



TRADE AND FOOD SYSTEMS TRANSFORMATION

Highlights

- International trade is essential for food security and nutrition, provides livelihoods to millions, and has an important role in improving the environmental sustainability of the food system.
- Reaping the benefits of trade while minimising potential trade-offs requires a coherent policy approach. It is crucial that the trade policy environment is transparent, predictable, and rules-based.
- Policy makers should refrain from using export restrictions. Existing support policies in the agro-food sector should be reoriented towards investments in productivity, sustainability, and resilience.

What's the issue?

International trade forms the backbone of the global food system. By moving food from surplus to deficit regions, trade can address production shortfalls and diversifies food supplies, so that consumers are not overly exposed to domestic production shocks. Trade enables food security while creating economic opportunities for producers, including farmers and small and medium enterprises (SMEs). With the right policies in place, trade can also support climate mitigation and sustainability.

Yet the impacts of trade are complex, and may create both synergies and trade-offs. For example, since the carbon intensity of agricultural production varies across countries, products, and producers, trade may not automatically contribute to greenhouse gas reductions unless additional policies are in place. Trade may also create or exacerbate domestic inequalities, for example because smaller producers have more limited access to credit and modern technology.

Because of these possible trade-offs, policy makers often intervene in agri-food markets through agricultural trade policy measures and domestic support policies. Yet many of the existing policy responses are ineffective, or impose high costs on producers and consumers in other countries. Export restrictions, for example, have been shown to fuel price rises and exacerbate global price volatility, threatening the food security and nutrition of vulnerable populations.

What should policy makers do?

Reaping the benefits of trade while minimising potential trade-offs requires a coherent policy approach. Many policy objectives can be achieved more effectively through complementary policies, rather than by trade restricting measures. Policy makers should also commit to keeping markets open, should invest in transparency and trade facilitation, and should ensure that the policy environment is transparent, predictable, and rules-based.

Commit to keeping markets open

During the 2007-8 food price crisis, export restrictions made a bad situation worse and created volatility and uncertainty. By contrast, during the early weeks of the Covid-19 pandemic, policy makers committed to keeping markets open. Yet, price increases in early 2022 have seen countries again restrict food exports. Policy makers should:

- Implement the recent Ministerial Decision made at the 12th Ministerial Conference of the WTO (MC12) not to impose export restrictions or prohibitions on foodstuffs purchased for non-commercial humanitarian purposes by the World Food Programme (WFP).
- Refrain from using export restrictions or prohibitions on agri-food trade, in line with the Ministerial Declaration at MC12.

Invest in transparency to minimise disruptions to global trade

Investments in transparency during periods of stability have large payoffs when the unexpected occurs. Experiences during Covid-19 and Russia's invasion of Ukraine highlight the critical role of transparency in reducing uncertainty and avoiding ill-informed decisions and counterproductive policy responses. The [Agricultural Market Information Systems](#) (AMIS) provides timely and reliable data regarding the market

conditions of staple crops, monitors policy developments and enhances international coordination. Policy makers should:

- Continue to support the work of AMIS with stable funding and expand its scope to cover agricultural input markets, other commodities or global food trade logistics.

Unlock the potential of trade through trade facilitation

Many options exist to facilitate international trade, for example adopting international standards including those developed by the [OECD Agricultural Codes and Schemes](#) and by streamlining Sanitary and Phytosanitary (SPS) measures and improving coordination among SPS agencies and customs authorities. Policy makers should:

- Support the work of the SPS Committee in identifying ways to enhance the implementation of the SPS Agreement, in line with the Ministerial Declaration at WTO MC12.
- Harmonise international standards and engage with the private sector to reduce compliance costs.
- Expedite agriculture and food trade via digital solutions for trade documents, seed quality certification and SPS certificates.
- Streamline the recognition of SPS systems equivalence to reduce time taken for product approval processes.

Develop coherent policies to address trade-offs

Agri-food trade involves many policy areas, including environment, health, rural development, and development cooperation. To minimize the trade-offs between different objectives, policy makers should implement complementary policies rather than using trade-restrictive measures. For example, policy makers should:

- Use social protection measures to complement trade liberalisation, to compensate those negatively affected by import competition.
- Invest in rural infrastructure and in agricultural knowledge and innovation systems (AKIS) to address supply-side constraints, boost productivity, and improve market access
- Promote the *OECD-FAO Guidance for Responsible Agricultural Supply Chains* and related due diligence approaches, as well as transparency about the environmental, social, and governance (ESG) performance of agri-food businesses

Re-orient existing policies towards investments in productivity, sustainability, and resilience

Existing agri-food policies in many cases distort trade without providing effective solutions to the challenges of improving food security and nutrition, livelihoods, and environmental sustainability.

The latest [OECD Agricultural Policy Monitoring and Evaluation](#) report shows that USD 817 billion in support was provided to the agricultural sector in the period 2019-2021 in the 54 countries covered. The vast majority of the support goes to individual producers via policies that artificially maintaining domestic farm prices above international levels or through payments linked to output or the unconstrained use of variable inputs. Policy makers should reorient these policies. Specifically, policy makers should:

- Phase out price interventions and market and trade distorting producer support.
- Target income support to farm households most in need, as part of economy-wide social safety-nets.
- Re-orient public expenditures towards investments in innovation systems that benefit producers, consumers and society overall.
- Invest in data, tools, and skills to strengthen the resilience of the sector to increasingly diverse risks, including extreme weather events

Further reading

OECD (2021), "Digital opportunities for Sanitary and Phytosanitary (SPS) Systems and the trade facilitation effects of SPS Electronic Certification", *OECD Food, Agriculture and Fisheries Papers*, No. 152, OECD Publishing, Paris, <https://doi.org/10.1787/cbb7d0f6-en>

Moisé, E. and S. Sorescu (2021), "Trade facilitation in perishable agro-food products: A feasibility study for addressing at-the-border challenges", *OECD Trade Policy Papers*, No. 254, OECD Publishing, Paris, <https://doi.org/10.1787/a2995a7a-en>