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

Presentation

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- 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**
Largest Agricultural Exporters - 2022

- European Union: 16.9%
- United States of America: 11.8%
- Brazil: 7.9%
- China: 5.1%
- Canada: 4.9%
- Indonesia: 3.8%
- Australia: 3.2%
- India: 2.9%
- Russian Federation: 2.9%
- Argentina: 2.8%
- Rest of the World: 37.9%

Note: EU exports control for intra EU exports. Source: UNCTAD’s elaboration using UNCTADStat trade data.
Comparative Volatility of Real Agri Price Indexes

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 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)?
Thank you!