Food and Agricultural Trade
Which role in the SDGs?
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Food and Nutrition Security and SDGs

- **FNS: a core element of any development strategy.** Human life quality (and quantity), labor productivity, “Right for Food”...
  - FNS outcome as a consequence of economic development (since it depends on income, price, quality)
  - FNS as a way to achieve economic development (social stability, increased productivity, limit conflicts)

- **Food Production: high exposure to non sustainable strategy** (natural resources depletion, water, fish population, land degradation, climate change...)

- **Why Trade matters:**
  - Improve Availability of food products (quantity). Trade allows to rely on world supply (large and stable)
  - At a low price. By definition, for importing countries: world price < domestic price, and in “real” terms: increasing income of households → trade liberalization
  - Of improved quality. More or less constraints/technology on foreign producers?, Role of SPS, can boost or reduce trade.

- **Concretely, history of mankind is marked by agricultural trade**
  - To tackle the structural consequences of urbanization/economic concentration (and the development of industry and services in some regions), and the possibility to produce food efficiently in other areas
  - Rome and Egyptian wheat during the Antiquity, XIXth century Europe and the outsourcing to the new world and to the East (thanks to transportation improvement).
  - Peaceful trade versus conflict
A brief history of growth, driven by agriculture (inspired by David Ricardo)

Economic Growth
Increasing Demand

Natural Resources Constraint

At one point, You hit the wall

Option 1:
You try to break the wall

Unsustainable development

And the Natural Resources will strike back

Conflicts, Wars : Demand (population) reduction, redefinition of property rights
See Easter Islands, Pre-Columbian Civilizations... (reaching the point of “closed” economies)
A brief history of growth
(inspired by David Ricardo)

Economic Growth
Increasing Demand

New Constraint
Natural Resources Constraint

Technical Progress
International Trade

Option 2: You “Push” the wall.

A. You expand to new “world(s)” (it will trigger also expand trade). Today, mostly done...

B. You expand the constraint thanks to Technical Progress (i.e. productivity gains)

C. You expand the constraint thanks to Optimal Production allocation: International trade.

And Trade will foster Technical Progress:

• Innovation [Larger Markets]
• Diffusion [Ideas travel with people, goods and services]
• Adoption [Competition]
Food and Agricultural trade and Environmental Sustainability
Is it a Part of the problem?

- Agriculture is a source of emissions and can be resource intensive
  - Energy intensive sector
  - Livestock
  - Land use changes
  - Water

- Fisheries affect natural resources

- Trade increase emissions:
  - Trade creates markets, connecting a new demand to a new supply. It can cause severe environmental damage;
  - Trade increases income, and income generate growth;
  - Trade requires to transport goods: more transportation emissions

  *Limiting trade is a second best tool: does not apply to the source of the problem (market failures).*

  - Lack of property rights
  - Lack of policies targeting production or consumption externalities
Food and Agricultural trade and Environmental Sustainability
Or Part of the solution?

- Trade does not only lead to produce **more**, but also to produce differently, and potentially **better**:
  - Less energy intensive production
    - a Spanish tomato consumed in England has a carbon footprint of only ¼ of its British cousin
    - Agriculture: USA 553Kj/Kcal, Zambia 191Kj/Kcal
    - But markets need the truthfulness of prices: danger of subsidies in agriculture on energy use
  - Role of technology transfer

- Trade can also promote “green” goods (?)

- Remark: Agriculture is not about food only. Important inputs for many industries today, and more tomorrow (bioenergy, Green Chemistry).
  - Agricultural trade an engine of growth, source of many value chains
Food and Agricultural trade and Social Sustainability

- Trade increases income and improve access to food
  - As a matter of fact, a tariff (or other trade restriction) is a tax on consumer
  - Everyone consumes food, but do not produce food
  - Large share of smallholders are net food consumers
  - Poor are spending a higher share of their income on food products
  - Trade policies are regressive, and limit food diversification

World average tariff on:
- Agricultural products: 18.9%
- Food products: 21%
- Meat, Dairy...: above 35%
- Except. Fish below 8% in average

- But trade openness generate winners and losers. It can increase inequalities!
  - Role for redistributive policies and safety nets

- And some conflictual issues. FDI in land vs “land grabbing”: redefining property rights may lead to improve environmental sustainability but lead to social conflicts
A few facts
Global Food Trade as a share of global production
Development and structural change in country status regarding food trade

Source: Deason and Laborde (2010)
LDCs and their food bill
Traditional and New Producers: The role of emerging countries

Corn Exports in Millions of Tonnes, 1980-2013
Development = Higher Income, Higher Demand (and for different products)
Fish and Fish products: a booming market
A silent revolution: From hunter/gatherer to Farmer. The role of global value chain and the production system
Import tariffs on food products: a heavy burden for the poor

Source: Deason and Laborde (2010)
Conclusions

- Human development requires Food and Nutrition security
- International Trade is an important pillar of FNS
- But Trade is not a development outcome or a policy target:
  - It is an outcome of development
  - It is a mean to achieve efficient and sustainable development
- Efficient Food Systems - as any economic activity - require an efficient trading system. Trading system = infrastructure and policies.
- Targeting trade distortions
  - Improved monitoring
  - Stronger disciplines for both developed and developing countries, for exporters and importers