



## Policy Note (October 2007)

### Subsidies and Trade in Animal Products

This ALive Policy Note on **Subsidies and trade in animal products** is the result of a multi-phase participatory and consultative process of elaboration that involved key actors in the livestock development sector in Sub-Saharan Africa.

**The recommendations were endorsed by the ALive Executive Committee on September 20, 2007.**

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#### Executive Summary

This Policy Note highlights the complex economic factors that affect international trade in both the animal products and the African markets. The problems facing African production streams are not limited to the anti-competitive impact of export subsidies. Their explanation lies primarily in the low productivity of African production streams and in their upstream and downstream organizational flaws, which cause them to have trouble responding to increasingly demanding markets, including that of Africa.

Nonetheless, the African continent offers tremendous marketing opportunities – market growth, segmentation, etc. – for products of African origin. The essential challenge is therefore to regain and consolidate African market share for animal products sourced on the continent. These production streams therefore need help in order to modernize. Livestock productivity must be increased, the downstream aspects of production must be modernized so as to respond to the most lucrative markets, and a regulatory framework encouraging intra-continental trade must be put in place and enforced.

**Recommendations** are grouped under four main priority areas, the first two of which are urgent:

- A preliminary phase of discussion and debate on ways to help these production streams structure themselves effectively, e.g., specialization of production zones (Recommendation 1), mapping of structuring facilities such as abattoirs or large markets (Recommendation 4), etc.;
- Negotiation -- with the WTO (Recommendation 12), the European Union (Recommendation 13), and African authorities (Recommendation 11) -- of arrangements conducive to the international trade in animal products and supportive of the modernization of African animal production streams, e.g., safeguard clauses, taxation of products sourced on other continents, support programs, etc.;
- Establishment, in collaboration with African professional organizations, of a multi-year production stream modernization plan to facilitate foreign investment that adds value at the local level; provision of training; and the creation of competitiveness clusters (Recommendations 2, 3, 5 and 9);
- Development and enforcement of a regulatory framework facilitating intra-African trade (Recommendations 6, 7 and 8).



## Subsidies and Trade in Animal Products

### Introduction

- 1- The **worldwide market in animal-derived foodstuffs and commodities has grown significantly** over the past few years, driven by population growth and especially by rising standards of living in several regions of the world.
- 2- **Animal products from Sub-Saharan Africa (SSA)<sup>1</sup> account for a very small portion of the world market**, and are not benefiting much from the expansion of international trade. This is due to the lack of competitiveness of SSA's animal production streams<sup>2</sup> and to problems involved in meeting international market standards, particularly in terms of sanitation.
- 3- At the same time, **animal products imported into SSA are giving local products increasingly stiff competition**, to the point where certain production streams are being destabilized. There is strong pressure on the prices of animal products.
- 4- The need for animal-derived foodstuffs and commodities in SSA is also growing. This growth must first benefit local production streams before it is captured by imports.
- 5- **The purpose of this Policy Note is to highlight the most relevant policy recommendations leading to the best prospective outlets for animal-derived products produced in Sub-Saharan Africa, on both regional and international markets.**

<sup>1</sup> African countries, excluding the countries on the Mediterranean coast of North Africa and the Republic of South Africa.

<sup>2</sup> (GB) Production stream = Filière (FR). The concept of « filière alimentaire » in French has no good translation in English. This concept means the continuous link between the different interdependent actors of food chain from the feedmillers to the retailers. Sometimes, the expression of food chain is used as the "supply chain" defined in the industry sector.



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### Issues

#### Economic issues

6- The economic stakes are three-fold:

- Creation of added value for the operators of animal production streams;
- Access to animal products at prices acceptable to consumers; and
- Preservation of a sustainable and viable agricultural economy.

7- The first economic challenge **for operators of African animal production streams is to be able to capture growth markets in SSA**. This means that these operators must be able to:

- **Move animals and products between production zones and consumption zones.** Regarding the meat of ruminants, the issue is that of supplying large urban consumption basins that are increasingly concentrated in coastal areas, from livestock production basins, such as the Sudano-Sahelian zone located in the interior of the continent. However, the drought periods of the 1970s and 1980s caused stockraising to expand into more fodder-rich savannah areas closer to the coast. Where non-ruminants are concerned, urban supply streams will need to be developed in areas close to consumption basins, where raw materials (e.g., grain, protein feed, etc.) are readily available.
- **Satisfy market requirements, and especially those of the most demanding and lucrative markets such as:**
  - The tourism market, which may expand in Africa;
  - The middle class market, especially in urban areas.

8- **Although international markets may be difficult to penetrate, their critical importance for African production streams cannot be overlooked.** There are some real opportunities:

- Several countries in Southern Africa successfully export beef as well as ostrich and emu meat to industrialized countries (e.g., EU countries). Although the volumes are small, this is an excellent way of establishing a track record that then facilitates entry into new markets.
- Exports of live ruminants flow to the Arabian Peninsula. This area, which has less stringent sanitary standards, is a valuable outlet for products from the Horn of Africa.
- Other emerging countries (e.g., China, South-East Asia, etc.) with very fast-growing consumption may also become interested in purchasing animal products within the framework of their trade with Africa.

9- For operators, access to lucrative markets is a critical aspect of ensuring that production streams have access to **the resources needed for investment in their economic efficiency, as well as in the quality and safety of their products.**

#### Public health issues

10- The expansion of international trade and regional exchanges among African countries will require improved management of sanitation issues:

- **Control of the main animal diseases** that can hamper the livestock trade. The situation in Sub-Saharan Africa is keeping its animal production streams out of much of the world market.
- **Control over product safety** in response to international standards and buyers' expectations.

11- Beyond the sanitary quality of herds and products, market access requires:

- **Explicit confidence in the inspection departments** that issue certificates for exported livestock or products;
- **Confidence in the system of livestock epidemicsurveillance**, in terms of its ability to detect, identify, and control any new diseases; and
- Confidence in the **system of food product inspection**. The overall issue is one of enhancing the credibility of products of African origin.

12- Any expansion of commerce, be it the flow of international trade or occasional foodstuff exchanges occasioned by the circulation of people, exposes new populations to new potential dangers. Populations on one continent can thus be exposed to pathogens originating from another.<sup>3</sup> **Monitoring of these sanitary dangers at the location of production remains the best way to prevent the spread of a health hazard.**

#### Nutritional issues

13- **Animal protein is an important component of a balanced diet.** The trade in animal products in SSA must be developed in an awareness of local equilibriums:

- This trade must be expanded, and production streams structured (e.g., consolidation of units, restructuring, etc.), with due consideration for the importance of subsistence stockraising and its contribution to balanced diets in rural areas, apart from its role in the finances of the poorest households.
- The expansion of international trade must preserve affordable access to animal protein for disadvantaged populations.

<sup>3</sup> Quebec, for example, has experienced an outbreak of *Salmonella paratyphi B* var java due to contamination through imported tropical fish. (1)



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More generally, there is a need to ensure food security with regard to protein.

- **Environmental issues**

**14-** The development of **livestock production** and food processing must be accompanied by vigilance with regard to environmental issues, whether these involve the management of effluents or greenhouse gas emissions.

- In this connection, pastoralism is one of the least greenhouse gas-producing modes of production. Not only does it help maintain carbon-fixing plant cover in semi-arid areas, but the fact that cattle dung and manure dry out on the ground avoids their fermentation, thereby producing little or no greenhouse gas. (2)
- The development of intensive livestock operations which are a possible alternative in periurban areas, must be accompanied by strict management of effluents in order to avoid the pollution of scant water supplies, prevent excessive and greenhouse gas-producing fermentation, and promote these effluents for their agronomic value and their harmlessness to cultivated plant products.
- Greenhouse gas emissions also need to be taken into account in transporting livestock and food products. This would argue in favor of transporting meat rather than live animals, and should cause the industry to stop using air transport, which produces large amounts of CO<sub>2</sub>, and turn instead to maritime or river transport using new extended shelf life, positive refrigeration technologies.

- **Policy issues**

**15-** Over the past few years, **African policy-makers have often preferred to give people easy access to cheap animal-derived products** rather than set up local production streams capable of meeting the population's needs. This has often meant that import duties on products sourced on world markets are set at levels below those authorized under WTO agreements.

**16-** In making their choices regarding support to local production streams, SSA policy-makers also need to take advantage of the tools available to create a framework conducive to the development of African production streams. Since some of these are based on trade among countries in the region, these policies will need to be coordinated at the regional level.

**17-** **Consumer information about product origin, whether through branding schemes or other kinds of place-of-origin identification, is a tool for enhancing the cachet of local animal production streams.**



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### Analysis of the situation observed over the past few years

#### • World market: opportunity or threat for animal products of African origin?

##### 1 - A small but growing portion of worldwide animal production goes onto the world market

**18- The proportion of worldwide animal production that is marketed on intercontinental markets is relatively small.** It is estimated that a bit less than 11% of world beef production is traded intercontinentally (excluding trade within the European Union).<sup>4</sup> The figure for poultry meat is only 9%, and under 7% for pork. Dairy products traded on the world market account for less than 14% of worldwide milk production. Thus, most production is either consumed in the production zones or is traded within a limited radius. (Source: FAOSTAT).

**19-** Since the world market for animal products represents a small proportion of world production, economic vagaries are amplified, thereby exposing exporters to greater economic uncertainty:

- Price cycles are amplified by the impact of production cycles. When production cycles peak simultaneously in the US and in Europe, downward pressure on the world market is even greater.
- **The world market is also more sensitive to policy decisions.** These may include:
  - A decision to close off markets temporarily, as is often done in Korea or Japan to limit import flows;
  - A decision to release products onto the world market following abundant production or surpluses in the country. The decline in New Zealand's milk production in 2005, for example, affected world prices for milk powder at a time of strong demand.
  - A decision by an exporting country to protect its domestic market. In 2006, the government of Argentina taxed its exports because rising world prices for beef were fueling inflation that was harmful to consumers. This decision further amplified the rise in world prices.

**20- Faced with an unstable world market, the large exporting countries obtained their shares of that market using two types of strategy:**

- For some countries, the world market is one that enables them to dispose of domestic market surpluses or to adjust supply to the characteristics of its demand. The

European Union, for example, exports 8.7% of its production and imports nearly the same amount. Where beef is concerned, it exports scarcely 2.5% of its production and imports 6.25%. Export enterprises are often less strong on export markets because this outlet is not central to their strategy. The US pursues a similar strategy, albeit with a larger volume of exports: nearly 5% of the beef produced in the US is exported, while 15% of the country's consumption is imported.

- For other countries, exports are a central economic objective, and their enterprises are essentially geared to exportation. New Zealand has developed its dairy sector with a single cooperative (FONTERRA), becoming a strong presence on a world market that represents over 90% of its outlets. Other countries have also built powerful export enterprises, as Brazil has done with poultry, Argentina with beef or mutton and lamb, and Australia with mutton and lamb.<sup>5</sup>

#### **21- SSA countries participate little in world markets.**

The exports of SSA countries account for less than 0.25% of the world beef market and less than 3% of the world market in mutton and lamb. Import volumes are scarcely any larger: less than 3% of the world market for beef, and under 5% of chicken meat. (Source: FAOSTAT).

#### **22- The world market will experience strong growth, however.**

Indeed, animal production requirements are constantly increasing as populations grow and incomes rise. Meat and dairy production consumption is expected to grow by 2.8 -3.5% per year in the developing countries (3). It will stagnate in the most highly industrialized countries, which already have a very high rate of individual animal protein consumption (and one that is growing at an annual rate of about 0.6%). In developing countries, increased consumption is strongly correlated with growth in purchasing power. Such growth is very strong in Asia (e.g., in China and Southeast Asia) and slower in Africa. At the same time, the growing supply of animal products in the industrialized countries is slowing down due to quota policies and a reduction in assistance. International trade will need to expand if the large consumption basins are to be supplied from areas of surplus production.

#### **23- Prices of agricultural raw materials have been recovering over the past two years.**

The listed price of milk powder has doubled since the beginning of the year. Over the past 12 months, world wheat prices have risen by over 30% and listed prices for soybean cake by 35%. Certain structural factors suggest that this upward trend may persist:

<sup>4</sup> The share of world trade exceeds 25% for major grains such as wheat.

<sup>5</sup> For example, the Brazilian giant FRIBOÍ, the country's largest beef exporter, purchased the US-based Swift Foods (4th largest beef processor in the US) in the spring of 2007. It now slaughters over 47,000 head of cattle per day.



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- Worldwide stocks are at their lowest level, while Asian demand for animal proteins and grains will remain strong as long as those economies are vigorous.
- Biofuels development is diverting a portion of arable lands traditionally allocated to production for animal and human consumption. Soybean acreage has been reduced in the US to make room for corn intended for bioethanol production.

The world market for meat has not yet experienced such a surge. However, rising prices for the raw materials used for animal feed, as well as sustained worldwide demand, are expected to drive world prices upward.

### 2 - Various mechanisms that skew agricultural policy and/or agricultural markets

**24-** Faced with an unstable world market, **several industrialized countries have instituted policies to protect their domestic markets** and to ensure access to world markets for their products.

- In the mid-1960s, the European Union developed a system of internal market price guarantees, as well as a system for intervening as necessary. This provides assurances to producers that their agricultural products will retain some value. Imports are taxed to bring them up to internal market prices, while exports are subsidized to bring them down to world market prices. To limit these negative impacts, and with a view to WTO negotiations, the European Union has reformed its common agricultural policy several times (in 1983, 1992, 1999 and 2003) along the following lines (cf. appendix 1):
  - First pillar (market): reduction of direct aid to agricultural production by disconnecting it from production volumes, then from the nature of the production;
    - A decrease in the intervention price, so as to limit price guarantees to producers, offset by direct aid (e.g., hectare-based aid, aid per head of livestock, etc.) unrelated to volumes produced;
    - Production quotas, either by means of quotas imposed on production volumes (e.g., for milk), or a system of direct aid quotas (e.g., suckler cow premiums);
    - Limits on export subsidies in accordance with commitments made to the WTO to limit downward pressure on world market prices;
    - Limits on direct market intervention through intervention purchases of frozen stored products (e.g., butter, beef, etc.), which are then often resold on the world market.
  - Second pillar (rural development): redirection of assistance towards sustainable development activities, which may assume various forms depending on the country:
    - Assistance aimed at helping young people establish themselves;
    - Support for high-end production (labeling schemes, organic agriculture, etc.);
    - Assistance for facilities modernization (i.e., investment aid);
    - Assistance for the implementation of agro-ecological measures to protect the environment (e.g., aid to protected zones, etc.);
    - Assistance for the marketing of agricultural products (e.g., promotional campaigns, etc.);
    - Assistance to areas with natural handicaps (e.g., mountainous regions, island-based agriculture, etc.).
  - The US has a policy based upon "marketing loans".
    - The producer may subscribe to loans that ensure a certain level of income. If the producer sells at the guaranteed price, he repays the loan; otherwise, the loan is not repaid in full. This essentially amounts to indirect production price supports.
    - At the export level, support mechanisms rely more on special prices for importing countries, subject to their purchase of agricultural products from the U.S. Government agencies provide loans to importing countries and pay the American exporting enterprise directly, thereby shielding it from the payment risk.
    - The US has also developed a program of agro-environmental measures aimed at bringing it into line with WTO regulations.
  - In the dairy sector, Canada has developed a two-tiered system of prices paid to milk producers: one for the domestic market and another for exports. This practice has been condemned by the WTO because it causes milk bound for export to bear only the direct costs (e.g., fodder, labor, etc.) and none of the indirect costs (e.g., land, investment, etc.).
    - Dairy production is managed by a commission that assigns a quota to each producer for milk marketed domestically. Once this quota is exceeded, the milk is assigned a lower value and is used for export.
    - In Quebec, quota management and milk marketing are handled by a single entity run by the producers' federation. This is a holdover from the Anglo-Saxon



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countries' tradition of agricultural product marketing 'boards', which were gradually privatized and dismantled in the 1970s and 80s.

**25- The impact of these mechanisms on world market prices is difficult to gauge**, since the effects and interactions are numerous.

- The impact of export assistance is not proportional to its volume. Aid is more focused on beef forequarter cuts, which are in over-supply on the Community market. The EU takes the situation of regional markets into account to adjust the level of aid in accordance with the characteristics of the market.
- Regarding poultry, export subsidies were greatly decreased on exports of whole frozen fowl. European processors responded by cutting up poultry in order to enhance the value of filets on the Community market and to be able to realize a residual value from the resale of wings and feet.
- Exports occurring under guaranteed loans can also destabilize a domestic market, since the windfall effect of this preferential-rate and easily repaid loan can encourage governments to over-supply themselves or to purchase at times that do not correspond to production shortfalls.
- The world market, unlike a national market, is not an open and free market.
  - It may be segmented in accordance with the sanitation status of various countries. Thus, a traditional distinction is made between two beef markets as a function of the exporting countries' status with regard to foot-and-mouth disease: the Atlantic market, which includes Latin America, and the Pacific market, which includes the nations of the Southern Pacific (Oceania) and the United States, which do not vaccinate.
  - The behavior of some purchasing countries is sometimes more restrictive. In 2005 and 2006, Korea and Japan limited their imports of US beef in favor of beef from Australia, thereby boosting the price of products from the Southern Pacific region.
  - Finally, exporting countries also have their strategies. During periods of production cuts, they favor certain countries at the expense of others. In periods of reduced production, New Zealand has for example always given priority to that portion of mutton and lamb exports bound for the European Union, so as to preserve its access to this lucrative market and negotiate additional export privileges.

**26- Import barriers are one way to protect a domestic market and avoid the pressure exerted by wide**

**fluctuations in world prices.** The European Union, along with other countries (e.g., Japan, Norway, Korea, Switzerland, etc.), use import taxes to reduce the discrepancy between domestic and world prices. Sanitation issues are sometimes invoked by some countries wishing to limit imports. Finally, WTO rules allow for the implementation of situational safeguard clauses if domestic production streams are imperiled.

**Exchange rate fluctuations can also substantially disrupt markets.** In 2003, the devaluation of the Brazilian *real* and Argentine *peso* gave a competitive boost to meat from those countries and caused world prices to drop. This issue is particularly sensitive for some SSA countries at a time when the euro-pegged CFA franc is reaching new heights.

### 3 - The world market : opportunity or threat to SSA animal production streams?

**27- Apart from the impact of subsidies**, animal production streams in Africa may be destabilized by world market leaders:

- Brazil exports chickens at a cost 25% below that of Senegal's poultry industry, due to the competitiveness of its production stream, which has low labor and raw materials costs.
- Brazil, Argentina or Australia are able to ship beef carcasses to Africa at about US\$1/kg (carcass price for the producer), which is 40% less than the going price in West Africa.
- New Zealand and Australia are able to export mutton at a carcass price of US\$2.70/kg (FOB).

**28- SSA countries have rarely exploited the maneuvering room available to them under WTO agreements** to impose the maximum tax on imported animal products. Governments have preferred to emphasize tax revenues realized on large import volumes, along with lower customs levies, supplying their populations at least cost to the detriment of their producers.

**29- Opportunities exist on international markets; however**, although the volumes are currently small (cf. Point No. 21). These opportunities include:

- Beef exports from southern African countries such as Namibia, South Africa, and Swaziland. The EU has granted them an export quota with reduced customs levies. Flows are small, but this establishes a track record that affords access to other market destinations. In 2005-2006, the ACP countries exported 16,100 tons of beef to the EU, or only 31% of their quota. It is true, however, that the European market is often less



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economically lucrative and more technically demanding (e.g., in terms of cuts, etc.) than the US or Asian markets.

- Several million heads of livestock (sheep, cattle, and camels) are exported from the Horn of Africa to the Arabian Peninsula.
- Although their volumes are small, niche markets also offer opportunities within a highly segmented industrialized country market. Examples include:
  - Exports of camel's milk cheese from Mauritania;
  - Exports of ostrich meat from southern African countries;
  - Exports of game meat from the Republic of South Africa;
  - Exports of honey from Zambia and other East African countries.
  - Possibilities also exist for the exportation of by-products, such as hides and leathers, if they are properly processed.

### 4 - Technical barriers to trade that must be eliminated in the interest of international trade

**30- Several technical barriers to the expansion of trade in animal products were discussed** in the Policy Note on sanitation standards and the safety of animal-derived products:

- **The first obstacle to international market access is sanitation standards and their enforcement.** Many African countries do not fulfill the requirements of SPS agreements pertaining to animal production streams, whether in terms of the health status of herds, which prevents the marketing of live animals to certain destinations, or the sanitary quality of processed products. The effort required for upgrading is often deemed out of proportion with the market possibilities (7).
- **The second obstacle is the weakness of official services,** and particularly of veterinary services ensuring certification that meets international standards and inspires confidence. This applies to the certification of both live animals (cf. the Zoosanitary Code of the OIE) and animal-derived products (cf. the Codex Alimentarius rules). (See also the Policy Note on sanitation standards and safety of animal-derived products.)
- **Apart from international requirements,** private international purchasers are increasingly developing their own private specifications and controls (IFS, BRC, EurepGAP, etc.), with criteria exceeding international standards. The rise of these private standard-setting bodies complicates matters at best, and at worst adds to

the economic and technical constraints facing exporters in the affected countries.

**31- The expansion of international (and intercontinental) trade also requires infrastructures,** which are currently under-developed:

- **Infrastructures needed for market organization:** collection capacity for constituting large lots, large physical markets, large-volume cold storage capacity, port infrastructures, etc.
- **Trading companies large enough** to consolidate supply or to undertake exportation to a third country. A few companies exist in southern Africa, however, operating as exporters to other African countries or to third countries.

### • **Strengths and weaknesses of African animal production streams**

#### 1 - Growing consumption

**32- Consumption of meat products and animal-derived products is increasing in SSA.** Consumption of meat (of all types) increased by 11.5% from 2000 to 2005. (Source: FAOSTAT). The increase is less rapid than in other regions (e.g., China, Southeast Asia, etc.). As soon as economic growth boosts incomes, Africa will experience a corresponding growth in its animal product consumption.

**33- The coastal location of the large urban centers** also poses the challenge of structuring production streams to connect inland production basins with consumption zones.

- Ensuring supplies to these fast-growing cities will be a major challenge in the coming years.
- There is also the risk that protein consumption will shift from fish, as it becomes increasingly scarce and costly, to meat.

**34- The African market will also become segmented,** thereby creating markets with greater added value. This segmentation will occur along lines experienced on other continents due to a homogenization of lifestyles, including:

- A desire for increasingly pre-processed and easy-to-prepare products;
- The development of out-of-home dining, which will require a supply adapted to this type of consumption;
- The desire for high-quality products with greater guarantees concerning modes of production, place of origin, etc.

The capacity of African animal production streams to handle this segmentation is a major issue in capturing the added



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value needed for investments in these streams. Such investment is also needed to meet the requirements of market segmentation.

### 35- The main asset of African production streams is their knowledge of, and presence on, their own markets.

- Ruminant production streams supply the SSA market almost exclusively. Imports in 2005 accounted for 5-6% of beef and 0.6% of mutton and lamb.
- Non-ruminant production streams are more import-dependent: imports account for more than 28% of chicken consumption and over 16% of pork consumption.

## 2 - The issue of trade within SSA

36- This last point highlights the importance of trade within SSA in supplying the large consumption centers. Thus, expanded trade within and among the regional economic communities (WAEMU, CAEMC, SADC, etc.) needs to be emphasized. Traditional trade flows of these production streams often transcend the borders of these entities (8). For example, Chad and Niger both supply livestock on the hoof to Nigeria, which is not a member of either country's economic community.

37- **Barriers to expanded intraregional trade** include the following:

- Sanitation laws are inadequately harmonized and systems for certifying products for export need to be more rigorous.
- Despite the reduction or elimination of taxes among countries of a given trade zone, many illegal taxes impede trade.
- Finally, payment guarantee systems or the means to transfer funds through banks are not sufficiently fast or accessible for many medium-sized operators.

38- **Substantial trade flows already exist and need to be consolidated:**

- The flow of ruminants from the Sahelian zone to the coast, along several routes;
- Trade between countries in poultry and day-old chicks.

The establishment of regional economic entities should lead to a specialization of stockraising areas as a function of their respective advantages:

- Veal calf operations in herbaceous areas;
- Finishing in zones close to consumption centers, where affordable feed can be readily obtained (e.g., in grain-producing zones, where cotton by-products and post-harvest chaff are available, etc.);

- Dairy operations in zones offering both rough feed and grains, or livestock feed at competitive prices; and
- Raising of non-ruminants in proximity to ports, where grain and protein feed are available.

## 3 - Analysis of the structure, strengths and weaknesses of African animal production streams

39- Animal production streams in Sub-Saharan Africa often labor under multiple handicaps.

40- **The first handicap is low herd productivity** under the various production systems:

- The **pastoral system of veal calf production often results in low individual productivity.** It can only be intensified with due attention to the herbaceous production potential of arid zones. Long standing behaviors must also change in order to achieve a faster herd renewal rate and thus, greater meat production. This runs counter to the herd reductions that occur on celebratory occasions or during droughts.
- **Small family-based livestock operations** (poultry, dairy animals, etc.), often run by women, have proven themselves able to generate additional income and cover on-farm consumption. However, they are unable to supply large circuits in a reliable manner.
- **More intensive models**, often practiced near consumption basins, are developing to ensure the supply to cities. These include intensive production of non-ruminants, dairy operations, etc. Compared to other regions of the world, this type of stockraising is underproductive owing to inadequate mastery of zootechnical aspects and sanitation controls. Moreover, haphazard expansion of this mode of production could pose significant environmental problems.

The factors underlying this low productivity include zootechnical problems (e.g., feed, genetics, etc.) and sanitation issues such as animal diseases (e.g., swine fever, brucellosis, etc.) or ailments related to the barnyard environment (e.g., parasites, neonatal diarrhea, etc.).

41- **The second difficulty has to do with the way in which animal product marketing is organized**, which prevents producers from realizing adequate margins:

- The **collection and marketing** of cattle and sheep involve numerous intermediaries. They have an important role, particularly in stabilizing flows and covering the economic risk, which is shared among many intermediaries, in addition to the alone gathering of the product from the numerous stockraisers.



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- **Transport logistics are also responsible for lost productivity.** First, the transport of live animals consumes more energy than that of carcasses or meat. Also, moving animals on hoof causes them to lose considerable amounts of weight and raises the problem of livestock corridors traversing agricultural areas. In the medium term, the rising cost of transportation will be a key factor to consider in modernizing production streams.
- **Milk collection poses many problems in Africa,** including the separation of components, refrigeration, and transport costs. This has caused medium-sized farms to engage in themselves on-farm milk processing, so as to convey the finished product directly to distributors or consumers. The development of the dairy industry has often come up against the absence of a core group of dairy producers able to supply factories. Milk powder is therefore the most easily used raw material for the production of fresh dairy products. However, the current spike in milk powder prices may cause processors to review their strategy.
- In **intensive production streams involving non-ruminants**, marketing can be somewhat problematic, as it involves the conveyance of animals (e.g., the transport of hogs in Cameroon from the production zone to the consumption zone in the southern part of the country), the separation of slaughtering and distribution operations, the lack of abattoirs, etc (9).

### 42- Inadequate downstream infrastructures are also a problem for African production streams.

- Many abattoirs fail to meet sanitation requirements, in terms of both their infrastructure and their management (10, 11). Although local slaughtering facilities that cannot adhere to the same criteria as urban abattoirs need to be considered separately, hygiene is often inadequate and the cold chain practically non-existent.
- The lack of wholesale butchers or sufficiently large slaughtering operations prevents local actors from meeting the requirements of more structured markets (such as tourism, public procurement, etc.).
- There is a shortage of processing companies able to develop and market products adapted to new modes of consumption.
- Sector of livestock supplying is also weak.

**43- The sector is often largely made up of a great number of small-scale operators** or informal sector operations, which are handicapped by their inadequate training and lack of access to the financial tools needed for investment. This sector must develop a structure involving professional organizations, the emergence of pilot

enterprises, or groups capable of investing in both equipment and in know-how. The current obstacles to the modernization of these sectors are not just economic: sociological factors must also be taken into account. The mechanisms of solidarity that exist within socio-professional groups (which may also correspond to ethnic affiliations) oblige entrepreneurs to create jobs, even for the underqualified. Any mechanisms used to modernize these production streams will need to take into account the under-qualification of the labor pool and must make the process a gradual one, in order to avoid disrupting the economic distribution effects of the existing informal sectors.

**44- Distribution is still highly scattered** and fails to play its role of relaying consumers' demands to enterprises within the production streams. However, the emergence of modern modes of distribution in large cities will force first- and second-level processors to establish a structure for themselves.

### • **Conclusion : production streams are ill-prepared at a time when new policies are about to be implemented**

#### 1 - Production streams ill-prepared for the opening of markets

**45-** To conclude this analysis, **SSA animal production streams are still too atomized**, and this fragments margins. The market is often structured around a supply that is irregular in both quality and quantity (12). The downstream component is not guiding the production streams.

**46-** Low margins explain the problems with investment in and modernization of these production streams, for purposes of both improving sanitary and technological quality and increasing production capacity.

**47-** Beyond the world market opportunities, which are not negligible, a priority must be boosting the capacity of animal production streams to adapt to changes in the SSA market for animal products, in order to keep or recapture this market. **Otherwise, imported products will come to occupy market segments that local production streams cannot satisfy.**

#### 2 - International negotiations will alter the economic context

**48- Several international negotiations will change the rules of the game in international trade.** These include the WTO agreement on world trade, economic partnership agreements with the European Union, etc. Although their impact is difficult to gauge to the extent that they have not yet been signed, these agreements will put animal production



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streams on the road to greater trade liberalization and reduced import taxes, that effects are controverted (13).

**49- Within the WTO, the agricultural sector has been a battleground for various groups of countries with divergent interests.** Issues have included questioning of export subsidies and of other export support mechanisms (which involve the EU, Japan, and others); the reduction of customs levies to facilitate market access; and the desire of emerging countries (such as Brazil and Argentina) to expand their exports. Exposing African animal production streams to greater competitive pressure may further destabilize them, as they are insufficiently structured. Safeguards or support measures are under discussion. They will be crucial for the future of animal production streams.

**50-** Adaptation to WTO rules will also have an impact on relations between African countries and the European Union. The Lomé Convention provided for privileged access to European markets at special rates or reduced customs tariffs. This privileged access to European markets was denounced at the WTO and will be challenged (cf. the WTO Banana Panel). This will call into question the reduced-levy beef quotas negotiated by some countries with the European Union. **Future APE agreements will be based on gradual, and increased, openness of borders,** offset by programs to support the modernization of the affected production streams. The usefulness of these support programs will need to be established with certainty.

**51-** Although this negotiation period contributes to the uncertainty, it is also an opportunity to lobby for renewed modernization of African animal production streams. In the case of animal-derived products, the opening up to world competition must be done with caution.

- The world market cannot be used as the sole market regulator, since the portion of animal production moving through this market is too small (see Point 20) (14).
- The world market must be opened up with due consideration for the principle of food security for countries experiencing the greatest shortage of animal protein.
- Animal production, especially where ruminants are concerned, is characterized by very long cycles that prevent it from responding quickly to market signals.



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### Recommendations for action

**52-** In many situations, the various interventions cannot be limited to a single government. The regional dimension is essential for the structuring of efficient production streams, although this idea of a regional dimension cannot be confined to the existing economic zones (WAEMU, CAEMC, SADC, etc.), since flows originating in these production streams sometimes transcend their boundaries. The strengthening of the regional trade flows justifies the importance of the regional dimension.

#### • **How can the productivity of animal production be increased?**

**53-** The recapture of African markets requires improved knowledge of demand on those markets, as well as enhanced herd productivity to ensure a more substantial and reliable supply of raw materials to the processing components of the production streams. This requires:

- Improved sanitary conditions in stockraising operations, in order to reduce the major animal diseases still present in Africa (e.g., rinderpest, swine fever, etc.) and control diseases associated with the barnyard environment;
- Improved zootechnical conditions for livestock, including better control over the feeding process through efficient exploitation of available resources, and genetic improvement of herds.

**54-** The opening of borders within and beyond the regional communities, as well as easier circulation of products, should lead to a specialization of production zones. In order to support this zone specialization, it will be important to identify and study the livestock systems most relevant and best adapted to each territory, with an eye to their complementarity.

- **Pastoral or semi-pastoral system in the Sahelian zone.** This system is geared to the production of lean animals, but it must be possible to practice greater offtake of lean and young animals in order to intensify production. The main issue for this very low-input and eco-friendly system is the improvement of its numerical productivity, which requires, first of all, more regular offtake of young animals that can be finished elsewhere.
- **Feedlot finishing systems, the economic appropriateness of which needs to be studied.** They could permit the finishing of animals, which would increase per-carass meat production and yields. To be profitable, however, these operations must have access to:

- A supply of reasonably-priced lean animals;
- Affordable grains and protein fodder for economical feeding (in proximity to ports or near areas producing grain or plant crops (e.g., cotton) that generate by-products for use as animal feed);
- Slaughtering facilities enabling them to send carcasses or meat to consumption centers;
- Lucrative markets, especially to exploit the value of choice cuts and boost the average per-kilo price of meat.

- **Family-based dairy operations** that can be developed as production sites complementing (or not) larger units to supply processing facilities. The zones chosen for the development of these small production operations should emphasize their good fodder potential (grass, maize, etc.) and the presence of herdsmen with good technical capacities (cf. the Kenyan example).
- **Intensive systems for the raising of non-ruminants**, with aboveground units in areas where effluents can be used without any problem and feed is available at competitive prices. Access to inexpensive feed is a crucial element in the success of these systems.
- **Subsistence livestock systems** (poultry, milk, small ruminants, etc.). These stockraising operations should not be ignored, although they are only marginal to the supply of processing streams. They must be taken into consideration for the role they play in family on-farm consumption and due to their role in sanitation efforts, since they are potential reservoirs of pathogens.

**55-** The establishment of livestock systems that can ensure increased production will require an effort in terms of technical tools used to support producers:

- Centers of zootechnical research;
- Centers for the training of herdsmen;
- Technical support to stockraisers.

Technical support must be provided via the most appropriate vehicles, i.e., producers' groups or associations, veterinary advisory services that can evolve into livestock service enterprises, animal product processing enterprises, suppliers of breeding stock or feed, etc. Information relay mechanisms need to be developed as a complement to zootechnical research centers.

**56- Expanded stockraising will require both material investment**, (e.g., buildings, fencing, pens, etc.) and investment in intangibles such as know-how. To facilitate these investments, the livestock subsector must be able to organize itself through:

- Producers' groups or associations capable of implementing joint investments (e.g., fodder production, technical support, etc.);



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- Integrated systems that involve more or less complex processing enterprises to facilitate access to livestock inputs and techniques;

The **partnership between private enterprises in the animal production streams** (i.e., those that serve stockraisers or the processing of livestock-derived products) **and herdsmen** must be strengthened. The terms and conditions governing partnerships with international enterprises involved in animal production streams must be eased.

**57-** The expansion of livestock operations in Africa will need to take into account **biofuels development**, which will drive up grain prices but may also create new opportunities in terms of raw materials used for animal fodder, as sub-products of the biofuels industry.

**58-** Governments and public authorities have a role to play in supporting this modernization of the livestock subsector, through appropriately targeted policies, including: support for the identification of modernization strategies for livestock production streams, in collaboration with farmers' organizations; institution of policies to facilitate livestock operations (e.g., land tenure, organization of selective breeding programs, programs to combat the major livestock diseases, livestock trade, etc.); and mechanisms aimed at managing crises in the subsector, etc.

**Recommendation No. 1:** The development of livestock support policies first requires prospective studies of the structure of the African livestock sector over the medium term. Such studies would include: identification and study of the most efficient and best-adapted livestock systems, their geographic distribution over national territories, and ways to expand them. This work must include an analysis of the prerequisites for the success of these models and of other models in other regions of the world, where a livestock revolution is underway. (cf. Box No. 3).

**Recommendation No. 2:** Livestock development will require a substantial skills-transfer effort in the area of operational management. Strategies for training herdsmen and keeping them informed must be diversified, expanded, supported, and monitored. (See Note on animal health services).  
 - Initial training of herdsmen;  
 - Ongoing training supported by the various possible relay mechanisms (agro-supply companies, producers' groups, livestock service enterprises, etc.).

**Recommendation No. 3:** The livestock revolution entails both tangible and intangible investment, which in turn requires the creation of conditions conducive to partnerships (e.g., supply contracts, integration, etc.) between stockraisers and enterprises in the animal production streams (e.g., processing of livestock products, animal genetics and feeding), and particularly with international enterprises. Public authorities can play a facilitating role in this area.

- **Structuring regional production streams capable of engaging in continent-wide or intercontinental trade**

**59-** In addition to increased upstream productivity, the expansion of regional and international trade will require the structuring of livestock marketing and processing streams. This requires three types of intervention:

- Support for the structuring of professional 'families' – professional and interprofessional associations – in order to identify interlocutors in these production streams;
- Support for the emergence of pilot enterprises that will then be able to provide an economic structure for these production streams;
- Support for the creation of structuring facilities in the production streams: e.g., abattoirs, physical markets, transportation logistics, etc.;

Furthermore, while a large portion of trade currently involves live animals for various reasons (e.g., inadequate slaughtering facilities, cold chain problems, hidden taxes, etc.), the trade in animal products must expand and take precedence over the trade in live animals in order to:

- Reduce transportation costs as energy becomes more expensive;
- Improve animal welfare and limit weight loss during transport; and
- Situate value-adding activities as close as possible to livestock production sites.

**60-** The prerequisite for modernization of animal production streams is the **structuring and strengthening of organizations for professionals in those production streams** (e.g., herdsmen, traders, intermediaries, processors, dairy product processors, etc.), most of whom are in the informal sector. Professional and interprofessional structures are needed that can participate in discussions of production stream organization, become involved in vocational training, develop shared tools enabling production streams to identify and promote best practices, and even develop and manage shared facilities (e.g., training centers, collective butchering facilities, etc.).



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### 61- Structuring facilities for the marketing of animals and animal-derived products will need to be developed at the regional and international levels:

- Abattoirs serving entire countries must serve as sites for the convergence of supply, and for the sorting of carcasses and cuts for reshipment to large consumption centers, and possibly for export.
- Upstream of these abattoirs, on-the-hoof market structures must be provided. Downstream, wholesale markets can facilitate the marketing of products derived from animal product processing (e.g., beef, poultry, pork, dairy products, etc.). These structures will enable professionals to centralize supply and offer it to purchasers. **This consolidation of supply may also facilitate the sanitary controls required for eventual export.**

The geographic location, size, supply, and market outlets of these structures must also be studied as livestock development and intensification are debated (Recommendation No. 1). The goal here will be to establish a master infrastructural plan for the production streams. This plan must be developed and discussed with the sector's professional organizations at the level of each country and within each regional economic community.

**62-** The development strategy pursued by processors of animal-derived products (meat butchering and processing, milk processing, etc.) must endeavor to foster **the emergence of pilot operators** who can serve as role models for the profession. The aim is to encourage the creation of African food processing SMEs (small and medium enterprises), which must acquire the ability to invest and innovate in response to market expectations, while at the same time respecting the sociological context specific to these sectors.

**63-** To facilitate this emergence of pilot enterprises, **foreign investment by industrial operators capable of transferring skills must be facilitated**, whether through the granting of patent operating licenses or the creation of joint ventures.

**64-** The key players in a production stream must include **operators of logistical facilities** such as roads, trains, and airlines.<sup>6</sup> The emergence of enterprises capable of reliably handling the cold transport of meat, animal products, and fish – in both directions – will be crucial. A structuring project can be compromised economically if its logistical organization is

<sup>6</sup> Although airplanes are heavy producers of CO<sub>2</sub>, they are the only means of transportation that enable products to flow from Chad to coastal countries such as Gabon and Congo. This example raises once again the issue of the continent's railway infrastructures.

faulty or inappropriate. This point will assume greater importance as energy becomes more costly.

**65- Vocational training is another key factor in the evolution of this sector.** Many small enterprises perpetuate a faulty model for lack of access to vocational training for young people entering the meat or dairy processing professions. This lack of professional training for young people is a problem in addition to the gaps in their basic education (e.g., literacy).<sup>7</sup> Several critical points must be considered, however, if vocational training is to be successful:

- Professionals must be heavily involved in these training strategies, so that young people are trained in accordance with the requirements of these small enterprises, instead of learning irrelevant skills.
- For professionals, the ability to transmit and operationalize the skills and knowledge acquired in centers of excellence (e.g., establishments of higher learning, research centers, etc.) is a key factor for success. This also means that specific needs must be taken into account in establishing research and development priorities.

**66-** Finally, the development of these production streams requires a strengthening of the **financial tools available to professionals:**

- Access to credit for artisans in the informal sector and in the food-related professions will require savings-and-loan and micro-credit systems;
- For larger enterprises, reduced-rate loans will be needed;
- Trading companies, particularly at the international levels, will need guarantees to cover payment risk.

**Recommendation No. 4:** As an adjunct to Recommendation No. 1, master plans for each production stream and region will need to be drawn up in collaboration with sector professionals, in order to rank priorities and determine the mapping of structuring facilities. This will first require an inventory of previous work.

**Recommendation No. 5:** Within each country, as well as at the regional level, an appropriate strategy of support to professional organizations in the sector and for the development of sector enterprises is needed, including:

- Support for the structuring of professional and inter-professional organizations;
- A policy on professional training and information dissemination to the sector;

<sup>7</sup> Senegal's experiment with the establishment of a vocational training center for the meatpacking professions is a pilot operation worth watching.



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- Emergence of enterprises serving as capacity models for the sector;
- Development of a supply of logistical services adapted to animal products; and
- A policy on incentives for skills-transferring partnerships between sector enterprises and foreign companies.

### • **Developing a framework conducive to trade**

**67-** To ensure the harmonious development of intra-African and intercontinental trade, governments must develop and enforce a regionally harmonized regulatory framework to protect trade. This involves:

- Sanitation rules to be observed (See the Note on “Standards and Food Safety”<sup>8</sup>;
- Principles of integrity in commercial transactions.

**68-** However, these regulations must be duly enforced and monitored by efficient oversight bodies that are trusted by all actors. This includes veterinary services (see the Policy Note on Standards and Food Safety) as well as those involved in combating fraud. Where sanitation is concerned, the prior experience of other export production streams can serve as a model for the transfer of know-how to animal production streams.

**69-** To ensure the transparency and fluidity of trade, each country must develop mechanisms to **deal severely with all corrupt practices**, be they illegal taxes that hamper trade between countries, or ad hoc extractions of money at the time of sanitation inspections. These efforts must also be directed at livestock theft, which is a destabilizing force in these production streams.

**70-** **The move to lower customs levies between countries belonging to the same economic community (e.g., the common external tariff, or CET) may stimulate trade between countries.** This adjustment of intra-African customs levies must be broadly applied in order to give African products an advantage over products sourced on other continents. This effort has been hampered, however, by the persistence of unjustified, or even illegal, fee collections. This measure has also had no impact on certain unmonitored flows (e.g., flows of animals on the hoof).

**71-** With due attention to the framework of international agreements, **each country can work out policies to foster the development of enterprises in animal production streams:**

- The cost-free nature of official controls performed by government departments is a means of ensuring the

impartiality of the inspection services and of avoiding excessive pressure on such inspections, while at the same time avoiding the imposition of additional costs upon enterprises.

- Each country can support, either directly or through aid programs with international organizations, the structuring of professional organizations, structuring investments, and professional training.
- Tax incentives can be used to spur foreign investment, smooth the economic operation of enterprises managing infrastructure, and facilitate the establishment of enterprises in the production stream around these facilities (e.g., through attention to land tenure issues, transportation and communication infrastructures, etc.).

**72-** This will probably entail a policy of developing “competitiveness clusters” in order to:

- Facilitate the establishment of enterprises involved in complementary activities on the same site: e.g., slaughtering, marketing, detailed butchering, exportation, etc.;
- Facilitate the establishment, on the same site, of research and development or vocational training centers.

**73-** Although professionals already have their ways (such as they are) of obtaining information on prices and volumes, the development of information systems for monitoring prices and flows of livestock is an important issue for economic decision-makers.

- *A system for monitoring and regularly publishing the reference prices prevailing on large markets.* This will make it possible to:

- Better inform stockraisers, who will have a more precise idea of the market value of their animals;
- Obtain information on prevailing prices and marketing opportunities;
- Gauge the price impact of competition from imports or important occurrences, such as climate events. This is needed in lobbying for possible safeguard clauses;

- *A system for monitoring trade flows of animals and carcasses, as well as milk collection.* The aim is to better understand trade flows and anticipate the need for structuring facilities.

Beyond these two systems of price and flow monitoring, there is the issue of the traceability of animals. Such a tracking system can be a more accurate tool for gauging flows, but it will only be justified economically by the effectiveness of the disease-prevention programs that it can enhance. Some of its uses might include:

- The ability to identify the herd of origin of an animal identified at the abattoir as having tuberculosis;

<sup>8</sup> (GB) Food safety = Sécurité sanitaire des aliments (FR). In French, « sécurité alimentaire » means « food safety ». For food safety, the used expression is “sécurité sanitaire des aliments”. Sometimes, the expression « sécurité des aliments” is also used as food safety.



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- Feedback of sanitation information to livestock operations based on observations at the abattoir (e.g., parasites, detection of drug residues, etc.) or at the dairy (e.g., residues in milk, elevated cell counts indicative of mastitis, etc.).

Finally, it should not be forgotten that traceability is a way to avoid livestock culls.

**Recommendation No. 6:** The regulatory frameworks of governments need to be reworked collaboratively at the level of the regional economic communities in order to facilitate the expansion of African and international trade, the goal being to ensure first adherence to sanitary regulations (See the Policy Note on Standards and Food Safety - Recommendation No. 10) and straightforward transactions. This must include a more accurate assessment of the impacts of such measures as the CET on the trade in animal products before these agreements are extended to countries that are not part of regional economic community but on the receiving end of livestock flows or animal products.

**Recommendation No. 7:** For these regulations to be properly enforced, the oversight bodies must have the means and organization that enable them to carry out their mission in a manner that inspires confidence in the trade between countries. These oversight bodies must be organized on the basis of recommendations contained in international standards (e.g., Zoosanitary Code, Codex Alimentarius, etc.), where such standards exist.

**Recommendation No. 8:** Improved knowledge of flows of livestock, animal products, and prices requires an information system and a policy on traceability. Information must be available:

- For strategic decision-making affecting the structuring of production streams;
- To provide indications of undesirable impacts of one flow or another, particularly as regards imports; and
- To manage sanitation risks.

This point underlines that development of a livestock management information system is the strategic issue (cf. box 1).

**Recommendation No. 9:** Political commitment on behalf of local animal production streams must manifest itself in policies:

- That facilitate investment in these production streams, including the investments of foreign enterprises possessing know-how (e.g., in land tenure, tax regimes, infrastructures) related to the structuring of animal production streams. This is expected to permit the emergence of competitiveness clusters in production streams that correspond to the structuring priorities identified in the studies mentioned under Recommendations 1 and 4.

-That support professional organizations in the sector, particularly by targeting international cooperation programs serving the animal production streams. This support may take various forms, such as:

- Support to structuring investments (See Recommendation 4 of this Policy Note and Recommendation 12 of the Policy Note on international standards and the safety of animal-derived products);
- Support for vocational training (See Recommendation 5 of this Policy Note);
- Support for the transfer of skills from research and development centers to enterprises (See Recommendation 13 of the Policy Note on International standards and the safety of animal-derived products).

### Box 1: Strategic issue of livestock information management system (LIMS) in SSA

The objective of a LIMS is to supply the tools for strategic decision by actors of the food supply chain and policy decision makers. First of all, it concerns the knowledge of: (i) animals flows between the different areas; (ii) prices of the different kinds of animals and/or animal products (live animals, carcasses, raw milk, and dairy products) and different geographic area; and (iii) price of the main inputs (feedmills).

The LIMS must be used to:

- Define a well-adapted investment strategy (cf. recommendation n°1 and n°4) ;
- Forecast evolutions to demands and supply in the animal food chain ;
- Envisage consequences of proposed policies (ex : impact of custom taxes on imported products, change in currency rates) in order to make sustainable policy choices;
- Prepare international negotiations in order to be able to assess economic consequences of the African proposals or to assess those proposed by the other parts of the negotiation; and
- Anticipate and manage the consequences of climatic outbreaks (cf. Policy Note on mobility and drought management) and the others exceptional events such as sanitary outbreaks.

However, the use of data from the LIMS needs also the strengthening of a macro- and micro-expertise in order to identify the good indicators for decision making.



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- **Taking advantage of maneuvering room afforded by international agreements in order to protect African production streams**

**74-** All consumers, including those in Africa, tend to prefer food products produced in their own countries or nearby.<sup>9</sup> This has to do with the greater degree of confidence in production conditions (even if this is not always rational). It is therefore possible to give African animal products a competitive advantage by identifying the origin and labeling it for the consumer. This branding policy should also facilitate market segmentation.

**75-** African animal products are not immune to competition from international products, be they under-priced foodstuffs from another continent that are finding a lucrative outlet in Africa, or products for which world prices are depressed by surplus supply or unwarranted support from the exporting country. It is therefore essential that SSA countries negotiate, within the framework of international agreements, to identify sensitive products that could benefit from a policy of relative protection, or to define the circumstances under which a special safeguard mechanism might be triggered for a product that might be exposed to excessive competitive pressure (cf. the WTO Hong Kong Agreement.)

**76-** However, recourse to special safeguard measures will require a capacity to defend them vis-à-vis the WTO. This means that market information is needed (e.g., production volumes, prices of main products, import volumes, import prices, etc.), to be able to explain the disruptive nature of the imports (cf. recommendation 8).

**77-** Finally, beyond the negotiation of WTO agreements, African countries must utilize all the margin of maneuver available to protect and favor their animal production streams:

- The policy on taxation of imported animal products must give a competitive advantage to African products. All African countries, including the non-producing ones, must impose higher taxes on products from third countries than on products from other Sub-Saharan African countries, and they must harmonize their import policies. This should also prevent the arrival of animal products from other continents via neighboring countries with more relaxed customs regulations, as was the case with the importation of European chicken thighs through Gambia.
- The position of the African countries in negotiations with the WTO must be such that they can successfully promote the principle of special safeguards in the event

of massive product imports that destabilize local markets, whatever the reason for such imports may be (e.g., export subsidies, depressed world prices, etc.). They should be able to negotiate a simplified procedure for instituting such mechanisms without going through the lengthy and costly arbitration panel procedure. Criteria therefore need to be defined that would justify the use of these mechanisms. These might include a price drop of more than 10-15% on wholesale markets relative to the usual listed prices, and an increase in intercontinental imports representing more than 4-5% of national consumption.

- Agreements affording access to lucrative markets should be totally used. For example, it should be possible to have reciprocity at the regional level regarding the quotas granted by the EU for reduced-tariff imports from the ACP countries, so as to arrive at a higher rate of use than is currently the case.
- International aid funds available for animal production streams should be also totally used, in order to invest in these streams in accordance with defined priorities in accordance with concrete objectives (e.g., programs along the lines of "Every thing but no arm").

**78-** In this phase of negotiation of the APE agreements, African leaders must emphasize the strategic importance of animal production. Current quotas on reduced-tariff beef are in danger of being called into question in the interest of harmonization with WTO principles. On the other hand, reciprocation in the area of support for the upgrading of African production streams will be on the table, with a view to making them competitive on their own markets relative to imported products.

- Support for sanitary policies (e.g., animal disease prevention) must not be included in the amount of counterpart payments since this is a worldwide challenge to which the industrialized countries (and the EU, in particular, given to its proximity) must contribute in order to address the danger of emergent diseases.
- The principle of relative protection for African animal production streams while they upgrade must be accepted. Morocco was thus able to develop a poultry industry by affording its market a relative degree of protection.
- For their part, African countries must also be able to attract the interest of European investors prepared to develop animal products, so as to facilitate this upgrading and foster the development of these production streams.<sup>10</sup> Priority should be given to

<sup>9</sup> This reflex was observed during the crisis in Senegal involving imported chicken thighs. The phenomenon is actually most apparent for the middle class, since the poor choose meat exclusively on the basis of price.

<sup>10</sup> In 2006, the Danone Group invested in Bangladesh and concluded an agreement with the Grameen Bank to grant appropriate credit to local livestock operations to increase their milk production.



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attracting food conglomerates whose strategy is based on exploiting local production. The presence of these European groups may also be conducive to exports to the EU.<sup>11</sup>

- The European Union must pledge to eliminate all export subsidies on EU animal products bound for Sub-Saharan Africa (although this is already more or less the case, since the subsidies are defined by geographic zone.) In the case of products that significantly disrupt an animal product market (e.g., frozen chicken thighs), the European Union should pledge to find new market outlets, either by exporting to countries (e.g., China or Russia) where the impact will be less disruptive, or to find ways to market the product in Europe.
- Given the volumes involved, it may be useful to negotiate a reduced-tariff quota for low volumes of beef (30,000 tons being twice the current export volume) or some assistance to permit exports to the EU, even for small volumes. The commercial value of exports to the EU and other countries receiving African products cannot be ignored.

**Recommendation No. 10:** African animal production streams must use tools that promote, in the eyes of consumers, their origin, or mode of production (through labeling, collective branding, supply segmentation, etc.).

**Recommendation No. 11:** African countries must develop policies giving preference to animal-derived products originating in their zone. This requires a harmonization of customs levies (e.g., the CET agreement) to favor animal products of African origin relative to those of other continents.

**Recommendation No. 12:** The position of actors in SSA animal production streams must be more clearly articulated and argued in WTO forums, so that the specific and sensitive nature of these production streams for SSA is made known. These actors must therefore enhance their ability to:

- Analyze the agricultural policies of various influential WTO member countries, in terms of the constraints and opportunities they present for African animal production streams;
- Define a common position concerning principles to be defended, particularly with regard to issues of importance to African animal production, food security (e.g., supplies of animal protein), the finances of population groups involved in livestock (e.g., women, stockraisers, etc.), and the environment;
- Lobby for the principle of simplified recourse to special safeguards against intercontinental imports that destabilize local production streams. These mechanisms must be simple

enough to be implemented without going through the panel procedure.

**Recommendation No. 13:** Within the framework of the APE agreements with the EU, African countries must negotiate adequate reciprocal measures from the EU for animal production streams, including in particular:

- Production stream modernization programs meeting the criteria set forth in this Note;
- Elimination of export subsidies on animal products bound for Africa, and joint management of situations in which European exports are creating a significant disruption on local markets.

### • Ranking the recommendations

**79-** These recommendations cannot all be implemented immediately. The following table proposes a ranking based on two criteria:

- Chronological priority, either due to upcoming deadlines such as the end of current negotiations, or related to the necessary sequencing of interventions;
- Strategic priority, due to the intervention's leveraging effect on the modernization of African animal production streams.
- Four main groups of priorities can be derived from this analysis:
- The need for discussion concerning the way in which these production streams should be structured over the medium term and at the continental level (see Recommendations 1 and 4);
- The urgency of introducing provisions favorable to African production streams into the framework of ongoing international negotiations (WTO, APE, inter-African agreements): see Recommendations 11, 12 and 13;
- After these two priorities, it should be possible to initiate a production stream modernization plan with regard to:
  - Investments (Recommendations 9a, 3 and 5);
  - Support to professional organizations in terms of structure, training, information etc. (Recommendations 2, 3, 5 and 9b),
- Finally, the strengthening of a regulatory framework and its enforcement in a manner favoring African trade (Recommendations 6, 7, 8).

<sup>11</sup> One of Brazil's largest chicken meat exporters is the DOUX Group, which obtains its supplies from its Brazilian subsidiaries.



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**Table 1 - Ranking of recommendations**

Recommendations	Chronological ranking	Strategic ranking	Result
1- Prospective studies on the structuring of African livestock operations	+++	+++	+++
2- Training and support for stockraisers to increase herd productivity	++	+++	++
3- A policy conducive to partnerships between stockraisers and enterprises in the livestock production streams (e.g., integration, contractualization, etc.)	+	++	+
4- Study aimed at mapping structuring facilities (e.g., abattoirs, markets, etc.)	+++	+++	+++
5 – Establishment of support to professional organizations in the animal production streams (training, structuring of professional consortiums, pilot enterprises, partnerships with foreign enterprises, etc.)	++	+++	++
6- Development of a regulatory framework conducive to intra-African trade	++	+++	++
7- Upgrading of oversight departments (trade and health services)	++	+++	++
8.- (a) Development of product pricing and flow information systems	++	+++	+++
(b) Development of tracking systems	+	++	+
9- (a) Policy of support to investment, including foreign investment, in animal production streams	++	++	+
(b) Support to professional organizations in the sector (e.g., training, skills transfer, etc.)	++	+++	++
10- Development of tools for promoting animal products of African origin	+	+	+
11- Harmonized customs levy policy conducive to animal products of African origin.	++	+++	++
12- Negotiation with WTO of recourse to special, and easily implemented, safeguard measures	+++	+++	+++
13- Negotiation of APE agreements regarding support to African animal production streams and elimination of unfair competition from imported products	+++	+++	+++



## Subsidies and Trade in Animal Products

### ■ Conclusions

**80-** This note demonstrates the complex impacts of the agricultural policies of the major agricultural players on the worldwide market for animal-derived products and foodstuffs. The disruptive effects are real, although not easily quantified. Competition from imported products on African markets is due not only to the impact of subsidies, but also to the wide variations in economic performance and product promotion methods from one region to another throughout the world.

**81-** Although access to markets in developed countries is attractive to some African countries and with regard to some products, this objective must be put in perspective, given the key concern with regaining and consolidating SSA market share for locally produced animal products. The market for animal-derived commodities is expected to grow and undergo a value-adding segmentation that local production streams must be able to exploit if they are to modernize.

**82-** The expansion of trade in animal-based foodstuffs and animal-derived products will depend upon improved herd productivity, the structuring and modernization of animal production streams, and the introduction of policies and of a regulatory framework conducive to the sector's development.

**83-** Despite the recommendations in this note, the development of aLive animals and animal products in the African continent and with other continents needs also a strong involvement of the African policy decision makers, as for the definition of national and regional policies in favor of livestock sector, than to take in account the African livestock's specificities in international negotiations.



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### Appendix 2: Hypothetical consequences of eliminating export subsidies within the EU

In an open market, such as a national market, and assuming a homogeneous product, a variation of 1% in production or consumption is considered to result in a price increase or decrease of nearly 3%. This relationship between the price and the supply-and-demand equilibrium has often been borne out during recent sanitation crises (e.g., the dioxin scare, decreased consumption in response to bird flu in Europe, etc.) (4). Experts also acknowledge that it applies to the market for milk as a raw material (3). Under this hypothesis, elimination of EU beef and poultry subsidies would diminish EU presence on the international market (-3% of supply). Thus, if consumption holds steady and the world market reacts in a uniform manner, world prices can be expected to rise by 9%. However, if European production is not adjusted through market regulation measures, the stoppage of exports throws 9% of European production onto the internal European market, thereby causing a price collapse of nearly 27%. This simulation of price impacts is theoretical, but instructive. In reality, corrective phenomena would buffer the impact on prices: European imports would be cut as much as possible, stockraisers would hold back live animals, refrigerated storage by enterprises would limit excessive supply, etc.



## Subsidies and Trade in Animal Products

### Appendix 3: Two examples of a livestock revolution

#### The European Union

In the 1960s, the European Union instituted an agricultural policy that enabled the livestock sector to develop very quickly, by means of an environment that protected livestock operations and facilitated their investments:

The Union's internal market was protected by import taxes intended to keep prices above those of the world market and ensure livestock operators an income that would enable them to invest.

Mechanisms aimed at buffering the impacts of cyclical market crises were put in place, along with an intervention price that made it possible to purchase and store livestock products (e.g., beef and milk) as soon as the price on the European market fell below 90% of the intervention price.

This system had considerable success, to the point of generating surpluses in the 1970s that forced Europe to subsidize exports.

It is interesting, however, to analyze the reasons why, in an open European market, certain countries or regions were more successful than others with their livestock operations.

Some instances of specialization were attributable to geography. France's Massif Central region became a hub of calf production and a supplier of lean cattle to the fattening yards of Northern Italy, where intensive maize production is easier.

The dairy sector in France experienced strong growth due to a policy of support for genetic improvement (e.g., organization of selective breeding schemes, development of dairy product controls, support for investment in physical plants, etc.).

Producers' groups and cooperatives (e.g., for pork, milk, etc.) played a large role in organizing product supply and in gathering it from producers, as well as in investments in processing. These cooperatives also benefited from capital derived from the grain sector via a number of professional financial tools (e.g., the Unigrains financing mechanism).

The Netherlands and Denmark, because of their size, were quicker to structure their production streams into a single nationwide professional consortium (with a lead enterprise) characterized by proactive export policies and accelerated restructuring initiatives.

#### China

China is also in the midst of a livestock revolution. The example of its pork production stream is typical. To ensure that cities are supplied, China must increase production without destabilizing traditional small-farm production in the country's interior. Pork prices are therefore much higher than those on world or European markets (i.e., over €2/kg compared to €0.9 – 1.30/kg, depending on the phase of the European production cycle).

These very high prices make it possible to invest in new regions in eastern China, near port facilities and in large operations where know-how (e.g., in animal feeding practices, animal health, etc.) is obtained from international enterprises. These investments are within the reach of Chinese investors due to their rapid returns.

Using a planned economy, the Chinese Government is attempting (more or less successfully) to regulate the growth of large industrial operations so that economic growth can then absorb the labor flows freed up by the disappearance of more traditional operations.

**These two examples are specific cases that are not applicable to the current situation in Sub-Saharan Africa. However, they do indicate that livestock modernization is easier:**

- In a favorable economic environment that generates jobs;
- If production prices are relatively high and accompanied by mechanisms to buffer the effects of economic cycles;
- With substantial input of zootechnical know-how and with investment in the means of production.