

MEETING REPORT



Reforming Agriculture Trade Rules for Food Security Purposes and Protecting the Rights of Smallholder Producers



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ORGANISED BY KENYA HUMAN RIGHTS COMMISSION



INTRODUCTION

In sub-Saharan Africa, agriculture accounts, on average, for over half of total employment and one fifth of gross domestic product (GDP). But higher prices pose challenges for net importers of these goods. There is also a growing concern that most developing countries are in food deficit today because of unfair trade through imports of subsidised products outcompeting national producers. Although public stockholding programs are considered a global 'best practice' in ensuring food security in developing countries, existing WTO rules do not allow developing countries to maintain domestic support in excess of 10 per cent of their national production (so-called *de minimis* levels). The post-Bali work program that includes agriculture is an opportunity for Africa to review trade policies that are able to address the plight of millions of small-scale producers who have been key players in meeting food demand.

This event on "Reforming Agriculture Trade Rules for Food Security Purposes and Protecting the Rights of Smallholder Producers" aimed to discuss these issues. It was organised by the Kenya Human Rights Commission (KHRC) on October 1, 2015 in Geneva, Switzerland as part of the WTO Public Forum.



FREDRICK NJEHU

PROGRAM ADVISOR, TRADE JUSTICE, ECONOMIC AND SOCIAL JUSTICE PROGRAM, KENYA HUMAN RIGHTS COMMISSION (KHRC)

The session moderator, Fredrick Njehu, welcomed the participants and introduced the topic for discussion, i.e. "Reforming Agriculture Trade Rules for Food Security Purposes and Protecting the Rights of Smallholder Producers". The session would be looking at how WTO trade rules can be favourable to smallholder producers who are the majority of the population in developing and least developing countries.

Panellists would discuss how subsidies have been used by developed countries to the detriment of the developing world, and explore ways to improve current WTO rules towards protecting small producers and make them less vulnerable to global markets. The session would also discuss the issue of "Public Food Stockholding for Food Security" which is at the heart of much debate at the WTO; exploring how it can be designed in a way that protects the population, where it has been implemented and how it is compatible with WTO rules.



DR. EKATERINA KRIVONOS

ECONOMIST, TRADE AND MARKETS DIVISION, UNITED NATIONS FOOD AND AGRICULTURE ORGANIZATION (UN FAO)

Dr, Ekaterina Krivonos provided an overview of the current situation and trends of global agricultural markets, and what they mean for trade policy formulation. While production is increasing everywhere and world prices are declining, she stressed that consumer prices are highly influenced by a variety of domestic factors. This calls for policymakers to adopt a holistic approach, factoring issues like nutrition and climate change in trade policies.

The major drivers of changing market conditions in the long-term will include population growth, urbanization and changes in diet, which is increasingly protein-based. Other factors which will have a major impact on agricultural markets depending on how they evolve will include changes in international commodity prices, exchange rates, as well as agricultural production output. According to the OECD-FAO Agricultural Outlook, agriculture production is growing everywhere. While productivity growth is not very high, most regions are expected to see increased agricultural production. Africa is projected to experience the highest growth, i.e. 29% in ten years from now.

As population grows, consumption is sometimes growing faster than production, hence the important role of trade to meet demand. In this regard, different regions of the world have their specific features: Africa is and remains a net food importer; Asia feeds itself with rice; and Latin America is increasingly feeding the world by exporting agricultural products. The black sea region is becoming a strong player as well, in some cereals like wheat.

As per the FAO Food Price index, international agricultural prices have been declining since the sharp rises of 2007-2008 and 2011, driven by ample supplies and replenishment of stocks. Prices are however not expected to return to their pre-2004 levels. Besides world prices, many other factors influence consumer prices at the domestic level, such as seasonal variability of domestic supplies, trade policy, and changes of domestic production which is sometimes disrupted by climate change and conflicts. This is exemplified by the observed higher price volatility in sub-Saharan Africa as compared to other regions of the world. Import volumes in Net Food-Importing Developing Countries (NFIDCs) have been increasing very strongly across the board.

Concluding on the relationship between trade and food security, Ekaterina noted that such links are positive in many cases although there are some caveats which should generally be dealt with at the domestic level. Policy makers should be aware that there are many more factors and sources of risks now than there used to be, which need to be inclusively factored in policymaking. Trade policy should take into consideration issues like nutrition (i.e. how trade affects diets), trade impacts on price volatility, climate change, the highly interlinked energy and food markets, as well as issues like food waste and competition. These aspects are covered in an FAO flagship publication on trade and food security coming in December this year.



JONATHAN HEPBURN

AGRICULTURE PROGRAM MANAGER, INTERNATIONAL CENTRE FOR TRADE AND SUSTAINABLE DEVELOPMENT (ICTSD) IN GENEVA

Jonathan Hepburn discussed the possible role of trade rules in ending hunger, the challenge lying in balancing the interests of different constituencies (e.g. producers vs. consumers) within and across countries. He recalled some of the well-known challenges to food security in the multilateral trading system (e.g. tariff peaks, subsidies), before outlining possible agriculture-related elements of an LDC package at the WTO MC10.

The recently adopted Sustainable Development Goals (SDGs), which include new targets for ending hunger and malnutrition, are a positive step towards the progressive realization of the right to food. To make it happen, we need to make sure that both global rules and national policies help deliver on these goals by ensuring that markets for food are equitable, sustainable and efficient. The challenge lies in that trade rules and policies affect different constituencies within and across countries differently. For instance, a domestic policy providing for a tariff increase on a product will create both winner and losers, affect people in the neighbouring country, and impact differently producers and consumers.

Many of the food-insecure people are living in rural areas, and are often both producers and consumers of food. Poor producers face a number of challenges (e.g. infrastructure, legacy of under-investment, climate change etc.) that limit their access to markets, and are vulnerable to international shocks. At the same time, consumers in NFIDCs face a different set of problems, such as food price spikes on global markets. These can be exacerbated by export restrictions in major exporting countries, illustrating the important role of multilateral trade rules.

Some of the well-known challenges to food security in the multilateral trading system include: (i) High tariff barriers for a few particular products in some key countries continue to prevent otherwise competitive developing country producers from responding to consumer demand in major markets; and (ii) Agricultural domestic support payments and export subsidies on products that are important for LDC producers have an impact on people in poor countries, on the viability of domestic production, and can even contribute to import surges and price depressions.

With regard to a possible LDC package at the Nairobi 10th Ministerial Conference, Jonathan outlined some of the possible provisions in the area of agriculture. These could include, *inter alia*, progress on the following issues: (i) domestic support; (ii) export competition, in order to minimise distortions on food and agriculture global markets; (iii) Duty Free- Quota Free market access to developed country markets, but also potentially to larger developing countries such as China and India; (iv) tighter disciplines and more effective special and differential treatment in the area of export restrictions, that could help vulnerable consumers in poor food-importing countries; and (v) early harvest on the issue of cotton which many LDCs have highlighted as being important to them.



JANE NALUNGA

COUNTRY DIRECTOR, SOUTHERN AND EASTERN AFRICA TRADE INFORMATION AND NEGOTIATIONS INSTITUTE (SEATINI), UGANDA

Jane Nalunga talked about the impact of current global trade rules on agricultural production and food security in Africa, highlighting the negative impacts of the “unholy trinity”: high subsidies, high liberalisation, and weak safeguards. She also advocated for the inclusion of Special Safeguard Mechanisms at the Nairobi WTO ministerial conference.

In Africa, agriculture is the mainstay of the economy and is key to development. Despite increasing production and productivity, most African countries are largely and increasingly food-importing. African agriculture remains faced with many domestic challenges including limited value addition, limited government support, post-harvest handling, poor infrastructure etc. Budgetary allocation also remains far below the 10% committed at Maputo (4% in Uganda). Some food security challenges also arise from the switch to cash crops promoted by the Structural Adjustment Programs (SAPs), which increased the vulnerability of African economies to ever more volatile global markets.

At the global level, three interconnected factors which she called the “unholy trinity” have made African agriculture very vulnerable: (i) high subsidies in developed countries; (ii) high liberalisation by developing countries; (iii) weak safeguards. This combination has left Africa with no possible safeguards against import surges of highly-subsidised products from developed countries. For example, the dumping of chicken parts in West Africa between 1997 and 2006 led to job losses and the collapse of the poultry industry in several countries, leading in turn to the collapse of domestic maize production and increased food insecurity.

With regard to the WTO, Jane underscored that the most pressing issues to address are the ones of agricultural subsidies as well as special safeguard mechanisms. The latter has been on the table for a long time and would deserve to be made part of the package of the upcoming WTO ministerial conference.



BIRAJ PATNIAK

RIGHT TO FOOD MOVEMENT, INDIA

Biraj Patniak explained the issue of public food stockholding and why it is important for India. In implementing its National Food Security Act, the Indian government procures small quantities of grains from low-income farmers which are then redistributed to the poor. The programme has however been the bone of contention at the WTO since it is expected to surpass the support levels allowed by the Agreement on Agriculture.

In India, over 60% of the population is dependent on agriculture, which makes it a politically sensitive issue in trade negotiations. The vast majority (80%) of Indian farmers are smallholders with less than 2 hectares of land and barely have marketable surplus, 60% of them being net purchasers of food. For the last 20 years, India has been facing an agrarian crisis with high levels indebtedness among

farmers, leading over 300'000 of them to commit suicide between 1996 and 2014. Despite being one of the fastest-growing economies in the world, India remains a poor country with social indicators worse than many African countries (e.g. 40% child malnutrition).

The Indian Public Food Stockholding is a programme whereby, during harvest times, the government procures grains from farmers at a minimum support price that barely covers input costs. This is then distributed to the poor through the public distribution system. The programme is a result of the recently adopted National Food Security Act that guarantees the provision of very small quantities of grains (5 Kgs per person and per month) to about 67% of the Indian population. Its total cost is about 20 billion USD for a programme that covers 840 million people (i.e. 23 USD per capita). By contrast, the US Food Stamps programme covers only 47 million people for a total cost of 78 billion USD (i.e. 1'600 USD per capita).

Yet, this programme has been the bone of contention at the WTO since it is expected to surpass the Aggregate Measure of Support (AMS) levels allowed by the WTO Agreement on Agriculture. In the G33 proposal presented before the Bali ministerial conference in 2013, India and other countries have been putting forward two main requests which have been resisted by developed countries to date: (i) to consider putting such food security-oriented programmes under the green box; and (ii) to update the external reference price for the calculation of which is based on 1986 prices, since current prices are much higher.



DEBORAH JAMES

DIRECTOR OF INTERNATIONAL PROGRAMS, CENTER FOR ECONOMIC POLICY RESEARCH (CEPR) AND COORDINATOR, OUR WORLD IS NOT FOR SALE NETWORK (OWINFS).

Deborah James discussed the role of the global food crisis in bringing the food security issue at the negotiating table, and highlighted the double standards applied to developed and developing countries when it comes to subsidies.

The global food crisis has put the issue of food security under the spotlights, and came with the realisation that there is a need for promoting sustainable, resilient and local production rather than producing cash crops and relying on failing markets. One of the best practices that has emerged is food reserve and public food stockholding, whereby government buys food from marginal farmers who have no access to markets and then releases it into public distribution systems at times of food scarcity. Meanwhile, the government holds it in reserve, thereby helping buffer the volatility brought about by financial speculation on global commodity markets.

Unfortunately, this type of programmes for nutrition is not allowed under the WTO rules, because subsidies have to be calculated based on the average world price from 1986-1988. Yet, it makes no sense to base such a calculation on prices from three decades ago. At the WTO, the G33 is proposing since 2013 that the right to food should prevail and global trade rules should be adapted to no longer interfere with it. Sovereign governments should have the right to utilize what is considered a global best practice in managing public food stocks in order to ensure income for farmers and food for the hungry.

Any discussion on the G33 proposal has been completely blocked by the US, and yet these countries are not asking for increasing their trade-distorting subsidies, but for increased domestic support for domestic consumption. Ironically, the average US farmer is given on average 57'000, while in India is

under 30 USD per person. To top it all, AMS calculation at the WTO enables the EU and the US to continue subsidizing, while excluding countries like India which were not subsidizing before the signing of the WTO.

Providing insights on the current situation, she noted the irony that the peace clause agreed at Bali comes with cumbersome filing and calculations to guarantee the non-trade distorting nature of these programs, while the US is not subject to the same type of requirements. In November 2014, the WTO membership decided that members shall make all efforts to agree on and adopt a permanent solution to this issue by 31 December 2015. Many other countries have such public food stockholding programmes including LDCs (e.g. Zambia, Malawi etc.) and many others would like to adopt them. Unfortunately, the peace clause only allows programmes that were already existing at the time of the decision. She concluded by saying that for the right to food to be realized, a primary deliverable for the Nairobi conference should be to remove the current obstacles to food security at the WTO.



FLOOR DISCUSSIONS

During the ensuing discussion with the audience, participants underscored the absurdity of using 1986-88 prices as a reference, which is a time when international prices were historically low due to high dumping by the EU and the US. At that time, these countries represented half of global wheat exports, fuelled by a dumping rate of over 160% and subsidies of over 8 billion USD.

However, some voices stressed that it is too simplistic to reduce farmers' problems to western agricultural lobbies, and it is important to address the domestic challenges. Developing countries, especially in Africa, face many problems unrelated to and the WTO such as access to land, finance, education and training. In particular, there is a need for strong political frameworks for African farmers who need to get organised in lobbies and participate in policy making processes as it happens in developed countries.

It was pointed out that it is nevertheless important to lobby at the WTO, which sets the policy space available to governments for addressing the above-mentioned domestic issues. Some participants were however of the view that achieving a favourable outcome at the WTO outcome will require political boldness by developing countries, to ensure proper redressal of the issues of tariffs and subsidies which are the main negotiating interests of Africa. The upcoming Nairobi ministerial conference was seen as an opportunity to affirm that the DDA is still alive, despite the current attempts to divert attention to other trade agreements.