



# TRADE POLICY BRIEFS

FAO SUPPORT TO THE WTO NEGOTIATIONS AT THE  
11<sup>TH</sup> MINISTERIAL CONFERENCE IN BUENOS AIRES

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## Agricultural markets: trends and outlook<sup>1</sup>

### SUMMARY

- Global demand for food (and associated production) is expected to grow over the next decade, however, at a progressively slower pace.
- Due to the sluggish demand, agricultural trade is expected to expand at only about half the rate of the previous decade.
- Agricultural prices, adjusted for inflation, are projected to remain at relatively low levels compared to the preceding decade.

### Consumption

The last decade (2007-2016) was characterized by high growth in demand for key agricultural commodities, in particular for soybeans, other protein meals and vegetable oils. Demand was driven by population and economic growth as well as a gradual change in consumer preferences towards higher consumption of animal products in developing countries, in particular in China and Southeast Asia. Also, higher demand came from high energy prices and the introduction of biofuel policies in several developed countries, as biofuels are mainly produced from cereals and vegetable oils.

Over the next decade (2017-2026), demand growth is expected to slow progressively for all main commodities (Figure 1), with the average rate of growth falling below 2 percent per annum. This overall trend is a reflection of three key drivers: declining global population growth, weakening income growth in emerging economies, and gradually increasing saturation of markets for staple foods and bioenergy.

Exceptions from the decreasing demand growth rates are fresh dairy products and sugar; for sugar, growth in demand decreases only very slightly. Increasing demand growth for fresh dairy products can be mainly attributed to an increasing per capita consumption in developing countries, in particular in India. Steady growth rates of sugar are linked to a projected decline in sugar prices in conjunction with the growing use of sugar in processed foods, including in sugar-sweetened beverages.

### Production

In tandem with the decline in global demand growth, growth in agricultural production is expected to slow down over the next decade (Figure 2). Most of the rise in cereal production will come from higher yields rather than an expansion of cropland. Cereal production increases will mainly take place in North America, Latin America and Asia and Pacific, whereas vast unused potential for higher yields remains in Africa, the Middle East and Eastern European countries. Unlike for cereals, growth in oilseed production will be realized through both yield increases and land expansion.

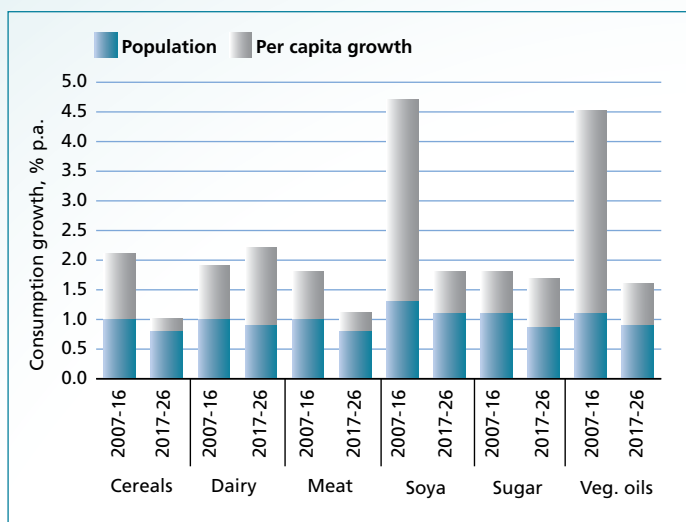
India is expected to become the world's largest milk producer by 2026. Whereas dairy production increases in the USA and the European Union will come from higher yield (litres per cow), the increasing production in developing countries will be primarily achieved through herd enlargements. Global meat production is predicted to expand at a lower rate than dairy production and production growth will be mainly due to a growing poultry sector, especially in developing countries.

### Trade

The share of the total agricultural production traded will remain roughly constant for the main commodities, but following the overall trend in the agriculture sector, trade is expected to increase at a slower pace in 2017-2026. This holds particularly for cereals and oilseeds, which account for about 45 percent of the value of global agricultural trade. Also, a few countries will account for the lion's share of trade, particularly on the export side. Depending on the commodity, the top five exporters will

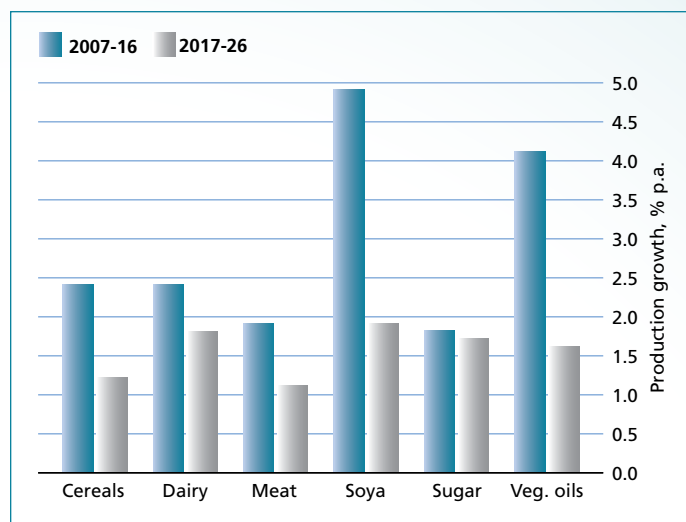
<sup>1</sup> This brief is based on OECD/FAO (2017), OECD-FAO Agricultural Outlook 2017-2026, OECD Publishing, Paris (<http://www.fao.org/3/a-i7465e.pdf>). The commodity categories considered in this brief are cereals, dairy, meat, soybean, sugar and vegetable oils.

**FIGURE 1. CONSUMPTION**



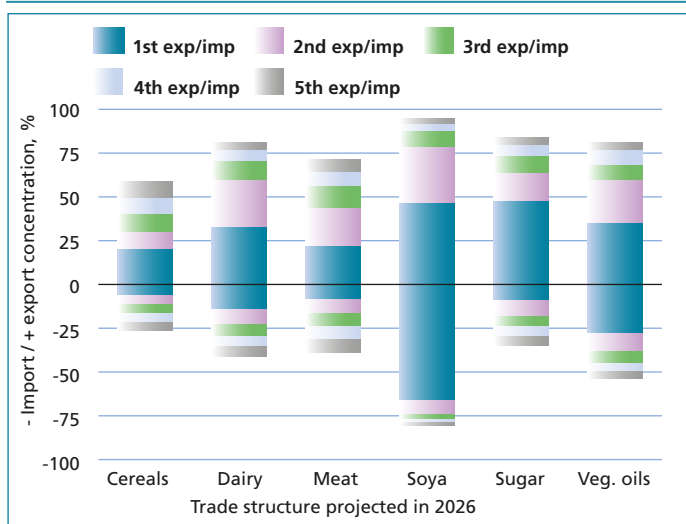
OECD/FAO (2017), «OECD-FAO Agricultural Outlook», OECD Agriculture statistics (database).

**FIGURE 2. PRODUCTION**



OECD/FAO (2017), «OECD-FAO Agricultural Outlook», OECD Agriculture statistics (database).

**FIGURE 3. TRADE**



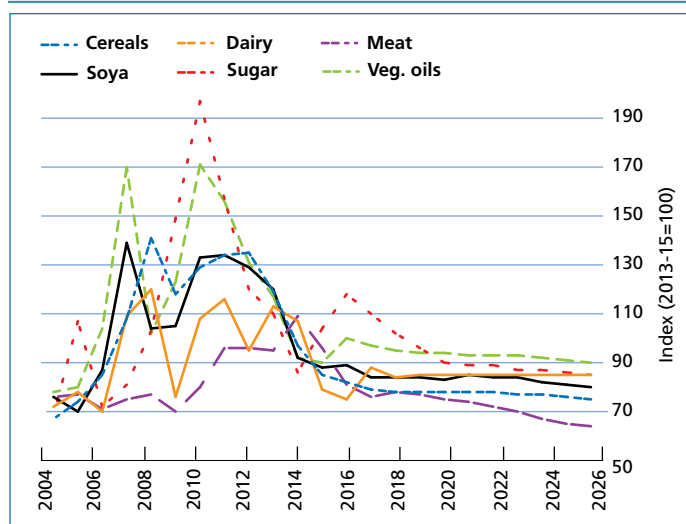
OECD/FAO (2017), «OECD-FAO Agricultural Outlook», OECD Agriculture statistics (database).

account for 50-90 percent of global exports (Figure 3). Imports are much less concentrated than exports. The respective share of the top five importers is predicted to range between 25 and 50 percent, depending on product category. This is except soybeans and soybean-based products, for which the leading importers, China and the European Union, together account for almost 75 percent of all imports.

### Prices

On average and adjusted for inflation, prices are expected to remain below the levels attained in the preceding decade (Figure 4). Meat prices have historically followed a slightly different path compared to other commodities: they did not show the peak during the food crisis in 2007/08, but experienced strong growth after 2009 and peaked in 2014. However, due to the limited increase in demand, meat prices are expected to decrease to the levels of the early 2000s. Sugar prices will likely follow a similar pattern, with a gradual decline over the projection period. Prices of agricultural commodities are, however, always prone to considerable volatility and may show significant deviations from long-term trends.

**FIGURE 4. PRICES**



OECD/FAO (2017), «OECD-FAO Agricultural Outlook», OECD Agriculture statistics (database).

### Key challenges

- To recognize that, even though relatively stable market conditions are expected, fluctuations in natural conditions (e.g. weather events, animal/crop disease outbreaks), global economic developments (e.g. oil prices, economic growth) and adjustments in agricultural and trade policies (e.g. new trade agreements, growing intervention in some countries) will cause variability around these demand-and-supply projections.
- To keep in mind that, although the food market is predicted to be increasingly saturated and the average food availability is projected to reach 2450 kcal per day on average in least developed countries and exceed 3000 kcal per day in other developing countries, uneven distribution concerning access to food, and insufficient dietary diversity in many countries will persist.
- To take into account that long-term projections for 2050 suggest further demand growth and growing pressures on agricultural land, water and other resources. Concerted global action will be necessary to improve agricultural productivity, ensuring a sustainable use of the natural resource base.