

Food trade disruption

Shortages or surpluses?

Economics
Global

- ◆ Export bans, logistics disruptions and labour shortages are affecting the supply of certain agricultural goods...
- ◆ ...while lower global demand and reduced restaurant activity has led to surpluses of some perishable foods and falling prices
- ◆ Some economies have temporarily reduced tariffs and relaxed import documentation requirements to facilitate food trade

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New agricultural trade restrictions

As we've witnessed first-hand, uncertainty around food availability can lead to hoarding. Many supermarket shelves stood empty of staples such as flour and eggs earlier this year as panic buying set in due to the COVID-19 outbreak. But countries are also hoarding. For example, India, Vietnam, Malaysia and Russia temporarily banned exports of rice and wheat in order to secure supply for the domestic market. Although some of these measures have since been lifted and there is enough food globally, prevailing export restrictions could exacerbate food insecurity in some emerging markets. International rice prices are already on the rise.

Logistics disruptions, labour shortages

Trade restrictions may also compound the impact of logistics disruptions and labour shortages on global agricultural trade (see *Keeping trade moving*, 29 April 2020). For example, there have been delays in clearing perishable goods at Bangladeshi ports. And movement restrictions are affecting the availability of seasonal migrant workers to pick and plant crops in Europe. In response, some economies have temporarily liberalised certain agriculture tariffs and loosened customs documentation requirements to facilitate global food flows.

Downturn in demand

On the other hand, the downturn in global demand and mass closures of restaurants and other foodservice businesses have led to a supply glut of some perishable foods. There are tales of excess milk being destroyed in the US, Indian farmers feeding surplus strawberries to cows, and US asparagus prices falling due to greater Mexican supply. Agri commodity prices fell by 3.4% m-o-m in April 2020, the third consecutive monthly decline of the FAO Food Price Index, largely due to lower global demand.

Commercial implications

Food trade disruption affects businesses throughout the supply chain, from growers to manufacturers to distributors. Ongoing efforts to diversify products and markets may help agri-food businesses mitigate trade disruption, to a certain extent. Food producers with surplus stock might benefit from repackaging goods and selling produce directly to consumers, while exporters could look for opportunities to plug gaps left by other suppliers. Maintaining flexibility, for instance in terms of looking for alternative modes of transport or sources of seasonal labour, may also help build resilience during these uncertain trade times.

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Export bans, excess supply

- ◆ Trade protectionism risks exacerbating the impact of logistics disruptions and labour shortages on global food flows
- ◆ Reduced restaurant activity is expected to weigh more heavily on agricultural businesses compared to supply-side disruptions
- ◆ Agri-food businesses could benefit from diversifying product lines and looking for alternative export markets and import sources

Food trade trends

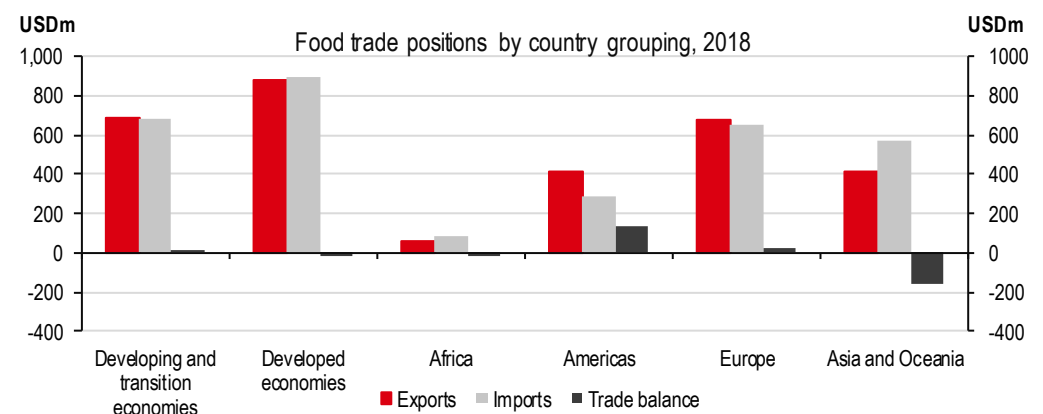
Evolution of food trade

Global trade in food is important for both exporters and importers. Food exports are a key source of income for many economies, particularly emerging markets. And food imports are critical to meeting food security needs and providing consumers with access to a greater variety of products.

Total global food trade has more than tripled in value terms to USD3.1trn in 2018 from USD880bn in 2000, driven largely by strong economic and population growth in emerging markets. EMs (defined as developing and transition economies) collectively accounted for 44% of global food exports in 2018, up from 34% in 2000 (Chart 1).

Emerging markets accounted for 44% of global food exports in 2018

Chart 1. Food trade is dominated by advanced economies but EMs comprise a growing share



Source: HSBC and UNCTAD

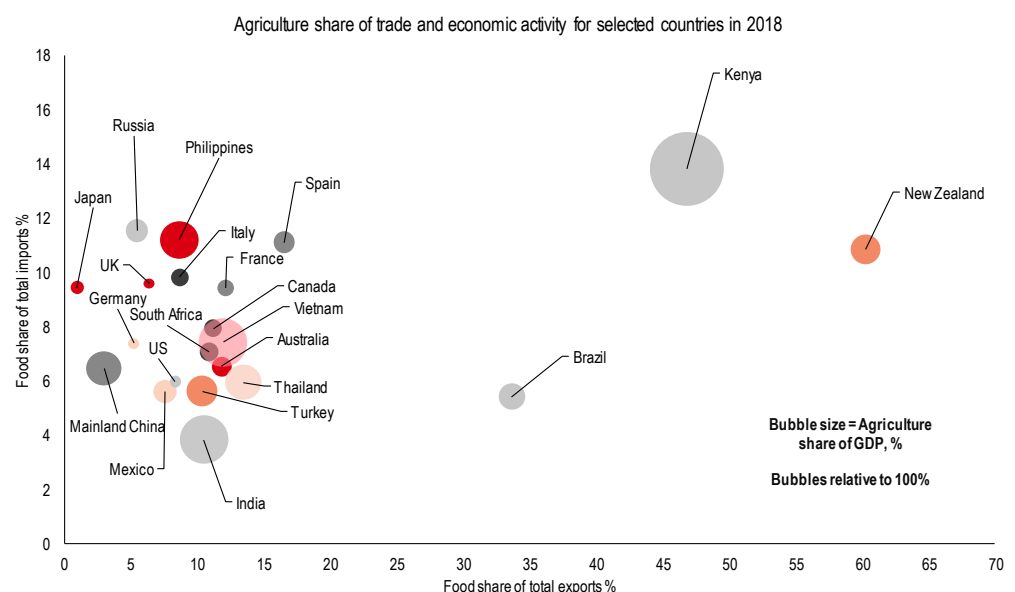
Global players

As we set out in *Future of food trade* (18 January 2019), Latin America, Canada, Oceania and South Asia tend to be net food exporters, but agriculture is also an important source of export revenue for the US, Europe and other parts of Asia (Chart 2). For example, Brazil accounted for an estimated

48% of world soybean export volumes in 2019. And India supplied nearly one quarter of global rice export volumes in 2019/20.

On the other hand, food import dependence is high in the MENA region, with agricultural imports representing nearly 57% of consumption in the region by some measures.¹ The US and mainland China are also large agricultural importers. China was a net exporter of food until 2008 when it switched to a net importing position. Rapid growth in per capita income and the associated increase in demand for meat and dairy products contributed in part to the economy becoming the largest net importer of food products in 2018.

Chart 2. Agriculture is an important source of export revenue and economic activity for some economies



Source: GDP data are in current prices for the Agriculture, Forestry and Fishing sector. Food data refers to All Food Items under the SITC classification.
 Source: HSBC and UNCTAD

Food trade restrictions

Export bans and import requirements

A number of countries have implemented trade restrictive policies to contain flows of key agricultural products in response to the COVID-19 outbreak. Under World Trade Organization (WTO) rules, members are permitted to implement trade restrictions for legitimate reasons (e.g. for food safety purposes), provided these are proportionate and non-discriminatory.

According to data from Global Trade Alert, 27 jurisdictions have implemented temporary export curbs on food trade since the beginning of this year. Most economies that implemented food trade restrictions have sought to limit exports of key products such as rice and wheat in order to secure supply for the domestic market. However, some of these measures have since been withdrawn. See Table 1 for a selection of temporary food export restrictions still in place.

27 jurisdictions have temporarily curbed food exports since the beginning of this year...

¹ Refers to major food commodities. See [OECD-FAO Agricultural Outlook 2018-2027](#).

Table 1. Existing temporary export restrictions on food by economy

Country	Type of measure	Key affected products	Start date	End date
Algeria	Export ban	Semolina, legumes, rice, pasta, sugar, coffee, milk, fresh vegetables and fruits, meat	19-Mar-20	Not specified
Belarus	Export ban	Buckwheat, groats, set onion, garden onion, garlic	01-Apr-20	01-Jul-20
Cambodia	Export ban	Rice, fish	05-Apr-20	Not specified
Egypt	Export ban	Legumes except green beans, peas and peanuts	28-Mar-20	28-Jun-20
El Salvador	Export ban	Red beans	26-Mar-20	31-Dec-20
Eurasian Economic Union	Export ban	Onions, garlic, turnips, rye, rice, buckwheat	14-Apr-20	01-Jul-20
Honduras	Export ban	Red beans	31-Mar-20	Not specified
Jordan	Export ban	All food items	08-Apr-20	Not specified
Kazakhstan	Export ban	Buckwheat, sugar, potatoes, onions, sunflower seeds,	22-Mar-20	01-Sep-20
Myanmar	Export ban	Rice	02-Apr-20	Not specified
North Macedonia	Export ban	Wheat, meslin, wheat flour	20-Mar-20	30-Apr-20
Sudan	Export ban	Maize, sorghum	15-Apr-20	Not specified
Tajikistan	Export ban	Grains, beans, wheat, flour, rice, eggs, potatoes, meat	25-Apr-20	Not specified
Ukraine	Export ban	Buckwheat	02-Apr-20	01-Jul-20
Vietnam	Export ban	Rice	25-Mar-20	30-May-20
Kazakhstan	Export quota	Wheat, meslin	02-Apr-20	01-Sep-20
Russia	Export quota	Wheat, meslin, rye, barley, maize	01-Apr-20	01-Jul-20
Ukraine	Export quota	Wheat	31-Mar-20	01-Jul-20
Turkey	Export licensing requirement	Lemons	07-Apr-20	31-Aug-20

Source: Global Trade Alert as at 8 May 2020, International Trade Centre and HSBC

...while some economies have imposed restrictions on food imports

Some economies have also imposed restrictions on imports. For example, Iraq increased tariffs on imports of agricultural products to safeguard domestic farmers from facing international competition domestically. Egypt and Georgia also imposed import restrictions of certain food items from China due to food safety concerns.

Although disruptions to agricultural trade have been relatively minimal to-date, there is a risk that the temporary trade restrictive measures may become permanent or remain in place for longer than initially intended. This could affect food availability and affordability in developing countries as we discuss below.

There is also a risk that economies may look to shorten or localise certain food supply chains in order to reduce import dependencies in the longer-term. But supply chain migration in the food and agricultural sector is unlikely to happen quickly and will depend on many factors such as an economy's natural resource endowments, climate change, access to appropriately skilled labour, consumer preferences, technology advances and more. Plus it is too early to tell how persistent disruptions to trade might be in the wake of the COVID-19 outbreak.

Risk of food shortages

According to the FAO, there is currently no global shortage of food at the aggregate level.² But persistent trade restrictions could lead to shortages in certain food products, exacerbating existing food security challenges in vulnerable developing countries. According to the World Bank, food accounts for up to 60% of household expenditure in low income countries, and around 40% in emerging and developing economies.³ Moreover, 135m people around the world experienced acute food insecurity in 2019 according to the latest [Global Report on Food Crises](#), with more than half (73m) located in Africa.

Persistent trade restrictions risk leading to shortages in certain food products

² See UN FAO [Q&A on COVID-19 pandemic – impact on food and agriculture](#).

³ Mari Pangestu, World Bank blog on [Hunger amid plenty: How to reduce the impact of COVID-19 on the world's most vulnerable people](#), 1 May 2020.

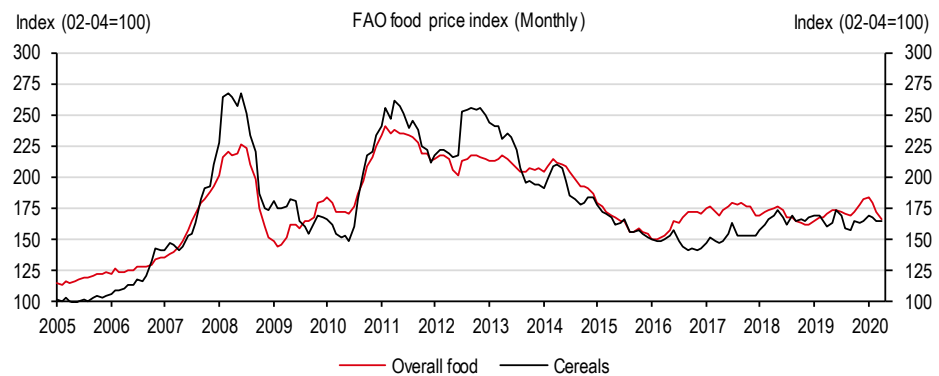
135m

Number of people globally that experienced acute food insecurity in 2019

Food price impact

Moreover, previous experience shows that export restrictions can lead to surging food prices for the affected products in external markets, as food demand tends to be relatively inelastic. Higher food prices can negatively impact poorer countries that rely on imports of these foods. For instance during the 2007-08 food price crisis, around one-third of all economies adopted trade restrictions and prices surged as a result (Chart 3).⁴ And, in principle, such measures could depress domestic prices in markets that impose them and discourage farmers from producing the targeted food in the coming season.

Chart 3. Global food commodity prices are falling due to the downturn in demand



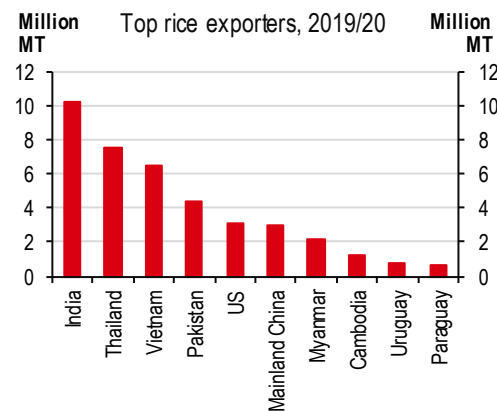
Source: FAO, HSBC

Exports restrictions are contributing in part to higher international rice prices

Export restrictions imposed due to the COVID-19 outbreak are already impacting certain commodity prices. For example, Cambodia, Myanmar, Thailand, Vietnam and Pakistan are large exporters of rice (Chart 4). But all these economies temporarily prohibited rice exports, although Vietnam and Myanmar have lifted their restrictions from the beginning of May. India, which accounts for nearly a quarter of global rice export volumes, also suspended new rice export contracts earlier this year, but has since lifted the suspension. As a result of export restrictions and logistics disruptions, average international rice prices increased by 7.2% m-o-m in April 2020 (Chart 5).

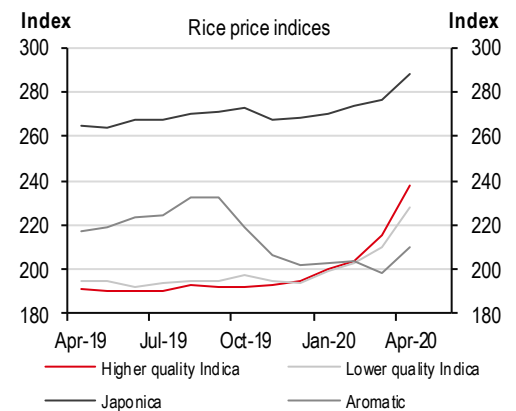
⁴ Mari Pangestu, World Bank blog on [Hunger amid plenty: How to reduce the impact of COVID-19 on the world's most vulnerable people](#), 1 May 2020; and FAO [2009 State of Agricultural Commodity Markets](#).

Chart 4. Asian countries dominate rice exports



Source: USDA

Chart 5. Rice prices increased in April 2020

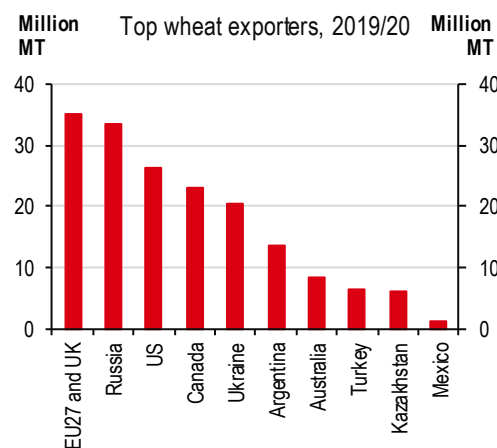


Note: 2002-04 = 100
Source: FAO Rice Price Update, May 2020

Russia is a leading exporter of wheat but has restricted exports

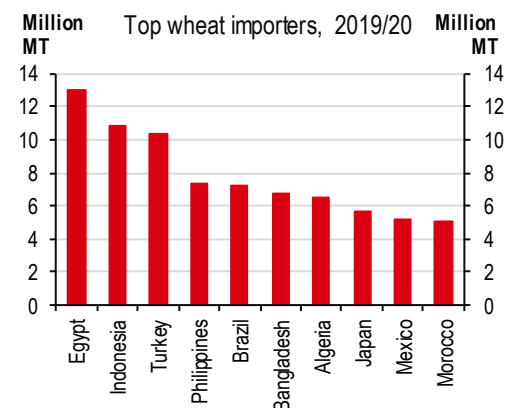
Similarly, export restrictions on wheat from Russia and Ukraine (and initially Romania) have implications for Egyptian imports. Egypt sources most of its wheat from these nations and is the world's largest importer of the grain (Charts 6 and 7). In order to mitigate such trade disruption, Egypt recently increased purchases of local wheat to stockpile.⁵ As a result of supply constraints due to the Russian wheat export quota filling up quickly and strong international demand, average international wheat prices rose by 2.5% m-o-m in April 2020.

Chart 6. Russia is a large exporter of wheat...



Source: USDA

Chart 7. ...while Egypt is the world's leading importer



Source: USDA

Average international food prices remain weak in the wake of COVID-19

Overall, however, international food prices remain weak in the wake of the COVID-19 outbreak. The FAO Food Price index declined by 3.4% m-o-m in April 2020, the third consecutive monthly decline. Price falls were broad-based on a m-o-m basis, affecting all sub-indices including dairy prices (down 3.6%) and meat prices (down 2.7%). However, cereal prices were up 2.4% in April 2020 compared to the same month a year prior.

⁵ Bloomberg, "Wheat's Biggest Buyer Builds Stockpile to Battle Virus", 12 May 2020.

-3.4%

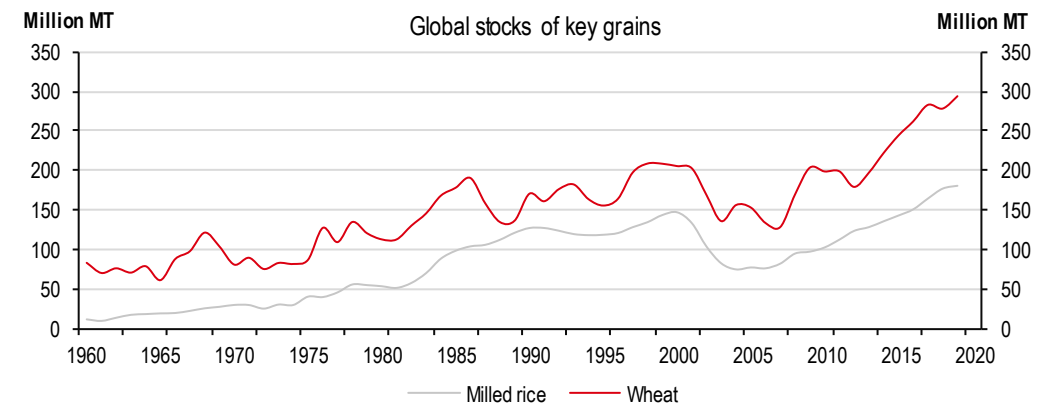
Decline in global agriculture commodity prices in April 2020 (m-o-m)

This suggests that the downturn in global food demand, particularly from the foodservice sector as we explain in the next sub-section, is having a more prominent impact on international agriculture prices than export restrictions and other supply-side disruptions. However, as HSBC's Global Chief Economist Janet Henry notes in *Global inflation* (4 May 2020), production disruptions and consumer hoarding could result in some consumer food price inflation. Indeed, our US Economist Ryan Wang recently noted that US prices for food consumed at home increased 2.6% m-o-m in April 2020, the largest monthly rise since 1974 (see *US inflation*, 13 May 2020).

Global stocks of rice and wheat are currently at record levels

Commentators also do not expect a re-run of the 2007-08 global food crisis as most economies have ample stocks of staple agricultural products.⁶ According to data from the USDA, global stocks of rice and wheat are currently at record levels (Chart 8). However, stocks are not evenly distributed and large importers remain vulnerable to any potential shortages. For instance, China and India account for around 64% and 19% of global rice stocks, respectively. Moreover, limiting exports may not be a viable long-term strategy for exporters of highly perishable items, that cannot be stored for a prolonged period.

Chart 8. Global stocks of wheat and rice are at record highs



Notes: Data are for ending stocks.
Source: USDA

Logistics disruptions

Port delays, reduced cargo capacity

As we described in *Keeping trade moving* (29 April 2020), global transport networks have been disrupted by the COVID-19 outbreak. Over 130 container sailings are being cancelled each week on average, while the grounding of passenger flights due to movement restrictions has wiped out a large portion of global air cargo capacity.

Agricultural trade is being affected by port delays and the reduction in air cargo capacity

⁶ See FAO report on [COVID-19 and the risk to food supply chains: How to respond?](#), 29 March 2020.

Although most goods are traded by sea, some agriculture products such as seafood and fresh fruit and vegetables are transported via airfreight. Some agricultural exporters are facing challenges in trading food across borders due to logistics disruptions stemming from the virus outbreak. Port delays and reduced transport capacity have affected trade in certain food products. For example:⁷

- ◆ Office closures delayed the clearance of wheat imports in Egypt
- ◆ More than 8,000 containers that had cleared customs were awaiting pick-up in Philippines ports in April 2020 due to transport restrictions
- ◆ Customs clearance delays in Vietnam due to the COVID-19 outbreak resulted in oranges, destined for export to Vietnam, piling up and rotting in Yunnan in mainland China
- ◆ Movement restrictions in Bangladesh led to delays in clearing perishable imports at ports, creating a backlog of containers and potentially leading to a shortage of fresh fruits during Ramadan
- ◆ In 2019, around 95% of Australian lobster exports to China were transported in the bellies of passenger aircraft.⁸ But Australian lobster exporters are facing higher airfreight prices due to the reduction in air cargo capacity. In response, the Australian Government launched the [International Freight Assistance Mechanism](#) to help Australian seafood, meat, dairy and horticulture exporters keep supplying key overseas markets. The Government will partially offset the cost of airfreight and establish network of airfreight service providers.

Labour shortages

Movement restrictions and seasonal labour

Agriculture production is relatively labour-intensive, making the sector more vulnerable to disruption in the supply of workers. The horticulture sector in developed economies is particularly reliant on seasonal migrant labour to pick and plant crops (Chart 9). But border closures and other travel restrictions risk leading to worker shortages in many European countries. For instance, France typically relies on 200,000 seasonal workers while the UK generally receives around 70,000.⁹ Labour shortages may also affect the planting process and future agriculture production.

Several European economies have relaxed travel restrictions to facilitate the movement of seasonal foreign workers

In order to help alleviate the impact of labour shortages on the agriculture sector, Germany announced that it would relax travel restrictions to permit around 80,000 seasonal workers in April and May 2020. Similarly, Romanian workers were flown to the UK via charter flights in April 2020 to pick fruit and vegetable crops.¹⁰ And Spain announced that locals may continue to collect unemployment benefits while working on farms in order to make up the shortfall of overseas labour.¹¹

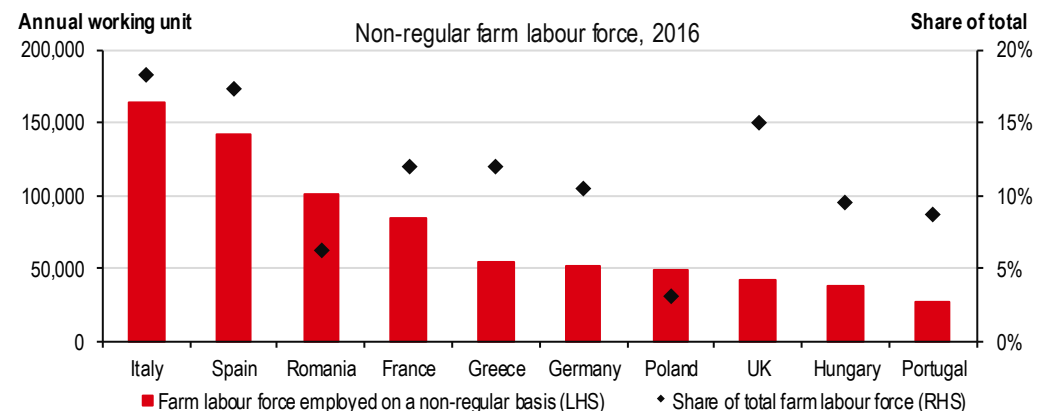
⁷ Thomson Reuters, "Food security concerns stoked as exporters curb sales, importers buy more", 26 March 2020; SCMP, "Coronavirus: in the Philippines, cargo containers packed with food pile up in ports amid lockdown", 2 April 2020; Global Times, "Yunnan's agricultural products risk rotting in the fields amid virus", 17 February 2020; and The Daily Star, "A glut of fresh fruits held up at the port", 28 April 2020.

⁸ Undercurrent News, "Global airline slump has seafood firms opting for expensive air cargo", 30 March 2020

⁹ Thomson Reuters, "Europe's new jobless urged to pick fruit amid huge farm labour shortage", 15 April 2020.

¹⁰ See BBC, "Eastern Europeans to be flown in to pick fruit and veg", 16 April 2020.

¹¹ Thomson Reuters, "Europe's new jobless urged to pick fruit amid huge farm labour shortage", 15 April 2020.

Chart 9. European economies rely on seasonal agriculture labour, typically from abroad


Notes: One annual work unit corresponds to the work performed by one person who is occupied on an agricultural holding on a full-time basis. Data includes local and foreign non-regular labour.
 Source: HSBC and Eurostat

Meat processing plants in Ireland and the US have been affected by worker sickness

Temporary plant closures

Meat processing plants have also been affected by worker sickness due to COVID-19, which is disrupting supply. For instance, 566 cases of COVID-19 have been recorded at Irish meat processing plants as at 8 May 2020, leading some plants to close temporarily.¹²

In the US, President Trump recently issued an executive order to keep meat processing plants open amid concerns over constrained domestic meat supply. Several big plants closed temporarily in the US after workers contracted the COVID-19 virus.¹³ Two Brazilian chicken plants also had to close temporarily in May 2020 due to confirmed cases of COVID-19 among workers.¹⁴

Disrupted demand

Temporary closures of restaurants have led to excess stocks of some foods...

Restaurant closures lead to excess supply

At the same time, temporary closures of restaurants, cafeterias and other food service businesses has led to excess availability of some perishable foods (Chart 10). And in most cases, the increase in food retail sales and takeaways during the lockdown period has not been enough to offset the drastic reduction in foodservice sector activity.

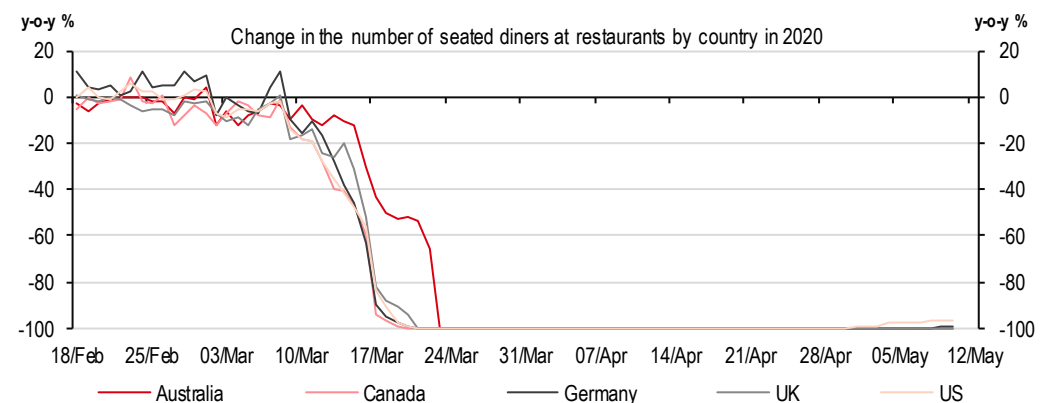
For example, the International Dairy Food Association estimates that milk supply currently exceeds demand in the US by at least 10%. Potatoes are piling up in Belgium, one of the world's largest exporters of potatoes, while the Isle of Man Creamery has seen its cheese export business fall significantly amid lockdown restrictions.¹⁵

¹² The Irish Times, "Covid-19: Over 560 staff at meat-processing plants infected, says NPHET", 8 May 2020.

¹³ See [Executive Order on Delegating Authority Under the DPA with Respect to Food Supply Chain Resources During the National Emergency Caused by the Outbreak of COVID-19](#), 28 April 2020.

¹⁴ Bloomberg, "A Meat Giant Is Anxious as Virus Shuts Two Brazil Chicken Plants", 8 May 2020.

¹⁵ IOM Today, "Covid: Thousands more doorstep deliveries for Isle of Man Creamery", 26 April 2020.

Chart 10. Movement restrictions have seen restaurant activity come to a halt


Source: OpenTable

The supply glut in perishable foods affects businesses throughout the food supply chain, from growers to food manufacturers to distributors and wholesalers. As a result, there are reports of US dairy producers dumping litres of milk each day amid low domestic and export demand.¹⁶ And Indian farmers are reportedly feeding strawberries typically meant for tourists and ice cream producers to cows.¹⁷

...but food demand is generally income inelastic, although this varies across economies and food products

However, it is important to note that food demand is generally income inelastic, particularly compared to other consumer goods. But income responsiveness does vary between low-income and high-income economies, as well as between food products. For example, demand for food staples such as grains tends to be less elastic than demand for meats and dairy. Therefore, the virus outbreak could lead to shifting dietary patterns or even a reduction in food consumption in low-income economies, where income responsiveness tends to be higher.¹⁸

Redirecting trade

An alternative strategy to destroying surplus produce is for food manufacturers to divert the goods to alternative export markets. Although this seems sensible in theory, it is not quite that straightforward in practice. The key issue is that nearly all countries are in the same boat. Partial or full lockdown restrictions due to the COVID-19 outbreak are affecting demand in the foodservice sector globally. Plus, logistics disruptions mentioned above pose another challenge for exporters wanting to swiftly redirect their product.

Diverting exports to other markets may also affect existing suppliers. For example, the South African horticulture export association (Hortgro) is concerned that countries such as Chile and New Zealand, which typically supply fruit to East Asian economies, may redirect some supply to South Africa's traditional markets in Europe amid lower demand in Asia.¹⁹

Food exporters could divert excess product to alternative markets, although prices may be lower

Such trade shifts could see less competitive exporters lose market share in certain destinations, and result in lower export prices. For instance, reduced economic activity in Asia has led Mexican asparagus exporters to redirect some excess trade to the US, causing average US asparagus prices to fall by around 30% between January and April 2020.²⁰

¹⁶ Thomson Reuters, "U.S. dairy farmers dump milk as pandemic upends food markets", 3 April 2020.

¹⁷ Thomson Reuters, "Indian farmers feed strawberries to cattle as lockdown hits transport", 2 April 2020.

¹⁸ FAO report on [COVID-19: Channels of transmission to food and agriculture](#), 2020.

¹⁹ Fruitnet, "European fruit and veg trade contends with coronavirus", 2 March 2020.

²⁰ Quartz, "Asparagus prices show how the coronavirus is nipping at the global food system", 11 April 2020.

Food producers may need to accept lower prices when selling domestically or meeting retail needs

Supplying the domestic market

What about selling the excess supply directly to domestic retailers? The issue here is that food manufacturers tend to specialise in either supplying supermarkets or the foodservice sector. Food packaging and even the actual products may differ considerably between the two sectors, making it challenging for growers and manufacturers to recalibrate production lines quickly.

For example, products destined for retail need to have certain consumer labels that bulk goods do not necessarily require. More expensive meat cuts such as steaks and roasting joints also tend to go to the foodservice sector, rather than to supermarkets. Therefore, food producers may need to accept lower prices when selling domestically or meeting retail needs (e.g. more mince instead of top cuts).

For instance, a grape producer in India had to take a significant price cut when selling black grapes, typically destined to Europe, domestically, due to trade route disruptions. The farmer typically earns between INR110 to INR115/kg from exports, but was offered just INR20/kg on the domestic market. (However, ingenuity prevailed in this instance and the farmer turned his grapes into raisins, fetching INR250/kg).²¹

Domestic support

In order to help food producers deal with excess stock, some economies have announced state support measures.²² For example, the European Commission is providing private storage aid for dairy and meat products. Under this scheme, the EU help farmers temporarily store some of their surplus product in order to stabilise agriculture prices by covering some of these costs. Agricultural products can be stored for a minimum of 2 to 3 months and up to a maximum period of 5 to 6 months.

Similarly, the US Government will provide USD16bn in direct support to agricultural producers affected by the COVID-19 outbreak. The US Department of Agriculture (USDA) has also partnered with regional and local distributors to purchase USD3bn in surplus fresh produce, dairy and meat from US food manufacturers impacted by foodservice closures. The products will be distributed to non-profit organisations for further distribution to those in need.²³

Trade liberalisation

Facilitating food trade

Not all trade policy responses to the COVID-19 outbreak have been restrictive. According to data from Global Trade Alert, 18 jurisdictions have taken steps to liberalise trade in certain food products since the beginning of the year (Table 2). These actions range from temporarily reducing tariffs to facilitate food imports, to removing agriculture export bans.

18 jurisdictions have liberalised food trade since the beginning of this year

²¹ The Better India, "Making Raisins on Grape Vines: Pune, Nashik Farmers Innovate to Tackle Lockdown!", 7 May 2020.

²² To note, care will need to be taken to ensure that state support to agriculture during this time is not trade-distorting, particularly when combined with the export restrictions discussed above. Some WTO members have specified time limits to such support. But there is a risk that these measures may remain in place for longer than intended, making it difficult to unwind these in the future.

²³ See [USDA Coronavirus Food Assistance Program](#).

Table 2. Key food trade liberalisation measures by country

Country	Liberalisation measure	Start date	End date
Anguilla	Import duties waived on rice, sugar, flour, chicken, milk, vegetables, fruits, water	13-Apr-20	12-Jul-20
Colombia	Import duties waived on corn, sorghum, soybean	7-Apr-20	30-Jun-20
El Salvador	Import duties and VAT waived on red and black beans, white corn, rice	2-Apr-20	Not specified
Eurasian Economic Union	Import duties waived on potatoes, onions, garlic, cabbages, carrots, chili, rye, rice, buckwheat, juices, baby food	1-Apr-20	30-Jun-20
Indonesia	No import certification required on imports of onion and garlic	18-Mar-20	31-May-20
Kazakhstan	Reduced VAT on certain imported food items such as flour, bread, buckwheat, rice, potatoes, carrots, onions, cabbage, sugar, sunflower oil, beef, chicken, milk, butter, eggs, salt, cottage cheese	27-Mar-20	01-Oct-20
Mainland China	Reduced import duties on agricultural products, meat	06-Feb-20	Not specified
Mali	Reduced custom duties on milk and rice	10-Apr-20	09-Jul-20
Mauritania	Reduced custom duties on wheat, cooking oil, milk powder, fruits and vegetables	26-Mar-20	31-Dec-20
Morocco	Import duties waived on chickpeas, normal and fava beans, lentils	1-Apr-20	15-Jun-20
Pakistan	Import duties waived on pulses; No additional customs duty on soya bean oil, canola oil, palm oil, sunflower oil and the oilseeds of these oils	7-Apr-20	30-Jun-20
Panama	Increased import quota for rice	17-Mar-20	Not specified
Samoa	No custom duties on daily food products	07-Apr-20	Not specified
St. Kitts and Nevis	Import duties and VAT waived on vegetables, fruits, fruit juices, cold preparations	26-Mar-20	25-Sep-20
Switzerland	Increased import tariff quota for milk, cream, butter	02-Apr-20	01-Oct-20
Uzbekistan	Reduced import duties on flour, poultry, dairy, sugar and vegetable oils	03-Apr-20	31-Dec-20

Source: Global Trade Alert as at 8 May 2020, International Trade Centre and HSBC

In addition, airfreight and courier mail disruption has affected the ability of businesses to provide original health certificates and other customs documentation that typically accompany agricultural exports. In response, several countries including Australia, South Africa and the Philippines have temporarily loosened requirements for paper certification and are accepting electronic or scanned copies instead. Brazil is also temporarily accepting electronic signatures on plant health certificates.²⁴

Government declarations

Moreover, 49 WTO members including the EU27, UK and US (but notably not China or India) recently pledged to maintain open and predictable trade in agriculture and food products during the COVID-19 outbreak.²⁵ These economies collectively account for around 63% of global food exports and 55% of world food imports. Parties noted that imposing restrictive trade measures on agricultural goods may lead to food shortages, price volatility and food waste. Among other actions, the group specifically committed to:

- ◆ Not impose agricultural export restrictions
- ◆ Exercise restraint in establishing domestic food stocks that are typically exported
- ◆ Ensure any emergency trade measures related to agriculture are targeted, proportionate, transparent and temporary; and
- ◆ Inform the WTO as soon as practically possible about any trade measures affecting agricultural trade during this time
- ◆ Support efforts to analyse the impact of COVID-19 on global agriculture trade and production

Similar efforts are also being advanced bilaterally. For example, Singapore and New Zealand signed a [Declaration on Trade in Essential goods for Combating the COVID-19 Pandemic](#). Parties committed to facilitate trade and not impose export restrictions on medical supplies and

49 WTO members pledged to maintain open trade in agriculture and food products during this time

²⁴ See following WTO notifications: G/SPS/N/AUS/497 (Australia), G/SPS/N/ZAF/66 (South Africa), G/SPS/N/PHL/461 and G/SPS/N/PHL/458 (Philippines), and G/SPS/N/BRA/1642 (Brazil).

²⁵ See joint statement on [Responding to the COVID-19 Pandemic with Open and Predictable Trade in Agricultural and Food Products](#), 22 April 2020.

certain food products. Under this arrangement, essential food items such as meat, fish, eggs and vegetables arrived in Singapore from New Zealand at the end of April 2020.

ASEAN economies also pledged to “refrain from imposing new export control, restrictions and prohibitions, tariffs and non-tariff barriers” on agricultural trade in order to minimise disruptions to regional food supply chains and ensure food security.²⁶

Commercial implications

Demand hit is more severe

Food supply chains are complex, with many businesses involved throughout the production and distribution process. But as we described in this note, businesses involved in agri-food supply chains are being hit by supply-side disruptions, as well as by a downturn in demand.

Although logistics disruptions, worker shortages and temporary plant closures can affect supply, there is no shortage of food globally and food is still flowing across borders. Food producers have largely been able to work through lockdown restrictions, notwithstanding some movement disruptions.

The reduction in global demand is expected to pose a more serious challenge for food businesses

Therefore, the reduction in global demand is expected to pose a more serious challenge for food businesses. For example, there is risk that China may not be able to fulfil its agricultural purchase requirements under the US-China Phase One trade deal amid weaker demand (see *US-China trade*, 1 April 2020). There is also a risk that temporary export restrictions on certain agricultural products could become permanent, or last for longer than initially intended.

As countries begin to ease their lockdown restrictions and the foodservice sector slowly resumes activity, agricultural exporters may see a gradual pickup in demand. But much will depend on how quickly movement restrictions are lifted and on how cautious consumers remain once these are removed.

So what can businesses do? Ongoing efforts to diversify products and markets may help agri-food businesses weather the COVID-19 shock to a certain extent. Notwithstanding the fact that it takes time to recalibrate production lines, food producers and farmers typically supplying the foodservice sector could benefit from repackaging goods and selling produce directly to consumers. For example, the UK AHDB is offering beef and lamb box kits to farmers who want to sell their meat directly to consumers.

Efforts to diversify and maintain flexibility could help agri-food businesses weather trade disruptions

In terms of markets, exporters may benefit from opportunities to sell products to alternative destinations as lockdown restrictions start to ease, and from plugging gaps left by other suppliers. Similarly, importers could look to alternative suppliers to help mitigate potential supply-side disruption.

More generally, agri-food businesses may also benefit from maintaining flexibility during this time, for example, in terms of looking for alternative modes of transport or even for alternative sources of seasonal labour. Businesses may also need to adapt to new food safety standards or adhere to new export and import requirements in the post-COVID-19 era.

Longer term, and as we discussed in *Future of food trade* (18 January 2019), new agri-technologies will disrupt how food is produced and traded in the future. For example, blockchain technology could help improve food safety and traceability, which could help mitigate supply chain challenges during global pandemics. And disruptions to agriculture supply chains, along with shifting consumer preferences towards more plant-based diets, could provide growth opportunities for new means of food production such as alternative proteins.

²⁶ See [Statement of ASEAN Ministers on Agriculture and Forestry in Response to The Outbreak of The Coronavirus Disease \(Covid-19\) to Ensure Food Security, Food Safety and Nutrition in ASEAN](#), 16 April 2020.

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