

Situating the Recent Evolution of EU-ACP Agro-food Sector Trade by Region

Summary:

Since 2010 the EU has moved from being a net agro-food importer to being a net agro-food exporter, with a growing agro-food trade surplus. This general trend has seen the ACP's agro trade surplus with the EU fall some 44.5%. Since 2009 the Central African region has moved from being an net agro-food sector exporter to a net agro-food sector importer, while West Africa's agro-food sector surplus has fallen 95%, CARIFORUM's by 29% and the SADC configurations' by 23%. Only the EAC region and the Pacific has seen their agro-food sector trade surplus with the EU increase, though be it on a variable trend.

This is wholly consistent with the trajectory for the EU's reformed CAP, which focusses on the export of value added food products, produced from both domestic and imported raw materials and the associated trade policy, which seeks to systematically dismantle all barriers to EU agro-food exports, particularly with regions where growth in food demand is highest.

The Importance of the EU to ACP agro-food sector trade

Between 2009 and 2013 the value of EU agro-food exports to the ACP increased more than four and a half times faster than the value of EU imports from ACP countries. *This saw the ACP's agro-food sector trade surplus fall from over €5.13 billion to under €2.85 billion, a 44.5% decline.* In 2009 ACP markets accounted for 8.3% of EU agro-food exports compared to 8.1% in 2013. This reflected a slightly more rapid growth in total EU global agro-food exports compared to agro-food exports to the ACP.

In terms of EU imports, in 2009 the ACP accounted for 14.3% of EU agro-food sector imports with this falling to 12.4% in 2013. This reflected a rate of growth in the value of overall EU agro-food sector imports which was more than double the rate of growth in imports from the ACP Group. Amongst the EU's principal suppliers of agro-food products, 7 of the top 9 suppliers (US, China, Indonesia, Switzerland, Turkey, Ukraine and India) enjoyed growth in the value of their exports far higher than the average for the ACP as whole.

The most significant growth in the value of EU imports from these suppliers was concentrated in raw material inputs to other agro-food sectors or food processing activities. This pattern was reproduced in the EU's trade with middle level agro-food trade partners such as Malaysia, Australia and Vietnam.

This pattern of growth in EU agro-food imports feeds into the EU's underlying agro-food sector strategy, which is aimed at improving price competitiveness and opening up export market opportunities for value added agro-food products. This strategy uses both domestic and imported raw materials for the production of value added products increasingly targeted at non-EU markets where demand growth is far stronger.

Thus we find final consumer ready agro-food products dominate EU28 exports both globally (66.1%) and to the ACP (61.6%). In contrast final consumer ready

products account for only 46% of ACP agro-food exports to the EU, while commodities account for 35% of the value of ACP agro-food exports to the EU.

Potentially the EU's underlying agro-food sector strategy, which focusses on exports of value added food products, **could serve to undermine ACP aspirations to move up agro-food sector value chains, to produce higher value food products for national, regional and international markets.**

It is noteworthy that with the exception of the Ukraine, the higher rates of growth from non-ACP agro-food exporting countries had little connection to new EU trade agreements. Recently concluded EU trade agreements have yet to feed through into the overall EU agro-food sector import profile, in all but a handful of traditionally preferred products, such as rice, beef, sugar, and bananas.

Evolution of ACP-EU and EU global Agri-food Sector trade 2009-2013 ('000 €)

	2009	2010	2011	2012	2013	Growth 09-13
ACP						
EU Imports	11,002,895	12,015,246	13,351,457	12,586,808	12,580,301	+14.3%
EU Exports	5,869,137	7,227,557	8,514,128	9,158,731	9,730,997	+65.8%
ACP trade surplus	5,133,758	4,787,689	4,837,329	3,424,077	2,849,304	-44.5%
World						
EU Imports	76,760,020	84,262,941	98,439,592	101,934,428	101,501,055	+32.2%
EU Exports	71,008,805	86,846,900	101,364,780	113,528,919	120,089,982	+69.1%
EU trade surplus	-5,751,215	+2,583,959	+2,925,188	+11,594,491	+18,588,927	
WEST AFRICA						
EU Imports	3,795,968	4,346,542	4,921,067	4,198,867	3,930,560	+3.5%
EU Exports	2,189,321	2,832,058	3,194,929	3,479,831	3,845,092	+75.6%
W. A. trade surplus	1,606,647	1,514,484	1,726,138	719,036	85,468	-94.7%
SADC						
EU Imports	3,190,572	3,506,705	3,680,467	3,793,769	4,210,361	+32.0%
EU Exports	2,103,746	2,488,007	3,024,897	3,334,443	3,373,371	+60.4%
SADC trade surplus	1,086,826	1,018,698	655,570	459,326	836,990	-23%
CENTRAL AFRICA						
EU Imports	773,080	768,923	741,100	615,978	613,815	-20.6%
EU Exports	772,196	930,781	1,114,424	1,215,289	1,279,966	+65.8%
C. A. Trade balance	+884	-161,858	-373,324	-599,311	-666,151	deficit
EAC						
EU Imports	1,495,927	1,541,152	1,796,199	1,694,570	1,633,438	+9.2%
EU Exports	193,159	203,772	242,181	233,457	275,381	+42.6%
EAC trade surplus	1,302,768	1,337,380	1,554,018	1,461,113	1,358,057	+4.2%
Cariforum						
EU Imports	906,511	860,143	808,232	871,149	937,299	+3.4%
EU Exports	448,130	526,322	527,305	589,863	612,545	+36.6%
CAR trade surplus	458,381	333,821	280,927	281,286	324,754	-29.2%
Pacific						
EU Imports	465,308	496,960	777,346	744,501	569,039	+22.3%
EU Exports	8,028	10,853	16,294	20,237	21,537	+168.3%
Trade balance	457,280	486,107	761,052	724,264	547,502	+19.7%

The Main Trends EU-ACP agro-food sector by ACP Region

The main ACP destination for EU agro-food sector exports is **West Africa** accounting in 2009 for 37.3% of EU agro-food exports to the ACP. West Africa is also the main source of agro-food imports from ACP countries, accounting for fully 34.5% of EU agro-food imports from ACP countries.

Between 2009 and 2013 the value of EU agro-food exports to West Africa grew 75.6%, while the value of EU agro-food imports from West Africa grew only 3.5%. This saw West Africa's agro-food sector trade surplus fall steadily and dramatically from €1.6 billion to 85.5 million, a decline of 94.7%. This decline in

West Africa's agro-food sector trade surplus accounted for fully 2/3 of the decline in the ACP's agro-food sector trade surplus with the EU. ***Trends in West Africa-EU agro food sector trade relations thus have a major bearing on the overall ACP-EU agro-food sector trade picture.***

The second most important destination for EU agro-food exports in the ACP is the **SADC configuration**. In 2009 the SADC configuration region accounted for 35.8% of EU agro-food sector exports to ACP countries. Between 2009 and 2013 the value of EU agro-food exports to the SADC grew 60.4%, slightly less than the ACP average, with this seeing the SADC configurations' share of EU agro-food sector exports to the ACP fall to 34.7%

Meanwhile between 2009 and 2013 the value of EU agro-food imports from the SADC grew 32%. This saw the SADC region's agro-food surplus with the EU decline 23% by 2013¹.

South Africa-EU agro-food sector trade plays a critical role in SADC-EU agro-food sector trade. Over the course of the implementation of South Africa's tariff reduction commitments under the EU-South Africa TDCA (between 2002 and 2013), South Africa's agro-food sector trade surplus with the EU fell 42%, as the value of EU exports increased at more than double the rate of increase in the value of EU agro-food imports from South Africa. Significantly in a number of agro-food sectors, expanding imports from the EU (most notably in the dairy sector), have been integrated into investment strategies targeting regional markets.

In terms of EU agro-food sector imports from the SADC, edible fruit and nuts from South Africa account for 37.2% of SADC agro-food exports to the EU, wine and spirits some 11.8% and fresh and processed fruit and vegetables some 5%. Beyond South Africa the most important SADC agro-food export categories to the EU are sugar and tobacco accounting for 18.4% and 12.3% of SADC agro-food exports to the EU in 2013.

The third most important agro-food sector export market in the ACP is **Central Africa**, which in both 2009 and 2013 accounted 13.2% of total EU agro-food exports to the ACP. However with the value of Central African agricultural exports to the EU showing a steady decline between 2009 and 2013, by 2013 the value of agro-food exports from Central Africa to the EU was 20.6% lower. This trend saw Central Africa shift from having a small agro-food sector trade surplus with the EU in 2009 to a growing agro-food sector trade deficit. Indeed, by 2013 Central Africa accounted for 29% of the decline in the ACP's agro-food sector trade surplus with the EU.

While the **EAC** is the third largest source of EU agro-food imports from ACP countries, it is not a major market for EU agro-food exports (with the EAC region exporting between 6 to 8 times more than it imports). The EAC accounted for 3.3% of the total value of EU agro-food exports to the ACP in 2009 and 2.8% in 2013. While between 2009 and 2013 the value of EU agro-food exports to the

¹ The surplus had fallen by 57.7% by 2012, but strong growth in the value of SADC fruit, sugar and wine exports in 2013 reduced this decline in the agro-food trade surplus over the period).

EAC grew 42.6%, and import values grew only 9.2%, the EAC's agro-food trade surplus with the EU nevertheless grew 4.2% between 2009 and 2013.

CARIFORUM is the fourth most important ACP region in terms of EU agro-food sector exports, accounting for 7.6% of total agro-food exports to the ACP in 2009. This share in EU agro-food exports to the ACP is two to three times larger than the CARIFORUM regions share of the ACP population (2.6% of the ACP population). This is in part attributable to the natural constraints on competitive agricultural production faced in ACP Caribbean countries, the relatively high per capita income (by ACP standards) and the important role played by tourism in the CARIFORUM economies.

By 2013 while EU agro-food exports to CARIFORUM grew 36.6% this was below the average for the ACP, with the importance of the CARIFORUM market to EU agro-food exports to the ACP consequently falling to 6.3%.

In terms of CARIFORUM agro-food exports to the EU, despite annual variations the value of exports has held up, with this increasing 3.4% between 2009 and 2013. However since this rate of increase in the value of agro-food exports was considerably below the rate of increase in the value of EU agro-food exports to CARIFORUM, the CARIFORUM regions' trade surplus fell by €133.6 million or some 29.2%.

Region wide figures for CARIFORUM trade however mask widely diverse national performances. In recent years the Dominican Republic has achieved a strong increase in the value of agro-food exports to the EU. Meanwhile exports from the smaller island economies have declined, as CAP reforms and new EU trade deals have reduced the value of traditional CARIFORUM agro-food sector preferences.

Given the distances involved the **Pacific** accounts for only 0.22% of EU agro-food exports to the ACP. The Pacific does however export to the EU market and maintains a large but fluctuating agro-food sector trade surplus with the EU (between €457 million and €761 million). Although starting from a very low base of only €8 million the value of EU agro-food exports increased 168% by 2013. This growth in the value of EU agro-food exports however made little impact on the Pacific region's overall trade surplus with the EU. Between 2009 and 2013 this agro-food sector trade surplus increased 19.7%.

The Pacific ACP regions agro-food exports to the EU are dominated by palm oil (76.5%) and sugar (13.1%), with cocoa (2.4%) and coffee (6.6%) together contributing a further 9% of the value of agro-food exports. EU agro-food exports to Pacific ACP countries are dominated by exports of meat preparation (42.3%), preparations of vegetables (12.3%), miscellaneous vegetables (12.1%) beverages and spirits (12.6%) and tobacco products (7%). Exports of preparations of meat increased almost 230% between 2009 and 2013 (from €2.8 million to €9.1 million), while EU preparations of vegetable export increased 340% (from €0.6million to €2.6 million).

This agricultural trade alert is produced for the Ramphal Institute by Dr Paul Goodison of GDC-Partners. Briefings and alerts on these and other international development issues and policy responses available to Commonwealth and ACP governments and private sector operators will be published regularly on this site.