Executive Summary

The FAPRI 2002 World Agricultural Outlook presents final projections of FAPRI’s agricultural outlook on world agricultural production, consumption, and trade. FAPRI projections assume average weather patterns worldwide, existing policy, policy commitments under current trade agreements, and recent policy changes such as the accession of China and Taiwan to the WTO. FAPRI projections do not include conjectures on potential policy changes. The major macroeconomic drivers of the 2002 FAPRI baseline are the deepening crisis in Argentina, the U.S. dollar’s continuing strength relative to most other currencies, and the progressive recovery of economic activities in most OECD countries over the next two years.

Exports are projected to rise 34.1 mmt over the baseline, with grains and feeds accounting for 70% and oilseeds and oilseed products comprising 14.2% of the total growth. U.S. grain and feed exports increase 27% over the outlook period, with feed grains and feed products accounting for 66.9% of the total 26.8 mmt increase. Animal and animal product exports are anticipated to increase 29.3%, and oilseed and oilseed product exports are projected to rise a modest 14.6%.

The value of U.S. exports is projected to increase 40% to $71.6 billion by 2011/12. Slightly more than half of the growth in value is explained by increases in the total volume of exports; the remainder is generated by strengthening prices. A 26.8 mmt rise in grain and feed exports, predominantly corn and wheat exports, accounts for 28.5% of the total increase in export value. The value of animal and animal product exports rises more than 40% over the baseline, accounting for 27% of the total growth in the value of U.S. exports. Almost 60% of the increase in the value of animal product exports comes from beef and pork exports.

From its peak in 1995/96 to its dip in 1999/00, the world wheat price decreased by almost 50%. As a result of having less planted area, lower world stocks, and sustained demand, the world wheat price has begun to recover over the last two years. Over the next ten years, the decrease in the stock-to-use ratio maintains upward pressure on the wheat price. The Gulf FOB wheat price is projected to grow 2.1% annually, while the stock-to-use ratio steadily declines, reaching 17.4% by 2011/12. The EU will progressively regain its major exporter status after a poor 2001/02 crop.

Record oilseed supplies depressed world soybean prices further in 2001/02; following 2003/04 they recover, driven by strong meal and oil demand. The unprecedented shortfall in sunflower and rapeseed production boosted prices in 2001/02 by 26% and 11% respectively. A strong supply response causes a decline in 2002/03. In the long run, all oilseed prices are expected to return to their historic relationships.

With full economic recovery beginning in 2003, per capita meat consumption increases by 7.54 kg over the baseline, reaching a level of 40.34 kg per person per year by 2011. Driven by rising meat demand, total meat production increases by 19.78% in the next decade, reaching 195.92 mmt in 2011. With strong consumption growth in meat-deficit regions, total meat trade increases by 5.09 mmt, reaching 15.02 mmt in 2011. Recovering meat demand and rising feed crop prices strengthen world meat prices. A two-year decline in beef trade due to BSE and FMD reverses to an annual growth rate of 5.44% in the next decade. Beef production also recovers to a 1.46% growth rate, reaching 55.10 mmt in 2011. Recovery in major importing countries slightly reduces trade by 0.89% after 2008, ending with 4.16 mmt in 2011.

Pork trade dropped over the last two years by 6.34%. It recovers over the rest of the decade, increasing by 4.94% annually. Pork production increases steadily to reach 86.82 mmt in 2011. The pork price starts high at $45.81/cwt and then declines for two years. The next price peak occurs in 2006 at $45.89/cwt, a 0.18% increase from the 2001 price.

The world broiler market benefited from recent SPS challenges for other meats. Broiler trade increases by 2.24 mmt in the next decade, reaching 7.22 mmt in 2011. Total broiler production increases by 10.3 mmt, reaching 54 mmt in 2011. Strong demand helps maintain a high initial price, ending at $61.91/cwt, close to the peak price of 1998.

Total milk production over the next decade increases 12.2% despite a 1.7% reduction in total dairy cattle inventories. Total butter and cheese productions increase about 18% by 2011. International prices for butter and cheese increase 4.3% and 2.5% annually, respectively. The EU, New Zealand, and Australia contribute about 86% of cheese exports and 85% of butter exports. Greater profitability in cheese markets prompts significant declines in U.S. and Canadian NFD exports. Per capita cheese consumption increases 1% to 4% annually in most countries.