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منظمة  
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للأمم المتحدة

# FAO REGIONAL CONFERENCE FOR LATIN AMERICA AND THE CARIBBEAN

## Thirty-third Session

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### Panel 4: Prospects of Production and Food Trade in Latin America and the Caribbean

## I. TRENDS

### Data on agricultural performance in LAC indicate varying behaviour among countries

1. The volume of agricultural production of LAC or real agricultural value-added (AVA<sup>1</sup>) grew by 2.7% in 2011<sup>2</sup>, far below the growth in overall gross domestic product (GDP) of 4.3%. AVA growth is determined by conditions that vary widely among countries, without there being any manifest pattern of subregional behaviour (Figure 1). The countries that did best in 2011, with growth rates above 6%, were Chile (11.9%), Jamaica (9.8%), Bahamas (7.2%), Antigua and Barbuda (6.8%), Saint Kitts and Nevis (6.7%), Ecuador (6.4%) and Dominica (6.0%). At the other extreme are Saint Vincent and the Grenadines (-14.4%), Saint Lucia (-6.5%) and Belize (-5.5%), with sizeable falls in AVA. Outside LAC, United States also had a significant fall in production in 2011 (-13.6%). However, as will be seen later, agricultural revenues increased because of improvements in relative prices.

### Falling LAC<sup>3</sup> exports of agrifood commodities

2. World agrifood trade has decreased because of the contraction of economies in developed countries and the slowdown of China's economy. Against this backdrop of contracting world trade, LAC was gradually recovering from a 11% fall in agrifood exports in 2009; however preliminary data for 2012 indicate that the region's agrifood exports dropped by 0.5% (affected mainly by lower raw materials exports from the Southern Cone to China). According to ITC information (2013),

<sup>1</sup> The AVA index is referred to in real terms, this being an index of volume of production where each of its components is weighted by the value of the production in a base period.

<sup>2</sup> At the time of writing, no data available were available for 2012; however, reference is subsequently made to preliminary data for selected LAC countries.

<sup>3</sup> LAC trade is the aggregate of 30 countries (Argentina (ARG), Bahamas (BHS), Barbados (BRB), Belize (BLZ), Bolivia (BOL), Brazil (BRA), Chile (CHL), Colombia (COL), Costa Rica (CRI), Dominica (DMA), Dominican Republic (DOM), Ecuador (ECU), El Salvador (SLV), Grenada (GRD), Guatemala (GTM), Guyana (GUY), Haiti (HTI), Honduras (HND), Jamaica (JAM), Mexico (MEX), Nicaragua (NIC), Panama (PAN), Paraguay (PRY), Peru (PER), Saint Lucia (LCA), Saint Vincent and the Grenadines (VCT), Suriname (SUR), Trinidad and Tobago (TTO), Uruguay (URY) and Venezuela (VEN). Data for these countries are available for the 2005-2012 period in the database of the International Trade Centre (ITC).

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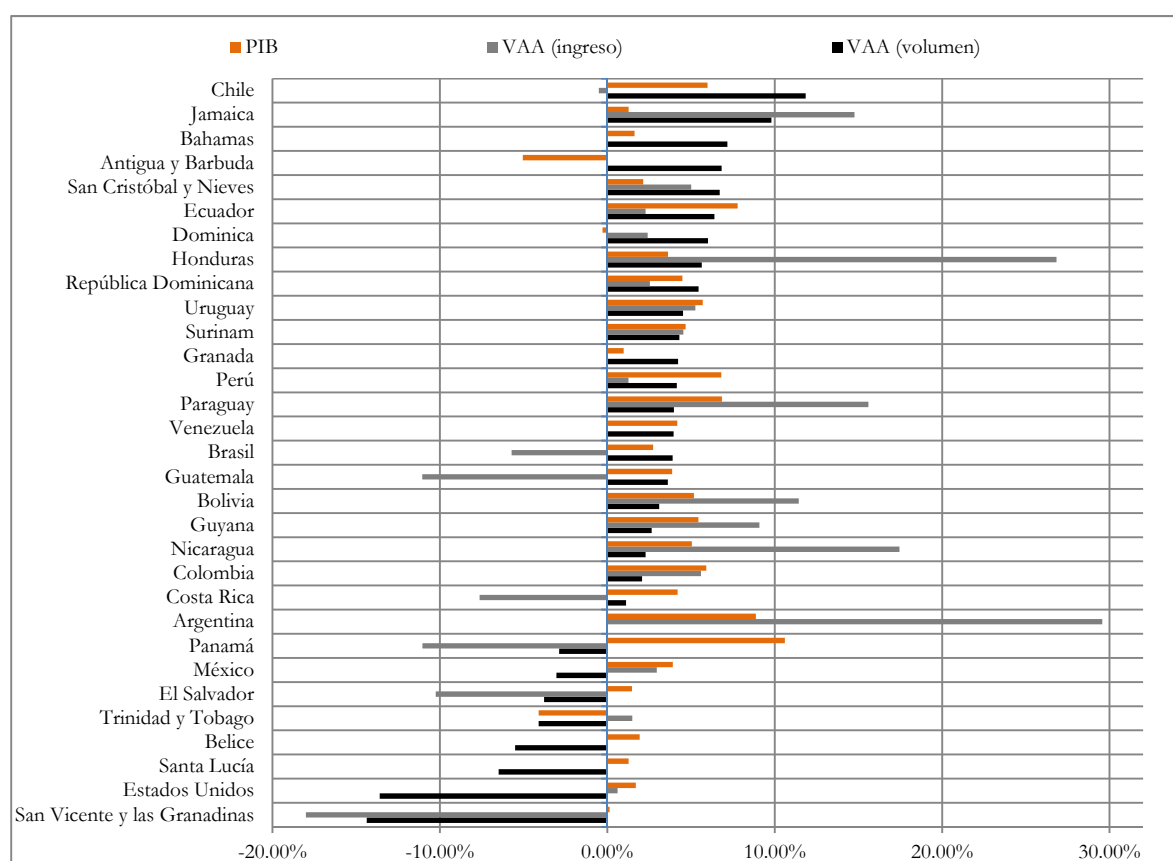


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Argentina's agrifood exports appear to have fallen 4.0% in 2012, a country that accounts for over 20% of regional exports.

3. Even though LAC agrifood exports have slowed because of the global economic environment, they grew by an annual average of 11.4% during the 2005-2012 period, which is higher than the 9.9% average growth of world agrifood exports, according to CAESPA calculations with data from the ITC (2013).

**Figure 1**  
Annual rates of growth of GDP and AVA in the Americas (in percentages, 2011). Countries in descending order of AVA-volume growth



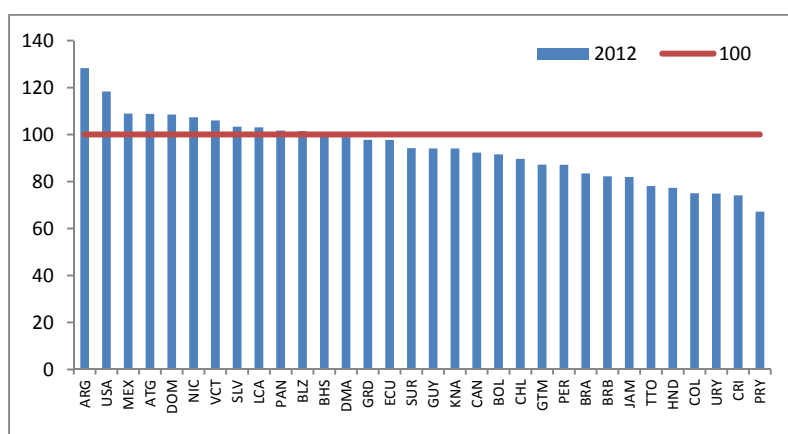
*Source: IICA and CAESPA with data from the World Bank 2013, ECLAC 2013 and OECD 2013.*

*(Translator's note: I am afraid I am unable to edit this chart. The equivalent text in English reads: GDP, AVA (revenue), AVA (volume). The countries are: Chile, Jamaica, Bahamas, Antigua and Barbuda, Saint Kitts and Nevis, Ecuador, Dominica, Honduras, Dominican Republic, Uruguay, Suriname, Granada, Peru, Paraguay, Venezuela, Brazil, Guatemala, Bolivia, Guyana, Nicaragua, Colombia, Costa Rica, Argentina, Panama, Mexico, El Salvador, Trinidad and Tobago, Belize, Saint Lucia, United States, Saint Vincent and the Grenadines)*

4. The appreciation of local currencies against the dollar (the most prolonged since the 1970s) has eroded the competitiveness of agricultural exports from most of the LAC countries and has benefited US agricultural exports. Of 33 countries included in the analysis, 21 present a real

effective appreciation<sup>4</sup> of their local currencies within a range from 40% in Venezuela to 0.7% in Bahamas (Figure 2). In Trinidad and Tobago, Honduras, Colombia, Uruguay, Costa Rica and Paraguay, the real effective appreciation is 20% up from base year 2005. For another group of 10 countries, agricultural exports have benefited from the devaluation of their respective currencies against that of their principal trading partners. Argentina leads this group with 28.2% devaluation from base year 2005, followed by Mexico (8.9%), Antigua and Barbuda (8.8%) and Dominican Republic (8.6%).

**Figure 2**  
Real effective exchange rate of LAC agrifood exports, 2012 (2005=100)



*Source: IICA (CAESPA) with trade data from the United Nations (COMTRADE), exchange rate data from the ERS/USDA, World Bank and central banks for certain Caribbean countries, and inflation data from the IMF and EUROSTAT.*

### Following recovery in 2010 and good performance in 2011, agricultural production in LAC lost momentum in 2013.

5. The slowdown of 2012 mostly affected the Southern subregion. There were similar falls in Central America and the Caribbean. This did not occur in Mexico or the Andean subregion. The main cause was the climate, principally flooding and droughts that favoured pests and had a significant impact on output. The situation was compounded by Hurricane Sandy. However, production projections for 2013 and 2014 appear optimistic, in spite of the downward trend of international commodity prices. This forecast is based on a recovery of world demand driven by growth of the global economy.

6. Besides production, the value of LAC agricultural exports fell in 2012. This decline was mainly caused by a reduction in coffee exports (notably Brazil and Colombia) and oilseed exports (Argentina and Paraguay). This affected the trade balance, given that imports continued to rise.

The forecast for the coming years depends exclusively on the absence of adverse impacts of extreme weather conditions and a further weakening of the US dollar.

### LAC continues to post impressive figures for increased meat and milk production. The region's cattle inventories and meat production are concentrated in a few countries.

<sup>4</sup> Signifying that the local currency is stronger in purchasing terms than the currencies of trading partner countries, which in turn implies that exports from that country are perceived abroad as being more expensive. The CAESPA calculations use bilateral exchange rates (local currency/foreign currency), deflated by the consumer price index of each country and weighted according to the participation of main trading partners in agricultural exports in the last three years.

7. Meat and milk production in LAC has grown rapidly in the last ten years (led by poultry production which has doubled). Beef, pigmeat and milk production have followed this trend, growing by more than one-third during the same period. This increase has placed LAC as the region with the highest proportion of global beef, sheepmeat and poultry production, and practically the same proportion in terms of global milk production.

8. Among the factors that propelled the higher production was the widespread adoption of new technologies and better practices. This led to increased productivity which, in the case of pigmeat and poultry production, placed LAC close to US levels and above the global average. LAC meat production is expected to continue rising in the next decade, although at a slower rate. This forecast is based on the growing comparative advantage of South American countries, the expected relative increase in per capita income, a shift in consumer preferences from beef to poultry and pigmeat, and public policies designed to stimulate production.

9. LAC beef exports have more than doubled since 2000, while pigmeat and poultry exports have increased more than fourfold. Brazil stands out as the leading LAC exporting country, accounting for almost 89% of poultry exports, more than 70% of pigmeat exports and more than 50% of beef exports.

10. LAC has continued to import dairy products, largely because of the increase in per capita income. However, higher domestic production has reduced net imports of these products.

**Loss of forest cover and forest degradation continue to be relevant issues in LAC, depriving rural populations of development opportunities.**

11. LAC is losing almost 4 million hectares of forest each year because of land settlement policies and an expanding agricultural frontier. This reflects a lack of vision of the forest potential for economic and social development. However, there are signs of change in the way society perceives the role of forests in mitigating climate change and promoting food security.

12. The loss of forests directly affects family farmers, depriving them of development opportunities because of lost forest-based goods and services, but also because of accentuated variability of climate. Carbon capture by natural and planted forests therefore appears as a great opportunity for small farmers and forest-dwelling communities, especially indigenous communities.

**Aquaculture production will cover the increase in fish demand, avoiding wild fish capture for processing into fishmeal.**

13. Fish production (in the region and at global level) has grown at an average rate almost double that of global population growth and has become the world's fastest growing food producer, because of higher fish production and better distribution channels. Current distribution remains asymmetrical as consumption is concentrated in China and Europe.

14. In spite of the growth, the region accounts for no more than 20% of world production. Over 70% of fish production is concentrated in South America and in predominantly industrial production: Atlantic salmon.

15. One problem is that 85% of the world's wild fish catch is from fishing grounds that are either fully exploited or over-exploited, and more than 22% of these captures are used to manufacture fishmeal and fish oil to feed captive species.

16. The forecast for this product is that, if current per capita consumption is maintained, 23 million additional tonnes of fish will be required by 2020. As capture fisheries is expected to remain at 80 million tonnes (because of overfishing), the excess in demand will have to be met through artificial breeding. At the same time, demand for fish for human consumption is also expected to increase, with a consequent reduction in the volume directed towards the manufacture of fishmeal and fish oil from 22% to 17% in 2021.

**Forests could play an increasingly important role in the generation of income and as livelihoods for agricultural rural communities.**

17. In rural areas, the forests and trees that normally grow within agricultural holdings are essential for the survival of farming families as they provide inputs for agricultural and livestock activities (construction of fencing, livestock pens, sheds), as well as food and feed. Although there are no data to indicate the economic importance of forests for the rural household economy, we know that the sale of wood, fruits and other forest products constitutes a significant source of income for small agricultural producers in the region. This activity can account for over 80% of the livelihoods of some rural inhabitants.

18. Forests are also the principal source of energy for the rural communities of LAC. According to FAO (2011), 81.3% of the wood consumed in Central America is used for charcoal, while the figure for South America is approximately 50%.

The vegetation of arid and mountain areas provides rural communities with wood for fuel and construction, and is an important source of feed for their cattle.

## II. PROSPECTS

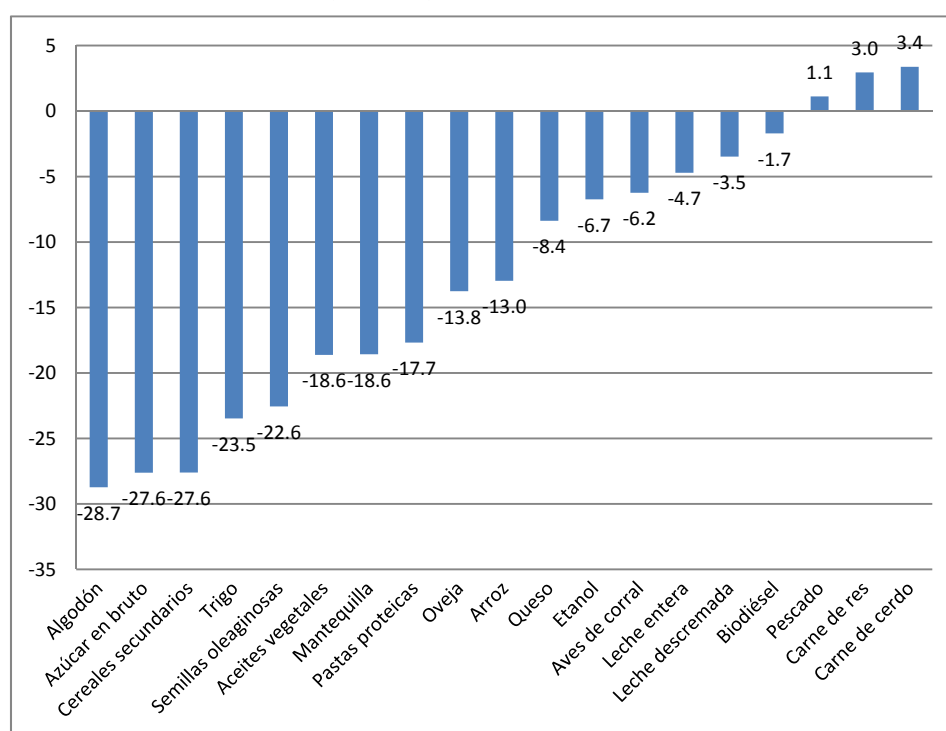
### **International prices will remain high in nominal terms but will fall in real terms.**

19. The nominal prices of agricultural commodities will remain high in the next decade (2013-2022) relative to the previous decade (2003-2012), which includes episodes such as: the price spikes associated with the crisis of 2007-2008, the heatwave in the countries of the former Soviet Union and droughts in US and Europe (OECD/FAO, 2013). If the comparison base period is changed to 2010-2012, only the nominal price projections for dairy products, fishery products and biofuels will remain above those of this period.

20. In real terms (discounting the effects of inflation), all projected commodity prices for 2022 (with the exception of beef, pigmeat and fish) will be below the average prices of the previous decade (see Figure 3).

21. The prices of pigmeat, beef and fish are projected to be 3.4%, 3% and 1.1% higher, respectively, in the next decade. Prices projected to be more than 20% lower in real terms are those of cotton (29%), raw sugar (28%), coarse cereals (28%), wheat (23%) and oilseeds (23%).

**Figure 3**  
**International prices of agricultural commodities and foodstuffs in real terms**  
**(percentage changes 2013-2022 vs 2010-2012)**



**Fuente: OECD/FAO 2013.**

*(Translator's note: Unable to enter this figure. The English text reads: Cotton, Raw sugar, Coarse grains, Wheat, Oilseeds, Vegetable oils, Butter, Protein meals, Sheep, Rice, Cheese, Ethanol, Poultry, Whole milk, Skimmed milk, Biodiesel, Fish, Beef, Pigmeat)*

22. In the shorter term, USDA price forecasts for the 2013-2014 harvest period point to record production levels and lower prices for most grains and oilseeds. By way of reference, maize prices in the US are projected at US\$189/t for the 2013-2014 harvest period, far below the price levels of the 2012-2013 period (between US\$266/t and US\$301/t). Soybean and wheat prices are expected to fall 26.6% and 11.4%, respectively. The exception is rice, whose price is expected to rise by 2% in 2013-2014 to US\$335/t, which is slightly higher than the levels recorded in the last five years (Glauber 2013).

23. The prices of meat, eggs and dairy products will trend upward in the short term, because of record prices of raw materials used for animal feed, such as maize, soybean and alfalfa. For example, in the US, the milk-feed price ratio fell to 1.52 in 2012, when historically this ratio has even been above 3 (Cessna). Faced with the shock of high feed prices, beef prices will rise more slowly than other meat prices because of beef production's longer response time. Pressure on beef and dairy production costs will ease towards the end of 2014, when the impact of lower raw materials prices is felt.

24. World cotton *stocks* have largely increased because of China's support policies for domestic prices, which are much higher than international prices. At the same time, because of better past prices

for maize and soybean, Brazil (leading producer in the Southern region) has reduced its cotton production by about 30%. The tight stocks-to-use ratio will provide support to international prices in 2013. However, the expected downward trend in maize and soybean prices will put pressure on the upward trend of cotton prices in the short term, although much will depend on whether China maintains its domestic price support policy (USDA 2013).

25. The prices of tropical commodities, such as banana, coffee and cocoa, are also projected to fall during the 2013-2018 period, at an annual average of 3.3%, 2.9% and 3.7% respectively (IMF 2013). Coffee prices will remain low in spite of production reductions in Central America, Colombia and Peru due to coffee rust, which could be offset by a record harvest in Brazil for 2013-2014 (Safras y Mercado 2013). However, this forecast is uncertain as the USDA's latest estimate projects a fall in world coffee output of 3%, with 1.7 of these percentage points attributed to lower production in Brazil (FAS 2013).

### **Bilateral and regional negotiations will intensify**

26. The region is actively engaged in trade, economic partnership and customs agreements that will soon come into effect or are under negotiation. Prominent among these are the Pacific Alliance, the Trans-Pacific Strategic Economic Partnership Agreement, negotiations between countries and the European Free Trade Association and the Bolivarian Alliance for the Peoples of Our America (ALBA), and negotiations for Bolivia and Suriname's membership of MERCOSUR. Bilateral negotiations are also ongoing or about to enter into force this or next year, including the Argentina-China trade agreement and negotiations between Peru-Persian Gulf, Peru-Japan, Colombia-Israel, Japan-Singapore, Chile-Thailand, Central America-Korea and Ecuador-US. The negotiation of sanitary standards and consumer protection measures (e.g. intellectual property) will have implications for third countries which will have to adjust to the new requisites if they are to participate in trade.

### **The recent WTO Bali Agreement opens the way for development opportunities in global trade, but further actions will be required to sustain the positive effects**

27. In December 2013 the Ninth Ministerial Conference of the World Trade Organization approved a series of trade agreements referred to as the *Bali Package*. In general terms, measures were approved that would facilitate world trade as they would add transparency to the bureaucracy of commercial transactions and in doing so provide opportunities for the development of trade and the creation of employment, besides unlocking countless ongoing negotiations. The five decisions for agriculture covered: general services, tariff rate quota administration, export competition, cotton and public stockholding for food security purposes. This last decision is an innovation relative to previous agreements and provides an opportunity to contribute to the food security objectives of developing countries. While the commitment exists to achieve greater trade liberalization, the developed countries are urged to act on their commitments, for example, to eliminate export subsidies, thereby enhancing the export potential of the countries of Latin America and the Caribbean.

### **The LAC agrifood market offers significant potential for intra-regional growth**

28. Non-tariff barriers and transaction costs are jeopardizing the strong potential growth of intra-regional trade in agrifood commodities. Intra-regional agrifood exports represent only 15.9% of total LAC agrifood exports. The low regional trade integration is probably due to the lack of trade complementarities among countries and to the greater appeal of markets such as China. However, the principal impediments to the realization of the intra-regional trade potential are non-tariff barriers, the high cost of transport services, inadequate port and storage facilities and, as a common denominator of all the countries, very high logistics costs that are difficult to quantify.

### **Global supply and demand factors will favour LAC agricultural production, especially from 2014**

29. The outlook for LAC agricultural production is promising because of various factors converging to create a favourable context. Possible demand factors incentivizing farmers are: a)

predicted growth in food demand, particularly proteins, driven mainly by higher incomes in developing countries and their burgeoning middle classes, which some estimates put at 853 million households by 2022 (105% growth from 2012 figures), with aspirations of a better quality of life (Dwyer 2013), increasingly urban and with more diversified consumer patterns; and b) greater use of agricultural raw materials for non-food uses (especially biofuels).

30. With regard to supply, this favourable context is further enhanced by LAC's potential for greater production resulting from its rich biodiversity and its availability of uncropped land to extend the agricultural frontier, an area the World Bank estimates at 123 million hectares (Fischer y Shah 2011)<sup>3</sup>. LAC could also significantly raise productivity, especially of family farming, and reverse the trend of underinvestment in the sector, notably through innovation in production technologies, including new biotechnologies.

### **Stockfarming will play a key role in raising the welfare of LAC rural households**

31. It is fairly predictable that the rapid growth of livestock and meat production in the LAC countries will improve the living conditions of many of the region's rural poor. For many LAC rural households, livestock production is a source of food and income, as well as animal traction for farming, manure for fertilizer and fuel, and a means of accumulating wealth or status in good years and providing a safety net in bad ones. However, many small farmers could fail to benefit from growth of the livestock industry in LAC.

32. Indeed, the rapid adoption of new livestock production technologies, the development of more efficient production systems, growing market demand and related changes that are transforming the livestock industry in many LAC countries are having little impact on the lives of many of the region's small livestock producers.

33. For many poor rural households involved in some way in commercial markets, the growth of livestock production will represent an opportunity to earn cash to supplement subsistence needs and purchase production inputs (Otte et al. 2005), if encouraged by policy instruments. The closer these households are to the region's main urban areas, the more opportunities they will have to benefit from increasing demand for livestock products. In such areas, small farming households will benefit directly through contract production or by supplementing the supply from food wholesalers and retailers in urban areas. In more remote areas, measures such as small investments in infrastructure, extension of training and access to new technologies including enhanced genetic material, more efficient production management systems, veterinary services and other modern inputs will generate major social returns by enabling small livestock producers to enjoy some of the benefits resulting from the rapid expansion of livestock product markets in their country.

### **Overfished oceans and higher demand for fish could accentuate price volatility in the fisheries sector**

34. In the fisheries sector, unchanging supply and rising demand could lead to higher prices. Since the beginning of this decade, production has been unable to keep pace with demand, which has led to higher fish prices. It is assumed that this trend could continue until 2020 (FAO 2012a). In addition, higher fishery product prices could increase the risks of greater volatility.

35. With regard to fish supply towards 2022, fisheries is expected to increase by only 5%, while aquaculture is predicted to grow 35% relative to the observed average for 2010-2012 (fisheries could grow to 63 million tonnes and aquaculture to 85 million tonnes in 2022) (OECD 2013).

36. Restricted fish supply and higher costs of feed for the main commercial species are allowing international seafood prices to rise. Although shrimp prices have fallen in recent years, the prices of this and other farmed species, such as salmon and certain bivalves, are expected to increase substantially in the short term because of problems of supply and higher feed costs. This price increase has also affected some capture species, such as tuna. As a result, the fish price index has risen to exceptional levels in the last two years. Global fish prices will probably remain high in the coming months on account of the limited supply of some major species (FAO 2013a).



### III. CONCLUSIONS

37. The prospects for agriculture and livestock require a redoubling of effort to raise investment, productivity and efficiency as more sustainable sources of prosperity in the countryside. Long-term sustainability calls for higher production of food in terms of quantity and quality, with fewer resources and ensuring that prices are affordable to consumers; all this because of the expectation that agricultural prices will remain high in nominal terms during the next decade.

38. The adoption of measures to enhance price stability and make agriculture more resilient to climatic and economic risks, which have longer-term impacts on prices, represents a political challenge for the LAC countries. Because of the global nature of this issue, international and regional coordination will need to be stepped up to respond in a timely and appropriate manner to the effects of climate variability, high price volatility, recession in developed countries and the slowdown of developing economies.

39. With regard to the integration of intra-regional agrifood trade, attention should be given to strengthening economic integration among countries of the region as a crucial means of generating economies of scale and a more favourable condition in which to compete on markets outside the region. This will entail promoting greater coordination among countries, reducing non-tariff barriers to trade, harmonizing regulations, simplifying customs procedures and making these more transparent, and investing in the infrastructure needed to boost regional physical integration.

40. The opportunities associated with higher global demand for food should be seized, as this gives LAC a unique opening to expand supply and its agricultural exports and to exploit its relative abundance of natural resources. This will require a concerted effort on the part of governments and the private sector; an effort that is forward-looking and sustainable and that includes regional family farming.

41. Another unique opportunity lies in promoting agricultural insurance cover and access as an important tool of risk management. With few exceptions, agricultural insurance has not been properly developed in LAC, compared to the rest of the world, and has low market penetration. In this connection, public support policies should be adopted to develop national insurance programmes that are effective, affordable and sustainable, and that cover not only yields, but also incomes, index-based insurance and accessibility for small and medium agriculture. This will require actions to improve risk measurement and to strengthen public-private alliances involving three partners: government, farmers and insurance companies.

42. The full participation of LAC's poor rural producers in the benefits of rapid growth of the region's livestock industry will require policies and programmes of integration into livestock supply chains, so that they can move out of subsistence activities and into mixed and diversified production systems.

43. Livestock production policies aimed at reducing poverty can be classified into three groups: a) policies to enhance access to production inputs; b) policies to promote the production and efficiency of small farmers; and c) policies to stimulate higher-quality and more-competitive production through research and assistance with public funds to make sure that small farmers can comply with national, regional and international food quality and safety standards.

44. Public investments in information and communication systems serving rural communities will greatly help decision-making and will reduce the risks attached to the integration of small farmers in the supply chains. Also needed are policies that will reduce the costs to small farmers of integrating into livestock supply chains, such as measures to help them negotiate contracts, antitrust laws to permit price and purchase competition, and legal assistance to resolve contractual disputes. The creation of small farmer associations could also be an effective way of integrating small producers into commercial markets and supply chains.

45. Aquaculture production costs should be lowered to manage the risks of greater volatility associated with higher fishery product prices. This could be achieved by reducing dependency on fishmeal and fish oil. The technology already exists so it is a question of bolstering aquaculture

extension in the region. Technology transfer should focus on technical advances that permit an efficient and low-cost use of alternative feeds to fishmeal and fish oil. Priority should be given to breeders of species that have high demand for fishmeal, such as the carnivorous species that are widely farmed in the region, including shrimp and salmon, that account for 49% of regional aquaculture production. As these production activities are undertaken mainly by the private sector in Chile, Ecuador, Brazil and Mexico, joint action could be taken by the State and the private sector, organizing seminars, technology field visits and workshops to share experiences and determine specific goals.

46. Countries should take steps to resolve the problems associated with property titles and land allocation. An overhaul of ownership titles of small properties and rural and indigenous communities is essential for economic development, especially development of forest activities. In this connection, it is vitally important to implement the “Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security” which set out principles and practices that governments can refer to when drafting laws and administering rights to land, fisheries and forests. The long time-horizon of forest activities requires security of land tenure. However, this topic needs to be linked with strategies and mechanisms that will facilitate the development of communities and the integrated management of their properties, because land titling alone will not ensure that a property is consolidated or that its natural resources are used appropriately.