

# On market trends and uncertainties

Challenges for sustainable productivity

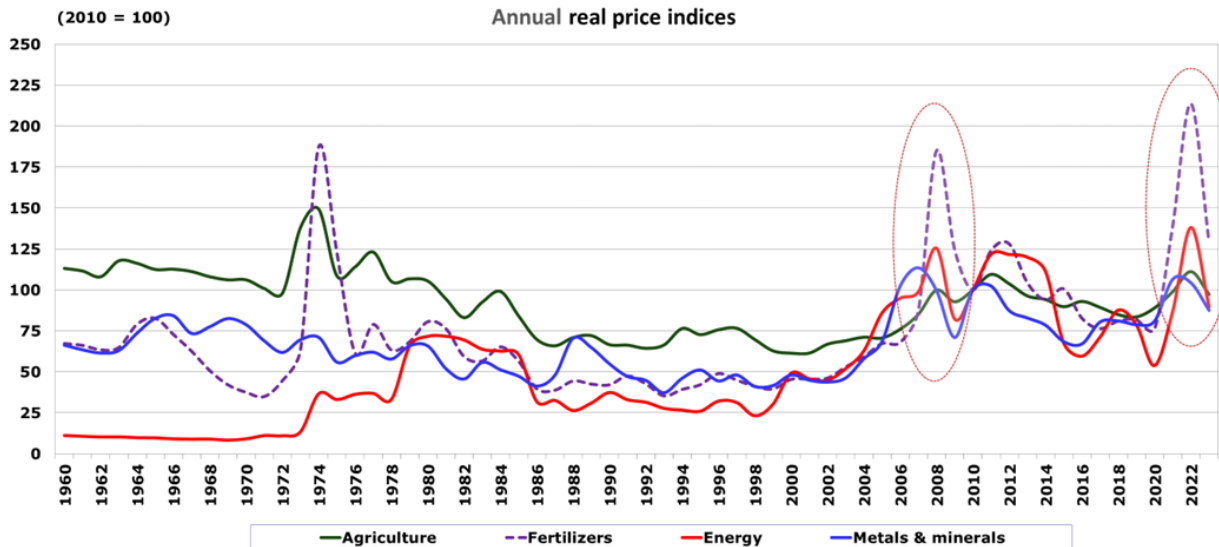


# Outline

- ❖ *What major changes are observed in world markets?*
- ❖ *How do they affect the desired “green transition”?*
- ❖ *What new challenges and old/new opportunities emerge?*



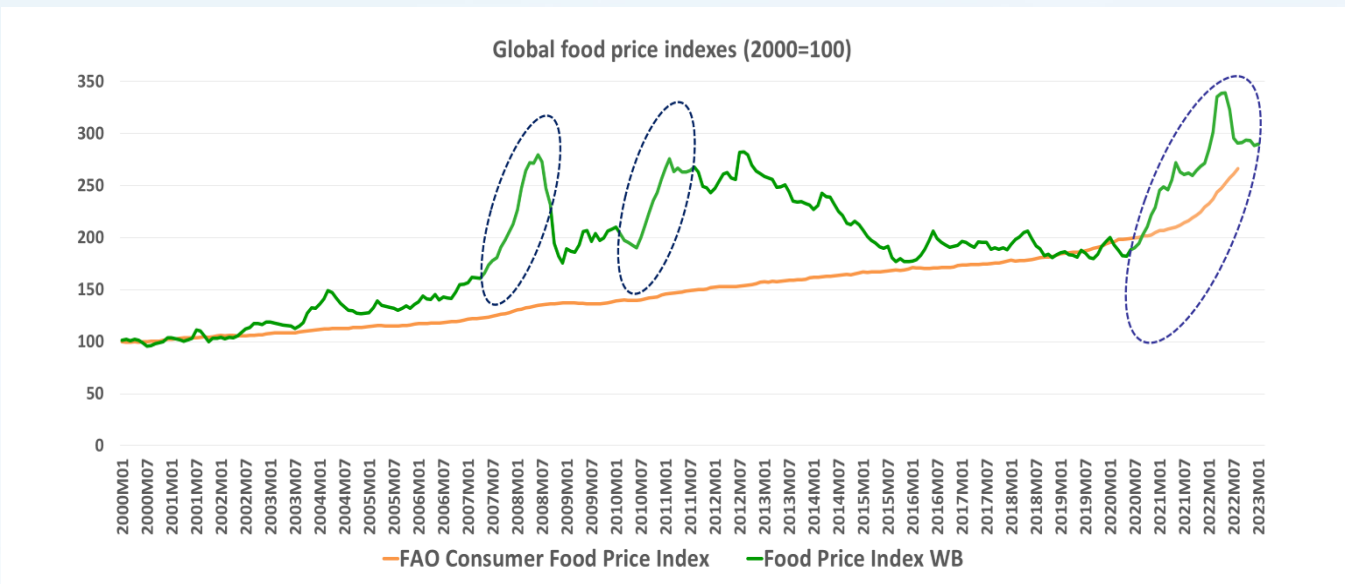
# Commodity prices move in longer, asymmetric cycles ...



Source: World Bank. 2023 id based on change Sep2023/Sep2022.



# ... but lately differ on what prices farmers receive and consumers pay



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



# Implications from a changing market environment

## ❖ *When basic assumptions change, what's to be done?*

- Most **basic assumptions** made following the Paris Agreement **must be revisited** and, where necessary, adapted
- This need applies not just to **commodity markets** (agriculture, energy, fertiliser) but **the macroeconomy** as well
- **Trade flows** are also dramatically affected by **geostrategic tensions** with risks of unknown duration and resolution

## ❖ *There is a need for a strategic rethinking of the desired path*

- Did we put the cart in front of the horses in the soil/water/air/biodiversity sequence, forgetting **soil's priority**?
- Do we have the right **balance between adaptation and mitigation** strategies with respect to known best practices?
- Do “holistic approaches” recognize existing **asymmetries in crucial interlinkages** in both models and the real world?

## ❖ *Some solutions are in front of our eyes and around our ears, yet elude the policy discussion*

- There is a well-established **multitude of best practices** that demonstrate what, and under which conditions, works!
- A huge increase in **research** money, prioritising climate action and (to a lesser extent) food security is available
- Relying on **productivity, science and trade**, with all their caveats, continue to be essential to address global issues



# Policy issues that need to be revisited

## ❖ What to expect from the “Fork” side of the F2F?

- To adjust, the farming sector needs to know **which path EU citizens will follow as consumers**
- Farm prices can resume their **long-term** downward trend in terms-of-trade, but what about **food prices?**
- The role of livestock, ag biotech and food waste are typical examples where **facts often do not match perceptions**

## ❖ What impact on EU agriculture from the energy transition?

- The **EU fertiliser industry** heavily depends on prospects of natural gas and hydrogen markets
- While crude oil drove energy markets, **asymmetric natural gas price developments** lead energy markets nowadays
- **EU import dependence** on minerals that are crucial for the green transition complicates market outlook prospects

## ❖ What to do with the wealth of existing data?

- **Farm policy leverage** is potentially stronger in land management and can certainly become more targeted
- **Prioritising a few soil health indicators** could lead to common interpretation among scientific disciplines
- How to **better link natural and social sciences**, often lost in the translation of apparently similar concepts?



# Thank you!

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*Views expressed are strictly personal and are not in any way related to my previous professional activity in the Commission, or my current research affiliation.*

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