Agriculture export competition will intensify, with rising share of trade by developing countries

Global competition between exporters of wheat, rice, oilseeds, sugar and livestock is expected to intensify over the next ten years in both developed and developing countries, according to the OECD’s latest Agricultural Outlook – produced for first time in collaboration with the UN Food and Agriculture Organization (FAO).

Stiffer competition, combined with higher productivity, will result in a further drop in real prices for most basic food commodities. Farmers will thus have to make continued efforts to improve efficiency. Policy reforms could help improve agricultural markets, the Outlook adds.

With increasing export supplies by low cost non-OECD countries and a continued high degree of protection in many of the OECD markets, rising demand growth in developing countries will result in an increase in their share of the global trade in farm products.

The report estimates that total world cereal output will increase by over one percent annually with most of the growth occurring in the non-OECD area. Although increasing imports by China and other Asian countries could drive nominal prices higher in the near term, international wheat prices are expected to fall in real terms by around 11% over the next 10 years. However, in a rebound from recently low levels, world rice prices are expected to increase in real terms over the projection period, reversing the downward trend of the past 30 years.

With the growing integration of China and India in global markets, small shocks to either demand or supply in these large countries could lead to substantial external effects on other countries. Similarly, conditions in the key emerging suppliers, particularly in South America, will be increasingly critical to the evolution of world markets. With rapidly increasing production and trade of livestock products, the incidence of animal disease outbreaks is also an important source of uncertainty surrounding the projections.

Increasing concentration and globalisation in the food industry, and the growing role of product standards, are likely to exert an increasing influence on production and trade.
Some shift in OECD farm support

Coinciding with the release of the Outlook, the OECD is also publishing its latest Agricultural Policies: Monitoring and Evaluation report which includes a first assessment of the implementation of the Common Agricultural Policy in the 10 new member states that joined the European Union in 2004. It finds that:

- Enlargement has increased the diversity of EU farm structures.
- Although enlargement brought in large amounts of land and labour, the value of agricultural production increased by less than 10 percent.
- Farm income in new Member States is likely to increase significantly over the medium term.
- Levels of support in new member states were estimated to be well below levels of the existing 15 EU countries in 2004, but given the relatively small addition their agricultural sectors make to the EU, average support to farmers across the newly enlarged EU relative to farm receipts was reduced by one percentage point only.

In the 30 member countries of the OECD the average level of support to farmers remained unchanged last year at 30 percent of overall farm receipts, most of which continues to be given through trade distorting measures such as the propping up of market prices. The report nevertheless welcomes the move to payments that are less linked to specific commodities in many countries.

Journalists may obtain summary versions of both the Agricultural Outlook 2005-2014 and Agricultural Policies in OECD Countries: Monitoring and Evaluation by contacting the OECD's Media Relations Division (news.contact@oecd.org; tel [33] 1 4524 9700).

For further information, please contact Stephen Di Biasio at OECD Media relations (stephen.dibiasio@oecd.org ; tel. [33] 1 4524 9700) or Erwin Northoff, at FAO Media relations (erwin.northoff@fao.org; tel: [39] 06 570 53105).