

Food security & Trade

Some Critical Observations

Neil CA Paul, Allison Aimes

Delia Descartes, Camille Russell

Shridath Ramphal Centre

for

International Trade, Law, Policy and Services

The University of the West Indies, Cave Hill, Barbados

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Problem Statement

- ▶ Food Security in Barbados is threatened, evidenced by the low levels of domestic agricultural activities and a spiraling FIB
- ▶ Food Import Dependency
- ▶ Loss of Food Sovereignty
- ▶ Does Barbados' Obligations under the Multilateral Trade system undermine it's Food Security?

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Observations

- ▶ Escalating FIBs do not necessarily mean greater food availability (end of Cheap food)
- ▶ Notion of Peak Oil
- ▶ Import Dependency makes food security dependent on Highly Volatile world Markets, shortages and rising Prices
- ▶ Difficulty to pay these ever increasing prices
- ▶ Imports are inimical to local production

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Observations

- ▶ Much has been said about the abandonment of the agricultural sector in CARICOM.
- ▶ Result of the Structural Adjustment programmes of the IMF and World Bank (Bretton Woods Institutions)
- ▶ Somehow we bought into or were perhaps duped into acceptance of the so called level playing field.
- ▶ Antigua Gambling Case; Caribbean Banana Industry
- ▶ Haiti was a net exporter of Rice and now a net importer
- ▶ Indonesia was a net export of leather shoes, now a net importer

Food Security & Trade Context

•Currently, the Region's food imports is approximately \$US 4 billion dollars with a significant share of the imports being processed foods.

•USDA estimates indicate that Latin America and the Caribbean would exhibit a marginal increase the distribution gap as well as in the number of food insecure people.

• Peak oil and CC mitigation measures will increase the costs for transportation; fertilizers and other energy dependent inputs to agriculture. Affecting access; distribution and production of agriculture.

•Source : Challenges and Trade Policy Options for Food Security by Sanya Alleyne



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Observations

Tracking the Cost of Food

- ▶ Affordability is concerned with food being available at prices people can pay; and in particular whether low income consumers can afford enough of the foods that contribute the most to nutrition and health
- ▶ Affordability hinges on two (2) major concerns:
 - ▶ **Disposable Income:** subject to minimum wage ceiling and tax considerations which reduces the amount of income available to afford a basic food basket. The Figure below shows that for the respective territories the proportion of minimum wage required to purchase the food basket in 2004 ranged between 10-31%.
 - ▶ **The Cost Of Food:** The cost at each stage in the value chain - plus any additional mark-up by the wholesaler or retailer.

Cost Structure for Various Imported Items

Product	CIF Prices (BDD\$/kg)	Port Charges (BDD\$)				Total Distribution & Retail Charges (BDD\$/kg)	Retail Price (BDD\$/kg)	Markup/ Margin
		Import Duty (40%)	Environmental Levy	Value-Added Tax (17.5%)	Total Port Charges			
Corn Flour	1.88	0.75	0.02	0.46	1.23	9.95	429%	
Wheat Flour	1.14	0.46	0.01	0.28	0.75	3.49	206%	
Pasta	2.70	1.08	0.03	0.67	1.77	6.17	128%	
couscous	2.70	1.08	0.03	0.67	1.77	11.98	344%	
Rice (milled)	1.32	0.53	0.01	0.33	0.87	3.35	154%	
Sugar (raw)	1.08	0.43	0.01	0.27	0.71	1.52	41%	
Cheese	7.90	3.16	0.08	1.95	5.19	14.38	82%	

Source: UN COMTRADE, ITC Trade Map, Own Calculations

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Weaknesses

- ▶ **Land Mass** - decrease in agricultural land due to competition from other sectors for housing and recreational activities (golf courses etc.), tourism infrastructure;
- ▶ Lack of **post harvest storage** facilities and emergency reserves - this can be useful when there is an increase in international prices (for example the high prices and high volatility in commodity markets that is currently being experienced);

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Weaknesses

- ▶ Inadequacy of SPS Measures make it is difficult to identify the quality or standard of imported goods;
- ▶ Inadequate transportation system impedes the distribution of food from producers to consumers and from areas of Plenty to areas of scarcity (Nationally and Regionally).

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Strengths

- Regional support - Common External Tariff (Goods with community origin gives preferential treatments);
- Well developed infrastructure such as airport seaport, and utilities;

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- ▶ There is a tendency to say to farmers that the government cannot offer subsidies because it is against the rules of the Multilateral trading system.
- ▶ In fact that is untrue as there are many flexibilities and policy space within the rules.

Food Security & Trade *Opportunities*

- Utilization of the Economic Partnership Agreement in terms of the European Development Fund
- Strengthen Regional Integration.

Recommendations - Options for Government

- ▶ Making Healthy Foods less Costly through taxes and subsidies, and direct provision of certain health services for free or at subsidized rates. Two-step process
 1. The first step in this particular initiative is to have a clear understanding and definition of healthy food.
 2. The second step is to identify key taxes on these foods such as Value-Added Tax (VAT), and even excise tax which drive the price of these foods up and then reduce or remove said taxes, thereby reducing the cost of the food

It is very critical however, for government to carefully oversee this process and ensure that food prices decrease by a reflective drop in tax.

Recommendations - Options for Government

- ▶ Making Unhealthy Foods more Expensive
 - ▶ Taxes on unhealthy foods serve to prompt food manufacturers to produce healthier foods by altering the content of existing products or developing new ones to maintain market share
 - ▶ Additionally, as consumers are responsive to price, taxes on unhealthy foods that increase the price to consumers may be effective in discouraging and lowering their consumption

Under this initiative, governments would impose taxes on foods which are known by scientific examination to contribute most to unhealthy diets and incidences of CNDCs

Recommendations- Options for Food Retailers

- ▶ ***Food-price Related Options:***
- ▶ **Increase the volume of product sold** - Motivate customers to buy more of a particular food by offering savings on larger quantities
- ▶ **Introduce cost savings on healthier food** - such as two-for-one discounts, half-price promotions.
- ▶ **Offer reward savings on purchases on healthier foods** - Similar to the Magna Rewards points system, which allows consumers to receive points after spending a specified minimum amount of money at any Magna Partner location.

Recommendations- Options for Food Retailers

▶ *Non-price suggestions:*

- ▶ **Consider priority placement of healthier food options** - The location of items within the store can influence the purchasing habits of customers. Consider placing healthy foods in the high traffic areas of the store. Appeal to impulse buying by:
 - ▶ Placing ready to eat fruits and vegetables at the register.
 - ▶ Locate the healthier items with other similar items.
 - ▶ Place healthier food options in placed in a convenient visual spot.
 - ▶ Place the product at eye level
- ▶ **Identify the high traffic areas** and put the targeted food items there.

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Opportunities

- Utilizing the provisions of the WTO agreements
- Development of Maritime Transport - given the fact that Barbados and many other countries within the Region are joined by water, maritime transport can be efficiently utilized;

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Agreement on Agriculture

- ▶ The Preamble of the Agreement on Agriculture notes”... *that reform of trade in Agriculture should be made in an equitable way among all members having regard to non Trade concerns, including food security and the need to protect the environment.*”
- ▶ *Any food security strategy must be compliant to the rules of the WTO and must not be deemed to be trade restricting.*

Flexibilities under the WTO Agreements: ***Agreement On Agriculture***

- ▶ Import and Export Restrictions- Taxes; Duties and Licenses.
- ▶ Tariff Rate Quotas(TRQs); Sensitive Products; Special Products ; S&D Treatment.
- ▶ Safeguards Agreement- SSM.
- ▶ Subsidies- Green and Blue Box Subsidies (*de minimus principle*); Development purposes(Article 6.2)
- ▶ Countervailing Measures.
- ▶ Sanitary and Phyto-sanitary measures.

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Thank you!!!!!!