

Projections and Economics of Global Food Supply and Demand

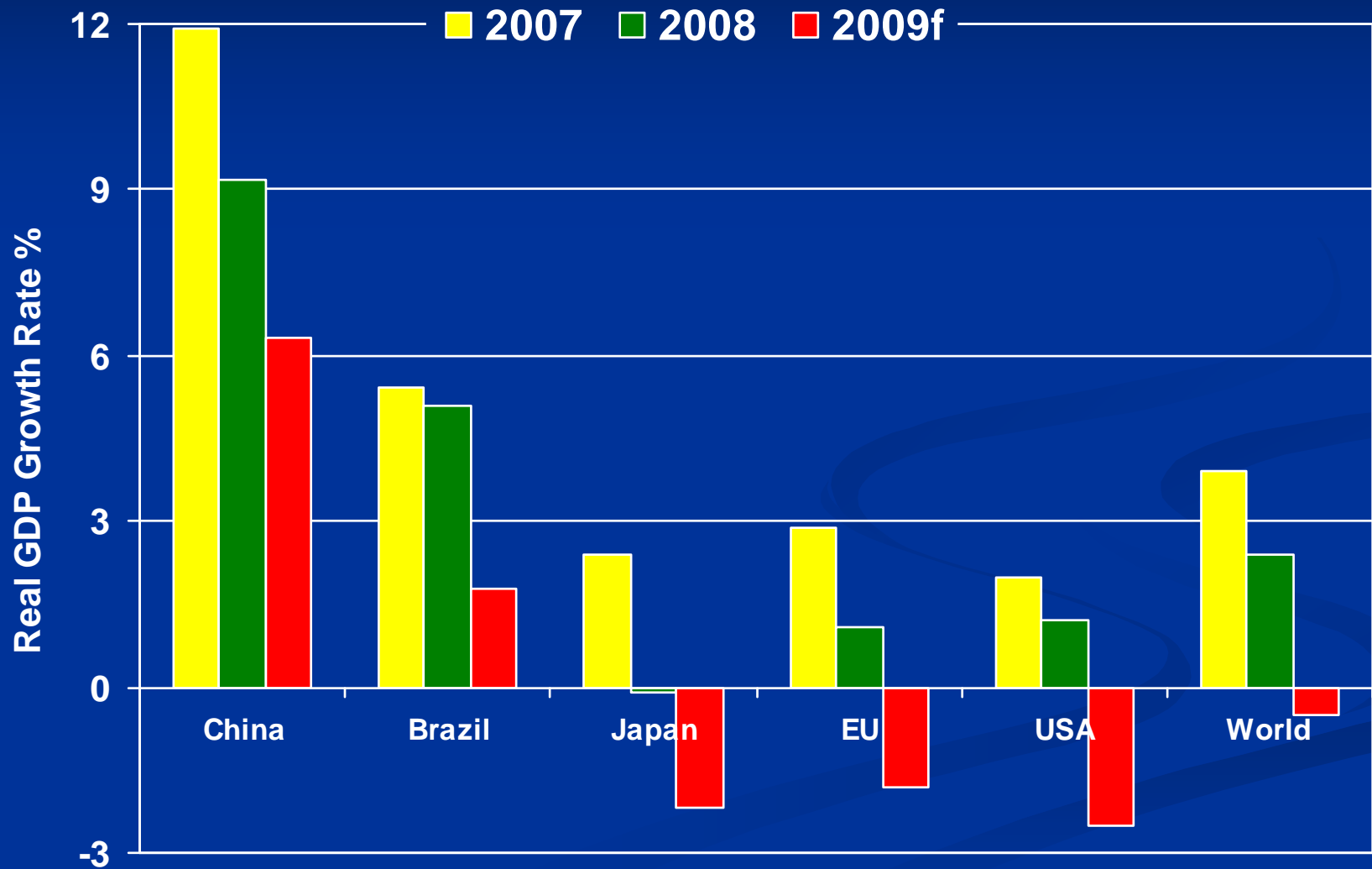
*Maurice House
Deputy Administrator
Office of Global Analysis
Foreign Agricultural Service/USDA*



Food Price Crisis – Then and Now

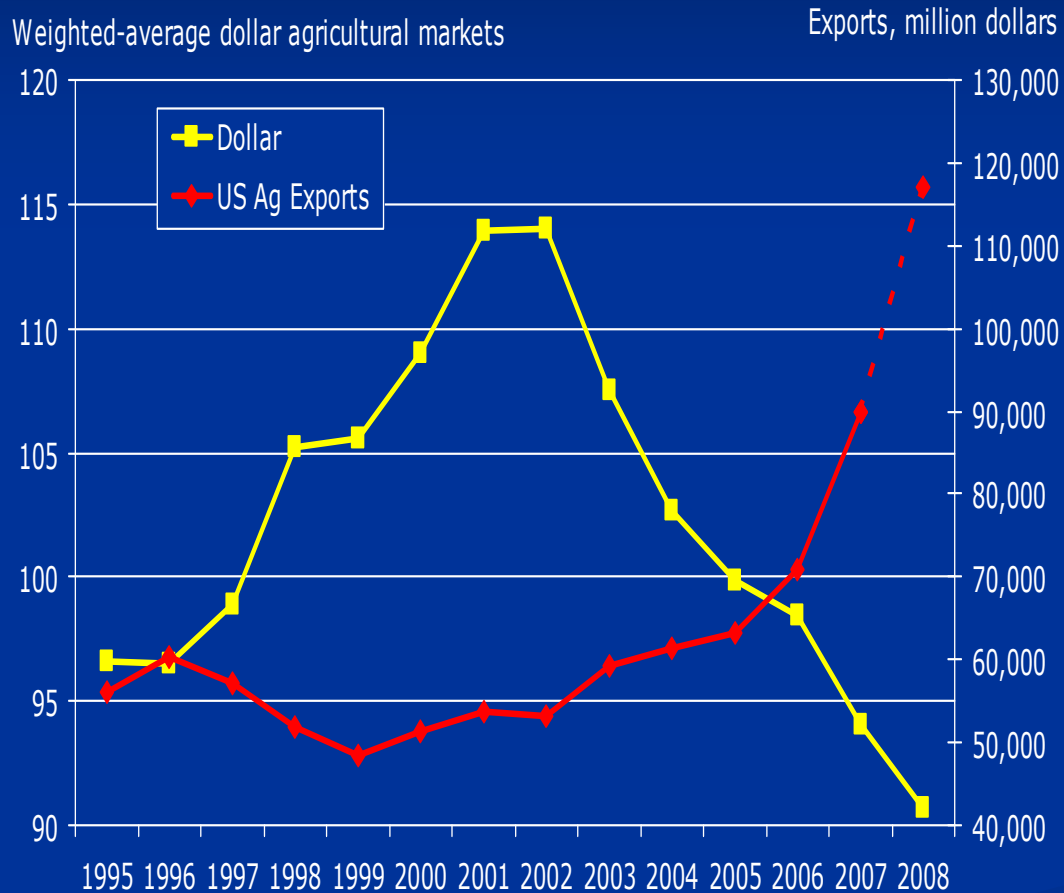
- **Global economic growth** – *previously strong but quickly weakening.*
- **Value of the U.S. dollar** – *previously weak but now strengthening*
- **Energy, freight rates, and ag input prices** – *previously strong; quickly weakening*
- **Supply situation** – *World wheat supplies rebound in 08/09*
- **Export restrictions** – *problematic in the spring but have eased*
- **Global biofuels market** – *still strong in US, EU, Brazil and providing support*

Global Recession Will Sharply Slow Growth And Food Demand



Source: Global Insight

Agricultural Trade and the Dollar



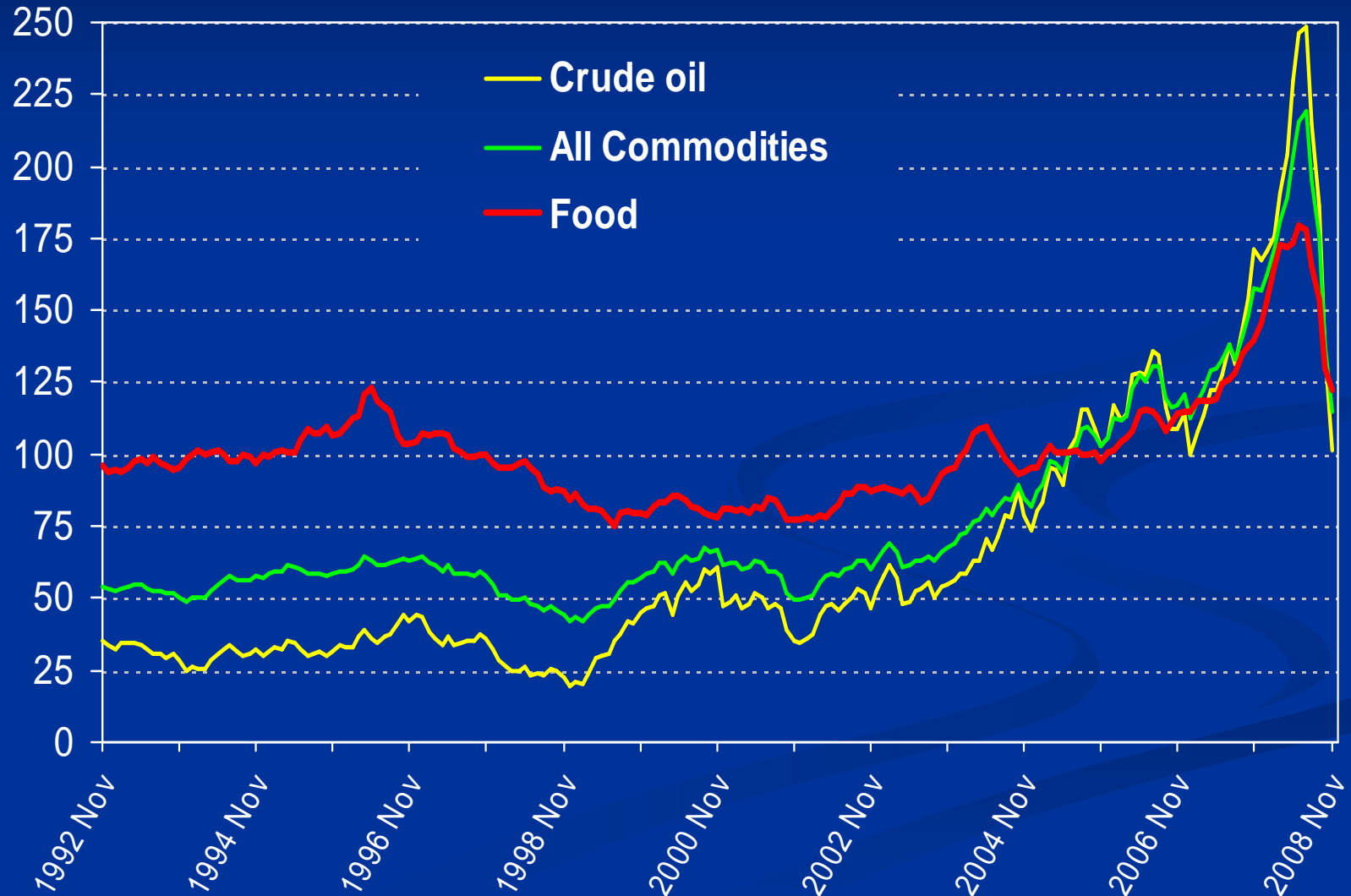
Source: USDA, Economic Research Service; Foreign Agricultural Service

Source: FXHistory © 1997-2008 by OANDA Corporation

Energy and Food Prices Closely Linked

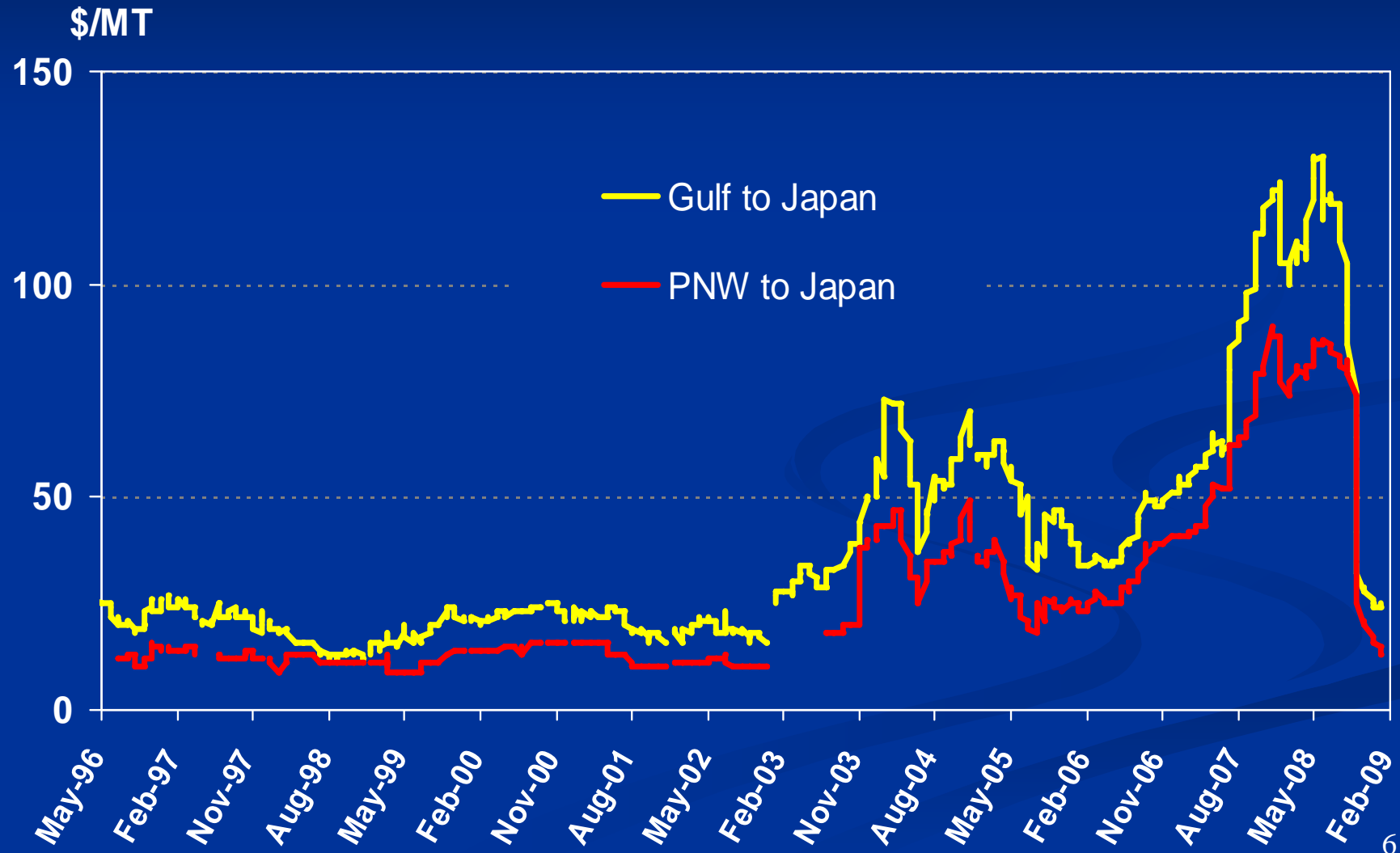
Energy prices affect ag inputs, processing, transportation, and biofuels

Index: January 2005 = 100



Source: International Monetary Fund: International Financial Statistics

Ocean Freight Rates Plummeting Due to Lower Fuel Costs and Reduced Transportation Demand

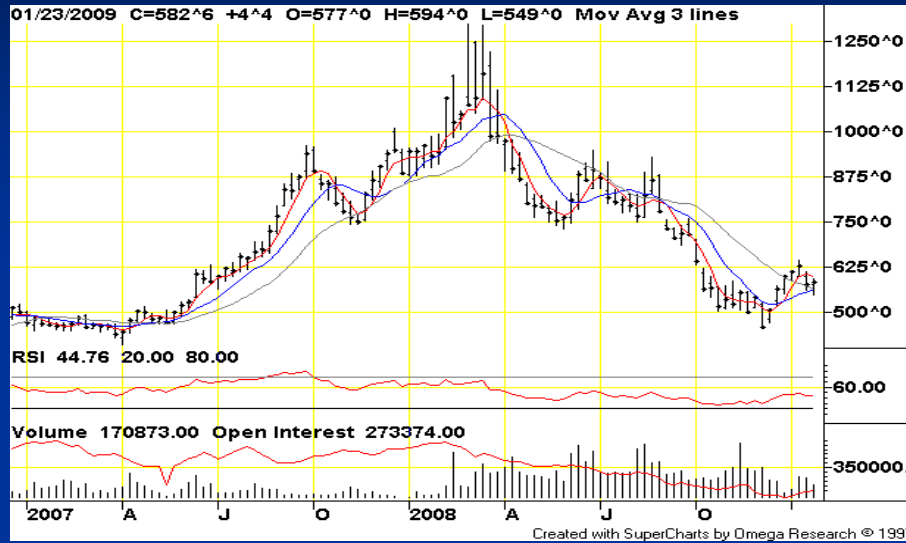


Source: International Grains Council

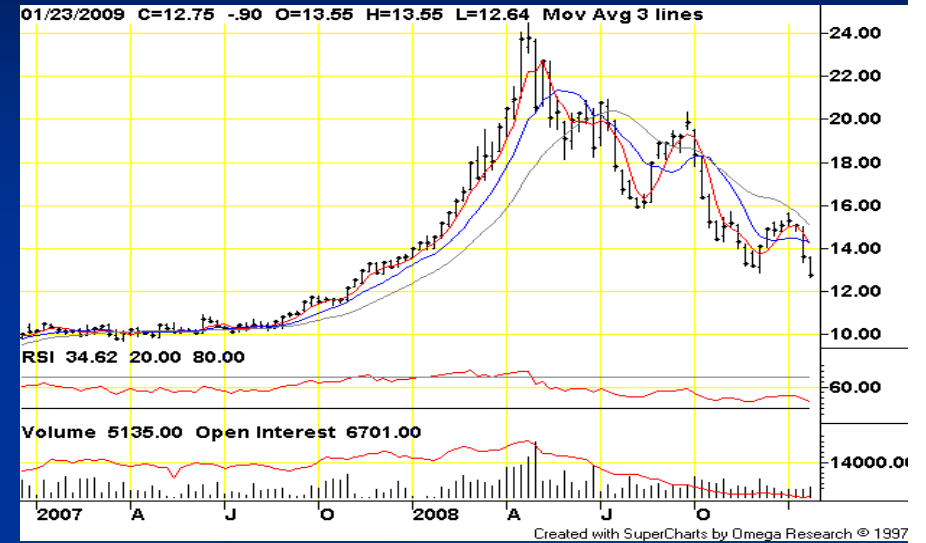
How Are Ag Commodity Prices Faring?

Wheat, corn, soybeans, and rice have all dropped sharply from recent highs

Wheat futures



Rough rice futures



Corn futures

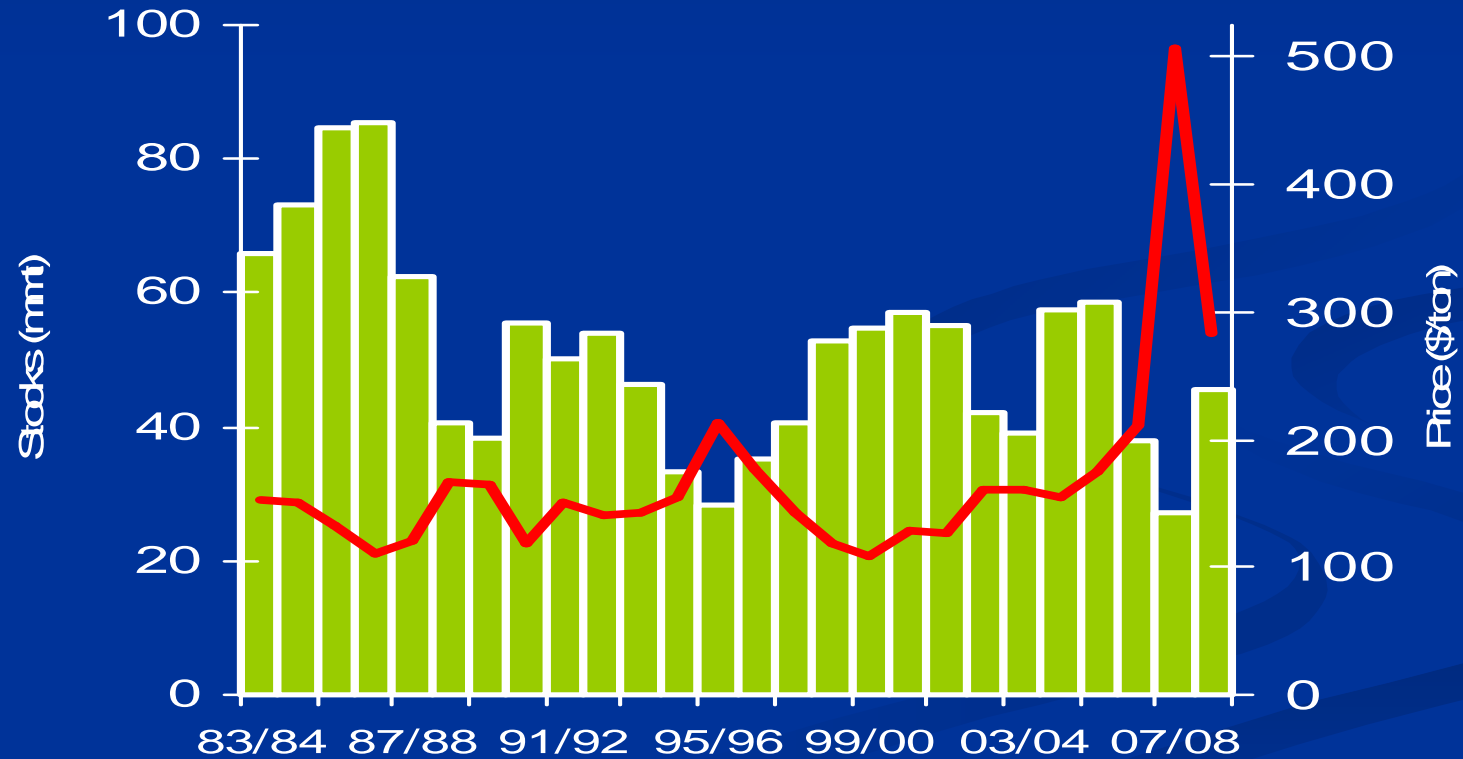


Soybean futures



Despite Lower Commodity Prices, Threat of Market Volatility Remains

Wheat prices respond to major exporters' stocks



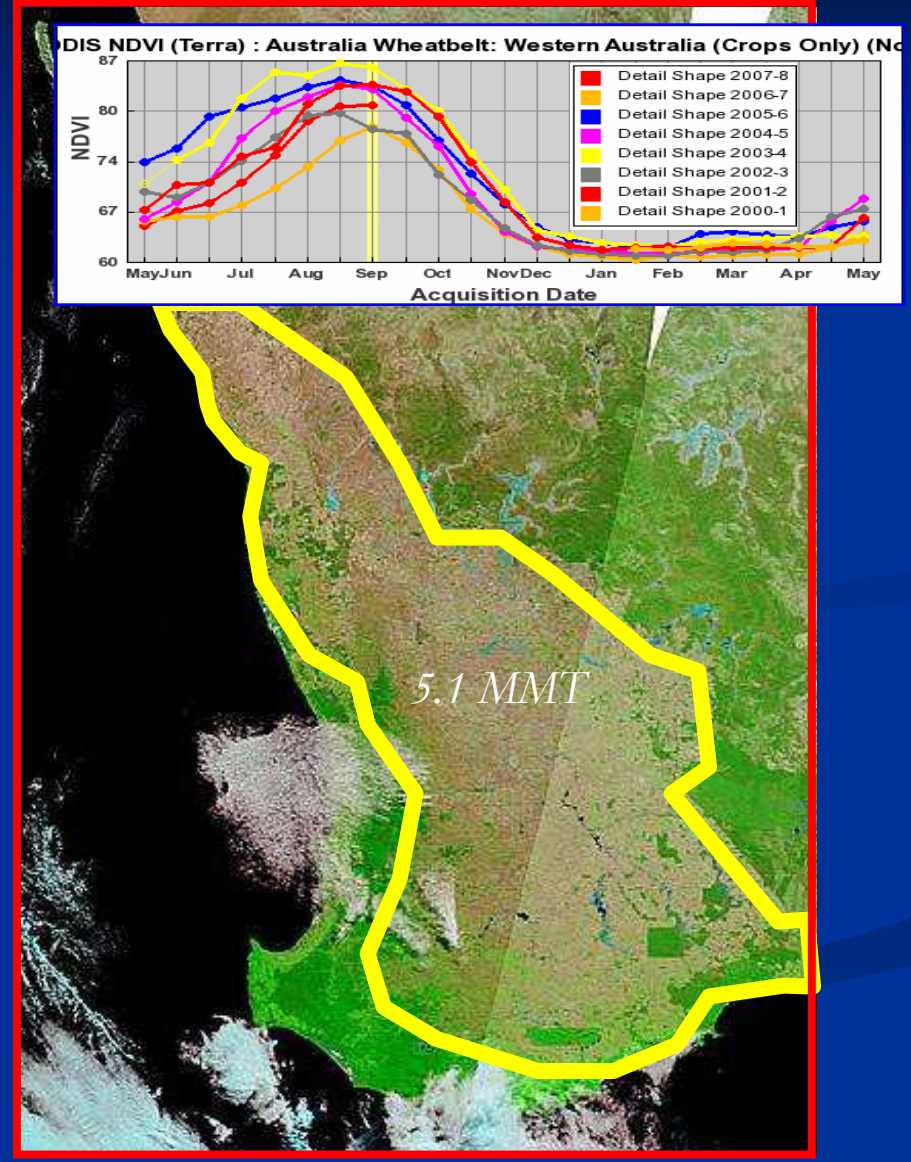
Ending Stocks of 4 Major Exporters U.S. HRW FOB Prices

Tracking Global Food Supply

July 8, 2005



July 8, 2006

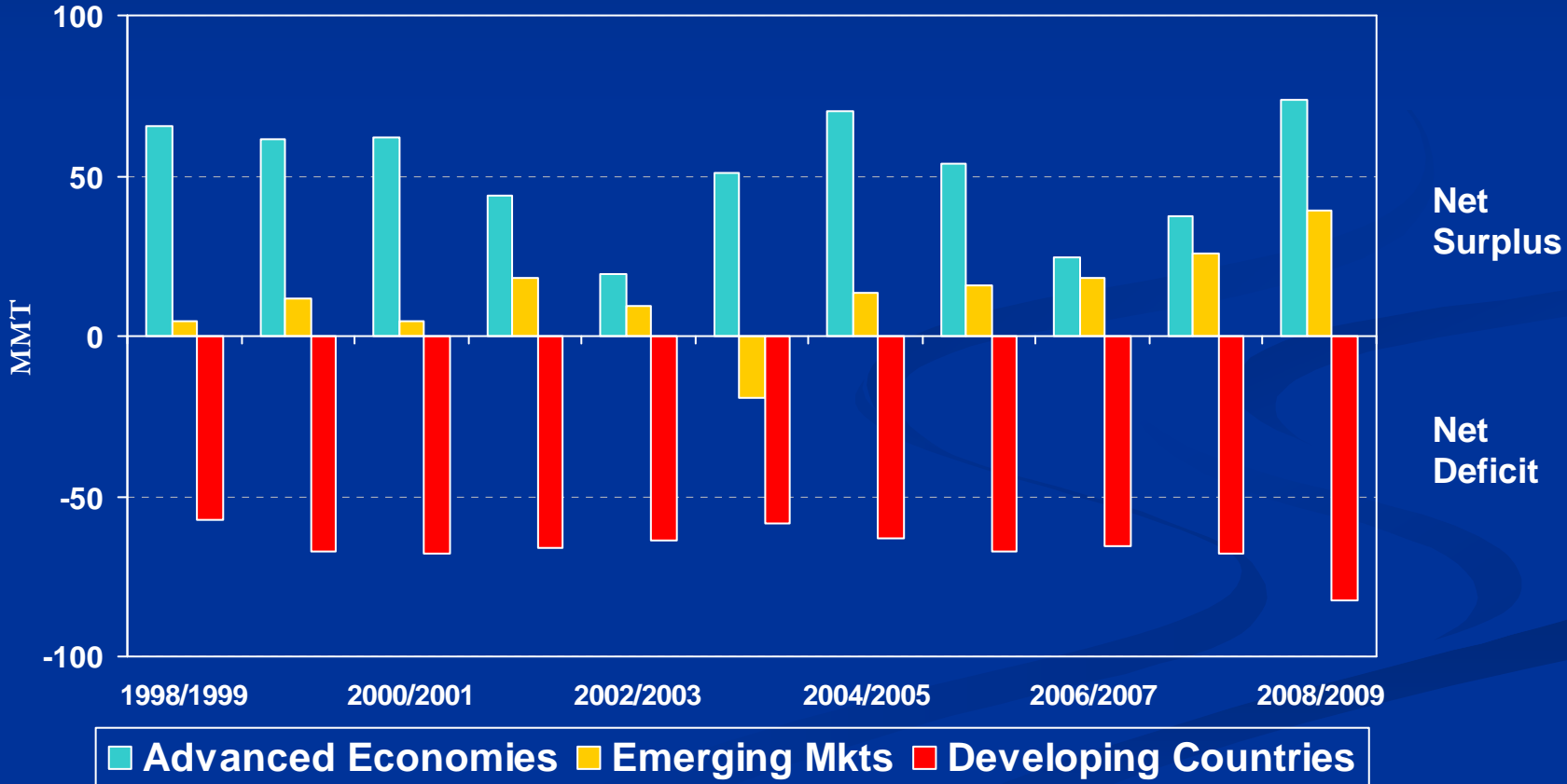


New Challenges Since Food Price Crisis

- World recession is a foregone conclusion
- Agricultural trade will suffer
 - The value of the dollar is a key variable here
- Constraints in credit access
- Protectionist trade policies remain a threat
- Reduced sense of urgency in long-term agricultural investment

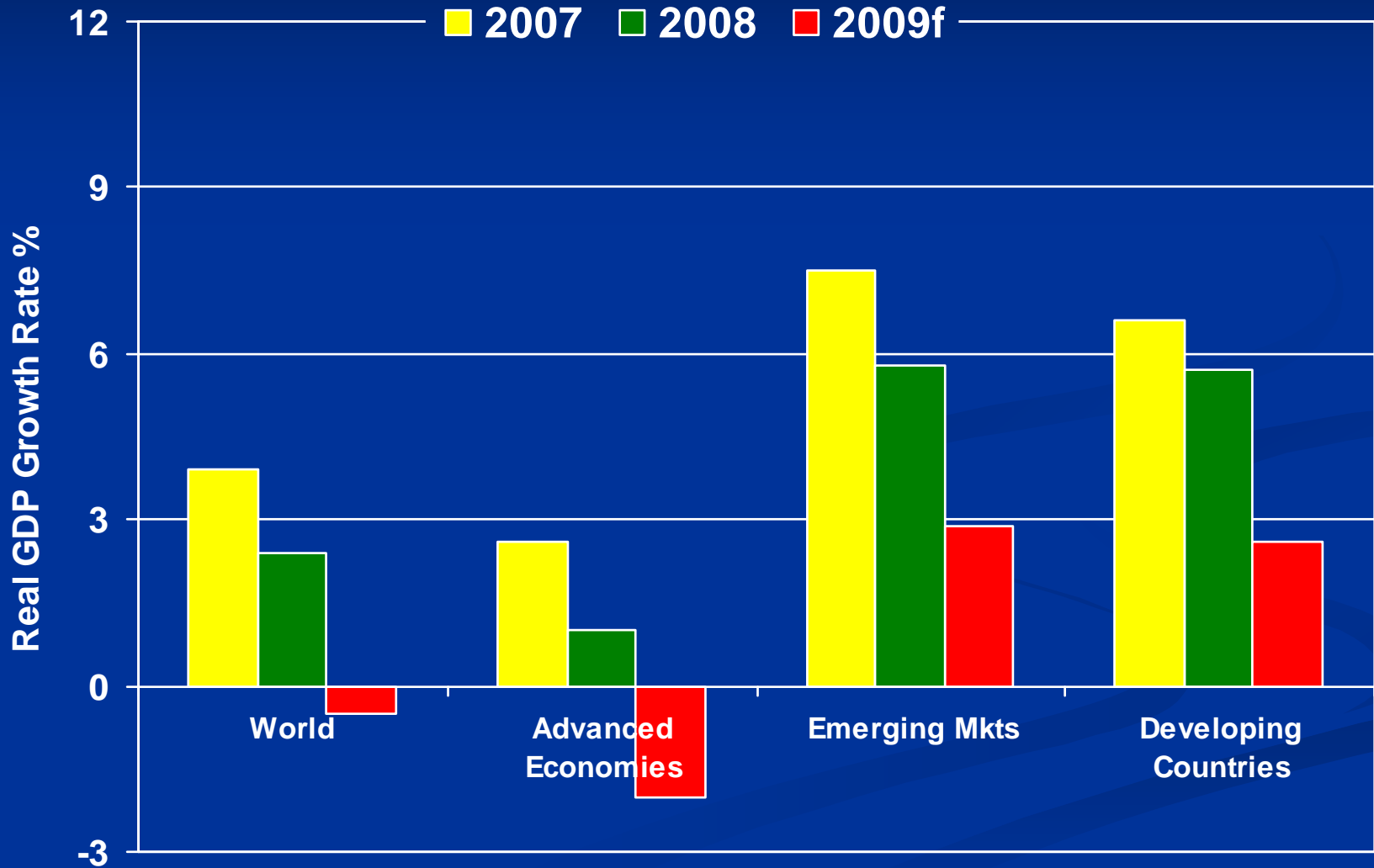
No country can afford trade protectionism; Least of all, developing countries

Annual wheat production minus consumption



Source: USDA; Global Insight

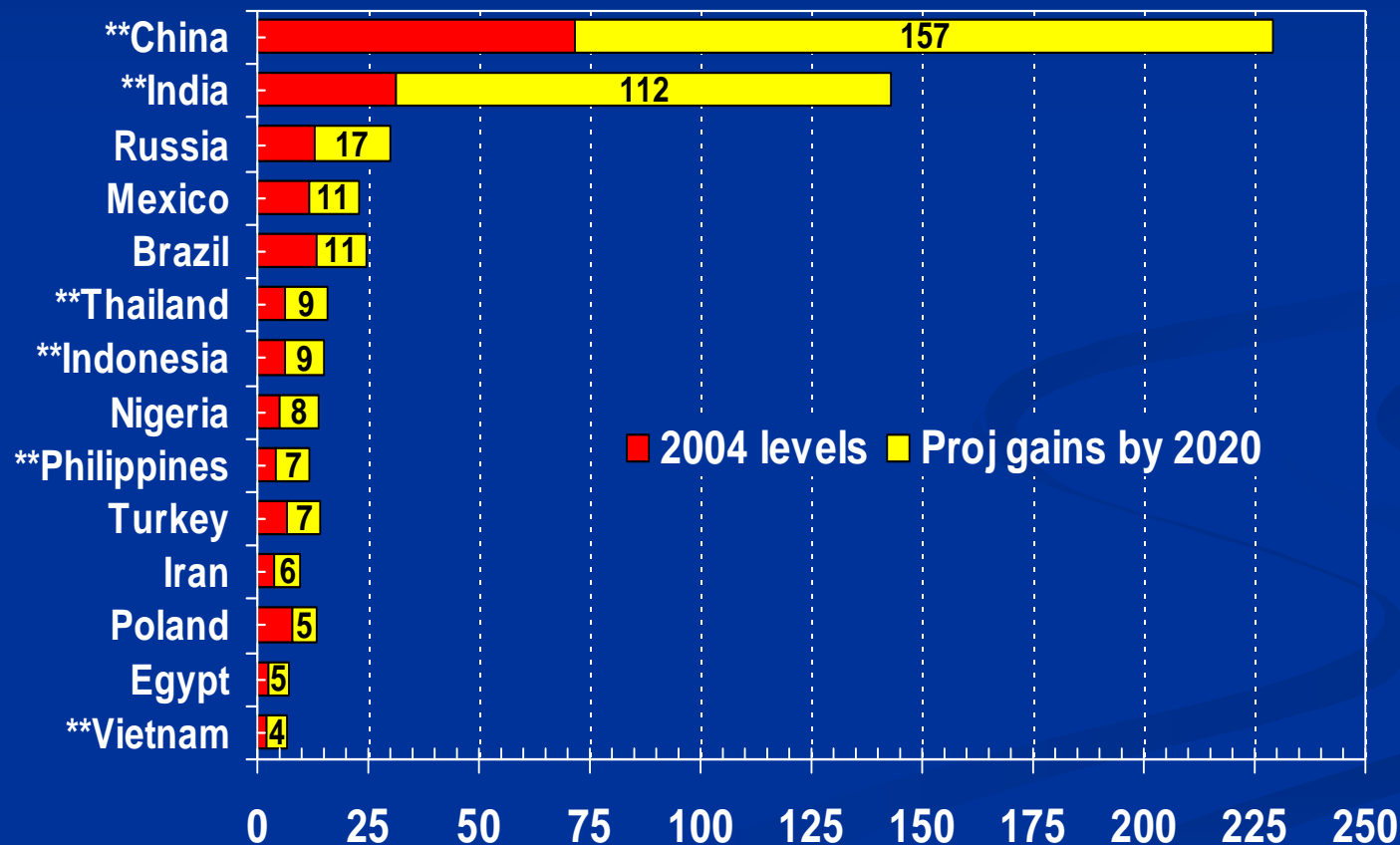
Emerging Markets Still Key to Global Demand Growth



Source: Global Insight

“Middle Class” Outside the U.S. Expected to Double By 2020 – supporting strong demand for commodities

Developing countries with fastest growing “middle class”



Source: Global Insight's Global Consumer Markets data as analyzed by OGA