Feeding the World

Global beef demand is poised for growth. Will the U.S. step up?

*by **Barb Baylor Anderson***

All the ingredients for greater global beef demand are starting to come together. Now, U.S. beef producers need to decide whether or not they will participate in the market, Ross Korves says. The economic policy analyst for Truth About Trade and Technology believes a rapidly expanding world population and prospects for economic growth will offer region-specific opportunities for the U.S. beef industry during the next few decades.

"U.S. producers are needed to feed the world — if they want to do it. Huge growth in food consumption is expected, and U.S. producers have learned to give consumers what they want, not just what they like to produce," Korves says. "More people in more urban areas have discretionary income for food and want to spend it. They are short [on] protein in the diet and prefer the meat products that are the lower-valued products in the U.S."

Korves says world population growth is expected to increase 38% by 2050, with most of the projected percentage growth in Africa. The United Nations predicts 107% growth on that continent by 2050. During the same time, Korves notes the eight largest countries will remain the same, although the order may change. Those countries include India, China, the U.S., Indonesia, Pakistan, Nigeria, Brazil and Bangladesh.

"Large cities will continue getting larger," he says. "The percent of [the] population living in urban areas will be 60% in 2030, compared with 30% in 1950. The percentage will be greater than 80% in Europe, Latin America and North America."

As the global population grows, so also will the world economy. Korves says world food demand could double by 2050 with a 50% increase from world population growth in developing countries and a 50% increase from broad-based economic growth in low-income countries. Korves notes that the World Bank estimates the number of people in developing countries living in households with income of above $16,000 per year will rise from 352 million in 2000 to 2.1 billion in 2030.

"Between 5% and 20% of the population will have a huge change in economic status, if U.S. producers want to tap that market. If the U.S. does not do it, someone else will," he says. "The number of presently low-income consumers that are lifted out of poverty will be the most important determinant of future global demand for food."

Korves notes that 1.1 billion people live on less than $1 per day, and another 2.7 billion live on less than $2 per day. He says those populations will likely never eat beef. The population living on more than $10 per day is the group that will buy more processing, services, packaging, variety and luxury forms, but not more raw ag commodities.

"The rest of the world living at between $2 and $10 per day will eat more meat, dairy products, fruits, veggies and edible oils and cause rapid growth in raw agriculture commodity demand," he explains. "This is the most rapidly growing group of consumers and the group we need to look at long-term to meet growing demand."

Regions of opportunity

Korves sees four regions of opportunity. In East and South Asia, a sizeable population with large numbers of people at very low income levels offers tremendous future food demand growth. He says the area houses a much larger percentage of the world's population than percentage of arable land, so food demand will outrun supply potential.

In China, Korves says rapid economic growth has generated rapid growth in meat consumption, although half of the population still earns less than $2 per day.

"The average farm size is less than one acre, and that leads to extensive rural poverty. To reduce that poverty and the associated political stresses, the government abandoned grain self-sufficiency. Farmers are allowed to grow labor-intensive, higher-value-per-acre crops and animals that are primarily exported. Beef is foreign to them, so the opportunity to introduce beef to consumers and get into the Chinese market is a sound one."

India also has optimistic long-term growth prospects. India is projected to have 250 million more people than China by 2050. Korves says the economy is starting to improve, with 250 million middle-class consumers today. Another 500 million live on less than $1 per day. While the country has relatively large dairy product and poultry product consumption, many consumers do not eat meat for religious reasons.

"The Middle East and North Africa is also an interesting region," he adds. "The area can never be self-sufficient in food production due to water scarcity. They've got the money to spend, they just lack the ability to produce. We need to learn how to deal with that."

Korves continues, "There are multiple worldwide opportunities ahead for American beef. The most recent trade agreements have good access to global markets, the tourism trade will rebound and middle-class incomes will continue to increase around the world."

Korves says U.S. beef producers need to stay a couple of steps ahead of competitors like Brazil and Australia, pay close attention to ongoing phytosanitary issues and determine where in the world adequate cold systems and transportation exist.

"We also must be willing to continue to give consumers what they want," he concludes. "Many (foreign consumers) purchase in small quantities because of money limits, have little storage and live in cultures where food is purchased daily. That may open doors for unique, branded products that earn a premium, such as beef sausage or dried products, and prepare them to later move up to higher-valued beef products."

Table 1: Projected population growth, in millions

Region	2007	2050	% change
World	6,671	9,191	+38%
High Income	1,223	1,245	+2%
Europe	731	664	-9%
North America	339	445	+31%
Low Income	5,448	7,946	+46%
Africa	965	1,998	+107%
Asia	4,030	5,266	+31%
Latin America	572	769	+34%

Source: U.N. medium projections.