

The Impact of EU Poultry Sector Policies on Sub-Saharan African Countries

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Summary

Consumption of poultry meat¹, in Sub-Saharan Africa (SSA), mostly in the form of chicken meat has increased 99% since 2004. However while domestic SSA production has increased only 57%, imports have increased a massive 209%. By 2014 imports of poultry meat accounted for 44% of SSA consumption compared to under 30% in 2004².

*Rapidly expanding SSA demand for poultry meat is not stimulating local poultry meat production as much as might be expected. Overseas exporters are grabbing an important share of growing urban markets for poultry meat, particularly in coastal states. It can be argued patterns of international trade in chicken meat are **generating a disconnect between growing urban demand in SSA for low cost protein and local production of chickens.***

While the EU chicken sector receives no direct financial assistance, it has benefitted from wider processes of CAP reform involving a move to direct aid payments to farmers, which has lowered the costs of grains and oilseed used in the production of poultry feed. This has considerably reduced previously high EU poultry feed costs (which account for 70% of costs in poultry meat production).

*More importantly however, EU chicken producers benefit from a tightly managed, high tariff, import regime³, with imports largely restricted to the tariff rate quotas (TRQs) made available in line with the EU's WTO market access obligations and bilateral trade agreement. In addition, the EU poultry trade regime also benefits from the use of a special safeguard mechanism. This trade regime allows a **level of cross subsidisation of poultry meat exports** which has enabled the EU to expand total poultry meat exports 72 % since 2007⁴, despite average EU poultry production costs being substantially higher than its major competitors.*

In addition, in the case of SSA, EU chicken meat exports largely consist of low cost frozen chicken parts and offal, for which there is little market in the EU. So long as prices received for these chicken parts exceed the transportation costs minus the costs of alternative disposal of these unwanted parts, this trade will thrive. This meant that in 2014 the average unit cost of EU exports of frozen chicken parts and offal exported to Sub Saharan Africa was only 41% of the average export price of fresh uncut chickens (€0.9/kg compared to €2.2/kg)⁵.

*While all these EU poultry sector support measures are **compatible with current interpretations of WTO rules, this does not mean the EU chicken meat regime has no adverse effects on poultry producers in Sub-Saharan Africa.***

As EU consumption of chicken breast meat has increased, so this trade in chicken parts and offal to Sub-Saharan Africa has risen dramatically. Between 2007 and 2014 EU consumption of poultry meat (mainly chicken breast) has increased 10.1% (+1.166 million tonnes) with EU exports of poultry meat increasing 72% (+564,000 tonnes). However during this period EU exports of frozen cuts and

¹Poultry meat refers to meat from chickens, turkeys, ducks, geese, and guinea fowl. Much of this analysis however focusses on the trade in chicken meat, which dominates the poultry category, particularly in trade with SSA.

²Thepoultrysite.com, 'USDA International Egg and Poultry: Sub-Saharan Africa', 17 July 2014, <http://www.thepoultrysite.com/reports/?id=3982>

³For details see Agritrade, 'The EU's agricultural policy toolbox: A sector-by-sector review', special report, 13 December 2011, <http://agritrade.cta.int/en/Agriculture/Topics/CAP-reform/Special-report-The-EU-s-agricultural-policy-toolbox-A-sector-by-sector-review>

⁴For details see the EC annual report from March 2009 to December 2014 entitled 'Prospects for Agricultural Markets and Income in the European Union', accessible through http://ec.europa.eu/agriculture/markets-and-prices/medium-term-outlook/index_en.htm and EC, 'Short-Term Outlook for EU arable crops, dairy and meat markets in 2015 and 2016', Autumn 2015, http://ec.europa.eu/agriculture/markets-and-prices/short-term-outlook/pdf/2015-11_en.pdf

⁵Analysis of data on the EC Market Access Data Base (<http://madb.europa.eu/madb/indexPubli.htm>) shows average EU export values in 2014 of €2.2/kg for fresh uncut poultry compared to €0.90 per kg for frozen cuts and offal

offal (tariff heading 020714) increased a massive 132% (+479,192 tonnes)⁶. This expansion of exports of frozen chicken parts and offal which has increasingly targeted SSA markets, would appear to be holding back the rate of expansion of domestic SSA poultry production in response to rising consumer demand, not only in markets targeted by EU exporters but also neighbouring regional markets.

Just five SSA markets now account for 1 in every 3 tonnes of EU poultry meat exports⁷. The specific patterns of this trade are driven by the poultry sector trade policies adopted by individual SSA governments. However, recently concluded trade agreements between the EU and a range of SSA governments appear to be limiting the ability of governments to use traditional poultry sector trade policy tools (tariff increases within WTO bound ceilings, import licences, infant industry protection, TRQs etc).

*In the context of recent EU trade agreement, disposal of unwanted frozen chicken parts and offal, at prices, which bear little relationship to production costs in the EU, is a major source of concern in SSA countries seeking to take advantage of rising local demand to develop local chicken production through the use of traditional agricultural trade policy tools. EU exports in the emerging trade policy context, **have the potential to undermine government and private sector efforts to develop local chicken meat production in an increasing number of SSA countries.***

*This raises important issues of policy coherence, given the promotion of agriculture and rural development as a focal sector for EU development cooperation activities in SSA countries. Issues of policy coherence also arise from **the discrepancy between EU trade policy practice in the poultry sector, where a strictly managed trade regime is in force, and EU trade policy prescriptions, which are demanding the systematic elimination of both tariff and non-tariff barriers to EU poultry meat exports.***

*At the WTO level this highlights the importance of promoting further discussions of the concept of a 'Right to Development' advanced by Joseph Stiglitz and Andrew Charlton in 2013⁸. Within this concept the proposal was advanced to limit **"the applicability of WTO obligations when the enforcement of such obligations would have a significant adverse effect on development"**. It also proposed this should apply to commitments entered into under bilateral trade agreements. This is an important debate in the EU context given the legally binding commitment enshrined in the Lisbon Treaty to promoting Policy Coherence for Developments (PCD). In its commentary on Article 208 the EC maintains **"the coherence clause is of the greatest importance as it will help in changing EU policies such as agriculture or fisheries so that they do not run counter to development objectives"**.*

Danish Policy and Policy Coherence for Development

... "policy choices in non-development policy areas ...have a great impact on global development" ...

... "Incoherent policies are sometimes a matter of lack of coordination or insufficient information. But more it is a matter of conflicting interests or competing objectives" ...

... "Denmark will concentrate its efforts on EU policies as these rather than Danish national policies have the greatest impact on developing countries" ...

⁶See EU market access data base, <http://madb.europa.eu/madb/indexPubli.htm>

⁷See 'Exports of poultry meat to selected destinations', EU Market Situation for Poultry Committee for the Common Organisation of the Agricultural Markets 21 May 2015

⁸The proposal for a 'right to development' was included in a 2013 report by Joseph Stiglitz and Andrew Charlton, entitled 'The right to trade: Rethinking the aid for trade agenda', <http://thecommonwealth.org/media/news/professor-joseph-stiglitz-calls-%E2%80%98right-trade%E2%80%99>

“A Shared Agenda: Denmark’s Action Plan for Policy Coherence for Development”, DANIDA June 2014

... “The Union shall take account of the objectives of development cooperation in the policies that it implements which are likely to affect developing countries”

Lisbon Treaty: Article 208

Recommendations

- Given the importance of the locally applied import regime for poultry meat to actual patterns of EU poultry meat exports and the extent to which EU bilateral trade agreements are seeking to limit the use of non-tariff measures in SSA in the poultry sector, ***the EU needs to get to grips with the policy coherence issues arising in the poultry sector trade with sub-Saharan Africa.***
- Developments in the EU's trade in poultry meat with sub-Saharan Africa since 2007, highlights the need for ***the establishment of operational mechanisms for ensuring full respect for the EU's legal obligation to ensure policy coherence for development***, through the elaboration and application of the concept of a '*right to development*'.
- This suggests a need to incorporate into the EU Council conclusions on the revised EU trade policy a recognition ***of the importance of flexibility in the application of EPA commitments in SSA in line with the economic realities and aspirations for the development of their SSA agro-food sectors.***
- In the poultry sector there is a need to look at ways of ***structuring current trade in ways which are complementary to and supportive of local efforts to promote more competitive integrated and sustainable chicken production, capable of meeting growing demand for low priced protein.***
- Consideration should be given to the promotion of a ***“Code of Conduct for Responsible Trade in Poultry Parts”***, aimed at addressing both the ***adverse developmental and health effects of the trade in poultry parts.***

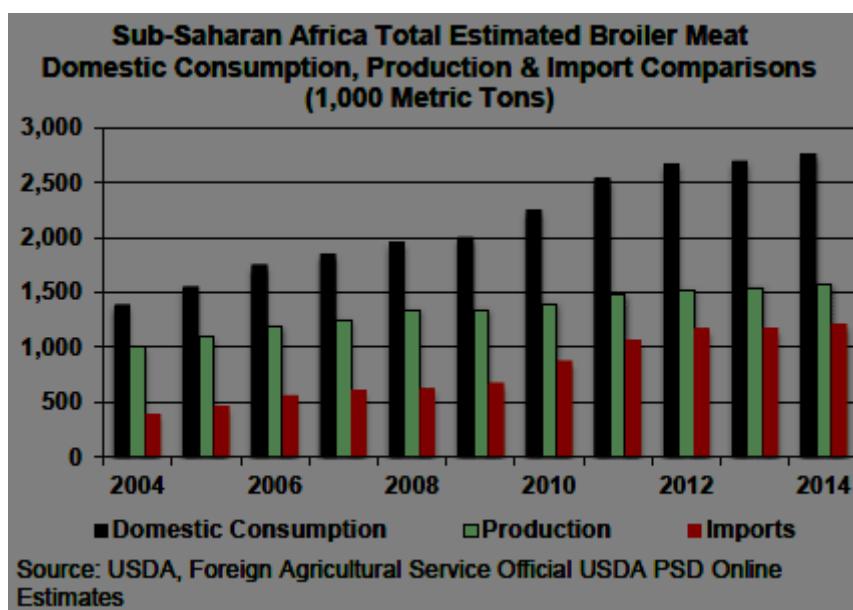
The Poultry Sector in Sub-Sahara Africa and EU Poultry Meat Exports

Consumption Levels and the Role of Local Production

Levels of per capita consumption of chickens in SSA vary considerably from a low of 1.41 kg per capita and 7.67 kg per capita in Nigeria and Ghana to a high of 32.98 kg per capita in South Africa⁹, where per capita consumption grew 42% in the twelve years between 1997 and 2009. This highlights the rising trend in consumption of poultry meat in SSA as incomes rise, and urbanisation changes food consumption patterns. According to USDA in 2014 total domestic consumption of chicken meat in SSA reached 2,765 million tonnes, up 2% from 2013 and up fully 99% since 2004.

The contribution of local production to total local consumption of chicken meat varies considerably from country to country, with a tendency towards higher self-sufficiency rates in Eastern and Southern Africa (South Africa and Kenya self-sufficiency is 84% and 100% respectively) than West and Central Africa (where the national self-sufficiency rate ranges from 28% to 100%).

While chicken meat production in Sub-Saharan Africa increased an estimated 57% between 2004 and 2013, to reach 1,567 million tonnes, this growth in chicken meat production is slowing down, having increased only 2% between 2013 and 2014. In contrast by 2014 SSA chicken meat imports had reached an estimated at 1,218 million tonnes, having increased 209% since 2004.



Against this background imports of chicken meat are increasingly meeting most of the expanded domestic SSA demand for chicken meat, arising from rising incomes, population growth and urbanisation related changes in consumption patterns. By 2014 imports of chicken meat accounted for 44% of SSA chicken meat consumption compared to under 30% in 2004¹⁰.

The Types of Production Systems in Place

In Sub-Saharan Africa raising chickens can make an important contribution to household food security, the raising of rural incomes and employment creation in the chicken processing sector. The extent to which local

⁹Sahel Capital, 'An assessment of the Nigerian Poultry Sector', Vol.11 June 2015, <http://www.sahelcp.com/files/Sahel%20Newsletter,%20Volume%2011.pdf>

¹⁰Thepoultrysite.com, 'USDA International Egg and Poultry: Sub-Saharan Africa', 17 July 2014, <http://www.thepoultrysite.com/reports/?id=3982>

chicken production contributes in these various areas depends on the type of production systems in place. There are four broad types of production system:

- **village or backyard production:** which is largely for self-consumption, with some limited sales to neighbours;
- **semi-commercial:** where slaughtering largely takes place at the point of production, and products are sold mainly as dressed chickens on local markets;
- **commercial (small and medium sized production):** involving better housing, proper feeding and use of veterinary services;
- **integrated industrial production:** involving high use of inputs and integrated supply and processing, commonly governed by formal contracts along the supply chain¹¹.

These production systems broadly divide between low input and high input production systems, and generally use different distribution channels to serve their target markets.

The relative importance of these different production systems varies. In Mali, for example, 90% of production comes from unregulated traditional 'backyard' poultry production, while in Kenya 80% of chickens are raised under traditional low input production systems. In contrast production in South Africa is highly commercialised, with just seven companies accounting for 75% of production (2 account for 50%).

Constraints on Globally Competitive SSA Chicken Production

A number of constraints on globally competitive SSA chicken production can be identified:

- High feed and other inputs costs, with availability in some sub-sectors also a concern (for both feed and medicines);
- Animal disease, sanitary and phytosanitary (SPS) and, in some instances, food safety standards, with the avian flu epidemic having particular strong effects in some countries;
- Technical constraints on processing;
- Poorly developed logistical infrastructure and marketing channels, which along with under-investment and poor management practices result in low yields in some sectors and heightened vulnerability of the poultry industry as a whole to disease-related disruptions.

Overall, evidence suggests that in most countries in SSA, production costs are high, due to a lack of integrated and automated production systems and under-investment in critical areas (veterinary controls, logistical, processing and marketing infrastructure).

Agritrade, 'Poultry: Executive Brief Update 2011, <http://agritrade.cta.int/en/Agriculture/Commodities/Poultry/Executive-Brief-Update-2011-Poultry-sector>

The Effect of Imports on Local Production and SDG Goals

Ironically the higher the level of commercial exposure of the production system, the more immediately production can be affected by rising imports. However in the longer term, as larger companies adjust to the competition, so the effects of rising levels of imports ripple out to smaller sized commercial firms and semi-commercial operators. These ripple effects are likely to have far greater long-term implications for the structural development of the poultry sector than the initial effects on large-scale commercial producers. This applies not only nationally, but also regionally.

Thus we find poultry companies in SSA's largest poultry producer South Africa (around 1.5 million tonnes of chicken meat per annum), have adjusted to the massive increase in imports of low cost chicken parts and offal

¹¹Agritrade, 'Poultry: Executive Brief Update 2011, <http://agritrade.cta.int/en/Agriculture/Commodities/Poultry/Executive-Brief-Update-2011-Poultry-sector>

from the EU, by expanding their operations into neighbouring countries¹², with this carrying consequences for poultry production in neighbouring countries.

Overall, while growth in chicken meat production continues to occur in SSA, the rate of increase is slowing down, as imported chicken parts increasingly meet demand in rapidly growing urban markets.

In some regions, as the ripple effects of increased imports spread, via the adjustment strategies of the major chicken producers, so production is increasingly concentrated and the scope for using rapidly growing demand for chicken meat, to stimulate broader based rural development shrinks. The emerging reality is that the current patterns of international trade in chicken meat are generating a disconnect between growing urban demand for low cost protein and local production of chickens. Indeed, in some countries such as Ghana it is beginning to marginalise local chicken producers.

The Role of Trade Policy

The trade picture in the poultry meat sector varies considerably from country to country in SSA, with national trade policies having an important bearing on the role of chicken meat imports in meeting national consumption needs. This gives rise to a situation where the EU poultry meat trade with SSA is ‘footloose’ with markets being targeted where the terms and conditions of access are most favourable to the exporter. It is in this context that the trade policy adopted by individual SSA governments has an important bearing on patterns of EU chicken meat exports.

This is illustrated by the three very vivid examples:

- EU exports of chicken parts to Benin, over 90% of which is actually destined for the Nigerian market;
- the efforts of the South African government to regulate chicken meat imports in the interests of domestic producers; and
- the introduction in Ghana in 2014 of import licensing arrangements tied to local procurement requirements.

National agro-food sector trade policy formulation however is likely to be profoundly impacted by the commitments entered into via SSA governments with regard to the use of trade policy tools under trade agreements recently concluded with the EU. In this context the EU trade in frozen chicken parts and offal potentially carries implications for sustainable development goals 2, 8 and 12 (see box).

Sustainable Development Goals Impacted by Expanded EU Exports of Frozen Chicken Parts and Offal	
Goal 2	End hunger, achieve food security and improved nutrition and promote sustainable agriculture
...	
Goal 8	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
...	
Goal 12	Ensure sustainable consumption and production patterns

However this is a complex issue for while this trade can disrupt local chicken supply chains and the development of more integrated feed-chicken production-processor-retailer supply chains, it is making an

¹²‘Opportunities and challenges for poultry production in sub-Saharan Africa’,25 October 2013, http://www.wattagnet.com/Opportunities_and_challenges_for_poultry_production_in_sub-Saharan_Africa.html

immediate contribution to meeting rising consumer demand for low cost protein, an essential contribution to household food security, particularly in urban areas.

The challenge would appear to be *structuring current trade in ways which are complementary to and supportive of local efforts to promote more competitive integrated and sustainable chicken production, capable of meeting growing demand for low priced protein.*

What EU Policies Affect the Poultry Meat Trade with SSA Countries?

The Importance of the EU's Managed Trade and the Scope for Cross-subsidisation

The EU poultry regime has been described as a 'light' regime. EU poultry producers receive no sector specific financial assistance or payments from the single payment scheme and since July 2013 no export refund support. However given the importance of feed costs in total production costs, EU chicken producers have benefitted from reforms to the EU's arable crops regime, which have helped substantially lower the costs of poultry feed, sourced from the EU.

EU poultry producers may also benefit from EU rural development expenditures under the European Agricultural Fund for Rural Development (EAFRD), depending on the specific priorities included in the various regionally based programmes supported in each of the EU28 member states.

However EU poultry producers benefit from a highly managed trade regime, based on a disaggregated system of high MFN tariffs, TRQs and the permanent use of a special safeguard mechanism. The EU's poultry trade regime effectively manages imports in the light of the needs of EU poultry producers and evolving consumer demand. This has ensured that despite the rapid growth of EU consumption of poultry meat of 1,166,000 tonnes between 2007 and 2014 (+ 10.1%), overall imports into the EU have remained largely stable in absolute terms (on average slightly below import levels in 2007), while coming to account for a declining level of total EU poultry meat consumption (7.15% in 2007 down to 6.4% in 2013). As a consequence, expanding EU consumer demand for poultry meat has been met largely from internal production expansion (+16.15%).

The Impact of the EU's Poultry Regime

The principal source of support for poultry producers is the EU's poultry meat import regime. This consists of a disaggregated system of high MFN tariffs (no less than 22 tariff subheadings ranging from 187/tonne to €1,024/tonne and from ad valorem rates of 10.9% to 15%), applied alongside a wide range of tariff rate quotas in line with the EU's GATT agreed minimum market access obligations and a special safeguard mechanism which has been permanently invoked since the conclusion of the Uruguay Round agreement. To facilitate the implementation of the regime all imports and exports of poultry products are subject to the issuing of licences.

This trade regime allows the EU to manage market access in response to rising EU consumer demand, while protecting the interests of EU poultry producers. This managed trade regime also prevents global market price volatility or unforeseen market developments (e.g. the August 2014 Russian import embargo) from disrupting domestic EU poultry production.

According to EU poultry producers these high tariffs and import quotas plays a '*vital role in restricting the volume of imports into the EU from third countries*'. A 2005 evaluation of the EU poultry regime argued import tariffs maintained prices between 11.5% and 13.1% and production between 7% and 13.3% higher than would be the case in the absence of tariff protection (this varies, depending on world market price levels). According to EU poultry industry representatives, '*in the absence of import tariffs...the EU market would rapidly be influenced by imported products, with EU producers increasingly restricted to supplying niche markets*'¹³.

¹³Agra CEAS Consulting, Evaluation of the Common Market Organisation (CMOs) for Pigmeat, Poultrymeat and Eggs, Contract 30-CE-0009330/00-422134/CC/November 2005, http://ec.europa.eu/agriculture/eval/reports/pig_poultry_egg/fullrep_en.pdf

According to analysis from the USDA¹⁴, the EU's managed import regime for chicken meat, means that at times of rising input prices, EU poultry producers can pass on cost increases to domestic consumers, without fearing any loss of market share. This assists in maintaining EU export price competitiveness, especially at times of rising feed costs.

It is this expanded EU poultry meat production which since 2007 has given rise to a major expansion of EU poultry meat exports (+71.8%). In terms of trade with SSA this has largely consisted of exports poultry parts and offal, for which there is only a limited market in the EU. This poultry meat trade regime has served to return the EU to the status of not only *a net exporter of poultry meat but an exporter with an expanding poultry sector trade surplus* (see table below).

EU poultry sector production, consumption, imports, exports 2007–2014 ('000 tonnes)¹⁵

	Consumption	Gross Production	Exports	Imports	Trade Balance
2003 [°]	10,431	10,747	969	641	+328
2004 [°]	10,488	10,990	1,029	531	+498
2005 ^{°°}	11,439	11,568	881	756	+125
2006	11,044	11,203	863	708	+155
2007	11,526	11,487	786	824	-38
2008	11,611	11,671	877	817	+60
2009	11,572	11,663	940	849	+91
2010 ^{°°}	11,840	12,202	1,159	797	+362
2011	11,933	12,391	1,290	831	+459
2012	12,175	12,647	1,313	841	+472
2013	12,306	12,814	1,300	792	+508
2014 ^e	*12,692	*13,242	*1,350	*809	+541

Notes: [°] EU25, ^{°°} EU27, ^{°°°} EU28, e = estimate, *

Source: * Short term outlook for EU arable crops, dairy and meat markets in 2015 and 2016, Winter 2015

According to analysis from the USDA a major factor in the EU's trade performance is *the operation of the EU's import regime, which makes it is easier for EU poultry producers to pass on production cost increases to domestic consumers, without fearing any loss of market share to increased imports*. This enables the EU poultry sector to *maintain export price competitiveness*, even during times of high feed costs.

According to the EC with no changes foreseen in the EU poultry trade regime and a good EU cereals harvest exerting strong downward pressure on feed prices, this growth in EU poultry meat production and exports is set to continue in the short and medium term. Indeed, export prospects are likely to be enhanced by the weakening of the Euro against the US \$.

Projected EU poultry sector production, consumption, imports, exports 2014–2024 ('000 tonnes)

	Consumption	Gross Production	Exports	Imports
2015 [°]	12,851	13,394	1,381	840
2016 [°]	12,996	13,557	1,450	889
2017 ^{°°}	12,934	13,453	1,466	946
2018	13,047	13,542	1,499	1,004
2019	13,050	13,556	1,515	1,009
2020	13,125	13,646	1,528	1,008
2021	13,198	13,726	1,541	1,013
2022	13,255	13,801	1,558	1,013

¹⁴See USDA, 'EU28 poultry sector to grow again in 2013 and 2014', GAIN Report No. FR9146, 9 September 2013, http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Poultry%20and%20Products%20Annual_Paris_EU-27_9-16-2013.pdf

¹⁵Point of access for EC annual reports on 'Prospects for EU agricultural markets and income', http://ec.europa.eu/agriculture/markets-and-prices/medium-term-outlook/index_en.htm

2023	13,316	13,877	1,578	1,017
2024	13,387	13,957	1,587	1,017

Source^o Short term outlook for EU arable crops, dairy and meat markets in 2015 and 2016

^{oo} EC, 'Prospects for EU agricultural markets and income 2014-2024', December 2014

Overall by 2024, EU poultry meat production is projected to be 4.2% higher than in 2014 (+563,000 tonnes), while exports are projected to be 14.9% higher (+ 206,000 tonnes).¹⁶

The Residual Nature of EU Chicken Meat Exports: A Growing Challenge

A second factor driving the rapid expansion in EU chicken meat exports is the structure of this trade. The EU is increasingly exporting frozen residual chicken parts and offal, for which only limited demand exists on the EU market. This trade is heavily concentrated in SSA.

EU demand for poultry parts and offal declined markedly following the introduction of the ban on feeding meat and bone meal (MBM) to other animals in the wake of the BSE crisis. At a stroke this removed a major outlet for residual poultry parts and left EU poultry producers faced with a problem of disposing of these unwanted parts. This has created a situation where, provided the price paid exceeds the costs of transport **minus** the cost of alternative methods of disposal, poultry companies and traders are willing to export these poultry parts at virtually any price¹⁷.

It is these exports of chicken parts and offal which are increasingly targeting SSA markets and which are contributing to constraining the growth of local SSA chicken production in response to rapidly growing demand.

This being noted, competition between poultry sector companies within the EU is intensifying. There are mounting concerns over the possible dismantling of the current managed EU trade regime in poultry meat (particularly in the context of the EU-Mercosur trade negotiations and the EU-US Trans-Atlantic Trade and Investment Partnership negotiations). This is leading to increased competition between EU poultry companies for market share and market positioning. Amongst other things, this increased competition is leading to a growing focus on optimising 'the value of individual cuts and offal streams to increase revenues and profitability' and on expanding into new markets¹⁸.

This could **carry important implications for trade with SSA**, with EU companies seeking both to **innovate**, to maximise the value gained from offal and other poultry parts revenue streams, and to **position themselves in new markets** (for example, through corporate take overs and mergers) **to maximise the revenues gained from serving quick service restaurants and other food companies**. This could see increased EU corporate competition in poultry sectors throughout SSA. This will come on top on the recent strong growth in EU poultry meat exports to SSA since 2009.

Based on the experience under the EU-South Africa Trade Development Cooperation Agreement, (which constrained the South African governments room for manoeuvre in dealing with poultry meat imports from the EU), **the potential threat to the future rate of growth in SSA poultry meat production posed by EU corporate repositioning strategies is likely to be compounded by the provisions of new EU trade agreements**. This will be particularly the case if EU poultry meat exporting companies feel their market opportunities in individual SSA markets are being constrained by the use of non-tariff measures. In this context EU companies may put pressure on the EC to activate the various provisions of EU EPAs which African governments commit to through signing EPA agreements.

¹⁶EC, 'Prospects for EU agricultural markets and income 2014-2024', December 2014, http://ec.europa.eu/agriculture/markets-and-prices/medium-term-outlook/2014/fullrep_en.pdf

¹⁷ Analysis of data on the EC Market Access Data Base showed average EU export values in 2014 of €2.2/kg for fresh uncut poultry compared to €0.90 per kg for frozen cuts and offal (see annex 1 for details).

¹⁸Rabobank, '10 rules for thriving in the EU poultry industry', June 2015, <http://hugin.info/133178/R/1928507/692435.pdf>

EU Poultry Meat Exports and the Provisions of New EU Trade Agreements

Under its various economic partnership agreements the EC has not only sought to limit the ability of SSA governments to raise tariffs on imports from the EU (the so-called ‘standstill’ provisions) but also has sought to limit the ability of SSA governments to maintain quantitative restrictions on agro-food product imports from the EU.

These provisions generally establish a prohibition on the use of quantitative restrictions on trade between the EU and ACP signatories and include a firm commitment to the elimination ‘*upon entry into force of this agreement*’ of all ‘*prohibitions and restrictions*’ other than ‘*customs duties taxes, fees and other charges*’, provided for under other provisions of the agreement ‘*whether made effective through quotas, import or export licences or other measures*’¹⁹. The only exception to this commitment to the immediate elimination of the use of quantitative restrictions is in the SADC EPA where article 41 allows the parties to ***apply quantitative restrictions provided such restrictions are applied in conformity with the WTO Agreement***²⁰.

This could carry important implications in the poultry sectors in West and Central Africa, where ***governments have sought to use various forms of quantitative restrictions on imports to put an end to imports of poultry parts which are undermining local poultry production***. The use of these trade policy tools could well be brought into question, should the EU decide to enforce compliance with these EPA commitments.

EU's Policy Coherence Commitments and the ‘Right to Development’

The provisions included in EPA agreements with Sub-Saharan African governments would appear to be inconsistent with EU policy practice in the poultry sector, where ‘managed trade’ has been critical to the expansion of EU poultry production and exports. This raises important issues of ***the coherence of EU policy practice with EU policy prescriptions***.

This raises, in a specific sector, namely the poultry sector, the importance of proposals being advanced to incorporate a ‘right to development’ into WTO rules. This proposal for a ‘right to development’ would seek to limit ‘***the applicability of WTO obligations when the enforcement of such obligations would have a significant adverse effect on development***’. It would create a right for developing countries ‘***not to be harmed by the imposition of trade rules***’. What is more the enshrining of a ‘right to development’ in WTO rules, would seek to ‘hardwire’ the principle of special and differential treatment enshrined in WTO agreements, into the ***application of commitments entered into through bilateral trade agreements***, where the implementation of the agreed commitments could undermine the development of particular sectors.

This would appear to be particularly relevant in the poultry sector, where ***the application of EU trade policy measures would appear to sustain EU poultry production at levels much higher than would be the case in the absence of the WTO compatible, yet highly protective, poultry sector trade regime***. This higher level of poultry production then gives rise to higher volumes of residual poultry parts for which there are only limited market opportunities within the EU. The trade in these residual poultry parts is then undermining the rate of growth of local poultry sector development in a number of SSA countries, in the face of rapidly rising demand for the low cost protein the poultry sector can provide.

¹⁹This includes the ESA EPA, the EAC EPA, the West Africa EPA, the Central Africa EPA, the Pacific EPA and the CARIFORUM EPA.

²⁰See annex 4 for details of the provisions of various EPAs relating to the elimination of non-tariff barriers to trade.

Moving towards Policy Coherence in the Poultry Sector: An Intermediate Solution

It should be noted that the issue of the impact of the trade in residual frozen poultry parts is not solely an issue in trade relations between the EU and Sub-Saharan Africa. Similar issues arise in the export trade of the US and Brazil in the Caribbean and Australia, Brazil and the US trade in poultry parts with Pacific island countries.

This suggests a need for *an international initiative to get to grips with the adverse developmental and health effects of the trade in poultry parts*. This could take the form of a “*Code of Conduct for Responsible Trade in Poultry Parts*”. This could be elaborated through a process of dialogue between poultry sector stakeholders in developing countries where the development of the sector is being held back by the large scale export of frozen poultry parts and poultry sector stakeholders in developed and advanced developing countries largely responsible for this trade.

Such an initiative could be launched alongside discussions of the concept of a ‘*Right to Development*’, which would seek to preserve the policy space of Sub-Saharan African governments to defend their local poultry sectors against disruptions from the large scale exports of frozen poultry parts.

Annex 1

Table 1

Total EU28 Chicken Meat Exports (020711, 12, 13, 14) - 2014

	Value (1000 Euro)	% share	Volume (1000 kg)	% share
Total EU Chicken meat	1,221,228.500		1,161,680.000	
020711 Fresh uncut poultry		16,972.388	1.4%	7,706.000
0.7%				
020712 not cut frozen	364,985.495	29.9%	274,871.000	23.7%
020713 cuts & offal fresh & chilled	81,170.499		6.6 %	37,894.000
3.2%				
020714 cuts & offal frozen	758,100.121	62.1%	841,209.000	72.4 %

Table 2

EU Poultry exports cuts & offal frozen (020714) - 2014

Cumul %	Value				Volume	
	(1000 Euro)	% share	Cumul %	(1000 kg)	% share	
EU 28	758 100.121			841 209.000		
Holland		228 451.073		30.1%		
256 309.000	30.5%	Poland			98	
791.867	13.0%	43.1%	107 962.000	12.8%	43.3%	
UK			104 689.822		13.8%	
96 639.000	11.5%	54.8%			56.9%	
Belgium	57 986.414	7.6%	64.5%	76 343.000	9.1%	
63.9%						
Germany	56 189.916		7.4%	71.9%	76 594.000	
9.1%	73.0%					
France	53 030.425	7.0%	78.9%	54 567.000	6.5%	
79.5%						
Denmark	36 062.979		4.8%	83.7%	28 101.000	
3.3%	82.8%	Spain			28 013.864	
3.7%	87.4%	30 352.000	3.6%	86.4%		
Italy			21 227.996		2.8%	
25 509.000	3.0%	89.4%			90.2%	
Hungary		18 876.964		2.5%	92.7%	
2.8%	92.2%				23 593.000	
Ireland		10 734.476		1.4%	94.1%	
1.7%	93.9%				14 248.000	

Denmark's Role in the Poultry Sector Trade with South Africa

While Denmark plays a minor role in overall EU poultry exports (accounting for only 3.14% of total EU poultry meat exports to South Africa in 2014), South Africa is still the main extra-EU destination for Danish poultry meat exports, Danish companies have thus participated in expanded EU poultry meat exports to South Africa. Danish poultry meat exports to South Africa increased nearly 10-fold between 2010 and 2013 before falling back to only around a 9-fold increase in 2014.

	2010	2011	2012	2013	2014
EU28	22,007	94,084	131,832	158,481	203,414
Of which: - Denmark	732	7,102	6,723	7,166	6,383

However, it should be borne in mind that the national origin of poultry meat exports from the EU to South Africa can change rapidly, as witnessed by the increase in exports of poultry meat to South Africa from Belgium, Hungary, France and Spain, following the introduction of anti-dumping duties against exporters in Germany, the Netherlands and the United Kingdom.

Annex 2

Ghana Poultry Meat Production, Consumption, Imports (1,000 tonnes)

	Production	Consumption	Imports	Imports % Consumption
2002	23	47	24	51%
2003	26	62	36	58%
2004	28	73	45	62%
2005	29	80	51	54%
2006	31	88	57	65%
2007	42	117	75	64%
2008	44	116	72	62%
2009	34	113	79	70%
2010	37	146	109	75%
2011	41	196	155	79%
2012	46	201	155	77%
2013	51	220	169	77%
2014	54	198	144	73%

Source: Indexmundi commodities poultry/Ghana

<http://www.indexmundi.com/agriculture/?country=gh&commodity=broiler-meat&graph=production>

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<http://www.indexmundi.com/agriculture/?country=gh&commodity=broiler-meat&graph=imports>

Annex 3

South African poultry tariff changes October 2013

Tariff line	Product	Share of imports	Initial duty (%)	Increased duty (%)
0207.1.90	Whole bird	1%	27	82% (bound rate)
0207.14.10	Boneless cuts	11%	5	12 %
0207.14.9090	Bone-in portions	54%	18 (220 R c/kg)	37 %
0207.14.20	Offal	5%	27	30 %
0207.12.20	Carcasses	2%	27	31 %

Source: ITAC 'Increase in the rates of customs duty on frozen meat of fowls of the species Gallus Domesticus: Whole bird, boneless cuts, bone-in portions, carcasses and offal', Report no. 442, 2 August 2013, <http://www.itac.org.za/docs/Report%20442.pdf>

Annex 4: Texts of EPA provisions on “Prohibition of Quantitative Restrictions”

SADC-EU IEPA

Article 41: 'Prohibition of quantitative restrictions'

“The Parties may apply quantitative restrictions provided such restrictions are applied in conformity with the WTO Agreement.”

ESA-EU EPA

Article 17: 'Prohibition of quantitative restrictions'

“Except as otherwise specified in Annexes I and II of this Agreement, all prohibitions or restrictions in trade on the importation, exportation or sale for export between the Parties, other than customs duties, taxes, fees and other charges provided for under Article 7, whether made effective through quotas, import or export licences or other measures, shall be eliminated upon the entry into force of this Agreement. No new such measures shall be introduced”.

Notes:

Annex I sets out the qualifications to tariff elimination commitments of the parties to the agreement with regard to the DFQF market access for ESA products falling under Chapter 93 and transitional arrangements for sugar.

Annex II sets out ESA member states list of products excluded from tariff elimination commitments and list the current treatment and tariff liberalisation commitments entered into per tariff line, according to the different categories of tariff elimination commitments entered into.

Given the listing of tariff lines the only exceptions to the prohibition on quantitative restrictions would appear to related to products excluded from tariff elimination commitments. However this is implicit not explicit

EAC-EU EPA

Article 17: 'Prohibition of Quantitative Restrictions'

1. “Unless otherwise provided in this Agreement, all prohibitions or restrictions on the importation, exportation or sale for exports between the Parties, other than customs duties, taxes, fees and other charges provided for under Article 6, whether made effective through quotas, import or export licenses or other measures, shall be eliminated upon the entry into force of this Agreement. No new such measures shall be introduced in trade between the Parties. The provisions of this Article shall be without prejudice to the provisions of Title IV of this Chapter.

2. The provisions of paragraph 1 of this Article shall not extend to the following:

- (a) Export prohibitions or restrictions temporarily applied to prevent or relieve critical shortages of foodstuffs or other products essential to the exporting contracting party;

- (b) *Import and export prohibitions or restrictions necessary to the application of standards or regulations for the classification, grading or marketing of commodities in international trade*”

West Africa-EU EPA DRAFT JOINT TEXT February 2014

Article 34: ‘Prohibition of quantitative restrictions’

“Upon entry into force of this Agreement, all prohibitions or restrictions on imports or exports affecting trade between the two Parties shall be removed, apart from the customs duties, taxes, fees and other charges referred to in Articles 7 and 8 of Chapter 1 on customs duties, whether implemented through quotas, import or export licences or through other measures. No new measure shall be introduced. The provisions of this Article shall be without prejudice to the provisions concerning trade defence instruments and balance of payments”.

Central Africa-EU EPA (November 2008 text)

Article 22: ‘Prohibition of quantitative restrictions’

“Upon entry into force of this Agreement, all prohibitions or restrictions on imports or exports affecting trade between the two Parties shall be eliminated, apart from the customs duties, taxes, fees and other charges referred to under Article 18 of this Chapter, whether made effective through quotas, import or export licenses or other measures. No new measures may be introduced. The provisions of this Article shall apply without prejudice to the provisions of the Chapter of this Agreement on trade defence instruments”.

CARIFORUM-EU EPA

Article 26: Prohibition of quantitative restrictions

“No import or export prohibitions or import or export restrictions on originating imports or exports, other than customs duties and taxes, and fees and other charges provided for under Article 13, whether made effective through quotas, import or export licenses or other measures, shall be maintained as of the entry into force of this Agreement. No new such measures shall be introduced. The provisions of this Article shall be without prejudice to the provisions of Articles 23 and 24”.

Notes:

Articles 23 and 24 deal with “Anti-dumping and countervailing measures” and “Multilateral safeguards” respectively.

Pacific-EU EPA

‘Article 22: ‘Prohibition of Quantitative Restraints’

“Unless otherwise specified in this Agreement, all import or export prohibitions or restrictions in trade between the EC Party and the Pacific States, other than customs duties and taxes, and fees and other charges, whether made effective through quotas, import or export licenses or other measures, shall be eliminated upon the entry into force of this Agreement. No new such measures shall be introduced. The provisions of this Article shall be without prejudice to the provisions of Chapter 2 of Part II.”

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