

Executive summary

The international prices of major crops have dropped significantly from their historical highs, largely in response to bumper crops in 2013/14. In contrast, meat and dairy product prices are at historically high levels, primarily because their supply fell short of expectations in 2013. World ethanol and biodiesel prices continued their declines from the historical peak levels they had reached in 2011 in a context of ample supply for both.

Demand for agricultural products is expected to remain firm although expanding at slower rates compared with the past decade. Cereals are still at the core of human diets, but growing incomes, urbanisation and changes in eating habits contribute to the transition of diets that are higher in protein, fats and sugar.

In the next decade, livestock and biofuel production are projected to grow at higher rates than crop production. This changing structure of global agricultural production prompts a relative shift toward coarse grains and oilseeds to meet demands for food, feed and biofuel, away from staple food crops like wheat and rice. The bulk of the additional production will originate in regions where determining factors, such as land and water availability, and policy regulations, are the least constraining.

Crop prices are expected to drop for one or two more years, before stabilising at levels that remain above the pre-2008 period, but significantly below recent peaks. Meat, dairy and fish prices are expected to rise. In real terms, however, prices for both crops and animal products are projected to decline over the medium term. The expected stock-to-use ratios for cereals improve significantly, which should ease concerns about their price volatility.

World fishery production will be driven primarily by gains in aquaculture in developing countries. Sustained high costs in a context of firm demand will keep fish prices well above their historical averages, holding back consumption growth in the coming decade.

Production growth will come mainly from developing countries in Asia and Latin America. Trade continues to grow, although at a slower pace compared with the previous decade. The Americas will strengthen their position as the dominant export region, both in value and volume terms, while Africa and Asia will increase their net imports to meet their growing demand.

Recent policy reforms in agriculture and fisheries markets have enabled demand and supply fundamentals to become more responsive to market signals; however, both remain influenced by policies such as producer support, public stockholding and biofuel mandates. Further policy changes are underway. The United States' Agricultural Act of 2014 and the 2013 reform of the Common Agricultural Policy in the European Union have been agreed upon during the last year; however, their provisions are not considered in the current projections because implementation details have not been completed/specified.

Global commodity highlights to 2023

Cereals: World prices of major grains will ease early in the outlook period, boosting world trade. Stocks are projected to rise with rice inventories in Asia reaching record high levels.

Oilseeds: The global share of cropland planted to oilseeds continues to increase albeit at a slower rate as sustained demand for vegetable oils pushes prices up.

Sugar: After weakening in late 2013, international sugar prices will recover, driven by strong global demand. Exports from Brazil, the world dominant sugar exporter, will be influenced by the ethanol market.

Meat: Firm import demand from Asia, as well as herd rebuilding in North America support stronger meat prices, with beef prices rising to record levels. Poultry overtakes pork to become the most consumed meat product over the outlook period.

Dairy: Prices fall slightly from their current high levels due to sustained productivity gains in the major producing countries and resumed growth in China. India overtakes the European Union to become the largest milk producer in the world, building considerable skimmed milk powder exports over the projection period.

Fisheries: The growth of aquaculture production will be concentrated in Asia. It remains one of the fastest-growing food sectors and surpasses capture fisheries for human consumption in 2014.

Biofuels: The consumption and production levels of biofuels are expected to increase by more than 50%, led by sugar-based ethanol and biodiesel. The ethanol price increases in line with crude oil price, while the biodiesel price follows more closely the path of the vegetable oil price.

Cotton: The expected release of accumulated global stocks will boost consumption on the back of lower prices, before prices recover by 2023.

Focus on India

This edition of the Outlook focuses on India, the world's second most populous country with the largest number of farmers and also the largest number of food-insecure people. The Outlook portrays a relatively optimistic scenario for India, which is projected to sustain production and consumption growth of food, led in particular by higher value added sectors.

The new National Food Security Act is the largest right to food programme of its kind ever attempted, allocating rations of subsidised cereals (about 90% below retail price) to more than 800 million people. Its implementation will be a major challenge.

Subsidies to encourage greater use of fertilisers, pesticides, seeds, water, electricity, and credit, as well as market support prices, have contributed to strong annual agricultural output growth in the last decade. These programmes continue to promote production growth enabling Indian agriculture to expand per capita supplies considerably, although rising resource pressures reduce absolute growth rates over the next decade.

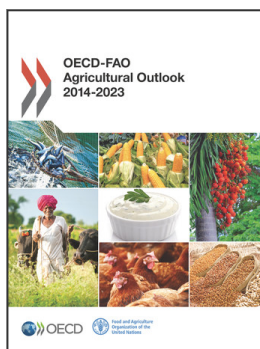
While remaining largely vegetarian, Indian diets will diversify. Cereal consumption is expected to grow, but greater consumption of milk and dairy products, pulses, fruits and vegetables will contribute to improved intake of food nutrients. Fish will also provide an

important and growing source of protein, while meat consumption will grow strongly, though still ranking among the lowest in the world.

Key uncertainties lie in India's macro performance, the sustainability of yield growth and the viability of government programmes.

Note on macroeconomic assumptions

The macroeconomic situation underlying this Outlook assumes an average GDP growth of 2.2% per year for OECD countries. Economic prospects for many emerging economies are robust but revised downward slightly compared to the last decade. Most African economies exhibit strong growth. A stronger US dollar will affect the competitiveness of numerous countries. The crude oil price is assumed to reach USD 147 per barrel by 2023.



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