Agricultural Trade and Market Access for Food Security

LEAP-Agri
A Long term EU-Africa research and innovation Partnership on food and nutrition security and sustainable Agriculture

Workshop report

ATMA4FS Final Workshop: Challenges in Agricultural Trade between Africa and the EU

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Key messages

- Evidence suggests that Non-Tariff Measures (NTMs) applied to agricultural goods create barriers to trade from Africa to the EU
- Politics seems to be an important determinant of agricultural and food policies in the EU, including NTMs
- Harmonization of agricultural trade standards could benefit agricultural exports from Africa to the EU

ATMA4FS project

Agri-food markets in Africa are not well integrated at local, regional and international levels, with trade barriers hampering exports/imports and value chain development. Increased market access through trade may benefit income and overall welfare, and at the same time, improve food security, providing people in Africa with sufficient and nutritious food at fair prices.

KU Leuven, University of Ghana, University of Pretoria, The University of Göttingen, the University of Thiès, and Wageningen University and Research partnered in The Agricultural Trade and Market Access for Food Security (ATMA4FS) project which aims to provide insights into opportunities and challenges towards local, regional and international market integration for African countries. The project investigates the relationship of market integration with trade agreements, NTMs (e.g. sanitary and phytosanitary measures, technical barriers to trade and customs procedures), private standards, price trends and volatility, and market logistics/infrastructure and institutions. It uses case studies from three African countries (Senegal, Ghana and South Africa) and two African trade regions (Economic Community of West African States, ECOWAS, and Southern Africa Development Community, SADC), and explores EU-Africa trade relations, focusing on three product categories that are important for current and potential African trade: fresh fruits and vegetables, grain products, and meat. Further information about the project and project outputs can be found on the project website.

Final project workshop

On June 18, 2022, the ATMA4FS consortium organized an online final project workshop entitled "Challenges in Agricultural Trade between Africa and EU" with the participation of 51 thematic experts and policy makers from Europe, Ghana, Senegal and South Africa. The aim of the workshop was to present some research findings from the project, learn the outcome of those for policymakers, and to identify solutions to the challenges taking into account recent difficulties in agricultural trade between Africa and EU. For this purpose, the workshop focused on plenary presentations and a panel discussion about recent challenges and how they could be addressed. In this report, we summarize some of the main findings from the research studies that have been presented during the workshop and highlight the main discussion points that have been raised during the panel discussion.

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Final Workshop Panel Discussion
The workshop included a panel discussion with the aim of gaining insights into how to overcome the challenges in EU-Africa trade in agricultural products which have been highlighted by the project findings. The panel discussion was moderated Prof Dr. Johann Kirsten from the University of Göttingen, whilst the panelists included:

- Deon Joubert: Special Envoy Market Access from the Citrus Growers Association from South Africa,
- Inge Ribbens: Policy Officer of International Affairs at GroentenFruit Huis in the Netherlands.
- Michael Nyarko Apem: President of the Greater Accra Poultry Farmers Association in Ghana.

Summary of the workshop presentations: Non-Tariff Measures, COVID-19 effects and new prospects for African agriculture.

NTM Dashboard, Dr. Haki Pamuk (WUR)

The project team developed a dashboard of NTMs - policy measures other than tariffs that can potentially have an economic effect on the international trade in goods - that apply to African agricultural products. The aim of the dashboard is to provide information on the NTMs confronting West African exporters when exporting to Europe, and allowing for a comparison of NTM measures between West-African countries. The dashboard includes five different types of NTMs: sanitary and phytosanitary measures, restriction of post-sales services, non-automatic licensing, technical barriers to trade, pre-shipment inspection and formalities.

Food standards, Non-Tariff Measures and international trade: the influence of food standards and NTMs on international food trade, Dr. Dela-Dem Doe Fiankor (University of Göttingen)

Different countries set different food standards. One example are Maximum Residue Levels (MRLs), which define the maximum pesticide residue level that can remain on a food product. Countries, set different limits with respect to agrochemical residues on crops. The researcher found that food standards have become stricter over time (2005 – 2014) across countries. Similar patterns were found across both developed and developing countries, but the largest increase in food standards was observed in the EU. This leads to the question what the trade implications are of these developments.

Differing standards between countries may have trade implications for producing countries. Firms that may want to export to a country that has raised its standards, will have to make investments in order to meet the new standards. The higher cost of meeting the standards may create challenges for certain exporting countries, who then may no longer be able to export their products due to more stringent rules. Hence, this could possibly lead to lower volumes being traded, resulting into higher prices for consumers.

Another element that was analyzed by the study concerns the question whether standards affect all countries equally. There has been a lot of work already done on this topic that shows that poorer countries suffer more from imposed NTMs. The effect, however, may depend on the intensity of trade between the countries, as bigger trade partners will find it more profitable to invest in meeting importer-specific standards. In discussing how NTMs affect Africa, a one-size fits all conclusion should be discouraged as the effects are indeed heterogeneous with some countries suffering more than others.

Effects of Non-Tariff Measures on the Performance of Exporting Firms and Import/Export Sourcing Strategies: the case of Senegal, Dr. Idrissa Wade and Dr. Sam Agbahoungba (University of Thiès) and Babacar Samb (Bioscope)

The research study focused on two product categories: fresh fruit and vegetables, and cereals., reporting on various trade statistics with participants of the workshop regarding these two product categories. Europe is Senegal's largest trading partner. But at the same time, EU countries impose the most stringent NTMs on Senegal's export products (75% of agricultural exports are subject to NTMs applied by EU countries). Senegalese exporters face the following NTMs when exporting their products abroad (in order of importance):

- Certification requirements required by the exporting country (34% of cases)
- Export inspection requirements (22%)
- Quantitative restriction measures (20%), and
- Export levies (14%)

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Insights from industry experts suggest that it is becoming more and more difficult for exporters to comply with the EU's Plant Health Regulation, especially since the update of the Regulation (Regulation (EU) 2021/2285) in December, 2021. The new legislation adds more requirements in terms of plant protection products that can be applied by farmers. Several products will be affected in Senegal by the new legislation, in particular fruits and vegetables. Between 2016 and 2019, there have been 209 inceptions at EU border level of Senegalese agricultural products. These inceptions result in financial losses for the exporting companies. The fruit fly is of biggest concern. In addition, private standards create additional requirements that exporting countries may have to comply with, and there are more private standards that exporters have to deal with. Hence, the challenge for the exporter is to comply with multiple regulations and standards, and still remain competitive.

Prospect of the broiler industry in Ghana and potential for domestic poultry as a substitute to imports, Dr. Onumah Edward Ebo (University of Ghana)

The poultry sector stands out with potential for rapid economic growth in Ghana. Between 2003 and 2019, the sector has grown by an average 20.8% annually. In spite of this, Ghana is only 20% self-sufficient to meet its demands for poultry products. Thus, the country relies on imports to meet the supply gap. While imports from abroad constituted only 12% of the total supply of poultry meat in 1961, this figure increased gradually to 44% in 1990, and eventually to about 80% in recent times. The vast majority of imports are from the EU, followed by the U.S. and then Brazil. Ghana is in fact overly dependent on chicken imports from abroad at the expense of local production. Domestically produced chicken are sold unbranded and in whole form due to a lack of processing firms, while imported chicken which are sold about 30% cheaper come in cut parts, well branded, packaged in smaller sizes and thus more readily available and preferred by consumers

Effects of Brexit on South African citrus exports to EU, and the political economy of Non-Tariff Measures on exporting citrus fruits to the EU, Dr. Mmatlou Kalaba (University of Pretoria) and Msc. Marjolein Selten (Wageningen University and Research)

The EU citrus market is critical to the South African citrus industry as it generates an average 42% of its total citrus export revenues. While trade agreements led to a substantial decline in tariffs, the increase in the number of NTMs has an impact on South African citrus exports. The main NTMs are related to Citrus black spot (CBS), and lately also the False Codling Moth (FCM). NTMs present a challenge for South African exporters who incur a greater cost of complying with higher standards. When the UK decided to give notice to leave the EU, it presented an opportunity to look at NTMs from a different perspective which also enabled for a comparison. Some NTMs do not apply in the UK, thus offers an alternative market. A time series analysis revealed that South African citrus produce is currently subjected to more NTMs compared to pre-trade agreements. After Brexit, the UK can consider further reduction of NTMs for the UK market. Meanwhile, South Africa and the EU need to consider equivalent standards, and new measures be introduced based on risk factors. Whereas, South Africa should consider exploring other markets, such as the Middle-East and Asia.

The second study on the political economy of NTMs aims to explore the political and economic motives behind the introduction of NTMs applying to the citrus fruit sector. The study, which is still in a preliminary phase, aims to reveal the underlying motives behind the introduction of NTMs in two ways. The study will look at the parliamentary questions that have been raised in the European Parliament on the topic, and analyze the economic developments with regards to citrus fruit exports through a time series analysis. South Africa is the largest exporter of citrus fruits to the EU market, with Spain being the largest intra-EU supplier of citrus fruits. Considering the fact that the number of NTMs has seen a sharp increase in recent years, especially in the EU, the question is whether their introduction is purely meant as a phytosanitary measure, or whether there are some economic motives behind the introduction of the measure as well which would, protect European producers from imports from outside the EU.

The preliminary findings from the study suggest that in recent years, questions have been raised on several occasions in the European Parliament addressing citrus fruit exports from South Africa to the EU. Questions were predominantly raised by Spanish MPs and covered both phytosanitary as well as trade aspects. Some initial economic analysis furthermore showed that competitive pressure exists from South African citrus fruit exports versus Spanish (European) citrus fruit exports within the European internal market. The study will be continued in the coming months and results will be published on the ATMA4FS project website.

Resilience of global and local value chains to the Covid-19 pandemic: Survey evidence from fruit and vegetable value chains in Senegal, Kaat Van Hoyweghen (KU Leuven)

The study focuses on COVID 19's early impact on the fruit and vegetable supply chain in Senegal. The first Covid-19 case in Senegal was confirmed on March 2nd, subsequently on March 23, the government declared a state of emergency and implemented a range of measures to halt the spread of Covid-19. The following measures were implemented by the government of Senegal: transport restrictions, a curfew, closure of wet markets, and limited opening hours of shops.

The study found that particularly smallholder farmers and small agri-businesses were affected by the Covid-19 outbreak, e.g. farmers had problems accessing agricultural inputs and faced restrictions to hire labourers. While large agri-businesses appeared to be much less affected by the measures taken as a result of the pandemic. The closure of wet markets and mobility restrictions led to consumers, producers and traders being cut off from their usual sales outlets, volumes of traded produce being decreased and an increase of transport costs. Whereas traders and farmers would use (online) sales platforms to sell their products.

The main findings from the study show that:

- The export-oriented supply chain was less severely affected than the domestic-oriented supply chain
- Smallholder farms have been more severely affected by declines in labour and input availability than large-scale agribusinesses
- A higher level of vertical coordination and innovation capacity increases the resilience to the COVID-19 induced shock

Panel discussion: Challenges with respect to EU-African agricultural trade and possible solutions

The EU's agricultural trading policy is in a transition from an open to a somewhat more closed trading system.

A recent review of the European Plant Health Regulation and the Official Control Regulation has led to a lot of discussion. The review led to a lot of discussion regarding the openness of the system. Many countries have a closed system in place, which means that a product cannot enter the market unless it has been proven that there is no potential risk involved. In contrast, Europe has always had an open system, meaning that a product can be imported to the EU unless it is proven to pose a risk to the EU market. But the situation is changing; the EU still has an open system, but with a grey area, moving slowly towards a zero-tolerance area. Member States are allowed to initiate import stops from products that they consider a high risk.

Recently introduced EU legislation to amend plant health rules covering False Codling Moth is one example of the EU's transition towards a more closed trading system.

According to new EU legislation, a mandatory cold treatment will be required for citrus fruits that are imported from non-EU countries.[1] The Citrus Growers Association of Southern Africa (CGA) believes that the new cold treatment requirement will have a deleterious impact on the citrus fruit trade between Europe and South Africa. The panelists furthermore argued that the new legislation is not conform WTO SPS principles, such as "proportionate to the risk" and "the least trade restrictive". Phytosanitary measures should also be based on scientific evidence, but this is not always the case as political motives often play a role as well. NTMs, unfortunately, are frequently misused around the world, to restrict market access.

Politics is an important determinant of agricultural and food policies in EU, affecting the competitiveness of the African exporter.

The legislation concerning False Codling Moth is a good example of this. The panelists argued that if UK would still be part of the EU, the legislative proposal concerning False Codling Moth would most likely not have been passed in the Standing Committee on Plant Health. The introduction of the EU's Green Deal as well as the Farm to Fork strategy is also a reflection of EU politics focusing on EU production first. Nevertheless, the panelist note that the Green Deal policy and Farm to Fork strategy also put pressure on EU producers. Another outcome of the European politics on agricultural and food policy is the high amounts of agricultural subsidies that European farmers receive.

[1] South Africa has filed a WTO dispute complaint challenging EU citrus fruit measures. More information can be found here.

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Those subsidies make it easier for European farmers to trade but it reduces the competitiveness position of farmers in other parts of the world. This is seen for example in the Ghana poultry industry where a lot of poultry products are imported, especially from the EU. This practice creates challenges for the Ghanaian poultry sector which has not been able to strengthen its position because it does not have the financial means to do so.

Proactive action by African countries and harmonization of agricultural trade standards could benefit agricultural exports from Africa to EU.

The panelists recommended that African governments should act proactively in the case of trade interceptions. It would be good if countries respond to interceptions by notifying the EU that the case will be investigated, and indicate if, and what, additional measures will possibly be taken to avoid it from happening in the future. It is also important to harmonize trade standards concerning agricultural trade at a global level. The main aim should be to achieve sustainable production, and this is where countries would have to come together. The trade standards/measures should be future proof (not negatively affect the UN Sustainable Development Goals), provide flexibility to adapt to the local situation and be feasible for developing countries.

Agricultural trading quota, direct investments in the agricultural sector, low interest credits may help to improve the competitiveness of the agricultural sector in African countries like Ghana. In the discussion, it was argued that an agricultural trading quota that puts a sectoral or commodity level limit to the agricultural imports could be introduced so that African countries like Ghana will be better equipped to build their capacities in order to achieve more equal trading opportunities. Moreover, African countries should attract direct investments to the agricultural sector to developing and expanding the sector, and to improve its efficiency. Finally, agricultural loans in Africa often come with very high interest rates while the interest rates are lower in other countries (e.g. EU countries), making it difficult to invest in agriculture which reduces the export competitiveness of African agriculture. To address the agricultural trade imbalance that exists between the EU and Africa, farmers in Africa should obtain better access to loans with low(er) interest rates too.

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