



The Impacts of Global Trade Policies on Agricultural Markets

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Abstract

Global trade policies significantly shape the structure and dynamics of agricultural markets by influencing production patterns, trade flows and international market access. These policies, encompassing tariffs, subsidies, trade agreements and sanitary regulations, affect not only the volume and direction of agricultural trade but also the livelihoods of producers, consumers and agribusinesses. These mechanisms have direct implications for agricultural productivity, food security, rural employment and national economies—particularly in agrarian-based developing countries. Furthermore, trade regulations impact the environmental sustainability of agricultural systems by altering land use dynamics, input utilization and the transboundary movement of agricultural goods. Understanding the mechanisms through which global trade policies operate is essential for designing inclusive, equitable and ecologically sound agricultural trade frameworks. This article systematically explores the multifaceted impacts of global trade policies on agricultural markets and evaluates their socio-economic and environmental consequences within the context of contemporary global trade dynamics.

Keywords: Trade policies, Agricultural markets, Subsidies, Sanitary regulations and Food security

Introduction

Global trade policies constitute a fundamental framework that governs the exchange of agricultural commodities across international borders, profoundly influencing market structures, resource allocation and price formation mechanisms. The intricate interplay between tariff regimes, non-tariff barriers and trade liberalization efforts shapes not only the competitiveness of agricultural producers but also the stability and efficiency of food supply chains worldwide (Anderson & Martin, 2005). Such policies often induce asymmetric effects across regions, amplifying disparities between developed and developing economies by affecting access to export markets and technological innovation (Aksoy & Beghin, 2004). Furthermore, the evolving landscape of multilateral and bilateral trade agreements introduces complexities that challenge traditional market dynamics, thereby necessitating adaptive strategies for stakeholders at all levels. In this context, comprehending the multifaceted impacts of global trade regulations is imperative for fostering equitable growth, enhancing food security, and promoting sustainable agricultural development.



Impacts of Global Trade policies on Agricultural markets

1. Price Effects and Income Volatility

Trade policies affect price formation and volatility in agricultural markets. The global integration of markets exposes producers to international price fluctuations, which can lead to unstable incomes. A recent example is the global energy market, where disruptions caused by the Russia-Ukraine conflict in 2022 triggered significant price spikes. For instance, the price of WTI crude oil jumped from \$92.77 per barrel on February 24, 2022, to an average of \$106.96 per barrel between February 28 and August 3, 2022 (Thomson, 2023; Jenkins, 2023). Europe, heavily reliant on Russian natural gas (74% of Russia's exports pre-war), faced skyrocketing energy costs, with OECD and G-7 nations recording their highest energy CPI growth rates since 1971 (Liu & Su, 2024). For income volatility, the war disrupted Ukraine's grain exports, a critical income source. Ukraine, a top global grain exporter, saw its Black Sea ports blocked, slashing export revenues (Orhan, 2022). Meanwhile, countries like Egypt, which depends on Russia and Ukraine for 80% of its wheat imports, faced bread price hikes of 50%, straining household incomes. Additionally, Poland's inflation surged to 10.8% in 2022, with food inflation hitting 15%, exacerbating income instability for consumers and businesses reliant on Ukrainian agricultural imports (Liu & Su, 2024).

India implemented regulatory constraints on wheat exports in May 2022 as a strategic response to escalating global wheat prices and emerging concerns over domestic supply shortages.

Table 1: Global wheat market prices preceding and subsequent to the implementation of India's wheat export restriction (2022)

Months	Wheat price ((USD/MT)
January	\$340
February	\$345
March	\$350
April	\$340
May	\$360 (post-ban announcement)
June	\$450
July	\$440
August	\$420
September	\$410
October	\$400
November	\$395
December	\$390

Source: Trading Economics (2022).



2. Food Security Implications

Trade policies significantly influence global food security by affecting the availability, affordability and stability of food supplies. Export restrictions, tariffs and trade barriers can destabilize markets, leading to price spikes and shortages, particularly in food-import-dependent nations. Research shows that during periods of crisis, such as the **Russia-Ukraine war**, trade disruptions in wheat, maize and fertilizers exacerbated food insecurity in regions like the Middle East and North Africa (MENA), where many countries rely on imports for over 50% of their cereal consumption (FAO, 2022). The COVID-19 pandemic severely disrupted global food security, with 161 million additional people facing chronic undernourishment in 2020, raising the total to 720–811 million (FAO *et al.*, 2021). Lockdowns and supply chain breakdowns led to food price volatility, with the FAO Food Price Index surging **30% by mid-2021**, highest since 2011. Export restrictions on staples like rice and wheat by 21 countries exacerbated shortages, disproportionately affecting import-dependent regions like sub-Saharan Africa and the Middle East (Laborde *et al.*, 2020). School closures deprived 370 million children of meal programs (WFP, 2020), while income losses pushed 119–124 million people into extreme poverty (World Bank, 2021). Informal workers, who comprise over 50% of employment in Latin America, faced heightened food insecurity due to job losses (FAO & CELAC, 2020). The pandemic also shifted diets toward processed foods, worsening malnutrition risks (Bracale & Vaccaro, 2020). These impacts underscore the fragility of global food systems and the urgent need for resilient policies.

3. Market Access and Trade Flows

Trade policies significantly influence global agricultural trade by shaping market access and competitiveness. One of the fundamental ways in which trade policies impact agricultural exports and imports is through tariffs and quotas. Tariffs raise import costs, reducing demand and limiting the market presence of foreign agricultural products. Though intended to protect domestic producers, they can restrict export potential and disrupt trade flows. Similarly, import quotas cap the volume of incoming goods, constraining exporters regardless of market demand. These measures distort pricing, alter trade dynamics, and affect the international competitiveness of agricultural commodities (Mohammed, 2017). For instance, In July 2018, as part of the retaliatory measures during the US-China trade war, China stopped importing soybeans from the United States, a critical blow to American agriculture since China had been the largest buyer of US soybeans. However, following negotiations during the G20 Summit in December 2018, China resumed soybean imports, and in September 2019, China excluded soybeans and other farm products from additional tariffs. This shift in trade policy occurred in the context of efforts to reduce the US trade deficit with China, which stood at \$376 billion in 2017, nearly 47% of the total US trade deficit (Kapustina *et al.*, 2020; Vinogradov *et al.*, 2019).

4. Environmental and Sustainability Effects

Global trade policies have led to contrasting environmental impacts by promoting sustainability standards in export markets while overlooking domestic trade. In Brazil, the Soy Moratorium (SM), a global trade-driven policy implemented in 2006, banned the purchase of



soy grown on Amazon lands deforested after 2008 for international markets. As a result, soybean producers targeting export markets adopted deforestation-free practices, helping reduce forest loss in regulated zones. However, municipalities where over 80% of soy production was not destined for international trade contributed to 37% of Mato Grosso's total deforestation between 2004 and 2017, compared to only 9% in areas focused on exports (Silva *et al.*, 2023). These domestic markets, not bound by international commitments, became hotspots for deforestation. Moreover, smaller farms linked to national trade lacked incentives or capacity to comply with sustainability norms, worsening environmental degradation. This illustrates how global trade policies, if not mirrored domestically, can shift deforestation pressures inward rather than reducing them overall.

Global agricultural trade drives ~39% of tropical deforestation emissions, primarily through beef, soy and palm oil supply chains (Pendrill *et al.*, 2021). These findings highlight trade's critical role in driving climate change. Malaysia and Indonesia, responsible for 90% of the global exports of palm oil (Giacomin, 2018), lost around 45Mha of natural forest cover, 33% (15Mha) due to the expansion of oil palm plantations (Wicke *et al.*, 2011).

5. Smallholder Farmers and Rural Livelihoods

Global trade policies, particularly under the EU's Common Agricultural Policy (CAP), tend to benefit large-scale farms, leading to unequal subsidy distribution. Poorer rural areas, where most full-time farm workers live, receive less support, worsening income inequality (Heyl *et al.*, 2022). Smallholders often cannot access complex environmental subsidies. Around 75% of EU coupled subsidies go to the livestock sector, sidelining small mixed farms. In developing countries, EU export subsidies have disrupted local agriculture, harming rural livelihoods. These policies often contradict sustainability and fairness goals.

How to Overcome These Impacts of Global Trade policies on Agricultural markets?

- Reform Agricultural Subsidy Structures
- Strengthen Domestic Governance and Policy Alignment
- Improve Access for Smallholder Farmers
- Implement Environmental and Social Safeguards in Trade Deals
- Diversify Agricultural Markets
- Promote Research and Innovation
- Support Fair Trade and Price Stabilization Mechanisms

Conclusion

Global trade policies significantly influence agricultural markets, shaping everything from price stability to environmental sustainability and rural livelihoods. While these policies can enhance market access and global competitiveness, they often favour large-scale industrial agriculture at the expense of smallholder farmers and ecological balance. Unequal subsidy distribution, environmental degradation, and income volatility are common unintended



consequences, especially in developing countries. To ensure fair and sustainable agricultural development, it is essential to reform trade and subsidy frameworks, align domestic and international policies with global environmental goals, and empower small-scale producers. A more inclusive, transparent, and ecologically sensitive trade policy approach is key to building resilient agricultural systems worldwide.

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