

Transforming Trade: A reform agenda towards sustainable food and land use systems

Brief launch date: 22 November, 2021

Key Messages

- At least 80% of the world population depends on imports for some of the food they eat. Trade in food is key to meeting food security and growing population demand, and it provides critical jobs and incomes for producer countries.
- Many features of today's trading and investment system do not contribute to environmental, health and inclusion objectives, and in certain instances undermine food security. Without reforming our global trade system, it will likely continue to contribute to negative impacts on the environment rather than supporting climate mitigation and improving nature.
 - The "hidden costs" of global food and land use systems are estimated at almost \$12 trillion a year, compared to a market value of the global food system of \$10 trillion.
 - Global food trade contributes greatly to some of these costs, especially for commodities linked to tropical deforestation like soya and palm oil, which are mostly exported.
- Policymakers should urgently display climate ambition and adapt to the climate crisis. Trade systems are increasingly at risk from higher pricing volatility and supply chain disruptions due to climate impacts (e.g., droughts, fires, flooding) and the destruction of nature.
 - In 2021 alone, droughts on all inhabited continents contributed to global food price increases of over a third, year on year.
 - Despite important agricultural advancements to feed the world in the last 60 years, global [farming productivity is 21% lower than it could have been without climate change](#). This is the equivalent of losing about seven years of farm productivity increases since the 1960s.
- Trade policies, which set the rules that guide long-term economic decision-making, need to consider long-term implications on the supporting communities and environment. Policymakers, and trade ministers in particular, must play an increasingly critical role in achieving an integrated climate mitigation agenda to ensure food security and stability.
- Promising announcements made at COP26 to halt deforestation and establish more sustainable food and land use systems to limit the impacts of climate change, will have greater chances of materializing if we reform the global trade system.
- There are currently a number of barriers to achieving sustainable trade in food and agricultural products. They include 1) lack of positive incentives and financial support to encourage greater adoption of sustainable practices; 2) market concentration and power dynamics between value chain actors; 3) market leakage (i.e., the displacement of unsustainable production from one geographic market to another; 4) sensitivities around price of food and affordability; and 5) lack of traceability and transparency systems to support sustainability aims.

Calls to Action

- There are many ways in which global trade can be reformed to facilitate a shift to sustainable food and land systems. In its new brief aimed at trade leaders, FOLU presents 9 action areas, including:
 - Trade policymakers should build environmental standards into trade policy and align on definitions, metrics and data sharing protocols that make it possible to trace and verify the climate and nature impact of food commodities.
 - Multilateral institutions such as the World Trade Organization and the United Nations Conference on Trade and Development (UNCTAD) can play a critical role in fostering such integration through bi- and plurilateral “coalitions of the willing”.
 - Countries can take measures to link their trade policies to domestic climate policies, such as subsidy reform, and joined-up policymaking.
 - Corporate and philanthropic actors need to improve the quality and reach of voluntary standards, especially for data sharing, and step up their support to smallholders so that they are not shut out of export markets.
- Trade leaders’ role is changing, and they should feel empowered to take positive action, break down silos and collaborate with other ministries and sectors.
- Some actions can be agreed at a global level and through multilateral trade bodies, while others will need to be delivered through national policies.
- WTO’s upcoming Ministerial Conference, its topmost decision-making body, will convene on 30 November. It is an opportunity that trade leaders should seize to take forward sustainability and climate aims alongside trade deals, when discussing topics such as perverse agricultural and fishing subsidies.
- A shift to more sustainable trade cannot come at the expense of producers, particularly smallholders. Trade policy mechanisms should be paired with greater incentives for sustainable production. This can be achieved through investment in risk management tools or other financing tools.
- The prospect of fair, healthy, and sustainable trade in food is within reach: but the globalised nature of our trade system means that no one country can achieve food security and resilience on its own. It is in our collective interest to work together via global coordinated action to discuss and align on ways forward.