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GLOBALISING HUNGER

Food Security and the EU's Common Agricultural Policy (CAP)

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VÉDEGYLET

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DRAFT[1]

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1 **This is still a draft version.** On October 12 the Commission's legislative proposals for the new CAP will be presented. The final version of this study will integrate these proposals in order to be useful into the next year when the EP and the Council have their discussions on the CAP.

CONTENTS

1 INTRODUCTION

After several rounds of reforms, the EU's Common Agricultural Policy (CAP) is once again facing a comprehensive overhaul. By 2013, the current CAP comes to end and the debate has started on its future after 2013. The discussion on the €57 billion spent on the CAP today –amounting to 40 percent of the EU budget – takes places against the background of a dramatic worsening of the global food crisis together with rising and more volatile food prices.[2] For 2010, the number of people with hunger is estimated at 925 million, up from 833 million in 2000-2002.[3] But although the Common Agricultural Policy strongly influences the state of poverty and food insecurity in the world, its external dimension is barely taken into account in the current debate.

The European Union is a leading world power in agricultural trade: It is the largest exporter of processed food, the second largest exporter of dairy and pork and the third largest exporter of poultry and wheat. Many of these products benefit from generous CAP subsidies awarded to European farmers and food processors. At the same time, the EU's free trade agreements (FTAs) force developing countries to open up their markets for European surplus production which has been stimulated by generous CAP support. But local farmers and processors in the Global South who cannot compete with subsidised European goods face the risk of being displaced by unfair competition. The EU is also a large importer of farm products, particularly animal feed like soybeans, thus occupying millions of hectares of farmland abroad which cannot be used for local food production anymore. Therefore, any changes of the EU's demand and supply have strong impacts on agriculture and food security in the world.

In November 2010, the Commission presented a communication outlining options for the future CAP and its contribution to achieve food security. However, despite some welcome changes – particularly a fairer distribution of subsidies – it is still based on productivity and global competitiveness of the European agri-food industry. According to the Commission, the EU should contribute to meeting "growing world food demand, expected by FAO to increase by 70 percent by 2050".[4]

2 FAO et al., 'Price Volatility in Food and Agricultural Markets: Policy Responses', Policy Report, 2 June 2011.

3 FAO, *The State of Food Insecurity in the World 2010: Adressing food insecurity in protracted crises*, Rome 2010.

4 European Commission, 'The CAP towards 2020: Meeting the food, natural resources and territorial challenges of the future', Communication from the Commission to the European Parliament, the Council, the European Economic

The growth in demand could offer "an opportunity for EU food exporters", but exploiting it would require "to enhance the competitiveness and productivity of the EU agricultural sector". In the Commission's vision, agriculture has to serve the needs of the export-oriented food business: "A strong agricultural sector is vital for the highly competitive food industry to remain an important part of EU economy and trade."[5] In this vision, the main role of agriculture is to supply cheap raw materials to enable the food industry's export success.

The UN Special Rapporteur on the Right to Food, Olivier De Schutter, criticises the EU's focus on productivity and trade, since food availability as such does not guarantee its adequate distribution: "The question of global food security cannot be reduced simply to a problem of supply or production." If food production would rise in tandem with further marginalisation of small-scale farmers in the South, "the battle against hunger and malnutrition will be lost".[6] Yet, further marginalisation of small farmers is precisely the risk associated with ongoing dumping of EU food products on world markets and the growing imports of particularly feedstuffs for the European livestock industry.

By fostering competitiveness and exports of European agribusiness, the EU ignores the main challenge for food insecure countries today: the reduction of their import dependency. Since the 1980s, the majority of developing countries switched from net exporters to net importers of food. Nowadays, two thirds of them suffer from food trade deficits and growing expenses for purchases of cereals, dairy products and vegetable oils on the world market. In order to reduce their vulnerability against price spikes and recurrent food crises, these countries urgently need a policy shift that fosters domestic agricultural production and limits import dependency. Given Europe's international responsibility in the fight against hunger, the EU should make every effort to support such a shift. But unfortunately, the CAP in its present form heads in the opposite direction. It deepens import dependency in the South to secure export markets for the European food industry.

Past reforms of the Common Agricultural Policy largely neglected its contribution to poverty and malnutrition. Although European policy makers adapted the CAP to changes of the

and Social Committee and the Committee of the Regions, Brussels, 18.11.2010, COM(2010) 672 final, p. 2.

5 Ibid, p. 4..

6 Olivier De Schutter, 'The Common Agricultural Policy towards 2020: The role of the European Union in supporting the realisation of the right to food', Comments and Recommendations by the United Nations Special Rapporteur on the right to food, 17 June 2011, p. 1.

international political landscape, they never seriously tried to assure its coherence with stated development objectives like the eradication of poverty and hunger. For the EU to fulfill its global responsibilities, a far more profound reform of the CAP would be required.

The present publication aims to contribute to such a reform. It describes the history of the Common Agricultural Policy, its several reforms, its main beneficiaries, its impacts on agriculture, poverty and food security in the Global South as well as the linkages between the CAP and European trade policy. It analyses the impacts of the scramble for the cheapest raw materials, the exports of cereals, dairy and poultry products as well as the effects of the growing demand for feedstuffs, by far the most important agricultural commodity imported into the European Union. The final recommendations outline some of the necessary changes the EU would have to implement so that the CAP could effectively contribute to the eradication of poverty and hunger and the realisation of global food sovereignty.

2 GOING GLOBAL: EUROPEAN AGRI-FOOD INDUSTRY

The European Union is the leading agricultural player in international trade. Together with the US, the bloc of 27 EU Member States is the main food and agricultural exporter in the world. In 2010, its agricultural exports reached the record level of €91 billion, thanks to a spectacular growth of 21 percent compared to the crisis year 2009. Its global market share accounted for 17 percent, approximately the same as the share of the US. The EU is also by far the biggest agricultural importer in the world. Agricultural commodities worth €83 billion entered the EU market in 2010, far ahead of the US with €65 billion. The EU's share of global imports was 19 percent (see charts 1 and 2). More than 70 percent of EU agricultural imports, worth about €60 billion, originate in developing countries.[7]

Soya – beans as well as meal – constitutes the single most important agricultural commodity imported into the European Union, mainly supplied by Argentina and Brazil (for soya meal) and Brazil and the US (for soya beans). In 2010, the EU imported soybean meal worth €6.4 billion and soybeans valued at €4.5 billion. Other important items include coffee, bananas, cocoa beans and palm oil, all of which tropical products provided almost exclusively by developing countries. On the other hand, the EU exports mainly processed foods like beverages, essential oils and food preparations as well as important amounts of wheat, meat and dairy products.[8]

Hailing the strong export growth of the past six years, the European Commission reports that the "resulting improvement in the EU's trade balance turned it into a net exporter in 2010, for the first time since 2006, with a €6 billion agricultural trade surplus".[9] But despite the recent export success, the European agro-food industry lost part of its share of the global export market. According to industry figures, the EU's share of the global food and drink export market has been shrinking from 24.6 percent in 1998 to 17.5 percent in 2008. It's main competitor, the US, experienced a similar loss.[10] This development is mainly due to the growing competition of emerging markets

7 European Commission, 'Global and EU agricultural exports rebound', MAP – Monitoring Agri-trade Policy, Directorate-General for Agriculture and Rural Development, No. 01-11, May 2011.

8 Ibid.

9 Ibid., p. 12.

10 CIAA, 'Data & trends of the European Food and Drink Industry 2009', Confédération des industries agro-alimentaire de l'UE, Brussels, March 2010.

Chart 1 **EU27, US & Brazil and China - Agricultural Exports**

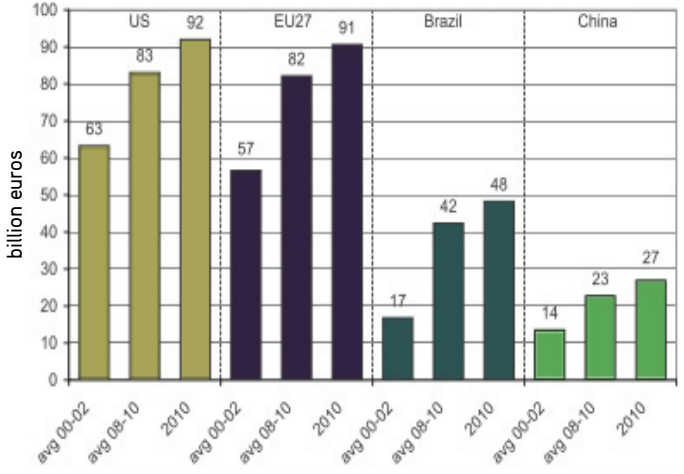
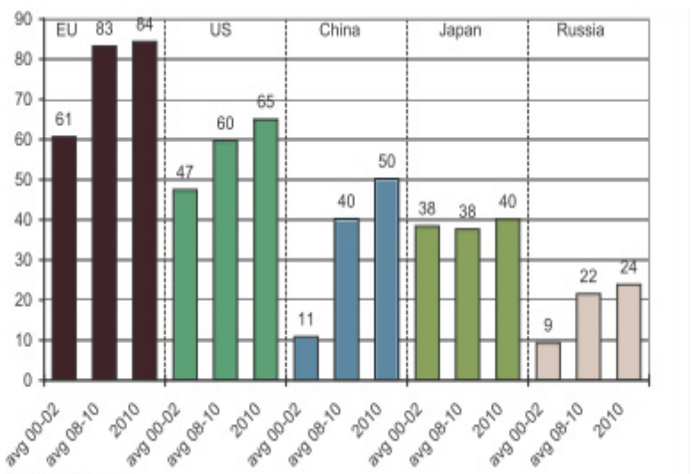


Chart 2 **EU27, US, Japan, China & Russia - Agricultural Imports**



Sources: COMEXT & GTA

like Brasil, China, Argentina, Thailand, Indonesia and Malaysia. Brasil, in particular, managed to almost double its food exports in the last ten years and is today the third largest player in the global agricultural export market.[11]

After several studies commissioned by the EU confirmed the weakening competitiveness of the European agro-food industry, the European Commission in 2008 established the 'High Level Group on the Competitiveness of the Agro-Food Industry' to advise on ways to reverse this trend. This expert group, which was later transformed into the 'High Level Forum for a Better Functioning Food Supply Chain', consists mainly of representatives of large food corporations, agribusiness associations, the European Commission, the Member States and a few civil society organisations. Its membership includes transnational corporations like Danone, Nestlé, Metro and Unilever and associations such as the European umbrella of farmers organisations COPA-COGECA[12], the highly influential food processors confederation CIAA[13], the liaison committee of food traders CELCAA[14] and the umbrella of EU wholesalers and retailers EuroCommerce.

In 2009, the High Level Group released its report on the competitiveness of the European agro-food industry outlining recommendations for the whole food supply chain. These recommendations reflect main orientations of EU agricultural, food and trade policies. Having found that the "European agro-food industry is confronted with an overall decrease of its share in the world market", the High Level Group offers several explanations for this trend:[15]

- competition of Brazil, China and other emerging markets,
- trade barriers on third country markets, such as tariffs and non-tariff measures,
- burdensome customs procedures,
- insufficient access to cheap raw materials.

11 WTO, *International Trade Statistics 2010*, Geneva, pp.51 and 56.

12 COPA-COGECA: *Comité des organisations professionnelles agricoles – Confédération générale de la coopération agricole.*

13 CIAA: *Confédération des industries agro-alimentaire de l'UE.*

14 CELCAA: *European Liaison Committee for the Agricultural and Agri-Food Trade.*

15 High Level Group on the Competitiveness of the Agro-Food Industry, 'Report on the Competitiveness of the European Agro-Food Industry', European Commission, Enterprise and Industry Directorate General, 17 March 2009, HLG.007, p. 11.

The report highlights access to cheap raw materials as a "key issue for the European agro-food industry", since these represent a significant part of the production costs.[16] Rising and increasingly volatile commodity prices and burdensome EU food safety regulations on genetically modified crops for food and feed would pose a threat for the supply with agricultural commodities. The report claims that the EU food processing industry would find itself in a competitive disadvantage because many of its competitors pay lower prices for these commodities than European companies. The High Level Group, therefore, calls for an EU policy framework that a) "facilitates the sufficient supply of competitively priced raw materials" and b) simplifies authorisation procedures for animal feedstuffs and genetically modified organisms (GMOs)[17].

One of the main problems for the European agro-food industry is the maturity of the EU market and the decreasing growth of food demand due to low birth rates in EU member states. In the past, population growth in benchmark countries like the US, Australia, Brazil or Canada was three to four times higher than in the European Union, indicating lower future food demand in the EU.[18] The High Level Group concludes that "the development of the European Agro-food companies becomes more and more dependent on the external dimension and access to foreign markets both for exporting and importing goods".[19]

Having conceived global expansion as almost indispensable, the report strongly advocates for further trade liberalisation and improved market access "by removing all unjustified obstacles to trade."[20] Whilst the multilateral approach of reaching a comprehensive trade deal in the Doha Round of the World Trade Organisation WTO should continue to be pursued, the report views bilateral trade agreements as significant complements. It urges the conclusion of on-going bilateral trade negotiations between the EU and, inter alia, India, Ukraine, Andean, ASEAN and Central American countries as well as further talks with China, Russia, Mercosur and Mediterranean countries.

16 Ibid., p. 12.

17 Ibid., p. 23.

18 European Commission, *Competitiveness of the European Food Industry – An economic and legal assessment*, Enterprise and Industry, 2007, pp. 26-27.

19 High Level Group on the Competitiveness of the Agro-Food Industry, 'Report on the Competitiveness of the European Agro-Food Industry', European Commission, Enterprise and Industry Directorate General, 17 March 2009, HLG.007, p. 65.

20 Ibid.

All parts of the EU food chain undergo processes of structural adjustment, consolidation and concentration. The bargaining power is particularly high in the intermediate and downstream segments of the food chain where processors and retailers define product requirements for agricultural primary producers. In recent years, sector experts observed "a shift of buyer power towards the retail end of the supply chain and away from the traditionally dominant processors".[21] Due to trade liberalisation, mergers, acquisitions and global sourcing strategies, retailers, particularly supermarket chains, managed to reinforce their power, while farmers and smaller food processors struggled to survive by lowering their prices or offering better terms.

The EU food processing industry comprises of many different sub-sectors including meat, beverages, dairy products, grain mill products, animal feeds, fruits and vegetables. It is the single largest manufacturing sector in the EU in terms of turnover and employment, ahead of the automobile, chemicals and machinery industries. In 2008, it employed a workforce of 4.4 million people.[22] Many of the food processors pursued internationalisation strategies and transformed themselves into global players not only penetrating industrial country markets but also emerging and developing country markets. Today, large European processors such as Nestlé, Unilever, Danone, Associated British Foods, FrieslandCampina, Lactalis or Vion rank among the world's top food and drink companies (see table 1).[23]

Due to the concentration process on their domestic markets, European retailers, particularly large supermarket chains, are also succesfully conquering global markets (see table 2). Europe's largest and the world's second largest retailer, French Carrefour, currently has over 15,600 stores around the globe, either company-operated or as franchises. The group employs 475,000 people and 57 percent of its turnover derives from outside France. It is present in 34 countries, including, inter alia, China, Indonesia, Malaysia, Thailand, Argentina, Brazil, Colombia, Egypt, Morocco and Tunisia.[24] Similarly, Europe's number two retailer, the Metro Group, pursues its expansion outside Europe through the establishment of Cash & Carry markets in, inter alia, China, India, Pakistan, Vietnam and Egypt.[25]

21 Liz Dodd/Samuel Asfaha, 'Rebalancing the supply chain: buyer power, commodities and competition policy', South Centre/Traidcraft, April 2008, p. 9.

22 CIAA, 'Data & trends of the European Food and Drink Industry 2009', Confédération des industries agro-alimentaire de l'UE, Brussels, March 2010.

23 Ibid.

24 See: www.carrefour.com

25 See: www.metrogroup.de

Table 1	Top European agri-food companies 2009-2010	
	Headquarters	Sales (€ billions)
Nestlé	Switzerland	25.1
Unilever	Netherlands/UK	12.0
Heineken	Netherlands	11.0
Groupe Danone	France	9.4
Vion	Netherlands	8.2
Associated British Food	UK	7.9
Carlsberg	Denmark	7.3
Ferrero	Italy	6.3
Danish Crown	Denmark	6.1
Südzucker	Germany	5.7
FrieslandCampina	Netherlands	5.7
Oetker Group	Germany	5.1
Anheuser-Busch InBev	Belgium	4.6
Tate & Lyle	UK	4.0

Table 2	Top European Food Retailers 2010	
	Headquarters	Sales (US$ billions)
Carrefour	France	119.5
Metro Group	Germany	91.1
Tesco	United Kingdom	88.8
Schwarz Group	Germany	80.6
REWE	Germany	70.8
Aldi	Germany	68.7
Edeka	Germany	58.5
Auchan	France	55.2
Ahold	The Netherlands	38.8
Casino Group	France	37.2
J. Sainsbury	United Kingdom	30.1
Leclerc	France	29.4
Delhaize Group	Belgium	27.7
Intermarché	France	25.0
Adapted from: PlanetRetail/Supermarket News 2010[26]		

26 See: http://supermarketnews.com/profiles/top25-2010/top-25/

3 CAP: WINNERS AND LOSERS IN EUROPE

From the first days of European integration, agriculture formed an essential part of the political project leading to the European Union with its current 27 member states. In 1957, the Treaty of Rome establishing the European Economic Community (EEC) not only gave birth to the Common Market, i.e., a customs union progressively dismantling tariffs on goods amongst the six founding members, but also to the Common Agricultural Policy. At that time, Western Europe struggled to overcome a shortage of food supplies as a result of the devastations of the Second World War. The EEC, particularly Germany, depended strongly on food imports, and agricultural primary production still played an important role in the economy of its founding members (Belgium, Luxemburg, Netherlands, Germany, France and Italy). In 1955, agriculture's share of GDP was 11.5 percent and its share of total employment 21.2 percent, on average, in the six EEC founding countries.[27] Due to structural change, these percentages decreased considerably during the following decades.

In the EU-27 of 2007, agriculture contributes merely 2 percent to overall GDP and 6.2 percent to total employment.[28]

The main issues for the architects of the Common Agricultural Policy (CAP) in the late 1950s were the security of food supplies and the stabilisation of farm incomes, which were lagging far behind incomes in other sectors of the economy. Accordingly, article 39 of the EEC Treaty laid down the following objectives of the CAP:

> (a) to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilisation of the factors of production, in particular labour;
>
> (b) thus to ensure a fair standard of living for the agricultural community in particular by increasing the individual earnings of persons engaged in agriculture;
>
> (c) to stabilise markets;
>
> (d) to ensure the availability of supplies;

27 Henrik Zobbe, 'The Economic and Historical Foundation of the Common Agricultural Policy in Europe', The Royal Veterinary and Agricultural University, Unit of Economics Working Paper 2001/12, Fredriksberg 2001.

28 Pavel Ciaian/D'Artis Kancs/Johan F.M. Swinnen, 'EU Land Markets and the Common Agricultural Policy', Centre for European Policy Studies, Brussels 2010.

> (e) to ensure that supplies reach consumers at reasonable prices.[29]

These objectives remained unchanged over the years and were finally integrated into the Lisbon Treaty of December 2009.[30]

In 1962, EEC members agreed that the CAP should be organised around three principles: 1) free intra-community trade for agricultural products, 2) a Community preference for EEC suppliers over third country suppliers and 3) common financing of all CAP expenditures. In the following years, a tariff union was created to allow free trade of agricultural products among its members. An intervention system covering most processed agricultural goods stimulated production, and a minimum price, set well above the world market price, was fixed each year for the most important product groups. In case the internal price for a given good fell below the intervention price, the state intervened and bought surplus quantities from food processors like grain mills or dairies, thereby increasing demand and stabilising prices.

Surpluses taken off the market had to be stored or were exported to third countries. CAP funds not only covered storage costs but also export subsidies compensating exporters who sold their products on world markets where prices were far lower than on the internal market. In addition, to protect EEC farmers from international competition, the Community established a system of variable import levies complementing external tariffs and ensuring that agricultural goods entering the internal market had at least the same price as competing domestic products.[31]

Regarding its aim of stimulating domestic production, the CAP system was quite successful in the first years after its inception. Shielded from international competition and nurtured by high guarantee prices, farmers modernised their holdings and considerably raised productivity. They strongly mechanised agricultural production and increased the use of agrochemical inputs such as fertilisers and pesticides. Yet, by the 1970s, the food trade deficit was overcome and output increased stronger than demand leading to growing surpluses in several product groups like dairy, sugar, meat and grains. At the same time, the

29 http://www.ena.lu/treaty_establishing_european_economic_community_rome_25_march_1957-2-10730

30 http://www.lisbon-treaty.org/wcm/the-lisbon-treaty/treaty-on-the-functioning-of-the-european-union-and-comments/part-3-union-policies-and-internal-actions/title-iii-agriculture-and-fisheries/181-article-39.html

31 Pavlos Pezaros, 'Introduction to the Common Agricultural Policy: Principles, Objectives and Orientations', in: Baourakis G. (ed.), *The Common Agricultural Policy of the European Union: New market trends*, CIHEAM-IAMC, Chania 1998 (Cahiers Options Méditerranéennes, No. 29).

European Community began to develop from a net importer to a net exporter of food. During the 1980s, criticism of the CAP multiplied as overproduction led to the accumulation of the infamous "milk lakes" and "butter mountains", with some of the surpluses exported at subsidised prices and others destroyed.[32]

3.1 A never-ending story: CAP reforms

The rising costs for stockholding and export subsidies triggered a first serious of reforms in the 1980s aimed at redressing the deficits of the system. Quotas restricting the production of milk and sugar, a limit on overall CAP spending and set-aside payments for farmers leaving part of their land out of production were introduced. However, these measures proved to be of only limited success. Stocks of surplus produce continued to accumulate, and so did the budgetary expenses for the CAP. In 1991, referring to the growing food surpluses, then Commissioner for Agriculture Ray MacSharry, stated that "the continuation of such a policy is not sustainable physically or from the point of view of the budget. The status quo cannot be defended nor maintained."[33] Mac Sharry also referred to the social impact of the Common Agricultural Policy: "Our policy has not prevented large numbers of farmers leaving the land. Furthermore, 80% of resources go to 20% of farmers because of the system's linkage of price support to food volume."[34]

In addition, the CAP came under growing pressure during the protracted negotiations of the Uruguay Round of the GATT (1986-1994) culminating in the establishment of the World Trade Organisation WTO. Trading partners claimed that subsidised EU exports dumped on global markets depressed prices and incomes of farmers worldwide. In a bid to defend its share of agricultural markets, the US reintroduced export subsidies, thus depressing world market prices even more. As a result, shortly before the Uruguay Round, 14 nations, including Australia, Canada, New Zealand, Argentina, Brazil and Thailand, formed the Cairns Group of agricultural exporters to pressure the Europeans and the US into lowering their domestic farm support and particularly their export subsidies.[35]

32 Brian Gardner, *European Agriculture – Policies, production and trade*, London/New York 1996.

33 Ray MacSharry, 'Foreword', in: Commission of the European Communities, *The Development and Future of the Common Agricultural Policy – Proposals of the Commission*, Green Europe, 2/91, Brussels 1991.

34 Ibid.

35 Klaus Kogler, 'Single Farm Payments in the European Union and its Implications on New Zealand Dairy and Beef Trade', AERU Research Report No. 290, December 2009. See also Cairns Group website: http://cairnsgroup.org/Pages/wto_negotiations.aspx

1992: The MacSharry reform

Against this background of mounting criticism, Commissioner MacShary launched the first major CAP reform in 1992 aiming at bringing the high domestic farm prices closer in line with the far lower world market prices. The MacSharry reform_ redirected the CAP's main focus from price support to direct income aids. Guarantee prices for cereals, dairy products and meat were lowered, while farmers received direct payments as a partly compensation for the lower farm gate prices. The compensation payments such as several specific premiums had been coupled to production. In the case of cereal farmers, direct payments for price cuts were based on hectares under cultivation, whereas livestock farmers received premiums according to heads of cattle they owned. To be eligible for these payments, farmers were obliged to compulsory set aside part of their land and to restrict their livestock numbers.[36]

1999: The Agenda 2000

Although the MacSharry reform introduced new orientations to the CAP, it, nevertheless, remained a gradual reform unable to solve the overproduction problem. Domestic prices remained above world market prices and surpluses continued to place a burden on the EU budget. Thus, further reforms were inevitable. The Agenda 2000, agreed in 1999, built on the MacSharry reform and focussed mainly on stabilising agricultural spending. Support prices for cereals, milk products and beef were further cut and compensation payments for affected farmers increased. "Rural development" was established as the second pillar of the CAP complementing the first pillar covering market support measures (see table 3).

By integrating rural development, EU policy makers facilitated a wide range of support measures such as the diversification of rural economies, the protection of the environment and the improvement of rural living conditions. The Agenda 2010 strengthened agri-environmental measures allowing EU Member States to make direct payments conditional on compliance with environmental objectives, the so-called "cross-compliance". It also provided for the voluntary "modulation" of direct payments, i.e., the option to link part of the payments to criteria like employment generation or the prosperity of the respective farm. Member States could thus reduce direct payments in case farm holdings did not comply with certain minimum employment requirements. Savings from modulation

36 Pavlos Pezaros, 'Introduction to the Common Agricultural Policy: Principles, Objectives and Orientations', in: Baourakis G. (ed.), *The Common Agricultural Policy of the European Union: New market trends*, CIHEAM-IAMC, Chania 1998 (Cahiers Options Méditerranéennes, No. 29).

could then be shifted to Pillar Two, in order to finance rural development measures.[37]

2003: The Fischler reform

However, the impact of Agenda 2000 remained modest and already in 2003 the next CAP overhaul was being undertaken. The 2003 CAP reform, also referred to as "Mid-Term Review" or "Fischler" reform (named after former Commissioner for Agriculture Franz Fischler), had to accommodate the 2004 EU enlargement by 10 Central and Eastern European countries, followed by the accession of Cyprus and Malta in 2007. The accession treaties stipulated that farmers from the new Member States got immediate access to CAP market support and intervention mechanisms, whereas direct aids would be phased in over 10 years.[38]

Yet, the main innovation of the 2003 reform was the alleged "decoupling" of direct payments from production by introducing the single payment scheme (SPS) replacing most of the former direct payments. From January 2005, farmers were allocated payment entitlements based on the direct aids they received during a reference period in the past. Instead of several production based payments, they received a single farm payment independently of the type or quantity they actually produced, thus loosening the link between subsidy and production. However, the Mid-Term Review still allowed part of the direct aids for the crop and livestock sectors to remain coupled to production.[39]

Furthermore, the 2003 Cap reform made cross-compliance provisions compulsory. Recipients of single farm payments were required to abide to Community standards relating to public, animal and plant health, animal welfare and the environment. The modulation mechanism, introduced on a voluntary basis by the Agenda 2000 reform, was made mandatory, thereby allowing the reallocation of more Pillar One funds to rural development measures of Pillar Two.[40]

37 Pavlos Pezaros, 'The Agenda 2000 CAP reform agreement in the light of the future EU enlargement', European Institute of Public Administration (EIPA), Working Paper 99/W/02, August 1999.

38 OECD, 'Analysis of the 2003 CAP Reform', Organisation for Economic Co-operation and Development, Paris 2004.

39 S.H. Gay/B. Osterburg/D. Baldock/A. Zdanowicz, 'Recent Evolution of the EU Common Agricultural Policy (CAP): state of play and environmental potential', FAL (Bundesforschungsanstalt für Landwirtschaft)/IEEP (Institute for European Environmental Policy), MEACAP WP6 D4b, March 2005.

40 OECD, 'Analysis of the 2003 CAP Reform', Organisation for Economic Co-operation and Development, Paris 2004.

Table 3	**CAP Pillars, Budget 2011**		
	Financing	**Type of Payments**	**Budget** (Billions)
Pillar One	Financed by the European Agricultural Guarantee Fund EAGF. All Pillar One support is fully financed from EU resources. Measures developed and administered at EU level.	Direct Aids Income support for farmers through the Single Payment Scheme	39.7
		Interventions in Agricultural Markets Commodity price support through, e.g., export subsidies, purchasing and storage of surpluses, quotas	2.9
Pillar Two	Financed by the European Agricultural Fund for Rural Development EAFRD All Pillar Two actions have to be co-financed from national or regional funds. EAFRD complements national, regional and local actions. Member States may choose from a broad menu of measures.	Rural Development Axis 1: Improving the competitiveness of the agricultural and forestry sector Axis 2: Improving the environment and the countryside Axis 3: The quality of life in rural areas and diversification of the rural economy Axis 4: LEADER Programme. Implementation of local development strategies through public-private partnerships.	14.4

2008: The Health Check

The latest reform step to date has been taken with the so-called "Health Check" of 2008.[41] The agreement reached among EU agriculture ministers in November 2008 contains a range of measures, some of which directly carrying forward the 2003 reform. Most of the remaining payments coupled to production where "decoupled" and moved to the Single Payment Scheme, with the only exception of premia for suckler cows, goats and sheep, where Member States may still maintain coupled support. Modulation, i.e., shifting funds from Pillar One (mainly direct aids) to Pillar Two (rural development), has been further strengthened, while cross compliance rules have been simplified. Regarding the market mechanisms, ministers agreed to phase out maize intervention, to abolish intervention purchases of pig meat and to set barley and sorghum intervention at zero. Yet, intervention buying of wheat, butter and skim milk powder is still possible.[42]

Finally, one of the most controversial decisions was the one percent yearly increase of the milk quota until its phasing out in April 2015. This decision led to the milk crisis of 2009 with massive oversupplies, a decline of producer prices and a further increase of European dairy exports replacing local producers in third countries (see chapter 4).

Summing up the main characteristics of the CAP reform process over the last two decades, its core element – as the European Commission states – was a "shift from product support to producer support". Before the 1992 MacSharry reform, more than 90 percent of all CAP expenditure went to market support, i.e., guaranteeing high commodity prices on the internal market by intervention purchases and export subsidies. By 2009, this figure had fallen to 10 percent of the CAP budget (see chart 3). The amount of export subsidies, for instance, decreased from €10 billion in 1991[43] to €650 million in 2009.[44]

While the MacSharry reform introduced the shift from price support to direct payments coupled to production (based on

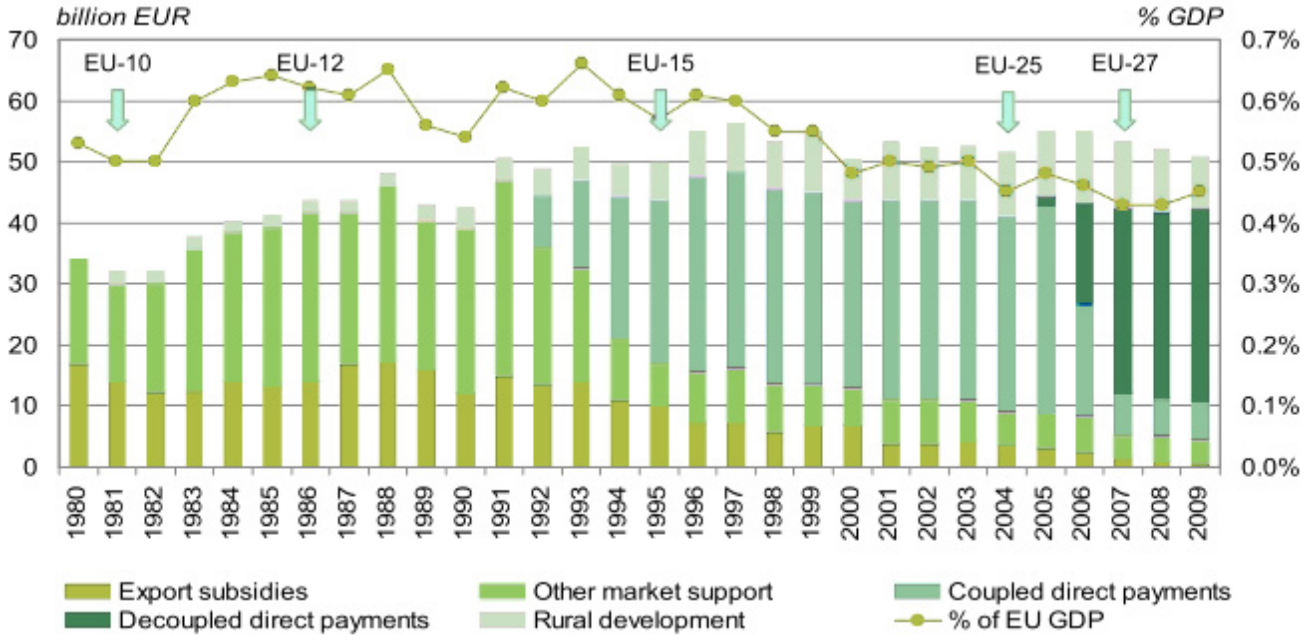
41 IIEP, 'Towards the CAP Health Check and the European Budget Review – The Proposals, Options for Reform, and Issues Arising', Institute for European Environmental Policy, September 2007.

42 See: http://ec.europa.eu/agriculture/healthcheck/index_en.htm. And: Peter Timmerman, 'The Health Check: further steps to adapt the Common Agricultural Policy to new realities', Egmont Institute, European Affairs Program, Working Paper, 2009/01.

43 European Commission, 'Facts and figures on EU trade in agricultural products: open to trade, open to developing countries', Memo/02/296, Brussels, 16 December 2002.

44 European Commission, Agriculture in the European Union – Statistical and Economic Information, Report 2010, March 2011, p. 136.

Chart 3 **CAP budget 1980-2009**



fixed areas or numbers of animals), the 2003 reform supposedly "decoupled" these payments from production by introducing the Single Payment Scheme. According to official estimates for the period 2010-13, roughly 69 percent of the CAP budget will be directed to direct payments, of which over 90 percent are now characterised as "decoupled". Roughly 7 percent will be spent on market support and 24 percent on rural development.[45]

3.2 The decoupling fraud

However, the EU's repeated claim that "decoupling" of its direct payments provides support to farmers without distorting trade or affecting production has long been questioned, particularly in connection with the EU's efforts to safeguard its farm policies during the GATT Uruguay-Round and later in the WTO.

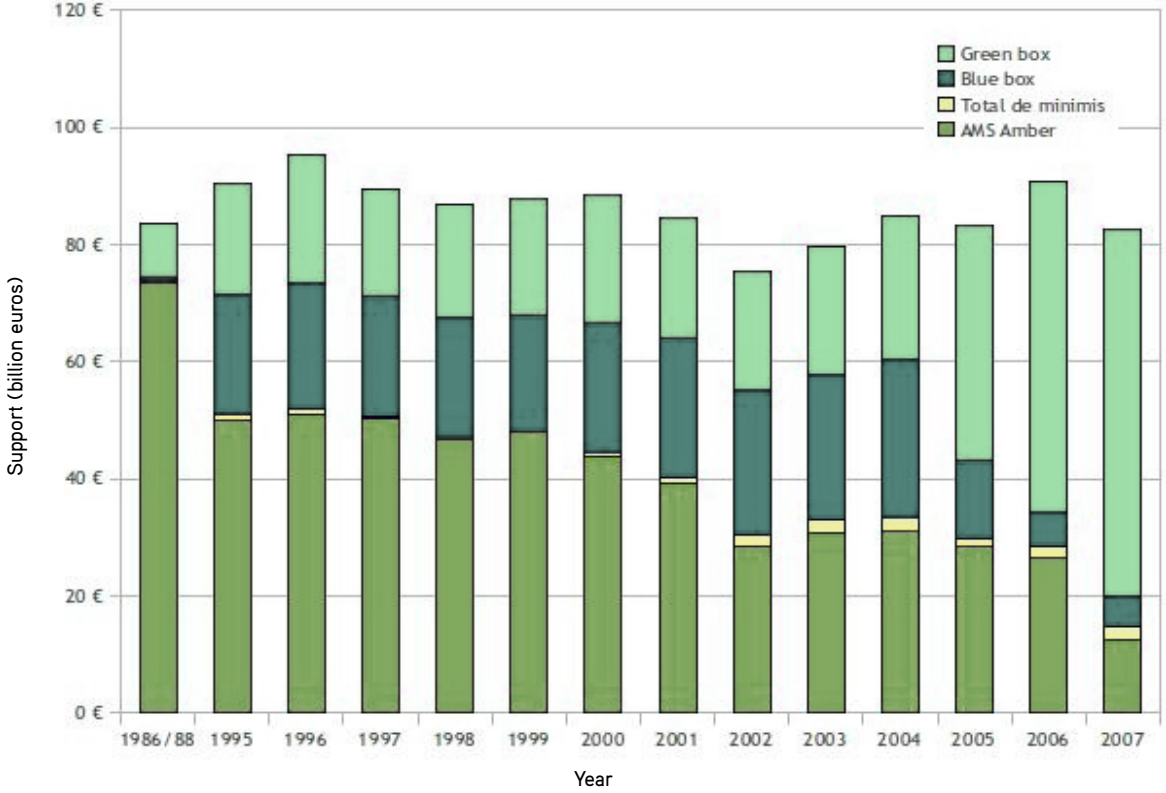
The WTO Agreement on Agriculture (AoA) divides domestic support for the farming sector into three categories: a) the so-called amber box of trade-distorting measures subject to reduction commitments, b) the green box subsidies of 'no, or at most minimal trade-distorting effects' and c) the blue box of direct payments under 'production-limiting programmes' linked to fixed areas or livestock numbers. Both, the green and blue box, have been exempt from reduction commitments under the AoA. The blue box was an outcome of the Blair House Accord, a 1992 deal between the US and the EU to break the impasse of the Uruguay Round negotiations. At that time, the EU relied heavily on production-limiting programmes which had been introduced by the MacSharry reform. Integrating the blue box into the Agreement on Agriculture allowed the EU to effectively exclude some 40 percent of its CAP spending from WTO reduction commitments.[46]

Since the 2003 CAP reform and the "decoupling" of direct payments, the EU began to shift large parts of its subsidies from the blue box to the also unconstrained green box, which today contains the large majority of CAP spending notified to the WTO by the European Union (see chart 4). According to its latest WTO notification of agricultural domestic support covering marketing year 2008/09, payments worth €62.6 billion fall into the green box and €5.1 billion into the blue box, while €12.3 billion qualify as trade-distorting

45 European Commission, 'The CAP in perspective: from market intervention to policy innovation', Agricultural Policy Perspectives Briefs, Brief no 1 rev, January 2011.

46 Jim Dixon, 'Nature Conservation and Trade Distortion : Green Box and Blue Box Farming Subsidies in Europe', in: Golden Gate University Law Review, Volume 29, Issue 3, 1999, pp. 415-443.

Chart 4 **EU domestic support 1986-07**



Compiled by ICTSD from notifications

subsidies. Half of the green box payments – €31.3 billion – comprise of 'Decoupled Income Support' mainly under the Single Payment Scheme, followed by €7.5 billion spent on 'Investment Aids'.[47]

Many experts contest the non-distorting character of large parts of CAP payments now classified by the EU as trade- and production-neutral green box subsidies. They claim that this "box shifting" exercise amounted to a mere repackaging and repainting of export subsidies and trade-distorting amber box support. Allegedly "decoupled" direct aids would still have a trade-distorting and surplus-stimulating effect because they increase farmers' incomes and lower their market risks. They enable the maintenance of production volumes although farmers' revenues may not cover all of the production costs. By helping to cover fixed costs, they allow farmers to produce at lower prices compared to non-subsidised competitors. These direct payments also permit the use of higher amounts of agricultural inputs increasing not only farm productivity but also the turnover of the agro-chemical industry.[48]

47 WTO, Committee on Agriculture, Notification, G/AG/N/EEC/68, 24 January 2011.

48 Grey, Clark, Shih and Associates, 'Green Box Mythology: The Decoupling Fraud', Study Prepared for Dairy Farmers of Canada, June 2006.

In addition, all the compensation payments for cuts in intervention prices of feedstuffs (cereals, oilseeds, pulses etc.) continue to serve as a huge input subsidy for European livestock farmers. EU food processors also benefit from these compensation payments because "the drop in the cost of their agricultural raw materials has increased their competitiveness", as Jacques Berthelot of French NGO Solidarité points out.[49] Thanks to cheaper domestic raw material supply, EU food processors managed to sell their products on world markets at lower prices, while at the same time reducing their export subsidy demand.

The guaranteed revenue stream of direct payments also improves the creditworthiness of farmers enabling them to undertake productivity enhancing investments that may stimulate overproduction. In addition, the EU and its Member States directly support farm modernisation by granting investment aids under CAP's Pillar Two (Rural Development), which amounted to €7.5 billion in marketing year 2008/09. Being classified as trade- and production-neutral green box subsidies at the WTO, these investment aids cover, inter alia: "Aid for farm modernisation; purchase of machinery, equipment, animals, buildings

49 Jacques Berthelot, 'Can the CAP manage without market regulation after 2013? The CAP subsidies are incompatible with the WTO Agreement on agriculture', Solidarité, 2010.

and plantations".[50] Contrary to their alleged non-distortive character, data from farm surveys show that these payments actually increase productivity and production.

In several EU countries large parts of investment aids have been given to the livestock sector, thus directly contributing to overproduction of dairy and meat products. In Germany, e.g., data for 2005 showed that due to investment aids given to dairy farms the productivity increased by 40-73 percent, the milk performance per cow by 6-10 percent, the number of cows by 7-47 percent and the milk output by 30-59 percent. In other countries, too, farmers used investment aids to enhance their productive capacities:

- In Spain's Basque Country, 70 percent of beneficiaries stated they increased productive capacities thanks to investment support.
- In Sweden, 70 percent of supported investments were used for farm rationalisation.
- In Wales (UK), 91 percent of recipients reported enhanced capacity use.[51]

50 WTO, Committee on Agriculture, Notification, G/AG/N/EEC/68, 24 January 2011.

51 Marita Wiggerthale, 'Surveys show EU's Green Box subsidies are trade-distorting', TWN Info Service on Trade and WTO Issues (Aug 07/05), 24 August 2007.

Consequently, the oversupply of several agricultural and food items continues despite the string of CAP reforms. Although the surpluses have generally fallen since the MacSharry reform of 1992, there are still many sectors where production exceeds domestic demand. EU figures exhibit considerable net production surpluses for wheat, barley, pork, poultry, skim milk powder, butter and cheese, with skim milk powder production exceeding domestic consumption more than 20 percent.[52] Therefore, the pressure for the European food industry to seek global markets is set to continue.

3.3 Unequal distribution of funds

The unequal distribution of CAP funds, i.e., the allocation of large sums to the biggest farms and food processors also leads to overproduction, as it facilitates the concentration into larger farming units which realise higher outputs due to greater economies of scale. According to OECD figures, in 2007, the 25 percent largest farms in the EU-27 were allocated 74 percent

52 European Commission, 'The CAP in perspective: from market intervention to policy innovation', Agricultural Policy Perspectives Briefs, Brief no 1 rev, January 2011, p. 5.

of total CAP support and the 25 percent smallest farms only 3 percent.[53]

These findings are also being confirmed when only considering direct payments. In 2009, approximately 18 percent of mainly larger farms in the EU-27 received 85 percent of direct payments.[54] As table 4 shows, 43 percent of the 7.8 million beneficiaries (about 3.4 million) were allocated direct payments of less than €500 per holding in 2009. On the other hand, a privileged minority of 0.39 percent of beneficiaries (roughly 31,000) received more than €100,000 and 0.1 percent (about 8,000) more than €200,000 per holding in the same year. About 1,410 holdings range in the highest class having received more than €500,000 in 2009 (see table 4). The European Commission itself admits that "the distribution of direct payments between beneficiaries also mainly reflects the differences in farm size".[55] In other words, this unequal distribution favours large rationalisied, input-intensive and export-oriented factory farms, to the detriment of the majority of small family farms serving the local markets but struggling to survive.

The change of transparency rules in 2009 requiring Member States to publish information on CAP beneficiaries shed some more light on the skewed distribution of EU farm payments. Those receiving the most funds not only comprise large factory farms but also many food processors. Big sugar companies are among the largest beneficiaries. In 2009, for instance, Tereos (France) received €177 million, Saint Louis Sucre (France) €143 million, Azucarera Ebro (Spain) €119 million and Südzucker (Germany) €42 million. Big dairy companies, amongst them several cooperatives, were also allocated large sums, as, e.g., Nordmilch AG (Germany) with €51 million, Lactalis (France) €22 million and Arla Foods (Denmark) €13 million.[56]

Many of the same companies also enjoyed large payments in the following year. In 2010, Azucarera Ebro got €61 million, Arla Foods €16 million, Nordmilch €8 million and Südzucker €2,6 million. Large companies like Dutch dairy cooperative FrieslandCampina received subsidies for several of their subsidiaries not only in the Netherlands, but also in Spain and Germany. Considering only amounts of more than €1 million,

53 Catherine Moreddu, 'Distribution of Support and Income in Agriculture', OECD Food, Agriculture and Fisheries Working Papers No. 46, OECD 2011, Annex C.

54 European Commission, 'Indicative Figures of the Distribution of Farm Aid, By Size-Class of Aid', Financial Year 2009, see: http://ec.europa.eu/agriculture/funding/directaid/distribution_en.htm

55 European Commission, 'Indicative Figures of the Distribution of Farm Aid, By Size-Class of Aid', Financial Year 2009, p. 7.

56 Farmsubsidy.org, 2009 Millionaires, see: http://capreform.eu/2009-data-harvest/

Table 4	Distribution of Direct Payments in the EU-27, 2009	
Direct payments per holding	Number of beneficiaries (in thousands)	Relative share of number of beneficiaries (in %)
< 0 €	5.65	0.07
≥ 0 and < 500 €	3,442.10	43.74
≥ 500 and < 1,250 €	1,468.84	18.67
≥ 1,250 and < 2,000 €	594.57	7.56
≥ 2,000 and < 5,000 €	904.05	11.49
≥ 5,000 and < 10,000 €	551.09	7.00
≥ 10,000 and < 20,000 €	423.50	5.38
≥ 20,000 and < 50,000 €	354.06	4.50
≥ 50,000 and < 100,000 €	93.84	1.19
≥ 100,000 and < 200,000 €	22.89	0.29
≥ 200,000 and < 300,000 €	4.21	0.05
≥ 300,000 and < 500,000 €	2.36	0.03
≥ 500,000 €	1.41	0.02
Totals	7,868.57	100.00

Source: European Commission, Indicative figures on the distribution of aid, by size-class of aid (Financial year 2009)

FrieslandCampina subsidiaries were handed out eight individual payments ranging from €1,2 million to €3,7 million in 2010 alone.[57] The same is true for one of the largest food producers and grain traders in the world, US giant Cargill with yearly revenues of some $120 billion. In 2008, Cargill received at least €10.5 million, collecting CAP subsidies in eight EU countries.[58]

Taking account of several years of total CAP payments, including direct aids, market support and rural development, the website "farmsubsidy.org" presents a list of all time top CAP recipients (see table 5).

All of these CAP recipients are large export-oriented food companies, several of which with a strong presence outside Europe. Dairy company FrieslandCampina, e.g., has a global presence with locations in, inter alia, Ghana, Nigeria, Saudi-Arabia, China, Indonesia, Malaysia, Thailand, Vietnam and Argentina.[59] The same is true for Danish dairy company Arla Foods with locations in Argentina, Brazil, Mexico, Dominican Republic, Lebanon, Saudi-Arabia, Bangladesh, China, Vietnam and others.[60] Food ingredient producer Tate & Lyle sells its products to customers around the world and owns production facilities and sales offices in, inter alia, Mexico, Colombia, Argentina, Brazil, Morocco, South Africa, India, China, Vietnam, the Philippines and Indonesia.[61] Nestlé, the food giant headquartered in Switzerland and employing some 280,000 people, has an almost global presence.[62]

Besides large factory farms and food processors, profiteers of the CAP system also include export-oriented food traders and the big retailers such as supermarket chains. Processors, traders and retailers all benefit of the cheap domestic raw material supply triggered by the cut and partial phasing out of intervention prices combined with direct compensation payments mainly favouring rationalised cereal and livestock farms. The direct payments, now by far the most dominant part of CAP support, act like a gigantic cross-subsidy for the export-oriented food business effectively replacing the decreased export refunds. This cross-subsidisation of the food industry facilitates sales on international markets at dumping levels, i.e., at prices below production costs. Another important profiteer

57 Farmsubsidy.org, 2010 Millionaires, see: http://ftp.farmsubsidy.talusdesign.co.uk/millionaires2010.xls

58 Doreen Carvajal, Stephen Castle, 'European Subsidies Stray From the Farm', *New York Times*, 16 July 2009.

59 http://www.frieslandcampina.com/english/

60 http://www.arla.com/

61 http://www.tateandlyle.com/

62 http://www.nestle.com

Table 5	**Top CAP beneficiaries (payments up to 2009)**		
1	FrieslandCampina	Netherlands	€1,605,926,904 (since 1997)
2	Arla Foods	Denmark	€951,731,484 (since 2000)
3	Tate & Lyle	UK	€827,979,239 (since 1999)
4	Avebe	Netherlands	€589.534,206 (since 1997)
5	Danisco	Denmark	€484,863,255 (since 2000)
6	Hoogwegt	Netherlands	€356,925,537 (since 1997)
7	Danish Crown	Denmark	€292,629,690 (since 2000)
8	Eridania Sadam	Italy	€225,357,110 (since 2002)
9	Nestlé UK	UK	€196,777,997 (since 1999)
10	Saint Louis Sucre S.A.	France	€196,464,108 (since 2004)

Source: www.farmsubsidy.org

of this highly skewed support system is the agricultural input industry, particularly the agrochemical industry, since the steady income stream guaranteed by the Single Payment Scheme allows already large farms to further intensify production and to increase the use of agricultural inputs like chemical fertilizers and pesticides.

Box 1

The Queen is a farmer

CAP funds for the wealthy

'Feed the rich!' That seems to be the slogan of those showering CAP funds onto the wealthy, among them several land-owning aristocrats. For years, the Queen of England belongs to the largest recipients of European farm subsidies. In 2008, she received €500,000 in CAP aids for private land around the Royal Residence of Sadringham. A Buckingham Palace spokesman said: "The Queen is a landowner and a farmer. She receives subsidy, just as any other farmer would do."[63] In the same year, Prince Charles, heir to the throne, received €200,000 for his landholdings. The third richest person in the UK, the Duke of Westminster, collected €554,000 for his farm. The EU also transferred €508,000 to Prince Albert II of Monaco, whose fortune is estimated at €2 billion. The Prince of this Mediterranean tax haven owns a wheat farm in the North of France.[64] Germany's largest private landowner and Europe's largest forest owner, billiardaire Prince Albert of Thurn and Taxis, got €575,000 in 2008 and more than €1 million in 2009 out of the CAP budget.[65]

63 'Queen Elizabeth received 500,000€ of EU subsidies in 2008', *Digital Journal*, 1 May 2009.

64 Doreen Carvajal, Stephen Castle, 'European Subsidies Stray From the Farm', *New York Times*, 16 July 2009.

65 Michael Kaczmarek, 'EU-Agrargeld: Topverdiener, Intransparenz, Korruption', *Euractiv.de*, 6 May 2010.

3.4 The losers: Small farms

In the primary production sector the number of agricultural holdings is gradually shrinking while their economic and physical size is increasing. Almost all EU member states experienced a steady decline in the number of agricultural holdings between 1993 and 2005. Portugal, Belgium, the Netherlands, Denmark, Spain and Italy, for instance, witnessed declines of 20 to 30 percent.[66] According to the latest Eurostat farm structure survey, EU-27 farm numbers were shrinking from 15 million in 2003 to 13.7 million in 2007.[67]

In terms of *economic size*, in 2007 about 81 percent of all holdings – 11.1 million – are small farms marketing less than half of their production. Of these small holdings, 4.7 million are considered as semi-subsistence and 6.4 million as subsistence farms, with the latter producing primarily for their own consumption. In terms of *physical size*, European holdings of less than 5 hectares are viewed as small farms. According to this physical measure, there were approximately 9.6 million small farms in 2007 (around 70 percent of all holdings), operating on only 8.4 percent of the agricultural area of the EU.[68]

The EU enlargements in 2004 and 2007 with the accession of 12 Central and Eastern European countries along with Malta and Cyprus increased the importance of small farms in the EU. Today, 59 percent of all EU agricultural holdings belong to the accession countries (EU-12). The average size of EU-12 farms does not exceede 6 hectares, while it is 22 hectares in the former EU-15 countries. The Eastern European farming sectors are therefore characterised by larger numbers of agricultural holdings with comparatively low sizes, a lot of them subsistence farms. It is estimated "that some 70% of total farms in Bulgaria and 81% in Romania self-consume more than half of their production".[69] In seven of the 12 new member states most farms produce mainly for self-consumption.[70]

66 Eurostat, 'Food: from farm to fork statistics', 2008 edition, Eurostat Pocketbooks.

67 Eurostat, 'Agricultural Statistics: Main results – 2008-2009', 2010 edition, Eurostat Pocketbooks.

68 European Network for Rural Development, 'Semi-subsistence farming in Europe: Concepts and key issues', Background Paper, April 2010.

69 Carmen Hubbard, Small Farms in the EU: How Small is Small?, Paper presented at the 111th EAAE-IAAE Seminar 'Small Farms: Decline or Persistence', University of Kent, Canterbury, 26-27th June 2009.

70 European Network for Rural Development, 'Semi-subsistence farming in Europe: Concepts and key issues', Background Paper, April 2010.

Agriculture in the EU still remains to be a largely family-run business. In terms of labour force, at least 26.4 million persons worked regularly on all EU agricultural holdings in 2007, with 40 percent of them (about 10 million) on subsistence farms. However, the labour force of EU farms is also constantly diminishing, decreasing from 30.5 million persons in 2003 to 26.4 million in 2007.[71] In the period 2000-2007, the agricultural labour force on larger holdings (excluding subsistence farms) shrank by 19.5 percent across the EU-27. "The most rapid declines (between 32% and 44%) were registered in Romania, Bulgaria, Lithuania, Slovakia and Estonia, in large parts reflecting structural adjustments", as Eurostat reports.[72]

EU figures also confirm the structural change taking place in the farming sector. While the number of small subsistence farms decreased by 10 percent between 2003 and 2007, the number of the largest farms (in terms of economic size) increased by 10 percent. While Western Europe saw a more gradual decline of small farms, the rate of decrease in some of the accession countries is much faster than in the West.[73]

In sum, despite the ongoing structural adjustment process, small farms continue to be a very important but neglected part of the rural economy. They still account for the largest share of farm holdings, employ the vast majority of agricultural labourers and produce the majority of agricultural goods. However, the EU Common Agricultural Policy did everything to eliminate this sector. As agricultural economist Carmen Hubbard puts it: "The design of the CAP from the outset, and subsequently in its reforms, not only ignored small farms, but forced them either to amalgamate or exit the sector via structural change. Small farms were perceived as an obstacle in the modernisation of EU agriculture."[74]

71 Eurostat, 'Agricultural Statistics: Main results – 2008-2009', 2010 edition, Eurostat Pocketbooks.

72 Eurostat, 'Food: from farm to fork statistics', 2008 edition, Eurostat Pocketbooks.

73 Eurostat, 'Agricultural Statistics: Main results – 2008-2009', 2010 edition, Eurostat Pocketbooks.

74 Carmen Hubbard, Small Farms in the EU: How Small is Small?, Paper presented at the 111th EAAE-IAAE Seminar 'Small Farms: Decline or Persistence', University of Kent, Canterbury, 26-27th June 2009.

4 CAP IMPACTS IN THE GLOBAL SOUTH

4.1 Import dependency and food deficit

One of the main problems of food insecure countries today is their growing food import dependency, a process which started in the 1980s. The Common Agricultural Policy (CAP) and the ongoing dumping of European food products on world markets contributed to this development and exacerbated the food insecurity in many parts of the world.

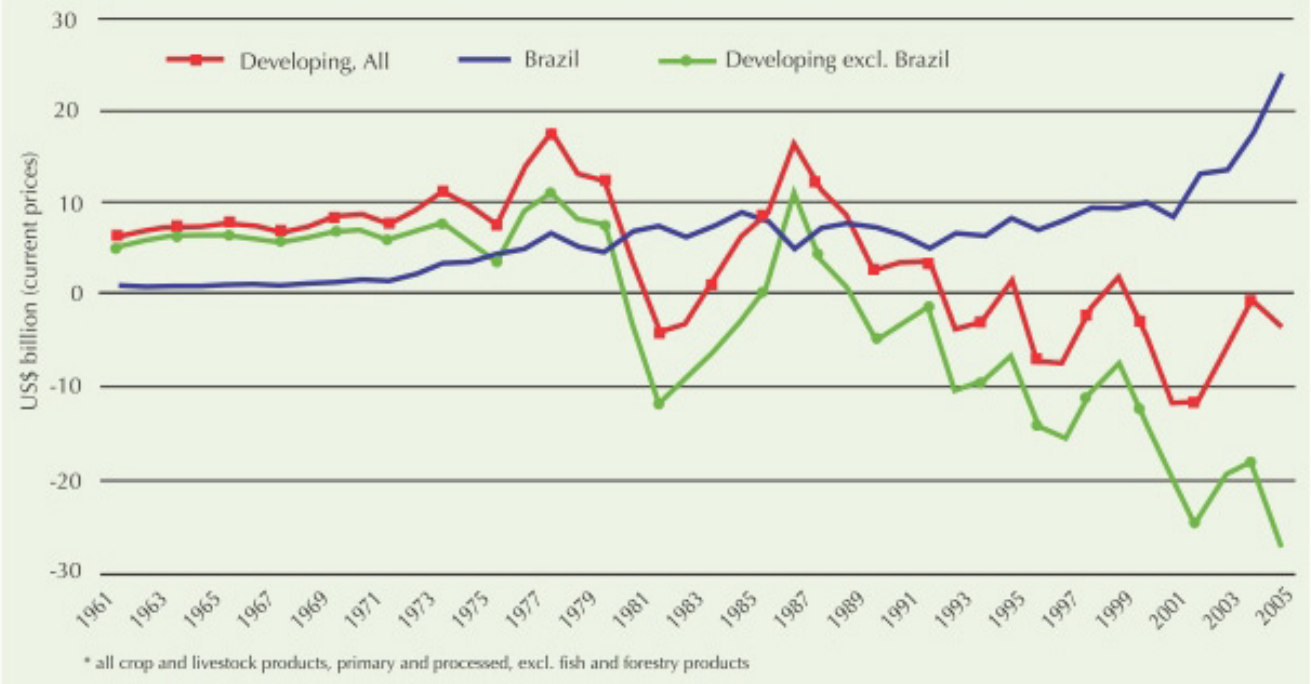
Trade liberalisation and structural adjustment programmes imposed by the World Bank and the IMF led to the erosion of developing countries' traditional surplus in agricultural trade. The policies of international financial institutions and development agencies compelled Southern governments to cut support for domestic agriculture, dismantle state-owned agricultural marketing boards, open markets for food imports and to switch from staple food production for local markets to cash crop cultivation for export markets. Combined with the neglect of agriculture by governments and development assistence, these policies triggered the rising agricultural trade deficit of the Global South. Until 1985, developing countries' agricultural trade balance exhibited a net surplus of more than $10 billion a year. In the following two decades, this surplus turned into a large deficit amounting to almost $30 billion in 2005 (see chart 5).

Due to stagnating demand and declining prices for tropical beverages and fruits (coffee, cocoa, tea, bananas etc.), the switch to cash crop exports did not result in sufficient trade revenues to compensate for the growing imports of basic food items like cereals, dairy products, meat and vegetable oils. FAO projections indicate a further deepening of the food import dependency of developing countries in the coming years, irrespective of the fact that some emerging markets like Brazil, Argentina or Indonesia increased their exports of basic foods like cereals and vegetable oils.[75]

Nowadays, two thirds of developing countries are net-food importers, mainly bying staple foods like cereals, dairy products, oilcrops, meat and sugar on the world market, with cereals the single most important item. Cereals continue to be the

75 FAO, *World agriculture: towards 2030/2050*, Interim report, Rome 2006, pp. 30-65.

Chart 5 **Net agricultural trade balance: developing countries, 1961-2004**



largest part of the human diet, particularly in the South where the consumption of wheat, maize, rice, sorghum or millet provides 54 percent of total calories.[76] As Harvard botanist Paul Mangelsdorf once put it, "these plants quite literally stand between mankind and starvation".[77] However, the main cereal exporters are a handful of industrialised countries like the EU, US, Canada and Australia, whereas developing countries as a group heavily depend on the world market. According to FAO estimates, in 2010/11, global cereal imports amount to 275 million tonnes, 212 million of which are bought by developing countries.[78]

The overdependency on a few cereal-exporting countries is highly risky, because policy decisions, market developments and adverse weather events in these countries may negatively affect cereal availability and prices on the world market, as was the case during the price spike of 2007/08 and the current one that began in the second half of 2010 (see chart 6). Volatility and levels of food prices have generally increased in the last years, so that food prices are now sharply fluctuating at double the average level of 1990-2006, causing hardship for millions of consumers in import dependent countries.[79]

Import dependency grew most among the world's poorest regions, particularly the 48 Least Developed Countries (LDCs)[80] and the 70 Low-Income Food-Deficit Countries (LIFDC).[81] More than half of the LIFDCs have a very high cereal import depend-eny relying on imports for more than 30 percent of their cereal consumption. In more than 20 LIFDCs the import/consumption ratio even surpasses 50 percent like, e.g., in Congo, Mauritania, Liberia, Somalia, Ivory Coast, Senegal, Yemen, Georgia, Mongolia, Papua New Guinea and Haiti.[82]

Many of these countries are now paying the price for their lost food self-sufficiency. Between 2002 and 2008, LDC's food import bill already rose more than twofold from $9 billion to $24 billion.[83] For 2011, it is estimated that their import bill will

76 Ibid., p. 23.

77 Paul C. Mangelsdorf, 'Genetic Potentials for Increasing Yields of Food Crops and Animals', in: National Academy of Sciences, *Prospects of the World Food Supply – A Symposium*, Washington 1966, pp. 66-71.

78 FAO, 'Food Outlook', June 2011.

79 HLPE, 'Price volatility and food security', Report of the High Level Panel of Experts (HLPE) on Food Security and Nutrition of the Committee on World Food Security, HLPE Report 1, Rome, July 2011.

80 http://www.unohrlls.org/en/ldc/25/

81 http://www.fao.org/countryprofiles/lifdc.asp

82 FAO, 'Crop Prospects and Food Situation', June 2011.

83 UNCTAD, *The Least Developed Countries Report 2010: Towards a New International Development Architecture for LDCs*, New York/Geneva 2010, p. 16.

Chart 6 **Food Price Index, monthly, January 1990-May 2011 (2000=100)**

Source: World Bank (2011)

reach $33 billion – a more than threefold increase compared to 2002. However, FAO warns that "escalated bills for these groups do not necessarily imply greater food availability, as in numerous LDCs and LIFDCs increased procurement of basic foodstuffs, especially staples from international markets, will only compensate for falling domestic supply".[84] In other words, although paying ever more for imports, many countries will still be unable to provide sufficient food for their people because of lacking domestic supplies.

As long as global food prices remained comparatively low, and this was the case for 25 years since the mid-1970s, the increased reliance in imports helped governments to provide consumers, particularly in urban areas, with affordable food without having to invest in local staple food production. For development agencies the two and a half decades of depressed agricultural prices served as a convenient excuse for cutting their rural development budgets, whereas industrialised countries presented their growing food exports to the South as a contribution to global food security. But nowadays, against the backdrop of rising and increasingly volatile food prices, the negligence of agriculture and the shortage of domestic staple food production caused by import dependency contribute to the deteriorating food security and growing vulnerability of many regions in the South.

The UN Special Rapporteur on the Right to Food, Olivier de Schutter, criticises that the plight of import dependent countries constitutes a blind spot of European agricultural policy making: "One underestimated part of the debate on the CAP reform concerns its impact on the right to food in developing countries, particularly on poor, net-food-importing countries that are in particularly vulnerable situations."[85] The main challenge for these countries would be to ensure a transition towards relocalised food systems with higher rural incomes and limited dependency on international markets. De Schutter asserts that the "EU has a responsibility to facilitate such a transition. This means encouraging developing countries, who currently depend on food imports, to feed themselves in order to gradually reduce such dependency."[86] But for almost four decades now, the CAP has quite the opposite effect. It deepens the import dependency in the developing world to secure export markets and profits for the European food industry.

84 FAO, 'Food Outlook', June 2011.

85 Olivier de Schutter, 'The Common Agricultural Policy towards 2020: The role of the European Union in supporting the realisation of the right to food', Comments and Recommendations by the United Nations Special Rapporteur on the right to food, 17 June 2011, p. 1.

86 Ibid., p. 3

European agribusiness has been and continues to be a large profiteer of developing countries' import dependency. While developing countries as a whole largely lost their agricultural trade shares, the EU massively increased its own part of the global export markets. It is estimated that 80 percent of the increased import demand in the Global South during the 1970s was met by the European Community and the United States.[87] At that time, the European Community switched from a net importer to a net exporter of major agricultural commodities like cereals, milk, beef and sugar due to its oversupplies stimulated by high CAP intervention prices and its export subsidy payments (see chapter 3). However, the rise of the EC as an agricultural trade power triggered conflicts with the US, who lost growing market shares to European competitors. To defend their trade positions on third country markets, both trade powers entered into a costly subsidy race which displaced millions of farmers in the South.

4.2 Colonising food: EU cereal exports

CAP support allowed European producers to drastically increase its wheat exports on the world market. In the 1970s and 80s, European wheat exports grew threefold from less than 10 million tonnes to almost 30 million tonnes, thus directly challenging the dominant market position of the US.[88] At that time, North Africa was the main battlefield in the trade war on wheat market shares. To conquer these markets, the EUs export subsidy for wheat climbed to over $120 a tonne, which was often even higher than the world price itself. Thanks to these subsidies, the EU's wheat market share in North Africa rose from 2 percent in 1977 to 42 percent in the early 1980s while the US share dropped almost by half from 42 percent to 26 percent.[89]

The US retaliated in 1985 by implementing the Export Enhancement Program (EEP), a targeted subsidy scheme for wheat exports. In the 1985-88 period, the North-Americans spent about $1.6 billion to recapture their market shares in Algeria,

87 Pat Ivory, 'Food Import Growth in the Developing Countries', Trócaire Development Review, Dublin, 1990, pp. 59-71.

88 Guilia Listorti, 'Testing international price transmission under policy intervention. An application to the soft wheat market', Associazione Alessandro Bartola, PhD Studies Series, Volume 6, Ancona 2009.

89 Brian Gardner, *European Agriculture – Policies, production and trade*, London/New York 1996, p.75-78.

Morocco Egypt and Tunisia.[90] Countering the US efforts, the EU in turn further increased its cereals export subsidies, which climbed to ECU 2.7 billion in 1989.[91]

To defend its subsidy schemes during the negotiations of the Uruguay Round, European politicians even proposed to create a global cereals cartel dividing the world market into "zones of influence" among the major exporters.[92] According to these proposals, Africa would have fallen to the Europeans, South East Asia to the Australians and Latin America to the Americans.[93] Unfortunately, this idea became at least partly true. Today, the EU is the world's second largest wheat exporter, controlling 17 percent of the world market in the last three marketing years 2008/09 to 2010/11.[94] Africa has become the main destination for EU wheat exports buying up more than three quarters of the European cereals offered on the world market, with Sub-Sahara Africa playing an increasingly important role (see chart 7). According to Euroflour, a trade body of the EU flour industry, over half of all EU wheat flour is destined for Sub-Sahara Africa.[95]

By conquering the world market with subsidised wheat, the EU depressed world market prices and farmers' incomes, particularly in those countries that cannot afford similar support. According to agricultural analyst Brian Gardner, the EU-US subsidy race set in motion a "vicious circle as rising subsidies chase a falling world price".[96] It has been estimated that without CAP subsidies the world market price of wheat would have been 9 to 12 percent higher in the 1980s.[97] Uncounted farming families and food producers lost their livelihoods as a direct effect of those subsidies. European wheat dumping also contributed to changing dietary patterns in the South favouring the production and consumption of wheat-derived products at the expense of locally grown crops like cassava, sorghum, millet, maize or rice.

90 Ibid., p. 78.

91 Rudolf Buntzel-Cano, 'The Historic Development of Antidumping Provisions within the Framework of the GATT', in: Germanwatch, 'Stop Dumping – Promote Food Security!', Berlin/Bonn 2004, p. 13-21.

92 Brian Gardner, *European Agriculture – Policies, production and trade*, London/New York 1996, p. 81.

93 Rudolf Buntzel-Cano, 'The Historic Development of Antidumping Provisions within the Framework of the GATT', in: Germanwatch, 'Stop Dumping – Promote Food Security!', Berlin/Bonn 2004, p. 13-21.

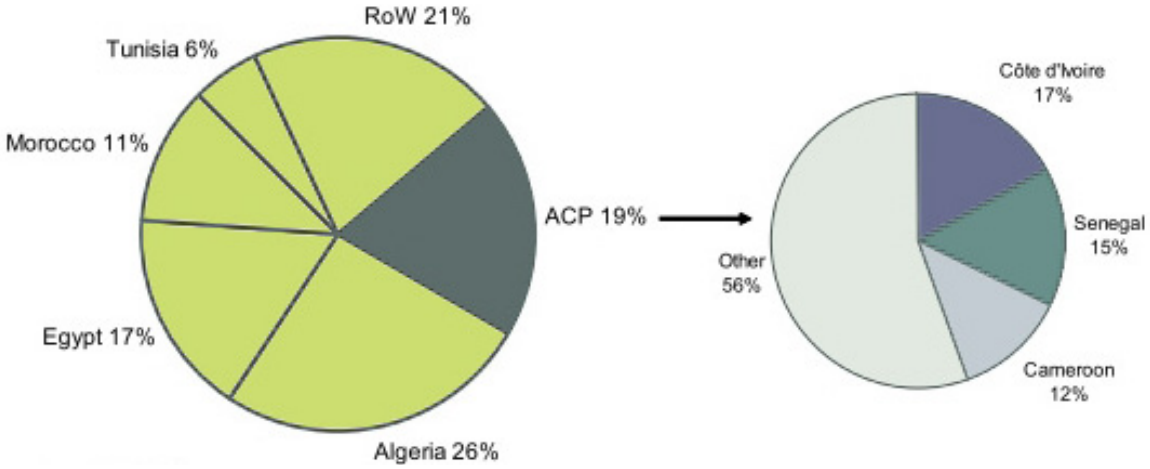
94 Daniel O'Brien, 'World Wheat Market Supply-Demand Trends', Kansas State University, 4 March 2011, www.agmanager.info

95 J. Rossy, Euroflour, Presentation, Seminar DG Agri, 25 June 2007, Brussels.

96 Brian Gardner, *European Agriculture – Policies, production and trade*, London/New York 1996, p. 79.

97 Ibid.

Chart 7 **EU exports of wheat and meslin**



Source: Eurostat 2003

Changing eating habits: Wheat flour in Kenya

Kenya, e.g., imports cheap wheat flour from Egypt and Mauritius, large parts of which have been manufactured using subsidised EU wheat. All three countries belong to the Common Market for Eastern and Southern Africa (COMESA) which allows its members preferential access for wheat flour as long as COMESA's rules of origin are being respected.[98] Mercy Karanja of the Kenyan National Farmer's Union describes how Kenyan wheat farmers suffered from a sudden influx of wheat and wheat flour imports in 2001: "Egypt suddenly started selling flour very cheaply, which led to a crisis for wheat producers. There was a huge surplus on the market, and farmers had to sell their wheat at very low prices."[99]

Kenyan millers refused to purchase local wheat as they could not compete with the cheap imported flour. As a consequence, many farmers faced ruin because wheat prices sank by more than 30 percent. Due to the weak competitiveness against imported wheat products, farmers who survived the price shock shifted to others activities like maize cropping or dairy farming.

98 Raphael Gitau, Samuel Mburu, Mary K. Mathenge, 'Trade and Agricultural Competitiveness for Growth, Food Security and Poverty Reduction: A Case of Wheat and Rice Production in Kenya', Draft Report, Nairobi 2010.

99 Cited in: Action Aid, 'Farmgate – The developmental impact of agricultural subsidies', London 2002, p. 16.

"This has aggravated the decline in domestic wheat production and increased reliance on wheat imports", concludes a study by KIPPRA, the Kenya Institute for Public Policy Research and Analysis.[100] The institute also warns that future sources of wheat imports "may be unpredictable".[101]

The Kenyan government reacted to the import surge by invoking the COMESA safeguard clause enabling only temporary application of an import duty on wheat flour imports from COMESA members. But the safeguard measure was too weak to effectively protect local farmers and millers, who continued to complain about subsidised EU wheat channelled via Egypt to the country in the following years. In early 2011, the Kenyan Cereal Millers Association asserted that "it has been difficult to compete with flour from Egypt because almost 50 percent of its grain is imported from European countries which heavily subsidise their agricultural produce."[102] Mauritius would even import its entire wheat grain from the EU while continuing to export its flour to Kenya at zero duty.

100 Hezron Nyangito, Moses M Ikiara, Eric E. Ronge, 'Performance of Kenya's Wheat Industry and Prospects for Regional Trade in Wheat Products', Kenya Institute for Public Policy Research and Analysis, KIPPRA Discussion Paper No. 17, November 2002, p. 39.

101 Ibid., p. 7.

102 George Omondi, 'Millers get boost as turmoil batters Egyptian exports', *Business Daily*, 11 February 2011.

Under British colonial rule, settler farmers introduced wheat cultivation in Kenya. After experimental production of wheat by the Church Missionary Society started in 1895, Lord Delamere, a pioneer farmer, began commercial wheat production in 1904. In the following years, thousands of Africans were expelled from their lands. Large tracts of grazing land, previously belonging to Maasai herders, were converted into commercial farms producing wheat and other crops. Most of the wheat output served to feed the urban population of cities like Mombasa and Nairobi. In the 1920ies, the Colonial government appointed the Browning Committee to protect and promote European settlers' food production and to develop legislation prohibiting the marketing of food produced by Africans.[103]

After independence, in 1963, the Kenyan government re-transferred settler farms to land hungry Africans. As many smallholders switched to maize and dairy farming, wheat production could not keep up with the growing domestic demand, so that Kenya became a net importer of wheat by 1973. The cutback on government support for agriculture, particularly smallholders' staple food production, as part of liberalisation and structural adjustment measures sharply increased the level of wheat imports, particularly since the 1990s. Between 1992 and 2009, the highly volatile imports rose from 100,000 to 780,000 tonnes.[104] Nowadays, the country only produces less than 40 percent of its own wheat requirements, the rest is being imported, and import dependency continues to grow.[105]

By introducing wheat, the British also colonised African eating habits, so that wheat-based products like flour, breads, noodles and biscuits gained large importance in the Kenyan diet. Measured in energy consumption, today, wheat ranks second behind maize as a staple food. Kenyans derive 183 kilocalories from wheat per day, which is a quite high figure compared to an average of 78 kilocalories in the East African region where traditional wheat substitutes like cassava, plantain, millet or sorghum continue to play more important roles.[106] In Kenyas

103 David W. Makanda, James F. Oehmke, 'Promise and Problem in the Development of Kenya's Wheat Agriculture', Michigan State University, Department of Agricultural Economics, Staff Paper No. 93-33, July 1993, PN-ABS-773.

104 Kang'ethe W. Gitu, 'Agricultural Development and Food Security in Sub-Saharan Africa (SSA): Building a Case for more Public Support – The Case of Kenya', Food and Agriculture Organisation (FAO), Policy Assistance Series, Working Paper No. 03, Rome 2006.

105 Raphael Gitau, Samuel Mburu, Mary K. Mathenge, 'Trade and Agricultural Competitiveness for Growth, Food Security and Poverty Reduction: A Case of Wheat and Rice Production in Kenya', Draft Report, Nairobi 2010.

106 USDA, 'Kenya Wheat Report', GAIN Report, 12 July 2011.

urban areas, wheat has even overtaken maize as a food staple. Between 1995 and 2003, the share of wheat in the total urban household expenditure spent on the four major staple foods (maize, wheat, rice and cooking bananas) rose from 35 to 44 percent.[107]

The changing consumption patterns also impeded initiatives to revert to the cultivation of drought resistant indigenous crops which would limit the risk of food shortages. In a report for the FAO, Kang'ehte Gitu, a former Permanent Secretary in the Kenyan Labour Ministry, deplores that "the market has not been overly receptive (...) to indigenous crop varieties like millet, cassava, sorghum and cowpeas. It has also become increasingly difficult to convince consumers that their traditional crops and vegetables are not only well-suited to local climatic conditions, but are also nutritious."[108]

Kenyas wheat dependency increased in times of comparatively low world market and domestic prices for grains. Between 1995 and 2003, the domestic price for wheat flour declined by 24 percent and for wheat bread by 12 percent.[109] But nowadays, Kenyan consumers face growing food security risks from higher and more volatile world market prices, as has already been witnessed during the 2007-08 price spike. In the period 2003-2008, the country's expenditure on imported unmilled wheat increased by 128 percent. The higher world market prices contributed to escalating domestic wheat prices which almost doubled. In the period 2006-2009, the price per bag of wheat climbed from 1,700 to more than 3,500 Kenyan Shilling.[110]

Kenya's vulnerability is further exacerbated by the risk of adverse climatic conditions like the current drought in the Horn of Africa, as the country depends on cash crops exports (mainly tea, coffee and horticulture) to finance its food imports. As a result, the government's support of cash crop cultivation to the detriment of staple foods did not strengthen food security – quite to the contrary, as Kang'ehte Gitu confirms: "The food

107 Milu Muyanga et al., 'Staple Food Consumption Patterns in Urban Kenya: Trends and Policy Implications', Tegemeo Institute of Agricultural Policy and Development, Working Paper 16, Nairobi 2005.

108 Kang'ethe W. Gitu, 'Agricultural Development and Food Security in Sub-Saharan Africa (SSA): Building a Case for more Public Support – The Case of Kenya', Food and Agriculture Organisation (FAO), Policy Assistance Series, Working Paper No. 03, Rome 2006, p. 10.

109 Milu Muyanga et al., 'Staple Food Consumption Patterns in Urban Kenya: Trends and Policy Implications', Tegemeo Institute of Agricultural Policy and Development, Working Paper 16, Nairobi 2005.

110 Raphael Gitau, Samuel Mburu, Mary K. Mathenge, 'Trade and Agricultural Competitiveness for Growth, Food Security and Poverty Reduction: A Case of Wheat and Rice Production in Kenya', Tegemeo Institute, Draft Report, Nairobi 2010.

available per capita has declined, despite the success in expansion of export crops." [111]

According to a household survey conducted by the University of Nairobi, the cereal price inflation, which also affected maize and other grains, increased poverty rates and food insecurity. In Kenya, the majority of households – including rural and urban ones – are net food buyers, and food constitutes between 40 and 62 percent of household expenditure. Due to the escalating food costs, in 2008, the number of poor households among urban dwellers rose by 31 percent, the number of poor pastoralist households by 23 percent, poor agro-pastoralists by 19 percent and poor farmers in marginals areas by 13 percent. Many of the affected tried to cope with the price surge by reducing the frequency of meals or bying cheaper, less nutritious food, thereby increasing the risk of malnutrition and disease.[112]

Cereal price shock in West Africa

West Africa faces similar risks. Suffering from a growing cereals deficit, the region has become highly dependent on European wheat. Unlike Kenya's farmers, West African peasants generally do not cultivate wheat, so that the growing demand is almost exclusively covered by external sources. Between 1990 and 2007, the imports of wheat and wheat flour into the fifteen member Economic Community of West African States (ECOWAS) more than tripled from 1.3 million to 4.9 million tonnes.[113] With the exception of Nigeria and Ghana, the regions' countries are mainly supplied by European producers.[114] Wheat flour imports of the eight member West African Economic and Monetary Union (WAEMU) originating in the European Union even exploded in the last 15 years (see chart 8).

But in times of escalating prices, swelling import bills put a heavy burden on states' budgets and severely impact on consumers´ purchasing power by raising the overall level

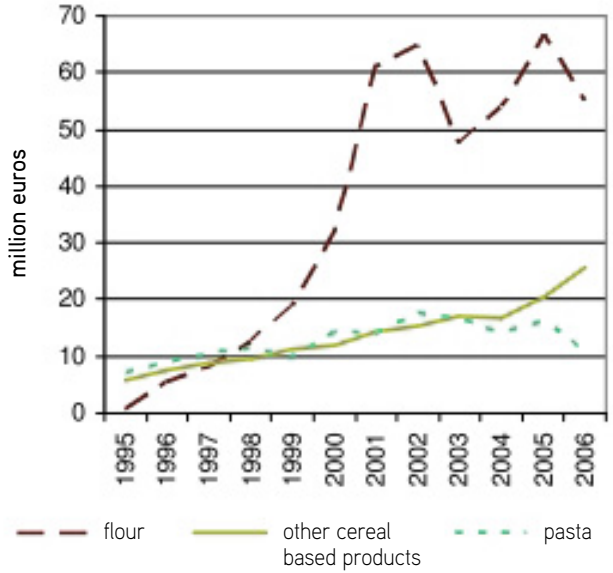
111 Kang'ethe W. Gitu, 'Agricultural Development and Food Security in Sub-Saharan Africa (SSA): Building a Case for more Public Support – The Case of Kenya', Food and Agriculture Organisation (FAO), Policy Assistance Series, Working Paper No. 03, Rome 2006, p. xii.

112 Julius J. Okello, 'The 2007-2008 Food Price Swing: Impact and Policies in Kenya', Discussion Paper, FAO Trade and Markets Division, June 2009.

113 Roger Blein, Bio Goura Soulé, 'La céréaliculture ouest africaine: situation actuelle et évolutions récentes, initiatives des organisations paysannes, principeaux enjeux et défis à relever', Note de synthése, ROPPA/SOS Faim, November 2010.

114 ECOWAS, 'Cadre de Politique Agricole pour l'Afrique de l'Ouest', Document de Référence, July 2004.

Chart 8 **Wheat flour imports in West Africa 1995-2006**



of food costs. The Food Crisis Prevention Network (FCPN), a body monitoring the food situation in West Africa and the Sahel, found "that since 2006/07, rising prices for imported foodstuffs, particularly rice and wheat, have influenced the prices of local grain crops. The speed at which this has occurred depends on the level of import dependency of the area in question".[115] Due to their high degree of import dependency, Atlantic coast countries like Senegal and Mauritania were particularly hard hit.

In Senegal, cereal imports – mainly rice and wheat – contributed to the dramatic growth of the country's trade deficit. In the period 2006-2008, the wheat import bill alone doubled from $78 million to $158 million. Neighbouring Mauritania faired even worse as the expenses for wheat imports shot up from $43 million to $109 million.[116] The price explosion lowered consumers' purchasing power, with the overall inflation reaching 7 percent in Senegal after having oscillated around 3 percent for the ten preceding years.[117] The Food Crisis Prevention Network warned that in the whole West African region "the cost of staple grain crops is becoming prohibitive, making them virtually inaccessible for the poorest households".[118]

115 Food Crisis Prevention Network, 'A paradox: good harvest forecasts and exceptionally high cereal prices in West Africa', Food Security Information Note, No. 28, February 2009.

116 UN Comtrade, International Trade Statistics Yearbook 2008, http://comtrade.un.org/pb/CountryPagesNew.aspx?y=2008

117 Dorothée Boccanfuso, Luc Savard, 'The Food Crisis and its Impacts on Poverty in Senegal and Mali: Crossed Destinies', Université de Sherbrooke, CRÉDI, Working Paper 08-20, November 2008.

118 Food Crisis Prevention Network, 'A paradox: good harvest forecasts and exceptionally high cereal prices in West Africa', Food Security Information Note, No. 28, February 2009.

However, the recent price spikes in West Africa also stimulated the search for alternatives to cereal imports, an endeavour that has already been dubbed the "decolonisation of bread".[119] In Cameroon, a coalition of civil society organisations launched a campaign to strengthen national food sovereignty by reducing imports and overcoming the reluctance of producers and consumers to support indigenous crops ("Zéro produit alimentaire importé"). The coalition is asking the government to support the introduction of at least 20 percent domestic flours made of local tuber crops like yams, sweet potatoes or manioc in bread-making. By doing so, the country would save some €17 million spent on wheat imports, whilst 96,000 rural jobs could be created to produce the additional 79,000 tonnes of tubers required for flour production.[120]

In 2008, the Senegalese government began a project which, at the first stage, aimed at replacing wheat with 15 percent locally produced flours, mainly derived of millet and maize. The government planned to train bakeries and foster millet cultivation so that the share of domestic flours could reach up to 30 percent at later stages.[121]

119 Christina Lionnet, 'Pour la 'décolonisation' du pain!', Jeune Afrique, 25 March 2010.

120 ACDIC et al., 'Zéro produit alimentaire importé au comice', Livre blanc, 2010.

121 Koffigan E. Adigbli, 'Bientôt un pain composé de la farine des céréales locales', *IPS*, 18 July 2008.

Box 2

Decolonising food

Koumba bread in Cameroon

Cameroonian bakers are pressing ahead with the decolonisation of Africa's food. They already successfully proved the feasability of mixing wheat flour with varying quantities of domestic flours, adding between 10 and 20 percent locally produced ingredients. For the production of "Koumba" bread and pastry they even use up to 50 percent of sweet potato flour. At a public fair for local food, consumers confirmed the excellent taste of sweet potato bread. "I have tasted the pastry. I am told that it contains 40 percent sweet potato flour and I must admit that it is exquisite", said one visitor.[122] The Cameroonian minister of commerce picked up the idea and announced to start a project examining the options for using domestic flours.[123]

122 Maurice Oudet, 'Sweet potato flour – a substitute for wheat?', 'Let us de-colonise our eating habits!', SEDELAN, Newsletter 403, 3 January 2011, and Newsletter 404, 8 January 2011.

123 Christina Lionnet, 'Pour la 'décolonisation' du pain!', Jeune Afrique, 25 March 2010.

EPAs: Securing export markets

While African consumer and peasant movements are fighting to reduce wheat import dependency and "decolonise" their bread, European cereal trader organisations like COCERAL and Euroflour put pressure on the European Commission to keep open African markets and to secure the removal of tariff barriers to EU cereal products by way of bilateral free trade agreements. Referring to the growing world market, COCERAL, whose national member organisations represent some of largest global grain traders like Archer Daniels Midland, Bunge and Cargill,[124] demands that "European exporters should be supported in capitalising this export market potential". According to the grain traders' group, "the CAP after 2013 needs to further support the competitiveness of agricultural production also through the dismantling of trade obstacles and barriers".[125]

At a Brussels symposium on EU agri-food exports, Euroflour did not shy away from attacking the already extremely low tariffs on wheat flour in West Africa, which only seldomly exceede the rate of 20 percent, by calling for an "acceptable import duty not higher than 5%". Euroflour wants "active support for the position of the EU flour exporters" in the framework of the Economic Partnership Agreements (EPAs) currently being negotiated between the EU and 75 African, Caribbean and Pacific region countries (ACP). Referring to the reduction of EU export refunds, the lobby group urged that, as a compensation, "the Commission needs to defend EU flour exports".[126]

The European Commission itself has traditionally lent an ear to these business demands. Keeping developing countries' markets open for European food exporters remains a central aim of its trade policy which is complementing the Common Agricultural Policy and its generous subsidies. Without low trade barriers in the South, the EU's objective of fostering a food industry capable of conquering world markets would be unattainable. Domestic support for EU agriculture and external support by dismantling trade barriers go hand in hand. CAP subsidies and the EU's free trade agreements are two sides of the same coin – inextricably linked to defend the profits of the European food business.

124 See, for instance, the members list of Germany's grain trader association Verein der Getreidehändler (VdG): http://www.vdg-ev.de

125 COCERAL, 'Position Paper on the Future of the CAP', Brussels, 24 February 2011.

126 J. Rossy, Euroflour, Presentation, Seminar DG Agri, 25 June 2007, Brussels.

The EU's Economic Partnership Agreements (EPAs), in particular, are threatening to constrain ACP countries' policy space to protect and develop their agricultural sectors. Of the seven regional groupings currently negotiating with the EU, so far only the Caribbean one (Cariforum) concluded a comprehensive EPA. Some twenty countries concluded "interim" EPAs covering only trade of goods, but with "review clauses" envisaging the resumption of negotiations at a later date. Yet, the majority of ACP countries has not joined any interim EPA so far.[127]

The EU requests the total elimination of tariffs and non-tariff barriers for at least 80 percent of ACP countries' product lines including agricultural commodities. Although the exclusion of some sensitive goods like cereals is therefore possible, the EU imposed the inclusion of a so-called "standstill clause" into most of the interim EPAs prohibiting the introduction of any new tariffs or the raising of existing tariffs. The interim EPA of several countries and groupings expands this tariff freeze also to sensitive goods that have been excluded from liberalisation. Although Cameroon, Ghana, Ivory Coast and the East African Community (EAC) excluded cereals from liberalisation, they will not be allowed to raise cereal tariffs anymore due to the standstill clause.[128] To make things worse, safeguard clauses which could be used to protect the agricultural sector from import surges are also very weak. Their use is constrained by onerous conditions and they may only be applied for a limited period of time.[129]

The European Commision, however, claims that EU exports do not pose any threat for agricultural sectors in the South anymore, because cereals support has been cut since the first major CAP reforms in 1991, so that the distortion of world market prices would have largely disappeared. According to Commission figures, the intervention price for bread wheat, for instance, declined by 75 percent from 1991 to 2009. The Commission asserts: "EU prices are increasingly driven by world market prices rather than intervention prices. Intervention has been reduced or abolished in all sectors."[130] But although the level of CAP support has indeed decreased over the years, EU farmers and exporters still benefit from market instruments

127 ODI/ECDPM, 'The Interim Economic Partnership Agreements between the EU and African States – Contents, challenges and prospects', Overseas Development Institute/European Centre for Development Policy Management, July 2009.

128 Ibid.

129 Oxfam, 'Oxfam International Concerns with Initialled 'Interim EPA' texts', 7 December 2007.

130 European Commission, *The EU's Common Agricultural Policy (CAP): on the move in a changing world – How the EU's agriculture and development policies fit together*, Luxembourg 2010, p. 12.

(intervention buying and export subsidies) as well as direct payments allowing exports of European wheat products at dumping prices.

To demonstrate the still enormous magnitude of support, agricultural analyst Jacques Berthelot calculated the "dumping rate" of all EU cereals and cereal products exported in 2006, measured as the ratio of total subsidies to the export value. In that year, the EU exported 27 million tonnes of raw and processed cereals as well as cereal-derived products (including wheat flour, malt, feedstuffs, starch, breads, etc.), equalling 10 percent of its total cereal production. The cereal exports had a value of €3.58 billion and received subsidies to the tune of €1.96 billion, corresponding to a dumping rate of 54.7 percent. Only a minor proportion of total subsidies provided to exported cereals was made up of export subsidies, about €206 million, with the bulk being direct payments amounting to €1.64 billion.[131] Given the tremendous CAP support still awarded to cereal exporters, it is quite bizarre to claim market distortions would have disappeared and that developing countries could therefore open up their markets for EU grain traders without any risks.

131 Jacques Berthelot, 'The dumping rate of the EU-27 exported cereals in 2006', Solidarité, 17 May 2010.

4.3 Opening the flood gates: EU milk exports

The vast cereal subsidies provided by the EU benefit not only cereal exporters but also the EU livestock industry, as more than half of EU cereal production is used to feed farm animals. The livestock industry constitutes an important part of European agribusiness, with meat, milk, eggs and other animal products representing 40 percent of the total value of EU farm production in 2009.[132] Meat and dairy products combined account for almost a quarter of all EU food exports.[133] The EU is the world's second largest dairy and pork exporter and the third largest poultry exporter, large parts of which end up on developing countries' markets.[134]

Apart from cereal subsidies, the livestock industry also benefitted from direct support measures like intervention prices, direct payments and export refunds, albeit to different extents depending on the products in question. Whereas dairy and beef

132 FEFAC, 'Feed & Food – Statistical Yearbook 2009', Fédération Européenne des Fabricants d'Aliments Composée, Brussels.

133 CIAA, 'Data & trends of the European Food and Drink Industry 2009', Confédération des industries agro-alimentaire de l'UE, Brussels, March 2010.

134 International Dairy Federation, 'The World Dairy Situation 2010', Bulletin of the International Dairy Federation 446/2010, Brussel 2010, p. 27. USDA, 'Livestock and Poultry: World Markets and Trade', United States Department of Agriculture, October 2010.

production belonged to those sectors that have been heavily supported by the whole range of CAP instruments, pork and poultry production received somewhat less support. There was no direct price support linked to poultry or pork, and intervention storage has only seldomly been used. However, both sectors also benefitted from subsidised cereal inputs, export refunds and investment aids. Sizeable amounts of investment aids under CAP's rural development pillar, for instance, went into the construction or modernisation of large-scale factory farms.[135]

Agricultural analyst Jaques Berthelot measured the amount of CAP subsidies awarded to exported animal products such as bovine, pig and poultry meat as well as dairy products. Berthelot's measurement includes market intervention, direct payments, export refunds and subsidised feedstuff. In the period 2006-2008, the EU exported, on average, animals products worth €12.8 billion per year which received total subsidies of €4.3 billion (see table 6) The dumping rate of all animal products exported, i.e., the ratio of subsidies to exports, is therefore about 33.9 percent. In other words, EU animal products sold on

Table 6	**EU-15 exports of animal products, average 2006-2008, in € million**				
	Production	Exports	Export share, %	Subsidies	Dumping rate, %
Dairy Products	40,610	6,249	15.39	2,004	32.07
Bovine Meat	25,699	591	2.30	346	58.55
Pig Meat	25,735	4,709	18.30	1,430	30.37
Poultry Meat	12,279	1,291	10.51	571	44.23
Total/Average	**104,323**	**12,840**	**12.31**	**4,351**	**33.89**
Source: Jacques Berthelot, Solidarité 2011					

135 Friends of the Earth, 'Feeding the beast – How public money is propping up factory farms', Briefing, April 2009.

the world market received, on average, subsidies equalling a third of their export value. Of the total support, export refunds played only a minor role as the bulk of support is made up of domestic subsidies (about 86 percent). For bovine meat exports, the dumping rate is particularly high reaching more than 58 percent. Berthelot's figures also demonstrate the large EU oversupply of animal products. Over 10 percent of the European production of poultry meat, 15 percent of dairy products and 18 percent of pig meat end up on the world market.[136]

In value terms, dairy products like milk, butter, cheese, cream or yogurts account for the largest share of European animal products sold on the world market. Dairy exports are heavily subsidised and have a profound impact on many developing countries' milk sectors. The CAP's dairy regime consists of market intervention, direct payments and export subsidies as well as a system of national milk quotas aimed at limiting dairy output, supporting producer prices and keeping budgetary expenses in check. However, a very contested issue of the last CAP reform, the 2008 Health Check, referred to the phasing out of the milk quotas envisaged for April 2015.

Introduced in 1984, the quota system allotted a maximum production quantity to each EU member state. If national dairy production exceeded this quota, a fine – the so-called "super-levy" – had to be paid. The objective of the quota was to limit the milk oversupply on the EU market that put heavy downward pressure on the price milk farmers could receive for their product. Compensating, at least partially, the depressed farm gate prices of milk producers meant that additional costs had to be borne by the CAP budget. The quota system succeeded in lowering the EU's expenses for dairy market support and kept at least nominal producer prices more or less stable. However, taking account of general inflation, producer prices actually fell between 1984 and the price spike of 2007/08, thereby forcing many dairy farmers out of the market. In a 2009 report, the European Court of Auditors underlined the prolonged drop of milk farmers' incomes: "Following the introduction of quotas, the fact that nominal producer prices were maintained masked the reality that, in real terms, prices suffered a distinct erosion. Over a long period, milk producers never actually benefited in real terms from stable prices."[137]

136 Jaques Berthelot, 'The EU-15 dumping of animal products on average from 2006 to 2008', Solidarité, 15 February 2011.

137 European Court of Auditors, *Have the Management Instruments Applied to the Market in Milk and Milk Products Achieved Their Main Objectives?*, Special Report No. 14, 2009.

In order to further foster structural adjustment among dairy farmers and strengthen the international competitiveness of the dairy industry, in March 2008, the European Council decided to increase milk quotas by 2 percent – a decision that provoked angry protests of milk farmers fearing oversupply and price depression. Farmers' groups organised milk strikes in several EU countries such as Germany, Belgium, Italy, France and the Czech Republic. Yet, in their Health Check decision of November 2008, agriculture ministers maintained this policy despite all protests and agreed on – what they called – a "soft landing" for dairy farmers by increasing the milk quotas by 1 percent over five consecutive years until the expiry of the quota system in 2015.[138] The decision to further increase EU milk supply exacerbated the commodity price decline caused by the global financial crisis when worldwide consumer demand collapsed. Beginning in the second half of 2008, EU producer prices for milk and milk products underwent a significant decrease due to the oversupply that continued in 2009 and provoked further protests.

Then Agriculture Commissioner Mariann Fischer Boel acknowledged the plight of the dairy farmers but claimed that only the slump in consumer demand was to blame, not the politically enforced oversupply. She told protesting farmers that "the reason for the low prices is that consumers are buying less milk products than they did before, because of the fact that they are hit as well by the economic crisis."[139] Consequently, the Commission ignored all proposals by farmers' groups like the European Milk Board (EMB) to regulate milk supply.

138 European Commission, 'Evolution of the market situation and the consequent conditions for smoothly phasing out the milk quota system', Report from the European Commission to the European Parliament and the Council, COM(2010) 727 final, Brussels, 8 December 2010.

139 Jennifer Rankin, 'EU to pay dairy farmers early', *European Voice*, 26 May 2009.

Box 3

Preventing milk lakes

European Milk Board demands flexible adjustment of volumes

Founded in 2006, the European Milk Board (EMB) tries to organise milk farmers to form a united front against the power of the highly concentrated dairy industry and food retailers who are pushing down farm-gate prices to secure cheap milk supplies. EMB has members in 14 European countries representing about 100,000 milk producers. In contrast to traditional farmers federations supporting the interests of export-oriented agribusiness like COPA-COGECA, EMB pleads for reorienting milk production to primarily satisfy domestic demand and to avoid surpluses and cheap exports on the world market. To this end, EMB proposes the creation of a European monitoring body comprised of producers, processors, policy-makers and consumers charged with adjusting the milk volumes produced and with setting a price band allowing a cost-covering remuneration of milk farmers. "Volume control is indispensable", according to EMB. The monitoring body would be "an effective mechanism to prevent surpluses" enabling farmers "to earn a decent living from their labour".[140]

140 European Milk Board, 'The European Dairy Market – Supply Management with the Aid of a Monitoring Body', 21 January 2011. http://www.europeanmilkboard.org/emb.html

Instead of curbing milk supply, the Commission followed the interests of the dairy industry and food traders. Business representatives like the European Dairy Association EDA lobbied for the reintroduction of export refunds, which had been set at zero in June 2007. In January 2009, the Commission bowed to industry pressure and temporarily reintroduced export subsidies for butter, cheese, whole and skim milk powder thereby supporting EU dairy traders seeking new export markets given the depressed EU demand.[141]

Although export refunds for these products were again cut to zero by November 2009, this decision underlined the firm commitment of EU policy-makers to support the domestic dairy industry irrespective of the impact on third country producers who might be pushed off their markets by subsidised EU exports. Since the temporary reintroduction of export refunds, EU dairy exports increased considerably, thus exacerbating the plight of farmers in those countries already suffering from EU dumping for a long time. In 2010, e.g., the EU-27 increased its skim milk powder exports by more than 63 percent compared to 2009[142], a growth trend which continued in the first quarter of 2011.[143]

141 Katy Humphries, 'Tensions mount over EU dairy subsidies', *just-food.com*, 19 January 2009.

142 AMA, 'Marktbericht –Milch und Milchprodukte', AgrarMarkt Austria, Dezember 2010, 12. Ausgabe, 25 February 2011.

143 AMA, 'Marktbericht –Milch und Milchprodukte', AgrarMarkt Austria, März 2011, 3. Ausgabe, 24 May 2011.

Swamping African markets

Since milk is a perishable product, only 7 percent of world dairy production is traded internationally. The main products traded on the global market include dry milk powders, cheese and butter, with milk powders having the largest share of production traded. The EU is the second largest dairy exporter behind New Zealand covering 24 percent of world dairy exports.[144] Of these, more than two thirds flow to developing countries and a quarter to Africa.[145] Regarding milk powder, Africa is the main destination for European exporters, absorbing half of all extra-EU sales of skim milk powder, with Algeria, Nigeria and Egypt as the largest markets.[146] Sub-Sahara Africa's share of EU milk powder exports rose steadily in the last decade outstripping all other developing regions as the main destination.[147]

The subsidised dairy exports affect developing country producers in three ways: by lowering the world market price and producers' incomes, by kicking developing country exporters out of third country markets, and by disrupting local markets in the South. EU dairy exports to African countries have a particular severe impact as they impede the development of local dairy industries which could be an important means for the improvement of livelihoods of millions of poor livestock farmers.

The number of people potentially affected by European milk dumping is huge. It is estimated that some 12-14 percent of the world population, or 750 to 900 million people, live in dairy farming households, the large majority impoverished small farmers. Given the rapidly growing milk demand in the developing world – annual growth rates averaged 3.5 to 4 percent between 1995 and 2005 –, the dairy sector could be a powerful tool for poverty reduction if this demand would be met by sourcing fresh milk from local small farmers.[148] A recent FAO report underlines that "small-scale milk production not only improves the food security of milk producing households but also helps to create numerous employment opportunities throughout the entire dairy chain, i.e. for small-scale rural processors and intermediaries."[149] If the growing global milk demand of 15 million tonnes per year would be met by smallholders, 3 million jobs could be created in primary production alone, according to this report.

144 International Dairy Federation, 'The World Dairy Situation 2010', Bulletin of the International Dairy Federation 446/2010, Brussel 2010, p. 27.

145 Oxfam Deutschland, 'Hintergrundinfos EU-Milch-Politik', 2/2009.

146 International Dairy Federation, 'The World Dairy Situation 2010', Bulletin of the International Dairy Federation 446/2010, Brussel 2010, p. 32.

147 Aline Mosnier, 'Réformes de la PAC et présence européenne sur les marchés des PED', CERDI-CNRS, June 2008.

148 FAO, Status of and Prospects for Smallholder Milk Production – A Global Perspective, by T. Hemme and J. Otte, Rome 2010, p. 160-162.

149 Ibid., p. 160.

Among the many impediments for small farmer's milk production (under-investment, lacking government support), FAO stresses first and foremost the "massive policy interventions (price support, milk quotas, direct payments, investment support programmes, export subsidies, etc.) in developed countries" that are creating a competitive advantage for rich countries' milk producers. "This penalises dairy farmers in developing countries, where governments cannot afford to provide such policy support." FAO also warns that "trade liberalisation increasingly exposes smallholder dairy farmers to competition from large-scale corporate dairy enterprises".[150]

All these threats materialised in Africa, where, beginning in the 1980s, structural adjustment programmes and trade liberalisation led to growing dairy imports, 70 percent of which originating in the European Union.[151] These imports include milk powders, condensed milk, butter, yogurts and cheeses, with a strong prevalence of subsidised milk powders. Many dairy and food processors in Africa use cheap imported milk powder instead of raw milk of local farmers to recombine it into liquid milk for the production of milk, yogurts, butter, cheese and ice cream. In addition, milk powder also serves as a substitute for local fresh milk at the final consumer level. This substitution is enhanced by the easy use and long shelf-life of powdered milk (up to six months for whole milk powder and three years for skim milk powder).

Brands of the top European dairy processors (see table 7) dominate African markets. European products sold in African countries include milk powder produced by Nestlé (brand name "Nido") and FrieslandCampina (brand name "Peak"), condensed and evaporated milk by FrieslandCampina ("Bonnet Rouge", "Three Crowns"), butter and cheese by Lactalis ("Bridel", "Président") and Parmalat ("Parmalat", "Bonnita") as well as yogurts by Groupe Danone ("Danone") and Sodiaal ("Yoplait").[152]

The sales of European dairy products in African countries are also closely linked to the expansion of supermarkets advancing not only in urban centres but also in rural areas. In Cameroon, e.g., supermarkets opening up in rural areas and offering tins of European milk powder and condensed milk effectively undermined attempts to establish a market for locally produced

150 Ibid., p. 161.

151 CTA, Agritrade News, Dairy sector, http://agritrade.cta.int/en/content/view/full/265/offset/60

152 ACDIC (Association citoyenne de défense des intérêts collectifs), 'Filière laitière au Cameroun', Collectif Alimenterre (CFSI, SOS Faim), June 2006. Maurice Odet, 'La révolution blanche est-elle possible au Burkina Faso, et plus largement en Afrique de l'Ouest?', Misereor, July 2005, Aachen.

Table 7	**Top European Dairy Processors**	
Company	**Country**	**Turnover, in billion €**
Nestlé S.A.	Switzerland	16.9
Groupe Danone	France	9.2
Groupe Lactalis	France	9.2
Royal FrieslandCampina N.V.	Netherlands	9.1
Arla Foods amba	Denmark	6.4
Parmalat Finanziaria S.p.A.	Italy	3.6
Bongrain S.A.	France	3.4
Groupe Sodiaal	France	2.8
Dairy Farmers of America Inc.	USA	2.3
Nordmilch AG	Germany	2.3
Theo Müller GmbH & Co. KG.	Germany	2.2
Humana Milchunion e.G.	Germany	2.2
Tine BA	Norway	2.0
Groupe Bel	France	2.0
Glanbia plc	Ireland	1.8
Source: Baking + Biscuit, Issue 4, 2009, p. 32		

fresh milk.[153] Similarly, South African supermarket chains like Shoprite expanding into neighbouring countries such as Namibia, Botswana or Zambia also serve as distribution channels for European dairy products as well as South African products derived of EU milk powder.[154]

The growing use of imported dairy products is a tragedy, given the large unexploited milk potential of many African countries with favourable climates for cattle breeding and the large herds of poor pastoralists and sedentary small farmers whose comparatively low milk output could be improved with relatively few resources.[155] Traditional systems of milk production never received adequate support to use their enormous potential for poverty reduction and food security. For instance, the systems of pastoralists like Maasai in Kenya and Tansania, Borana in Ethiopia, Tuareg and Fulani in West Africa have long been neglected by governments and development agencies although they contribute large parts of milk production in their respective countries.[156]

153 Brot für die Welt, EED, 'Milk Dumping in Cameroon', Facts 02, Stuttgart, Bonn, 10/2009.

154 Germanwatch/FIAN/Both Ends/UK Food Group, 'Consequences of the EU Trade and Agriculture Policy for Zambia's Dairy Farmers', October 2009.

155 SOS Faim, 'Milk production in the framework of globalisation', Farming dynamics, Number 13, December 2006.

156 IIED, SOS Sahel, *Modern and mobile – The future of livestock production in Africa's drylands*, 2010.

Cattle herders could also count on sufficient domestic demand. In the period 1990-2004, the demand for milk and dairy products in Africa was growing at an average rate of 4 percent per year, while production grew at only 3.1 percent. Unfortunately, a sizable part of the growing gap between production and consumption is now being filled with dairy imports, large parts of which supplied by the European dairy industry.[157]

Milk powder in Cameroon

In Cameroon, the traditional pastoralist sector with its local races of grass-fed cows dominates national milk production, while modern industrial farms using more productive breeds and feed complements only contribute 2 percent to total domestic production. Pastoralists, mainly belonging to the semi-nomadic Fulani tribe, own 75 percent of the 6 million heads of cattle, 20 percent of which are used as milk cows.[158]Although Fulani cows' milk yield is very low (only 1-3 litres per day compared to 35-40 litres for highly productive European races), they account for 90 percent of Cameroon's milk output and

157 O. A. Ndambi, T. Hemme, U. Latacz-Lohmann, 'Dairying in Africa – Status and recent developments', Livestock Research for Rural Development, Volume 19, Article 111, 2007.

158 ACDIC (Association citoyenne de défense des intérêts collectifs), 'Filière laitière au Cameroun', Collectif Alimenterre (CFSI, SOS Faim), June 2006.

provide poor Fulani families with valuable additional incomes.[159] While cattle herding is mainly done by men, women are generally concerned with milking, processing, selling the milk on local markets and controlling the money earned by milk sales.[160]

But European milk powder exports are constantly undermining the possibilities to further develop the Cameroonian dairy sector and provide local cattle breeders with desperately needed incomes. Between 1996 and 2003, dairy imports rose by 120 percent, almost two thirds of which in the form of milk powder. At least 75 percent of the imports originate in the EU, with Belgium, the Netherlands, Spain and France the main suppliers.[161] Nowadays, 40 to 50 percent of milk supply in Cameroon is covered by imports putting a heavy burden on the countries' food import bill. In the period 1996-2006, Cameroon spent €334 million in foreign currency on dairy imports.[162]

159 Brot für die Welt, EED, 'Milk Dumping in Cameroon', Facts 02, Stuttgart, Bonn, 10/2009.

160 O. A. Ndambi, I. Tchouamo, P. H. Bayemi, T. Hemme, 'Milk production amongst Fulani grazers in the Western highlands of Cameroon: Constraints and development perspectives', Livestock Research for Rural Development, Volume 20, Article 13, 2008.

161 ACDIC (Association citoyenne de défense des intérêts collectifs), 'Filière laitière au Cameroun', Collectif Alimenterre (CFSI, SOS Faim), June 2006.

162 Brot für die Welt, EED, 'Milk Dumping in Cameroon', Facts 02, Stuttgart, Bonn, 10/2009.

Milk made of milk powder has generally been far cheaper than the raw milk of local farmers or Fulani herders. In Cameroon, the price of milk made from powder amounts to €0.34, whereas a litre of raw milk supplied to the dairies costs €0.45 in the rainy season and €0.61 in the dry season. Milk supply decreases during the dry season because of lower availability of pasture grass and pastoralists moving their herds to grazing grounds further away from urban centres. Due to the large price disparity, most dairies operating in Cameroon – small-scale cooperatives as well as larger-scale dairies – almost exclusively use imported milk powder, thus depriving tens of thousands of poor farmers of a possible outlet for their raw milk. It is estimated that 200,000 persons are working in rural milk farming. After families' self-consumption, the farmers sell about half of their milk on local markets.[163]

The temporary reintroduction of EU export subsidies in 2009 to dispose of European milk surpluses further exacerbated the situation of Cameroon's dairy farmers as they contributed to a considerable decline of milk powder prices. Beginning of 2008, the price of a kilogram of imported milk powder was €3.40 on the Cameroonian market; but by summer 2009, it had been fallen to approximately €1.60. Given the extreme price

163 ACDIC (Association citoyenne de défense des intérêts collectifs), 'Filière laitière au Cameroun', Collectif Alimenterre (CFSI, SOS Faim), June 2006.

volatility and continuing dumping exports, it is merely impossible to create a viable dairy industry based on local fresh milk supplies. Tilder Kumichii of ACDIC (Association for the Defense of Citizen's Interest) rightly said that the "EU export subsidies (...) send a clear message to all domestic investors to keep out of the dairy economy and let the world market profit from the huge opportunities offered by the Cameroon dairy market."[164]

EU dumping also contributes to the failure of developing projects aimed at strengthening the domestic dairy chain in African countries. In the last two decades, several projects tried to establish dairies using local raw milk, but many of them collapsed because of irregular milk supply, inadequate infrastructure and the unfettered competition of cheap imports. Even private dairies trying to process at least a small share of locally produced raw milk along with milk powder face enormous difficulties to survive.

Sotramilk, e.g., a dairy founded 1993 in Bameda in the North-West of Cameroon, used a proportion of 20 percent of local milk for its yoghurt and cheese production, but could not face up to price competition of Camlait, Cameroon's main large-scale dairy. Camlait, which exclusively uses cheap European milk powder, penetrated Sotramilk's regional market in North-West Cameroon with cheap yoghurts. Sotramilk first tried to defend its market position and lowered its yoghurt prices by reducing the share of local milk to 5-10 percent. In 2008, however, the dairy could no longer withstand the pressure and had to close down. "The final closure is a catastrophe for us dairy farmers", says Wajiri Ndanerie, a farmer who supplied Sotramilk. "But we couldn't sell our milk any cheaper to Sotramilk. We have to feed our cows, we invested in stalls, we have to supply the milk in perfect condition to the dairy. That costs us an enormous amount of money."[165]

164 Brot für die Welt, EED, 'Milk Dumping in Cameroon', Facts 02, Stuttgart, Bonn, 10/2009, p. 7.

165 Ibid., p.2.

Box 4

Recapturing domestic markets

Fulani women create mini-dairies in Burkina Faso

Burkina Faso's farmers equally suffered from milk imports flooding the local market, with more than half originating in the EU. Total dairy imports occupy about half of the domestic market. In Burkina Faso's large cities like Ouagadougou or Bobo-Dioulasso, the population almost exclusively consumes imported milk products depriving more than one million traditional cattle breeders, many belonging to the Fulani, of an outlet for their milk.[166]

However, several Burkinabe cattle breeders were no longer willing to accept their market exclusion and created their own mini-dairies to process and sell their milk. In 2002, Korotoumou Gariko, a Fulani woman owning a small herd of cows, set up a network of women cattle breeders and founded one of the first "female" mini-dairies in Burkina Faso to process raw milk into yoghurt and pasteurised milk. For Fulani women, milk is the only source of income, as Gariko explains: "Contrary to other ethnic groups in Burkina, Fulani women do not have the right to engage in selling other food products. They live on milk and from milk." Gariko's mini-dairy also suffered from EU milk dumping: "We have to cope with the competition from such milk. It arrives here at a selling price of €0.30 a litre, whereas we have to sell ours for €0.45." As a result, the women must reduce their profit margin to a minimum to be able to sell their yoghurt and milk.[167]

To better defend the interests of local herders and milk producers, Gariko's business was among 23 Burkinabe mini-dairies who, in 2007, created the 'National Union of Mini-Dairies and Producers of Local Milk'. Members are required to exclusively process local milk supplied by small farmers like the Fulani herders. To market its products, the federation created its own label BurkinaLait. The strenghtening of local dairy chains and the fight against unfair competition from imported milk powder are among its main objectives. Korotoumou Gariko was elected as first president of the milk federation.[168]

166 Maurice Oudet, 'La révolution blanche est-elle possible au Burkina Faso, et plus largement en Afrique de l'Ouest?', Misereor, July 2005, Aachen.

167 Frédéric Janssens, 'If we cannot sell our milk, we are finished!', 13 July 2007, www.abcburkina.net

168 See: http://www.burkinalait.org

Free trade and the fight against import surges

While African cattle breeders and milk farmers try to protect their markets from subsidised imports (see box 4), the EU's free trade agreements still support the offensive interests of European dairy exporters. The Economic Partnership Agreements, e.g., threaten to undermine efforts to develop viable domestic dairy sectors on the African continent, as the analysis of some of the interim EPAs demonstrates.

Of the eight countries comprising the Economic and Monetary Community of Central Africa CEMAC, Cameroon is the only one having signed an interim EPA so far. On imports, Cameroon applies CEMAC's common external tariff which ranges between 5 and 30 percent depending on the processing level of the goods. While the CEMAC tariff on dairy products for final consumption such as yogurts, cheese and butter is 30 percent, the tariff for milk powder is at a very low rate of only 5 percent, according to the EU-Cameroon interim EPA.[169] Cameroon included dairy products into its list of products exempt from liberalisation.[170]

However, the EPA's standstill clause in Article 21(2) covering all tariff lines stipulates that no new customs duties shall be introduced, nor the existing ones increased. Thus, given the very low tariff rate of 5 percent on milk powder, it will be merely impossible to create a level playing field for Cameroonian dairy producers vis-à-vis European exporters.

Of the 15 member ECOWAS group (Economic Community of West African States), only two, Ivory Coast and Ghana, have signed an interim EPA with the EU. Both countries' accord also contains the highly restrictive standstill clause (in both cases in Article 16).[171] If this clause would equally be introduced into an EPA covering the whole ECOWAS group, all its member states would lose the ability to raise their tariff levels on dairy imports. This would clearly be bad news for cattle herders and mini-dairies in Burkina Faso fighting against dumping imports of European milk powder. As in Cameroon, the Burkinabe tariff on milk powder is only 5 percent – far too low to offset the price

169 'Interim Agreement with a view to an Economic Partnership Agreement between the European Community and its Member States, of the one part, and the Central Africa Party, of the other part', Official Journal of the European Union, 28.2.2009, L57/2-L57/360.

170 ODI/ECDPM, 'The new EPAs: comparative analysis of their content and challenges for 2008', Overseas Development Institute/European Centre for Development Policy Management, 31 March 2008, p 12.

171 'Stepping Stone Economic Partnership Agreement between Ghana, of the one part, and the European Community and its Member States, of the other part'. 'Stepping Stone Economic Partnership Agreement between Côte d'Ivoire, of the one part, and the European Community and its Member States, of the other part', Official Journal of the European Union, 3.3.2009, L59/3-L59/273.

advantage of milk made of imported powder.[172]

Together with other West African farmer's organisations, Koro-toumou Gariko of Burkina Faso's National Union of Mini-Dairies and Producers of Local Milk is campaigning for higher import tariffs: "It is absolutely necessary that we protect local production. If milk is imported, it must contribute somehow to help local production by means of higher import duties. For us it is not just a case of defending our interests, it is about defending our lives!"[173] No wonder then that Gariko outrightly condemns the EU's Economic Partnership Agreements: "To safeguard food sovereignty, it is necessary to protect ourselves. But what we face, in particular with the Economic Partnership Agreements, is simply the extinction of smale scale farming. (...) The EPAs fight the poor, not poverty."[174]

Due to the EPAs' liberalisation commitments, particularly the highly restrictive standstill clause, Cameroon, Ghana, Ivory Coast and possibly many other African countries will be unable to raise its dairy tariffs in the future, thus losing an important means to protect and develop viable domestic milk sectors. However, retaining the flexibility to choose an adequate level of tariff protection proved to be very helpful in the cases of Kenya and India.

Kenya's dairy sector is largely based on 625,000 smallholders accounting for 70 percent of total annual milk output.[175] After the liberalisation of its dairy sector in the 1990s, Kenya experienced huge import surges of dry milk powders and other dairy products in the period 1990-2002 which depressed the fresh milk demand of dairies and considerably lowered the amounts of national milk production. Milk powder imports rose from 48 tonnes in 1990 to 2,500 tonnes by the end of the decade. In fresh milk equivalent, this presented an increase from 400,000 litres to 21 million litres. The imports triggered a price drop and local production fell by nearly 70 percent.[176] Small farmers who were deprived of an outlet for their raw milk suffered from reduced incomes and increased poverty levels. A survey among Kenyan dairy

172 Maurice Oudet, 'L'impact de la libéralisation sur les agriculteurs de l'Afrique Occidentale (CEDEAO) et les Accords de Partenariat Economique (APE)', Réseau Afrique-Europe Foi et Justice (AEFJN), SEDELAN, January 2009.

173 Frédéric Janssens, 'If we cannot sell our milk, we are finished!', 13 July 2007, www.abcburkina.net

174 Ibid.

175 Rosemary Atieno, Karuti Kanyinga, 'The Politics of Policy Reforms in Kenya's Dairy Sector', Future Agriculture, Policy Brief 19, February 2008.

176 Aileen Kwa, 'EU Set to Milk Africa With Subsidised Goods?', *IPS*, Nairobi, 15 November 2007.

farmers found that 63 percent of households recorded decreased incomes, 56 percent were forced to reduce investments and 47 had to cut back on expenses for their children's education like schools fees or purchase of educational material.[177]

The imports mainly originating in the EU provoked an outcry of concerned dairy farmers and convinced the government to increase its applied tariff on imported dairy products from 35 to 60 percent in early 2002.[178] This move was compliant with Kenyas WTO obligations, because the new tariff rate was within Kenyas bound tariff ceiling of 100 percent for agricultural commodities. The difference between the rate actually applied and the one bound in the WTO allowed for an increase in case of market distortions.[179]

177 Tom R. Wambua, Fred Miencha, 'An Analysis of the Impact of Import Surges on Rural Poverty in Kenya: The Case of the Dairy Sub-sector', Study for Action Aid International Kenya, June 2007.

178 Ibid.

179 Bound tariffs are specific commitments made by WTO member states. The bound tariff is the maximum tariff rate which may potentially be levied on the import of a given good. To allow for adjustments, bound tariffs are generally higher than the rates actually applied. If WTO members raise applied tariffs above the bound levels, other members can initiate a dispute settlement procedure at the WTO.

A major outcome of the Kenyan tariff increase was a marked decline of milk powder imports from 2002 onwards, so that local fresh milk could again be marketed competitively on the domestic market. The government action was accompanied by a revival of the state-controlled dairy production and marketing firm Kenya Co-operatives Creameries Limited (KCC), which had virtually collapsed after the liberalisation of the dairy sector and the influx of private milk processors on the Kenyan market. Before liberalisation, KCC was obliged to accept all milk deliveries of farmers to its processing plans. To fulfill its mandate, KCC had established a nationwide network of milk collection, cooling and processing facilities. This state-controlled marketing system provided Kenyan milk farmers with a reliable outlet for their produce and cushioned them from price fluctuations of the free market.[180]

The reinforcement of KCC (now called New KCC) through an improved management structure and the 2002 tariff increase contributed to a marked increase of the amounts of locally produced and processed dairy products in Kenya in the following years. Thanks to its own milk powder processing facility, the New KCC was even able to cope with large quantities of

180 Tom R. Wambua, Fred Miencha, 'An Analysis of the Impact of Import Surges on Rural Poverty in Kenya: The Case of the Dairy Sub-sector', Study for Action Aid International Kenya, June 2007.

raw milk deliveries by small farmers' cooperatives. The Future Agriculture Consortium, a network of researchers from British and African institutions, hails the success of these reforms: "There has been a dramatic revival of the KCC, the dairy sector in general and the fortunes of smallholder dairy producers in particular. (...) Nationally, milk processing has risen from 173 million litres in 2002 to 332 million litres in 2005. KCC's daily milk intake increased ten-fold, from 40,000 litres per day in 2002 to 400,000 litres per day in 2006. The revival of dairy cooperatives has stimulated the development of new businesses such as feed suppliers and providers of artificial insemination, veterinary, breeding and financial services."[181]

Similarly, in the years 1999 and 2000, India's dairy sector experienced import floods of European skim milk powder after the tariff on milk powder had been set at zero as part of the liberalisation commitments agreed upon during the GATT Uruguay-Round that led to the creation of the WTO. Indian dairy producers complained that they could not compete with subsidised EU milk powder and the government subsequently renegotiated the bound zero-duty and, in 2000, introduced a tariff rate quota on dry milk which is regularly adapted according to the needs of the domestic market. In 2004, the tariff rate quota on skim milk powder and whole milk powder allowed imports of up to 10,000 tonnes at a customs duty of 15 percent, while quantities outside this quota were charged 60 percent.[182]

In the following years, the Indian government adapted the import regime by reducing the in-quota tariff to 5 percent. In March 2010, the government further liberalised the trade regime by permitting zero-duty in-quota imports of 30,000 tonnes of milk powder, while the 60 percent outside-quota tariff remained unchanged.[183] Despite recent liberalisations, the introduction of the quota system drove dairy imports down and helped keeping the domestic milk sector alive.[184] The flexible adaptations of the import quota protected the achievements of India's very succesful national dairy programme Operation Flood which, in several phases between 1970 and 1996, created a vibrant domestic dairy chain by linking a vast network of small farmers' milk cooperatives with consumers. Due to

181 Rosemary Atieno, Karuti Kanyinga, 'The Politics of Policy Reforms in Kenya's Dairy Sector', Future Agriculture, Policy Brief 19, February 2008, pp. 4-5.

182 K.G. Karmakar, G.D. Banerjee, 'Opportunities and Challenges in the Indian Dairy Industry', Technical Digest, Issue 9, 2006, pp. 24-27.

183 USDA, 'India – Dairy and Products Annual 2011', GAIN Report Number IN1112, 12 January 2011.

184 Bhaskar Goswami, 'Can Indian Dairy Cooperatives Survive in the New Economic Order?', Forum for Biotechnology & Food Security, Paper presented at the WTO Public Forum 2007, 4-5 October 2007, Geneva.

this programme, India tripled its milk output, achieved self-sufficiency, and even turned into a milk exporter. According to the International Food Policy Research Institute IFPRI, one of the key lessons of Operation Flood was that production can be increased by "restricting key imports so as not to disrupt domestic markets".[185]

However, the negotiations of a Free Trade Agreement (FTA) between India and the European Union, which started in June 2007, are now renewing fears among Indian milk farmers. Negotiators of both sides have already agreed that the FTA will eliminate tariffs on at least 90 percent of all tradable goods. They are currently discussing the extension of this figure and the negative lists of goods which might be exempt from liberalisation. A key EU demand is the elimination of, inter alia, dairy products from India's negative list. According to media reports, the Indian governement seems to be amenable to this request.[186] The EU food industry fiercely lobbied for the FTA to dismantle India's dairy tariffs. While Eucolait, the European Association of Dairy Trade, complained about the "protected market" in India[187], the European Dairy Association EDA denounced that "unrealistic high import tariffs prevent any substantial imports".[188] Both associations urged that the FTA should secure improved market access for EU dairy exporters.

But following these European industry demands would pose serious risks for millions of Indian small farmers. The Indian dairy sector provides employment for 90 million people, 75 million of which are women. The large majority are small farmers either owning less than two hectares of land or being landless. These small farmers own 75 percent of India's livestock, including tens of millions of milk cows. Dairy products, which account for 70 percent of the output of the livestock sector, contribute a third of the gross income of rural households and almost a half of the income of landless families. Dairy farming is thus regarded as "one of the most pro-poor sectors" of India.[189]

185 Kenda Cunningham, 'Rural and Urban Linkages – Operation Flood's Role in India's Dairy Development', International Food Policy Research Institute, IFPRI Discussion Paper 00924, November 2009.

186 Pallavi Aiyar, 'India, EU take another step towards FTA', *Business Standard*, 25 September 2010.

187 Jack Baines, 'Dairy Trade Offensive Interests', Eucolait, Presentation, 25 June 2007.

188 Rik Lodders, 'Consultation on EU Agri-Food Export Interests', European Dairy Association (EDA), Presentation, Brussels, 25 June 2007.

189 Bhaskar Goswami, 'Can Indian Dairy Cooperatives Survive in the New Economic Order?', Forum for Biotechnology & Food Security, Paper presented at the WTO Public Forum 2007, 4-5 October 2007, Geneva.

Several Indian sector representatives voiced their concerns on the EU-India FTA. The Indian Dairy Association, uniting cooperatives, the public and the private sector, claimed that opening up the market without adequate protection would result in "highly uneven competition on unequal terms, disrupting the lives and livelihoods of small and marginal Indian farmers".[190] Similarly, the Indian Coordinating Committee of Farmers Movements denounced that the "EU-India FTA will inevitably be an unfair deal because nothing will be done about EU subsidies; while our duties will be drastically cut." The farmers movements also raised their concern that the negative list currently exempting certain dairy products "will be further negotiated and reduced".[191]

4.4 Europe plucks Africa: EU poultry exports

The EU's poultry meat production, large part of which is being exported, also caused severe disruptions on developing countries' markets. Benefitting from CAP support in the form of investment aids, trade promotion, export refunds and subsidised cereal prices lowering feedstuff costs, EU poultry farms conquered one third of the global poultry market. Cereal subsidies were particularly helpful for global expansion because feedstuffs contribute up to 70 percent of the production costs of poultry farms.[192] In the period 1990-2009, European poultry exports grew by a staggering 130 percent, with chicken meat contributing 80 percent of total shipments. The Netherlands dominate the EU's chicken meat exports with a share of 29 percent, followed by France, Belgium, the UK and Germany.[193] Sub-Sahara Africa ranks high among the main export destinations absorbing between 20 and 25 percent of EU poultry sales.[194]

190 N R Bhasin, President's Desk, Indian Dairyman Magazine, May 2010 Issue, Vol 62, No. 5.

191 Indian Coordinating Committee of Farmers Movements, 'India's Farmer Organisations oppose EU-India FTA', letter to Prime Minister Shri Manmohan Singh, 28 April 2010.

192 FAO, 'Agribusiness Handbook – Poultry, Meat & Eggs', Rome 2010.

193 Hans-Wilhelm Windhorst, 'Patterns and Dynamics of global and EU poultry meat production and trade', Lohmann Information, Vol 46 (1), April 2011, pp. 28-37.

194 FranceAgriMer, 'Le marché des produits avicole dans l'Union Européenne', 2009.

Beginning in the mid-1990s, West and Central African countries suffered from huge import surges of chicken meat, the majority of which originated in the EU. Prior to that time, chicken imports were almost insignificant in the region (see chart 9). EU shipments to countries like Ghana, Ivory Coast, Senegal, Cameroon or Benin quadrupled between 1996 and 2006 disrupting the market for thousands of people breeding chickens in their backyards, on small-scale poultry farms or on a few semi-industrial farms in urban and suburban areas. EU exports to Africa consist mainly of frozen chicken pieces like wings, legs, necks and giblets. The growing trade with these minor broiler parts is a result of changing consumption patterns in Europe, where consumer preference switched from red meat like beef to the supposedly healthier white meat of poultry with its lower fat content. In addition, consumers increasingly preferred to buy easy to prepare fresh chicken pieces, particularly chicken breast, instead of whole birds. Due to these changes, the poultry industry makes high profits with breast meat in Europe allowing to sell all other chicken parts at extremely low prices on African markets.[195]

The imports had devastating effects particularly on West African smallholders who were unable to compete with dumping prices of European chicken cuts. Small-scale poultry farming is very widespread in West African rural and suburban areas, as poultry and egg production serves as an important complementary source of nutrition and income for millions of poor households. The semi-industrial poultry sector, which previously experienced a rapid growth particularly in the coastal countries like Senegal or Ivory Coast, also suffered from the import floods as many newly created businesses were forced to close down. The influx of EU chicken was also an effect of West African regional integration and the application of a Common External Tariff (CET) in many countries. The eight members of the West African Economic and Monetary Union (WAEMU), which also belong to the larger Economic Community of West African States (ECOWAS), introduced the CET in 2000, the remaining ECOWAS members followed in 2005. Under the CET, the import tariff on final consumer goods including poultry meat was set at a very low level of 20 percent, implying a significant tariff reduction in most countries.[196]

Large parts of Ghana's poultry sector have virtually been wiped out by dumping imports that started in the late 1990s. Imports of frozen chicken backs, necks, rumps and wingtips originating

195 EED, ACDIC, ICCO, APRODEV, 'No more chicken, please', November 2007.

196 Kate Schneider, Robert Plotnick, 'Poultry Market in West Africa: Overview & Comparative Analysis', Evans School Policy Analysis and Research, EPAR Brief No. 82, 16 July 2010.

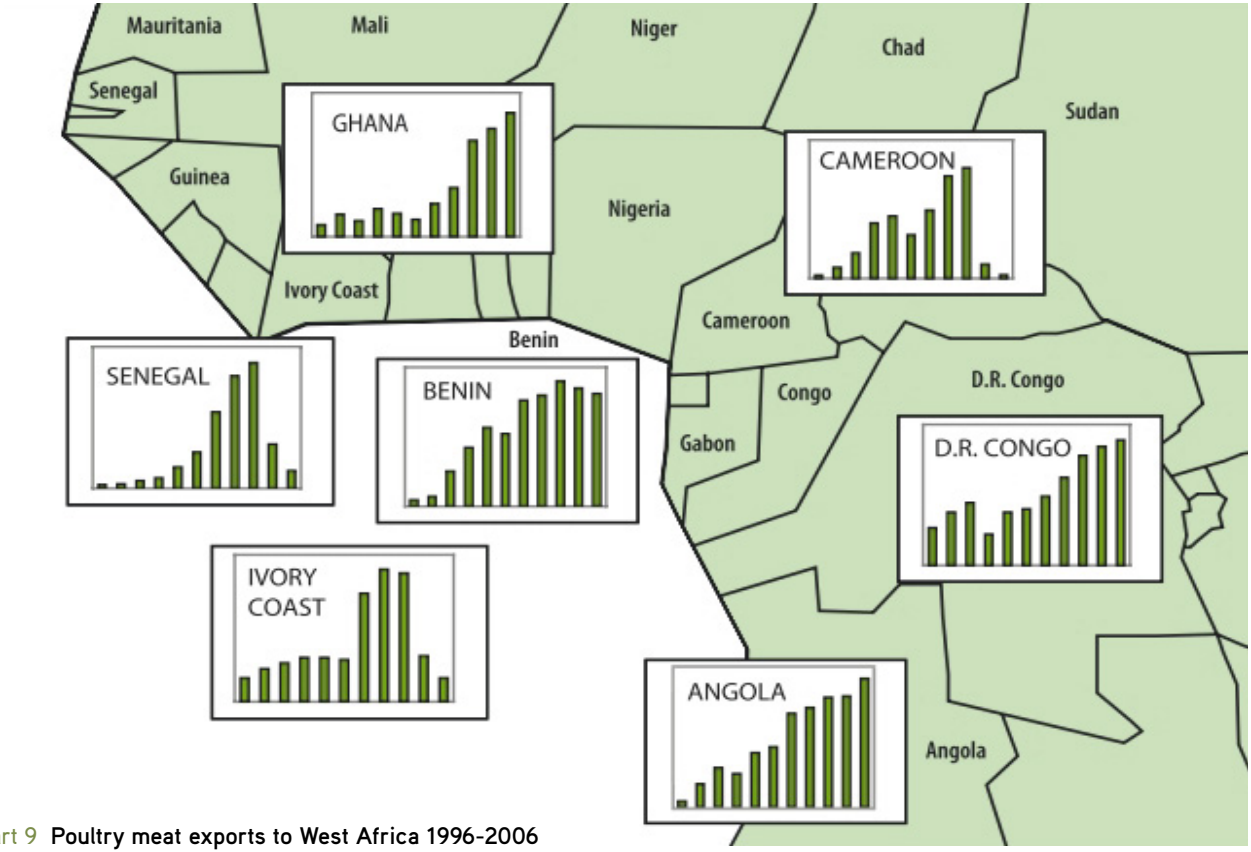


Chart 9 **Poultry meat exports to West Africa 1996-2006**

in the EU increased by 476 percent between 2000 and 2009.[197] In previous decades, Ghana's government promoted the domestic poultry sector to address the shortfall in animal protein. During the 1980s and 1990s, local production grew rapidly until it provided 95 percent of domestic demand of chicken meat and eggs. However, due to the import surge and dwindling state support, the sector experienced a steep decline and, in 2008, it could merely supply 10 percent of local demand. "Most of the small and medium-scale producers have completely closed down", confirms a report of the US Department of Agriculture.[198]

The imported chicken meat was sold at €1.50 against €2.60 for local chicken. Small-scale poultry farmers who could no longer compete either gave up or switched to breeding laying hens for the sale of eggs. William Quashie, a member of the Tema Chicken Farmers Association in Ashaiman, a suburb of Ghana's capital Accra, complains: "The chicken parts are cheaper than my birds. Whenever there were chicken parts on the market, the market women came only half as often as usually to buy my birds." Today, farmers would have to "run after the market women" to sell their chicken.[199] The lost incomes increase the vulnerability of chicken farmers' families to poverty and hunger, as Marc Akamenko and Francis Mac Tengey, two other members of the Tema association, confirm. Whereas Akamenko's family had to reduce the quantity and quality of food consumed, Mac Tengey's family could only afford two meals per day.[200]

In Cameroon, where poultry meat shipments from the EU surged from 820 tonnes in 1996 to almost 19,000 tonnes in 2004, the imported meat only cost €1.44 per kilo compared to €2.40 for local chicken. To measure the economic impact of these dumping prices, the NGO ACDIC (Association for the Defense of Citizen's Interest) selected a random sample of 100 poultry farmers operating in 1996. Six years later, only eight were still in business. Not only breeders lost their jobs but also farmers providing feed and butchers who were slaughtering, plucking and selling chickens on local markets. According to ACDIC estimates, 120.000 jobs disappeared along the whole production chain during the crisis.[201]

197 Katherine Killebrew, Mary Kay Gugerty, Robert Plotnick, 'Poultry Market in West Africa: Ghana', Evans School Policy Analysis and Research, EPAR Brief No. 83, 28 May 2010.

198 USDA, 'Ghana – Poultry and Products Annual 2008', USDA Foreign Agricultural Service, GAIN Report, 28 August 2008.

199 Cited in: Mohammed Issah, 'Right to food of tomato and poultry farmers – Report of an investigative mission to Ghana', FIAN, Send Foundation, Both Ends, Germanwatch, UK Food Group, November 2007, p. 18.

200 Ibid.

201 Ibid.

Box 5

"I lost everything"

Margaret Nkume: a chicken farmer in Cameroon

Margaret Nkume, a mother of four children, belonged to the many women among Cameroon's poultry farmers who lost their income due to the import shock. "My poultry farm was very succesful when I started it in 1995. I invested €106 to rear 100 chickens in two months and I managed to sell them for €230, which was good business at that time. That encouraged me to expand my production and I took out a loan. (...) In 2002, I took out another loan to increase my income. But by then, ever more frozen chicken was appearing on the market at very, very low prices. My customers bought this cheap meat. I could no longer sell what I produced and lost everything. My children can no longer go to school regularly because we can't afford the school fees."[202] Like Margaret Nkume, many poultry farmers not only lost their income but also accumulated debts because of the inability to repay the loans they took out to start their small chicken businesses.

202 Cited in: EED, ACDIC, ICCO, APRODEV, 'No more chicken, please', November 2007, p.6.

In Senegal, frozen chicken imports rose from 500 tonnes in 1996 to 16,600 tonnes in 2002, with over 70 percent originating in the EU. Only a minor fraction was made up of whole birds, whilst chicken pieces accounted for 86 percent of total deliveries. Regarding the low cost of EU chicken cuts, a tradesman in Senegal's capital Dakar told that "some suppliers are even offering products virtually at zero prices".[203] The large price range – imported meat cost less than €1.50 per kilo against €2.30 per kilo for domestic one – affected small and larger poultry farms alike.[204] In the period 2001-2003, the semi-industrial broiler production in suburban areas decreased by 30 percent causing a loss of between 1,500 and 2,000 jobs.[205] The impact on small farmers was even more significant. Senegals poultry producers federation FAFA (Fédération des Acteurs de la Filière Avicole) estimated that 70 percent of poultry farms had to close down because of the dumping effect. The application of WAEMU's Common External Tariff (CET) in 2000 facili-

203 Cited in: Guillaume Duteurtre, Pape Nouhine Dièye, Djiby Dia, 'L'impact des importations de volailles et de produits laitiers sur la production locale au Sénégal', Institute sénégalais de recherces agricoles (ISRA), Etudes et documents, Vol. 8, No 1, 2005, p. 24.

204 SOS Faim et al., 'Chicken Exports: Europe plucks Africa! – A campaign for the right to protect agricultural markets', 2004.

205 Denis Horman, 'Chicken Connection – Le poulet africain étouffé par l'Europe', Groupe de Recherche pour une Stratégie économique alternative' (GRESEA), Octobre 2004.

tated the import flood. Due to the CET, the Senegalese import tariff on poultry dropped from 55 to 20 percent.[206]

Risking public health

The imports of frozen chicken parts not only cause economic disruptions but also severe health risks for African consumers due to the absence of reliable cold chains in many countries. Whereas local chickens are mainly sold alive, which is the most hygienic way of marketing, frozen chicken pieces, after unloading at African ports, are subject to long transports without adequate refrigeration. Defective cold stores and energy cuts also result in successive phases of defrosting. Despite tropical temperatures, chicken parts are often sold on markets without any cooling units at all – a favourable environment for contamination with viruses and bacteria.[207]

A Senegalese sanitary inspector describes the conditions: "Go to the markets! You will see women selling these chicken legs exposed to the heat. In the evening, the unsold product is perhaps put into a refrigerator. And the following day, it will again be exposed to the heat."[208] The Centre Pasteur in Cameroon's capital Yaundé analysed samples of frozen poultry meat from several sales points in the country. Its results were alarming: 83.5 percent of frozen chicken probes did not comply with micro-biological requirements and were thus unfit for human consumption. 15 percent were infested with salmonella and 20 percent with campylobacter bacteria causing diarrhoea, vomiting, cramps and fever.[209]

Regarding the health impacts of frozen poultry meat exports, European NGO confederation Concord claims that until now "the EU has refused to take responsibility beyond its borders. (…) While it keeps raising food safety standards for its own citizens, it does nothing to prevent EU food exports from posing a health risk to African citizens in countries with documented deficiencies in their health control and hygiene standards for frozen meat chains."[210]

206 Guillaume Duteurtre, Pape Nouhine Dièye, Djiby Dia, 'L'impact des importations de volailles et de produits laitiers sur la production locale au Sénégal', Institute sénégalais de recherces agricoles (ISRA), Etudes et documents, Vol. 8, No 1, 2005.

207 EED, ACDIC, ICCO, APRODEV, 'No more chicken, please', November 2007.

208 Denis Horman, 'Chicken Connection – Le poulet africain étouffé par l'Europe', Groupe de Recherche pour une Stratégie économique alternative' (GRESEA), Octobre 2004, p. 97.

209 Ibid., p. 96.

210 Concord, 'Spotlight on Policy Coherence', Report 2009, Brussels 2009, p. 16.

Import restrictions and loopholes

However, European chicken dumping provoked resistance by African poultry breeders and farmers prompting some governments to impose import restrictions, for instance, in the cases of Nigeria, Cameroon, Senegal, and Ivory Coast. Nigeria, the largest market in West Africa with 140 million inhabitants, adopted an import ban on poultry imports in 2002 that reduced at least somewhat foreign competition on the domestic market.[211] Yet, this move was also due to protect the interests of large-scale poultry enterprise Obasanjo Farms Limited owned by then president Olusegun Obasanjo. The Nigerian president was later accused of diverting state funds to prop up its own poultry business.[212]

In 2004, a succesful campaign coordinated by ACDIC forced the Cameroonian government to control compliance with its import quota limiting poultry imports to 5,000 tonnes, but which had never been enforced before. Importers, for whom the cheap chicken parts were an extremely profitable business, had bribed customs officials to circumvent the quota and import up to five times the legally set limit. The government's withdrawal of import licences, together with higher duties and taxes, enabled a regeneration of the domestic poultry sector.[213] In Senegal, the import surge gave birth to the creation of the poultry producers federation FAFA which staged several protests against the liberalisation of the poultry sector.[214] Finally, in 2006, the Senegalese government stopped all poultry imports in response to public pressure and the health risks associated with the avian influenza epidemic. As a result, imports fell from providing 22 percent of domestic consumption in 2004 to 1,4 percent in 2007.[215]

However, other countries in the region like Ghana or Benin remained open to dumping exports, while another part of EU

211 Katherine Killebrew, Mary Kay Gugerty, Robert Plotnick, 'Poultry Market in West Africa: Nigeria', Evans School Policy Analysis and Research, EPAR Brief No. 87, 14 June 2010.

212 Sowore Omoyele, Jonathan Elendu, 'War on Corruption: Is Obasanjo for Real?', *Elendu Reports*, 7 December 2005. Ademola Adegbamigbe, 'Corruption in Nigeria under Obasanjo', *eWASH*, http://assemblyonline.info/?p=1302

213 EED, ACDIC, ICCO, APRODEV, 'No more chicken, please', November 2007.

214 Guillaume Duteurtre, Pape Nouhine Dièye, Djiby Dia, 'L'impact des importations de volailles et de produits laitiers sur la production locale au Sénégal', Institute sénégalais de recherces agricoles (ISRA), Etudes et documents, Vol. 8, No 1, 2005. FAFA, Plan D'Actions, 2010-2012, Fédération des Acteurs de la Filière Agricole, Dakar.

215 Katherine Killebrew, Mary Kay Gugerty, Robert Plotnick, 'Poultry Market in West Africa: Senegal', Evans School Policy Analysis and Research, EPAR Brief No. 86, 24 May 2010.

chicken exports simply moved further South on the continent to flood the markets of the Democratic Republic of Congo and Angola.[216] Despite ongoing protests, Ghana's government stressed the necessity to uphold imports in order to comply with international trade rules and to secure the supply of cheap animal protein for the population.[217] At a recent forum in Accra, poultry farmers regretted the fact that the parliament once passed a law to increase tariffs on frozen chicken but that this law was never implemented due to pressures from the International Monetary Fund (IMF).[218] Referring to the import bans applied in some neighbouring countries, the chairman of the Ghana National Association of Poultry Farmers (GNAPF), Kwadwo Asante, wondered why the same policy could not be applied in Ghana, stressing that it would be "the one solution to sustain the poultry industry in the country".[219]

Benin is by far the largest recipient of EU chicken exports. Of the 291,000 tonnes of EU poultry parts sold in Africa in 2010, 114,000 tonnes or 39 percent ended up in Benin.[220] However, large parts of Benin's poultry imports are subsequently re-exported to other countries in Sub-Sahara Africa, particularly to neighbouring Nigeria. Although Nigeria's import ban is still in place, traders bribe Nigerian customs officials so that EU chicken parts can illegally cross the border from Benin. Thus, the import ban only curtailed the influx of frozen chicken parts, but did not eliminate it.[221] The World Bank estimates that 90 percent of Benin's poultry imports are illegally re-exported to Nigeria.[222]

But for Benin's government, these informal re-exports are an important source of state revenue. It is estimated that 75 percent of all goods unloaded in the port of Cotonou are destined for Nigeria and that the customs revenues contribute up to 65 percent to Benin's budget.[223] It is, nevertheless, questionable

216 EED, ACDIC, ICCO, APRODEV, 'No more chicken, please', November 2007.

217 KG Aning, 'The Structure and Importance of Commercial and Village Based Poultry in Ghana', Food and Agriculture Organisation of the United Nations, Final Review Report, Accra, August 2006.

218 Ekow Quandzie, 'Ghana's poultry industry in crisis – National Best Farmer', *Ghana Business News*, 3 August 2011.

219 'Cheap Imports Damaging Ghana's Poultry Industry', *ThePoultrySite.com*, 2 August 2010.

220 EED, 'Exportwahn ohne Grenzen', Press release, 22 March 2011.

221 Katherine Killebrew, Mary Kay Gugerty, Robert Plotnick, 'Poultry Market in West Africa: Nigeria', Evans School Policy Analysis and Research, EPAR Brief No. 87, 14 June 2010.

222 Soamiliy Andriamananjara et al., 'Assessing the Economic Impacts of an Economic Partnership Agreement on Nigeria', The World Bank, Policy Research Working Paper 4920, April 2009.

223 Moussa El-Hadji Mama, 'Relations Commerciale Benin-Nigeria: Quels défis avec la mise en vigueur du TEC-CEDEAO?', *Journal Fraternité*, 2

whether these receipts compensate for the large damage done to Benin's and other West African poultry farmers. As in Senegal, the collapse of many Beninian chicken farms gave birth to the creation of an association of poultry producers, Association Nationale des Aviculteurs du Benin (ANAB), which is fighting for government support and against dumping imports.[224]

West African poultry farmers also voiced their concerns regarding the possible impacts of the Economic Partnership Agreements (EPAs) currently being negotiated with the European Union. Ghana's poultry farmers, whose government agreed on an interim EPA in December 2007, fear that the liberalisation commitments will further weaken the already fragile domestic poultry sector. John Dziwornu, the president of the Ghana National Farmers and Fishermen Accociation, said that poultry farmers would be heading for collapse because they "can not compete with products from the EU". Similarly, Ken Quartey of the Poultry Farmers Association of Ghana asserted that competition would be unfair with the EPAs.[225]

At the World Social Forum in Dakar in February 2011, Cameroonian analysts also expressed concerns that the restrictions on poultry imports imposed by Cameroon's government might come under pressure due to the 2007 interim EPA. They fear the liberalisation commitments could lead to an early phasing out of these protective measures despite continued vulnerability of the poultry sector.[226] For example, the extended standstill clause the EU introduced into Cameroon's EPA could prohibit Cameroon from using these policy tools in the future, as Concord warns.[227] The 'Technical Centre for Agricultural and Rural Cooperation ACP-EU' confirms that EPA provisions restricting the use of trade policy tools like import licences may "narrow the scope for government action to protect particular national markets targeted by EU exporters". This risk would also prevail "despite the exclusion of poultry meat from tariff elimination commitments" and its inclusion in lists of sensitive products, as in the case of Ghana's and Cameroon's interim EPAs[228].

November 2011. 'La suspension des réexportations vers le Nigeria', *AFP*, 28 October 2004, http://www.izf.net/pages/comm-nigeria/5817/.

224 Syfia International, 'Enquête – Impact des importations de volailles en Afrique de l'Ouest', Brussels, April 2004.

225 Suleiman Mustapha, 'The dying state of Ghana's poultry', *The Statesman*, 1 February 2008.

226 Agritrade, 'Poultry farmers in Ghana express concerns over imports and impact of IEPA commitments', Technical Centre for Agricultural and Rural Cooperation ACP-EU (CTA), 10 June 2011.

227 Concord, 'Spotlight on Policy Coherence', Report 2009, Brussels 2009.

228 Agritrade, 'EU poultry exports to selected ACP countries booming', Technical Centre for Agricultural and Rural Cooperation ACP-EU (CTA), 25 December 2010.

4.5 Feeding factory farms: EU soy imports

An important precondition for the European food industry to export its products on world markets at competitive prices is the supply with cheap agricultural raw materials. This is particularly true for the livestock industry whose vast feedstuff demand accounts for up to 70 percent of its production costs. The Common Agricultural Policy supported the growth of the European livestock industry not only by subsidising cereals used as animal feed but also with intervention prices, direct payments, export refunds as well as investment aids that went into the construction of industrial-scale animal farms (see chapter).

The Institute for European Environmental Policy finds that "certain types of CAP payments – particularly payments per head of livestock and price support for commodities such as beef and milk – were key drivers of livestock production patterns and practices, incentivising greater and more intensive production". Although recent reforms reduced CAP's influence on production decisions, livestock farmers would "continue to receive substantive amounts of support, mainly as income support, from the public purse".[229] The result is a significant concentration process among livestock producers, as consumer organisation Food & Water Watch points out: "Over the past two decades, the number of livestock animals has grown, the number of farms has fallen, and the scale of pig and chicken farms has exploded."[230]

But the vast amounts of cheap feedstuff required for mega livestock farms nurtured with CAP funds are not only supplied by European cereal farmers but also to a large extent by imports. As a consequence, the scramble for the cheapest possible feedstuff supply causes structural adjustment, farm concentration and land grabbing also in those parts of the world that provide growing amounts of feed for European animals, especially in South America.

Today, about 88,000 heads of cattle, 152,000 pigs, 102,000 sheeps and goats,[231] 390,000 laying hens and over 5 billion meat chickens[232] are being fed each year in the EU-27. Animal

229 Justin Bartley, Kaley Hart, Vicki Swales, 'Exploring Policy Options for More Sustainable Livestock and Feed Production – Final Report for Friends of the Earth', Institute for European Environmental Policy, March 2009, p. 74.

230 Food & Water Watch, 'The Perils of the Global Soy Trade – Economic, Environmental and Social Impacts', February 2011, p. 10.

231 FEFAC, 'Feed & Food – Statistical Yearbook 2009', Fédération Européenne des Fabricants d'Aliments Composée, Brussels, p. 64.

232 Compassion in World Farming, Factsheets, 'Laying Hens' (April 2010) and 'Meat Chickens' (March 2010), www.cifw.org.uk

feed consists mainly of forage and compound feed. About 30 percent of the feed consumed by farm animals in the EU is produced by the compound feed industry.[233] The EU is the world's second largest compound feed producer, shortly behind the US, with an output of 148 million tons in 2009. Due to the growing production of dairy and meat products, the consumption of animal feed and the turnover of the EU compound feed industry accelerated sharply in recent years, particularly since 2005 (see chart 10).

Several European firms rank among the world's top feed companies, many of which from the Netherlands such as Nutreco, Provimi, De Heus and Cehave Landbouwbelang (see table 8). The industry undergoes a consolidation process, with some of the largest feed companies also trying to expand their international presence. Nutreco, for instance, recently acquired production sites in Brasil and Vietnam, AB Agri and Cehave feed mills in China.[234] Provimi already has a large presence outside Europe, inter alia, in Argentina, Brazil, Colombia, South Africa, China, India and Vietnam.[235]

233 FEFAC, 'FEFAC welcomes EU decision on GMO traces', press release, 22 February 2011.

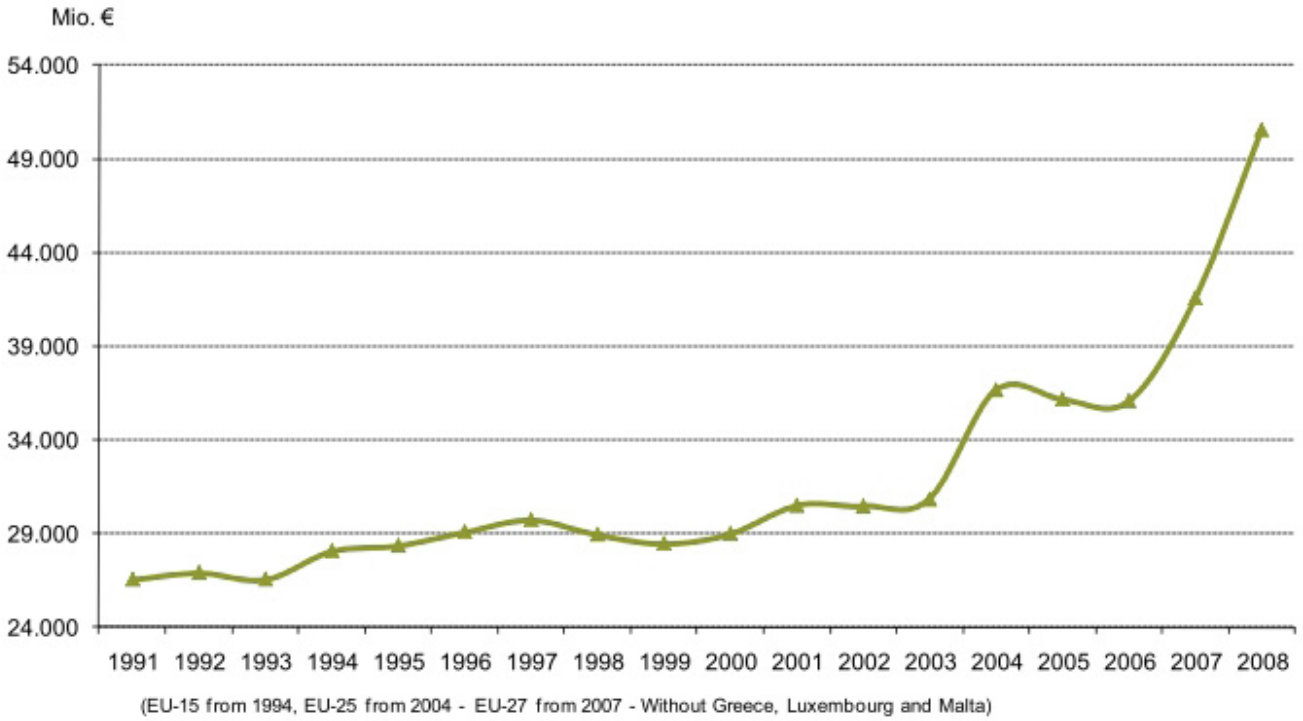
234 Peter Best, 'Top feed companies report positive market signals', in: *Feed International*, September/October 2010, pp. 13.

235 www.provimi.com

Table 8	**Top European feed companies 2009**	
	Headquarter	**Volume** (million tonnes)
Nutreco	Netherlands	8.7
AB Agri	UK	4.7
Glon	France	3.6
DLG	Denmark	3.5
Provimi	Netherlands	3.0
De Heus	Netherlands	3.0
Veronesi	Italy	2.8
InVivo NSA	France	2.7
Agravis Raiffeisen	Germany	2.6
Cehave Landbouwbelang	Netherlands	2.6
Source: Feed International 2010[236]		

236 Derived of *Feed International*'s ranking. See: Peter Best, 'Top feed companies report positive market signals', in: *Feed International*, September/October 2010, pp. 12-15.

Chart 10 **Turnover of the EU compound feed industry**



The EU animal feed industry, like the whole livestock sector, strongly depends on imported feedstuffs, particularly protein-rich feed material. Animal feed is by far the largest agricultural product group imported into the EU. Due to insufficient domestic protein production, three quarters of the EU consumption of protein-rich feedstuffs currently comes from abroad. 68 percent of the protein material used for animal feed in the EU consists of soybean meal, of which only 2 percent is produced in the EU.[237] The EU is by far the world's largest importer of soymeal and the second largest importer of soybeans after China. In 2010, it bought 23 million tonnes of soymeal and 13.4 million tonnes of soybeans on the world market. Especially soymeal imports experienced strong growth in the last years, increasing from 13 million tonnes in 1997 to 23 million tonnes today.[238]

Soybeans and soybean meal are mainly imported from Brazil, Argentina and the US, where major parts of the crop are grown in large monocultures of genetically modified organisms (GMOs). In Brazil, about 60 percent of the soybean fields are planted with GMOs[239], in the US 93 percent[240] and in Argentina almost the whole soybean area.[241] Argentina is the main provider of soymeal to the EU with a share of 51 percent of total imports in 2010, followed by Brazil with 41 percent. Soybeans originate mainly in Brazil (45 percent), followed by the US and Paraguay (see charts 11 and 12). Paraguay emerged as an important supplier in recent years, increasing its soybean shipments to the EU from 0.37 million tonnes in 2002 to 2.3 million tonnes in 2010.[242]

The reasons for Europe's protein deficit and its resulting import dependency date back to the early 1960s, when the European Economic Community (EEC) established the Common Agricultural Policy and introduced high tariffs on cereal imports – a

237 FEFAC, 'Feed & Food – Statistical Yearbook 2009', Fédération Européenne des Fabricants d'Aliments Composée, Brussels, p. 53-54.

238 Product Board MVO, 'Fact sheet Soy', Product Board for Margarine, Fats and Oils, August 2011.

239 CERT ID, 'Cert ID certified non-GMO soy meal and other soy products : Volumes available from South America and Worldwide, Porto Alegre, 1 July 2010. However, figures on the GMO share of the soybean area are differing. Particularly industry sources tend to announce higher shares. For a higher estimate see, e.g.: Alexandre Inacio, 'Transgênicos ocupam área recorde', Valor Econômico, 17.1.2011.

240 USDA, National Agricultural Statistics Service, 'Acreage', 30 June 2010.

241 Grain, 'Las consecuencias inevitables de un modelo genocida y ecocida – Trece años de de soja en Argentina', in: Biodiversidad – Sustento y Culturas, Number 61, July 2009, pp. 23-26.

242 Product Board MVO, 'Fact sheet Soy', Product Board for Margarine, Fats and Oils, August 2011.

Chart 11 **Origins of soybean meal (23.0 million tonnes)**

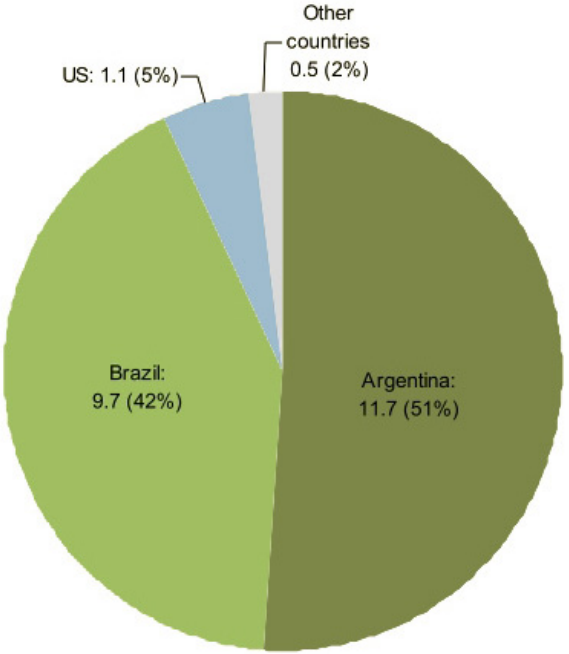
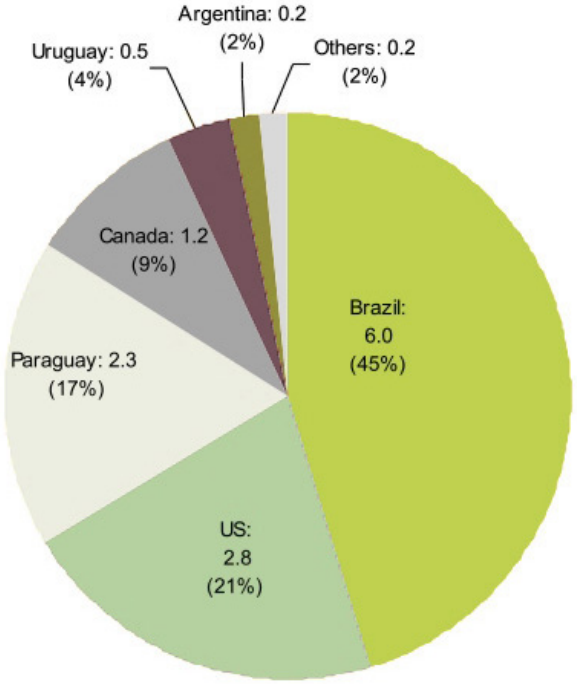


Chart 12 **Origins of soybeans (13.4 million tonnes)**



decision that affected the export opportunities of third countries. The United States in particular tried to ensure guaranteed access for its existing agricultural exports to the EEC in the framework of the General Agreement on Tariffs and Trade (GATT). Finally, during the Dillon Round of GATT (1960-61), the EEC made one momentous concession and granted the binding of a zero tariff on soybeans, protein meals and other oilseeds as well as zero or very low tariffs on further feedstuffs. In the following years, the European Commission was unable to modify these bound tariffs during successive trade rounds. As a result, EU feed manufacturers increasingly replaced European cereals and protein crops by cheap imports of soybeans and other feedstuffs mainly from the United States and later from South American countries.[243]

Similarly, the 1992 Blair House Agreement, a deal between the US and the EU to break the impasse of the GATT Uruguay Round negotiations, contained a provision limiting the EU area planted with oilseeds (mainly rapeseed, sunflowers and soybeans) in order to protect the interests of US soy exporters. The BSE scandal also contributed to growing feedstuff imports.

243 Ken A. Ingersent, 'Agriculture in the Uruguay Round: A European Perspective', University of Minnesota, Department of Agricultural and Applied Economics, Staff Paper P90-2, January 1990. CTA, 'Oilseed', Agritrade, Executive brief, December 2008.

In 2001, the European Union banned the use of animal and bone meal in livestock feed triggering a profound change in the composition of compound feed and growing imports of vegetable alternatives to protein-rich animal meal, mainly soy.

Given the large import dependency, the food industry and the European Commission try to abolish any obstacles which might potentially affect soybean supply. Since a large part of the soy imported in the EU is already genetically modified, industry groupings like the European Feed Manufacturers' Federation FEFAC push for liberalisations of the already weak EU GMO legislation to secure cheap feedstuff supplies. Together with lobby groups of the biotech and food processing industry, FEFAC has been pressuring the European Commission, parlamentarians and EU member states to scrap the so-called 'zero-tolerance policy' regarding traces of unapproved genetically modified varieties in EU feed imports.[244]

While the European Commission has already authorised a series of GM varieties used for animal feed, until now, it does not allow feedstuff imports containing even very small amounts of genetically modified material which has not been authorised in the EU. In summer 2009, about 200,000 tons of US soy

244 Corporate Europe Observatory, 'Animal feed industry attempts to break down EU zero tolerance GM policy', January 2011.

shipments to the EU were blocked in European ports because they contained small traces of genetically modified maize varieties that had not yet been approved in the EU.[245] The feed and food industry used these blockages to spread largely unfounded claims that the zero-tolerance policy would disrupt necessary supplies and cause sharp rises in feed prices undermining the competitiveness of the feed and livestock sectors. Referring to "hungry animals" which would "say yes" to GMOs, EuropaBio, the umbrella of the EU biotech industry, even warned that "livestock production will be forced to relocate outside of the EU".[246] But cases of contamination with unapproved GMOs are in fact extremely rare and since mid-September 2009 no further feed shipments had been blocked.[247]

Nonetheless, the European Commission bowed to industry pressure and, in February 2011, abolished its zero-tolerance policy and approved a proposal establishing a tolerance threshold. According to this proposal, future feed shipments may contain up to 0.1 percent genetically modified varieties that have not yet undergone safety testing in Europe. Member states and the European Parliament still have to agree to the Commission proposal.[248] This decision clearly marks a victory for the feed and food industry, which might now use its success to push for similar regulations easing the use of GMOs in food products for human consumption.

The European Commission also attacks trade policy measures of producer countries which might affect the provision or prices of soybeans. Its recent report on 'Trade and Investment Barriers' claims that "Brazil and Argentina are also hampering trade through different measures restricting the export of raw materials." Regarding agricultural commodities, "for some products such as soya beans, export taxes in Argentina are as high as 35%". Together with "burdensome export procedures", these measures would have "a considerable negative effect on European downstream producers and, ultimately, consumers".[249] Argentina's differential export tax, which is an important source of government revenue, taxes unprocessed soybeans higher than processed products like soybean meal or oil. Abolishing this tax is one of the Commission's aims for

245 Michael Hogan, 'GMO approvals won't unblock EU soybean imports-trade', *Reuters*, 2 November 2009.

246 EuropaBio, 'Farm Animals say yes to Low Level Presence of GM', Green Biotech Fact Sheet, Brussels 2008.

247 Greenpeace, 'EU allows untested GM crops into the food chain', Press release, 22 February 2011.

248 'EU experts approve trace GM in feed imports: Official', *EurActiv.com*, 23 February 2011.

249 European Commission, 'Trade and Investment Barriers – Report 2011', 2011, COM(2011) 114, p. 8.

the negotiations on an Association Agreement between the EU and Mercosur (comprising Argentina, Brazil, Paraguay and Uruguay) that were relaunched in May 2010.[250]

The EU as a land grabber

In terms of land use abroad, the EU imports of more than 40 million tonnes of crop proteins, mainly soybeans, represents an area of approximately 20 million hectares.[251] The largest areas occupied for European soy consumption are located in Brazil and Argentina, where about 80 percent of EU soybean and soy meal imports originate, although neighbouring countries Paraguay, Bolivia and Uruguay also play increasingly important roles as suppliers.

The area planted with soybeans in South America is continuously growing. The combined soybean area of Brazil, Argentina, Paraguay and Bolivia grew two-and-half times between 1988 and 2008, from 17 million hectares to 42 million hectares (see chart 13).[252] For the upcoming planting season 2011/2012, it is estimated that Brazil will increase its soybean fields to 25 million hectares, and Argentina to over 19 million hectares.[253] The combined soybean area of both countries is almost as large as the area of Sweden (45 million hectares). But the expansion of soybean plantations in South America comes at a huge social and ecological price. Land is concentrated in the hands of a few investors and farm operators, small farmers and indigenous peoples are pushed from their lands, the pesticide-intensive cultivation of genetically modified soy endangers soils, water and human health, while the agricultural frontier further expands into natural habitats, savannahs and forests.[254]

The soy monocultures are one of the most striking examples of a production model that has been described as "farming without farmers". Millions of rural families have been expelled from their lands to give way to the oilseed crop, but only a minority of them can find employment on the plantations. Although soya fields in Brazil occupied 44 percent of the arable area in

250 Product Board MVO, 'Fact sheet Soy', Product Board for Margarine, Fats and Oils, August 2011.

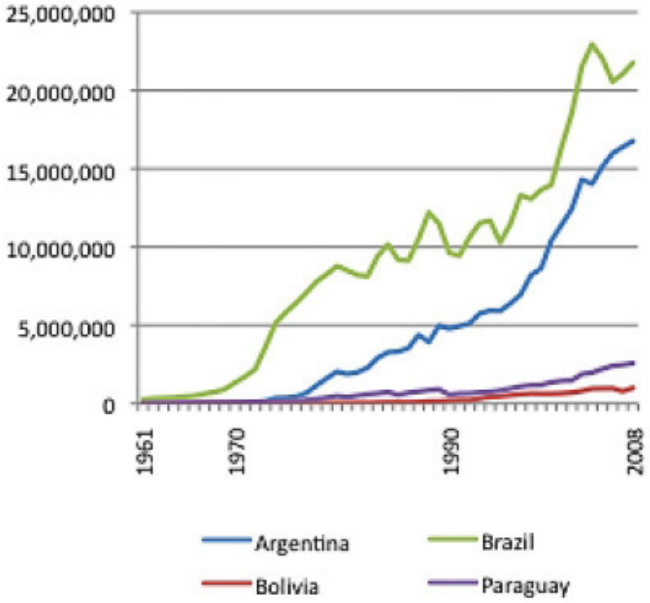
251 European Parliament, Report, 'The EU protein deficit: what solution for a long-standing problem?', Committee on Agriculture and Rural Development, Rapporteur: Martin Häusling, A7-0026/2011, 4.2.2011.

252 WWF, 'Soya and the Cerrado: Brazil's forgotten jewel', 2011.

253 'La region tendrá una mayor área sembrada con soja', Panorama Agropecuario, http://www.sudesteagropecuario.com.ar/2011/06/23/la-region-tendra-una-mayor-area-sembrada-con-soja/

254 Food & Water Watch, 'The Perils of the Global Soy Trade – Economic, Environmental and Social Impacts', February 2011.

Chart 13 **Planted area of soya, S. America (hectares), 1961-2008**



Source: FAOSTAT

2005, they only provided 5.5 percent of the jobs in agricultural primary production. Irrespective of the ongoing territorial expansion of the crop, employment in this sector has continues fallen. In 1985, 1.7 million Brazilian rural workers produced 18 million tonnes of soy. Yet, in 2004, only 335,000 workers were needed to harvest almost 50 million tonnes of the crop.[255]

In Argentina, the highly mechanised soy production model only needs 2 workers per 1,000 hectares per year, thus causing unemployment and poverty in rural areas. The diversity of food production also impeds local people's access to a varied and nutritious diet. In the five years prior to 2005, soy fields displaced 4.6 million hectares of land which had previously been used for the production of dairy, fruits, vegetables and grains as well as cattle breeding. While the output of potatoes, beans, peas, lentils, milk and eggs continuously fell, the number of people lacking access to the basic nutrition basket – the governments measure of poverty – was on the rise.[256]

255 Sergio Schlesinger, O grão que resceu demais – A soja e seus impactos sobre a sociedade e o meio ambiente, FASE, Rio de Janeiro, May 2006, pp. 35-37.

256 Michael Antoniou et al., 'GM Soy: Responsible? Sustainable?', GLS Bank, ARGE Gentechnik-frei, September 2010.

Soy expansion accelerates land concentration and causes many, often violent conflicts. In Paraguay, where 2,6 percent of the population owns 85 percent of the land, soy is now by far the most important crop cultivated on more than 2.5 million hectares. In parallel with the expansion of the soya frontier, the largest farms managed to increase land ownerhip even more. According to the government's latest agricultural census, between 1991 and 2008, the area planted with soy increased almost five-fold and the number of big soy farms with more than 1,000 hectares rose from 26 to 482, together owning 1.1 million hectares now. In contrast, the large majority of small soy farms with less than 20 hectares – estimated at some 18,000 – is confined to only 98,000 hectares.[257]

Due to the lack of secure land titles, Paraguay's small farmers and indigenous peoples such as Guaraní, Toba or Ayoreo can easily be pushed of the land they have been cultivating for generations. Those who are unwilling to leave their land, will be forced by massive sprayings of agrochemicals or brutal repression. Many desperate peasants try to resist growing landlessness by organising protests, road blockades and occupations to reclaim the land they lost to the new plantation owners, many of which Brazilians attracted by the comparatively low land prices in Paraguay. Conflicts frequently escalate during land occupations when police forces intervene to evict peasants and destroy their settlements. Farmers complain that, during evictions, police agents mistreat the landless, burn their shacks and tents, steal possessions and kill animals.[258] Many peasants also suffer from intimidations and assaults of big landowners' private security forces. Florencio Martínez, peasant leader in the district of Capiivary, tells that he has been kidnapped and tortured in 2004 and 2008 by order of a landowner owning large haciendas in the region: "Many of us were captured and others killed. This demobilises our basis."[259]

Soybean plantations are one of the driving forces of deforestation, either by directly occupying land once covered with forests or by displacing grasslands previously used for cattle grazing, which pushes cattle farmers to clear more forests elsewhere. These indirect land-use changes caused by the soya boom are one of the main culprits of the ongoing forest losses in the Amazon and in the South American savannahs like the

257 Dirección de Censos y Estadísticas Agrarias, 'Censo Agropecuario Nacional 2008 – Resultados Preliminares', Presentation, Ministerio de Agricultura y Ganadería, 2009.

258 Stella Semino, Lilian Joensen, Javiera Rulli, 'Paraguay Sojero – Soy Expansion and its Violent Attack on Local and Indigenous Communities in Paraguay', Grupo de Reflexión Rural, March 2006.

259 BASE Investigaciones Sociales, Repórter Brasil, 'Los impactos socioambientales de la soja en Paraguay', Asunción, August 2010, p. 35.

Brazilian Cerrado or the Chaco region in Northern Argentina, Paraguay and Bolivia. Much of the land used for soybeans in Argentina, Paraguay and Brazil comes from the clearance of at least 64 million hectares of natural forests in the last two decades. According to the rather conservative estimates of the FAO, between 1990 and 2010, Brazil lost 55.3 million hectares of forests, Argentina 5.2 million and Paraguay 3.6 million.[260] When forests and grasslands are cleared to establish soybean fields, CO_2 is released into the atmosphere, thus directly contributing to climate change. Deforestation is responsible for at least 12 percent of global CO2 emissions.[261]

The woods falling prey to soya expansion, are also important sources of livelihoods for indigenous communities and other forest dwellers. The Toba and Wichí, e.g., living in the dry forests of the Chaco region bordering North Argentina, Paraguay and Bolivia, suffer from the ongoing clearing of quebracho and algarrobo trees to make way for soy plantations. The forest destruction led to a loss of plant proteins in the diet of these peoples, as Rolando Nuñez, coordinator of the human rights organisation Centro Mandela in Argentina's Chaco province, points out: "The algarrobo symbolises almost everything because the indigenous peoples obtained most of their proteins from its fruit."[262]

The widespread undernutrition triggered by the dwindling possibilities for gathering and hunting led to infectious diseases like tuberculosis and the cargas disease. At least 22 Tobas died of malnutrition in 2007 and 10 Wichí children in the beginning of 2011. According to Nuñez, more than 15,000 indigenous people currently suffer from malnutrition only in the Chaco province.[263] Referring to the soya plantation surrounding his village, Marcelino Pérez, a leader of a Wichí community in Salta province, complains: "We have children dying from hunger, and right next to here is all this food. I ask myself: Where is it going?" [264]

260 FAO, *Global Forest Resources Assessment 2010*, Main Report, FAO Forestry Paper 163, Annex 3, Global Tables, Table 3, Rome 2010.

261 Corinne Le Quéré, Michael Raupach, Josep G. Canadell, Gregg Marland et al, 'Trends in the sources and sinks of carbon dioxide' In: Nature Geoscience, Vol. 2, No. 12, 2009, pp. 831-836.

262 Hernan Scandizzo, 'Argentina: Chaco – land clearance, undernutrition and death', Word Rainforest Movement, Bulletin, Issue 123, October 2007.

263 'Muerte de 6 niños indígenas reaviva el flagelo de la desnutrición en el norte argentino', *EFE*, 8 February 2011.

264 'Una mirada al corazón del hambre argentina', *BBC Mundo*, 26 April 2011.

A toxic production model

Besides losing their livelihoods, smallholders are also exposed to severe health risks due to the toxic nature of the production model. Soya cultivation in Brazil, Argentina and Paraguay is dominated by the genetically modified "Roundup Ready" variety developed by US seed multinational Monsanto. The crop is resistant to Monsanto's herbicide Roundup based on the highly toxic chemical glyphosate. The crop's genetic modification allows soy fields to be sprayed with glyphosate, killing weeds and other plants except the soy crop itself. After Monsanto's US patent on the glyphosate molecule expired in the year 2000, other agrochemical companies also produced this herbicide. The main agronomic problem caused by GM soy is the spread of glyphosate-resistant weeds – also called superweeds – caused by the overuse of herbicides like Roundup.[265]

In Argentina, for instance, glyphosate use increased from 1 million liters in 1991 to 180 million litres in 2007.[266] Nowadays, 200 million litres of glyphosate-based herbicides are used in the country to produce 50 million tonnes of soybeans. Over time, at least 21 glyphosate-resistant weeds have been identified worldwide.[267] Because of their spread, farmers are forced to apply more and more herbicides, some of which even more toxic than glyphosate like Dicamba, 2,4-D or paraquat produced by Swiss company Syngenta.

The industry answer to the spread of those superweeds is the application of even more chemicals. Agrochemical companies, amongst them several European ones like Syngenta, Bayer CropScience and BASF, are now developing further soya varieties resistant to their own toxic herbicides. German company Bayer CropScience, e.g., has patented a GM soy variety, the LibertyLink soy or LL soy, tolerant to its own herbicide Liberty, which contains the chemical agent glufosinate ammonium. The LibertyLink soy is conceived as an alternative for soy farmers who had difficulties controlling the spread of glyphosate-resistant weeds.[268]

The chemical treadmill farmers are forced onto by the GM soy model dramatically increases the use of all kinds of agrochemi-

265 Charles M. Benbrook, 'Rust, Resistance, Run Down Soils, and Rising Costs – Problems Facing Soybean Producers in Argentina', Ag BioTech InfoNet, Technical Paper Number 8, January 2005.

266 Rosa Binimelis, Walter Pengue, Iliana Monterroso, '"Transgenic treadmill": Responses to the emergence and spread of glyhosate-resistant johnsongrass in Argentine', in: Geoforum (2009), doi:10.1016/j.geoforum.2009.03.009

267 http://www.weedscience.org/summary/MOASummary.asp

268 Michael Antoniou et al., 'GM Soy: Responsible? Sustainable?', GLS Bank, ARGE Gentechnik-frei, September 2010.

cals. The growth of the South American markets for herbicides, insecticides and fungicides channels large profits into the pockets of agrochemical companies like Syngenta, Bayer and BASF supplying these markets. Agronomist Walter Pengue emphasizes that this model is also "boosting the dependence on imported inputs". In Argentina, e.g., local production of pesticides is only 17 percent, whereas 43 percent is imported and the other 40 percent produced locally with imported basic chemicals.[269]

The herbicides sprayed from airplanes or large tractors drift onto human settlements and severely affect the health of people living in the neighbourhood of soy plantations. Recent research by scientist Andrés Carrasco confirmed that pregnant women who were exposed to herbicide-spraying became children with malformations or suffered from spontaneous abortions. An epidemiological study in Paraguay found that "women who were exposed during pregnancy to herbicides delivered offspring with birth defects, particularly microcephaly (small head), anencephaly (absence of part of the brain and head), and malformations of the skull".[270] According to a report of the government of the Argentinean Chaco province, the cancer rate among children tripled and birth defects nearly quadrupled in areas frequently affected by sprayings of glyphosate and other herbicides.[271]

By subsidising European mega livestock farms consuming large amounts of imported soy as animal feed, the Common Agricultural Policy contributes to the expansion of the disastrous production model of soy monocultures in South America. However, more and more social movements are urging the EU to redirect its support from industrial livestock farms to smaller and more sustainable livestock holdings respecting animal welfare and less dependent on imported feed.[272]

Progressive farmers also demand that a reduction of European livestock production should be complemented by a shift from imported soy to domestic protein crops. The EU's protein deficit could easily be reduced by promoting local protein-rich legumes like field beans, peas or lupins, whose breeding and cultivation substantially declined in the last decades due to

269 Walter A. Pengue, 'Transgenic Crops in Argentina: The Ecological and Social Debt', in: Bulletin of Science, Technology & Society, Vol. 25, No. 4, August 2005, pp. 314-322.

270 Michael Antoniou et al., 'GM Soy: Responsible? Sustainable?', GLS Bank, ARGE Gentechnik-frei, September 2010, p. 7.

271 Ibid., p. 8.

272 Friends of the Earth, 'What's feeding our food? – The environmental and social impacts of the livestock sector', December 2008.

cheap soy imports.[273] "European farmers can grow the protein plants that Europe needs," confirms Gérard Choplin from the European Coordination of the international peasant movement La Via Campesina. He underlines further advantages of such a strategy: "Rotating these protein crops and maintaining permant pastures should be required in all places where it is feasible. This will benefit soil fertility and biodiversity and reduce carbon emissions by storing it in the soil."[274]

In March 2011, the European Parliament adopted a resolution demanding a series of measures to reduce the EU's protein deficit, referring, in particular, to the upcoming CAP reform.[275] The parlamentarians call on the European Commission to ensure "that its legislative proposals for CAP reform include adequate and reliable new measures and instruments which support farmers in improving crop rotation systems so as to substantially reduce the current protein deficit and price volatility". However, reflecting the strong influence of the food industry, the resolution also calls on the Commission "to ensure unhindered supply of soya to the EU market by providing a technical solution regarding the low-level presence of GMOs in protein crops for food and feed imported into the EU".[276] This somewhat contradictary resolution demonstrates the necessity to uphold political pressure on EU institutions to adopt more coherent agricultural policies which would ease the CAP's burden on rural communities in the Global South.

273 Friends of the Earth Europe, 'Less soy, more legumes – how Europe can feed its animals without destroying the planet', Brussels, December 2010.

274 Food & Water Watch, Press release, 7 February 2011, http://www.foodandwaterwatch.org/pressreleases/soya-dangerous-industrial-soya-trade/

275 http://www.euractiv.com/en/cap/meps-want-protein-deficit-eu-livestock-news-502925

276 European Parliament, Report, 'The EU protein deficit: what solution for a long-standing problem?', Committee on Agriculture and Rural Development, Rapporteur: Martin Häusling, A7-0026/2011, 4.2.2011, pp. 8-9.

5 RECOMMENDATIONS

Despite of three decades of reforms, the Common Agricultural Policy (CAP) and its unequal distribution of funds continues to favour a minority of highly rationalised factory farms and export-oriented food processors, whereas the large majority of family farms faces a constant squeeze on producer prices forcing them out of the market. An important reason for this flawed policy is the dominant objective of nurturing the international competitiveness of the European food industry by providing processors and retailers with cheap agricultural raw materials. Yet, this scramble for the cheapest possible supplies destroys the livelihoods of millions of farmers around the world and it fosters an unsustainable production model based on monocultures and chemical pesticides.

The dogma of international competitiveness shapes the highly unfair trade relations the European Union maintains with the rest of the world. As an importer of agricultural commodities, the EU's quest for the cheapest raw materials and feedstuffs fosters the expansion of the agricultural frontier, the grabbing of smallholders' lands and the clearing of forests and pastures. Regarding the EU's role as an exporter, the cheap supplies extracted from farmers around the globe enable the European food industry to flood foreign markets and to displace millions of local farmers and food producers. The European trade policy and the bilateral free trade agreements complement the Common Agricultural Policy by securing the global sourcing of raw materials and by opening up foreign markets for European exporters. By doing so, the European agricultural policy still contributes to poverty, hunger and environmental destruction, irrespective of the numerous CAP reforms undertaken since its inception.

Ongoing EU dumping exports undermine efforts to limit import dependency in food insecure countries. The CAP, together with neoliberal trade policies, deepens import dependency in the South to secure export markets for the European food industry. The EU's overarching aim of supporting global players in the food export business implies the consolidation and prolongation of import dependency elsewhere. Given the rising and more volatile global food prices, the CAP's export strategy not only accepts but actively promotes the vulnerability of food importers against price spikes and recurrent food crises. Similarly, the EU's objective to provide its global players with cheap inputs condemns raw material and feedstuff suppliers in the South to convert ever more forests, pastures and small farms into large-scale cash crop plantations. Consequently, the global

competitiveness of the EU food business also takes the loss of livelihoods of smallholders in input providing countries for granted.

Therefore, for the EU to effectively contribute to the eradication of poverty and malnutrition, a profound shift in the CAP's main orientation would be required. The dominant objective of achieving international competitiveness of the EU food industry would have to be replaced with a strong commitment to the realisation of food sovereignty at home and abroad. Food sovereignty, as defined by the international peasant movement Via Campesina, refers to the right of peoples, countries, farmers and consumers to define their agricultural policy and the way food is produced and consumed, without harming third countries or the environment. It favours local production over global trade and defends all countries' right to protect themselves against excessively cheap imports. The concept was born at the World Food Summit in 1996 and subsequently influenced the international agricultural debate, even within United Nations bodies.[277]

277 http://www.viacampesina.org/en/index.php?option=com_content&view=article&id=47:food-sovereignty&catid=21:food-sovereignty-and-trade&Itemid=38.

Box 6

"Export dumping must cease"

Via Campesina: Food Sovereignty and Trade

"Food is first and foremost a source of nutrition and only secondarily an item of trade. National agricultural policies must priorise production for domestic consumption and food self-sufficiency. Food imports must not displace local production nor depress prices. This means that export dumping or subsidised export must cease. Peasant farmers have the right to produce essential food staples for their countries and to control the marketing of their products."[278]

The upcoming CAP reform offers the opportunity to change course and create an agricultural policy that contributes to the global fight against poverty and hunger and supports small farmers' struggle to protect domestic agriculture and "decolonise" their food. For seizing this opportunity, the CAP would have to implement the following key changes:[279]

278 Via Campesina, 'The Right to Produce and Access to Land – Food Sovereignty: A Future without Hunger', 11-17 November 1996, Rome.

279 On the following see also: Olivier De Schutter, 'The Common Agricultural Policy towards 2020: The role of the European Union in supporting the realisation of the right to food', Comments and Recommendations by the United Nations

Preventing surpluses

The future CAP has to stop stimulating surpluses which are still being produced in the case of grains, meat and dairy products. Besides stringent production standards like the avoidance of overfertilisation and the reduction of animal rearing, it would be necessary to implement a flexible supply management which adjusts the volumes produced with the domestic demand, as it has been proposed for the milk market by the European Milk Board and other progressive farmers groups. Regulating supply is indispensable in order to avoid overproduction and the squeeze on producer prices.

Reducing dependency on feedstuff imports

To reduce the large amounts of feedstuff imports for the livestock industry, particularly protein-rich crops like soya, it is necessary for the future CAP to support the cultivation of domestic protein plants like peas, beans or lupines, which would also contribute to more diversified crop-ration on the fields and reduced carbon dioxide emissions. The EU should also stick to its zero-tolerance policy for the imports of genetically-modified feedstuffs like soy or maize. Additionally, investment aids for the modernisation and expansion of industrial animal farms would have to be stopped. Instead, reduced consumption of animal products like meat, milk or cheese should be promoted.

Ending dumping exports

Export subsidies have to be abolished, independently of the outcome of the "Doha Round" negotiations in the WTO. Export refunds must not be replaced by any other hidden forms of export subsidisation like trade promotion or investment aids in the export-oriented livestock industry. Since direct payments continue to cross-subsidise factory farms and food exports, they must be reoriented to supplying the domestic market with high quality food and be coupled to the strict fulfillment of public goods like environmental protection, animal welfare as well as the preservation of the landscape and rural employment.

Allowing protection against import surges

Given the disastrous impacts of import surges in the Global South, the CAP should introduce a provision requiring the EU to respect developing countries' measures to protect their domestic markets against food imports. The EU's bilateral free trade accords, such as Association Agreements

Special Rapporteur on the right to food, 17 June 2011. Tobias Reichert, 'Who feeds the world? The impacts of the European agricultural policy on hunger in developing countries', Misereor, Aachen, January 2011. APRODEV CAP Lobby Briefs, February 2011, http://www.aprodev.eu/index.php?option=com_content&view=article&id=65&Itemid=35&lang=en

or Economic Partnership Agreements, have to permit the flexible adjustment of tariffs to avoid disruptions of domestic food markets and the displacement of local farmers and food processors. EU trade negotiators must also refrain from any pressure aimed at preventing developing countries from exempting sensitive products from liberalisation commitments.

Establishing a complaints mechanism

As part of the new CAP, the EU should establish a complaints mechanism allowing developing countries' governments and civil society affected by EU agricultural policies or food companies to file charges in cases of food dumping, land grabbing or human rights violations. This mechanism could take the form of an ombudsman who receives and investigates complaints brought against EU policies and companies and initiates conflict resolution processes as well as the search for solutions and redress.

Supporting food self-sufficiency

The future CAP should not only pursue food self-sufficiency in the EU but also in countries outside Europe. Support for domestic agriculture, reduced import dependency and higher self-sufficiency in food insecure countries should be established as a central objective of the new Common Agricultural Policy. Supporting these countries' transition towards higher food self-sufficiency is an international obligation, as the UN Special Rapporteur on the Right to Food reminds: "The EU has a responsibility to facilitate such a transition."[280]

280 On the following see also: Olivier De Schutter, 'The Common Agricultural Policy towards 2020: The role of the European Union in supporting the realisation of the right to food', Comments and Recommendations by the United Nations Special Rapporteur on the right to food, 17 June 2011, p. 3.

Transnational Institute. Founded in 1974, TNI is an international network of activist scholars committed to critical analyses of the global problems of today and tomorrow. It aims to provide intellectual support to grassroots movements concerned to steer the world in a democratic, equitable and environmentally sustainable direction. In the spirit of public scholarship, and aligned to no political party, TNI seeks to create and promote international co-operation in analysing and finding possible solutions to such global problems as militarism and conflict, poverty and marginalisation, social injustice and environmental degradation.

www.tni.org

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http://fdcl-berlin.de/en/wir

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www.ecologistasenaccion.org

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