Markets and Outlook: Global Agriculture

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Context

- Low prices across all main commodity groups
- Decelerating demand growth
  - Slowing population growth, weak global economy, declining propensity to spend income gains on food
- Low oil prices
  - 1st generation biofuel production not profitable without support or mandates

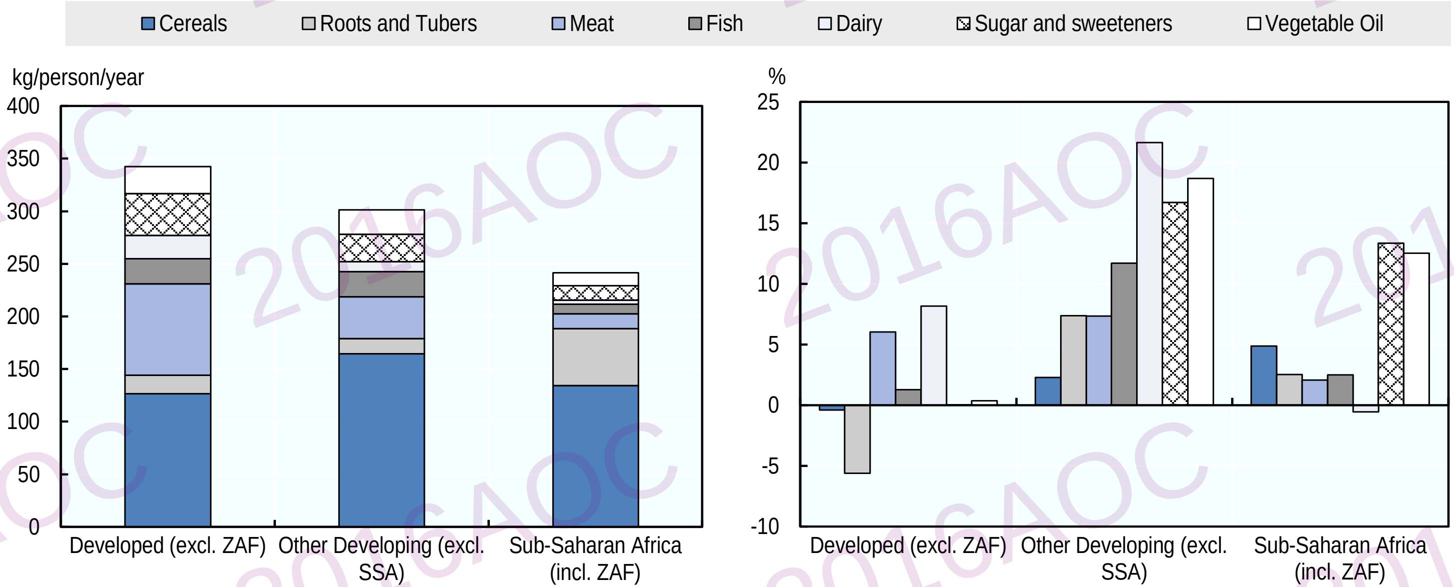
BETTER POLICIES FOR BETTER LIVES

Highlights of the OECD-FAO Outlook

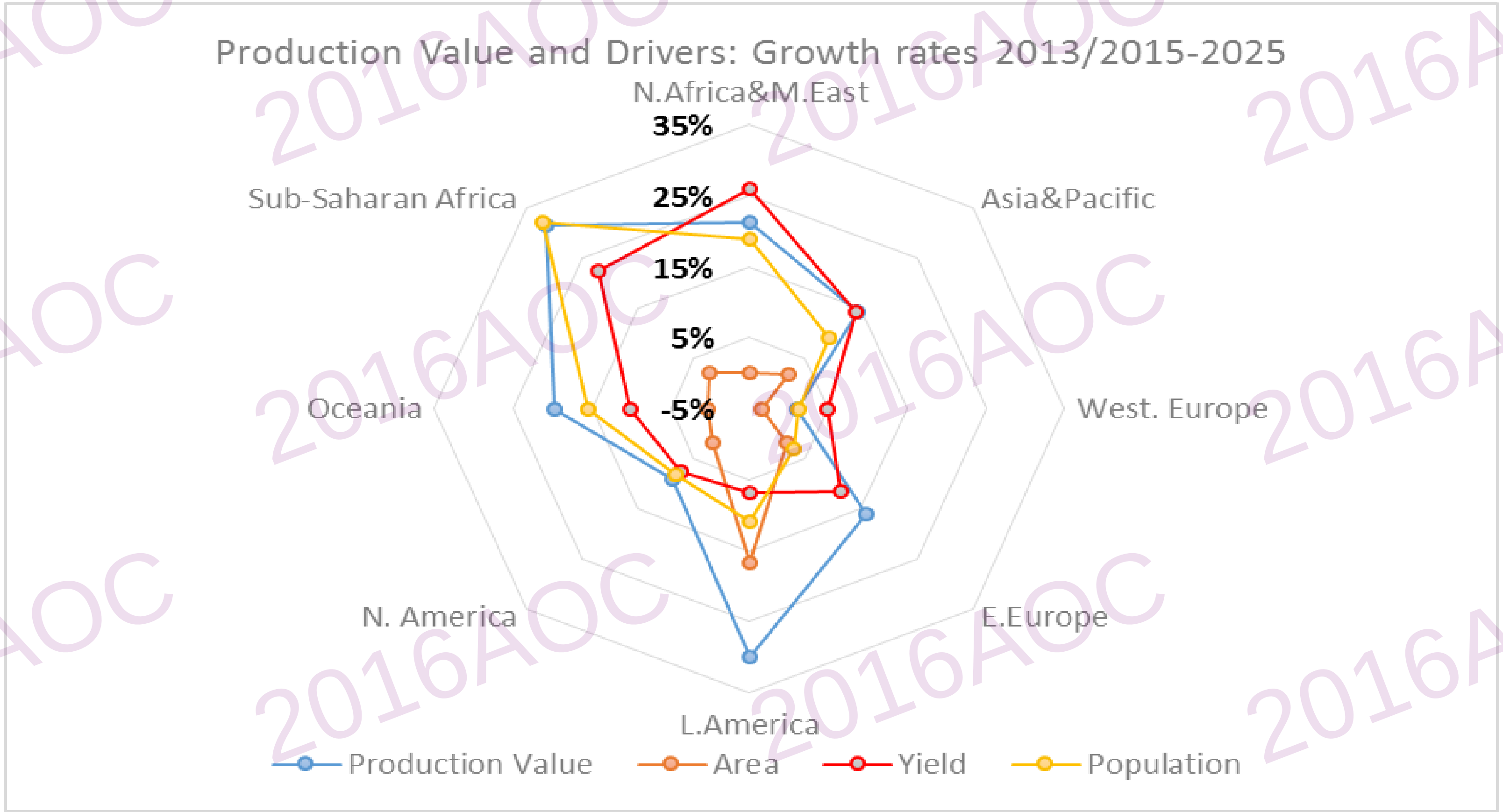
- Real food prices expected to decline slightly, but remain above levels before 2007-08 food price crisis.
- Changing relative prices:
  - Consumption of staples reaching saturation in many countries
  - Meat and dairy prices increase relative to crops – higher incomes and protein demand
  - Coarse grain and oilseed prices increase relative to food staples – feed demand
- Calmer markets but a risk of resurgent volatility
- Spread of imports across a large number of countries; concentration of exports among a few key suppliers

Consumption growth in developing countries

Kg/cap/year | **growth rate between 2013-15 and 2025**



Yield growth is the main driver of production increases



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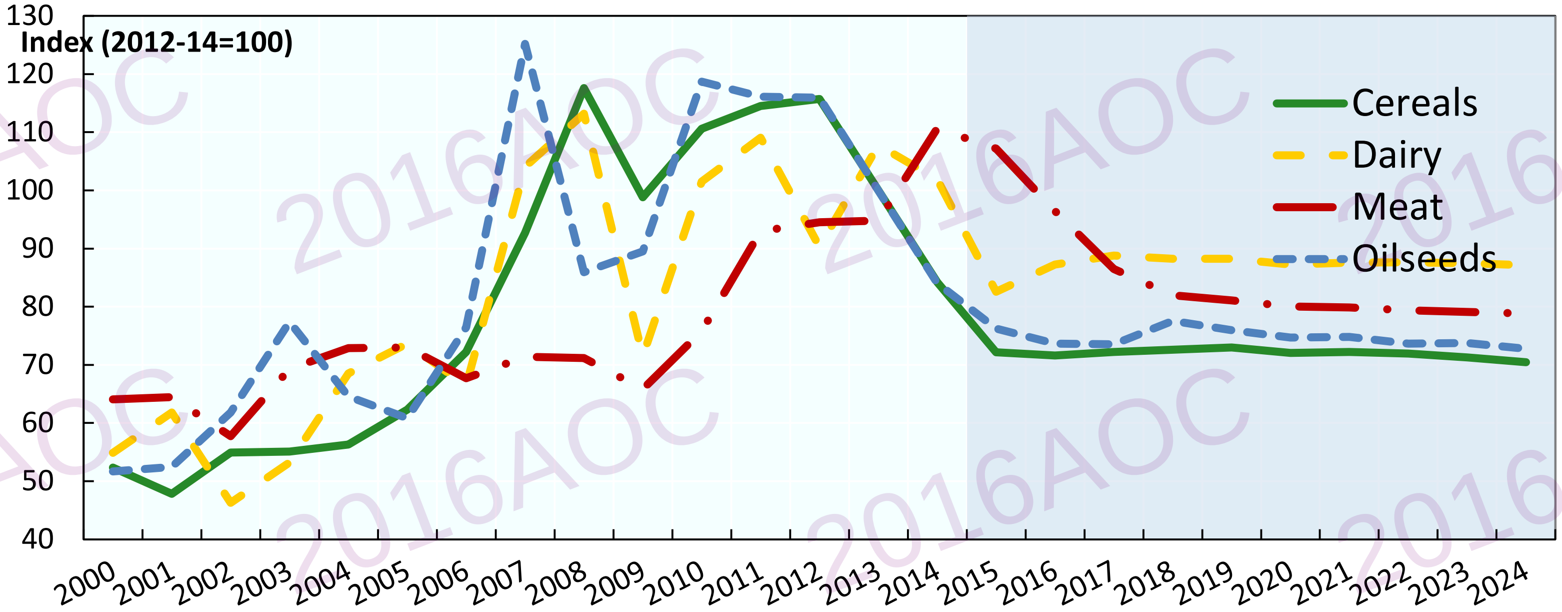
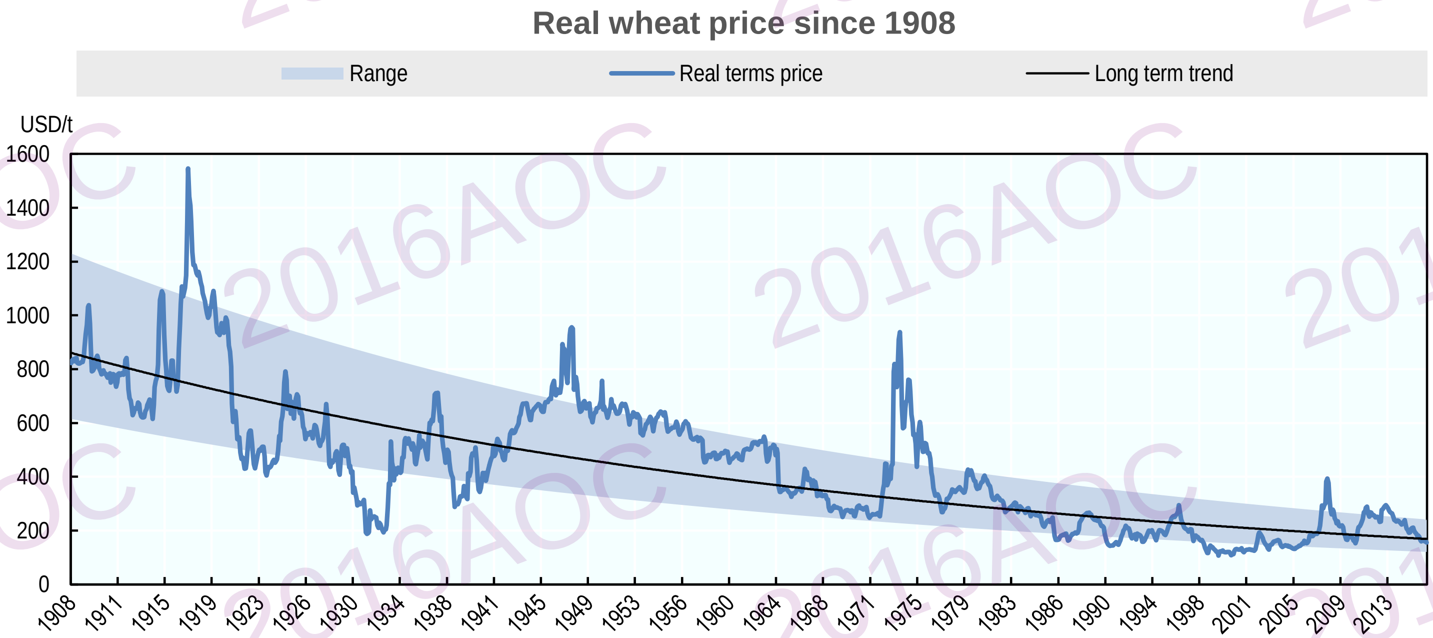
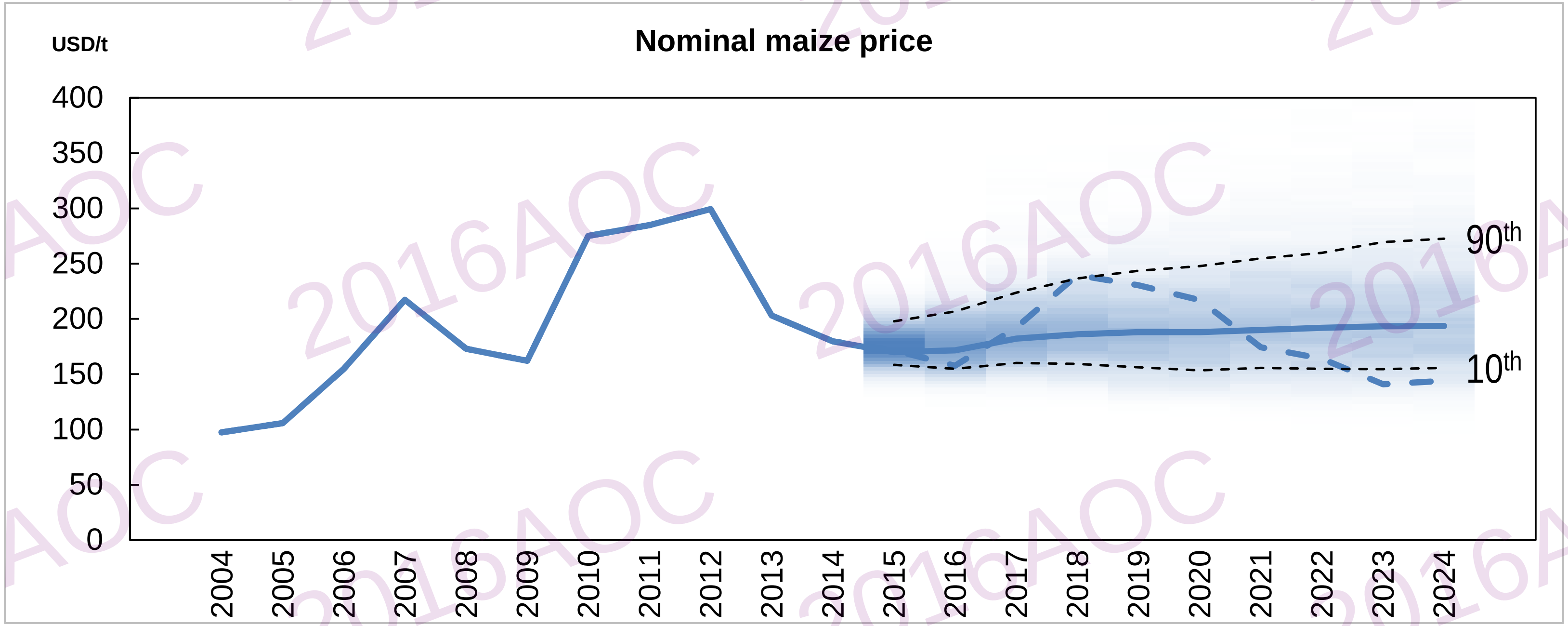
Real prices to remain higher than in the years preceding the 2007-08 price spike



Long term price trend difficult to see because of strong inter-annual volatility

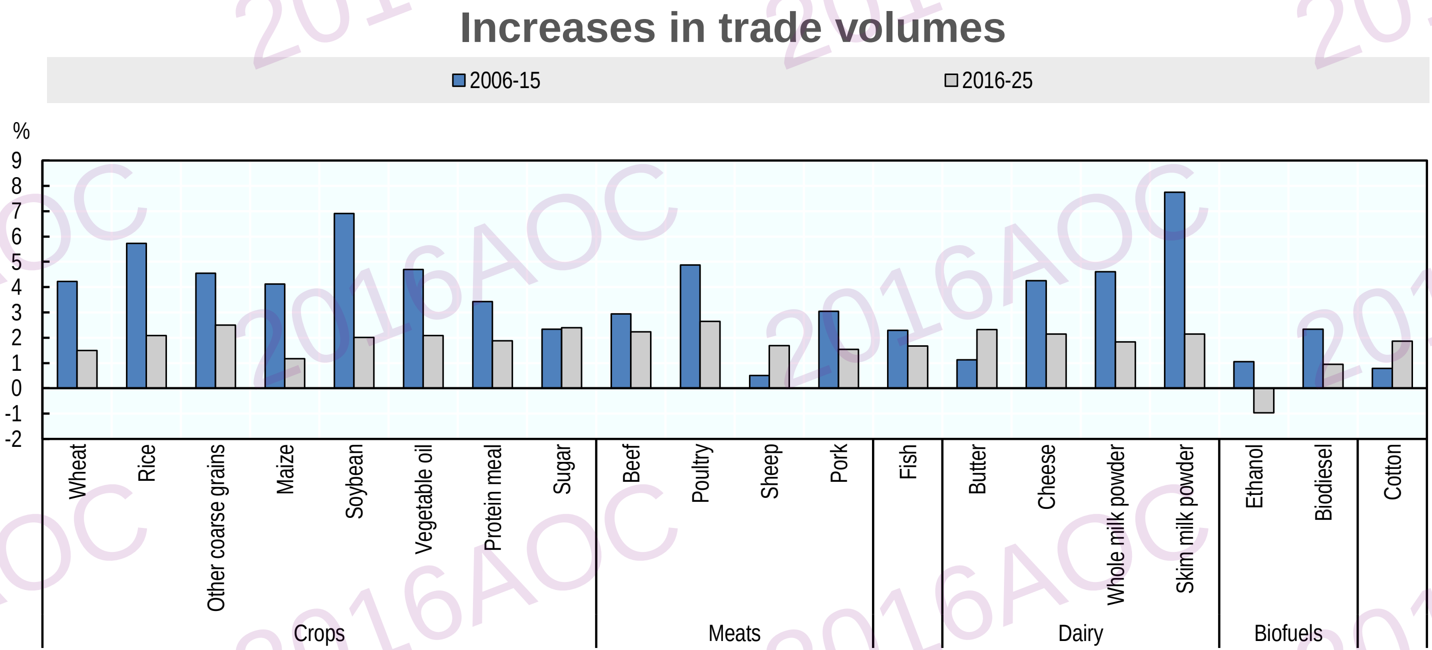


But there is a substantial risk of a further price shock

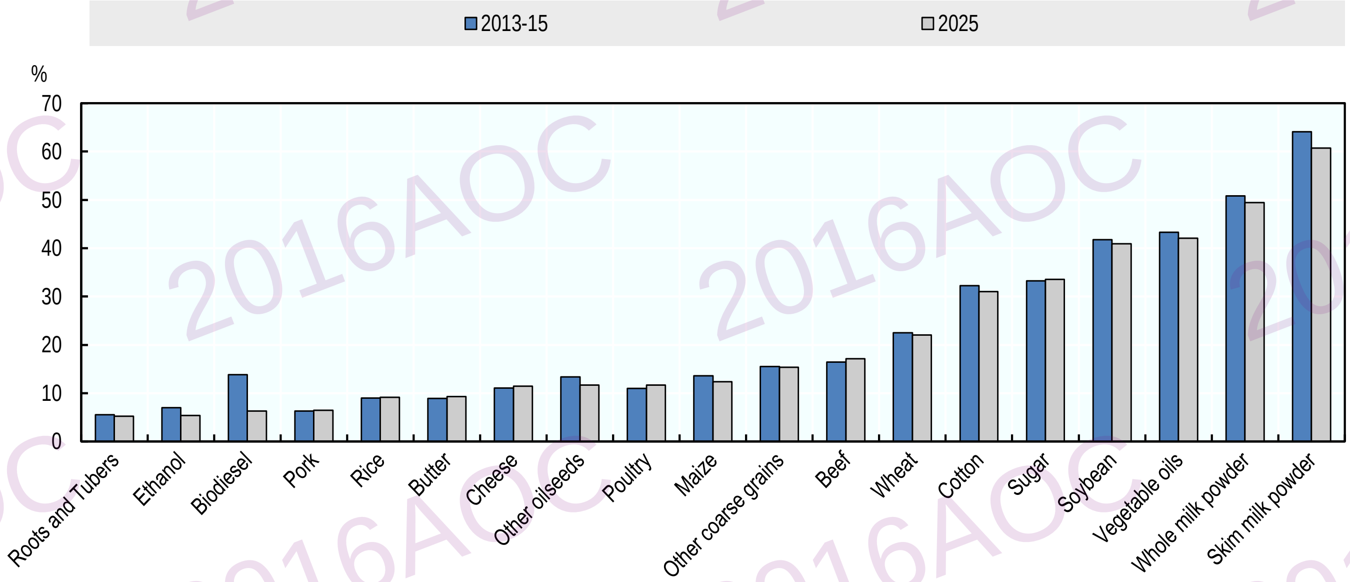


Probability of price outside the 10-90th percentile = 1 – 0.8**10 or approximately 90%

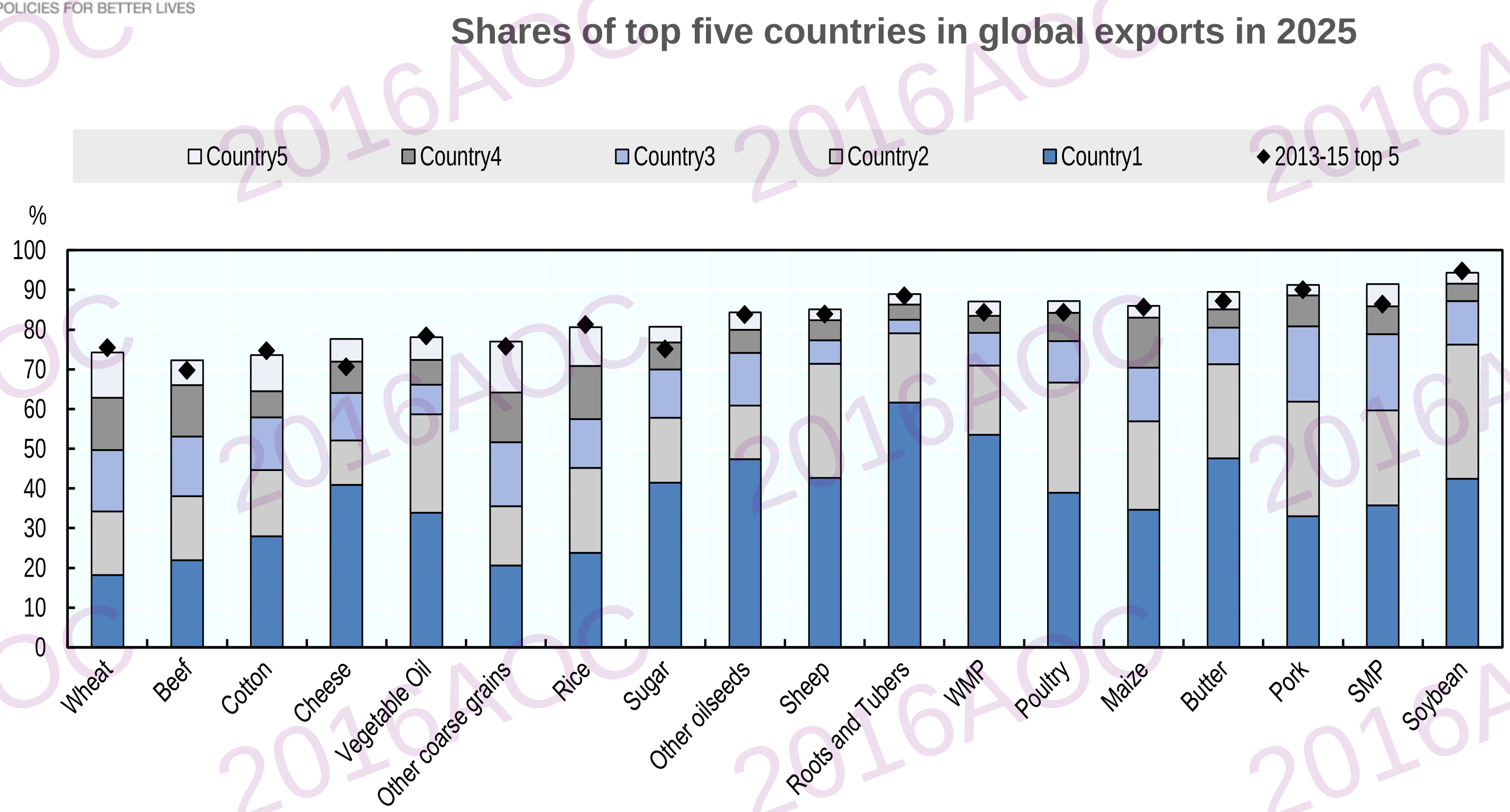
Agricultural trade to grow more slowly



But tradability does not change much

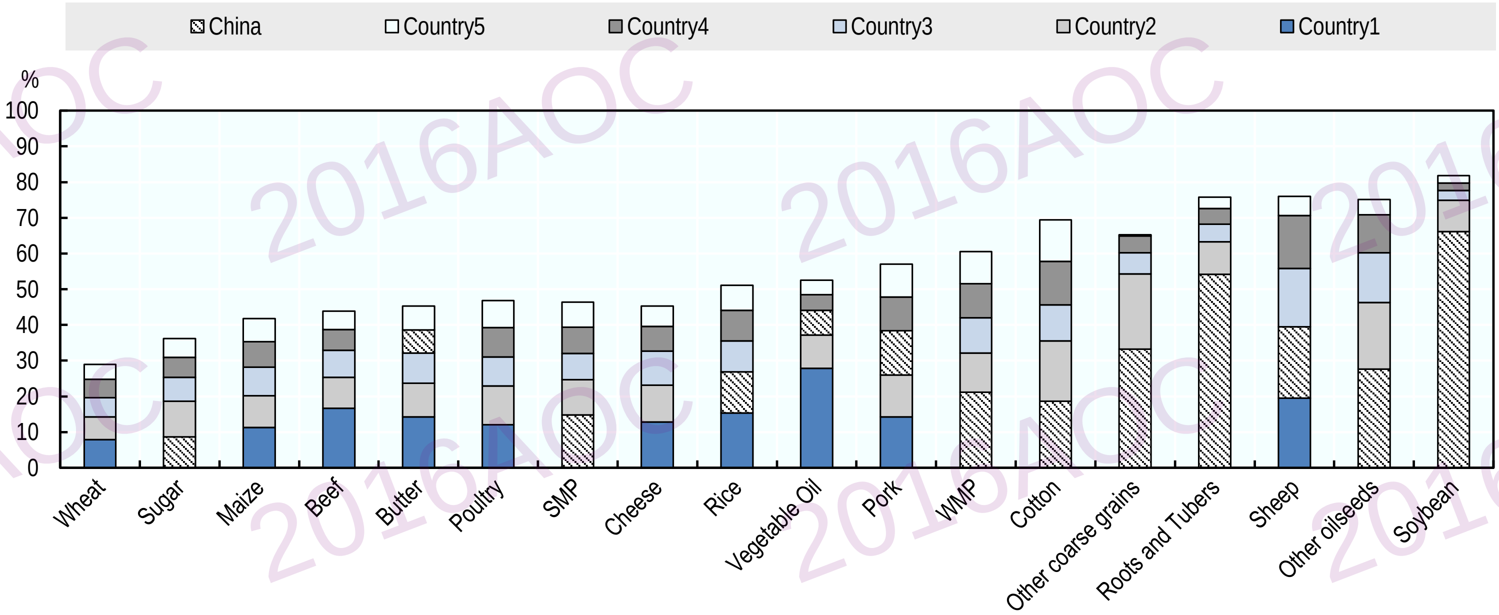


World exports to remain highly concentrated

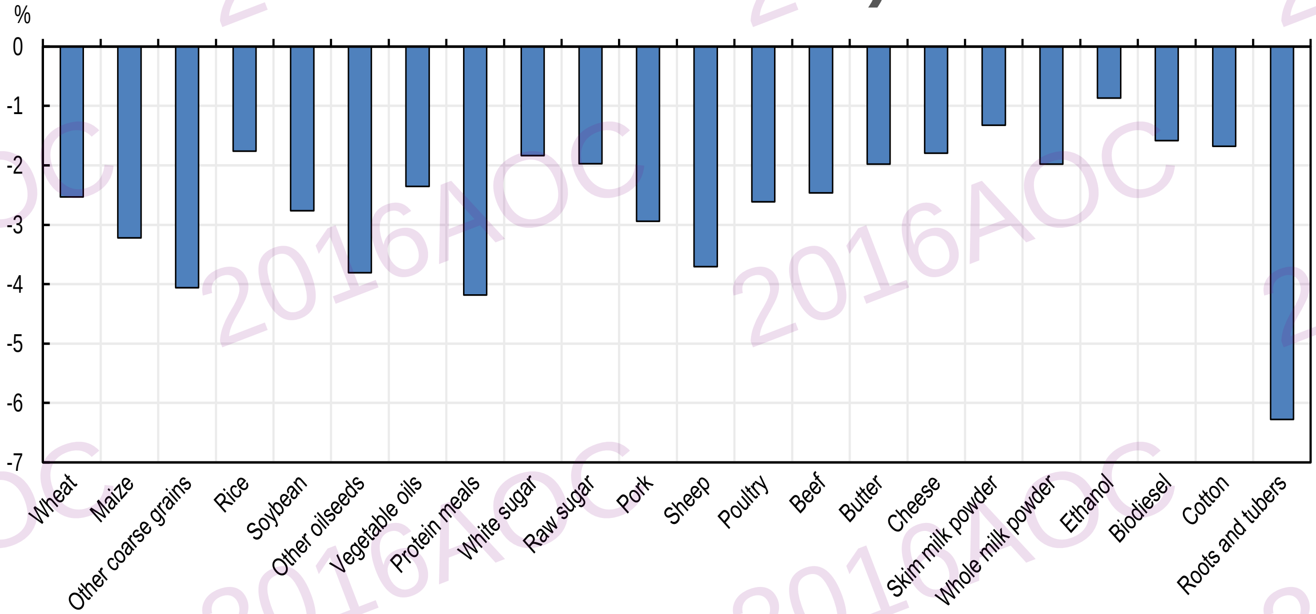


Imports in 2025 more dispersed…but China matters!

Shares of top five importers in world imports



World price impacts of China growth at 5% (versus 6% under the baseline)



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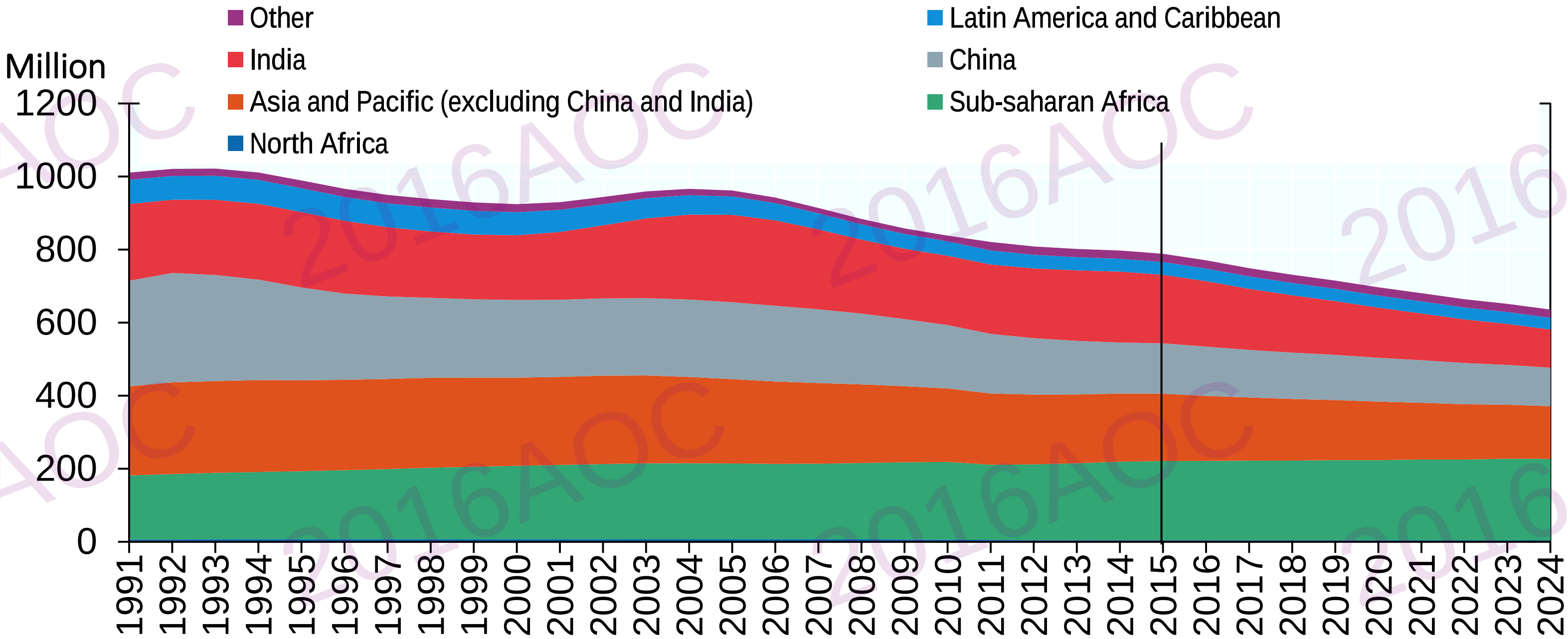
On current trends, undernourishment will decrease, but not in SSA, and SDG2 will not be met



Cotton highlights

- Ending stocks decline from nearly-unprecedented global highs in 2014; impacts on production, trade, and prices through 2025
  - China’s policy a crucial driver throughout the projection period
- After declining between 2006 and 2011, global cotton consumption set to increase again
(1.5% p.a.)
- Global textile industry continues shift away from China
  - but more slowly than between 2007 and 2013
- Exporters’ shares move toward Brazil and Australia; China’s import projected low.

Policy challenges

- Flat to declining real prices may imply resurgent demands for agricultural protection
- Continued price volatility will make the stability of prices more of an issue than the level – widespread interest in risk management
- High trade concentration underlines the important of open, predictable and transparent trade

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We invite you to visit our website

www.agri-outlook.org

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