

## Agricultural Trade – Long-Term Market and Policy Prospects


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### Agricultural Trade Prospects – Markets and Policy

- Introduction
- Malthus got it wrong...Long term supply and demand trends
- Importance of trade
- Policy drivers – will politicians be next to get it wrong?
- Conclusions and what can you do?



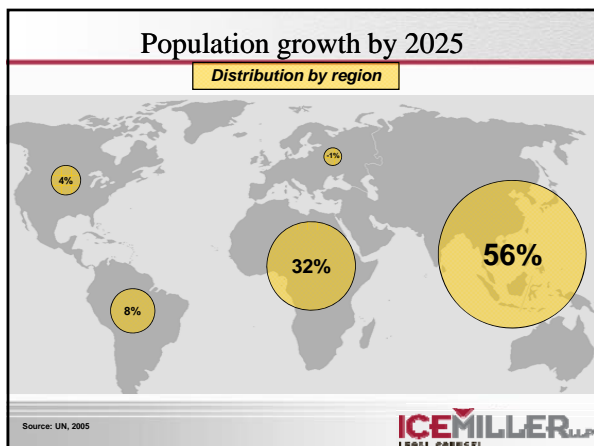
### Introduction

- First....I am biased. Am a big believer and supporter of free trade and open markets.
- What do I know about trade?
- Trade is important today but fundamentally critical to agriculture’s long term competitiveness.
- It matters to you – and you need to care about this!



### World Supply/Demand Trends – since 1970


- Population growth increases in developing countries (80 mil per year)
- Unprecedented rate of poverty reduction in low income countries resulted in purchasing power for more and better food products
- Underinvestment in rural and ag development in these same countries – declining investment in ag research

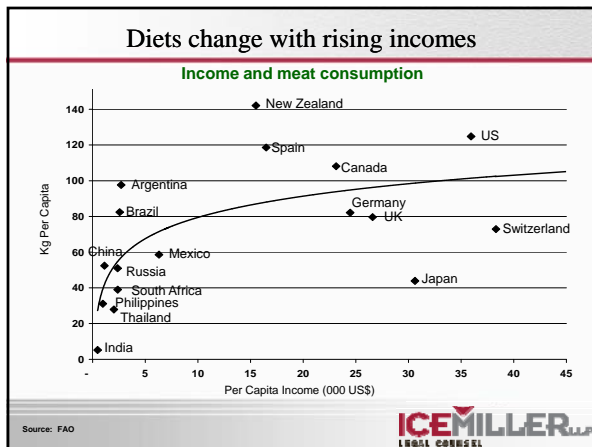
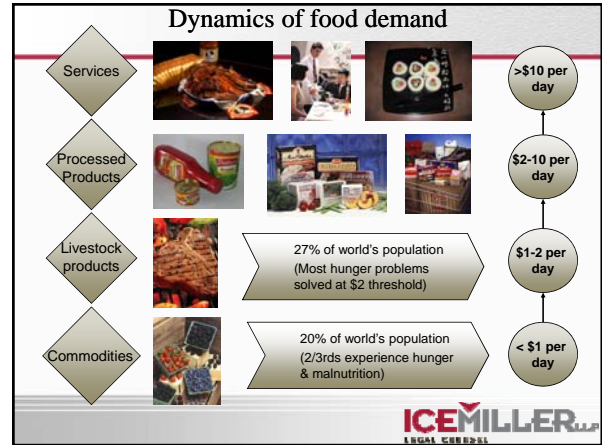
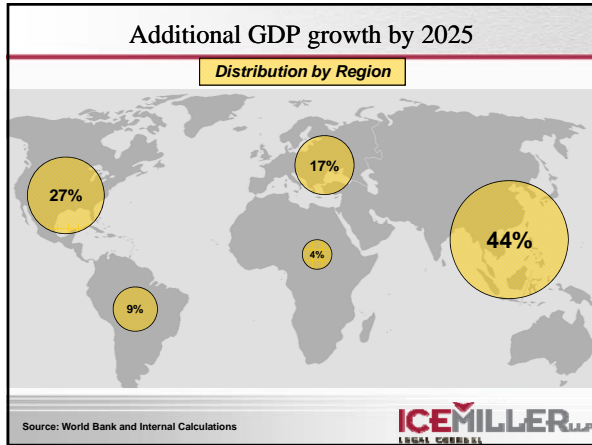
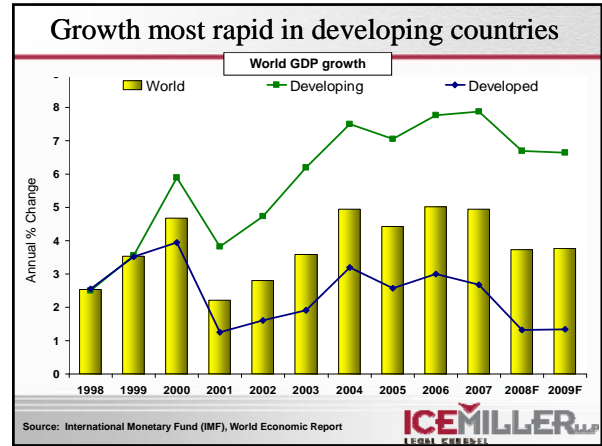
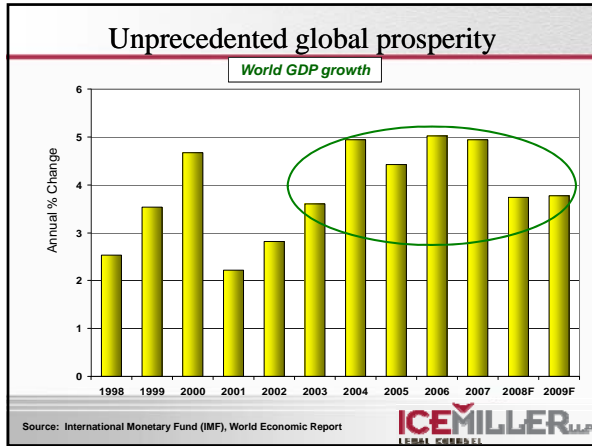



### 8 Largest Countries (millions)

2008		2050	
1. China	1,324	1. India	1,755
2. India	1,149	2. China	1,437
3. US	305	3. US	438
4. Indonesia	240	4. Indonesia	343
5. Brazil	195	5. Pakistan	295
6. Pakistan	173	6. Nigeria	282
7. Nigeria	148	7. Brazil	260
8. Bangladesh	147	8. Bangladesh	215

Source: UN Population Office/US Census Bureau





- ### Projected World Food Demand
- World food demand could double by 2050 – population growth and broad based economic growth (all in developing countries)
  - Number of people in developing countries living in households with incomes above \$16,000/yr will rise from 352 million in 2000 to 2.1 billion in 2030. (World Bank)
  - How many persistently low income consumers are lifted out of poverty will be the MOST IMPORTANT determinant of the future global demand for food.
- ICEMILLER  
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### More Ag Production to Move Via Trade

- Population growth
- + Urbanization
- + Broad based economic development
- + Reduced ag research capacity
- = Food consumption in low income countries will outpace their production capacity.

RESULT: They will become large net importers.



### Long-Run Prospects

- Since Malthus, prophets of doom have argued faster population growth will increase food demand faster than ag production can grow.
- Public and private investments in ag research met the challenge and will continue to do so.
- Need to double world food production by 2050 with less water, little more land and also provide for feedstocks and fuels.
- LONG-RUN PRIORITIES ARE CONTINUED AG RESEARCH INVESTMENTS AND TRADE.

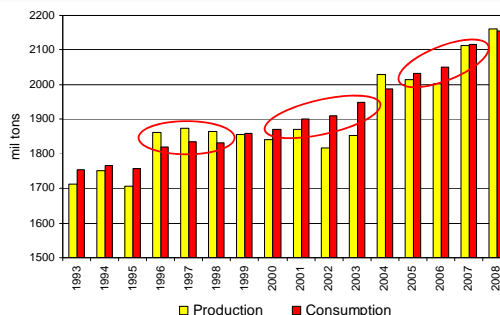


### Current Market Dynamics

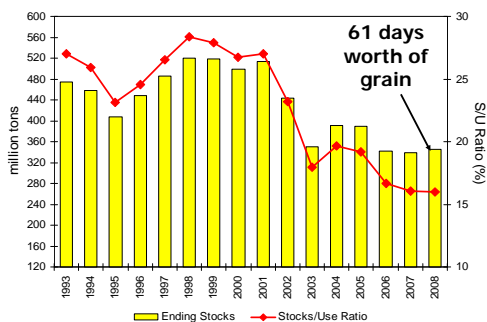
- World grain production and consumption patterns dictating markets – unprecedented global demand
- Commodity markets vertical – new plateaus?
- Farm income remains high
- Balance sheet strongest ever
- Export sales forecast a record
- Bottomline: Markets remain solid – bullish prospects



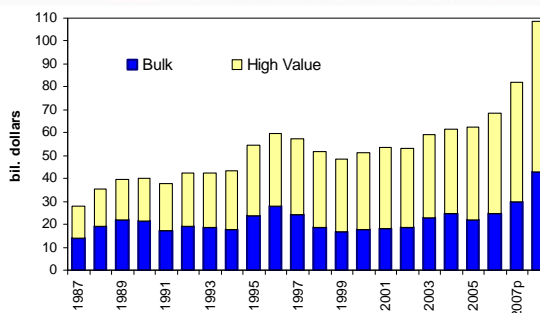
### World Grain Production and Consumption Patterns



### World Grain Production and Consumption Patterns



### U.S. Ag Exports – Trade Critical to Health



### Importance of Exports

- **Importance of exports to major crops and commodities**

– Cotton	72%
– Almonds	65%
– Wheat	49%
– Rice	47%
– Walnuts	43%
– Soybeans	37%
– Corn	20%
– Pork	18%
– Grain/oilseed production in form of livestock products	5%



### Policy Drivers and Prospects

- Global trade increasingly important – disparity between food production and consumption
  - Multilateral – regional – bilateral
    - WTO Doha Round – what follows?
- Political rhetoric building against trade – President Obama, US Congress, organized labor, environmental/green lobby, others
- Other governments intervening and limiting trade flows and access – Russia, Argentina, Ukraine
  - Export controls
  - Non-economic barriers



### Conclusions

- Agriculture productivity historically met world consumption needs
- Am confident it will continue to do so – but serious constraints exist
  - Water
  - Land
  - Continued research investments – public and private
  - Global economic downturn and its longevity
  - Policy intervention and decisions – trade
- Agriculture must look to long-term opportunities – competitiveness in the future will depend on foreign market access, research and infrastructure.
- Agriculture must also promote that message and communicate needs – provide fact-based, balanced information



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