



Food and Agriculture  
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SUSTAINABLE  
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GOALS

# Trade in the context of shocks to agrifood systems: Lessons from COVID-19

FAO Geneva Agricultural Trade Talk  
*The role of trade in agrifood systems transformation*  
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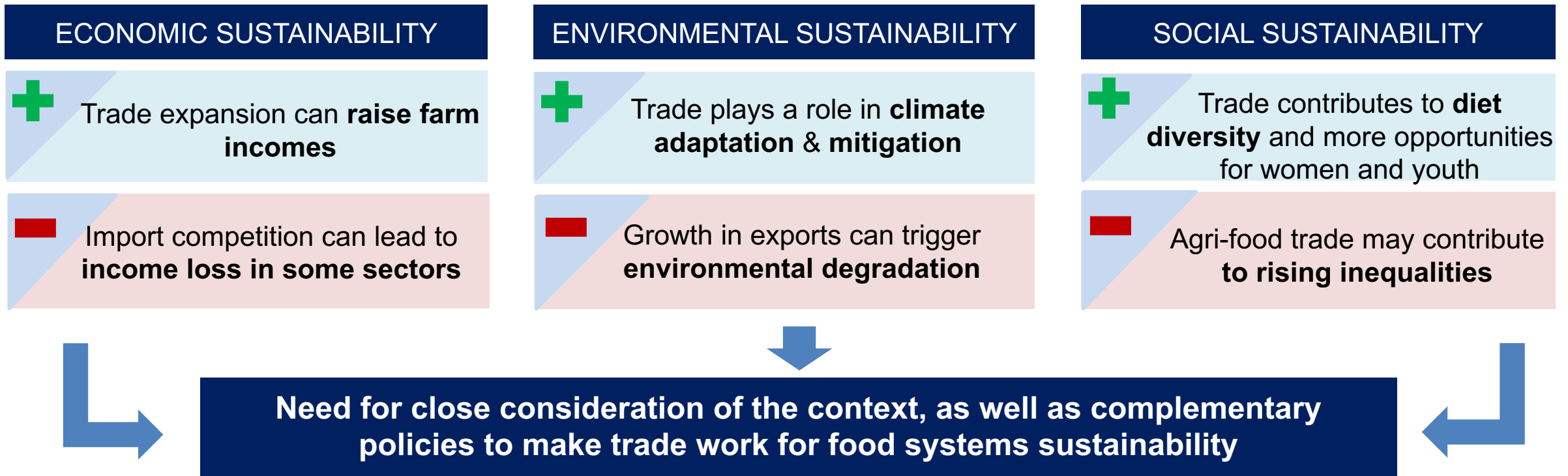
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- **The role of agrifood trade in sustainable food systems**
- **Agrifood trade and COVID-19: Factors of resilience**
- **How can trade policy help build more resilient food systems?**

## TRADE AND SUSTAINABLE AGRI-FOOD SYSTEMS: LONG-TERM PATHWAYS OF INTERACTION

To be sustainable, **agrifood systems must meet the needs of present and future generations** for their products and services, while ensuring economic, environmental and social sustainability.

Trade can play a role in contributing to the **three dimensions of sustainability** in the context of agri-food systems. However, like any economic activity, trade also has the potential to conflict with sustainability goals.





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## MEASURES IN RESPONSE TO COVID-19: IMPACTS ON SUPPLY AND DEMAND OF FOOD

While curbing the circulation of the virus and lowering the pressure on health systems globally, containment measures nevertheless had disruptive effects on the food value chains

### SUPPLY

**Restrictions on the movement of people and people falling ill:** severe impact on migrant workers; shortages in workforce in agriculture, processing and distribution facilities.

**Logistics:** market closures, transport bottlenecks and trade restrictions.

**Existing crisis:** topping-up effect stemming from pre-existing problems (locusts in East Africa, African swine fever, climate change)

### DEMAND

**Global recession in 2020:** global growth at -3.1% in 2020, with significant implications for incomes and consumer spending.

**Change in consumption patterns:** increase in purchases of both staple foods and ready-to-eat food that can be stored.

**Shift in purchasing modalities:** lower restaurant traffic, increased e-commerce deliveries, and rise in consumption at home.



# COVID-19: INITIAL TRADE POLICY RESPONSES IN THE AGRI-FOOD SECTOR

Like in the previous crises (global food price crisis 2007-08), countries aimed to address both supply and demand side objectives through trade policy interventions, but the response was more measured.

## TRADE RESTRICTIONS

- **Few countries** imposed trade related restrictions (very few import restrictions)
- Many export bans have been **transformed into export quotas**, and most of them have been quickly **repealed**
- **Import** restrictions mainly addressed trade of **live animals**
- Health-related border controls lead to **delays (or rejections) in goods crossing borders**

## MEASURES TO LOWER IMPORT BARRIERS

- Several countries **lowered import barriers**, by reducing or suspending import tariffs and in limited cases, raising TRQs
- Selected countries also **lowered Technical Barriers to Trade (TBT)** measures to facilitate availability of critical food items
- **Most measures were temporary**, put in place in March/April lasting at most until the end of 2020

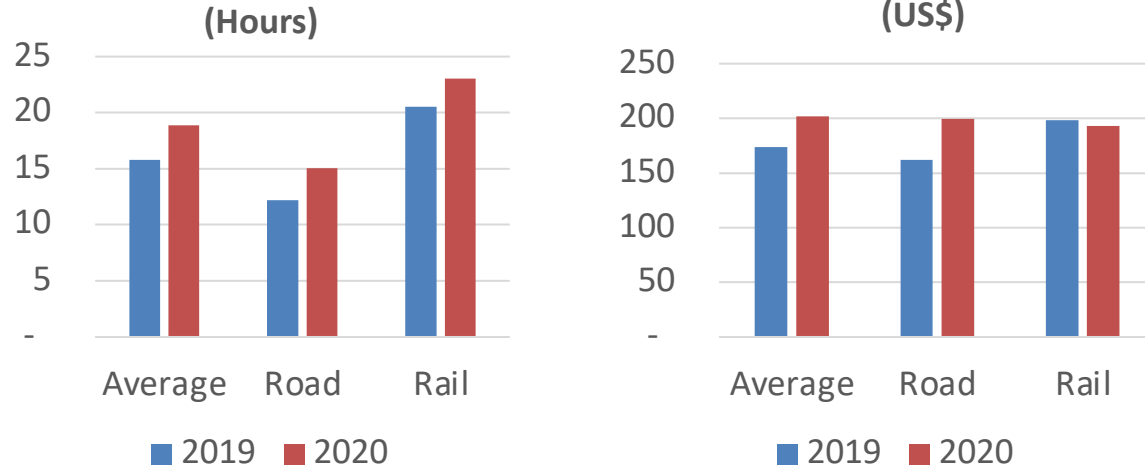
## TRADE FACILITATION

- **Digital solutions in the application of SPS measures** (e.g. ePhyto: Argentina, Chile); **customs procedures**
- **Temporary acceptance of electronic SPS certificates** (e.g. Australia, Brazil, Chile, South Africa, Russia)
- **Establishment of regional trade corridors** (e.g. CEFTA Green Corridors System)

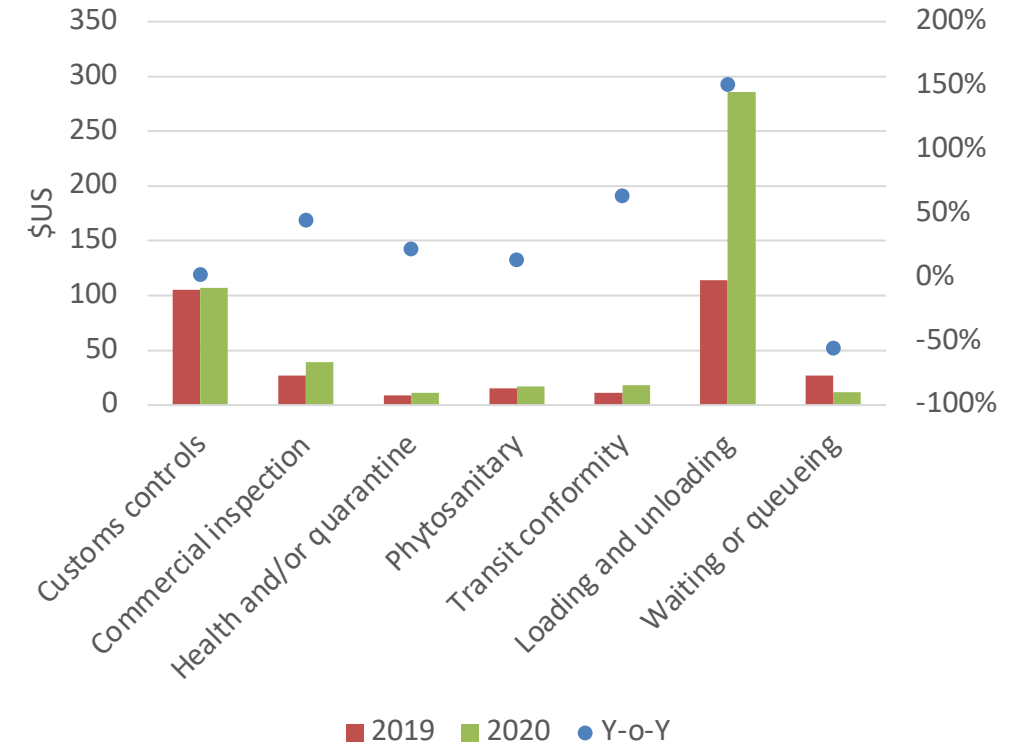
# CHANGE IN TRADE COSTS – CENTRAL ASIA EXAMPLE

During the pandemic, trade costs increased – driven by transport and logistics issues rather than policy-induced trade restrictions. For example, in the Central Asia Regional Economic Cooperation Corridor\*:

Average time and cost to clear a border crossing point



Average cost to clear a border crossing point, selected activities



Source: Asian Development Bank. 2010-2020. Central Asia Regional Economic Cooperation Corridor Performance Measurement and Monitoring.

\* Afghanistan, Azerbaijan, China, Georgia, Kazakhstan, Kyrgyzstan, Mongolia, Pakistan, Tajikistan, Turkmenistan and Uzbekistan



# RESTRICTIONS AFFECTING AGRIFOOD BUSINESSES

## Government restrictions impacting agrifood businesses in Sub-Saharan Africa\*, firms impacted (%)



\* Data from a survey of agri-food manufacturers in the food sector across six countries in SSA: Côte d'Ivoire, Ethiopia, Kenya, Madagascar, Nigeria and Zambia.

Source: Adapted from Oman, S., Kongongo, F., Kelly, S., & Ilie, E. 2022. Assessing the impact of COVID-19 on agrifood manufacturing small and medium-sized enterprises in sub-Saharan Africa – Recommendations for building back better. Rome, FAO and Vienna, UNIDO.

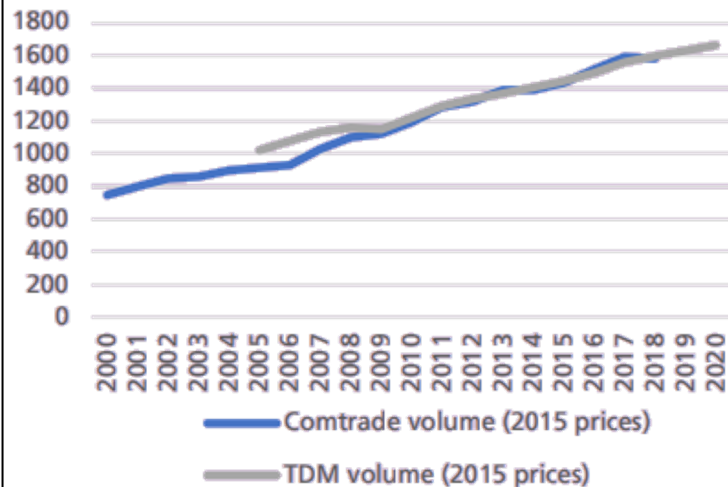




# RESILIENCE OF AGRI-FOOD TRADE

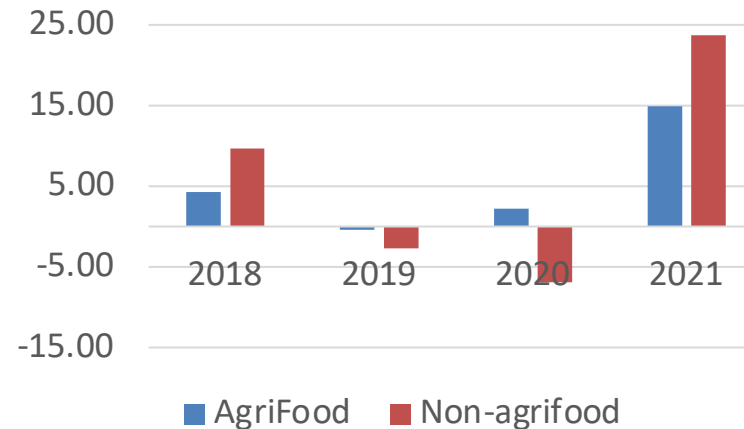
- COVID-19 shock has not resulted in any noticeable change to the long-term trajectory of agrifood trade
- Overall, between 2019 and 2020, agrifood exports expanded, with developing countries accounting for significant shares of the expansion in both imports and exports
- Driven by economic recovery and soaring commodity prices, the value of agrifood exports expanded roughly 15% in 2021

The evolution of trade volumes of world agricultural imports (USD billion, 2015 prices)



Source: FAO Food Outlook: Biannual Report on Global Food Markets. June 2021. Rome, 2021

Nominal value of global exports (USD), annual % change



Source: EST-FAO based on TDM data for 109 countries



# FACTORS AFFECTING RESILIENCE OF AGRIFOOD TRADE

- Uncertainty: Extent, frequency and predictability of COVID-19 related restrictions affecting markets – domestic and international
- Availability of critical government support to agriculture and food security– e.g. seed distribution, extension services using digital tools and social protection programmes
  - In some cases (e.g. India) extended government procurement helped mitigate price risks to wheat farmers, protecting their incomes
- Mitigating strategies of the private sector included innovations in business models. For example, expanded delivery of food in urban areas and digitalization of supply chains
- Modern, vertically integrated systems were better able to adapt, but digital solutions also boosted resilience of SMEs (e.g. in Kenya)



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## ENHANCING THE STABILIZING ROLE OF TRADE TO BUILD RESILIENCE TO SHOCKS

To maximize the potential for trade to contribute to the needed food systems transformation, decisive efforts are needed in number of areas

Re-orienting policies/support through targeting **productivity, resilience, and sustainability**



Reducing disruptions to trade through market **transparency**



Addressing **supply-side constraints and trade facilitation**

- **Phasing out price interventions and trade distorting producer support**
- Targeting **income support** to farm households most in need
- **Re-orienting public expenditures** towards investments in public goods and services, e.g. innovation systems

- **Agricultural Market Information System (AMIS) and FAO's market monitoring and outlook work**
- **Limiting** the use of **export restrictions** particularly on food staples
- **Strengthening and enforcing** consultation and **notification** processes currently in place at the WTO

- Expanding access to information, credit and insurance for farmers and SMEs to mitigate risks
- Enhancing the adoption of digital trade tools along supply chains
- Reducing costs through **trade facilitation measures (incl. digital solutions)**
- Improving **national SPS control systems**, risk-based **decision-making** and regulatory cooperation



## SUMMARY

- Movement restrictions, delays at borders and market closures introduced bottlenecks in supply chains
- Mitigating measures included trade facilitation and lowering of import barriers.
- The interplay between private sector response and policy prevented a massive disruption in supplies and trade

### Building long-term resilience in supply chains and trade:

- Better targeting of public policies and investments to keep markets running
- Measures to reduce barriers and boost infrastructure
- International market transparency and governance mechanisms
- It is **critical to ensure global cooperation and coordination on trade rules and procedures.**

**To cope with future shocks and protect the most vulnerable we need to build greater resilience into food systems – including through adequate agricultural and trade measures.**



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# THANK YOU

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