Setting the scene:
Trends in agricultural markets

TESS dialogue:
Sustainable Agriculture and Trade
A Deep Dive Roundtable

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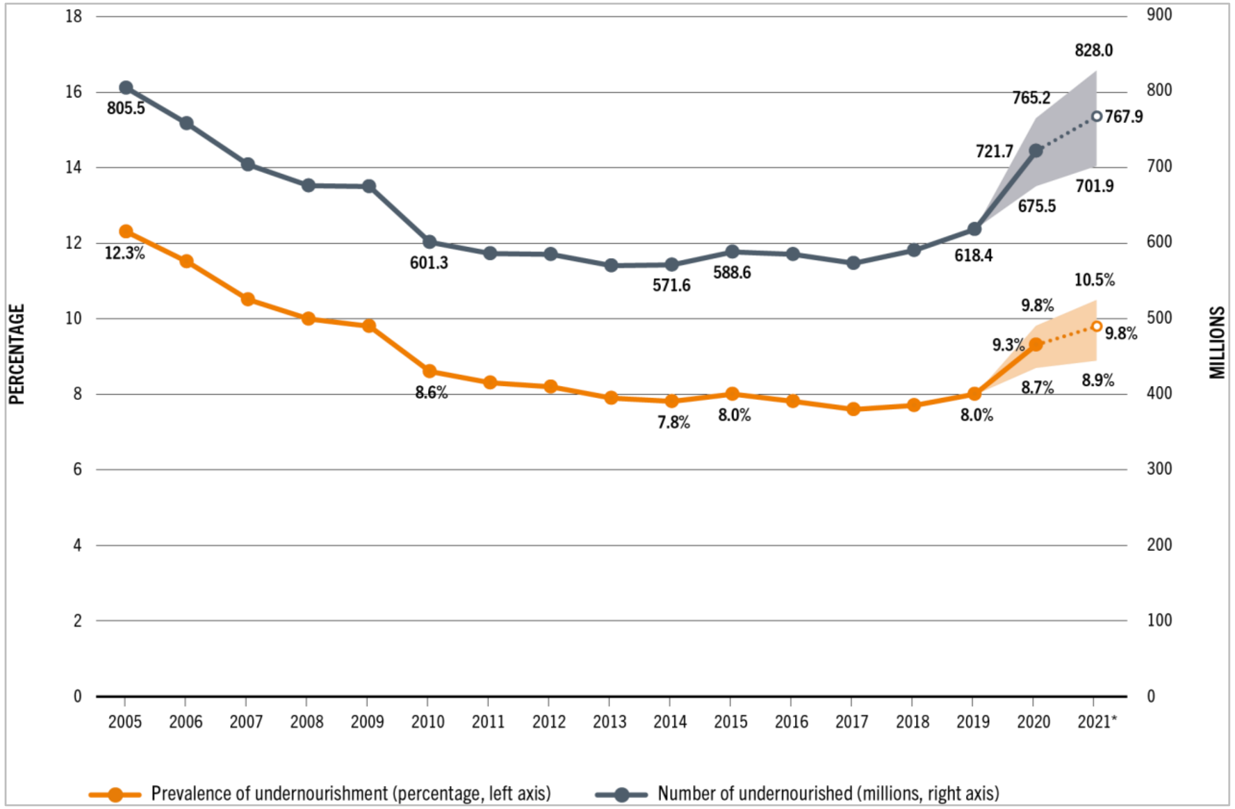
RISE IN HUNGER

The progress towards food security is stalled, and in recent years the number of undernourished has increased. The **poorest and most vulnerable** are still struggling to recover from the pandemic.

HUNGER IN THE WORLD



- ✓ Between 702 and 828 million people faced hunger in 2021 – **150 million more people since 2019**, before the outbreak of the COVID-19 pandemic, considering the middle of the projected range.
- ✓ Updated projections indicate that more than 670 million people may still be hungry in 2030 – far from the Zero Hunger target.
- ✓ Moderate or severe food insecurity remained stable at the global level, whereas **severe food insecurity** increased globally and in every region.

Source: FAO, IFAD, UNICEF, WFP and WHO. 2022. The State of Food Security and Nutrition in the World 2022. Repurposing food and agricultural policies to make healthy diets more affordable.

CAUSES OF FOOD INSECURITY

We are not on track to ending hunger, food insecurity and malnutrition – major drivers and underlying factors are challenging us

COVID-19 pandemic

Economic slowdowns and downturns

Climate variability and extremes

Conflict/ War

Cost and affordability of healthy diets

UNDERLYING CAUSES OF POVERTY & INEQUALITY

Source: FAO, IFAD, UNICEF, WFP and WHO. 2022. The State of Food Security and Nutrition in the World 2022. Repurposing food and agricultural policies to make healthy diets more affordable.

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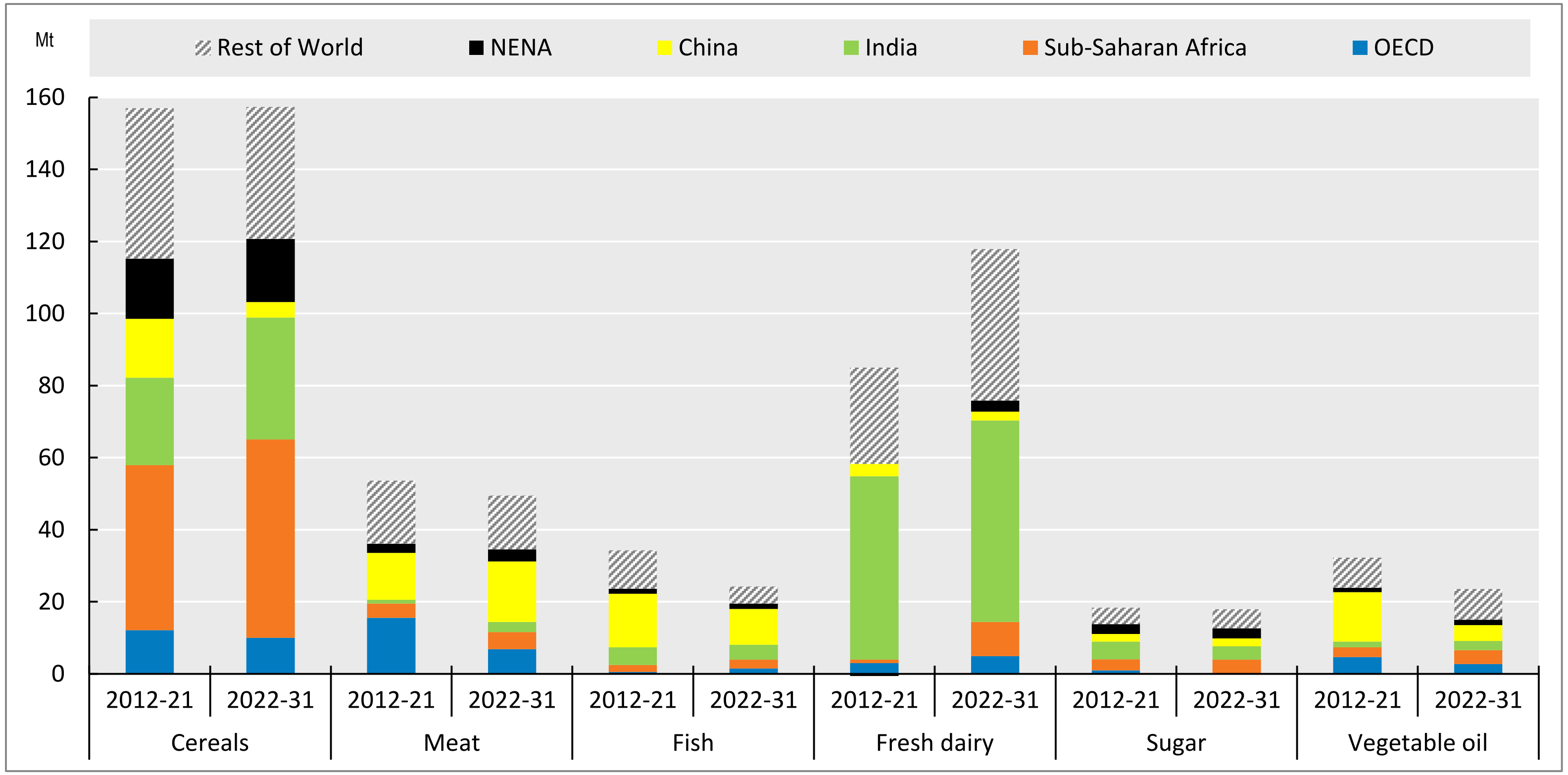
SUSTAINABLE DEVELOPMENT GOALS

POPULATION GROWTH AND DEMAND FOR FOOD

World population is projected to grow from 7.8 billion in 2021 to 8.6 billion in 2031

REGIONAL CONTRIBUTIONS TO FOOD DEMAND GROWTH

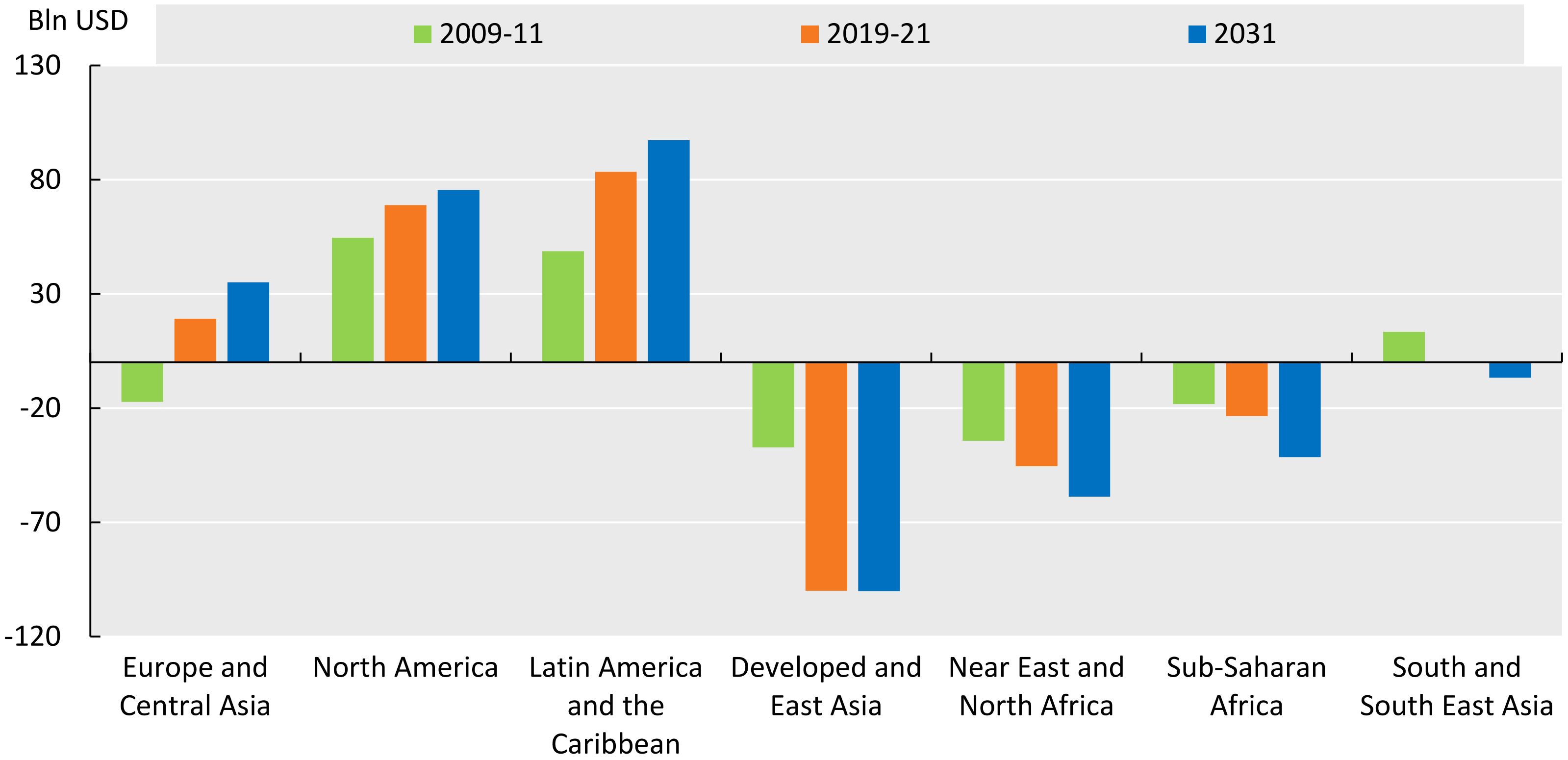


- ✓ **Global food demand** is projected to increase by 1.4% p.a. over the next decade, **driven by population and per capita income growth**
- ✓ **Low- and middle-income countries** are driving food demand growth
- ✓ Continuing income growth and urbanisation in **China, India, and Southeast Asia** will also drive food demand growth for several commodities

Source: OECD-FAO Agricultural Outlook 2022-2031

REGIONAL NET TRADE OF BASIC AGRICULTURAL COMMODITIES

Net trade, in constant 2014-16 USD: Situation and outlook



- ✓ Traditional exporters are projected to increase trade surpluses
- ✓ In the Americas net exports are projected to increase by 17% by 2031.
- ✓ Net imports from Developed and East Asia are projected to stabilise, with China as main region’s importer.

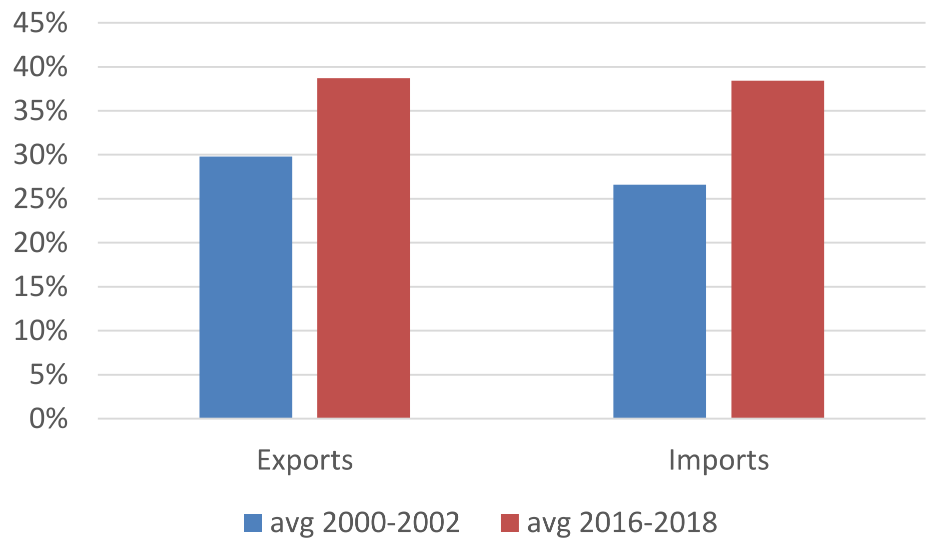
Source: OECD-FAO Agricultural Outlook 2022-2031

Participation of South countries in agricultural trade

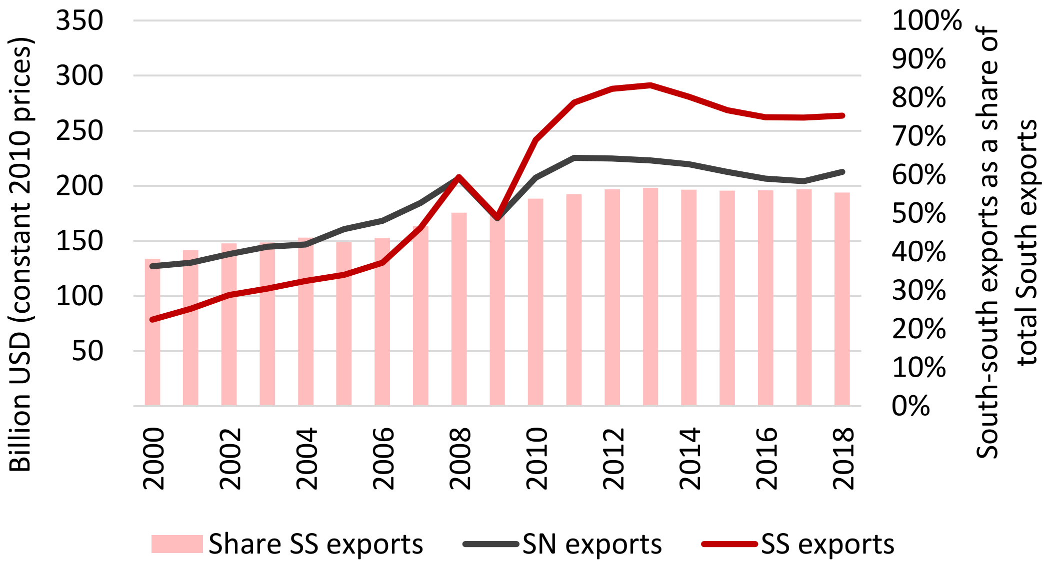
South countries are increasingly participating in global agrifood markets.

Growing levels of South-South trade – both within and between regions – is another key feature of markets.

Share of South countries in global agricultural trade



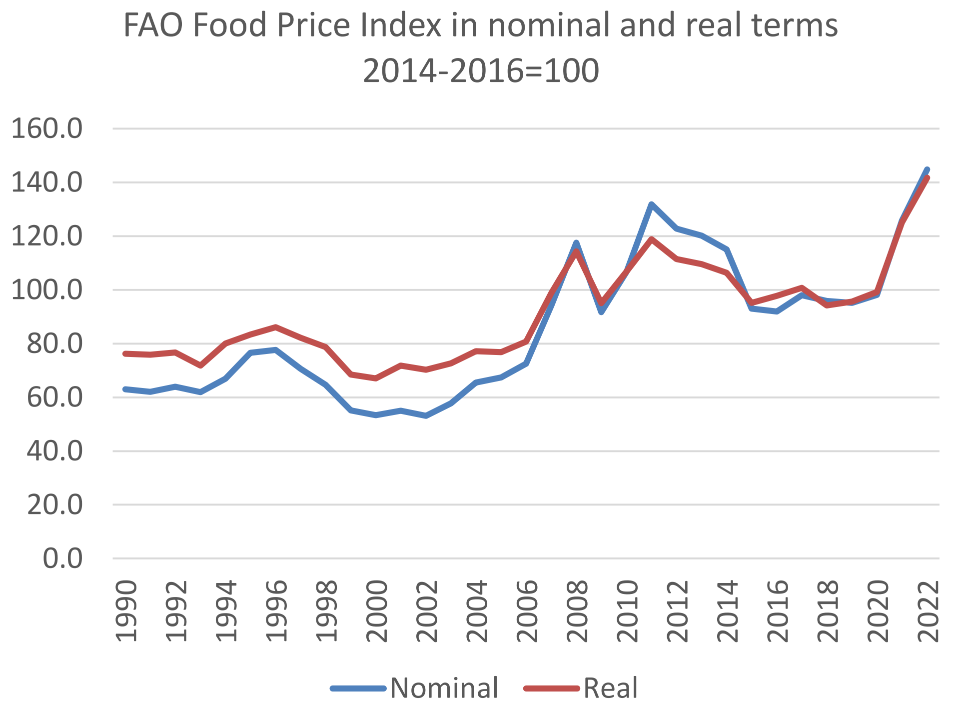
South countries agrifood exports

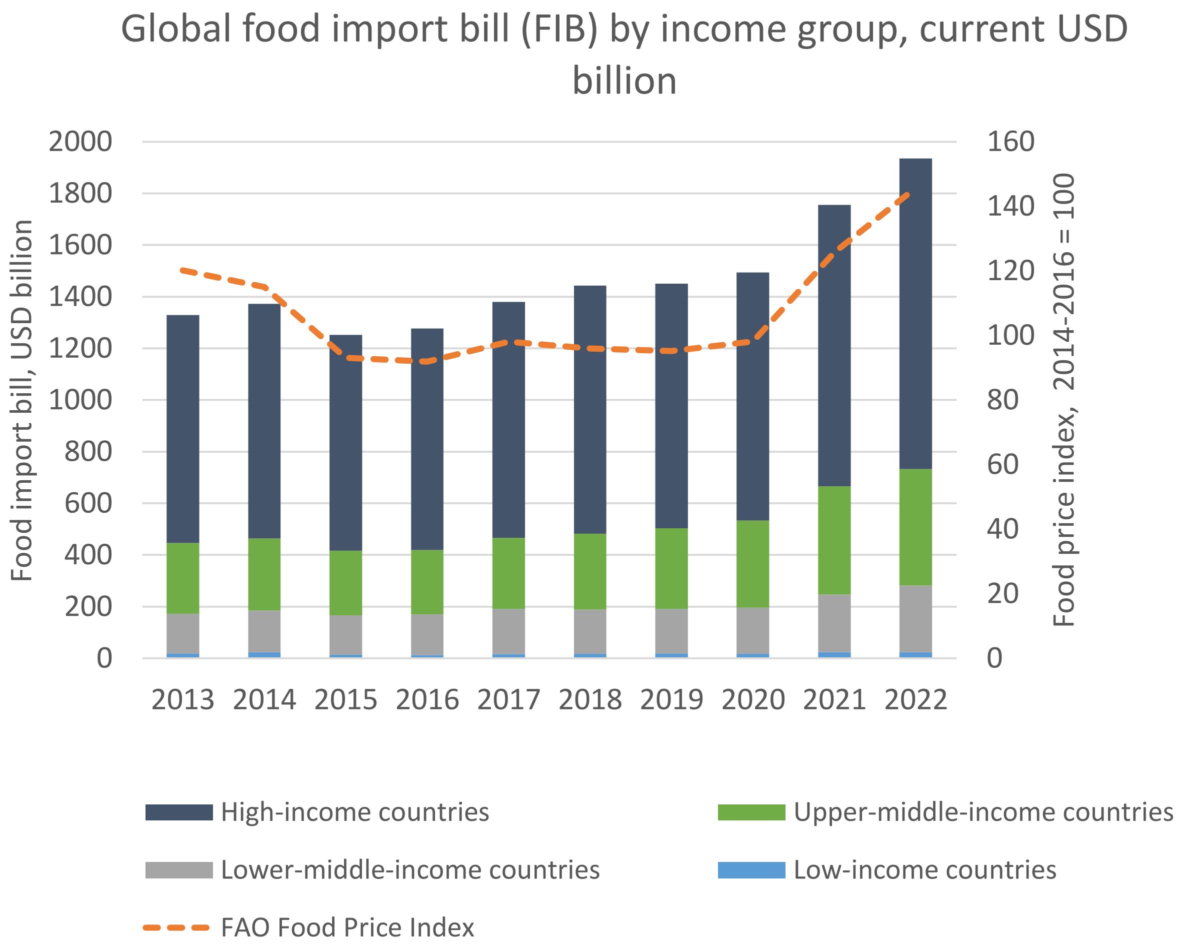


Source: FAO. 2022. Agricultural trade in the Global South

FOOD PRICES

The FAO Food Price Index has peaked in 2022, translating into record food import bills

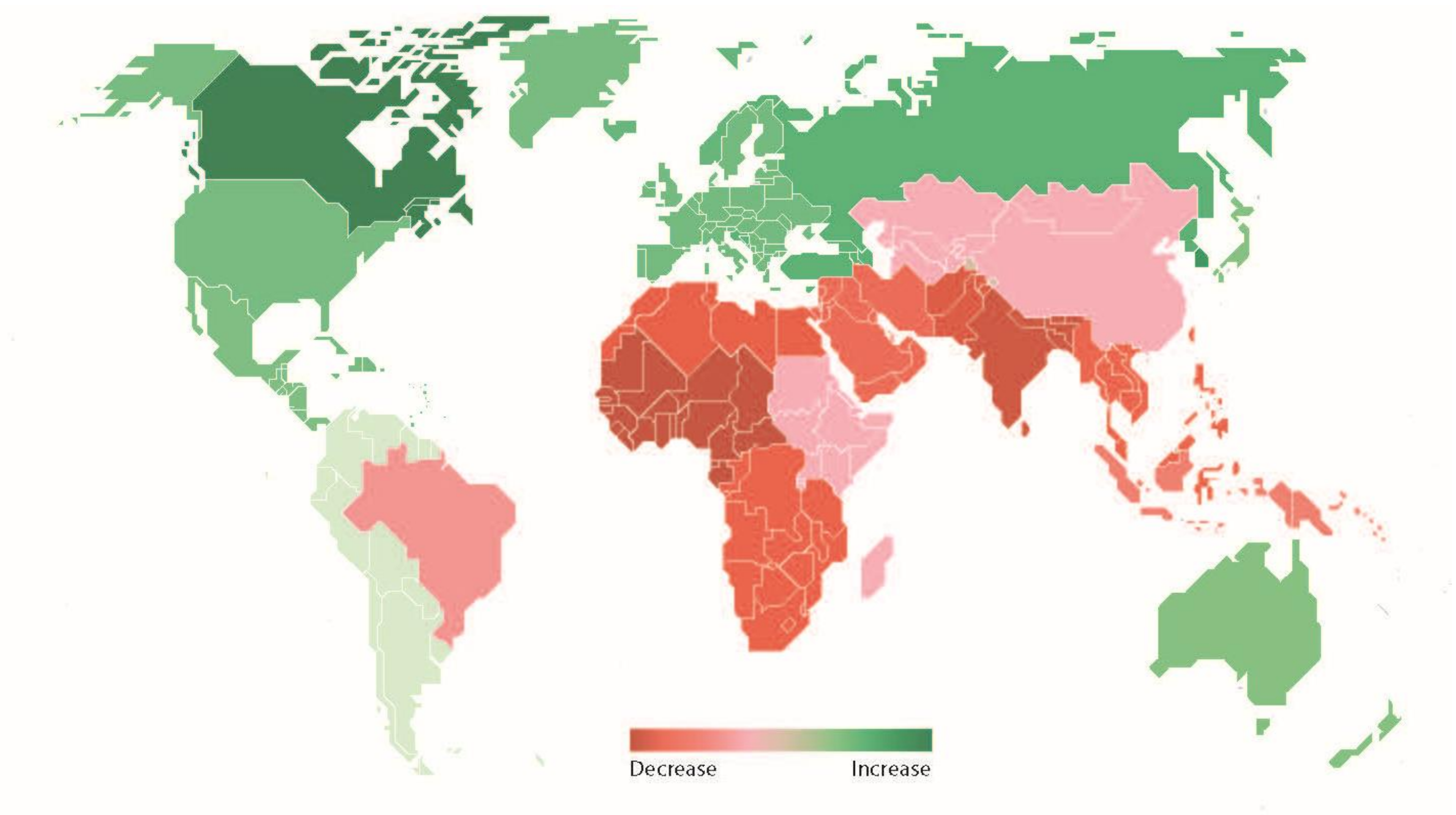




Source: FAO. XXX

CLIMATE CHANGE AND FOOD SECURITY

CHANGES IN AGRICULTURAL PRODUCTION IN 2050:
Climate change impacts relative to a scenario with no climate change



- ✓ Climate change is putting at risk all four dimensions of food security – food availability, access, utilization, and stability.
- ✓ In particular, it affects vulnerable countries by threatening their food production capacity

Source: FAO. 2021. How can agrifood trade support climate change mitigation? Trade Policy Brief No. 44

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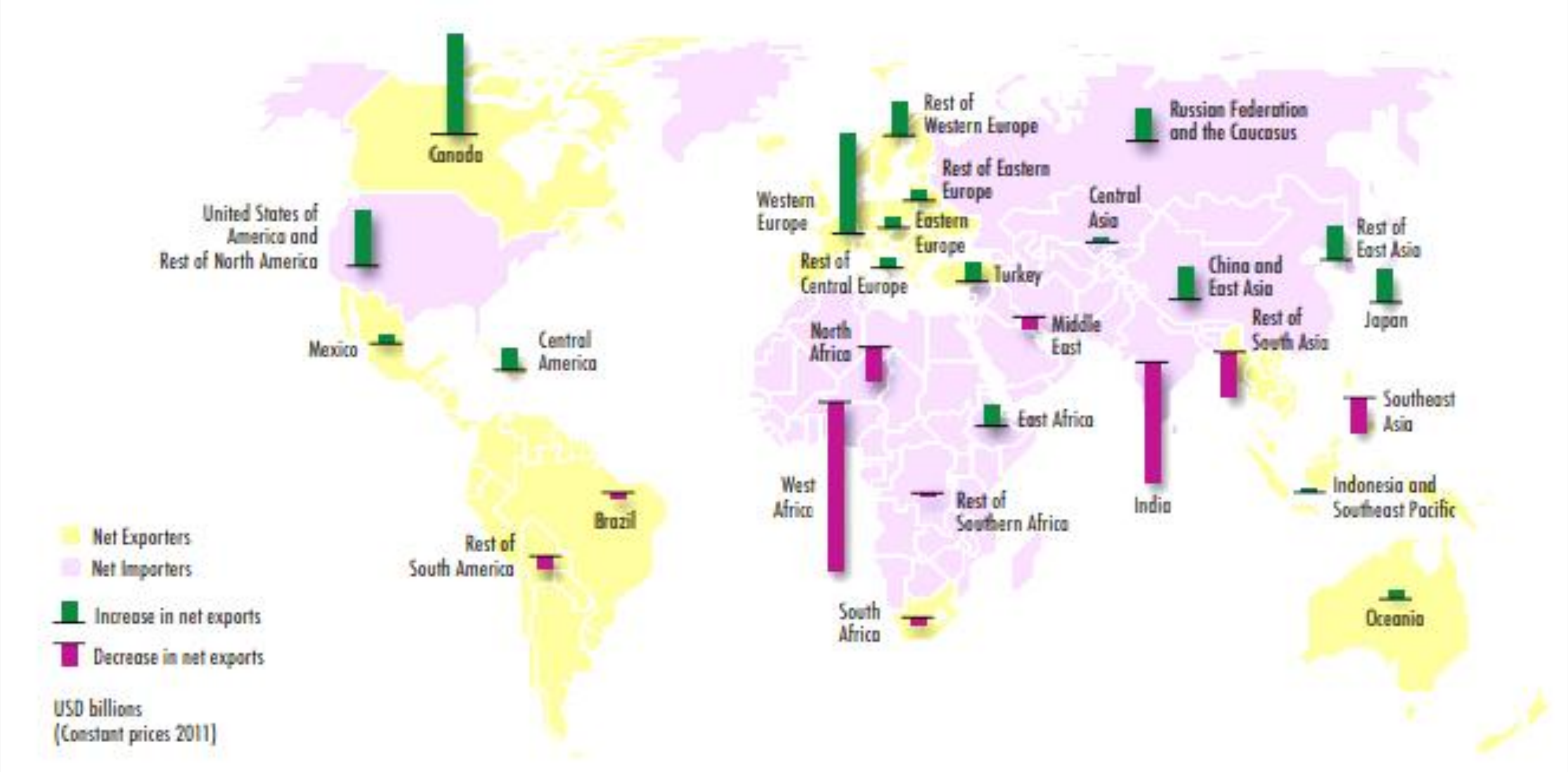
SUSTAINABLE DEVELOPMENT GOALS

CLIMATE CHANGE AND AGRICULTURAL TRADE

Climate change is affecting food security also through changes in trade patters

CHANGES IN AGRICULTURAL NET TRADE IN 2050



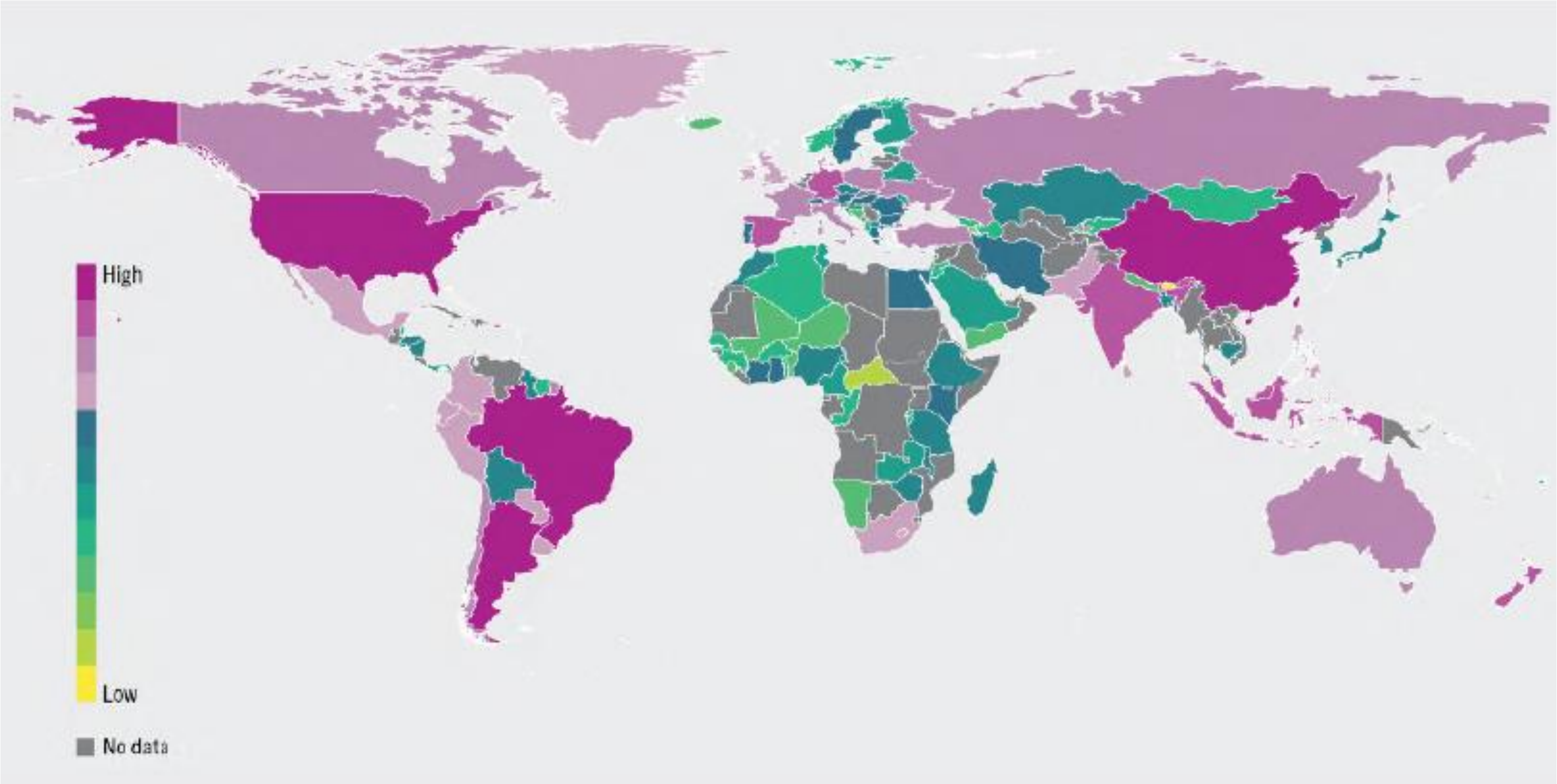
Source: FAO. 2018. The State of Agricultural Commodity Markets 2018

- ✓ Regions projected to experience **declines in agricultural production would need to increase imports**
- ✓ Countries where **agriculture accounts for a large share of GDP and employment are particularly vulnerable**

COMPETITIVENESS AND COMPARATIVE ADVANTAGE

High productivity and lower input costs mean that a country can be relatively more competitive

COUNTRY COMPETITIVENESS IN THE FOOD AND AGRICULTURAL MARKET, 2018

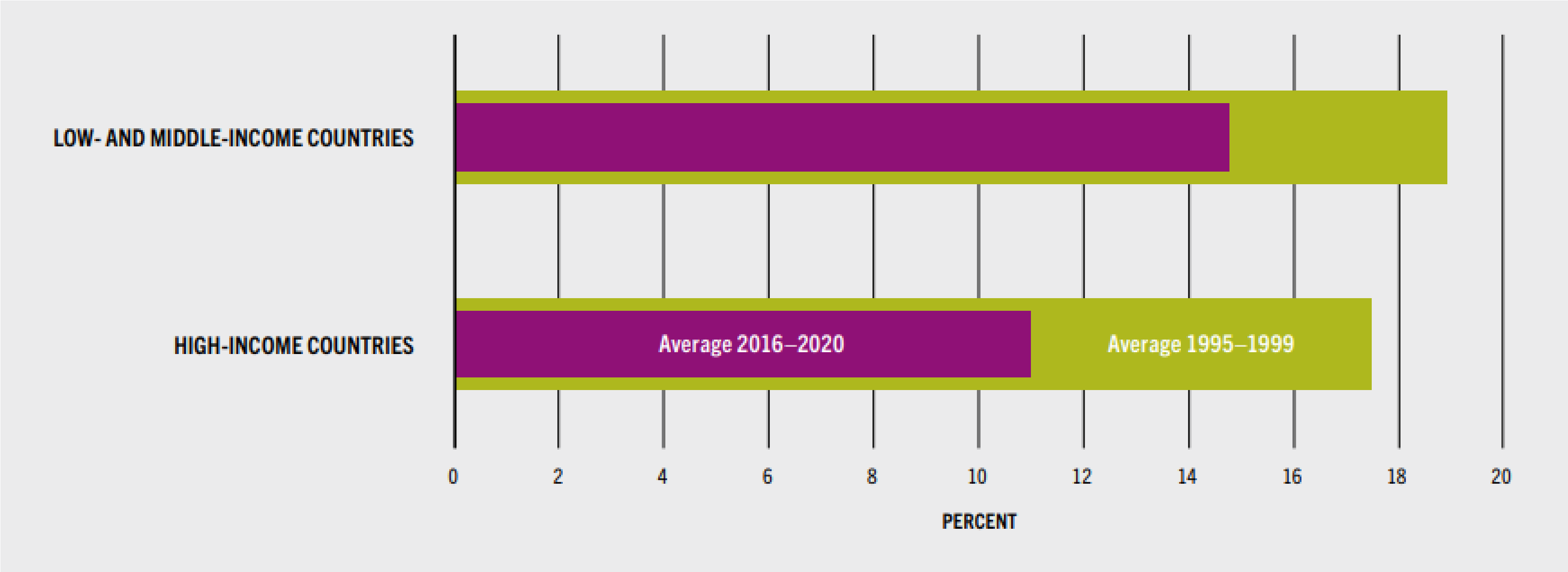


- ✓ High productivity and lower input costs mean that a country can be relatively more competitive
- ✓ Comparative advantage – the ability to produce at a lower opportunity cost – shapes trade
- ✓ The influence of comparative advantage in sub-Saharan Africa is low compared with other regions.

Source: FAO. 2022. The State of Agricultural Commodity Markets 2022. The geography of food and agricultural trade: Policy approaches for sustainable development.

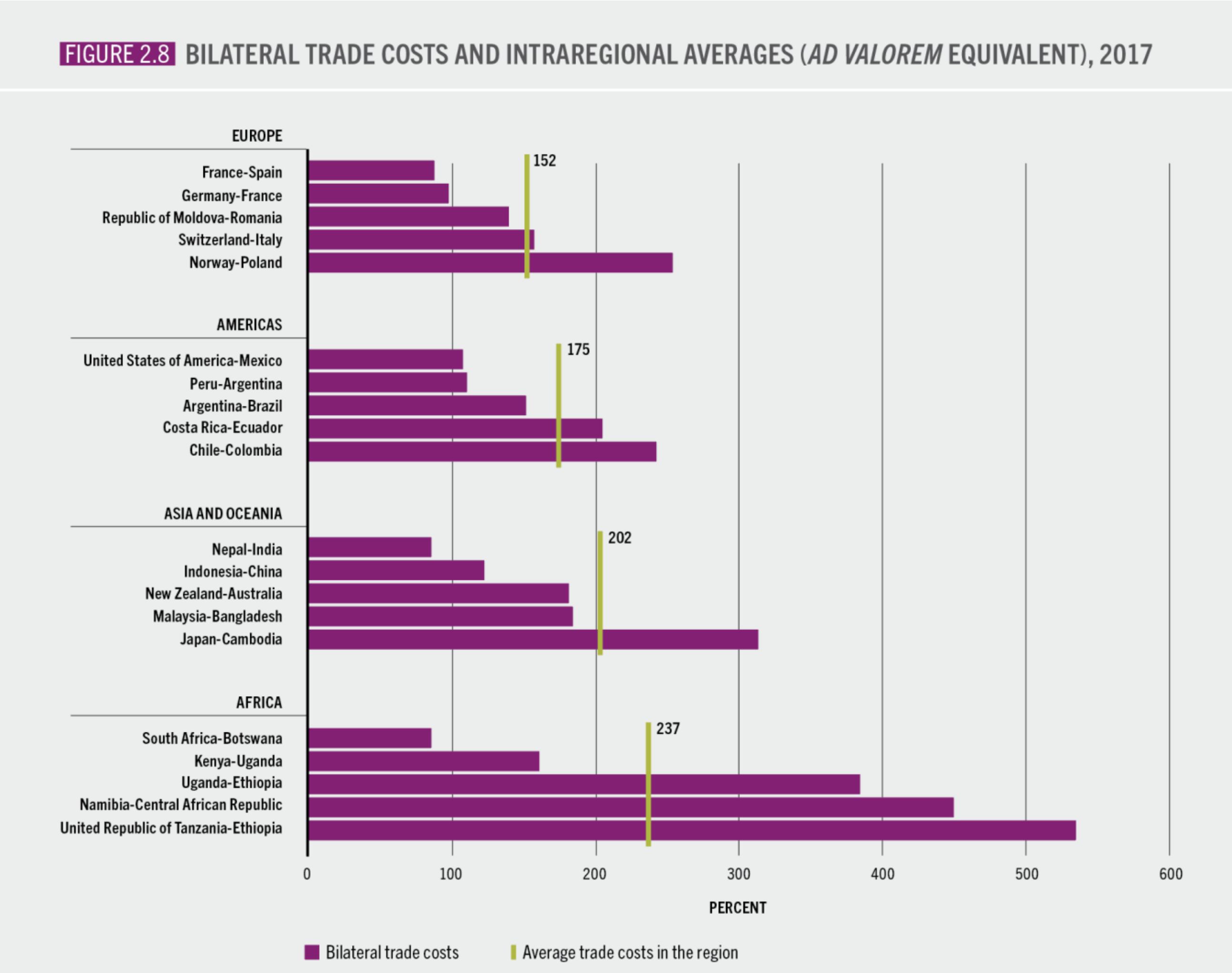
Applied Tariffs in Agriculture

The reduction in applied tariffs has been significant, driven in part by multilateral and regional trade agreements



Source: FAO. 2022. The State of Agricultural Commodity Markets. The geography of food and agricultural trade: Policy approaches for sustainable development

TRADE COSTS



- ✓ **Trade is costly** - tariffs, transport costs, insurance, documentation procedures, delays at the border and compliance with standards constitute trade costs
- ✓ Poor transport infrastructure and inefficient legal procedures magnify trade costs
- ✓ Low income countries face high trade costs. In Africa, intraregional trade costs are high
- ✓ Regional trade agreements and the WTO Trade Facilitation Agreement reduce trade costs

Source: FAO. 2022. The State of Agricultural Commodity Markets. The geography of food and agricultural trade: Policy approaches for sustainable development

SUMMARY: TRENDS AND RESPONSES

Food prices are highest since the 1970s boom

Food import bills and input costs are rising

Growing food insecurity

Climate change is exacerbating risks

Greater participation of South countries in global markets

Lower tariffs but high trade costs in Africa in particular

In this environment, countries are seeking to facilitate food imports to safeguard food security.

As per recent WTO Trade Monitoring Exercise*, **the overall number of export restrictions outpaced that of import restrictions** for the first time since 2009.

As of mid-October 2022, 52 export restrictions are in place on food, feed and fertilizers

* *Source*: WTO. 2022. Overview of developments in the international trading environment. Annual report by the Director-General

THANK YOU