On the spillover effects of trade distortions in agricultural markets

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June 13, 2018

Main Motivations

Countries have become dramatically **interconnected** as agri-food GVCs keep growing (Balié et al., 2017) and the international production networks become more organized under the lead of modern food processors and retailers (Minten et al., 2009; Bellemare, 2012).

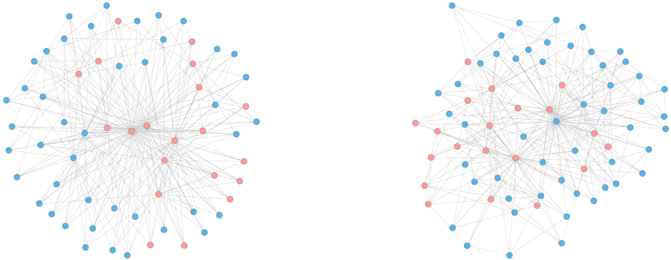

Figure: International Trade Network in 1990 (left) and 2010 (right). Only top 5 incoming flows are displayed for OECD (red) and Non-OECD (blue) countries

Main Motivations

A significant turnaround is expected to occur in the agricultural markets, as a result of the recent reduction in the **distortions** of OECD countries and the increase of support for agricultural producers in emerging economies (Swinnen et al., 2012).

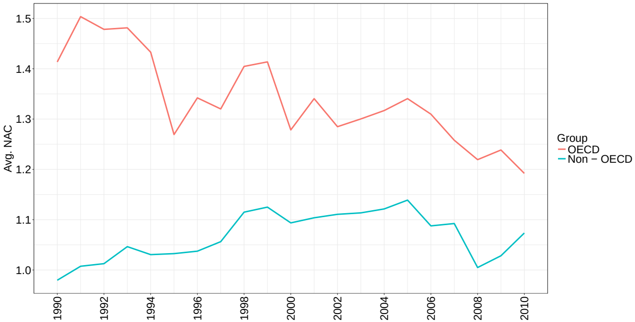

Figure: NAC values in OECD (red) and Non-OECD (blue) countries from 1990 to 2010

Aim of the paper

- We investigate whether and how policy interventions both in the country and in (commercial) partner countries affect domestic **food security**.
- We develop a **joint propensity score** method that corrects for the bias resulting from both treatment selection and interference, and it allows estimating both direct and network effects of policy interventions.
- Results on the direct effects of PIs show that a limited support to agricultural markets is beneficial to FS (Magrini et al., 2017). However, we also show that commercial partners' distortions can either boost or counteract national policies.

Policy interventions and food security

- Since both PI and FS are driven, among other factors, by the country's level of endowments and by agro-climatic conditions, there are several possible sources of endogeneity that could hinder the identification of a causal effect.
- Therefore, we rely on matching techniques (GPS by Hirano and Imbens, 2004), which allow us to control for possible sources of self-selection without the need to impose specific constraints on the relationship between PI and FS.
- Assumptions: i) weak unconfoundedness and ii) SUTVA (unique treatment and **non-interference**).

Joint Propensity Score (Forastiere et al., 2017)

$$\psi(z;g;x) = P(Z_i = z, G_i = g|X_i = x)$$
$$= P(G_i = g|Z_i = z, X_i^g = x^g)P(Z_i = z|X_i^z = x^z)$$

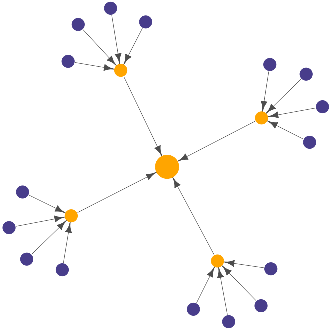

Figure: Interference toy example. Direct and Network Treatments (yellow)

Data

summary

1. Treatment: Nominal Assistance Coefficient (NAC = NRA + 1) (Anderson et al., 2013)
2. Covariates: real per capita GDP, total population, per capita arable land, agricultural total factor productivity growth index, ratio of food imports to total exports, net food exports, absolute (positive and negative) percentage deviations from the trend in international food prices
3. Outcomes: food security measured as food availability, food access, food utilization and food stability (Magrini et al., 2017).
4. Network: bilateral trade sourced from UN Comtrade database.

Individual and Neighborhood Propensity Scores

	$\phi(z; x^z)$	$\phi(g; z; x^g)$
(l1.ln) pc real gdp	2.268^{*} (1.367)	14.357^{***} (2.696)
(l1.ln) pc real gdp^2	-0.236 (0.167)	-1.949^{***} (0.330)
(l1.ln) pc real gdp^3	0.009 (0.007)	0.088^{***} (0.013)
(l1.ln) pc arable land	-0.127^{***} (0.019)	0.152^{***} (0.039)
(l1.ln) pop	-0.072 (0.045)	0.694^{***} (0.090)
(l1.ln) pop^2	0.003^{*} (0.002)	-0.019^{***} (0.004)
(l1) agr. tfp	-0.095 (0.109)	0.239 (0.214)
(l1) food imp/tot exp	0.249^{**} (0.115)	1.601^{***} (0.226)
(l1) food imp/tot exp^2	0.034 (0.035)	0.679^{***} (0.068)
(l1) net exp	-0.184^{***} (0.025)	-0.266^{***} (0.051)
(l1) pos dev food	-1.601^{***} (0.446)	-0.721 (0.885)
(l1) neg dev food	-0.897^{***} (0.346)	-0.176 (0.685)
food volatility	-3.608^{**} (1.448)	0.890 (2.867)
food crisis	-0.167^{***} (0.045)	-0.143 (0.090)
Z		-0.205^{*} (0.119)
Constant	-7.755^{**} (3.730)	-40.855^{***} (7.353)
Observations	1,233	1,233
R^2	0.454	0.760
Adjusted R^2	0.446	0.756
Residual Std. Error	0.404 (df = 1214)	0.797 (df = 1213)
F Statistic	56.069^{***} (df = 18; 1214)	201.736^{***} (df = 19; 1213)
Regional dummies	Yes	Yes

Note: $^{*}p<0.1$; $^{**}p<0.05$; $^{***}p<0.01$. *l1 stands for one year lag.*

Food availability

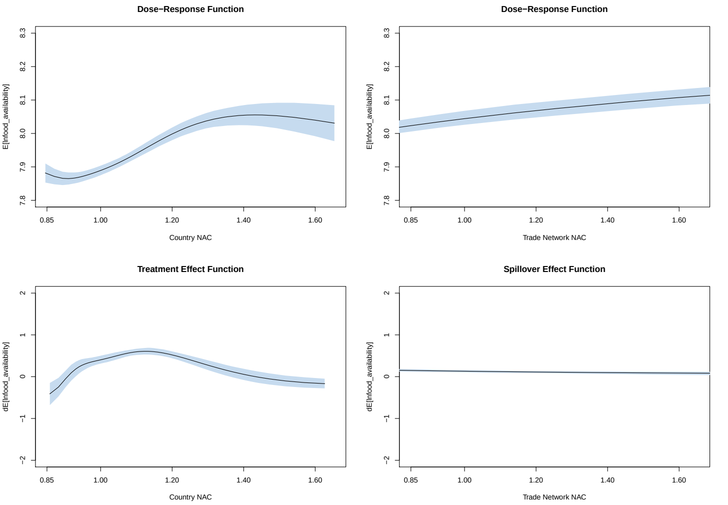

Figure: Marginal dose-response function $\mu^Z(g)$ (top) and effect function (bottom) of direct NAC (left) and marginal dose-response function $\mu^G(z)$ (top) and effect function (bottom) of network NAC (right) on food availability (log scale)

Food access

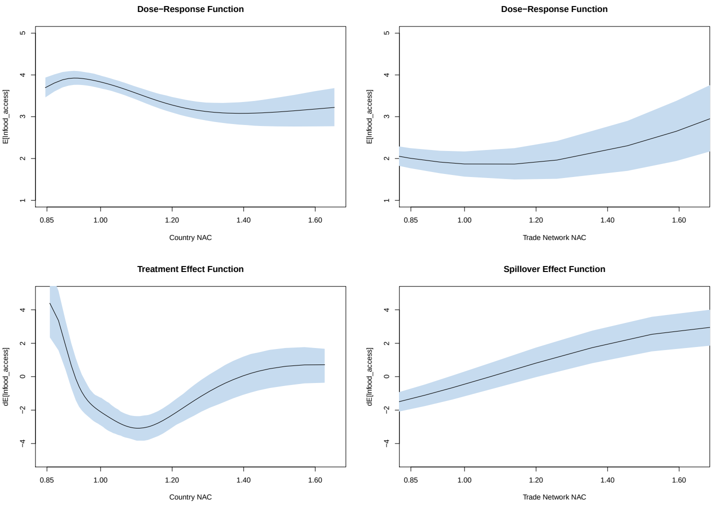

Figure: Marginal dose-response function $\mu^Z(g)$ (top) and effect function (bottom) of direct NAC (left) and marginal dose-response function $\mu^G(z)$ (top) and effect function (bottom) of network NAC (right) on food access (log scale)

Food utilization

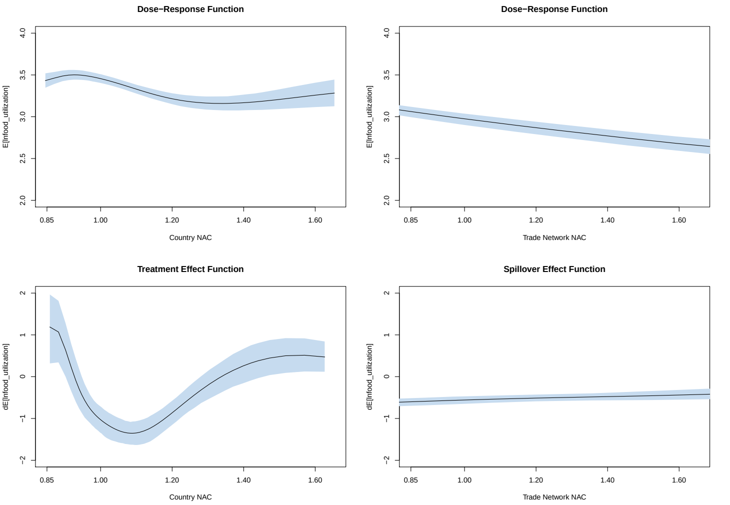

Figure: Marginal dose-response function $\mu^Z(g)$ (top) and effect function (bottom) of direct NAC (left) and marginal dose-response function $\mu^G(z)$ (top) and effect function (bottom) of network NAC (right) on food utilization (log scale)

Food variability

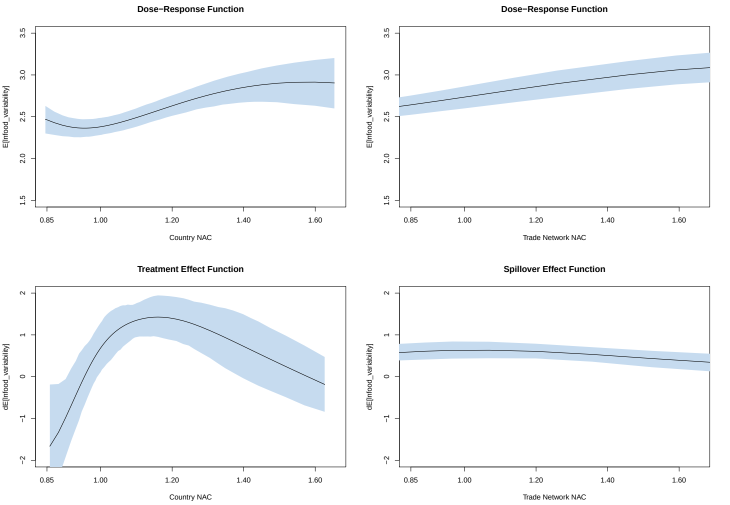

Figure: Marginal dose-response function $\mu^Z(g)$ (top) and effect function (bottom) of direct NAC (left) and marginal dose-response function $\mu^G(z)$ (top) and effect function (bottom) of network NAC (right) on food variability (log scale)

Conclusions

- GVCs triggered an unprecedented integration of DCs into the global economy, with significant consequences on FS, especially when considering the variety, quality, and safety of food products and the composition of people's diets.
- PIs matter and they have a non-linear impact on FS, as both a local excessive taxation and support for the primary sector have detrimental effect.
- Commercial partners' distortions can either boost or counteract national policies, and it is therefore crucial to assess a country's level of trade integration when designing evidence-based policy interventions.

Thank you

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Summary statistics

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	Variable	Mean	St. Dev.	Max	Min
Outcomes	food availability	2812.12	548.80	3828.00	1516.00
	food access	98.98	109.46	615.00	1.00
	food utilization	38.32	24.98	89.50	6.10
	food variability	15.58	15.97	85.00	0.00
Covariates	pc real gdp	12743.10	13856.17	52118.09	323.26
	pc arable land	0.32	0.33	2.81	0.03
	pop (/100)	3,0230.99	164,009.143	1,337,705.00	0.27
	agr tfp	111.58	16.25	179.82	49.13
	food imp/tot exp	0.02	0.03	0.26	0.00
	net exp	1.66	2.15	24.35	0.01
	pos dev food	0.01	0.03	0.14	0.00
	neg dev food	0.05	0.04	0.14	0.00
	food volatility	0.02	0.01	0.05	0.01
	food crisis	0.09	0.29	1.00	0.00
Treatment	NAC (Z)	1.15	0.26	2.29	0.71

Coefficients of the outcome models

	Food Availability	Food Utilization	Food Variability	Food Access
z	4.090^{***} (0.632)	-8.573^{***} (2.027)	-0.205 (4.168)	-9.623^{*} (5.396)
z^2	-2.659^{***} (0.458)	6.544^{***} (1.471)	1.390 (3.019)	6.855^{*} (3.904)
z^3	0.553^{***} (0.104)	-1.588^{***} (0.336)	-0.589 (0.687)	-1.631^{*} (0.886)
$\phi(z; X_i^z)$	-0.685^{***} (0.176)	1.350^{**} (0.566)	-1.952^{*} (1.173)	3.272^{**} (1.542)
$\phi(z; X_i^z)^2$	-0.415 (0.362)	2.584^{**} (1.161)	0.966 (2.398)	5.495^{*} (3.118)
$\phi(z; X_i^z)^3$	0.404^{*} (0.217)	-1.543^{**} (0.696)	-0.442 (1.434)	-3.857^{**} (1.872)
$z * \phi(z; X_i^z)$	0.535^{***} (0.059)	-2.158^{***} (0.189)	0.937^{**} (0.388)	-4.453^{***} (0.522)
g	0.309^{***} (0.028)	-0.938^{***} (0.090)	0.074 (0.183)	-4.547^{***} (0.506)
g^2	-0.035^{***} (0.004)	0.093^{***} (0.013)	0.012 (0.026)	1.863^{***} (0.210)
g^3	0.002^{***} (0.0002)	-0.005^{***} (0.001)	-0.0004 (0.002)	-0.231^{***} (0.034)
$\lambda(g; z; X_i^g)$	-0.186 (0.390)	2.970^{**} (1.261)	-0.535 (2.558)	-26.975^{***} (4.658)
$\lambda(g; z; X_i^g)^2$	1.359 (1.624)	-10.254^{**} (5.216)	-14.127 (10.601)	94.139^{***} (17.963)
$\lambda(g; z; X_i^g)^3$	-2.341 (1.901)	14.041^{**} (6.088)	20.684^{*} (12.392)	-88.330^{***} (20.198)
$g * \lambda(g; z; X_i^g)$	0.003 (0.027)	-0.206^{**} (0.087)	0.643^{***} (0.175)	-2.651^{***} (0.704)
$z * g$	-0.112^{***} (0.015)	0.373^{***} (0.048)	-0.115 (0.098)	1.499^{***} (0.296)
Constant	5.989^{***} (0.269)	6.746^{***} (0.860)	2.937^{*} (1.771)	9.978^{***} (2.317)
Observations	1,204	1,233	1,205	1,007
R^2	0.611	0.663	0.265	0.615
Adjusted R^2	0.606	0.659	0.255	0.610
Residual Std. Error	0.126 (df = 1188)	0.411 (df = 1217)	0.831 (df = 1189)	1.016 (df = 991)
F Statistic	124.215^{***} (df = 15; 1188)	159.672^{***} (df = 15; 1217)	28.509^{***} (df = 15; 1189)	105.750^{***} (df = 15; 991)

Note: $^{*}p<0.1$; $^{**}p<0.05$; $^{***}p<0.01$