

# Queen's Institute on Trade Policy

*Agriculture & Food Trade:  
policies, markets, and outlooks*

**Ken Ash**

Visiting Fellow, Institute for International Trade, U. of Adelaide

Ash Global Insights

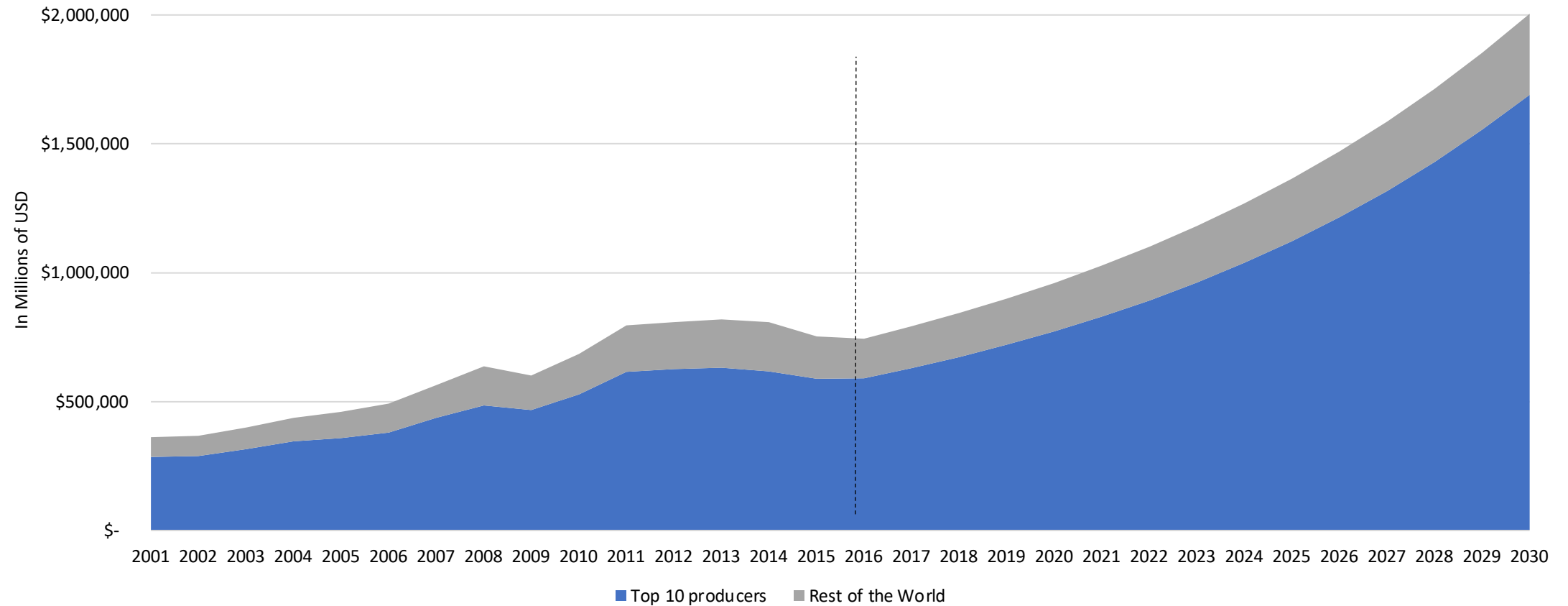
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## Overview: agriculture trade policy today

- 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

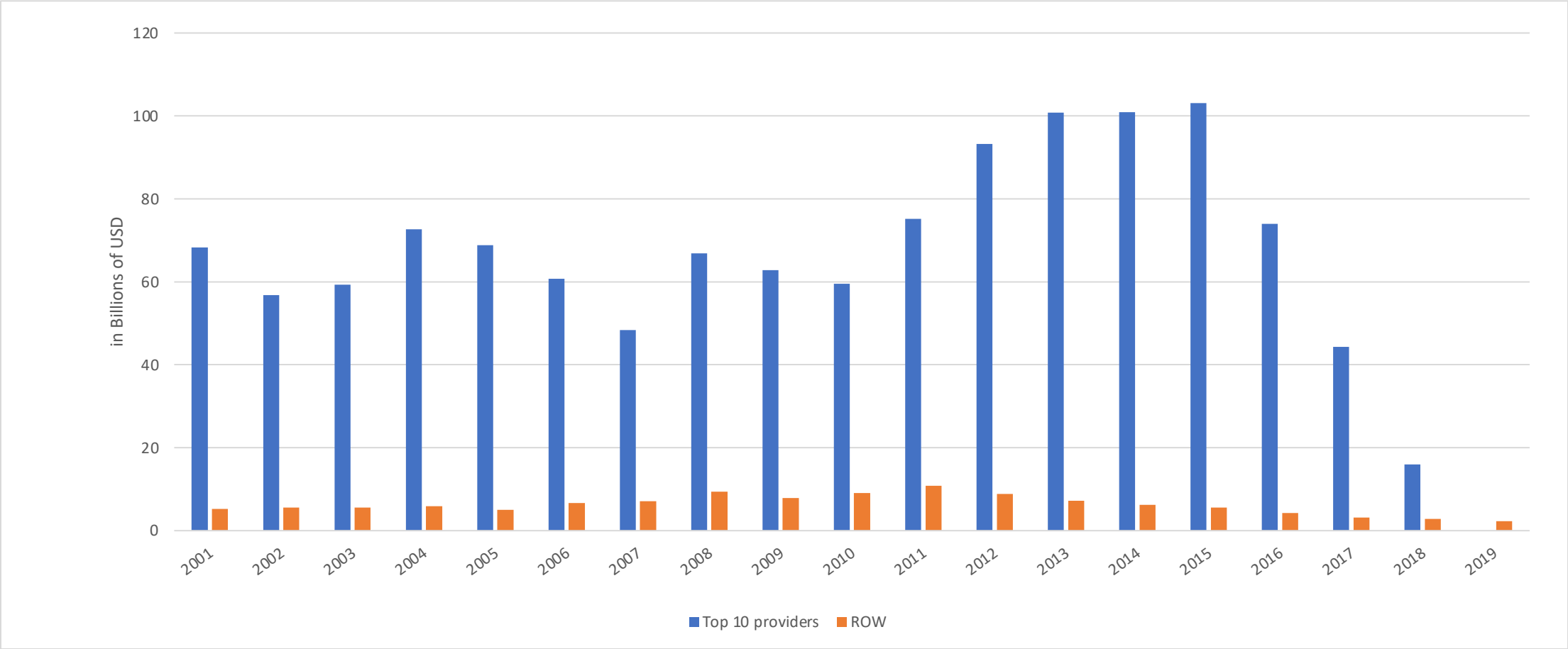
# Amber Box *entitlements*, top 10 countries & RoW

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



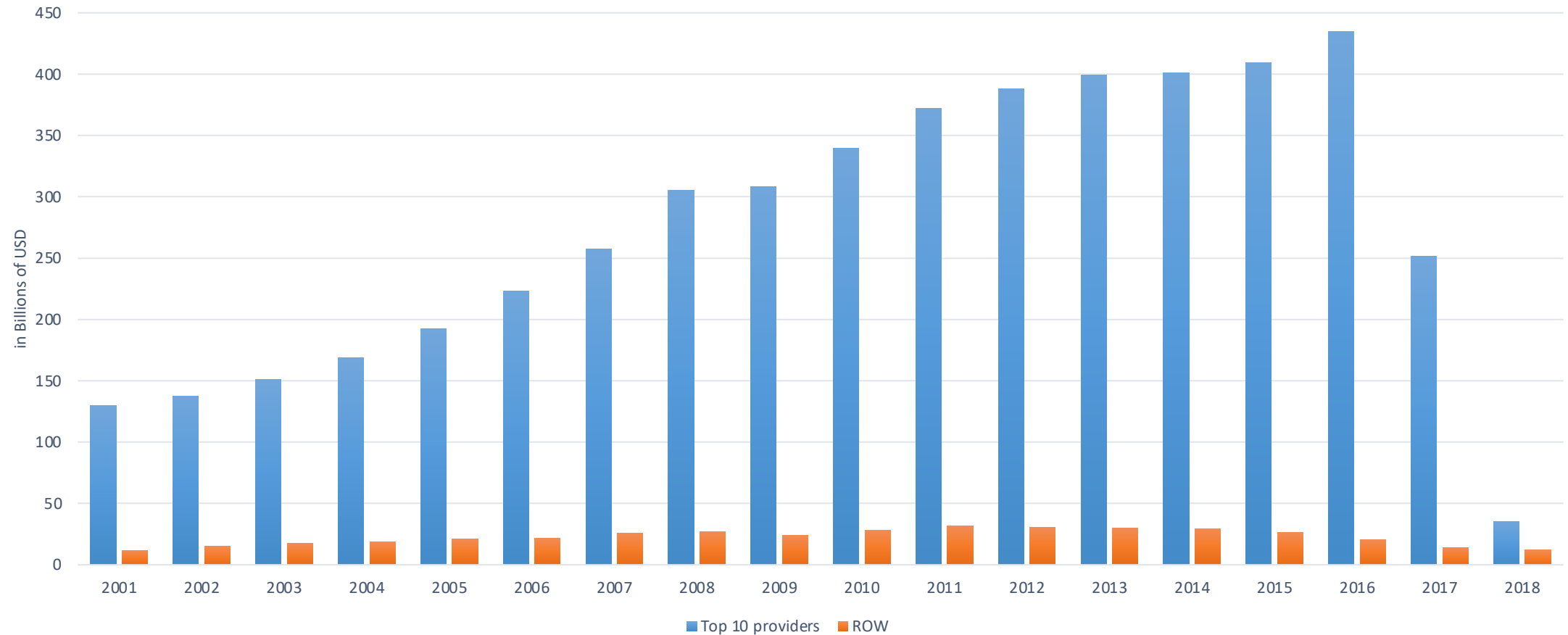
# Amber Box support, top 10 providers & RoW

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 sustainable 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...

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