Executive Summary

The FAPRI 2005 U.S. and World Agricultural Outlook presents final projections of world agricultural production, consumption, and trade. The projections assume average weather patterns, existing farm policy, and policy commitments under current trade agreements and custom unions. Major drivers of the 2005 baseline include continuing strong economic growth worldwide, recovery from past weather shocks in key producing countries, recent SPS shocks, and the U.S. dollar’s weakness in industrialized countries and its strength in Latin America.

U.S. agricultural exports will remain strong for the outlook period, although SPS problems continue to plague meat markets in the short term and partially offset strong gains in the volume and value of coarse grain exports. In 2005, the U.S. export volume increases by 2.5% but weaker wheat and oilseed prices and low meat exports bring the total value down by 4%. The value of U.S. exports is projected to increase 20% by 2014 with the long-term shift to high-value exports, including a meat export rebound.

From a level of $152 mt in 2004/05, the wheat price decreases to just below $146 per mt in 2005/06 because of a supply increase resulting from higher stock availability, although production is lower in 2005/06. The world wheat price increases to $164 per mt in 2014/15, driven by a demand increase from Asian, Middle Eastern, and African countries, which also increases wheat net trade to 108 mmt in 2014/15. In 2004/05, higher corn production decreased the corn price to about $96 per mt. A return to average yield levels in 2005/06 decreases the corn production, increasing the corn price to $105 per mt. Consumption of corn increases by more than 83 mmt over the next 10 years, with the main source of this demand increase coming from feed use in Asian and Latin American countries. Both a per capita consumption increase and population growth contribute to the increase in food demand.

The soybean price, along with all other oilseed prices, weakened in 2004/05 under the pressure of record supplies. For 2005/06, another price decline is expected despite a production adjustment. World oilseed area increases 0.7% annually, reaching 186 mha by the end of the projection period. About 97% of the area increase is due to South American soybean 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 fall by 9% throughout the baseline while Brazilian exports surge, in line with expanding Chinese imports.

Solid global economic growth raises per capita meat consumption by 6 kg over the baseline, bringing total 2014 consumption to 56 kg per person per year. This rising meat demand fuels a 21% growth in total meat production, with the volume reaching 241.8 mmt in 2014. With strong consumption growth in meat-deficit regions, total meat trade increases by 5 mmt, ending the period at nearly 19 mmt.

BSE and AI had an impact on the world meat market in 2004, inducing a small decline (0.6%) in beef trade, a modest rise (0.9%) in broiler trade, and a strong increase in pork trade (5.8%) and raising the price of all three products to record levels. Recovery from the SPS shocks is the main story of the short-term meat outlook. Over the rest of the decade, trade in beef, pork, and poultry grows by 4.4%, 2.6%, and 3.6%, respectively. The general outlook is for a decline in prices in the short run as the SPS impact wanes before prices strengthen again in the outer period driven by demand.

Driven by growing income and strong demand, world milk and dairy product outputs strongly expand over the baseline. As consumption outpaces supply in most importing countries, trade in world dairy products increases significantly, especially cheese trade, which increases by 37% in 10 years. In the meantime, world dairy prices increase an average of 1% to 2% annually throughout the baseline with the exception of a decrease in 2005. Australia, New Zealand, and the EU remain the biggest players in world dairy export markets, while Argentina and Brazil steadily increase their dairy exports. The accession of 10 new states to the EU increases the intra-EU trade, and reductions in EU dairy market support improve EU competitiveness in world markets in the long run.