Global Implications of Prices on International Agricultural Trade & Policies

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Crossroads

- Is the run of increasing food prices over?
- Will food prices diverge from oil prices?
- What does the future hold for global food demand?
Food Price Index Reverses Trend
Energy, Commodity, and Food Prices Become More Closely Correlated

IMF Price Indices

- Crude oil
- All Commodities
- Food

Source: International Monetary Fund: International Financial Statistics
Commodity Price Crossroad?
Energy and Food Prices Becoming Less Correlated?

IMF Price Indices

Index 2005 = 100

- Crude oil
- All Commodities
- Food

Source: International Monetary Fund: International Financial Statistics

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Current drop in commodities prices is not demand driven.
Global GDP Growth Will Boost Food Demand

IMF Price Indices and Global GDP Growth

Source: International Monetary Fund: International Financial Statistics and IHS
Developing Country GDP Growth to Lead Food Demand

Gross domestic product (GDP) growth: Developing countries are projected to grow at more than double the rate of developed countries.

Source: USDA Baseline
Rising GDP and Lower Energy Prices Lead to Additional Income - How Will it be Spent?

Lower income countries spend much of that additional income on food.

Value of the Dollar Expected to Rise Putting Downward Pressure on Commodity Prices

U.S. agricultural trade-weighted dollar remains low

Index values, 2010=100, foreign currency per dollar

Note: Real U.S. agricultural trade-weighted dollar exchange rate, using U.S. agricultural export weights, based on 192 countries.

Source: USDA, Economic Research Service;
Global Population Expanding at a Declining Rate

Population set to grow about 63 million people per year (pop. of the United Kingdom)

Source: World Bank Population Projections

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Global "Middle Class" is Expected to Exceed 1 Billion Households by 2023

Most of the increase will be in developing countries

Millions of Households with real PPP incomes greater than $20,000 a year

Middle class in developing countries projected to increase 92% by 2023 vs. 11% in developed countries

Source: IHS Global Consumer Markets data as analyzed by OGA
“Middle Class” in Developing Countries to Exceed 600 Million Households by 2023 Led by China and India

Households w/ Real PPP incomes greater than $20,000 (millions)

- China: 140
- India: 99
- Brazil: 13
- Russia: 12
- Mexico: 6
- Indonesia: 5
- Thailand: 5
- Turkey: 4
- Philippines: 3
- Egypt: 3
- S. Korea: 2
- Colombia: 2
- Malyasia: 2
- Vietnam: 1
- Taiwan: 1

Source: Global Insight’s Global Consumer Markets data as analyzed by OGA
Increased Protein Consumption Leads to Rising Feed Demand

Changes in Grains and Oilseed Meals in Feed Consumption
2003 vs 2013

- China: 74%
- SE Asia: 73%
- South Asia: 57%
- S. America: 49%
- MENA: 27%
- FSU: 14%
- Mexico: 7%
- EU: 2%
- E. Asia(-China): 2%
- USA: -9%
- Canada: -12%

Source: USDA Production, Supply & Distribution Database

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Meat Consumption Drives Chinese Imports

China becomes second largest global importer on growing feed & meat imports

Chinese Meat Consumption

*Estimate
Source: USDA PS&D; Global Trade Atlas
Crossroads Conclusions

A new downward trend beginning for food prices?
- Short-term: Bulk commodity forecast volumes up
- Short/Mid-term: Low oil prices, lower input costs
- Long-term: Strengthening dollar
- Long-term: Offsetting factor - Growing food demand

Will food prices break from the oil price trend held over the last decade?
- Oil price decline driven by U.S. production, strong global supply, weaker global demand growth, higher global inventories
- OPEC November policy decision maintain production levels

Global food demand outlook
- Long-term: Strong demand driven by growing middle-class in developing countries