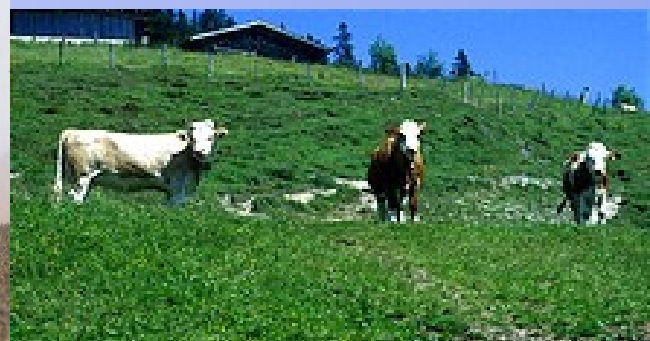




The OECD-FAO Agricultural Outlook

Global Trends in Commodity Markets

Martin von Lampe
Trade and Agriculture Directorate, OECD

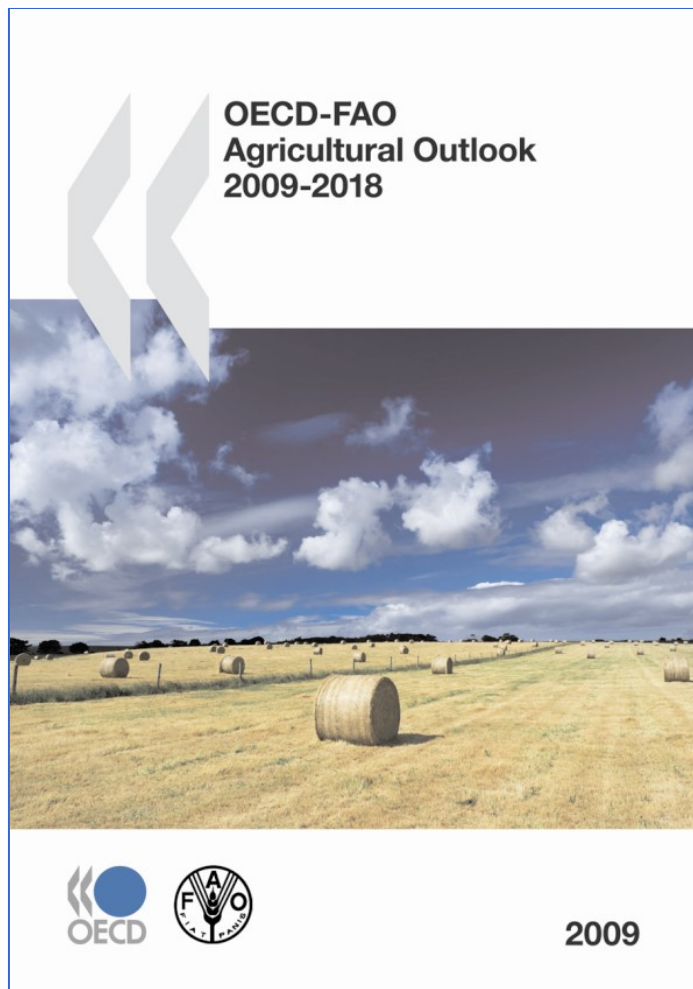


Joint meeting of the Intergovernmental
Grains (32nd session) and the Inter

session), Intergovernmental Group on
, Nov. 4-5, 2009, Santiago, Chile

- **Highlights of medium-term agricultural outlook**
 - Price projections
 - Commodity markets developments
- **The macroeconomic environment**
 - Unfolding crisis
 - Sensitivity of the Outlook
- **Issues and uncertainties**





- **Agricultural Outlook - a set of conditional projections published in an OECD-FAO annual report**
- **The datasets are available at www.agri-outlook.org**



Key macroeconomic assumptions

- 2009 global economic recession
- 2010 global economic recovery
- 2% annual inflation in OECD; higher in BRICs
- stronger US dollar
- stable policy regime





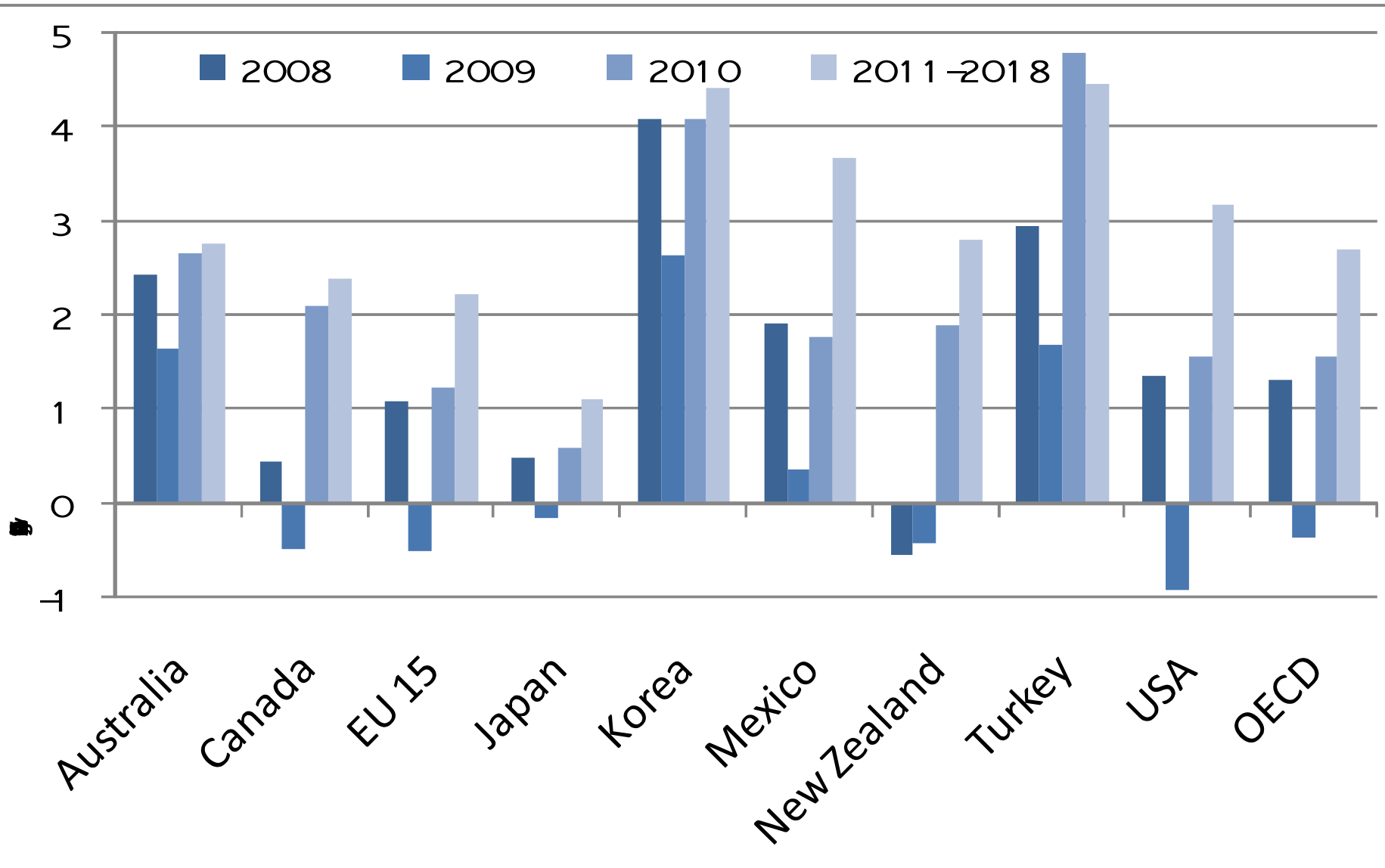
Slower population growth



<u>Average annual growth rate</u> <u>2009 - 18</u>	<u>1999 - 2008</u>	
World	1.22	1.07
Africa	2.38	2.20
Latin America & Caribbean	1.29	1.09
North America	1.01	0.87
Europe	0.31	0.09
Asia and Pacific	1.24	1.05
Oceania Developed	1.15	0.91

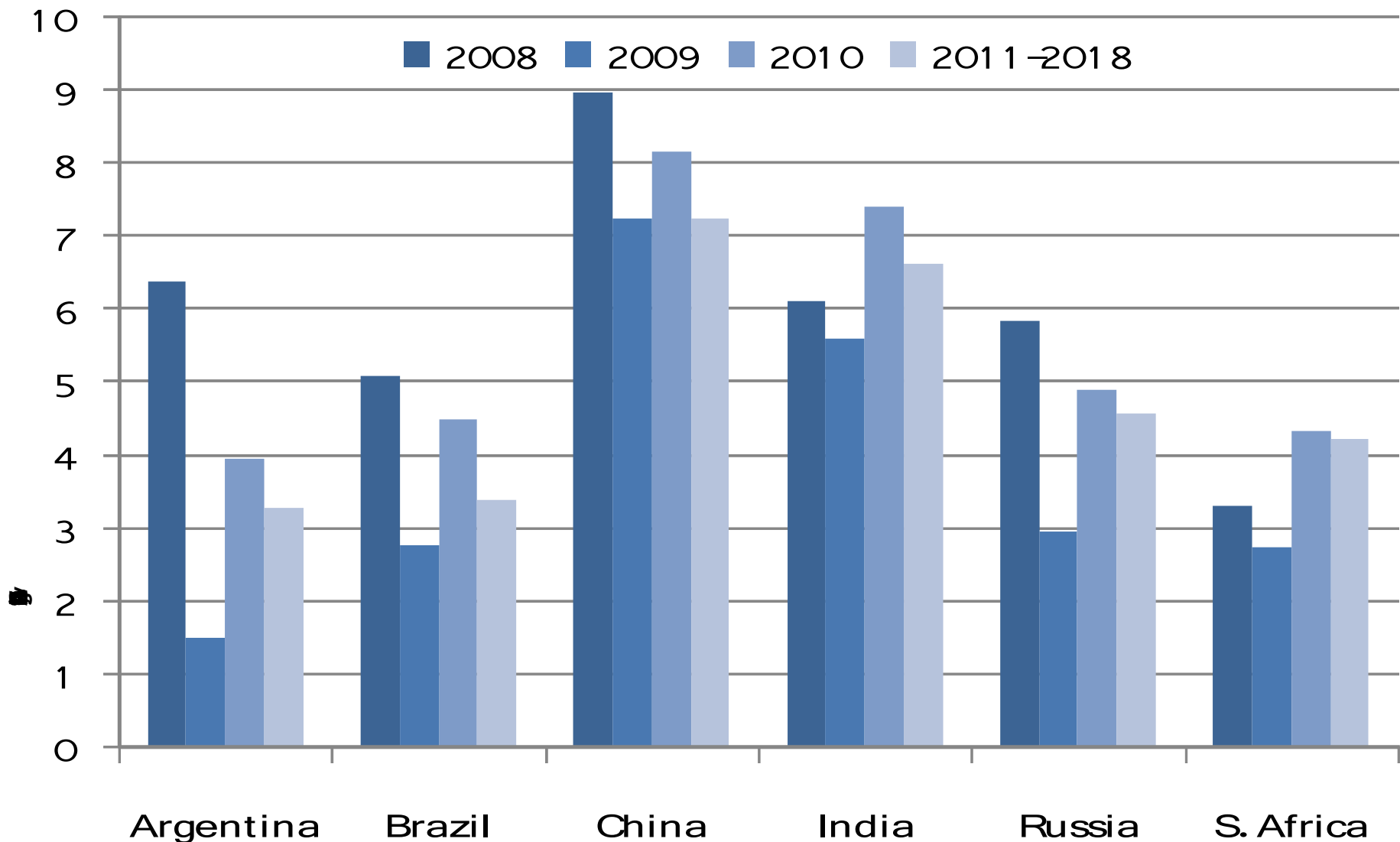


OECD countries in recession



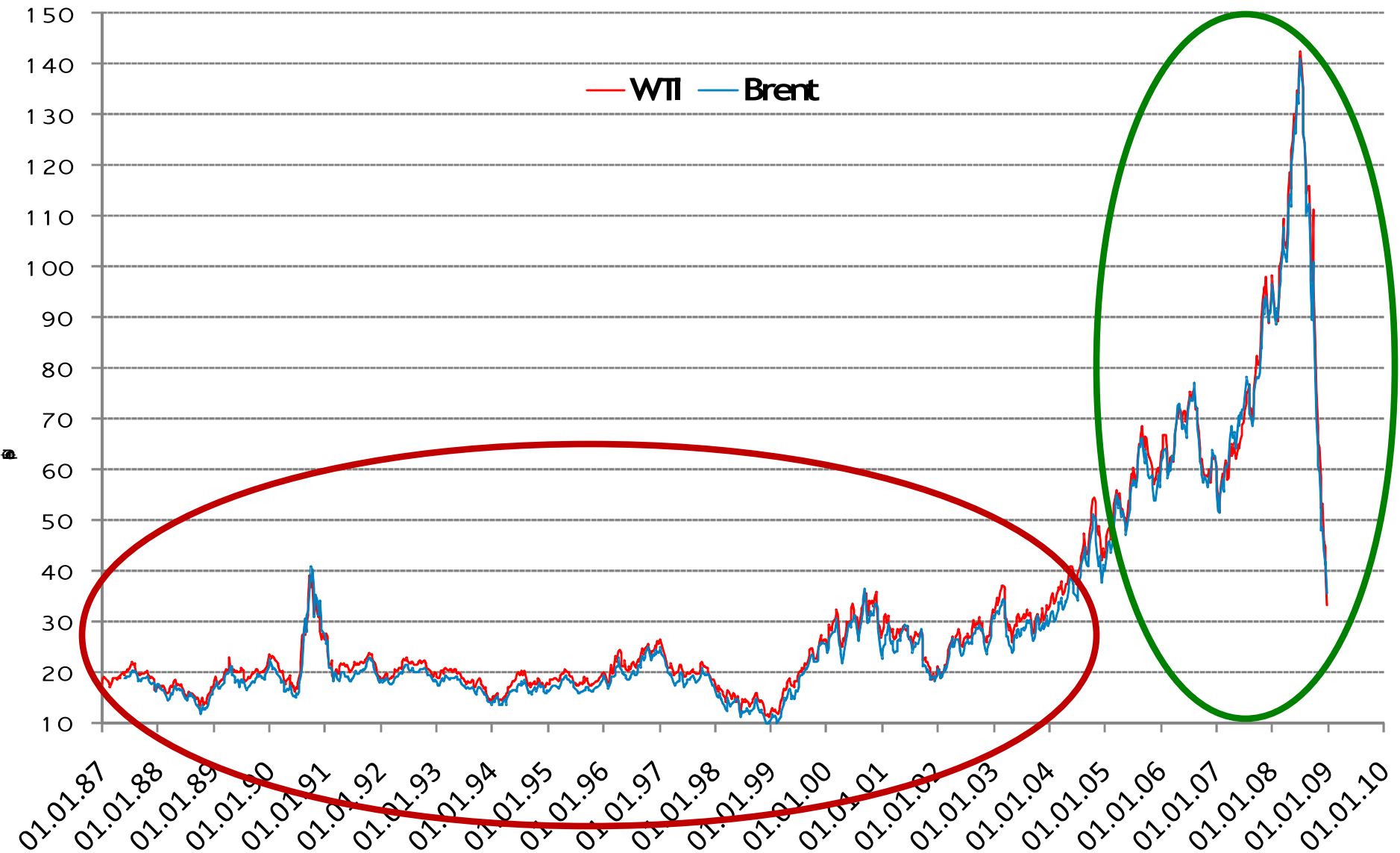


Dropping growth in other countries, too



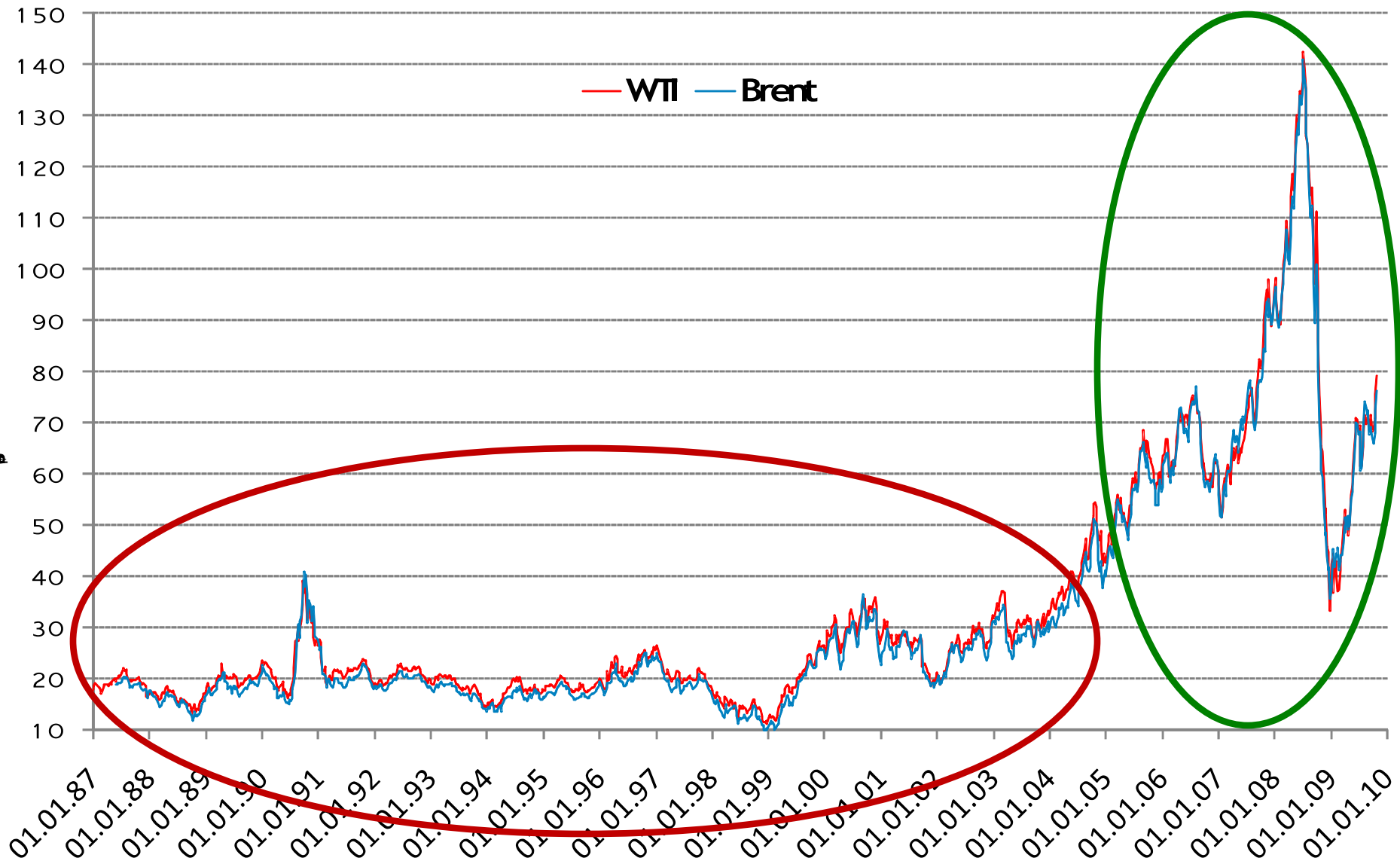


Oil prices highly unpredictable



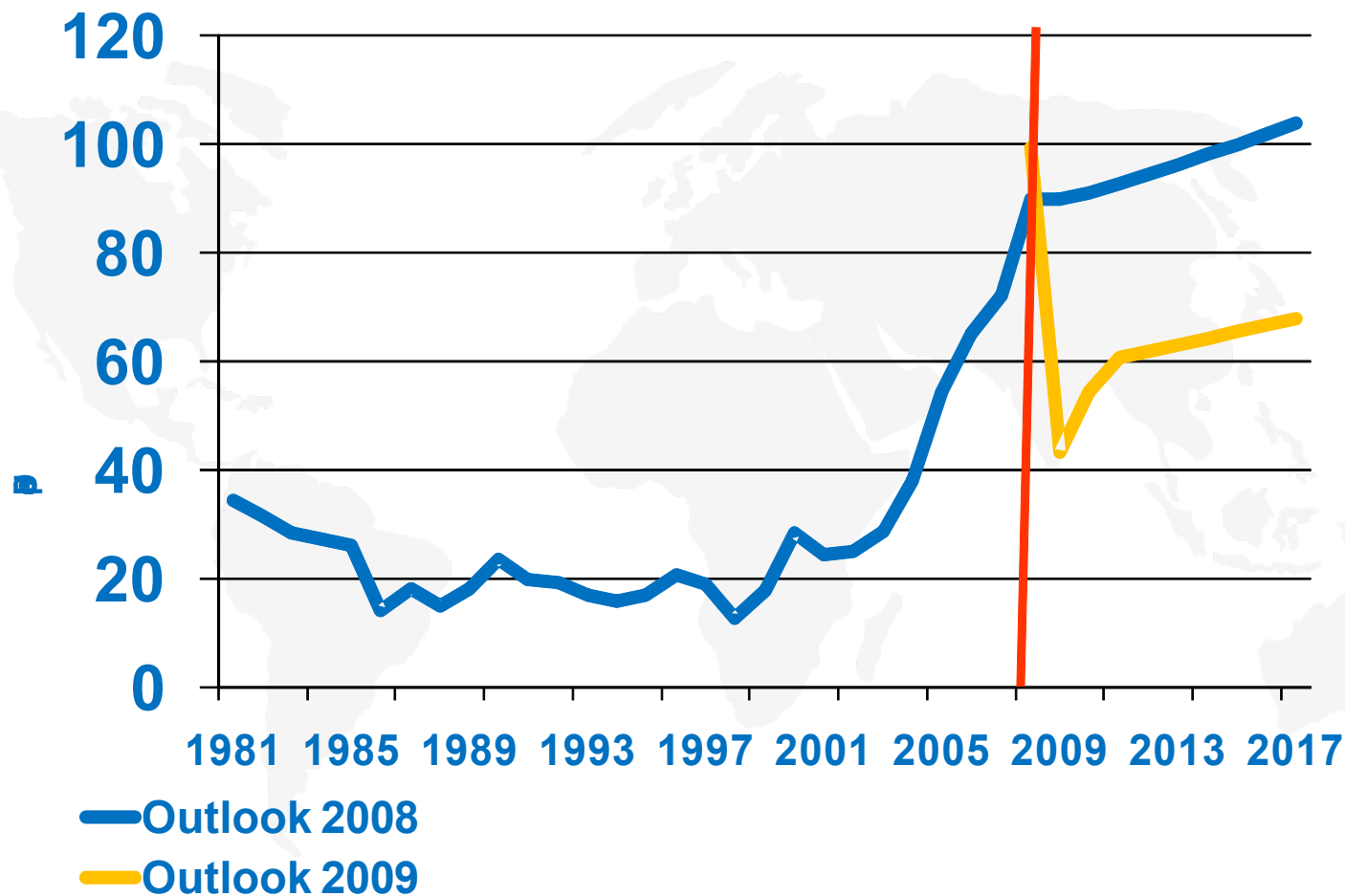


Oil prices highly unpredictable





Oil price assumption relatively low





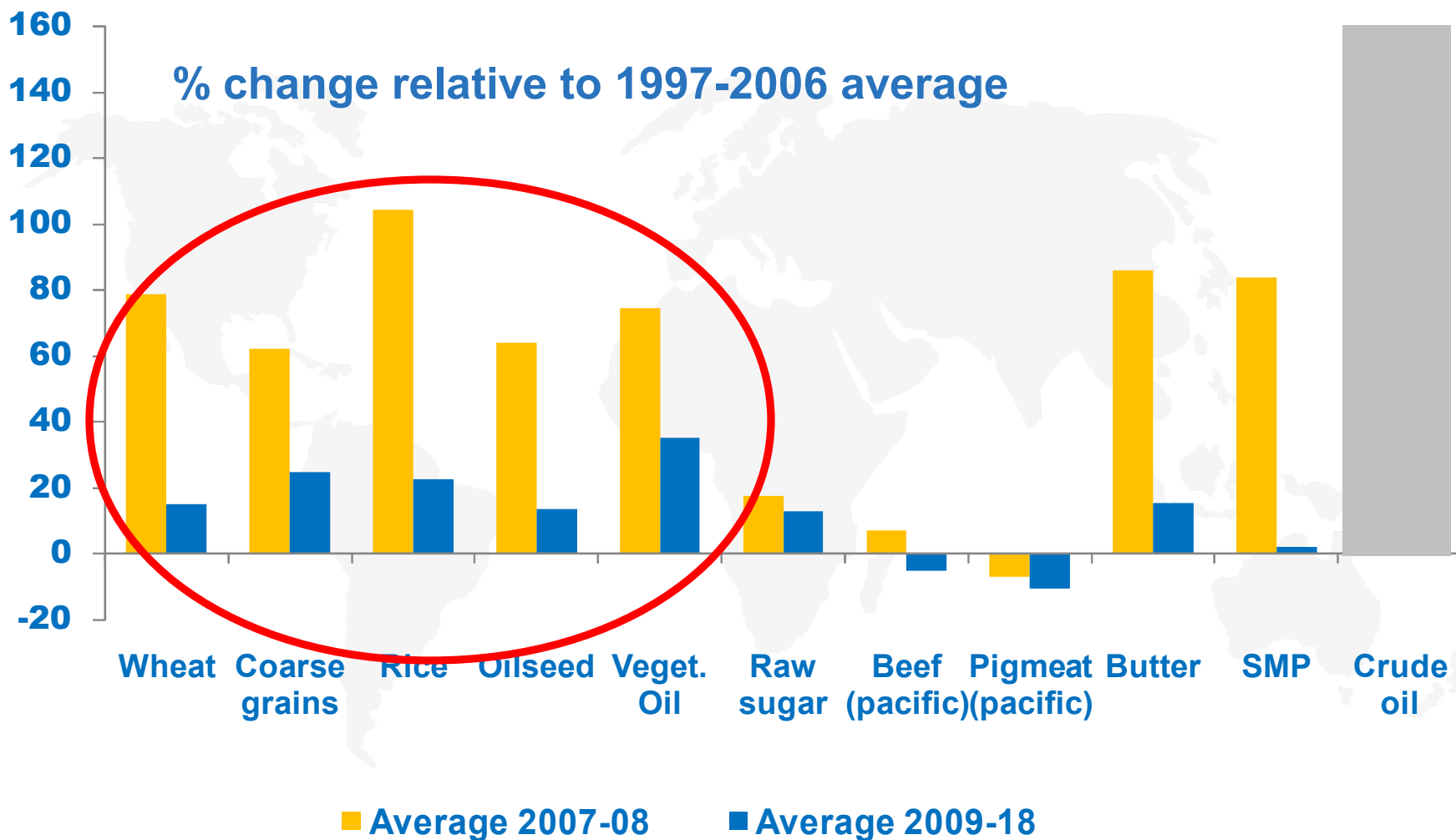
Main outlook messages



- Agriculture more resilient to global economic crisis
- Real prices to remain at or above 1997-2006 levels
- Production increases in the 10 to 40% range
- Developing countries driving demand and export growth
- Expansion of biofuels - largely driven by mandates

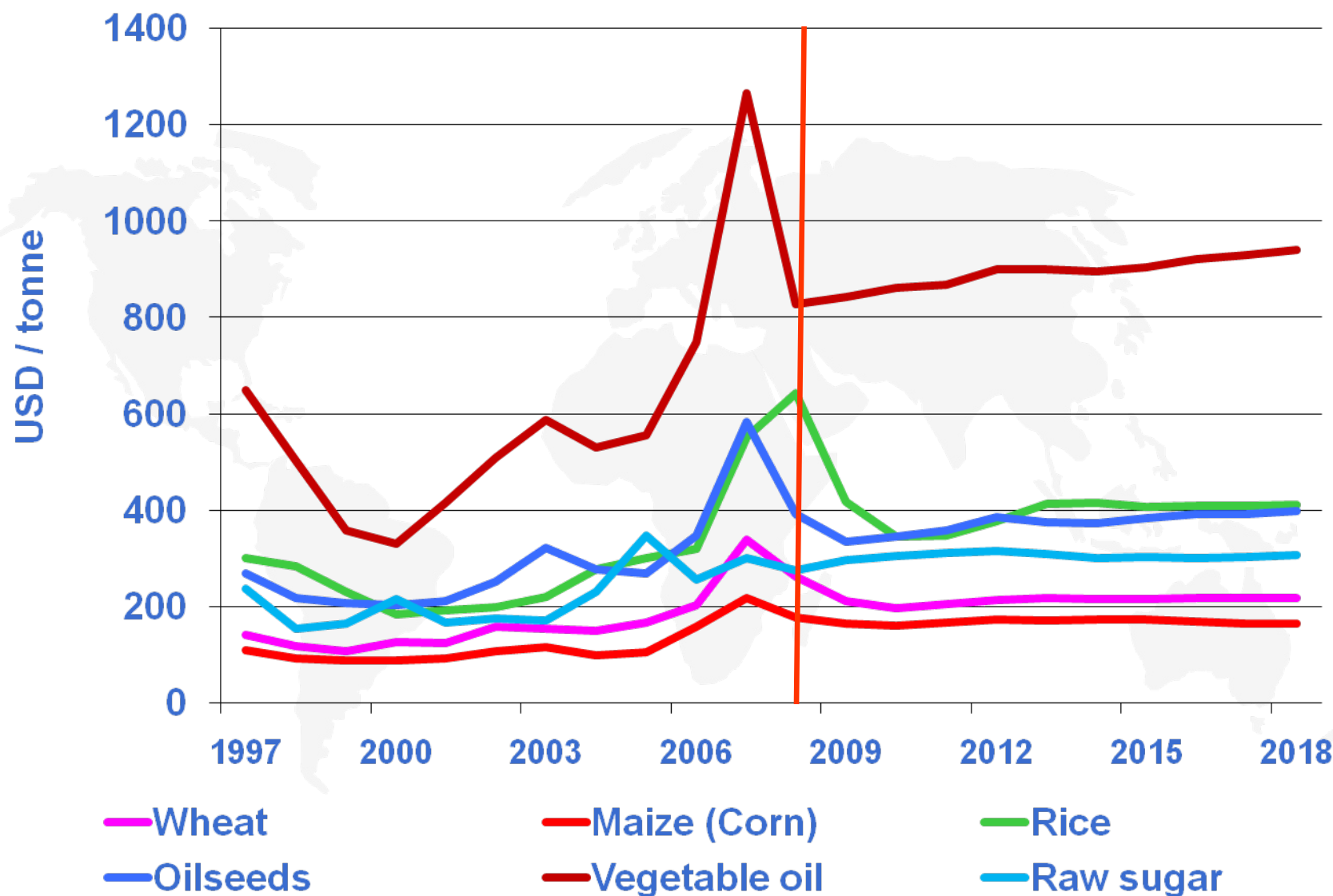


Real prices at or above historical levels



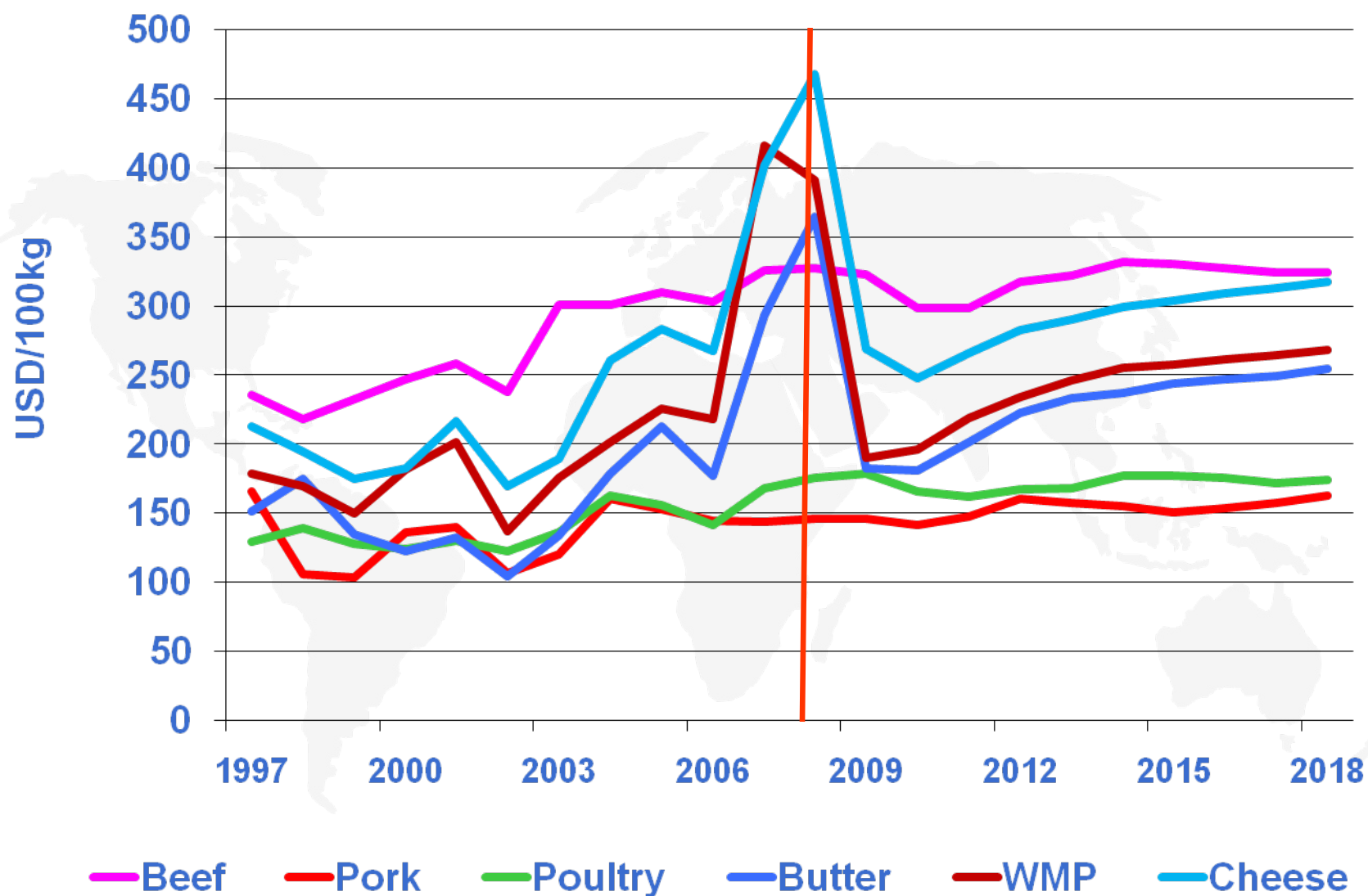


Outlook for world prices - Crops





Outlook for world prices - Meat and Dairy

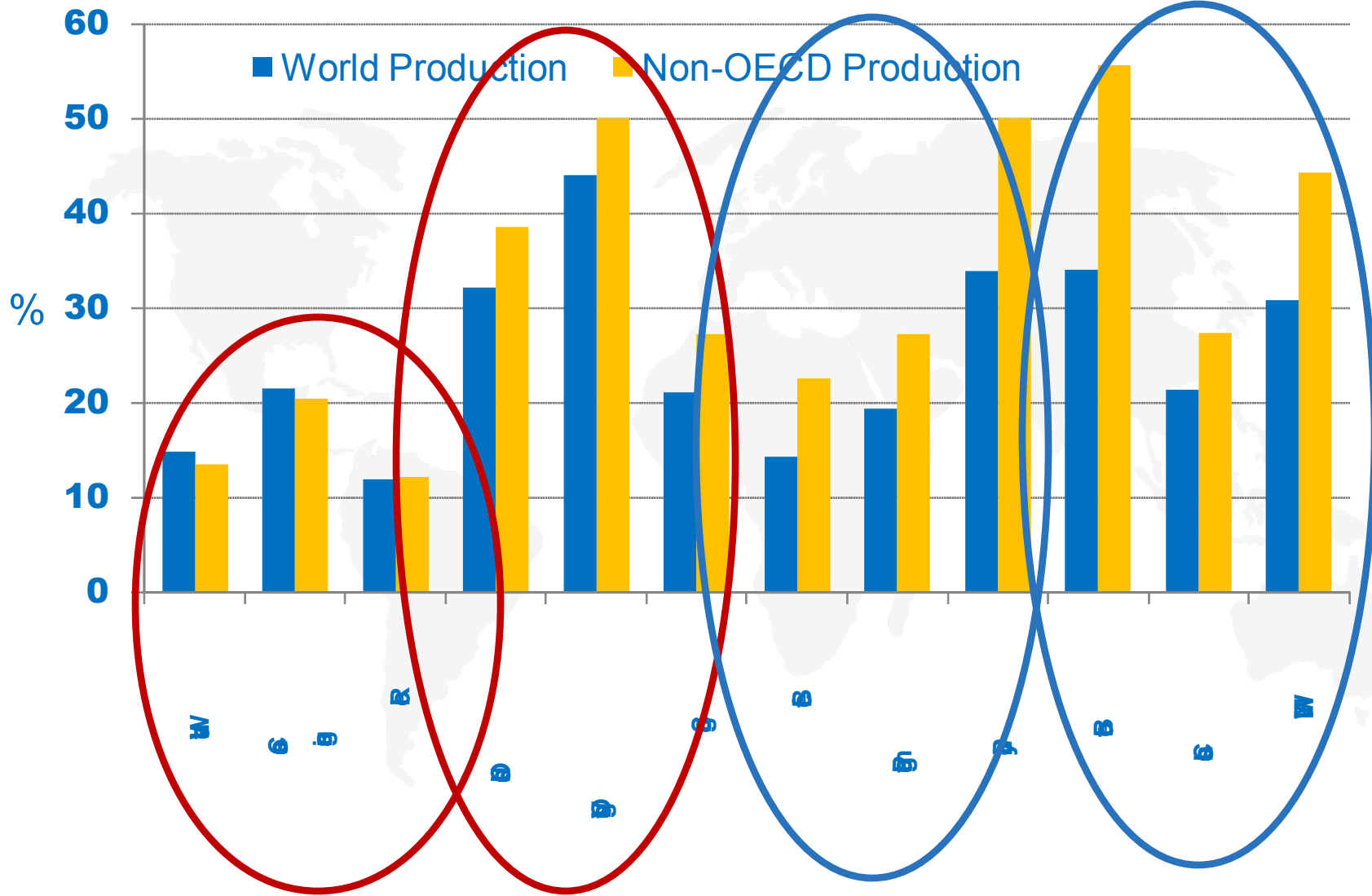




Steady growth of global production



Production Growth from 2006-08 average to 2018

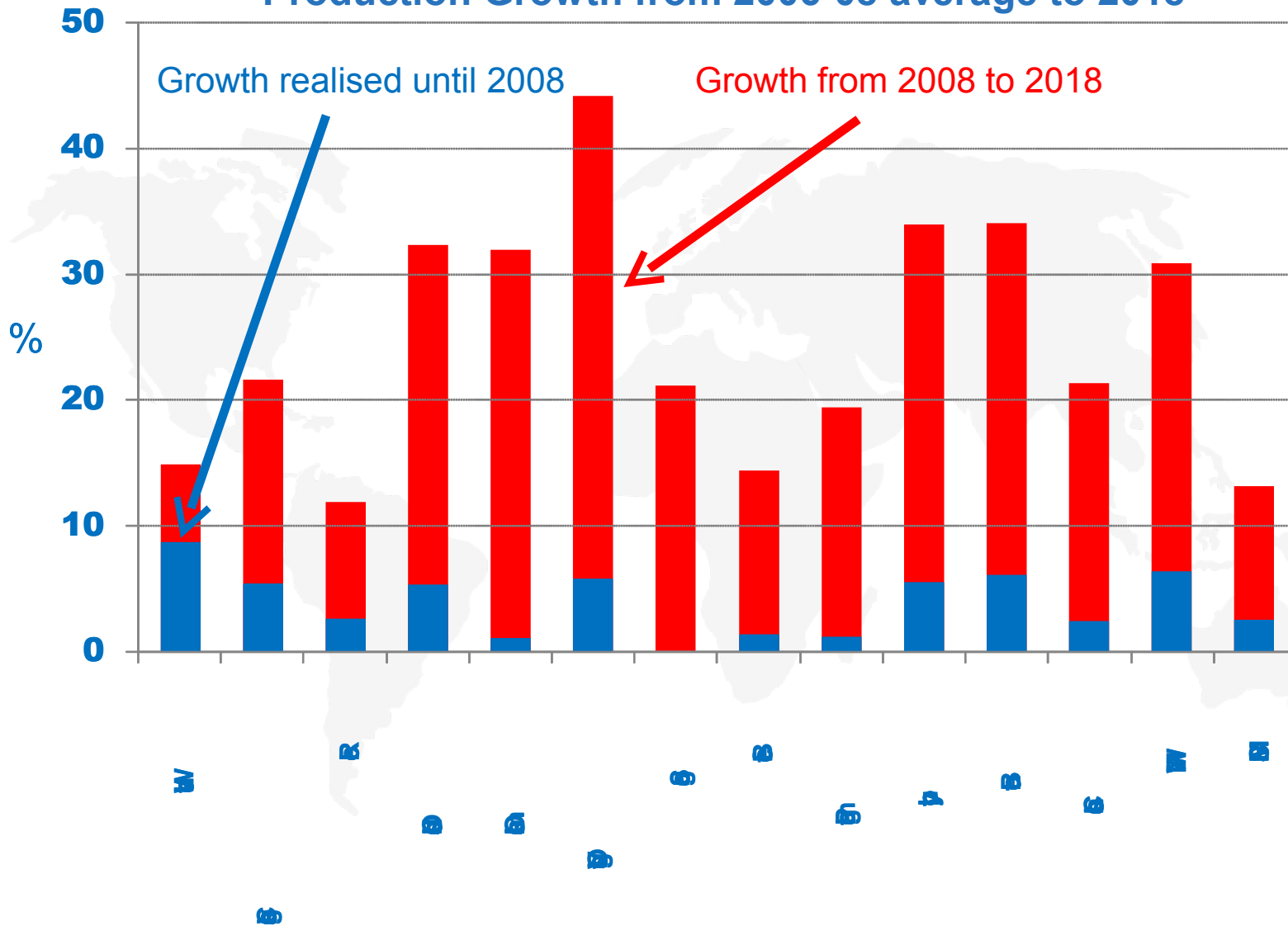




Steady growth of global production



Production Growth from 2006-08 average to 2018

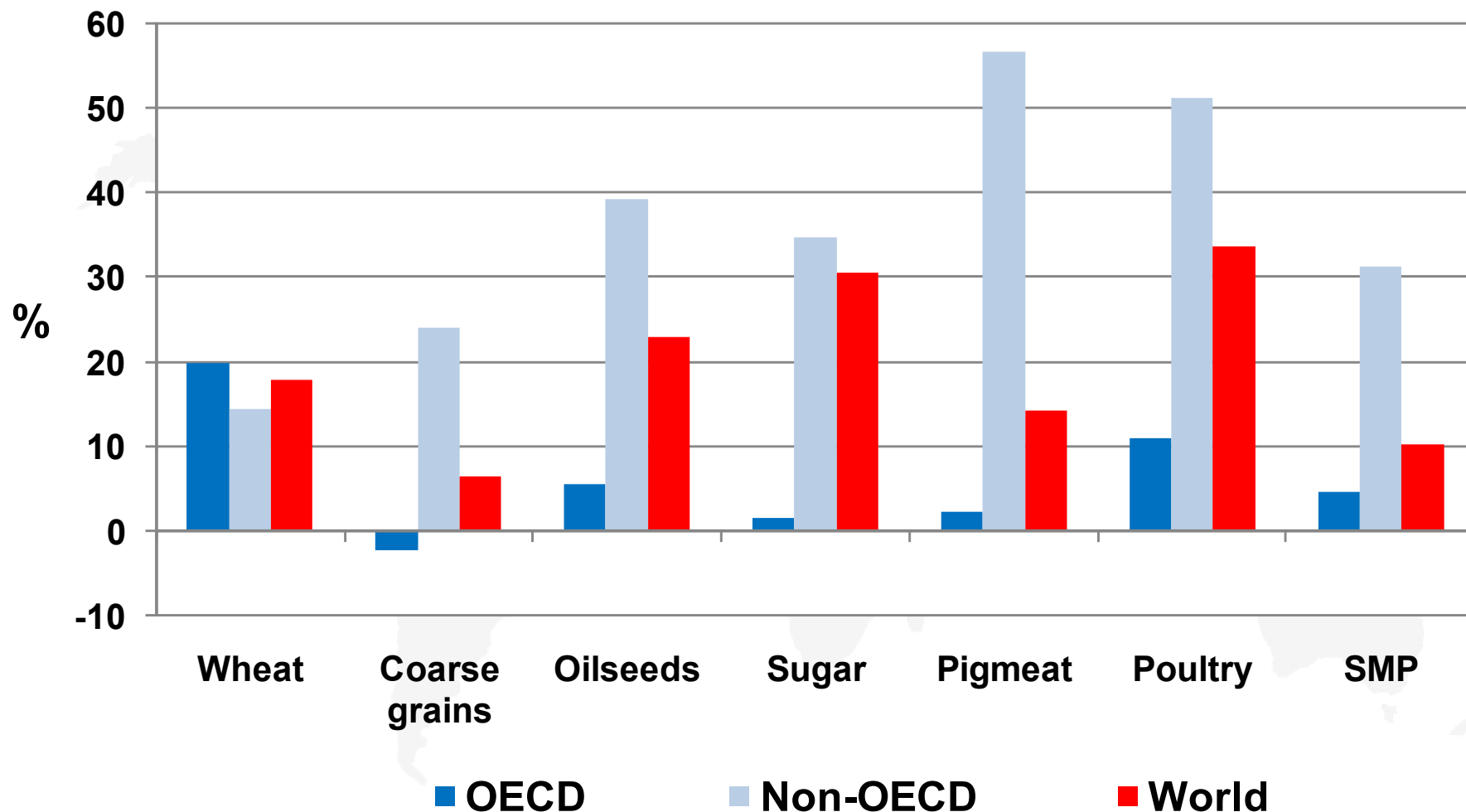




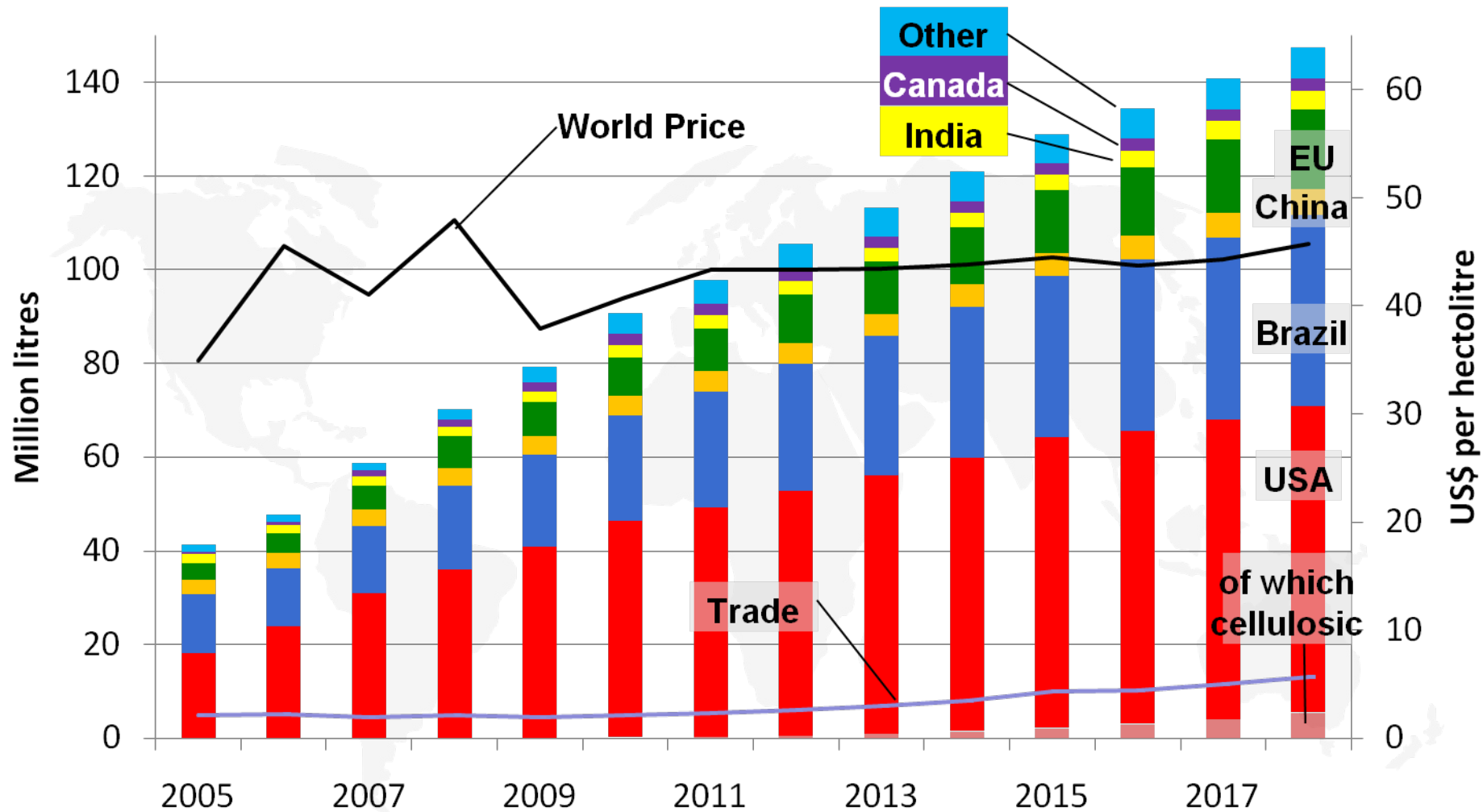
Export growth in developing countries



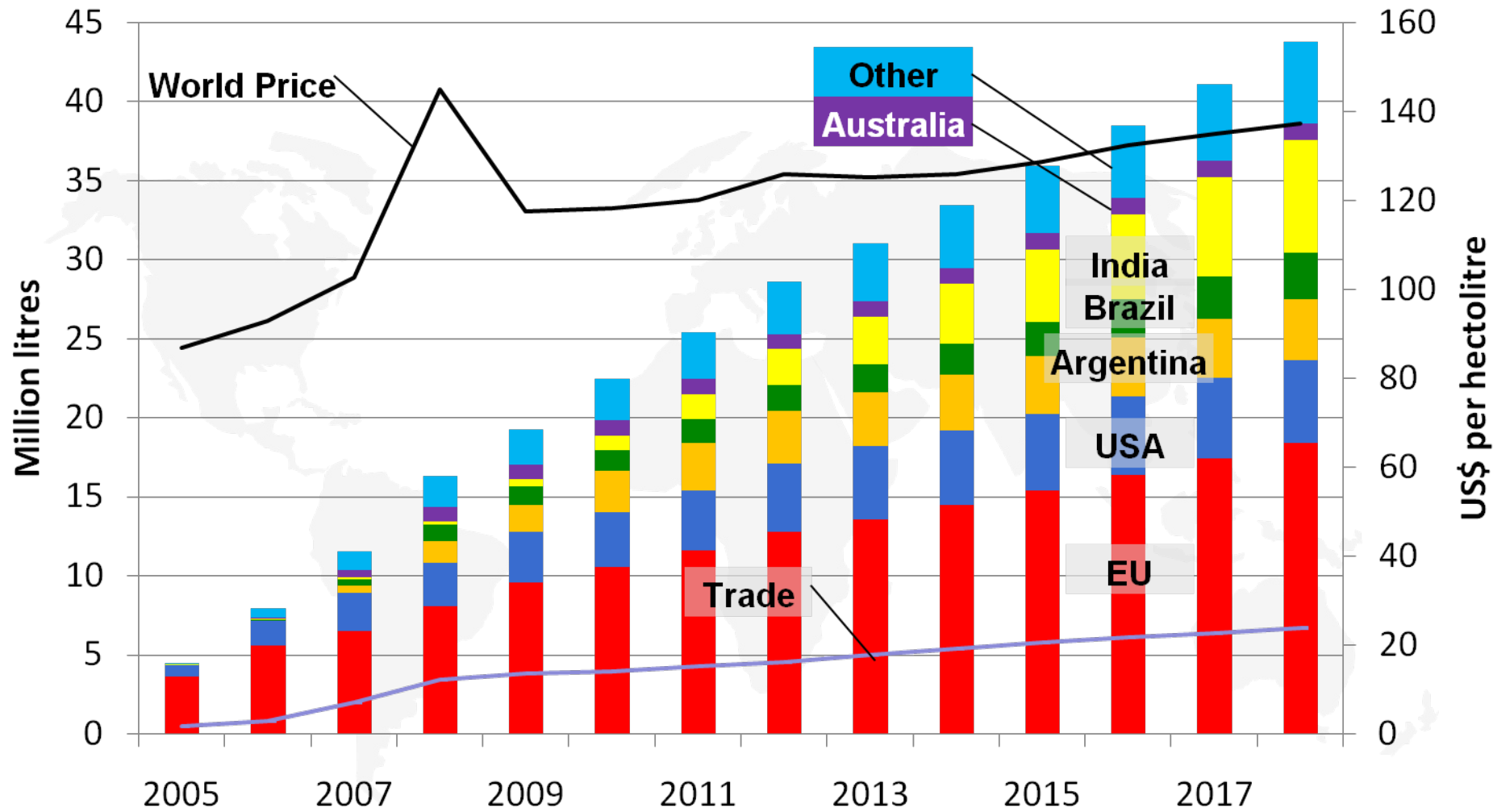
Export growth from 2006-08 average to 2018



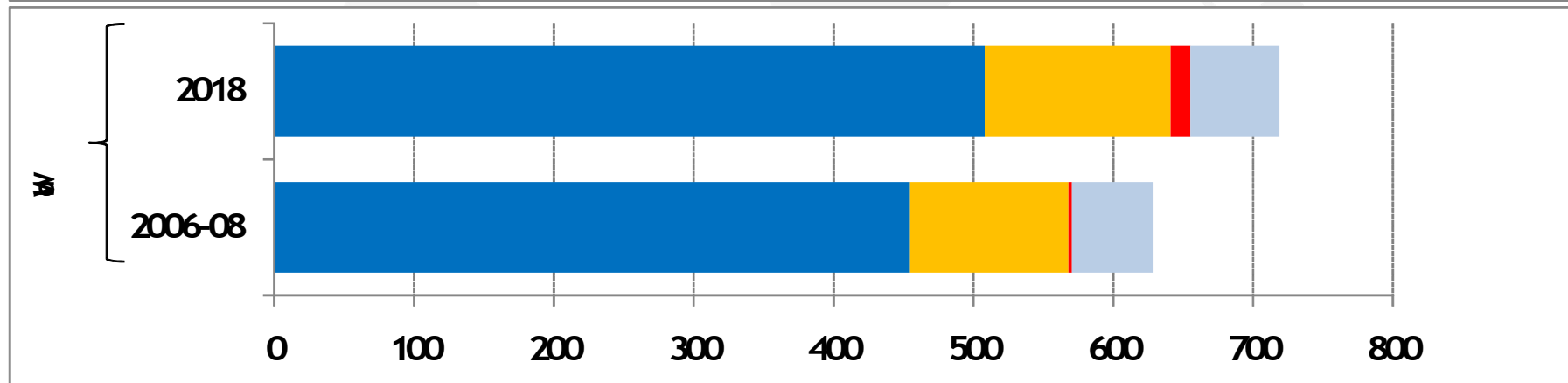
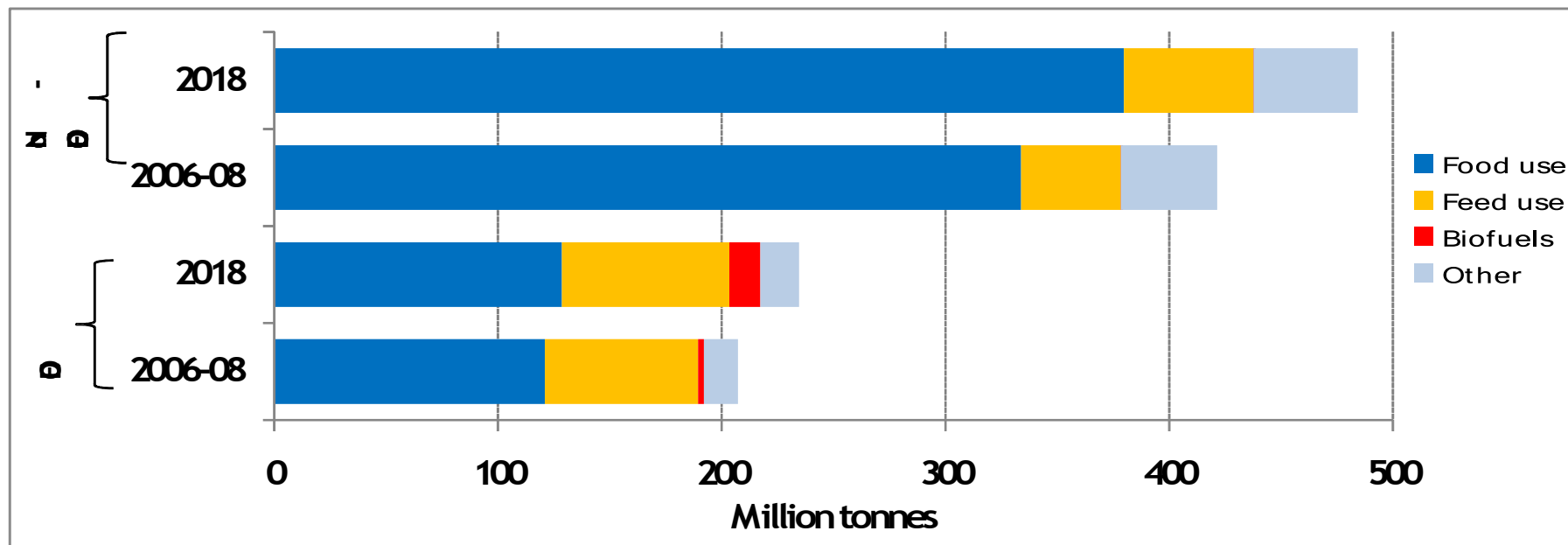
Ethanol Production to more than double



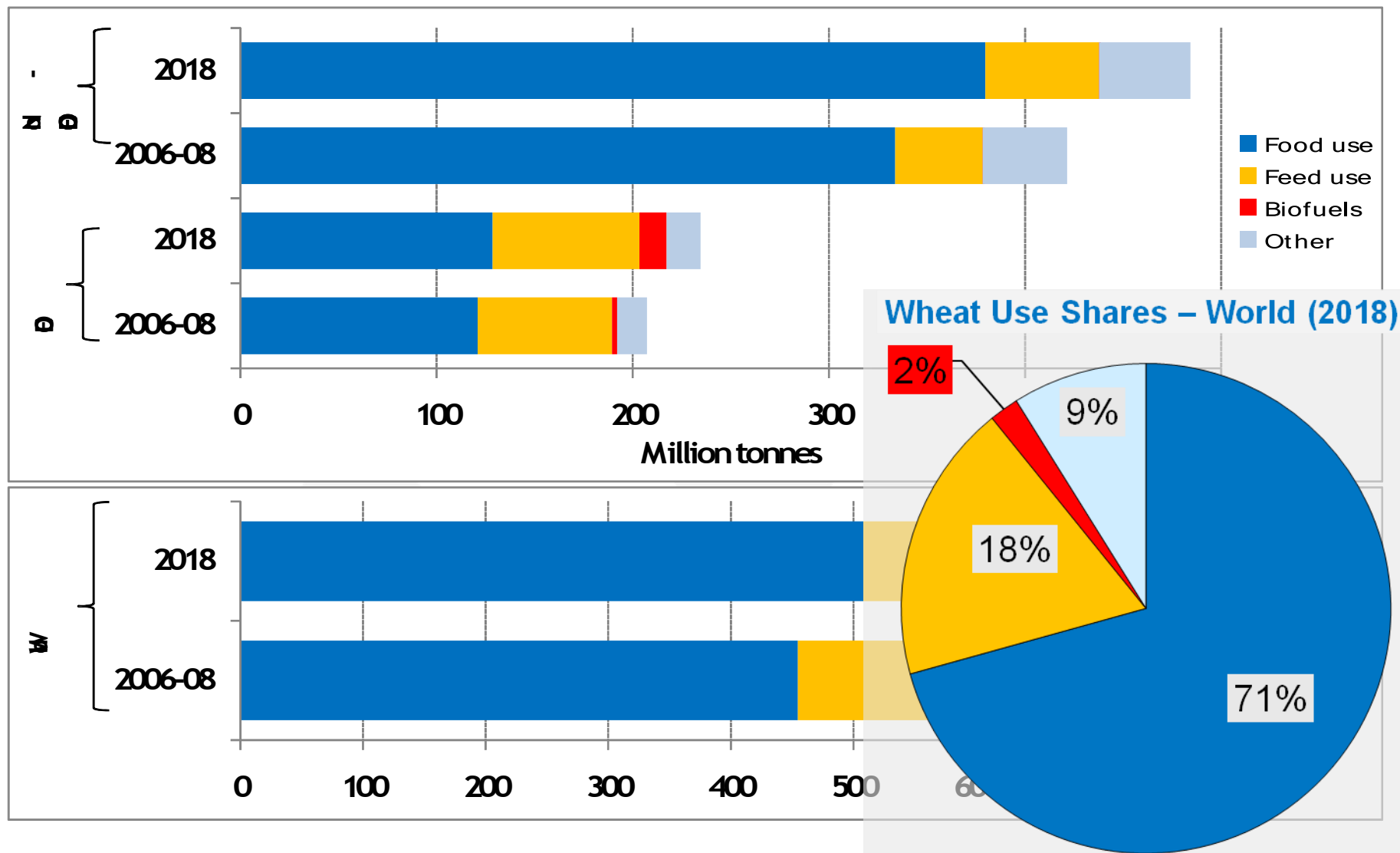
Biodiesel output to increase by 170%



Food remains the main use for wheat ...

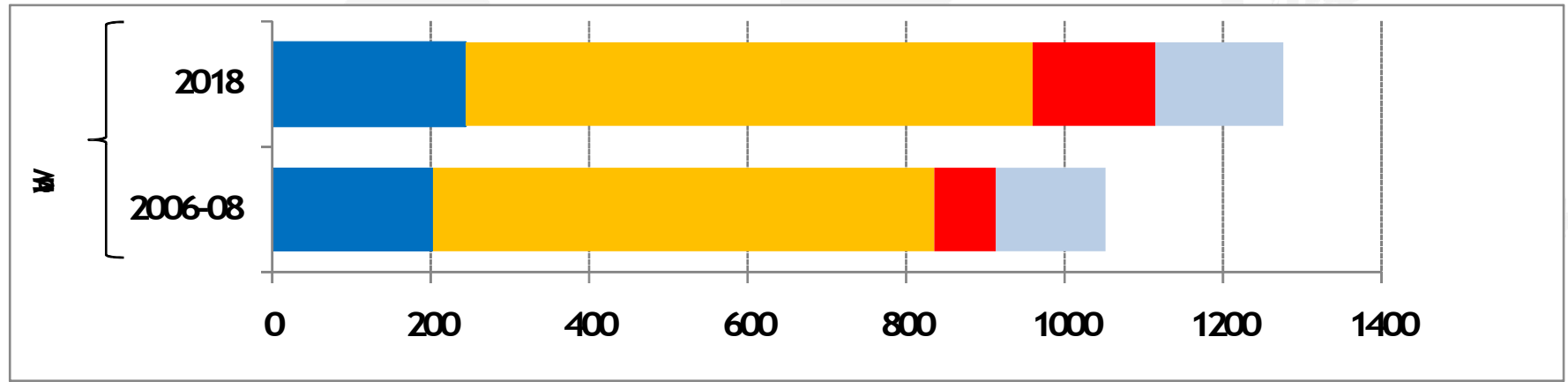
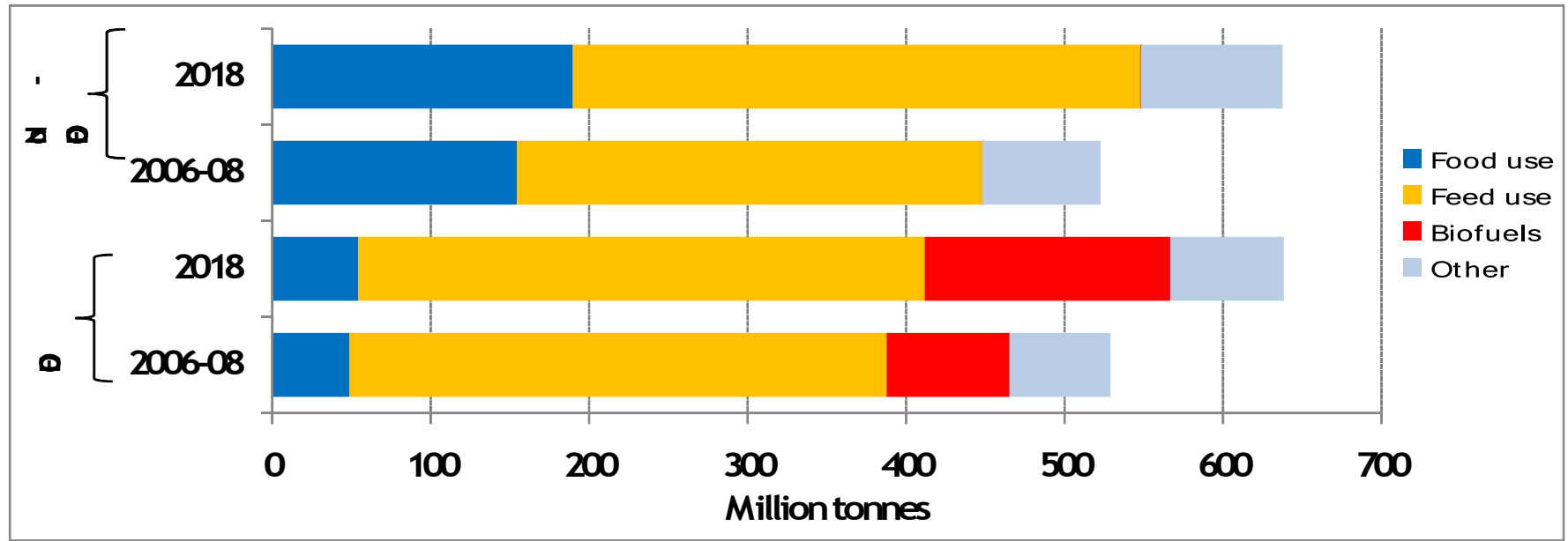


Food remains the main use for wheat ...





... while feed and fuel push coarse grain demand up

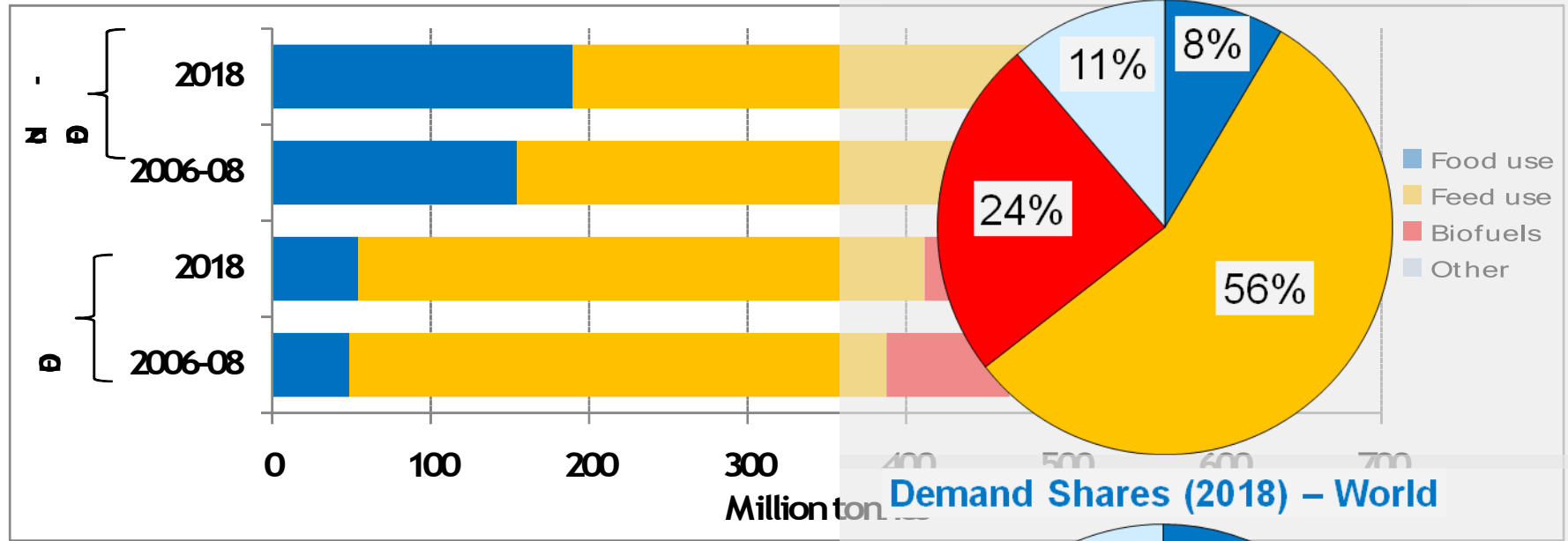




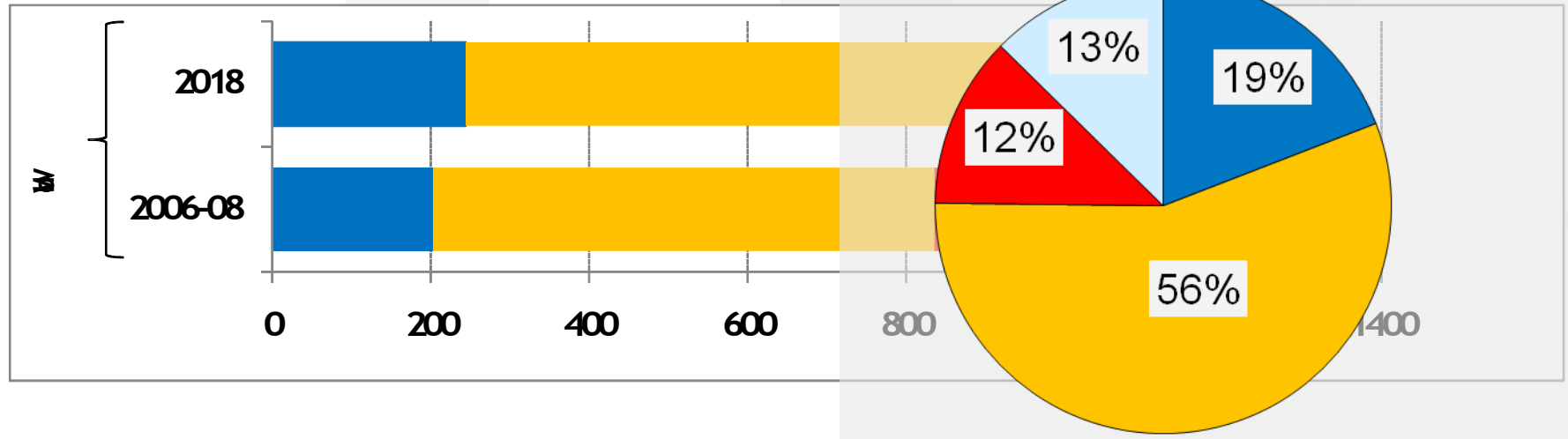
... while feed and fuel push coarse grain demand up



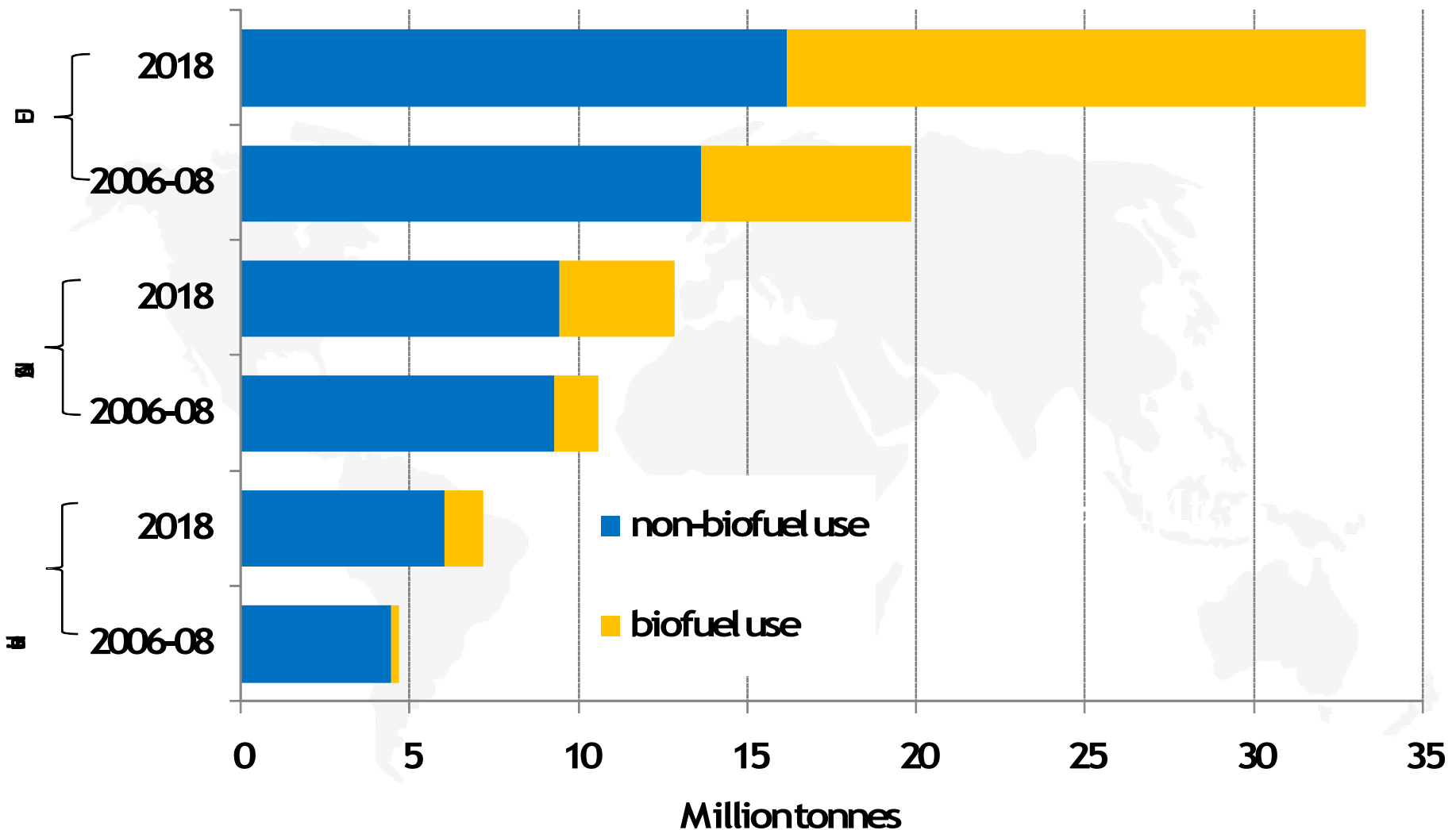
Demand Shares (2018) - OECD



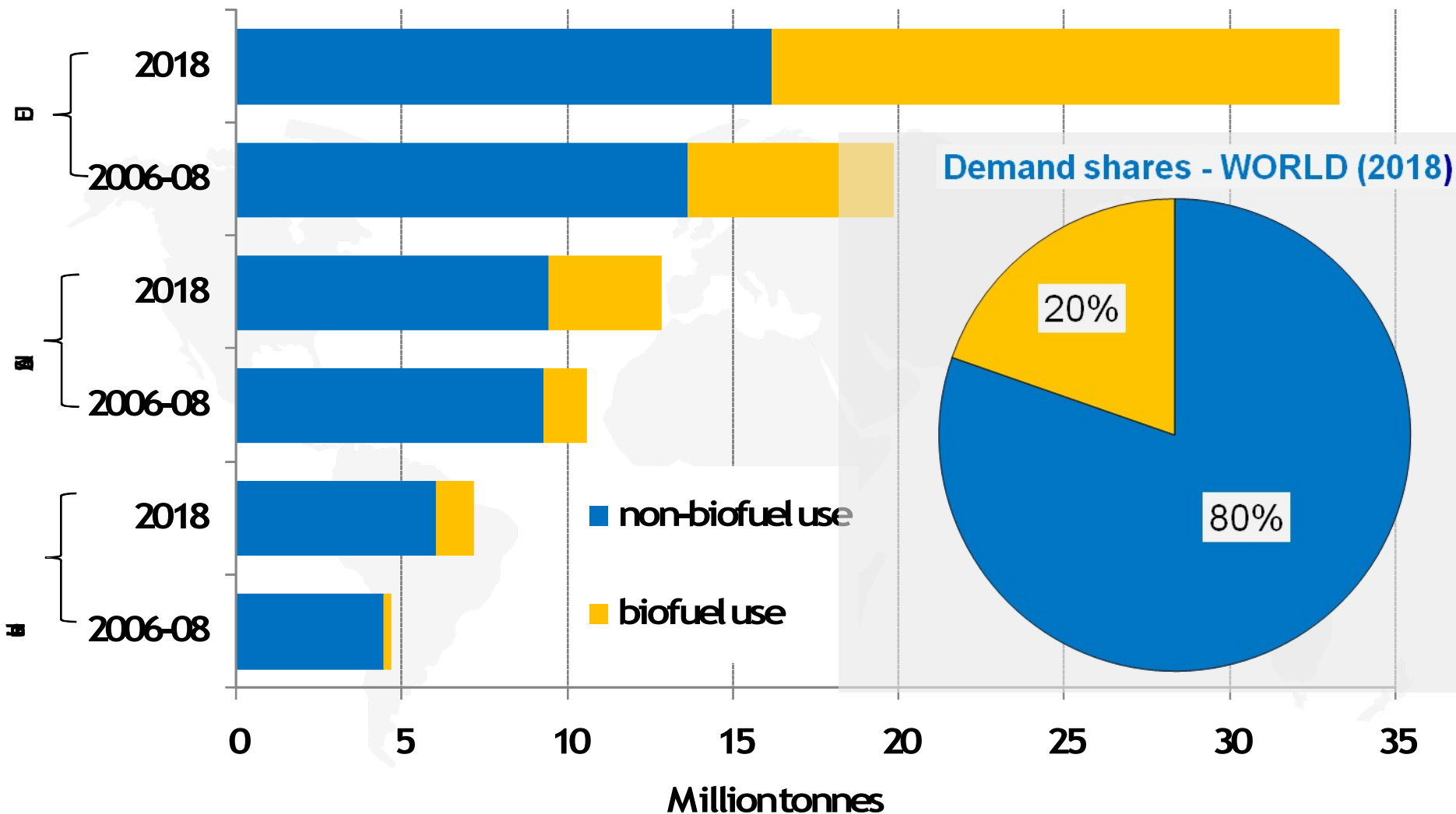
Demand Shares (2018) - World



Biodiesel increasingly important demand driver for vegetable oil



Biodiesel increasingly important demand driver for vegetable oil



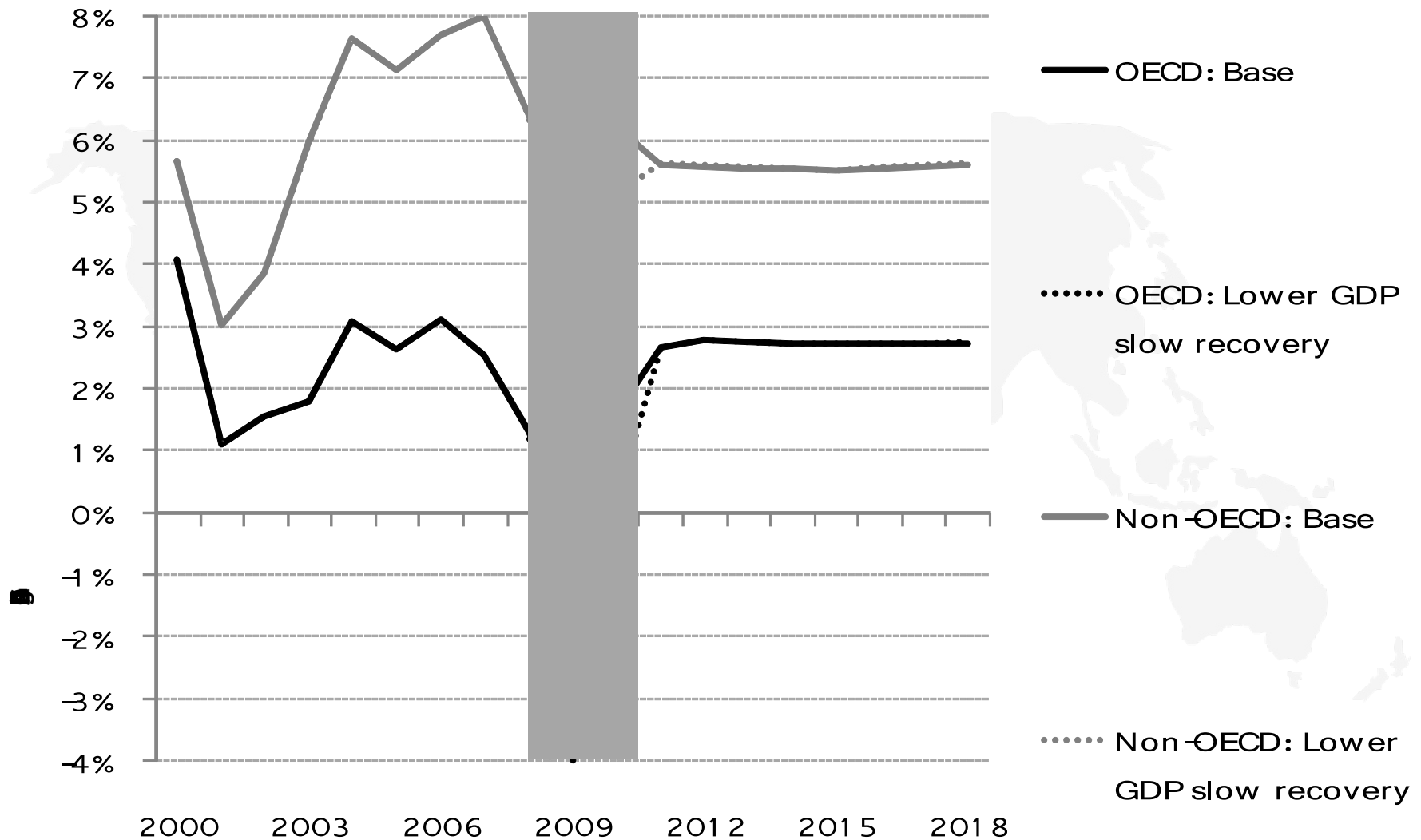
« ***Underlying macroeconomic assumptions uncertain***

- **Economic projections have changed a lot**
- **Energy prices important but highly uncertain**
- **Credit markets in turmoil**
- **Timing/speed of recovery critical**



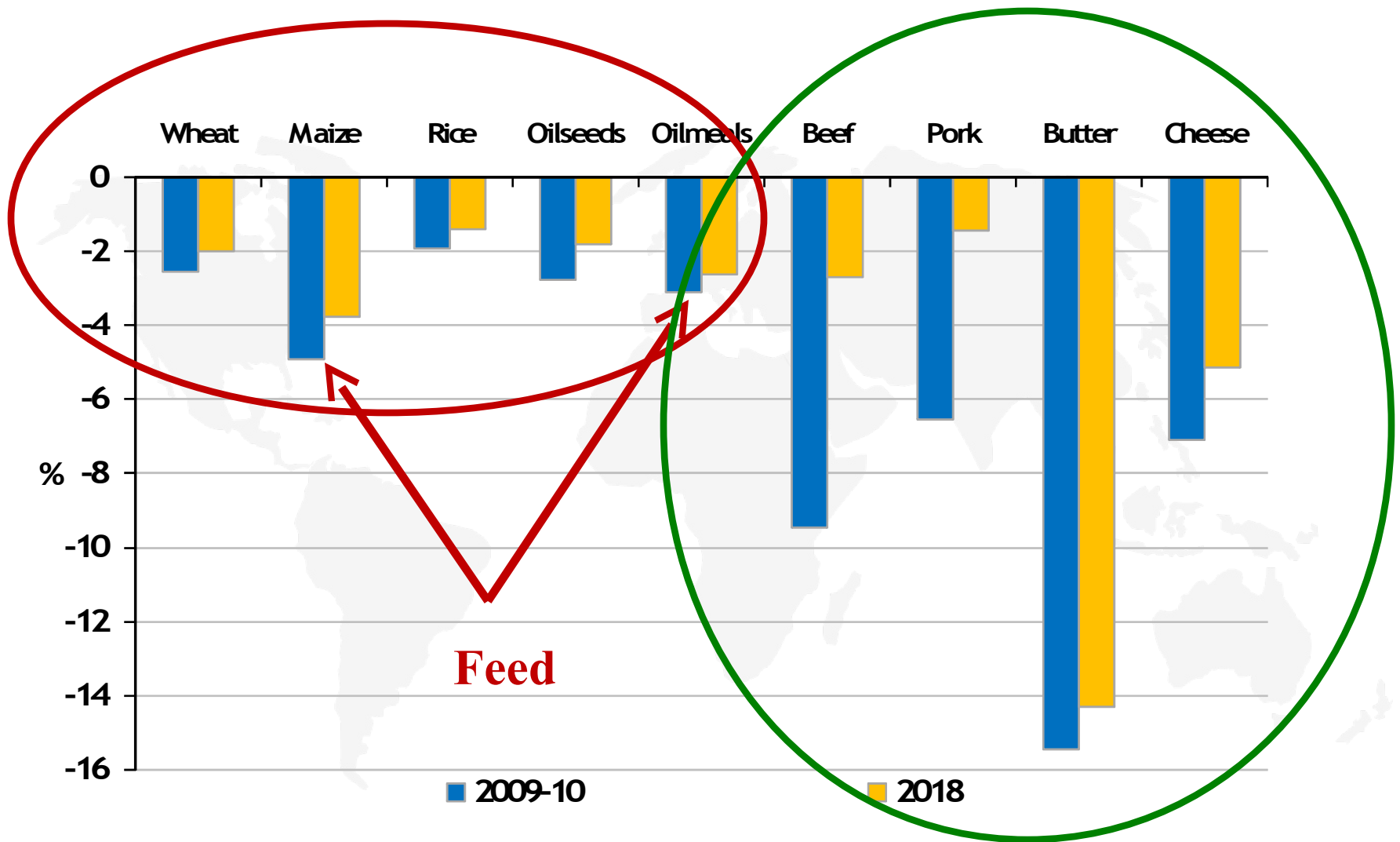
« Growth projections revised regularly

Revisions of GDP growth March 2009 vs. Dec. 2008

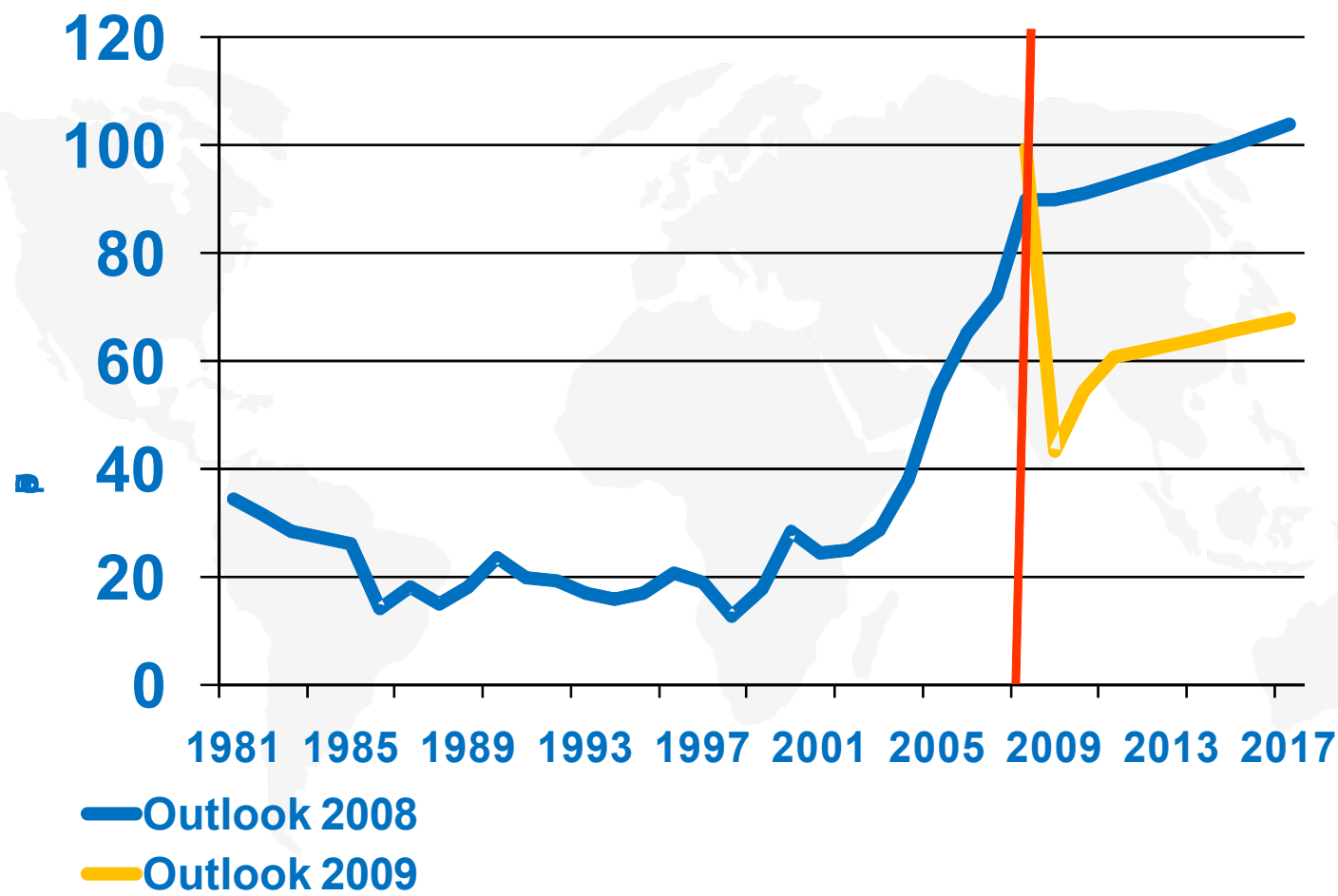




Lower income growth impacts livestock products more

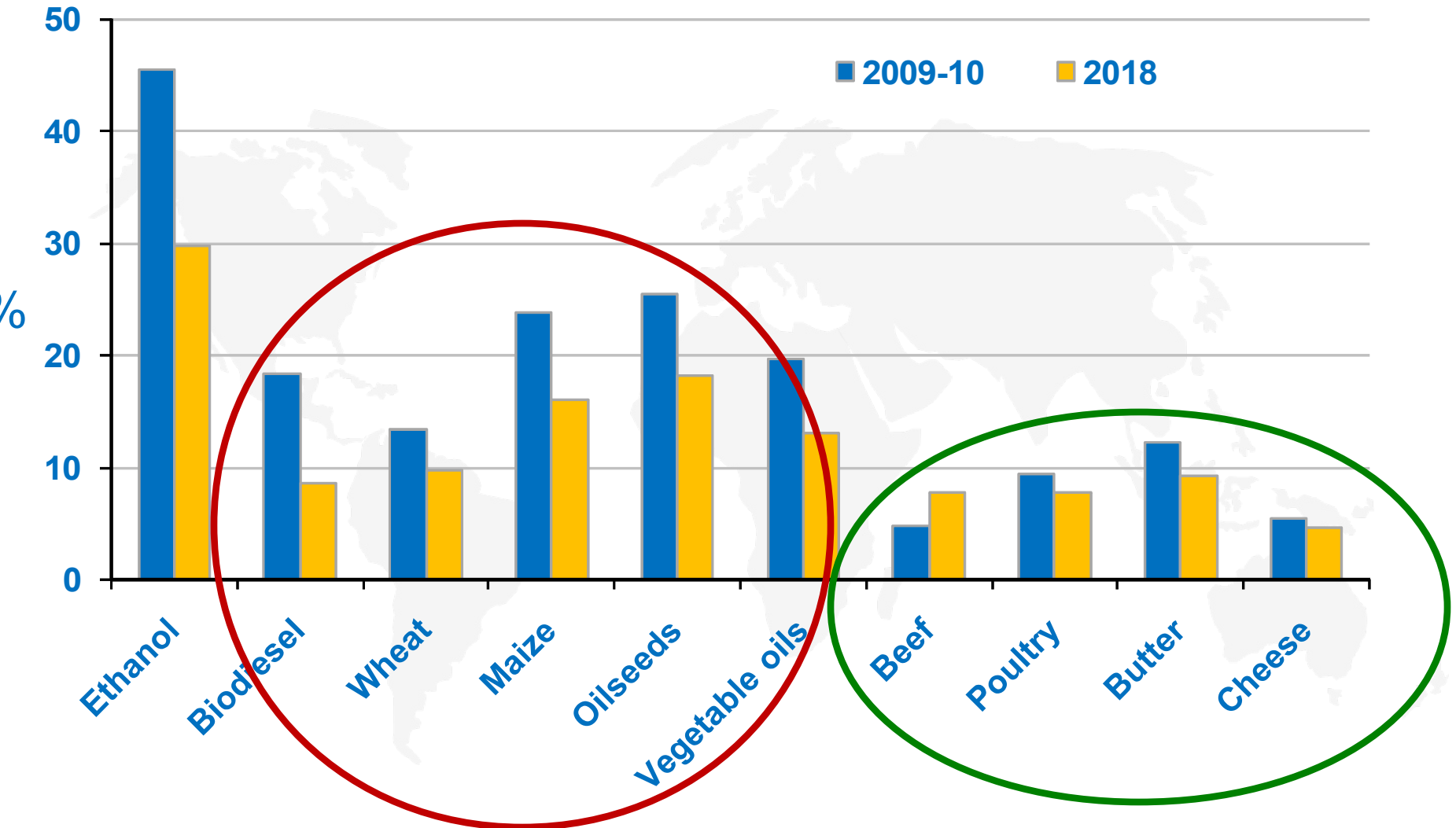


« Recall: oil price assumption relatively low





Impact of higher oil prices on commodity prices





Key Issues and Uncertainties

- **Traditional uncertainties:**
 - Weather and economic stability
 - Developments in trade and domestic policies
 - policies a major impact on markets (keep markets open)
- **Increased price volatility?**
- **Biofuels policies and biofuel developments**



Key Issues and Uncertainties



- **The fundamental factor is – supply response**
 - Price transmission to local markets
 - Technological progress
 - Need to address climate change/water availability/sustainability
- **Food affordability (poverty reduction) is the key food security issue**





Longer term concerns



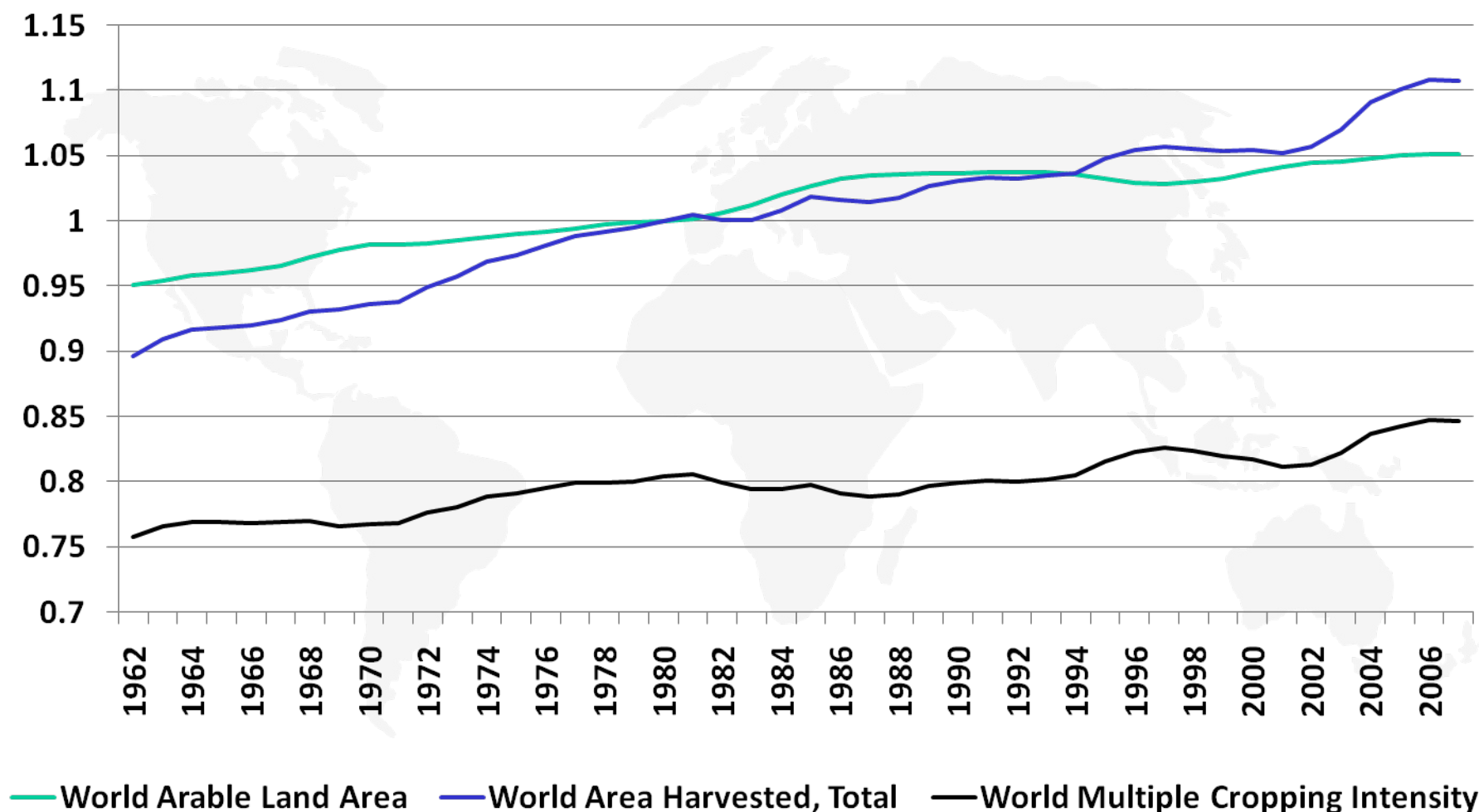
- Amount of land in agriculture
- Maintaining yield growth
- Competition for water
- Impacts of climate change



Slow expansion of land in agriculture

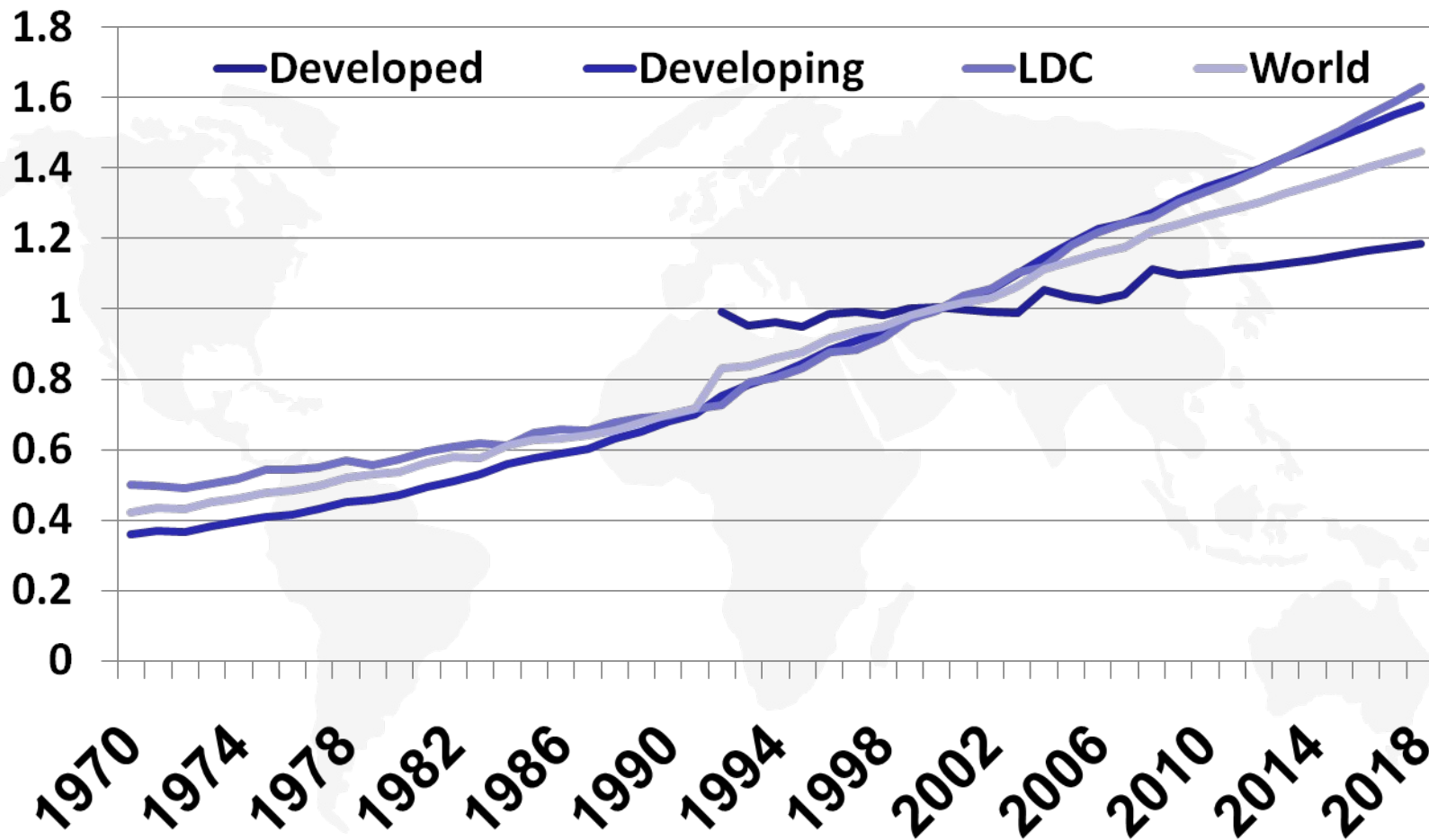


Index: 1980 = 100



Outlook assumes yield increases

Agricultural production index by region

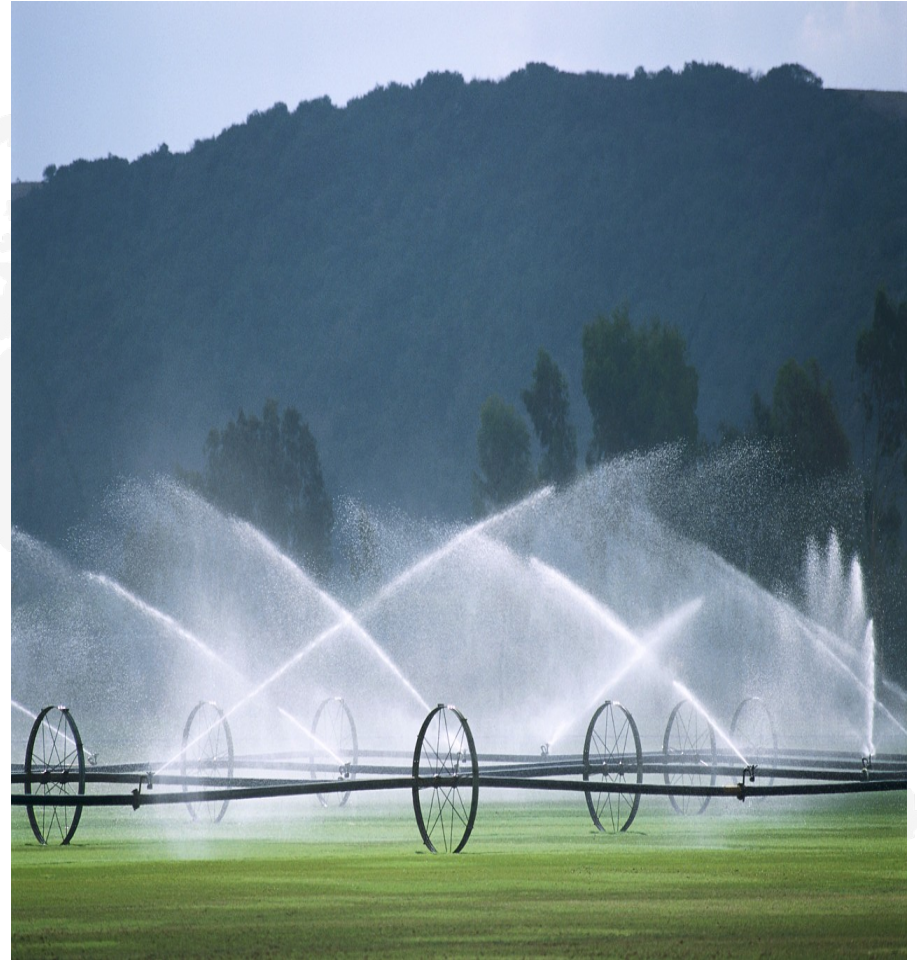




Looming water shortages



- competition for water to increase
- 44% of pop'n under severe water stress
- agriculture uses 70% of world withdrawals
- irrigation projected to increase





Climate change will impact production



+3-5°C increase in global mean annual temperature:

- adaptation required to maintain yields
- maize, wheat yields drop in low latitudes
- real commodity prices could be 10-40% higher
- developing countries import 10-40% more cereals



Thank You

www.agri-outlook.org
www.oecd.org/agricult
www.fao.org/es/esc/en

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