Major Southern Hemisphere Exporters . . . Russian Meat Imports . . . the Global Processed Foods Market . . . & Climate Change

Ag Export Competition From Australia . . .

Australia is forecast to produce its second-largest wheat crop on record—21.5 million tons—in 1996/97. The huge crop follows an estimated 14-percent surge in harvested area as farmers responded to strong international prices at planting time. As a result, wheat exports are expected up nearly 20 percent at 14.5 million tons for the July-June trade year. Australia's share of world wheat trade is expected to jump to over 16 percent in 1996/97, up sharply from the previous 4-year average.

As with wheat, most of Australia's other agricultural output is exported. In the absence of government price support programs and mandatory planting requirements, Australia's farmers make production decisions purely on a commercial basis. Thus, Australia's farmers watch international market prices closely, and are ready to respond rapidly to changes in global supply and demand conditions.

. . . & from Argentina & Brazil

The agricultural economies of Argentina and Brazil are becoming more efficient and are likely to remain challenging competitors in global markets. Domestic reforms in the past few years, such as reducing or eliminating export taxes on agricultural products and reducing import taxes on farm inputs, are increasing production efficiency. In addition, the new Southern Common Market—MERCOSUR—has eliminated most tariffs on products traded among its members (Argentina, Brazil, Uruguay, and Paraguay), helping to solidify gains from domestic policy reforms.

In 1996/97, Argentina (a major grain exporter) is expected to harvest record wheat, corn, and soybean crops, while Brazil (the world's second-largest exporter of soybeans behind the U.S.) is expected to harvest a record soybean crop.

Russian Ag Imports Shift From Grains to Meat

Russia, formerly one of the world's largest grain importers, is now the second-largest meat importer and no longer a major importer of grain. The 1991 breakup of the USSR, and the subsequent economic reforms and agricultural restructuring, have resulted in sharp changes in both the scale and mix of Russia's food imports. Direct meat imports have replaced massive grain imports that were supplying an overexpanded, inefficient, and highly subsidized livestock sector.

For the U.S., the shift has meant that the value of its agricultural exports to Russia has fallen an estimated 35 percent by 1996. Until the decline in Russia's livestock sector bottoms out and recovery takes off, U.S. meat exports to the region are expected to remain at the current level of about $1 billion. The near-term outlook for U.S. agricultural trade with Russia clearly hinges on prospects for continued Russian meat imports, and thus on the performance of Russia's livestock sector and its ability to compete with imports.

Globalization of Food Processing

The growth of U.S. processed food trade has been phenomenal, with total trade increasing 20 percent from 1993 to 1995. In 1995 the U.S. exported $29.4 billion in processed food, and imported $24.8 billion. The leading export group was meat and poultry products, while the leading import group was fish products. However, foreign trade tells only part of the story in international commerce in the food industry. Today, U.S. food processing firms reach overseas markets mainly through product sales of their foreign affiliates. In 1995, U.S. investment in foreign affiliates reached $31 billion, more than double the $15 billion in 1991.

Global Climate Change: Could U.S. Agriculture Adapt?

An increase in concentrations of trace gases in the atmosphere is a concern among scientists, with many anticipating a doubling of the current concentration of carbon dioxide over the next 80 to 100 years. These gases trap heat in the atmosphere (the "greenhouse" effect), affecting patterns of temperature and precipitation around the world.

While scientific uncertainty persists about the nature and rate of climate change, recent research efforts indicate that there is considerably more sectoral flexibility and adaptation potential for U.S. agriculture than was found in earlier analyses. These earlier studies had likely overestimated negative effects of climate change on agriculture because they did not account for economic adjustments and adaptation. Nor did they consider the economic and environmental implications of social changes likely to occur.

However, the recent studies have uncovered new concerns. While world aggregate production of major commodities might remain unchanged, this could be the result of losses in agricultural potential in some regions being offset by gains in others.