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

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Trade and Agriculture Directorate (OECD)

WTO Symposium
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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

- Prices (food)
  - 1990-2000
  - 2001-2014/16

- Production

- Trade

- Tariffs (% point)

- OECD PSE (% point)


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Developing and emerging economies have a larger role

Share of global agricultural production

Share of global agricultural exports

Low & middle income

High income
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)**

- **Agriculture (domestic):** 63%
- **Food (domestic):** 17%
- **Industry (domestic):** 3%
- **Services (domestic):** 3%
- **Foreign (agr+food+ind+serv):** 18%

- **Agriculture (foreign):** 24%
- **Food (foreign):** 35%
- **Industry (foreign):** 3%
- **Services (foreign):** 4%
- **Foreign (agr+food+ind+serv):** 24%

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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

Trade and domestic policy distortions can reduce GVC participation and gains
NTMs raise import costs

Estimates of price effects of NTMs, ad valorem equivalents

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.
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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

Average annual growth rate in demand

Due to per capita demand growth (food & other uses)  Due to population growth


Cereals Meat Fish Fresh dairy Sugar Vegetable oil

Due to per capita demand growth (food & other uses)  Due to population growth

0.0 0.5 1.0 1.5 2.0 2.5 3.0 3.5 4.0 4.5 5.0

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Production will grow fastest in developing regions

Agriculture and fisheries production (constant 2004-06 prices)

- 2016-18
- 2028
- Growth in production, 2016-18 to 28 (right axis)

Growth in production, 2016-18 to 2028 (%)

<table>
<thead>
<tr>
<th>Region</th>
<th>2016-18</th>
<th>2028</th>
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<tbody>
<tr>
<td>India</td>
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<td>Africa</td>
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<td>Latin America and the Caribbean</td>
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<td>Oceania</td>
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<td>North America</td>
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Growth in production (bln USD)

- India
- Africa
- Latin America and the Caribbean
- Oceania
- China
- Europe
- North America

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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**

The graph shows the agricultural trade balances by region from 1990 to 2027, measured in constant value (Bln USD). The regions are categorized as follows:

- **Americas**: Generally shows a positive trend, indicating increased exports over time.
- **Oceania**: Also shows a positive trend, with a notable increase after 2010.
- **Eastern Europe and Central Asia**: Exhibits a mix of positive and neutral balances, with slight fluctuations.
- **Western Europe**: Maintains a relatively stable trend with minor changes.
- **Sub-Saharan Africa**: Consistently shows negative trade balances, indicating net imports.
- **MENA**: Exhibits variability, with periods of positive and negative balances.
- **South and East Asia**: Shows a mix of positive and negative balances, with a notable decline after 2015.
### Increasing policy uncertainties are adding to traditional risks

<table>
<thead>
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<th>Market uncertainties</th>
<th>Policy uncertainties</th>
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<tbody>
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<td><strong>Demand</strong></td>
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<td>Consumption preferences</td>
<td>Health policies</td>
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<td>- Healthier diets</td>
<td>Biofuel policies</td>
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<td><strong>Supply</strong></td>
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<td>Plant and animal diseases</td>
<td>Regulation of plant breeding technologies</td>
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<td>- Fall Army Worm</td>
<td>Climate change policies</td>
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<td>- African Swine Fever</td>
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<td><strong>International Trade</strong></td>
<td>Trade tensions</td>
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<td>Trade agreements (USMCA, Brexit, ...)</td>
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- Key developments in agricultural markets since 2000
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- 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
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:

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