



2021 Medium Term Outlook (2020-2030): Highlights

Presentation to the Sector Advancement Tables

June 17, 2021



Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada

Canada

Outline

- Purpose of the presentation
- What is the Medium Term Outlook (MTO)?
- How the MTO is used – Scenario Analysis
- 2021 MTO Policy Assumptions
- MTO Highlights
- Major Risks and Uncertainties

Purpose of the presentation

Describe

the Medium Term Outlook projections and its use

Present

the projection highlights for the next decade (2020-2030)

Obtain Feedback

- Is the MTO capturing the main drivers and market trends of importance to your sector?
- Is the MTO missing any key drivers and market trends?
- Which drivers and market trends might affect you more?

What is the Medium Term Outlook (MTO)?

Plausible **trajectory** of agricultural markets over a **ten-year period**.



Not a forecast but a **projection** based on **current** policies, macroeconomic and agricultural market environment.



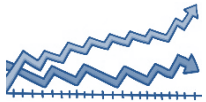
Covers supply and disposition for **major** crops, livestock, dairy, poultry and feed sectors.



Provides **aggregated** indicators: per capita income, value of exports and manufacturing shipments.



The MTO is Used for Scenario Analysis



Simulate **changes in policies or regulations** using the **FARM** model on the Canadian sector.



Simulate **changes in the global markets environment** using the **AGLINK-COSIMO** model. Results can be incorporated to **FARM** for a more complete analysis on the Canadian sector.



Examples of scenario analysis

- Global **recession** (e.g., COVID-19 Pandemic effects)
- Changes in **trade policy** impacting supply-managed sectors (e.g., CETA, CPTPP, CUSMA)
- Impact of **extreme weather events** on Canadian agricultural sector

COVID-19 Assumptions

Following the International Monetary Fund (IMF) assumptions:



Social distancing will **continue into 2021** but will fade over time as a vaccine becomes available.



Local transmission of the virus will be **suppressed** to low levels **by the end of 2022** in all countries.



Partial recovery from deep recession **expected in 2021**.
Modest progress toward the 2020–25 **pre-pandemic path**.

2021 MTO Policy Assumptions: African Swine Fever and Trade

- Global pork production will increase in 2021 and **reach pre-ASF** production levels by 2025.

OECD-FAO
assumption on ASF



- U.S.– China tariffs will **be maintained** over the projection period.

OECD-FAO assumption
on U.S. – China Phase 1
agreement

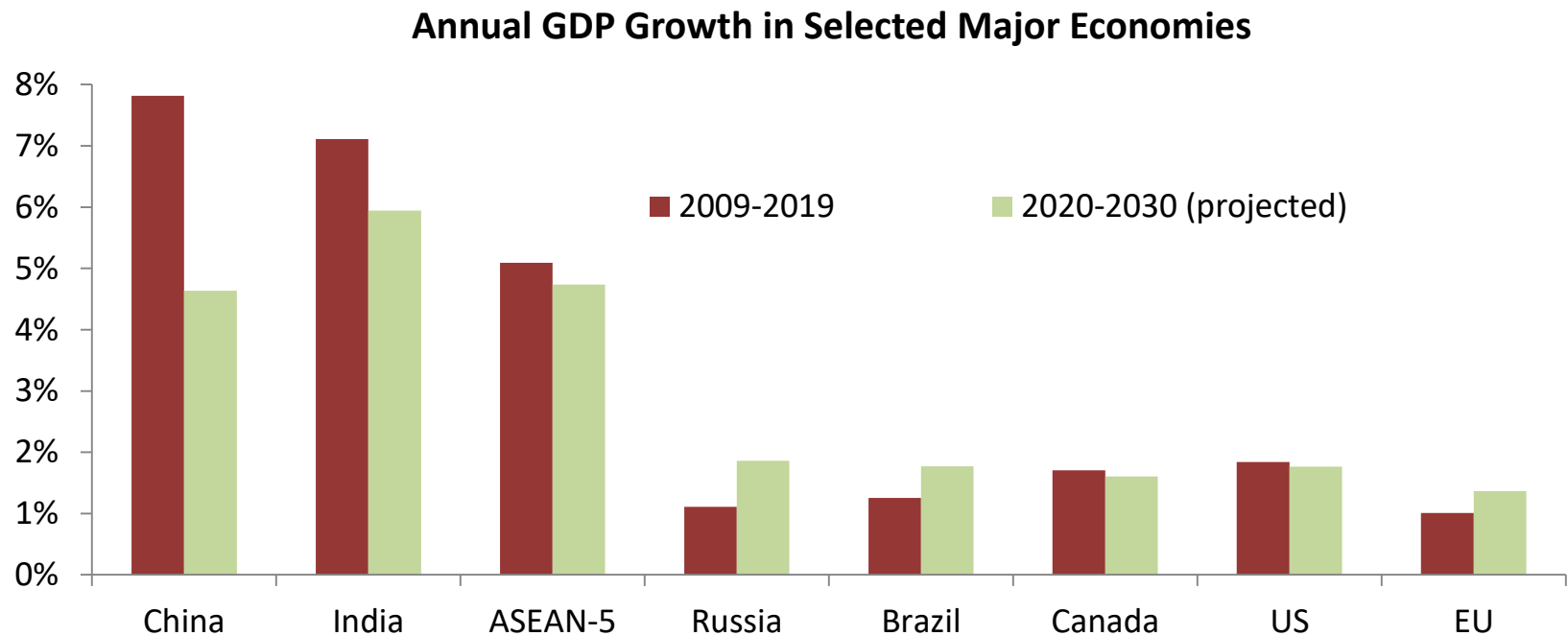


- CETA, CPTPP and CUSMA are **included** (TRQ fill rates assumptions are based on consensus with industry during the dairy and SM-04 Mitigation Working Groups).

AAFC assumption
on trade agreements



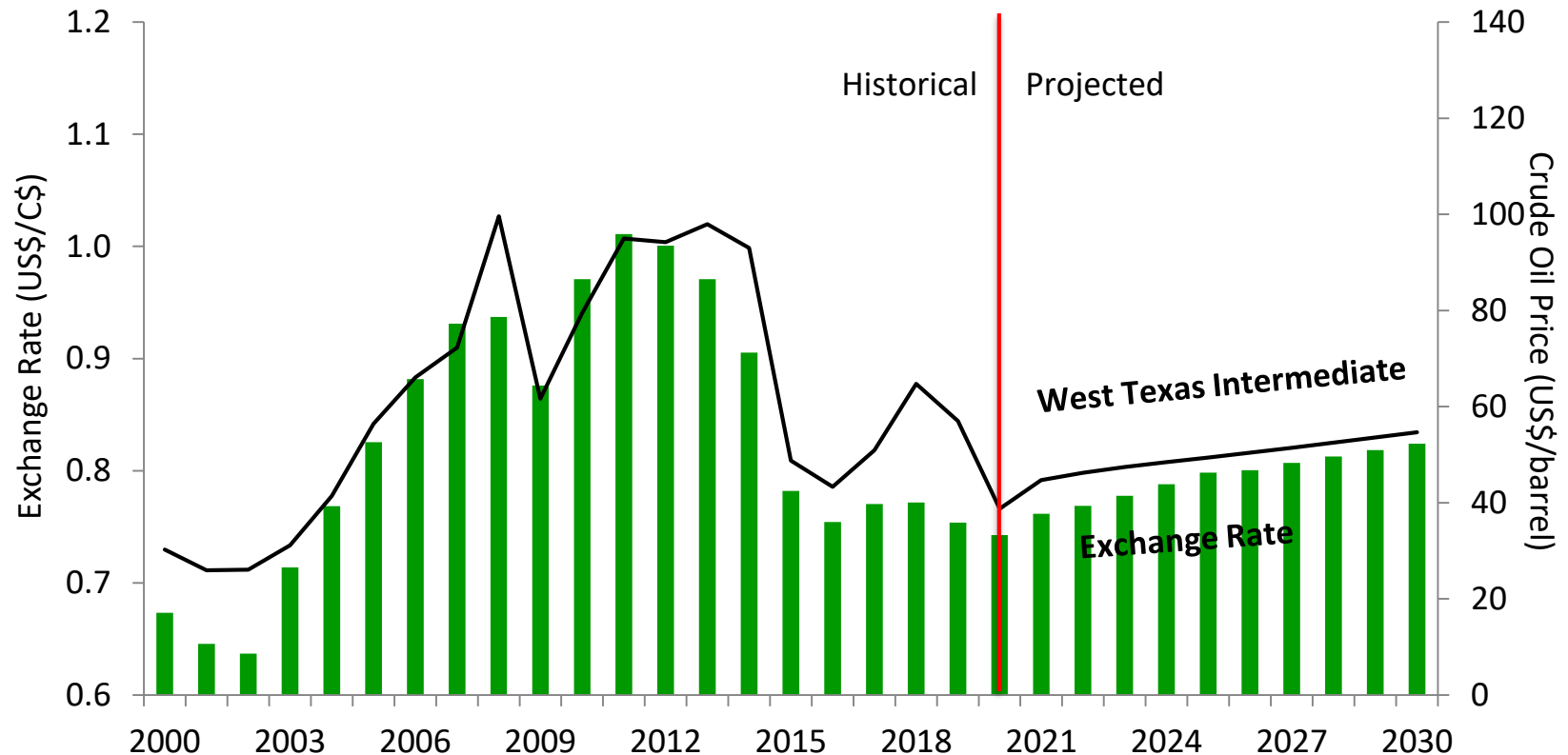
After contracting in 2020 due to the pandemic, global economic growth is expected to gradually recover over the medium term



Source: World Economic Outlook Database, October 2020 - International Monetary Fund.

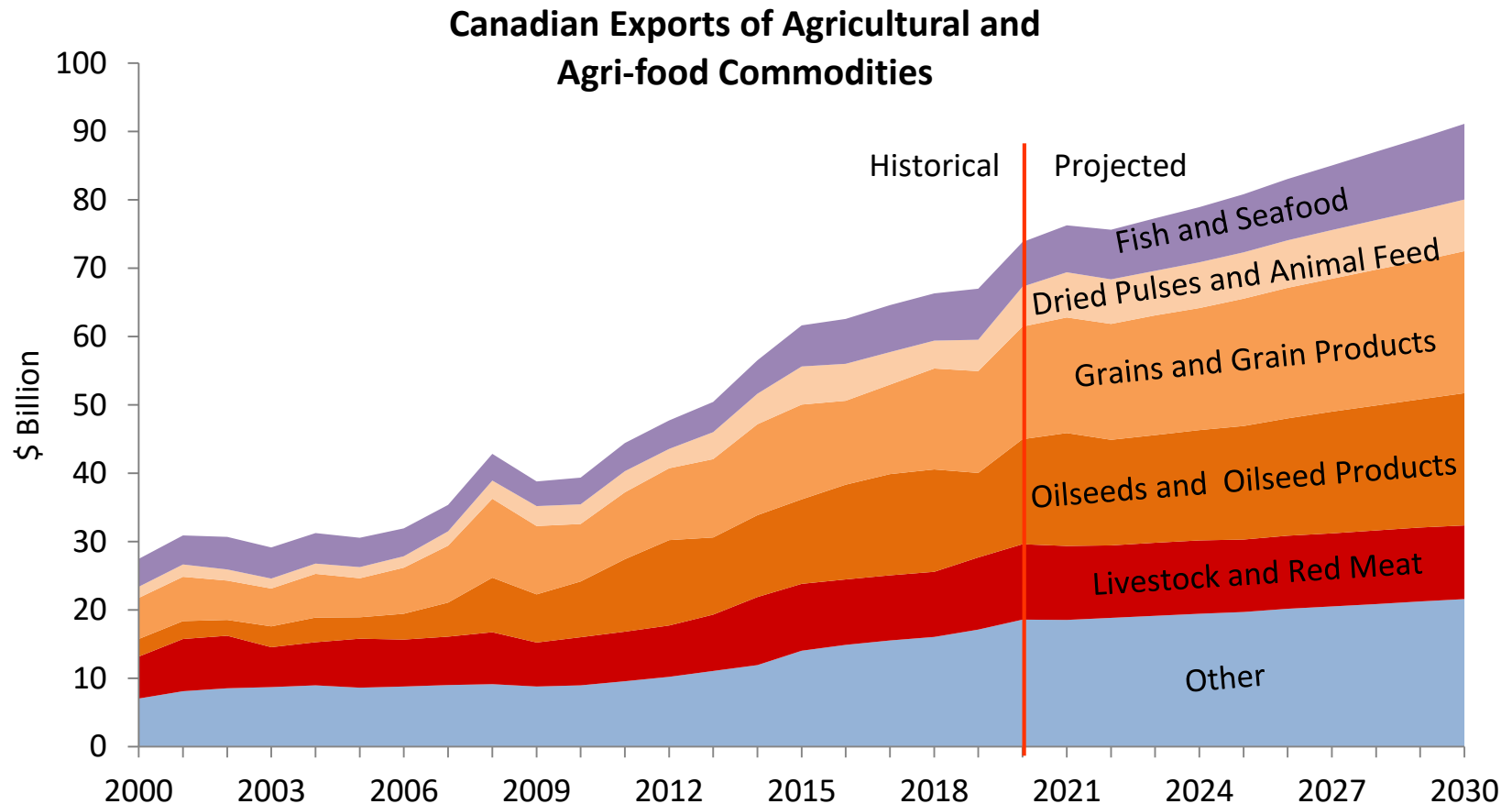
ASEAN-5 composed of: Indonesia, Malaysia, Philippines, Thailand and Vietnam.

Following the dip in 2020, crude oil price and exchange rate are expected to recover over the medium term



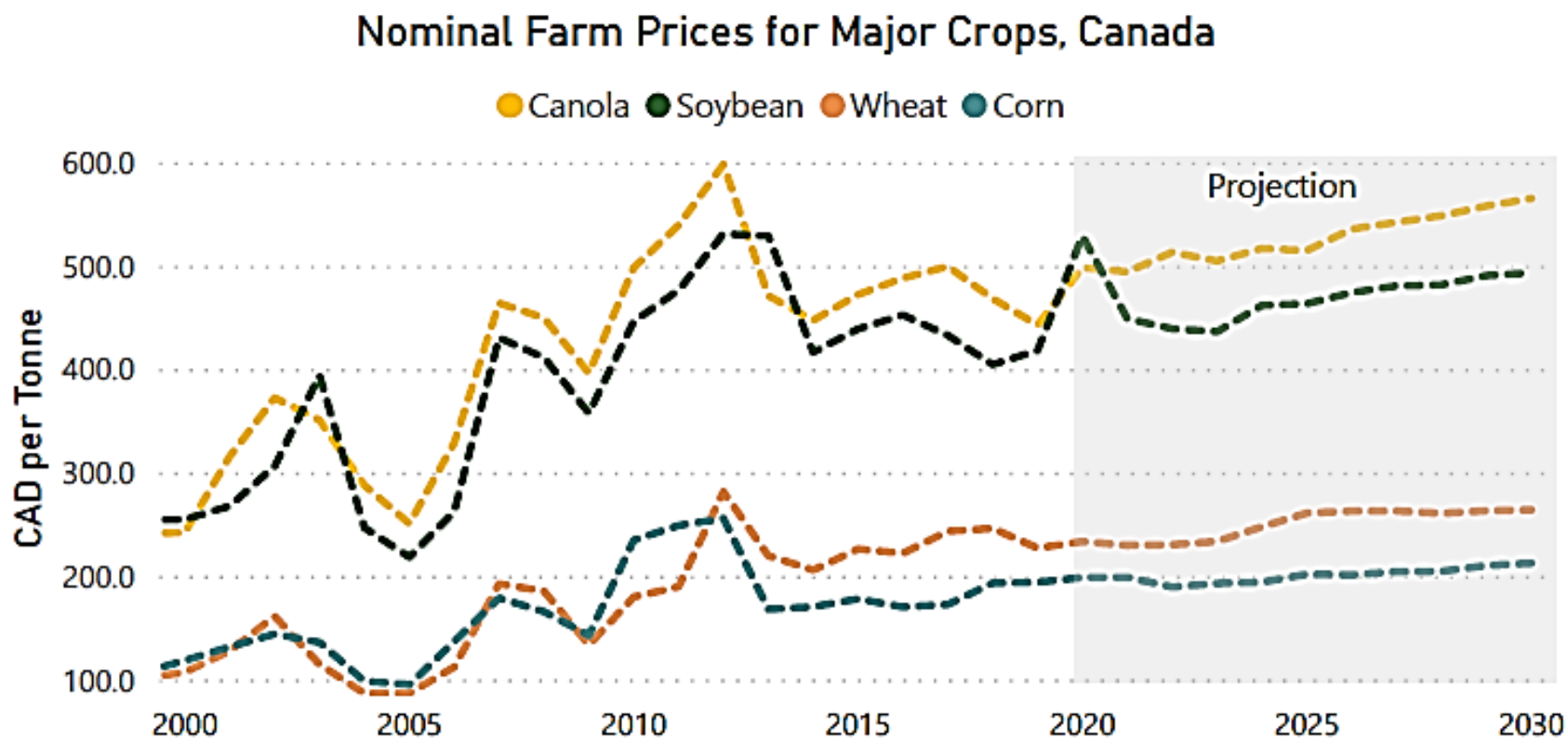
Source: Conference Board of Canada 2020, AAFC calculations.

Exports of agricultural and agri-food commodities are projected to continue experiencing steady growth over the next decade



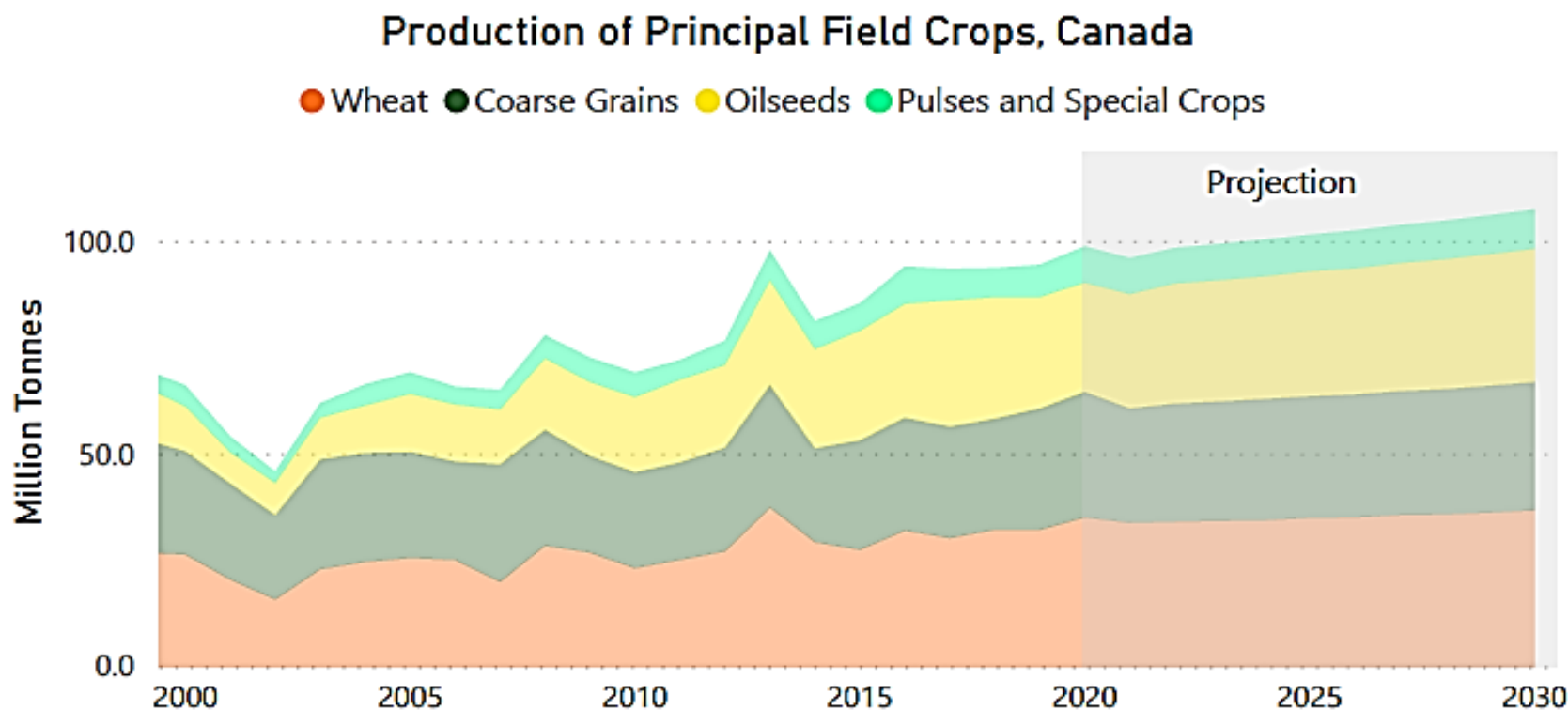
Source: Statistics Canada, AAFC calculations.

Prices for major Canadian field crops are projected to increase slightly over the medium term



Source: Statistics Canada and AAFC Calculations.

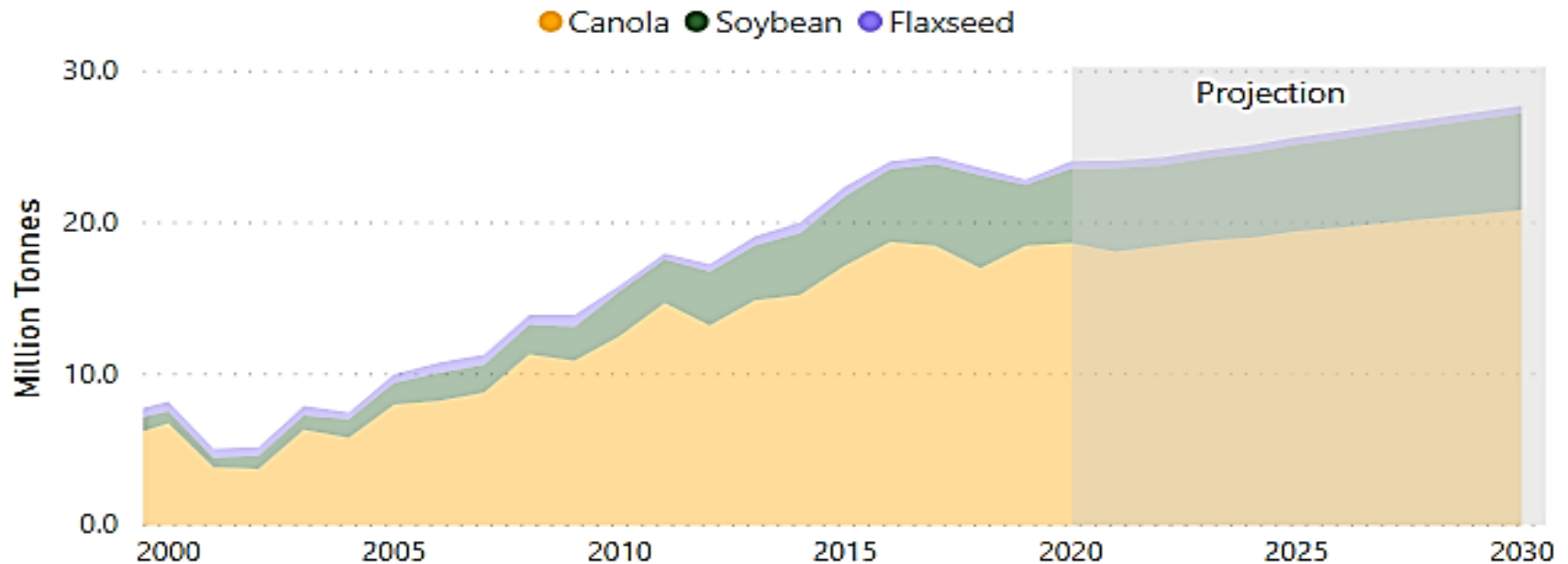
The outlook for crops remains positive as Canada is projected to see moderate year-to-year crop production growth



Source: Statistics Canada and AAFC Calculations.

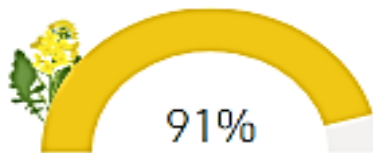
Despite market access challenges and other uncertainties, prospects for Canadian oilseeds remain positive

Exports of Oilseed Crops, Canada

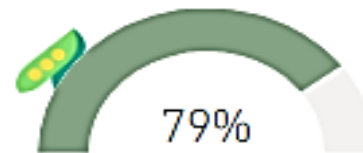


Percent of production
exported (2010-2019)

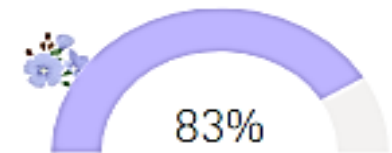
Canola



Soybean

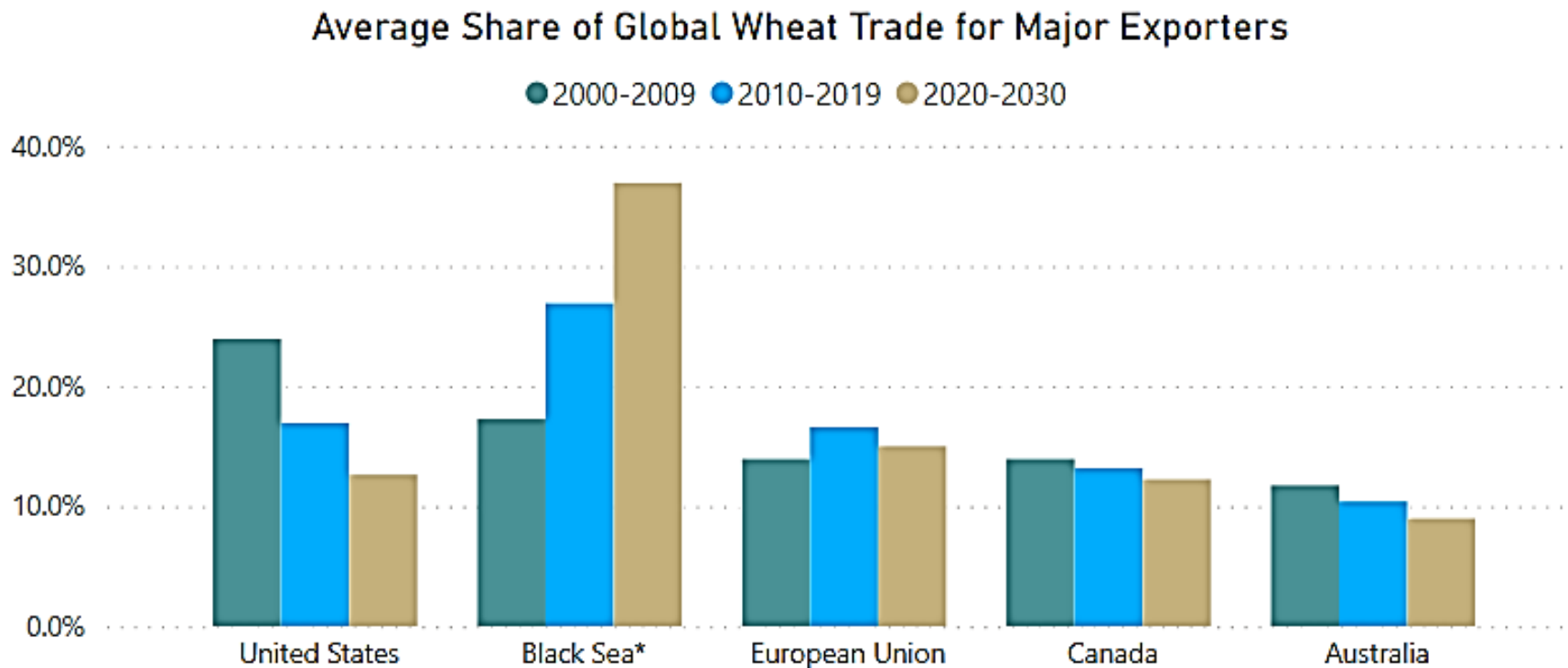


Flaxseed



Source: Statistics Canada and AAFC Calculations.

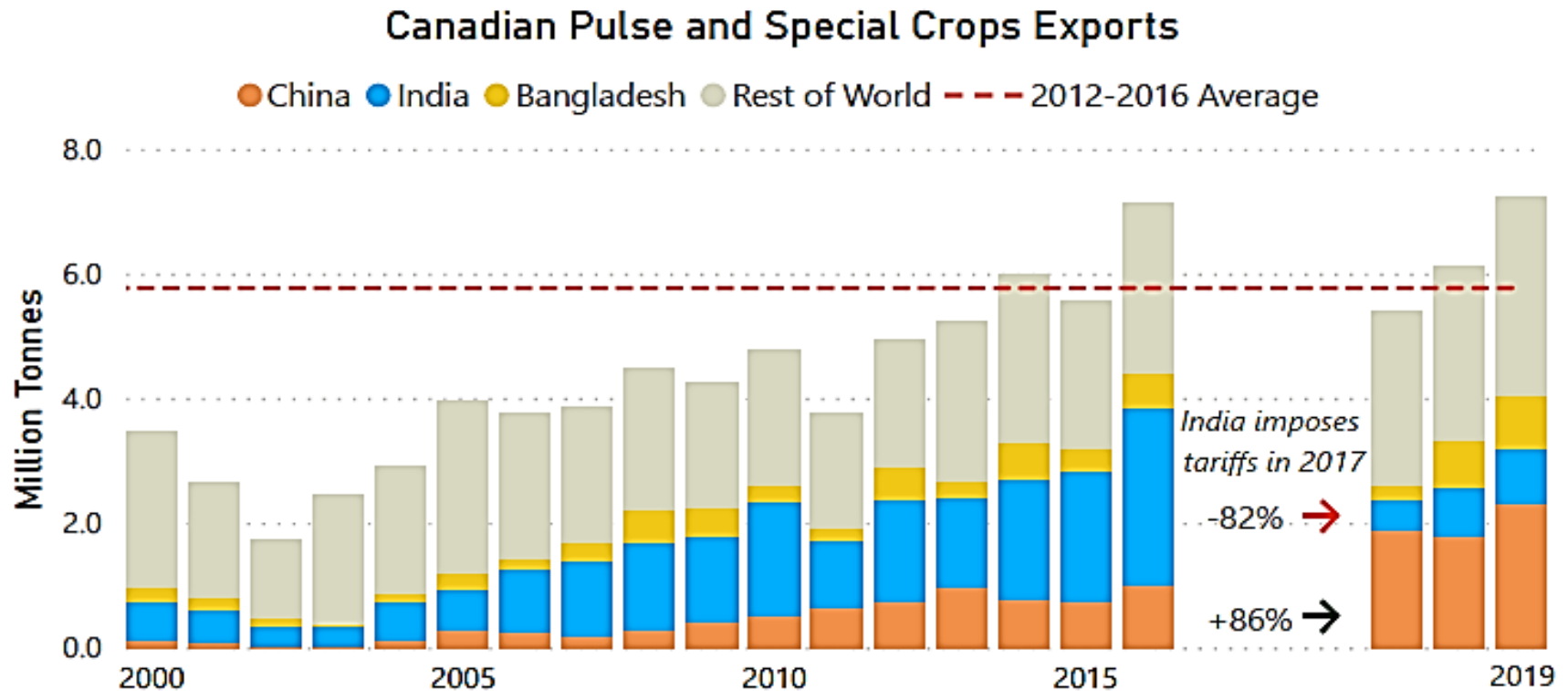
Although Canada is projected to lose some market share, it remains competitive among major global wheat producers



**Black Sea region includes Russia, Ukraine and Kazakhstan*

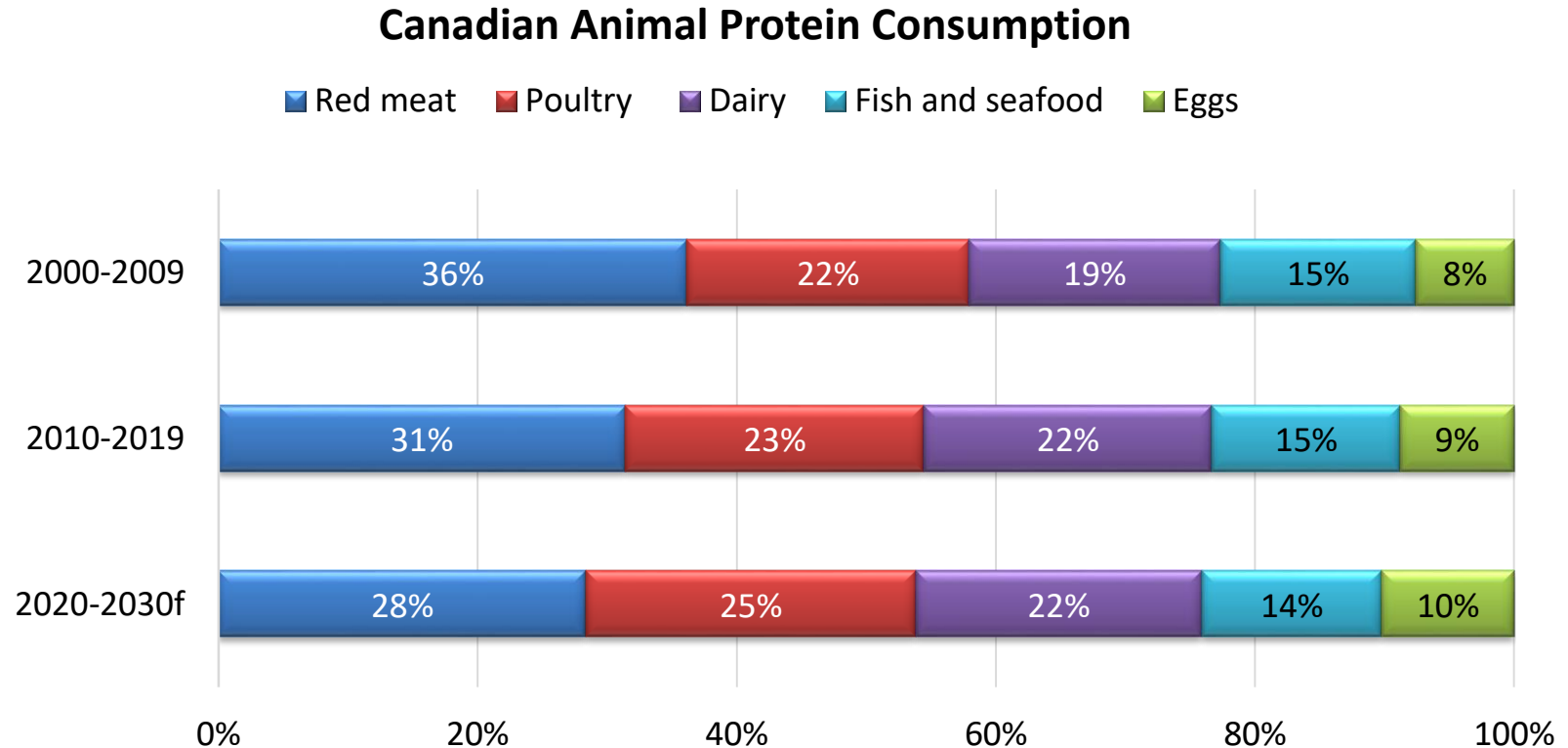
Source: OECD-FAO Agricultural Outlook 2020-2029, AAFC Calculations.

In 2018, Canada diversified its pulse markets in response to Indian tariffs, increasing exports to China and Bangladesh



Source: Global Trade Tracker.

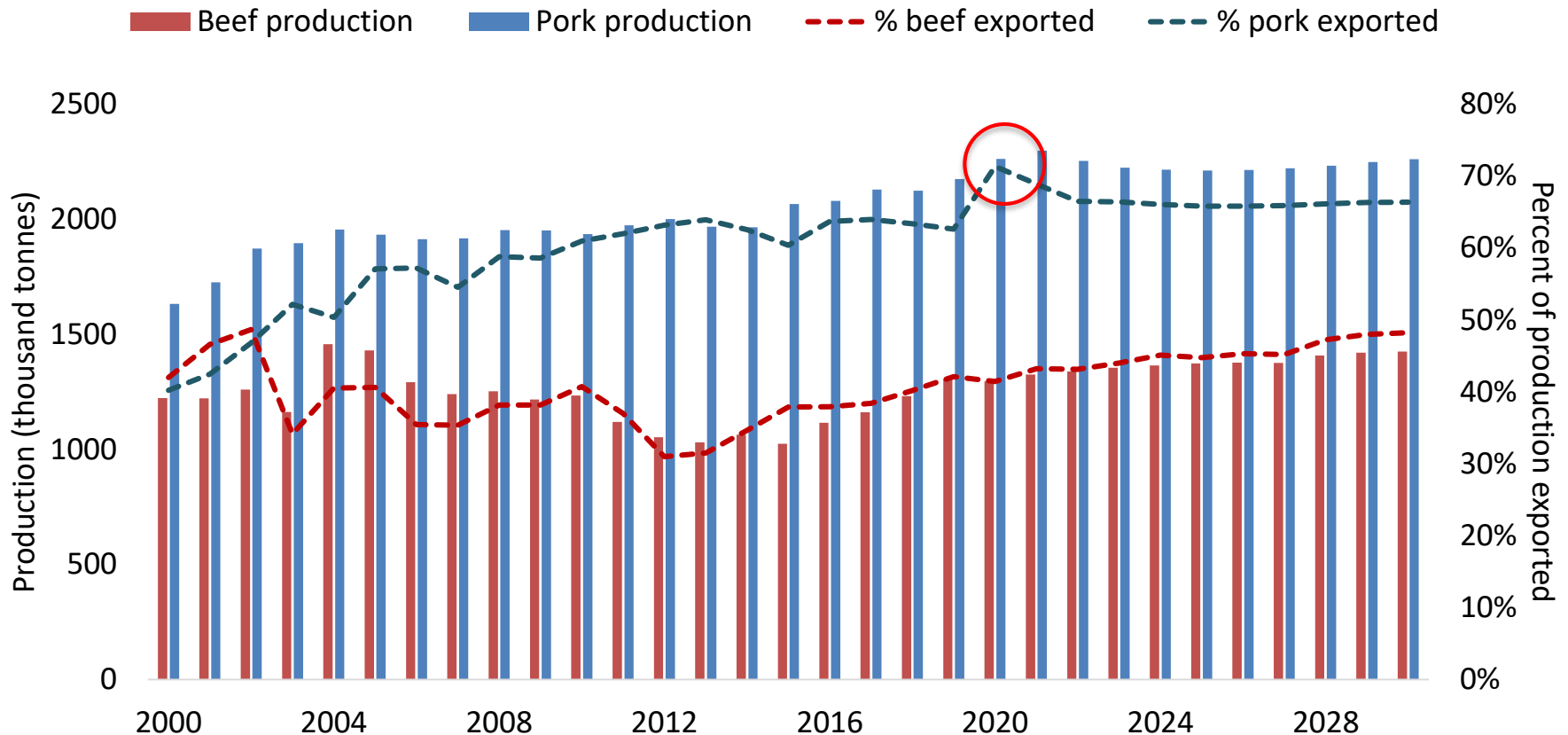
Red meat is the largest source of protein in Canada; however, other sources of animal protein have been growing in popularity



f: forecast

Source: OECD-FAO Agricultural Outlook 2020-2030, AAFC's Calculations

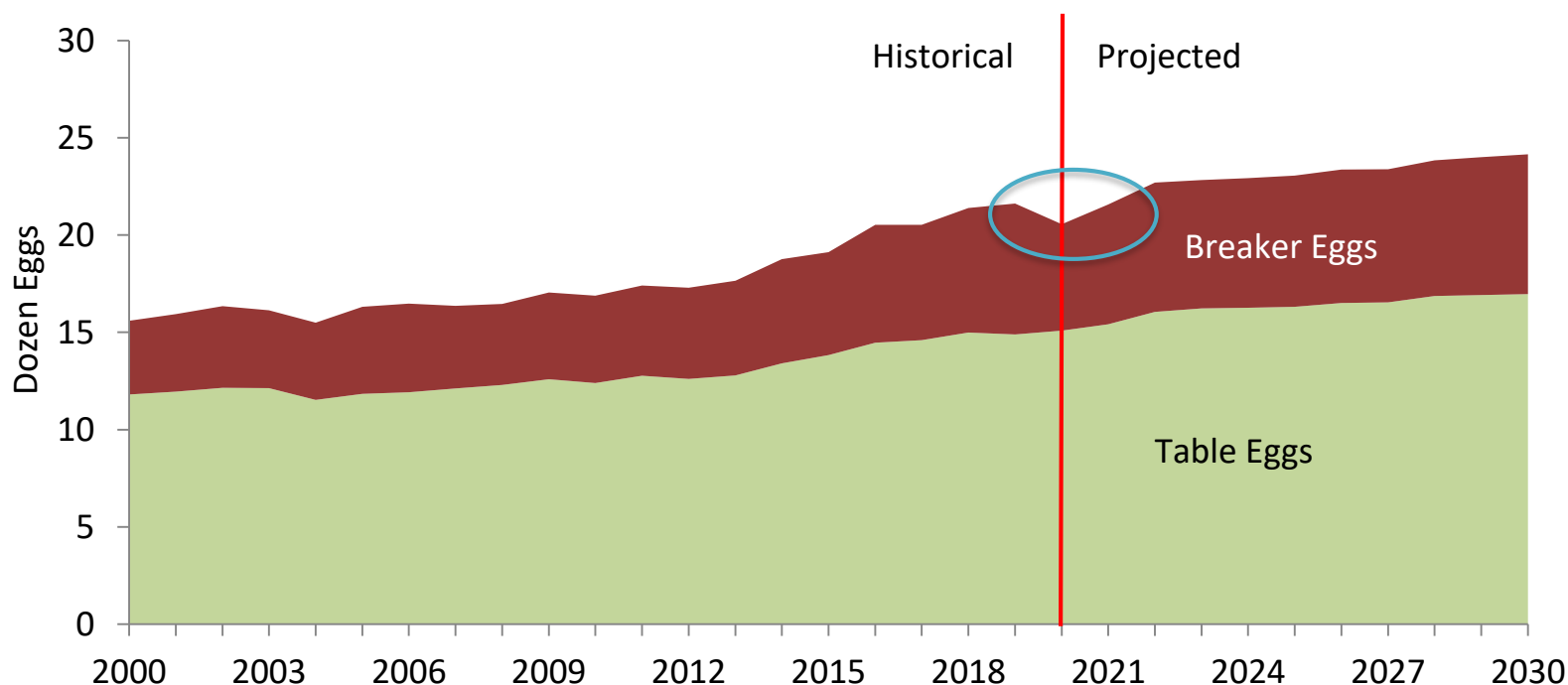
The majority of red meats production will continue to be exported



Source: Statistics Canada, AAFC calculations.

The egg market was hit significantly during the pandemic but is expected to quickly recover in the next few years

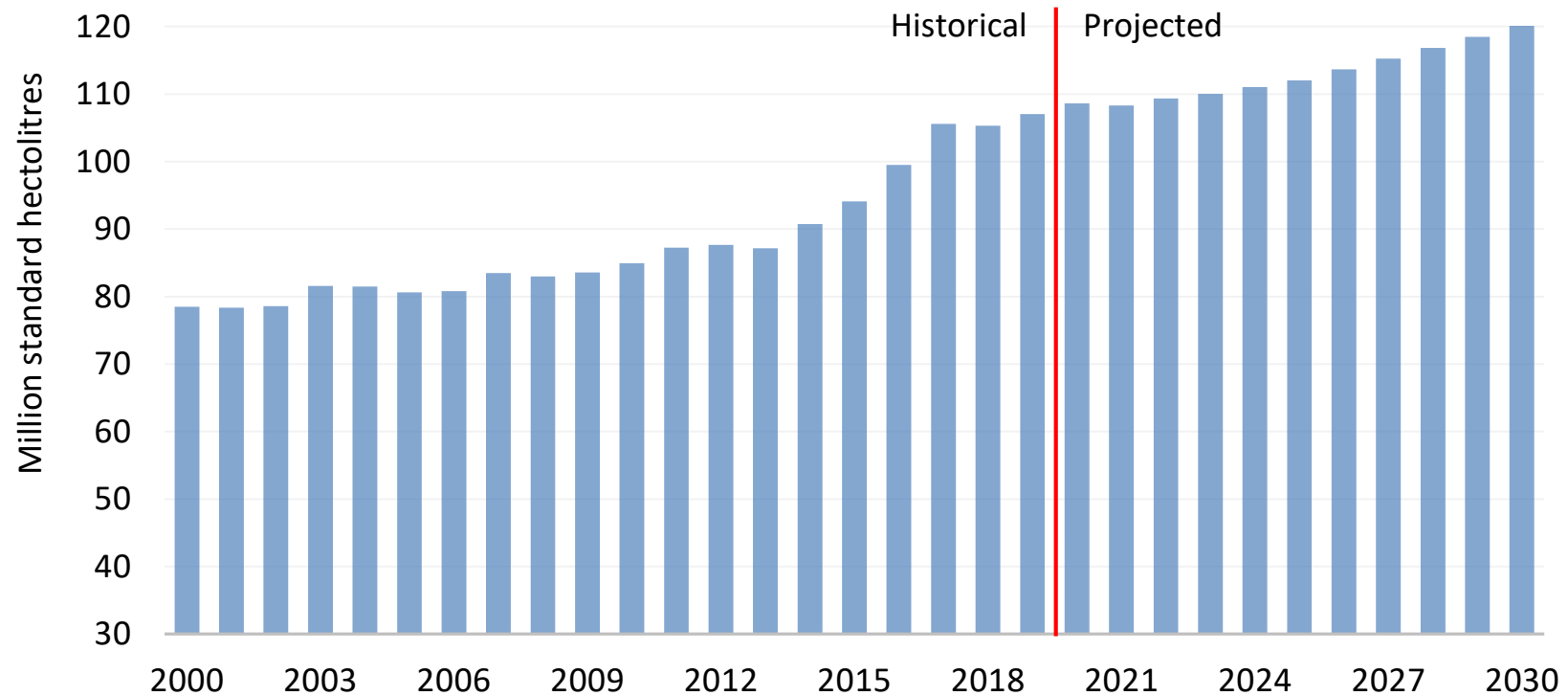
Per Capita Consumption of Eggs, Canada



Source: Statistics Canada, AAFC calculations.

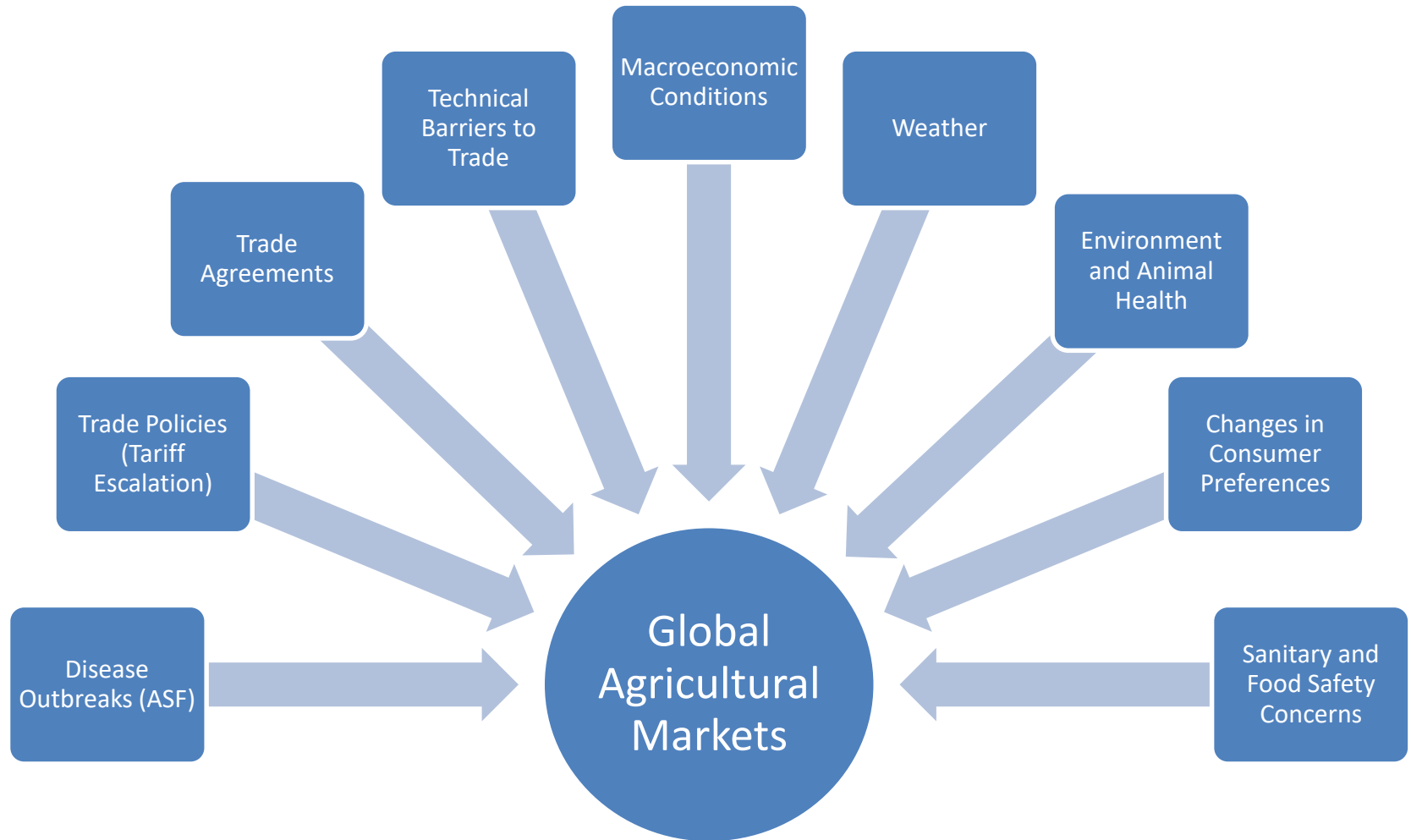
Milk production has slowed down in recent years and is projected to remain moderate

Growth in Canadian Milk Production



Source: Statistics Canada, AAFC calculations.

Other uncertainties that could affect the MTO projections



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