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2023 global trends influencing agribusinessÂ and market dynamics

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Agrifood market growth is expected to reach $8.67 trillion by 2022, up from $8.28 trillion as per the market analytics. Moreover, the sector is projected to reach $9.73 trillion in 2023 and $12 trillion by 2027, representing a CAGR of +6%. Several factors contribute to this growth, including population growth, technological advancements, and shifting consumer preferences. Although the ongoing Ukrainian war has increased the industry's challenges and uncertainties, resulting in a drop in production and sales, the non-reducible nature of food products has allowed companies in the industry to increase sales prices in order to compensate for lower volumes.Â

Countries around the world are making concerted efforts to increase their food production self-sufficiency in order to feed their citizens. Major crops, staple foods and raw materials like pesticides and fertilizers are highly dependent on a few markets, exposing governments and whole populations to food production disruptions and food insecurity. To build self-reliance in their food-supply systems, governments are going to adopt technology and data in large-scale to increase productivity, efficiency, and predictability.

Global food insecurity and economic instability will make reducing food wastage a priority for economies. Globally, one third of food produced is lost or wasted, and technology will play an increasingly important role in preventing this. In real-time, digital

solutions can send growers real-time advisories to reduce wastage during cultivation by monitoring the crop lifecycle. The Internet of Things (IoT) can enable end-to-end food traceability for farmers, processors, and retailers.

Global Agro-food Market Dynamics:

In 2022-2023, the global agrifood market will be shaped by technological advancements, shifting consumer preferences, sustainability concerns, and geopolitical factors. Market dynamics are further complicated by the ongoing war in Ukraine, underscoring the importance of resilience, innovation, and international collaboration to meet the multiple challenges the industry faces. A number of countries have taken measures in response to the Ukraine conflict and rising food prices, such as releasing food reserves, implementing price controls, and offering financial assistance to farmers and consumers. Climate change and deglobalization are reshaping global relationships, which will lead to more strategic positioning for food products in the future.

Furthermore, Global warming has resulted in poorer nations suffering from the effects of climate change, the United Nations noted recently. Investments in sustainability projects are expected to continue to grow, despite the woefully underfunded climate adaptation finance. Smallholder farmers in sub-Saharan Africa and Asia will benefit from a $1.4 billion commitment from the Bill & Melinda Gates Foundation, and the US Department of Agriculture will invest $2.8 billion in 70 selected projects as part of its Partnerships for Climate-Smart Commodities program. Following the trends, the private sector is considered to be having a positive impact.

FAOâ??s Food Outlook estimated that the global food bill will rise to $1.98 trillion in 2023, up 1.5% from 2022. It rose by 11% in 2022 and 18% in 2021. According to FAO, food imports by advanced economies continue to grow. However, FAO predicts that food import bills for Least Developed Countries (LDCs) will decrease by 1.5% and those for net food-importing developing countries (NFIDCs) will decrease by 4.9%.

The last quarter of 2022 saw financial deterioration in most industries, according to market analysts. On average, revenues grew by 4.0% y/y, but earnings per share (EPS) declined by -4.9%. Despite challenging circumstances, the agrifood industry remained profitable.

Deficiencies and Strengths of the Agro-food Industry:

An increasingly diverse and growing market Agrifood serves a wide range of consumer needs and preferences, offering a wide range of products to meet the demands of a growing global population. Advances in technology, such as precision agriculture, the Internet of Things, and artificial intelligence, have improved efficiency, reduced waste, and increased yield. A growing focus on sustainability is enabling the industry to adopt sustainable and regenerative agricultural practices, reduce its environmental impact, and respond to consumer demand for eco-friendly products.

However, supply chain vulnerabilities in the industry can result from climate change, political instability, and economic fluctuations. Deforestation, soil degradation, water pollution, and biodiversity loss can be caused by conventional agricultural practices. A heavy reliance on non-renewable resources, such as fossil fuels and synthetic fertilizers, can have long-term sustainability implications. In addition, Agri-financing is evolving at a very slow pace.

There are also risks associated with emerging diseases and pests that threaten crop and livestock health. An outbreak of African swine fever, avian influenza, or new crop pests can result in significant economic loss, supply chain disruption, and food safety concerns.

In spite of this generally positive outlook, the global agrifood production systems remain vulnerable, resulting from extreme weather events, geopolitical tension, policy changes, and developments in commodity markets, which could affect prices and world food security and tip the fragile demand-supply balance.

Agri-financing and sustainability investments:

The majority of agri-food enterprises in many developing countries are small family farms and small and medium enterprises (SMEs) which are majorly contributing to achieving food and nutrition security, promoting inclusive growth, protecting water, land and biodiversity, and achieving climate action.

The goal is to make blended financing work for agricultural businesses. Agri-SMEs can achieve the Sustainable Development Goals by mobilizing finance in this context and using blended finance. Producer prices have increased, fertilizer costs have eased, and government assistance programs are aiming to provide positive incentives.

Agri-SMEs can access more capital and tailored financial products by leveraging blended finance, one of the proven and practical approaches promoted by the global 2030 Agenda. Blended finance instruments can facilitate commercial financing for agri-SMEs in a variety of contexts. Risk mitigation instruments are often particularly beneficial, since credit risk is often a key obstacle to financing. By fostering lending to targeted projects, such as women-owned and youth-led enterprises, blended finance models are able to improve financial inclusion. The creation of new markets and value chains around agri-SMEs can be stimulated by blended finance models - particularly through technical assistance and/or grants. It is important to design blended finance programs with room for experimentation, innovation, and adjustment.

By engaging target groups closely, commercial finance challenges can be understood both from a supply and demand perspective. As a key partner in developing and implementing blended finance solutions that impact not only individual transactions, but also market factors underlying investment risk, local institutions â?? including financial institutions, governments, and players in the agri-food industry â?? are critical. Despite its challenges, blended finance works well for agri-SMEs - a sector with a lot of promise and importance for the Sustainable Development Goals (SDGs). By means of their aid agencies, or development finance institutions (DFIs), or multilateral development banks (MDBs), donor governments have the financial instruments to mobilize private finance for agri-SMEs. Yet, they are currently unable to achieve their potential due to a lack of adequate financing.Â

Empowering smallholder farmers:

In recent years, private players, governments, and development agencies have focused heavily on developing farmer-centric solutions and this trend is expected to accelerate in 2023. A staggering 500 million farmers around the world are small-holders, who are difficult to reach. Stakeholders in the global food system have realized that meaningful and enduring changes to agriculture cannot be achieved until smallholder farmers are trained and empowered to adopt smarter, more efficient, and more sustainable farming practices. In the coming years, farmer empowerment will dominate the corporate boards of agribusinesses since digitalization will help make it easy and inexpensive for them to use technology.

The role of regenerative agriculture in soil degradation reduction

Soil conservation and biodiversity will receive more investments because productive agriculture relies on healthy soil.Â In order to prevent soil degradation and maintain and improve soil health, there is much more to be done. Data-driven decisions must be made by farmers regarding the optimal use of water, pesticides, and agrochemicals, as well as regenerative farming practices that can nurture soil health. New initiatives and investments have to be launched by policymakers, agrochemical companies, technology companies, and NGOs.

Some Asian markets, such as Hong Kong and Singapore, are particularly interested in vertical farming as an innovation trend. By 2025, the vertical farming market is expected to reach $10 billion, with a growth rate of around 21% each year until then.

An Overview of Commodity Trends:

According to the FAO's latest Food Outlook, which contains forecasts for production, trade, and utilization of the world's most important basic foodstuffs, production will likely increase across many categories, including rice, grains, oils, milk, sugar, meat, and fish products. Despite last season's record wheat output, it may fall this season.

FAO reports that the International trade is expected to drop by 4.3% in volume terms to 53.6 million tonnes in 2023/24 as world rice production increases by 1.3% to 523.5 million tonnes. During 2023, world wheat production is expected to decline by 3.0 percent from it's all-time high of 777 million tonnes in 2022, primarily due to decreases in the Russian Federation and Australia, which registered record outputs in 2018.

Overall, taking swift and decisive action and investing the right amount of money is essential to sustaining the planet and living sustainably. The year 2023 could very well be our make-or-break year.