



Getting Sustainable Food to Consumers: The Trade Imperative



In 2020 the world will reach [a critical milestone](#): just over half of the world's population will be considered middle-class with sufficient discretionary income to purchase more goods and services, and most importantly to diversify their diets.¹ As the population surpasses this global income "tipping point," more consumers will demand higher-quality foods. Improving the availability of nutritious, sustainable agriculture products for them through trade will be imperative.

But what of the remaining half of the population who are vulnerable or poor? Getting it right on trade will also be required to ensure that food insecure populations have sufficient, nutritious affordable food. Connecting small-scale and emerging farmers with regional and global markets supports the achievement of **UN Sustainable Development Goals (SDGs)** for eliminating poverty and hunger.

This chapter describes how trade facilitation, innovation and investments can improve food security and diet diversity. Through improved access to services and innovations in agriculture, education and markets, consumers and farmers in low-income countries can improve their health and welfare and lead more healthy, comfortable lives.

Amplifying the Benefits of Trade in Agriculture

Getting sustainable nutritious and safe food to consumers requires trade policy frameworks that are forward-looking, innovative and inclusive to benefit the entire agri-food system and the environment. Improving trade policies and infrastructure will enable consumers around the world to access a variety of foods, as well as staple foods, at competitive prices. More trade will also create employment opportunities along the agricultural value chain and in supporting industries.

Countries differ in their ability to meet their needs for nutrition due to lack of investment or lack of productive land and water. Research indicates that the ability of many countries, particularly low-income countries, to meet their aggregate nutritional needs today would be less without trade; a "no-trade scenario" reveals greater inequality among countries in their potential to meet national

nutrition requirements.² Tariffs and other forms of trade barriers raise the costs of food and reduce food choices for countries and people who need nutrition the most.³



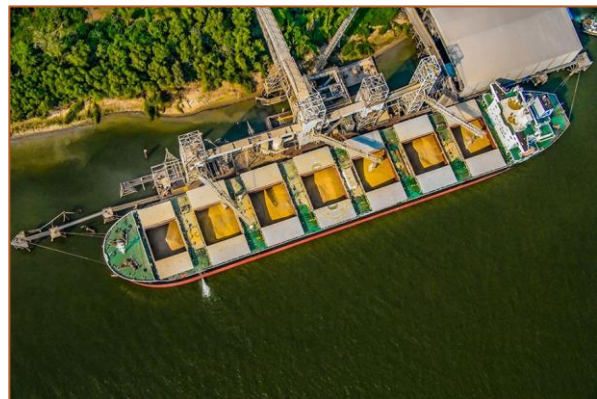
Between 1995 and 2014, world agricultural trade doubled in real terms due to trade liberalization (reduction of tariffs, quotas and regulatory barriers).⁴ In general, the agriculture sector has benefited from increased trade, but it still faces many barriers and progress lags compared to trade in other sectors.

What is “Free Trade”?

Trade policy is made up of rules and regulations that governments put in place to facilitate the free and transparent movement of goods and services across national borders.

Ideally, government policymakers work in concert with other governments to:

- Reduce tariffs, quotas and export taxes;
- Harmonize international standards and greater transparency of sanitary/phytosanitary measures and food labels;
- Protect intellectual property rights;
- Create dispute settlement mechanisms;
- Reduce subsidies;
- Expedite the movement, release and clearance of goods and cooperation between customs authorities (trade facilitation); and,
- Support infrastructure development and capacity for trade (transportation routes and storage facilities, export promotion agencies).⁵



Free trade must also bring more benefits to producers, the environment and to consumers and be made more inclusive and sustainable.

Facilitating Trade for Food Security and Livelihoods

Fast and efficient customs and port procedures are essential to improving trade and delivering goods and services across borders. Complex processes and documentation raise costs and cause delays, with businesses, economies and consumers bearing the cost.

Conversely, countries where inputs such as seeds, crop protection, machinery and livestock health products can be imported and goods and services can be exported quickly and reliably are more attractive locations for foreign and domestic enterprises seeking to invest.



To address the need for faster and more efficient customs and port procedures, the **World Trade Organization (WTO)**, meeting in Bali, Indonesia, in 2013, concluded the negotiations of the **Agreement on Trade Facilitation (TFA)**. The TFA creates binding obligations for WTO members to improve their customs procedures by making them more transparent and efficient, in cooperation with border regulatory agencies and the private sector. It also contains provisions for technical assistance and capacity building to support its implementation in low-income countries.

Reducing global trade costs by 1% = \$43 billion increase in worldwide income.⁶

The TFA plays a key role in helping low- and middle-income countries reduce their trade costs linked to handling imports and exports. **Many of its rules are designed to benefit agricultural businesses, especially small and medium-sized producers.** The TFA also includes a **special provision for the expedited release of perishable goods**, helping to reduce post-harvest agriculture losses.

If the TFA is fully implemented, global average trade cost will be reduced by 14%, resulting in a \$1 trillion increase in worldwide trade, mostly benefitting low- and middle-income countries.⁷

As countries bring the TFA into force, public and private sector investments that improve the national supply chains as well as cross-border management are also generated. These include the development of logistics infrastructures, financing for exporting businesses, helping small

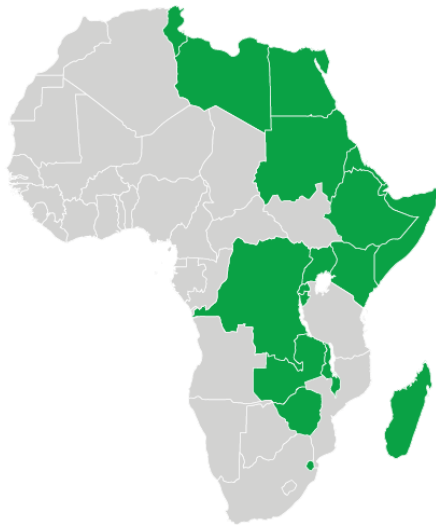
and medium enterprises comply with new customs requirements, and logistics for global value chain development.

The TFA expedites farmer access to inputs like seeds, fertilizers and equipment, as well as to agricultural services and state-of-the-art technology that improve productivity and environmental benefits.

Improving the trade capacity of low-income countries helps agricultural producers take advantage of market opportunities that will increase their incomes and expand their businesses. With the ability to implement and enforce customs and border regulations, and to build their capacity to export, lower-income countries can add value to their agricultural products while improving productivity and protecting natural resources.

Beyond Borders: COMESA Facilitates Regional Trade

Regional economic communities in Africa are developing agricultural commodity and seed standards within each of their membership zones that will eventually be harmonized across the respective regions.



The Common Market for Eastern and Southern Africa (COMESA) is building its 19-member countries' potential to meet most of the food and agriculture needs of 500 million people. But to do this, its farmers must be able to gain better access to improved inputs such as seeds, mechanization and fertilizers, as well as to the technologies and skills to grow and add value to these agricultural goods.

Quality improved seed developed for regional and local conditions gives small and medium-scale farmers the highest return for their investment. In 2013, COMESA countries established a regional seed release system to reduce regulatory inconsistencies that have led to artificial

barriers to breeding, production and distribution of improved seeds. The goal of the COMESA harmonization plan is to **create by 2020 a vibrant and high-growth seed industry**, resulting in improved crop yields for 80 million smallholder farmers in COMESA countries.

The plan establishes a common seed catalogue and sets regional rules for seed variety release, seed certification, and sanitary and phytosanitary (SPS) measures to protect people, animals and plants from pests and diseases. In 2017, seed labels and certificates were introduced as the next step to certify the seeds in accordance with the harmonization plan.



Seed for sale in Luchenza, Malawi. By harmonizing seed regulations and standards across borders, regional seed companies can sell the same seeds to a larger market, rather than developing different varieties for each country.

Photo Credit: B.Baulch/IFPRI Malawi, 2018

COMESA is also facilitating regional trade in maize, a critically important food security crop for all its member countries. Standards vary across countries: for example, allowable moisture content for imports of maize is set at 13 percent in Tanzania, 13.5 percent in Kenya and 14 percent in Uganda. The tolerance for insect damage is one percent in Uganda, two percent in Kenya and three percent in Tanzania. Without mutual recognition of standards and certificates of analysis, regulatory barriers persist, causing an unpredictable trading environment and costing producers and traders money, as well as contributing to cross-border illegal and informal trade, now estimated at over 80 percent in some COMESA countries.

A **COMESA Mutual Recognition Framework (C-MRF)** signed in 2015 in Kampala, Uganda, has launched a [pilot program](#) to standardize maize testing among six exporting and importing countries (Kenya, Malawi, Rwanda, Uganda, Zambia and Zimbabwe). Among the C-MRF key components are common grading criteria, proficiency testing for aflatoxin (toxic compounds from food mold) and a risk-based sampling protocol.

Harmonizing Trade for Food Safety

For societies to benefit from trade, agreements must focus on more than integrating logistics and trade rules. Equally important is the harmonization of standards, particularly for labor, for food safety and food security, for the environment and for communities that may not be realizing the full benefits of some trade agreements.



Photo credit: IICA

The *Codex Alimentarius*, or the food code, is a [collection of internationally recognized standards, codes of practice, guidelines and other recommendations](#) relating to foods, food production and food safety. *Codex* plays a key role in world trade and in the protection of consumers' lives and health, as standards are based on the best available science.

The *Codex Alimentarius Commission* is a joint body of the Food and Agriculture Organization of the **United Nations (FAO)** and the **World Health Organization (WHO)** with goals of protecting the health of consumers and of ensuring fair practices in international food trade. A growing number of low-income countries are taking an active part in the *Codex* process and are participating in Commission meetings to compete in sophisticated world markets and improve food safety for their own populations.

Governments see benefits for health and trade in implementing *Codex* standards, and farmers who follow them know that their produce can be sold at home and abroad. Compliance by exporters ensures that consumers can trust the safety and quality of foods, and traders are protected from losing money from substandard shipments.

Building Trade Capacity

The [Inter-American Institute for Cooperation in Agriculture \(IICA\)](#) is the specialized agency of the Inter-American System for agriculture, with 34 member states across the Western Hemisphere. IICA, in partnership with other regional institutions such as the **Inter-American Development Bank** and with the **U.S. Department of Agriculture (USDA)** and **U.S. Agency for International Development (USAID)**, invests in institutional, human, financial and technological resources to build member countries' capacities to harness the power of trade.

In 2009, IICA formed a partnership with USDA to implement a long-term plan to build capacities of Latin American and Caribbean countries to participate in *Codex* processes and effectively harness agricultural and food trade. Through IICA's **Agricultural Health and Food Safety Program**, countries gain a better understanding of the multiple and complex *Codex* committees to participate in and make better use of opportunities for engagement.



Guyana food safety sector professionals participate in a technical workshop to increase their capacity to strengthen the Codex Alimentarius structure in Guyana. The project, led by Chile, IICA and USDA, achieves stronger Codex systems, not only in Guyana but also in Jamaica, Trinidad and Tobago, Saint Lucia and Suriname. Photo credit: IICA

The program has enabled countries to promote standards of national or regional interest, defend their positions and improve their national policy and technical structures. This has resulted in substantial improvements in the capacity of Latin American countries to take advantage of *Codex*, ensuring that the region is more united and informed on trade matters, and that their efforts to improve agricultural trade among themselves and with other regions are better coordinated.

Partnerships Promote Safe Food and Reliable Trade Systems

Case Study: International Institute for Cooperation on Agriculture (IICA)

As global food trade increases, governments need food safety and inspection systems to protect consumers from food-borne illnesses.

The **Food Safety Modernization Act (FSMA)** of 2011 is the most significant reform of the U.S. food safety infrastructure in 70 years. This [landmark legislation](#) shifts the focus of the **U.S. Food and Drug Administration (FDA)** from responding to outbreaks of food contamination to preventing food-borne illnesses and protecting public health by strengthening food safety systems.

This is good news for U.S. consumers; according to the U.S. Centers for Disease Control, **48 million Americans are made ill by a food-borne pathogen every year.**⁸

For farmers and food producers in countries that export to the U.S., the FSMA created regulations and food safety protocols that they must adhere to if they want to access the large and lucrative American market.

To help ensure the continued flow of goods from the LAC region to the U.S., the **Inter-American Institute for Cooperation on Agriculture (IICA)** strengthened the capacity of governments, producers and businesses to comply with the new FSMA protocols. IICA works in partnership with the FDA, the Foreign Agricultural Service (FAS) of the United States Department of Agriculture (USDA), and the United States Agency for International Development (USAID).



The diversity and abundance of the American food system depends on safe, reliable global trade. Latin American and Caribbean (LAC) countries provide a year-round supply of fresh fruits and vegetables that are out-of-season or not grown in the U.S. Photo credit: IICA

In 2014 and 2015, IICA provided LAC stakeholders the opportunity to learn and ask questions about the FSMA before the implementation of new safety requirements, known as the Preventive Controls (PC) for Human Food. Through web-based and in-country forums, public and private-sector stakeholders received detailed information about the proposed regulations and had an opportunity for more in-depth discussion around the challenges and implications of FSMA adoption.

With the compliance date for PC rules looming, IICA engaged in the next phase of capacity building for FSMA: ensuring that LAC had sufficient human resources to train the Qualified Individuals that will be necessary under the PC rule.

Working with the Preventive Controls Alliance (FSPCA), IICA and FAS implemented lead instructor training programs for participants in Antigua and Barbuda, Barbados, Colombia, Costa Rica, Dominican Republic, El Salvador, Grenada, Guatemala, Haiti, Honduras, Jamaica, Nicaragua, Panama, Paraguay, Peru, St. Lucia, and Trinidad & Tobago. As a result, over 200 individuals from the public sector, private sector, and academia are now trained Lead Instructors (LIs) for the PC rule under the FSPCA curriculum. In addition, IICA programs trained nearly 2,500 preventive controls qualified individuals (PCQIs), the designation required by an individual in each establishment that provides food to consumers in the United States.



Technicians from Honduras, Nicaragua, Costa Rica, Haiti and the Dominican Republic are trained and enabled to serve as instructors and trainers of other technicians, agro-entrepreneurs, processors and agro-exporters. They facilitate compliance with international food safety standards required by importing countries, particularly with the FSMA regulations in the USA. Commercialization of agricultural products will increase. There will be fewer rejections of exports due to non-compliance with the current international regulations on food safety and food protection. Photo: IICA

Building from its experience with PC training, IICA implemented programs to develop trainers for the Produce Safety rule. In 2017 and 2018, IICA supported programs in Barbados, Colombia, Costa Rica, Dominica, Guatemala, Honduras, Jamaica, Peru, St. Vincent and Trinidad & Tobago that resulted in 210 certified trainers. IICA implemented training activities for growers in parallel with these activities, under which nearly 800 growers received Alliance-approved training in produce safety.

Moving forward, IICA will build technical capacities on a large-scale in Costa Rica, during which 60 technicians from eleven countries will have an opportunity to become lead trainers for the produce safety rule.

These actions are helping protect consumers in the United States from food-borne illness while promoting economic opportunities and trade with exporting countries across the Latin American region.

Keeping Labor and the Environment in Focus in Trade Agreements

Trade agreements need to include investments in social protection and capacity building, as well as ensure that productive resources in agriculture such as land, water, forests and wildlife are sustainably managed and protected.

Bilateral or smaller regional free trade agreements (FTAs) provide economic benefits but they often have little influence on standards covering labor, environment and best business practices. With the global Doha Round of the **World Trade Organization (WTO)** talks currently stalled, the prospect of developing more deeply integrated regional agreements are being explored. Developing regional markets and multilateral agreements help create economies of scale

necessary to expand business opportunities, stimulate local supply chain development and connect producers to international markets. Strong economic benefits accrue from implementing such agreements.

The **Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)**, also known as **TPP-11**, is a signed trade agreement pending ratification by 11 countries that represent 13.4 percent of the global gross domestic product (\$13.5 trillion). An additional seven countries have indicated interest in eventually joining (including the United States who withdrew from the agreement in 2017).

Once ratified and in effect, it will become one of the largest trade agreements in the world after the **North American Free Trade Agreement** (re-negotiated and re-named the **U.S.-Mexico-Canada Agreement, or USMCA**). Such multilateral agreements aim to eliminate thousands of tariffs and establish shared approaches to intellectual property, labor and environmental laws.

Consumers and workers are calling for more environmental and labor benefits along with protection of wildlife in such trade agreements.

The CPTPP enhances the abilities of countries to **enforce laws against wildlife trafficking** and will help prevent trade in fish products from **illegal, unreported and unregulated (IUU) fishing** sources. It also **improves global efforts to abolish child labor and gender discrimination** present in many agricultural systems throughout CPTPP countries and protects collective bargaining.



On the energy front, the agreement boosts the adoption of **more clean energy by cutting tariffs on renewable energy technologies** and helping signatory countries shift to renewable energy.

The Next Step in North American Trade



The recently announced **USMCA trade agreement between Canada, Mexico and the United States** partially updates the 25-year old **North American Free Trade Agreement (NAFTA)** by imposing new obligations for enhanced environmental polices and labor practices and fostering digital trade. These provisions were patterned on the high standards of the original TPP agreement and set good precedent for future trade accords.

For agriculture trade, the USMCA agreement removes some distortions in Canadian pricing for dairy products, which should help U.S. dairy farmers export to Canada, although the amount of total reduction in barriers for agriculture products is small. Trade for most agricultural goods across the regions remains at the zero-tariff level, thereby continuing the existing market access. The removal of trade barriers has meant that nutritious foods are always in season; the volume of fruits and vegetables shipped from Mexico to the U.S. has tripled since 1994, when NAFTA was originally created and ratified.

Productivity Feeds Rising Global Demand

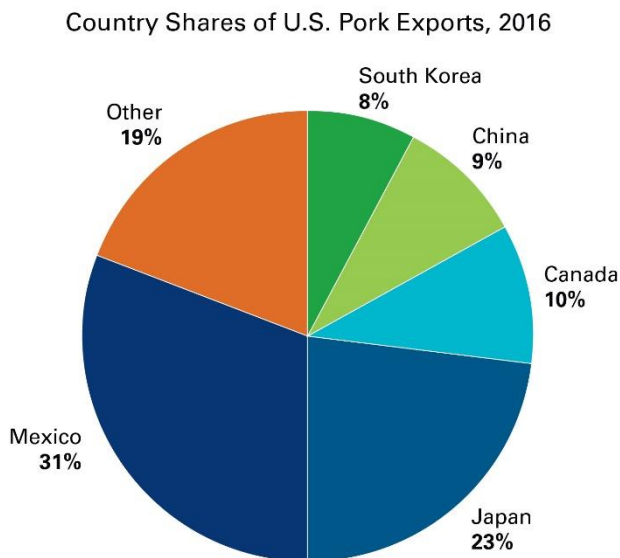
For high-income countries with highly productive agriculture systems, trade benefits producers by ensuring their sustainably produced goods reach new global consumers and help meet the rising demand for more nutritious food, feed for livestock, fiber for clothing and household goods and biofuels.

For example, as recently as 1989, the U.S. was a net importer of pork, while today it is a net pork exporter, reaching more than 100 countries. Consumers in global markets trust the safety and quality of U.S. pork products and demand continues to grow.



A 10-year, \$5.4 billion expansion of the Panama Canal has tripled the original capacity and facilitated trade, allowing ships carrying up to 14,000 containers to travel more quickly between Asia and the United States.

Figure 1



Source: USDA, Economic Research Service using data from USDA, Foreign Agricultural Service, Production, Supply and Distribution (PS&D) database.

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In 2016, the U.S. shipped \$2 billion in pork products to Mexico and Canada. China, Japan and South Korea are also major importers of U.S. pork.

Ensuring that trade is open, fair and based on common scientific standards with low tariffs will enable U.S. farmers to sustainably meet the growing demand for pork and other livestock products among the expanding consumer classes in Asia and Mexico.

Endnotes

¹ Homi Kharas and Kristofer Hamel. "A global tipping point: Half the world is now middle class or wealthier." The Brookings Institution, September 27, 2018.

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⁴ Steven Zahniser, Jayson Beckman and Kari E.R. Heerman. "World agricultural trade experiences sizable growth but still faces barriers." USDA ERS, *Amber Waves*, February 5, 2018.

⁵ Corinna Hawkes, "Enhancing coherence between trade policy and nutrition action," UN System Standing Committee on Nutrition Discussion Paper 1. World Health Organization, 2016.

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⁸ "Burden of Foodborne Illness: Findings," Centers for Disease Control, <https://www.cdc.gov/foodborneburden/2011-foodborne-estimates.html>, Accessed August 29, 2018.