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TCBoost

Supporting Trade Capacity Building Worldwide

Food Security and Trade

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Overview

- Recent history of food trade
- Policy responses to 2008 price spikes
- Trade role in long-term food security effort (availability and access)
- Discussion
- Group Activity



Recent History of Food Trade

1970s

- Rising commodity prices and food shortages
- Donors increase support to agricultural development

1990s

- World “awash in food”; supply exceeds demand
- Commodity prices fall—consumers win but LDC farmers and poor lose

1980s

- Structural adjustment--markets play a greater role in the food system
- Green Revolution success
- Protection increases industrialized countries

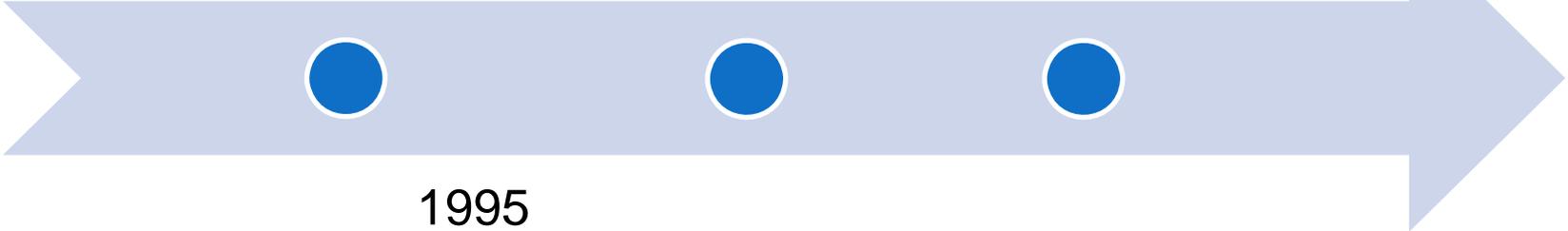
Recent History of Food Trade (2)

1990s

- Ag sector contribution down; services up
- Donors decrease support to agricultural development

Late 2000s

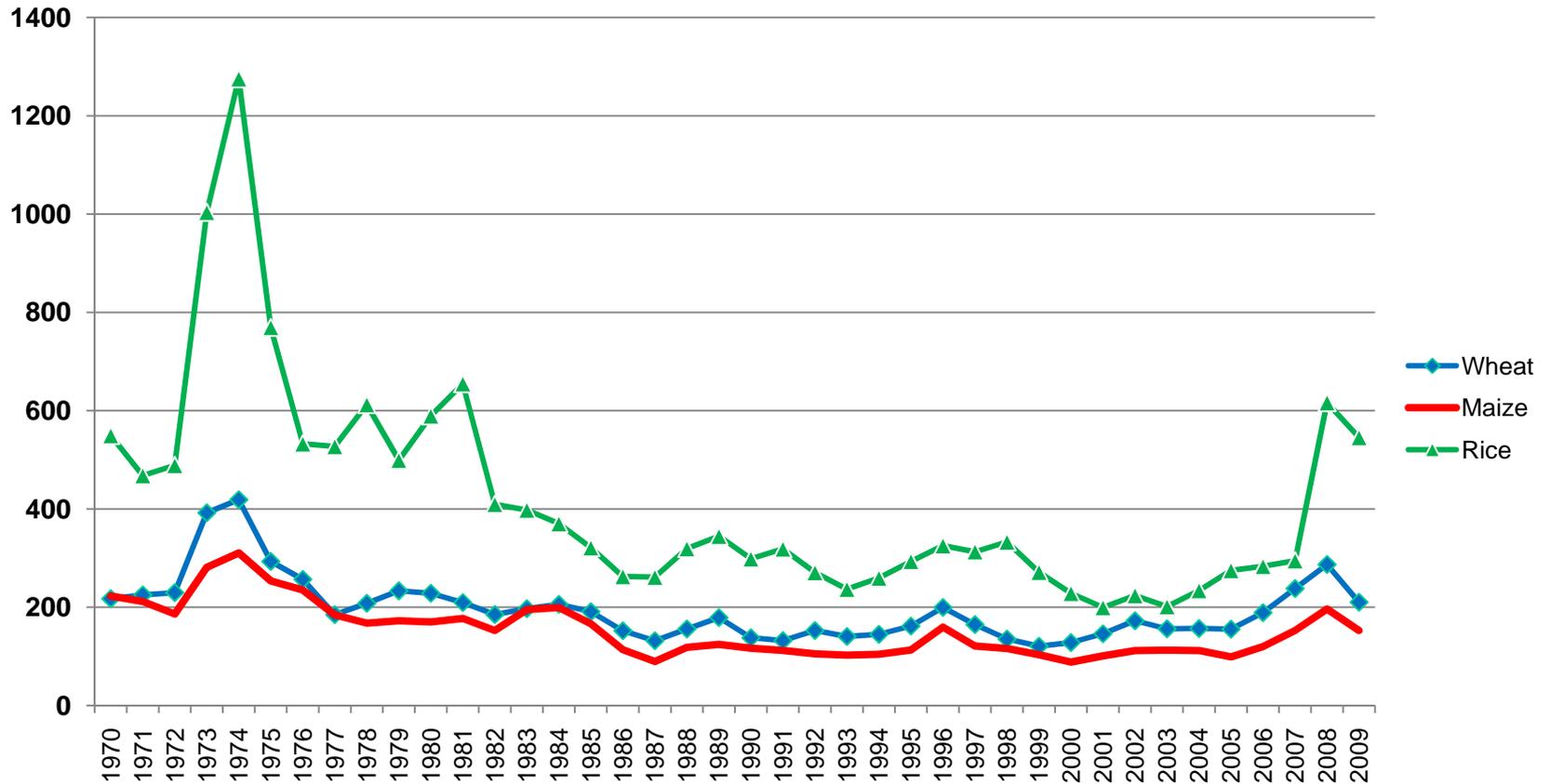
- Food stocks deplete relative to world consumption needs
- Industrial demands (biofuels)
- Climate irregularity
- Increased reliance on market



1995

- WTO established
- Agreement on Agriculture—governs ag trade; LDC s commit to reduce protectionism over time

History Repeats Itself



Global Commodity Prices, 1970-2009 (\$/metric ton, real FOB prices 2005=100)

Price Controls/Tariff Reductions

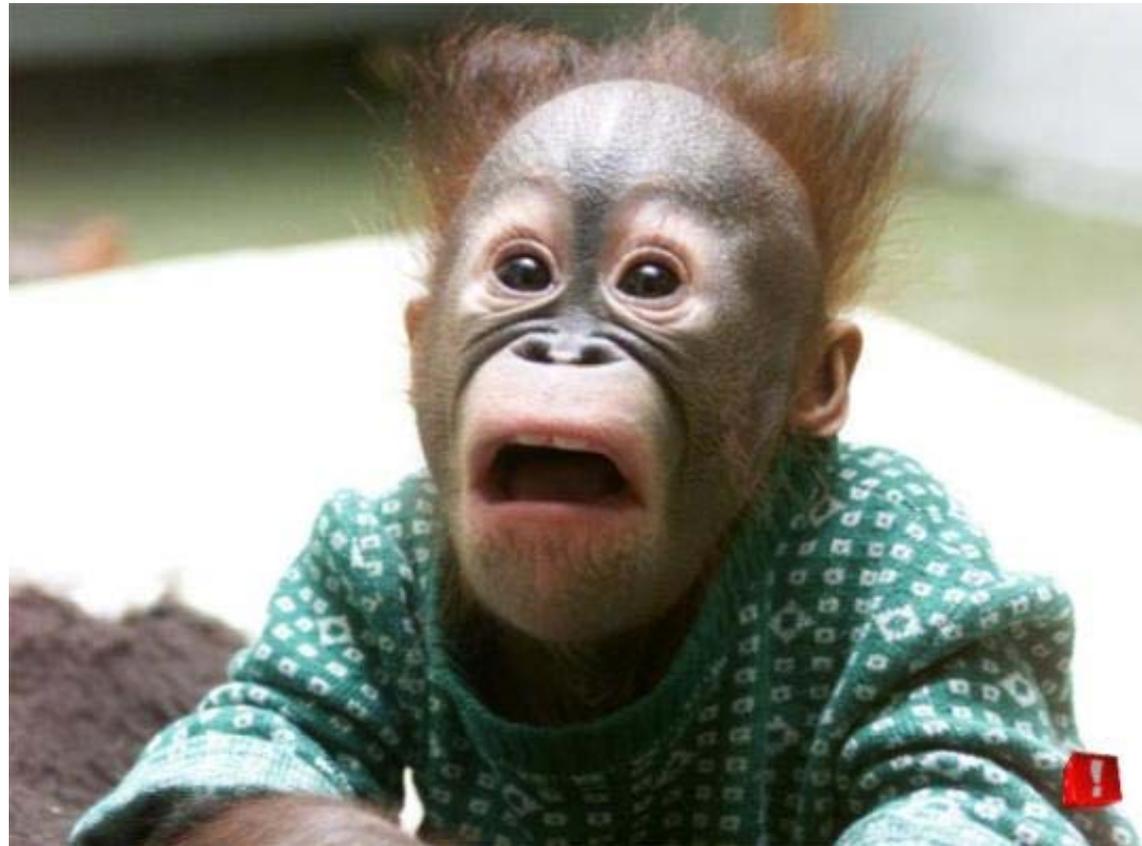
- Price Controls
 - Decrease net income of food sellers
 - Remove incentive to increase production
- Import Tariff Reductions
 - May not be easily reversible

Export Controls

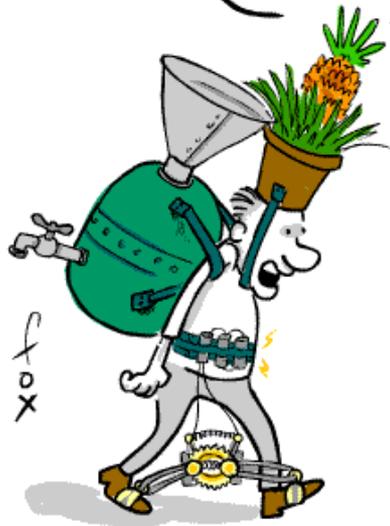
- National export controls on grain
 - Rice (China, India, Thailand, Vietnam)
 - Wheat (Argentina, Kazakhstan, Russia)
- Generate protectionist responses
- Harm food security in net importing countries
- Increase volatility in global markets
- Undermine confidence in regional and global arrangements



Is Trade Bad for Food Security???



I'M ENTIRELY
SELF-SUFFICIENT!



Self-Sufficiency

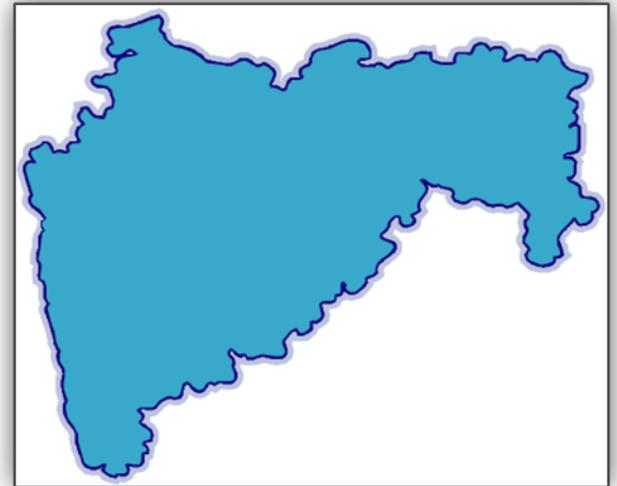
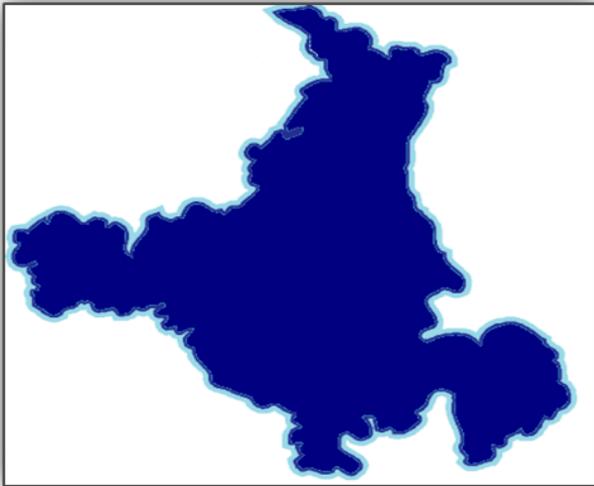
- Production of various food items for domestic consumption
- Not economically or environmentally sustainable for most countries
- Exposes country to other risks; e.g., weather risks, climate change
- Ignores comparative advantage



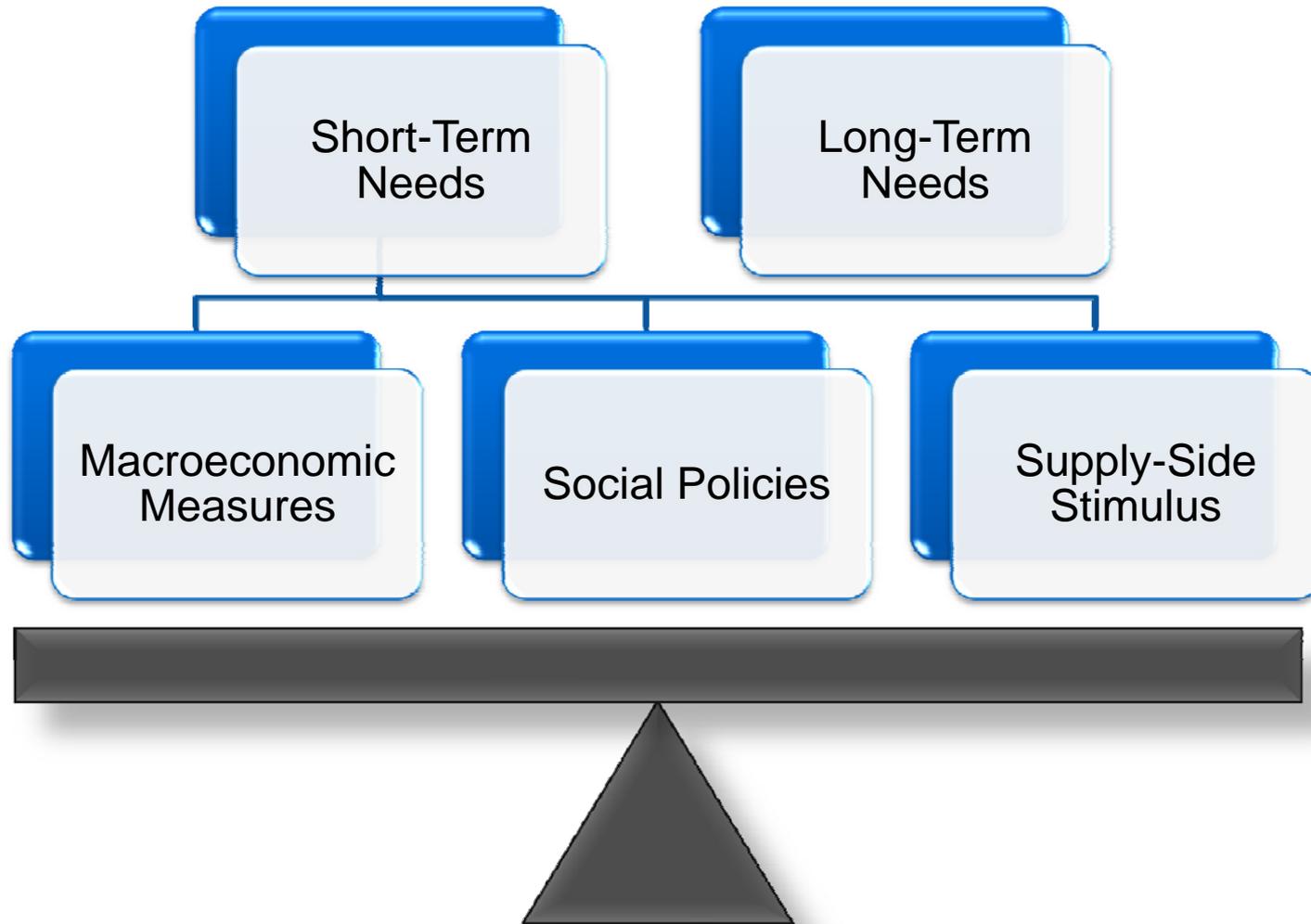
Market-Based Approach

- Allows surplus to flow to areas of deficit—
local, regional and global
- Well-functioning markets transmit price signals
 - Allow changes in demand to be met with supply;
reduce price volatility
- Poor are the most affected by volatility; spend
larger proportion of their income on food
- Harnesses comparative advantage

Comparative Advantage



Food Security Planning/Policy



Short-Term Responses

- Broad or targeted enough to cover the poorest sectors of society
- Low or positive fiscal cost
- Produce low level of distortion or generate positive incentives
- Easily reversible

Long-Term Responses

Invest in the agricultural sector!



SEE THE
FEED
CHANGE **FUTURE**

CHANGE
FEED
L O I O K E

Food Security Defined

- A family is considered food secure when its members do not live in hunger or fear of hunger :
 - Availability
 - Access
 - Utilization
 - Stability



Availability and Access: Role of Trade

- Self-reliance vs. self-sufficiency
- Physical Access
 - Comparative advantage in productivity
 - Market and trade logistics
- Economic Access
 - Governance (trade policies and institutions)
 - Marketing and trade (MIS, standards)

Comparative Advantage

- Comparative advantage not always static
- Investments in increasing productivity
 - Access to affordable inputs, improved techniques and technology
 - Irrigation system improvements
 - Supporting local research capacity
 - Agricultural extension
 - Property rights; land tenure
 - Access to credit

Market and Trade Logistics

- National and regional issues
- Infrastructure investments
(port, rail, road)
- Regional “development corridors”
- Border management and customs; harmonized and streamlined procedures/ policies
- Modern trade logistics systems



Governance

- Policies and institutions
- Capacity building for trade institutions
 - Trade Policy Analysis (economic modeling, impact analysis)
 - Trade Negotiations and Implementation
 - Food sector governance (stockpiles)
 - Investment and business environment



Marketing and Trade

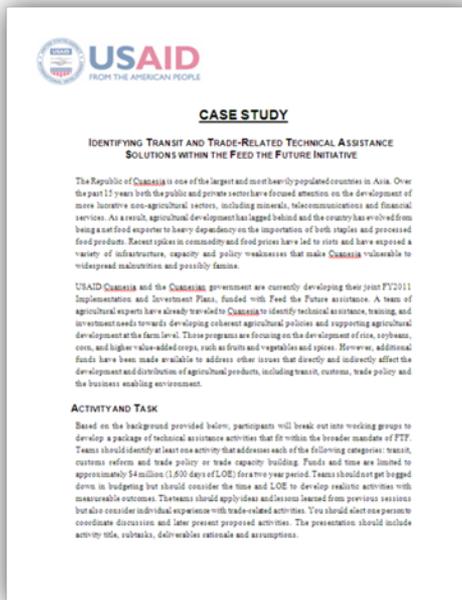
- Strengthening producer and agribusiness organizations
- Public-private dialogue and coordination
- Market information systems
- Market development; export promotion
- Grades & standards (SPS, quality standards)—policy and implementation

Conclusion

- Trade plays a key role in ensuring availability and access of food
- Sound policies and long-term investments can help countries weather crises
- ST interventions should minimize market distortion
- LT investment vs. ST political gain
- Feed the Future

Group Activity

- Republic of Cuanesia Case Study/Group Activity



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