# OECD-FAO Agricultural Outlook: 2007-2016

*Summary in English*

- Currently strong world market prices for many agricultural commodities in international trade are, in large measure, due to factors of a temporary nature, such as drought related supply shortfalls, and low stocks. But, structural changes such as increased feedstock demand for bio-fuel production, and the reduction of surpluses due to past policy reforms, may keep prices above historic equilibrium levels during the next 10 years.

- Higher commodity prices are a particular concern for net food importing developing countries as well as the poor in urban populations, and will evoke on-going debate on the "food versus fuel" issue. Furthermore, while higher bio-fuel feedstock prices support incomes of producers of these products, they imply higher costs and lower incomes for producers that use the same feedstock in the form of animal feed.

- The expectation that world market prices have attained a higher plateau may facilitate further policy reform away from price support. This would reduce the need for border protection and would provide flexibility for tariff reductions.

- Growing use of cereals, sugar, oilseeds and vegetable oils to satisfy the needs of a rapidly increasing bio-fuel industry, is one of the main drivers in the outlook. Over the outlook period, substantial amounts of maize in the US, wheat and rapeseed in the EU and sugar in Brazil will be used for ethanol and biodiesel production. This is underpinning crop prices and, indirectly through higher feed costs, the prices for livestock products as well.

- Given that in most temperate zone countries ethanol and bio-diesel production are not economically viable without support, a different combination of production technologies, biofuel policies and crude oil prices than is assumed in this Outlook could to lead to lower prices than are projected in this Outlook.

- The assumed strong growth in demand in many developing and emerging economies will spur expansion in imports as well as provide the impetus to the development of domestic production capacity. As a result, OECD countries as a group are projected to lose production and export shares in many commodities to non-OECD countries over the outlook period.

- Measured by global imports, world trade is projected to grow for all commodities reviewed in this report, without exception. By 2016, and compared to the average for 2001-05, trade expansion remains modest for SMP (7%), is situated at 13% to 17% for coarse grains and wheat respectively, but grows by between over 50% for beef, pigmeat and WMP and by close to 70% for vegetable oils.

- Imports grow more strongly in developing countries than in OECD countries for all products except vegetable oils. And for all products except wheat and coarse grains, these growing markets are increasingly satisfied through larger exports from other developing countries. Agricultural world markets are thus characterised by growing south-south trade, raising the competition for exporting countries within the OECD.

- The growing presence on export markets of Argentina and Brazil is staggering. While Brazil's growth is mostly concentrated in sugar, oilseeds and meats, Argentina's export performance also covers cereals and many dairy products. Other growing exporters in the developing and transition economies include Russia and the Ukraine for coarse grains, Vietnam and Thailand for rice, Indonesia and Thailand for vegetable oils, and Thailand, Malaysia, India and China for poultry.

- Import growth is much more widely spread across countries. However, China's dominance of oilseeds and oilseed products trade is striking. By 2016 China will have become the world's largest importer of oilseed meals and it will have further consolidated its leading position in imports of oils and oilseeds. For the latter product, its share in global imports will have risen to almost 50%.