



22 September 2021

(21-7091)

Page: 1/3

**Committee on Agriculture
Special Session**

Original: English

**COVID-19 IMPACT ON AGRICULTURAL MARKETS AND SOME IMPLICATIONS
FOR THE NEGOTIATIONS ON AGRICULTURE**

**COMMUNICATION BY THE ACP GROUP TO THE SPECIAL SESSION OF
THE COMMITTEE ON AGRICULTURE**

The following communication, dated 21 September 2021, is being circulated at the request of the delegation of Jamaica on behalf of the ACP Group.

-
1. The ACP Group carefully studied the draft texts circulated by the Chair of the Committee on Agriculture in Special Session (CoA-SS) in JOB/AG/215 and has concluded that more work is required to bring the texts in line with the expectations of developing countries and LDCs before it can be a basis for negotiations, preparatory to the Twelfth Ministerial Conference (MC12) of the WTO. The draft text does not adequately assist Members of the ACP Group to effectively address the issues of food and livelihood security, rural development, foreign exchange earnings and the growth and development of the agricultural and agro-processing sectors in these economies.
 2. The COVID-19 pandemic has not only exposed the vulnerability of Members of the ACP Group to exogenous shocks, but also poses severe long-term and possibly permanent consequences for their agricultural and agro-processing sectors, and impedes their successful participation in global agriculture trade. An outcome for agriculture at MC12 should address these concerns and help to provide a framework within which developing countries and LDCs can address fallouts from future events with COVID-19-like impacts.
 3. The on-going COVID-19 pandemic continues to have huge impacts on human suffering and economic activities, including on world agricultural trade. Supply chains have been disrupted as a result of, *inter alia*, the impact of the virus on economies which foster restrictions on workforce and logistics constraints in the production, shipment and distribution of goods. The demand side has also been disrupted due to substantial losses of income for those whose jobs and businesses have been directly or indirectly affected by the pandemic, including measures taken to prevent or contain the spread of the virus.
 4. At the onset of the pandemic world food markets were at a fairly stable position in terms of availability of supplies with minimal effects on world food prices. In view of the relatively comfortable position in world food markets, the food sector remains resilient despite the shocks posed by the COVID-19 pandemic. In reference to an assessment conducted by the Food and Agriculture Organisation of the United Nations (FAO), the majority of staple foods registered marked increases in globally traded quantities in 2020 in relation to 2019, in view of high the traded volumes of commodities with more income elastic demand contracted.¹
 5. There is an issue with affordability of food on the local markets of poor import-dependent countries, which include Members of the ACP Group. The extent to which an importing country can meet its food needs under a prevailing normal circumstance and during periods of external shocks,

¹ *Food Outlook*, Food and Agriculture Organization, Rome, November 2020.

such as COVID-19, depends on its capacity to import and the purchasing power of the population. Both of these factors have been adversely affected by COVID-19.

6. Tropical agricultural products are key foreign exchange earners for developing countries, particularly among Members of the ACP Group. Supply chains of some tropical agricultural products have not shown the same resilience as that of bulk grains, partly due to the highly perishable nature of fruits and vegetables exported by these countries, as well as the less integrated nature of their material sourcing, production and distribution processes. Among the countries whose food security has been adversely affected by COVID-19 are the food-import dependent countries in sub-Saharan Africa (SSA) and Small Island Developing States (SIDS), many of which have dependency ratios well above 40%. For these countries, apart from products in the oilseed complex, most other volumes of imported foodstuffs are seen by FAO to have fallen in 2020, resulting in an overall contraction of trade, volume-wise, by almost 2% compared to 2019. This has a knock-on effect on their ability to earn foreign exchange, achieve employment targets and on their development plans for the agricultural sector.

7. The impact of COVID-19 is accentuating the difficulties faced by already poor countries in financing their food import needs. Many economically disadvantaged Members of the ACP Group are forced to curtail the importation of foodstuffs, especially those essential for reducing malnutrition and, as a consequence, a prolonged COVID-19 pandemic would increasingly worsen the already fragile levels of their food security.

8. Aside from the short-term physical, social and economic access to food supplies, the potential threats of COVID-19 to the food security of many financially weak ACP Group Members, are also seen in the context of existing policy options that these countries have at their disposal to respond to such threats as well as possible recourse to related multilateral mechanisms that could cushion such adverse effects. One of the fears at the onset of COVID-19 was the danger of instability in world food markets, as a result of imposition of export restrictive measures by some countries, as has been the case during major world market shocks in the past. These vulnerabilities have been among the reasons for the ACP Group's advocacy for a permanent solution in the WTO in respect of public stockholding for food security purposes (PSH).

9. Indeed, several WTO Members used export restrictive measures in 2020 with similar characteristics in terms of the instruments used and the commodities targeted as in the past. However, there has not been an apparent impact on world food security directly linked to such measures, largely due to the adequacy of global food stocks in major exporting and importing countries and the good harvests that ensued globally during the current pandemic circumstance.

10. Nevertheless, under the conditions that prevailed in terms of adequacy in global food supplies, the occurrence of export restrictive measures during COVID-19 has been unnecessarily excessive (although in many cases of short duration), which affected Net Food Importing Developing Countries (NFIDCs). Also of concern is the limited notification by major exporters of these export restrictive measures, which is of concern to the ACP Group. We should, in the future, avoid the near-total disregard of WTO notification obligations regarding these measures including their possible adverse effects on the food security of other Members in line with Article 12 of the Agreement on Agriculture (AoA). This experience underlines again the importance of Members' adherence to the export restrictions provisions of the AoA; which was imperative that had also been strongly advocated for during the 2008-11 food crisis. The WTO Secretariat also has an important role to play in building capacity among Members that face difficulties in improving their adherence to existing transparency commitments related to Article 12 of the AoA.

11. The potential threat to food security of heavily import-dependent countries during COVID-19, even though it did not materialize, stirred up calls for the dangers associated with a world market that may not always be a sustainable source of supplies. There have been renewed sentiments for increasing food self-sufficiency, similar to those expressed during the 2008-11 food crisis. Consequently, several countries, among them many ACP Group Members, expressed the need for retaining ample policy space in providing effective support to domestic producers for crops essential to their food security. The *de minimis* entitlements are, therefore, important policy tools for ACP Group Members. Additionally, given that the agricultural sectors of ACP Group Members are primarily dominated by resource poor farmers, whose main markets are based locally, Article 6.2 of the AoA provides the necessary policy space for interventions related to food and livelihood security.

12. Members of the ACP Group have not been able to use the policy space provided to developing countries and LDCs as provided under Article 6 of the AoA, solely due to the budgetary constraints that have significantly slowed or put on hold national policies for rural development, growth in the agricultural sector, production chain integration, greater integration into global agricultural value chains and movements up the value chain in the agricultural and agro-processing sectors. It is, therefore, essential that Members of the ACP Group, in an outcome on agriculture, retain existing policy space in Article 6 and other provisions in the AoA to safeguard their underdeveloped agricultural sector and to position them appropriately when they have the potential to do so in the future.

13. Notwithstanding the difficulties encountered in making progress on PSH so far, COVID-19 is seen by Members of the ACP Group as an additional imperative for reaching an agreement and arriving at a permanent solution on this issue, as consistent with the mandate of the Bali and Nairobi Ministerial Conferences of the WTO.

14. In addition to increasing support to domestic food production, other exigencies that called for assistance in some developing country Members included logistics and marketing measures to overcome constraints in the supply chain due to COVID-19, especially for perishable agricultural export products. In this connection, it is important to recall Article 9.1(d) and (e) of the AoA, which exempted developing countries from certain disciplines on export subsidies under specific conditions. Maintaining this flexibility is in the interest of ACP Group Members to resort to in view of the exceptional circumstances that may arise in the future.

15. Finally, another issue in the negotiations that also connects with the desire to increase domestic food production in food insecure countries, including many ACP Group Members, is the need for a Special Safeguard Mechanism (SSM) to address the issues of import surges and price depression.

16. While the threat from COVID-19 will subside sooner or later, other events, including climate change and natural disasters, would continue to accentuate the inherent volatility of world agricultural markets. Occasional gluts in world markets would surely come from time to time with potentially devastating effects on local producers in importing developing countries. Monetary transfers to affected farmers is rarely an option for resource-poor developing Members and this strengthens the case for an instrument, such as that as envisaged under SSM, to defend against the risks from price depressions and import surges.

17. The ACP Group will be providing suggestions on ways in which JOB/AG/215 can be amended to provide balance in an outcome for the agriculture negotiations at MC12.
