



Food and Agriculture
Organization of the
United Nations



Virtual Dialogue on Recovery of Regional Grain Trade Chains in Sub-Saharan Africa Beyond the COVID-19 Pandemic

*Setting the scene: Grain sector in Sub-Saharan Africa impact
of COVID-19*

Global Perspective

Holger Matthey
Senior Economist
Markets and Trade Division, FAO



TABLE OF CONTENTS

- **Covid-19: trade impacts and policy responses**
- **Current agri-food market situation**
- **Medium term risks and implications**
- **Concluding remarks**



COVID-19: TRADE IMPACTS AND POLICY RESPONSES (1/5)

Due to the measures implemented to contain the spread of COVID-19, disruptions were reported at all stages of food supply chains

- **Shortages in agricultural labour** due to restrictions on travel and movement of people (especially migrant workers)
- Transport restrictions, impeding **farmers' access to input and output markets**
- **Lower capacity utilization of processing facilities**, shutdowns and part closures (including due to limited capacity for food safety inspection)
- **International distribution and logistics disruptions**





COVID-19: TRADE IMPACTS AND POLICY RESPONSES (2/5)

Despite these shocks, overall, trade and global value chains in food and agriculture have proved resilient, especially in essential food products; declines were strongest in May, more pronounced in some regions e.g. Sub-Saharan Africa, but recent data shows signs of recovery

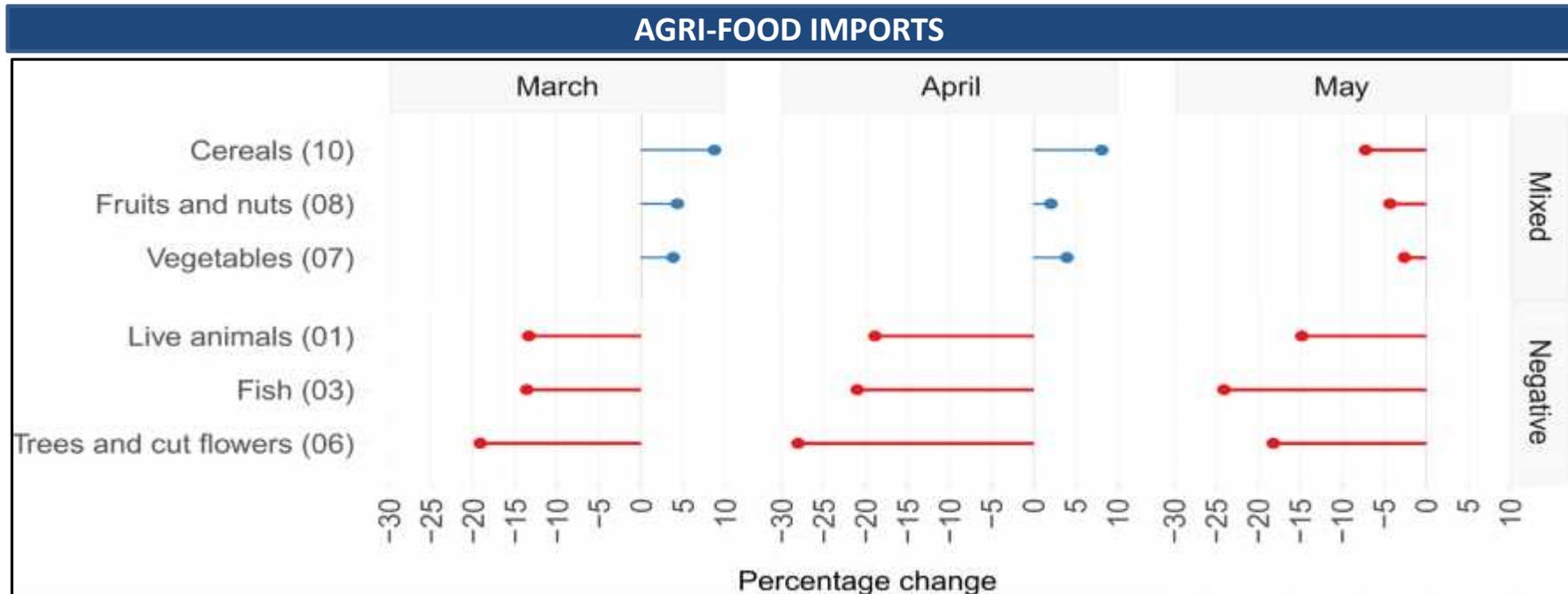


Note: Preliminary results based on an analysis of 71 countries



COVID-19: TRADE IMPACTS AND POLICY RESPONSES (3/5)

Agricultural trade in various product groups was affected differently during this crisis e.g. imports of cereals relatively less affected, while trade in live animals, fish declined significantly



Note: Preliminary results based on an analysis of over 90 countries



COVID-19: TRADE IMPACTS AND POLICY RESPONSES (4/5)

Countries aimed to **address both supply and demand side policy objectives** through trade and related policy interventions. Observed trade trends may be explained by the fact that **trade restrictions were generally short-lived, complemented by measures to boost imports, production, and TF**

TRADE RESTRICTIONS

- A **limited number of countries** imposed trade related restrictions (very few import restrictions)
- Many of the export bans have been **transformed into export quotas**, and most of them have been already **repealed**
- Most export restrictions were introduced by countries in **Eastern Europe** and **Central Asia**
- **Import** restrictions mainly addressed trade of **live animals**

MEASURES TO LOWER IMPORT BARRIERS

- Several countries **lowered import barriers**, mainly in the form of suspending import tariffs and in limited cases, raising TRQs
- Selected countries also **lowered Technical Barriers to Trade (TBT)** measures to facilitate availability of critical food items
- **Most measures are temporary**, put in place in March/April lasting at most until the end of 2020

DOMESTIC MEASURES AND TF

- **Producer support** measures provided to ensure production
- Some countries provided **logistics and marketing** support to support the supply chain
- **Several countries increased domestic food procurement targets**, and/or **increased imports** to build national reserves, ensure availability
- Some implemented **ceiling prices**, some **expanded food distribution programmes** to ensure economic access



COVID-19: TRADE IMPACTS AND POLICY RESPONSES (5/5)

Global cooperation and coordination in policies, market transparency, trade-related procedures has been critical

POLICY COMMITMENTS AND COORDINATION

- ✓ **Ministerial declarations and commitments**, focusing on avoiding export and import restrictions; keeping food supply chains alive (addressing logistics bottlenecks, workers' movement and safety):
 - **G20 Ministerial Statement**
 - **APEC Joint Ministerial Declaration**
 - **African Agriculture Ministers Declaration**
- ✓ **Joint Statements:** FAO/WHO/WTO (30 March) and FAO/IFAD/WB/WFP (21 April)

MARKET TRANSPARENCY

- ✓ **Strengthening international market transparency and governance mechanisms** to ensure that policy and stock management decisions are based on timely and credible data and information
 - **Agricultural Market Information System (AMIS):** an inter-agency platform launched by the G20 in 2011 and housed at FAO (WTO is member)
 - **FAO market monitoring and outlook work**

TRADE RELATED PROCEDURES AND REGULATIONS

- ✓ **Digital solutions in the application of SPS measures** (e.g. ePhyto: Argentina, Chile); **customs procedures**
- ✓ **Temporary acceptance of electronic copies of SPS certificates** (e.g. Australia, Brazil, Chile, South Africa, Russia)
- ✓ **Establishment of regional corridors** (e.g. CEFTA Green Corridors System)



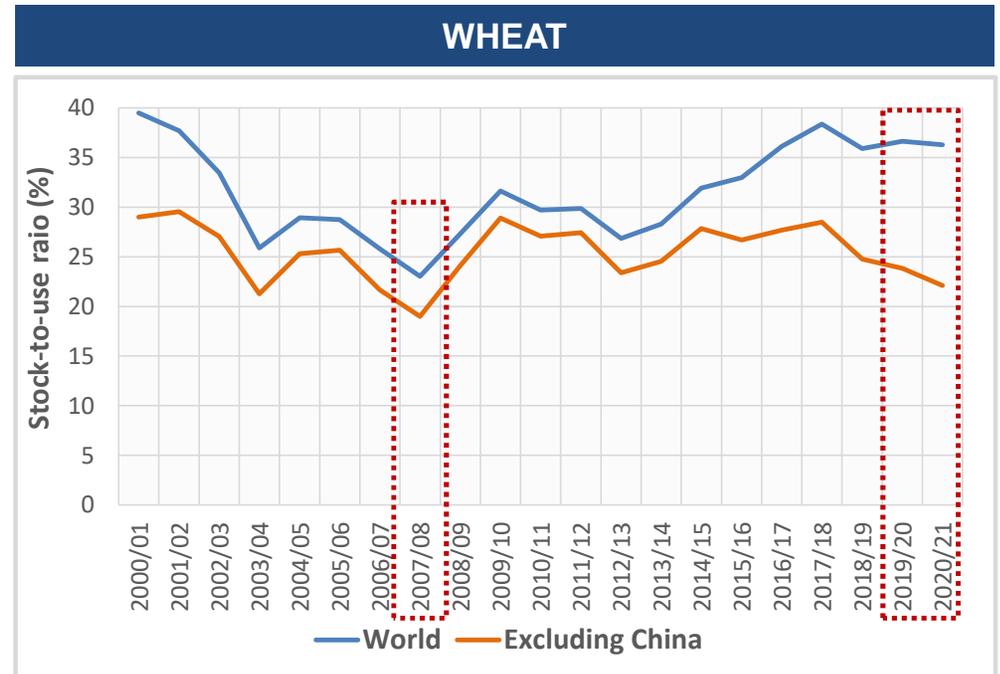
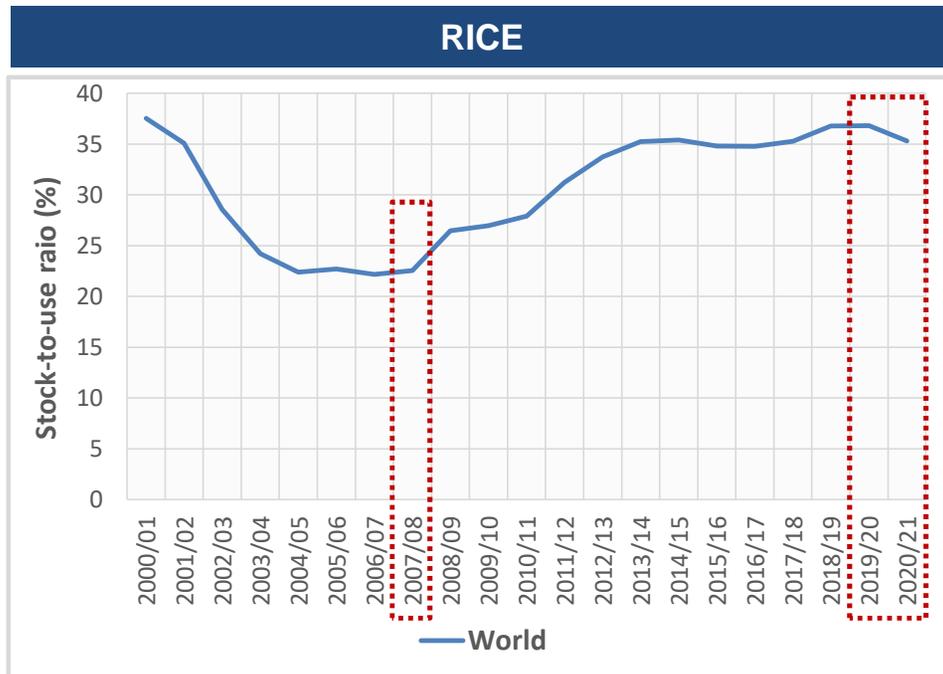
TABLE OF CONTENTS

- **Covid-19: trade impacts and policy responses**
- **Current agri-food market situation**
- **Medium term risks and implications**
- **Concluding remarks**



AGRI-FOOD MARKET SITUATION (1/4) – CEREALS

Global stock-to-use ratio for most commodities is high from a historical perspective. China is a major driver (expected to hold ~47% of total cereal stocks today)



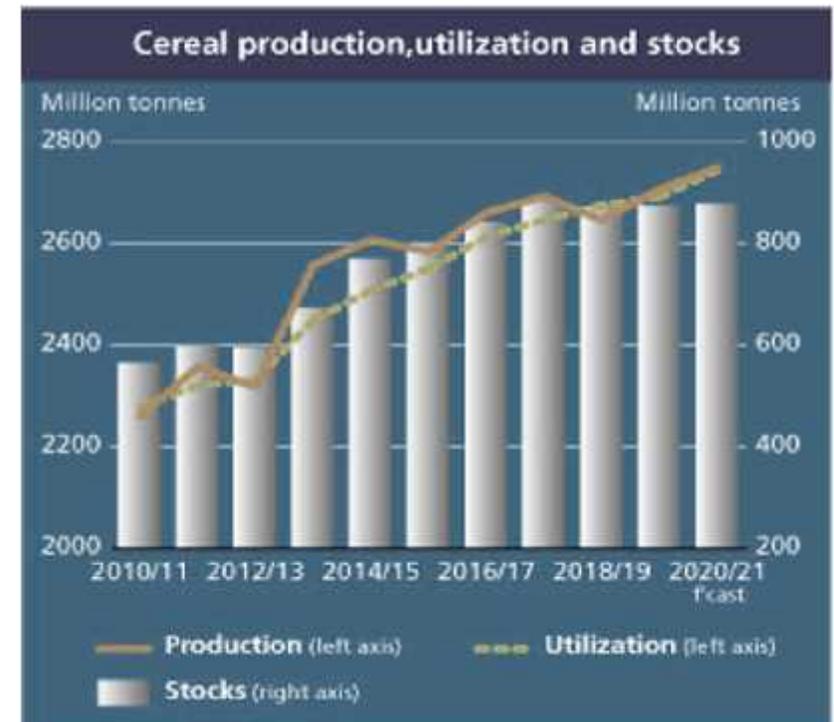
Source: Data underlying FAO. 2020 Food Outlook - Biannual Report on Global Food Markets. Rome.



AGRI-FOOD MARKET SITUATION (2/4) – CEREALS

Despite a cut in world cereal production projection, this year's forecast output remains at an all-time high

- Heading towards another **record production** (2 700 million tonnes), up 1.6% y/y, despite **cuts to production forecasts**:
 - **for coarse grains** (-10.1 million tonnes), mainly maize driven by EU, Ukraine, USA;
 - **for wheat** (-2.3 million tonnes), driven by Ukraine, Argentina
- Encouraged by **higher prices, farmers are expected to expand plantings** in key producing regions, e.g. EU
- **Utilization** expected to reach 2 745 million tonnes, up 1.9% y/y). For wheat, driven by consumption in the EU; for rice, by global food use
- **Stocks forecast in 2021 lowered by 13.6 million tonnes to 876 million tonnes**, but still 0.5% above opening levels



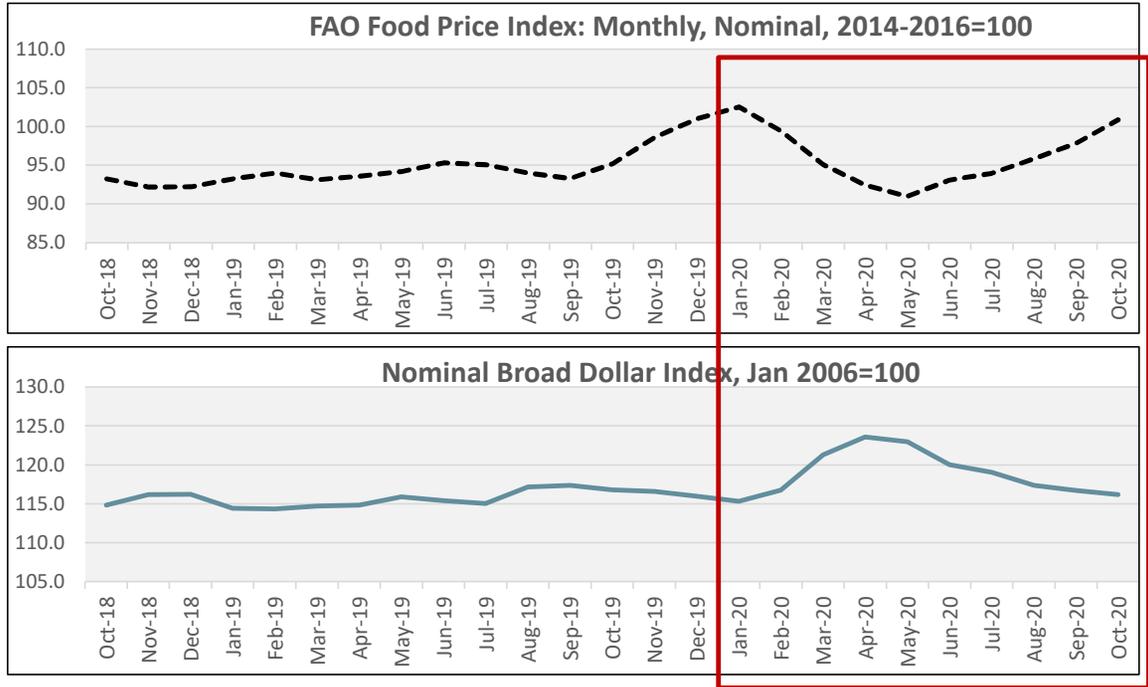
Source: FAO Cereal Supply and Demand Brief: <http://www.fao.org/worldfoodsituation/csdb/en/>



AGRI-FOOD MARKET SITUATION (3/4) – PRICES

The FAO Food Price Index (FFPI) recorded a fifth consecutive monthly increase in October, up 3.1% from September, 6% y/y; drivers include firmer prices of several products and slide in US\$

- Internationally traded commodities are priced in US dollars; typically, inverse relationship between commodity prices and the value of the dollar
- By May 2020, the US\$ rally against nearly all other major currencies came to halt
- In recent months, the slide in the US\$ has been supportive to trade and prices



Source: FAO Food Price Index (<http://www.fao.org/worldfoodsituation/foodpricesindex/en/>) and US Federal Reserve (https://www.federalreserve.gov/releases/h10/summary/jrxwtfb_nm.htm)



AGRI-FOOD MARKET SITUATION (4/4) – PRICES

The FAO price indices for all commodities except meat are up compared to the same period last year, although they remain below peak levels reached in previous years

Food Prices Indices	Peak values (points)	Oct-20	Change m/m (%)	Change y/y (%)	Change Oct 2020 over peak values (%)
FFPI	Feb-11 138	101	+3.1	+6	-27
Cereals	Jun-08 160	112	+7.2	+16.5	-30
Oils	Feb-11 175	106	+1.8	+26.5	-39
Sugar	Jan-11 183	85	+7.6	+9.3	-54
Meat	Aug-14 119	91	-0.5	-10.7	-24
Dairy	Feb-14 156	104	+2.2	+3.5	-33

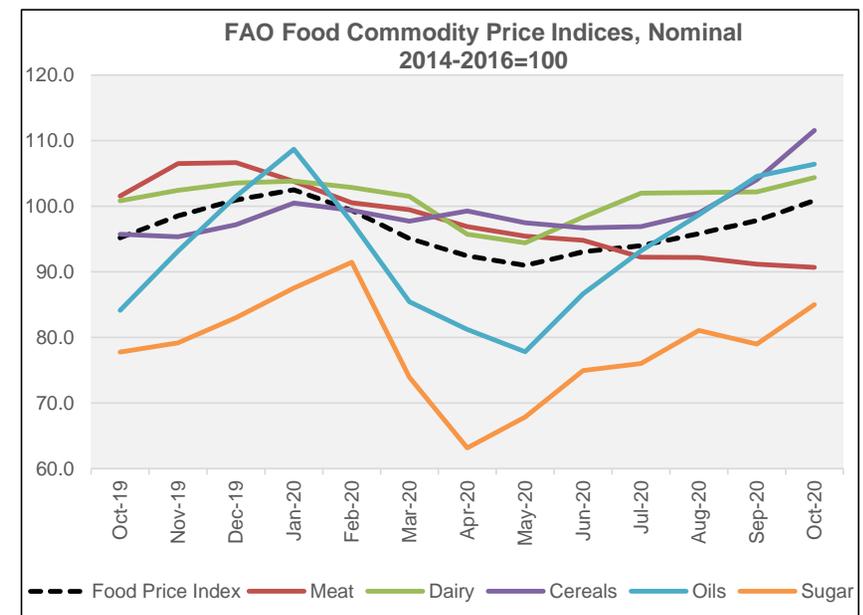




TABLE OF CONTENTS

- **Covid-19: trade impacts and policy responses**
- **Current agri-food market situation**
- **Medium term risks and implications**
- **Concluding remarks**



MEDIUM-TERM RISKS AND IMPLICATIONS (1/7)

Food markets are expected to confront important uncertainties beyond their own fundamentals in the short term (2020/21) and over the medium-run.

SUPPLY

Restrictions on the movement of people and people falling ill: severe impact on migrant workers; shortages in workforce in agriculture, processing and distribution facilities

Logistics: Transport and trade restrictions

Existing crisis: topping-up effect in different countries stemming from pre-existing problems (locusts in East Africa, African Swine fever, climate change, etc.)

DEMAND

Recession: Global growth is projected at -4.4 percent in 2020, with significant implications for incomes and consumer spending

Change in consumption patterns: increase in both staple food and ready-to-eat food that can be stored

Shift in purchasing modalities: lower restaurant traffic, increased e-commerce deliveries, and rise in consumption at home

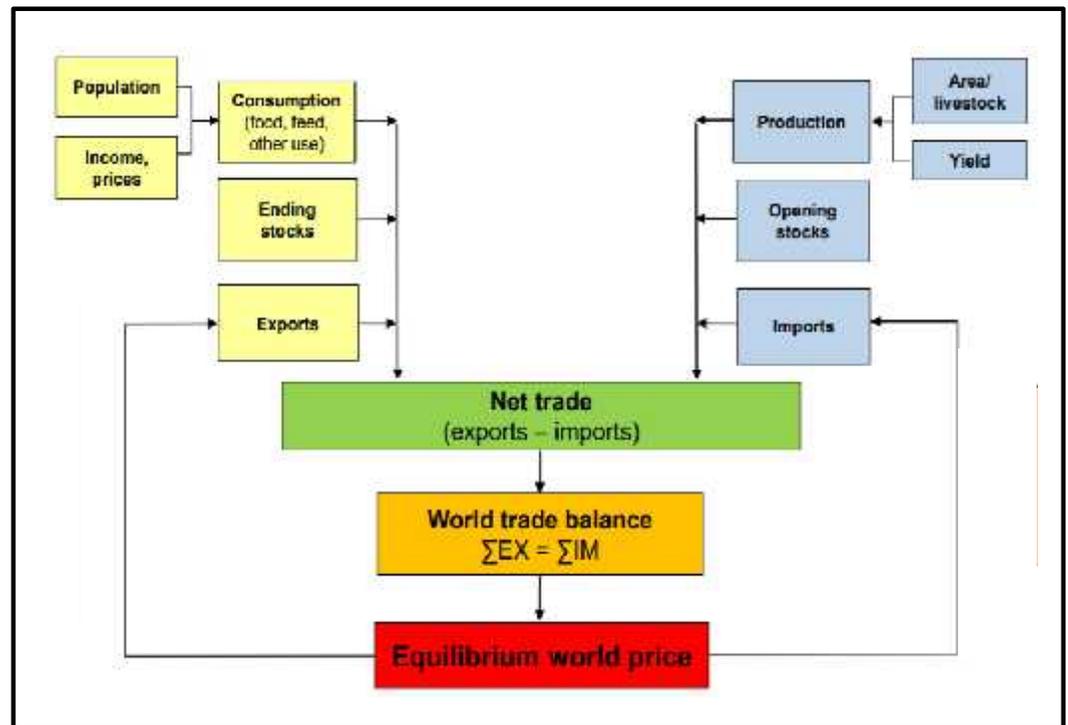


MEDIUM-TERM RISKS AND IMPLICATIONS (2/7)

FAO-OECD MEDIUM TERM OUTLOOK: COVID SCENARIO VS. BASELINE PROJECTION

AGLINK-COSIMO MODEL

- Medium-term outlook model to support **annual, 10-year baseline projections**
- **67 country modules, 12 regional modules, covering cereals, oilseeds, sugar, meat ,dairy, fish, biofuels, cotton**
- **Provides information and guidance to decision makers and institutions**
- **Scenario analysis on policy and non-policy changes** – allows for disaggregating complex interactions





MEDIUM-TERM RISKS AND IMPLICATIONS (3/7)

FAO-OECD MEDIUM TERM OUTLOOK: COVID SCENARIO VS. BASELINE PROJECTION

COVID-19 SCENARIO ASSUMPTIONS

GDP

- **2020 and 2021:** Globally, -5.2% in 2020 and +4.2% in 2021; advanced countries GDP shrinks more than world average; for countries with COVID coming later, 2021 recovery less than 50% of 2020 losses
- **L-shaped recovery:** all countries return to their pre-COVID growth rates after 2022 or 2023, but not resuming the pre-COVID levels of expected output

INFLATION

ENERGY COSTS

- **Reflected in crude oil prices:** 36 USD/barrel in 2020 and 40 in 2021;
- **Return to pre-COVID medium-term evolution from 2023;** 2022 smooths recovery

BIOFUEL DEMAND

- **Lockdown measures** → low demand for fuels for transportation → biofuel markets
- **Fossil fuel demand expected to recover to pre-COVID levels from 2022;** 2021 serving as partial recovery

TRADE COSTS

- **Higher trade costs for both 2020 and 2021** due to limited capacities at customs, ports, airports; additional health protocols; limited operations of sea and air transportation

LABOUR COSTS

- **Restrictions on movement limiting availability of workers** or increasing levels of part-time/rotational work

EXCHANGE RATES

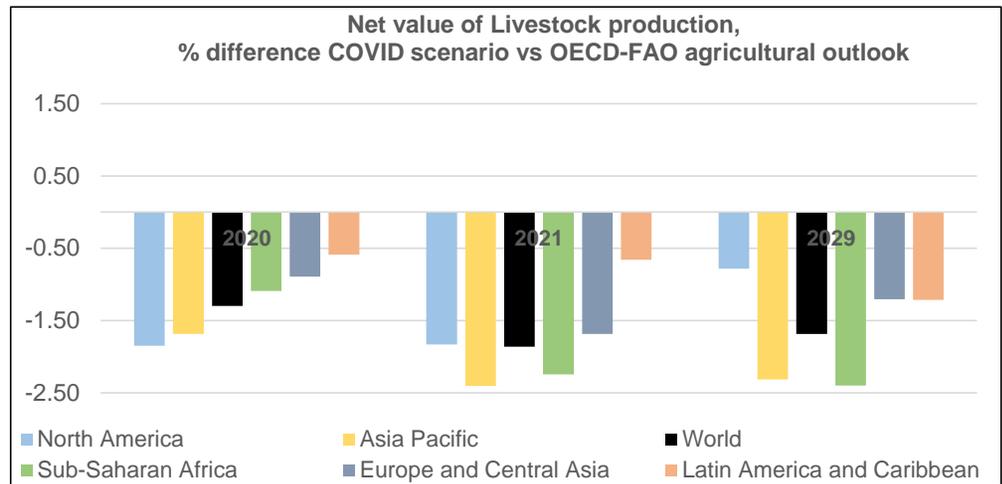
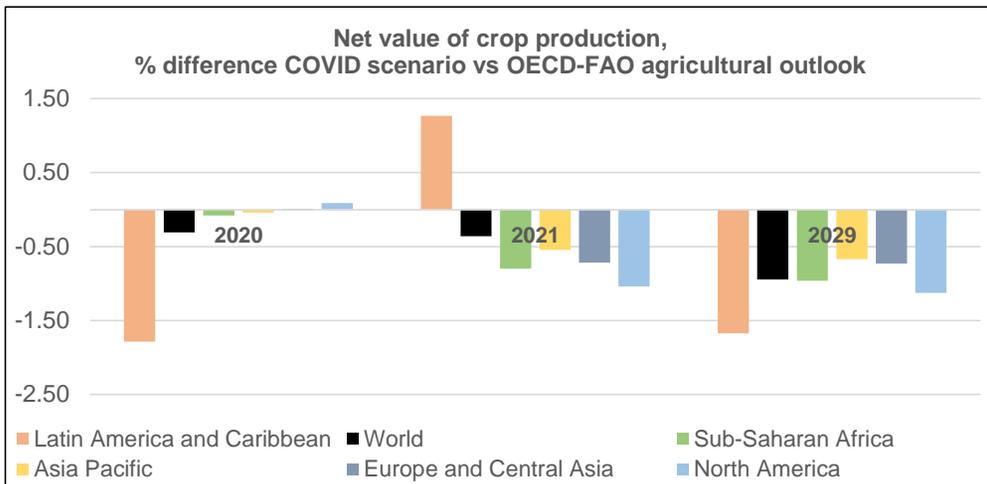
- **Countries fluctuating foreign exchange** to adapt to shocks in current account balances
- **For 2020, assumes June FER; for 2021, return to pre-COVID expected growth***



MEDIUM-TERM RISKS AND IMPLICATIONS (4/7)

FAO-OECD MEDIUM TERM OUTLOOK: COVID SCENARIO VS. OUTLOOK PROJECTION

Compared to the outlook projection, agricultural production (especially livestock) expected to slow down due to COVID-19, both in the short term (2020/21) and medium term (2029)



- **Over the short-term, production response reflects changes in demand for agricultural commodities** (e.g. decrease of income, trade restrictions), **and to higher labour costs** (particularly relevant for meat and other labour-intensive sectors)
- **Meat production is expected to be at levels lower than 2019**, more evident in regions with intense meat production (e.g. Asia Pacific)

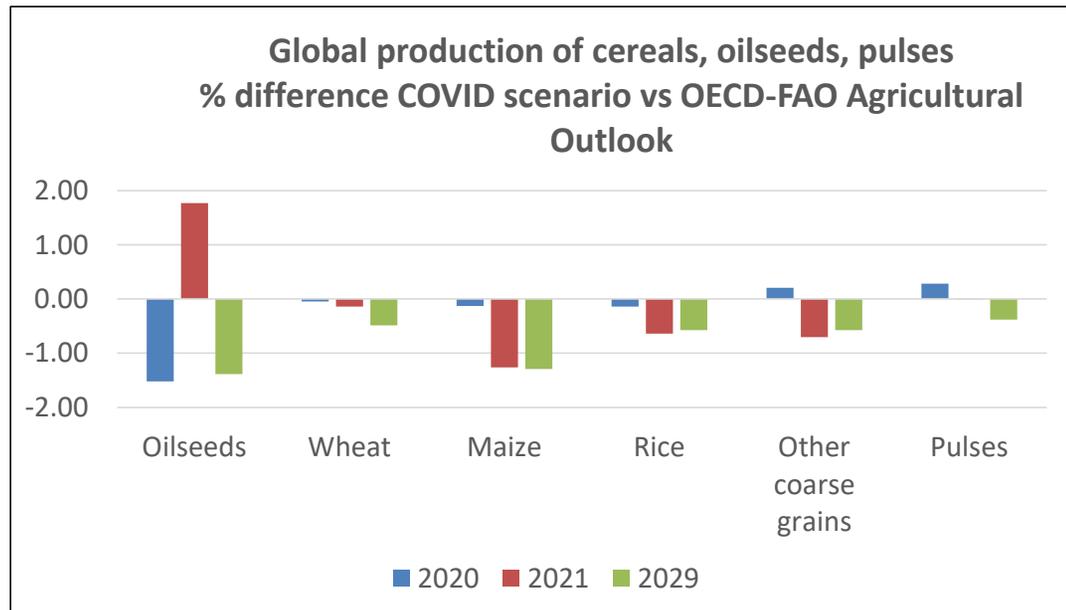


MEDIUM-TERM RISKS AND IMPLICATIONS (5/7)

FAO-OECD MEDIUM TERM OUTLOOK: COVID SCENARIO VS. OUTLOOK PROJECTION

Compared to the outlook projection, cereal and pulses production expected to slow down due to COVID-19, both in the short term (2020/21) and medium term (2029). Oilseeds in Latin America get a boost in 2021 because of substitution away from cereals.

- COVID leads to rather **moderate effects** on the global cereals and pulses production.
- The COVID effects on production are **not immediately visible**
 - **lockdown and restrictions** in the movement of people in 2020 had a **limited effect on crop harvests**,
 - **other coarse grains and pulses** benefited from **substitution effects** driven by trade developments.
- **From 2021 onwards, production** responds to the **lower global demand level** due to COVID economic effects.



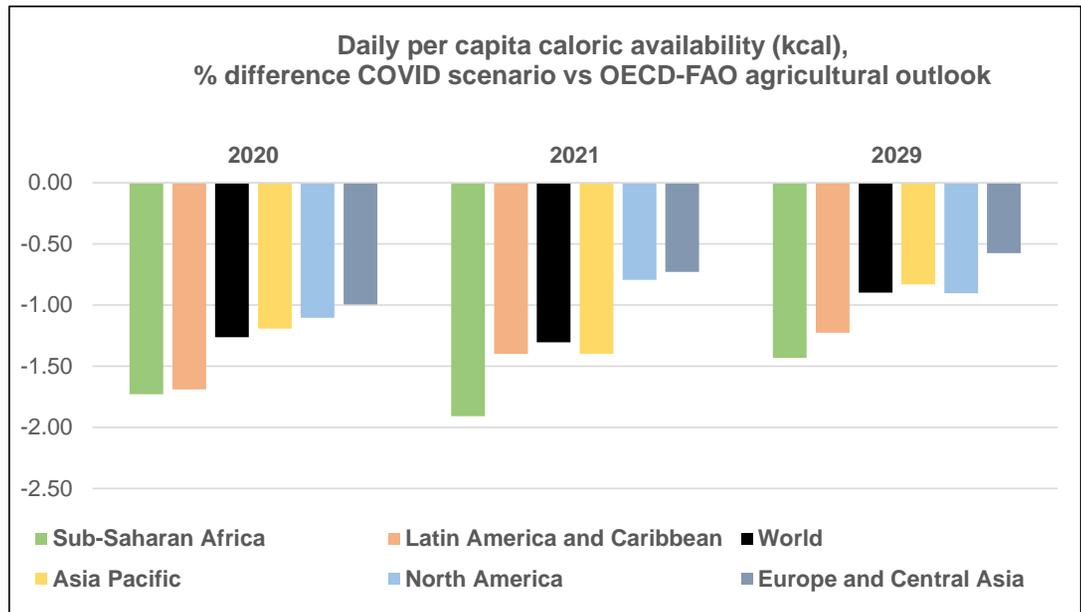


MEDIUM-TERM RISKS AND IMPLICATIONS (6/7)

FAO-OECD MEDIUM TERM OUTLOOK: COVID SCENARIO VS. BASELINE PROJECTION

Global per capita daily caloric availability (food demand) in 2020 and 2021 is projected to be lower than in 2019 (baseline projection predicted higher); decrease is higher for meat and dairy

- Compared to baseline projection, **decrease expected to be higher for meat and dairy in middle-income countries with higher meat consumption** (e.g. in Asia Pacific, Latin America and Caribbean)
- **In the medium term (2029), food demand globally is expected to increase compared to 2020 and 2021 but still remain lower than baseline projections, with differences by region; LDCs in Sub-Saharan Africa are particularly affected**
- **In African LDCs, staples are expected to remain the main food category in diets**

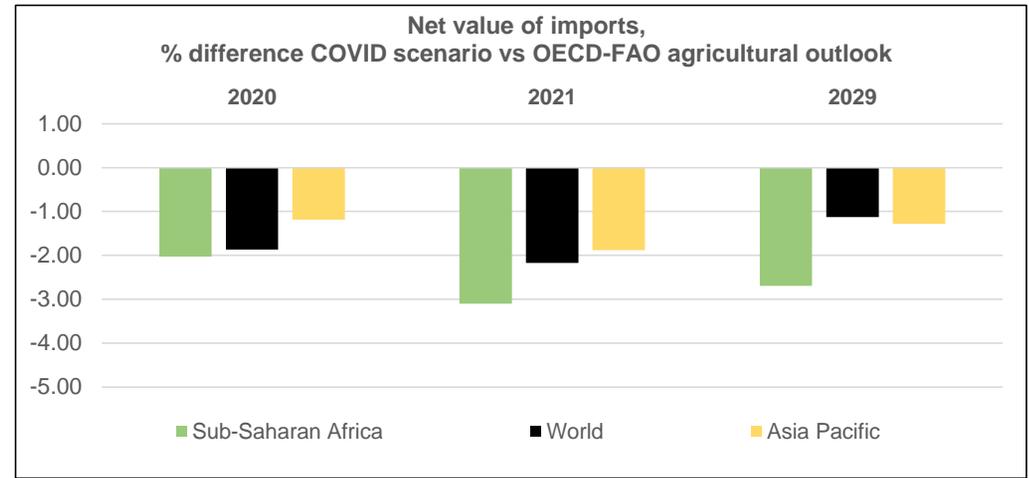
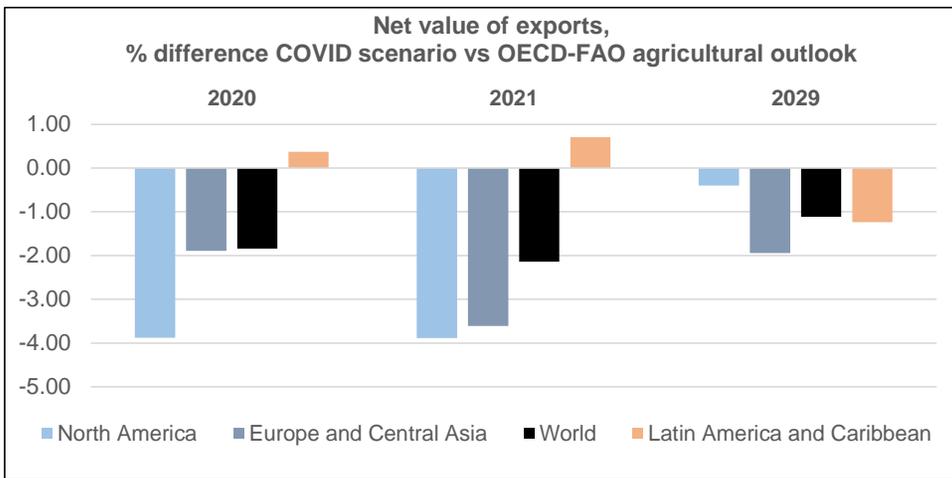




MEDIUM-TERM RISKS AND IMPLICATIONS (7/7)

FAO-OECD MEDIUM TERM OUTLOOK: COVID SCENARIO VS. BASELINE PROJECTION

In 2020, 2021, volume of agricultural exports and imports remain close to 2019 levels



- **COVID results on trade reflect not only supply and demand factors, but also short-term fluctuations in exchange rates** e.g. devaluations against the USD in Africa → imports more expensive → consumption shift to domestically produced goods (staples) (although Africa will remain a net importer of most food commodities)
- In the **medium run**, compared to baseline projections, **high-income countries projected to increase both their imports and exports compared to low income countries**



TABLE OF CONTENTS

- **Covid-19: trade impacts and policy responses**
- **Current agri-food market situation**
- **Medium term risks and implications**
- **Concluding remarks**



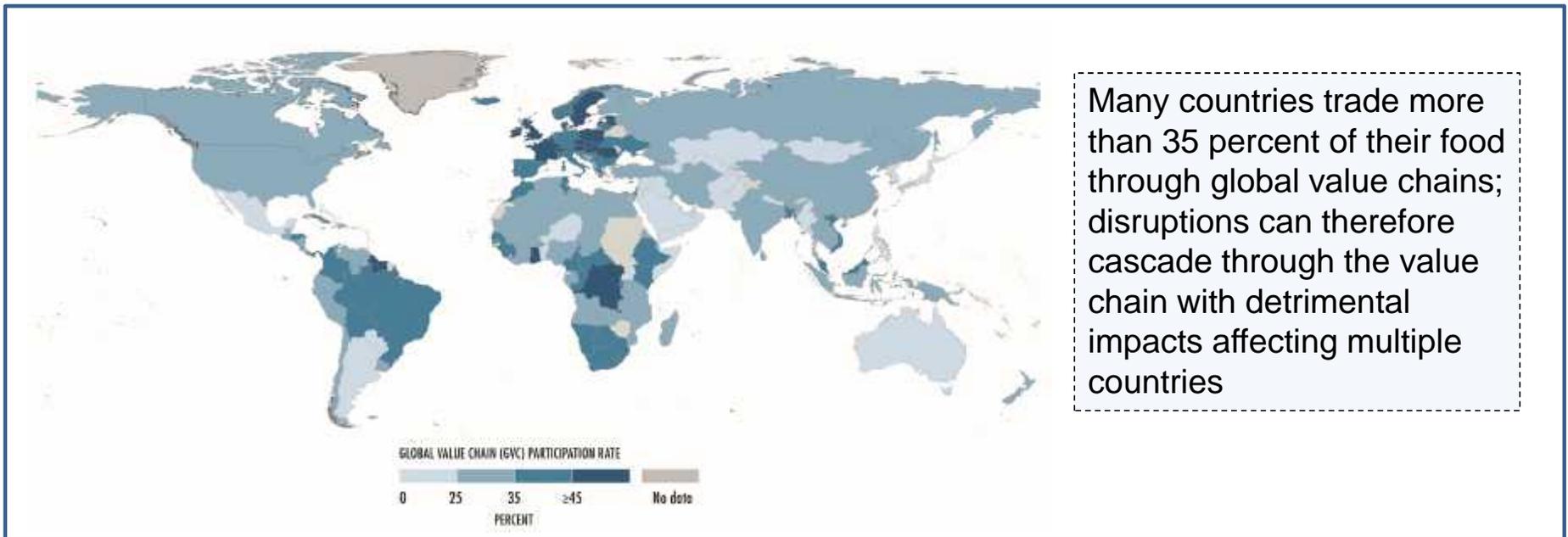
CONCLUDING REMARKS (1/2)

- COVID-19 led to **significant disruptions to food supply chains**; despite these shocks, **overall, agri-food trade and global value chains proved resilient**, although some products were affected more than others (e.g. meat and dairy vs. cereals)
- Policy makers responded by imposing **export and import restrictions, lowering import barriers, and/or using domestic measures**; **trade restrictions were generally short-lived**
- Compared to past food price crises, e.g. 2007/08, **market fundamentals are different today**: while the FAO Food Price Index has been rising over the last five months, prices remain below peak levels; cereal markets are well supplied, and global stocks to use ratio relatively high compared to historical levels
- Going forward, based on current projections of the impacts of COVID-19 on economic growth, energy markets, trade and labour costs, **both agricultural production and demand are expected to slow down, with implications for LDCs**



CONCLUDING REMARKS (2/2)

We are currently witnessing a resurgence of COVID-19 cases and containment measures globally. It is **important to avoid trade restricting measures**, as these can **exacerbate disruptions in both the demand and supply side, with detrimental effects on most countries worldwide**



Source: FAO State of Agricultural Commodity Markets 2020: <http://www.fao.org/publications/soco/en/>



Food and Agriculture
Organization of the
United Nations

SUSTAINABLE
DEVELOPMENT
GOALS

THANK YOU
