

WHAT THE 2008/2009 WORLD ECONOMIC CRISIS MEANS FOR GLOBAL AGRICULTURAL TRADE

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The global economic crisis that started in late 2008 has led to a sharp curtailment of international trade, including a short-term decline in the value of global agricultural trade of around 20 percent. After slowing, global agricultural trade will continue to grow in the future. The crisis is leading to a realignment of exchange rates, and the ultimate resolution of the crisis will depend on adjustments in the exchange value of the dollar. The U.S. agricultural sector would benefit from a depreciating dollar, which results in high export earnings, high agricultural commodity prices, increased production, and increased farm income.

The world financial crisis of 2008-09 is the most serious world recession since the 1930s. While the impact on the United States is not as serious as in the Great Depression, the extent of the global recession and the number of countries involved is unique. The short-term impact is a major decline in the value of both merchandise and agricultural commodity trade. Much of the decline in the value of trade has come from declining prices, but there are also declines in the volume of trade. The longer term impacts of the crisis will depend on the adjustment path to resolve the imbalances that have emerged in global trade and savings.

In the short term, the slowing of income growth in developing countries will likely lead to increases in food insecurity and poverty around the world. Income growth, however, is expected to rebound in most countries by the end of 2010 and continue to grow for several years through 2012 before stabilizing around its new long run trend growth rates. As a result, agricultural imports, after declining in 2009, are likely to continue to grow into the future.

The continued strength of global agricultural imports is primarily a result of the growth of consumption in emerging and developing countries and the increase in meat consumption among those countries' consumers. Even during the initial period of the economic crisis and its recovery, economic growth in those countries remains positive and relatively strong. As a result, their consumption of food is likely to increase and trade in meat and feed grains will likely grow faster than trade in food grains. Over the longer term, the most likely path of recovery for the global economy indicates that the growth in consumption and imports of agricultural products by emerging and developing countries will remain strong.

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