

## **International Dairy Roundtable an Information Session at the Margin of the SPS Committee Meeting**

March 2, 2007

Conference Summary

Drafted by Charlotte Hebebrand

---

IPC led a discussion on SPS matters on 2 March in an information session hosted by the WTO at the margin of the SPS Committee meeting. Thom Achterbosch with the Agricultural Economics Research Institute at Wageningen University, author of IPC's survey of top dairy exporters on the incidence and impact of divergent standards on their trade and cost of doing business, presented his findings to a group of more than ninety delegates to the SPS Committee. His presentation was preceded by introductory remarks from **Gretchen Stanton, Secretary of the WTO SPS Committee**, and followed by comments from **Dr Annamaria Bruno, Food Standards Officer at Codex**, **Dr Sarah Kahn, Chief of the OIE's (World Animal Health Organisation) International Trade Department**, **Bram Francke, external affairs officer of the Dutch dairy company Friesland Foods** and **Jeremy Hill, Director of Regulatory Affairs of the New Zealand Fonterra Cooperative Group**. The session was moderated by IPC CEO Charlotte Hebebrand.

Thom Achterbosch's presentation focused on sanitary requirements in dairy trade. While sanitary requirements play an important role in safeguarding human and animal health, the survey demonstrates that they can also serve as impediments to trade and increase business costs. The dairy sector is a protected sector with high tariffs and production quotas; divergent standards do pose difficulties and are likely to increase in importance after further liberalization. The dairy sector was chosen for this study since it is subject to both Codex food safety and OIE animal health standards, but has not received as much focus as the meat sector. Since the establishment of the SPS Agreement in 1995, only one dairy related dispute settlement case was launched and some eight out of 250+ concerns raised in the SPS Committee pertained to dairy, indicating that recourse to the SPS mechanisms, which require substantial amounts of time for resolution, may not be very suitable for addressing needs of exporters faced with divergent standards. Since dairy exporters are usually willing to abide by divergent standards considering that this is preferable to losing market access altogether, they cannot always easily quantify the economic impact of divergent sanitary standards, which are folded into their business costs.

The survey results pointed to three overriding difficulties faced by exporters. The first is that **emergency trade restrictions put into place by importing countries following an animal disease outbreak, are not expeditiously removed upon declaration of disease free status**. Although making OIE standards binding would be a potential solution to this problem, it was widely acknowledged that this was not a feasible option, since it would make it more difficult to arrive at standards and since governments would always (rightly) insist on being able to set standards according to their own perceived level of risk. Given the need for a quick resolution of such disputes, the formal dispute settlement process is too lengthy; a more rapid consultation procedure should be envisaged to address such matters.

A second difficulty identified by exporters pertains to **divergent analysis and sampling methods used in particular to enforce mandatory zero tolerance standards for contaminants and pathogens**. Zero tolerance – which given the increasingly sophisticated nature of detection technology – is often simply not feasible; moreover non-uniform detection methods can lead to vastly different findings in different countries and even within countries. Solutions to this issue to be explored include replacing zero

tolerances with maximum residue levels; harmonized sampling and testing methodology and greater use of equivalence agreements.

The third issue identified by dairy exporters is **the lack of differentiation of dairy products for the application of animal health standards**. While the OIE recognizes that properly treated dairy products are not vectors for animal or zoonotic diseases, importing countries nonetheless do often apply veterinary standards. This matter could be addressed by establishing more differentiated rules for different categories of dairy products.

The issues identified by the survey were echoed by the industry representatives speaking at the dairy roundtable. Hill of Fonterra stressed that regulations on pasteurization were based on outdated technology and in need of updating to take account of alternative treatments. Given the need for consensus to set standards, the Codex representative acknowledged the often slow promulgation of food safety standards, and in presenting Codex's work program, Dr Bruno referred to the work being undertaken on veterinary drug residues and zero tolerance. The OIE, stressed Dr Kahn, is in a position to agree on new standards within a two year period. OIE does not have many specific dairy standards but its work program foresees the development of more commodity standards; to date its standards are mostly of a horizontal nature (i.e. zoning and compartmentalization) or vertical nature (i.e. FMD, BSE, bovine tuberculosis). Although the concept of compartmentalization/regionalization exists, she warned that it remains enormously complex to declare a region disease-free following an outbreak of a disease, which also requires a high level of confidence among veterinary authorities. She therefore suggested that a greater focus on enforcing standards on "safe commodities," (i.e. OIE declares dairy products originating from BSE countries as safe) would be more effective than insisting on a rapid lifting of restrictions after an animal disease outbreak.

**Many of the comments of SPS delegates pointed out that the survey only presented the views of major dairy exporters from developed countries, and that a more balanced approach would also take into account the motivation for divergent standards imposed by importing countries, which are mostly developing countries.** Concerns were also expressed by some delegates that Codex standards are based too much on the views of the private sector from developed countries. IPC was also urged to look at the role of private sector standards.

Achterbosch and Hebebrand indicated that it was indeed important to consider the perspective of importers as well as the divergent standards confronting exporters from developing country exporters. This survey, however, was limited to establishing the incidence and impact of standards faced by dairy exporters, all of whom are from developed countries.

Concluding the session, Hebebrand stressed that the dairy sector remains one of the most protected agricultural sectors, but that the issue of divergent standards is gaining in importance and will continue to do so as tariffs decline and production quotas are dismantled. Although sanitary standards play a crucial role in promoting human and animal health, they can be abused for protectionist purposes and this is a reality facing exporters of animal-derived products from developed and developing countries. She pointed to the existing and arguably inevitable tension inherent in the SPS agreement, namely the push towards harmonization based on international standards on the one hand, and the right of countries to not be bound by international standards. Although the establishment of binding standards may appear to be an attractive solution, it is an unrealistic one given government's rightful insistence on sovereignty. Similarly, although companies may desire a more disciplined and uniform approach to resolving differences over national standards, the role of goodwill and trust among authorities cannot be ignored. Referring to comments made by SPS delegates, she also referred to the fact that whereas there is now increasing participation by developing country officials in the SPS Committee as well as Codex and OIE meetings, greater involvement of the private sector from developing countries should also be pursued.