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Sale of Raw Milk, Homemade Cheese and Meat of Backyard Slaughtering: to Ban or not to Ban?

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Sale of homemade dairy products and meat of backyard slaughtering will be banned starting from January, 2015. Considering that the network of slaughter houses and milk collection points is still not sufficiently developed, such policy could have negative economic and social impacts. The Government of Ukraine could alternatively reinforce quality control of produce, and support development of small and medium enterprises to avoid negative consequences.

Several provisions of the Law № 771/97-BP "On the safety and quality of food products" initially introduced in 2005, will come into effect as of January, 2015. In particular, it will be prohibited to slaughter artiodactyla and other hoofed animals, and also poultry and rabbits at levels exciding 5 heads a day in slaughter houses that do not have operational licenses and are not registered at the Veterinary Service. In addition, it will be also forbidden to sell raw milk, homemade cheese and meat of artiodactyla animals and other hoofed animals slaughtered in the backyard.

The above mentioned amendments were introduced in order to harmonise national legislation with WTO requirements on sanitary and phytosanitary measures back in 2005 and were expected to come into force already in 2010 giving 5 years for transition. Key objective was to improve quality and to ensure safety of meat and dairy products, sold by households on agricultural markets. However, the Government did not introduce sufficient measures to support development of required infrastructure, i.e., sufficient number of slaughter houses and milk collection points.

In addition, the majority of private companies does not expect that consumers will be ready to pay surplus for higher meat and milk quality and, thus, are reluctant to invest themselves in development of infrastructure. In turn, households and small enterprises were not interested to change current business practices as transportation of cattle to remote slaughter houses and payment for additional services would unavoidably increase their production costs and, hence, reduce their competitiveness. At the same time, consumers were supporting backyard slaughtering indirectly through buying meat at spontaneous markets, probably, due to cheaper prices, lack of infor-

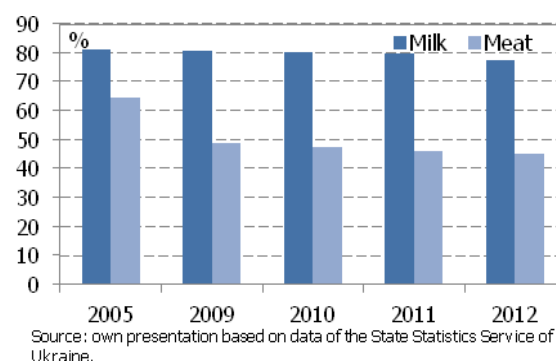
mation on health risks or different taste preferences.

As a result, the situation remained status quo and Ukraine was absolutely unprepared to ban sale of homemade meat and dairy products in 2010 and the Government decided to postpone this measure until 2015 with the amending Law № 1665-VI. Implementation of a special state programme was also envisioned by this Law. The concept of the programme was prepared but the Government did not develop it into detailed programme and, thus, no funding was provided from the state budget.

As of July, 2013, most of rural households still do not have an access to milk collection points and slaughter houses. Thus, one and a half year is clearly not enough to eliminate sale of homemade meat and dairy products without encountering negative economic and social consequences.

On the one hand, food safety and harmonization of national legislation with international standards and *acquis communautaire* of the EU is an important policy target, which will help to reduce health risks for population and make Ukrainian agrisector more competitive in the long run. On the other hand, about 45% of meat and 78% of milk is still produced by households (see Figure 1).

Figure 1. Share of households in production of meat and milk



If envisioned requirements are rigorously implemented in 2015 without required infrastructure ready developed, this could lead to abrupt decline in production of meat and/or expansion of shadow market of meat products.

Moreover, about 30% of population in Ukraine is living in rural areas and for many of them selling dairy and meat products is an important source of income. The Government is trying to preserve cattle herd in rural areas with per head subsidies

(for young cattle) and also support rural development with different state programmes. This is done as an important social policy since cattle breeding provides self-employment in rural areas. Banning backyard slaughtering and sale of homemade meat and dairy products could bring to naught all Government efforts to preserve the number of cattle herd in rural areas. Households will be forced to slaughter most of their dairy cattle by 2015 if they will be not able to sale their produce.

At the moment, the draft Law № 2818 is registered in the Parliament which aims to address this problem. The draft Law suggests allowing backyard slaughtering for households which do not have an access to certified slaughterhouses within the 20 km distance, however, slaughtering should be made under an observation of the veterinary specialist. In addition, sale of homemade dairy products would be prohibited only in those settlements which do not have milk collection points. Although the draft law aims to tackle the problem, suggested solutions are discriminative, will likely to conserve the problem rather than solve it and could even lead to counterproductive effects. Households which would have to comply with these requirements are likely to face higher costs and might be tempted to avoid additional expenditures through selling their produce in the regions which are exempt from compliance or via intermediate agents.

Although Ukraine is still not ready to completely eliminate backyard slaughtering and sale of homemade meat and dairy products by 2015, situation is gradually improving. Forward looking

processing companies are establishing new slaughter houses and milk collection points every year to ensure safety and quality of raw stuff they are purchasing from households. Activities of cooperatives are also expanding. It is, thus, recommended for the Government to opt for indirect policies to gradually reach the same policy targets, e.g. informing consumers on health risks from food purchased on spontaneous markets, more strict control of food safety at local markets, support development of markets of live animals and cooperatives, which will be able to provide services for slaughtering animals in line with all sanitary standards and collection and cooling of milk, etc. German experience shows that with sufficient quality control measures small-scale producers can sell their produce at agricultural markets to meet taste preferences of consumers, who are ready to pay higher prices.

In conclusion, simply banning sale of raw milk, homemade cheese and meat of backyard slaughtering will not resolve the problem with food safety in Ukraine. Moreover, such policy will entail additional costs on low income rural households and could lead to rapid shortage of domestic raw milk and meat production and expansion of the shadow market. On the contrary, the Government of Ukraine could focus more on the improvement of the food quality control policies of small and medium enterprises and informing consumers about the risks of poor quality food. In addition, it is also necessary to support the development of small and medium size enterprises.