Executive Summary

The FAPRI 2003 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 Farm Security and Rural Investment Act of 2002. FAPRI projections do not include conjectures on potential policy changes such as the various proposals under consideration in the WTO Doha Round negotiations. The major macroeconomic drivers of the 2003 FAPRI baseline are the deepening crisis in Latin America, full economic recovery in many countries in the next two years, and the U.S. dollar’s mixed relative value on world markets.

Total U.S. agricultural exports increased 2.6% by volume in 2001/02, rising to the levels achieved in 1999/00 but still below the mark reached in 1995/96. Despite the increase in volume, the value of U.S. exports increased by only 1.1% because of depressed agricultural prices combined with a decrease in the share of high-value products relative to the previous year. An increase in feed-grain prices and in world demand drives the value of agricultural exports up by 5.3% in 2002/03 in spite of the decline in volume. Both export volume and export value are expected to rise 1% to 3% annually during the second half of the baseline. The value of U.S. exports increases 28.7% by 2012 because of increases in the total export volume and strengthening prices.

Low crop prices in the late 1990s and severe drought in major grain-producing countries reduced planted area and yield, largely explaining the short-term spike in world prices of wheat, corn, sorghum, and barley in 2002/03. Recovery in area and production exerts downward pressure on crop prices in 2003/04. Thereafter, these prices slowly recover, driven by rising food and feed consumption. The wheat price decreases 18% in 2003/04 after reaching a high of $162.1/mt in 2002/03. After 2004/05, wheat price grows by 1.1% annually. The same pattern holds for all coarse grain prices. For rice, large carry-in stocks absorbed the global shortfall in 2002 without putting substantial pressure on world prices. However, continued tightening of supplies boosts international prices 16.7% by 2004, after which prices increase 2.5% annually.

World soybean prices were strong in 2002/03, as demand grew faster than supply, but weaken thereafter under the pressure of record supplies. High oil demand boosted sunflower prices in 2002/03 despite an expansion of world production. The continued decline in rapeseed production caused rapeseed prices to increase for the third straight year. In the long run, all oilseed prices are expected to return to their historic relationships. Oilseed meal consumption increases sharply, from 167 mmt to nearly 209 mmt by 2012. Soy meal consumption has the highest absolute increase, growing by 34 mmt. Rising incomes in less-developed countries contribute to a 19-mmt increase in vegetable oil consumption by 2012, or an increase of 0.13 kg/person annually.

Per capita meat consumption increases by 5.7 kg over the baseline, reaching 59.46 kg/person per year by 2012. Driven by rising meat demand, total meat production increases by 18.35% in the next decade, reaching 214.50 mmt in 2012. With strong consumption growth in meat-deficit regions, total meat trade increases by 3.69 mmt, ending the period at 35.95 mmt. 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 a 3.01% annual increase over the next decade. Beef production also recovers to a 1.51% growth rate. Recovery in major importing countries slightly reduces trade growth in the outer period, and beef trade reaches 4.14 mmt in 2012.

Weak economies in Asia and SPS challenges for major exporters slowed pork production and trade over the last two years. In the next decade, trade increases by 41.45%, reaching 3.78 mmt in 2012. Pork production increases 1.73% annually, reaching 105.58 mmt in 2012. The pork price returns to an upward trend in 2003, reaching a peak of $44.86/cwt in 2005, and another peak, 4.61% higher, in 2011.

The world broiler market benefited from other meats’ recent SPS challenges. However, Russia’s temporary ban on U.S. exports slowed 2002 trade. Trade recovers in 2003 and grows by 40.28% in the next decade, reaching 5.89 mmt in 2012. Total broiler production reaches 55.87 mmt in 2012, a 10.15-mmt increase. The broiler price trends upward starting in 2003 and reaches $60.74/cwt by 2012.

Milk production increases 11% over the decade because of increasing demand in dairy cattle inventories and milk per cow. Total fluid milk consumption rises 11.2 mmt over the baseline, leaving over 77.5% of production growth for dairy product manufacture. Total butter, cheese, NFD, and WMP productions increase through 2012, and prices increase between 1.6% and 2.3%. The EU, New Zealand, and Australia contribute about 78% of cheese exports and 86% of butter and WMP exports. Per capita cheese consumption increases by 1% to 4% annually in most countries.