Exterior Forces Shaping the Next Farm Bill: Market Forces

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Crop Prices: Target and Market Prices

$ per bu

Actual Price 95/96  Actual Price 01/02  Target Price

Wheat  Corn  Soghum  Barley  Oat

Actual Price 95/96  Actual Price 01/02  Target Price
Real Farm Income

Billion 1997 $
What is the market outlook in the next 5 to 10 years? Implications?

- 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

Wheat: 40%
Rice: 50%
Corn: 20%
Soybean: 30%
Cotton: 70%
Beef: 5%
Pork: 10%
Poultry: 15%
Real GDP Growth Rates

Percent


World Developing Developed United States
Average Growth in Exchange Rate

Percent

AU  NZ  EU-15  HU  PO  CN  TH  CA  AR  BR

-6  -4  -2  0  2  4  6
Population Growth Rate and Urbanization

Urbanization Rate

Total Population Growth

Percent


Percent
Bound Duty

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<th>Rice</th>
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<th>Corn</th>
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Export Subsidy to Total Trade

Percent

0.0
15.0
30.0
45.0

Wheat
Corn
Beef
Pork
Poultry
Cheese
Global Policy Overview and Other Assumptions

- 2002 U.S. Farm Security and Rural Investment Act
- 1995 URRAA
- 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

Beef  Pork  Poultry

1999 2001 2003 2005 2007 2009 2011 2013

Beef  Pork  Poultry

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FAPRI
Japanese Beef Supply and Utilization

Thousand MT

Production
Consumption
Net Imports
China Livestock Net Trade

Beef, Pork, Broiler

 Thousand MT

-500 -400 -300 -200 -100 0 100 200 300

2004 2014
U.S. Meat Net Exports

- Beef
- Pork
- Broiler

Mil lbs

Livestock Market Share Change

-15
-10
-5
0
5
10
15
AU BR AR EU BR U.S. TH BR U.S.

Percentage
Point

Beef
Pork
Broiler
FOB Northern European Dairy Product Prices

U.S. Dollar per MT

Butter Cheese NFD WMP

FOB Northern European Dairy Product Prices
Asian Dairy Consumption

Thousand MT

Percent

Dairy Consumption
Share of China and India
EU Dairy Product Net Trade

Thousand MT

Butter Cheese NFD WMP

1997 1999 2001 2003 2005 2007 2009 2011 2013
EU NMS Dairy Production

Thousand MT

Million MT


Butter Cheese NFD WMP Milk

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U.S. Dairy Product Net Exports

Mil lbs


Butter American Cheese Other Cheese NFD

Butter — American Cheese — Other Cheese — NFD
Meat and Milk Production and Coarse Grain and Soymeal Consumption

Thousand MT

1999 2001 2003 2005 2007 2009 2011 2013

Meat Production Milk Production Coarse Grain Consumption Soymeal Consumption

Yellow: Meat Production
Brown: Milk Production
Red: Coarse Grain Consumption
Blue: Soymeal Consumption
World Corn Feed, Food Use, and Per Capita Consumption

Thousand MT

kg/ha


Feed Use  Food and Other Use  Per Capita Consumption
Coarse Grain Major Importers

Thousand MT


China Japan Mexico Taiwan

Coarse Grain = Corn, Barley, and Sorghum
World Soybean Production

Thousand MT

Argentina, Brazil, China, U.S., ROW


Argentina, Brazil, China, U.S., ROW
World Oilseed Prices

Dollars per MT


- Soybeans
- Rapeseed
- Sunflower Seed
World Wheat Feed, Food Use, and Per Capita Consumption

Thousand MT

kg per Person


Feed Use  Food Use  Per Capita Consumption
World Rice Production, Use, and Per Capita Consumption

Million MT

kg per Person

Production
Use
Per Capita Consumption

Wheat Net Imports by Major Regions

Thousand MT

Asia

Latin America

Middle East and Africa


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World Wheat Area, Production, and Consumption

Thousand MT

Thousand ha

Production
Consumption
Area

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World Grain Prices

Dollars per MT

- **Corn, U.S. FOB Gulf**
- **Wheat, U.S. FOB Gulf**
- **Rice, FOB Bangkok 100% B Grade**
Real Farm Income

Billion 1997 $

1996

2002

2005-2009

1980s
Wheat Price

Dollars per bu
Summary and Implications for Next Farm Bill

- Modest market strength
  - Unlike the 1996 Farm Bill, the outlook suggests 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

- 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