

Putting Food System thinking to Sector Practice

Webinar series #1:

Importing cheap poultry products: a key obstacle for African poultry sector development?

Thursday 3 March 2022

Webinar Summary Report

Case description (background brief):

https://www.nlfoodpartnership.com/documents/291/Final_webinar_Poultry_sector_3_March_2022_Programme_and_Briefing_Note.pdf

Full recording: <https://www.youtube.com/watch?v=hkDTQ65ZoBE>

Summary of the discussion

This webinar explored trade as a key socio-economic driver influencing the poultry sector and the broader food system.

In Ghana, the rising consumer demand for poultry meat is currently met by imports of poultry (95% is imported from Brazil, USA and EU). The local poultry sector cannot compete with imported chicken, mainly because cost of production and especially inputs are relatively high. Consumers perceive local chicken as more tasty and healthier, but appreciate the imported chicken for its cheap price and because it is well packed and sold in parts.

In several other countries in West Africa, the situation is similar. There is a tremendous gap between the cost price of imported chicken and locally produced chicken; practice as well as the analysis of poultry sector data shows it is really challenging to fill this gap by increasing efficiency of local poultry sectors. Some countries have no imports at all, like Nigeria, Senegal and Burkina Faso. They completely ban imports from non-African countries, because they want to boost local poultry sector development. Consumers have to pay more for chicken in these countries as the local cost of production is higher.

To develop an effective combination of solutions for this food systems challenge, poultry sector stakeholders need to talk with each other and coordinate their efforts both at country and at regional level. Using a food systems approach in a very practical way may help this process. National governments need to put in place a differentiated policy mix, including regulatory measures for the imports of poultry meat. If the policy mix works well, sufficient affordable poultry meat should be available on the market to serve low-income consumers. At the same time, domestic poultry sectors need strengthening, addressing various aspects of sector development proactively and with the appropriate technical assistance and investment partners. For example, Dutch poultry sector experts and companies are considered valuable partners for the Ghanaian poultry sector. Other food systems drivers may include leverage points for systemic change too: for example promoting European policy coherence; influencing consumer preferences; developing labels for local poultry; and tackling the environmental drivers.

Guest speakers

- Mr. Raymond Denteh, consultant at Ghana Poultry Project ACDI/VOCA/USAID
- Mr. Peter van Horne, Poultry Economist, Wageningen Economic Research
- Mr. Fabien Tondel, Policy Officer Economic & Agricultural Transformation and Policy Coherence for Sustainable Development, ECDPM, Netherlands

Ghana poultry sector development by Raymond Denteh

- 95% of poultry in Ghana is imported from Brazil, USA and EU. The highest revenue for Brazil/USA/EU producers is domestic sale of chicken breast. Other parts of the chicken like the wings, the back, and the legs were first used for animal feed, but now these parts are exported to the Ghanaian market, among others. The prices of these parts can be relatively low as the highest margin is made on breast filets.
- The local poultry sector cannot compete with imported chicken, mainly because of the cost of production and especially because inputs are relatively high. The main ingredients for chicken feed are maize and soy, but these are scarce and expensive. As 60% of the cost of production is feed, the consumer price becomes too high.
- The local poultry sector is predominantly men-owned, and there are high entry barriers for women.
- On average, Ghanaian consumers eat 13kg of chicken per year. A survey on consumer preferences showed that the biggest determinants are price and the perception about the meat, whether it is tasteful and healthy. There is a preference for locally produced chicken because the taste is better and it is perceived as being healthier, but it is also perceived as a premium product. Most consumers decide on the basis of price and convenience – imported chicken is well packed and it is possible to buy parts of the chicken. A systemic leverage point identified in this domain is to improve branding, labelling and packaging of locally produced chicken.
- The government has tried to intervene in the poultry market: a special permit is needed to import poultry, but this does not really help. Around 7-8 years ago, a quota system was introduced whereby traders were only given a permit if they could show that they had sold 40% of the import already. But this does not work well, as it is not addressing the issue. There is a need for more aggressive policy interventions.
- Successful interventions in poultry sector development projects: increase efficiency and productivity at farm level and help farmers with marketing and business planning. Farmers received training on husbandry and biosecurity standards. Local processors were linked to supermarkets. Various projects worked on creating an improved enabling environment: a hatchery standard and egg standard were developed for the sector.
- The government is working on a poultry sector masterplan to help stabilize the sector.

Broader Western-Africa and EU perspective – trade dynamics by Peter van Horne

- Twenty years ago, the EU market was flooded with poultry meat from Brazil. The EU market faced similar problems as Africa is having now.
- Mostly West-African countries have large amounts of poultry imports. Some countries have no imports at all, like Nigeria, Senegal and Burkina Faso. They have completely banned imports from non-African countries, because they want to boost local poultry sector development. Consumers have to pay more for chicken in these countries as the local cost of production is higher.
- Countries with relatively low production costs have efficient industry and feed ingredients locally produced, like Brazil. EU is in the middle group, having an efficient industry but also expensive inputs, such as labour. African countries have highest production costs: these may be 50-60% higher than in Brazil.

- In West-Africa, there is a tremendous gap between the cost price of imported chicken and locally produced chicken, which might be really challenging to fill by increasing efficiency of local poultry sectors.
- EU consumers prefer breast meat, which is easy to prepare. Breast meat is 25% of the weight of the chicken and it is 70% of the value of the chicken in EU. So, the EU chicken industry makes money by selling the breast meat. The by-products are the other parts of the chicken, such as legs and wings. These are exported and can be sold at a low price.
- EU is operating according to WTO free trade regulations. No governmental support or subsidy is given.

Policy and trade trends by Fabien Tondel

- There is a dependency on imports of staple food commodities in West-African countries as well. In the rice sector for example, we see similar issues as with poultry. There was also an increase of imports in recent years, leading to competition with local rice production.
- Structural Adjustment Programmes (as of 1980s) did not only change national policies, but also reflected broader changes at international level to promote trade and investment. Investors started investing in import supply chains, while there often was a lack of support to domestic supply chains.
- Nowadays several African countries have an emerging middle class with a preference for local rice, which means the market demand for local products is growing. Some local entrepreneurs grasp these opportunities. Still, local entrepreneurs are a minority, a small section of the local supply chain.
- We have to take into account the changing relation between ACP and EU countries. Before the ACP-EU partnership received more attention, it included amongst others the monitoring of effects of EU trade on local supply chains and local markets.
- The role of WTO needs to be considered: in the early 2000s, the phasing out of European export subsidies was agreed upon by WTO members, which means a key negative effect of the Common Agricultural Programme has been reduced. To be discussed whether and how imbalances in the current market can be addressed effectively.

Conclusions on key questions

How to create a win-win for domestic consumers and producers: i.e. reasonable consumer prices of chicken meat and profitable business for domestic chicken farmers?

An approach that addresses several leverage points in the overall food system and sector is needed.

- National governments need to put in place a differentiated policy mix. Custom-made trade policy is to include regulatory measures for the imports of poultry meat, which may differentiate regarding the type of imported product, the level of tariffs applied, the quota applied, and vary over time depending on price fluctuations and volumes on the demand and the supply side. If the policy mix works well, sufficient affordable poultry meat should be available on the market to serve low-income consumers.
- Domestic poultry sectors need strengthening, addressing various aspects of sector development proactively and with the appropriate technical assistance and investment partners. For example, Dutch poultry sector experts and companies are considered valuable partners for the Ghanaian poultry sector.
- Reducing the price of feed is a key leverage point to enhance the competitiveness of the domestic poultry sector.

- Coordination between key poultry sector actors at the national level is a key condition to strengthen the sector and the food system.
- Developing specific labels for locally produced poultry meat may help to boost the local sector, and to motivate middle-class consumers to buy this. Nowadays, some entrepreneurs have been able to seize the opportunities this offers.
- Enhancing European policy coherence: both trade and development policy to work for agricultural development and stronger food systems in EU partner countries
- More responsible and sustainable trade is needed.

What do we gain from the food systems and sector perspective and approach in this case? Can such a perspective help generate sustainable impact?

- The Food System Approach helps break down the challenges to a level where different stakeholders can plug in easily and come up with viable solutions rather than lumping up solutions that may just address one challenge and exclude others.
- It helps in the discussion between the organisations involved: government, poultry sector, aid organisations, etc. They have to talk with each other and find a combination of solutions. To do this, good coordination is needed at the country level and also in the West African region.
- The approach has to be very practical and applied, we shouldn't stick not to the theoretical approach.

Further food systems leverage points mentioned by webinar participants in the chat

- The environmental drivers of the food system need greater consideration. 'Cheap' production of soy and poultry in Brazil has environmental and climate costs, which may need to be taken into account. Global and regional poultry market dynamics may change in future, if the global community agrees on additional environmental and climate requirements. A vision on the environmental sustainability of the poultry sector would be welcome.
- Raising awareness about the importance of plant proteins may be a leverage point to address.
- Understanding what hinders African governments to put in place some kind of protection mechanism may lead to new opportunities to influence policy.

Food system analysis applied to the case of Cheap Poultry Imports

Socio-economic drivers

Growing demand: rapid urbanization, growing middle class and rise in quick service restaurants

Increasing demand boosts **local economic growth, job creation and employment**

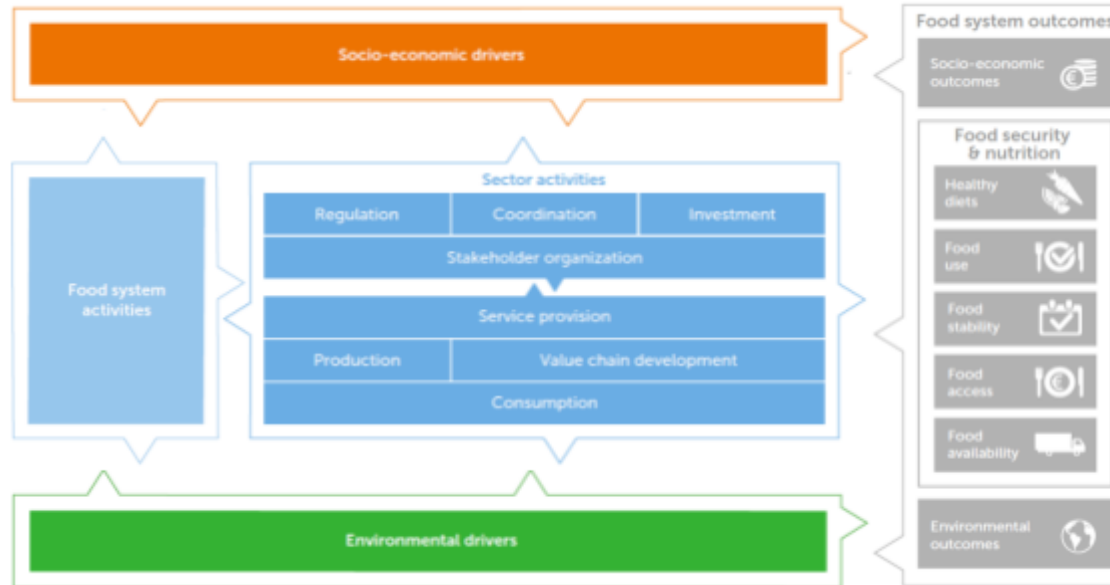
EU poultry industry makes high profits with breast meat sales enabling the sale of other chicken parts at **low prices on African markets**

Sector activities

Production: **competitiveness** based on the cost of production

Regulation: **trade agreements**, free trade vs. import barriers and quotas

Coordination: **lack of coordinated approach** to capabilities development in the poultry value chain



Environmental drivers

Not much attention: environment and animal welfare are not or not high on the agenda in trade negotiations

The frequency of **avian flu outbreaks**, significantly hampering local poultry production and affecting export and import

International trade ensures a steady supply of stock and mitigates the risk of supplies being disrupted by **climate change, drought or disease**

Food security & Nutrition

Healthy diets: The growing middle class is moving to a **more protein-rich diet**

Food access and availability: poultry and eggs are **affordable and available** sources of protein

Food use: consumers **prefer the taste** of chicken and eggs over other proteins

Food access and use: Local poultry has only ever been available whole and most consumers **can only afford whole birds for holidays and celebrations**

Healthy diets: EU consumer preference switched from red meat to the supposedly **healthier white meat of poultry with its lower fat content**. EU consumer preference for chicken breast.

Public health: live chickens versus local infrastructure to handle frozen poultry products

