

B.C.'S AGRICULTURAL SECTOR IN AN UNCERTAIN ECONOMIC ENVIRONMENT

CENTRE FOR ORGANIZATIONAL GOVERNANCE IN AGRICULTURE

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Central 1 Credit Union



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Outline

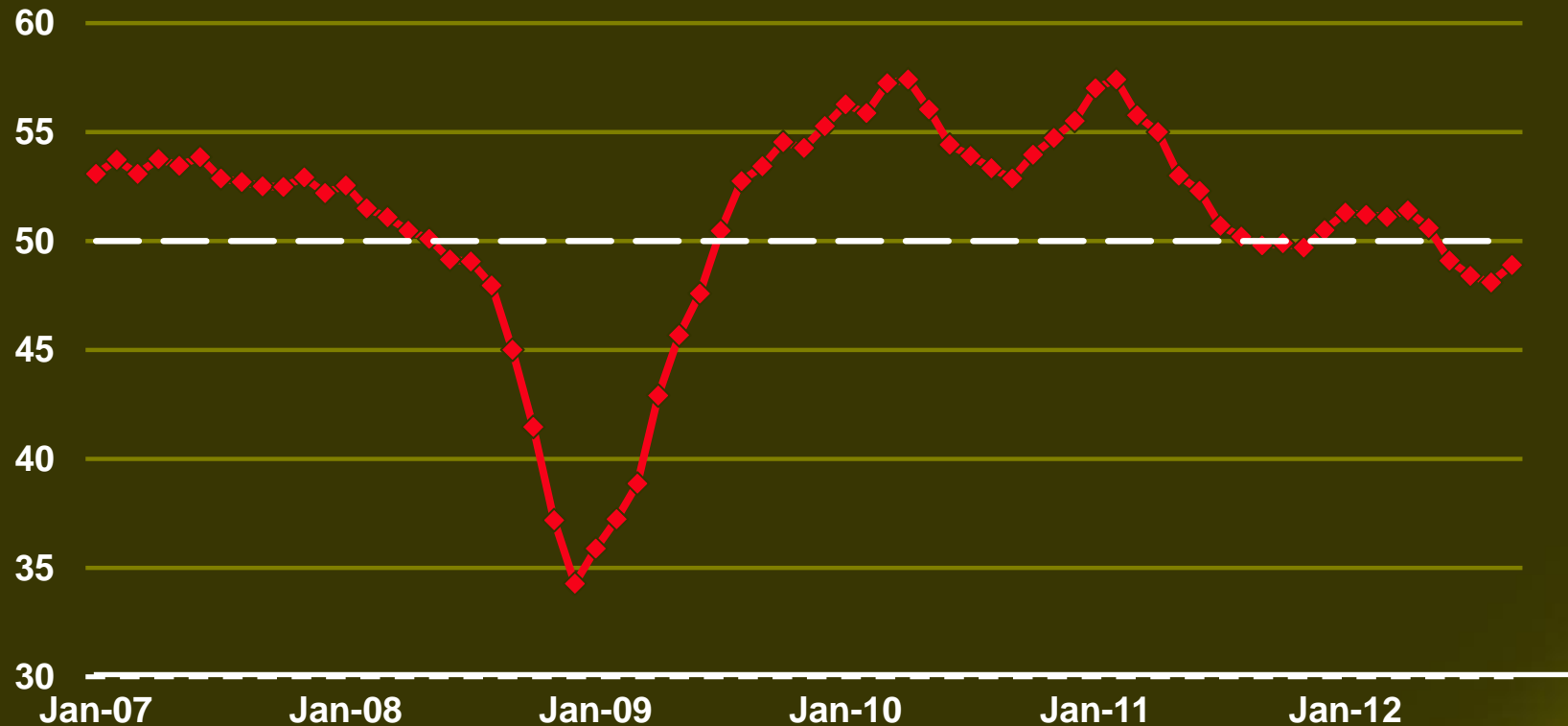
- Current macroeconomic trends and forecasts
- Interest rate trends and exchange forecasts
- Agriculture Trends



Manufacturing slowdown eases in September, but activity still contracting

Global Manufacturing Purchasing Managers Index

Balance of opinion (%)



Source: JP Morgan, Markit. Note: Seasonally adjusted. Latest: Sep-12



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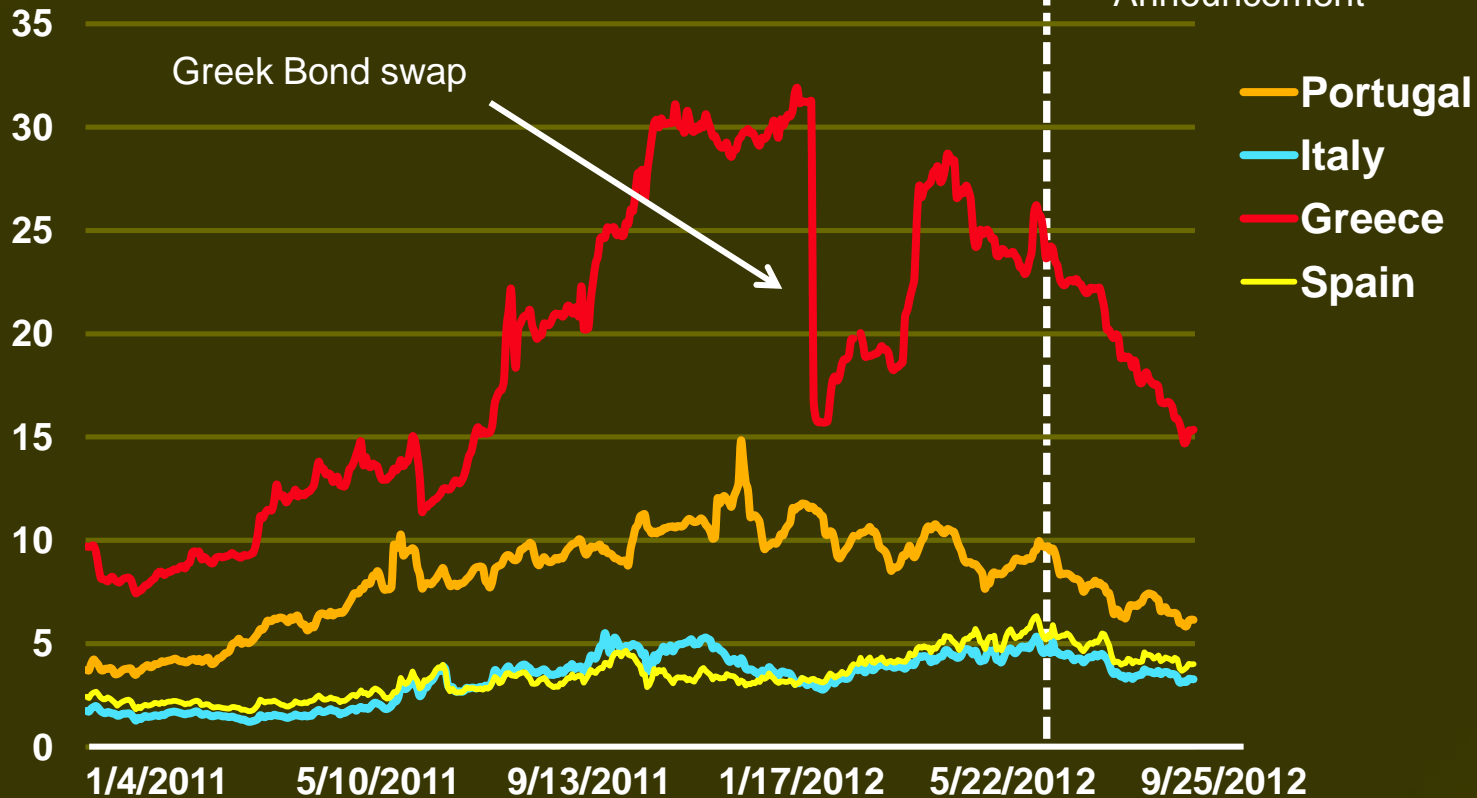


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Yield spreads ease on ECB backing but elevated as investors wary

Yield spread over Germany 10-year bond

Outright Monetary Transmission Announcement



Source: Bloomberg. Latest: Oct-12



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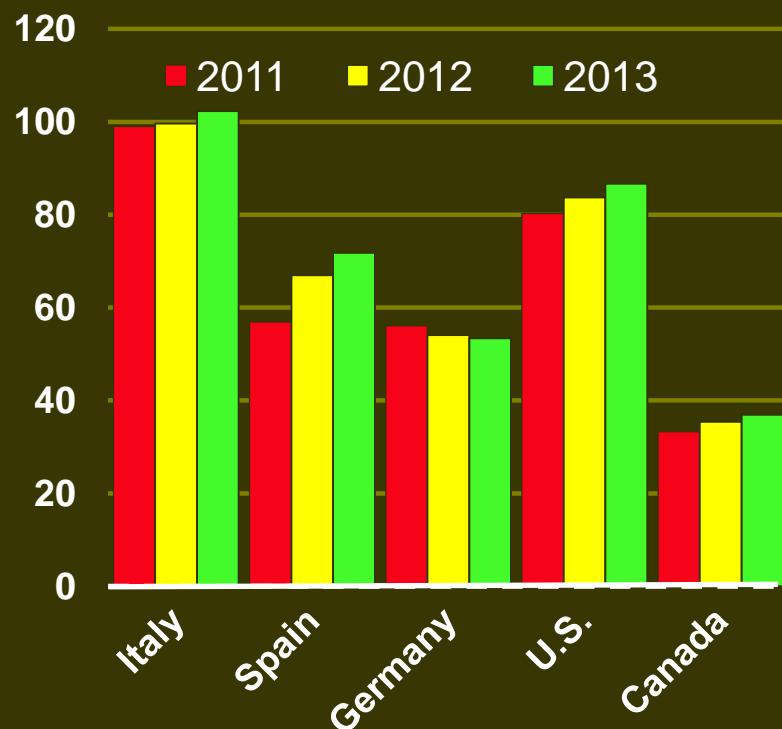


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Debt-to-GDP growth easing as deficits trimmed on fiscal consolidation, growth concerns in Europe

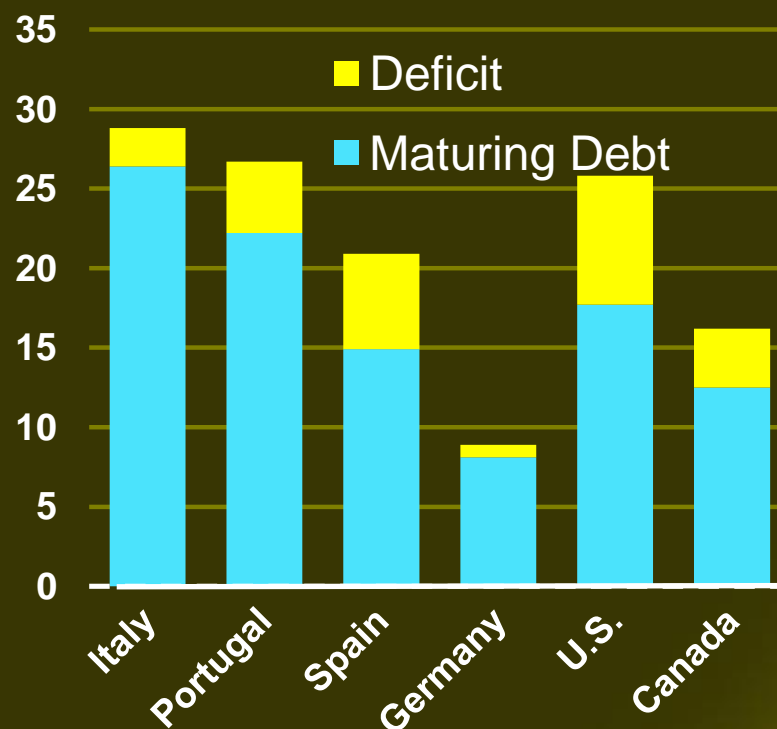
Net Debt

Per Cent of GDP



Gross Financing Needs - 2012

Per Cent of GDP



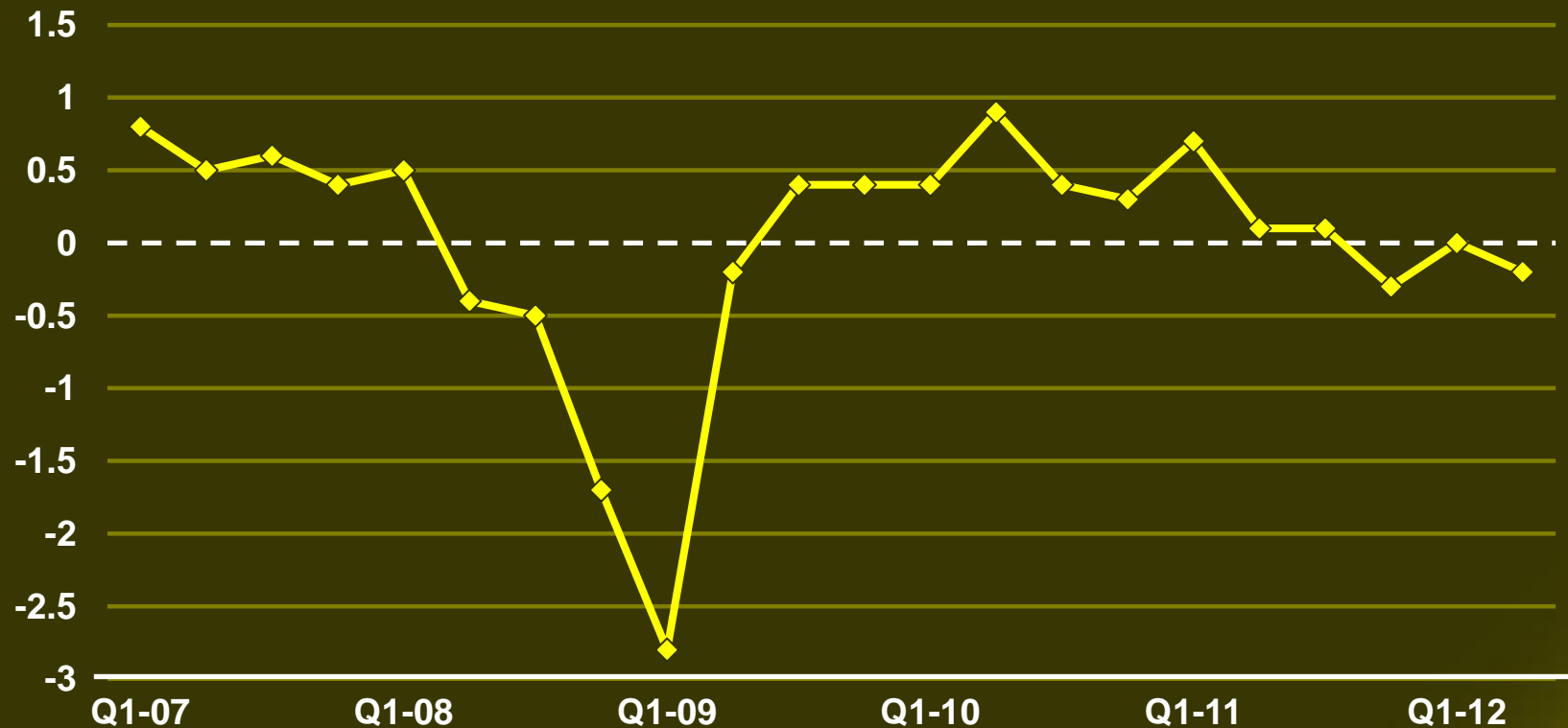
Source: IMF Fiscal Monitor Latest: Apr-12.



Europe in recession; further contraction in coming months

Economic Growth, Euro Area Countries

Percentage change at annual rate in real GDP



SOURCE: Eurostat.



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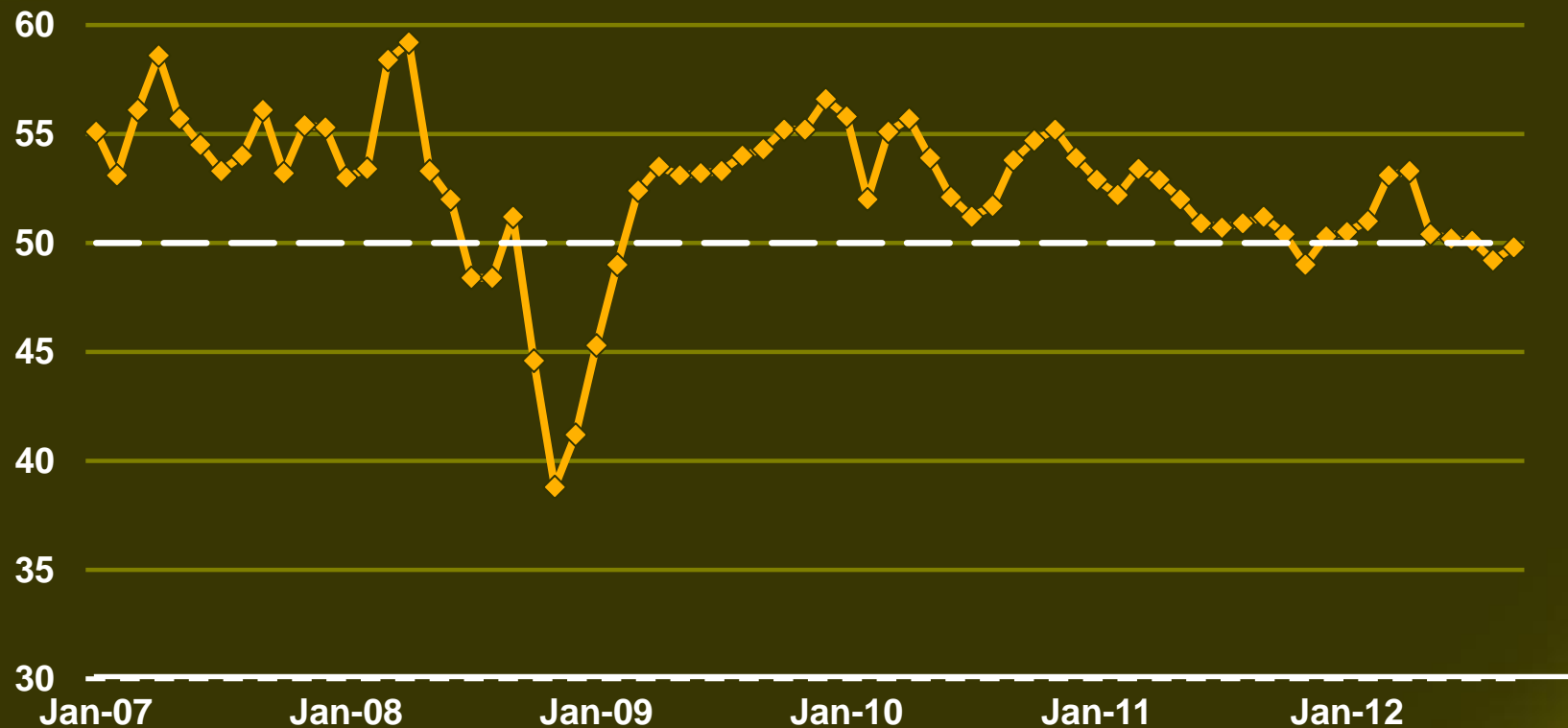


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China's economic growth slowing; hard or soft landing?

China Manufacturing Purchasing Managers Index

Balance of opinion (%)



Source: China NBS. Note: Seasonally adjusted.

Latest: Sep-12



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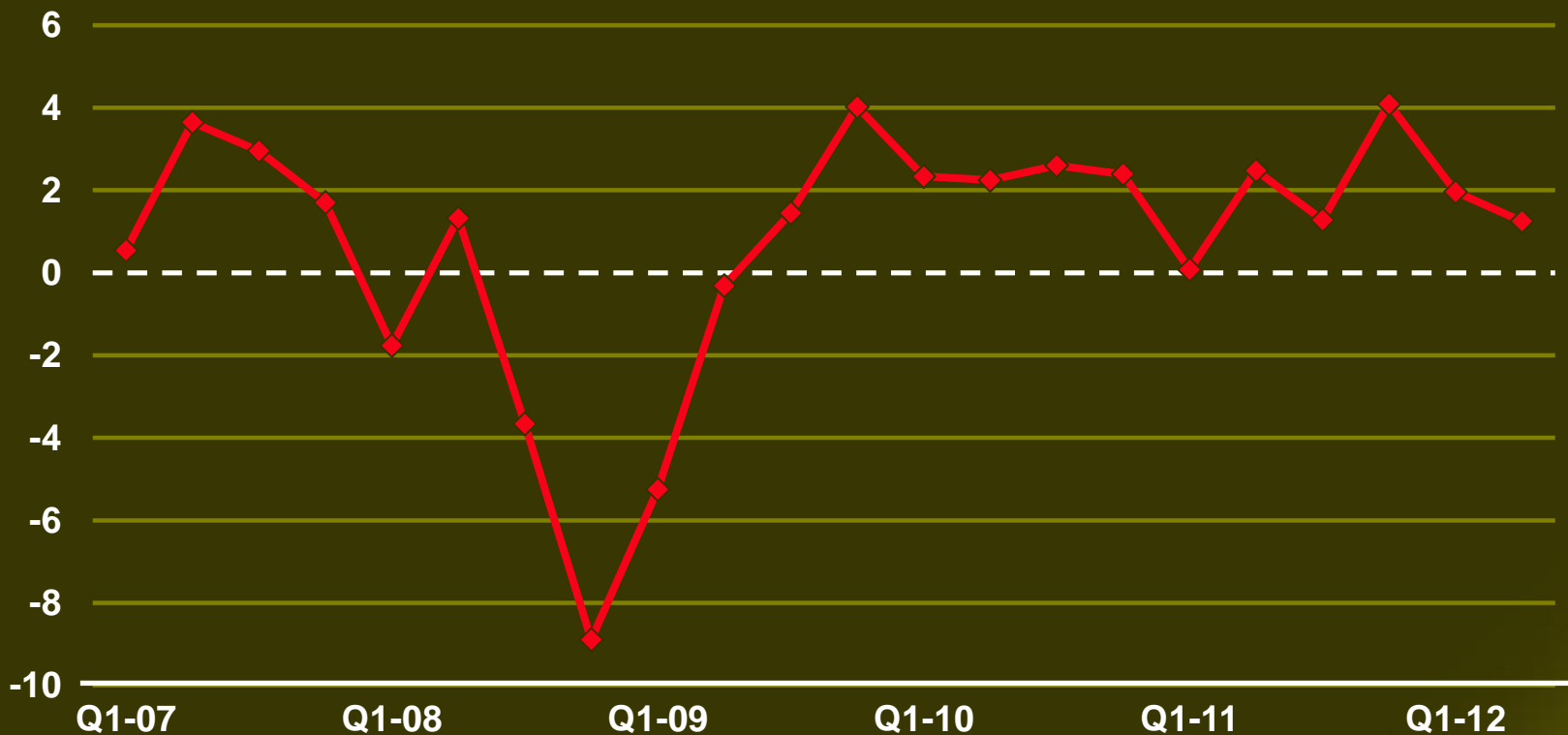


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Moderate growth in most recent quarters

U.S. and Canada Economic Growth, Quarterly

Percentage change at annual rate in real GDP



SOURCE: U.S. BEA, Statistics Canada.



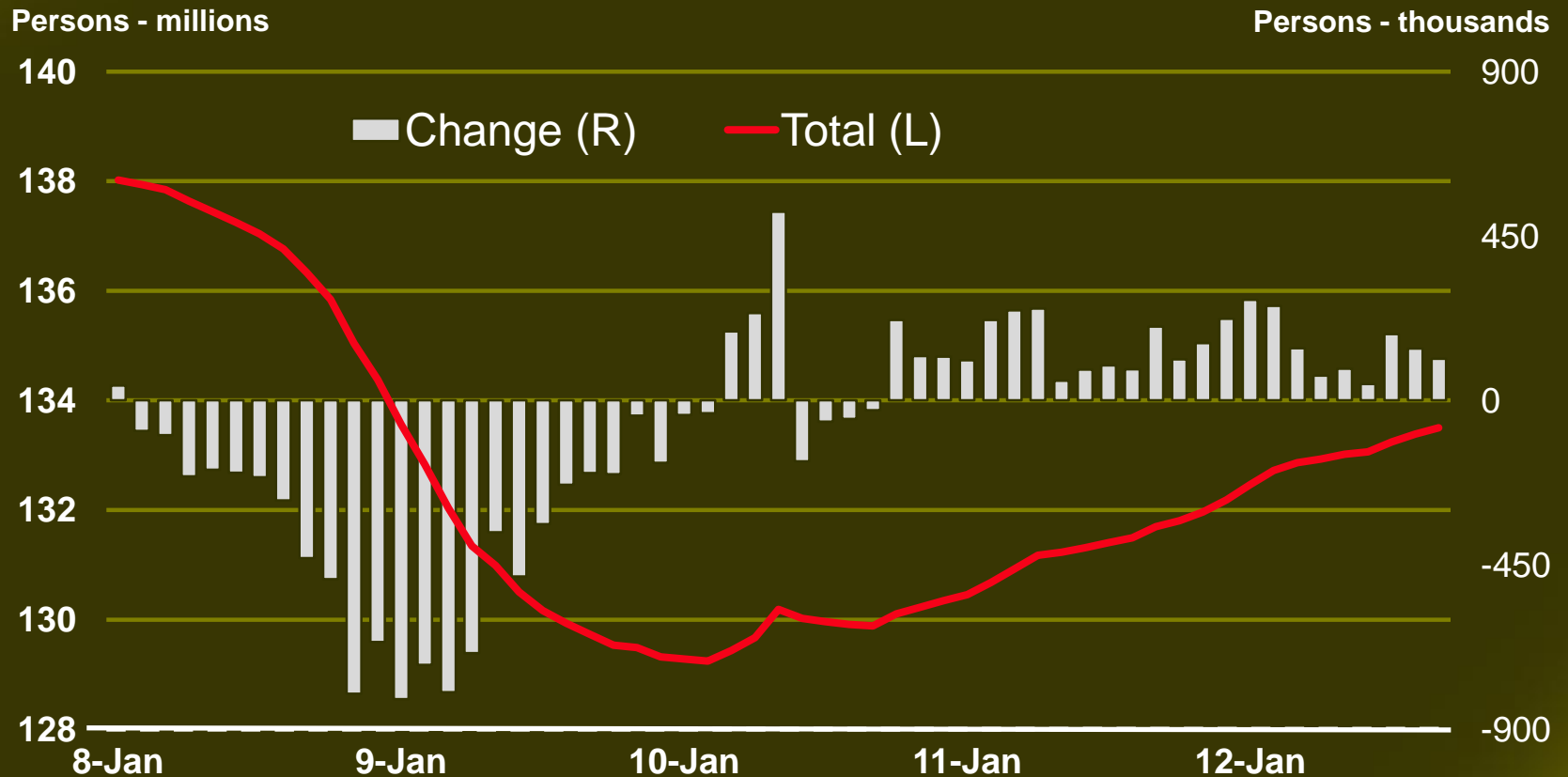
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U.S. job growth slowing; temporary or recession ahead?

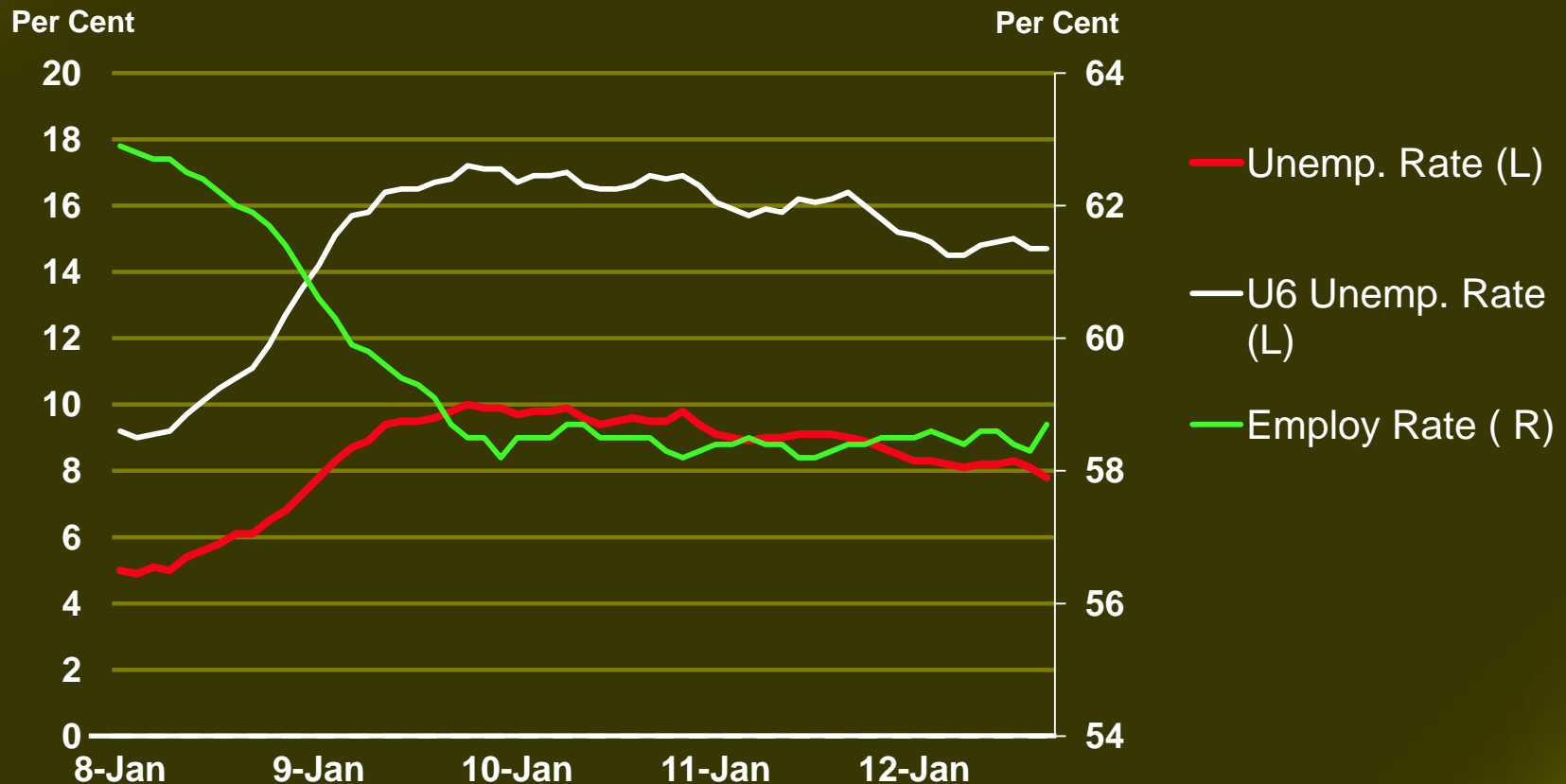
U.S. Payroll Employment, Total and Monthly Change



Source: U.S. BLS. Note: Seasonally adjusted. Latest: Sep-12



Labour market slack persists as unemployment rate remains high



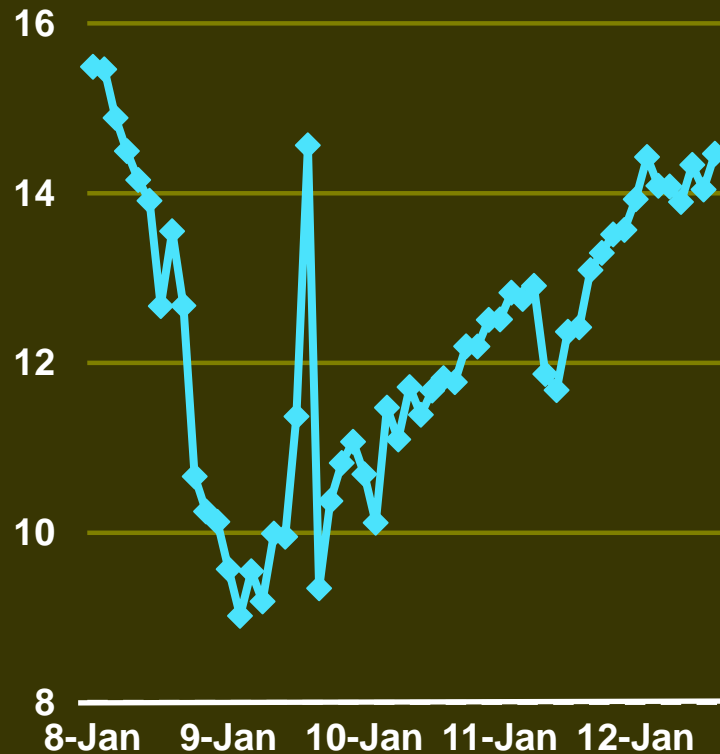
Source: U.S. BLS. Note: Seasonally adjusted. Latest: Sep-12



Key consumer spending sectors reviving

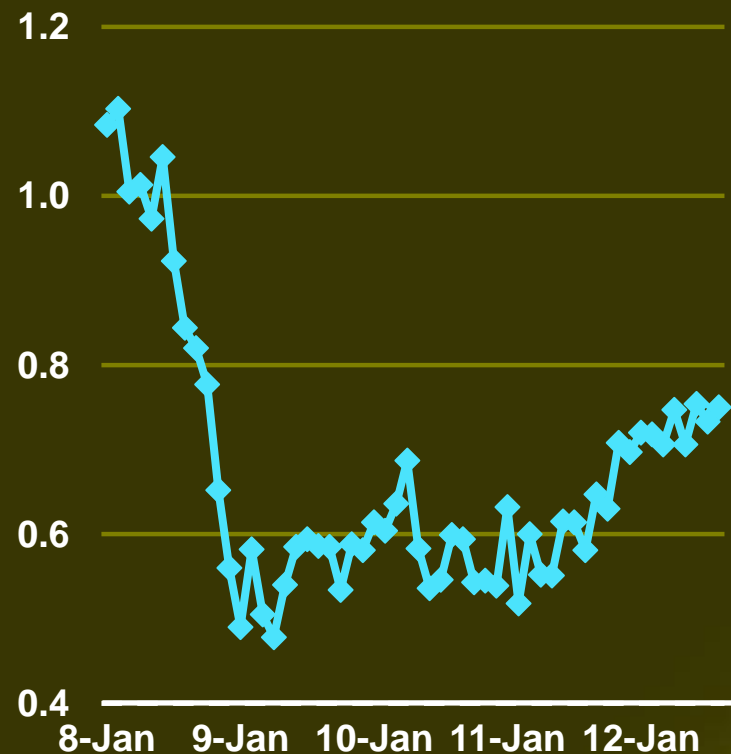
New Vehicle Sales

Units - millions



Housing Starts

Units - millions



Source: U.S. BEA. Note: SAAR.

Latest: Vehicles Aug-12, Starts Aug-12.



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U.S. home sales no longer dropping

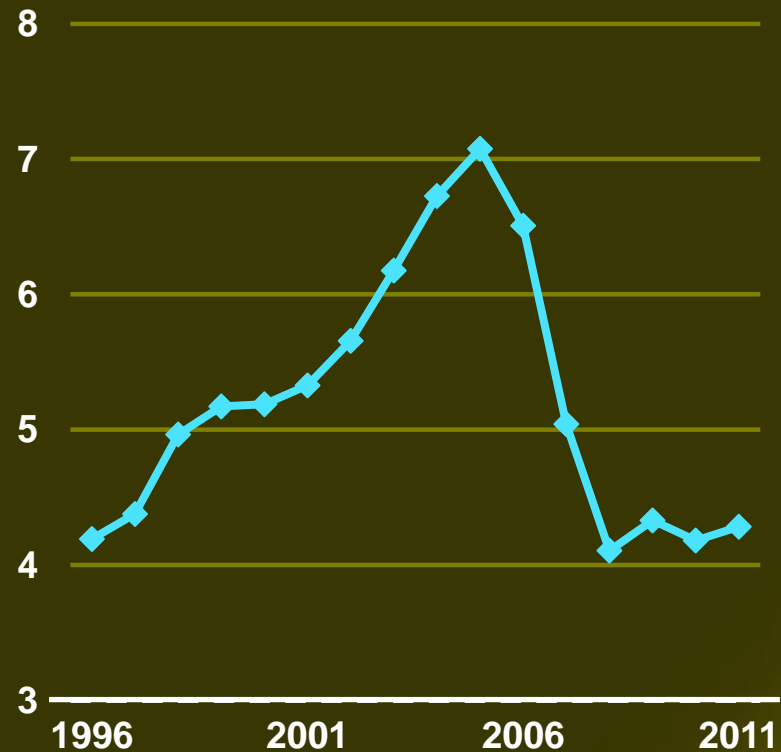
Monthly

Units - millions, saar



Annually

Units - millions



SOURCE: NAR. Latest: Aug-12



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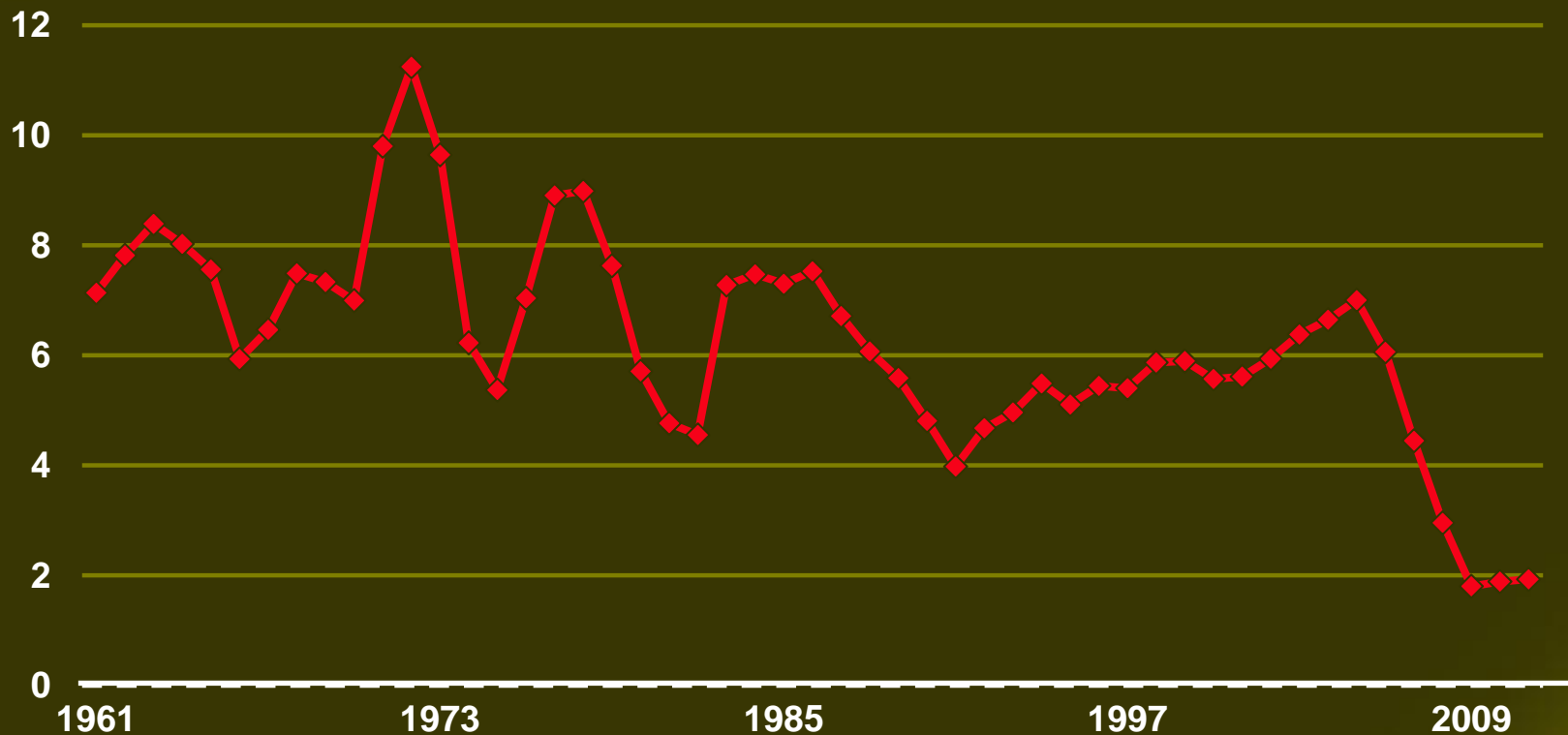


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Pent-up housing demand developing

U.S. Housing Starts and Population Base

Units per 1,000 population



Source: U.S. Census Bureau, C1CU.



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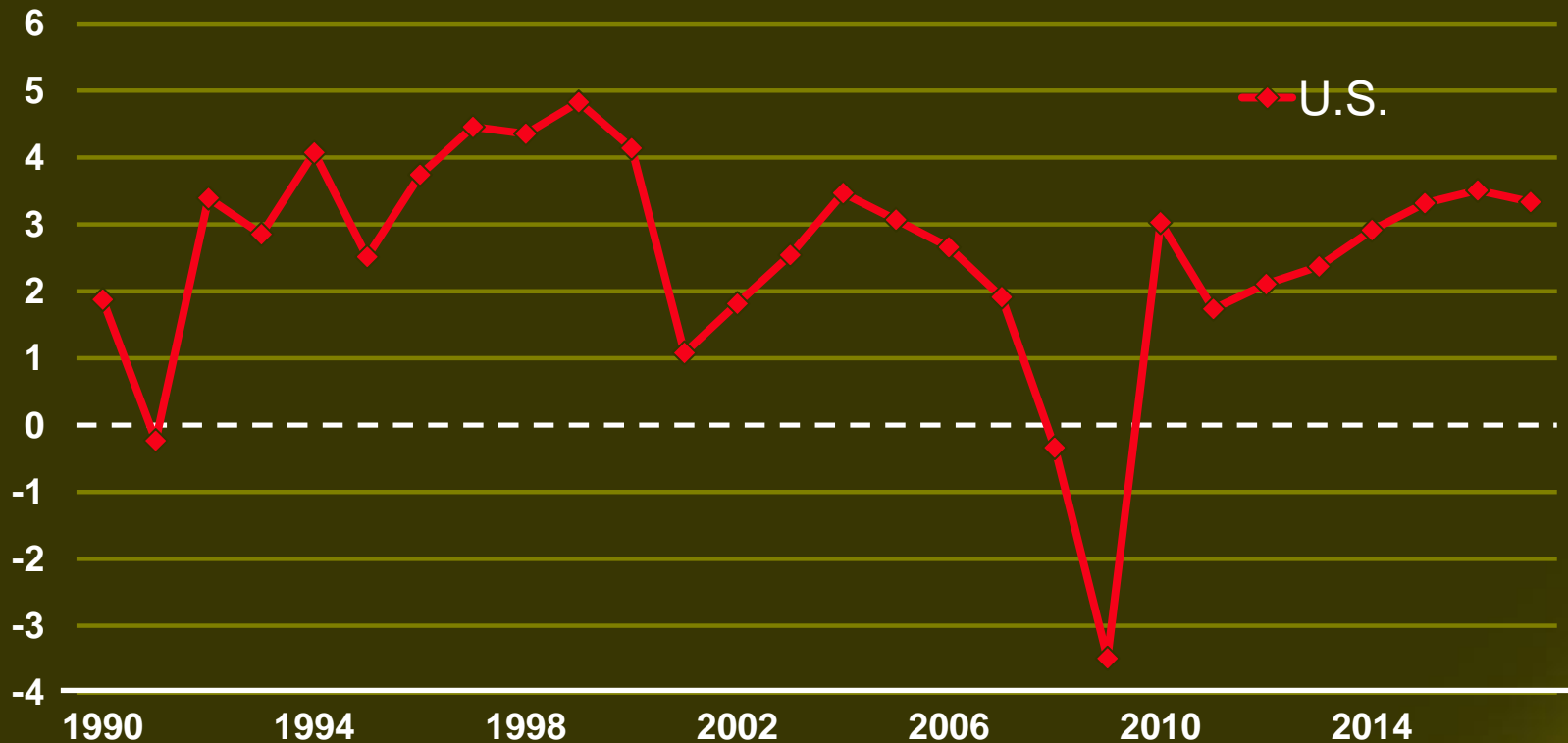


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Cyclical upturn in U.S. growth expected

U.S. and Canada Economic Growth

Per cent change in real GDP



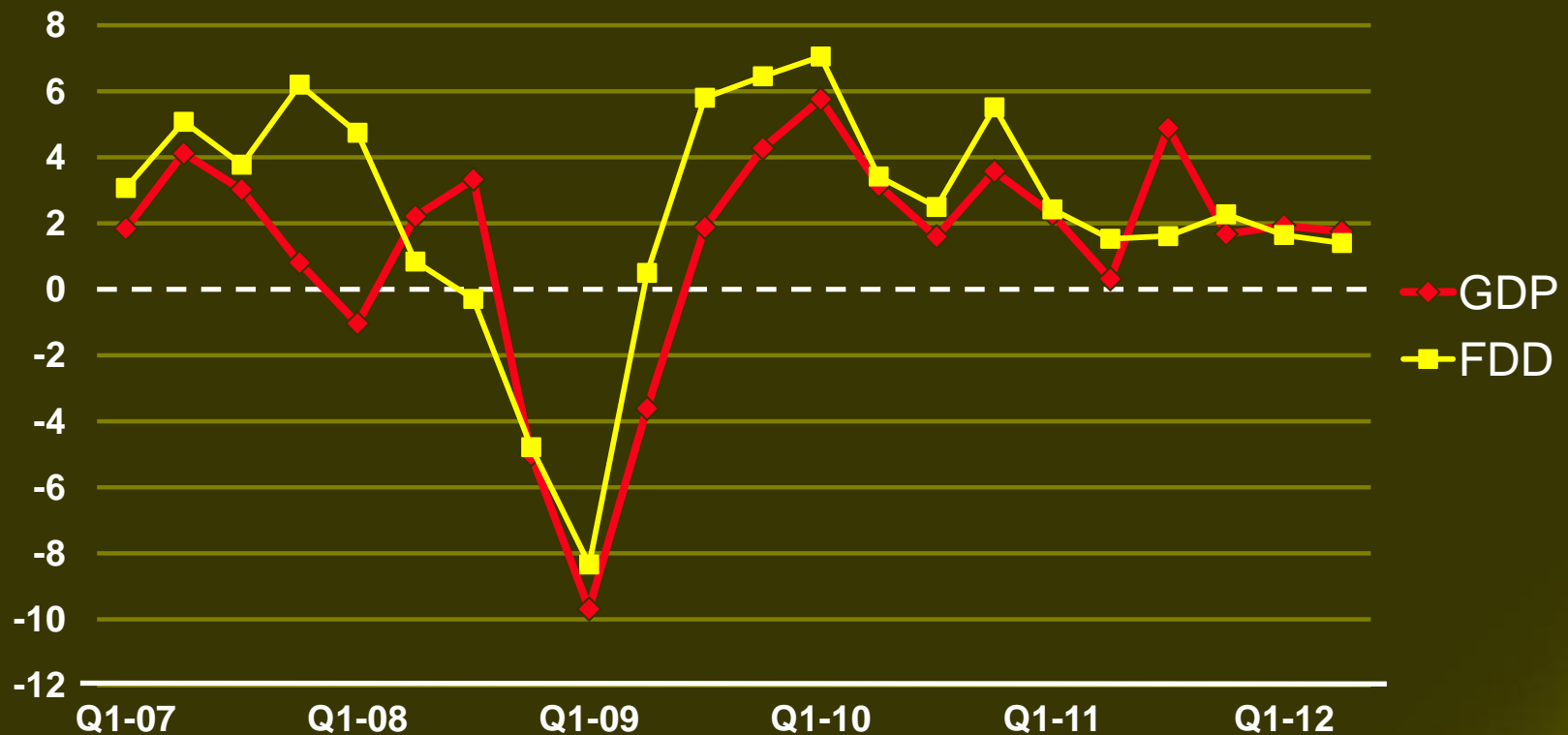
Source: IMF WEO July 2012. Latest actual: 2011. Forecast: 2012 - 2017. .



Moderate growth in most recent quarters

Canada Economic Growth, Quarterly

Percentage change at annual rate in real GDP



SOURCE: Statistics Canada.



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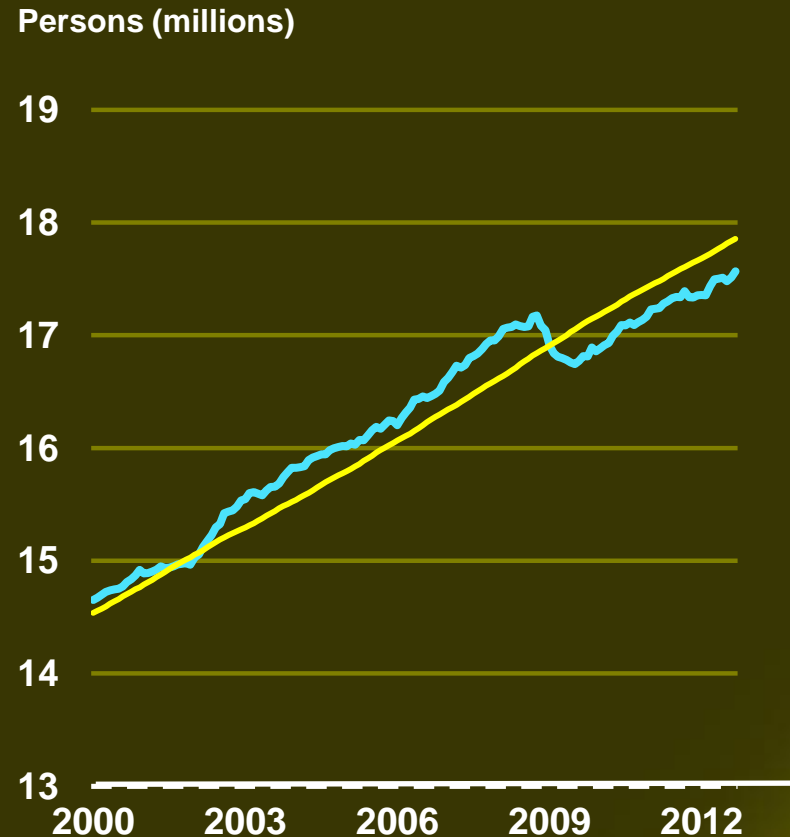
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Employment rising but labour market challenged

Employment Rate



Employed



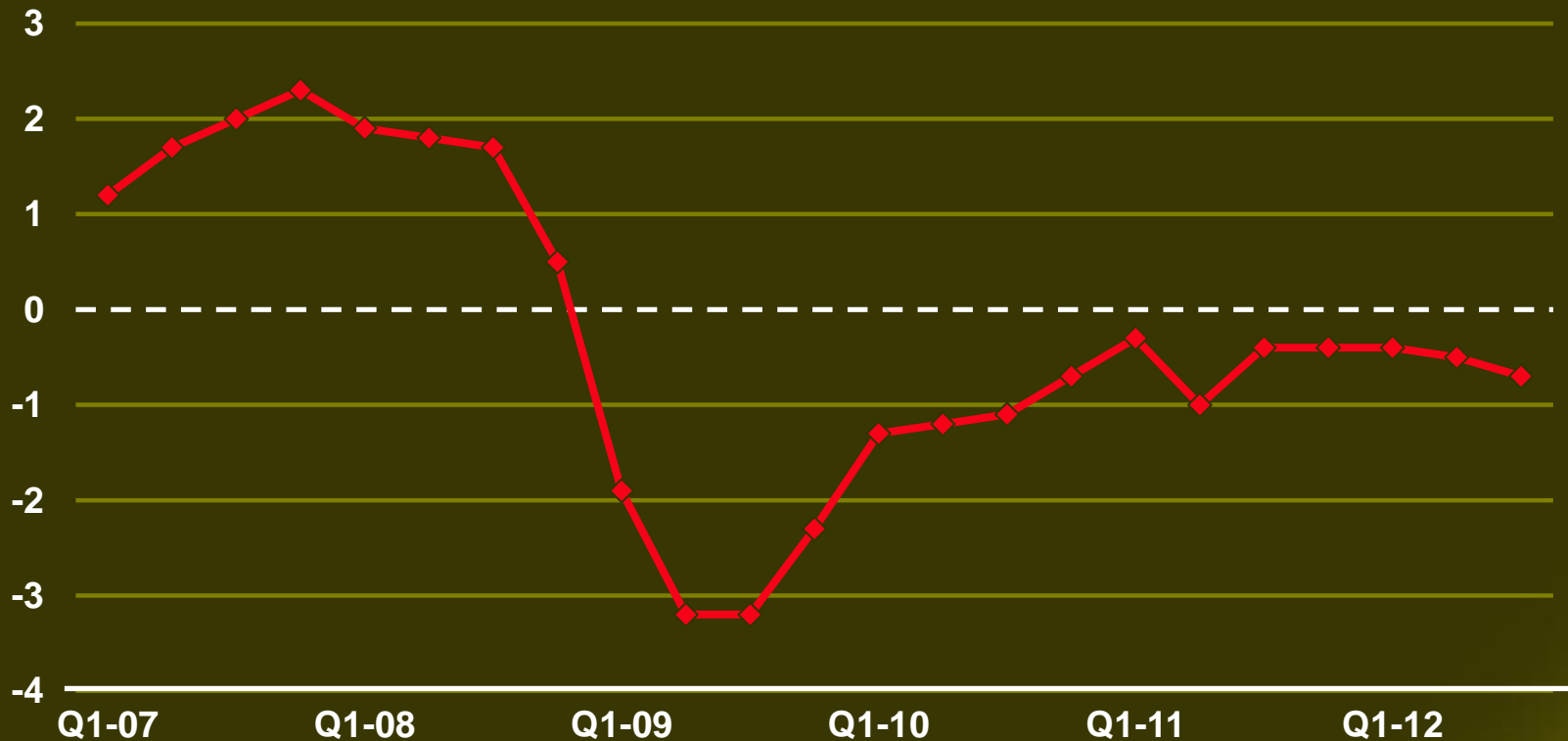
SOURCE: Statistics Canada . Latest: Sep-12



Canadian economy continues to trend below potential

Output Gap

Per cent



SOURCE: Bank of Canada



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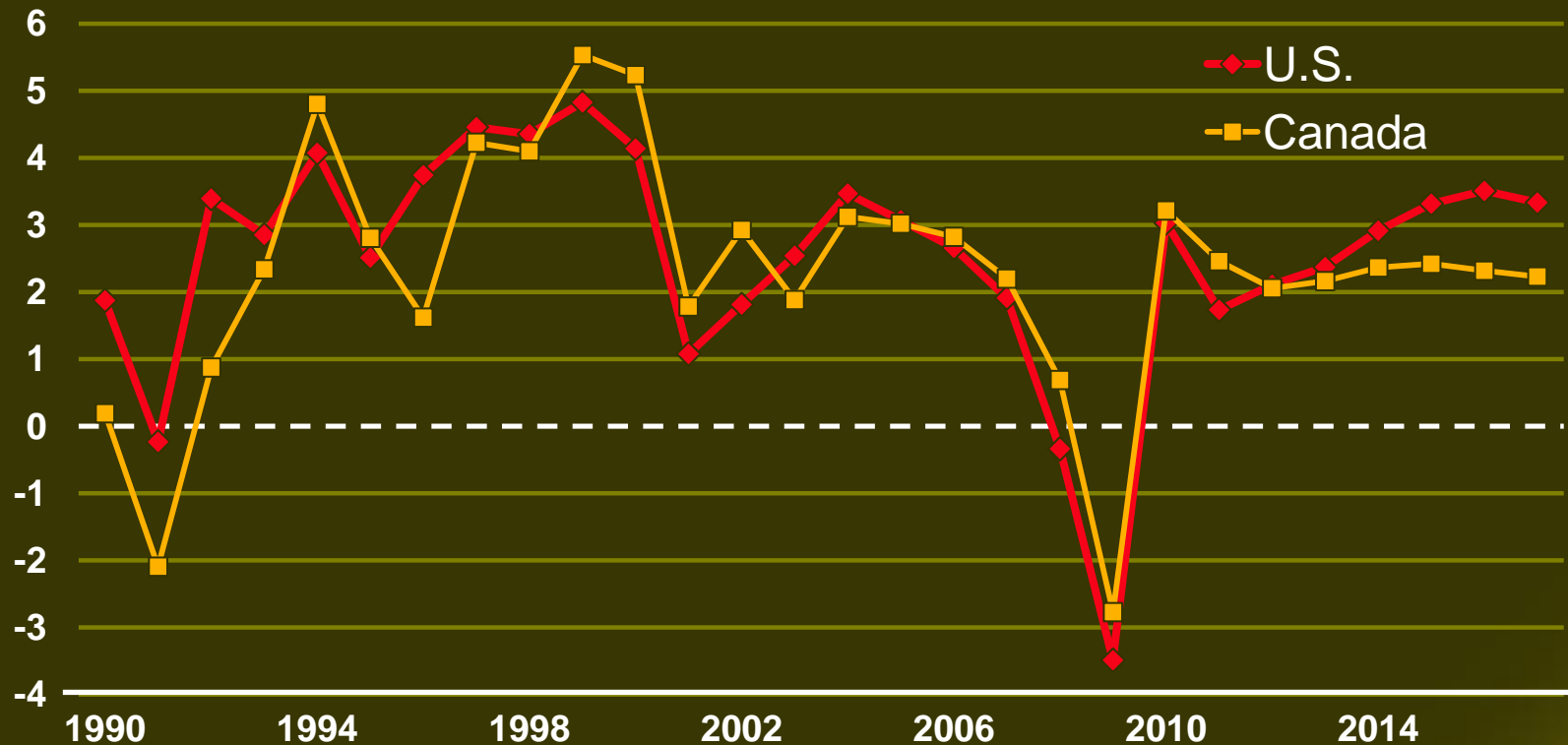


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Cyclical upturn in U.S. growth expected, Canada to lag behind

U.S. and Canada Economic Growth

Per cent change in real GDP



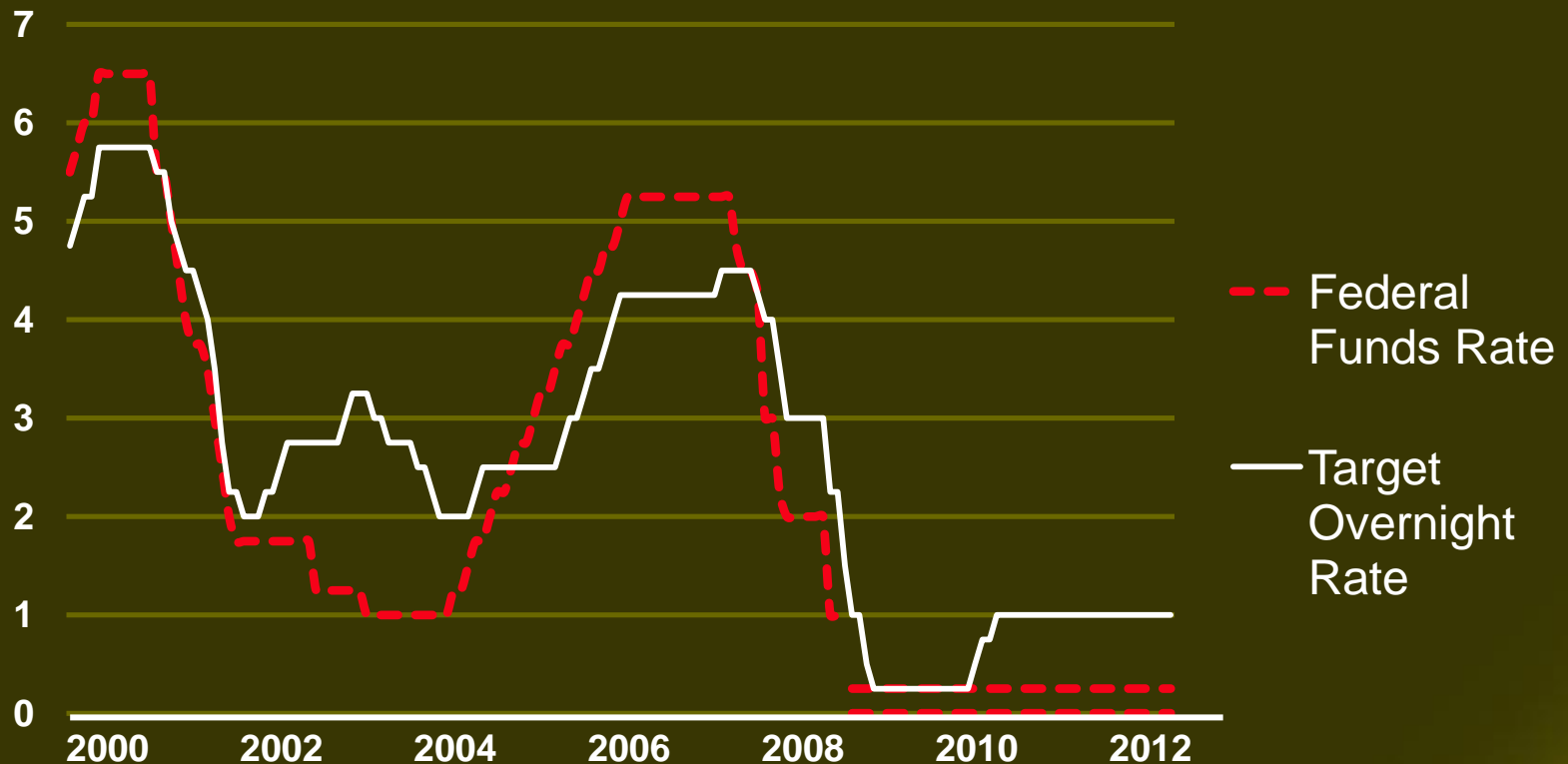
Source: IMF WEO July 2012. Latest actual: 2011. Forecast: 2012 - 2017. .



Bank of Canada policy rate above Federal Funds Rate, BoC hawkish stance pared back

Interest Rate Forecasts, Monthly

Per cent



Source: Bank of Canada, Federal Reserve, C1CU. Latest actual: Sep 2012



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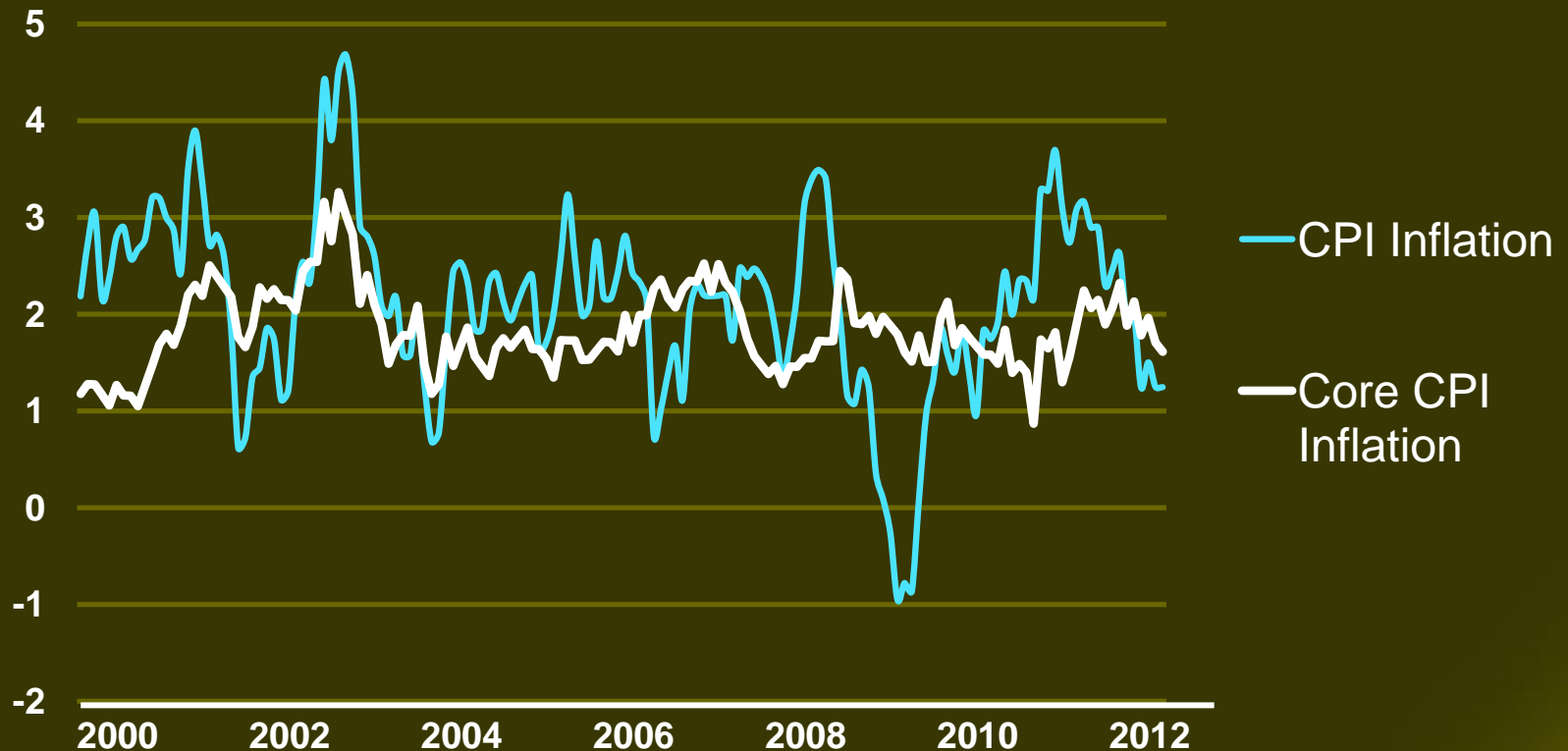


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Inflation pressures in Canada tame

CPI Price Inflation

Year-over-year per cent change



Source: Bank of Canada, Federal Reserve, C1CU. Latest actual: Aug 2012



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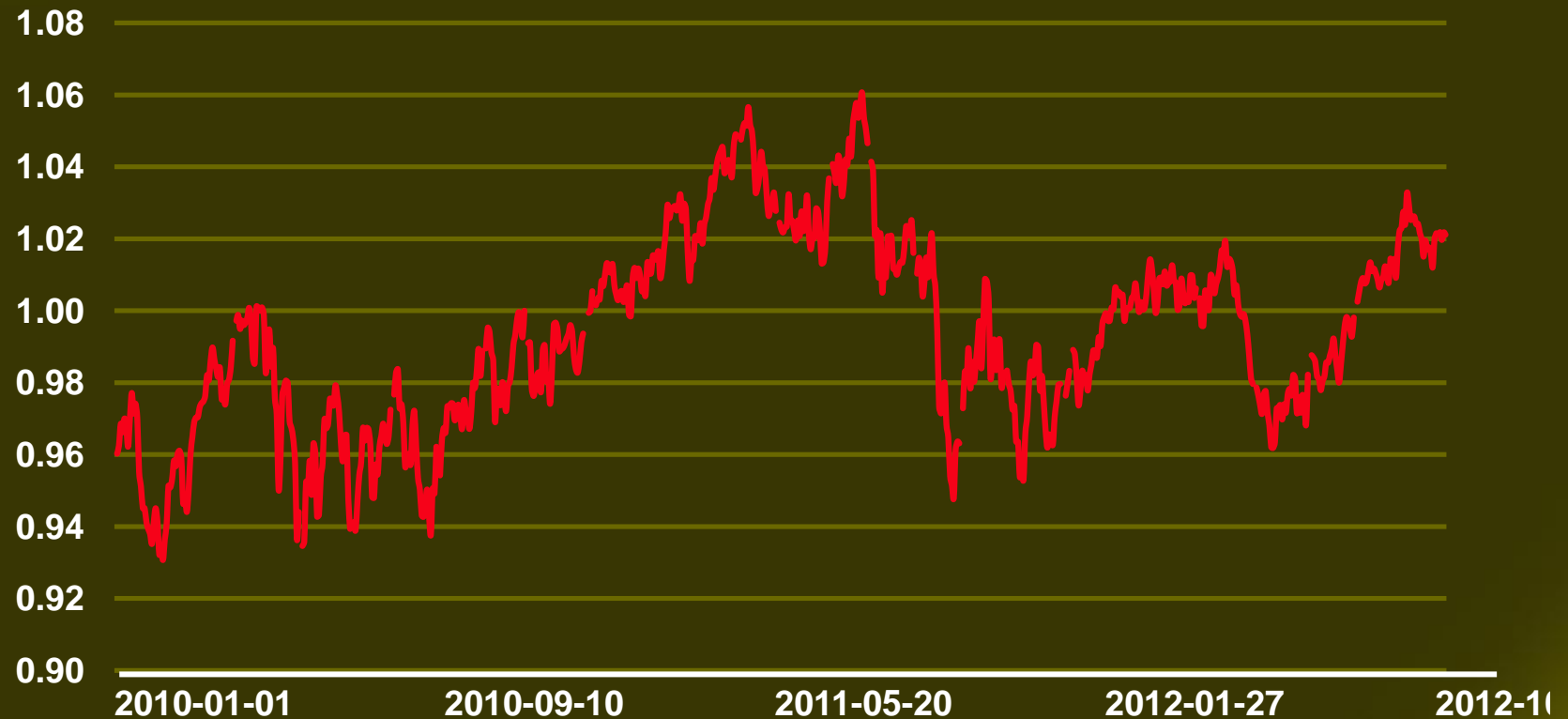


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Canadian dollar remains above parity

Daily Exchange Rate

USD/CDN



Source: Bank of Canada, Federal Reserve, C1CU. Average weekly data Latest actual: Aug 2012



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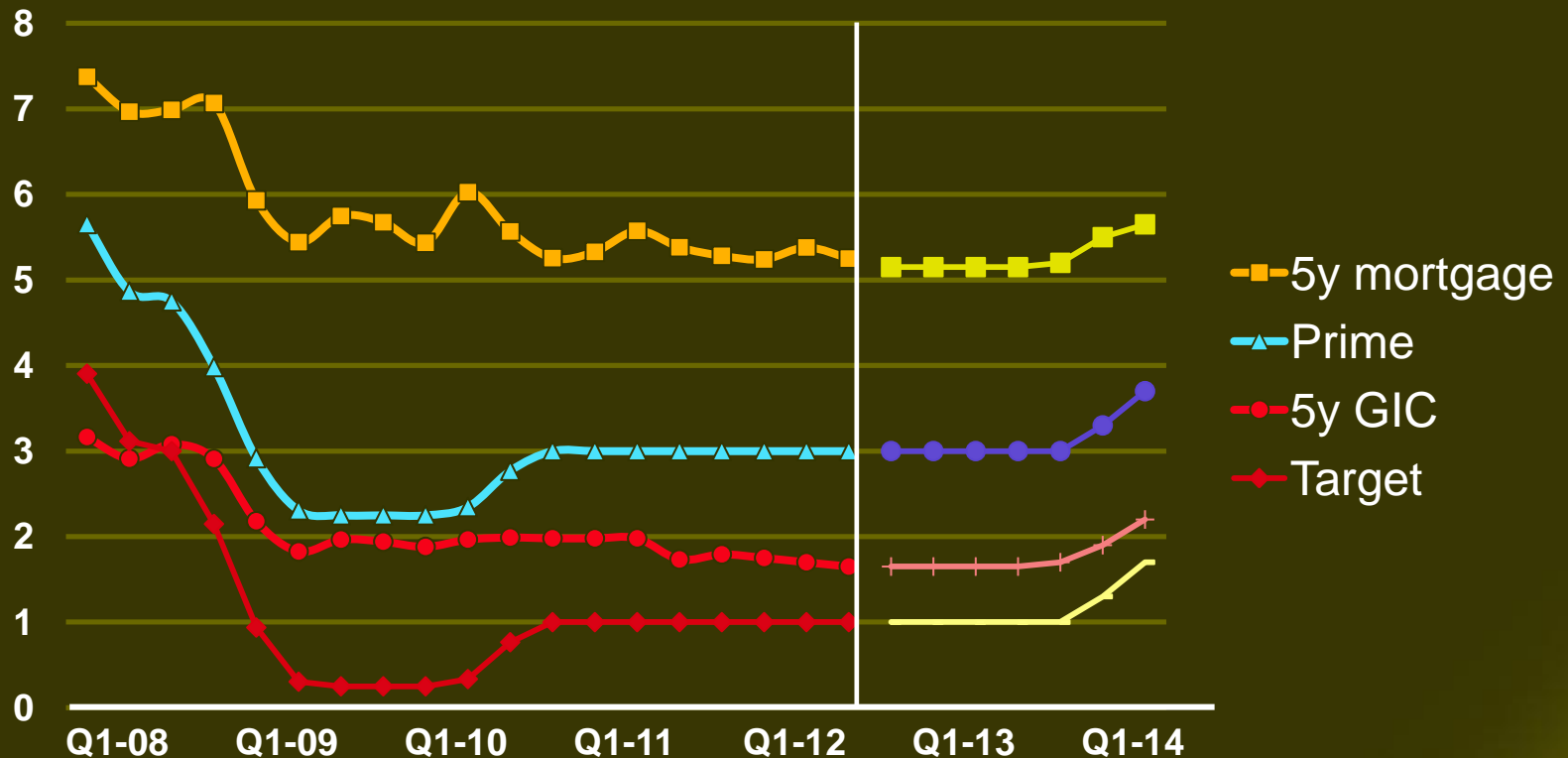


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Low interest rates ahead, first BoC rate increase early 2014

Interest Rate Forecasts, Quarterly

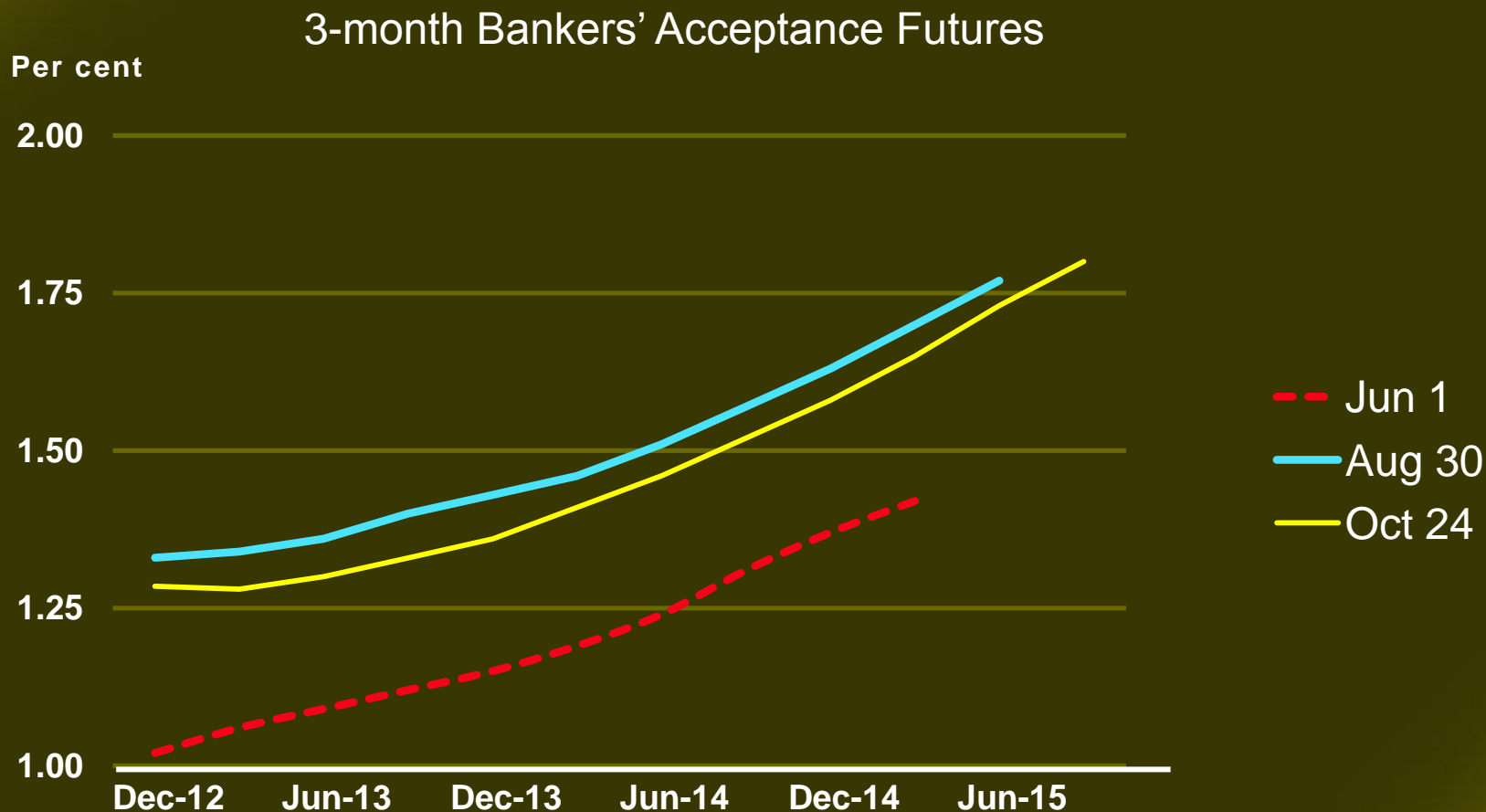
Per cent



Source: Bank of Canada, C1CU. Note: Averages. Latest actual: Q2-12



Market expects rate to hold steady until mid-2014



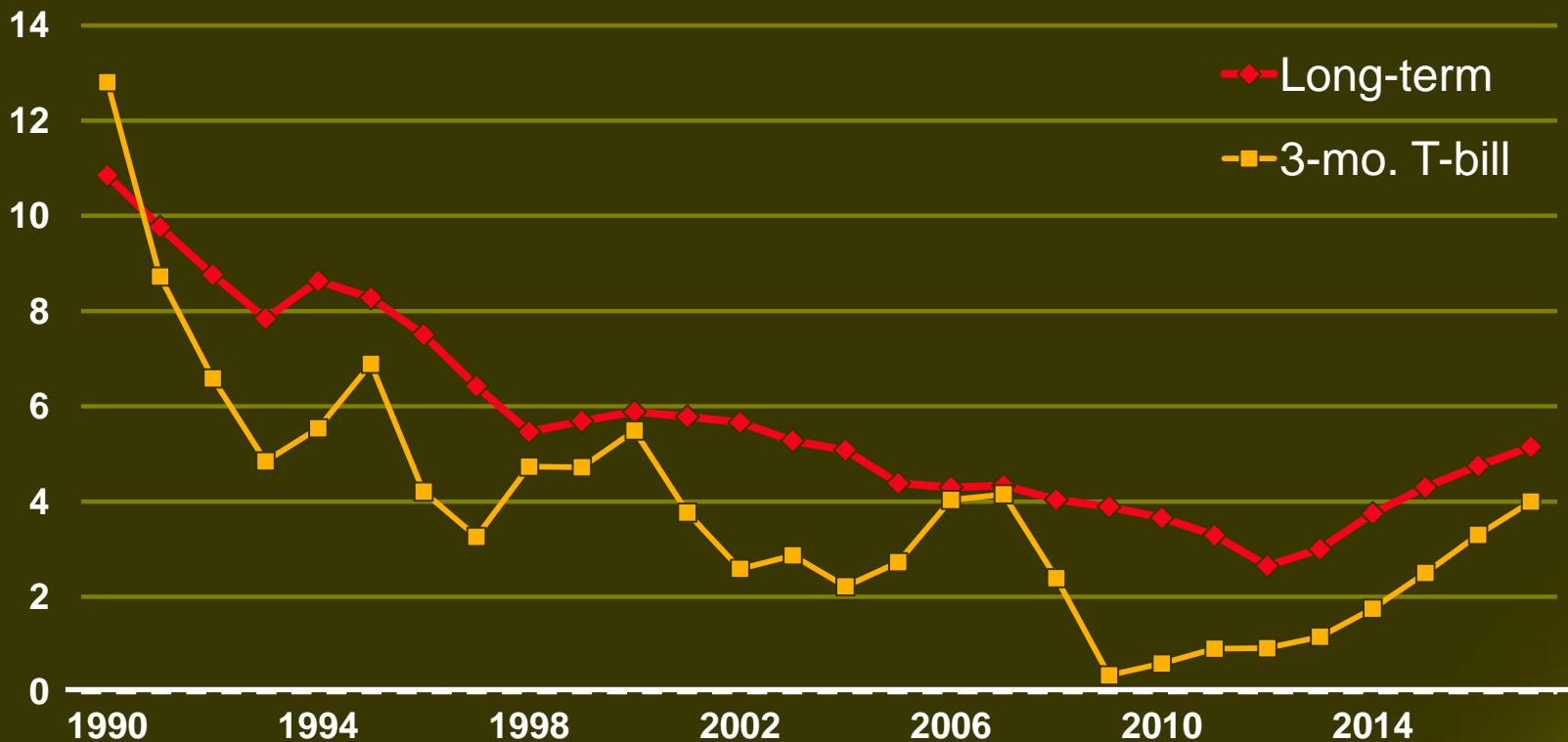
Source: Bank of Canada, Federal Reserve, C1CU. Latest actual: Sep 2012



Low interest rates into 2014, rising at faster pace in 2015 and 2016

Government of Canada Bond Yield and T-Bill Rate

Per cent



Source: Bank of Canada, C1CU. Latest actual: 2011. Forecast: 2012 - 2017.



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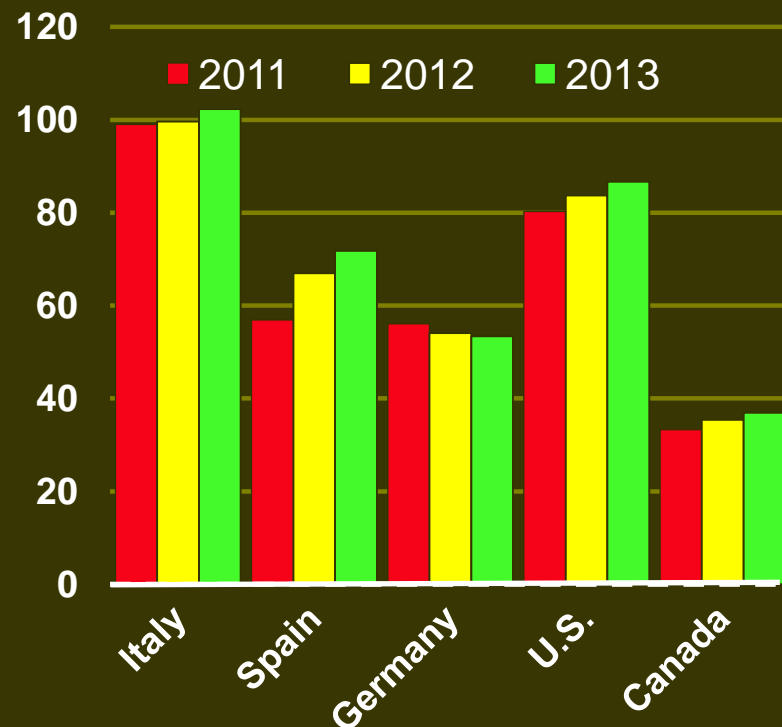


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Canadian public finances on solid ground

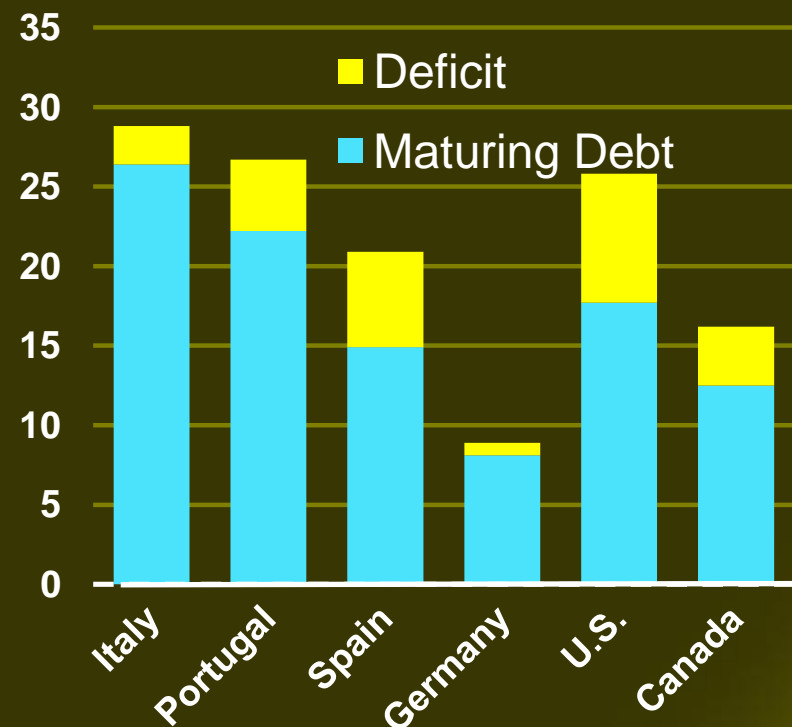
Net Debt

Per Cent of GDP



Gross Financing Needs - 2012

Per Cent of GDP



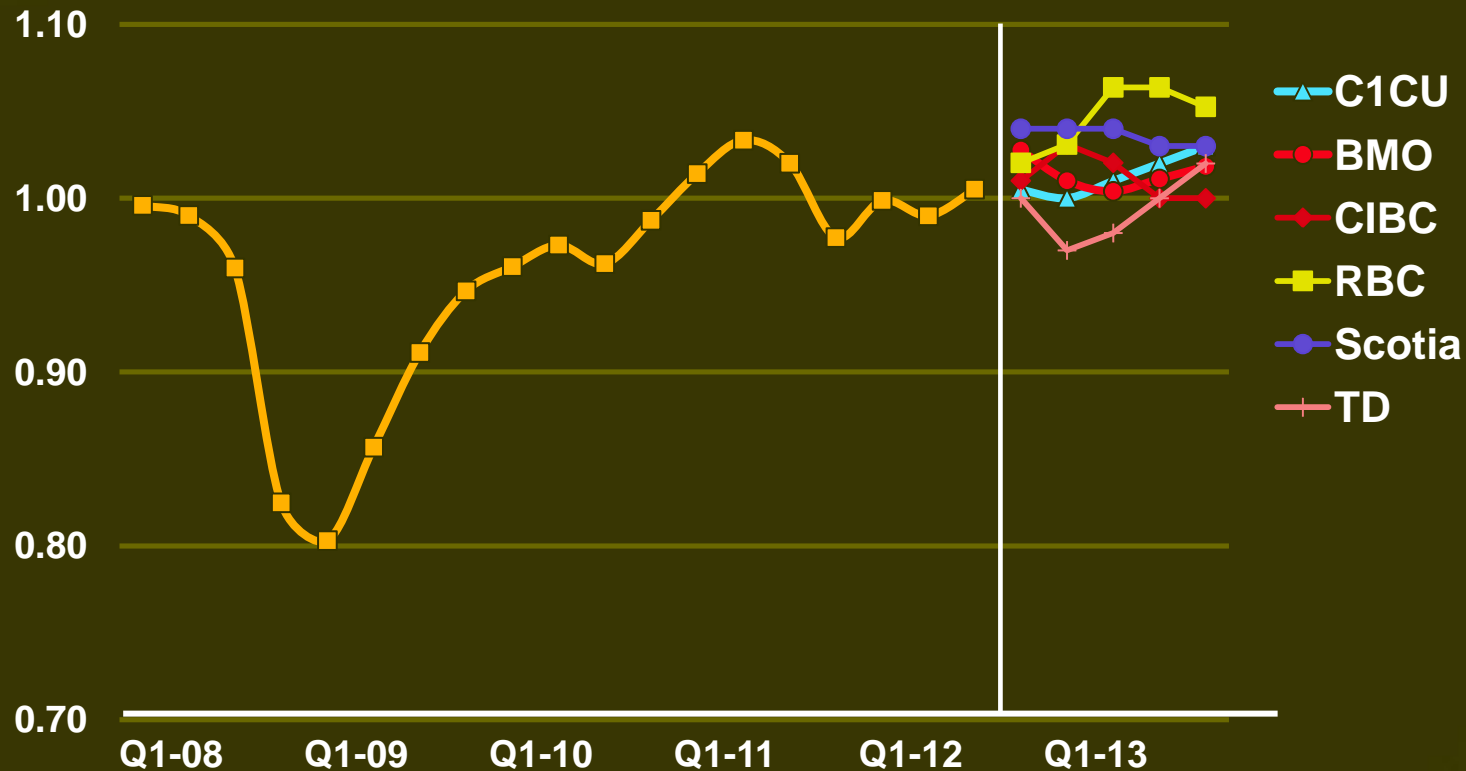
Source: IMF Fiscal Monitor Latest: Apr-12.



Higher Canadian dollar through 2013, mixed views in near-term

Exchange Rate Forecast , Canada

USD per CAD



Source: Bank of Canada, C1CU survey. Latest actual: Q3-12



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Impacts:

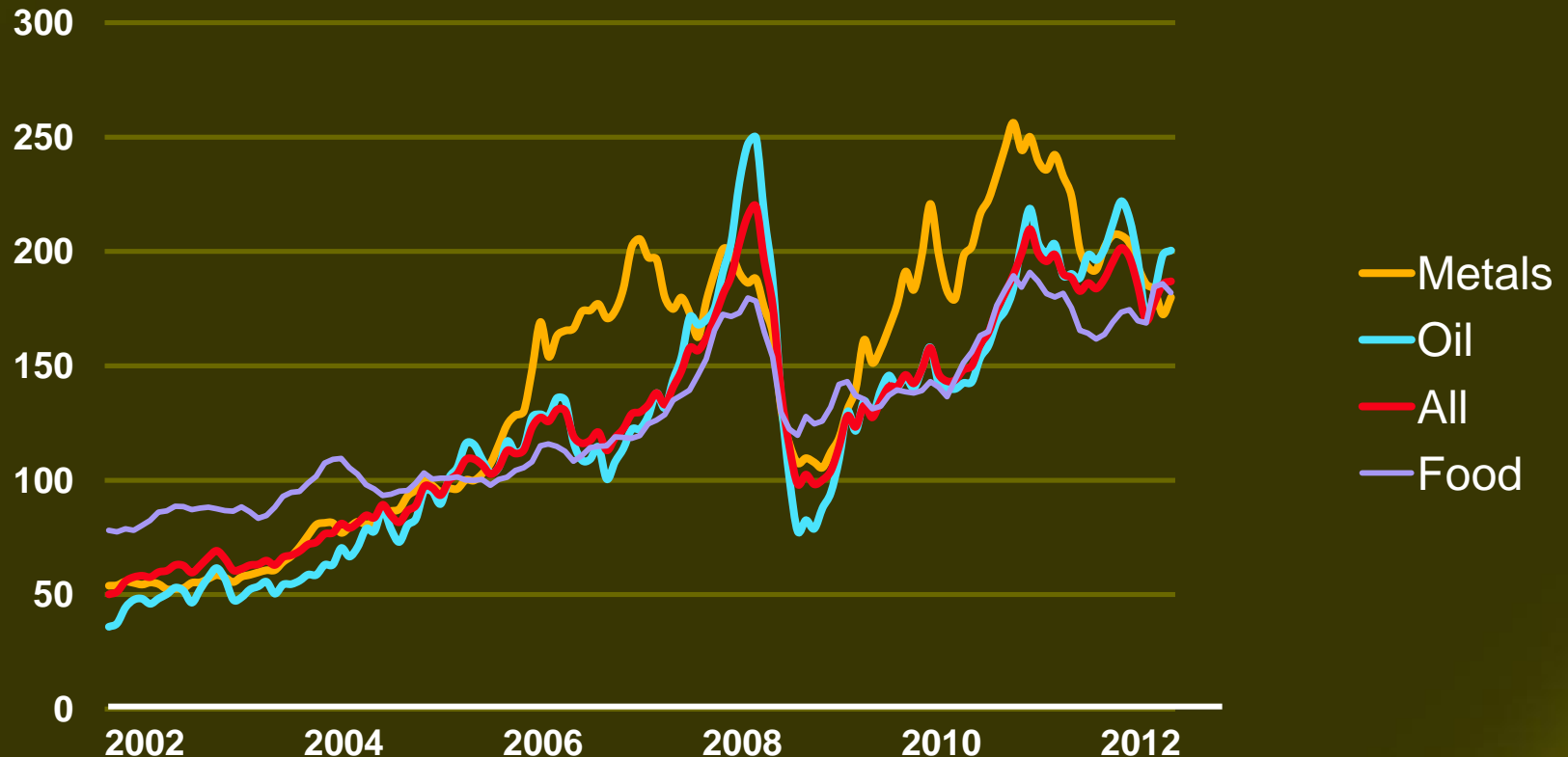
- The European situation will deteriorate further and negatively affect the global economy and financial markets.
- The global growth slowdown ends shortly with the U.S. and China economies gaining momentum.
- The U.S. and global economy shift into a higher growth phase in 2015.
- Financing costs to remain low over forecast horizon
- Messaging of central banks and economic challenges signal stable rate environment
- High Canadian dollar ensures favourable import pricing for machinery, equipment, fertilizer



Commodity prices sliding in recent months, food main exception

2005=100

Primary Commodity Price Indices, Monthly



Source: IMF, Central 1 Credit Union Latest Sep 2012

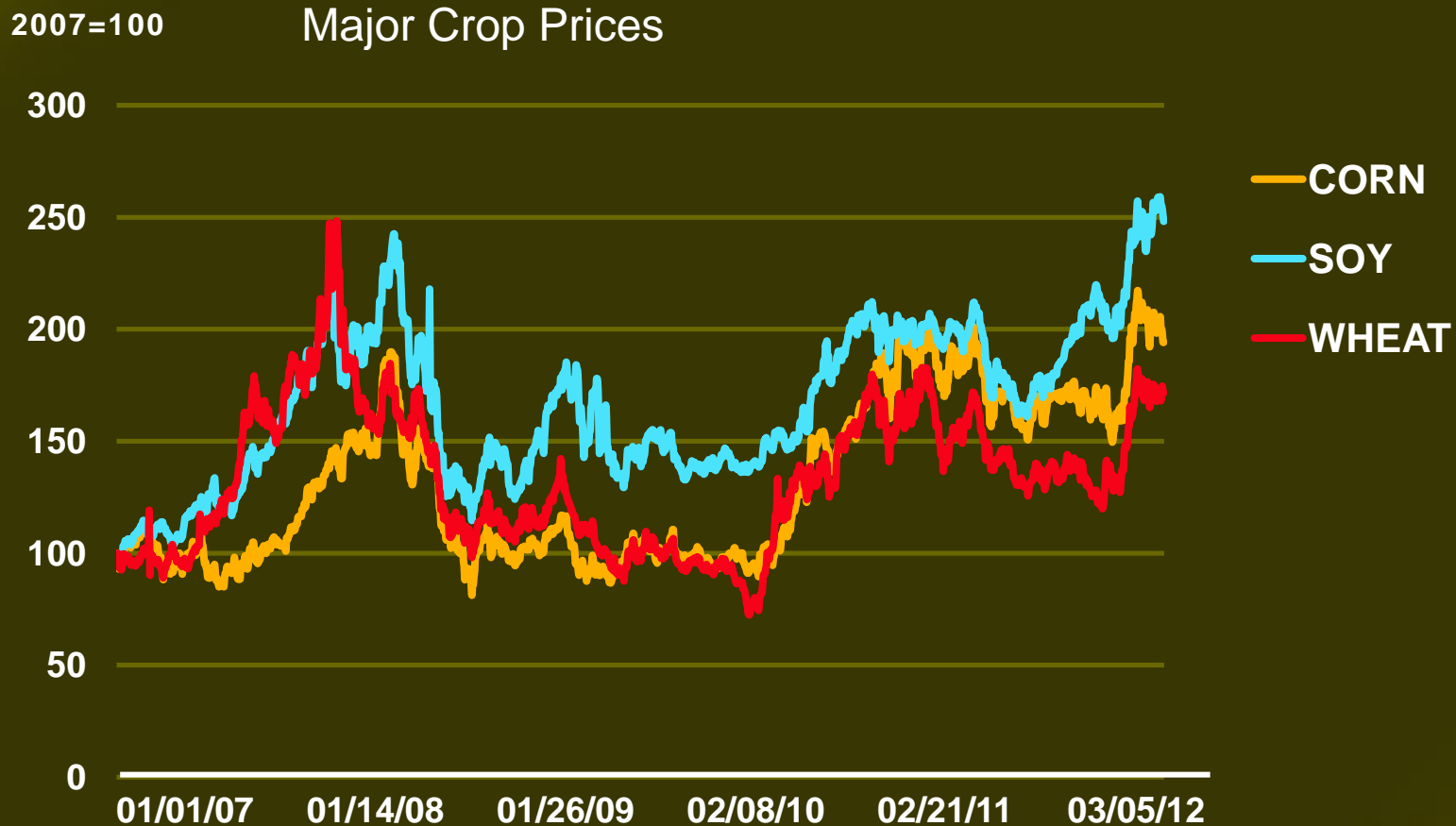


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Crop prices surge in 2012 on drought conditions



Source: IMF, WEO Oct-12

Latest: Sep-12

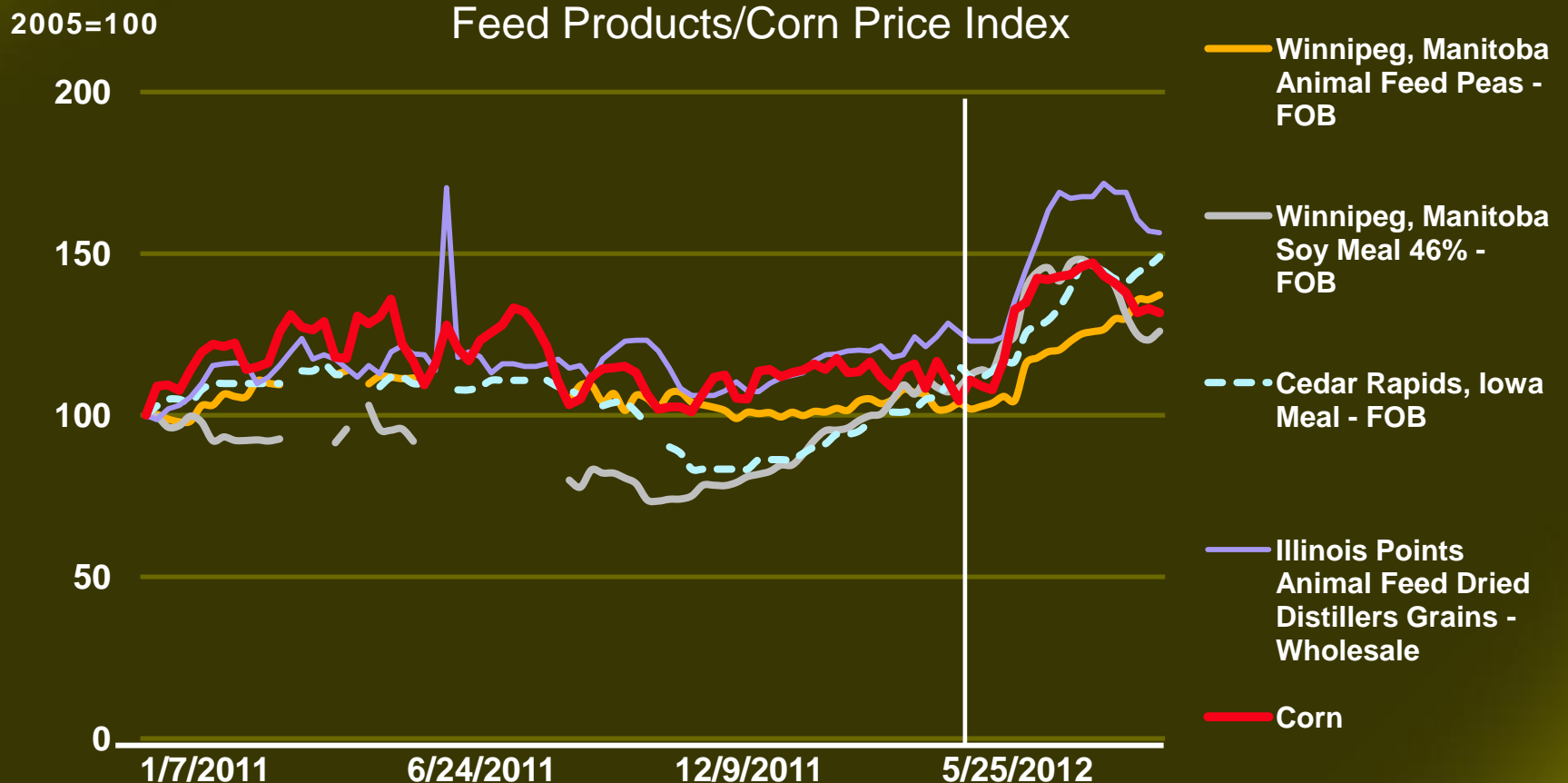


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U.S. drought drive feed input cost higher for livestock producers



Source: Bloomberg, Central 1 Latest: Oct-5-2012



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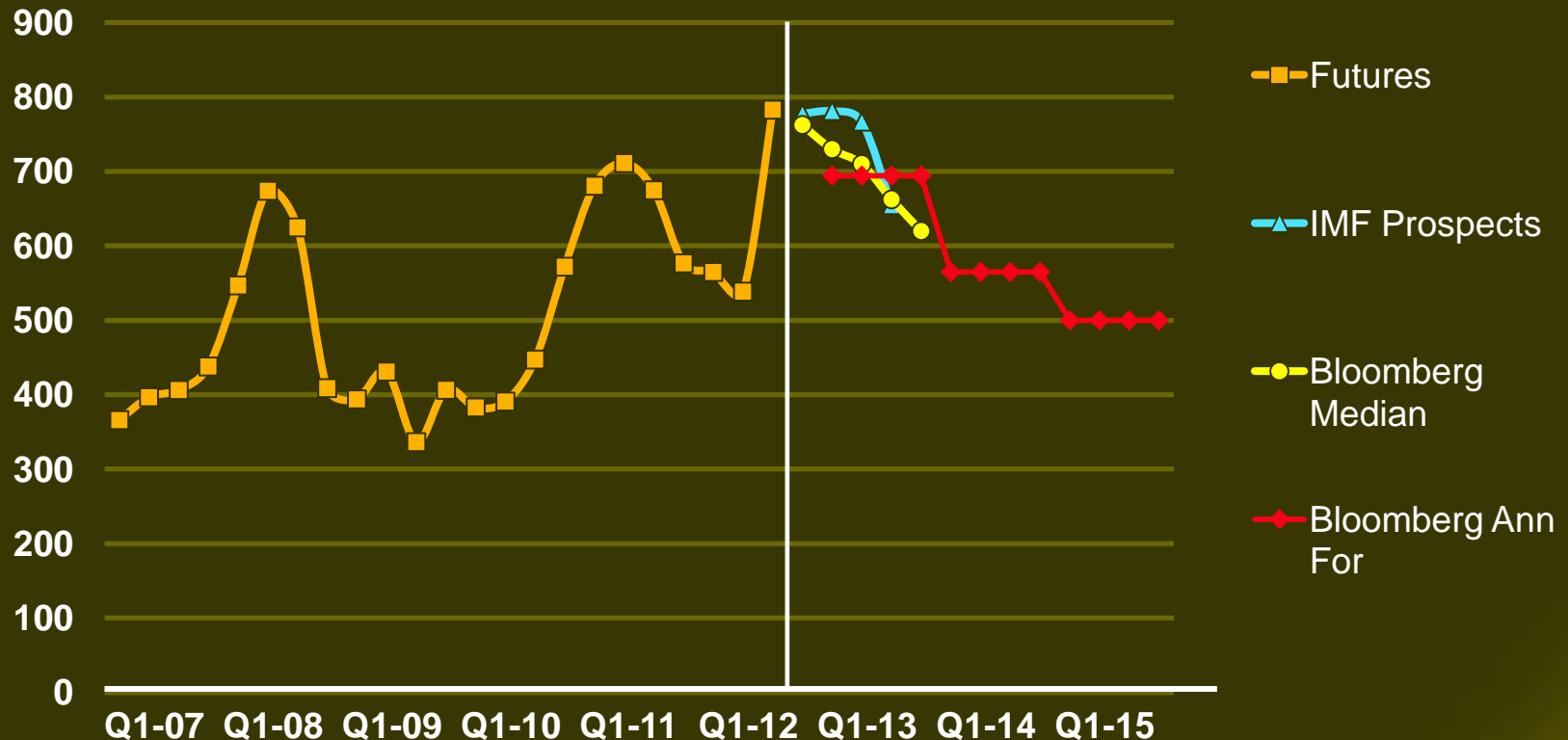


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Q3 forecast to be market top for corn prices, easing over next two years

Corn Prices

Cents per bushel USD



Source: IMF WEO, Bloomberg, Latest actual: Q3-12



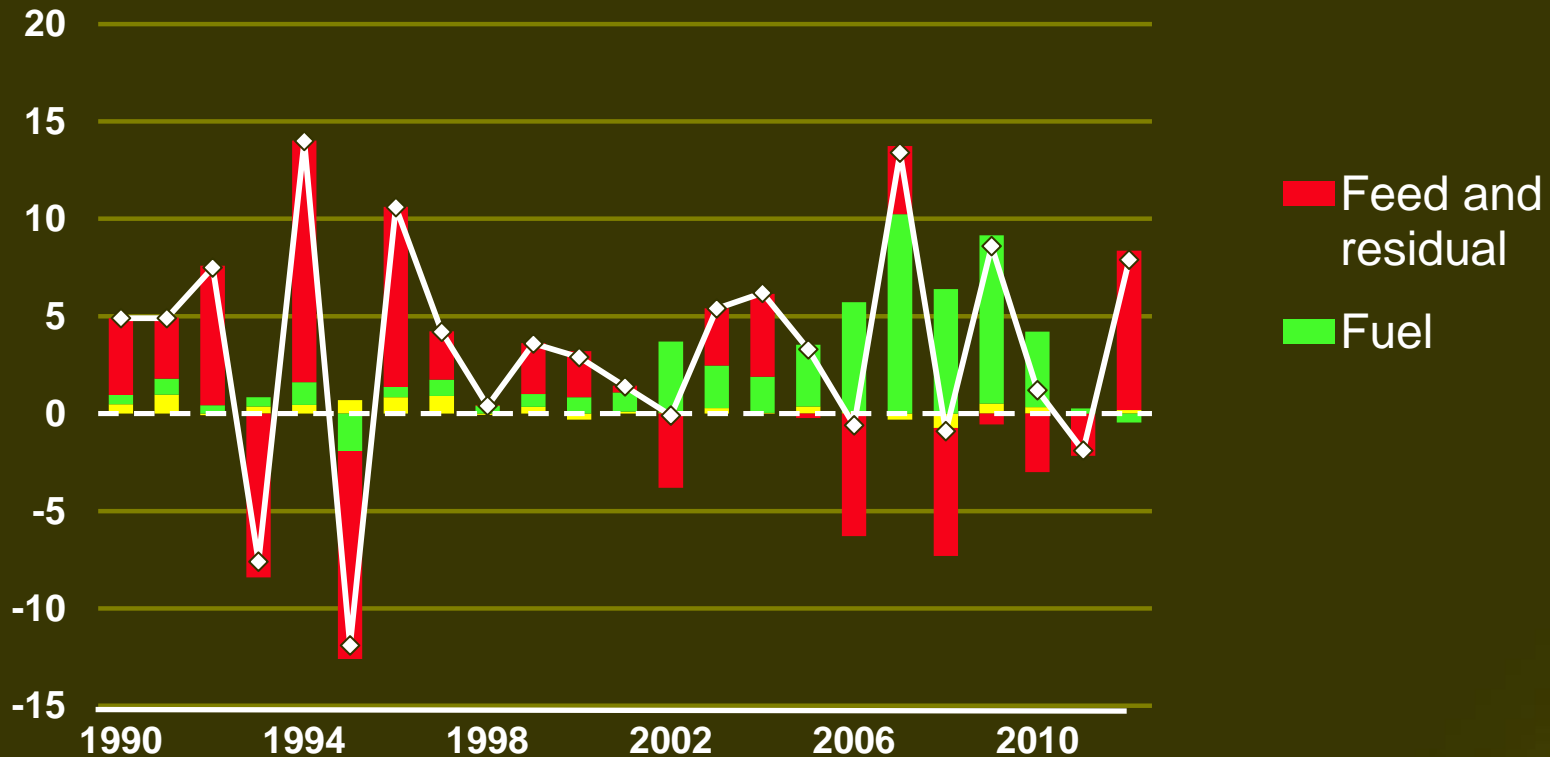
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Incremental corn production to boost animal feed in 2012, ethanol allocation to drop

Contributions to Growth in U.S. Corn use, Per Cent

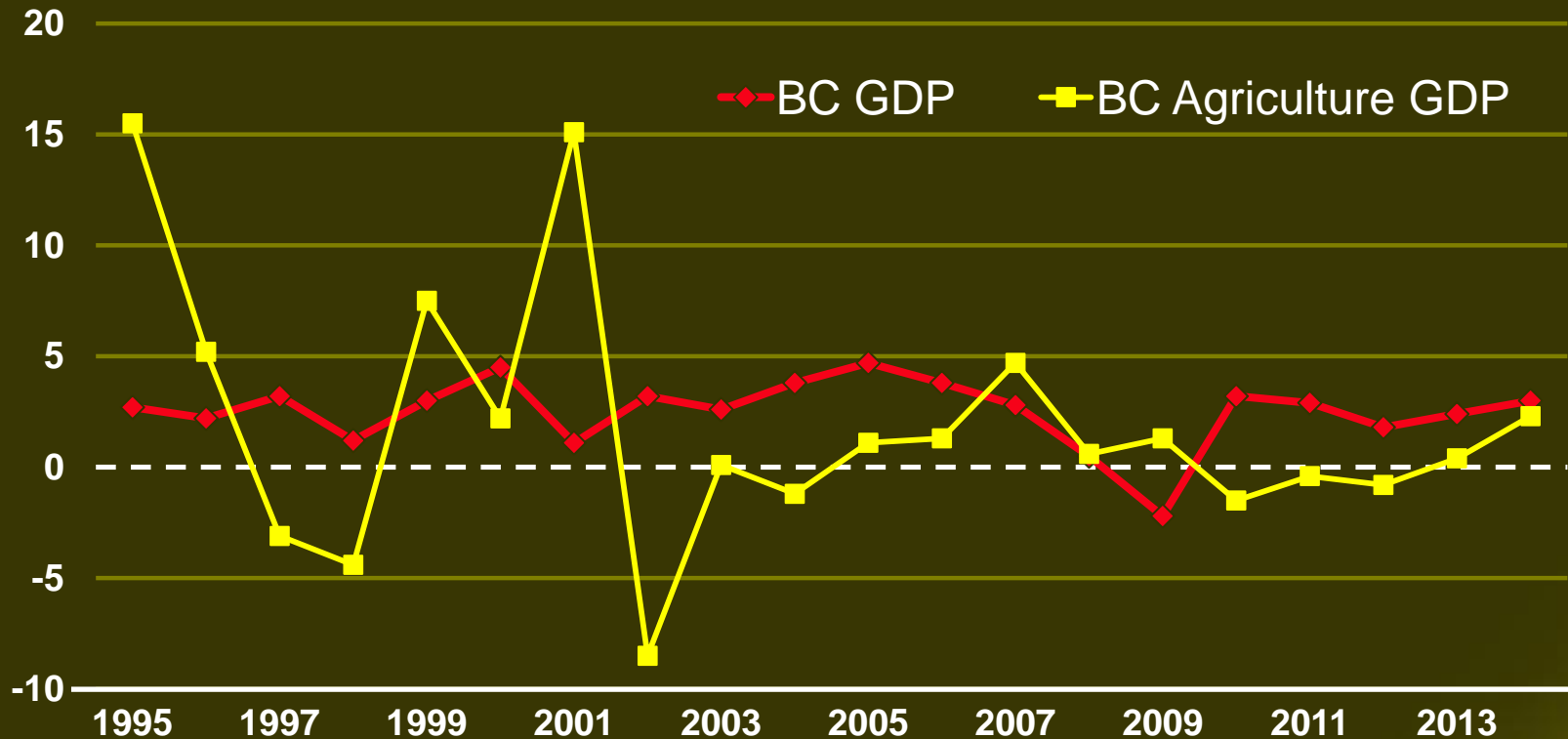


Source: US Dept of Agriculture, IMF WEO October 2012



Agricultural economy underperforms provincial growth through 2014

Index (2000 = 100)



Source: Statistics Canada, Central 1 Forecast



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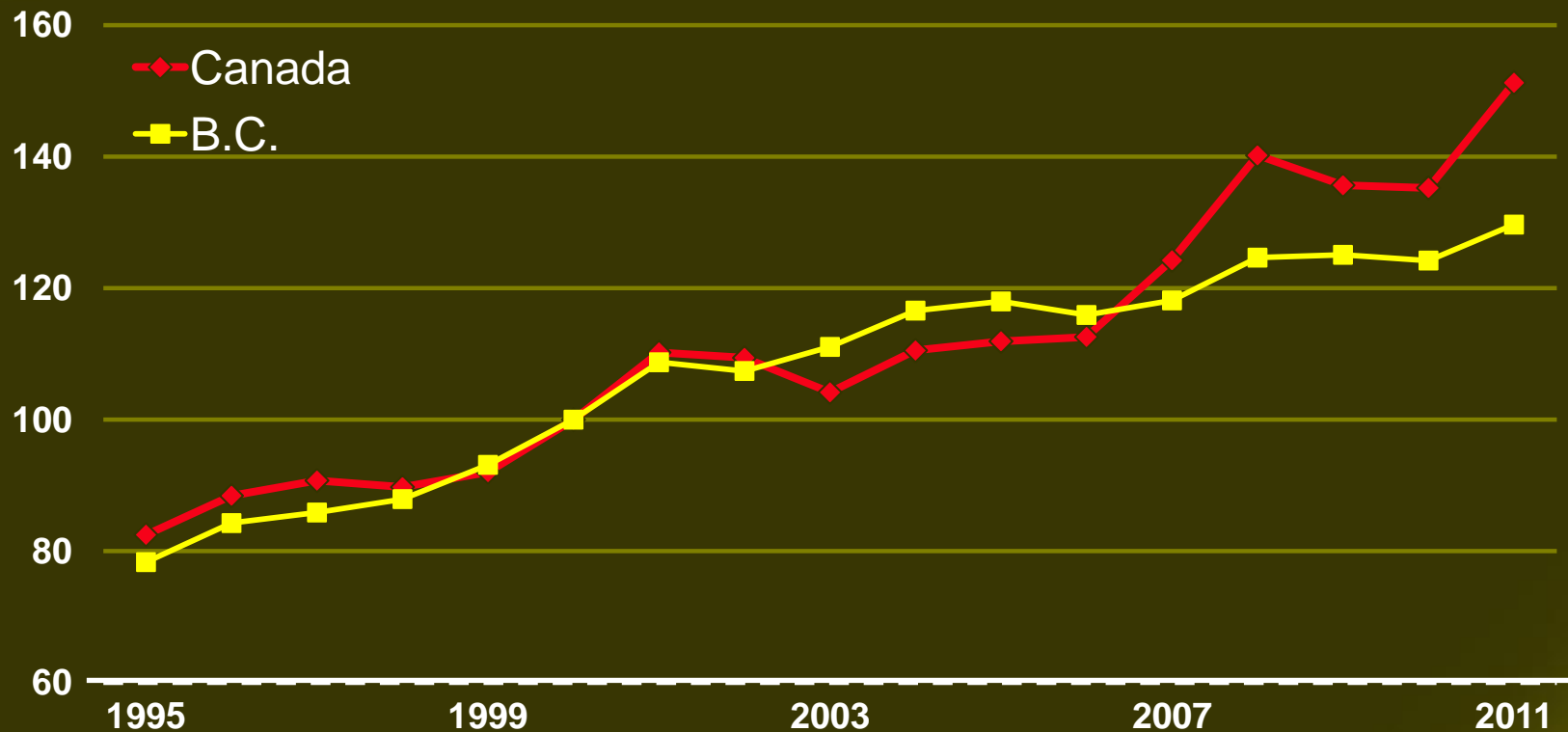


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Growth in receipts below national performance

Farm Cash Receipts

Index (2000 = 100)



Source: IMF WEO July 2012. Latest actual: 2011. Forecast: 2012 - 2017. .



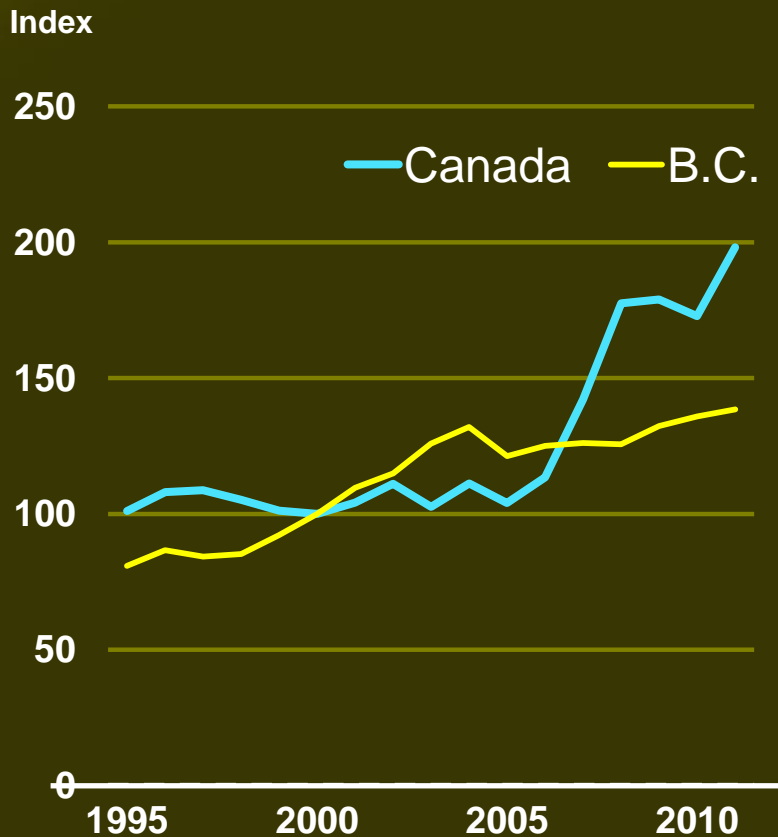
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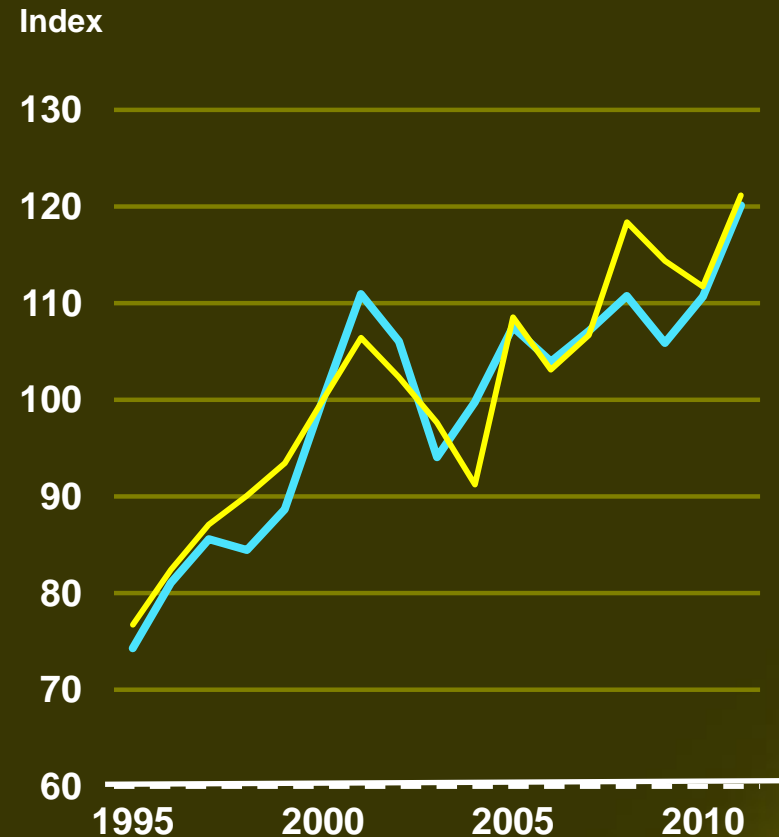
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Underperformance reflects crop composition

Crops



Livestock Related



SOURCE: Statistics Canada, Latest: 2011

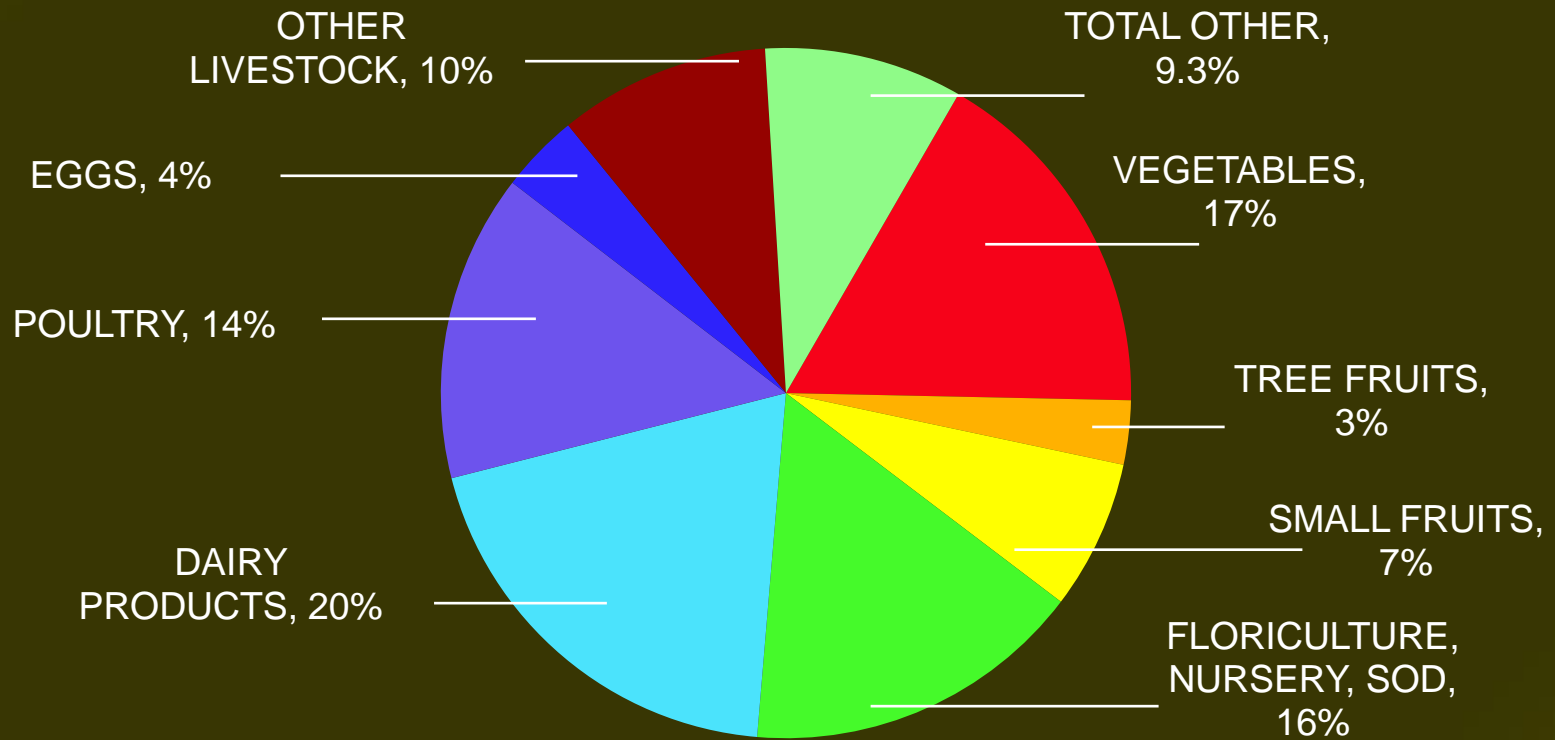


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Proportion of B.C. cash receipts



SOURCE: MINISTRY OF JOBS, TOURISM, INNOVATION, 04 2011

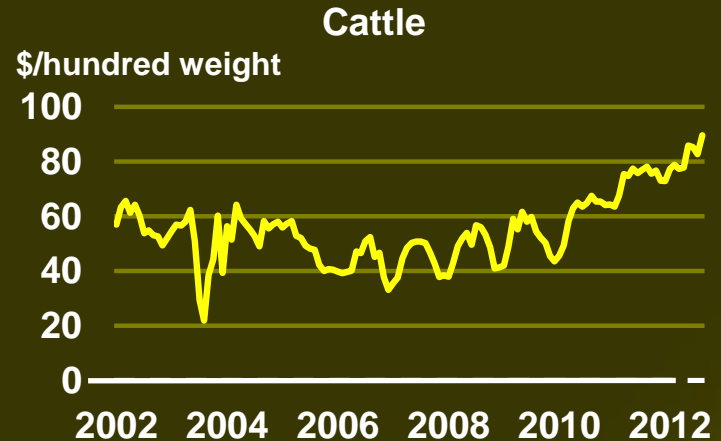
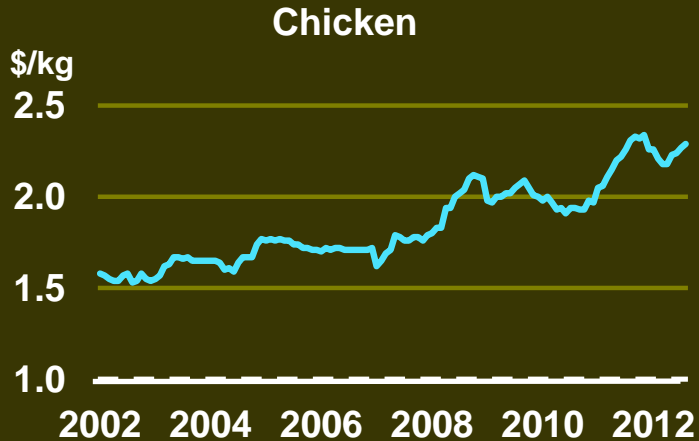
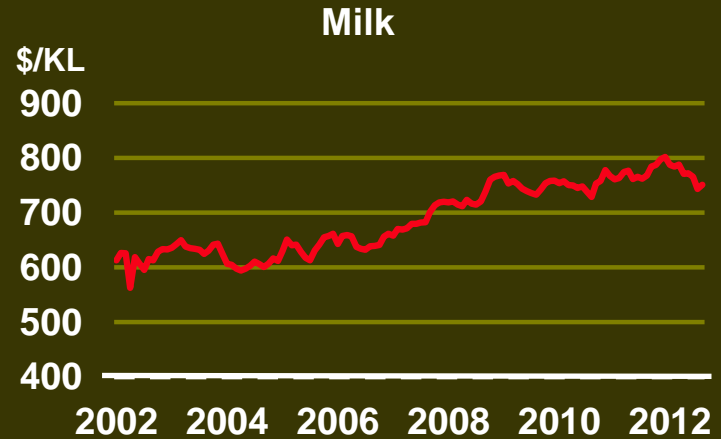
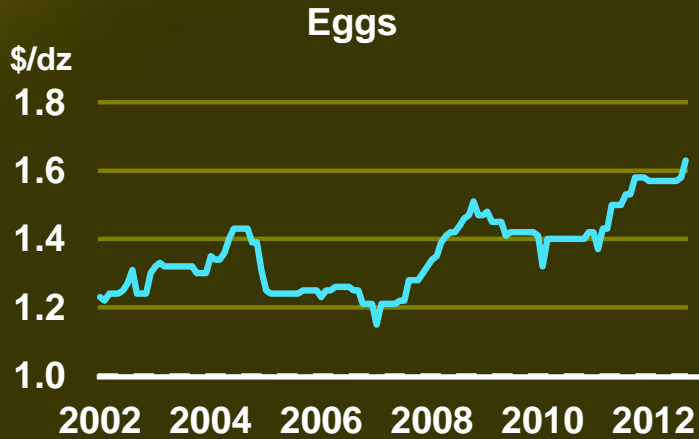


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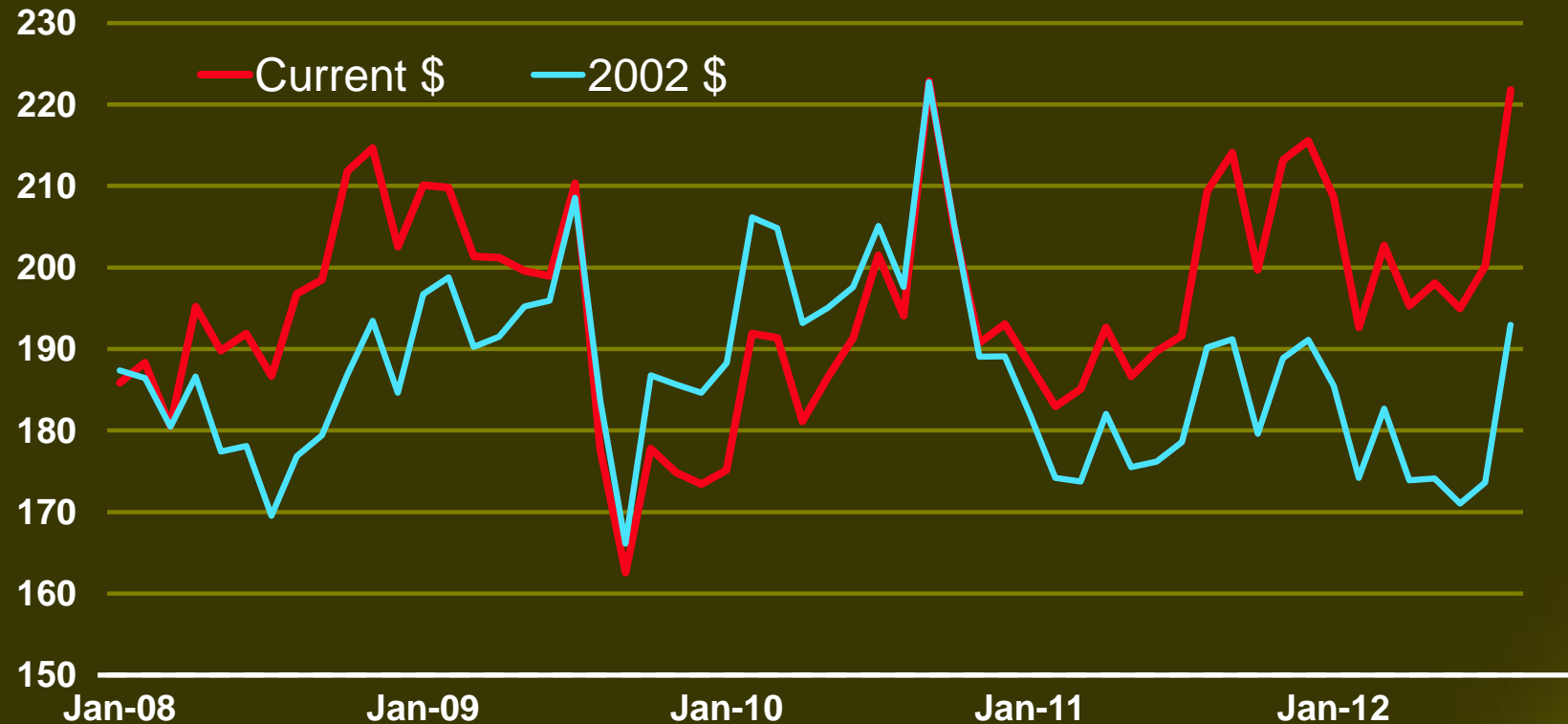
Price by Agricultural Commodity



SOURCE: Source: Statistics Canada.

Agricultural exports flat in both current and constant dollar terms

Dollars - millions



Source: Statistics Canada, C1CU. Note: Seasonally adjusted. Latest: Aug-12



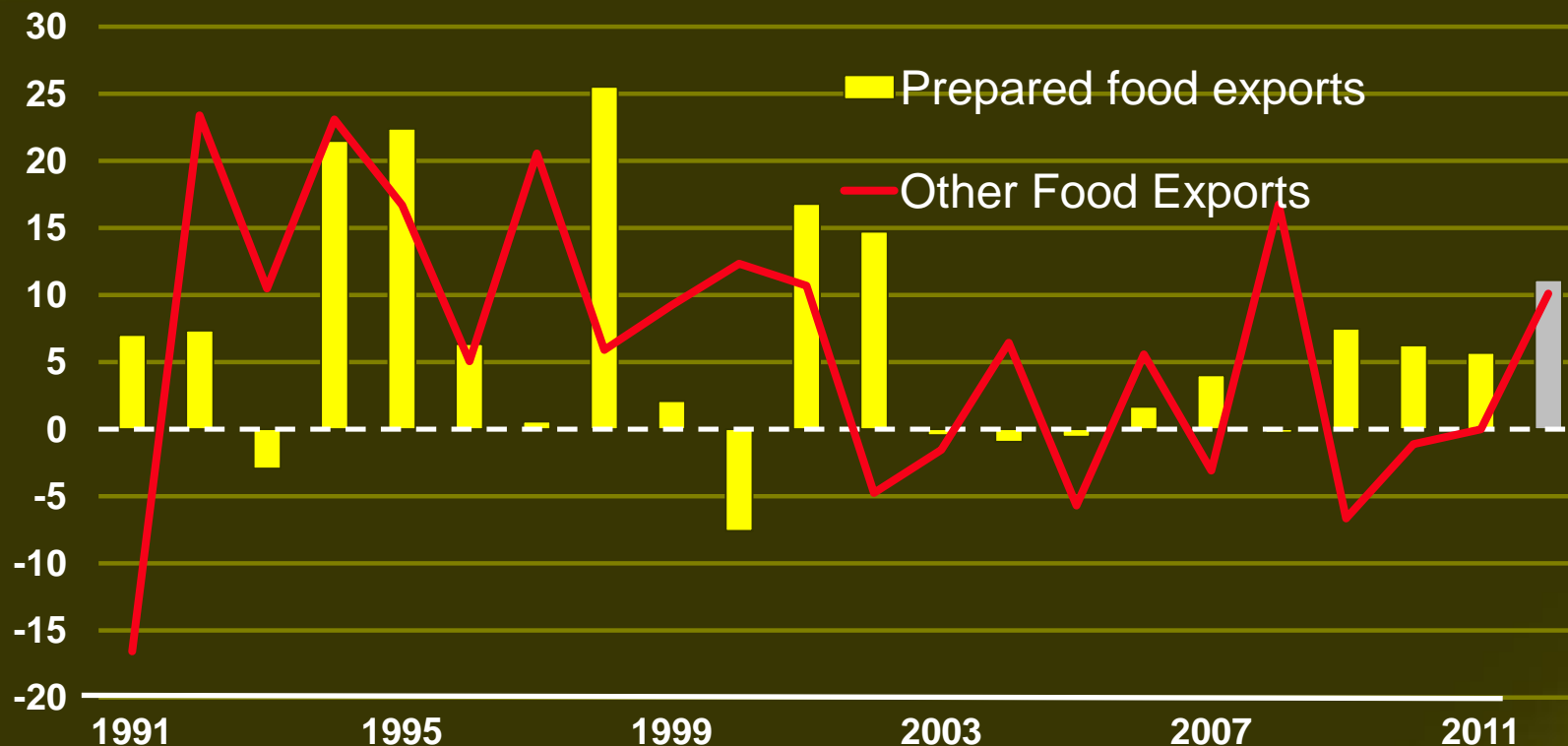
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Prepared food export growth outpaced general agricultural growth in recent years

% change



Source: Industry Canada, Central 1

2012 YTD August % growth



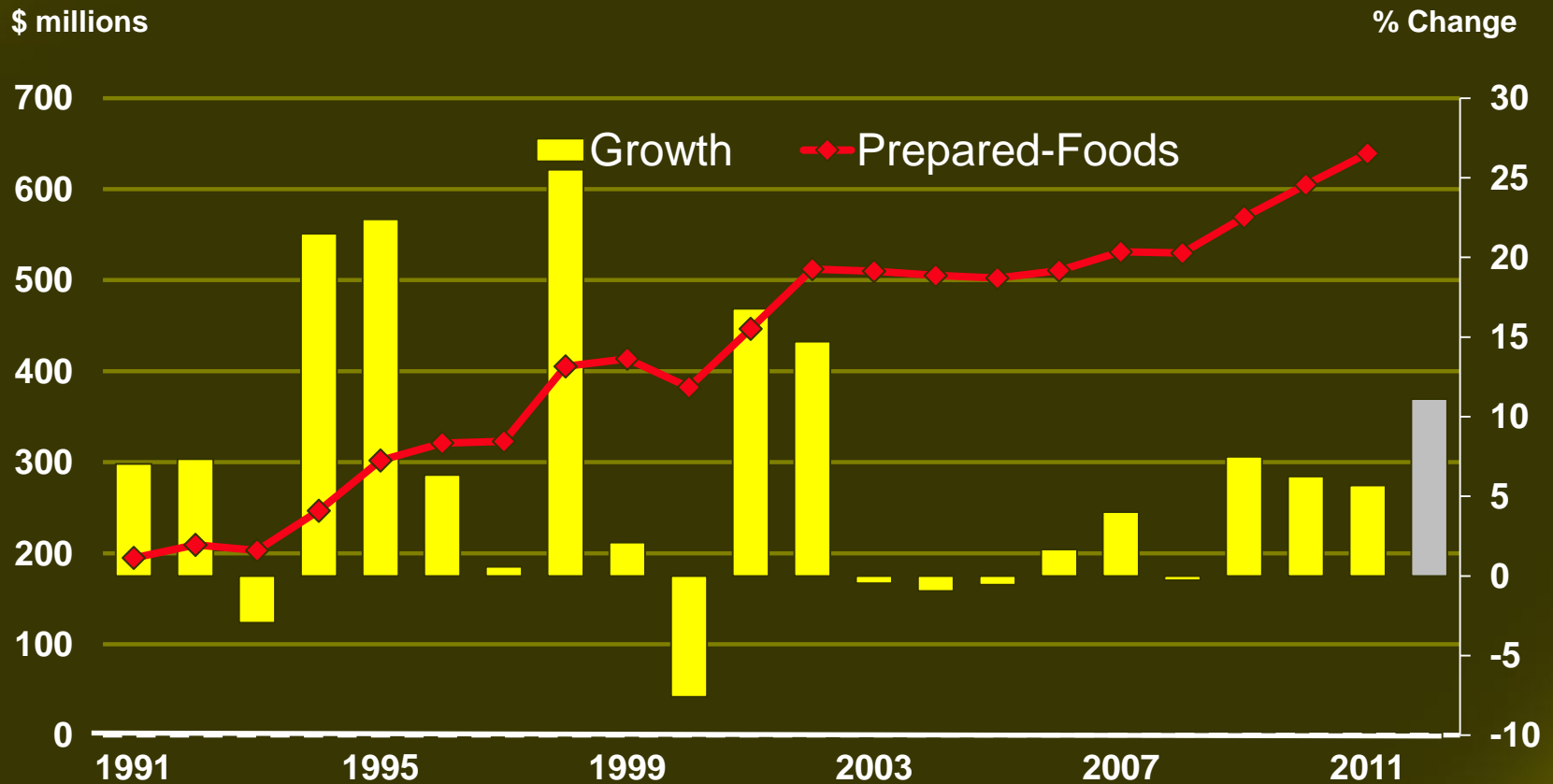
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Prepared-food exports trend higher, surge in 2012

B.C. Prepared Food Exports



Source: Industry Canada, Central 1

2012 YTD August % growth

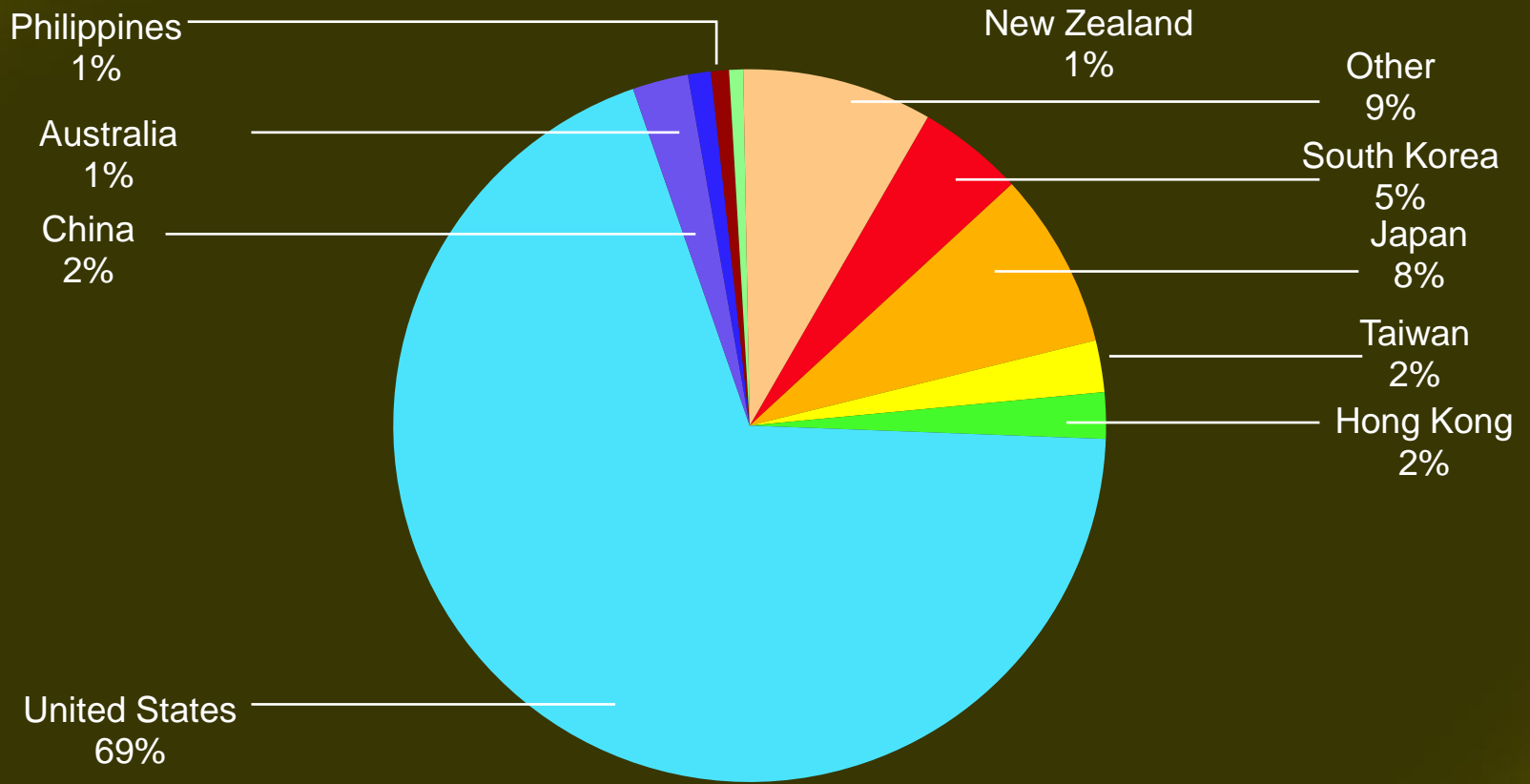


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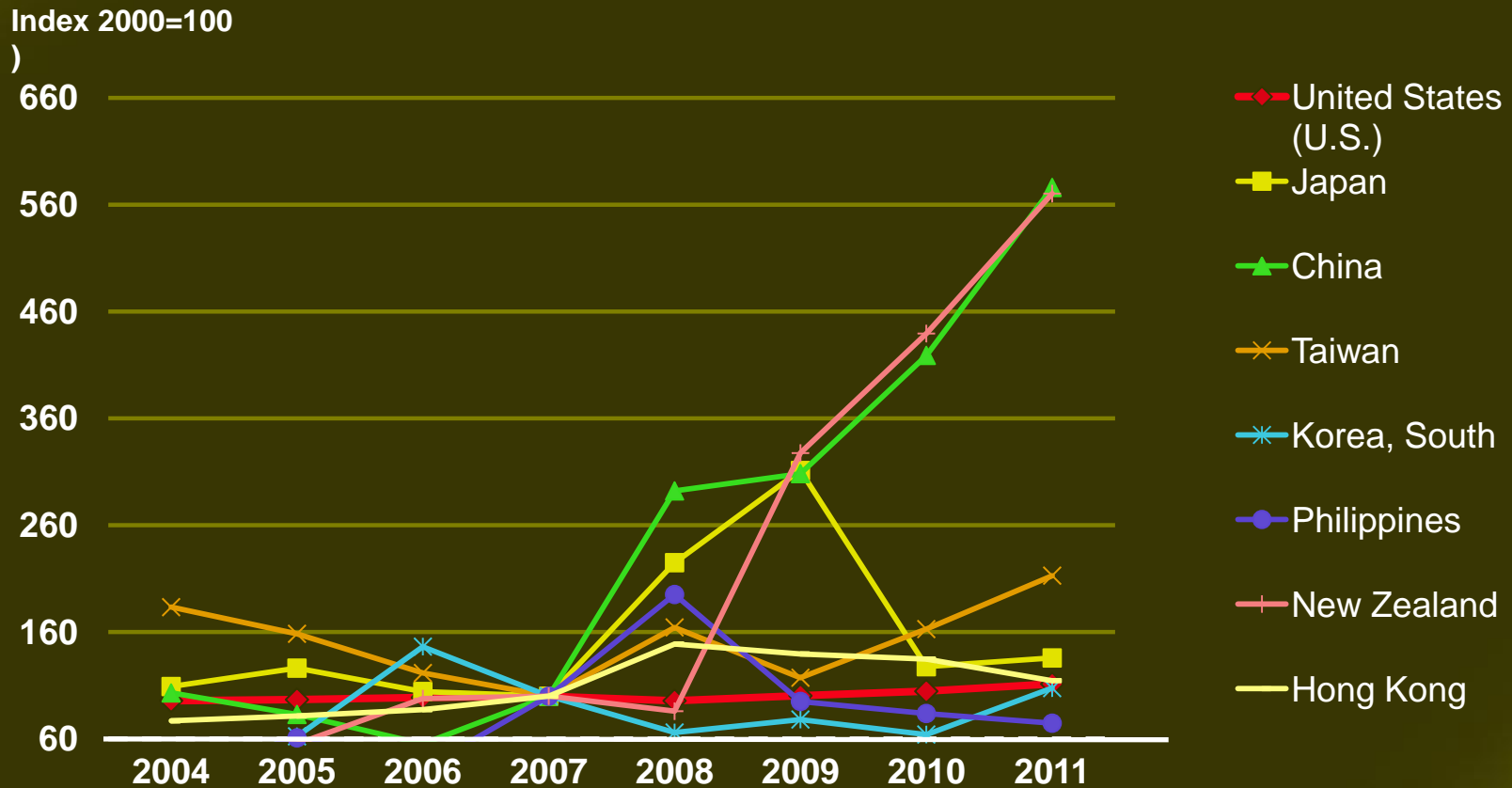
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Agricultural Exports – 2009-2013



SOURCE: INDUSTRY CANADA

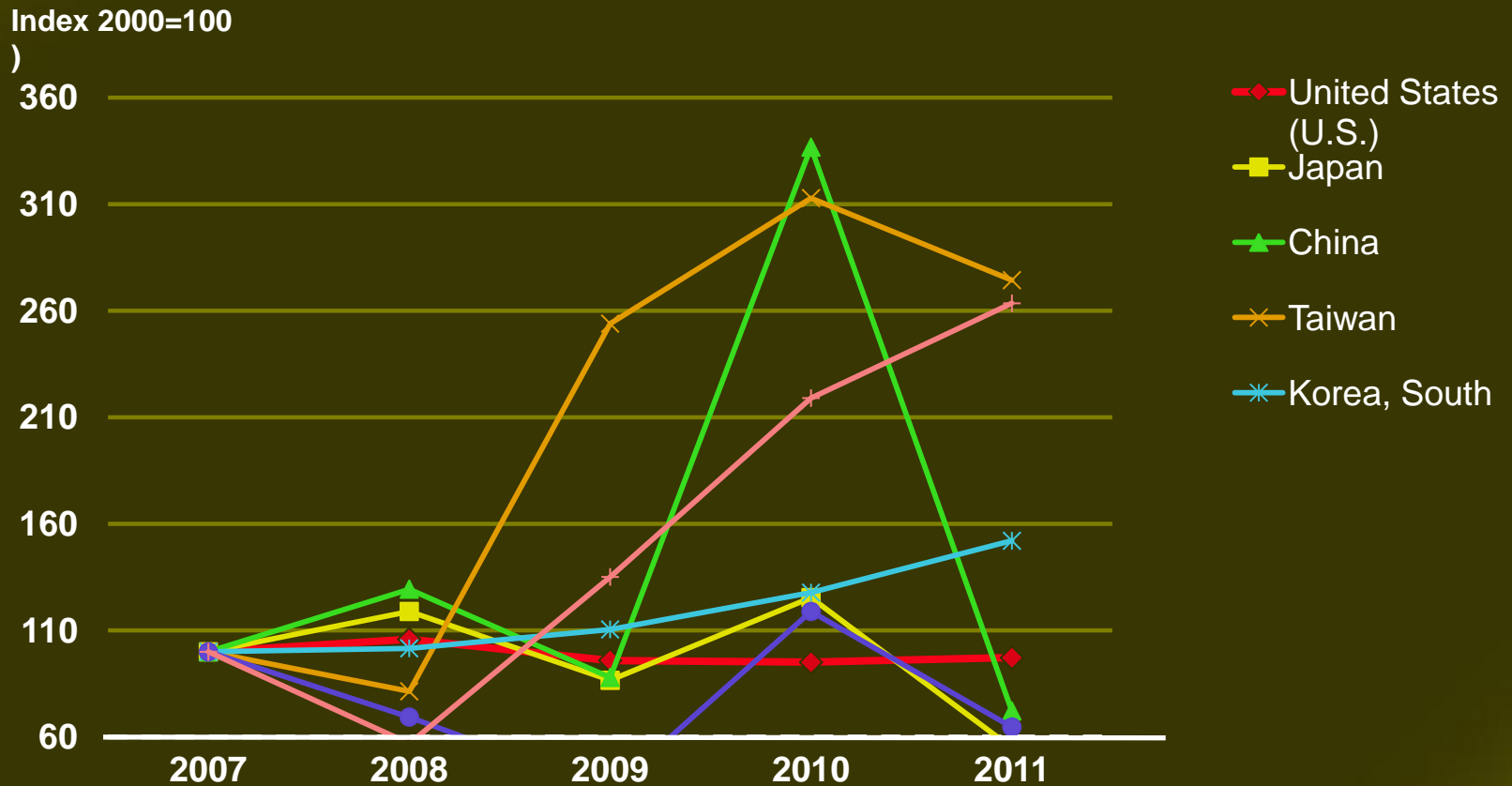
Prepared Food Exports by Country



Source: World Bank, Central 1 Credit Union



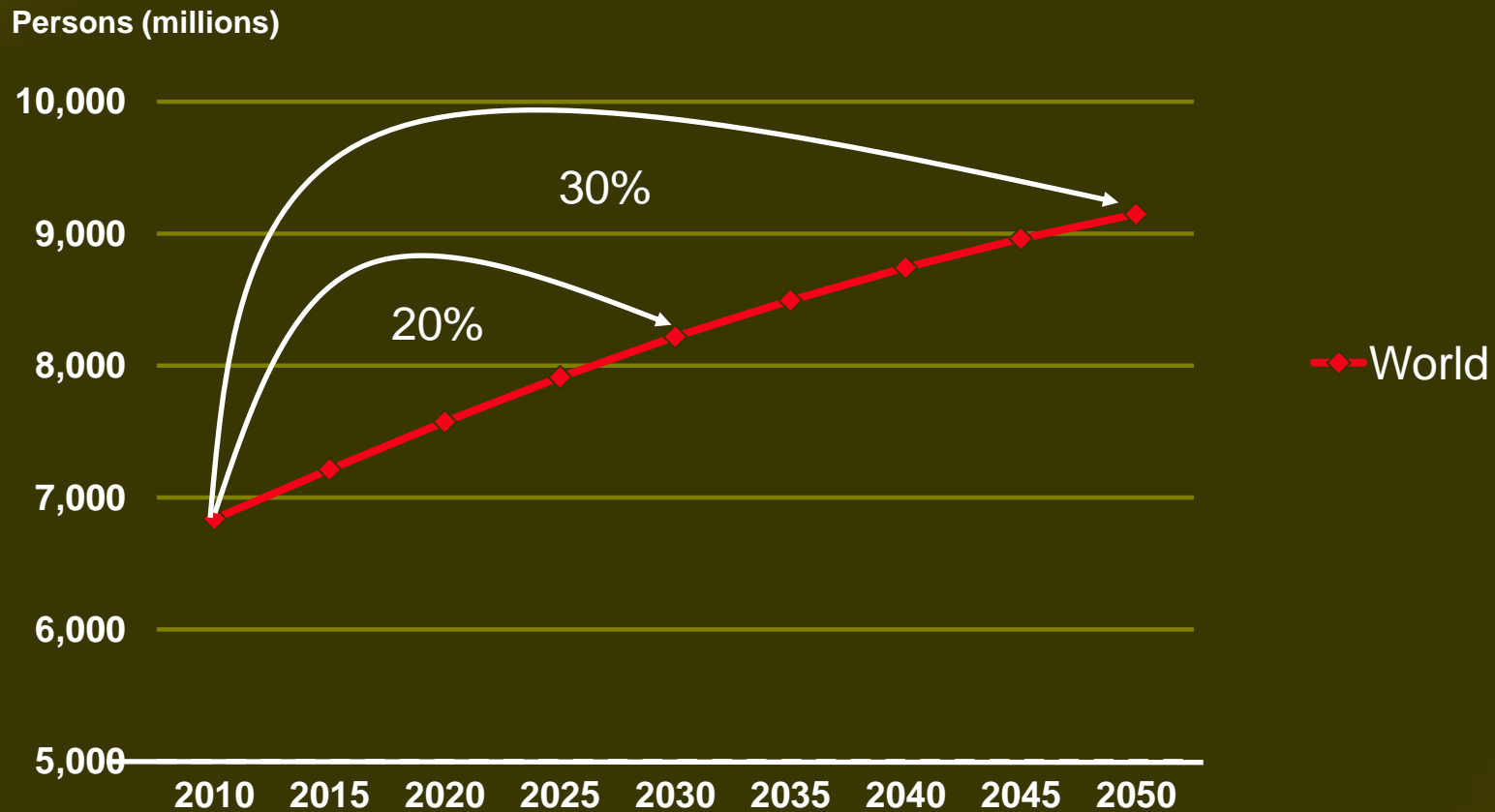
Non- Prepared Food Exports by Country



Source: World Bank, Central 1 Credit Union



Projected world population to rise 20% by 2030



Source: World Bank, Central 1 Credit Union

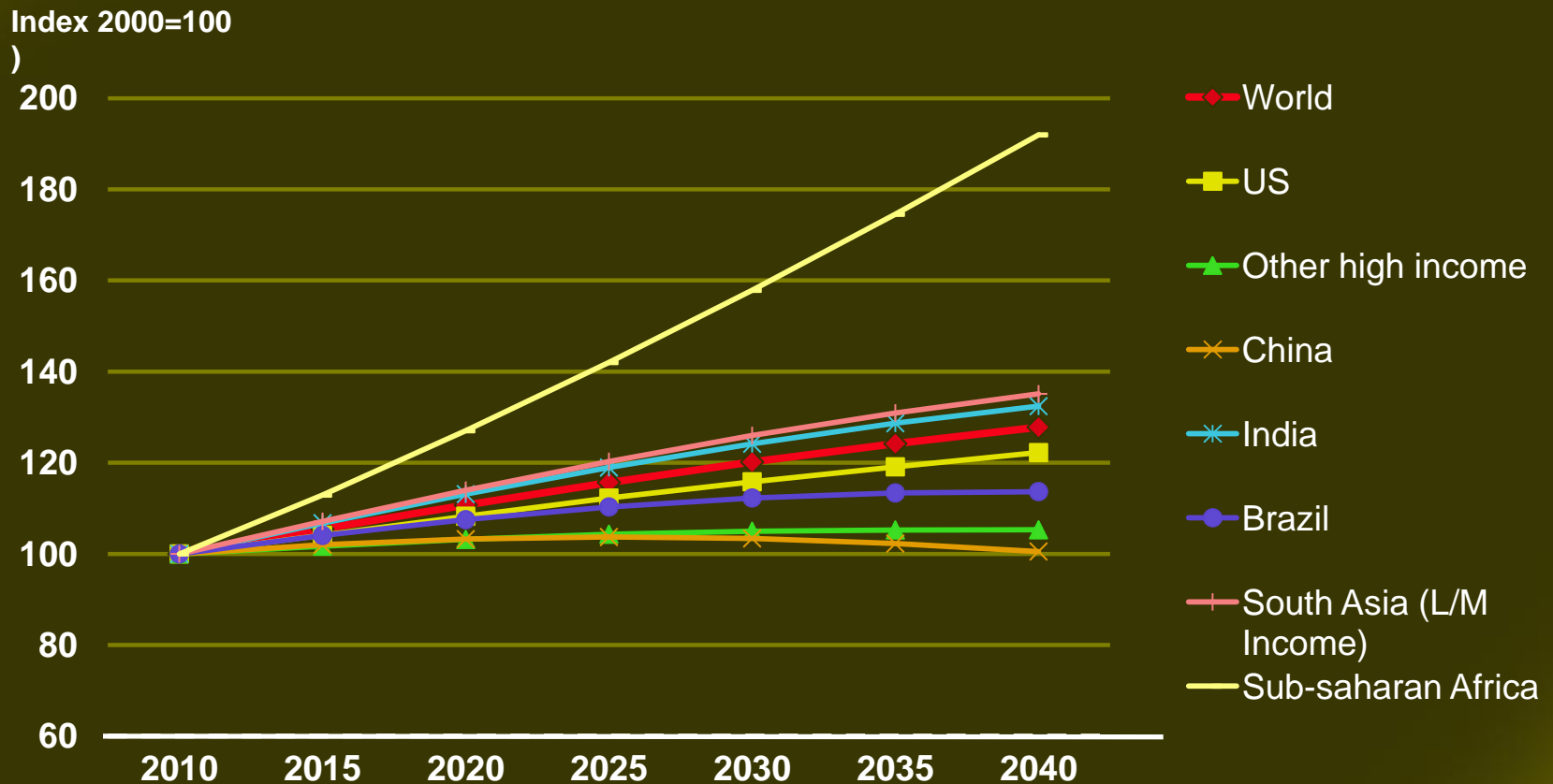


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Growth strongest in lower to mid-income regions



Source: World Bank, Central 1 Credit Union

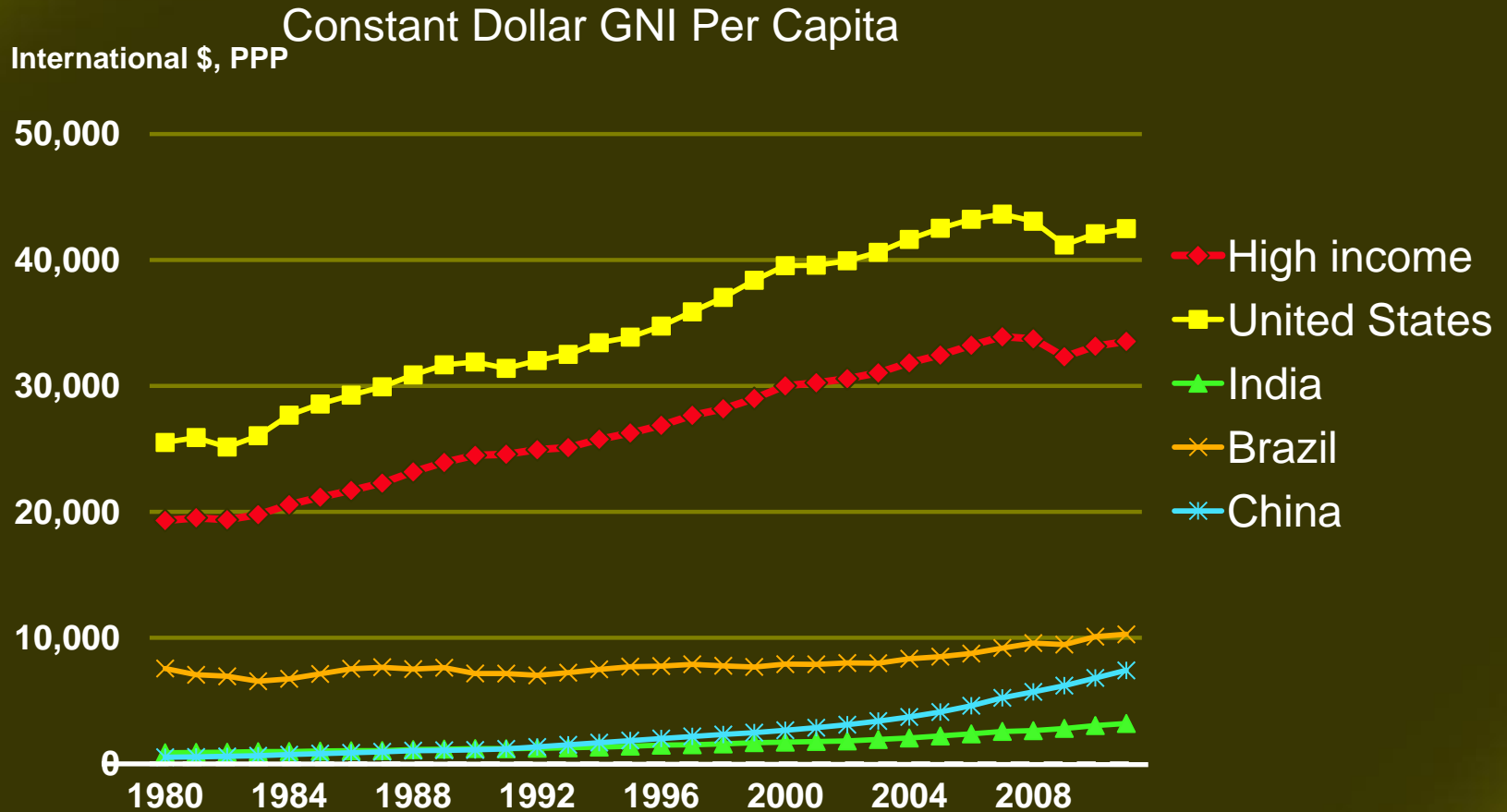


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Income per capita well below high-income countries but rising



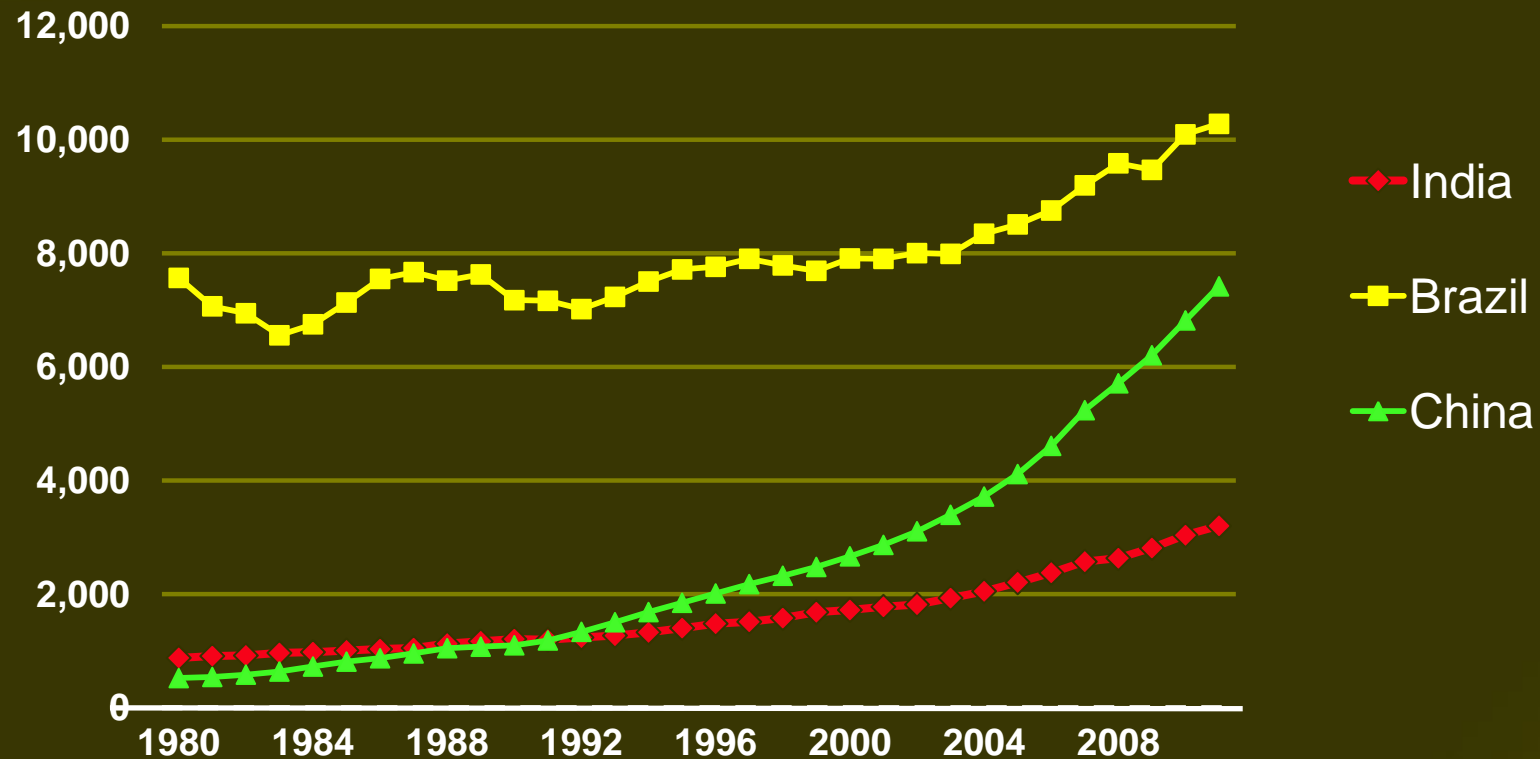
Source: World Bank, Central 1 Credit Union



Income growth generates increased demand for higher end products

Constant Dollar GNI Per Capita

International \$, PPP



Source: World Bank, Central 1 Credit Union



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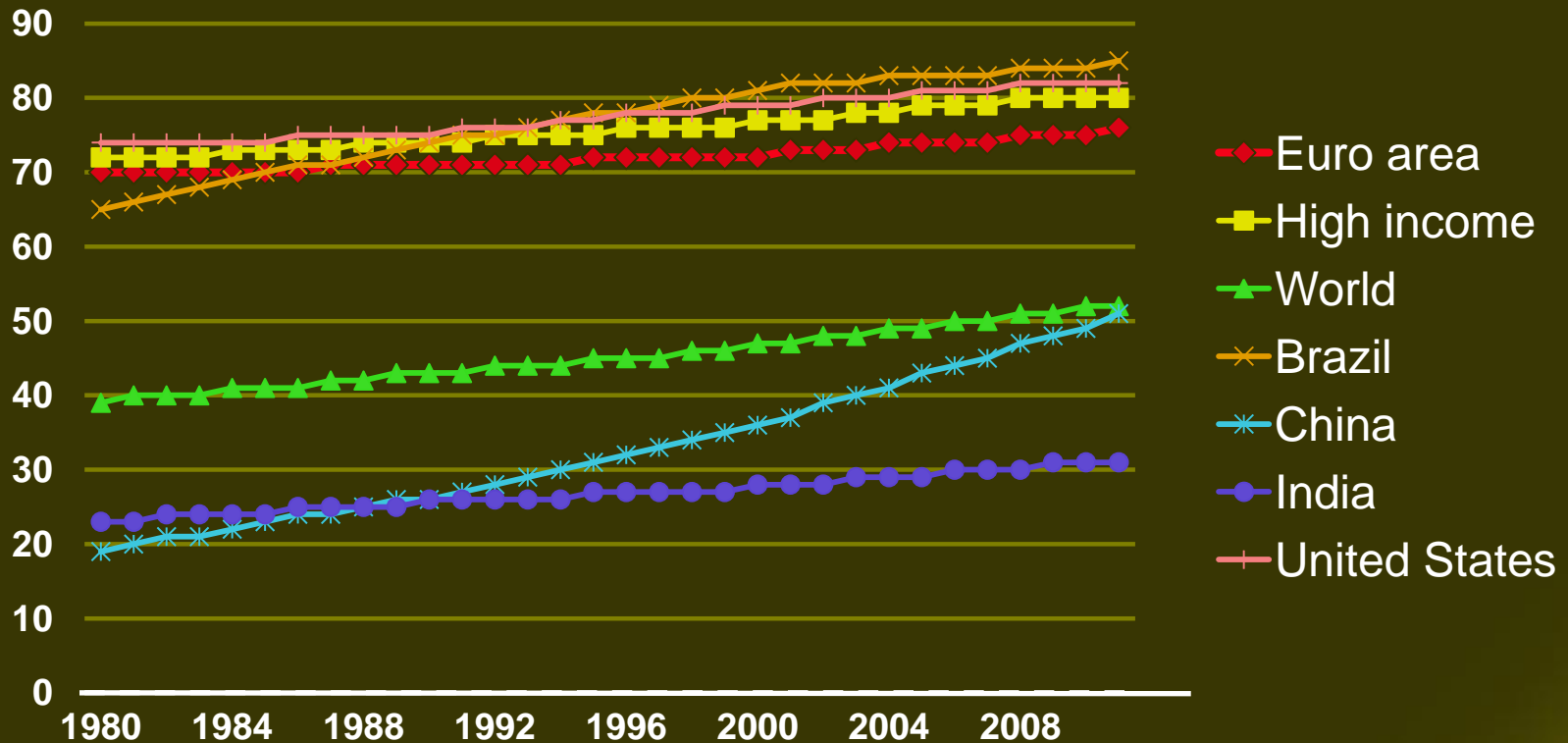


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Urbanization to boost global food demand

Constant Dollar GNI Per Capita

International \$, PPP



Source: World Bank, Central 1 Credit Union



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Global factors:

- Long-term agricultural demand driven by urbanization, income growth and population growth
- Urbanization could reach nearly 70% from current levels.
- Overall food production by 2050 could mean an increase of 70% (2005/07 – 2050)
- Higher standards of living in emerging economies to drive demand for value added agriculture products – i.e. wines, spirits, packed fruits, etc

Source: Global Agriculture towards 2050, Food and Agriculture Organization of the United Nations, 2009



THANK YOU

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