

A g r i - T r a d e FORUM

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Food Trade Increasing, But Improved Trade Disciplines Still Needed

by Carlos Perez del Castillo

Carlos Perez del Castillo assumed the Vice Chairmanship of IPC's Board in May 2011. He is Chair of the CGIAR Consortium Board, is on the Steering Committee of High Level Experts for the FAO's Food Security Committee, and he is the Former Permanent Representative of Uruguay to the World Trade Organization.

Despite the problems facing the Doha Development Round negotiations, trade flows, including those of food and agricultural products, have bounced back and are indeed increasing.



Carlos Perez del Castillo

A number of recent “foresight” exercises also share the finding that food and agricultural trade is going to increase substantially in the next years. Increasing demand due to population and income growth, combined with the fact that centers of population are often geographically removed from agricultural centers, effectively guarantee that this will be the case.

While the long term trend is therefore likely to be one of further increases in food and agricultural trade, this does not obviate the need for improved trade disciplines. An interconnected global food system requires clear rules of the road, to ensure it truly improves the global efficiency of food production, and does so in an equitable fashion.

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Continuing to press for an elimination of export subsidies and a reduction of trade distorting domestic support is important in order to create the proper long-term incentives for increased and sustained investment in the agricultural sectors of developing countries. Rules are also necessary to help see us through temporary crises in a way that does not dampen a badly needed supply response. Strengthening rules on what kinds of export restrictions can be imposed in times of crisis and how, for example, is crucial for mitigating extreme price volatility, and for maintaining a sound level of confidence in the international trading system.

In our advocacy for an open and equitable global food system, IPC continues to focus on trade. Clearly, trade alone will not solve the key challenges facing the food and agricultural sector: the need to feed a growing population, the need to increase productivity in a sustainable fashion, and the need for greater economic growth and development, but it can play a crucial role in all three of these. The demands facing the agricultural sector are immense: let us not impede the efficiency derived from an open trading system.

IPC, OECD Will Discuss Non Tariff Measures

IPC and the OECD will cohost an international seminar on non-tariff measures (NTMs) in Paris, France on September 13, 2011. Regulations in the food and agriculture sector increasingly lead to the application of NTMs that affect international trade. There is a need to increase step up efforts to promote greater transparency on NTMs and to improve our ability to measure their impact. The seminar will feature high-level experts from government, international organizations, the private sector, academic institutions, and civil society organizations.

Regulation in the food and agricultural sector has increasingly led to the introduction of non-tariff measures that affect international trade. Greater transparency in these areas, as well as the ability to measure their impact is needed. With this end, the seminar intends to address the topics of:

- Transparency and tracking of NTMs
- Measuring the trade and economic effects of NTMs
- NTMs in Trade Agreements and Negotiations

More information, agenda, and registration can be found at <http://www.oecd.org/TAD/NTMSept2011>



Chicago Council Symposium Highlights Renewed Focus on Agricultural Development

On May 24, 2011, the International Food & Agricultural Trade Policy Council, along with a number of distinguished NGOs, co-sponsored the Chicago Council on Global Affairs' Symposium on Global Agriculture and Food Security: Progress to Date and Strategies for Success in Washington, DC. This event marked the release of the Chicago Council's 2011 Progress Report on U.S. Leadership in Global Agricultural Development, which highlighted areas of success, as well as the need for continued leadership and support in the field of agricultural development.



The program featured keynote speakers Rajiv Shah, Administrator of USAID, Thomas Vilsack, Secretary of the USDA, and Bill Gates, co-chair of The Bill & Melinda Gates Foundation. A number of IPC members, including **Jason Clay**, **Namanga Ngongi**, **Robert Thompson**, and **Joachim**

von Braun participated in panels during the symposium.

Improvement is still needed in the area of U.S. and international policy—in particular the lack of progress in the Doha round of negotiations and U.S. biofuels policy.

Global Agricultural Development Initiative chairs Catherine Bertini and Glickman highlighted the importance of reducing hunger for development— young children who are malnourished will never develop the amount of gray matter as well nourished children. Dr. Shah highlighted the potential success of and need for private sector partnerships. Bill Gates emphasized the need for “catalytic dollars;” credit for farmers to buy inputs, research, and cooperatives. Mr. Gates also highlighted the World Food Programme's Purchase for Progress program, which buys food from small farmers, thus enabling them to have access to consistent markets. In addition, a paper by IPC Chief Executive Charlotte Hebebrand

that highlights the role of the private sector in agricultural development was released (see article below).

The Chicago Council commended the U.S. government and the NGO community for the renewed focus on agricultural development since the 2007/2008 food crisis. In particular, it was mentioned that USAID had improved its interagency coordination, and the Millennium Challenge Corporation and World Bank have increased dispersals and resources for global agricultural development.



IPC Member Namanga Ngongi participates in a panel on private sector involvement along with Wendy Chamberlin, Tom Daschle, Chris Polcinski, and Josette Sheeran Photo Credit: Chicago Council on Global Affairs

However, serious improvement is still needed for policy coherence, particularly in the areas of farm support and biofuels policy.

For-Profit Sector Plays Critical Role in Agricultural Development

It can be argued that the silver lining of the food price crises is that it has led to renewed attention on the importance of agricultural development. Governments—both in developing countries and donor countries—are ratcheting up the share of their resources going into agriculture, which is greatly welcome after several decades of neglect. Yet, with the needs calculated to be as high as \$83b per year, it is clear that governments—even if they live up to their pledges—cannot provide anywhere near sufficient levels of investment. Although there are justified concerns about non-transparent, large-scale investments

undertaken by both domestic and foreign actors, it is important not to lose sight of the fact that the for-profit sector is a critical player in the shift from subsistence agricultural economies toward well-functioning commercial systems.

IPC's most recent paper commissioned by the Chicago Council's Global Agricultural Development Initiative, *Leveraging Private Sector Investment in Developing Country Agrifood Systems*, provides a number of examples of investments by transnational corporations that have benefitted smallholders in developing countries, i.e. by increasing their

productivity and incomes. Although some of these have not yet led to profits for the companies, they also do not fall neatly into the “corporate social responsibility” category. They are, rather, long term investments intended to promote greater social, economic and environmental sustainability, so as to ensure improved supplies and improved access to supplies, and the strengthening of future markets, and as such, truly hold out the promise of “shared value.”



Member Opinion: G20 and Food Price Volatility: From Rhetoric to Action

by Stefan Tangermann *Stefan Tangermann is an IPC Member and Professor Emeritus, Department of Agricultural Economics and Rural Development, University of Göttingen*

The first ever meeting of agriculture ministers from the G20 countries, called by the French government and held in Paris 22-23 June, has concentrated on volatile and rising food prices—an appropriate focus given the lack of considered and internationally coordinated policy response to spiking food prices in recent years. The Action Plan agreed by ministers, based on recommendations elaborated by a consortium of international organizations led by OECD and FAO, is a step towards designing an effective, balanced and practical strategy—including concrete action recommendations and avoiding potentially strangling market manipulation.

Ministers have not only talked loosely about the desirability of raising



productivity in world agriculture, but added a practical dimension by launching an initiative to improve wheat yields. They agreed on concrete

elements of a scheme that has the potential of improving market information and transparency. In order to improve policy coordination, a rapid response forum of senior officials was established. The important role of unimpeded trade in balancing food markets, improving food security and addressing food price volatility was emphasized. Importantly, it was agreed to exempt food purchased for non-commercial humanitarian purposes by the World Food Programme (WFP) from export restrictions, and to recommend adoption of an equivalent formula by the WTO Ministerial in December 2011. The importance of targeted

safety nets for vulnerable households in developing countries and of market-based instruments to manage risks was emphasized. The WFP and other international organizations were encouraged to develop a pilot project for targeted emergency humanitarian food reserves. In a remarkable degree of concreteness, the declaration goes beyond generalities and includes annexes specifying in some detail the actions agreed and practical next steps.

The important role of unimpeded trade in balancing food markets, improving food security and addressing food price volatility was emphasized.

Fortunate omissions from the declaration are calls for strangulating regulations of derivatives market; plans for grandiose reserve schemes to control price fluctuations; intentions to manipulate derivative markets through virtual reserves; and undertakings to provide massive financial support to enhanced risk management policies for farmers in rich countries.

However, two other omissions are unfortunate. Among analysts, there is agreement that government support to biofuels contributes significantly to rising food prices and inflexible biofuels mandates make food prices even more volatile. Yet, rather than resolving to reconsider these policies, ministers have only called for more analysis. Ministers have also been unable to agree on imposing stricter general disciplines on export restrictions and taxes, beyond humanitarian food purchases by the WFP, even though it is abundantly clear that export restrictions have been a major factor in recent episodes of spiking food prices.

In a global community that appears to have growing difficulties to agree on joint action, be it for trade liberalization, fighting climate change or in other fields, the Declaration now adopted by the G20 ministers for agriculture is a positive exemption. The world has moved, it appears, into an era of higher and possibly more volatile food prices. To avert disastrous consequences for food security, this Action Plan must become more than a set of friendly New Year's resolutions.

Global food challenges need to be approached in holistic manner DuPont committee says

IPC Board member **JB Penn**, Chief Economist, Deere & Co., and CEO **Charlotte Hebebrand**, were fortunate to serve this past year on an advisory committee for DuPont on agricultural innovation and technology, the DuPont Committee on Agricultural Innovation and Productivity in the 21st Century. The committee is chaired by former U.S. Senate Majority Leader Tom Daschle, and other committee members are Pedro Sanchez, co-chair of the Hunger Task Force of the Millennium Project, an advisory body to the United Nations; and Jo Luck, president of nonprofit Heifer International and co-winner of the 2010 World Food Prize. The Committee report emphasizes the need to approach challenges facing the global food system in a holistic fashion and calls on governments, companies and NGOs to find effective ways to collaborate. DuPont plans to follow up with several company specific announcements and commitments. The report is available here: <http://www.mygazines.com/issue/33253>.

IPC's recently agreed upon new mission statement reflects IPC's broader focus on the global food system:

Purpose: IPC promotes the role of trade in creating a more open, equitable, productive and sustainable global food & agricultural system to meet the world's growing needs.

Mission: IPC makes pragmatic trade policy recommendations to help solve the major challenges facing the global food & agricultural system in the 21st century.

PRODUCTIVITY AND SUSTAINABILITY:

Efforts to increase agricultural production must go hand in hand with agricultural practices that are sustainable.

Trade liberalization creates efficiencies, promotes productivity and can contribute to a more sustainable use of resources. To pursue productivity and sustainability, coherence between agricultural, environmental and trade policies must be fostered.

FOOD SECURITY:

A free flow of food and agricultural goods is an important factor for global food security, but the food and agricultural sector remains among the world's most distorted economic sectors.

An open and rules-based trade system mitigates extreme volatility and contributes to global food security. Food and agricultural trade liberalization can be achieved through trade agreements and sound regional and domestic policies.

ECONOMIC GROWTH AND DEVELOPMENT:

With 75% of the world's poor living in rural areas, priority must be placed on improving rural livelihoods.

Sound trade and investment policies to integrate rural areas into local, regional and international markets, create economic growth and are necessary for effective poverty alleviation.

Approach: IPC convenes influential policymakers, agribusiness executives, farm and civil society leaders, and academics from around the world in order to clarify complex issues, foster broad stakeholder participation in policy deliberations, and build consensus around pragmatic policy recommendations.

Upcoming Events

Non Tariff Measures on Food and Agricultural Products: The Road Ahead: <http://www.oecd.org/TAD/NTMSept2011>

September 13, 2011, Paris, France

IPC Session at the WTO Public Forum: Rebalancing the Rights of Importers and Exporters: How to Address Agricultural Export Restrictions

September 20, 2011, Geneva, Switzerland

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