Global agri-food systems: past trends, market outlook and prospects for future reforms

Session 1: Understanding the role of trade in global agri-food systems

Annelies DEUSS

Trade and Agriculture Directorate (OECD)

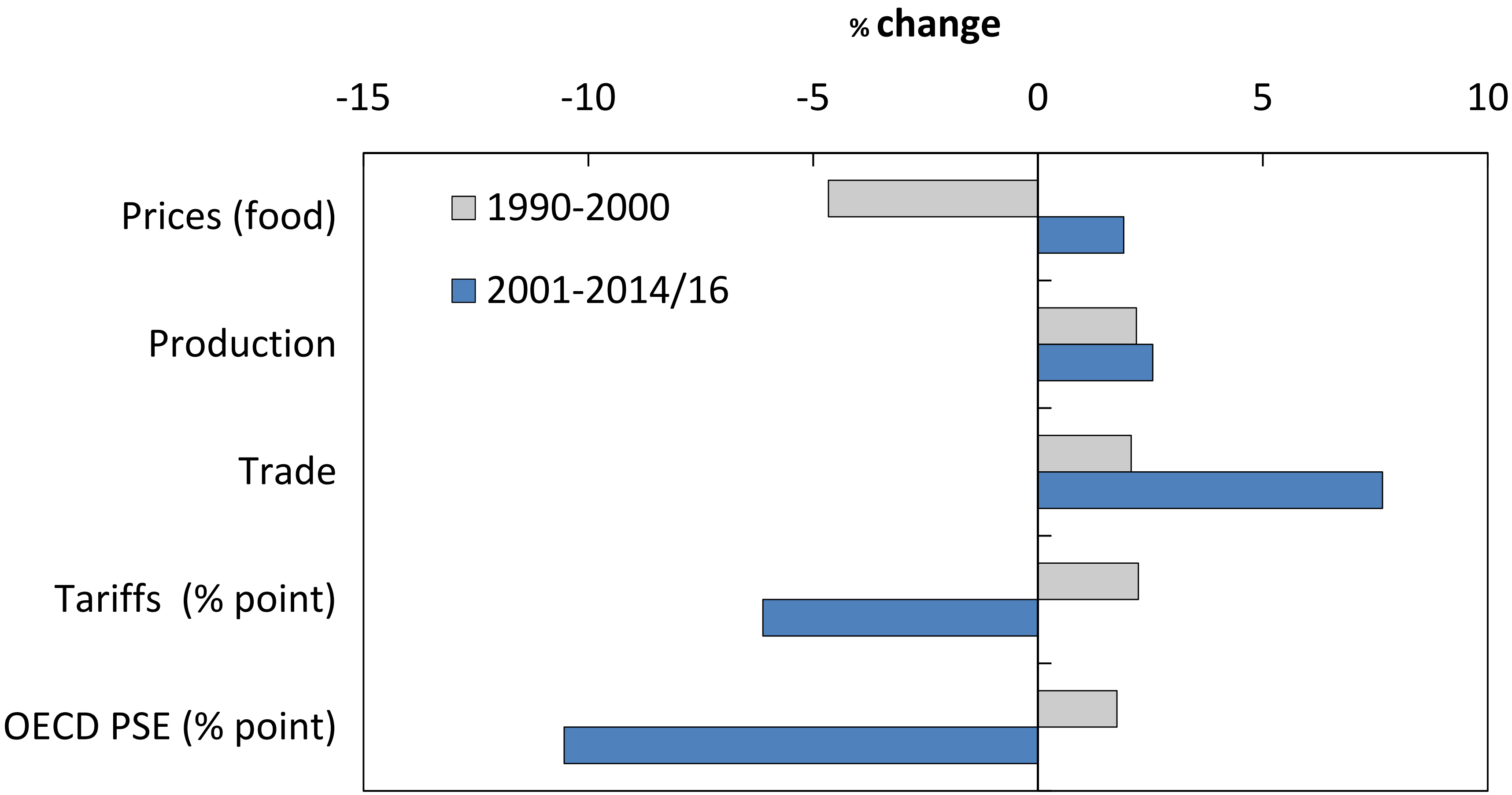
WTO Symposium
27-28 June 2019

OECD
BETTER POLICIES FOR BETTER LIVES

Outline of the presentation

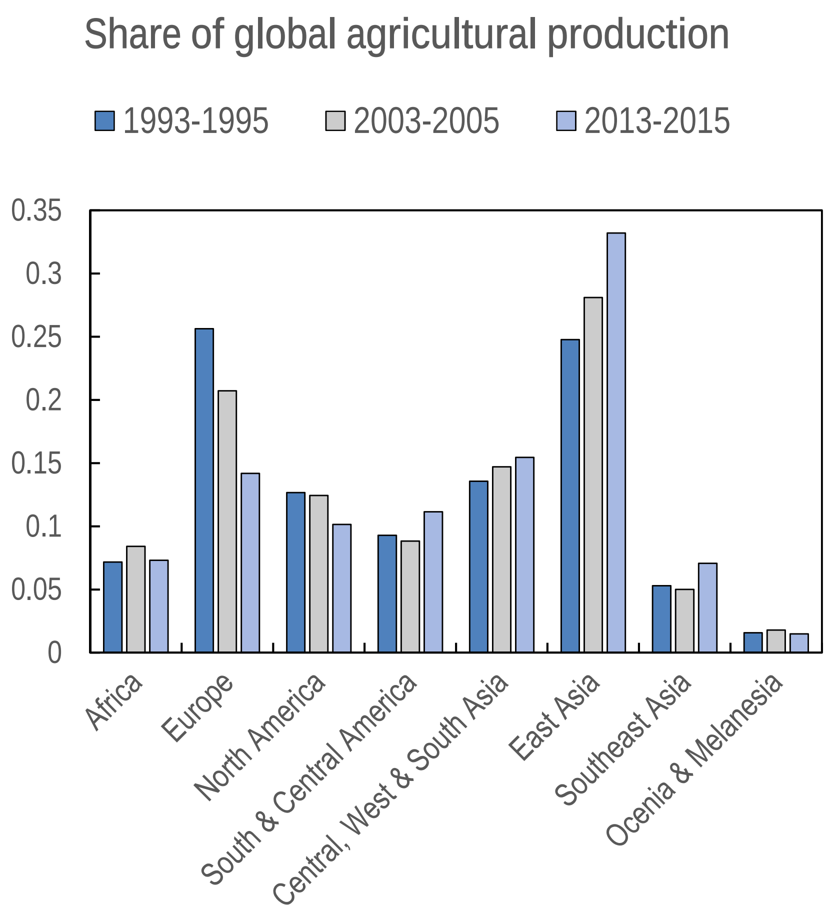
- Key developments in agricultural markets since 2000
- The outlook for world agricultural markets
- Prospects for future reforms

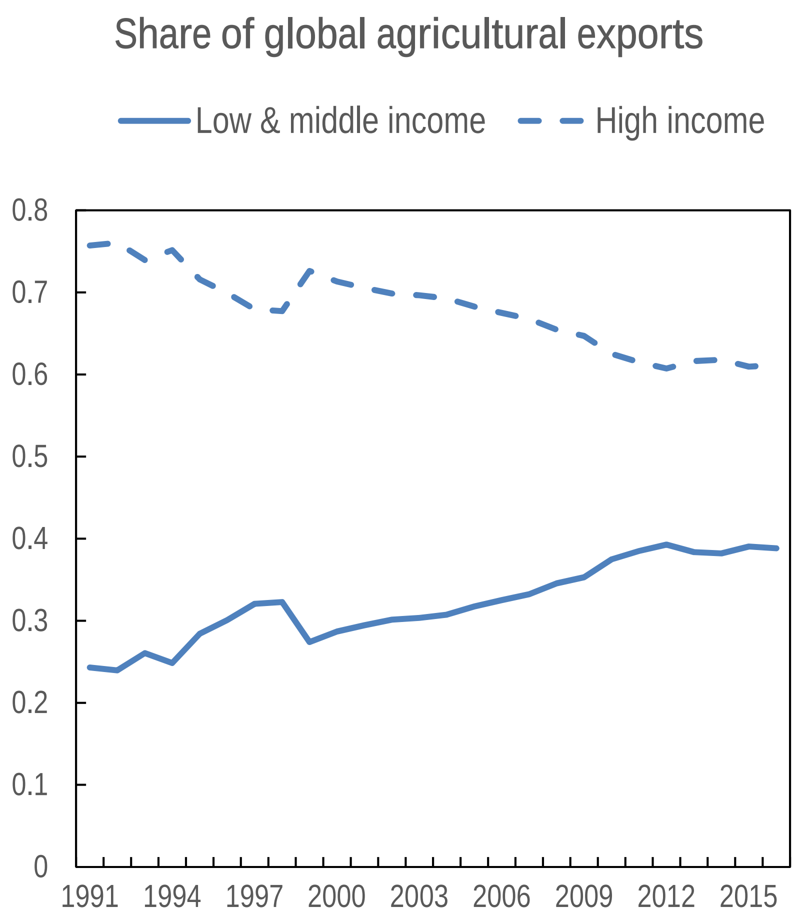
Some key changes since 2000



Updated from OECD (2016), Evolving Agricultural Policies and Markets: Implications for Multilateral Trade Reform, OECD Publishing, Paris.
http://dx.doi.org/10.1787/9789264264991-en

Developing and emerging economies have a larger role





Trade in agro-food products is increasingly 'global'

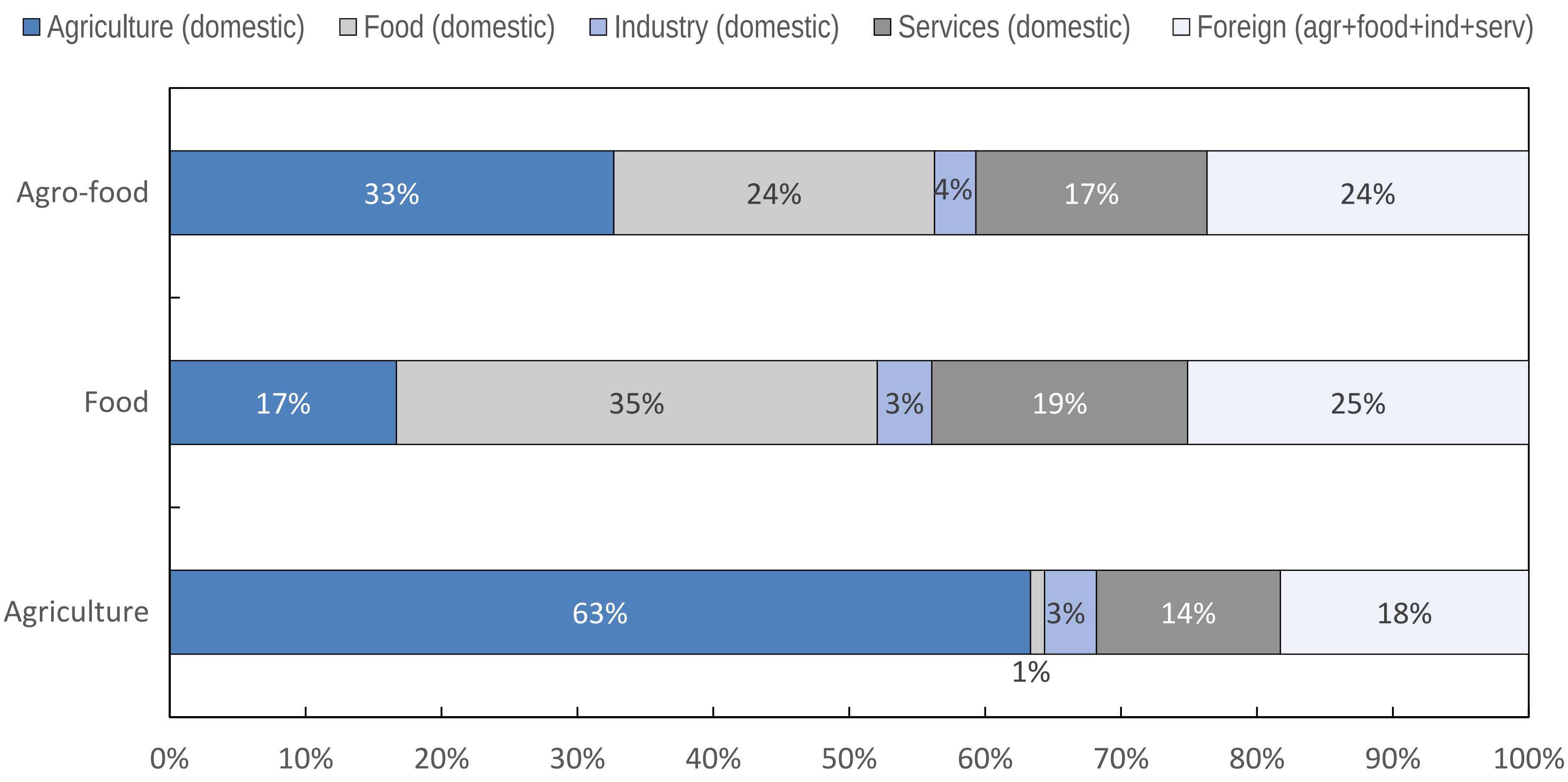
- Agricultural trade is increasingly organized within **global value chains (GVCs),** linking primary agriculture to processors, retailers and upstream input suppliers through trading relationships

> **Definition: GVCs** represent all the activities that take place in transforming raw materials into the product delivered at its end use, i.e. production, marketing and the delivery of a product or service to the final consumer

- Agricultural exports are used to produce other food products:
  - selling into GVCs
- Exported food products use inputs that are sourced internationally:
  - buying from GVCs
- Agro-food sectors have deepened these linkages, and linkages with other sectors, between 2004 and 2014

Globally, 24% of agro-food export value comes from foreign factors that are imported

Shares of agro-food export value, domestic and foreign (2014)

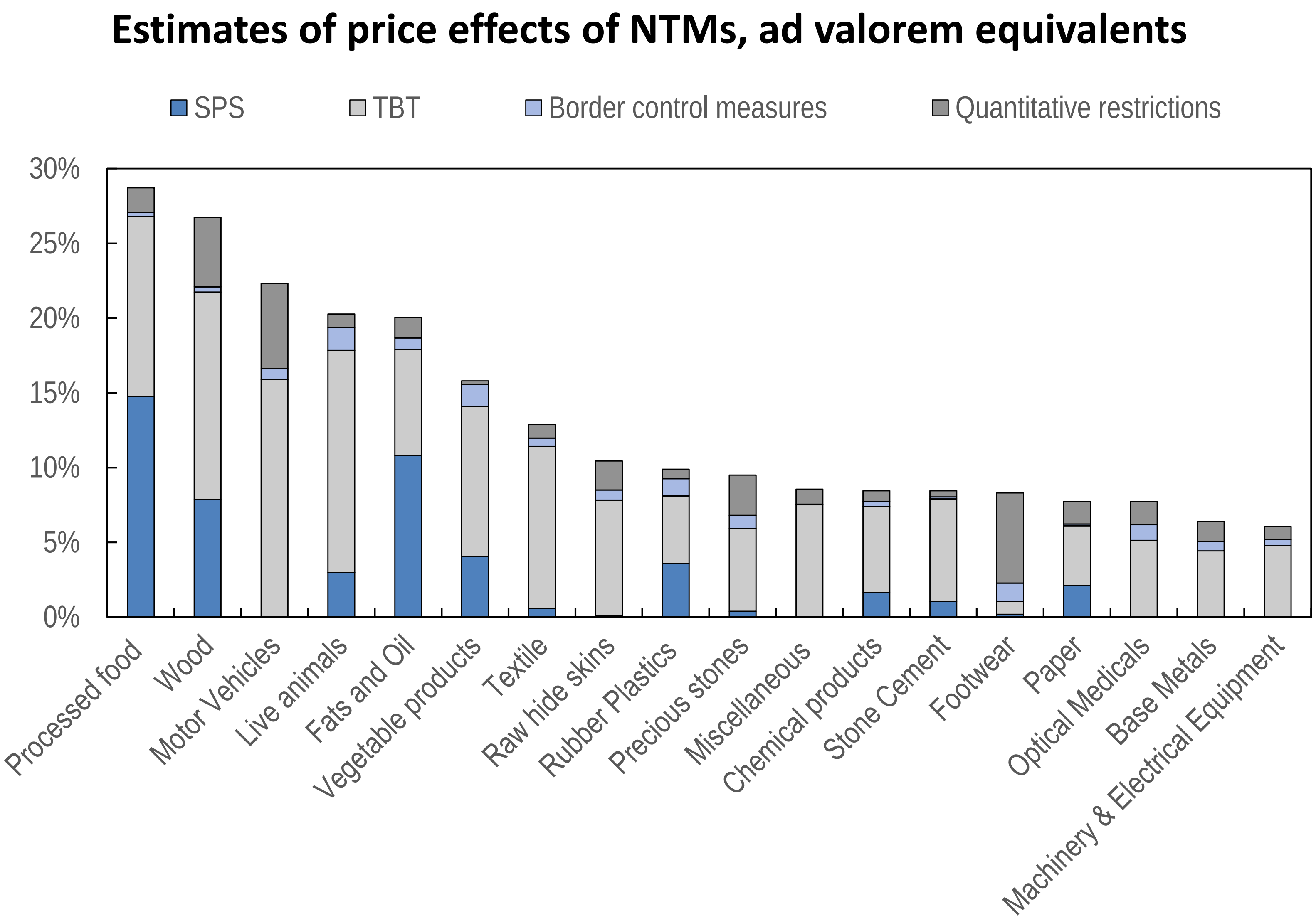


Trade and domestic policy distortions can reduce GVC participation and gains

- Participation in GVCs is linked to sector growth and transformation
  - Growth in sector domestic value added
  - Growth in exports of domestic value added

- Policies can influence GVC participation
  - Reduce participation:
    - tariffs; distorting forms of support; certain non-tariff measures (NTMs); and services trade restrictions
  - Promote participation:
    - enabling environment and good trade facilitation

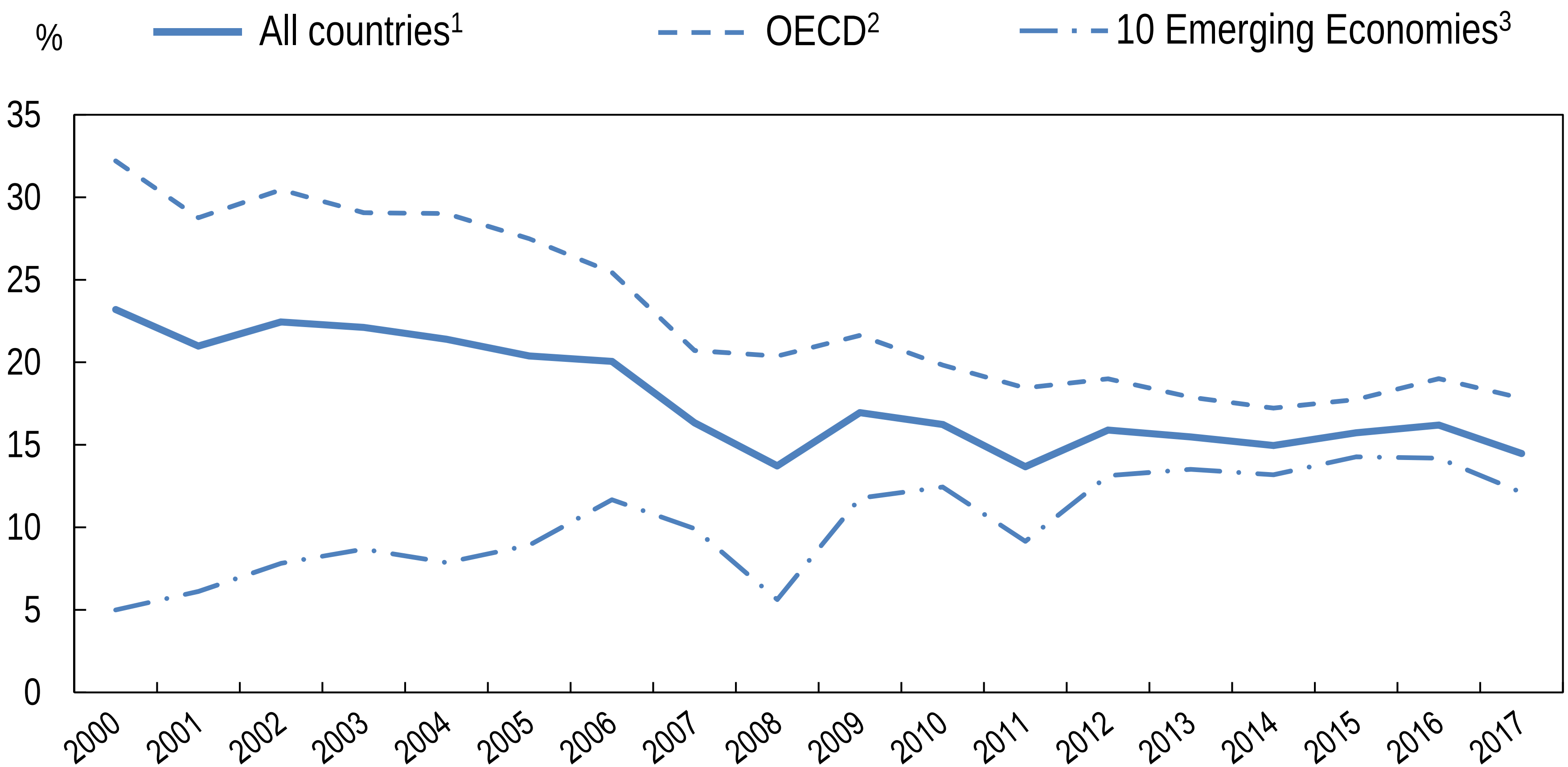
NTMs raise import costs



Source: Cadot, O., J. Gourdon and F. van Tongeren (2018), "Estimating Ad Valorem Equivalents of Non- Tariff Measures: Combining Price-Based and Quantity-Based Approaches", *OECD Trade Policy Papers*, No. 215, OECD Publishing, Paris, http:// dx.doi.org/10.1787/f3cd5bdc-en.

Many countries made significant steps in reforming support policies, but progress has stalled in recent years

Producer Support Estimate as % of gross farm receipts

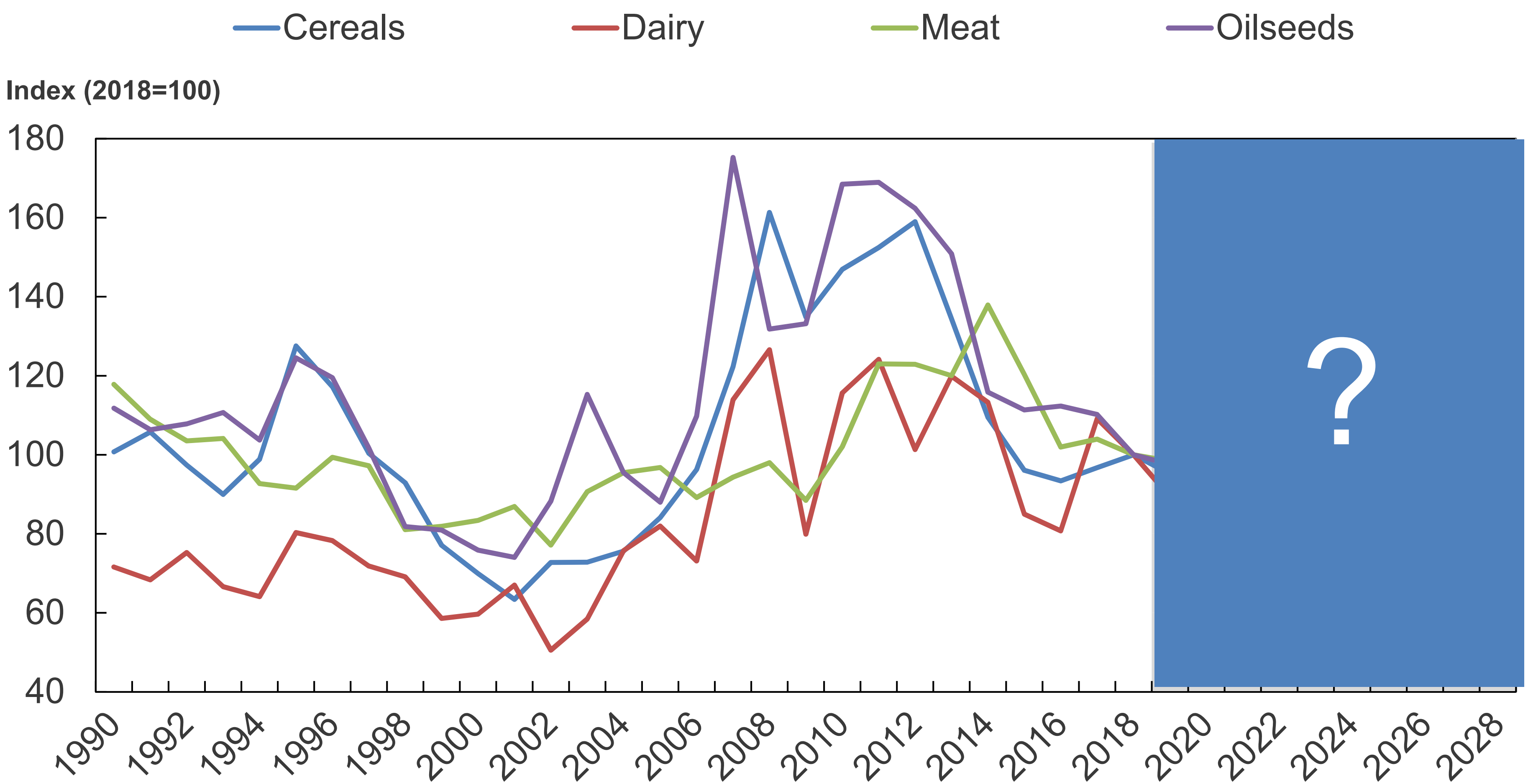


1. The All countries total includes all OECD countries, non-OECD EU Member States, and the 10 Emerging Economies. 2. The OECD total does not include the non-OECD EU Member States. Latvia is included only from 2004. 3. The 10 Emerging Economies are Brazil, China, Colombia, Costa Rica, Kazakhstan, the Philippines, Russian Federation, South Africa, Ukraine and Viet Nam. The Philippines and Viet Nam are included from 2000 onwards. Indonesia is not included in this report.
Source: OECD (2018b), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database), http://dx.doi.org/10.1787/agr-pcse-data-en.

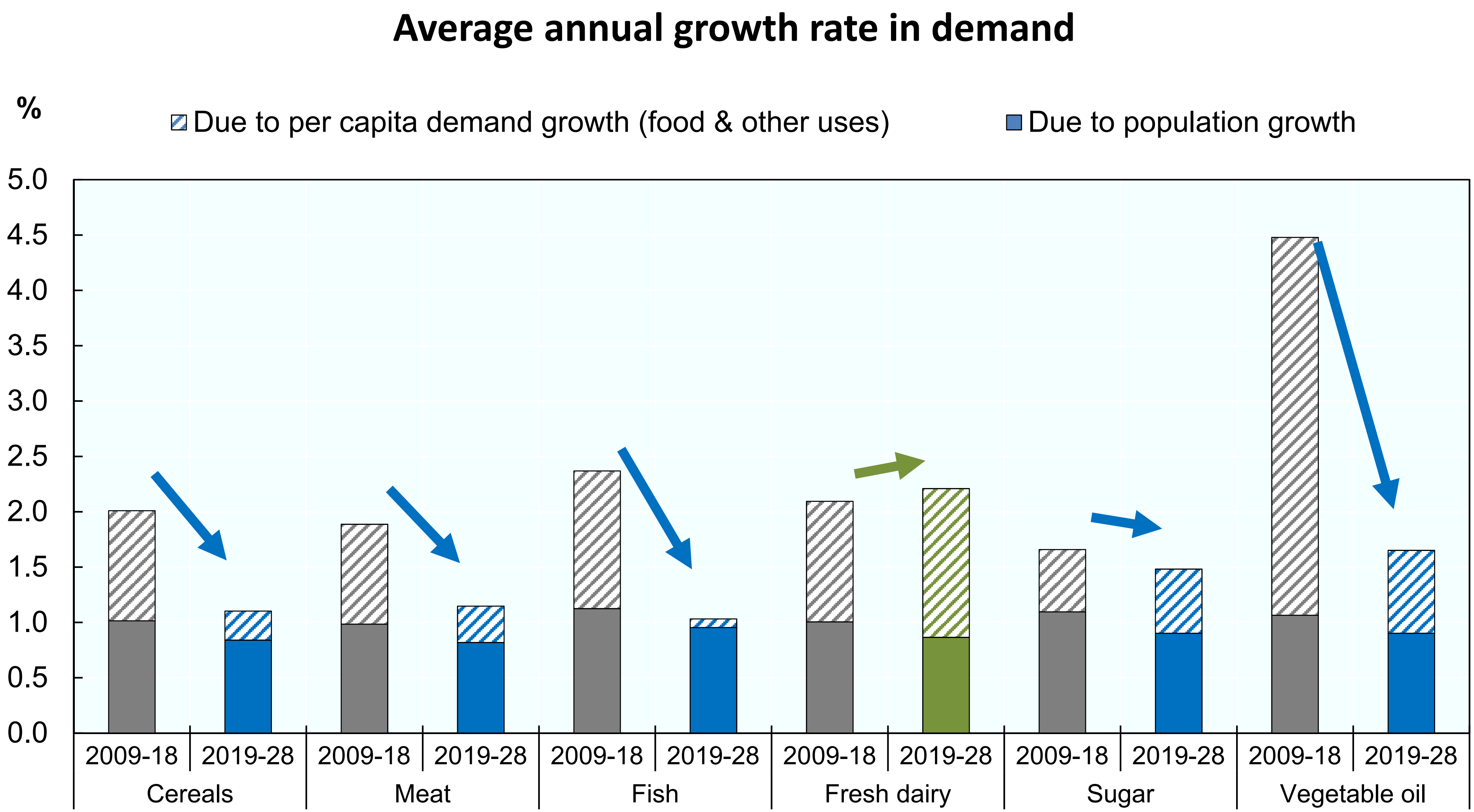
Outline of the presentation

- Key developments in agricultural markets since 2000
- **The outlook for world agricultural markets**
- Prospects for future reforms

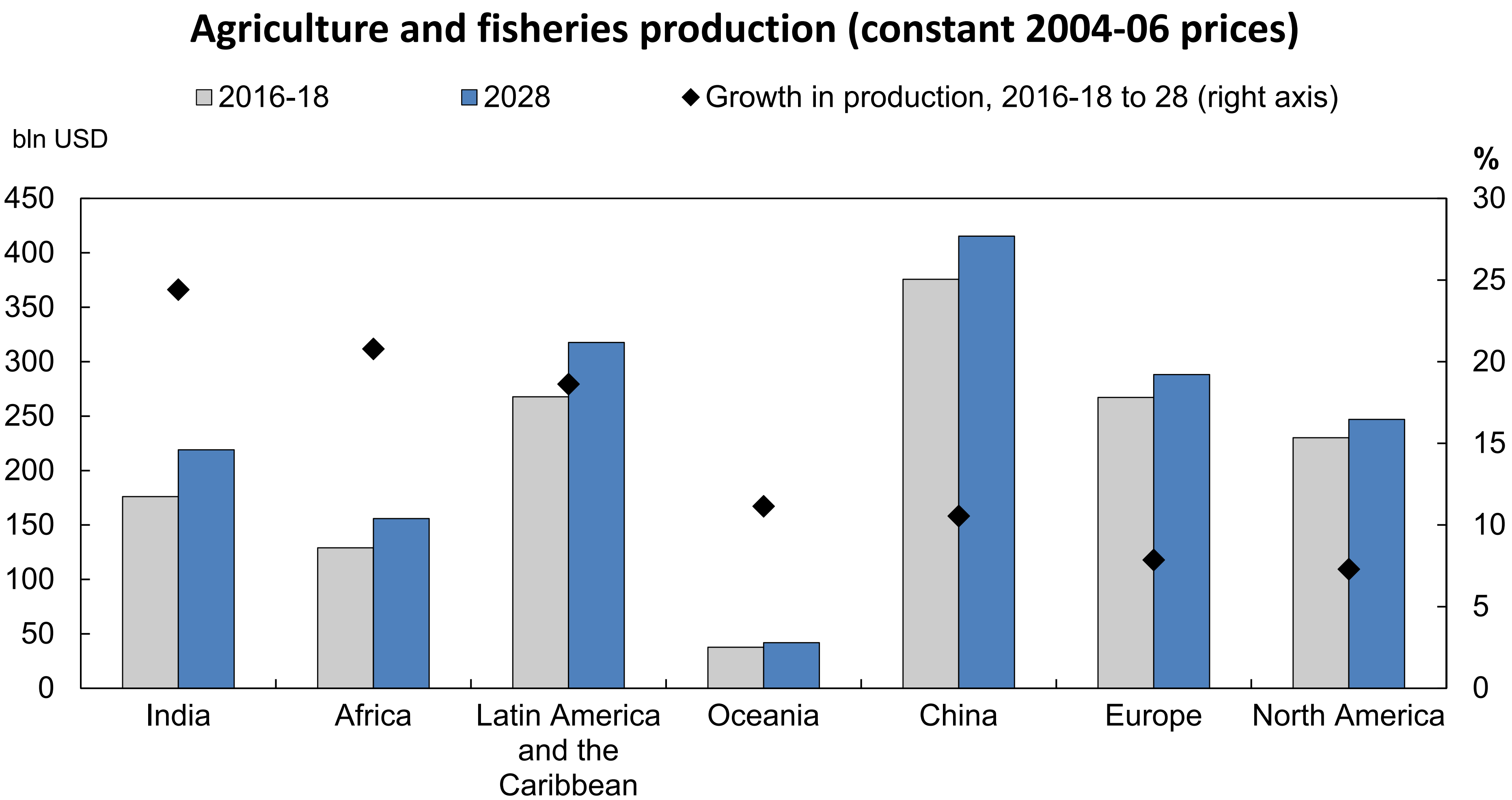
Across crops and livestock we are in a low price environment… which is projected to continue



Growth in demand for agricultural commodities to slow for all sectors except dairy…population the main driver

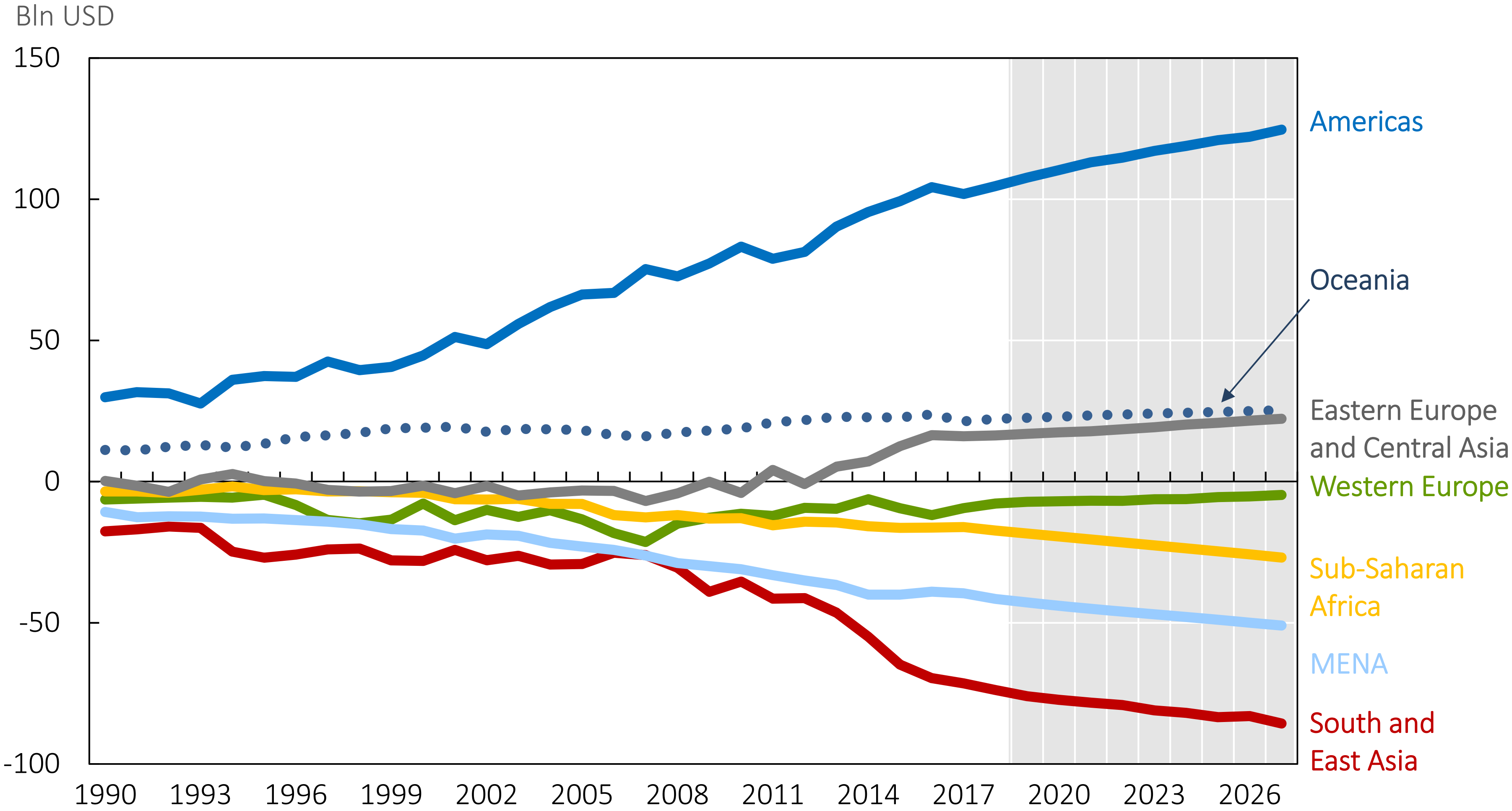


Production will grow fastest in developing regions



Regions with abundant resources will export more to regions with scarce land and water resources & high population pressure

Agricultural trade balances by region, in constant value, 1990-2027



Increasing policy uncertainties are adding to traditional risks

	Market uncertainties	Policy uncertainties
Demand	Consumption preferences - Healthier diets	Health policies Biofuel policies
Supply	Plant and animal diseases - Fall Army Worm - African Swine Fever Climate Change	Regulation of plant breeding technologies Climate change policies
International Trade		Trade tensions Trade agreements (USMCA, Brexit, …)

Outline of the presentation

- Key developments in agricultural markets since 2000
- The outlook for world agricultural markets
- **Prospects for future reforms**

Key messages

- Past reforms of trade and domestic support policies and developments in agricultural markets have increased the integration of the world agro-food system.
  - Countries gain when their agro-food systems participate in GVCs
  - Trade and domestic support measures that restrict trade or unnecessarily increase the costs of trade harm countries' own economies, as well as those of their trading partners
- In recent years, pace of agricultural policy reform has slowed
- For the next decade, prices of agricultural commodities are likely to decline in real terms

Governments could face further pressures to:

- retain price support and associated trade protection
- divert scarce budgetary resources away from essential investments

Prospects for future reform

Increase the competitiveness of agro-food sectors through policies that:

- Reduce agricultural support and market access barriers that distort trade
- Ensure that NTMs are appropriate, transparent, science-based, and do not overly restrict trade
- Reduce barriers to services trade
- Provide an enabling environment and promote agricultural productivity growth

Much can be achieved through unilateral efforts

… but greater gains can be realised through widespread multilateral reforms

Contact us

We look forward to hearing from you!

Access all of the information from the Trade & Agriculture Directorate at:

www.oecd.org/tad

You can reach us via e-mail by sending your message to the following address:

tad.contact@oecd.org

We invite you to connect with us on Twitter by following:

@OECDagriculture