update October 2013

agritrade

Informed Analysis, Expert Opinions

Executive brief

West Africa agricultural trade policy debates and developments

1. Background and key issues

After 6 years of discussions, agreement was reached in 2013 by the Economic Community of West African States (ECOWAS) and West African Economic and Monetary Union (WAEMU – also known as UEMOA after its French name) on a joint common external tariff (CET) schedule. The challenge ahead is to reconcile the agreed CET with national agricultural trade policies. In the face of rising global prices, national agricultural transformation strategies in many West African countries have a strong focus on national food self-sufficiency. This poses challenges for the development of regional agricultural policy and intra-regional trade arrangements for agro-food products.

Key strategies adopted since 2011 include:

- the Agricultural Transformation Action Plan in Nigeria to revive the production of rice, cassava, sorghum, cocoa, cotton and to revive the dairy sector;
- the Plan Stratégique de Relance du Secteur Agricole, in Benin which focuses efforts on 14 priority sectors;
- the 3N initiative ('Nigerien people feed Nigerien people') in Niger with the aim of enhancing national food production and resilience to food crises;
- the reform of the cocoa sector in Côte d'Ivoire.

These are complemented by the elaboration of national Comprehensive Africa Agriculture Development Programme (CAADP) frameworks, which have given rise to National Agricultural Investment Programmes (NAIPs), and a Regional Agricultural Investment Programme (RAIP) that aims to promote a coordinated regional framework. However, since 2010, implementation of NAIP programmes has been plagued by funding shortfalls.

Since 2000, the customs union WAEMU has existed among eight French-speaking countries (Benin, Burkina Faso, Côte d'Ivoire, Guinea, Mali, Niger, Senegal and Togo), with a nominal free trade area spanning the wider ECOWAS grouping. But there are still serious problems regarding the implementation of the ECOWAS Trade Liberalisation Scheme. Many official (e.g. import and export bans and restrictions) and unofficial barriers to trade continue to undermine trade liberalisation objectives. However, initiatives such as the Borderless Alliance have been launched to identify and progressively secure the removal of barriers to intra-regional trade.

Negotiations for a regional economic partnership agreement (EPA) continue. The extent of West African market opening and the financing of EPA-related adjustment programmes both remain areas of contention. The current transitional duty-free, quota-free market access regulation will lapse on 1 October 2014, setting an effective deadline for completion of EPA negotiations.

2. Latest developments

Recent trends in agricultural production and trade: Developments in the main regional import products

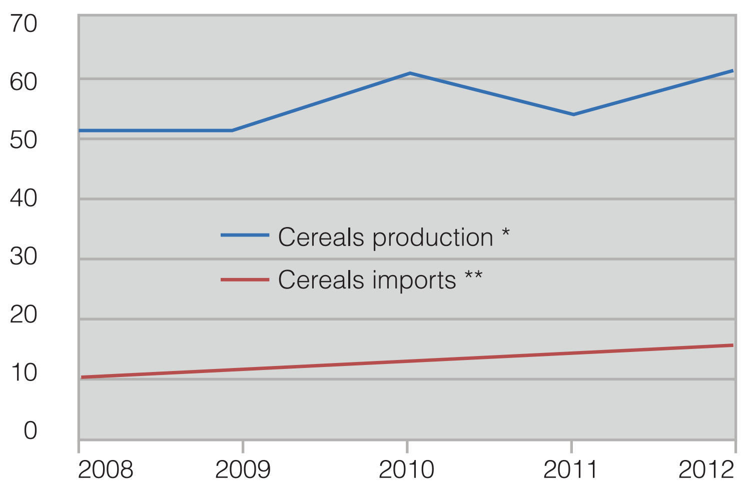
Cereals

After a poor 2011 harvest, cereals production recovered in 2012 to 14.2% above the 5-year average. As a consequence "the overall food security situation has improved significantly in the Sahel", although some areas remain severely food insecure.

"The EU is a major exporter of wheat and cereals to West Africa"

Overall, prices in 2012 remained stable for import crops, and declined for coarse grains. The population growth of 2.6% per annum and rapid urbanisation, however, continued to exert pressure on food supplies. Consequently, food imports (mainly of rice and wheaincreased by 40% between 2008 and 2012.

Figure 1: West African countries' cereals production and imports 2008–2013 (million tonnes)



Notes: * West African countries (incl. Chad); ** West African countries (including Chad and excluding Cape Verde); cereals include wheat, coarse grains and rice (paddy).
Source: FAO GIEWS, 'Crop prospects and food situation 2008–2013', http://www.fao.org/docrep/017/al995e/al995e00.pdf and http://www.fao.org/docrep/016/al992e/al992e00.pdf

The EU is a major exporter of wheat and cereals to the region, fluctuating annually between 1.1 and 2 million tonnes, and reaching almost 1.7 million tonnes in 2012. Imports from the EU of milled products have increased by more than 5%, and of preparations of cereals (customs classification: tariff heading CN19) by almost 60% over the period 2008–2012.

Nigeria is the main regional importer, with imports increasing by 25% in 2012 to around €5 billion (mainly wheat, sugar and rice, as well as fruit and dairy products) In parallel, Ghana is becoming "a key access point for entry into the West Africa region market" with food and agricultural imports increasing by 20% in 2012. The US Department of Agriculture (USDA) attributes this to the Ghanaian government's trade policy (see *Agritrade* article 'Ghana seen as providing gateway for agro-food exports to West Africa', 11 February 2013).

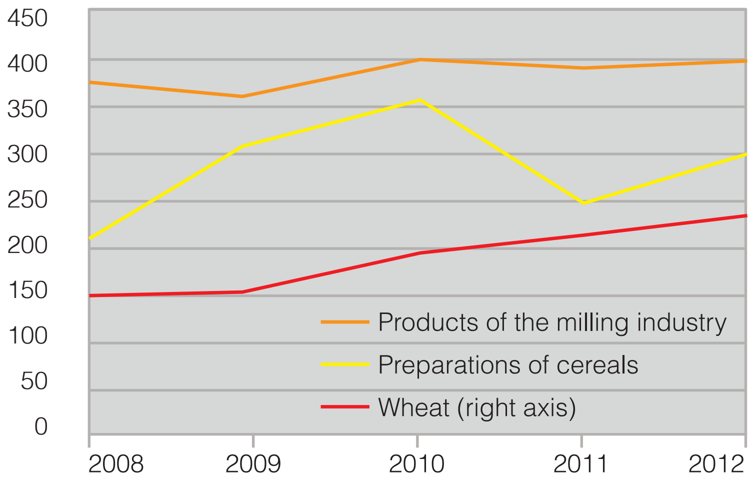
Dairy and poultry

In Ghana the gap between domestic production and consumption of poultry and dairy products is huge and growing, with almost complete import dependence either for finished products or intermediate inputs in some sectors (e.g. dairy). This makes Ghana of particular interest to exporters in the EU (dairy and poultry), US and Brazil (poultry) (see *Agritrade* article 'Nigerian and Ghanaian markets offer further growth potential for EU dairy exports', 2 February 2013). EU milk product exports are increasing not only to Ghana but also to other West African countries, and the trend is likely to continue with the abolition of EU milk production quotas.

In the poultry sector, Benin and Ghana are the main importers, with the EU and Brazil being the main suppliers. During the period 2008–12, poultry imports of Benin and Ghana surged by 70 and 67% respectively (see *Agritrade* article 'Poultry exports to Africa on the rise', 9 December 2012). This trend is likely to continue, given projected export levels in the EU and Brazil and the tariff measures pending against poultry imports in South Africa – the main African market. A substantial volume of poultry imports into Benin are re-exported (smuggled) into neighbouring Nigeria. Overall, between 2008 and 2012, EU poultry exports to West African countries increased by almost 90% (see *Agritrade* articles 'Strong growth in Brazilian poultry exports to Africa', 29 July 2012; 'EU poultry exports increasingly focused on Africa', 4 November 2012; 'South Africa defuses WTO poultry dispute with Brazil', 18 February 2013).

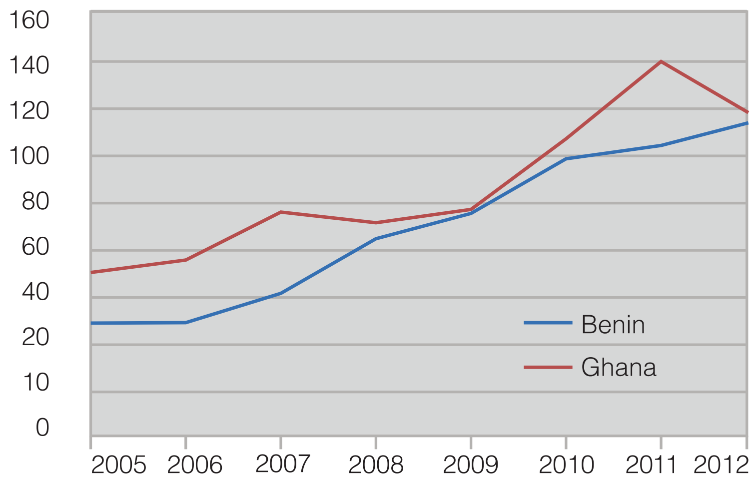
"Between 2008 and 2012, EU poultry exports to West African countries increased by almost 90%"

Figure 2: Imports to the region from the EU ('000 tonnes)



Source: Eurostat

Figure 3: Poultry imports for selected countries ('000 tonnes)



Note: 2011 = estimate; 2012 = forecast
Source: Thepoultrysite.com, 'Global poultry trends 2012', October 2012

Beef

Competition from low-quality poultry cuts is now being complemented by growing exports of 'fifth quarter' beef cuts, for which there is no market in the EU. UK exports of frozen beef products to Ghana "more than tripled" from 2010 to 2011 (see *Agritrade* article 'Beef sector trends in the EU and globally', 9 September 2012).

"UK exports of frozen beef products to Ghana more than tripled from 2010 to 2011"

The US Meat Export Federation meanwhile is looking at opportunities in Senegal for higher-quality beef cuts (see *Agritrade* article 'US targeting higher-quality West African beef markets', 9 December 2012). Given that cattle are the main traded products at the regional level, with growing demand in coastal urban areas, these new trade flows, if fully developed, could disrupt efforts to develop intra-regional cattle/beef supply chains. This is particularly the case when taking into account the challenges facing the infrastructure, animal disease control, cold store chain and general intra-regional trade.

Onions

Onion imports into Senegal continue to be of concern. Having increased by 58% between 2007 and 2011, imports fell by 8% in 2012, partly in response to seasonal import restrictions. In 2012 Senegal still accounted for 17% of total extra-EU onion exports. Nevertheless, the introduction of seasonal import restrictions and other measures has encouraged an expansion of commercially marketed onion production in Senegal (from 40,000 tonnes in 2003 to 240,000 tonnes in 2012).

"The introduction of seasonal import restrictions has encouraged an expansion of commercially marketed onion production in Senegal"

Consequently, the EU has diversified its markets in West Africa (e.g. to Guinea, Sierra Leone and Mauritania) (see *Agritrade* article 'Dutch onion exports to West Africa show continued growth', 2 February 2013). Because 70% of Niger's onion production is sold in Côte d'Ivoire, Ghana, Benin and Togo, this ongoing process of EU market diversification is a matter of concern (see *Agritrade* article 'Debate on onion tariffs in Senegal intensifies amid onion glut on West African markets', 6 August 2012).

Senegal's continued high level of onion imports from the EU, which created stockpiling before the entry into force of seasonal restrictions, led to calls from Senegalese onion producers for a 3-year import ban. The government responded in 2013 to these calls by:

- bringing forward the introduction of seasonal restrictions from April to February;
- tightening up on port inspections;
- making import licences non-transferable;
- facilitating the granting of import permits to "those importers who commit to promote the marketing of local production"(see *Agritrade* article 'Senegal refines its onion import regime', 3 June 2013).

This linking of import licences to local procurement mirrors similar successful policies in the Namibian horticultural sector (see *Agritrade* article 'Debate on onion tariffs in Senegal intensifies amid onion glut on West African markets', 6 August 2012).

Developments in the main extra-regional exports

Cocoa

Ghana and Côte d'Ivoire still dominate the world cocoa market, with 60% of global production. In 2012–13 the Côte d'Ivoire government continued to roll out the cocoa sector reforms agreed in 2011. These reforms have generally proved successful (see *Agritrade* 'Special report: Côte d'Ivoire's cocoa sector reforms 2011–2012', 16 December 2012). In neighbouring Ghana, a "very sharp fall of 34.2%" in cocoa deliveries was observed during the first 3 weeks of the 2012/13 cocoa season. This was attributed to cocoa smuggling to Côte d'Ivoire, linked to payment problems in Ghana and the devaluation of the Ghanaian cedi, highlighting the importance of a regional coordination of cocoa sector policies.

"Global demand for cocoa is changing"

Global demand for cocoa is changing. In 2012, Chinese imports from Ghana and Côte d'Ivoire increased by 90% and 533% respectively (albeit from relatively low levels), while EU cocoa imports decreased by almost 7%. According to Agrimoney.com, reflecting ICCO reports, local cocoa grindings in Côte d'Ivoire are expected to have increased to 440,000 tonnes in 2011/12, some 30% of the country's production.

In developed markets, concerns over sustainability and child labour are increasing, leading to stricter social and environmental standards being applied to cocoa suppliers (see *Agritrade* article 'Trends in global cocoa production', 2 February 2013). In March 2012, the European Parliament adopted a resolution implicitly calling for greater use of trade policy measures to eliminate child labour in the cocoa sector. This could pose serious challenges for Côte d'Ivoire, given current practices.

Evolving EU standards on cadmium levels in food products represent a further challenge. There now appears to be an urgent need for coordinated action by the governments of West African cocoa-producing countries (with appropriate technical support) to engage in a dialogue with the EU on appropriate maximum levels for different chocolate products (see *Agritrade* article 'Brussels trains its sights on cadmium in cocoa and chocolate', 9 September 2012).

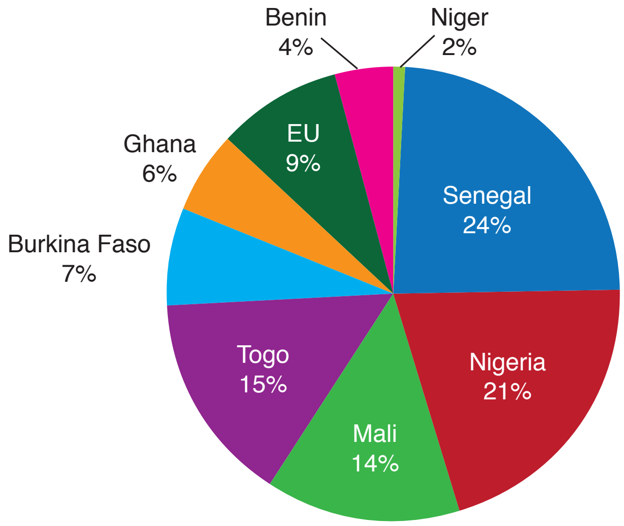
Cotton

The cotton production in francophone Africa is forecast to rise sharply (41%) in 2012–13. This is based on the provision of input subsidies and higher producer prices (in Mali and Côte d'Ivoire, 38% and 26% respectively for the 2011–12 marketing season). With the fall in world cotton prices, this reflects the strong government commitment to the recovery of the cotton sector (see *Agritrade* article 'USDA review of cotton sector developments in West Africa', 12 August 2012).

"There has been little progress on cotton issues at the WTO"

There has been little progress on cotton issues at the WTO (see *Agritrade* article 'WTO cotton discussions: Little progress, growing concerns', 12 August 2012), with the growing influence of

Figure 4: Côte d'Ivoire palm oil export destinations in 2011



Source: Trademap

Chinese government policies on world cotton market developments greatly complicating the negotiations (see *Agritrade* article 'Chinese stock levels place limits on cotton price recovery in 2013', 25 March 2013). African governments nevertheless continue to push for "a quick, ambitious and specific solution on cotton as agreed in the 2005 Hong Kong Ministerial Declaration", particularly given concerns that "new legislation in the US might increase the distorting subsidies" in the sector. Concerns were reinforced following the publication of studies by the Overseas Development Institute (ODI) and the International Centre for Trade and Sustainable Development (ICTSD) on the impact of agricultural reform in OECD countries on developing countries, which showed that "the new programs will have the largest impact on cotton acreage" (see *Agritrade* article 'Developing country impact ignored in major OECD agricultural reforms', 21 January 2013).

Bananas

Although there are fears that recently agreed tariff reductions on bananas for non-ACP/least developed countries would reduce the ACP's share of the EU banana market, to date West African banana exporters have been able broadly to maintain their market share, even increasing it over the 2010–12 period compared to 2005–07.

"To date West African banana exporters have been able broadly to maintain their market share"

However, processes of tariff reductions within expanding tariff-rated quotas are set to accelerate. Tariff savings will rise from €14,642,500 in 2012 to €133,250,000 by 2019. This level of tariff savings is likely to have an effect on market prices, to the detriment of West African banana exporters.

Palm oil

In West Africa, particularly Côte d'Ivoire, palm oil production is expanding dramatically, with exports also increasing (from 50,000 tonnes in 2003 to 264,000 tonnes in 2011). While Côte d'Ivoire produces only 37% of the volume of Nigeria (500,000 tonnes compared to about 1,350,000 tonnes), Nigeria produces only half of what it consumes. Côte d'Ivoire is thus the region's main palm oil exporter. 81% of these exports go to neighbouring countries, with 9% destined for the EU market. Guinea also produces for regional markets (50,000 tonnes – to Senegal, Gambia and Mali).

While intra-regional trade of palm oil is growing, it is complicated by Côte d'Ivoire's import of South East Asian palm oil for refining. This raises rules of origin issues, which have hindered the movement of palm oil across regional borders. To prevent these sorts of development from disrupting regional trade, an appropriate and reliable labelling and control system is needed.

Sustainability concerns are coming to the fore in the palm oil sector. Unless evolving sustainability standards are built into new investments this could impact on palm oil sector developments in West Africa. In this context, the recent criticisms of the Roundtable on Sustainable Palm Oil (RSPO) labelling scheme might need to be taken on board (see *Agritrade* article 'Sustainable palm oil set for expansion if challenges can be overcome', 9 December 2012).

The rise of 'palm oil free' labelling also constitutes an emerging trend in Europe which the global palm oil industry will need to respond to (see *Agritrade* article 'The fast-growing palm oil sector defends itself against an attack by large-scale distributors', 9 September 2012).

However, while West African palm oil production is growing, the region still has a production deficit – in the context of growing demand, providing considerable scope for intra-regional trade, in line with Côte d'Ivoire's current patterns of export.

Developments in the regional integration process

The harmonisation of agricultural policies: ECOWAS agricultural policy (ECOWAP) and CAADP developments

"After the production of the regional and national agricultural investment plans in 2010–11, the CAADP process has stalled"

After the production of the RAIP and NAIPs in 2010–11, the CAADP process has stalled. According to European Centre for Development Policy Management (ECDPM) common challenges faced include:

- institutional capacity constraints, although the Regional Agency for Food and Agriculture (RAFA) had been established to implement the RAIP;
- coordination constraints, with the regional dimension not really included in West African NAIPs;
- the absence of an effective alignment of local and donor priorities.

However, "a number of multi-stakeholder task forces on specific themes… to identify gaps and develop investment programmes" have been set in place. Progress has also been achieved on the regional food reserve, although not without considerable controversy with donors over its design. ECOWAS, in collaboration with the Coalition for African Rice Development, has also launched the regional offensive for the promotion of rice production (L'offensive régionale pour la relance soutenue et durable de la riziculture), designed to overcome obstacles faced in the consolidation of progress made in developing regional rice production.

Adoption of a common ECOWAS/ WAEMU CET

After 6 years of discussions, a joint technical committee of WAEMU–ECOWAS adopted a detailed schedule for a CET in December 2012, which was endorsed at ministerial level in March 2013. In addition to a zero tariff band for essential imports, tariff lines are distributed across four further tariff bands (see Table 1).

Additionally, a 1.5% Community Integration Levy was created to replace the ECOWAS Community Levy and the counterpart Community Solidarity Levy for the WAEMU. However, this needs to be subject to further discussions.

Before the full details of the agreed CET were available, concerns were expressed by the West African network of agricultural producer organisations (ROPPA), over the low levels of tariff protection for strategic products such as rice, dairy, poultry and locally processed food products. Tariffs for rice and dairy products of 10% and 5% respectively are seen as affording little protection for the development of local production (see *Agritrade* article 'ECOWAS CET finally adopted while producer organisations raise concerns', 22 April 2013). However, a number of trade defence instruments have been agreed within the framework of the ECOWAS CET. These include:

- a safeguard regulation;
- antidumping measures;
- infant industry protection measures;
- a compensatory mechanism.

Recommendations have also been made to establish a monitoring and assessment mechanism for strengthening the capacity of stakeholder bodies to make use of these trade policy tools.

According to the ECOWAP, defining a sound and harmonised tariff policy for foreign trade beneficial to regional agricultural development requires an institutional mechanism within ECOWAS that is responsible for applying the CET, monitoring its impacts and revising it, as well as harmonising member states positions in trade negotiations.

In addition, there are concerns that some countries have bound their tariffs at a lower level than the agreed CET, with this potentially generating demand

Table 1: WAEMU–ECOWAS common external tariff schedule (endorsed at ministerial level in March 2013)

Band %	Type of product	Number of tariff lines
5	Basic raw materials and capital goods	2,146
10	Intermediate products	1,373
20	Final consumer products	2,165
35	Specific goods that contribute to the promotion of the region's economic development	130

Table 2: Tariff measures adopted under Nigeria's Agricultural Transformation Policy 2012–13

Sector	Measures applied or planned
Cereals	From July 2012: • total duty on imported wheat grain increased from 5 to 20% • total duty on imported wheat flour increased from 35 to 100% • blending mandates requiring the inclusion of cassava flour in wheat flour; this percentage to start at 10%, increasing to 40% by 2015
Sugar	From 2013: • total duty of refined sugar increased from 35 to 80% • total duty of raw sugar increased from 5 to 60% • introduction of a import ban on packaged sugar, granulated and in cubes From January 2015: • the introduction of an import ban on sugar in any form, raw or refined
Rice	From 2013: • levies on brown rice and polished/milled rice increased from 30% and 50% respectively to 100% on both From 2015: • the introduction of an import ban on rice

Source: *Agritrade* article 'Questions raised over Nigeria's cassava blending and wheat tariff policy' and GAIN Reports cited below in main sources

for compensatory tariff cuts from individual WTO members. The ECOWAS Trade Commissioner has proposed that the region should "negotiate with WTO member states and request their indulgence".

The challenge of regional harmonisation of tariff policies

"Despite the newly adopted common external tariff, some ECOWAS member states' tariff policies are moving in opposite directions"

Despite the newly adopted CET, some ECOWAS member states' tariff policies are moving in opposite directions. In Nigeria, for example 2012–13 saw the adoption of a range of new tariff measures as part of the government's Agricultural Transformation Policy agenda (see Table 2).

There are concerns in the cereals sector that policy may be moving ahead of the ability of the sector to produce and mix quality cassava flour into a baking product, without a significant deterioration in final quality. The immediate impact of tariff increases has been to raise bread prices by 20%, with this leading to allegations of a lack of private sector commitment to government policy objectives (see *Agritrade* article 'Questions raised over Nigeria's cassava blending and wheat tariff policy', 18 November 2012).

Ambitious objectives would appear also to be a feature of the Nigerian government's sugar policy. Currently 65,000 tonnes of raw sugar is produced locally, compared to consumption of 1.4 million tonnes, and an installed raw sugar refining capacity of 2.3 million tonnes. While past policy has favoured raw sugar imports for local refining, the aim is to eliminate the need for imports by 2015. To this end the government is linking licences for raw sugar imports to investment in local cane sugar production (see *Agritrade* article 'Private sector plans to expand Nigerian sugar cane production', 11 November 2012).

However, the 2015 deadline provides an extremely tight schedule for the design and implementation of a major expansion of sugar cane production capacity and tackling the logistical challenge of linking likely production zones with existing refining capacity.

Pending import levies in the rice sector saw a surge in imports to Nigeria, and subsequently increased rice smuggling from neighbouring countries (Benin and Cameroon). This is in a context where half of Nigerian rice consumption needs are met from imports.

The Nigerian government considers overall tariff and non-tariff restrictions to be a central component of the policy framework aimed at stimulating investment in the transformation of the domestic agricultural sector. While provisions exist for special taxes and temporary protection measures in the ECOWAS Treaty, the overall thrust of Nigerian tariff policy would appear to raise questions of consistency with its ECOWAS CET commitments and regional trade integration ambitions.

Nigerian agricultural policy ambitions find partial reflection elsewhere in the region, with both Benin and Senegal having announced their intention to reach self-sufficiency in rice by 2015 and 2018 respectively. However, both governments envisage using other policy tools.

In Benin, government policy measures subsidise seeds and inputs (see *Agritrade* article 'Benin's rice sector aspirations and regional trade realities', 6 April 2013), while Senegal focuses on improvements in quality and packaging, as well as strengthening marketing and promoting collaboration between producers, rice millers and importers. This policy seems to be delivering good results, although challenges are still faced in attaining the requisite quality standards and ensuring efficient marketing.

In distinct contrast to Nigerian rice tariff policy, in August 2012 Côte d'Ivoire suspended rice import duties for 3 months to ease domestic price pressures.

Progress in increasing and facilitating regional trade

Trade in staple foods in West Africa remains largely informal, with a variety of barriers to trade. There is considerable scope for expansion of intra-regional trade in staple foods if the constraints on formal trade can be eased (see *Agritrade* article 'First edition published of new annual report on West African trade', 2 February 2013).

> *"Trade in staple foods in West Africa remains largely informal, with a variety of barriers to trade"*

The most important barriers to trade were highlighted in 2012–13 by both a desk study by the French NGO, Groupe de Recherche et d'Échanges Technologiques (GRET) and an ECOWAS/USAID conference in January 2013. A number of initiatives are under way to identify and get to grips with these obstacles, including through the USAID Trade Hub-sponsored Borderless Alliance. However, progress is highly uneven, with the situation in some countries deteriorating. Even with regard to relatively straightforward measures, such as government-imposed quantitative restrictions, some countries continue to use such measures even if these are not declared publicly. This serves to fuel informal trade in staple crops, which is estimated at three times larger than officially recorded trade flows (see *Agritrade* article 'Barriers to intra-regional agricultural trade in West Africa reviewed', 3 June 2013).

Against this background, a range of practical steps were proposed at the January 2013 ECOWAS/USAID conference, including:

- "the establishment of a network of effective and responsive hotlines to report on anomalies";
- better training for custom officials and monitoring of their functioning;
- use of digitised cashless systems at borders;
- dissemination of a community guide on trade regulations and establishment of information centres for the private sector, as is currently being initiated by the Borderless Alliance;
- empowerment of ECOWAS/WAEMU "to impress sanctions on member states for non-application of regional commitments".

Developments in EPA negotiations

> *"With recent progress in finalising the ECOWAS/WAEMU CET, substantive negotiations are expected to resume shortly"*

The EU–West Africa regional EPA negotiations have been largely on hold since April 2012. However, given the recent progress on finalising the ECOWAS/WAEMU CET, substantive negotiations are expected to resume shortly, following further internal discussions of the regional tariff offer. Although a meeting of experts in February 2013 recommended "a comprehensive review of the market access offer... in order to break the deadlock between the two parties", to date West African ministers have not substantially modified their 70% tariff opening offer.

Nevertheless, over the course of 2013, the final West African market access offer is expected to be presented to the Ministerial Monitoring Committee and subsequently to the EC, with the aim of bringing the negotiations to a close.

In terms of EPA-related restructuring support – which remains an area of contention, given the scale of the economic and financial difficulties faced in the EU – substantial movement on the basis for funding the EPA Development Programme (PAPED) looks unlikely.

After considerable discussions and the initiation of a trilateral dialogue between the EC, European Council and European Parliament to resolve divergent positions, 1 October 2014 has been established as the date when the current transitional duty-free, quota-free access to the EU market under market access regulation MAR1528/2007 will lapse (see *Agritrade* article 'EU Council reaffirms its commitment to January 2014 deadline for completion of EPAs', 13 January 2013 and European Parliament set to endorse 'trilogue' 1 October 2014 deadline for completion of EPA process, 6 April 2013).

Therefore, unless the EPA process is concluded at either the regional or bilateral level before this date, non-LDC West African exporters such as Ghana and Côte d'Ivoire will face a reimposition of import tariffs, notably on bananas, pineapples, processed cocoa and fisheries products (Nigerian exporters already face these tariffs), eliminating current tariff savings of €38.65 million and €105.66 million respectively in duties foregone by the EU.

3. Current policy debates and issues

Reducing the costs of trading foodstuffs in West Africa

The costs associated with and obstacles faced in transporting staple food within West Africa is generating a strong external orientation to staple food procurement policies (see *Agritrade* article 'Constraints on regional cereals trade in West Africa reviewed', 12 May 2013). If effective policies are not set in place to reduce these costs, then growing urban coastal demand, driven by rising incomes and population growth, will increasingly be met from imports at a constantly rising cost.

In addition, if coherent national and regional strategies are not set in place with transparent policy application and realistic time frames, the market created for value-added food products by rising incomes will continue to suck in imports, rather than driving the development of local value-added food processing industries.

Balancing consumer, producer and processor interests

While rising food prices have placed the focus in some countries on increasing tariffs to boost domestic production, in others they have prompted the suspension or removal of import tariffs to reduce consumer price pressures. This highlights the need to balance the interests of rural producers against those of consumers (in both rural, but increasingly, urban areas) and food processors.

There is growing recognition that the cost-increasing effects of infrastructural and unofficial barriers to trade strip value out of the agricultural sector (see *Agritrade* article 'Success of Borderless Alliance raises hopes for long-term agricultural gains', 1 July 2013) and that by removing these barriers, prices to agricultural producers can be raised while prices to consumers can be simultaneously reduced. Removing infrastructural and unofficial barriers to trade is thus central to resolving the core policy dilemma of balancing producer and consumer interests.

Moving toward harmonised regional policy frameworks

In addition to the unofficial and official barriers to trade that undermine agricultural production, divergent sector policies serve to fuel smuggling. The situation in the poultry and rice sectors is illustrative in this respect. This suggests a need for moves toward regional harmonisation of agriculture and agricultural trade policies at the sector level.

This is likely to pose a major challenge for national policy formulation, given the different use of trade policy tools in different countries. Moves toward engaging with private sector companies on striking a balance between imports and local procurement (e.g. in the Senegalese onion sector and Nigerian sugar sector) could offer a firmer basis for regional policy harmonisation, rather than the current blunt use of tariff protection favoured in some countries.

However, the challenge remains to establish some form of regional consensus on permitted policy tools – and to ensure respect for the limits placed on the use of these tools – for products that are freely traded within the region.

"The challenge remains to establish some form of regional consensus on permitted policy tools"

Capitalising on shifting global demand by supporting value-added processing

As in many other agro-food sectors, geographical patterns of global demand are changing in the cocoa sector. The challenge that arises is how to exploit these changing patterns of global demand to ensure a transformation within the structure of West Africa's engagement in agro-food chains, with greater value being added locally prior to export. For example, how can the growing demand in Asia for cocoa-based products be exploited to leverage investment in local value-added processing? There is a need to share experience on the most effective government and private sector strategies for bringing this about.

Engaging with evolving standards

Moves toward the conversion of entire supply chains to sustainability certification would appear to require a concerted response from ACP policy makers at two main levels:

- supporting ACP producer organisations in engaging with sustainable trade initiatives to ensure that issues of economic sustainability are adequately addressed;

- extending government support to ACP producers to facilitate serving sustainability-certified market components in the EU (for more details see *Agritrade* Executive brief: Update 'Product differentiation', forthcoming 2013).

There would also appear to be a need for aid-for-trade support to assist West African cocoa producers in mobilising the required scientific and technical expertise to engage in an effective dialogue with the EU on permitted cadmium levels in different chocolate products (for more details see *Agritrade* Executive brief: Update 'Food safety', forthcoming 2013).

Getting to grips with OECD policy distortions

The expansion in cotton production under way in West Africa was stimulated by high global prices in the first half of 2011 and supported by input subsidies, the financial sustainability of which, during periods of lower global cotton prices, can be questioned.

This highlights the importance of getting to grips with cotton subsidy issues through the WTO (see *Agritrade* Executive brief: Update 'WTO Agreement on Agriculture', forthcoming 2013). This might require a West African-led ACP political initiative to draw China, India and Brazil more substantively into discussions on disciplining all forms of cotton support programmes, which could contribute to breaking the current impasse in the WTO on cotton issues.

Rules of origin: Balancing local production and imports

In West Africa, as elsewhere, the relative policy importance attached to local agricultural production and local value-added processing based on imported raw materials is a matter of critical policy concern. There is a need to make clear regional policy choices on the relative weight to be given to the desired local content of value-added food products traded regionally. This is a complex issue, which varies greatly from sector to sector.

It is not simply a question of regional rules of origin, but strikes at the heart of national agricultural and agro-food sector development policies. As efforts proceed to overcome intra-regional barriers to trade and implement the CET, this issue will come increasingly to the fore.

EPAs and the application of the CET

If no common West African regional EPA is agreed and some West African governments conclude EPA agreements bilaterally, it could complicate both the implementation of the agreed CET and efforts to remove official barriers to intra-regional trade, since for certain products, tariffs on imports from the EU will be lower than the regional CET. Therefore, South Africa's current efforts to utilise safeguard provisions in the poultry sector in the face of rising poultry imports from the EU could potentially offer important lessons on how to manage this problem (see *Agritrade* article 'South African guidelines on use of agricultural safeguard provisions under the EU trade agreement', 5 August 2013).

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About this update

This brief was updated in October 2013 to reflect developments since September 2012. Other publications in this series and additional resources on ACP–EU agriculture and fisheries trade issues can be found online at http://agritrade.cta.int/

The Technical Centre for Agricultural and Rural Cooperation (CTA) is a joint ACP—EU institution active in agricultural and rural development in African, Caribbean and Pacific (ACP) countries. Its mission is to advance food and nutritional security, increase prosperity and encourage sound natural resource management.

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