

# Presentation Frank van Tongeren

## *Pork and supermarkets*

*The OECD has constructed an outlook that offers valuable insights in the main dynamics of the food system for the coming years. Frank van Tongeren, Senior economist for the OECD, presented the outcomes and showed how supermarkets and Chinese pork consumption may come to dictate the food system in the long run.*

## *The long term perspective*

Several factors have led to the volatility in food prices that we are currently experiencing, namely a short supplies, low stocks, a strong demand, policy decisions taken in a context of panic and speculation in futures markets. However, all of them are short-term movements. If we adopt a fifteen year perspective, we then need to examine the longer term drivers of change.

The OECD has constructed a ten year Outlook, based on the assumption that the current macro-economic and policy climates remain unchanged in that period of time. Keeping this assumption in mind, the results are very interesting. In terms of change over the course of the next fifteen years, we discover that both production and consumption growth occurs mainly outside of OECD countries. This is where the real dynamism is. Trade will expand greatly for almost all food commodities, and most of this expansion will result in increased trade between developing countries.

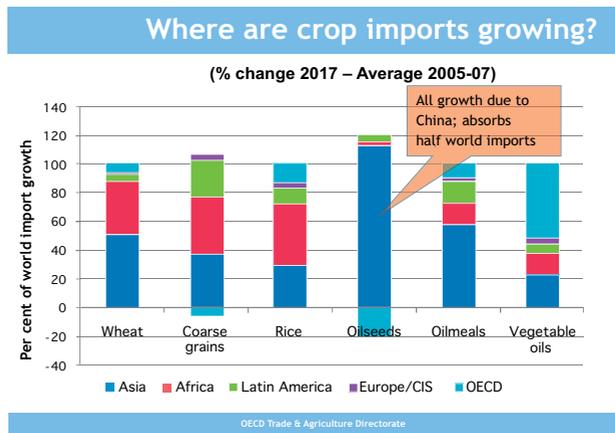
## *China: the meat-feed story*

Rice will remain central to the Asian diet. Consumption and production will dip slightly in China, whereas overall production increases in South-East Asia. Furthermore, Thailand will consolidate its position as world market leader (circa thirty percent of the world market), and India will move toward self-sufficiency. An area of particular interest



is the production of coarse grain and oil seeds. The rise in demand for these products will be primarily driven by the demand for feed in meat production. Figures show that China will absorb half of the world's imports of oil seeds, which will mainly be used to produce pork. South America will become the main supplier of feed for China's chicken and pig industries. Although China has all the potential to be auto-sufficient for grain, the dynamic between its internal feed and meat markets is far from optimal. For instance, while the Northern China exports feed to the world market, Southern China imports feed, mainly from South America.

India will demonstrate a comparable growth of income and a resulting change in diet, but it will be less pronounced than in China. Furthermore, if India continues with its protectionist trade policies, it will have to increasingly rely on domestic production to match rising food demand.



### The supermarket revolution

Historically, economic growth has always coincided with a process of “defragmentation” of markets. Indeed, with the implementation of economies of scale and scope, a market that is made up of many small players leads to a less fragmented form of organised transactions. On the consumer side of the market, income growth, urbanisation and the participation of women in the labour force all contribute to the creation of a supermarket-based food distribution system. South America has already seen tremendous development toward this type of model, while Asia has followed with a five to ten years delay.

In Asia, the challenge is to increase product quality and reduce transaction costs in an environment with a poor infrastructure and many smallholders with limited budgets. Change brought about by the private sector is currently leaning toward autonomous and parallel logistic systems, which deal with the entire chain from farm to fork. Therefore, farmers will almost have to “buy an entry ticket” to become part of modern