

SDG 2: Zero Hunger

“ We cannot solve the food systems problems we face without trade. We cannot achieve the food systems transformation we need without transforming trade policy.

**WTO Director-General Ngozi Okonjo-Iweala, UN Food Systems Summit
+2 Stocktaking Moment, July 2023**

Current threats to food security

In their first-ever declaration on food insecurity, adopted on 17 June 2022 at the 12th WTO Ministerial Conference (MC12),⁸ trade ministers acknowledged that progress towards SDG 2 had been undermined and expressed their determination to make progress towards the objectives set out under the goal.

The latest estimates from the Food and Agriculture Organization of the United Nations (FAO) and other UN agencies show that, in 2022, the number and share of undernourished people in the world had stabilized at around 9 per cent of the world population, or between 690 and 783 million people (referring to SDG indicator 2.1.1, “Prevalence of undernourishment”) (FAO et al, 2023). Furthermore, about 29.6 per cent of the global population, or 2.4 billion people, were moderately or severely food-insecure (SDG indicator 2.1.2).⁹

The agencies also project that nearly 600 million people will still face hunger by the SDG 2 target date in 2030 – 119 million more than would have been the case without the COVID-19 pandemic and the war in Ukraine (FAO et al, 2023a).

In 2023, the World Food Programme (WFP) identified 18 “hunger hotspots” where acute food insecurity was likely to worsen between November 2023 and April 2024 (WFP and FAO, 2023). Conflict and insecurity are common drivers of acute food insecurity in the places that raise most concern. However, economic shocks are also important in others.

In addition to the immediate threats to food security, the agricultural sector continues to be affected by deep-seated structural challenges associated with trade-distorting support and protection: these remain an important priority for WTO members in ongoing negotiations. The Organisation for Economic Co-operation and Development (OECD) has found

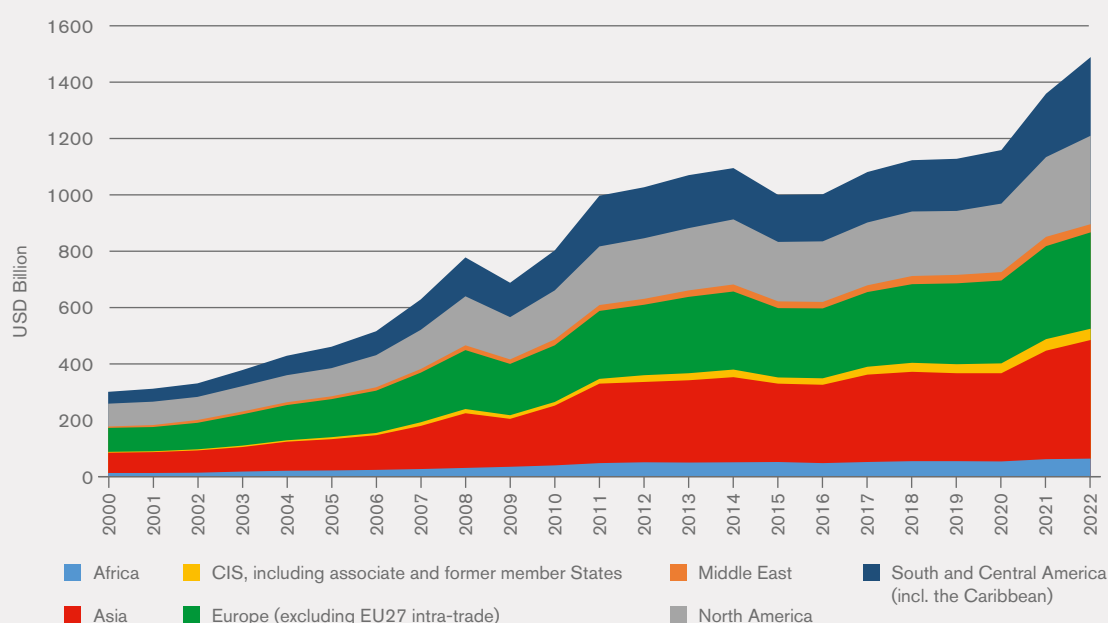
that support for the agricultural sector hit record levels in the 2020-22 period, using a metric which includes both budgetary outlays and the effect of border measures such as tariffs (OECD, 2023).

In 2020-22, the OECD found that, in 54 economies¹⁰ it analysed, the ability of consumers to buy food was strengthened by US\$ 115 billion in support for consumers; governments also provided US\$ 106 billion worth of “general services” to the farming sector (such as in the form of research, infrastructure, and farmer advisory services). Neither the category of consumer support, nor that of general services was considered to be contributing to market distortions (OECD, 2023). However, another US\$ 630 billion was provided in support to individual producers, including highly distorting forms of support such as payments tied directly to prices and production, thereby undermining efforts to correct and prevent trade restrictions and distortions in world agricultural markets (SDG 2b).

Research by the FAO has found that the agri-food system imposes “hidden costs” of at least US\$ 10 trillion, as a result of unhealthy diets, environmental costs, and undernourishment (FAO, 2023a). Progress on SDG 2 will require governments to take steps to address these costs, including by reforming subsidies, reinforcing environmental protection and strengthening social safety nets.

Trade in food and farm goods has helped to absorb economic shocks and strengthen resilience

By helping to move food and farm goods from surplus to deficit regions, trade improves the availability of food on global markets, and, by cushioning local shocks, also improves stability (SDG 2.1).

Figure 4: Agricultural trade value grew five-fold between 2000 and 2022

Source: WTO (https://www.wto.org/english/tratop_e/agric_e/ag_imp_exp_charts_e.htm).

WTO analysis shows that agricultural trade has been more resilient to shocks than other economic sectors. It has grown rapidly and relatively steadily across all world regions, and increased five-fold between 2000 and 2022 (see Figure 4).

The steady growth of agricultural trade, and its apparent resilience to shocks, can be seen as being due to several important factors. Demand for food and agricultural commodities is relatively inelastic, with households continuing to buy food even if they have to forego outlays in other areas. Supply can also be substituted easily if shocks occur, as unexpected shortfalls in exporting regions can be met by increased exports by producers elsewhere. To some extent, goods within the same product group can also substitute for one another – for example, livestock producers can switch between different feed grains.

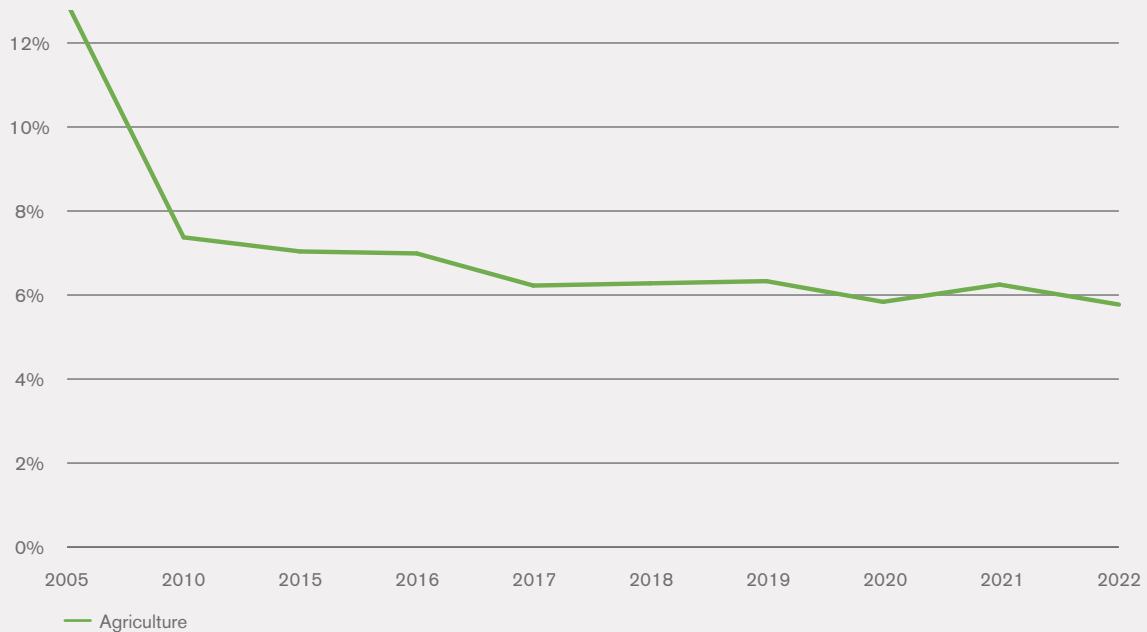
Because trade in agricultural commodities relies heavily on bulk maritime shipping, the sector was relatively unaffected by policy measures imposed during the COVID-19 pandemic, beginning in 2020, although some sub-sectors (such as horticultural products) were initially affected by supply chain disruptions (WTO, 2020). However, while the availability of food at the global level remained relatively stable, access to food and nutrition was impeded in many developing economies as the incomes and employment of vulnerable people were

affected by restrictions on the movement of persons, reduced remittances flows and reduced revenues from services trade particularly affected by the pandemic, such as tourism (Schmidhuber, Pound, and Qiao, 2020; Schmidhuber and Qiao, 2020).

Tariffs on agricultural goods have also fallen over time, improving the overall availability of food and easing access to safe, sufficient and nutritious food for consumers (as per SDG targets 2.1 and 2.2). The average applied tariff (including preferences) on agricultural goods was 13 per cent in 2005, but this fell to 6.2 per cent in 2021 (see Figure 5). Bilateral agreements and unilateral policy reforms have contributed to lowering trade barriers. However, tariff peaks on some agricultural products are often much higher than average levels, sometimes even exceeding 1,000 per cent (WTO et al, 2023). Lower tariffs can contribute towards the objective of providing secure and equal access to markets and opportunities for value addition, which in turn is important for improving the productivity and incomes of small-scale food producers (as per SDG target 2.3).

Trade supports livelihoods and improves access to food

WTO data show that, in the first decade of this century, China's merchandise imports and exports

Figure 5: Evolution of average applied tariffs worldwide on agricultural products

Source: SDG Trade Monitor (<https://sdgtrade.org/en/indicators/17-10-1/BP/1/>).

both grew six-fold – corresponding with a dramatic reduction in the prevalence and number of undernourished people in the country.¹¹ In 2020-22, less than 2.5 per cent of China's population was undernourished – down from 10 per cent in 2000-02, or 131.3 million people (FAO, 2023b). Trade across economic sectors has been an important driver of the country's economic transformation.

Similar trends are apparent in a number of other Asian economies which were home to large numbers of undernourished people just over two decades ago. In Indonesia, Myanmar, the Philippines, Thailand, and Viet Nam, the number of undernourished people has fallen by nearly 68 million in total, while trade has grown.

However, in several other economies, the number of undernourished people, which had fallen in the first decade of the century, has since risen, even though goods and services trade has grown. This trend is apparent in India, which alone accounts for one-third of all the undernourished people in the world, as well as in Brazil, Ethiopia, Kenya, Madagascar and Pakistan.

Conflict, climate extremes, economic slowdowns and downturns, and growing inequality have been among the main drivers of food insecurity, along with the impact of the COVID-19 pandemic, according to the FAO and other international agencies (FAO, 2023).

Trade has helped bring food prices down from recent record peaks

The FAO Food Price Index was 26 per cent lower in January 2024 than when food prices peaked in March 2022. However, the FAO reported that India's export restrictions on rice were among factors contributing to a rise in global prices for the staple grain, with the agency's rice price update showing rice prices increased by 12 per cent increase between June and September 2023.¹²

After a spike in 2022, fertilizer prices have also dropped back closer to previous levels, reflecting a fall in prices on global energy markets and robust trade in fertilizers despite disruptions affecting other economic sectors.

Following the outbreak of the war in Ukraine, global trade in key food commodities (e.g., wheat and maize) remained stable despite the shock to Black Sea maritime trade (WTO, 2023a). The Black Sea Grain Initiative, in particular, helped to facilitate the export of Ukrainian grain and other foodstuffs from July 2022 to July 2023, when it was discontinued.

Since September 2023, Ukraine's humanitarian shipping corridor has facilitated agricultural exports from the country: these reached pre-war levels in

December 2023 (>7 million tonnes), 86 per cent of which were via ports¹³). After the outbreak of the war, the initial shortfall in Ukrainian wheat exports could also be compensated at the global level by increased exports from other exporting countries and regions.

Nonetheless, by affecting trade and production, geopolitical and weather-related factors are among those continuing to threaten food security. Recently, these factors have included insecurity in the Suez Canal, drought in the Panama Canal and the El Niño phenomenon.

Many developing economies still face high food prices due to inflation

Despite the fall in the FAO food price index since March 2022, poor households in many developing economies continue to face difficulties in accessing food, with both overall inflation and food price inflation persistently high.

World Bank data show that nominal food inflation is at 251 per cent in Argentina, 208 per cent in Lebanon and 173 per cent in Venezuela (World Bank, 2024). It was also in double digits in several other economies, including Türkiye (72 per cent), Egypt (61 per cent), Sierra Leone (57 per cent), Malawi (44 per cent) and Iran (41 per cent). Food price inflation exceeded overall price inflation in 71 per cent of the 165 economies for which both sets of data are available.

The underlying causes include a strong US dollar, currency devaluation in some economies, and high energy and transport prices.

The WTO is contributing to progress

The multilateral trading system steered by the WTO has been credited with promoting food security by keeping markets open and predictable. This can be seen in the ways in which economies accessed food supplies during the COVID-19 pandemic and the recent geopolitical crisis in Ukraine. The reduction of tariffs negotiated through the WTO has facilitated a more efficient global food market, allowing economies to import needed supplies. As mentioned earlier, open trade helps ensure that food produced in areas with surpluses can reach economies facing shortages. However, the current situation with food price inflation shows that a purely

trade-focused approach may not be enough. To ensure long-term food security, there needs to be coherence among trade policies, economic policies that address issues like inflation, and financial instruments that can help economies afford food imports.

Negotiating reforms to agricultural trade rules

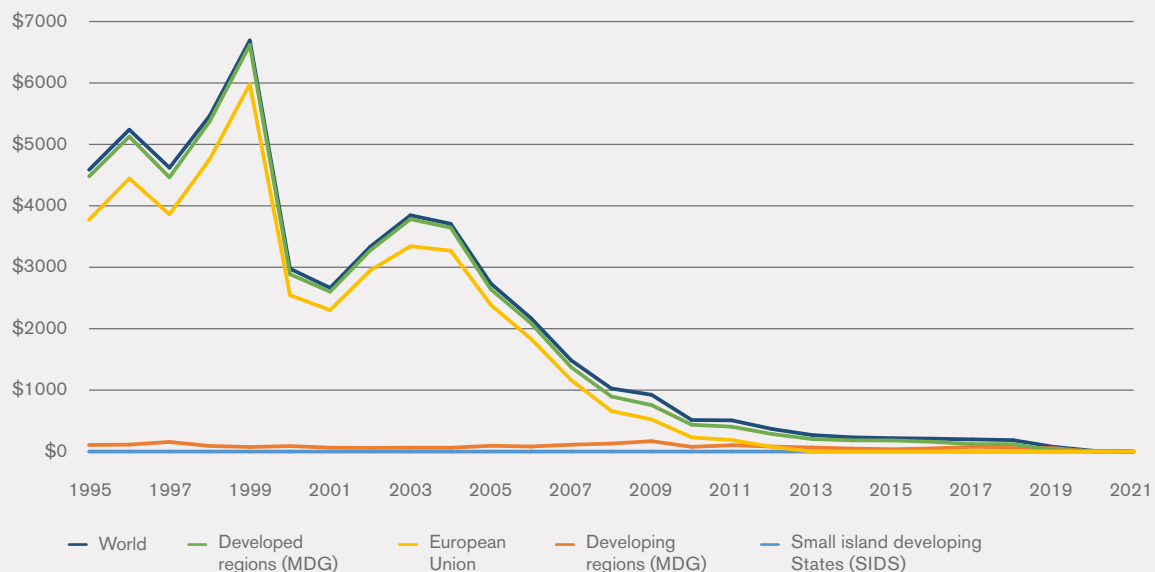
The WTO provides a platform for members to negotiate reforms to agricultural trade rules which can contribute to progress on SDG 2. At the 10th WTO Ministerial Conference in Nairobi, Kenya in 2015, WTO members agreed to eliminate agricultural export subsidies – a type of policy measure that has been recognised as the agreed indicator for progress on SDG target 2.b, and that has long been seen as a source of unfair competition on global markets for food and agriculture. In 2021, agricultural export subsidies notified to the WTO fell to under US\$ 5,000, from a peak of almost US\$ 7 billion in 1999 (see Figure 6).

In 2022, WTO members also agreed that food bought by the WFP for humanitarian purposes would not be subject to export restrictions, in a decision that was adopted at MC12 – the Ministerial Decision on World Food Programme (WFP) Food Purchases Exemptions from Export Prohibitions or Restrictions.¹⁴ The decision was part of a package of outcomes that also included the WTO's landmark 2022 Ministerial Declaration on the Emergency Response to Food Insecurity,¹⁵ the WTO Agreement on Fisheries Subsidies¹⁶ and a declaration on sanitary and phytosanitary measures,¹⁷ covering food safety and plant and animal health.

The WFP has stated that the MC12 Ministerial Decision¹⁸ has enabled it to enhance and diversify access to surplus local production and has facilitated international and regional commodity movements. In particular, the agency has reported undergoing a consistent increase in the number of sourcing economies – from 91 in 2020 to 101 in 2022 – allowing it to procure essential food and commodities more efficiently, nearer to where its operations take place, and to generate positive economic impacts in more economies worldwide.

Although the 13th WTO Ministerial Conference (MC13) ended on 2 March 2024 with no agreed outcome on the unresolved issues on the negotiating agenda, WTO members are expected to continue talks on these questions, including their food security dimensions¹⁹.

Figure 6: Progress towards the elimination of agricultural export subsidies (US\$ millions)



Source: SDG Trade Monitor (<https://sdgtrade.org/en/indicators/2-b-1/BC/1/>).

Providing a space for dialogue

The WTO's regular committee work – in particular the Committee on Agriculture and the Committee on Sanitary and Phytosanitary (SPS) Measures – play a crucial role in enabling WTO members to raise and resolve issues related to trade in food and agriculture, as well as food safety and plant and animal health. Doing so can contribute to progress in correcting and preventing trade restrictions and distortions in world agricultural markets, and can help to limit extreme food price volatility (SDG targets 2.b and 2.c).

In 2022, the Committee on Agriculture initiated a work programme on food security, focusing specifically on the needs of least-developed countries (LDCs) and net food-importing developing countries (NFIDCs), under paragraph 8 of the MC12 Ministerial Declaration on the Emergency Response to Food Insecurity. This work led to the adoption of a report at a special meeting on 17 April 2024, which contained recommendations on how to help LDCs and NFIDCs respond to acute food insecurity. Some recommendations include:

- Members prioritizing reducing import costs for food and agricultural products.
- WTO food aid donor members maintaining their food aid levels.

- LDC and NFIDC members exploring ways to minimize operational costs for food aid transactions.
- The Committee on Agriculture examining concerns raised by LDCs and NFIDCs regarding their ability to meet domestic support commitments due to inflation.

The Committee on Sanitary and Phytosanitary Measures similarly launched a work programme following a separate Sanitary and Phytosanitary Declaration²⁰ agreed by ministers at MC12.

Conducting research and monitoring policies

The WTO has been monitoring the number of export restrictions imposed since the war in Ukraine began in February 2022.²¹ Since then, the number of export restrictions imposed by WTO members and observers has stabilized, while the type of export restrictions imposed has evolved, with such restrictions becoming relatively less restrictive in nature (for example, outright bans have been transformed into export quotas or licensing measures) and becoming diversified away from core staple foods such as grains and oilseeds.

Between 24 February 2022 and 12 June 2024, a total of 141 export-restrictive measures on food,

feed and fertilizers had been introduced by 39 WTO members and eight observers. During the same period, 68 such measures were phased out, leaving 73 still applied (imposed by 28 WTO members and eight observers).

The WTO contributes actively to the work of the Agricultural Market Information System (AMIS), an inter-agency platform that seeks to enhance food market transparency and policy responses for food security. WTO members acknowledged the positive role that AMIS played with regard to the MC12 Ministerial Declaration on the Emergency Response to Food Insecurity. They also emphasised the importance of promptly sharing relevant information about policies that could affect trade and markets for food and agriculture.

In April 2023, the WTO collaborated with the FAO and the World Bank to prepare a report for the G20 that assessed policy responses to rising global food insecurity and made recommendations on how to move forward (FAO, WTO, and World Bank Group, 2023). The report builds on analysis published in the World Trade Report 2022 on climate change and food security (WTO, 2022), elements of which were also reflected in the WTO's publication on trade policy tools for climate action (WTO, 2023c) (SDG target 2.4).

Building capacity

The WTO houses and manages the Standards and Trade Development Facility (STDF),²² a global partnership to facilitate safe and inclusive trade, established together with the Food and Agriculture Organization of the United Nations (FAO), the World Health Organization (WHO), the World Bank Group and the World Organisation for Animal Health (WOAH). The STDF responds to evolving needs, drives inclusive trade and contributes to sustainable economic growth, food security and poverty reduction, in support of the SDGs. It operates as a coordination and knowledge platform, convening stakeholders across agriculture, health, trade, and development, identifying good practice to improve food safety, animal, and plant health capacity in developing economies. It also provides funding for the preparation and delivery of collaborative and innovative SPS projects that facilitate safe trade. The STDF issues briefings, publications, project stories and videos, as well as a monthly newsletter.²³

Communication and engagement

In 2022 and 2023, a series of joint statements issued by the WTO Director-General, Ngozi Okonjo-Iweala, with the heads of other international agencies drew attention to the steps that economies could take to ensure that national policies affecting trade and markets do not undermine food security.²⁴ Director-General Okonjo-Iweala has consistently called upon members to exercise restraint in applying export prohibitions or restrictions on food, given the impact these measures can have on pushing up food prices in world markets and on undermining availability and access to food, especially for the most vulnerable consumers in low-income food-importing economies.

In addition, the WTO Secretariat has sought to inform and engage the public on the subjects of trade, food security and nutrition, as well as sustainable agriculture and food systems, by means of events convened under its Trade Dialogues on Food series²⁵ and through "News Harvest",²⁶ its regular monthly news round-up on trade and markets for food and agriculture.

A number of further actions can be taken by stakeholders to help fulfil SDG 2. A top priority for political leaders must be to revitalise WTO negotiations on agriculture, by providing clear guidance on how to reinvigorate the long-running talks, so that these can deliver on their objectives and contribute to progress towards SDG 2. Governments should also consider how best to fast-track progress on trade policy outcomes that deliver concrete improvements to the lives of the most vulnerable people, especially those in low-income food-importing economies.

In addition, governments can take steps to support people's livelihoods and improve food security outcomes by enabling producers and traders in developing economies to meet international standards in areas such as food safety and plant and animal health. They can also seek to mainstream trade in national climate action plans, with a view to ensuring that trade supports more sustainable agriculture and food systems. Finally, governments can ensure that policies affecting trade and markets enable progress towards SDG 2 by supporting applied research and analysis that strengthens the evidence base for policy action.