Executive Summary

The FAPRI 2010 U.S. and World Agricultural Outlook presents projections of world agricultural production, consumption, and trade under average weather patterns, existing farm policy, and policy commitments under current trade agreements and custom unions. The outlook uses a macroeconomic forecast developed by IHS Global Insight.

The slowdown in the world economy in 2009 proved to be deeper and more widespread than originally anticipated, with an annual rate of real GDP growth of -1.9%. However, recovery is projected to begin in 2010, with long-term real GDP growth of 3.3% reached by 2011. With the recovery primarily driven by a fiscal stimulus and restocking of inventory, its sustainability centers on how quickly and robustly confidence is restored and the employment picture is improved, leading to transition into private consumption and investment demand for medium- to longer-term growth. Also, the economic recovery is accompanied by stronger energy prices of $94.2 per barrel in 2019, a cost pressure that might take some of the steam off the growth momentum. The U.S. dollar made significant gains in 2009 but resumes its real depreciation over the rest of the decade against the currencies of Australia, the EU, New Zealand, and Argentina. Many Asian currencies appreciate in real terms against the U.S. dollar, with China experiencing especially large real appreciations.

In the world ethanol market, the 37% drop in crude oil prices in 2009 as well as the 60% reduction in U.S. ethanol net imports contribute to an 8% decline in the world price of ethanol. The ethanol price is projected to remain relatively stable in 2010 before declining by 9% in 2011. The price of ethanol increases over the rest of the projection period as a result of increased demand brought about by U.S. biofuel mandates. U.S. ethanol imports are expected to come mainly from Brazil, which continues to increase the share of sugarcane production going into ethanol. World net trade increases over the decade, approaching 4.2 billion gallons. Mandates also drive demand for biodiesel in the EU and the Americas and raise net trade to 602 million gallons as well as pushing the world price to $5.58 per gallon.

In the outlook for sugar, because of the production shortfall in 2009/10, particularly in India, the world price of sugar increases by almost 60%. The price declines by 26%, to 19.0¢/lb, in the following year as countries recover. However, it continues to remain high and reaches 20.4¢/lb by the end of the projection period, as more sugarcane is used for ethanol in Brazil, and sugar imports of countries like China and the EU remain strong.

The world wheat price drops to $216 in 2009/10 because of larger crop production in key wheat importing countries, which lowers import demand. After downward pressure from high carryover stocks in 2010/11, the price strengthens and reaches $222.7 per mt at the end of the decade. With strong competition from Russia and Ukraine, the U.S. loses market share in the world wheat market. U.S. net exports of wheat are projected to decline over the next decade. The world corn price decreases to $162.9 per mt in 2009/10. It is projected to increase in 2010/11 to $168.3 per mt and reach $175.6 per mt in 2019/20. Argentina regains its market share while Brazil loses its market share. The world barley price declines in 2009/10 to $135 with lower import demand in world markets. It is projected to decline further, to $131.9, in 2010/11 and to reach $148 in 2019/20.

World prices of oilseeds remain relatively stable in 2009/10 as the supply rebound (especially for soybeans) is met with increased demand because of the economic recovery. Vegetable oils lead the oilseeds complex, as demand from both food and biodiesel uses expands firmly over the outlook period. While Asian countries, and in particular China and India, underpin much of the food demand growth, consumption mandates in the EU, Argentina, Brazil, and the U.S. strongly expand the usage for biodiesel production. Increased demand for protein meal from the growing and intensifying livestock sector in Asia supports the price of meal against the backdrop of large supplies owing to strong oil-driven crush and relatively stable demand for this commodity from developed countries.

Sanitary/phytosanitary and food safety concerns stemming from disease outbreaks and from traceability issues continued to affect the world meat market. While recovery from the economic recession in 2009 continues, income and population growth raises per capita meat consumption and fuels expansion in world trade. Meat trade is projected to increase by 22.5%, reaching 20.5 mmt in 2019. A recovery in demand, coupled with strong grain prices, keeps all meat prices relatively high over the next decade. Brazil and the U.S. gain significant shares in the world meat market.

Dairy prices declined significantly in 2008/09 as a result of economic recession. They increase in 2010 because of economic recovery. In the long run, growth in population and incomes continues to put upward pressure on dairy prices. Australia, New Zealand, and the EU remain the big exporters. While exports from the EU stagnate, Argentina and Brazil expand their dairy exports. The Asian countries, Russia, and