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Effects of Agricultural Liberalisation: Experiences of Rural Producers in Developing Countries

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CONTENTS

1 INTRODUCTION

There has been increasing interest in the subject of small rural producers in developing countries in their interaction with the market.

On one hand, many international agencies, policy makers and academics have been advocating a closer integration of rural producers and the agriculture sector of developing countries with the market, both local and global. This is believed to be a vital (even a necessary) route for the rural population to get out of the cycle of poverty.

On the other hand, there are two increasing concerns. Firstly, barriers against market access remain strong, especially in the developed countries, which thus limit the export opportunities for the developing countries' agricultural products. Secondly, despite the continued protectionism in the rich countries, the developing countries have increasingly liberalised their agricultural imports, and opened themselves to the risk of cheaper imports competing with and sometimes displacing the products of local farmers.

This paper presents a survey of the experiences of rural producers in some developing countries following the liberalisation of agriculture in these countries.

Its objective is also to examine cases where rural producers face competition from imports, which can reduce their incomes or even displace them from their livelihoods.

Information, cases and insights are derived from several sources including international agencies such as the International Fund for Agricultural Development (IFAD), FAO, NGOs, academics, and articles in newspapers and magazines.

It is hoped that this paper will contribute to the further understanding of current concerns and issues regarding the impact of liberalisation on the poor.

2 CASES FROM LATIN AMERICA AND THE CARIBBEAN

(a) Mexican Farmers Affected by Cheap Imports

In 2002, tens of thousands of Mexican farmers have been taking to the streets of Mexico City, calling on the government to accord them greater protection in the face of U.S. imports under the North American Free Trade Agreement.

The Mexican farmers' movement began intensifying their protests against NAFTA and the dire poverty in the countryside since late 2002, blockading highways and briefly threatening to close the US-Mexico border on 1 January 2003, the day remaining tariffs on many U.S. farm products were removed. (AP, 31 Jan, 2003)

Mexican exports of farm products to the U.S rose to $6.2 billion in 2001 from $3.2 billion in 1993. However, imports of U.S farm goods to Mexico have skyrocketed and farm groups allege that massive subsidies, cheap credit, better transportation and technology give U.S farmers an unfair advantage. The main beneficiaries of rising Mexican exports have been large corporate farms rather than the small-plot farms on which millions of Mexicans still live. (Ibid)

An analysis by US based group, IATP showed in 2001 that corn cost an average of $ 3.41 a bushel to produce in the U.S and is sold in the world market for $2.28 a bushel. Food First, a California based group reported that California rice costs between $700 and $800 an acre to produce but receives $650 an acre on the world market and that U.S wheat is exported at 46 per cent below cost. (Americas Policy Report, Feb 2003)

Mexican farmers cannot compete with grains sold at less than U.S production costs. They lack credit, economies of scale, fertilizers, other inputs and most importantly government support, following IMF prescriptions, compared to the U.S farm support which was a whopping $248.6 billion under the 2002 Farm Bill. In addition to subsidised prices, cheap and ready access to U.S financing played a key role in the glut of grain imports to Mexico, which devastated domestic prices. The Centre for the Study of Rural Change in Mexico (CECCAM) reported that an overriding incentive for importers both in 1996 and other years has been financial. U.S exporters and government export-financing organisations offer low cost loans to Mexican importers buying U.S grains.(Ibid) Between 1995 and 1996, corn imports rose 120 per cent – double the quota stipulated under NAFTA, and all imports were tariff-free. (Ibid)

Despite these adverse economic conditions, Mexican corn farmers continue to subsist, largely through unpaid family labour, from small-scale commercial activities and from more than $9 billion in annual remittances sent home by Mexicans working in the U.S. (Ibid) Critics of NAFTA say that after two decades of trade liberalisation, Mexican agriculture has steadily lost ground with more than 1.7 million people being displaced. Much of the $6 billion in agro-export earnings they say have gone to fewer than 7 per cent of Mexican farmers. (Ibid)

(b) Haiti and Rice

Haiti is the poorest country in the Western Hemisphere with its per capita income at $556. Two-thirds of its people live in rural areas with 80% of them being poor. Rice is a major staple in the Haitian diet, produced mainly by small farmers. Twenty per cent of people depend on rice cultivation for their livelihoods. The rice sector also is economically significant as thousands of agricultural labourers, traders and millers derive income from it.

Having gone through rapid trade liberalisation in recent years, Haiti is now one of the most open economies in the world. Liberalisation of the rice market began in the 1980s. In 1994/95, under pressure from the IMF and the US, their rice tariff was cut from 35 per cent to 3 per cent.

After the first wave of liberalisation, rice producers reported that prices fell by 50 per cent during 1986-7. Local production fell by 27 per cent in 1995 and between 1985 and 199, rice imports increased 30 times as a result of the market slump. In 1994, food aid surged from zero to 16,000 tonnes in 1999. Subsidised US rice constitutes most of the rice imports.

Such trends have severely undermined the livelihoods of 50,000 rice-farming families and led to a rural exodus. Initially, cheap imports benefited poor consumers. However, in recent years, these benefits have gone. Due to depreciation of the national currency and to cartel activities by rice importers, the prices of local and imported rice are now converging. According to the FAO, overall malnutrition has increased since the start of trade liberalisation, affecting 48 per cent of the population in 1979-81 and 62 per cent in 1996-98. Almost half of Haiti's food needs are now met by imports. (Oxfam International, 2002)

(c) Honduras and Rice

Honduras produced 100 per cent of its rice needs and even had surpluses to export in the 1980s. It was known as the grain basket of Central America.

Under pressure from the IMF, the Honduran government abolished the system of import controls and threw the rice market wide open. The local rice faced unfair competition from heavily subsidised US rice imports, which enjoys subsidies worth 65 per cent of the production costs of rice in Honduras. (Guardian, Sept 2003/ Patricia Hewitt, UK Secretary of State for Trade and Industry)

Against such unfair competition, rice production in the country collapsed and the farmers' plight was worsened by hurricane Mitch in 1998. Rice production fell to just 1 per cent of domestic needs, with the gap filled by imports, leading to unemployment and lawlessness. (Ibid)

Honduran rice farmers fought back by forming their own association with rice processors and won an agreement that processors must first buy local rice before they can bring in foreign imports. In 2002, according to the rice producers association, Honduran farmers produced 16 per cent of their country's needs. In 2003, it was to rise to 33 per cent. (Ibid)

(d) Dominican Republic and the Dairy Sector

In the Dominican Republic, around 30,000 farmers are involved in milk production, producing over 380,000m liters in 2000. Most of these farmers produce on a small-scale and many live in poverty. Fifteen per cent of milk producers live in the Northwest region where half of the population lives in extreme poverty with only one child in two going to school.

In the 1990s, the national dairy consumption doubled. However, the rising demand has largely been met by increasing quantities of cheap imported dairy products. Domestic milk production has remained stagnant. The volume of dairy imports more than trebled during the 1990s, reaching 352m liters in 2000.

Part of the reason attributed for this increase was import liberalisation, following the republic's accession to the WTO in 1995. The country has a tariff quota system for milk powder imports under which 32,000 tonnes can enter the republic at a low tariff rate of 20 per cent. The EU accounts for 70 per cent of the import quota at 22,400 tonnes.

The price of EU milk powder imports systematically undercuts the local price of fresh milk by 25 per cent, partly by the EU export subsidies. The EU export subsidy rate for Whole Milk Powder (WMP) ranged from E680 per tonne to E1,090 per tonne. That year, the Dominican Republic was the fifth most important market for EU WMP exports.

It is estimated that around 10,000 farmers have been forced out of business during the past two decades despite considerable investment in the dairy sector by the government and the industry. The heavily subsidised European imports make it difficult for local milk producers to compete.

(Oxfam International, 2002; G. Fanjul, 2002)

(e) Jamaica and the Dairy Sector

Jamaica is well suited for dairy production with ample pasture-land, water and a well-adapted cow breed. According to the Jamaica Dairy Farmers Federation (JDFF) formed in 1998, in the 1960s there were 4,000 small farmers and 200,000 acres of improved pasture. Last year, there were less than 200 dairy farmers, most of whom are small farmers. However, 50 per cent of the milk production is from 2 corporate farms.

Jamaica annually consumes 170 million liters equivalent of milk and milk products (roughly 20 million liters of fresh milk, 60 million liters as cheese and 90 million liters as milk powder).

The JDFF state that due to the cheap imports of milk powder from the EU, the market for fresh milk has been shrinking from 38 million liters in 1993 to 18 million liters in 2002. Of the nearly J$7 billion (3 per cent of GDP), milk and milk products market, the farmers were only getting J$0.5 billion in 2001. (JDFF/ CAFOD, 2003)

During the past decade, there been a marked decline in the local production of milk form a peak of 38.8 million liters in 1992 to about 18 million in 2002. According to the JDFF this decline was largely a result of the negative impact of trade liberalisation and specifically the dumping of subsidised milk powder which followed the lifting of trade restrictions in 1992. (Ibid).

In 1986, following the problem of milk dumping, the government implemented a “parity transfer mechanism” to use duty from milk powder imports to supplement the price processors paid for their milk. A state-owned company was the sole importer of skimmed milk from the European Community during this period. This brought the price of heavily subsidised milk powder up and lowered the price of fresh milk and made it equally beneficial for a processor to buy either. According to JDFF, the milk production rose by an average of 7.5 per cent annum. (Ibid).

In response to the World Bank’s structural adjustment loan, the parity transfer mechanism was removed in 1992 and the import duties on milk powder were reduced. This resulted in large increases in imports of milk powder primarily from the EU and dairy farmers were again caught with an uncertain market for their milk. Milk was first thrown away and farmers then either cut back production or went out of business. (Ibid)

The dairy farmers then commissioned a study in 1994 which they presented to the Jamaican Anti-Dumping Advisory Board calling for the imposition of a 137 per cent countervailing duty against dumping. Consequently, in 1996, the Jamaican Parliament decided that the import duty on Whole Milk Powder (WMP) be increased from 30 per cent to 50 per cent. However, the problem for the dairy farmers was that at the same time, the concessionary import duty of 5 per cent that Nestle enjoyed was extended to all manufacturers. (Ibid)

According to a research done in 1997, the JDFF said that the result of the new import regime had shown that the collection of duties on milk powder of both whole and skimmed milk powder had declined as the ratio of skimmed milk powder had increased and virtually all importers classified the end use for manufacture and enjoyed the concessionary duty of 5 per cent. (Ibid)

The Commonwealth Secretariat in 1996 sent a team to investigate the viability of the Jamaican dairy industry following the government’s response to the farmers’ outcry. ‘A Milk Production Strategy for Jamaica’ was produced and accepted by the government in 1997. This was followed by the setting up of the JDFF in 1998 and the Jamaica Dairy Board in 1999. Despite such initiatives, the JDFF is unable to compete with subsidised milk powder imports from the EU. It says that the removal of export subsidies would allow EU milk powder to compete fairly with fresh Jamaican milk. (Ibid).

Further, according to the JDFF, "Given current levels of world market distortions and the importance of dairy to Jamaica's rural economy and poverty levels, we would like to see a rise in the Jamaican milk powder tariff levels. But our experience with the Jamaican government has shown that they are under external constraints and internal pressure form the World Bank and lobbying from the Jamaican food processing industry. We would like to see a loosening of these constraints, especially from international institutions, in the interest of Jamaica's food security and rural livelihoods". (Ibid)

(f) Uruguay and Milk

Small producers in the west and south of Uruguay provided milk for the domestic and export market through the National Cooperative Milk Producers (Conaprole) until recently. Eighty per cent of the cooperative's 6,500 milk producers were small, family run farms. (Madeley, Hungry for Trade, 2000).

In the Mercusor regional trade grouping (Uruguay, Brazil, Argentina and Paraguay), the milk market is huge — 22,000 million litres per day. This attracted the Italian multinational company Parmalat to Uruguay in 1992. Both Parmalat and Nestle compete for Mercusor's market. (Ibid, p 87).

Brazil absorbed a high proportion of exports from Conaprole. This was however affected by highly subsidised milk exports from Europe which generated financial problems for the cooperative. (Ibid)

" Externalization policies aimed at subordinating the company to foreign interests are causing the bankruptcy of small milk producers," said Luis Goichea, Secretary-General of the Association of Workers and Employees of Conaprole. (Ibid).

3 CASES FROM AFRICA AND ARAB REGIONS

(a) Ghana and Agriculture Food Crops

Agriculture accounts for over 40 per cent of Ghana's GDP and employs most of the labour force. Economic reforms began in 1983. As part of the reforms, the government removed food price controls, raised cocoa prices for producers and boosted extension services. The situation was less favourable for food crops. Removal of subsidies from fertilizer and other inputs has resulted in dramatic decline, in particular of fertilizer use. With the exception of cassava and millet, yields have not improved over the last decade and growth in food production is attributed to increases in annually cropped areas. (IFAD, Ghana, NORPREP, Appraisal Mission, Design Sept 20 Document 2001)

Among several underlying causes of poverty and food insecurity identified in the northern region of Ghana includes the increasing international competition depressing domestic and external output market prices on the one hand, and on the other, removal of input subsidies and high inflation in the costs of inputs. (Ibid)

According to an interview with the IFAD Country Portfolio Manager for Ghana with the author, a key success with IFAD's support has been the building of small irrigation schemes with small dams that have assisted rural farmers to cultivate rice and off-season vegetables such as tomatoes and onions.

However, one marketing constraint that has impacted tomato farmers is the competition from cheap subsidised Italian tomato products from the EU. A tomato processing plant in the IFAD supported project had to be abandoned as it was not profitable. The plant faced competition from cheap Italian tomato concentrate. Similar accounts were reported in a newspaper as well as by Christian Aid. These accounts are presented below.

According to another IFAD official in an interview with the authors, local onion production face competition from import surges of onions from Europe. Onions which are viewed as being not good for Europe are sent to countries in Africa such as Ghana and Senegal.

(i) Competition from subsidised Italian tomato paste

According to one Italian news report (La Republica, Nov. 2003), local Ghanaian tomatoes do not reach the tables of consumers as Italian canned tomatoes are everywhere.

In 1968, a tomato cannery was built in Pwalugu with state support in Ghana's Upper East District. It employed 60 permanent staff and 100 temporary workers. It was located in a fertile tomato growth area to provide incentives for subsistence farmers to produce more fruits to support the local agro-industry.

In 1989, the Pwalugu cannery and many others like it were closed due to the on-going structural adjustment programme introduced by the World Bank and IMF. The reason for the closure was a divesture policy that was to make the Ghanaian economy more efficient. The cannery was producing 100 tons of tomato concentrate a day before it closed.

The move opened up Ghana's market to subsidised tomato products from EU countries. (ProfileAfrica, 2003). The EU provides annual subsidies for tomato processing in southern Europe, averaging about 372 million euros. (Christian Aid, 2002)

Ghana has become Africa's largest importer of tomato concentrate, with imports of over 10,000 tonnes per year. (Ibid)

With the closure of the processing factories, people have lost jobs. Meanwhile, tomato farmers sell their produce on the roadside for whatever price people will pay. (Ibid)

(ii) Urban consumers preference for cheap imports

According to the IFAD Country Portfolio Manager for Ghana, urban markets in Africa are facing import surges of rice, wheat and milk and these are increasingly being preferred by urban consumers to the traditional crops that are being cultivated by rural producers such as sorghum, millet and cassava. Hence, one area that requires attention is to ensure greater linkages between the commodities produced by the rural farmers to the urban markets.

Consequently, in IFAD's programme to improve roots and tubers, more focus is being given to the aspects of processing and marketing in the coming years. For instance, there are opportunities to use cassava flour to make bread with wheat. In addition, IFAD is also looking at marketing opportunities for the use of millet flour in bread and cookies, the use of cassava for feed and starch.

(iii) Problem of cheap imports of maize and soya

In a recent research project by Christian Aid in Ghana, cheap maize and soya imports have caused problems for farmers and traders in the country.

Maize imports come primarily from the US where farmers are highly subsidised. The imported yellow maize is not consumed directly but is sold to livestock farmers and feed processors. Consequently, the demand for and therefore the price of locally produced maize are reduced. Imported maize can be up to a third cheaper than local maize. (Christian Aid, Nov 2003)

Local maize processors claimed that they were doubly affected - in addition to suffering from the effects of cheap subsidised imports, the export of maize to neighbouring countries pushed up the price of locally produced Ghanaian maize. According to Christian Aid, the argument seems to be that immediately after the maize is harvested, it tends to be exported, in particular to Mali, Burkina Faso and Niger, accelerating the price rise as stocks run out. This shortens the time in which it is economic for local processors to buy local maize.(Ibid p 17)

Farmers hoping to sell soya to local processors for turning into animal feed also found they were being undercut by cheap imports. Ghanaian farmers had no problems selling soya in 2001, and in many cases made considerable profit. However, by 2002, imports had increased and local farmers found themselves without a market. At the time of the research, the 2003 harvest was starting while around a third of the 2002 harvest remained unsold. This resulted in many of the local farmers unable to repay their loans. Local soya processors also found themselves without a market, as imported soya tends to be ready-processed. (Ibid)

(b) Mozambique and the Cashew Nut Sector

The cashew sector has historically constituted a significant part of Mozambique's economy, providing income to several million individuals across the country. In the 1960s, Mozambique produced as much as half the world's total.

The country's early success in the production of raw nuts was accompanied by a boom in its cashew processing industry. It became the first African country to process cashews on an industrial scale. There were 17 processors in 2000 using various levels of technology. (IFAD Appraisal Report, Vol II).

Processing of cashew peaked in 1973 when 149,800 tonnes of cashew were processed for export. The industry has since declined dramatically and in 1999/00, Mozambique processed a total of only 8,000 tonnes of raw cashew. In the case of cashew production, the peak was reached in 1973 at 240,000 tonnes and has never since reached that level again. (McMillan,02)

In 1978, in an attempt to stem the decline in processed cashew exports, the government banned the export of raw cashew. This was followed by a decade long civil war which broke out in 1982 that gravely affected both the production and processing of cashew. By 1989/90, the country only produced only 22,106 tonnes and its share of world raw cashew nut production had dropped to 5 %. Since that time, the range of cashew production has become much smaller, fluctuating only between 22,106 and 66,510 tonnes.(McMillan,02).

The industry used to be highly regulated. Following independence, the government banned the exports of raw cashew and set up the State Secretariat of Cashew, the central body controlling the cashew industry, as well as the Caju de Mocambique, the holding company for the stare-owned processing factories. (McMillan, 02)

When Mozambique entered into its first structural adjustment programme with the World Bank in the late 1980s (the 1987-1990 Economic Rehabilitation Programme), government control of the cashew sector began to be relaxed. Among other things, the programme called for a substantial increase in the government-established producer price and the establishment of the minimum producer price system that was implemented in the early 1990s. In 1995, the Bank required the liberalisation of cashew marketing and exporting in order for Mozambique to qualify for loan assistance. In addition, the Bank also recommended as a subsequent step that it privatize the processing industry. According to the World Bank, the government did not follow this advice and privatized the industry before it liberalised cashew marketing. While the Bank outlined several policies for improving cashew production and increasing producers' incomes, it focused on eliminating the export tax on raw cashews. The Bank hoped that there would be sufficient competition at the marketing level to ensure that reducing the export tax would increase the export price and therefore the producer price. The Bank favoured an immediate and complete elimination of the tax, while the industry favoured a gradual and partial reduction. (McMillan,02)

(i) Price Reforms

The export ban on raw cashew nuts was lifted in 1991/92 and limited quantities of raw nuts were allowed to be exported. However, a 60% tax on the difference between the FOB and factory gate prices and a quantitative restriction of 10,000 tonnes were imposed. In 1992/93, the tax (on the difference between the FOB and factory gate prices) was lowered to 30%. In 1993/94, while the initial export quota remained fixed at 10,000 tonnes, additional quantities were auctioned off in 5,000 tonne lots to registered exporters. In 1994/95, the quantitative restriction was lifted and the export tax was reduced to 20% of the FOB value in 1995/96 and then 14% in 1996/97 and 97/98. In 1999, due to domestic opposition, Mozambique's Parliament passed a Bill that increased the tax to between 18 and 22%, the exact amount to be determined each year, depending on market conditions. In both 1999/00 and 2000/01 seasons, the export tax was 18%. (McMillan, 02)

Other measures included the raising of producer prices which were significant in 1987/88. Also at this time, the government announced that a minimum producer price would replace the fixed producer price as the liberalisation programme progressed. The government continued to significantly increase the minimum producer price throughout the 1990s until 1998/99 when it was fully liberalised. During the period of the export ban, the government also fixed the "factory gate price" or the price processors paid for their raw nuts. Government control over prices paid by the processing industry for raw nuts was eliminated in 1991. (McMillan,02)

(ii) Marketing Reforms

There were significant changes to the marketing system due to liberalisation of the cashew industry. The state trading company was privatized in the late 1980s. Additional marketing channels opened up in 1991/92 when the ban on raw cashew exports was lifted. The rationing arrangement for export licenses was eliminated. (McMillan,02)

(iii) Privatisation

Privatisation of the holding company of the state-owned processing factories began in 1991. By the end of 1994, all the formerly state-owned factories had been privatized. The factories were sold to local entrepreneurs. The privatization move had local industrialists up in arms. When James Wolfensohn visited Mozambique, angry industrialists approached him claiming that the World Bank was responsible for the problems the industry was having procuring raw cashew. Wolfensohn authorized another study of the cashew industry which came out in favour of protecting the processing factories for some period of time. Following this, the government also commissioned two further studies, paid by the Bank.(McMillan,02)

(iv) Effects of Liberalisation

An analysis of the distributional and efficiency consequences of the reforms was undertaken by McMillan, Rodrick and Welch. (McMillan,02). This is what the authors conclude -

" ...many of the textbook implications of export liberalisation were indeed realized. Farmgate prices rose, raw cashew exports increased, and resources were pulled out of cashew processing. However, even under the most favorable assumptions, the magnitude of the benefits generated by these effects were quite small- both in economic terms and in relation to the amount of time and energy that Mozambique's government spent on this question over the years. We estimate that the efficiency gains generated by the removal of the export restrictions could not have amounted to more than \$6.6 million annually, or about 0.14% of Mozambique GDP. The additional income accruing to the farmers was probably no greater than \$5.3 million, or \$5.30 per year for the average cashew-growing household. These are puny amounts for a policy that was a key plank in the World Bank's reform agenda, and that became a serious bone of contention between the Bank and Mozambique, requiring the personal attention of both their presidents."

A significant fallout has been the impact on Mozambique's domestic processing industry. The industry processing cashew is at a standstill. Although accounts vary, most estimates put the total quantity of raw cashew processed in the last couple of years at close to zero. By 1997, the existing factories employed 10,000 odd workers and they began closing thereafter. By 2001, none of the highly mechanized factories were operational. Factory closures have exacerbated a severe unemployment problem. Interviews by CAFOD(2002) suggest that whole towns have literally shut down as a result of the closure of the factories. Many of the unemployed are women.(McMillan, 02)

According to a BBC news report (4 September 03), 10,000 people who were directly employed by the industry lost their jobs and another million nut collectors lost an income.

From the viewpoint of the owners of the processing factories, the export tax reduction is the primary reason for the industry's failure. Critics of the World Bank claim that owners who purchased the processing factories from the government in 1995 required a period of protection in order to rehabilitate the factories following the civil war and the period of government operation. Without a ban on exporting raw nuts or a prohibitively high tax, the processing factories could not obtain enough raw cashew nuts to operate. According to one source, the policy "effectively stimulated the export of raw nuts to India, starving the local processing industry of its raw material. (Panafrican News Agency, 1999). When the factories were privatized, there was an implicit assumption that the constant supply of quality nuts had existed in the past would continue. (McMillan, 02).

As McMillan et al (2002) observe, whatever the reasons for the failure of the industry, it is clear that without an increase in the supply of raw nuts, there will be no vibrant processing industry in Mozambique. However, for various reasons, output response to increase in producer prices has been disappointing, and this is also true in much of the rest of Sub-Saharan Africa (UNCTAD, 1998); (McMillan, 02). According to McMillan et al, "Inadequate attention to economic structure and to political economy seems to account for these disappointing outcomes."

(c) Swaziland and Sugar

Although Swaziland produces sugar at less than half the cost of the EU, it is unable to compete with EU confectionary imports that increasingly dominate it's and neighbouring markets. (ActionAid, Farmgate, 2002)

Sugar production amounts to some half a million tonnes in Swaziland and the industry plays a crucial role. A significant proportion of this is produced by small-scale growers. According to ActionAid, over the period 1995-6, sugarcane growing accounted for 53 per cent of agricultural output and 34 per cent of total agricultural wage employment. In addition, Swaziland also has a sizeable sugar manufacturing industry. In the period 1995-6, sugarcane milling contributed 37 per cent to total manufacturing output and 22 per cent to total manufacturing wage employment. Sugar exports comprised 22 per cent of total exports for the period 1995-6. (Ibid)

As an ACP country, Swaziland has an annual import quota into the EU of approximately 117,000 tonnes and relatively little EU sugar is exported to the country. "Nevertheless, subsidised dumped EU sugar products (primarily confectionary products) are seriously undermining the Swazi sugar processing industry. For example, the Sugar Daddy factory used to produce sugar confectionary products for the South African market, providing 300 jobs for local people. However, in recent years the South African outlets have increasingly switched to buying cheaper, subsidised EU sugar confectionary imports and in 2001 the Sugar Daddy factory was forced into liquidation," reported ActionAid.

According to ActionAid, EU industrial users of high priced internal sugar such as confectionary producers also receive an export subsidy to enable them to sell processed sugar goods on the world market.

Already, the dumping of EU sugar products has led to the loss of some 16,000 jobs in the Swazi sugar industry and 20,000 jobs indirectly linked to the industry, such as packaging and transport. (Ibid)

(d) Kenya and Wheat

According to an ActionAid report, wheat farmers in Kenya have been adversely affected by cheap imports of wheat flour from Egypt. It is believed by the Kenyan cereal growers' organization that subsidised wheat originating from the US and possibly also the EU has been used to manufacture flour in Egypt which has then been exported to Kenya at cheap prices, contributing to a drop in local Kenyan producer prices and discouraging domestic wheat production. (ActionAid, Farmgate, 2002)

One of the top destinations for EU wheat is Egypt and it is also the second largest market for US wheat exports. The US and EU supplied Egypt with almost four million tonnes of wheat in 2000-01. According to ActionAid, "Available figures show significant quantities of this wheat were dumped on the Egyptian market because the reported selling prices were less than the cost of production in both the US and the EU." (Ibid, p16)

Both Egypt and Kenya belong to the Common Market for Eastern and Southern Africa (COMESA), which allows its members tariff-free access for commodities as long as a minimum 45 per cent of the product originates in the exporting country. In 2000, the Government of Kenya became extremely concerned about increases in the volumes of cheap, duty-free wheat flour imported from Egypt. According to wheat industry sources, the flour was affecting the domestic market and undercutting local prices. The imports had a negative impact on Kenya's wheat farmers according to government officials. (Ibid)

The Kenyan press reported that local wheat farmers faced ruin as producer prices plummeted by 30 per cent. Millers threatened to shut down and refused to purchase locally grown wheat, as they could not compete with imported flour. As a result, the government invoked special safeguards on COMESA wheat imports, which now attract a 60 per cent duty. (Ibid)

The Kenyan Cereal Growers' Association told ActionAid they are convinced that as Egypt's costs of wheat production are high, Egypt uses cheap wheat imports from EU, US and other countries to subsidise its flour exports to Kenya. (Ibid)

(e) West and Central Africa - Observations from IFAD officials

In the course of the author's interviews with officials from the West and Central African regions, the following were some observations made.

"Our problem is the impact of cheap imports. Cheap imported wheat and rice compete with local cassava production. Cheap rice imports come from South-east Asia especially Thailand and Vietnam while cheap wheat from Europe is dumped in the region. There are also cheap animal by-products from Europe such as beef, chicken parts and cheap fish. In Gambia and Senegal, there is a general problem with rice. We try to raise outputs but there is the problem of dumping. We try to introduce new rice varieties to increase yields but we have marketing issues to deal with. Subsidised rice comes from abroad at low cost. Poultry production is possible but faces competition from dumped chicken parts. In Corte d'Voire they face this problem."

(f) Near East and North Africa Region

In an interview with the author, an IFAD official working in the Near East and North Africa (NENA) division made the following observations:

"My experience in the region shows that it is not so much a generic 'globalization', in the sense of pressure towards market liberalisation and integration at the global level that affects rural markets in most countries in the region. With few exceptions (like Sudan), the NENA is not a producer of agricultural commodities for the global market, but rather it produces for domestic, regional (Arab or African), and European markets first and foremost. Indeed, even pressure for liberalisation and related institutional reform here has come not only from international institutions normally associated with globalization (WB, IMF, WTO), but also from growing economic ties with the European Union. In particular, the prospect of integration into a free-trade Euro-Mediterranean space by 2010, which should be the culmination of a process of gradual integration and policy convergence initiated in Barcelona in 1994, is a major factor shaping rural markets and agricultural policy in the NENA.

"Given the importance (and political sensitivity) of Europe's Common Agricultural Policy and the similarity of natural endowments between parts of the EU and countries on the Southern shore of the Mediterranean, integration into this free trade space will not be easy nor necessarily beneficial for NENA rural producers. However, where European channels for export of local produce (notably flowers, citrus, canned fish, etc.) have opened or improved, there are already signs that newly liberalised rural economies (notably in North Africa) may be orienting themselves towards production for export, rather than for the internal market. This is a phenomenon that very much deserves studying for a number of reasons, including the fact that it tends to bring with it a reallocation of assets such as land, water, and finance in favour of a private sector in which the poor or small farmers are generally under — or not represented. In some areas, notably parts of Algeria, this process is believed to have played a major role in the asset de-stabilization that has fuelled violence in some rural areas in recent years.

"These considerations aside, it is also important not to forget that the NENA presents extremely different configurations of resources, policies, and institutions, and that neither global nor regional market integration will impact two countries in largely similar ways. For the most part (and despite some remarkable exceptions), the region is poor in agricultural resources, and some governments have traditionally invested very little in agricultural development. Though the latter is not true everywhere (and in some cases things have changed in recent years, partly to cushion the impact of government retreat from the economy and also to limit urban migration), it is still the case that many rural markets are and will be affected by integration more on the level of consumption than on that of production. Again, the way to study this phenomenon is not that of looking at the impact of WTO provisions and such, but rather of regional integration, including the impact of political events that have regional resonance (such as the current Iraq war).

“Where integration opens up possibilities for finding external markets for local produce, local markets tend to be short-changed in the process (and may be captured by imports from Asian or European producers). Poor and small farmers tend to be affected by this process mainly as consumers, since production for export is rarely their affair. This said, one still has to look at the gender dynamics of the process. My impression is that women generally seem to be over-represented in the latter category, since they generally own little (or no) productive assets, and participate less in the private sector. However, it is also the case that women everywhere in the region are over-represented in the informal sector, which may offer new possibilities for income generation and unstable employment for them when market integration stimulates demand for rural production. The particular willingness of women to accept unstable work arrangements that leave them vulnerable legally and otherwise makes them ideal participants in these growing market configurations, although the phenomenon is not comparable in magnitude to the case of other areas in the world.

“Related to this, it would also be worth looking at how market integration and relative liberalisation impacts different typologies of organization of production in which the poor in general and women in particular may be over or under-represented. In some areas, semi-public and cooperative forms of organization are becoming a preferred realm of work for small farmers and also for poor women producers, while the formal private sector is still comparatively inhospitable to both groups. This fact seems to be creating a dynamics of self-perpetuation of market marginality among rural producers that identify with semi-public institutions. Again, the gender factor here is important. However, there is also a larger problem of lack of market institutions that are transparent and accessible to all, and that may ease the process of market integration of small producers and semi-public institutions (as well as their transition to full private enterprises).

“Finally, an aspect of global/regional market integration that has major relevance in the region is that of integration of labour markets. Migration from rural areas is a phenomenon of very great proportions all over the NENA, sometimes with Europe as a goal, sometimes towards urban areas. The particular mix of urban-rural (or Europe-rural economies) that tends to result from this process also has important gender aspects, as well as a direct impact on the status of rural assets, natural resources, and social structures.”

4 CASES FROM THE ASIAN REGION

(a) Globalisation and the Upland Poor

With underdeveloped infrastructure, upland and mountainous areas of Asia suffer from social deprivation due to political neglect and remoteness. According to IFAD, the current process of globalization increases the risk of further marginalization, disempowerment and desperation, unless it is specially adapted for these areas. (IFAD, Assessment of Rural Poverty, Asia and the Pacific, 2001)

The limited accessibility, fragility, marginality and diversity of the mountain areas generally require diversification of resource use and production. But globalization, guided by short-term profitability and external demand, promotes narrow specialization in few specific products. It encourages indiscriminate resource-use intensification and over-extraction of niche opportunities, with little concern for their environmental and socio-economic consequences. The process of globalization is so rapid that mountain communities do not have sufficient lead-time and capacity to adapt. (Ibid, pg 139)

Several processes are in operation through which globalization is eroding the mountain areas' niche of comparative advantages which are stated in the above report as follows-

1 In response to high external demand and profitability, globalization introduces new incentives, technologies, infrastructure and support systems. As a result, man-made facilities are created for the production in the plains, undermining the comparative advantages held earlier by mountain areas. In

India, for example, products such as off-season vegetables, crop seeds, honey, mushrooms, flowers and herbs can now be produced cost effectively, and in large quantities, in greenhouses in the plains of Punjab, substituting the production of such commodities in the mountain areas of Himachal Pradesh.

1 Trade liberalisation and the opening up of imports will further erode the comparative advantages of mountain areas in the production of high-value commodities, as they will not be able to compete with cheap imports on domestic markets. For example, it is difficult for apples from the mountain areas of India to compete in the domestic market with imports of apples from developed countries.

1 Lack of resources and skills prevent mountain people from participating in, and gaining from, opportunities offered by globalization, which is leading to their exclusion from the global economy.

1 Mountain people are also being exposed to resource-base exclusion, as huge areas of land are leased out or auctioned to outsiders for mining or tourism development or cultivation of non-timber forest products in many countries of the region.

(b) Cases of Cheap Imports Affecting Local Farmers

(i) Asian farmers' associations asking for protection from cheap imports

In many Asian countries, small farmers have been or anticipate being affected by competition from imports that are cheaper than their products. Their organizations have been raising the alarm and requested assistance from their governments. An example of Asian farmers making such requests was at a meeting of Asian farmers' associations grouped in the Asian Farmers Group for Cooperation. A report by Antara News Agency (19 April 2000) stated that the Group at their second meeting held in Jakarta would ask the WTO to let Asian countries continue to protect their agricultural products. Its president, Sutrisno

Iwantono (also chair of the Indonesian Board of Cooperatives) said the WTO was tending to be more representative of developed countries' aspirations, and wanted to abolish import duties particularly of developing countries. "We don't want this situation. We will ask the WTO to give priority to efforts to make developed countries open their markets first." The agriculture sector is important particularly to nations with large populations. If the sector was liberalised, many farmers would move into the industrial sector. If they no longer want to be farmers, we would be threatened in the matter of food security, he said.

(ii) Sri Lanka farmers facing competition from imports

The Sri Lankan agricultural sector has come under heavy pressure from increasing competition arising from cheap imports resulting from import liberalisation.

That this would pose problems for Sri Lanka and for IFAD projects in the country was suggested by an IFAD Country Programme Evaluation Report for Sri Lanka (Jan 2002). It emphasized that a key factor for the sustainability of projects supported in that country relates to appreciation for the future prices of agricultural commodities in general and of rice in particular. The report stated that in view of the impending liberalisation of markets, it would be necessary to assess the farmer's resulting improvement in productivity in relation to import and export parity prices, rather than financial prices in the local market. It observed that long term forecasts suggest that prices of agricultural commodities in general and of rice in particular would decline significantly over time.

The report recommended therefore that the comparative and competitive advantage of Sri Lanka to produce particular commodities be considered in selecting IFAD's interventions in future projects. "Such considerations do not appear to have entered into the preparation of previous and ongoing projects," asserts the evaluation report.

There have been reports of protests of Sri Lankan farmers who were adversely affected by cheap imports. According to Feizal Samath in an IPS agency report of 30 August 1999, the protests were held first by potato farmers, then by chilli and onion producers and then chicken farmers who were up in arms against cheap and ruinous imports. The report added that with Sri Lanka's once-thriving poultry business buckling, farmers said they are forced to sell below production cost. There are 75,000 chicken and egg farmers with more than 200,000 involved in the trade. Thousands of small farmers, worried about growing imports of chicken meat and eggs, took to the streets in April 1999, demanding the government ban imports since it was affecting their livelihoods. In response, the government said it would permit imports only under licence and put in place a proper pricing formula for imports. (Ibid)

The IPS report also stated that potato, onion and chilli farmers have been complaining about the influx of cheap imports from India and Holland. Local farmers are unable to produce food cheaper than their foreign counterparts and are demanding protection through higher import duties and lower local taxes and reduced tariffs on imported inputs. (Ibid)

IFAD officials, in an interview with the author, had similar observations. They also recounted that cheap imports of potatoes and rice from Pakistan had become a problem for local farmers.

In fact, a study on Sri Lanka by the FAO in 1999 observed that the impact of import surges on major food items like chillies, onions and potatoes "...seems precarious, as reflected in the significant drop in areas of production and the rise in imports." (FAO, 2000).

According to the FAO, the risk of high dependence in imported food items such as onions became obvious in 1998 when India imposed a ban on onion exports, resulting in more than a quadrupling of retail prices of onions in Sri Lanka, to almost 80-100 rupees per kg. Moreover, local production fell to 17,000 tons as the area cultivated was reduced significantly, with unfavourable consequences for both onion farmers and consumers. (Ibid)

(iii) Philippines and poultry sector

In 2000, the U.S Agriculture Department accused the Philippine government of violating WTO rules when the import of US chicken was disallowed. The Philippine government limited the import of U.S chicken according to the Minimum Access Volume (MAV) to curtail dumping. According to the MAV, only 19,000 metric tons can be imported to safeguard the local chicken industry. (The Philippine Daily Inquirer, 21 July 2000).

U.S. chicken, whose price was at one time as low as P60 per kilo at the shelves is priced below the cost of production. "These are excess produce of the US market that is being dumped here and is killing our local chicken market which is priced at about P91 per kilo, already down from P120 before US chicken flooded the market", said the Philippine Daily Inquirer.

According to the report, 330,000 workers or a third of a million in the chicken industry were affected.

Domestic chicken production is almost enough to meet local requirements. According to IBON Foundation, a Philippine based group, due to the country's commitment to the WTO, chicken imports grew tremendously in 1998. More than half of the chicken imports in 1996 came from Singapore and 12 per cent from China. In 1997, the U.S accounted for four-fifths of chicken imports. From 1997 till 2000, the U.S and Canada accounted for 79 per cent of chicken imports. (IBON, 2000)

(iv) China and impending competition after entry into WTO

The economic reforms in China, especially on the occasion of China's entry into the WTO, have led to concerns by some senior officials as well as experts that there may be adverse effects on the competitiveness and livelihoods of local farmers.

According to a report by Peter Goodman in the International Herald Tribune, 26 September 2002: “China’s leaders worry that economic reforms could be placing more burdens on farmers than they can bear. Farmers are on the receiving end of the earliest and sharpest changes from the new policies that China agreed to implement to gain entry to the WTO. Protective tariff must be lowered. Foreign foods must be allowed into the country to compete with local produce....According to a report by China’s State Council, the country’s WTO commitments are likely to wipe out the livelihoods of 13 million farmers who grow wheat, rice and cotton, while creating new ones in non-grain crops for only about 1.5 million. Some economists reckon that China will eventually need to find jobs for about 200 million farmers as its market reforms continue. ‘The Chinese farmer is in a very unenviable position,’ said Ke Bing-sheng, director general of the Research Centre for Rural Economy, which is part of China’s Ministry of Agriculture. ‘The impact of reforms on agriculture is profound.’”

Another report, by Bill Savadove, carried by Reuters news agency on 5 February 2002, said: “China is facing big challenges in raising the incomes of farmers and keeping a lid on social unrest in 2002, its first year in the WTO, said Agriculture Minister Du Qinglin. China’s entry into the WTO will bring a flood of foreign farm imports and speed layoffs in a country where almost two thirds of its 1.3 billion people live in the countryside. ‘After WTO entry, imports will lash China’s agriculture. The difficulties will be more prominent,’ Du told a news conference....Analysts say farm product prices are likely to fall this year as imports increase after WTO entry, since domestic prices are far higher than in the international market. China must find jobs for 40 million ‘surplus’ rural workers between 2001 and 2002, officials say. Du said 78 million rural dwellers migrated in search of jobs at some point last year.”

(v) India and import of skimmed milk, butter oil and milk powder

Indian farmers have recently faced competition from imported skimmed milk. According to Devinder Sharma, in his report “Destroying India’s White

Revolution", on 17 April 2002, in *ag-impact* listserver:

"The import of 17,000 tonnes of skimmed milk powder from Denmark at zero duty a couple of years ago resulted in a political uproar in Punjab. The dairy industry is once again up in arms. New Zealand has dumped a large quantity of butter oil into India. Even after paying an import duty of 35.2 per cent, the butter oil imports have been at less than US$1,000 per tonne against the prevailing global price of US$1,300 per tonne. Domestic prices crashed, coming down by 10-15 per cent....

"It took India nearly 30 years to achieve self-sufficiency in milk production, involving farmers through a network of cooperatives....The logic behind allowing MNCs to import milk powder without countervailing duties is difficult to fathom, when their own governments are giving them massive subsidies. The Producer Subsidy equivalent (subsidy as a percentage of value of milk produced) in 1997 was 82 per cent in Japan, 59 per cent in Canada, 54 per cent in the EU, 47 per cent in the US and 23 per cent in Australia. Further, the per tonne subsidy of US$811 for milk powder declared by the EU in 1998 or the US$875 per tonne subsidy by the US under its dairy export incentive programme constituted 55 per cent of the prevailing international price of US$1,500 per tonne in the same year....Such has been the high level of protection that even with the stipulated reduction in subsidies, the EU and US can continue to flood and dump their highly subsidised milk and milk powder onto the unsuspecting developing countries, which have little safeguard mechanisms to protect their small dairy producers. The signs are therefore ominous. Highly subsidised imports of milk flowing into India will only further marginalise millions of milk producers. Thousands of dairy cooperatives which pulled the poverty-stricken masses into a path of economic emancipation will collapse faced with cheap and highly subsidised imports."

(vi) Indonesian farmers affected by cheap imports

Indonesian farmers in several sectors — including poultry, rice and corn have been affected by cheap imports on different occasions in recent years. This situation has been captured by Kafil Yamin in a IPS agency report on 28 April 2002.

According to this report: “Indonesia has spent the last few years adjusting its import policies with WTO agreements. But lowering import duties and lifting bans on various commodities have not sat well with local producers, who say they are being forced to close shop as a result. Complaining loudest are those in agriculture-related businesses as well as poultry and animal husbandry entrepreneurs, who grumble that the flood of imports is hurting them most. Food imports have been growing.

“Indonesia is already a major importer of rice. Intensifying dependence on expensive corn imports, meanwhile, has led to an 80 per cent contraction in the chicken industry, which uses corn for feed. When the price of imported feed soared in mid-January, many poultry farmers went out of business. Now, an upcoming lifting of a ban on imported chicken legs has local chicken breeders up in arms again; at least 48,000 breeders have suspended their operations. The local industry is not yet ready to compete with cheaper imports...

“When Indonesia experienced a food crisis in 1999, Jakarta lowered import tariffs on rice and corn. The imported varieties made such an impact on the local market that the domestic rice and corn industries are now described as being paralysed. These days, the “foreign food” bogey is scaring farmers of other crops. Last week, hundreds of sugarcane growers from Java and South Sumatra flocked to the compound of the Industry and Trade Ministry and poured sacks of sugar and sugarcane onto the ground in protest of the sugar import. The farmers say they have simply been unable to compete with imported sugar. They are demanding the import duty increase from 20 to 110 per cent.”

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Effects of Agricultural Liberalisation: Experiences of Rural Producers in Developing Countries

There has been increasing interest in the experiences of small rural producers in developing countries in their interaction with the market. Many international agencies, policy makers and academics have been advocating a closer integration of rural producers and the agriculture sector of developing countries with the market, both local and global, as a vital (even a necessary) route for the rural population to get out of the cycle of poverty.

There are, however, increasing concerns for the developing countries such as the strong barriers against market access in the developed countries, and the former having increasingly liberalised their agricultural imports and opening themselves to the risk of competing with cheaper imports.

This paper presents a survey of the experiences of rural producers in developing countries of several major regions – Latin America, the Caribbean, Africa, Arabia, and Asia – following the liberalisation of agriculture in these countries. Its objective is also to examine cases where rural producers face competition from imports which can reduce their incomes or even displace them from their livelihoods. Information, cases and insights are derived from sources such as the International Fund for Agricultural Development (IFAD) the FAO, NGOs, academics and experts and articles in newspapers and magazines.

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