

OECD–FAO Agricultural Outlook 2018–2027

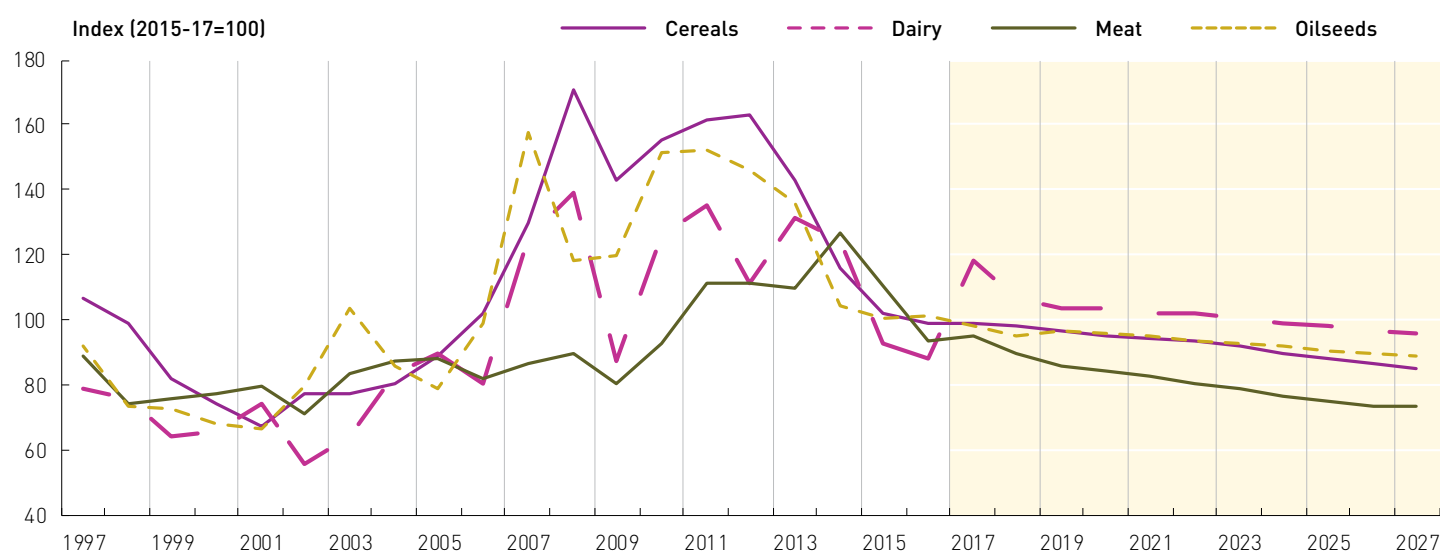
The *Agricultural Outlook 2018-2027* is a collaborative effort of the OECD and FAO prepared with input from the experts of their member governments and from specialist commodity organisations. It provides a consensus assessment of the ten-year prospects for agricultural and fish commodity markets at national, regional and global levels. This year's edition contains a special chapter on the prospects and challenges of agriculture and fisheries in the Middle East and North Africa.

Executive Summary

Prices of agricultural commodities are expected to remain broadly at current levels

A decade after the food price spikes of 2007-8, conditions on world agricultural markets are very different. Production has grown strongly across commodities, and in 2017 reached record levels for most cereals, types of meat, dairy products, and fish, while cereal stock levels climbed to all-time highs. At the same time, demand growth has started to weaken. Much of the impetus to demand over the past decade came from rising per capita incomes in the People's Republic of China (hereafter "China"), which stimulated the country's demand for meat, fish and animal feed. This source of demand growth is decelerating, yet new sources of global demand are not sufficient to maintain overall growth. As a result, prices of agricultural commodities are expected to remain low. Current high cereal stock levels also make a rebound unlikely within the next few years.

Figure 1. Medium-term evolution of commodity prices in real terms



Note: Price indices for commodity groups calculated using a constant weighting of commodities within each aggregate, using the average 2015-2017 production value as weights.

Global food demand follows population growth as per-capita consumption of many food items levels off

Growing need for animal feed pushes global crop mix towards maize and soybeans

Additional feedstock demand for biofuels mainly from blending mandates in emerging economies

Rising consumption of processed and convenience foods rich in sugar and oil causes health concerns

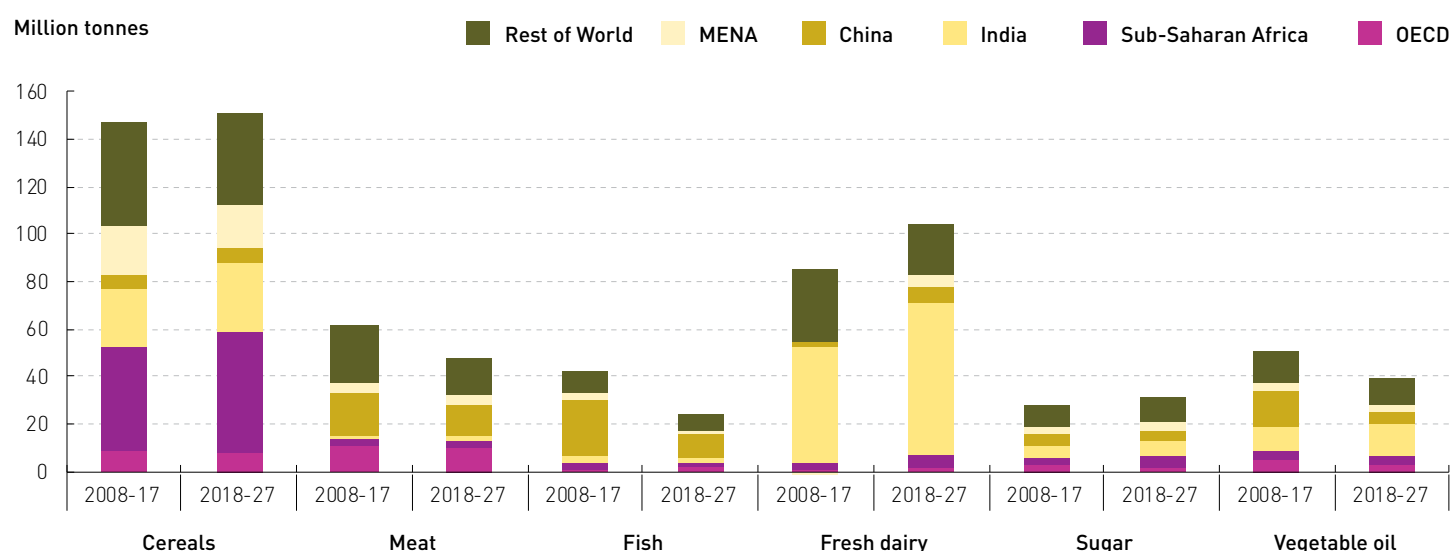
The weakening of demand growth is expected to persist over the coming decade. Population growth will be the main driver of consumption growth for most commodities, even though the rate of growth is forecast to decline further. Moreover, per capita consumption of many commodities is expected to be flat at a global level. This is notable for staple foods such as cereals as well as roots and tubers, where consumption levels are close to saturation levels in many countries. By contrast, demand growth for meat products is slowing due to regional variation in preferences and disposable income constraints, while demand for animal products such as dairy is set to expand faster in the coming decade.

For cereals and oilseeds, demand growth will come from feed, closely followed by food. A large share of additional feed demand will continue to come from China. Feed demand growth is nevertheless projected to slow globally, despite livestock production intensification. Much of the additional food demand will originate in regions with high population growth such as Sub-Saharan Africa, India, and the Middle East and North Africa.

The demand for cereals, vegetable oil and sugar cane as inputs into the production of biofuels is expected to grow much more modestly than in the last decade. Whereas in the past decade the expansion of biofuels led to more than 120 Mt of additional cereals demand, predominately maize, this growth is expected to be essentially zero over the Outlook period. In developed countries, existing policies are not likely to support much further expansion. Future demand growth will therefore come predominantly from developing countries, several of which have introduced policies favouring biofuels use.

The exceptions to the broad pattern of slowing per capita demand growth come from sugar and vegetable oils. The per capita intake of sugar and vegetable oil is expected to increase in the developing world, as urbanisation leads to a rising demand for processed and convenience foods. Changes in levels of food consumption and the composition of diets imply that the “triple burden” of undernourishment, over-nourishment and malnutrition will persist in developing countries.

Figure 2. Regional contributions to food demand growth, 2008-17 and 2018-27



Growth in crop and livestock production based mainly on intensification and efficiency gains

Imports of basic foods expanding most in countries with rapid population growth

High concentration of exports keeps markets vulnerable to supply shocks

Increasing uncertainties in the agricultural trade policy environment

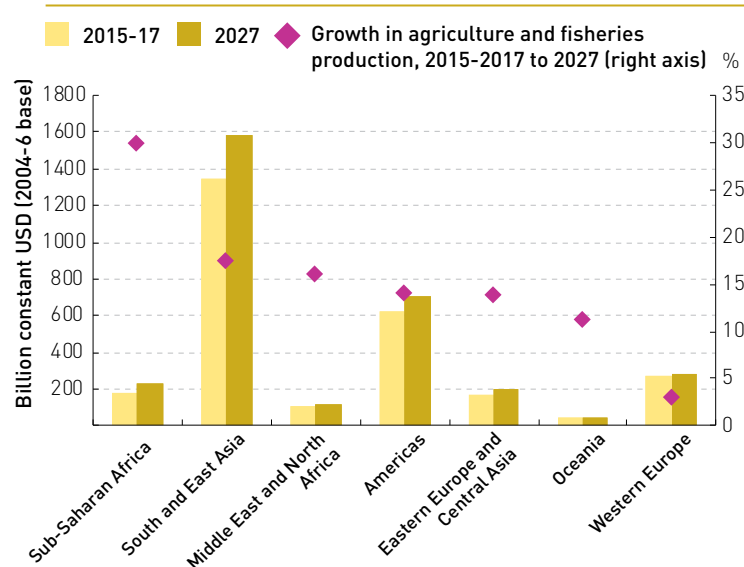
Global agricultural and fish production is projected to grow by around 20% over the coming decade, but with considerable variation across regions. Strong growth is expected in Sub-Saharan Africa, South and East Asia, as well as the Middle East and North Africa. By contrast, production growth in the developed world is expected to be much lower, especially in Western Europe. The growth in production will be achieved primarily through intensification and efficiency gains and partially through an enlargement of the production base via herd expansion and the conversion of pasture to cropland.

With slower consumption and production growth, agriculture and fish trade is projected to grow at about half the rate of the previous decade. Net exports will tend to increase from land abundant countries and regions, notably in the Americas. Countries with high population densities or high population growth, in particular in the Middle East and North Africa, Sub-Saharan Africa and in Asia, will see rising net imports.

For nearly all agricultural products, exports are projected to remain concentrated among stable groups of key supplying countries. A notable change is the emerging presence of the Russian Federation and Ukraine on world cereal markets, which is expected to persist. The high concentration of export markets may increase the susceptibility of world markets to supply shocks, stemming from natural and policy factors.

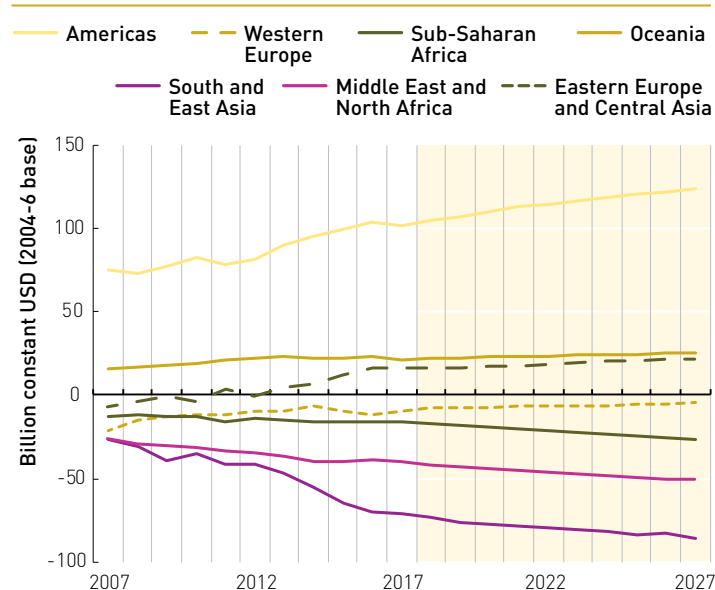
As a baseline projection, the *Agricultural Outlook 2018-2027* assumes policies currently in place will continue into the future. Beyond the traditional risks that affect agricultural markets, there are increasing uncertainties with respect to agricultural trade policies and concerns about the possibility of rising protectionism globally. Agricultural trade plays an important role in ensuring food security, underscoring the need for an enabling trade policy environment.

Figure 3. Regional trends in production



Note: The figure includes commodities covered in the Outlook as well as projections for the value of other agricultural commodities included in FAO estimates of net-value production (FAOSTAT)

Figure 4. Regional net trade in agricultural products



Note: The figure only includes commodities covered in the Outlook

Resource scarcity and political instability threaten food security in the MENA region

Cereals remain central to the region, in production, trade and diets

Alternative policy approaches could promote sustainable rural development and healthier diets

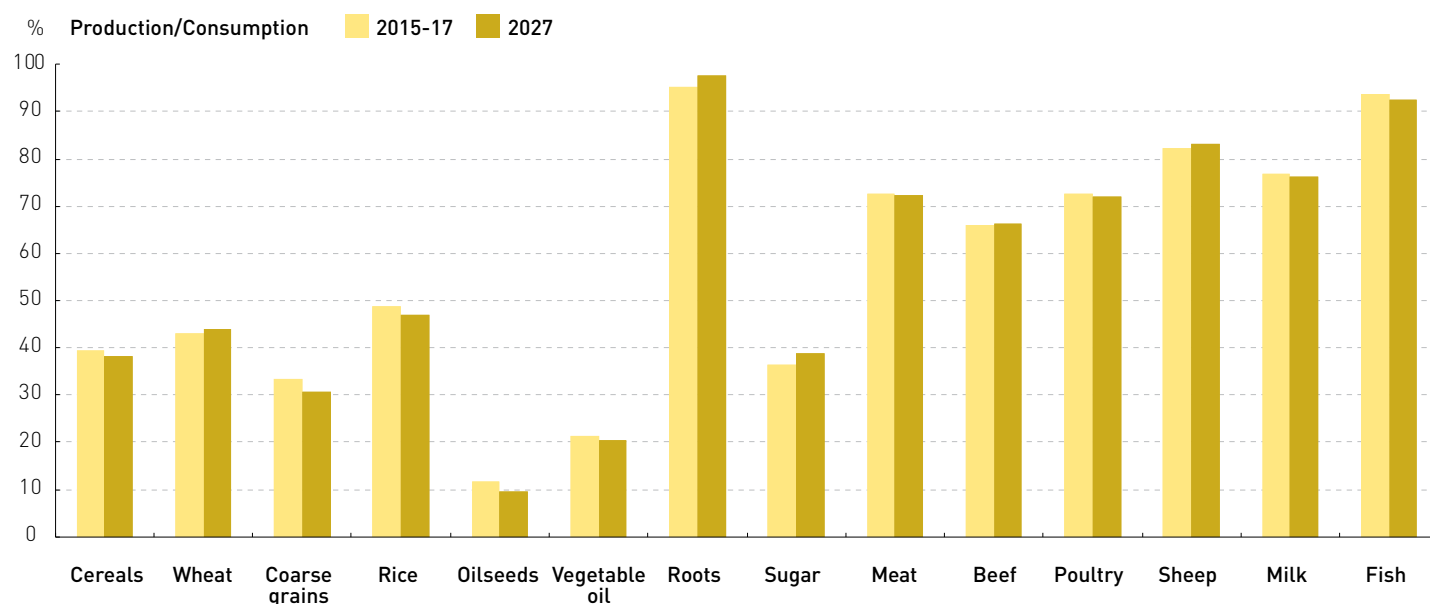
Middle East and North Africa

This year's special chapter focuses on the Middle East and North Africa, where rising food demand and limited land and water resources lead to increasing import dependence for basic food commodities. Many countries spend a large share of their export earnings on food imports. Food security is threatened by conflict and political instability.

The region's agriculture and fish production is projected to increase about 1.5% p.a., mainly through productivity improvements. Policies in the region support grain production and consumption, with the result that 65% of cropland is planted with water-thirsty cereals, in particular wheat, which accounts for a large share of calorie intake. Overall, diets are projected to remain high in cereals and sugar, with low protein intake from animal sources.

An alternative approach to food security would reorient policies away from supporting cereals towards rural development, poverty reduction and support for production of higher-value horticulture products. Such a change would also contribute to more diversified and healthier diets.

Figure 5. Self-sufficiency ratio for basic foodstuffs for the Middle East and North Africa



Figures' source:

OECD/FAO (2018), "OECD-FAO Agricultural Outlook", OECD Agriculture statistics (database), <http://dx.doi.org/10.1787/agr-outl-data-en>.



For enquiries or further information contact:

Holger Matthey

(EST-Projections@fao.org)

Trade and Markets Division
Food and Agriculture Organization
of the United Nations

Hubertus Gay

(TAD.Contact@oecd.org)

Trade and Agriculture Directorate
Organisation for Economic
Co-operation and Development

or visit our website: www.agri-outlook.org

