

Global Outlook

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2017 Abner Womack Missouri
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Food and Agricultural
Policy Research Institute



The story

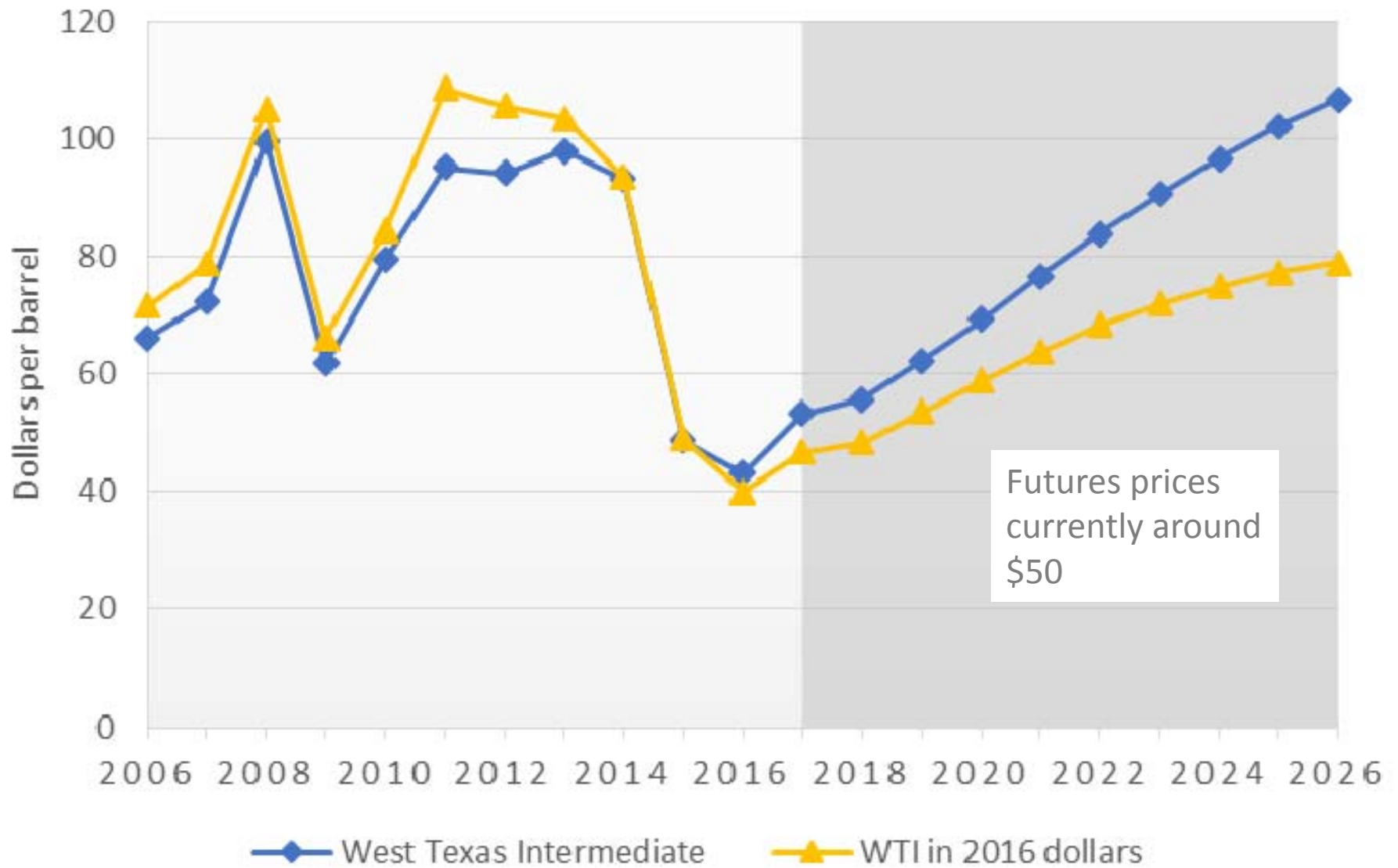
- Two years of global corn yields below trend followed by a drought spiked prices for many commodities
- In the last four years, global yields have been above trend and prices have fallen
- Lower prices for feed have supported livestock and dairy products and their prices fell too

Higher stocks mean lower prices



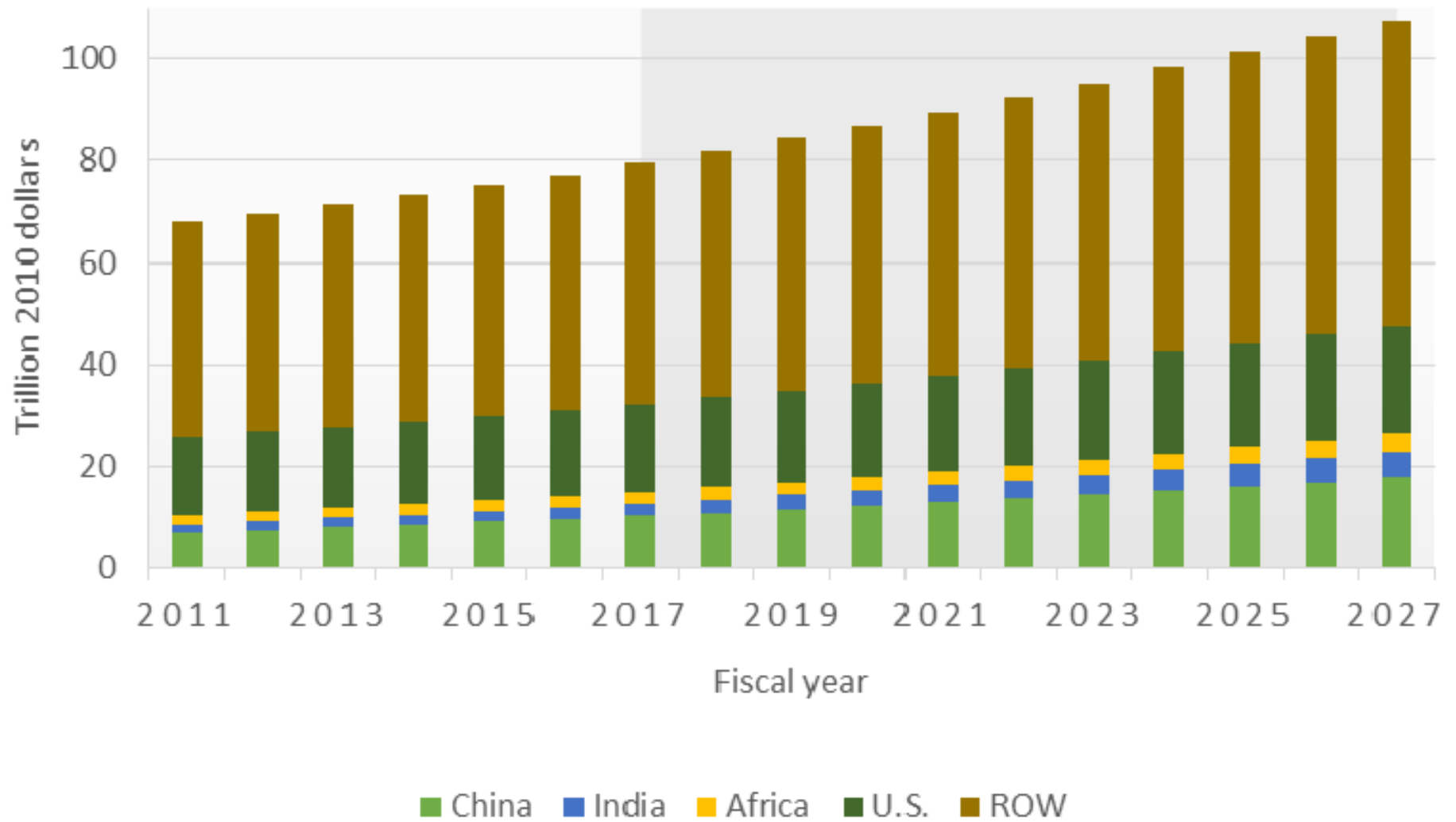
Source: U.S. Baseline Briefing Book, page 4

Higher oil prices affect production costs, biofuels



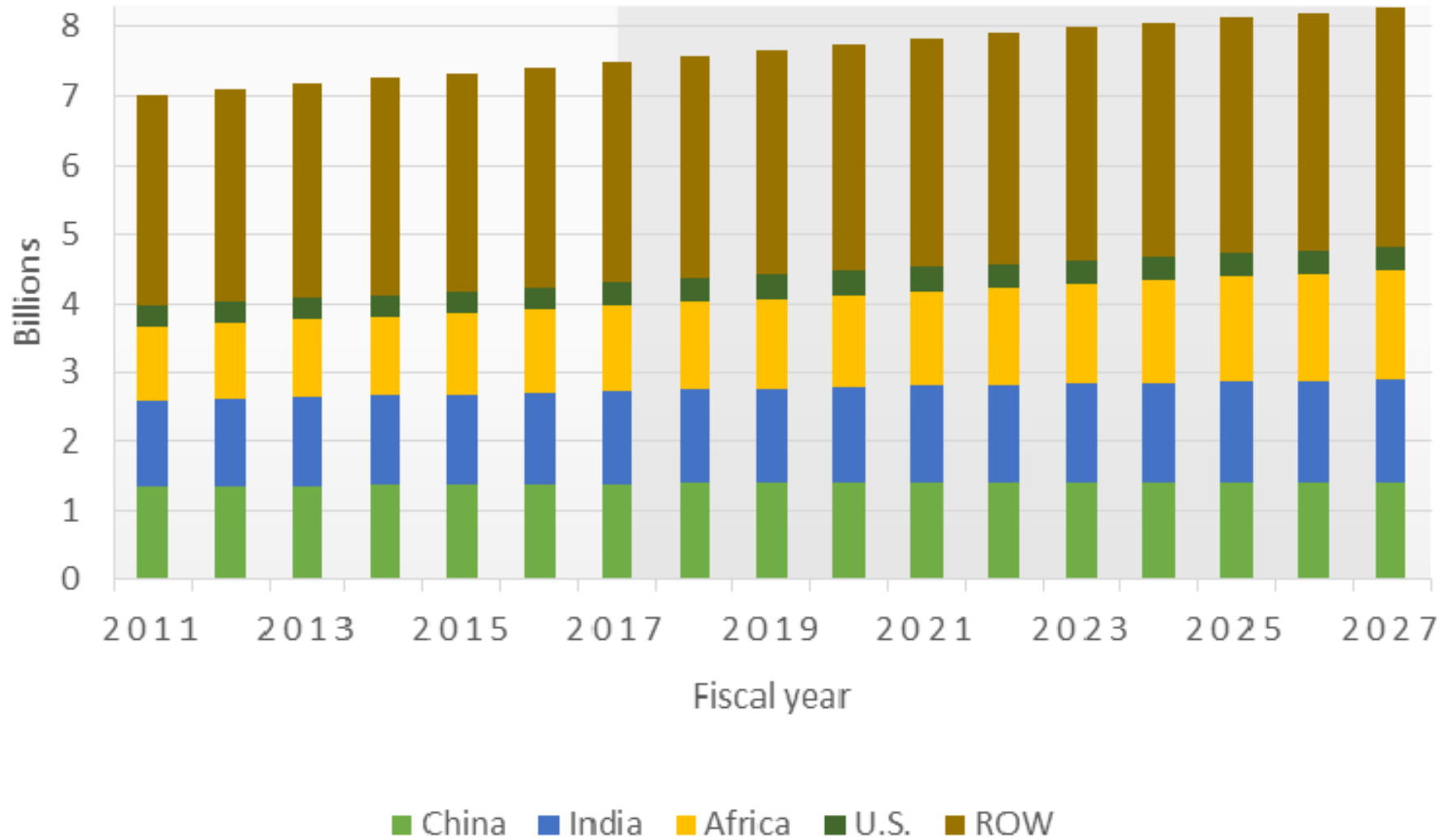
Source: U.S. Baseline Briefing Book, page 12

Real GDP (Income)



Source: IHS Global Insight, December 2016

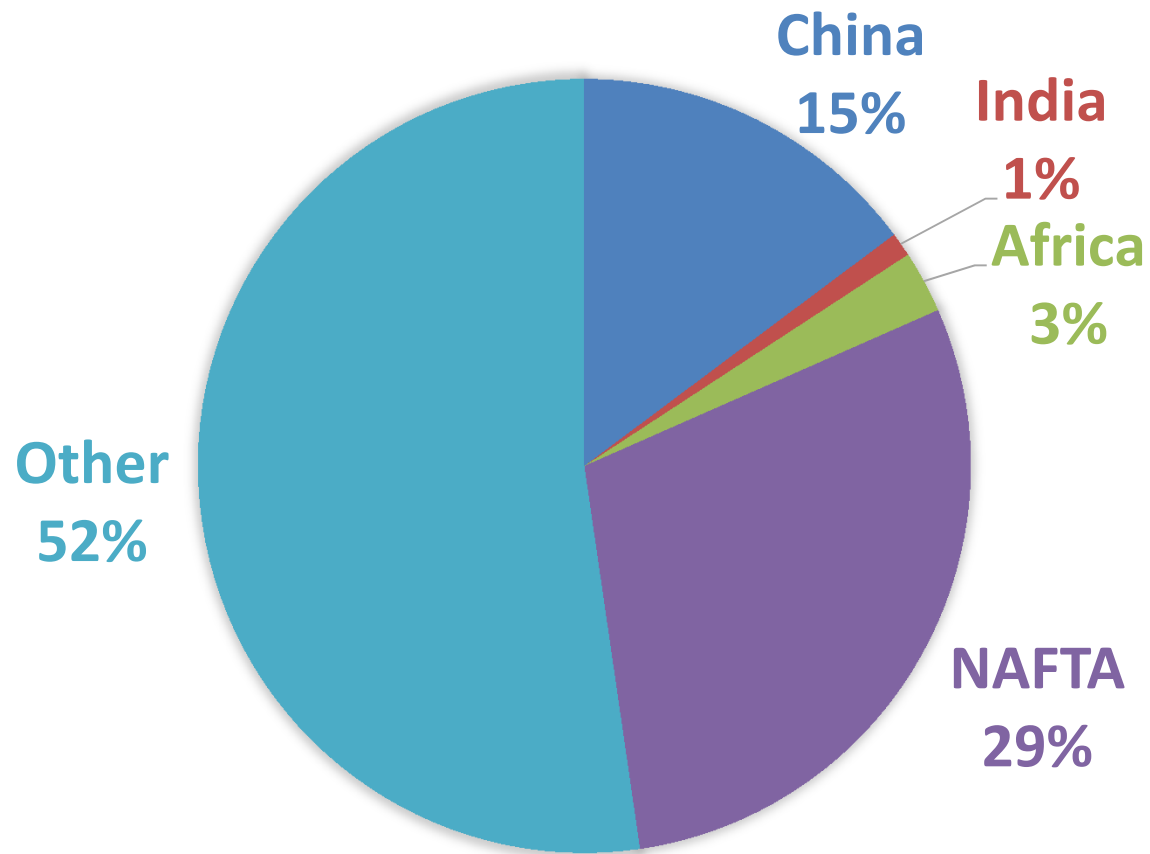
Population rate of growth slows



Source: IHS Global Insight, December 2016

Share in value of U.S. agricultural exports

Fiscal year 2016



Source: USDA, Outlook for U.S. Agricultural Trade, February 2017

China growth is slowing

	2005/06-2015/16	2016/17-2026/27
Real GDP growth rate	9.3%/yr.	5.9%/yr.
Annual population growth	7.0 million (0.52%)/yr.	2.8 million (0.22%)/yr.
Annual corn feed use growth	5.2 million tonnes/yr.	3.1 million tonnes/yr.
Annual corn net import growth	0.7 million tonnes/yr.	0.2 million tonnes/yr.
Annual soymeal use growth	3.5 million tonnes/yr.	1.9 million tonnes/yr.
Annual soybean net import growth	5.5 million tonnes/yr.	2.9 million tonnes/yr.

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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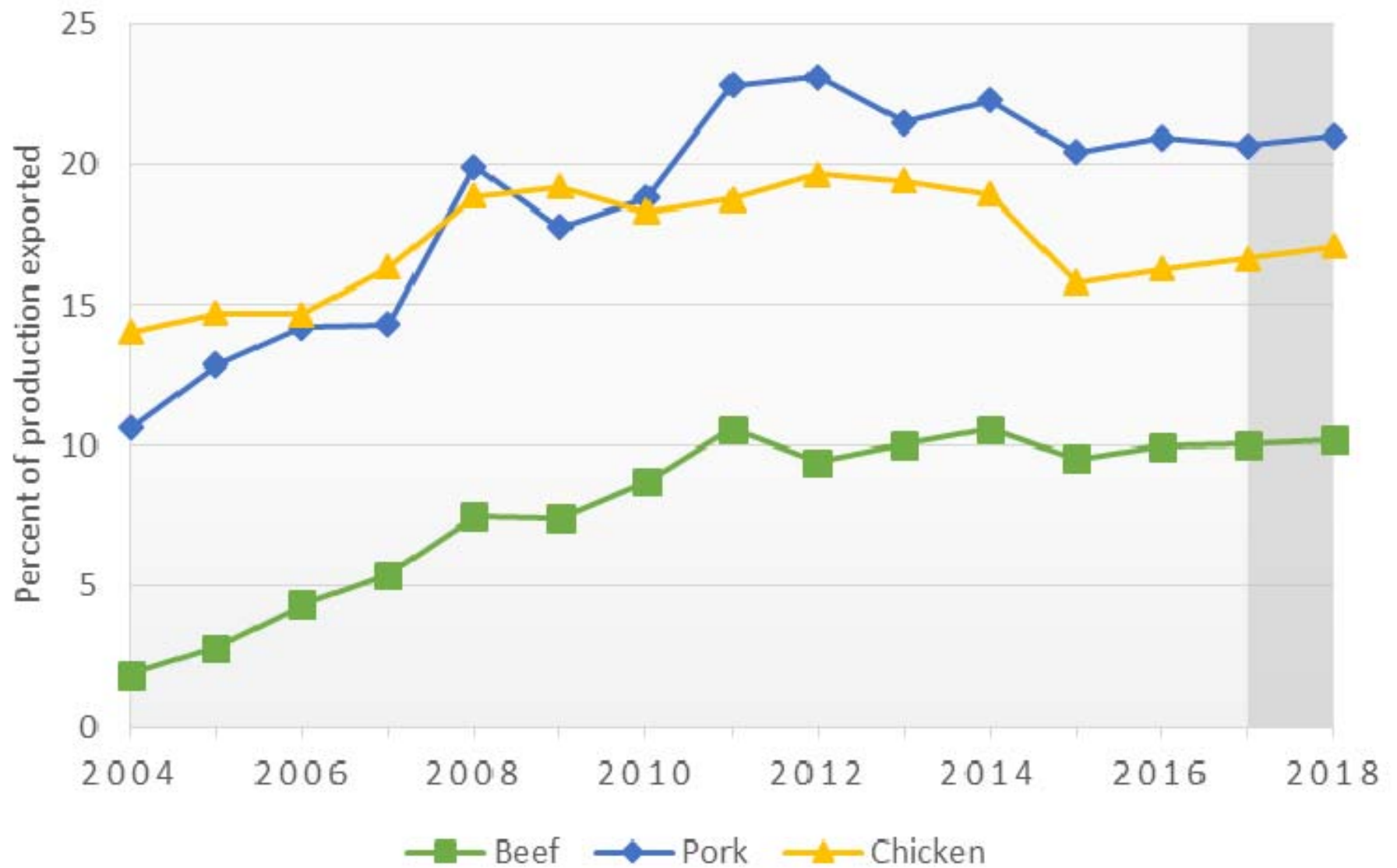
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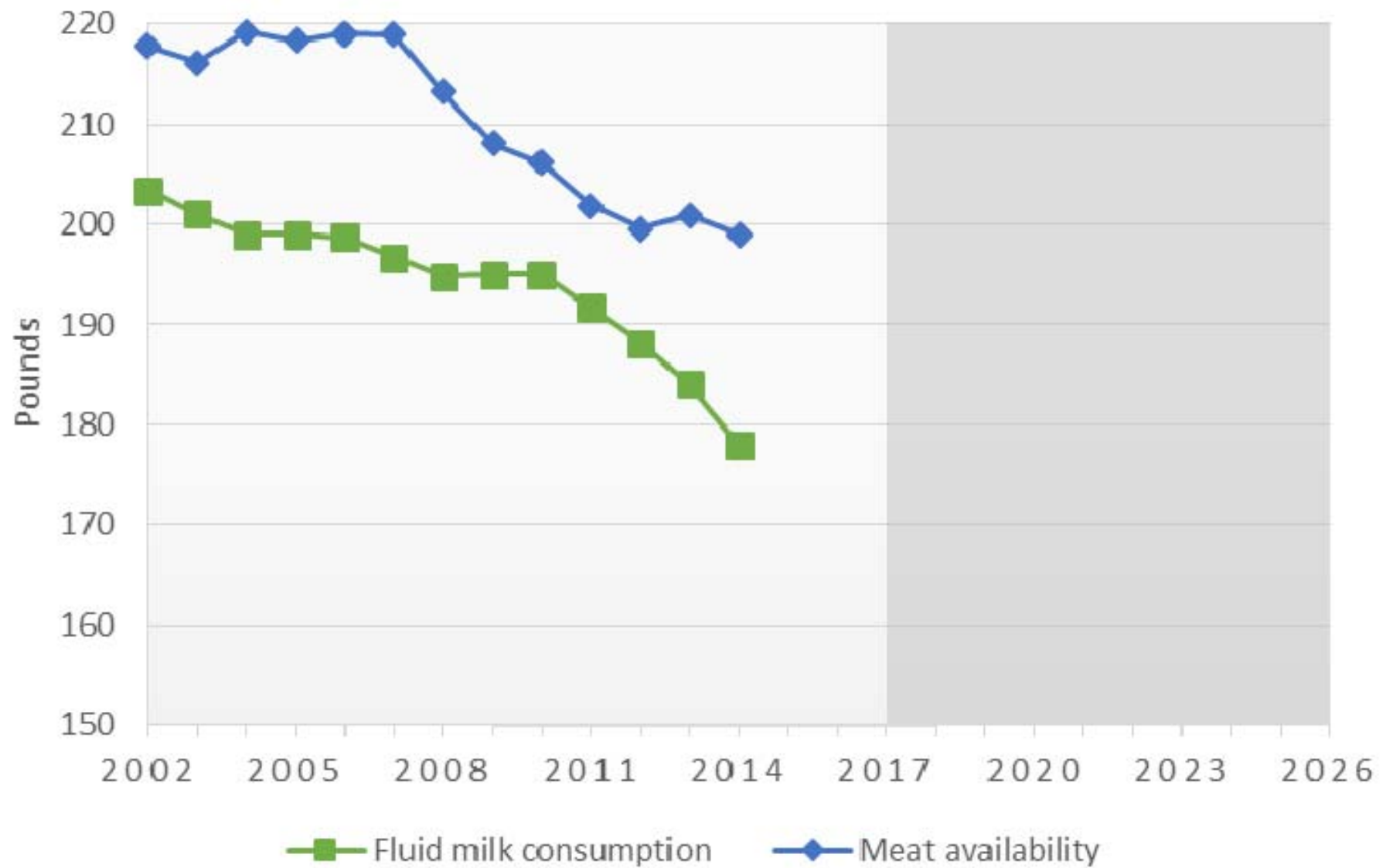


Meat exports struggle against a strong dollar



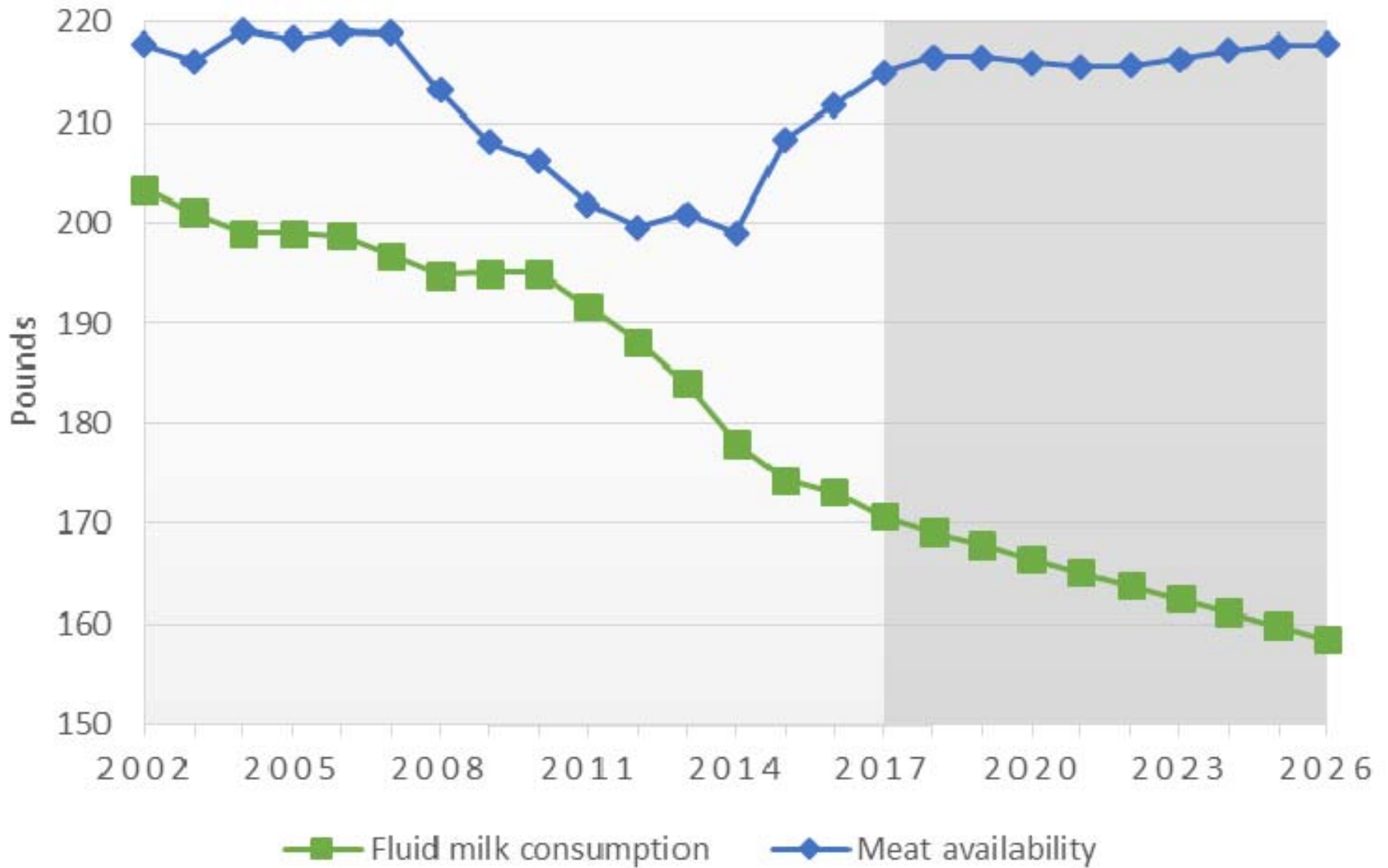
Source: U.S. Baseline Briefing Book, page 6

Per capita meat and milk disappearance



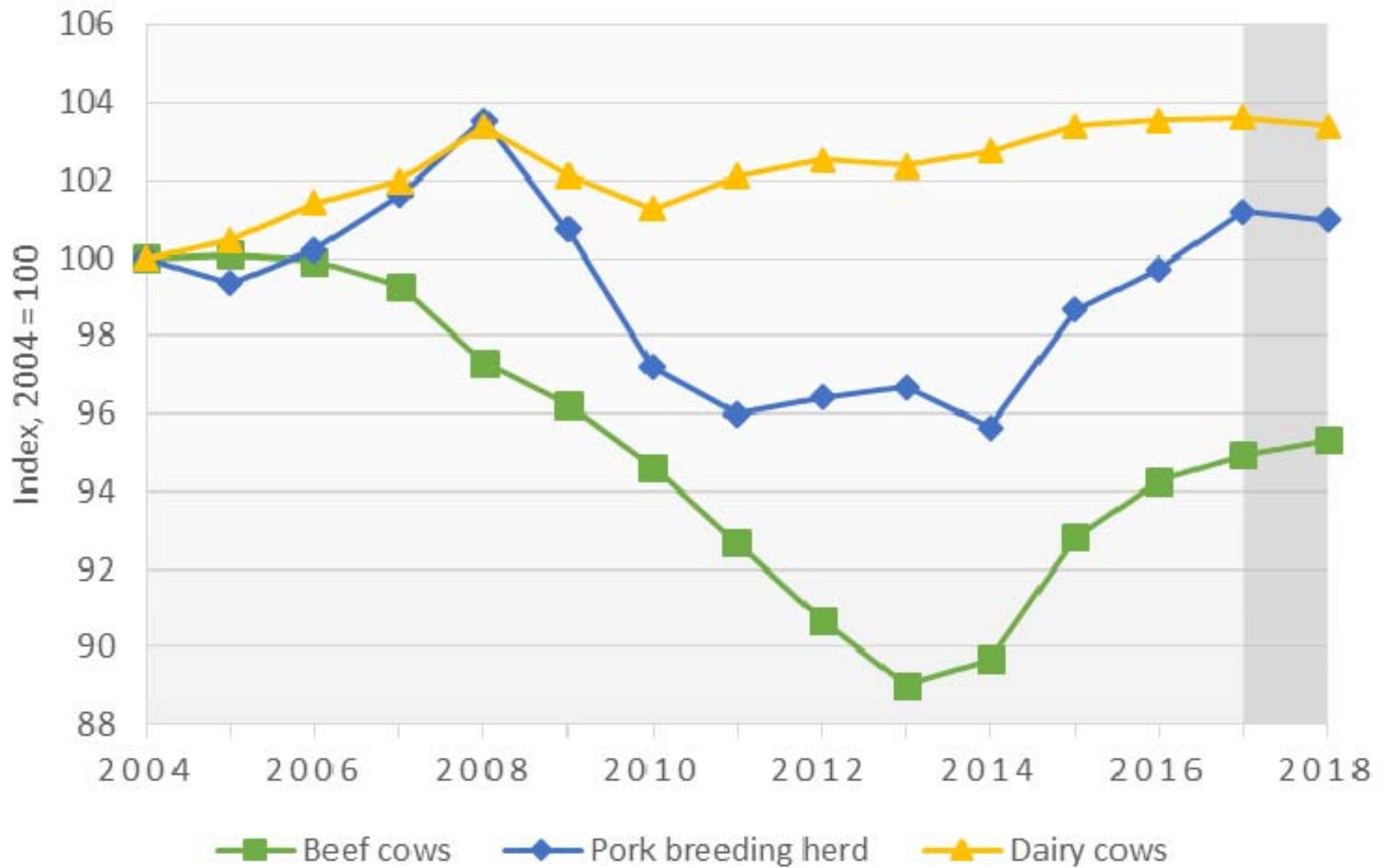
Source: U.S. Baseline Briefing Book, various tables

Per capita meat and milk disappearance



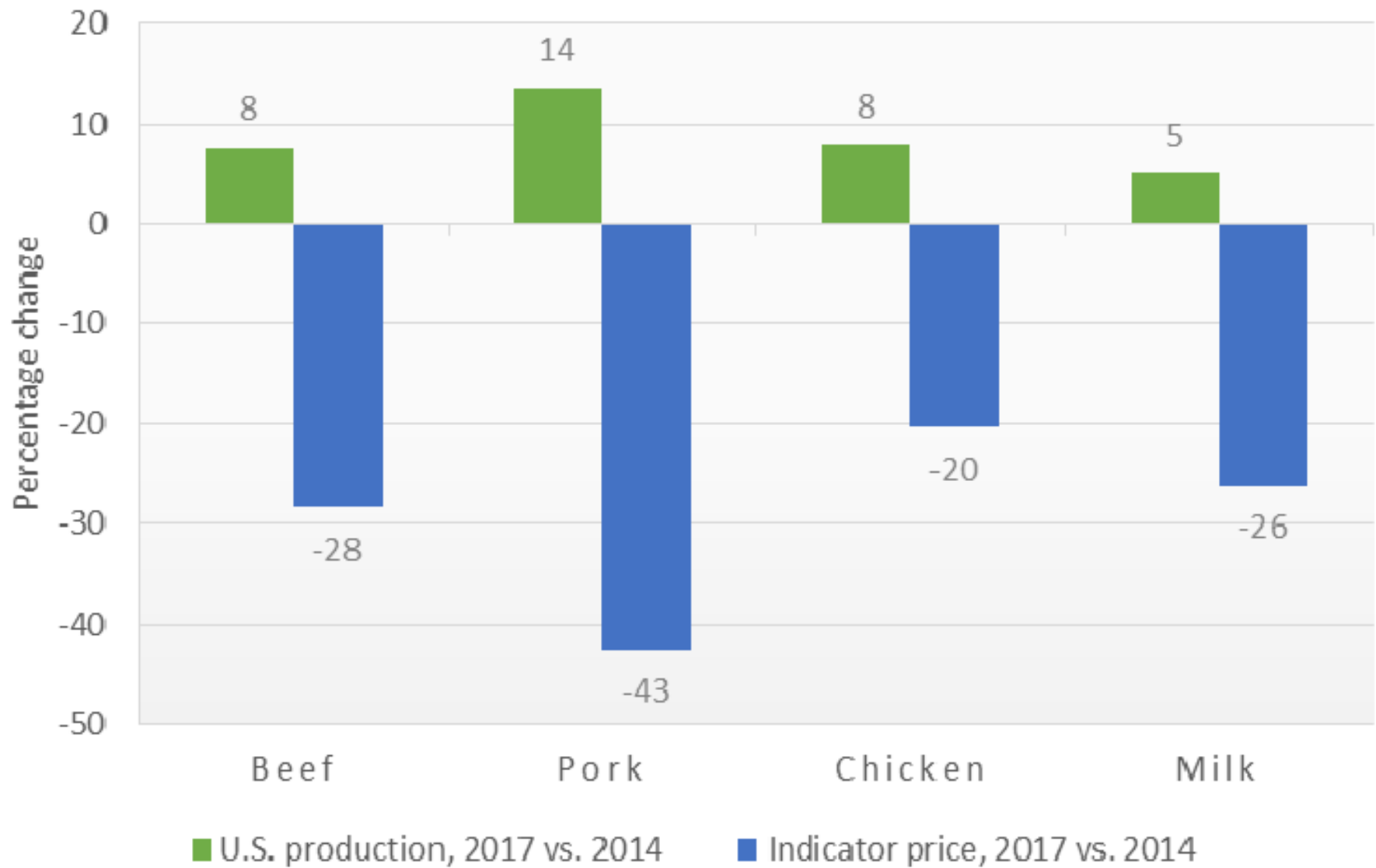
Source: U.S. Baseline Briefing Book, various tables

Inventories slow to adjust to lower returns



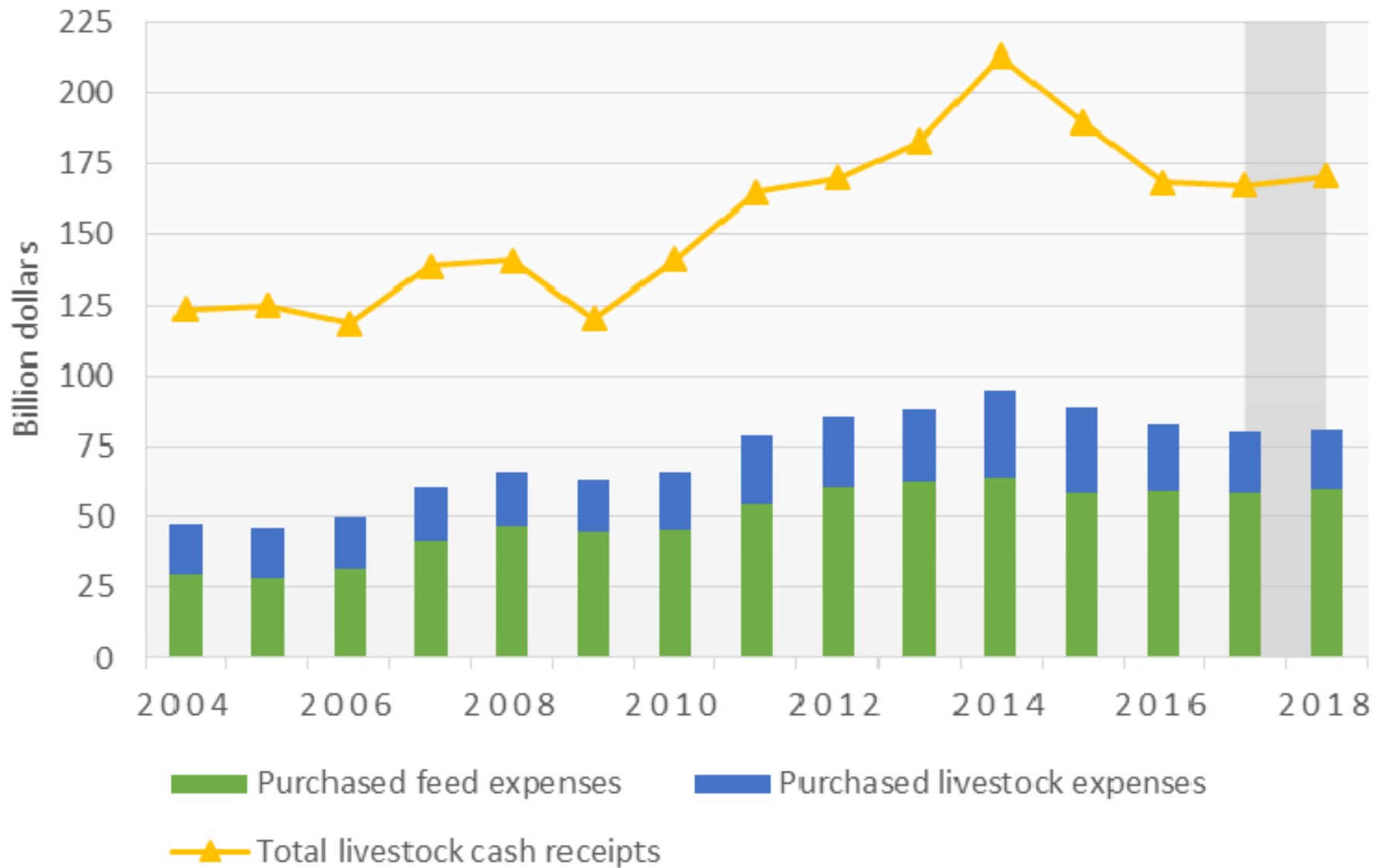
Source: U.S. Baseline Briefing Book, page 6

More meat and milk also means lower prices



Source: U.S. Baseline Briefing Book, page 4

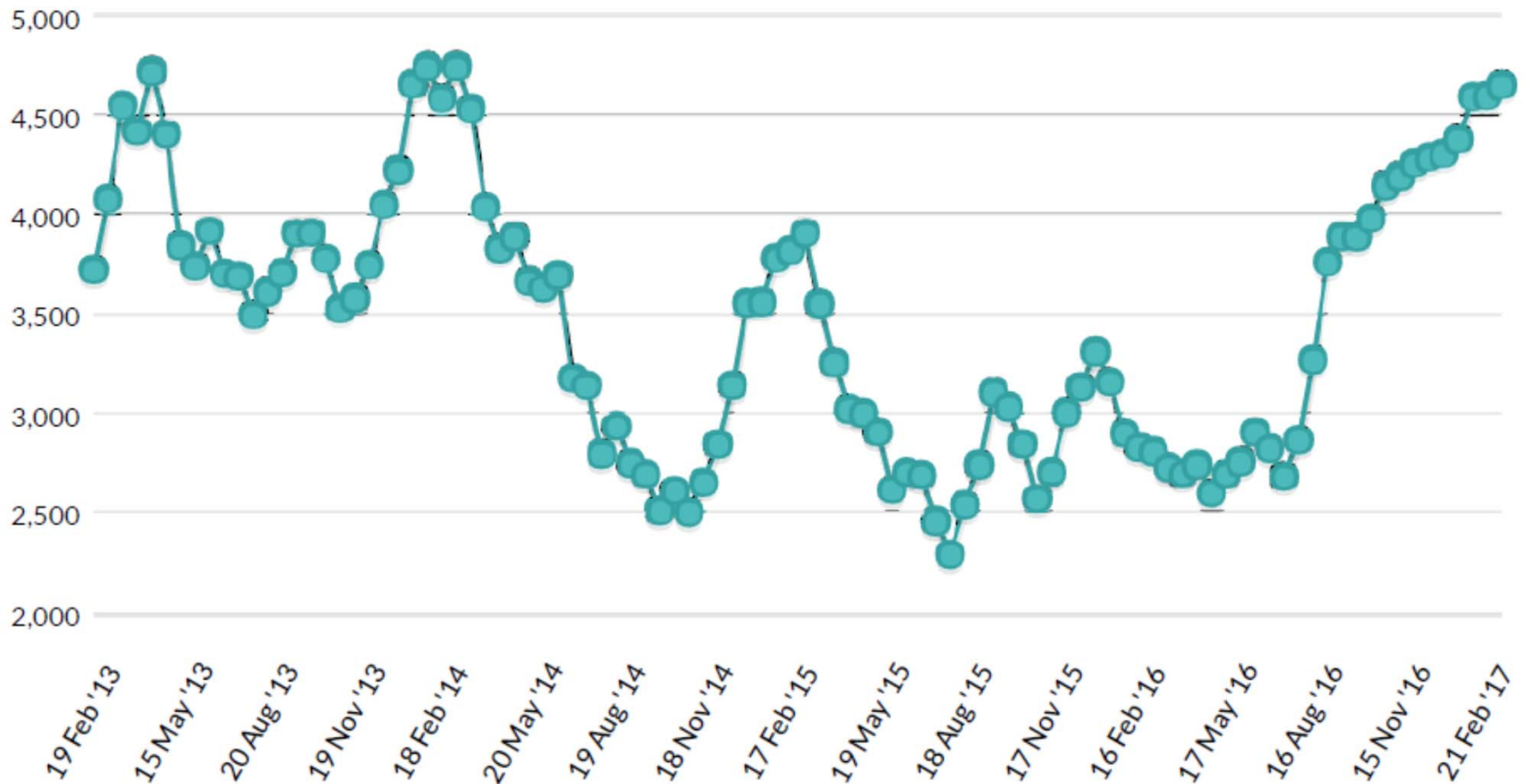
Livestock cash receipts fell again in 2016



Source: U.S. Baseline Briefing Book, page 6

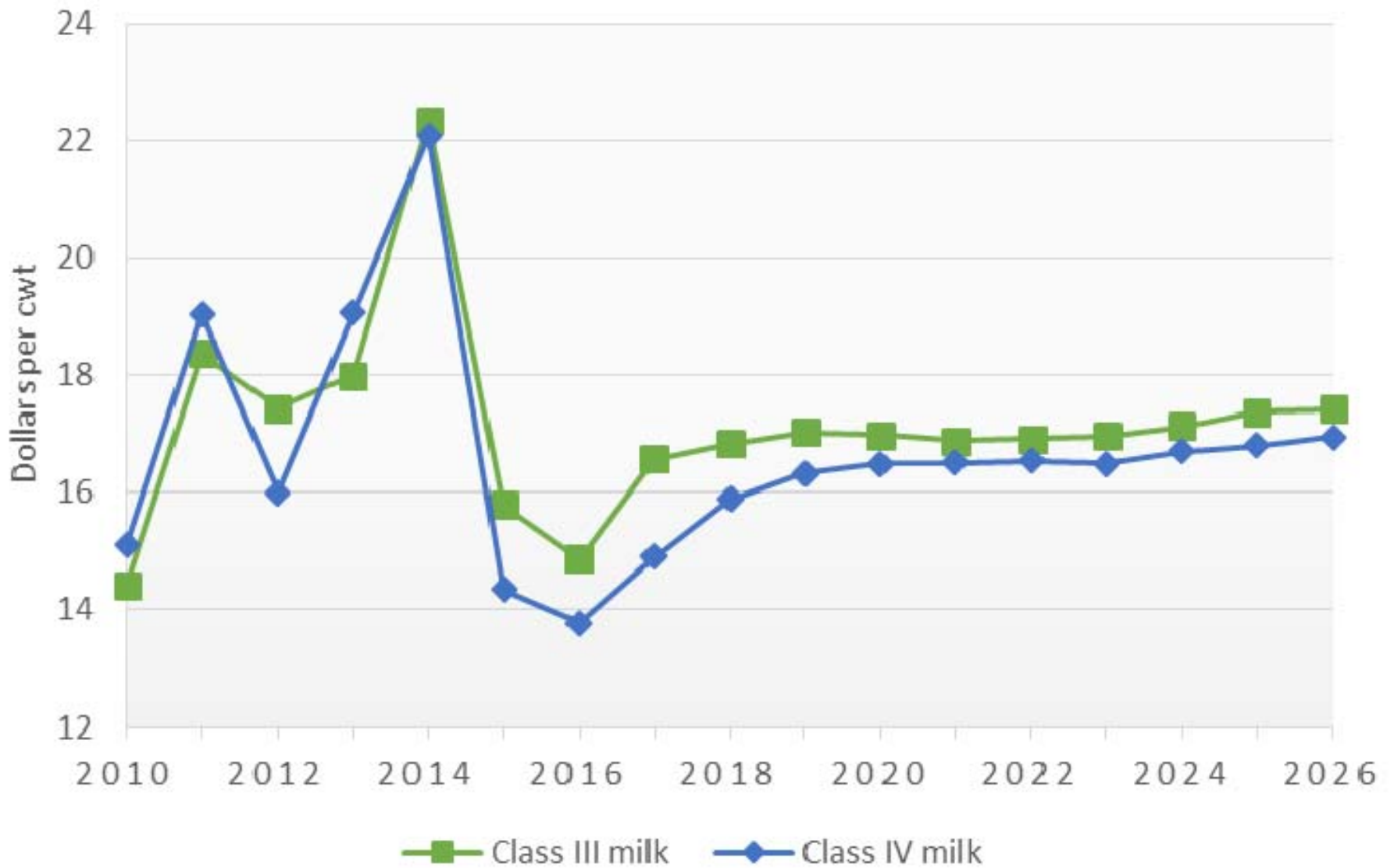
Global Dairy Trade auction butter prices

Butter Prices



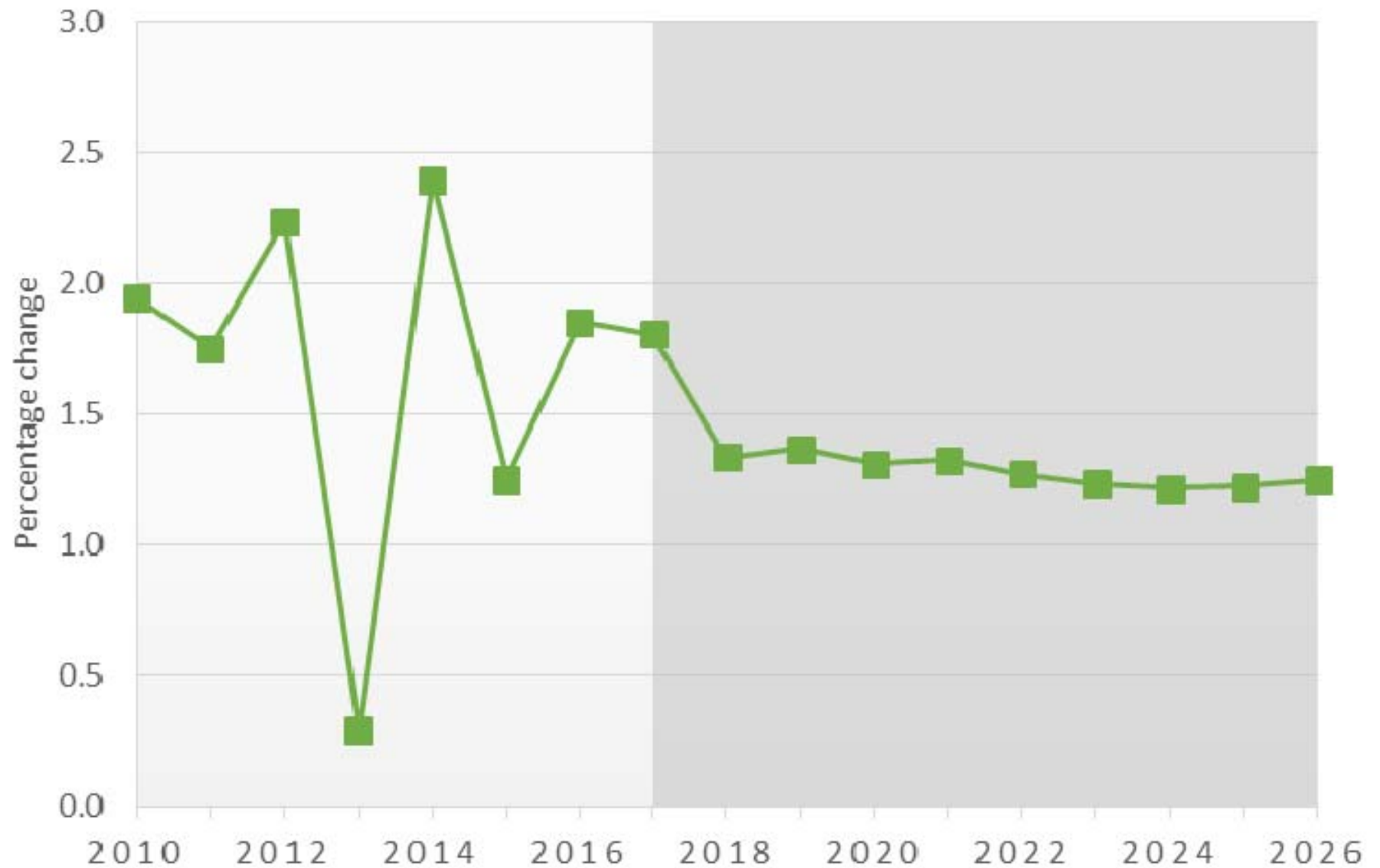
Source: GDT website, March 16, 2017

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