

# Agricultural dumping : the case of chicken in Western and Central Africa

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Since the beginning of the 90s, chicken exports from the EU to coastal countries of Western and Central Africa increase significantly. Those exports are usually made of frozen cut pieces, such as neck, back, legs, and wings. EU consumers trend to eat breast rather than whole chicken, and there is no market in the EU for others cut pieces, except for pet food. European poultry processing industry have the choice between pet food or export to poor countries at a low cost, to sell those residues. The increasing flows of low-cost meat in African countries generate unfair competition with domestic products, loss of income for local producers, and sanitary problems. Is it possible to speak about dumping in that case? Is it really unfair competition, or only a lack of competitiveness of African poultry producers in front of modern and rational EU poultry production?

The EU is the 3<sup>rd</sup> world producer of poultry. In 2003, 4 countries represented the two third of the world production: the USA (23 % of total world production), China (19 %), the EU (12 %) and Brazil (11 %). Four countries represented 90 % of total world export (USA – 36 %, Brazil – 31%, EU – 15 % and Thailand – 8 %). The poultry world market is highly competitive, even if the world consumption trends to increase. Share of Brazil and Thailand increase, due to the lower cost of input for poultry production (animal feeding mainly), and of work. The main import countries are Russia (20 % of total world imports), Near and middle East (15 %), the EU (12 %), Japan (9%) and China (8 %). Exporters led a trade war on domestic markets of those countries, to increase their market share. **The EU exports decrease on all markets, except in Sub-Saharan Africa**, which represents now around 25 % of EU exports<sup>1</sup>.

On the contrary of others EU agricultural products, the **EU support to poultry production is very low. There is no direct aid, no price support.** One may argue that EU poultry producers **indirectly benefit from the low cost of cereals** and the CAP support to arable crops. Before the 1992 CAP reform, EU cereals were more expensive. Feeding industry used import products such as cassava pellets or starch, instead of EU cereals. Since 1992, the share of cereals in feeding industry increases, with no effects on the poultry cost of production. **The only direct EU support consists of export subsidies.** But since the implementation of the WTO Agreement on Agriculture in 1995, the use of export subsidies to support poultry export has decrease a lot. **They are now only used to the export of whole frozen chicken to Near and Middle East countries, and cut pieces do not benefit from it.**

Exported poultry are usually produced in a very intensive way, with high negative impact on environment. Antibiotics are frequently daily distributed to chickens, and in this case are used not as medicines, but as growth hormones. Quality of meat is low, from a taste point of view and from a sanitary point of view. The systematic resort to antibiotics generates the appear-

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<sup>1</sup> All data from OFIVAL, 2004 – Le marché des produits avicoles en 2003

ance of resisting germs. The cost of all these damages are supported by society in general, and not by producers. From this point of view, this may be considered as an indirect but important public support to poultry production. From the social side, the impact of industrial poultry production has to be balanced. Of course, poultry production and processing industry are sources of employment. But jobs in the processing chain are often low qualified, with difficult working conditions, and provided weak level of salaries. Regarding to others categories of farmers, poultry producers are often badly off. Poultry production is integrated that means that farmers highly rely on integrator firm. The firm provides one-day chickens, feed, methods of production, and buy ready to slaughter chickens to farmers at a price decided by the firm. In fact, by this kind of contract, farmers are closer to salaried workers than to independent managers.

In 2003, EU producers sold their chicken class A (lower grade) at an average of 1.48 €/kg. In France (the 1<sup>st</sup> EU chicken producer), during the same year, consumers bought their chicken at 4.86 €/kg (average for this year, for all grade of chicken). At the same time, EU frozen cut pieces of chicken was sold at 0.50 €/kg FOB in African harbours (Dakar, Cotonou, Douala, and Abidjan), under the EU market price for whole chicken. This is allowed by the fact that there is no demand for those chicken pieces in the EU.<sup>2</sup>

In Africa, most of the poultry production is made at the household level, with no cost of production (chicken feed themselves). Usually, women are in charge of poultry production, considered as a cash providing activity. Since the middle of the 80s, in some countries (Ivory coast, Cameroon, Senegal), “modern” poultry production unit appeared, mainly around cities, to feed urban consumers. In ten years, poultry production had grown of 30 % in all Sub-Saharan Africa. But the competition from chicken imports had stopped this trend. Thus, the imports grew from 6,000 tonnes in 1981 to 27,600 tonnes in 1990 and 112,500 t in 1999, mainly from the EU. Local producers sell their chickens at around 2.4 €/kg<sup>3</sup>. For household production, the consequence is a loss of income, mainly for women, who face this competition by cutting their price. They do not loose money, in the sense that chickens are free to produce; but by cutting their prices, they cut their cash income, which increase their vulnerability.

The situation is different for modern poultry production, which needs to buy inputs such as one-day old chickens, feed, medicines, and needs investment for building. Here, the cost of production is around 1.98 €/kg (Ivory Coast and Senegal), and import frozen chicken pieces are sold on local markets at 0.82 €/kg. In these conditions, it is impossible for local production to compete, and during the first half-year of 2002, 40 % of Senegalese production units ended their activity. In Ivory coast, the national chicken production decrease of 25 % between 2002 and 2003. The decrease of local poultry production affects local production of maize or one-day old chicken, which lost outlets. The impacts are not only on poultry, but affect beef production too, by a phenomenon of substitution from beef consumption by cheap poultry imports.

The growth of imports induces sanitary problems too. Imports are mainly frozen pieces, sold to wholesalers then to retailers, such as fisheries, in urban markets. The frequent breaks in the cold chain, due to the defectiveness of frozen warehouse or energy cuts, the successive phases of frost and thaw, create a favourable environment for germs development. Inquiries made during the last months of 2003 by the SAILD, a Cameroon NGO, show that most of frozen

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<sup>2</sup> Source : Le marché européen des produits avicoles – OFIVAL, 2004

<sup>3</sup> Source : Les mesures de soutien aux cultures vivrières – Solagral, 2003

chicken wings or legs in retailers fridge in Douala or Yaoundé are inappropriate for human consumption.

Several reasons can explained the huge growth of imports of pieces of chicken in Western and Central African countries. **First the increasing of urban demand**: urban consumers have a low purchase power, pieces are adapted for street restaurants and local demand. It is now nearly impossible to eat chicken in Dakar or Cotonou if it is not legs or backs. **Second, the low level of tariffs, which are insufficient to protect local production.** In the WAEMU (Western Africa Economic and Monetary Union), since the 1<sup>st</sup> of January 2000, the rate applied on poultry imports is 20 %, the maximum level of the Common external tariff<sup>4</sup>. An efficient protection of chicken local producers shall require a level of 400 %! Due to the WTO Agreement on Agriculture, it is impossible for those countries, to use the Special Safeguard Clause in order to protect their production, threatened by EU exports.

Finally, the third explanation, which is not very optimistic for the future, is **the modification of the structure of Developed countries consumption.** The increasing demand for breast instead of whole chicken obliged poultry firms to find a market for their residues. Russia was an outlet for EU export, until April 2003. At this moment, to protect its domestic producers, the Russian Government decided to implement import quotas, in order to limit the quantity of import. Russia is able to take this decision, because it is not WTO member. After the restriction to the access to Russian markets, **Sub Saharan Africa became the main destination of EU cut chicken, and for Brazilian and US exporters too.**

In the future, the competitiveness of EU poultry production should decline in front of Brazil and Thailand. The implementation of environmental constraints and animal welfare requirements, the increasing of the cost of feeding after the prohibition of **farines animales**, will probably reduce the share of EU exports on world markets. Some EU poultry firms anticipated this trend, by transferring part of their production in Brazil or South East Asia.

In summary: **Frozen cut pieces of chicken have no value in the EU, because there is no demand, and so no markets for these products. The only alternative market is pet food. If traders sell their products in Africa, it is because the price offers by African countries is higher than the price offers by pet food industry. So, it is economic dumping regarding the price of whole chicken, although there is neither export nor production subsidies.** But poultry industry does not support all the cost, mainly environmental, take in charge by the Society in its whole. And this pieces are residues, sold off on African markets. To face this dumping, two responses are possible, which have to be jointly used : allow recipient countries to protect their market by increasing their tariffs; implement in an efficient way corporate social responsibility to poultry firms.

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<sup>4</sup> La politique agricole de l'UEMOA – Aspects institutionnels et politiques, Hermelin 2003.