

Speaking notes by FAO Director-General, Jacques Diouf
Press conference for the *OECD-FAO Agricultural Outlook: 2011-2020*
OECD Headquarters, Paris, June 17, 2011

Dear members of the press,

Dear colleagues and friends,

Ladies and Gentlemen,

It is a great pleasure for me to be with you today, for the launch of the new edition of the *OECD-FAO Agricultural Outlook*. I would like to thank my friend, Mr. Angel Gurría, OECD Secretary-General, for his kind invitation to present this year's Outlook report together once again, and also to thank you all ladies and gentlemen representatives of the media.

- We have now been producing this publication jointly for the last seven years, and it has become an important process of building consensus on emerging issues facing the global agricultural and food economy. It has been a rewarding experience for both institutions as well as for our Members who have benefitted from our partnership.
- Thanks to our joint work on price volatility which was also examined in the 2010 report, we were able, in coordination with other international institutions, to prepare a policy paper that will be debated by the Agriculture Ministers of the G20 next week in the process leading to the Summit that will take place in Cannes in November 2011.
- Recently, the FAO Food Price Index rose above its previous peak in 2008. In May 2011, it stood at 232 points, representing an increase of 38% since the last month of June. Maize prices, in particular, have soared to record highs, reaching recently well over 300 USD per tonne. Food commodity prices, adjusted for overall price inflation, have now doubled from their level of a decade ago. This increase is impacting critically on the poor. It aggravates poverty and food insecurity. The impacts are disproportionately more severe for low income net food importing countries, whose total food import bill is estimated this year at 210 billion USD against 165.5 billion the previous year.
- The new Outlook anticipates that real prices may come down from current heights, but will still average up to 20% higher for some cereals such as maize, and 30% for meats such as poultry, compared to the levels of the previous decade.

- As my dear friend Angel Gurria has noted, there is an optimistic side of high prices which provide a needed stimulus for public and private investment in agriculture that has been lacking for many years. However, the high price volatility that comes with high prices is a factor of uncertainty that inhibits investment and limits potential supply response.
- The Outlook report notes three key reasons for high food prices: global demand pressures for food use, feed and for biofuel feedstocks; rising production costs, especially for inputs; and lastly slowing productivity growth.
- Developing countries will remain the primary source of growth in food and feed demand, largely due to higher population and income growth. For example, virtually all of the 67 million tonnes of additional food demand for rice by 2020 will be from developing countries. For other commodities, the proportion is around 80%.
- Demand for biofuel feedstocks continues to increase rapidly driven by certain policies in developed countries. Global ethanol production is projected to rise from 99 billion litres in 2010 to 155 billion litres in 2020, and that of biodiesel from 20 to 42 billion litres. With energy and food commodity prices becoming increasingly correlated (now correlation of about 0.8), volatility in the energy sector will be increasingly transmitted to agriculture.
- On the production side, from 2010 to 2020, global wheat production is projected to increase by about 93 million tonnes to reach 746 million tonnes in 2020; coarse grains by 206 million tonnes to 1321 million tonnes; and rice by 62 million tonnes to 528 million tonnes. Production of oilseeds could increase by over 73 million tonnes to about 507 million tonnes globally.
- While the annual world population growth rate will be around 1%, growth in global agricultural production is projected to average 1.7% per year, with the rate in developing countries averaging over 2% and that in developed countries under 1% over the projection period 2011-2020.
- In Sub-Saharan Africa, the region with the largest proportion of hungry people at 27% rate, while food production is anticipated to grow by 2.7% annually, its net food trade position is expected to continue to deteriorate as demand increases largely driven by a high population growth rate of 2.3%.
- The Outlook also outlines the important concern that productivity growth is slowing down. For example, global cereal yields were growing at the rate of 3.5% per annum in the 1960s, compared to 1.5% in the 2000 decade. They are projected to grow by only 0.9% per year over the coming decade.

- In the current market context, price volatility could remain a feature of agricultural markets, if we do not adopt coherent policies to both reduce volatility and limit its negative impacts. But the key solution to this problem is boosting investment in agriculture and rural development in developing countries where 98% of the hungry people live today and where population is expected to increase by 47% over the next decades. Action should focus in particular on smallholders in low-income food-deficit countries, who contribute up to 80% of the food consumed in these countries. Parallel to this, we need a much improved information system to ensure credible and timely information, but also the transparency of international markets.

Mr. Gurria, we can be proud of the successful work that our two organizations have done together, not just in the production of the publication that is before us today, but also towards resolving urgent and important agricultural policy problems that our Members face today.

I thank you for your kind attention.