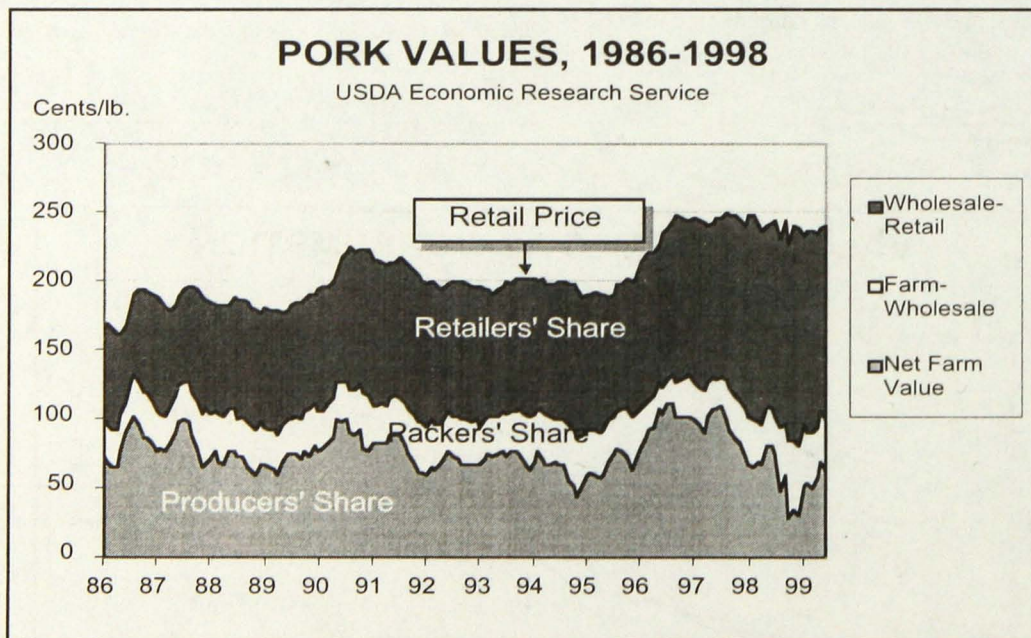


Table 1

Planned Growth as of April 1998

Number Marketed	1997-1998	1997-2000
1,000 - 1,999	13	10
2,000 - 2,999	7	7
3,000 - 4,999	14	14
5,000 - 9,999	18	30
10,000 - 49,999	22	40
50,000 - 499,999	26	110
500,000+	11	41
1,000+ Producers	16	37

Source: 1998 Pork Industry Study (NPPC, PIC, Land O' Lakes, DEKALB, Univ. of Mo., Iowa State Univ., Pork '98)

Figure 3

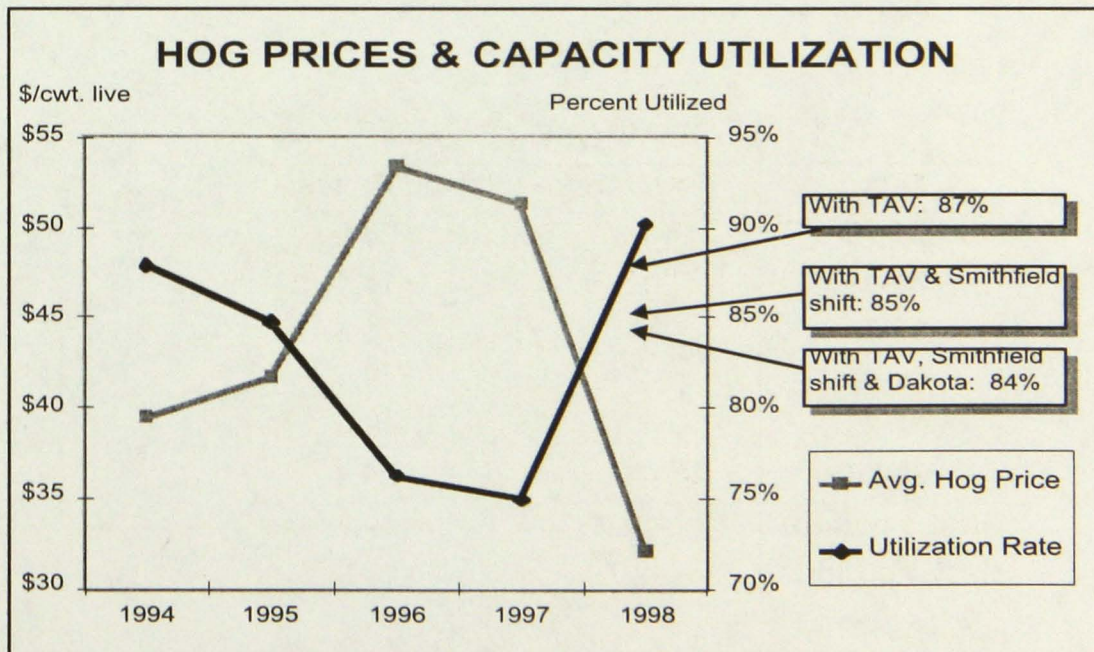


Table 2: Production and price changes in expansion phases of the hog production cycle, 1978-98

Years	Percent Change	
	Production	Hog Prices ³
78-79 ¹	+15.6	-23.7
82-83	+7.1	-16.5
87-88	+9.2	-19.9
91-92 ²	+7.7	-16.4
93-94	+3.7	-15.4
97-98	+10.1	-39.7
First 4 periods	+9.9	-19.1
Last 2 periods	+6.9	-27.6

¹Beef prices up 24% ²Beef prices up 6% ³Deflated prices

Table 3: Production and price changes in contraction phases of the hog production cycle, 1978-98

Years	Percent Change	
	Production	Hog Prices ¹
74-75	-16.7	+28.8
81-82	-10.2	+18.4
85-86	-4.9	+11.9
89-90	-2.9	+18.1
92-93	-1.0	+4.4
95-96	-4.1	+24.8
First 3 periods	-10.6	+19.7
Last 3 periods	-2.7	+15.8

¹Deflated prices

Figure 4

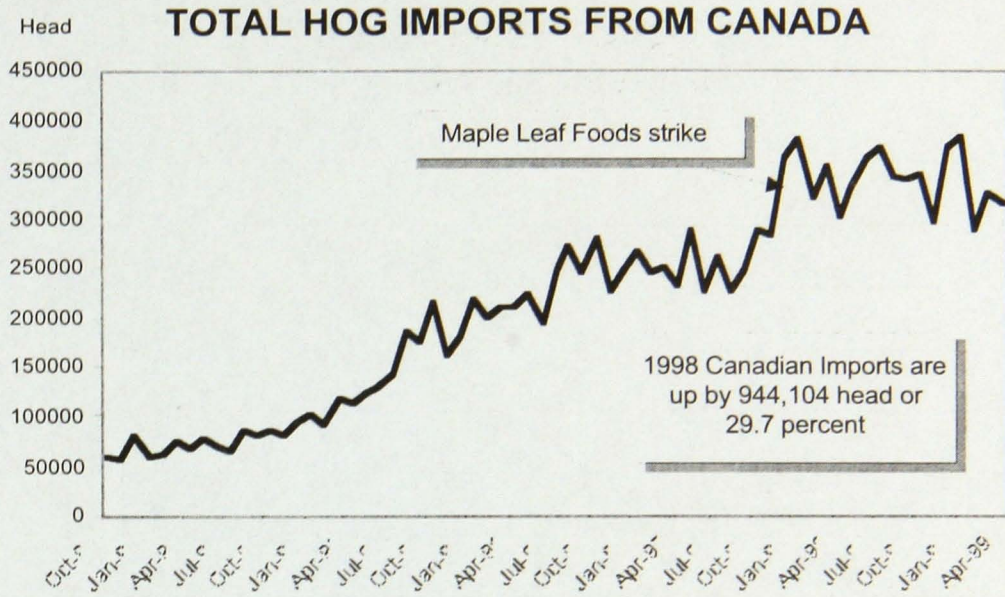


Figure 5

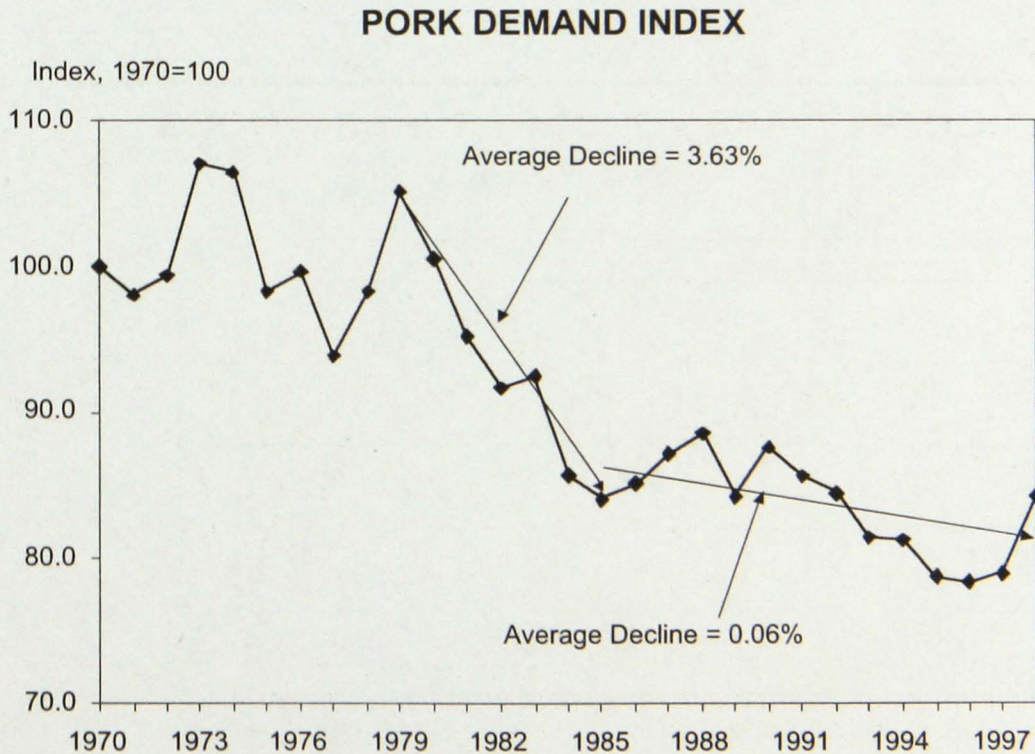


Figure 6

U S PORK EXPORTS
Carcass Weight, Annual

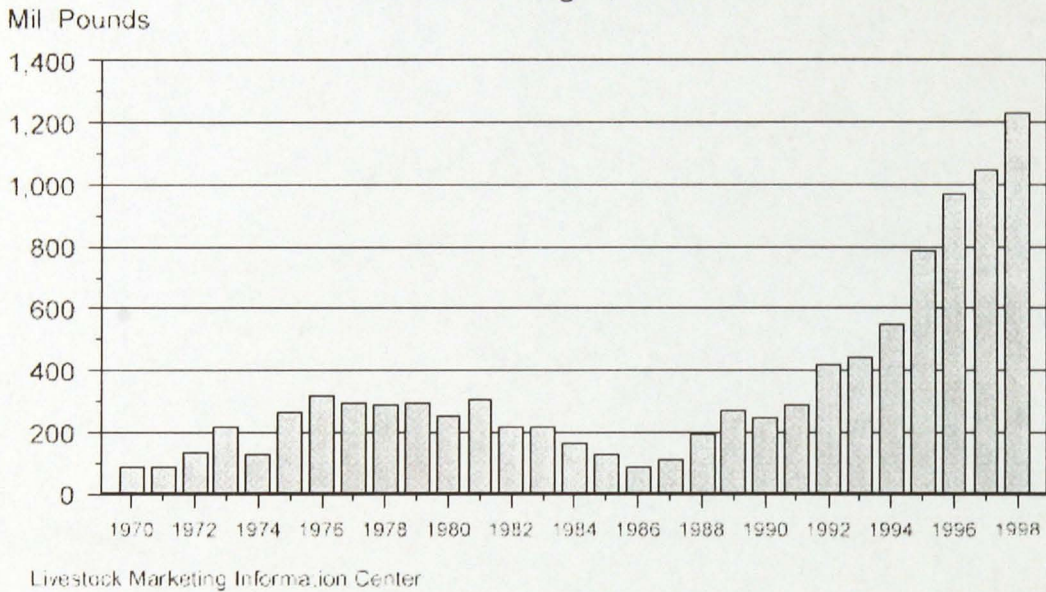
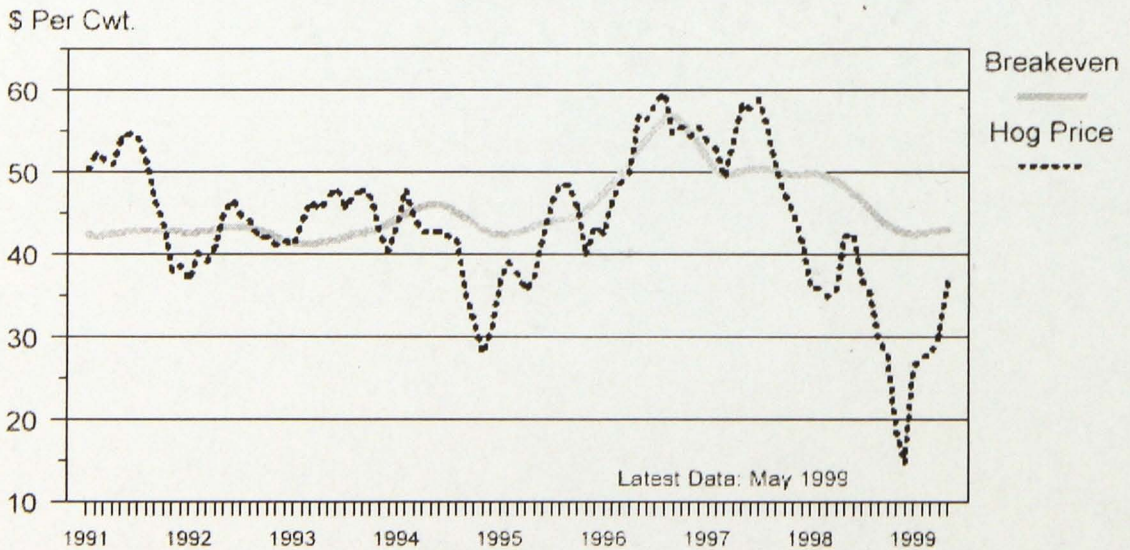


Figure 7

MONTHLY AVG. COST/RETURNS -- HOGS
Farrow/Finish



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Table 4

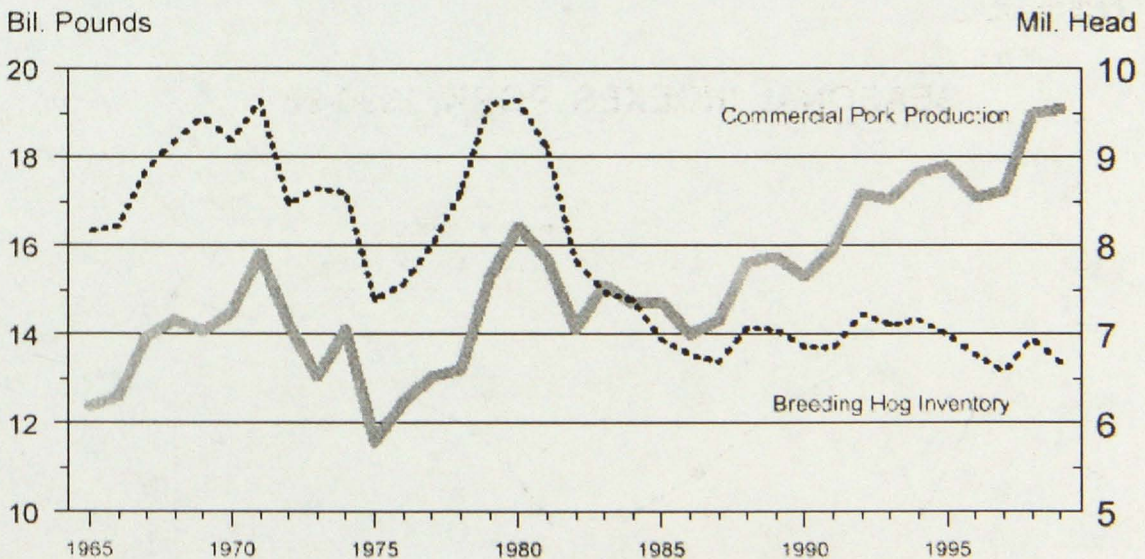
U.S. MARKETINGS BY PRODUCER SIZE

Number Marketed	1988	1991	1994	1997
Under 1,000	32%	23%	17%	5%
1,000 - 1,999	19	20	17	12
2,000 - 2,999	11	13	12	10
3,000 - 4,999	10	12	12	10
5,000 - 9,999	9	10	12	11
10,000 - 49,999	12	13	13	17
50,000+	7	9	17	36

Source: 1998 Pork Industry Study (NPPC, PIC, Land O' Lakes, DEKALB, Univ. of Mo., Iowa State Univ., Pork '98)

Figure 8

PORK PRODUCTION vs BREEDING HOG INVENTORY

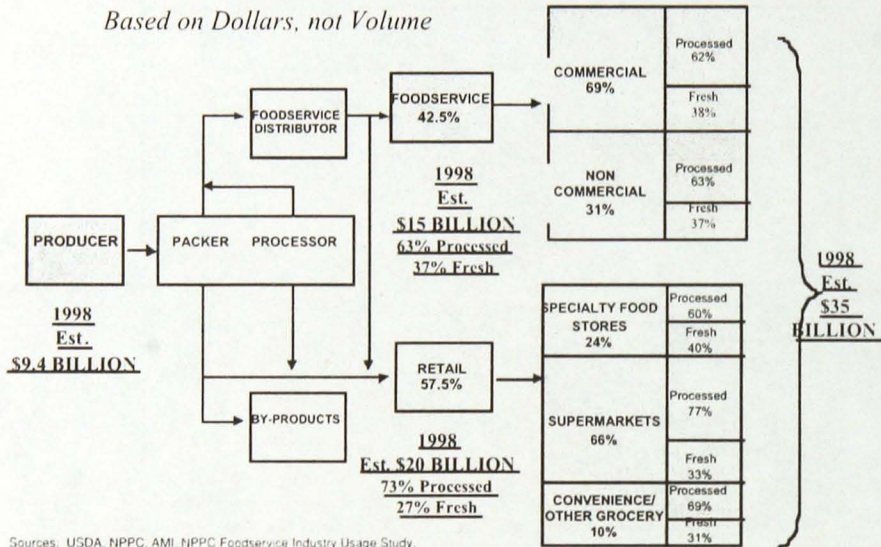


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Figure 9

The Domestic Pork Industry

Based on Dollars, not Volume



Sources: USDA, NPPC, AMI, NPPC Foodservice Industry Usage Study, Supermarket Business - Bazell Worldwide Analysis
** Does not include exports or Government Purchases

Figure 10

SEASONAL INDEXES, PORK, 1990-98

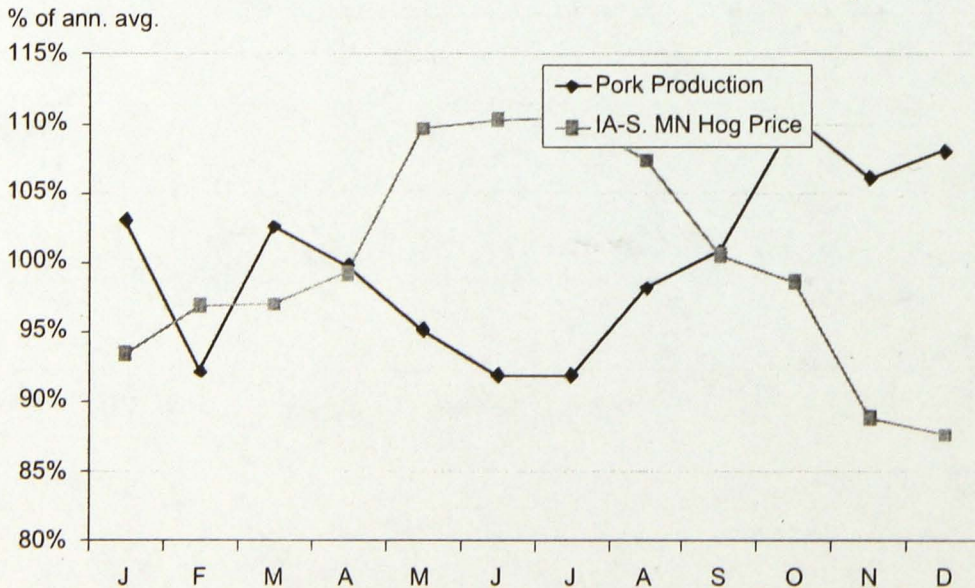


Figure 11

SEASONAL INDEXES, BROILERS, 1977-1998

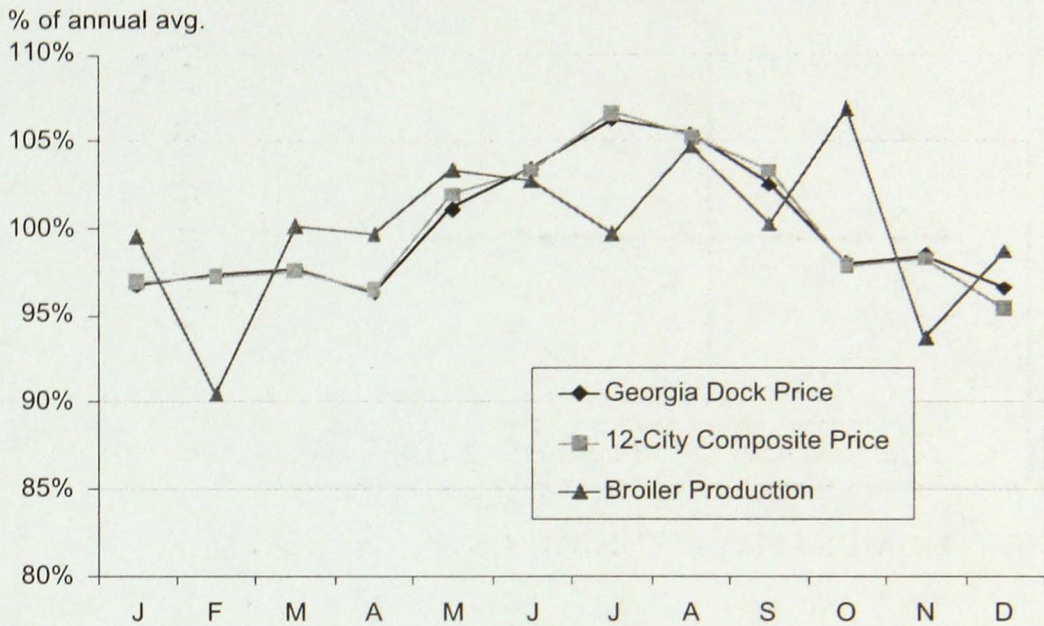


Figure 12

PORK PRODUCTION SEASONALITY

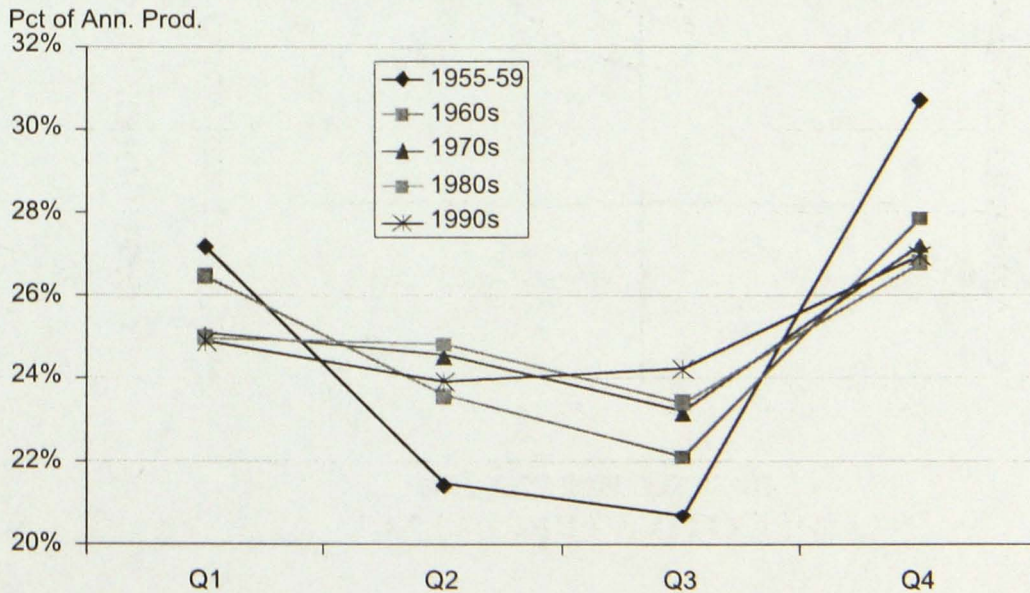


Figure 13

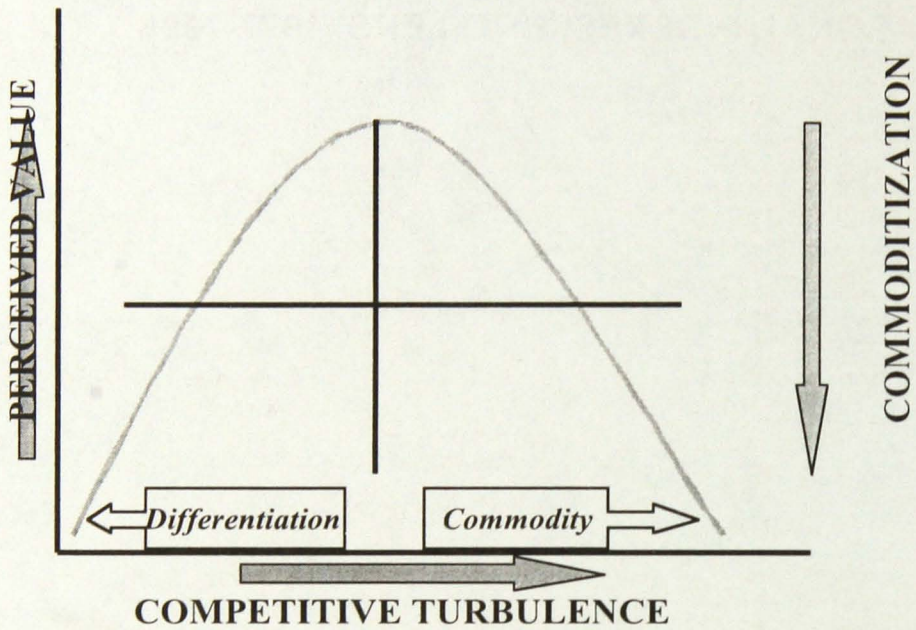


Figure 14

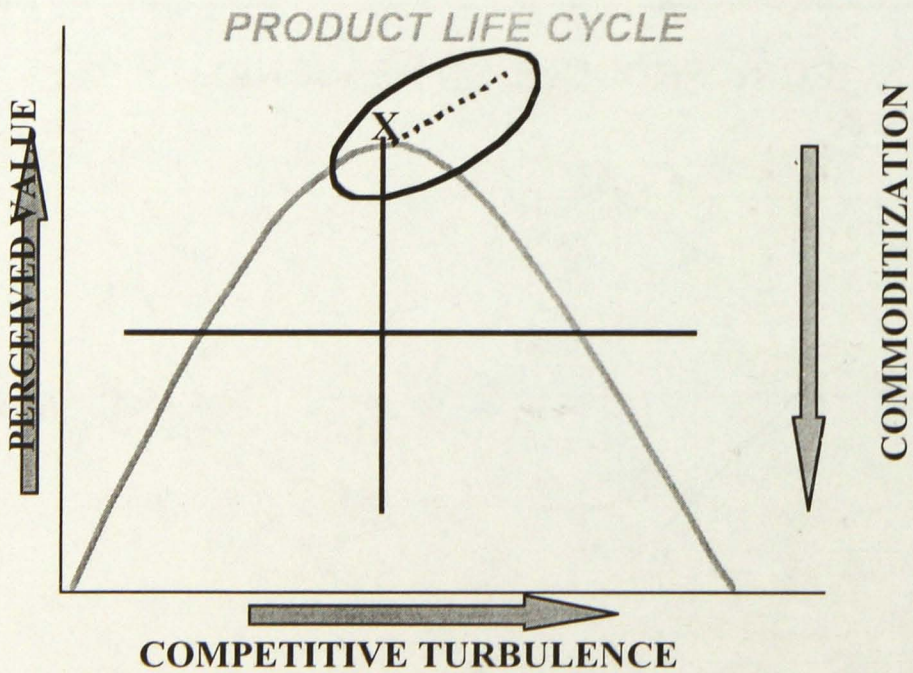


Figure 15

System for Assuring Pork Quality

Opportunities for Intervention

