Factors Affecting Global Agricultural Markets Over the Next Decade

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Global Agricultural Trade Projected to Reach $1.1 Trillion by 2021

Strong growth in global demand to boost trade by nearly $190 billion over next decade

Data Source: Global Trade Atlas and FAS/OGA Projection based on U.S. baseline projections
Prices Expected To Remain Strong Over the Next Decade

Source: 2012 USDA Baseline projection
7 Factors Impacting Global Food and Agricultural Markets Over the Next Decade

- The rise of the “middle class” in developing countries
- Value of the U.S. dollar & Euro
- Worldwide biofuels production
- Energy prices
- Role of Biotechnology
- Role of Trade and Trade liberalization
- Additional crop land
#1: “Middle Class” Outside the U.S. Expected to Nearly Double by 2021

Worldwide food consumption will be impacted

Foreign households w/real PPP incomes greater than $20,000 a year

Data Source: Global Insight
Middle Class in Developing Countries Grows
Could Reach 685 Million Households By 2021, Up 83% From 2011 Levels

Households with real PPP incomes greater than $20,000 (millions)

- China: 223
- India: 130
- Brazil: 12
- Indonesia: 12
- Russia: 9
- Egypt: 7
- Thailand: 6
- Mexico: 5
- Vietnam: 4
- Turkey: 4

Data Source: Global Insight
Global Agricultural Import Growth Focused in Developing Countries
Imports by developing countries are up 74% vs. developed markets at 36%

Global fresh fruit & vegetable imports are up 21% by developed countries since 2007 and 115% by developing countries.

Data Source: GTA
Meat Consumption Growth Focused in Developing Nations

Consumption increase in developing countries is 36% vs. 7% in developed

Source: FAS/OGA
Feed Demand Focused in Developing Nations

Increase in Grain and Oilseed Meal Consumption for Feed (2001 vs 2010)

- Canada: -20%
- USA: -21%
- E. Asia (-China): -9%
- EU: 0%
- S.S. Africa: 105%
- S. America: 70%
- China: 67%
- S.E. Asia: 63%
- South Asia: 63%
- N. Africa & M.E.: 31%
- Mexico: 16%
- FSU: 13%

Source: FAS/OGA
Fresh Fruit & Vegetable Import Growth
Developed vs. BRICS

Value Change in Fresh F&V Imports (2011 vs. 2001)

Data Source: GTA
Developing Countries Grow in Importance for South African Fresh Fruit Exports

Data Source: GTA
U.S. Exports to India Flat While Chinese Market Soars

Chinese market grows due to meat demand while Indian market overburdened by government barriers

Source: GATS, CY Agricultural Exports
F&V Market Grows Faster in China

Fresh F&V Imports (All Sources)

Data Source: GTA
Strong Economic Growth Forecast in Sub-Saharan Africa

Forecast GDP Growth (Average 2011-2021)

Data Source: Global Insight
Russian Fruit Imports Surge with Economic Growth

Total Fresh Fruit and Vegetable Imports (Million Tons)

Data Source: GTA
#2: Value of the Dollar Expected to Ease Further ... Putting Upward Pressure on Exports & Prices

Source: USDA 2012 Baseline Projections
Euro Expected Weaker In 2013
...making imports more expensive

Source: USDA 2012 Baseline Projections
#3: Biofuels Production Continues to Grow, Boosting Feedstock Demand
U.S. share of global production contracts as growth in corn ethanol slows

Sources: FAS/USDA 2011 Annual Biofuel Reports
Not Official USDA Estimates. Forecasts based on FAS analysis, Does not Include Cellulosic or Biodiesel production
Drought in U.S. Midwest Impacts Corn and Soybean Crops
Impact on Global Food Prices Expected to be Minimal

[Graph showing FAO Food Price Index from 2005 to 2012 with peaks in June 2008 and February 2011.]

Data Source: FAO
#4: Energy Prices Likely To Remain Strong, Keeping Agricultural Production Costs High

High energy prices increase costs all along the supply chain.
#5: Role of Biotechnology Will Grow

U.S. position in biotech is not the problem – it is part of the solution

Cultivated area up 8% last year

Source: International Service for the Acquisition of Agri-Biotech Applications (ISAAA)
Global agricultural trade has grown sharply over the past decade to a record $700 billion in 2011, up 150% since 2000 -- should exceed $1 trillion by 2020.

Most countries ag imports have increased substantially esp. China and East/Southeast Asia. U.S. and EU imports growing, too.

Almost all major agricultural exporters have seen sharp gains in recent years – not just the U.S.

FTAs have proliferated worldwide, boosting trade. This will continue -- with or without the U.S.
#7: Planted Acreage Will Increase
How aggressively will producers around the world react to strong commodity prices, especially in South America and FSU?

Potential Availability of Uncultivated Land

- 123 million ha
- 201 million ha
- 52 million ha
- 3 million ha
- 14 million ha

Data Source: World Bank
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MATOPIBA Brings New Production Growth
…But Challenges Abound in Brazil

Brazilian Real vs. U.S. Dollar

Data Source: IMF