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GLOBALISATION AND THE LIVESTOCK SECTOR: WHO BENEFITS?

Coordinated by Jean-Claude Flamant (Mission d'Animation des Agrobiosciences, Toulouse) ; Presented and animated by Jean-Claude Flamant and Patrick Cunningham (Final version JCF: 18 June 03)



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Opening

Jean-Claude Flamant

It is a pleasure for me to introduce this Round-Table organised by EAAP in partnership with “The Egyptian Society of Animal Production” and the “Mission d’Animation des Agrobiosciences”. The “Mission d’Animation des Agrobiosciences”, of which I am the director in Toulouse (France), was recently created for conceiving and animating public debates on controversial issues about the transformation of agriculture, the evolution of food and the relation between life science and society.

This Round Table is the third one. This activity is firstly dedicated to discuss together on issues related to the animal sector, not linked to specific disciplines or animal species but complementary to the subjects and the activities of the Study Commissions or the Working Groups. The subject of these Round-Tables is every year chosen with the participation of the host country. It also takes basis from the events of the actuality. For instance, on the past year in Budapest, we made the choice to discuss about the significance to give to the successive crises which touched at that time the animal sector, such as BSE and foot-and-mouth disease: are these crises only accidents, easy to correct, or are they warnings that we cannot go further in this direction?

“Globalisation and the livestock sector: who benefits?” This year, the subject was chosen in relation with several world conferences occurred during the past months, and even on the present time in Johannesburg. Obviously, the world actuality of the past 12 months is strongly marked by the issues of agriculture, food and environment policies. In this respect, I want to mention the FAO Conference in November 2001, then the World Trade Organisation Meeting in Doha during which the agriculture and the products from agriculture were a very important critical challenge, and at the same time than our Meeting is staid in Johannesburg the “World Summit for Sustainable Development” which is concerned with water supply, climatic changes, environmental issues, access to health and human poverty.

I feel that we need to point out that these institutional events are also submitted to protest movements against globalisation which even attain to perturb them, for instance in Seattle - you remember - and then in Italy in Genova during the “G8” Meeting. It means that a part of the population rejects these conferences for manifesting there opposition to globalisation.

The basis idea of the present Round-Table is that it is fully useful we discuss the various arguments for or against globalisation. For our better understanding, we need to hear them from people involved in world negotiating processes or engaged in studies on various aspects of the globalisation. We invited some of them and I am pleased to say that they immediately agreed to discuss together and exchange with us even if they are not in fully agreement between them.

Patrick Cunningham

Colleagues and friends, these Round-Tables are become very important in EAAP and I suppose the importance of this one can be measured by the fact that Jean-Claude is wearing a tie and that does not happen very often. Now, I have to say that when he asked me to co-chair this, he was in fact sharing responsibility and credit eventually for work that he has largely done. The conception of this is largely Jean-Claude's. In fact he has a long reputation in the EAAP on inspiration of thinking outside the standard framework and in this respect he has been the starting point of the idea of this Round Table.

Now, some very brief words in order to set the scene. The theme broadly speaking, is "globalisation" and for the reasons that Jean-Claude has indicated, is a very relevant one. Not just to people at the other end of the world but to every farmer and every consumer in every country, because it is going to affect us all, and already is. So I would say in general to our 4 speakers that we hope they introduce this general theme of globalisation for starting point for reflections on where agriculture is going, in particular the livestock sector, with a focus on Europe. Although it is "European" Association, we meet in Egypt and we have many members outside – strictly outside geographical Europe – so, we are collectively very interested in extending the discussion beyond Europe to the concerns of the future of the countries of North Africa, the Near East and indeed the countries of Eastern Europe as they come into the global system.

So with that as an introduction, I would like that each of the four speakers give a sort of opening position on the globalisation issue as it at present affects us all.

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The panel

Prof. Paolo De Castro – He was formerly Italian Minister of Agricultural Policy in the D'Alema government. He is also member of the Scientific Advisory Committee of *CIHEAM*. He is professor of economy in the *University of Bologna* and is presently President of *Nomisma*, an important Italian institute of economic research.

Prof. Marcel Mazoyer, from the *Institut National Agronomique* in Paris. In this Institute, he succeeded well known Prof. René Dumont at the chair of Compared Agriculture and Agricultural Development. He is assisted today by **Dr Laurence Roudart**, who is Assistant-Professor in the same Institute. She is working with Prof. Mazoyer on the analysis of the consequences of globalisation on local agricultures. I want to mention that Marcel Mazoyer and Laurence Roudart published *Histoire des agricultures du monde* ("An history of agricultures over the world"). I consider it is a very interesting book, and I am sure they will be very happy if it is translated and published in English. Is there someone among you who is voluntary to achieve the translation ?

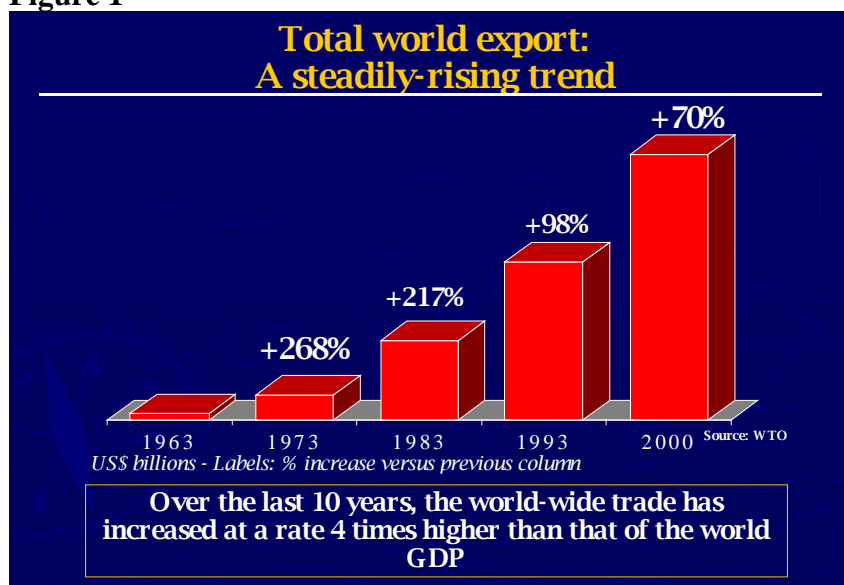
Then we have the great opportunity to here know the specific situation of Egypt, thanks to the contribution of **Professor Saad Nassar**, Professor of Economy at *Cairo University* and also the *Governor of the Fayoum Governorate*. He is participating to the WTO negotiations within the Egyptian delegation.

1. Traits and arguments of the globalisation for agriculture

Paolo De Castro

First of all, I would like to thank very much the European Association for Animal Production and in particular my Egyptian friends who wanted to invite me today to this Round-Table to talk about such an important subject and to deeply discuss the arguments of globalisation.

Figure 1



I like to start saying what globalisation is.

Most of us talk about globalisation, competition, international market... but we sometimes do not take into account what the numbers and the figures say. The Figure 1 shows how strong is the increase of the total world export: over the last 10 years the world-wide trade has increased at a rate of 4 times higher than that of the world gross domestic growth.

And the export share of the GATT-WTO members is also in strong increase: 72,8% in 1963; 76,0% in 1983, and 94,0% in 2001 (forecast). And if China enters into WTO, figures will increase and more.

That suggests a first question to begin with: we can put rules on globalisation, we can try to have

a “good” globalisation but we cannot stop globalisation because the trend of world export will anyway go ahead. It is as if we said to a fellow in front of a river: you cannot move against, you can just stop a little bit, you can go slowly but you cannot stop it. That stresses the importance of the new international rules on globalisation. Everybody remembers Seattle, everybody remembers failure of Seattle and most of us are closely linked to the last international meeting in Doha. So the development of the world trade quantitatively legitimates instruments of regulation. The new advances of Doha are bound to the active participation of the developing countries to measure on the access into market, national aids and support to exports especially in different measures like no trade concern. So the importance of rules into globalisation is moved up again and again.

Figure 2

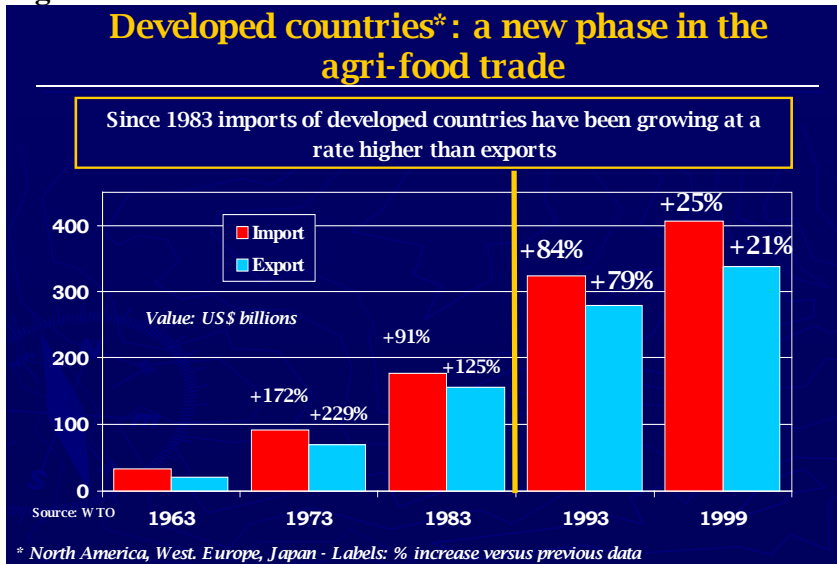


How we can move in the globalisation?

What is happening in the international export by region? We see (on Figure 2) that Western Europe presents almost the same share in the last 2 decades. Asia is the new player in the world. It has increased very much its share from 12.4 % as you see to 26.7%

so the new road is Asia. On the other hand, North America's share is having a slight downward trend; also the group of the other countries presents a negative trend of the share, showing a higher decrease than North Africa.

Figure 3

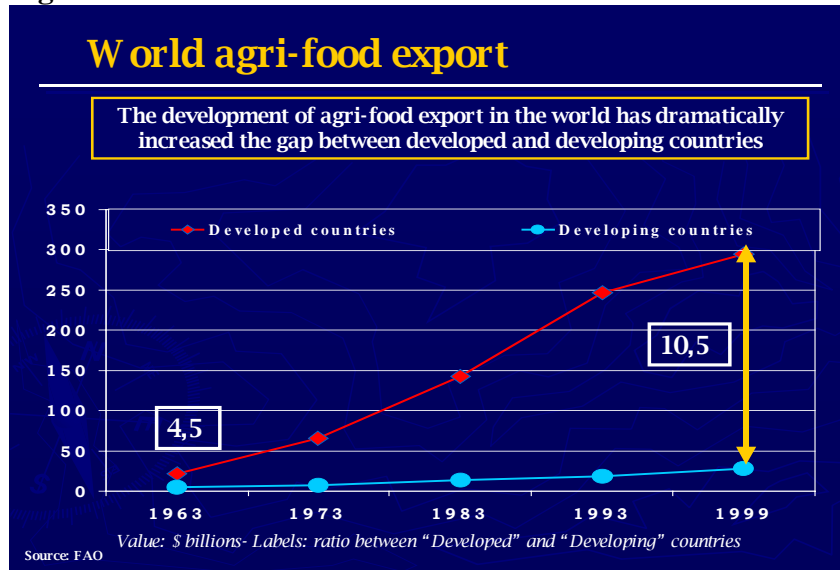


The trend of export gives more opportunities to developed countries than developing countries.

The Figure 3 shows what everybody knows about globalisation, In fact the gap between developed and developing is continuously increasing.

From 1963 to 1999, international trade gives more advantages to developed countries than developing ones (Figure 4). This is the main problem of the globalisation. I guess my friends are going to talk about that in the following presentation; but I immediately need to underline that something is changing. It is not like this all over.

Figure 4



In fact, from 1983, an important change appears in the international trade: the import of the developed countries are increasing more than export.

So that suggests there is a new role played by the developing countries. This is because Asia is increasing very much, and in particular India is increasing very much the role in international scenario; we can find new countries in the future scenarios: China and even some Latin American countries. That is true especially in pork, especially in veal and beef sectors. We have to reflect on these new facts. There are still some problems with the gap between developed and developing countries but something is

changing. The European Union is now more important than the United States, Japan, Canada and New Zealand all together. In the same way, there is a strong increase of import from developing countries.

In conclusion of my first opening, globalisation goes ahead anyway we cannot stop it.

We have to manage it. We have to take into account the rules. We have to play more... more and more during the international meetings like Doha or in the next session in Geneva. Second, the gap between developed and developing is changing so it is important the new role of undeveloped countries.

Marcel Mazoyer
(Translation)

"I apologize for speaking in French. I could also speak in the language from my birth region, the Morvan, but not in Corsican, neither in Egyptian, and very badly in English! So, it hampers me to plainly discuss with you. But I am very glad to be here, and I want to thank Jean-Claude Flamant and the European Association for Animal Production for inviting me to this conference. I want to thank also the Egyptian people and institutions who welcome us so well today.

Laurence Roudart and me will present you a global view of the evolution of agricultures over the world. We have been working together on this subject for the last ten years. I already presented this at the FAO second World Food Summit, last June in Rome.

(The corresponding paper, '*Protecting Small Farmers and the Rural Poor in the Context of Globalization*' is available on the FAO website at the following address : www.fao.org/worldfoodsummit/english/documents.htm#side This document is available also in Arabic, Italian, Spanish, Chinese and French on the same website)

Just a few preliminary words. During decades, numerous people considered that the contemporary agricultural revolution and the green revolution could solve the problems of agriculture and food all over the world. At least, many people behaved as if it were true. As a matter of fact, there were 2.5 billion human beings on earth 50 years ago, and now we are 6 billion. It is true also that today, 3 billion people are better fed than the 2.5 billion who existed 50 years ago. But the number of malnourished people is higher now than 50

years ago. And the majority of them are farmers. So, it is clear that the issue of world food and agriculture is still to be solved. Why is the situation still like that ?

What should we do ? These are the very critical questions regarding food and agriculture for the 21st century.”

Patrick Cunningham

Prof. Mazoyer has given a sort of mise-en-scene also in a general sense and I think for the detailed presentation we will wait until later. So then we will move on to Prof. Saad Nassar for a brief few sentences of the framework of agriculture in Egypt.

Saad Nassar

I would like to thank very much the EAAP who invited me and to meet with you all at this Round-Table discussion.

I think the first issue is not whether to provide or not globalisation as Dr. De Castro just mentioned rightly, but as a member of a world association you are obliged and committed to follow a globalisation and cannot set any rules on importation unless you have personal reasons or animal health reasons.

The second issue, I think which is true also, is that globalisation leads may increase import prices for developing countries, because WTO rules means that you have to reduce export subsidies, you have also to reduce domestic production subsidies, you have to reduce status at certain percentages at certain periods of time. So reducing of course the export subsidies and the domestic production subsidies in developed countries may lead to increasing the price of commodities exported from developed countries to developing countries, especially if a developing country is devaluating its local currency so the prices may be increased significantly. This again is not always bad because sometimes if the international prices are high and the developing country is importing from abroad, this may have negative effect for the consumers, but it may encourage the producers and they may work more efficiently to increase the local production rather than being downed and affected by importation from abroad at lower price. So it has its pros and cons at the same time.

This is why in Morocco in 1994, the ministers of the World Trade Organisation countries agreed to establish a fund to compensate developing and less developing countries because they may be badly affected by world trade as a result of cancelling or reducing the export subsidies and domestic production subsidies. This may lead me also to mention the point which has been mentioned by Minister Paolo De Castro that the gap is increasing between developed and developing countries. All of us follow now what is going on in Johannesburg and also what has been stated in the FAO Summit that 80% of the population of the planet are owning only 20% of the total GDP of the world and those 80% are the population of developing countries, while 20% of the total population of the planet those are of developed countries are owning 80% of the total GDP of the world. This means that the gap is great and it is again increasing. And we listened also that 800 million inhabitants in the world are suffering from food shortages and amongst them are 200 million children suffering from shortages. Other millions are suffering from shortages in drinking water and of course of sewage facilities and so on and so forth. So we have to look at globalisation as a must but at the same time how to minimise the negative impacts of globalisation on developing countries and at the same time to maximise the benefits of globalisation to those developing countries? Again, it depends more on the goodwill of developed countries in this regard. May I stop at that point and I'll come to the case of Egypt later on.

* * * * *

2. Consequences of the globalisation

Laurence Roudart

I have been working with Prof. Mazoyer for 12 years now. He thinks that his English is not good enough to make this conference: this is why I am speaking today.

The first part of our presentation will be devoted to the explosion of disparities between agricultures of the world, and to the fall of the real agricultural prices.

The world challenge for food and agriculture

To begin with, let us have a look at the world food situation. On a total world population of 6 billion, 2 billion people suffer from serious deficiencies in iron, iodine and other minerals and vitamins, and 800 million people, mainly located in developing countries, are undernourished, which means that they suffer from hunger nearly every day. According to FAO, 70% of the people who are undernourished live in rural areas. It means that their livelihoods, their incomes, depend directly or indirectly from agriculture. The other 30% who suffer from hunger nearly every day are mainly persons recently condemned to migration from rural to urban areas.

Now, let us have a look at the world agricultural situation. On a total world population of 6 billion, more or less 2.6 billion persons live from agriculture and, according to FAO, 1.300 million people constitute the active agricultural population. It means that nearly half of the world population lives from agriculture.

Three main types of agriculture in the world today

There is a type of agriculture we can refer to as **contemporary agricultural revolution**. The farmers who depend on this type of agriculture are working with selected varieties, with mineral fertilizers, with pesticides. So, if we speak of cereals, they may reach a yield of up to 10 tons of grain per hectare. With the contemporary agricultural revolution, they use large scale motorized and mechanized equipment, so that each worker, each farmer can cultivate up to 200 hectares. But the equipment cost is roughly 200 000 U.S. dollars. Under such conditions, the annual productivity per worker may reach 2000 tons (200 ha/worker x 10 tons/ha).

There is another type of agriculture we can refer to as **green revolution**. These farmers work also with selected varieties, mineral fertilizers and pesticides, so that they can attain also a yield of up to 10 tons of grain-equivalent per hectare. But they do not have access to large motorization and mechanization. Some of them use animal traction and they can reach an area per worker of up to 5 hectares, which corresponds to an equipment cost of more or less 10 000 dollars per

worker. Otherwise, if they work with manual tools only, they just can cultivate more or less 1 hectare per worker, which corresponds to an equipment cost of roughly 150 dollars.

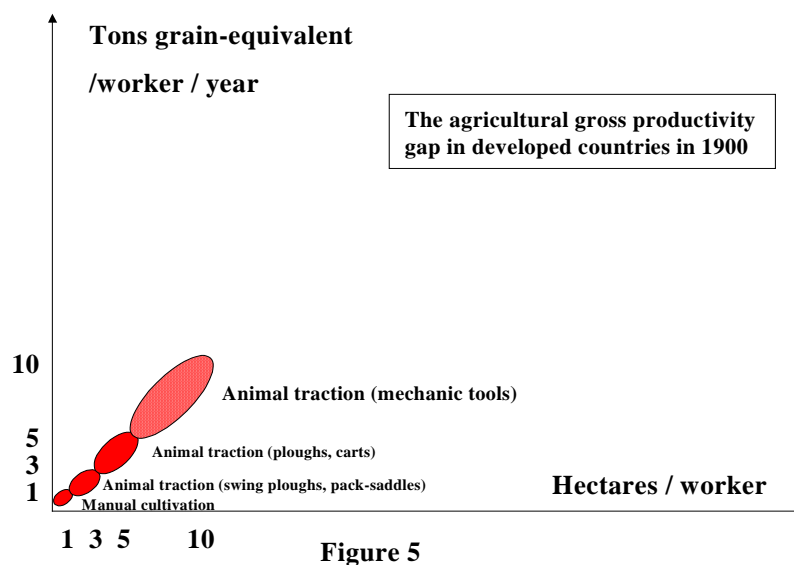
The other type of agriculture is what we call **orphan agriculture**. These are farmers who work without selected varieties, without mineral fertilizers, without pesticides, without motorization/mechanization, without animal traction either : they work with manual tools only, which correspond to an equipment cost of more or less 50 dollars. These farmers get yields of about 1 ton of grain equivalent per hectare. If they have access to irrigation, they may get 2 tons per hectare. But, for most of them, the annual productivity per worker is of 1 ton only of grain equivalent.

Now, let us have a view of the proportions of these different types of agriculture. According to FAO, there are only 28 million tractors in the world, which is about 2% of the number of the agricultural active population in the world. These figures indicate that contemporary agricultural revolution is very marginal as regards the world agricultural population. More or less 800 million agricultural workers are concerned with green revolution : roughly one third of them have access to animal traction, and the other two thirds do not have access to animal traction : they only work with manual tools. Finally, there are all these peasants depending on orphan agriculture : they are about 500 million.

The productivity gap

So, as regards agricultural work productivities in the world today, some farmers can reach 2 000 tons of grain equivalent per worker and per year. At the other extreme, hundreds of millions of peasants reach 1 ton only of grain equivalent per worker and per year. 1 to 2000 : that is the spread of agricultural work productivity in the world today.

This we can represent on a graph. Horizontally we have hectares per worker, vertically we have tons of grain equivalents per worker and per year. At one extreme, we have represented "orphan peasants" working with manual tools ; at the other extreme, farmers benefiting from contemporary agricultural revolution.

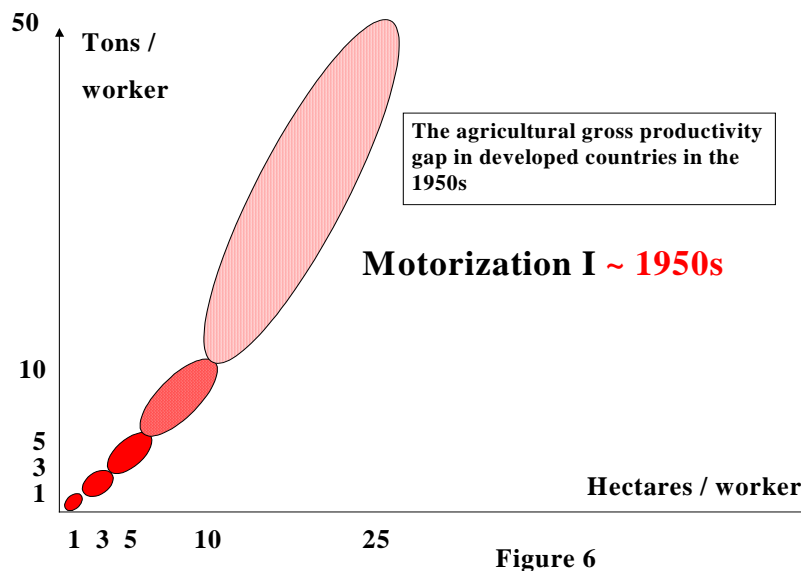


Contemporary agricultural revolution in developed countries

How have we come to such a situation? Let us analyse first what has happened in developed countries. Where were we in 1900 ? We had peasants working with manual tools, with a work productivity of 1 ton per worker and per year, and we had peasants working with animal traction and more or less

sophisticated tools : at the maximum, farmers had a work productivity of 10 tons per worker and per year (figure 5).

In the 1950s, development of the first stage of motorization and mechanization, that we call 'Moto-mechanization I', induced an increase of productivity, which then could reach 50 tons per worker and per year (figure 6).



If we want to represent the next stages of the contemporary agricultural revolution on a graph, we have to change scale, otherwise we cannot represent them. So, on the next graph, Moto-mechanization I is

just here in the corner bottom left of the graph, so that we can represent what has happened during the last 50 years of the 20th century in developed countries (figure 7).

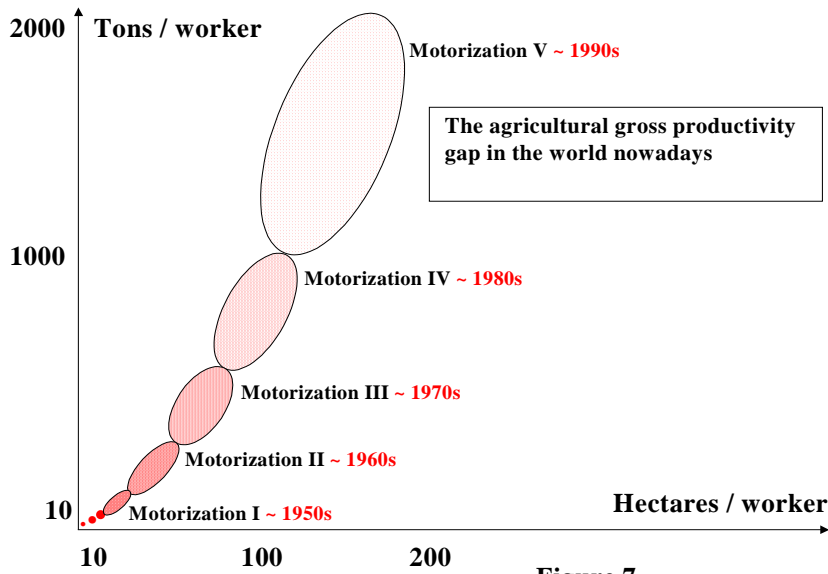


Figure 7

Now, the best equipped and best located farmers in the world may reach a productivity of 2000 tons per worker and per year. It means that during these 50 years, the gross productivity spread has exploded from 1-10 tons of grain-equivalent per worker and per year to 1-2000 tons : it has been multiplied by 200. But, in developed countries, these very important productivity gains, permitted by considerable rises in productive capital, have occurred in roughly 10% of the peasant families who existed at the beginning of the 20th century : 90% of the farms which existed then have disappeared, and 10% only have moved forward through all the stages of this agricultural revolution.

As work productivity gains have been much larger in the agricultural sector than in other economic sectors, it has resulted in a long term decrease of real agricultural prices.

At this point, let us note that this agricultural revolution has occurred mainly in developed countries, but also in some limited sectors of developing countries, mainly in large postcolonial farms with salaried workers.

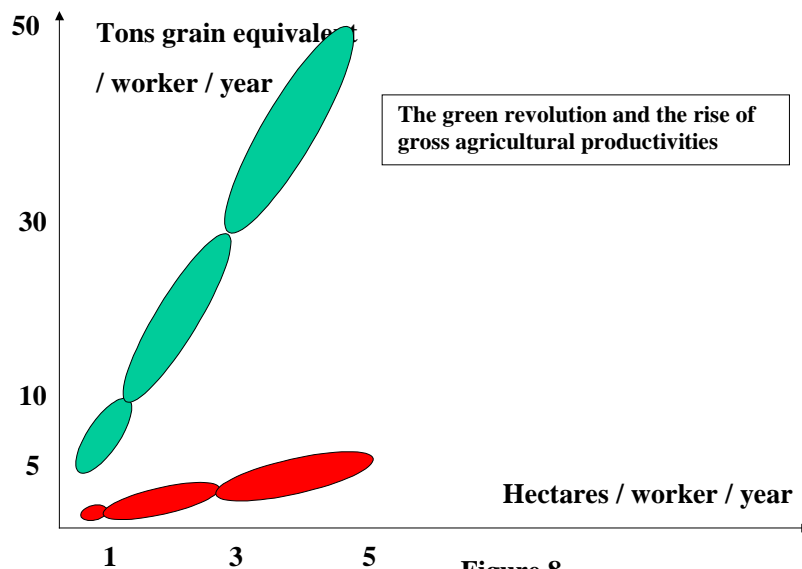
Green revolution in developing countries

Let us have a look now at the green revolution, which has developed in many regions of developing countries. On the same kind of graph as before, we have represented farmers *not* concerned by the green revolution (bottom left of the graph), and also farmers

benefiting from it and working with selected varieties, mineral fertilizers, pesticides, and possibly irrigation (figure 8). However, with the green revolution, there is no large motorization, no large mechanization. This is why even these farmers cannot cultivate more than 5 hectares per worker. Under such conditions, they can reach 50 tons of grain-equivalent per worker and per year at best. If they have access to irrigation, they can reach the same productivity level on half the same area per worker.

The green revolution has concerned roughly two thirds of farmers in developing countries. Among them, about one third has had access to animal traction, but the other two thirds still work with manual tools. In addition, selection of high yielding varieties has concerned only a few species (wheat, maize, rice...). Finally, about one third of farmers in the world today are 'orphan' of any research and progress : they continue to work with manual tools only, and without selected varieties, mineral fertilizers, pesticides.

To finish this first presentation, I wish to insist that the contemporary agricultural revolution and the green revolution have involved very high and very quick productivity gains, higher and quicker than in other sectors. One of the main consequences of that has been the decline of real agricultural prices : they have been divided by 3, 4 or 5 within the last 50 years. We will see the consequences of this for 'orphan peasants' in the second presentation.



Jean Claude Flamant

At this stage of our Round-Table, we have collected data about the topic of globalisation. Particularly, we have observed the increase of the rate of the world trade, as Paolo De Castro expressed very well. But we also heard the question of Saad Nassar: how to minimise the negative consequences of globalisation in developing countries and how we could increase the benefits? With Marcel Mazoyer and Laurence Roudart, we touched the fact that there is a relation, regarding globalisation, between the spectacular increasing of productivity in the developed countries and the difficulty for a large part of the rural population to obtain access to the progress.

But what are the consequences for the various production sector in respect to the various countries?

Paolo De Castro

Contrasted evolutions of the world trade in the animal sector

After the presentation of Laurence, I have to focus on two or three figures on the dynamics of different livestock sectors. I divided in three main groups: beef and veal, pork and poultry. What has happened in the dynamics of the international trade? These data are very updated, and the source is the USDA.

In 2002, in **beef and veal sector** what we see is a mild growth in 2002 on the world market (fig. 9, fig. 10). The United States still is the leader on the sector both

on production and export: 24% of the world production and almost 20% of the export. But the interesting figures in beef and veal sector is the role played by some new countries like Australia. Australia which is only 4% of the total world production reached 24% of the export: it has a great vocation to export, because 2/3 of the production goes to trade. And also it is interesting to see the great challenge of Brazil: its export had a strong increase in the last five years, reaching more than +150%. Even the European Union has a slight increase in export after the serious problem of BSE. So this is the overall situation in the beef and veal sector.

Figure 9

Livestock: Beef & Veal (2002)			
	% Production	% Export	Share% Export/Prod
United States	23,6	18,3	9,1
Brazil	14,2	10,8	8,9
EU-15	14,0	10,4	8,7
China	11,9	0,9	0,9
Argentina	5,9	4,3	8,6
Australia	4,1	23,7	67,2
Other Countries	26,3	31,6	14,1
World	100,0	100,0	100,0
World - 000 tons	49.352	5.783	

Source: USDA

Figure 10

Livestock - Beef & Veal: dynamics 1997/2000			
	Production	Export	Consumption
United States	- 0,8	+ 9,5	+ 2,2
Brazil	+ 15,5	+ 172,1	+ 7,0
EU-15	- 9,9	- 33,3	+ 0,1
China	+ 33,4	- 42,5	+ 35,0
Argentina	- 2,5	- 43,9	+ 4,4
Australia	+ 5,0	+ 19,4	- 15,3
World	+ 2,0	+ 3,9	+ 4,0

Qtà, Var. 1997/2000

Source: USDA

With regard to the dynamics in pork sector, (fig. 11) we can see the rise of the importance of new actors, into the world market. This is very interesting, considering what is actually happening in some countries, and in particularly China for which more than 50% of the total world production is mainly

consumed into domestic market. But it is quite interesting the role played by some countries: once again we assist at the great challenge of Brazil on the export vocation. A similar scenario involves also Canada.

Figure 11

Livestock - Pork: dynamics			
	Production	Export	Consumption
China	+ 20,1	- 8,2	+ 20,6
EU-15	+ 11,9	+ 35,8	+ 11,9
United States	+ 10,9	+ 36,9	+ 10,8
Brazil	+ 45,5	+ 249,4	+ 32,8
Canada	+ 39,2	+ 75,5	+ 24,1
World	+ 15,2	+ 32,7	+15, 5

Qtà, Var. 1997/2000

Source: USDA

Figure 12

Livestock - Poultry: dynamics			
	Production	Export	Consumption
United States	+ 14,0	+ 22,5	+ 12,2
China	+ 20,6	+ 44,4	+ 20,1
EU-15	+ 8,2	+ 11,2	+ 8,7
Brazil	+ 49,8	+ 137,6	+ 37,7
Mexico			
Thailand	+ 40,7	+ 110,1	+ 23,8
World	+ 16,4	+ 39,9	+ 13,9

Qtà, Var. 1997/2000

Source: USDA

With regard to poultry (fig. 12), world market has increased very much: 40% in the last five years. Still the main producer is the United States with 27-28% of the total production and at least close to 50% of the total world export. European Union has an increasing market but its rate of growth is lower than the world one, so the trend is slow in the European Union. Brazil's role is interesting, with good location for export combined with a strong growth of in the last five years.

So these pictures show what is going on in the different livestock sectors, beef and veal, pork and poultry. We see that many things are changing and we can find

some new role of new countries, coming soon into the international trade organisation.

So coming back again to the problem of globalisation... globalisation means that something anyway is moving. The challenge is how we can try to have rules that can play an important role in developing countries and not give the advantages only to developed countries. In this case, I have to say that something is moving but a lot of route should be done, especially in the international conferences like Seattle and Doha, where the role played by the developing countries should increase.

Jean Claude Flamant

Thank you Paolo. About the question “*Who benefits from the globalisation?*” we have seen that some countries are increasing their economic weight. But now, if we come back to the rural level and to the peasants situation, what are the consequences of the globalisation and of its large movement? Laurence Roudart...

Laurence Roudart

Our second presentation will have as a starting point the fall of agricultural prices. Afterwards, we will try to explain the economic mechanisms of the massive crisis of peasant agriculture in developing countries. Then, we will look at the general economic and social consequences.

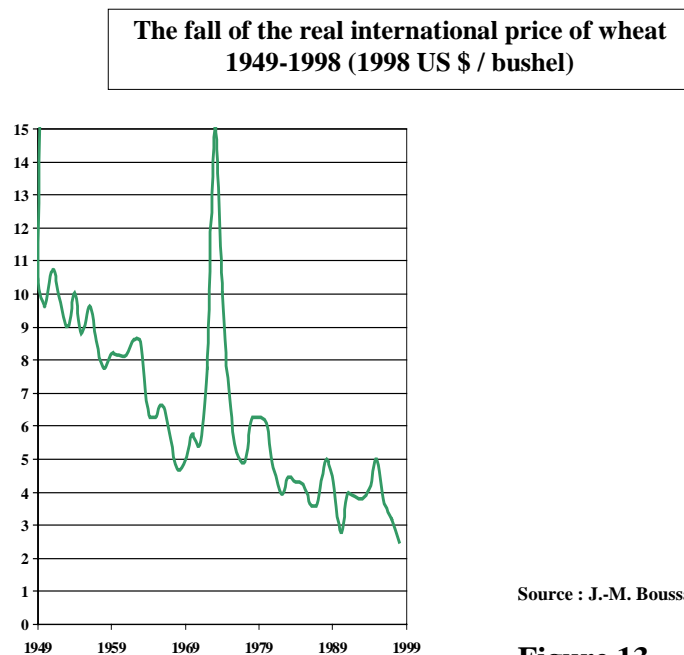
The economic mechanisms of the crisis of peasant agricultures in developing countries

First, a few graphs to illustrate **the fall of real international prices of agricultural commodities** (figures 13, 14, 15).

As regards cereals, international markets represent only 12% to 15% of the world production, or consumption, which means that these markets are only residual markets. Which countries dispose of exportable surpluses ? These are countries where either the

contemporary agricultural revolution or the green revolution have occurred.

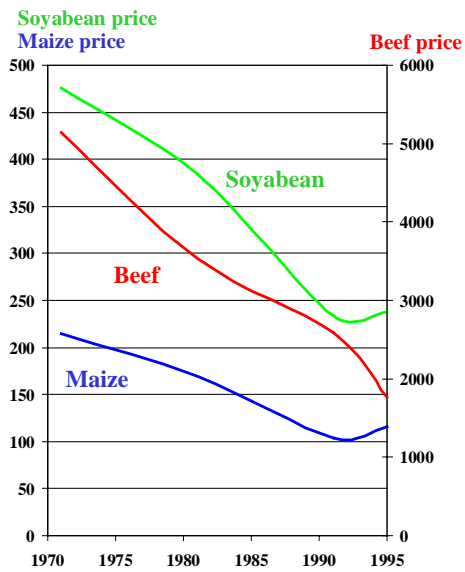
But who can compete on international markets at so low prices ? First of all, latifundists from various countries of Latin America, and also from Zimbabwe, South Africa, etc. They benefit from very large areas, at very low cost. They use the latest motorized and mechanized equipments, which means that they can cultivate more than 100 hectares per worker. They use selected varieties, mineral fertilizers, pesticides, which means that they can reach yields near 10 tons of grain-equivalent per hectare. In the end, they can reach a work productivity of more than 1000 tons per worker and per year. As they pay labour at less than 1000 dollars per year, the cost of labour for 1 ton of cereals is inferior to 1 dollar. Under such conditions, the total cost for 1 ton of cereals is inferior to 100 dollars, which is more or less the price of cereals on international markets today.



Source : J.-M. Boussard, INRA

Figure 13

**The fall of real international prices
of various commodities (1990 US \$/ton)**



Source : IFPRI

Figure 14

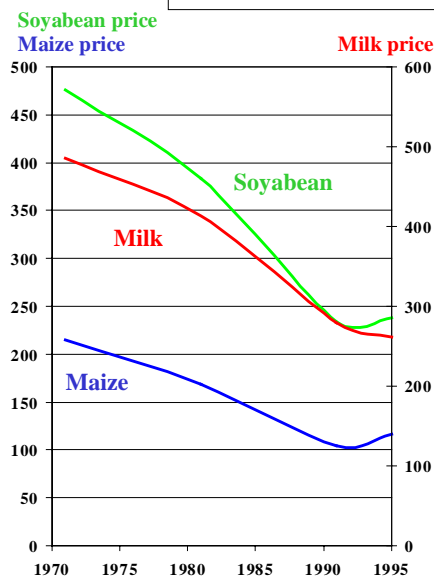
Who else can compete on international markets, when 1 ton of cereals costs about 100 dollars ?

Farmers from developed countries also can compete, because they have benefited from the contemporary agricultural revolution and they are very productive,

but also because they benefit from large public subsidies : otherwise, they just could not compete.

Who else can compete ? Middle or large farmers from some developing countries where the green revolution has occurred, where yields are high and where these farmers benefit from extremely low levels of wages

**The fall of real international prices
of various commodities (1990 US \$/ton)**



Source : IFPRI

Figure 15

Due to liberalization of agricultural international trade, and due to the decrease of transport costs, agricultural prices in developing countries get closer and closer to international prices, and they go downward as do international prices. This has meant a very important decline of real agricultural prices in developing countries during the past decades.

What are the consequences of this decline for ‘orphan peasants’, for these more or less 500 million workers and their families, amounting to about 1 billion persons ? We can illustrate this by analysing what has happened within 50 years to a peasant producing 1 ton of cereals per year :

- 50 years ago, 1 ton of cereals on international markets costed more than 400 present U.S. dollars. At that time, to buy for 80 dollars of clothes, other consumption items and working tools, a peasant had to sell 0.2 ton of cereals. So, a peasant producing 1 ton of cereals per year was left with 0.8 ton to feed his family, which is more or less correct to feed 4 persons (if we limit our analysis to caloric needs) ;
- 25 years ago, when 1 ton of cereals was priced 200 present U.S. dollars, the same peasant had to sell 0.4 ton to buy exactly the same things, and he was left with 0.6 ton only ;
- Now, with a price inferior to 100 U.S. dollars per ton, he would have to sell 0.8 ton to buy what he needs,

which is absolutely impossible because you cannot feed a family with 0.2 ton of cereals for a year.

So, what has happened to millions of orphan peasants ? The decrease of real agricultural prices has meant for them decrease of income, impossibility to invest in machines or livestock, impossibility also to purchase inputs, pesticides, mineral fertilizers or selected varieties. As a result, their development has been blocked, they continue to work with very simple manual tools and without inputs. In fact, they have gone through a process of continuous impoverishment going till extreme poverty, bad health, hunger, and finally migration to slums and unemployment. Let us recall here that 70% of the people who are undernourished in the world today live in rural areas.

In turn, this massive crisis of peasant agriculture in low income countries has had severe macroeconomic consequences : rural-urban migration, high level of unemployment, low wages, low fiscal resources, food dependence, shortage of foreign currencies, indebtedness, economic dependence, and difficult governability. In the world today, 2.8 billion people live with less than 2 dollars a day, and 1.2 billion live with less than 1 dollar a day. This means a very strong limitation of the global purchasing power, which in turn limits productive investments and global growth.

Jean-Claude Flamant

In the presentation of Paolo De Castro, we observed that some of the developing countries in fact have benefit from the globalisation and are moving to success. But, with the presentation of Laurence Roudart, we see that a large part of the population in the developing countries have less and less possibilities to benefit from this progress. Maybe we can ask Saad Nassar what is the situation of Egypt in front of these two types of movements?

Saad Nassar

Before going to that point I would like to touch upon the issue of low benefits from globalisation – very shortly – as Mrs Laurence mentioned that of course: **“Who can compete?”. That means: “Who has comparative and competitive advantages?”** In fact, the comparative and the competitive advantages are very dynamic. They change from one time to another and from one commodity to another. And I remember in the old course of economics we were teaching - and at the same time were learning - that you have two options: either to import substitute or to promote export. Nowadays this is irrelevant because unless you are able to compete and unless you have comparative and competitive advantages in a way that you have higher productivity, a better quality, lower cost and

lower price, you will not be able, not only to export but you will not be able also to sell your products at your local market. Because in fact, your consumers will be ready to have foreign commodities at lower cost and lower price and better quality, and they will not listen anymore to any nationalistic slogans or something like that.

The case of Egyptian agriculture

What is the case of Egypt? In Egypt the agricultural sector of course you know that it plays a significant role in the economy. It represents about 20% of the total GDP; about 20% of the total exports. About 34% of the total population or active labour force are wor-

king in the agricultural sector. It is responsible for providing the increasing population of food and also providing our main domestic industries that is food industries and textile industries with agricultural raw materials and at the same time the agricultural sector is contributing to other sectors of the economy.

During the 60's and the 70's the agricultural sector in Egypt was highly governed and control by the State or the Government. Everything was governed and affected by the State itself. The crops to be cultivated, the prices, importation, exportation, obligatory delivery systems... everything was subject to the heavy intervention from the State. The agricultural sector started very early and since the early 80's to gradually liberalise and apply comprehensive economic reform. We started by removing all the controls of the government and this has been done through the economic reform and liberalisation program and the strategy for agricultural development in the 80's and strategy of agricultural development in the 90's as well.

As a result of this programme and the two strategies, the agricultural sector has become a private sector and we can even say that it is a private sector at 100%. The role of the Ministry of Agriculture, the role of the government nowadays in the agricultural sector in Egypt is confined to only research, agricultural research, agricultural extension, technical assistance and economic studies and some indicative planning. Farmers are free nowadays to cultivate what ever they like and sell it in the way they prefer.

The economic balance

These were not the only changes that took place in the agricultural sector. Also during the 60's and 70's the agricultural sector in Egypt was following a strategy which was called "*self-sufficiency*" this means we are closing our economy; producing what we are consuming, and consuming what we are producing. Again a drastic change has taken place in this strategy. We shifted from "*self-sufficiency*" in the very narrow sense of the economy to what is called "*the food security at large*".

By "*food security at large*" we mean producing more and exporting more from those commodities where we have comparative and competitive advantages and at the same time importing those commodities where we have less comparative and competitive advantages... By that we understand that our farmers has been highly responsive to liberalisation and economic reform programme, to technology transfer, to agricultural extension, to price incentives.

This has been reflected in higher yield and more self sufficiency and more food security rather than when we were confining ourselves to self-sufficiency strategy during the 60's and 70's, by that time we had very bad negative impacts – not only on the

agricultural sector but all over the economy – at large. By that we mean that we are exporting and importing, we are having now surplus and exporting cotton, rice, vegetables and fruits, aromatic and medicinal plants and cut flowers. But at the same time we are importing part of our consumption or some other commodities. We are importing wheat – about 45% of our total consumption because the self-sufficiency ratio is 55% again it was 25% in the early 80's and it is part of the increase of population from 80's up to now by about 23 million inhabitants. Our self-sufficiency ratio of wheat increased as a result of increasing of yield per hectare and at the same time the area cultivated by wheat was increased. We are importing part of our consumption of red meat. Our self-sufficiency of red meat now is 75%. We are importing a large part of our consumption of oil seeds (about 80% of the total consumption). We are importing part of our consumption of sugar: about 20% of our total consumption which is very high, maybe the highest average in the world of consumption of sugar which is not good at the same time. We are also importing some of our agricultural machinery and equipment from abroad.

We say that importing and exporting is good for Egypt and is better for food security at large rather than closing our economy and only consuming what we are producing and producing what we are consuming. As to the animal sector, in Egypt it is a very important sub sector of the agricultural sector. The contribution of the animal sector and animal production in Egypt is about 30 to 40% of the total GDP in the agricultural sector. We have self-sufficiency of poultry, of eggs, of fresh milk and of fisheries - we are exporting and importing but all in all we can say that we have self-sufficiency of fish. Of course the technology which are being used in the animal sector in Egypt are nowadays highly sophisticated. We started of course artificial insemination and embryo transfer, and we are thinking nowadays in the College of Agriculture and Agriculture Research Centre of Cairo University as well and other universities, we are thinking of cloning in the livestock sector.

The Egyptian agriculture in the world negotiations

If we would like to answer the issue of what about the globalisation in the agricultural sector, all of you know now that we started the second round of negotiations of the agricultural trade within the World Trade Organisation (WTO). Egypt has been a member of GATT since 1970 and we are members of the WTO since its beginning in 1995. We concluded partnership with EU in the agricultural sector which now is being discussed in this session in the People's Assembly to start implementation. And of course, we are members of the CIHEAM with those countries of North, South of the Mediterranean. I remember that in the last meeting in Athens we discussed several joint issues

like for example multi-functional character of agriculture and land, of course of the Mediterranean diet; and also we thought of establishing observatory centres and also starting intensive programmes on integrated rural development.

Egypt is also a member of COMESA (21 African countries) and we are negotiating a free trade agreement with the United States. We are of course having our Arab free trade area which started in 1998 and through which tariffs will decrease by 10% annually. This means that after 10 years we could have a common market but some Arab countries did not wait until 10 years and started forming a common Arab market - Egypt, Iraq, Jordan and Syria - and some others are joining: this means to cancel all the barriers between those countries and not waiting 10 years to have a free trade area. We are members of course in G15 and G8 and we are members of the CGIAR (Consulting Group of International Agricultural Research).

As for the negotiations of agricultural trade, we had a revision of our commercial trade in Egypt. It was in 1999 and we saw that Egypt fulfilled its commitments and obligations with world trade organisations. That is the reduction of export subsidies in agriculture, the reduction of domestic production subsidies, the reduction of tariffs as well. Some time we exceed even our obligations. For example sugar, we are entitled to have tariffs on importation of sugar by about 22 to 28%. The tariffs now are ranging between 10 to 15% or 5 to 10%. For importation of wheat we are entitled to have tariffs at 5%. The applied rate now is less than the bond tariffs, the applied rate is 1%. You know in the animal production we cancelled the ban on importation of poultry. This has been transferred to tariffs. And we started by high tariffs 80% and reduced to 70, to 60 and reduced gradually according to the roles of the WTO. The intellectual property rights law has been discussed and agreed upon in the People's Assembly and it is issued by now.

We started the second round of WTO negotiations of agriculture in Geneva again in March 2000 I think. There are 3 or 4 significant subgroups or groups. The first group of course was Cairns group - all of you know and supported by the United States and this group is pro liberalisation of agricultural trade - completely - despite that the United States is subsidising agriculture in one way or the other. The second group was the European Union and also some Northern countries like Sweden, Norway and so on, the idea of the European Union is that agriculture is not only trade, it is a multi-functional character of agriculture and agriculture has several functions not only trade; it has food security, it has integrated rural development, it has of course population, opportunities for labour, landscaping and so on and so forth. And also Europe was of the opinion that if we start thinking really of liberalisation of

agricultural trade, we have to have it within a comprehensive ground of negotiations within the world trade organisation. This was after the Seattle Conference which did not succeed and Europe was convinced that if we have to go and realise liberalisation with the agricultural products we have to think of other issues like competition, transparency, government procurement, genetically modified organism, environment, child labour and other issues like investment and efficiency.

As the stand of developing countries, some of them like India and Pakistan and others, were of the opinion that also agriculture has several other objectives and functions: that is food security and rural development. The stand of Egypt, as I mentioned is that we have of course liberalisation of agricultural trade, nowadays we have no real subsidies to agriculture: all subsidies have been cancelled and we have very little subsidies to the cotton production, in the field of pesticides. We have no real subsidies for exportation and the tariffs - as I mentioned - we are fulfilling our obligations and commitments and at the same time we have comparative advantage in some agricultural commodities: cotton, rice, vegetables and fruits and of course medicinal and aromatic plants and cut flowers and this was a very big issue when we were negotiating the partnership and association with Europe. The most difficult profile was the agricultural profile because we were pro having free trade area for agriculture similar to the free trade area of industry. But of course it was not accepted because of the Common Agricultural Policy of Europe. At the same time we looked at - of course - the mutual benefits between Europe and Egypt and we reached a fairly general agreement in between. We have quotas and seasons enough to absorb our agricultural exports at zero tariffs at certain seasons of the year and we injected new commodities and again we even reduced the tariffs when the exportations are higher than the quotas and outside the season and of course worked on the non-tariff barriers as well, some none-tariff barriers and have been of course removed and also cut off.

Egypt's stand was and still is in the negotiations with the WTO in this second round of agricultural negotiations that we are pro liberalisation but again with preferential treatment for developing countries. We also are pro the fund of having compensation for those developing countries who are net importers of food and in particular those less developing countries who are entitled to have real subsidies and preferential treatment. We are also pro of course of environmental measures and about the child labour. But we don't accept those measures in a discriminative way, to avoid or to protect or to be against agricultural exports from developing countries to developed countries.

Of course as with animal products, we can set the ban on importation of poultry; sometimes we have some sanitary measures like animal health measures, like the percentage of humidity of fat or that slaughtering

should be following some rules and that we cannot import some parts of poultry and so forth. But these are technical rather than being non-tariff barriers. Of course, we import also feed and fodder, sometimes we import vaccines for poultry and animal production, sometimes we import also parents and grand-parents and we export at the same time some vaccines and started exporting some parents and grand-parents; we import slaughter houses and also refrigerators for the poultry industry.

The results of the policy

This means shortly that Egypt benefited from liberalisation and as I mentioned our agricultural sector and our farmers have been highly responsive to technology transfer and price incentives. This has been reflected in increasing our production. We reclaimed about 2 million hectares during the last 20 years and the yield of the major strategic commodities have increased and improved. We are ranking No 1 now in the production per acre of rice, of sugar cane or sorghum and other commodities; our exports are increasing, our imports are decreasing. In spite of the increase of population, the food security situation in Egypt is improving, and also the real net income for farmers. The rate of growth in the agricultural sector during the 80's amounted to about 2.6% annually, in the 90's it amounted to about 3.4% annually; nowadays we are approaching 3.8% annually, and we are targeting to reach at 4.1% annual increase in GDP in the agricultural sector. It is worth mentioning that the rate of increase of population in Egypt is nowadays 2.04 and we are targeting to reach at 1.8 and

1.5 by the year 2017. This means that there is a real improvement in the per capita income of the population as the rate of growth of agriculture is 3.8% and the rate of population is 2.1%; of course the rate of growth of the Egyptian economy as a whole is about from 5 to 6% annually.

The structure of agriculture in Egypt is now starting to increase - 3.4 million acres during the coming 20 years and of course that rate of growth is 4.1 and continuously increasing vertically not only horizontally but vertically; the per capita consumption of animal protein in the 80's in Egypt amounted to 18 grams per capita per day – nowadays it is about 22 grams per capita per day - and we are targeting to reach 30 to 35 grams per day per capita by the year 2017.

In conclusion

All in all, we in agriculture are pro liberalisation of agricultural trade with preferential treatment for developing countries. We are believers in the multi-functional character of agriculture and land together with EU. And of course, we are pro to study the impact and that we have impact assessment of WTO on the rate of growth of agriculture in developing countries and the rate of growth of exports and imports during the last 5 years. This would be a base for the negotiations for the second round which started and is being conducted nowadays and the negotiations should be opened and it is not subject to a certain period of time – 2 years or 3 years. But it should be opened in order to reach a fairly general agreement to benefit not only developed countries but also developing countries.

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3. Questions and debate

Patrick Cunningham

Thank you very much Prof. Nassar for that very comprehensive story of Egypt's success in recent decades. Now we are running out in time and our intention is to open the debate because this is what this is intended to be not lectures but a debate.

Who has the power?

Kurt Peters (Germany)

I am wondering how a world trade of 12% of the grain can effect national prices across the globe and I assume that the world trade volume in animal could be around the same sort of percentage. How can this small amount affects the national prices all around us? I do not understand that.

Laurence Roudart

12 or 15% of the whole world production, or consumption, can mean a much higher percentage relative to the production, or consumption, in one country. It is a question of proportion. In Egypt for instance, 45% of the wheat consumed is imported. When a cereal enters a country without any barrier, let alone import subsidies, then it is to be sold at the CIF price at which it arrives, taking into account the exchange rate, plus transportation and other commercialisation costs. In such a case, international competition is all the more severe for local producers as they are located nearer the port where importations take place.

Patrick Cunningham

Can I slightly abuse my position and add a question to that? The grain trade internationally is what drives development. It drives the competitive position of different enterprises: intensive pig and poultry production, intensive dairy production. They are all grain converted into livestock products.

Question... We see now that the European poultry industry is moving to Brazil. It is moving to where the grain is, where is traditionally the grain was brought to where the market was. Is that something that is going to continue? Is the European intensive livestock industry in fact going to go to the grain producing countries in the future?

Adel Aboul Naga (Egypt)

I was very involved with implementation of an international agreement that was some sort of special treatment for the net food importing country. I know that the agreement was signed, but it was 8 years without implementation. So I think it is time now to see if the agreements which we count on are not implemented or what is the sound of new agreement. So maybe somebody update on not expected that

developing countries but force it to implement the agreement with some obligations on the developing country.

Patrick Cunningham

Dr. Aboul Naga said about non-instrumentation of existing agreements. Is that a problem or is it only thinking that it is a problem? Let us see what the panel says.

Saad Nassar

Yes it is a problem. That is why we asked when we started the second round of negotiations that we have to make some sort of impact assessment on the commitments and obligations of different countries developed as well as developing countries as to the roles of WTO. Since it has been agreed to have a fund, the ministers of WTO agreed in 1994 in Morocco on this fund to compensate those countries which will be affected by the increase and importation bill from developed countries as a result of decreasing the export subsidies. This has not been implemented and when we asked how come that the developed countries did not fulfil their obligations in this regard, they said that the prices decreased and the imports decreased for some countries. If this is right or if this is OK for some countries, it is not always the case for all the countries. When we are asking for obligations and fulfilment of the commitments, this means that we have to make some sort of impact assessment before going into new rounds of negotiations and we have to be all committed and obliged to fulfil our obligations, our commitments.

Paolo De Castro

Just to say something about negotiations, because I personally had the experience to participate at Seattle and I saw something that can be useful to reflect upon. The reason to respect or not the agreement is that sometimes we have to pay more attention to the group of countries that define together the strategy. This is a problem of the Mediterranean countries which usually go alone. They don't work together on that matter. Taking into account the debate after Barcelona process in which there was a strong opposition by the Northern African countries against the European Community policy that has adopted programme like MEDA. But

there was a lack of proposals all together we should say something showing what we should do in order to push the Community to change. So sometimes we need to play as a team. You know to try to say the same problem of the Mediterranean countries we can have the same play and the same role if we go together in the international negotiations. In Doha we saw the same things. Consider for example the United States. The United States' position in Doha was very strong against export subsidies, against a lot of money paid by the EU governments and then after a couple of weeks the administration approved the Farm Bill: it was a lot of money, most of it for farmers. So it is very

important to go with very few but clear ideas and pushing them all together. I think European countries and North Africa countries can do many things together. Mediterranean countries can play a strong role during the negotiations.

Patrick Cunningham

Perhaps a good addition example of cohesion is the way the Cairns group – a small group of exporters have very effectively operated their own agenda and influenced the world agenda.

Who benefits? Who loses?

Alessandro Nardone (Italy)

The theme of the Round-Table is globalisation and the livestock sector – “Who benefits?” For me on the basis of the data of Profs. Mazoyer and Roudart it is very clear: “Who loses? It is hundred of thousands of agricultural workers!” Could you give some information on the benefits of the consumers around the world in a clear and simple way similar to what you demonstrated in the comparison of the tons of clothes and of the tons of food.

Saad Nassar

It is very pragmatic, of course... Theoretically you can answer but practically it has to be assessed. Because theoretically, as it has been stated by the distinguished speakers; who benefits... who competes... who can compete... And who can compete is who has comparative and competitive advantages. Who has comparative and competitive advantages can produce at higher productivity and better quality and lower costs of production and of course the comparative and competitive advantages are very dynamic. It depends upon the technology used in the production. Of course technology is highly advanced and sophisticated in developed countries and within the intellectual property rights. After the year 2004, when it will be complete dark for developing countries, I think it will be very difficult and expensive for them unless they have real support from developed countries in this regard. Because unless you have sophisticated technology and all activities high yielding varieties, whatever means of production and all these things, machineries and equipments, unless you have that and unless you have your resources, I think it will be very difficult for most of developing countries to compete. So it depends upon the technology. I mean ability to produce at higher productivity and lower costs and be able to compete at lower price. It is very debatable.

Laurence Roudart

There is no dichotomy between producers/sellers on one side, and consumers/buyers on the other side :

producers are also consumers. Most of the agricultural producers around the world consume their own production and, again, it is among them that you find the majority of people who are undernourished. A lot of them sell agricultural products at the time of harvest, and buy food during the weeks (or months...) preceding the next harvest. Another thing is that consumer prices have not decreased in the same way as producer prices have : the order of magnitude is not at all the same. You may just compare the evolution of wheat prices and bread prices.

Patrick Cunningham

Can I just add a comment to that? Those who argue strongly, internationally for globalisation of trade, argue the beneficiaries are very largely consumers and particularly poor consumers. Now we talk here largely about producers even if producers are also consumers. But the agreement that is made internationally is leveraged on the benefits to consumers. You are making the point that consumers generally have not benefited so much. We could take the case of 16 million people living in Cairo who are all consumers and very few are producers. Have they benefited from globalisation? Dr.Nassar...

Saad Nassar

Yes. If theoretically prices of importation go down, the consumer will benefit in urban areas. But globalisation not necessarily will lead to that automatically, because sometimes even globalisation maybe reflected in increasing the prices of imported good – as I mentioned before. Because if you are in course of globalisation and if you are reducing the export subsidies from developed countries and domestic production subsidies then the international prices, the importation prices for developing countries theoretically will increase. This of course depends upon the elasticity of demand, the elasticity of supply and so on. The problem of that is that not all the changes take the same trend all over the world. When we say that the production increases and the prices go down, this may happen in one country but

it may not be the case in several countries. The production may increase in some countries, but the production may decrease in other countries. Therefore, the trend of prices may not be the same.

Sometimes when the international prices increase again and the importation bill increases, this may have bad impact on the consumer but at the same time on the producer it may encourage him to increase his production because he will have higher price. So it is not one simple answer. It has to be estimated and calculated and the changes should be measured. It cannot be simplified like that. That international production of wheat increases, this means that prices will decrease and all consumers will benefit and producers will loose.

Laurence Roudart

Clearly, the purchasing power in many cities, in Cairo for instance, is very low. But this is also the result of very low agricultural prices in the countryside. As we saw, cities are full of unemployed, or poorly employed, people who left their countryside because agricultural prices were extremely low and, as a result, their incomes were too low to survive. The problem here is to identify the primordial cause. You cannot justify low agricultural prices by low purchasing power due to low agricultural prices.

Patrick Cunningham

Now clearly that is a subject that will take us another few hours. So Sandro, it was you who asked that. You provoked appropriately.

Is globalisation of trade actually leading to globalisation of problems?

Mr Dominique (CIRAD, Montpellier, South of France)

I would like to put on the table two other items of the discussion. You have talked about the fall of the prices etc., and subsidies and the evolution of the world market. But I would like to know two things: one on animal health and one on environment. The globalisation and the increase of the changes are giving a big threat on the dissemination of the epizootic diseases which are producing big effects on production systems in the North and the South. So what about the question of non-tariff barriers and the fact that norms are only dictated and defined by Northern people. Nobody from the developing world is interfering as an expertise to define the norms and to see how this could include the problems of the Southern world on the exports to the North.

The second thing is exchanges and trade. We are the included in the debate of globalisation. We are working in the same work and these questions are becoming fundamental... Sustainability of development for the developed countries is focusing that and I suppose that we will get some more information on the global answers given by the Rio plus this debates or nipped preparation debates in Seoul.

Patrick Cunningham

Dr. Dominique asked an important question... Is globalisation of trade actually leading to globalisation of problems? And he was thinking particularly of disease transmission and whether some of the barriers that are erected are in fact real...in other words do we have a perception rather than reality behind this discussions on non-tariffs barriers. Is that reasonable? Who would like to respond to that? Or indeed anybody

in the audience who wishes to, who is an expertise in this area?

Saad Nassar

Sometimes the non-tariffs barriers are big barriers even more than the tariffs barriers themselves in the international trade and of course when we speak of non-tariffs barriers we mean animal health and plant health and sanitary measures. Sometimes they are used in unfair ways of course discriminatory and we had the experience in that regard and this could be used by different countries. But however when you have a case. In the WTO we had an experience about the non tariff barriers like dumping, safeguarding, like animal health and plant health. In case of Egypt, we have sometimes the issue of brown rotting potatoes. Sometimes we have in our import commodities like dioxin when we were importing poultry, or like mad cows, and so and so. This means that the animal health is there – how to use it differs from one country to another. I think that if we all the time use it in a fair way it will be alright, but sometimes, when it is used or misused as a real non-tariffs barrier, it will affect international trade and it will not be fair at all, especially for the developing countries who are not having the real means to measure or to look at the non tariffs barriers. The tariff barriers are very easy to use, but non-tariffs barriers could be used in different ways and unless used in a fair way it will not be fair game at the same time.

Patrick Cunningham

If I interpret you correctly, you are saying that non tariff barriers work more to the advantage of the developed than developing countries and I think that is probably a reasonable conclusion.

Who is responsible?

Aimé Aumaitre (France)

We have seen always a decrease in the price of the animal products at least at the doors of the farm. But where is the responsibility? Who is responsible? I would like to hear something about the retail sector and in particular the key word “supermarket”

Patrick Cunningham

Any members of the panel would like to take that up? I can perhaps add a very quick comment because that is very much part of the study that is being done on behalf of the EAAP; and we have figures from Germany and we have even better figures from the USA, showing that the farmers' share of the consumers spend has gone down in the USA from nearly 40%

about 20% - no from 33% 20 years ago to 20% today; that is overall commodities. And the same rate of decline is taking place in Europe and that goes down to the power of the supermarkets, and we see in Europe, especially in Northern Europe, over 90% of all food is sold in the top five chains. On average, in Europe, the top five chains sell about 2/3 of all food and their share is increasing and the trans-national chains have doubled their market share from 13 to 26% in the last ten years. So the same trend is going on everywhere in the developed world. That is that the power in this chain is moving to the retailers. I do not know whether that is the sort of information you wanted to provoke.

Producing different?

Klaus Meyn (Germany)

My questions are both on the supply and on the demand side. There was no mention of the emerging surpluses of grain in Eastern Europe, specifically the Ukraine, and Russia on the one side; and there was also no mention of the enormous purchasing power increase of Asian countries which after all form 60% of world population, specifically, China, India, the tiger countries who are all rebounding and developing their tastes for animal products. Have you looked into this?

Paolo De Castro

Of course if you are talking about the possibility of increasing the European import of grain, globalisation should be the reason of its growth. If you take into account the opportunity of net importers countries, like Italy for instance, it is cheaper to buy grains, corn, soybeans from countries that have lower prices; that is more convenient if there are no barriers, no export subsidies: that we can buy where it is cheaper. But of course that means that we have to re-formalise our production. We cannot produce a “different food” anymore. But I think we need to produce more “specific” food, more typical food strictly linked to the territory and our traditions. Otherwise, we would not be able to win the world competition. I am thinking about the European level of course. It depends on different countries, it depends on the situations... But if we aim only to a price competition, we do not have many chances to win because there are areas in the world that could have cheaper prices than ours because of lower cost of labour and land. It would be hard to win the competition if the cost of production is the only our strength. But lucky Europeans have a lot of traditional food and the same is for Mediterranean countries, I think about cheese, wine, olive oil; a lot of traditional

foods that couldn't be made in other countries, but only in the Mediterranean ones. We have to pay attention to such kind of products for which the differences are so strong in the world as territory makes different the olive oil made in Tunisia or Spain or Italy. That because of tradition and the way in which you make these products. And you can sell part of the territory, you can sell part of your tradition. So we can keep higher prices, if you make the difference in the product. But if you haven't any particular tradition or something like that, you can produce just grain; in fact, it's quite difficult to see the difference between grain from Arizona or Canada or Australia. That would be very difficult for the Mediterranean countries to push the export, so I think that this is another point of the matter.

Jean Boyazoglu

I just wanted rapidly to pick up what Paolo said. The products and the commerce depend on the area and the consumers you move in. In major part of Europe and the Mediterranean basin it is a matter of quality, traceability, origin, background and consuming habits. My question is why do we tend within this globalisation approach to forget this particularity of the consumer who can pay – for both local and imported quality products – . In the animal sector this might be more important than in other sectors. To add I will pick up a curve that you showed. I remember my grandmother in Alexandria telling me: “I only use long cotton when I use it to produce a garment”. Is the problem of the drop of price of cotton not the unholy competition from areas that produce a cotton of lower quality which does not have “appellation d'origine”, the appellation of origin of the Egyptian cotton.

Paolo De Castro

I strongly agree with my friend Jean. The main problem is how we will be able at the European, world and WTO level to push the non-trade concern into the debate. Because as you know the way to keep the European rules on geographic denomination is difficult because there is a lot of WTO countries against this position. First of all, the United States, but you have also the group of Cairns countries –like Canada etc.

One of our main strength is to be able to keep higher price and not to produce the mass production for which it will be very difficult to win the competition in the world; we have to put the difference in our products. We have this difference, of course. But if you take into account cheese or all kinds of pork products - like prosciutto or ham or whatever else. EU has more than 500 geographic denominations registered. Only in Italy, we have more than 2000 products that are waiting for having this kind of opportunity; that is quite similar in Spain, France and in other countries. We have such a tradition into the products. You can easily think about wine. You have higher price because of the tradition, because you have wine from grapes of the hills of Chianti. So we have to really think also about the “good shadow” of globalisation. There are not only the negative implications of globalisation, not only the war. Of course globalisation means higher competition, means a lot of problems, even the price becoming lower, this is true! But at the same time we can find the consumer around the world; they can buy at higher price specific products made by specific regions. This is the new challenge of agricultural products: high quality, high food quality – I don’t mean only the organoleptic characteristics but also the tradition incorporated into the process. So this is a very big challenge, because I know that in Geneva they are preparing the next meeting of international negotiations of WTO, they are completely aware about geographic denomination systems which are the non-trade concern, the “trips”: they call the “trip questions”. They are completely at the end of the agenda and this is the problem as we have in the Codex Alimentarius and we have still now if you take the example of Parmesan that just a few weeks ago we met again in the court of Justice and other sentences in favour of it. So this is the new problem we have to manage and it is not easy because not all countries have the same opportunities. But this is one of the ways we have to think. I think that the scientific community has to work more about that.

Saad Nassar

The Egyptian cotton is a long story, very long story...

Patrick Cunningham

Can you tell us in a very short way?

Saad Nassar

You see, the Egyptian cotton is the “extra long staple”, the best quality in the world. But traditionally, when it was subject to government intervention during the 60’s and the 70’s and farmers were paid a price which is lower than the international prices, most of the farmers left cotton and went to vegetables and fruits which were not subject to obligatory delivery systems. Again our whole trade was with Russian and Soviet Union and Eastern Europe and not on an economic basis but according to a bilateral agreements. We were giving them cotton and they are giving us something in return. Then farmers left cotton and went to other commodities because it was “the crop of the Government”. It was not the farmers’ crop itself. Again, it was taken from them at a lower price and given to our industry at subsidised prices at the expenses of agricultural growers of cotton. And again, our textile industry was using this extra long – extra staple refined cotton – in manufacturing casuals and bad quality clothes instead of using it in very refined and high quality, therefore, what is called the value added was very low and sometimes negative in our industry. Nowadays cotton is recovering because farmers - at that time they were getting 1/3 of the international price – now are getting the international price. The yield is improving, the new high yielding varieties have been developed by the Agricultural Research Centres and cotton growers are getting the international price. If we are subsidising our industry this should not be at the expenses of the farmers but from the national budget; and therefore cotton is now recovering and we are gaining new markets and we are entering now about 40 international markets which we lost during the last 20 years. Cotton is considered as a sector not simply as a crop because it is industry. It is exportation, it is for oil production, it is for fodder and it is also intense for labour, hence we have unemployment, cotton is a very good sector for the economy and it is coming back again to its real recovery.

Two kinds of agriculture?**Gregory Lazarev, INRA consultant (France)**

I am very surprised that globalisation is reduced to the problem of trade. Global problems are much more, and presently in Johannesburg, for instance, they are discussing all the global problems: environment, poverty, governments, so this is something of a

reduction just to discuss about livestock as a product. Livestock is much more than a product. It is environment because of its support, it is people because of the farms it is also government because of organisation. The last 100 scientists reports to UN called “ World Environment Outlook” last May

indicated, for instance, that land degradation is due for 36% to overgrazing, to 30% to deforestation and 14% to agriculture. This means that environment problems in livestock are something that could be taken into consideration and any holistic management of natural resources (not audible) by everybody should be taken in consideration by livestock people.

The same for poverty. Poverty is a global issue. There is no possible development, no holistic management of natural resources to fight against poverty but most of poor farmers – it was said by Marcel Mazoyer – reminder that are orphan peasants that poor, as livestock, are an important component but not only within the farming system which is very complex and which depends also from revenue from outside of agriculture. So it is a very complex issue and livestock is always a player.

The last consideration is for governments. Governments where are any recommendations for any sustainable development participatory organisation and therefore poor farmers and therefore livestock is poor. So I mean that reducing the problem of livestock in globalisation to discussing the product of livestock for me is too narrow and I will hope that the next successive meeting would open to new considerations to take other aspects into considerations.

Patrick Cunningham

Thank you very much Dr. Lazarev. In fact you have very effectively given us the full spectrum that falls under this globalisation and I won't defend the choice that we made which was to narrow it but you can see that there are constraints. We would need two days if we were to address that full agenda, but it will be definitely noted for the future.

Prof. Horn?

Peter Horn (Hungary)

Could it be assumed that there will be two branches of animal agriculture? One which will be affected much more by global affairs and one which is less?

In the first group it could be that milk production, pork, turkey, chicken and partly beef would be in this part. And the rest would belong to one which we have much more playground to escape the price pressures and constraints which a global aspect would put upon us? Is that possible?

Patrick Cunningham

I reinterpret. In fact, you are saying that some sectors like the intensive pig sector and so on are very much exposed to international competition, others like say sheep and suckling cows which are not really under competition and are land using, that we may have in fact two kinds of agriculture – animal agriculture and future one fully exposed to world trade and the other very much protected, very much involved in landscape management and so on. Dr. De Castro? Does that appeal to you?

Paolo De Castro

The point is what we shall do to manage this situation? Because I think it is correct. I think there are products that are more exposed to the international competition and products that are less. Ability of countries, of farmers, of the people involved in the livestock sectors is to be able to put into the competition more differentiation, otherwise it will happen the same thing I mentioned before: if you have not the chance to put difference into products, there will be many problems. If we talk with friends from Latin America they say that the Common Agricultural Policy stopped the export of livestock in Latin America. Why we should be export fruits and vegetables or other products because of the barriers of the European Community doesn't stop the export of cow or meat, beef, etc. No? When the globalisation opened the market and when the barriers broke down, that means we have to pay - I say it again – is even the way how to produce; animal welfare for instance. I mean the kind of rules that you follow, specific schedules that you follow and that you can convince the consumer in the world otherwise, I don't know, I don't have an answer. I mean it will be a problem. Otherwise, we do not have the chance to make some more items in competition, we risk to loose.

Salah Galal (Egypt, Ain Shams University)

I am talking about the impact assessment of globalisation on the livestock sectors in the different groups of countries, developed and developing countries. From the presentation of Marcel Mazoyer we have seen that the winners of globalisation will be mostly in the developed countries and the losers will be the developing countries. I would add to this that the livestock sector in the developing countries, most of which is in the hands of the holders, will be amongst the losers as a result of the globalisation process. In the European Union, the farmers are protected heavily by subsidies: maybe 30% of the costs are paid by the European Union to the European farmers while the farmers in Egypt and other developing countries are hardly subsidised.

So my question to the panel is how they could divert this trend of globalisation and how we make globalisation beneficiary to the small holders of livestock sector in developing countries?

Patrick Cunningham

Thank you very much and that is an excellent question. Small holders of livestock in developing countries are losers in globalisation and if so what should be done about it?

Paolo De Castro

First of all, we saw before that it is not completely correct; it could be that some developing countries have benefits from globalisation. Take into account India just to take an example. Or what is going on in China? But if we move on to our area of the Mediterranean countries, it seems to be correct.

Globalisation seems to give more chances to developed countries. What we can do? Well the answer is what the EU is doing. Now we are debating on the mid-term review of agenda 2000 and as you know we are discussing on how to reduce the export subsidies, how to reduce the help. Now, we are moving the direction drawn in Doha.

I remember that in Doha was said a very strong sentence: all the WTO countries said that the export subsidies have to be eliminated. Gradually we have to eliminate export subsidies just to give the access to the market to the European countries. But Europe is doing something in this way, because the mid-term review was presented two weeks ago by Mr. Fishler. We are going to reduce export subsidies, help and direct help; but on the other hand European farmers criticised who say “but why do European farmers have to reduce the direct help, export subsidies if the United States is doing exactly the opposite?” So here is the world market. We have to defend. There is something wrong here. This is the reason because I strongly agree that WTO is a great opportunity to push and say that we have to put on the table everything. If the US say one word in Doha and they change when they make the Farm Bill, we have to put it in the same way. In this case I think Europeans are doing the best but of course they have to take into account the right questions proposed by the European farmers.

Laurence Roudart

How can globalisation benefit to poor farmers, and especially to livestock farmers in developing countries?

We are glad that you put this question because the issue is not globalisation yes or no. We have been in globalisation for centuries, even for millenniums, and for sure this process will go on. The crucial issue is actually how we can *regulate* globalisation so that it can benefit to all, and especially to the poorest. As Prof. Saad Nassar was saying before, we should regulate globalisation by designing, among other things, special and preferential treatment for developing countries.

We suggest to protect poor farmers with tariff barriers according to their productivity: the lower the productivity, the higher the tariffs and the prices they are paid. This might be a way to organize globalisation: regrouping within large regional areas countries where agricultural work productivities are of the same order of magnitude. And, in each of these regional areas, setting tariffs and agricultural prices such that the least equipped peasants, the poorest peasants receiving these prices can live from their work, can invest and can develop. We are not speaking of tariffs that should last forever : these protections, of course, should be phased out progressively, according to the progress which will have taken place in each country. But, for the time being, the differences between agricultural work productivities are so high that we have to protect the poorest and the least equipped peasants against the very low prices which presently prevail on international markets, and which have repercussions in developing countries. This would be a way to regulate globalisation, not to withstand it.

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A sum-up of the Round Table

They have said...

"It is clear that the issue of world food and agriculture is still to be solved. Why is the situation still like that? What should we do ? These are the very critical questions regarding food and agriculture for the 21st century." Marcel Mazoyer

"We can put rules on globalisation, we can try to have a "good" globalisation but we cannot stop globalisation because the trend of world export will anyway go ahead". Paolo De Castro

"We have to look at globalisation as a must but at the same time how to minimise the negative impacts of globalisation on developing countries and at the same time to maximise the benefits of globalisation to those developing countries?" Saad Nassar

"Globalisation means that something anyway is moving. The challenge is how we can try to have rules that can play an important role in developing countries and not give the advantages only to developed countries." Paolo De Castro

"What has happened to millions of orphan peasants ? The decrease of real agricultural prices has meant for them decrease of income, impossibility to invest in machines or livestock, impossibility also to purchase inputs, pesticides, mineral fertilizers or selected varieties. In fact, they have gone through a process of continuous impoverishment going till extreme poverty, bad health, hunger, and finally migration to slums and unemployment. Let us recall here that 70% of the people who are undernourished in the world today live in rural areas." Laurence Roudart

"Who can compete?". That means: "Who has comparative and competitive advantages?" Saad Nassar

"Who benefits?" For me on the basis of the data of Profs. Mazoyer and Roudart it is very clear: Who loses? It is hundred of thousands of agricultural workers!" Alessandro Nardone

"The differences between agricultural work productivities are so high that we have to protect the poorest and the least equipped peasants against the very low prices which presently prevail on international markets, and which have repercussions in developing countries. This would be a way to regulate globalisation, not to withstand it." Laurence Roudart

"If we aim only to a price competition, we do not have many chance to win because there are areas in the world that could have cheaper prices than ours because of lower cost of labour and land. It would be hard to win the competition if the cost of production is the only our strength. But lucky Europeans have a lot of traditional food" Paolo De Castro

"All in all, we in agriculture are pro liberalisation of agricultural trade with preferential treatment for developing countries" Saad Nassar