Agricultural trade patterns

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Global GDP is about 75 trillion USD.  
Global Trade is about 22 trillion USD.  
Agriculture trade (HS 01-24) is less than 1.5 trillion USD  
  – Agri-food is about 1 trillion USD  
  – Unprocessed / semi-processed AG is less than half Trillion USD  

Potential for growth  
Where?  
Why?  
How?
Agricultural trade in 2002 (0.5 trillion)

Source: resourcetrade.earth
The Broad Picture 15 years later (1.5 trillion USD)

Source: resourcetrade.earth
Processed vs Unprocessed Agricultural trade

Since 2002 (Processed x3, Unprocessed x2.5)
Agriculture is relatively more important for low income countries.

Exports of Agricultural Goods over Total Exports

- y2002
- y2017
- y2002
- y2017
- y2002
- y2017

<table>
<thead>
<tr>
<th>Year</th>
<th>High Income</th>
<th>Middle Income</th>
<th>Low Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>y2002</td>
<td>Unprocessed: 5%</td>
<td>Processed: 5%</td>
<td>Unprocessed: 15%</td>
</tr>
<tr>
<td>y2017</td>
<td>Unprocessed: 10%</td>
<td>Processed: 90%</td>
<td>Unprocessed: 20%</td>
</tr>
</tbody>
</table>
Global trade during three recent periods

Unprocessed is more volatile, Processed is more resilient
Regional preferences

Share of exports within 1500km

- EASIA
- EIT
- LAC
- MENASIA
- SASIA
- SSA

Unprocessed, Processed, Manufacturing
Which country moved into or away from unprocessed agriculture?

Change in export composition shares since 2002

- Into Agriculture
- Into Unprocessed
- Into Processed
- Away from Agriculture
- No Change
A Tale of Two Chickens

The chart illustrates the growth in the export of fresh/frozen and cooked chicken from Thailand and Brazil between 2002 and 2016, measured in billion USD.

- **Thailand 2002**: Slight increase in both fresh/frozen and cooked chicken exports.
- **Thailand 2016**: Significant increase in fresh/frozen chicken exports, with a small increase in cooked chicken exports.
- **Brazil 2002**: Minimal exports in fresh/frozen chicken, with an even smaller increase in cooked chicken.
- **Brazil 2016**: Dramatic increase in fresh/frozen chicken exports, making it the dominant product, while cooked chicken exports remain minimal.

The chart highlights the transformation in export strategies over the years, with Brazil focusing more on fresh/frozen chicken compared to Thailand.
Market Shares: Frozen and Cooked Chicken

Fresh/Frozen Chicken Wld exporters (2002 = 5 billion USD)

- USA
- EU
- BRA
- HKG
- CHN

19%
12%

Cooked Chicken Wld exporters (2002 = 2 billion USD)

- USA
- EU
- THA
- Other
- Ot...
- CAN
- CHN

20%
3%

Fresh/Frozen Chicken Wld exporters (2016 =11 billion USD)

- USA
- EU
- BRA
- HKG
- CHN

36%
4%

Cooked Chicken Wld exporters (2016= 8 billion USD)

- USA
- EU
- THA
- Other
- Ot...
- CAN
- CHN

32%
6%
Back to the overall picture: A look at trade policy

A lot of processed AG trade is free, but because of PTAs. Dutiable imports get a 20% tariffs! Tariff escalation.

Processed AG relatively more distorted by trade policy.

Why is different from MFG?
Trade Diversion Effects of NTM

Trade diversion effects of EU SPS on low income countries

Source: Nicita and Seiermann (2016)
What shapes these trends

Demographic factors
  Population growth. In some cases, but not generalized (China vs India)

Economic factors
  Comparative advantage / GVC (and regional networks)
  Income Growth (greater demand for processed food and foreign food)
  Productive capacity (supply bottlenecks, investment/quality?)

Trade policies
  Tariffs, PTA (still very important)
  Compliance with strict standards (barrier of entry)
  MTS rules

Domestic Development strategies
  Industrial policy (subsidies to Agrifood?) (how to improve value addition)
  Food security (Important for some countries, but often inefficient)

Other factors
  Consumer preferences (processed food easier to export in regional markets)
  Perception of quality (Thai vs Brazilian chicken)
  External shocks and response to them (avian flu)
Some Final Considerations

Agriculture is two (many) very diverse markets

- **Unprocessed and semi-processed agriculture**
  - Low value added, commodity cycle, volatility
  - Driven by comparative advantage, land, geography
  - Trade policy: subsidies, tariffs, NTMs (quotas)

- **Processed agriculture, food**
  - Very competitive market, more similar to MFG than AG.
  - Higher value added, how to upgrade?
  - Dominated by global and regional value chains
  - Relatively larger distortions due to trade policy
    - Higher tariffs, PTA, NTMs (standards)
Thank you

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