



The Politics of Food

JANUARY 2023



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Introduction: the oldest political question



Food – and who gets it – is in many ways one of the oldest political questions of all. Despite a radical change in our capacity to produce and distribute food, it is not a question that has a definitive answer. With the war in Ukraine disrupting supplies from two of the world's most important suppliers of cereals to many dependent markets, questions of resilience in global food supplies are again at the forefront in 2023. The role and responsibilities of the world's small number of calorie superpowers – and the small number of private companies that distribute these calories around the world – will be an inevitable theme of our conference series.

But the politics of food goes far beyond these critical questions of production and distribution. Food is an area of technological innovation at every point from the farm field to the supermarket shelf. That innovation has delivered transformational benefits in productivity and choice, but it can also be contested. The regulation of this technology and the food it produces, is another important evolving picture in 2023.

Food is also central to the human impact on the environment. Food production and transportation is an important source of green house gas emissions. Agriculture is also by far the single largest driver of global deforestation. An effective global approach to climate change will require robust changes to the impact of food production on the environment.

At the heart of many of these questions are important interdependencies between trade, sufficiency, resilience, cost and environmental sustainability. Consumer preferences, political imperatives and practical realities all interact to shape these. Whether you are a policymaker, a business or an investor, this makes the politics and policy food a timely and important theme for our 2023 conference series. Thank you for joining us. I hope you enjoy the discussion.

Stephen Adams
Senior Director



The view from Brussels

New CAP, tough questions

by Tom White



Discussion of food policy in Brussels is dominated by the Common Agricultural Policy, an instrument created 60 years ago and the frequent subject of fierce renegotiation, due to its accounting for nearly €60bn per year of EU spending, over a third of the EU's budget, and the widely differing shares of this accessed by member states. A series of reforms in recent decades have sought to shift emphasis from subsidising production towards supporting rural development and incentivising stewardship of the environment. The latter gained

greater focus as the caucus of Green politicians has grown and as policymakers have identified greater links between land use, the energy transition (for example the cultivation of biofuels) and environmental issues such as biodiversity. Rising prices and shortages in 2022 have, however, led some of the CAP's traditional supporters in France, Poland and Romania to argue for a renewed focus on security of supply, or "food security", and to challenge the ring-fencing of spending on environmental objectives.

This sets the scene for a contentious entry into force of the latest review, “The new CAP”, on 1 January 2023 (negotiated before Russia’s invasion of Ukraine) and the likelihood member states may seek new flexibilities for how funds are deployed. There will be arguments for shielding consumers directly with support payments or price controls, but also to try to increase domestic supply through investments in production.

As well as being one of the world’s most interventionist powers in food and agriculture through spending, EU regulation also plays a key role in shaping the food sector. The most high profile examples are restrictions on genetically modified foods, the protection of regional monopolies in certain branded products through ‘geographic indicators’ and the overarching General Food Law

Regulation. But there is a long tail of prescriptive definitions of foods, from chocolate to flavourings to processed meats, that deliberately limit the scope for innovation or productivity gains on the grounds of consumer protection. Should food inflation persist, pressure may grow to expose this to the push for better regulation that has affected other sectors since the early 2000s, reviewing admin burdens, pursuing simplification and improving impact assessments of new proposals. More likely in the short term, however, will be greater use of investigatory tools to identify any anti-competitive behaviours, for example through the agricultural markets task force, which is running a survey on unfair trading practices in the food chain through Q1 of 2023.



The view from London

Are food health taxes losing their appeal?

by Alex Dawson

Innovation in policymaking is something politicians usually want to be associated with. Except, it seems, when it comes to British politicians talking about food and obesity policy. Despite being genuine innovators on this topic over the last few years, British politicians from both the governing Conservative Party and the opposition Labour Party have cooled on measures to improve population health via food regulations such as sugar taxes, reformulation, advertising restrictions, volume promotions and labelling reforms. Introduced measures are not promoted. Further initiatives of the same kind are not ruled out unequivocally, but unlikely to be embraced.





This is despite the fact that, pre-pandemic, over 60% of British adults was overweight or obese, with the latter disease costing the NHS £6 bn a year (on a conservative estimate). More recent figures suggest obesity amongst reception aged children (4-5 years old) is running 45% higher than before the pandemic. This is alarming because childhood obesity is hard to shake. Even when a recent prime minister drew a direct link between his excess weight and his struggles with covid, his enthusiasm for greater intervention in food policy to improve health quickly waned.

Why is this? And does it have any lessons for other jurisdictions considering similar questions? Some hypotheses. First, in a country where wage growth has been sluggish for years, increasing costs of certain foods to disincentivise their consumption risks a political backlash. Second, the evidence that interventions on food policy lead to tangible improvements in people's diet is relatively thin (at least to the politicians). Third, a group of politicians with principled objections to regulating food for health outcomes beyond basic safety protections have fought a successful rear guard action in arguing for individual responsibility.

Combined with a UK institutional set up that splits responsibility for food policy across a number of different departments in the UK system, indecision over obesity has led to inertia. Nonetheless, as much of the world grows older, richer and, as a consequence, probably fatter, the politics of food and health playing out in the UK could well have lessons for other jurisdictions. Advocates of these kinds of interventions would do well to watch the UK closely.

by Sonia Vasconcellos

The view from Washington, DC

The dilemmas of being a global food power

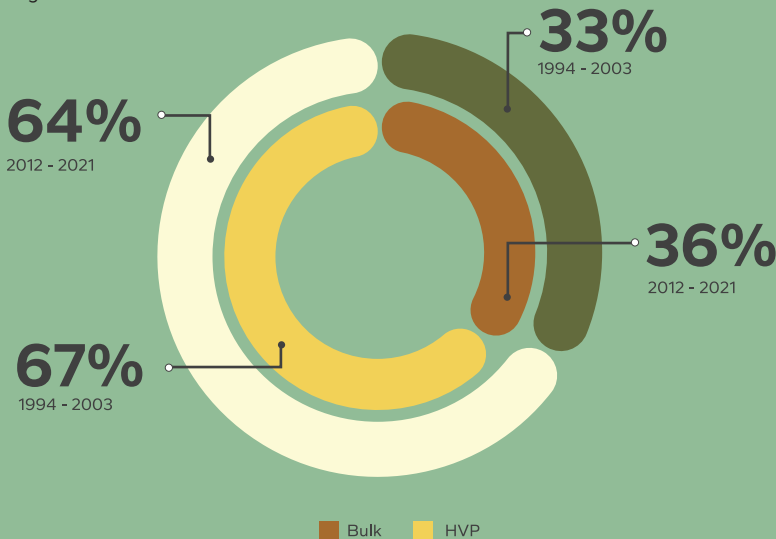
The US has long been a major global actor in food production and the world's largest agricultural exporter after the EU. The US is also the largest donor of food aid globally and the world's largest provider of international food security aid, both in cash and kind. As the global strategic landscape shifts around them, US policymakers are inevitably asking how this global position might be a source of vulnerability or

leverage.

The vulnerability comes in the way that US farmers rely on export markets to support demand and prices. According to the US Department of Agriculture, the US exports well over half of production of food grains and grain derivatives. US exports have grown sharply over the last twenty years, into high-value products. But there is limited scope for diversification within this.



US agriculture exports – Bulk vs High Value Products
Avg. 1994-2003 and 2012-2021

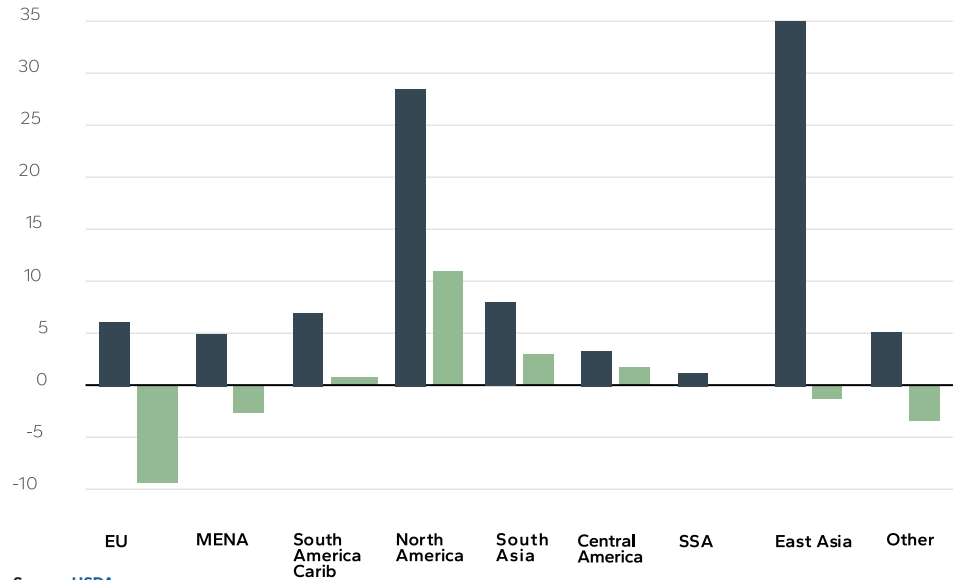


Total Bulk + HVP
1994 = \$52bn
2021 = \$177bn



US agriculture exports – markets
2021 % share and percentage point change
1996-2021

■ 2021 ■ Change since 1996



Source: [USDA](#)

US producers have found new markets in South East Asia, Central America and the two NAFTA partners and are less dependent on EU markets. But US politicians representing the interests of US agriculture remain notably invested (whether they know it or not) in the sustained appetite of the rest of the world.

Whether this position can be converted into something more is a problem that US policymakers have been considering since at least the 1960s. Since 1966, USAID aid under the Food for Peace program requires recipient country governments to propose “self-help” measures to improve food production. Especially after 2001, food insecurity has been seen in Washington as a potential security threat if it produces stressed and unstable societies in (from a US security perspective) the wrong places. Both Covid-19 and the war in Ukraine have reduced incomes and disrupted food supply chains.

The number of severely food-insecure people today in the world has doubled from pre-pandemic levels and is now estimated by the World Food Programme to be over 300 million people.

This US position has some practical consequences. Any state that negotiates with the US on trade liberalization should expect a blunt focus on locking in and expanding US food markets. Most recently, the UK had this bruising experience – and it was enough to stall negotiations. The US will surely try and move into any space created by the disruption of Russian food exports. And recipients of US food aid will find themselves increasingly encouraged see this support as part of a wider geostrategic picture.

The view from Singapore

Betting on food-tech

by Andrew Yeo

The protracted conflict in Ukraine, India's rice export ban, and pandemic restrictions over the last three years have all emphasised Southeast Asia's uncertainties over food security. The soaring price of both fossil fuels and energy-intensive fertiliser production have both constrained farmers in boosting crop supply. Regional food security featured heavily at the ASEAN Summit, G20 Summit, and APEC Summit. While global food prices have been on a downward trend since they peaked in March 2022, households across Southeast Asia continue to struggle with high food inflation.

Singapore exemplifies this. 90% of consumed foods in Singapore are imported. In recognising the vulnerability this presents, the Singapore government has embarked on a two-pronged approach that combines diversifying its import sources while investing in innovations to build domestic resilience. As of 2022, Singapore imports food supplies from 180 countries around the world.



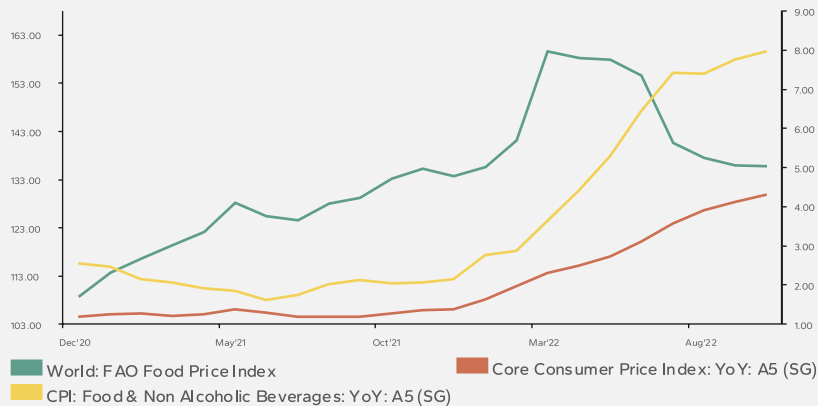
Given Singapore's land scarcity, the government has also invested in strengthening local food production. In 2019, the Singapore government launched a '30 by 30' plan to build up the city-state's capability and capacity to produce 30% of its nutritional needs locally and sustainably by 2030. The Singapore Food Agency, which oversees the plan, has launched a \$60m Agri-Food Cluster Transformation Fund in 2021 to provide capital to farms to expand their crop cultivation capabilities and capacities, which will be available until 2025.

Agri-food tech start-ups have been central to this. Enterprise Singapore has allocated over \$55m in 2020 to accelerate the growth of promising local aqua- and agriculture. The investment arm of Enterprise Singapore, SEEDS Capital, has appointed seven co-investment partners to catalyse over \$90m of investments into early-stage agri-food tech start-ups. It is also anchoring five global agri-food tech accelerators and one local life sciences accelerator under the Startup SG Accelerator programme. These policies are likely to produce not just interesting opportunities for investment but something of a test case for state-backed innovation in agriculture that will be transferable to other urban contexts around the world.



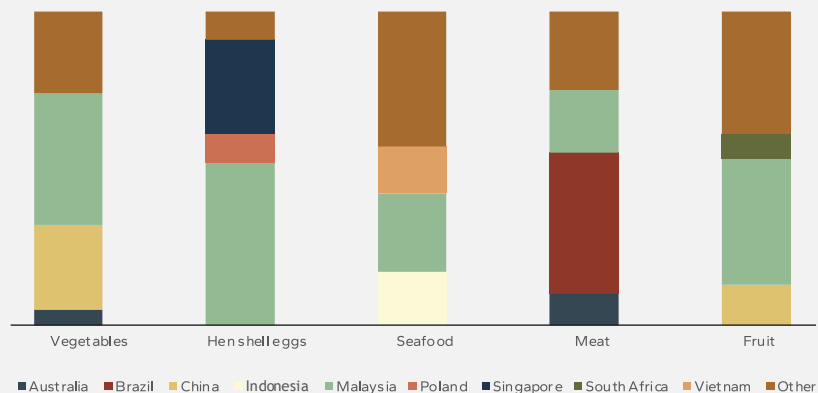
ASEAN-5 households struggling with high food inflation despite declining global food prices

UN's FAO World Price Index (2014-2016=100) and ASEAN-5's CPI and food inflation (in %)



Singapore has sought to diversify the imported food sources

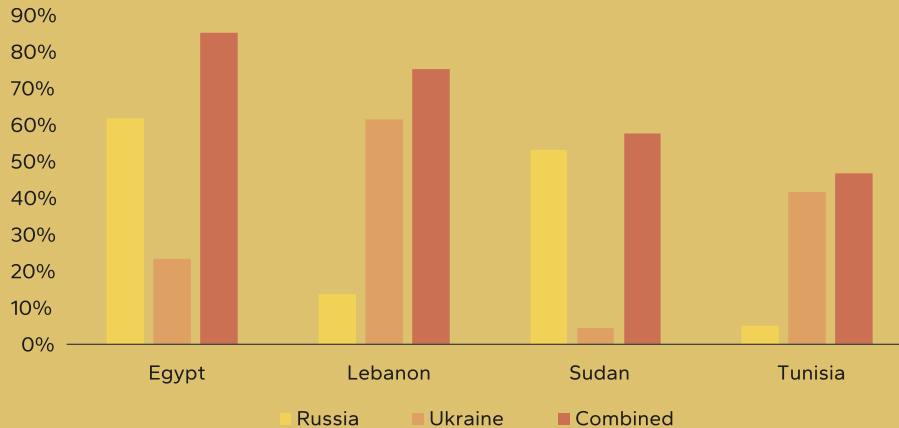
Singapore's major sources of commonly consumed food items in 2021 (in %)



Wheat, dollars and debt

Proportion of wheat imports from Russia and Ukraine (2020)

Source: Observatory of Economic Complexity

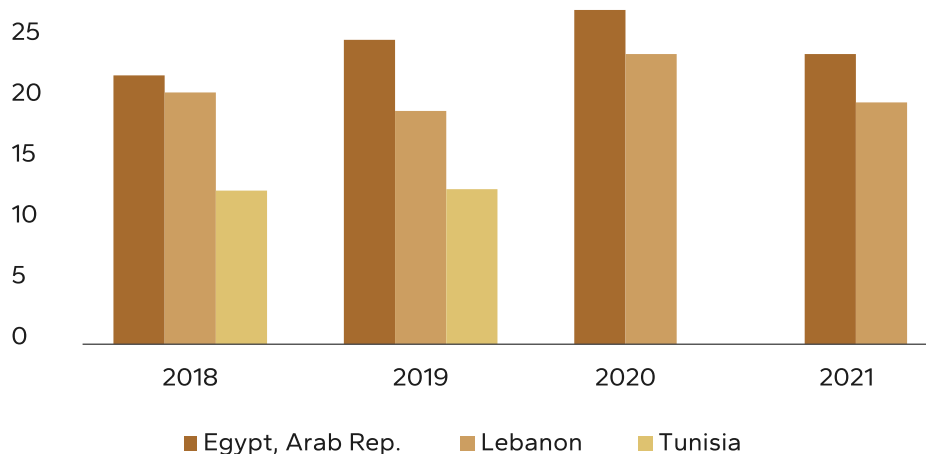


The MENA is an agro-ecologically diverse region. The Gulf region has no permanent rivers or lakes and minimal rainfall. Egypt and Iraq, by contrast have river systems that have supported agriculture for millennia. The region overall is the most water-scarce in the world, driving high levels of food import-dependence. Gulf states, for instance, import between 80-90% of all the calories they consume, and in some food categories, like cereals, they import 100% of their needs. Money is also a variable: the oil-rich Gulf states have far greater purchasing power than their peers in North Africa and the Levant.



Food Imports (% of merchandise imports)

Source: World Bank



The Ukraine war has brought about overlapping debt and food crises for the MENA's energy importers. For two of the region's most indebted countries, Egypt and Tunisia, an inflated food import bill has weakened their ability to service debt just as higher interest rates globally have made this more expensive. The resulting pressure on dollar reserves has increased sovereign default risks, forcing both Tunisia and Egypt to turn to the IMF for bailouts. Lebanon had already defaulted on its debt in 2020.

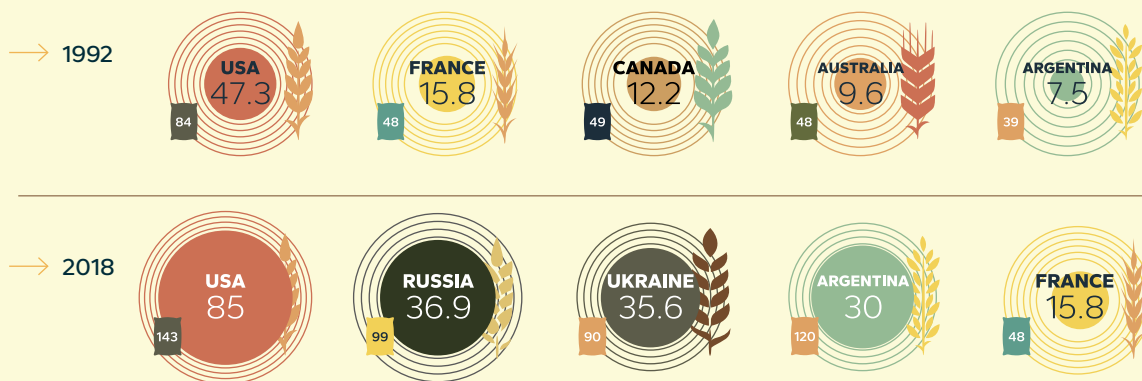
The problems of Egypt, Lebanon, and Tunisia, moreover, are of both affordability and accessibility. Not only must they pay for food imports (with dwindling dollar reserves), but their long-standing dependence on imports of wheat from Russia and Ukraine makes them especially susceptible to blockages in the Black Sea region. Before the war, Egypt, Lebanon and Tunisia imported 80%, 70% and 50%, respectively, of their wheat needs from Russia and Ukraine.

With memories of the Arab Spring uprisings in 2011, governments are looking for measures to address food inflation at its roots. A mix of war and climate change suggest that MENA governments should prepare for multiple points of potential breadbasket failure. This will require an approach to food security that prioritises diluting the concentration of imports from a single food-producing region, not least the Black Sea. MENA governments are also concluding that they have a key interest in maintaining the multinational food trading system that is crucial to their commodity supply. This will be key to avoiding the types of export restrictions that, among other factors, gave rise to the 2011 global food crisis – and which have led to artificial shortages of food in the current crisis.

Calorie trade and geopolitical stability

by Stephen Adams

5 Largest Global Cereal Exporters



Source: FAO

→ It is a simple reality of the global economy that the production of basic food commodities is unevenly distributed across it in ways that reflect agricultural potential and productivity. If we take the combination of wheat, rice and maize, which have been estimated to account for around

half the global diet, the world economy is characterised by a relatively small set of calorie superpowers on whom much of the world depends. Conversely, a small number of states run stark calorie trade deficits. Both these features represent potential stability issues.

Global wheat, rice and maize trade has evolved in important ways over the last thirty years. In 1992 this trade was dominated by a small number of North Atlantic producers (see left) led by the US, France and Canada. Thailand, Pakistan and China produced rice in relatively smaller volumes for a generally regional Asian market.

In this decade, the key players remain broadly the same. However, global economic growth and calorie demand (coupled with improving agricultural productivity) mean that total export volumes have risen sharply along with the number of importing markets for each major exporter. Within this mix the Asian producers are serving a much larger set of global markets and have been joined by India as a major rice-based calorie exporter.

Despite the rise in rice trade, absolute volumes remain dominated by the wheat exporters of Europe and the Americas, all of whom have also expanded their pool of import markets by a significant degree. It follows that the major exporters have more diversified demand. But the corollary of this is that an even larger set of importers are dependent on them for some part of their calorie consumption. This includes a set of major calorie importers for whom dependence on trade is a stability variable

– including Mexico and Egypt. In the last two decades both of these states have experienced political volatility linked to traded-calorie availability.

The most important diversification in export markets has been the reduction in global dependence on the US and Canada. This was – until recently - often cited as a net positive for systemic resilience. The problem with the resilience argument in this case is that the two cereal superpowers that have emerged in the last two decades to reshape global production of cereal calories are Russia and Ukraine. Over the last year, the consequences of this dependence have become starkly apparent.




The rise of food supply chain due diligence

by Alice Brown

Food and agriculture produce up to a third of global emissions. If the world halted all other emissions immediately, food system emissions alone would push global warming beyond the 1.5°C Paris target. This interlinkage between food, the environment and CO2 levels are well expressed by the problem of deforestation. Deforestation both releases CO2, reduces the earth's capacity to store CO2 safely and reduces biodiversity. Although global deforestation has slowed somewhat in the last decade, the planet has still lost an area three times the size of France over the last 25 years.





Global Deforestation and Agriculture 2000-2018

90% 

of deforestation between 2000 - 2018 occurred in the tropics

Almost 90% of all deforestation between 2000-2008 was driven by agriculture

South America

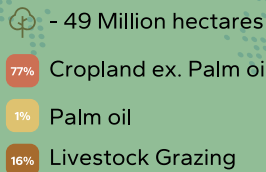
-  - 68 Million hectares
-  Cropland ex. Palm oil
-  Palm oil
-  Livestock Grazing

Most of this is in the tropics, and almost all the forest being cut down is to make way for food.

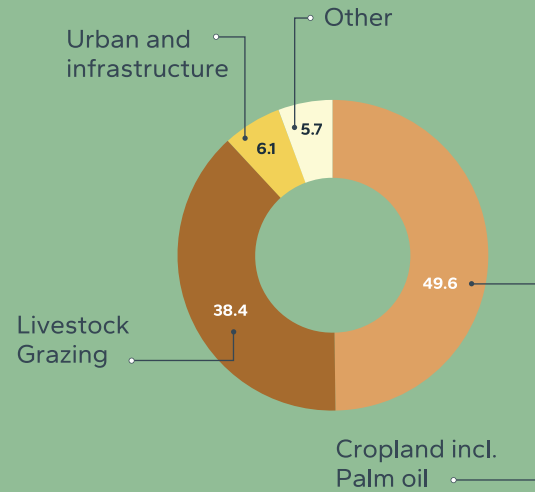
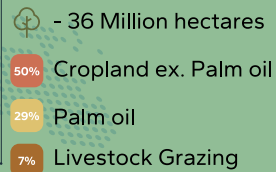
Shifting to a sustainable food system will go a long way to helping address climate change and biodiversity loss. Policymakers in Europe in particular are increasingly looking for ways to stem the flow of goods produced in illegally deforested areas. Until recently, deforestation regulation had only focused on the local legality of timber harvesting, without tackling the real issue of food production.

Africa, South America and Asia lost around net 153 Million hectares of forest between 2000-2018 – an area about three times the size of France

Africa



Asia



Source: [FAO Remote Sensing Survey 2022](#)

Incoming regulations in the EU and UK are addressing this via due diligence legislation for forest risk commodities. The EU's Deforestation Regulation is set to come into force in 2024 and will require all importers of a range of commodities linked to deforestation to prove that they have not come from illegally deforested areas. Details of the UK's legislation are due to follow early this year, though we can expect them to be similar.

As with previous measures like the EU Timber Regulation an obvious challenge in these frameworks will be both in adapting importers

to a new level of diligence and attached sanctions. But exporters in the developing world are also anxious to know how they will be able to demonstrate legality to sustain market access. The implementation process is likely to require a mix of new internal capability in importers, and capacity building and audit support for exporting jurisdictions.

Novel proteins and public trust

Alternative proteins are projected to account for at least 11% of global protein consumption by 2035. This figure could double with the right technological advancements and push from regulators (Figure 1). By some estimates, this could help the reduce international carbon emissions by the total of Japanese annual emissions, and save enough water to supply London for 40 years.

One of the big basic challenges for alternative proteins is public trust. This comes through clearly in the global consumer poll GC conducted as part of the Politics of Food conference (see p20). In this respect, there are some obvious parallels with earlier waves of biotechnological innovation such as GMOs. Cost and taste aside, a key lever for alternative protein consumption is going to be not just safety, but the effective communication of safety. Here, regulators have an outsized impact. Policymakers need to be designing rigorous food regulatory frameworks to harmonise food labelling rules, enhance supply chain transparency, and uphold high safety standards. Given the tendency of consumers to pay a 'trust premium', reputable FoodTech jurisdictions are increasingly important to

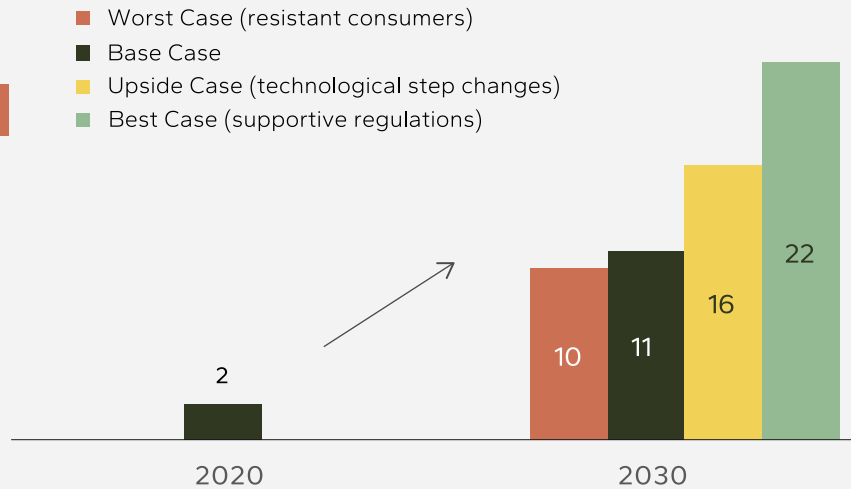
by Dedi Dinarito

identify. Singapore is, not uncharacteristically, establishing marked strengths. Supportive and effective regulatory frameworks aside, finance is also going to be key, especially in emerging markets. Research funded by the US and UK governments suggests that Agri-SMEs continue to face a \$170 bn annual funding gap in emerging markets across Latin America, sub-Saharan Africa, South Asia, and Southeast Asia. One reason seems to be an investment bias, where private capital neglects proven and lower risk opportunities – such as in agritech – in favour of novel 'silver bullet' solutions in other technology fields. With venture capital accounting for 80% of all private AgTech transactions in 2021 (up from 36% in 2010), finance is becoming increasingly concentrated in risky, early stage AgTech ventures (Figure 2). This potentially creates a gap to be filled at the expansion or growth stage, and a possible role for publically-backed AgTech innovation with a longer investment horizon and a firm eye on food as a matter of public welfare and national security.

Alt protein consumption hinges on regulation and tech

Projected global consumption by scenario, % penetration

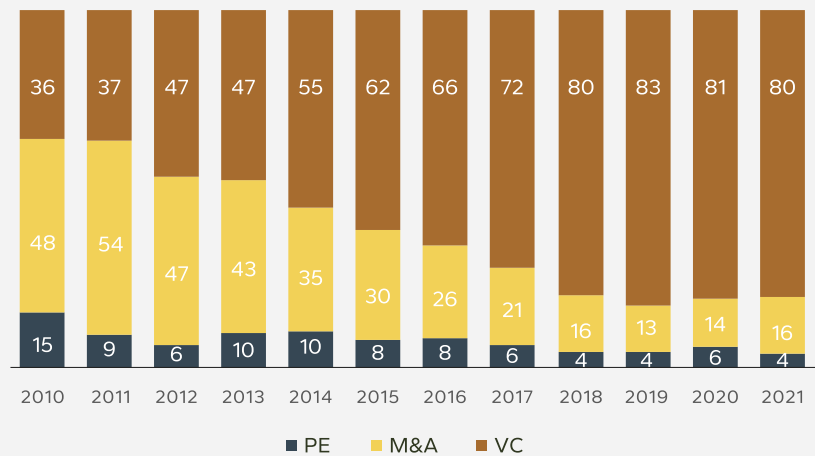
Source: Blue Horizon, BCG



Private AgTech finance increasingly dominated by VCs

AgTech deal count by funding source, % of total

Source: Pitchbook



The global food consumer on the future of food

by Raphael Malek

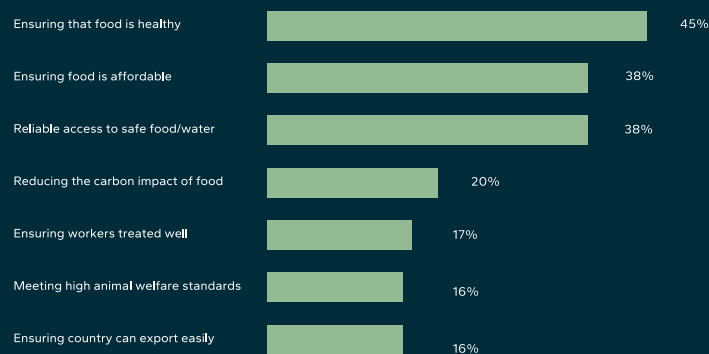
→ New primary consumer research conducted by GC – including a representative survey of over 6,000 consumers in China, Egypt, Germany, India, the UK and the US – hints at some key priorities, tensions and challenges for both policymakers and businesses to address.

Food policy – especially ensuring food is affordable and healthy – clearly matters to consumers. Across all six countries, food ranked as one of the most important policy areas (often above education, defence, housing and transport). Affordability of food is typically the biggest priority, especially for Western consumers who worry about the cost of food increasing over the next five years – though health matters most in China, where around three-quarters are in favour of increasing taxes on unhealthy food.

How food gets to consumers – and its negative externalities – are less of a concern. Few feel informed about how food is produced, distributed, regulated

Food policy priorities (China)

% of Chinese respondents selecting selected policy areas as one of top 3 priorities



and taxed or how it impacts workers, the environment and animals. Similarly, these factors are trumped by cost, healthiness, and taste when it comes to the considerations that drive purchasing decisions. Consumers – especially those in India, China and Egypt – generally feel confident about their countries' ability to produce food in a sustainable, ethical and reliable way.

There is a notable tension between consumer support for international trade in the abstract and the stronger urge to restrict imports in many instances. On one hand, fewer than 1 in 5 consumers in each country surveyed

Attitudes to imported v locally produced food (India)

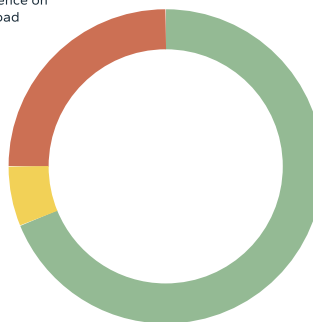
% of Indian respondents selecting each statement as coming closer to their view

30%

We should not use public money to subsidize local farmers, even if it means more dependence on food imports from abroad

3%

Don't know



67%

We should use public money to subsidize local farmers and reduce dependence on food imports from abroad

Trust in different institutions in relation to food (UK)

% of UK respondents trusting each institution a great deal or completely



62%
Farmers



57%
Food Standards regulators



36%
Food Retailers/ Supermarkets



30%
Food Outlets/ restaurants



30%
Food Manufacturing Companies

oppose increasing trade in food between different countries. On the other, a large majority of consumers in each country favour using public money to subsidise local farmers and reduce dependence on food imports from abroad – and to restrict imports from countries with lower environmental, labour or animal welfare standards.

Some potential solutions to the food challenges facing policymakers appear divisive – especially in the West. There is significant opposition in the US, UK and Germany to encouraging scientific innovation in food production (e.g. lab-grown meat) and

increased use of automation in food production (e.g. robot fruit pickers). Encouraging the public to eat less meat and dairy also divides opinion, while many consumers believe plant-based diets can't provide them with adequate nutrition.

Trust in food retailers, outlets and manufacturers is limited compared with other food institutions and actors – with only half of US consumers trusting food companies to produce food that is safe to consume. Food businesses face a significant challenge to prove that they can be part of the solution to the policy problems consumers are concerned about.

About

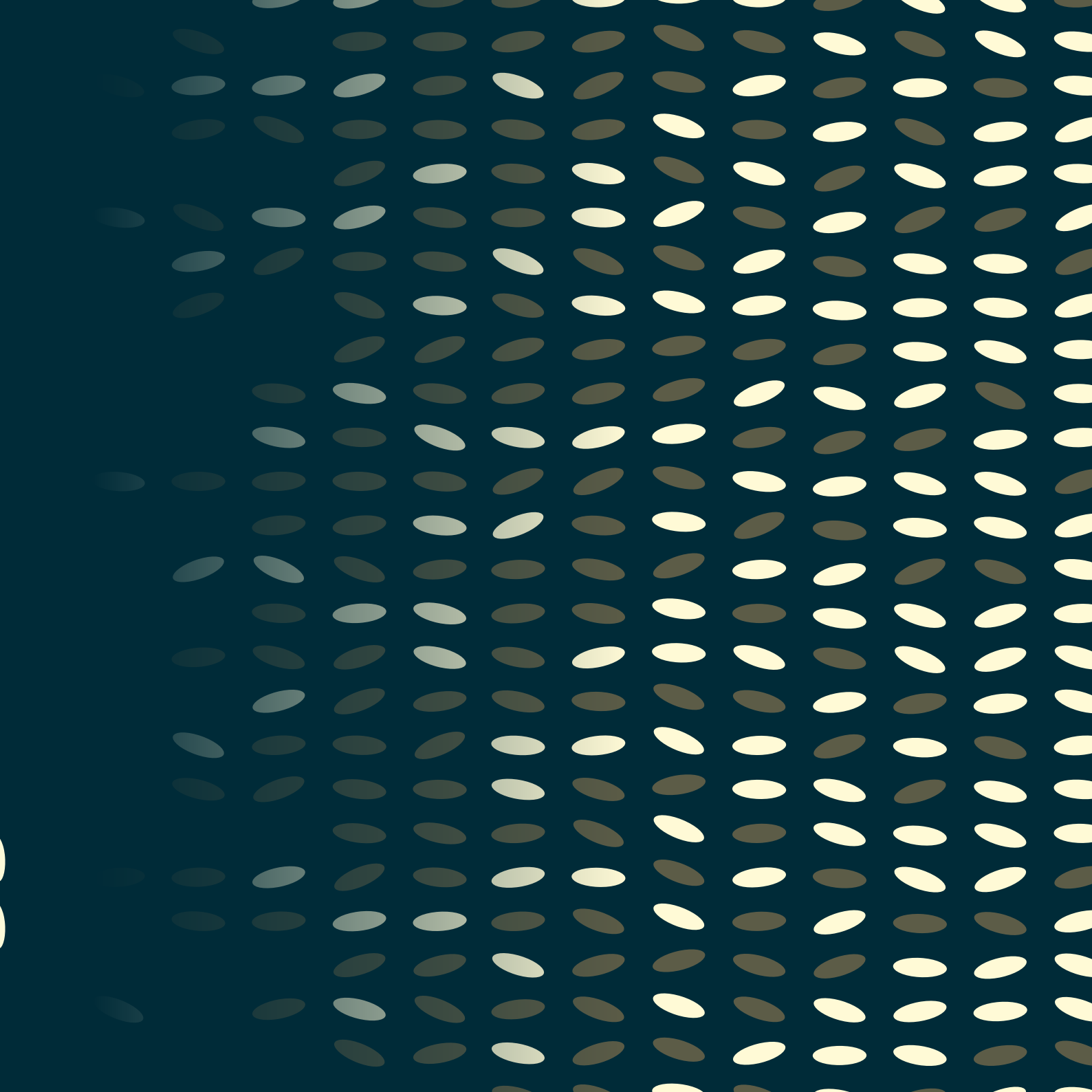
Global Counsel

The politics and policy of food can impact on a wide range of market entry, supply chain resilience and investment protection contexts.

The GC team can provide strategic and practical support at every stage of navigating engagement with these challenges, from due diligence on cross-border or supply chain exposures to developing commercial diplomacy strategies to protect investment value, facilitate trade and support market entry and operation across all food and drink segments. We can also support both commercial and not-for-profit actors that simply wish to develop thoughtful evidence and engage constructively in this most important of policy areas.

If you would like to discuss the themes covered in this conference, please don't hesitate to get in contact with us at info@global-counsel.com or directly to one of our colleagues.





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