

Kansas City Agribusiness Council



An Agribusiness Review

J.B. Penn
Deere & Company

Kansas City, MO
November 6, 2009



An Agribusiness Review

Brief Business Review

The Policy Backdrop

Summary Observations



An Agribusiness Review

Brief Business Review

- The Demand Side
- The Supply Side

The Policy Backdrop

Summary Observations



The Demand Side



Global Economy



U.S. Economy



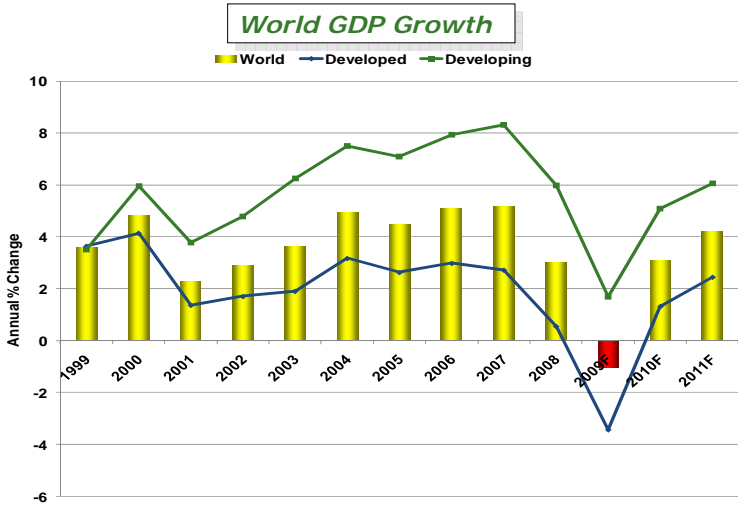
The Demand Side Global Macro Economy



Source: International Monetary Fund (IMF), World Economic Report, October 2009



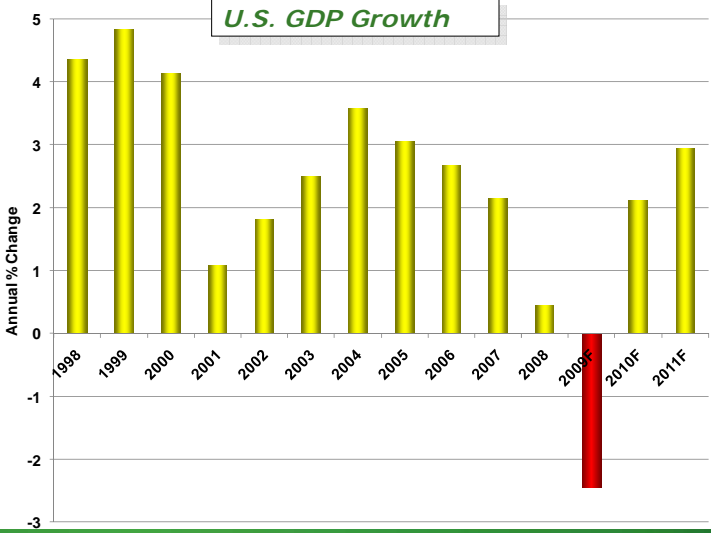
The Demand Side Global Macro Economy



Source: International Monetary Fund (IMF), World Economic Report, October 2009



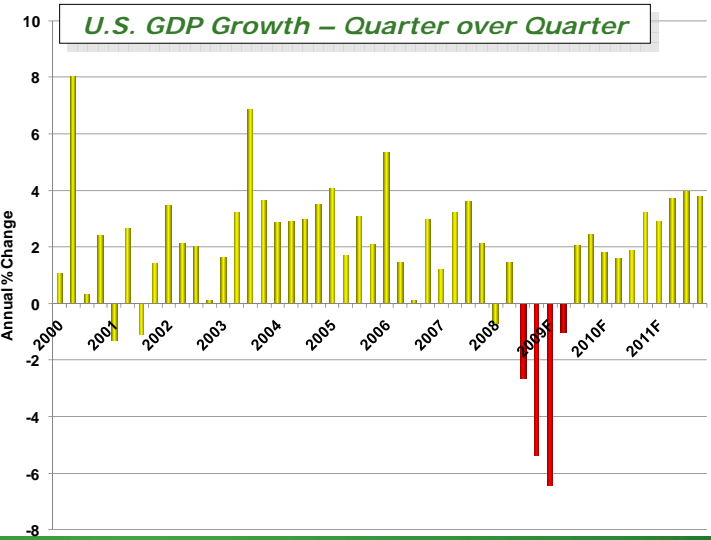
The Demand Side U.S. Economy



Source: Global Insights, October 2009



The Demand Side U.S. Economy



Source: Global Insights, October 2009



The Demand Side

Dynamics of Food Demand

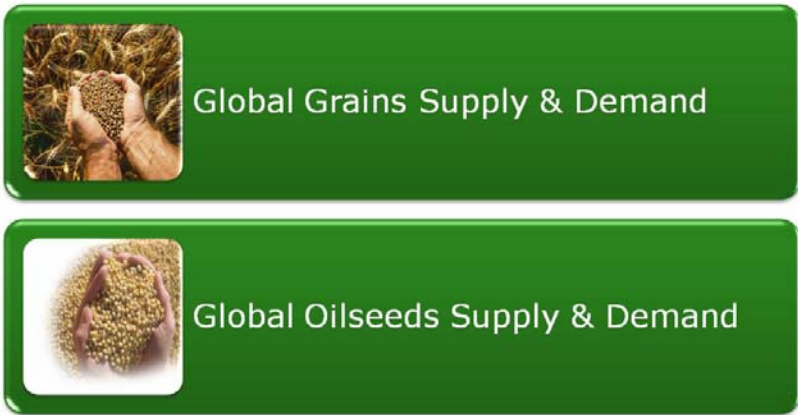


Source: World Bank, 2008

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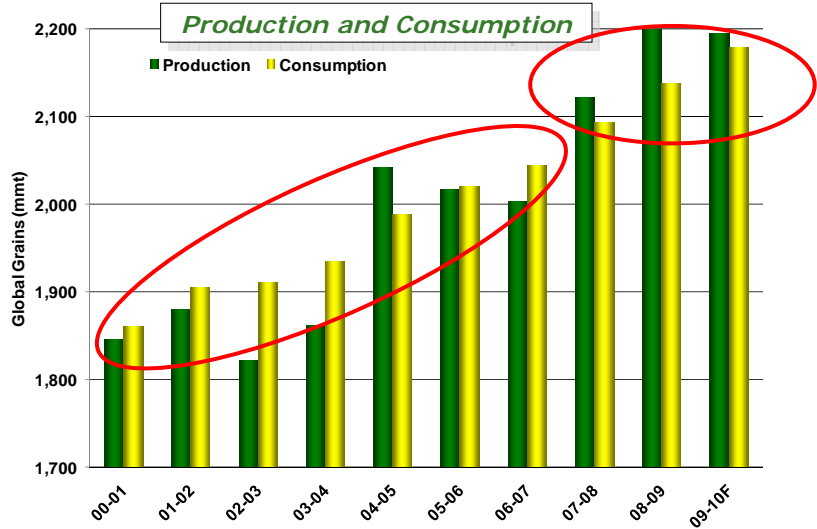
The Supply Side



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The Supply Side Global Grains

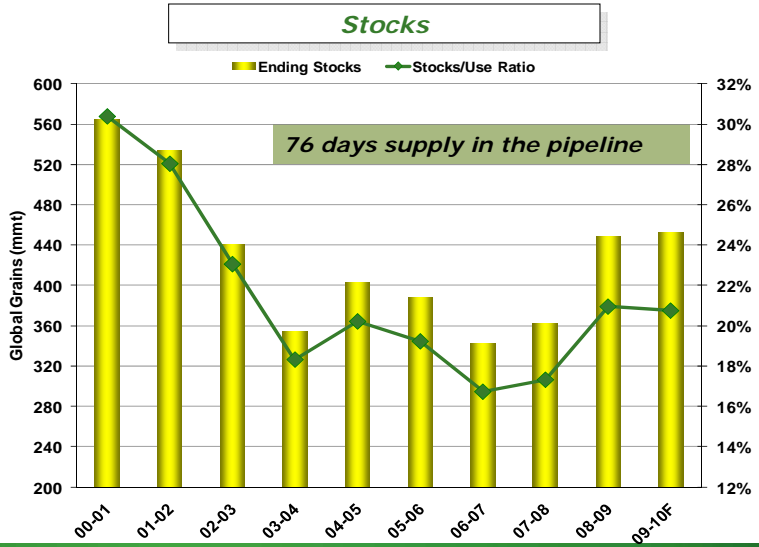


Source: USDA, October 2009

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The Supply Side Global Grains



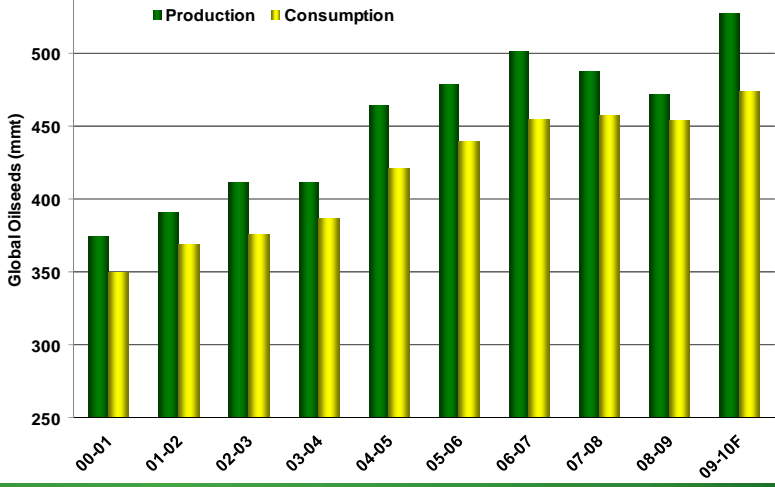
Source: USDA, October 2009

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The Supply Side Global Oilseeds

Production and Consumption



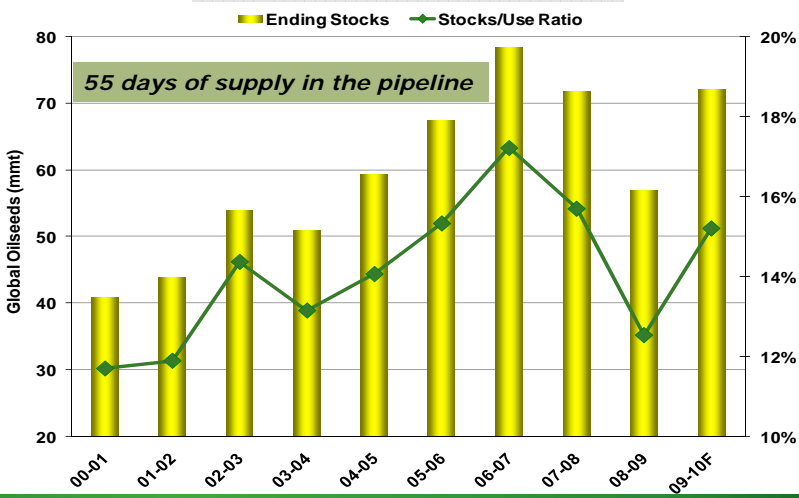
Source: USDA, October 2009

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The Supply Side Global Oilseeds

Stocks



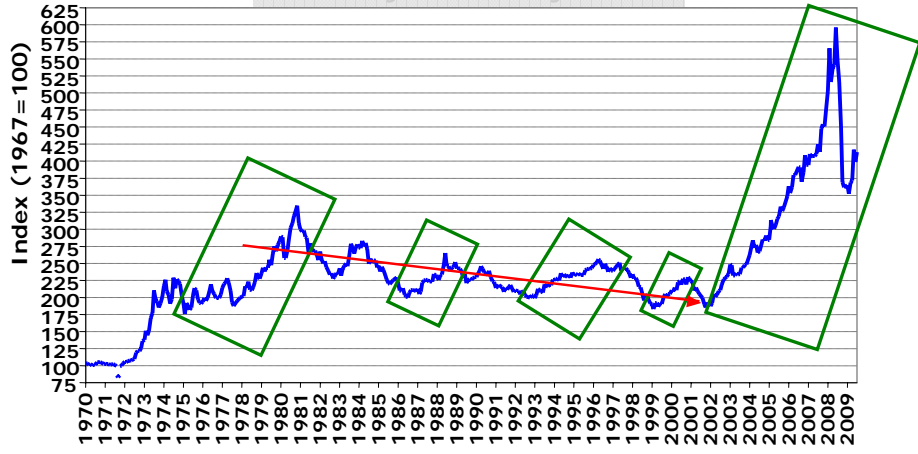
Source: USDA, October 2009

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The Supply Side CRB Futures Index

January 1970 – July 2009



Source: Informa Economics, August 2009



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Global Food Security

The New, Big Topic: Emerged from 2008 Price Spike

- Pushed hungry and malnourished to over 1B
- Prompted civil unrest in 30+ countries
- Spawned new initiatives
 - G8 (now G20) pledged \$22B for agriculture development
 - World Bank – Doubled agriculture lending
 - National Governments – New focus on rural development
 - Major new U.S. Food Security Initiative

Global Food Security

The 21st Century Challenge:

Food

- Feed a growing, more prosperous world – and hopefully better than we have in the past
- Increase food output 50% by 2030 – 70% by 2050

Energy

- Contribute to national energy security in many countries

Environment

- Preserve/enhance the environment
- Maintain the rural cultural heritage

Within these constraints:

- Use **the same or even fewer resources** than available today
- Take account of **global climate change** and **amelioration measures**

Global Food Security

Clearly signals need for:

- Accelerated productivity growth- more and more output from same input

Means:

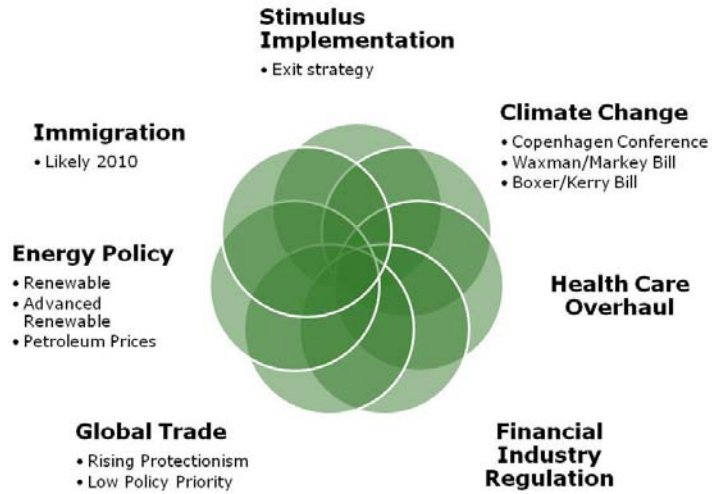
- More R&D, Extension Services
- Investment in infrastructure
- Policies conducive to investment and business
- Freer trade in agriculture and food products

Modern Agriculture Criticized

A myriad of concerns coming together:

- Environmental/Conservation Concerns
 - Land, Air, Water, Biodiversity
 - Indirect Land Use
 - Animal Rights
 - Organic/Natural
 - Carbon Footprint (Fossil Fuel Use)
- Clash of Sustainability/Productivity Camps
- Merger Ultimately Required

Active Domestic Policy Agenda



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Summary Observations

- Economic backdrop unlike any experienced before – uncertainty continues
- Consensus – global recovery underway – agriculture fundamentals positive
- Modern agriculture under scrutiny
- Policy initiatives could significantly alter business environment

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