Global Trade Agenda and Agriculture Priorities: Agribusiness Perspectives

Ellen Terpstra
IPC President
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World Agricultural Trade

Value has more than tripled since 1980. Major participants are Europe, Asia and North and South America.

Source: WTO
U.S. agricultural exports by category

What’s Changing?

• Commodity price volatility
• Developing countries ag trade and use of subsidies
• Policies – biofuels, crop insurance, food safety
• Climate - increase in extreme events
• Population and urbanization
* The real price index is the nominal price index deflated by the World Bank Manufactures Unit Value Index (MUV)
Trade Policies Affect Wheat Prices

US $/ton

Source: Author’s reconstruction based on Brown et al. (2008), Headey (2011) and additional information.

Producer Support Estimates 1995-97 and 2010-12, Percent of Gross Farm Receipts

Challenges and Opportunities from Climate Change

Need for “Climate-Smart Agriculture” to improve resilience to:
- Different weather, including more frequent extreme events;
- Changes in pest and disease occurrences;
- Movement or extinction of plant varieties and animal species.
## Projected Population Growth to 2050 (millions)

<table>
<thead>
<tr>
<th>Region</th>
<th>2013</th>
<th>2050</th>
<th>Change</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>7,137</td>
<td>9,727</td>
<td>+2,590</td>
<td>+ 36</td>
</tr>
<tr>
<td>High Income</td>
<td>1,246</td>
<td>1,311</td>
<td>+ 65</td>
<td>+ 5</td>
</tr>
<tr>
<td>Low Income</td>
<td>5,891</td>
<td>8,416</td>
<td>+2,525</td>
<td>+ 43</td>
</tr>
<tr>
<td>East &amp; S.E. Asia</td>
<td>2,206</td>
<td>2,349</td>
<td>+ 143</td>
<td>+ 6</td>
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<tr>
<td>South Central Asia</td>
<td>1,846</td>
<td>2,531</td>
<td>+ 685</td>
<td>+ 37</td>
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<tr>
<td>Sub-Saharan Africa</td>
<td>926</td>
<td>2,185</td>
<td>+1,259</td>
<td>+136</td>
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<td>Latin America/Carib</td>
<td>606</td>
<td>780</td>
<td>+ 174</td>
<td>+ 29</td>
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<tr>
<td>N. Africa &amp; W. Asia</td>
<td>459</td>
<td>721</td>
<td>+ 262</td>
<td>+ 57</td>
</tr>
</tbody>
</table>

“Middle Class” Outside the U.S. Expected to Double By 2020 – Approaching 1 Billion Households

Foreign households with real PPP incomes greater than $20,000 a year (in millions of households)

Middle class in developing countries projected to increase 160% by 2020 vs. just 15% in developed countries

Source: Global Insight’s Global Consumer Markets data as analyzed by OGA/FAS/USDA
## Projected Population Growth (millions)

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</thead>
<tbody>
<tr>
<td>World</td>
<td>7,137</td>
<td>8,095</td>
<td>+ 958</td>
<td>+ 13</td>
</tr>
<tr>
<td>High Income</td>
<td>1,246</td>
<td>1,285</td>
<td>+ 39*</td>
<td>+ 3</td>
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<tr>
<td>Developing</td>
<td>5,005</td>
<td>5,652</td>
<td>+ 647</td>
<td>+ 13</td>
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<tr>
<td>Least developed</td>
<td>886</td>
<td>1,158</td>
<td>+ 272</td>
<td>+ 31</td>
</tr>
</tbody>
</table>

Trade Will Be Key to Meeting Needs in:

- Least developed countries
  - Food security, including improving productivity, infrastructure, local economies
  - Climate change
  - Population growth
- Emerging middle class in developing economies
  - Increased consumption of meat, dairy, fruits, vegetables
- High-income countries
  - Consumer choice reflecting concern with process

HOW WE MAKE OUR PRODUCT MATTERS

A cup of yogurt won’t change the world, but how we make it might.
Agribusiness Concerns

• Reconcile governments’ regulatory approaches
  – Transparency, cooperation, equivalence, science basis
• Use internationally recognized standards for SPS/food safety
• Minimize costs to bring innovation to market
• Facilitate quick resolution of import issues
• Facilitate trade along the value chain
Bound vs. Applied Ag WTO Tariffs

Source: WTO
WTO Issues

- Improve market access
  - Huge gap in bound vs. applied tariffs
- Strengthen rules on export restrictions
- Clarify treatment of biofuels and crop insurance
- Minimize market price distortions due to “food security” or price support measures
Preferential Trade Agreements

• TPP and TTIP have enormous potential
• Need no/few exceptions for agriculture
  – Time to resolve decades-old trade barriers
• Essential to find improved consistency in regulatory approaches and requirements
  – Risk-based decision making
  – Regulatory convergence
  – Equivalence
  – Enforcement for enhanced disciplines
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