

A conversation with Kimberly Elliott on November 13, 2013

Participants

- Kimberly Elliott — Senior Fellow, Center for Global Development
- Holden Karnofsky — Co-Executive Director, GiveWell
- Cari Tuna — Co-Founder, Good Ventures

Note: These notes were compiled by GiveWell and give an overview of the major points made by Kimberly Elliott.

Summary

GiveWell and Good Ventures spoke with Kimberly Elliott to learn more about opportunities for reform in agricultural trade policy. Conversation topics included farm and biofuel subsidies, food aid, antibiotics in meat production, mega-regional negotiations, and the impact of trade policies on the global poor.

Farm subsidies

There were a number of groups that actively argued for reform of trade-distorting subsidies to reduce their impact on the global poor, in the debate over the 2008 farm bill. They opposed the subsidies because of their impact on the global poor. These groups have become less active since the passage of the 2008 farm bill, in part because they failed in 2008.

The recent rise in commodity prices has created an opportunity for opponents of farm subsidies to make progress, because ending subsidies is less harmful to farmers when commodity prices are high. However, it is also harder to generate interest in opposing subsidies when commodity prices are high, because subsidies have less of an impact in the rest of the world.

Sugar subsidies are particularly damaging to developing countries. They are less tractable than other agricultural subsidies, however, because the sugar industry is very strong.

The House worked on a version of the farm bill that would eliminate the existing requirement that farmers demonstrate good conservation practices in order to qualify for crop insurance subsidies. However, the Senate version that included this link was adopted.

Biofuel subsidies

There is more momentum to change biofuel subsidies than agriculture subsidies. Biofuel subsidies cause volatility in food prices, in part because the mandate for energy companies to use biofuels, such as ethanol, is rigidly structured. Ethanol demand does not decrease when food prices rise. Congress could reduce food price volatility by making the ethanol mandate more flexible. However, it is unlikely that, in the current policy environment, the

mandate will be eliminated; the EPA does not have enough latitude under existing legislation to eliminate it. The entrance of new actors could change the policy environment. Groups such as GiveWell and Good Ventures could help reframe the issue of biofuel subsidies from “big oil versus big corn” to “this policy has global impact.” The current battleground is preventing new subsidies and policies that expand the infrastructure for ethanol use (such as cars that can use gasoline with a higher ethanol content). There are strong interests on both sides.

The Associated Press recently wrote a good investigative piece on the environmental impacts of ethanol production in the US.

Food aid reform

Currently, much of U.S. food aid is used to ship food produced in the U.S. to developing countries, rather than to purchase food in or near recipient areas. Efforts to reform the U.S. food aid system were unsuccessful for many years. However, many are hopeful that there is now momentum for reform, because:

- NGOs have been discouraged from “monetizing” US in-kind food aid, i.e. reselling it in recipient countries to raise money for NGO activities. NGOs are less supportive of the current food aid program now that many of them have stopped monetizing food aid (and the ones that still do monetize food aid are now more isolated, and in many cases also favor some sort of reform).
- Studies have suggested that only several hundred shipping jobs are potentially threatened by eliminating the shipping program. Dr. Christopher Barrett at Cornell University estimates that the cost associated with the current system is roughly \$200K per shipper’s job, which is higher than the average shipper’s wage.
- High commodity prices currently make it difficult for U.S. farmers to argue for the necessity of continuing the program.

The 2014 farm bill made modest progress by making the local and regional procurement program and authorizing \$80 million from the emergency budget for that (small but a start); it also added more flexibility to the nonemergency program so that NGOs still doing it should have less need to monetize. Finally, the president’s new budget makes another run at reform by requesting that 25 percent of emergency aid be untied.

Impact on the global poor

The impact of food subsidies on the world’s poor is usually estimated by separately considering the impact of subsidies on food prices and then the impact of price changes on the poor. Dr. William Cline estimated both pieces in his 2004 book, *Trade Policy and Global Poverty*; Ms. Elliott is not aware of a more recent estimate.

A World Bank volume by Bernard Hoekman and others has estimated the impact of changes in food prices on the poor; it concluded that somewhat higher food prices benefit

the poor because they create incentives to increase productivity, which can raise wages and address food security issues over the long run. Consumers, though, lose out in the short run. Studies from Iowa State University, University of Illinois, and Michigan State University have estimated the impact that proposed changes to the farm bill would have on food prices, which are very difficult to project. Other papers worth looking into include one that Ms. Elliott recently wrote about farm subsidies and another by Dr. Bruce Babcock analyzing the impact of the farm bill. Iowa State University and Missouri State University have a joint program specializing in farm policies.

Antibiotics in meat production

Ms. Elliott has recently begun working on meat production policies with Victoria Fan, a research fellow at the Center for Global Development (CGD). Ms. Fan is working to estimate the contribution of heavy antibiotics use in livestock to the overall problem of antibiotic resistance. Most of Ms. Fan's data has been collected from the US and the EU. Ms. Elliott is looking at meat production policies more globally and from an institutional angle, in countries such as China. Meat production is increasing rapidly in China, which is a major producer of active ingredients in antibiotics, and the country seems to be moving toward the US model of industrial organization. Possible interventions in this field include:

- Developing a set of global guidelines to discourage emerging markets, like China, from establishing the heavy use of antibiotics in meat production. Institutions that could lead this kind of work include the World Organization for Animal Health (OIE) and the Food and Agriculture Organization (FAO). CGD recently published a working group report on ways to increase the effectiveness of the FAO. One of the working group's recommendations was for the FAO to engage in more global public goods projects, such as creating guidelines for antibiotics use.
- Research on the impact of meat production subsidies on climate change and ways to bring global public goods issues (such as climate change) into discussions about reforming meat production policy.
- Advocating for an international agreement on antibiotics use in livestock. Such an agreement could help to slow or halt the spread of antibiotic resistance, which is threatening to become a global problem. The World Trade Organization (WTO) might serve as a platform for such an agreement, but likely is not the best institution to lead this work.
- Advocating for the WTO to revive pieces of its agriculture and food security agenda. This will be a challenge, given the history of the Doha Round talks. WTO could develop an agenda on food and agriculture to reform policies such as traditional farm subsidies, meat production subsidies, biofuel subsidies, and export restrictions (which are not currently on the WTO's agenda). A self-contained agenda prevents cross-sector trade negotiations, which are unlikely to occur in the future.
- Ensuring that mega-regional trade agreements, particularly the Trans-Pacific Partnership Agreement (TPP) and the Transatlantic Trade and Investment Partnership (TTIP), incorporate the interests of developing countries. For example, trade policies, food safety regulations, and intellectual property policies in areas

related to food and agriculture have implications for developing countries. Agreements made between the US and the EU may set a baseline for future negotiations, which will make it harder for developing countries to negotiate for more flexibility.

Allies in the trade policy space

Since food prices spiked in 2008, livestock producers and elements of the oil industry have been lobbying for changes in the biofuels mandate to reduce the costs they bear as a result. Groups that are generally aligned with CGD research on agriculture and biofuel policies include Oxfam, environmental groups such as World Watch, and research institutions such as the International Food Policy Research Institute (IFPRI). CARE and Oxfam are active on issues of food aid reform. Conservative think tanks tend to be aligned with CGD in its opposition to agriculture subsidies but, unlike CGD, tend to oppose weaker policies on intellectual property. Oxfam is generally aligned with CGD on many issues related to trade policy.

All GiveWell conversations are available at <http://www.givewell.org/conversations/>