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Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada

Agriculture in Brazil and China: Key findings from the OECD

October 2005

Canadian Agriculture and Food International
(CAFI) Program

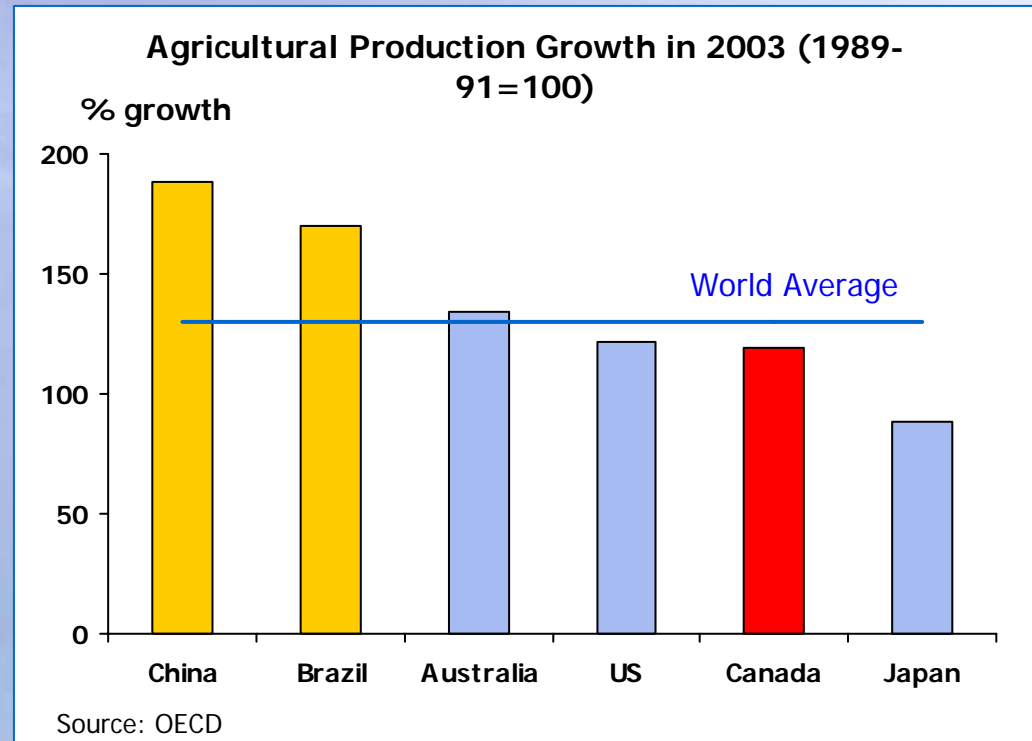
Canada

Presentation Overview

- Convey key OECD findings about agriculture in Brazil and China
- Identify the key results of policy reform
- Present implications for the future

Highlights from OECD reviews

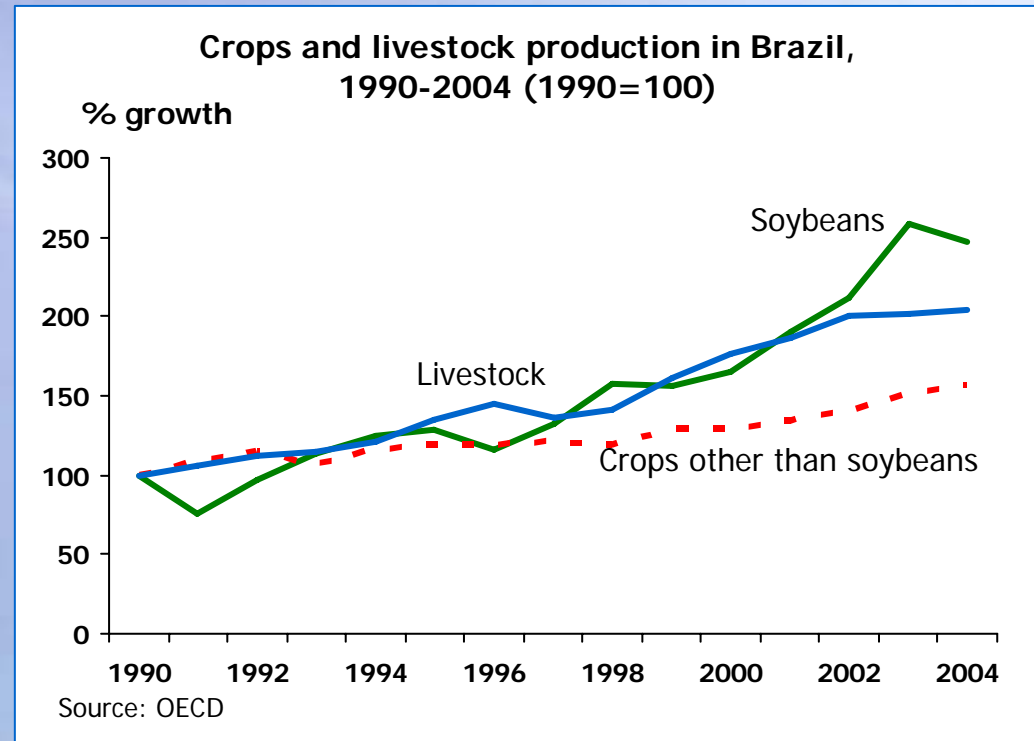
- Significant reforms stimulated agricultural production and agricultural trade in Brazil and China at very low levels of government support to producers
- Economic development offers potential opportunities for global growth, but challenges for future remain



Policy reforms helped Brazil to stimulate agricultural growth...

Broad economic policy reforms

- ✓ **Macroeconomic stabilization** – budgetary restraint
- ✓ **Structural reforms** – privatization and deregulation
- ✓ **Trade liberalization** – cut tariffs, eliminated non-tariff barriers, formed a customs union

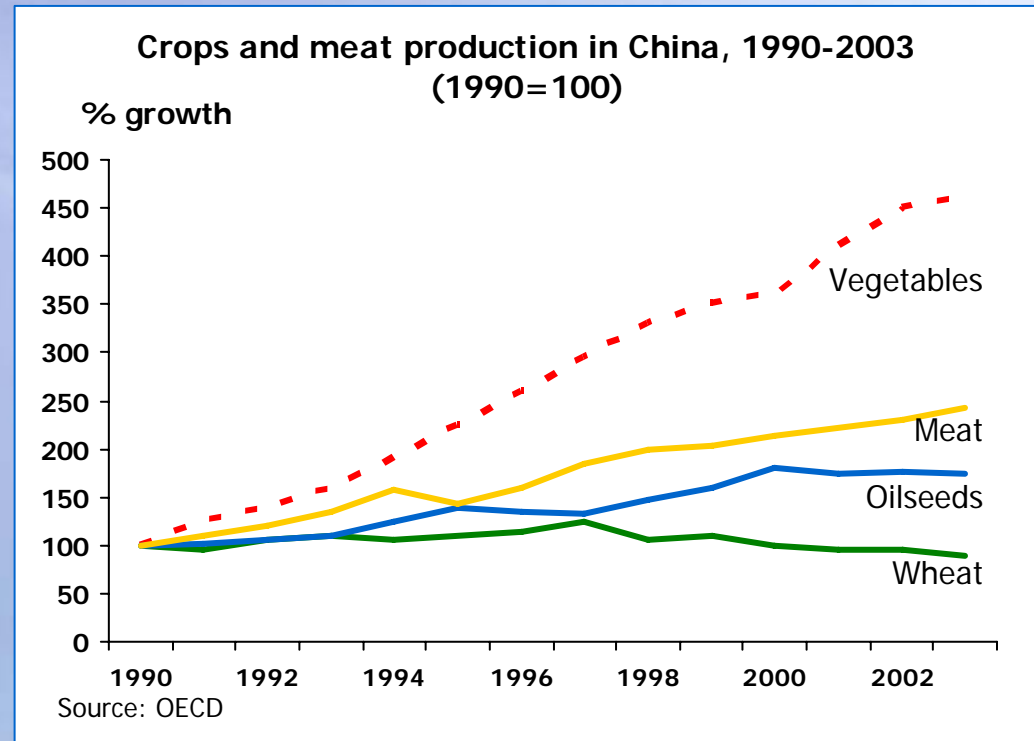


...with a significant increase in livestock and soybean production

China's reforms are market oriented...

Fundamental policy reform

- ✓ **1990-97** – move towards a market-oriented economy, substantial deregulation of agricultural marketing and fewer controls on food marketing and prices
- ✓ **1998-2005** – trade liberalization and emphasis on competitiveness, with the adoption of policies to support rural income and reduce farm taxes



*...resulting in substantial increases
in commodities with a competitive advantage*

KEY FINDINGS

Brazilian agri-food exports are booming...

Exports

- ✓ Value of agri-food exports increased close to 75% between 1990-94 and 2000-03
- ✓ Led by growth in soybeans, supported by sugar, poultry and pork

Imports

- ✓ Agricultural imports make up 7% of the country's total imports, mostly from Latin America and the Caribbean
- ✓ Key imports: Wheat (26%), soybeans, malt, rice, cotton and whole milk powder



...but its imports are not growing

KEY FINDINGS

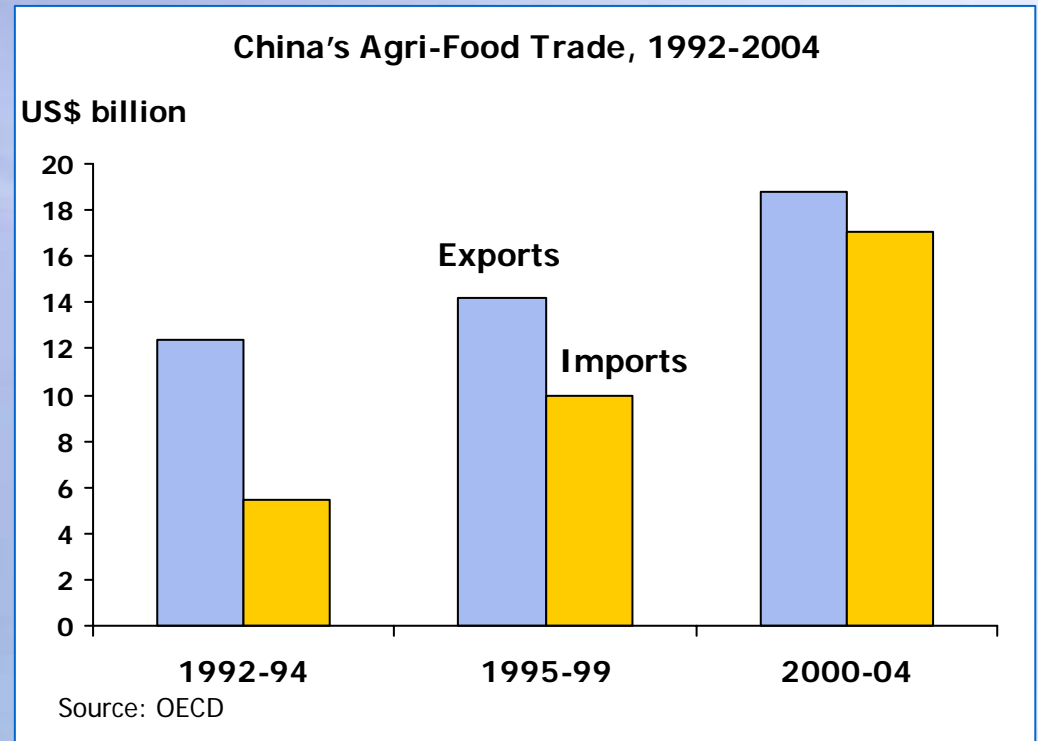
China is engaging in world markets...

Exports

- ✓ Agri-food exports grew annually at 6% from 1992-2003
- ✓ Meat, fish and related food preparations represent one third of the value of the agri-food exports

Imports

- ✓ China became a net importer of agri-food products in 2004
- ✓ Total imports of agri-food products (including fish) grew on average 12% per year
- ✓ Key imports are oilseeds, animal and vegetable fats and oils, fish, cotton and wool

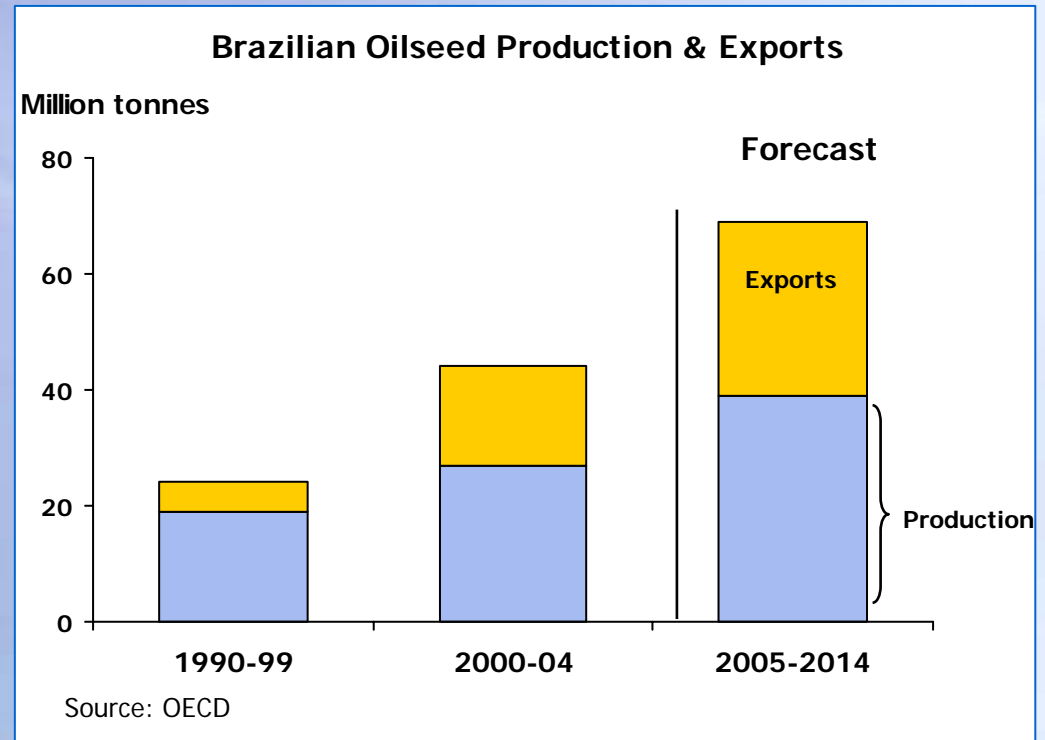


...and represents a significant import market

KEY FINDINGS

Production and exports of oilseeds are growing fast in Brazil

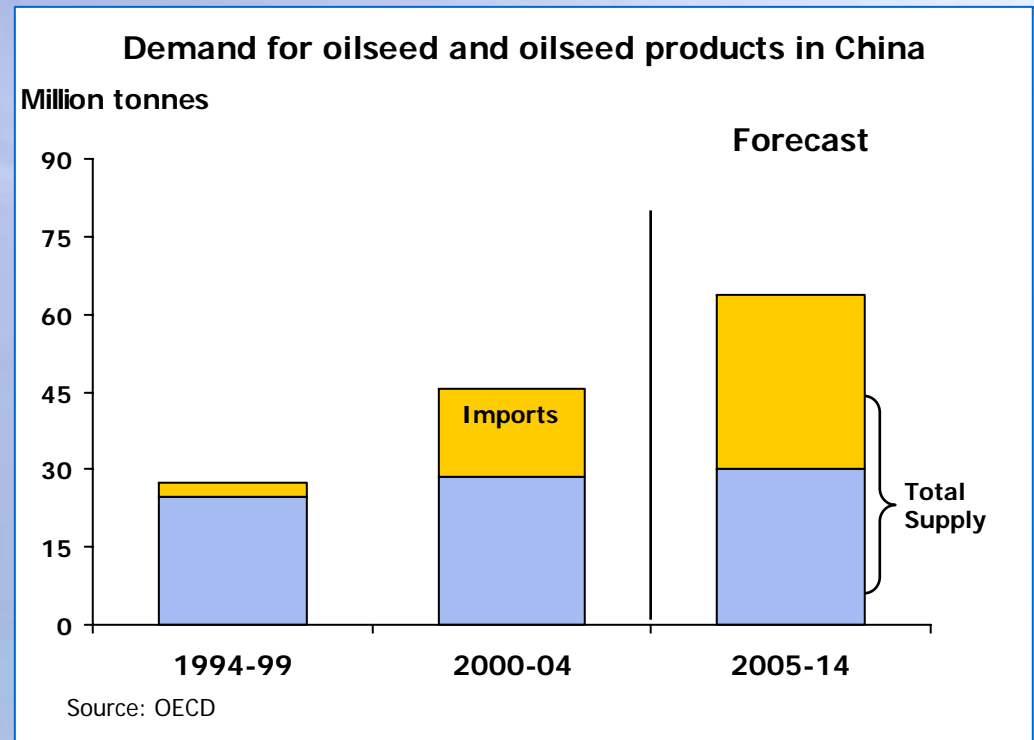
- ✓ Brazil's net oilseed exports increased by about 250% between 1990-99 and 2000-04
- ✓ Oilseed exports are projected to increase about 80% by 2014



KEY FINDINGS

Chinese demand for oilseeds has risen rapidly

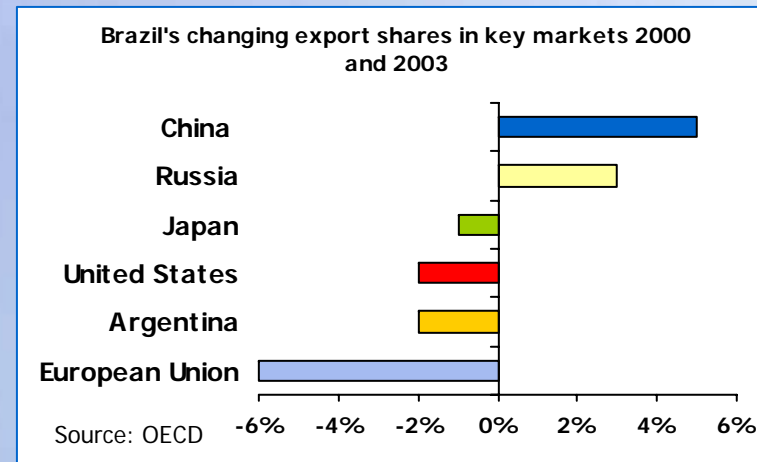
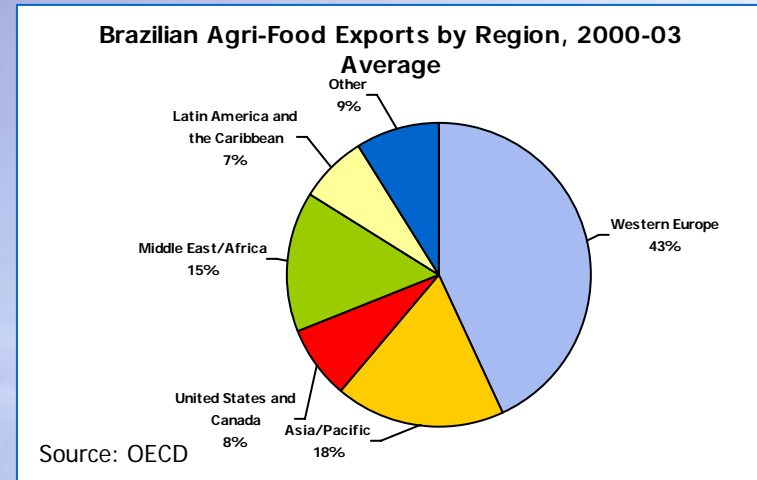
- ✓ In the mid-1990s, China switched from being a net exporter to a net importer of soybeans accounting for about 30% of global oilseeds trade
- ✓ China is expected to double oilseed imports by 2014



KEY FINDINGS

The EU is a very important market for Brazil

- ✓ OECD country markets are very important for Brazil, with more than 40% of agricultural exports destined for the European Union
- ✓ But the fastest export growth is with non-OECD countries, notably China and Russia

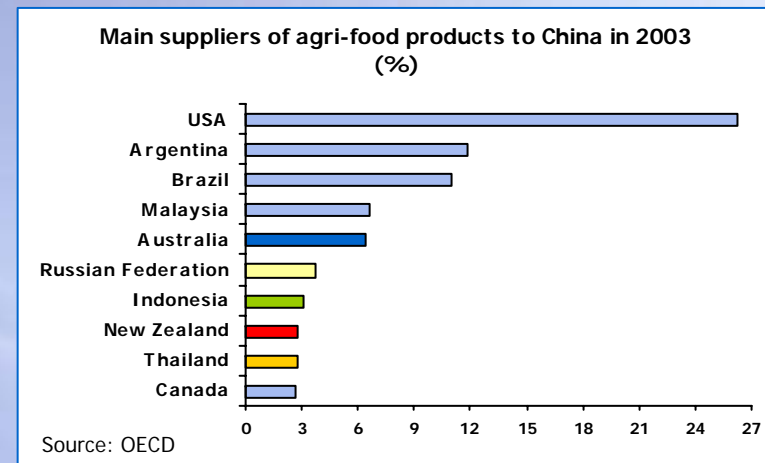


...but the fastest growing export markets are China and Russia

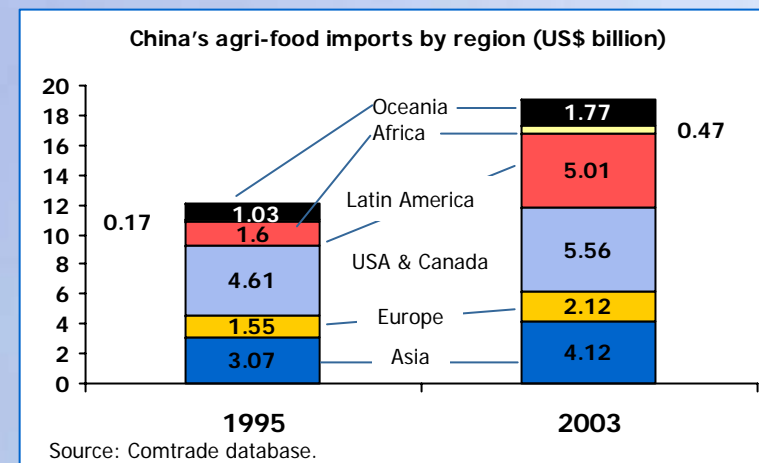
KEY FINDINGS

The United States is a major supplier to China...

- ✓ The United States is the largest supplier of agri-food and fish products to China



- ✓ However, imports from Latin America are growing more rapidly than from the U.S.



...but the U.S. is losing market share to Latin America

KEY FINDINGS

Future growth and development will depend on their ability to address key policy challenges

Brazil

- ✓ Improve infrastructure, especially roads and ports
- ✓ Improve the access to farm credit
- ✓ Ease tax burden on farmers
- ✓ Reduce poverty and income inequality
- ✓ Ensure that agricultural growth is not detrimental to the environment

China

- ✓ Close the rural-urban income gap
- ✓ Improve the access to farm credit
- ✓ Integrate small-scale farmers into markets
- ✓ Diminish negative impacts of agricultural growth on environment
- ✓ Continued liberalization of the Yuan

Implications for the future

- China presents a large market opportunity for export growth, but it is being captured by other developing countries
- Brazil has become a very competitive bulk commodity exporter
 - ❖ Canada's strategy is aimed at being innovative and competitive in bulk markets while diversifying into specialized markets
- Several new initiatives under the Agriculture Policy Framework are in place to help Canadian exporters compete
 - ❖ Value-chain roundtable – Innovation and value-added
 - ❖ Tracking and tracing – Best environmental practices, food safety and quality
 - ❖ Branding – Canada as a high quality supplier