The WTO Agreement on Agriculture plays against the Food Security programmes. Is it an opportunity to question the most contentious aspects of the agreement?

Daniel Van Der Steen (Collectif for Food Strategies), June 2013

A crisis pushing Governments to care about Food Security

Since the food prices crisis which mobilized all the attention in 2008 and in front of the increased food insecurity resulting from the volatility of agricultural prices, the interest of many countries focused on public grain stocks. Stocks can indeed play a role in regulating the prices on the markets, or at least avoid the extreme peaks, downward or upward, which threaten the food security of the poorest, which they are farmers or consumers (see our articles of January 24th and of May 9th, 2013 in the Belgian Farmers’ newspaper « Plein champ » - in French).

Some developing countries (DC), where food insecurity is related to the dependence of the labour force towards the agricultural activity, are also interested in institutional purchases of farm products from family farmers, with the aim to distribute or sell it at reduced prices to hungry populations.

The " zero hunger " programme, which was implemented in Brazil and strongly contributed to reduce hunger in the country, is an example which inspired other governments, India in particular.

The interest for grain stocks and institutional purchases to achieve internal food aid was widely resulting from the 2008 food prices crisis, which strongly affected the populations of countries depending from food imports, where the cost of the food import exploded.

The food prices crisis brought the most affected countries, but also international institutions, such as the Committee for World Food Security (CFS) and the World Bank, to give priority to national agricultural development. The objective is to reduce the dependence of these countries towards the international market, where the volatility and the lack of reliability were highlighted by the crisis, while higher price volatility is expected in the future. This was already demonstrated since the new price peaks in 2010 and 2011 and the milk crisis in the European Union.

The rules of the agreement on agricultural (AOA) of the WTO (World Trade Organisation) play against food security

Worried by food insecurity in a context of strong price’s volatility, many countries interested in food stocks and institutional purchases collide with the obstacles set up by the agreement on agricultural (AOA) of the WTO (World Trade Organisation).

The agreements limit first of all the possibilities of setting up public food stocks, except when it is to lead humanitarian interventions. In that way, they limit the use of stocks in order to regulate markets.

The interventions come up against the limitation of the internal agricultural supports, the volume of which (the Aggregate Measurement of Support - AMS) was calculated at the time of the Agreement on Agriculture of 1992, and that the signatories of the Agreement committed to reduce (the AMS being classified in the « yellow » or « amber » box).
The proposal of the G33 countries

On November 14th, 2012, India made a proposal to the Agricultural Committee of the WTO (World Trade Organisation), in the name of a coalition of 46 DC, having an agricultural sector consisted mainly of small farms. This coalition, called G-33 and including also China, justifies its proposal by considerations of food security and considers moreover that the programmes of grain stocks are an excellent to achieve it.

The G 33 proposes in particular that the provisions of the AOA concerning the public management of stocks in order to achieve food security are formally discussed at the Ministerial Conference of Bali of the end of 2013. They ask to delete a sentence (the last one of the footnote 5 of paragraph 3 of the appendix 2 of the AOA) the provisions of the agreement concerning the public management of stocks in order to achieve food security, which specifies that these programmes are acceptable under certain conditions, but must be recorded in the Aggregate Measurement of Support (AMS) by considering “the difference between the purchase price and the external reference price”.

G33 suggests replacing this sentence by another one specifying on the contrary that the acquisition of food stocks by the DC, with the objective to support low income or poor resource’s producers, must not be recorded in the AMS. It would support to the governments with more possibilities for the use of grain stocks, internal food aid, purchases to domestic food producers, support to poor consumers and some price control.

India, as spokesman of G33, specified also that the capacity to act was reduced by the price increases, making too binding the limits of the "amber box"; as result there is a need to have higher managed prices to keep the efficiency of the programmes.

The example shows well that the trade rules are no longer able to bring solutions to the food crisis, but are on the contrary part of the problem.

Are the objectives of the Doha Round totally obsolete?

The blocking of the WTO negotiations must be undoubtedly read in the context of the numerous criticisms made against the rules adopted in 1992.

Let us note that the approach of G33 meets the concerns of many other countries. Indeed, if DCs strongly affected by the food crisis are hampered by the rules of the Agreement on Agriculture in their initiatives to reinforce food security, these rules raise also problem for many other countries where agriculture is seen as a strategic sector and where the governments refuse to leave the future development of this sector in the hands of the markets.

In the European Union, many citizens insist on the necessity of having enough of regional capacity to produce the food asked by the European consumers and to supply the food processing industries. In addition, they ask the farmers to ensure other functions which only family farmers can achieve in different fields: management of environment and natural resources, preservation of landscapes, rural development, diversity of food products, etc. This requires to keep an important number of family farms and to support these family farms.

To this end, the instruments of regulation of markets and support to family farms remain central and the trade rules should not oppose it.

G33 joins the warnings of the Panel of experts of the CFS

In their report on prices’ volatility ¹ presented to the CFS in October, 2011, the "High-level panel of experts" wrote in particular that "For global trade, the most lasting impact of the food price crisis has been to undermine what remained from the Doha negotiations" (p. 37).

They noted in particular that the "negotiations on agriculture have been conducted in the context of structural overproduction" and that they "were oriented to the interests of exporting countries".

They recommended in particular "safeguard measures that effectively protect against import surges", "flexibility to raise tariffs according to pre-defined conditions, possibly including price bands for vital crops" and "flexibility to protect non-traded agricultural sectors that are vital to food security" (p. 37).

More explicitly about stocks, we read in the same report: “If a low level of world stock is a necessary condition for price volatility, then a certain level of world stock could be a sufficient condition for price stability.”

Governments could act to organize minimum storage levels. OECD countries are already organized in this way for oil stocks because they agree on their strategic importance (p. 37).

Although this point of view was not adopted by the CFS, it is widely shared by the civil society and farmers' organizations. The revealing by experts of the aberration to continue the reforms of the trade rules without modifying the obstacles to the agricultural development and to the food security, but especially the opposition from some members that are able to impose their point of view, allow the hope that the fight against hunger will dominate one day on the ideologies and the trade interests of the powerful actors.

The future for the Doha Round of the WTO (World Trade Organisation) in the perspective of the Ministerial Conference of Bali

The Doha Round of the World Trade Organisation, asked to deepen the reform of the trade rules negotiated in the Uruguay, began in November, 2001, now more than 10 years.

Since 2009, the negotiation is totally blocked.

From 2012, the members prepare, in the perspective of the upcoming 9th Ministerial Conference planned at the end of 2013 in Bali (Indonesia), to gather some partial results during this Conference (a "mini-package" of commitments), but it was said, from the beginning, that the objectives would not concern the controversial questions of internal support or access to markets, the central questions which divide - and block an agreement between the protagonists in the agricultural negotiations.

The agenda topics announced at the beginning concern, in particular, the administration of the Tariff Quotas, the security of food supply, the export competition, the humanitarian aid, the support to cotton producers and possible proposals of the net food import countries.

For WTO, these partial agreements are doubtless important to demonstrate to the eyes of the world that the WTO "is still alive".

But it supposes to avoid reexamining central issues of the Uruguay Round agreements, concerning key issues, such as the proposal of G33.

Stocks in main exporting countries as % of world production and wheat prices

Source: Action for a world community for food reserves: www.world-community-for-food-reserves.org (figures from International Grain Council and USDA-ERS)