Trends in Global Agriculture

By

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Trends in Global Agriculture

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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- Many of the export bans have been transformed into export quotas, and most of them have been already repealed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
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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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

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

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**

<table>
<thead>
<tr>
<th><strong>GDP</strong></th>
<th><strong>ENERGY COSTS</strong></th>
<th><strong>TRADE COSTS</strong></th>
<th><strong>LABOUR COSTS</strong></th>
<th><strong>EXCHANGE RATES</strong></th>
<th><strong>INFLATION</strong></th>
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<tr>
<td><strong>2020 and 2021:</strong> 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</td>
<td><strong>Reflected in crude oil prices:</strong> 36 USD/barrel in 2020 and 40 in 2021; <strong>Return to pre-COVID medium-term evolution from 2023;</strong> 2022 smooths recovery</td>
<td><strong>Higher trade costs for both 2020 and 2021</strong> due to limited capacities at customs, ports, airports; additional health protocols; limited operations of sea and air transportation</td>
<td><strong>Restrictions on movement limiting availability of workers</strong> or increasing levels of part-time/rotational work</td>
<td><strong>Countries fluctuating foreign exchange to adapt to shocks in current account balances</strong></td>
<td><strong>For 2020, assumes June FER; for 2021, return to pre-COVID expected growth</strong></td>
</tr>
</tbody>
</table>
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).
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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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.

Many countries trade more than 35 percent of their food through global value chains; disruptions can therefore cascade through the value chain with detrimental impacts affecting multiple countries.

THANK YOU