



Ministerial meeting on long-term commodity price trends and sustainable agricultural development

Rome, 3 October 2016

Roundtable IV: Trade, food security and nutrition

Why the subject is important

- The relationship between trade and food security and nutrition is attracting increased attention on both trade and development agendas. Ending hunger by 2030 is a key goal in the 2030 Agenda for Sustainable Development, and trade is one of the means to achieving this goal.
- Trade can play an important role in meeting nutritional targets and there are specific recommendations in the Second International Conference on Nutrition (ICN2) Framework for Action concerning the contribution of trade policies to nutritional objectives.
- Trade will increasingly influence the extent and nature of food security across all regions. The challenge is to ensure that the expansion of trade works for, and not against, the elimination of food insecurity and malnutrition.

Background

Globally, about 793 million people are still undernourished. About two billion people lack access to enough micronutrients. At the same time, many countries face the growing burden of overweight and obesity, prompted by the changing diets and decreasing levels of physical activity that characterize modern lifestyles. What is more, over and undernutrition can coexist in the same country, the same family and even affect the same individual. This is known as the “triple burden of malnutrition”, with the relative importance gradually shifting from undernutrition to overnutrition in many countries.

Trade helps balance food deficits and surpluses across countries facilitating the availability of food and contributing to price stability. By integrating national and international food markets, trade can help absorb domestic supply and demand shocks that could otherwise result in excess domestic food price volatility. Covering local shortfalls and smoothing out price swings are especially important in view of the challenges posed by climate change.

Trade broadens the choice for consumers, and affords them with a more diversified diet across all seasons. The ability to produce better nutritional outcomes by improving access to food and broadening the choice to consumers is an important argument for freer trade.

At the same time, the rise of international food trade, especially imports, is often associated with speeding up a “nutrition transition” to food types characterized by high calorie and low nutritional contents that can lead to an increased incidence of obesity and other diet-related chronic diseases. This is a growing concern in middle and high-income countries and emerging economies.

Greater trade openness to international markets also poses additional challenges. For example, greater openness can expose small family farmers and small processors and retailers at home to greater competition that may undermine their profitability and even their viability. In the absence of policies that counterbalance these negative effects, food security and the development prospects of rural areas or even of agriculture-based countries can be compromised.

More generally, trade plays a role at all stages of the food value chain, from producer to consumer. It can induce, but it is also affected by changes in market structures, infrastructures, productivity, the composition of agricultural output, the variety, quality and safety of food products and the composition of diets. It is also expected to result in gains in overall efficiency through better resource allocation.

For example, an increased emphasis on quality control and food safety standards that accompany food products from “farm to fork” gave rise to modern food systems that are more knowledge- and capital-intensive and are increasingly characterized by vertically coordinated global value chains (GVCs). For some, GVCs allow greater competitiveness and better inclusion in trade and investment flows. For others, they shift market power and marginalize small family farmers. In spite of their complexity and stringency, standards and the trade rules that govern them have facilitated the growth of trade in higher-value foods, such as fruits, vegetables and meat and dairy products – where quality control is important.

Current Outlook

Global trade in food and agricultural products has grown almost three-fold in value terms over the past decade. In the medium-term, the growth in global food demand is projected to slow down as population growth and income growth in key economies decelerate. Real agricultural prices are projected to remain relatively flat, and growth in trade is expected to continue to rise, albeit at a lower rate. For many countries, its significance in shaping food security and nutrition is expected to increase.

While imports are dispersed over a larger number of countries, exports of agricultural commodities increasingly originate from a few countries and regions. This raises concerns over possible disruptions in global supplies, notably in the presence of climate-induced or policy-related shocks. Trade policies will have to ensure that the global market will remain a reliable source of food, especially for low-income net food importing countries and for those countries that rely on trade for achieving better diets for their people.

It is expected that consumption patterns will continue to evolve in line with rising incomes and urbanization, with higher demand for products high in protein, such as dairy and meat, which will influence the global trade flows. At the same time, in low-income countries in particular, greater access could facilitate an increase in consumption of cheaper and more readily available foods that are high in calories and fats and low in nutritional value. These developments emphasize the need to consider the different outcomes that trade will have for people at risk of undernutrition relative to those at risk of unhealthy diets.

The changing agrifood trade and policy landscape poses challenges for policy-makers. National trade and agricultural policies will play a key role in contributing to the realization of Sustainable Development Goal 2, to end hunger and malnutrition. To address these challenges, countries will need to identify and utilize effectively their trade policy space across different areas that include agricultural support, industrial policies and food labelling regulations, which will require new tools to address these emerging economic, social and health concerns.

Guiding questions for policy makers

- Under which conditions can trade help reduce hunger and malnutrition?
- How should changes in agricultural and trade policy be coordinated with food security and nutritional outcomes so that freer trade benefits consumers without compromising the development prospects for producers?
- Is there an optimal level and composition of agricultural support or trade measures for developing countries at different stages of agricultural development?
- What trade and market policy options exist across the food system to tackle the growing obesity burden?