Studies and Analysis

Protection of Agricultural Markets:

a Development Tool

Coordination SUD

Solidarité Urgence Développement

Coordination SUD

(Solidarity - Emergencies - Development)

Founded in 1994, Coordination SUD (Solidarity – Emergencies – Development), the national coordination unit for French NGOs in the field of international solidarity, includes 120 NGOs involved in emergency humanitarian and development support activities. In the context of its mission to support advocacy and international relations, Coordination SUD has set up work committees to create synergies on the positions of its NGOs and prepare joint advocacy actions.

Coordination SUD's Agriculture and Food Committee, steered by the GRET (technological research and exchange group) and the CFSI (French committee for international solidarity) includes the international solidarity NGOs that advocate for taking into account the interests of farmers in the Southern hemisphere in international commercial negotiations.

The objective of the group consists in coordinating the works realized by its participants, ensuring discussions between NGO members and promoting their works to social players and international political decision-makers.

Representation is ensured in the name of Coordination SUD over a number of sites (concord at the European level, FAO, WTO, UNCTAD) and the group exchanges information on current international challenges. It has granted Coordination SUD a mandate to take positions on behalf of the collective body during the principal institutional meetings involving agriculture and food.

The committee is composed of two umbrella bodies:

- CRID (center for development research and information) and CFSI (French committee for international solidarity);
- And the following NGOs:
  - AITEC (international association for technicians, experts and researchers)
  - CCFD (Catholic committee against hunger and for development)
  - Fédération Artisans du Monde (federation of world craftsmen)
  - GRET (technological research and exchange group)
  - IRAM (institute for research and application of development methods)
  - Peuples Solidaires (solidarity of peoples)
  - Oxfam France - Agir Ici
  - Secours Catholique-Caritas France
  - Secours Populaire Français
  - Agronomes et vétérinaires sans frontières (agronomists and veterinaries without borders)

> Agriculture and Food Committee Contacts in Paris:

Fabrice Ferrier, International Cooperation, Coordination SUD, Tel. 01 44 72 87 11, ferrier@coordinationsud.org

Bénédicte Hermelin, Public Policies and International Regulations Manager, GRET, Tel. 01 40 05 61 38, hermelin@gret.org

Pascal Erard, Advocacy Manager, CFSI, Tel. 01 44 83 63 41, erard@cfsi.asso.fr

This report was prepared by the following organizations:

This report was made possible with the financial support of the French Ministry of Foreign Affairs.

Liberté • Égalité • Fraternité
RÉPUBLIQUE FRANÇAISE
MINISTÈRE DES AFFAIRES ÉTRANGÈRES

Protection of Agricultural Markets:
a Development Tool

Editor: Arlène Alpha (GRET)

With the support of Caroline Doremus-Mège (Oxfam France - Agir Ici), Benoît Faivre-Dupaigre (IRAM), Benoît Faucheux (GRET), Catherine Gaudard (CCFD), Benjamin Peyrot des Gachons (Peuples Solidaires), Julie Villain (GRET) and Anne Wagner (GRET)

• NOVEMBER 2006

Publication and distribution:
Coordination SUD
14 passage Dubail 75010 Paris
www.coordinationsud.org

Publication coordination: Arlène Alpha (GRET)
Design: Hélène Gay (GRET)

Printer: TYPOFORM (91320 Wissous)
Legal deposit: December 2006

Market Protection: a Relevant Approach

● Agriculture and Food Committee, Coordination SUD

Too often today, the protection of markets is presented as a "protectionist" tool, a sign of economic weakness that discourages exports, leads to less efficient producers and favors the "corporatist" interests of the agricultural profession to the detriment of poor consumers.

In fact, half of the world's population lives from family farming and experiences the full impact of the continued opening of agricultural markets. In its prior report, "Agriculture: for World Trade Regulations", published in December 2005, the Agriculture and Food Committee of Coordination Sud highlighted the many negative effects of excessive and poorly regulated open markets based on various case studies, specifically affecting the poorest and most vulnerable populations. A report that underlines the increasing food dependence of many developing countries, which allocate a large portion of their budgets to imported food for their population. They therefore neglect the development potential of their own agriculture which, if supported, could improve the subsistence means of rural populations, while supplying local markets.

Faced with the negative effects of excessive liberalization, an increasing number of developing countries try to preserve a room for manoeuvre in order to protect their agricultural development, in particular in the context of World Trade Organization (WTO) negotiations. Their proposals, whether related to the identification of "special products" protected from liberalization or specific safeguard measures providing temporary protection, have met significant resistance and many objections from major agro-exporting countries, whether in the West or developing regions. The current suspension of WTO negotiations has created a fear of a protectionist trade barrier. However, in reality, it has not lessened the pressure to open agricultural markets: this pressure is even greater in the context of bilateral and regional free trade agreements. Current negotiations of the Economic Partnership Agreements (EPA) between the European Union (EU) and African, Caribbean and Pacific (ACP) countries, planned to close at the end of 2007, indicate even greater demands for openness, at the risk of only allowing for a slight room for manoeuvre to protect agricultural markets.

Paradoxically, liberal dogma is being increasingly questioned or, at least, nuanced in international debates on development policies. To quote one recent example, the last report of UNCTAD[1] highlights the need for protection of economic development, supported by public investment. "Each country, according to its level of development, is responsible for protecting sectors deemed important and easing customs protection once national companies become competitive. The phased opening of markets is key to progressive development."[2]

1 UNCTAD (2006), Report on Trade and Development.

2 Christian Losson, "In UNCTAD's view, the South needs state stimulation", interview with Detlef Kotte, Globalization and Development Strategy Manager for UNCTAD, "Libération", 1 September 2006.

For this reason, Coordination Sud decided to study recent examples of market protection for specific agricultural products in order to substantiate its reflections on the relevance of preserving this public intervention tool. This study is a step in the long-term research that Coordination Sud is conducting on the agricultural policy tools that are required for development: market protection, price regulations and supply management…

Our work is based on the daily experience of social movements and NGOs in developing countries with whom we work and seeks to shed light on often forgotten truths: development is based on a variety of policies, none of which works in all countries, for all products and at all times. In particular in agriculture, a qualified and diversified approach is required to meet the realities of each country. A variety of public policy tools is therefore crucial, one of which must be market protection. ●

2 Christian Losson, "In UNCTAD's view, the South needs state stimulation", interview with Detlef Kotte, Globalization and Development Strategy Manager for UNCTAD, "Libération", 1 September 2006.

Contents

1

Conditions for the Success of Market Protection Measures

For more than two decades, commercial policies have tended to reduce, if not eliminate, measures to protect domestic agricultural markets. The approach underlying this evolution is as follows: for each country to draw a benefit from the sectors in which it is the most competitive, it must be able to trade freely; the resulting mutual advantage makes protection measures against competition superfluous.

The difficulty with this logic arises in particular from the fact that competition is quite unequal: competitiveness is not random or caused by favorable natural conditions only, but results from public and private investment over many years (research, training, infrastructures, support to farmers…). Countries that have not invested in supporting this "competitiveness" cannot face external competition. The history of farmers in developed and emerging countries demonstrates that their competitiveness, based on investments, generally grew in a protected environment.

Furthermore, competition is often unfair: significant supports in the North for production and exports and low prices in the South often achieved in poor labor conditions and use of natural resources, are the main causes.

What are the protection measures used in the North and the South to face unequal or unfair competition? What are the arguments used to justify these measures? What is their impact on local production, prices, producer incomes, employment and consumption?

To answer these questions, this report focuses on eight case studies: potatoes and onions in Guinea, rice in Nicaragua and Nigeria, sugar in Indonesia, milk in Kenya, chicken in Cameroon and beef in Europe.

The objective of this report is essentially to describe the various types of measures implemented and to analyze them in view of the evolution of the major variables set out in our introduction. At this stage of our study, we do not intend to effect a real evaluation of the impact of the measures that may reveal a causality link between the protection measures and the evolutions observed. This will be conducted in 2007.

I. Protection Measures Used

1. Various types of measures

The eight case studies selected demonstrate the diversity of protection measures used: a single country or a region may use various types of protection measures. In Nigeria, for example, at one point, the authorities implemented quantitative restrictions (licenses granted for a given volume of imports), then a ban on imports, then customs duties that were relatively high once the ban was lifted. In Guinea, onion imports were frozen during an initial crop year, then a surtax was imposed during ensuing crop years.

However, six major types of measures may be identified, with a differing level of protection, from the temporary application of additional customs duties to a ban on imports.

Measures	Case studies	Implementation period
Ban	Nigeria, rice Guinea, potatoes Guinea, onions	 Five months/year from 1992-98 1993 crop year
Quantitative restriction	Cameroon, chicken	September 2004 to 31 March 2005
Increase in customs duties, surtax	Guinea, onions Kenya, milk Indonesia, sugar	1993 From 2001 From 2002
Price bands + import quotas	Nicaragua, rice	April 1992 to September 1996
Customs duties + increases in accordance with the domestic market	Europe, beef	From 1967
Value Added Tax (VAT)	Cameroon, chicken	From September 2004

Unlike the other measures, VAT is not a commercial measure that affects products at the border, but a domestic policy measure, which is used in Cameroon for protection purposes. Protection measures used by Nicaragua to protect the local rice market and by the European Community to develop the Community's production of beef seem original in their flexibility. In the price band system used in Nicaragua, customs duties are adjusted in accordance with the variations in import prices and therefore an external situation, and attempt to stabilize the protection of the domestic market. With regard to the European Community, the system is referred to as "semi-open": protection measures adjust to face the Community's market situation and the ability to use Community preference in order to ensure the continuous supply of the market.

2. Application periods are most often limited

It should be noted that most protection measures are limited in time, whether within the year (for example, seasonal protection) and/or over a multiple year period. The temporary nature of the protection illustrates that its implementation arises from a will to build or reinforce the competitiveness of local production and not from an approach seeking to definitively close borders.

The limited period of application of the protection measure adds to its effectiveness in enhancing local competitive production: once this production can totally or partially cover national needs and compete with imports thanks to a protected environment with measures supporting local production, the protection can be lifted. If the end of the protection results in an increase in imports, like in Nigeria with rice imports, for example, one should then question the relevance of the protection measure or its application period or, again, the insufficiency of related measures.

However, in some cases, the time required may be lengthy, in particular when the competition reveals differences in the processing of products or the substitution of some products with others.

For example, in Cameroon, it appears that the local production of whole chickens will have difficulty in competing with imported frozen chicken parts from the EU. The value of the latter is marginal, as it is not consumed, or to a lesser degree, by Europeans and the cost has already been amortized by the sale of the better chicken parts in Europe. They therefore appear on Cameroon markets at prices that only just cover transportation costs and also meet an emerging urban demand for chicken parts. In this case, the challenge for poultry farmers in Cameroon is not only to demonstrate their ability to fully supply the market, but also to develop the local processing of poultry (cuts, packaging). Protection measures covering a number of years would be required for this purpose.

3. Often, measures do not comply with the countries' commitments

Protection measures are often incompatible with the commitments made at a national level by countries within of structural adjustment programs and at the regional or multilateral level (WTO). Countries therefore bypass the rules to protect their markets and national production sectors.

For example, this may result from pressure by producers, such as in Guinea. At first, the government refused the producers' request to freeze imports and argued that such a measure would not comply with its commitments to the World Bank; it then gave in under the pressure of the media, which pressure was organized by the producers. Non-compliance may be the subject of claims within the WTO. A claim was made against Chile, for example, and its price band system. The Dispute Settlement Body (DSB) ruled that the price band was similar to variable levies, which the WTO prohibits. In Nigeria, the ban on rice imports implemented in October 1985 was maintained despite the constraints of the structural adjustment that had started in 1986. However, this measure was denounced at the multilateral level and was the subject of a US complaint under GATT. In Cameroon, the imposition of VAT on imported chicken for protection purposes, while VAT had been eliminated for local chicken, also fails to comply with the rule: discrimination against products based on their geographic origin is prohibited.

However, in some countries, the protection measures used, such as an increase in the level of customs duties, fall within the limits imposed by WTO undertakings. This is the case in Kenya and Indonesia, for example. Kenya, in addition to customs duties on milk, notified "suspended" fees (added duties) as high as 70%, while customs duties on milk were increased to 60%. Indonesia increased its customs duties on sugar from 25 to 60%, which is below the consolidated duties notified to the WTO in 1995, to 95%.

We note that none of the developing countries under study availed itself of the WTO's safeguard clause, which, however, provides for self-protection via additional temporary customs duties in the case of an abrupt increase in import volumes or imports that enter the market at a very low price. This confirms the recognized fact that the special safeguard clause is not appropriate for developing countries and a special safeguard mechanism more accessible to these countries should be negotiated.

3 The WTO's Agreement on Agriculture (1995) indicates that additional customs duties must not exceed 30% of usual customs duties and must not last longer than the year in which they are implemented. Furthermore, countries that wish to avail themselves of these duties must submit a very solid dossier illustrating their need for the safeguard clause. Finally, developing countries that have selected not to change their non-customs barriers into customs duties, but to consolidate their customs duties at free rates (ceilings), can not invoke this clause thereafter.

II. The Determining Role of Producers and the Opinion of Other Participants

In Guinea, Cameroon and Kenya, producers are mobilizing and organizing to seek the implementation by their public authorities of appropriate protection measures. Their ability to mobilize and advocate is determining in influencing governments. Under the pressure of a consortium of producers coordinated by the Kenyan Dairy Board, the national regulating body, and thanks to a campaign, the Government of Kenya agreed to increase customs duties on dairy products, in particular, dried milk. Similarly, in Cameroon, a campaign was based on the use of a study performed by an NGO (ACDIC[4]) that provided arguments justifying a protection measure to counter the importing of chicken parts.

In Guinea, potato producers united within the FPFD (Federation of Fouta Djallon Farmers) learned to use the media to communicate their approach, gain the population's support and then pressure the government. Onion producers, also members of the FPFD, use the potato producers' approach to further their interests.

It should be noted that the application of protection measures is not always easy due to existing diverging interests. For example, in Cameroon, a number of consumer associations today oppose the extension of the restriction on the imported chicken parts. They criticize the ACDIC's campaign and claim it is seeking to defend the interests of producers to the detriment of consumers. Importer lobbies also pressure the government by referring to a chicken shortage in Cameroon. The ACDIC's challenge today is to work with all of the players in order to plan a policy to support the marketing and consumption of local chicken.

III. Justification of Protection Measures

1. Unfair competition

The triggering event in implementing a protection is usually the fact that imports cause competition that affects the vitality of local production and the current level of protection is insufficient. The protection is therefore often justified as being necessary in light of unfair competition, when imported products are dumped and sold below the production price of the originating country. This is the case of European exports of cheap frozen chicken parts to Cameroon sold at a third of the sales price of local chicken and well under the price per kilo of chicken in Europe, the exporters having already amortized the production cost of the chicken through the sale of the other chicken parts on the European market. In Guinea, not only were Dutch onions not subject to a surtax, but they were sold at a price lower than their cost.

2. Losses caused by competing imports

The sudden and massive nature of low price imports, disrupting local markets, or the harmful consequences of liberalization, in particular in terms of losses for producers, is also used as a justification for additional protection.

In Cameroon, the advocacy campaign organized by the ACDIC criticized the disastrous consequences of the importing of European chicken parts on all of the players in the local sec-

[4] Association citoyenne de défense des intérêts collectifs (Citizens' Association to Defend Collective Interests).

tor: chicken producers, and also corn and soy producers (chicken feed), informal local sales professions (weavers of baskets to transport the chickens, feather-pluckers, etc.), consumers (market analyses demonstrated that due to the break in the local cold chain, the chicken parts were not safe for consumption), and the State due to currency losses when purchasing frozen chicken instead of local products.

In Indonesia, the government reversed its commercial policy after eight sugar mills had closed and national production had been affected.

When Kenya became a net importer after a period of self-sufficiency during the 1990s, and its modern dairy industry became stagnant, producers mobilized.

3. A production potential

Another argument put forward is the existence of a production potential at the national level that could replace imports and cover consumer needs. In Kenya, for example, the dairy industry demonstrated in the past its dynamism and ability to sufficiently supply the market. The country is far from starting at zero. In Guinea, the objective of FPFD potato producers has always been to develop production to achieve self-sufficiency and make local potatoes competitive in relation to imported potatoes. In fact, the production potential was realized. In Nigeria, the development potential for production exists, in particular because rice can be cultivated in almost all of the country's agro-ecological regions. In Cameroon, poultry farmers who complain about European chicken imports know they have to prove themselves their ability to sufficiently supply local markets.

However, the objective of protection measures is not always to achieve absolute self-sufficiency, but an improvement in the self-sufficiency ratio via a reduced dependence on imports. This is the case in Europe with the creation of the Common Organization Market (COM) for beef. The Community's market had been structurally deficient and imports seemed necessary, but the challenge consisted in increasing the meat supply ratio through Community preference.

4. Protection against the instability of international prices

In Nicaragua, the price band system consists both in protecting producers from significant decreases in prices and consumers from significant increases in prices on the world market. This mechanism is also meant to reduce the intra-annual variations in prices.

5. A break or continuity in commercial policies

Depending on the country, a protection measure is a radical change in commercial policy or a reinforcement of a historical protection trend. In Indonesia, the increase in customs duties occurred after a liberalization phase. In Kenya, as well, the increase in customs duties ended a liberalization period and resulted from an increase in imports. However, in Nigeria, the ban on rice imports was more of an extension of the evolution in its commercial policy. After a period of encouraging imports in the 1960s, it supported local production from the mid-1970s, then limited imports at the beginning of the 1980s.

IV. The Consequences of Protection Measures

1. Imports

In all cases, protection measures lead to a reduction in imports. This is the case in Europe, for example, where the protection scheme has been very effective. In Nicaragua, the evolution in imported rice volumes is strongly tied to changes in commercial policy (price band, then fixed customs duties). In Kenya, the increase in customs duties on dairy product imports has lowered imports, except during the dry season. In Indonesia, imports that had reached a record level in the liberalization period notably decreased under drastic import control measures.

However, a decrease in imports is not always proportional to the "strength" of the protection measure and, depending on the effectiveness of its implementation, the impact of the measure is relative. For example, in Nigeria, the import ban on rice has been implemented and statistics indicate, however, that significant quantities are imported from a neighboring country, Benin. In Guinea, the surtax on onion imports was not applied appropriately. Furthermore, onions imported from Holland were dumped on local markets and marketing issues related to local onions failed to allow for the development of distribution on local markets. Throughout the surtax period, imports were also required to meet needs, and significantly increased.

We also note that lifting the protection measure leads to different results depending on the country, in particular in relation to the proper timing of the lifting and the local production's ability to replace imports and remain competitive. In Guinea, the end of the potato import ban occurred at a time when production had reached a level of development and competitiveness that was sufficient, making the protection useless. However, in Nigeria, when the rice import ban was lifted, imported rice increased significantly. In Nicaragua, we also note a significant increase in rice imports, but this related mostly to food aid after Hurricane Mitch. The FOB price[5] of rice also tending to increase, the above changes led to an increase in the cost of rice.

2. Local production

We note an increase in local production in all countries during the period the protection measures were implemented, but the degree of the increase varies depending on the country. One must note that the rice production in Nicaragua varied significantly at the time the price band system ended, in parallel to a major increase in imports and food aid after Hurricane Mitch.

The increase in production in Guinea was very high in the case of the potato sector and fully replaced potato imports on the Guinean market. Today, this market is moving towards saturation and the farmers of Fouta Djallon want to export their potatoes to neighboring countries to replace potatoes imported from Holland. In the European Community, protection measures also led to a major increase in the production of beef. In this case, within a few years, a radical change affected import and production trends: after a period of shortages during 1972-73, for the first time, the Community experienced self-sufficiency in 1975, then entered a surplus phase from 1980. However, this evolution causes difficulties in terms of dependencies in relation to soy imports, which is mixed with grain cultivated on the farm to feed cattle. In Kenya, the increase in local production grew significantly with the imposition of additional customs duties. The country has preserved its ability to produce and therefore become self-sufficient; the dairy industry in Kenya is one of the most developed today in Sub-Saharan Africa. In particular, the protection has allowed for the co-existence of raw milk production, essentially sold by small farmers on an informal market, and an official sector selling pasteu-

5 Free On Board.

rized dairy products, most often based on imported dried milk. In Indonesia, production did not increase immediately after customs duties were lifted, but it has achieved its former pre-liberalization level today.

In other cases, the increase in production has remained very limited. In Guinea, for example, we do not observe an inversion in the curves between imports and production for the onion sector. The import curve seems more dynamic than the production curve. Furthermore, although production is increasing, it does not yet allow the country to become self-sufficient and forego imports. Thanks to the import ban, Nigeria has tripled its rice production, but is not self-sufficient in rice, and imports are still required to supplement local production.

The correlation between protection and the increase in production is, to a large degree, explained by the fact that production support measures run in parallel to protection or become more effective in a protected environment. In Guinea, for example, the freeze on potato imports created an optimal local market opportunity, which allowed for the implementation of other measures required to develop a competitive sector. The improvement in competitiveness, due to efforts made in relation to production costs (better technical processes), margins (related to contractualization), and product quality and promotion (creation of the "Belle de Guinée" brand) has led to a decrease in the price of local potatoes. With regard to the onion sector in Guinea, however, major challenges remain unanswered: in particular the need for better drying and conservation conditions, as well as improved infrastructures (roads, development of lowlands, warehouses). In Cameroon, industrial investments, rather than research partnerships, with equity capital have contributed to the increase in the production of day-old chicks and, more generally, the development of the poultry sector. Import restrictions seem to have created an environment favorable to equity capital investments. Investors are now awaiting a ban on imports to pursue their investments, in particular with the objective of creating a slaughter line.

3. Employment and income

Information on these variables is difficult to gather and data is rare. In particular with regard to producer prices, it is difficult to attribute an observed change to a specific factor such as a protection measure.

However, as the protection of a local market leads to significant development in local production, one can presume that it also leads to an increase in employment in the local sector. We note that employment is not related exclusively to agricultural production, but also to other professions in the sector. This is the case in Nigeria where the increase in rice production has led to additional jobs in fields, as well as in processing industries and marketing. In Kenya, the control of the level of dried milk imports has allowed for small producers involved in raw milk production to survive, as well as the creation of many jobs in marketing. This has also led to limiting the decrease in prices for producers and their return to an appropriate level.

In the potato sector in Guinea, we note real enthusiasm for the cultivation and development of production of this product. The remunerative producers prices seems to have played a part in this trend. This is not tied exclusively to the protection of the market but has also been made possible through signed agreements with traders. Finally, the existence of opportunities at the national and even sub-regional levels has allowed for production to be appropriately distributed as it has increased without creating an "over-supply" situation which could have led to a decrease in prices.

In the same country, contractualization, which had worked well with potato traders, faced difficulties with onions, however, and limited the protection impact. The power of trader-importers dominates and their partnerships with Dutch exporters may have led to onions being dumped on local markets, creating unfair competition with local potatoes. Thereafter, dysfunctions in the application of contracts with local traders did not improve the marketing of local onions and the prices level for producers.

4. Consumption

Again, in light of the data and information collected, we have difficulty in attributing the increase in prices on local markets to the imposition of barriers to imports limiting supply to markets.

In Nigeria, for example, there are macro-economic factors, such as the depreciation of local currency, that partially explain the general increase in prices.

In Guinea, the freeze on onion imports in 1993 is used to explain the soaring prices for onions on local markets. We can presume that this increase in prices negatively affected the most vulnerable consumers, although we have no data to study this more in depth.

In Cameroon, opinions differ as to the impact on consumers of the restriction of imports of frozen chicken. According to the consumers' league in Cameroon, the national federation of consumers and the association of consumers, this measure limiting imports contributed to the increase in the price of chicken in the country and therefore the decrease of chicken consumption in Cameroon. The ACDIC acknowledges that there is a gap between supply and demand, not only in terms of price, but also in terms of eating habits. In order for an import restriction policy to benefit producers and consumers, the ACDIC believes that a link is missing in the chain: slaughterhouses. Effective slaughterhouses within the country would allow for the sale of chicken parts at affordable prices and would suit new consumer habits in urban settings.

However, in Kenya, we can say that, via protection, the maintenance of the local informal raw milk market has not led to an increase in the price of raw milk. This exemplifies the segmentation of raw milk and dried milk-based pasteurized milk markets, as the rise in the price of the latter with the increase in customs duties has not affected the price of raw milk. We must also point out that consumers clearly prefer raw milk (with the exception of Nairobi) and, when prices increase consumers, even the poorest, continue to purchase raw milk, while a similar increase in pasteurized milk prices leads to a decrease in consumption. In Indonesia, we note a significant increase in the consumption of sugar to such an extent that even when production increases, sugar imports remain essential to meet demands. However, the consumption of sugar by households facing food insecurity is low. In Nicaragua, it seems that the prices on the domestic market have been dictated to a large extent by FOB prices. Hence, a commercial policy is important. However, we do not observe a significant trend in terms of the reinforcement or reduction of intra-annual price instability (whether for the consumer, wholesaler or producer).

Elsewhere, when imports are replaced by local products to supply markets, consumer prices tend to remain stable. They may even decrease, as in the case of potatoes in Guinea. As local production becomes increasingly competitive and producers are supported in decreasing their production costs, sales prices decrease. The Guinean potato, once considered a luxury product, has become a mass consumer product in a few years. In Cameroon, the consumers' preference for local chicken over imported chicken parts increases opportunities for local production.

V. Conditions for the Success of Protection

Because protection is implemented to assist in creating or reinforcing the competitiveness of local production, it is only of use and effective if it runs in parallel to a number of measures aiming at the improvement of this competitiveness. It simply offers (and this is quite important) a protective context, but support needs to be provided within this context. All of the case studies demonstrate that a protection measure alone does not suffice in developing local production: If the competition of imports can curb, and even stop, dynamic production, lifting this competition does not necessarily lead to the development of production. The lifting of domestic constraints, along with commercial measures, is just as important in developing production. The case studies demonstrate that the following factors are very influential in terms of the effectiveness of protection measures:

- Compliance with protection measures and, in particular, border control of informal transborder flows;
- The marketing method and, in particular, compliance with contractualization between traders and producers, if it exists;
- The existence of a potential to increase production to cover consumer needs;
- A comparative advantage in relation to imports (quality, consumer preference, production costs, prices);
- Production support measures: input credits, research on technical processes, improvements, extensions, price information).

VI. Conclusion

It is an error to believe that protection is always implemented as a means in and of itself and in order to withdraw from international trade. In reality, it is mostly used during a given period of time as a tool to build or reinforce competitiveness to better face international trade. Far from seeking to withdraw from international trade, some countries, on the contrary, look towards exporting at a regional level, made possible by protection tools and greater competitiveness.

The implementation of protection measures clearly appears to be an essential condition to achieve local production development and the strengthening of self-sufficiency. By protecting producers from the competition of imports, which is often unfair, a favorable environment can be created.

However, protection alone does not suffice. Whenever its impact is the most significant on local production, it is associated in fact with measures supporting production. The positive changes observed on production, prices and income of producers are the result of this combination of commercial and support measures. In general, the case studies demonstrate that protection measures may also benefit consumers. It is also important to consider the social and environmental aspects of the production system one seeks to encourage via the protection. Otherwise, the development of local production may have perverse effects and not be favorable in terms of sustainable development.

One must remember that the information in this report is an initial overview of the protection measures of certain countries. The analysis of the consequences therefore requires further study, in particular in relation to producer incomes and consumption, through a better investigation of the marketing methods for local and imported products. It would also be interesting to study both the protection measures of national and regional markets and the management tools for international markets. In both cases, the challenge is to control supply conditions and the level of market prices. ●

2

Case Studies

Chicken in Cameroon
Potatoes in Guinea-Conakry
Onions in Guinea-Conakry
Milk in Kenya
Sugar in Indonesia
Rice in Nicaragua
Rice in Nigeria
Beef in the European Union

Chicken in Cameroon

The positive dynamic observed in the poultry sector in Cameroon demonstrates that when a solid political will exists, the promotion of measures to protect and develop a specific sector is possible.

1. Protection Measure

Cameroon imposes a rather non-protective rate of 30% on imports of chicken parts. In the WTO context, Cameroon had decided to define consolidated ceilings at a level of 230%, but did not apply it in particular because of the structural adjustment plans that imposed a reduction in commercial barriers.

The measure the government of Cameroon used to protect the local chicken sector therefore consisted in limiting imports of frozen chicken parts to 5,000 tons for the period between September 2004 and 31 March 2005, with an option to definitively and totally ban them at term if producers demonstrated their ability to satisfy demand. This measure ran in parallel to the creation of VAT (19.25%) on imported frozen chicken, the maintenance of the sanitary and veterinary inspection tax of 3%, customs duties of 30% and the lifting of VAT on locally produced chicken. These practices thereby allowed for the application of an additional import tax in the form of VAT.

2. The Role of a Cameroonian NGO and the Opinion of Other Participants

The implementation of the protection measure on imported chicken resulted from an advocacy and lobbying campaign organized by the ACDIC[6], a Cameroonian NGO, to promote the poultry sector in Cameroon and fight massive imports of frozen chicken parts. This campaign raised the awareness of the authorities and consumers on the sanitary and economic impact of consuming imported frozen chicken: its poor quality due to local cold chain issues, which presents health risks for the local population, and economic risks for local producers.

In terms of consumers, a boycott of frozen chicken and a rising preference for locally produced chicken were observed. However, the implementation of the protection measure to encourage the local production of chicken caused much debate. Not all of Cameroon's population supports the ACDIC today in its fight to extend import restrictions. Consumer associations criticize the ACDIC's campaign and say that it essentially aims at defending producer interests without considering those of consumers. Importer lobbies are also pressuring the government and refer to the shortage of chicken in Cameroon. The challenge today is for Cameroon's society to work together with consumer and producer associations in order to plan for the implementation of a policy that supports marketing and consumption.

---

[6] Association citoyenne de défense des intérêts collectifs (Citizens' Association to Defend Collective Interests).

3. Justification of the Protection

The study conducted by the ACDIC on the status of the poultry sector in Cameroon, communicated thereafter through its advocacy and lobbying campaign, presents the following main arguments in support of a request for a protection measure:

- The significant increase in the imports of poultry meat, mainly in the form of chicken parts, from 60 tons in 1994 to 22,154 tons in 2003. Between 1997 and 2000, while imports did not stop increasing, local production dropped (-26%);
- Analyses demonstrate that 83.5% of the parts imported and sold on the markets were not fit for human consumption;
- The loss of the potential creation of 110,000 jobs for 2003 alone;
- Currency losses estimated at CFA francs 10.5 billion for the purchase of frozen chicken in 2003;
- Shortfalls in terms of corn, soy and meat-producing chicken production;
- Insufficient level of protection ensured by UEMOA's Common External Tariff (CET), which allows for the sale of chicken parts to third parties at a third of the sales price for local chicken.

4. Consequences

4.1 Imports and production

The implementation of the measure limiting imports led to a decrease in the volume of chicken meat imports: chicken imports (with the exception of illegal imports) are estimated at 7,705 tons for September 2004 and June 2005.

The most frequent argument of public authorities and importers in justifying chicken meat imports is the failure of local production to meet local demand. Yet the import restriction measures encouraged investments on the part of breeders and industrialists to increase local production. Poultry sector industries made investments in the range of CFA 1.2 billion of their equity capital, with no direct State subsidy, in order to:

- Acquire equipment (incubators, hatcheries), which have increased production capacity for day-old chicks to 640,000 chicks per week, largely in excess of the 500,000 chicks required to meet the demand of the Cameroonian market;
- Increase reproductive livestock (that produces the eggs to be hatched, providing the day-old chicks);
- Build new structures.

Therefore, in the period between September 2004 and September 2005, there was an increase of 53.75% of eggs to be hatched (both locally produced eggs and imported eggs), which impacted the national production potential of day-old chicks. Day-old chicks are essential for breeding; therefore, to meet local demand for meat-producing chicken, an increase in the production of day-old chicks is essential.

According to data collected by the ACDIC, the resulting increase in eggs to be hatched should allow for the production of 32,000 tons of meat per year, which would effectively meet the current demand of 30,000 tons (on the hypothesis that each Cameroonian consumes an average of 2 kg of chicken meat per year).

These facts should favor a decision to ban imports, which producers are awaiting for in order to continue with their investments to create a slaughter line in order to provide chicken to consumers at an affordable cost.

4.2 Consumption

Opinions differ as to the impact on consumers of the restrictive measure applied to imports of frozen chicken parts. According to a survey conducted by the ACDIC, 73% of consumers, broadly informed by the campaign (68.79% affirm being aware of the ACDIC's campaign), support the ban on frozen chicken imports. They also state they prefer local chicken, although more expensive, over imported frozen chicken, but are limited in terms of their poor purchasing power. On the other hand, according to the consumers' league in Cameroon, the national federation of consumers and the consumers association, this measure restricting imports has contributed to the increase in the price of chicken in the country and therefore the decrease of chicken consumption in Cameroon.

The ACDIC acknowledges that there is a gap between supply and demand, not only in terms of price, but also in terms of eating habits. For the import restriction to benefit producers and consumers, the ACDIC believes that the development of quality slaughterhouses is required to sell local chicken parts at affordable prices and satisfy new consumer habits.

5. Constraints Still Exist

Despite the implementation of temporary import restrictions and measures to improve the competitiveness of the poultry sector, the needs of producers and consumers in terms of quantity, quality and price are not met:

- Corn remains unavailable and its price high, and it counts for 70% of poultry feed;
- The price of one-day chicks is also high, as it significantly depends on the availability and price of corn;
- Traders who resell live meat-producing chickens on the market benefit from the consumers' preference for whole chickens and profit from abnormally high margins to the detriment of producers and consumers.

Sources

> ACDIC, "État des lieux de la filière avicole du Cameroun", Study Report, August 2005.

> "Exportations de poulets: l'Europe plume l'Afrique!", campaign for the right to protect agricultural markets, October 2004.

> Information provided by Pierre Rouquet, Technical Advisor to the Office of the Minister; Ministry of Livestock, Fisheries and Animal Industries.

Potatoes in Guinea

The production of potatoes grew extremely rapidly during the 1990s in Guinea-Conakry. Starting with marginal production of mediocre quality and a luxury consumer product entirely imported from Holland, chain participants managed to achieve self-sufficiency and transform potatoes into a mass consumer product. The seasonal freeze on imports, along with a set of measures supporting production, has indisputably contributed to this success.

1. Seasonal Freeze on Imports

Before 1990, production was insignificant and totaled between 150 and 200 tons in 1991. In addition, quality was mediocre, as the crop was grown from local seeds that had not been improved and high production costs caused ineffective competition. The local market was therefore essentially supplied by potato imports from Holland. However, Fouta Djallon producers sought to develop their production so as to cover national needs during five months of the year.

At the producers' request, the State imposed a freeze on potato imports in 1992 for the five months in which local potatoes are sold (from 1 February to 30 June). This freeze remained in effect from 1992 to 1998 despite its non-compliance with the requirements of the structural adjustment — which had caused the State to first refuse this freeze.

2. The Role of Producers

The producers in Fouta Djallon truly initiated the freeze on imports. These are producers forming various groups who met with the government in July 1991 to request the freeze on imports. Under their pressure, organized at the FPFD[7] level, and that of the press, the government finally conceded. It was also at the FPFD's request that the government ended the freeze in 1998, production having become sufficiently competitive and imports almost inexistent. The producers learned to use the media to communicate their approach and gain the support of the entire Guinean population.

3. Justification of the Protection

The producers justified their approach to the government by insisting on the existing production potential and their desire to achieve self-sufficiency. Low price potato imports competing with local products were criticized as constituting an obstacle to the realization of their potential.

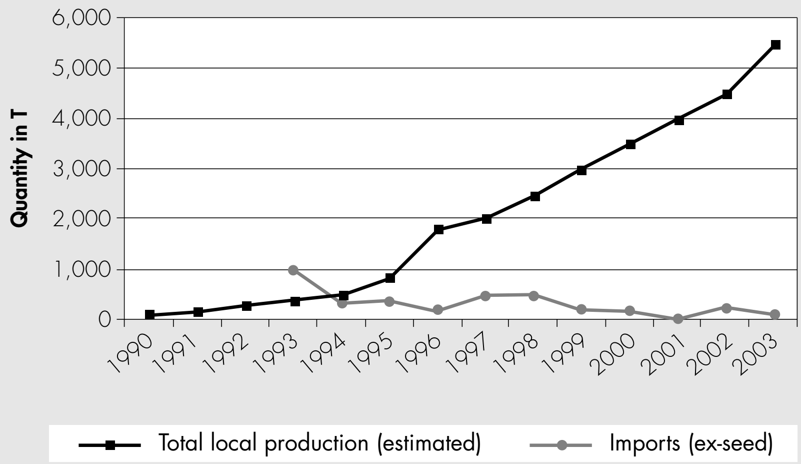
[7] Fédération des Paysans du Fouta Djallon (federation of Fouta Djallon farmers).

4. Consequences

4.1 Imports and production

The occasional freeze on imports was indisputably a success in terms of the evolution of imports and local production: imports considerably diminished and became marginal, and production, on the contrary, increased tenfold. Once competitive, the Guinean potato almost fully replaced imported potatoes on the Guinean market.

Evolution of Guinean potato imports and production from 1990 to 2003



Source: Imports: Self-sustaining Port of Conakry, copied from Bulletin No. 49 of the Fourth Quarter 2001 of PASAL: food safety support program in Guinea: local production: FPFD reports.

4.2 Producer incomes

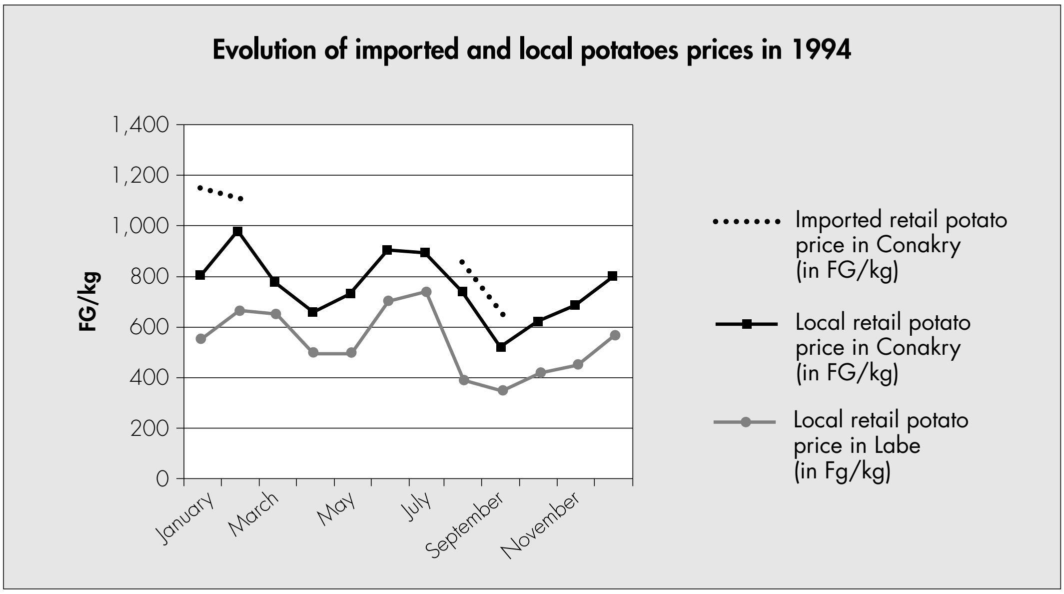
The freeze on imports, by avoiding pressure to lower prices on local markets, also prevented a decrease in producer incomes. In addition to the freeze, contractualization with traders that had been conducted in parallel also allowed for the sale of local potatoes at a price lower than that of the imported potato, providing remunerative prices to producers through control over margins. Finally, the existence of opportunities at the domestic level and in the sub-region prevented an excess in supply leading to a decrease in prices. The following table illustrates that the prices for producers were maintained at a level deemed sufficient; the true enthusiasm of producers for potatoes is also a similar illustration.

	1991-92	1992-93	1993-94	1994-95 to 1996-97
Price paid to the producer in Timbi Madina (in FG/kg)	350	309	314	Between the floor price at 300 FG/kg and the ceiling price of 400 FG/kg

Source: Veaux H. (2003).

4.3 Consumption

Due to the development of a production capable of supplying the market, the freeze on imports did not lead to a shortage or an increase in consumer prices. The control over the margins of intermediaries contributed to the maintenance of relatively low consumer prices.



Source: in Veaux H. (2003). Retail price: PNASA (national support project for food safety) information system. Data taken from PNASA's 1994 report of November 1995.

5. Success Factors

The freeze on imports seems to have been an essential condition, but not sufficient to reverse the import and production trends. The following elements also contributed to this reversal and led to the success of the protection measure:

- The low volume of imports and therefore economic challenges for importers no doubt eased compliance with the freeze on imports;
- The contractualization with traders and their favorable behavior provided control over margins. Commercial agreements were first signed with major potato importers (1991-92 to 1993-94 crop years), then with regional traders[8] with the objective of commercializing Guinean potatoes instead of imported potatoes from February to June;
- The ability to develop and improve local production to cover national needs and become competitive in relation to imported potatoes. FPFD producers always had as an objective to make their product competitive. Improvements were made to the level of quantity, quality and productivity, in particular through: the importing of quality seed and good fertilizer from the EU; the implementation of crop year credits by the FPFD for the purchase of inputs; the improvement of the technical process via a partnership with public research and extension departments[9]; the registration of the "Belle de Guinée" label in 2004;

8 Further to dysfunctions, such as non-compliance with prices, refusal to pay upon delivery and the refusal to sell.
9 Yield increased from 8 to 10 t/ha in 1990 to 15 to 20 t/ha in 2003.

- The organization and motivation of Fouta Djallon producers within the sector;
- The existence of opportunities on a domestic and sub-regional level.

6. Current Challenges

Today, the potato sector is well developed and organized, but remains fragile in light of the challenges in terms of domestic and commercial constraints. Among the constraints, insufficiencies in terms of storage and conservation (warehouses not air conditioned, for example) to maintain the quality of potatoes and prevent insect attacks (tuber worms) are a significant threat to the sector.

Another challenge now involves protection at a regional level. The FPFD's objective of developing potato exports to the sub-region (in particular, due to a risk of saturating the domestic market) could be countered by the competition of Dutch imports on Guinean export markets. The Common External Tariff of WAEMU[10] is not highly protective and has just been extended to the ECOWAS region[11].

[10] West African Economic and Monetary Union.
[11] Economic Community of West African States.

Sources

> Veaux H. (2003), "Impact du blocage des importations de pommes de terre et de la taxation de l'oignon importé sur le développement de ces deux filières en Guinée", in Diallo K. et al. (2006).

> Diallo K., Barry M., Beauval V. (2006), "Activités de commercialisation de la FPFD: capitalisation du vécu et perspectives", Fédération des Producteurs du Fouta Djallon (FPFD), Final Report 2, 13 October 2006.

Onions in Guinea

On the model of the potato sector experience, the protection measure first took the form of an import freeze for a crop year. A surtax on imports was put in place for the following crop years. However, unlike the potato sector, the effectiveness of the protection is much more relative: dysfunctions in terms of sales methods used seem to account for a good portion of this issue.

1. Protection Measures

In 1993, the regional union of onion producers and a trader sought to develop the marketing of local onions and negotiated a freeze on onion imports with the government, in a manner similar to the potato case. From 1994 to 1997, a surtax was negotiated for the period from April to August, the local onion production period, since onion imports were taxed at a low rate of 17%. This surtax took the form of a minimum tax on onions (Guinean francs 300/kg FOB). In 1998, faced with difficulties in applying the measure and its unsatisfactory contribution to the control of imports and the development of local production, producers stopped asking for the surtax, which was abandoned.

The two protection measures faced the constraints of the structural adjustment programs implemented by the International Monetary Fund (IMF) and the World Bank, which aimed, on the contrary, at decreasing border taxation in order to facilitate exchanges.

In parallel to the protection measures, forms of contractualization (written and also informal) were established between producers and traders in order to negotiate floor prices for producers and guarantee the harvesting of the produce. At first, these involved the traders-importers in Conakry, then regional traders. The surtax is no longer in effect, but informal contractualization remains.

2. The Role of Producers

The producers, organized within the FPFD (federation of farmers from Fouta Djallon) initiated the implementation of the protection measures: they are a significant force and caused both the freeze and the surtax on imports.

3. Justification of the Protection

Imported onions, mainly originating from Holland, enter local markets at competitive price levels in relation to local onions. Onions are, in fact, a traditional crop in various locations of Fouta Djallon. Onion production does not satisfy the country's consumer needs (it produces approximately 5,000 tons per year and represents approximately one fifth of national consumption, the rest being imported), however, it appears dynamic.

Furthermore, the onion sector is a major social challenge for Guinea: onions are produced mainly by women in the poorest regions of Northern Fouta Djallon and are an important economic product in these regions. Incomes from onion crops are considered to be relatively low in relation to other crops, but represent a major source of income, in particular for women whose sources of income are limited in these regions.

4. Consequences

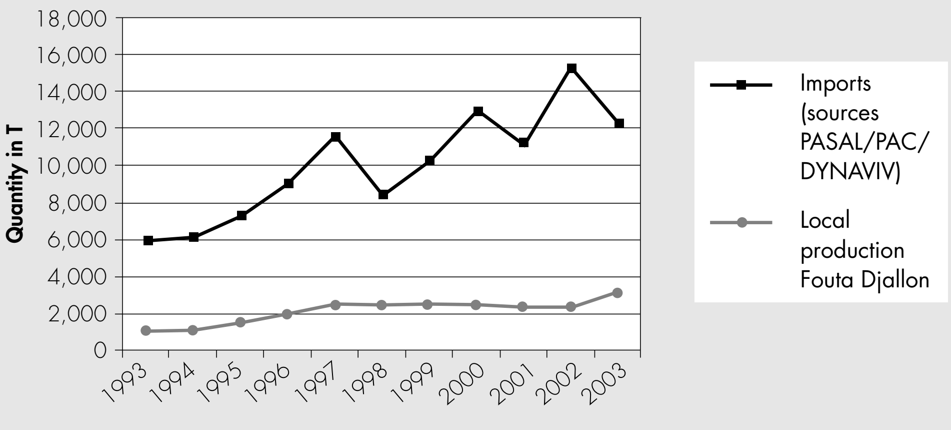
4.1 Imports and production

The surtax decided by the government did not achieve the results expected in terms of reducing exports, mostly because it was not complied with. During the 1995-1996 crop year, traders under contract with the FPFD faced a dumping of onion imports from Holland, causing unfair competition with local onions.

The behavior of importers was at the root of this event. Their power is significant and alliances may have existed with Dutch exporters to organize this dumping[12]. In addition to the non-application of the tax on imported onions, Dutch operators may have sold their onions below cost. Thereafter (during the 1996-97 and 1997-98 crop years), the sector again faced major marketing difficulties, in particular related to issues of retrieving levies owed by certain groups for marketing by the FPFD. Local markets therefore are essentially supplied with imported onions, the surtax and contractualization with traders preventing the FPFD from better supplying its markets. We note that onion imports are noticeably increasing. The surtax of onion imports is therefore generally viewed as a negative experience.

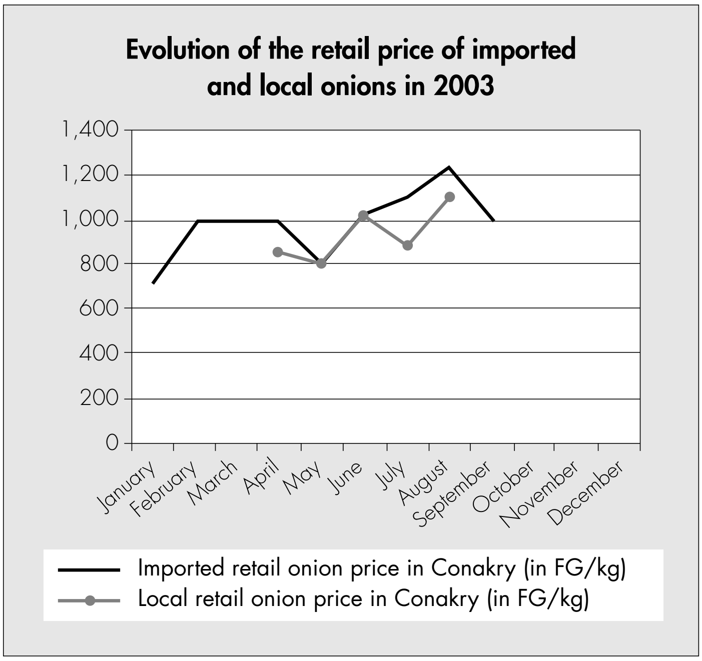
With regard to the impact on production, the poor application of the protection measure did not allow the local sector to take off and replace imports. During the protection period, local onions did not manage to become more competitive than Dutch onions. In addition to the price, the qual-

Comparison of the evolution of local production in Fouta Djallon and onion imports in Guinea from 1993 to 2003



12 FPFD partner traders accused traders based in Conakry who may have sold their onions at a price lower than cost to prevent the local sector from developing.

ity of the local onion is inferior due to problems not related to taste, but to drying and conservation. The improvement of the technical and storage processes are major challenges to the competitiveness and development of the sector. Shortfalls and issues related to the quality of the infrastructures, (roads, lowland development, warehouses) also affect competitiveness. However, recent data available (2003) on the retail price of imported and local onions demonstrate that the latter are on equal footing with the competition today.



Source: in Veaux H. (2003). Retail price: PNASA (national support project for food safety) information system. Data taken from PNASA's 1994 report of November 1995.

4.2 Producer prices and income

We do not have data on the income of producers, however the table below is a good illustration of the gap between the quantities and prices provided by marketing agreements and the reality of their implementation, in particular with regard to the prices paid to producers. Furthermore, in light of the crossed evolution of production and importation, we can presume that incomes are at best maintained, but also that decreases in income are likely.

	1992-1993	1993-1994	1995	1996	1997
Agreements with	1 importer	4 importers	Local traders	Local traders	
Quantity planned in the agreements (in t)	3,000	400 from 1 April to 30 June			
Quantity actually delivered (in t)	192	201.8 that the traders did not fully accept for quality reasons	301	36	
Price paid to the field side producers (in FG/kg)	200	330	315	260 (285 at the collection point)	210
Prices provided by the agreements in Conakry (in FG/kg)		460	450		

Source: Veaux H. (2003).

4.3 Consumption

The impact of the protection measures was rather negative on consumer prices and therefore the most vulnerable households. In particular in 1993, the freeze on imports caused a surge in prices.

5. Reasons for the Failure

With regard to producers, motivation lacks within the unions and there is no collective motivation: a major portion of the onions are sold directly on markets outside of the collective area, which makes any agreement with traders useless. The poorest of producers may sell onions on an emergency basis before drying at prices below the negotiated floor price or else at higher prices when prices rise.

With regard to traders, they do not always play straight either, fail to comply with floor prices, do not attend the collection points by claiming they are landlocked. The relations between producers and traders are therefore a determining reason for the failure. The first marketing project (1992-93) was a negative experience: the volumes that the producers undertook to supply were not achieved, the prices were not high enough and the traditional traders (excluded from the mechanism) favored the marketing of imported onions. The second project (1993-94) was a framework agreement with wholesalers in Conakry and was not entirely satisfactory either, as it was not complied with, although the field side price was higher and the marketing activities involved traditional traders. The third project (1994-95) involved regional traders and not just importers, but dysfunctions appeared at collection points. When the FPFD decided to involve itself directly in marketing (1995-96), it incurred major losses, in particular due to the behavior of Dutch operators.

In general, the poor amount of production as compared to imports and the often insufficient quality of the drying and conservation of onions reduces any ability to influence the status of the supply.

Sources

> Diallo K., Barry M., Beauval V. (2006), "Activités de commercialisation de la FPFD: capitalisation du vécu et perspectives", Fédération des Producteurs du Fouta Djallon (FPFD), Final Report 2, 13 October 2006 (prepared with the support of the CCFD, FPFD's partner in marketing activities).

> Laborde-Debat Olivier O. (1999), "Analyse technico-économique des systèmes de production des adhérents à la Fédération des Paysans du Fouta Djallon", CNEARC, November 1999, in Diallo K. et al. (2006).

> Veaux H. (2003), "Impact du blocage des importations de pommes de terre et de la taxation de l'oignon importé sur le développement de ces deux filières en Guinée", in Diallo K. et al. (2006).

Milk in Kenya

The implementation of a protection measure against dairy product imports was a break in the privatization and exchange liberalization processes in progress. However, this measure was a reaction to a reversal in trends in the evolution of production and imports, as the country had moved from quasi-self-sufficiency to becoming a net importer through the liberalization process.

1. Increase in Customs Duties

Until 1992, the dairy industry was a State monopoly, that of Kenya Cooperative Creamies (KCC), created by the Ministry of Development and Cooperatives. This was the only body authorized to purchase milk from producers, sell processed products, establish production prices and consumer prices, and process products. Cooperatives played a major role in the supply and grouping of the milk of small dairy farms to facilitate collection.

Furthermore, the Government of Kenya implemented a strong support policy for the dairy sector with:

- The creation of a regulating body, the Kenya Dairy Board (KDB), whose principal mission is the organization, regulation and development of the national dairy sector. Dairies are required to register with this body;
- Policies to support and train breeders (investment aid, improvement of hygiene, training on breeding processes, development of quality standards, etc.).

In 1990, Kenya therefore had one of the most modern dairy industries in Africa[13]. Starting in 1991, the liberalization of the sector started within the context of the Structural Adjustment Plans (SAP), then the WTO, along two axes:

- The privatization of the dairy industry, with the loss of the State KCC monopoly, a softening of raw milk sales regulations and a greater participation of the private sector. Today, approximately forty private companies are authorized and rival the KCCs. However, these latter still dominate in the country because their sales network covers the entire country. They continue to set the milk production price[14];
- Opening of borders in part tied to the implementation of the SAPs and Kenya joining the WTO. The commercial reforms undertaken in 1993 caused the abolition of most quantitative import restrictions. Customs duties, the main commercial policy tool, were considerably reduced: the number of ad valorem ranges decreased from eight to five and the maximum ad valorem rates were reduced from 60% in 1992 to 25% in 1999.

The liberalization of the domestic market allowed dairy producers to gain access to a greater number of purchasers, as traditional milk traders and commercial dairies competed for supplies. Prices became more favorable, in the order of US$0.20 to 0.25/kg, which was meant to encourage the development of milk production[15].

---

13 IFAP web site.
14 Notification of commercial practices by Kenya to the WTO.
15 SMIAR, "Perspectives de l'alimentation", No. 2, May 2002.

However, not long after the markets opened, starting in 1998, a rapid increase of imports was observed. Additionally, an increasing number of local dairy plants mainly used dairy products imported at low prices, in particular dried milk from Europe. While there have always been milk imports into Kenya, in particular due to low production in the dry season, this phenomenon significantly grew until 2001. Kenya, which had been self-sufficient in dairy products, became a net importer in 2001 and the industry, which had experienced rapid growth, now stagnates.

Further to an increase in the level of imports and the demand of local producers, the Government agreed to double the import duties of dairy products in order to protect local producers, with a customs duty of 60%. This increase seems to comply, however, with the country's commitments vis-à-vis the WTO. Indeed, in addition to customs duties, the country may impose "suspended" duties (occasional duties) up to 70%, in particular in the case of milk, to some 17% of the tariff lines.

2. The Role of Producers

Faced with increasing imports, local producers mobilized and initiated the introduction of the protection measure. They grouped together in 2000 within a consortium to lobby the government. This lobbying campaign was coordinated by the Kenya Dairy Board (KDB, the regulating body).

3. Justification of the Protection

The demand of producers was to secure the dairy product market by specifically ensuring that imports do not enter the local market as easily. The fact that local production is sufficiently dynamic was also used as a justification of this request. The country is far from starting at zero.

4. Consequences

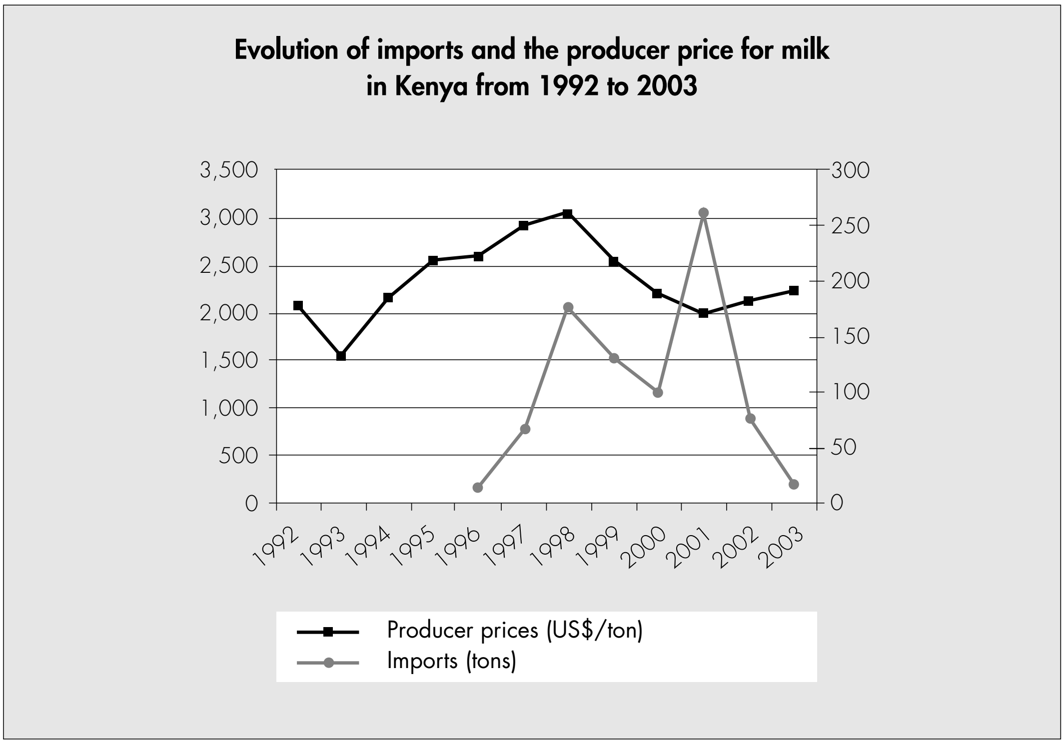
4.1 Imports and production

After the increase in customs duties on dairy product imports, the imports of dried milk returned to a lower level, except during the dry season (see the graph below).

During the liberalization period, the reaction of local production to the increase of imports at lower costs was weak. However, dairy processing companies lowered the prices they offered local milk producers below the level of domestic production costs. This led to a decrease in revenue for local producers[16].

Today, the average annual production of Kenya is more than 2.9 million tons. The country has preserved its production capacity and therefore remains self-sufficient; the dairy industry in Kenya is one of the most developed today in Sub-Saharan African.

[16] "Milking the cap", Oxfam, 2001.



Source: FAOSTAT / © OAA Statistics Division, 2006.

The measures limiting imports in fact allowed for the preservation of the co-existence of two dairy industries: an official sector that sells pasteurized dairy products, most often based on imported dried milk, and the raw milk sector, involving small farmers, which has experienced a significant surge even in urban areas, as the products are inexpensive and accessible to consumers. This raw milk sector, endangered in 2001 by the increase in imports, therefore continues today to ensure a large portion of the country's production and supply in milk. This essentially involves an informal market, with 86% of the raw milk sold by small, outdoor traders, "milk outlets" and small restaurants. More than 42% of the raw milk is sold directly by the producer to the consumer and a quarter of the milk passes through milk cooperatives, a portion of which is sold in its raw form[17].

5. Employment and Producer Prices

The preservation of local production and the control of the level of imports have allowed the small producers in the raw milk sector to exist and have created many jobs generated by its marketing activities. The dairy sector in Kenya today employs more than 600,000 small operators, with between one and three cows, who produce most of the milk in Kenya.

As illustrated in the graph above, this has also limited the decrease in producer prices that had started in 1999, one year after the increase in dried milk imports of 1998, and has led to an increase in revenue.

[17] International Livestock Research Institute (June 2006).

6. Consumption and Food Security

Milk consumption in Kenya is one of the highest in the world, although consumption per capita is still below that recommended by the FAO.

Consumers prefer raw milk, even in urban settings, with the exception of Nairobi, where consumers mainly drink pasteurized milk. The implementation of protection measures has allowed the poorest populations to continue being supplied in milk on the informal raw milk market and to access this source of animal protein. Furthermore, studies demonstrate that an increase in the price of raw milk would most likely not lead to a decrease in consumption, even among poor consumers, while an increase in the price of pasteurized milk may cause a decrease in consumption with a negative impact in terms of nutrition. Access by poor populations to raw milk is a factor in fighting food insecurity, as it decreases the risks of malnutrition, in particular in children. Furthermore, the health risks raised by some are rather low as most households boil the milk before use.

Sources

- OMC, Notification of Kenya's commercial policies.
- FIPA, "L'actualité laitière volume 2, Aperçu des enjeux au Kenya", December 2001, http://www.ifap.org/news/nldar1201fr.html.
- FAO/SMIAR, "Perspectives alimentaires", No. 2, Milk and Dairy Products, May 2002.
- Oxfam, "Milking the cap", Position Document, 2001.
- International Livestock Research Institute, "Dispositifs de partenariats et promotion de nouvelles politiques laitières: l'expérience du Smallholder Dairy Project au Kenya", June 2006.
- Econews Africa, "A collapsing economy? Effects of liberalisation in Kenya", March 2006.
- New agriculturist on line, "Kenya's Dairy Sector: the Potential for Policy Change?", June 2004, http://www.new-agri.co.uk/04-4/develop/dev01.html.

Sugar in Indonesia

The protection border measures reinstated by the State for the sugar sector follow a phase of import liberalization. They have led to a significant reduction in imports and an increase in local production.

1. The Protection Measure

In 2002, the Indonesian government countered the commercial measures taken a few years beforehand by increasing customs duties on sugar imports from 25 to 60%[18]. Three stages may be distinguished in terms of this commercial policy:

1. A phase to support and stabilize production (1971-1996): this took the form of the implementation of a single import office in the form of a public body, the Bulog. This is also the only body authorized to purchase sugar from local markets at a minimum purchase price.
2. A liberalization phase (1997-2001), characterized by the elimination of prerogatives attributed to the Bulog as a single import office and sole purchaser on the domestic market. Therefore, public control over domestic prices (guaranteed minimum purchase price and retail price regulations) was abolished.
3. A controlled and regulated import phase (from 2002): in addition to the increase in tariff barriers, this phase first consisted in limiting the number of importers to "producers-importers" exclusively in 1999, i.e. the producers that use sugar as a raw material to prepare processed foods (biscuits, candy, drinks, drugs). In 2002, a decree that was even more restrictive limited quantities imported for the needs of these "producers-importers". It also created a second category of authorized importers, the "listed importers": the companies that process sugar, 75% of the raw materials for which (cane sugar) come from small producers. For both categories, imports are only allowed if the field side price does not fall below a minimum price defined by the government.

We note that Indonesia complies with its WTO commitments related to the increase in customs duties, which is well below the consolidated level of 95%. However, it has not notified the decrees of 1999 and 2002, limiting the right to import sugar exclusively to national processors.

2. Justification of the Protection

The reversal of the commercial policy is mainly attributable to the negative impact of the liberalization of the economy and exchanges. The government identified liberalization and the appearance of low price sugar on the national market as one of the causes of the Indonesian sugar crisis in the middle of the 1990s. The national sugar industry suffered between 1998 and 2002 with, in particular, the closing of eight processing plants. The decrease in produc-

[18] Customs duties were at 10% in 1994, then decreased to 0 in 1995-96, then increased to 25% in 2000-01 ("Indonesian Custom Tariff Book").

tion was in part due to the “low price” label that did not encourage producers to produce, in addition to other factors that led to a lack of competitiveness in the sector.

It is on the basis of this experience, therefore, that the commercial sugar policy changed direction starting in 2002. Today, the government’s action plan is attempting to revitalize the sugar sector by focusing both on commercial policy issues and aid to improve the competitiveness of national production.

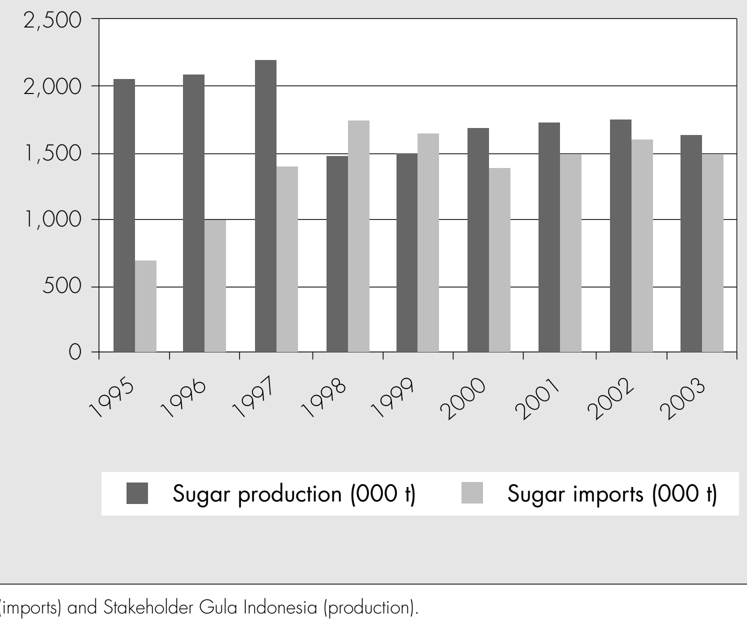
3. Consequences

3.1 Imports and production

We note that imports increased in the mid-1990s, before the liberalization phase. Imported volumes during this period, however, reached record highs, in particular in 1998 when, with 1.73 tons, they represented more than 60% of domestic production. The phase in which import control measures were reinstated, starting in 1999, led to a reversal in trends.

Production did not experience an immediate and significant rise after the implementation of protection measures. However, the trend moved upwards, although it plummeted in 1998. The information we have for 2004 and 2005 also indicates that the production level increased to the same level as 1994.

Evolution of the share of imports in the production of sugar in Indonesia 1995-2003



Source: UNCTAD (imports) and Stakeholder Gula Indonesia (production).

3.2 Employment and income

Sugar is produced for the most part by small producers who grow less than two hectares per capita (72% of national production). This portion of the population is particularly vulnerable. The decrease in national sugar production during the liberalization phase, further to the competition of low price imports, certainly caused a loss of income for these small producers. However, one can presume that the return to production provides more favorable conditions in terms of employment and income.

3.3 Consumption and food security

Sugar consumption is on an upwards trend to such a degree that in 2004 and 2005, while production was continuing to increase, sugar imports were required to satisfy consumer needs. We must note that in households facing food insecurity, sugar consumption per capita is low. It has decreased both in terms of expenditure and caloric input.

Source

> GRET, CIRAD (2006), "L'impact des mesures de soutiens à l'exportation et de l'aide alimentaire dans les pays en développement", Study for the European Commission (DG Agriculture).

Rice in Nicaragua

1. The Protection Measure

1990-92 was marked by a progressive reduction and simplification of customs duties further to the continued process of regional integration with Central American countries (Nicaragua, Guatemala, Salvador, Honduras and Costa Rica). In this context, in April 1992, the price band system was put in place. It was applied until July 1997 for corn and sorghum, with rice exiting the system a few months earlier in September 1996. Quotas on rice imports were also applied throughout this period. This mechanism allowed for variable customs duties on the imports of the three relevant products originating from countries that are not part of the Central American Common Market (CACM). Price bands are calculated based on a chronological series of international prices for the relevant merchandise over the 60 prior months. The 15 highest prices and the 15 lowest are withdrawn from the 60 figures, and a ceiling price and floor price for the range extremes are then calculated.

Within the price band, the customs duty is a fixed sum. In excess of the band, customs duties vary and are lower than those of the band. Below the band, the variable customs duties are higher. In other words, the more the price differs from the higher limit of the band, the lower the customs duty; the more the price differs from the lower limit of the band, the higher the customs duty. These variable customs duties may in no case be lower than 5% or higher than 45% of the CIF[19] value for the imported products.

In 1997, the price band system was abolished and customs duties were again fixed. The average customs duties applied during the price band system, then the fixed customs duties applied starting in 1997 are set out below.

We note that, after the price band system, fixed customs duties were established at a relatively higher rate than those applied in the context of the price band system. Customs duties were different for white rice and paddy rice, with a greater protection of the latter; however both were increased at the end of 1999.

Average customs duties under the price band for rice (1993-95)

Year	Average customs duty
1993	32.4%
1994	12.9%
1995	20.2%

Fixed customs duties for the 1997-99 period for rice

	White rice	Paddy rice
Mid-1997–beginning 1999	30	20
1999	30	20
End 1999–beginning 2000	45	35

19 Cost, insurance, freight included.

In relation to WTO rules, it appears that the variable customs duties implemented during the price band system remained lower than the consolidated levels. However, the price band system itself was criticized by the WTO on the occasion of a dispute involving the price band system in Chile, which was similar in structure. On 23 September 2002, the WTO appeal body confirmed the finding that the price band system was a measure similar to variable levies or minimum import prices, which are prohibited, and therefore sanctioned Chile.

2. Justification of the Protection

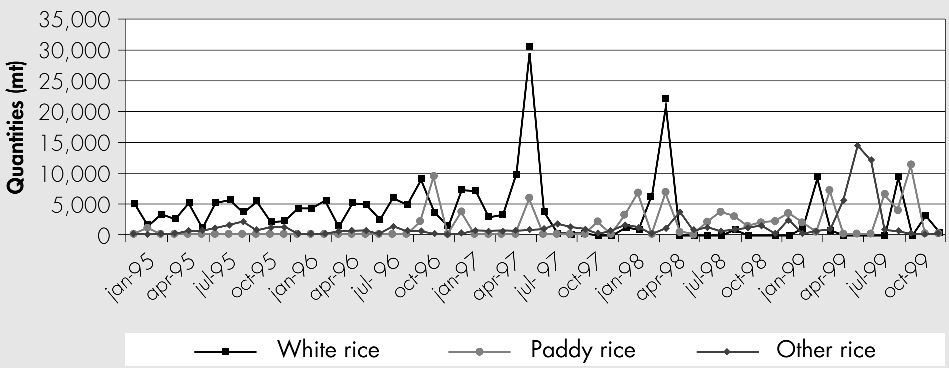
The price band system aims at protecting national markets from the instability of international prices. The objective is both to protect producers from major decreases in price and consumers from major increases in price on the world market. Therefore, when the world price is particularly high in relation to a reference average, the customs duties are reduced to prevent an excessive increase in prices negatively impacting consumers. Inversely, when the world price is particularly low, the customs duties are adjusted upwards to prevent an excessive decrease in prices harmful to producers. This mechanism also reduces seasonal price variations, i.e. intra-annual variations.

3. Consequences

3.1 Rice imports

We note a significant correlation between the changes in commercial policy and the evolution of rice imports. Paddy rice imports started in 1996, when this product exited the price band and was regularized in 1997 after the return to fixed customs duties. White rice imports were regular until July 1997, at which time the customs duties for white rice and paddy rice were differentiated. From this date forward, they experienced a few peaks: the first between the end of the price band system (September 1996) and July 1997; the second at the beginning of 1998, before customs duties on rice from Asian countries, not members of the WTO, increased; the third starting in 1999 before the increase in the customs duties for white rice and paddy rice.

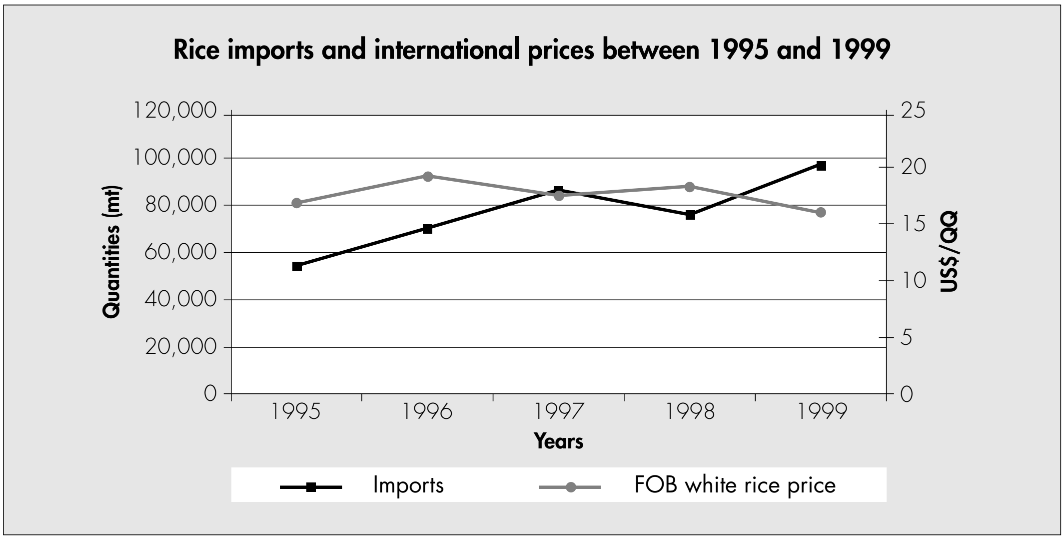
Evolution and structure of rice imports between January 1995 and October 1999



Sources: Customs data, in Deram C. (2000).

3.2 Food costs

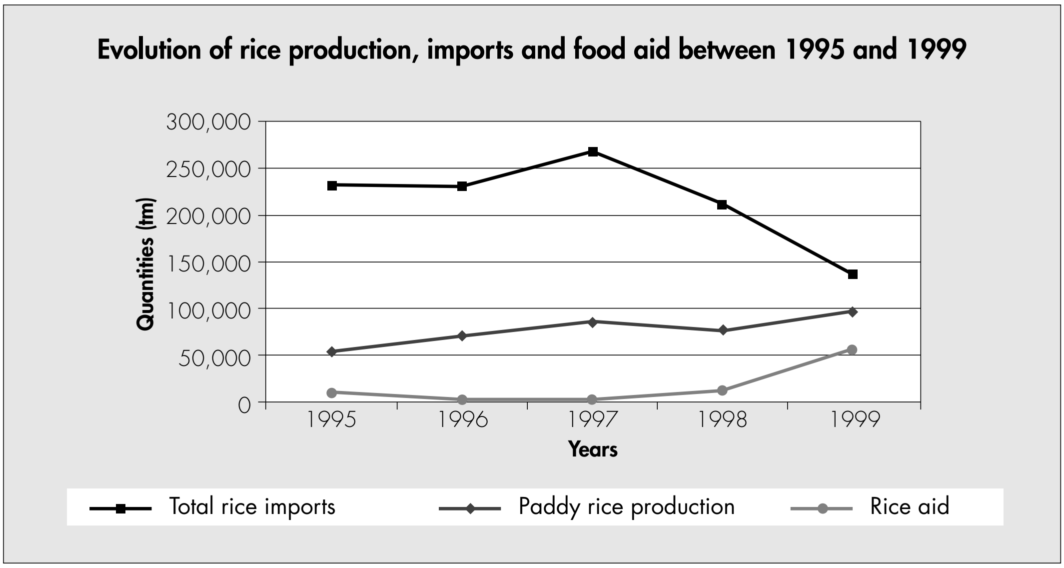
Unlike other grain, like wheat, the FOB price for rice tended to rise, leading to an increase in the cost of rice. However, in terms of global grain costs, while they increased over the 1990-1999 period, they tended to decrease between 1996 and 1998. This is explained by a decrease in the price of wheat, in parallel to a significant increase in imported volumes.



Sources: Customs data and MAGFOR, in Deram C. (2000).

3.3 Production

The data set out in the graph below does not allow us to affirm that rice production increased due to the implementation of the price band system. However, it clearly demonstrates that starting at the end of the system in 1997, production significantly decreased while imports and food aid increased. At the beginning of the period, imports represented between 19 and 26% of production. This proportion increased to 41% in 1999, mostly due to the aid granted to compensate the effects of Hurricane Mitch.



Sources: Customs data, FAO and WFP.

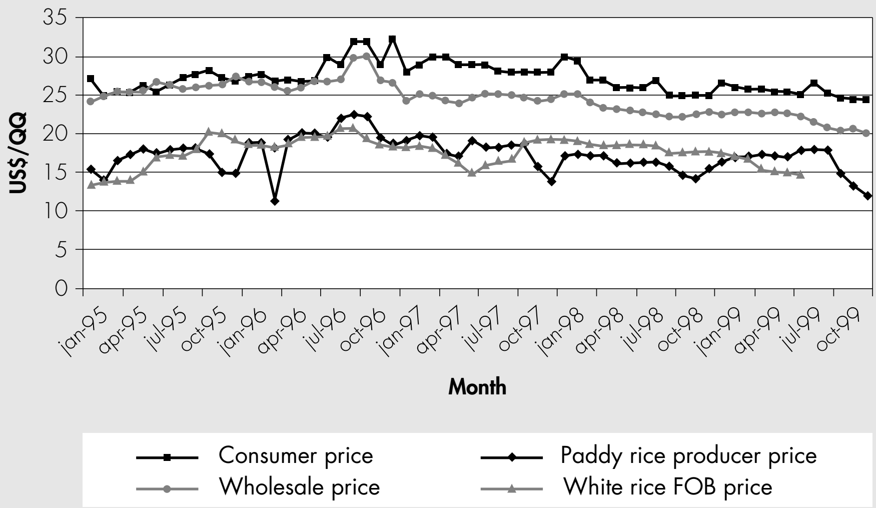
In terms of price, local rice seems competitive in relation to imported rice. However, the following graph shows a strong correlation between the FOB price for white rice and the wholesaler price, which indicates that operators reacted to this indicator, and therefore to the evolution of the commercial policy. However, we do not really note a correlation between the FOB price and the producer price.

It seems that the competition of imports with local production did not really impact prices, in particular due to the increase in the FOB price starting in 1996-96 and the return to relatively high customs duties in 1997. Competition mostly related to quality, as hullers needed to import a portion of their paddy rice to compensate for the lack of quality of local production.

3.4 Consumption

It seems that domestic market prices in Nicaragua are defined mainly in relation to FOB prices, much more than producer prices. The commercial policy is therefore important. However, we do not observe a significant trend in terms of the reinforcement or reduction of intra-annual price instability (whether for the consumer, wholesaler or producer).

Evolution of national and international prices for rice between 1995 and 1999



Source: MAGFOR data, in Deram C. (2000).

Source

> Deram C. (2000), "Libéralisation des échanges et sécurité alimentaire des pays en développement", Study in Nicaragua, IRAM - AEDES.

Rice in Nigeria

1. The Protection Measure

In October 1985, Nigeria instituted a ban on rice (and corn) imports. This measure was maintained in the context of the Structural Adjustment Program (SAP) implemented in 1986 and lasted until 1995. After 1995, and in order to continue stimulating national production, tariff barriers increased from 50% in 1996 to 85% in 2001, 100% in 2002, then 150% in 2003. New agricultural subsidy programs (reduced rate credits), which had been eliminated when the SAP was implemented, were also introduced. In relation to the country's undertakings, while the ban on rice imports is allowed within the SAP context, it was the subject of a "formal claim" by the United States under GATT.

This ban on rice imports resulted from an evolution in the increasingly restrictive commercial policy for rice:

- In the 1960s and the first half of the 1970s, political priorities did not include the promotion of local food crop production, but the development of industries to replace imports. Rice imports were encouraged[20] to protect the low cost of food and therefore salaries;
- Between 1974 and 1979, customs duties on rice ranged from 10% to 20% and provided little protection of local rice production in relation to imported rice. In addition, the State, in order to guarantee a low price, in particular for urban consumers, paid the cost of distributing imported rice, therefore lessening the competitiveness of local rice;
- From 1980 to 1985, various quantitative restrictions were imposed on rice imports;
- In October 1985, rice imports were banned.

The evolution of the commercial policy for rice ran in parallel with the support policy for local crop production, in particular rice crops. From the middle of the 1970s, faced with the recurrent lack of food supplies, and until 1986, a domestic support policy for producers was implemented with various programs[21]. Starting with the SAP of 1986, a development plan for the rice sector was implemented. However, the measures differed from those applied beforehand in the sense that incentives for agricultural production did not result from subsidies or the realization of infrastructures, but from various deregulations — with the notable exception of the remaining ban on imports.

---

[20] At the very beginning of the 1970s, the consequences of the Biafran war and the drought of 1972-1974 in the northern region of the country seriously affected the country's traditional crop production capacity. The authorities then imported the commodities available on the international markets, mainly corn and rice. The oil boom of 1973-1974 (Nigeria is a major oil producer), as well as an over-valued fixed exchange rate, led to soaring rice imports from 1976 onwards.

[21] The objective of the "Operation Feed the Nation" program, launched in 1976, was to increase local production and reduce dependence on imports. It provided for distribution (free or at reduced costs) of fertilizer, improved varieties and the loan of tools and farm machines. The objective of the "Green Revolution" program, launched in 1980, was to achieve self-sufficiency within five years by developing rural areas: road construction, processing industries, health and education centers, etc. In addition, the agricultural policy was planned and the sector benefited from the largest portion of the national budget (13.5%).

These measures sought to limit competition with imported rice, achieve self-sufficiency in the production of rice, reduce poverty, increase the revenue of producers, create employment by specifically encouraging unqualified persons to enter the rice production sector and reduce the food bill for rice.

Other measures decided in the SAP context and directly impacting the agricultural sector, including rice, are to be considered:

- The devaluation of national currency, making the local production of rice relatively competitive with imported products; even if it also contributed to increase the price of imported input and was a determining factor in the country's rising inflation (from 5.3% in 1986 to 33.4% in 1992);
- Reductions in agricultural subsidies that had been granted beforehand; for example, the subsidy rate for fertilizer fell from 75% to 60%;
- The promotion of production exports via the abolition of export taxes and licenses.

2. Justification of the Protection

Until the beginning of the 1970s, the cultivation and consumption of rice were marginal. Thereafter, for historical, agro-ecological and socio-economic[22] reasons, rice was massively grown and consumed. Consumption increased from 3 kg/per capita in the 1960s (the lowest rate in the West African region) to 18 kg during the 1980s. At the end of the 1990s, rice became as important as manioc, yams, sorghum, corn and millet for Nigerian consumers.

3. Consequences

3.1 Imports and production

Between 1975 and 1980, before the implementation of restrictive measures, imports increased from a negligible quantity to 450,000 tons. Despite the official ban on rice imports, statistics demonstrate that they significantly decreased from 356,000 tons in 1985 to 210,000 in 1991, but did not totally disappear[23]. They partially originated from neighboring Benin. In addition to reasons tied to the reliability of data as well as an estimate of informal imports, the existence of these imports may also be explained by the poor quality of some locally produced rice (deficient processing). The self-sufficiency rate, however, increased from 54% in 1976-1983 to 77% in 1984-1995.

The evolution in production is therefore the most visible consequence from one period to another, both in terms of surface and volume. From 1975-1980, rice production increased from 504,000 to 1,090,000 tons. Between 1980 and 1985, the surface dedicated to rice crops increased by 22% (from 550,000 to 670,000 hectares) and local production increased by 31% (from 1,090,000 to 1,430,000 tons). Between 1985 and 1991, the rice surface increased by 2.45 and production increased by 122% (from 1,430,000 to 3,185,000 tons).

22 Rice may be grown almost throughout the country, is easy to prepare and provides a relatively high source of calories.

23 They even reached 411,000 tons in 1994, while the ban was still in place.

Rice statistics for Nigeria, 1961-2000

Period	**Area** (hectares)	**Output** (tons)	**Yield** (tons/hectare)
1961	149,000	133,000	0.893
1965	188,000	231,000	1.229
1970	255,000	343,000	1.345
1975	261,000	504,000	1.931
1980	550,000	1,090,000	1.982
1985	670,000	1,430,000	2.134
1990	1,208,000	2,500,000	2.070
1995	1,796,000	2,920,000	1.626
2000	1,594,840	2,960,280	1.856

Source: PCU, FMARD, Nigeria.

However, one can question the sustainable nature of the decrease in imports observed since the mid-1980s. Indeed, further to the lift of the ban on imports in 1995, they progressively increased again to reach almost two million tons in 2001.

Nigeria still suffers from a lack of local production, as well as the poor quality of its rice, in comparison to imported rice. In 2002, rice imports accounted for 20% of imports and represented half of the nation's consumption.

3.2 Employment and income

The ban on imports, being associated with measures supporting production and the resulting production increase, led to an increase in employment in rural areas. A reverse migration movement, from cities to the countryside, was even observed. This applied in particular to young people (qualified or not) who found employment in the fields, as well as in rice processing and transportation industries. UNEP's survey (2005) conducted in three crop zones demonstrates that the average number of employees per mill increased from 7 to 19 before and after the SAP was established. This study also indicates a decrease in the unemployment rate in rural areas: from 3.2% in 1992 to 1.6% in 1995. We note that it increased again to 2.8% in 1996 after the end of the ban on rice imports. Furthermore, the high increase in rice surface can no doubt be associated with a significant increase in the number of producers.

With regard to the impact on producer incomes, various data can be compared from both before and after the SAP: the aggregated costs of a one hectare farm increased by 626%, from 7,452 Naria (N) to N54,125; sales proceeds increased from N10,840 to N73,590 (+578%); the producers' margin increased from N3,388 to N19,465 (+474%). However, all of this data is in nominal currency. The illusion of a (nominal) price increase for rice from N5,333/ton to N33,000/ton was a determining factor in the producers choosing to increase production and in the attractiveness of rice cultivation. Once deflated, it seems that actual income decreased in fact by 27.7%. The depreciation of the national currency in relation to the dollar caused significant inflation and a certain reduction in purchasing power. However, the standard of living of the rural population improved in relation to the urban population after the SAP, which also contributed to urban emigration, in addition to creating employment opportunities. Before the SAP, the low cost of imported rice, combined with the State coverage of costs for transporting imported rice, indeed contributed to ensure the urban supply of food commodities at relatively low prices.

People working in the rice sector experienced a significant increase in revenue, which led to an increase in rice sales. Revenue at the national level therefore increased from N46,800 to N204,866 (+338%).

Sources

> Shimada S., "A Study of Increased Food Production in Nigeria: the Effect of the Structural Adjustment Program on the Local Level", African Study Monographs, 20(4): 175-227, December 1999.

> UNEP, "Integrated Assessment of the Impact of Trade Liberalization, a Country Study on the Nigerian Rice Sector", 2005.

> FAS USDA Worldwide, September 2006.

> Warda Strategic Plan 2003-2012.

> Oyejide A., Ogunkola A., Bankole A., "Import Prohibition as a Trade Policy Instrument: The Nigerian Experience", 2005.

Beef in the European Union

In the context of establishing the Common Agricultural Policy (CAP) of the European Economic Union (EEC), beef benefited from protection against competitive imports which, along with a system to support production, caused Europe to move from a structurally unprofitable situation to significant structural surpluses.

1. Variable Protection based on the State of the Domestic Market

As a general reminder, the objective of the CAP at the time the EEC was formed was to increase agricultural production and productivity to, on the one hand, compensate for the food deficit in the EEC and, on the other hand, support industrial growth by increasing the purchase of agricultural input and the employment of agricultural labor (Article 39 of the Treaty of Rome). The protection of the European market was effected to this end to distribute European agricultural products and stabilize prices at levels higher than international prices. A single exception to this protectionism: to have CAP accepted under GATT (the WTO's ancestor), the European Union accepted the request of the United States to have free access to its market for soy exports, which can be used with grain to feed cattle[24].

The protective system implemented in 1964, then continued in the context of the creation of the Common Market Organization (CMO) for beef in 1967, was based on a system referred to as "semi-open": the domestic market is supplied in part by foreign markets when the domestic supply is insufficient, however the protection comes into play when the domestic market is self-sufficient.

Two types of schemes, one standard and various special schemes, govern beef imports. The standard scheme is based both on customs duties applicable to all beef products governed by the CMO and a levy for most of these products. The ad valorem customs duties are 20% for meat and 16% for live animals. The base levy is calculated according to a complex formula that includes data related to live cattle, derivative coefficients to extend to carcasses and other parts, and a coefficient related to the weekly representative price of the common market and the guide price. The objective is to establish a mathematical relationship between the status of the domestic market and the import capacity in order to ensure continuous supply of the Community in beef.

The special schemes consist in defined period concessions in favor of third party countries which, with the exception of concessions in favor of countries in Africa, the Caribbean and the Pacific (ACP countries), represent the counterpart for advantages granted to these countries[25]. In the context of concessions resulting from GATT negotiations, customs duties range

24 Delorme H., under the direction of (2004), "La politique agricole commune. Anatomie d'une transformation", Paris, Presses de Sciences Po.

25 These are to be distinguished from exceptional schemes, such as the shortage clause (ability to limit or eliminate the levy and even the customs duty) and the safeguard clause (immediate closure of borders).

from 0 to 26% depending on the meat category and levies are null for almost all of the categories. These duties and increases relate to limited quantities of tons or heads or have no limit. Among the independent concessions, with the exception of those granted to ACP countries, an autonomous and exceptional one year quota is in place for high quality beef (Hilton Beef) in the context of GATT.

The first Hilton Beef quota of 1980 in fact opened the door to exports of refrigerated and frozen muscles from Mercosur[26] countries that until then had exported mostly processed products, offals and some dried meat (GEB, 2004). The quota progressively increased in 1995 further to the decision of the Dispute Settlement Body panel on soy, then in 2002, further to that related to Uruguay.

One must note that the protective system in place has no meaning in and of itself. It was designed as one of the CMO beef features, along with support prices based on a ceiling price (guide price) and a remedy system.

2. Justification of the Protection

In 1967, the Community of Six lacked beef: its supply rate was 88% and its net deficit was 538,000 tons. The objective of the creation of the CMO in beef was therefore to supplement the supply to direct consumers and the processing industry, without significantly increasing the Community's production of beef so as not to worsen the situation of the dairy market, which was already in a surplus situation. Calves and young cattle were therefore imported, and not mature cows. The objective was not self-sufficiency, as the decision-makers at the time believed that the market should be partially supplied by imports in light of structural defects. Rather, it was meant to guarantee a satisfactory supply to processing industries while protecting a preference for Community beef.

3. Consequences

3.1 Imports and production

The normal protection of borders was very effective. Starting in the 1980s, almost all imports were conducted in the context of special schemes.

The shortage of 1972-73 was followed by an increase in production in 1974 and 1975 due not only to protection, but also to continuous intervention on the domestic market that significantly encouraged production. This evolution, along with the extension of the Community, led to the Community achieving self-sufficiency in beef for the first time in 1975. It then ran into a structural surplus starting in 1980. The production of beef is widespread within the Community. We note that land restrictions are low, even inexistent, in the case of "off-soil" production.

The increase in large cattle production in the Community of ten Member States was particularly significant during the period between 1973 and 1981: it increased from less than five million tons in 1973 to close to seven million tons in 1991. The production of calves, for its part, increased from less than 700,000 tons in 1973 to more than 900,000 tons, then decreased to approximately 800,000 tons in 1991.

[26] Argentina, Brazil, Paraguay, Uruguay and Venezuela.

We note that today, after the successive CAP reforms, European production is again in a structural deficit situation (GEB 2004). The European Union is therefore among the main importers in the world, as well as one of the main exporters.

3.2 Perverse effects of the production system

In the beef production system in place, the feed of young cattle and calves is based on a combination of corn produced on the farm and soy imported from Brazil, the United States and Argentina. As beef production develops, the dependence of the European Community on soy imports is increasing, although it is less significant than the existing dependence of the poultry and pork sectors where industrial breeding off soil, and the resulting environmental and animal health issues, have grown significantly.

We also note that the world market, because of health barriers, is divided into two distinct zones: the Pacific market and the Atlantic market. The first includes North America, Oceania and the Far East. The countries in this area are free from Foot and Mouth Disease. The Atlantic market includes the countries excluded from the Pacific market, which are essentially the European Union, South America and Russia.

Sources

> CCFD (2006), "Le soja contre la vie", Report from the Campaign bearing the same title, launched in February 2006 by the CCFD, Cohérence, Peasant's Confederation, le GRET et le Réseau agriculture durable.

> Delorme H., under the direction of (2004), "La politique agricole commune. Anatomie d'une transformation", Paris, Presses de Sciences Po.

> Institut d'élevage, Department of Economy (GEB) (2004), "La viande bovine du Mercosur dans l'Union européenne. Des restaurants aux linéaires?", July 2004, No. 337.

> GRET, CIRAD (2006), "L'impact des mesures de soutiens à l'exportation et de l'aide alimentaire dans les pays en développement", Study for the European Commission (DG Agriculture).

> Baudin P. (1993), "L'Europe face à ses marchés agricoles. De la naissance de la politique agricole commune à sa réforme", Economica, Collection Économie agricole et agroalimentaire.

ISBN: 2-9524132-4-X