The OECD-FAO Agricultural Outlook
Global Trends in Commodity Markets
by
Pavel Vavra

Power Point Presentation for the
International Agricultural Trade Research Consortium
Analytic Symposium
“Confronting Food Price Inflation:
Implications for Agricultural Trade and Policies”

June 22-23, 2009
Seattle, Washington
<table>
<thead>
<tr>
<th>Trade &amp; Agriculture Directorate</th>
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**The OECD-FAO Agricultural Outlook**  
Global Trends in Commodity Markets  

Pavel Vavra  
Trade and Agriculture Directorate  

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Confronting Food Price Inflation: Implications for Agricultural Trade and Policies  
IATRC, June 22-23, 2009, Seattle, Washington
• Highlights of medium-term agricultural outlook
  i. Price projections
  ii. Commodity markets developments

• Sensitivity to assumptions

• 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
• Agriculture more resilient to global crisis than other sectors

• Commodity prices in real terms to remain at or above 1997-2006 levels
  – Crop prices have strongest gains; 10-20% on average

• Production increases in the range of 10 to 40%

• Developing countries driving the global demand and trade gains

• Expansion of biofuels – largely driven by mandates
Outlook for world prices

- Crops

USD / tonne


- Wheat
- Maize (Corn)
- Oilseeds
- Rice
- Vegetable oil
- Raw sugar
Outlook for world prices – Meat and Dairy

USD/100kg


Beef  Pork  Poultry  Butter  WMP  Cheese
Prices in real terms: Is there a trend decline?
Most commodity prices at higher average levels

% changes relative to 1997-2006 average

Changes to average price levels (in real terms)
### Production Growth from 2006-08 average to 2018

<table>
<thead>
<tr>
<th>Product</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>39%</td>
</tr>
<tr>
<td>Coarse grains</td>
<td>30%</td>
</tr>
<tr>
<td>Rice</td>
<td>35%</td>
</tr>
<tr>
<td>Oilseeds</td>
<td>37%</td>
</tr>
<tr>
<td>Oilmeals</td>
<td>40%</td>
</tr>
<tr>
<td>Veget. Oils</td>
<td>41%</td>
</tr>
<tr>
<td>Sugar</td>
<td>42%</td>
</tr>
<tr>
<td>Beef</td>
<td>20%</td>
</tr>
<tr>
<td>Pigmeat</td>
<td>25%</td>
</tr>
<tr>
<td>Poultry</td>
<td>26%</td>
</tr>
<tr>
<td>Butter</td>
<td>31%</td>
</tr>
<tr>
<td>Cheese</td>
<td>29%</td>
</tr>
<tr>
<td>WMP</td>
<td>19%</td>
</tr>
<tr>
<td>SMP</td>
<td>17%</td>
</tr>
</tbody>
</table>
Steady growth of global production

Production Growth from 2006-08 average to 2018

Growth realised until 2008
Growth from 2008 to 2018

%
Higher trade gains in developing countries

Export growth from 2006-08 average to 2018
Higher Ethanol Prices in Longer Run

World Price

Other
Canada
India

EU
China
Brazil
USA

of which cellulosic

Million litres

US$ per hectolitre

Biodiesel Prices to rise, more slowly after 2012
Food remains the main use for wheat...
Food remains the main use for wheat...
...while feed and fuel push coarse grain demand up.

- Non-OECD
  - 2018
  - 2006-08

- OECD
  - 2018
  - 2006-08

- World
  - 2018
  - 2006-08

Legend:
- Food use
- Feed use
- Biofuels
- Other

Million tonnes

2006-08
2018
2006-08
2018
World
…while feed and fuel push coarse grain demand up.
Biodiesel increasingly important demand driver for vegetable oil

+ 90 Mt
Biodiesel increasingly important demand driver for vegetable oil

**Demand shares - WORLD (2018)**

- **non-biofuel use**: 80%
- **biofuel use**: 20%

- **EU**
  - 2018: 20% biofuel, 80% non-biofuel
  - 2006-08: 60% biofuel, 40% non-biofuel

- **USA**
  - 2018: 30% biofuel, 70% non-biofuel
  - 2006-08: 50% biofuel, 50% non-biofuel

- **Indonesia**
  - 2018: 40% biofuel, 60% non-biofuel
  - 2006-08: 20% biofuel, 80% non-biofuel
Driven by economic growth, meat consumption increases especially in developing countries.
Large differences in milk production gains
Outlook for dairy products consumption

Butter: 2006-2018
Cheese: 2006-2018
SMP: 2006-2018
WMP: 2006-2018

OECD non-OECD
• Economic projections changing monthly

• Energy prices important but highly uncertain

• Credit markets in turmoil

• Timing/speed of recovery critical
Lower income growth impacts livestock products more.
World oil prices still relatively high and….
Impact of higher oil prices on commodity prices

- Ethanol
- Biodiesel
- Wheat
- Maize
- Oilseeds
- Vegetable oils
- Beef
- Poultry
- Butter
- Cheese
Key Issues and Uncertainties

• Traditional uncertainties:
  – Weather and economic stability
  – Developments in trade and domestic policies

• Increased price volatility?

• Biofuels policies and biofuel developments

• The key question is – supply response
  – Price transmission to local markets
  – Technological progress
  – Need to address climate change/water availability/sustainability
Thank You

www.oecd.org/tad

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