



## TRADE POLICY BRIEFS

FAO SUPPORT TO THE WTO NEGOTIATIONS AT THE 12<sup>TH</sup> MINISTERIAL CONFERENCE

### COVID-19: AGRICULTURAL TRADE AND POLICY RESPONSES DURING THE FIRST WAVE OF THE PANDEMIC IN 2020

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#### KEY MESSAGES

- World agricultural and food trade remained resilient to COVID-19-related shocks, despite short-term disruptions observed at the beginning of the pandemic.
- Governments' policy responses to address COVID-19 covered a wide range of measures, including export restrictions, lowering of import barriers, and domestic measures. Most of the trade restricting measures were limited in use and short-lived.
- In the medium-term, the COVID-19 pandemic will continue to be a serious source of uncertainty in markets, with potentially adverse implications for access to food as well as likely longer-term shifts in global food and agricultural commodity demand and supply.
- It is important to keep agri-food markets open and trade flowing smoothly to protect global food security and prevent the COVID-19 crisis from becoming a food crisis.

#### Background

During the first wave of the COVID-19 pandemic in 2020, governments around the world adopted various containment measures to reduce and mitigate the spread of the disease. These included closures of business activities, lockdowns, curfews, quarantines, and travel restrictions within and across borders.

These measures, while curbing the spread of the virus and lowering the pressure on health systems globally, had a significant negative effect on the global economy, hampering employment and households' incomes and leading to a significant decline in economic activity. Depending on the severity of the resulting economic shocks, FAO estimated that the pandemic pushed an additional 83 million to 132 million people to the ranks of the undernourished in 2020.

#### Shocks affecting demand and supply of food and agricultural products

For agricultural markets, the COVID-19 pandemic has resulted in a dual shock affecting both supply and demand, with the measures to control the spread of the disease affecting many supply chain related activities, including production, processing, logistics, and retailing. For instance, restrictions on movement often led to shortages of agricultural labour, affected trade, and reduced the availability of and access to inputs, including seeds, fertilizers and pesticides. Similarly, labour-intensive food industries – such as processing facilities – have been under stress, running at lower capacity due to shutdowns and partial closures aimed at efforts to minimize the transmission of the virus. Meanwhile, major reductions in income and the closure of restaurants and food services brought about rapid and significant changes in food consumption patterns.

However, on aggregate, and despite the severity of these shocks, global agri-food trade and value chains showed remarkable resilience. While trade in products affected by shifts in consumption patterns (e.g. beverages and fish) and non-food commodities (e.g. cotton, live plants and cut flowers) declined relatively sharply during the first months of the COVID-19 outbreak, disruptions to global trade in basic foods such as cereals, oilseeds, fruits and vegetables were minimal. As a result, the overall impacts on global trade in food and agriculture remained limited to short-term disruptions at the beginning of the pandemic.

#### Agricultural and trade policy responses

Uncertainty about the pandemic and its effects on agricultural supply chains and the global trading system prompted concerns over food security and food safety worldwide, leading countries to implement policy measures to mitigate potentially adverse effects on their domestic markets. These covered a wide range of measures, including export restrictions, lowering of import barriers, and domestic measures (Table 1).

Trade restricting measures can have a significant impact on the balance between global food supply and demand, with harmful effects on both exporters and importers. During the first wave of the COVID-19 pandemic, particularly in comparison with the global food price crisis of 2007-08, most trade-restricting measures were limited and short-lived. Ample supplies, comfortable stocks-to-use ratios (for cereals) and positive production prospects at the beginning of 2020 may have played a role in reducing the risks and fears of food shortages, and consequently the incidence and duration of trade-restricting measures. Moreover, international political commitments to keep food trade flowing smoothly were also

pivotal to a more coordinated global response to the crisis and to discouraging countries from taking unilateral measures that could have harmful impacts on the food security situation in other countries. In fact, rather than restricting trade, several countries promoted measures to facilitate trade-related procedures, including digital tools such as by accepting electronic phytosanitary and veterinary certificates. Simplified import-licensing procedures and the establishment of green corridors for selected products were also implemented to facilitated trade.

**Table 1. Main policy responses to COVID-19 impacts on markets and trade**

<b>TRADE RESTRICTIONS</b>
<p>A <b>limited number of countries</b> imposed trade related restrictions (very few import restrictions).</p> <p>Many of the export bans were <b>transformed into export quotas</b>, and most of them were soon <b>repealed</b>.</p> <p><b>Import</b> restrictions mainly addressed trade of <b>live animals, fish, and some horticultural products</b>.</p>
<b>MEASURES TO LOWER IMPORT BARRIERS</b>
<p>Several countries <b>lowered import barriers</b>, mainly in the form of suspending import tariffs and, in limited cases, raising tariff rate quotas (TRQs).</p> <p>Selected countries also <b>lowered technical barriers to trade (TBT)</b> measures to facilitate imports of critical food items.</p> <p><b>Most measures were temporary</b>, put in place in March/April and aiming to last until the end of the year.</p>
<b>DOMESTIC MEASURES</b>
<p><b>Producer support</b> measures were provided to ensure production.</p> <p>Some countries provided <b>logistics and marketing</b> support.</p> <p><b>Several countries increased domestic food procurement targets</b>, and/or <b>increased imports</b> to build national reserves, ensure availability.</p> <p>Some countries implemented <b>ceiling prices</b>, while others <b>expanded food distribution programmes</b> to ensure economic access.</p>

## Medium-term risks for food security

In the medium term, the challenge for food security continues to be one of food access, rather than availability at the global level. While extreme weather events, such as those caused by the 2020/21 La Niña episode, animal and plant diseases are expected to put pressure on food production and supplies, COVID-19-related risks are more likely to be caused by demand-side effects. The loss of employment and declining incomes associated with the global economic recession are expected to lead to more profound changes in food demand, away from nutritious and diverse foods to relatively cheaper staples.

The full economic and social impacts of the pandemic are still unfolding, and as the disease is still spreading, it will continue to be a serious source of uncertainty to agri-food markets, with potentially adverse implications for access to food and likely longer-term shifts in global food and agricultural commodity demand and supply. To limit such risks, governments would need to put in place appropriate measures to address income losses and support vulnerable population groups. For instance, social protection tools such as domestic food aid and cash transfers can support consumption during times of growing unemployment and reduced income. Likewise, targeted domestic support measures can play a key role in ensuring that producers maintain adequate production levels and that their assets and incomes are protected.

At the same time, it is important to keep markets open and ensure uninterrupted and efficient trade flows, including through efforts to further digitalize trade procedures and supply chain operations, international commitments by countries not to use trade restrictions, improving transparency in markets and policies, and strengthening international governance and coordination mechanisms. In this regard, the Agricultural Market Information System (AMIS), a G20 initiative launched in 2011 and housed at FAO, is a key instrument to reduce asymmetry of information on food availability, stocks and trade flows, and promote coordination of policy responses in times of uncertainty.

## Actions to address key challenges:

Countries and the international community need to continue working closely together to:

- ▶ ensure well-functioning markets and uninterrupted trade flows, and strengthen collaboration to enhance transparency in market conditions and policies;
- ▶ avoid policy responses and actions that can jeopardize the food security situation in other countries, particularly in developing countries that are dependent on food imports;
- ▶ support smallholder producers to increase food production and vulnerable consumers to safeguard their access to adequate, nutritious and safe food; and
- ▶ promote harmonization of food safety requirements on the basis of internationally agreed standards under the Codex Alimentarius.

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