International trade in agricultural commodities

International agricultural trade has been on the top of the international agenda throughout the last 25 years, largely because of the signing and the implementation of the Marrakech Agreement that is at the centre of the creation of the World Trade Organisation (WTO). International trade has overwhelmingly dominated the discussion on food and agriculture, before being overtaken in recent years by the more dramatic problem of hunger, which rose to the fore because of the food security crisis of 2007-2008 and of the standstill observed in the Doha process until the recent partial agreement achieved in Bali at the end of 2013. [read]

In order to understand the situation, it is important to go back a little in time. At the end of World War II, industrialised countries were facing two major challenges. One the one hand, there was the issue of the control of supply to industrialised countries of tropical products (traditional export products from the ex-colonies) and, on the other hand, the capacity of industrialised countries to secure their food independence while protecting their producers. These two challenges themselves must be seen in a broader geopolitical context in which the various powers have been continuously trying to reinforce - or at least to preserve - their areas of influence and interests. In recent decades, the effects of globalisation have been felt by an accelerated growth in trade in agro-food commodities, the growing importance of emerging countries, and the increasing domination of the world market by multinational corporations.

The international trade context

Since the end of World War II, total international trade flows have increased faster than the world economy (see graph).

This evolution can be explained by:

- Technical progress in transport, communications and information technologies and their effect on the cost of international exchanges which have contributed to an acceleration in the growth of international trade
- The easing of cross-boarder exchanges that has resulted from progress made in trade negotiations conducted at multilateral (UNCTAD[1], GATT[2] and later WTO[3]), regional (regional trade agreements) and bilateral levels. This last level (bilateral) has seen a rapid proliferation of agreements in recent years, the best known and

[1] UNCTAD: United Nations Conference on Trade and Development

[2] GATT: General Agreement on Tariffs and Trade

[3] WTO: World Trade Organization

probably also the most important being the agreements signed between the European Union or the US and their many trade partners, following the standstill in the negotiations conducted in the framework of the WTO [4].

Economic and trade growth indicators between 1760 and 2011

---- World industry growth rate
---- World GDP growth rate
---- World trade growth rate

Sources:
Rostow, W.W. 1978 (growth of industrial production and world trade from 1780 to 1971)
WTO, growth of world exports from 1970 to 1980
UNCTAD, GDP growth from 1970 to 2010 and of world exports from 1980 to 2010)

The main actors of international trade also changed over time, as can be seen from the following table.

Change in ranking of main exporting countries between 1970 and 2009

Ranking of exporting countries	1970	2000	2009
1	USA	USA	China
2	Germany	Germany	Germany
3	Netherlands	Japan	USA
4	UK	France	Japan
5	France	UK	France

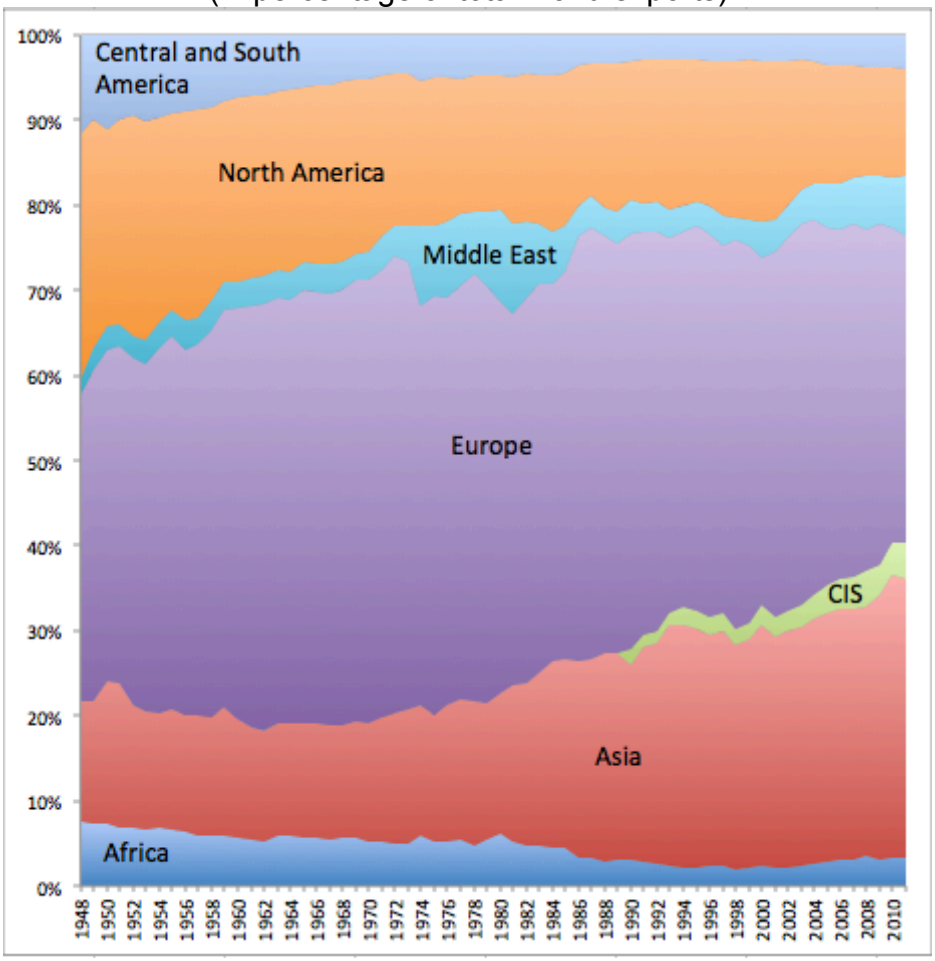
[4] M.Maetz and Y.F. de Larrrinoa Arcal, **Trends in World and Agricultural Trade** in «Multilateral Trade Negotiations on Agriculture - A Resources Manual - I - Introduction and general topics, FAO 2000,http://www.fao.org/docrep/003/X7352E/X7352E01.htm

Ranking of exporting countries	1970	2000	2009
6	Japan	China	Netherlands
7	Italy	Italy	Italy

Source: WTO

These changes also modified the relative weight of various regions in international trade flows, and produced a rapid growth of South-South trade.

Evolution of exports by region (1950 - 2010)
(in percentage of total world exports)



Source: WTO

The sectoral nature of traded products also changed with time. In 1970, industrial goods represented almost half of total trade flows (46%). In 2009, they accounted for 10% more (56%) while the importance of primary products was remained stable at around 15%.

From an institutional point of view, the development of international trade was accompanied by the creation of a number of international and regional organisations.

At the international level, the General Agreement on Tariffs and Trade (GATT), created in 1948, was given the objective of defining rules for international trade and regulating trade flows. The GATT never considered agricultural commodities. The creation of the World Trade Organization (WTO), on 1st January 1995, occurred after the signing of the

Marrakech Agreement that comprised three agreements impacting more or less directly on agriculture (the Agreement on Agriculture, the Agreement on the Application of Sanitary and Phytosanitary Measures, and the Agreement on Trade-Related Aspects of Intellectual Property Rights). Created in 1964, UNCTAD is the main UN forum for discussing global issues related to development, trade, investment and international capital, technology and sustainable development.

In parallel to these global processes, countries also grouped themselves in a large number of regional trade groups ruled by agreements aiming at facilitating trade among members through the progressive removal of tariffs and the application of common external tariffs. The main groupings are:

- In Africa: The Economic Community of West African States (ECOWAS), the Central African Economic and Monetary Community (CEMAC), the West African Economic and Monetary Union (UEMOA), the Common Market for Eastern and Southern Africa (COMESA), the Arab Maghreb Union (AMU), the Southern African Development Community (SADC), the Southern African Customs Union (SACU), the Intergovernmental Authority on Development (IGAD),
- In the Americas: the Association of Caribbean States (ACS), the North American Free Trade Agreement (NAFTA), the Caribbean Community (CARICOM), the Southern Common Market (MERCOSUR)
- In Asia: the Association of South-East Asian Nations (ASEAN), the South Asian Association for Regional Cooperation (SAARC)
- In Europe: the European Free Trade Association (EFTA) and the European Union (EU).

As already mentioned, the standstill observed in negotiations conducted in the framework of the WTO (Doha Round) had generated a proliferation of bilateral agreements particularly between and US and the EU with their respective main trade partners.

The development of global markets has also seen a parallel emergence, since the 70s, of new mechanisms such as financial derivatives, in particular forward contracts and options. These financial instruments, the value of which depends on the evolution of commodity prices and on their volatility, are quoted on the market and can be used to speculate on short, medium or long-term price variations. The volume of resources involved in financial market derivatives may amount to several times the value of the physical volume of traded goods. It has literally exploded over the years as financial capital increased due in particular to the growth of pension funds, and as interest rates remained low. In 2011, the volume of operations is estimated at more than USD 700,000 billion. This amount can be compared with the USD 18,000 billion value of world exports and the USD 60,000 billion of world GDP. Derivatives have been identified by some experts as contributors to the instability in certain markets such as agricultural commodity markets during the soaring prices episode in 2007-2008. [for more information read http://unctad.org/en/Docs/tdr2011_en.pdf on financialised markets p.126 *et seq.*]

Finally, and in parallel with the growth of international trade and the institutional changes, there was a tremendous increase in the activities of transnational corporations. A transnational corporation is a private for-profit firm that conducts production, distribution or research activities in several countries through branches of which it may own a variable share of the capital. They have a considerable weight in the world economy, trade, investments and technology transfers.

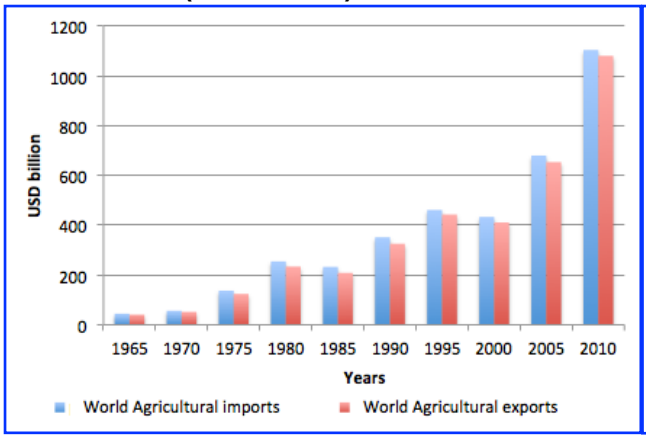
It is estimated that there were around 4,000 multinationals in 1969. In 2009, there were 82,000 with about 690,000 branches throughout the world. According to UNCTAD, their turnover has been growing at around 10% per annum since the beginning of the 90s. In 2010, their economic weight was equivalent to at least 25% of world GDP or USD 16,000 billion, and they were responsible for the two-thirds of international trade. Among the 100 largest multinationals, of which 93 have their headquarters in rich countries, there were 9 agro-food corporations.

Recently, transnational corporations have extended their influence through contracts with other firms, without participating in their capital: this allows them to integrate and play a central role in some value chains in a very flexible manner and at very minimal risk as they can withdraw at any time and at very low cost. In 2010, for example, these contracts, concluded mostly with firms in countries of the "South", had an estimated value of USD 2,000 billion in the shape of industrial subcontracting and outsourcing of services, contract farming, franchising, licensing, management contracts and other contractual relationships [5].

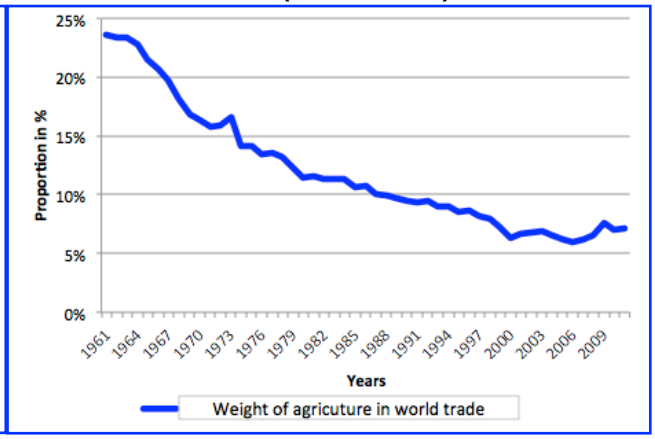
Major trends in trade in agricultural commodities

The value of exports and imports of agricultural commodities grew considerably after 1970, but much slower than the rhythm of trade in manufactured goods and at a speed comparable to that of mining products. The economic reforms implemented through the structural adjustment programmes supported by the World Bank and the International Monetary Fund strongly contributed to the emergence of this trend in the case of non-industrialised countries, after 1980.

World imports and exports of agricultural commodities (1965-2011)



Share of agricultural exports in total world trade (1965-2011)



Source: FAOSTAT, WTO

This evolution can in part be explained by the increasing share of products coming from agriculture that is being now traded internationally in the shape of processed or manufactured products. This notwithstanding, agricultural trade has generally grown faster than production.

[5] UNCTAD, World Development Report 2011 - Overview, 2011

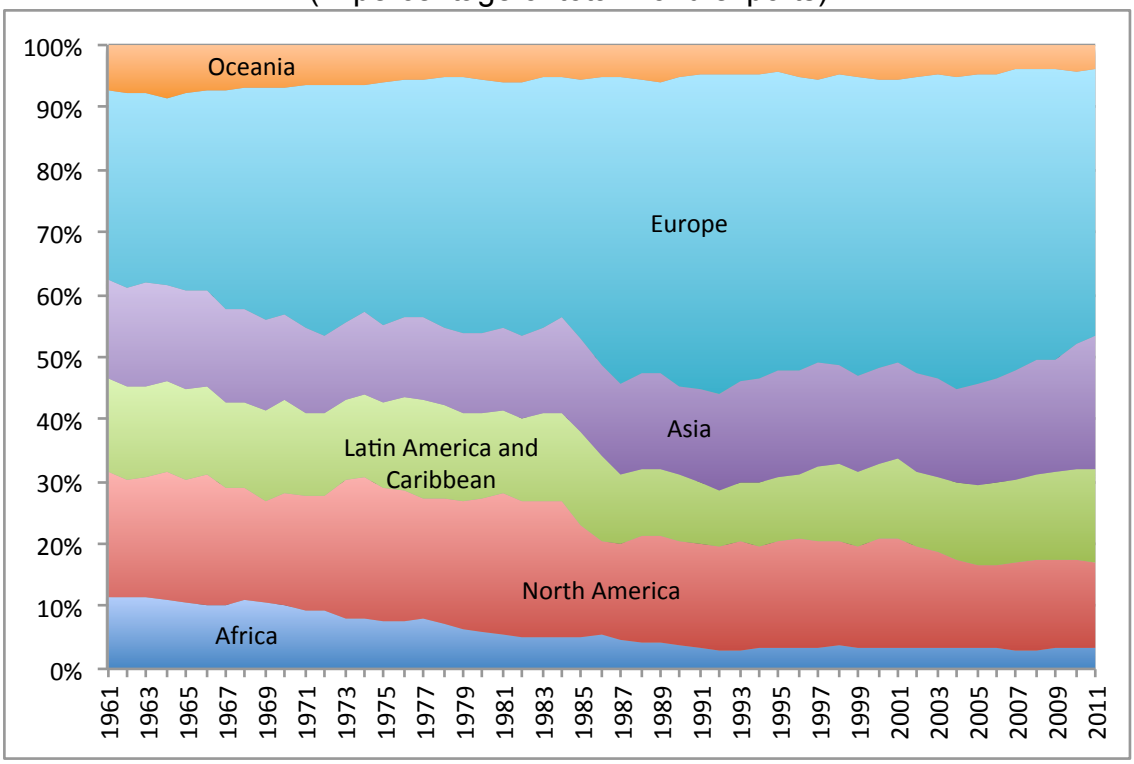
Change in ranking of main net agricultural commodity exporters between 1970 and 2009

Ranking of net exporting countries	1970	2000	2009
1	Australia	Netherlands	Brazil
2	Brazil	Australia	Argentina
3	Argentina	US	Netherlands
4	US	Brazil	US
5	Netherlands	France	Thailand
6	New Zealand	Argentina	Indonesia
7	Denmark	New Zealand	Australia

Source: FAOSTAT

Over the period for which statistical data are available (since 1961), the US has been the top exporter of agricultural commodities. France, for a long time second, has been losing ground over the last decade. In terms of net agricultural exports (see table above) Latin America, Australia and New Zealand have strong positions, and recent years show the rapidly growing importance of Asia. From a regional perspective, Europe is first by far (see graph below) over the whole period that has also seen Africa increasingly side-lined while Asia and Latin America increased their weight recently.

Evolution of exports by region (1961-2011)
(in percentage of total world exports)



Source: FAOSTAT

Control over trade in tropical products

At the time of gaining their independence, non-industrialised countries were exporting mainly "traditional" tropical products such as coffee, cocoa, tea, spices, fibres (cotton, jute), fruits and vegetables, and rubber. These products were then exported as primary products and processed in industrialised countries. Trade and sometimes production of these commodities was - and still is today - controlled mainly by foreign companies (e.g. CFDT/Dagris/Geocoton, Louis Dreyfus and Cargill for cotton ; Barry Callebaut and ADM for cocoa; Nestlé, Phillip Morris/Kraft and Sara Lee for coffee ; Chiquita, Dole and Del Monte for bananas) or by local companies with foreign participation or under the control of foreign firms. (See the example of cocoa in the box below).

Cocoa

Produced predominantly in Africa (Côte d'Ivoire is the top producing country with approximately one third of world production), cocoa is processed mainly in Europe (the Netherlands) and in America (US).

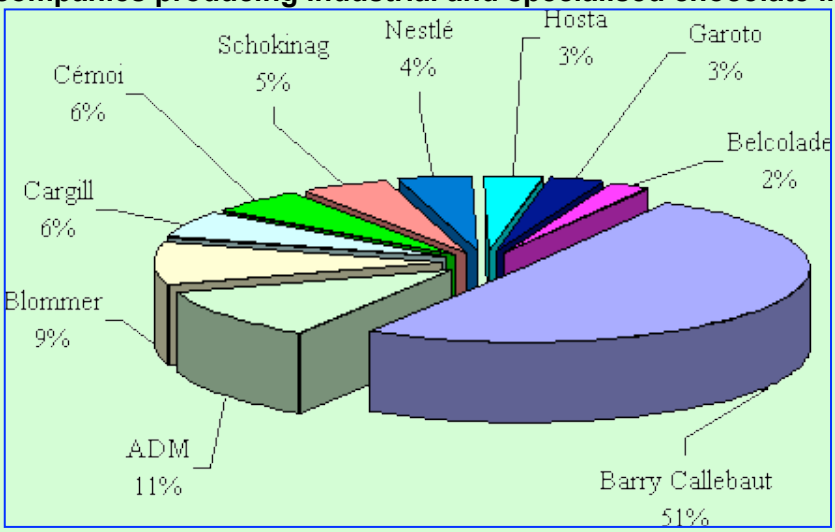
Production and milling of cocoa beans, in percentage of world total (2010/11)

Region	Production of cocoa beans (%)	Milling of cocoa beans (%)
Europe	0	41
Africa	75	17
America	13	22
Asia-Oceania	12	20

Source: International Cocoa Organization, 2012

The cocoa beans market is largely dominated by multinational corporations from industrialised countries and their price is decided on the New York and London commodity exchanges. Among the companies shown on the diagram below, Garoto is the only one from an emerging country (Brazil).

Main companies producing industrial and specialised chocolate in 2003



Source: UNCTAD based on data from Barry-Callebaut

The analysis of the decades that followed the period when many countries gained independence shows that international trade developed in an extraordinary way. According to the data available with FAO, the average value of annual world agricultural commodity exports increased from USD 34 billion in 1961-1963 to USD 1114 billion in 2009-2011. This means exports have multiplied 33 times in 50 years. Over the same period, exports from non-industrialised countries were grew by 29 times (by 35 for industrialised countries), and the relative weight of these countries in food and agricultural exports dropped from 43% to 38%. In contrast, their imports grew faster (51 times) compared to industrialised countries (24 times only). As a result their trade balance shifted from surplus to deficit balance (deficit of USD 68 billion)[6].

The composition of trade from non-industrialised countries has changed considerably over this period. The relative importance of traditional tropical exports fell substantially, in the case of coffee, tea, cocoa and spice exports, the share dropped from 22% in the early 1960s to only 10% in the middle of the first decade of the XXIst century. At the same time, rubber and fibres also decreased, partly because of the competition of synthetic products. It is the fruits and vegetables sub-sector that has increased fastest: its value multiplied by 40 times in four decades and new operators have become active in this sector, like large airlines (e.g. KLM-Air France) who have gained an influence well beyond just transport of perishable products like cut flowers. In Africa, the most dynamic export sector has been fruits and vegetables; in Latin America tobacco and fruits and vegetables; and in Asia fruits and vegetables, tobacco and cereals.

Change in structure of agricultural exports from non-industrialised countries
(percentage of total value of agricultural exports)

	1961-1963 (%)	2009-2011 (%)
Cereals	8	7
Coffee, tea, cocoa and spices	23	10
Natural rubber	7	5
Fibres	16	2
Fruits and vegetables	10	19
Others	35	56

Source : FAOSTAT

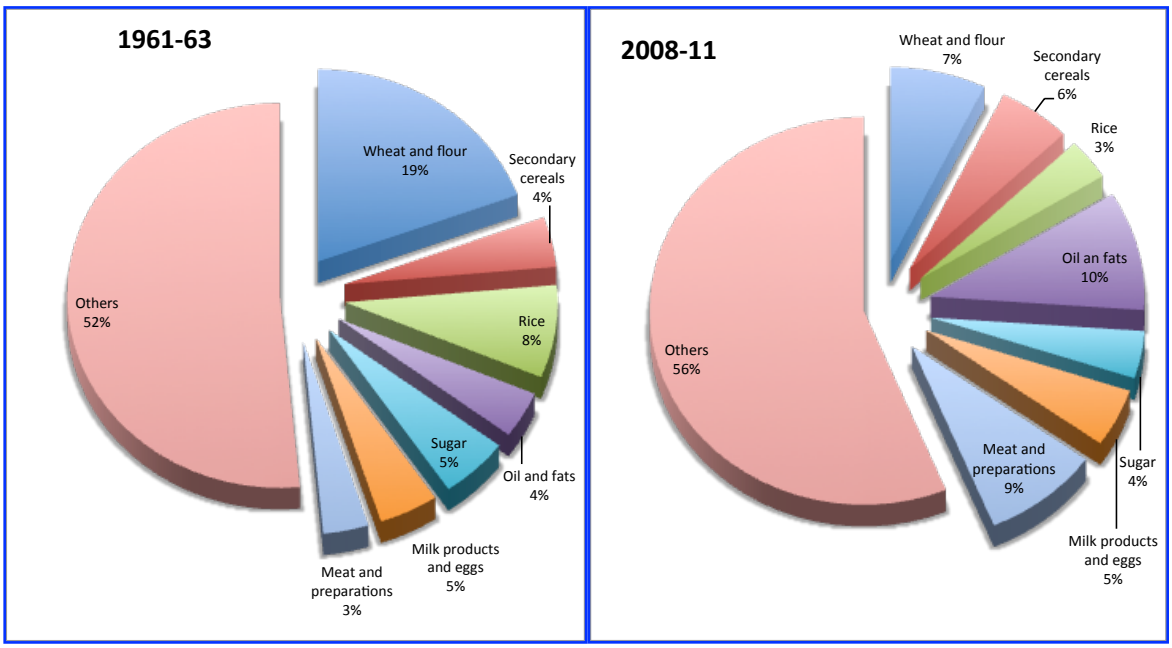
The structure of imports also saw some slight change: less wheat, wheat flour and rice imports, but more oils, fats and meat imports. (see diagram below)

During the 80s and 90s, structural adjustment programmes created conditions at national level in poor countries that sought to align national prices with international prices and encourage countries to open up their borders to increase their exchange of commodities with the rest of the world. The underlying paradigm was that by opening up to the world market, these countries could specialise in areas in which they were performing well (i.e. where they had comparative advantage) and abandon - or at least reduce - their activities in areas where it was cheaper to import than to produce. This approach assumed that the world market was functioning efficiently. For most non-industrialised countries, comparative advantage lay in producing and exporting tropical commodities inherited from the colonial period. [read] As for other agricultural commodities or for industrial production, their technological lag did not make it possible for them to compete with industrialised

[6] Source: FAOSTAT (industrialised countries = Europe + North America + Australia/New Zealand)

countries. This strategy largely froze the situation and the way in which agricultural production was shared between industrialised and non-industrialised countries. The priority given to exports was justified by the higher employment generation capacity of export products vis-à-vis produce for the domestic market.

Change in structure of agricultural imports of non-industrialised countries
(percentage of value of total agricultural exports**)**



Source : FAOSTAT

But countries soon became disenchanted. As many non-industrialised countries engaged in the same types of agricultural production for export, production increased very fast while international demand for these commodities only grew very slowly and gluts emerged on the world market. Further boosting of traditional exports led to a deterioration in the terms of trade for non-industrialised countries and to the impoverishment of rural areas. This was because it had been wrongly presumed that what was to be good for one country (to specialise in the areas in which it has comparative advantage) would be good for all countries if it were applied by all.

More recently, agricultural commodities entered a period of rising prices, but one that was characterised by some instability and volatility that can be explained in part by the increase in speculation on commodities resulting from the financial boom. But tropical commodities are not among those that have seen their price increase most. The price increase has been much sharper for basic food products (cereals, vegetable oil, sugar, etc.). [to know more about food crises]

The export-led strategies adopted by countries proved to be disastrous for many of them as only the most competitive benefited by increasing their volume of production and their market share (e.g. Vietnam with coffee). The main victim of this trend has been Africa which lost its position on the world market for tropical commodities and which was unable to increase its production of processed goods in contrast to what happened in other regions, particularly in Asia and Latin America.

Attempts to create small processing enterprises to generate more value added locally only rarely succeeded because of the measures put in place by rich countries against imported

processed goods to protect their own processing industries (higher taxes on processed products than on primary commodities). Attempts to diversify towards non-traditional export products have also only rarely succeeded in a lasting way. One of the reasons for this has been the strong capacity of multinational corporations to dominate markets: they did not hesitate to pay for some time producers prices above the world price in order to eliminate local competitors and so put themselves in quasi-monopsony situation for these commodities. And then later, they reduced the price paid. They also did not hesitate to use all the possibilities that their international nature gave them, such as access to low interest capital from international sources that was not within the reach of their national competitors. Collusion among these large companies also sometimes led to the creation within countries of zones of influence for each one of them. Once these zones were well established, they would quickly lower the price paid to producers. They could do this because of the asymmetrical relations existing between them and the many small and usually disorganised producers.

Despite all this, it must be admitted that the presence of these companies has allowed local producers, at a certain point in time, to have access to the world market, including in some cases small producers who otherwise would never have been in a position to sell for export. Even when prices paid to producers were lowered once the companies were well established, this still gave a valuable source of income and an opportunity for diversification to producers who otherwise would have continued their traditional production systems. The output of these systems would usually be sold at low prices because of the limited capacity of producers to get organised to sell their eventual surplus production, and because of the competition from imported food that was being subsidised in OECD countries. Unfortunately, the weakness of the state and its incapacity to reduce the isolation affecting production areas where millions of smallholders live, resulted in the mass of agricultural producers in non-industrialised countries remaining excluded from all these changes. [to know more about exclusion]

One should therefore acknowledge the positive role of multinationals in some cases, insofar as they provided access to the world market for producers at a time when national markets were sluggish (period of structural adjustment and decrease of urban demand). This is particularly true for those producers who could meet the standards set by these corporations in terms of timely delivery, volume delivered and quality of the produce. The

cost paid by these producers would however be quite high, as it became clear with time, in terms of dependency on the world market, increased risk and even, in some cases, loss of skills regarding traditional food crops. Strongly established in the domestic as well as international markets, acting as a monopsony or organised in oligopsonies, multinational corporations have imposed their prices on producers who are in a weak position and often obliged to sell at a loss and see very frequently their labour dramatically underpaid. And now that the world markets for tropical products are relatively sluggish, liberalised[7] and vulnerable to a raging competition for supplying a stagnating market in industrialised countries, tropical agricultural commodity producers often find themselves in a rather precarious situation that may lead to dramatic conditions. In reaction, some consumer movements in rich countries have tried to create mechanisms that allow fairer trade and which challenge the rules governing conventional trade. For the time being however, the volume of commodities that is flowing through these alternative channels remains very limited (see box on Fair Trade).

Fair Trade

Fair trade started to develop during the 70s. In France, it was following the great Bangladesh famine that, as a result an initiative taken by Christian movements (Abbé Pierre) fair trade associations were created. The first in France was Artisans du Monde, created in 1974.

Fair trade principles or criteria can be summarised as follows:

- Work with poor smallholders
- Fairer and long term trade relations
- Respect for Human Rights and of Fundamental Principles and Rights at Work
- Transparency of all activities
- Democratic functioning of organisations
- Conservation and promotion of local know-how
- Environment-friendly production technologies
- Accept control over respect of fair trade criteria
- Support to producers and strengthening of their organisations
- Sensitisation and education of the public
- Actions and advocacy campaigns to change international trade rules
- Pay a just price and pre-finance production (if necessary)

Today, as urbanisation is gaining momentum in non-industrialised countries and as these countries experience some economic growth and the development of a middle class (e.g. more than 5% growth of income per caput during the first decade of this century in Africa), growth of domestic demand makes domestic markets more promising than international markets. But local farmers are not well equipped to seize the opportunity created and it is urgent for countries to engage in a new strategy of support and protection of local production so that it can develop to satisfy growing domestic urban demand and face the unfair competition from imported goods. The key issue at stake now on which competition

[7] For example, the International Coffee Agreement that gave some stability to the world coffee market was dismantled in 1989, leaving the market vulnerable to the fluctuations on commodity exchanges.

is raging, is the control of supply of domestic markets in non-industrialised and emerging countries, and this issue is very closely connected to the nature of agricultural policies and on-going trade negotiations.

Food independence and protection of producers

After World War II, Europe was in a situation of food shortage and rationing while in the US, powerful agricultural lobbies wanted to protect their interests. These two blocks adopted agricultural policies that strongly subsidised and protected their producers.

In the US, it is wheat and maize that have historically benefited from the largest support at first: support programmes launched during the Great Depression of 1930 were still in operation at the beginning of the 90s because of the strong political connections of rural areas. In 1984-1987, USD 3.2 billion were going annually to the 325,000 US wheat producers, while the 627,000 maize producers were receiving USD 4.2 billion. But it was sugar and rice producers who received the largest support per farm (close to USD 68,000 on average for sugar producers and more than USD 38,000 for rice producers). The result of this policy was strong growth in agricultural production. US wheat production made a first jump during the 60s, and then literally exploded during the 70s. This created a production surplus problem and during the 80s and 90s, half of the US wheat production was exported, either through subsidised exports or as aid in the framework of the Agricultural Trade and Development Act, 1954 (PL480) also known as «Food for Peace» programme.

In Europe, the Common Agricultural Policy (CAP), which set high and stable producer prices, also brought about a large increase in production: Europe, from deficit became self-sufficient in wheat during the 70s, then produced an increasing surplus and started to export during the 80s at the cost of growing subsidies.

The consequence, at world level, of these support policies was a drop in world agricultural prices. The world price of wheat dropped by around 23% between 1980 and 1985. This fall can be explained by subsidies paid by rich countries, and the strong increase in productivity and in world production. Competition on the world market between the US and Europe - France had become the second wheat exporter behind the US - amplified and continually required more subsidies for a growing volume of commodities. In the US, this policy did not face any real opposition and was backed by production lobbies and by groups in favour of food aid programmes for either humanitarian or geopolitical reasons. Analyses conducted by economists showed that there were high efficiency costs of this policy for the US and European economies. But these concerns attracted little attention; nor did they influence decision-making. Food aid (see box), although it saved lives in extreme situations, had progressively become institutionalised as a mechanism that allowed industrialised countries to subsidise their agriculture without being challenged at the WTO and to compete unfairly with producers in non-industrialised countries in those countries which do not face real food shortages. Finally, food aid has also been largely used for geopolitical purposes. For example, the US is accused of having used food aid to overturn the Ethiopian regime in the 80s.

Food aid: costly and inefficient

In a book and a series of articles published during the first part of the first decade of this century, C. Barrett et D. Maxwell analysed the US food aid system. Their work allows them to say that every dollar of food distributed costs USD 2.13 to the US budget. This is due to the quasi-monopoly that exists in the supply and transport of commodities - transport can only be provided by US companies for which this is a great opportunity for making profit - and to the use of inefficient means for local transport and distribution, *inter alia*.

Despite the amounts committed by the US government - USD 2 billion every year at the beginning of this century - and the volumes delivered - close to 350 million tons in 50 years -, Barrett and Maxwell find that the aid programme has little effect on the price paid to US farmers, nor does it help to promote US exports in beneficiary countries. Moreover, it takes on average 5 months for US food aid to reach its destination: this is obviously far too long in the case of real emergency situations. From this, they conclude that the US should follow the example of the EU that has largely modified its food aid approach to make it a programme of transfer of financial resources for purchasing food locally, or, if the food is not available locally, for engaging in a triangular operation that associates a non-industrialised country that has some surplus food. [read more on recent reform of US food aid]

Despite its cost and the low efficiency, food aid has been attracting more financial resources than agricultural development aid. In 2002, for example, OECD countries used 4.8% of their Official Development Aid (ODA) for food aid, compared to 4.7% only for agricultural development aid (OECD-DAC Statistics). Around the same time, the European Commission was using 5.5% of its aid resources for agriculture, forest and fisheries development, but 7.3% for food aid.

References :

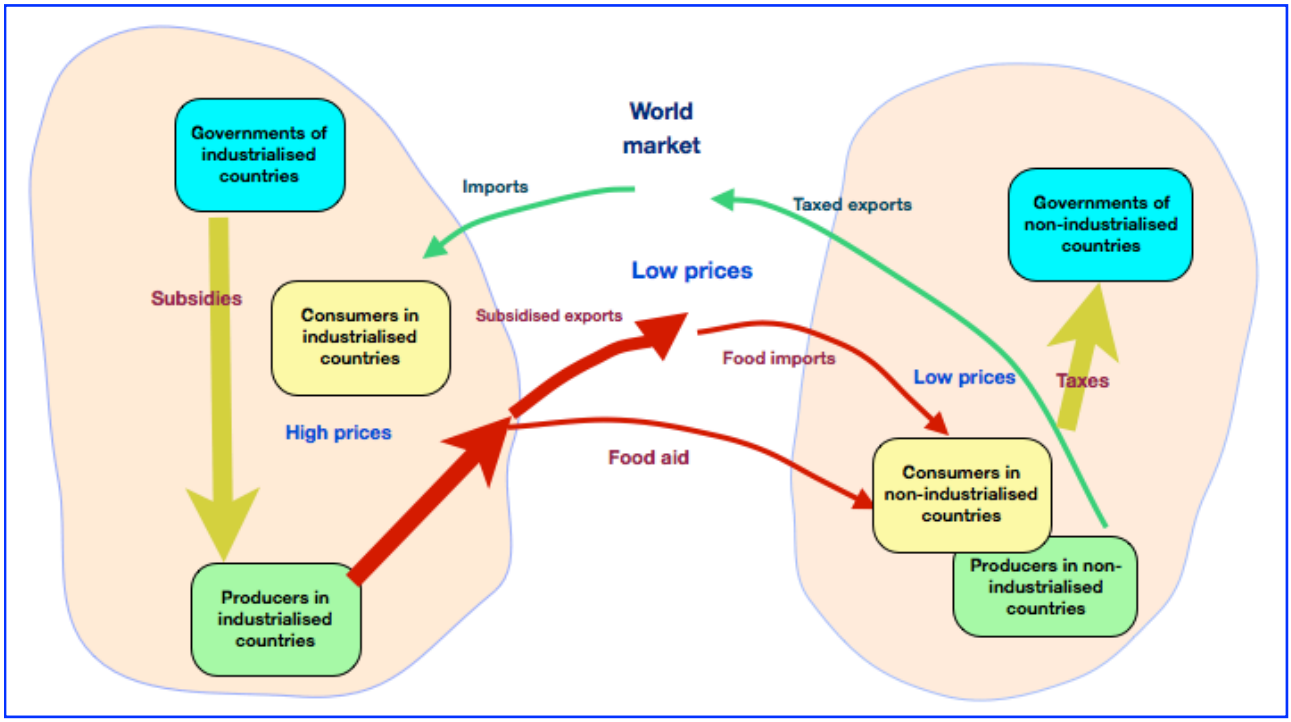
- **C. Barrett et D. Maxwell**, *"PL480 food aid: We can do better."* Choices, pp. 53S57, 2004 (http://www.choicesmagazine.org/2004-3/2004-3-12.htm)
- **C. Barrett et D. Maxwell**, *Recasting food aid's role, Policy Brief,* 2004 (http://aem.cornell.edu/faculty_sites/cbb2/Papers/BM_policybrief.pdf)
- **C. Barrett et D. Maxwell**, *Food Aid After Fifty Years: Recasting Its Role*, London, Routledge, 2005

The result of these policies has been low world agricultural prices, relatively high domestic prices in the US and even higher prices in the EU, and a very high budget cost for their agricultural policy, with fiscal implications for the US and European tax payers. Meanwhile, prices in non-industrialised countries have been depressed by the joint effect of low world prices and the influx of food aid (see diagram).

The off-loading of US and European agricultural surpluses on the world market and on domestic markets of countries benefiting from food aid which brought down prices has created disincentives for local producers in many countries where agriculture is the main source of livelihood for a major part of the population, often the poorest and more prone to be undernourished. Evidently, these policies have eased access to cheap food particularly for the more vulnerable urban dwellers, but they have also contributed to reducing the profitability of agriculture. This has made the agriculture sector less attractive and, ultimately, discouraged investments that could have developed agricultural production, improved its stability and competitiveness. Low prices that do not reflect the real costs of

production of food, particularly its environmental and health costs, also encouraged wastage which now affects one third of the world production.

The world agricultural system and prices



As agricultural exports from countries like Australia, Canada and New Zealand but also from non-industrialised countries that had become large exporters of basic food commodities (wheat, rice, maize, sugar, etc.) increased, competition among all these countries became even fiercer on the world market. In 1991, discussions about US wheat subsidies were on top of the agenda when President Bush visited Australia. The glut created on world markets, the decreasing trend in food and agricultural prices, the increasing weight of agricultural subsidies in the US and EU budgets and the triumph of the liberal doctrine meant that support to agriculture and protectionism became more important in the agenda of trade negotiations conducted at the time of the creation of WTO. It was rather easy to demonstrate the absurdity of a system that required daily USD 1 billion of agricultural subsidies in OECD countries and created a market glut in which producers from non-industrialised countries were obviously in a very weak position. The changes brought to international rules at the time of the creation of WTO in 1995 were presented by some as creating for all producers a level playing field from the market and government subsidy point of view. But this was just an illusion.

The creation of WTO and the implementation of the rules set in the Agreement on Agriculture were supposed to lead to a progressive reduction of agricultural subsidies. In fact, what it changed was that subsidies were reallocated to new modalities of support to agriculture that were supposed to be less distortive for prices and markets: but the total amount of subsidies paid to agriculture in OECD countries was not really reduced, if one trusts the figures published by the OECD Secretariat. Indeed, what happened is that a great part of the subsidies were moved to the so-called "green box" of WTO that accepted modalities of support to agriculture that, allegedly, do not directly affect prices and markets. This box is called "green" because it mainly contained initially measures that

were linked to the protection of the environment and of landscapes. But it also contains many other subsidies, such as subsidies on agricultural insurance, which are not so "green" but that have been gaining importance, especially in the US. [read]

The creation of WTO impacted on poor countries considerably. It froze the support and trade policies in place that resulted from the liberalisation and government withdrawal that had occurred during the period of structural adjustment, and left countries with very few policy instruments to protect themselves from food imports and to subsidise their agriculture. It therefore put in competition poor, low productivity producers who had very little support with highly productive and supported producers in the North. A quite unfair competition as is well illustrated by the following table.

Agricultural productivity and support in the US, Mexico and Mali

	US	Mexico	Mali
Average cereal productivity (ton/ha 2010-2012)	6.6	3.4	1.4
Average support provided to individual farms (in USD for 2012)	38,000	1,300	300*

* estimated for 2010
Sources: FAO and OECD

This had put these producers in a weak position compared to foreign competitors at a moment when domestic markets offer the best opportunities for developing agriculture and have become the principal stake in international agricultural trade.

Materne Maetz
(June 2011
Updated in March 2014)