

# CAP reforms and European presence on the markets of the DCs

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● CERDI and GRET neither approve or disapprove of the opinions expressed in this article.  
These opinions must be considered as those of the author.

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## I. Introduction

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Agriculture occupied centre stage in the last round of multilateral trade negotiations at the World Trade Organisation (WTO). This should in particular work in favour of the Developing Countries (DCs) for whom agriculture is often of capital importance in terms of contribution to the national wealth or the combat against poverty.

European subsidies are accused of distorting competition between the agricultural products exported by the European Union (EU) and those of the South. The international solidarity NGOs have in particular denounced the negative repercussions of the Common Agricultural Policy (CAP) on the farmers of the DCs in a few key sectors such as milk, sugar, poultry or bovine meat, in certain regions or countries such as West Africa, Jamaica, Kenya and India (*Oxfam, CFSI, ActionAid*). Moreover, many of them have no faith in the reforms that have been set in motion. On the contrary, they denounce the fact that the green box (WTC) is used by the EU and the United States to continue to subsidise their agriculture massively to the detriment of the DCs (*OXFAM, Action-Aid, Caritas, CIDSE, 2005*). However, certain authors point out that the effects of the European subsidies are asymmetrical depending on whether the third-party countries are importers or exporters of agricultural products (*Panagariya, 2005; Bureau and Matthews, 2005*).

The CAP reforms have always been gradually implemented over several years from one reform to another, thereby limiting the short-term adjustments of agricultural production. They nevertheless provide strong indications as to the way support will develop over the longer term. They thus influence the anticipations of producers for the future. Generally speaking, support modifies the producer's behaviour through three types of channels: support can influence decisions on entering or leaving the sector; it can lead to a variation of production so as to maximise the aid received; it can facilitate investment, and lastly it can modify the farmers' attitude in the face of risk (*Courieux, Guyomard, Levert, 2007*). Given that the production is then sold on the domestic market and the international markets, one may reasonably suppose that the CAP reforms will have consequences on the volumes exported.

*This study sets out to put the recent reforms of the CAP in perspective with regard to changes in European agricultural and processed food exports between 1995 and 2006<sup>1</sup>.*

With a view to obtaining a more global view of the effects of the CAP reforms on the European presence on the DC markets, we have decided not to study any one sector in particular; In the end, we adopted six major categories of food products: cereals and cereal-based products, milk and dairy products, sugar, vegetable oils,

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<sup>1</sup> *It would have been preferable to dispose of a longer period but the data on Eurostat are only available as from 1995.*

fruit and vegetables and meat. We then selected several products, or sub-categories of products, accounting for significant exports on the part of the EU (see Appendix 1).

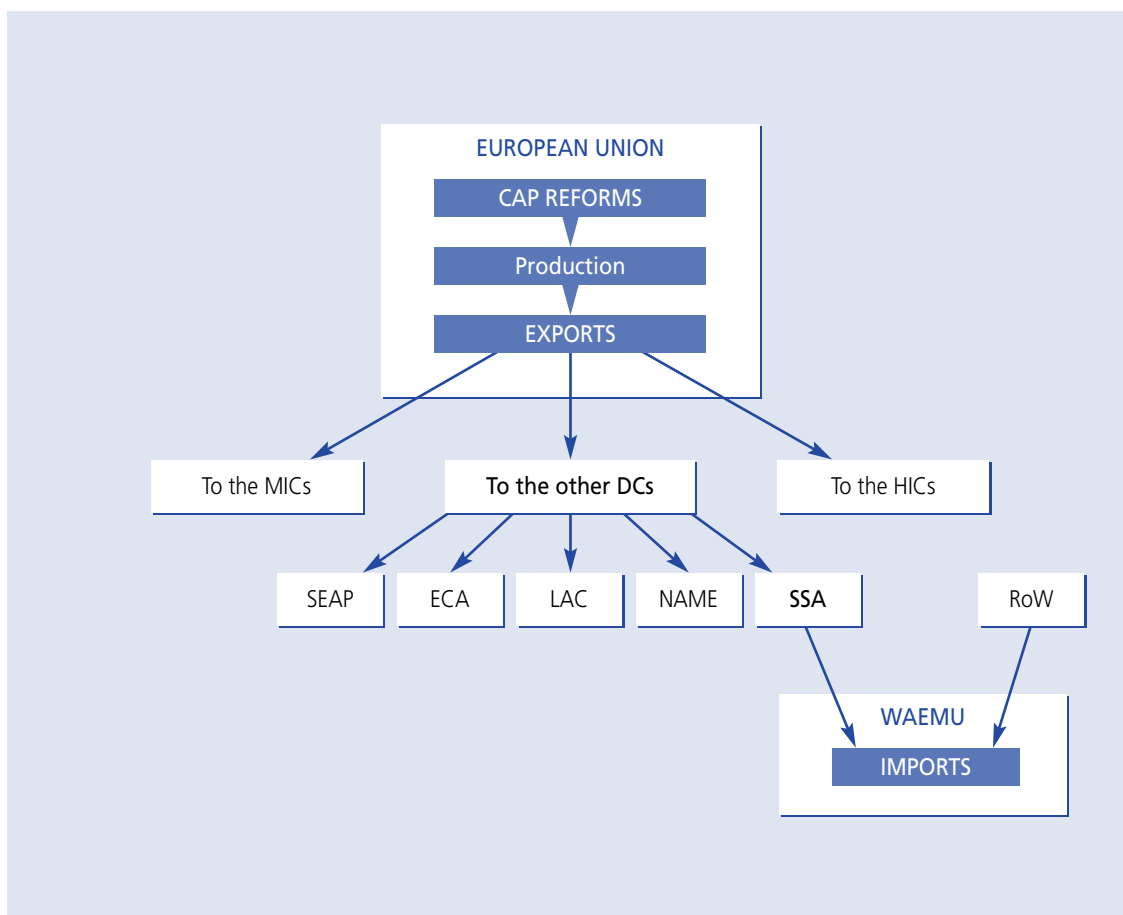
We begin by recapitulating the CAP reforms launched since 1992, and then compare the changes in support to the different sectors to those of European production and exports.

As we are interested in the development of European exports towards the DCs, we first of all distinguish between the High Income Countries (HIC?), the Middle Income Countries (MIC) and the other Developing Countries (DCs). Among these other DCs we distinguish five sub-regions: South and East Asia and the Pacific (SEAP), Europe and Central Asia (ECA), Latin America and the Caribbean (LAC), North

Africa and the Middle East (NAME) and Sub-Saharan Africa (SSA?). With a few exceptions, we have followed the typology drawn up by the World Bank: the ICC category corresponds to the “upper-intermediate income economies” category, to which we have added China. The other DCs include the Low Income Countries and the Lower Intermediate Income Countries (see Appendix 2).

Next, we focus on the countries of the West African Economic and Monetary Union countries (WAEMU) so as to compare the change of imports originating from the EU with the change of total imports, and to study the changes in the EU market shares in this region. All the WAEMU countries, with the exception of Côte d’Ivoire, belong to the category of Less

FIGURE 1 > Chain of transmission of the effects of the CAP on the DCs



Developed Countries (LDC); there is thus a high incidence of poverty and of economic dependence on the agricultural sector. In addition, France has particularly close economic ties with these countries. Lastly, a Common External Tariff (CET) was introduced in 2000 for all the imports in the zone.

## II. Reform of the CAP and Community production

### ●● The CAP reforms since 1992

One of the objectives assigned to the European Agricultural Policy in Article 39 of the Treaty of Rome was to provide an equitable living standard for the agricultural population. The principle arising from this objective, for long the core of the CAP, is the guarantee of minimum prices.

#### The intervention mechanism at the heart of the “old” CAP

This consists in buying back part of the production when the market price falls below a certain threshold (intervention price) in order to bring prices up. The goods stocked can be resold on the domestic market once prices are stabilised, or on the world market by taking advantage of export subsidies.

But the Community authorities often failed to adjust the intervention prices in time to avoid or reabsorb the surpluses. Thus, European stocks reached record levels in the early 1990s. Between 1988 and 1991, the stock of cereals increased from 10 to 25 million tons, while the stock of red meat rose from 380,000 to 900,000 tons (*Bureau, 2007*). Reforms were initiated in the 1980s, with measures to control supply (milk quotas, set-aside) but were unable to stem the growth of production.

In addition, during the Uruguay Round that got underway in 1986, the countries of the Cairns Group denounced the unfair competition emanating from Europe. This was the first time that agriculture formed part of the multilateral trade negotiations. When the Uruguay Round came to an end in 1994 with the signature of the Agriculture Agreements, three boxes were defined so that the aids could be classified according to the size of the distortions to which they gave rise:

- The orange box brings together all the internal support measures with distortion effects on production and trade.
- The blue box is an orange category accompanied by measures seeking to reduce distortions.
- The green box groups the subsidies having little or no distortion effect on trade.

For the EU it now became a question of continuing its support to agriculture with measures authorised by the WTO, in other words those of the green box, while at the same time the support for prices was to be reduced.

#### 1992: a gradual withdrawal from the agricultural markets

With the 1992 reform, the intervention prices were abolished for oilseeds and reduced for cereals (-35%), butter (-5%), milk (-4% for the objective price) and bovine meat (-15%).

In order to make up for the loss of income generated, direct aids were paid to the producers, but they were conditional upon measures for limiting quantities such as set-aside<sup>2</sup> for large-scale units and the maximum density of animals per hectare<sup>3</sup> for livestock farming. These measures were applied with some efficiency between 1993 and 1995 since intervention ex-

<sup>2</sup> *Payments concerning the Surface Area in Cereals and oilseeds and pulses, were submitted to the obligation to set aside 10% of this surface area, but part of this area could be farmed for non-food purposes (land used for energy).*

<sup>3</sup> *This is the density of animals per hectare.*

penses fell from 8 billion euros in 1992 to about 1 million euros in 1995 (*MAP / European Commission, 2002*).

However, the reform of 1992 led to no more than a semi-decoupling since the aids remained linked to production. These measures thus fell into the blue box category of the WTO and were only temporarily accepted. Furthermore, the prospect of an enlarged EU provoked fears of a return to surpluses and an explosion of the budget.

### The reforms after 1992: the same course is pursued!

The Agenda 2000 reform then applied a new reduction of the intervention prices: -15% for cereals and -20% for bovine meat where the intervention price was superseded by a base price<sup>4</sup>. As for fruit and vegetables, the intervention price was abolished in 1996. The direct aids for cereals and oilseeds were standardised and henceforth only partially offset the fall in prices. For cattle, a slaughter premium was created and the other premiums were improved (maintenance premium for suckler cow herds, male bovine premiums).

Agenda 2000 emphasised the multifunctional aspect of agriculture through the creation of a "second pillar" seeking to finance rural development measures meeting the requirements of the green box.

However, both production and the budget continued to increase and funding for the second pillar remained low. Thus, the reform of 26 June 2003 abolished the intervention price for rye as from 2004 and provided for the suppression of the intervention price for maize starting in 2009. Intervention prices were also reduced for rice (-50%), butter (-25%) and milk powder (-15%), and the monthly increases for cereals were reduced by half. The admissible intervention quantities were also limited for butter and milk. Three key elements were introduced by the Luxembourg reform: the decoupling of direct aids<sup>5</sup>, the conditionality<sup>6</sup> of all direct aids, and compulsory modulation<sup>7</sup> (*Maapar, 2004*).

### Changes in the distortions brought about by the CAP

- ▶ With the exception of sugar, the guaranteed prices were reduced or even abolished in all sectors, leading to a substantial reduction in costs linked to storage. The prices received by farmers were 27% higher than world market prices in 2004-2006, compared to 79% in 1986-1988 (*OECD, 2007*).
- ▶ Reduced intervention prices together with an improvement in world prices at the end of the period helped to reduce subsidies for exports which had climbed to record levels at the start of the 1990s. In point of fact, the export support measures were harshly criticised by the international community as a whole since they had the effect of making exporters competitive (which would not otherwise have been the case) and of conquering new markets (*Alpha et al., 2006*).
- ▶ To counterbalance the reduction of interventions, direct aids rose steadily. On average, they constituted 30% of agricultural income in 2001 (*Ministry of Agriculture, 2005*). In 2007, they amounted to 66% of CAP expenditure (*DG Agri, 2007*). They compensated for the fall of income in the wake of the reduction of guaranteed prices, while at the same time vouchsafing a more transparent and a more targeted allocation of support. The decoupling introduced by the reform of 2003 was expressed by a sin-

<sup>4</sup> The base price triggers aids for private storage when the market price falls too low.

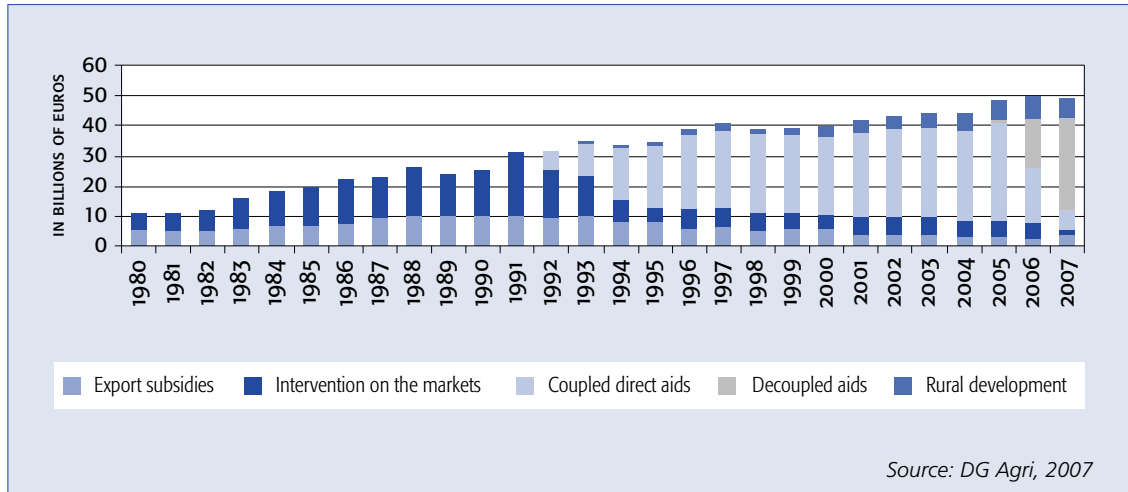
<sup>5</sup> The Single Payment Rights are rights to individual payments linked to the surface area. However, the Member-States have managed to maintain a partial link with production under certain conditions for cereals, oilseeds, bovine meat, transformed tomatoes and olive oil in particular.

<sup>6</sup> Conditionality of the aids to Good Agricultural and Environmental Conditions (GAEC) and to regulatory standards pertaining to the environment, food safety and animal well-being.

<sup>7</sup> Compulsory modulation consists in transferring at least 5% of the direct aids of the first pillar to the benefit of the second pillar.



FIGURE 2 &gt; Changes in support within the framework of the CAP from 1980 to 2007



gle payment per farm, not linked to production activities between 2005 and 2007. The notion of decoupling reflects the idea that the effects of distortion on production and trade should be non-existent or minimal (Lopez, 2001).

- ▶ Lastly, the second pillar, grouping measures in favour of rural development without direct link with agricultural production, was reinforced by the reform of 2003 with compulsory modulation.

*The CAP reforms since 1992 were directly based on the recommendations of economic theory in order to reduce production and trade distortions (OECD, 2007).*

*The purpose of the lowering of price support, and the decoupling of aids<sup>8</sup> was to improve the adjustment of European agricultural supply to signals from the market and to be more competitive on world markets (European Commission, 2007).*

<sup>8</sup> For an analysis of the effects of the decoupling of the aids, see Butaut et al. (2005).

## ● CAP expenditure per sector and changes in Community production

The data on production in volume are taken from the Eurostat data base. The Financial Reports of the European Agricultural Guidance and Guarantee Fund (EAGGF, then EAGF [European Agricultural Guarantee Fund] as from 2006) have been used for CAP expenditure per sector.

### Sectors traditionally enjoying strong support from the CAP

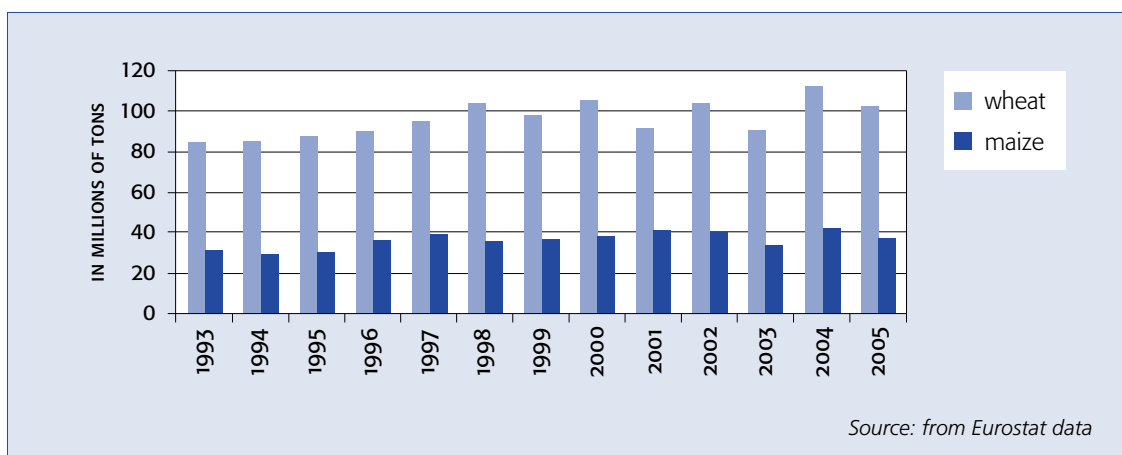
- Cereals, bovine meat, milk and dairy products

In 1995, the first sectors to benefit from EAGGF expenditure were cereals (26.3% of total expenditure), dairy products (11.3%) and bovine meat (11.3%). Whereas the proportion of total expenditure allocated to cereals and bovine meat tended to swell over the period (32.2% for cereals in 2002, 17.4% for bovine meat in 2004), the proportion for dairy products fell sharply (4.5% in 2004). Indeed, following the reduction of intervention prices, the two sectors deriving most benefit from direct aids were cereals and bovine meat.

Cereals account for about a third of the EU's agricultural surface area [Bureau, 2007]. Wheat production rose from 80 to 100 million tons and

maize production also increased over the same period, but it would seem that production has become increasingly unstable since 1997.

FIGURE 3 > Changes in the production of wheat and maize in the EU-15



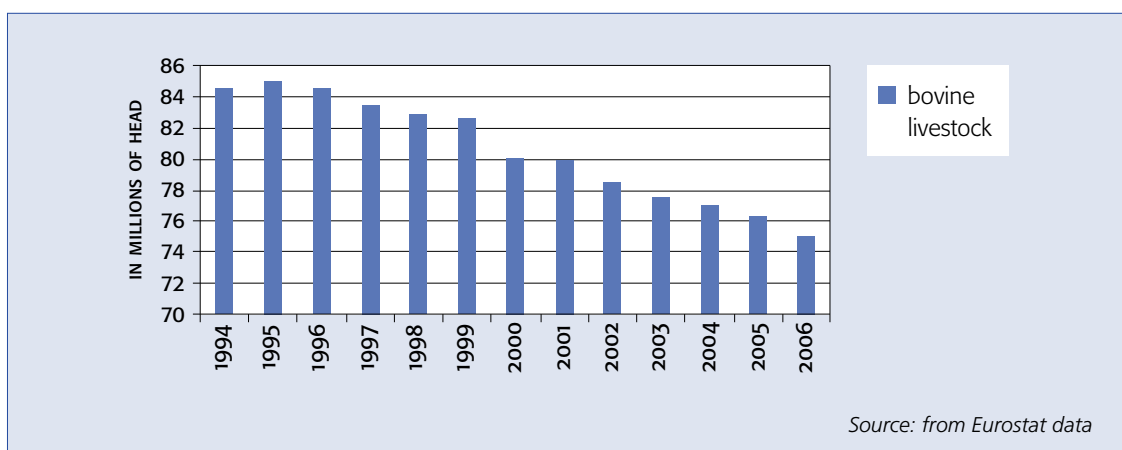
With the suppression of the intervention price for bovine meat in 2000 and the introduction of a slaughter premium, it proved possible to reabsorb the surpluses created by the mad cow crisis in 1996.

Despite readjustments of the other premiums specific to the sector and an increase in the price of bovine meat towards the end of the period, production moved from nearly 8 billion

tons in 1995 to 7.3 billion in 2006. Given the changes in European bovine livestock which most almost 10 million head of cattle between 1995 and 2006, this would seem to be the result of the slaughter of dairy cows at the end of the period.

And yet, the Community production of milk has increased fairly regularly, probably due to an increase in productivity.

FIGURE 4 > Changes in the European bovine livestock



- *Sugar, oilseeds, olive oil, milk and sugar*

The proportion of total EAGGF expenditure assigned to these sectors in 1995 came to 6.4% for oilseeds, 5.1% for sugar, 5.1% for sugar, 2.3% for olive oil and 5.1% for fruit and vegetables. This seems to mark something of an increase for olive oil (5.5% in 2004), while a decline for fruit and vegetables (3.5% in 2004), sugar (2.9% in 2004) and oilseeds (3.8% in 2002). Only the sugar sector still benefited from intervention prices in 2006.

CAP expenditure for the sugar sector was essentially channelled towards export refunds and therefore varied principally in function of world prices. Sugar beet production varied between 100 and 120 million tons over the period. In the fruit and vegetable sector, when the intervention price was abolished in 1997, the accent was placed on organisations of producers. For oilseeds, the production of bio-fuels promoted the production of rape which in 2006 reached its highest level since 1995. Lastly, the system of direct aids tended to be highly favourable to the producers of olive oil. Production of olive oil rose from 1.4 million tons to more than 2 million tons in 2006.

### Sectors enjoying little support from the CAP

Poultry meat and pork benefited only from customs protection and export refunds. Since 2001, they have represented between 0.2% and 0.4% of total CAP expenditure. It should be noted that pork production increased sharply at the beginning of the period, reaching, in 2006, 18 million tons compared to 16 million tons in 1995. Poultry meat production increased substantially between 1995 and 1998 but in 2002 the sector was hit by the avian flu pandemic.

Potato production enjoyed no support at CAP level although it is one of the largest sectors in terms of agricultural production in the EU. Production varied between 40 and 50 million tons over the period under review.

## III. Changes in European exports in terms of volume and destination

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The data comes from Comext, the EU's database on its foreign trade. These are exports in volume.

### ●● Changes in volumes exported per product

#### Exports of cereals, milk and sugar

About 13% of European cereal production was exported over the period 1993-2003 (Eurostat).

Wheat was the largest sector for exports (common wheat) with almost 10 million tons exported per year, on average, between 1995 and 2006 (see Appendix 4).

The other cereals were exported in much smaller volumes: about 1 million tons of rye, 400 and 300,000 tons of oats and rice, and fewer than 200,000 tons of maize were exported per year, on average, over the same period.

Cereal product exports advanced strongly over the decade: exports of flour increased by 70% between 1995 and 2006 while other cereal-based products rose by 70% between 1995 and 2006.

Almost half of the EU's milk exports concern milk powder. The EU is a major player on the world milk market, but the volumes of milk powder exported globally dropped between 1995 and 2006: the figure came to more than 1.6 billion tons in 1996 compared to about 1 billion in 2006. Milk products also featured prominently in EU export receipts, especially for cheese which ranked 7th in receipts from exports for food products between 2004 and 2006. However, in volume terms, exports of dairy products increased only slightly between 1995 and 1996.

Butter exports reached a peak between 2001 and 2004 following the need to reduce stocks after the increase of butter reserves starting in 2000.

Sugar exports brought in an average of 1.38 billion euros per year between 2004 and 2006 (MAP, 2007) to the EU. Volumes of exports varied between 4 and 6 million tons between 1995 and 2006 and were fairly unstable. Sugar production in Europe is clearly geared to world markets, with each year the establishment of production quotas and guaranteed prices intended for world markets (B quotas). Thus, about 30% of total sugar production was exported with the help of export refunds.

In actual fact, exported volumes were even higher since to European production must be added the production of the ACP countries imported into the EU in the context of the preferential regime and then re-exported with refunds at world prices. With the WTO sugar reform of 2003 and the complementary adjustments of 2007, European sugar production should nevertheless decline along with exports (see Fig. 5).

The reduction of the cereal intervention prices resulted in a cutting back of recourse to export

refunds which declined from 1 billion euros in 1995 to 127 million euros in 2006 (see Appendix 3). The EU also exported cereal-based products which were also eligible for export subsidies.

Over the period 1990-2000, European domestic prices were on average 117% higher than world prices for butter, 40% higher for skimmed milk powder and 66% for fat powder. It is thus clear that, were it not for refunds, the dairy products could not have been sold on third-party countries (AND International, 2002). Refunds were the largest item of expense of the European milk policy up to 2004, before significantly falling as from 2003 following the reduction of the intervention prices.

Over the period 1995-2006, the refund amounts for sugar fell from nearly 1.9 billion euros to 1.5 billion euros, reaching its maximum level in 1999 with a little over 2 billion euros. From that time, the refunds fell back continuously until 2005 when they once again increased. Milk and sugar exports came in for particularly harsh criticism on the grounds that even in 2006 they absorbed nearly 2 billion euros of export refunds.

FIGURE 5 > Changes in wheat, milk and sugar exports from the EU-15 (in millions of tons)

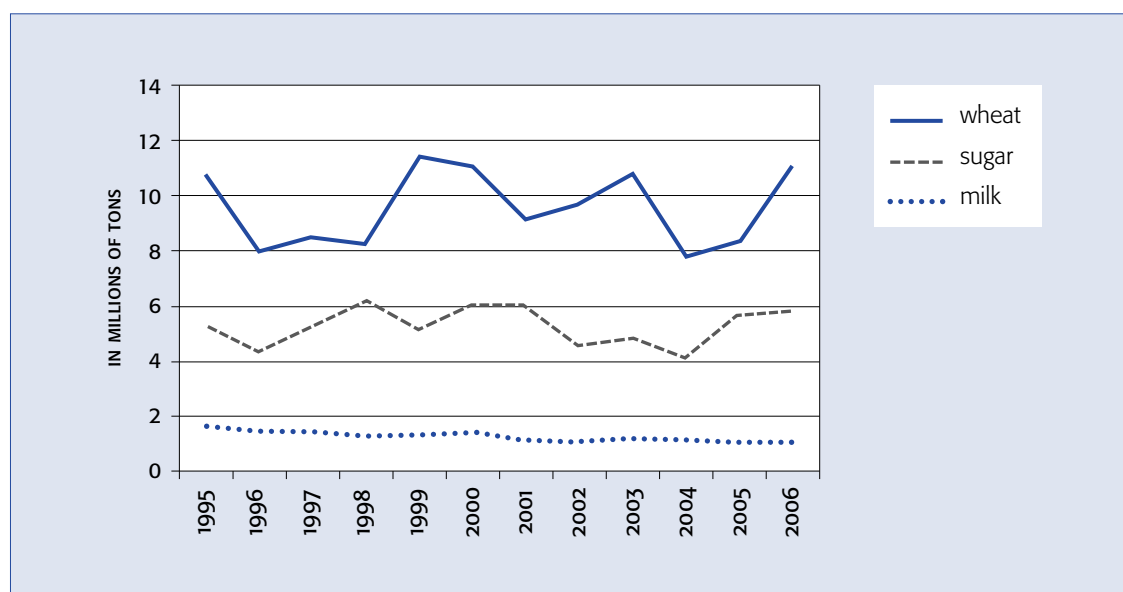
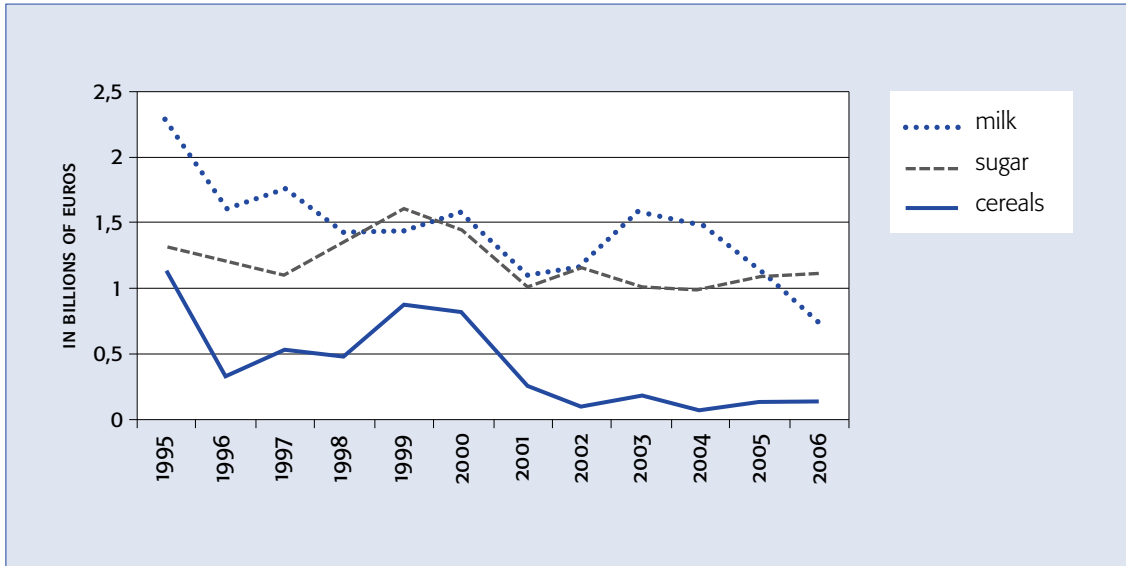


FIGURE 6 > Changes in the amounts allocated to export subsidies for cereals, milk and dairy products, and sugar



### European agricultural products for which exports are on the increase

*In volume terms, exports from the 15 Member-States of the EU progressed between 1995 and 2006 for olive oil, fruit and vegetables and in particular prepared onions and tomatoes, pork and poultry meat.*

The EU produces 80% of the world's olive oil (*European Commission, 2002*), and although it consumes the great majority of its own production, exports of olive oil virtually doubled in ten years.

Exports of fruit and vegetables from the EU also advanced between 1995 and 2006. Onion exports, in particular, were multiplied by a factor of 3, those of tomatoes by 1.7. Potato exports were up but were particularly unstable. It is observed that exports accounted for about 150,000 tons out of a Community production of 40 to 50 million tons. The world market was essentially used to adjust supply to European demand and this may explain the pronounced volatility.

Exports of pork increased by 250% over the period! In 1995, they accounted for only 3.2% of total European production, against 10% in 2006. The increase in production was therefore mostly used to supply the world market.

Exports of poultry meat increased between 1995 and 2006, but were fairly stable since after 1998, stabilising around 1 million tons. The avian flu had led to a contraction of consumption in Europe in 2002, resulting in a short-term rise in exports. These products are eligible for export subsidies although there is an upper limit at the WTO.

### Products for which exports have fallen

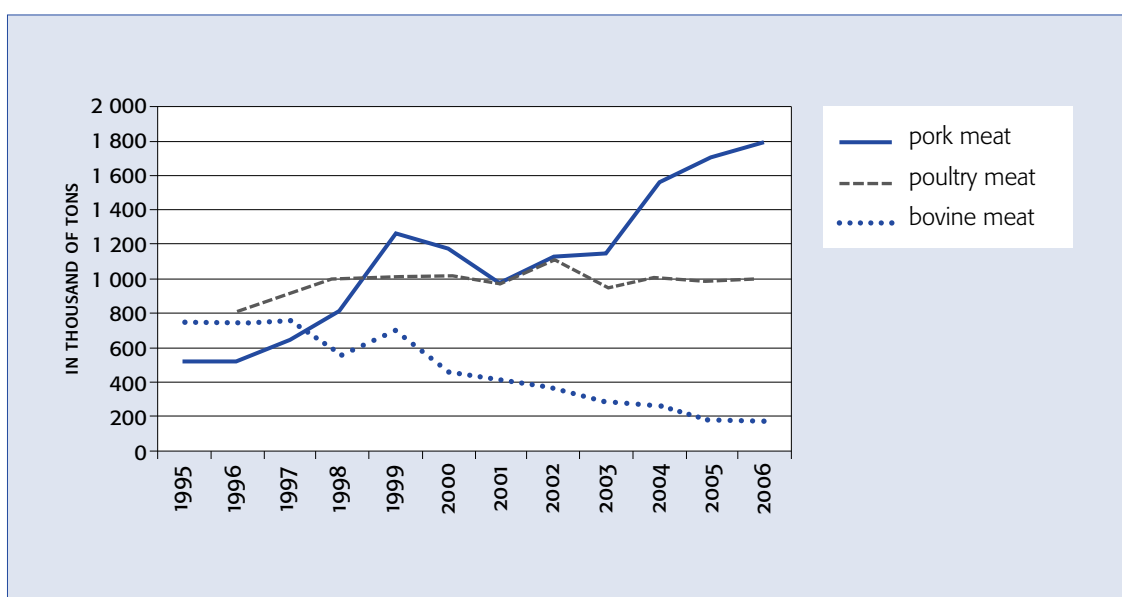
*Exports of vegetable oils (derived from oilseeds produced in the EU) and bovine meat fell substantially over 10 years. Today, the EU has virtually withdrawn from the world market for these products.*

Vegetable oils are exported in non-negligible quantities (about 1.6 million tons per year between 1995 and 2006) but the bulk of these

exports are not produced in the Community: this is the case of soya (falling) and palm oil (up sharply). Otherwise, rape and sunflower oils have fallen considerably (virtually nil in the case of rape).

In the wake of the fall in Community production, bovine meat exports fell dramatically between 1995 and 2006, passing from nearly 800,000 tons to under 200,000 tons – a contrast with trends in exports of the other meats.

FIGURE 7 > Changes in meat exports from the EU-15 (in thousands of tons)



#### Remark:

Although for certain other agricultural products the EU is a major player on the world market, the bulk of European production is consumed within the Union. The volumes exported represent a maximum of 30% of total production (sugar) and in most cases less than 10% of total production.

By way of comparison, Australia and Thailand export respectively 75% and 67% of their sugar production (*Alpha et al., 2006*).

## ●● The destinations of European exports

### Products principally exported to the DCs

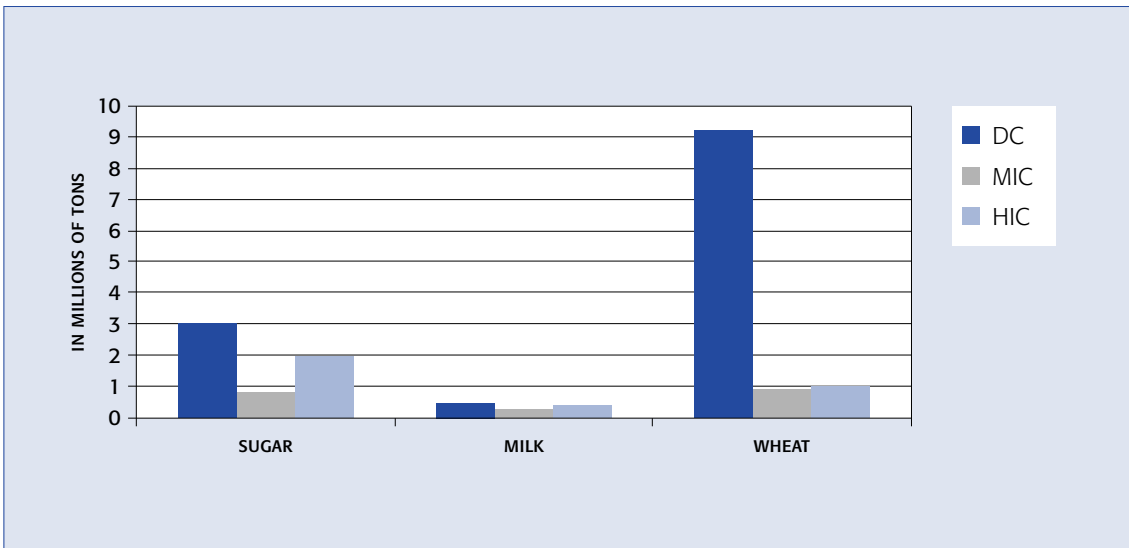
It is noted that the DCs absorb over half of total European exports for three products that continue to enjoy intervention prices in the EU: wheat, milk powder<sup>9</sup> and sugar (see Appendix 5). European butter also arrives principally on the DC markets (see Fig. 8).

<sup>9</sup> As fresh milk and concentrated milk are principally exported to high-income countries, it may be seen on the graph below (Fig. 9) that milk exports, taking all categories together, are still mostly destined for the DCs, but there is less discrepancy with the other groups of countries.

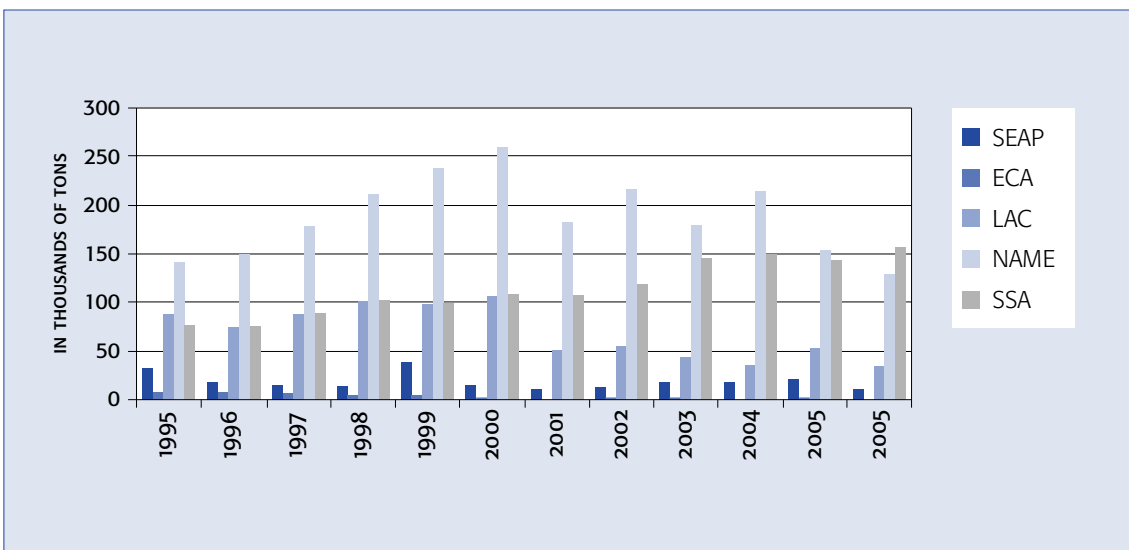
When one goes into the destinations of these exports in a little greater detail, one notes that these products are exported chiefly to North Africa and the Middle East and then Sub-Saharan Africa (SSA). Where milk powder is concerned, Sub-Saharan Africa is now the EU's main partner. While exports to the other regions are on the decline, those of the SSA con-

tinue to increase. It is particularly interesting to observe the very different trend of milk powder exports from the EU to the Latin American countries (LAC) and the SSA: they were at about the same levels in 2000, i.e. about 100,000 tons, whereas in 2006 exports to the LCA came to less than 50,000 tons as against over 150,000 tons for the SSA (see Fig. 9).

**FIGURE 8 > Breakdown of European wheat, sugar and milk exports in 2006 between high-income countries, middle-income countries and developing countries**



**FIGURE 9 > Changes in European exports of milk powder to DCs per sub-region**



The Developing Countries are the main outlet for flour. There has been a substantial increase in the volume of exports from the EU over the past decade: in 1995 exports stood at 100,000 tons but eleven years later they tripled to 300,000 tons. This increase is driven by the countries of Sub-Saharan Africa which imported 2000 tons of food flour in 1995 compared to 1.4 million tons in 2006. This is the direct consequence of the urban growth of recent years and changes in urban food habits. It may be surmised that this is the result of increasing consumption of bread but it should be remembered that flour also includes malt extracts used in the brewing of beer.

#### Other products: The DCs represent an increasingly important market for the EU

The Developing Countries today purchase 12% of total European exports of the other cereal-based products (excluding flour and pasta) and represent a fast-expanding market for the EU with a growth rate of 143% between 1995 and 2006.

The Middle Income Countries are a traditional export destination. Exports are on the increase for most fruit and vegetables whereas vegetable preparations such as prepared tomatoes go first of all to the markets of rich countries. But here again, the MICs and the other DCs are extremely dynamic export markets. Exports of onions from the EU have increased respectively threefold and fivefold to these groups of countries whereas they have remained constant for the other rich countries. The same trend may be observed for fruit: in 1995, 13% of total exports of apples went to the DCs compared to 22% in 2006.

In 2006, the MICs were the main outlet for all meat exports from the EU; they are slightly up for poultry meat and have rocketed for pork since 2003. Exports of poultry meat to the DCs had exceeded those to the MICs in 2004, before dropping back at the end of the period. However they remain at a high level – above the quantities exported to the other rich countries.

With regard to pork, exports to the DCs shot up from 12 million tons in 1995 to 125 million tons in 2006!

## IV. The place of the European Union on the agricultural markets of the WAEMU

The West African Economic and Monetary Union, grouping eight countries of West Africa, was established in 1994: Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo.

### ●● Changes of WAEMU imports from the European Union in value terms

Imports from the EU are dominated by three products: milk, wheat and sugar

*On average, over the period 1995-2006, the top three food products imported by the WAEMU countries from the EU were common wheat, milk powder and sugar. The figures on average came respectively to 83, 69 and 55 million euros per year.*

This confirms the results found in the preceding sector showing that European exports for these three products are driven by the DCs, in particular on the African continent. Wheat and milk powder are considered by the WAEMU as essential goods and as such are subject only to 5% customs duty, which is a very low figure.

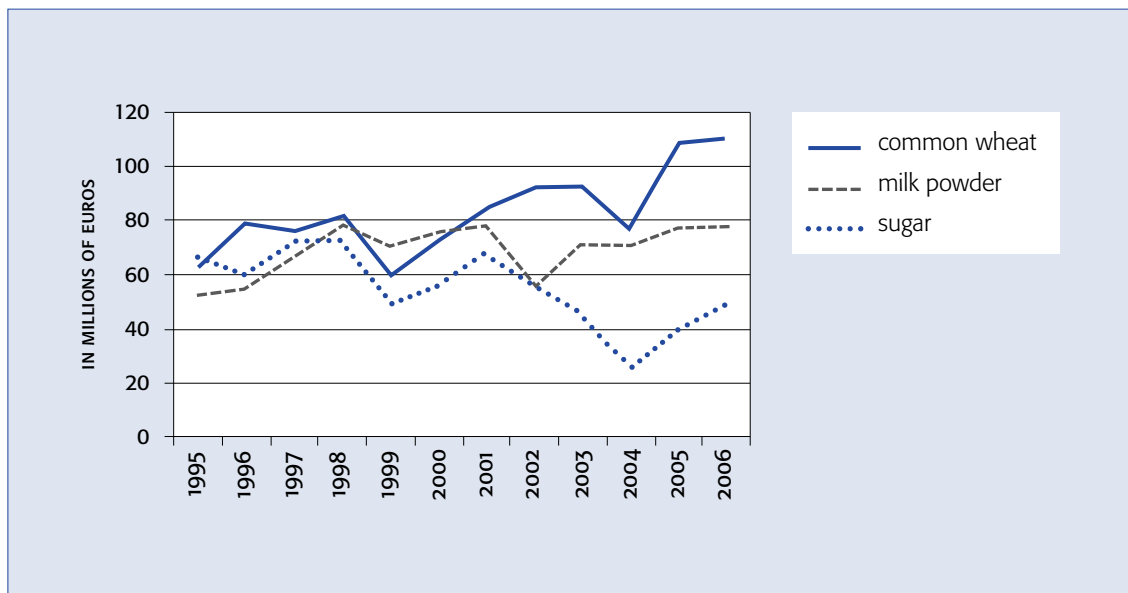
We note that WAEMU imports of common wheat from the EU have increased pronouncedly since 1999, moving from 60 million



to 110 million euros in 2006. The only time they fell was in 2004, probably as a result of the poor harvest of 2003 in Europe caused by the drought. On the other hand, imports of sugar from the EU have been in decline since 2001

although they have picked up over the last two years. As for milk powder imports, after a major increase between 1995 and 1998, they seem to have levelled out at around 70-75 million euros.

FIGURE 10 > Changes of imports of common wheat, milk powder and sugar from the EU-15 to the WAEMU countries



### More and more ready-for-consumption products imported from the EU

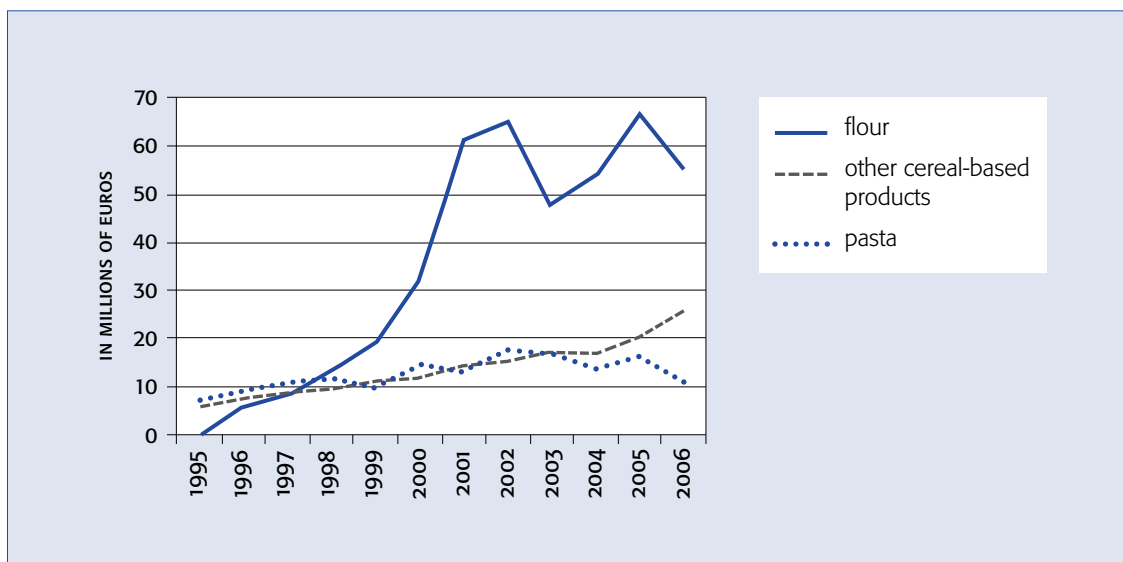
*An underlying trend of demand from the WAEMU countries for European products is a strong growth in the consumption of transformed products in the wake of the growing urbanisation of these countries accompanied by changes in lifestyle and thus dietary habits. Imports of these products from the EU resulted in growth rates all in excess of 100% between 1995 and 2006.*

Imports of flour from the EU went through the roof between 1995 and 2001: from an insignificant amount in 1995, they climbed to over 60 million euros in 2001! The other cereal-based products (excluding pasta) have also shown

strong growth – a fivefold increase between 1995 and 2006. There is also an upward trend for imports of dairy products from the EU. After a steep decline in 1996, butter imports in value terms have increased steadily, reaching 4.8 million euros in 2006 as against 4 million euros in 1995. Imports of the other dairy products have been multiplied by almost 2.5 (see Fig. 11 on the following page).

Between 1995 and 2006, we observe that imports of prepared tomatoes doubled to 40 million euros. But we note a first drop in 2000 and then another more continuous decline since 2002. In addition to the implementation of the CET of the WAEMU countries in 2000, certain countries like Burkina Faso and Senegal have erected supplementary restrictions, thus contributing to curbing imports. At the pres-

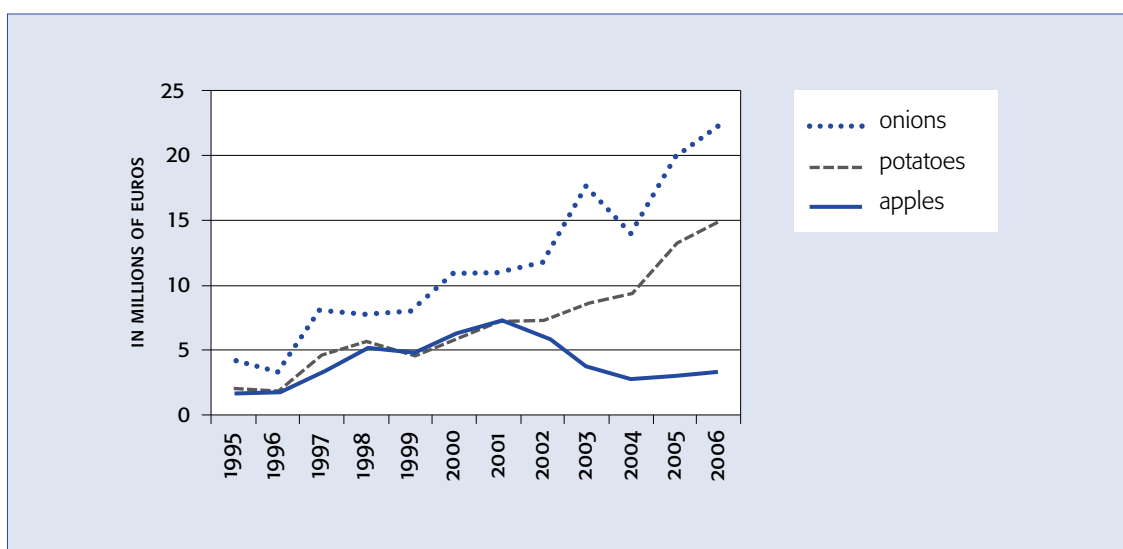
FIGURE 11 > Changes in imports of cereal-based transformed products from the EU to the WAEMU country



ent time, the other vegetable preparations represent a significant item in imports from the EU for the WAEMU countries, growing steadily over the period. They came to almost 2 million euros in 1995 as against over 8 million euros in 2006. Fruit and vegetables would

also appear to be increasingly promising markets for the EU, particularly in the case of onions and potatoes, rising from 4 to 22 million euros for onions, from 2 to 14 million euros for potatoes, and from 1.5 to 3 million euros for apples.

FIGURE 12 > Changes in imports of onions, potatoes and apples from the EU to the WAEMU countries



### Contrasting trends for imports of European meat and a decrease in imports of vegetable oil

Imports of poultry meat from the EU peaked over the period under review. The level of imports remained very high in value terms in 2006 at about 40 million euros, but the trend has been downwards since 2002, with various WAEMU countries starting to erect restrictions or even bans on poultry imports.

Bovine meat imports are steady at a level well below that of 1995 despite the effects of the mad cow crisis in Europe leading to a short-term increase of imports.

Pork imports are expanding rapidly under the impetus of growing demand from Côte d'Ivoire.

Vegetable oil imports have returned to a level below that of 1995. There was a boom in soya bean imports between 1997 and 1999, but this appears to have been short-lived. Imports of the other oils are very volatile and it is difficult to discern any particular trend.

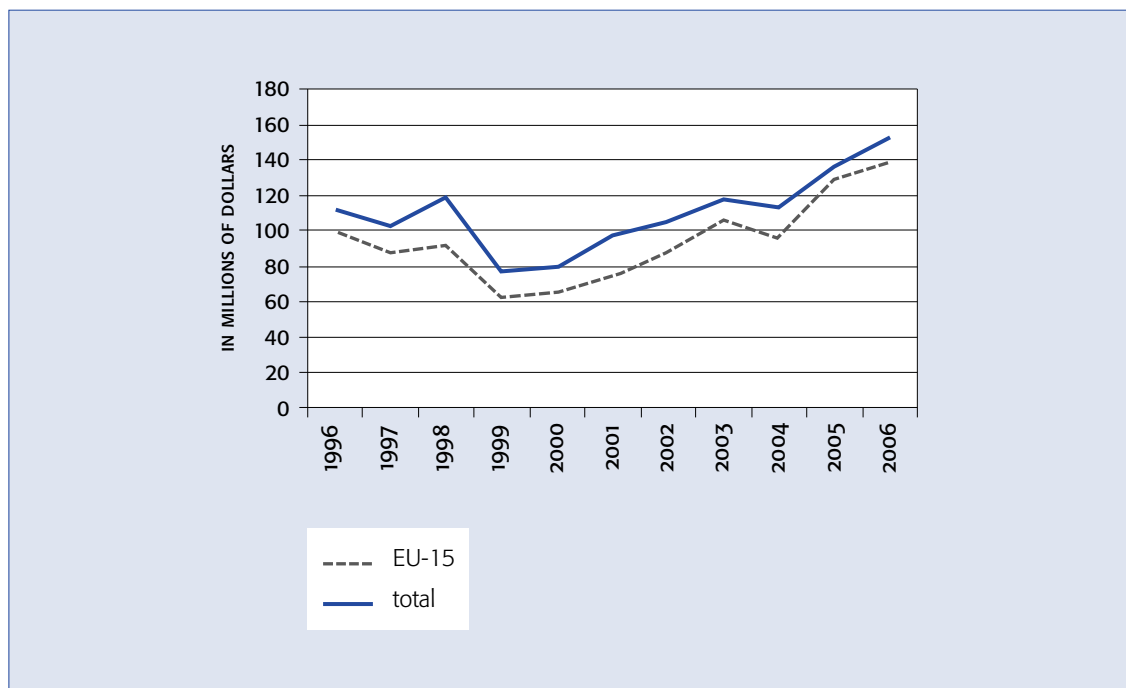
### Changes in the European Union's market shares

*In the paragraph above we had occasion to note the very strong growth of EU exports to the WAEMU countries for many basic products. And yet, in the case of most of the products studied, the EU is becoming less competitive compared to the new agricultural powers now exporting their products to the WAEMU countries.*

#### The EU's market share has increased for only two products

The EU has maintained or increased its market shares in the WAEMU countries with few products, but one of these is a major product: common wheat. Common wheat represents an agricultural import of the first and growing importance for the WAEMU countries. The EU has strengthened its position on this market by attaining 90% of total WAEMU imports in 2006. The total of imports of common wheat came to 152 million dollars in 2006, with the

FIGURE 13 > Changes in imports of common wheat in the WAEMU zone



EU accounting for 137 million dollars of that total.

The bulk of WAEMU butter imports come from the EU, doubling from 3 to 6 million dollars between 1996 and 2006. But it is still a small market, especially when compared to milk powder for which WAEMU imports amount to over 180 million euros! This may be one of the reasons explaining why the emerging countries are not yet positioned on this market.

### A reduction in EU market shares

- *An increase of imports from the EU but weaker than the increase of total imports: milk powder, sugar, transformed products, fruit and vegetables*

The EU is shedding market shares for two major products: milk powder and sugar. The EU was virtually the sole supplier for these products from 1996 to 1998 (cf. Appendix 6). Between 1999 and 2003, imports from outside the EU remained stable and did not exceed 10% of total imports. But the rate has picked up since 2004. Total WAEMU imports of milk powder increased from about 80 million dollars in 2002 to over 180 million dollars in 2006 whereas imports from the EU stagnated! In 2006, 28%

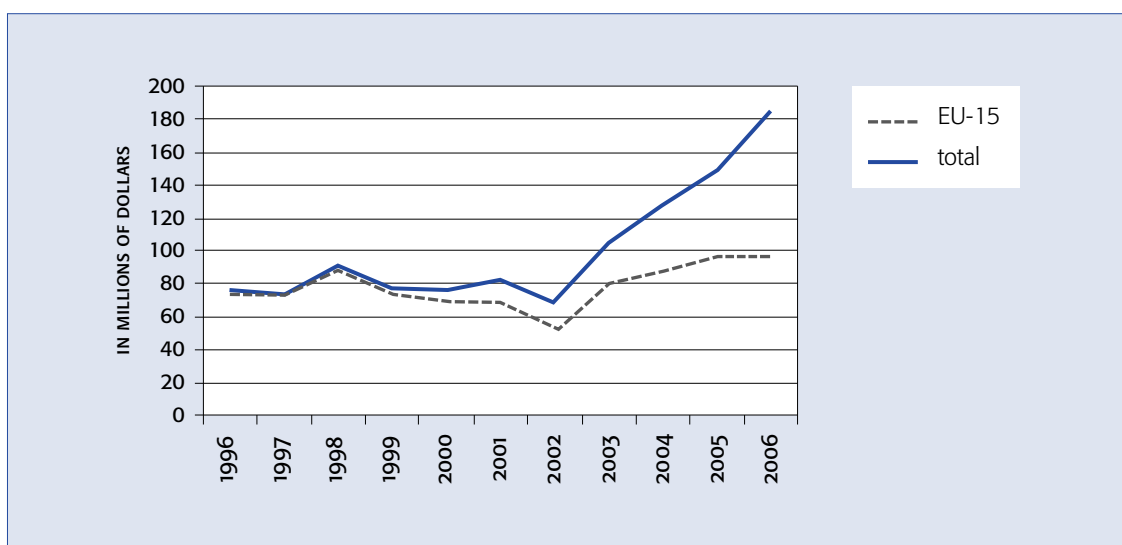
total WAEMU imports of milk and 53% of sugar imports came from the Mercosur countries (see Fig.14). We also note a much weaker progression in the imports of transformed products and fresh fruit and vegetables from the EU than from the other agricultural powers.

- *A fall in imports from Europe but an increase in total imports: bovine meat and vegetable oils*

This situation is very well illustrated by the case of bovine meat. In 1996 imports of bovine meat accounted for the essential part of imports, but they have continued to decline over the period, whereas, since 2001, total imports have never stopped increasing. The only exception was the period between 2002 and 2004 when, in the wake of the mad cow crisis in Europe, there was an increase in the volumes of bovine meat exported from Europe.

The principal suppliers in bovine meat to the WAEMU countries are the countries of South Asia with 78% of total imports in 2006 (India). The remaining 20% are exported by the Mercosur countries. The explosion of WAEMU imports could hardly be more spectacular: they have risen from 1 million to 24 million dollars in five years! The emergence of new players

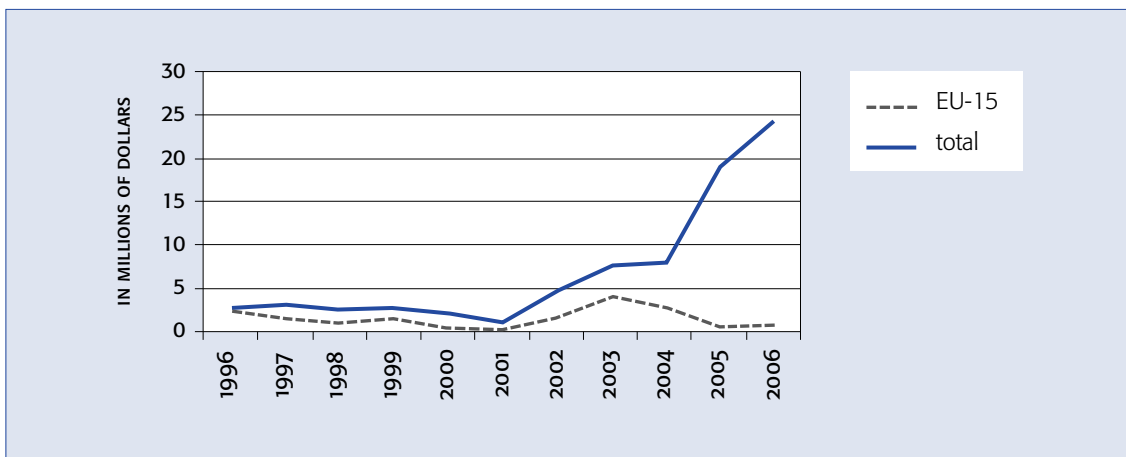
FIGURE 14 > Changes in imports of milk powder in the WAEMU zone



on the market offering low-cost bovine meat has created a new demand in the WAEMU countries (see Fig. 15). The situation is much the same with vegetable oils where total im-

ports to the WAEMU countries passed from 70 million dollars in 2000 to 268 million dollars in 2006, whereas imports from the EU have been cut in half.

FIGURE 15 > Changes in imports of bovine meat in the WAEMU zone



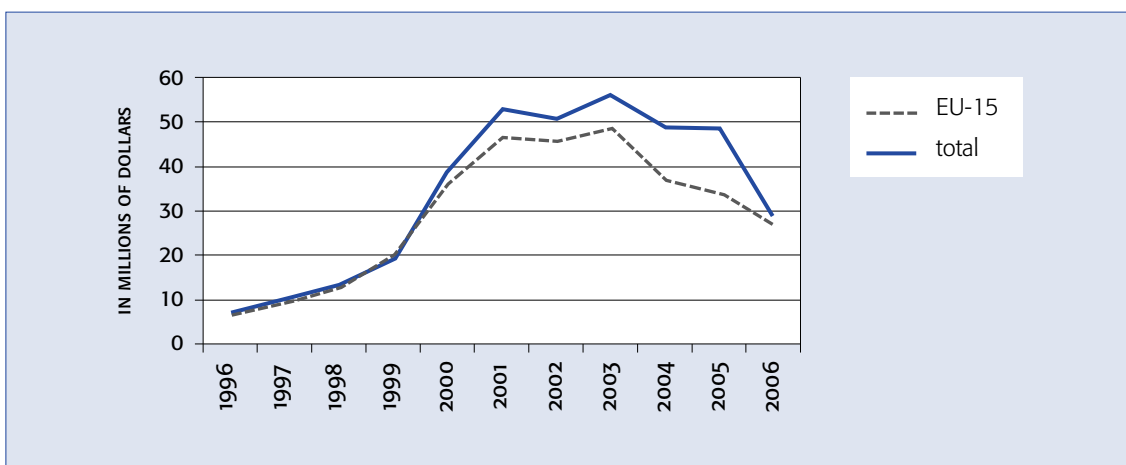
- *Reduced imports from Europe matched by a reduction of total imports: poultry meat*

For other products, the decline in imports from the EU is part of a general decline in total imports. Imports of poultry meat to the WAEMU countries were still high in 2006, accounting for almost 30 million dollars, but the trend has

been downwards since 2004. This is in line with the general context characterised by reinforced protection at the frontier with regard to these imports in the countries of the sub-region.

Even so, the EU's market shares fell back by about 70% in 2005.

FIGURE 16 > Changes in imports of poultry meat in the WAEMU zone



## V. Conclusion

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Within the framework of the multilateral trade negotiations on agriculture, the EU has set several reforms of the CAP in motion seeking to procure a greater liberalisation of markets and a targeted support on incomes without link to production. In practice, this has led to a substantial reduction in production and competition distortions provoked by the CAP, although the budget devoted to the CAP has continued to increase. On the strength of our approach, we are not able to draw conclusions on the impact of the CAP reforms on production. We may simply observe that the lowering or even the abolition of the intervention prices has not necessarily resulted in a reduction of Community production.

The EU is currently the leading exporter of agricultural goods in the world. The developing countries, and in particular those in Africa and the Middle East, are important markets for the EU, notably for milk powder, sugar and wheat, and these developing countries are increasingly in the market for other products such as fruit and vegetables, pork and processed food products. However, while the EU is still the main supplier of foodstuffs for the WAEMU countries, it has lost market shares for virtually all the products under review following the emergence of the new agricultural powers on the DC markets. The definitive abolition of compulsory set-asides for large farm units and milk quotas was proposed by the European Commission in the course of the "health check" (2007). The European Commission wishes to put an end to the policies for restricting supply for the competitive European agricultural products in order to enable the EU to take advantage of the growing demand in the DCs.

The future of agricultural trade between the EU and the DCs also depends on the development of agricultural production in these countries. Today, more than a score of developing countries are net importers of agricultural products and suffer from a subsistence deficit (FAO, 2007). This may seem a paradoxical situation in countries where the agricultural population is often still in the majority. Ill-adapted policies encouraging cheap imports in order to favour the urban population, and the pressure exerted by the international institutions to liberalise the agricultural sector of the DCs in the 1980s and 1990s, may partly explain this situation. But the current context of rising food prices exposes the limits of this system for the impoverished populations of the DCs.

Several pronouncements have recently emanated from within the International Community for encouraging investments in agriculture and infrastructure in rural areas of the DCs with a view to increasing local agricultural production. Most farmers of the South, who currently practise subsistence farming, must be given the necessary means for creating surpluses and thus meeting – at least in part – the increase in local demand. The competition between imports and local production is a complex question and must be studied on a case-by-case basis. However, we note that when the WAEMU countries have taken measures of commercial protection with respect to imports of poultry meat, such measures have proved effective in reversing the trend. In fact, the future of the trade policies depends in part on the outcome of the negotiations at the WTO but also on bilateral trade negotiations such as the EPAs now being negotiated between the EU and the EPA countries, or again on the conditionality of the aid granted by the international organisations.



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# Appendices

- [Appendix 1](#) Products retained in the analysis
- [Appendix 2](#) Composition of the groups of countries
- [Appendix 3](#) Changes in expenditure on refunds
- [Appendix 4](#) Changes in EU exports
- [Appendix 5](#) Destination of exports from the EU-15
- [Appendix 6](#) Changes in the share of total imports by the WAEMU countries from the EU-15



## Appendix 1 — Products retained in the analysis

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### CEREALS AND CEREAL-BASED PRODUCTS

wheat  
rye  
maize  
rice  
flour  
pasta  
other products

### MILK AND DAIRY PRODUCTS

milk  
butter  
other products

### SUGAR

### VEGETABLE OILS

rape  
sunflower  
olive

### FRUIT AND VEGETABLES

onions  
potatoes  
oranges  
apples  
prepared tomatoes  
other prepared veg.

### MEATS

beef  
poultry  
pork

## Appendix 2 — Composition of the groups of countries

### HIGH INCOME COUNTRIES (HIC)

Antigua and Barbuda, Aruba, Australia, Austria, Bahamas, Bahrain, Barbados, Bermuda, Brunei, Canada, Cayman Islands, Czech Republic, Cyprus, Estonia, Faroe Islands, Guam, Hong Kong, Iceland, Israel, Japan, Kuwait, Liechtenstein, Macao, Malta, Netherlands Antilles, New Zealand, Qatar, Saudi Arabia, Singapore, Slovenia, South Korea, Switzerland, Taiwan, Trinidad and Tobago, UAE, United States, Virgin Islands.

### MIDDLE INCOME COUNTRIES (MIC)

Argentina, Belize, Botswana, Brazil, Bulgaria, Chile, China, Costa Rica, Croatia, Dominica, Equatorial Guinea, Gabon, Grenada, Hungary, Kazakhstan, Libya, Lithuania, Malaysia, Mauritius, Mayotte, Mexico, Montenegro, North Mariana Islands, Oman, Palau Islands, Panama, Poland, Romania, Russia, Samoa, Serbia, Seychelles, Slovakia, South Africa, St Kitts and Nevis, St Lucia, St Vincent, Turkey, Uruguay, Venezuela.

### OTHER DEVELOPING COUNTRIES (DC)

Afghanistan, Albania, Algeria, Angola, Anguilla, Armenia, Azerbaijan, Bangladesh, Belarus, Benin, Bhutan, Bolivia, Bosnia Herzegovina, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde Islands, Central African Rep., Chad, Colombia, The Comoros, Dem. Rep. of the Congo, Rep. Congo, Côte d'Ivoire, Cuba, Djibouti, Dominican Rep., Ecuador, Egypt, Eritrea, Ethiopia, Gambia, Georgia, Ghana, Guatemala, Guinea, Guinea Bissau, Guyana, Haiti, India, Indonesia, Iraq, Iran, Jamaica, Jordan, Kenya, Kirghizistan, Kiribati, North Korea, Laos, Latvia, Lebanon, Lesotho, Liberia, Macedonia, Maldives, Malawi, Mali, Marshall Islands, Mauritania, Micronesia, Moldavia, Mongolia, Montserrat, Morocco, Mozambique, Myanmar, Namibia, Nauru, Nepal, Nicaragua, Niger, Nigeria, Niue, Pakistan, Palestinian Territories, Papua-New Guinea, Paraguay, Peru, Philippines, Rwanda, El Salvador, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, Sri Lanka, St Pierre and Miquelon, Sudan, Surinam, Swaziland, Syria, Tajikistan, Thailand, Timor Leste, Togo, Tonga, Tunisia, Turkmenistan, Zimbabwe.

## BREAKDOWN OF THE COUNTRIES BELONGING TO THE “OTHER DEVELOPING COUNTRIES” CATEGORY INTO SUB-REGIONS

### **South and East Asia and the Pacific (SEAP)**

Afghanistan, Bangladesh, Bhutan, Cambodia, Fiji, India, Indonesia, Kiribati, North Korea, Laos, Maldives, Marshall Islands, Micronesia, Myanmar, Nepal, Pakistan, Papua New Guinea, Philippines, Samoa, Solomon Islands, Sri Lanka, Thailand, Timor Leste, Tonga, East Timor, Vanuatu, Vietnam.

### **Europe and Central Asia (ECA)**

Albania, Armenia, Azerbaijan, Belarus, Bosnia-Herzegovina, Georgia, Kirghizistan, Kosovo, Macedonia, Moldavia, Mongolia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan, Yugoslavia.

### **Latin America and the Caribbean (LAC)**

Bolivia, Colombia, Cuba, Dominican Republic, Ecuador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Nicaragua, Paraguay, Peru, El Salvador, Surinam.

### **North Africa and Middle East (NAME)**

Algeria, Egypt, Iran, Iraq, Jordan, Lebanon, Morocco, Palestinian Territory, Syria, Tunisia, West Bank, Yemen.

### **Sub-Saharan Africa (SSA)**

Angola, Benin, Burkina Faso, Burundi, Cameroon, Cape Verde Islands, Central African Republic, Chad, Comoros, Dem. Rep. of Congo, Rep. of Congo, Côte d'Ivoire, Djibouti, Eritrea, Ethiopia, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Somalia, Sudan, Swaziland, Tanzania, Togo, Uganda, Zambia, Zimbabwe.

### Appendix 3 — Changes in expenditure on refunds (in millions of euros)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Cereals</b>	1129	320	532	478	883	823	259	99	175	72	124	127
<b>Sugar</b>	1314	1232	1116	1370	1592	1438	1008	1151	1021	988	1080	1116
<b>Milk and dairy products</b>	2290	1616	1753	1426	1439	1571	1106	1159	1595	1494	1140	724
<b>Bovine meat</b>	1761	1559	1499	774	594	661	362	386	295	250	212	118
<b>Pork meat</b>	118	101	72	74	275	262	55	27	17	42	19	81
<b>Poultry</b>	172	127	71	77	92	72	51	71	94	85	80	
<b>Transformed products</b>	574	491	566	556	576	572	435	413	433	380	335	274
<b>TOTAL</b>	7802	5705	5884	4826	5572	5646	3400	3432	3729	3384	3051	2493

Source: EAGGF reports between 1995 and 2006

## Appendix 4 — Changes in EU exports

	MEAN*	MAXIMUM*	MINIMUM*	STANDARD DEVIATION	INDICATOR OF INSTABILITY**	GROWTH RATE 1995-2006
<b>Wheat</b>	9571.23	11428.72	7802.90	1390.85	0.21	2.98%
<b>Rye</b>	983.52	1921.03	397.40	584.13	0.59	-73.67%
<b>Rice</b>	321.97	407.87	232.88	43.12	0.22	11.20%
<b>Maize</b>	195.35	341.00	86.33	80.66	0.54	-44.23%
<b>Oats</b>	483.69	824.15	151.90	210.53	0.45	-34.73%
<b>Other cereal-based products</b>	626.39	851.09	486.93	110.63	0.10	70.07%
<b>Pasta</b>	700.01	808.29	600.94	58.93	0.10	24.03%
<b>Food flour</b>	547.81	722.91	369.30	119.25	0.05	95.75%
<b>Milk powder</b>	745.80	977.42	497.72	140.98	0.16	-49.08%
<b>Pasteurised milk</b>	226.27	368.87	152.02	77.77	0.20	-9.20%
<b>Concentrated milk</b>	279.35	346.42	193.75	55.20	0.11	-37.07%
<b>Cheese</b>	498.14	580.41	398.32	48.35	0.08	9.72%
<b>Butter</b>	223.18	323.60	159.37	61.45	0.21	25.87%
<b>Other dairy products</b>	190.45	281.41	126.96	55.56	0.26	31.07%
<b>Sugar</b>	5249.99	6193.84	4054.59	714.06	0.21	9.99%

(cont.)

\* in thousand of tons

\*\* indicator of instability = standard variation of annual coefficients of variation

	MEAN*	MAXIMUM*	MINIMUM*	STANDARD DEVIATION	INDICATOR OF INSTABILITY**	GROWTH RATE 1995-2006
<b>Soya bean oil</b>	860.88	1128.25	477.42	240.49	0.28	-31.31%
<b>Olive oil</b>	302.24	387.53	183.65	76.36	0.19	96.20%
<b>Palm oil</b>	124.04	293.94	38.66	83.06	0.22	660.38%
<b>Sunflower oil</b>	198.78	486.29	86.99	120.74	0.35	-72.42%
<b>Rape oil</b>	198.43	488.56	4.14	185.99	0.50	-98.86%
<b>Prepared tomatoes</b>	581.19	744.71	429.79	106.44	0.10	73.27%
<b>Potatoes</b>	538.45	829.97	237.80	177.14	0.63	107.17%
<b>Onions</b>	446.53	660.33	191.28	151.92	0.23	245.22%
<b>Apples</b>	451.17	618.83	357.69	69.59	0.19	45.00%
<b>Oranges</b>	532.39	660.83	390.07	77.16	0.15	-25.96%
<b>Pork meat</b>	1101.54	1789.74	512.06	430.93	0.20	249.52%
<b>Bovine meat</b>	466.53	757.16	173.38	225.23	0.19	-76.59%
<b>Poultry meat</b>	977.07	1109.90	803.61	75.62	0.09	23.42%

Source: author's calculations from Comtext data

\* in thousand of tons

\*\* indicator of instability = standard variation of annual coefficients of variation

## Appendix 5 — Destination of exports from the EU-15

	SHARE IN THE TOTAL EU EXPORTS						GROWTH RATE 1995-2006		
	HIC		MIC		OTHER DCs		HIC	MIC	OTHER DCs
	1995	2006	1995	2006	1995	2006			
Wheat	4%	9%	31%	8%	65%	83%	<b>121%</b>	-73%	31%
Rye	57%	83%	38%	15%	5%	2%	-61%	-90%	-88%
Maize	61%	89%	0%	4%	39%	6%	-18%	-	-91%
Rice	36%	67%	31%	22%	33%	11%	<b>109%</b>	-22%	-62%
Flour	42%	30%	24%	31%	29%	40%	37%	<b>156%</b>	<b>167%</b>
Pasta	57%	58%	22%	18%	21%	22%	26%	2%	34%
Other cereal-based products	64%	63%	27%	25%	8%	12%	68%	55%	<b>143%</b>
Milk powder	26%	19%	31%	11%	43%	70%	-64%	-82%	-16%
Pasteurised milk	70%	39%	16%	41%	11%	20%	-50%	<b>132%</b>	57%
Concentrated milk	38%	58%	28%	21%	34%	21%	-4%	-53%	-61%
Butter*	28%	31%	28%	29%	42%	39%	39%	28%	16%
Cheese	56%	55%	25%	33%	18%	12%	7%	43%	-29%
Other dairy products	31%	44%	49%	33%	19%	22%	87%	-13%	54%
Soya bean oil	18%	26%	27%	44%	54%	30%	-3%	12%	-62%
Olive oil	82%	76%	13%	18%	4%	6%	82%	<b>178%</b>	<b>148%</b>
Sunflower oil	22%	68%	38%	18%	38%	13%	-12%	-87%	-90%
Prepared tomatoes	53%	54%	21%	23%	26%	24%	45%	86%	58%
Potatoes	65%	26%	20%	50%	15%	24%	-15%	<b>405%</b>	<b>231%</b>
Onions	35%	11%	40%	51%	25%	38%	<b>424%</b>	<b>245%</b>	<b>340%</b>
Apples	30%	25%	57%	53%	13%	22%	18%	36%	<b>147%</b>
Oranges	32%	32%	61%	54%	6%	13%	-26%	-34%	53%
Pork meat	61%	42%	36%	51%	2%	7%	<b>143%</b>	<b>385%</b>	<b>918%</b>
Poultry meat*	47%	23%	33%	48%	20%	28%	-39%	80%	76%
Bovine meat	18%	21%	43%	64%	38%	15%	-73%	-65%	-91%
Sugar	23%	33%	22%	14%	49%	51%	57%	-32%	16%

\* available data since 1996

65% principal export market

Source: author's calculations from Comtext data

## Appendix 6 — Changes in the share of total imports by the WAEMU countries from the EU-15

	Milk powder	Sugar	Processed food products	Fruit & vegetables	Poultry meat	Bovine meat	Vegetable oils	Butter	Common wheat	
1996	97%	95%	94%	90%	99%	91%	83%	99%	89%	
1997	100%	92%	88%	86%	98%	50%	73%	100%	85%	
1998	96%	93%	90%	58%	98%	33%	63%	100%	77%	
1999	95%	76%	83%	54%	99%	53%	75%	100%	82%	
2000	91%	92%	79%	63%	94%	18%	61%	100%	82%	
2001	83%	67%	69%	61%	88%	16%	28%	93%	76%	
2002	77%	68%	60%	61%	89%	32%	28%	100%	82%	
2003	77%	67%	67%	57%	86%	54%	18%	85%	90%	
2004	69%	59%	60%	54%	75%	35%	12%	97%	84%	
2005	64%	59%	58%	59%	70%	2%	9%	98%	95%	
2006	53%	46%	54%	65%	94%	2%	7%	98%	90%	
<b>Market shares</b>	Decrease			Increase						
<b>In value</b>	Stable	Falling	Rising	Rising	Rising	Falling	Falling	Rising	Rising	

Source: author's calculations from Comtext data



## Coordination SUD

(Solidarité - Urgence - Développement)

Coordination SUD (Solidarité - Urgence - Développement) was founded in 1994. Today, it is made up of more than 130 French international relief and development NGOs.

Coordination SUD ensures a dual mission: supporting and reinforcing French international solidarity NGOs and national platforms of NGOs, as well as representing and promoting their positions vis-à-vis public or private institutions in France and abroad.

- *Representing international solidarity NGOs*

In France, Coordination SUD maintains relations with French public authorities in order to act on behalf of NGOs. It studies the evolution of public development cooperation policies and especially overseas development assistance (ODA) policy, in order to lobby public authorities for an increase in ODA and better-quality assistance.

At the European level, Coordination SUD strives to see that the concerns of French NGOs and their partners are taken into account in European policy, and it follows the issues related to development aid policy. It also monitors the terms of access by NGOs to European Union financing.

At the international level, Coordination SUD represents French NGOs during international discussions at the United Nations and other multilateral bodies such as the WTO, World Bank or the IMF. Coordination SUD also participates in building an international citizen movement by weaving ties with the national federations of NGOs in countries of the North and of the South: ABONG in Brazil, VANI in India, CONGAD in Senegal, etc.

- *Support for actions by French NGOs  
Through working groups and commissions*

Through working groups and commissions. Coordination SUD working commissions represent occasions for exchange and the drawing up of common positions among international solidarity organisations. They work on major issues of international solidarity (financing and capacity building, European cooperation, emergency humanitarian aid, education, agriculture and food, etc.).

Via a resource centre. The role of the resource centre is to reinforce the abilities of French international solidarity organisations through various tools (training sessions, information service, publications, and individualised advice).

Through a privileged system of communication and information.

Through the information it distributes to its members, Coordination SUD gives them access to useful and practical data for their functioning. It also facilitates its members' communication through the setting up of specific tools such as its website:

- > [www.coordinationsud.org](http://www.coordinationsud.org)
- > 14 passage Dubail 75010 Paris  
Tel.: 01 44 72 93 72 - Fax: 01 44 72 93 73  
E-mail : [sud@coordinationsud.org](mailto:sud@coordinationsud.org)

## Coordination SUD's Agriculture and Food Committee

Chaired by GRET and CFSI, Coordination SUD's Agriculture and Food Committee (C2A) brings together international solidarity NGOs that act to ensure that the lot of farmers in developing countries is taken into account in international trade negotiations.

The group aims to coordinate work by its participants, ensure consultation among member NGOs, and advocate for them to social stakeholders and international policy makers.

It agrees on the positions held in the name of Coordination SUD in a number of arenas (Concord Europe, FAO, WTO, UNCTAD) and exchanges information on current international stakes. It has been mandated by Coordination SUD to take positions in the name of the group during the principal international meetings on agriculture and food.

The Committee is made up of two groups: CRID and CFSI, and the following NGOs: OXFAM France-Agir Ici, AITEC, CCFD, Fédération Artisans du Monde, GRET, IRAM, Peuples Solidaires, Secours Catholique-Caritas France, Secours Populaire Français, AVSF.

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