

Trends in World Agriculture Trade

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The evolution of world agricultural trade since year 2000

1. Since the beginning of the twenty-first century, world agricultural markets have evolved significantly. Strong economic growth in emerging and developing economies has driven the demand for agricultural products globally. Global production increased to meet demand, while trade expanded substantially. Between the years 2000 and 2018 world agricultural trade increased almost 250 percent in value and 95 percent in volume, while world gross domestic product grew 60 percent in the same period. Agricultural trade increased its share of total world trade from 6% to 8%, rising to nearly US\$ 2,000 billion in 2018.
2. Since the financial and economic crisis of 2008, agricultural trade has been more resilient than non-agricultural trade, which has slowed due to a reduction in investment and the resultant weak aggregate demand. Consequently, the value of world non-agricultural trade has expanded 165 percent since the year 2000. This is well below the corresponding figure for world agricultural trade, which was less affected by changes in investment behavior and was more directly related to population growth and income change.
3. The greater expansion of the value of world agricultural trade compared to the volume can be explained by increasing prices of agricultural products since 2000, as well as the 2008 and the 2011 price surges. Changes in volume and prices were the result of structural changes in global agricultural markets, e.g. strong demand for food and feed; declining stock-to-use ratios; expanding production of biofuels; changes in consumption patterns in developing economies; the increasing importance of emerging economies in global agricultural markets; rapid growth of South-South agricultural trade, among the key factors.
4. Similar trends in agricultural trade can be observed in the APEC region and also in the countries that IICA represents. While APEC agricultural exports to the world increased around 235 percent between 2000 and 2018, agricultural exports by IICA countries grew 240 percent. Both groups of economies have a significant share of world agricultural trade: 36 percent for APEC and 30 percent for IICA countries. These shares were stable during the period of almost two decades. Both groupings have economies in the list of top ten exporters of agricultural products as well as in the list of top ten importers of these goods.
5. It is interesting to note that while APEC agricultural products' share of total world exports remained stable—around 5 - 6 percent during the 2000 – 2018 period—in the case of IICA countries, agricultural exports' share of total exports increased from 8 percent in 2000 to 13 percent in 2018, suggesting that in the Americas, the relative importance of agricultural products' share of total exports grew during the period. On the other hand, while APEC economies accounted for half of the world trade of nonagricultural products during the period, the corresponding share for IICA countries is currently less than one fifth, decreasing 5 percentage points between 2000 and 2018.

Agricultural policy trends and WTO negotiations

6. The expansion of agricultural trade since 2000 was facilitated by improvements in market access as a result of the 1995 WTO Agreement on Agriculture. Average applied tariff levels declined as economies met their commitments under the Agreement, but also as a result of bilateral and regional trade agreements and unilateral policy changes during these two decades. Trade-distorting domestic support has also fallen since the year 2000, for example market price support or payments coupled with output and input subsidies.



In addition, there has been a significant reduction in the use of export subsidies, facilitated by the higher level of agricultural commodity prices during the period.

7. Nevertheless, on average, agriculture faces much higher trade barriers than manufacturing. Agricultural products in recent years still face average import tariffs of around 16% compared to 4% for industrial goods. Moreover, some agricultural commodities often face much higher tariffs in countries where these commodities are considered sensitive.
8. Progress in agricultural negotiations in the framework of the WTO has stalled. Since the second half of 2018, WTO members have engaged in an intensive cycle of consultations and meetings, resulting in a work plan that envisages seven thematic working groups to focus on all areas of the negotiations: domestic support (subsidies), public stockholding for food security purposes, cotton, market access, the special safeguard mechanism, export competition and export restrictions. The aim is to intensify and deepen discussions and move the agriculture talks to a “solution-finding” phase, in anticipation of the 12th Ministerial Conference, to be held in June 2020 in Nur-Sultan, Kazakhstan, as a possible conclusion to discussions on some of the issues being negotiated.
9. Discussions on public stockholding for food security continued in dedicated sessions. At issue are public stockpiles of food acquired at administered (officially set) prices. Some members are concerned about the potentially negative impact that these programs might have internationally, as overstocked food could be sold at cheaper prices in global markets and cause trade distortion. It was suggested that so-called green box farm support—support that is allowed without limits, because it does not distort trade, or at most causes minimal distortion—already offers a range of policy options for addressing food security challenges. Other economies emphasize the significant number of small farmers in developing economies, their vulnerability and the prevalence of poverty in rural areas. Many members from developing countries lent their support to the G33 proposal, which reiterates the need to fulfill the Bali and Nairobi mandates to reach a permanent solution that would cover both existing and new public stockholding programs and that would be applicable to all developing economies, without additional burdensome requirements. Considering that the deadline to

achieve a permanent solution at the 11th Ministerial Conference was missed, members should aim for agreement at the Nur-Sultan Ministerial Conference. Appropriate safeguards acceptable to all and enhanced transparency provisions seem to be essential components of any permanent solution.

10. WTO members underscore the importance attached to the negotiations on domestic support. Some members insist that negotiations should initially focus on the aggregate measurement of support (AMS) entitlements, which permit certain members to exceed their de minimis levels (minimal amounts of domestic support that are allowed even though they distort trade) under the Agreement on Agriculture. They consider this to be the most trade-distorting form of support, while others express the view that all components of trade-distorting support should be examined in the negotiations. Members continue to stress the need to further limit trade-distorting domestic support, but they differ sharply on how. Several members call for “proportional contribution”, meaning that members creating the most distortion to trade should also contribute more in their domestic support reduction. The need for special and differential treatment is underscored by many developing economies, who point to the specific challenges they face, including rural poverty and food security. The specific needs of least-developed countries (LDCs), small, vulnerable economies (SVEs) and net food-importing developing economies is also mentioned. Thus far, the views put forward to address domestic support are centered on existing limits and entitlements; new limits and disciplines, such as overall limits or product-specific disciplines and consideration of more disaggregated information, such as support by farmer or by hectare, for example.
11. WTO members are engaged in substantive technical discussions on market access (essentially tariffs). These include the large difference between members’ applied tariffs – those that are actually levied – and bound tariffs, which are the maximum an individual member is permitted under its schedule of commitments. The commitments of newly acceded members and the erosion of preferences are also being discussed, that is, the possible impact that reductions in tariff rates have on the advantages granted to developing economies under preferential tariff systems. Members continue their review of the Bali Ministerial Decision on tariff rate quotas (TRQs). Exchanges focus on addressing the causes of chronic TRQ underfill. Duties inside a quota are usually lower, often significantly lower, than those applied outside the quota. Unfilled quotas mean that exporters miss out. Some economies emphasize the need for a clearer outlining of procedures regarding TRQ reallocation requirements to address cases of quota underfill. A number of members express reservations about the targeting of country-specific TRQs and are of the opinion that those TRQs are not covered by the Bali TRQ decision and the underfill mechanism.
12. WTO members continue to discuss a special safeguard mechanism (SSM), as instructed by the 10th Ministerial Conference. Many economies stress the socio-economic

context affecting agriculture in developing economies and the price volatility risks associated with international trade. A special safeguard mechanism would allow developing economies to raise tariffs temporarily to address import surges or price slumps. Some members envisage such a mechanism only in the context of market access reforms, while proponents see no necessary linkage. Two main challenges remain with respect to this issue: to achieve the required degree of technical maturity in the SSM discussions and to address the market access-related concerns of the exporting members.

13. Regarding export prohibitions and restrictions, many members make reference to the work undertaken before the Buenos Aires Ministerial Conference in 2017 and reiterate their support for an outcome on this topic, while a few developing economies express concern that new requirements or restrictions could limit their policy space. Several members strongly advocate reaching a decision with regard to granting a possible export restriction exemption to the World Food Program for humanitarian aid.
14. The area of export competition covers export subsidies, export credits, export credit guarantees or insurance programs, international food aid and agricultural exporting state trading enterprises. Several members express an interest in continuing to look at ways to improve disciplines on export measures with equivalent effect, agreed by ministers in Nairobi. Many members highlight persistent data gaps in export finance, exporting STEs and food aid, stressing the need to fill these gaps to enable a better assessment of possible ways the current disciplines could be improved. Many members point to the need to focus as a first step on how to enhance transparency to properly monitor and possibly improve disciplines on export competition.
15. The Cotton-4 economies—Mali, Chad, Benin and Burkina Faso (as well as Côte d'Ivoire, an observer since November 2018)—stress the importance of reaching an outcome on cotton subsidies by the next Ministerial Conference, to meet a commitment by WTO members to address cotton “ambitiously, expeditiously and specifically within the agriculture negotiations”. Many members express their support for this objective, but there are stark differences in their approaches to advancing work on this issue. Benin, on behalf of the Cotton-4, introduced a new proposal, including a plan to reduce trade-distorting cotton subsidies in incremental steps, between 1 January 2021 and 31 December 2025.
16. Three types of possible outcomes for the negotiation phase on agriculture are envisaged: a) an outcome on strengthen-

ing transparency, which is a topic brought up most frequently across all areas of agriculture; b) some limited incremental but also substantive outcome on selected topics, such as cotton, public stockholding, some elements in domestic support and market access; and c) a broader and more balanced, multi-topic package with an outcome across all agriculture issues.

The present and future agricultural trade landscape

17. According to WTO, world trade growth will continue to lose momentum during 2019, as trade tensions remain high and GDP growth weakens in major economies. The uncertainty about trade policy is likely to reduce investment and to impact negatively on world trade and output.
18. WTO monitoring reports show that WTO members continued to apply new trade-restrictive measures during recent months through tariff increases, imports bans, special safeguards, import taxes and export duties. The trade coverage for the new import-restrictive measures is estimated at almost US\$ 340 billion, the second highest figure on record, after the reported peak of US\$ 600 during the second half of 2018. Together, these two periods demonstrate a dramatic spike in the trade coverage of import-restrictive measures. Thus, trade flows are being hit by trade restrictions at a historically high level. Additionally, several significant trade-restrictive measures will either be implemented shortly, during the remaining part of 2019, or will remain under consultation for potential implementation at a later time. These facts suggest that the precarious situation in global trade will persist, adding to the uncertainty surrounding international trade and the world economy.
19. World agricultural trade is not an exception to this overall situation. Notifications of WTO members' agricultural trade measures more than doubled in comparison to 2017, with serious concerns raised about members' notified domestic support measures. Trade concerns have also been raised about the bulk of Sanitary and Phytosanitary (SPS) notifications. The majority of regular SPS notifications are related to food safety, whereas a substantial number of emergency SPS measures are related to animal health. Consequently, the number of specific trade concerns has increased substantially in the WTO SPS Committee.
20. Economies and cooperation institutions have the opportunity, in this case, to facilitate trade through regulatory cooperation. Many obligations of the SPS Agreement, most notably those related to notification, play an essential role in fostering opportunities for regulatory cooperation between members and in enabling the private sector and other interested stakeholders to stay informed and to adapt to regulatory frameworks. These transparency obligations therefore provide opportunities for cooperation at various stages of the domestic regulatory process. Cooperation creates opportunities for discussion and





negotiation on the content of the measure, and for receiving a wider range of input to strengthen the evidence base upon which a regulation should be established. This creates a virtuous cycle, which ultimately can improve regulatory quality.

21. The future of food and agriculture also faces uncertainties that give rise to serious questions. The United Nations World Population Prospects medium-fertility variant forecasts that the global population will exceed 10 billion by 2055, stabilizing at just over 11 billion by the 22nd century. This implies that the global population peak will occur within the next century. Alternatively, the high-fertility variant suggests that the global population will more than double by 2100 and continue to increase, while the low-fertility variant predicts the population will peak by mid-century, before falling to near its current level. This is a variance of 9.3 billion people (in 2100) between the high- and low-fertility scenarios, highlighting the potential uncertainty in the future demand for food.
22. It is also expected that as incomes increase, demand preferences for food will change. Consumption of meat and dairy products is expected to grow over the next century, to satisfy a demand for protein in today's lower income countries. Such a demand, however, will place additional strain on land-use and greenhouse gas inventories, as livestock production is generally more land- and emission-intensive than the equivalent crop production.
23. On the supply side, the key factor affecting the ability of the agriculture sector to respond to these changes in demand is productivity growth. Risks include the spread of diseases, growing resistance to antimicrobial substances, regulatory responses to new plant breeding techniques and responses to increasingly likely extreme climatic events. Thus, the negative impact of anthropogenic climate change on agriculture is expected to intensify over the next century. This impact will include changes in crop-growing regions and an increase in severe weather events. The implementation of climate change mitigation policies would also impact agricultural production. This will create another level of uncertainty that will shape agriculture over the next century.
24. Thus, food and agriculture systems may follow alternative pathways, depending on a variety of factors such as population growth, dietary choices, technological progress, income distribution, the state and use of natural resources and climatic changes. These pathways can and will be impacted by strategic choices and policy decisions that should be the result of a cooperative game at the multinational level.
25. Sustainably expanding the supply of food in economies whose population is expected to increase significantly is essential to ensure adequate food availability. Trade has an important role to play here and imports may well be needed to fill domestic deficits, in the event that natural resource constraints are an issue. Strong global and national institutions are needed to coordinate efforts across countries. International trade will remain essential for food security in a growing number of food importing countries.
26. In all scenarios, international trade will play a key role in ensuring world food availability in various regions. In this context, the role of cooperation, either through country groupings like APEC or institutions like IICA, will be fundamental to deal with the present and future uncertainties in international agricultural trade, in particular, and in world agricultural markets, in general.

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