

Feed Grain Suppliers' Impact On World Meat Trade

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Grains Outlook

- **U.S. ethanol demand for corn boosts domestic demand. EU bio-fuels policy in flux.**
- **Quality problems and high corn prices boost wheat feeding in 2008/09, a dramatic shift.**
- **China's soybean imports support soybean prices.**
- **Competition for land in the United States, Brazil, and Argentina a key to price developments.**

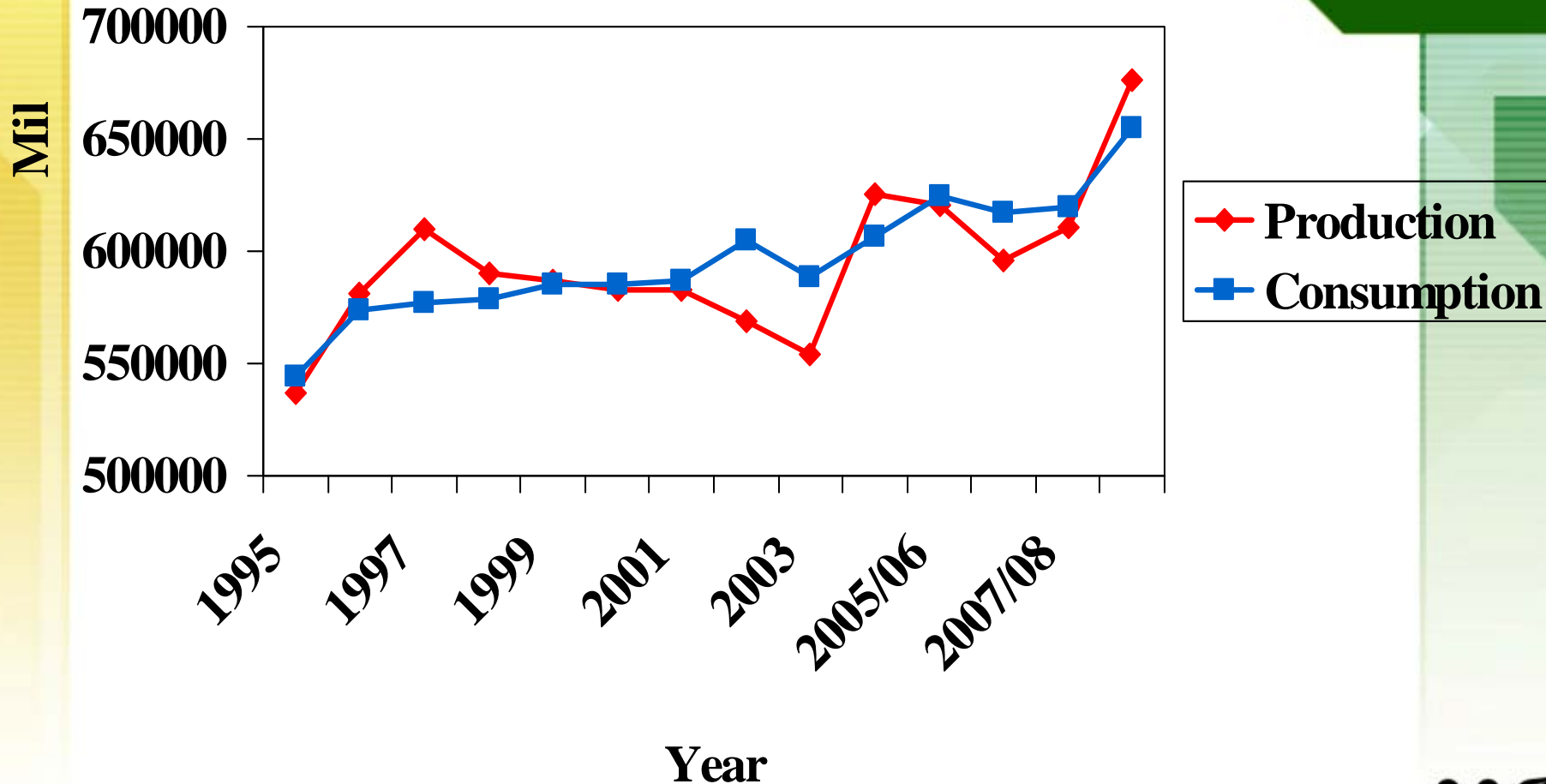


2008 Wheat Feeding Boom

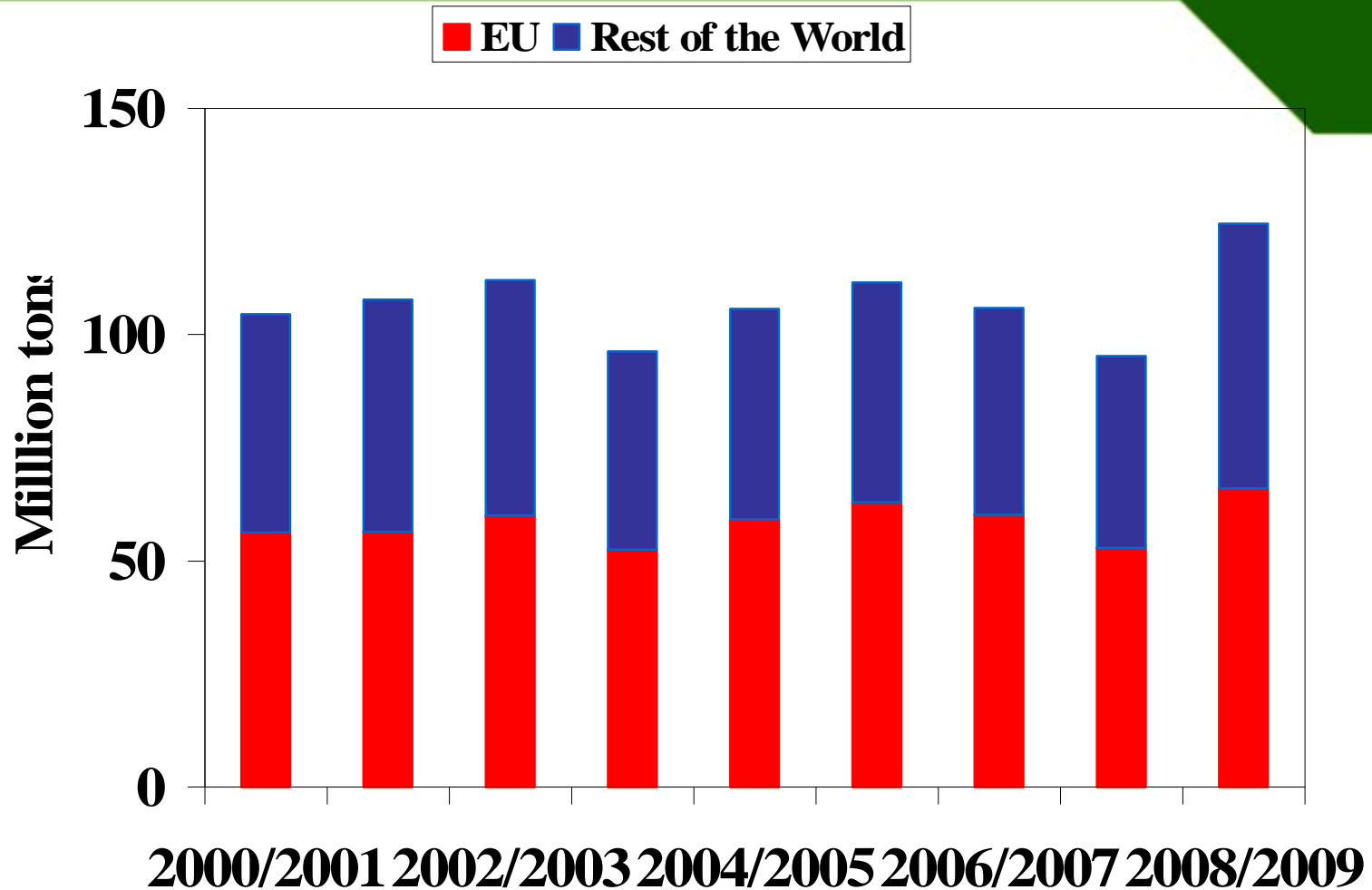
- **Production in Europe rebounds.**
- **High yield and rain degrade milling quality.**
- **Wheat is harvested early and leads the grain price decline.**
- **Livestock producers who know how to feed wheat have an advantage.**



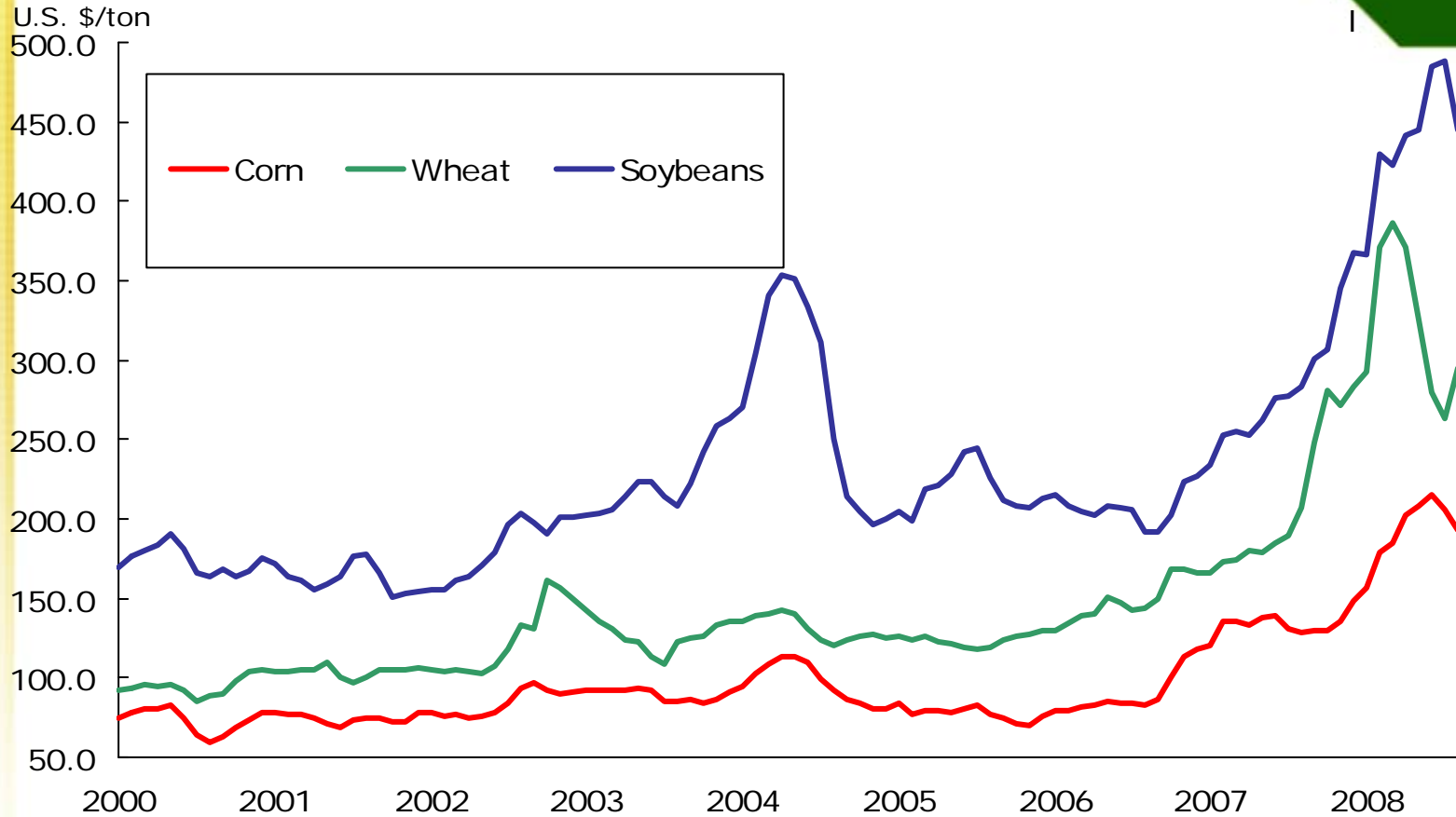
World Production and Consumption of Wheat



EU and World Wheat Feed Use

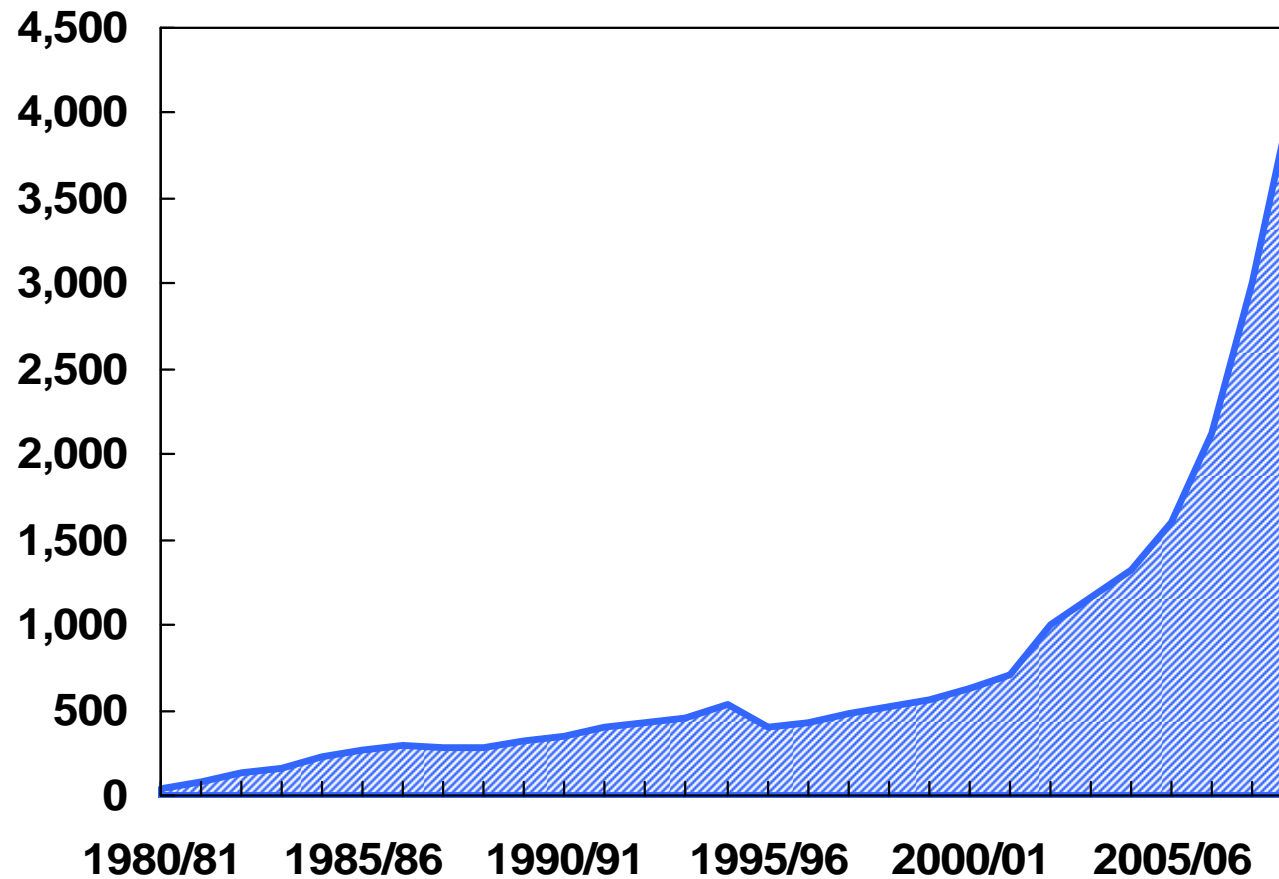


U.S. Farm Prices

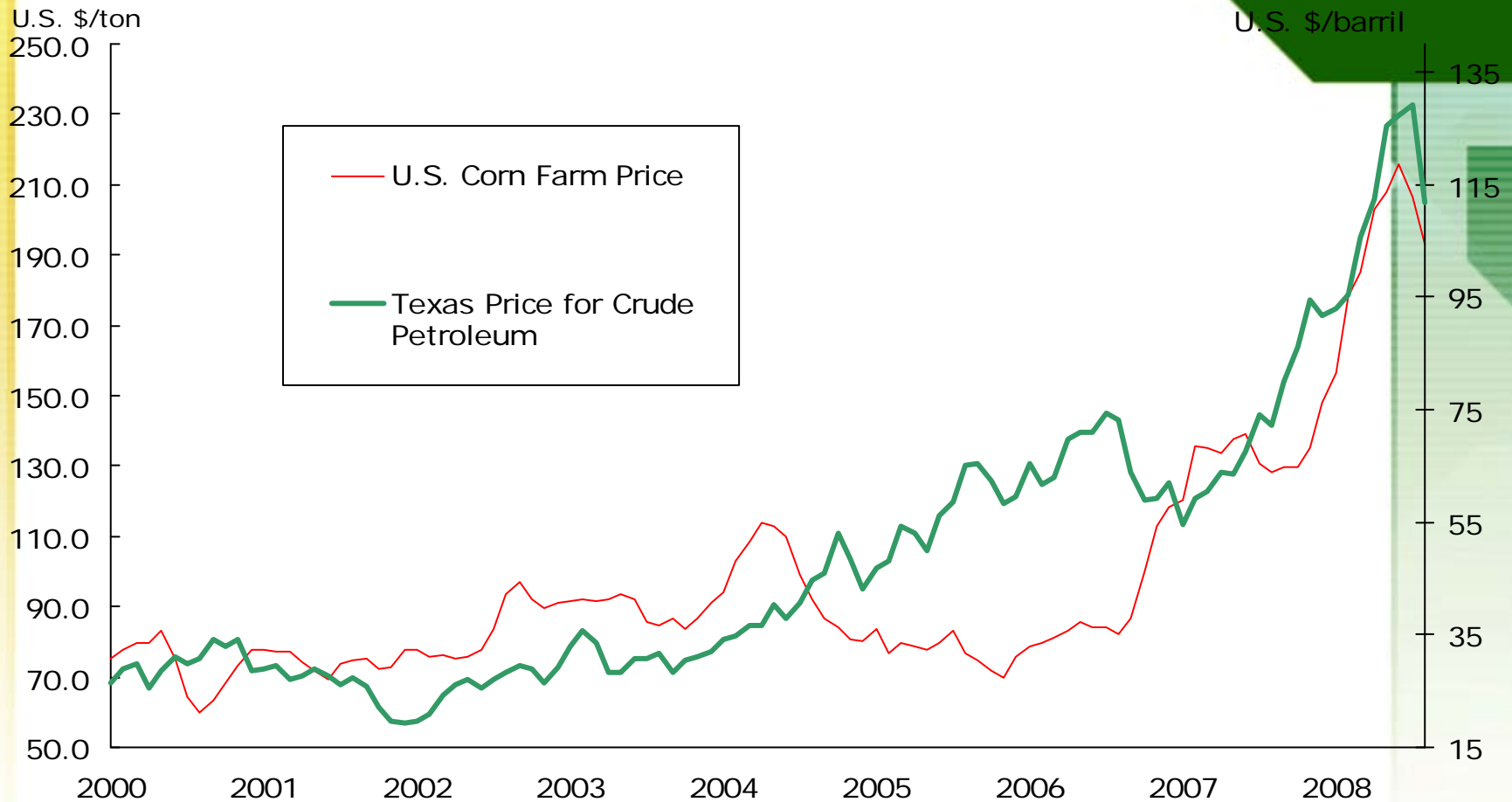


U.S. Corn Used for Ethanol

Million bushels



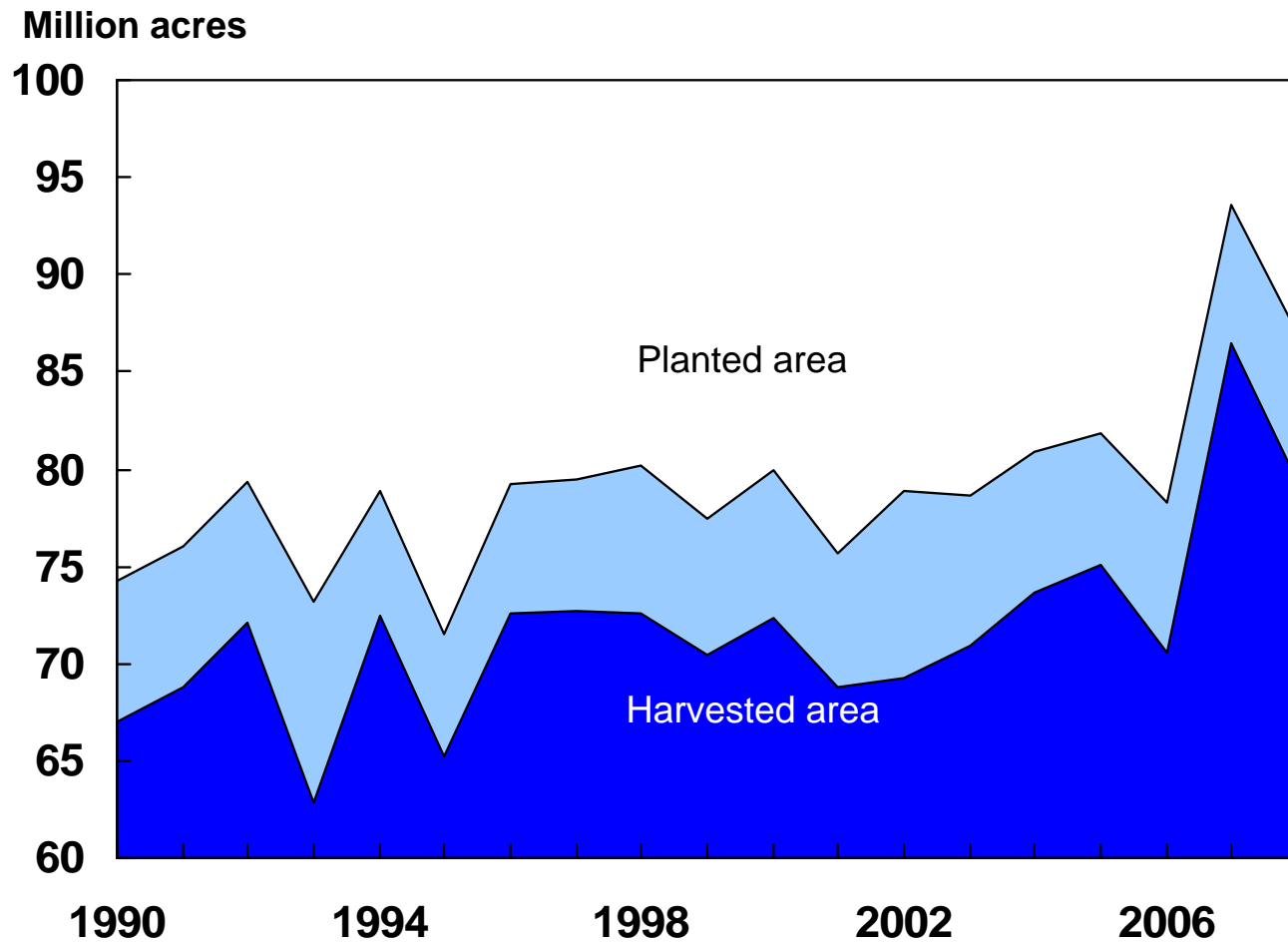
Petroleum Price and the U.S. Corn Farm Price



Fuente: Stallings & NASS

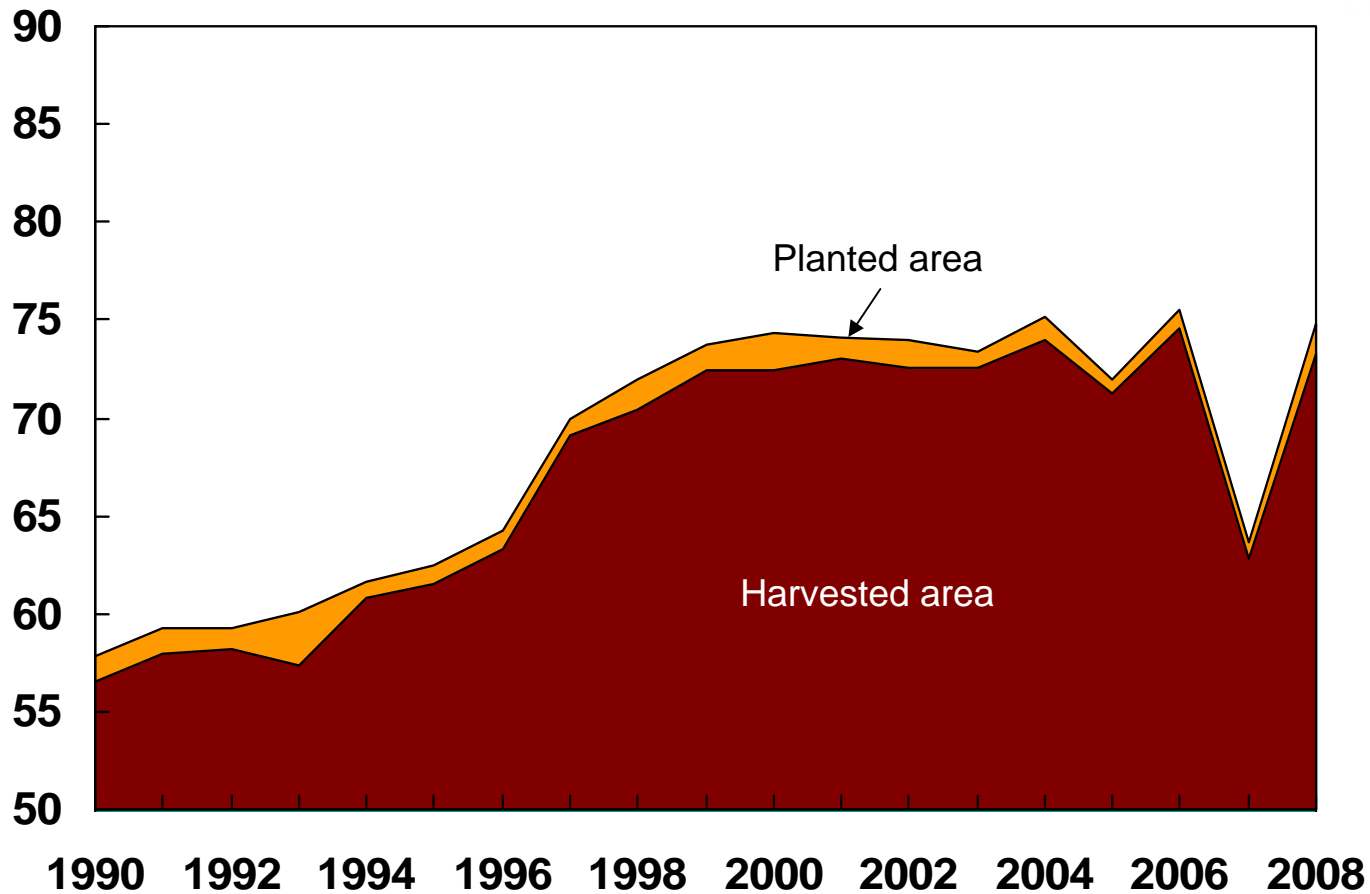


U.S. Corn Area Huge in 2007, Then Down



U.S. Soybean Area Drops in 2007, Rebounds in 2008

Million acres

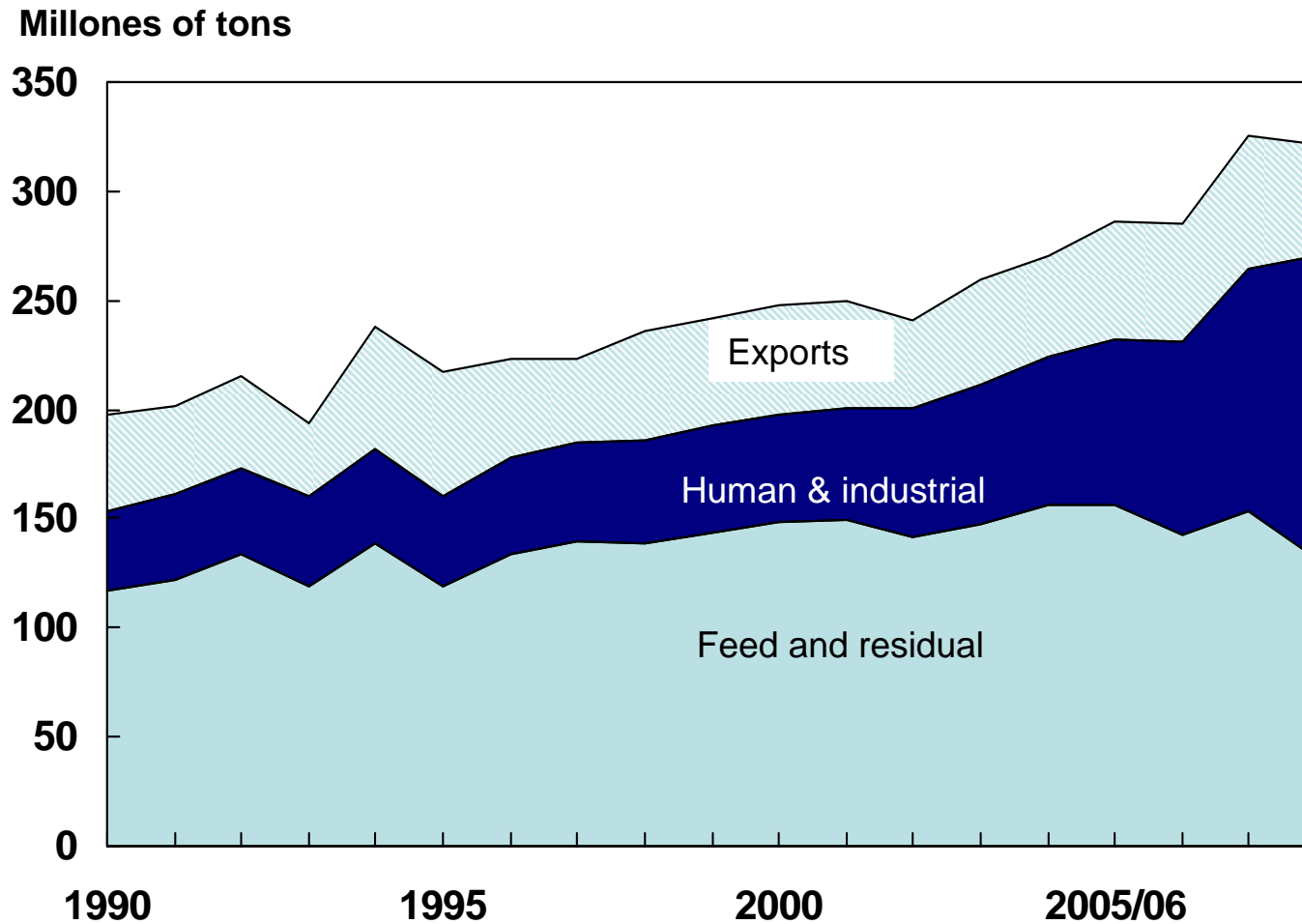


2008/09 U.S. Corn Outlook

- **U.S. corn yields in 2008 below, but near trend; area decline cuts the crop 8 %.**
- **Beginning stocks up 21 %, but smaller crop trims supplies 5%.**
- **Domestic use up 2% as strong ethanol demand offsets the feed decline.**
- **Exports to drop 18% as world trade declines.**
- **U.S. ending stocks to drop 35%, the lowest in 5 years.**
- **A record U.S. average corn price expected in 2008/09.**

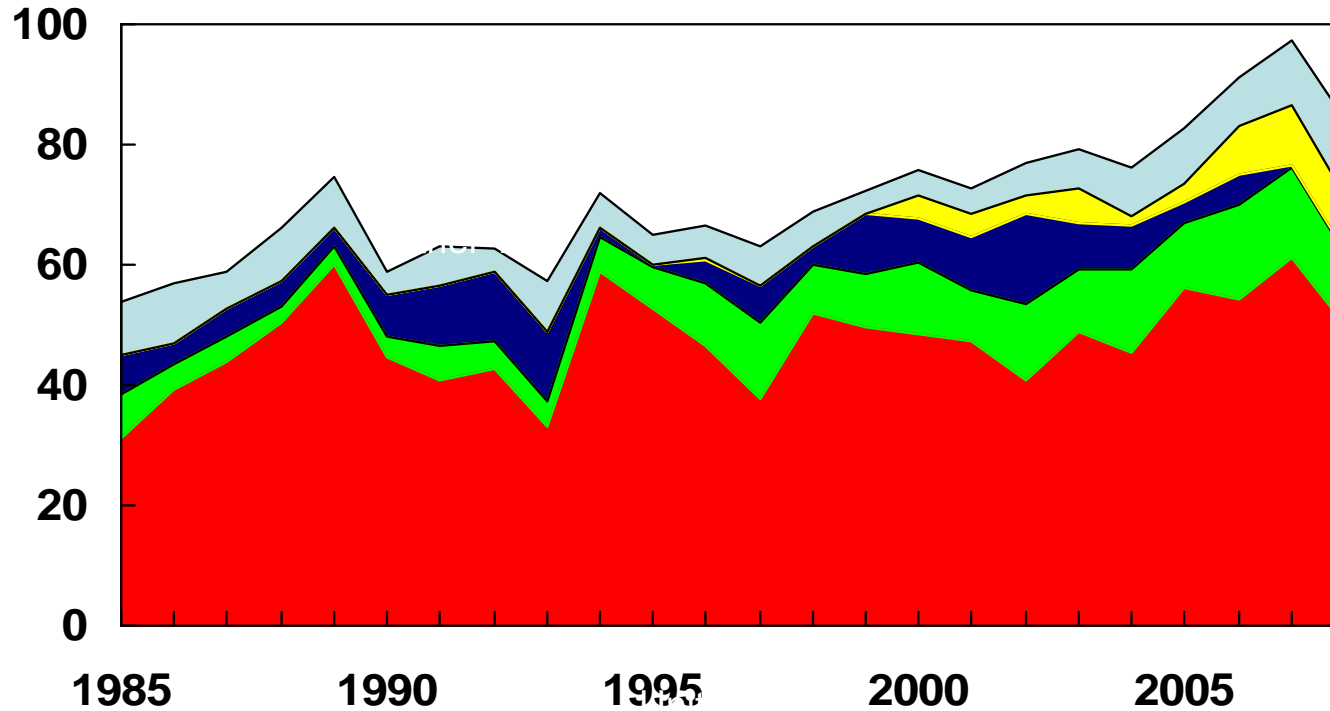


Most U.S. Corn Use is Domestic



Global Corn Exports

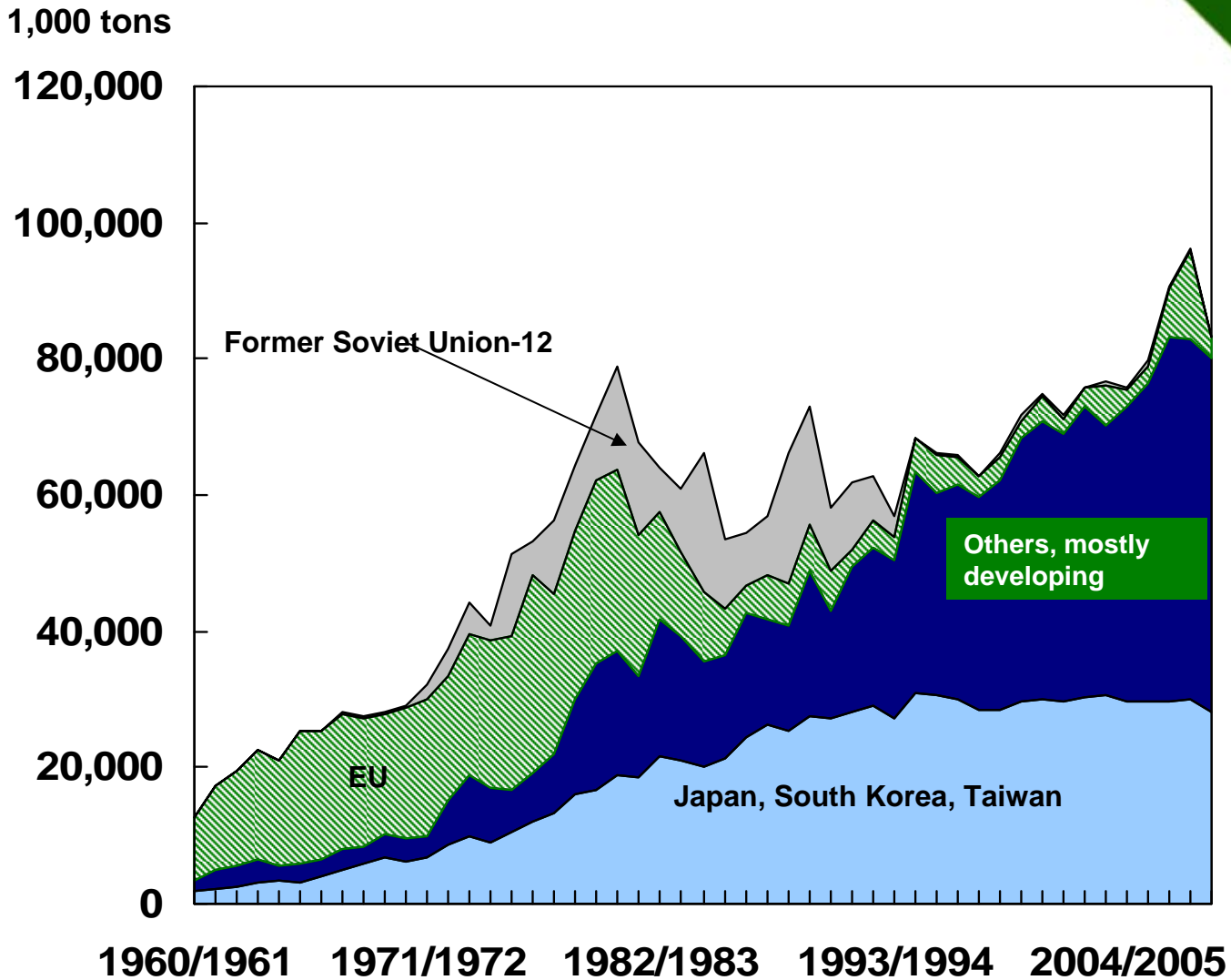
Million tons



1/ Republic of South Africa, EU, former Soviet Union, and others.

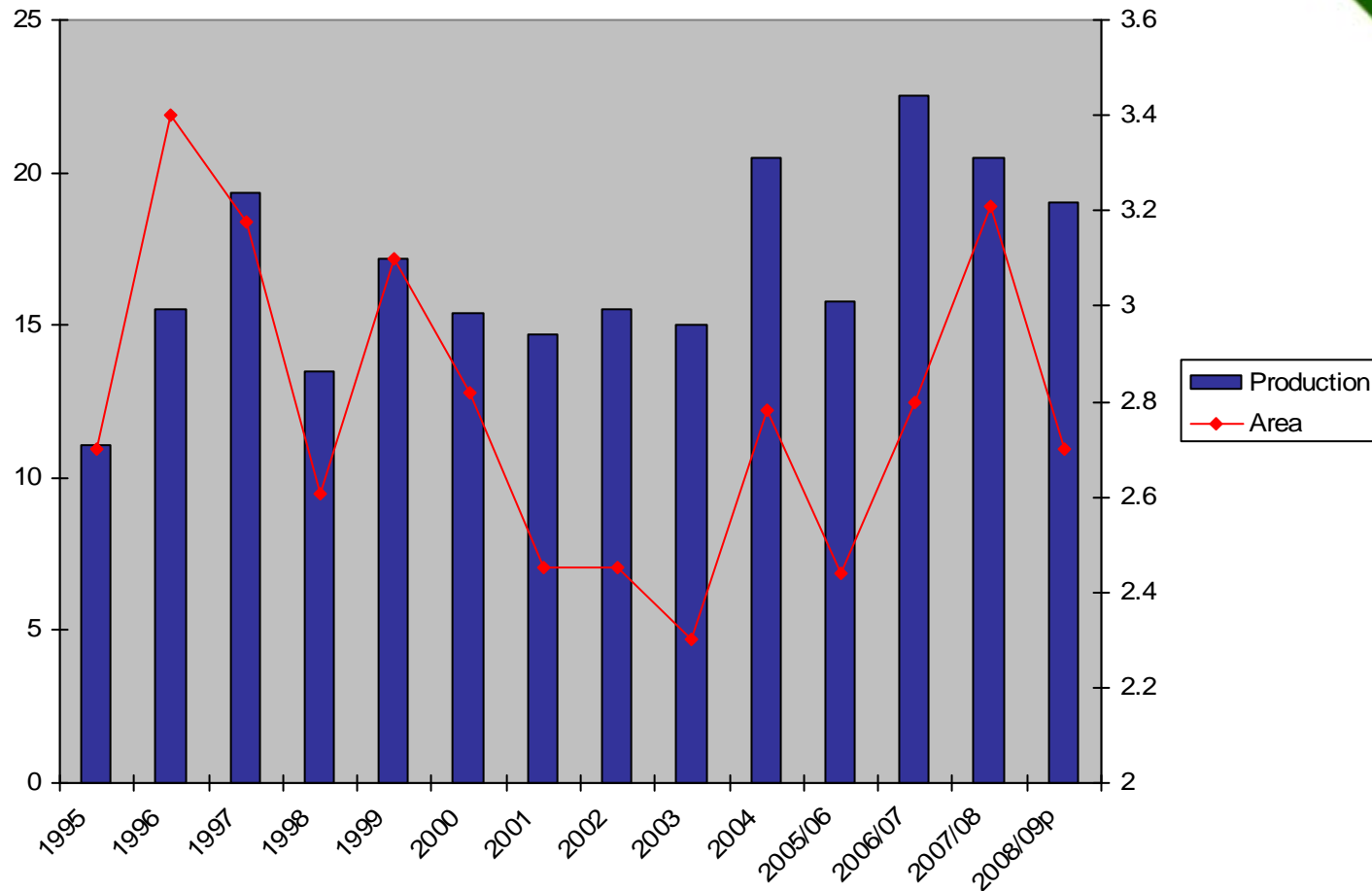


World Corn Imports



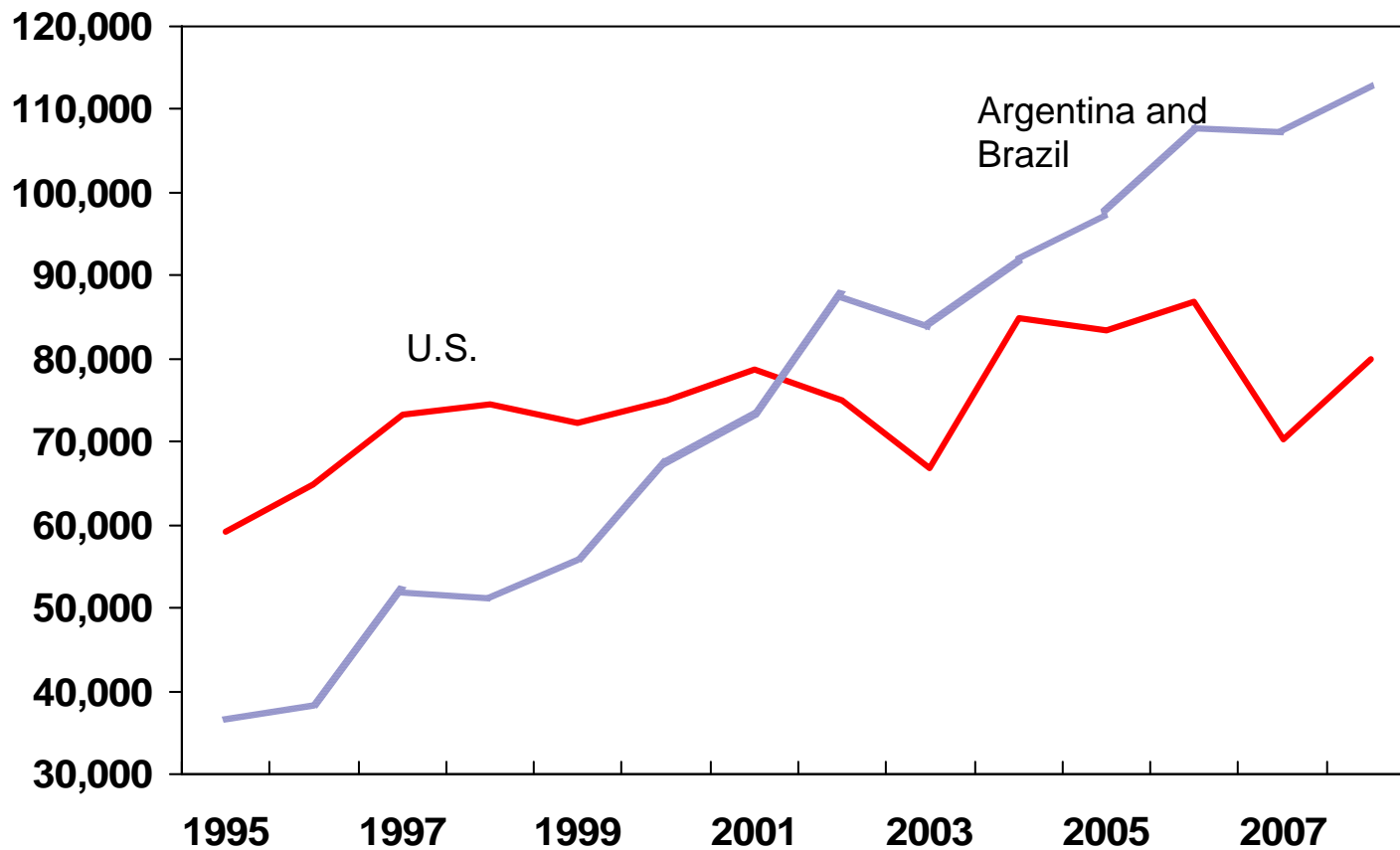
Argentina: Corn Production

million tons



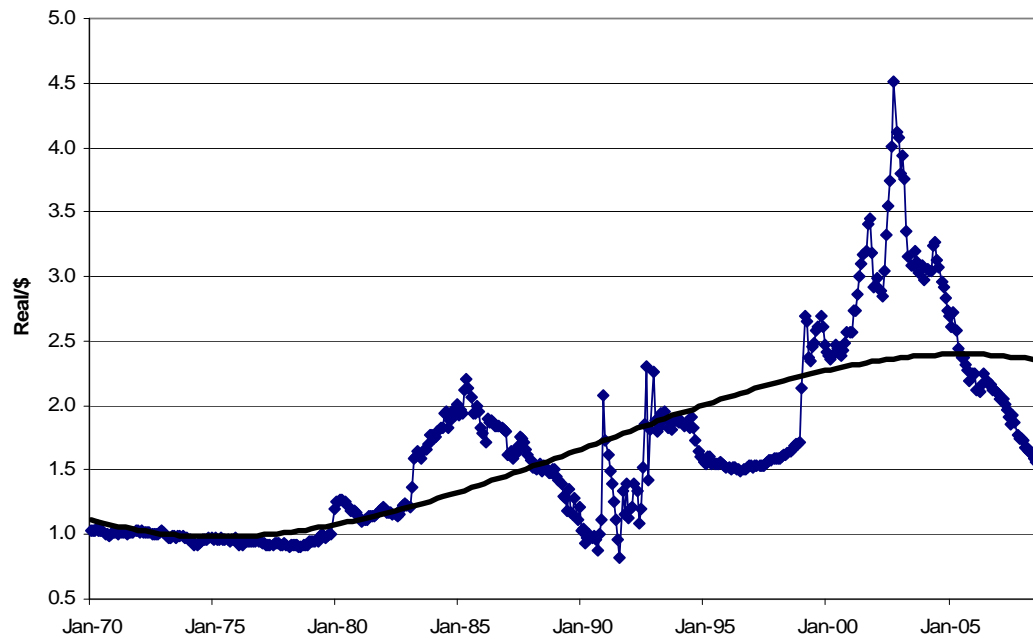
U.S. Soybean Production Takes a Backseat

Million tons



Brazil's Strong Currency Hurts Export Competitiveness

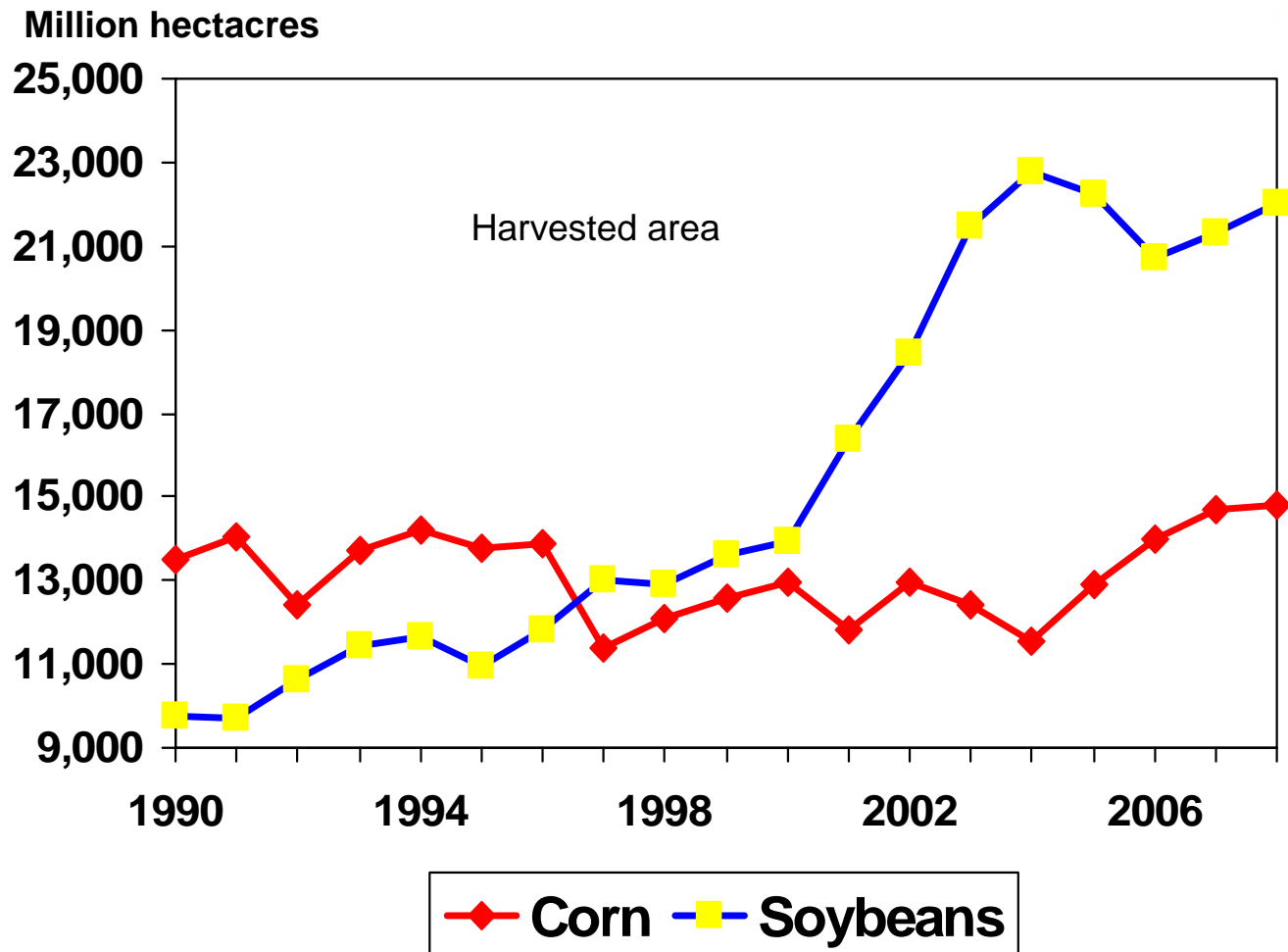
Brazil's Real Exchange Rate



Source: ERS Exchange Rate Data Set

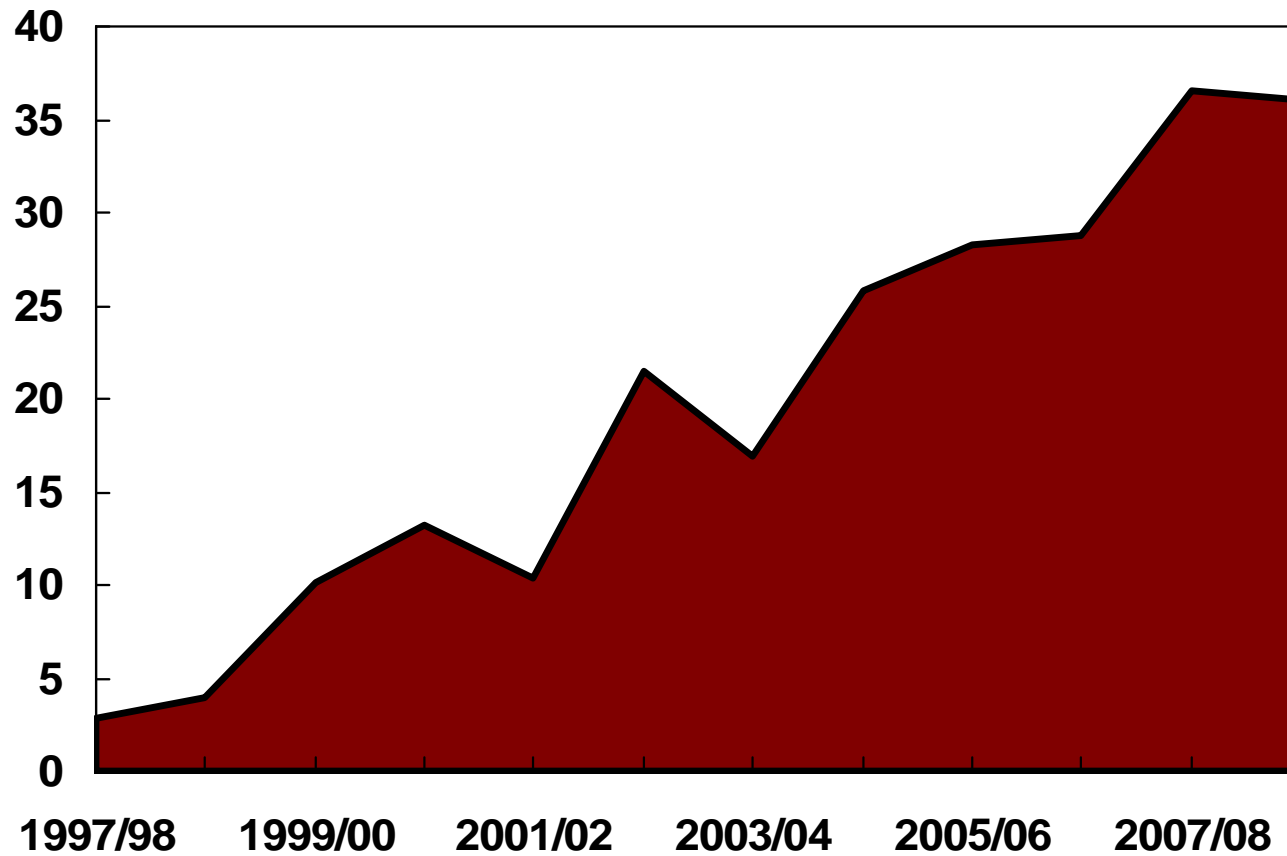


Brazil's Tradition Is Corn, Soybeans Have a Comparative Advantage

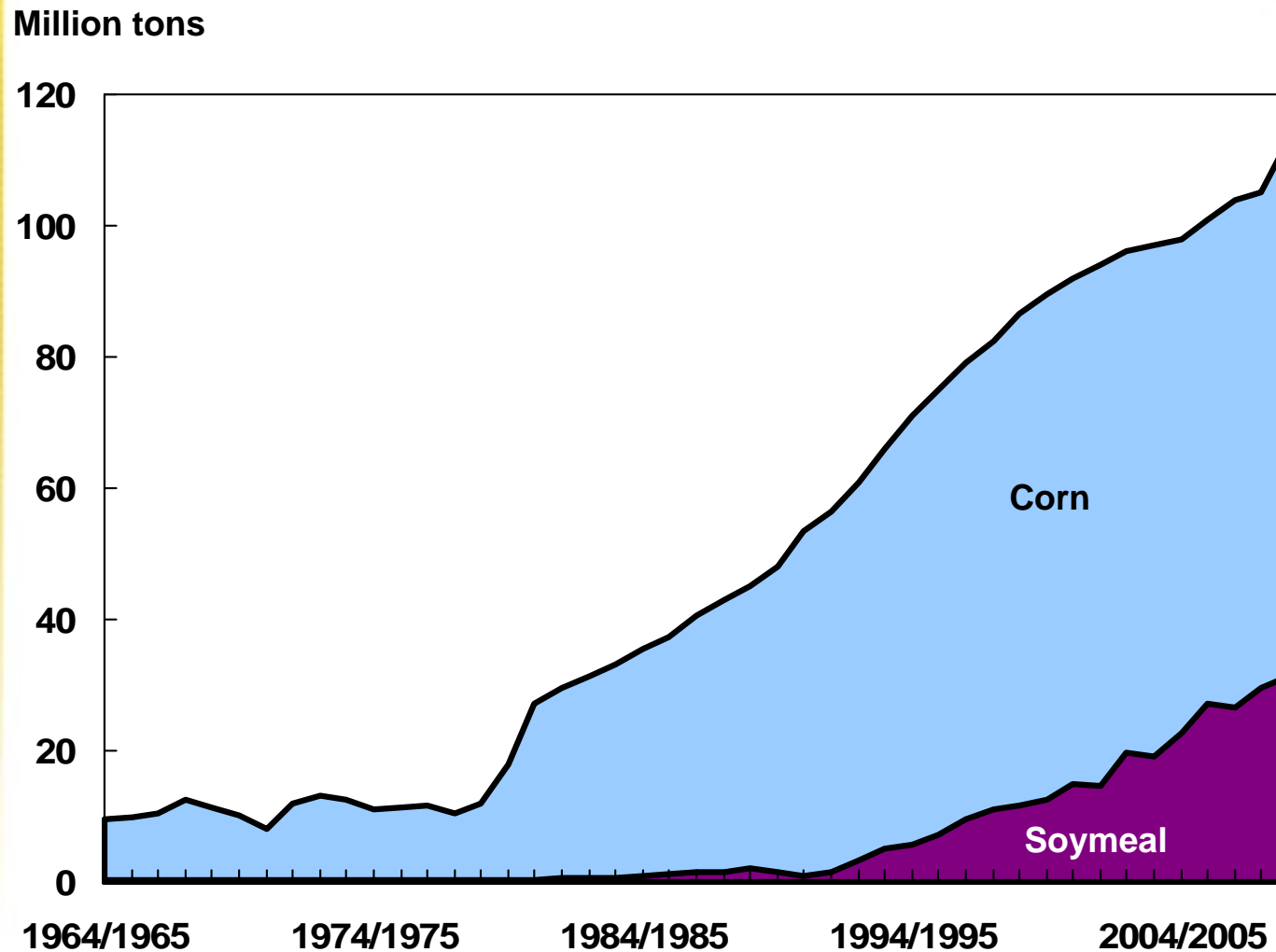


China's Bean Imports Are Key

Million tons



China: Soymeal Use and Corn Feed Use



Conclusions: Key Issues for Meat Trade

- **The world has enough grains in 2008/09 to meet demand for food, feed, and energy at prices declining from recent historic highs.**
- **Questions:**
- **1) Will Brazil export corn or meat on the margin?**
- **2) Will China's soybean imports stagnate? Meat imports?**
- **3) What is the future of bio-diesel, ethanol, and crude oil prices?**

