Executive Summary

The Food and Agricultural Policy Research Institute (FAPRI) prepares a preliminary agricultural outlook on world agricultural production, consumption, and trade every fall. This is followed by an outside review, re-evaluation of projections, and completion of the final baseline. The *FAPRI 2001 U.S. and World Agricultural Outlook* presents these final projections for domestic and world agricultural markets.

FAPRI projections assume average weather patterns worldwide, existing policy, and policy commitments under current trade agreements. FAPRI projections do not include conjectures on potential policy changes, such as those resulting from the likely accession of China to the World Trade Organization (WTO).

The value of U.S. agricultural exports is expected to increase this year. A gradual recovery in agricultural prices from last year’s 13-year lows drives the value of agricultural exports up by 3.6 percent in 2000/01, and both export volume and value will continue to rise 2 to 4 percent for the next decade. The value of U.S. exports will increase more than 46 percent by 2010, mostly through high-value products.

An 18.9 million metric ton (mmt) rise in grain and feed exports, predominately corn exports, also accounts for 27 percent of the total increase in export value. Indirect exports of corn—measured by the feed-grain equivalent of beef, pork, and poultry exports—will exceed 7 mmt by 2010, an increase of 43 percent over 1999/00 levels. Together, direct and indirect exports of corn increase by more than 25 mmt.

With the weak euro and gradually rising wheat prices, U.S. exports face competition from the European Union (EU) on world markets. In 2000, the EU exported some wheat without subsidies, and Common Agricultural Policy (CAP) reforms keep EU wheat prices below world prices for the next decade. On average, U.S. wheat exports grow 1.6 percent annually over the next decade.

U.S. exports of oilseeds and oilseed products should increase substantially, but strong competition from South American exporters allows the United States to capture just 5 mmt of the projected 20 mmt increase in soybean trade. Despite low prices, soybean area in Brazil increases by 1 million hectares over the next five years.

Meat consumption increases by 4.4 kilograms (kg) per person in the next decade, driven by rising per capita incomes, particularly in developing Asia, with its increasing population and continuing urbanization. World meat trade increases by 2.6 mmt, with annual growth of 2.7 percent in beef trade, 3.4 percent in pork, and 1.8 percent in poultry. Low-cost producers, including the United States, Argentina, Canada, and Brazil, gain export market share.

The world price of beef increases by 3.3 percent annually over the next three years, while over the baseline the price of pork increases by 0.5 to 2.1 percent, and the price of poultry remains virtually flat. Higher meat prices induce world meat production to increase by 27.1 mmt. Productivity improvements and product innovations, driven by adoption of new technologies and favorable structural transformation, expand production potential.

Bovine spongiform encephalopathy (BSE) outbreaks plague the EU. As a consequence, the EU has implemented a Purchase for Destruction Scheme, which is projected to reduce EU beef production by 10.4 percent in 2001. The outbreaks have sharply decreased European beef demand and induced the continuation of the Over Thirty Month Slaughter Scheme (OTMS) in the United Kingdom (U.K.). These destruction schemes moderate the short-run decline in beef prices.

Hog prices recovered in 2000 to average $44.70 per hundredweight, but U.S. market hog inventories are expected to reach 55.4 million head this year, forcing hog prices back below $35 in 2002. Hog prices rebound in 2003 and remain between $39 and $46 per hundredweight. With competitive prices, U.S. pork exports rise an average of 6 percent annually over the next decade, exceeding 1 mmt in 2010.

U.S. broiler prices remain stable at around $0.57 per pound, and exports increase to 2.78 mmt. The largest growth markets for poultry imports are Japan, China, Russia, and Hong Kong. Brazil’s currency depreciates against the U.S. dollar throughout the baseline, giving Brazilian poultry exporters a competitive edge and enabling them to increase their share of poultry trade from 18 to 26 percent.