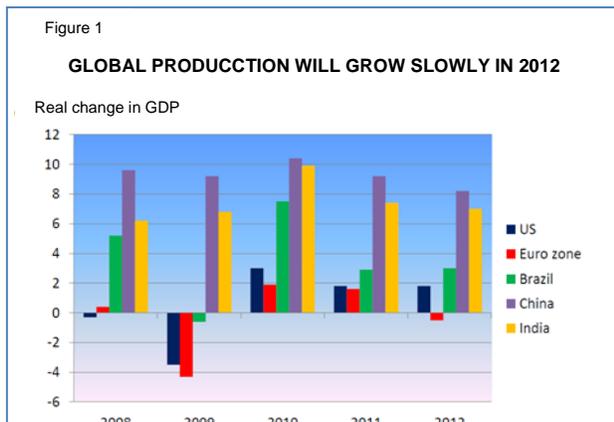


**Despite the present difficulties in the international environment, global production and the demand for food will remain strong in the short term**

The weak economic recovery will not affect agriculture during 2012. The global economy will grow slowly during 2012, with the beginnings of an upturn in the United States and Brazil, a downturn in the European Union (EU), and slight slowdowns in the economies of China and India (with growth of around 8% and 7%, respectively).

Record prices are being paid for the main agricultural commodities (except for soybeans, the price of which is down during the period 2011-12) and demand remains strong, despite sluggish economic growth worldwide. Inventories of most agricultural commodities have also remained at good levels. Corn is the exception, with stocks having fallen to their lowest level since 1973-74.



Thanks to an increase in the harvested area and good yields, the production of

many crops will reach record levels during 2012, helping to rein in prices and make them less volatile.

**Area under cultivation in the United States set to rise.** The harvested area in the United States is expected to increase, especially in the case of corn and wheat, and this despite the fact that the drought that occurred in the south of the country in 2011 caused yields to be low and crop losses to be high. It is anticipated that there will be even worse droughts in 2012. The total area under cultivation for the eight main crops (corn, sorghum, barley, oats, wheat, rice, cotton, and soybeans) is estimated to be 5.4% higher than in 2011.

The prices of most crops are expected to fall in the short term as production rises in response to the higher prices experienced in recent years (rice is the exception, with prices expected to rise 1.4%). However, the long-term forecast is that prices will remain high. The commodities whose prices will fall the most in 2012 are corn, wheat, and cotton (19.4%, 13.7%, and 11.1% respectively).

**The weak dollar is boosting exports.** The agricultural exports of the United States continue to grow and set new records, primarily due to the weakness of the dollar, which makes the country more competitive. The exchange rate of the

dollar is expected to decline further. This poses a growing challenge for Latin American and Caribbean agrifood exports.

China is fast becoming the principal market for U.S. agricultural exports (it overtook Canada and Mexico in 2011). The U.S. basically exports commodities to China (they account for 75.5% of all exports, and comprise mainly soybeans and cotton), while its exports to Canada, Mexico, Japan and the European Union consist of products for the end consumer.

Figure 5

**Breakdown of U.S. agricultural exports:  
5 markets 2011**

Country	Consumer-oriented	Intermediate	Bulk
China	10.6%	13.9%	75.5%
Canada	77.1%	17.5%	5.4%
Mexico	36.5%	22.0%	41.5%
Japan	41.8%	10.4%	47.9%
EU	48.3%	28.4%	23.3%
Total US	39.6%	18.6%	41.7%

*Soybeans and cotton account for nearly 75% of all agricultural exports to China*

**The biofuels market.** Having peaked at the end of 2011, ethanol production in the United States has begun to fall. This is due to a combination of factors: the loss of incentives (the relevant programs concluded at the end of 2011); the net returns for ethanol producers have moved into negative territory (down from US 86 cents per gallon at the end of 2011 to US14 cents in mid-February 2012); and the inability of the U.S. market to absorb surpluses, due to restrictions affecting internal demand (the percentages of fuel mixtures have not increased), which obliges producers to export surpluses at lower prices.

As a result, U.S. ethanol exports are on the rise, with Brazil a major market, because the South American country is suffering from the effects of two years of

low sugar production and high international prices. This has led to the conversion of more biomass into sugar instead of biofuels in Brazil. Production of sugar and ethanol is expected to increase significantly in Brazil this year, however.

Some 36% of U.S. corn production is used to produce ethanol. The expansion of the harvested area, the growth of average corn yields, and low inventories will drive future ethanol production, with global demand for grains for fuels expected to continue to grow through 2021, because oil prices are likely to rise more than the general rate of inflation over the next decade.

It is anticipated that oil will reach more than \$US120 per barrel by the end of the forecast period (2021). Although this will drive up production costs for agriculture, it will also act as an incentive to biofuels production.

**Positives and negatives in the livestock subsector.** In the United States, the high prices of meat and dairy products have not been reflected in growth in the sector. In fact, at the beginning of 2012 the national herd stood at its lowest level since 1952. High prices for corn, wheat, and soybeans (the main components of animal feed), coupled with the weakness of the global economy, have had a significant impact on the activity. However, the combination of lower grain prices and higher cattle and poultry prices is expected to drive the growth of the activity during 2012.

Meat and (especially) chicken production will continue to grow, although the size of the national herd will continue to fall, due to the sustained growth of yields per animal. It is estimated that per capita meat and chicken consumption will

continue to decline in the United States until 2013, after which time there will be a moderate upturn through 2021. On the other hand, exports will continue to rise in response to higher economic growth worldwide and the depreciation of the dollar.

**Conclusion.** In the short term, the world's agriculture will reflect the adjustments of the markets to the supply and demand at the high price levels observed in recent years. The forecast is that global production of the principal agricultural crops will increase during

2012, and that prices will fall. The outlook for the long term suggests increases in consumption and trade, and rises in the prices of the main agricultural commodities and biofuels, driven by an economic upturn. The scenario for agricultural production in Latin America and the Caribbean looks promising. It also suggests that efforts should be made to raise productivity in order to take advantage of the opportunities available; and that the countries need to monitor the effect of prices on food security and food for the most disadvantaged populations.