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Title: Complications in the Agro Food Sector in Africa: A challenge for the AfCFTA Processes and Implementation

Introduction

Complications in Africa's agro-food sector especially poultry imports could pose a challenge to the AfCFTA processes and its implementation.

a. The EU Poultry Meat Trade with West Africa and the Problems of Smuggling

In the agro-food sector across Africa EU exporters have developed strategies for avoiding high tariff points of landing by serving markets through neighbouring countries. The most dramatic example in this regard is the EU trade in poultry meat to Nigeria, which is exported via Benin.

It is estimated that over 90 percent of EU poultry meat exports to Benin are destined for the Nigerian market. This situation has arisen in response to the strict Nigerian controls on imports of poultry meat via official ports of entry. This practice has seen Benin emerge as a leading destination for EU poultry exports. The sole purpose of this trade is to circumvent Nigerian poultry sector import controls. This trade takes place despite the health hazards it poses for Nigerian consumers.

Table 1: *EU Poultry Meat exports to Benin, Nigeria, Ghana and Total Extra-EU Exports (0207) tonnes*

	2010	2011	2012	2013	2014	2015	2016	2017
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Extracted from TWN-Africa Study:

i. Title: The African Continental Free Trade Area, Brexit and EPA Implementation: Opportunities and Challenges Arising from the Brexit Process For Revising Economic Partnership Agreements with the EU in the Agro-Food Sector

ii. Author: Paul Goodison (PhD)

Total Exports	Extra-EU	1,124,301	1,266,244	1,275,365	1,268,967	1,335,732	1,350,002	1,506,771	1,496,561
Benin		113,662	124,014	137,122	137,187	163,553	138,557	119,732	105,945
Benin % share		10.1%	9.8%	10.8%	10.8%	12.2%	10.3%	7.9%	7.3%
Ghana		40,504	66,868	67,132	72,986	56,672	79,866	114,797	146,711
Ghana % share		3.6%	5.3%	5.3%	5.8%	4.2%	5.9%	7.6%	9.7%
Nigeria		3,462	998	79	132	441	129	299	211

Source: EC, Market Access Data Base, http://madb.europa.eu/madb/statistical_form.htm

From 2015 the Nigerian authorities endeavoured to clamp down on cross border smuggling from Benin of poultry meat, rice and second-hand cars. This had a significant impact on EU poultry meat export volumes to Benin, which fell by 38.2 percent between 2014 and 2017, with European exports of poultry meat to Benin falling a further 21 percent in the first-5 months of 2018 compared to the corresponding period in 2017.

However, the implementation of these anti-smuggling measures can undermine nascent intra-regional trade liberalisation processes in the agro-food sector. This is particularly the case given the political sensitivity of food production and affordability.

It is noteworthy that over the same period EU exporters began to shift the focus of their West African poultry meat export trade to the Ghanaian market, where export volumes increased by 158.9 percent between 2014 and 2017. This followed the removal of a short-lived introduction of an import licensing system for poultry meat introduced by the Government of Ghana in response to pressure from the country's remaining poultry producers. While this initially caused a decline in EU poultry meat exports to Ghana (down 22.4 percent between 2013 and 2015), in the face of complaints from traders and shortages of poultry meat at peak times of consumer demand these measures were quietly dropped.

b. Emerging Smuggling Pressures in Southern Africa

Similar problems of the smuggling of poultry meat have reportedly arisen in Mozambique. This needs to be seen in a context where the Government of Mozambique maintained in place a ban on imports of poultry meat, introduced in 2004, in response to the global Avian Influenza outbreaks. These import restrictions have greatly stimulated not only local poultry production and processing but also more importantly, from a rural development perspective, the production of grain for use in poultry feed (see box below).

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EU Poultry Meat exports to South Africa and Mozambique and Total Extra-EU Exports (0207) tonnes

	2010	2011	2012	2013	2014	2015	2016	2017
Total Extra-EU Exports	1,124,301	1,266,244	1,275,365	1,268,967	1,335,732	1,350,002	1,506,771	1,496,561
Mozambique	232	121	246	717	883	1,196	1,915	3,016
Republic South Africa	16,152	89,620	130,017	151,075	196,295	211,310	272,756	77,235
South Africa percent share EU exports	1.4per cent	7.0per cent	10.2per cent	11.9per cent	14.7per cent	15.7per cent	18.1per cent	5.2per cent

Source: EC, Market Access Data Base, http://madb.europa.eu/madb/statistical_form.htm

However, the massive expansion of EU exports of frozen poultry parts to South Africa* has increased smuggling pressures on the Mozambican poultry sector. These smuggling pressures only began to ease from December 2016, when the South African government introduced Avian Influenza based bans on imports of poultry meat from a range of EU member states. This saw a dramatic reduction in the volume of poultry meat imports from the EU into South Africa and to a limited extent an increase in direct EU poultry meat exports to Mozambique.

Job Creation Along Locally Integrated Supply Chains: The Early Experience of the Poultry Sector in Mozambique

The development of domestic production of poultry meat to meet rising demand for cheap protein can create not only job opportunities on poultry farms and poultry meat processing facilities but also enormous new income earning opportunities for rural grain producers providing inputs to local poultry feed production. Developments in Mozambique following the introduction of restrictions on imports of poultry meat are illustrative in this regard. In 2004 on the basis of Avian Influenza outbreaks the government of Mozambique introduced restrictions on poultry meat imports. Within 6 years this had created 3,000 new jobs in poultry processing, stimulated the

* This expansion was closely linked to the implementation of trade policy measures, namely: the removal of import tariffs on poultry meat under the EU-South Africa trade agreement and the implementation of 'tariff standstill' provisions.

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establishment of 5,000 new smallholder poultry producers, and generated new income earning opportunities for more than 64,800 smallholder grain producers who supply feed to local poultry producers. This saw the share of imports in poultry meat consumption fall from 67percent in 2005 to 25percent in 2011, with minimal official imports subsequently and gave rise to a phenomenal expansion of local poultry meat production, with considerable rural development benefits being generated.

This expansion of the Mozambican poultry sector benefited from the maintenance of import controls initially introduced in response to Avian Flu outbreaks. However, in recent years smuggling of frozen poultry meat from neighbouring South Africa into Mozambique has increased. The Mozambican poultry industry believes the maintenance of import controls is essential to the future development of the sector.

There have also been reports of poultry meat smuggling into neighbouring Swaziland, where despite common membership of the Southern African Customs Union alongside South Africa, quantitative restrictions on poultry meat imports from South Africa are nevertheless applied.

c. Beyond Poultry Meat Smuggling: The Investment Effects of Differential Tariffs

While poultry meat is the most prominent current example of smuggling of EU originating food products aimed at exploiting the different tariffs applied to imports in neighbouring countries, in earlier periods similar problems of smuggling of EU milk powders across African borders existed. The volume of these smuggling activities of milk powder into South Africa in the mid-1990s was such that it undermined domestic dairy prices and facilitated the purchase of struggling South African dairy companies by EU companies looking to expand their presence in Southern Africa.

The investment effects which smuggling activities based on the different tariffs applied to imports from the EU by neighbouring countries can have is an important long term effect which can have significant consequences for the pattern of structural development of the affected African agricultural sectors.

It is against this background that the application of different tariffs on imports from the EU by neighbouring African countries could come to cause problems for the implementation of the AfCFTA project.

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