

TRADE POLICY BRIEFS

FAO SUPPORT TO THE WTO NEGOTIATIONS AT THE
11TH MINISTERIAL CONFERENCE IN BUENOS AIRES

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The changing patterns of agricultural trade

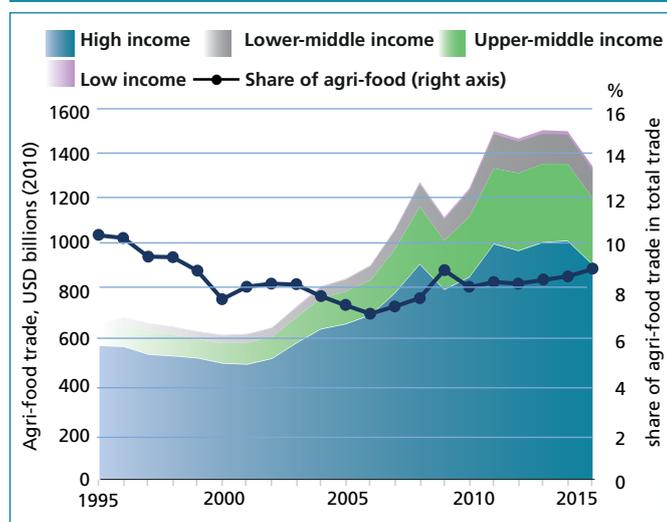
SUMMARY

- The value of global trade in agricultural and food products has doubled since the launch of the World Trade Organization (WTO) Doha Round in 2001.
- While high-income countries mostly trade with other high-income countries, South-South trade is also on the rise.
- In low-income countries, agri-food trade accounts for a substantial share of overall trade. Moreover, low-income countries continue to depend on exports of just a few agricultural commodities.
- Food import bills are rising globally, especially in low-income countries.

Increase in global agri-food trade

The value of global trade in agricultural and food (agri-food) products¹ has doubled since the launch of the WTO Doha Round negotiations in 2001. The share of agri-food trade in total trade decreased until 2006 and has increased to 9 percent since then (Figure 1).² Since 2014 the total value of agri-food trade has declined mainly due to falling commodity prices and exchange rate fluctuations.^{3,4,5} Although global agri-food trade is still heavily dominated by high-income countries, upper-middle- and lower-middle-income countries together have increased their share in global agri-food trade from about 15 percent to 32 percent from 1995 to 2015.⁶ The share of low-income countries in global agri-food trade remains very low, even though it has tripled (from 0.4 to 1.2 percent) over the last two decades. In addition, South-South trade has increased.⁷ Since 1995, the share of agri-food trade taking place between upper-middle-, lower-middle- and low-income

FIGURE 1. DEVELOPMENT OF AGRI-FOOD TRADE



Source: UN Comtrade Database (2017)

countries has increased from 3 percent to 43 percent of their total agri-food trade. High-income countries mainly trade with other high-income countries (about 70 percent of their total agri-food trade). There has been little change except a slight increase in their share of exports to the other countries.

Role of agri-food imports and exports in total imports and exports differs by country income group

In low-income countries, agri-food trade continues to play a significant role. In particular, the share of agri-food exports in

¹ Agri-food trade covers products included in Annex 1 of the WTO Agreement on Agriculture plus fish and fish products.

² All calculations are based on values of trade at 2010 prices from the UN Comtrade database (<https://comtrade.un.org/>).

³ WTO. 2016. World Trade Statistical Review 2016 (https://www.wto.org/english/res_e/statistics_e/wts2016_e/wts2016_e.pdf).

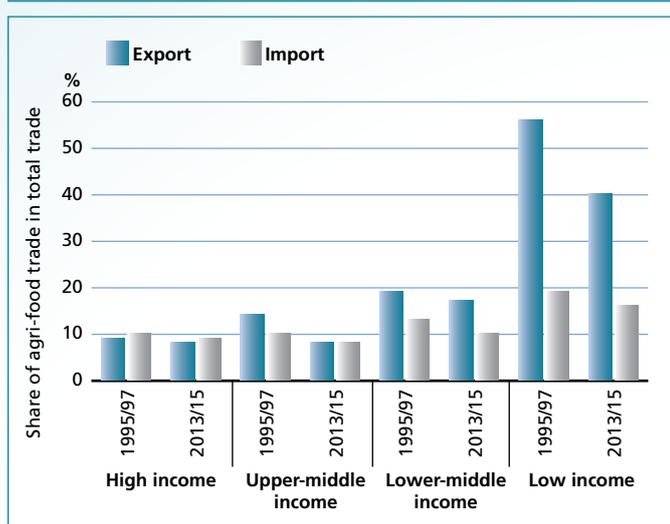
⁴ European Commission. 2015. Agri-food trade in 2015: China boosts EU exports. Monitoring Agri-trade Policy, MAP 2016-1 (https://ec.europa.eu/agriculture/sites/agriculture/files/trade-analysis/map/2016-1_en.pdf).

⁵ In addition, not yet all countries have reported 2015 data which may amplify the drop.

⁶ High income, upper-middle, lower-middle and low income countries are categorized based on the UN classification in the "World Economic Situation and Prospects (WESP) 2017" report, Statistical annex, Table E (<https://www.un.org/development/desa/publications/world-economic-situation-and-prospects-wesp-2017.html>).

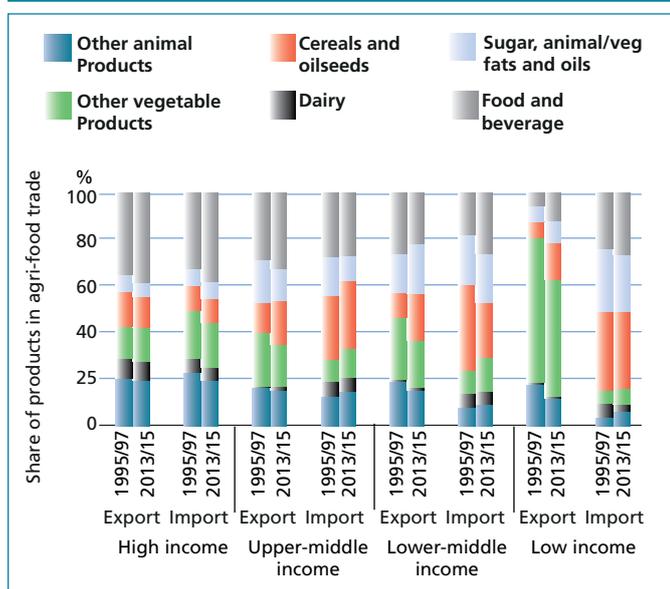
⁷ OECD. 2016. Evolving Agricultural Policies and Markets: Implications for Multilateral Trade Reform (<http://www.oecd.org/publications/evolving-agricultural-policies-and-markets-9789264264991-en.htm>).

FIGURE 2. IMPORTS VS. EXPORTS OF AGRI-FOOD PRODUCTS



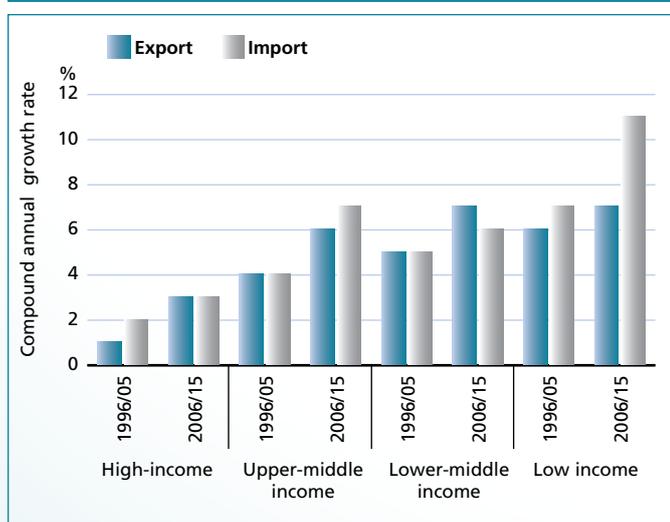
Source: UN Comtrade Database (2017)

FIGURE 3. STRUCTURE OF EXPORTS AND IMPORTS BY PRODUCT



Source: UN Comtrade Database (2017)

FIGURE 4. GROWTH OF AGRI-FOOD TRADE



Source: UN Comtrade Database (2017)

the total exports of these countries is still very high, although it decreased from 56 to 40 percent between 1995/97 and 2013/15 (Figure 4). In high- and upper-middle-income countries, the share of agri-food products in both exports and imports is about the same (around 8 percent). In lower-middle-income countries, agriculture and food account for a larger share of exports than of imports (17 percent versus 10 percent; Figure 2).

Shares of products imported and exported differ by country income group

The structure of agri-food trade differs considerably between country income groups. High-, upper-middle- and lower-middle-income countries show a rather homogenous structure of their agri-food trade portfolios, where export and import shares of each commodity category are similar. Low-income countries on the other hand, export considerably more vegetable products such as fruits, nuts, coffee and tea, and import cereals, oilseeds and food and beverages instead (Figure 3). In addition to the important role of agricultural exports in total trade in the low-income countries, this suggests a high dependency on the export of just a few agricultural commodities.

Rising food import bills

Import bills are rising globally. Low-income countries show a particularly strong expansion of imports, with an average growth rate of 11 percent per year in the period 2006-2015 (Figure 4). As a result, the food trade deficit in low-income countries has grown from USD 0.1 billion to 4 billion (1995/97-2013/15). At the same time, total exports from low-income countries also increased, implying that the ability to pay for food imports has improved – at least on average across countries.⁸ Recent analysis suggests that the global food import bill is set to rise to more than USD 1.3 trillion this year, an almost 11 percent increase from 2016. The food import bills of many low-income countries are predicted to rise even faster due to higher import volumes of meat, sugar, dairy and oilseed products.⁹

Key challenges

- To ensure the efficient and reliable functioning of global markets through predictable and transparent trade policies.
- To promote inclusive agri-food markets and trading systems that allow all country groups to reap the benefits of agricultural trade openness.
- To promote the export diversification of low-income countries in order to alleviate their dependency on the world market for the export of just a few agricultural commodities.

⁸ FAO. 2015. The State of Agricultural Commodity Markets 2015-16, Trade and food security: achieving a better balance between national priorities and the collective good (<http://www.fao.org/3/a-i5090e.pdf>).

⁹ FAO. 2017. Food Outlook, Biannual report on global food markets (<http://www.fao.org/3/a-i7343e.pdf>).