

Medium-term agricultural outlook: trends and emerging issues (CCP 12/Inf/6)

69th Session of the CCP - 28–30 May 2012

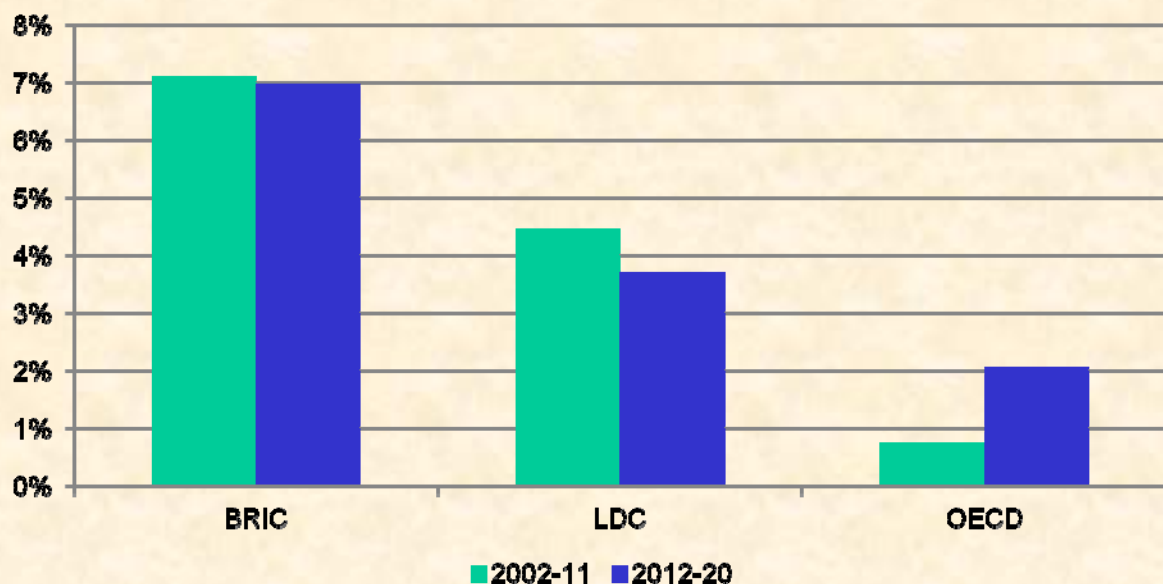
Introduction

Collaboration between OECD and FAO:

- **Joint expertise and input from member countries provides annual assessment of medium-run projections for national, regional and global agricultural commodity markets.**
- **Medium term projections published annually in the “OECD-FAO Agricultural Outlook”.**
- **Every year, emerging issues are covered in a topical chapter, the 2012 edition will feature “Achieving sustainable agricultural productivity growth”**
- **This presentation is based on the 2011-20 edition, the 2012 edition which will be published in late June this year.**

Macroeconomic conditions shape agricultural market projections

Per-capita GDP growth

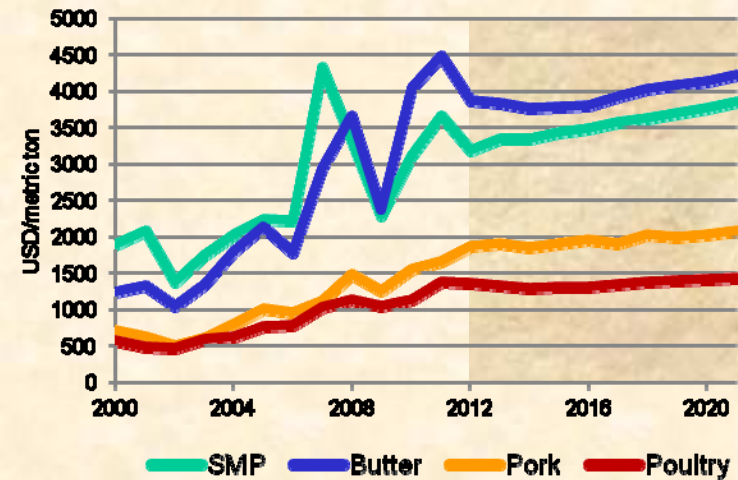
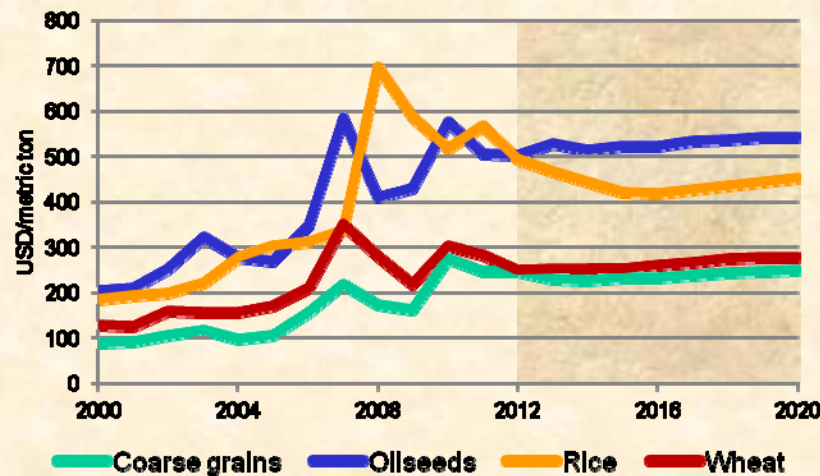


- Income and population are the main market drivers.
- World population growth is expected to slow to average just 1% p.a.

- Crude oil price to increase about 3% annually from current levels.
- Inflation in most developed countries is expected to average 2% p.a., but around 5% p.a. in developing countries.
- Further depreciation of the US dollar together with rising energy costs will support agricultural commodity prices.

Prices remain on higher plateau

International reference prices

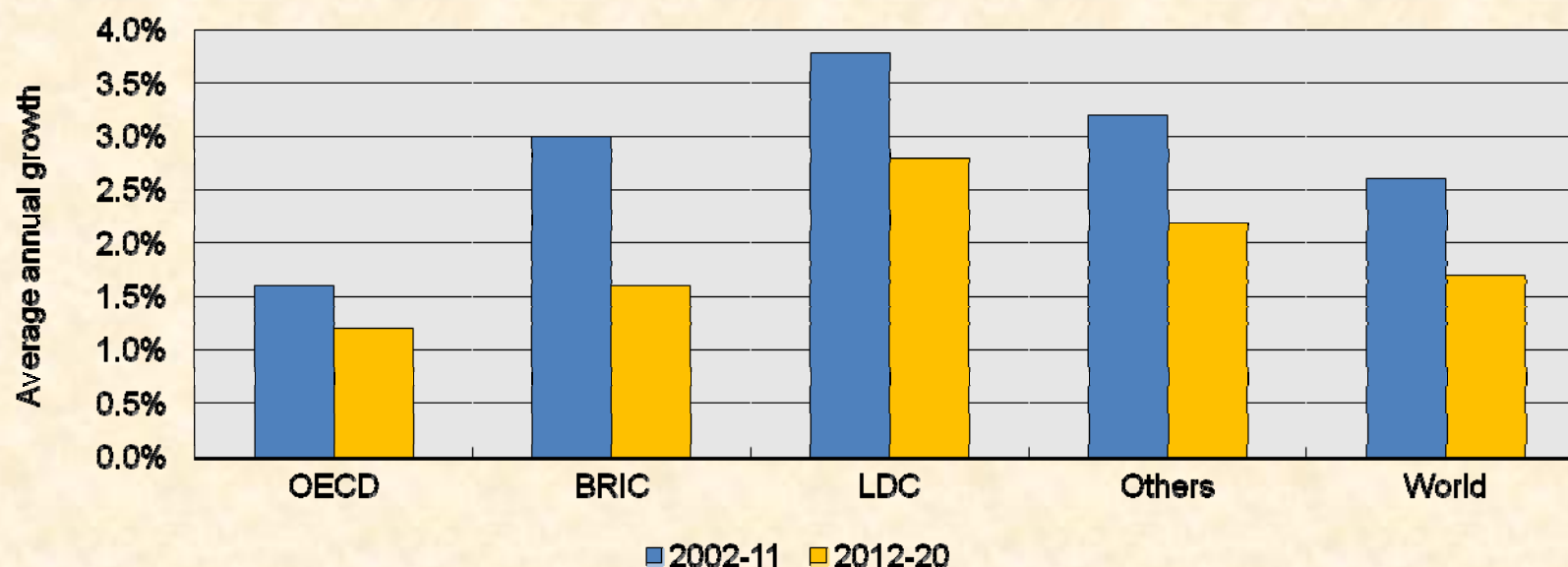


Crucial price determinants:

- Higher input costs (fertilizer, chemicals)
- Resource pressures on water and land availability
- Robust demand for food, feed and industrial demand, including biofuel.

Risks of high price volatility are expected to abate somewhat, but any unforeseen production shortfalls in major producing countries could lead to further bouts of high volatility and price surges.

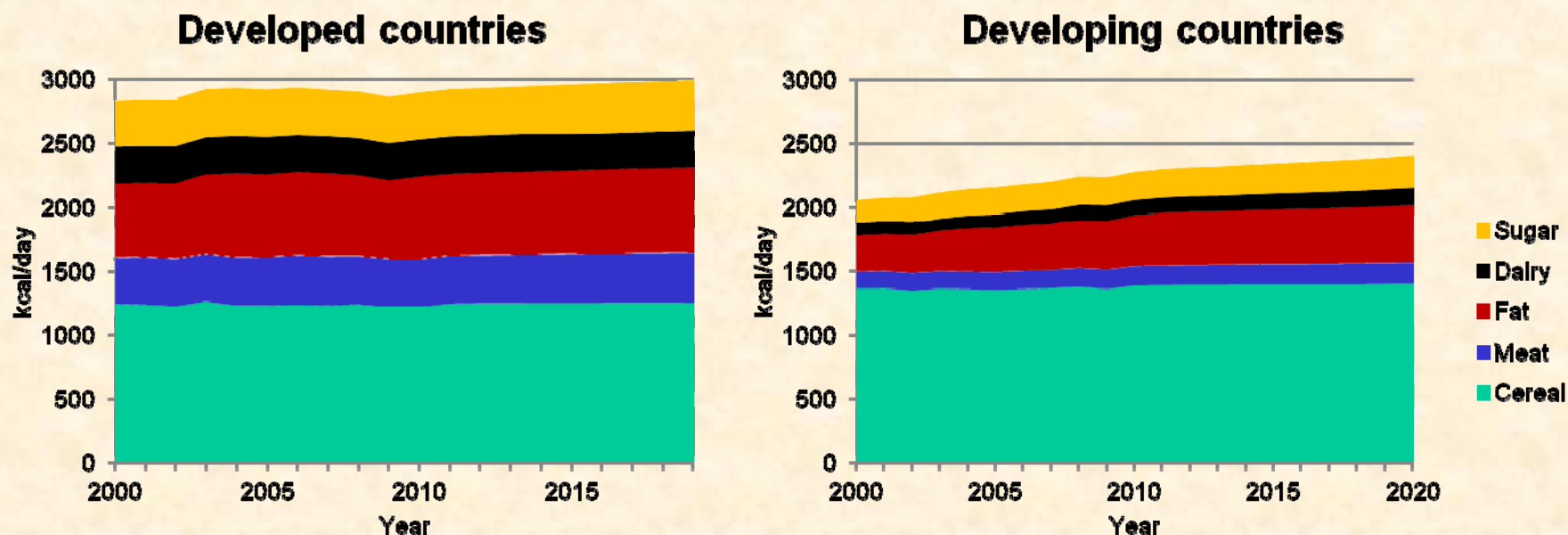
Growth in agricultural output to slow



Production trends and issues:

- Developing countries continue to supply bulk of growth in production.
- Reduced area expansion and yield improvements expected because of higher input costs and restricted water and land availability.
- Biofuel, dairy, fish and meat expand the fastest in response to a shifting demand structure.

Shifting consumption structure



Main drivers of consumption:

- Rising per-capita income and the growing affluence of large middle classes in emerging economies.
- Ongoing tendencies towards diet harmonisation, yet considerable differences in per-capita consumption levels persist.
- The biofuel sector is expected to continue to grow rapidly and will increasingly affect agricultural markets.

Summary and uncertainties in the Outlook

- Underpinned by rising demand in most developing countries, and high input costs, commodity prices have risen to a higher plateau.
- Productivity growth expected to slow, stressing need for more investment in agricultural innovation systems.
- Biofuel sector expected to continue to grow rapidly, and will increasingly affect agricultural markets.
- Baseline projections are conditioned by a specific set of assumptions, which are subject themselves to large uncertainties.

Further work and collaboration

The OECD-FAO Agricultural Outlook benefits greatly from the input of all stakeholders and continues to:

- **Invite broad dialogue and critical input**
- **Build consensus**
- **Engage in capacity building projects**

Further work and collaboration

OECD, World bank, IMF...

National agencies

FAO departments

Data, Policies, Market structures

Trade and Markets Division

Development of
simulation model and
analysis tools

Analysis of emerging issues
and their impact on global
and domestic markets

Medium-term
commodity
projections

Capacity building

SOFA, SOCO,
MAFAP,...

“OECD-FAO
Agricultural Outlook”,

Facilitates understanding and dialogue on the
impacts of emerging issues and policy decisions

FAO Member Countries

Thank You



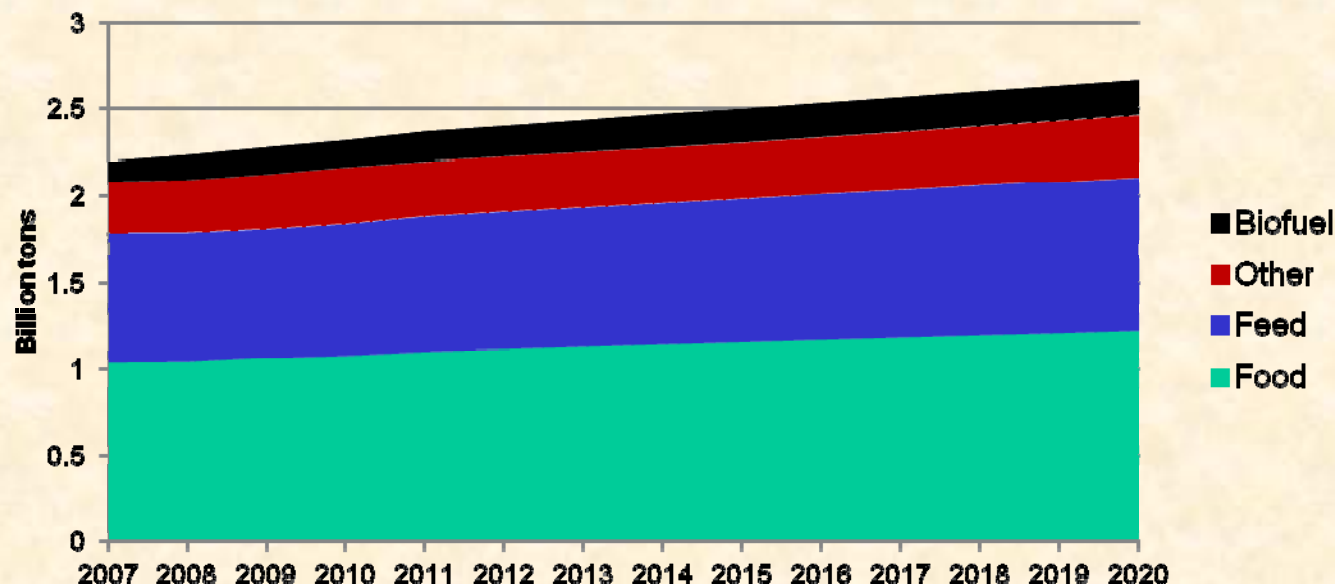
www.fao.org/economic/est

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Shifting consumption structure

Cereals use shares



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