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WTO Agriculture Negotiations in the Post Bali Work plan: Issues of interest to the EAC

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ABSTRACT

The general objectives of this policy brief is to set forth issues of interest with regards to the WTO Agriculture Negotiations in the Post Bali Work plan, more specifically taking into account into the following issues:

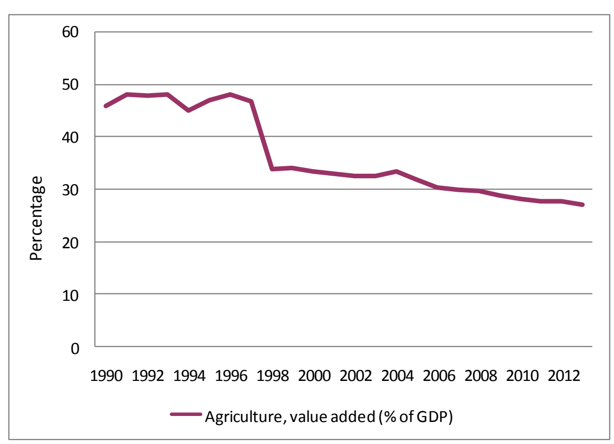
- *Recent trends of agricultural trade and production in Tanzania;*
- *Public food stockholding programs in Tanzania and their implications on livelihoods;*
- *Tanzania's main agricultural interests and*
- *Imports harming agricultural sectors.*

INTRODUCTION

Agriculture has been characterized for decades by policies that it seriously distort trade and production. Such policies can take the form of high tariff barriers, various domestic support measures through subsidies or market price support and export subsidies or other forms of export-related support. These trade distorting policies have a significant effect on agricultural producers in developing countries, and especially in the most vulnerable ones. Because of these anomalies, countries such as Tanzania cannot fully benefit from her comparative advantages, and her agricultural revenues cannot properly contribute to gross domestic production, employment, rural development or livelihood security. It is therefore critical that current WTO negotiations deliver a favourable agriculture package that will contribute towards the development needs of developing countries and LDCs more so those dependent on the agricultural sector such as the EAC.

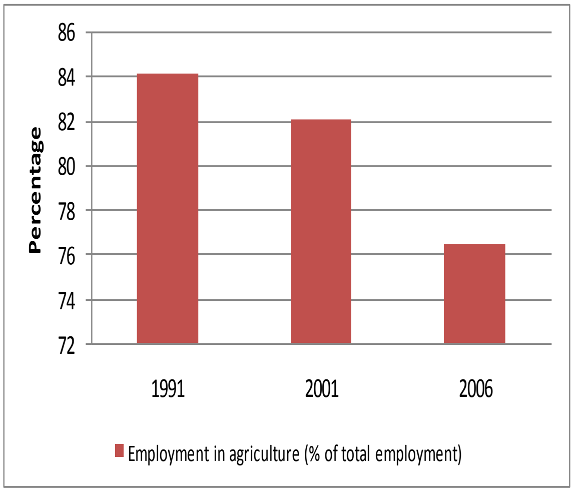
Tanzania has been referred to as one of Africa's sleeping agricultural giants (Binswanger-Mkhize and Gautam, 2010). Rich in natural resources, abundant arable land, plenty of water sources, direct access to the Indian Ocean and with six neighbouring countries in full economic growth, Tanzania proves to have tremendous agricultural potential and ample market opportunities to utilise for her economic transformation.

Figure 1 shows that in the past thirteen years, Tanzania's agricultural sector has shown a declining



Source: WDI, 2014

Figure 2: Employment share in agriculture, 1991, 2001, and 2006

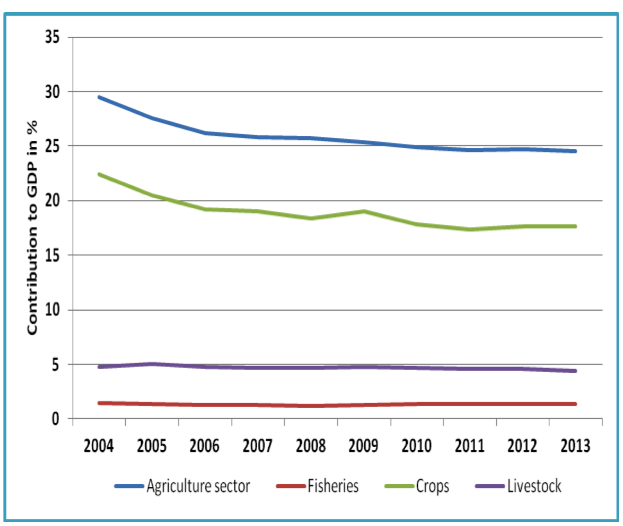


Source: WDI, 2014

The agriculture sector in Tanzania comprises of several subsectors, of which crop production contributes 17.6% to the national GDP, with a declining annual growth rate in the past few years to 4.5% in 2013; livestock production contributes about 4.6% to the total GDP while fisheries contributes 1.4% of the GDP and its annual growth steadily declining at 2.2% up to 2013 (Figure 2)

With cash crops contributing more than any other sub sector, it is also comprised of food and cash crop production which account for 65% and 10% of the agricultural GDP respectively.

Figure 3: GDP Contribution per agriculture sub-sector



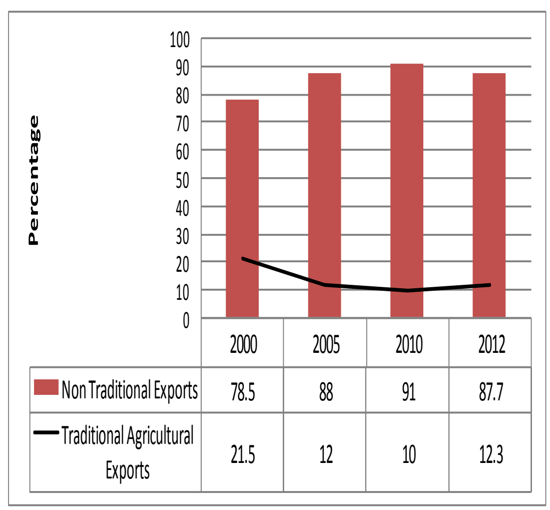
Source: URT, 2013b

II RECENT TRENDS OF AGRICULTURAL TRADE AND PRODUCTION IN TANZANIA

Agriculture production trend in Tanzania shows a rather positive trend in the past two decades with gross agriculture indices rising from below 65 in early 1990s to 139.7 in 2012 (Index number 2004-2006=100). Comparatively, cereal yield trend has rather been volatile though higher than production index in the 1990s until after 2002 when there was a sharp decrease in yields which has since then been lower until 2012 .

With increase in agriculture production, however the share of traditional agriculture exports to the total has been decreasing overtime since 2000 compared to non-traditional exports in Tanzania (Figure 5). This is mainly attributed to an increase in non-traditional exports, particularly minerals, fish and fish products and the steady emergence of the horticultural sector in the country.

Figure 4: Share of agriculture exports in Tanzania



Source: BoT, 2013

III PUBLIC FOOD STOCKHOLDING PROGRAMS IN TANZANIA AND THEIR IMPLICATIONS ON LIVELIHOODS

In Tanzania, a Strategic Grain Reserve (SGR) was established in 1991 with the objectives to stabilise staple grain prices, advise the government on food security policy, and supply food for emergency assistance. However, as the volumes of purchases and sales accounted for only 4% of market surplus, the SGR had minimal and insignificant impact on grain prices (Minot, 2010). After the 2007-08 food price crisis, SGR was then merged with other government departments to form the National Food Reserve Agency (NFRA), which now covers an even larger set of objectives.

In 2013/2014, the Minister for Agriculture, Food Security and Cooperatives, Eng Christopher Chiza, announced that the country had grain reserve of 244,830 tonnes stored at the NFRA of which 219, 377 tonnes were cereals that constituted of more than 218,878 tonnes of maize and 499 tonnes of sorghum.

It is observed that lack of enough financial resources that face the NFRA often makes it difficult for the government to raise its strategic grain reserves to hold a year's supply of maize (Rabobank, 2013). This often leads to NFRA making purchases after harvest, when most farmers have already sold to traders at lower prices out of their desperation for cash.

Different challenges that existed under the NFRA made the Government through an Act of Parliament (National Cereals and Other Produce Act, 2009) to establish a national Cereals & Other Produce Board (COPB). This board is intended to become an alternate corporate buyer of food commodities across Tanzania governed by normal commercial instincts. The COPB is intended to be regulated by a new Cereals and Other Produce Regulatory Authority (COPRA) which shall regulate the activities of all buyers in the cereals and grain market by enforcing stipulated standards.

IV TANZANIA'S MAIN/IMPORTANT AGRICULTURAL INTERESTS

Through the Kilimo Kwanza (Agriculture First) initiative, the Government has been able to earmark 10 pillars that guide this initiative. With all these pillars being equally significant towards the achievement of agriculture transformation, the following are among the most notable and prominent pillars which are of significance to the agriculture sector development:

- Industrialization for Kilimo Kwanza where industries are to provide backward and forward linkages for the agricultural sector and increase access to local and foreign markets for value added products will be established.
- Use of modern technologies Infrastructure Development

Facilitation of access to land for agriculture

In the international market, both market access conditions "border measures" and domestic support measures such as export subsidies have to a greater extent impacted the capacity of African countries to develop their agricultural sectors. Due to these measures, the potential to develop a competitive production capacity in Tanzania and Africa as a whole has continuously been eroded especially for "temperate" agricultural commodities such as maize, wheat, meat, sugar, rice and some vegetables and fruit.

- Countries such as Tanzania have proven to be capable to produce at least some or all of these products. Agricultural policies of the developed countries, both in terms of border measures (tariffs, quotas, non-tariff measures) and support for exports as well as domestic support have greatly distorted trade in these products. OECD estimates that protection of markets at border points (tariffs and quotas) represents, on average less than 50 per cent of the total support granted to farmers in the OECD countries. With such measures, the effect and impact to African producers is reduced international competitiveness. This may well be explained by the mere fact that Africa has become a net importer of agricultural goods since the 1980s.

V. IMPORTS HARMING AGRICULTURAL SECTORS

In Tanzania, sugar and rice imports have in recent past proved to create tremendous amount of noise from the farmers and factory operators in Tanzania. Over the past five years, the country has become a net importer of sugar importing 64%, of domestic consumption, and also on average being a net importer of rice.

With imports of these agriculture products, farmers have often expressed their outcry for failing to fetch good prices of their commodities in the market. For instance, local news daily reported that due to a faulty government decision to allow importation of 60,000 MT of rice in 2013 to bring down prices, caused farmers in Kilombero district to bear the brunt of competing with cheap imports in the country.

These actions were also echoed by KPL Chief executive Officer, Carter Coleman, who reported that the company had recorded a whopping TZS 4bn/- loss as a result of imports of cheap Pakistani rice into the market.

Rabobank (2013) reveals that surplus sugar imports at lower prices impact on sugar mills cash flows at certain periods of the year. In 2013, licenses were granted for 200,000 tonnes of raw sugar to be imported which created a raw sugar surplus of almost 120,000 tonnes. With such imports being needed during rainy seasons when sugar mills are not producing, provision of such imports throughout the year makes it difficult for the mills to immediately acquire EU quota to export the excess production.

VI. RECOMMENDATIONS

Some of the recommendations gathered from stakeholders include the following:

- As it has been said very often, the negotiators should not put down their guards but rather continue fighting for a tremendous reduction in tariff lines on agriculture products and even more specifically to so-called sensitive or strategic products in the OECD countries, such as wheat (214 per cent), barley (197 per cent) and maize (154 per cent).
- There is a need to continue demanding for greater access to first-stage processing products (agro-processed) within the framework of the international negotiations.
- The question of the tariff peaks and the tariff escalations that are applied by most of the OECD countries to developing countries should also continue being discussed thoroughly.
- A greater call should be made to the developed countries to halve the level of subsidies provided to their agricultural commodities as this tend to have a detrimental effect to the livelihoods of millions of people in Tanzania and Africa at large.
- The government should also continue supporting public food stockholding schemes by allocating more financial resources so as to cushion farmers during bumper harvests as well as control market prices so as to protect the final consumers.

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