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Remarks of Mary Chambliss
Acting Administrator, Foreign Agricultural Service
U.S. Department of Agriculture
Outlook Forum
Crystal City, Virginia
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Moderator for a panel on “Economic Growth and New Middle Class Consumers in Developing Nations”

Introduction

Good afternoon everyone. My name is Mary Chambliss, Acting Administrator for USDA’s Foreign Agricultural Service. It is my pleasure to welcome you to what I think promises to be a very exciting and stimulating panel on the growth of middle class consumers in developing nations and the potential impact this has for U.S. agricultural exports.

Already we are seeing in nations all around the world the rise of a middle class population that has more discretionary income to spend on food. What we are discovering is that these consumers can now afford to shop for quality products. In addition, they are now looking more and more for prepared foods that offer them convenience, quality and easy preparation. In short, the market is growing dramatically for value-added food products. There is no question that over the next decade, the food we ship overseas will move from the traditional bulk commodities to these high-value food products. This change is already upon us and offers U.S. producers both a challenge and opportunity. It is a challenge we must meet in order to maintain and increase our market share with foreign consumers.

We are entering a new era for U.S. agriculture. The seeds of change are both unmistakable and unstoppable and include a strongly consumer-driven agriculture,

globalization of markets, advances in technologies and more. These new realities are leading to a fundamental restructuring of the food system and a much different business environment for food and agriculture.

The implications of these trends are enormous. Our national institutions, policies, regulations, indeed the entire infrastructure built to support agriculture and the food system, as well as the underlying resource base upon which it depends, are increasingly stressed as the system attempts to deal with this new environment. Modernizing our institutions and policies to deal with these new realities is a constant challenge.

First and foremost today's agriculture is a consumer-driven agriculture. American consumers expect and receive a great deal from their food system. As each year passes, international consumers -- like their American counterparts -- are increasingly insisting on defining what is produced, how food production takes place, and with what effects. Consumers demand more nutritious food with wider variety, improved safety, with less negative environmental impacts, and greater convenience than at any time in history.

Over the last few years, we have seen an explosion in new product introductions. More than 12,000 new food products ranging from baby food to soup are introduced annually. Meanwhile, middle class consumers continue to eat away from home more frequently, reflecting the premium placed on convenience. Because of these changes, the farm and food industry must be better coordinated so consumer signals are translated swiftly and effectively.

Moreover, political boundaries no longer constrain the conduct of good business, and this includes agribusiness. We are now operating in a global economy. Better, faster, more reliable communications and transportation systems facilitate the ability to

produce, source, and sell in the locations that give companies the best advantage, even if that means operating in multiple locations around the world. This globalization of markets pressures firms to be more competitive and to “shorten the supply chain,” reducing the number of business transactions and their associated costs, in order to meet rapidly changing consumer demand.

More than 96 percent of the world’s people live outside the United States, and that obviously is where food consumption growth will take place. In figures just released today in USDA’s “Agricultural Baseline Projections to 2011,” the world’s population, estimated at 6.2 billion in 2001, is expected to increase by another 737 million over the next ten years. We estimate that the per capita GDP will grow at 3.5 percent annually in developing countries. What we will see between now and 2011 is an increase in the number of consumers who can readily meet their caloric needs, who will now demand food based on taste, cultural trends and social factors such as an increased number of women working outside the home.

In addition, we are finding that urbanization in developing countries is changing food consumption patterns. In general, urbanization is associated with sharp increases in the diversity of foods in people’s diets. The urban population in developing countries is expected to double to nearly 4 billion by 2020. With this urbanization will come increased demand for meat and other high-value food products.

Our goal at USDA is to sharpen the United States’ strategic trade focus on those fast-growing, emerging markets that have the most potential for market share expansion. Gaining share in these fast-growing markets, without sacrificing hard-won gains in large,

mature markets like Japan and the European Union, is the most effective way of increasing the United States' overall share of world agricultural trade.

This afternoon, our distinguished panelists will help us look at the growing market potential in Argentina, China and India, as well as the rising middle class in other parts of the world. Keep in mind that the potential for increased agricultural trade, while significant, is always tempered by the realities of economic crises – for example in Asia four years ago and in Argentina in 2002. Our panelists will help us explore all these issues.

Introduction of Nariman Behraves

Our first speaker will take a look how growth in emerging markets has created a new middle class of consumers. Dr. Nariman Behraves is the Chief Economist at Data Resources, Inc. (**DRI**) and Wharton Econometric Forecasting Associates (**WEFA**) and is responsible developing the economic outlook and risk analysis for the U.S., Europe, Japan and emerging markets. He manages a group of 40 professionals, located in North America and Europe, who cover economic, financial and political developments in over 160 countries. Dr. Behraves was the host of the PBS television series *Inside the Global Economy*. He has authored numerous articles in such publications as *European Affairs* and *Credit Week* and co-authored two books, *Economics USA and Microcomputers* and *Corporate Planning and Decision Support Systems*. He was a contributing author to a recent book on scenario analysis, entitled *Learning From the Future*.

It is my pleasure to present to you Dr. Behraves.

Introduction of Kevin Nealer

Thank you Dr. Behraves.

Our next speaker will talk to us about economic growth in China. Kevin Nealer is a partner in The Scowcroft Group. He provides risk analysis and direct investment support to the Group's multinational clients, specializing in financial services and trade policy issues. Mr. Nealer has lead responsibility for the firm's support for the investment community, providing analysis to leading currency and equity/debt traders. In addition, he assists industrial and financial clients in project planning and implementing investment and strategies. He develops regulatory and government affairs solutions for clients that include the largest American investor in China, as well as leading private equity funds. He was lead author of the Council on Foreign Relations recent study on the impact of China's WTO membership.

Mr. Nealer will now attempt to answer the question, "Can China's economic growth continue?"

Introduction of Isi Siddiqui

Thank you Mr. Nealer.

Our next speaker, Isi Siddiqui, will turn our attention to the market potential in India. Dr. Siddiqui is Vice President for Biotechnology and Trade at CropLife America, formerly known as the American Crop Protection Association. At CropLife, Dr. Siddiqui is responsible for international trade including relationships with the Organization of Economic Cooperation and Development, the World Trade Organization and the United Nations.

Before joining CropLife, Dr. Siddiqui served as Undersecretary for Marketing and Regulatory Programs at USDA. He also was a senior trade adviser to former USDA Secretary Dan Glickman and he coordinated agricultural trade issues between USDA, the U.S. Trade Representative, the departments of State and Commerce and the White House. During this time, Dr. Siddiqui represented USDA in the dialogue on biotechnology between the United States and the European Union.

Educated at the Pantnagar Agricultural University in India and the University of Illinois, Dr. Siddiqui also has had a long and distinguished career with the California Department of Food and Agriculture where he dealt with trade issues with China, Japan, Australia, South Korea, Taiwan, Canada, Mexico and the E.U. member states.

It is always a pleasure to welcome back a former member of the USDA family.
Dr. Siddiqui, the microphone is all yours.

Introduction of Philip Shull

Thank you Dr. Siddiqui.

Our final speaker of the afternoon will give us a first hand view of the economic crisis in Argentina and its potential impact on trade and agriculture. Philip Shull is our agricultural counselor in Buenos Aires. Mr. Shull joined FAS in 1984 and since then has had numerous overseas assignments including posts in China and Korea. An international economist with a master's degree from Stanford University, Mr. Shull has also served FAS in its International Trade Policy and Grain and Feed divisions. He has been in Argentina since the summer of 1999 and has been a witness to the dramatic economic events that have swept that country.

Please welcome to the microphone Philip Shull.

Questions

Thank you Philip.

It is now time to open up the discussion to our audience. If you have a question, please stand, tell us your name and organization and address your question to any member of our panel.