

Yearend review . . . Commodity policies . . . The livestock sector . . .  
Markets in developing countries. . . The next trade round

### Yearend Review: U.S. Ag Markets

*The tightest grain and oilseed supplies* in several years are boosting prices and forcing adjustments for end-users this year. Drought in many regions slashed crop and forage production, stressed cattle operations, and raised costs for livestock producers. Crop markets are focusing on how buyers will adjust and how 2003 plantings will respond to higher prices. For the livestock sector, adjustments due to higher feed costs and tight forage supplies are resulting in abundant meat supplies. Livestock prices are expected to rise in 2003 as total meat and poultry production declines for the first time in 21 years.

### Holiday Sales Look Bright For Christmas Trees & Poinsettias

*Christmas tree sales* depend not only on consumer budgets, but also on competition from artificial trees. In 1989, sales of real and artificial trees were equal, but by 2000 the share of real trees was 39 percent. With estimated retail prices for real trees averaging \$36 per tree in 2002, sales should approach \$1.2 billion, a rise of 3 percent from 2001. Poinsettia sales are expected to continue growing, up 2 percent to \$260 million at wholesale.

### Globalization of the Soft Drink Industry

*The beverage industry* is a bellwether for the food industry, where globalization has affected structure. Soft drink companies produce for domestic and foreign markets, license their products, and invest in plants abroad. U.S. soft drink exports totaled \$232 million in 2001. Major shifts in the business environment since the end of the 1990s include refocusing from national to international, expansion across product lines, and sharpening competition.

### Controversies in Livestock Pricing

*Some livestock producers* allege that aspects of the livestock pricing system contribute to low prices. Vertical coordination, which includes packer/producer con-



tract arrangements, has been accompanied by declining use of spot markets (auction markets and directly negotiated sales). The benefit of spot markets is easy dissemination of price information, but vertical coordination also offers advantages—both for sellers and buyers. There are continuing controversies over the extent to which structural changes and pricing methods have affected producer prices.

### Where's the Beef? Small Farms Produce Majority of Cattle

*Small operations produce* the majority of beef cattle in the U.S., and control 74 percent of the land dedicated to beef cattle production. Small enterprises producing beef cattle can be divided roughly into two groups: full-time operations for which agricultural production is a significant source of income, and part-time operations. Differences among these operations—and with large ones—in areas like production, marketing, and land stewardship, have implications for farm policy.

### Food Safety in the APEC Region

*Changing consumption patterns*, lengthening of supply chains, and the rising share of perishable food products in trade

are generating food safety concerns in the Asia Pacific Economic Cooperation (APEC) region. Recent outbreaks of food-borne illness in China and the U.S. have heightened concerns. APEC countries are increasingly implementing quality and risk management systems and training programs to make food supplies safer.

### Farm Policies of the U.S., EU, & Japan

*Commodity policies* of the U.S., the European Union, and Japan address some of the same goals, but there have always been key differences in approach and in their policy instruments. In recent years, all three have made significant changes to their commodity policies. Efforts to encourage freer trade in farm commodities have led each toward less trade-distorting programs. Some factors influencing agricultural policy may be pushing their commodity policies in a similar direction.

### Global Market for High-Value Foods

*The global market* for high-value foods is subject to an ever-changing product mix demanded by wealthier, more selective consumers. And as developing countries' income and populations grow, they account for a rising share of global food sales. Multinational food companies are rapidly restructuring their operations to meet evolving world food demand. Global sales of high-value food products were estimated at US\$4 trillion in 2000.

### What's at Stake in the Next Trade Round

*As the next round* of multilateral trade negotiations nears, attention is frequently trained on commodity-by-commodity impacts of trade liberalization. But the most compelling economic story is the potential for trade liberalization to accelerate income growth in developing countries. Income growth increases demand for food and shifts demand to high-value products such as meat. Expansion of demand in developing countries holds opportunities for U.S. producers who face a mature domestic food market.