

# **The World Economic Crisis and Agriculture: Effects on Production, Consumption, and Trade**

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**U.S. Department of Agriculture**

**The Pacific Food System Outlook, 2009-10**

**Market Volatility and the Food System**

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# Parts of Presentation

- Background macro discussion
- Crisis' macroeconomic linkages to agriculture
- Agricultural effects of economic crisis
- Outlook



# Crises of Recent Years

- Food crisis
- Energy price crisis
- Financial crisis
- Economic crisis



# Crisis' Macroeconomic Linkages to Agriculture

- GDP (domestic and world)
  - consumer income
  - energy prices
- Exchange rates
- Finance

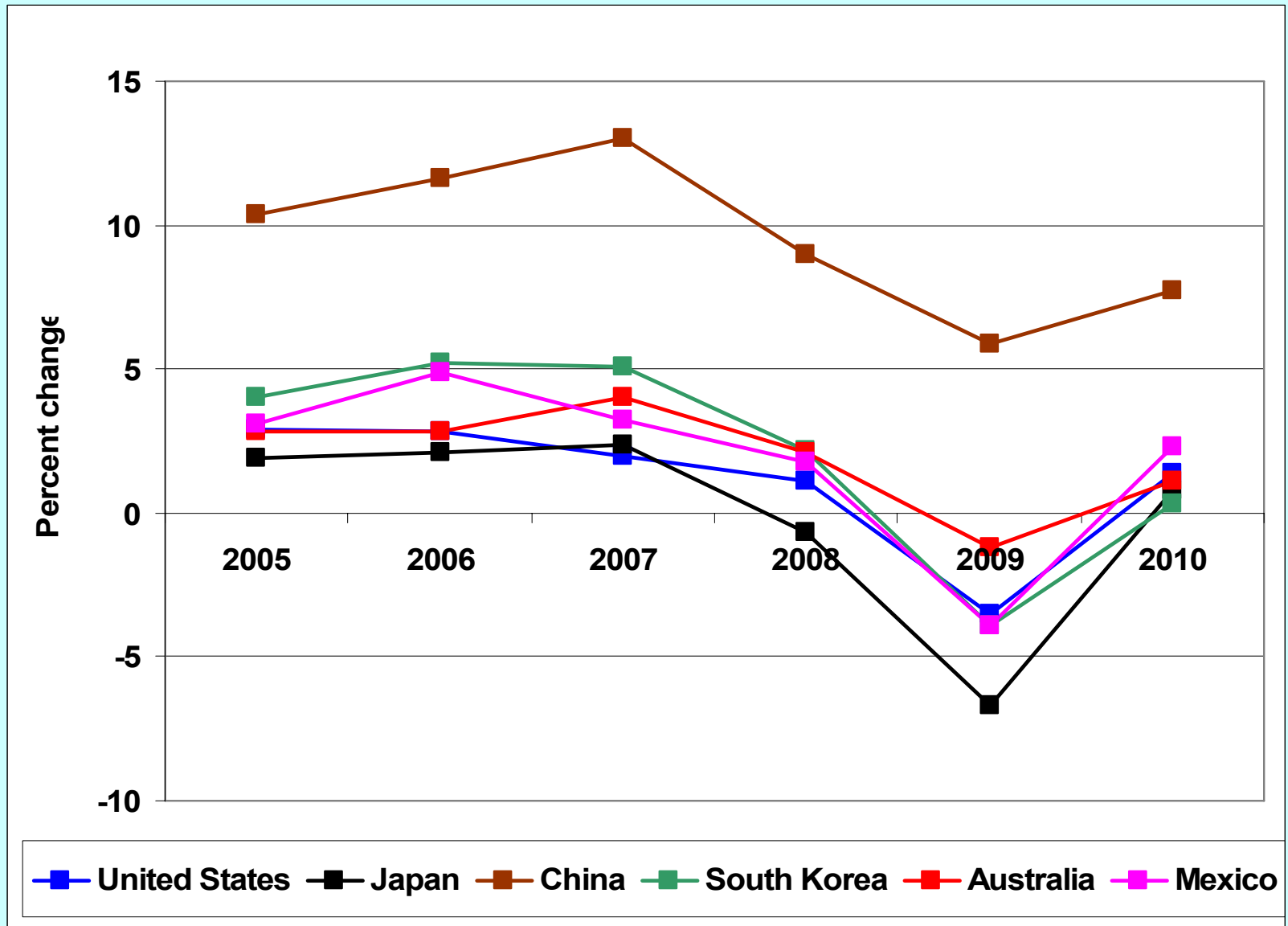


# Crisis' Macroeconomic Linkages to Agriculture

<u>Variable</u>	<u>Direction of change</u>	<u>Effect on ag producers</u>
GDP	decrease	
Consumer income	decrease	unfavorable
Energy prices	decrease	
Bulk crop producers		
Output prices	decrease	unfavorable
Input prices	decrease	favorable
Livestock producers'		
input prices	decrease	favorable



# GDP Growth



Source: Global Insight.

# Crisis' Macroeconomic Linkages to Agriculture

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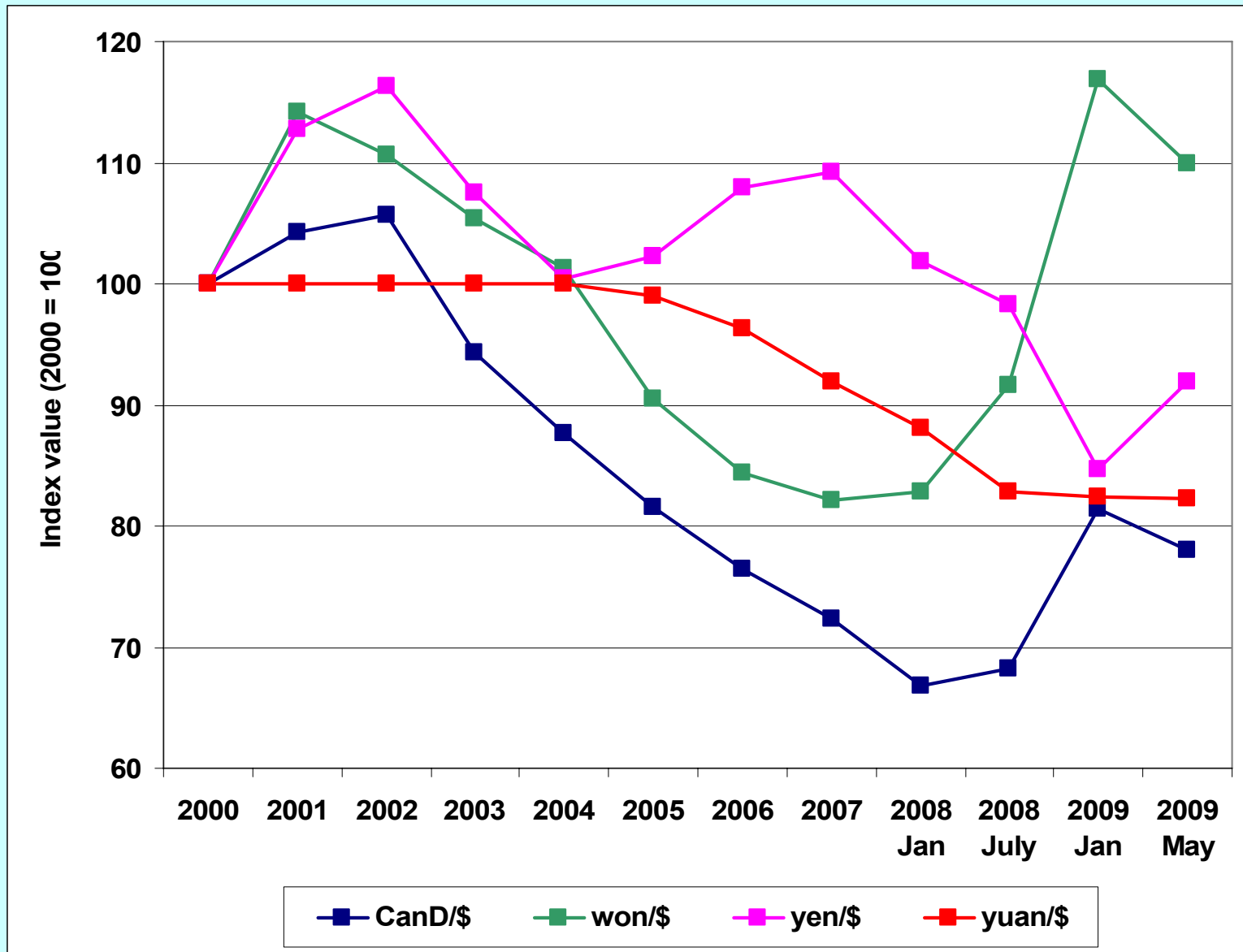
# Crisis' Macroeconomic Linkages to Agriculture

<u>Variable</u>	<u>Direction of change</u>	<u>Effect on ag producers</u>
Exchange rate	varies by country	
Appreciation		unfavorable
Depreciation		favorable
Finance		
Ag production	decrease	unfavorable
Ag trade	decrease	unfavorable





# Nominal Exchange Rates



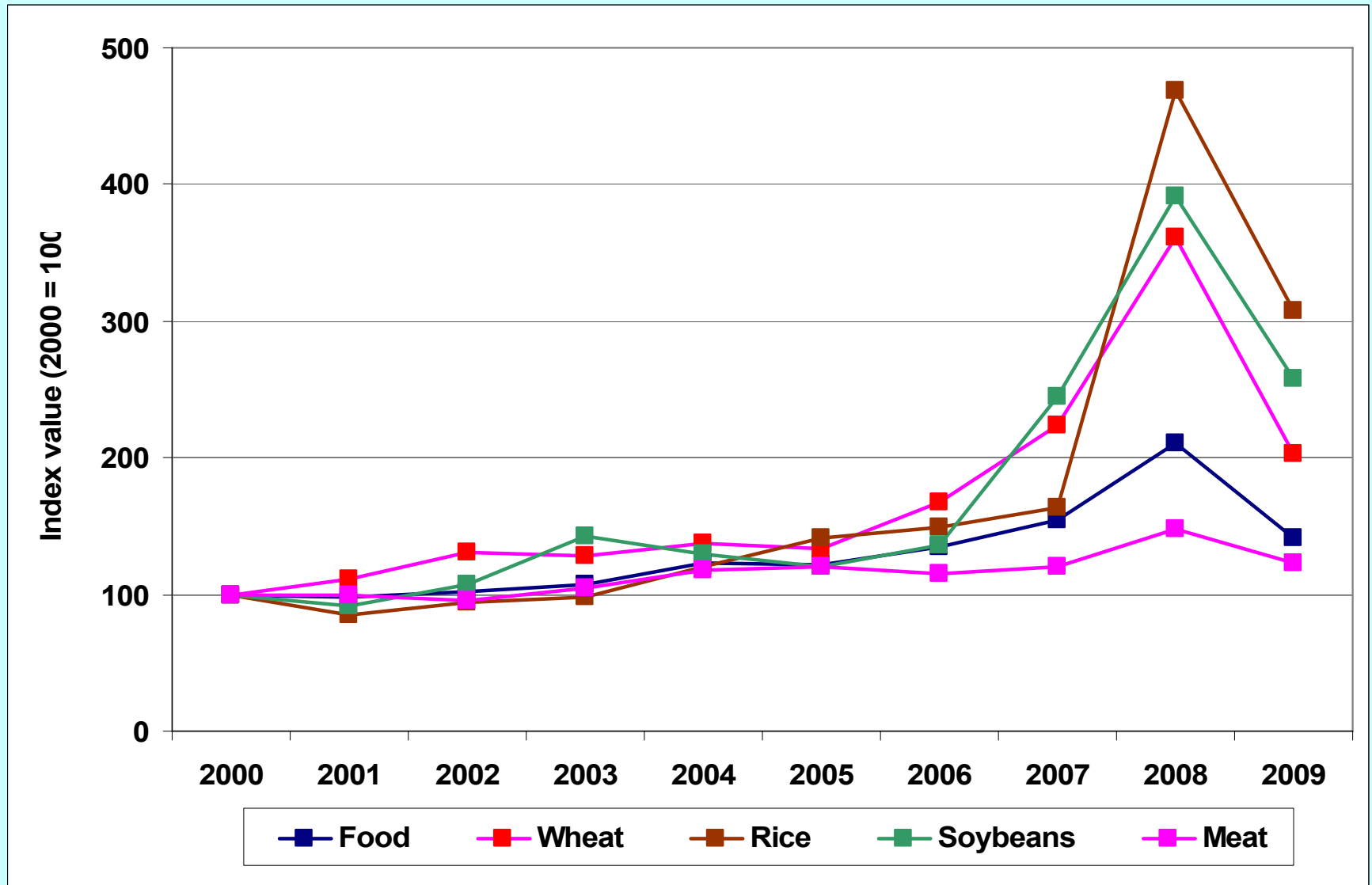
Source: ERS Macroeconomic Data Set and Pacific Exchange Rate Service.

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# World Agricultural and Food Prices



Note: 2008 are peak month prices and 2009 are March prices. Source: FAO and IMF.

# Crisis' Effect on Volume of Agricultural Exports

Jan—Feb/March 2009 compared to 2008

*% decrease*

U.S. pork	10
U.S. cotton	23
Canadian barley	60
Canadian rapeseed	28
Australian cheese	23
New Zealand beef	5



# Crisis' Effect on Volume of Agricultural Imports

Jan—Feb/March 2009 compared to 2008

*% decrease*

Chinese soybean oil	59
Japanese fillet fish	30
Korean beef	9
Korean pork	23
Philippine rice	96
Mexican corn	32



# **The 2008/2009 World Economic Crisis: What It Means for U.S. Agriculture**

**Mathew Shane, William Liefert, Mitch Morehart, et al.**

**ERS e-outlook, March 2009**

**[www.ers.usda.gov](http://www.ers.usda.gov)**

## **The World Economic Crisis and U.S. Agriculture: From Boom to Gloom?**

**William Liefert and Mathew Shane**

## **Implications of Macroeconomic Instability for Agriculture Income and Land Values**

**Mitch Morehart**

## **Choices theme issue: Agriculture in a Turbulent Economy—A New Era of Instability?**

**1<sup>st</sup> Quarter 2009, [www.choicesmagazine.org](http://www.choicesmagazine.org)**