

# *Food market uncertainties and their impact on the livestock sector's prospects*

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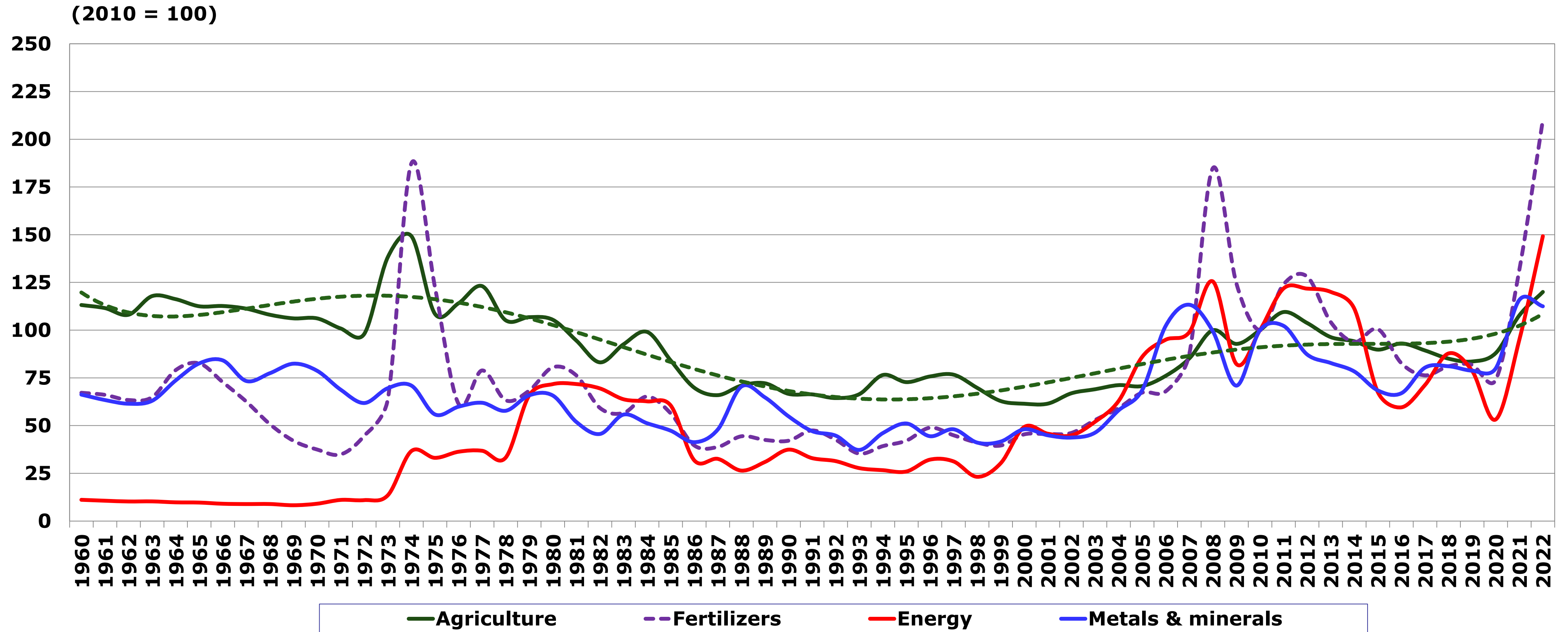
*European Livestock Voice Event*

*FIGAN Livestock Fairs Zaragoza, 29 March 2023*

*\*Views expressed are strictly personal.*

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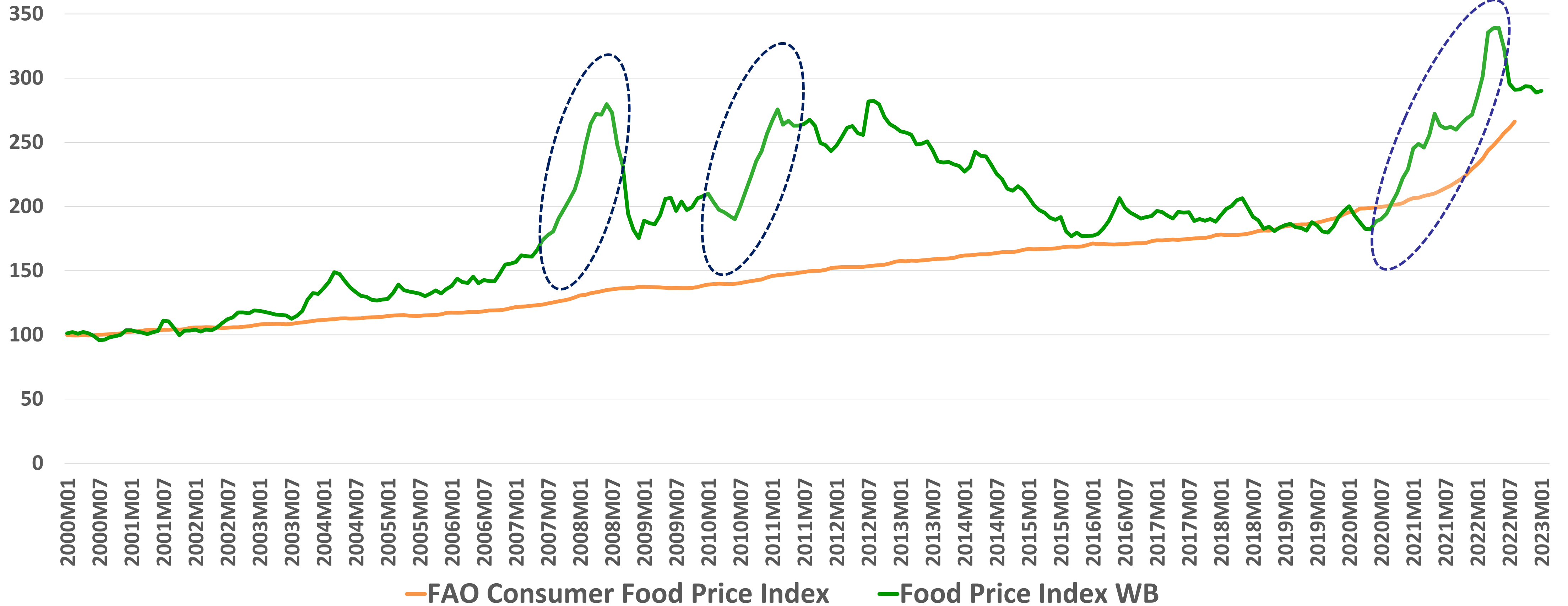
# Commodity price cycles (annual real price indices)



Source: World Bank.

# *What the farmer receives and the consumer pays*

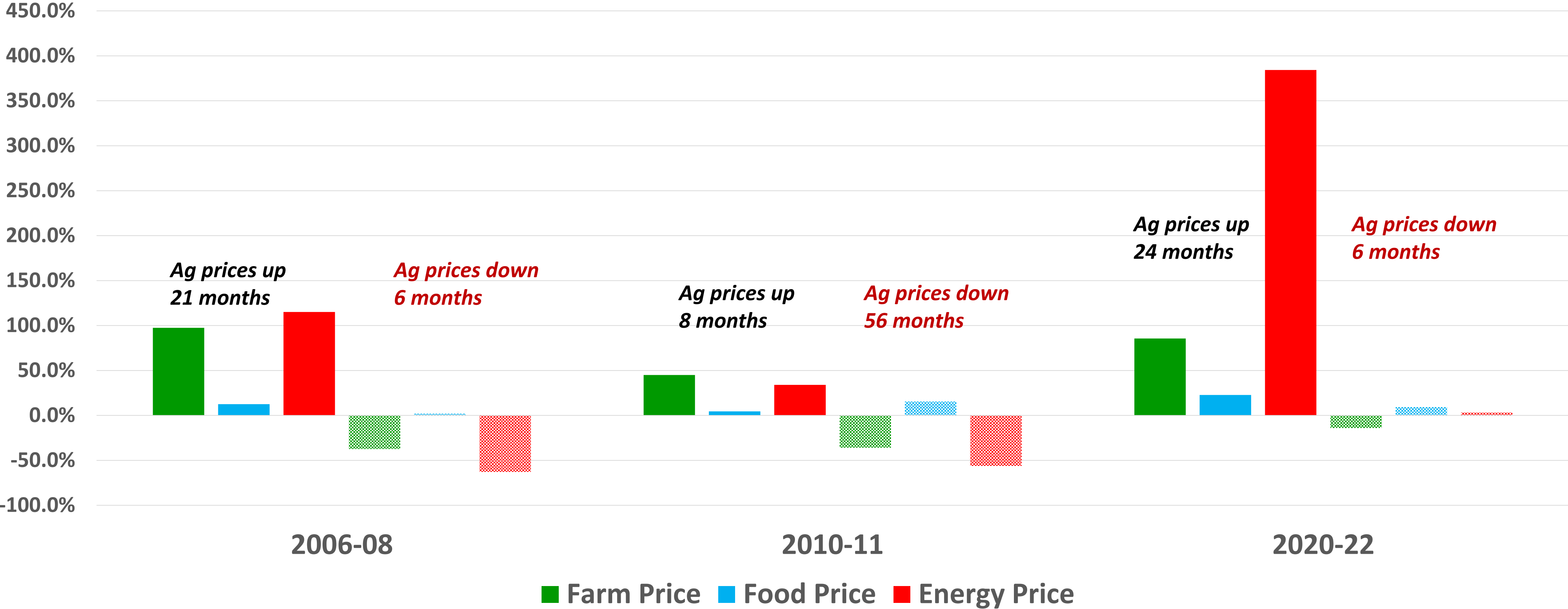
Global food price indexes (2000=100)



Source: Rebasing (2000=100) based on own calculations from the and the World Bank for consumer and producer prices, respectively.

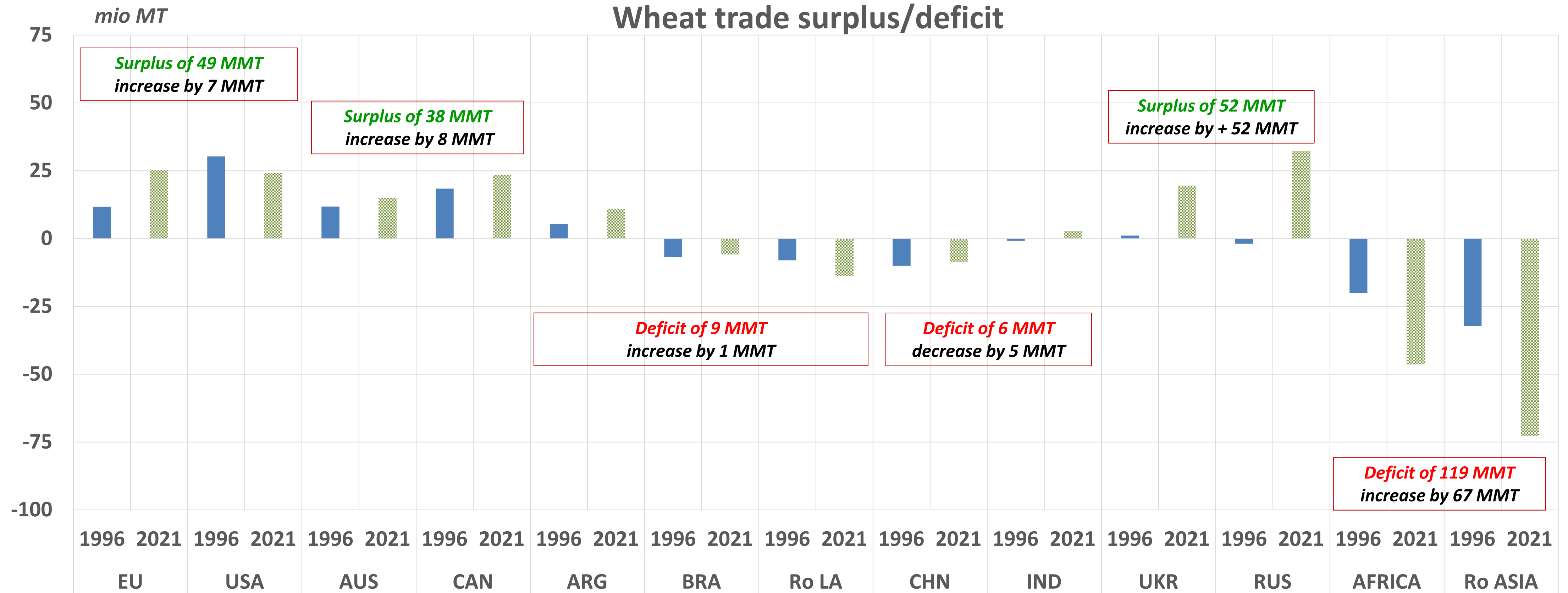
# What goes up must come down (but by how much?)

Price changes from price trough to price peak and reverse



Source: Own calculations based on FAOSTAT (Consumer Food Price) and World Bank (Food Price and Energy Price).

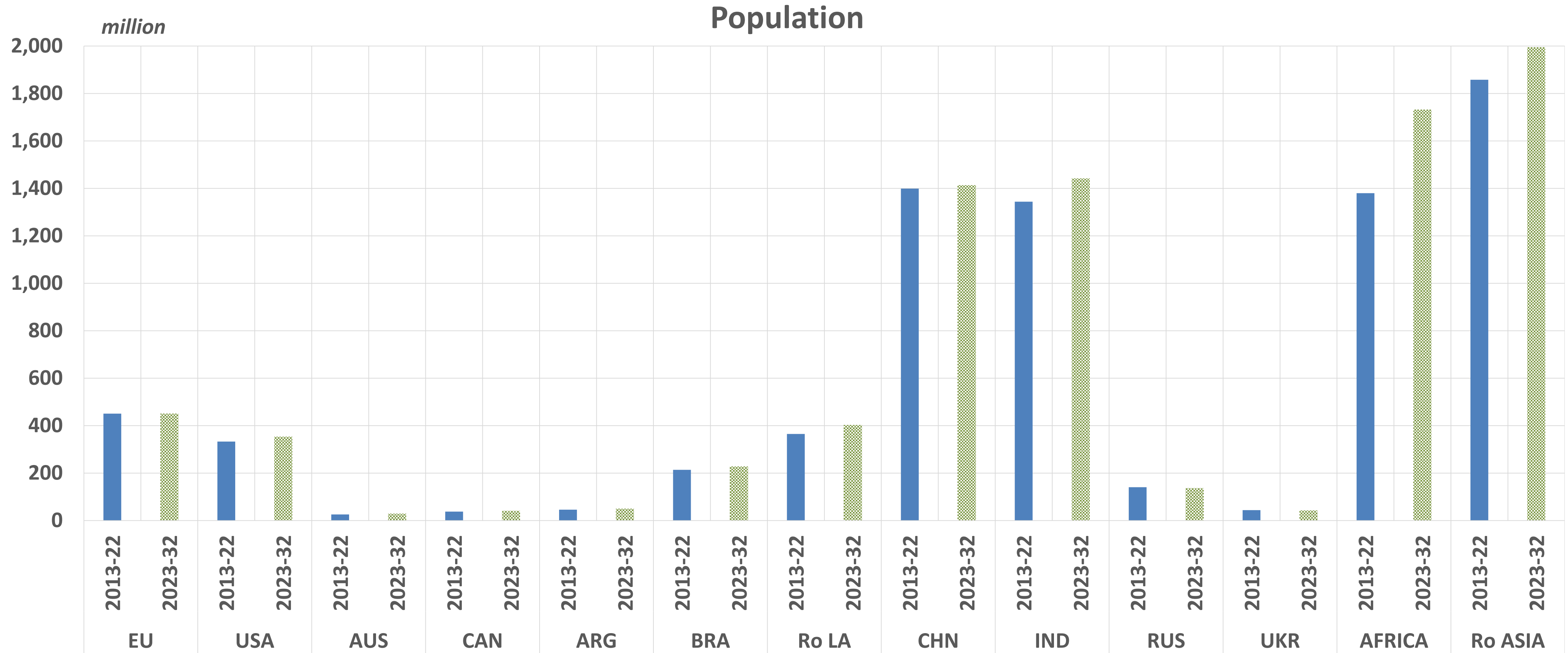
# Past wheat net trade changes (1996-2021)



Source: Own calculations based on FAOSTAT trade. Wheat includes wheat flour.

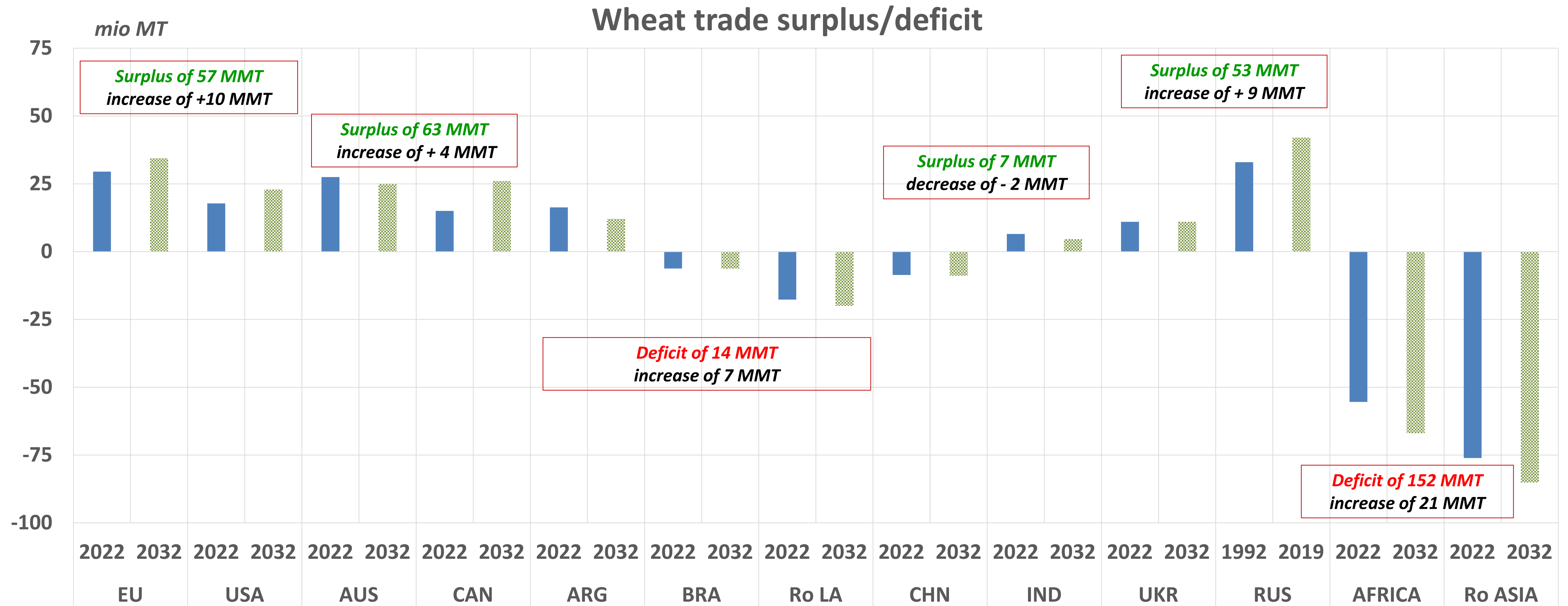
Note: Net trade is the difference between reported exports and imports. Reference years are 3-year averages of 1994-96 and 2019-21.

# Population dynamics is the main food demand driver



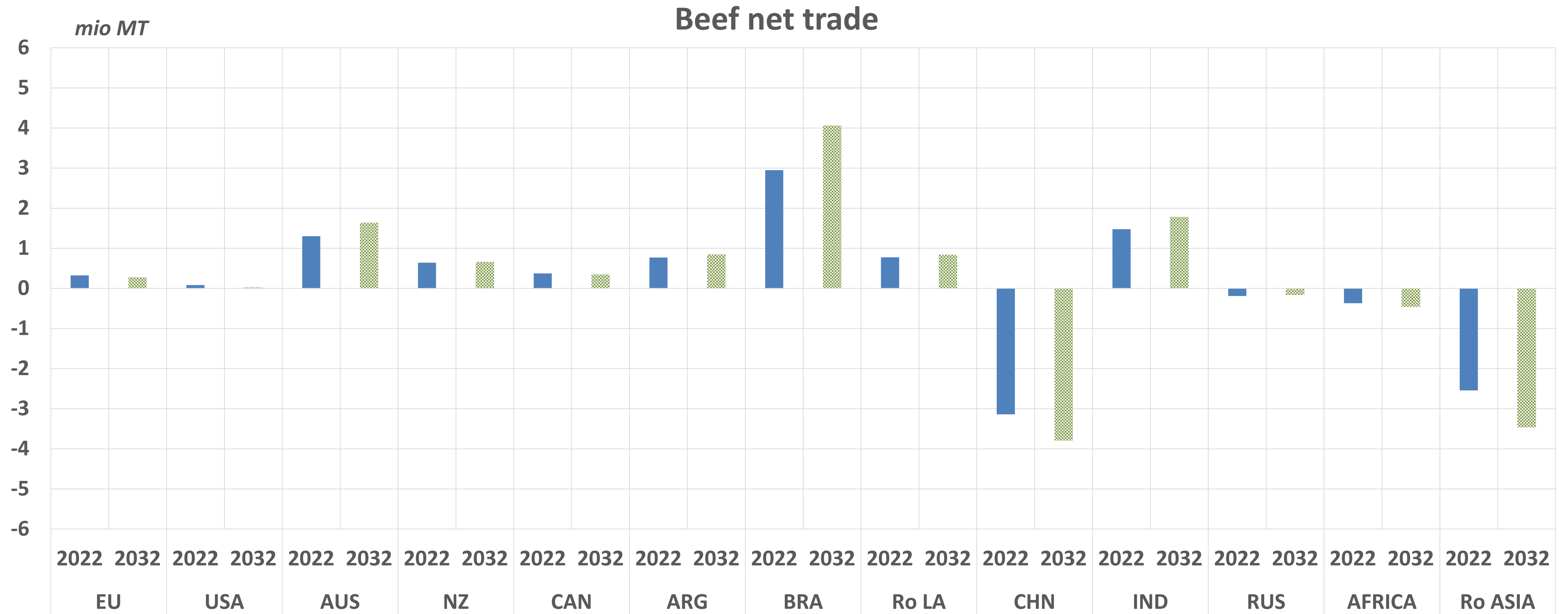
Source: Own calculations based on USDA 2023 projections.

# Wheat net trade expectations



Source: Own calculations based on USDA's February 2023 projections.  
 Note: Net trade is the difference between reported exports and imports.

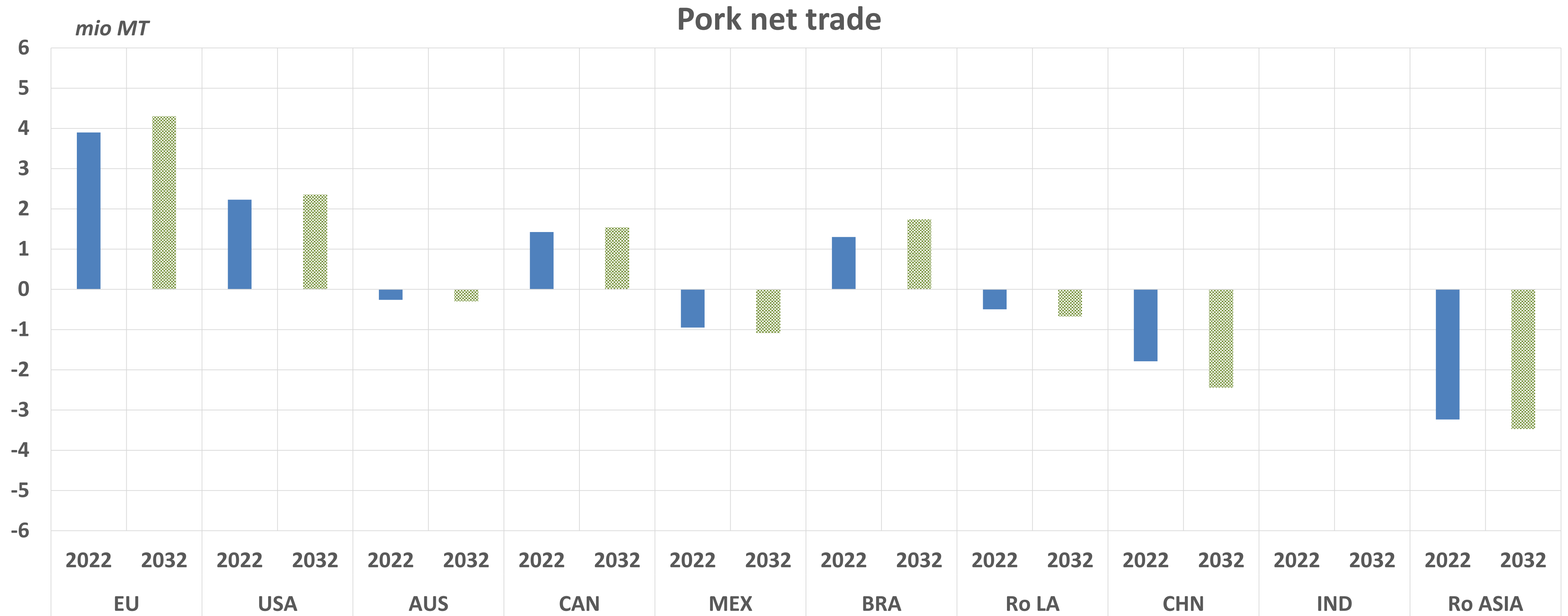
# Beef net trade expectations



Source: Own calculations based on USDA's February 2023 projections.  
 Note: Net trade is the difference between reported exports and imports.

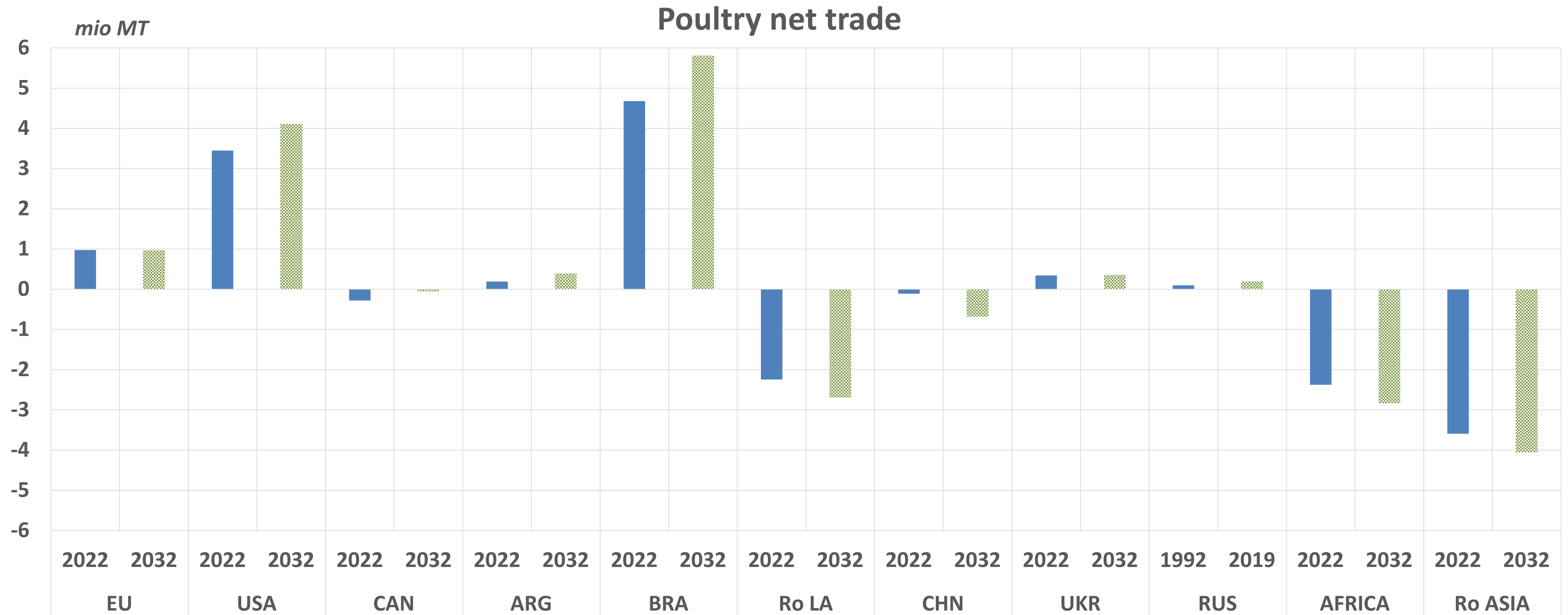


# Pork net trade expectations



Source: Own calculations based on USDA's February 2023 projections.  
 Note: Net trade is the difference between reported exports and imports.

# Poultry net trade expectations



Source: Own calculations based on USDA's February 2023 projections.  
 Note: Net trade is the difference between reported exports and imports.

# *The broader environment impacting the CAP debate*

## **The inverse reality of EU's farm policy debate**

- *EU's agriculture is the only major agriculture contributing to emission reductions – and gets no credit for it!*
- *Land management and soil are at the core of improving farming's footprint – yet most proposals sideline this!*
- *Farm productivity is central in economic growth – sustainably improving it should not imply undermining it!*

## **Two price booms: “déjà vu” or a new (ab)normal**

- *High price level, co-movement and volatility in all commodities reflect similarities between 2008 and 2021*
- *Macroeconomic factors differ (demand-driven debt crisis vs supply chain bottlenecks/inflation) – and there is war*
- *Exogenous factors dominate the current price surge, limiting options in the (EU and global) farm policy toolkit*

## **A non-exhaustive list of polarisation hampering the farm policy debate**

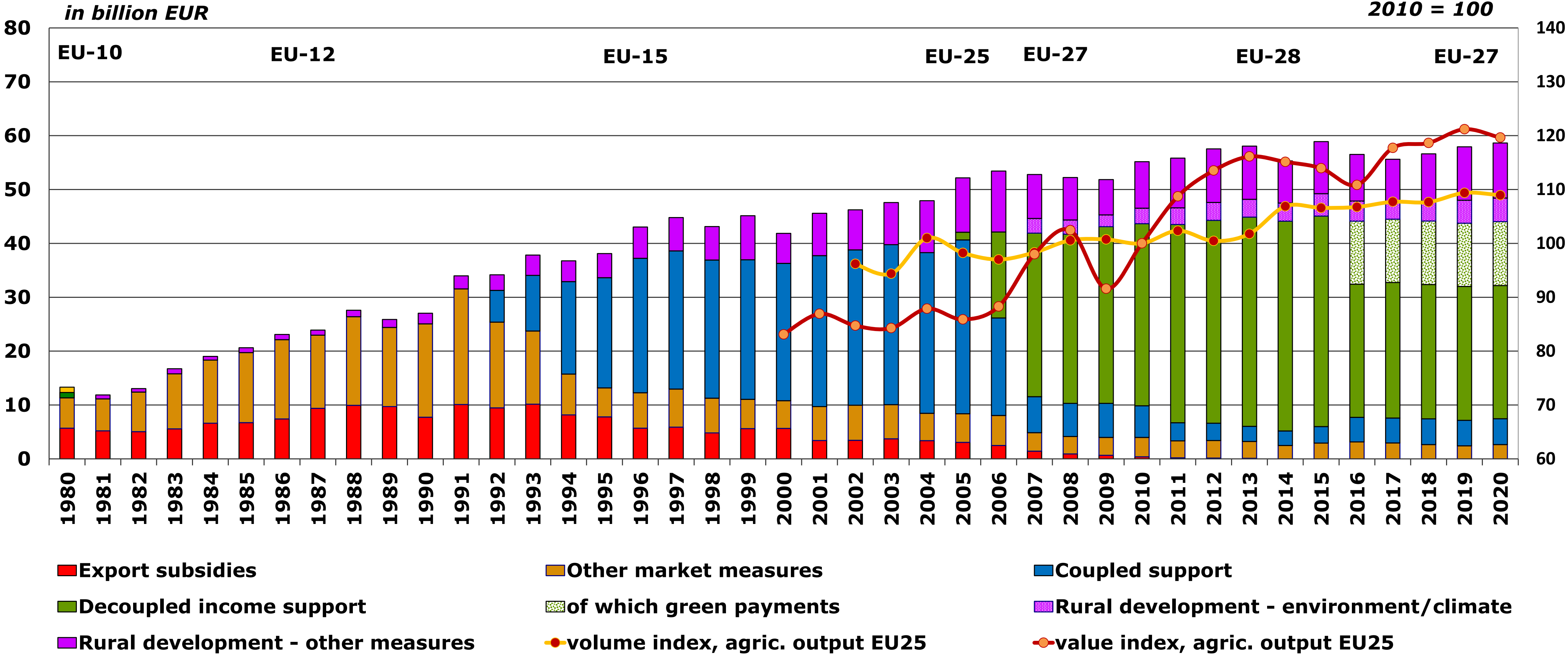
- *False dilemma No 1: food security or climate action – both are global problems requiring global solutions*
- *False dilemma No 2: public money for public goods – markets also fail private goods especially in the food chain*
- *False dilemma No 3: “go local” is the solution – more local focus mitigates, but does not solve global problems*

**The European (and not only...) farm policy debate**

**in a nutshell, or rather**

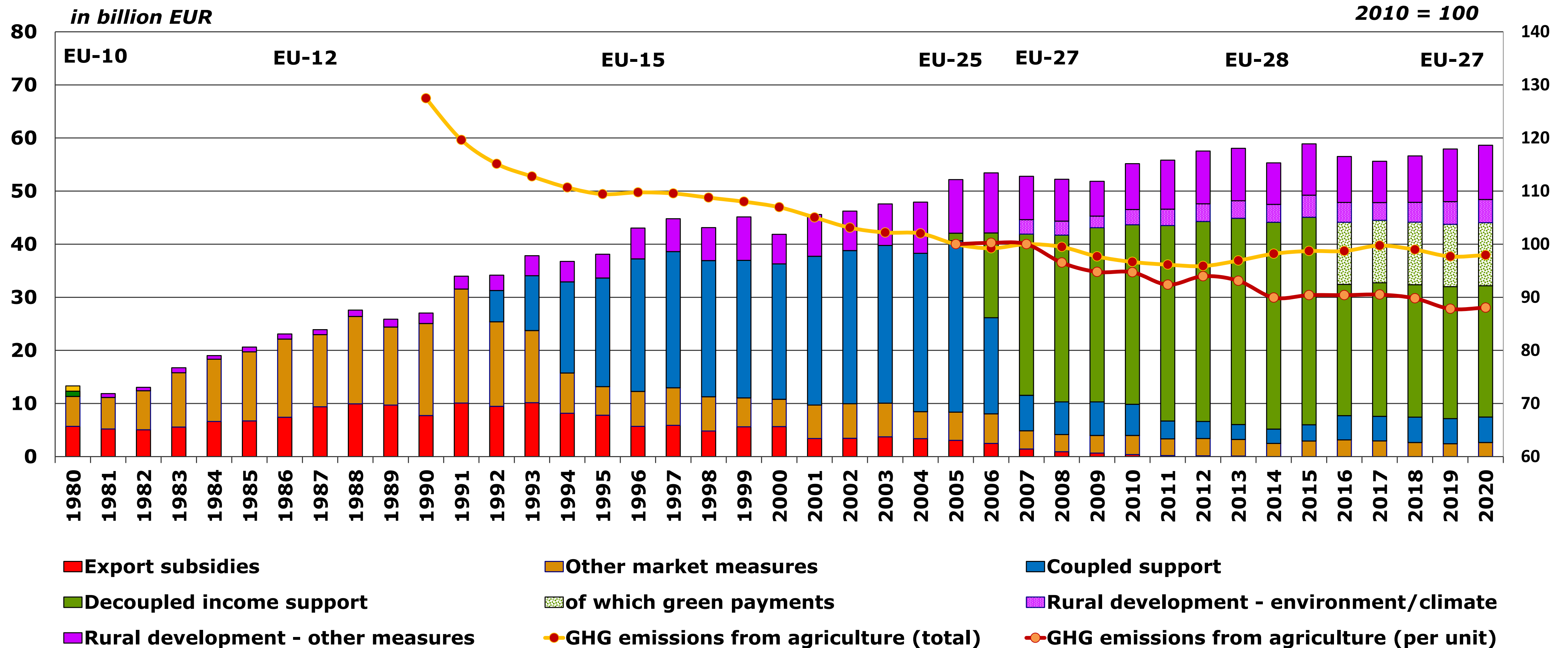
**in two graphs**

# Increases in agricultural output volume and value ...



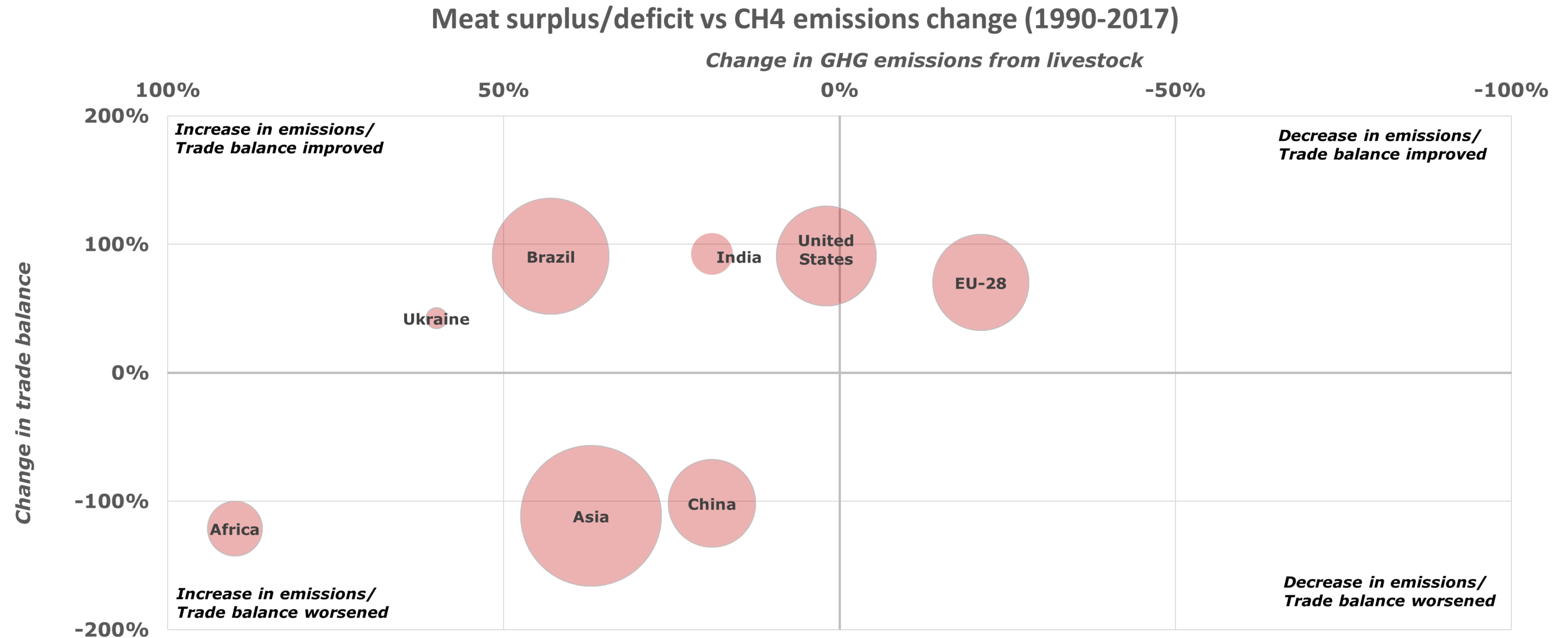
Source: EC-DG AGRI. Budget figures are actual in nominal terms.

# ... marked by a slowdown in GHG emissions progress



Source: EC-DG AGRI. Budget figures are actual in nominal terms.

# Food vs emissions: meat trade-offs and synergies



Source: DG AGRI (B. Lanos) based on FAOSTAT.

# *Where does livestock fit in this?*

## **Pressure on land!**

- *Permanent grassland provides an invaluable contribution to carbon sink and biodiversity...*
- *...yet the polarization of the food security vs climate action debate risks having it as its victim...*
- *...especially since broader economic prospects are less favourable in these regions!*

## **Pressure on emissions!**

- *Once more the focus is a bipolar focus on reducing emissions - intensive or extensive - we need them both...*
- *...but above all we need a clear view of the direction towards which demand pulls production shifts...*
- *...and clear policy measures that promote measurable improvement of every practice from its baseline.*

## **Pressure on cattle numbers!**

- *We need to produce “more with less” at global level, and we cannot escape facing this reality!*
- *The dilemma is what contribution can we get from improved feeding productivity with technological change...*
- *...but inevitably we also need to address how productivity can lead to a decline in cattle herd*



# ***EU agriculture and the fear of productivity***

## **Sustainable productivity is a new and undefined terrain – this is not necessarily bad!**

- *“Googling” the term yields “balance between needs of employee and those of organization” – not exactly for us!*
- *“Jointness” is a term by OECD in 2008 to describe the joint economic and environmental approach of the CAP*
- *“Sustainable Productivity Growth Coalition” is the USDA-led UN Food Systems Summit initiative*

## **Better to avoid defining and focus on describing the term**

- *Productivity is a straightforward output/input relationship – but externalities complicate the input side*
- *Sustainability claims repeat at nauseam its three dimensions – but balance them in different ways*
- *Meaningful discussion implies identifying weaknesses in one-sided approaches - economic or environmental*

## **Where the focus needs to be**

- *Climate mitigation starts with adaptation, and the need to get the lessons from existing best practices*
- *There is no monopoly of best practices, yet knowledge gaps hamper the necessary lessons of their pertinence*
- *Most of expected changes are outside the EU – how do we address the implications?*

***Thank you!***