

Background note for informal discussion #5: Markets; Incentives; Agrochemicals; COVID-19

Tuesday, 16 June 2020, 15:00-17:00

Zoom link: <https://fao.zoom.us/j/99368518695>

Meeting ID: 993 6851 8695

Password: CFSmeeting

Overview

1. The fourth informal discussion (held on 4 June) focused on the right to food, gender and agency. A range of views were expressed, mostly confirming the different opinions expressed in writing on the Zero Draft. The fifth and last informal discussion focuses on the last remaining issues identified through feedback on the Zero Draft: markets, incentives, agrochemicals. It will also consider relevant points in relation to the COVID-19 pandemic.

HLPE report evidence base

1. Markets. The [HLPE report](#) emphasizes market failures which impede transitions toward more sustainable food systems, in particular the failure of markets to integrate externality costs into prices. This is also a substantial barrier to premium pricing for sustainably produced food (market prices usually do not include the cost of negative externalities of production, nor reward the positive benefits of systems with positive ecological impacts). The report finds that this is best addressed through government policy, regulation, and moves toward true pricing aimed at internalizing all ecological and social effects of production in the prices of food. The report recommends recognizing the importance of true cost accounting for negative as well as positive externalities in food systems and taking steps to effectively implement it as appropriate.
2. The report notes that local and domestic markets are often the most accessible for low-income, small-scale producers. It finds that supporting short supply chains may enhance farmers' livelihoods and increase access by consumers to local, sustainably-produced, and diverse/nutritious foods. The report recommends supporting the development of local and regional markets and supporting consumer cooperatives and multi-stakeholder platforms to further support such markets.
3. Incentives. Discussions have sometimes used the terms "incentives" and "subsidies" interchangeably. The HLPE report sometimes gives "subsidies" a negative connotation and "incentives" a positive one.
4. The report finds that subsidies support economies of scale, which can result in ecosystem degradation. Often, rather than embracing a holistic view of ecosystem services, agricultural incentives focus on single items (i.e., fertilizer or pesticide use focused on increasing yield while ignoring soil/water quality impacts). To address this, the report proposes that public support measures to promote sustainable food production methods

could remove subsidies for inputs while incentivizing adoption of sustainable food production practices. It recommends that States and IGOs should redirect subsidies and incentives that at present benefit unsustainable practices, to support transition toward sustainable food systems. It also recommends redirecting public and private investment and specifically agricultural subsidies to support agricultural production systems based on holistic comprehensive performance metrics that assess their sustainability and impact on FSN.

5. Agrochemicals. The HLPE report focuses on agrochemicals applied in crop production systems and finds that the use of synthetic mineral fertilizers has been a major source of yield gains in crop production as well as environmental pollution. The report found that the economic cost of environmental pollution in contexts where large quantities of mineral fertilizer have been applied have often outweighed the economic value of increased agricultural yield. It also highlighted concerns about the vulnerability of small-scale farmers to debt if they rely on purchased inputs, while recognizing that use of mineral fertilizers has assisted many farmers to escape poverty. The report also notes recent progress in more efficient use of fertilizer through micro-dosing and integrated soil fertility management that combines the use of organic and inorganic amendments. It found that the viability of different strategies for maintaining soil fertility in high-yielding agricultural practices is highly context-dependent and highlighted lack of availability of rock phosphate as a key concern in some contexts.

HLPE note on COVID-19

6. The HLPE released a draft issue paper on the Impact of COVID-19 on Food Security and Nutrition on March 19, 2020. At that time, the HLPE found that the COVID-19 pandemic was affecting food systems directly through impacts on food supply and demand, and indirectly through decreases in purchasing power and in the capacity to produce and distribute food. The HLPE stated that these , which will have differentiated impact and will more strongly affect the poor and vulnerable.

Details of stakeholder feedback on the Zero Draft

7. Markets. A number of stakeholders proposed that all markets (local, national, regional and international) should be addressed in the policy recommendations, while others maintained that local markets should be the focus from a sustainability perspective, and also for connecting consumers directly with producers, establishing deep ties between food and agricultural production and territories, and promoting quality food products. Stakeholders also disagreed on using true cost accounting.
8. Incentives. A handful of stakeholders had very opposed positions, from calls to reject all subsidies to calls to recognise that subsidies are essential for a number of countries. Several stakeholders suggested that the term “incentives” should not be used to refer to subsidies.
9. Agrochemicals. As mentioned above, the HLPE report focused on agrochemical use in crop production systems (leaving out agrochemical use in livestock and fisheries sectors, such as the use of antimicrobials). Feedback regarding agrochemicals revealed a range of

different concerns. Some stakeholders recommended support for a sustainable and efficient use of agrochemical inputs, and the need to base political decisions on scientific evidence. Some proposed that the optimization of agrochemical use should be in accordance with multilateral trade rules. Others proposed that rather than simply reducing use of agrochemicals, the ambition should be to end their over-use and to put an end to dependencies. Along similar lines, some stakeholders specified that the aim should be to replace chemical pesticide use with comprehensive agroecological approaches to pest management, along with the immediate phaseout of highly hazardous pesticides and other measures to reduce overall system dependency on agrochemicals, including the elimination of perverse subsidies that encourage their continued use. Some stakeholders proposed that the impact of agrochemicals on human rights, including the rights to health and to food, should be taken into account.

Feedback on COVID-19 during the open meeting (April 14) and informal discussions

10. Many comments were made about the COVID-19 pandemic and its impacts on food systems, from production and transformation, through to transportation and supply chains. Some believe that COVID-19 has unveiled the fragilities of some food systems and the resilience of others. Some stakeholders noted that evidence is still emerging about the impacts of the pandemic, however many supported including relevant points in the policy recommendations given the very significant impacts of the pandemic on food systems, and the urgent need to support innovative approaches to face new challenges.
11. Numerous stakeholders underlined that COVID-19 has brought the need to increase the resilience of both smallholders and food systems into focus, and that it has strengthened arguments for transformational change. Some stakeholders proposed that COVID-19 has highlighted the importance of food self-sufficiency, food diversity, healthy diets, local markets, as well as gender, youth and smallholders issues. According to some stakeholders, COVID-19 reveals the approach that can, in their view, best respond to the current crisis: agroecology. They argued that COVID-19 highlights the need to conserve the environment and ecosystems through agroecological approaches to prevent future pandemics. Several stakeholders called for greater support for the One Health approach, including strengthened alliances between animal, environmental, and human health researchers. According to some stakeholders the pandemic has highlighted the important role of trade, the private sector, and well-functioning markets, as well as social protection programmes for the most vulnerable, including agricultural workers and workers across the food supply chain. Some stakeholders upheld that COVID-19 has shown how important local markets are – especially when countries are highly dependent on food imports – and has added urgency to the calls to re-localise food systems.

Questions to guide discussion to explore convergences

1. How do you see the relationships between the social, economic, and environmental dimensions of sustainability and the scale of markets (local, national, regional and international)? What are the main policy instruments addressing market failures and challenges that countries should prioritize?

2. A large number of countries currently provide subsidies/incentives for their food systems. According to what criteria should countries allocate subsidies/incentives in the food and agriculture sector to best secure the three dimensions of sustainability and to provide food producers and consumers with appropriate choices?
3. Would it be possible to end agrochemical use in the crop, livestock, fisheries and aquaculture sectors? What would be the risks of ending or of not ending agrochemical use?
4. While new findings about the impact of the emerging COVID-19 pandemic on food systems continues to emerge, does the evidence so far (referring for example to the HLPE Issue Paper), show that COVID-19 impacts how we think about innovative approaches for sustainable food systems that enhance food security and nutrition? If so, how?