

Policy Pennings by Dr. Daryll E. Ray

Is it livestock's turn to experience grain's export turbulence?

To us there is a disconnect between agricultural export expectations in this country-particularly with regard to meats-and the stated intentions and market actions of China and Russia, which are the very countries being touted as US agriculture's export saviors. US producers are caught in the cross-hairs, hoping that those touting exports are correct and fearing that the rosy projections will once again come to naught.

Heather Thorstensen of AgriNews-Minnesota reports that at the recent Minnesota Pork Congress meeting, Nick Giordano, National Pork Producers Council (NPPC) vice president and counsel for international affairs, "told attendees there is no greater money-making opportunity for US pork than China. 'Everything pales in comparison to China.' He said, calling it the 'mother load.'"

Pork exports to China sky-rocketed in 2008 as the Chinese prepared to feed the influx of foreign visitors attending the 2008 summer Olympics at the very time China's domestic pork production plummeted due to disease outbreaks and weather-related death losses.

Despite the ban on U.S pork imports over the H1N1 controversy imposed in 2009 and continued drug-related issues, U.S. short-term optimism apparently presumes elimination of the ban and return to the glory export days of 2008.

But word from those familiar with China's thinking on agriculture suggest that such optimism is likely overdone both in the short-run and long-run.

Chenjun Pan, senior manager of Rabobank in Beijing, says in a press release that "China is unlikely to rely on pork imports." Don Roose, an Iowa commodity analyst, says China may lift the ban to provide a relief valve should disease problems reappear. But, "China wants to be self-sufficient," he said in Dow Jones article, "and it is currently well stocked with pork."

Meanwhile, "two leading Chinese and Japanese food processing companies have started a chicken-raising project in China's Henan province.... that will be able to produce 300,000 metric tons of feed, 50 million chickens, and 120 million metric tons of chicken meat products every year" (Rita Jane Gabbert at meatingplace.com).

Yes, China has one-sixth of the world's population, but they have shown no indication that they intend to become dependent on US producers for their pork and poultry.

Yes, China increased meat imports to compensate for an animal disease episode and the crush of visitors to the 2008 Olympics and they certainly could need to cover short-term needs again, but in our opinion a clear-eyed look at their history and stated intentions indicates that their goal is to become virtually self-sufficient in meat.

With regard to Russia, Agrinews' Thorstensen reports that "NPPC not only wants to reach an agreement with Russia, it wants to increase the US quota share as a condition of [Russia's] World Trade Organization accession."

While NPPC's Giordano was making the Minnesota speech to US producers, Russian leaders announced that Russia was working to be self-sufficient in pork production by 2012. In addition they have stated that they intend to eliminate all poultry imports by 2015.

These goals of the Russian government are a part of a new food doctrine that treats food as an issue of national security.

Many of us are old enough to remember how Russian grain imports in the early 1970s-some call it the Great Russian Grain Robbery-created a short period of prosperity for US grain farmers who tore out fence rows and shelter belts to maximize their production. Today, Russia is self-sufficient, or nearly so, in grain production.

While Russia might not reach the 2012 and 2015 goals for pork and poultry, there is little reason to doubt that the goal of food security is not beyond their reach.

Time and time again we have seen US exports fail to meet the expectations of US producers. It is easy to overdo it.

We all like to produce and want to believe optimistic, if not pie-in-sky, assertions about export growth in the future. While producers can increase production relatively quickly when increased export demand drives prices up, it is the ratcheting back of production that is painful when exports fall off. Grain producers know all about that.

The way things are shaping up, it looks like livestock producers, especially pork and poultry producers, may be the next set of agricultural producers that are invited to peer yonder at an export oasis. We hope that such an oasis in a desert of traditionally low and uncertain profits is real and not a mirage.

When food security issues become a top priority, as they were in the 1970s and are again today, economics shares its influence on countries' domestic-production vs. import decisions with other very powerful considerations.

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