

Business Implications of the Agriculture Negotiations

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What is at issue - besides cotton?

Agricultural trade affects:

- Domestic markets for food and other agricultural produce
 - “defensive” interests
- Export opportunities and revenues
 - “offensive” interests

1. Agricultural imports

- Business sectors directly involved:
 - Traders
 - Wholesalers, retailers
 - (mainly urban) consumers

Implications also for:

- Farmers
- Rural people
- Rural development
 - (loss of markets)

Some examples of import markets and
what might happen to them...

Wheat

Real \$ price change, 1977-2001:

- -2.6 p.a.

Business status:

- World trade dominated by US TNCs

Export subsidies:

- Recently reintroduced in EU

Rice

Real \$ price change, 1977-2001:

- -3.7% p.a.

Business status:

- World market led by US and Thailand
- Impact on markets for African staple crops

Market Access:

- Possible case for Special Products or Special Safeguard Mechanism

Domestic Support:

- e.g. in US, Thailand

Dairy products

Business status:

- Increasing TNC penetration, with standardised high-tech UHT grade

Domestic support:

- EU price supports lead to overproduction, despite production quotas

EU's export subsidies

Main defensive issues for the negotiations

- Export subsidies
- Domestic support in exporting (developed) countries
- Own market access
 - Tariff reductions
 - Bound and applied tariff rates
 - Sensitive products
 - Special products
 - Special safeguard mechanism

2. Export products

- Each country's exports are different
- › Different issues arise on different markets
- Let us look at some of the most important export markets as examples...

Coffee

Uganda: 56% of exports
Tanzania: 15%
Kenya: 11%
Côte d' Ivoire: 7%

Real \$ price change, 1977-2001: -5.1% p.a.

Business status:

- Mostly smallholder production, remote (high-altitude)
- Processing stage highly concentrated
- Widened differential between arabica (e.g. high-quality Kenyan) and robusta varieties
- Supply chains steadily becoming more integrated
- Farmers' vulnerability to traders

Market Access:

- Some tariff escalation

Commodities Initiative:

- Possible return to supply control → price effect?

Tobacco

Malawi: 65% of exports
Tanzania: 8%
Uganda: 7%

Real \$ price change, 1977-2001: -1.0% p.a.

Business status:

- Also produced in the global North
- Highly subsidised in the EU

Domestic Support:

- Depends on AMS and Blue Box decisions
- World prices might rise if subsidies are reduced

Cocoa

Côte d'Ivoire: 37% of exports
Ghana: 31%
Real \$ price change, 1977-2001: -6.9% p.a.

Business status:

- Smallholder production in rainforest areas
- Huge world surpluses and decline in prices after end of ICCO's price intervention

Market Access:

- Substantial tariff escalation, e.g. chocolate imports to EU

Commodities Initiative:

- Possible return to supply control → price effect?

Tea

Kenya: 20% of exports
Malawi: 9%
Real \$ price change, 1977-2001: -4.4% p.a.

Business status:

- Most African tea is produced by smallholders
- High quality premium on Kenyan tea

Commodities Initiative:

- Supply control → price effect?

Groundnuts (oil)

Senegal: 18% of exports
Real \$ price change, 1977-2001: -2.5% p.a.

Business status:

- Also produced in US - highly subsidised there

Domestic Support:

- Depends on AMS and Blue Box decisions
- World prices might rise if subsidies reduced

Commodities Initiative:

- Supply control → price effect?

Sugar

Malawi: 4% of exports
Burkina Faso: 4% of exports
Real \$ price change, 1977-2001: -2.5% p.a.

Business status:

- Very complicated trading arrangements, especially with EU
- World prices reduced by very high EU and US domestic subsidies
- Neither Malawi nor Burkina Faso has full ACP quota status (and consequential price advantage)
- EU regime undergoing substantial change under WTO pressure
- Lobbying EU via ACP is as important as WTO negotiations

Sugar (continued)

Market Access:

- Special status for sugar under recent "Ad Valorem Equivalents" agreement in Doha Round
- EU wishes to maintain high tariffs and quotas to protect beet production

Domestic Support:

- If subsidies could be substantially lowered, it would raise world prices
- Important for producers with regional exports, e.g. Malawi

Commodities Initiative:

- Supply control → price effect?

"Bovine meat" (beef)

Botswana: 4% of exports
Real \$ price change, 1977-2001: -3.2% p.a.

Business status:

- Was Botswana's main export until the discovery of diamonds and nickel
- Still has more domestic business linkages than those products
- Import markets are in high-income countries
- Both intensive (Ireland) and extensive (Argentina) production methods are used
- Highly subsidised in EU (switched from Amber to Blue/Green Boxes)

Domestic Support:

- Depends on AMS and Blue Box decisions, and possible disciplines on Green Box

Bananas

Expanding export production, e.g. from Cameroun, Côte d'Ivoire

Real \$ price change, 1977-2001: -0.6% p.a.

Business status:

- Very complicated international market
 - Important staple fruit in much of Africa
 - Growing potential for exports - but the varieties are different
- Export supply chains usually TNC-dominated because of perishability
- EU's own production is very highly subsidised
- EU soon to introduce single-tariff regime under WTO pressure
 - A low tariff should suit the low-cost Africans
 - Could conflict within ACP with high-cost Windward Is. producers
 - Lobbying EU via ACP is as important as WTO negotiations

Domestic Support:

- Most production is in the global South
 - ▶ "Northern" subsidy reduction would have limited impact on price

Services (GATS):

- US brought WTO disputes against EU under the GATS