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EXTENT AND IMPACT OF VEGETABLE OILS IMPORT SURGES IN CAMEROON

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Abstract
The trade liberalization has resulted in massive food imports into Cameroon and this is affecting the livelihoods of the farmers, industries, traders, and service providers of the imported foods. Cameroon was selected by FAO as one of the 12 country case studies on the impact of food import surges in developing countries with the overall objective of studying and analyzing the impact of the most prevalent and frequent surge commodities (poultry meat, rice, and vegetable oils) on stakeholders. The methods and analytical approach used for this study are those for WTO Safeguards investigation as outlined in the FAO working document, "*Extent and impact of food import surges in developing countries: An analytical approach and research methodology for country case studies*". Information for the study was obtained from both secondary sources and from primary sources (stakeholders' survey).
Quantitatively and qualitatively, import surges occurred and are occurring for vegetable oils in Cameroon. There were relatively low levels of these commodities imports into Cameroon until 1999-2004 at which time the import of vegetable oils increased by 366.3 %. Palm oil accounted for 55 % of vegetable oils imports.
Domestic and exogenous factors contributed to the commodity import surge in Cameroon. A potentially negative correlation between the movements in import volumes and movement in domestic price, per unit import value, domestic production, and profits, key injury indicators were noted.
Factors other than imports contributed to the injuries.
Cameroon's policy responses to the surges and injuries were its main trade policy instrument, the tariff, creation of ad hoc committee to determine the level of production shortages and quotas to be imported and instituted reference price.

Key words: Impact, vegetable oils, import surge

Introduction

The Republic of Cameroon with a surface area of 475,442 km^2 has a population of 16.3 inhabitants. Agriculture and forestry remain the leading sectors in the country, accounting for some 36% of the merchandise exports and for more than 40% of GDP in 1998/99. Agriculture alone accounts for more than 30% of GDP and provides employment for about 68% of the active population. In recognizance of this importance agriculture plays in the economy, the government promoted the use of farm inputs (fertilizers, pesticides, etc.) in the 80s by providing them to farmers at subsidized rates. The agricultural sector has, however, undergone thorough reforms since 1994 following the Structural Adjustment Program (SAP) by IMF. .As a result, Cameroon did not only disengage from input marketing, but liberalized the economy. The trade liberalization has resulted in massive food imports and this is affecting the livelihoods of the farmers, industries, traders, and service providers of the imported foods. The Cameroon government and industry stakeholders have expressed continuing concern about the impact of these rising food imports on the local industries and the rural communities especially as vegetable oils has a vital role to play not only as nutritional source for the Cameroon populace, but for their contribution to rural incomes and employment opportunities..

Data analysis by the Food and Agriculture Organization (FAO) of the United Nations, for food import surges into some developing countries for the period 1999 to 2003, Cameroon was one of the countries which witnessed the most prevalent and frequent surges with vegetable oils identified as one of the most affected commodities. Despite the widespread concerns and interests on the issue, there are no analytical studies on the impact of import surges on the commodities in Cameroon.
It was for this reason that Cameroon was selected as one of the 12 country case studies on the impact of food import surges in developing countries.

Objective
The overall objective of this study was to analyze the impact of vegetable oils import surge on farmers, industries, traders, and service providers in Cameroon using the analytical approach and methods for a typical WTO Safeguards investigation. This is particularly important since recent reports on vegetable oils are mainly persuasive journalistic reports and lack the rigor of a WTO safeguards investigation.
More specifically, the objectives of this study are to:

- Identify the underlying reasons for vegetable oils surge in Cameroon;
- Demonstrate the injury to farmers, industries, traders, and service providers (stakeholders);
- Establish the causal relationship between the surge and injury, ensuring that injury caused by factors other than imports has not been attributed to imports;
- Provide a broader understanding of the capacity of Cameroon to use enhanced trade surveillance and trade remedy measures.

METHODS AND ANALYTICAL APPROACH

The methods and analytical approach used for this study are those for WTO Safeguards investigation as outlined in the FAO working document, "*Extent and impact of food import surges in developing countries: An analytical approach and research methodology for country case studies"*. Briefly, the methodology involved

- Identification of the problem and collection and analysis of basic trade statistics and policy information;
- Analysis of competition, causal relations, injury and non-attribution issues;
- Analysis of the institutional capability for a trade surveillance system.

Information for the study was obtained from both secondary sources (reviewing of customs data processing report, National Statistics Institute reports, ministries of agriculture and livestock reports); and from primary sources (stakeholders survey). Quantitative data were analyzed using simple descriptive statistics and econometrics.

RESULTS OF THE SURGE STUDY

Stakeholders' survey for vegetable oils
A survey of 105 various vegetable oils stakeholders were carried out in Yaoundé, Douala and Limbe to confirm the economic impact of vegetable oils import surge. Below is the summary of the perceptions of those interviewed

The industrialists
Société Camerounaise de Palmeraies (SOCAPALM):
The management of SOCAPALM considers the recent palm oil import trends into Cameroon as surges. As a result, the corporation which also coordinates the oil palm producers association has regular monthly meetings with the ministries of finance and commerce, requesting these ministries to increase tariffs on imported vegetable oils.

Pamol Plantations Limited (PAMOL

The management considers the recent palm oil import trends into Cameroon as surges. The corporation participates in the regular monthly meetings organized by SOCAPALM with the ministries of finance and commerce.

Complexe Chimique du Cameroun (CCC)

This is the industry using most of SOCAPALM and PAMOL crude palm oils in Cameroon for soap production. The management said the vegetable oil import surge could have had a positive effect on their business if they were using the cheap imported oils for their industries, but that is not the case since most of its oil is bought from SOCAPALM. Though they do not import crude palm oils, they import kernel oil from Ghana.

Survey of vegetable oils traders

According to some 102 palm oil producers / traders, the recent trend in vegetable oils import into Cameroon is a surge. They say this is partly due to the fact that importers by-pass the ad hoc committee in charge of regulating the palm oil sub sector in Cameroon, to request their import authorization directly from the Prime Minister since the PM alone has the right to issue import authorization

Identification and agreement of "like", "competitive", and "substitute" products for imported vegetable oils

In order to identify the domestic industry affected by vegetable oils imports, it is necessary to first identify the like, competitive, and substitute products. The identification of the affected products is important in identifying the various participants affected by the surge, and determines the scope of the study and subsequent data collection and analyses

The domestic palm oil of CDC, PAMOL, SOCAPALM, and cotton seed oil from Northern Cameroon were identified as like products, and ground nut oil as substitute and competitive products for imported vegetable oils.

PROOF THAT AN IMPORT SURGE HAS OCCURRED AND IS OCCURRING FOR VEGETABLE OILS IN CAMEROON

Trade statistics for imported vegetable oils

For the period 1999 – 2004, the importation of vegetable oils into Cameroon went from 7,280 to 33,944 metric tons, an increase of 366.3 %. Total vegetable oils imported during the period were 124,850 metric tons, valued at 42.221 billion FCFA (Table 1; fig 1).

Belgium, Malaysia, Holland, and Indonesia contributed respectively to 27%, 9%, 7%, and vegetable oils imported into Cameroon during the period. Numerous other countries jointly contributed to 33% (Fig 2). Palm oil and soja oils accounted respectively for 55% and 39.7% of vegetable oils imported into Cameroon from 1999 – 2004 (Fig 3).

ble 1: Import data for vegetable oils into Cameroon, 1999 - 2004

ar	Volume of imports (MT)	3-year moving average of import (MT)	Value (in '000 FCFA)	Unit price (in '000 FCFA)
)99	7,280		2,376,087	326
)00	11,747	9211	3,659,852	312
)01	8,605	13679	3,062,952	356
)02	20,686	23959	7,310,596	353
)03	42,587	32405	14,602,983	343
)04	33,944		11,209,225	330
tal	**124,850**		**42,221,695**	338

urce: Statistics Dept., General Directorate of Customs, Douala port, Cameroon

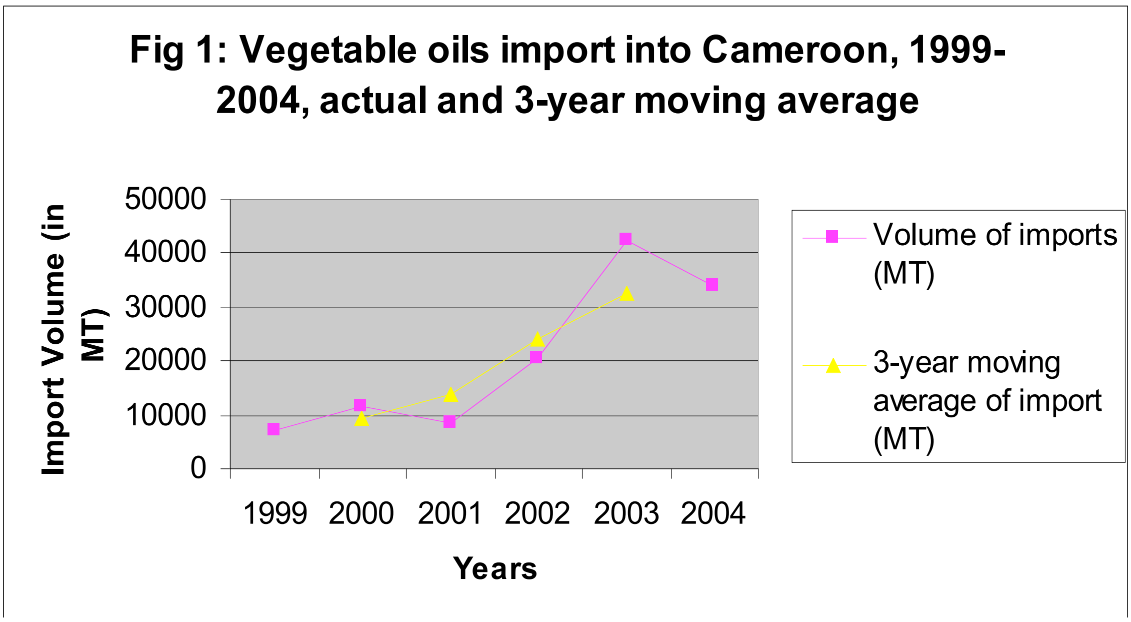


Fig. 2. Origin of vegetable oils into Cameroon for 1999-2004

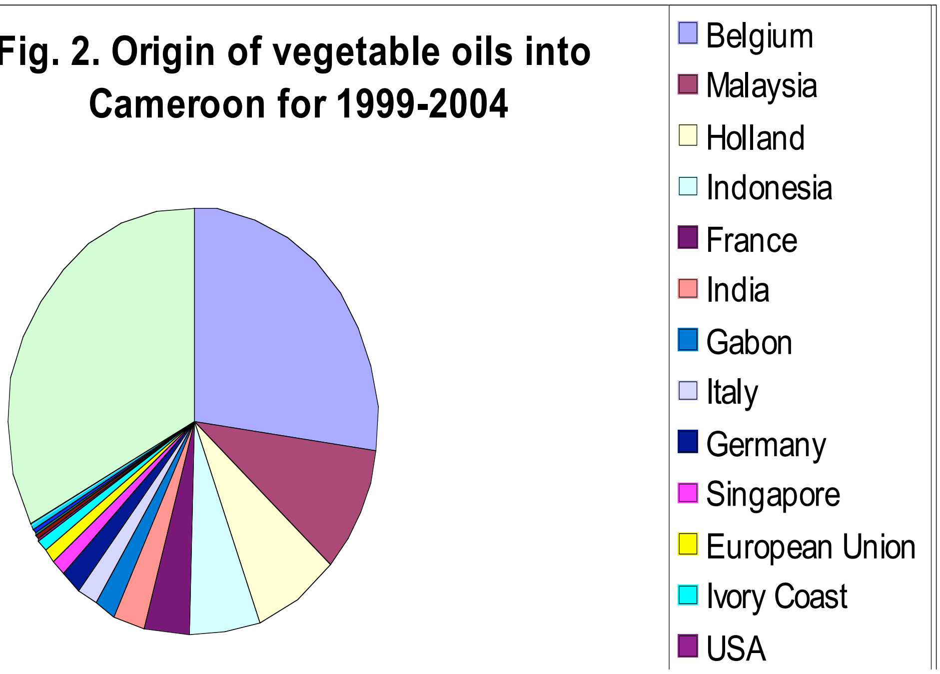
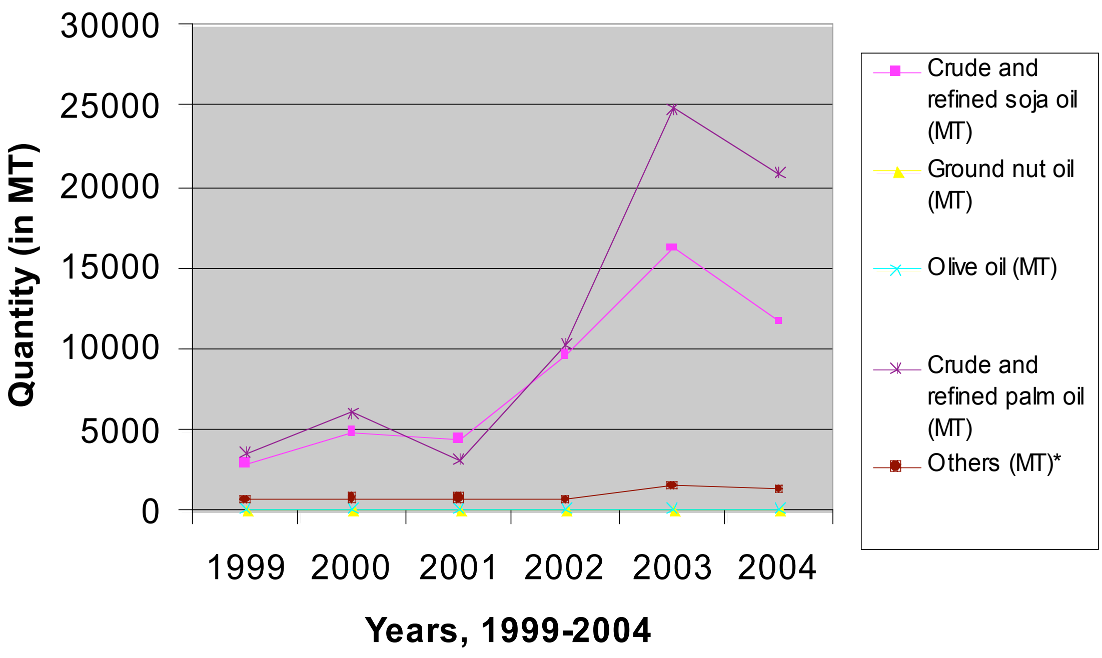


Fig.3 :Import trend of vegetable oils import into Cameroon, 1999-2004



Source: Department of Statistics in the General Directorate of Customs, Douala, Cameroon

Import surge has occurred and is occurring for vegetable oils in Cameroon. Until 1999, there were relatively low levels of vegetable oils imports into Cameroon at which time the import increased by 366.3% by 2004. There have been positive deviations from a 3-year moving average of import data (Fig 1) between 1999 and 2004. Domestic production has been stagnant.
The stakeholder surveys conducted confirmed the economic impact of vegetable oils import surge.

POTENTIAL CAUSES OF THE SURGE
External Factors

- Export subsidies in exporting countries: Belgium, Holland, France, Italy, Germany, all members of the European Union, who are equally major exporters of vegetable oils to Cameroon, implement export and credit subsidies in their various countries

- Good harvest in producing countries: Most of the vegetable oils exporting countries (Fig 2) do have good production and harvest in their countries as opposed to almost constant production in Cameroon (Table 2)

Domestic Factors

- Change in consumers' preference: Most consumers prefer refined oils, but little of that was being produced domestically. Most of the oils imported were refined oils, and crude oils were imported by industries mostly as inputs in the production of other products e.g. refined oils.
- Discriminatory issuing of import authorization: Some agro-industries by-passing the ad hoc committee in charge of regulating the palm oil sub sector in Cameroon, and channeling their request for increase importation through the Prime Minister. A case in point is SOCAPALM that was granted such grant in 2003 and this lead to a surplus import of palm oil. It is worth noting that such grants always go along with a special reduction of custom duty since the industries claim that the import of crude palm oil is a raw material for other products such as refined oils, soap, etc. This probably explains the increase in imports in 2003 and 2004.
- There is no monitoring of import quotas assigned to importers who take advantage of this fact to import more than is required of them.
- The removal of input subsidies: With the liberalization of the fertilizer sub sector as earlier discussed, the small scale farmers either do not use fertilizers or use it in insufficient quantities. This, of course, leads to low yields.
- Staff of the ministry of agriculture with production data always absent from ad hoc committee periodic meetings, leading to arbitrary fixation of import quotas which in turn leads to over import.
- Unreliable production statistics: Interview with MINADER staff highlights the unreliability of MINADER production statistics and their production targets are based on formulas used some twenty years ago. In addition to this, MINADER base their production estimates on data of big production companies and no attention is given to data from small-scale farmers dotted all over the production zones.

INJURY ANALYSIS

MAPPING OF THE SECTOR

Table3: Point of vegetable oils import, consumption and production areas in Cameroon

Imported product	Port of import	Main consumption area(s)	Main production area(s)
Vegetable oils, mostly palm oil	Douala	All over Cameroon	SW Province: ▪ Fako Division ▪ Meme Division ▪ Ndian Division Littoral Province: and ▪ Around Douala Centre and some parts of NW provinces also produce palm oil; and the North province cotton seed oil

INJURY FACTORS

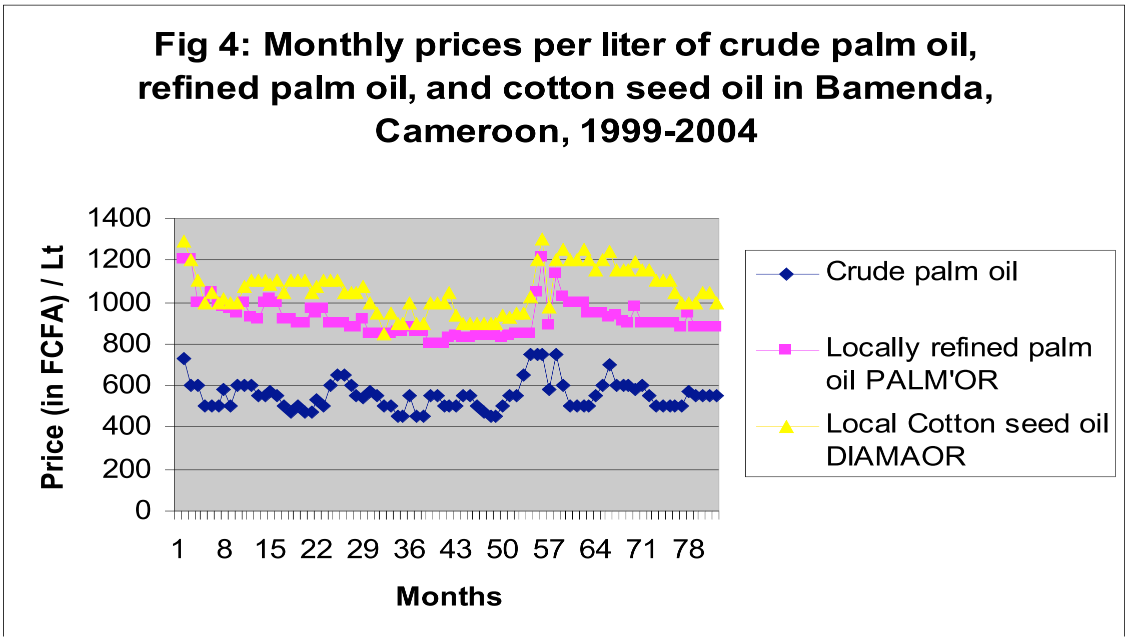
Table 4: Injury indicators

Market participant	Injury indicators
Industrialists (SOCAPALM, PAMOL, CCC)	• 10 – 15% drop in annual turnover; • 30% reduction in average sales price; • increase in total hectares under cultivation to keep production at same level which implies more cost; • Reduction in staff number, sometimes by 25% • 40% drop in sale volume • Under utilization of human and material resources mills • Accumulated unpaid taxes over the years • Lower returns to investments
Small scale producers	• Reduced sales and r profits • Decline in share of vegetable oils sales in household income • Unemployment

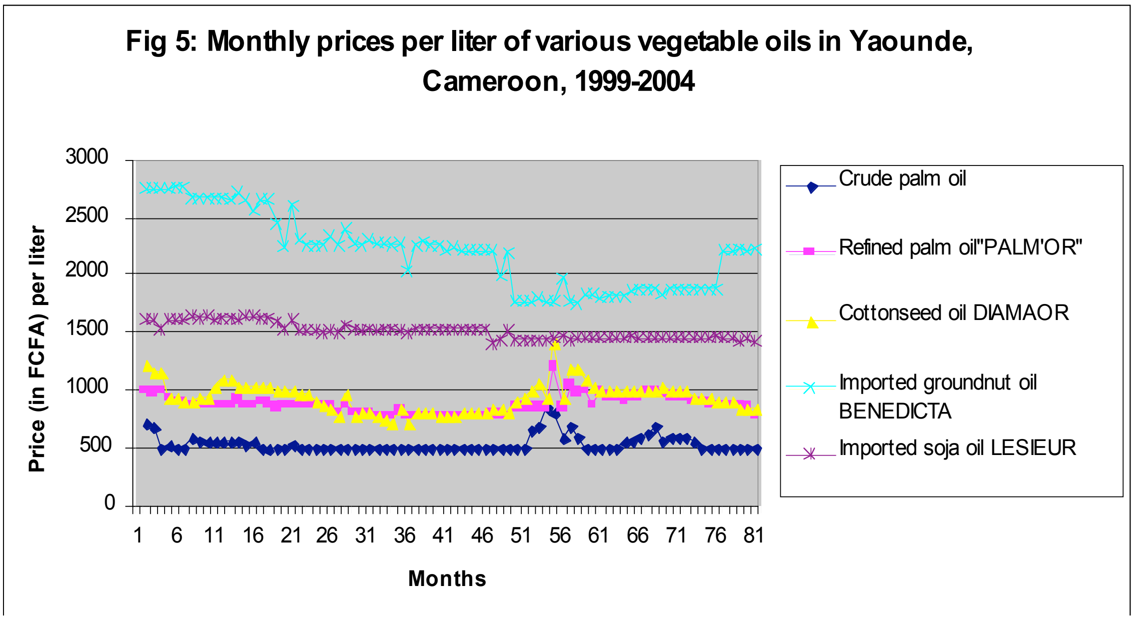
QUANTIFYING THE INJURY

Domestic market prices of imported vegetable oils and affected commodities

Domestic market prices for vegetable oils declined in the main towns of Yaoundé, Douala, Bafoussam, and Bamenda between 1999 and 2004. Crude palm oil market price reduced by 24% in Bamenda, and 28% in Douala. There was, however, an increase of 24% for soja oil in Bafoussam. Cotton seed oil prices fluctuated in Bamenda during the study period, but were generally higher than those of refined palm oil which in turn was higher than crude palm oil (Fig 4). The trend was almost same in Yaoundé except that groundnut oil prices were highest throughout the period, though declining (Fig 5)



Source: National Institute of Statistics (NIS), Cameroon



CAUSAL LINK BETWEEN IMPORTS AND INJURY

Import volume for vegetable oil has been rising (Fig 1) while the sale price of the locally produced oils have been slightly declining or stable in Yaoundé and Bamenda (Figs 4 and 5). There is, therefore, a possible negative correlation between the movements in import volumes and movement in domestic price, a key injury indicator.

Equally, the fact that the price of local palm oil has not increased significantly in the face of constant increasing inputs (labor, fertilizers…), proves that producer profits are declining.

NON ATTRIBUTION FACTOR FOR PALM OIL PRODUCTION IN CAMEROON

Factors other than imports could have caused or contributed to the above injuries, notably:

1. Unavailability and high cost of labor as the plantations are in enclave zones;
2. High transport and storage costs since other storage facilities have to be established in urban centers due to inaccessibility of plantation and industry zones during the rains.
3. High costs of industries' production and social taxes, e.g. social insurance for staff
4. Inexistence of formal credit institutions for agro-industries and small scale producers; e.g. PAMOL finds it difficult obtaining loans from the banks because government has more than 50% of the corporation's shares
5. Increase in fuel prices (about 300 FCFA per liter of fuel in 1999 and almost 6000 FCFA today) which in turn increase transportation cost thereby narrowing the profit margins
6. High input cost (planting materials, fertilizers…); Fertilizers now cost from 200,000 – 250,000 FCFA per ton as opposed to half that price 4 years ago;
7. Increase in electricity prices which in turn increase processing costs;
8. Lack / poor processing units by small scale oil palm producers, leading to poor quality oil and low demand for such oils by the consumers. In Batibo in the NW province for example, the small scale producers boil the palm nuts in drums, pour them in a special built place and extract the oil by trampling on the boiled nuts with their bare feet.

POLICY RESPONSE BY GOVERNMENT

The Government of Cameroon has taken various policy measures to redress the surge in vegetable oils and injuries caused by it to the various stakeholders in Cameroon; notably:

1. At the institutional level, a number of new port entities were created, including the National Port Authority (APN) and new independent port management companies. New management structures were created and are currently being established in each port. The full independence of the new port management entities is to be established in each port, and all industrial and commercial activities are to be transferred to the private sector through competitive bidding
2. Implemented the customs tax system reform by CEMAC member countries, adopted in 1994 which placed palm and other vegetable oils (refined or crude) in category IV (frequent consumable goods), implying that its import for consumption is entitled to 30% custom duty. Custom duty remains 30 % today, but other taxes have increased the total tax to 49% However, if crude palm oil is being imported as a raw material, it is subjected to the payment of a custom duty of 10 % according to CEMAC regulations. The excess oil imported as raw material by industries does not only go for processing, but most are diverted to the consumer markets.
3. Institutes regular meeting with stakeholders to try finding a solution for the import surge and the injuries.
4. In Arêtes no. 12/MINDIC/CAB of 31 March 2004, created and organized the Ad hoc committee in charge of regulating the palm oil sub sector in Cameroon.
5. In Decision no. 0271/99/L/MINAGRIC/DPA/SDPV/SQV of 27 November 2000, gave a non exhaustive list of the type of agricultural products to be submitted for phytosanitary control in Cameroon for both import and export. Vegetable oils feature in the list.

6. Finance law no. 2003/17 of 22 December 2003 of Cameroon for the 2004 financial year, institutes community integration tax, data processing fee, Ohada levy whose rates are respectively 1%, 0.45%, and 0.05%.
7. Finance law no. 2004/26 of 30 December 2004 of Cameroon for the 2005 financial year, institutes the Value Added Tax (VAT) of 17.5%. The custom duty before now has ranged from 22 to 52 %.

TRADE SURVEILLANCE ISSUES

The ultimate goal of this project is to provide a broader understanding of the capacity of Cameroon to use enhanced trade surveillance and trade remedy measures with the objective s of identifying, analyzing, and responding to import surges, and critical to this is the institutional capacity of the government to develop and strengthen trade surveillance systems. To assess the current situation in Cameroon, the following information was gathered:

Institutions involved in trade monitoring:

The institutions involved in trade monitoring in Cameroon are the ministries of livestock, agriculture, environment, the customs, the police, the Port Authority, and the company for surveillance.

Number of Ports:

The Cameroon main port is the Douala port. At the institutional level, a number of new port entities (Kribi, Limbe, and Garoua) have been created and new independent port management companies. The full independence of the new port management entities is to be established in each port, and all industrial and commercial activities are to be transferred to private sector through competitive bidding. The Douala port has improved its performance significantly since September 2000, thanks to the vast program of restructuring supported by the World Bank. The establishment of a One-Stop Window for international trade formalities in August 2000 has reduced cargo-clearance delays to 15 days (from 21 days) for imports and four days for exports.

An assessment of constraints to effective trade surveillance:

Through a discussion with the staff of the institutions represented at the port, and with the importers, there is **generalized corruption** at the port. Infact, one of the staff confessed to me that if he works at the Douala port for 2 years, he can live a millionaire all his life. The institutions at the port have obsolete computers, no laboratories for analysis, lack of qualified staff in sufficient numbers, insufficient working materials, and lack of information flow within and among the services. In all, the institutions are not properly organized and coordinated for trade surveillance which requires good coordination, good database, trained and sufficient staff, analytical facilities and capabilities.

To build these capabilities, qualified staff in sufficient numbers have to be provided; material means (computers, analytical equipment, laboratories, etc.) for technical control have to be available; Continuous staff training, not only in their specialized fields, but also in area of policy and trade have to be implemented; and adequate information within and among services installed.

The One-Stop Shop (guichet unique) and members of the National Task Force of this study can be trained and used to strengthen the surveillance system.

ACKNOWLEDGEMENT

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