



# AGRICULTURAL TRADE AND FOOD SECURITY: A GLOBAL RESPECTIVE

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# Overview

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Medium term (10 year) agricultural outlook

Trade openness and food security:

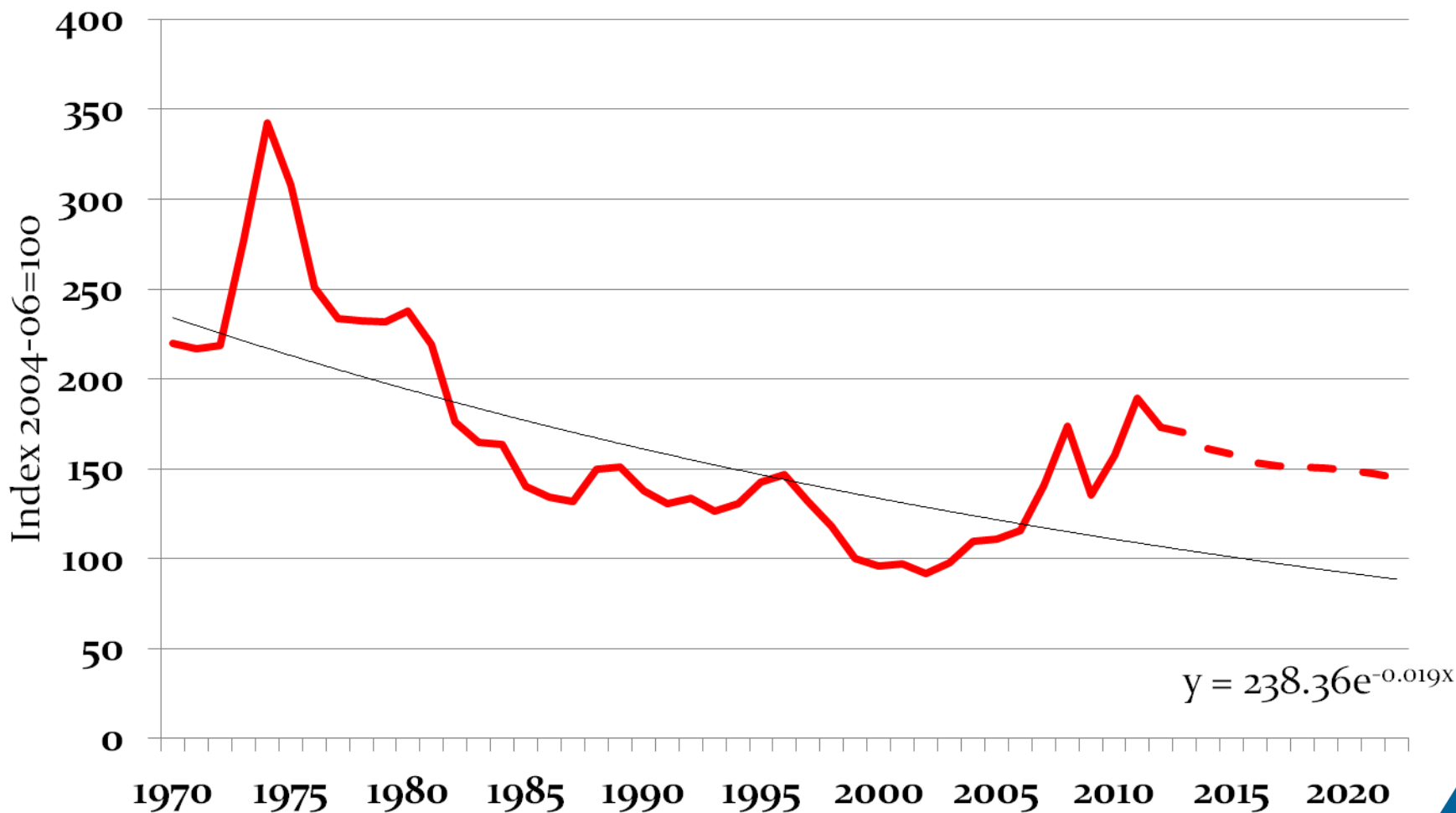
- General benefits
- But concerns about “losers”
- How best to address negative impacts?

Implications for trade policy:

- Developed countries
- Developing countries



# Real prices projected well above trend (FAO Food Price Index)





# The medium-term outlook for agricultural markets

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- Structurally higher prices for most agricultural and food products
- Changes in relative prices
  - Livestock prices increase relative to crop prices
  - Coarse grains to rise more than rice, which will rise more than wheat
- More volatile food and agricultural prices



# Trade openness and food security

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- **Availability:** enables food to flow from surplus to deficit areas
- **Access:** raises revenues for exporters, lowers prices for consumers
- **Utilisation:** increases diversity of diets
- **Stability:** domestic shocks more frequent and severe than international ones
- Promotes efficient use of national resources, driving growth and employment
- Makes production more sustainable: areas of population and demand growth  $\neq$  areas with productive potential



# Micro concern: level and volatility of prices

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Standard OECD advice: policies that seek to influence the level of prices are inefficient (the benefits leak) and inequitable (they pay more to bigger farmers)

Stabilising prices deters effective risk management, turns into support, and often becomes a budgetary millstone

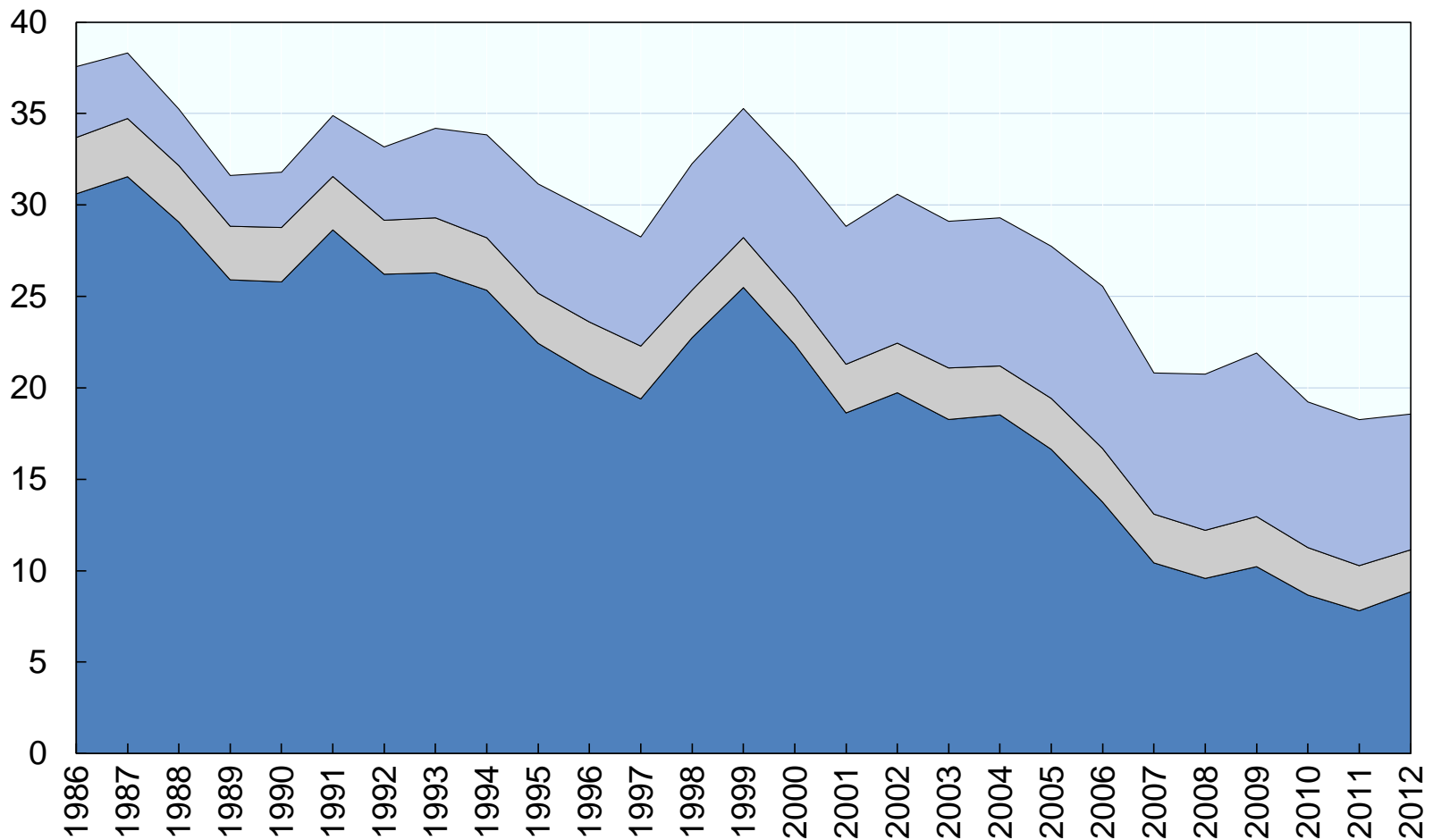
Role for government:

- Social safety nets to protect incomes
- Development of risk management framework
- Provide essential public goods (e.g. rural infrastructure)
- Provide an enabling environment that improves productivity sustainably



# OECD: Level and Composition of Producer Support Estimate 1986-2012

■ Support based on commodity output    □ Payments based on input use  
■ Other payments





# Do poorer countries need more “policy space”?

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Attempts to manage price levels even more futile  
buyers and sellers of food among the poor  
some are not integrated with formal markets

Domestic price risks more frequent and severe than international price risks;  
poor track record of price management schemes

Better to invest in moving to the same instruments recommended for OECD  
countries – underinvestment in agriculture and rural areas a key issue

But what if the necessary institutions do not exist?

- Social protection being scaled up, but still not in place in many countries
- Risk management tools difficult to develop

Moreover, pulling the price lever is politically attractive...*in extremis*  
policymakers may feel it is their only option





# What about smallholders?

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- Dominate the rural economy in many developing countries: raising their incomes is essential for food security
- Huge scope to improve smallholder productivity – better to do that through investment than through subsidies.
- But raising smallholder incomes goes hand-in-hand with the agricultural transformation: most will have better long-term opportunities outside agriculture than within it.
- Policies need to smooth that transition not impede it. Trade protection does the latter.
- Economic diversification a big challenge: value added based on agriculture a promising channel.



# Implications for developed countries

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Complete the reform agenda:

- Abolish market price support and replace it with more efficient alternatives:
  - Social safety nets to protect incomes
  - Payments for clearly identified public goods
  - Tools to manage risk
- Abolish export subsidies (rather than suspend them)
- Remove biofuel mandates



# Implications for developing countries

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*Export competition:* strong case for eliminating both export subsidies and export restrictions

*Market access:*

- Large gaps between bound and applied rates
  - Countries have scope to raise tariffs when prices spike downwards
  - When they spike sharply upwards, waiving tariffs may not have much impact
- Some scope to stabilise prices (mitigate extreme movements) could be a quid pro quo for narrowing the gap between bound and applied rates

*Domestic support:* allow support that offsets internal market failures but not beyond



# For more information



**Global Food Security**  
CHALLENGES FOR THE FOOD  
AND AGRICULTURAL SYSTEM



**OECD-FAO**  
**Agricultural Outlook**  
2013-2022



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