

AGRICULTURAL EXPORT RESTRICTIONS: DISCUSSION

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Widespread use of export restrictions in response to the sharp spike in food prices of 2006–2008 has recently come under serious public scrutiny. Popular discussion suggests such restrictions were a contributory factor to the surge in food prices, but, as [Martin and Anderson \(2012\)](#) note there have been few attempts to actually quantify their impact. This set of papers is to be welcomed for bringing both economic rigor to analysis of export restrictions, and for presenting empirical evidence of both their use and impact. In commenting on these papers, the focus is on how they address three issues: first, why export restrictions; second, which countries have used them and what has been the impact; and third, what are the global policy implications?

In answer to the first question, the authors of all three papers outline to a greater or lesser extent the reasons for using such a policy instrument: [Abbott \(2012\)](#) suggests that restriction of agricultural exports in 2007 and 2008 was designed to achieve the short-run objectives of stabilizing domestic markets as well as redistributing the windfall gains due to high prices from farmers to other agents including processors, consumers, and taxpayers. Likewise, [Liefert, Westcott, and Wainio \(2012\)](#) emphasize the objective of maintaining the volume of production available for domestic sale, thereby lowering the consumer price.

[Abbott \(2012\)](#) also notes that the observed pattern of export restrictions is consistent with a political-economic story, different countries applying different political weights to the various interest groups when implementing trade policy. Developing this further, [Martin](#)

and [Anderson \(2012\)](#) explicitly assume the objective of a country's trade policy is to minimize a political-economy welfare loss function, i.e., the risk of losses to political interest groups can be reduced through insulating the domestic market against international food price volatility. While the reader has to delve into other papers to see details of this argument, it provides a robust and general framework for analyzing trade policies targeted at international price spikes.

Turning to the second question, all three papers provide empirical evidence for which countries used export restrictions in 2007 and 2008. [Liefert, Westcott, and Wainio \(2012\)](#) list eight, including Egypt, India and Ukraine, that totally banned exports of specific agricultural commodities such as wheat and rice. [Abbott \(2012\)](#) breaks down countries into exporters of wheat, coarse grains and rice who either *did* (e.g., China and Russia) or *did not* (e.g., Australia and Canada) restrict their exports, as well as importing countries who also banned exports (e.g., Egypt and Indonesia). He draws the important conclusion that whether or not a country withdrew from the international market was a function of their level of development, which affects both the proportion of household income spent on food as well as the ability of others in the marketing chain to absorb increased prices of unprocessed agricultural commodities. In addition, [Abbott](#) finds that exporting countries who kept their borders open, realized considerably higher farm-gate prices than those countries restricting exports. [Martin and Anderson \(2012\)](#) also find in the case of wheat and rice, that developing countries had a much more active role over the period 2007–08 in insulating their domestic markets from the international market compared to high-income countries.

In terms of the impact of export restrictions, all three papers contribute greatly to our understanding of their welfare effects. Both [Abbott \(2012\)](#) and [Liefert et al. \(2012\)](#)

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illustrate the need to account for whether or not an exporter can influence its international terms of trade. For example, Abbott shows how a large exporter in adopting an export restriction to mitigate against a global demand shock, ensures domestic producers of an agricultural commodity realize some increase in producer surplus, while consumers do not suffer as large a decline in consumer surplus. Most interestingly, Liefert, Westcott, and Wainio's (2012) paper is dedicated to an analysis of alternative, and less-distorting, policy instruments to an export ban that would allow domestic consumers to face a low price for that portion of production that would occur under autarky, while producers would be able to capture some surplus from exporting at the higher world price. The key to their analysis is use of an export licensing scheme, designed to provide producers with an incentive to sell first into the domestic market at a low price before exporting.

Martin and Anderson (2012) make the important analytical point that if exporting and importing countries attempt to totally insulate their domestic market from international price volatility, they not only fail to stabilize their domestic prices, but they exacerbate international price volatility. From this observation, they derive a methodology for calculating the effects of trade policy distortions on international prices when there is only partial insulation of domestic markets. Based on World Bank data, the results of their calculations indicate that for the period 2005–08, in excess of one-quarter of the observed 114 percent increase in the price of wheat, and in excess of one-third of the observed 127 percent increase in the price of rice can be explained by countries attempting to partially insulate

their domestic markets from an exogenous price shock.

In terms of global policy implications, Abbott (2012) and also Martin and Anderson (2012) note that currently there are no effective WTO disciplines in place with respect to export restrictions, although they do have opposite views on whether recent events make WTO members more or less willing to consider tightening the trade rules on such instruments. While Martin and Anderson are inclined to be somewhat optimistic, Abbott believes at present that governments are unlikely to give up their right to stabilize consumer prices through public means. Liefert, Westcott, and Wainio's (2012) focus is not on WTO disciplines *per se*, but on the use of less distorting policy instruments to aid domestic consumers. However, it seems likely their policy proposal of creating trade in export licenses between low and high-cost producers has potential to generate wasteful rent-seeking activity, thereby diminishing any potential welfare gains from the policy.

References

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