

United Nations Conference on Trade and Development

MULTI-YEAR EXPERT MEETING ON COMMODITIES AND DEVELOPMENT

21-22 April 2016, Geneva

Post-Nairobi food security policies

By

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The views expressed are those of the author and do not necessarily reflect
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Post-Nairobi food security policies

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21st April 2016

8 Multi-year Expert Meeting on Commodities and Development
21 - 22 April 2016, Geneva, Palais des Nations, Room XXVI



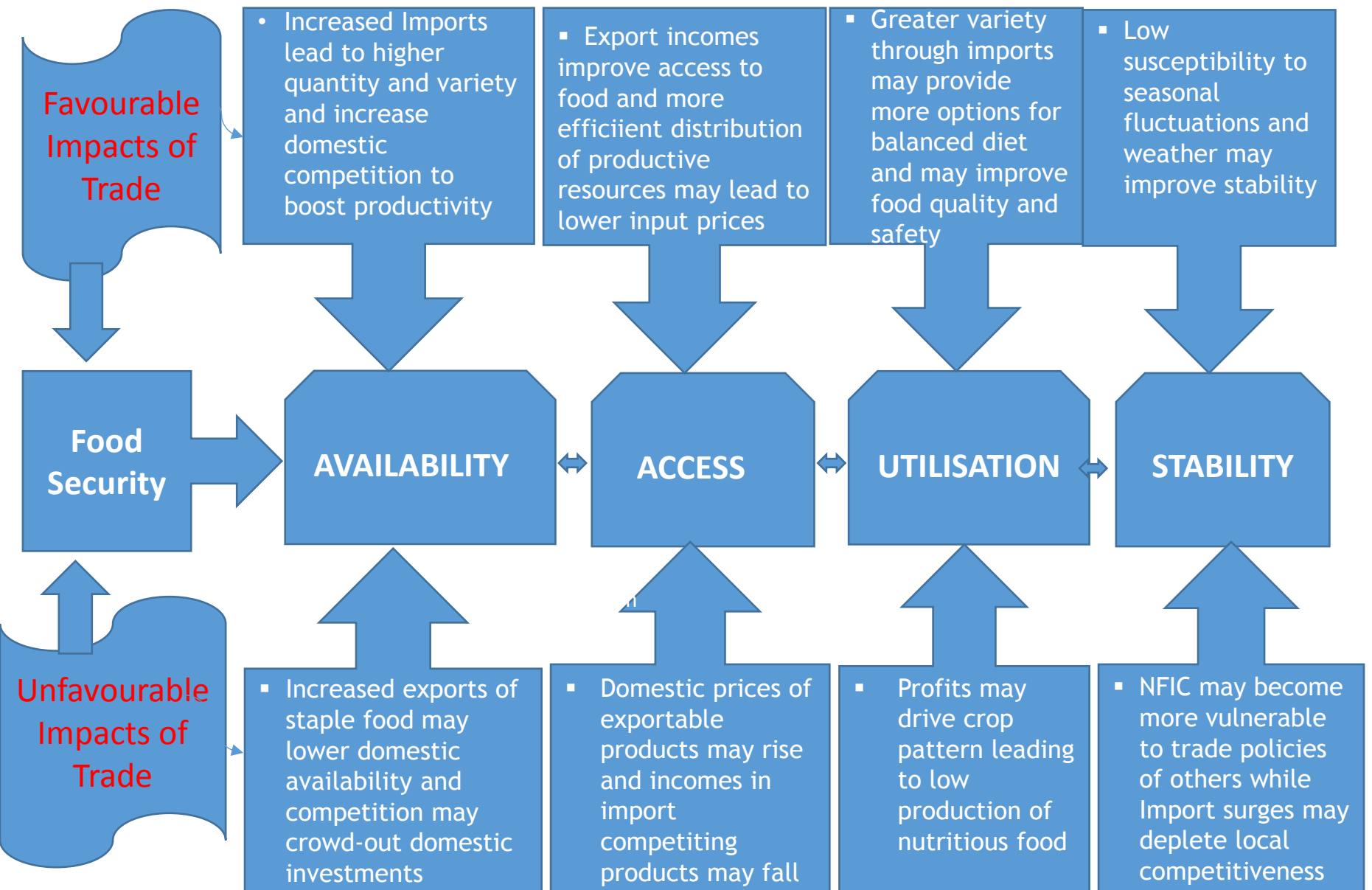
The Commonwealth

Food Security Challenges: WTO-AoA; UN SDGs; COP21;

- Rising Food Gap-70 percent “food gap”—that is, the expected gap between the crop calories available in 2006 and expected calorie demand in 2050
- More countries facing food crisis-
 - 1990- 12 countries in Africa were facing food crises
 - 2010- 24 countries were experiencing food crises, with 19 in crisis for eight or more of the previous ten years.
 - 2015- 34 countries (27 African and 7 Asian countries) required external assistance for food.
- Overall global economic growth has slowed at 2.4 percent in 2015 amid slow growth in the emerging economies.
- Falling Food Price Index averaged 19 percent less in 2015 than it did in 2014

Food Security and International Trade:

Complicated relationship: marriage may have compatibility issues?



Agreement on Agriculture

- Agriculture provides 70% of employment in low income countries; 30% in middle income countries and 4% in high income countries. Food consumption accounts for a large share of household expenditures in developing countries but low and declining share in developed countries.
- The Agreement on Agriculture (AoA), negotiated in the 1986-94 Uruguay Round, marked a significant step towards bringing distortions in agriculture trade, especially trade-distorting domestic support or agricultural subsidies given by developed countries, into the ambit of international disciplines.
- However, even after 20 years of negotiations this issue remained unresolved.
- MC10 in Nairobi is hailed as ‘historic’ as it includes a commitment to abolish export subsidies for farm exports

Agreement on Agriculture: Nairobi Package (MC10)

Market Access

Tariffs

Tariff rate quotas

Special safeguards

Domestic Support

Green Box

Blue Box

**Article 6.2 –
Development
Programmes**

Amber Box

Export Competition

Export subsidies

Anti-circumvention

**Export prohibitions
and restrictions**

“Nairobi Package”

Farm Export subsidies eliminated

- - Developed countries: immediately
- - Developing countries: 2018
- - In addition, developing countries will keep the flexibility of covering marketing and transport costs for agriculture exports until the end of 2023, while the poorest and food-importing developing countries will enjoy additional time to cut export subsidies.

New rules on Export credits

- No export credits, export credit guarantees or insurance programs for exports of agricultural products
- Maximum repayment period restricted to 18 months

State Trading Enterprises - Best efforts to minimise trade distorting effects

Nairobi Package

- ❑ **Food aid** - Best efforts on cash versus in kind
 - Food aid is need-driven; in grant form; not re-exported; and untied.
 - Does not unduly impact established commercial markets of agricultural commodities

- ❑ **Special Safeguard Mechanism**
 - Recognizes right of developing countries to have SSM (HK ministerial)
 - Committee on Agriculture will have special session to discuss

- ❑ **Public Stockholding for Food Security Purposes**
 -

❑ Public stockholding for Food Security purposes

- Food purchased by governments from farmers at **supported/government-set not market prices** counts towards “Amber Box”. Amber Box is limited, subject to reduction commitments. Developing countries are allowed an amount that is conceptually minimal - up to 10% of VOP - so called “de minimis”
 - The G-33 Proposal, November 2012, Amend the Agriculture Agreement so that price support (administered prices) in developing countries benefits low-income farmers/those that lack resources and not count as AMS, but be considered as “Green Box”.
 - Expand the list of “general services” under the Green Box to include more programmes that are relevant to developing countries. In November 2015 proposal- not to include certain public stockholding programmes of a certain kind not to be included in a country’s calculation of AMS
 - No consensus- procurement might continue even if objective is met; may have trade distorting consequences; lack of in-built policy constraints.
- ❑ **Nairobi package- Reaffirms Bali declaration**
- “peace clause” - existing programs should be shielded from legal challenge for stockholding practices
 - Permanent solution to be found by MC11 (2017)



“Nairobi package”-

the “historic” outcome - legally binding commitments to fully eliminate farm export subsidies:

Implications for Food Security

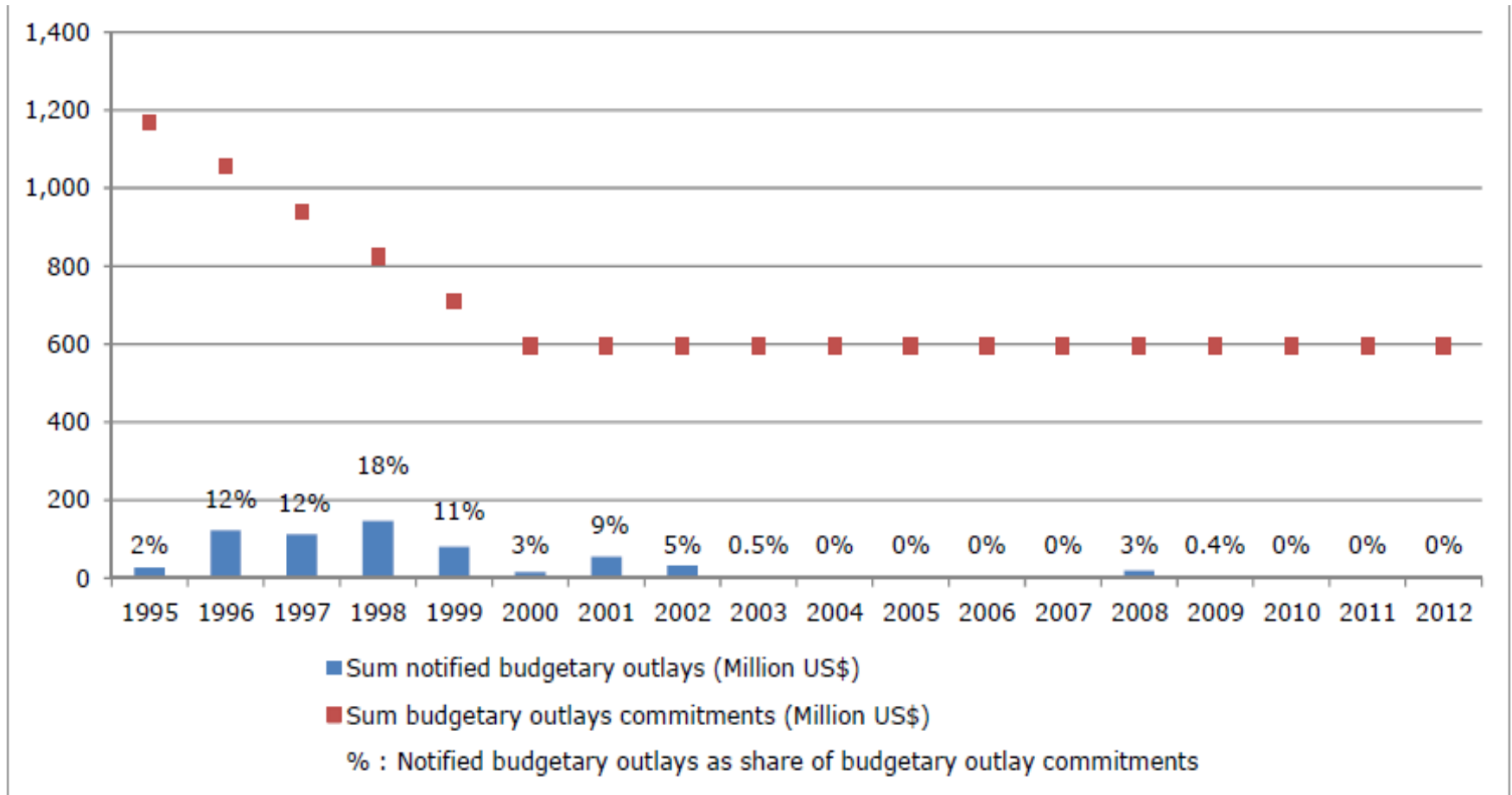
Extent of Farm Export Subsidies in Developed Countries

Member	Latest notification year available	Sum notified export subsidy budgetary outlays as % of sum export subsidy budgetary outlay commitment levels	Products covered
Canada	2013	20%	Skim milk powder, cheese, other milk, incorporated products
European Union	2013	0.0005%	Poultry meat, sugar ¹¹
Israel	2012	2%	Fresh flowers, fruits other than citrus, fresh vegetables
Norway	2013	54%	Swine meat, eggs and egg products, cheese, processed agricultural products
Switzerland	2013	16%	Cattle for breeding and horses, processed products

Source: July 2015, WTO /AG/W/125/Rev.3

Only a handful of developed countries still use export subsidies. EU's Export Subsidies are already down to zero.

Export Subsidies by US:



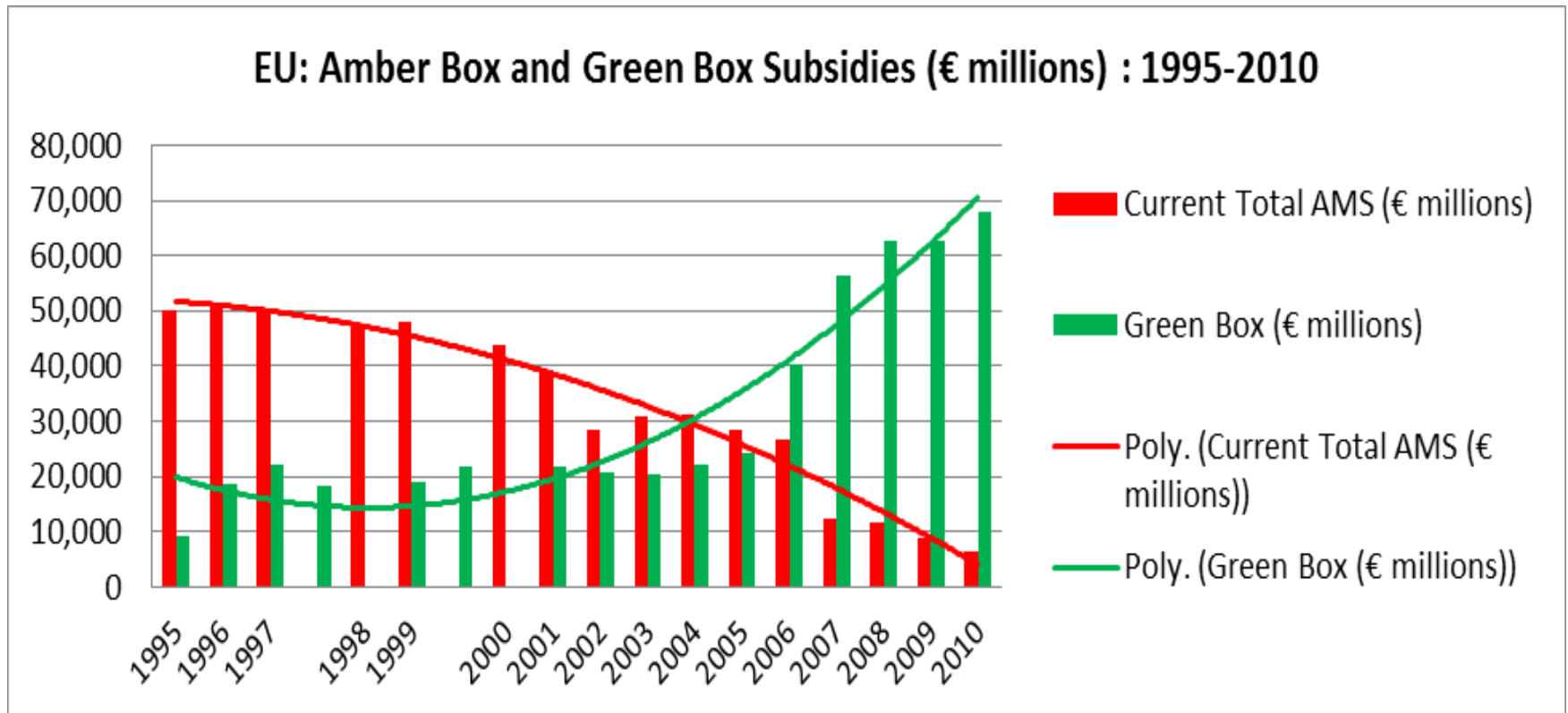
Source: WTO G/AG/W/125/Rev.3 (July 2016)



- Following the modalities, developed countries have significantly reduced their domestic support measures under amber and blue box.
- However, the decline in amber box and blue box subsidies **have been more than compensated** by substantial increases in green box subsidies in these countries - **“Box shifting”**

Box Shifting by EU

Based on WTO Notifications: 1995-2010



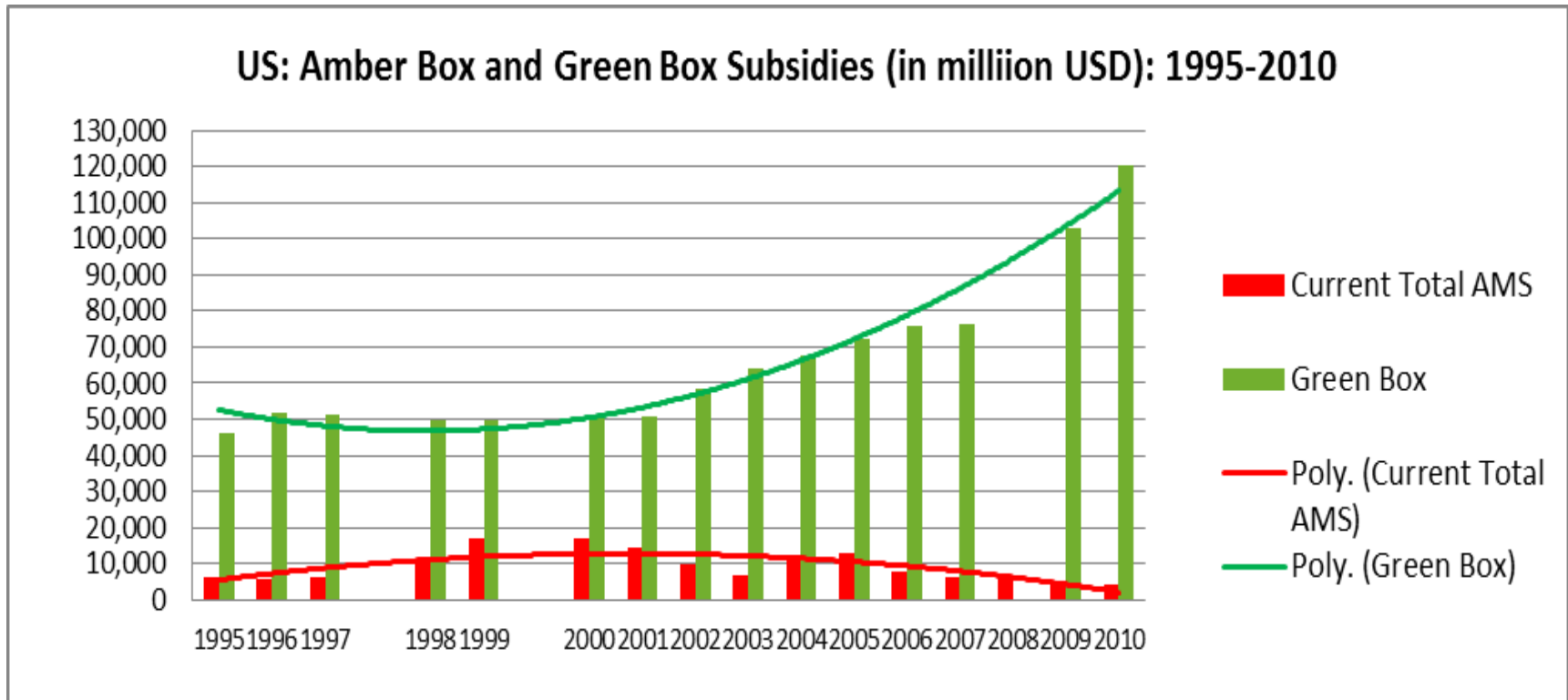
GB subsidies in EU increased from Euro 9.2 bn in 1995 to Euro 68 bn in 2010

The new EU CAP (2014-2020)

- ❖ The total amount allocated is EUR 363 billion, of which EUR 278 billion (76.5%) will be spent on direct payments and market related expenditures (pillar 1).
- ❖ To increase agricultural competitiveness, the new CAP reforms have removed all the existing restrictions on production volumes especially for sugar, dairy and the wine sector.
- ❖ new risk insurance schemes including insurance schemes for crops, animals and plants and responsive safety net measures have been introduced
- ❖ Start-up aid will be given to young farmers, expenditures on innovation and training, green payments are introduced
- ❖ Direct payments are no longer based on uneven historical references but are now based on converging per hectare payment at national or regional level.

“Box Shifting” by US

based on WTO Notifications:1995-2010



GB subsidies in US increased from \$46 bn in 1995 to \$ 120 bn in 2010

The US Farm Bill of 2014

- eliminates direct and countercyclical payments to farmers but **offers expanded crop insurance programs for risk-management.**
- **new programs Price Loss Coverage and Agriculture Risk Coverage.** The farmers can choose between the two programs. Price Loss Coverage pays out if crop prices fall too low, or if farm revenue falls below certain benchmarks.
- **to compensate cotton producers,** a new crop insurance policy for cotton producers is introduced called Stacked Income Protection Plan (STAX) which is similar to Area Revenue Protection.
- It covers revenue losses of not less than 10 per cent and not more than 30 per cent of expected county revenue. **Producers receive a premium discount equal to 80 per cent of the STAX premium,** and on behalf of the producers an administrative and operative expense of 12 per cent of premium is paid to the crop insurance companies.
- Further, Farm Bill 2014 reauthorizes many of the larger conservation programs and **makes available subsidized crop insurance to producers,**

Capping of Green Box Subsidies at 2001 Level in EU and US: Simulations Results

	Percentage Change in Production	Percentage Change in Export Volumes	Percentage Change in Import Volumes	Percentage Change in Export Revenue	Percentage Change in Import Cost
European Union	-19%	-10%	85%	-8%	91%
USA	-15%	-10%	226%	-8%	149%
Developed Countries	-14%	3%	64%	5%	65%
Developing Countries	3%	41%	-10%	55%	-6%
Net Food Importing Countries	4%	67%	-10%	81%	-4%
Sub Saharan Africa	3%	23%	-5%	19%	0%
Least Developed Countries	3%	33%	-8%	32%	-1%
North Africa and Middle East	5%	90%	-8%	145%	1%
Oceania	5%	17%	-9%	27%	14%
World	3%	17%	17%	25%	25%

Capping of Green Box Subsidies at 2001 Level in EU and US: CAIRNS

	Percentage Change in Production	Percentage Change in Exports	Percentage Change in Imports	Percentage Change in Exprot Revenue	Percentage Change in Import Cost
Argentina	4	18	-17	37	-11
Australia	5	17	-17	29	-10
Bolivia	3	60	-17	105	-10
Brazil	3	27	-15	46	-11
Canada	6	11	-20	19	-9
Chile	5	57	-26	70	34
Colombia	3	27	-9	23	-1
Costa Rica	1	3	-4	3	-1
Guatemala	1	10	-13	9	-8
Indonesia	1	9	-28	9	-10
Malaysia	0	0	-4	1	0
New Zealand	4	8	-5	19	32
Pakistan	3	8	-23	93	-23
Paraguay	3	8	-23	24	-6
Peru	3	53	-11	53	-5
Philippines	1	13	-11	13	-5
South Africa	4	18	-13	23	-17
Thailand	1	6	-6	9	4
Uruguay	3	5	-28	20	-10



Results for NFIC: Agricultural Products

	Percentage Change in Production	Percentage Change in Exports	Percentage Change in Imports	Change in import Cost (US\$ '1000)
Barbados	1	5	-7	-1,163
Botswana	1	4	-2	-1,941
Dominican Rep.	2	44	1	364
Egypt	4	134	6	-5,858
Honduras	2	8	17	-4,730
Jamaica	1	5	8	-9,258
Kenya	3	28	13	-22,976
Mauritius	0	2	4	17,247
Morocco	4	28	5	19,193
Pakistan	2	138	16	-113,444
Peru	2	38	9	28,507
Senegal	1	13	4	2,225
Sri Lanka	1	5	6	2,247
St. Lucia	0	0	3	845
Trinidad Tobago	2	5	7	-3,158
Tunisia	4	56	13	30,965
Venezuela	2	61	11	-73,127

Focus being shifted to Subsidies by Developing Countries

Latest Notification of subsidies show

- EU (2011)-Euros 70 billion GB / 2.5 million poor (Euros 2,800 pc)
- US (2012) - USD 127 billion GB / 5 million poor (\$25,400 pc)
- India (2010) - USD 19 billion GB / 397 million poor (\$47.8 pc)

- Article 6.2 - subsidies exempted from reduction to encourage rural and agricultural development for low income and resource poor producers. These are generally in form of investment subsidies or agricultural input subsidies.



International Disciplines on Green Box are needed for Global Food Security

- There have been many efforts in the past to reopen and redefine the criteria on green box in order to make the subsidies listed in Annex 2 meet the criteria of the annex's first paragraph.
- Chair's overview paper (TN/AG/6, 18 December 2006) based on proposals received on possible changes in the provisions green box and comments of G-20 (JOB (06)/145, May 16, 2006) on the review paper reports the proposed changes.

Food Security Issues in Mega Regionals-TPP

- Export Disciplines- “On the topic of agricultural export programs, signatories to the agreement commit to eliminate the use of export subsidies, a type of incentive the United States does not employ in any case” (USTR 2016).
- The export subsidy ban, especially commitments around export credits, credit guarantees, and insurance programs—which the United States does employ—is less ambitious. The agreement merely states that “the parties will cooperate to develop multilateral disciplines around these programs”.

Implications of Mega Regionals on Food Security Issues

- According to FAO's GFPR (2016), TPP may lead to restructuring of agricultural programs and “self-sufficiency policies may become untenable as countries are forced to restructure their agriculture programs in the face of cheaper imports”.
- “the Trans-Pacific Partnership may also create political turmoil when protected commodities (for example, rice in Japan) face increasing pressure from foreign imports”.
- Will Pacific countries be able to successfully compete with Asian countries like Malaysia and Viet Nam in Australian market under TPP?

Food Security Policies are being pursued- More Focussed on Food Safety and Utilisation than Access and Stability

- South Asia made a number of food policy advances, including new initiatives related to nutrition policy and food safety.
- Bangladesh- National Nutrition Policy; established a Food Safety Authority in 2015; Institutionalization of Food Safety in Bangladesh for Safer Food.
- India- Clean India Mission
- Sri Lanka- developing a food and nutrition security policy
- Nepal-formulating a new National Food Safety Policy
- - However, success of these programs will critically depend on how international trade agreements restructure global agricultural production and trading patterns.

Efforts are needed at many levels to make food security and international trade more compatible!

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Thank You for your kind attention

