



AGRICULTURAL TRADE

Developing market access via fair framework conditions

Abstract

The majority of developing countries depend on agricultural imports for their food security. Prices for agricultural products are rising and also becoming more volatile, so that it is increasingly difficult for these countries to meet their needs on the global market. Their own agricultural sectors, mostly based on small-scale farming, must play the main role with respect to domestic food security. Local and regional markets must also be strengthened and appropriate agricultural strategies are needed for promoting stability and competitiveness. Protectionist trade policies continue to hinder access to international agricultural markets for producers in poor developing countries. For effective rural development the governments of affected countries must invest more in rural areas. In the context of WTO negotiations, global agricultural trade must be regulated in such a way that it promotes development and sustainable food security in all countries.

Local availability of food in developing countries often fluctuates considerably. Harvests can vary substantially due to factors such as weather, pest infestations, crises and conflicts. Regional and international trade must contribute to food security by balancing out shortages and overproduction. For decades, developing countries were able to fill the gaps in their own agricultural production by cheap imports. This was particularly beneficial to the net buyers. The losers were the local small producers who could not compete with the cheap imports because they were produced by often-subsidised large-scale industrialised agriculture at minimal cost. In recent years, this situation has changed dramatically. World market prices for agricultural products are volatile and have risen greatly, making it very difficult for developing countries to meet their needs at a reasonable price on the global markets. It has therefore become even more important to strengthen their own production and the local and regional markets.

Industrialised countries have been boosting their agriculture for decades by supporting production with subsidies and protective

tariffs. Their surplus produce was dumped onto the world market at low prices, thanks to huge export subsidies. At the same time, wealthy countries have used various instruments to protect their agricultural markets, making market access very difficult for developing countries. This is still the case e.g. due to the high quality and safety standards for food in industrialised countries. The gradual move away from an agricultural policy of supporting producers' prices and towards direct income payments to farmers in OECD countries and the subsequent reduction of export subsidies and import restrictions in industrialised countries are steps in the right direction. International trade can only be fair if it is based on recognised rules. It is the WTO's task to develop and agree on these rules. However, so far the chance to use WTO negotiations to combat hunger has been wasted.

Opening the markets in developing countries – a move that the World Bank and IMF have long demanded for the agricultural sector – primarily benefits the export interests of industrial countries. Developing countries lose import duty revenues and must fear that their own structurally disadvantaged producers will lose out even more with the influx of cheap imports. In order to promote development, trade policy must be oriented toward the marketability of product groups. Trade in products such as tea, coffee or cocoa benefit from liberalisation, whereas cereals or poultry and dairy production in many developing countries still require special protection in order to gradually reach marketability. Due to the structural disadvantages, it will take many years before the agricultural production of marginalised rural areas in developing countries reaches competitiveness compared to levels of efficiency and quality found in industrialised countries.

For this reason it is essential that developing countries have the right to protect their own agricultural sectors from cheap imports which obstruct their own production (e.g. through customs duties and import restrictions) (cf. Section 2 on the economy). At the same time, developing countries must ensure that they do not disadvantage their own production through overly high exchange rates, export taxes for agricultural products and import subsidies. Efficient administrative structures, investment in market infrastructure and economic policies designed to reduce

poverty are all essential in the bid to create adequate national framework conditions.

However, protecting domestic production does not automatically benefit all the poor of that country. Farmers produce for market benefit, while poor rural and urban consumers have to pay higher prices. Protective measures should aim at achieving price stability at a suitable level, rather than trying to push through higher or lower prices.

The concentration process leading to the dominance of a few supermarket chains is an obstacle in international trade and increasingly, in regional and local trade as well. Few small-scale farmers are in a position to deliver the demanded standards in terms of quality and quantity. They require training and counselling about standards of quality and hygiene, sanitation and phytosanitation as well as access to suitable technologies. This is becoming more important due to increasing consumer quality awareness in developing countries too, and due to the growing demand for refined and processed products. Unnecessary technical standards, e.g. in relation to the size and shape of agricultural products, must be reduced in the interests of supporting small-scale farmers.

Some companies are concerned about environmental and social standards of production (organic cultivation, suitable working conditions, rejection of child labour etc.). They are attempting to establish markets for products produced to these standards for which price advantages can be obtained. In this way they try to develop exemplary, fair models which aim to directly improve the conditions for farmers in the producing countries. Consumers are directly involved in trade strategies of this kind. The initial result is simply to create a niche market – for example, to improve quality in order to test the products' marketability or to open up new (international) marketing opportunities. However, the innovations bear the potential to gradually introduce environmental and social standards for the entire sector.

That said, improved trade conditions are not enough to raise agricultural production sustainably. Small-scale farmers must also be able to react to rapid alterations in demand due to unexpected weather conditions or fluctuations in international markets. This aspect requires a response from developing countries themselves. Only if effective agricultural and development policies are implemented can the interplay of fair trade conditions and the support of rural areas lead to poverty reduction and improved food security (cf. Section 2 on the economy)

Welthungerhilfe's involvement in relation to promoting fair trade conditions for small-scale farmers:

Promoting market access for small-scale farmers and the marketability of their products by training and support for farmers' self-help structures (producer groups etc.).

Supporting investments in transport infrastructure and market information systems in order to improve access to local and regional markets.

Promoting storage and processing of agricultural products in order to improve farmers' negotiating position and their value creation.

Supporting farmers with small incomes in order to utilise the opportunities for certification and fair trade.

Supporting the marketing of farming products from developing countries in Europe.

Welthungerhilfe's demands for agricultural trade that reduces poverty:

Fair trading conditions must be created within the framework of international negotiations (WTO). However, industrialised countries must also reduce their agricultural export subsidies independently of the WTO negotiations.

Agricultural subsidies in emerging economies and industrialised countries which distort the international market must be further reduced.

Qualitative import restrictions in industrialised countries for agricultural products from emerging economies and developing countries must be reviewed and adapted to be suitable for the products.

Developing countries must be permitted to protect their local or regional production from cheap imports if this helps to reduce poverty.

Developing countries must build national and regional agricultural strategies which will promote food security, economic development and international marketability.

Private companies and consumers in industrialised countries are called on to support farmers in developing countries and fair agricultural trade through "shopping basket policy" (i.e. considering the impact of consumption behaviour).

This section is an excerpt of the WHH Position Paper Rural Development. Please also consult all other sections at www.welthungerhilfe.org/position-paper-rural-development

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