

Global Economic Situation and the Agri-Food Outlook

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Conversation Outline

**Overview of
Global Economic
Situation**

**The Interesting
Agri-Food
Situation**

**Thinking About
the Future**

Conversations



The Global Economic Situation

- There is nothing **wrong** with capitalism . . .
Please!!
 - We just have a few misguided idiots giving the rest of us a bad image
- Capitalism is an economic system in which accumulated capital drives innovation and economic well-being of citizens
- Accumulated capital emanates from the surplus production of valuable goods and services



The Global Economic Situation

- Capitalism is not about making money *per se* but about using all types of capital to enhance individual and social well-being
 - Human capital
 - Physical capital
 - Financial capital
 - Organizational capital
- Money is how we keep score, and the score keeping system could *technically* be anything



The Global Economic Situation

- The **community** is central to a capitalist system
 - Brings people together to imagine their living space and their economic interactions
 - With or without government interactions and interventions
- Explaining why the individual and collective work of Economic Development specialists is critical to our chosen economic system



The Global Economic Situation

- Parties and counter-parties: The interconnected global marketplace and contagion risks
- Europe and the Euro
- You are not going to put the PIIGS in the barn



The Global Economic Situation

- The problem is more complex than shoving bailout money at it
 - We cannot solve these problems at the same level of thinking we were when we created them
- A note on the Chinese Yuan and the U.S. Dollar
- Should we worry about inflation?



The Agri-Food Spring

- Net farm income forecast to increase by 19.8%
- Net value added of agriculture to U.S. economy in 2011 is second highest in the past 35 years
- It sounds like a good year in Farm Country . . .
If you have crop to sell



The Agri-Food Spring

- Demand continues to climb around the world as disposable incomes increase in the developing countries
- Grain substituted for animal protein
 - But probably not to the same level as in past periods
 - Due to increasing research on the relationships between diet and health
 - Yet increases significant enough to shift grain markets



The Agri-Food Spring

- Energy and the environment will continue to remain central to policy efforts
- Driving demand for grain and oilseeds into fuel
- Even as the debate about food v. fuel heats up and the search for new feedstock accelerates
- How would all these influence producer profits?
- That is the problem



The Agri-Food Spring

Every time we make money in agriculture, we bid it all away in paying higher prices for ground and production inputs

So, if next year or the year after are not as strong as this year, we risk seeing some difficulties in farm country



Thinking About the Future

New Thinking, New Lenses

New Sustainable Business Models

Scale economies and differentiation

Value creation and customer delight

Horizontal and vertical relationships to drive out costs and drive in value



Thinking About the Future

Focusing on the magic equation:

$$\text{Profit} = \text{Price} * \text{Quantity} - \text{Cost}$$

Applies to all businesses



Summary

Communities and their business people and entrepreneurs cannot wait for a messiah in these economic crises

We need to be innovative and creative in identifying opportunities that would facilitate economic growth in our small towns and rural communities

And engage each other and government to seize emerging opportunities to create wealth and prosperity



Thank You

Conversations

