



Trade and Food Security

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» Outline of the presentation

1. Multiple dimensions of food security
2. Global situation of agricultural and food trade
3. Benefits and risks of trade along the different dimensions of food security
4. Likely future developments, demography, incomes, climate change
5. Conclusion

Multiple dimensions of food security

» Definition of food security

Food security exists when all people at all times have physical, social and economic access to sufficient, safe and nutritious foods to meet their dietary needs and food preferences for a healthy and active life.

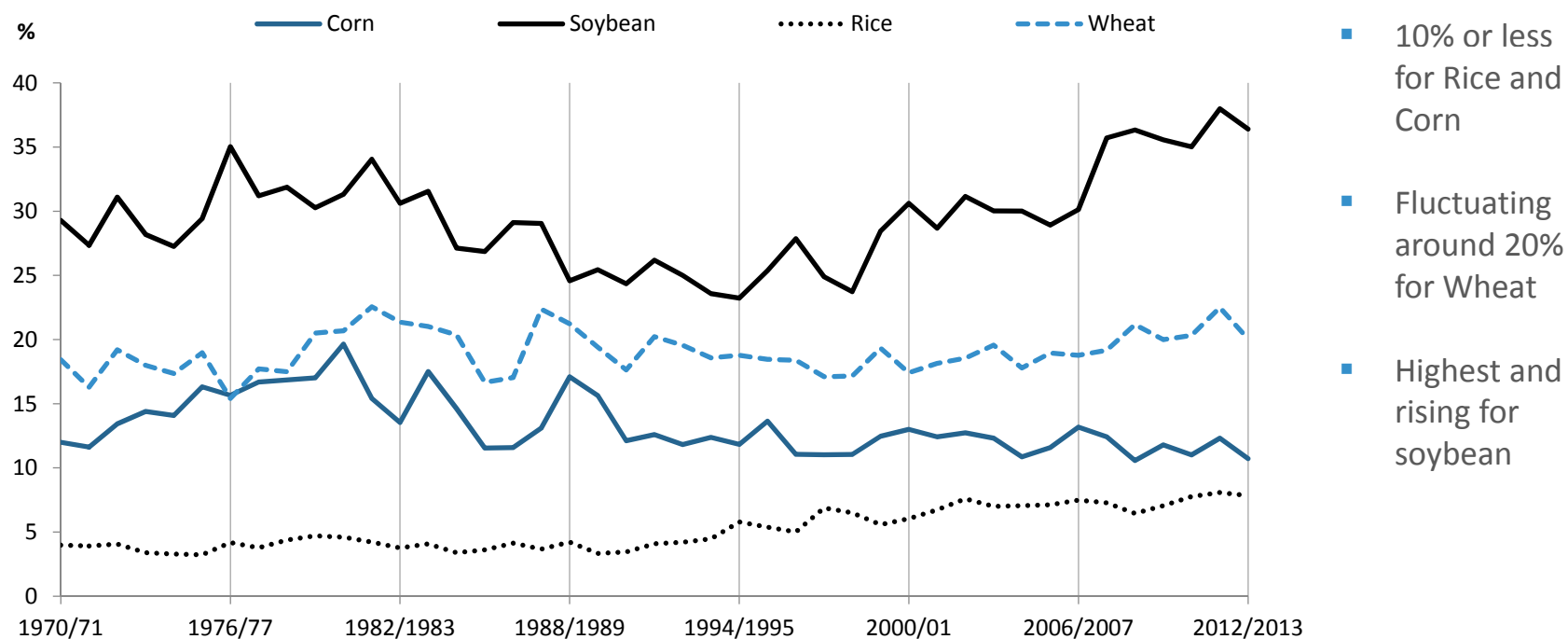
This means that people will be food secure when **sufficient** food is available, they have **access** to it, it is **well utilised** (nutrition dimension) and there is **stability** across those dimensions over time.

FAO definition, 1996 World Food Summit

Global situation of agricultural and food trade

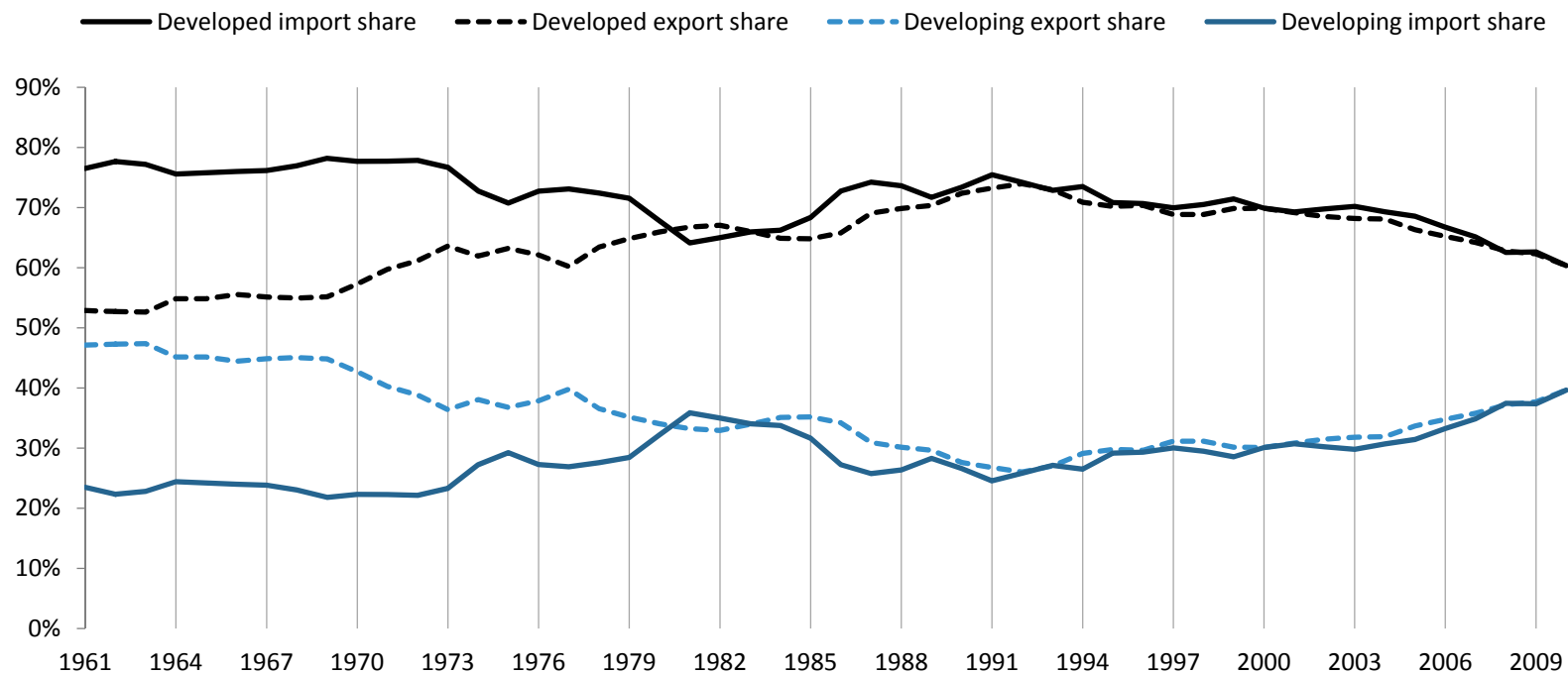
» How important a role does trade play in food supply?

Proportion of global grain and oilseed production traded globally



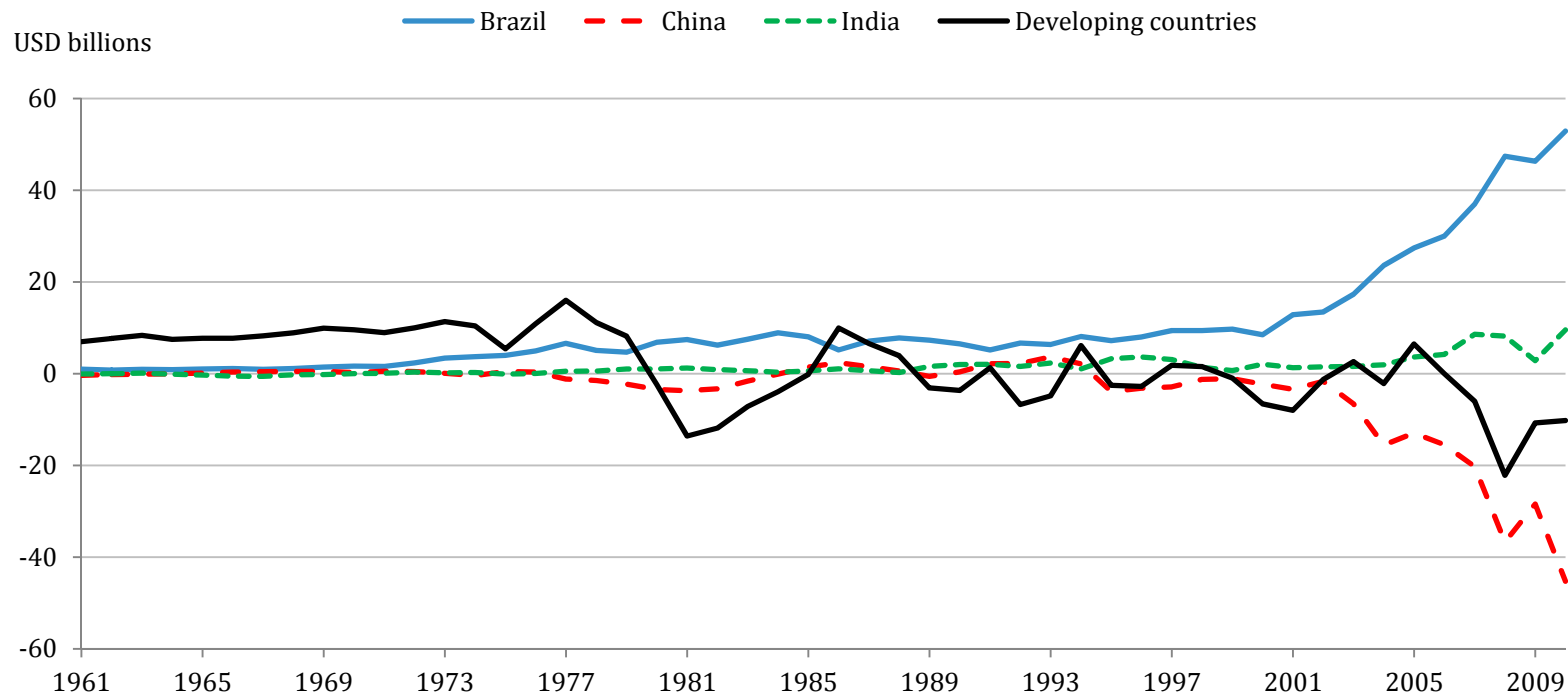
Source: USDA data

» Developed and developing country shares of world agricultural trade



Source: Matthews (2012) based on FAOSTAT
Note: Developing countries include transition economies

» Net agricultural trade of selected developing countries, 1961-2010



Source: Matthews (2012) based on FAOSTAT
Note: Developing countries include transition economies

» Net food exporters and net food importers

	1980-85		2005-10	
	Food Exporters	Food Importers	Food Exporters	Food Importers
Industrialised Countries	16	18	12	22
Developing High Income Countries	2	13	0	15
Upper Middle Income Countries	28	20	14	34
Lower Middle Income Countries	23	26	15	34
Low Income Countries	12	25	3	34
Other	2	1	2	1
Total	83	103	46	140

Source: Matthews (2013).

» Changes in net food trade status and progress on food security

	Stable or not improved	Little improvement	Moderate improvement	Great improvement	Total
Exporter in both periods	9	2	2	2	15
Change from exporter to importer	6	8	9	11	34
Change from importer to exporter	1	2	4	3	10
Importer in both periods	18	16	13	13	60
Total	34	28	28	29	119

Source: Matthews (2013).

Benefits and risks of trade along the different dimensions of food security

» Benefits and risks of trade – availability, access, nutrition, stability

Move supplies from surplus to deficit countries and regions	War, conflict, export restrictions
Domestic Market/price stabilisation	Exposure to international market volatility
Foreign exchange earnings	Affordability
More diversified diet and better nutritional outcomes	Risk of over-nutrition/acceleration of the nutrition transition

» Incidence of trade reform **depends on**

- Whether other country reforms raise or lower international prices
- Whether own-country reforms raise or lower border prices
- The transmission of border price changes to domestic markets
- The net trade status and potential net trade status of poor and potentially food insecure households
- Household and market responses to the new prices

» Export restrictions

- Widely used during recent price spikes
- Widely agreed to have triggered domino effects and to have contributed significantly to international price increases
- Moderate success in dampening domestic price rises, but long-term negative effects on producers
- Reduced confidence in trade as a reliable source of food and led to increased recourse to isolationist, self-sufficiency type policies.

» Import restrictions

- Large differences between bound and applied rates
- Huge variation in tariffs across commodities with tariff peaks still an issue
- Frequent adjustments during recent international price spikes increasing volatility and unpredictability, but unable to significantly mitigate price rises

» Responses and solutions to **make trade more reliable**

- Assist in the development of alternative measures – safety nets for those affected by higher prices
- Strengthen currently weak (or inexistent) WTO disciplines on export restrictions
- Continue the process of reducing tariffs, eliminating water in the bindings and making the trade environment more predictable

» 2011 recommendations from international organisations to the G20 on export restrictions

- Develop an operational definition of a critical food shortage justifying consideration of an export restricting measure
- Allow only as a time-limited measure of last resort when all other measures are exhausted
- Widen, strengthen and enforce consultation mechanisms – WTO, G20 (Rapid Response Forum of AMIS)
- Exempt humanitarian shipments from all export restrictions

» The impact of trade on price volatility

Trade reduces volatility because

- Output shocks are weakly correlated across countries
- Domestic shocks tend to be more frequent and more severe than international shocks

Therefore

- Pooling production risks through trade reduces national variation

» Coping with periodic sharp episodes of **imported volatility**

In the long run

- Improve productivity and resilience to climate and other shocks
- Improve information and transparency
- Make trade more reliable
- Diversify supplies

In the short run

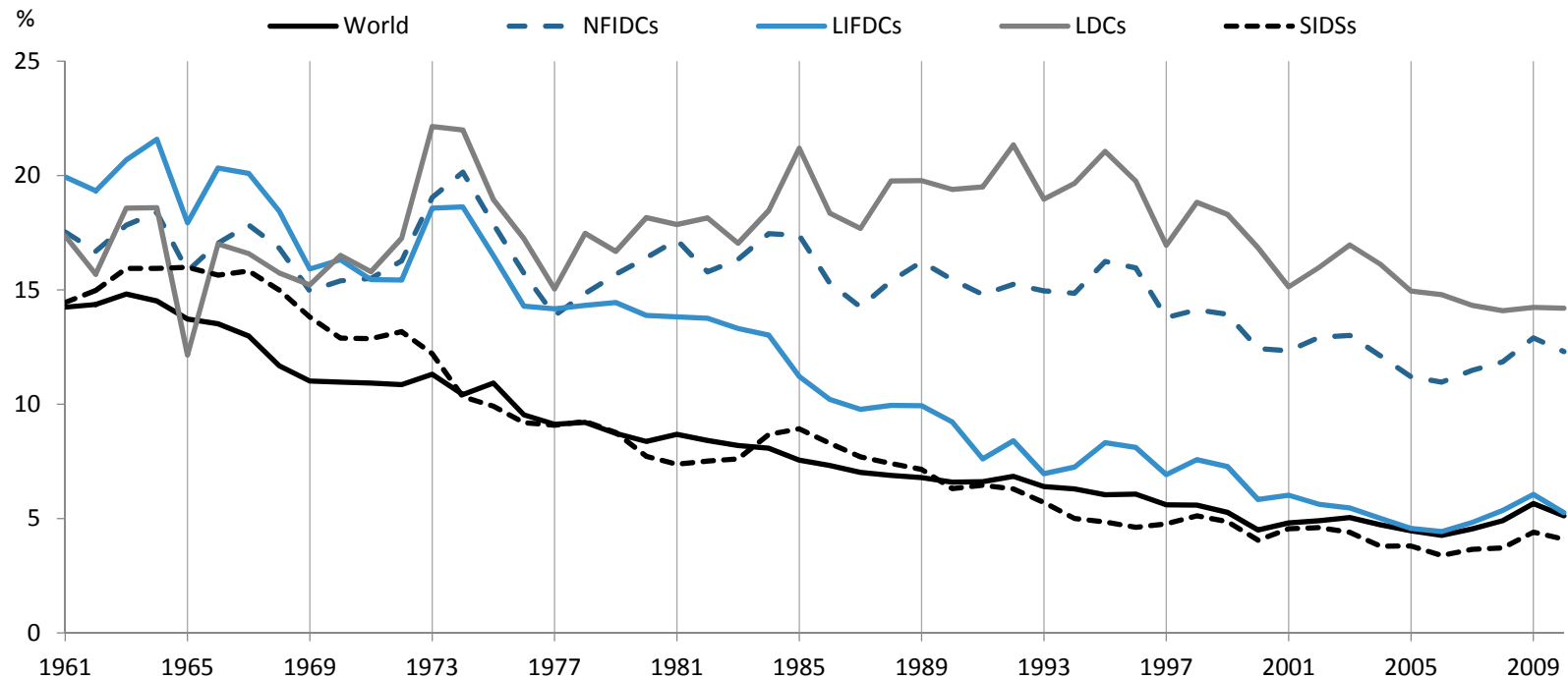
- Deal with the consequences on the most vulnerable through emergency distribution from reserves, safety nets, cash transfers

» Is **affordability** an issue?

Growing import dependency may reflect

- Reallocation of resources in a country in line with comparative advantage
- Development failures that have caused production to fall (or fail to keep pace with demand)
- Growth-Rising incomes leading to a better, more diversified, less seasonal diet

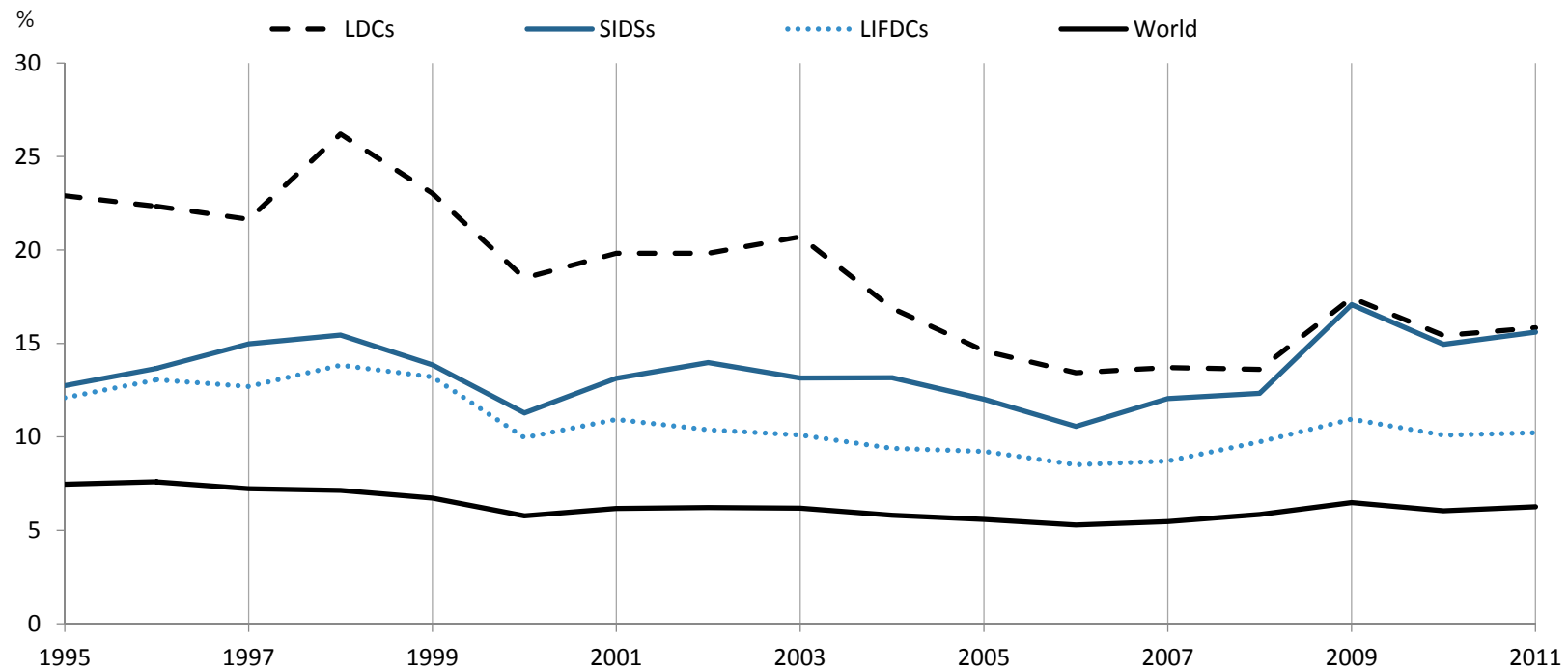
» Food imports as share of total merchandise imports, 1961-2010



Source: FAOSTAT

Note: NFIDCs (Net Food-Importing Developing Countries), LIFDCs (Low-Income Food-Deficit Countries), LDCs (Least Developed Countries), SIDSs (Small Island Developing States).

» Ratio of food import expenditure to total export earnings from goods and services



Source: UNCTADSTAT

Note: LDCs (Least Developed Countries), SIDSs (Small Island Developing States), LIFDCs (Low-Income Food-Deficit Countries)

» Solutions to affordability issues

- Trigger/scale up social safety nets
- Hedging (technical assistance, capacity building, needed)
- Contingent and compensatory financing facilities (25 LICs received assistance during the 2009 crisis)

Likely future developments,
demography, incomes,
climate change

» Future role of trade in food security

Two main factors

- Demography and prosperity
- Climate change

The stabilising and balancing role of trade will become more important

- More frequent shocks due to climate change
- Permanent shifts in comparative advantage
- Prosperity increasing the level and diversity of demand

Conclusion

» Conclusion

- Self-sufficiency strategies will leave countries vulnerable to increased volatility and more frequent shocks in domestic markets
- Thin markets are also likely to be more volatile than well functioning diversified markets with multiple importers and exporters
- Trade will be a key element in multi-dimensional food security approaches that will involve imports/exports, production and stocks in varying proportions in different countries
- Reliability and predictability of trade (both import and export measures) need to be strengthened because more trade will be needed in the future (climate change, demography, rising incomes)
- Flanking non-trade policies are needed to offset negative effects of trade reform – safety nets, adjustment assistance, risk management, strengthening productivity through innovation

Contact us

We look forward to hearing from you!



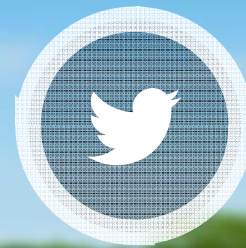
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