



AGENDA ITEM "IMPLEMENTATION OF MINISTERIAL OUTCOMES"

MINISTERIAL DECLARATION ON THE WTO RESPONSE TO THE COVID-19 PANDEMIC AND PREPAREDNESS FOR FUTURE PANDEMIC

Contribution by the Food and Agriculture Organization of the United Nations (FAO)

The following submission, dated 5 September 2022, is being circulated at the request of the Food and Agriculture Organization (FAO).

1 RISING HUNGER AND FOOD INSECURITY IN THE WORLD

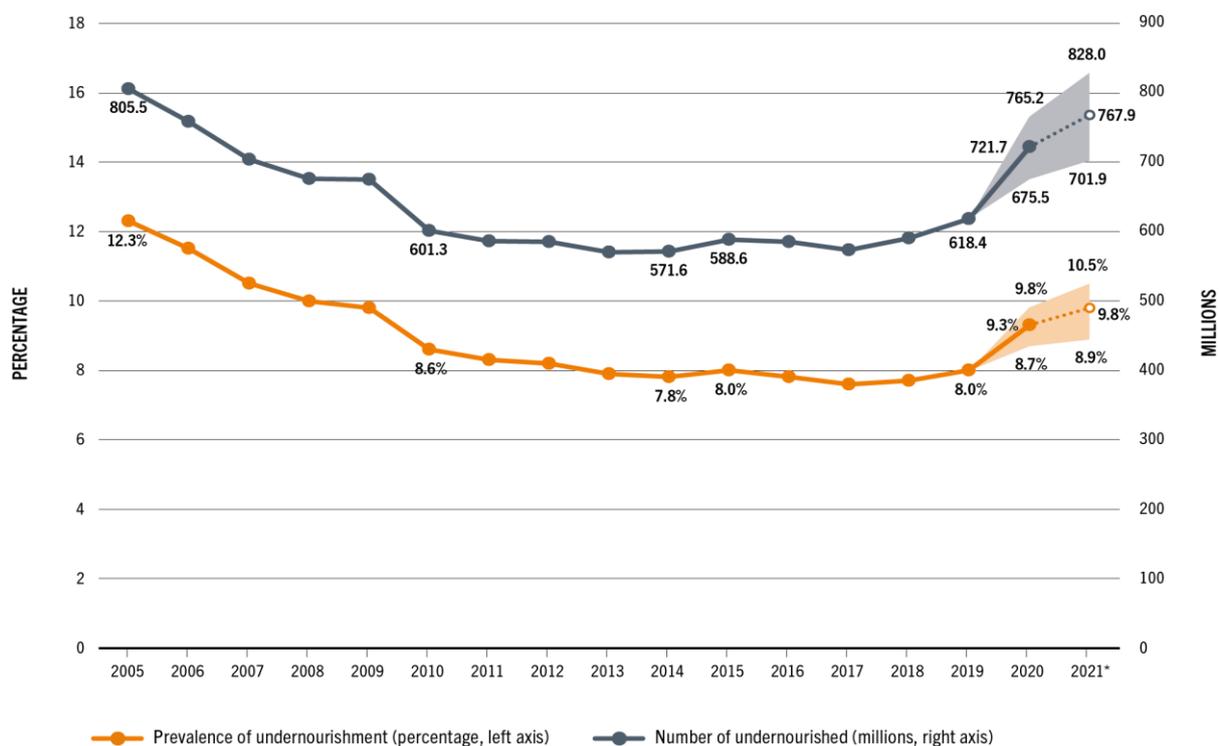
1. Recent estimates show that global hunger increased in 2021, driven by the ramifications of the COVID-19 pandemic, among other factors. The lingering effects of the pandemic continue to impede progress towards the achievement of SDG 2 (Zero Hunger) by 2030. The unequal pattern of economic recovery in 2021 among countries and the unrecovered income losses among those most affected by the pandemic have exacerbated existing inequalities and have worsened the food security situation for the populations already struggling the most to feed their families. Food prices have also increased in the past year due to bottlenecks in supply chains, soaring transport costs and other disruptions caused by the COVID-19 pandemic. The prevalence of undernourishment jumped from 8.0% to 9.3% from 2019 to 2020 and rose at a slower pace in 2021 to 9.8% (Figure 1).¹

2. Between 702 and 828 million people were affected by hunger in 2021, with the middle point of this projected range being equal to approximately 768 million. This figure has grown by about 150 million since the outbreak of the COVID-19 pandemic – 103 million more people between 2019 and 2020 and 46 million more in 2021. Nearly one in three people in the world, around 2.31 billion people, were moderately or severely food insecure in 2021. This is around 350 million more people than in 2019, the year before the COVID-19 pandemic unfolded. Severe food insecurity also rose, reflecting a deteriorating situation for people already facing serious hardships: 11.7% of the global population faced food insecurity at severe levels in 2021.² In line with these figures, the recent sixth annual *Global Report on Food Crisis 2022* found that in 2021 close to 193 million people across 53 countries/territories were in need of urgent assistance. Almost 40 million people were facing *Emergency or worse (ICP/CH Phase 4 or above)* conditions across 36 countries.³

¹ FAO, IFAD, UNICEF, WFP and WHO. 2022. *The State of Food Security and Nutrition in the World 2022. Repurposing food and agricultural policies to make healthy diets more affordable*. Rome, FAO. <https://doi.org/10.4060/cc0639en>.

² FAO, IFAD, UNICEF, WFP and WHO. 2022. *The State of Food Security and Nutrition in the World 2022. Repurposing food and agricultural policies to make healthy diets more affordable*. Rome, FAO. <https://doi.org/10.4060/cc0639en>.

³ Food Security Information Network. 2022. *Global Report on Food Crises 2022 (GRFC 2022)*. <https://www.fsinfo.org/sites/default/files/resources/files/GRFC%202022%20Final%20Report.pdf>.

Figure 1: Prevalence of Undernourishment and Number of Undernourished

Source: FAO, IFAD, UNICEF, WFP and WHO. 2022. *The State of Food Security and Nutrition in the World 2022. Repurposing food and agricultural policies to make healthy diets more affordable*. Rome, FAO. <https://doi.org/10.4060/cc0639en>.

3. Undernourishment continues to be more prevalent in some regions than in others. As for regional patterns, in 2021 the prevalence of undernourishment was estimated to be 20.2% in Africa (23.2% in sub-Saharan Africa), 9.1% in Asia, 8.6% in Latin America and the Caribbean (16.4% in the Caribbean), and 5.8% in Oceania.

4. Updated projections of the number of undernourished people suggest that nearly 670 million people will still be undernourished in 2030 – 78 million more than in a scenario in which the pandemic had not occurred. This corresponds to 8% of the world population, which is the same percentage figure as in 2015 when the 2030 agenda was launched. Altogether, with eight years remaining to end hunger, food insecurity and all forms of malnutrition, the world is moving in the wrong direction.⁴

5. Additionally, another crisis now looms that is likely to impact the trajectory of food security globally. The war in Ukraine has multiple implications for global agricultural markets through the channels of trade, production, and prices, casting a shadow over the state of food security and nutrition for many countries in the near future. Given the high significance of Ukraine and the Russian Federation as suppliers to global markets for key agrifood commodities and inputs, the war is further exacerbating prospects and affecting global grain, fertilizer, and energy prices, leading to shortages, and fuelling food price inflation.⁵ In 2021, the Russian Federation and Ukraine were the first and fifth largest exporters of wheat globally, accounting together for 25% of global exports of this commodity (Figure 2).⁶ Ukraine also accounted for almost 13% of global maize exports, whereas the Russian Federation plays a comparatively small role. Additionally, Ukraine and

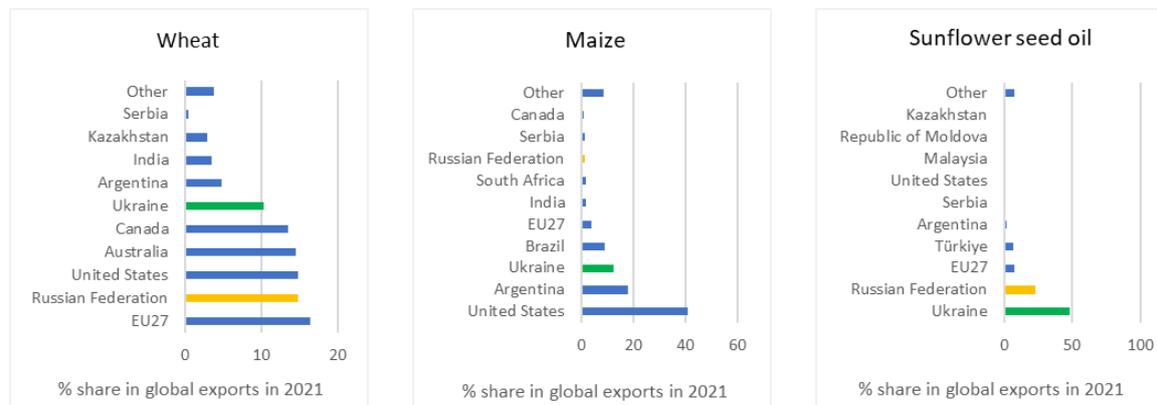
⁴ FAO, IFAD, UNICEF, WFP and WHO. 2022. *The State of Food Security and Nutrition in the World 2022. Repurposing food and agricultural policies to make healthy diets more affordable*. Rome, FAO. <https://doi.org/10.4060/cc0639en>.

⁵ FAO, IFAD, UNICEF, WFP and WHO. 2022. *The State of Food Security and Nutrition in the World 2022. Repurposing food and agricultural policies to make healthy diets more affordable*. Rome, FAO. <https://doi.org/10.4060/cc0639en>.

⁶ Second and sixth, respectively, when combining the contribution of all EU-27 member States.

the Russian Federation were the first and second largest global exporters of sunflower seed oil in 2021, where they together accounted for over 70% of global exports.

Figure 2: The share of the Russian Federation and Ukraine in global exports of key commodities (2021)

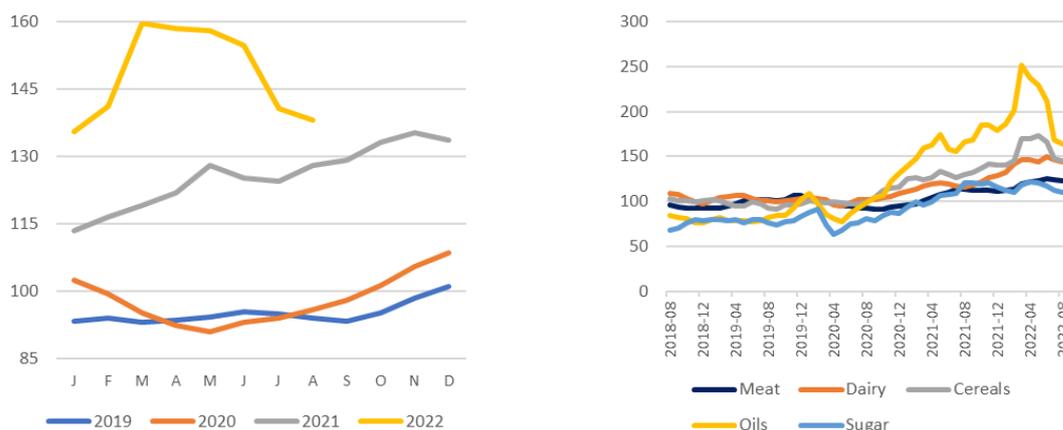


Source: Trade Data Monitor (TDM), FAO calculations.

2 GLOBAL FOOD PRICES: RISING THROUGHOUT 2021 AND REACHING ALL-TIME HIGHS IN EARLY 2022

6. Fuelling the 2021 hunger numbers, food prices increased in the past year due to bottlenecks in supply chains, soaring energy and transport costs and other disruptions caused by the COVID-19 pandemic.⁷ The war in Ukraine further exacerbated the situation and pushed prices in 2022 further up to record highs. After reaching a peak in March 2022, the FAO Food Price Index (left graph in Figure 3) has declined, averaging 138.0 points in August 2022, down 2.7 points (1.9%) from July and 21.7 points (13.6%) from the peak in March, marking the fifth consecutive monthly decline. Nevertheless, it remained 10.1 points (7.9%) above its value in the corresponding month last year. All the five sub-indices of the FAO Food Price Index fell in August, with the monthly percentage declines ranging from 1.4% for cereals to 3.3% for vegetable oils.⁸

Figure 3: FAO Food Price Index (left) and Price Indices for individual commodities (right)



Source: FAO. 2022. *Food Price Index*. <https://www.fao.org/worldfoodsituation/foodpricesindex/en/>.

7. The rise in the FAO Food Price Index reflects higher prices of individual commodities, which in parallel to the aggregate index have declined over the course of the past months

⁷ FAO, IFAD, UNICEF, WFP and WHO. 2022. *The State of Food Security and Nutrition in the World 2022. Repurposing food and agricultural policies to make healthy diets more affordable*. Rome, FAO. <https://doi.org/10.4060/cc0639en>.

⁸ FAO. 2022. *Food Price Index*. <https://www.fao.org/worldfoodsituation/foodpricesindex/en/>.

while mostly remaining elevated. Regarding sub-indices for individual commodity groups (right graph in Figure 3), the FAO Cereal Price Index, averaged 145.2 points in August, down 2.0 points (1.4%) from July, but still 14.8 points (11.4%) above its August 2021 value. In August, international wheat prices fell by 5.1%, marking the third consecutive monthly decline, driven by improved production prospects, especially in Canada, the United States of America and the Russian Federation, and higher seasonal availability as harvests continued in the northern hemisphere as well as the resumption of exports from the Black Sea ports in Ukraine for the first time in over five months of interruption. Nevertheless, global wheat prices remained 10.6% above their values in August last year. International prices of coarse grains increased marginally (+0.2%) in August and averaged 12.4% above their values a year ago. World maize prices firmed slightly, up 1.5%, largely influenced by lower production prospects in the European Union and the United States of America due to hot, dry conditions, while the resumption of exports from Ukraine prevented prices from increasing further. By contrast, global barley and sorghum prices decreased by 3.8% and 3.4%, respectively. The FAO All Rice Price Index held steady in August, as slight declines in quotations of the most widely traded Indica varieties compensated for mild price gains in other rice market segments. The FAO Vegetable Oil Price Index averaged 163.3 points in August, down 5.5 points (3.3%) month-on-month, pushing the index value slightly below its year-earlier level. The continued decline of the index was driven by lower world prices of palm, sunflower and rapeseed oils, which more than offset higher soy oil quotations. International palm oil prices fell for the fifth consecutive month in August, driven by increasing export availabilities from Indonesia, mainly thanks to lower export taxes, as well as seasonally rising outputs in Southeast Asia. In the meantime, world sunflower oil values declined on lingering subdued global import demand that coincided with the gradual resumption of shipments from Ukraine's seaports. International quotations for rapeseed oil also dropped in August, due to prospects of ample supplies for the upcoming 2022/23 season. By contrast, world soyoil prices rebounded only moderately, mainly because of concerns over the impact of unfavourable weather conditions on soybean production in the United States of America. The FAO Dairy Price Index averaged 143.5 points in August, down 3.0 points (2.0%) from July, marking the second consecutive monthly decline, but still 27.3 points (23.5%) above its value a year ago. The FAO Meat Price Index averaged 122.7 points in August, down 1.8 points (1.5%) from July, also marking the second consecutive monthly decline from an all-time high reached in June 2022, but it remained 9.3 points (8.2%) above its corresponding value a year ago. The FAO Sugar Price Index averaged 110.4 points in August, down 2.4 points (2.1%) from July, marking the fourth consecutive monthly decline and reaching its lowest level since July 2021.⁹

8. In parallel to the rising prices of food commodities, prices of key agricultural inputs have soared since 2021. Agriculture is a highly energy-intensive sector and largely depends on fossil fuels. Much of today's turmoil dates to 2021, when energy prices began to surge, adding to production costs. But higher energy prices have far more deleterious effects, raising the cost of key nitrogen fertilizers, which are primarily manufactured from natural gas and are by far the most important agricultural input for raising crop yields. Prices of nitrogen, N, in the form of urea or ammonium nitrate, reached record highs by the end of 2021. This price momentum carried into 2022, and the international prices of other important mineral fertilizers, such as phosphate, P, and potash, K, have followed suit, reaching multi-year highs in April 2022. Price peaks for nitrogen (urea) and phosphate (P, DAP) were followed by substantial reductions of international prices from May to July 2022, while global prices for potash, K, remained at the level of April 2022.¹⁰ As the world's largest fertilizer exporter, the Russian Federation began tightening supplies to international markets soon after the outbreak of the war in Ukraine through the introduction of export restrictions.¹¹

3 GLOBAL OUTLOOK FOR AGRICULTURAL PRODUCTION AND TRADE

9. Recent simulations covering the 2022-2031 horizon indicate that to achieve SDG-2 of Zero Hunger by 2030 (while simultaneously keeping agricultural emissions on track to reach the Paris Agreement targets), would require for average global agricultural

⁹ FAO. 2022. *Food Price Index*. <https://www.fao.org/worldfoodsituation/foodpricesindex/en/>.

¹⁰ World Bank Commodity Markets (<https://www.worldbank.org/en/research/commodity-markets>), accessed 24 August 2022. Urea (Ukraine), prill spot f.o.b. Middle East, beginning March 2022; previously, f.o.b. Black Sea; DAP (diammonium phosphate), spot, f.o.b. US Gulf; Potassium chloride (muriate of potash), f.o.b. Vancouver.

¹¹ FAO. 2022. *Food Outlook – Biannual Report on Global Food Markets*. Rome. <https://doi.org/10.4060/cb9427en>.

productivity to increase by a substantial 28% over the next decade. This is more than triple the increase recorded in the last decade.¹²

10. Over the next decade, trade in the main agricultural commodities and processed products is expected to grow in line with production. Global agricultural production is projected to increase by 1.1% per annum with the additional output to be predominantly produced in middle- and low-income countries, although a prolonged increase in energy and agricultural input prices (e.g. fertilisers) will raise production costs and may constrain productivity and output growth in the coming years. Globally, some regions are expected to export a growing share of their domestic production (e.g. Latin America and the Caribbean, Europe and Central Asia), while others are foreseen to import a growing share of their total consumption. For example, the agricultural trade deficit in the Near East and North Africa region is projected to further increase from USD 74 billion in 2019-2021 to USD 99 billion by 2031 (at 2014-16 reference prices). In Sub-Saharan Africa, the agricultural trade deficit is projected to grow from USD 9 billion to USD 26 billion over the same period, while the countries in Europe and Central Asia are projected to move from a trade deficit of USD 18 billion to a surplus of USD 32 billion.¹³

11. Critically, the projections described above are based on the assumption that trade costs will return to pre-crisis levels and that restrictive measures to contain the spread of the COVID-19 virus will be lifted. While emphasizing that transportation costs, which are an important component of trade costs, have been increasing since mid-2020 due to rising oil prices and trade disruptions linked to COVID-19, projections are based on the assumption that trade costs will return to their pre-crisis values from 2022 onwards. Moreover, projections assume that restrictive measures put in place to contain the spread of the COVID-19 pandemic will be lifted, contributing to economic recovery in 2022. Any production and trade-impeding measures related to COVID-19 would likely impact outlook projections.¹⁴

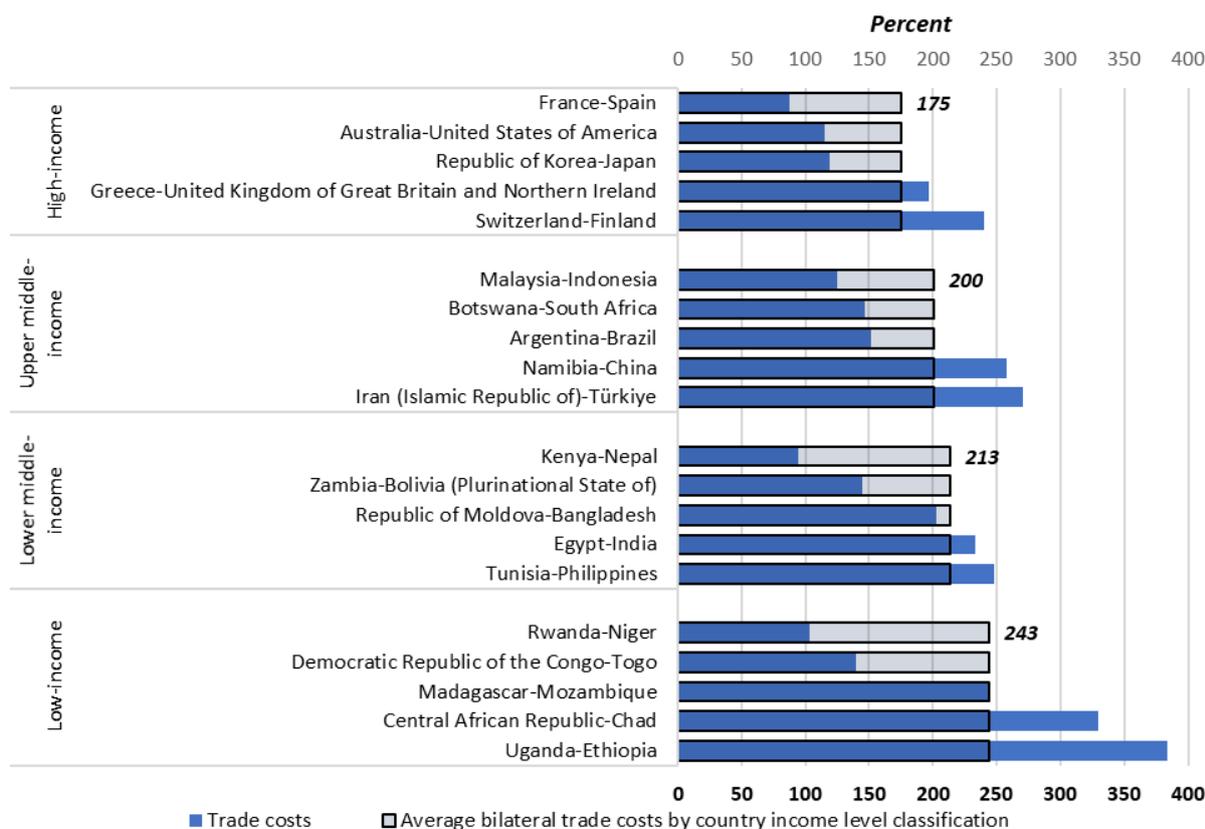
12. Notably – and of importance in the context of the critical role that trade plays in achieving food security – a recent FAO report documents that trade costs are particularly high in low-income and lower-middle income countries (Figure 4).¹⁵ Many of these countries (for example in sub-Saharan Africa) face high levels of hunger and are additionally net importers of food (e.g. Niger, Rwanda, Mali, or the DRC). This suggests that rising trade costs, for example due to higher fuel prices or COVID-19 related policy measures that impede on trade, could affect food security outcomes globally.

¹² OECD/FAO. 2022. *OECD-FAO Agricultural Outlook 2022-2031*, OECD Publishing, Paris, <https://doi.org/10.1787/f1b0b29c-en>.

¹³ OECD/FAO. 2022. *OECD-FAO Agricultural Outlook 2022-2031*, OECD Publishing, Paris, <https://doi.org/10.1787/f1b0b29c-en>.

¹⁴ OECD/FAO. 2022. *OECD-FAO Agricultural Outlook 2022-2031*, OECD Publishing, Paris, <https://doi.org/10.1787/f1b0b29c-en>.

¹⁵ FAO. 2022. *The State of Agricultural Commodity Markets 2022. The geography of food and agricultural trade: Policy approaches for sustainable development*. Rome, FAO. <https://doi.org/10.4060/cc0471en>.

Figure 4: Bilateral trade costs per country income group (*ad valorem* equivalent)

Note: Trade costs are estimates for food and agricultural trade and are expressed as *ad valorem* equivalent of the price index in the importing country as the first country in any country-pair label (e.g. France in the "France-Spain" entry). They denote the cost associated with purchasing all food and agricultural products from the exporting country included in a country-pair label (e.g. Spain in the "France-Spain" entry).

Source: FAO. 2022. *The State of Agricultural Commodity Markets 2022. The geography of food and agricultural trade: Policy approaches for sustainable development*. Rome, FAO. <https://doi.org/10.4060/cc0471en>.

4 FAO'S CONTRIBUTION TO THE IMPLEMENTATION OF THE MINISTERIAL DECLARATION

13. The *Ministerial declaration on the WTO response to the COVID-19 pandemic and preparedness for future pandemics* underscores the importance of global food security in resilience-building and responding to the current and future pandemics. It highlights the important role of a stable and predictable trading environment for the provision of goods and services, the value of timely and accurate information to enable the quick identification by Members of potential disruptions in supply chains and the need for technical assistance and capacity building in respect of transparency and monitoring.

14. These topics are important pillars of FAO's ongoing and forthcoming work on markets and trade. Under its *Strategic Framework 2022-2031*, FAO is further strengthening its support to Members in the above-mentioned areas, through a dedicated Programme Priority Area on *Transparent Markets and Trade under Better Nutrition*.¹⁶ FAO continues to provide stakeholders with timely and objective data, information and outlook reports in support of informed decision-making processes and the design of appropriate policies and strategies.

¹⁶ The *FAO Strategic Framework 2022-31* seeks to support the 2030 Agenda through the transformation to more efficient, inclusive, resilient and sustainable agrifood systems for *better production, better nutrition, a better environment, and a better life*, leaving no one behind.

15. A continued focus of FAO is to contribute to enhanced transparency of food and agricultural markets. As the host of the *G20 Agricultural Market Information System (AMIS)*, FAO, jointly with other international organizations including WTO, plays a key role in enhancing market transparency by providing regular and timely updates on crop conditions, global supply and demand situations, price movements and policy developments. The associated *AMIS Rapid Response Forum* facilitates policy dialogue among countries and coordination of action to mitigate market risks. FAO's *Global Information and Early Warning System on Food and Agriculture (GIEWS)* is a leading global source of information on food production and food security at national, regional and global levels. GIEWS publishes updates and special alerts on countries with food supply difficulties, as well as the quarterly *Crop Prospects and Food Situation* report that provides regional overviews and includes an updated list of countries requiring external assistance for food.

16. Given the importance of trade and trade policies for food security, FAO also continues supporting its Members in the area of trade and trade agreements through evidence building, fostering capacity development, and facilitating neutral and impartial dialogue. These contribute to the objective of a stable and predictable trading environment, conducive to achieving food security and better nutrition for all.

17. FAO is committed to support Members in mitigating the impacts of COVID-19, strengthening the longer-term resilience of livelihoods, and transforming agrifood systems, through multiple initiatives and programmes, including the COVID-19 Response and Recovery Programme supported by the Food Coalition. In follow up to the UN Food Systems Summit (UNFSS), held during the UN General Assembly in September 2021, the UN Secretary-General tasked the Rome-based Agencies to coordinate the UN Food Systems Summit follow-up activities, designating FAO as the host for the Coordination Hub, on behalf of the UN system.
