



International Food & Agribusiness Management Association

***“Implications and Strategies for Food and Agribusiness
Companies from the Global Financial Crisis”***

Paul (Tuck) Jasper, President-elect of IAMA, USA



There is an old Chinese proverb:

“May you live in interesting times.”

This was not a good wish, but rather a wish for a competitor to live in turmoil.



The economic outlook and the economy have stabilized....no longer much risk that the financial system will collapse.

Consumer spending will remain weak for years to come as most households have very high debt-to-income levels.



Housing is unlikely to recover anytime soon and may even weaken further because:

1. Mortgage rates are priced off ten year Treasury bond rates.

If mortgage rates continue to rise, housing prices will once again become unaffordable despite the 30-35% drop in home prices.



Housing is unlikely to recover anytime soon and may even weaken further because:

2. Consumer confidence is a key factor. Home prices are the key to economic stability.
3. Investment in capital goods will be crowded out by government borrowing.

Thus, if we do manage to return to economic expansion, it will be VERY muted.



What are the implications for agribusiness?

1. Oil and gas prices caused food prices to rise:
The oil market is going up again.
2. Equally important has been the rise in crop prices and land prices due to the wrong ethanol policy.
3. The huge growth in costly organics is likely to slow.



What are the implications for agribusiness?

4. Banks are reluctant to lend to growers.
5. Notice how quickly oil prices bounced!

Terrible policy will lead to much higher oil prices.



***Commodities are seen as a good hedge
against inflation.***

***Farmer-produced commodities, i.e. wheat,
corn, livestock, and so on are less likely to
rise.***



Concluding Thoughts

The world economy will recover and grow again.

***Some see this like the 80s,
and intend to ride that horse again.***