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TRADE POLICY BRIEFS

FAO SUPPORT TO THE WTO NEGOTIATIONS AT THE 12TH MINISTERIAL CONFERENCE

CHANGING PATTERNS OF AGRIFOOD TRADE: THE RISING IMPORTANCE OF DEVELOPING COUNTRIES

KEY MESSAGES

- The value of global agrifood trade in real terms has more than doubled in the past three decades, but growth has slowed down since the 2008 financial crisis.
- While continuing to grow, world agrifood trade did so at a slower pace than the total global merchandise trade. As a result, its share in total global merchandise exports has declined.
- Participation of developing countries in global agrifood markets is on the rise, underscoring their increasing significance in global agricultural and food trade. However, participation of least-developed countries (LDCs) continues to be limited.
- Over the last two decades, most LDCs changed from being net agricultural exporters to net agricultural importers.

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Trends in agricultural and food trade

Over the past three decades, the value of global agrifood[1] trade has more than doubled in real terms (Figure 1). It increased steadily until 2008, when its growth was interrupted by the recession that followed the financial crisis of 2008, then regained momentum between 2010 and 2013. From 2014, the value of agrifood trade declined again, mainly due to falling commodity prices and exchange rate fluctuations, before rebounding between 2016 and 2019 (FAO, 2020). Overall, global agrifood trade grew at an annual average rate of 3.8 percent, reaching USD 1.37 trillion in 2019 from USD 531 billion (in real terms) in 1990.

Agrifood trade: patterns of growth

Substantial differences can be observed regarding the patterns of growth of agrifood trade. At the global level, total agrifood trade exhibited the highest growth rate of 7 percent per year over the 2000-09 period, outperforming growth of 1.1 percent for the period 1990-99 and 3 percent for 2010-19. The growth patterns also varied across country groups, with developing countries[2] outperforming developed countries over the period 2000-19 (Figure 2).

The growth in agrifood trade is the result of a combination of factors, including transport that is more efficient and progress in information, communication and digital technologies resulting in lower trade costs, with positive effects of economic growth and its distribution both in developed and developing countries. Improved market access due to reduction in tariffs, resulting from the World Trade Organization's Agreement on Agriculture (AoA) that entered into force in January 1995 and the many Regional Trade Agreements, has also been instrumental in promoting trade in food and agriculture (FAO, 2020).

Developments in agrifood trade versus merchandise trade

While it continued to expand since 1990, world agrifood trade grew at a slower pace (3.7 percent annually) than the global merchandise trade, which grew at annual average rate of 4.4 percent (Figure 1). Consequently, its share in global total merchandise exports has declined, from close to 9.5 percent in 1990 to around 7.7 percent in 2019 (Figure 3). For example, least-developed countries' (LDCs) share of agricultural exports in their total merchandise exports declined from 22 to 11 percent, while their share of agricultural imports in their total merchandise imports dropped from 52 to nearly 31 percent over the same period. The decline in the share of agriculture exports in total merchandise exports suggests an increase in the export earnings of LDCs from sources other than agricultural products.

The rising importance of developing countries in world agrifood trade

Developing countries are increasingly participating in global agrifood markets (Figure 4). Their share in the global agrifood exports increased from 32 percent in 1990 to 46 percent in 2019, while that of developed countries declined from 68 to 54 percent. Over the same period, developed countries' share in global agrifood imports declined from 67 to 49 percent,

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[1] Data for agricultural trade includes products covered in Annex of World Trade Organization Agreement on Agriculture, i.e., data for fish and fish products are excluded. All values are in 2015 constant prices. Data are sourced from COMTRADE, logged on 12 June 2021. Merchandise trade data are from Word Development Indicators https://databank.worldbank.org/source/world-development-indicators#

[2] Developing and Least Developed countries are categorized following the UN classification in the "World Economic Situation and Prospects (WESP) 2018" www.un.org/development/desa/publications/wesp-2018.html

while developing countries increased their respective shares from 33 to 51 percent. Several countries, namely Argentina, Brazil, China, Chile, India, Indonesia, Malaysia, Mexico, Turkey, South Africa and Thailand, have been at the forefront of this pattern shift (FAO, 2018).

Main challenges facing developing countries

Despite the significant expansion in the share of developing countries in global agrifood trade, LDCs participation continues to be limited. The shares of LDCs in global agrifood export and import were 1.5 and 5.3 percent in 2019, respectively. Moreover, as population growth outpaced gains in agricultural productivity, thus increasing the demand for imported food, most LDCs have changed from being net agricultural exporters to net agricultural importers. Agriculture is central to LDCs, accounting for between 30 and 60 percent of GDP, providing employment for more people than any other economic sector and underpinning their food security and export earnings. However, poor infrastructure, limited adoption of technologies, lack of access to inputs and financial resources, and weak institutions are the key factors limiting LDCs' agricultural productivity growth and competitiveness in global markets (FAO, 2018).

Actions to address key challenges:

- Contribute to countries' informed decisions on agrifood trade and related matters through improved understanding of the trends and drivers of global agrifood markets, primarily by strengthening human capital and institutions;
- Support developing countries, in particular LDCs, to enhance agricultural productivity and access to markets through public and private investments in market and trade-related infrastructure and improved access to quality inputs, information and communication technologies (ICTs) and financial resources; and
- Facilitate increased participation of developing countries, in particular LDCs, in international agrifood markets to achieve SDG target 17.11 aiming at significantly increasing the exports of developing countries.

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Figure 1: Development in agrifood trade, 1990-2019*/**

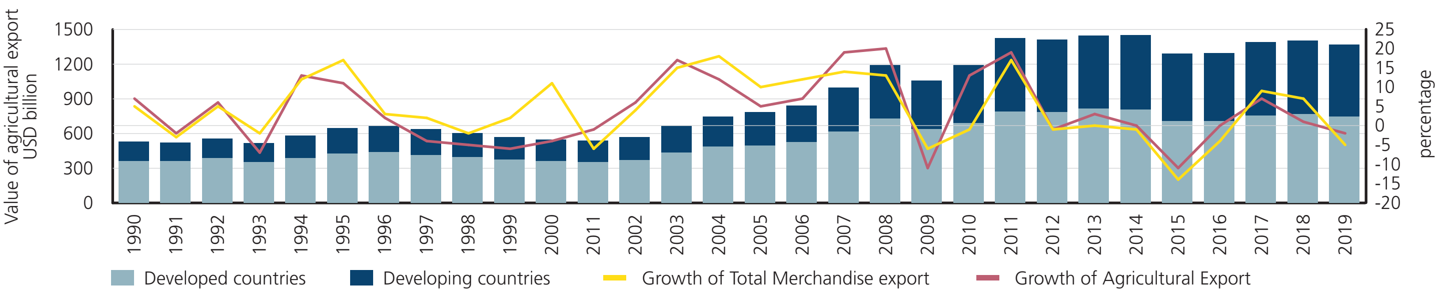


Figure 2: Growth of agricultural trade, exports and imports (%), 1990-2019*

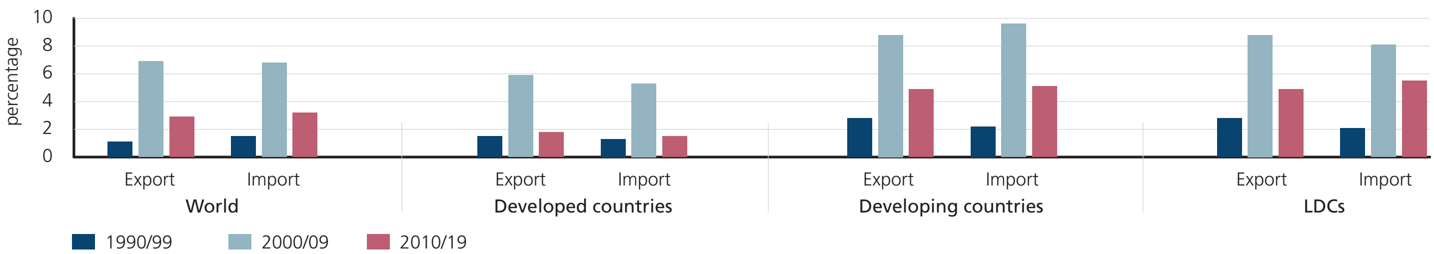


Figure 3: Agrifood trade share in merchandise trade (%), 1990-2019**

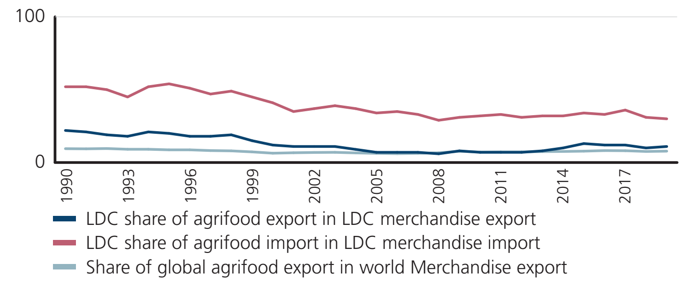
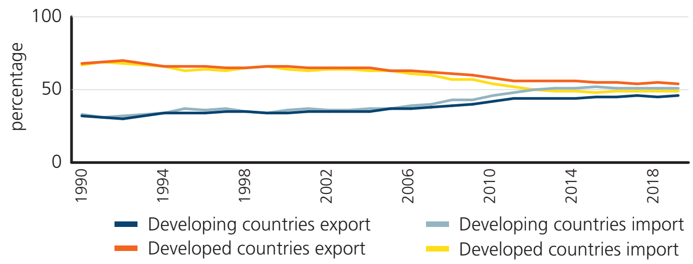


Figure 4: Share in global agricultural imports and exports (%), 1990-2019*



* Source: based on COMTRADE data, 2021
** Source: based on Word Development Indicators, World Bank, 2021

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