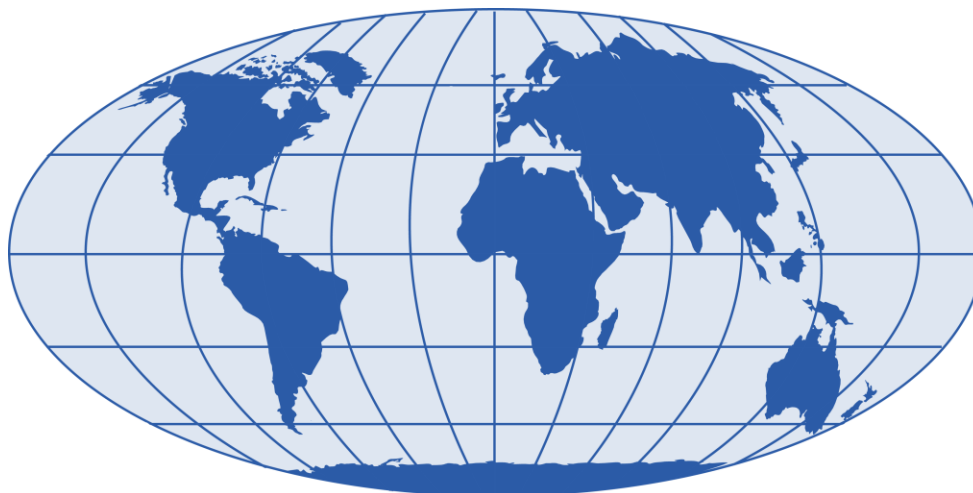
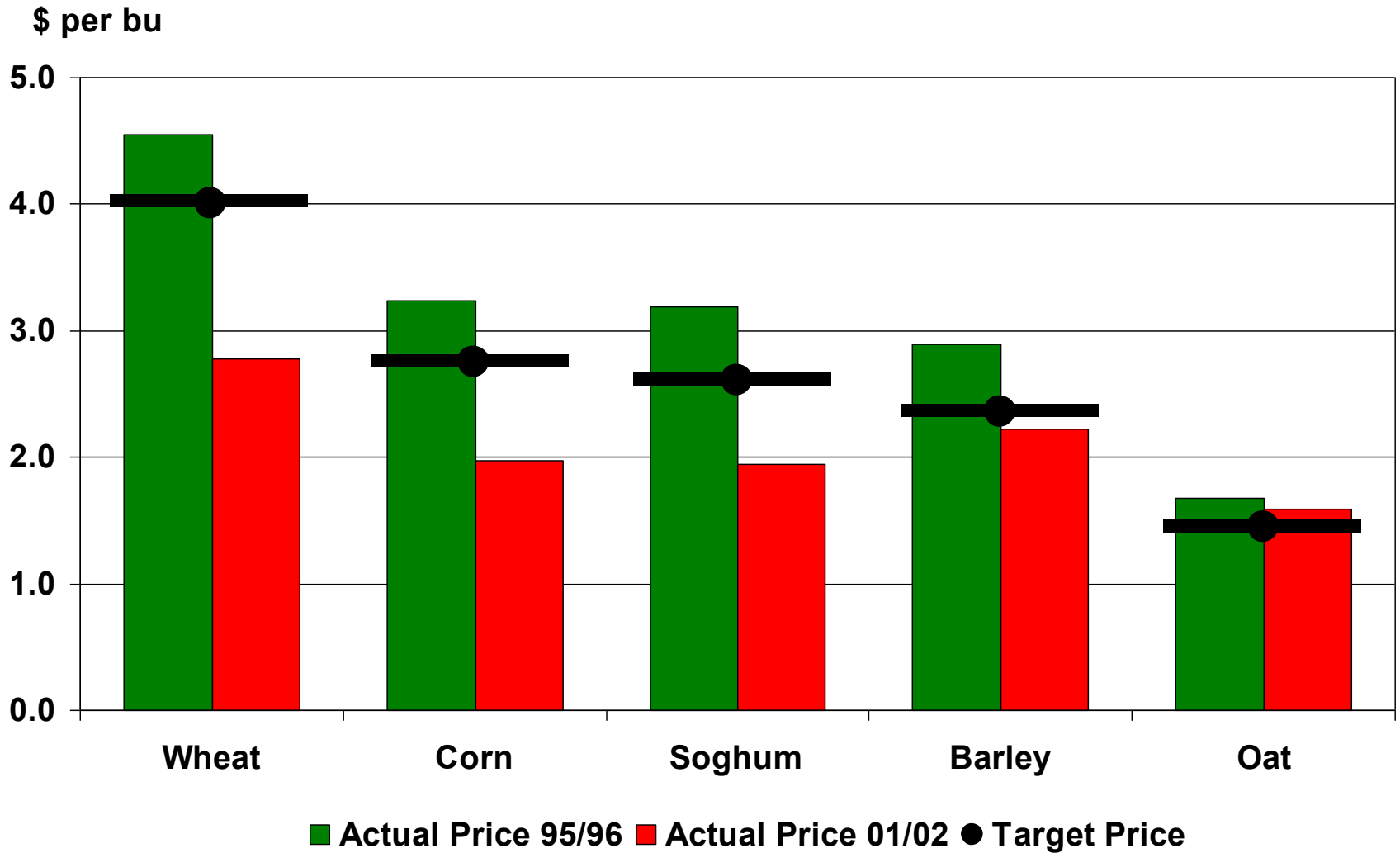


# Exterior Forces Shaping the Next Farm Bill: Market Forces

Jacinto F. Fabiosa

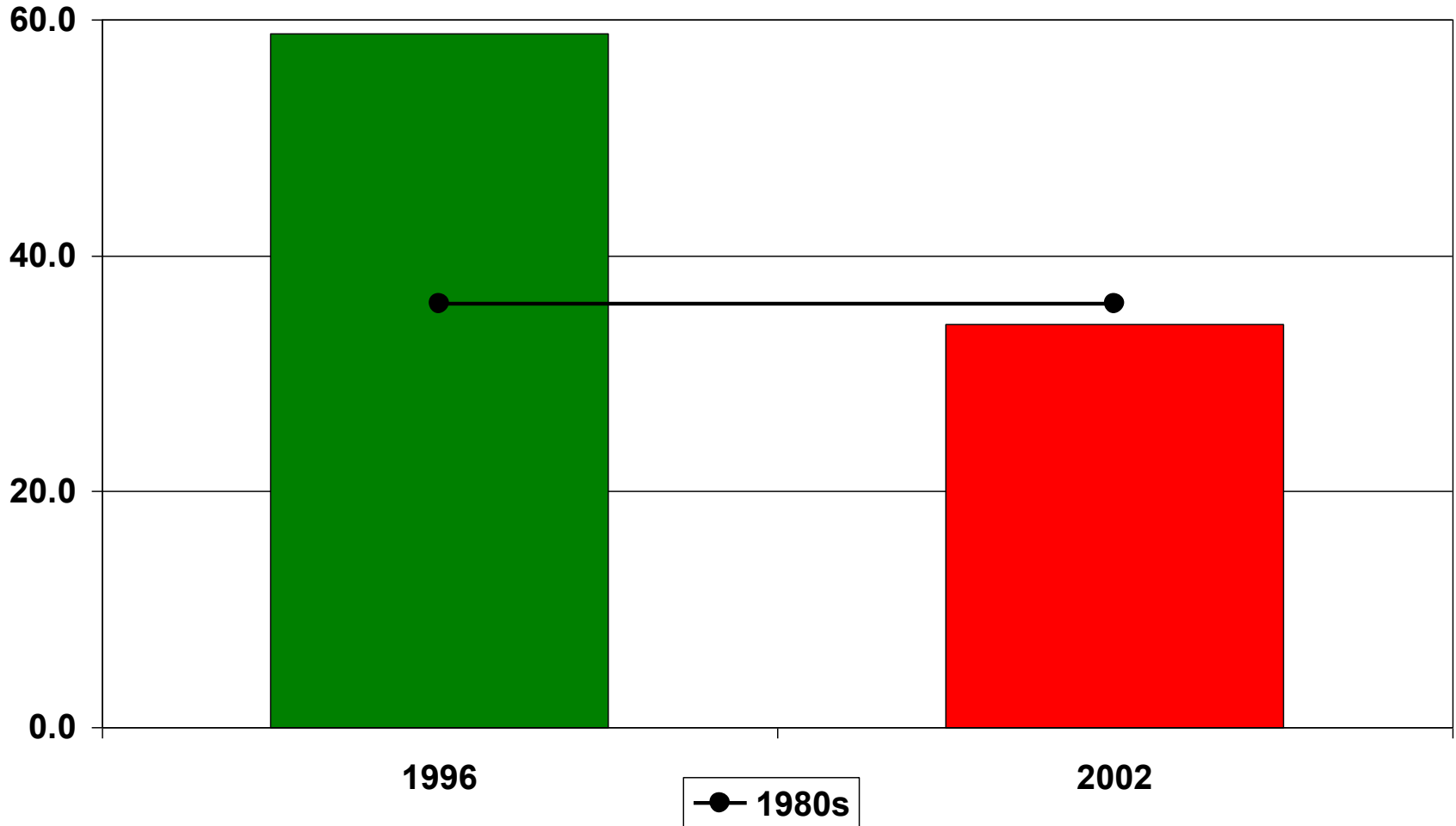


# Crop Prices: Target and Market Prices



# Real Farm Income

Billion 1997 \$



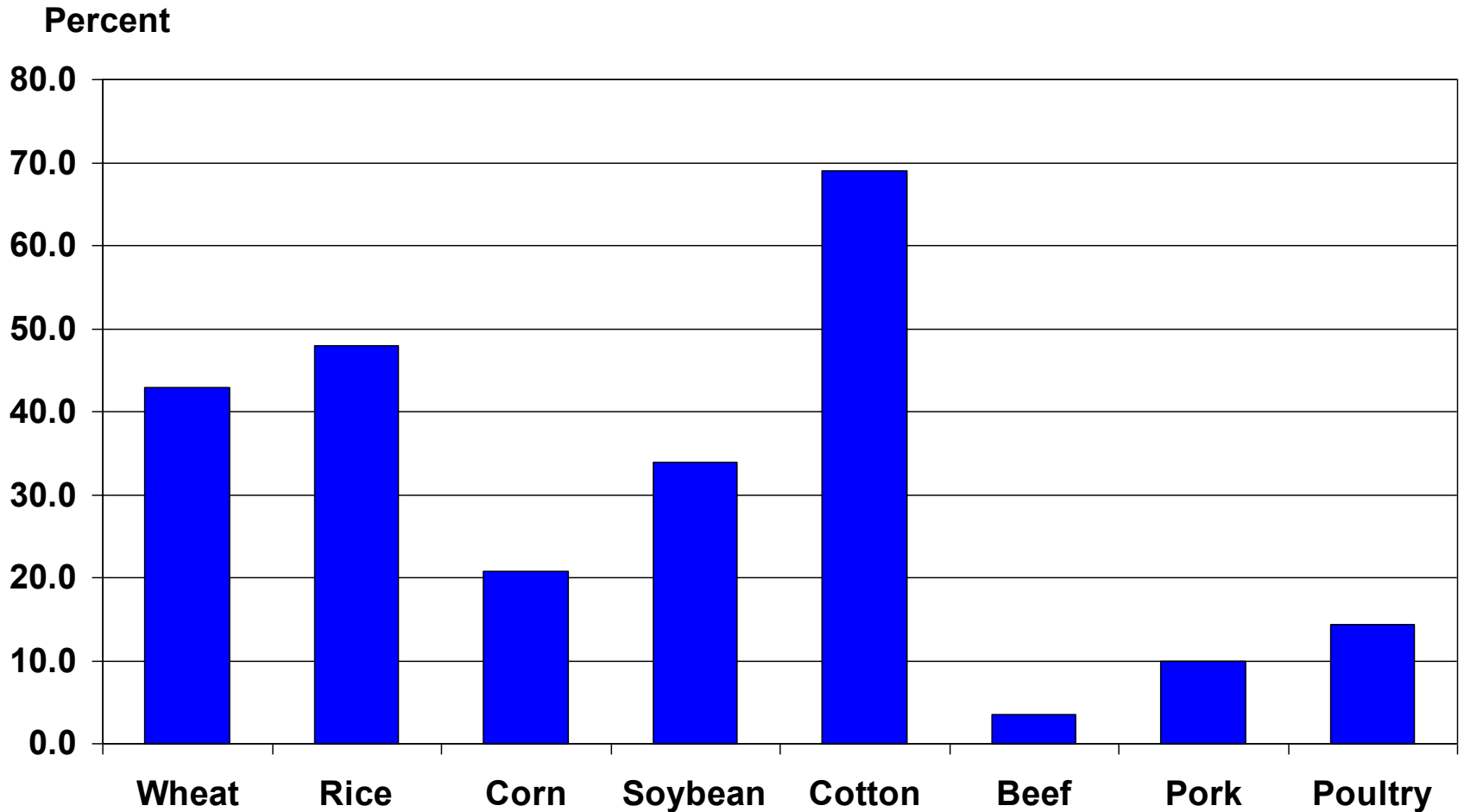
# What is the market outlook in the next 5 to 10 years? Implications?

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- Conditioning assumptions
  - Macroeconomic
  - Policy
  - Others
  
- Commodity specific outlook outcomes
  - Meat
  - Dairy
  - Feed grain and Oilseed complex
  - Food grain
  
- Summary and implications for next farm bill

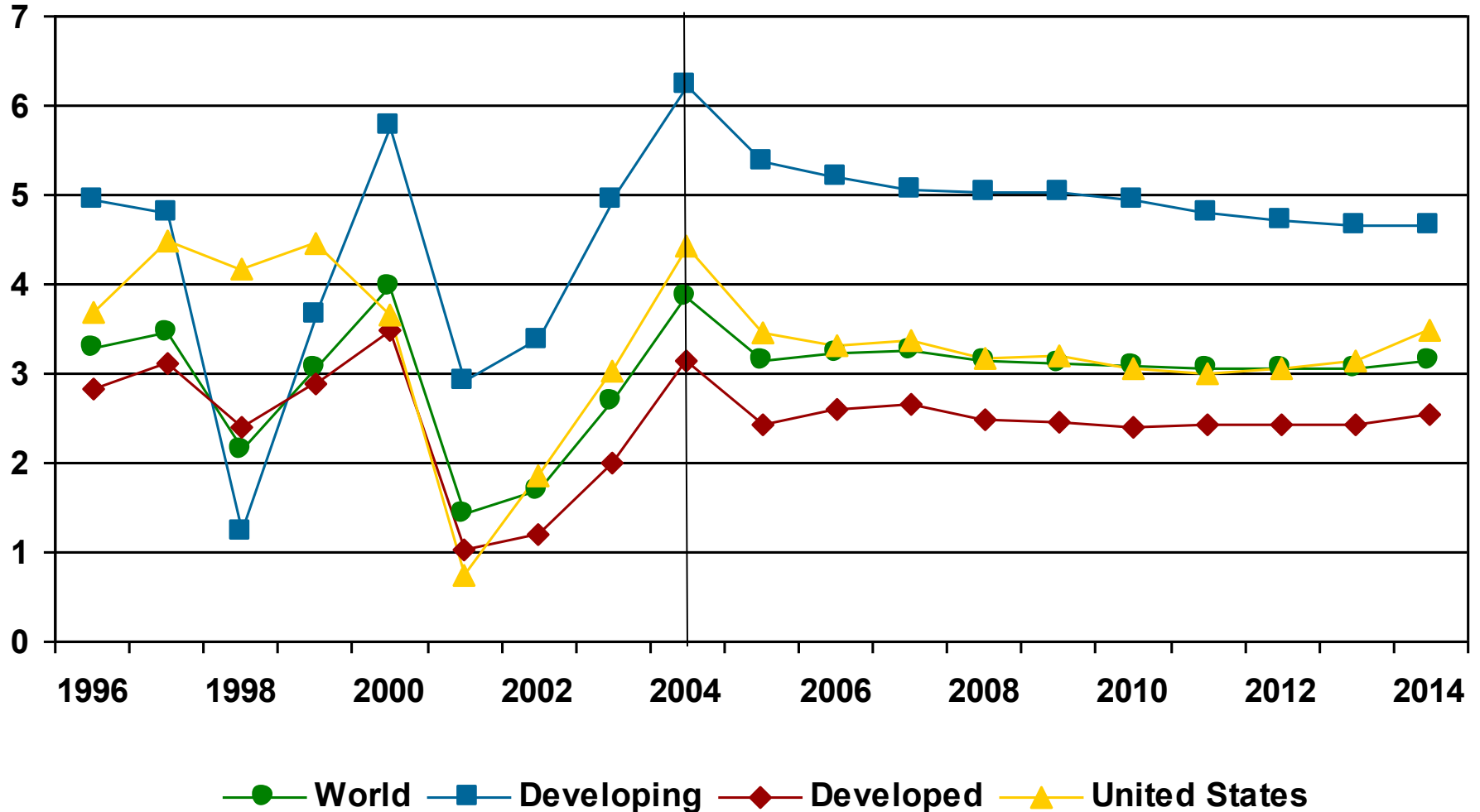


# Exports Share of Total Utilization



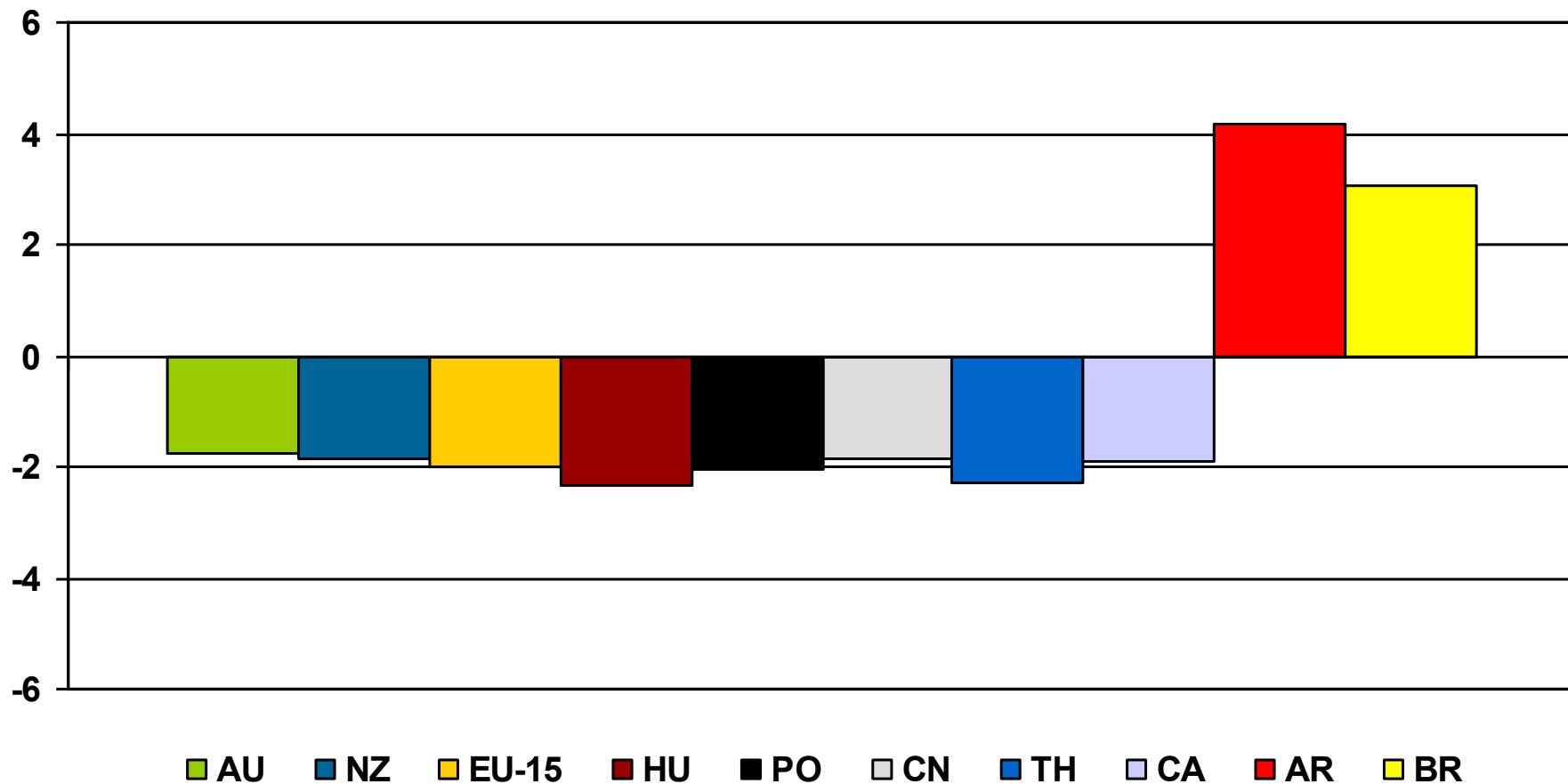
# Real GDP Growth Rates

Percent

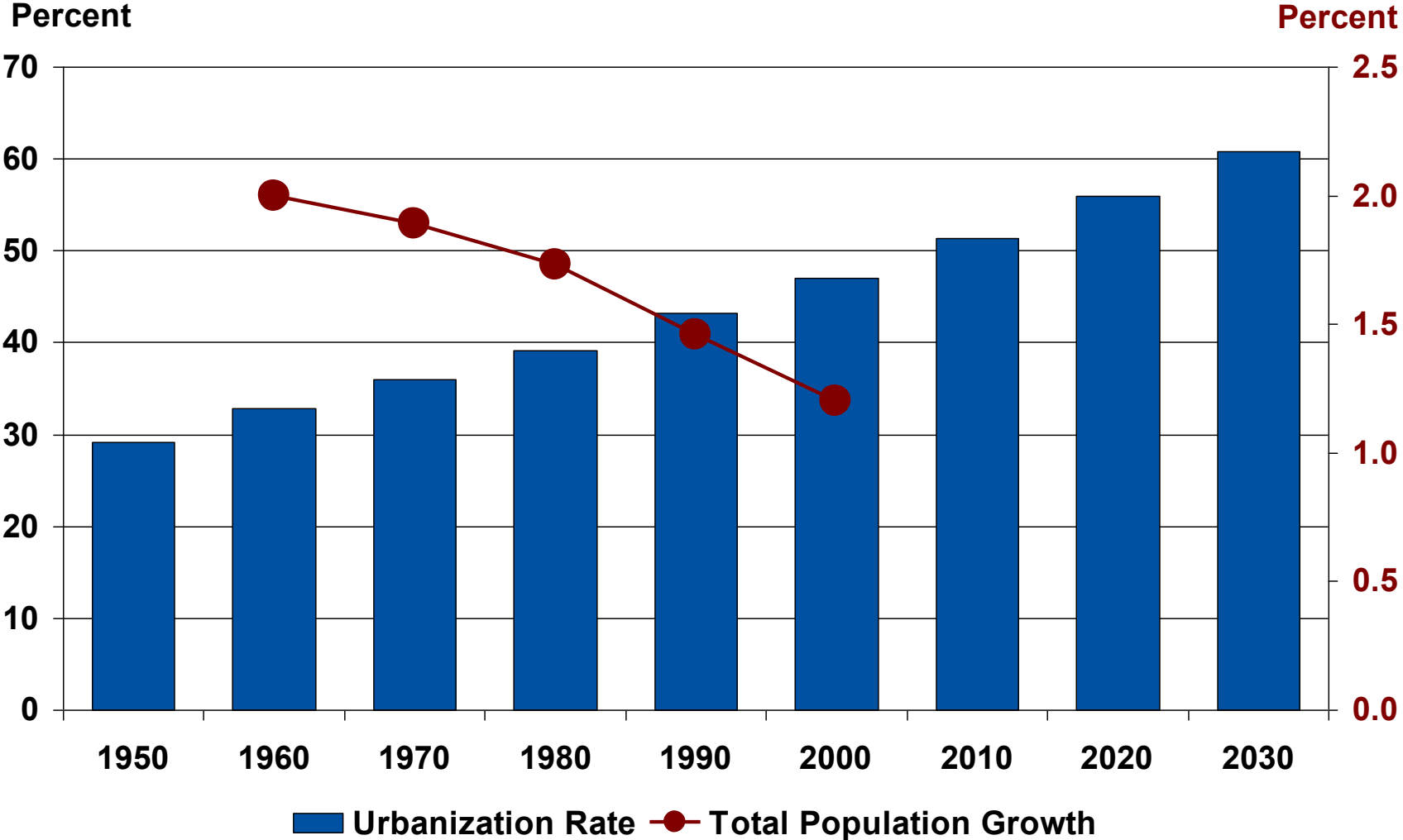


# Average Growth in Exchange Rate

Percent

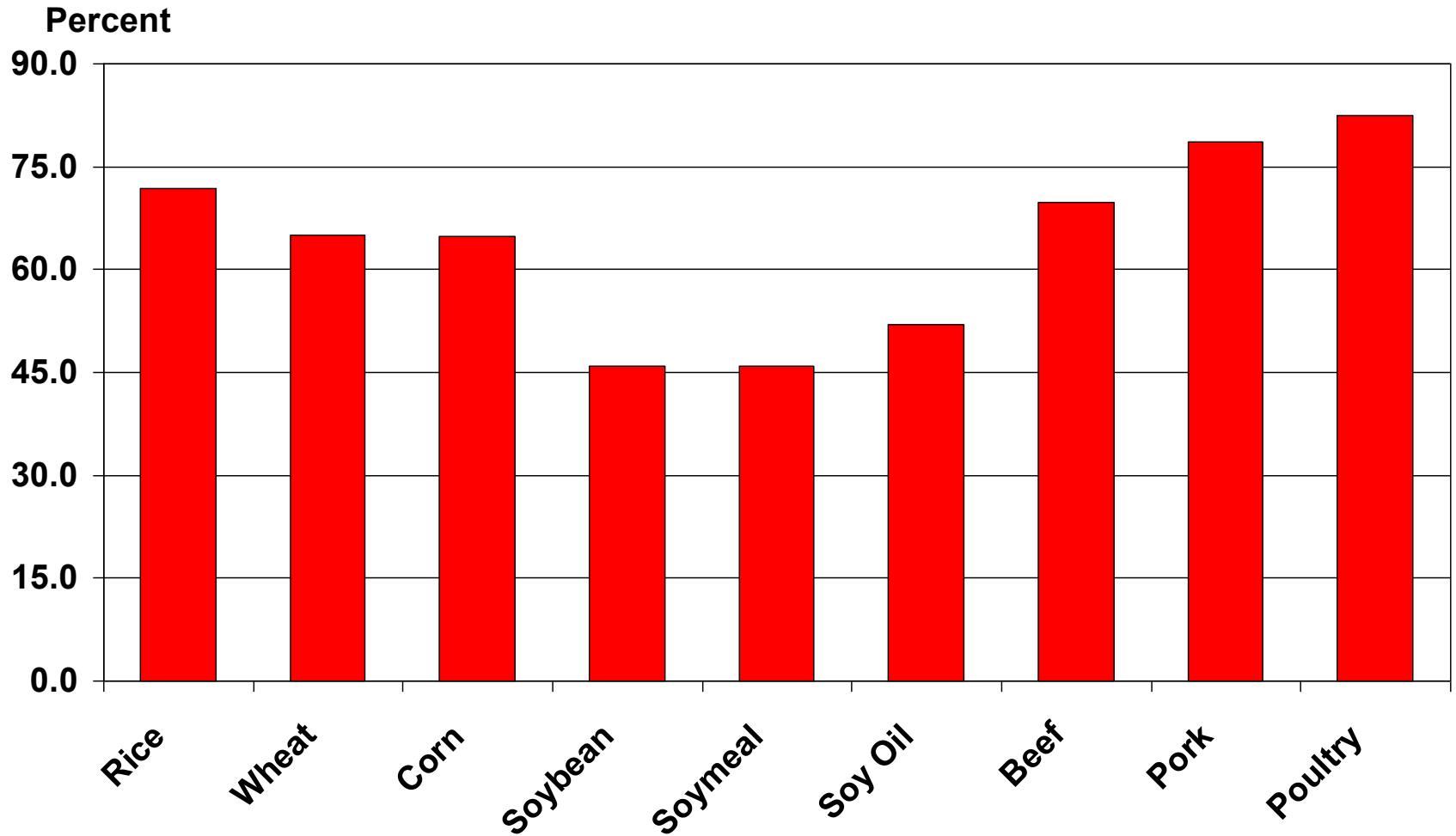


# Population Growth Rate and Urbanization



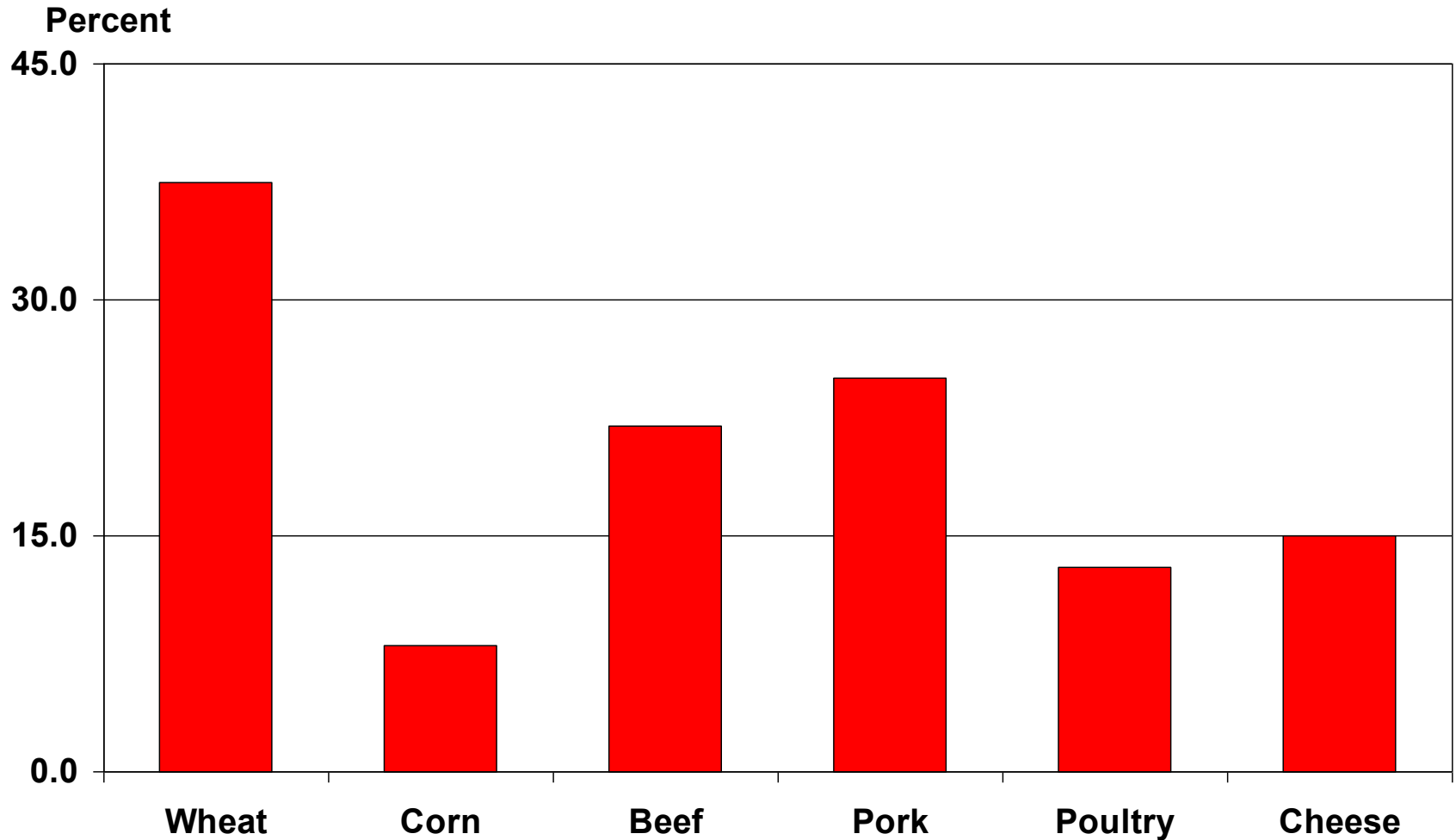


# Bound Duty



# Export Subsidy to Total Trade

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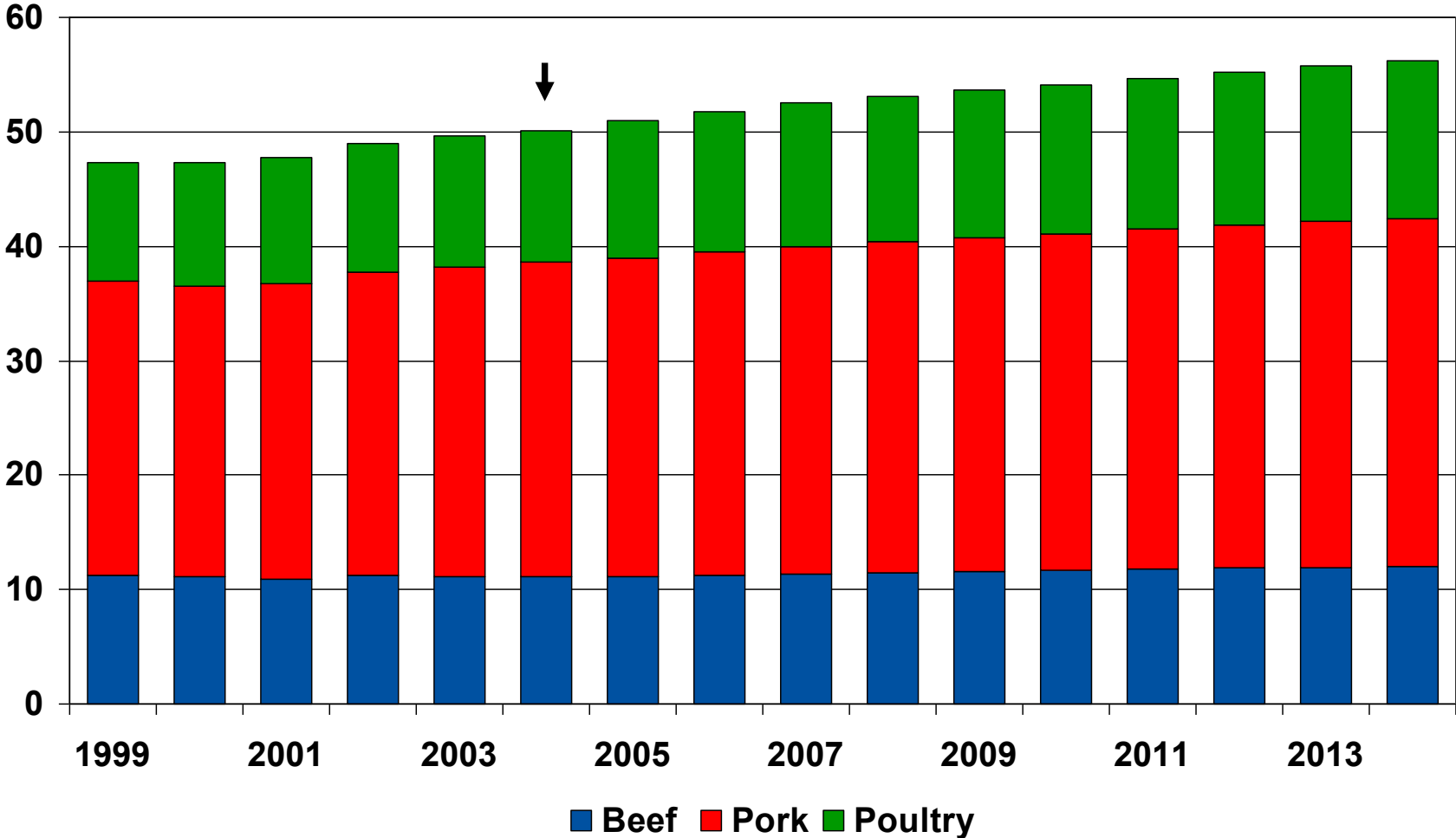
# Global Policy Overview and Other Assumptions

---

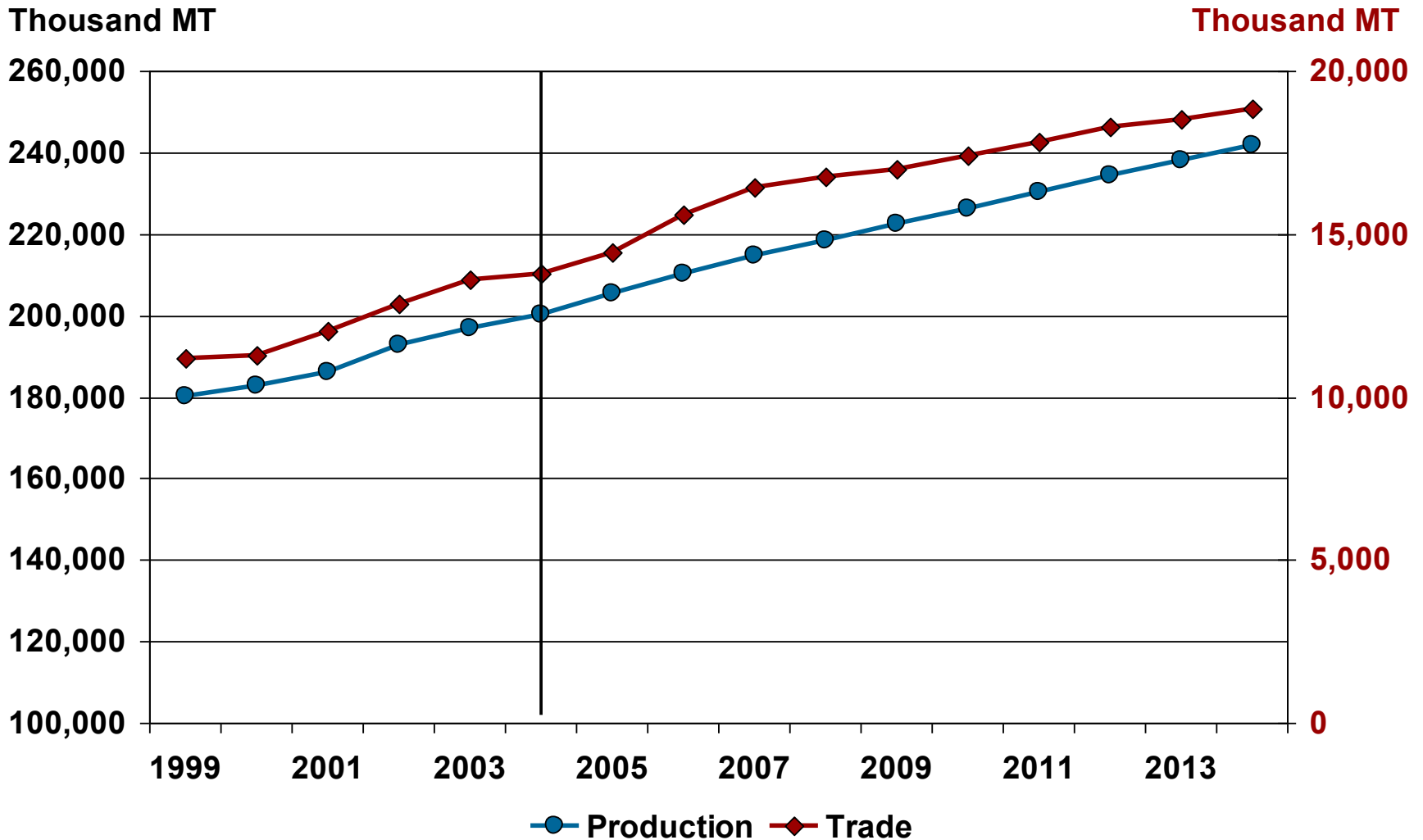
- 2002 U.S. Farm Security and Rural Investment Act
- 1995 URAA
- NAFTA
- 2004 EU enlargement and associated EU CAP reforms
- SPS cases (BSE in North America and HPAI in Asia)

# Per Capita Meat Consumption

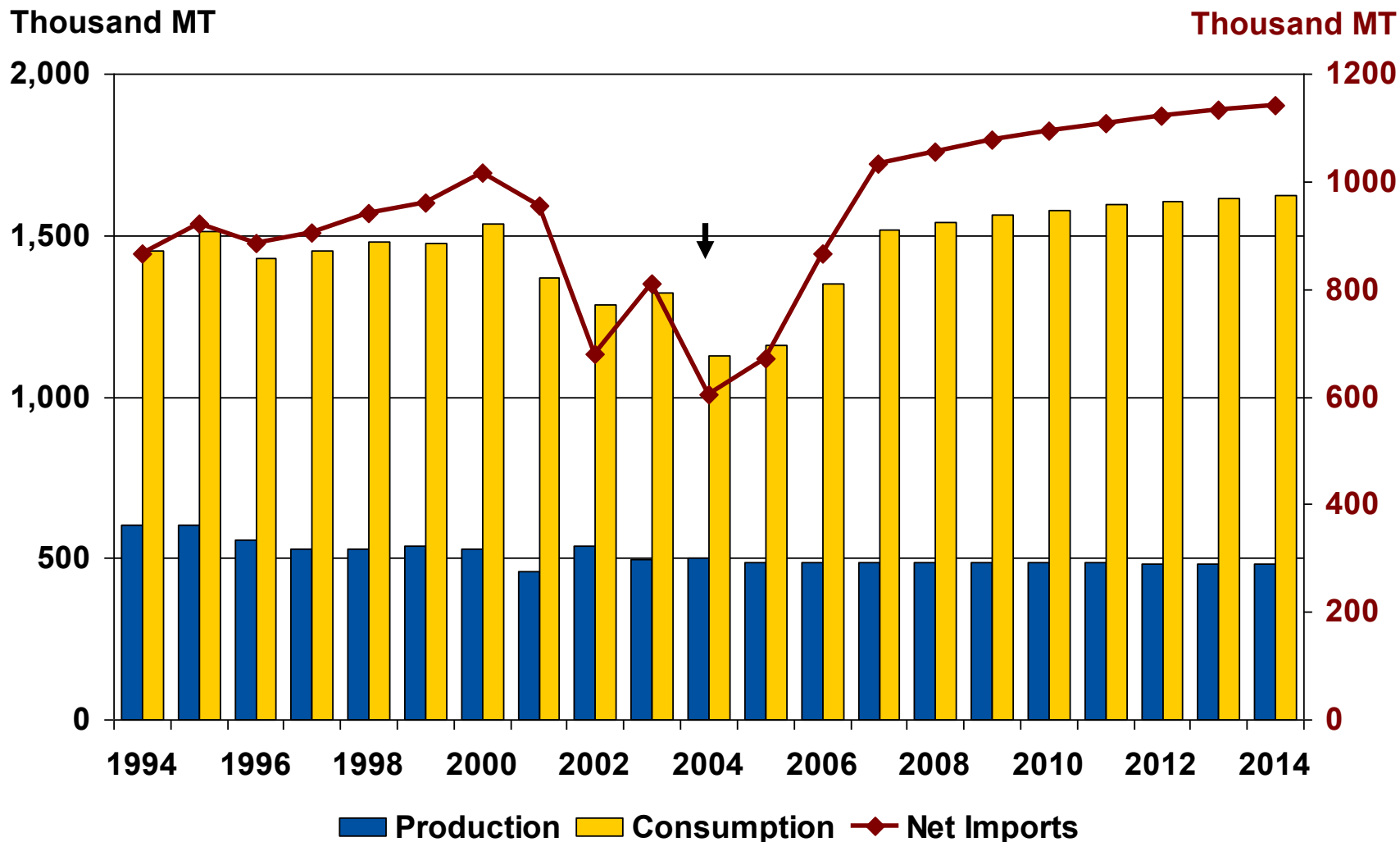
Kg per person



# World Meat Production and Trade

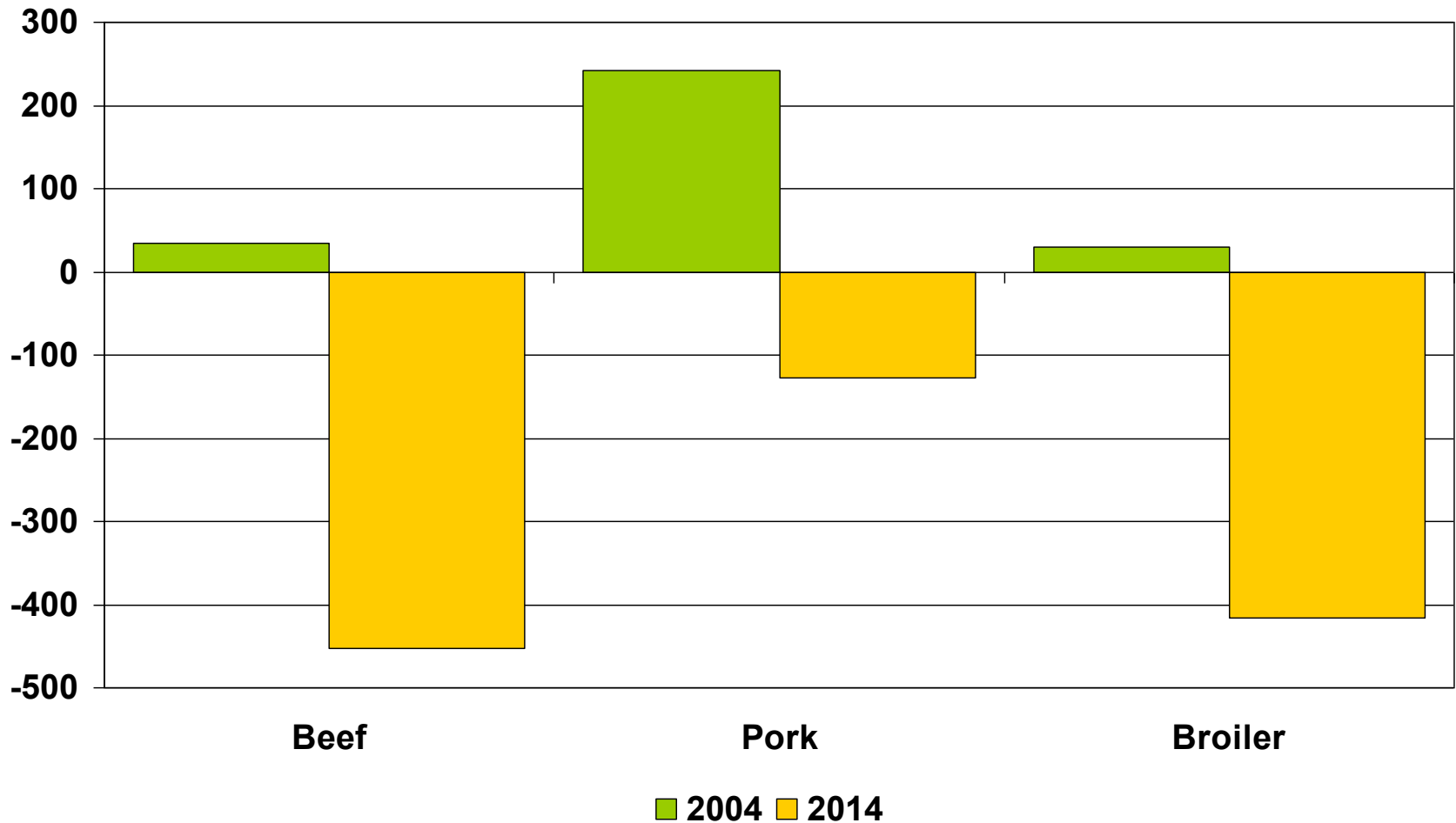


# Japanese Beef Supply and Utilization

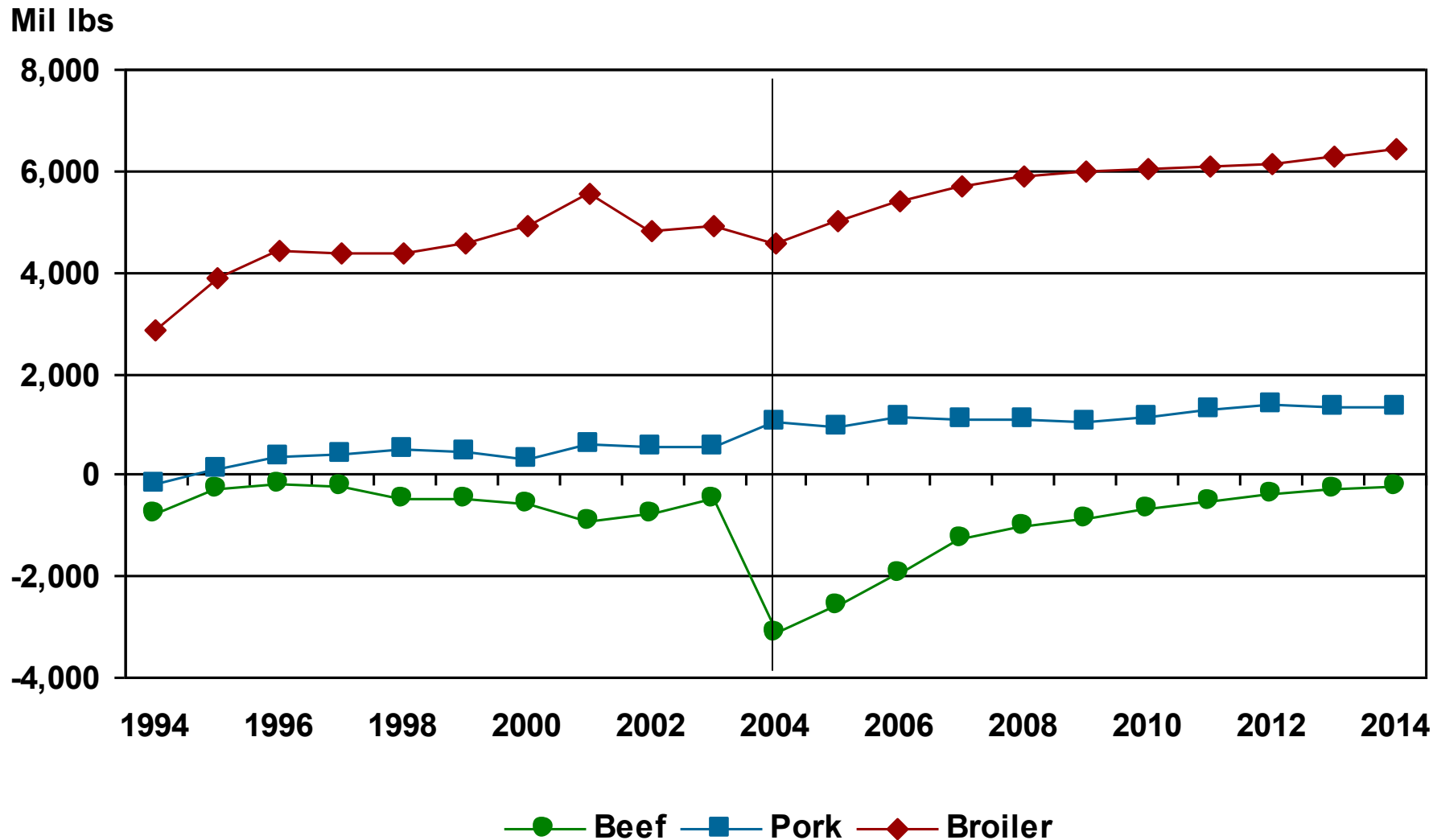


# China Livestock Net Trade

Thousand MT

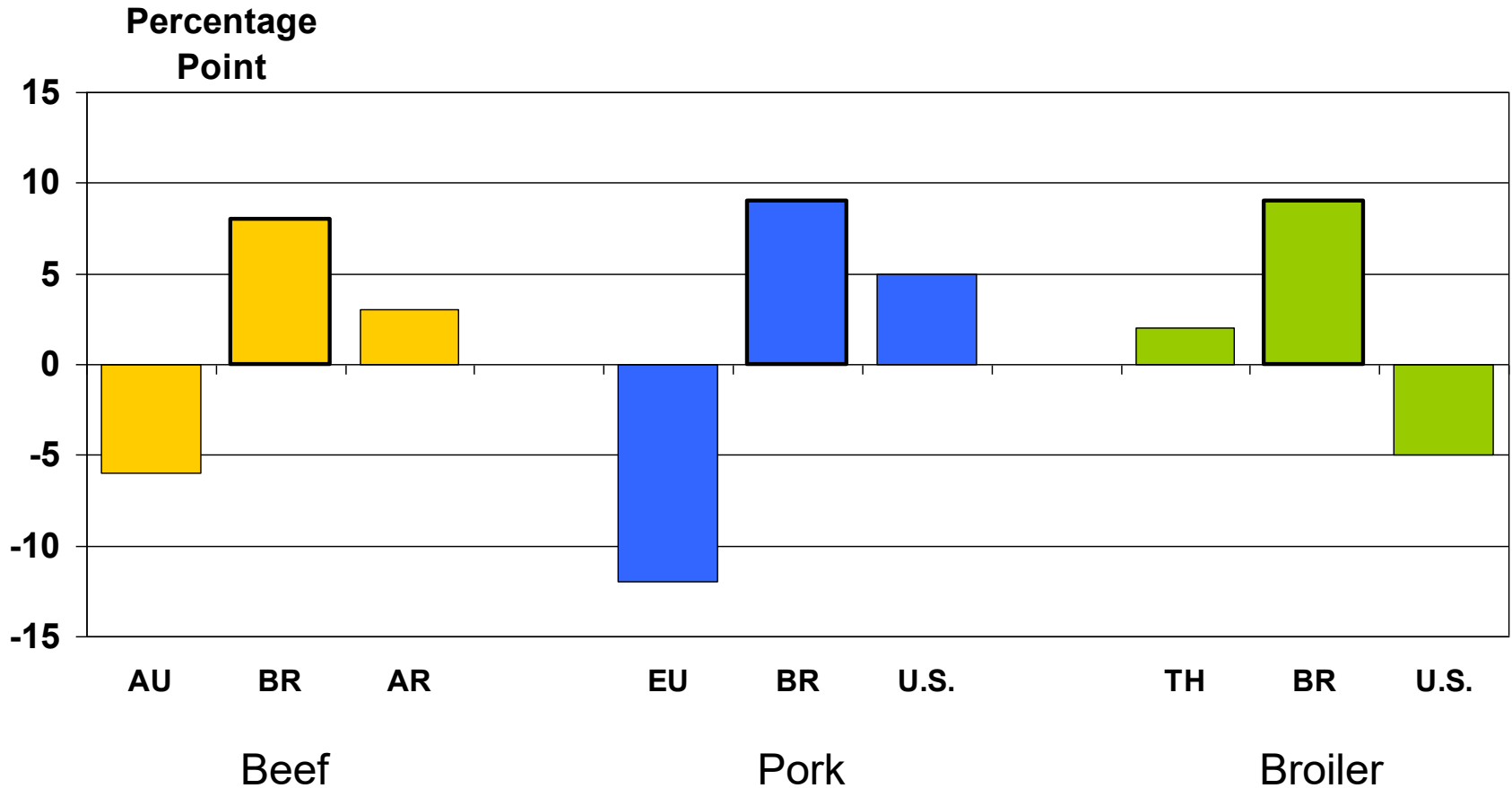


# U.S. Meat Net Exports



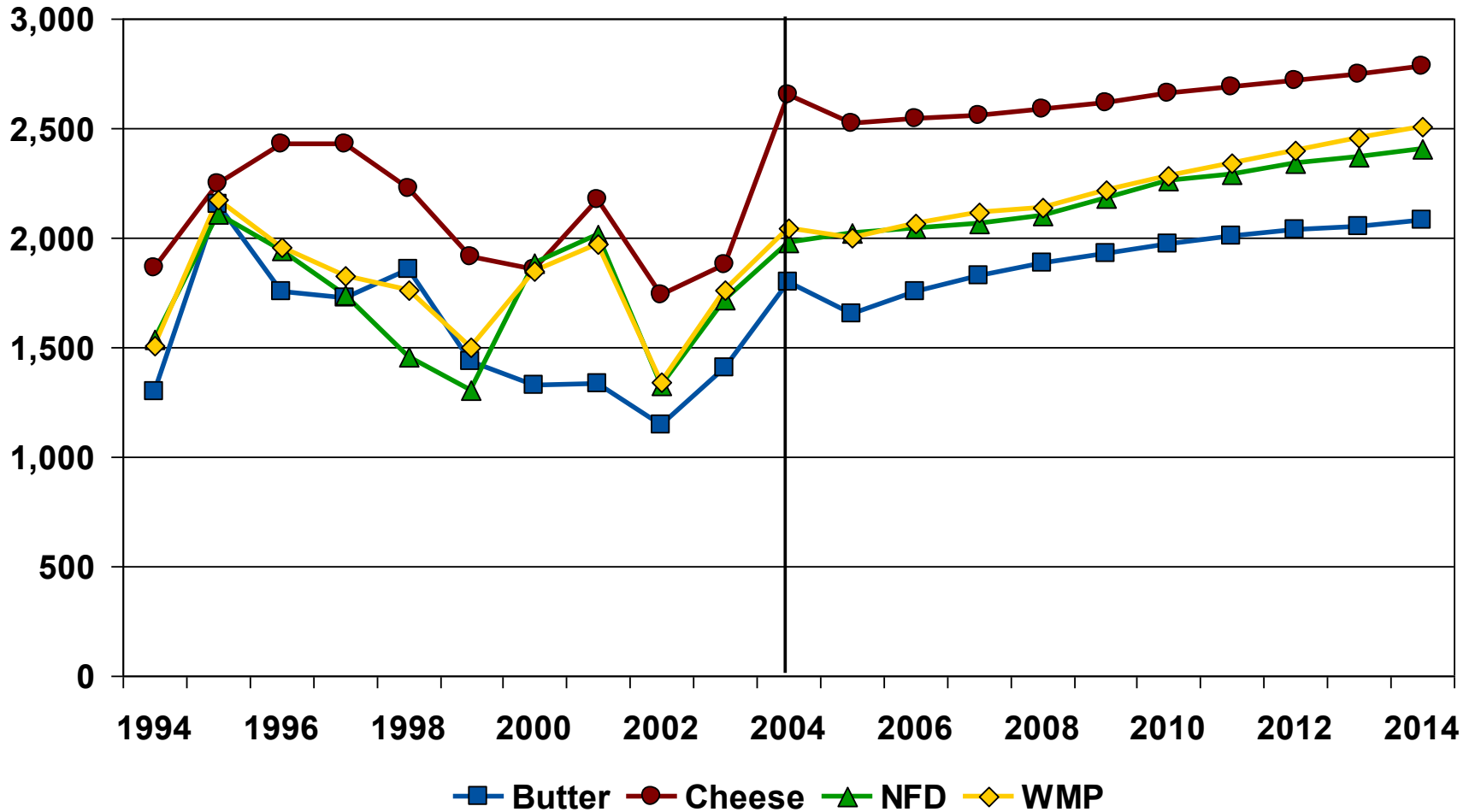


# Livestock Market Share Change

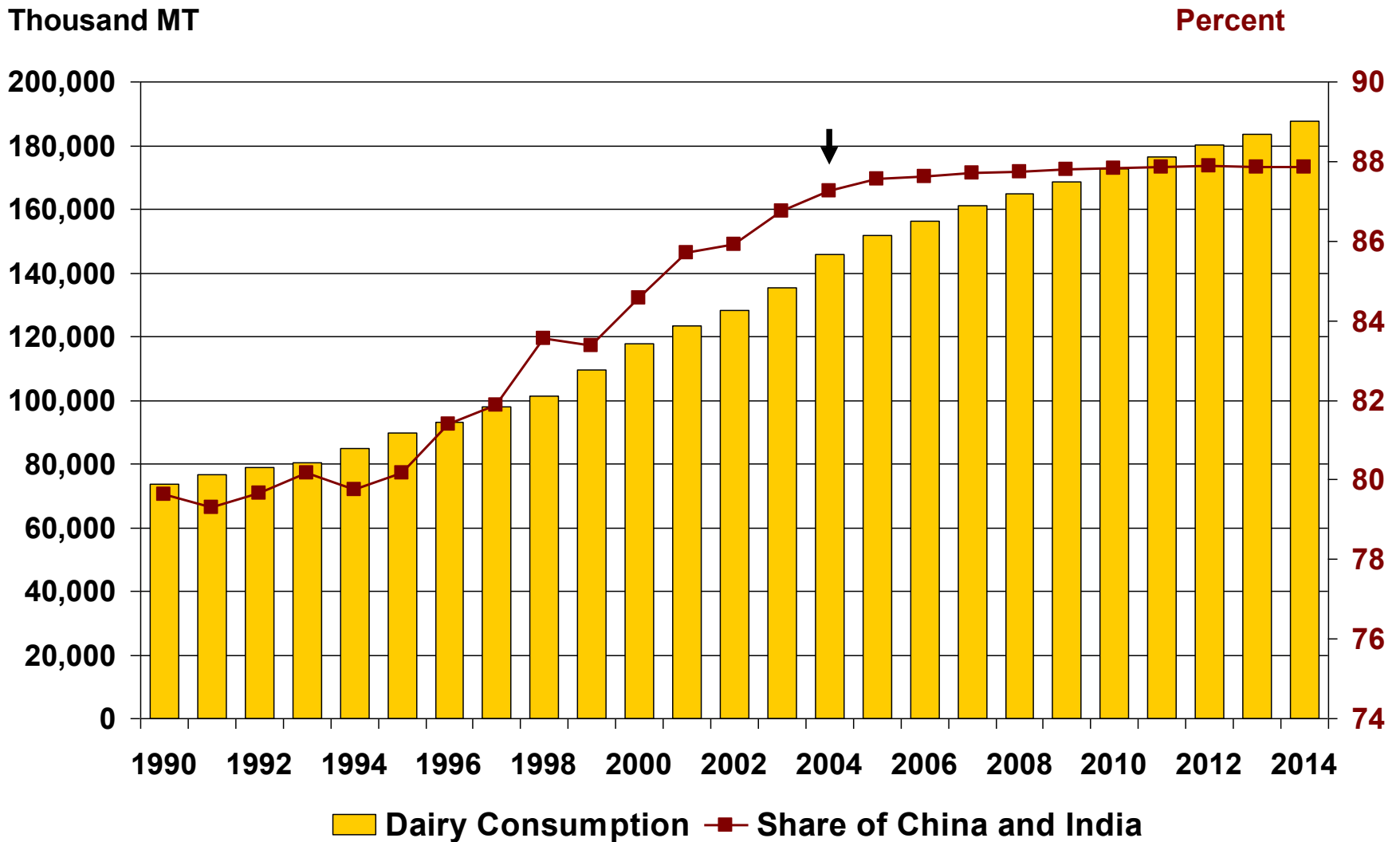


# FOB Northern European Dairy Product Prices

U.S. Dollar per MT

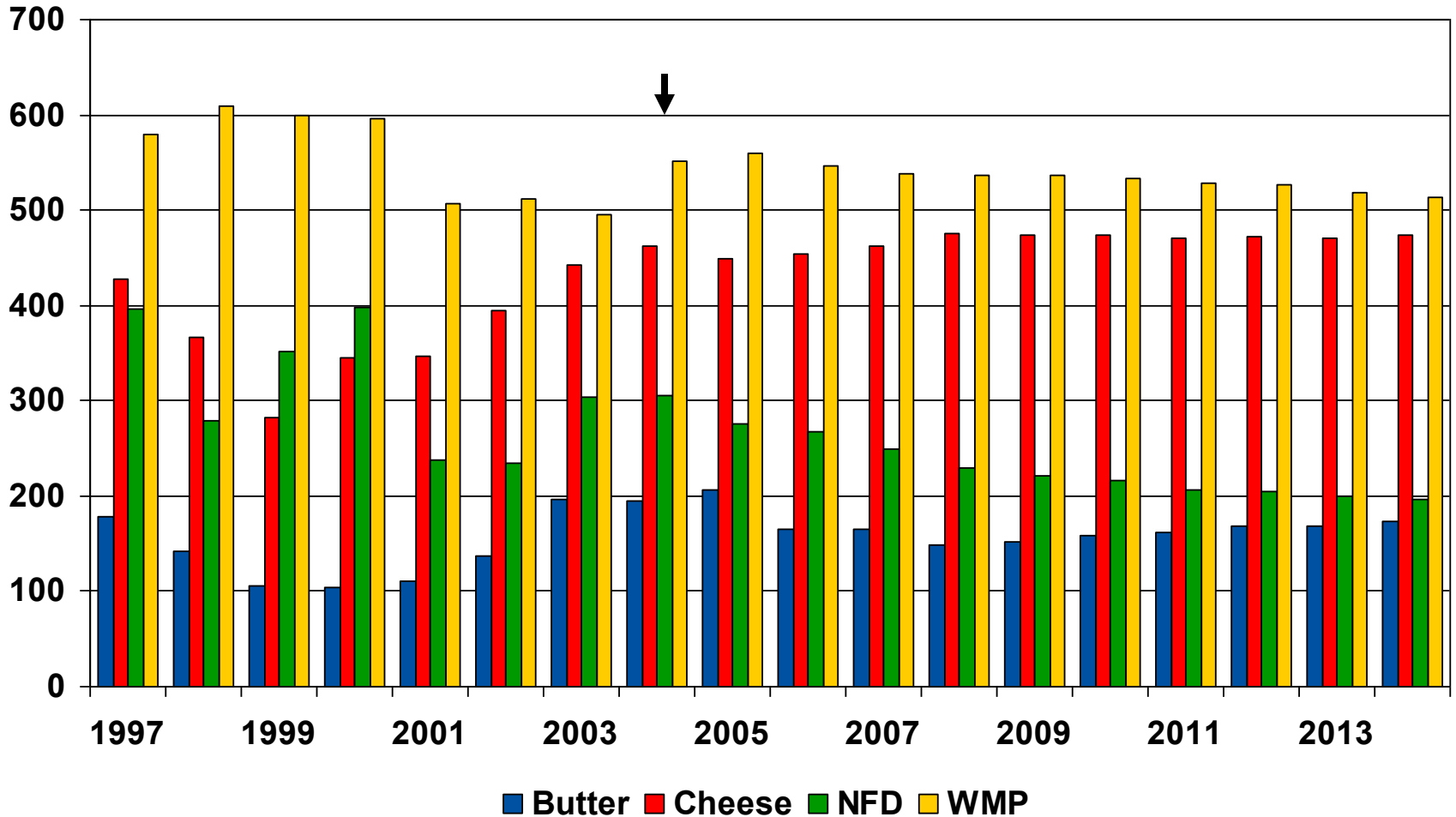


# Asian Dairy Consumption

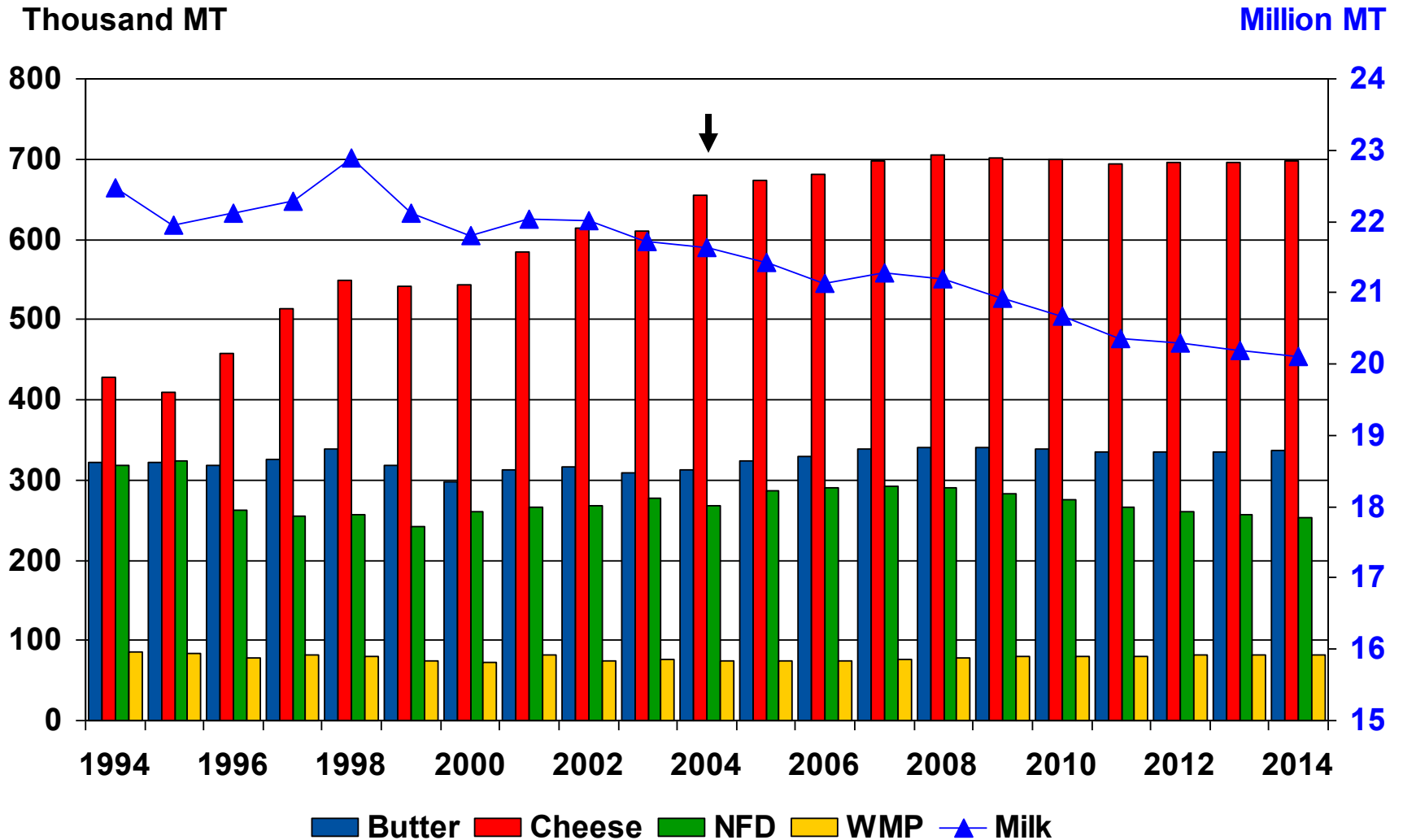


# EU Dairy Product Net Trade

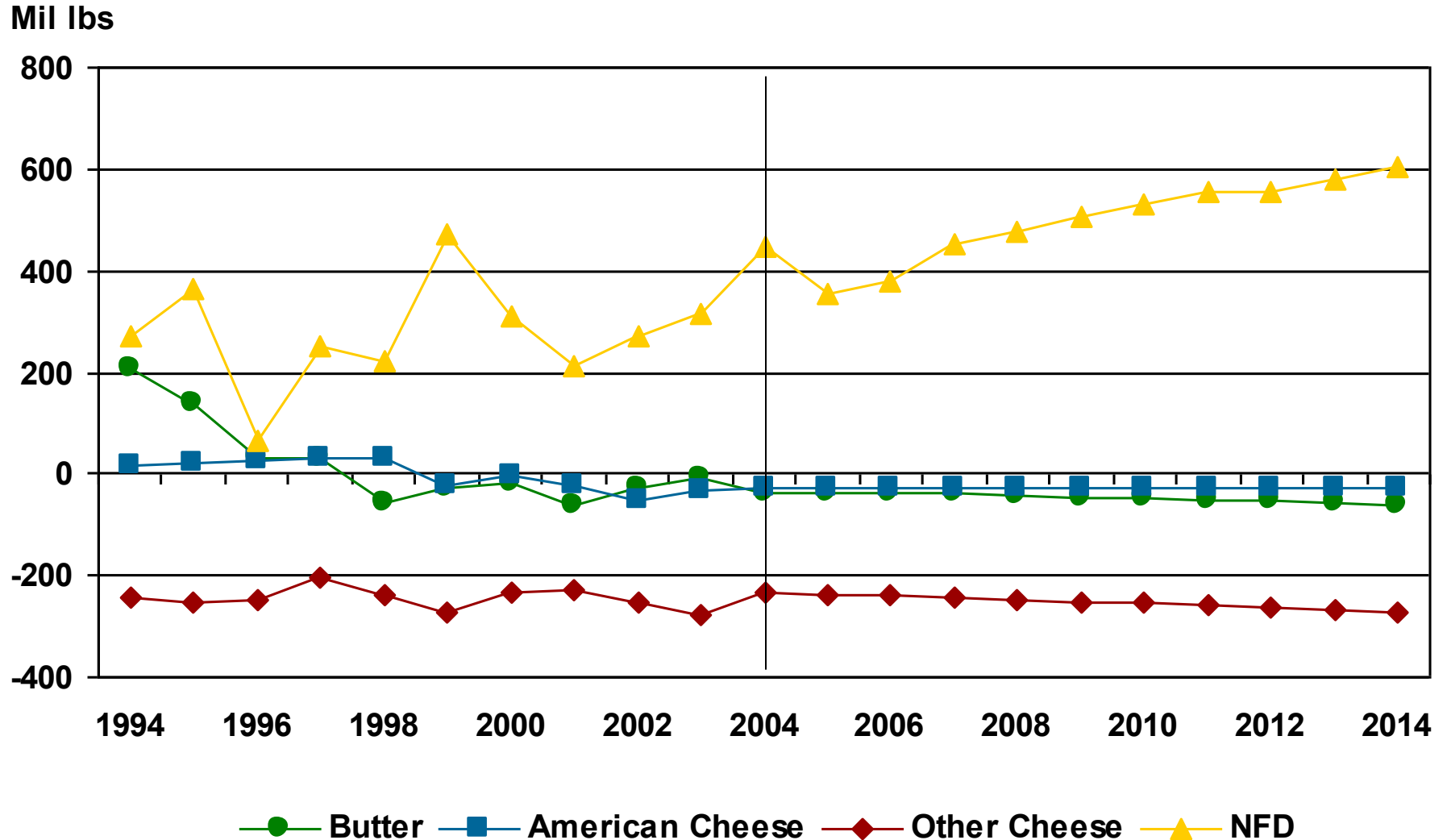
Thousand MT



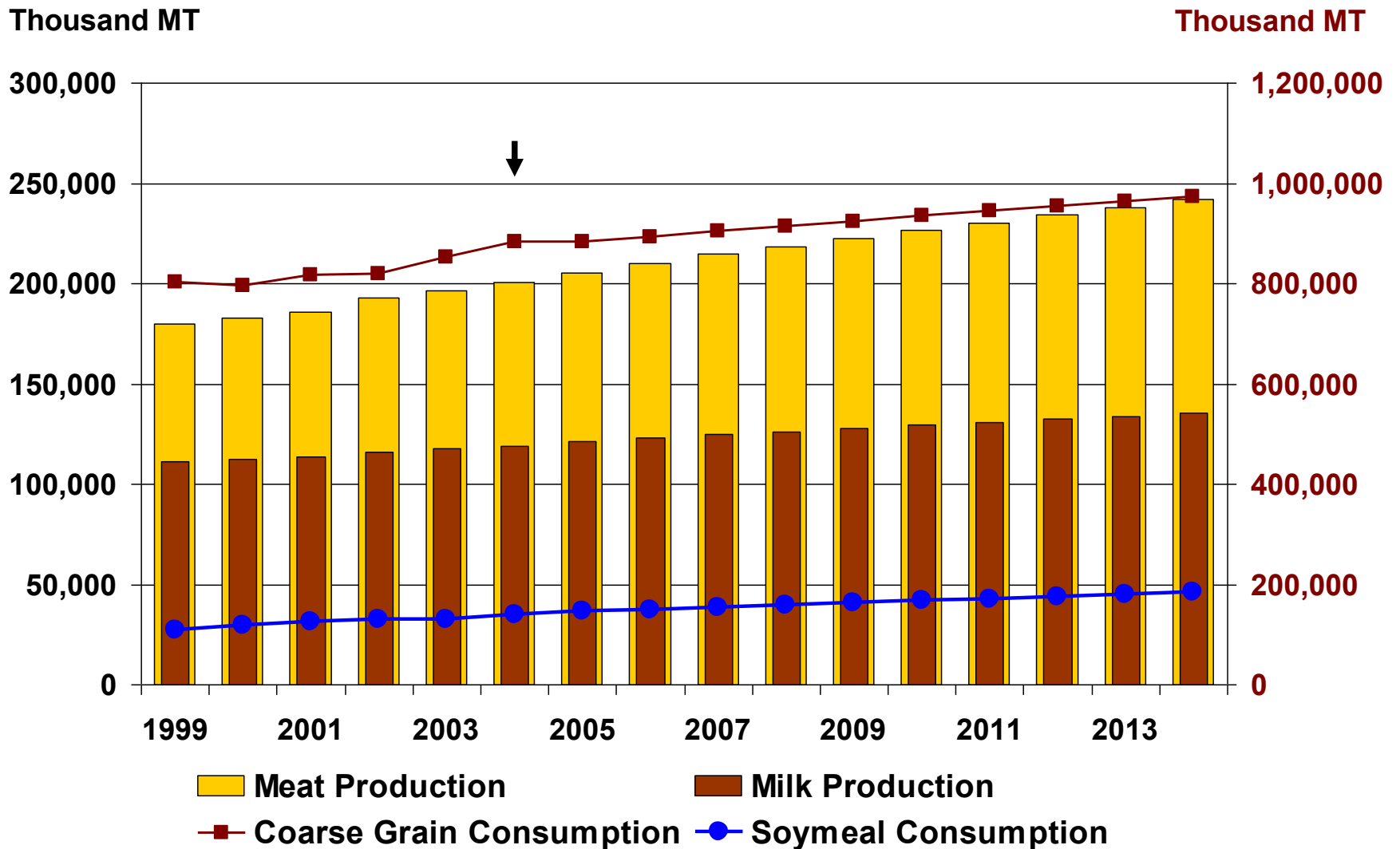
# EU NMS Dairy Production



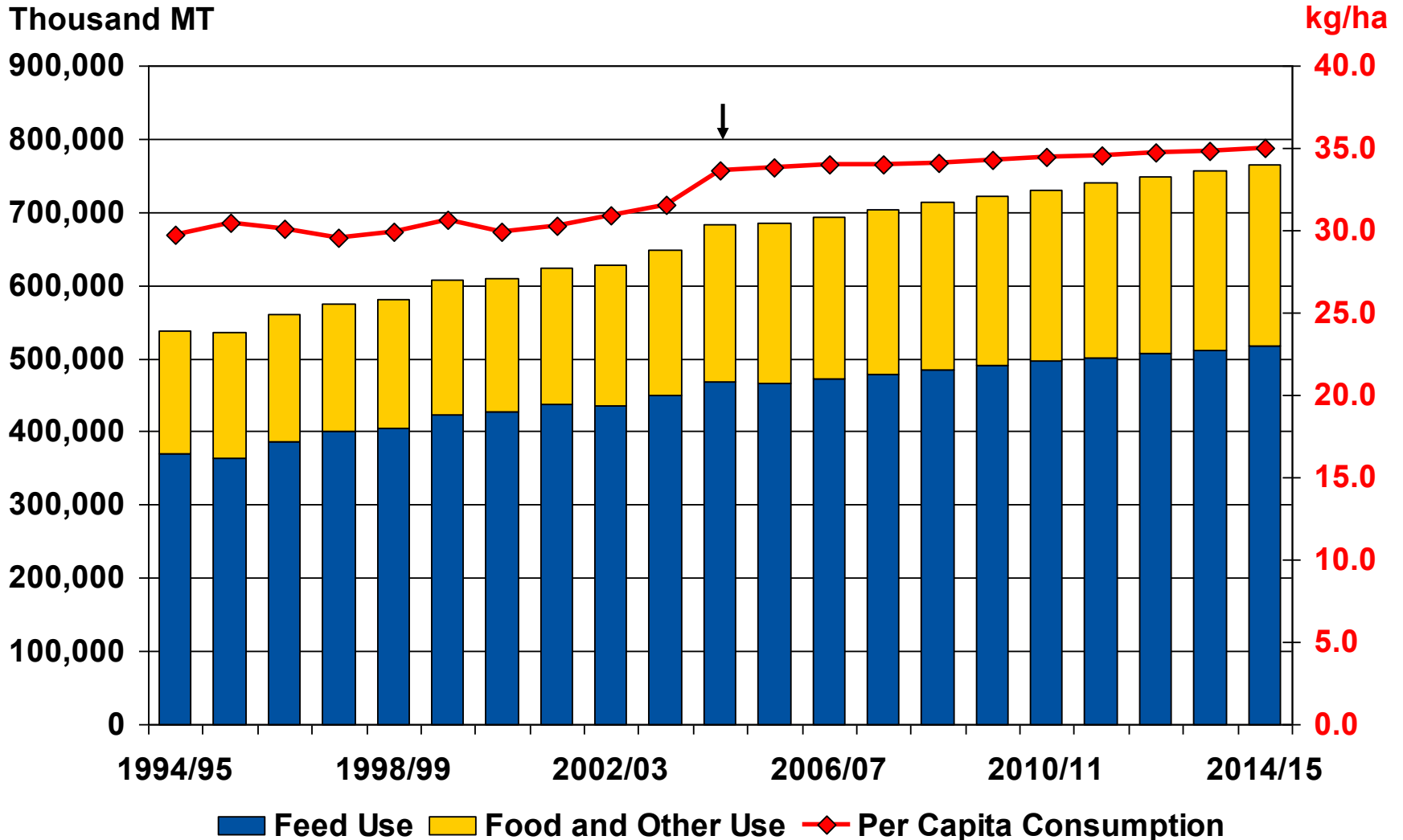
# U.S. Dairy Product Net Exports



# Meat and Milk Production and Coarse Grain and Soymeal Consumption



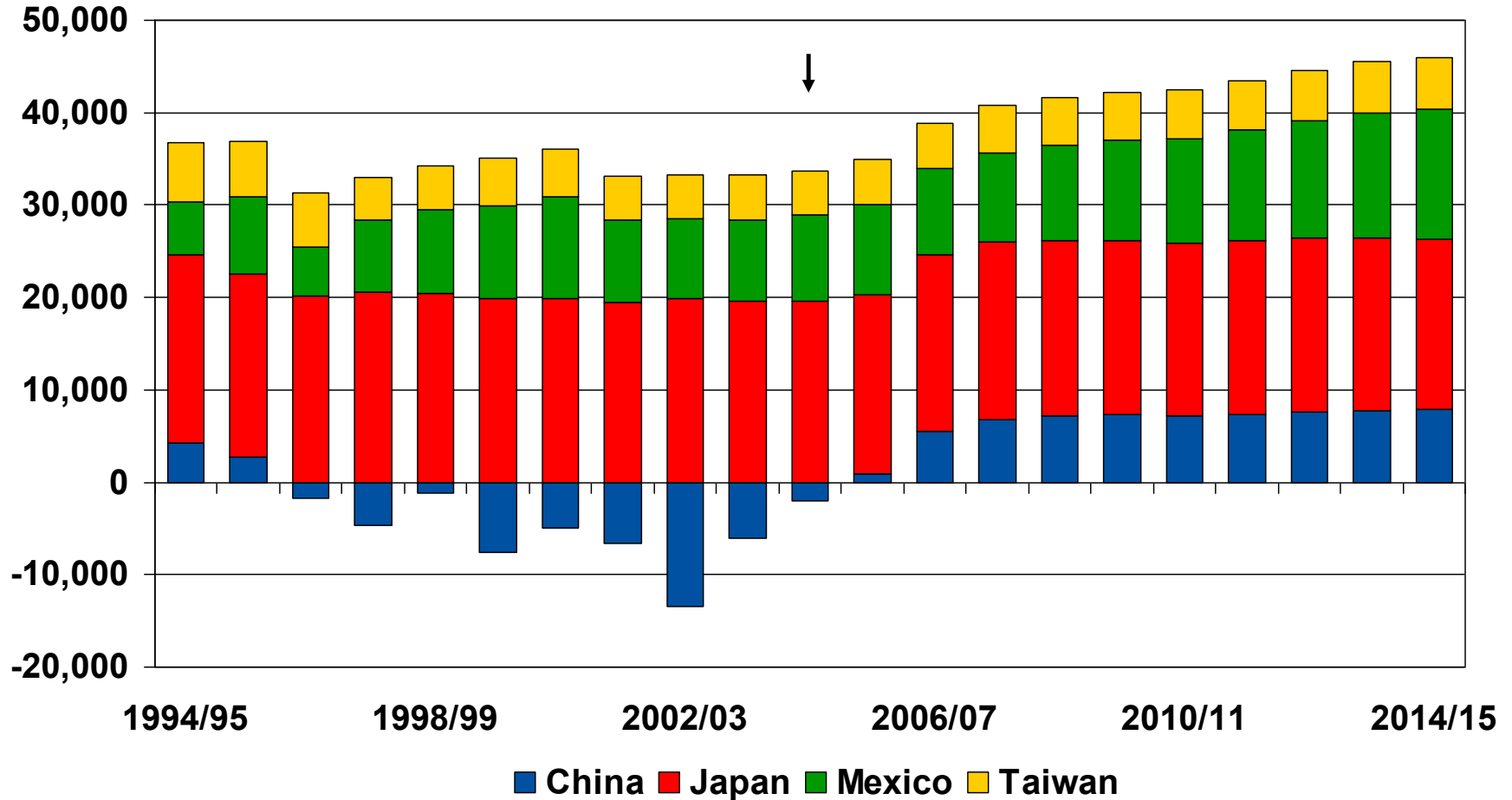
# World Corn Feed, Food Use, and Per Capita Consumption





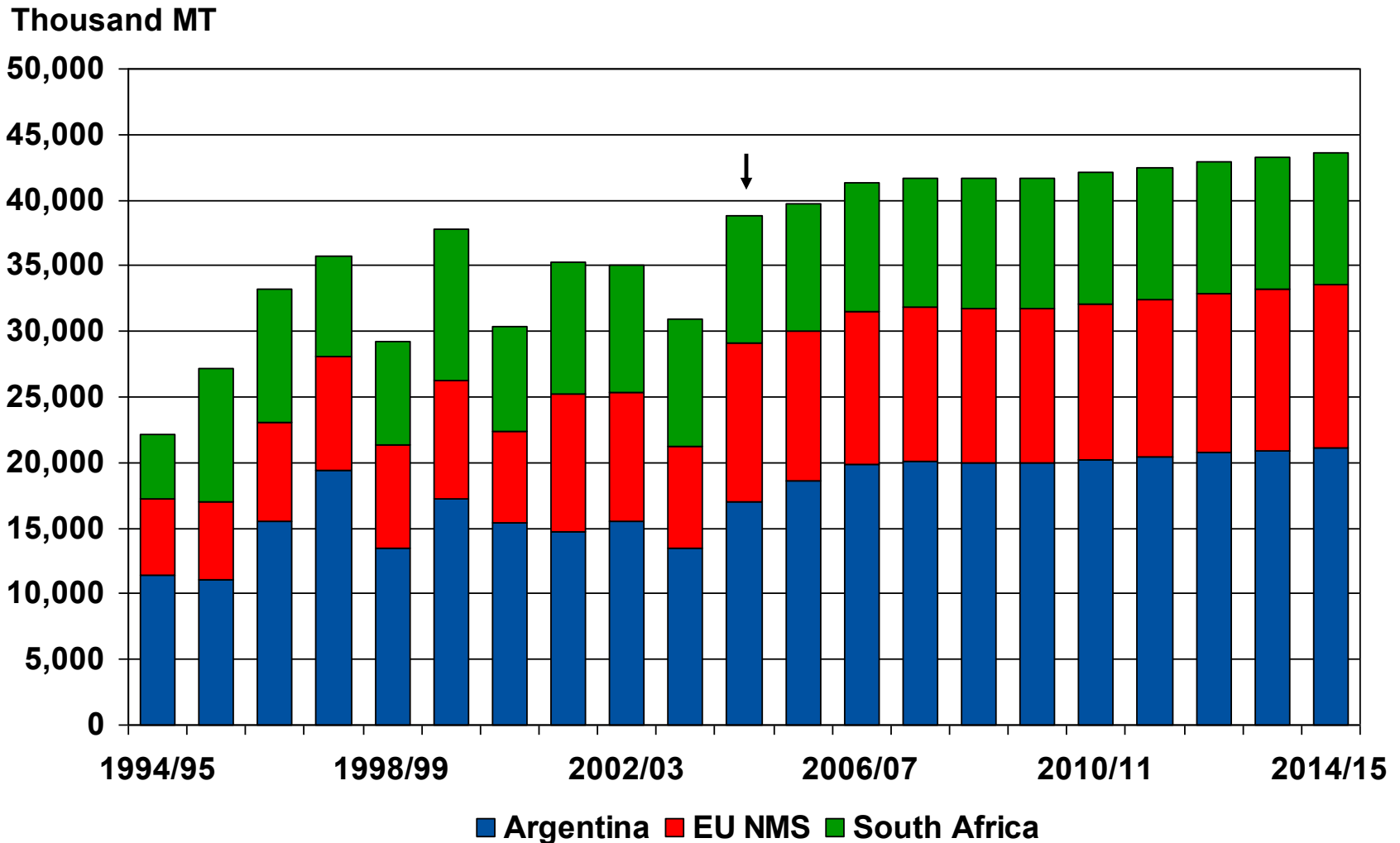
# Coarse Grain Major Importers

Thousand MT

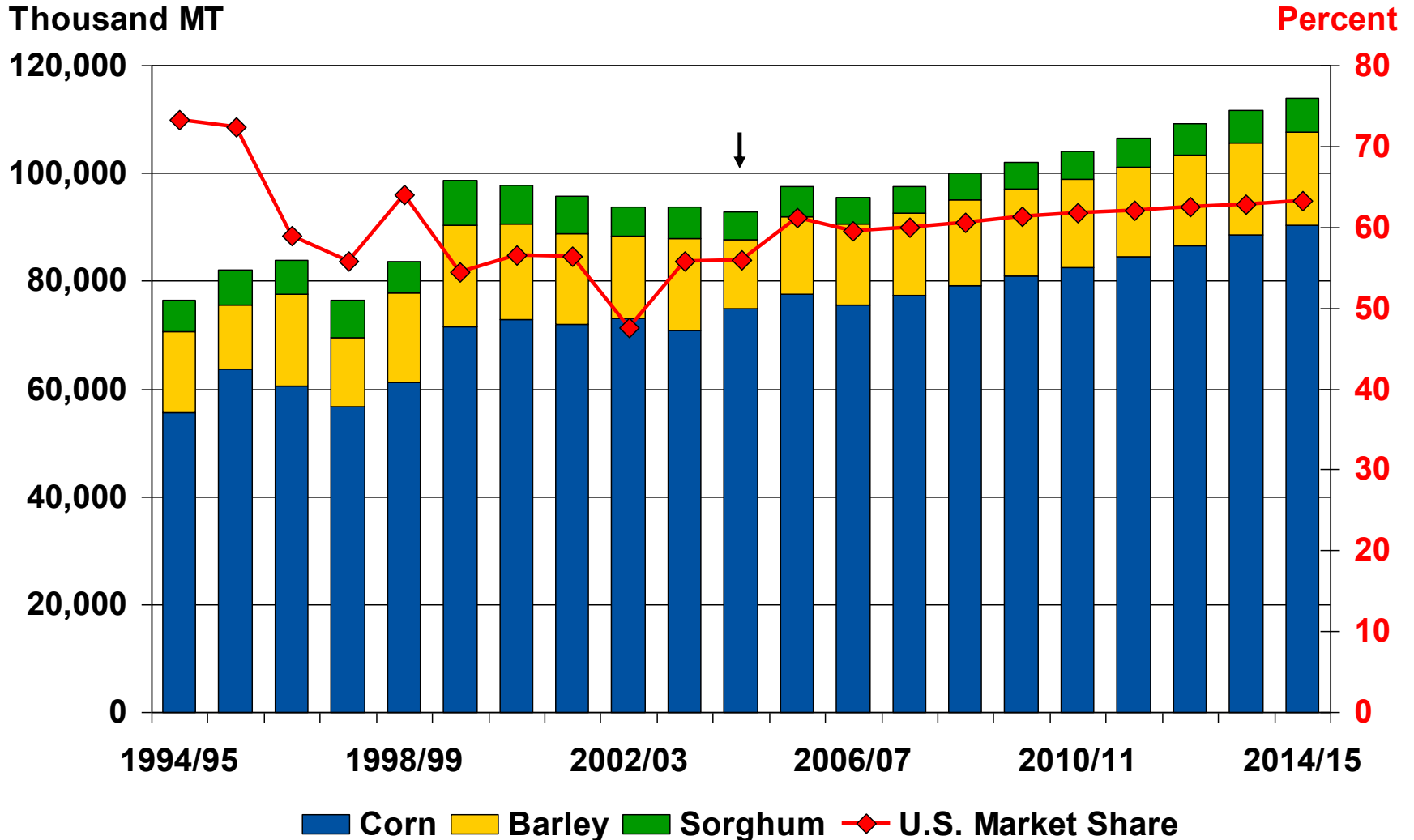


Coarse Grain = Corn, Barley, and Sorghum

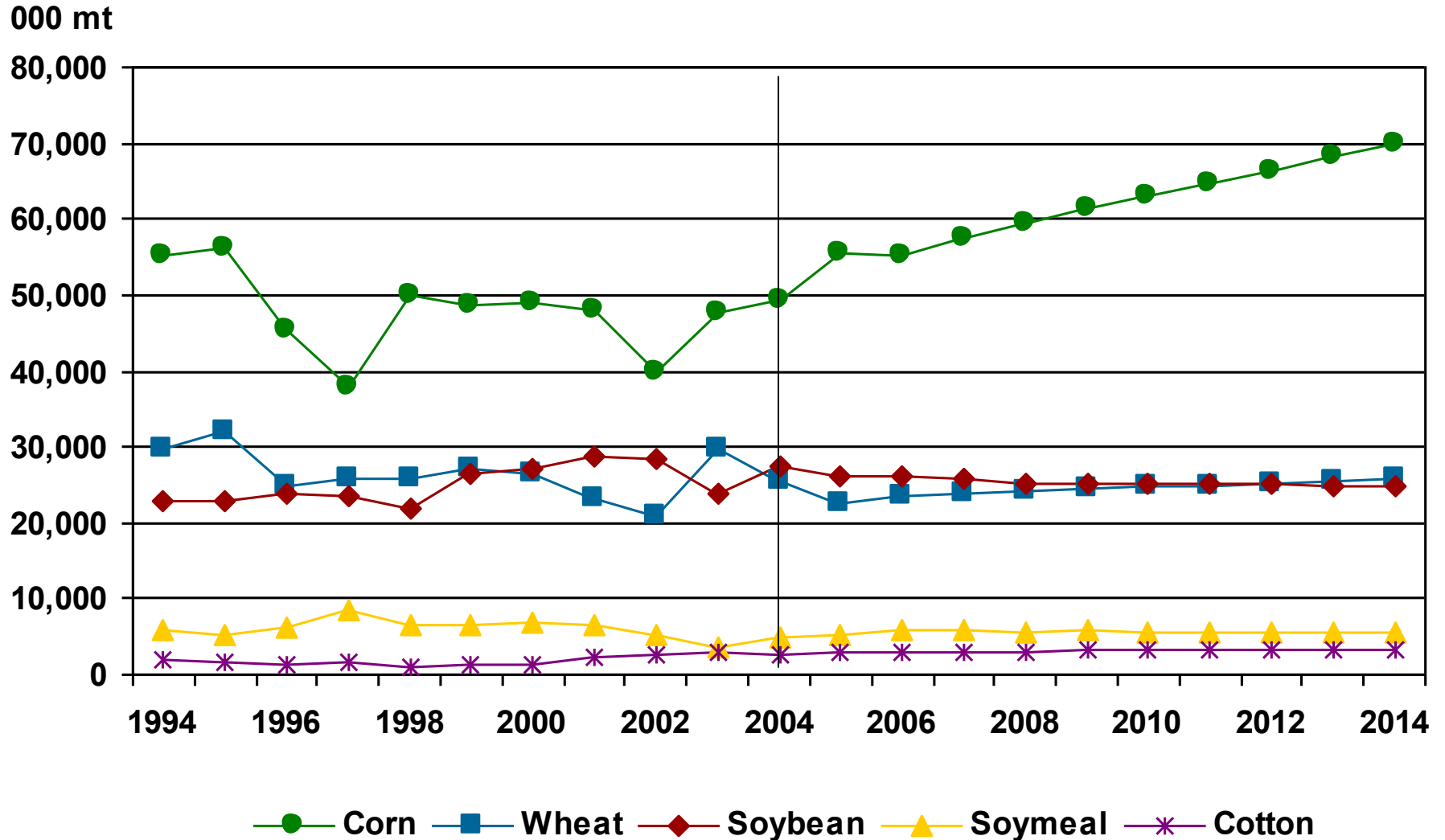
# Corn Production by Major Competitors



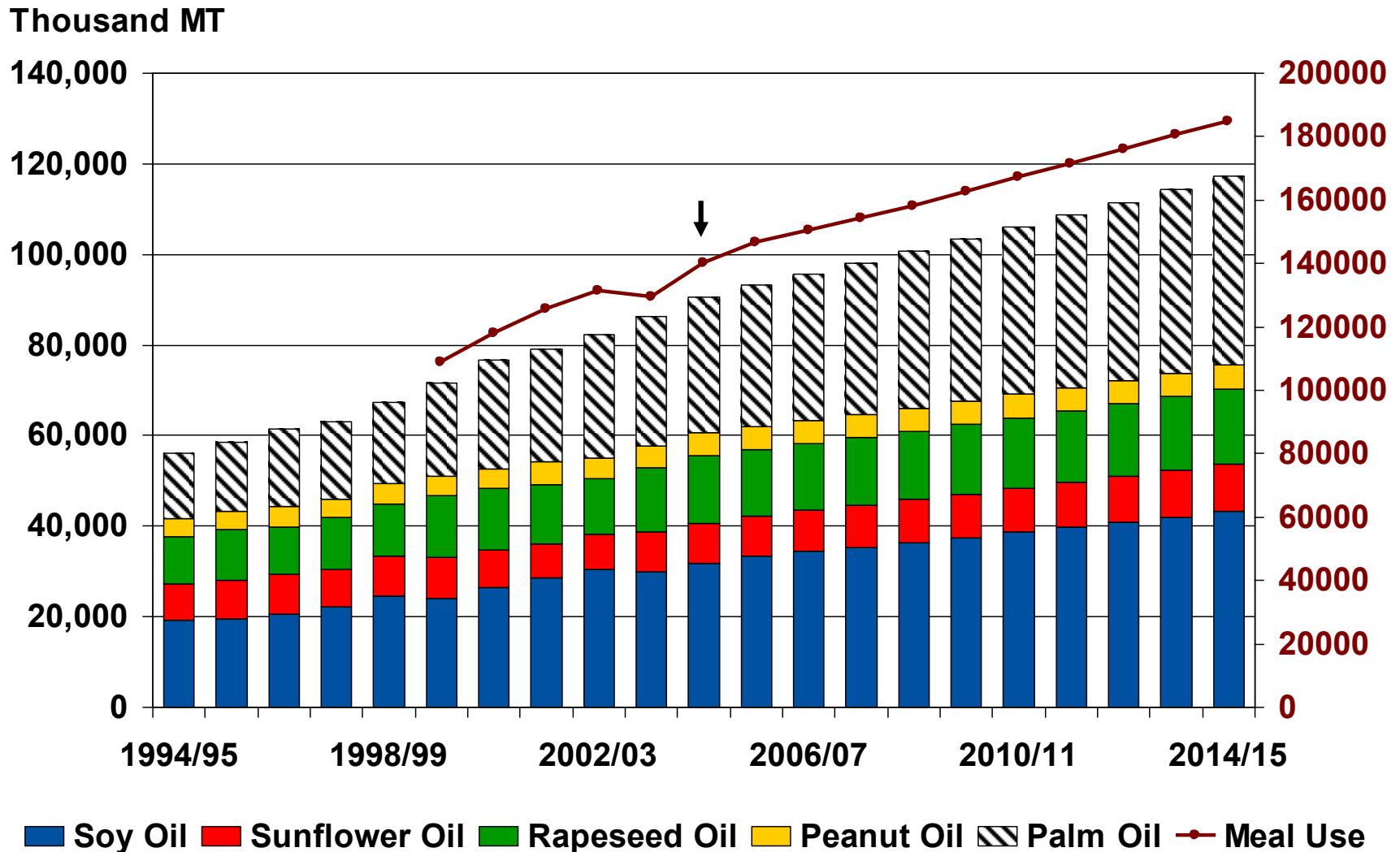
# World Coarse Grain Trade and U.S. Market Share



# U.S. Coarse Grain Net Exports

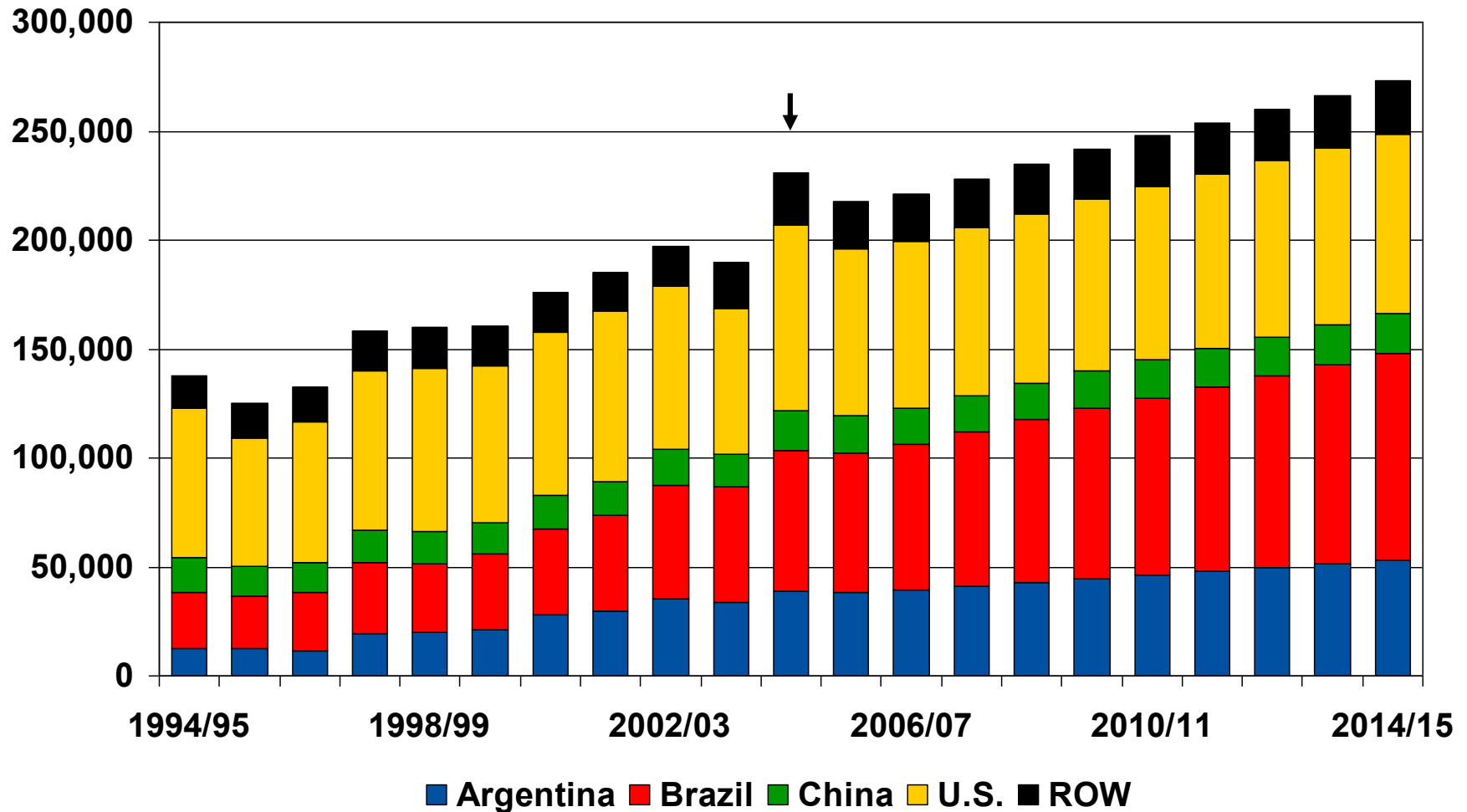


# World Vegetable Oil and Meal Consumption



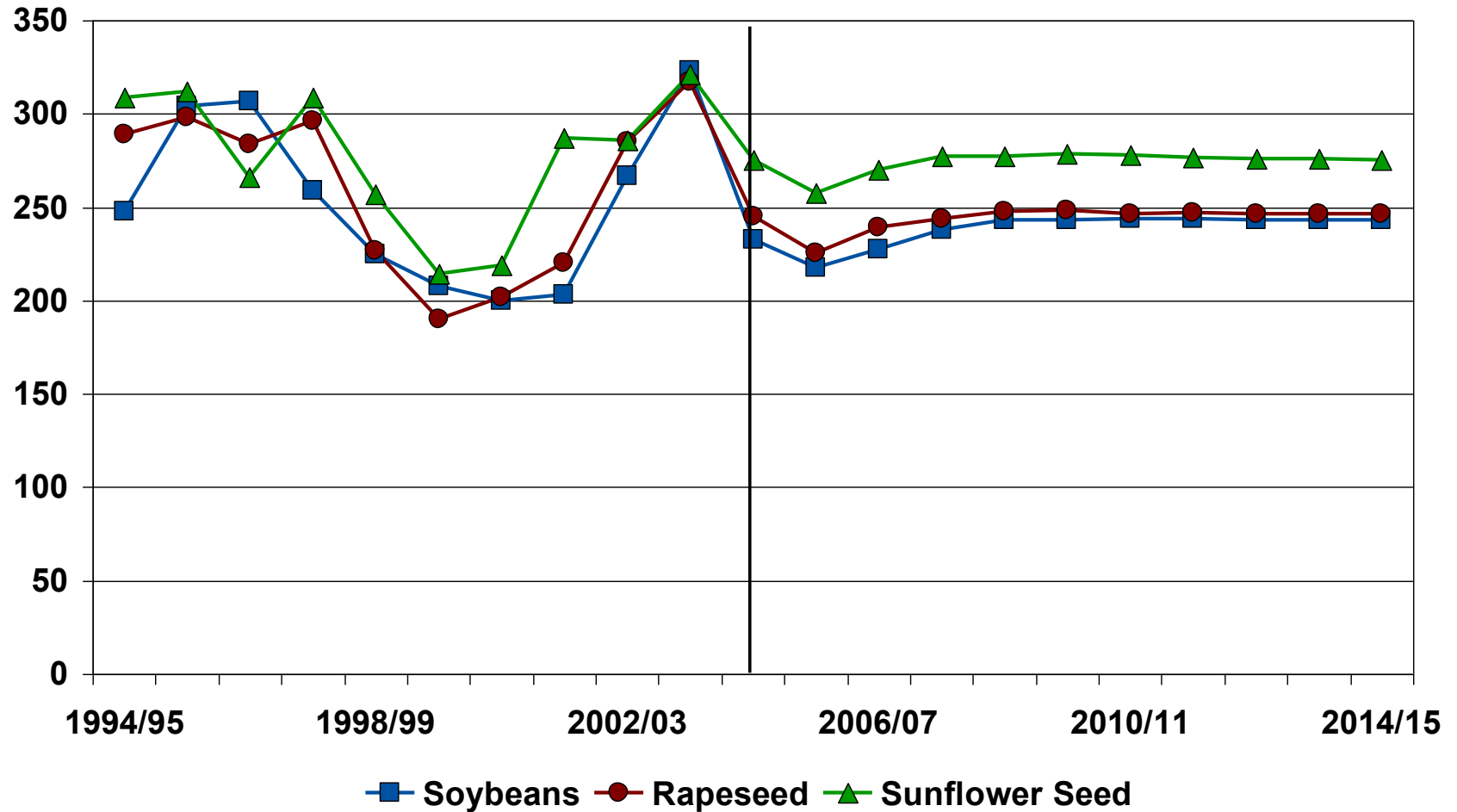
# World Soybean Production

Thousand MT



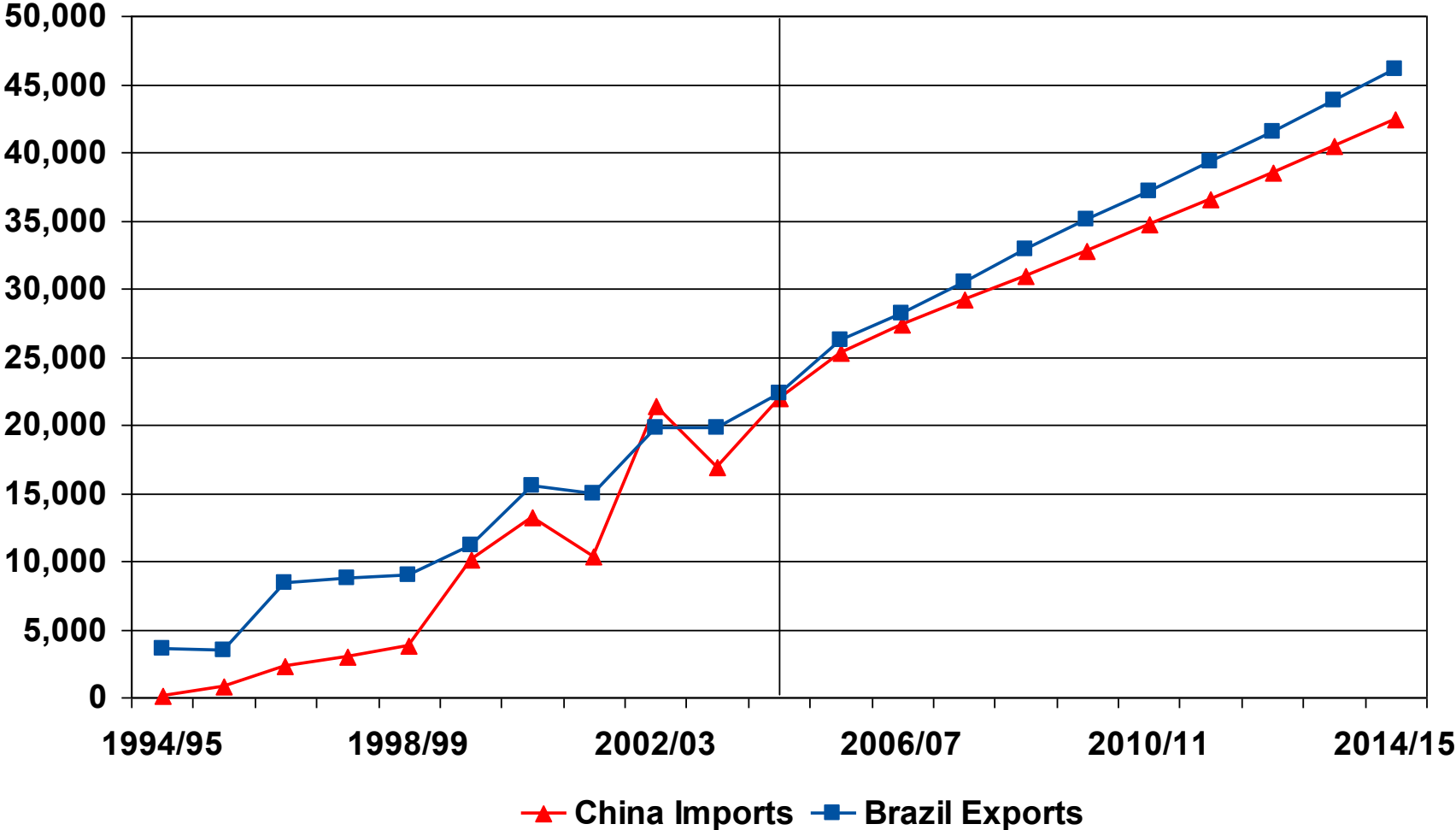
# World Oilseed Prices

Dollars per MT



# Brazilian and Chinese Soybean Trade

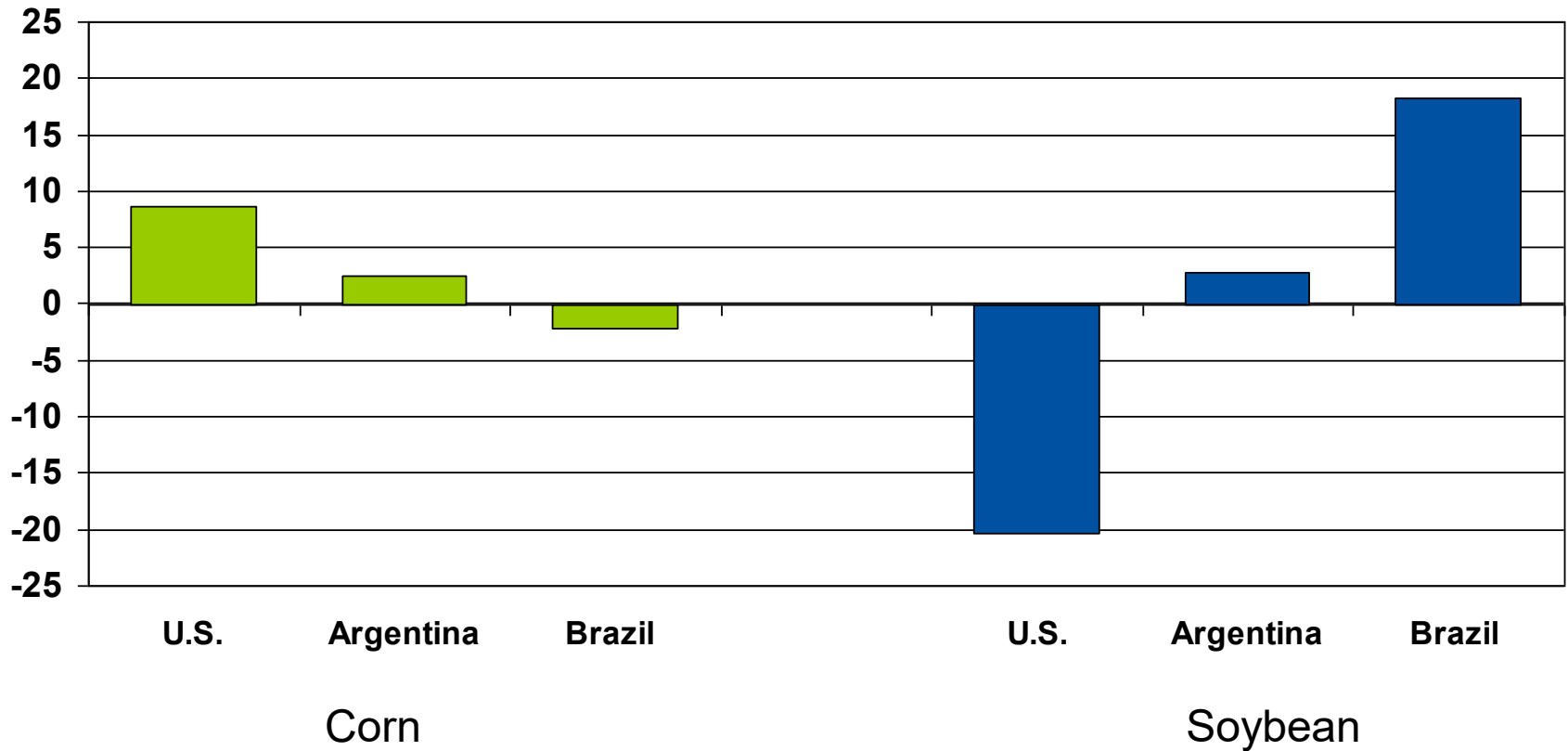
Thousand MT



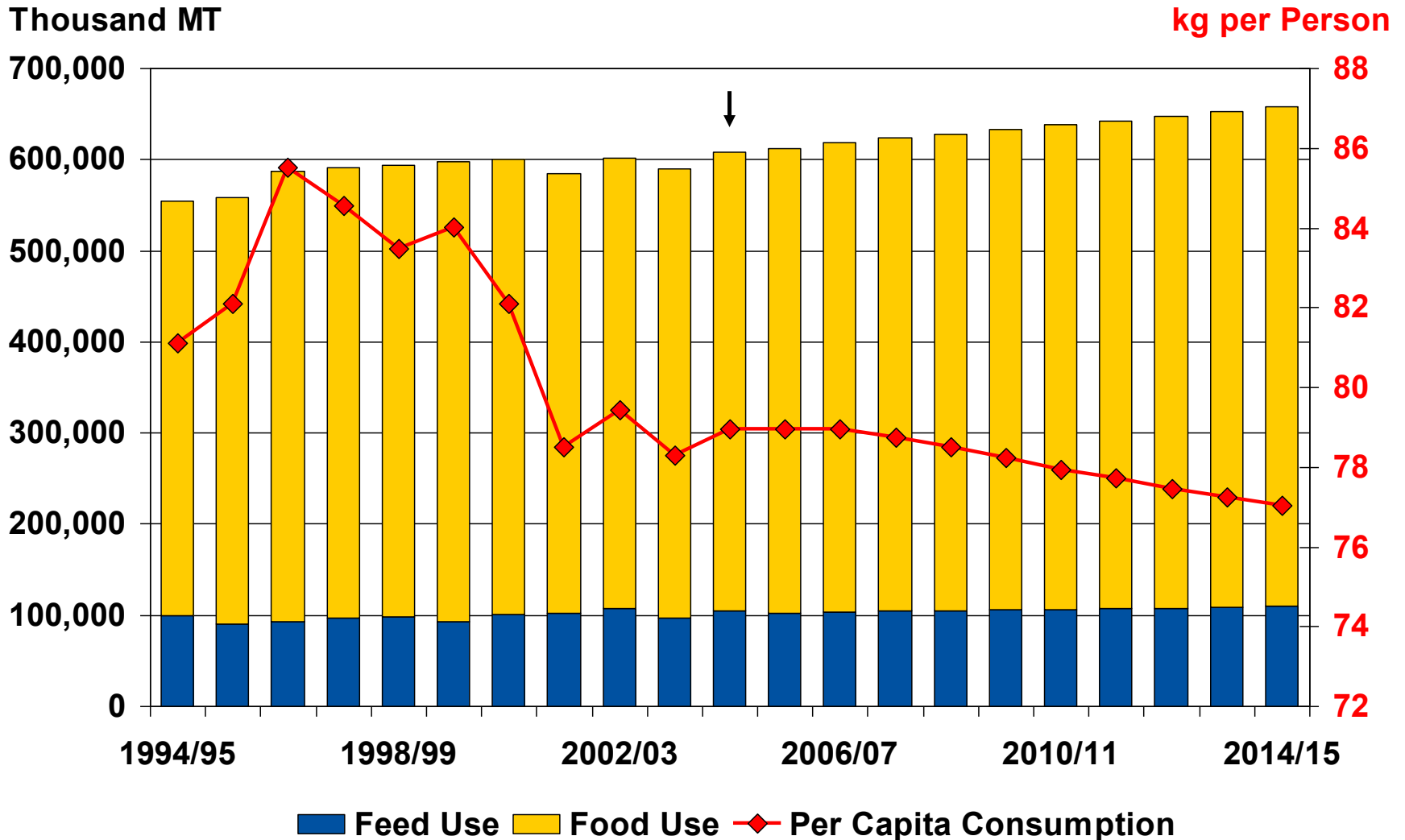


# Crops Market Share Change

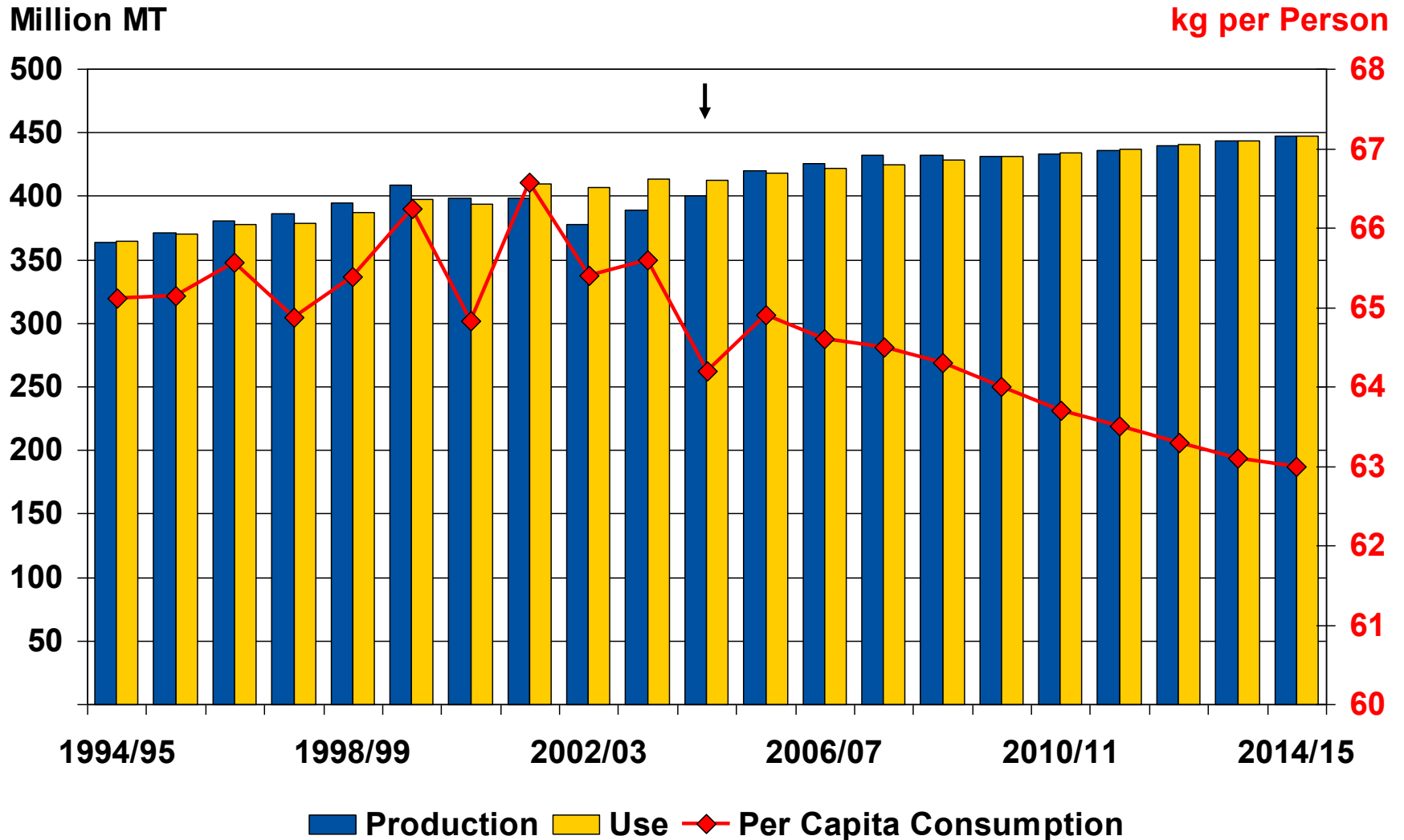
Percentage Point



# World Wheat Feed, Food Use, and Per Capita Consumption

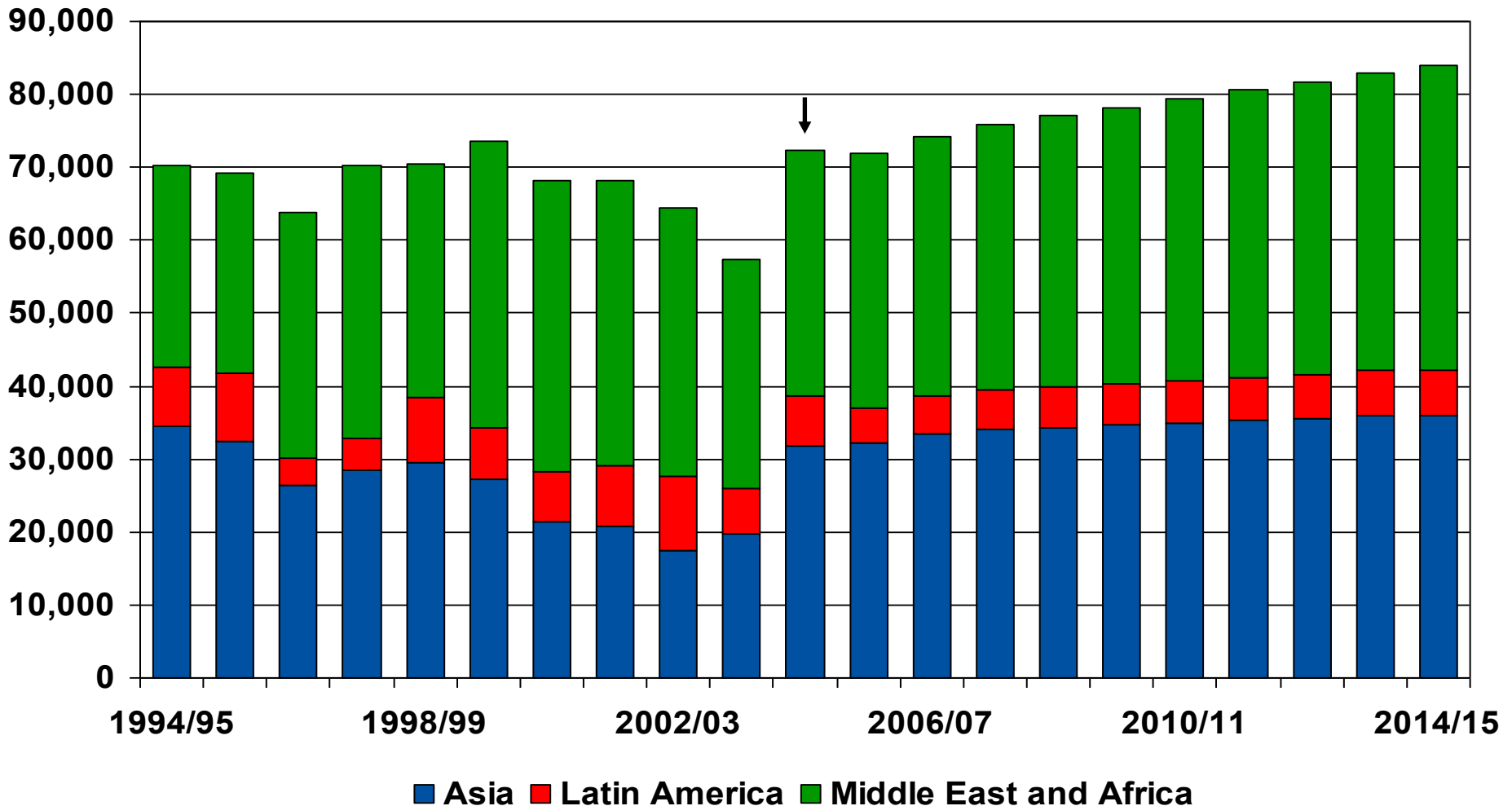


# World Rice Production, Use, and Per Capita Consumption



# Wheat Net Imports by Major Regions

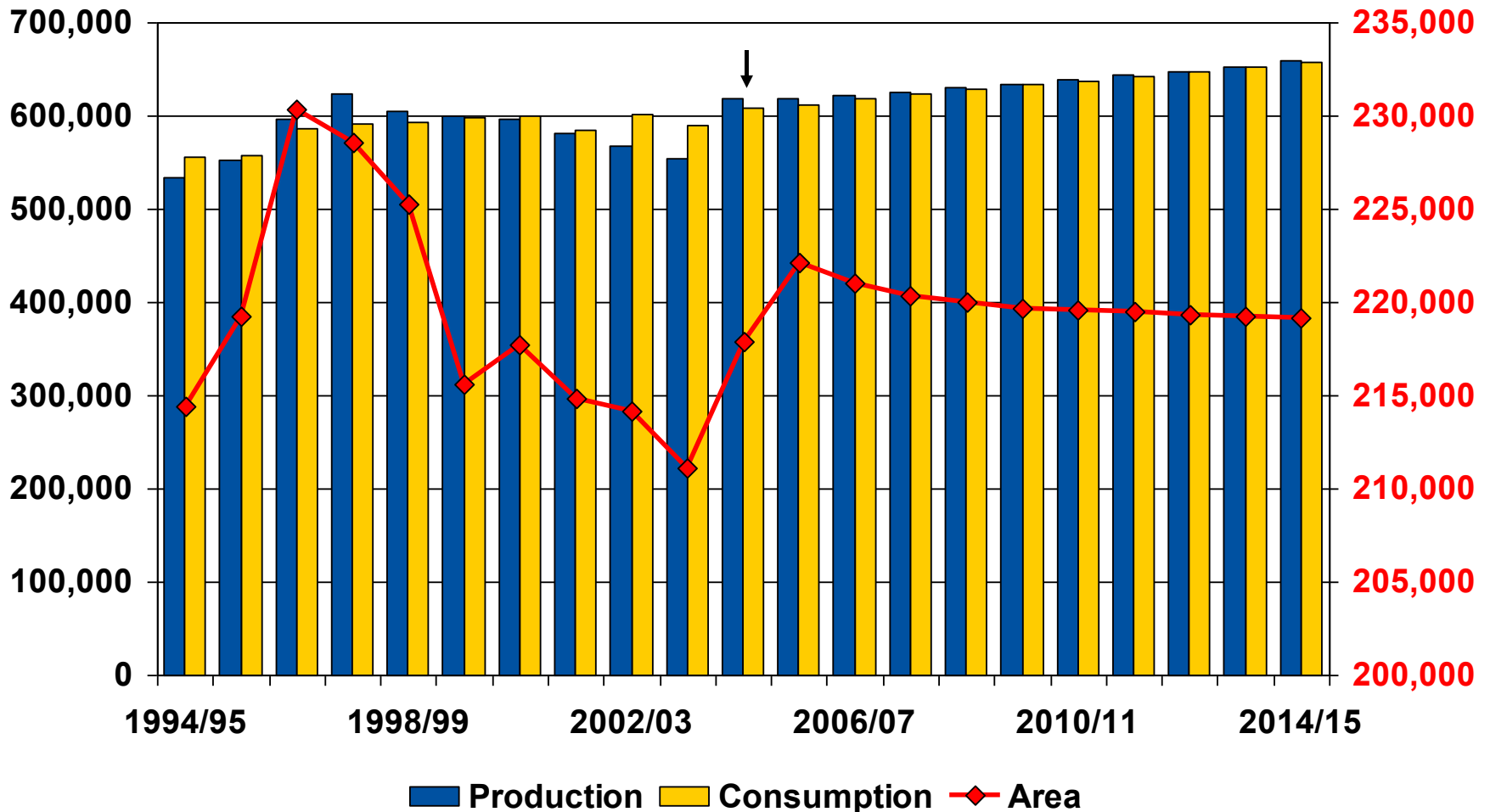
Thousand MT



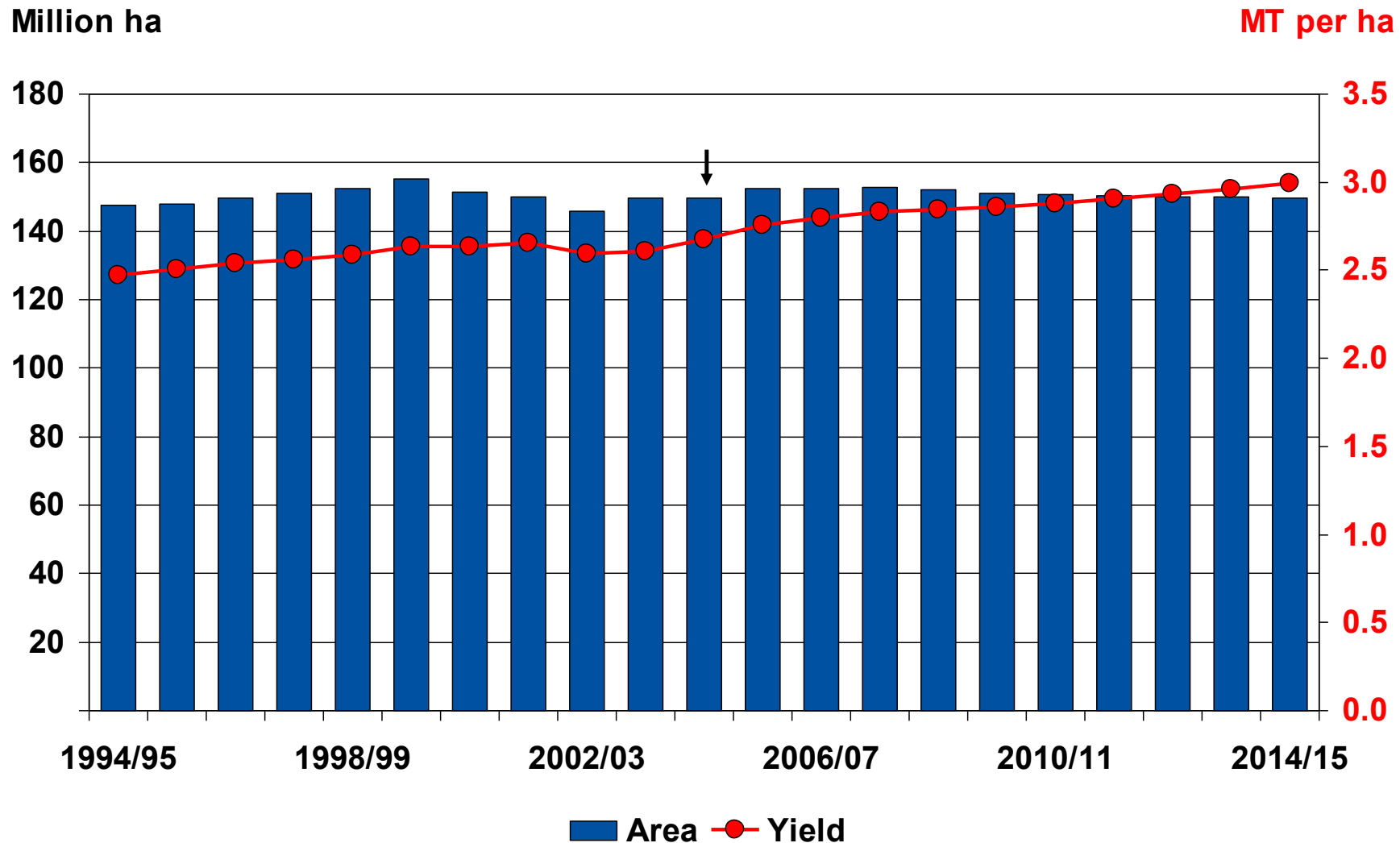
# World Wheat Area, Production, and Consumption

Thousand MT

Thousand ha

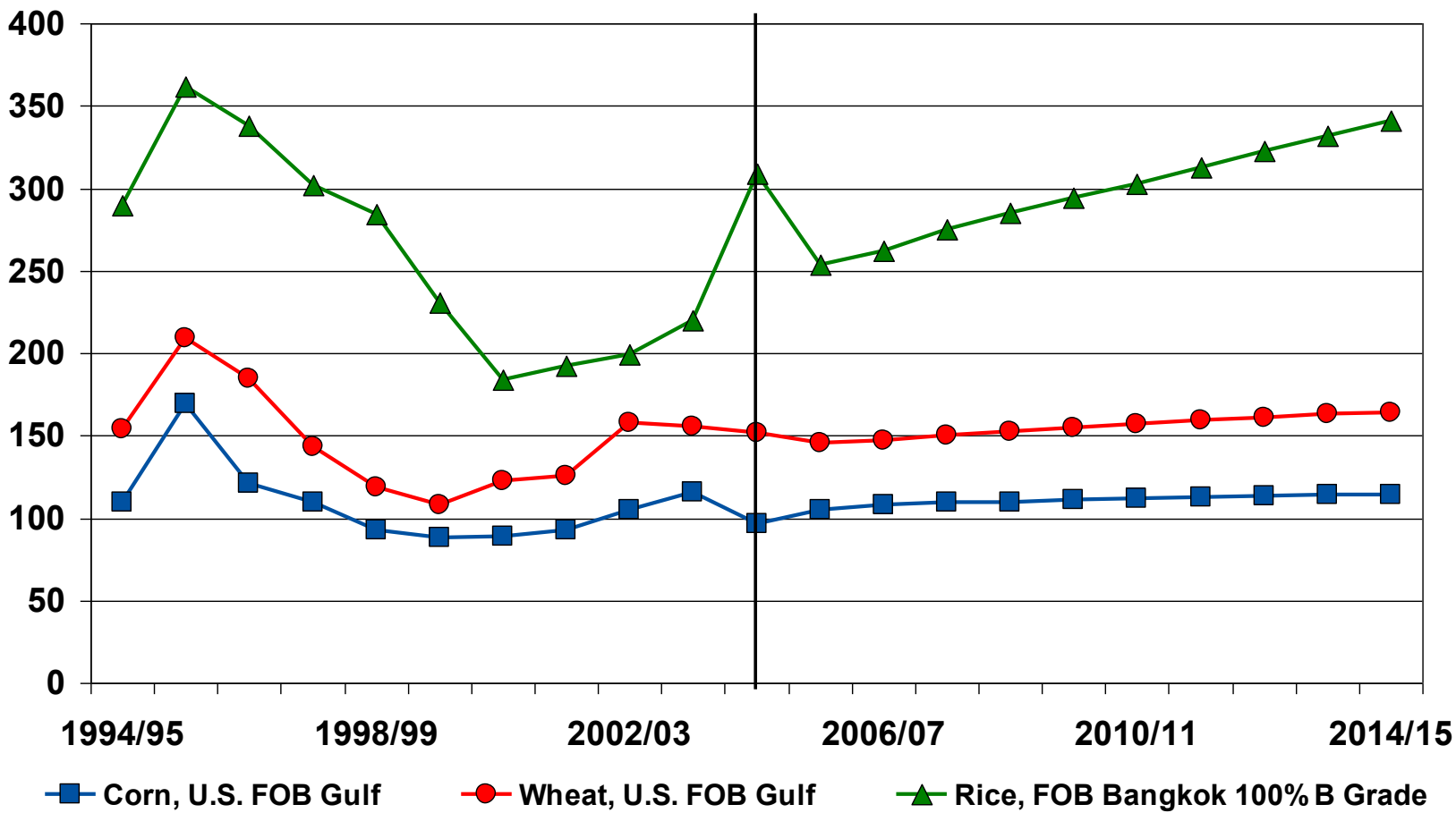


# World Rice Area and Milled Yield



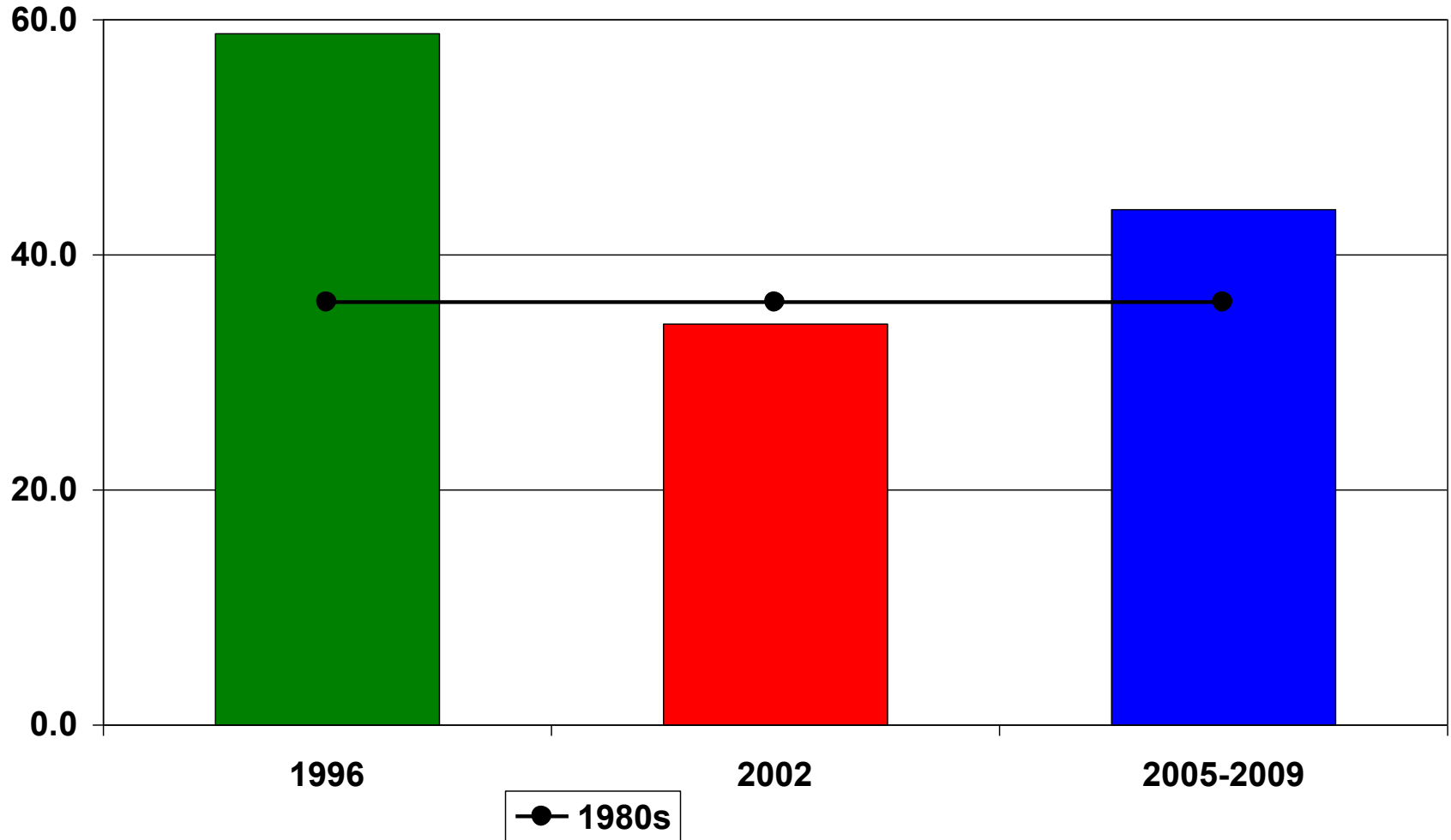
# World Grain Prices

Dollars per MT



# Real Farm Income

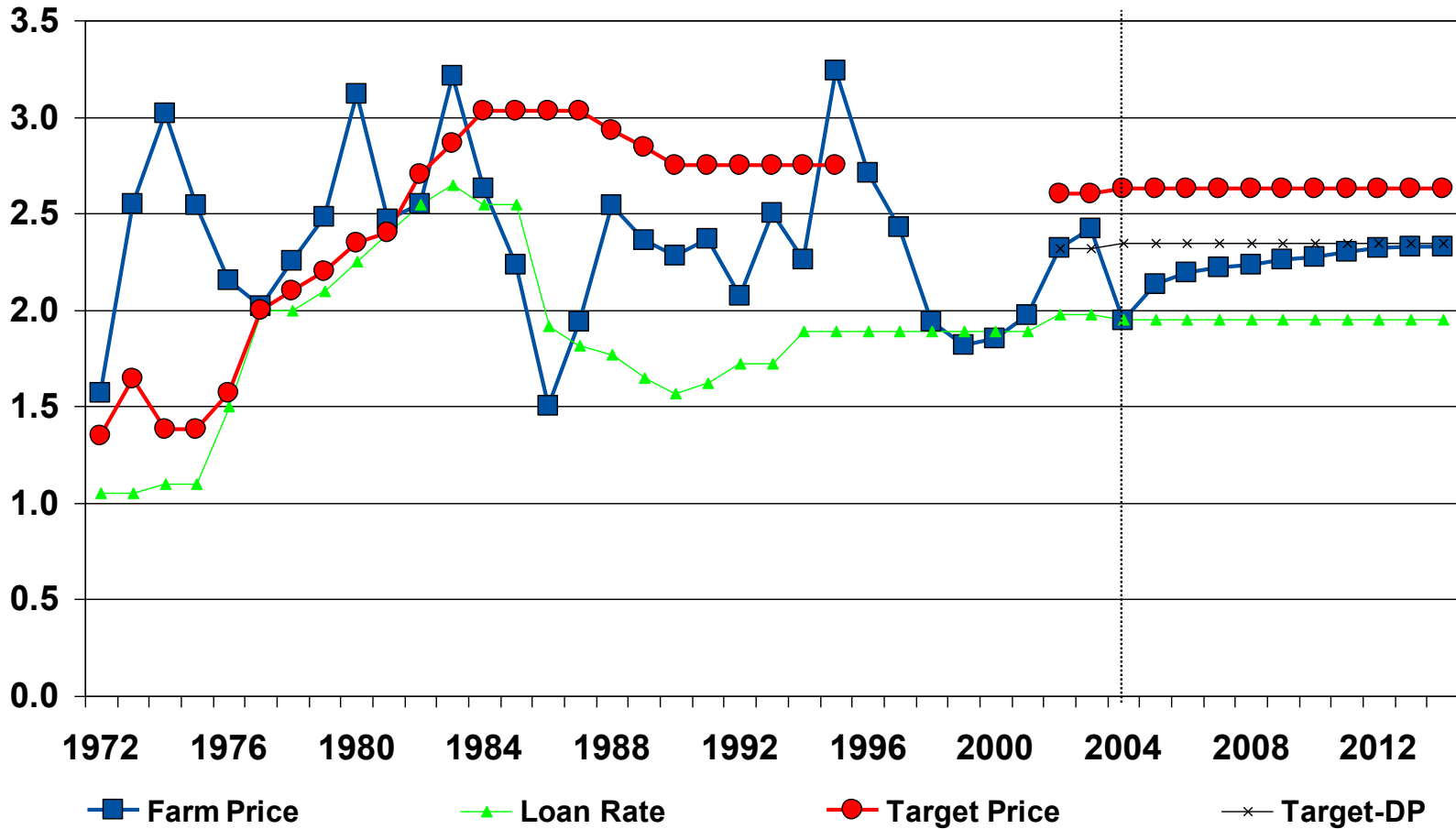
Billion 1997 \$





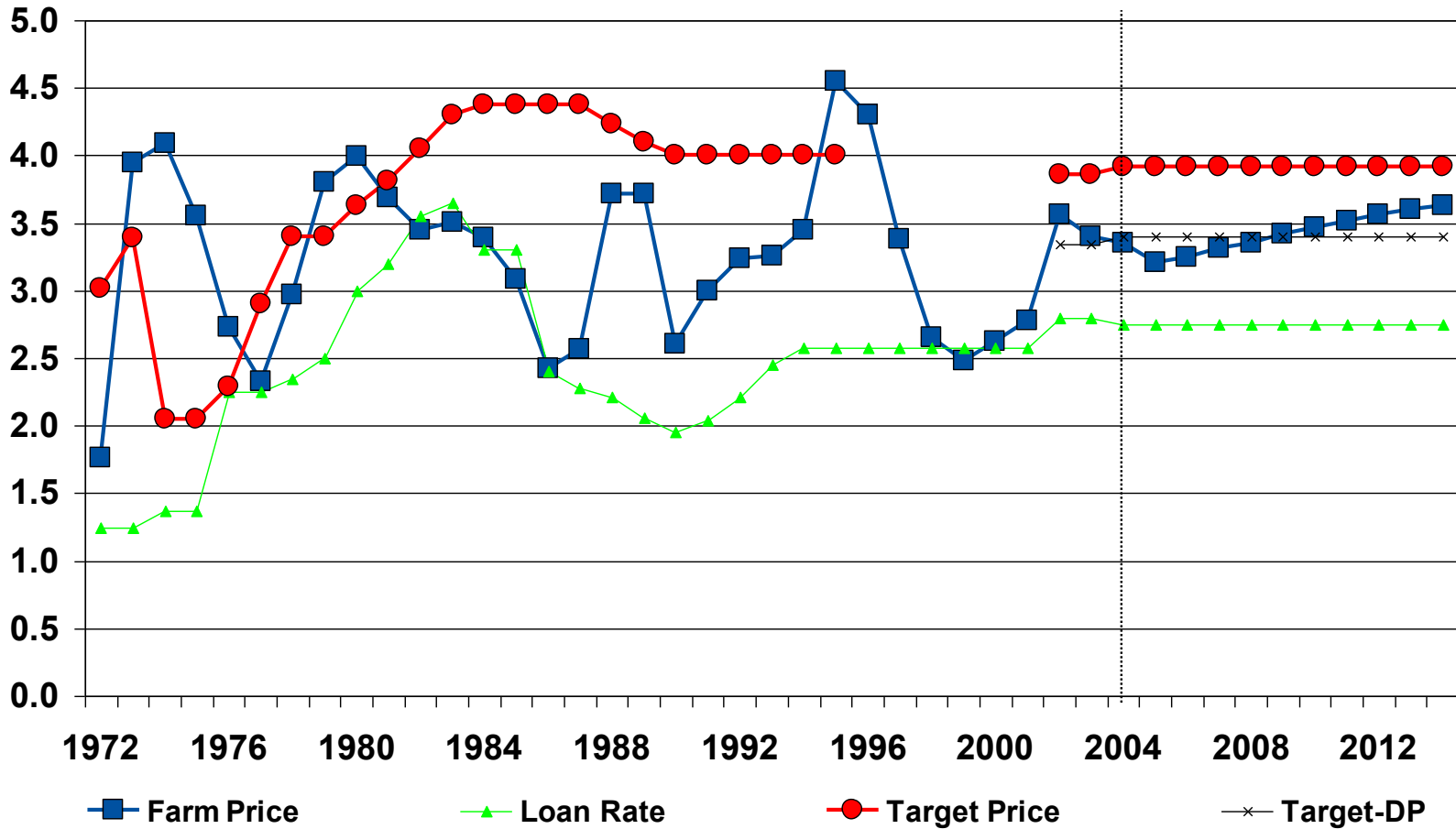
# Corn Price

Dollars per bu



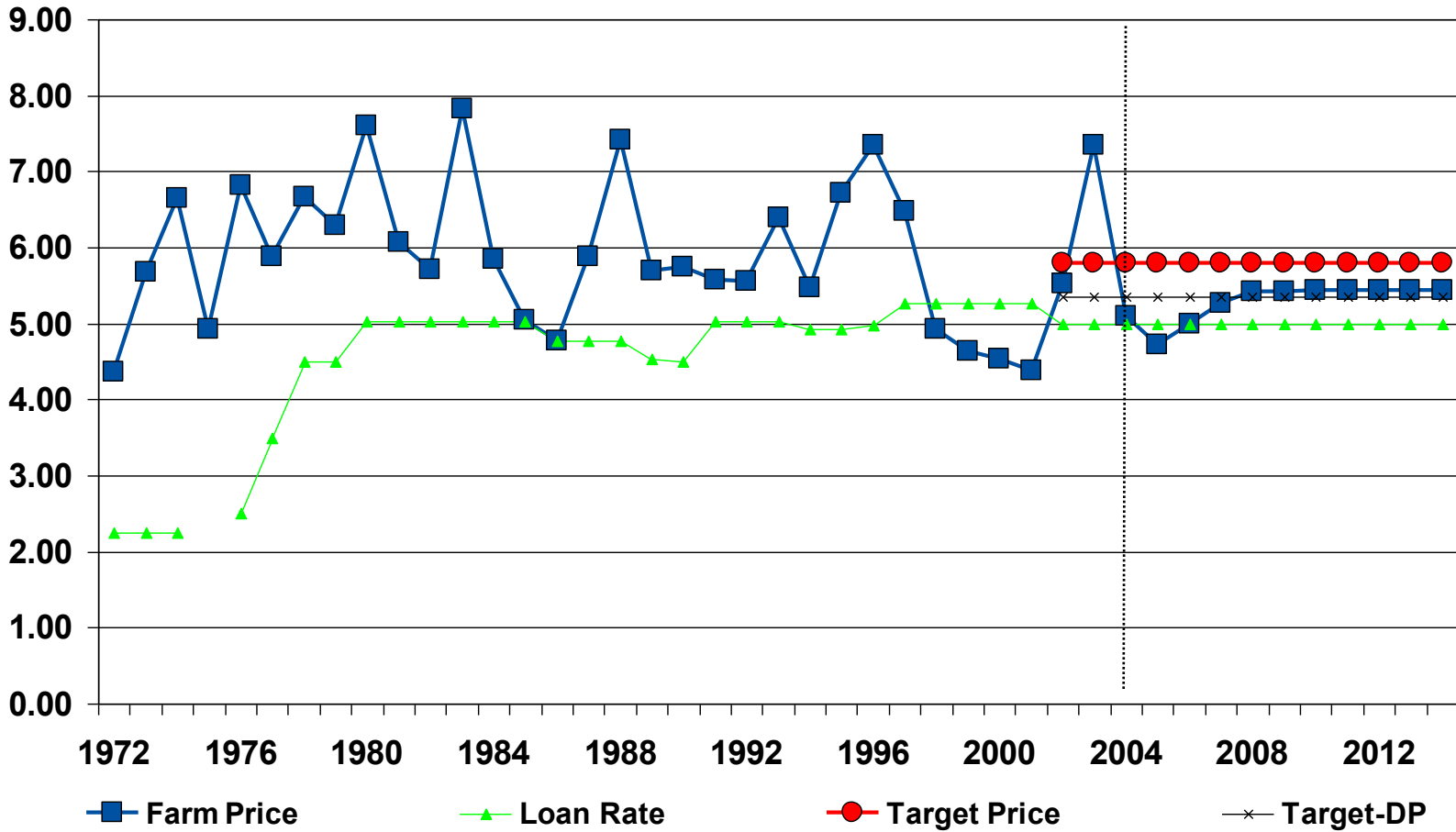
# Wheat Price

Dollars per bu



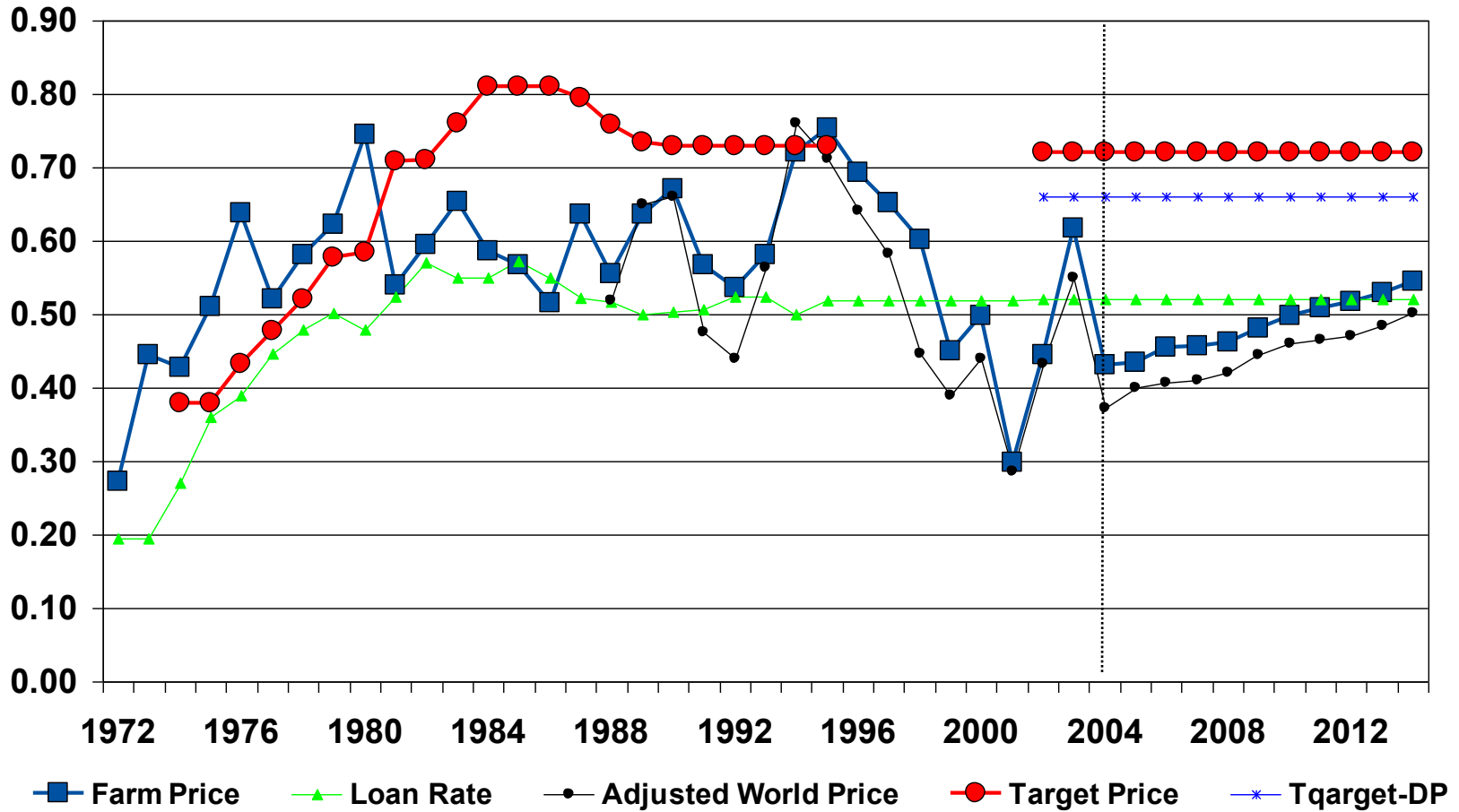
# Soybean Price

Dollars per bu

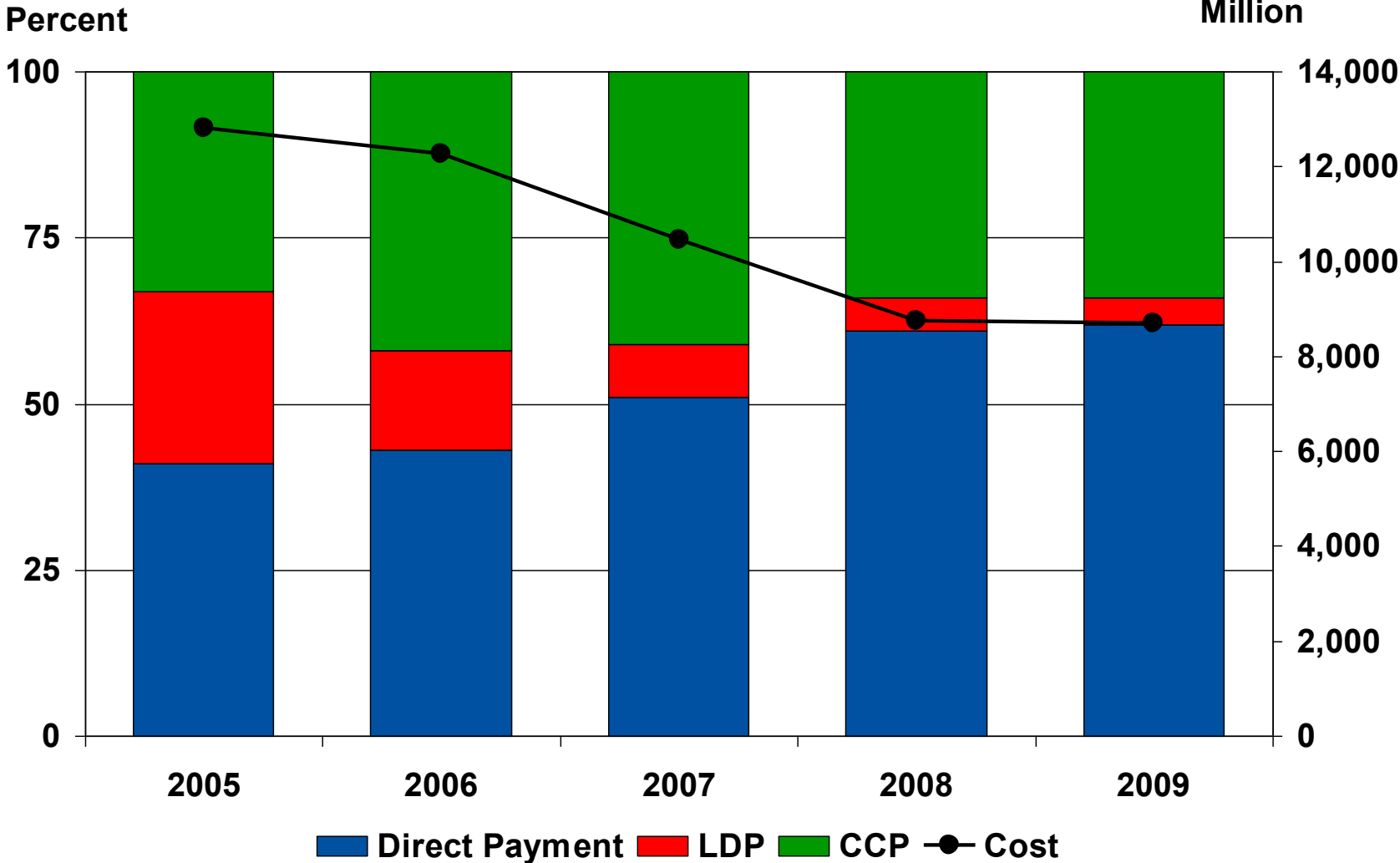


# Cotton Price

Dollars per lb



# Crop Program Cost



# Summary and Implications for Next Farm Bill

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## ■ Modest market strength

- Unlike the 1996 Farm Bill, the outlook suggest that the market does not provide adequate one-to-one cover for any change towards lower support.
- On the other hand, it has better market cover than the case in 2002.

## ■ World market integration and stiffer competition from South America.

- Competition may soften market prices (especially in soybeans and cotton) and may have implications on demand for maintaining or increasing support.
- Provisions that have direct implications on competitiveness will be given consideration and closer scrutiny (MCOOL).

# Summary and Implications for Next Farm Bill

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## ■ SPS issues may continue.

- Market growth potential are in the meat and dairy sectors, but the same sectors are also most vulnerable to SPS shocks.
- Comprehensive response to SPS challenge and its relation to competitiveness will resonate loudly in the next farm bill. Animal ID and traceability will gain increasing significance especially that competing countries have given these initiatives both policy and budgetary importance.

## ■ New product, demand, and structure issues may emerge

- Advances in biotechnology may continue to have impacts on productivity, cost, and prices.
- Advances in information technology may allow cost effective product segregation and identity preservation (SIP).
- These changes may have implications on structure and product diversity and price discovery for general applicability of policies