

A Year of Turbulence on Food and Fertilizers Markets

The Trade Monitoring Update series is a WTO Secretariat initiative to provide regular and concise insights into issues of interest in the context of the WTO Trade Monitoring Exercise. The Updates are produced under the WTO Secretariat's own responsibility and do not reflect the views or positions of any WTO Member.

The WTO Trade Monitoring Exercise is a factual, non-legal exercise that provides transparency regarding new trade and trade policy related measures. Two Trade Monitoring Reports are circulated every year, in July and December, allowing WTO Members to undertake an interactive peer review at the WTO Headquarters in Geneva. The Reports are developed in close cooperation with WTO Members and cover trade measures implemented in the areas of goods, services and intellectual property. They also provide up-to date accounts on other issues, including trade remedies, SPS, TBT and agriculture.

The Russian war in Ukraine has had severe repercussions on a global economy already severely strained by the impact of the COVID-19 pandemic. Trade measures introduced in the context of the war disrupted supplies of food, fertilizers and energy causing further economic uncertainty within the international trading system and exacerbating food insecurity, especially for many developing and least developed countries.

This Trade Monitoring Update seeks to provide a brief factual overview of trade policy developments following the outbreak of the war in Ukraine on 24 February 2022. The information is based on research undertaken by the WTO Secretariat in the context of the WTO Trade Monitoring Reports circulated on 13 July and 22 November 2022, including trade measures submitted or verified by WTO members and observers, and continuous monitoring of trade policy trends.

Immediately following the outbreak of the war, several export restrictions¹ on wheat, barley, sugar and seeds from Ukraine and the Russian Federation were implemented. Together, Ukraine and the Russian Federation are major food and agricultural exporters and ranked in 2021 amongst the top exporters of wheat, maize, rapeseed, sunflower seed and sunflower oil. Additionally, the Russian Federation alone is a top supplier of fertilizers. The fear of severe domestic shortages of basic foodstuffs appears to have pushed other countries to also introduce export restrictions on these products or their close substitutes. The effect of these restrictions on food markets and consumers globally was almost immediate. This hit consumers globally, but especially those in developing and least developed countries in Africa, the Middle East, and parts of Asia.

WTO Trade Monitoring data suggest that irrespective of existing export restrictions on food, feed and fertilizers prior to the outbreak of the war in Ukraine, a noticeable spike took place after 24 February 2022. Since the beginning of the war and up to 28 February 2023, 96 export restrictions on essential agricultural commodities were identified to have been applied by 29 WTO members and 6 observers². Of these, 88 applied to food and feed and 8 specifically targeted fertilizer exports. Over the past 12 months, some 28 measures were phased out, thus bringing to 68 the total number of measures currently applied (63 on food and 5 on fertilizers) by 27 WTO members and 5 observers.³ The export restrictions currently in force cover approximately USD 85 billion of total world exports.

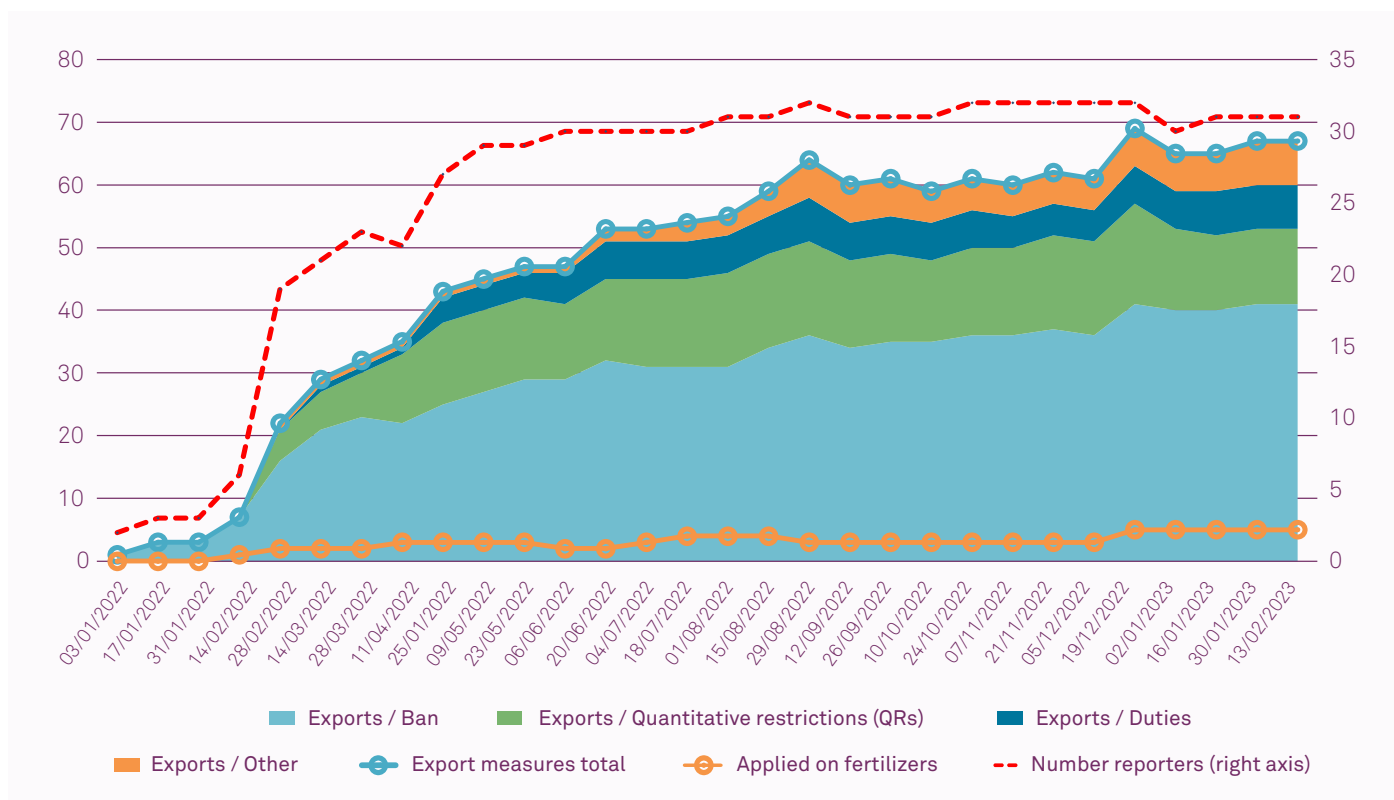
WTO Trade Monitoring research as well as communications of trade measures by WTO members and observers in the context of the Trade Monitoring Reports show that the nature of export restrictions became more diversified over time. Initially, it appears that the fear of domestic shortfalls of food, feed and fertilizers saw authorities resorting to export bans and export quotas. These types of quantitative measures are very restrictive and have immediate effect on trade flows.

Figure 1 shows the large number of measures introduced immediately following the outbreak of the war.

However, as from May 2022 when global food and fertilizer markets began to stabilize, the recourse to less restrictive measures increased. For example, export restrictions started to include licensing requirements, and duties. Additionally, some of the bans imposed earlier were removed or replaced by less restrictive measures. Nevertheless, export bans remained the most utilized form of export restrictions throughout the whole period.

The Figure 1 also shows that while the initial period following the outbreak of the war saw a relatively large number of WTO members implementing export restrictions, this number has stabilized since early summer 2022.

Figure 1. Export restrictions on food, feed and fertilizers in place by type of restrictions



Source: WTO Secretariat.

While the initial implementation of export restrictions was often directly attributed to the war, subsequent measures were introduced with a reference to the need to ensure domestic supply and to contain inflationary pressures. In a sense, it would appear that the initial direct linkage between the war and the implementation of export restrictions is now less obvious. Trade restrictive measures have been introduced to protect domestic markets in the context of the multiple interconnected crises derived from decreasing agricultural yields due to the adverse effects of climate change, the COVID-19 pandemic, rising energy costs and inflation, as well as a persistent and growing food crisis.

During the first three months following the outbreak of the war, export restrictions mainly targeted a relatively limited range of agricultural products, including various grains (both for human consumption and animal feed), sugar, vegetable oils and fertilizers. Initially, this was seen through export bans on these products by the Russian Federation and Ukraine. Later, in the summer of 2022, when the food crisis accelerated, the scope of export restrictions expanded to a much wider range of agricultural products, including rice, poultry, and poultry products (eggs), meat, dairy products, fruits, and vegetables.

Although the rise in export restrictions on food and fertilizers since the outbreak of the war in Ukraine has been linked to turbulence on the international markets, in particular with respect to growing food insecurity, WTO members and observers have also introduced several import-facilitating measures for these products.

As of 28 February 2023, WTO Trade Monitoring has identified 71 measures facilitating imports of food, feed, and fertilizers, including 63 specifically on food/feed, 7 combined on food/feed and fertilizers, and 1 purely on fertilizers. These measures were introduced by 62 WTO members and 2 observers (including as members of economic/customs unions)⁴. Twenty-five of these measures were phased out bringing the total number of currently applied measures to 46 (39 on food/ feed, 6 on food/feed and fertilizers, 1 purely on fertilizers), imposed by 59 WTO members and 2 observers.⁵ Import measures included the reduction and/or elimination of import tariffs and other duties, as well as removal of import quotas. Like the scope of export restrictions, import facilitating measures focused on various agricultural commodities, including wheat, rice, flour, edible oils, cereals, and meats.

World food prices reached a peak in the spring of 2022 and have subsequently fallen for 10 consecutive months. This would suggest that food markets are stabilizing after the initial shock associated with the start of the war in Ukraine. At the same time, the food insecurity outlook remains serious and will require continued vigilance.

Transparency in the implementation of trade measures is essential. In this regard, the WTO Trade Monitoring Exercise, the various relevant WTO notification requirements, and the peer review by WTO Members will continue to play central roles. Notably, only 13 export restrictions initiated following the beginning of the war were notified to the WTO i.e., around 14% of the total number of measures identified during this period. This suggests that further progress can be achieved to enhance compliance with WTO notification requirements. Ensuring transparency and proportionality in the context of the implementation of export restrictions remains imperative as they provide predictability and reduce uncertainty in international markets, especially during the current polycrisis.

1 Definition of export restrictions in the context of this note goes beyond quantitative restrictions to include duties, licensing requirements, fees and charges and other measures.

2 Afghanistan, Algeria, Argentina, Armenia, Azerbaijan, Bangladesh, Belarus, Plurinational State of Bolivia, Burkina Faso, China, Egypt, Georgia, Ghana, Hungary, India, Indonesia, Kazakhstan, State of Kuwait, Kyrgyz Republic, Lebanon, Malaysia, Republic of Moldova, Mexico, Morocco, North Macedonia, Pakistan, Russian Federation, Serbia, Tajikistan, Tanzania, Tunisia, Türkiye, Uganda, Ukraine, and Uzbekistan.

3 Extensions and minor modifications (for example, changes in export duty) of existing measures are not counted separately. All measures have been or are in the process of being verified with the WTO members and observers.

4 Argentina, Azerbaijan, Bangladesh, Belarus, Botswana, Brazil, Colombia, Costa Rica, Dominican Republic, Egypt, El Salvador, Eswatini, European Union (EU (27) and its member States are counted Separately), Guatemala, India, Iraq, Kazakhstan, Republic of Korea, Kyrgyz Republic, Kenya, Lesotho, Liberia, Malaysia, Mexico, Morocco, Namibia, New Zealand, Pakistan, Peru, Philippines, Russian Federation, South Africa, Switzerland, Chinese Taipei, Türkiye, Ukraine and Viet Nam.

5 These measures have been or are in the process of being verified with the WTO members and observers.