

# Policy Briefing

## Trade Policy for Sustainable and Inclusive Agriculture

Trade policy provides a powerful set of levers for accelerating a transition to more inclusive and sustainable agricultural practices. Yet, trade in agriculture is often reliant on unsustainable methods of production, misaligned to tackling hunger, inadequate in support for decent farmer livelihoods, with negative climate and environmental impacts. Several countries are pioneering efforts to reform agricultural support schemes. This briefing highlights two key priorities in aligning trade policy with efforts to reform support for a transition to sustainable and inclusive food systems: core environmental standards coupled with scaling finance to support global South producer compliance.

### Key messages

- **The Ukrainian crisis has exposed the vulnerabilities of the global food system**, which raises the urgency to support sustainable and inclusive agriculture.
- **'Agroecology' can unlock gains for people and the planet** – it is a sustainable farming approach that works with nature, enhancing the biodiversity of farmlands while delivering socioeconomic benefits for farmers.
- **The UK could be a leader in reshaping agricultural subsidies** to support farmers in adopting agroecological practices.
- **It is critical to align trade policy with agricultural reform by setting core environmental standards and minimum environmental requirements for all imports.** Core environmental standards should be accompanied by appropriate support for smallholder farmers, especially in the global South, including financial support, training, and knowledge sharing.



**It is critical to align trade policy with agricultural reform. Opening markets to unsustainably produced agri-food can undermine the transition to sustainable agriculture.**

**Anna Sands,  
Julia Turner and  
Amrita Saha**

## Trade and the urgency of sustainable and inclusive agriculture

Nowhere are the links between sustainable and inclusive international trade more visible than in agriculture. Agricultural commodities account for a significant share of exports in many developing countries, and agricultural global value chains facilitate the exchange of products, ideas, and talent across countries, including through South–South cooperation for trade. At the same time, today's food systems generate profound challenges for people and the planet, including **failures in addressing hunger and malnutrition**, accounting for one third of greenhouse gas emissions and driving deforestation and degradation.

Negative environmental impacts undermine the capacity to produce food, with agriculture one of the sectors most vulnerable to nature loss. The most recent Intergovernmental Panel on Climate Change (IPCC) report highlights how climate change will cause major disruptions to the food system, requiring urgent adaptation and resilience, as well as mitigation measures. This threatens the livelihoods of communities dependent on small-scale production, and exacerbates high rates of rural poverty, as **75 per cent of those living in poverty globally live in rural areas and work mainly in farming**.

Current global food shortages and rapidly rising food prices, stemming from the Ukrainian crisis, show the vulnerability of the food system. We urgently need a more resilient, less wasteful, and more equitable system. Scaling agroecological practices can support a shift to a sustainable and inclusive food system, by leading to better environmental and social outcomes. Agroecology encompasses a range of farming approaches that work with nature to enhance farmland biodiversity. Practices include: crop rotation, farming a diversity of crop species on the same land in succession to enhance soil quality and efficiency; agroforestry, combining trees and

shrubs with crop and livestock systems to boost productivity and manage water flows; and regenerative agriculture, centring on soil regeneration.

Agroecological practices can unlock gains for farmers and nature: reducing emissions, resource use, and pollution; enhancing the carbon density of farmland; and increasing biodiversity and building resilience to climate impacts such as floods and droughts. By underpinning a productive, diverse, and resilient agricultural system, along with tailoring practices to local conditions, agroecological practices can also support nutritious diets and benefit farmers and rural communities, by reducing vulnerability to market price volatility and cutting input costs. Moreover, **these practices do not compromise on yields** and reduce dependence on (often imported) inputs. Improved soil quality and reduced input requirements (such as fertilisers) can boost productivity, including reducing dependency on fertiliser costs, an issue particularly important at present.

So, how can policymakers accelerate this transition? Reforming agricultural support along with leveraging trade policy is an important pathway.

## Reforming agricultural support and agroecological practices

Of the current US\$720bn of annual agricultural support provided by 54 countries, around **40 per cent was provided through policies that artificially maintain domestic farm prices above international levels**. These types of payments reinforce industrial approaches and deny funds for sustainable practices. For example, the EU's Common Agricultural Policy (CAP) directs payments largely based on farmland acreage, benefiting industrial-scale farmers. Additionally, these systems disadvantage countries that have fewer resources to subsidise their agricultural systems. World Trade Organization (WTO) negotiations on agricultural support have proven intractable and divisive, due to food

security concerns and significant pressure from powerful agribusiness interests. While recent reforms have improved the EU's CAP system, agriculture has yet to be decoupled from environmental degradation.

Several countries have started to unilaterally reform their agricultural support schemes and transition to agroecological practices for sustainable farming. The UK has shown leadership with the Sustainable Farming Incentive – one of three new environmental land management schemes (ELMS) designed to provide 'public money for public goods' – which rewards farmers for greater adoption of environmental practices, such as reduced soil tillage and thicker hedgerows. Building on this leadership, including with a compatible trade policy, is an important opportunity.

## Trade policy and agriculture

In the UK, as in most countries, environmental standards applied to domestic agricultural produce are not applied to food imports. Opening markets to unsustainably produced agricultural imports can undermine domestic reform processes towards sustainable practices. For example, domestic farmers working to shift to greener production methods may struggle to compete with cheaper international food imports produced to a lower environmental standard. This could result in calls to lower domestic standards, reducing the effectiveness of domestic incentives to green agricultural production.

Unsustainably produced agricultural imports can also **dramatically increase a country's environmental footprint**. Having exited the EU, the UK is negotiating many new trade agreements in a short period of time. Without proper safeguards these agreements risk amplifying the UK's footprint, given that target countries including the USA, Canada, Australia, New Zealand, and Brazil have more industrialised agricultural systems, and in some cases less stringent regulations.

For example, the USA approves 29 more Highly Hazardous Pesticides than the UK. Australian beef production contributes to deforestation and water pollution, endangering the coral reef.

Core environmental standards would set minimum environmental requirements for all imports, **comparable to mandatory requirements that UK farmers need to meet**. This would ensure that UK trade policy does not undermine the domestic agricultural reform agenda and does not offshore the UK's environmental footprint. These standards would need to apply in a flexible way to all producers, ensuring that different contexts and production landscapes are accounted for. The UK could learn from existing examples of core environmental standards, such as the **USA's Marine Mammal Protection Act**, which requires that prospective seafood exporters to the USA demonstrate that they source from fisheries with protections that are 'comparable in effectiveness' to USA standards. Similar initiatives are being discussed in the EU, as recognition grows that the CAP reform requires a parallel effort to ensure that the EU's agricultural environmental impact is not offshored via trade.

While limiting the environmental impact of imports is vital, agriculture requires consideration of a wider set of impacts, including livelihoods. Countries implementing environmental standards need to consider varied capacities of farmers to comply. Support for the poorest to adjust to new standards is essential to ensure that aggregate gains are distributed fairly. Smallholder farmers in the global South may find it challenging to adjust to new standards, e.g. due to a lack of infrastructural capacity or data management systems to monitor compliance in those countries. International support is needed to ensure that this does not become a barrier. Financial initiatives as well as training and knowledge sharing are necessary to support this transition.

## Policy recommendations

Recommended policy action is grouped into two areas: (1) action to implement core environmental standards in a fair way, and (2) support for agricultural producers to meet these environmental standards, particularly in the global South.

### The UK government should introduce core environmental standards

- Standards should address a clear policy objective, have a scientific rationale, comply with WTO rules, and be applied fairly. There should be a minimum regulatory floor applicable to all, and standards should be regularly reviewed and adapted to reflect any changes in domestic requirements.
- Standards should account for trading partners' differing contexts, ensuring that rules do not discriminate against foreign producers faced with differing production landscapes and constraints.
- Transparent and inclusive processes are needed to build trust and combat the risk of undue influence of powerful actors.

### Support to meet environmental standards

- The UK government and private sector should provide transition

support to smallholder farmers to adjust to new environmental standards, including financial support (e.g. credit), training, and knowledge sharing.

- Existing trade finance, at domestic and multilateral level, should be directed towards sustainable food trade, supporting producers to adopt sustainable practices and mitigating transition risks.
- International organisations should support the implementation of debt relief and restructuring in the wake of the Covid-19 pandemic, as limits in capacity to invest in a green transition create risks for unsustainable agricultural practices.
- The creation of an integrated approach across existing sources of public and private finance to tap into synergies and maximise impact. Finance for developing countries to adapt to new environmental standards was discussed in the **Forest, Agriculture and Commodity Trade (FACT) Dialogue**, an initiative hosted by the UK COP26 presidency, seeking to accelerate the transition to sustainable land-use practices. ■

Institute of Development Studies, Library Road, Brighton, BN1 9RE, United Kingdom +44 (0)1273 606261 [ids.ac.uk](http://ids.ac.uk)

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#### Further reading

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WWF-UK (2022) **Setting the Standard: Advancing the Case for Core Environmental Standards for the UK**, Woking: WWF-UK

This *IDS Policy Briefing* was written by **Anna Sands** (WWF-UK), **Julia Turner** (SYSTEMIQ), and **Amrita Saha** (IDS) and edited by **Erin MacDermott** (IDS). It was produced as the result of a collaboration between IDS and WWF-UK, building on work by Angela Francis and Anesu Matanda-Mambingo at WWF-UK, and research on **'inclusive trade' at IDS**. The opinions expressed are those of the authors and do not necessarily reflect the views or policies of IDS.



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