



AGRICULTURAL TRADE AND FOOD SECURITY PROSPECTS, INNOVATION AND POLICIES

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Overview

1. The challenge of global food security
2. The role of agricultural trade
3. Outlook for cereal and oilseed markets
4. Policy responses



Dimensions of food security

FAO definition (1996) suggests four requirements must be met:

1. Availability
2. Access
3. “Utilisation” (determines nutrition)

Plus, 4, *stability* across those three dimensions

All matter but 2 is paramount. Most of the world's hungry are chronically hungry – because they are poor



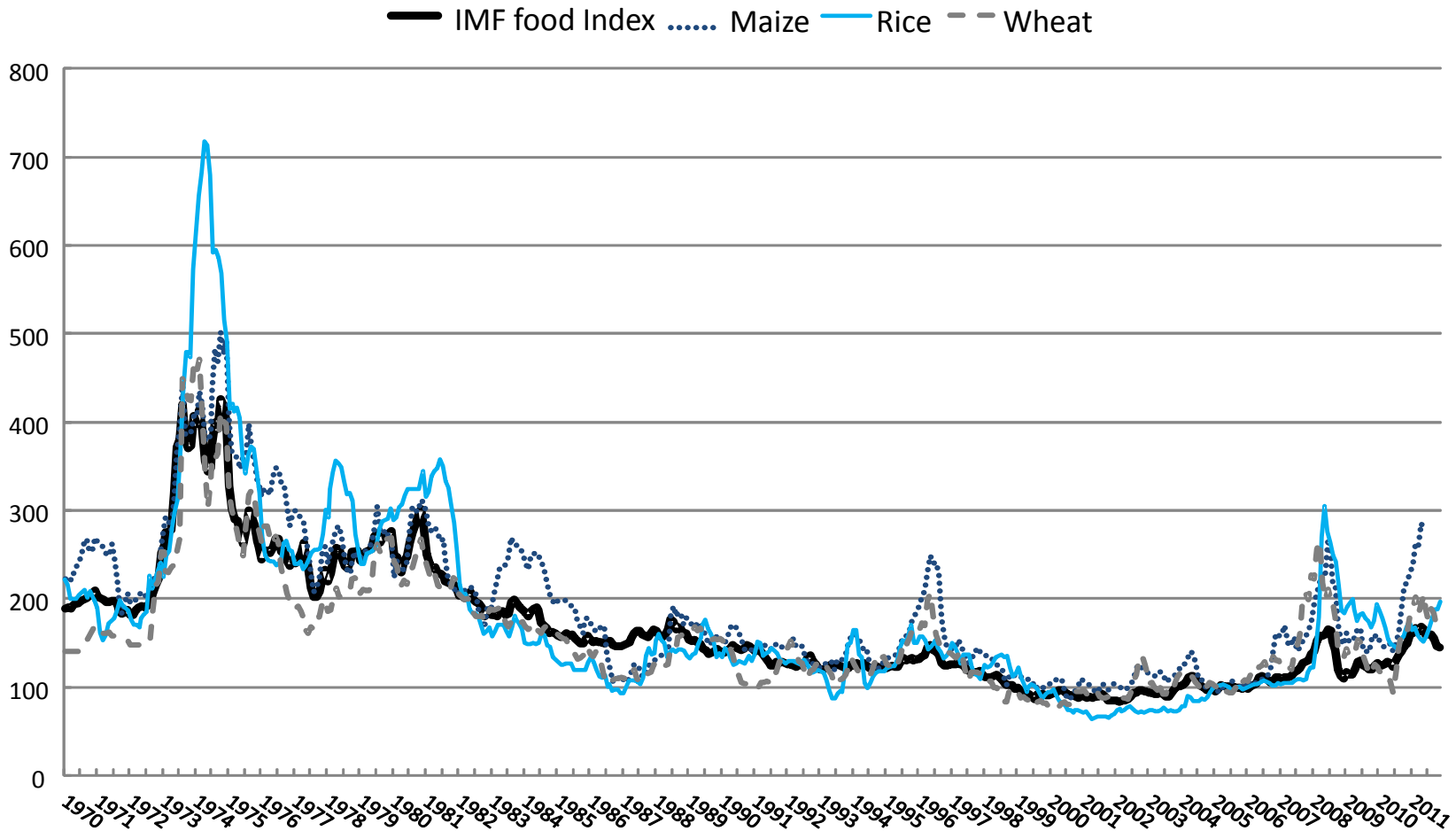
Main challenges

1. The primary need is to raise the incomes of the poor and their access to food
 - *Need to create jobs within and outside agriculture*
2. A range of actions can increase the availability of food, lowering prices and improving access
 - *Need to raise agricultural productivity sustainably*
3. Trade has a crucial role to play: regions where supply can increase sustainably not the regions with population growth
 - *Need to improve functioning of world trading system*
4. Access is necessary but not sufficient – need complementary policies to improve nutrition



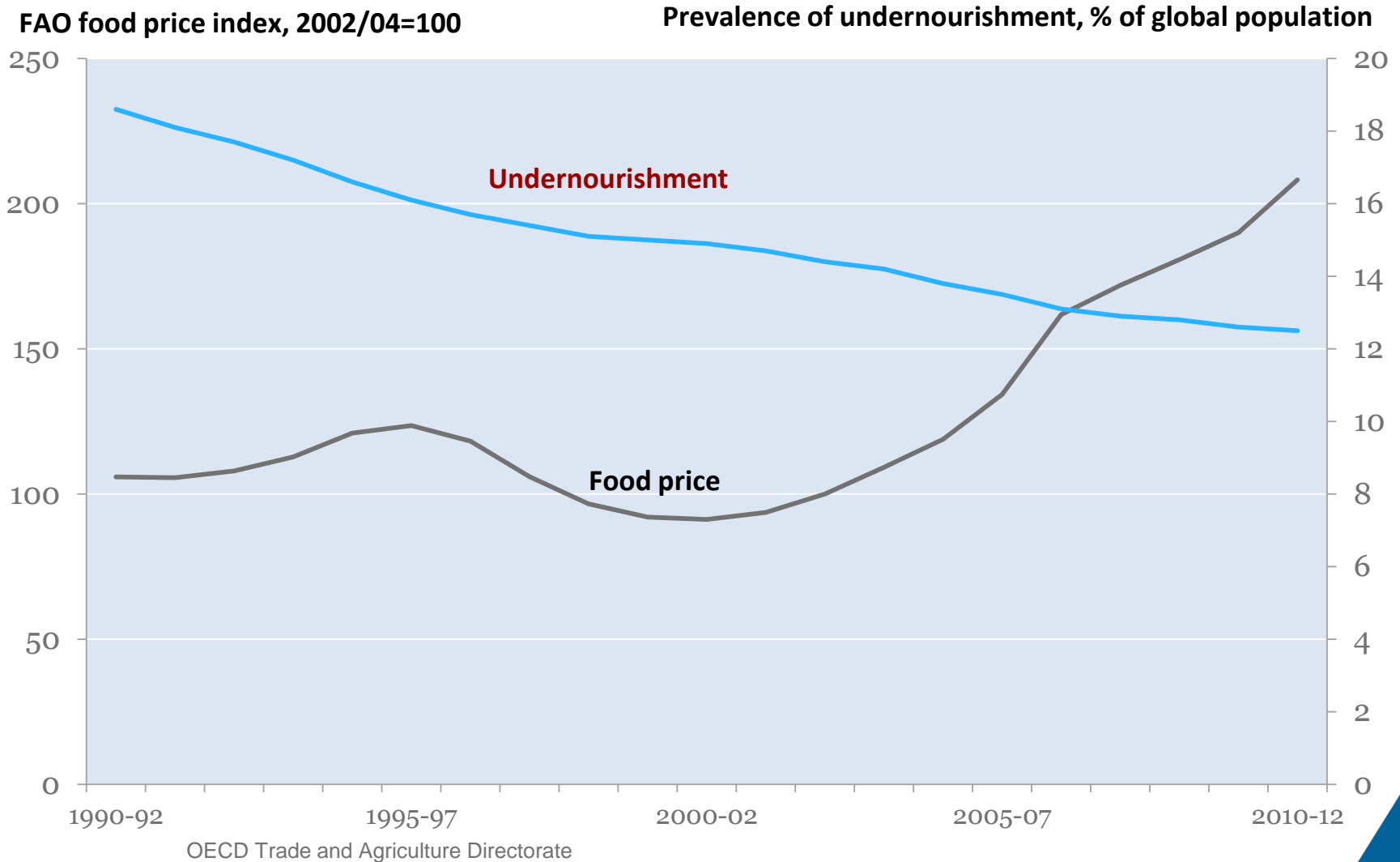
Recent price spikes are not unprecedented

Real prices, 2005=100





Price matters, but is not the root problem



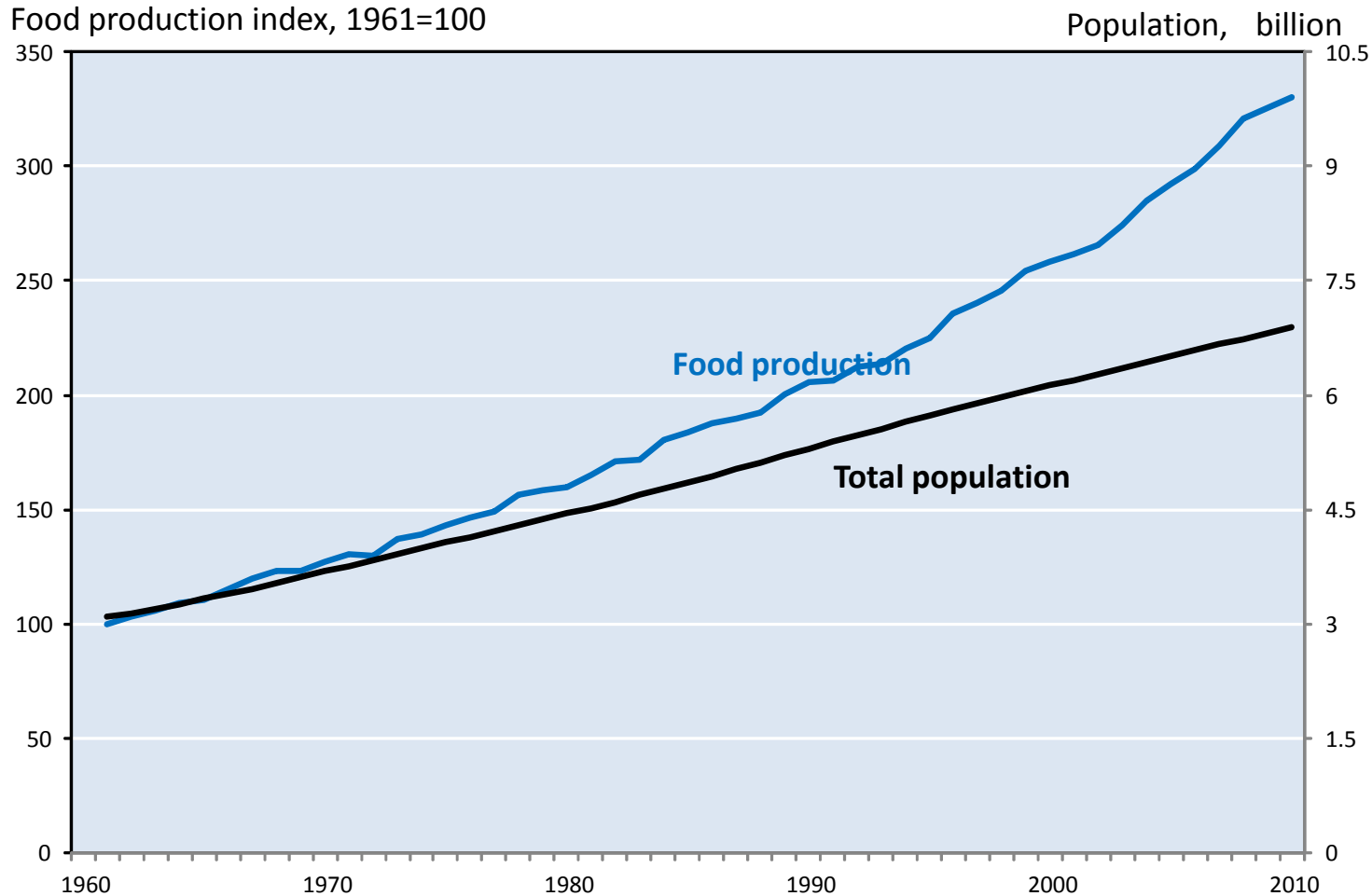


Improving access to food

- More scope for raising incomes than lowering prices
- 2/3 of the world's poor live in rural areas, where smallholder farming dominates
- Crucial to raise the incomes of smallholders
- But raising smallholder incomes goes hand-in-hand with adjustment (including exit)
- Need for balanced rural development
- Need to focus on creating efficient farms, not keeping farms small for the sake of it

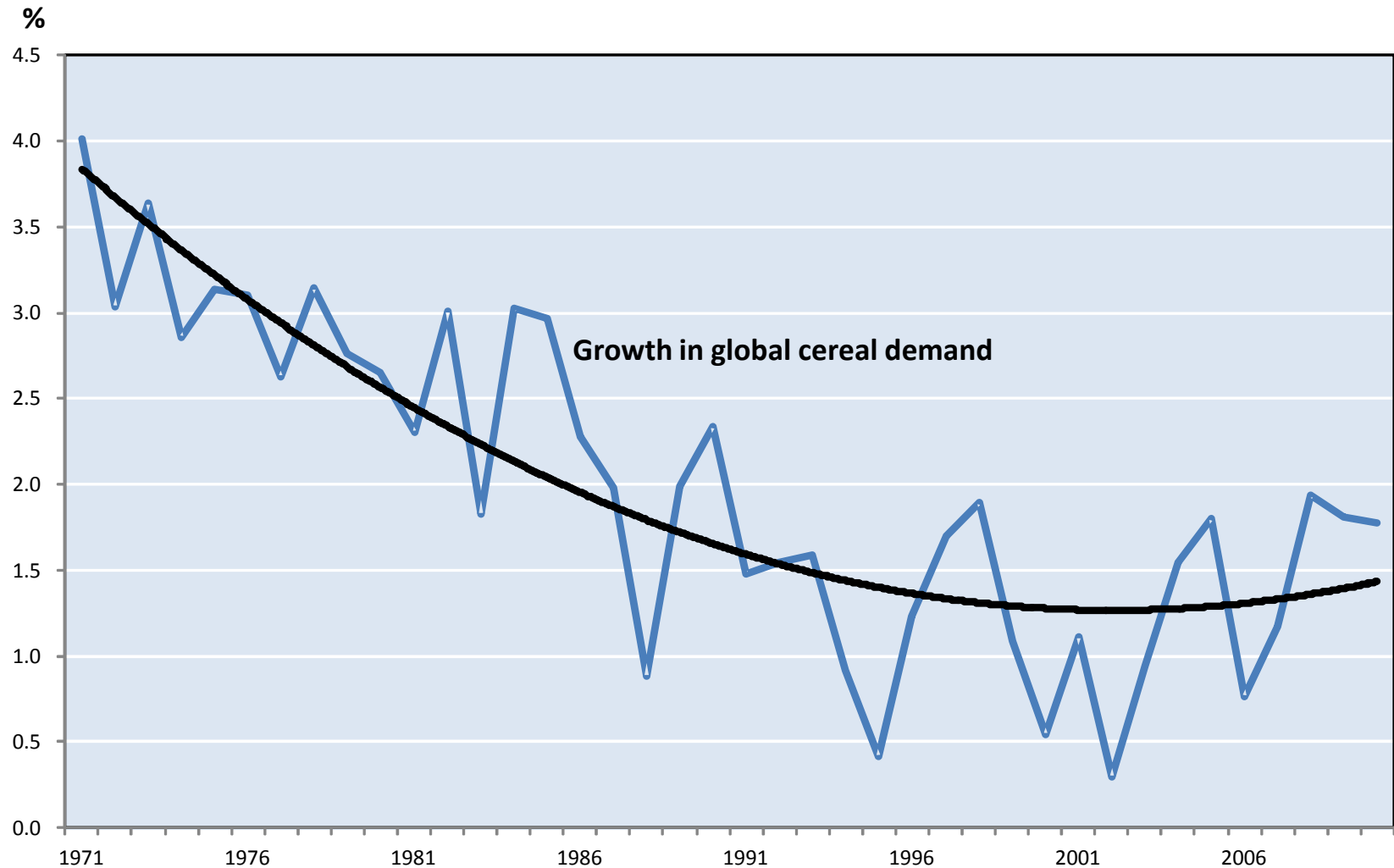


Global food supply growth continues to outpace population growth





Increased growth in global cereal demand





Ways of increasing food availability

Increasing food supply

Improved agricultural productivity (more efficient use of inputs, such as labour, land and water)

Expansion of land area

Reduced supply chain (especially post-harvest) losses

Climate change adaptation

Less diversion of crops to non-food uses (e.g. biofuels)

Limiting food demand

Modified tastes and preferences (including less meat consumption, reduced over-consumption)

Reduced consumer waste

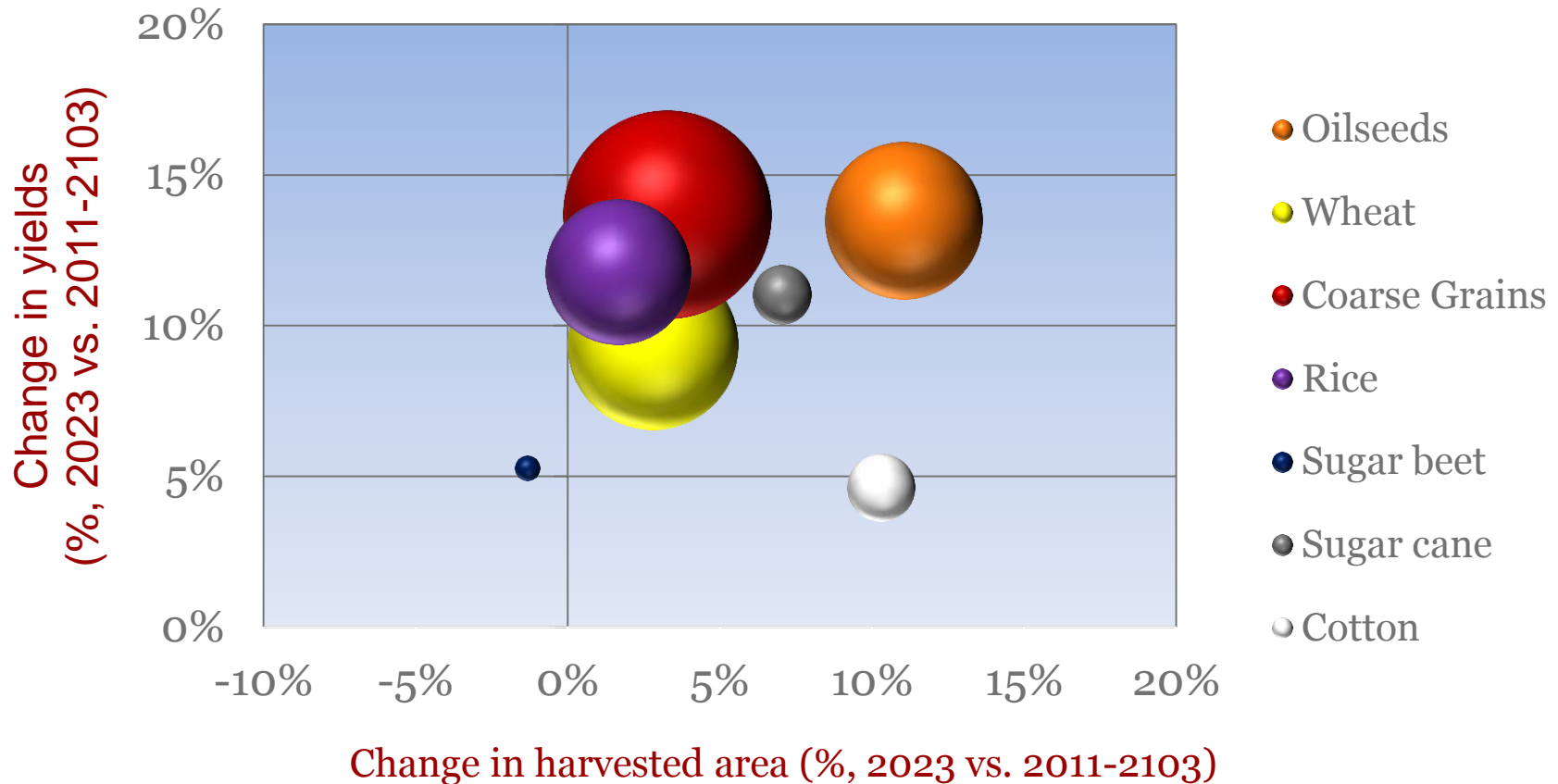


Raising food availability

- Outlook for world food markets sensitive to changes in any one factor
- Need to plan for multiple futures and act on all fronts
- Productivity and innovation are the key to increasing supply sustainably, while adapting to climate change
- There may be trade-offs between sustainability and immediate food security



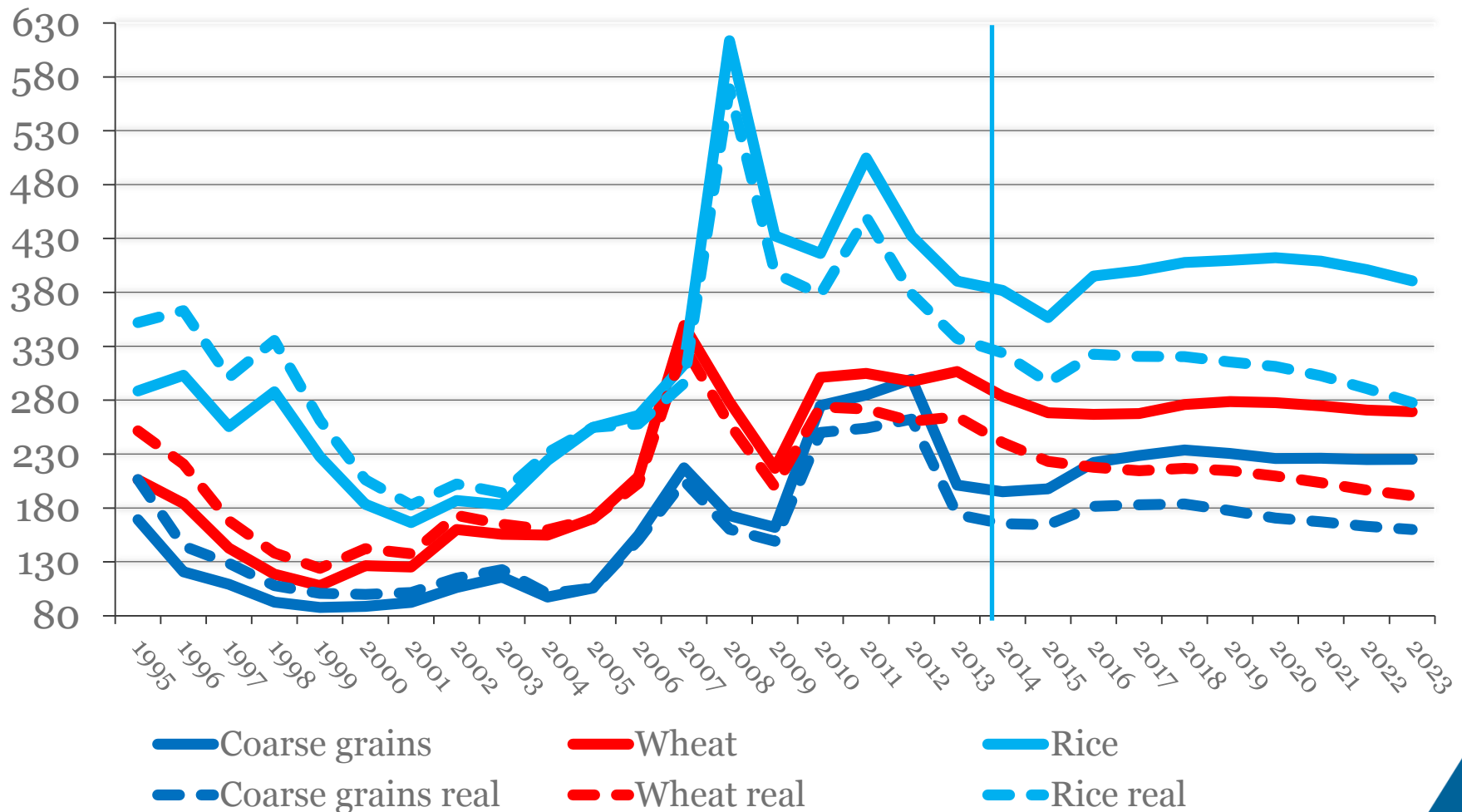
Different trends for land use and yield changes per crop



Note: the size of the balloons represent the importance of each market (% harvested area per crop over the total harvested area)

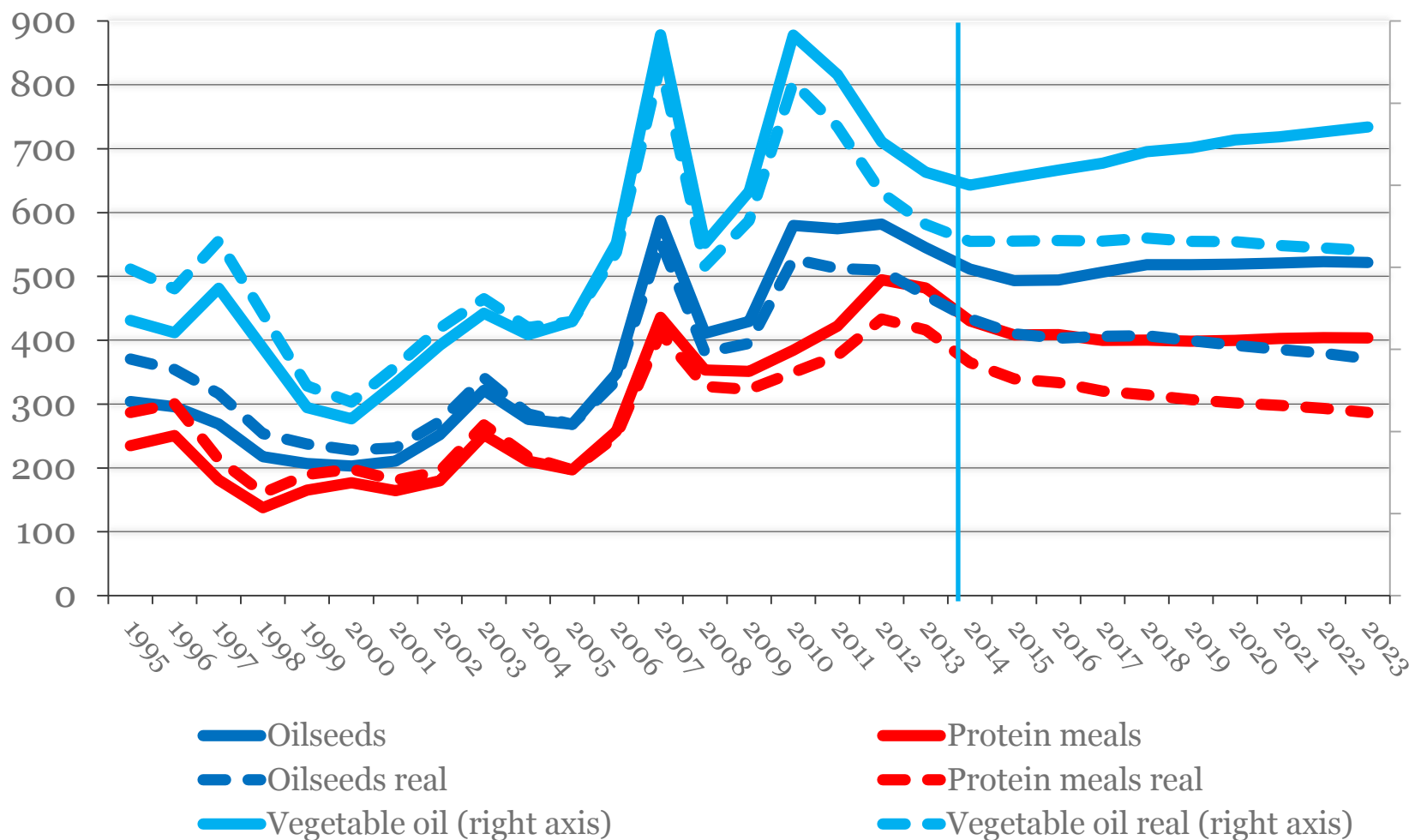


Cereal prices fall over the medium term





Oilseeds prices remain at higher plateau





The importance of trade

- Essential in getting food from surplus to deficit regions
- Raises incomes of both exporters and importers
- Self-sufficiency (via trade policy) a costly solution for food importers
- Trade restrictions export instability
- Countries need to invest in areas of comparative advantage

World food markets remain distorted and numerous countries adopted policies that aggravated the 2007-08 price spike. Urgent need to improve openness and reliability of world food trade.



Nutrition

- Wide divergence in nutritional outcomes not explained by income growth
- Inequality matters: basic income as well as access to public services
- Essential to invest in core public services, such as clean water, public health and education
- Evidence of strong returns to nutrition programmes in low-income countries



Global and regional priorities

- Need international markets to work better than they did in 2007-08
 - Agricultural market information System (AMIS) and Rapid Response Forum (RRF)
 - Would help to conclude Doha...
- Improved framework conditions for investment
- Innovation systems and productivity



Developing country priorities

- Need an attractive investment climate
- Improve agricultural productivity
- Balanced rural development (redress urban bias)
- Risk management tools (esp to deal with climate change)
- Complementary investments in nutrition and public services (clean water, health & education)
- Trade policies and subsidies as a last resort

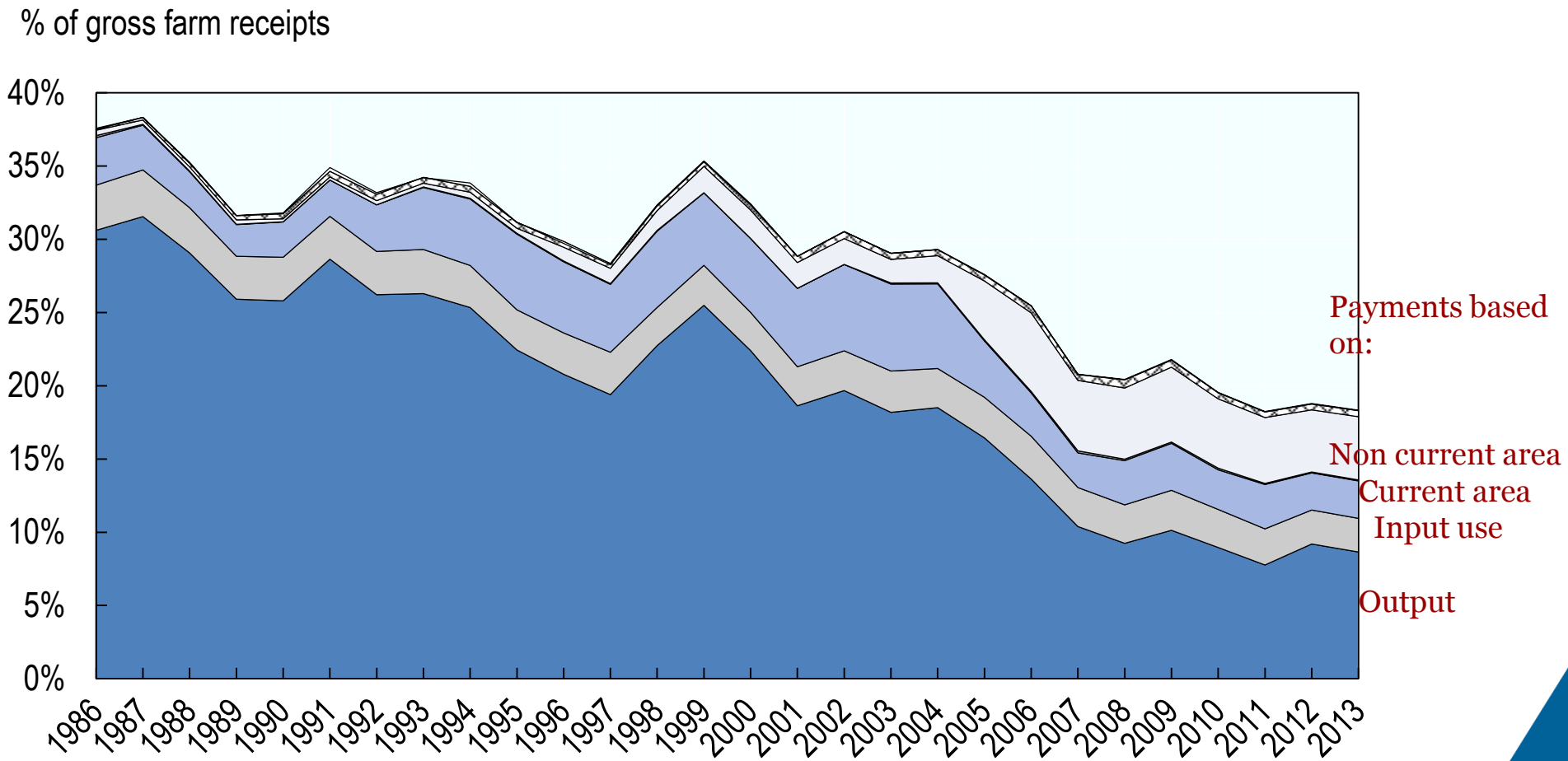


What about OECD countries?

- Longstanding concern about implications of high support to agriculture & farmers
 - high tariffs, surplus disposal, suppressed international prices
- Nuances for poorer countries: often not competing products, trade preferences, mixed terms of trade effects
- Policies are now less distorting than they were
- An opportune moment to switch to more efficient alternatives



OECD: Level and composition of producer support





How have high food prices changed things?

- The immediate concern is with policies that raise rather than lower food prices
 - Export restrictions applied mainly by emerging economies
 - Biofuel mandates significant in EU and US, but policies also significant in emerging economies
- Mandates for biofuel production should be removed
- Export restrictions should be avoided (like standing up in the stadium in order to see better)

Increasingly irrelevant to view policy coherence in terms of a distinction between OECD and developing countries



An agenda for policy coherence

- Remove market and trade distorting instruments
 - Replace with social protection & risk management tools
- Invest in public goods to raise food availability sustainably
 - Research and innovation
- ODA can complement private investment: focus on agriculture's “enabling environment” rather than subsidies
- Share knowledge (e.g. farm management practices)
- Recognise shared interest in multilateral trade reform



For more information



Global Food Security CHALLENGES FOR THE FOOD AND AGRICULTURAL SYSTEM



OECD-FAO Agricultural Outlook 2013-2022



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