

## *Executive Summary*

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.

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, meat types, 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 stock levels also make a rebound unlikely within the next few years.

The weakening of demand growth is expected to persist over the coming decade. Population will be the main driver of consumption growth for most commodities, even though the rate of population growth is forecast to decline. 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 and 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, the foremost source of demand growth will be 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 in developing countries leads to a greater 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.

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, and 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 from intensification and efficiency gains and partially from an enlargement of the production base through 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.

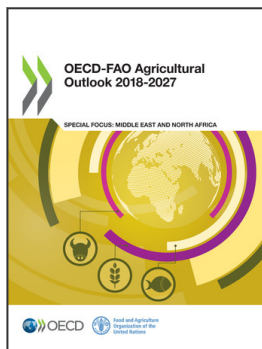
As a baseline projection, the *Agricultural Outlook 2018-2027* assumes policies currently in place will continue into the future. Beyond the traditional risks that affect agricultural markets, there are increasing uncertainties with respect to agricultural trade policies and concerns about the possibility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

## 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 rising 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. 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.



**From:**  
**OECD-FAO Agricultural Outlook 2018-2027**

**Access the complete publication at:**  
[https://doi.org/10.1787/agr\\_outlook-2018-en](https://doi.org/10.1787/agr_outlook-2018-en)

**Please cite this chapter as:**

OECD/Food and Agriculture Organization of the United Nations (2018), "Executive Summary", in *OECD-FAO Agricultural Outlook 2018-2027*, OECD Publishing, Paris/Food and Agriculture Organization of the United Nations, Rome.

DOI: [https://doi.org/10.1787/agr\\_outlook-2018-3-en](https://doi.org/10.1787/agr_outlook-2018-3-en)

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