

OECD Agricultural Outlook: 2004/2013

Broad-based income growth in both OECD and non-member economies, moderate population growth and low inflation lead to higher per capita incomes and consumption gains world-wide. Consumption in the non-member economies is expected to grow at rates much faster than those of the OECD area, especially for dairy products such as butter, cheese and whole milk powder as well as livestock products. Consumption gains for these products are faster than growth in population providing the potential to reduce malnutrition and hunger.

In the mature markets of the OECD area, where incomes are high and basic dietary needs have long been more than satisfied, consumption gains for commodities are expected to post only moderate growth rates as preferences shift towards products such as poultry meat, cheese and whole milk powder. Higher growth rates in the non-OECD region during the projection period imply that an increasing share of agricultural produce and feedstuffs is consumed outside the OECD area, indicating increasing activity in animal production in the non-member economies.

Global production for wheat, rice, coarse grains, beef, cheese and vegetable oils, expands faster than consumption. Most of the gains in production are through expected productivity improvements especially in crops where area expands at a much lower rate, and these tend to be concentrated in the non-member economies. Production expansion in countries outside the OECD area outpaces that in OECD countries taken together. As a result the OECD share in world production falls; more for butter and skim milk powder, less for pig meat and whole milk powder, with minor changes for the other products.

Global trade for wheat and coarse grains is expected to grow moderately with more substantial increases in rice trade. Trade in sugar is also expected to expand over the projection period with Brazil, the leading sugar exporting nation expected to increase its market share. World trade in dairy products continues to represent a small share of world milk production, is dominated by OECD countries and is not expected to expand significantly during the *Outlook* period. OECD countries continue to dominate world trade in these products. Net exports of dairy products from the OECD to the non-member economies are expected to decline, other than whole milk powder. But OECD countries remain big in meat trade, especially poultry meat.

Prices for almost all products covered in this *Outlook* are expected to strengthen over the projection period in nominal terms, but to continue to trend downwards in real terms.

Domestic and trade policies are important factors in the *Outlook* as they influence markets and the degree of integration and variability of domestic and world prices. For some commodities, these policies preserve large differences between domestic and world prices, imposing high costs on consumers and mitigating the responsiveness of domestic markets to changing scarcities on international markets. The persistence of price gaps suggests that more needs to be done to liberalise sensitive sectors, in particular through redressing border measures and related domestic policies. Renewed progress in the agricultural negotiations underway as part of the WTO Doha Development Agenda would be an important contribution in this respect.

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