Managing More Risk in FL Agriculture

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Agricultural Risk

Everything is connected.

We just can’t see how.

Is Agricultural Risk Rising?

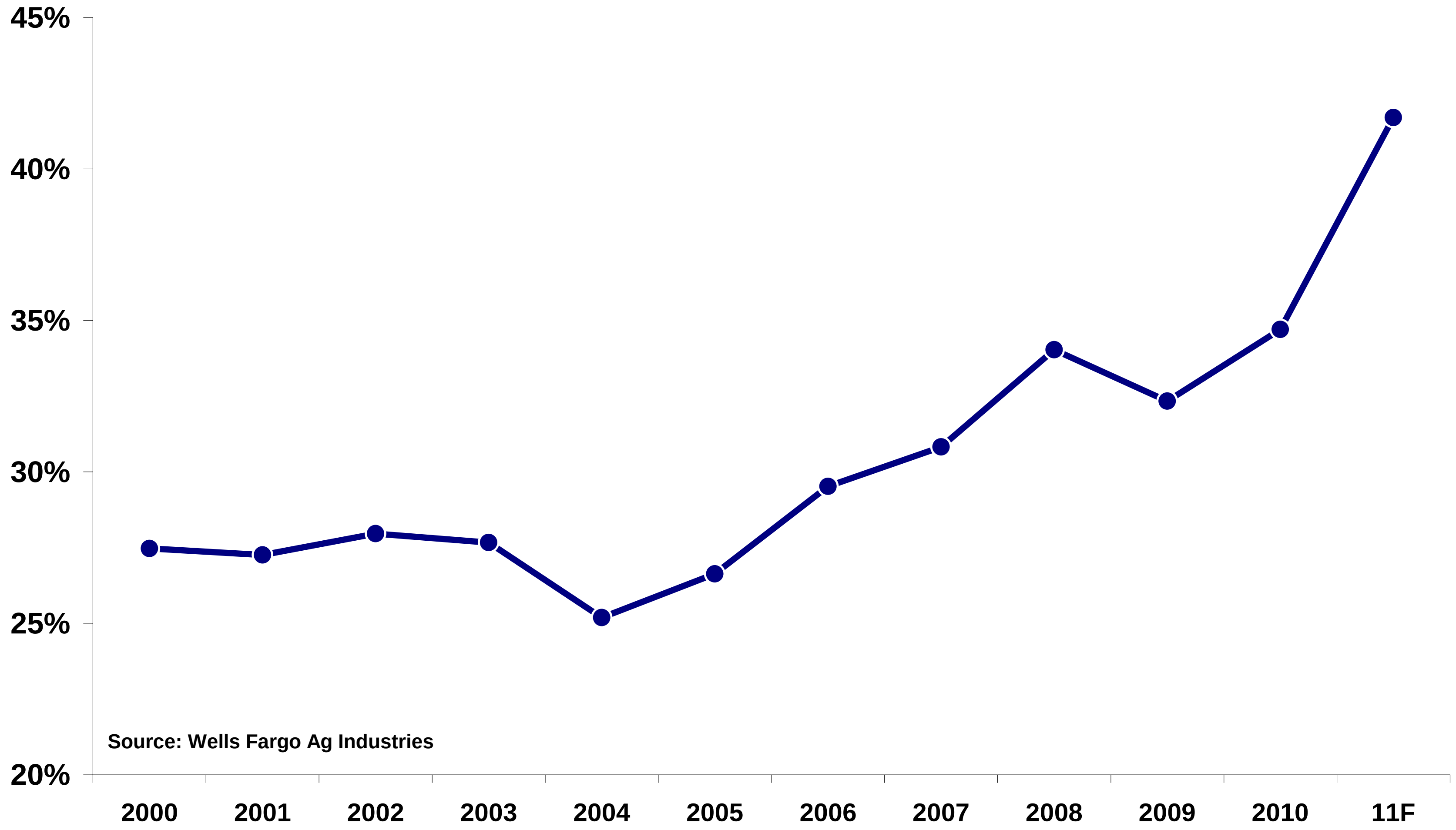
- **Yes**
  - Quantifiably
  - Emotionally
- **Drivers**
  - Interconnected global markets
  - Policies
    - Domestic
    - Global
- **Implications**

An intersection of factors

- **Global economic growth**
  - Who are Florida's
    - Competitors
    - Buyers
  - The US dollar v. a "currency pair"
- **US economic turbulence**
- **US Biofuels policy**
- **Speculative tools and fools**

A razor sharp two-edged sword

The Value of Agricultural Exports Relative to Farm Gate Revenue



Where Florida Competes (who, what)

- **NAFTA**
- **Latin America**
- **Florida's big hitters**
  - Vegetables, melon… $1.4 billion
  - Fruits, tree nuts… $2.1 billion
  - Nursery, greenhouse… $2.1 billion
  - Oranges 561k acres
  - Sugarcane 379k acres

Follow the dollars

Exports Values in Billions of dollars

	2006	2007	2008	2009	2010	Jan - Jul 2010	Jan - Jul 2011	
Product	**Value**	**Value**	**Value**	**Value**	**Value**	**Value**	**Value**	**% Change**
Bulk Total	27	38	52	40	47	23	35	54
Consumer Oriented Total	30	35	42	40	45	25	30	19
Intermediate Total	14	17	21	19	23	13	15	13
Forest Products	6	7	7	5	7	4	5	18
Fish Products	4	4	4	4	4	2	3	27
	81	101	125	107	127	67	87	30

Imports Values in Billions of dollars

	2006	2007	2008	2009	2010	Jan - Jul 2010	Jan - Jul 2011	
Product	**Value**	**Value**	**Value**	**Value**	**Value**	**Value**	**Value**	**% Change**
Bulk Total	9	10	13	11	13	7	11	51
Consumer-Oriented	43	47	50	47	52	30	34	12
Intermediate Total	13	14	18	14	17	10	12	26
Forest Products	23	19	14	10	11	7	6	-8
Seafood Products	13	13	14	13	15	8	9	16
	102	104	109	94	108	62	73	17

Net Trade by Category

Net Trade in Billions of dollars

Product	2006 Value	2007 Value	2008 Value	2009 Value	2010 Value	Jan - Jul 2010 Value	Jan - Jul 2011 Value	% Change
Bulk Total	18	28	39	29	34	16	24	50%
Consumer-Oriented	(13)	(12)	(8)	(7)	(7)	(5)	(4)	-20%
Intermediate Total	1	3	3	5	6	3	3	0%
Forest Products	(17)	(12)	(7)	(5)	(4)	(3)	(1)	-67%
Seafood Products	(9)	(9)	(10)	(9)	(11)	(6)	(6)	0%
	(20)	(2)	17	13	18	5	16	220%

Where the real dollars in the future

WELLS FARGO

US Imports -- Consumer Oriented

Cumulative To Date Values in Billions of dollars

Product	2006	2007	2008	2009	2010
Wine and Beer	7.7	8.3	8.3	7.4	7.8
Other Consumer Oriented	5.5	6.2	6.7	6.5	7.4
Snack Foods	4.7	5.0	5.2	5.0	5.8
Processed Fruit & Vegetables	4.2	4.8	5.4	5.1	5.5
Fresh Vegetables	4.0	4.3	4.5	4.3	5.4
Other Fresh Fruit	3.6	4.3	4.3	4.6	5.2
Red Meats, FR/CH/FR	4.3	4.4	4.1	3.7	4.3
Bananas and Plantains	1.2	1.2	1.4	1.6	1.8
Nursery Products	1.5	1.5	1.5	1.3	1.5
Fruit & Vegetable Juices	1.2	1.7	1.9	1.4	1.4
Tree Nuts	1.1	1.1	1.3	1.2	1.4
Other Dairy Products	1.3	1.4	1.6	1.2	1.2
Spices	0.6	0.8	1.0	0.9	1.0
Cheese	1.0	1.1	1.2	1.0	1.0
Roasted & Instant Coffee	0.5	0.5	0.6	0.7	0.9
Red Meats, Prep/Pres	0.7	0.8	0.7	0.6	0.5
Total	43.1	47.3	49.6	46.5	51.9

The US’s biggest agricultural trade

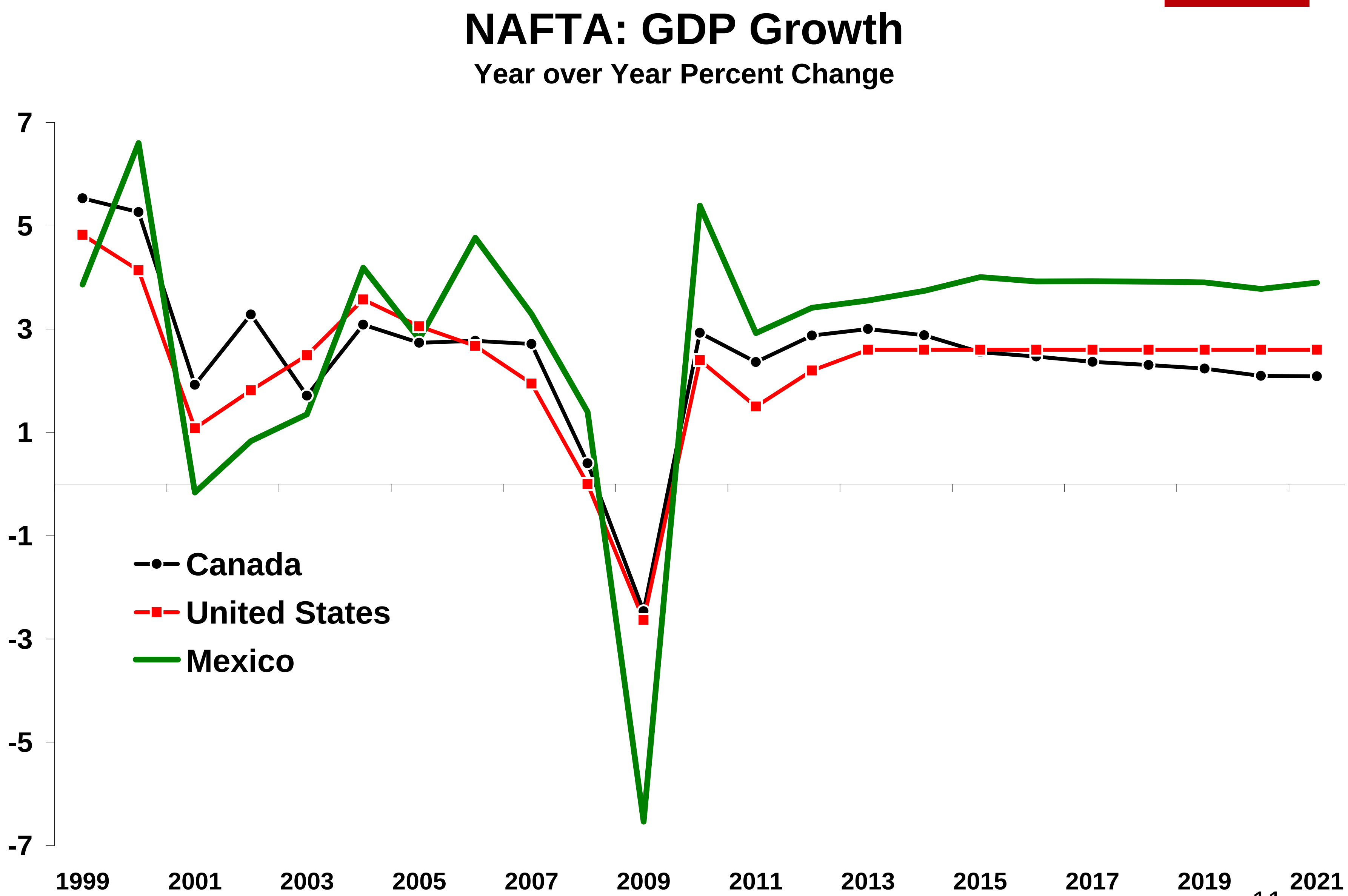
Cumulative Imports To Date Values in Millions of dollars

		2006	2007	2008	2009	2010	Jan - Jul 2011
Partner	Product	Value	Value	Value	Value	Value	Value
Canada	Consumer-Oriented	8,818	9,102	9,510	8,738	9,953	5,972
Canada	Intermediate Total	3,586	4,553	5,675	4,145	4,585	3,374
Canada	Bulk Total	1,027	1,589	2,824	1,827	1,706	1,099
Mexico	Consumer-Oriented	7,913	8,932	9,420	9,775	11,637	8,309
Mexico	Intermediate Total	1,150	875	1,007	1,095	1,458	1,159
Mexico	Bulk Total	328	361	481	503	484	690

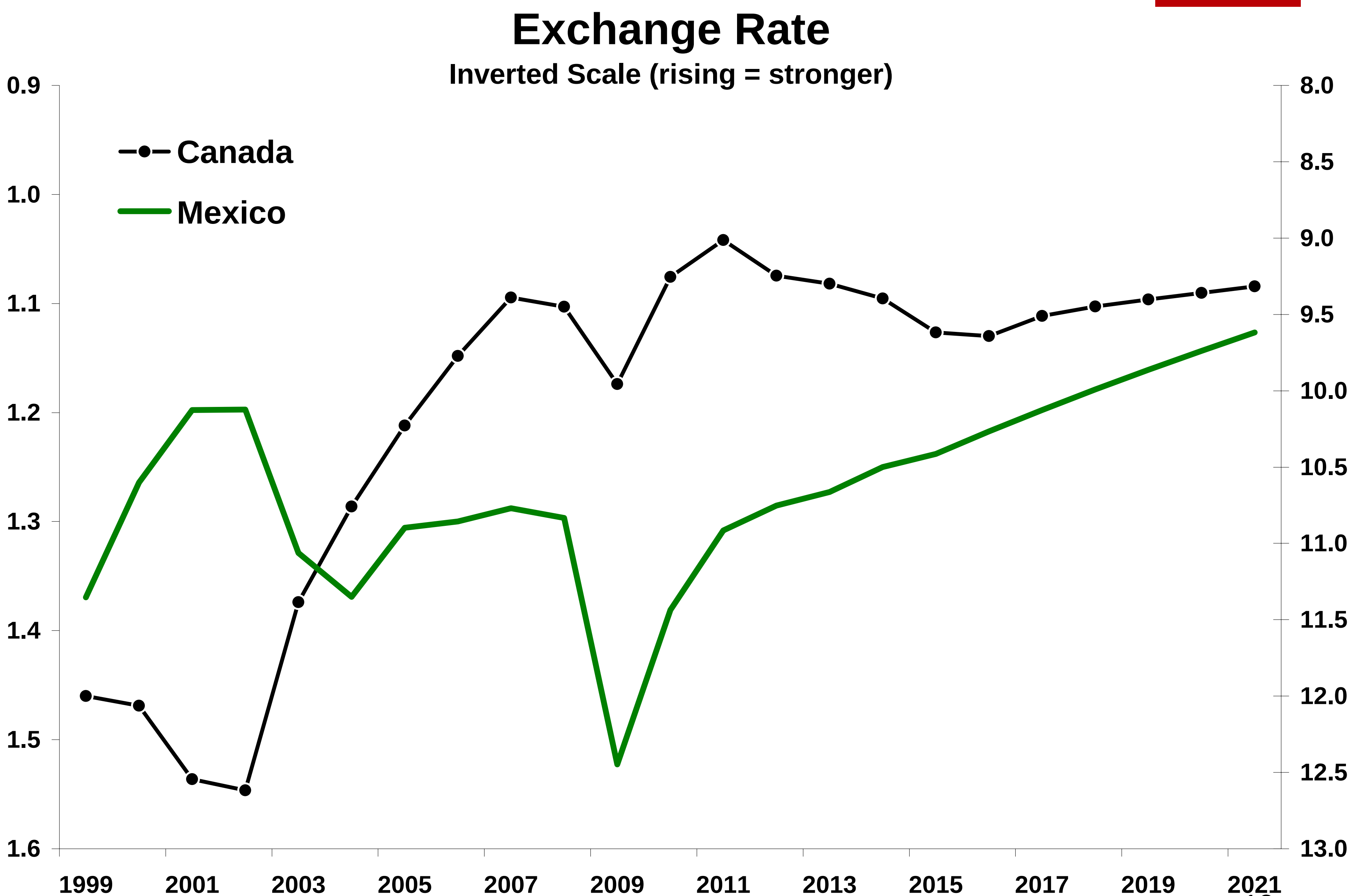
Cumulative Exports To Date Values in Millions of dollars

		2006	2007	2008	2009	2010	Jan - Jul 2011
Partner	Product	Value	Value	Value	Value	Value	Value
Canada	Consumer Oriented Total	9,285	10,652	12,016	11,937	13,044	8,426
Canada	Intermediate Total	2,022	2,521	3,005	2,781	2,942	1,921
Canada	Bulk Total	644	888	1,232	1,007	910	543
Mexico	Consumer Oriented Total	4,864	5,040	5,490	5,048	5,615	3,659
Mexico	Bulk Total	3,636	4,566	6,666	4,792	5,463	4,454
Mexico	Intermediate Total	2,382	3,086	3,352	3,092	3,519	2,360

Is the shoe on the other foot?



Every product is unique story

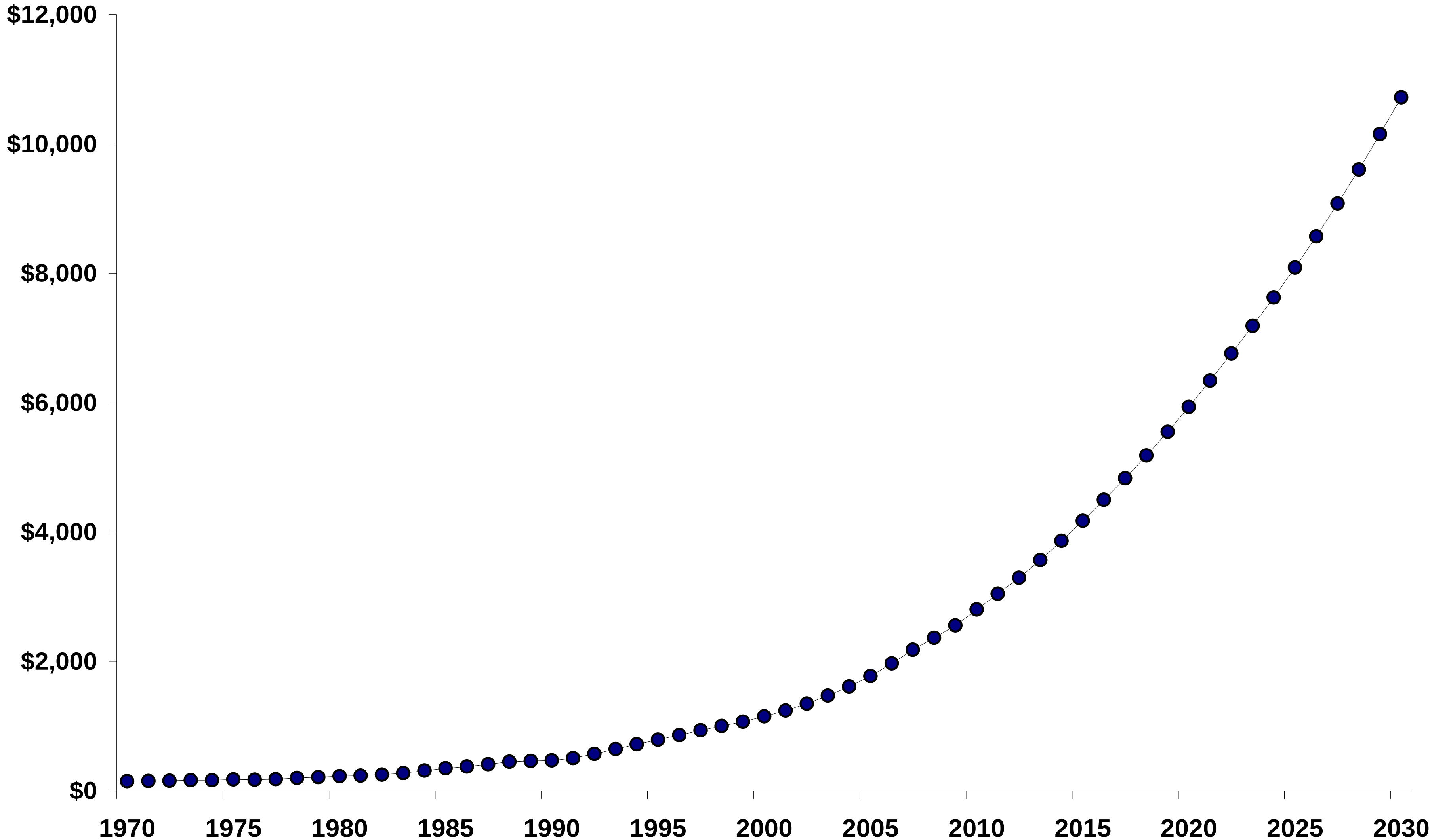


How about China?

More of the same

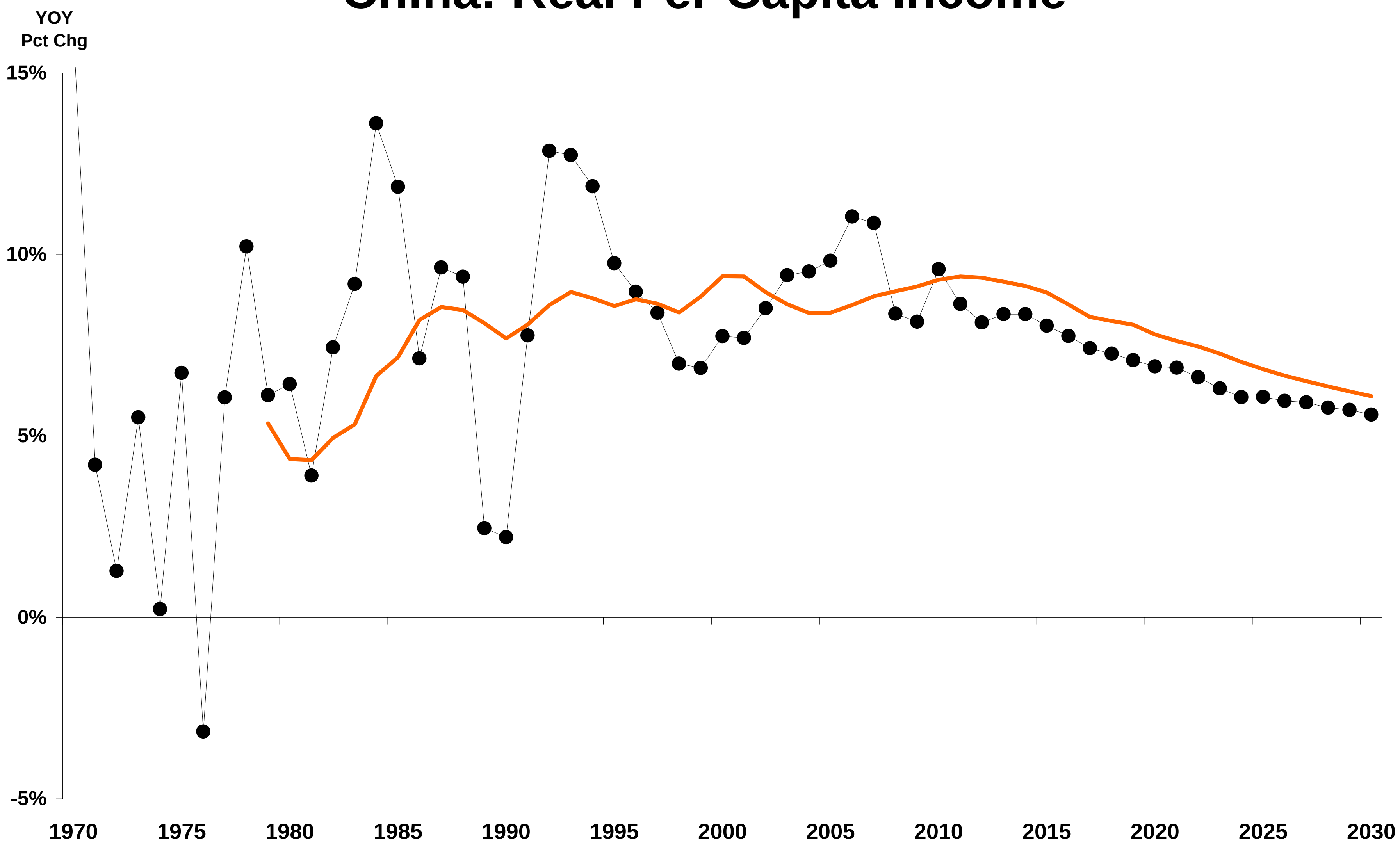
A bad forecast

China: Real Per Capita Income



What if China stumbles?

China: Real Per Capita Income

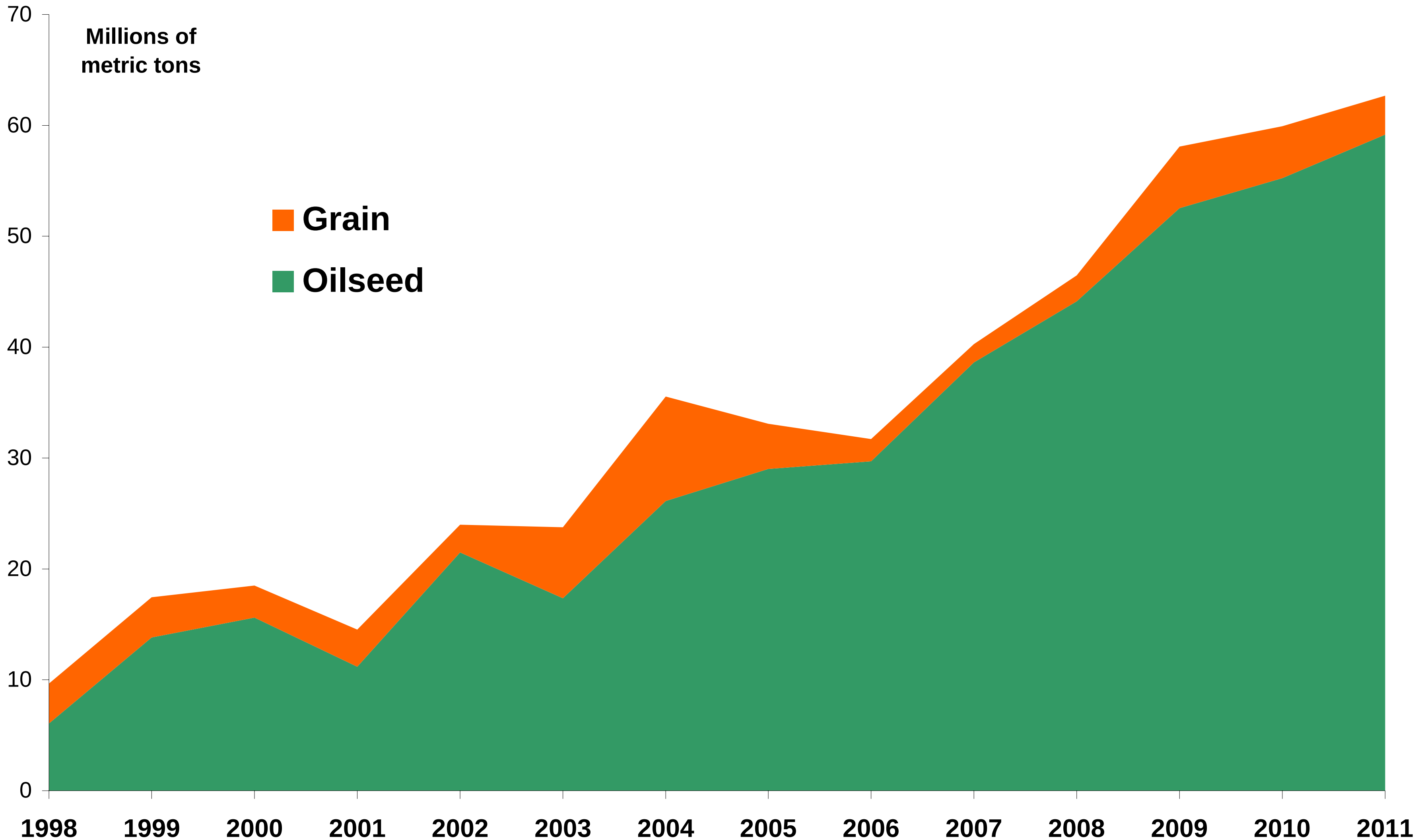


Source: USDA

Talk about a murky relationship

Look at the impact already

China Agricultural Imports



Source: USDA FAS, Wells Fargo Ag Industries

What if they want to eat meat?

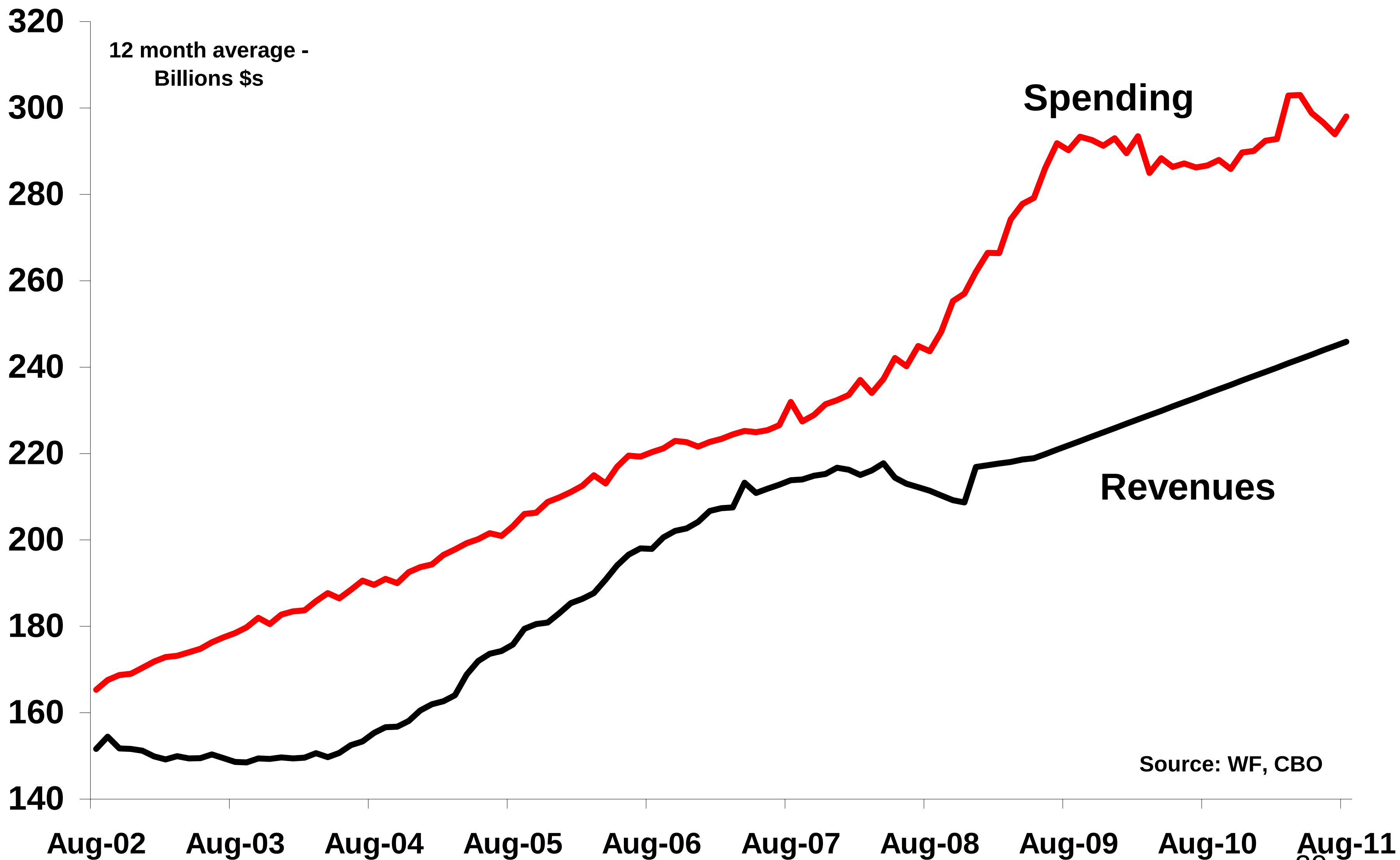
Kgs.	Commodity			
Country	Meat, Beef and Veal	Meat, Swine (KG)	Poultry, Meat, Broiler	Grand Total
Hong Kong	23.9	67.3	40.1	131.3
United States	39.3	28.6	42.8	110.7
Argentina	61.3	6.5	33.1	100.8
Kuwait	26.6		67.7	94.3
Brazil	37.5	12.5	42.9	92.8
Australia	35.2	22.3	35.2	92.6
Qatar			88.4	88.4
Canada	30.0	24.7	29.7	84.4
United Arab Emirates	16.8		61.1	77.9
EU-27	16.7	43.0	17.8	77.5
Chile	23.1	22.6	30.1	75.7
Belarus	29.6	44.8		74.4
Uruguay	60.3	10.9		71.1
Singapore	6.4	26.9	36.1	69.4
Taiwan	5.6	36.4	26.6	68.5
Mexico	17.4	15.9	29.5	62.8
Korea, South	11.9	31.1	14.7	57.6
Russia	16.7	19.6	21.1	57.4
Kazakhstan	26.8	14.6	13.8	55.1
Switzerland	20.7	33.2		53.9
Venezuela	18.5	4.9	29.9	53.3
Jamaica	5.1	3.3	44.6	53.1
Bahrain			52.5	52.5
China	4.2	37.2	9.2	50.6

Key policy distortions

- **Fiscal spending**
- **Monetary**
  - **Low interest rates**
  - **High money supply growth**
- **Exchange rate**
  - **Weak dollar – strong exports?**
  - **Trade is a fickle source of demand**
- **Biofuels**

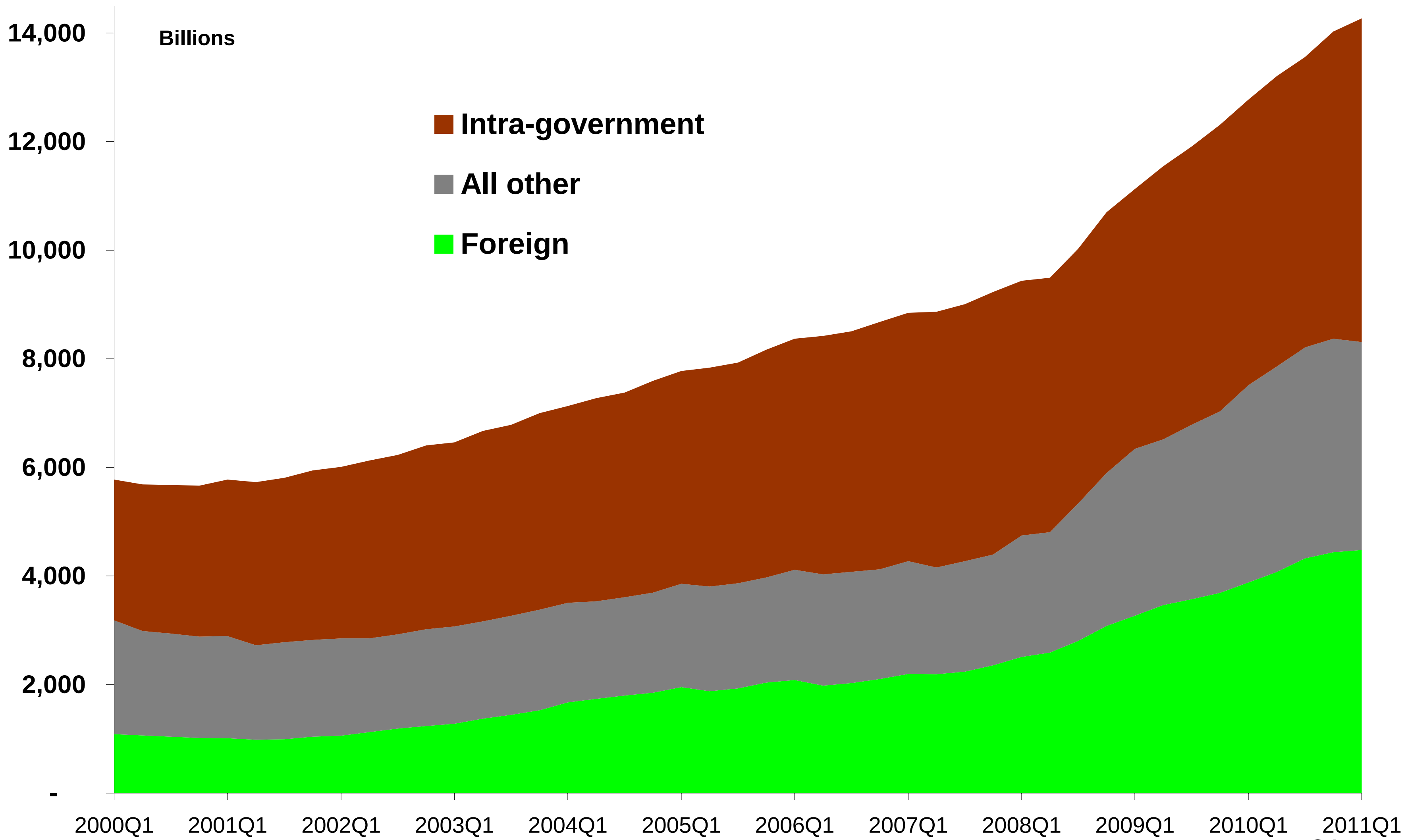
What do you think our FICO score is?

Government Fiscal Stimulus



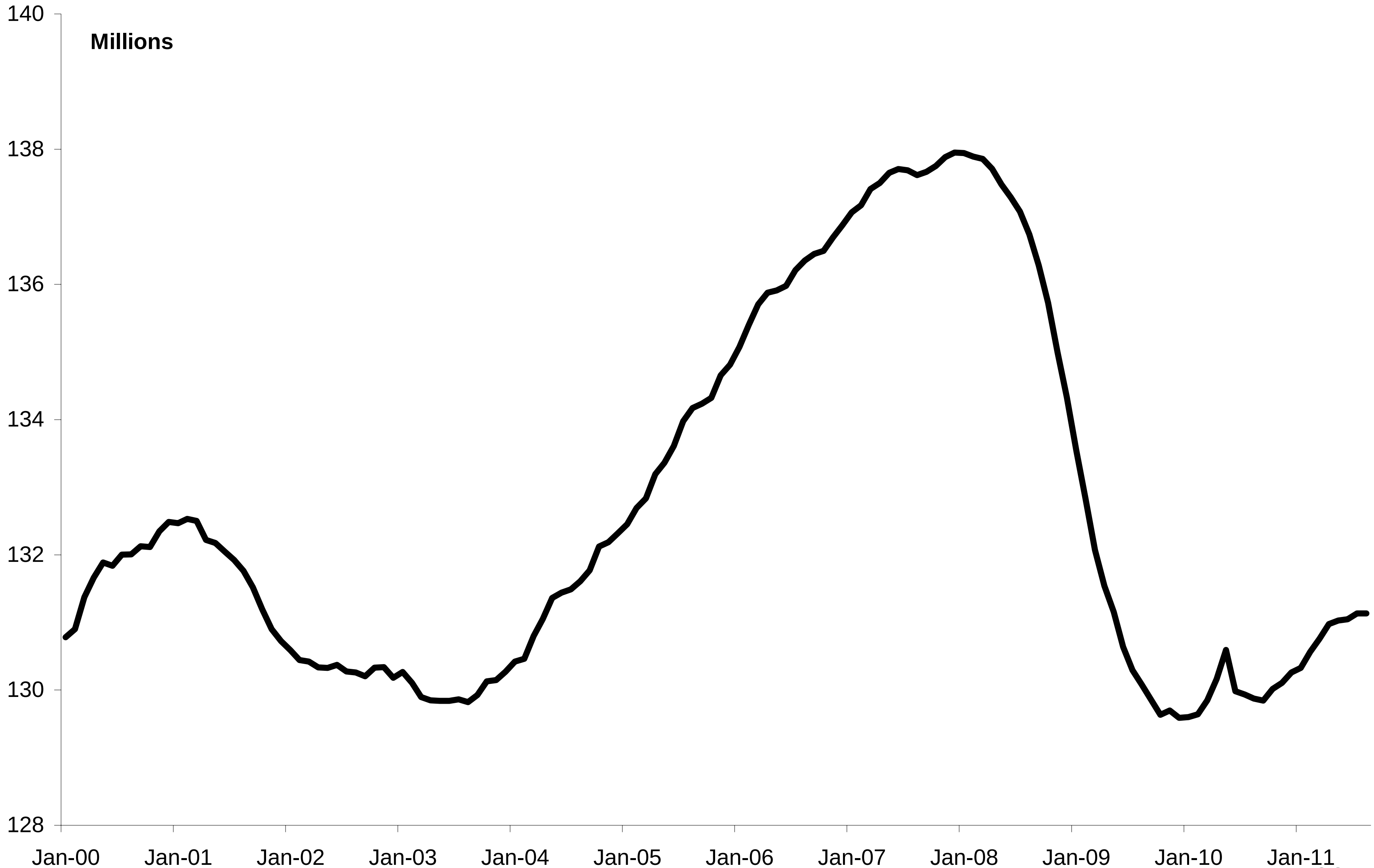
They don't buy because they love us

Treasury Debt by Owner

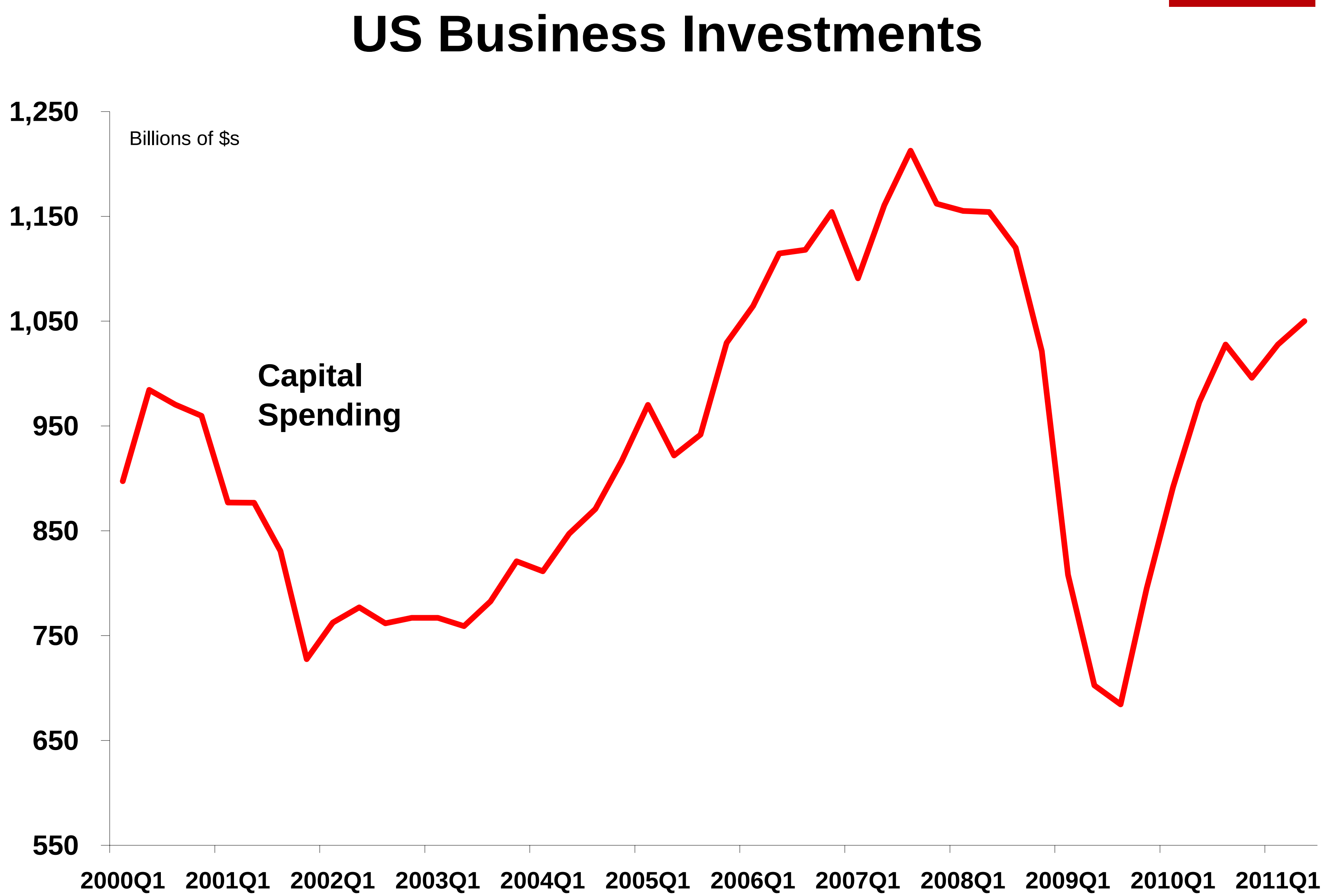


Jobs …We're missing a decade of them

Total Nonfarm Employment

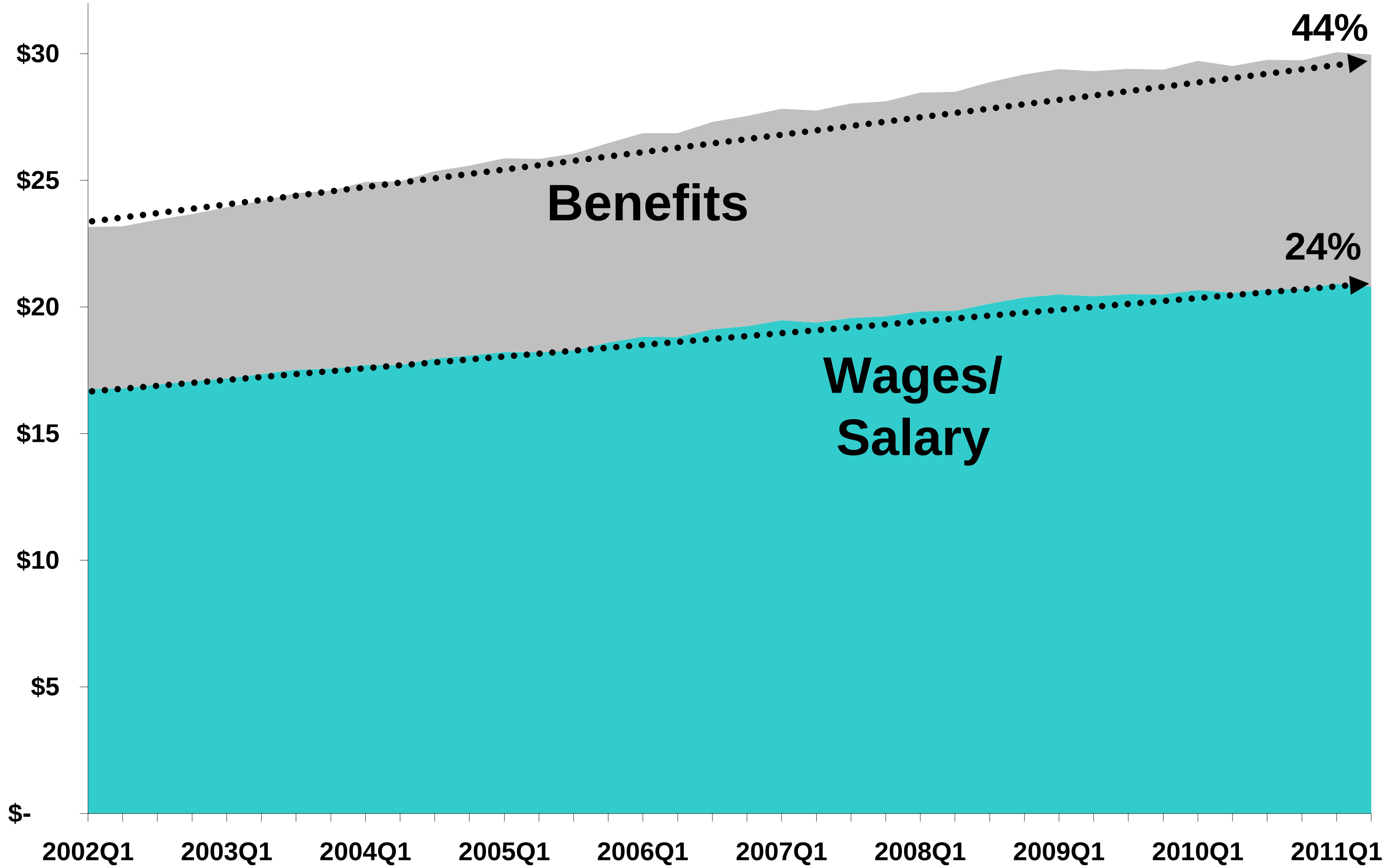


The investment is happening

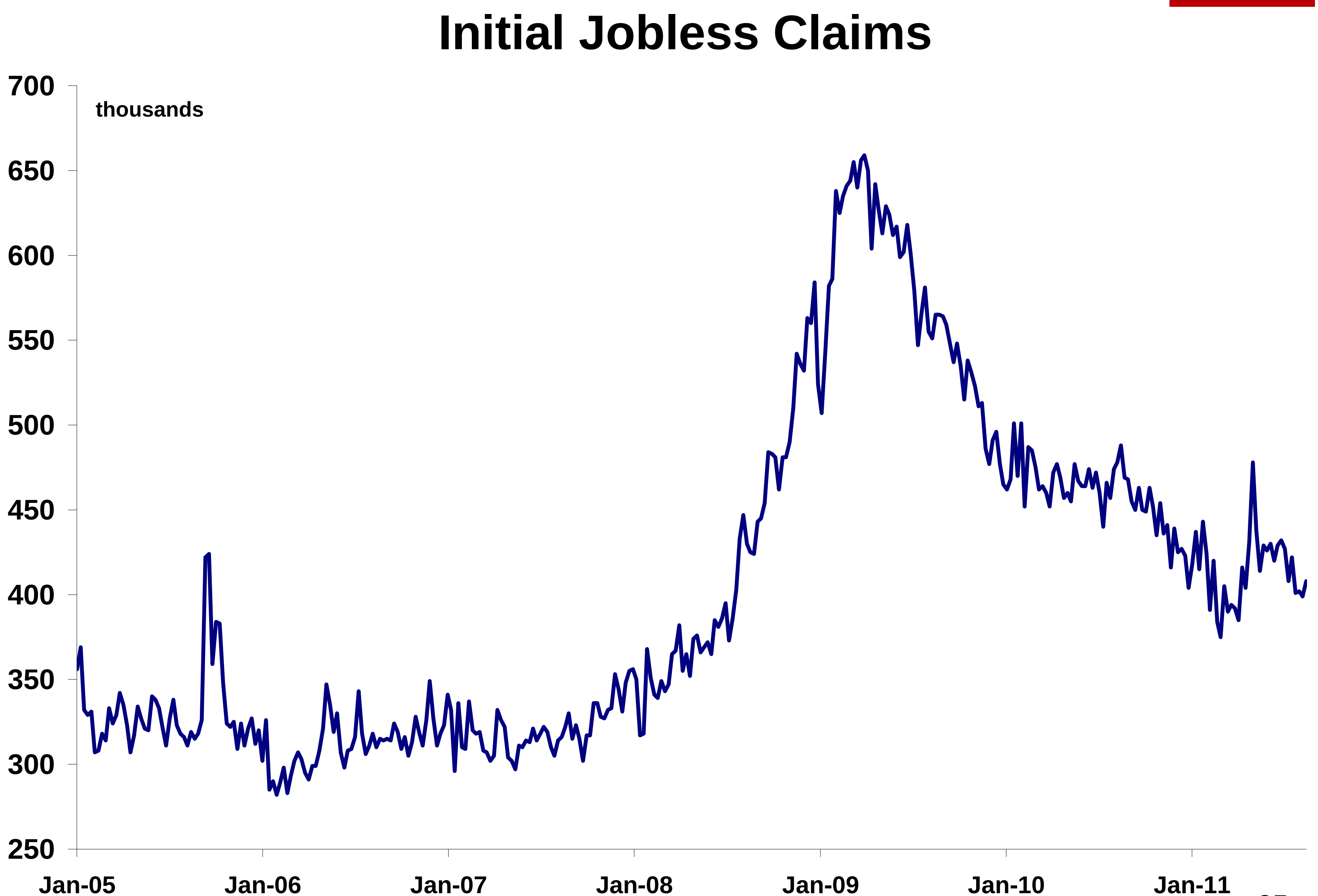


Why they love their automation

Wages plus Benefits Per Hour



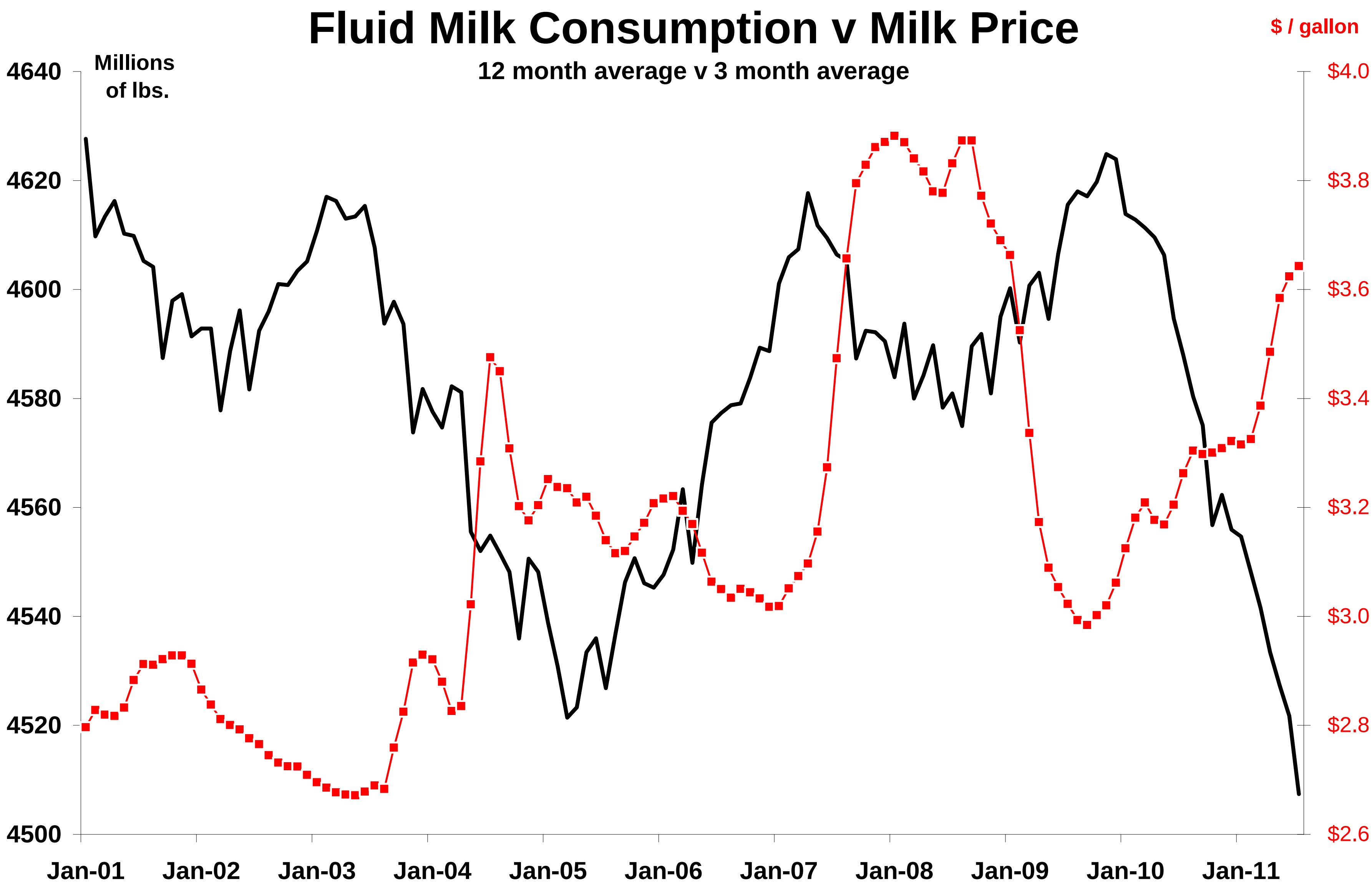
No one is happy without a job



Domestic demand is “decaying”

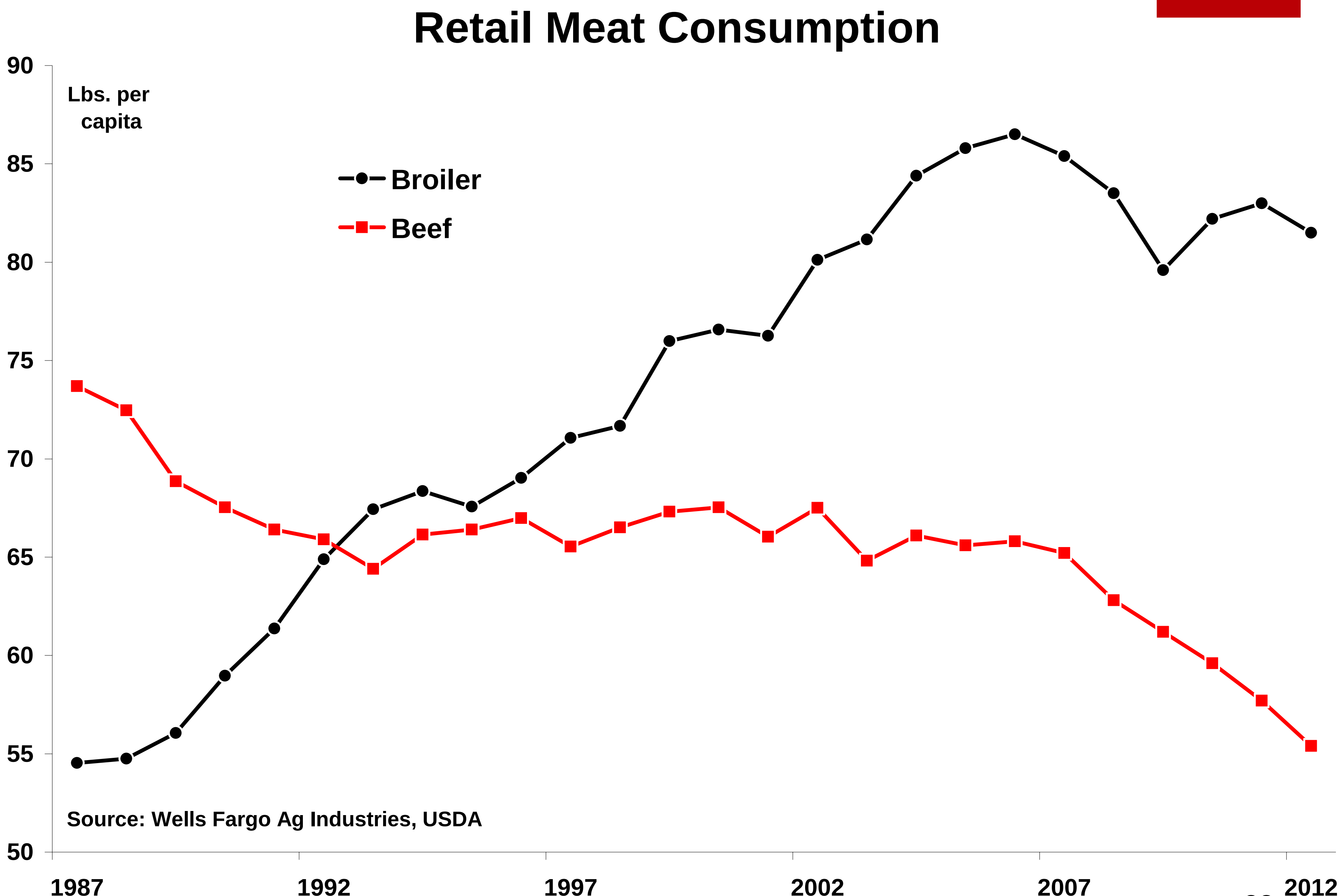
Can international demand pick up the slack?

A high frequency data stream



Source: BLS, USDA, Wells Fargo Ag Industries

Meat is losing market share



What's in store for FL's products?

- **Falling real income**
  - Hit discretionary products hardest
  - Florida's fresh fruits and vegetables are vulnerable
  - Per capita demand is difficult to rebuild
- **Housing market**
  - No quick recovery for the market
  - Sales related to building will remain soft
  - On-going consumer plantings will be soft also

Don't predict – plan on scenarios

- **Economic volatility will get worse**
  - Price volatility will be extreme
  - Working capital per unit will need to increase
  - Margin management will be key
- **Asset Pricing**
  - Real interest cost will increase
  - Global market for assets and cash flow
- **Florida's agriculture needs to follow the links**