Executive Summary

The FAPRI 2004 U.S. and World Agricultural Outlook presents final projections of world agricultural production, consumption, and trade. Food and Agricultural Policy Research Institute (FAPRI) projections assume average weather patterns worldwide, existing policy, policy commitments under current trade agreements, and new policy changes such as the enlargement of the European Union and Common Agricultural Policy reforms. FAPRI projections do not include conjectures on potential policy changes. The major macroeconomic drivers of the 2004 FAPRI baseline are the continuing solid economic growth worldwide, and currency movements against the U.S. dollar.

Continuing strength in feed-grain prices and in world demand for high-value products drive the value and volume of agricultural exports by 27% and 24% respectively over the projection period. Grains and feeds account for most of the rise in exports. Oilseed and oilseed product exports recover their 2003/04 levels toward the end of the baseline. U.S. grain and feed exports increase 33% over the baseline, with feed driving this increase. Barring any future sanitary and phytosanitary (SPS) problems, the volume of animal and animal product exports are expected to increase 20%. The value of animal and animal product exports rises 42% over the baseline, accounting for 33% of the total growth in the value of U.S. exports.

From a level of $144.9/mt in 2003/04, the wheat price decreases by $4/mt in 2004/05, because of the recovery in area and production in several countries. However, the wheat price remains high until 2013/14, driven by low stocks and strong food demand in developing countries. Yield improvements drive production increases. In 2003/04, stock releases decreased corn prices, but release of stocks slows in 2004/05, putting pressure on supply despite production increases of 24.7 mmt. The corn price increases to $105.2/mt in 2004/05 and remains strong until 2013/14. The stocks-to-use ratio keeps decreasing and reaches 8.8% by 2013/14. Production increases to 717.9 mmt in 2013/14 because of yield and area increases. Feed use increases by 46.8 mmt, led by a strong livestock sector in Asia and Latin America. Food use grows to 230.7 mmt in 2013/14, driven by population growth.

World oilseed, protein meal, and vegetable oil prices climbed strongly in 2003/04, driven by robust demand and tightening supplies. With record supplies in 2004/05, prices fall significantly. World oilseed area increases 1% annually, reaching 184 mha by the end of the projection period. About 85% of the area increase is due to South American soybean area expansion; rapeseed, sunflower, and peanut areas stay flat. Oil palm plantings increase by 2% per year. World vegetable oil consumption grows 2.6% annually over the period, driven equally by population growth and higher per capita consumption. U.S. soybean exports remain flat throughout the baseline while Brazil’s exports grow strongly, in line with expanding Chinese imports.

Per capita meat consumption increases by 4.3 kg over the baseline, reaching 46.6 kg per person per year by 2013. Driven by rising meat demand, total meat production increases by 19.7% over the baseline, reaching 232.4 mmt in 2013. With strong consumption growth in meat-deficit regions, total meat trade increases by 3.3 mmt, ending the period at 14.8 mmt. Recovering meat demand and rising feed crop prices strengthen world meat prices. Beef trade declines by 2.50% in 2004, a result of lost U.S. export markets from the U.S. bovine spongiform encephalopathy (BSE) case and of a new beef quota in Russia. Beef trade recovers at 3.32% annual growth for the rest of the decade.

Economic recovery in Asia and the BSE scare raised pork production and trade in 2001/02 and 2002/03. But the new pork tariff rate quota in Russia reduces pork trade by 1.5% in 2003/04. Trade grows by 3.7% annually thereafter, reaching 3.9 mmt in 2013. Pork production increases 2% annually, reaching 105.9 mmt in 2013. The pork price cycles throughout the decade, with price peaks in 2006 at $42.4/cwt and in 2011 at $45.34/cwt.

The world broiler market benefited from other meats’ recent SPS challenges but was handicapped by Russia’s new poultry quota, set at 1.05 mmt starting in 2003. Trade recovers thereafter, growing by 26.8%
over the baseline, reaching 6.1 mmt in 2013. Total broiler production reaches 67 mmt in 2013, a 13.6 mmt increase. The broiler price trends upward at a rate of 0.9% and reaches $61.1/cwt by 2013.

Strong expansion of milk output in Latin America and Russia keeps world milk production growing throughout the baseline. Rising availability of milk in several significant importing countries lowers the 10-year growth in dairy product trade below 1% for all products except whole milk powder.

Income growth and urbanization are the major forces driving the expansion of demand and imports for dairy products in several East Asian countries. International prices for all four major dairy products rise an average of 1% to 2% annually. Reductions in EU dairy market support improve EU competitiveness on world markets, although a greater share of dairy products remain in the expanded European Union to meet growing demand in the New Member States.