INTERNATIONAL AGRICULTURAL TRADE: CURRENT SITUATION AND OUTLOOK

China Agricultural Outlook Conference, Beijing, 20-21 April 2019

Stephan Hubertus Gay, OECD

OECD
BETTER POLICIES FOR BETTER LIVES

Structure

- International trade rules
- Level of protection
- Policy monitoring
- Agricultural Outlook
- Conclusion

World Trade Organisation

- Founded in 1995 (Uruguay-Round 8^{th} GATT round)
- 164 Member countries (China since 2001)
- Sets the general rules for trade
- Negotiations but no new agreement (some progress on export subsidies)
- Dispute settlement process
- Agriculture included in the Uruguay-Round
- Domestic agricultural support included

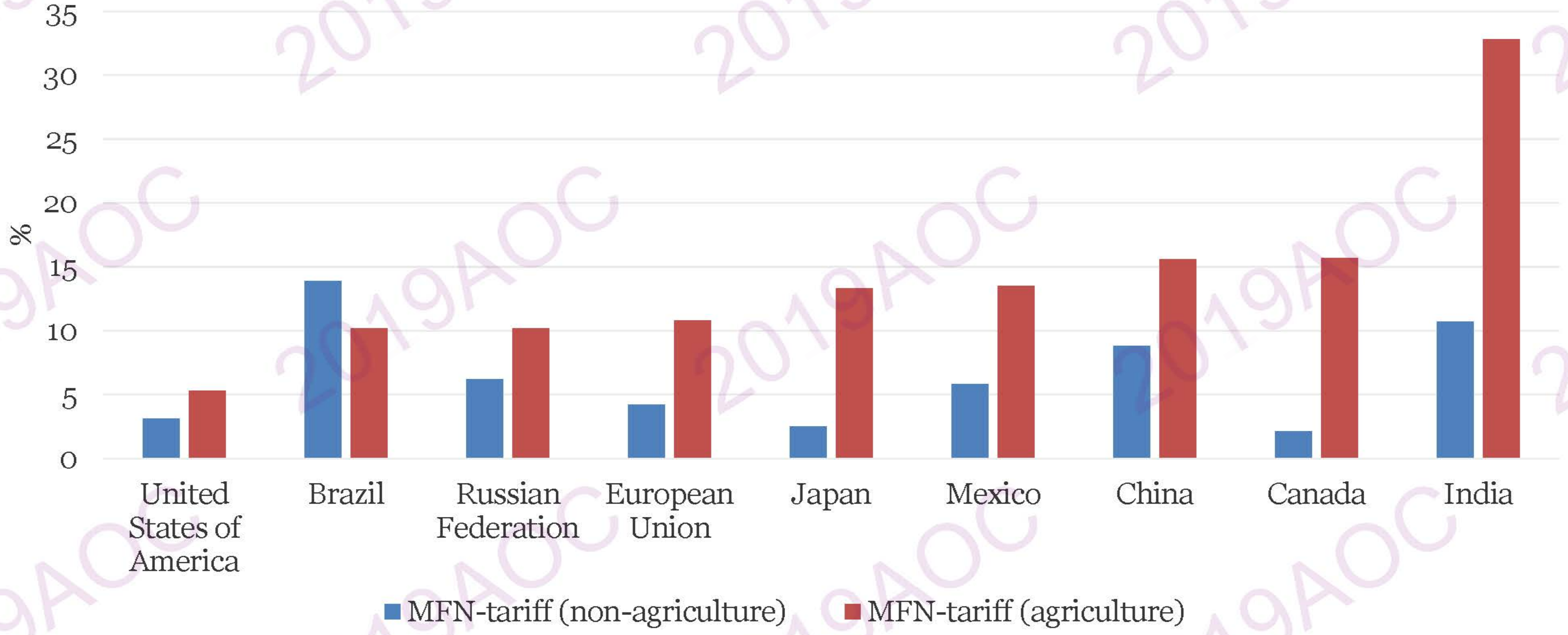
Elements of agricultural trade rules

- Most-favoured nation (MFN) tariffs
- Minimum access (including tariff-rate quotas (TRQ))
- Market price support (MPS)
- Sanitary and Phytosanitary (SPS) measures
- Technical barriers to trade (TBT)

Bilateral agreements etc.

- Increasing number of bilateral agreements under negotiation and implemented
- Recently, CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership) and the Japan-European Union agreement enter into force
- But also disruptions: Brexit, dispute between United States and China

Applied most-favoured nation tariffs in ad-valorem equivalent (2017)



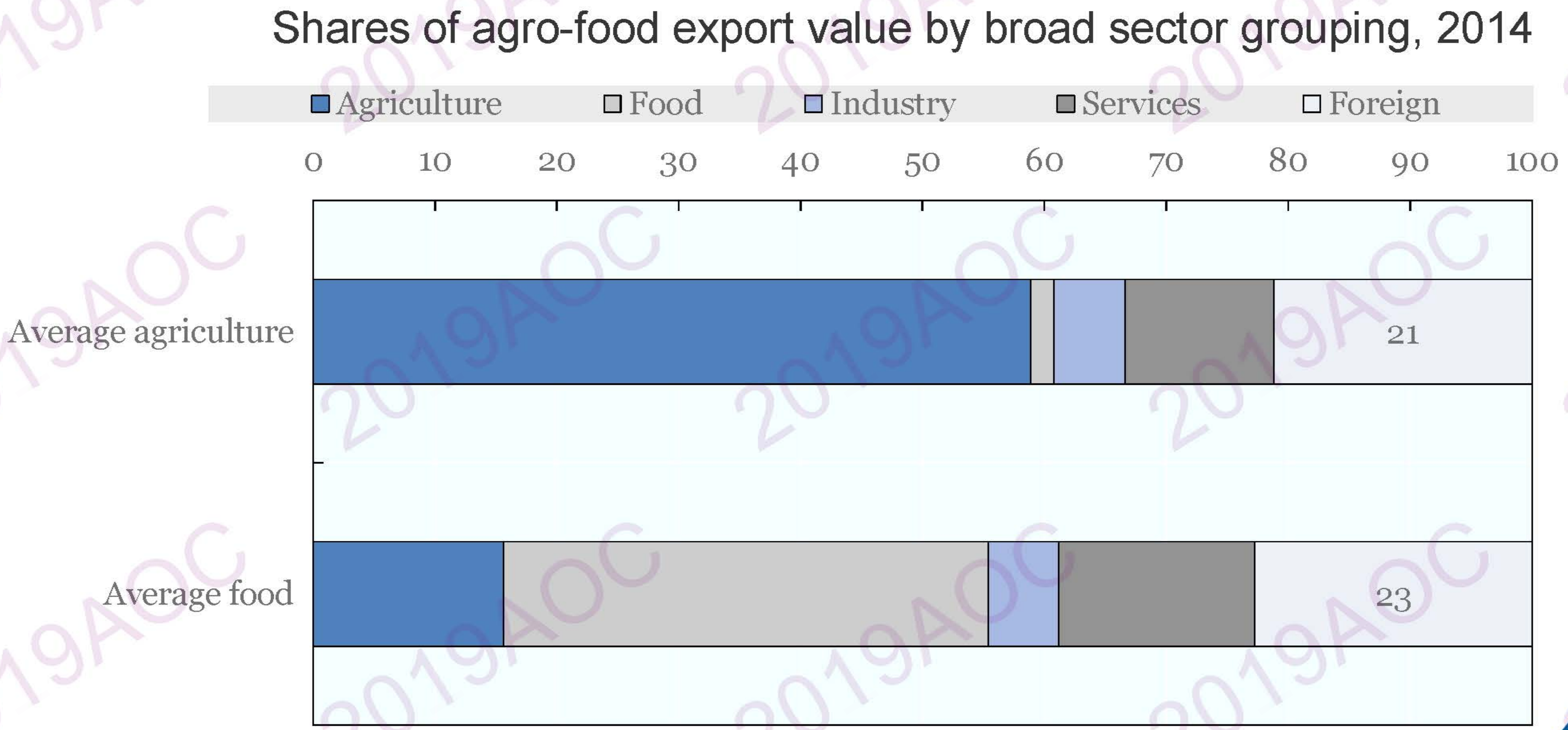
Importance of Non-Tariff Measures for agricultural trade

Baseline Ad-valorem Equivalent (AVE) estimates on unit value, by HS section

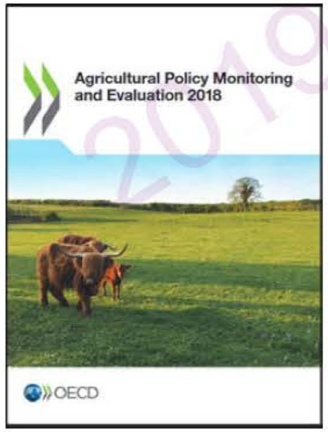
	Frequency weighted AVE					Unweighted AVE			
HS Section	SPS	TBT	BCM	QRs		SPS	TBT	BCM	QRs
Live animals	3.0%	14.8%	1.5%	0.9%	20.3%	4.6%	16.5%	2.8%	4.4%
Vegetable products	4.1%	10.0%	1.5%	0.3%	15.8%	5.5%	17.1%	6.9%	3.0%
Fats and Oil	10.8%	7.1%	0.8%	1.4%	20.0%	17.7%	9.1%	4.6%	4.6%
Processed food	14.8%	12.0%	0.3%	1.6%	28.7%	13.5%	12.1%	1.3%	6.6%
Chemical products	1.6%	5.8%	0.3%	0.7%	8.5%	5.8%	9.3%	1.9%	5.6%
Rubber Plastics	3.6%	4.5%	1.2%	0.6%	9.9%	10.5%	6.8%	13.0%	11.5%
Raw hide skins	0.1%	7.7%	0.7%	1.9%	10.4%	0.4%	6.0%	5.0%	14.4%

Note: SPS is Sanitary and Phytosanitary measures, TBT is Technical barriers (standards), BCM is Border control measures and QRs is Quantitative restrictions.
For unweighted series the cases for products in a country with no NTM are not taken into account in calculating the average, while in the frequency weighted series the AVE in such cases are set to zero. Therefore unweighted AVEs capture the restrictiveness of an NTM when it is applied while frequency-weighting captures the average effect of NTMs when accounting for their incidence.
Source: Cadot, O., J. Gourdon and F. van Tongeren (2018)

Non-agrofood sectors important part of export value



51 countries transfer USD 620 billion to agriculture – per year



Total Support to Agriculture, all countries, 2015-17

USD 620 billion
EUR 556 billion
1/3 of agricultural value-added

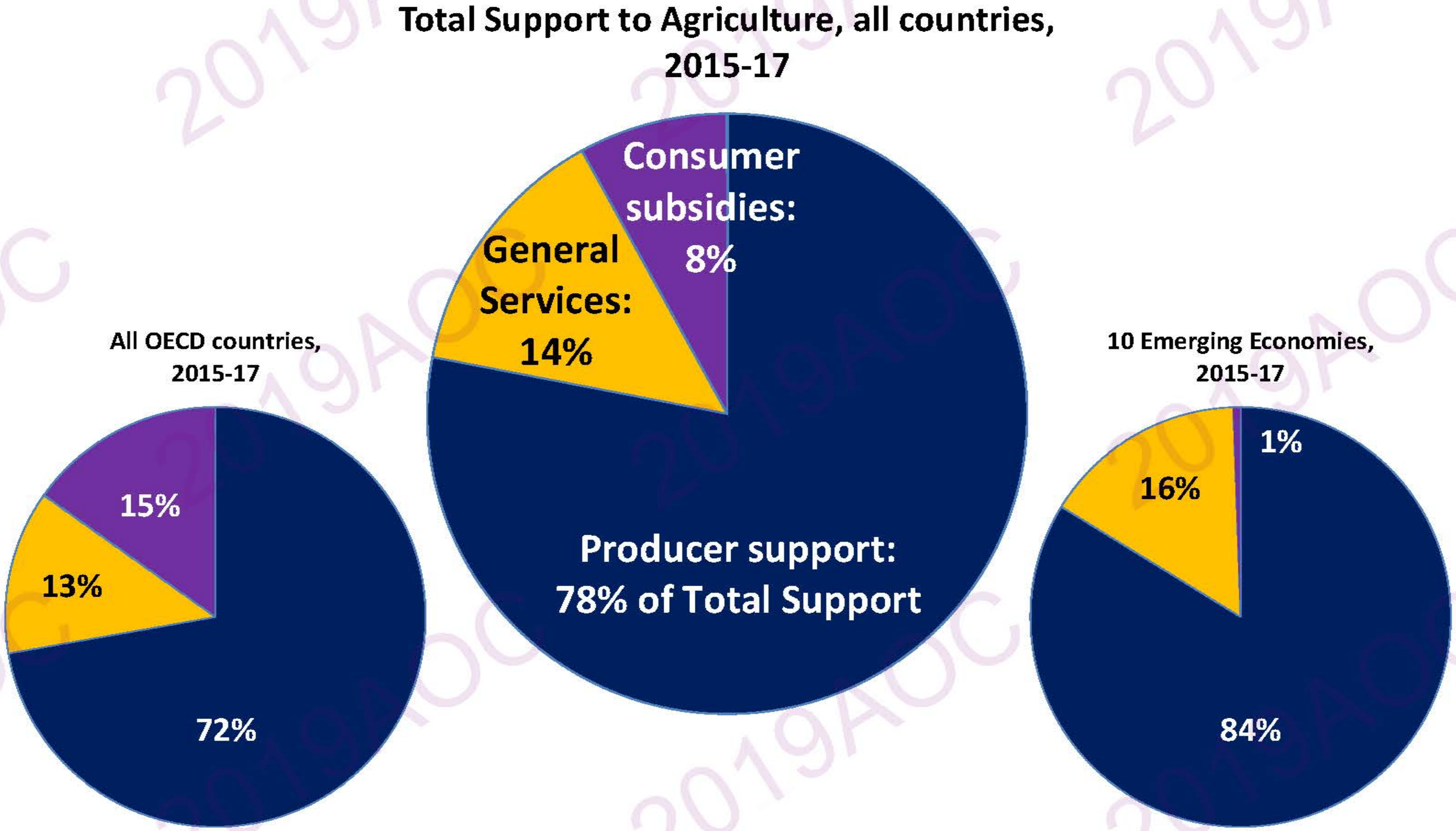
All OECD countries, 2015-17

USD 317 bn
EUR 285 bn
44% of agr. VA

10 Emerging Economies, 2015-17

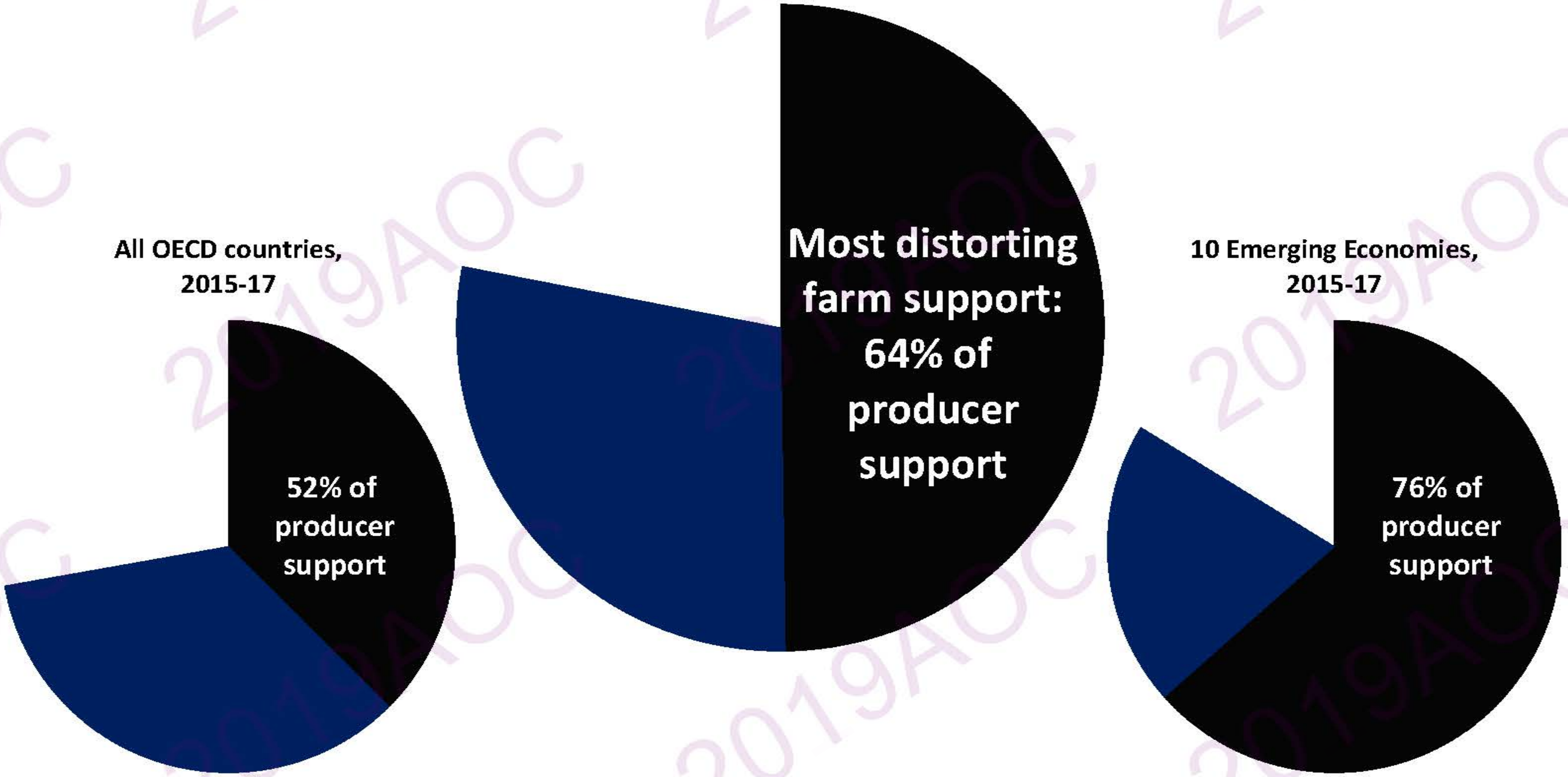
USD 297 bn
EUR 266 bn
1/4 of agr. VA

Only 14% of total support goes to general services, e.g. innovation, biosecurity, infrastructure



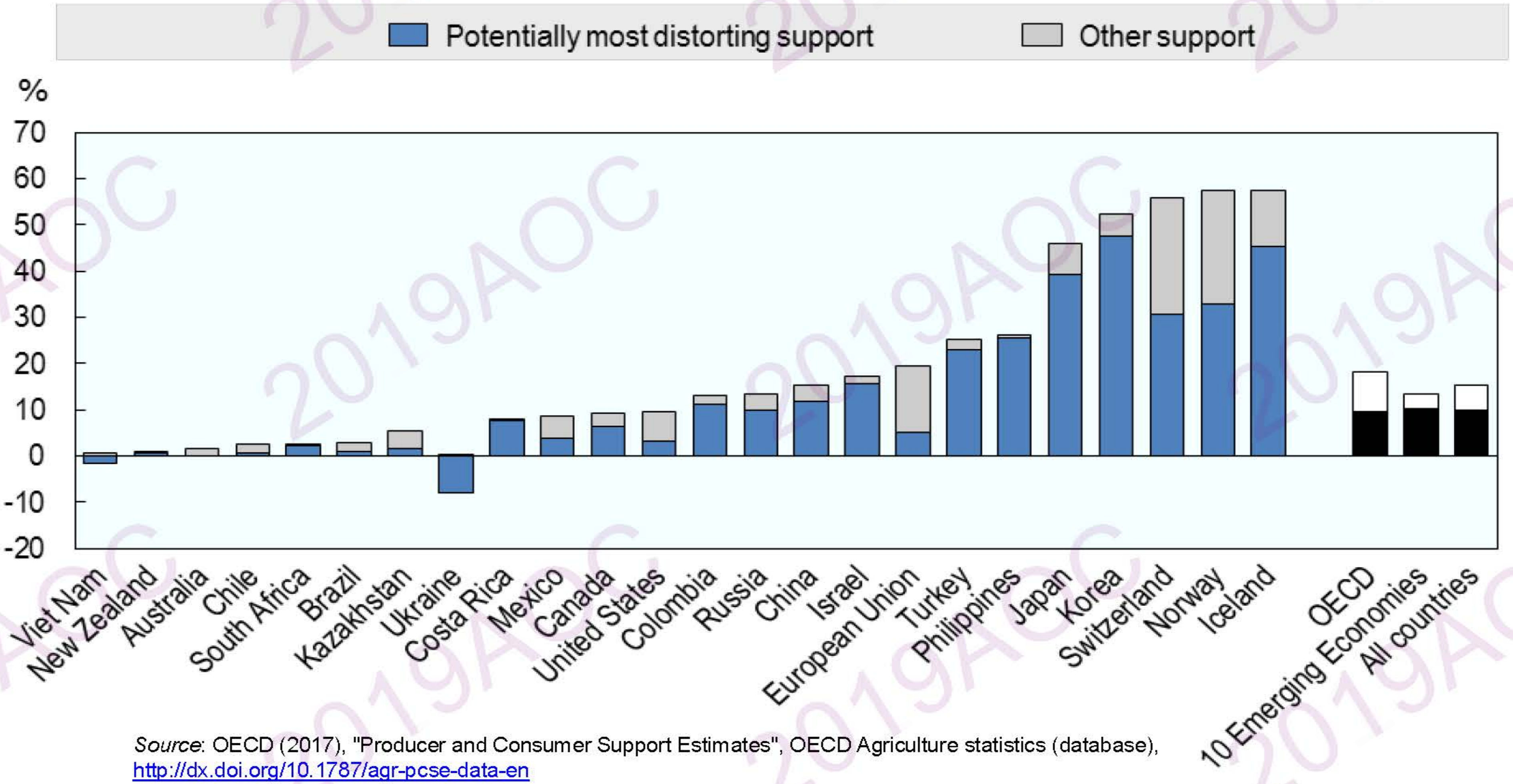
Two-thirds of producer support is highly distorting
(i.e. half of total support)

Total Support to Agriculture, all countries, 2015-17



Producer Support Estimate (PSE) as share of gross farm receipts

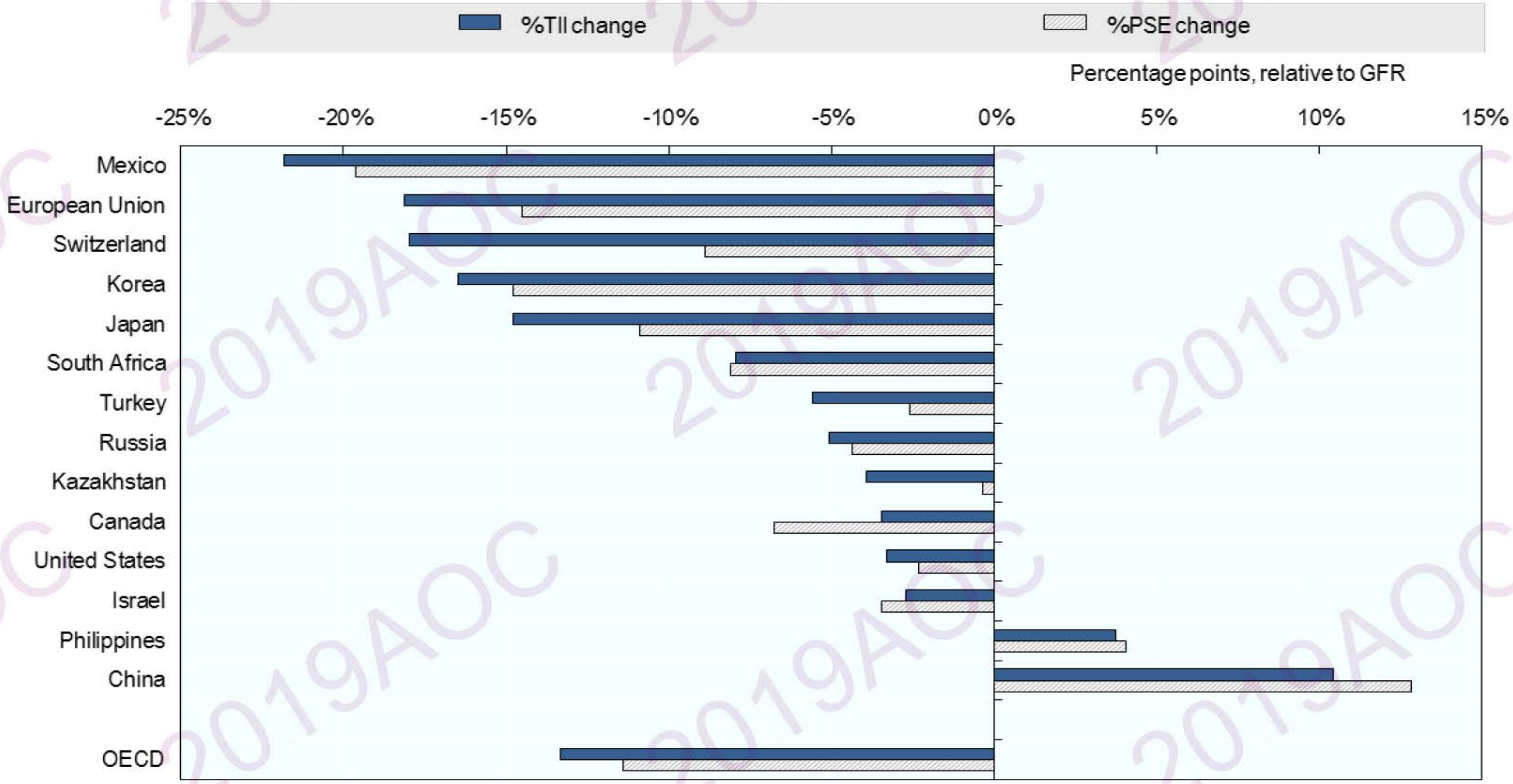
Composition of Producer Support Estimate by country, 2015-17 (percentage of gross farm receipts)



Source: OECD (2017), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database), http://dx.doi.org/10.1787/agr-pcse-data-en

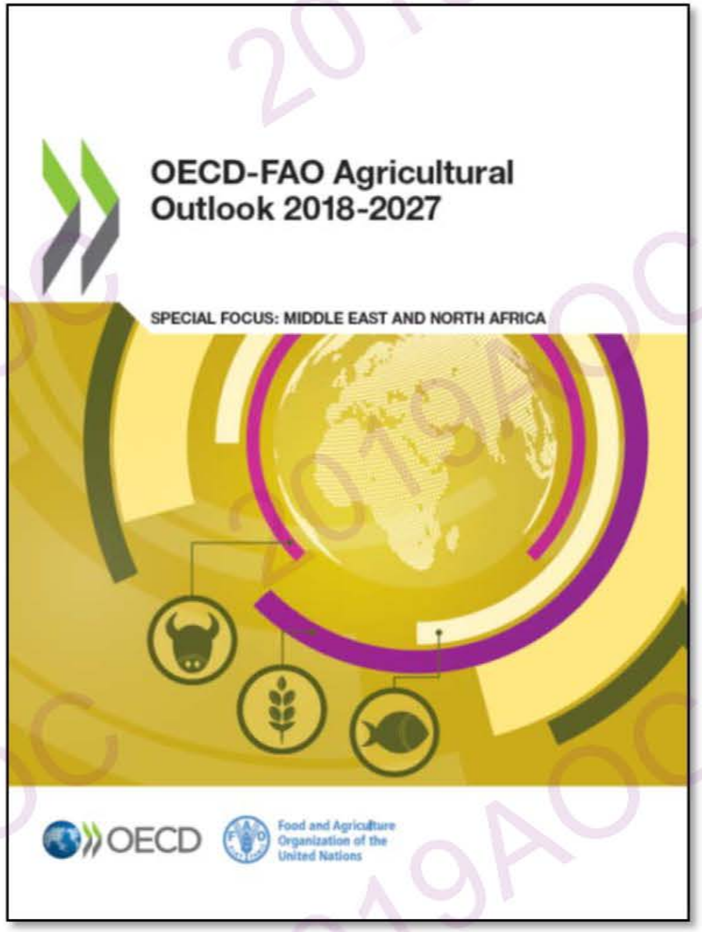
Trade distortions have often been reduced more than support – thanks to changes in the support structure…

Change in the Trade Impact Index of countries policy packages and in the Producer Support Estimate, selected countries, 1995-97 to 2015-17 (as measured in percent of gross farm receipts, respectively)



OECD-FAO Agricultural Outlook

- Joint OECD-FAO report published annually in June/July
- 10 year horizon
- Model based projection validated through global expert consensus
- Major commodities
- Global coverage
- Special theme chapter 2018: Middle East and North Africa
- Special theme chapter 2019: Latin America



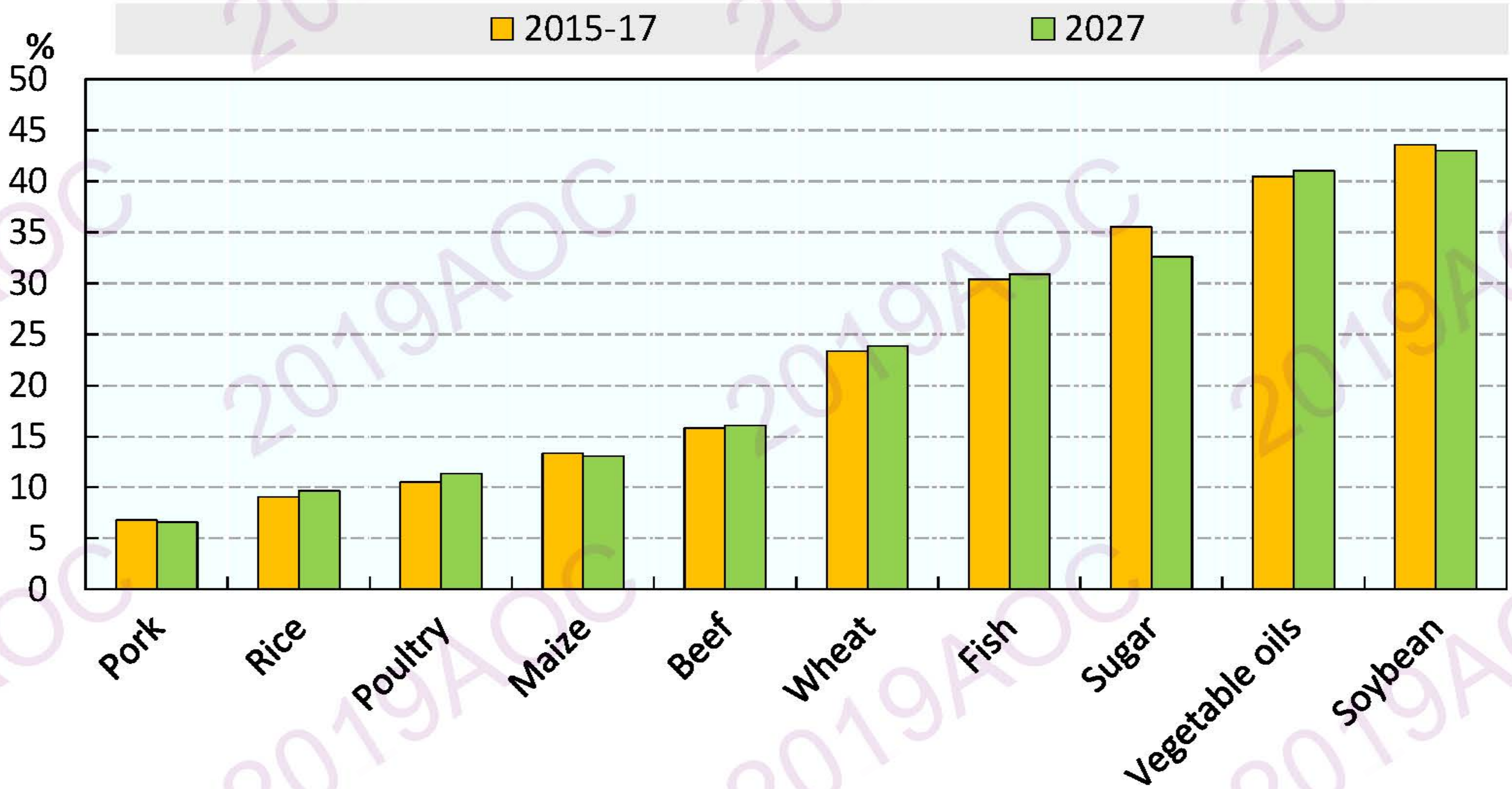
www.agri-outlook.org

Agricultural markets are always uncertain:
some risks and uncertainties in the coming years

	Structural uncertainty	Policy Uncertainty
Demand	Income growth (esp. in Africa)	Biofuels (esp. in China) Food and health policies
Supply	Oil prices Pests and disease (e.g. Fall Armyworm) Climate risk Potential of precision agriculture	Regulation of new plant breeding techniques
Trade	Emergence of new market players (esp. Russia & Ukraine)	Trade disputes Bilateral and regional trade agreements (CTTP, NAFTA, Brexit)

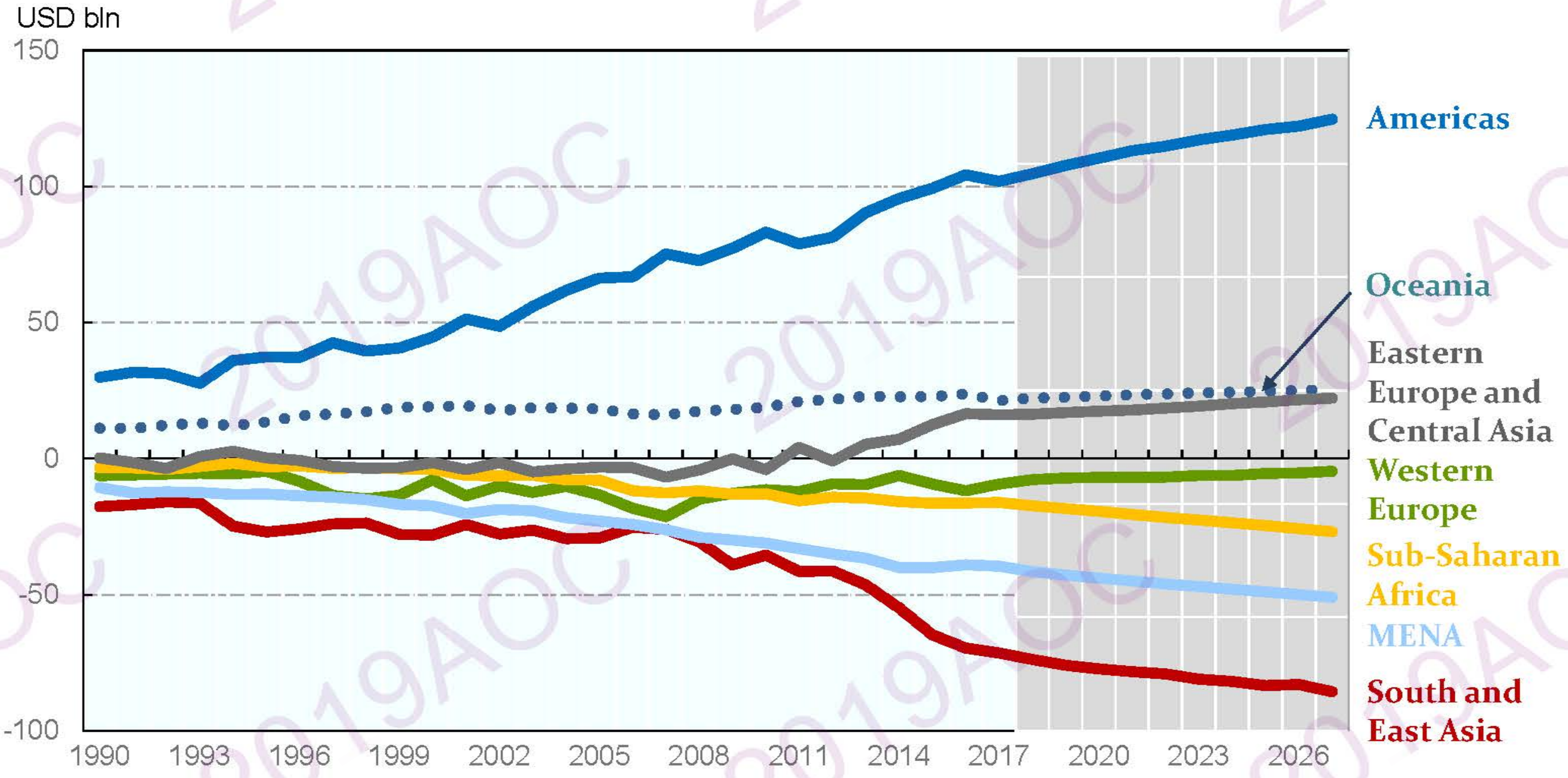
Increasing policy uncertainties are adding to market risks

The share of agricultural production traded is expected to remain constant



Trade: Specialisation between regions is increasing over time

Agricultural trade balances by region, in constant value, 1990-2027



Exporter concentration remains high

Importer concentration less pronounced – except for some products

Conclusion

- Agricultural trade is growing
  - Due to further specialisation of people, countries…
  - Currently the share of traded agriculture grows only as fast as consumption and production
- The agricultural sector has a high level of protection
- Trade gets more integrated within the value chain
- Many bilateral agreements and disputes make agricultural trade more complicated