

INTERNATIONAL AGRIFOOD MARKETS AND POLICY

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Topic 1

1. Agri-food markets

1.1 Demand and supply of agri-food products

1.2 Market models in agri-food sectors

1.3 Instability and uncertainty in agriculture

1.4 Agricultural sector in the developed and in developing countries

Demand and supply of agri-food products

Market models in agri-food sectors

The main questions are:

- How does the supply of food become available to those who demand it? (Coordination and process of exchange)
- What are the characteristics of the agri-food supply and demand?
- Which are the most suitable economic models to analyze the agri-food market?

Demand and supply of agri-food products

Market models in agri-food sectors

Both suppliers and consumers are part of markets, so it is necessary to study demand and supply and their relationship in the markets (understanding market models).

The supply depend on the whole agri-food supply chain that can be very wide and complex.

On the supply side it is necessary to consider not only the producer (farm, trader, dealer or seller) by all the actors of the agri-food supply chain

Demand and supply of agri-food products

Market models in agri-food sectors

Three aspects of market transactions:

- Spatial: transactions occur across space.
- Temporal: transactions occur across time.
- Form: transactions occur in a certain form.

Demand and supply of agri-food products

Market models in agri-food sectors

Specific discussion Topics are:

- ✓ The role of agriculture in modern societies.
- ✓ The relationship between agriculture and other economic sectors.
- ✓ Link between agricultural production and food consumption.
- ✓ Characteristics of agri-food demand.
- ✓ Characteristics of agri-food supply.
- ✓ The theoretical market models in agri-food sectors.

Agri-food sector in modern societies

The role of agriculture and agri-food sector change with:

- Industrialization, post-industrialization.
- Economic growth.
- Technological progress and innovation.
- Society modernization/transformation.
- other socio-economic, technological and cultural transformation process.

Agri-food sector in modern societies

In this way change the characteristics of demand and supply of agri-food products and the characteristics of agri-food products themselves.

Many drivers and governors influence, over time, the changes of demand and supply characteristics.

Agri-food sector in modern societies

Main drivers and governors of change on the **demand** side:

Demographics: growth rate; age distribution; ethnicity; race; geographic distribution; extent of travel; exposure to food-related information and retailer promotion.

Consumer preferences: price vs. quality/condition; convenience; year-round availability; variety; nutritional content; safety; greenness; fair trade; luxury goods.

Buyer specifications: volumes; presentation; labeling; private standards; certification; price point; service.

Agri-food sector in modern societies

Main drivers and governors of change on the **demand** side:

Technology: marketing information systems; category management methods; progress in supply chain management; transport and handling advances.

Regulatory change: official standards and associated certification; labeling (nutrition, COOL, allergens); market access; environmental protection; labor rights; animal rights.

Market access: tariffs; quarantine restrictions; other non-tariff trade barriers (NTBs).

Agri-food sector in modern societies

Main drivers and governors of change on the **demand** side:

Factor costs in distribution and retailing: energy; transport; labor.

Economic growth trends: GDP; disposable income; levels and use of consumer credit; inequality of wealth.

Agri-food sector in modern societies

Main drivers and governors of change on the **supply** side:

Product/market conditions: effective demand; prices; competition.

Procurement practices: value chain integration; compliance with private standards; preferred supplier arrangements; new terms of sale.

Factor prices and availability for production and shipping: land; capital; labor; energy; transport.

Producer preferences: overall investment per crop area; price levels and their variability; production risk.

Agri-food sector in modern societies

Main drivers and governors of change on the **supply** side:

Technology: marketing information systems; supply chain management; quality assurance regimes; transport and handling technologies; post-harvest and production technologies.

Regulatory change: capacity to deal with market access requirements and standards; dealing with local and national restrictions on land use, inputs, labor contracting and treatment.

Agri-food sector in modern societies

Main drivers and governors of change on the **supply** side:

Demographics: availability of seasonal labor; existence of a local market for seconds and an urban market for export-quality product.