



CAPI

*The Canadian Agri-Food
Policy Institute*



ICPA

*L'Institut canadien des
politiques agro-alimentaires*

Farmers and Global Forces in the Food Industry

Mary Anderson

International Forces and Trends



Key
Factors

- Demand for food products
- Production
- Distribution
- Trade
- Globalization impacts

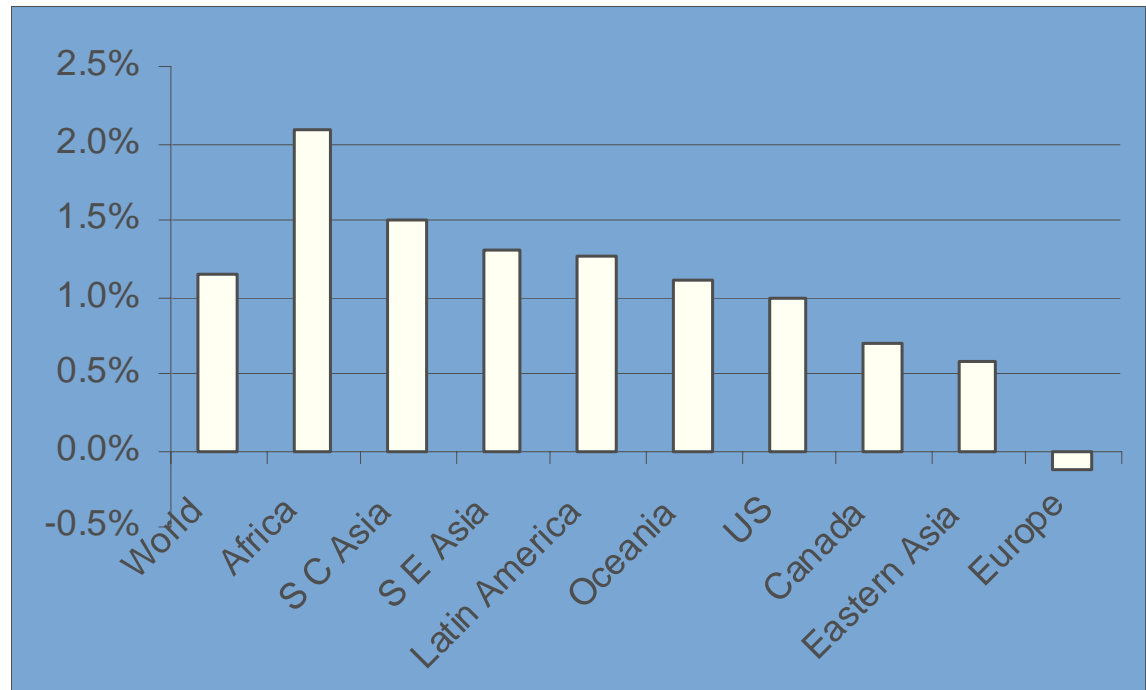
DEMAND

World population growth is slowing down

Africa and South Central Asia will have the largest population growth

Europe's population is expected to decrease in the next 15 years

Population Estimated Growth Rate 2000-2015



Source: Rabobank analysis based on UN data

DEMAND

Economic growth

Expected population and income growth. Selected countries

Most of the growth will come from developing economies

China:

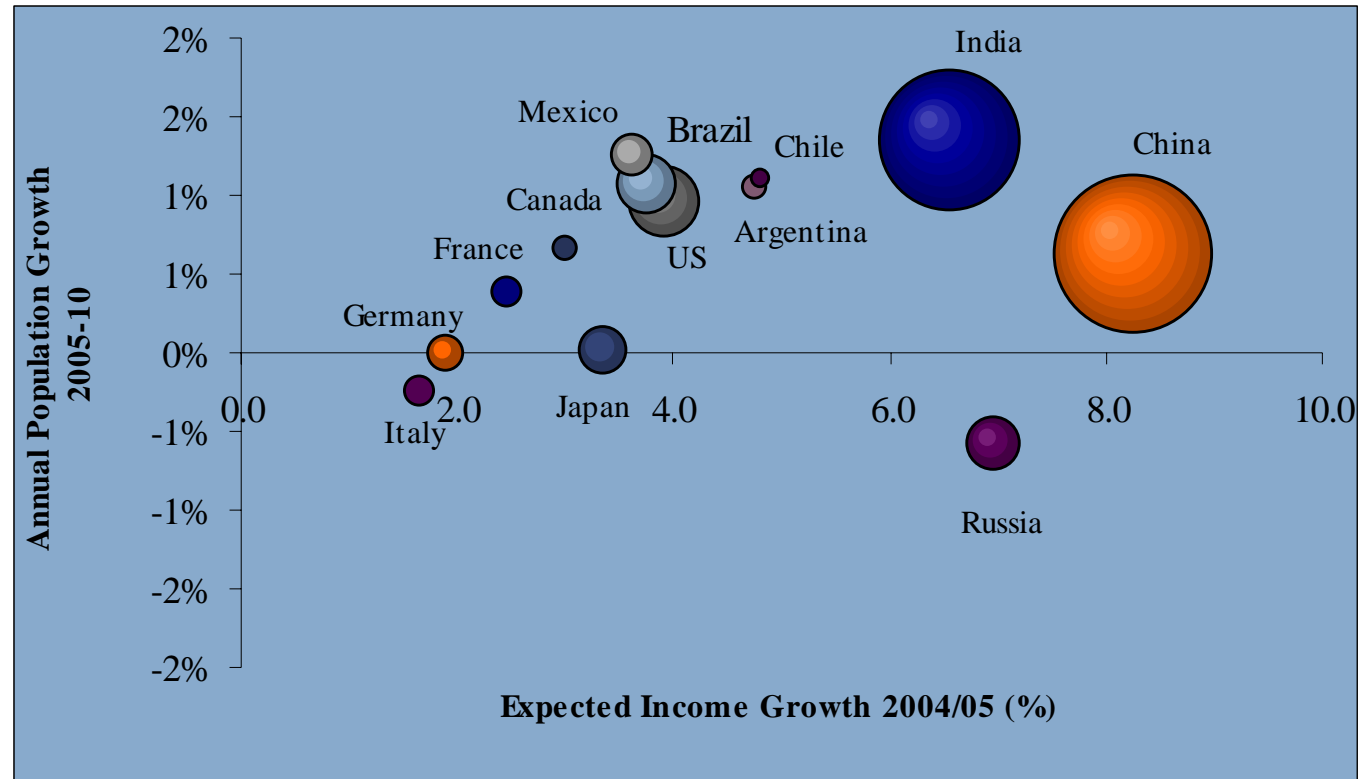
Income growth

India:

Population and income growth

Russia:

Increasing per capita income as result of high energy prices



Rabobank analysis base on UN-Population department and IMF data

DEMAND

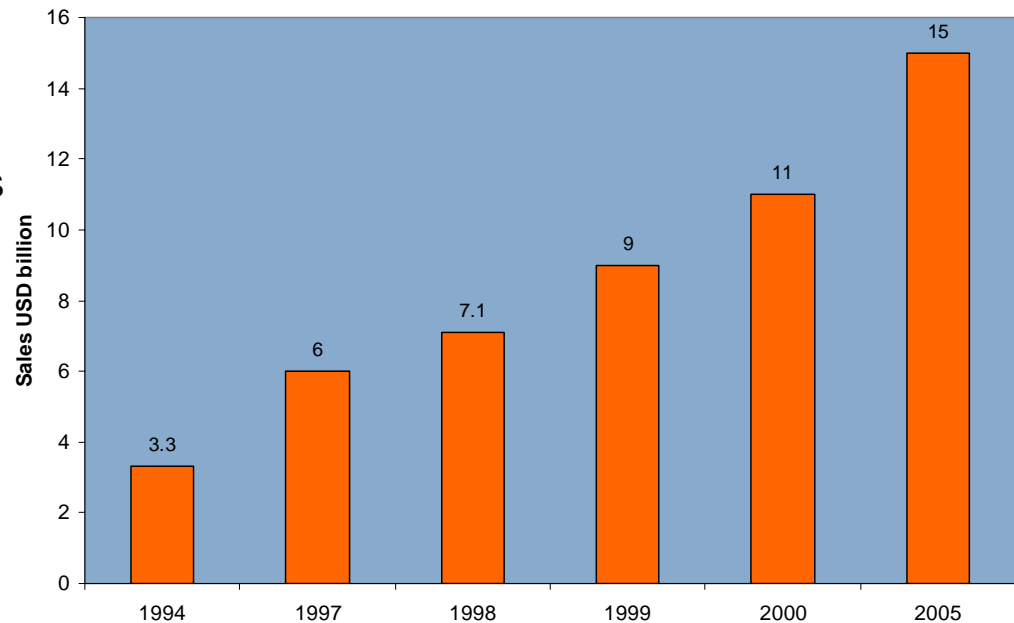
Higher income leads to convenience in developed economies...

US. Sales of fresh-cut produce

2005 EPIC report, 53% of Canadian dinners included prepared or semi-prepared items. In Canada, 70% of dinners eaten at home.

TRENDS

- Individual servings
- Functional foods and drinks
- Higher protein content



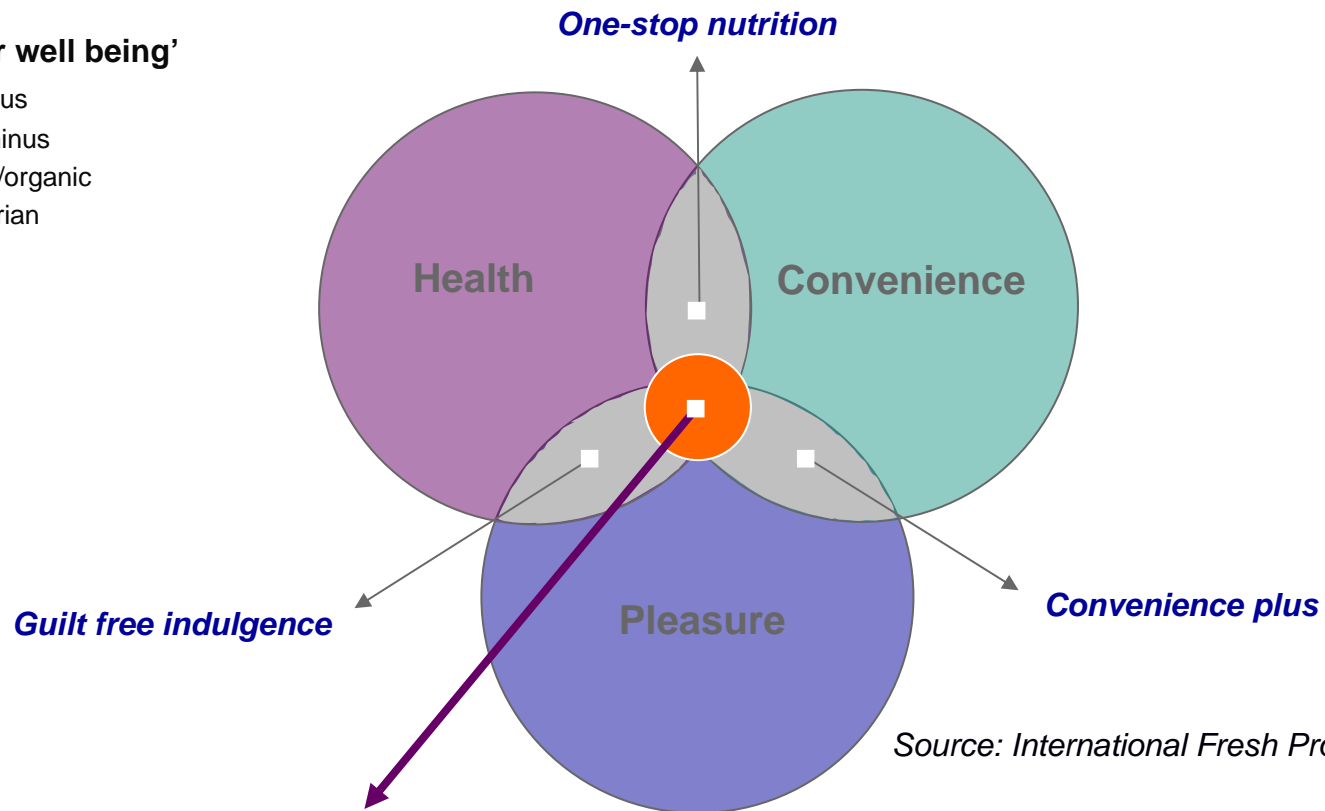
Source: International Fresh Produce Association

DEMAND

The interests of consumers in developed countries are evolving

'Consumer well being'

1. Food plus
2. Food minus
3. Natural/organic
4. Vegetarian



Source: International Fresh Produce Association

'The sensory experience'

1. Indulgent & premium
2. New flavours
3. Traditional

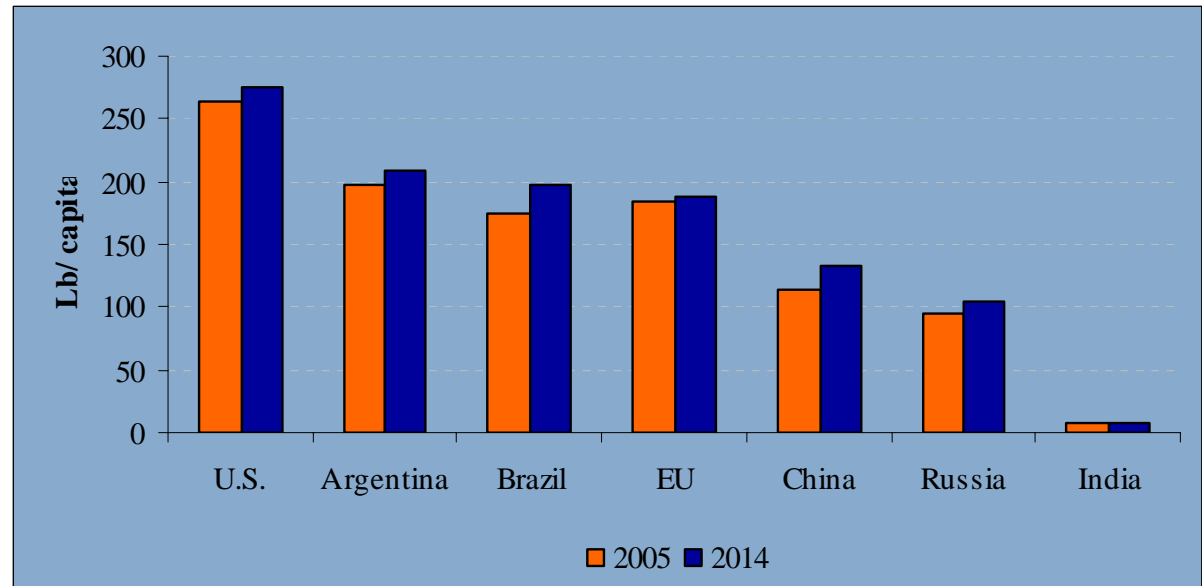
DEMAND

Developing countries will account for most of the demand for meats...

Projected evolution in meat consumption

Increase in income leads to substitution

- Staple food for animal protein
- Animal fat for vegetable oils



Source: FAPRI projection

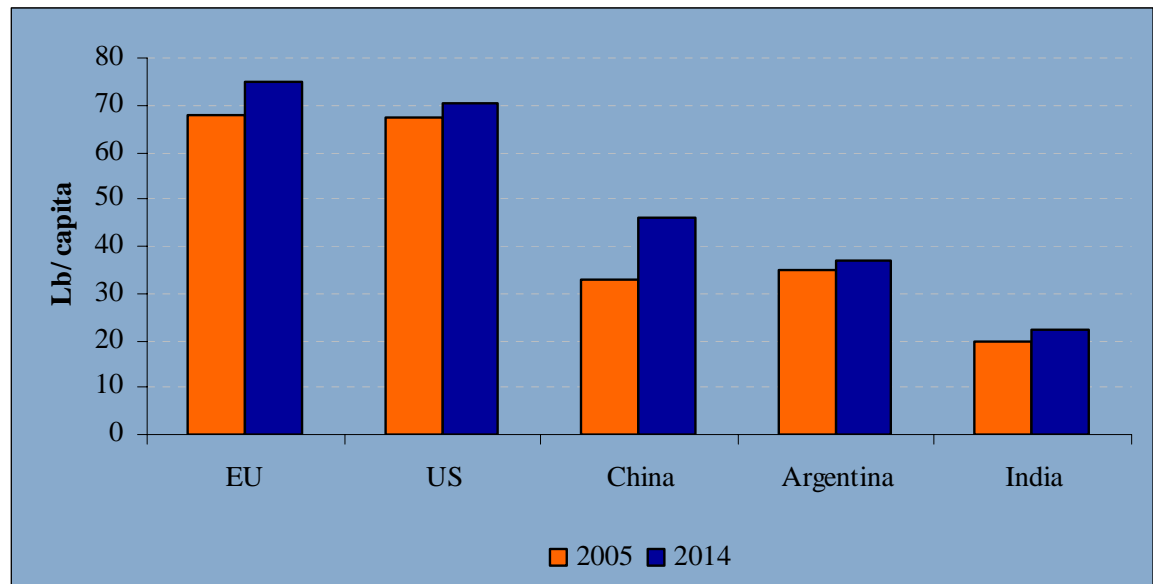
DEMAND

Developing countries will account for vegetable oils in most cases

Projected evolution in vegetable oil consumption

Consumption of vegetable oil

EU to grow faster than in the
U.S.

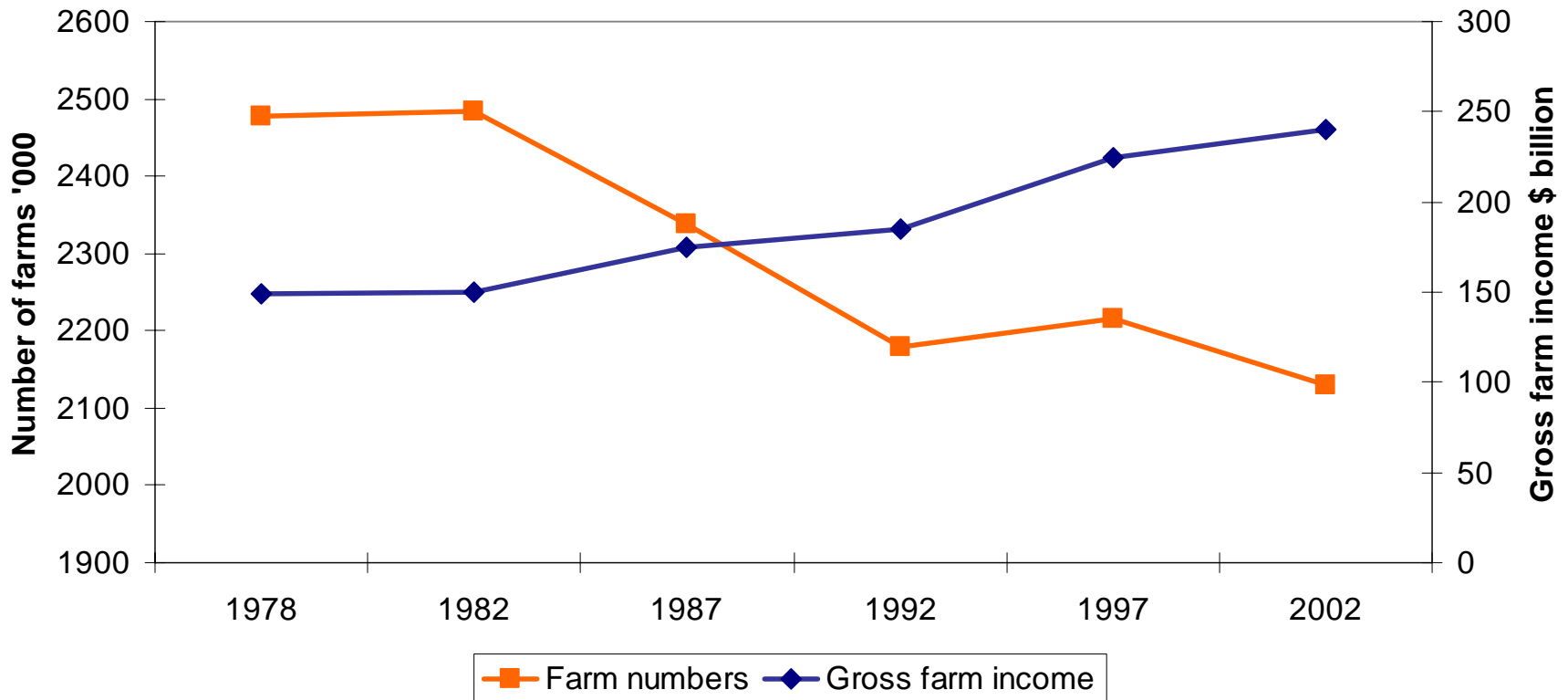


Source: FAPRI projection

PRODUCTION

Consolidation at a farm level is being seen all around the world

Farm numbers and Gross income 1978-2002



Source: Rabobank analysis based on US Census data

PRODUCTION

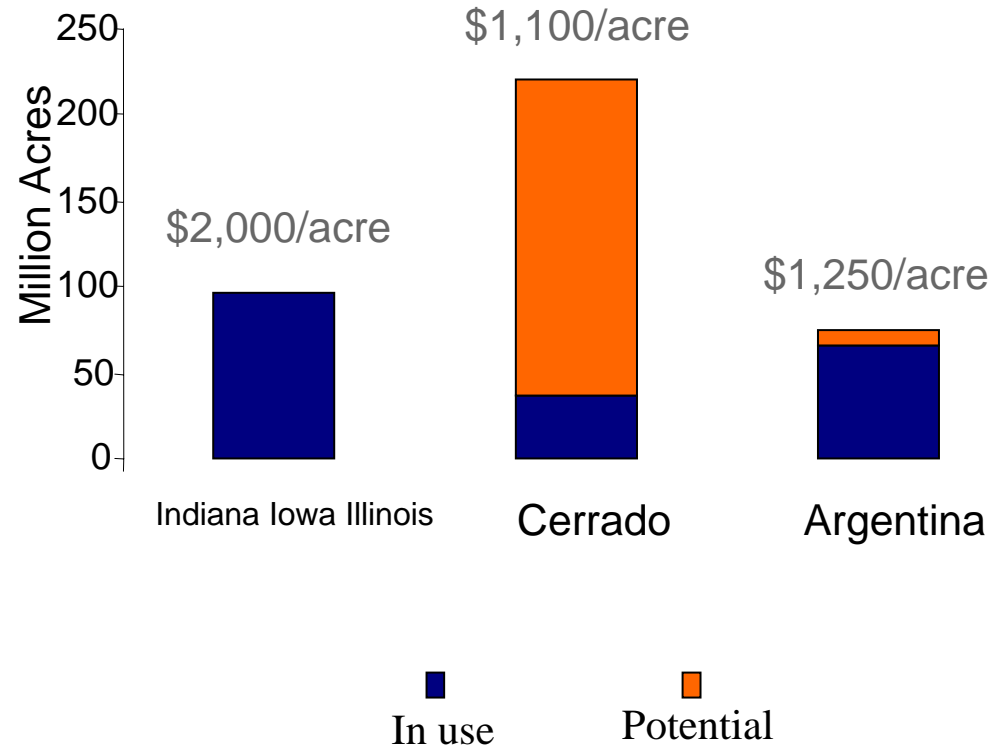
Use and potential of selected agricultural areas

Agricultural frontier land in Brazil can be purchased for less than USD 350 per acre

There are 220 M acres of potential area in the “Cerrado”

Indiana, Iowa and Illinois have a total area of 96 M acres

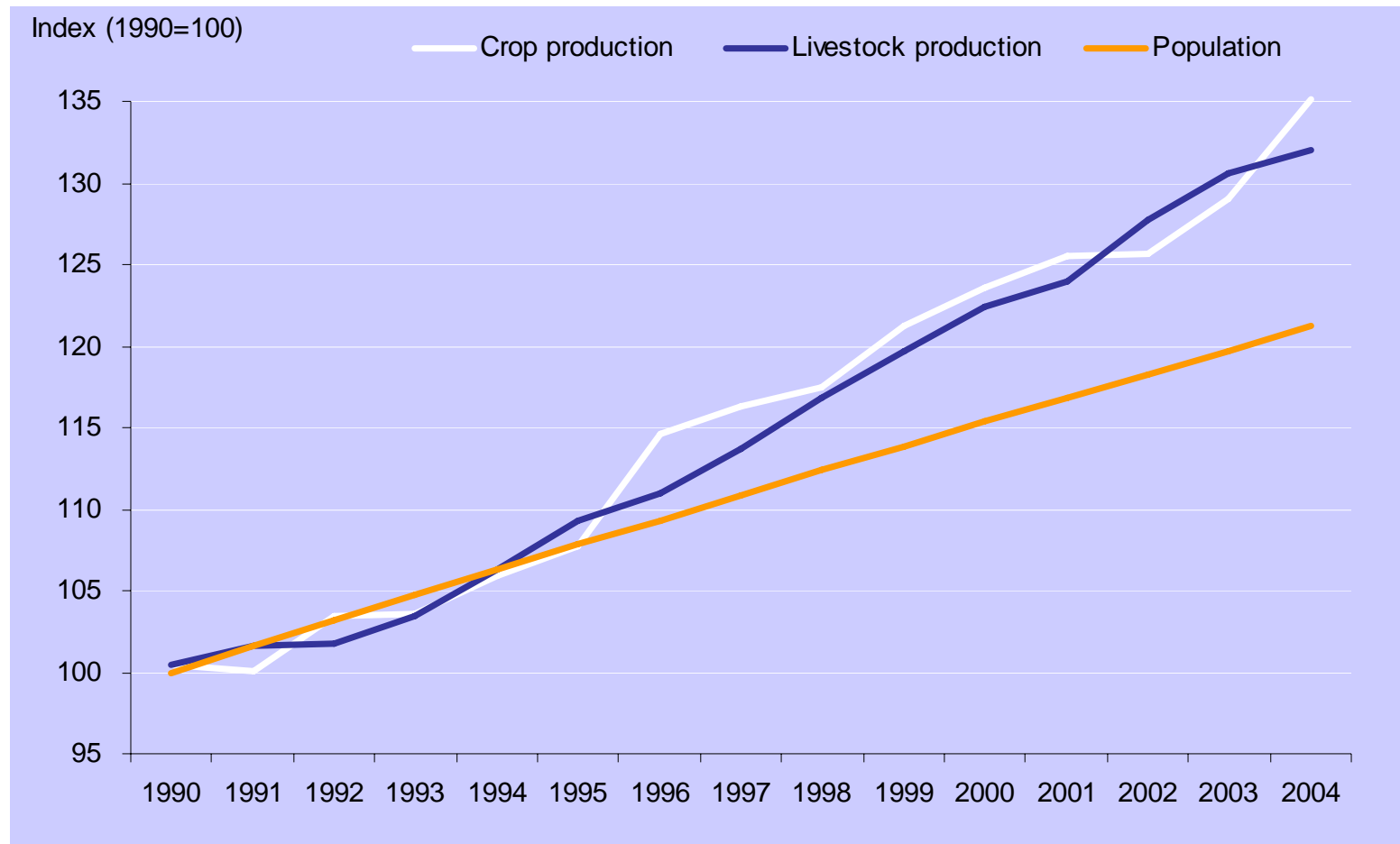
Infrastructure is however a limiting factor



Source: Rabobank analysis based on US Census data

PRODUCTION

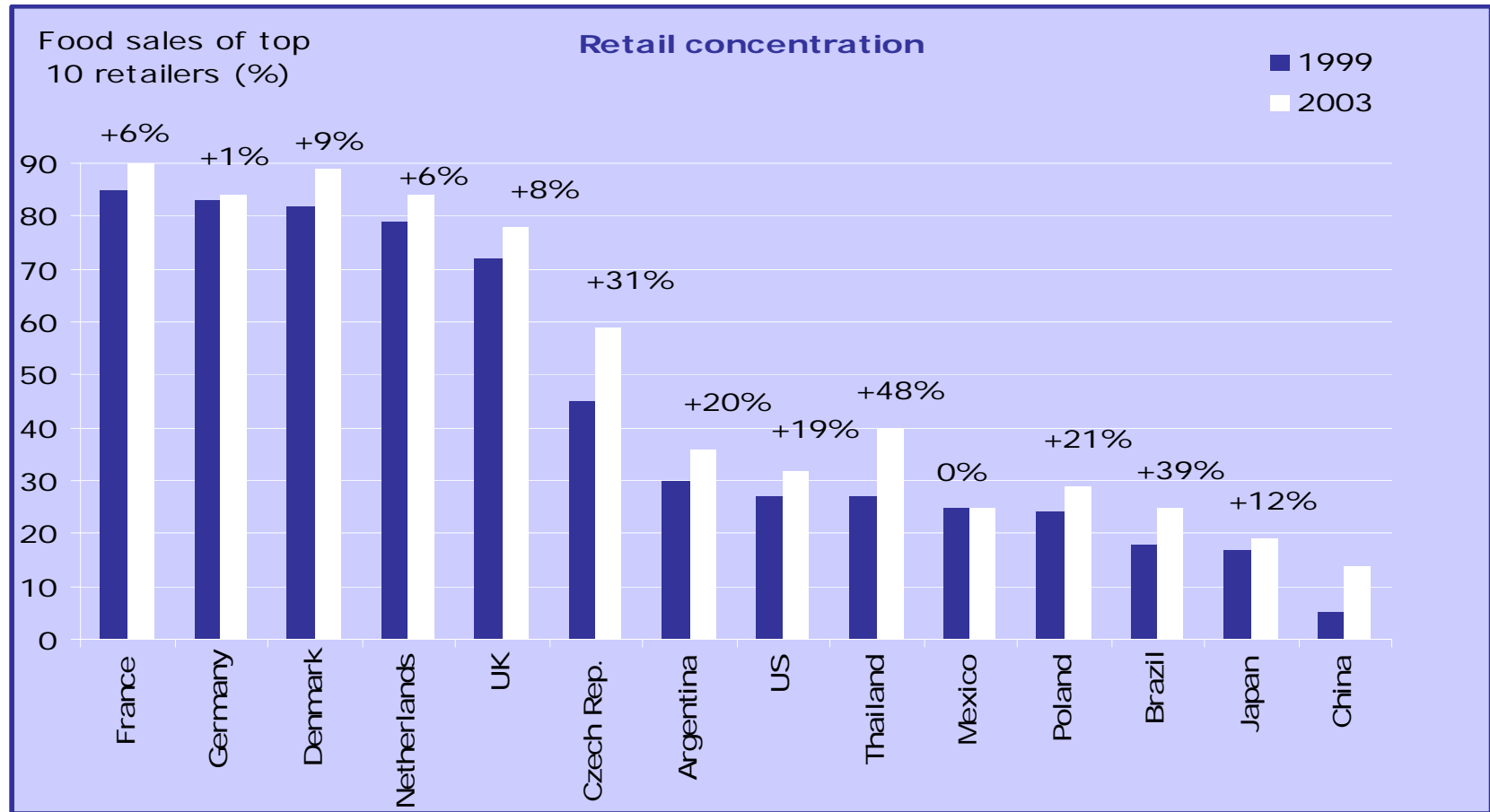
Agricultural production keeps up with population growth



Source: FAO, 2005.

DISTRIBUTION

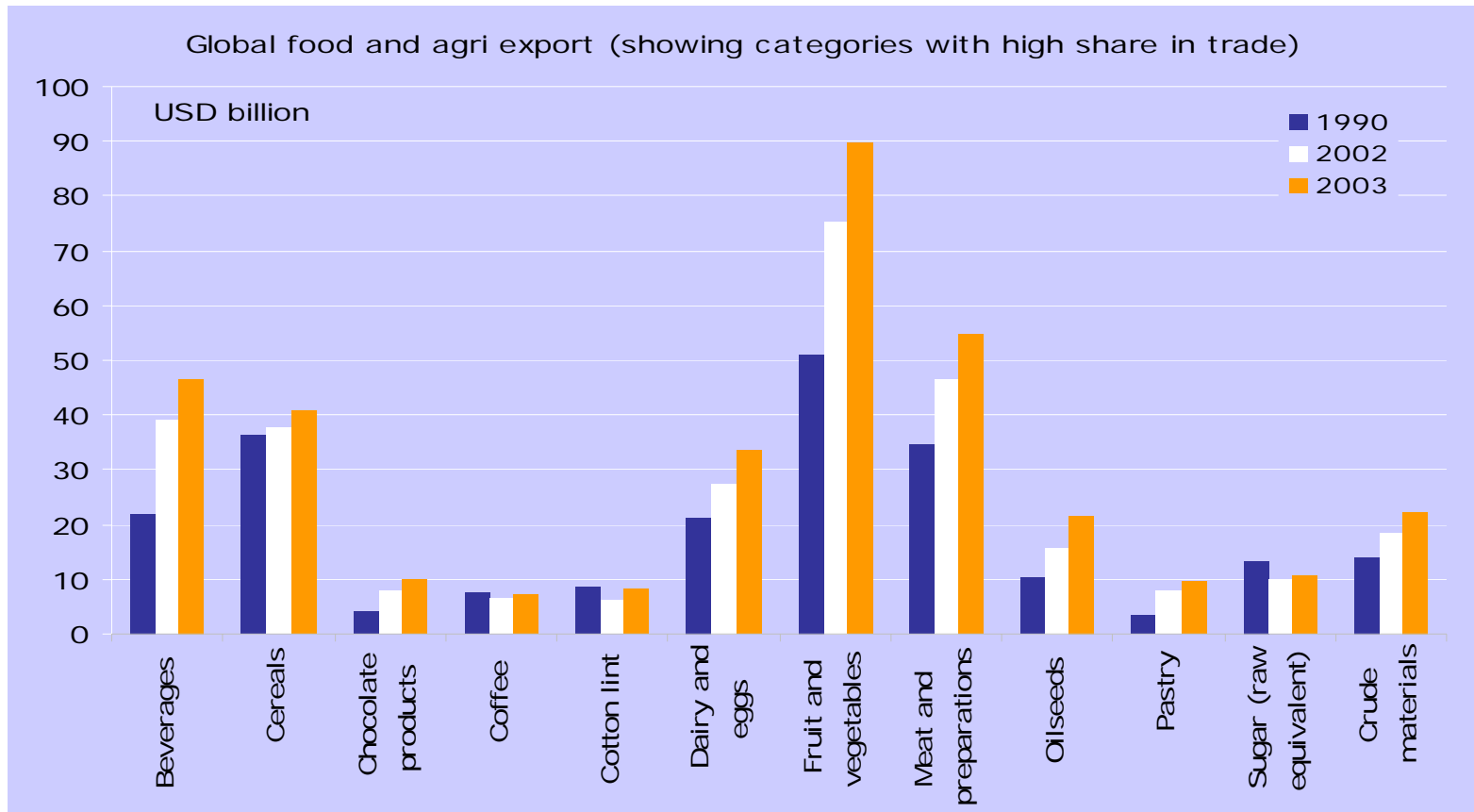
Power of organised retail is growing...



Source: M+M Planet Retail, 2004

TRADE

Developments in production are reflected in trade



Source: FAO, 2005.

TRADE

Policies Affecting Trade

Declining in subsidies are more a consequence of the need to find fiscal balance

Allocation of quotas and barriers depending on political interests US imposition of quotas for cotton from China and sugar from Australia

Non-Tariff Barriers

Trade negotiations

WTO negotiations complex and slow

Bilateral trade agreements replacing WTO negotiations – gone from 15 to 187 trade agreements over last 15 years

Permits trade agreements that would conflict with WTO guidelines

Could be more protectionist and therefore harder to develop markets

GLOBALIZATION

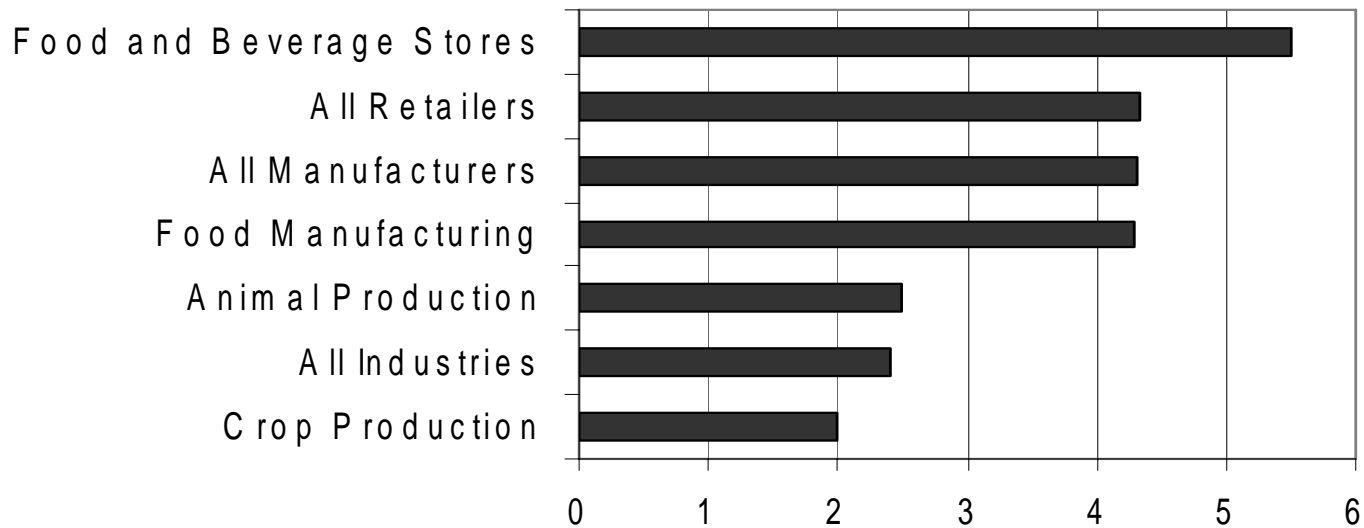
Cost Comparisons USD/Bushel

Corn Cost Structure in selected countries	(USD/Bushel)		
	US	Brazil	Argentina
Land Rental	0.92	0.57	0.57
Labor & machinery	0.49	0.59	0.66
Seeds	0.17	0.27	0.28
Chemicals	0.22	0.32	0.14
Fertilizer, lime and gypsum	0.43	0.88	0.20
Total ex-farm	2.22	2.63	1.85
Domestic freight	0.43	0.74	0.68
Port costs	0.05	0.18	0.08
Ocean freights	1.07	1.40	1.40
Total Cif-Rott.	3.77	4.95	4.00
Expected yield (Bushels/acre)	180	99	112

2004-05 Soybean Cost Structure in selected countries	(USD/Bushel)		
	US	Brazil	Argentina
Land Rental	3.67	0.85	1.59
Labor & machinery	0.75	1.11	1.32
Seeds	0.83	0.41	0.18
Chemicals	0.64	1.34	0.42
Fertilizer, lime and gypsum	0.58	1.17	0.16
Total ex-farm	6.47	4.87	3.67
Domestic freight	0.46	1.03	0.56
Port costs	0.05	0.19	0.08
Ocean freights	1.14	1.50	1.50
Total Cif-Rott.	8.13	7.58	5.80
Expected yield (Bushels/acre)	45	46	40

GLOBALIZATION

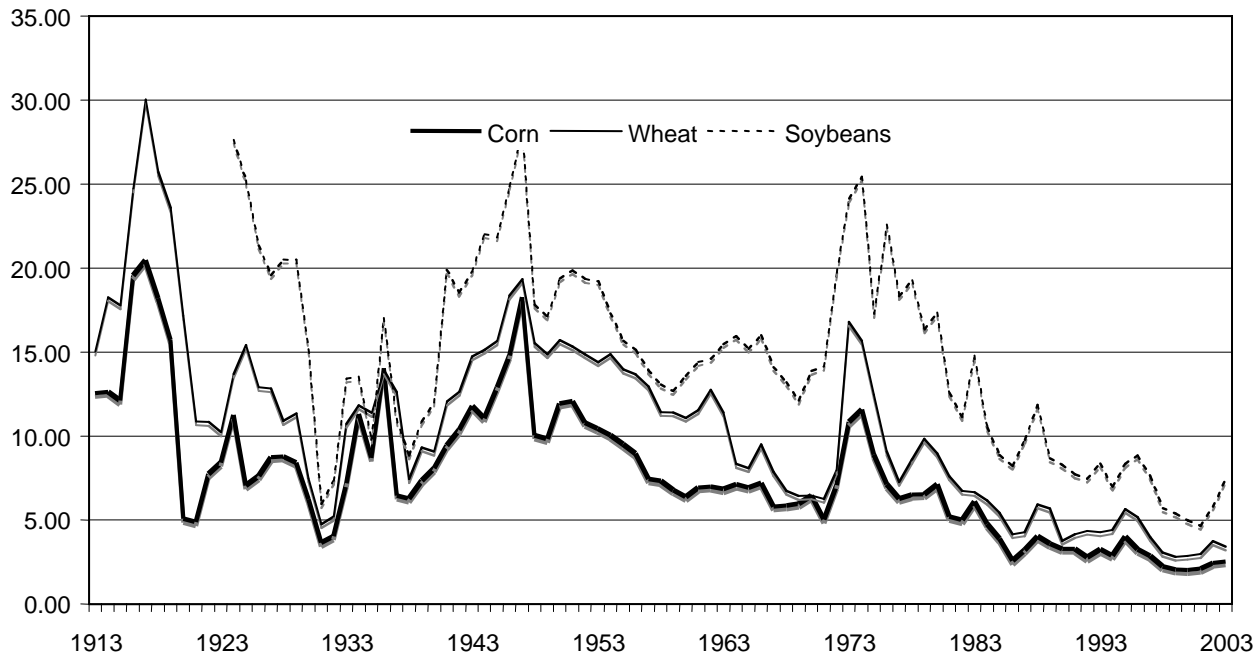
Return on assets, per cent, 1999-2004 average



GLOBALIZATION

Supply Increases exceed Demand Increases

U.S. Real Prices (\$2004) for Wheat, Corn, and Soybeans, 1913-2004.



International Forces and Treerius

Conclusions

Globalization is affecting farm incomes particularly in commodity products

- ✓ Move into niche markets with higher value added product or a competitive advantage
- ✓ Improve farm management
- ✓ Promote food chain integration
- ✓ Enhance effective Government actions
- ✓ Improve visibility for health, food safety and environmental sustainability.