



TRADE POLICY BRIEFS

FAO SUPPORT TO THE WTO NEGOTIATIONS AT THE 12TH MINISTERIAL CONFERENCE

MEDIUM-TERM PROSPECTS AND CHALLENGES FOR GLOBAL AGRICULTURE

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KEY MESSAGES

- Agricultural commodity markets are projected to expand by 1.2 percent per year between 2021 and 2030, based on slower population and per-capita food demand growth expected over the next decade.
- Production growth is attributed mainly to crop yield improvements and higher productivity per meat and dairy animal, albeit to a lesser extent.
- International agricultural trade volumes are foreseen to be mostly driven by production developments and to become increasingly important for food security and rural livelihoods.
- After the current price rally subsides, and based on market fundamentals, real prices of agricultural commodities are projected to resume their long-term declining trend.

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This policy brief presents an assessment of the ten-year prospects for agricultural commodity and fish markets at national, regional and global levels. Medium-term projections are not a forecast of the future, but rather a plausible scenario based on specific assumptions regarding the macroeconomic conditions, the agriculture and trade policy settings, weather conditions, productivity trends and international market developments. In addition, one of their objectives is to serve as a reference for forward-looking policy analysis and planning.

Consumption

Over the 2021-2030 period, global total use of agricultural commodities is projected to grow at 1.2 percent per annum. Shares of food, feed, fuel and industrial uses are not projected to change significantly, as no major structural shift in consumption is foreseen. In low-income countries, economic constraints would confine food consumption growth mainly to staples and sweeteners (Figure 1). In middle-income countries, the preference for livestock products and fish is expected to remain strong and per capita consumption of animal protein is projected to increase significantly. In high-income countries, income growth and changing consumer preferences should further support the ongoing gradual transition in food demand, away from staples and sweeteners towards higher-value foods, including fruits and vegetables and, to a lesser extent, animal products.

Production

Over the coming decade, global agricultural production is projected to increase by 1.4 percent per annum. Assuming continuing transition to more intensive production systems, particularly in middle and low-income countries, 87 percent of the projected global crop production growth is expected to come from yield improvements. Similarly, a large share of the growth in livestock and fish production would come from

productivity improvements. However, herd enlargements are also expected to significantly contribute to livestock production growth. The carbon intensity of agricultural production is expected to decline over the coming decade, with direct agricultural greenhouse gas (GHG) emissions projected to grow at a lower rate than agricultural production (Figure 2). Nevertheless, global GHG emissions from agriculture are projected to increase by 4 percent over the next ten years, with livestock accounting for more than 80 percent of this increase.

Trade

International trade will continue to be critical for global food security, nutrition, farm incomes and tackling rural poverty. Around 20 percent of consumed foods worldwide are imported. Looking ahead to 2030, in the Near East and North Africa region, imports are projected to account for 64 percent of total domestic consumption, while Latin America and the Caribbean region is expected to export more than a third of its total agricultural production.

Prices

Projected productivity gains and slowing demand growth would keep the real prices of agricultural commodities declining to 2030 (Figure 3), which puts pressure on farm incomes and may make investments in environmental sustainability more difficult. These price projections are subject to uncertainty as evidenced by the current rally in global food prices.

Future challenges

The projections suggest that progress will be made in many respects over the coming decade; however, without additional efforts, the Zero Hunger goal would not be achieved. In

Sub-Saharan Africa, where 224.3 million people were undernourished in 2017-19, food consumption is projected to increase by only 2.5 percent, to 2500 kcal in 2030. The transition to healthier diets would be slow. Fats and staples are expected to account for about 60 percent of additional calories over the next decade. Consumers in middle and high-income countries would consume higher shares of fats and animal products in their diets, while nutrition in low-income countries would remain largely based on staples. Productivity improvements and innovative solutions to enhance resilience and the environmental sustainability of the agricultural sector require continuing investments into infrastructure, innovation and new technology, and human capital and institutions. Declining real prices can put pressure on the income of farmers, especially smallholders and small family farmers, who face structural constraints to lower their costs sufficiently by raising productivity.

Actions to address key challenges:

- ▶ Develop country capacities for the use of reliable and evidence-based information on future trends and the major driving factors of global demand, supply, trade and prices of agricultural commodities, as a crucial input to decision making.
- ▶ Forge strong collaborative ties between international organizations and national and regional institutions to provide forward-looking analyses of international agricultural markets that can enhance countries' ability to navigate the risks and opportunities for the sector over the next ten years and identify solutions.
- ▶ Increase investment in agriculture to accomplish the envisaged transition towards healthier diets, higher productivity, strengthened resilience and improved environmental sustainability, and to transform the way the world produces, trades and consumes food.

This brief is based on the report OECD/FAO. 2021. *OECD-FAO Agricultural Outlook 2021-2030*. OECD Publishing, Paris. <http://www.fao.org/3/cb5332en/cb5332en.pdf>

Figure 1. Per-capita consumption of main food groups in 2020-2018 and 2030 (projected)

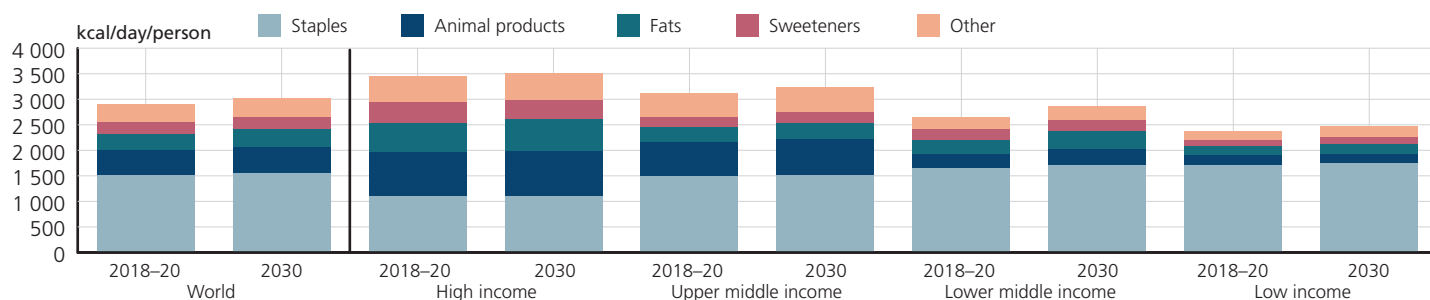


Figure 2. Direct GHG emissions from crop and livestock production

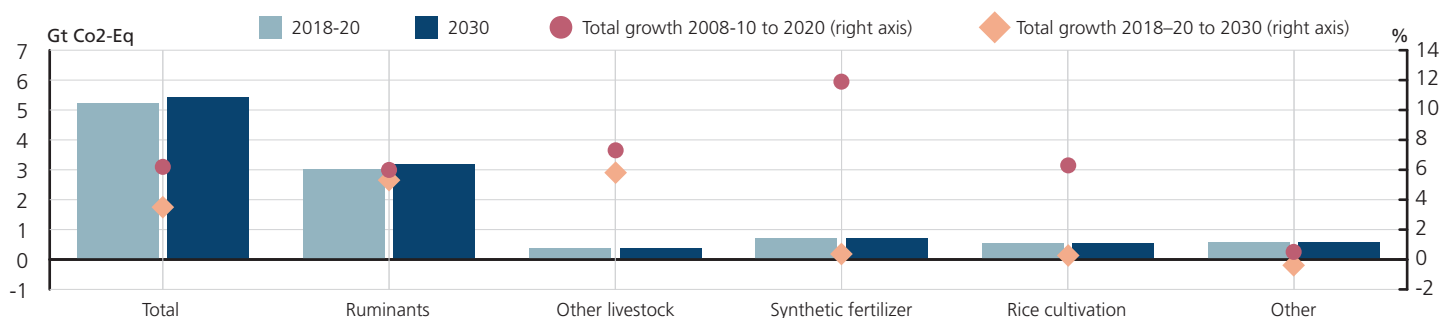
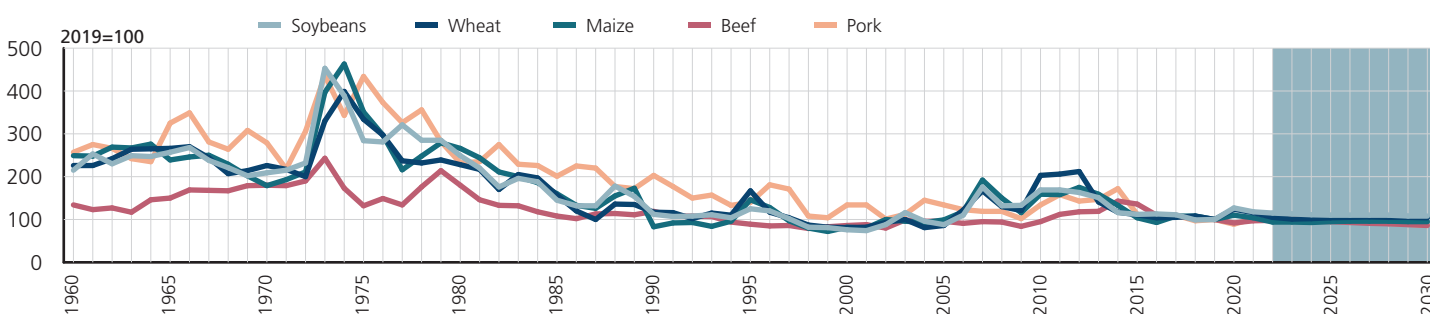


Figure 3. Long-term evolution of commodity prices, in real terms



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