

# United Nations Conference on Trade and Development

## **Multi-Year Expert Meeting on Commodities and Development**

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### **Trends in Global Agriculture**

By

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.



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# UNCTAD Multiyear Expert Meeting on Commodities and Development

*12<sup>th</sup> Session*

## Trends in Global Agriculture

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**Markets and Trade Division, FAO**



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- **Covid-19: impacts and policy responses**
- **Current agri-food market situation**
- **Medium term risks and implications**
- **Concluding remarks**

# COVID-19: IMPACTS AND POLICY RESPONSES (1/3)

Due to the measures implemented to contain the spread of COVID-19, disruptions were reported at all stages of food supply chains

- **Shortages in agricultural labour** due to restrictions on travel and movement of people (especially migrant workers)
- Transport restrictions, impeding **farmers' access to input and output markets**
- **Lower capacity utilization of processing facilities**, shutdowns and part closures (including due to limited capacity for food safety inspection)
- **International distribution and logistics disruptions**





## COVID-19: IMPACTS AND POLICY RESPONSES (2/3)

Countries aimed to **address both supply and demand side policy objectives** through trade and related policy interventions. Observed trade trends may be explained by the fact that **trade restrictions were generally short-lived, complemented by measures to boost imports, production, and TF**

### TRADE RESTRICTIONS

- A **limited number of countries** imposed trade related restrictions (very few import restrictions)
- Many of the export bans have been **transformed into export quotas**, and most of them have been already **repealed**
- Most export restrictions were introduced by countries in **Eastern Europe** and **Central Asia**
- **Import** restrictions mainly addressed trade of **live animals**

### MEASURES TO LOWER IMPORT BARRIERS

- Several countries **lowered import barriers**, mainly in the form of suspending import tariffs and in limited cases, raising TRQs
- Selected countries also **lowered Technical Barriers to Trade (TBT)** measures to facilitate availability of critical food items
- **Most measures are temporary**, put in place in March/April lasting at most until the end of 2020

### DOMESTIC MEASURES AND TF

- **Producer support** measures provided to ensure production
- Some countries provided **logistics and marketing** support to support the supply chain
- **Several countries increased domestic food procurement targets**, and/or **increased imports** to build national reserves, ensure availability
- Some implemented **ceiling prices**, some **expanded food distribution programmes** to ensure economic access



# COVID-19: TRADE IMPACTS AND POLICY RESPONSES (3/3)

**Global cooperation and coordination** in policies, market transparency, trade-related procedures has been critical

## POLICY COMMITMENTS AND COORDINATION

- ✓ **Ministerial declarations and commitments**, focusing on avoiding export and import restrictions; keeping food supply chains alive (addressing logistics bottlenecks, workers' movement and safety):
  - **G20 Ministerial Statement**
  - **APEC Joint Ministerial Declaration**
  - **African Agriculture Ministers Declaration**
- ✓ **Joint Statements:** FAO/WHO/WTO (30 March) and FAO/IFAD/WB/WFP (21 April)

## MARKET TRANSPARENCY

- ✓ **Strengthening international market transparency and governance mechanisms** to ensure that policy and stock management decisions are based on timely and credible data and information
  - **Agricultural Market Information System (AMIS):** an inter-agency platform launched by the G20 in 2011 and housed at FAO (WTO is member)
  - **FAO market monitoring and outlook work**

## TRADE RELATED PROCEDURES AND REGULATIONS

- ✓ **Digital solutions in the application of SPS measures** (e.g. ePhyto: Argentina, Chile); **customs procedures**
- ✓ **Temporary acceptance of electronic copies of SPS certificates** (e.g. Australia, Brazil, Chile, South Africa, Russia)
- ✓ **Establishment of regional corridors** (e.g. CEFTA Green Corridors System)



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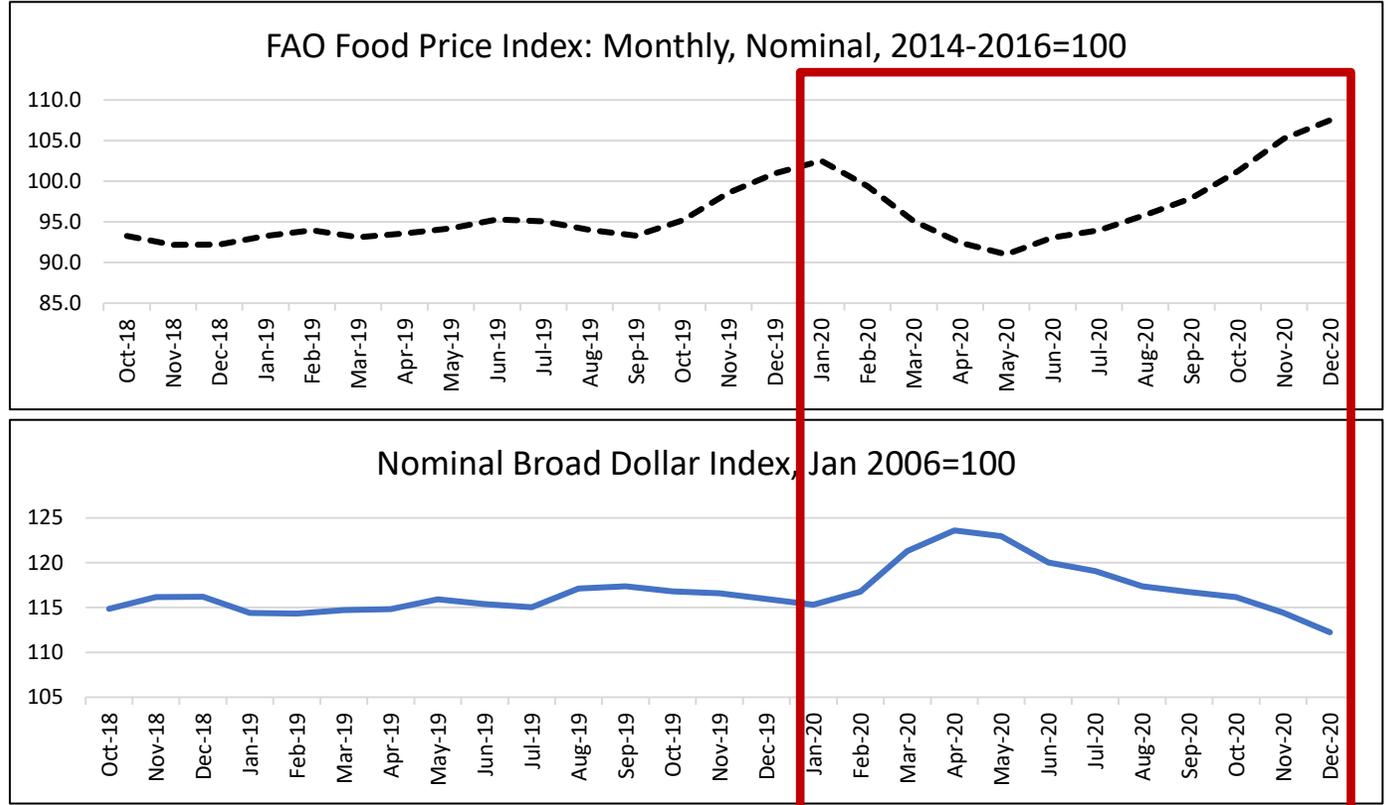
- **Covid-19: trade impacts and policy responses**
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# AGRI-FOOD MARKET SITUATION (1/2) – PRICES

The FAO Food Price Index (FFPI) recorded a seventh consecutive monthly increase in December, up 2.3% from November, 3.1% y/y; drivers include firmer prices of several products and slide in US\$

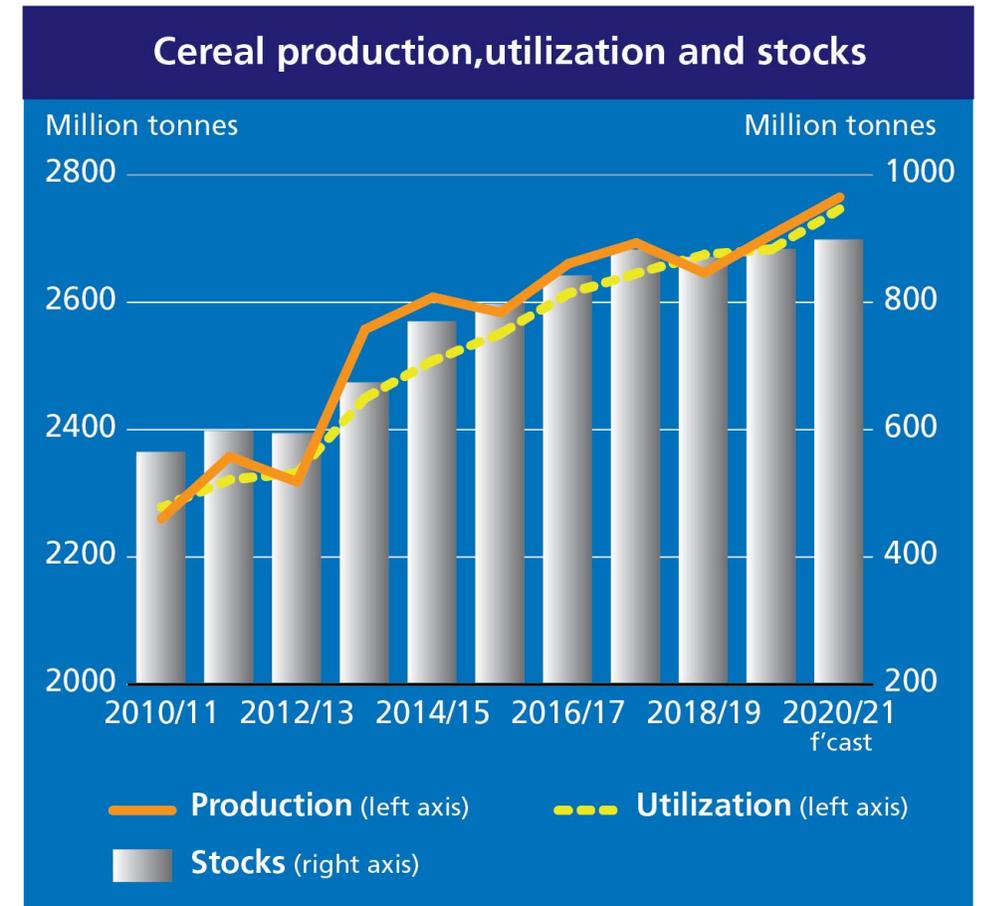
- Internationally traded commodities are priced in US dollars; typically, inverse relationship between commodity prices and the value of the dollar
- By May 2020, the US\$ rally against nearly all other major currencies came to halt
- In recent months, the slide in the US\$ has been supportive to trade and prices



# AGRI-FOOD MARKET SITUATION (2/2) – CEREALS

**Despite a cut in world cereal production projection, this year's forecast output remains at an all-time high**

- Heading towards another **record production** (2 700 million tonnes), up 1.6% y/y, despite **cuts to production forecasts**:
  - **for coarse grains** (-10.1 million tonnes), mainly maize driven by EU, Ukraine, USA;
  - **for wheat** (-2.3 million tonnes), driven by Ukraine, Argentina
- Encouraged by **higher prices, farmers are expected to expand plantings** in key producing regions, e.g. EU
- **Utilization** expected to reach 2 745 million tonnes, up 1.9% y/y). For wheat, driven by consumption in the EU; for rice, by global food use
- **Stocks forecast in 2021 lowered by 13.6 million tonnes to 876 million tonnes**, but still 0.5% above opening levels





## SUMMARY: FOOD MARKETS IN 2020/21

- Similar to the situation during the second half of the 2019/20 season, **food markets are expected to confront important uncertainties** beyond their own fundamentals also in 2020/21.
- Macro economic concerns, in particular **weak economic growth prospects**, developments in energy and currency markets, along with continuing **trade tensions**, not to mention uncertainties associated with African swine fever and the desert locust, constitute major challenges to overcome.
- However, current prospects continue to point to **generally well supplied markets**, at least for most basic foodstuffs.
- ... resulting in **prices to remain generally stable**, albeit mostly at higher levels than in the previous season.



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# MEDIUM-TERM RISKS AND IMPLICATIONS (1/4)

## FAO-OECD MEDIUM TERM OUTLOOK: COVID SCENARIO VS. BASELINE PROJECTION

### COVID-19 SCENARIO ASSUMPTIONS

#### GDP

- **2020 and 2021:** Globally, -4.4% in 2020 and +5.2% in 2021; advanced countries GDP shrinks more than world average; for countries with COVID coming later, 2021 recovery less than 50% of 2020 losses
- **L-shaped recovery:** all countries return to their pre-COVID growth rates after 2022 or 2023, but not resuming the pre-COVID levels of expected output

#### INFLATION

#### ENERGY COSTS

- **Reflected in crude oil prices:** 36 USD/barrel in 2020 and 40 in 2021;
- **Return to pre-COVID medium-term evolution from 2023;** 2022 smooths recovery

#### BIOFUEL DEMAND

- **Lockdown measures** → low demand for fuels for transportation → biofuel markets
- **Fossil fuel demand expected to recover to pre-COVID levels from 2022;** 2021 serving as partial recovery

#### TRADE COSTS

- **Higher trade costs for both 2020 and 2021** due to limited capacities at customs, ports, airports; additional health protocols; limited operations of sea and air transportation

#### LABOUR COSTS

- **Restrictions on movement limiting availability of workers** or increasing levels of part-time/rotational work

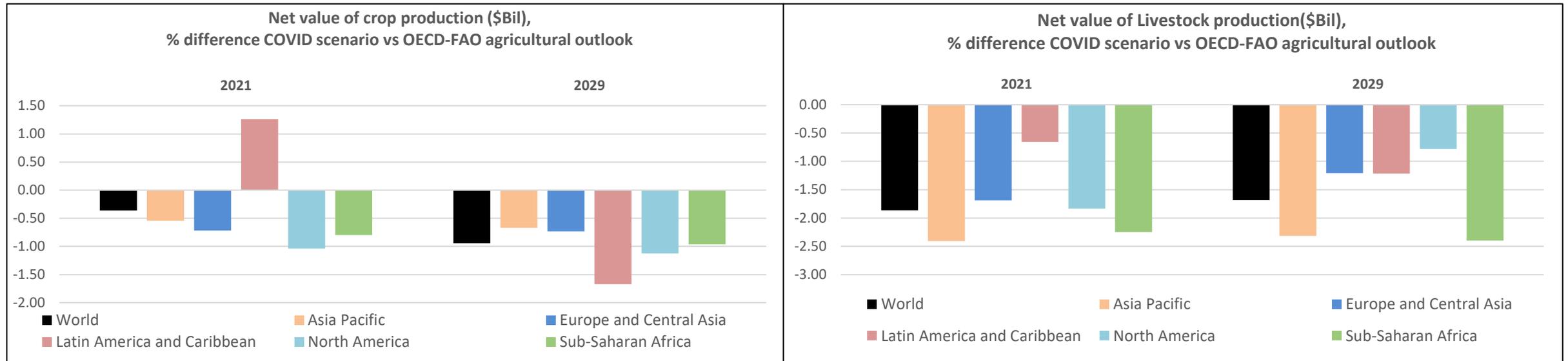
#### EXCHANGE RATES

- **Countries fluctuating foreign exchange** to adapt to shocks in current account balances
- **For 2020, assumes June FER;** for 2021, return to pre-COVID expected growth\*

# MEDIUM-TERM RISKS AND IMPLICATIONS (2/4)

## FAO-OECD MEDIUM TERM OUTLOOK: COVID SCENARIO VS. OUTLOOK PROJECTION

Compared to the outlook projection, agricultural production (especially livestock) expected to slow down due to COVID-19, both in the short term (2020/21) and medium term (2029)



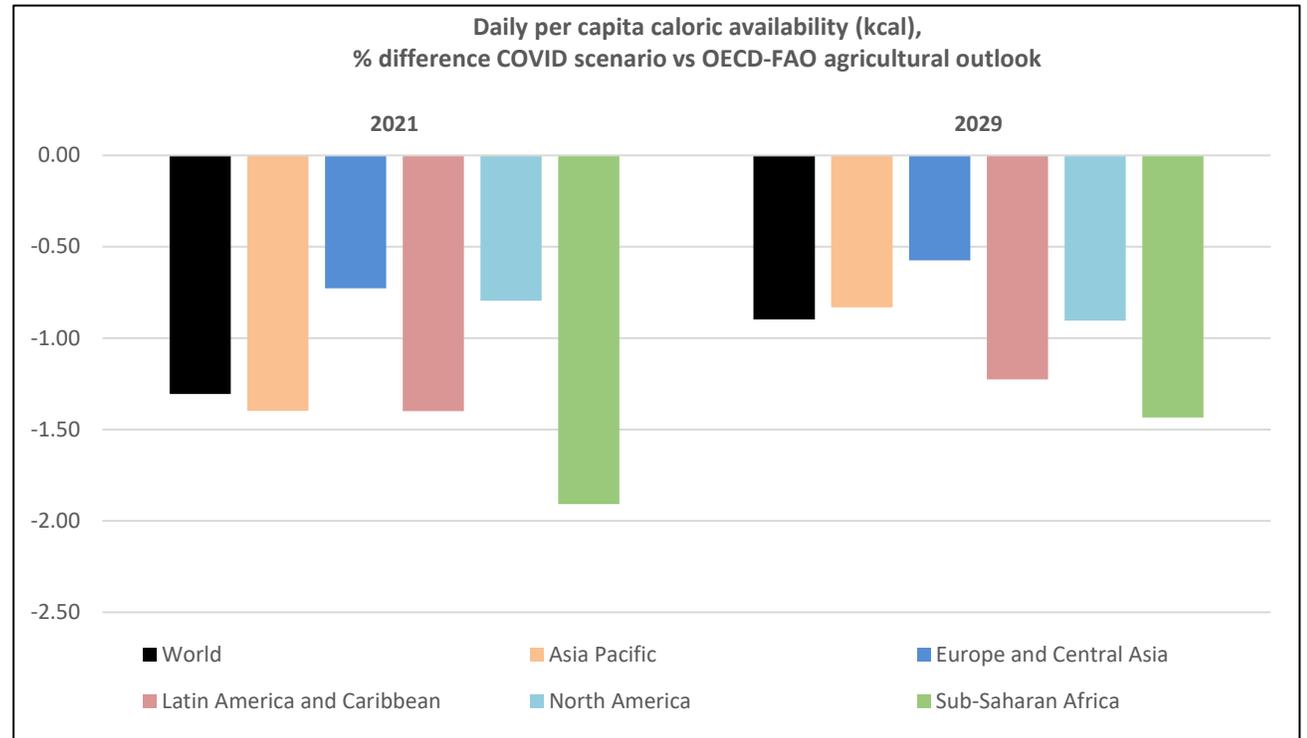
- **Over the short-term, production response reflects changes in demand for agricultural commodities** (e.g. decrease of income, trade restrictions), and to **higher labour costs** (particularly relevant for meat and other labour-intensive sectors)
- **Meat production is expected to be at levels lower than 2019**, more evident in regions with intense meat production (e.g. Asia Pacific)

# MEDIUM-TERM RISKS AND IMPLICATIONS (3/4)

## FAO-OECD MEDIUM TERM OUTLOOK: COVID SCENARIO VS. BASELINE PROJECTION

**Global per capita daily caloric availability (food demand) in 2020 and 2021 is projected to be lower than in 2019 (baseline projection predicted higher); decrease is higher for meat and dairy**

- Compared to baseline projection, **decrease expected to be higher for meat and dairy in middle-income countries with higher meat consumption** (e.g. in Asia Pacific, Latin America and Caribbean)
- **In the medium term (2029), food demand globally is expected to increase compared to 2020 and 2021 but still remain lower than baseline projections, with differences by region; LDCs in Sub-Saharan Africa are particularly affected**
- **In African LDCs, staples are expected to remain the main food category in diets**





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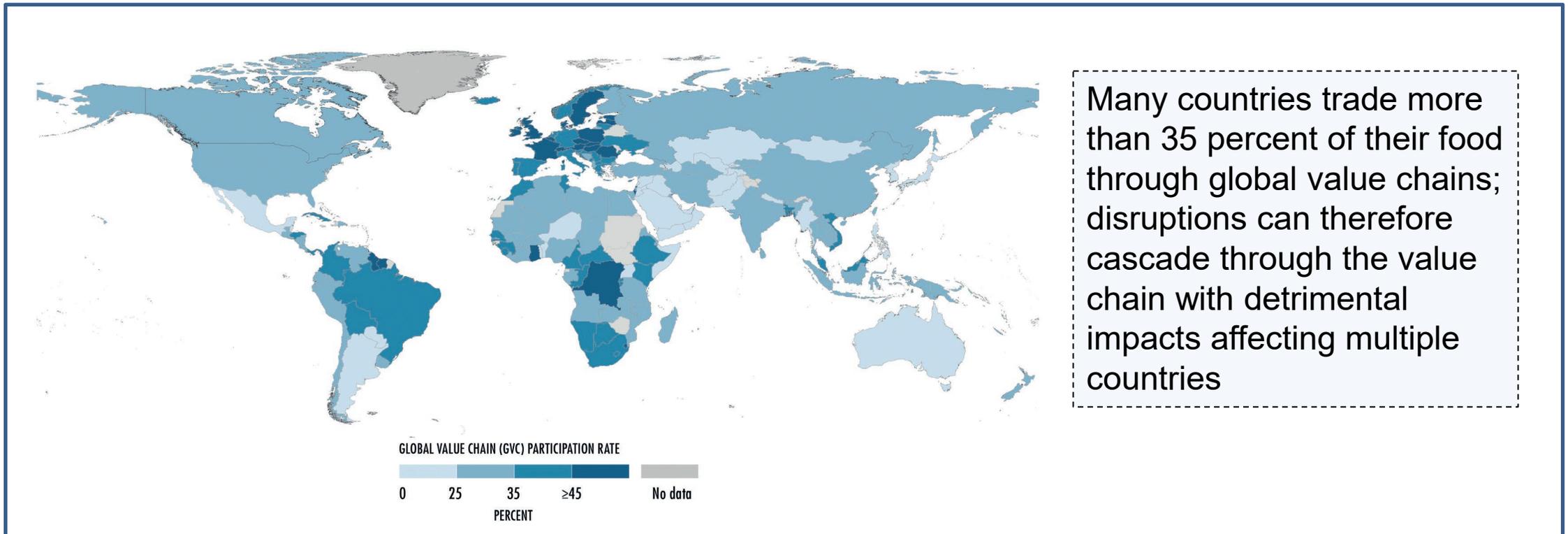


## CONCLUDING REMARKS (1/2)

- COVID-19 led to **significant disruptions to food supply chains**; despite these shocks, **overall, agri-food trade and global value chains proved resilient**, although some products were affected more than others (e.g. meat and dairy vs. cereals)
- Policy makers responded by imposing **export and import restrictions, lowering import barriers, and/or using domestic measures**; **trade restrictions were generally short-lived**
- Compared to past food price crises, e.g. 2007/08, **market fundamentals are different today**: while the FAO Food Price Index has been rising over the last five months, prices remain below peak levels; cereal markets are well supplied, and global stocks to use ratio relatively high compared to historical levels
- Going forward, based on current projections of the impacts of COVID-19 on economic growth, energy markets, trade and labour costs, **both agricultural production and demand are expected to slow down, with implications for LDCs**

## CONCLUDING REMARKS (2/2)

We are currently witnessing a resurgence of COVID-19 cases and containment measures globally. It is **important to avoid trade restricting measures**, as these can **exacerbate disruptions in both the demand and supply side**, with **detrimental effects on most countries worldwide**



# MORE ON GLOBAL FOOD AND AGRICULTURAL MARKETS:

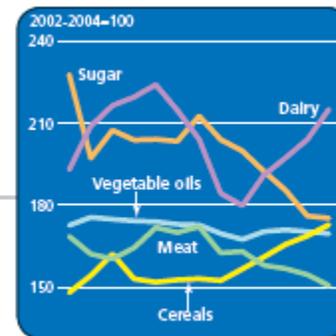
## GLOBAL COMMODITY MARKETS



Commodity Markets Analysis



Medium-term outlook



FAO Food Price Indices



G20-Agricultural Market Information System (AMIS)



FAO's [World Food Situation Portal](#) serves as the main digital gateway to food market assessments, including the [FAO Food Outlook](#), the [FAO Food Price Index](#) as well as a host of links and Commodity-specific bulletins/link, including: the [FAO Cereal Supply and Demand Brief](#), the [FAO Dairy Market Review](#), the [FAO Meat Market Review](#), the [FAO Rice Market Monitor](#), the [FAO Rice Price Update](#), the [Monthly News Report on Grains](#) and the [Oilcrops Monthly Price and Policy Update](#). Up-to-date information on policy developments is also published on a regular basis through the [Commodity Policy Developments](#) tool.



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