Queen’s Institute on Trade Policy

Agriculture & Food Trade: policies, markets, and outlooks

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Overview: agriculture trade policy today

• URAA domestic support *entitlements* are very high.
• Total support *provided* is much lower,
• ... but highly concentrated,
• ...tends to be production and trade distorting
• ...and environmentally harmful
• WTO support notifications lag considerably.
• Limited new market access & use of export measures
Amber Box entitlements, top 10 countries & RoW

Source: Australia and New Zealand, JOB/AG/171, IIT calculations

- $500,000
- $1,000,000
- $1,500,000
- $2,000,000

In Millions of USD
Amber Box support, top 10 providers & RoW

Source: IIT calculations based on WTO notifications
Green Box *support*, top 10 providers & RoW

*Source:* IIT calculations based on WTO notifications
Market access and export competition

• Average tariff rates on agriculture products almost 2X higher than on industrials (8% applied, 49% bound vs. 4%, 27%)  
• ...with very high tariff peaks and escalation.  
• Non-tariff measures can facilitate trade, but excessive or poorly designed measures impose unnecessary costs.  
• No longer significant use of export subsidies, export restrictions are subject to specific requirements, some use of export credits.
Overview: agriculture markets today

• Global food systems have been confronting a triple challenge:
  • ...ensuring global food security and nutrition
  • ...sustaining the environment while addressing climate change
  • ...enabling livelihoods across the food supply chain
  • COVID-19 brought new supply chain vulnerabilities to light
  • Russia’s invasion of Ukraine introduced new humanitarian and security concerns
  • ...expect continued uncertainty into 2023 (and beyond)
Outlook: immediate international priorities

• Increase humanitarian aid, avoid any further increase in hunger, target the most vulnerable populations (WFP)
• Monitor liquidity constraints of low-income food-importing countries (IMF Food Shock Window)
• Don’t make things worse (AMIS)
• Keep agriculture trade corridors open in Black Sea area
• Do not lose sight of the long-standing challenges that pre-date COVID and Russia’s invasion of Ukraine
Outlook: medium-term international priorities

Increase international public-private cooperation to build secure, sustainable, productive, and resilient global food systems:

- Reduce the productivity gap, by adopting available know-how
- Extend the technology frontier, by investing in R&D
- Bring to small farmers the same information available to large farmers
- Align farm and agribusiness strategies with sustainability outcomes
- Re-target farm policies to drive sustainabile productivity growth
- Re-focus trade policies, removing restrictions and facilitating trade
Outlook: agricultural trade in the Indo-Pacific

• CPTPP is *the gold standard* and the logical starting point
• ...from trade agreement to economic partnership
• IPEF aims to introduce a *soft* form of cooperation without any *hard* trade commitments (i.e., no market access)
• What next? It depends:
• ...will participants address priorities also important for agriculture, i.e., trade facilitation, subsidy (EHS) reform, digital transformation, climate cooperation, science & technology collaboration, etc.
Conclusion

• Modernizing agricultural trade policy has been elusive since 1995
• ...and will remain so
• The considerable evidence in support of new agriculture trade policies is simply insufficient to overcome inertia
• The implication: better listening, new analytics, new coalitions, new approaches, and uncovering “the art of the possible”
• ML & PL approaches are imperfect but constructive engagement – like life – is always better than the alternative
Key issues in WTO negotiations on agriculture

From a report to the WTO Trade Negotiations Committee in November 2021 by the Chairperson of the Committee on Agriculture…

“The Domestic Support pillar has been at the heart of the agricultural negotiations since their commencement in 2000. ”

“Given the persistent wide gaps in members views, (public stockholding) has turned out to be the most difficult issue in the agriculture negotiations.”

This assessment was (unfortunately) confirmed at MC12.
Public stockholding for food security purposes: a quick look at the case of India

• The NFSA provides 50% of urban and 75% of rural populations with subsidized rice & wheat. The FCI procures grains at a MSP, usually below prices on global markets, and the grains are stored by state agencies.

• The FCI releases grains for the TPDS to states at a lower price, a CIP. States identify eligible families and distribute grains through Fair Price Shops.

• PSH is costly, about 7% of the total central government budget.

• Domestically, PSH has high opportunity costs, is hard to target to the poorest, and diverts production and consumption from other crops.

• Internationally, large-scale PSH distorts markets, pushing prices up when stocks are being built and down when stocks are being released.

• A major international concern is the price at which grains are procured...
Selected references (1)

WTO Fact Sheet, *Domestic Support in Agriculture*, [https://www.wto.org/english/tratop_e/agric_e/agboxes_e.htm](https://www.wto.org/english/tratop_e/agric_e/agboxes_e.htm)


Selected references (2)


FAO (2022), a series of current briefs on the food & agriculture implications of the war in Ukraine [to be updated] [https://www.fao.org/newsroom/briefing-notes/en](https://www.fao.org/newsroom/briefing-notes/en)