

Competing in the 21st Century
*International Competition and Trade
Policy*

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Agricultural Outlook Forum
February 2003
Arlington, Virginia

Introduction

- Grains and Oilseeds Perspective
- Global Changes – Consumption/Trade
- Factors Influencing Global Trade
- Wheat Situation
- China Situation
- Brazil Situation
- Competing in the 21st Century

Global Consumption

(mln mts)	02/03	92/93	Change	Percent
Wheat	595	544	51	9%
Corn	619	509	110	22%
Soybeans	194	116	78	67%
Soy Meal	131	75	56	75%
Soy Oil	31	17	14	82%
Beef	49	45	4	9%
Pork	85	65	20	31%
Poultry	45	37	8	22%

Global Trade

(mln mts)	02/03	92/93	Change	Percent
Wheat	102	124	-22	-18%
Corn	74	70	4	6%
Soybeans	62	30	32	107%
Soy Meal	48	27	21	78%
Soy Oil	10	4	6	150%
Beef	6	5	1	20%
Pork	4	2	2	100%
Poultry	6	2	4	200%

U.S. Share of Global Trade

	02/03	92/93
Wheat	24%	30%
Corn	63%	61%
Soybeans	41%	71%
Soy Meal	11%	21%
Soy Oil	10%	16%
Beef	17%	12%
Pork	18%	12%
Poultry	46%	33%

Factors Impacting Trade

- Food self-sufficiency is a goal of many developing countries
- Improving economic welfare of rural populations is a goal in most countries
- Urbanization and income growth is leading to greater consumption of meats and less consumption of cereals
- Strong correlation exists between growth in consumption and growth in trade

Factors Impacting Trade

- Strong U.S. dollar vs. Ag competitors is having a significant impact on grains and oilseeds trade
- Many governments less involved in purchasing and handling but more involved in regulating trade
- Increase in meat/fruits/vegs trade has coincided with increased concern over food safety as a trade issue
- Debate over food safety trade issues and biotech trade issues has become blurred

Factors Impacting Trade

- Access to water is a significant factor in future production
- Crop input suppliers are finding creative ways to increase supply of crop inputs and technology to producers in developing countries

Factors Impacting Trade

- Ag supply chain is not always ‘harmonized’ as biotech products are introduced
- Many trade groups are pushing for global ‘harmonization’ before biotech products can be introduced
- Consumer groups and government policies have significant impact on ‘harmonization’ strategy
- Defining the Ag supply chain consumer and what this consumer wants is difficult

Wheat

Changes in Wheat Exports

(mln mts)	02/03	92/93	Change
U.S.	-22	-35	-13
EU-15	-5	-22	-17
East Europe	-2	2	4
FSU-12	-24	16	40
China	-1	7	8
India	-5	3	8

Wheat Comments

- Global consumption is growing very slowly
- About ½ of all imports to countries where majority of the population is Muslim
- Feed wheat has been displacing potential corn demand in many countries
- Food aid and financial support are critical components of U.S. wheat exports
- EU situation and enlargement may have a significant impact in increasing cereal supplies

China and Brazil

Jilin, China



Mato Grosso, Brazil



Brazil

- Brazil may have enough land for an expansion equal to all existing cropland in U.S.
- Rapid expansion in soybean production but corn is also increasing
- Strength of the U.S. dollar is greatly benefiting Brazilian agriculture
- Transportation and port investment continues strong

Brazil

- Producer access to crop inputs and technology has improved significantly due to good regulatory system – CPR's
- Biotechnology is an important factor to consider for the future
- Largest wheat importer in the world
- Government plans to improve welfare of poor need continued investment in Ag.

Brazil

- Brazil meat production and exports are also rapidly expanding

US/Brazil Meat Comparison

(mln mts)	<u>Production</u>				<u>Exports</u>			
	2002	1997	Change	Percent	2002	1997	Change	Percent
<u>Beef</u>								
US	11.8	11.7	0.1	1%	1.0	1.0	0.0	0%
Brazil	7.0	6.0	1.0	17%	0.8	0.2	0.6	300%
<u>Pork</u>								
US	8.7	7.8	0.9	12%	0.7	0.5	0.2	40%
Brazil	2.3	1.5	0.8	53%	0.4	0.1	0.3	300%
<u>Poultry</u>								
US	14.4	12.3	2.1	17%	2.9	2.1	0.8	38%
Brazil	7.0	4.5	2.5	56%	1.4	0.7	0.7	100%

China

- Recent estimates indicate that China may hold roughly half of world stocks of grain (corn, wheat, and rice)
- China interprets their WTO obligations differently than U.S. does

China WTO Commitments

- Cut agricultural tariffs by more than half
- Create market access opportunities by establishing tariff-rate quota system
- Eliminate export subsidies
- Eliminate scientifically unjustified restrictions on U.S. agricultural products

China

- Vegetable/Fruit production growing 20% annually – U.S. imports rising
- China has greatly expanded oilseed crush capacity and consequently soybean deficit has grown sharply in recent years
- China probably does not want to have a trade deficit in Ag.

Competing in the 21st Century

Competing in the 21st Century

- Understand Global Industry Trends
- Focus limited resources on best potential return – Asia/Latin markets, feedgrains, meats, high quality wheat
- Seek to Add Value in Export Products and Services – Logistical, Financial, Technical
- Food Aid programs which promote Added Value and are in forms more readily useable – Package Foods

Competing in the 21st Century

- Improve information to clarify issues regarding food safety and biotech that are impacting ag trade
- Seek to “harmonize” food safety trade regulations
- Seek to “harmonize” biotech trade regulations

Competing in the 21st Century

- Improve understanding of global consumer needs and develop strategies that meet those needs
- Focus on grain functionality and less on grain standards
- To be successful we need to improve communication and coordination among all participants across the ag supply chain

Ag. Supply Chain

- Crop Input Suppliers
- Producers
- Grain Handlers
- Food Processors & Manufacturers
- Transportation Providers
- Exporters
- Importers
- Food Retailers
- CONSUMERS