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Integrating African Agriculture into the World Economy

By Piet Bukman

This is an exciting time for agriculture. After a considerable period of neglect, the importance of the agricultural sector in reducing poverty is now rightly being touted. African governments have agreed to a Comprehensive African Agricultural Development Program (CAADP), a part of which is geared toward improving infrastructure and trade-related capacities for market access. The World Bank is signaling the importance of the sector by making it the focus of its next World Development Report (after 25 years!). Importantly, the Gates and Rockefeller Foundations are embarking on an Alliance for a Green Revolution in Africa. WTO Director General Lamy has highlighted the need for improved coordination of trade and aid policies so developing countries can play a bigger role in the global trade system, and that “aid for trade” should rightly focus on the agricultural sector, which is so crucial for economic growth and poverty alleviation in developing countries. In the midst of this renewed international enthusiasm for strengthening agriculture in the developing world, IPC hosted, in conjunction with COMESA and the Partnership to Cut Hunger and Poverty

in Africa, an international seminar on June 3-5, 2007 to convene farm policy and private sector leaders, trade experts, academics, and the donor community to analyze what can be done to strengthen and widen markets, and overcome supply-side constraints in African agriculture. As agriculture accounts for more than 30 percent of GDP and provides a livelihood for about 80 percent of the labor force in eastern and southern Africa, this seminar was aptly held in Lusaka, Zambia, where participants engaged in a rich dialogue on how to improve the continent’s agricultural competitiveness, and how it can better engage in local regional, and global markets.

I was tremendously impressed by the dynamism I witnessed among the African policymakers and private sector representatives at our Lusaka Seminar. My very strong sense is that stakeholders in the COMESA region realize that liberalization of trade is inevitable, and that while it brings with it a set of challenges, it also presents real opportunities. In the past, African governments could too easily rely on cheap food imports made possible by

surplus production in subsidized markets, but I believe those days are over. Today population growth and rising incomes throughout the world, along with the biofuels boom, are placing greater demands on agricultural production, surpluses are shrinking, prices are rising, and there are new opportunities for African producers to ensure Africa’s food security and to supply markets across the globe.

There is a lot at stake for Africa in the Doha Round trade negotiations, as there is in the EPA negotiations with the EU, scheduled to be completed by the end of this year. Africa is also well advised to pursue increased regional integration and greater trade ties with other developing countries.

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Toward Sustainable Agriculture: Meeting the Challenges of the Future

Today, agriculture and global food security face many challenges, ranging from meeting the increased demands of a growing world population and changing food preferences to alternative fuel needs. These trends, amidst a concern over climate change, pose considerable sustainability challenges to global agriculture. While many debate whether technology or conservation are the best ways to achieve sustainable production, the truth may lie somewhere in between.

To address these issues, IPC will host its 40th annual seminar in Stratford-

(Cont. on page 4)



Dr. Jones Govereh, IPC Member Robert Thompson, and Ian Goggin discuss the roles of trade policy and supply constraints in strengthening African agricultural markets at IPC’s 39th annual seminar in Lusaka, Zambia.

(COLUMN: *African Agriculture*)

However, increased market access is not a panacea. Markets can only be fully exploited if producers can actually bring their products to market in a way that allows them to make a profit. To this end, new technologies, and public-private partnerships to address supply-side constraints, whether they pertain to policy, infrastructure, or farm-level constraints, are needed to enable African producers to organize their markets and realize the full benefits of trade. The challenge is to bring groups that work on these issues together, not only in conferences, but also in their work on the ground. When African governments or regional groupings deliberate on infrastructure priorities, it is important that those priorities also reflect the interests of the private sector. Private sector organizations, in particular farmers' associations, need to be strengthened

towards this end. The realization that neither aid nor trade alone is a panacea - as evidenced by the Aid for Trade initiative - is good, but for aid for trade to truly work, it will require improved partnerships between donors and recipients, and also among donors.

It is indeed an exciting time for agriculture, especially in Africa. I am happy to see such new realism and optimism after a period of depression about the possibilities for agriculture on the continent. There is a need for ongoing consultations among policymakers, the private sector, and civil society within Africa, as well as with their counterparts overseas to ensure that this healthy emphasis on the agricultural sector is maintained and translated into concrete actions. I am eager for IPC to do what it can to facilitate and participate in such consultations.

--Piet Bukman is the Chairman of IPC, and former Dutch Minister of Agriculture, Minister of Trade, and Minister of Development Cooperation

US Farm Bill: Impacts Beyond US Borders

Although the US Farm Bill debate has engaged many domestic groups, the effects of US farm policies are felt far beyond US borders, and have economic and social implications for rural sectors in developing countries. While the next Farm Bill is being debated in Congress, the Carnegie Endowment for International Peace hosted a discussion of the forthcoming findings of a study to be published by IPC on what impacts US farm policies have on developing countries. The discussion, held on June 27, 2007, focused on the implications of US policy, the role of energy, the Doha Round, and white commodities in the Farm Bill debate, international food aid, and impacts on African agriculture.

The event featured Robert L. Thompson, IPC Member and Gardner Endowed Chair in Agricultural Policy at the University of Illinois at Urbana-Champaign, and Mary Chambliss, independent consultant on international food aid issues. Mr. Samuel Amehou, Ambassador of Benin in Geneva and the former coordinator of the African Group, along with IPC Member Michel Petit, Professor at the Institut Agronomique Méditerranéen, served as commentators, and Sandra Polaski, director of the Trade, Equity and Development Program at the Carnegie Endowment, served as moderator.

70 percent of those in absolute poverty live in rural areas and depend on farming for their livelihoods. Thompson pointed out that there are four principal ways by which US agriculture policies can adversely affect them, by: 1) restricting imports of products in

which developing countries have a comparative advantage; 2) stimulating an overproduction of certain commodities in the US, that when exported, lower the international price of goods from which low-income country farmers derive their incomes; 3) distorting food markets in developing countries by the provision of in-kind food aid and the practice of monetization; and 4) reducing official development assistance for agricultural and rural development, which slows progress toward poverty reduction. He stressed that US agricultural policy reform is not only the "right thing to do," but also in the US' long-term interest to build up the future markets for its exports.

The US is a large player in world agricultural trade, and its agricultural policies do significantly affect the world market for food. In fact, 18 percent of US corn production accounts for 60 percent of global corn trade. OECD policies have affected the world price of rice the most, which studies have shown have been depressed by as much as 33-50 percent. The prices of sugar, dairy products, and cotton, the other "white commodities," have also been depressed by rich country policies.

The US ethanol boom has had an impact on the farm bill debate, and has potential impacts on developing countries. The current and high projected price for corn means that government spending on subsidies coupled to production, which tend to be most trade-distorting, would be minimal. This therefore would be a good time to reform US policies, as high prices would couch the impact of reform. Thompson also noted that as the US shifts a greater amount of corn production from exports to ethanol for domestic consumption, there would be increased export opportunities for

(US Farm Bill, continued from page 2)

developing countries.

Mary Chambliss discussed the importance of US food aid, which accounts for 50 percent of global food aid, and noted that there are proposals for the 2007 Farm Bill to allow local and regional purchases of food to meet emergencies, rather than providing in-kind food aid. Such an approach would allow a more timely response to humanitarian disasters at less cost, and also help stimulate local and regional agricultural markets.

Mr. Samuel Amehou, Ambassador of Benin in Geneva, underscored the importance of subsidy reform in the US as important for the development of African agricultural markets.

Subsidies of the US and other OECD countries adversely affect the competitiveness of African agriculture, and spur increased migration from rural areas into African cities and abroad. For reasons of survival and food security in Africa, Ambassador Amehou stressed that US farm reform is crucial, and that its leadership in this area will translate into positive progress in the Doha “Development” Round.

IPC Member Michel Petit highlighted that farm reform impacts different countries and groups differently, with high prices benefiting producers, but not consumers. Petit spoke of the “worrysome” insufficient movement by the US on cotton, following the WTO’s ruling. He also referred to the

changes that have occurred in international trade negotiations, as both the Cancun Ministerial and the recent lack of agreement among the G-4 have testified to the strengthened voice of developing countries. Emphasizing that an elimination of agricultural support is politically unrealistic, he stressed the ongoing need to decouple subsidies from production, and expressed concern about the apparent movement in the US away from direct payments.

The full IPC study will be released over the course of the summer. For a set of IPC Farm Bill Briefs, and presentations given at this event, visit http://www.agritrade.org/Publications/farm_bill_briefs.html.

Should the Green Box be Modified?

Amid the Farm Bill debate and the Doha Round of trade talks, the International Food & Agricultural Trade Policy Council (IPC) and the Woodrow Wilson International Center for Scholars hosted an experts’ discussion on the issues raised by a recently published IPC Discussion Paper, “Should the Green Box be Modified?” by Timothy Josling and David Blandford. The paper analyzes current Green Box criteria, which have been instrumental

in moving away from trade-distorting support. It also raises salient questions about the production effects of Green Box support, and whether it allows for the implementation of a full range of legitimate environmental and conservation programs. Consensus on these issues is important for the stability of the WTO negotiations, and discussion focused on what can be done to effectively balance the needs of developing countries through reducing trade-distorting support, and meeting domestic policy goals of providing public goods.

Speakers included Timothy Josling, IPC member and senior fellow at the Spogli Institute for International Studies, Stanford University, David Blandford, professor at the Department of Agricultural Economics and Rural Sociology at Pennsylvania State University, Kenneth

Cook, co-founder and president of the Environmental Working Group, Jean-Marc Trarieux, agricultural attaché (First Secretary), European Commission, and Scott Faber, water resource specialist with Environmental Defense.

According to Josling, negotiating on Green Box criteria may well have to be included in a built-in agenda for the Doha Agreement implementation period. Of issue is the question of whether existing Green Box criteria that pertain to certain environmental programs and other public goods projects allow for more than “minimally trade-distorting” domestic support. A number of these criteria arguably allow for agricultural support that has production and wealth effects, as well as effects on resource retention, which impact trade and could thus be open to a WTO challenge.

Jean-Marc Trarieux of the European Commission highlighted the benefit of the Green Box in facilitating the progress of agricultural reform in the



David Blandford, John Sewell, and Scott Faber discuss the nature of Green Box subsidies at an IPC experts’ discussion held in May 2007 at the Woodrow Wilson International Center for Scholars.

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Upon-Avon, England, on October 15-16, titled "Sustainability in the Food & Agricultural Sector: The Role of the Private Sector and Government." The seminar will convene international food and agricultural trade experts, environmental specialists, farm leaders, government officials, and agribusiness and food retail executives to examine the role of biofuels in sustainability, and private sector best practices and initiatives already underway to address sustainable production.

What practices really makes sense at different stages of the supply chain? What are governments doing to promote sustainability practices, and how can they better create incentives for conservation and technological innovation to meet sustainability challenges of the future? Come engage in this discussion at IPC's 40th seminar. To access the program and register, please visit: http://www.agritrade.org/events/sustainability_agriculture.html.

(Green Box, continued from page 3)

EU, in which 80 percent of agricultural payments are decoupled. However, Scott Faber of Environmental Defense pointed out that certain US agricultural policies that fall within the Green Box, whether in terms of research, infrastructure, investment, or environmental services, may be incompatible with WTO rules. Kenneth Cook from the Environmental Working Group also argued that a disproportionate share of U.S. farm safety net and crop insurance payments go to a relatively small, concentrated number of congressional districts, and are not evenly distributed throughout the country.

NEW IPC PUBLICATIONS:

Dairy

To maintain safety in dairy commerce, sanitary regulations that govern global dairy trade are necessary. However, it is possible that these regulations may be used for protectionist purposes, and may hinder beneficial trade flows. To analyze to what extent sanitary requirements affect dairy trade, IPC has undertaken a survey of nine Top 20 companies that export dairy products. Written by Thom Achterbosch of Wageningen University, "Between Safety and Commerce: How Sanitary Measures Affect Global Dairy Trade" documents the trade impact of sanitary regulations, and how solutions to divergent standards can be found through global institutions.

Biofuels

Biofuels are frequently hailed as an economic development opportunity for developing countries. However, without open and equitable international trade in this product, developing countries may not be able to take advantage of their climatic and cost advantages in producing biofuels. In its forthcoming paper, "US and EU Government Support to the Biofuels Sector," IPC examines how domestic policies in the US and the EU are shaping the context for international trade in biofuels and how these policies will impact developing countries seeking to enter the market.

NEW MEMBERS

IPC has the great pleasure of welcoming the following new members:

Shannon Herzfeld, vice-president-government relations, Archer Daniels Midland Company

Nicolas Imboden, executive director, IDEAS Centre

J.B. Penn, chief economist, John Deere & Company

Caspar Ridley, head of global public affairs and government relations, Syngenta Seeds

Carlo Trojan, former permanent representative of the European Commission to the International Organizations, Geneva Delegation

IPC MISSION

The International Food & Agricultural Trade Policy Council (IPC) promotes a more open and equitable global food system by pursuing pragmatic trade and development policies in food and agriculture to meet the world's growing needs. IPC convenes influential policymakers, agribusiness executives, farm leaders, and academics from developed and developing countries to clarify complex issues, build consensus, and to advocate policies to decision-makers.

IPC MEMBERS

Piet Bukman (Chairman), The Netherlands

Marcelo Regunaga (Vice-Chairman), Argentina

Bernard Auxenfans, France
Malcolm Bailey, New Zealand
David Blackwell, United States
Joachim von Braun, United States
Csaba Csaki, Hungary
Pedro de Camargo Neto, Brazil
Luis de la Calle, Mexico
H.S. Dillon, Indonesia
Cal Dooley, United States
Franz Fischler, Austria
Michael Gifford, Canada
Timothy Groser, New Zealand
Carl Hausmann, United States

Shannon Herzfeld, United States
Jikun Huang, China
Nicolas Imboden, Switzerland
Rob Johnson, United States
Hans Jöhr, Switzerland
Timothy Josling, United Kingdom
Leonard Condon, United States
Rolf Moehler, Belgium
Raul Montemayor, Philippines
Joe O'Mara, United States
Nestor Osorio, Colombia
J.B. Penn, United States
Carlos Perez del Castillo, Uruguay

Michel Petit, France
Per Pinstrup-Andersen, Denmark
Henry Plumb, United Kingdom
Caspar Ridley, Switzerland
Eugenia Serova, Russia
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