

Policy Pennings by Dr. Daryll E. Ray

## USDA top officials versus USDA data

A couple of weeks ago we wrote a column in which we said, "China has increased its consumption of meats [beef, pork, broilers] at a rate well above the rate of population increase." We also noted, "China produces virtually all of the meat that is domestically consumed, and then some. In fact China was a net meat exporter for the last 7 years and 14 of the last 18 years."

At the May 19, 2006 USDA briefing with reporters, Chief Economist Joseph Glauber said, "If you were to look at countries like India and China where the GDP there has been increasing on the order of 5 to 10 percent annually, that has expanded demand, particularly demand for meat products, which has contributed to both a growth in livestock exports in the case of this country and also demand for protein meals, soybean meal, other sorts of things. And, that has continued and is projected to continue" ([http://www.usda.gov/wps/portal/!ut/p/\\_s.7\\_0\\_A/7\\_0\\_1OB?contentidonly=true&contentid=2008/05/0130.xml](http://www.usda.gov/wps/portal/!ut/p/_s.7_0_A/7_0_1OB?contentidonly=true&contentid=2008/05/0130.xml)).

That made us wonder if we had made a mistake so we went back to the data to see if there was an error in our calculations. We are well aware that Chinese imports have sustained the world soybean complex market for some time, but were we wrong about China and the growth in livestock exports? And, what about India? Let's look at the data.

To start with, what does Glauber mean by countries like China and India? To be fair, are there other countries we should include in our analysis? Together the population of China and India is 2.5 billion people-nearly 37 percent of the world's population. The next largest country is the US with 304 million followed by Indonesia (232 million) and Brazil (187 million).

Looking at Indonesia, the USDA PS&D (Production, Supply, And Distribution (<http://www.fas.usda.gov/psdonline/psdQuery.aspx>) numbers shows that Indonesia is a minor player in the meat market, importing a mere 9 thousand tonnes of broiler meat a year. When it comes to the oilseed complex and grains, Indonesia has been a net exporter for the last five years with net exports of nearly 7 million tonnes in 2007. The very modest increase in Indonesia's demand for meats (broilers) has not affected either grain and oilseed complex

imports and meat imports, so they are not a factor in the increasing demand that is said to be a component of the increase in the price of corn and other grains.

In Brazil meat consumption has doubled since 1990, growing from 8 million tonnes to 17 million tonnes in 2007. At the same time, Brazil's exports of meats has increased from 0.3 million tonnes to 6.0 million tonnes. Likewise Brazil's combined exports of oilseed complex and grains has grown nine-fold from 5 million tonnes in 1990 to 45 million tonnes in 2007.

The numbers we have just looked at suggest that USDA's focus was specifically on China and India.

A reexamination of our data confirm that China's 2007 consumption of broilers was nearly five times what it was in 1990, with a small amount of imports. Pork production in 2007 is twice what it was in 1990 and China exports a small amount. Beef consumption is now 7 times what it was in 1990 and again China exports a small amount. When all meats are combined, China has been a net exporter of meats since 2001. Currently pork accounts for 70 percent of China's consumption of major meats, followed by poultry at 18 percent and beef at 12 percent.

Despite the repeated expectations that China would become a major importer of grains to feed the increased meat animal production, it has remained a net exporter of all grains since the 1996/1997 crop year. Since the 1999 crop year, China's year-ending grain stocks have declined from 88 percent of annual usage to 28 percent of usage in 2007. That reduction in stock levels has provided the grain that China needed in order to increase its level of meat production. Even though stock levels are down from their highs and one might anticipate that they soon will need to import when their stocks run out, it is instructive to note that China's production of grains has exceeded its consumption for each of the last three years, while maintaining significant net export levels.

When it comes to soybeans and oilseed complex in general, the story is quite different. With the

**Cont. on p. 2**

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### Cont. from p.1

1994 crop year China shifted from being a net exporter of oilseed complex (seed, meal, oil) to being a major net importer. In 2007, China imported 44 million tonnes of oilseed complex, the bulk of it coming from soybean and its products. Certainly, China would not have been able to increase its meat production in the absence of these imports.

In the current environment, China's increase in demand for oilseed complex needs to be put in context. Rather than placing a significant upward pressure on world crop prices over the last decade, it could be argued that China's increase in soybean imports for use as animal feed has lit a bonfire fire under the feet of Brazil's agricultural sector, vastly increasing the world's food growing capacity both now and in the future. For most of those years China's soybean complex imports prevented soybean prices from tanking quite as badly as corn and the other grains. With at least 300 million acres of land available for tillage, we ain't seen nothing yet when it comes to Brazil's ability to produce soybeans and corn. China's imports have helped spark a major round of investment in Brazil's agricultural production capacity that may lead once again to production levels that exceed consumption levels, resulting in declining prices in the coming years.

India's story is much the same as China's, only simpler. India has been an exporter of oil meals that could be used for meat animal production and an importer of palm oil and soybean oil that were used for food consumption. When it comes to grains, India has been a net exporter for 15 out of the last 18 years. India has also been a net meat exporter for the last 18 years. Most of the exports were beef. India's consumption of beef is about the same as it was in 1990 while broiler consumption has risen from 0.2 million tonnes to 2.3 million tonnes in 2007.

Given that the eating of meat, is proscribed by Hindu beliefs, one would expect that the growth in meat consumption, particularly beef and pork would be very slow.

In that same press briefing Secretary of Agriculture Ed. Schafer said, "But we're also seeing a new dynamic on the demand side of the ledger in the form of continued strong economic growth worldwide and growing prosperity in developing nations. That translates to a greater demand for food of all kinds and especially higher value foods such as meat and dairy products in nations like India and China where the growing middle class is emerging. That trend increases demand for feed grain for livestock as well."

As we have already seen, there is no demand for feed grains from China and India, and none from Indonesia and Brazil as well. The next smaller countries are Pakistan, Bangladesh, and Nigeria-not a very large and growing middle class there. As far as dairy goes, the increases come from internal production not international markets. In fact, China and India have increased their consumption of these products. India has increased its net exports of these products while China's net imports have not exceeded 100 thousand tonnes in any one year.

As Arizona Cardinals Player Rod Tidwell (Cuba Gooding, Jr.), in the movie Jerry Maguire, might say, "Show me the data."

*Daryll E. Ray holds the Blasingame Chair of Excellence in Agricultural Policy, Institute of Agriculture, University of Tennessee, and is the Director of UT's Agricultural Policy Analysis Center (APAC). (865) 974-7407; Fax: (865) 974-7298; dray@utk.edu; <http://www.agpolicy.org>. Daryll Ray's column is written with the research and assistance of Harwood D. Schaffer, Research Associate with APAC.*