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Poultry sector

1. Background and key issues

The 2013 Poultry Executive Brief highlighted the critical role that trade policy plays in poultry sector development, and the issue of the impact of domestic market protection on export competitiveness.

“Africa is growing as a market for poultry exports – the EU plays a major role in this trade”

Global demand for poultry meat is rising, which is likely to sustain current price levels. Africa is growing as a market for poultry exports, with South Africa, Angola, Ghana and Benin taking the lead. The EU plays a major role in this trade, gaining market share at the expense of the US and Brazil. The EU decision to set poultry meat export refunds at zero – while retaining the system in place for crisis management purposes (see [Agritrade article ‘EU sets poultry export refunds at zero’](#), 23 September 2013) – will have no

impact on this trade, since refunds have never been provided on exports of poultry parts to ACP countries.

In 2012–13 poultry meat imports caused growing concern in Southern Africa. Policy responses ranged from the use of special safeguards and infant industry protection measures to full utilisation of bound tariff ceilings. Similar concerns began to re-emerge in Eastern Africa, particularly concerning imports from Brazil.

In Western Africa differing national priorities and policy approaches to poultry sector development has resulted in the emergence of serious regional trade challenges. For example, rising EU poultry exports to Benin are primarily destined for the Nigerian market, with this informal cross-border trade undermining Nigerian poultry sector development efforts and posing serious health risks. The debate

on regional poultry sector policy harmonisation is likely to intensify in West Africa, given moves towards the establishment of an Economic Communities of West African States (ECOWAS) common external tariff (CET).

In the Caribbean – which finds itself sandwiched between two major exporters (Brazil and the US) – an active regional poultry sector trade policy is pursued to foster domestic poultry production. Although this involves high levels of tariff protection, imports of poultry meat continue to increase. This has led to a policy focus on developing intra-regional supply chains for animal feed, with the aim of reducing costs of production and enhancing the competitiveness of regional poultry production. Most recently, Suriname and Guyana are considered potential sources of poultry feed.

In the Pacific, concerns over poultry imports were particularly acute in Papua New Guinea (PNG), where domestic producers sought to combine sanitary and phytosanitary (SPS) and protectionist concerns in an effort to promote increased levels of tariff protection. New intra-regional trade arrangements have enabled foreign investment in Fiji's poultry sector to take advantage of regional tariff preferences. Initial talks have been launched on establishing Fiji as a platform for the distribution of Brazilian poultry meat products across the region. This has raised important issues relating to poultry sector rules of origin within regional Pacific ACP (PACP) trade arrangements.

Overall across the ACP, the 2012–13 poultry sector review highlighted:

- the need to reconcile tensions between consumer and producer interests and between the interests of small- and large-scale producers;

- the growing impact of trade agreements on the scope for the formulation of national and regional poultry sector trade policy;

- the necessity of dealing with the challenges posed by trade in frozen poultry parts;

- the challenges faced in managing regional trade relations given divergent national policies in the poultry sector;

- the importance of not combining SPS and protectionist concerns.

2. Latest developments

Global developments

According to FAO, “after limited growth in 2013, global poultry production is anticipated to rise by 1.6 percent to 108.7 million tonnes in 2014.” This will largely be concentrated in developed economies, with declining Chinese production (–1.7%) dragging down production growth in developing countries. Poultry production in the USA is projected to rise by 1.8% and in the EU by 0.8% (see *Agritrade article ‘Case made for continued protection of EU poultry sector’*, 6 April 2014). Brazil and Mexico are also expected to show some production gains, while Russia and India are projected to increase production by 8 and 6% respectively.

Global trade in poultry meat has doubled in the past decade but slowed in 2012–13, with only 2.4% growth projected for 2014. The four leading exporters are Brazil, the US, the EU and China. Second tier exporters include Thailand, Turkey, Argentina, Ukraine and Belarus.

Exporters from the EU, US and Brazil tend to be the major competitors on African markets, while the US and Brazil tend to be the major source of imports in the Caribbean. In the Pacific, Australia and Brazil are the main sources of imported poultry meat. Of the second tier exporters, while Argentinian exporters have traditionally focused on Latin American markets, FAO maintains that this focus is being broadened to target the Chinese and South African markets, among others.

Between 2009 and 2013 the FAO poultry meat price index rose from 162 in 2009 to 206 in 2013 (+27%). However, since the third quarter of 2013, poultry meat prices have been declining, stabilising in 2014 at an index level of 189, some 16.7% above the 2009 price level.

According to EC projections, after dropping by 8.4% in 2014, world market poultry meat prices will slowly recover to 2013 levels by 2019 before increasing to 4.1% above 2013 levels by 2023. EU prices meanwhile are projected to follow broadly the same trend, but stay consistently around 91% higher than world market prices (see *Agritrade article ‘Continued growth in EU poultry meat exports targeting some African markets’*, 3 March 2014).

“The four leading sub-Saharan African importers account for over 70% of total sub-Saharan African imports of poultry meat”

The four leading sub-Saharan African importers (South Africa, Angola, Ghana and Benin) account for over 70% of total sub-Saharan African imports of poultry meat (see *Agritrade article ‘ECOWAS CET finally adopted while producer organisations raise concerns’*, 22 April 2013). In 2014 African poultry meat imports are forecast to increase

Table: EU28 poultry meat market balance ('000 tonnes carcase weight equivalent)

	2003 ¹	2007 ²	2010	2011	2012	2013	2014	2015	2023 ³
Net production	10,842	11,466	12,182	12,384	12,638	12,850	12,950	13,034	13,602
Total consumption	10,514	11,526	11,829	11,925	12,166	12,338	12,442	12,514	13,013
Per capita consumption (kg)	23.0	23.4	20.6	20.8	21.1	21.4	21.5	21.6	22.08
Imports	641	824	796	831	841	788	785	785	855
Exports	969	729	1,150	1,290	1,313	1,300	1,293	1,305	1,445

Sources: EC, 'Short term outlook for arable crops, meat and dairy markets in the European Union', Winter 2014

1. EU25: EC, 'Prospects for agricultural markets and income 2005–2012', July 2005

2. EU27: EC, 'Prospects for agricultural markets and incomes in the European Union 2008–2015, March 2009

3. EC, 'Prospects for agricultural markets and incomes in the EU 2013–2023', December 2013

by 4.8%, double the global increase (2.4%). This reflects growing consumer demand across Africa. Since 2000, sub-Saharan Africa's share of total chicken meat imports has increased from 4 to 10%. As a consequence, "Africa plays an increasingly significant role in global imports of fresh/frozen chicken meat" (see *Agritrade article 'Poultry exports to Africa continue to grow'*, 19 January 2014).

"The share of imports in African poultry consumption is set to increase from over 16% during 2005–2007 to around 24% by 2030"

According International Livestock Research Institute (ILRI) analysis, the share of imports in African poultry consumption is set to increase from over 16% during 2005 to 2007 to around 24% by 2030, unless the necessary investments in African poultry production can be successfully mobilised (see *Agritrade article 'Case made for continued protection of EU poultry sector'*, 6 April 2014).

EU market developments

Trends in EU poultry production and exports

The constant increase in both EU poultry meat consumption and production continues, despite rising production costs. Declining EU grain prices, since the first quarter of 2013, however, look set to boost the profitability of EU poultry production and reduce EU poultry meat export prices to sub-Saharan African markets during 2014 (see *Agritrade articles 'Continued growth in EU poultry meat exports targeting some African markets'*, 3 March 2014, and *'Continued growth projected for EU poultry-meat exports to Africa'*, 24 November 2013).

"Between 2010 and 2013 EU exports of poultry meat grew by 13%, with these exports increasingly focused on African markets"

While the FAO states that the four leading exporters have experienced only limited growth in recent years, this does not hold true for the EU. Between 2010 and 2013 EU exports of poultry meat grew by 13%, with these exports increasingly focused on African markets (see *Agritrade article 'Poultry exports to Africa*

continue to grow', 19 January 2014). Russian government policy initiatives to expand local production are projected to see EU poultry meat exports to Russia in 2014 at "less than half of what they were in the mid 2000s". Therefore, if political tensions with Russia continue to rise, EU poultry exports to Russia could fall even faster than FAO projections. This could then further enhance African markets for EU poultry meat exporters.

In December 2013 the EC projected an increase in EU production and consumption between 2012 and 2023 of 7.4 and 6.8% respectively, while exports were projected to increase by 9.1%.

EU trade policies and export competitiveness

A study financed by the Association of Poultry Processors and Poultry Trade has highlighted the lower costs of poultry production in Argentina, Brazil, Ukraine, the USA, Thailand and Russia (71, 72, 77, 80, 84 and 92% respectively of average EU production costs). Differences in costs were attributed to higher EU standards, which require the maintenance of a protective EU trade policy (see *Agritrade article 'Case made for continued protection of EU poultry sector'*, 6 April 2014). This market access

regime managed by tariff-rate quotas involves a sophisticated system of product and country specific reduced or zero-duty import quotas.

Despite the emergence of additional consumer demand of 640,000 tonnes between 2007 and 2012 and the lower cost structure of the main potential third-country suppliers, poultry meat imports into the EU rose by only 17,000 tonnes. This limited import response reflects the negligible volume of imports taking place outside quota arrangements. In contrast, between 2007 and 2012, EU poultry meat exports increased by 584,000 tonnes despite the higher cost nature of EU poultry production. Exports of lower-value poultry parts to African markets formed a large part of this export growth. Thus, while between 2007 and 2012 EU poultry meat exports overall grew by 80%, exports to Benin and Ghana increased by 119 and 138% respectively.

"The EU's poultry trade regime helps support EU poultry prices and the continued growth in EU poultry meat exports"

Analysis suggests that the EU's poultry trade regime helps support EU poultry prices by increasing average import prices above average EU poultry prices. Conversely, the sale price of EU poultry meat exports (mainly poultry parts) is only 68% of average domestic EU poultry meat prices and 55% of the average price of poultry meat imports (the average value of EU domestic sales is €2.46/kg, imports €2.61/kg and exports €1.44/kg). According to the United States Department of Agriculture (USDA), the continued growth in EU poultry meat exports owes much to the fact that EU poultry producers can pass on cost increases to domestic consumers, without imports expanding their market share. This means that

EU exporters can maintain competitive prices on export markets (see *Agritrade articles 'Case made for continued protection of EU poultry sector'*, 6 April 2014, and *'Continued growth in EU poultry meat exports targeting some African markets'*, 3 March 2014).

The question arises whether, in the absence of the current protective trade regime, EU poultry meat prices, production and export levels would be sustained at their elevated levels.

Issues and trends in poultry sector developments in Southern and Eastern Africa

Bound tariff increases, EU free trade agreement constraints and the use of safeguards

In Southern Africa in 2013–14 the major poultry sector policy development related to changes to the South African import regime. Between 2010 and 2012 South African poultry meat imports increased 48%, reaching a level equivalent to 26.6% of domestic production. This led to a slowdown in the growth of South African poultry meat production, from 6% per annum between 2004 and 2008 to a mere 1.6% growth in 2013 (see *Agritrade article 'South African poultry sector problems compounded by rising EU exports'*, 15 April 2013). In response the government reviewed its use of country specific safeguards, which had initially been used against imports from the US and subsequently Brazil.

On 5 August 2013 South Africa's International Trade Administration Commission (ITAC) recommended "an increase of import duties on five poultry products", with most-favoured nation duties being formally raised from 1 October 2013. The tariffs reflected government

efforts to develop a more comprehensive system of tariff protection while seeking to reconcile consumer and producer interests; the largest tariff increases targeted products consumed by high-income consumers, and lower tariff increases were applied to products consumed by poor households (see *Agritrade article 'South Africa selectively raises duties on five poultry items within WTO bound ceilings'*, 17 November 2013).

Although the implementation of these tariff increases resulted in 2013 in poultry meat imports falling by 4.3% (Brazil –9.5%), because EU suppliers were excluded from these duty increases then imports from the EU continued to increase, consolidating the increased dominance of EU suppliers. Between 2010 and 2012 the share of the EU's three leading suppliers increased from 3% of total South African imports to 26% (see *Agritrade article 'Brazilian poultry meat exports to Africa down in 2013'*, 31 March 2014).

The continued expansion of EU poultry meat exports to South Africa led to poultry and feed supply associations from across the South African Customs Union (SACU) petitioning ITAC to make "use of the safeguard measures provided for in the EU–SA agreement" in order to deal with alleged dumping by EU exporters. The associations requested the imposition of an anti-dumping duty of 91% on imports from Germany and the Netherlands, and 58% on imports from the UK under Article 16 of the EU–South Africa Trade Development and Cooperation Agreement (TDCA). The article allows the imposition of provisional safeguards if imports "cause or threaten to cause a serious disturbance to the markets in the other Party", pending a final decision by the TDCA Cooperation Council. If no agreement can be reached in the TDCA Cooperation Council, then

“the matter must be referred for arbitration” (see *Agritrade article ‘South African guidelines on use of agricultural safeguard provisions under the EU trade agreement’*, 5 August 2013). While ITAC acknowledged a prima facie case and launched an investigation, this anti-dumping application was hotly contested by the South African Association of Meat Importers and Exporters (Amie). No ITAC ruling had been made since mid June 2014.

In an unrelated development in May 2014, the EC was empowered to amend the European trade regime for specific countries “to better enforce EU rights”. This includes instances where it is necessary to “defend EU interests when third countries adopt bilateral/ regional safeguard measures unduly restricting EU trade” (see *Agritrade article ‘EPA implications for EU streamlining of its trade defence mechanisms’*, 15 June 2014).

Emerging challenges to the use of non-tariff measures

Although Namib Poultry Industries sought the invocation of infant industry protection under an agreed SACU provision, after public consultations the Namibian government opted to apply the Import and Export Control Act of 1994 which allows for quantitative controls on imports. This led to the establishment in April 2013 of a quantitative limit on poultry product imports into Namibia of 600 tonnes per month, with a subsequent increase to 900 tonnes in November 2013 (Swaziland does not allow any chicken imports, while Botswana has a carefully managed import permit regime). These Namibian quantitative restrictions apply to all sources of poultry meat imports, including both the EU and South Africa (see *Agritrade article ‘Poultry policy debate in SACU intensifies’*, 1 July 2013).

Conversely, in May 2014, a Windhoek High Court ruling invalidated the use of similar quantitative restrictions invoked under the Import and Export Control Act 1994 that were applied in the dairy sector, following a legal challenge by three affected companies. It is unclear whether this ruling (which focuses on procedural arrangements and legal uncertainty arising from changes in institutional arrangements since independence) will carry any implications for the use of quantitative restrictions in the poultry sector. It does, however, suggest a willingness on the part of private sector bodies to challenge national policies that seek to foster local productive sector development through the adoption of trade restrictive measures.

Regional expansion of South African poultry companies and regional poultry trade liberalisation

As South African poultry sector companies and multiple retailers expand across the region, so regional trade policy is becoming increasingly complex. In Namibia in 2013, locally established South African-based multiple retailers called on Namib Poultry Industries to match the price of imported chicken or to take their products elsewhere (see *Agritrade article ‘Regional expansion of poultry companies intensifies trade policy debates in Namibia’*, 12 May 2013). Thus, while infant industry protection for the local poultry industry is now in place, the policies of multiple retailers are likely to have a major bearing on the policy’s effectiveness. It is unclear whether private sector challenges to the use of trade restrictions are likely to spread across the region.

In terms of corporate developments, with a downbeat analysis of the prospects for the South African poultry sector, South African companies are seeking regional expansion. In 2013

Rainbow Chicken acquired a 49% stake in Zamchick, which reflects the company’s aspirations to develop “its own retail value-added brands” and “quick-service restaurants” across the Southern and Eastern African region, targeting markets as far afield as Kenya and even Nigeria. The regional expansion of South African poultry companies could witness the consequences of expanded EU poultry exports to South Africa rippling across the region, as South African companies enter local markets and intensify competition for local producers (see *Agritrade article ‘Regional expansion of poultry companies intensifies trade policy debates in Namibia’*, 12 May 2013).

This expansion could complicate regional trade liberalisation efforts in the poultry sector, as highlighted by the recent introduction by Namibia of infant industry protection measures under the SACU agreement.

Import bans still in use in East Africa but effectiveness questioned

In December 2013 a debate emerged in Tanzania on the effectiveness of a government poultry meat import ban, which was introduced in 2006 to combat bird flu. Despite the ban, according to the chairman of the Tanzania Commercial Poultry Association (TCPA) imported chicken is flooding coastal urban markets and threatening an imminent collapse of small-scale farming operations. This is attributed to the “smuggling” of imported chicken via the federated territory of Zanzibar to the Tanganyika mainland. However, given the existence of the East African Community (EAC) customs union, poultry products can freely enter Tanzania from other EAC members, notably Kenya. A call has been made for the Tanzanian government to effectively implement the existing ban, which has

resulted in a governmental programme to increase inspection of retail outlets.

Chicken imports are a growing concern in the EAC, although the volumes are still small. The situation in Tanzania highlights the difficulties of enforcing trade policy measures in the poultry sector given the regional trade integration initiatives under way. (Tanzania is a member of the both the EAC customs union and South African Development Community/SADC free trade area, which includes Kenya and South Africa respectively, whose poultry producers target the Tanzanian market.) This situation is likely to be compounded as South African companies expand across the Southern and East African region.

Issues and trends in poultry sector developments in West and Central Africa

Divergent policies drive smuggling and pose food safety challenges

Despite the existence of an ECOWAS CET of 20% on poultry meat, across West and Central Africa governments continue to pursue different poultry sector trade policies, which has a major outcome on the geographical distribution of the poultry meat import trade, particularly trade in low-priced poultry parts.

“Across West and Central Africa governments continue to pursue different poultry sector trade policies”

In December 2013 the EC highlighted a strong growth in demand for EU poultry exports in Benin (see [Agritrade article ‘Continued growth in EU poultry meat exports targeting some African markets’](#), 3 March 2014). However, this

trade largely targets the Nigerian market given the Nigerian ban on poultry meat imports. It is alleged that up to 95% of poultry imports into Benin find their way onto the Nigerian market (see [Agritrade article ‘Expanding EU poultry exports could increasingly target South Africa’](#), 8 September 2013). This not only undermines Nigeria’s efforts to develop its national poultry sector but also raises serious food safety concerns, in that frozen poultry parts are repeatedly defrosted and refrozen during smuggling operations. In this context the continued expansion of EU poultry exports to Benin is likely to further exacerbate tensions in Nigeria–Benin trade relations.

“EU poultry exports in Benin largely target the Nigerian market”

According to the Nigerian Customs Comptroller General, “until countries within the Economic Communities of West African States (ECOWAS) harmonize their treaties, tariff systems and nomenclatures, the issue of smuggling will not be permanently addressed” (see [Agritrade article ‘Poultry exports to Africa continue to grow’](#), 19 January 2014). In the case of poultry, the root problem lies in the very different import policies of Nigeria and Benin. Divergent policies are likely to become increasingly relevant as ECOWAS moves towards the implementation of the CET finally approved in March 2013 (see [Agritrade article ‘ECOWAS CET finally adopted while producer organisations raise concerns’](#), 22 April 2013). The situation would be exacerbated if Nigeria were to stand aside from the current West African regional Economic Partnership Agreement (EPA) process. Indeed, it appears that further national trade measures are under consideration in Nigeria, if a regional EPA were to be concluded which did not involve Nigeria.

These developments highlight the increasing relevance of calls for the adoption of a common trade policy for West Africa.

Nigeria is not the only country to prohibit poultry meat imports. Senegal initially introduced an import ban in 2005 in response to avian flu concerns; in October 2013 the Minister of Agriculture announced the continuation of the ban to help further stimulate the local poultry sector. Although it was acknowledged as being contrary to WTO rules, it was maintained that revoking the measure would expose domestic producers and investors to extreme competition (see [Agritrade article ‘Senegal to maintain poultry import ban’](#), 24 November 2013). According to press reports there is little evidence to date that the poultry import ban in Senegal has led to significant price increases for consumers. This may in part be linked to the extent of smuggling poultry meat into the country, although it is not on the same scale as in Nigeria.

In contrast, at the end of November 2013, the government of Gambia announced it was “lifting its five-month long ban on the importation of chicken legs into the country”, which had been introduced on health grounds. However, when the ban was introduced, the need to boost national food production was also referred to. Since food safety test certificates are still required for imports to legally take place (including proof that the poultry meat is hormone-free), genuine health concerns would appear to have been the main driving force behind the ban’s introduction and subsequent lifting. (7)

In Central Africa, Cameroon continues to maintain its ban on imports of frozen poultry products and live poultry (including day-old chicks) to protect local production. Nevertheless, the

government claims the need for flexibility to issue ad hoc import waivers and quotas to meet demand for poultry meat, which is estimated at 30,000–31,500 tonnes annually. A system of licensed imports in response to rising consumer demand is thus maintained in Cameroon. Combating the disruptive effects of poultry imports is seen as a vital policy plank for the development of the Cameroon poultry sector. However, Cameroon's Transparency International corruption rating would appear to raise concerns over the transparency and accountability of poultry import licensing arrangements.

In November 2013 an investment of US\$3.2 million in a new chicken facility was announced, aimed at boosting Cameroon's poultry production from 207,000 to 528,000 chickens per year. The government is supporting efforts to modernise traditional production methods, with a view to meeting growing consumer demand.

From supply-side measures to trade measures

In contrast to the policy positions adopted by Nigeria and Senegal, to date Ghana has applied only the ECOWAS-agreed import duty and standards administrative charges on imported poultry parts. Until recently government policy focused on support to supply-side measures; however, since February 2013 a participatory policy review has been taking place. This initially focused on strengthening the import permit system for poultry products, in the face of the quadrupling of Ghana's poultry meat imports since 2002, and the shrinking of domestic supply capacities to only around 10% of national poultry meat consumption. A poultry council is now to be created to regulate the sector and to identify ways of both addressing supply-side constraints and getting to grips with

the domestic market effects of imports (see *Agritrade article 'Ghana's poultry sector continues to struggle despite rise in import prices'*, 23 September 2013).

On 25 February 2014 the Ghanaian Trade and Industry Minister announced that the government was ready to "ban the importation of rice and poultry" (see *Agritrade article 'Government of Ghana to review poultry and rice sector trade policies'*, 17 May 2014) once the institutional infrastructure for the management of international trade was in place via the planned International Trade Commission (see *Agritrade article 'Ghana to establish an International Trade Commission'*, 24 April 2014). However, it was noted that "any premature ban before local capacity has been created would be disastrous, [since] it would encourage smuggling and at the same time escalate prices." In May 2014 it was announced that in future "an importer of frozen poultry products must procure 40 per cent of the quantity he was importing locally before [being] given the licence to import". Similar measures are being proposed to develop local feed supply chains.

The Ghanaian government appears to be looking at the appropriate sequencing and balancing of supply-side and trade measures as part of an integrated strategy for the development of the poultry sector. It is unclear whether any moves towards restricting poultry meat imports would run contrary to commitments entered into through the Ghana–EU interim EPA.

Issues and trends in poultry sector developments the Caribbean and the Pacific

Tariff flexibilities, distortions and strengthening the functioning of local poultry supply chains

In the ACP Caribbean region, the commitment to a protectionist poultry trade regime cannot be divorced from the region's proximity to two major poultry exporters, the USA and Brazil. The broadly protectionist regime, however, has flexibilities built into it allowing national governments to alter or suspend the application of the agreed CET (see *Agritrade article 'Barbados poultry producers call for higher tariffs on poultry meat'*, 24 November 2013). Managing this flexible regime to reconcile the interest of producers and consumers has not always proved easy, with shortages of poultry meat being reported in Trinidad and Tobago in August 2013, following the imposition of additional tariffs in April 2013.

"In the ACP Caribbean region the broadly protectionist regime has flexibilities built into it"

Against the background of these provisions, in September 2013 local poultry producers in Barbados sought the imposition of an import duty of 184% on processed chicken parts, on the grounds that the reduced tariff introduced in June 2013 was "seriously hurting the local sector" (see *Agritrade article 'Barbados poultry producers call for higher tariffs on poultry meat'*, 24 November 2013). Local poultry producers were concerned that special dispensations introduced to meet the needs of newly established fast food franchises (Burger King and Subway) were discriminatory and prejudicial,

creating loopholes which were fuelling imports and undermining the development of local processing.

A more nuanced approach had earlier been advocated by the CEO of the Barbados Agricultural Society who, in March 2013, had called for new entrant restaurant franchise operators to provide more advanced notice to local poultry producers of their investment plans and product requirements. He considered that this would enable local producers to invest to meet the product requirements of fast food chains, rather than fuelling an increase in imports based on specific tariff exemptions (see *Agritrade article 'Better information sought on retailer plans to boost sector development'*, 18 May 2013).

In May 2013 Jamaica Broilers Group (JBG) announced it was to invest €2.27 million to produce chicken, beef, pork and processed fish products, including “consumer-ready... chicken nuggets that are currently imported”. This highlights the scope for local production of poultry products in line with franchise operators’ requirements (see *Agritrade article 'Import tariff discussions in Barbados include discussions on increased local procurement'*, 15 July 2013). In May 2014 JBG announced a US\$7.5 million investment to triple silo storage capacity at its 230,000-tonne animal feed facility. The investment aims to ensure quality storage, enhance capacity to deal with volatile cereal prices and improve handling efficiencies.

SPS and food safety issues still an issue in intra-regional trade

In June 2013 a controversial SPS/food safety dispute emerged, resulting in a Haitian ban on imports of poultry meat and eggs from the Dominican Republic. This dispute dragged on into sec-

ond quarter of 2014, effectively blocking poultry trade.

The dispute appeared to coincide with efforts to relaunch the Haitian poultry sector following the devastating earthquake in 2010. Indeed, Dr Michel Chancy, Haiti’s secretary of state for animal production, described the dispute as “an opportunity to get quality products and to build a national market”.

Growing imports and emerging intra-regional poultry trade issues in the Pacific

Across the Pacific ACP, high feed and other costs continue to undermine the poultry sector’s competitiveness, with the trade in residual poultry parts compounding the market challenges faced. Figures posted in the Global Poultry Trends 2013 report highlighted an increase in chicken meat imports into Pacific ACP countries of at least 300% between 2000 and 2011 (the latest year for which data is available), from 9,609 tonnes to 34,791 tonnes. Tonga and Samoa together accounted for almost 58.6% of these imports in 2011 and, together with PNG, 76.3%. The figures show an accelerating rate of growth of imports of chicken meat into the Pacific since 2006, with imports increasing by 139% for the nine Pacific ACP countries covered by the review (see *Agritrade article 'Trends in poultry exports to Pacific ACP countries'*, 27 January 2014).

The picture varies from country to country, however, with imports in one of the larger markets, Fiji, down 42% between 2006 and 2011. This reflects an increase in poultry production “from approximately 11 million chickens per annum in 2008 to over 15 million” by the beginning of 2012. Previously the adoption of policy measures had aimed at attaining national self-sufficiency and investments by Goodman Fielder New

Zealand, targeting not only the Fijian market but also regional markets opening up under new trade agreements, especially in the Melanesian Spearhead Group Trade Agreement (MSGTA) (see *Agritrade article 'Fiji poultry sector to expand amid regional tensions'*, 18 June 2012).

In November 2013 chicken meat imports into PNG once again came in for criticism, with the Poultry Industry Association accusing poultry traders of profiting at the expense of poultry producers. It was maintained that, on average, importers were paying AU\$1.12/kg for frozen and chilled fresh chicken, with a landed value of AU\$2.74/kg, while the production costs in Australia were approximately AU\$3.18/kg.

“PNG’s Poultry Industry Association argued that PNG had become a dumping ground for low-quality, high-fat and dark-meat portions”

With traded poultry products being exported at significantly below the average cost of Australian poultry meat, it was argued that PNG had become a “dumping ground” for “low quality, high fat and dark meat portions”, which find no ready market in Australia and New Zealand. Nevertheless, there was no trade-related redress applied for the dumping being claimed.

3. Implications for the ACP

Reconciling the use of trade policy tools with trade agreement commitments

Given global price trends and growing consumer demand, some ACP governments are looking to expand national poultry meat production through the more active use of trade policy tools. But policy commitments entered into through trade agreements with the EU could place restrictions on the use of such tools. This is a source of concern given the major role the EU plays in imports of poultry products to Africa, the declining opportunities for EU exporters in non-ACP markets (e.g. Russia) and the projected expansion of EU poultry meat exports up to 2023.

Concerns also arise over the extent of cross-subsidisation of EU poultry meat exports occurring as a result of the EU's tariff-rate-quota-managed import regime, which is central to current discussions over the invocation of safeguard provisions in the poultry sector under the EU–South Africa TDCA. The outcome of this discussion is likely to carry implications for the ongoing negotiations for an agricultural safeguard clause in the SADC–EU EPA and the application of safeguard provisions across ACP–EU EPAs.

Similarly, how the EU interprets EPA provision relating to the elimination of quantitative restrictions, and measures having equivalent effects to tariffs, could impact on poultry sector trade policy developments in West Africa and the Caribbean.

Moving to regional poultry sector trade policy formulation

In both East and West Africa the effectiveness of national poultry sector trade policy measures has been questioned in the context of regional trade integration. This would appear to require the harmonisation of national poultry sector trade policy regimes at the regional level, in order to address large-scale smuggling of 'frozen' poultry parts, which both undermine national poultry sector policies and pose threats to public health.

Strengthening the functioning of poultry supply chains

A policy approach is emerging in some ACP regions that focuses on multi-stakeholder dialogue, addressing supply-side constraints, combined with a selective and targeted use of trade policy measures. This multi-pronged approach could potentially assist in reconciling regional tensions in poultry sector trade if successfully established nationally and replicated regionally, but it requires a high level of institutional organisation and administrative capacity which may not yet be in place. ACP governments could, however, usefully exchange experiences on the institutional and administrative requirements for the successful implementation of such multi-pronged initiatives to strengthen the functioning of local supply chains.

The matter of strengthening the functioning of local supply chains – so that the rapid growth in the fast food service and tourism industry translates into expanded local production – would also appear to be an area for policy initiative. This will require the development of closer dialogue between foreign multinational chains and local

agricultural producers on product standards and requirements. Such dialogue could facilitate the development of value addition in the poultry sector and reduce import requirements.

Establishing harmonised regional hygiene and quality standards

If regional poultry product markets are to be created which can be properly managed in the face of low-priced frozen poultry parts imports, then common regional hygiene and quality standards for the production and trade in poultry products will need to be set in place and enforced. These actions could assist in addressing both national poultry sector development aspirations and public health concerns arising from current unofficial trade flows. It could also reduce the use of SPS measures as barriers to intra-regional trade in poultry products.

Rules of origin for regional poultry products

In some ACP regions, notably the Pacific, investments are being made by multinational poultry sector companies in order to take advantage of new intra-regional trade agreements. Given the import intensity of these operations, rules of origin issues could potentially arise. This may require the establishment of managed intra-regional trade arrangements for poultry products, linked to the progressive implementation of measures to expand local sourcing of poultry sector inputs used in the production of poultry meat for intra-regional export under preferential tariff conditions.

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About this update

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The Technical Centre for Agricultural and Rural Cooperation (CTA) is a joint international institution of the African, Caribbean and Pacific (ACP) Group of States and the European Union (EU). Its mission is to advance food and nutritional security, increase prosperity and encourage sound natural resource management in ACP countries. It provides access to information and knowledge, facilitates policy dialogue and strengthens the capacity of agricultural and rural development institutions and communities.

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