



**AgEcon** SEARCH  
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search  
<http://ageconsearch.umn.edu>  
[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*



---

*Open Markets, Economic Growth  
and Shared Prosperity*

*“The Luckiest Generation”*

**Al Ambrose  
Vice President, Risk Management  
Oilseed Processing  
CHS**

**USDA 83<sup>rd</sup> Agricultural Outlook Forum  
Arlington, VA  
March 2, 2007**



## *A Remarkable Sequence of Events Leads Global Transformation*

- *1979 – 1990 Margaret Thatcher as U.K. Prime Minister privatizes 2/3 U.K. state-run industries, deregulates, cuts taxes (basic rate of 33% to 25%, top wage rate of **98% cut to 40%**)*
- *1980 - 1988- Ronald Reagan as U.S. President cuts taxes (top tax of **78% cut to 35%** [was **91% in 1961**], promotes deregulation, S.D.I.*
- *U.S./U.K. economies lead global economic recovery (**S&P 500 & U.K. FTSE triple '82 -'87**)*
- *1983/84 - Deng Xiaoping introduces “market socialism”, de-collectivizes state-run farms, promotes **individual property rights** through long-term land leases*

## *A Remarkable Sequence of Events, continued*

- *1986/87 - Gorbachev introduces reforms*
- *June 4, 1989 - Tiananmen Square*
- *June 5, 1989 - Solidarity wins 99% in Poland*
- *Nov '89 Berlin Wall falls, **Cold War ends**, global shift from **"guns to butter"***
- *1992/93 Uruguay Round (GATT) completed*
- *Global trade reform. China "free-trade zones"*
- *1994 – "NAFTA" signed*
- *"Globalization" takes root*
- *Widespread **"sustainable prosperity"** ensues*

## *A Formula for Prosperity*

- *Rule of Law*
- *Capitalism (individual opportunity)*
- *Competition (creative destruction)*
- *Trade (comparative advantage)*
- *Property rights (i.e. limited taxation)*
- *Sensible immigration policy*
- *Democracy? In America, capitalism predated democracy by hundreds of years*

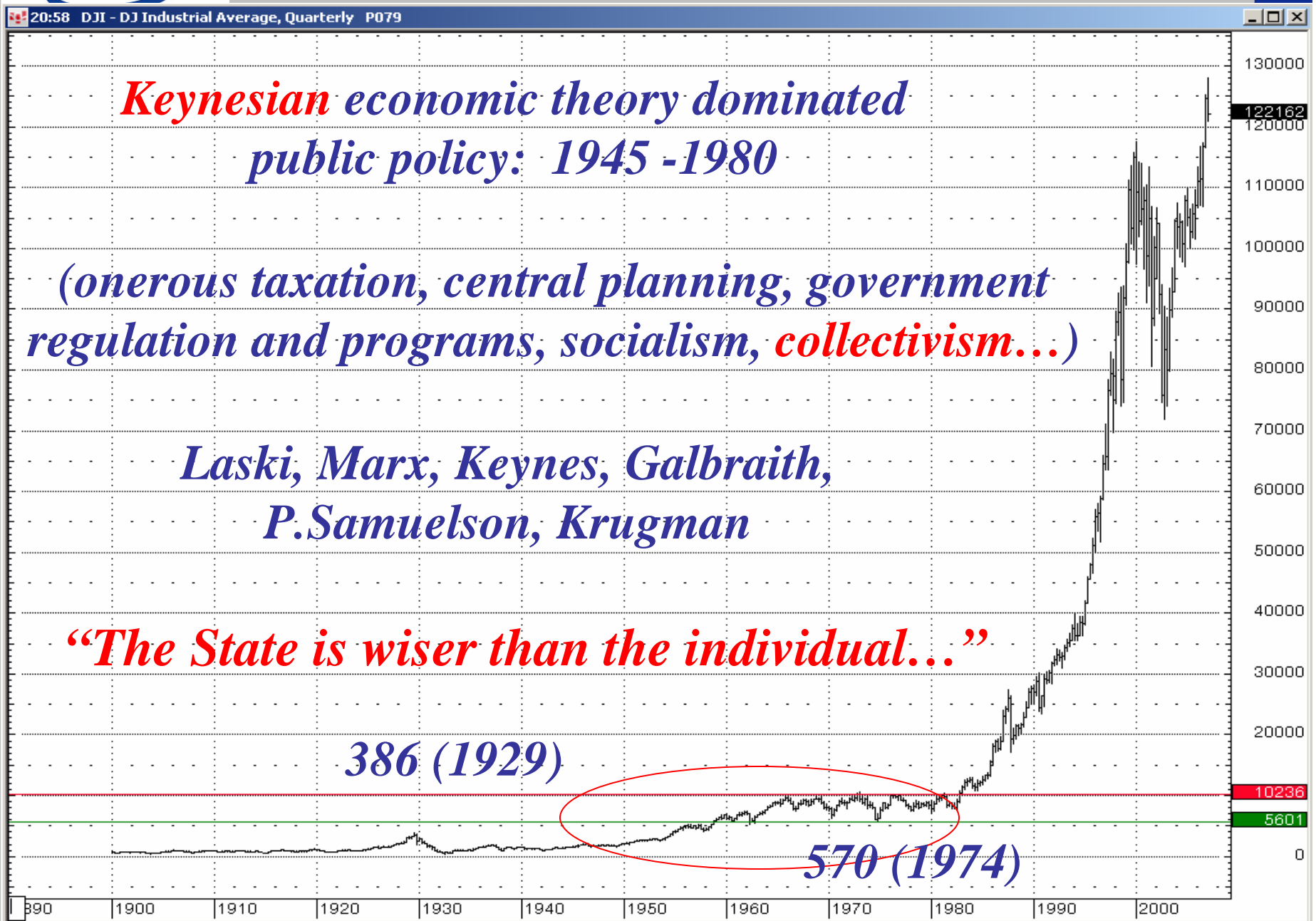
*This “Luckiest Generation” enjoys...*

- *Greater wealth*
- *Greater longevity*
- *Better health*
- *More abundant food supply*
- *Wider freedoms*
- *Greater opportunity*
- *More comfort*
- *More hope*

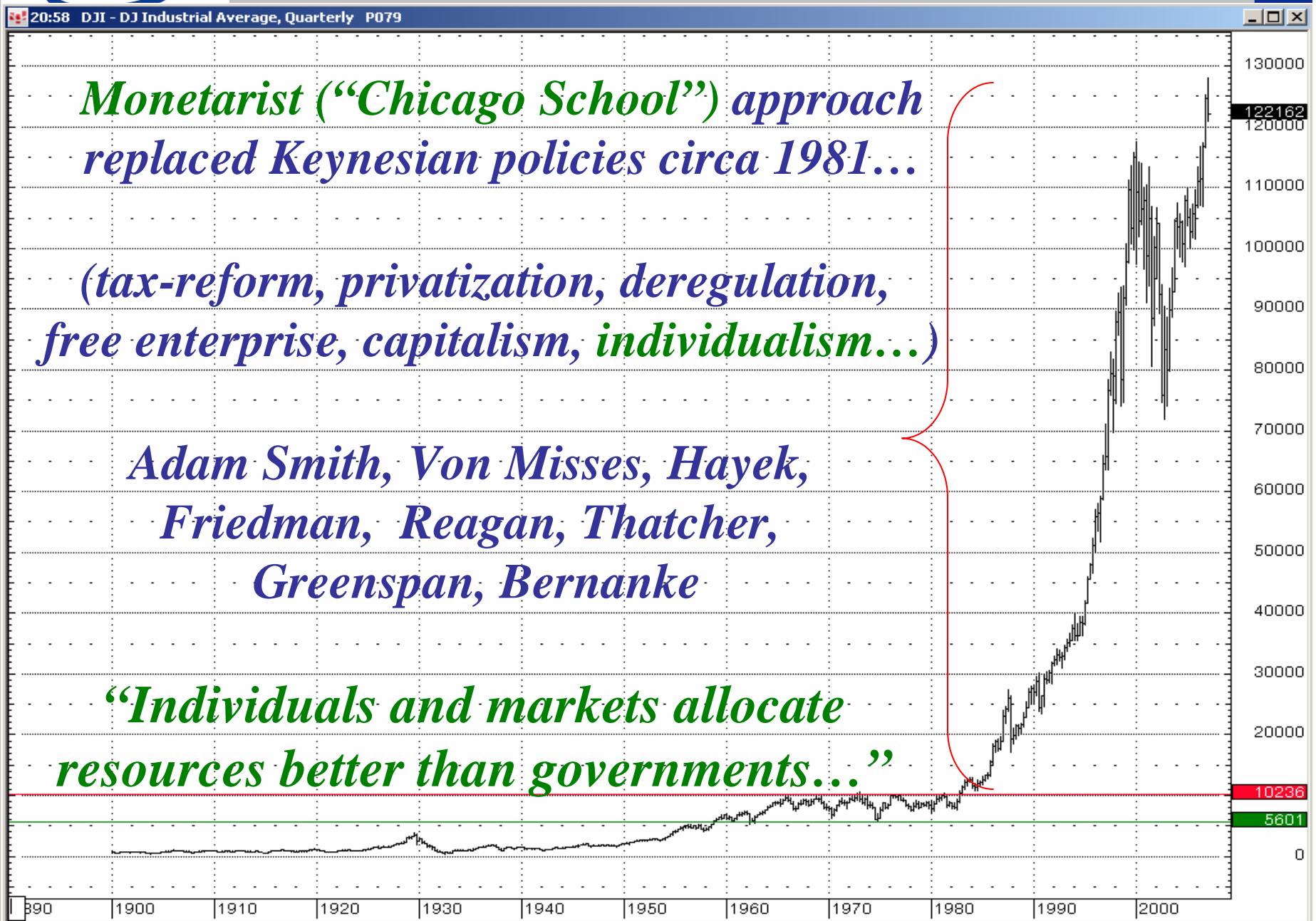


# Standard & Poor 500 – Monthly – 76 Years













## *U.S. Household Net Worth* *(trillion dollars)*

- 1950 1.0
- 1960 1.8
- 1970 3.4
- 1980 9.4
- 1990 20.2
- 2000 42.0
- 2006 (Q3) 54.1

*Expanded 6-fold  
in 26 years!*

*Up 29% past five...*

*Note: 54 trillion seconds  
is 1.7 million years...*

## *All this growth despite...*

- *U.S./global equity market collapse '00-02*
- *September 11*
- *Enron, WorldCom, Tyco, etc.*
- *Three-year global economic slump*
- *Afghanistan and Iraq wars*
- *SARS, BSE, Avian flu*
- *Global war on terror*
- *Katrina/Rita*
- *Real-estate "bubble"*

# CHS U.S. 30-year Bond Index – Quarterly – 30 years





## *U.S. Life Expectancy at Birth (years)*

	<i>Female</i>	<i>Male</i>	<i>Both Sexes</i>
<b>1900</b>	<b>48.3</b>	<b>46.3</b>	<b>47.3</b>
<b>1935*</b>	<b>63.9</b>	<b>59.9</b>	<b>61.7</b>
<b>1945</b>	<b>68.2</b>	<b>63.2</b>	<b>65.5</b>
<b>1970</b>	<b>74.7</b>	<b>67.1</b>	<b>70.8</b>
<b>2000</b>	<b>79.7</b>	<b>74.3</b>	<b>77.0</b>
<b>2000 v 1900</b>	<b>+65%</b>	<b>+60%</b>	<b>+64%</b>
<b>2000 v 1935</b>	<b>+25%</b>	<b>+24%</b>	<b>+25%</b>

*\*Social Security Act signed*

## *Financially and Physically Healthier?*

- *U.S Unemployment: 4.6% in January 2007*
- *Over 7.4 million jobs created since August 2003*
- *Roughly 70 % of Americans own their homes*
- *Nearly 60% of Americans own stock shares*
- \* *Proportion older Americans with a disability 19.7% (1999) versus 26.2% (1982)*
- \* *Proportion of Americans 65 and over in poverty 10% (2003) versus 35% (1959)*
- \* *Percent of Americans completing high school 71.5% (2003) versus 17% (1950)*
- \* *Age group 85 and older fastest growing segment of US*

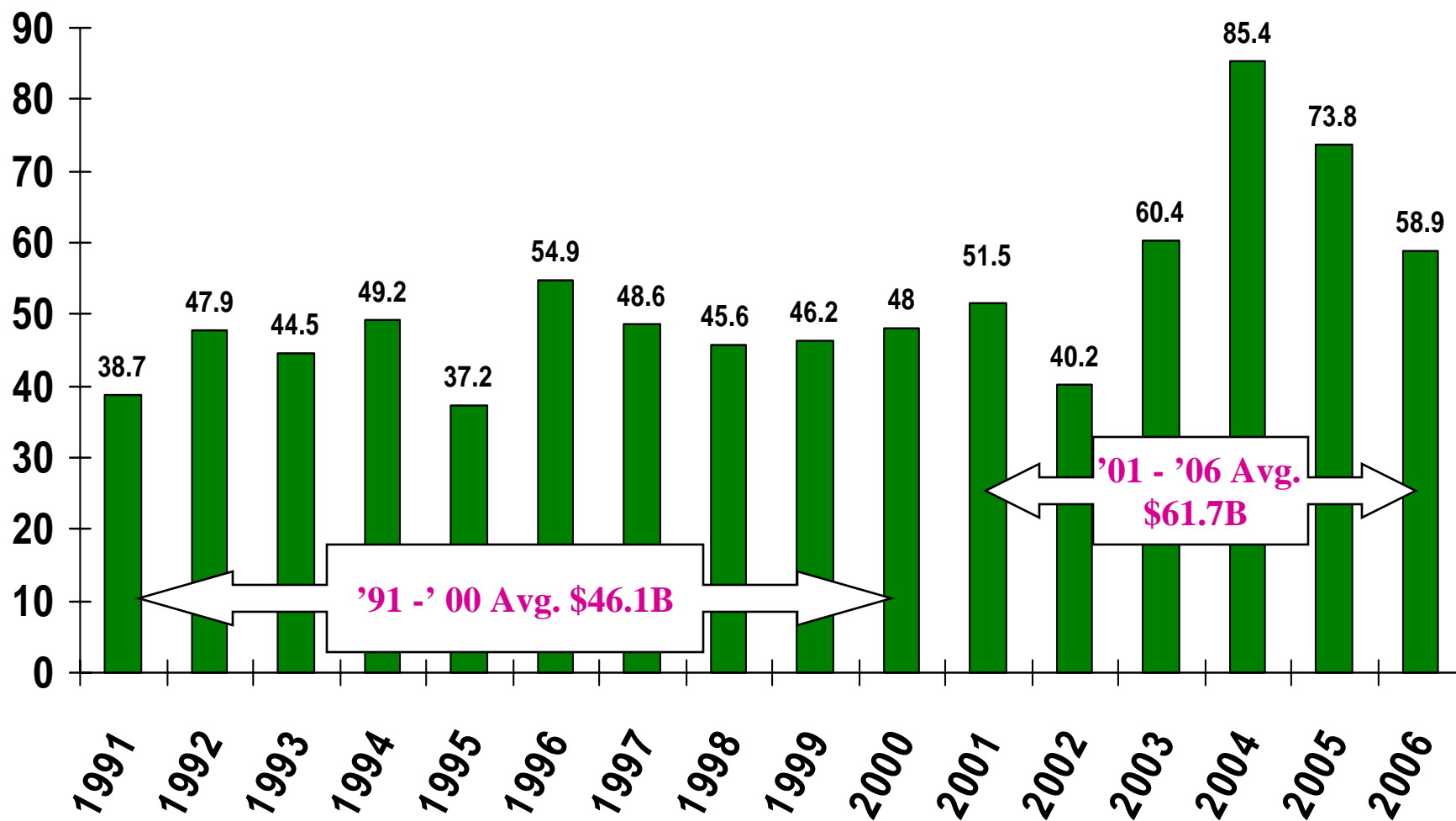


# *The Farm Sector*





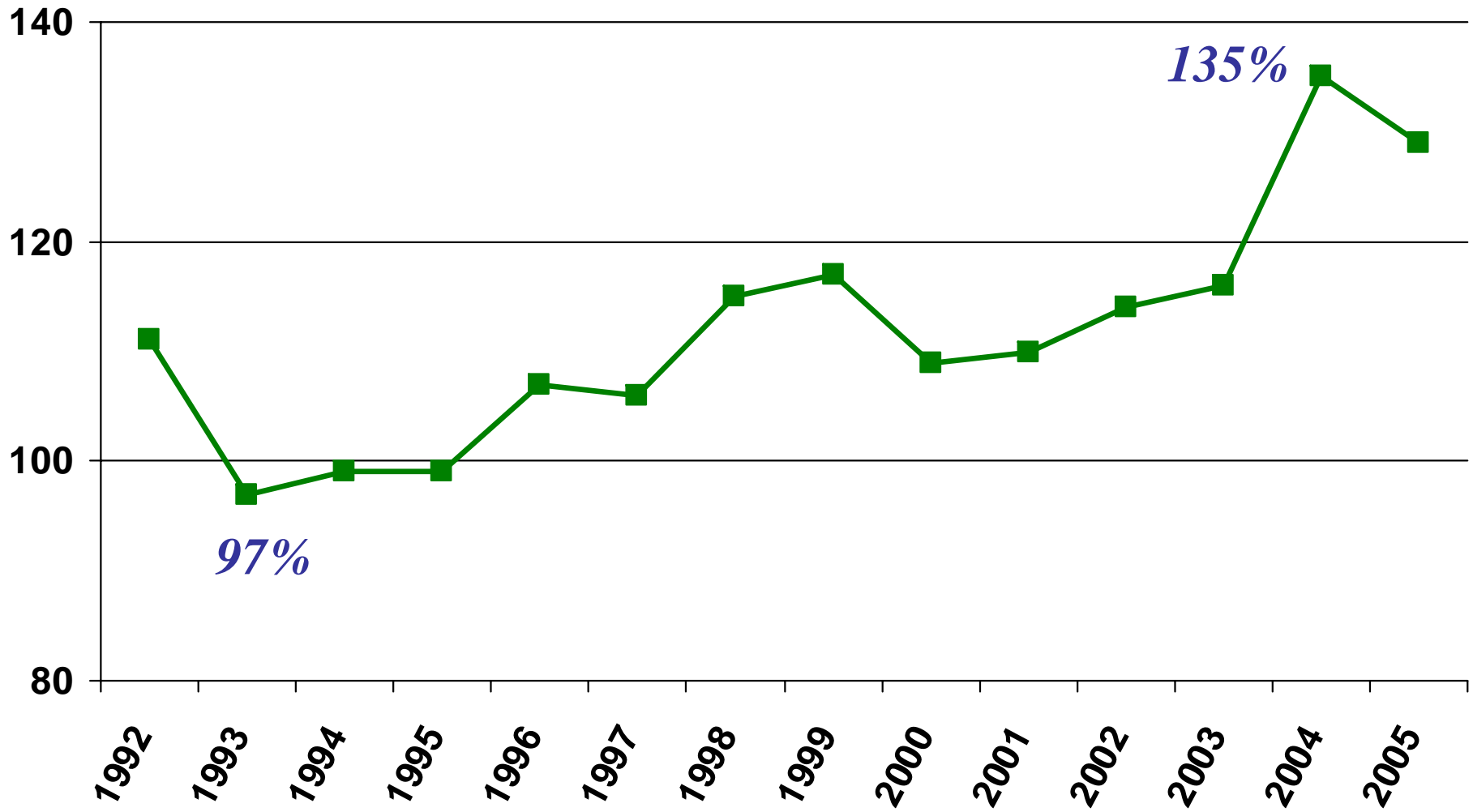
## US Net Farm Income (Billions of Dollars)



Source: USDA – Nov 2006



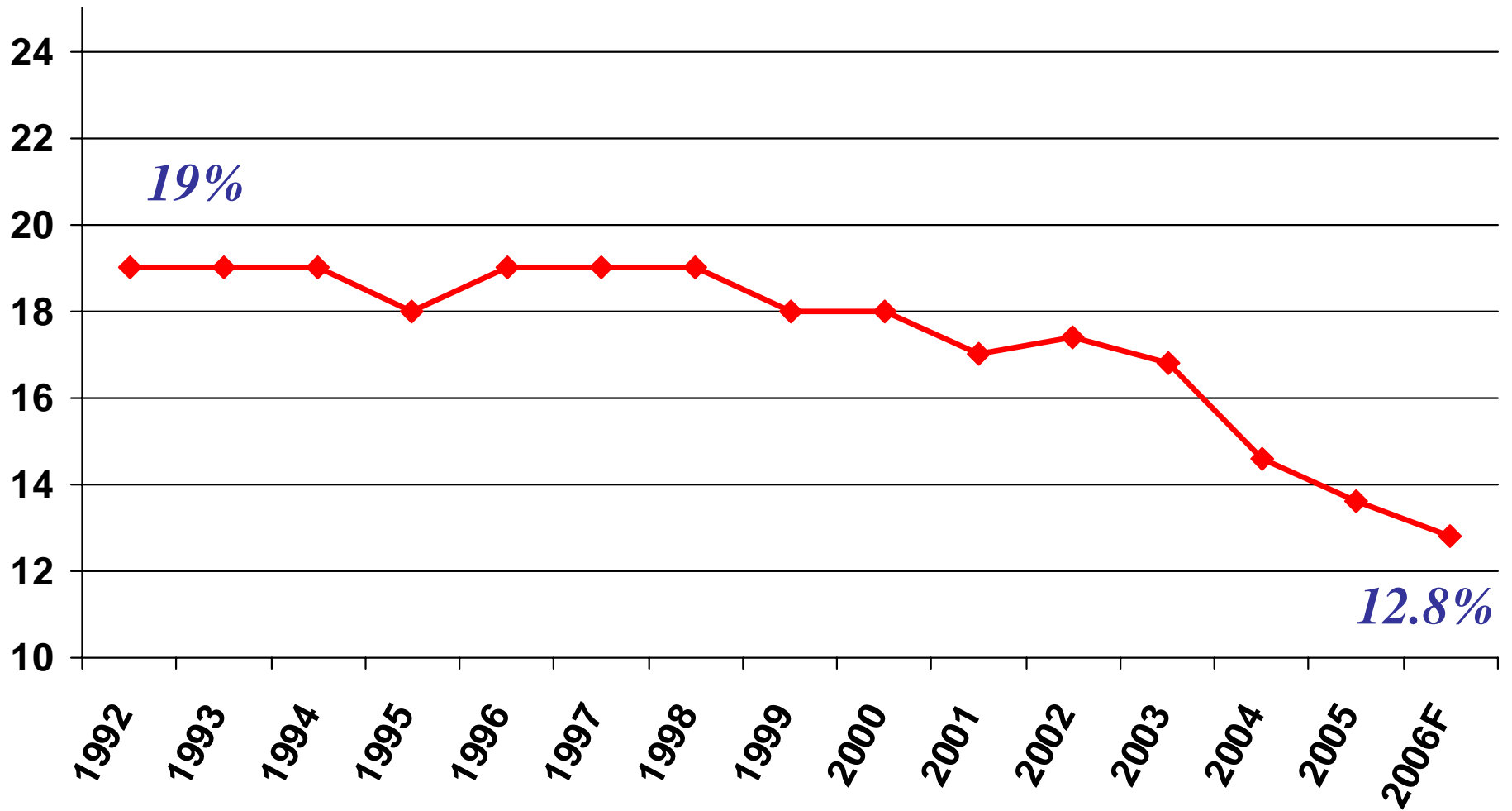
## US Average Farm vs. Non-Farm Household Income (Percentage)



Source: USDA – Nov 2006



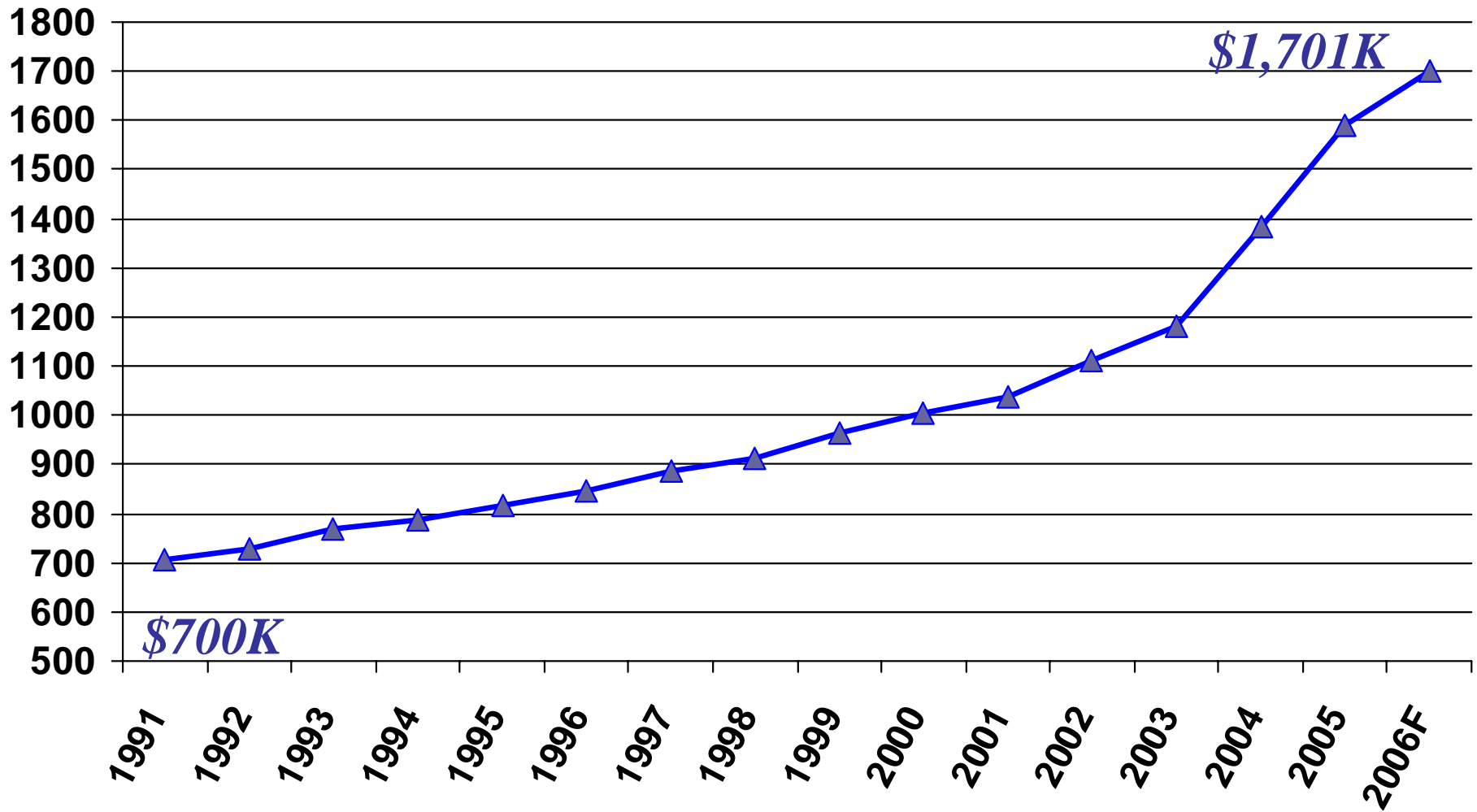
## US Farm Sector Debt to Equity Ratio (Percentage)



Source: USDA – Nov 2006



## Average Farm Equity (Thousands of Dollars)



Source: USDA – Nov 2006



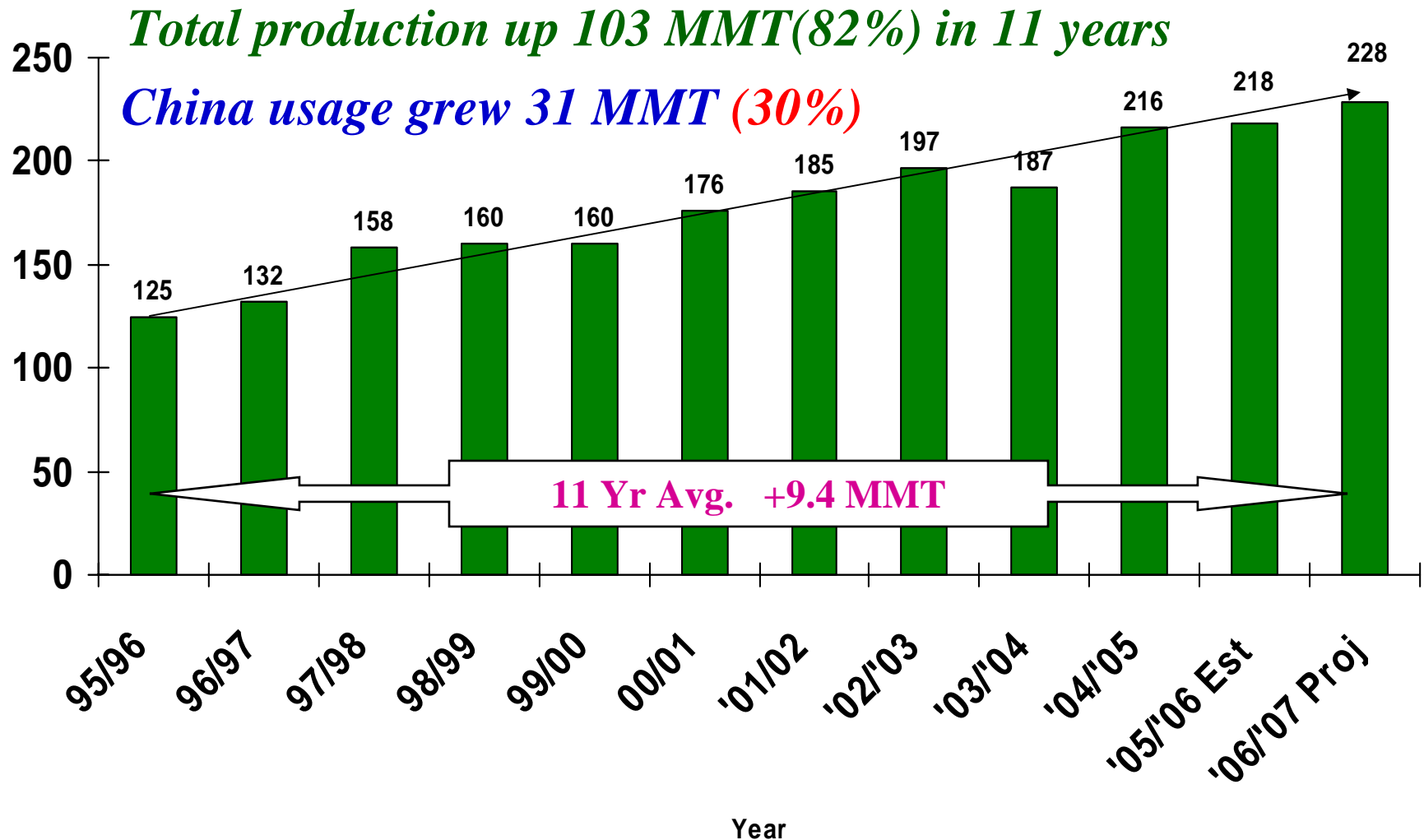
# *Food Supply*

## *Soy Consumption and Global Prosperity*

- *As the very poor advance economically, they move from grains to vegetable oils to meat.*
- *Per capita vegetable oil consumption in the poorest countries is used by IMF as measure of changing living standards.*
- *Very poor people do not purchase meat.*
- *In many developing countries, massive job creation and rapidly advancing incomes spur improved dietary intake.*
- *The result? An unprecedented expansion of vegetable oil and protein consumption.*



## World Soybean Production 1996-2007 (Million Metric Tons)



Source: USDA – Feb 2007

# Soybean Harvest - Mato Grosso, Brazil

*Soybean harvest followed by planting of double crop corn  
(31 combines & 12 planters)*



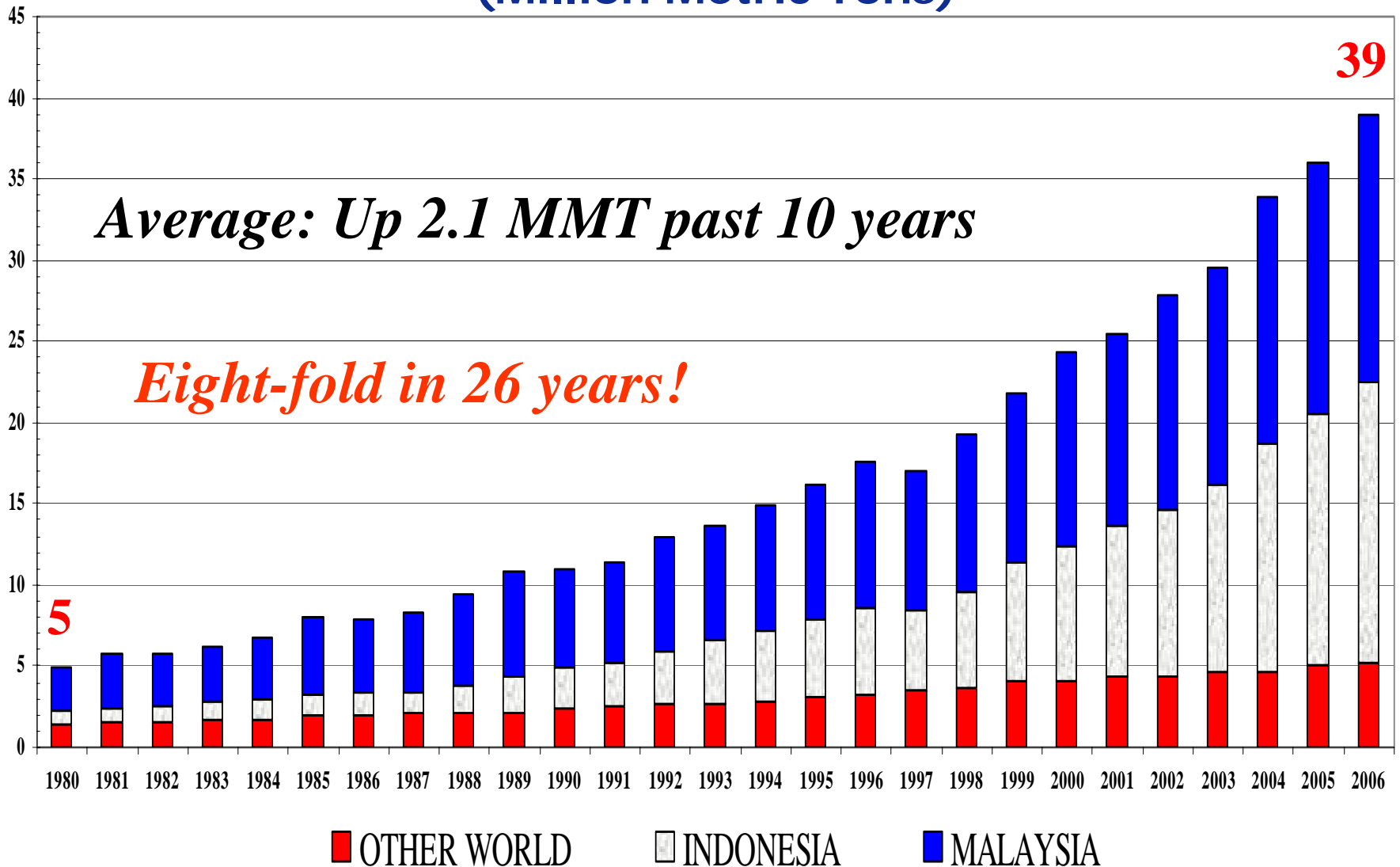
*Today: A Threat...*

*Tomorrow: A Necessity...*





## Malaysian, Indonesian, Other World Palm Oil Production (Million Metric Tons)



Source: USDA FAS – Feb 2007



## World Vegetable Oil Production (Million Metric Tons)

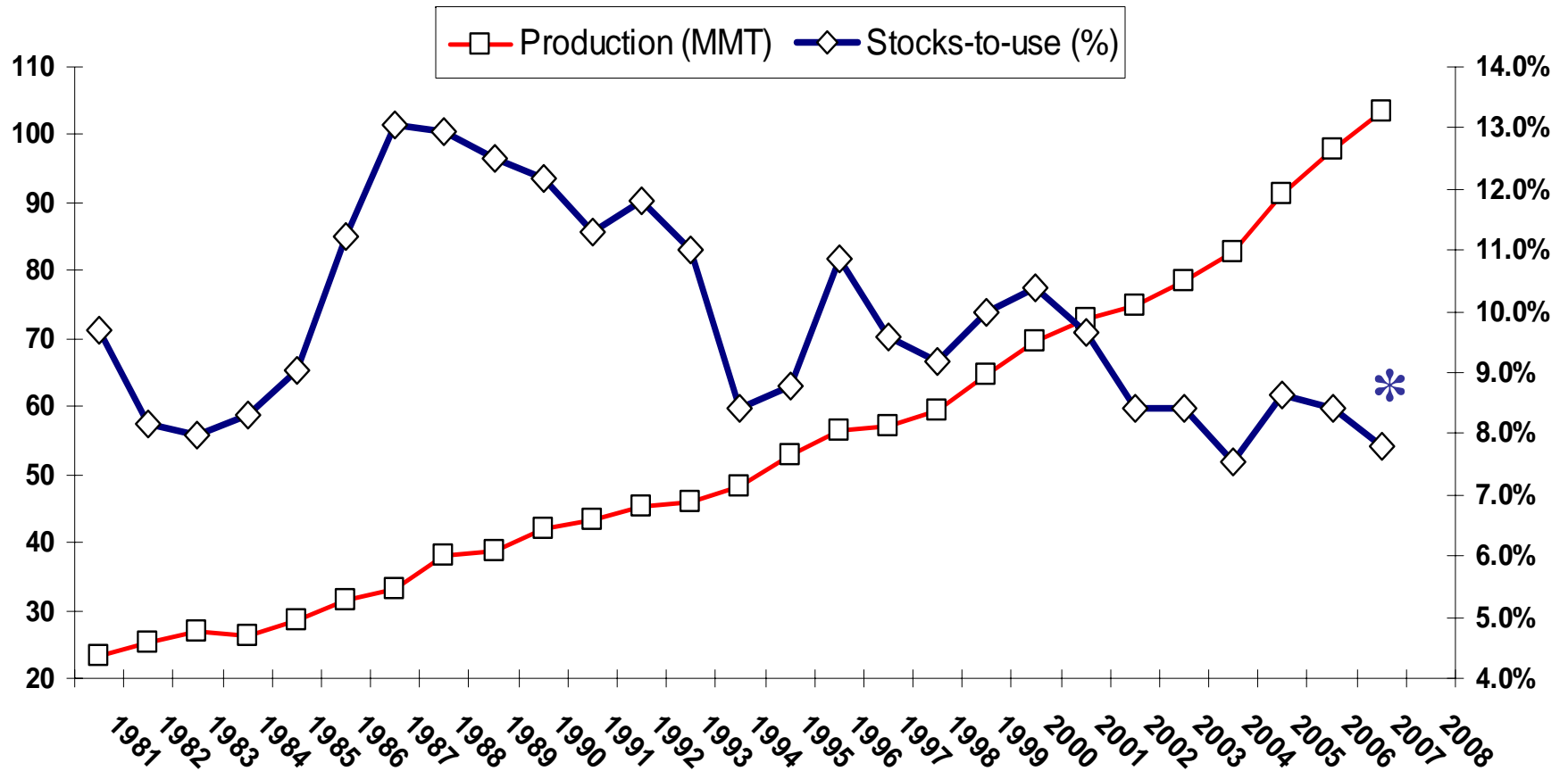
	80/81		06/07		Percent Change
Palm	4.9	} <b>23.2</b> <b>69%</b>	39.0	} <b>103.5</b> <b>84%</b>	+696%
Soybean	9.8		35.7		+265%
Rape	3.9		18.0		+362%
Sun seed	4.6		10.8		+135%
Groundnut	2.3		4.9		+109%
Cotton	2.9		4.7		+62%
Palm Kernel	0.5		4.7		+840%
Olive	1.9		3.0		+58%
Coconut	2.8		3.3		+18%
Total	33.6		124.0		+269%

***World production more than triples in 26 years! (5.7X)***

***(World Population + 47% same period)***



## World Production vs. Year-end Stocks-to-Use Ratios (Combined Palm oil, Rape oil, Soy oil, Sun oil)



*\*This prior to recent bio-fuels phenomenon...*

Source: USDA FAS – Feb 2007





# Chinese and U.S. GDP Growth – 16 years

## China GDP

- 1992 14.2%
- 1993 13.5%
- 1994 12.8%
- 1995 10.5%
- 1996 9.6%
- 1997 8.8%
- 1998 7.8%
- 1999 7.1%
- 2000 8.0%
- 2001 7.5%
- 2002 8.3%
- 2003 9.3%
- 2004 9.5%
- 2005 9.9%
- 2006 10.6% E.
- 2007 9.6% E.

**446%**

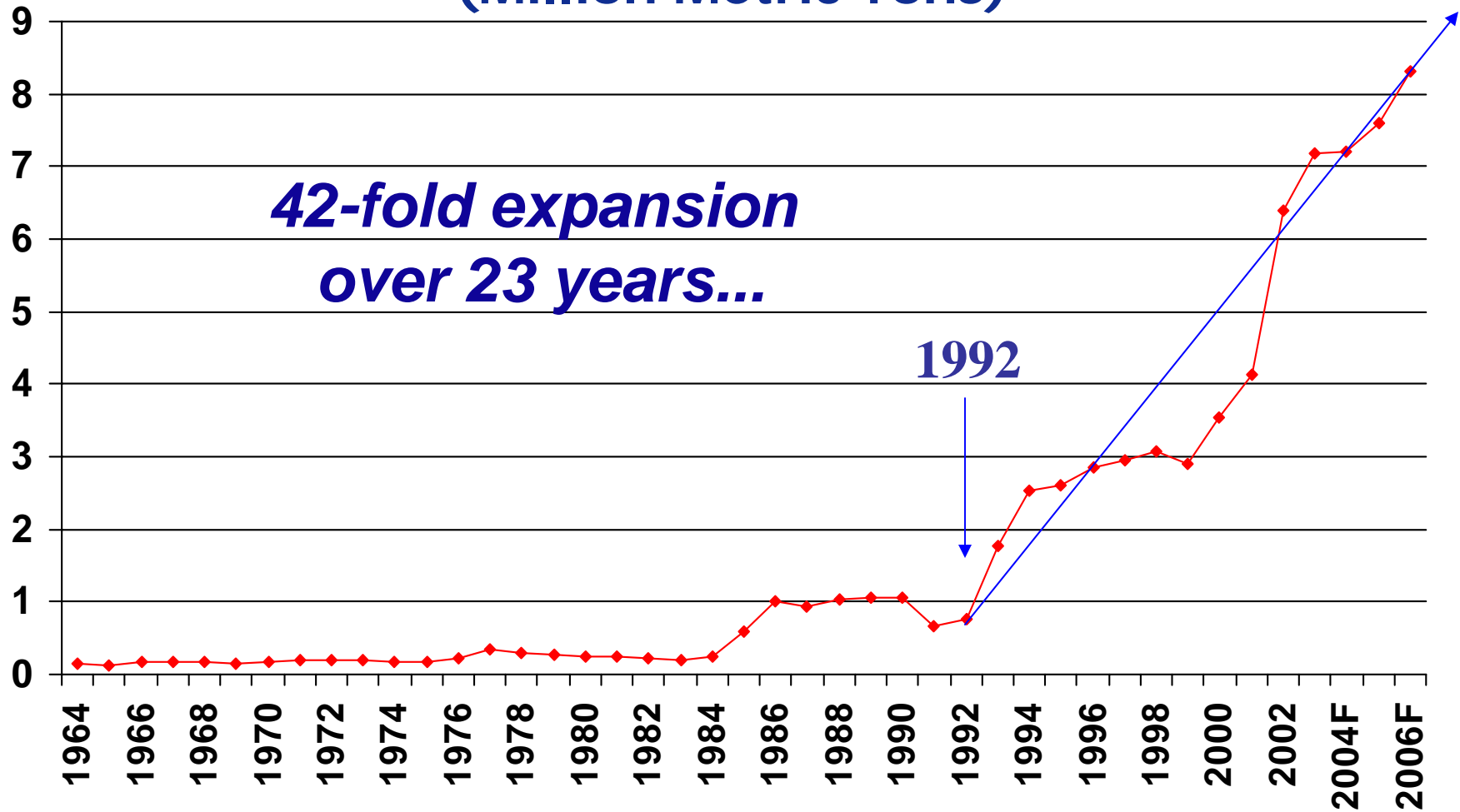
## U.S. GDP

- 1992 3.1%
- 1993 2.4%
- 1994 4.0%
- 1995 2.7%
- 1996 3.6%
- 1997 4.5%
- 1998 4.2%
- 1999 4.4%
- 2000 3.7%
- 2001 0.8%
- 2002 1.6%
- 2003 2.5%
- 2004 3.9%
- 2005 3.2%
- 2006 3.3% E.
- 2007 2.4% E.

**157%**



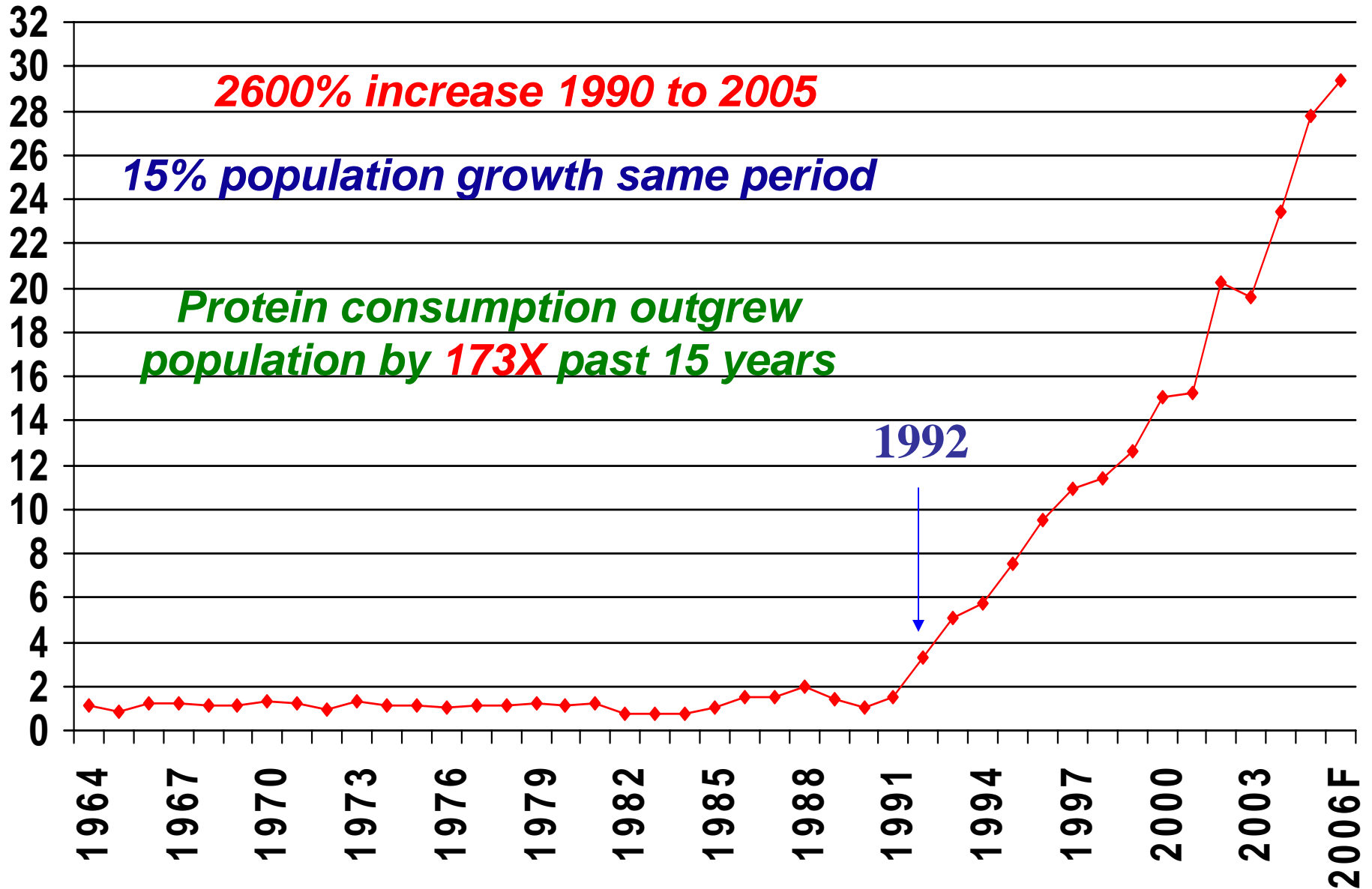
# Chinese Soybean Oil Consumption (Million Metric Tons)



Source: USDA – Feb 2007



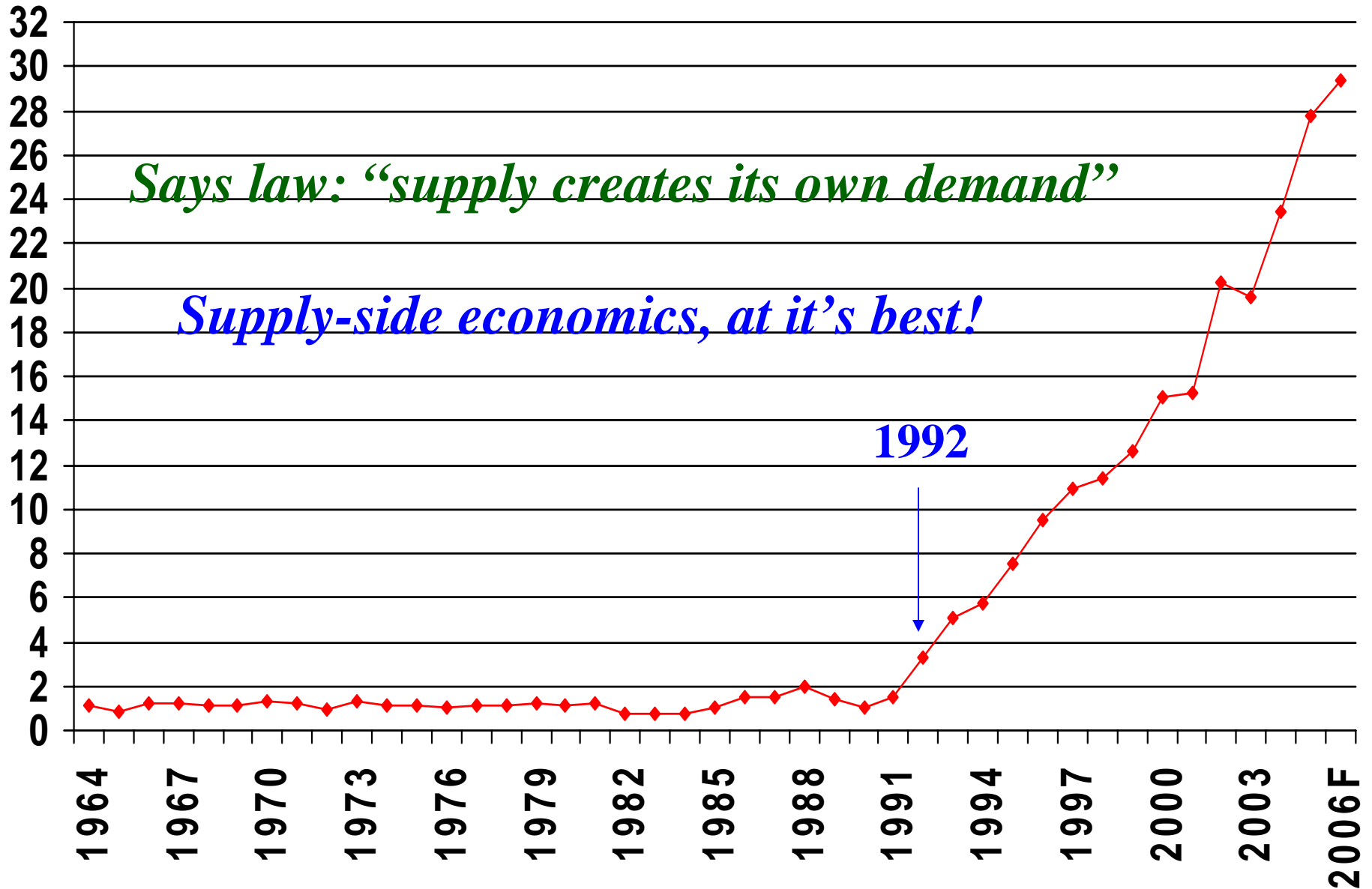
# Chinese Soybean Meal Consumption (Million Metric Tons)



Source: USDA – Feb 2007



# Chinese Soybean Meal Consumption (Million Metric Tons)

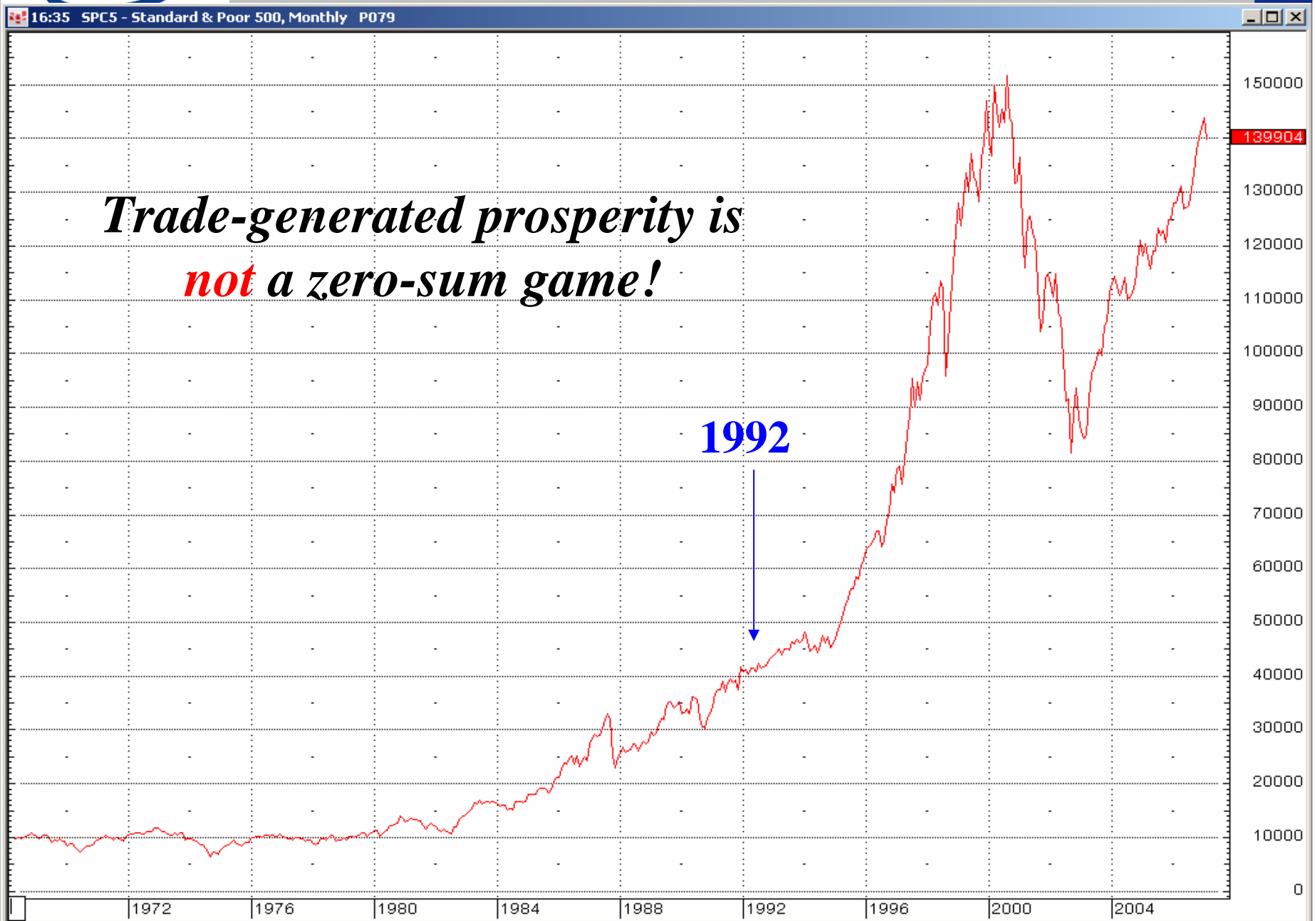


Source: USDA – Feb 2007





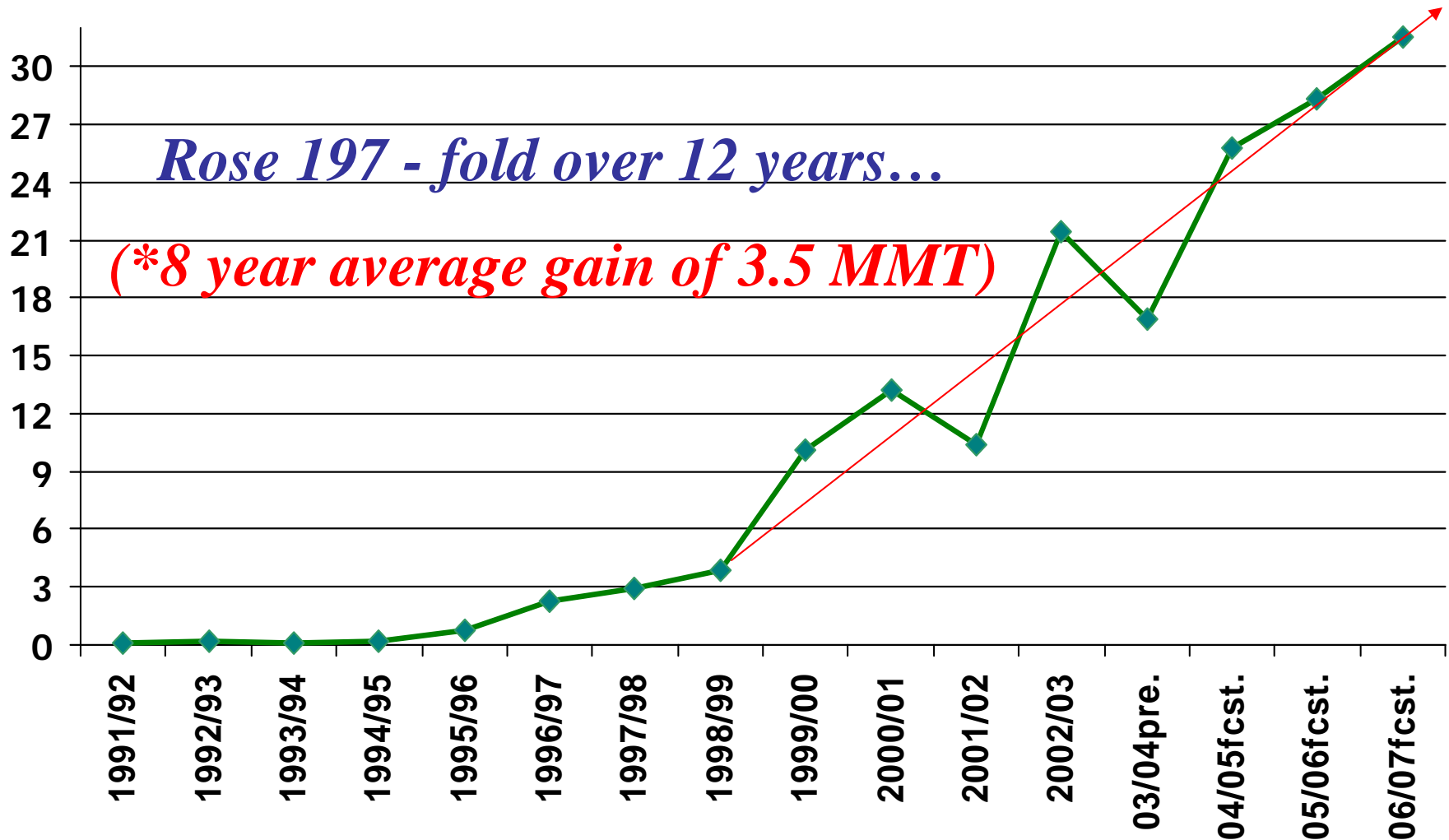
# Standard & Poor 500 – Monthly – 38 Years





## Chinese Soybean Imports (MMT)

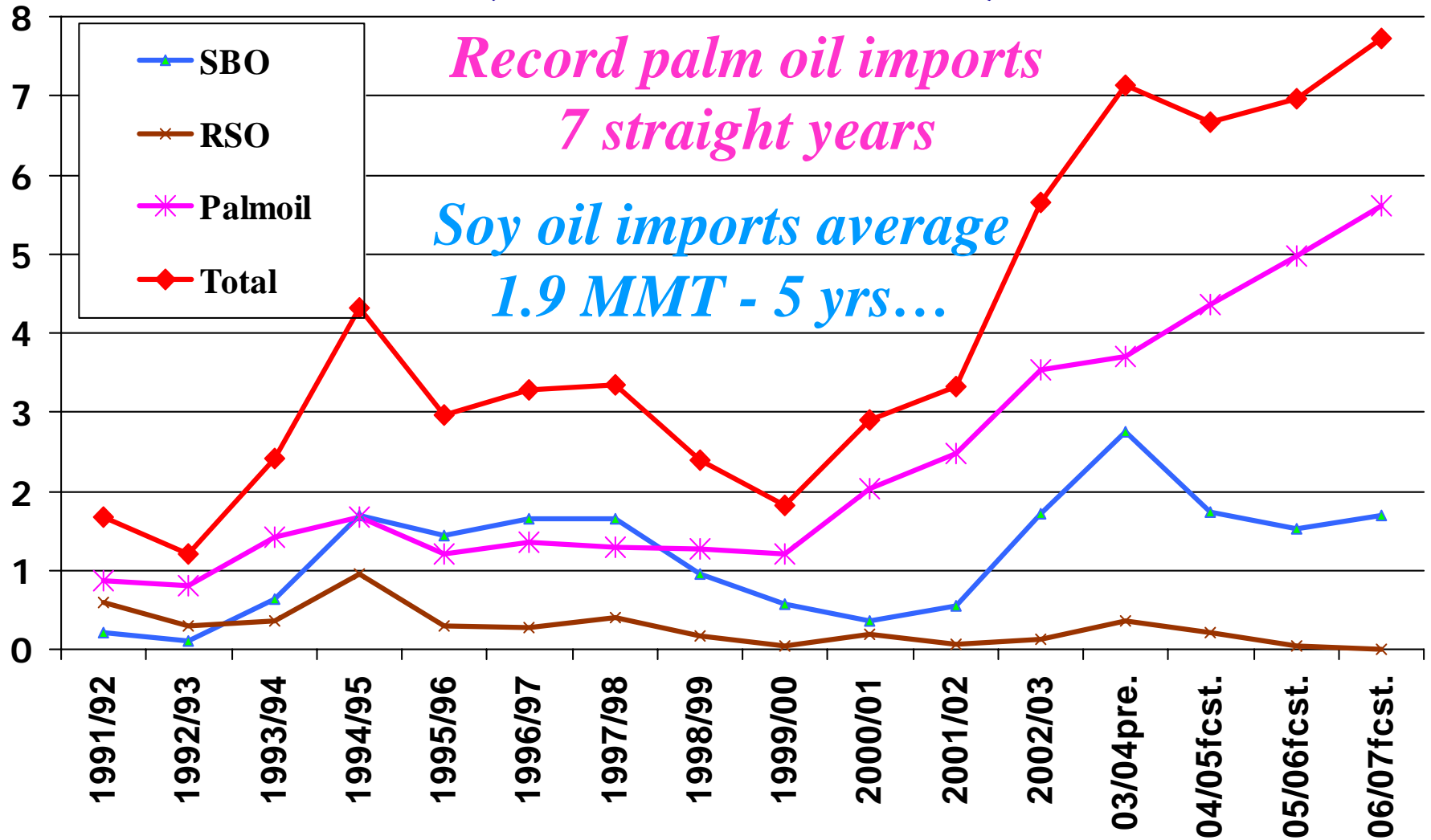
**.16/ .8/ 2.3/ 2.9/ 3.9/ 10.1/ 13.2/ 10.4/ 21.4/16.9/25.8/28.3/31.5\***



Source: USDA – Feb 2007



## Chinese Vegetable Oil Imports (Million Metric Tons)

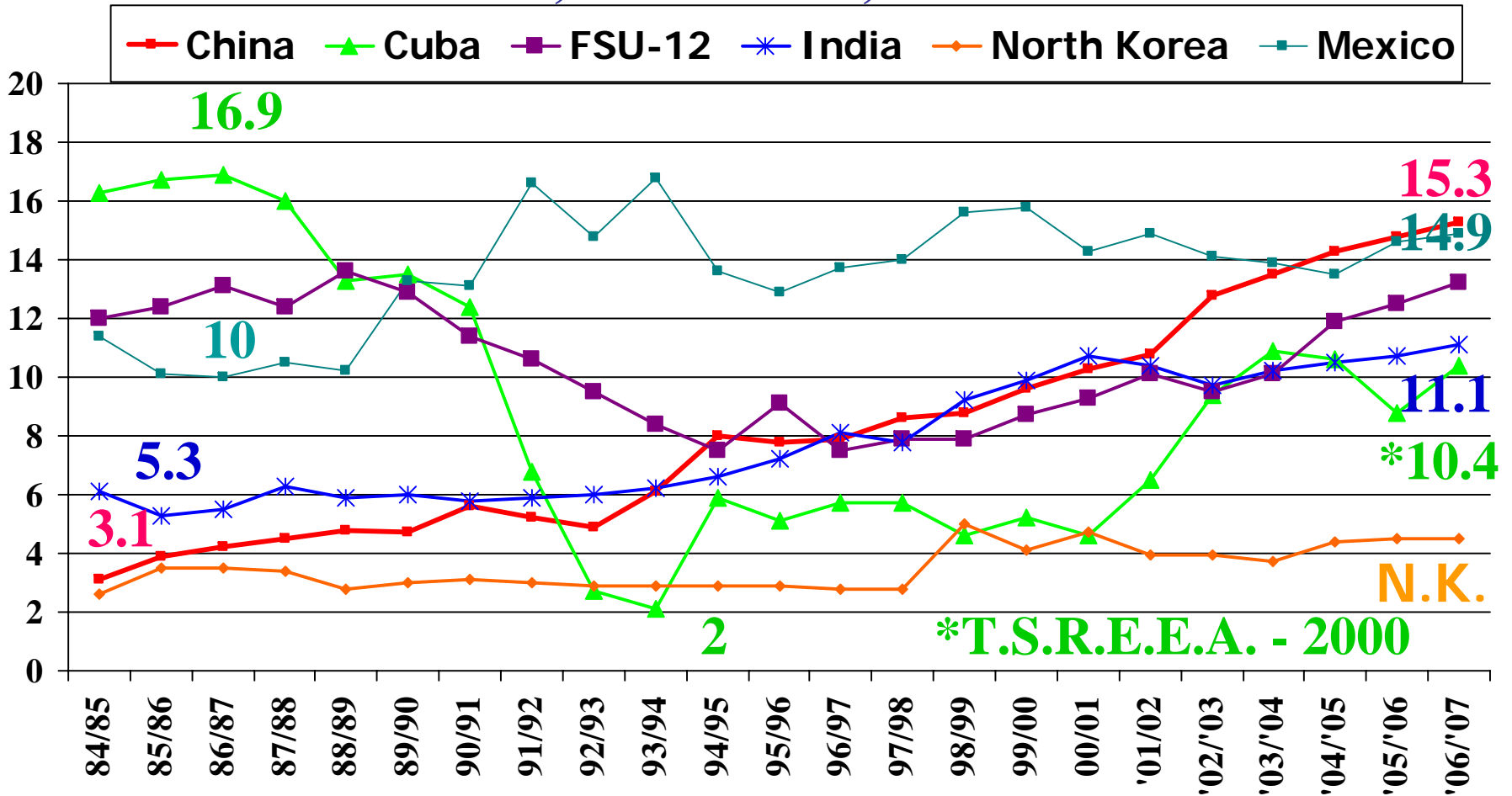


Source: USDA -Feb 2007



# Vegetable Oil Disappearance (KG P/C)

*U.S. 38, Canada 26.3, EU-25 27.8*



Source: FAS – Feb 2007

*\*Trade Sanctions Reform Export Enhancement Act of 2000*

*The Trend Is Clear...*

*An Interdependent World*

*Thirteen Selected Equity Markets  
1995-2007*



# U.S. Standard & Poor's 500 - Monthly



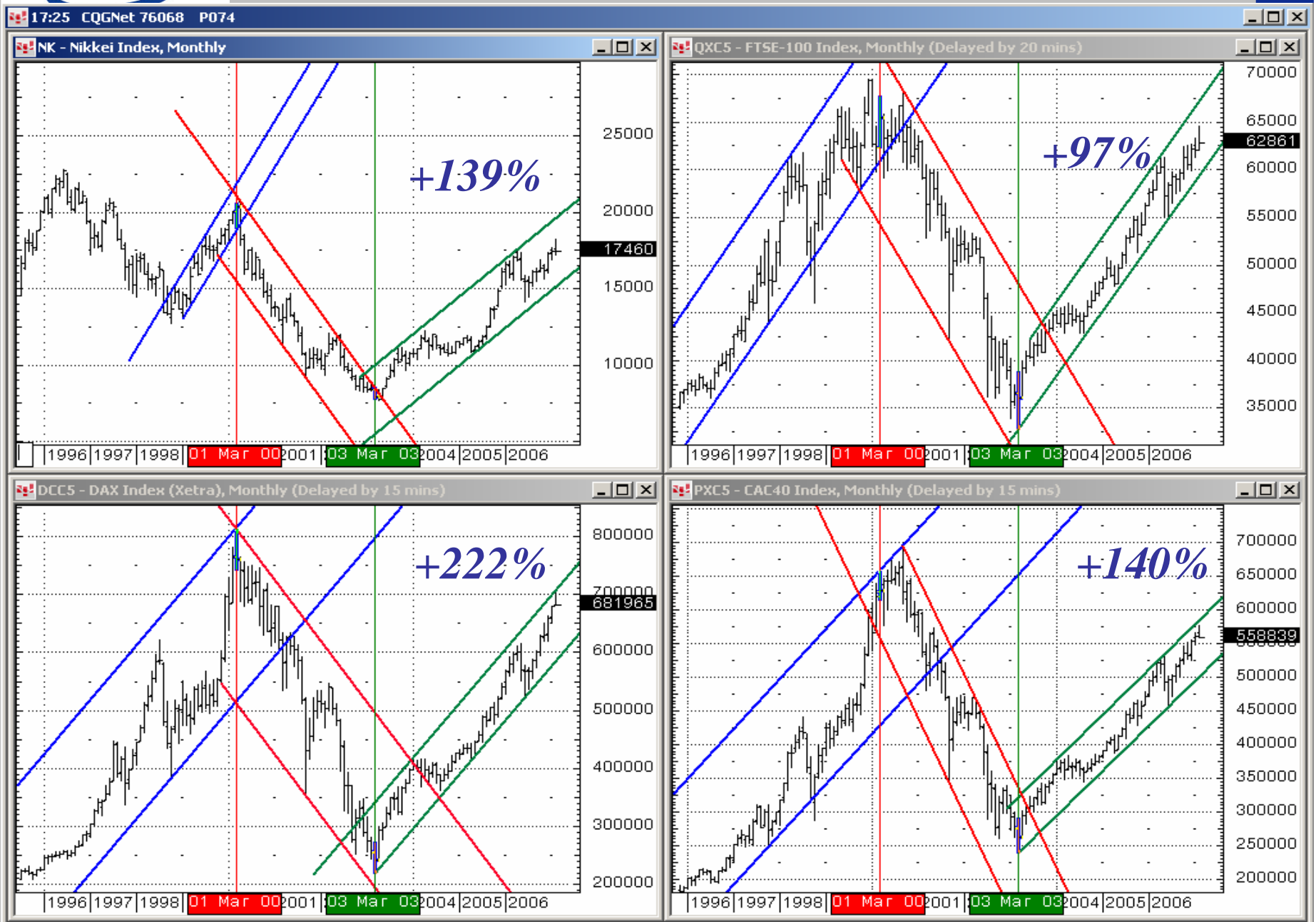


# S. & P., Dow Jones , Canada, Mexico





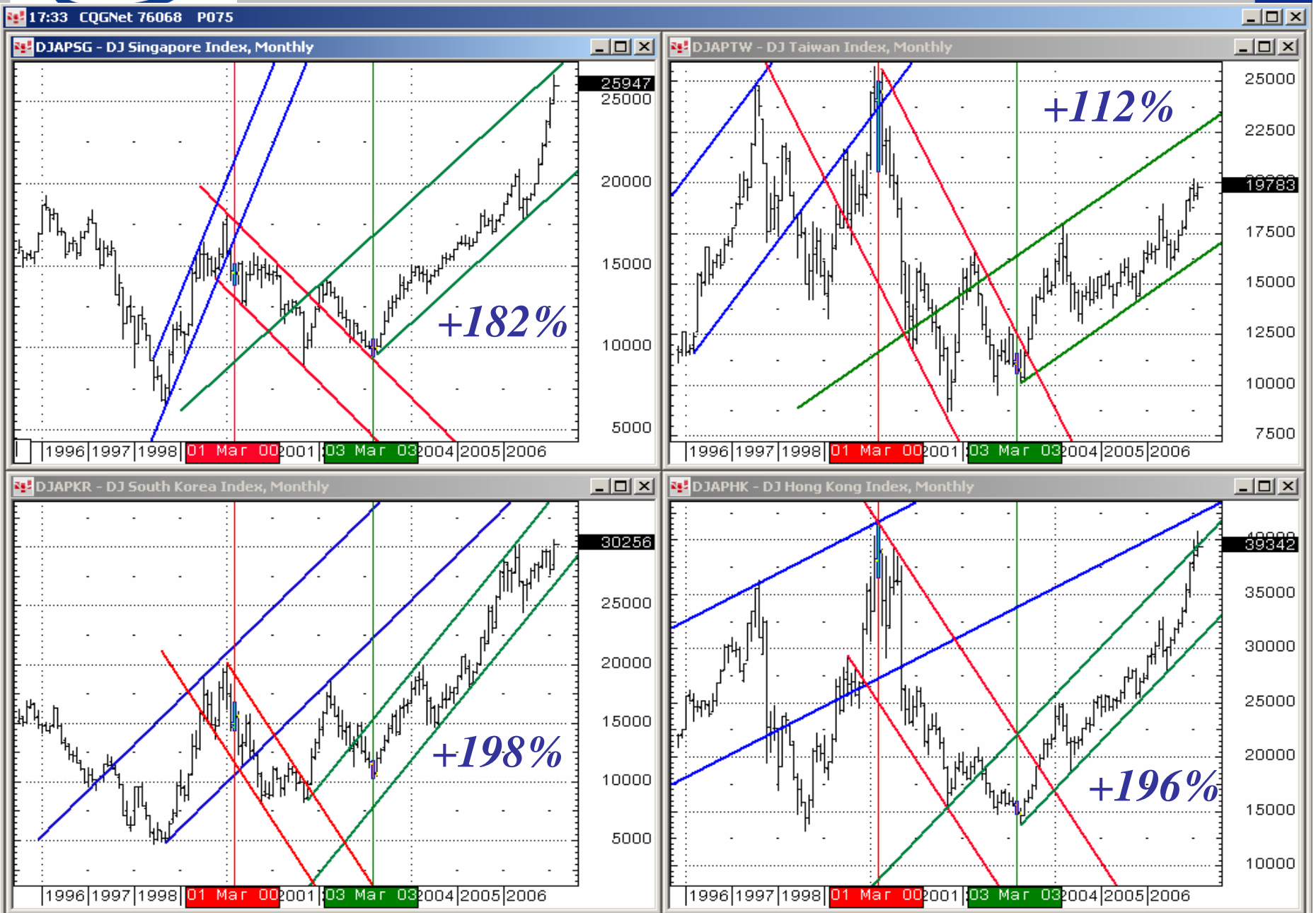
# Nikkei, F.T.S.E., DAX, CAC







# Singapore, Taiwan, Korea, Hong Kong





# Dow Jones Ireland Index - Monthly





## *Global Electoral Democracies*

	<b>Total</b>	<b>Free</b>	<b>Partly</b>	<b>Pct.</b>	<b>Not</b>
	<b>countries</b>	<b>Free</b>	<b>Free</b>	<b>F/P.F.</b>	<b>Free</b>
• <b>1975</b>	<b>158</b>	<b>40</b>	<b>53</b>	<b>59%</b>	<b>65</b>
• <b>1985</b>	<b>167</b>	<b>56</b>	<b>56</b>	<b>67%</b>	<b>55</b>
• <b>1995</b>	<b>191</b>	<b>76</b>	<b>62</b>	<b>72%</b>	<b>53</b>
• <b>2005</b>	<b>192</b>	<b>89</b>	<b>58</b>	<b>77%</b>	<b>45</b>
		<b>+123%</b>	<b>+9%</b>	<b>+31%</b>	<b>-31%</b>

*In 2002, the GDP of Free countries stood at \$26.8 trillion, while the GDP of Not Free countries was \$1.7 trillion.*

*Not free because prosperous;  
rather, prosperous because free.*

## *The Outlook...*

- *Pervasive spread of freedom, capitalism, and optimism trump terrorism*
- *The forward march of global prosperity continues*
- *Food-demand growth rate accelerating*
- *Free-market principles, progressive policies, and the indomitable human spirit combine to advance human condition*
- *One caveat... protectionism, isolationism, and overt nationalism pose greater threats to broadening prosperity than does terrorism*

## *The Next Great Opportunity?*

### *Global Agricultural Trade Reform*

*Global industrial tariffs average: 4% (20%)*

*Global agricultural tariffs average: 40%*

*Support the Doha Development Round*



# World Night Picture



Energy,  
Activity,  
Warmth,  
Prosperity,  
Hope...

Truth...

Earth at Night  
More information available at:  
<http://antwrp.gsfc.nasa.gov/apod/ap001127.html>

Astronomy Picture of the Day  
2000 November 27  
<http://antwrp.gsfc.nasa.gov/apod/astropix.html>

*Count your blessings...*



---

*Open Markets, Economic Growth  
and Shared Prosperity*

*“The Luckiest Generation”*

*Thank you!*

**USDA 83<sup>rd</sup> Agricultural Outlook Forum  
Arlington, VA  
March 2, 2007**