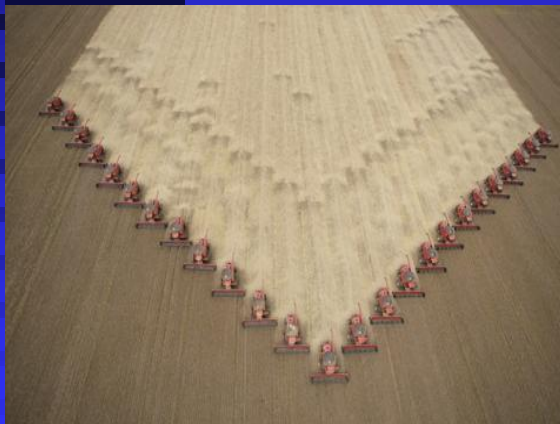


Factors Affecting Global Agricultural Markets Over the Next Decade



August 22, 2012

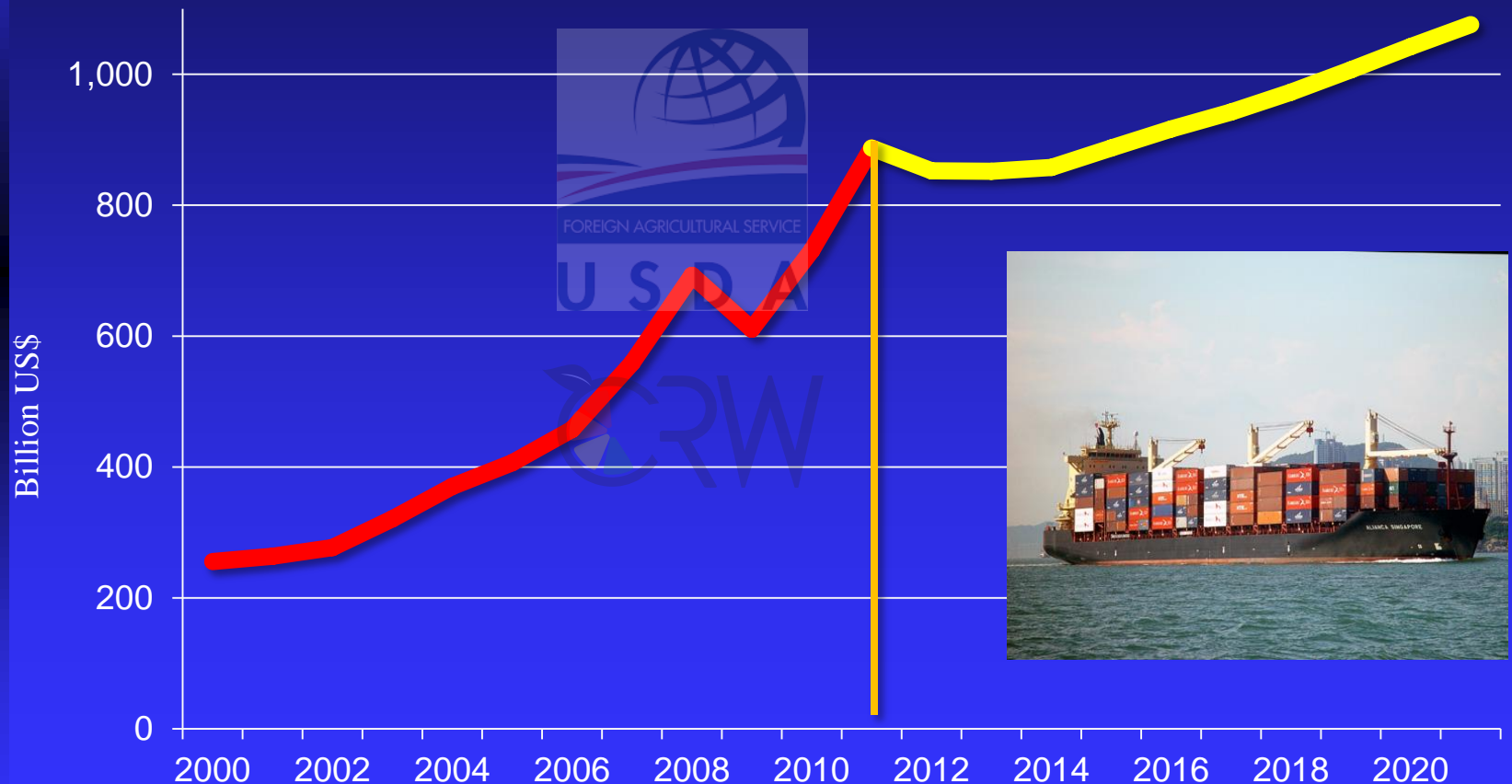


Oliver Flake
Senior Economist
Office of Global Analysis
Foreign Agricultural Service
U.S. Department of Agriculture

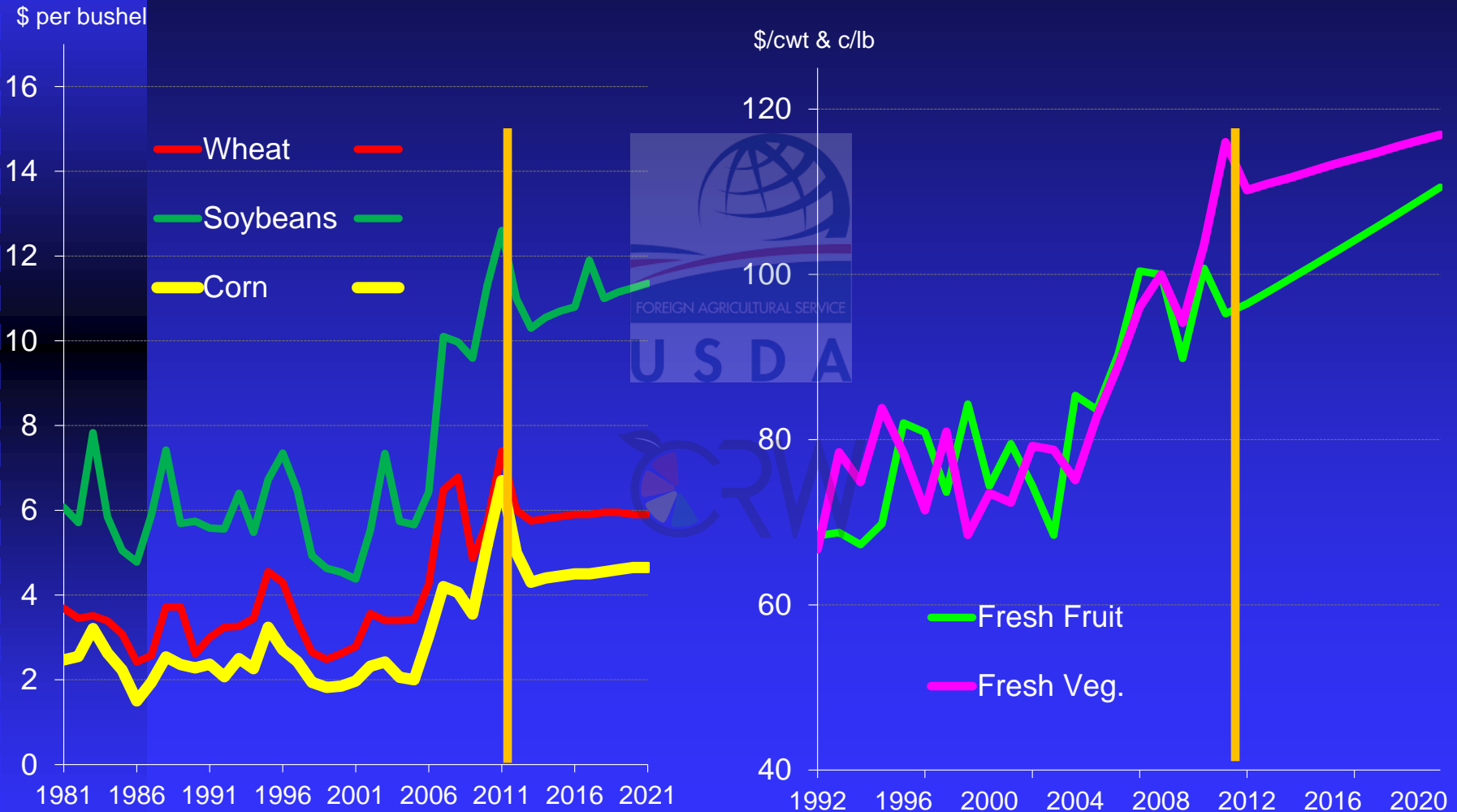


Global Agricultural Trade Projected to Reach \$1.1 Trillion by 2021

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

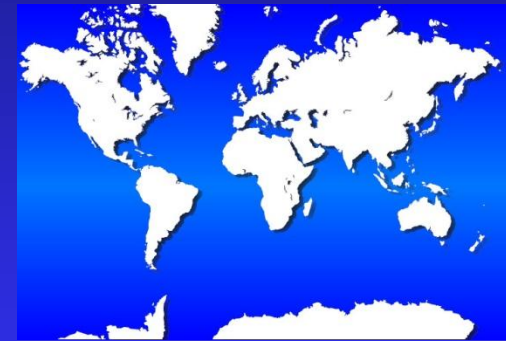


Prices Expected To Remain Strong Over the Next Decade



7 Factors Impacting Global Food and Agricultural Markets Over the Next Decade

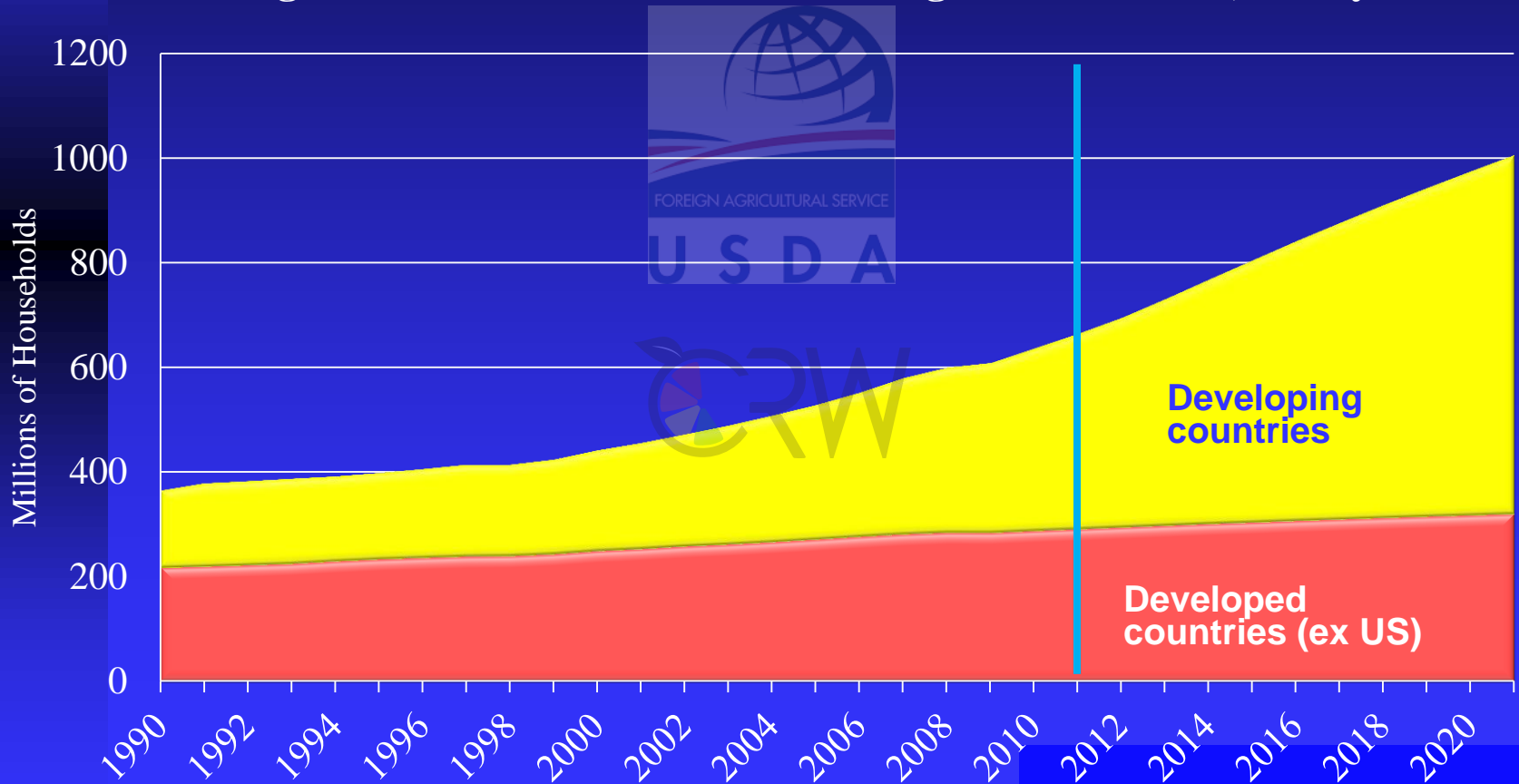
- **The rise of the “middle class” in developing countries**
- **Value of the U.S. dollar & Euro**
- **Worldwide biofuels production**
- **Energy prices**
- **Role of Biotechnology**
- **Role of Trade and Trade liberalization**
- **Additional crop land**



#1: “Middle Class” Outside the U.S. Expected to Nearly Double by 2021

Worldwide food consumption will be impacted

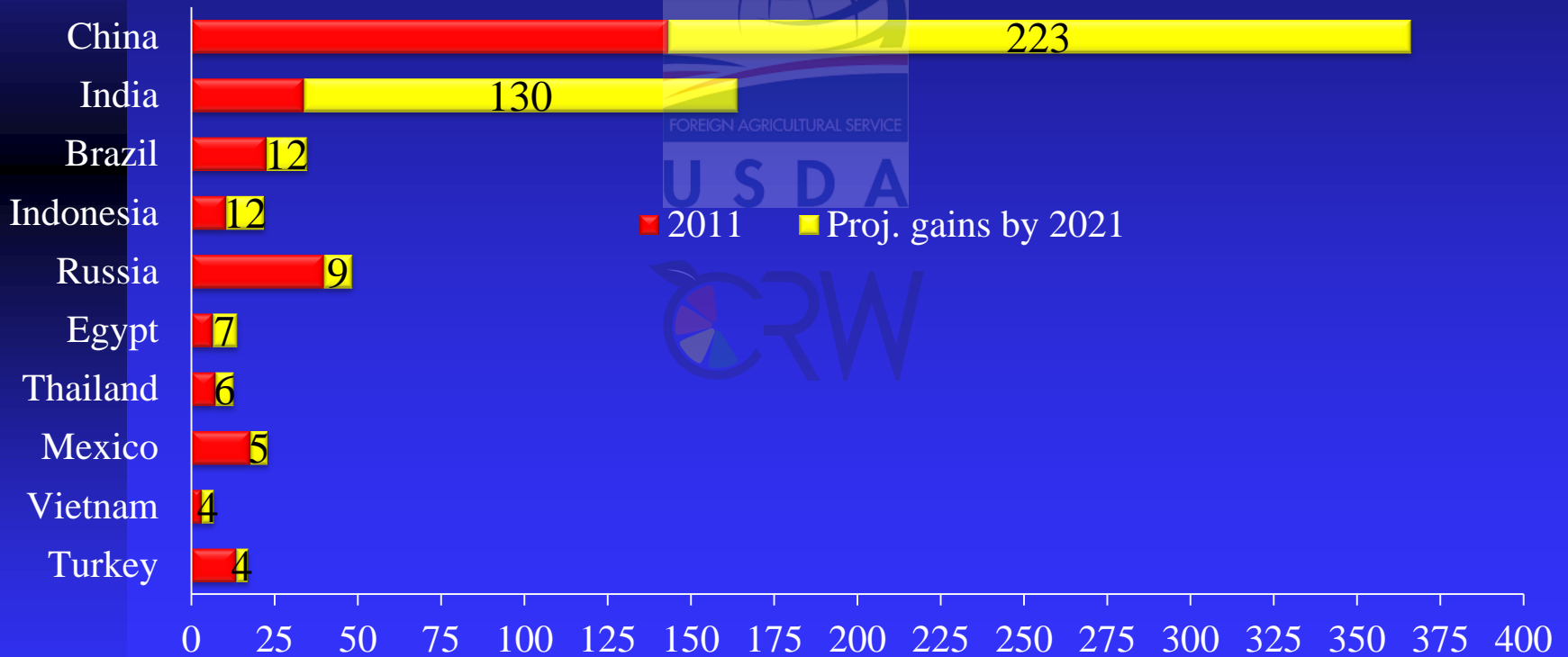
Foreign households w/real PPP incomes greater than \$20,000 a year



Middle Class in Developing Countries Grows

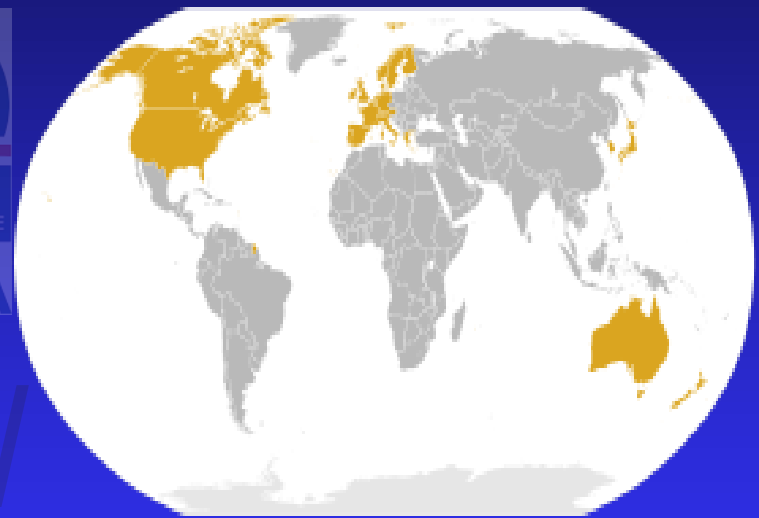
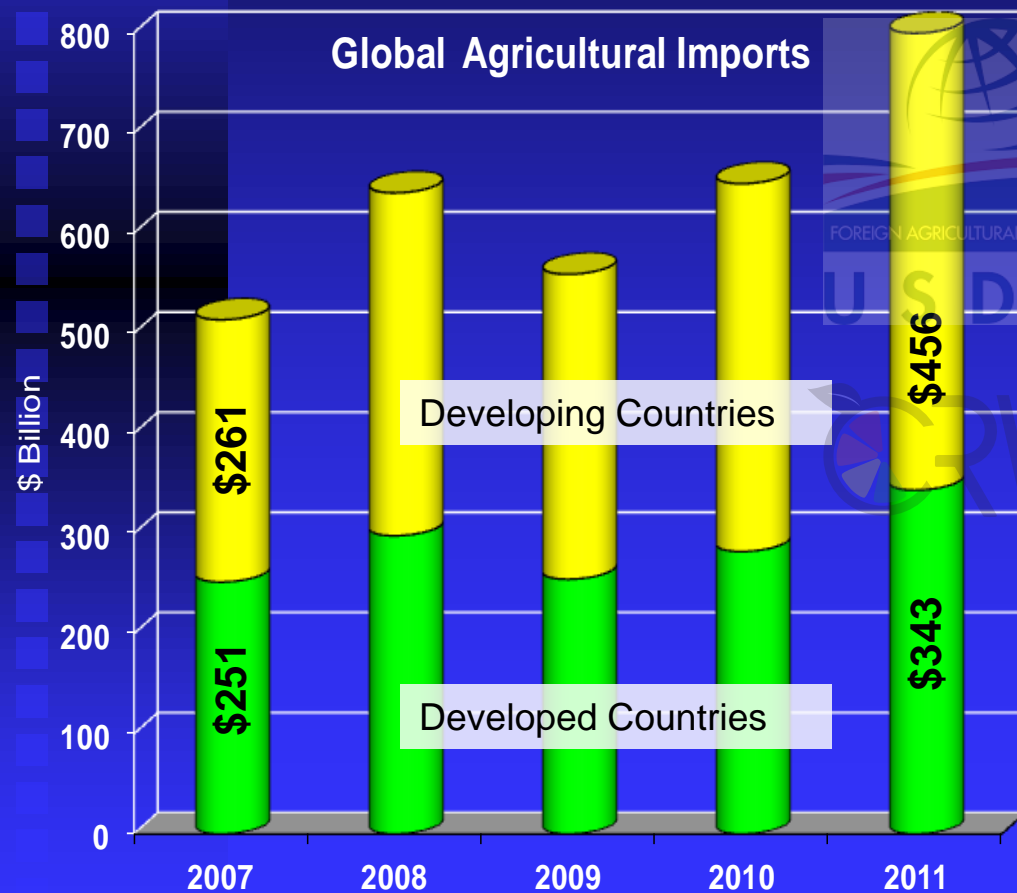
Could Reach 685 Million Households By 2021, Up 83% From 2011 Levels

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



Global Agricultural Import Growth Focused in Developing Countries

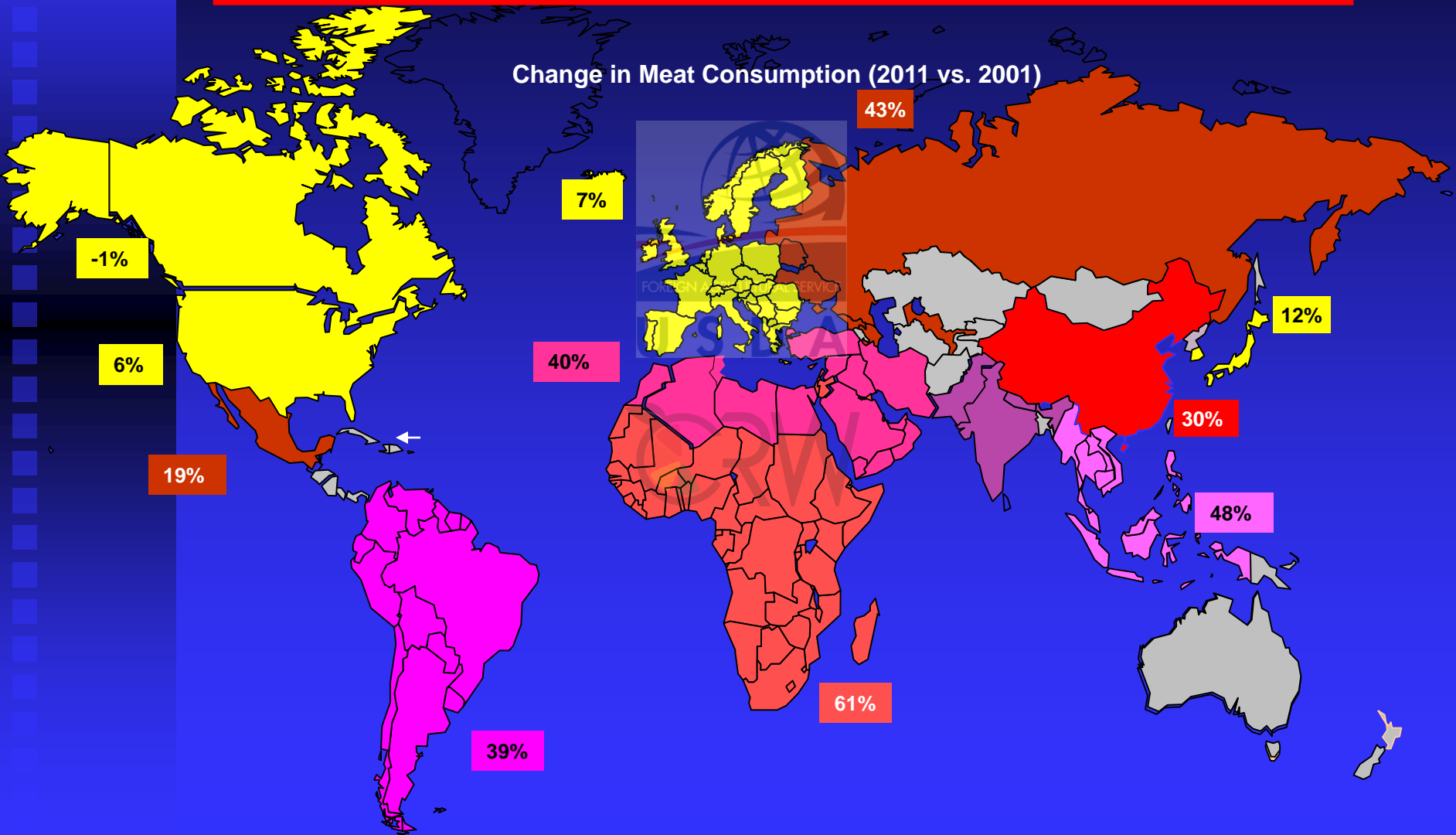
Imports by developing countries are up 74% vs. developed markets at 36%



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

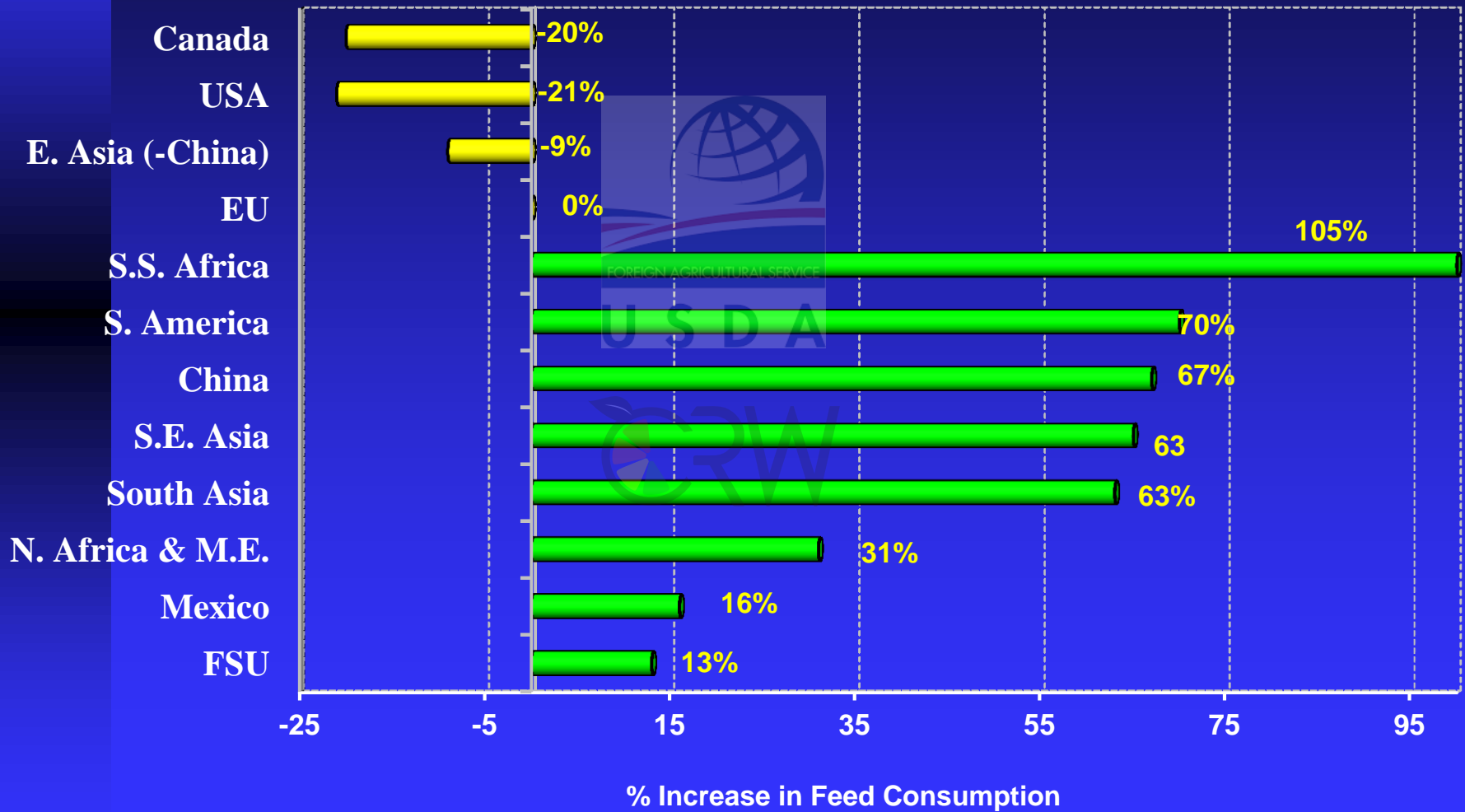
Meat Consumption Growth Focused in Developing Nations

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



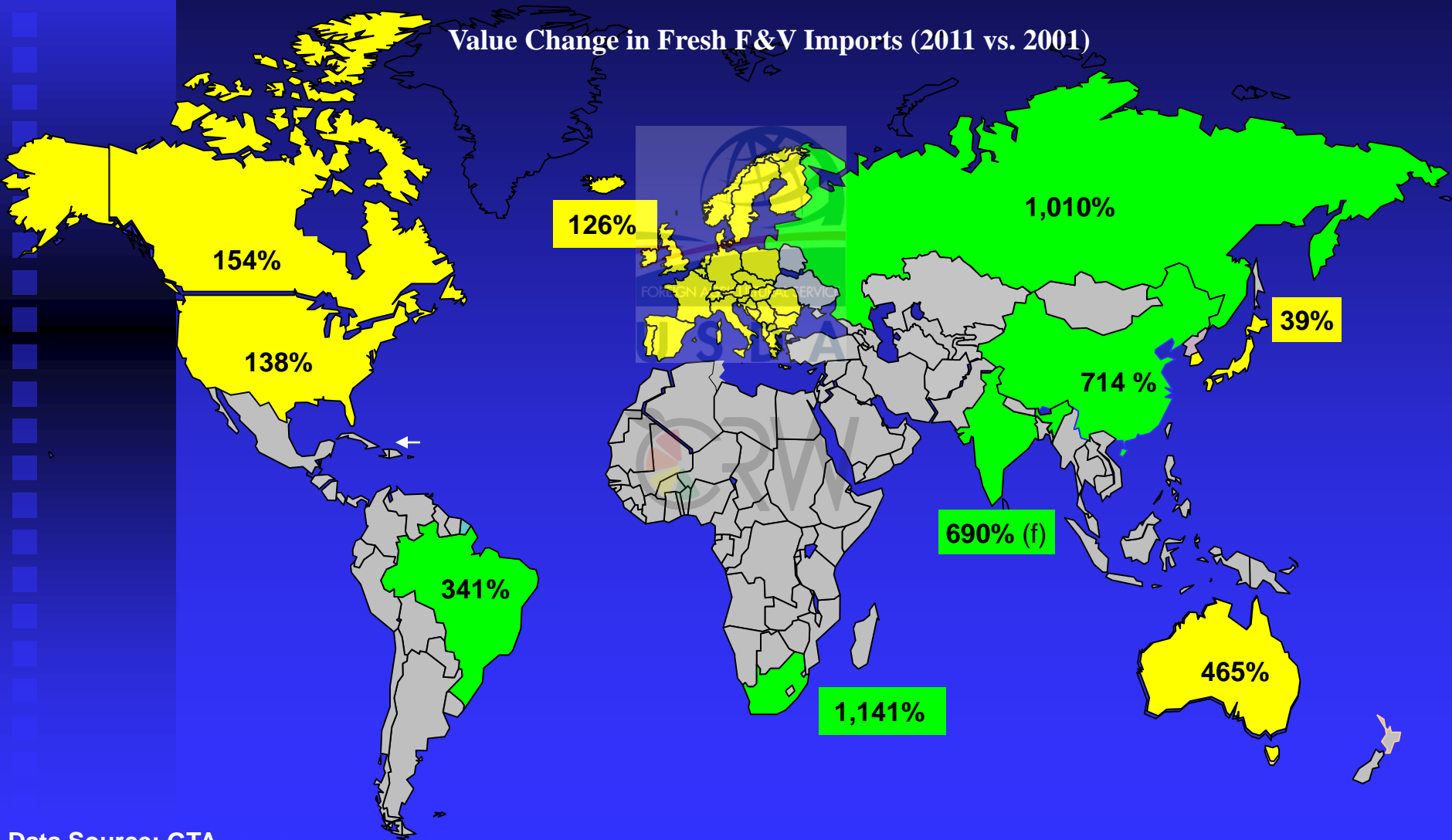
Feed Demand Focused in Developing Nations

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

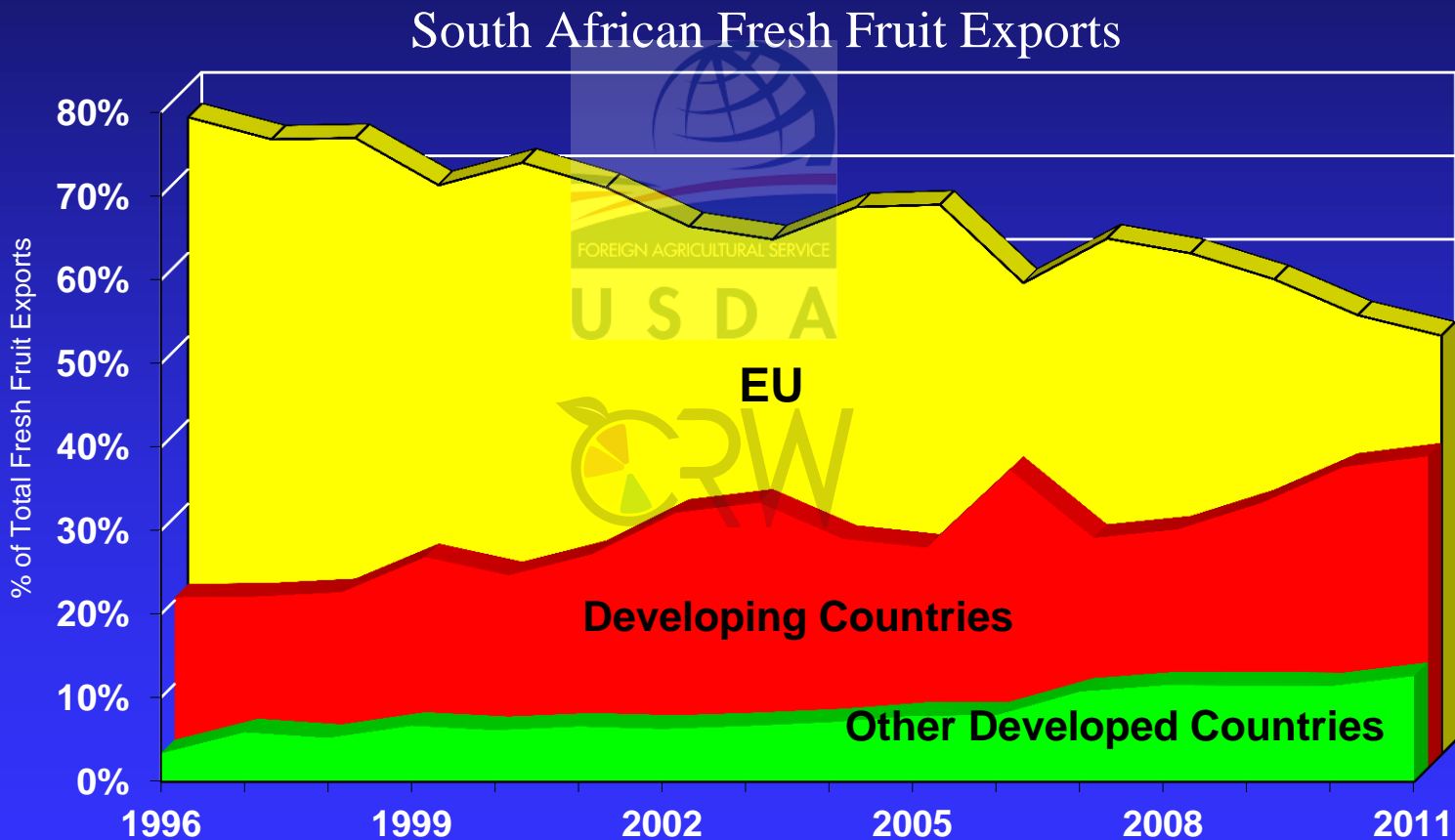


Fresh Fruit & Vegetable Import Growth

Developed vs. BRICS

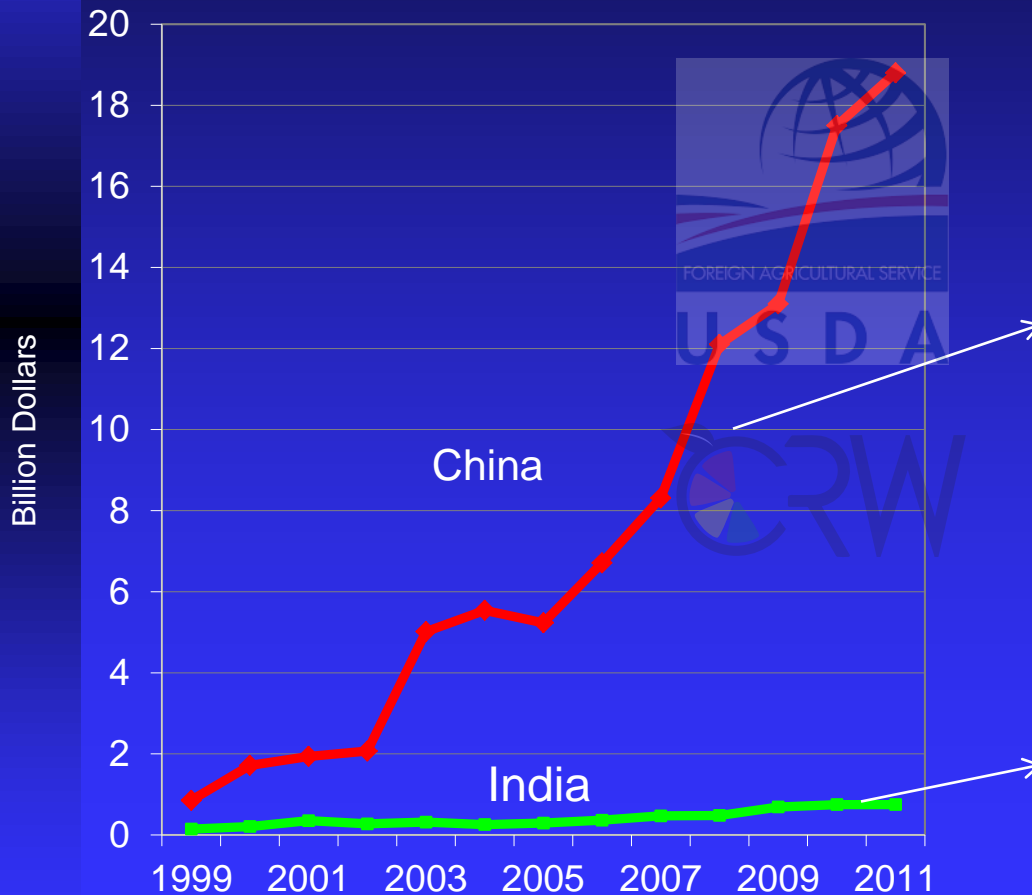


Developing Countries Grow in Importance for South African Fresh Fruit Exports



U.S. Exports to India Flat While Chinese Market Soars

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



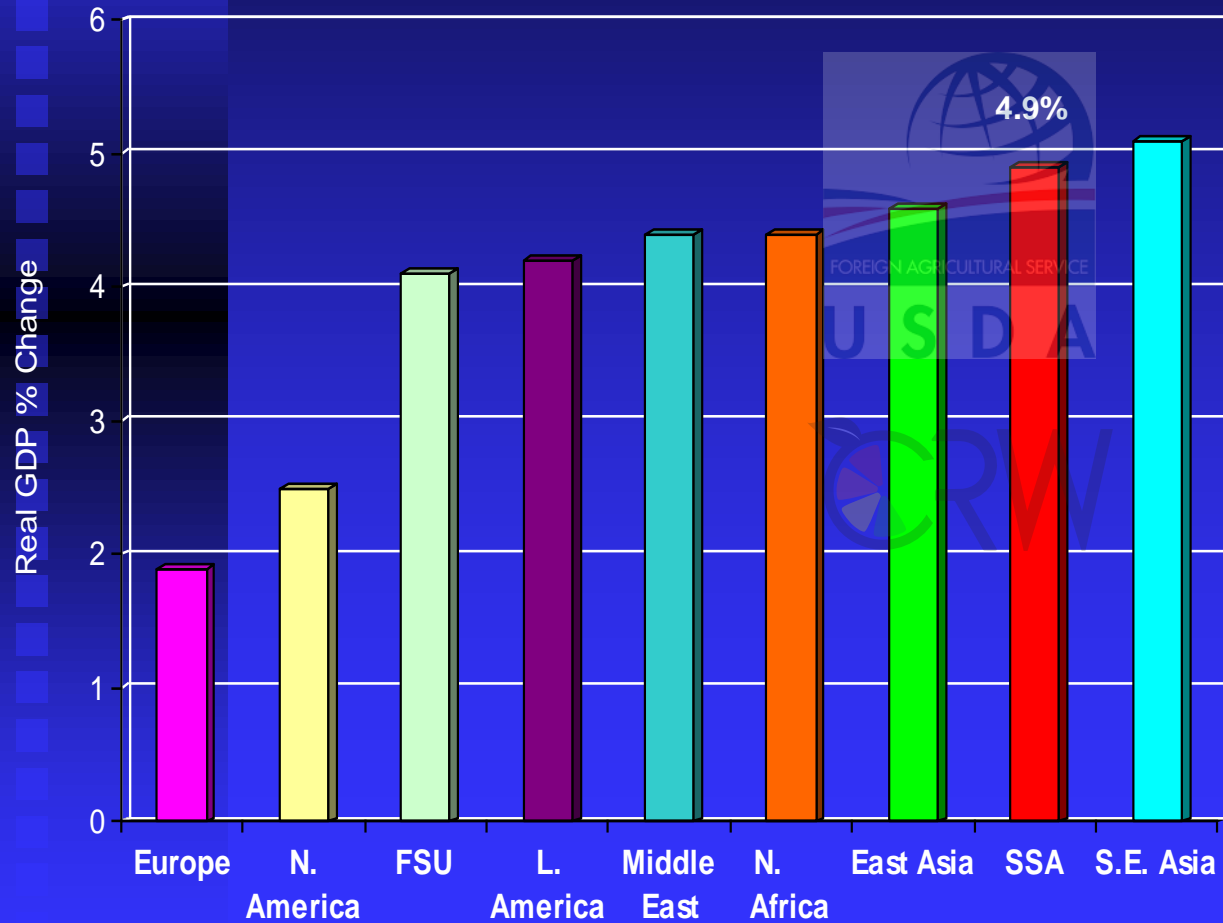
F&V Market Grows Faster in China

Fresh F&V Imports (All Sources)



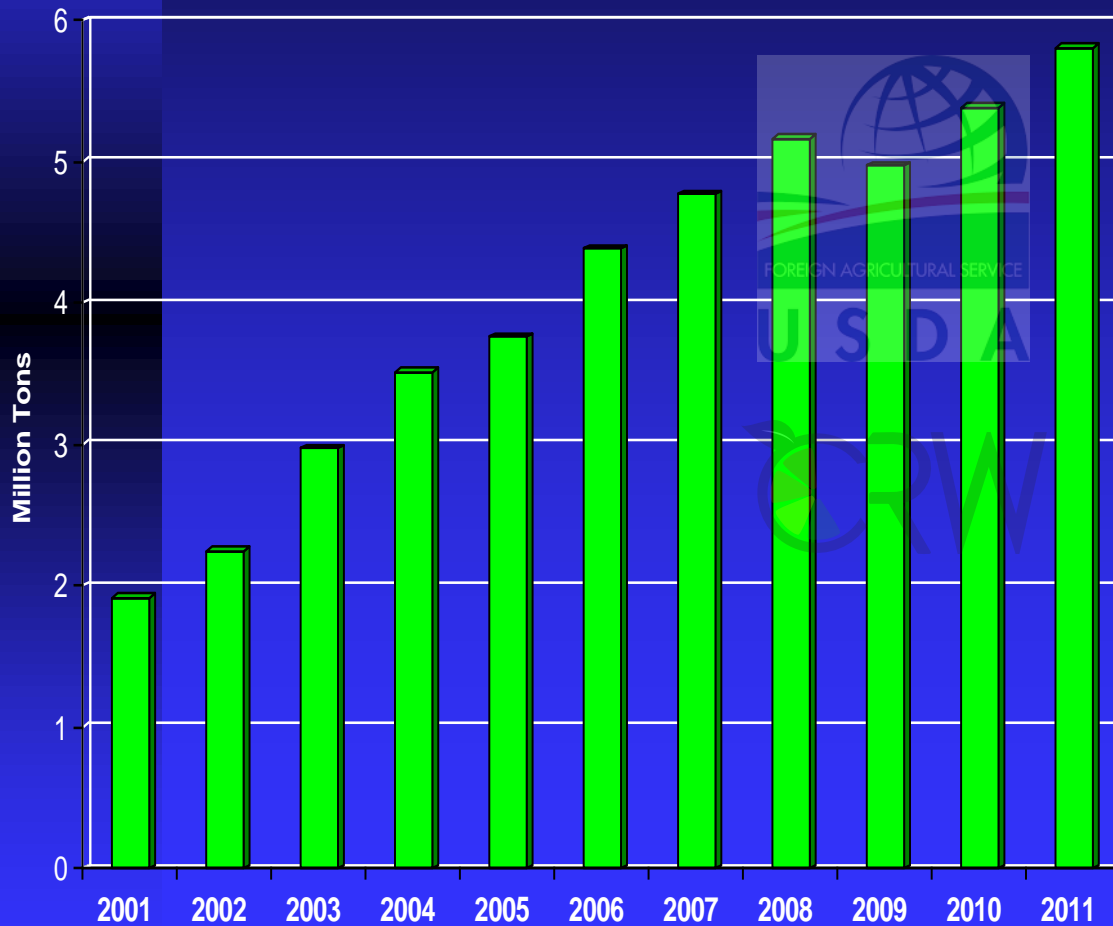
Strong Economic Growth Forecast in Sub-Saharan Africa

Forecast GDP Growth (Average 2011-2021)

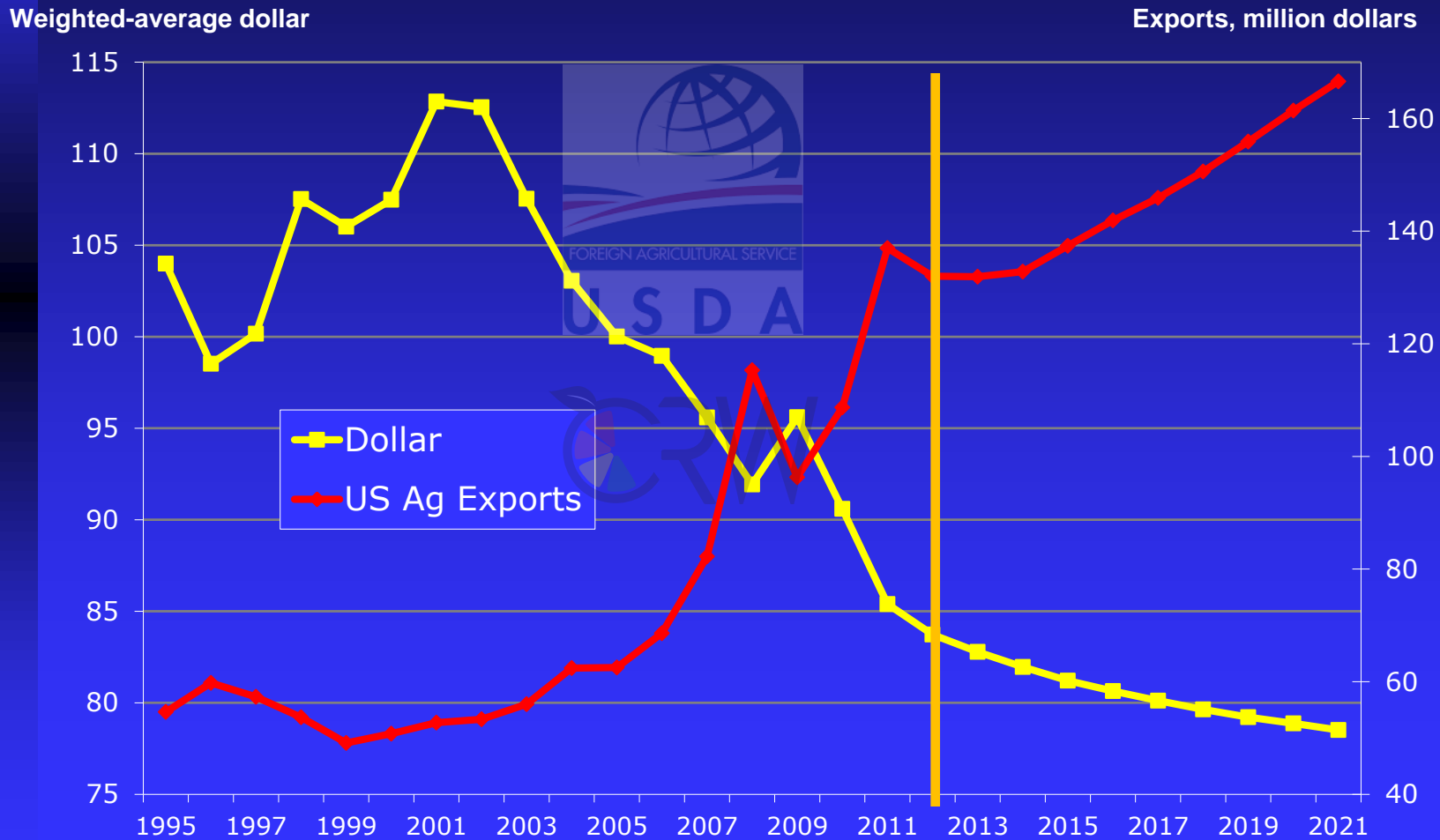


Russian Fruit Imports Surge with Economic Growth

Total Fresh Fruit and Vegetable Imports (Million Tons)



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

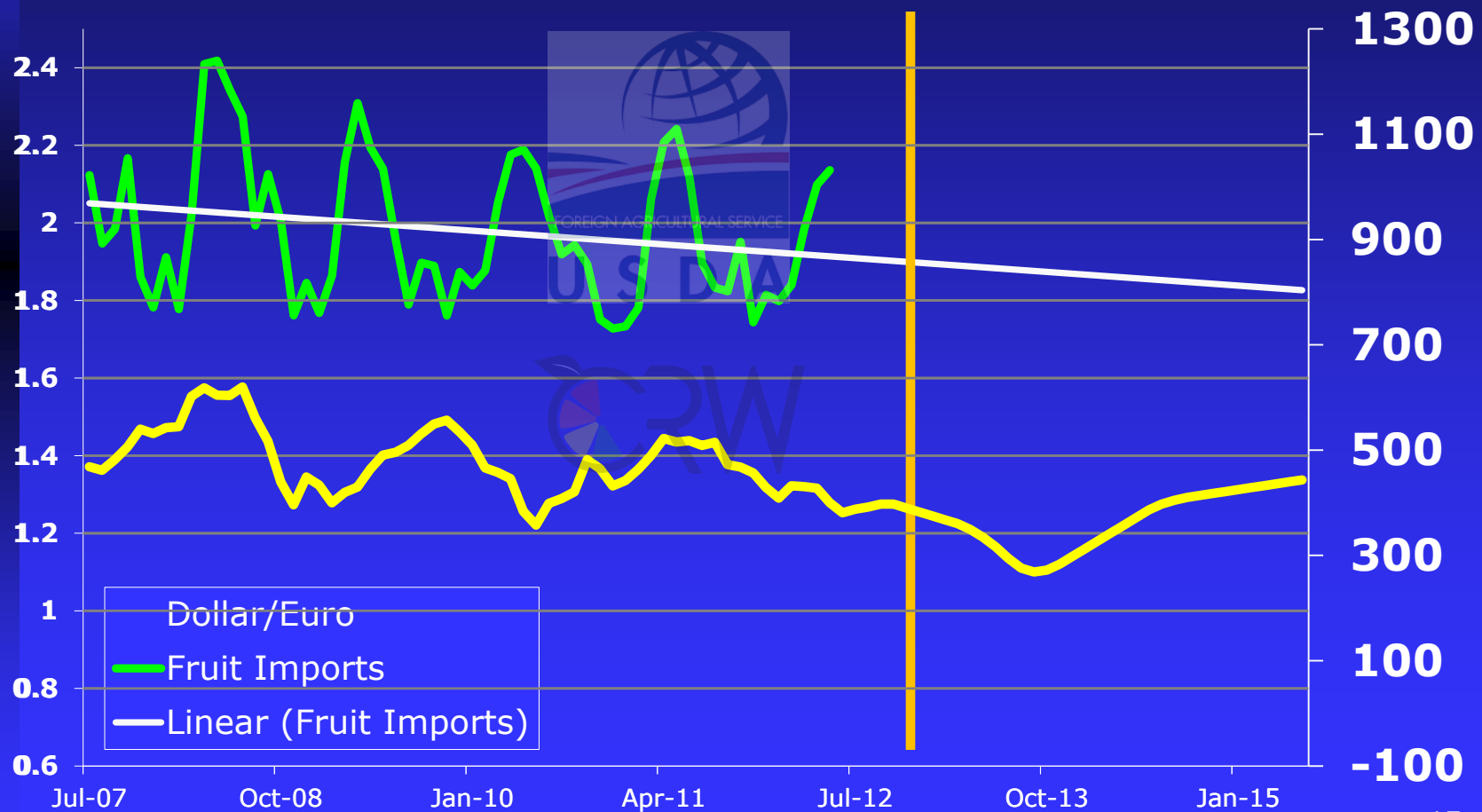


Euro Expected Weaker In 2013

...making imports more expensive

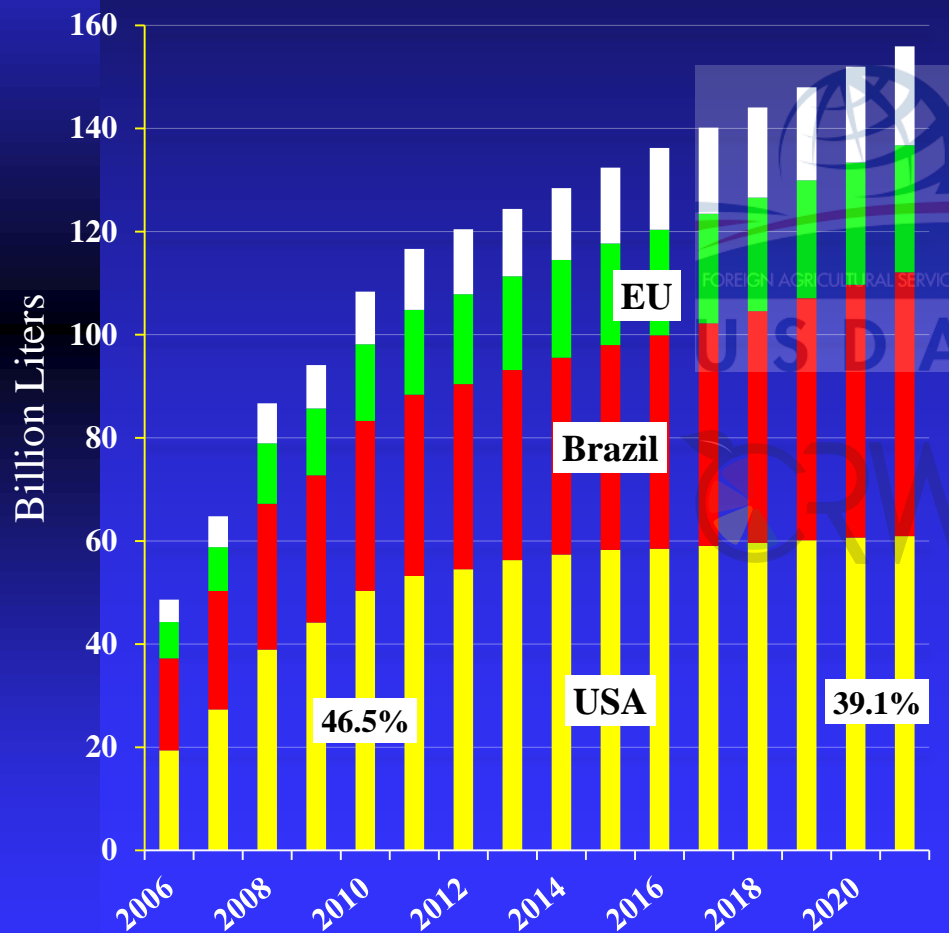
Dollar/Euro

F&V Imports, 100,000 tons



#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

Drought in United States Intensifies

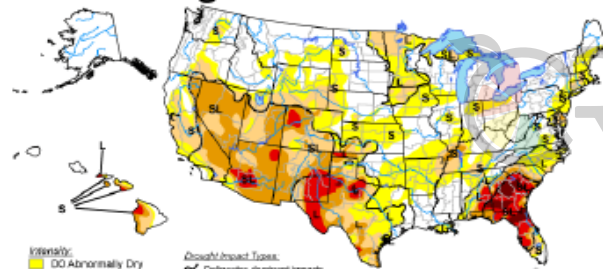
May 22, 2012

August 7, 2012

FOREIGN AGRICULTURAL SERVICE

U.S. Drought Monitor

May 22, 2012
Valid 7 a.m. EDT



Intensity:
 D0 Abnormally Dry
 D1 Drought - Moderate
 D2 Drought - Severe
 D3 Drought - Extreme
 D4 Drought - Exceptional

Drought Impact Tools:
 S = Short-Term, typically <6 months (e.g. agriculture, grasslands)
 L = Long-Term, typically >6 months (e.g. hydrology, ecology)

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

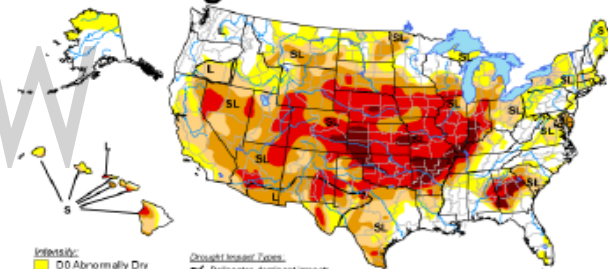
<http://droughtmonitor.unl.edu/>



Released Thursday, May 24, 2012
 Author: Brad Rippey, U.S. Department of Agriculture

U.S. Drought Monitor

August 7, 2012
Valid 7 a.m. EDT



Intensity:
 D0 Abnormally Dry
 D1 Drought - Moderate
 D2 Drought - Severe
 D3 Drought - Extreme
 D4 Drought - Exceptional

Drought Impact Tools:
 S = Short-Term, typically <6 months (e.g. agriculture, grasslands)
 L = Long-Term, typically >6 months (e.g. hydrology, ecology)

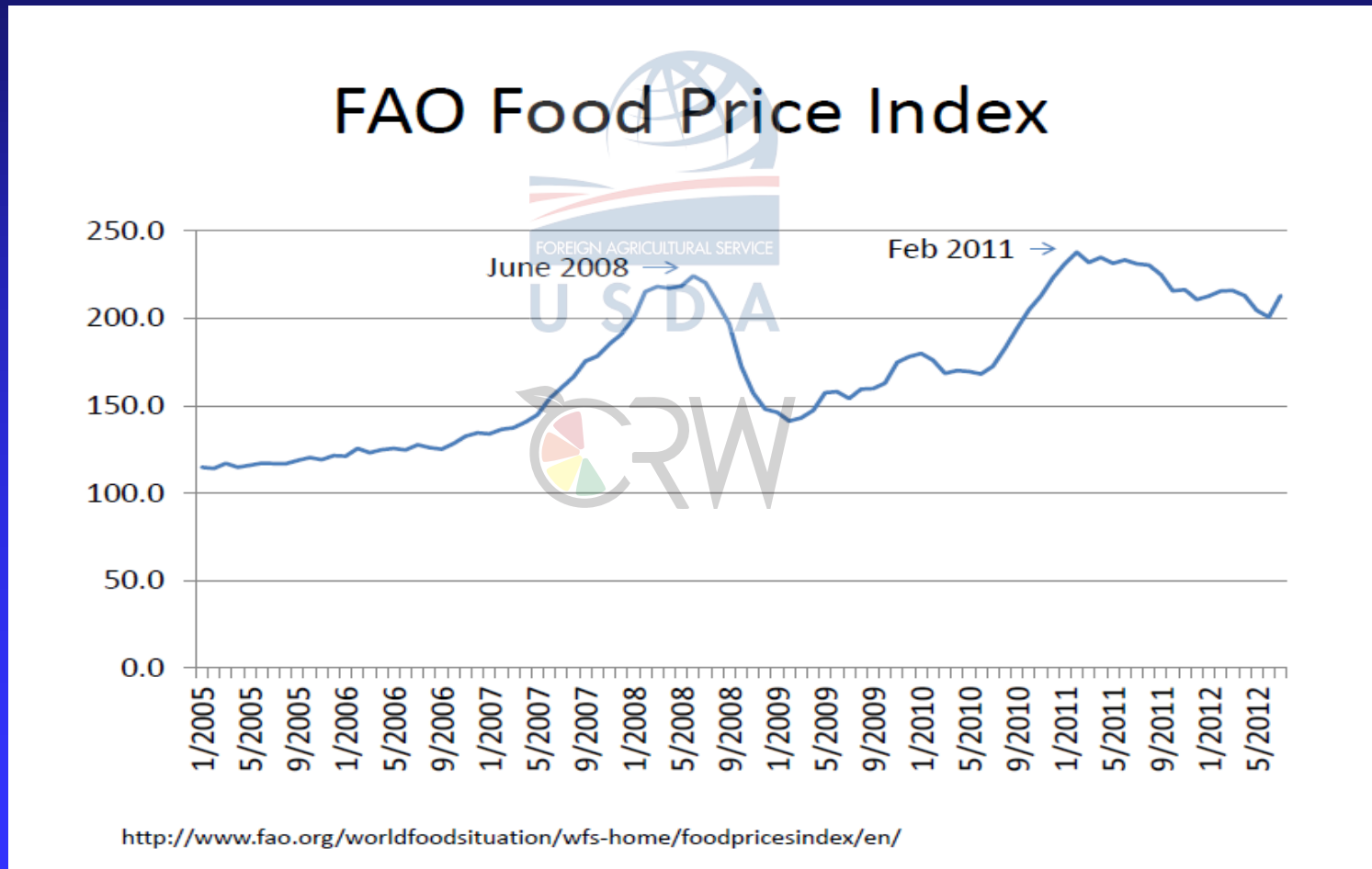
The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

<http://droughtmonitor.unl.edu/>



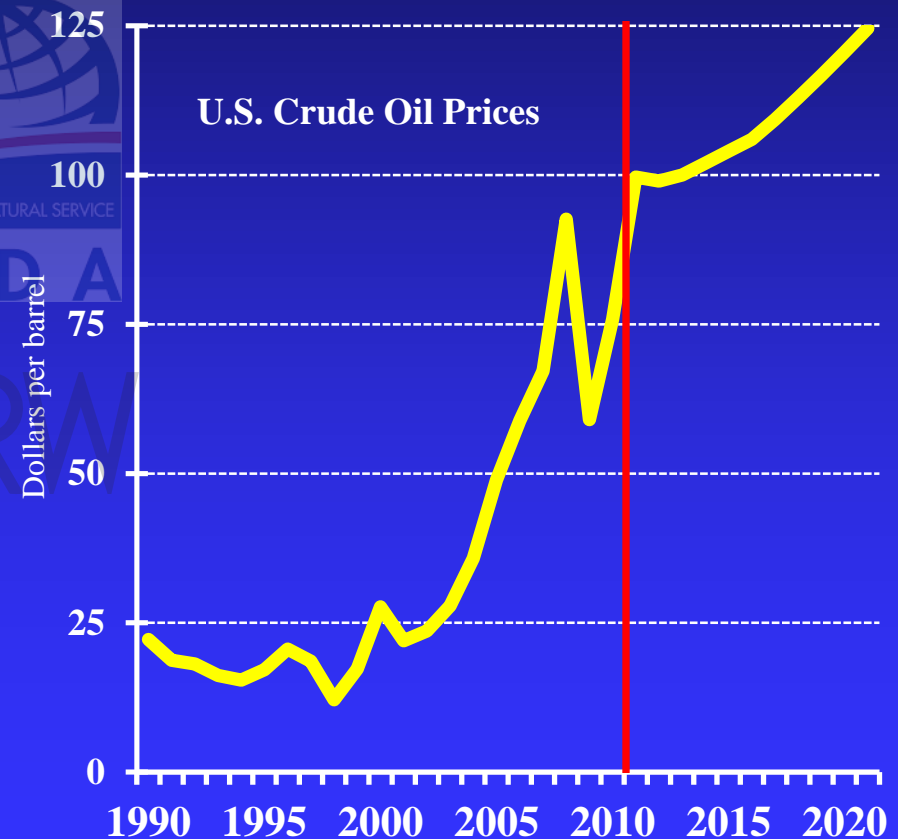
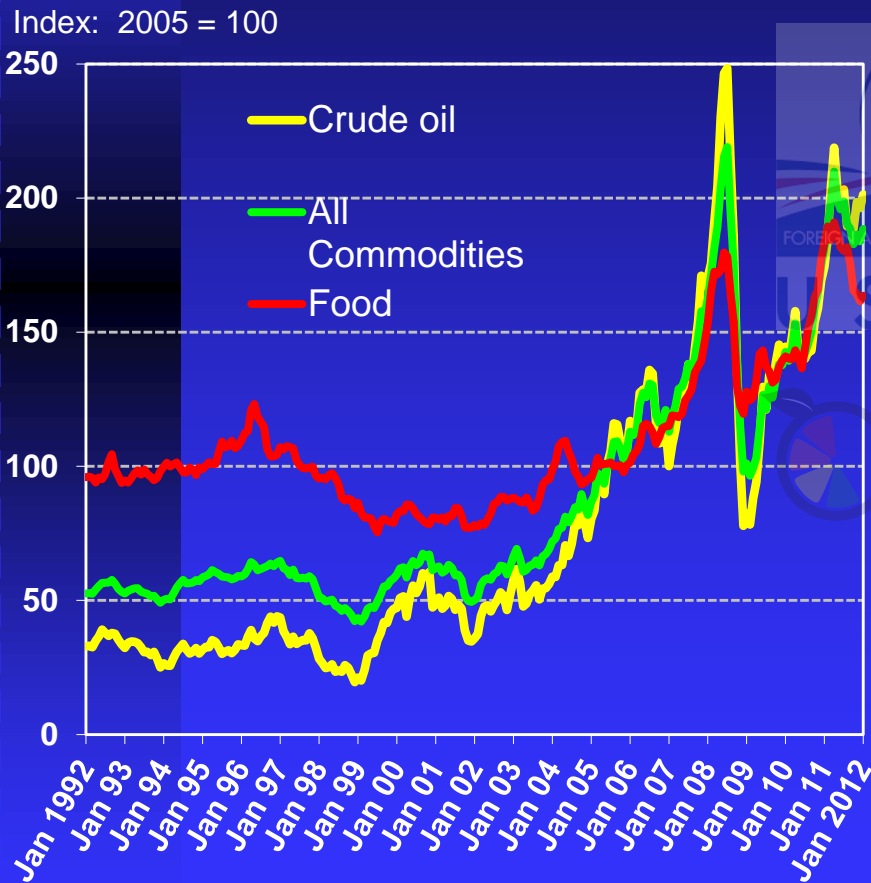
Released Thursday, August 9, 2012
 Author: Mark Svoboda, National Drought Mitigation Center

Impact on Global Food Prices Expected to be Minimal



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

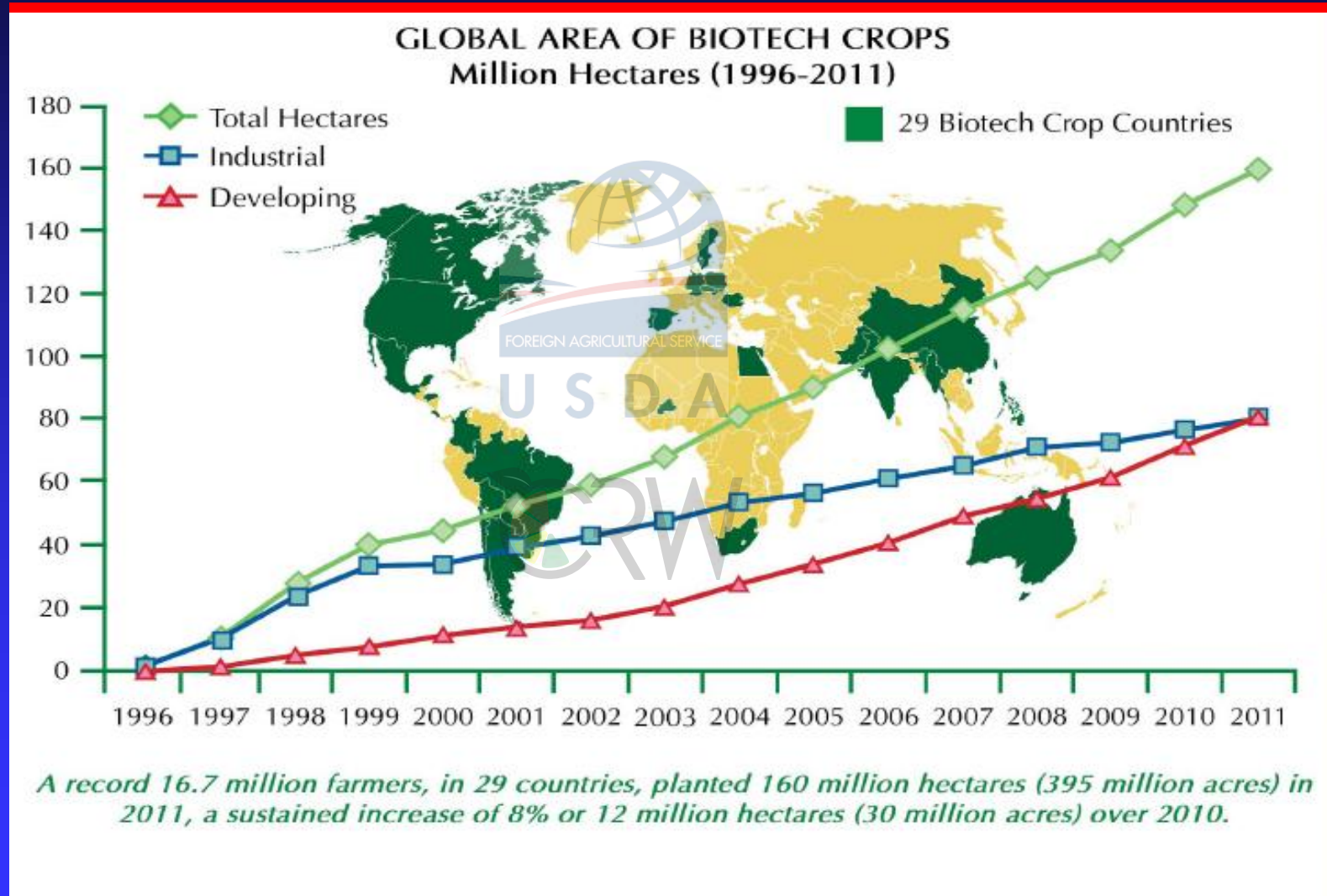
High energy prices increase costs all along the supply chain



#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



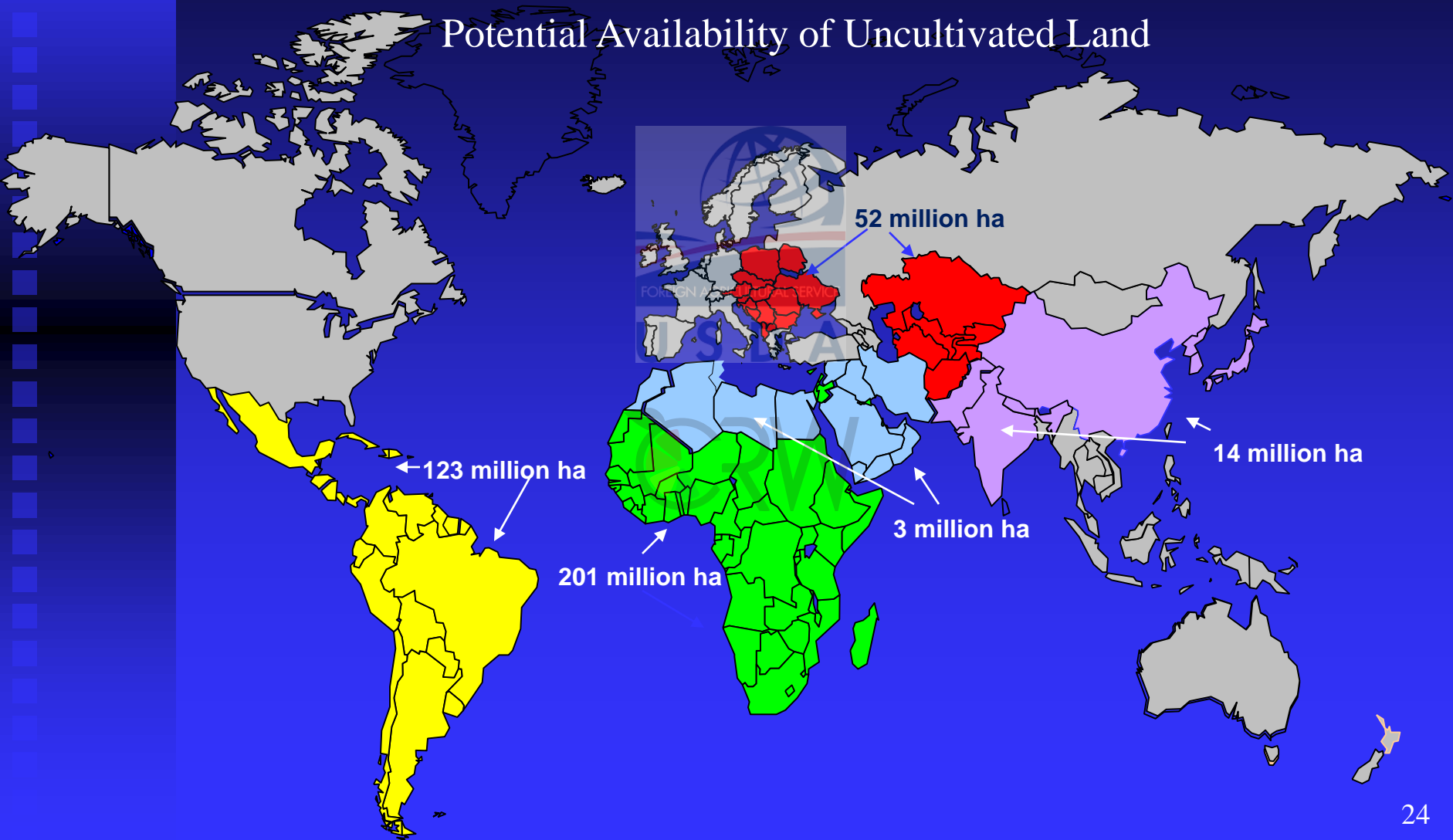
#6: Trade Will Increase and Trade Liberalization Will Continue

- ◆ 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

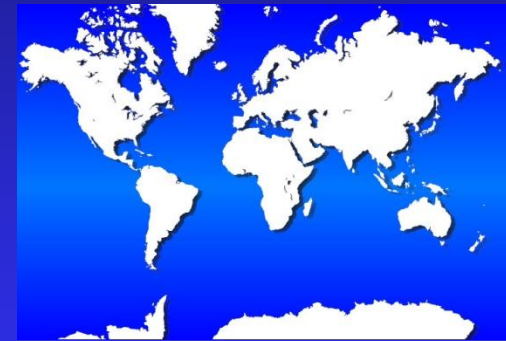
How aggressively will producers around the world react to strong commodity prices, especially in South America and FSU?

Potential Availability of Uncultivated Land



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



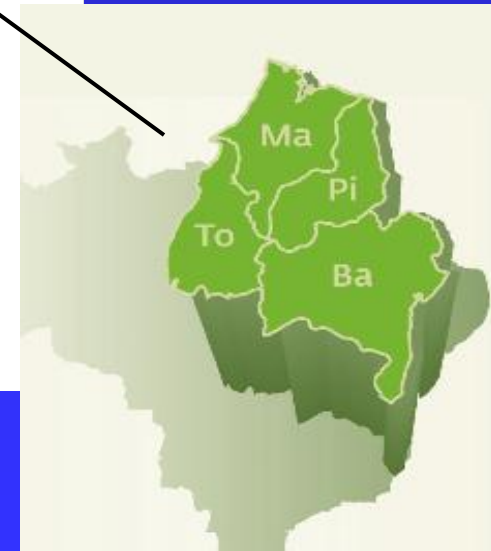
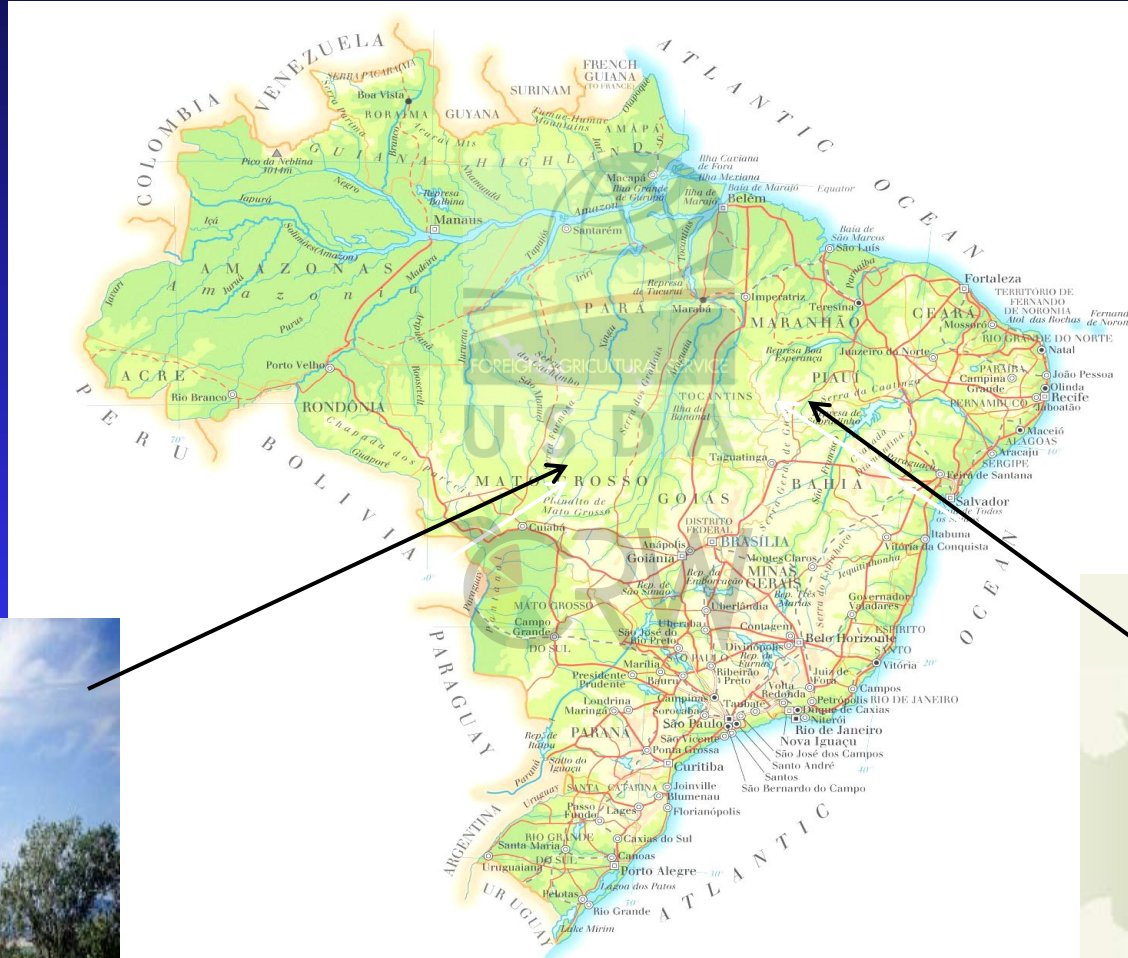
The End



Oliver.Flake@FAS.USDA.GOV

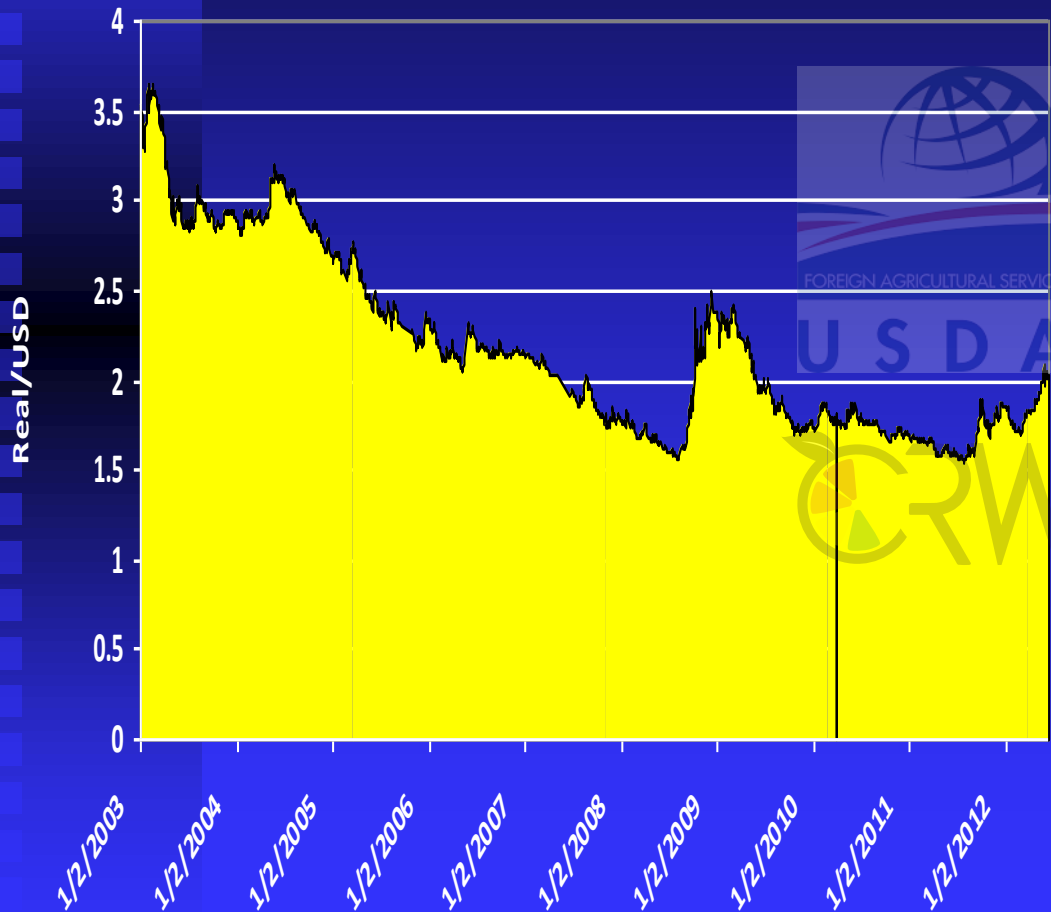
202-720-1226

MATOPIBA Brings New Production Growth



...But Challenges Abound in Brazil

Brazilian Real vs. U.S. Dollar



Data Source: IMF

