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Executive brief

Poultry sector

1. Background and key issues

The importance of the poultry sector in ACP countries varies considerably. In the Caribbean it is the largest agro-processing industry, while in the Pacific it is far less significant. In Africa there are huge differences in per capita consumption, from a low of 1.73 kg in Mali to a high of 31.38 kg per annum in South Africa. National self-sufficiency rates vary considerably from 80% in the Caribbean to between 28 and 100% in West African countries, and, in Southern and Eastern Africa, from 84% in South Africa to 100% in Kenya.

Trade policy can play a critical role in promoting and sustaining poultry sector development. In the case of the EU, while the poultry regime is described as 'light', with no direct aid payments to producers, the trade regime applied takes on particular significance. EU poultry sector stakeholders have expressed the view that 'in the absence of import tariffs … the EU market would rapidly be influenced by imported products, with EU producers increasingly restricted to supplying niche markets. The EU operates a highly disaggregated tariff regime, with widely varying tariffs for different products and a highly sophisticated tariff rate quota regime. This is further backed up by a price-based special safeguard mechanism which has been permanently invoked (see *Agritrade* special report 'The EU's agricultural policy toolbox: a sector-by-sector review', 13 December 2011).

> *"Trade policy can play a critical role in promoting and sustaining poultry sector development"*

Poultry sector trade policies vary considerably across the ACP and within ACP regions. This poses particular problems for regional trade integration.

Across the ACP, input supplies are a constraint on the competitiveness of commercial poultry production. A variety of initiatives to get to grips with this constraint are under way in ACP regions, such as the creation of dedicated cereals supply chains and the development of alternative feedstuffs that are less competitive with human food demand. In the Caribbean, poultry producers are particular dependent on imported feed. This generates considerable vulnerability to increases in international grain prices and exchange rate movements.

Animal diseases, infrastructure and marketing factors make it difficult for smallholder poultry production to be competitive. Nevertheless, poultry production within village and backyard production systems makes an important contribution to food security in many ACP countries.

2. Latest developments

Global poultry sector developments

While EU exports have grown by 60% since 2006, the global poultry trade continues to be dominated by Brazil and the United States (see Table 1). This raises particular challenges for Caribbean ACP poultry producers, located as they are between these two major exporters. While US poultry exports declined marginally (-3.4%) in 2011, they were still 25.6% higher than in 2006. Brazilian poultry exports meanwhile increased by an estimated 3.7% in 2011, with earnings (measured in US dollars) rising by 20% compared to 2010, given high international poultry prices.

Brazilian exports to traditional markets will continue, but increasingly Brazilian 'exporters are focusing their market activities in Malaysia, Indonesia and Africa'. China is also a growing market. Brazil enjoys cost advantages, given its access to domestically produced maize and soya meal and the integrated nature of poultry production. Since 2006, Brazilian broiler meat exports have risen by 32% in terms of volume, with a further 5% increase expected in 2012.

Table 1: Major global broiler meat exports 2006–2011 (tonnes)

Country	2006	2007	2008	2009	2010	2011
Brazil	2,502,000	2,922,000	3,242,000	2,992,000	3,181,000	3,300,000
USA	2,361,000	2,678,000	3,157,000	3,093,000	3,069,000	2,966,000
EU27	689,000	635,000	742,000	783,000	992,000	1,100,000
Thailand	261,000	296,000	383,000	379,000	432,000	460,000
China	322,000	358,000	285,000	291,000	379,000	410,000
Argentina	94,000	125,000	164,000	178,000	214,000	200,000

Source: USDA

These export patterns are causing concern in South Africa and West and Central Africa. Brazilian exports even

> *"Brazilian poultry export patterns are causing concern in South Africa and West and Central Africa"*

find their way to Pacific ACP markets such as those of Timor-Leste (see *Agritrade* article 'USDA publishes review of Timor-Leste poultry sector', 9 August 2011).

Poultry sector developments in the EU

Poultry-meat consumption in the EU has been less affected by the economic downturn than other meat sectors, as poultry meat substitutes for more expensive meats. However, sales of cheaper cuts have increased faster than sales of more expensive cuts, and the trend towards greater consumption of quality-differentiated poultry products has halted. Germany is an exception to this trend (see *Agritrade* article 'EU poultry production and exports continue to grow', 12 November 2011). This shifting pattern of EU domestic poultry-meat consumption reduced the rate of expansion of EU poultry-meat parts available for export to lower than expected levels.

EU poultry-meat production increased by 2.4% in 2010 and 2.75% in 2011. A further increase of 1.4% is expected in 2012. In the longer term, EU poultry production is projected to grow more slowly than consumption, reducing exports to between 1,100,000 and 1,315,000 tonnes by 2020, i.e. 59–90% higher than export levels prevailing in 2006 (see *Agritrade* article 'EC projections of EU poultry sector developments 2011–2020', 30 January 2012). In February 2012, however, EC forecasts for exports through 2013 were revised downward by 6.4%. These figures are set out in Table 2.

Table 2: EU poultry meat – net production, consumption, imports and exports ('000 tonnes carcass weight equivalent/cwe)

	2009	2010	2011	2012	2013	2014
Net production	11,685	11,967	11,964	12,040	12,119	12,130
Consumption	11,593	1,158	11,375	11,468	11,580	11,701
Exports	940 (929)	1,159 (1,149)	1,375 (1,287)	1,358 (1,271)	1,315 (1,231)	1,218
Imports	849 (849)	779 (784)	786 (803)	786 (803)	777 (793)	790
	2015	**2016**	**2017**	**2018**	**2019**	**2020**
Net production	12,100	12,144	12,201	12,247	12,345	12,397
Consumption	11,761	11,839	11,907	11,962	12,012	12,124
Exports	1,155	1,132	1,123	1,115	1,163	1,108
Imports	815	527	829	830	830	835

Source: Extracted from the statistical annex of 'Prospects for agricultural markets and income in the EU 2011-2020', December 2011 http://ec.europa.eu/agriculture/publi/caprep/prospects2011/fullrep_en.pdf
Bracketed text from 'Short term outlook for arable crops, meat and dairy markets', February 2012 http://ec.europa.eu/agriculture/analysis/markets/sto-crop-meat-dairy/2012-02_en.pdf

While rising grain prices have impacted on the costs of EU poultry producers, in most parts of the EU it has proved possible to pass on these price increases to consumers (+10% on average). This has enabled EU producers to keep 'their export price competitive'.

EU poultry exports strengthened considerably over 2010 and the first half of 2011, despite a reduction in the Russian tariff-rate quota (TRQ) which saw a 51% decline in exports to Russia in the first semester of 2011. In this context, particularly high levels of exports were recorded to Asian, African and Middle Eastern markets. However, Russian World Trade Organization (WTO) commitments are projected to increase Russian imports considerably in 2012, with the EU being the main beneficiary.

The leading extra-EU poultry exporters are France, the Benelux (customs union of Belgium, Netherlands and Luxembourg), Germany, Poland and the UK. In 2010 and 2011, exports consisted mainly of frozen cuts (63%) and frozen whole birds (31%). Since 2006, EU exports of frozen cuts have increased by 52.3% while exports of frozen birds have increased by 76.4%. Italian exports of frozen birds to Benin accounted for 39% and 28% of Italian extra-EU whole-bird exports in 2009 and 2010 respectively. Much of this trade was likely to end up in Nigeria, given the high level of cross-border smuggling from Benin to Nigeria. This trade in whole frozen birds and poultry parts not only undermines the Nigerian domestic poultry sector policy, but also gives rise to serious sanitary and phytosanitary (SPS) and food safety concerns mainly due to poor management of the cold chain and practices where frozen products are defrosted and mixed with local fresh chicken.

Exports of 'low-priced cuts and mechanically deboned meat to sub-Sahara Africa remained brisk'. The strong demand for poultry breast meat in the EU is held to lead to 'an elevated production of low-priced parts such as wings and legs, which are being exported mainly to Sub-Sahara Africa'. The US Department of Agriculture (USDA) reports that South Africa is a growing market for EU poultry-meat exports.

"Strong EU demand for poultry breast meat leads to high production of low-priced parts, which are exported mainly to sub-Saharan Africa"

EU imports of poultry meat have been following a downward trend, but with marked variations across different poultry products. This is linked to the highly differentiated poultry tariff regime that the EU applies, which is in part based on evolving EU consumer demand for poultry-meat products.

Total poultry-meat imports fell by 2% between 2009 and 2011. However, imports of 'preparations of chicken meat' increased by 71%, accounting for 49% of total imports in 2010, compared to 30% in 2009 and a projected 52% in 2011. This would then reverse the recent decline in overall poultry-meat imports.

Significantly, only limited volumes of imports (around 10%) take place outside quota arrangements, with the EU using import licences to regulate the poultry trade. Licences for in-quota imports are increasingly sought, with a degree of speculation now taking place around poultry-meat import licences. Against this background, out-of-quota trade is often designed to build a track record for gaining access to import quotas.

EU imports from Brazil have stabilised since May 2010 following the EU decision to halt the labelling of defrosted frozen cuts as 'fresh poultry'. This saw a 9.6% fall in Brazilian exports to the EU, placing the EU behind Saudi Arabia, Hong Kong and Japan in importance as an export market. Brazilian exporters are however seeking to challenge this reclassification, with the support of UK poultry traders, who maintain that the new rules prohibit the 'safe and lucrative practice' of using frozen meat in market components such as barbecue food.

In contrast, Thai exporters are successfully developing exports of cooked chicken meat to the EU. Thailand is now the leading exporter in this market component. A new agreement on quota-based access for Thai exports is expected to be agreed in 2012. SPS-based restrictions on fresh poultry exports are scheduled to be lifted in July 2012.

Poultry sector developments in West and Central Africa

Poultry sector trade policy continues to be hotly debated in Ghana and the wider West African region. In August 2011, *Ghana Business News* reported that over 200,000 tonnes of frozen chicken are imported annually into Ghana from the EU, Brazil and the US. This was a radical change from the situation in 2002 when only 26,000 tonnes were imported, mainly from the EU. While sources of poultry imports have diversified, it was reported that Ghana still accounted for almost a third of the EU's total frozen chicken exports to Africa.

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Ghanaian poultry farmers have continued to express discontent at government poultry sector policy (see *Agritrade* article 'Poultry imports cause growing concern in Ghana', 12 November 2011). In May 2011, farmers' representatives appealed to the government to follow the lead of other West African governments and move beyond the common external tariff (CET), by applying additional trade measures, an implicit reference to the import bans on frozen poultry set in place by the Nigerian and Senegalese governments in 2002 and 2006 respectively. In response, Ghanaian Vice-President John Dramani Mahama committed the government to sitting down 'with all the stakeholders in the poultry industry to find out the challenges and craft out possible solutions that will promote their activities and protect the industry in the coming years' (see *Agritrade* article 'Poultry farmers in Ghana express concerns over imports and impact of IEPA commitments', 10 June 2011).

Currently the focus is on measures to reduce the costs of poultry feed, vaccines and day-old chicks. Loan financing is to be provided for increased local production of yellow maize and soya beans for the poultry feed industry. Farmers' leaders have called for better cooperation with government departments to avert 'the collapse of most poultry farms', as a result of rising input costs and growing import competition (see *Agritrade* article 'Measures announced to ease pressures on Ghanaian poultry farmers', 5 July 2011).

It is against this background that the reported 43% expansion in EU poultry-meat exports to Ghana in 2010 needs to be seen – a rate of expansion almost twice the rate of growth of overall EU poultry-meat exports. This expansion in EU exports to Ghana has however been dwarfed by the growth in EU exports to Benin, which have grown by 143% since 2006 (compared to only 35.5% for Ghana and 27% overall). Most of this trade receives no EU export refund support (only certain exports of frozen birds). The trade predominantly consists of poultry parts for which there is little or no market in the EU, and will continue, 'provided that the export price (less transport costs) [is] greater than the costs of disposal'. This is a common problem across the ACP, with only the source of imports in this trade in residual poultry parts varying.

The EU poultry export trade to Benin carries important regional implications: according to World Bank estimates, '90% of Benin's poultry imports are informally re-exported to Nigeria'.

Concerns are also being expressed over the trade in poultry meat into Cameroon, where the limitations implicit in Economic Partnership Agreement (EPA) provisions on the use of certain policy tools have been highlighted as a source of concern. In 2006, the government increased duties on imports of poultry meat to facilitate the recovery of a sector that had been undermined by high volumes of imports of cheap, low-quality poultry-meat cuts. The concern now is that the current trade policy commitments included in Cameroon's interim EPA will lead to an early phasing out of these protective measures, despite the continued vulnerability of the sector.

Local press reports in Cameroon have sought to link the trade in EU poultry parts to EU agricultural support programmes, however this is not directly the case. EU poultry producers enjoy no form of direct aid, and export refunds are mainly directed to French whole frozen bird exports to North African and Middle Eastern markets. While EU rural development programmes may provide investment support for the development of production for new markets, the main benefit of EU common agricultural policy (CAP) support programmes is indirect, through their effects on EU cereal prices and poultry feed costs. In this context, in Cameroon as elsewhere, the problem largely arises from the trade in residual poultry parts and the high-cost nature of domestic production.

> *"The problem for many countries arises not from subsidies elsewhere but from the trade in residual poultry parts and the high-cost nature of domestic production"*

Elsewhere in Central Africa, Brazilian exports of broiler meat to Angola are on the rise. In the first 6 months of 2011, exports rose to 40,054 tonnes from 31,646 tonnes in the corresponding period of 2010. Brazilian turkey meat is also exported to Angola, Benin, Congo, Democratic Republic of Congo (DRC), Gabon and Equatorial Guinea. These markets collectively accounted for a quarter of Brazilian turkey meat exports in the first 6 months of 2010, and a third in the corresponding period of 2011.

Poultry sector developments in Southern Africa

In 2010, growth in the South Africa poultry sector fell to 3%, compared to an annual average of 4% between 2000 and 2008. In early 2011, South African poultry producers claimed that imports from Brazil were a third larger than in January 2010, with prices 23% lower than average local prices (see *Agritrade* article 'Changing patterns in Brazilian poultry exports cause concern in South Africa', 2 May 2011). This was attributed at the time to the high value of the rand relative to the Brazilian Real (appreciating 4% against the Real in 2010), and lower production costs in Brazil. Indeed, USDA argued that 'broiler meat imports into South Africa are primarily exchange rate driven' (see *Agritrade* article 'Trends in the South African poultry sector', 12 November 2011). With growing exchange rate volatility, this carries important implications for the use of traditional agricultural trade policy tools.

> *"In 2011, South African poultry producers formally applied for WTO anti-dumping duties to be imposed on a variety of Brazilian poultry-meat products"*

In 2011, South African poultry producers made a formal application for the imposition of anti-dumping duties on a variety of Brazilian poultry-meat products. The application prompted a fierce debate, with importers claiming that the South African poultry sector was continuing to grow with a phenomenal increase in returns on investment (+800% between 2008 and 2010), and Brazilian exporters claiming that any additional duties would only penalise consumers in the context of a heavily concentrated industry subject to anti-competitive-practice rulings.

In February 2012, in the face of rising transport and electricity costs and a 90% increase in South African white maize prices in 2011, South Africa's International Trade Administration Commission ruled in favour of South African poultry producers and imposed additional duties of, on average, 63% on whole chickens and 47% on boneless cuts (see *Agritrade* article 'Debate intensifies over South African poultry tariff policy', 3 March 2012). South Africa now has in place anti-dumping duties against both US and Brazilian poultry exports.

With the South African poultry sector accounting for fully 80% of regional poultry production, national poultry producers elsewhere in Southern Africa have to operate in the shadow of the oligopolistic South African poultry sector. This throws up real challenges for the process of regional market integration across the Eastern and Southern African region.

It is in this context that the Namibian government, following a major €44.9 million investment programme designed to achieve national self-sufficiency in poultry-meat production, announced that from July 2012 it would be invoking infant industry protection provisions previously agreed within the Southern African Customs Union (SACU) Council in 2002 (see *Agritrade* article 'New Namibian poultry investment aims at self-sufficiency', 12 November 2011). This will involve the imposition of a levy of 46% on imported chicken in the first 4 years, falling to 30% in years 5 and 6, and 20% in Years 7 and 8. After 8 years, infant industry protection will be phased out (see *Agritrade* interview with Ghys White, 'Trade policy and the development of a new integrated poultry operation in Namibia', 12 November 2011).

While it is maintained that the application of infant industry protection will be subject to strict monitoring and evaluation (including ensuring that consumers are not made worse off), elsewhere in the region infant industry protection has become institutionalised, with vested interests able to extract monopoly rent to the detriment of consumers. Strict transparent and accountable management of infant industry protection will be essential if the benefits in terms of employment creation, value addition and food security in smaller vulnerable regional economies are not to be overwhelmed by consumer losses.

This raises the issue not only of regional trade policy rules, but the need for ensuring their rigorous application.

Elsewhere in Southern Africa, governments have sought to take action to ease pressure on poultry producers arising from escalating agricultural commodity prices. In Mozambique for example, animal feed has now been exempted from value-added tax (VAT) as a means of helping local producers to compete with increased competition from imports of frozen poultry parts.

Poultry sector developments in East Africa

Rising poultry feed costs represent a serious challenge to commercial poultry producers in East Africa. This became particularly acute in 2011, when a regional drought reduced the availability of grains and led to rapidly rising local prices. This was compounded in some countries by weaknesses in the functioning of cereal supply chains. In some countries, such as Uganda, these challenges were further compounded by problems with supplies of locally produced fishmeal. The impact of risinginput costs on the profitability of poultry production in East Africa is made worse by the price sensitivity of eggs and poultry meat on local markets, with any price increase immediately being felt in the form of reduced demand.

> *"Rising poultry feed costs represent a serious challenge to commercial poultry producers in East Africa"*

In East Africa, as in virtually all ACP countries, maintaining access to low-cost poultry feed is a critical issue. Research into low-cost feed that does not compete with human consumption offers an important means of insulating the poultry sector from the market consequences of periodic drought, to which the region is vulnerable. Smallholder farmers are also seeking their own solutions by using traditional crops such as amaranth, millet and sorghum as chicken feed, since this can reduce costs by as much as 40% (see *Agritrade* article 'High maize prices pose challenges for East African poultry sector', 12 November 2011). This potentially offers an important means of stabilising feed costs in the poultry sub-sector, with the greatest impact on village-level food security.

The importance of getting to grips with feed supply issues is highlighted by the experience of Zambia, where the poultry sector is once again booming (after a 40% contraction in 2009), largely as a result of 'the reduction in the costs of feed stock and readily available soya and maize on the market'.

Chicken breeds better suited to 'resource-poor village environments' are being developed and introduced. Field trials have suggested that yield improvements increase incomes by over 300%. This is seen as particularly important in countries such as Uganda, where 86% of the national poultry stock is held in village flocks. However if income gains from improved breeding stock are to be maintained, such technical improvements will need to be implemented alongside measures to improve the commercialisation of village-level poultry production.

Poultry sector developments in the Caribbean

In 2011, in the face of rising and volatile global grain prices, initiatives to develop intra-regional poultry feed supply chains were launched in the Caribbean. In June 2011, agreement was reached for a 1-year pilot project to produce maize in Belize under contract to Jamaican poultry producers, with maize to be supplied on a cost-plus basis. This initiative potentially offers opportunities to reduce the extra-regional import intensity of poultry production and stabilise input costs. If successful, it could be rolled out to embrace poultry producers in Barbados and Trinidad & Tobago, as well as potential cereals producers in Guyana and Suriname.

The Caribbean Community (CARICOM) poultry sector currently enjoys a CET of 40% for poultry products. In certain countries, however, a range of supplementary surcharges are levied, generating effective protection ranging from 40% (Trinidad & Tobago) to 246% (Jamaica). This raises the issue of unfair competition between regional producers, since it can allow national pricing policies that *de facto* subsidise regional exports.

Caribbean poultry producers are pushing for a modernisation and an enhancement of regional tariff and regulatory frameworks for poultry products, including in relation to labelling. In terms of tariffs this would involve an increase in the minimum CET to 80%, with a harmonisation of supplementary levies.

The harmonisation of non-tariff regulatory measures is seen as a necessary precondition for the development of intra-regional poultry product supply chains. This can be seen as essential, since in small economies production problems in individual facilities can lead to supply problems of national significance. These in turn can lead to temporary modifications to trade arrangements that can generate instability in the sector as a whole (see *Agritrade* article 'Volatility in the Guyanese poultry sector', 12 November 2011).

> *"The harmonisation of non-tariff regulatory measures is a necessary precondition for the development of intra-regional poultry product supply chains"*

It is maintained that without tariff protection the Caribbean poultry industry would be undermined largely by imports of residual parts from the United States. According to the Caribbean poultry industry these poultry parts are sold at prices significantly below the costs of production (e.g. 30 US cents/lb). Often the frozen products are defrosted, repacked and even mixed with local fresh meat, and sold as fresh poultry. The growing US inventory of leg quarters, following measures taken by Russia, China, Mexico and others in defence of their own poultry sectors, is a cause of particular concern. These residual parts are increasingly being used in processed chicken products, such as patties, sausages and nuggets.

Proposals in 2011 for the Jamaican government to reduce the tariff on poultry-meat imports to 20% met with strong opposition from poultry producers who were 'adamant that such a move would cause devastation to the poultry industry' (see *Agritrade* article 'Jamaican poultry farmers protest over proposed reduction of import duty', 30 August 2011).

In the light of the perceived threat from extra-regional imports, Caribbean poultry producers called on governments in late 2011 to initiate three key measures:

1. Poultry must be sold to the final consumer in the packaging in which it leaves the processors, i.e. retail-ready.

2. Products that have been frozen cannot be sold as chilled, nor defrosted and sold as chilled.

3. Tariffs must be harmonised within a more disaggregated approach to tariff protection for specific poultry products across the region (see *Agritrade* interview, 'Securing the future of the Caribbean poultry sector', 12 November 2011).

Poultry sector developments in the Pacific

With the notable exception of the larger Pacific Island Countries (PICs), poultry production is largely smallholder-based. These household-based production systems are low cost, high mortality and low yield. Across the PICs, poultry production is insufficient and imports of poultry meat and products are needed to meet demand. Imports may be sourced from Australia, New Zealand, the USA or Brazil. While there may be scope for introducing more resilient breeds better suited to household-based production systems, the current trend is towards the expansion of commercial production to exploit intra-regional trading opportunities.

> *"The current trend is towards the expansion of commercial production to exploit intra-regional trading opportunities"*

One example of this trend is in Fiji, where commercial poultry production is now being developed with investment by the Australian agro-food group Goodman Fielder. This consists of a fully integrated breeder and broiler farm (including contracted smallholder farms), hatchery, processing plants and stock feed milling facilities. The Goodman Fielder subsidiary, Crest Chicken, already supplies about 85% of the Fijian chicken market. The aim of the new facility is to attain national self-sufficiency and initiate an aggressive regional marketing operation. This will target the Papua New Guinea (PNG) market and other trading opportunities available under the provisions of the Melanesian Spearhead Group Trade Agreement (MSGTA) and the Pacific Island Countries Trade Agreement (PICTA) (see *Agritrade* article 'USDA publishes review of Timor-Leste poultry sector', 9 August 2011).

3. Implications for the ACP

Lessons from the EU poultry regime

The EU's experience of regulated imports, with increases in imports concentrated in market components where duties are low and access is regulated through TRQs, highlights the scope for the nuanced use of trade policy tools to address specific poultry sector problems. The EU maintains a sophisticated poultry tariff regime: while allowing increased imports in response to evolving consumer demand, the regime still extends effective protection to EU poultry producers.

Given the specific nature of the threat to ACP poultry producers from exports of poultry parts, it may be possible to target tariffs on this particular component of the poultry trade. Closely linked to this is the need for a clear and specific classification of poultry products for tariff purposes and the development of associated labelling requirements. This needs to be backed up by effective enforcement, in order to ensure that a disaggregated tariff policy can work in practice. This could even extend to the use of TRQs to manage the poultry trade.

However, since the EU is not the major player in the global poultry trade, ACP governments would need to adopt a holistic approach to poultry sector policy and not single out the EU trade for special measures.

Accommodating poultry sector needs in EPAs

The EU's use of sophisticated trade policy tools in the poultry sector sits uneasily with some of the broad trade policy prescriptions enshrined in draft interim EPAs. These include tariff standstill commitments, restrictions on the use of quantitative restrictions (TRQs) and prohibitions on the use of import licences. Some of these trade policy tools are used as part of infant industry protection provisions within intra-ACP customs unions and free-trade areas (FTAs), as well as being used by the EU itself.

The desire of a number of ACP governments to retain the right to use these tools needs to be seen against the background of regional realities and increased price and currency volatility, which can over a short period of time transform the relative competitive position of national and third-country poultry producers.

Balancing consumer, producer and processor interests

The debate over South Africa's poultry sector tariff policy raised the important issue of what relative importance should be attached to the interests of consumers, primary producers, processors and traders in defining poultry sector trade policy. This is an issue across the ACP, but particularly in the Caribbean, and other small countries committed to greater national poultry sector self-sufficiency.

This issue is particularly acute in countries where monopolistic or oligopolistic control of the poultry sector exists, with scope for abuse of a dominant market position. This poses real challenges for policy makers:

- in reconciling competing interests;
- in coordinating the use of a wide range of policy tools, from tariff policy to competition policy.

It may in addition require new policy measures to strengthen the functioning of poultry sector supply chains.

Regional poultry sector trade policy challenges

The illicit trade between Benin and Nigeria highlights the challenges faced in developing regional trade policy for the poultry sector, and the need for a regional harmonisation of poultry sector policies.

Pre-existing national restrictions and new exceptions to the free flow of poultry products within customs unions and FTAs can make the process of regional market creation extremely complicated. This was highlighted by the Namibian invocation of infant industry protection in 2011.

Any regional poultry sector policy is likely to require:

- a more nuanced use of tariff policy tools;
- the development of regional competition policies;
- the elaboration of new policy measures to strengthen the functioning of poultry sector supply chains.

Such policies on strengthening the functioning of supply chains could then establish a transparent and accountable framework for the use of a range of trade policy tools, in order to provide greater certainty in the development of regional markets for poultry products.

Getting to grips with poultry feed costs and SPS challenges

From the variety of initiatives currently under way within the ACP, a number of specific areas of intervention can be identified to reduce feed costs:

a. supporting the development of dedicated poultry feed supply chains (e.g. the regional initiatives in the Caribbean, or loan financing in Ghana);

b. ensuring cereals sector policy frameworks accommodate the needs of poultry producers (including in relation to pricing policy, trade policy and market information on supply, price and trade trends);

c. supporting the development of production of low-cost poultry feeds that do not compete with human food demand;

d. supporting the development and use of traditional crops as poultry feed at smallholder level;

e. promoting the distribution to smallholder producers of poultry breeds better suited to 'resource-poor village environments'.

While certain areas of low-cost intervention exist, overall this constitutes an important area for 'aid for trade' support.

EU export refund policy

The bulk of EU poultry exports to ACP markets occurs without the benefit of export refunds. However, ACP countries are listed as eligible destinations for the payment of EU export refunds. In view of the efforts under way to develop poultry production in ACP countries, a clear policy commitment would appear to be needed for the EU not to provide export refunds on poultry exports to ACP countries and regions seeking to develop their own poultry sectors. This applies to the export of both whole frozen birds and poultry parts, which may receive export refund support during times of market crisis.

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About this update

This brief was updated in August 2012 to reflect developments since the publication of the first *Agritrade* brief on Poultry in October 2011.
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