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# Coping with the Post-COVID-19 Economic Recession

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# First phase of COVID-19

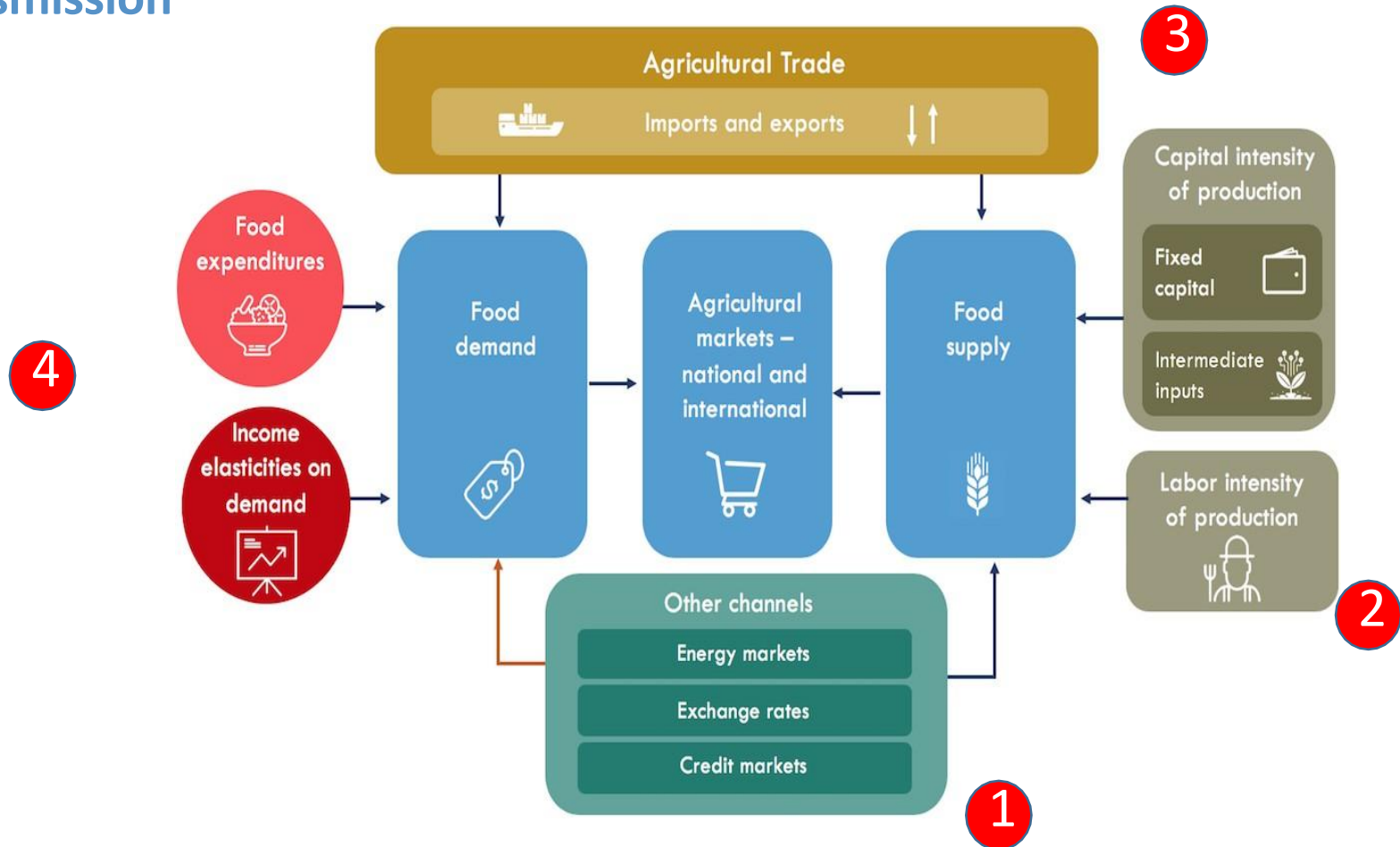
# Containment



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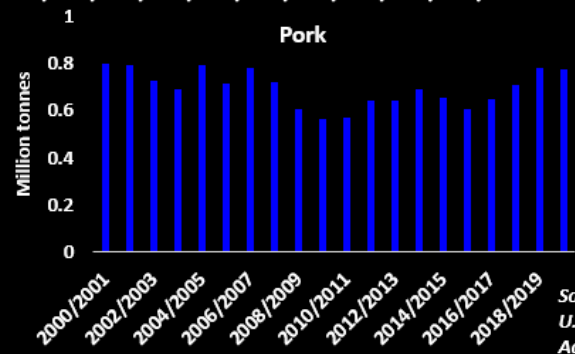
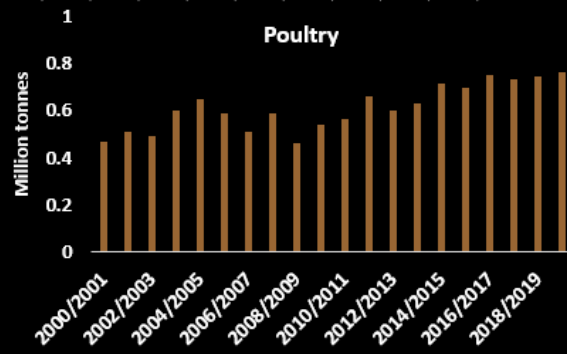
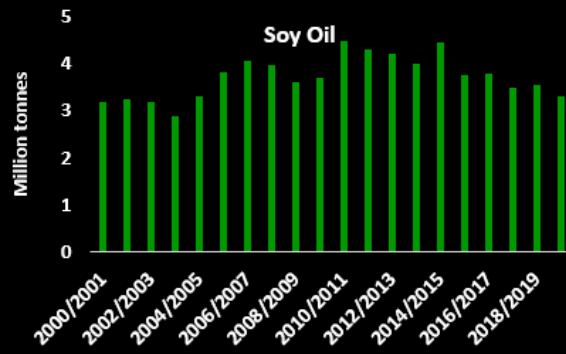
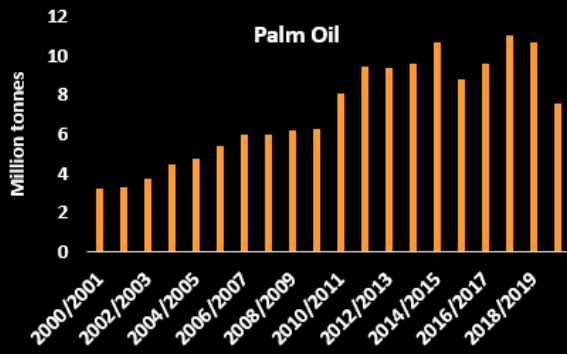
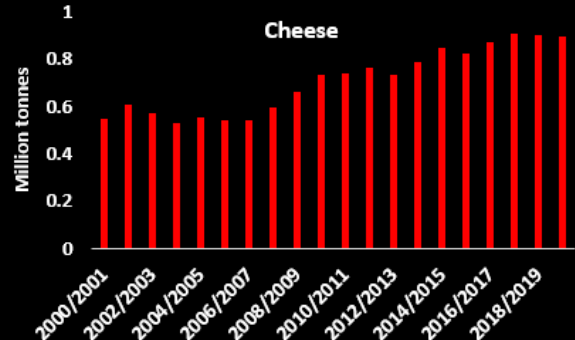
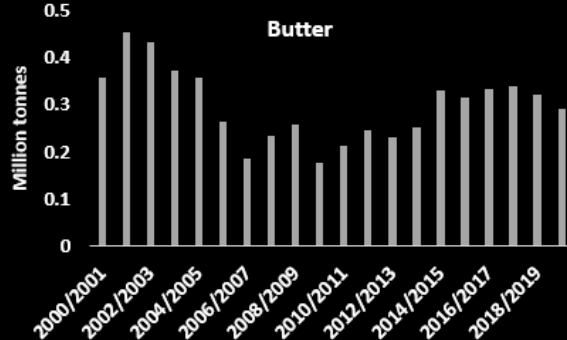
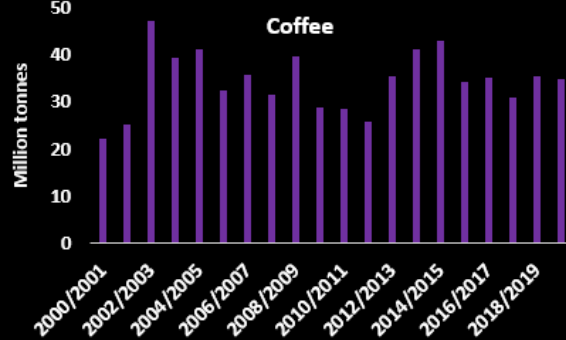
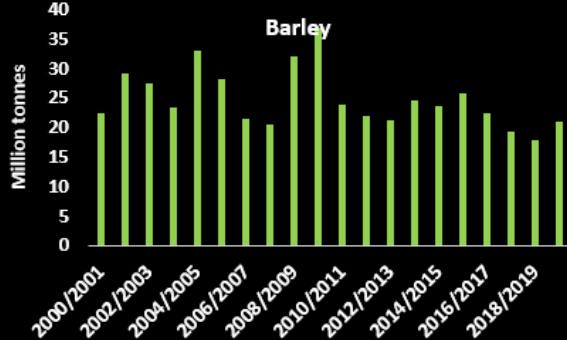
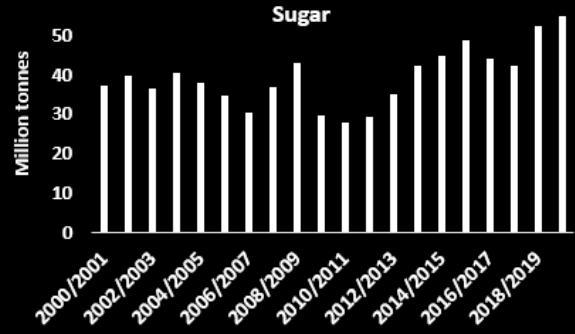
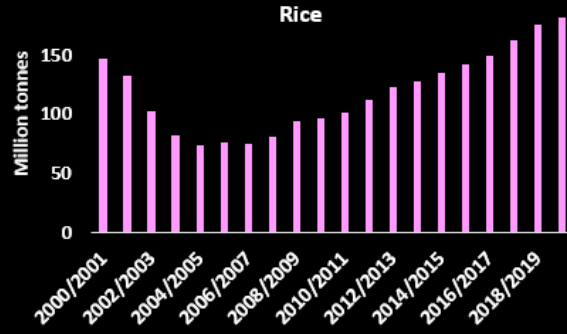
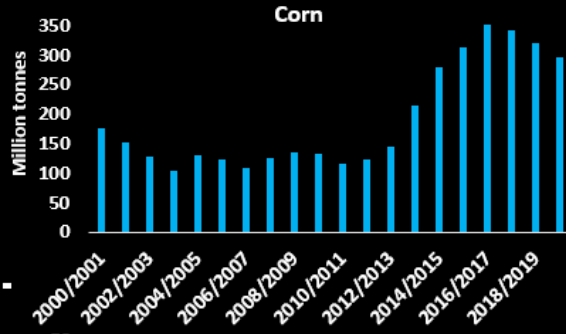
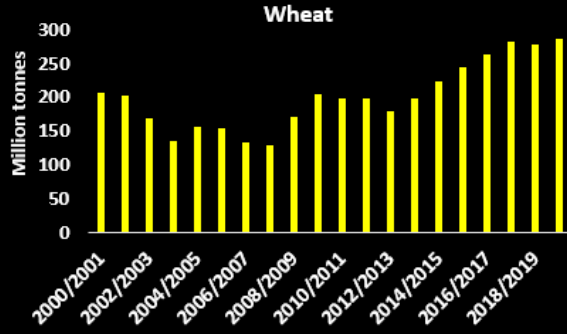
## The basic channels of transmission

-  Logistics – health and lockdown
- 1 Macro policies
  - 2 Health policies - lockdown
  - 3 Trade policies
  - 4 Economic recession



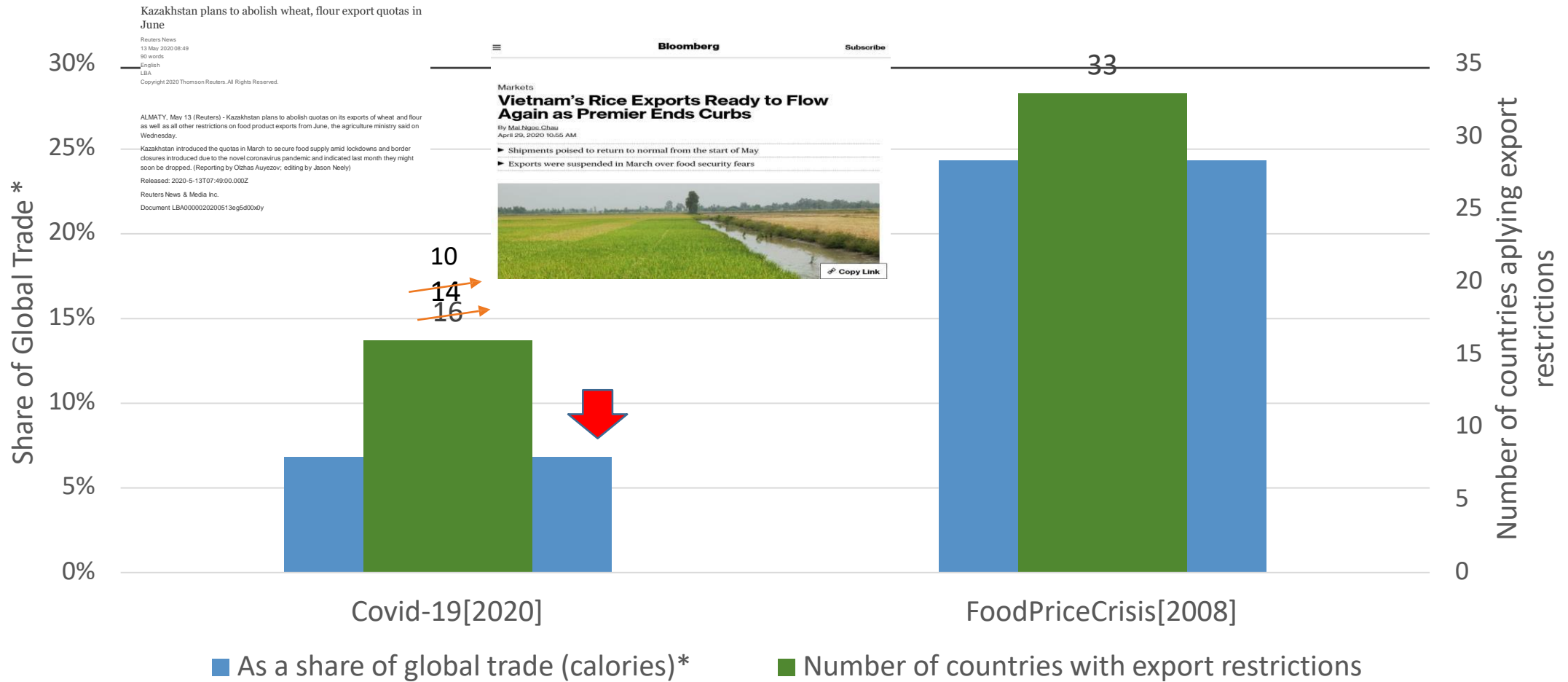


# Global stocks of food staples



Source: U.S. Dept of Agriculture

# Then and now: food export restrictions during two crisis



Note: \* global trade is defined on non-intra EU trade flows, and for unprocessed food products and excluding sugar.

Source: Laborde (2020), IFPRI



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# Second phase

# Consequences

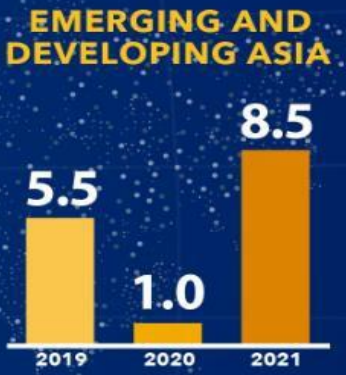


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# Latest World Economic Outlook growth projections

(percent change)

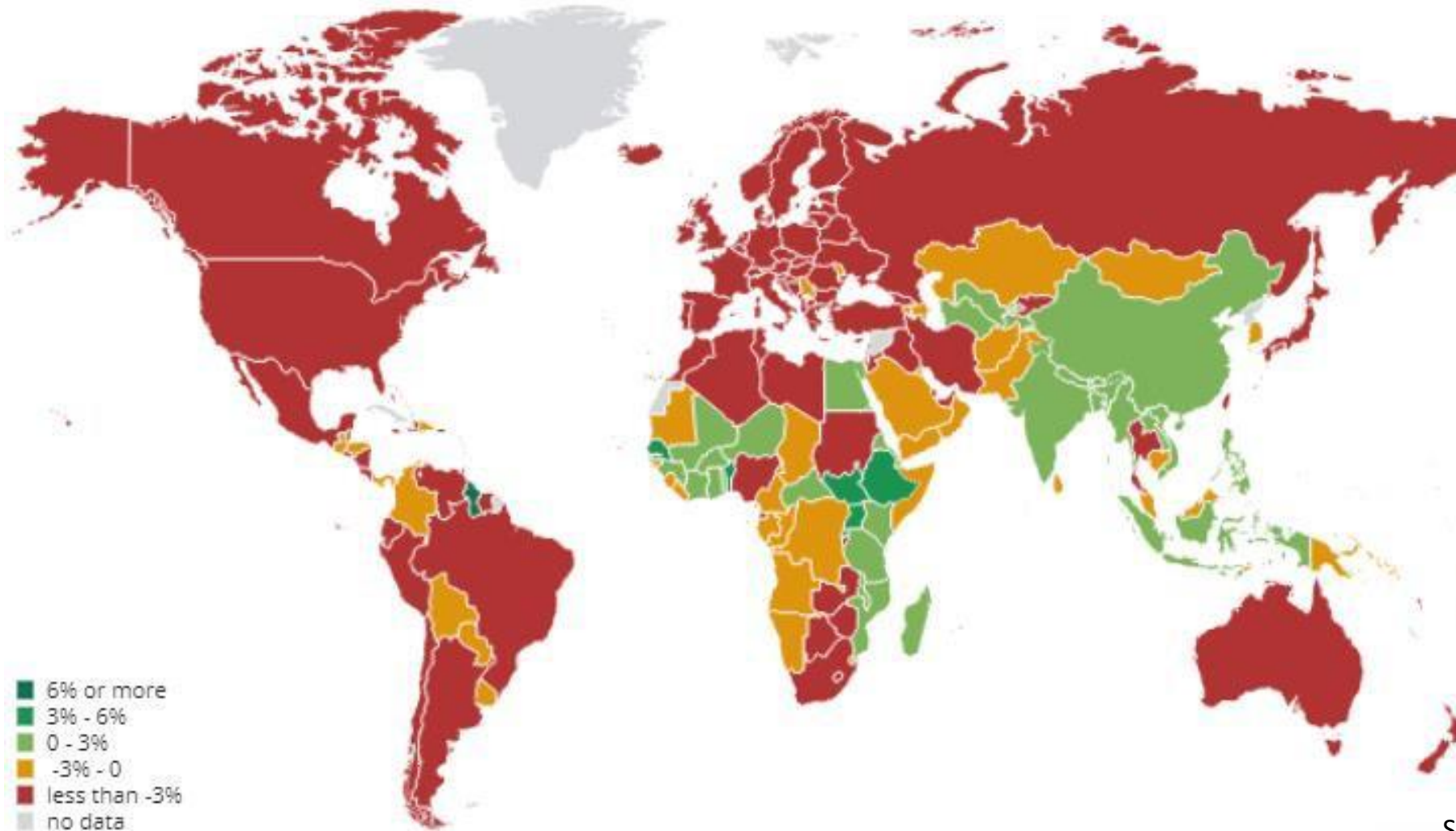


Source: IMF, World Economic Outlook, April 2020.

Note: Order of bars for each group indicates (left to right): 2019, 2020 projections, and 2021 projections.



## Real GDP Growth Annual percent change







## Jobs at risk

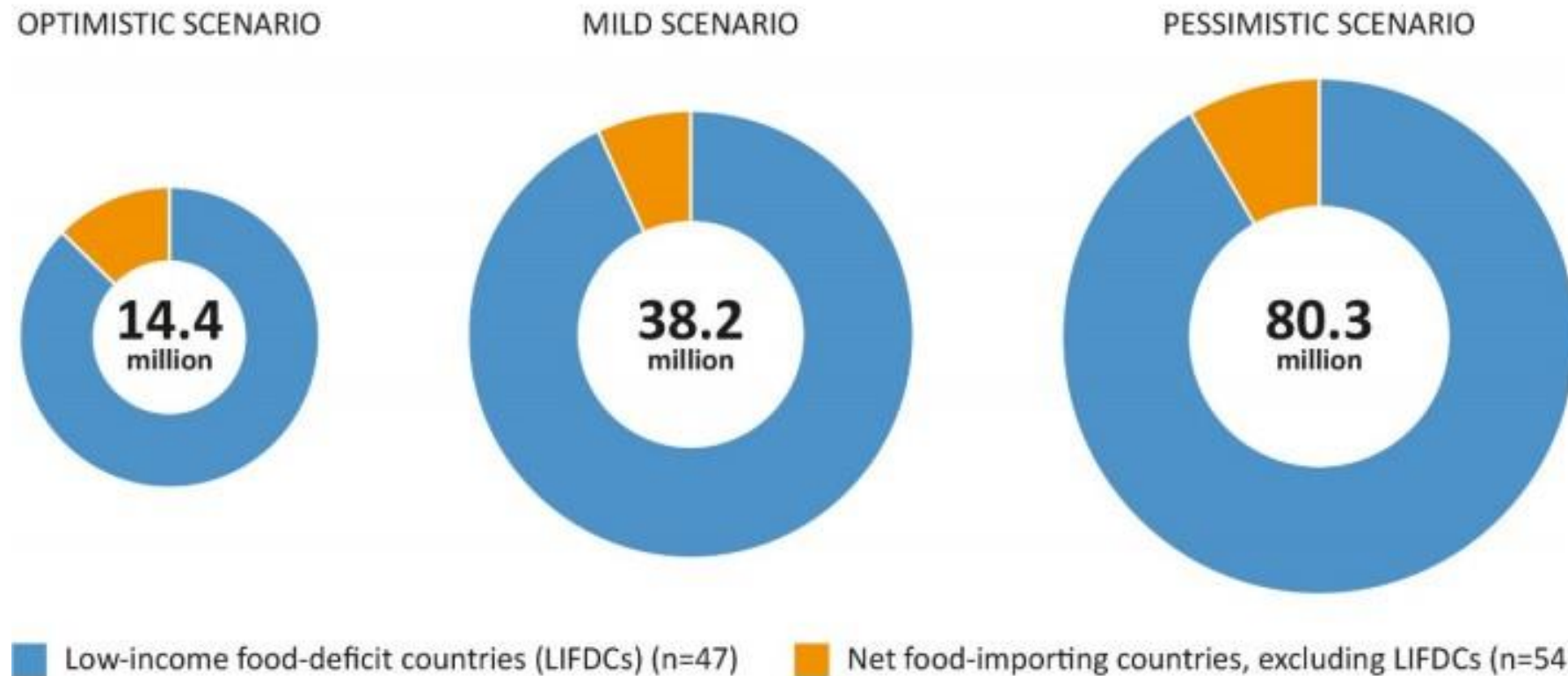
|                                | Food Systems |            | Covid-19*    |                     |
|--------------------------------|--------------|------------|--------------|---------------------|
|                                | JOBS         | LIVELIHOOD | Jobs at risk | Livelihoods at risk |
| <b>Primary Production</b>      | 761.77       | 2,023.80   | 152.35       | 404.76              |
| <b>Food Processing</b>         | 200.73       | 484.54     | 120.44       | 290.72              |
| <b>Food Services</b>           | 168.97       | 339.44     | 101.38       | 203.66              |
| <b>Distribution Services</b>   | 96.34        | 241.48     | 57.81        | 144.89              |
| <b>Transportation Services</b> | 41.61        | 101.05     | 16.64        | 40.42               |
| <b>Machinery</b>               | 6.51         | 13.18      | 1.72         | 3.48                |
| <b>Inputs</b>                  | 4.89         | 11.06      | 1.29         | 2.92                |
| <b>R&amp;D</b>                 | 0.13         | 0.29       | 0.02         | 0.03                |
| <b>Total</b>                   | 1,280.93     | 3,214.84   | 451.64       | 1,090.89            |
| % of total                     |              |            | 35.28%       | 33.93%              |

**Source: \* Based on extrapolation from ILO**

- [https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms\\_743146.pdf](https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms_743146.pdf)

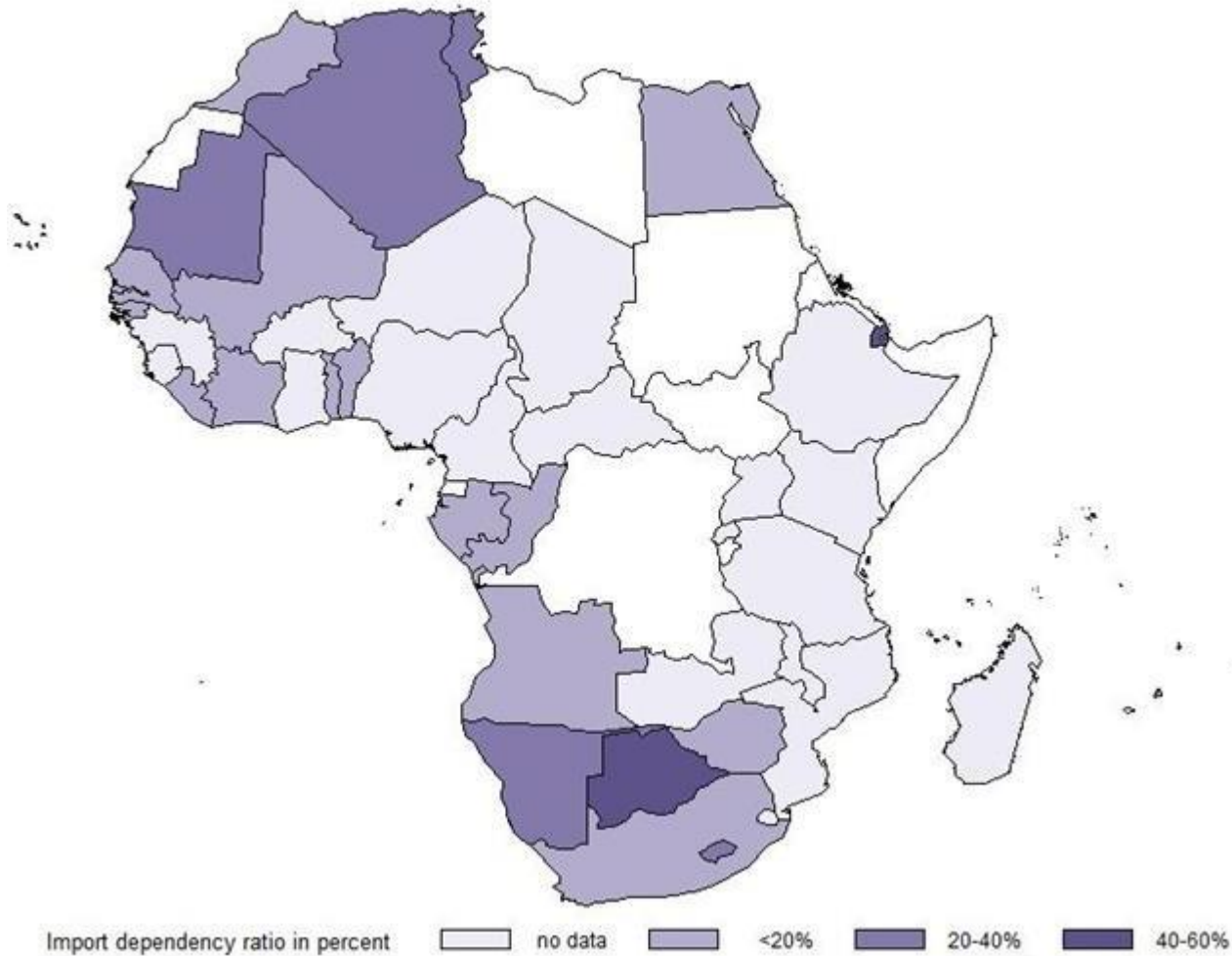
**Elaborated: FAO/IFPRI**

FIGURE 2 | Rising undernourishment in net food-importing countries, as a result of the three hypothetical GDP growth reduction scenarios (millions of people)

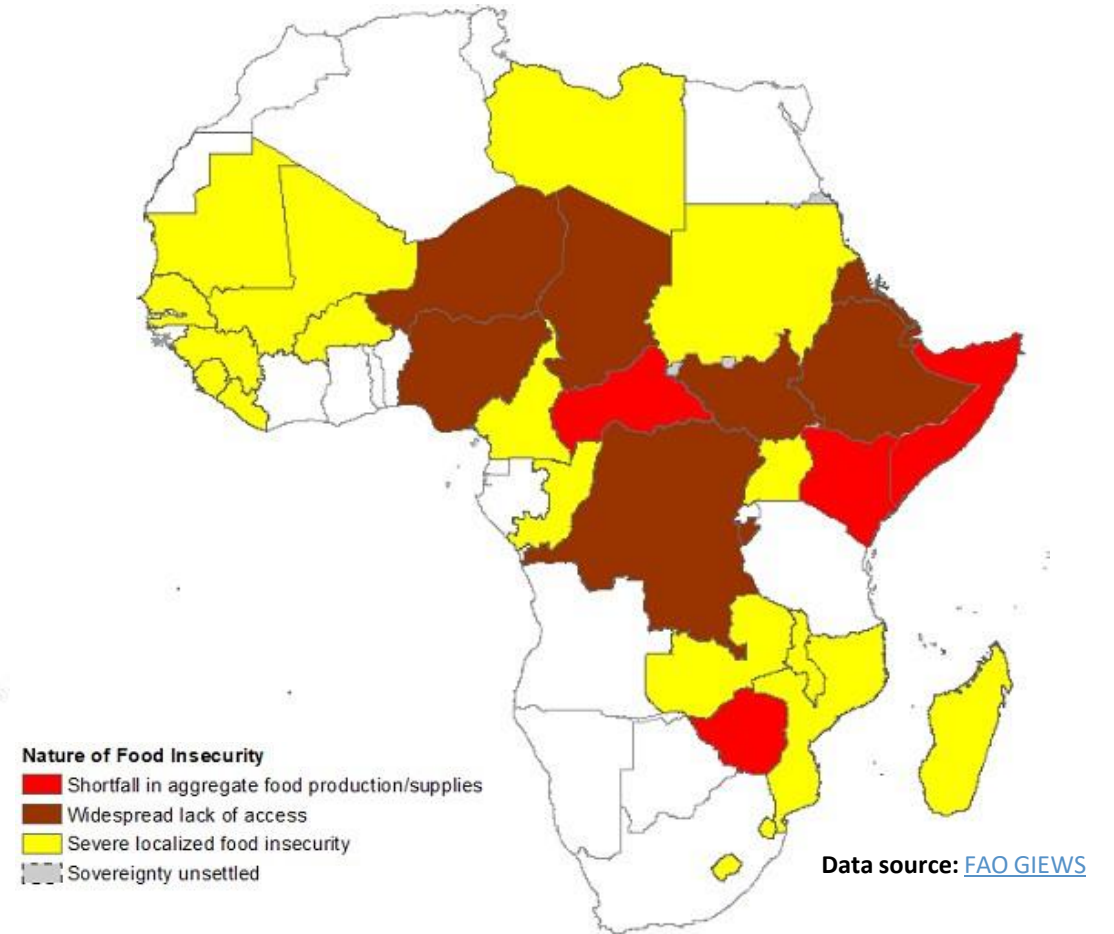


Source: Authors' own elaboration, based on the methodology, data and analysis described in Conti, Cafiero and Sánchez (2020) (see <https://doi.org/10.4060/ca8815en>).

**Food import dependency rates (%)**  
2015-17 average



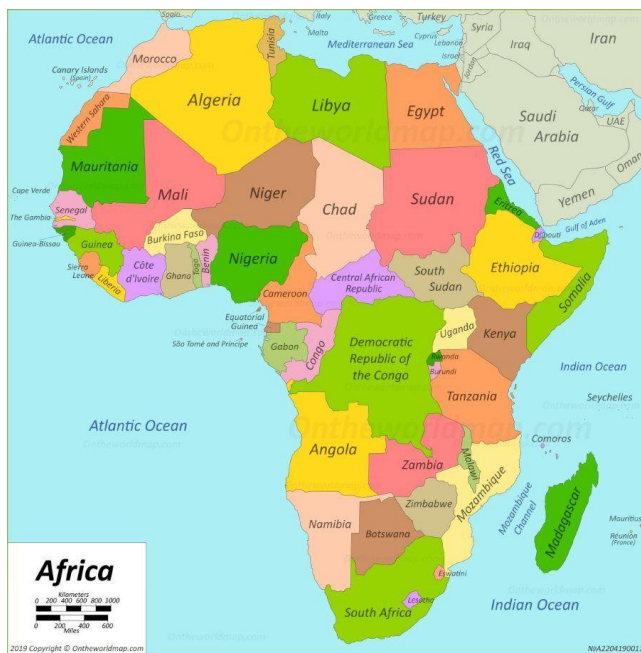
**Countries Requiring External Assistance for Food in Africa**  
March 2020



*Disclaimer: The designations employed and the presentation of material in the maps do not imply the expression of any opinion whatsoever on the part of FAO concerning the legal or constitutional status of any country, territory or sea area, or concerning the delimitation of frontiers.*



# Highest Valued Exports



Source: CIA Factbook  
Simran Khosla/ GlobalPost

## Top African agricultural imports and exports

| Top importer of African agricultural products | Share of African agricultural exports (%) | Top agricultural exporter to Africa | Share of African agricultural imports (%) |
|---|---|-------------------------------------|---|
| Netherlands                                   | 8.58                                      | Brazil                              | 9.24                                      |
| France  | 6.98                                      | Russian Federation                  | 7.04                                      |
| Spain   | 5.66                                      | Argentina                           | 5.87                                      |
| United States                                 | 5.28                                      | France                              | 5.77                                      |
| Germany                                       | 4.65                                      | India                               | 4.77                                      |
| China   | 4.49                                      | United States                       | 4.39                                      |
| United Kingdom                                | 4.38                                      | Indonesia                           | 4.19                                      |
| India   | 3.96                                      | China                               | 3.73                                      |
| Italy   | 3.52                                      | Malaysia                            | 3.44                                      |
| Belgium                                       | 3.26                                      | Ukraine                             | 3.33                                      |

Source: COMTRADE (2019) and authors' calculations.



|                                | Tourism<br>(% GDP) | External<br>Debt (%<br>GDP) | Reserves<br>(no of<br>months<br>of<br>imports) | Estimated<br>Fall in<br>GDP (%) | Financial<br>Assistance<br>Needed<br>(million<br>USD) |
|--------------------------------|--------------------|-----------------------------|--|---------------------------------|---|
| Maldives                       | 66                 | 48                          | 2  | 17%                             | 1,150   |
| Seychelles                     | 66                 | 198                         | 3  | 16%                             | 153   |
| St. Kitts and Nevis            | 63                 | 20                          | 6  | 16%                             | 92  |
| Grenada                        | 56                 | 59                          | 4  | 14%                             | 137   |
| Vanuatu                        | 48                 | 46                          | 10   | 12%                             | 81  |
| Cabo Verde                     | 46                 | 89                          | 5  | 12%                             | 131   |
| St. Vincent and the Grenadines | 46                 | 38                          | 4  | 12%                             | 60  |
| Antigua and Barbuda            | 45                 | 34                          | 3  | 11%                             | 243   |
| St. Lucia                      | 43                 | 35                          | 3  | 11%                             | 250   |
| Palau                          | 43                 | 31                          | na   | 11%                             | 31  |
| Bahamas, The                   | 40                 | 194                         | 3  | 10%                             | 846   |
| Fiji                           | 40                 | 17                          | 3  | 10%                             | 343   |
| Dominica                       | 38                 | 55                          | 5  | 10%                             | 28  |
| Barbados                       | 36                 | 29                          | 3  | 9%                              | 369   |
| Jamaica                        | 35                 | 108                         | 5  | 9%                              | 775   |

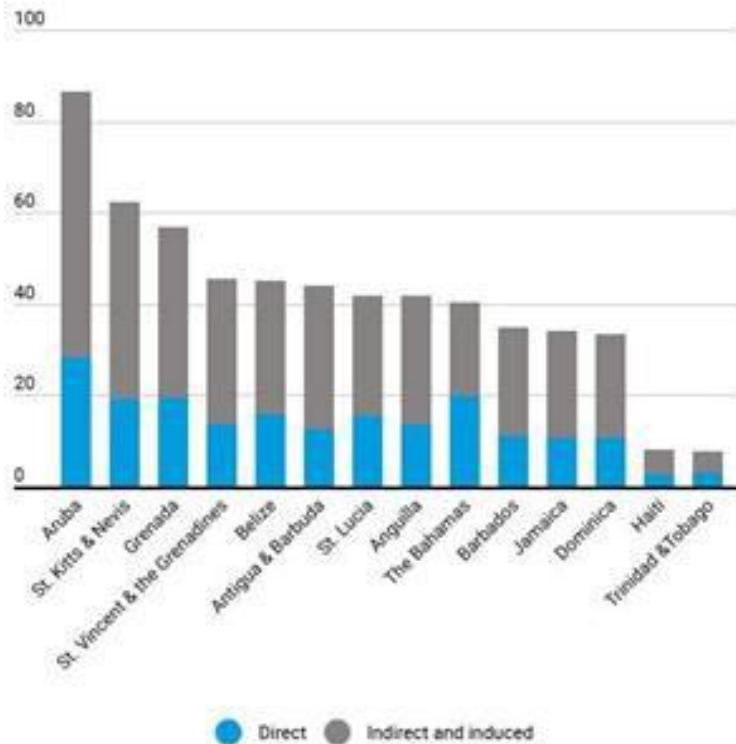
|                       | Tourism<br>(% GDP) | External<br>Debt (%<br>GDP) | Reserves<br>(no of<br>months<br>of<br>imports) | Estimated<br>Fall in<br>GDP (%) | Financial<br>Assistance<br>Needed<br>(million<br>USD) |
|-----------------------|--------------------|-----------------------------|--|---------------------------------|---|
| Sao Tome and Principe | 27                 | 59                          | 3  | 7%                              | 25  |
| Mauritius             | 24                 | 72                          | 5  | 6%                              | 540   |
| Samoa                 | 23                 | 51                          | 4  | 6%                              | 48  |
| Tonga                 | 21                 | 41                          | 8  | 5%                              | 12  |
| Kiribati              | 19                 | 8                           | na   | 5%                              | 1   |
| Solomon Islands       | 13                 | 29                          | 9  | 3%                              | 23  |
| Comoros               | 10                 | 17                          | 7  | 3%                              | 19  |
| Marshall Islands      | 9                  | 52                          | na   | 2%                              | 5   |
| Micronesia, Fed. Sts. | 8                  | 29                          | 5  | 2%                              | 6   |
| Trinidad and Tobago   | 8                  | 30                          | 9  | 2%                              | 135   |
| Tuvalu                | 6                  | 45                          | na   | 2%                              | 1   |
| Timor-Leste           | 3                  | 7                           | 7  | 1%                              | 20  |
| Nauru                 | 1                  | 22                          | na   | 0%                              | 0   |
| <b>TOTAL SIDS</b>     | <b>29</b>          | <b>72</b>                   | <b>6</b>                                       | <b>7%</b>                       | <b>5,523</b>  |

Source: UNCTAD based on data from UNCTADStat, WTTTC, World Bank, IMF and national statistics. Aggregates figures are GDP weighted averages. SIDS are defined according to the UNCTAD classification.

## Lower tourism

The collapse in tourism is hurting many Caribbean countries.

(The Caribbean: tourism contribution, percent of GDP)

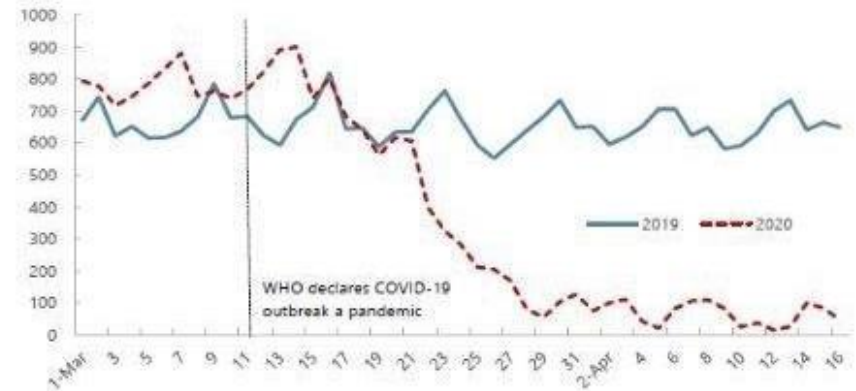


Source: World Travel and Tourism Council

## Tourism shock

Daily inbound flights to the Caribbean have diminished following border closures and travel restrictions.

(Number of daily inbound flights)

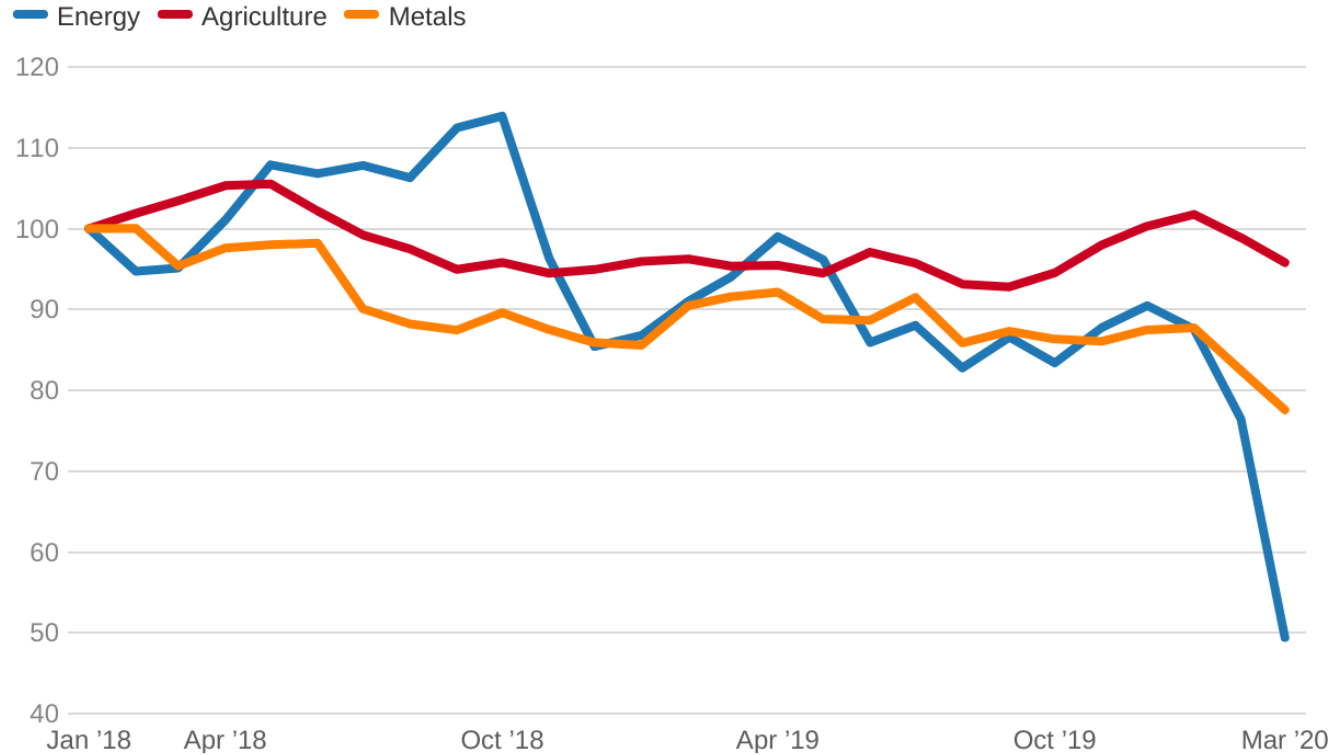


Source: Flightradar24; and IMF staff calculations.



# As the coronavirus pandemic worsened, commodity prices fell

Index US\$ (Jan 2018 = 100)



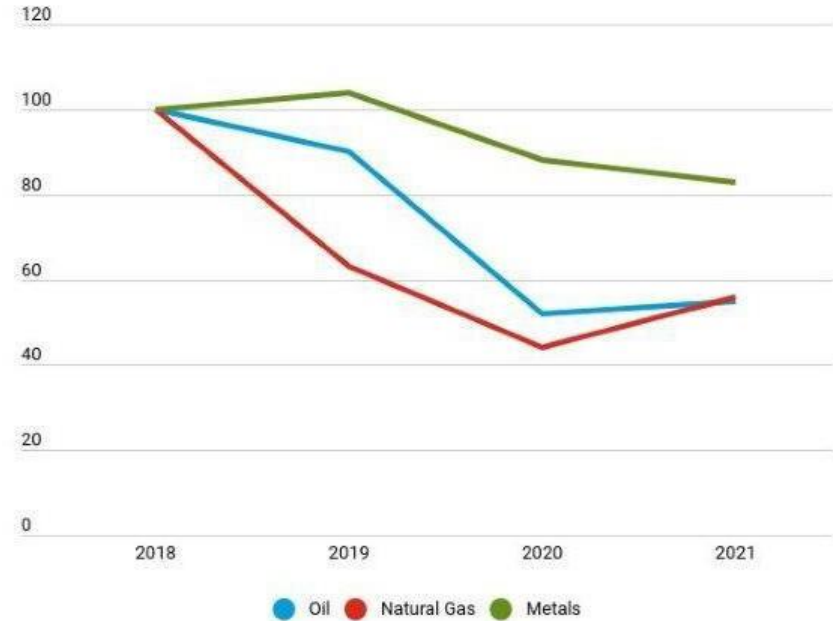
Last observation is March 2020

Source: World Bank • Embed this chart

## Sharp fall in commodity prices

Caribbean commodity exporters are losing significant export and fiscal revenues.

(Commodity prices, index: 2018 = 100)



Source: IMF World Economic Outlook (WEO) database; and IMF staff calculations.





### Weak demand sends oil tumbling

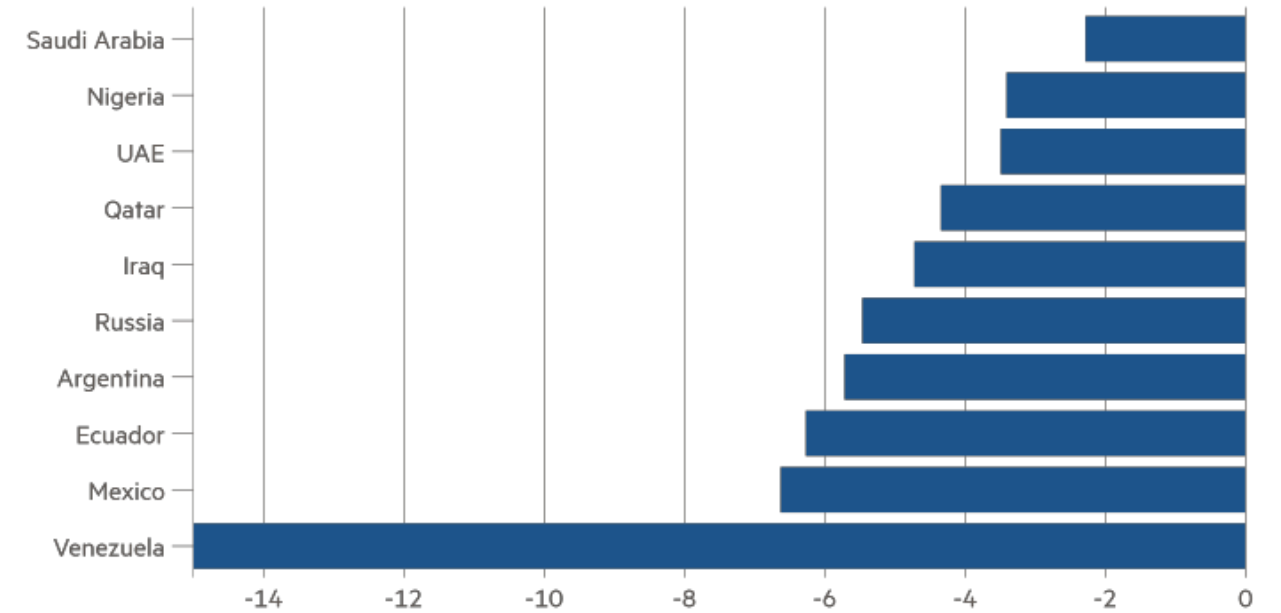
Brent crude (\$ per barrel)



Source: Refinitiv  
© FT

### Oil-dependent economies face sharp GDP contraction

2020 forecast (GDP change, %)



Source: IMF  
© FT



## Current drop in oil demand outpaces previous global recessions

Percentage decline in oil demand



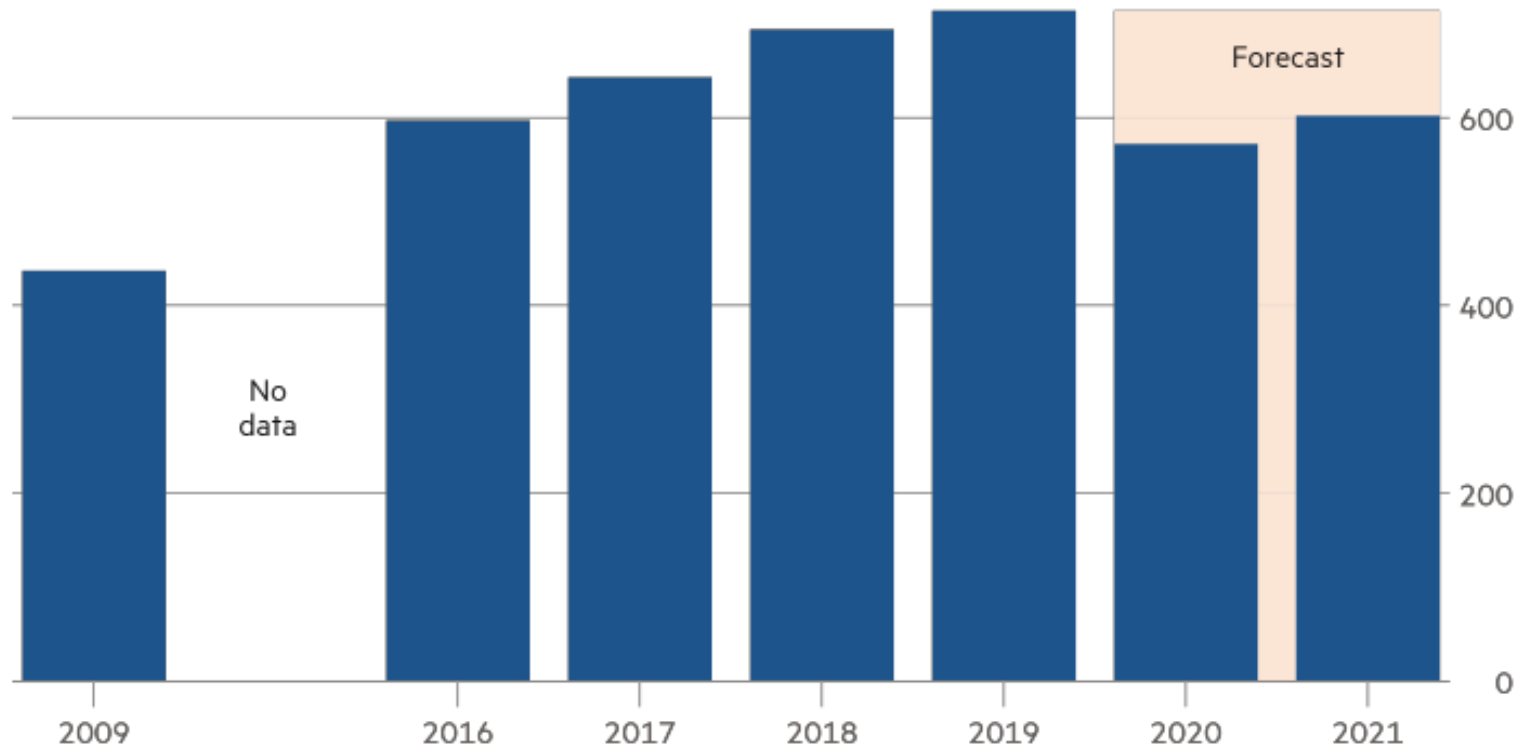
Data for 2020 is based on IEA estimates

Source: BP Statistical Review, IEA, and World Bank • Embed this chart



## World remittance flows

\$bn



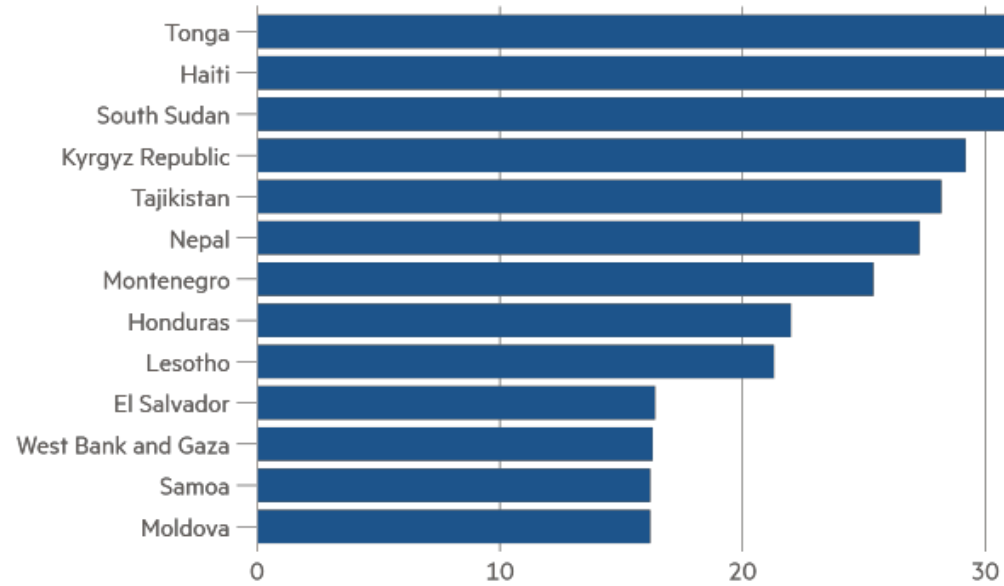
Source: World Bank

© FT



### Biggest recipients of remittances

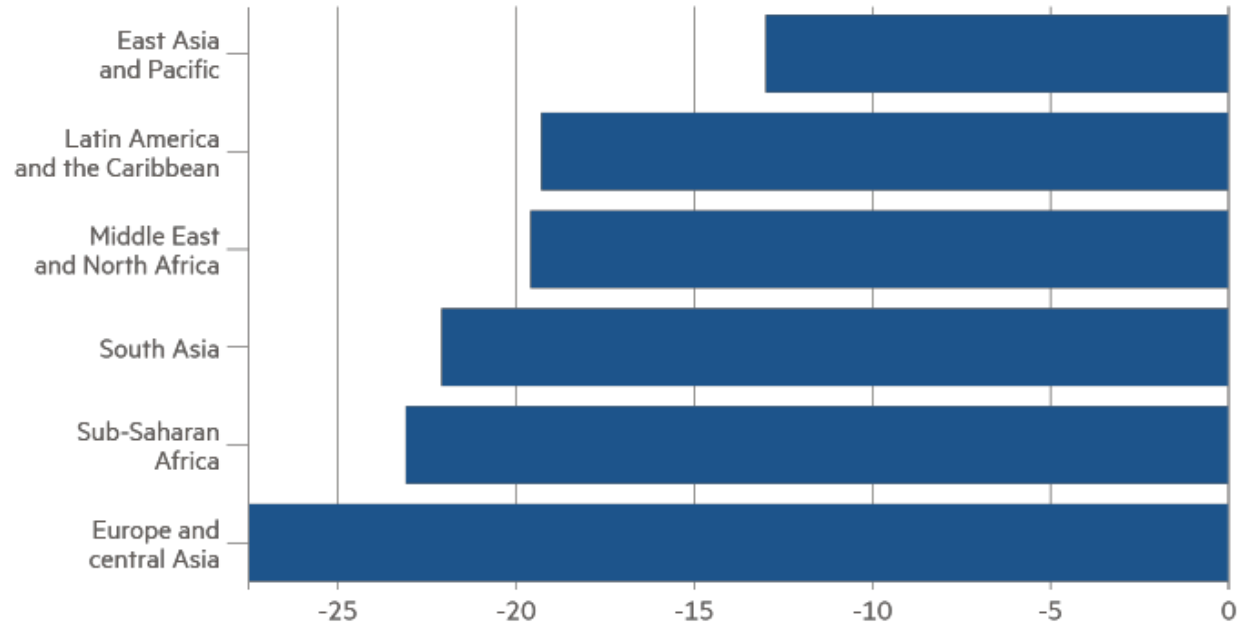
% of GDP, 2019



Source: World Bank © FT

### Change in remittances flows by recipient region

2020, year-on-year projection (%)



Source: World Bank © FT



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# What to do?

# Health-food- development trilogy



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## Meet immediate needs of vulnerable populations: Urgent increases in food availability from smallholder farmer food production



Provide productivity-enhancing safety nets



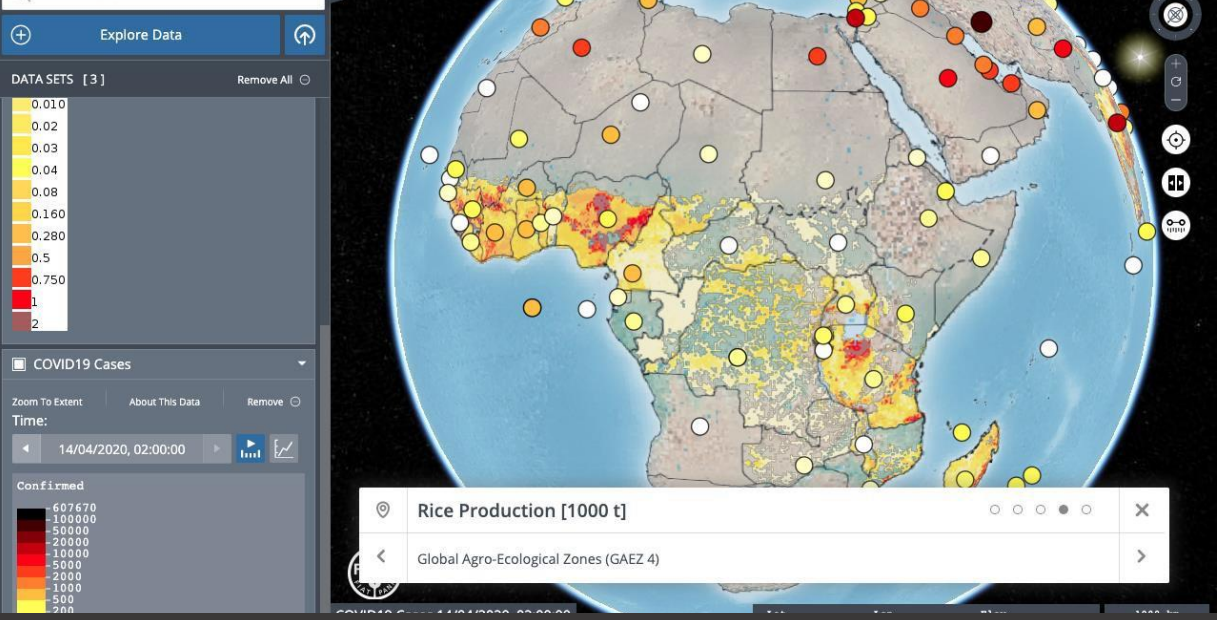
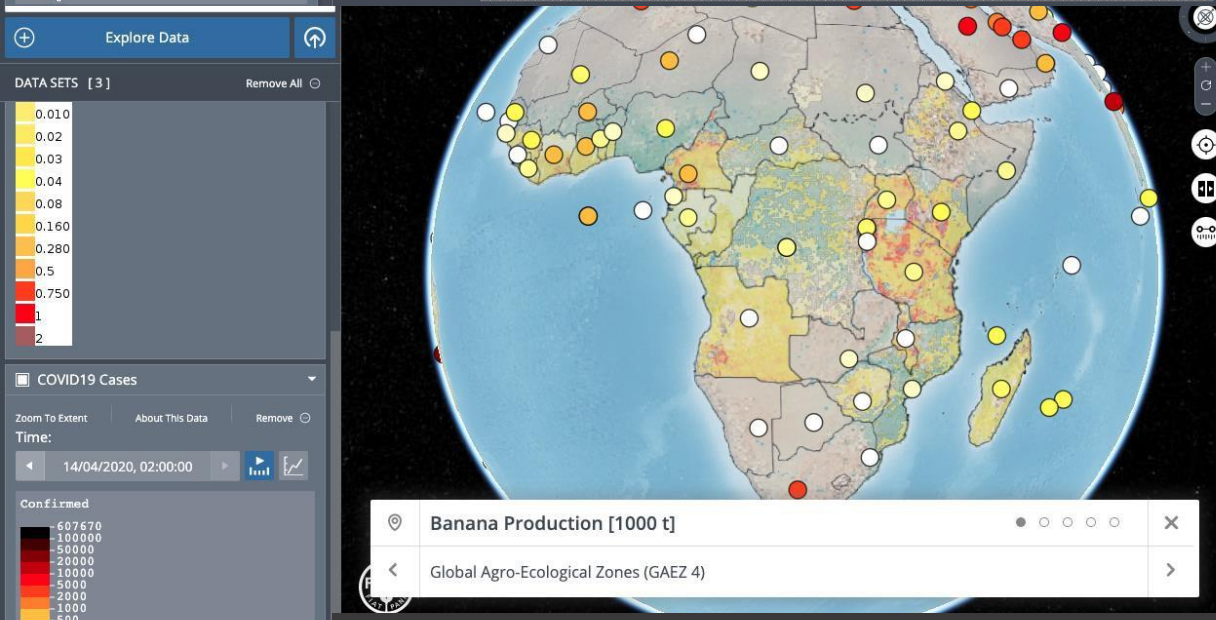
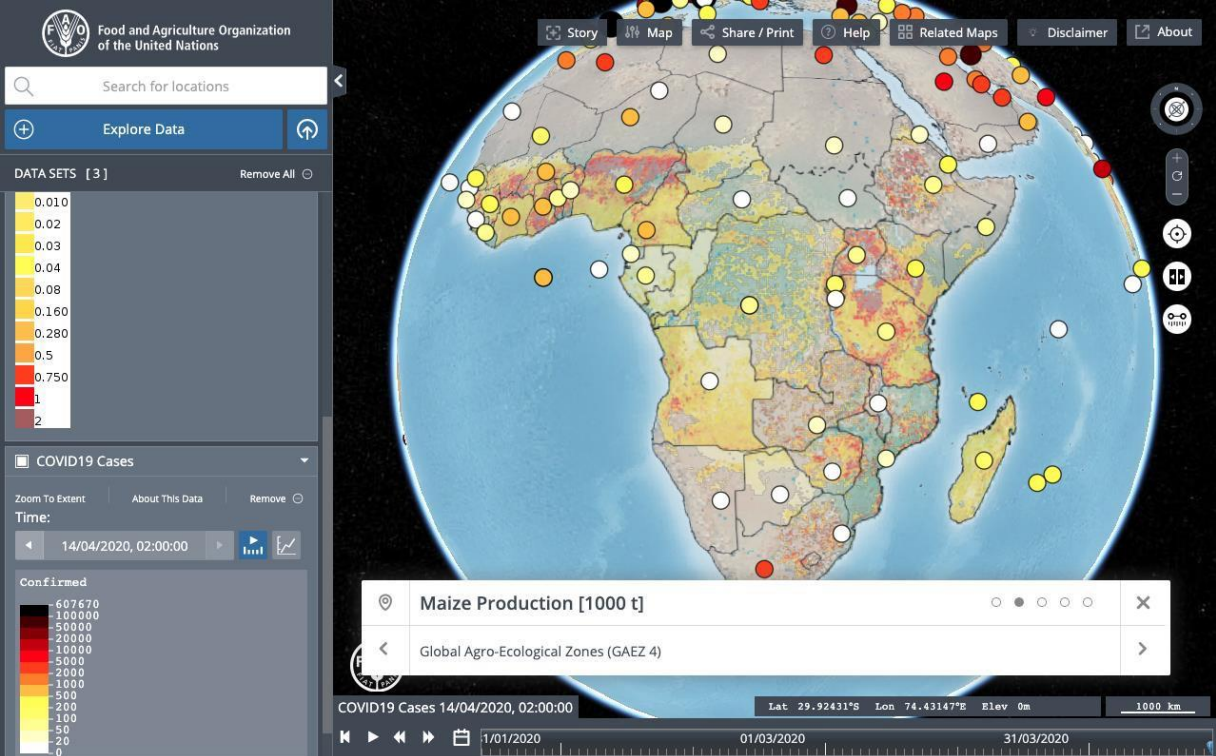
Reduce post-harvest crop losses and improve food stocks along the value chain



Remove artificial constraints to domestic trade throughout the food chain in order to link smallholder farmers to markets



Address basic energy needs of smallholders and rural households

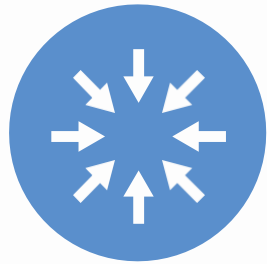


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## Meet immediate needs of vulnerable populations: Issues on trade and tax policies

### Adjustments to trade and tax policies



Encourage better functioning food markets through improved regional political and economic integration and better functioning for trade in food



Immediately review trade and taxation policy options and their likely impacts



Avoid generalized subsidies for food consumers



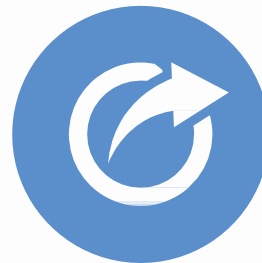
Reduce restrictions on use of stocks



Improve efficiency of trade facilitation



Use limited strategic grain reserves



Minimize use of export restrictions



Reduce import tariffs and other restrictions



Temporarily reduce VAT and other taxes





# Why intra-Africa trade matters?

## Achieving economies of scale and exploiting comparative advantages

- Income growth and reaching minimal size to develop industries

## Trade integration among “similar” countries could generate a lot of benefits

- e.g. European Union
- Reduced institutional differences or gaps in standards (e.g. SPS).
- Generate a lot of intra-sectoral trade leading to reduced adjustment costs

## Regional value chains are important to favor integration in global value chains

- Example ASEAN
- Developing regional markets is not aimed to replace global integration, just to do the right choices at the right scale

## Risk pooling strategy

- Integrated markets are more resilient to risk: e.g. weather shocks, locusts etc.
- Price stabilization

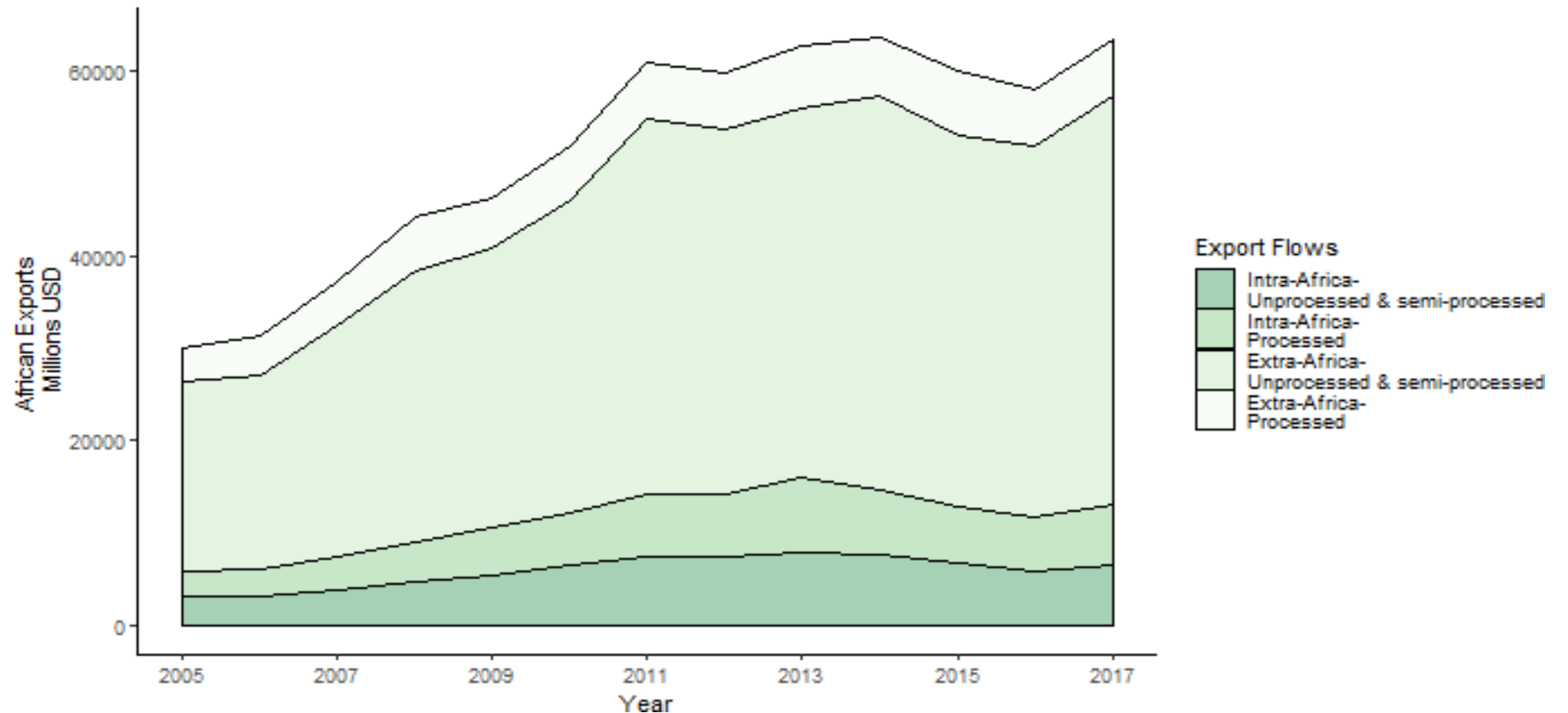
# Intraregional trade of agricultural products

Intra Africa trade represents 20% of the continent agricultural trade

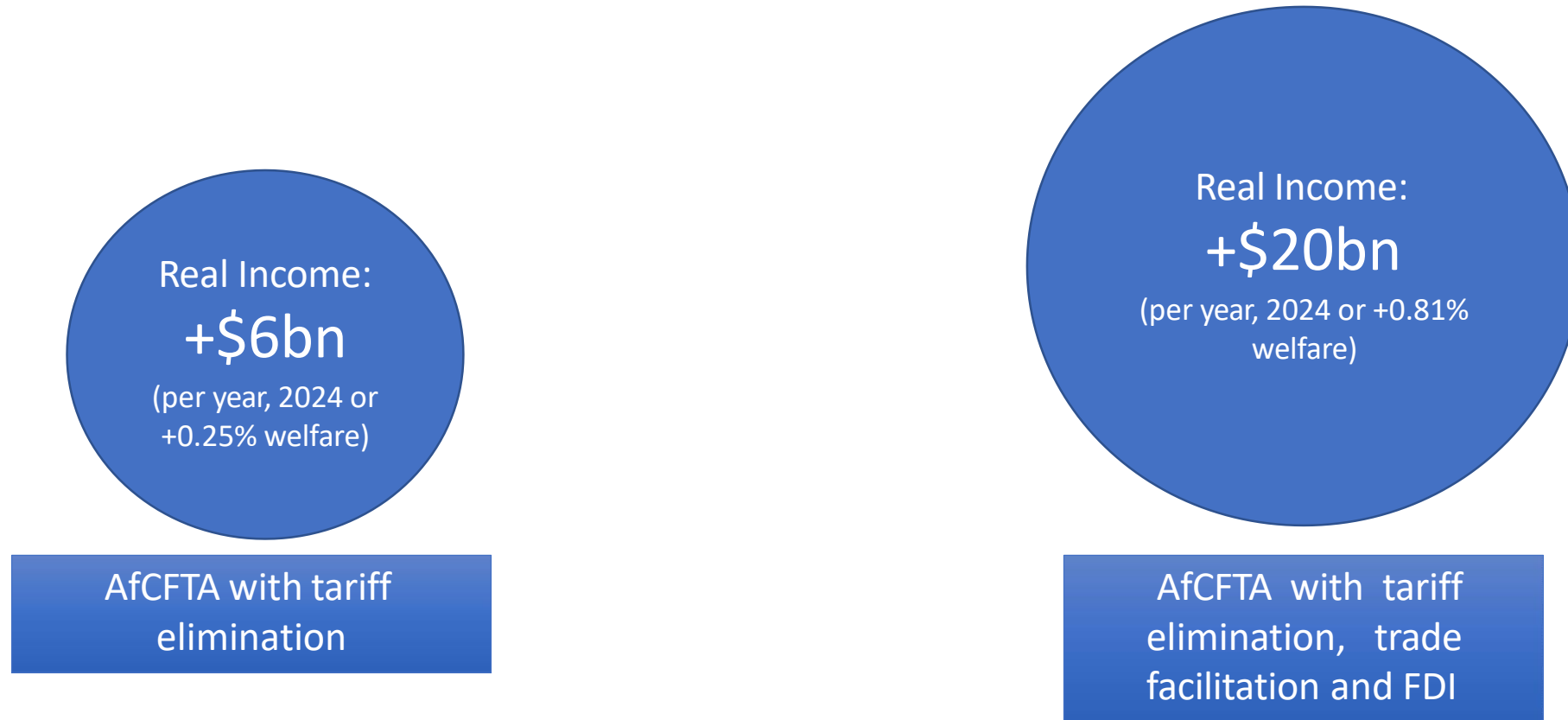
|  | Dollars | Calories |
|--|---------|----------|
| Share of African exports going to Africa | 21.8%   | 42.0%    |
| Share of African imports from Africa     | 16.4%   | 9.2%     |

African integration of agricultural products has significantly improved over the last 20 years, and is not lagging specially behind the other continents.

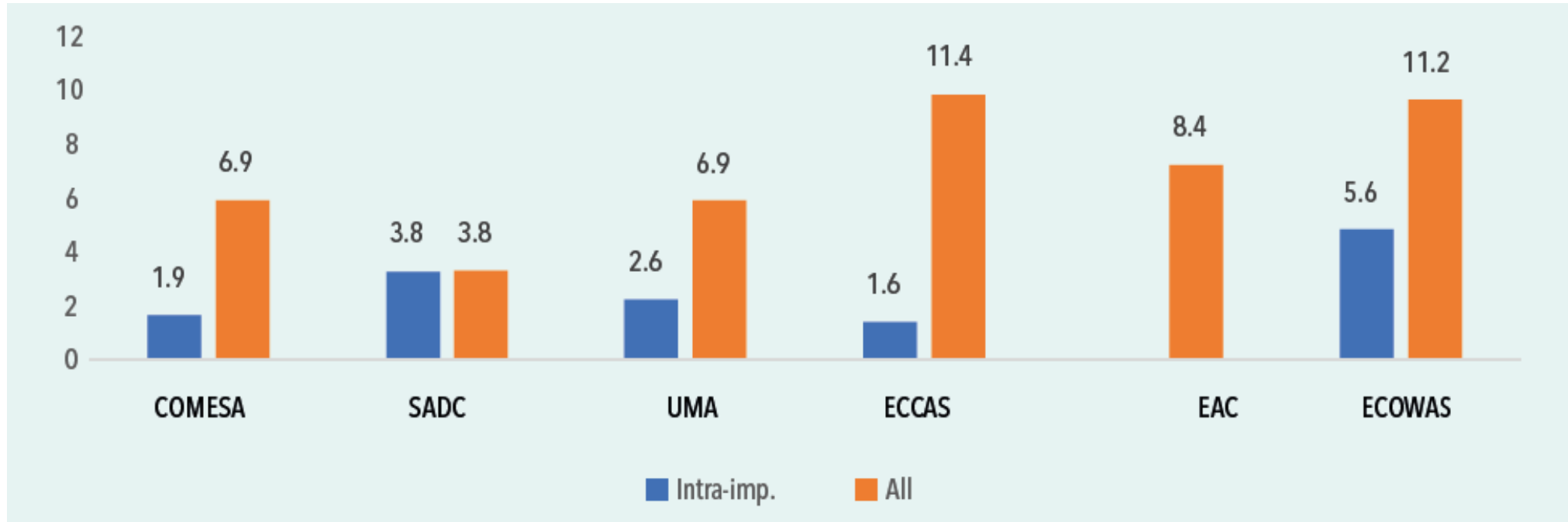
# Intra-Africa trade has increased but remains limited. Still, it is more intensive in processed food with additional value added.



# Potential large gains for the AfCFTA



## Africa Continental Free Trade Area (AfCFTA): Level of customs duties on intraregional imports and on all imports

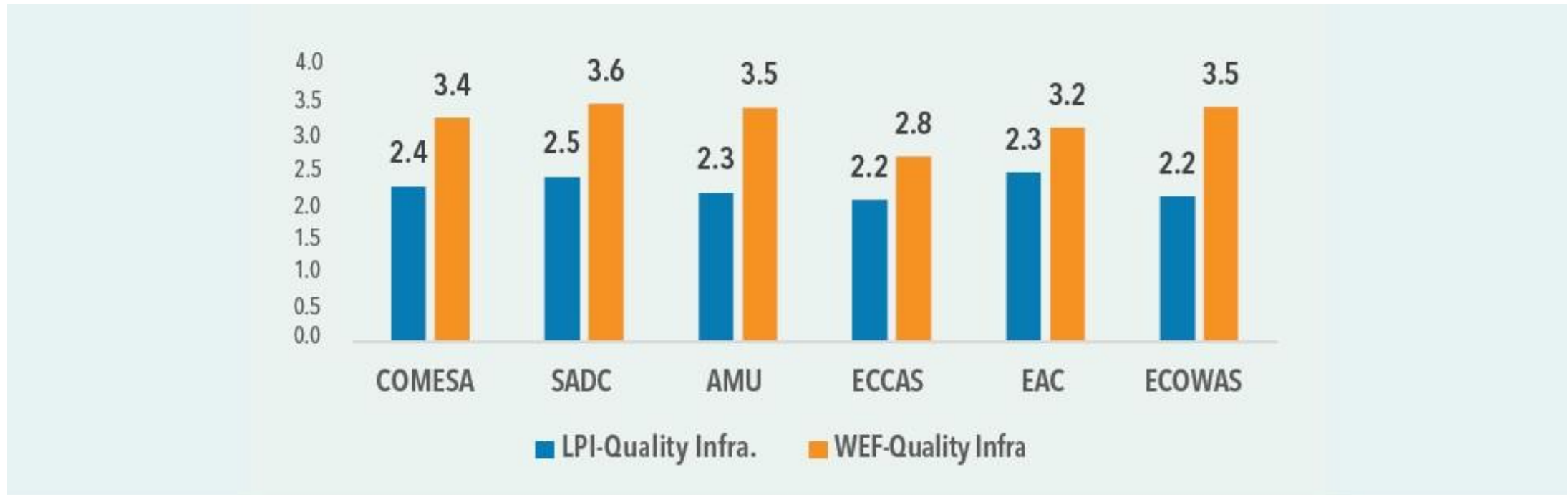


Source: Authors' elaboration using COMTRADE (2019).

Note: Intra-imp represents the intra-regional imports and All is total imports. COMESA for Common Market for Eastern and Southern Africa, SADC for Southern Africa Development Community, AMU for Arab Maghreb Union, ECCAS for Economic Community of Central African States, EAC for East African Community, ECOWAS for Economic Community of West African States.

This figure illustrates the level of average tariffs on intra-REC trade in Africa in 2015. Since that date, there has been a change in these customs duties. For example, there are no longer any customs duties on trade in goods within ECOWAS.

## Africa Continental Free Trade Area (AfCFTA): Quality of infrastructure 2018

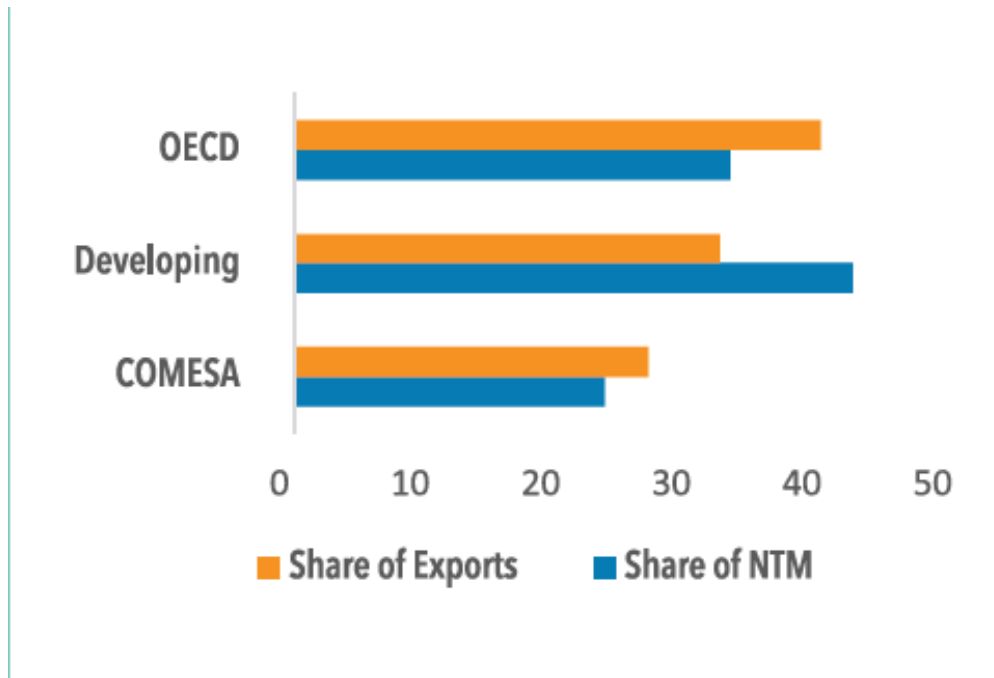


Source: Constructed by the authors using Logistics Performance Indicators (2019) and World Economic Forum (2019).

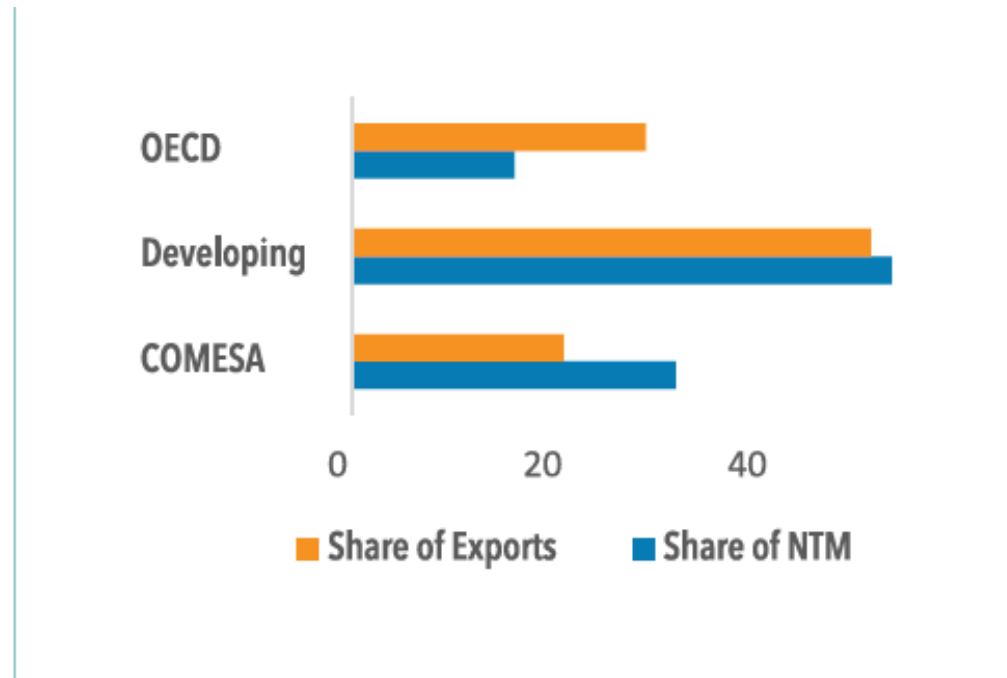
Note: (i) Logistics performance index: Quality of trade and transport-related infrastructure (1 = low to 5 = high;); (ii) Quality of port infrastructure, WEF (1 = extremely underdeveloped to 7 = well developed and efficient by international standards). COMESA for Common Market for Eastern and Southern Africa, SADC for Southern Africa Development Community, AMU for Arab Maghreb Union, ECCAS for Economic Community of Central African States, EAC for East African Community, ECOWAS for Economic Community of West African States

## Africa Continental Free Trade Area (AfCFTA): Costly Non-tariff Measures (NTMs)

### Share of NTMs faced by Kenya



### Share of NTMs faced by Tanzania



Source: Constructed by the authors using the International Trade Center Business Surveys (2019).

Note: Data presented are the latest available year for each country (between 2010 and 2011). COMESA for Common Market for Eastern and Southern Africa, SADC for Southern Africa Development Community, AMU for Arab Maghreb Union, ECCAS for Economic Community of Central African States, EAC for East African Community, ECOWAS for Economic Community of West African States, NTM for Non-Tariff Measure.



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