Transition to Global Marketer

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Wells Fargo
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Why care about “them”

Different dynamic
Different strategy
Different tactics

The survivor dividend

Economic and Commodity Risk

Anticipating the feedback
Loops create cycles

Monetary Policy

Fiscal Policy

Economy

Agriculture

Energy

How are the cycles linked?

NAFTA Economy

NAFTA Agriculture

Global Agriculture

Global Economy

Key policy beliefs

**US**
- Aggressive monetary policy
- Moderating fiscal policy

**Eurozone**
- Uncertain monetary policy
- Highly variable fiscal policy

**China**
- Uncertain monetary policy
- Uncertain fiscal policy

**Developing markets**
- Uncertain monetary policy
- Uncertain fiscal policy

Why? Relative prices

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Productivity</td>
<td>1.3</td>
<td>1.4</td>
<td>1.3</td>
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<tr>
<td>Capital</td>
<td>2.3</td>
<td>2.4</td>
<td>2.4</td>
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<tr>
<td>Hours</td>
<td>1.0</td>
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Share of GDP

1960-73: 0.9
1974-81: 1.2
1982-90: 1.1
1991-2001: 0.8
2002-12: 0.3
2013-18: 0.4
2019-23: 0.4
Bullish or Bearish? Or wrong?

Performance Gap: Actual GDP less Potential

Key question

If we know so little about the US economy,
why do you think you know something about the global economy?

No Escaping the Loops

Where the Economic Growth IS

What about global demand

Trade policies are political
The Wal*Mart Effect

US Net Trade in Agriculture, Fish/Forestry

Who is important by sales volume?

<table>
<thead>
<tr>
<th>Partner</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
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<tr>
<td>Mexico</td>
<td>437</td>
<td>853</td>
<td>935</td>
<td>637</td>
<td>836</td>
<td>1,165</td>
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<td>Korea, South</td>
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<td>37</td>
<td>111</td>
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<td>74</td>
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<td>Saudi Arabia</td>
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<td>42</td>
<td>72</td>
<td>112</td>
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<td>166</td>
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<tr>
<td>Grand Total</td>
<td>1,832</td>
<td>2,978</td>
<td>3,753</td>
<td>2,235</td>
<td>3,689</td>
<td>4,779</td>
<td>5,124</td>
<td>6,719</td>
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Who are the export competitors?

Dairy Exports

Who are the importers?

Dairy Imports
Export intensity: Percent of production

Dairy Products

Exchange rates are not about dairy
- Policy makers
  - Central banks
  - Government trade officials
- Current account balances
- Financial flows
  - Interest rate arbitrage
  - FDI and “hot money” flows
- Manias and mistaken beliefs

Our NAFTA partners

NAFTA Inflation Adjust Exchange Rates

Canada (left) vs. Mexico (right)

Asia Market Exchange Rates

Asian Inflation Adjust Exchange Rates

China (left) vs. Japan (right)
Question your assumptions

- Global demand growth
  - Population
  - GDP
  - Diet

- Global supply growth
  - Acreage
  - Productivity
  - Trade barriers

- Policy shocks

The global numbers are huge

Global GDP and Population
The rate of change is a challenge

Global Population Annual Change Rate

Average growth has not changed

Global Real GDP Change

Big numbers all around

Global Grain Production

The market cycles

Global Grain Production

- Grain in millions of MT

- Kg per Capita
Performance = Realized potential

So who has the resources?

Production is resource dependent

Who has the production?

Global Grain Production (incl rice)

Who has the acreage

Global Grain Acreage (incl rice)
What’s wrong with this picture?

Global Grain Yields (incl rice)

All the marginal producers in the world

Biggest threat?

So what?

- Anticipation
  - Feedback loops
  - Marginal competitors
  - Bad assumptions
- Policy shocks
  - Trade
  - Financial
  - Biofuels
- Investors versus Traders

There is only one difference between a bad economist and a good one: the bad economist confines himself to the visible effect; the good economist takes into account both the effect that can be seen and those effects that must be foreseen.

Frédéric Bastiat 1850