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ACP FTAs

Submission on the need to activate the dispute settlement provisions of the SADC free trade area

In the run-up to the SADC Summit in August 2014, Tralac – the South Africa-based Trade Law Centre – prepared a submission on the need for an effective dispute settlement mechanism for the SADC free trade area (FTA). The submission was prepared following a regional workshop on dispute settlement involving officials from SADC member states, the SADC Secretariat, academics and private sector representatives.

The submission noted that "a special arrangement for the settlement of trade disputes (Annex VI to the SADC Protocol on Trade) was developed as part of the process of concluding the SADC Protocol on Trade," but that these provisions have never been implemented. The non-application of these trade dispute provisions arose as a result of the suspension of SADC's wider dispute settlement mechanism (the SADC Tribunal) following appeals to the regional mechanism over Zimbabwe's land reform programme. The analysis describes the non-application of Annex VI "points to a serious systemic flaw in the structure of the SADC FTA". While efforts to revive the broader SADC dispute settlement mechanism are underway, current proposals do not take account of "the specific needs of trade governance".

This is seen as unfortunate, since effective trade dispute settlement arrangements could provide "predictability and certainty for traders and firms", by ensuring better implementation of agreed commitments. Currently Article 3 of the SADC Protocol on Trade provides for relatively easy unilateral derogations from agreed trade policy commitments, with no scope for appeals by regional trade partners to these unilateral decisions.

The Tralac submission proposed a distinct arrangement for the settlement of trade disputes that is separate from the more politicised work of the SADC Tribunal. It calls for the establishment of a regional trade dispute settlement mechanism along the lines of current WTO practice. This would consist of an initial "panel procedure", with an "ad hoc appeals tribunal", quite separate and distinct from the broader, revised SADC Tribunal. This, it is maintained, would provide a low-cost trade remedy mechanism, since "no permanent judges need to be appointed," and trade experts are identified to act as members of the ad hoc appeals tribunal.

In August 2014 the SADC Summit took a decision on the revitalisation of the SADC Tribunal. However, this saw a narrowing of the scope of the Tribunal. According to further Tralac analysis published in late August, the revitalised SADC Tribunal did not address the specific needs of a regional trade dispute mechanism and is thus unlikely to provide the "certainty and predictability" required to support "the region's expanding trans-boundary commerce" and the development of cross-border supply chains.

The Tralac analysis reports that "the right of individual standing will be abolished and, unless a special arrangement is adopted, private parties will not be able to bring claims against governments which infringe their rights." Since the Trade Protocol and annexes "deal with many individual rights", this development potentially poses serious challenges for the establishment of effective dispute settlement arrangements within the SADC FTA.

Sources

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Comment

As tariffs are being dismantled in the SADC region, so the use of non-tariff measures is growing in frequency and importance. These range from import bans and quantitative restrictions to the restrictive use of sanitary and phytosanitary (SPS), food safety and quality standards. Establishing transparent and predictable rules for the use of non-tariff measures – including the establishment of an effective dispute settlement mechanism – would appear to be essential to the further development of not only intra-regional trade, but also trans-regional investment in production to serve the enlarged regional markets nominally created through an FTA.

In some parts of the SADC region (notably within the SACU), the absence of formal dispute settlement mechanisms is leading private companies to use national law courts to challenge the application of particular non-tariff measures adopted by individual governments. This is seeing a situation emerge where general jurisprudence is determining the modalities for the application of non-tariff trade policy measures, rather than commonly agreed national and regional agro-food sector trade policies.

This could lead to unforeseen trade policy outcomes – such as the overturning of new SPS regulations or the undermining of a key element of national sector development strategies (see *Agritrade* articles 'Livestock trade between Namibia and South Africa reopened by Court ruling', 12 October 2014, and 'Namibian dairy sector measures questioned by South African dairy company', 11 April 2014).

Cereals sector

Tanzania looking for overseas markets for its maize surplus

According to press reports at the end of August 2014, the government of Tanzania is planning to export part of its maize surplus to markets in the Middle East and Far East. According to Godfrey Zambi, the country's Deputy Minister of Agriculture, Food Security and Cooperatives, "Far East countries are in dire need of maize."

Tanzania is estimated to have produced "over 7.0 million tonnes of maize this season", with the National Food Reserve Agency (NFRA) having been instructed to "purchase only 200,000 tonnes of maize from farmers during this maize purchasing season". Mr Zambi "cautioned farmers… that NFRA was not doing business" and only purchased maize to store "as security during time of calamities".

The global maize market situation is far from favourable for Tanzania to enter into overseas sales of maize to markets in the Middle East or Far East. At the end of August 2014, "the International Grains Council raised to a 27-year high its forecast for world corn [maize] inventories," to 190 million tonnes, an increase of 17 million tonnes from the previous year. This has seen maize prices fall to a 4-year low. According to the commodities website *Indexmundi.com*, average monthly maize price prices fell by 21% between April 2014 and August 2014 (some 25% lower than the prices prevailing in August 2013, and 47% lower than August 2012 prices).

It is against this background that at the very end of August, an editorial in Tanzania's *Daily News* asked what scope there is for UN agencies such as the World Food Programme (WFP) to purchase surplus Tanzanian maize for use in war-affected South Sudan and other food-deficit areas. The editorial suggested that such purchases by WFP in Tanzania could be done through purchasing practices "just as WFP has done previously with local farmers' cooperatives in Ethiopia".

Internally within Tanzania, maize is being moved from surplus production areas to deficit areas (from the southern Highlands to central and northern parts of the country), with this helping to stabilise prices of staple foods. In most parts of the country prices are undergoing normal seasonal declines, although in inland border areas higher prices are being sustained because of official and unofficial cross-border movements of maize (for details of structural problems facing regional exports of Tanzanian maize see *Agritrade* article '[Challenge in Tanzania is to link surplus areas to markets](#)', 3 November 2014).

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Comment

It can be argued that infrastructure links and the centralisation of logistical capacities could make overseas exports of maize simpler than intra-regional trade. But the reality is that international stock levels and price movements are far from favourable for a new entrant to the international maize trade such as Tanzania. In addition, it is unclear whether there is any effective demand for Tanzanian white maize in Far Eastern and Middle Eastern markets.

South Africa, Africa's largest maize exporter, is well established in Far Eastern markets – in the 2014/15 season, Taiwan, Japan and South Korea are taking some 838,170 tonnes of maize, 65.6%of South Africa's total maize exports to mid September 2014.

However, these maize exports to Far Eastern markets were almost exclusively yellow maize, and only a tiny volume of white maize is exported to the Far East (2,188 tonnes to North Korea, 0.26% of the level of yellow maize exports).

In this context, it is far from clear where lucrative markets for Tanzanian white maize exports might be found in the Far East. This suggests that the highest priority for Tanzanian white maize exporters should be getting to grips with the challenges of supplying regional markets in East and Central Africa: up to September 2014, fully 99% of South African white maize exports went to sub-Saharan African markets.

Market integration in Central and East Africa for maize, rice and sorghum

The World Bank has published a policy research paper assessing the "impediments to market integration in Central and Eastern Africa" for maize, rice and sorghum. The paper analyses consumer price data for 150 towns in 13 countries. Distance and the extent of paved roads (taken as an indicator of road quality) were found to have a substantial effect on market integration, with distance being by far the most important determining factor.

In addition, the paper found "significant border effects for the majority of contiguous countries" and that "markets are more integrated within than between countries." The causes of significant border effects included the impact of a range of trade policy tools, including:

- export and import bans;
- tariffs, licences and permits;
- restrictive application of sanitary and phytosanitary (SPS) measures and other non-tariff measures;
- customs inefficiencies.

The report noted that many countries in Eastern and Central Africa have "programs and policy regulations seeking to limit exports of … staple goods".

It was noted that while the aim of these policy measures was often "to tackle problems of food insecurity, these policies reduce the market integration between countries" and can serve to increase food price levels, thereby reducing the affordability of food. This effect, however, is reduced by the scale of informal trade. The paper noted:

- the findings of a USAID study published in 2013 arguing that "official statistics in West Africa may underestimate flows of trade in food by as much as 60%";
- an OECD report noting that "in 2006 Uganda's informal exports of agricultural goods to its five neighbouring countries represented 75% of official agricultural export flows";
- research in 2005 finding that unofficial cross-border exports of staple foods in the Horn of Africa at times "exceeded… official trade by a factor of 30 or more…, constituting over 95% of total trade in these commodities".

Regional trade agreements were found to contribute "substantially thinner borders". The depth of the trade integration process was also a factor – the countries in the EAC with the deepest level of integration registered "very low border effects (sometimes insignificant)".

The analysis confirmed the "negative association between barriers to market integration and food security". Significantly, it was found that "countries with less integrated domestic markets and thicker borders… have a higher prevalence of food insufficiency." Countries "with more integrated markets, both domestically and internationally, have lower problems of food insecurity," with a lack of market integration impeding "the provision of sufficient amounts of food". The report acknowledged that other factors, such as conflict, may come into play.

The paper also noted that "countries with poorer logistics performance also have thicker borders." In this context, dismantling transport cartels could help to improve market integration and food availability.

The research also found that dealing with barriers at the border can be as important as infrastructure spending in improving food availability. This is particularly the case for fragile states, where the benefits could be considerable.

Overall, the analysis confirms the view that "removing barriers related to distance, decreasing transport costs and implementing regional trade agreements are appropriate instruments to improve market integration and food security."

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Comment

While road improvements would appear to yield greater economic benefits than the removal of border-based barriers to trade, road improvements commonly involve large-scale capital investments and require ongoing maintenance. In contrast, removing barriers to cross-border trade requires relatively little investment and can yield benefits fairly quickly, particularly if these improvements are sustained and regular cross-border supply networks are built up.

Having trade already in place that can be further developed transforms the context for large-scale investments in road infrastructure, since an increased volume of trade then justifies the ongoing investment in road maintenance. This aspect of generating the production and trade to sustain improvements in road (and rail) infrastructure is a central component of the various "transport corridor" initiatives launched across Southern and Eastern Africa.

It should be noted that the paper's observations on the extent of informal trade in some regions suggest that road infrastructure constraints are not an absolute barrier to trade, but simply increase transaction costs and hence prices to the final consumer. This is just one of the factors increasing prices for consumers, all of which need to be addressed if food security is to be enhanced. A key issue faced is the sequencing of measures and the strengthening of institutional capacities to sustain improvement made, once the policy spotlight shifts to other areas.

Sorghum and cassava increasingly used in brewing across Africa

There is a growing trend towards contract farming of cassava and other inputs to the brewing industry across Africa, where seven governments have established special tax regimes to stimulate the use of local crops in beer production.

In Uganda, contract farming of sorghum for brewing purposes was first pioneered in 2008 by SABMiller. According to press reports, contracts negotiated with beverage producers are yielding farmers far better returns than traditional marketing channels. It is reported that "contract farming has helped increase acreage under cultivation, improved farmers' bargaining power and also widened access to credit for farmers organised in groups." Total annual sorghum purchases in Uganda are estimated at US$11.3 million, with some big farmers registering incomes of up to US$18,914 per season and small farmers around US$1,891 per season. Some 16,000 farmers are now involved in contract farming of sorghum for the brewing industry. However, land and input constraints are reportedly holding back smallholder participation in the supply of sorghum to brewers. Sorghum-based beer now accounts for half of SABMiller's 55% share of the Ugandan beer market.

In Mozambique, Cervejas de Moçambique now produces its Impala beer largely based on cassava (60%). According to the company CEO, "using locally produced cassava reduces the costs of importing malt, hops and other ingredients in beer production, by avoiding costs related to import and bureaucratic processes". The number of farmers contracted to supply cassava have increased from 2,000 in 2011 to 10,000 in 2014, with some 10,000 tonnes of cassava purchased annually for use in the production of 30 million small bottles of beer, valued at 14 million meticais (€356,000).

While using sorghum and cassava in Africa reduces the import bill for barley by up to 40%, the special tax concessions negotiated have proved critical to the launch of these new beers, which are priced at around 70% of the cost of mainstream beers. According to the industry market research company Canadean Ltd, the beer market in western Europe is flat, estimated at –0.6% a year, while "the volume of beer sold in Africa is expected to grow 4.6% per year on average from 2012 to 2016, faster than any other continent and nearly double the global rate." Accessing this growing market potential in Africa, through the production of lower-priced beer capable of attracting consumers away from traditionally brewed alcoholic beverages, is a critical part of the corporate strategies of companies such as SABMiller and Diageo.

In Mozambique and countries such as Uganda, Zambia and Zimbabwe, SABMiller has secured a 75% rebate on the standard excise tax charged on beer. Diageo has secured a similar deal in West Africa for its Ruut beer, which is produced from yams. These tax concessions have been granted on the basis of two arguments:

- their impact on local agricultural production; and
- the less damaging impact of commercially produced beer on public health, compared to traditionally brewed beer.

It is noteworthy that where less favourable tax concessions have been granted (e.g. Tanzania), the growth in consumption of sorghum- or cassava-based beers has been less pronounced.

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Comment

There can be little doubt that in countries such as Uganda, the rapid growth of sorghum-based beers has stimulated contract farming of sorghum, injecting substantial funding into the farming community. However, questions have been raised as to the extent to which this benefits smallholder farming as whole. Often it is larger-scale farmers who are better placed than smallholder producers to meet contract requirements. More broadly, while a growing number of smallholder farmer households may be involved in contract sales, other smallholder farmers households may see their incomes from traditional brewing activities being reduced, as low-priced commercially produced beer draws customers away from traditionally brewed alcoholic beverages.

This suggests that the growing number of African governments that are seeking to promote the use of traditional crops in commercial beer production should undertake regular cost–benefit analysis of the development gains accruing from the tax concessions granted.

The tax concessions negotiated often provide governments with minimum income guarantees, which ensure that tax revenues are not dramatically diminished by the tax concessions granted. But there have been questions over the relative costs (to the public purse) and benefits (to the private companies) arising from such schemes. This is particularly the case given the health concerns arising from increased alcohol consumption. Press reports have cited a study published in *The Lancet* which "deemed alcohol use the top risk factor for death and disease in the southern countries of sub-Saharan Africa".

Horticulture sector

Tanzanian government to launch horticulture board to protect farmers' interests

According to press reports, the government of Tanzania is proposing the creation of a horticulture board to help farmers defend their own interests, including avoiding low prices for their produce. According to Uledi Musa, Permanent Secretary in the Ministry of Industry and Trade, "horticulture products are high value crops whose demand has been growing," but little has been done to date to protect the farmers themselves through the government's efforts to promote the sector. It is in this context that the proposal for the establishment of a horticulture board is seen as important, if the expansion of the sector is to be sustained and supported.

The Permanent Secretary argued that such a board could focus on value addition as the key to expanding the sector and strengthening the functioning of cold storage chains. Horticulture sector stakeholders have welcomed the move.

This initiative taken by the Tanzanian government needs to be seen against the background of renewed investment interest in the Tanzanian horticulture sector as a consequence of the delays in finalising the EAC–EU EPA, which could adversely impact on the exports of the EAC region's largest horticultural producer, Kenya.

Sources

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Comment

The setting up of a horticulture board in Tanzania could assist in the development of the horticulture sector in several ways, depending on how it is structured. In recent years, the more effective commodity boards have brought together organised producer associations, government departments, traders and retailers to facilitate the development of more efficient supply chains.

While efforts have often focused on serving high-value international markets, initiatives can also help to substantially develop local horticultural supply chains. The Namibian Agronomic Board's horticulture development initiative, designed to increase the supply of locally produced vegetables to the national market, is a case in point.

The Namibian scheme was underpinned by an assessment of which horticultural products could be commercially produced in Namibia. It brought together producers, traders and retailers to heighten awareness of the scope for expanded local production, and launched a dialogue on practical areas where local sourcing could be improved. Using closed market information systems, retailers and traders were made aware of what was available, while producers were made aware of what was needed, when and in what quantities. This encouraged stakeholders to agree supply contracts, which it far easier to mobilise local financing. Issues of quality and standards were then discussed bilaterally between producers and retailers.

Government policy meanwhile used "controlled product" regulations, to link the issuing of import permits to the attainment of local procurement targets. The transparent and accountable application of this scheme has seen local sourcing of the products concerned rise from 5 to 35% over 10 years (see *Agritrade* article 'Horticulture development programmes under way', 29 August 2009 and 'Efforts under way to consolidate gains in local horticultural production', 27 September 2010).

The Namibian experience could hold lessons for the planned Tanzanian horticulture board, particularly given the growing challenges that are faced both in meeting increasingly strict EU sanitary and phytosanitary (SPS) requirements, and the increasing costs of placing horticultural products on the EU market (see *Agritrade* article 'UK moves to full cost recovery for SPS inspections, but no agreement yet at EU level', 9 June 2014). "Walking on two legs" – by developing parallel export markets and domestic markets for horticulture products – could prove more sustainable in the long term, particularly as processes of regional market integration gain pace.

Rice sector

Guyana looking to develop rice exports to West Africa

Press reports indicate that the government of Guyana is seeking to conclude a deal for the delivery of 120,000 tonnes of rice to Ghana over the coming year. Samples have already been despatched, and the challenge now is to work out a competitive price for supplying the West African market. It is hoped that this could be the first of a number of deals with West African countries. *Oryza.com*, a rice sector website, reported in September FAO's estimate that Guyana's rice exports for its marketing year 2014–15 would increase to approximately 460,000 tonnes, "up about 15% from about 400,000 tons exported in the previous year", and that rice production in 2014 was expected to be up a further 6.5%, "mainly due to increase in plantings, higher yields, favourable weather conditions and improvements in agricultural infrastructure, such as drainage and irrigation systems".

Demand for rice in West Africa continues to grow. In the first 6 months of 2014, Thai rice exports to the whole of Africa were up 118% "from about 2.8 million tonnes exported during the same time in 2013", to approximately 3.29 million tonnes. The main destination markets in West and Central Africa were Benin Republic, Côte d'Ivoire, Cameroon and Nigeria; other important sub-Saharan Africa destinations were Mozambique and South Africa.

Shipping challenges are now faced in exporting rice to West Africa, given the Ebola outbreak in the region. According to reports on *Oryza.com*, "shipping companies are hesitant to send their shipping vessels to Africa, with the fear of their crews catching the virus." According to representatives of the Thai Rice Exporters Association, "operators of dry bulk vessels cannot find crews to man their ships because of fears of possibly contracting the deadly Ebola virus."

Indian exporters have sought to put the issue in perspective, arguing that rice will be shipped to alternative ports, where it will then be forwarded by road. This, however, will increase the landed cost of rice for consumers. Nigeria's newspaper *Shipping Position Daily* has reported that "European ship owners have increased freight rates for cargo and imposed surcharges on crews coming into the West African countries battling Ebola."

Between February and June 2014, the prices of Thai rice destined for African markets fell by between 6.8 and 9.1%, before recovering in July and August by between 5.6 and 14.6%. Thai rice prices, however, remained substantially below the price levels prevailing in August 2013.

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Comment

The West African region is playing an increasingly important role in the global rice import trade. Asian suppliers have increasingly dominated this trade, but current shipping difficulties arising from the Ebola outbreak could open up opportunities for the delivery of Guyanese rice, given the reluctance of Asian shipping companies to land cargo in West African ports.

If this opportunity is to be realised, however, it will require careful contract negotiation in order to ensure that the commercial profitability of sales is not undermined by rising shipping rates to West African ports.

If prices can be negotiated on an FOB (free on board) basis, the problems of rising shipment costs could be sidestepped. If CIF (cost, insurance and freight) prices are negotiated, then close attention will need to be paid to the logistical challenges faced in delivering rice to West African destinations.

In recent months rice prices have been rising slightly, but they are still significantly below the prices prevailing in August 2014, suggesting that Guyana may struggle to obtain the remunerative prices it requires to make rice exports to West African market commercially attractive.

Roots and tubers sector

Changing patterns of African agro-food exports and challenges of integration into global value chains

The 2014 African Economic Outlook (AEO) report has been published, covering both North Africa and Sub-Saharan Africa. The report, published by the African Development Bank (AfDB), OECD and UNDP, maintains that "there is significant scope for growth in intra-African trade in agricultural goods."

The report notes that in 2012, African agricultural exports were valued at US$57 billion, some 9.1% of African merchandise exports. Between 2005 and 2011 African agricultural trade grew at 14% per annum in value terms. By 2012, "intra-African agricultural trade amounted to US$13 billion, or 23.5% of the total, up 4% from 2005". Asia received 21.7% of Africa's agricultural exports (some US$12 billion), up from 16.7% in 2005. However, nearly half of African agricultural exports (US$26 billion) were destined for European markets, where they accounted for 3.9% of Europe's agricultural imports (up from 2.7% in 2005). The AEO report maintains that a "strategic leap in South–South and intra-African trade" is now under way.

To consolidate the growth in intra-regional trade in agro-food products, the AEO report considers that regional groups in Africa require "strengthened capacity to support the negotiation and implementation of regional agreements". It maintains that "the elimination of non-tariff barriers, simplification of border procedures – supported by improved regional transport infrastructure – will improve trade efficiency." It points out, however, that there are also "legislative and institutional gaps in some regional communities" in respect of competition policies and, in particular, mechanisms for dispute settlement (see *Agritrade* article 'Submission on the need to activate the dispute settlement provisions of the SADC free trade area', 8 December 2014).

More broadly the report maintains that "multinationals are investing more in African agriculture," but "booming commodity investments are not yet creating the industries and services the continent needs." Multinationals are nevertheless "enhancing Africa's local agricultural production and involvement in global value chains through local sourcing that gives them an edge in global markets".

Despite the multinational investment in African agriculture-based value chains, Africa's "contribution to the global value chains is a mere 1.5%". This is attributed to the "lack of a reliable planning of value chain activities", with "no clear link with innovative policies and regulatory development to allow the continent to scale up value chains".

The report suggests Africa's "national and regional comparative advantages can be found in low labour costs and low-tech activities" in "cocoa, rice, cassava, pineapples, peanuts and cotton", with this having the potential to stimulate value chain development in the continent. However, for this comparative advantage to be exploited, it is implied that the current "overreliance on external investors, foreign technology and capacity" will need to be addressed.

Sources

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Comment

The absence at regional level of effective mechanisms for resolving disputes and of formal dispute settlement procedures is seen as an important factor holding back the sustained development of intra-regional agricultural value chains. These "disputes" include:

- concerns over Nigerian restrictions on imports of rice across its land borders;
- the non-transparent application of import procedures for sugar imports (e.g. in Kenya);
- the periodic introduction of import restrictions on dairy products;
- the haphazard application of import restrictions on GM crops.

Yet across Africa indigenous agro-food sector companies are emerging that are reaching beyond national borders to invest in regional production. The most prominent of these have been sugar companies operating across Southern Africa, investing in production for extra-regional export (e.g. Illovo Sugar and Tongaat Hulett) and brewing companies developing local products to local tastes (see *Agritrade* article 'Sorghum and cassava increasingly used in brewing across Africa', 8 December 2014).

In West Africa and East Africa respectively, multi-sector conglomerates (such as Dangote Industries) and dedicated dairy companies (such as Brookside Dairies) have followed regional agro-food sector trade with regional agro-food sector investments, with a view to consolidating their local market positions across the region.

Less common has been the development of intra-regional supply chains, using inputs from one country to add value in a neighbouring country for region-wide markets. It is this type of corporate development that would be assisted by a strengthening of the implementation of regional trade agreements, through the establishment of effective dispute settlement mechanisms.

This could then see the emergence of globally competitive agro-food sector enterprises which retain their roots in African economies (in contrast to companies such as South African Breweries and Illovo, which in recent years have relocated their corporate headquarters outside Africa).

Finding commercially viable markets for cassava proves challenging

At the beginning of September 2014, Nigerian cassava chip producers expressed frustration at the prices on offer for cassava chip exports to China. Chinese importers were reportedly "offering Nigerian exporters $250 per tonne". This stands in sharp contrast to prices offered elsewhere – 37.5% lower than the price offered for sales to the EU market (US$400/tonne) and 30% lower than that on the Israeli market (US$350/tonne), for example. Processors have complained that if a price of "less than $400 per tonne" is obtained then cassava chip processing for export "will not be viable".

These price disappointments come on top of the high financing costs faced in Nigeria and the high internal logistical and shipping costs. The low prices on offer from Chinese importers mean that no exports have yet taken place under the agreement reached between the Nigerian government and the Chinese authorities "to export 3.2 million… tonnes of cassava chips annually".

The Chinese market for cassava chips will not have been helped by a second year of extremely high global cereals production, which by August 2014 saw prices 11.7% below what they were in August 2013. A second excellent year for cereals production was also enjoyed in China. This will result in an increase in the use of domestically produced Chinese maize in animal feed and a sharp reduction in demand for imported animal feed. China's cereal stocks – with maize playing the largest role – are now at a 15-year high, at 24.7% of consumption for 2014/15, compared to a low of 18.4% in 2007/08.

The Nigerian government, meanwhile, is continuing with efforts to boost cassava milling to expand local demand for high-quality cassava flour (HQCS). This includes the importation of "six high-quality cassava flour mills", and forms part of wider government efforts to promote the blending of HQCF with wheat flour, with a view to reducing wheat import requirements.

Press reports suggest that wider efforts to reduce Nigeria's wheat import requirements are facing problems, suggesting that farmers are abandoning wheat cultivation in favour of other crops, following a failure to find ready outlets for the wheat production stimulated by earlier government exhortation. Farmers expected direct government intervention in support of the marketing of expanded wheat production and, when this did not occur, shifted away from wheat production. Press analysis has suggested that weaknesses in the wheat value chain contributed to this disappointing outcome. Other stakeholders, however, blamed the poor quality of the local wheat produced, compared to the quality of imported wheat, for the failure to sustain the expansion of wheat production.

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Comment

While government-to-government agreements can potentially open doors for sales to non-traditional markets, they provide little benefit in the context of falling global prices, if the critical issue of price has been left unaddressed. This suggests that in targeting new international markets for cassava sales, much closer government–private sector cooperation is required. If this close cooperation is not in place from the outset, then exporters can be left vulnerable to falling global cereals prices, which directly impact on the prices offered for cassava chips used in animal feed.

The difficulties faced in the cassava blending initiative (see *Agritrade* articles 'Nigerian traders survey the challenges involved in the cassava bread initiative', 17 February 2014 and 'Nigeria to abandon cassava blending policy?', 23 May 2014) along with setbacks in developing local wheat production could well mean that over time the Nigerian government will need to review its wheat tariff policy (see *Agritrade* article 'USDA renews implicit criticism of Nigeria's wheat sector policy', 19 January 2014). Any such revision could then profoundly undermine efforts to promote the production of HQCF for blending in the production of bread and other bakery products.

This suggests that a new approach may be needed to identify and promote opportunities for the commercial marketing of cassava, if current government efforts to stimulate cassava production are not to grind to a halt.

Growing interest in Irish potato production in East and Southern Africa

Production of Irish potato is on the rise in Ethiopia. According to a recent report in the *Irish Times*, "it is estimated there are one million potato farmers in Ethiopia, planting approximately 160,000 hectares annually." Production mainly takes place on small plots in the highlands, without the application of fertilisers. According to the International Potato Institute, "Ethiopia may have the highest potential for potato production of any country in Africa, with 70 per cent of its 13.5 million hectares of arable land suitable" for potato cultivation.

Pilot initiatives in Ethiopia are targeting 100,000 potato farmers, since Irish potatoes are seen as having the potential to make an important contribution to household food security. The potential contribution that Irish potato can make to household food security hinges on the nutritional properties of potatoes, their adaptability to climate change and their limited vulnerability to international price changes. However, across Africa poor quality seed is holding back productivity.

It is against this background that "an Irish-led collaboration, the Potato Centre of Excellence, which involves partners from science, business and development sectors and Irish Aid", with the support of potato sector stakeholders and research establishments, is seeking to share knowledge on potato production across six countries – Ethiopia, Kenya, Malawi, Mozambique, Tanzania and Uganda – where there are thought to be four million potato farmers. Experts consider that the introduction of improved seed varieties could potentially double yields.

Considerable developments in the sector are already taking place in Kenya. A Kenyan research station, working with the International Potato Center (CIP), is working to improve local potato seed, including the development of early-maturing, disease-resistant varieties. Mechanisation is also being introduced to potato harvesting, with the aim of reducing harvesting costs (by up to 29%), reducing losses and preventing the spread of disease. Nyandarua County recently announced that machines had been imported and were available at the Agricultural Machinery Service Station, and local government representatives "urged farmers to join cooperatives" in order to benefit from the use of the new machines.

While considerable benefits are seen to arise from regional cooperation in potato research, the scope for regional trade is more limited, since the bulky nature of potato production makes them ill-suited to intra-regional trade.

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Comment

Given the bulky nature of potatoes and the focus on production to enhance household food security during the lean season, the principal trade issues in the Irish potato sector are likely to relate to trade in seed potatoes. This suggests a need for the governments of the six countries involved in the Potato Centre of Excellence programme to work together to develop common protocols for the development of new Irish potato seed varieties. This would facilitate both the approval of the use of new varieties and the development of regional trade in seed potatoes.

Building such trade dimensions into sector-specific regional agricultural research programmes could provide a major boost to the use of newly developed seed varieties, once their effectiveness has been demonstrated. This could also help in overcoming the regulatory differences arising from the multiplicity of regional trade arrangements in place in the Southern and Eastern African region (the countries involved in the Irish Aid-supported potato programme are variously part of the EAC, COMESA and SADC). This type of sector-based approach could offer an alternative route to regulatory harmonisation under the trilateral FTA process.

Launched by CTA (Technical Centre for Agricultural and Rural Cooperation ACP-EU) in 2001, the Agritrade website http://agritrade.cta.int is devoted to agricultural trade issues in the context of ACP (Africa, Caribbean, Pacific) - EU (European Union) relations. Its main objective is to better equip ACP stakeholders to deal with multilateral (World Trade Organization – WTO) and bilateral (Economic Partnership Agreement – EPA) negotiations. Thus it provides regular and updated information and analysis on technical aspects of the trade negotiations, developments in the CAP and their implications on ACP-EU trade, as well as on major commodities (banana, cereals, sugar, fisheries, etc.).

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. It does this by providing access to information and knowledge, facilitating policy dialogue and strengthening the capacity of agricultural and rural development institutions and communities in ACP countries.

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