Mega Trends of Agriculture: What's Around the Corner & Down the Road

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Weekly Website Columns:
Ag Globe Trotter: www.farm-credit.com
Road Warrior of Agriculture: www.cornandsoybeandigest.com
Economic Environment Planning Forecast—
“Crazy” by Patsy Cline

- extended period of economic moderation worldwide
- volatility at extremes - cost & revenue
- reprioritization of business decisions
- reprioritization of personal and family decisions
- cash & liquidity will be King
- innovative, resourceful, & selective
Fast Facts in American Agriculture

- 70% of North American farm ground will change hands by 2025
- Local, natural organics could be 20% of the consumer marketplace
- Special interest groups and consumers will drive business models
- 80% of Americans are two generations away from the farm and/or ranch
- Control of asset rather than ownership with new land lords
- Water could replace oil as the limited resource
- Women and minorities will become major decision makers
- Strategically think globally but act and execute locally
Five Dimensions of Agriculture

- Food
- Fiber
- Life Experiences
- Life Sciences
- Fuel
Views from the Road

- livestock / protein industry
- grain industry
- dependent on real estate
- third party / counter party risk
- regulators / government oversight
- lenders rationing credit
- imbalance of input costs / commodity prices
- export markets, technology, economy
- non-farm revenue
Percentage of World GDP

Percentage of World GDP (last 500 years)
China, India, Japan, Latin America, Western Europe, and United States

Source: Angus Maddison, University of Groningen
## Century of Super Cycles

**Common Characteristics:**

<table>
<thead>
<tr>
<th></th>
<th>1915-17</th>
<th>1950-57</th>
<th>1973-74</th>
<th>2003-09</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Commodities Boom</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Rapid Global Real Growth (average annual % change)</strong></td>
<td>N/A</td>
<td>4.8%</td>
<td>4.0%</td>
<td>3.5%</td>
</tr>
<tr>
<td><strong>Conflict &amp; Geopolitical Uncertainty</strong></td>
<td>First World war</td>
<td>Korean war</td>
<td>Yom Kippur &amp; Vietnam wars</td>
<td>Iraq conflict</td>
</tr>
<tr>
<td><strong>Inflation</strong></td>
<td>Widespread</td>
<td>Limited</td>
<td>Widespread</td>
<td>Limited</td>
</tr>
<tr>
<td><strong>Significant Infrastructure Investment</strong></td>
<td>First World war</td>
<td>Postwar reconstruction</td>
<td>None</td>
<td>China</td>
</tr>
<tr>
<td><strong>Centered on</strong></td>
<td>Metals, agriculture</td>
<td>Metals, agriculture</td>
<td>Oil, agriculture</td>
<td>Oil, metals, agriculture</td>
</tr>
<tr>
<td><strong>% Increase in Prices (previous trough to peak)</strong></td>
<td>34%</td>
<td>47%</td>
<td>59%</td>
<td>131%</td>
</tr>
<tr>
<td><strong>Years of Rising Prices Prior to Peak</strong></td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: World Bank
Projected World Growth

GDP Growth %
2009 Forecast

Source: OECD Economic Outlook No. 84, November, 2008
GDP Growth %
2009 Quarter Figures
July, 2009

Source: www.Economist.com
GDP Growth %

2009 Latest Figures

December 3, 2009

Source: www.Economist.com
Oil -“Black Gold”

- $3.50 to $4.00 per gallon
  - consumers shut down
- 80% of farm expenses linked to oil
- value of dollar
- geopolitical risk
- weather
- 30-50-20 rule
2009- Land Values Declined 3.4%
Business Cycles by the Numbers

<table>
<thead>
<tr>
<th>Months</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>11</td>
<td>economic recessions</td>
</tr>
<tr>
<td>58</td>
<td>business expansions</td>
</tr>
<tr>
<td>86</td>
<td>Great Moderation Theory expansions</td>
</tr>
<tr>
<td>7</td>
<td>Great Moderation Theory recessions</td>
</tr>
<tr>
<td>106</td>
<td>record expansion -- Paul Volcker</td>
</tr>
<tr>
<td>120</td>
<td>all time record expansion -- Alan Greenspan</td>
</tr>
</tbody>
</table>

- Kondratieff Wave Theory
- Rolling recessions of Post War
Short Run Economic Issues

- world stimulus programs - G20 nations
- equity markets rebound
- earnings report / cost cutting
- low interest rates
2010 Issues

- savings and consumption growth
  - inflection point
- commercial real estate
  - small and midsized banks
- housing / real estate
  - foreclosure crisis
- increased taxation
  - cap
  - trade
Long Run Economic Issues

- unemployment
  - consumer confidence
  - business confidence
- government debt
- inflation
- healthcare
- social security
Spheres of Influence

- Partner
- Spouse
- Peers
- Lawyer
- Supplier
- Accountant
- Lender
- Crop Consultant
- General Consultant
- Livestock Consultant
- General Extension
- Politicians
- Media / Advertising
Suppliers as a Strategic Advantage

- relationship managers provide more than products and services
  - understand industries, business models, and businesses’ unique positions within industries
  - grasp interconnectedness of agricultural value chains
  - understand people and ask questions
    - Where have producers been?
    - Where are producers today?
    - Where are producers headed?
  - provide context to information, adding meaning and relevance to ‘numbers and noise’
  - focus on what makes long-term sense
2010 to 2015 Consultant

- planning, strategy & execution
- organizational & time management
- mixture of technology & face to face
- problem / solutions / workout
- business opportunities & management
Dave’s Top Ten Quotes

- “three prong risk management program”
- “paradigms shift – principals don’t”
- “Be careful of people in silk suits.”
- “40-20-40 people rule”
- “widening gap of loan pricing based upon management”
- “edu-marketing - the 15% rule”
- “Don’t allow your employees to put you on probation.”
- “You build your best business in tough times.”
- “You build your career during tough times.”
- “Don’t forget your good customers.”