Global Outlook

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2017 Abner Womack Missouri Agriculture Outlook Conference
Poehlmann Educational Center, Bradford Farm
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The story

• Two years of global corn yields below trend followed by a drought spiked prices for many commodities
• In the last four years, global yields have been above trend and prices have fallen
• Lower prices for feed have supported livestock and dairy products and their prices fell too
Higher stocks mean lower prices

Source: U.S. Baseline Briefing Book, page 4
Higher oil prices affect production costs, biofuels

Futures prices currently around $50

Source: U.S. Baseline Briefing Book, page 12
Source: IHS Global Insight, December 2016
Population rate of growth slows

Source: IHS Global Insight, December 2016
Share in value of U.S. agricultural exports

Fiscal year 2016

- China: 15%
- NAFTA: 29%
- India: 1%
- Africa: 3%
- Other: 52%

Source: USDA, Outlook for U.S. Agricultural Trade, February 2017
China growth is slowing

<table>
<thead>
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<th>2005/06-2015/16</th>
<th>2016/17-2026/27</th>
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<tbody>
<tr>
<td>Real GDP growth rate</td>
<td>9.3%/yr.</td>
<td>5.9%/yr.</td>
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<tr>
<td>Annual population growth</td>
<td>7.0 million (0.52%)/yr.</td>
<td>2.8 million (0.22%)/yr.</td>
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<td>Annual corn feed use growth</td>
<td>5.2 million tonnes/yr.</td>
<td>3.1 million tonnes/yr.</td>
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<tr>
<td>Annual corn net import growth</td>
<td>0.7 million tonnes/yr.</td>
<td>0.2 million tonnes/yr.</td>
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<td>Annual soymeal use growth</td>
<td>3.5 million tonnes/yr.</td>
<td>1.9 million tonnes/yr.</td>
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<tr>
<td>Annual soybean net import growth</td>
<td>5.5 million tonnes/yr.</td>
<td>2.9 million tonnes/yr.</td>
</tr>
</tbody>
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Source: Macroeconomic projections are from IHS Global Insight, other data is from International Crops Baseline Briefing Book produced by University of Nevada Reno
India

• Relatively poor country
• But population and incomes growing, with a changing class structure
• But, exports to India are constrained by combination of tariffs and other non-tariff barriers
• E.g. dairy – scope for large increase in demand
  – We are projecting 14 million additional milk producing animals, 2 million extra tonnes of “butter”
Trade

• We assume in the Outlook that current agreements stay in place
• But will clearly impact the sector going forward
• Issues:
  – Enforcement of current agreements
  – Multilateral agreements?
  – New bilateral agreements?
Africa

- Should not generalize over a huge diverse continent
- Big expansion in population likely to lead to challenges
  - For food security
  - In providing jobs
- What will be produced and what will be imported, what will be the policy environment?
Livestock and Dairy Outlook

U.S. livestock outlook from AMAP
Agriculture Markets and Policy
www.amap.missouri.edu

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Meat exports struggle against a strong dollar

Source: U.S. Baseline Briefing Book, page 6
Per capita meat and milk disappearance

Source: U.S. Baseline Briefing Book, various tables
Per capita meat and milk disappearance

Source: U.S. Baseline Briefing Book, various tables
Inventories slow to adjust to lower returns

Source: U.S. Baseline Briefing Book, page 6
More meat and milk also means lower prices

- Beef: U.S. production, 2017 vs. 2014 (-28); Indicator price, 2017 vs. 2014 (-43)
- Pork: U.S. production, 2017 vs. 2014 (14); Indicator price, 2017 vs. 2014 (-20)
- Chicken: U.S. production, 2017 vs. 2014 (8); Indicator price, 2017 vs. 2014 (-26)
- Milk: U.S. production, 2017 vs. 2014 (5)

Source: U.S. Baseline Briefing Book, page 4
Livestock cash receipts fell again in 2016

Source: U.S. Baseline Briefing Book, page 6
Global Dairy Trade auction butter prices

Butter Prices

Source: GDT website, March 16, 2017
Milk price improvement limits MPP payments

Source: U.S. Baseline Briefing Book, page 58
Milk production grows faster than population

Source: U.S. Baseline Briefing Book, page 58
Livestock and dairy summary

• Growth to continue for meat and dairy sectors
• But: volatility to continue!
  – From grains side in feed prices variations
  – For trade markets with exchange rates, demographic change and trade agreements
  – In domestic consumption patterns
• Dairy sector illustrates the challenges to policy makers