

Executive summary

The *Agricultural Outlook 2016-2025* is a collaborative effort of OECD and FAO. It brings together the commodity, policy and country expertise of both organisations and input from collaborating member countries to provide an assessment of medium-term prospects of national, regional and global agricultural commodity markets. The *Outlook* provides supply, demand, trade and price estimates of major agricultural commodities for 41 countries and 12 geographical regions. The special theme chapter of this year's edition focusses on the prospects and challenges of the agricultural sector in Sub-Saharan Africa.

Prices for the main crops, livestock and fish products all fell in 2015, signalling that an era of high prices is quite likely over for all sub-sectors. Meat prices fell from record highs in 2014, dairy product prices continued declines that started in 2013 and 2014, while crop prices fell further from their peaks in 2012. The main factors behind lower prices have been several years of robust supply growth, weakening demand growth due to the overall economic slowdown, lower oil prices and further accumulation of already abundant stocks.

Over the ten-year *Outlook* period the demand growth for food is expected to slow progressively. Global population growth, the main driver of demand increases, is declining, while income growth in emerging economies is projected to be weaker. At the same time, consumers, especially in populous emerging economies, show a declining propensity to spend income gains on consuming more basic foodstuffs. Demand for meat, fish and dairy products will grow relatively strongly, inducing additional demand for feed, in particular from coarse grains and protein meals. Demand for agricultural commodities for biofuel production is projected to stagnate due to the lower energy prices and more conservative biofuel policies in several countries.

Increasing consumption in developing countries is projected to reduce the global proportion of people who are undernourished from 11% to 8% over the next ten years, with the total numbers of undernourished declining from 788 million to less than 650 million. However, undernourishment in Sub-Saharan Africa remains high, and in ten years the region will account for more than one third of the global total of undernourished, compared with just over a quarter today. Many countries will be confronted with a complex burden of undernourishment (too few calories), obesity, and micronutrient deficiency (with unbalanced diets a common problem). In both developed and developing countries, consumption of sugar, oils and fats is projected to increase faster than consumption of staples and protein, largely as a result of people consuming more processed food products.

The increased demand for food is projected to be satisfied through productivity gains, with modest changes in crop area and livestock herds. Yield improvements are projected to account for 80% of the increase in crop output. There is some scope to increase agricultural area sustainably, mainly in parts of Latin America and Sub-Saharan Africa. The majority of new crop area in Africa will be dedicated to cereals, while the expansion in

Latin America is focussed on soybeans. Yield growth is expected to be slower in the main producing countries, as it becomes progressively more difficult to shift the technological frontier forward. But there are large yield gaps in many developing countries, especially in Sub-Saharan Africa, and bridging these gaps could add significantly to global supplies.

With overall market growth projected to slow, agricultural trade is expected to expand at about half the rate of the previous decade. Nevertheless, for most commodities a constant share of production continues to be traded on world markets. The fact that relatively few countries are abundant in natural resources means that trade will become more important for global food security. However, trade in basic food products is constrained by the pursuit of food self-sufficiency policies in a number of countries, and a structural shift towards more trade in value added products.

For most agricultural commodities, global exports are concentrated among just a few key supplier countries. For all products covered by the *Outlook*, the five main exporters will account for at least 70% of total exports, with just two or three countries dominating supplies of some commodities. On the import side there is less concentration, although the People's Republic of China (hereafter "China") is a critical market for some commodities – in particular soybeans, but also dairy products and coarse grains other than maize. Food import dependency of resource poor regions, especially North Africa and the Middle East, is projected to intensify.

With supply and demand growth broadly matched, real agricultural prices are projected to remain relatively flat. However, there will be some relative price changes that reflect adjustments in the composition of demand, as well as differences in supply conditions, such as the comparative ease of increasing production in Latin America relative to Asia. Overall, livestock prices are projected to rise relative to crop prices, and the prices of coarse grains and oilseeds are projected to rise relative to the prices of food staples. Those structural trends are likely to be more apparent in the current context of lower prices across all commodity groups.

The *Outlook* is subject to a wide range of uncertainties, including variations in oil prices, yields and economic growth. If historical variations in these factors continue, then there is a strong chance of at least one severe price swing within the next ten years. Such wide inter-annual price movements can mask long-term trends. Climate change may add to this uncertainty, especially if the occurrence of extreme weather events intensifies.

In addition, there are several policy uncertainties. One relates to China's recently announced changes to its grains policy, including the setting of domestic prices and the management of stocks. The current *Outlook* assumes that those changes will enable China to meet its domestic objective of maintaining a high self-sufficiency ratio in maize without severely disrupting international markets. However, the timing and scale of stock release is a major uncertainty underlying the projections. A further risk relates to the Russian import ban, which is assumed to expire at the end of 2017.

Sub-Saharan Africa

The Sub-Saharan Africa (SSA) region accounts for more than 950 million people, approximately 13% of the global population. Despite ongoing transformation of the region's economies, agriculture remains a crucial sector providing livelihoods for millions of people. Regional differences in the structure and development stage of agriculture reflect the vast agro-ecological, economic, political and cultural differences across the

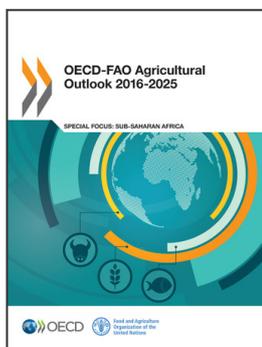
continent. Undernourishment has been a long-standing challenge, with uneven progress toward food security across the region.

Development of the region's agricultural sector is being shaped by rapid population growth, urbanisation and rural diversification, an associated structural transformation from farm to non-farm employment, the rise of a middle class, and increasing interest (both domestically and globally) in the continent's farmland. Total agricultural production is projected to expand by 2.6% p.a. In contrast with past production increases, which overall were driven by area expansion, an increasing share of future production growth will come from improved productivity. Inclusive development will be needed that improves the productivity of small-scale, resource poor farmer, while creating broader rural development opportunities.

Assuming continued rapid population growth across the region, complemented by rising incomes and continuation of current policies and market structures, the production of food crops in many countries is projected to grow more slowly than demand. Sub-Saharan Africa's net imports of food commodities are anticipated to grow over the next decade, although productivity enhancing investments would mitigate this trend.

Many countries are competitive producers and regular exporters of fruit and beverage crops, which contribute to foreign currency reserves. Such products may offer farmers alternative opportunities to traditional food crops. They may also be a potentially important source of employment for the continent's young population. With a limited number of food exporters, and a large number of net importers, open regional trade will be central to food security.

While the outlook for agriculture in Sub-Saharan Africa is broadly positive, it could be much improved by more stable policies across the region, by strategic public and private investments, notably in infrastructure, and by suitably adapted research and extension. Such investments could improve access to markets, reduce post-harvest losses, and make needed inputs more widely available.



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