Market Access for High-Value Foods

Introduction

Anita Regmi, Mark Gehlhar, John Wainio, Thomas Vollrath, Paul Johnston, and Nitin Kathuria[1]

Global trade in high-value foods has grown significantly in the past three decades and now dwarfs raw agricultural commodity trade. High-value food, which in 1976 accounted for 30 percent of total U.S. agricultural trade and 48 percent of world agricultural trade, doubled in share of U.S. agricultural trade to 60 percent in 1994 and increased in share of world trade by 27 percentage points to 75 percent during the same period. From 1994 to 2002, however, U.S. trade in high-value food grew at a slower pace, registering growth of only 3 percentage points during the 9-year period and accounting for 63 percent of U.S. agricultural trade. Similarly, world trade in high-value food grew only 4 percentage points during the same period, reaching 79 percent of world agricultural trade in 2002. Although the potential for trade expansion remains great, market access is a major problem for countries exporting high-value foods, particularly processed foods, for which trade is still highly concentrated among few partners. Without improved access to global markets, the growth prospects for high-value food trade remain uncertain.

Food trade comprises traditional bulk commodities, such as wheat, rice, and corn; semi-processed products, such as flour and oils; horticultural products such as fresh fruits and vegetables and nursery products; and processed food products such as breakfast cereals and canned soups (see box on product groupings). Horticultural, processed, and semi-processed products are considered to be high-value products.

While the Uruguay Round of WTO negotiations laid the framework for subjecting food and agricultural trade to multilaterally agreed upon rules similar to those governing trade in industrial products, actual accomplishments in removing trade barriers have been more modest. In the market access area, countries agreed to upper limits on agricultural tariffs and timetables for reductions in these limits but were given much latitude to protect sensitive products from tariff reductions. Additionally, pre-Uruguay Round agricultural tariffs were much higher than tariffs on nonagricultural products and remain so even after the Uruguay Round reductions. More important, tariff protection remains highly uneven across both countries and products. Concerns have also been raised by some members that tariffs on processed and semi-processed products are generally higher than tariffs on primary commodities, reflecting efforts to protect domestic processing sectors.

In addition to tariffs, WTO members employ numerous other instruments to regulate the flow of imports, including sanitary and phytosanitary (SPS) measures as well as a number of trade remedy measures. High-value prod-

[1] The authors are ERS economists, with the exception of Paul Johnston, who recently retired from the agency, and Nitin Kathuria, who is a management trainee at Marico Industries Ltd., Mumbai, India.

Description of Product Groupings

Primary bulk commodities

Description	HS code
Coffee	09011
Tea	0902
Coffee mate	0903
Wheat	1001
Rye	1002
Barley	1003
Oats	1004
Corn	1005
Rice	1006
Sorghum	1007
Other grains	1008
Soybeans	1201
Peanuts	1202
Oilseeds	1204-1207
Cotton linters	14042
Cocoa beans	1801
Tobacco	24011-24013
Cotton	5201-5203
Hemp	5302

Semi-processed

Description	HS code
Live animals	0101-0106
Pig fat	0209
Hairs	0501-0503
Animal products	0504-0511
Dried, shelled beans	0713
Coffee husks	09019
Grain flours, groats	1101-1103
Starch	11081
Inulin	11082
Wheat gluten	1109
Copra	1203
Soy flour & meal	1208
Sowing seeds	1209
Roots, seeds cut/crushed	1211
Straw, husks, fodder	1213, 1214
Gum, lac, plant extracts	1301, 1302
Furnishing material	1401-1404
Animal fat	1501-1503, 1505, 1506
Vegetable oils	1507-1516
Inedible fats, oils	1518
Crude glycerol	1520
Wax	1521
Degras	1522
Sugar	17011
Cocoa products	1802-1806
Grain products	2301-2303
Oilseed cake	2304-2306
Plant waste material	2308
Pet food material	2309
Glycerol/sorbitol/mannitol	2905
Special plant oils	33011-33013, 33019
Proteins/gelatins/starches	3501-3505
Amylaceous substance	38091
Fatty acids, alcohols	3823-3824
Hides, skins	4101-4103
Fur	4301
Silk	5001-5003
Wool	5101-5103
Flax	530

Produce/horticulture

Description	HS code
Planting material	0601-0602
Cut flowers/plants	0603-0604
Vegetables	0701-0709
Roots, tubers	0714
Coconut	08011
Brazilnut	08012
Cashew nuts	08013
Other nuts	08021-08025, 08029
Fruit	0803-08010
Frozen fruit	08119
Dried fruit	08131-08135
Pepper	09041-09042
Vanilla	905
Cinnamon	09061-09062
Cloves	0907
Nutmeg	09081
Mace	09082
Cardamom	09083
Other seeds	09091-09095
Other spices	09101-09105
Spice mix	091091, 091099
Hops	12101, 12102
Stone fruit	12123
Sugarbeet	121291
Sugarcane	121292

Processed

Description	HS code
Fresh, chilled meats	0201-0208
Processed meat	-210
Dairy products	0401-0406
Eggs and products	0407-0408
Honey	0409
Other animal products	0410
Processed vegetables	0710-0712
Processed fruit	0811-0812, 0814
Coffee	09012, 09014
Processed grains	1104-1107
Other vegetables	1212
Fish & animal oils	1504, 1517
Prepared meats	1601-1603
Sugar, sweeteners	1701-1704
Chocolates	1806
Flour preparations	1901
Pasta	1902
Tapioca	1903
Other preparations	1904-1905
Prepared vegetables	2001-2005
Prepared fruit	2006-2009
Extracts, essences, broths	2101-2106
Beverages	2201-2208
Vinegar	2209
Tobacco products	2402-2403
Other products	3502

Note: The Harmonized System (HS) provides a nomenclature for classifying internationally trade goods. The definitions of HS commodity groupings up to the 6-digit level are established by the World Customs Organization (*http://www.wcoomd.org/ie/En/en.html*).

ucts, unlike bulk commodities, are often ready-to-eat products and are generally more perishable in nature. They also require specialized shipping, packaging, and handling. These characteristics make high-value products subject to a higher degree of scrutiny regarding quality and food safety than bulk commodities. Partly because of such stringent requirements and partly because of the ease in catering to local consumer preferences, suppliers sometimes choose to invest and manufacture high-value food locally rather than export to a market, thereby affecting trade.

Although trade policy has the greatest effect on high-value food trade, other factors influence trade flows. Food trade patterns are shaped by underlying forces that affect consumer preferences and factors of food production. Countries specialize in and export those products that make use of their abundant inputs. Globalization of the food industry has enabled firms to have easier access to capital and technology, the two most important inputs used in the production of many high-value foods. Accordingly, food trade patterns are shifting in composition, partners, and net trade positions for many high-value foods.

A major goal of the ongoing Doha Round of the WTO negotiations is to improve market access for agricultural products, particularly high-value foods that suffer from tariffs that are generally much higher than the tariffs levied on primary agricultural commodities. The actual rates of cuts and the formula for cuts are yet undecided. However, for illustrative purposes, it is meaningful to examine how a uniform tariff cut across both primary and processed products can have varying trade impacts across countries and products, particularly high-value foods.

To better understand the forces affecting trade in high-value foods, this report examines current multilateral rules governing global trade in high-value foods, analyzes trade patterns by the content of trade, and evaluates the impact of improved market access by uniform reductions in global tariffs.