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# Global Implications of Prices on International Agricultural Trade & Policies

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# Crossroads

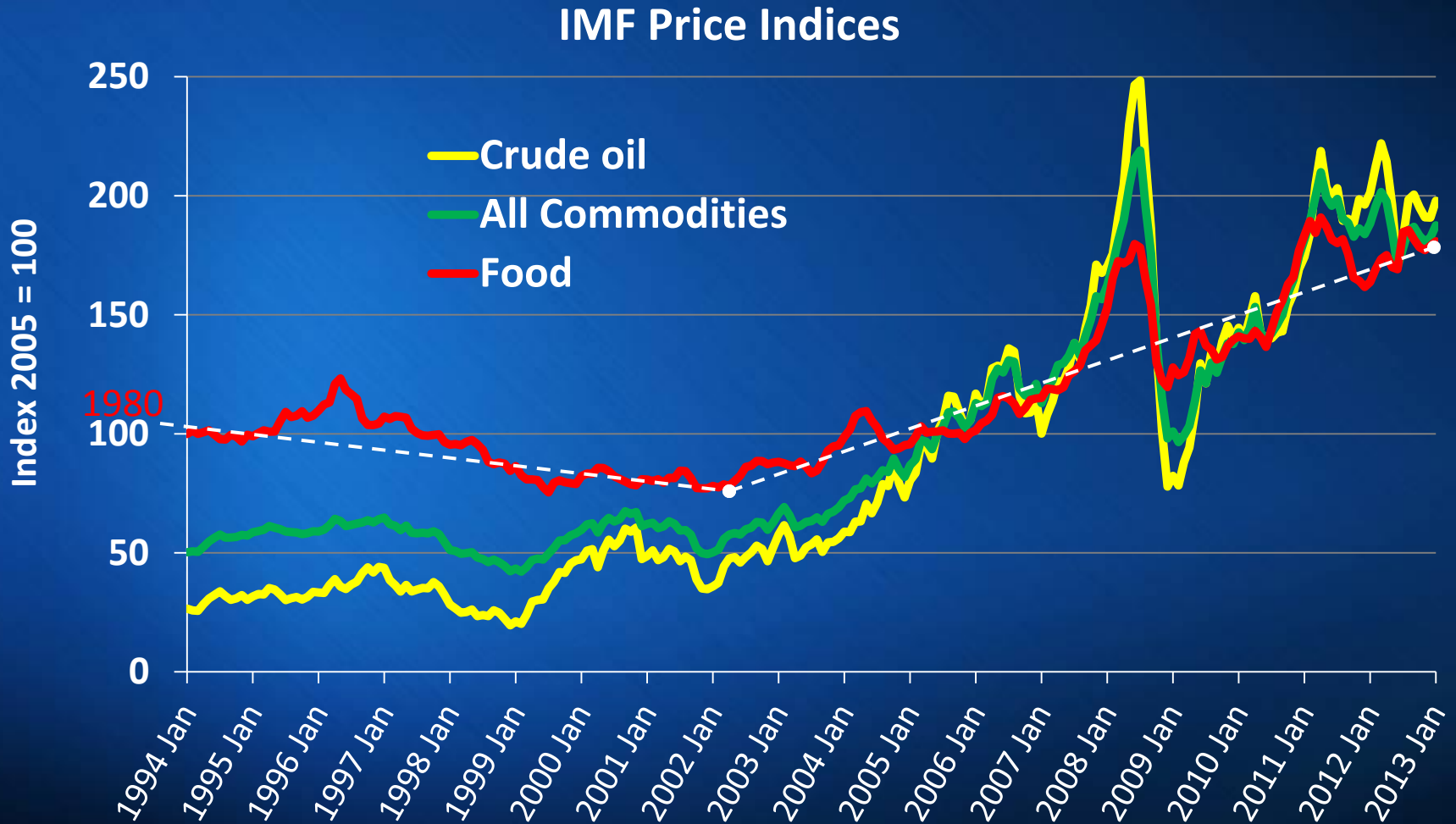
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- Is the run of increasing food prices over?
- Will food prices diverge from oil prices?
- What does the future hold for global food demand?

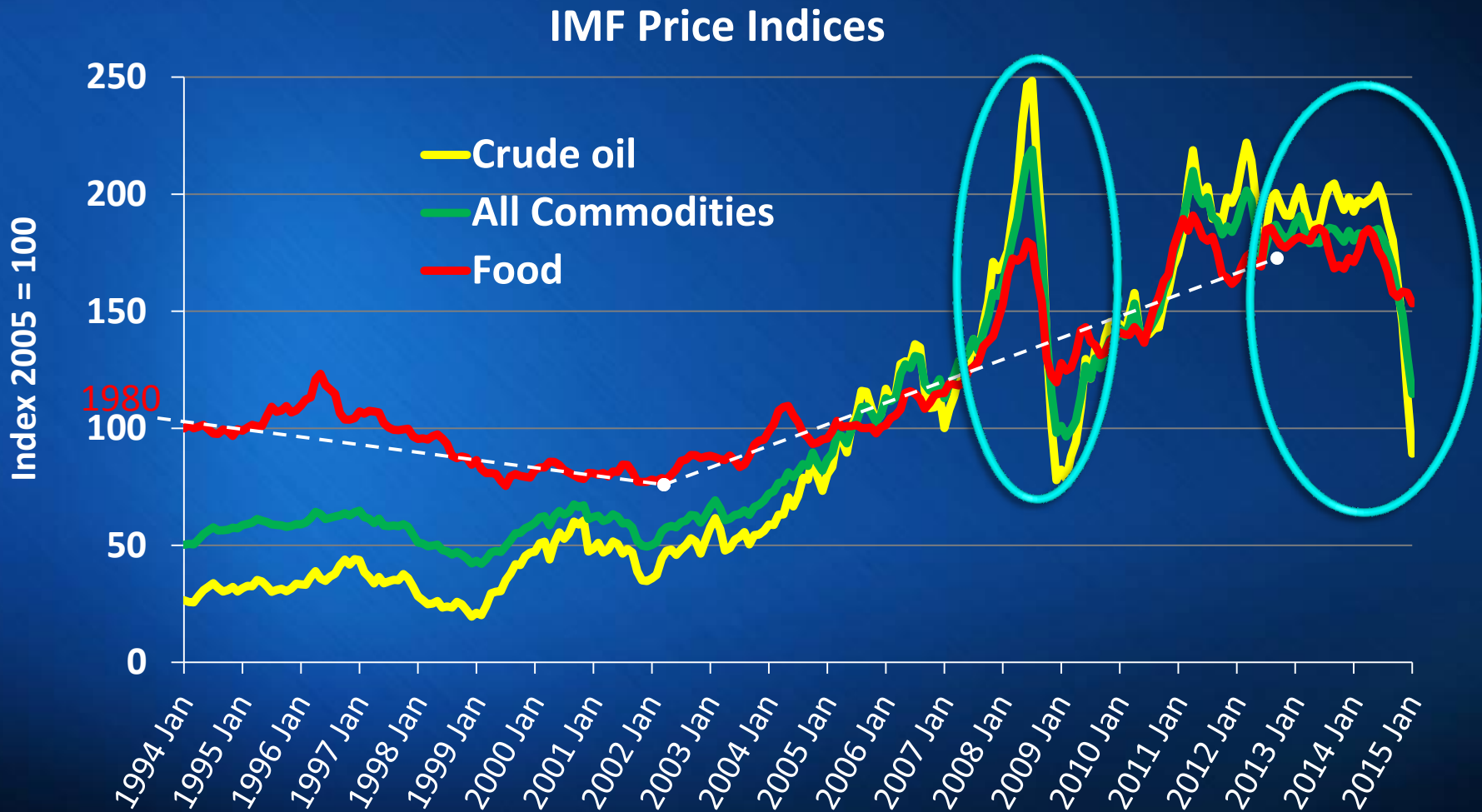


# Food Price Index Reverses Trend

Energy, Commodity, and Food Prices Become More Closely Correlated

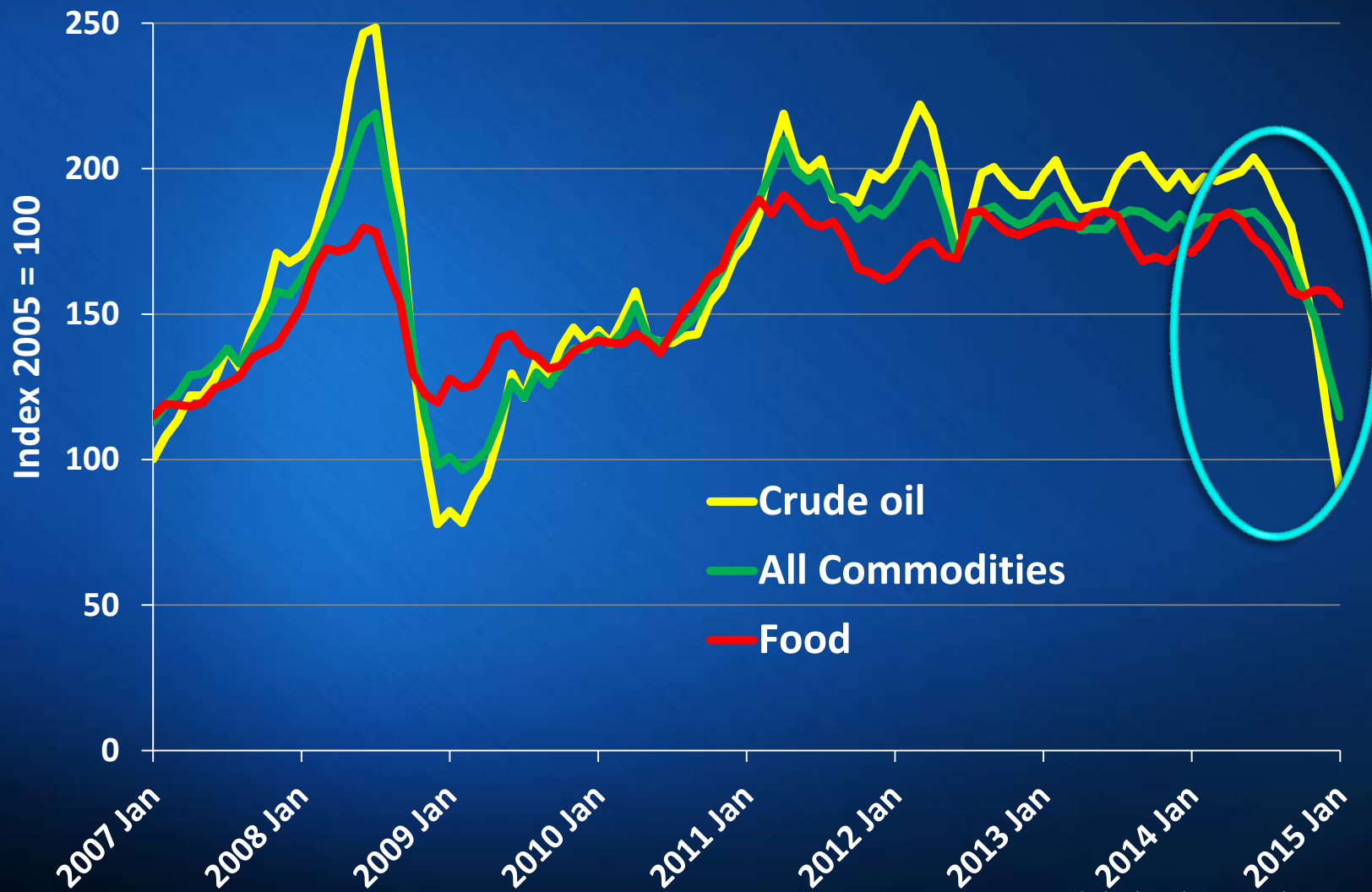


# Commodity Price Crossroad? Energy and Food Prices Becoming Less Correlated?

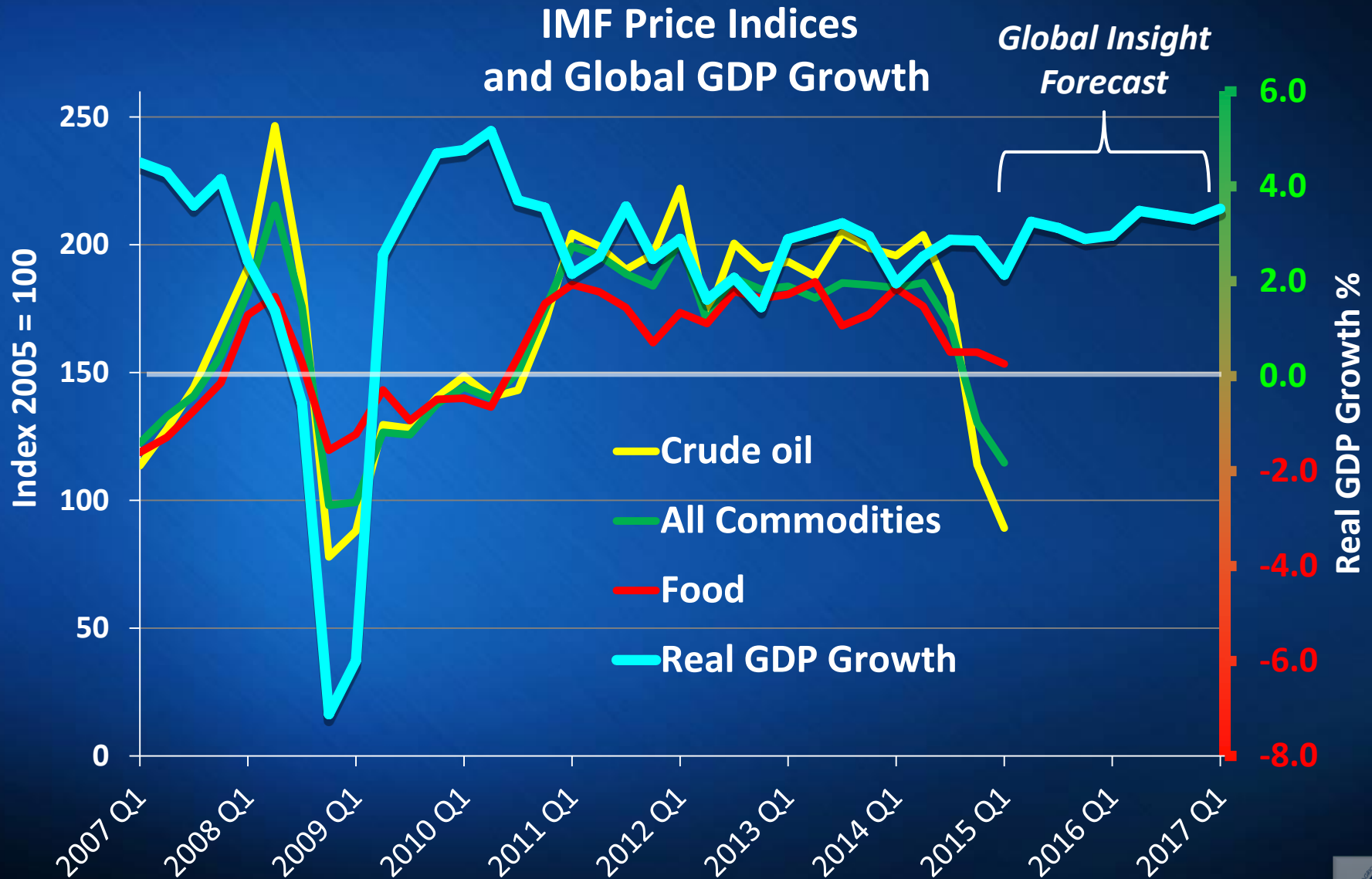


# Current drop in commodities prices is not demand driven

## IMF Price Indices



# Global GDP Growth Will Boost Food Demand

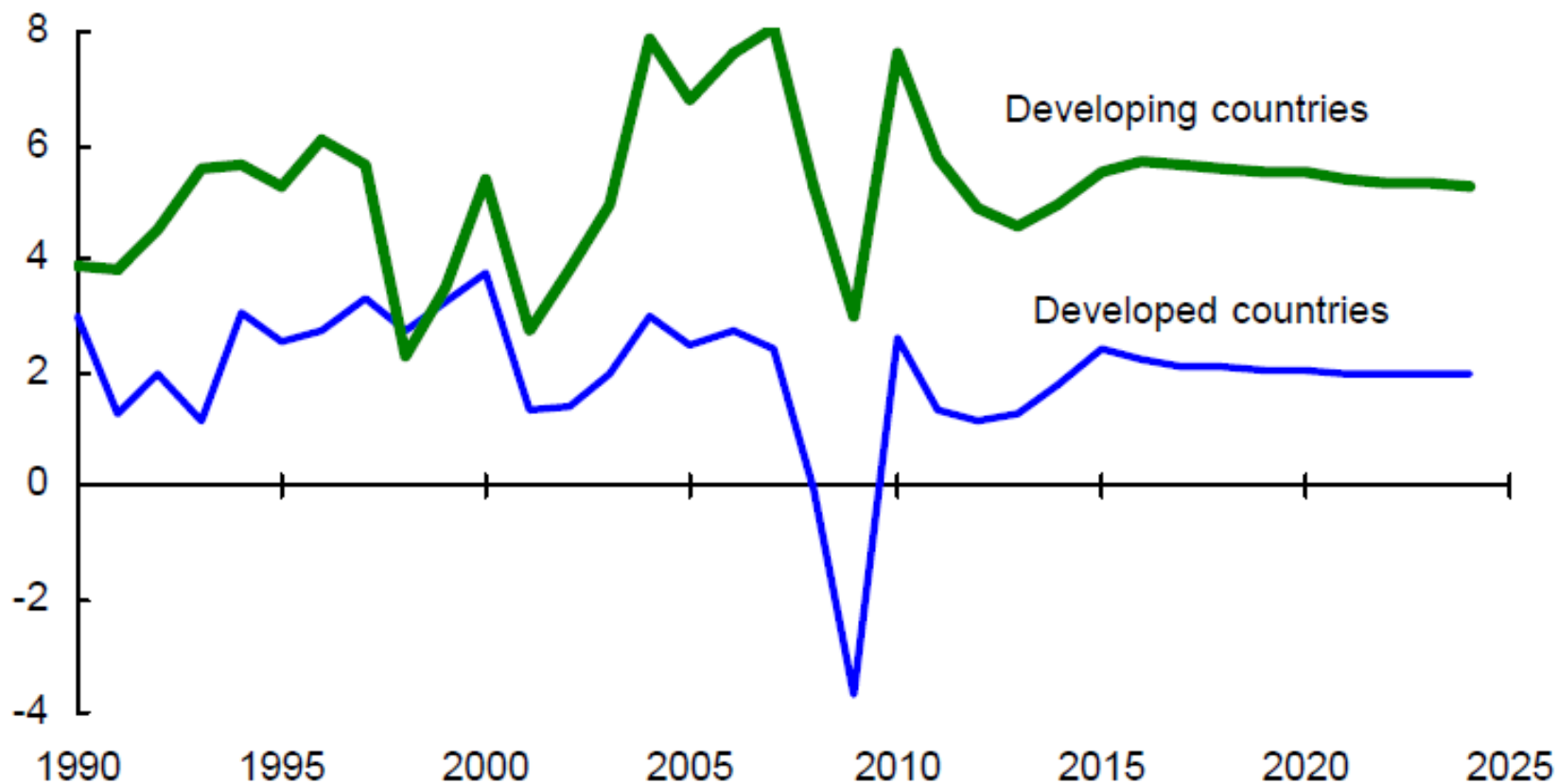




# Developing Country GDP Growth to Lead Food Demand

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

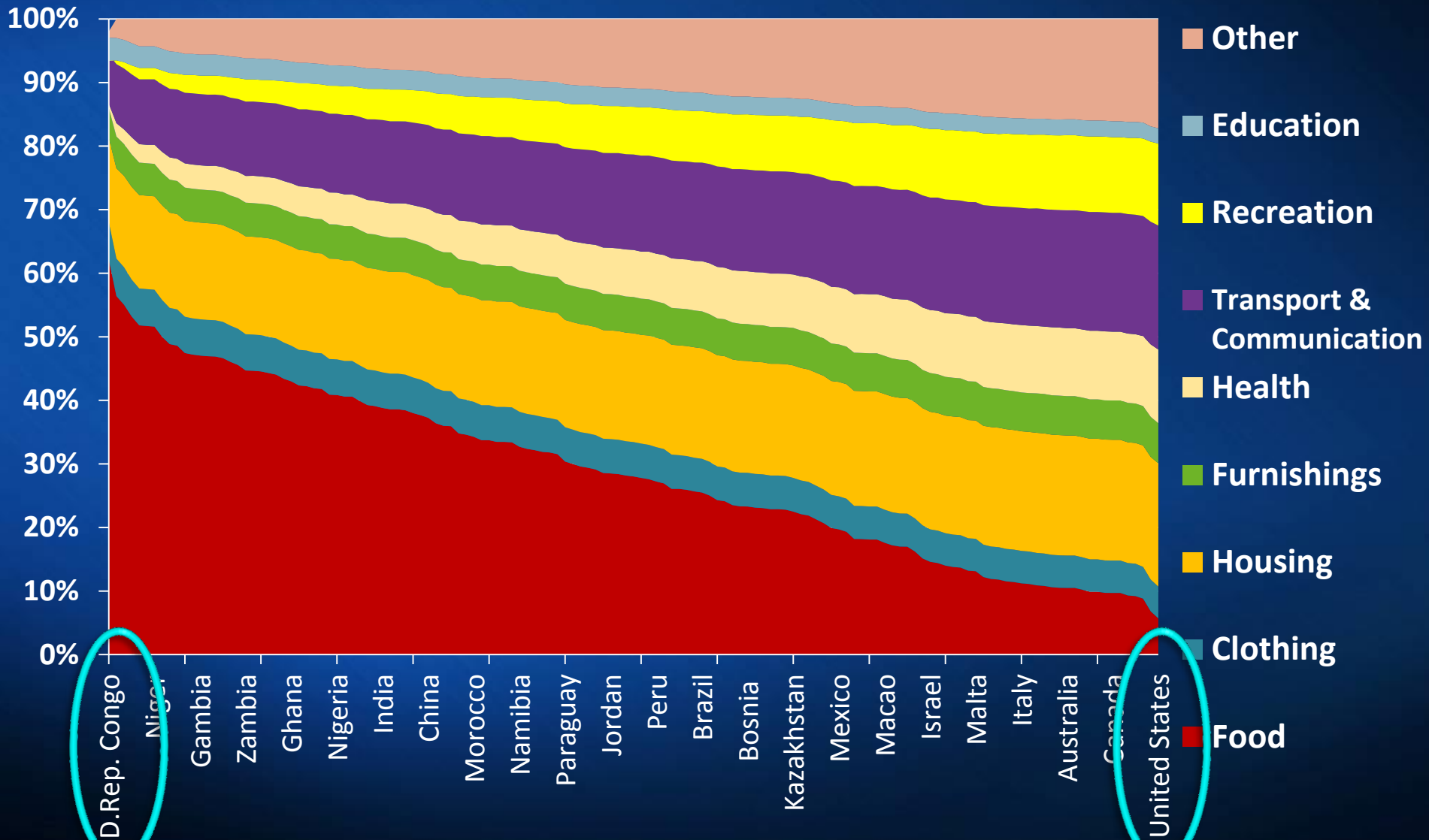
Percent





# 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*

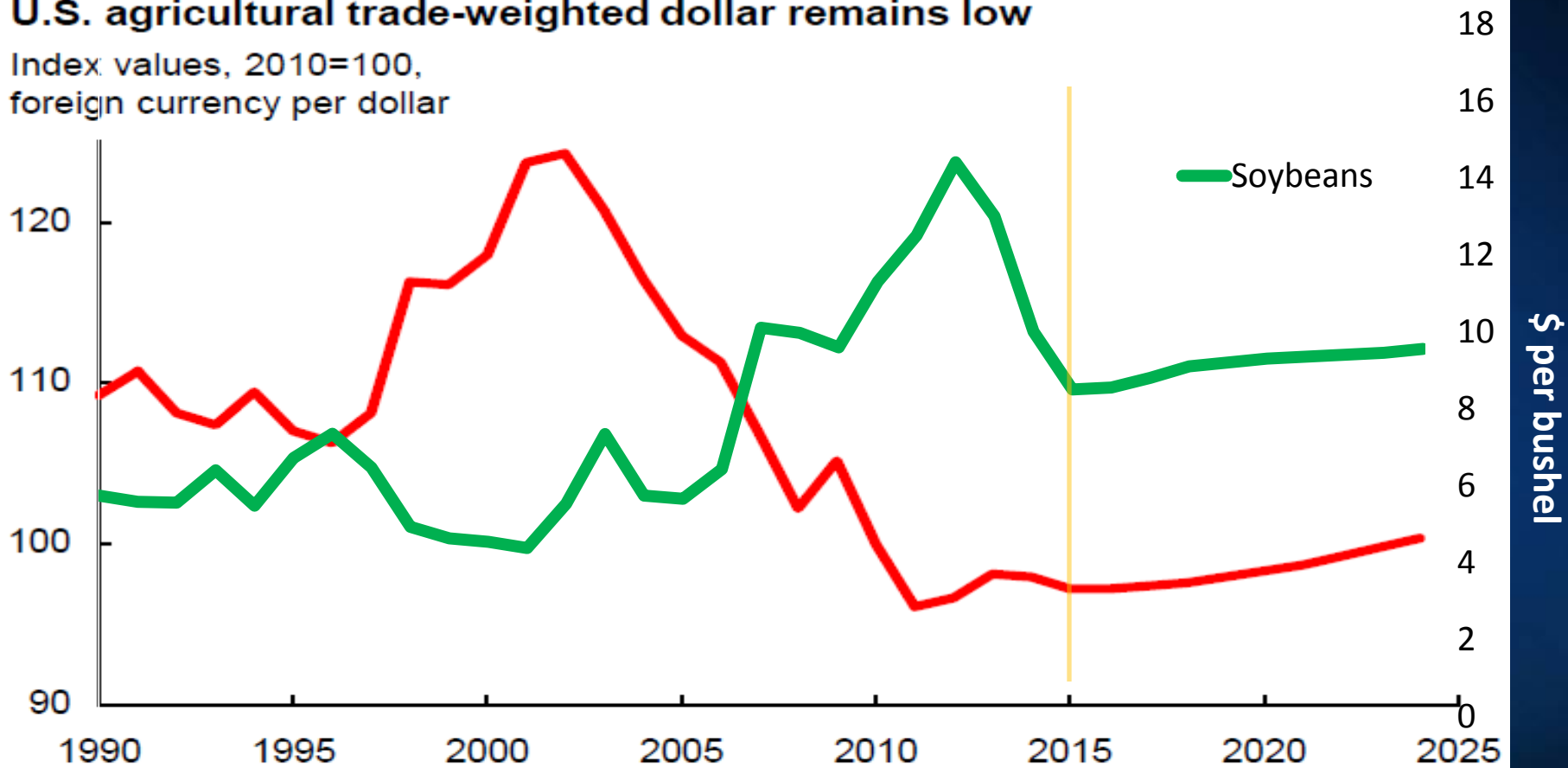


Source: USDA, Economic Research Service using International Comparison Program 2005 data.

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

## U.S. agricultural trade-weighted dollar remains low

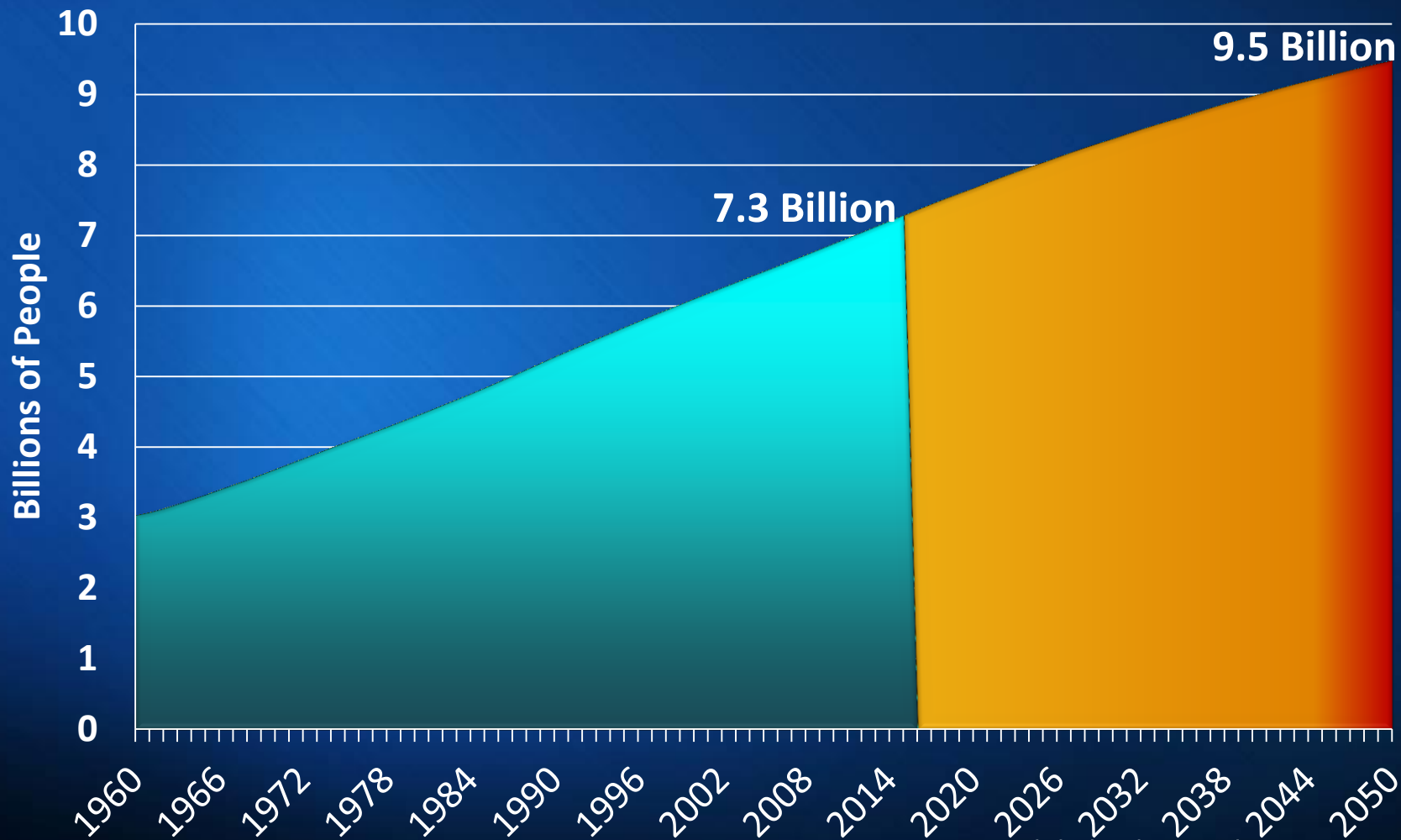
Index values, 2010=100,  
foreign currency per dollar



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

# Global Population Expanding at a Declining Rate

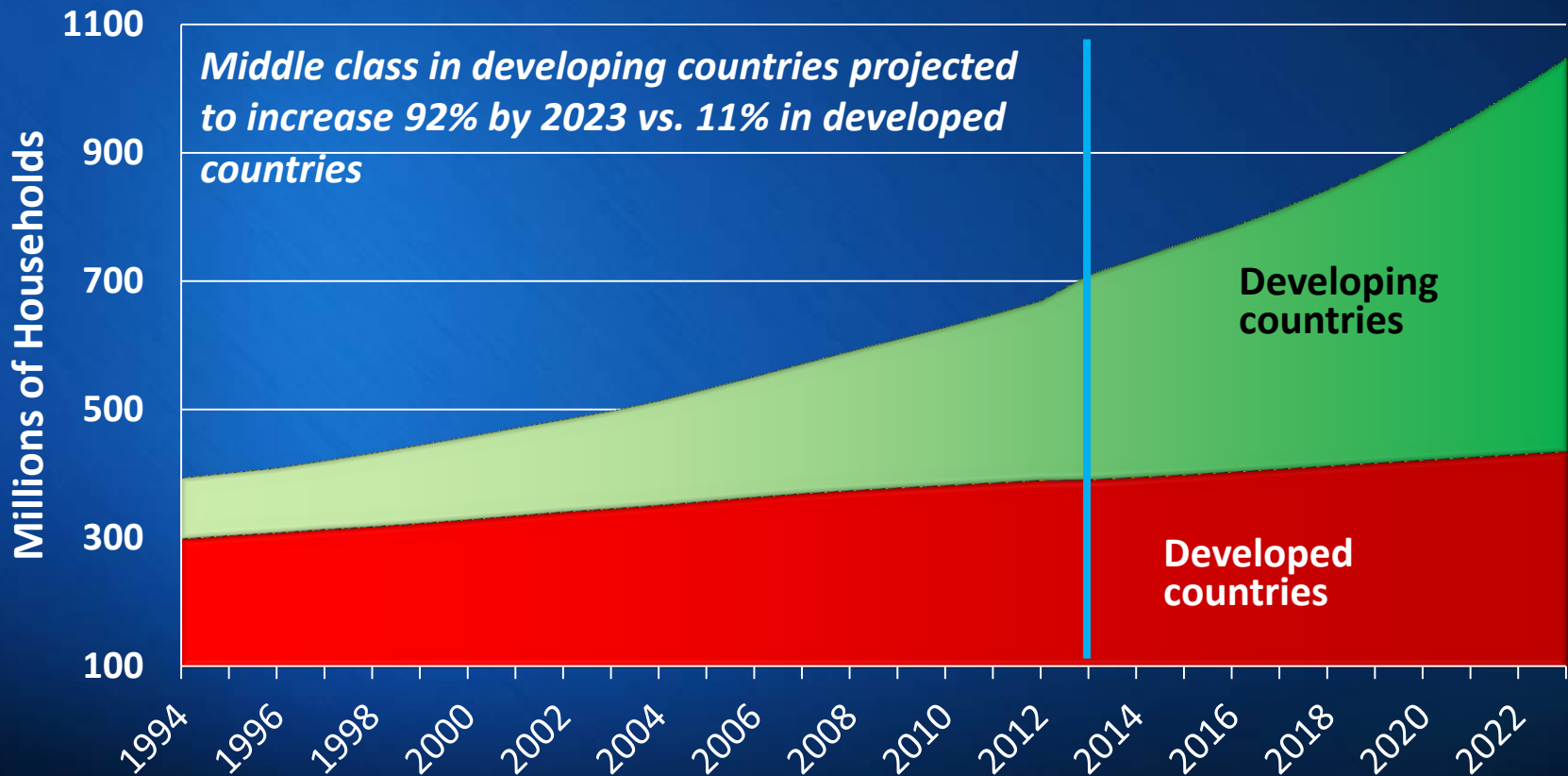
*Population set to grow about 63 million people per year  
(pop. of the United Kingdom)*



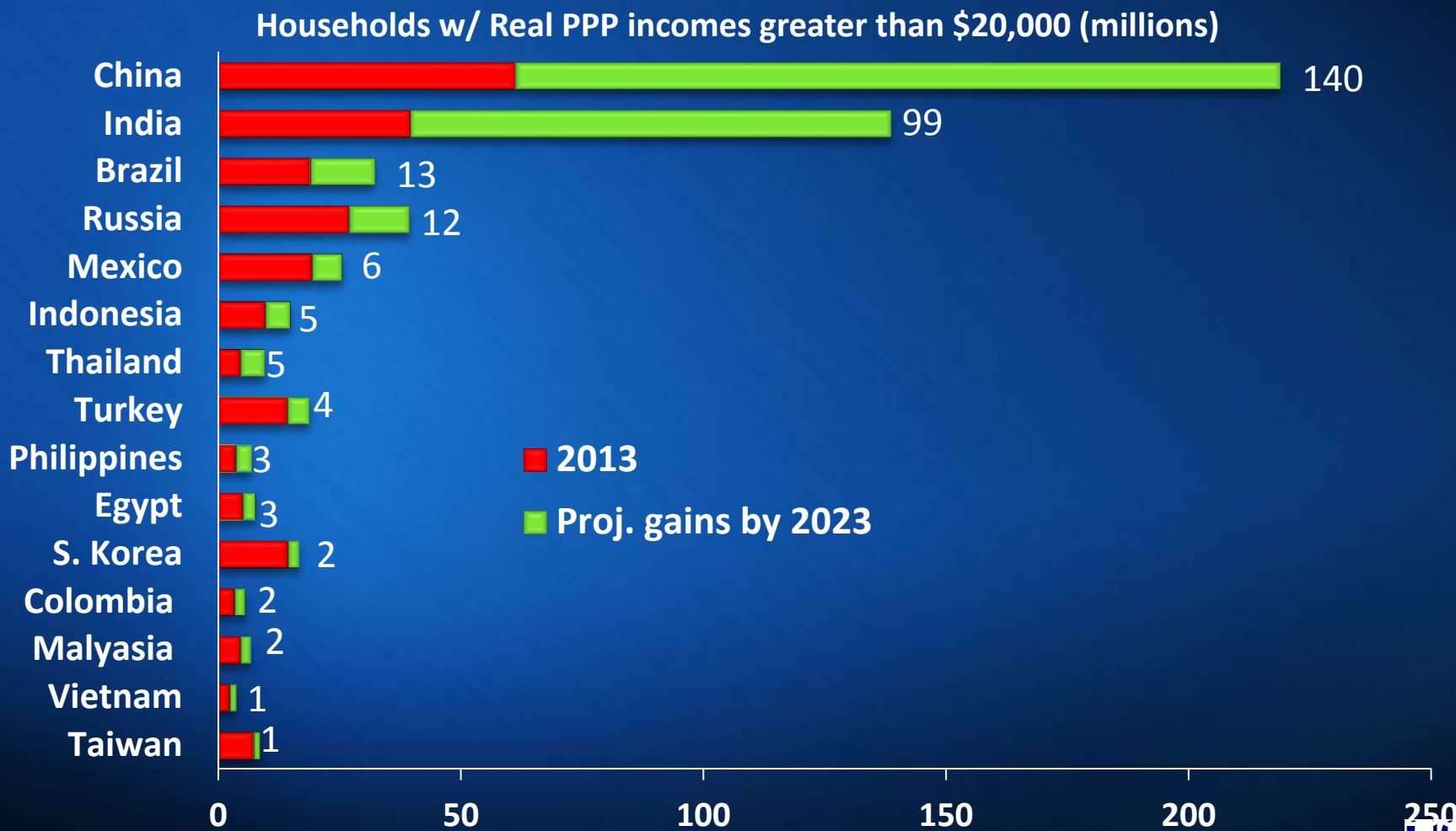
# Global “Middle Class” is Expected to Exceed 1 Billion Households by 2023

*Most of the increase will be in developing countries*

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

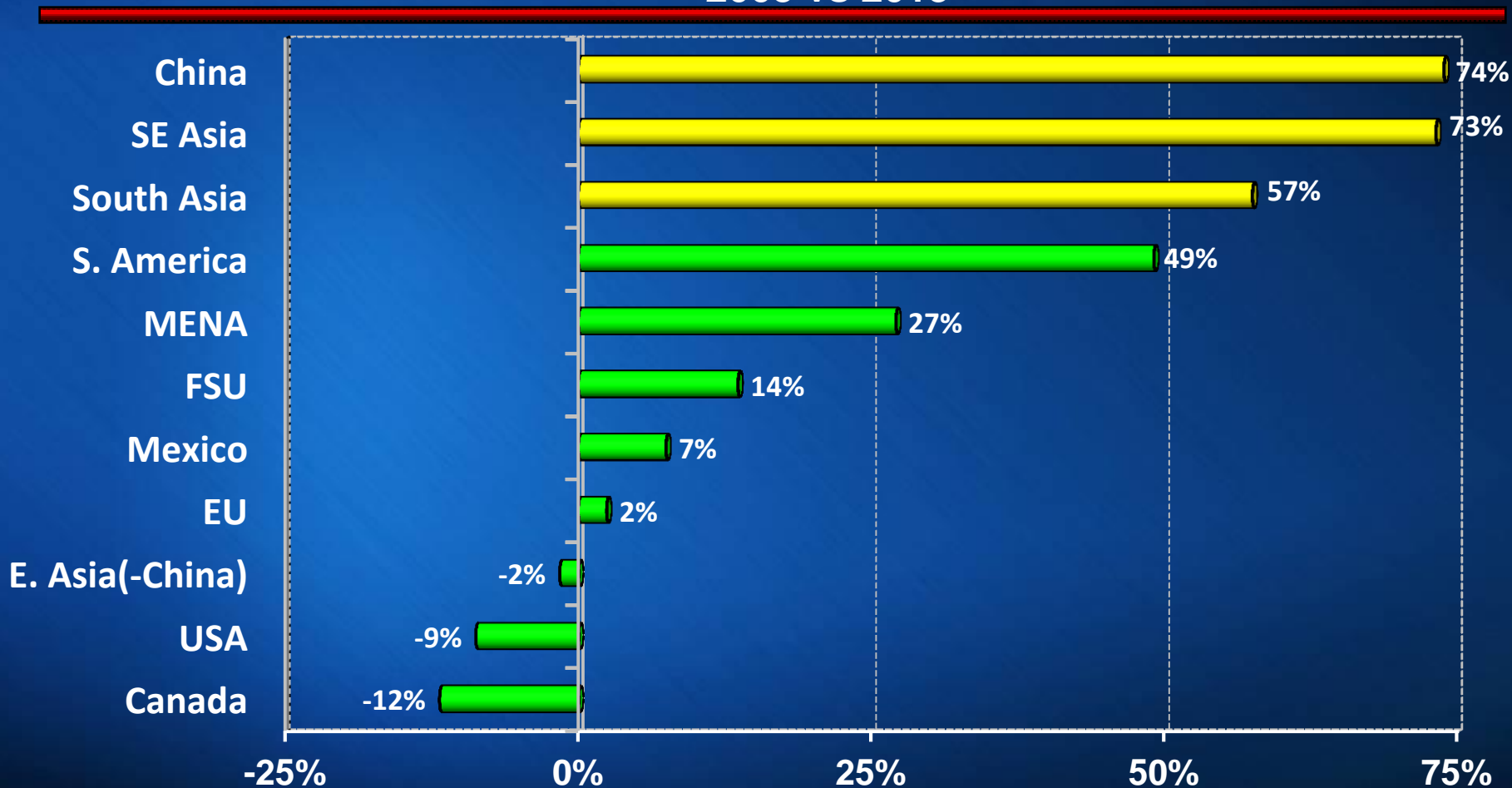


# “Middle Class” in Developing Countries to Exceed 600 Million Households by 2023 Led by China and India



# Increased Protein Consumption Leads to Rising Feed Demand

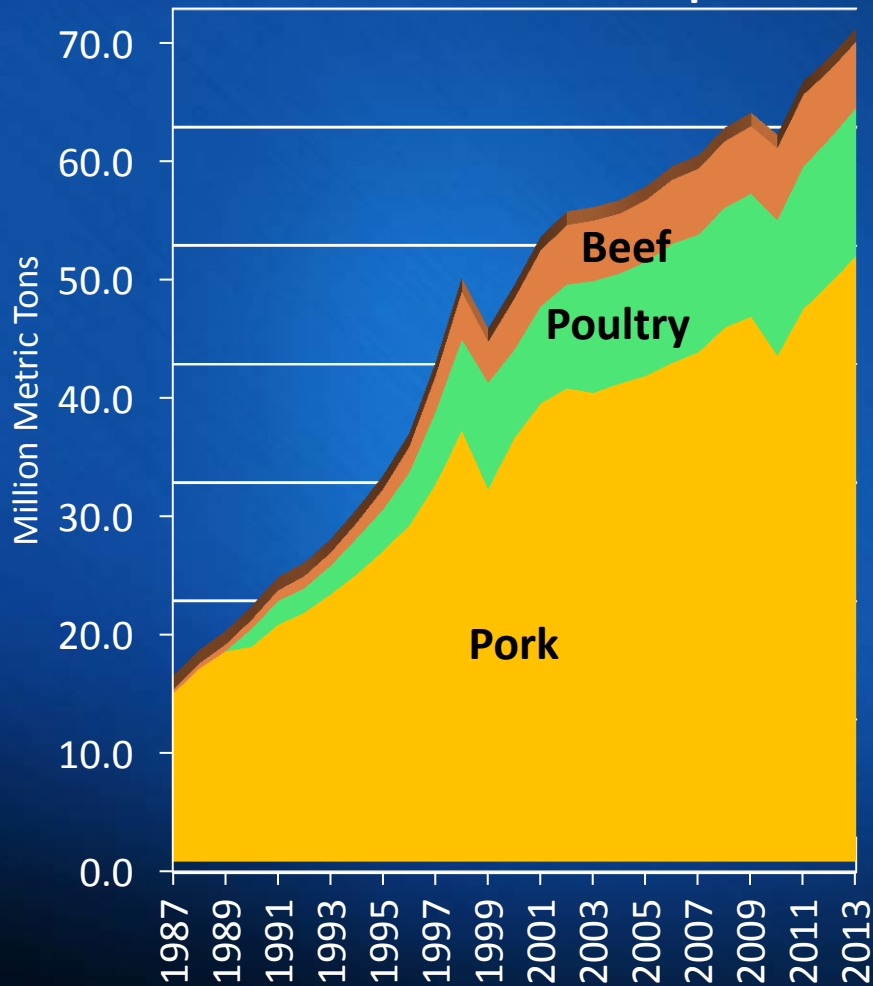
## Changes in Grains and Oilseed Meals in Feed Consumption 2003 vs 2013



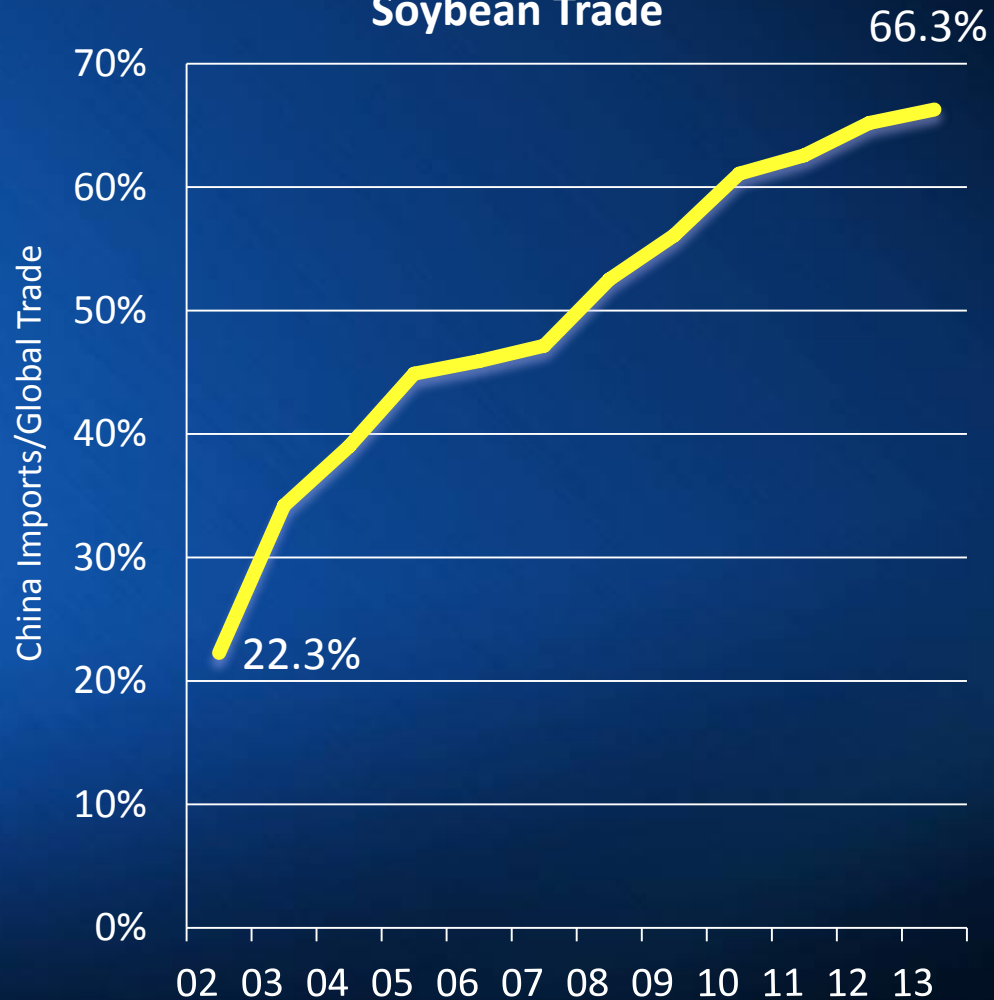
# Meat Consumption Drives Chinese Imports

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

### Chinese Meat Consumption



### Chinese Soybean Imports/Global Soybean Trade





# Crossroads Conclusions

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- 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

