Policy Recommendation 1.

Beware of remaining incoherence of EU policies and actions with the Zero Hunger goal and other SDGs

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Key message

The EU needs to carefully safeguard the coherence of its policies and to continuously assess the remaining implications of its policies and activities on global food and nutrition security.

Short summary

Several aspects of EU policies affect global agricultural markets, food security and sustainable development. They include the Common agricultural policy, the EU bioenergy policy, trade policy, climate change policy and development policy, not to mention macroeconomic and monetary policies. The coherence of these policies has long been questioned, and their global impact on food security remains subject of debate. Current EU farm support instruments still have some effects on world market due to risk aversion and wealth effects but they are limited compared to those caused by recent policy developments in the U.S and emerging countries. EU biofuel policies do have significant effects on land use and prices, even when focusing on second generation biofuels. The impact of EU preferential trade schemes on welfare and food security in low and middle countries is questioned and the evidence is mixed. EU policies should also be scrutinised on their indirect consequences on global markets that affects food security, for example through land-use change and deforestation. Economic modeling of EU agricultural, environmental and trade policies is required in order to complement traditional sustainability impact assessments (e.g. standard life cycle analyses).

[1] This brief presents the recommendation presented at the FOODSECURE final conference, Brussels, 11 October 2016. See also J.C. Bureau and J. Swinnen, "EU policies and global food security". FOODSECURE working paper no. 58. See references for other papers.

Full summary

1. EU agricultural and bioenergy policies

For decades, the EU used a system of variable levies, flexible tariffs and export refunds to manage its domestic market, at the expense of third countries, which experienced more price volatility. Both EU export and production subsidies made competition difficult for local producers in developing countries. After two decades of reform, today's CAP no longer has a significant impact on world markets (Bureau & Jean, 2013; Bureau and Swinnen, 2017), though still supporting domestic prices by taking feedstock out of the food and feed markets. In addition, EU biofuel policy does not have the same price depressing impact on developing countries' markets (Bureau & Valin, 2013).

EU policies that lowered prices (export refunds) were good or bad for the poor – depending on whether they were buyers/sellers or importers/exporters (Swinnen & Squicciarini, 2015; Guariso et al, 2014). However, overall, policies that lowered agricultural prices and increased price instability were detrimental to the poor, who have difficulty coping with volatile markets (Gouel, 2015). Hence, recent EU commitments to end export refunds, as well as the progressive decoupling of EU payments will have positive food security impacts.

Current EU farm support instruments still have some effects on world market due to risk aversion and wealth effects (Gohin & Zhen, 2016a,b); but they are limited compared to those caused by recent policy developments in the U.S and emerging countries.

EU biofuel policies do have significant effects on land use and prices, even when focusing on second generation biofuels (Jayet et al., 2015; Bureau and Swinnen, 2017). While such an outlet could potentially help preventing agricultural prices from falling at low levels, the structure of the EU blending mandates tends to rigidify demand and contribute to price peaks (Bureau & Jean, 2013; Bureau and Swinnen, 2017). In addition, the Indirect Land Use Change effects of the EU biofuel program have serious negative consequences on the environment on which poor people rely for their food security. Recent developments in the industry, as well as the poorly designed EU biofuel policy, now lead the EU to import large quantities of palm oil, giving rise to an even more direct negative impact on this environment.

2. EU trade policies

The EU has granted generous tariff preferences to poor countries in terms of product coverage and preferential margin. They have a limited but genuine impact on trade flows (Jean & Bureau, 2016; Bureau et al. 2016). However, trade preferences can also reduce trade through complex diversion effects (Cipollina et al., 2014; Scoppola et al., 2014). The impact of EU preferential schemes on welfare and food security is questioned. Estimates of the impact of EU-Mediterranean preferences suggest that tariff preferences do not have a positive impact on trade until they reach a very high level (Magrini et al., 2014a). The main issues with the EU agreements such as the recent Economic Partnership Agreements, include tariff revenues loss and potential competition for staple food producers (Aghajanzadeh-Darzi et al., 2016; Raimondi et al., 2015). In the non-tariff area, EU standards and regulations oppose developing countries' exports (animal products), but case studies show that they can have pro-poor impacts even though the structure of the value chain plays a key role (Bureau and Swinnen, 2017).

3. Indirect global effects of sectoral policies

One important issue is that (large scale) reforms of EU policies have indirect consequences through complex deformation of the world prices vector. This includes policies that aim to reduce negative externalities of EU agriculture. While they have undisputed local benefits, it is necessary to assess more carefully global price effects through indirect land use changes (Bellora & Bureau, 2016). Such indirect effects are complex and often cascade across products and markets through changes in global price vectors, as shown by well identified indirect land use changes of biofuels policies and the induced deforestation overseas. It is necessary that local actions be considered with their global impact. For that purpose, economic modeling of EU agricultural, environmental and trade policies is required in order to complement traditional sustainability impact assessments (e.g. standard life cycle analyses).

Overall, poor institutions and local policies play a large role in food insecurity, and it is only in particular cases that EU policies also contribute significantly to the problem. The assessment of the impact of agricultural (dis)incentives on food security for a wide sample of countries over the period 1990-2010 shows that both discrimination against agriculture and large support lead to poor performance in the availability, access and utilization dimensions of food security (Magrini et al., 2014b; Bureau and Swinnen, 2017). The EU should consider more extensively the global impact

of its sectoral policies (e.g. palm oil imports); pay more attention to the distribution of gains in its trade preferences; and complement traditional sustainability impact assessments (e.g. standard life cycle analyses) by assessment of global, indirect economic effects.

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