Emerging issues in agri-food policy, food safety and trade

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1. Biosecurity and other security measures

The question of biosecurity, although always important, became more frequent following the terrorist attacks of 2001. Small quantities of harmful substances have the potential to deteriorate the food supply and drinking water. Biosecurity includes but is not limited to animal and plant diseases, pathogens, fungi, etc. Increasing trade could create a vector of transmission. Measures dealing with biosecurity have already been discussed in the course, and could have the potential to act as barriers to trade.

Other security questions deal with the movement of goods. Containerized transportation revolutionalised the movement of goods and the amount of time goods spent in transport and in a port. Although custom offices screen a certain percentage of cargo (usually cargo that has raised warning flags), the majority of cargo is not screened. In the US some analysts became concerned because only 1% of imports gets inspected. Although proposals for more comprehensive screening are being discussed, 100% seems practically impossible. Detailed inspections would delay cargo processing and lead to questions of trade disruption, which is the opposite of trade facilitation.

2. The Doha Development Agenda (DDA)

The **Doha Development Agenda** (**DDA**) is so named, because at the initial negotiations in Doha, Qatar, it was agreed that developing country issues would be given greater attention. This is to be in contrast to the URAA, which most developing countries felt was overly dominated by the United States and the European Union. Negotiations in this *Doha Round* have been going on since November 2001 and, while progress has been made, there is much to be done in agriculture as well as other areas of the negotiations. The focus here is on agriculture issues and the progress up to November 2009.

As established in the Uruguay Round negotiations, the key agricultural policy negotiations are again focusing on three main elements in the URAA:

URAA

Module 1. Unit 6.

- **Internal support**, which relates to cutting domestic subsidies and other support measures.
- **Market access**, which relates to cutting tariffs and other measures that limit imports.
- **Export subsidies**, which relate to cutting and the eventual elimination of export subsidies.

Internal support in WTO terms is divided into four main categories:

- **Green box support**, which is minimally trade distorting and needs no reduction.
- **Blue box support**, which is also deemed less distorting and may or may not need to be reduced.
- **Amber box support**, which is trade distorting and must be reduced.
- ***De minimis* support**, which is relatively small and need not be included in cuts.

Of course, part of negotiation is to decide what support measures belong in each category and, therefore, what needs to be cut. Each country tries to keep support measures as much as possible outside the amber box so as to avoid those reductions.

> This has been done, for example, in the US and the EU by shifting from market price support and commodity specific support to decoupled payments that are not linked to production of any particular crop or animal and are therefore minimally distorting (green box).

The other part of negotiation is how much should be cut by a certain future date. Some progress has been made, which includes:

- Agreement to create a redefined blue box.

- Agreement that amber box support should be sharply reduced –60% or more for the US, 70% or more for the EU.
- Agreement that there should be some limit on "overall trade distorting support" (OTDS).
  - Amber + blue + *de minimis*.

- All agreements are tentative and open to modification as negotiations continue.

Market access discussions are possibly the most complicated and relate to how much tariffs, established in the URAA, should be reduced and how much tariff rate quotas should be expanded. The aim is to open import access further, especially in the more protected developed countries and for the products from developing countries. Among the ideas on the table are:

- Sharp reductions required in average developed country tariffs (50% or more).
- Special and differential treatment for developing countries, e.g. sensitive products.
- *Tiers* of tariffs treated differently –the highest tariffs have to be reduced the most.
- BUT, countries can declare some commodities *sensitive products* (developing countries may have *special products* as well) with less market openings.

There is still substantial disagreement on levels of allowed tariffs, the number and treatment of sensitive products, the definition of special products, and much more.

On export subsidies, the differences are small by comparison. The parties have already essentially agreed that export subsidies will be totally eliminated in this agreement, though the path and final date for that to be completed is not yet decided.

So the overriding issues are:

- By how much should countries reduce the different types of internal support?
- By how much should countries reduce tariffs and for which commodities, and by how much should tariff-rate quotas be expanded?
- When and how export subsidies should be eliminated?

The positions and arguments of some major participants generally follow this pattern:

- Brazil, India, South Africa, and many developing countries want the maximum reduction in the US and EU internal support measures and to protect developing country flexibility on market access.

- The United States seeks maximum market access in other countries and will not offer too much on internal support without a satisfactory market access deal.
- The European Union, unlike the last round, has common interests with the US on many issues, but wants to protect its own markets and get larger US subsidy reductions.

Progress has been disappointing and slow. Many deadlines have been missed, and it is not clear that the ambition of many key countries is high enough to make progress in the near future. WTO Director-General Pascal Lamy said:

> "Progress has been made on a range of technical issues across the board, even if for the moment we have not seen closing gaps in so-called 'big ticket items' which will need to be accelerated".
>
> *Report on the Second Senior Official's Week to the Trade Negotiations Committee*. November, 27th 2009.

Standards and other food related regulations that would fall under the auspices of SPS and TBT agreements are not part of the DDA negotiations. However, non-tariff barriers are discussed under NAMA (non-agricultural market access).

3. Climate change and food miles

We have already mentioned climate change in an earlier chapter in relation to the spread of animal and plant diseases. Among the many issues raised by the intensifying discussion of climate change policies are:

- the increased competition for land resources and
- impacts on farmers and rural economies that climate change policies could entail.

Because of agriculture's role as a contributor to GHG emissions and its potential role in climate change mitigation proposals of some countries, climate change policy could add another demand for scarce land, and could impact and interact with food, fuel, and land markets.

Different countries have differing starting conditions and differing philosophies that lead to different approaches to climate change mitigation policies that would therefore have different implications for agriculture and rural areas. On-going climate change talks reveal contrasting approaches and priorities from different parts of the world that can highlight differences in policy positions and objectives and better define the gaps that remain to be resolved.

- What kinds of commitments may be proposed that could involve or concern agricultural and rural stakeholders in each of the negotiating countries?
- What kinds of commitments might be feasible in the context of the influence that these stakeholders have on policy decisions?

Interest in climate change also resulted in a greater interest by consumers in considering the climate impact of their purchases. *Food miles* came as a first incentive, although the concept did not properly assess the climate impact of their purchases.

> For example, per unit greenhouse gas emissions of fruit travelling from New Zealand in a fully loaded ship and then transferred into urban retail stores in a fully loaded lorry could be less than those of a customer who went to pick up fruit at a farm in an SUV.

Recent (private) initiatives in some countries, such as the UK, include labelling listing CO_2 emissions or whether or not a product was transported by air.

Various methods are used to calculate the environmental impact of food, usually including a life cycle analysis. Additional challenges occur in the case of joint production, such as sheep for milk, meat and wool. In addition, calculation of the environmental burden varies depending on:

- the season
- weather
- storage
- packaging

Interest in the environmental impact might have to be reconciled with other characteristics. For example, animal welfare enhancing methods are usually more energy demanding than conventional methods.

4. The Food Economy and advances in information technology

The food chain, as other supply chains, responds to advances in **information and communication technology**. Information technology (IT) facilitates logistical processes, such as timely delivery of products to minimize costs for producers and retailers. IT also allows tracking and information tracing along a food chain –a trait particularly useful in case of food recalls. Scanner data of consumer purchases coupled with fidelity cards (coupled with discounts to encourage consumer participation) offer a wealth of information about consumers' purchasing habits. Bar codes can not only contain information on the price but also product origin and other attributes. Last but not least, technology is also instrumental in other new technological developments, such as genomics.

Economists often use the term *food economy*. The food economy refers to the entire supply chain from farm input industries, production, processing, retail to the final food consumer in a linear manner. Also used is the term *new food economy*

In a new food economy, a digitalization of information and communication changes the way business is conducted. Assets of firms become increasingly knowledge based with advances in technology. A network of relationships is centred on consumers and the power lies with a retailer –the collector (and owner) of consumer information.

Bibliographical reference

Kinsey, J. D. (2001). "The New Food Economy: Consumers, Farms, Pharms, and Science". *American Journal of Agricultural Economics* (Vol. 5, no. 83, pp. 1113-1130).

5. Biotechnology, genomics, and nanotechnology

Biotechnology is usually divided into:

- **White (medical)** biotechnology
- **Green (agricultural)** biotechnology

While medical biotechnology tends not to be controversial, agricultural biotechnology is not generally accepted.

Genetically Modified Organisms (GMOs) are created by transferring genetic material from one organism to another in a process called biotechnology or genetic modification to produce *transgenic organisms*.

Unlike in the process of natural breeding, biotechnology allows for transfers of genes across species (a fish gene to a tomato is an example usually given) and for a faster and more controlled transfer. The most grown biotech crops are maize, soybeans and cotton although other GMO crops exist.

Controversies surrounding the potential health, environmental (escape and spread in natural habitats), and social impacts of plants produced using molecular biology techniques continue. Although industry stands behind the safety of genetically modified products, consumers in many countries remain hesitant. International governance of these organisms is yet to be seen. One policy implemented is separation, traceability and labelling, although different varieties can be told apart only using laboratory tests.

Despite its relatively young age, GMOs have already made it to the WTO dispute settlement procedure. Argentina, Canada and US complained about the delays in approval and marketing of biotech products in the EU.