Implications and Strategies for Food and Agribusiness Companies from the Global Financial Crisis Panel

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Opening Comments by
The Honorable Carole L. Brookins
Globalization of Markets: Global Boom to Bust
Commodity Impact

Indexed Main Commodity Prices and GDP

Source: Blumenthal, *Comparative Data on Commodities and GDP*
Financial stability and confidence in monetary institutions are the cornerstones of a functioning and dynamic global market system, powered by private sector-led growth.
Output and Trade Collapse

**Figure 2. Growth in Global Industrial Production and Merchandise Trade**

(Annualized three-month percent change)

Sources: Haver Analytics; and IMF staff estimates.
Nature of Markets Is Dynamic Change

- A Broader Market Perspective
- Lens to Understand Market Impacts

IMPORTANT TO IDENTIFY Trends and Events

KEY Question:
- Will Short Term Event Change Longer Term Trend?
Globalization Trends
BUT a Different Global System

• Managed Capitalism Is the New Face of Globalization
• Financial Power Shifts To Strong Emerging Markets (China rises higher)
• Cyclical Downturn Means Economic Hardships and Possible National Security Threats
• Is Light at the End of the Tunnel?
• Early Signs of InvestorsReturning to Markets
Real Commodity Prices

Figure 4. Real Commodity Prices
(1995 = 100)

Source: IMF staff estimates.
A Trend in Motion: Rising Commodity Demand

Two Opposite Views of Short-to-medium Term Recession Impact on Commodities

– If longer recession, commodity boom to bust with up to “seven thin years” in demand/price
  (Michael Farmer, founder of hedge fund Red Kite)

– “The commodity super-cycle is not over, it is just pausing.”
  (Fransisco Blanch, Bank of America global head of commodities research)
Globalization Is a Trend In Motion

Our Globe is Both Smaller and Larger: Recession Hasn’t Changed Trend of Global Interconnection of Markets, Ideas and Goods

A Smaller World
• Instant Communication
• Rapid Transportation

A Larger World
• Population
• Complexity