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Global food markets:
Implications for
international trade and competition
and consumer policies

Presentation

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Global food markets: Implications for international trade and competition and consumer policies

Rodrigo Cárcamo-Díaz

Characterising Agricultural Trade

- Trade is heterogeneous across products and countries importing and exporting agricultural products, including food.
- Prices of agricultural products are volatile and follow persistent cycles.
- The prices of key agricultural inputs like fertilizers are also very volatile and subject to periodic price spikes around shocks.
- There is significant heterogeneity in price volatility across different agricultural products.
- In particular, supply shocks that are climate-related can have a strong impact on prices .
- Price volatility matters for agricultural stakeholders, especially in developing countries.
- 36 developing countries are agri export-dependent

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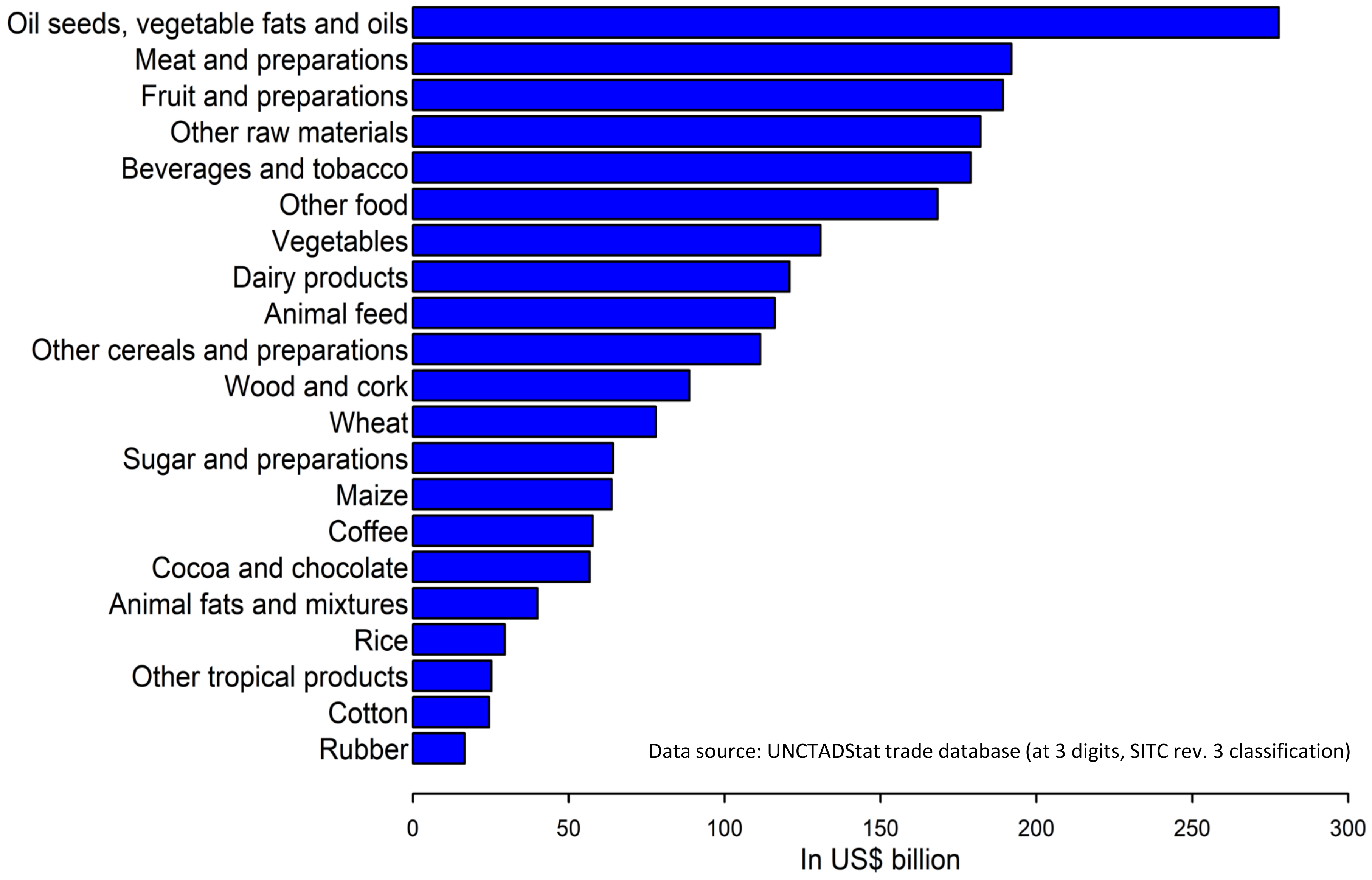
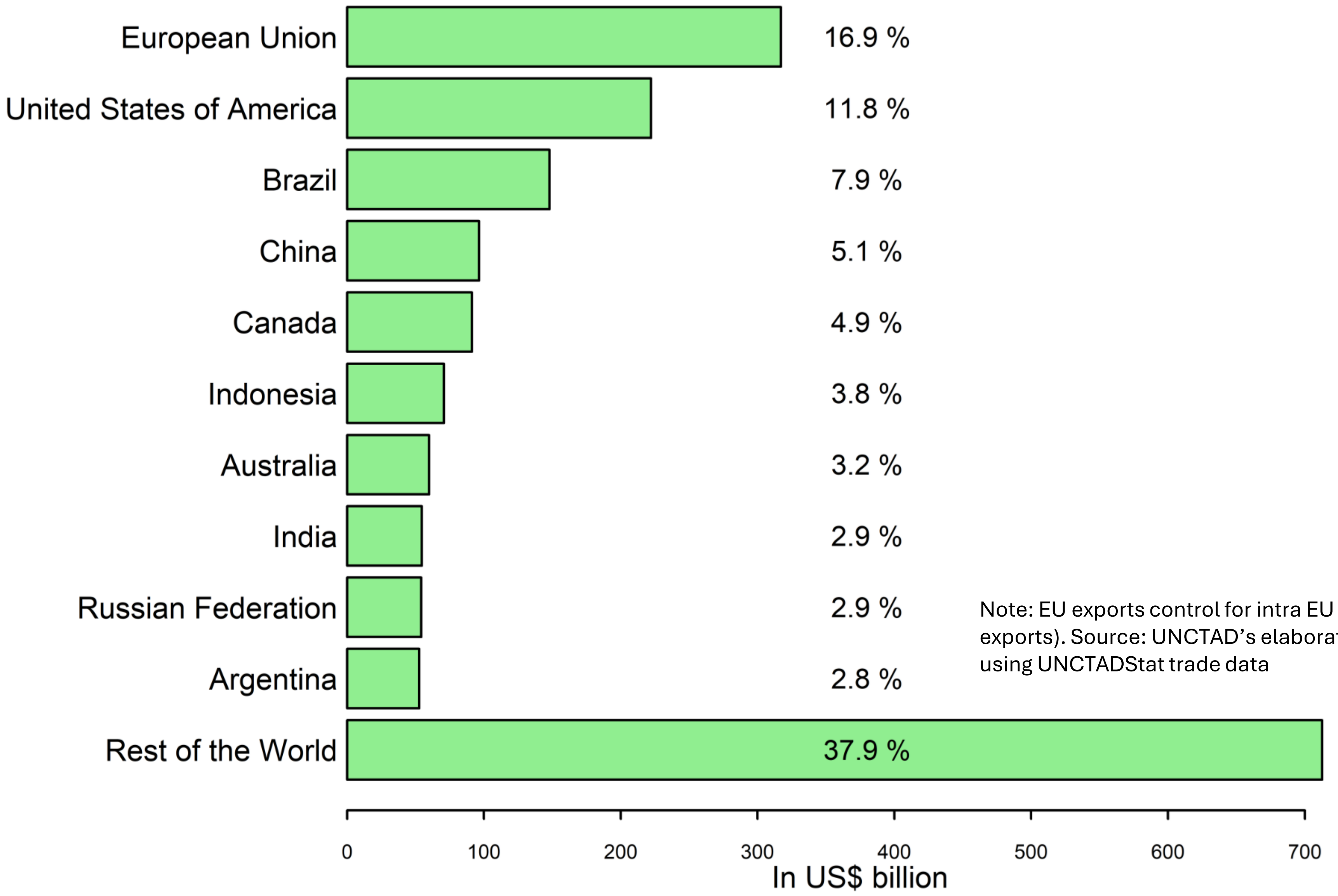
Principal Agricultural Products Exported - 2022

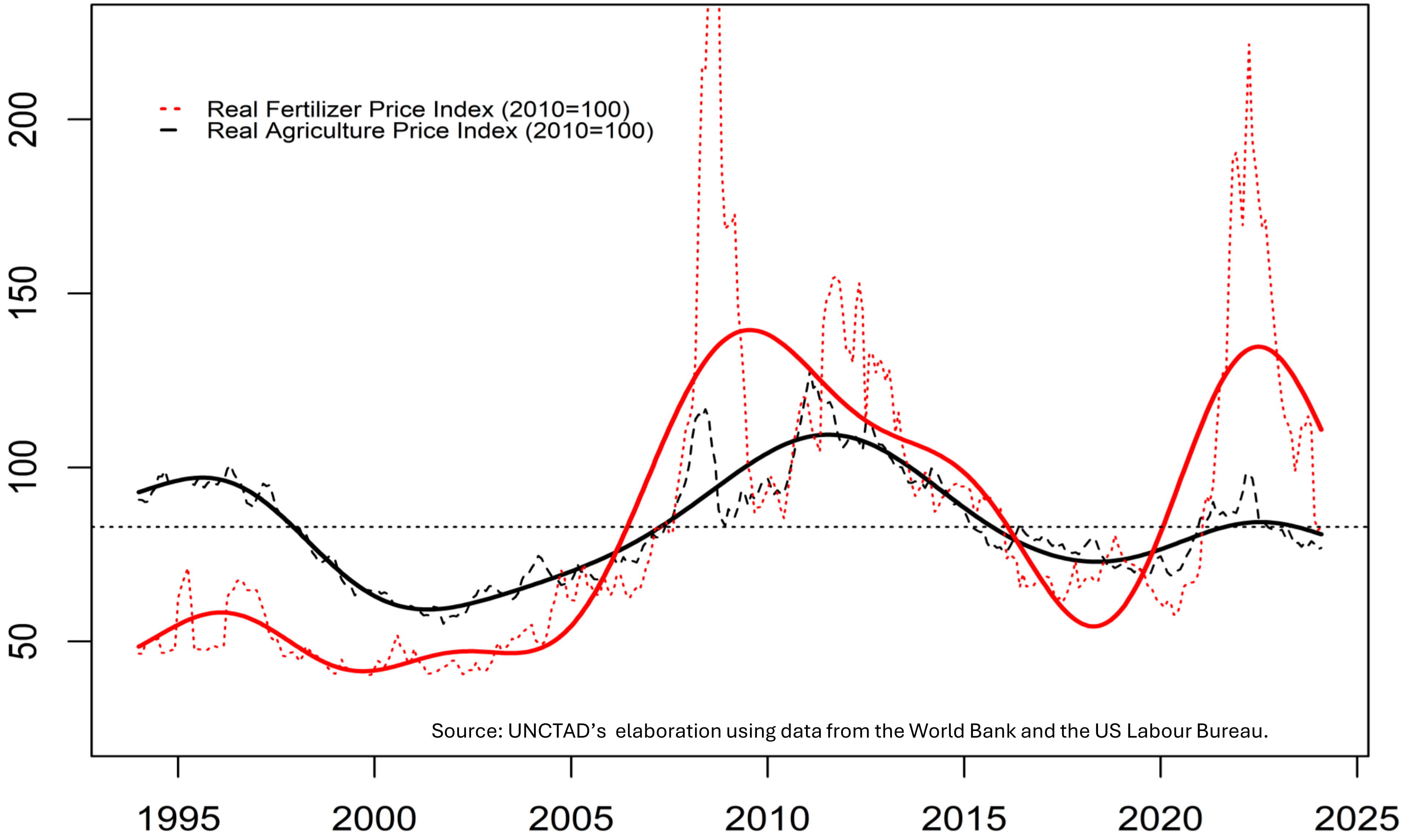


Largest Agricultural Exporters - 2022



Note: EU exports control for intra EU exports). Source: UNCTAD’s elaboration using UNCTADStat trade data

Agriculture and Fertilizer CPI-Deflated Price Indexes



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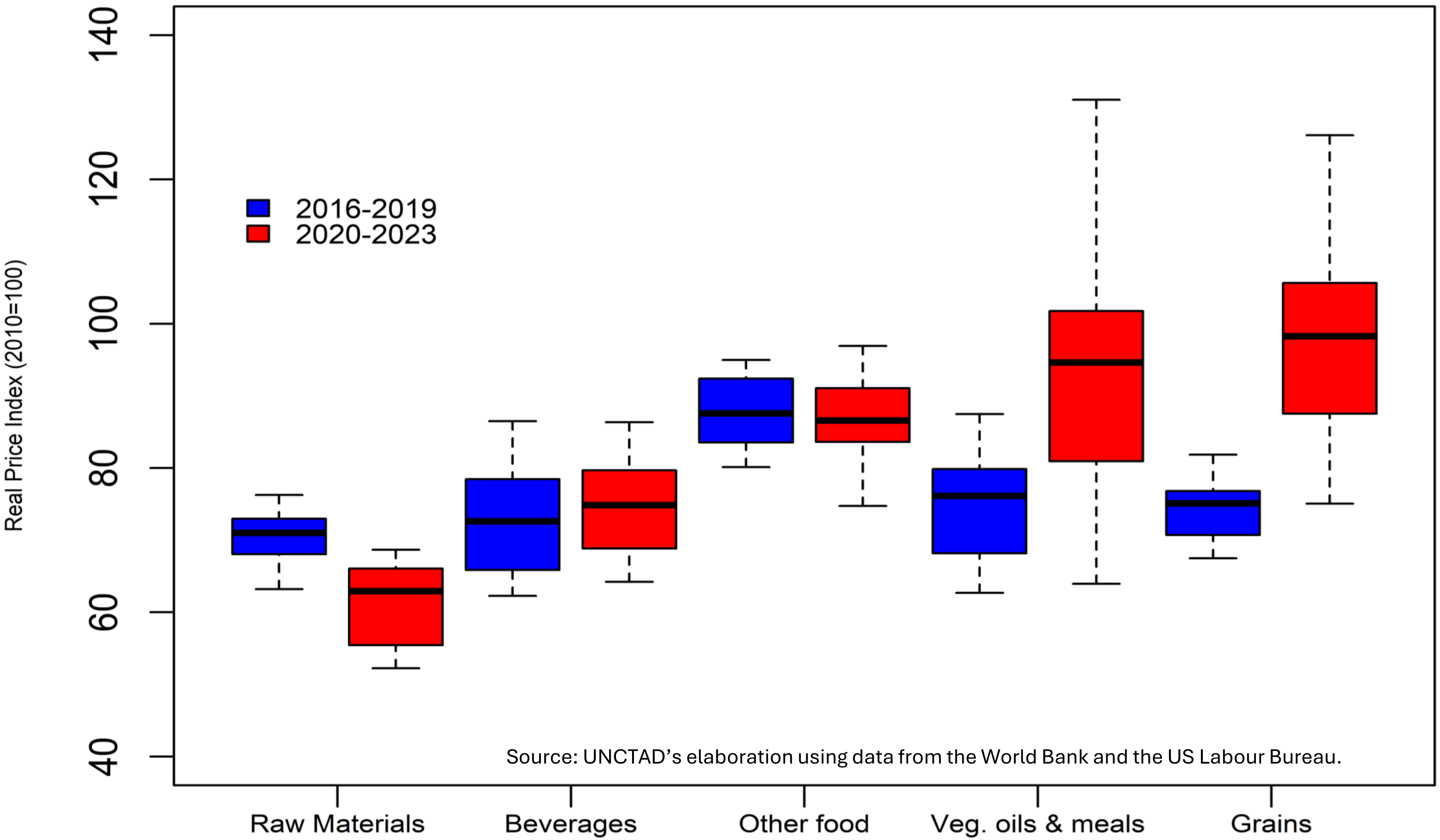
Comparative Volatility of Real Agri Price Indexes



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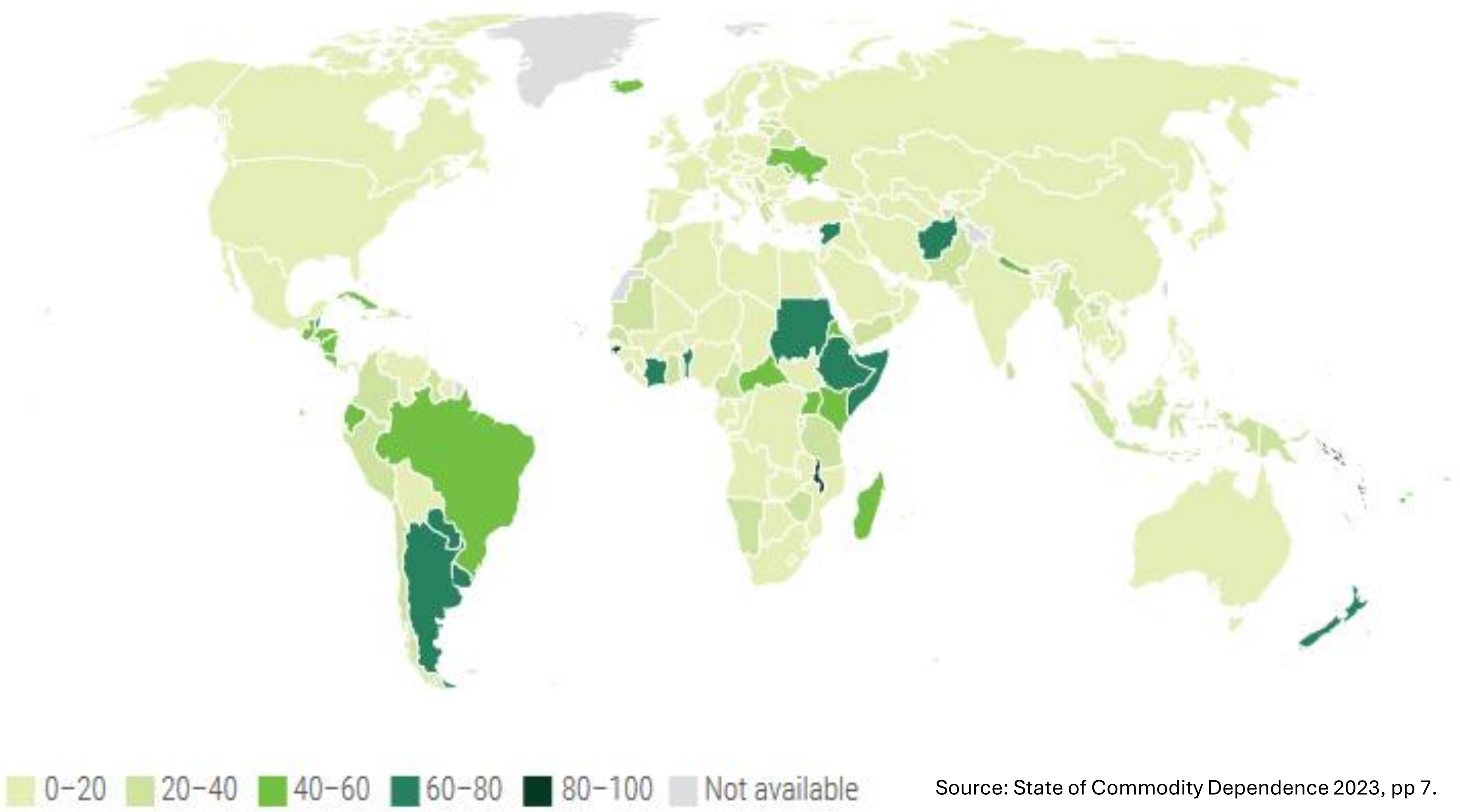
Agricultural Export Shares, 2019-2021 (in %)



Source: State of Commodity Dependence 2023, pp 7.

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Cartelization & Collusion in Input markets

- Many studies have identified issues in different countries with agricultural inputs including fertilisers, seeds, and agro-chemicals.
- Input markets are highly concentrated in both national origin and individual firms' terms, across both developed and developing countries.
- In some countries, cartels & collusion are linked to political economy issues.
- Collusion/cartels can also be assisted by government policies, for example via the introduction of technical regulations (e.g. vaccines) or NTMs.
- Successfully addressing this issue requires institutional overhaul.
- Successful enforcement of anti-cartel policies (e.g. leniency programs which weaken cartel profits) can lead to increased merger activity.
- Therefore, Institutional capacity-building is necessary for fighting both.

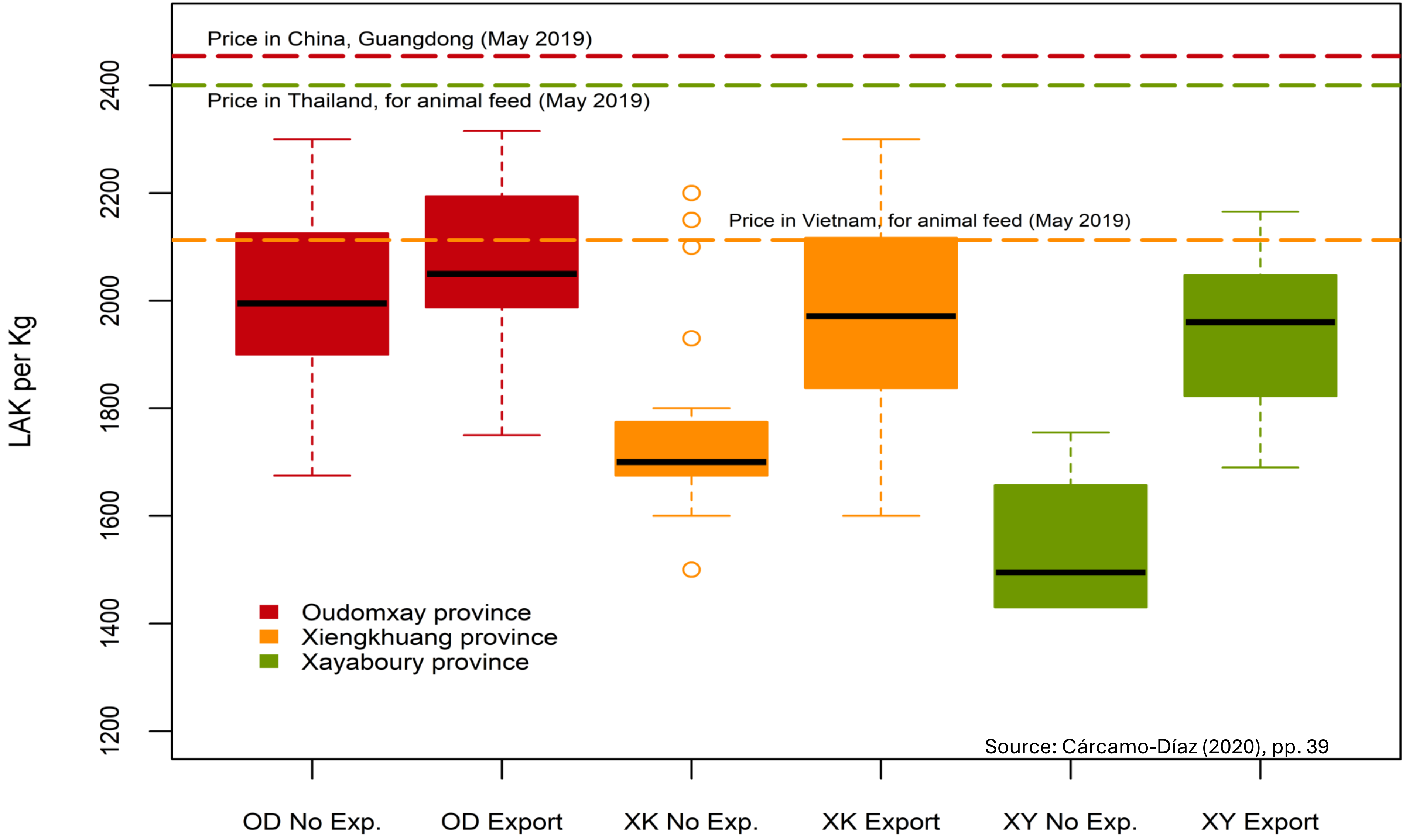
Merger Control in Agricultural Value Chains

- Merger control is particularly important in the presence of high market concentration and high barriers to entry into certain segments (e.g. high infrastructure costs, endogenous sunk costs into R&D, transaction costs).
- The geographic (sub-national, regional) dimension is key, due to the the importance of transport costs for market definition (empirical issues).
- Even in the absence of unilateral effects from the merger on market power, post-merger coordinated effects might affect relevant value chain segments, especially when there are minority stakes.
- One challenge in some developing countries is the availability of granular data (e.g transactions-level), and the institutional capacity to analyse it.
- Another one is the resource availability imbalance between merging (large) firms' resources and those of national regulatory institutions.

Vertical Issues in Agricultural Value Chains

- Practices like tying and foreclosure are common in agricultural VCs.
- Vertical relationships often occur between stakeholders with different degrees of bargaining power, especially in pre-processing segments.
- Several studies point to significant heterogeneity in surplus distribution.
- However, empirically assessing welfare issues in the presence of interlinked transactions (e.g. inputs+credit in exchange for output) is difficult (e.g. data)
- Interlinked transactions are widespread in the face of market failures in input markets (e.g. credit, inputs), property rights (collateral).
- Vertical link formation is endogenous, and fixed (e.g. information, search) and variable costs (e.g. creating and controlling quality) play a key role.
- The concept of economic sustainability differs in short and long horizons.

Summary distribution of maize prices (grain, in LAK per kg), by province and exporter status of traders

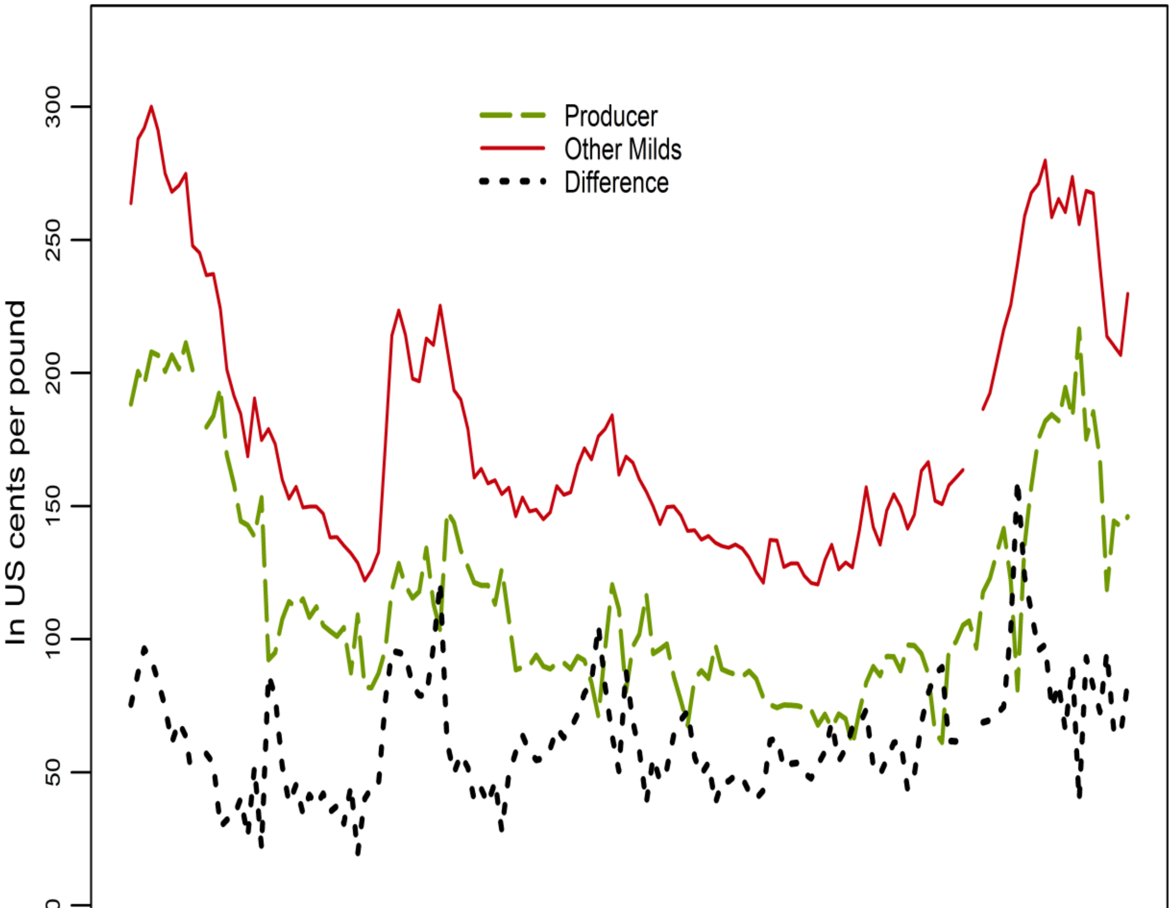


Source: Cárcamo-Díaz (2020), pp. 39

Vertical Issues May Contribute to Make Domestic Margins Heterogeneous and Volatile

Monthly Producer and Indicator Coffee Prices in Colombia (2011-2023)

Monthly Producer and Indicator Coffee Prices in Honduras (2011-2023)



Source: Own elaboration using data from the International Coffee Organization

Moving Forward: Some Challenges and Questions

- What is the role of regulation and which that of CP?
- As Regulation can affect product quality (e.g. via standards), barriers to entry, endogenous sunk costs, etc, how should Regulation and CP interact?
- What are their roles in the face of institutional weaknesses & risk of capture?
- What are the options for CP authorities in low-income developing countries?
  - When mergers are complex and there are asymmetries with CP and regulatory national capabilities?
  - To enforce anti-cartel practices with weak judiciary and law enforcement?
- Which vertical issues should be addressed by CP and how?.
  - Eg.1: Are « Unfair Trading Practices » applicable to Developing Countries?
  - Eg. 2: How to intervene in the face of widespread market failures along the value chain (e.g. credit markets, land property rights and enforcement)?

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Thank you!