Agri-food trade and COVID-19: policy responses, medium-term risks and possible solutions

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OUTLINE

1. Agri-food supply chain disruptions during COVID-19
2. Policy responses to the pandemic
3. Modalities of tracking policy measures
4. Medium-term risks and possible solutions
5. Concluding remarks
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Supply Chain Disruptions during COVID-19

- Shortages in agricultural labour due to restrictions on movement
- Transport restrictions impeding farmers’ access to input and output markets
- Lower capacity utilization of processing facilities, shutdowns (including due to limited capacities for food safety inspection)
- International distribution and logistics disruptions
**THE CURRENT CRISIS COMPARED TO PAST CRISES (1/2)**

- The present crisis is **unlike any other in recent history** (both a significant supply and demand shocks)

- Still, examples of **policy responses from past episodes** of localized health crises (e.g. Ebola) and 2007-08 global food crisis can offer important lessons

- Countries have typically aimed to **address both supply and demand side policy objectives** through trade policy interventions

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<th>POLICY OBJECTIVE</th>
<th>TYPICAL POLICY RESPONSES</th>
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<tr>
<td>Supply Side</td>
<td>Ensure sufficient domestic supply</td>
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<td>- Export restrictions</td>
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<td>- Expansion of domestic procurement</td>
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<td>Ensure food safety</td>
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<td>- Import bans</td>
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<td>Support producers, particularly poor/ smallholders</td>
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<td>- Input subsidies to expand production</td>
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<td>- Direct income transfers</td>
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<td>Demand Side</td>
<td>Contain rising prices</td>
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<td>- Lowering of import tariffs</td>
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<td>- Domestic price controls</td>
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<td>Support poor consumers</td>
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<td>- Cash transfers</td>
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<td>- Food aid/ transfers</td>
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The current crisis compared to past crises (2/2)

Current market situation differs from the food crisis of 2007-08: global stock-to-use ratio is substantially higher (although China is a major driver holding ~47% of global cereal stocks).

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**Policy Responses Adopted During COVID-19 (1/4)**

As a share of global trade (calories)*

- **Covid-19[2020]**: 22 countries
- **FoodPriceCrisis[2008]**: 33 countries

Note: *Global trade is defined on non-intra EU trade flows, and for unprocessed food products, excluding sugar.

Source: Laborde (2020), IFPRI
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<th>TRADE RESTRICTIONS</th>
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<td>✓ A <strong>limited number of countries</strong> imposed trade related restrictions (very few import restrictions)</td>
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<td>✓ Many of the export bans have been transformed into <strong>export quotas</strong>, and most of them have been already <strong>repealed</strong></td>
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<td>✓ Most export restrictions were introduced by countries in <strong>Eastern Europe</strong> and <strong>Central Asia</strong></td>
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<td>✓ <strong>Import</strong> restrictions mainly addressed trade of <strong>live animals</strong></td>
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POLICY RESPONSES ADOPTED DURING COBID-19 (3/4)

MEASURES TO LOWER IMPORT BARRIERS

✓ Several countries lowered import barriers, mainly in the form of suspending import tariffs and in limited cases, raising TRQs

✓ Selected countries also lowered Technical Barriers to Trade (TBT) measures to facilitate availability of critical food items

✓ Most measures are temporary, put in place in March/April lasting at most until the end of 2020
DOMESTIC MARKET CONTROLS

✓ Food reserves and domestic price control measures are **being adopted in all developing country regions**

✓ To ensure national food availability, **several countries have increased domestic food procurement targets**, while others have **increased imports** to build national reserves

✓ To manage consumer prices and ensure access by the poor, several countries are implementing **ceiling prices on basic food items** while others are **expanding use of food distribution programmes**
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MODALITIES OF TRACKING POLICY MEASURES

- FAO has implemented an array of tools to support policy analyses and assess the impact of COVID-19 on food and agriculture, value chains, food prices, food security across the globe.

- Country- and region-based consultative mechanisms are also used to gather information on policy responses, and provide analysis and solutions based on country experiences.
**FAO WEB-BASED TOOLS FOR TRACKING POLICY MEASURES**

FAO WEB-BASED TOOLS FOR TRACKING POLICY MEASURES

**FAPDA** Food and Agriculture Policy Decision Analysis

The Food and Agriculture Policy Decision Analysis (FAPDA) tool provides information on national policy documents through the FAO's policy database. The database contains over 10,000 national policy decisions and is made available for use by researchers around the world who support evidence-based decision making.

**Novel Coronavirus (COVID-19)**

**Policy briefs**

The COVID-19 pandemic has impacted food markets as well as agricultural and food systems. This collection of policy briefs presents a qualitative and quantitative assessment of the pandemic's impacts on these areas.

Briefs are released on a regular basis. For the latest information, please visit the relevant FAO website.

**FPMA** Food Price Monitoring and Analysis

This web application contains the latest information and analysis on domestic prices of basic foods in developing countries, complementing FAO's analysis on international markets. It provides early warning on high food prices at country level that may negatively affect food security. All data used in the analysis can be found in the FAO's Food Price Monitoring and Analysis (FPMA) tool.
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### MEDIUM TERM RISKS (1/3)

**Supply**
- **Production**: social distancing affecting labor intensive forms of production
- **Logistics**: Transport restrictions and quarantine
- **Restriction on the movement of people**: severe impact on migrant workers
- **Existing crisis**: topping-up effect in different countries stemming from pre-existing problems (locusts in East Africa, South Asia; African swine fever, etc.)

**Demand**
- **Recession**: The IMF projects a recession of 3.0 percent and the World Bank of 5.2 percent in 2020, with significant impact on incomes and consumer spending
- **Change in consumption patterns**: increase in both staple food and ready-to-eat food that can be stored
- **Shift in purchasing modalities**: lower restaurant traffic, increased e-commerce deliveries (as evidenced in many countries), and rise in food consumption at home

- Reduction in commodity prices **weakens exporting countries’ trade position**, thus **impacting employment**, and **driving fiscal revenue down**
- Prolonged crises makes it **difficult to continue consumer and producer support measures**; policy makers may resort to more frequent market interventions and trade policy responses
- Possible **problems for countries with high import-dependency** and low possibility to substitute with regional production in the medium run
MEDIUM TERM RISKS (2/3)

Real GDP growth (annual percent change)

Source: World Economic Outlook (April 2020), IMF
MEDIUM TERM RISKS (3/3)

- **First scenario:**
  - World economic growth to be -4.9 percent in 2020 and +5.4 percent in 2021.
  - **Plus 83 million undernourished in 2020.**

- **Second scenario:**
  - World economic growth to be -7.0 percent in 2020 and +3.3 percent in 2021.
  - **Plus 103 million undernourished in 2020.**

- **Third scenario:**
  - World economic growth to be -10 percent in 2020 and +0.3 percent in 2021.
  - **Plus 132 million undernourished in 2020.**
SOLUTIONS (1/2): POLICY COORDINATION, GOVERNANCE

Global cooperation and coordination in policies, market transparency, trade-related procedures critical

**POLICY COMMITMENTS AND COORDINATION**

✓ Ministerial declarations and commitments, focusing on avoiding export and import restrictions; keeping food supply chains alive (addressing logistics bottlenecks, workers’ movement and safety):
  - G20 Ministerial Statement
  - APEC Joint Ministerial Declaration
  - African Agriculture Ministers Declaration

✓ Joint Statements:
  - FAO/WHO/WTO (30 March) and FAO/IFAD/WB/WFP (21 April)

**MARKET TRANSPARENCY**

✓ Strengthening international market transparency and governance mechanisms to ensure that policy and stock management decisions are based on timely and credible data and information
  - Agricultural Market Information System (AMIS): an inter-agency platform launched by the G20 in 2011 and housed at FAO (WTO is member)

✓ FAO market monitoring and outlook work

**TRADE RELATED PROCEDURES AND REGULATIONS**

✓ Digital solutions in the application of SPS measures (e.g. ePhyto: Argentina, Chile); customs procedures (e.g. Oman)

✓ Temporary acceptance of electronic copies of SPS certificates (e.g. Australia, Brazil, Chile, South Africa, Russia)

✓ Establishment of regional corridors (e.g. CEFTA Green Corridors System)
SOLUTIONS (2/2): TARGETED RESPONSE PROGRAMMES

- Global Humanitarian Response Plan:
  Addressing the impacts of COVID-19 and safeguarding livelihoods in food-crisis contexts

- Data for Decision-making:
  Ensuring quality data and analysis for effective policy support to food-systems and Zero Hunger

- Economic Inclusion and Social Protection to Reduce Poverty:
  Pro-poor COVID-19 responses for an inclusive post-pandemic economic recovery

- Trade and Food Safety Standards:
  Facilitating and accelerating food and agricultural trade during COVID-19 and beyond

- Boosting Smallholder Resilience for Recovery:
  Protecting the most vulnerable, promoting economic recovery and enhancing risk management capacities

- Preventing the Next Zoonotic Pandemic:
  Strengthening and extending the One Health approach to avert animal-origin pandemics

- Food Systems Transformation:
  Building back better during response and recovery
FAO’s Response Programme: Support on Trade

Trade and Food Safety Standards: Facilitating and accelerating food and agricultural trade during COVID-19 and beyond

1. Strengthened information systems and enhanced market transparency;

2. Improved evidence-based decision-making and policy coordination;

3. Enhanced regional cooperation to promote use of science-based standards and mutual recognition and harmonization of food safety systems;

4. Faster adoption of trade facilitation practices, improving efficiency and transparency.
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CONCLUDING REMARKS

- COVID-19 has led to significant disruptions to food supply chains; past experiences of localized health crises and the 2007-08 food price crisis can offer important policy lessons.
- Compared to 2007-08, market fundamentals are different today; as such, relatively few countries imposed export restrictions (that were mostly lifted). However, many more countries have focused on reducing barriers to imports.
- The risks of more policy interventions in markets remain in the medium term, as governments continue to address the impacts on supply and demand resulting from the COVID-19 pandemic.
- It is critical to ensure global cooperation and coordination in terms of policies, market transparency and trade-related procedures and regulations.
- FAO recently launched the COVID-19 Response and Recovery Programme to provide technical assistance to countries in an integrated way.
THANK YOU

For resources, please visit our COVID-19 website at: http://www.fao.org/2019-ncov/