

**Committee on Agriculture
Special Session**

G-33 SUBMISSION ON THE SSM: SEASONALITY

Communication by the G-33

The following communication, dated 5 February 2010, is being circulated at the request of the G-33.

I. INTRODUCTION

1. In line with the Doha and Hong Kong mandates, the G-33 has called for a simple, operational, effective, and non-burdensome Special Safeguard Mechanism (SSM) to be used by developing country Members to address import surges and price declines. While some progress has been made thus far in formulating the architecture of the SSM in line with the proposals put forward by the G-33, much more work needs to be done.

2. With the objective of an early conclusion of the DDA, and in line with its continued commitment to constructively engaging in the agriculture negotiations, the G-33 submits this document in order to provide its perspective on the issue of Seasonality.

II. REVIEW OF RELEVANT PROVISIONS ON SEASONALITY

3. A comparison of the seasonality language incorporated in Article 5, paragraph 6 of the Agreement on Agriculture and TN/AG/W/4/Rev.4 (hereinafter referred to as "Rev.4") and its associated document TN/AG/W/7 (hereinafter referred to as "W/7") highlights how much more restrictive the SSM would be compared to the Special Safeguard Provision (SSG).

4. The seasonal product provision in the SSG relates to seasonal products from the perspective of importing countries. Article 5, paragraph 6 of the Agreement on Agriculture states as follows:

"For perishable and seasonal products, the conditions set out above shall be applied in such a manner as to take account of the specific characteristics of such products. In particular, shorter time periods under subparagraph 1(a) and paragraph 4 may be used in reference to the corresponding periods in the base period and different reference prices for different periods may be used under subparagraph 1(b)."

5. It is the importing Member that holds the authority to use a "shorter time period" in calculating the base period for the volume based SSG, and "different reference prices for different periods" for the price-based SSG. There is clearly no separate limitation on the duration of application of the SSG remedy for seasonal products.

6. However, the texts on the SSM in Rev.4 and W/7 approach seasonality from the perspective of exporters. They stipulate a shorter duration of application for seasonal products applicable for volume based SSM. The inherent flexibility available to importers in the SSG has not been reflected. For reference, the related proposals are as follows:

- (a) The volume-based SSM may be maintained for a maximum period of 12 months from the initial invocation of the measure, unless a seasonal product is involved, in which case the SSM shall apply for a maximum of six months or to cover the period of actual seasonality, whichever is the longer (Rev.4, paragraph 140).
- (b) *[In the event that the SSM for seasonal perishable product tariff lines is triggered and applied in two consecutive twelve month periods such that its total period of application is 12 months or more, it may not be applied in (or spill-over into) the subsequent twelve month period.]* (W/7, paragraph 4).

7. In view of the above comparisons and in recognition of:

- (a) Article 15(i) of the AoA which calls for differential and more favourable treatment for developing countries, and
- (b) Paragraph 13 of the Doha Declaration which entails special and differential (S&DT) as an integral part of the negotiations,

the G-33 continues to call for a more favourable development oriented SSM vis-à-vis the SSG and further reiterates the pressing need to rectify the bias inherent in the current texts.

III. REVIEW OF SEASONALITY PATTERNS IN AGRICULTURAL TRADE

8. The justification given for the restrictions on duration for seasonal products, and which can be found in paragraph 4 of W/7 is that "... it is perceived to be the only possible way of allaying even to a small degree anxieties about seasonality effects". In that regard, the G-33 examined to what extent seasonality patterns are prevalent in agricultural trade, and whether the existing seasonality pattern provides sufficient support for the inclusion of relevant restrictive conditions in the SSM architecture. Apart from the fundamental issue of parity with the SSG, the G-33 analysis clearly establishes that there is no universal pattern of seasonality that can be established from the exporters' perspective.

9. It must be first pointed out that a distinction must be made between "Seasonality in trade" and "Seasonality in production". This is because irrespective of whether seasonality in production exists for a certain product, it would have no bearing on the issue at hand if the seasonality pattern is not observed in the trade figures. As such, examination to confirm whether "seasonality" of a product exists and is visible and discernible focuses on the trade aspect of the product, not its production aspects.

10. The G-33 examined monthly export figures (in volume) of major cereal/oilseeds, vegetable, and fruit products of export interest to exporting countries from both the Southern and the Northern hemisphere¹. As a first step, an examination was undertaken to ascertain whether clear seasonality patterns are discernible for products under review for a particular exporting country. As a second step, for those products in which seasonality patterns were identified in their monthly export figures, one or more of the following examination were undertaken:

¹ For the examination, monthly export data of the following products were reviewed:

- (a) Cereals: rice, wheat, barley, corn;
- (b) Oil seeds and related products: soybean and soybean related products (pellet, meal, oil);
- (c) Fruits: pear, lemon, apple, orange, tangerine, grape, grapefruit, plum, blueberry, strawberry;
- (d) Vegetables: onion, garlic, black beans, potato, chick peas, tomato, cranberry beans, red beans, and carrot; and
- (e) Sugar: raw sugarcane.

- (a) whether seasonality patterns are diametrically opposite for the Northern and Southern hemisphere exporting countries, and/or
- (b) whether seasonality patterns observed in the overall export figures of an exporting country were also observed in its individual Member-to-Member bilateral economic relations.

11. The examination detailed in paragraph 10(a) above was undertaken to confirm whether a seasonal pattern observed in a product exported from a country located on one side of the equator was also observed in seemingly identical yet inverse/opposite form in the export figures of an exporting country located on the other side of the equator. This examination was conducted to confirm whether a seasonal pattern was "universal", i.e., whether such a pattern would occur across the board in a uniform manner. This was deemed necessary given that the membership is presently working to formulate the architecture for a universal SSM that could be used by *all* developing country Members.

12. The examination detailed in paragraph 10(b) above was undertaken to confirm whether the seasonality pattern exhibited in the overall export figures of an exporting country was also observed in its individual Member-to-Member bilateral economic relations. This examination was deemed necessary to confirm whether it would be accurate to conclude that a product was "seasonal" without looking into the bilateral export figures to each of its markets.

13. An examination of the monthly data available² provided the findings as detailed below.

IV. FINDINGS

A. CEREALS/SUGAR

14. For rice, monthly export figures of the US, Argentina, and Uruguay showed that seasonality patterns either do not exist, or are too weak to be relevant. Similar results were also found for barley when export data from the US and Argentina were compared (Graph 1(a), 1(b), 1(c)).

15. For US wheat, large disparities in year-on-year data suggest that the pattern is not necessarily consistent across the years. As for Argentina wheat, while the case for a seasonal pattern could be more readily made, the available data does not provide a definitive determination (Graph 2(a), 2(b)).

16. For soybean, seasonal patterns were discernible in US and Argentina's data, although some irregularities seem apparent in Argentina's data. The point to note from soybean, however, is that this pattern is not mirrored in its related products. A further examination of Argentina's monthly export data for soybean by-products such as soybean meal, soybean oil, and soybean pellet showed that the seasonality pattern is not present. This example would suggest that the seasonality pattern of a group of products cannot be inferred from just one product within its category; therefore, each and every product must be reviewed on its own merit for an accurate picture on the existence of seasonality patterns in a product (Graph 3(a), 3(b), 3(c), 3(d)).

17. For raw sugar cane, US monthly data was examined; it was clear that no pattern of seasonality is present in exports (Graph 4).

18. For corn, while the US data showed no seasonality patterns, Argentina's data exhibited a stable seasonality pattern. However, in further reviewing Argentina's export figures to a number of

² USDA Website (www.usda.gov), SENASA (*Servicio Nacional de Sanidad y Calidad Agroalimentaria*) website (www.senasa.gov.ar), IICA (*Instituto Interamericano de Cooperación para la Agricultura*), Uruguay Office website (www.iica.org.uy).

its individual markets, a clear seasonal pattern found in the overall context did not necessarily emerge. For example, Argentina's exports to Spain, Egypt, Chile, Peru, and Malaysia did not resemble the overall export pattern of corn. In fact, the same phenomenon found in Argentina corn is also found in US wheat where overall export pattern of US wheat is not visible in its bilateral trade relations. This would suggest that exporters in general have diversified their markets and do not put "all their eggs in one basket" (Graph 5(a), 5(b), 5(c)).

B. FRUITS

19. An examination of monthly fruit exports by the US and Argentina showed that seasonality effect is more readily discernible than for cereals. In some products such as pear and apple, for example, the countercyclical seasons of the two hemispheres could be deduced through close observation of the export data.

20. However, except for some products such as grapes, grapefruits, and tangerines in which exports are concentrated in certain periods of the year (and therefore there is minimal level of exports during the remainder of the year), the data suggests that for most of the other fruits exports are taking place for periods in excess of six months, in some cases throughout the year. As an example, while export data from Argentina suggests that strawberry exports are concentrated during the fourth quarter of the year (and minimal for the rest of the year), US data suggest that strawberry exports of the US – albeit with a seasonal cyclical pattern – occur almost throughout the year.

21. This situation raises two questions: One, is strawberry a seasonal product? The highs and lows would suggest a pattern. However, continued exports throughout the year suggest a different argument could be made. Two, if it is a seasonal product, then what is the "period of actual seasonality" for strawberry? Should Argentina's export data be used as reference for the determination, or the US's data? Or should there be a different "period of actual seasonality" based on the country of export? It should be noted that a similar issue is found for US apples where the export levels in the "off month" is no less than 30,000 tons per month on average (Graph 6(a) to 6(c)).

C. VEGETABLES

22. An examination of monthly export data of the US and Argentina for 9 vegetable products revealed four different patterns:

- (a) Countercyclical, diametrically opposite seasonality pattern;
- (b) Seasonality pattern being exhibited in similar periods of the year;
- (c) Seasonality pattern exhibited in exports of one country; and
- (d) No Seasonality Pattern.

23. Among the nine vegetables reviewed, onion was the only product that exhibited a countercyclical seasonality pattern. It must be noted, however, that US exports of onion was roughly 15,000 MT during the "off-period" of April through June. In light of these figures, the same question posed in the section on Fruit seems to be applicable here (Graph 7(a), 7(b)).

24. Garlic and carrot offer an interesting example. A review of US and Argentine monthly data show that both products exhibit appearance of seasonality. However, the "peak" in seasonality for both products appear at similar periods of the year. Given that the two countries are located in opposite sides of the equator, this finding is counter-intuitive. Further examination might be warranted to discover the underlying reason for these phenomena (Graph 8(a), 8(b), 9(a), 9(b)).

25. For black beans, cranberry beans, red beans, potatoes, and chickpeas, seasonality pattern is apparently visible in only one country but not the other. While for black beans, cranberry beans and

red beans Argentina's export exhibit apparent seasonality trends, the opposite is true for potatoes and chickpeas (Graph 10(a), 10(b), 11(a), 11(b)).

26. For tomatoes, there is neither a pattern of seasonality in the monthly data of US and Argentina (Graph 12(a), 12(b)).

V. CONCLUSIONS

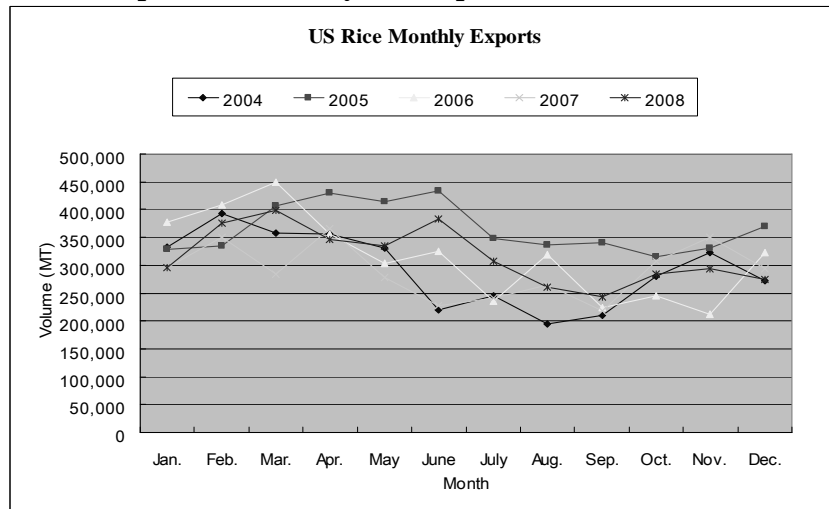
27. As stated above, a close examination of monthly export data currently under consideration provides the following findings:

- (a) "Seasonality" is not a pattern that is prevalent in all products; i.e., it is not a universal norm;
- (b) "Seasonality pattern" in general is not necessarily stable; it varies among countries, and on a year-to-year basis owing to annual fluctuations in monthly exports;
- (c) "Seasonality pattern" in overall exports does not necessarily "translate" into individual bilateral trade relations; i.e., the seasonality pattern in the overall context and individual bilateral trade relations are not necessarily synchronous;
- (d) A "Seasonality pattern" in one product is not necessarily replicated in related products. As such, it would not be accurate to infer the seasonality pattern of a group of products from just one product within its category; and
- (e) There are large variations in period of exports for products exhibiting "Seasonal patterns" complicating what would be the "period of actual seasonality".

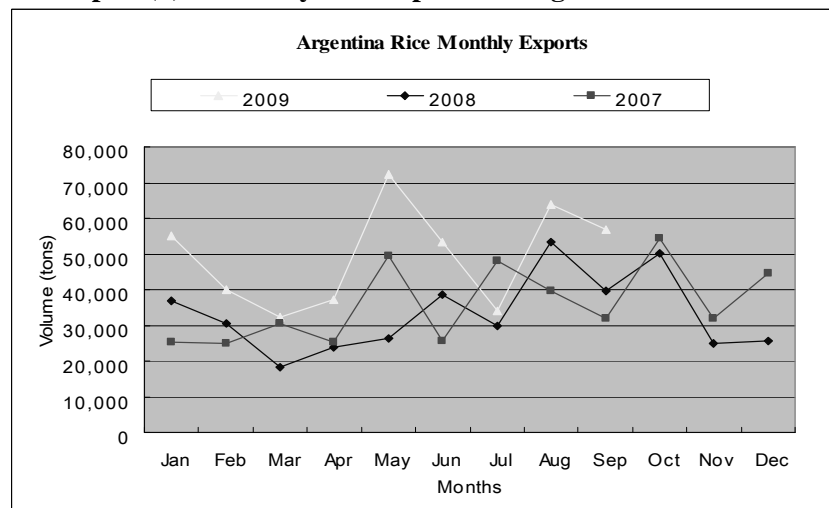
28. These findings clearly indicate that there are no grounds for a provision on seasonal products. The inclusion of such a concept in the SSM architecture would only add to its complexity without providing any additional value. It must be re-emphasized that the G-33's request is for a simple, operational, effective, and non-burdensome SSM.

ANNEX

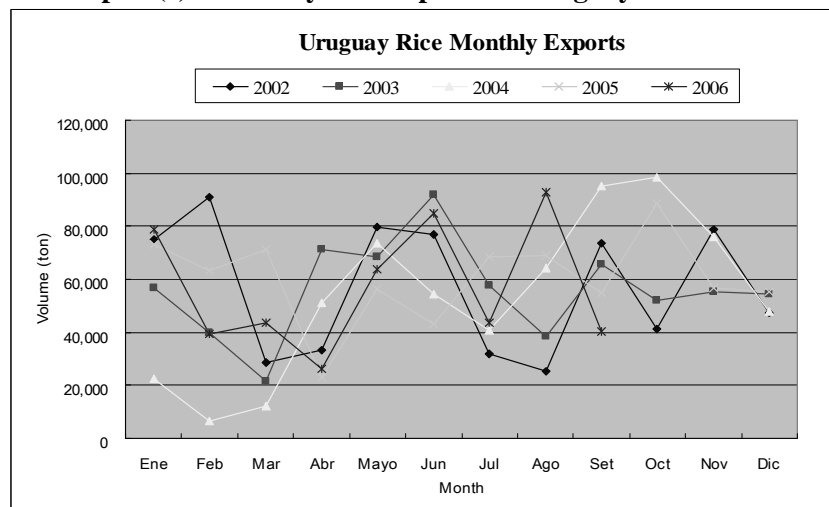
Graph 1(a): Monthly Rice exports of US to the World



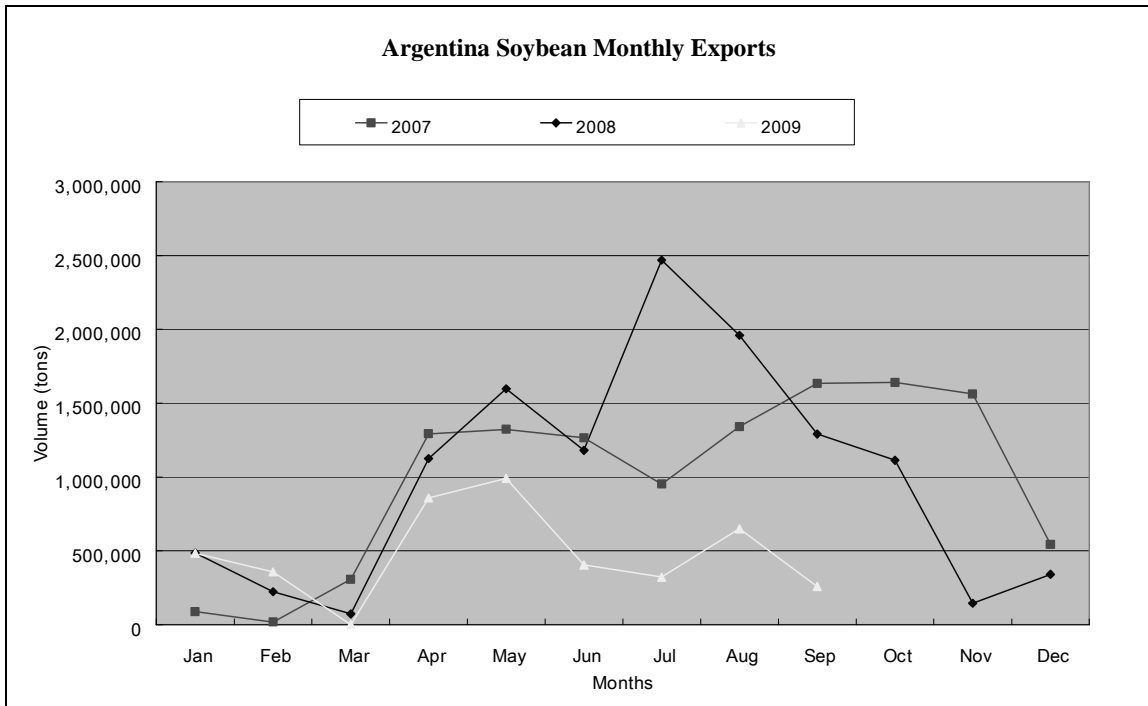
Graph 1(b): Monthly Rice exports of Argentina to the World



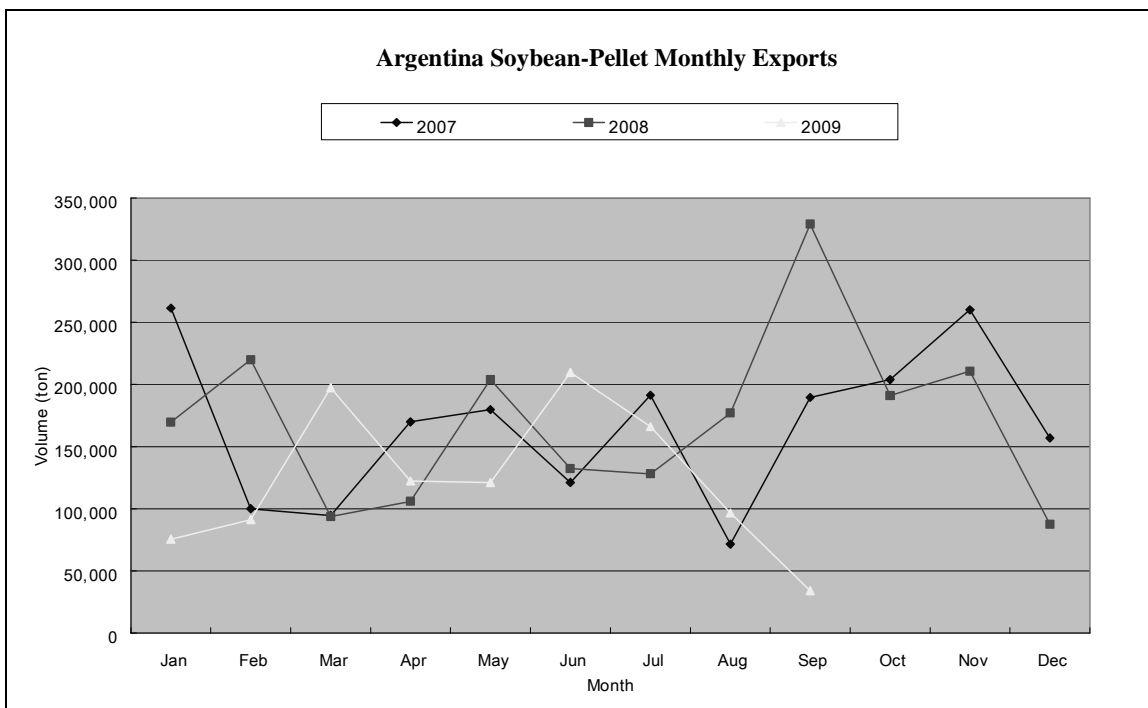
Graph 1(c): Monthly Rice exports of Uruguay to the World



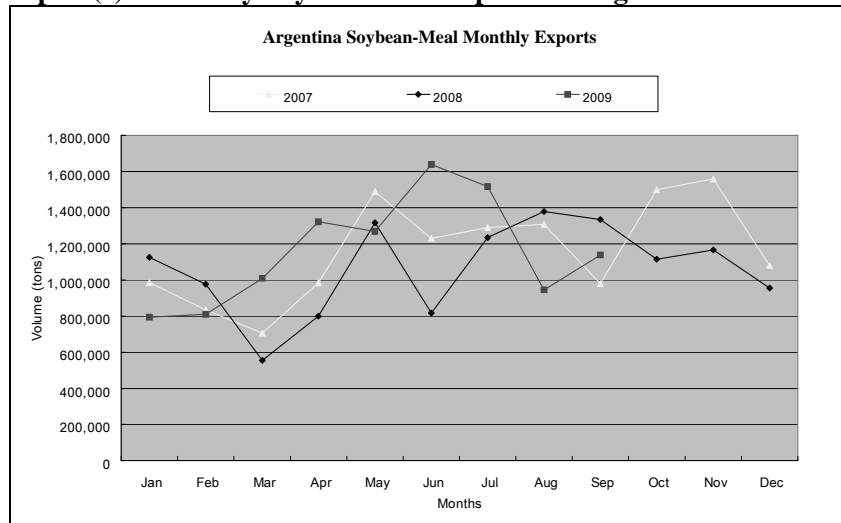
Graph 3(a): Monthly Soybean exports of Argentina to the World



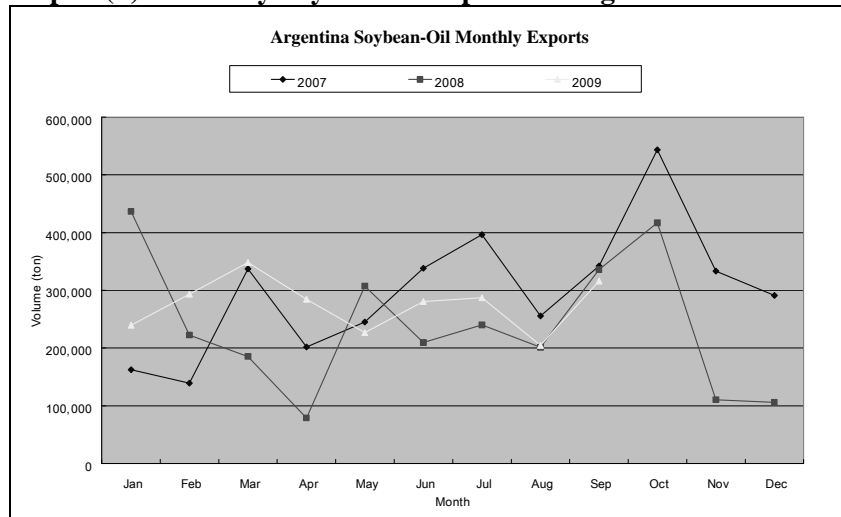
Graph 3(b): Monthly Soybean-pellet exports of Argentina to the World



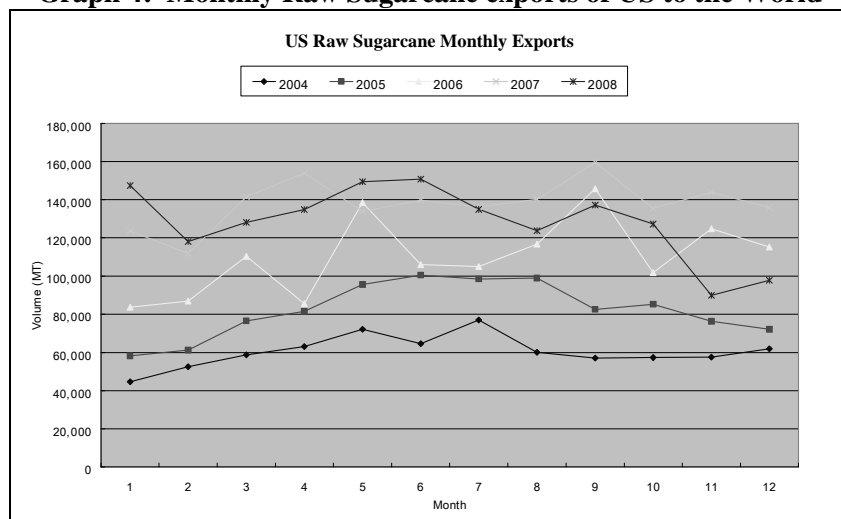
Graph 3(c): Monthly Soybean-meal exports of Argentina to the World



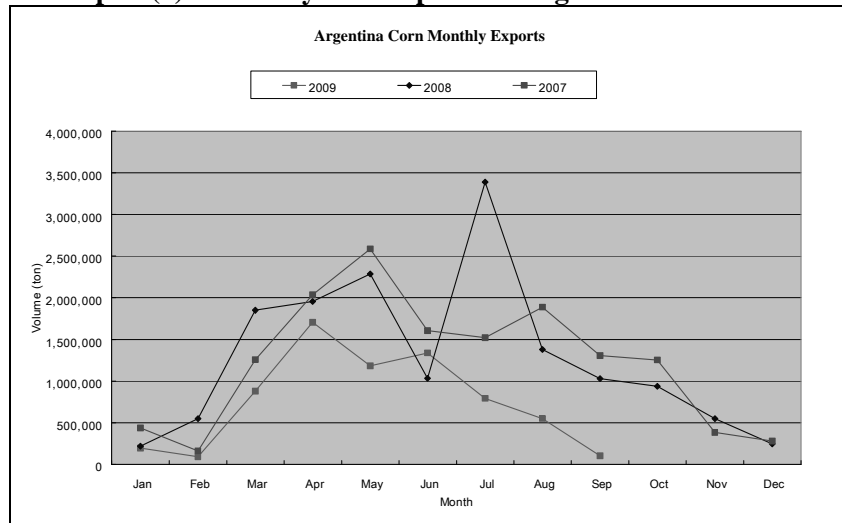
Graph 3(d): Monthly Soybean-oil exports of Argentina to the World



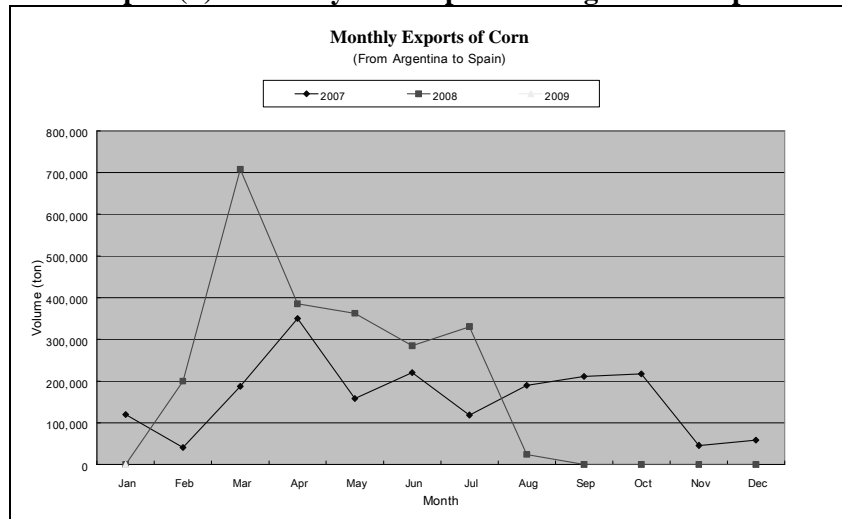
Graph 4: Monthly Raw Sugarcane exports of US to the World



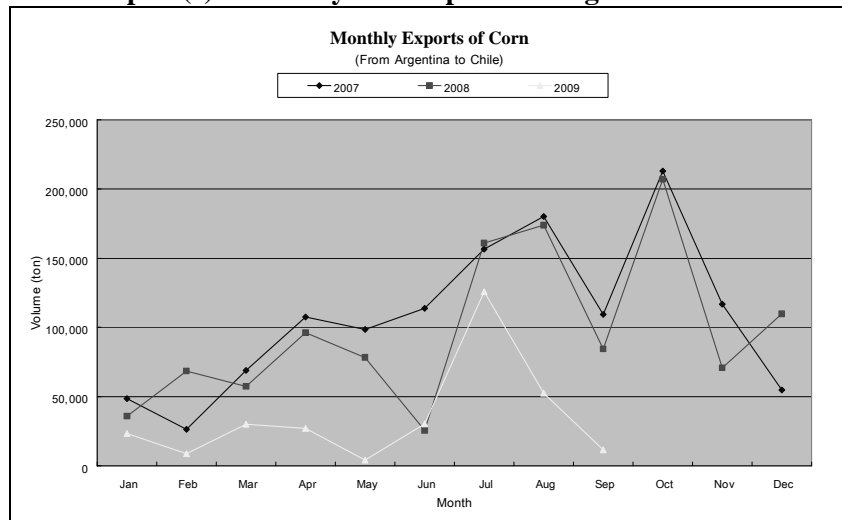
Graph 5(a): Monthly corn exports of Argentina to the World



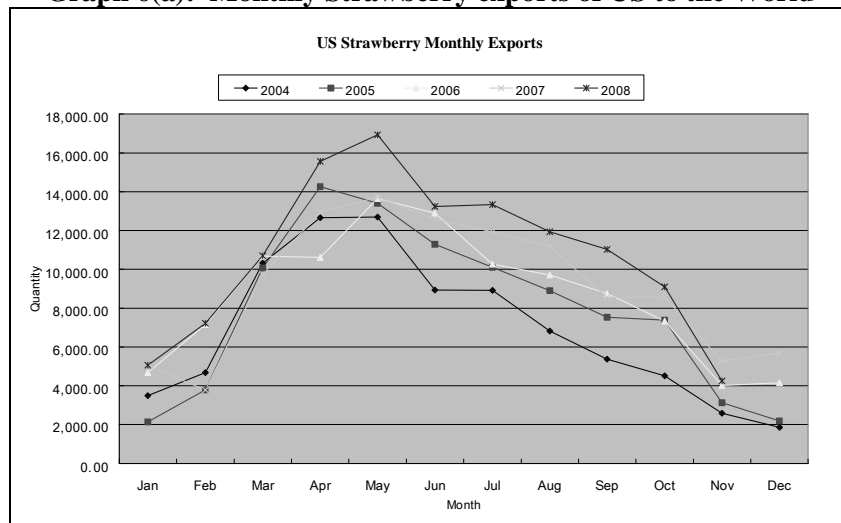
Graph 5(b): Monthly corn exports of Argentina to Spain



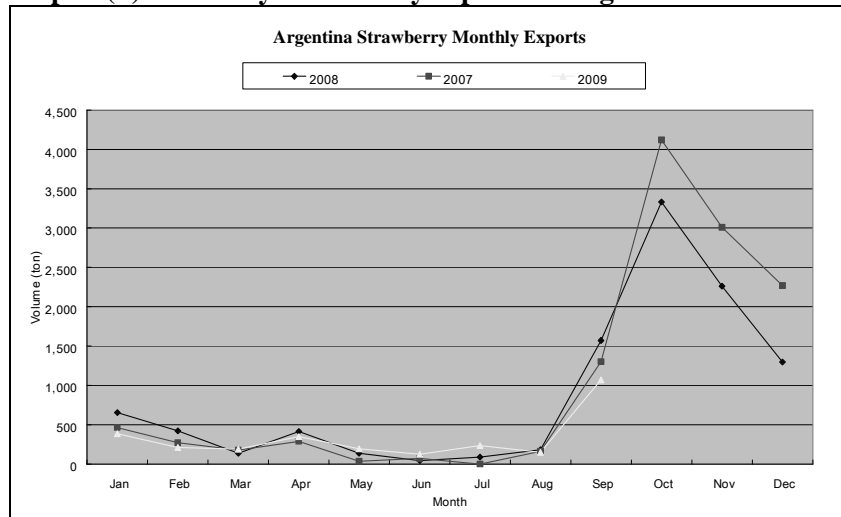
Graph 5(c): Monthly corn exports of Argentina to Chile



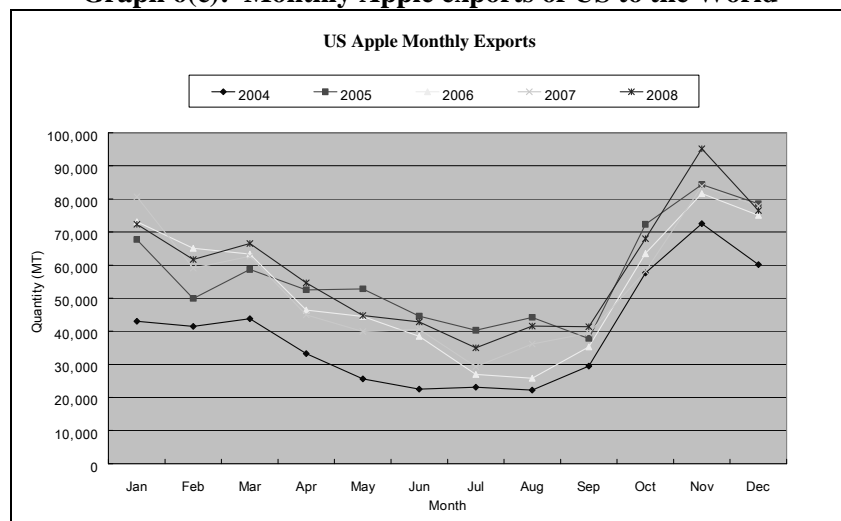
Graph 6(a): Monthly Strawberry exports of US to the World



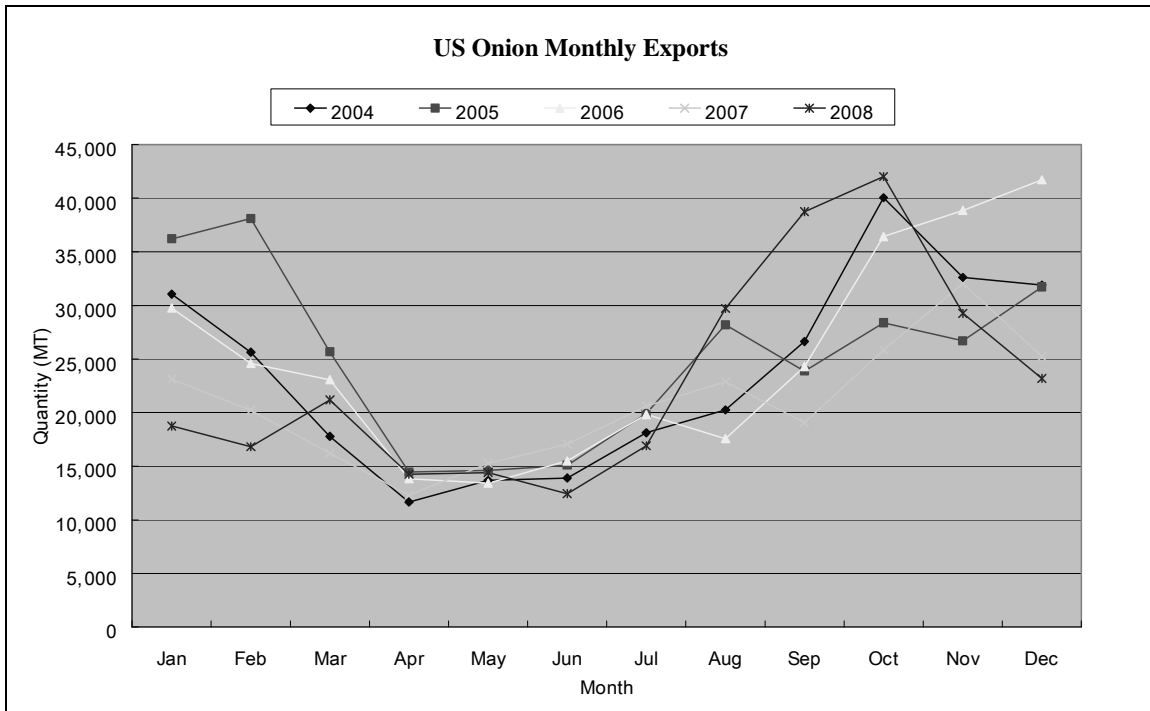
Graph 6(b): Monthly Strawberry exports of Argentina to the World



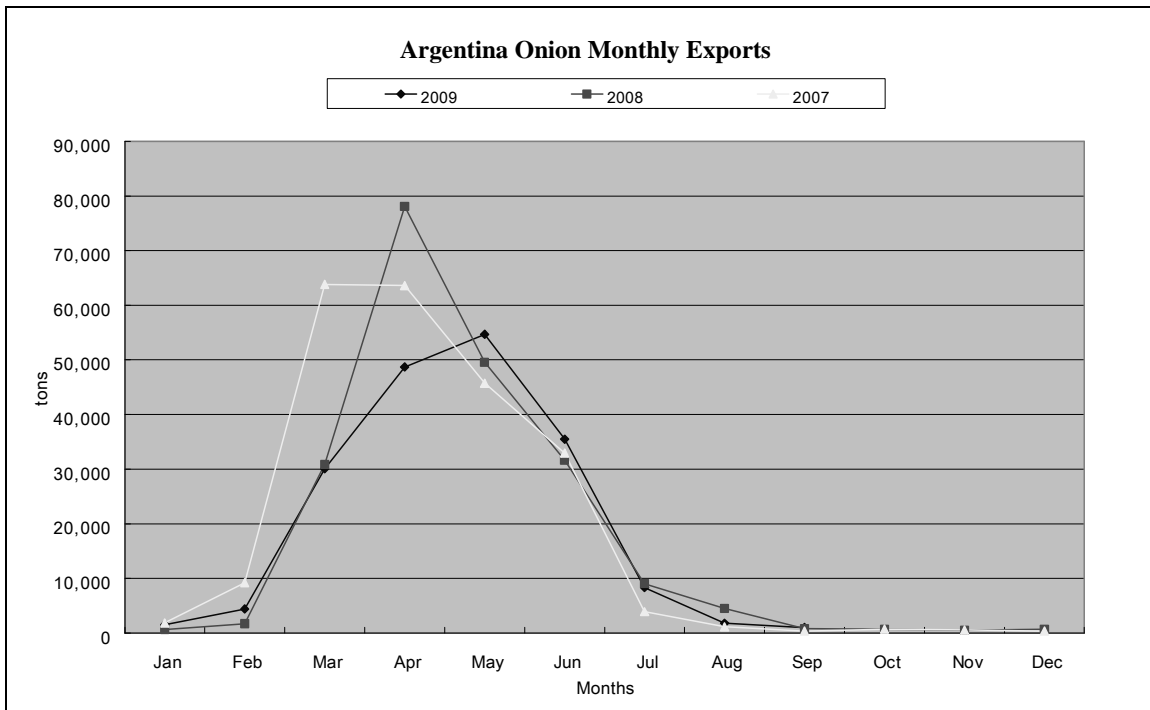
Graph 6(c): Monthly Apple exports of US to the World



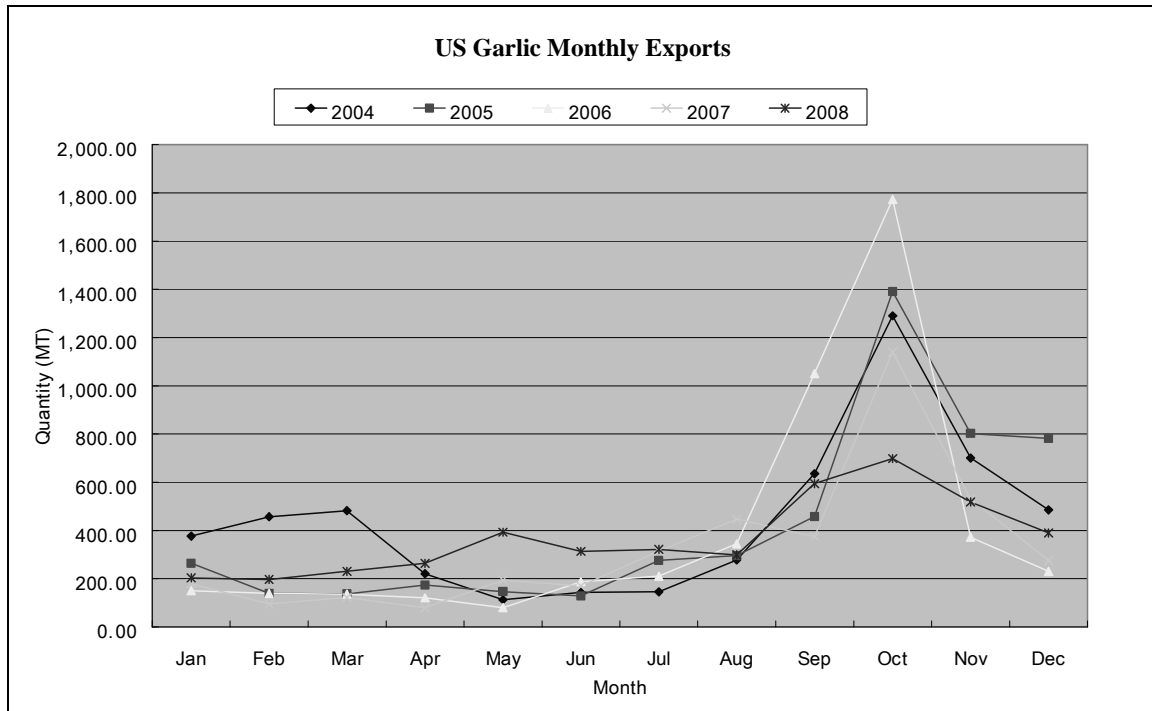
Graph 7(a): Monthly Onion exports of US to the World



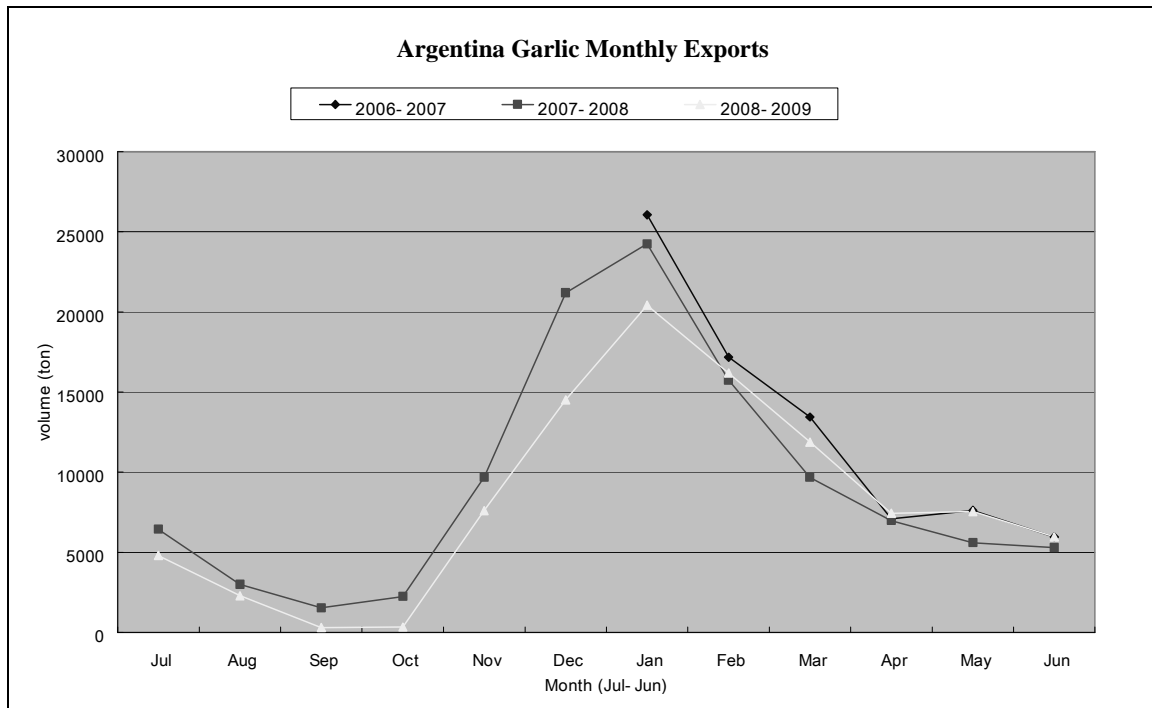
Graph 7(b): Monthly Onion exports of Argentina to the World



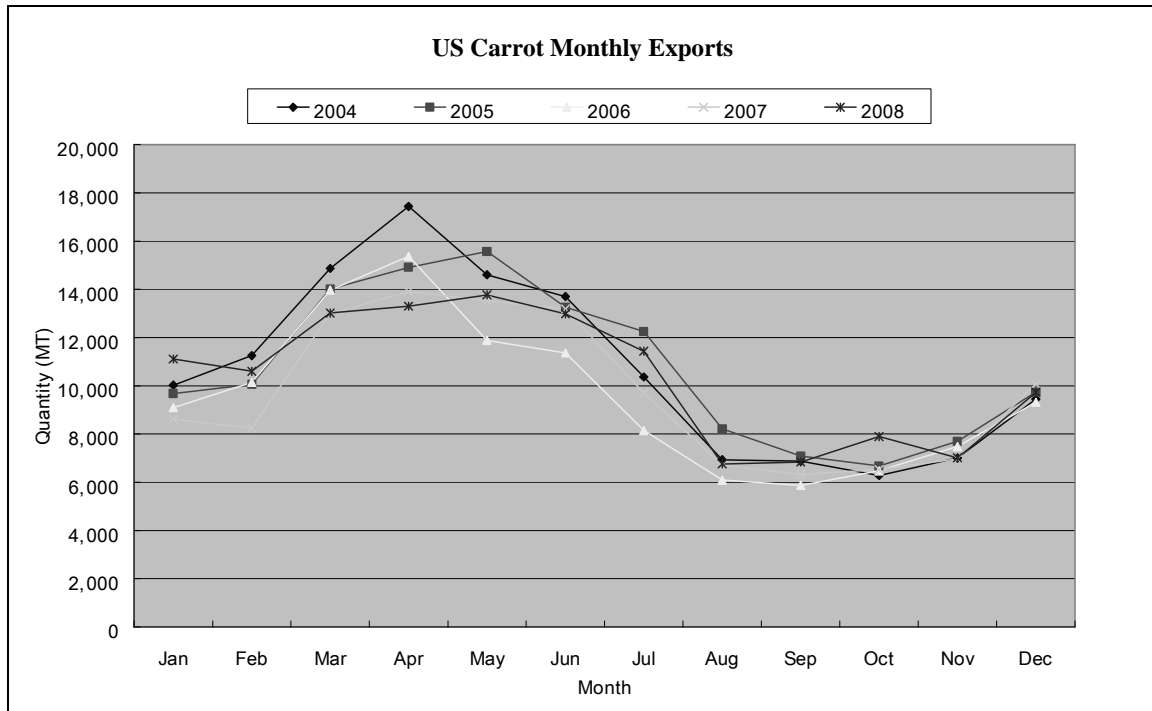
Graph 8(a): Monthly Garlic exports of US to the World



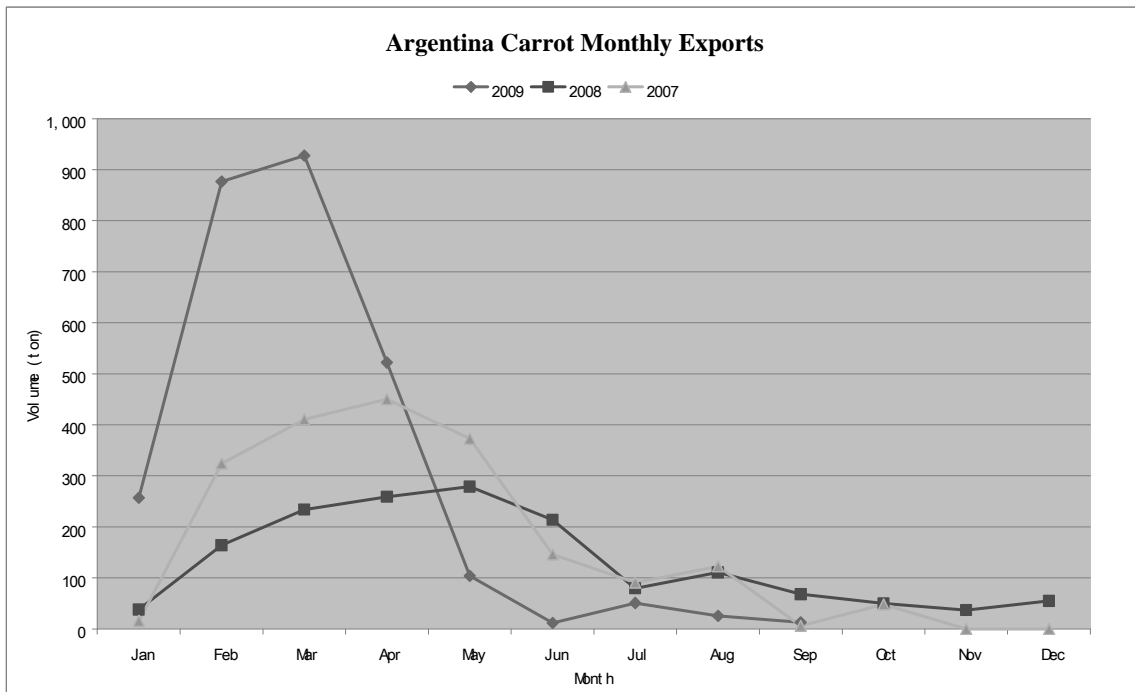
Graph 8(b): Monthly Garlic exports of Argentina to the World



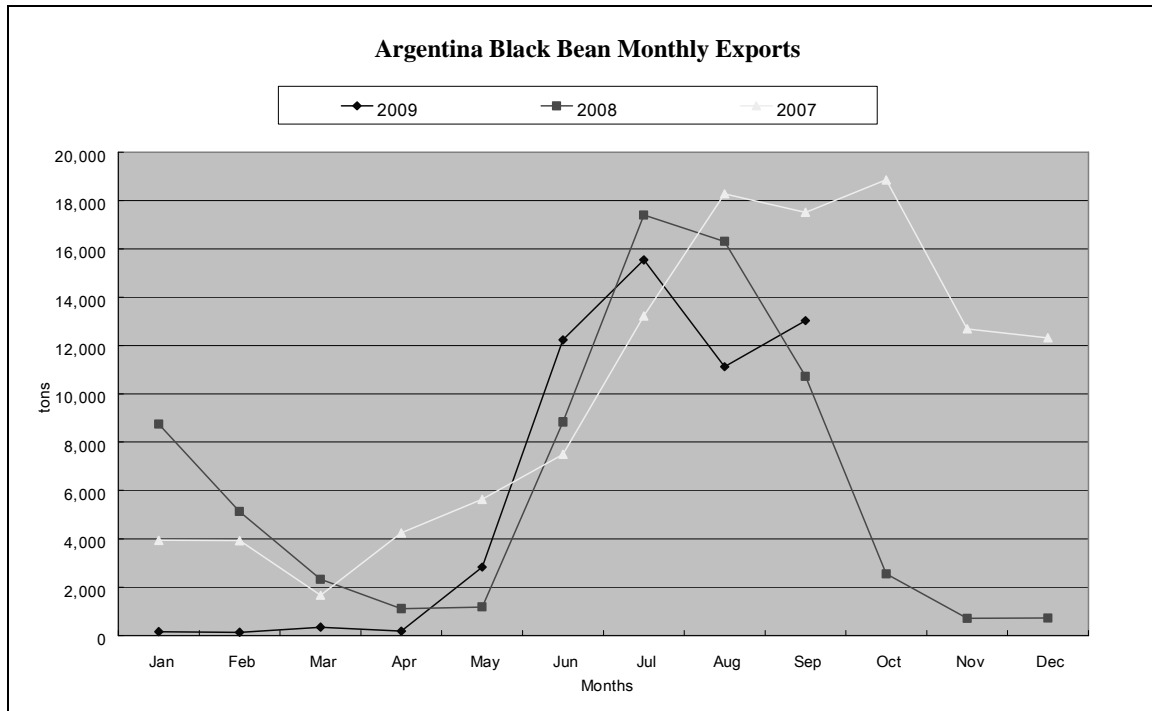
Graph 9(a): Monthly Carrot exports of US to the World



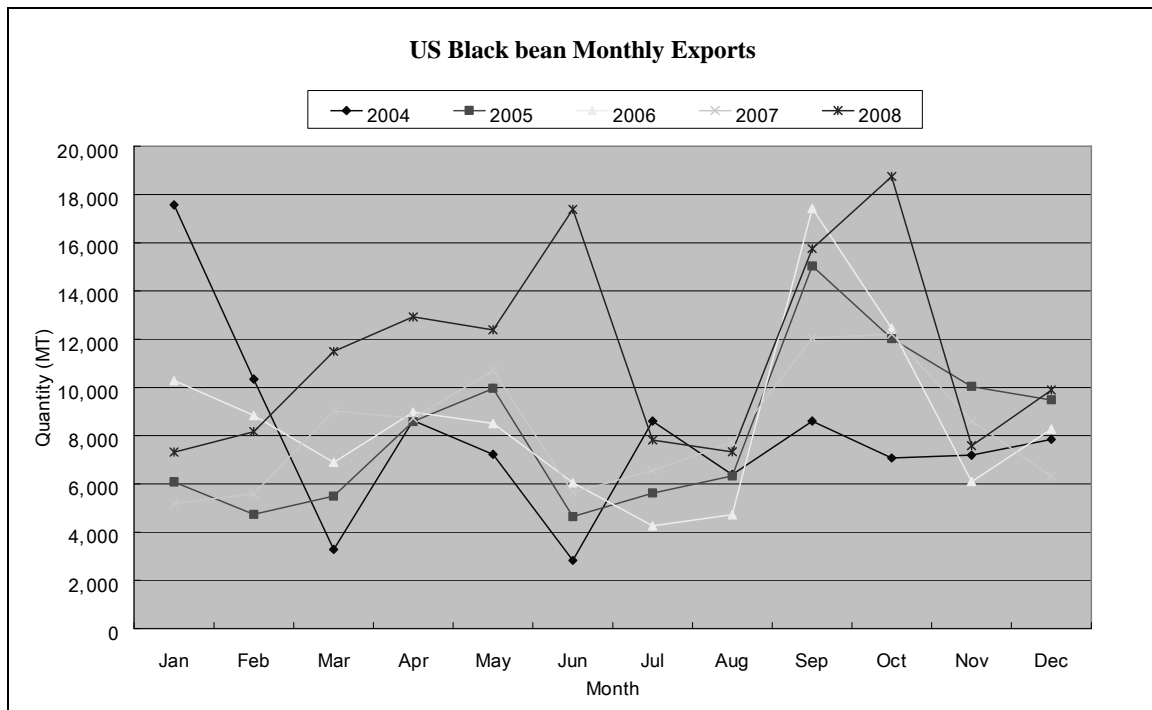
Graph 9(b): Monthly Carrot exports of Argentina to the World



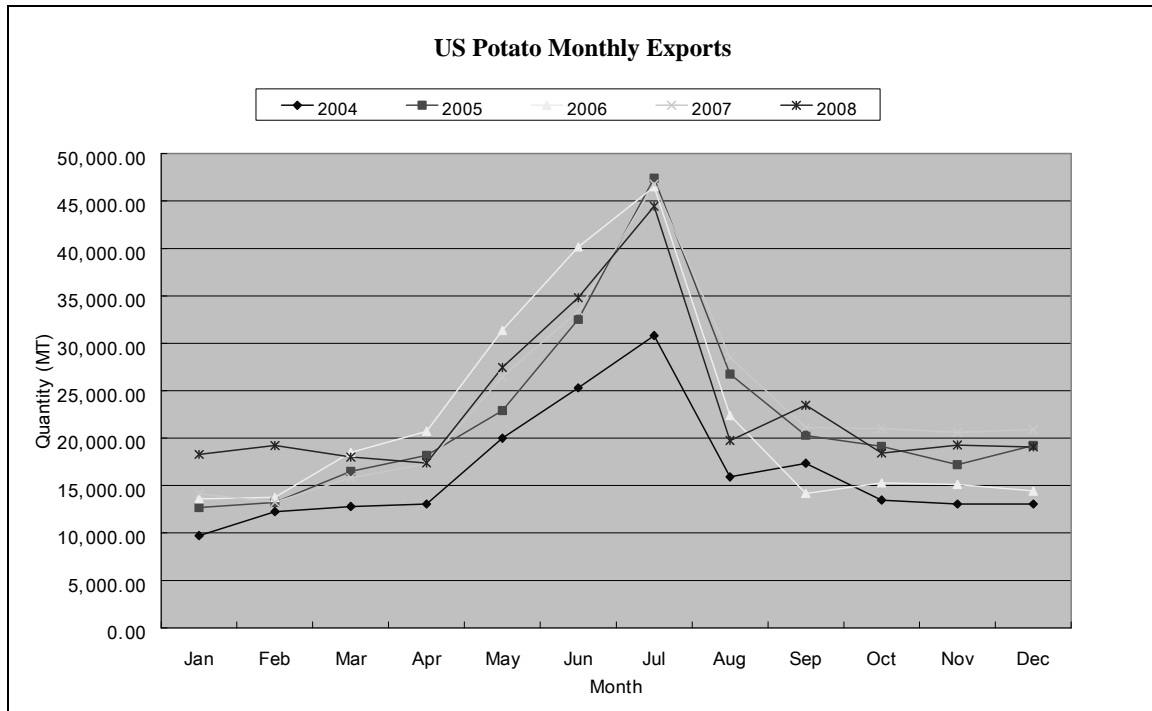
Graph 10(a): Monthly Black Bean exports of Argentina to the World



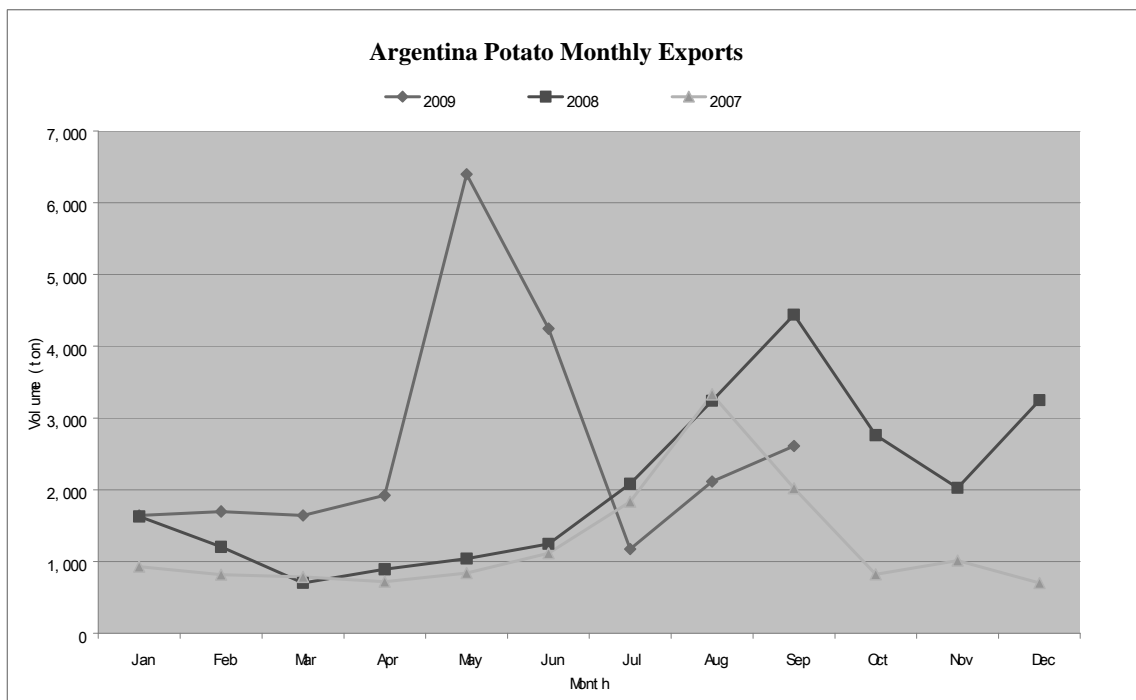
Graph 10(b): Monthly Black Bean exports of US to the World



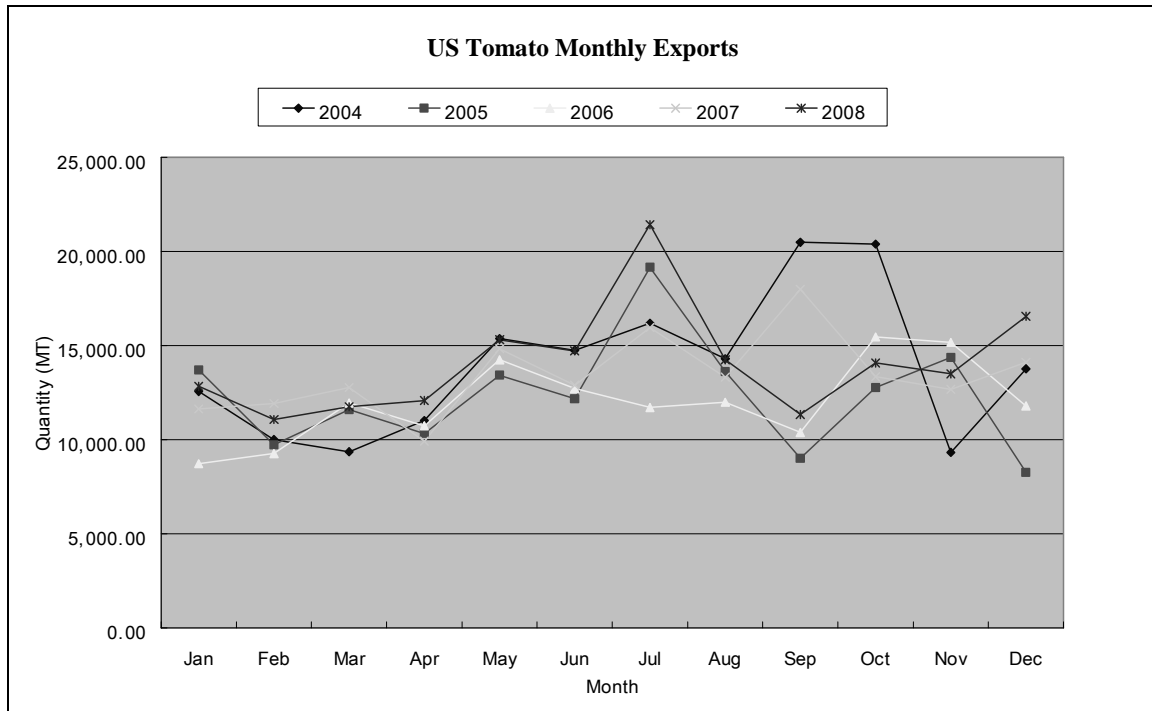
Graph 11(a): Monthly Potato exports of US to the World



Graph 11(b): Monthly Potato exports of Argentina to the World



Graph 12(a): Monthly Tomato exports of US to the World



Graph 12(b): Monthly Tomato exports of Argentina to the World

