



Food systems and COVID-19 in Latin America and the Caribbean: Trade performance during the crisis

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1. Editorial



Three months ago, the aim was to identify the threats and risks that could affect international trade in agriculture and fisheries in Latin America and the Caribbean as a result of COVID-19. On that occasion, risks were predicted on the demand side, due to the economic crisis that would impact on consumers, and the supply side, due to disruptions in the mobility of workers and products. The conclusion was that a high level of dependence on certain partners, who might stop sending or buying products, represented a significant vulnerability for the country that needed to be considered. Still, countries mainly dependent on food imports seemed to be more vulnerable to food shortages.

As time goes by, we want to take another closer look at the commercial situation of agrifood products that are produced in the region, and the conclusion seems to be that the food systems have proved to be more resilient than expected. However, this conclusion does not apply to all by-products and it is too early to make such a strong statement. We have not yet reached the end of this crisis, which is not likely to happen in the short term. Therefore, it remains crucial to monitor the performance of food trade worldwide and to warn against the policies that have a negative impact on global and national food security.

This issue delves into the behaviour of trade in agricultural and fishery products during the crisis, especially those destined for food, and we will try to identify the reasons for this evolution. We also highlight the main recommendations to strengthen a positive trend in marketing.

2. Key messages



- Before the pandemic, Latin America and the Caribbean was expected to become the world's largest food producer in the coming years, contributing 28 percent of agricultural and fisheries products.
- This projection does not seem to be affected by the COVID-19 crisis. The marketing of regional agricultural and fisheries products has actually increased by 6 percent in the last six months, compared to the same time last year.
- In contrast, other traded goods have declined by 21 percent, reflecting a loss of productive capacity and a process of refocusing the Latin American and Caribbean export basket on primary commodities.
- In other words, to date, the agrifood sector has been more resilient than the rest of the internationally traded goods.
- Soy, sugar and their derivatives are the fastest-growing agrifood sectors during the pandemic period; the most affected are live animals, fruits and vegetables. This confirms that the food products most vulnerable to this crisis are those labour-intensive and perishable products.
- The above statement, by the way, is detrimental to the availability of healthy food to consumers.
- Exported products have been mainly sent to countries outside the region (87 percent). A relatively low percentage (13 percent) is traded within the region.
- Intraregional exports declined because of a considerable drop in the purchasing power of Brazil and Chile, the two main importers of agricultural and fisheries products in the region.
- On the contrary, so far, extraregional exports have been less affected: the demand from the main destinations – United States of America, the countries of the European Union, and China – has not varied significantly, even showing growth in China and Asia.
- It is extremely risky for exports to depend only on these partners, as these economies are entering a recession of unprecedented depth in recent history.
- An effort must be made to diversify the portfolio of countries to which exports are directed. To begin, consideration should be given to how to increase intraregional trade.
- In order to minimise risks and ensure food security, the number of countries providing food needs to be increased. This is a particularly important challenge for Central America, which imports much of its food from the United States of America.
- Finally, appropriate measures need to be taken to improve the flow of products –especially perishables –, such as facilitating logistics, and health and customs formalities.

3. Evolution of trade during the COVID-19 crisis

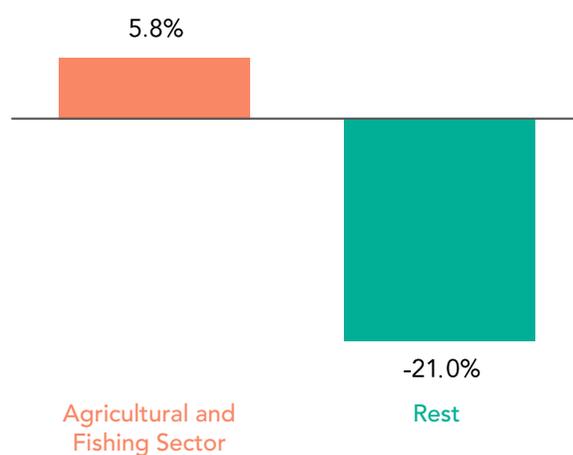


3.1. Agricultural and fisheries export performances

Latin America and the Caribbean is a food exporting region: it is responsible for 14 percent of the world's production of agricultural and fisheries products. Before the pandemic, it was projected to double its contribution by 2028, growing to 28 percent and becoming the world's largest food-exporting region (OECD and FAO, 2019).

Although this projection could be affected by the COVID-19 crisis, it can be seen that products related to agriculture and fisheries have grown by 6 percent in relation to the same period last year, based on an analysis of available national figures – which contemplate 88 percent of the agricultural and fisheries products marketed in the region between January and June 2020. This figure becomes crucial when we see that the rest of the goods exported by the region show a 21 percent fall, mainly due to losses in manufacturing, mining and fuel (ECLAC, 2020a); which suggest a loss of productive capacity and a process of refocusing the export basket on primary commodities (ECLAC, 2020b).

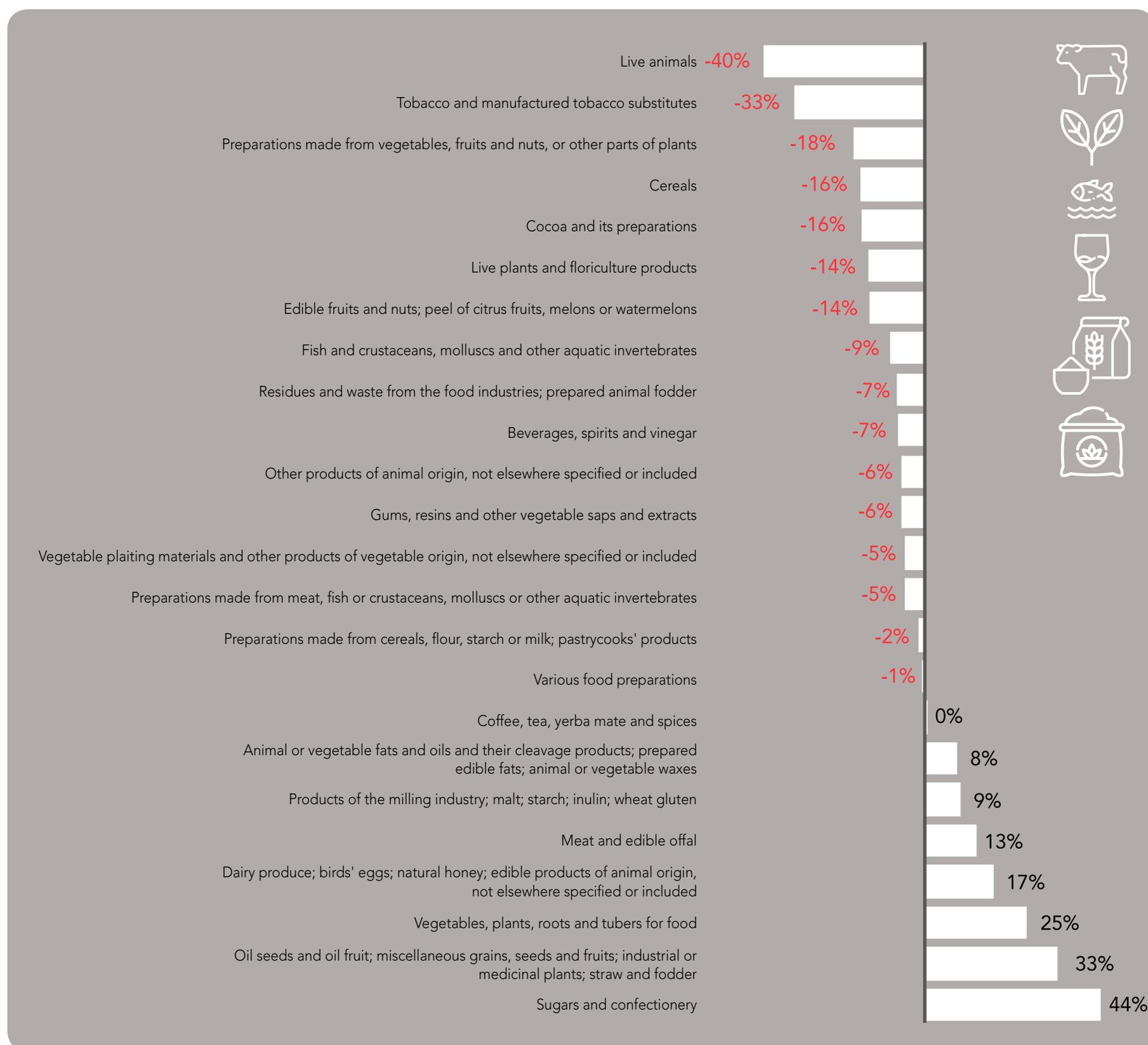
Figure 1/ Percentage change in the value (FOB) of exports, January-June 2020 versus the same period in 2019.



Source: FAO, based on official information from national sources (customs, central banks and statistical institutes).

If we analyse only the products destined to food, the significant growth of some agro-industrial products stands out, such as soy, sugar and their derivatives; followed by some primary agricultural products, such as eggs and dairy. On the other hand, exports of live animals, fruits and vegetables have been the most affected sectors. This confirms that the food products most vulnerable to this crisis are those with; these products are labour-intensive and perishable, which is detrimental to the availability of healthier food for the population during the crisis.

Figure 2/ Percentage change in Latin American and Caribbean exports by subcategory, January-June 2020 versus the same period in 2019.



Source: FAO, based on national figures from Brazil, Argentina, Chile, Paraguay, and El Salvador.

3.2. Destination of agricultural and fisheries exports

Latin America and the Caribbean exports USD 160 billion worth of products annually. Eighty-seven percent of these are destined for other regions of the world. The countries of the region receive only the remaining 13 percent (FAO, 2020a).

At the subregional level, less than 4 percent of the Caribbean's exports go to other countries in the subregion; over 93 percent go to markets outside Latin America and the Caribbean. Central America, including Mexico, allocates about 9 percent to the subregion, 1.5 percent to South America and almost 90 percent to countries outside the region. South American countries send 14 percent of their exports to other countries in the region; the rest go outside (FAO, 2020a).

Table 1/ Food exports* in Latin America and the Caribbean: intraregional and interregional trade (in USD millions)

Export Region	Destination				
	World	Caribbean	Central America	South America	Rest of the world
Caribbean	1 279	48	23	10	1 197
Central America**	40 536	316	3 594	624	36 002
South America	118 268	415	1 946	14 264	101 643
Latin America and the Caribbean	160 083	779	5 563	14 898	138 842

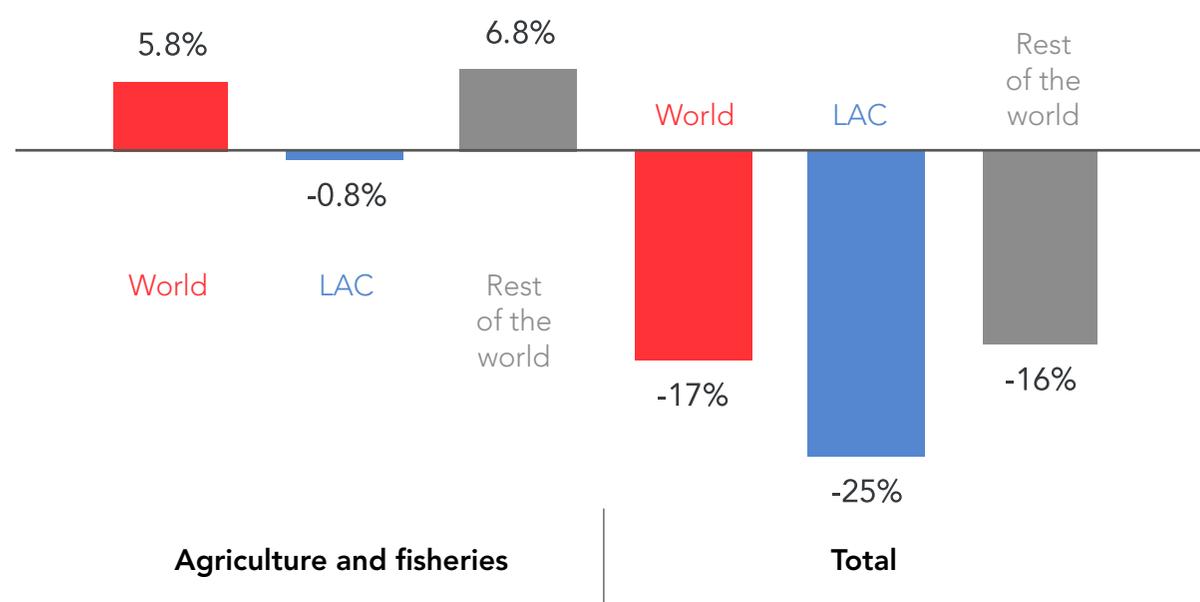
* Figures are for 2017, the latest year with available information for most Latin American and Caribbean countries. In the case of Panama, the figures are for 2016.

** Includes Mexico, which represents 62 percent of total food.

Source: FAO (2020a).

An analysis of the impact of COVID-19 on intraregional and interregional trade shows that exports to countries within the region have been hit harder than exports to countries outside the region. Agro-industry continues to be the most resilient subsector, even showing positive growth during the crisis. However, the agriculture and fisheries sector remains the most resilient sub-sector, even showing positive growth during the crisis. (see Figure 3).

Figure 3/ Percentage change in intraregional and interregional exports, January-June 2020 versus the same period in 2019.



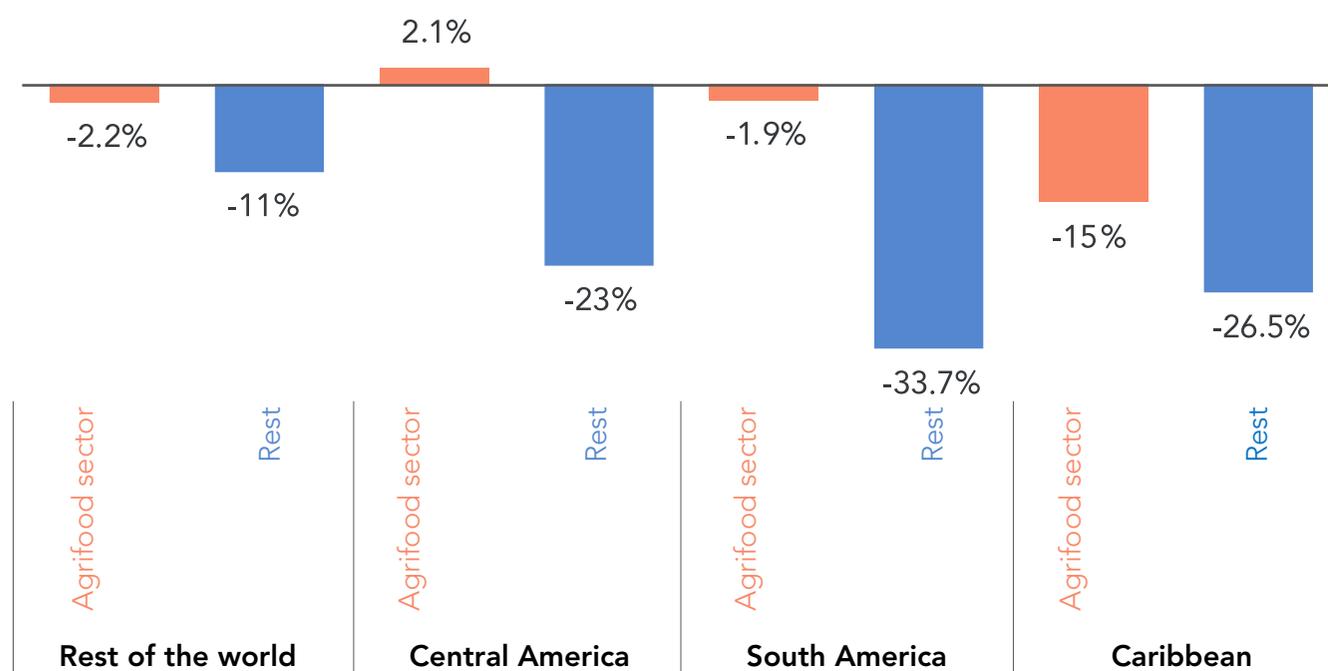
Source: FAO, based on official information from national sources (customs, central banks and statistical institutes). The values of intraregional trade include estimates in the case of Ecuador, Peru and the Caribbean economies.

At the intraregional level, the decline can be explained by the economic crises in Brazil, the main importer of processed products in the region, with 3 percent of the total, and in Chile, the second largest importer in the region, although in smaller volume (1.9 percent).

The three main destinations for the region's agricultural and fisheries products – accounting for 53 percent of total exports – are outside the region. The United States of America is the prime destination, accounting for 21 percent of total exports (FAO, 2020b).

In that country, food imports have fallen slightly (2.2 percent). According to the data analysed, the most affected products are fruit (fresh and processed), fish (fresh and processed) and cereals. In contrast, products derived from sugar, milk and meat have grown the most. We can notice the positive figures shown by Central America concerning agrifood products exported to the United States of America.

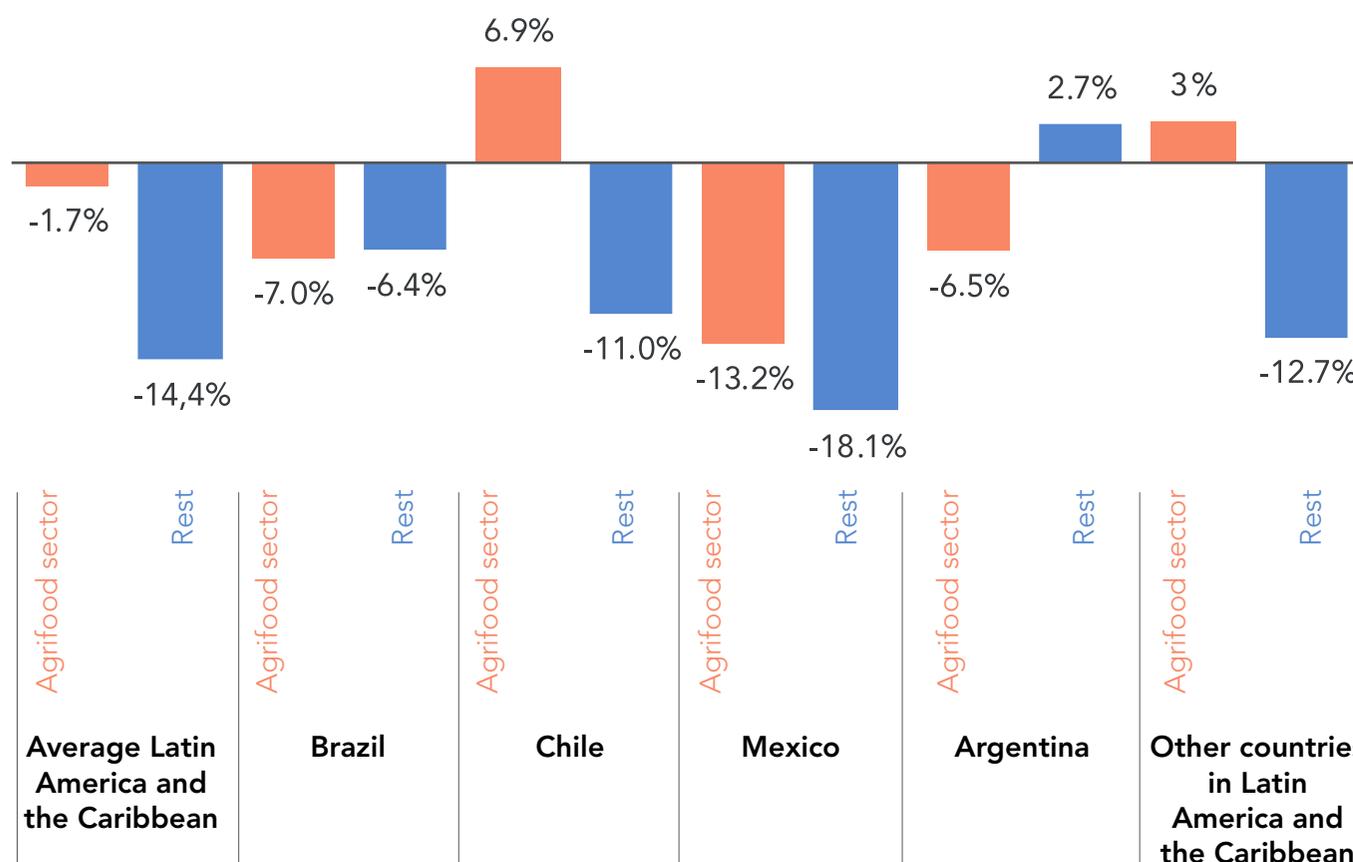
Figure 4/ Percentage change in United States of America imports, by category and origin, January-May 2020 versus the same period in 2019.



Source: FAO, with data from the USA Census Bureau (2020).

The second most important trading partner of Latin America and the Caribbean is the European Union, which purchases 18 percent of the region's agrifood products (FAOSTAT, 2020). This partner experienced a decline of nearly 2 percent in the marketing of agrifood products from the region. The growth that Chile has experienced in its exports to the old continent stands out (6.9 percent) (see Figure 5).

Figure 5/ Percentage variation in United States of America imports, by category and origin from January-May 2020 versus the same period in 2019.



Source: FAO, based on European Commission (2020).

The People's China is the third most important destination: this country buys 14 percent of the products produced in the region (FAOSTAT, 2020). It is also the fastest recovering partner. In fact, agricultural and livestock products destined for Asia and China have benefited the most. Chinese total agrifood imports (annualised) increased by 11.1 percent in May 2020, compared to the same month last year (Arias, 2020).

3.3. Main reasons for this behaviour



Trade restrictions

As the COVID-19 crisis deepened, concerns arose about the response of countries with unilateral trade restrictions on food products. Indeed, by mid-year, 15 countries had imposed active and binding restrictions on food exports, especially in the Eastern European region. In Latin America and the Caribbean, however, trade liberalisation measures exceed export restrictions in the food and medical products sectors (IADB, 2020). Honduras is an exception, imposing a selective restriction on red bean exports; and so is Costa Rica, which initiated a World Trade Organization (WTO) procedure against Panama for trade blockade. The effects of these restrictions in the region are minimal since the countries that have implemented food export restrictions are not among the main food exporters to Latin America and the Caribbean (FAO, 2020c).



Volatility in food prices

At the beginning of the pandemic, it was feared that price volatility would affect both net food-importing and exporting countries. In the months leading up to the deepening crisis in the region, food prices had been falling steadily, concerning mainly exporting countries (FAO and ECLAC, 2020). During the first months of the crisis, some variations were observed in specific markets, but in most cases, prices moved within an expected range (FAO, 2020d). Since April, however, a rise outside the expected range has been observed in a large number of countries (ECLAC, 2020b), and this is a variable that should be monitored.



Transport disruptions

Any disruption in the transport of food can have severe impacts on its marketing. This is particularly true for shipping since it accounts for 90 percent of the movement of world trade (Torero, 2020). When restrictive travel measures and strict health protocols began to be implemented in ports, many crew members were trapped on their ships without being able to go ashore. This prevented crew change, with the consequent mental health problem that it entails. However, the countries were able to avoid a food crisis because these teams have continued to work. Although many countries have relaxed blockades in their ports, the movement of ships sailing to destinations where crew changes are prohibited has decreased by 20 percent. In destinations with lighter restrictions, there is a 6 percent decrease. Therefore, it is necessary to move forward on measures that allow for crew changes and non-disruption of food trade (Torero, 2020). Containerised maritime trade in Latin America and the Caribbean has fallen by an average of 6 percent between January and May compared with the same period in 2019 (ECLAC, 2020a).

Maritime trade is even more critical now because air freight rates are limited. In recent months, air passenger traffic has practically disappeared (-99 percent) and cargo traffic has dropped considerably (-62.1 percent) (ECLAC, 2020a). With most passenger flights cancelled, everything has been limited to cargo flights, so air freight rates have skyrocketed (Giordano and Ortiz de Mendivil, 2020). This has affected perishable goods such as certain fruits, vegetables, flowers and seafood. Thus, importers have been forced to place orders in large volumes to secure cargo space, but with a high risk of not being able to sell them later. All this results in higher prices for products of high commercial value, such as asparagus, fish and flowers (Torero, 2020).



4. Trade facilitation measures

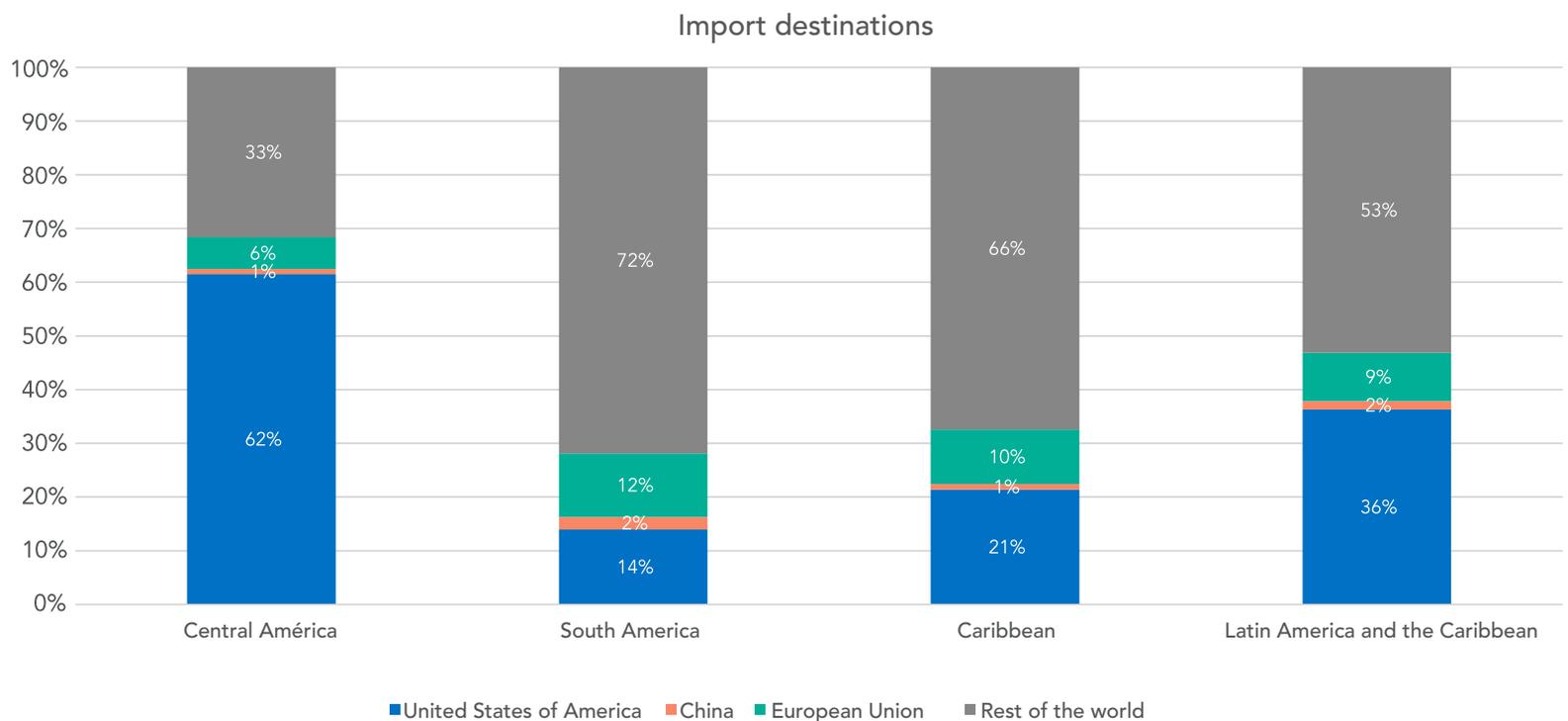


Trade policies can do much more than simply prevent harm. They can keep the wheels of food value chains turning, driving initiatives that facilitate trade. In short, they present an opportunity to mitigate the effects of the crisis in the short term and lay the foundations for a resilient post-crisis recovery (Giordano and Ortiz de Mendivil, 2020).

4.1. Diversify supplier portfolio

In Latin America and the Caribbean, several net food-importing countries depend on food produced outside the region. This represents a risk for the food security of these countries, because if a disruption of food logistics chains were to occur in the immediate future, the availability of food in these countries could be affected. This is a particularly sensitive issue for Central America, since more than half of the food imported comes from a single country outside the region.

Figure 6/ Origin of agricultural product imports by subregion.



In the face of possible depletion of national reserves and reduced availability of food in traditional foreign trade flows, importing countries must establish relations with alternative countries to replace deficit flows. In

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