

Understanding Economics Around Us.

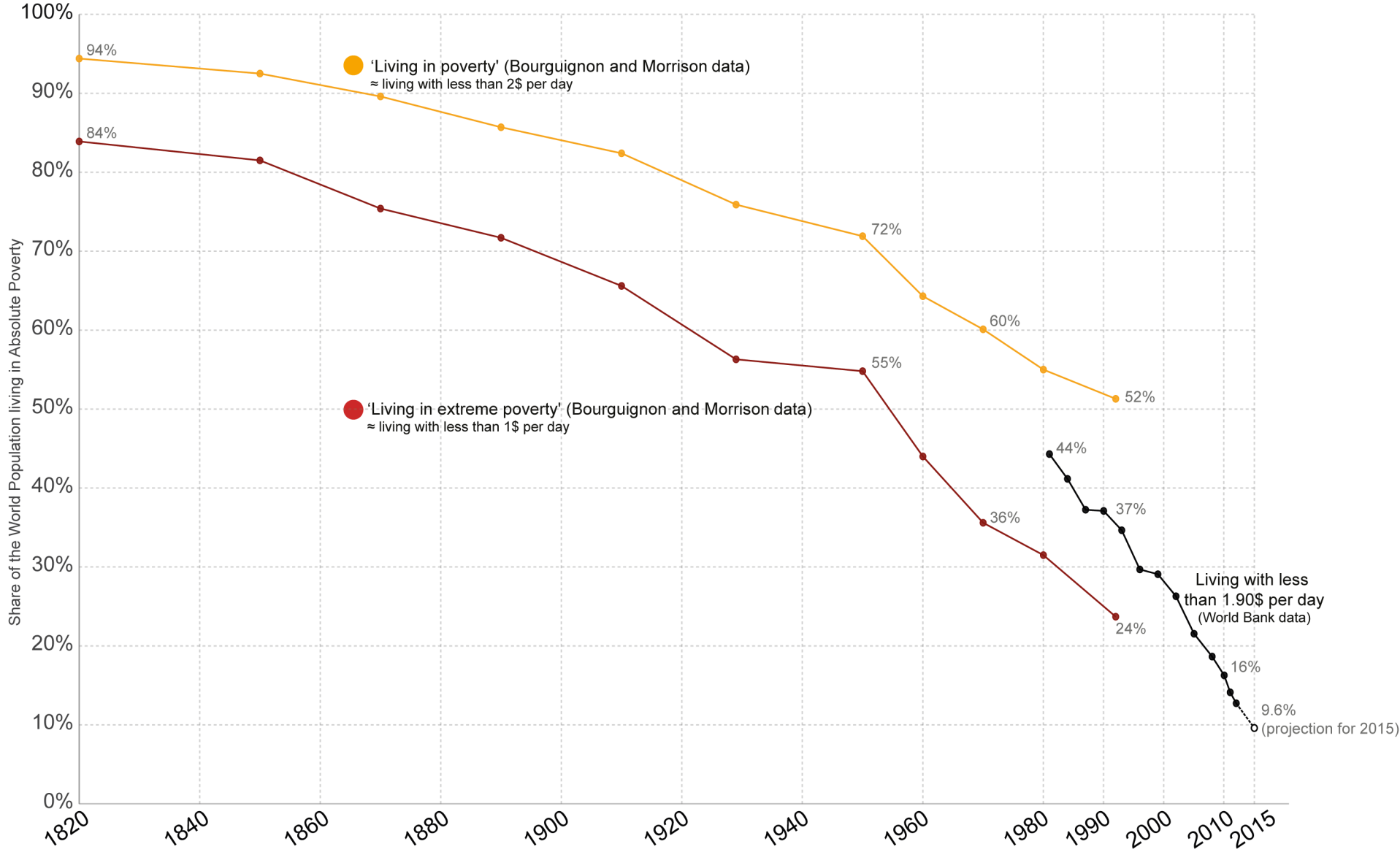
Matthew C. Roberts, PhD |  @YourEconProf



KERNMANTLE
GROUP

Share of the World Population living in Absolute Poverty, 1820-2015

All data are adjusted for inflation over time and for price differences between countries (PPP adjustment).



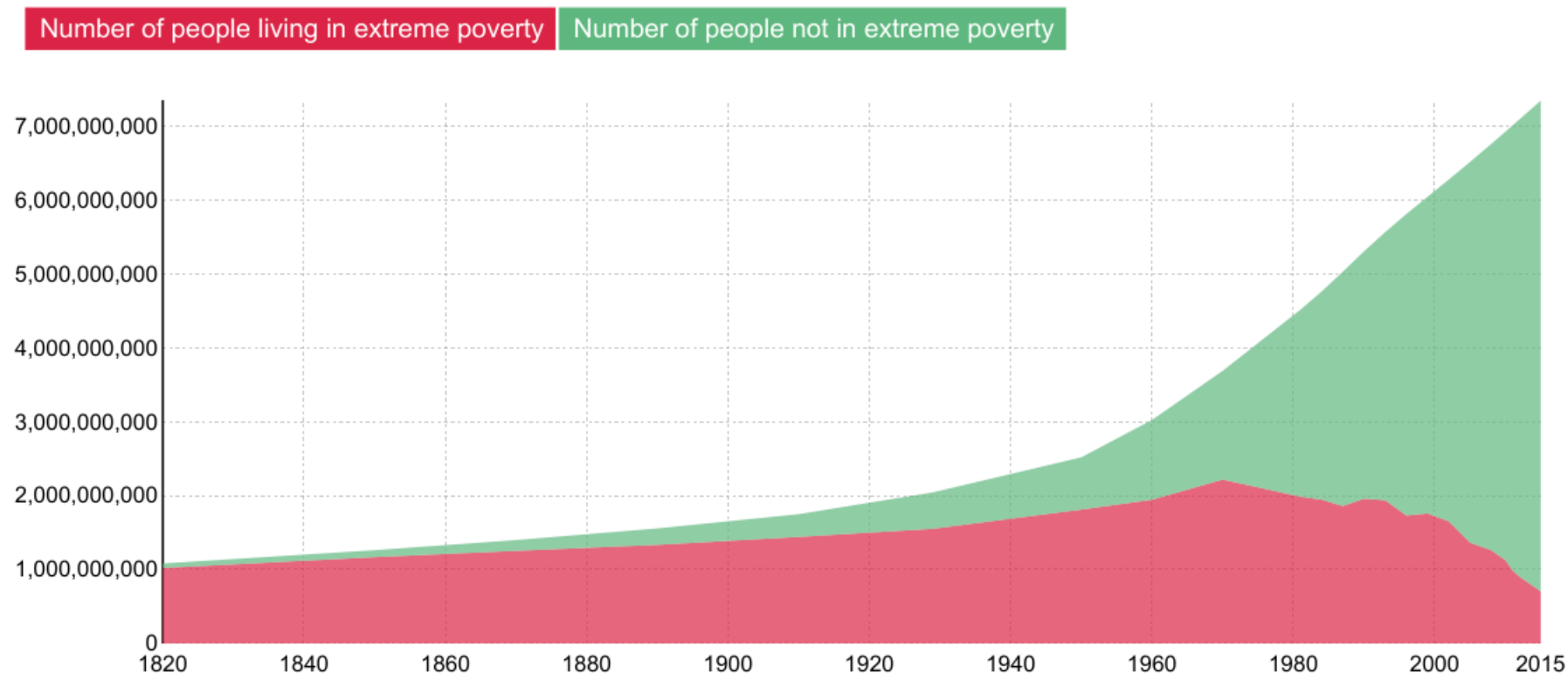
Data sources: 1820-1992 Bourguignon and Morrison (2002) - Inequality among World Citizens, In The American Economic Review; 1981-2015 World Bank (PovcalNet)

The interactive data visualisation is available at OurWorldinData.org. There you find the raw data and more visualisations on this topic.

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World population living in extreme poverty, 1820-2015

Extreme poverty is defined as living at a consumption (or income) level below 1.90 "international \$" per day. International \$ are adjusted for price differences between countries and for price changes over time (inflation).



Data source: [World Poverty in absolute numbers \(Max Roser based on World Bank and Bourguignon and Morrisson \(2002\)\)](#)

OurWorldInData.org/world-poverty/ • CC BY-SA

FUTURE DEVELOPMENT

A global tipping point: Half the world is now middle class or wealthier

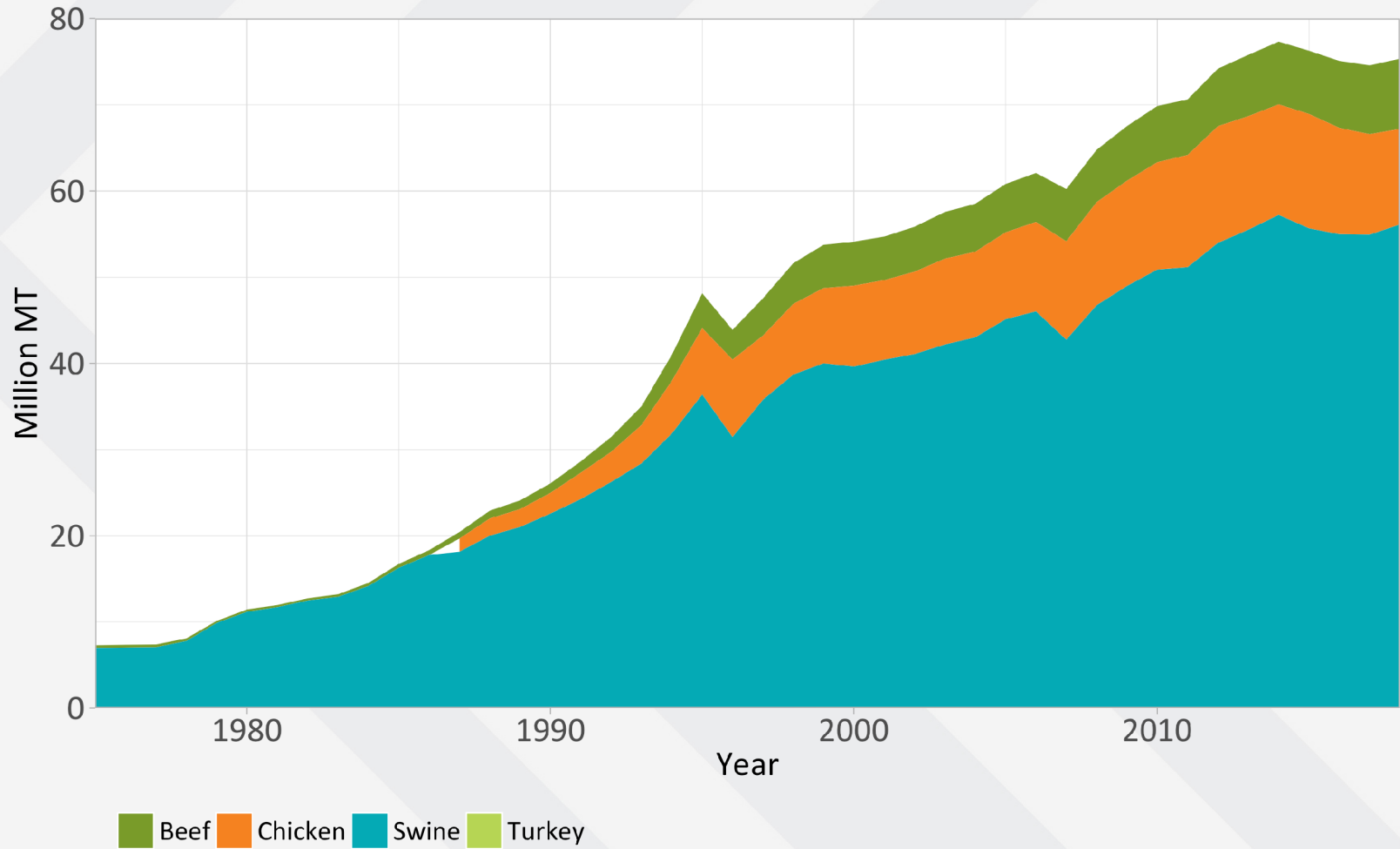
Homi Kharas and Kristofer Hamel · Thursday, September 27, 2018

FUTURE DEVELOPMENT



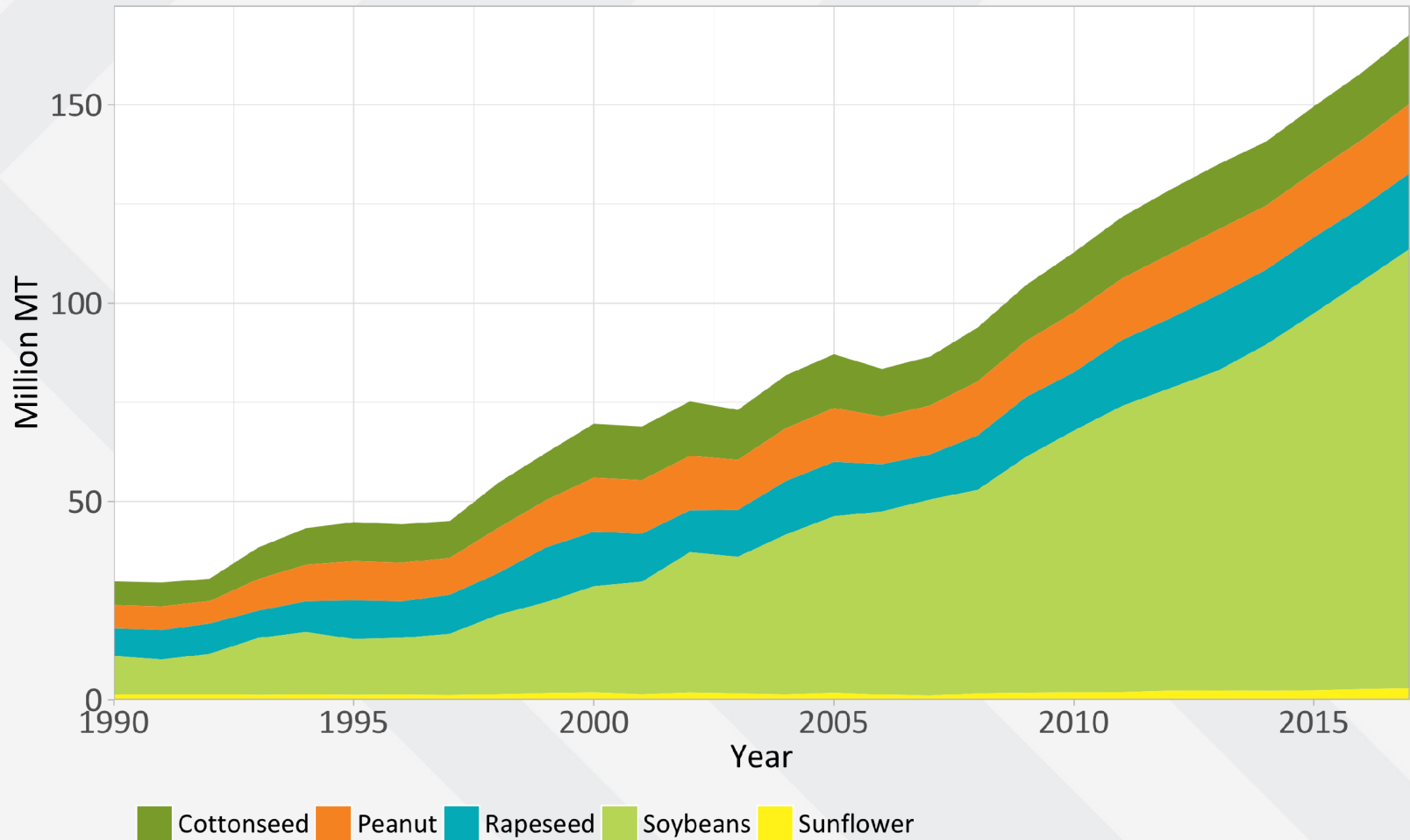
Something of enormous global significance is happening almost without notice. For the first time since agriculture-based civilization began 10,000 years ago, the majority of humankind is no longer poor or vulnerable to falling into poverty. By our calculations, as of this month, just over 50 percent of the world's population, or some 3.8 billion people, live in households with enough discretionary expenditure to be considered “middle class” or “rich.” About the same number of people are living in households that are poor or vulnerable to poverty. So September 2018 marks a global tipping point. After this, for the first time ever, the poor and vulnerable will no longer be a majority in the world. Barring some unfortunate global economic setback, this marks the start of a new era of a middle-class majority.

Chinese Meat Consumption Has Risen with Income Growth:



allmeat-ch-consumption Source:USDA PSD

Tremendous Amounts of Feed Are Needed to Support Production at That Level:



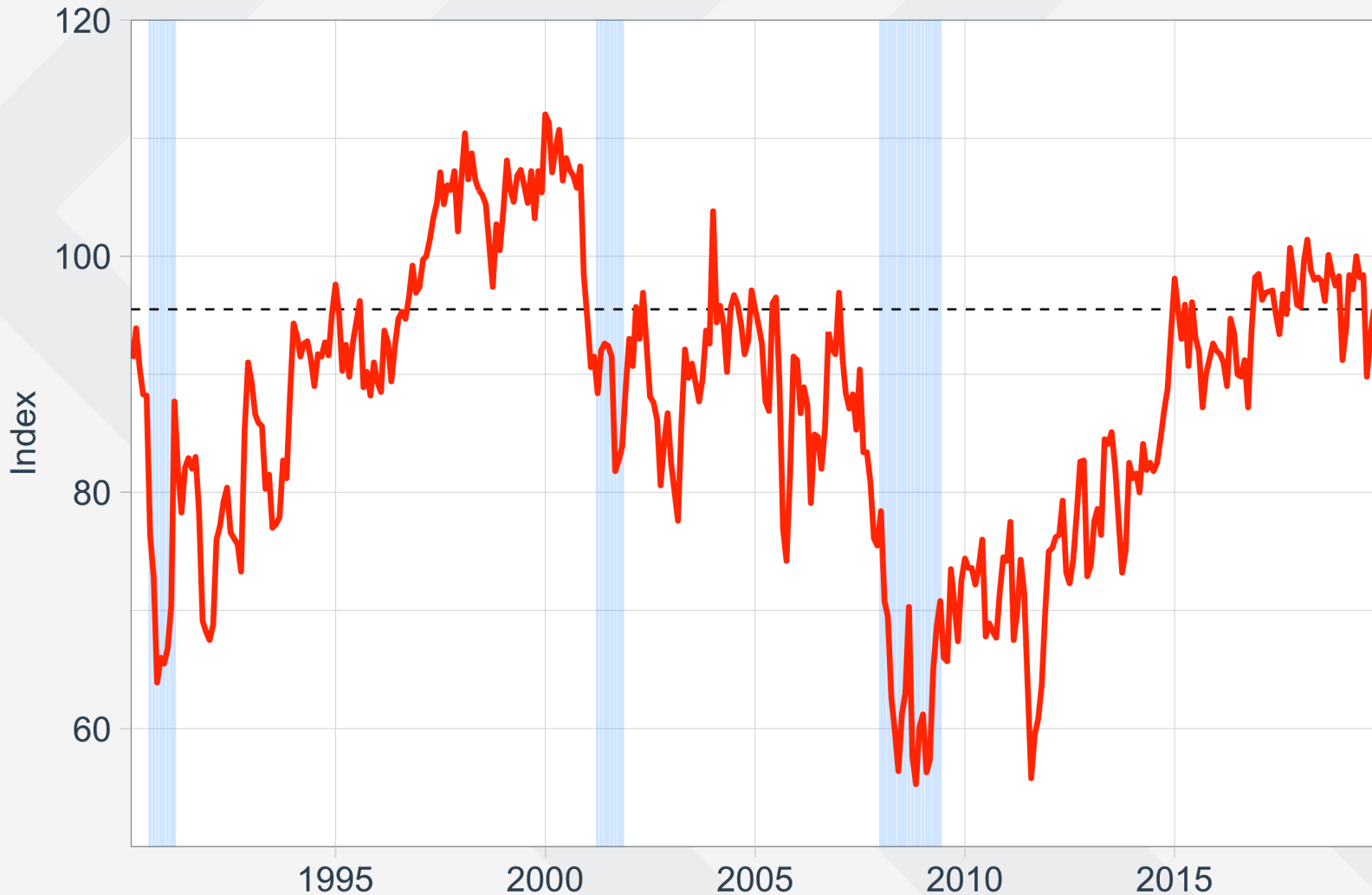
Land is the Ultimate Resource in Agriculture:

- Chinese Soybean Imports in 2015/16 were 3.05bn bushels, or ~65m acres
 - In 2001, only 600m bu, or ~15m acres
- US Ethanol consumption is 5bn bu,
 - net of DGS, about 3.4bn bu., or ~22m acres
 - In 2002, ethanol used 500m bu, or ~2m acres
- ***A total of 70m acres of additional land to meet the #1 and #2 sources of demand.***
- This ignores Chinese meal & feed grain demand, Korea, Mexico, Japan, Brazilian domestic demand, etc.

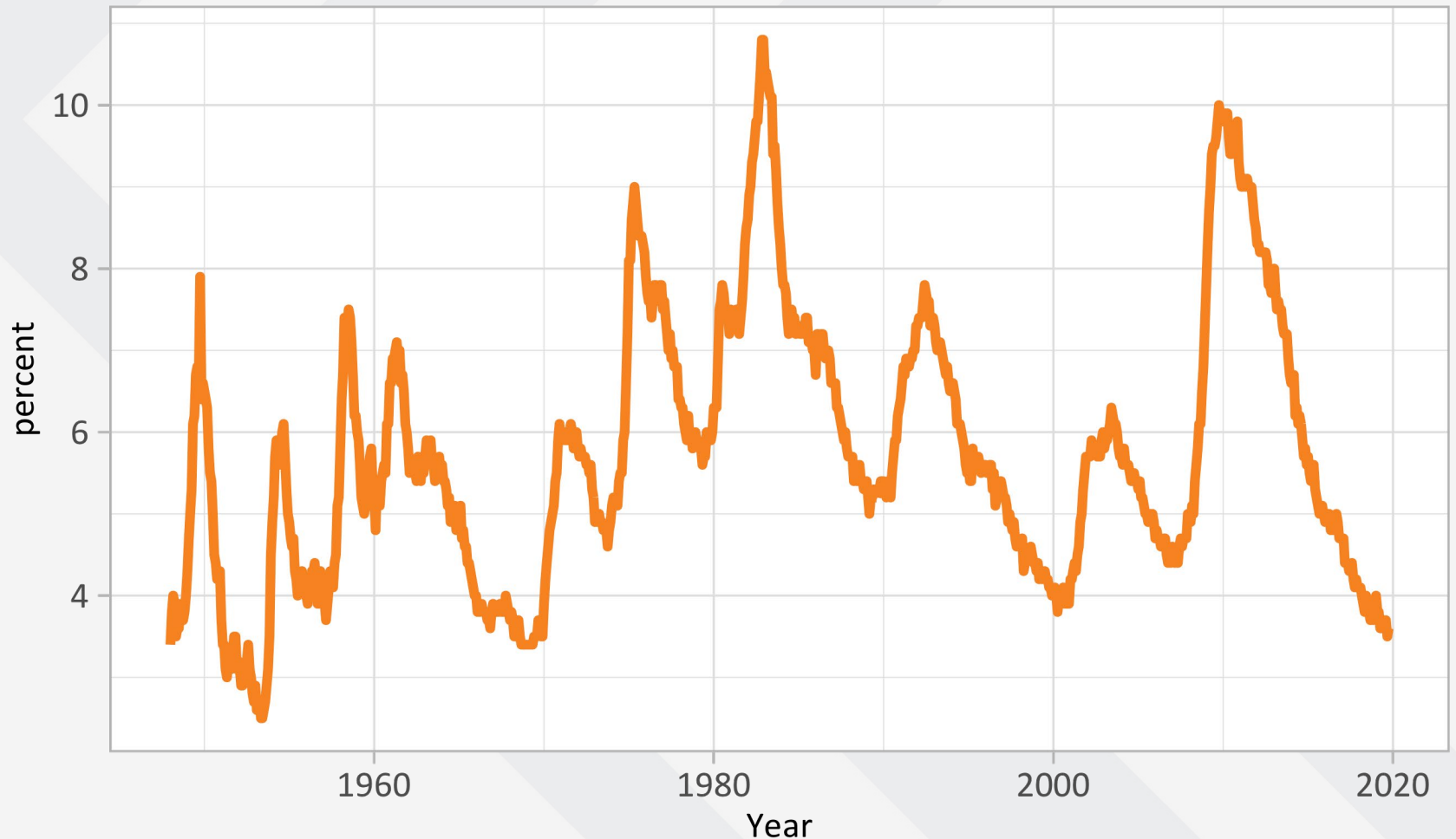
Economic Outlook Right Now

- Growth is slowing...
 - Consumers continue to spend.
 - Businesses investment is declining.
 - Government is SPENDING.
- Yield Curve is continually flirting with inversion
- Wage growth remains modest
- Interest rates continue downwards.
- RoW is shaky

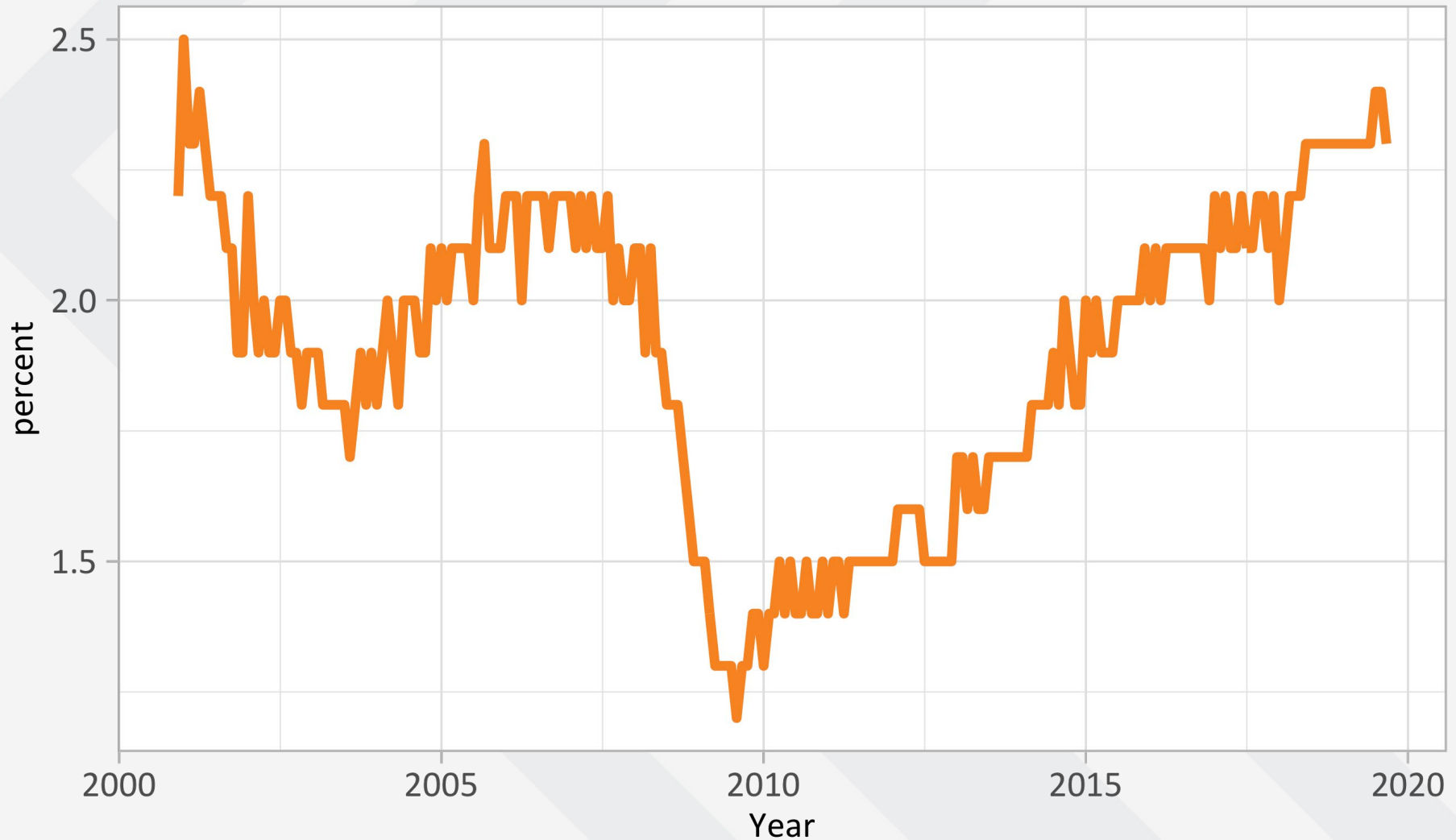
Consumer Sentiment is Strong



Unemployment remains at 50yr lows.



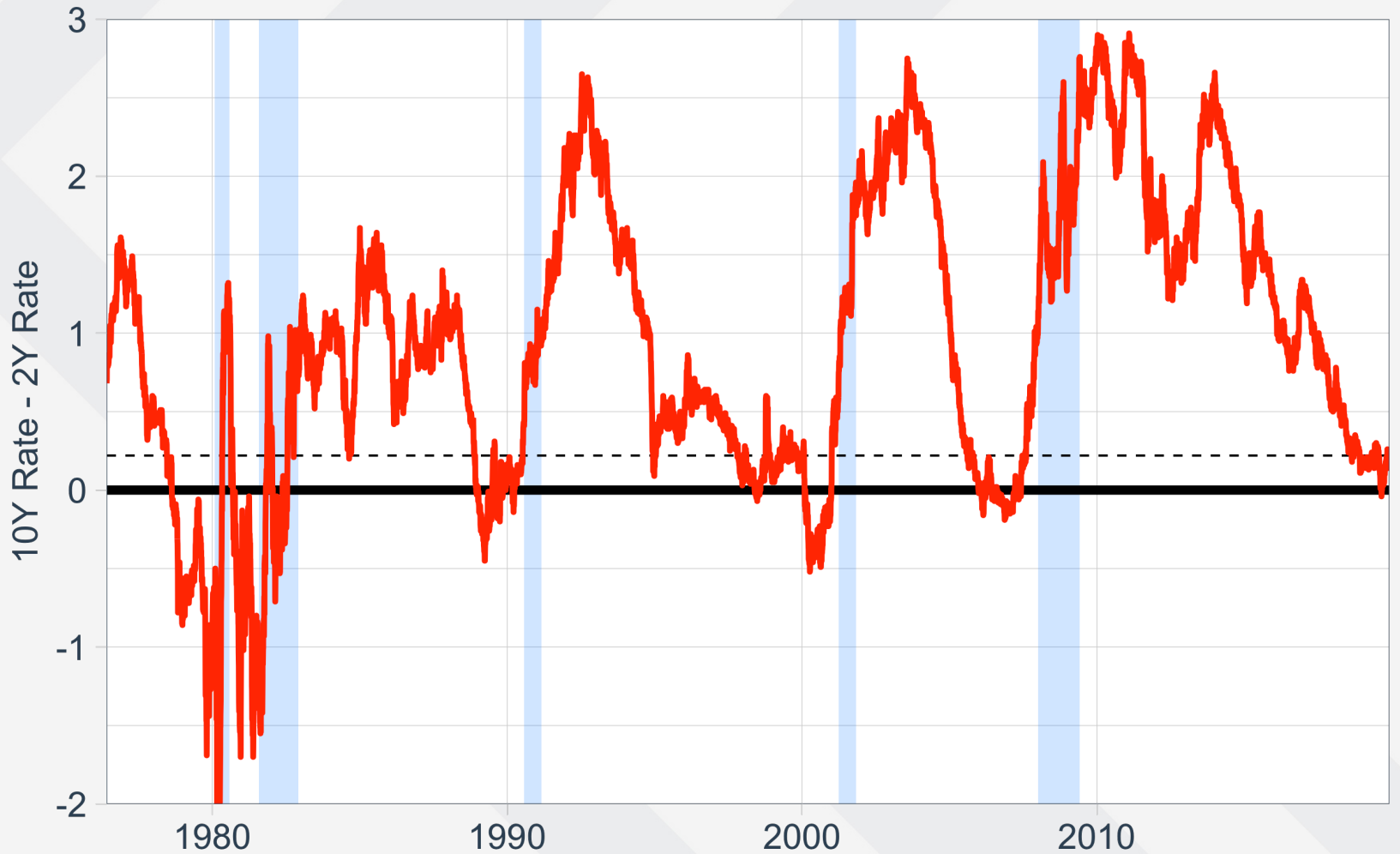
Quits Rate Remains above 2.25%



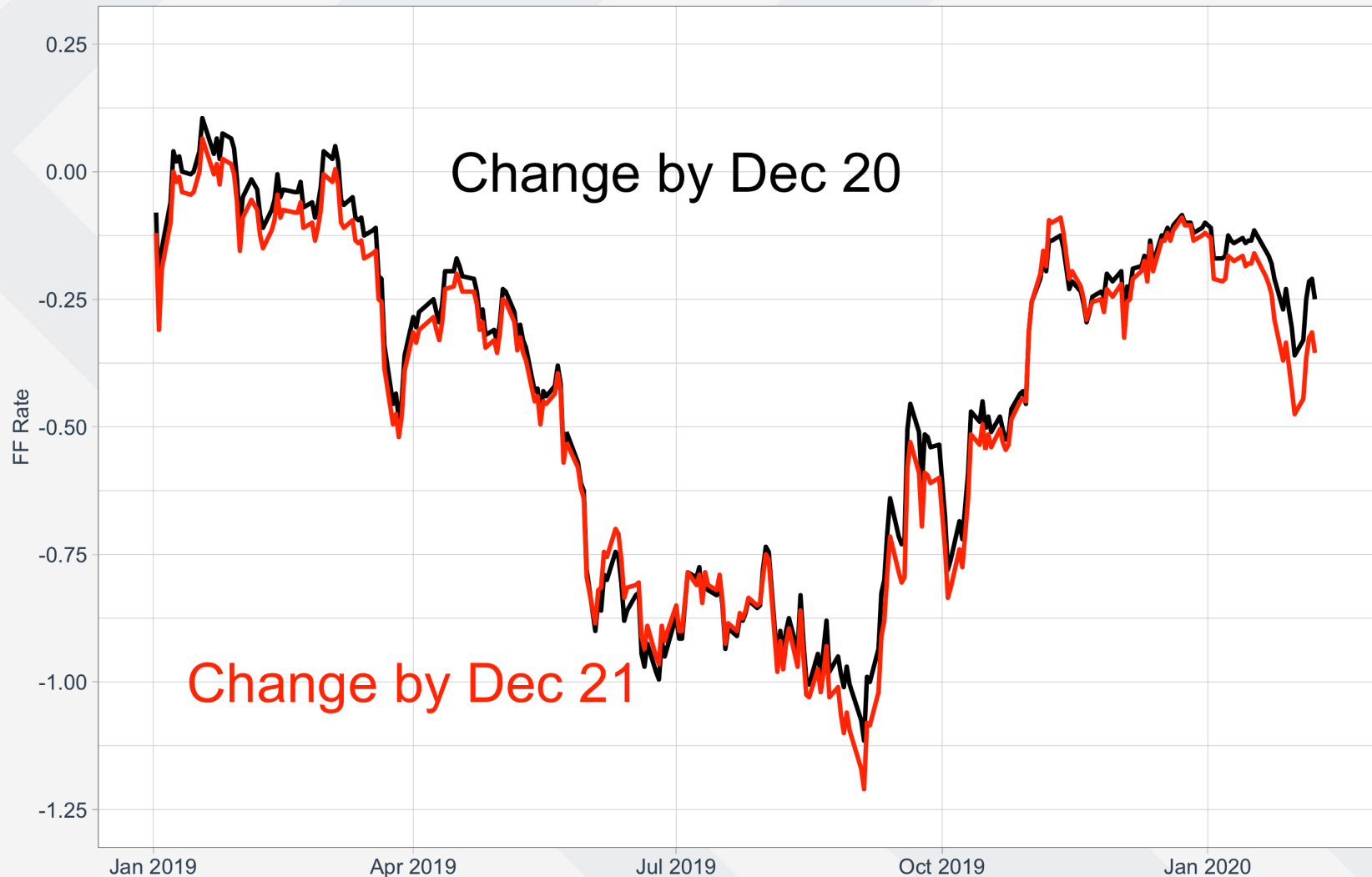
Treasury Continues to Flirt w/ all-time lows.




Yield Curve Has (v. Briefly) Inverted




Market is pricing .25% in '20, maybe a bit more in '21





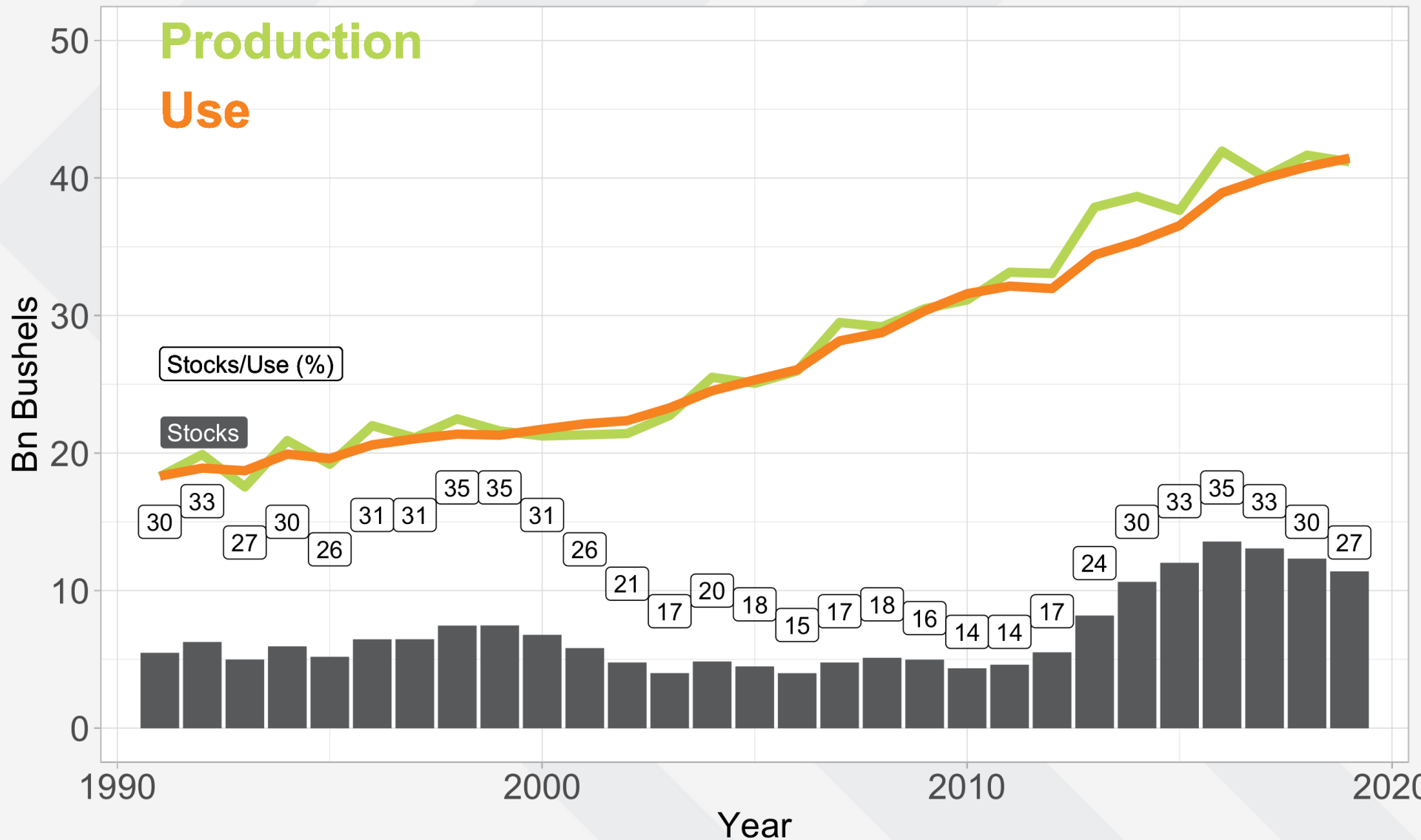
RECESSION
IS
COMING

A misty, blue-toned landscape featuring a dense forest of evergreen trees covering a mountain. A body of water in the foreground reflects the scene, with a small boat visible on the right. The sky is overcast with soft, diffused light. The text is overlaid in a white, serif font.

RECESSION IS COMING

WE JUST DON'T KNOW WHEN

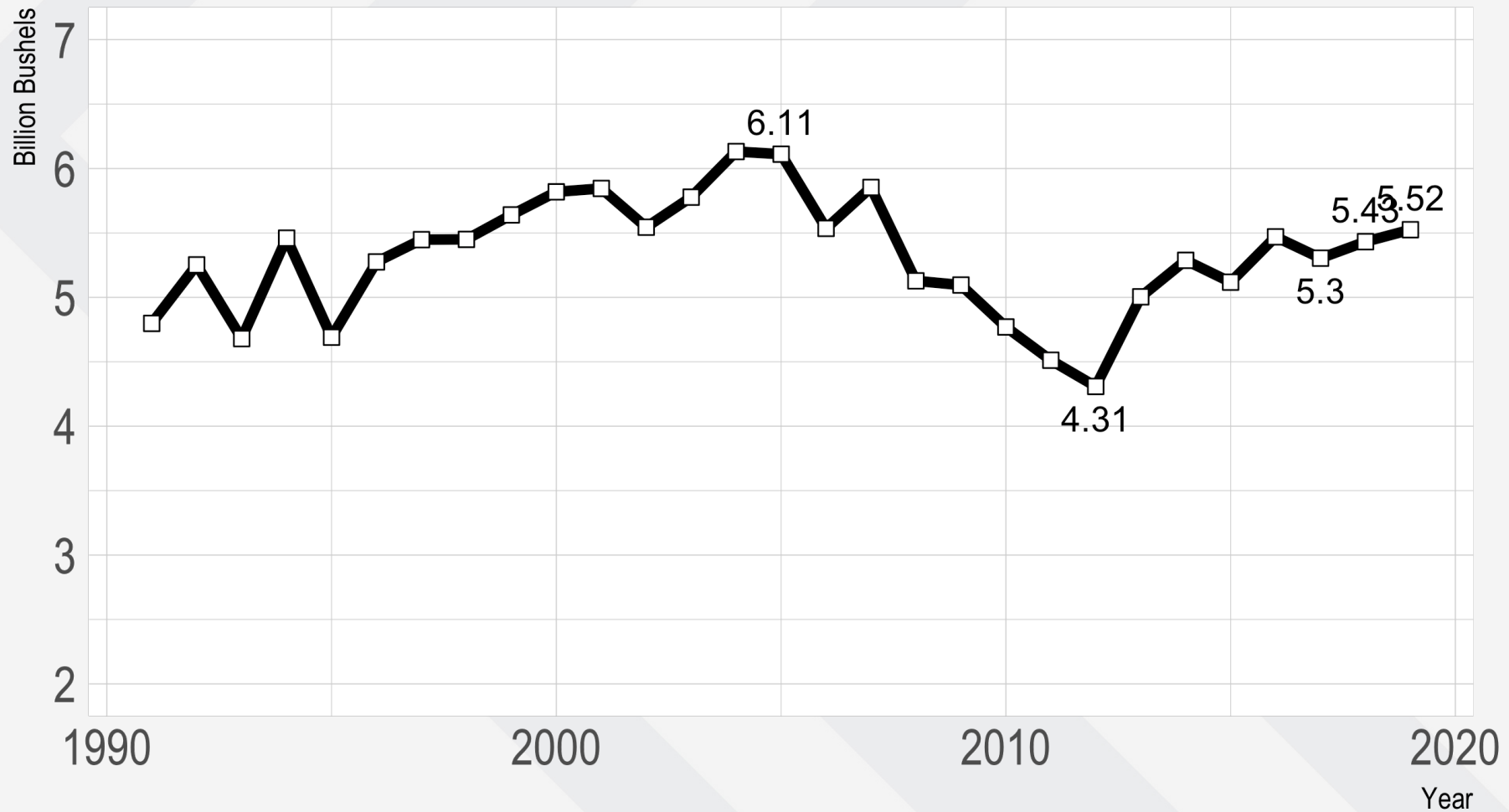
Global Corn Stocks Decline for 3rd Year in a Row



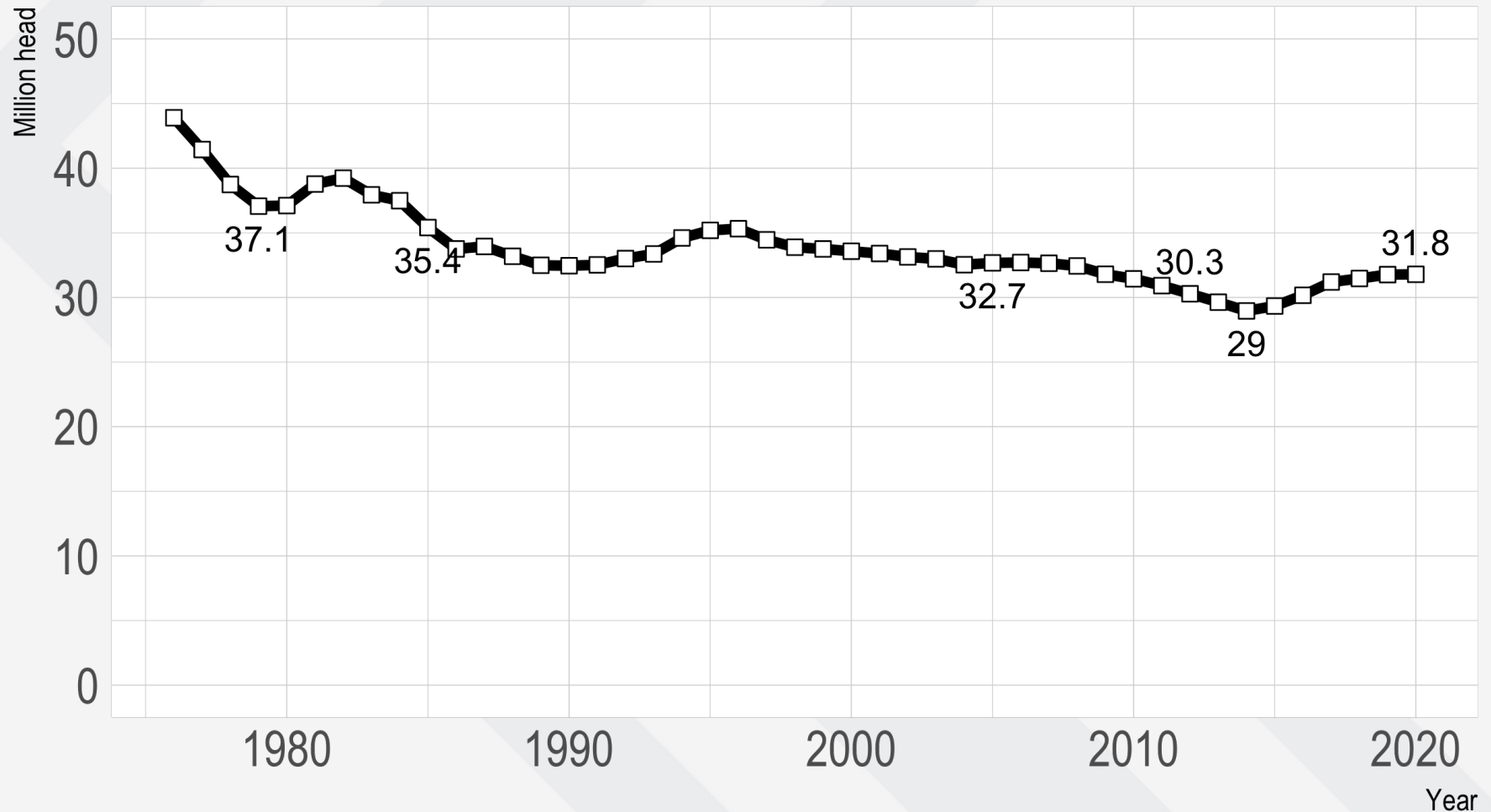
The Three-Legged Stool of Corn Demand...

- Feed Use:
 - Has been growing based on strong animal number growth.
 - But profits in all species are now weak.
 - Cattle herd not shrinking, but not much growth.
- Ethanol
 - Continue to see some growth, but slow.
- Exports
 - Less wheat competition around the world.

US Feed Use of Corn Projected to Decline on Prices & Availability

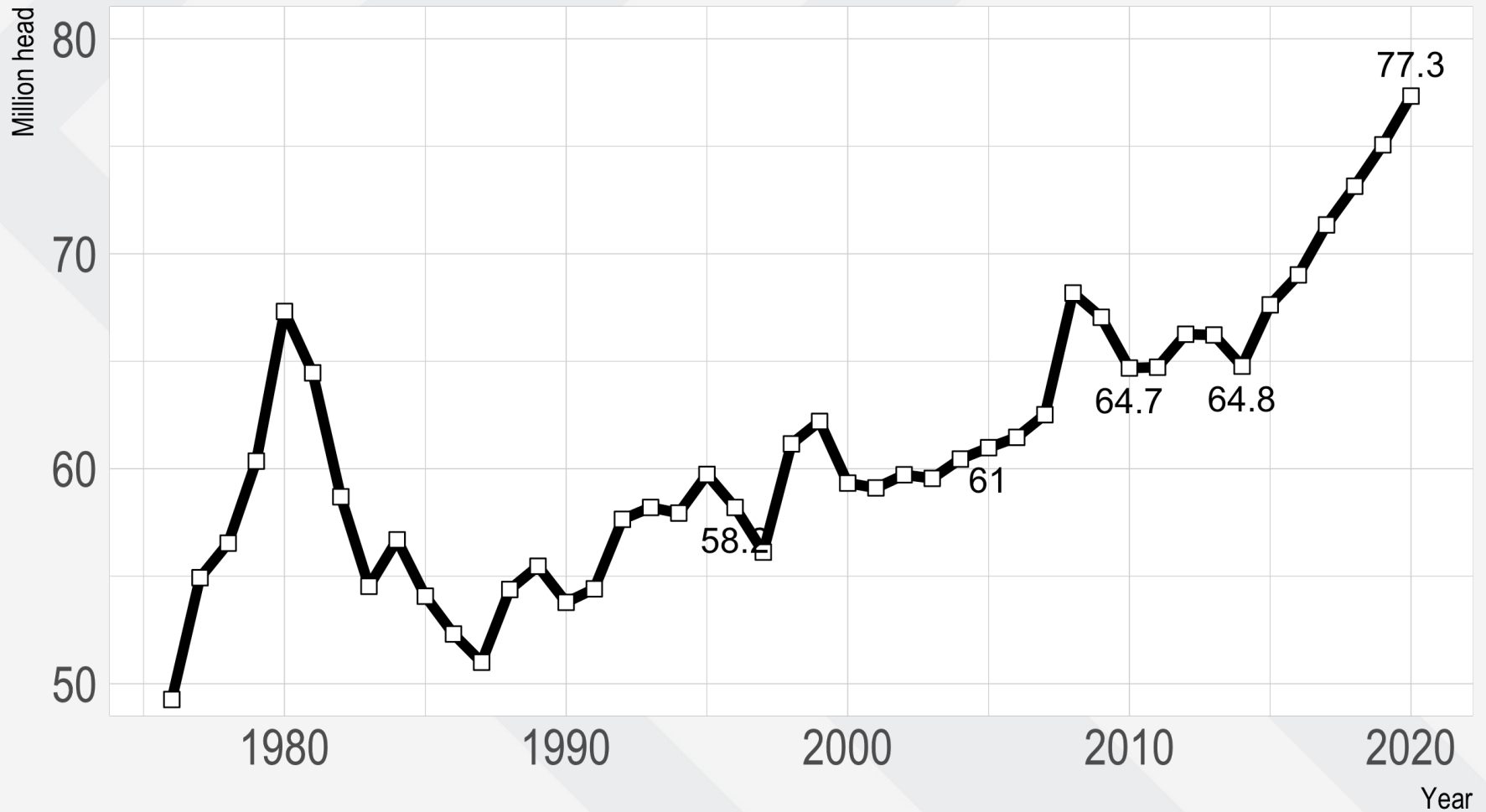


Beef Cattle Herd Continues Growth...Will '20 be the slowdown?

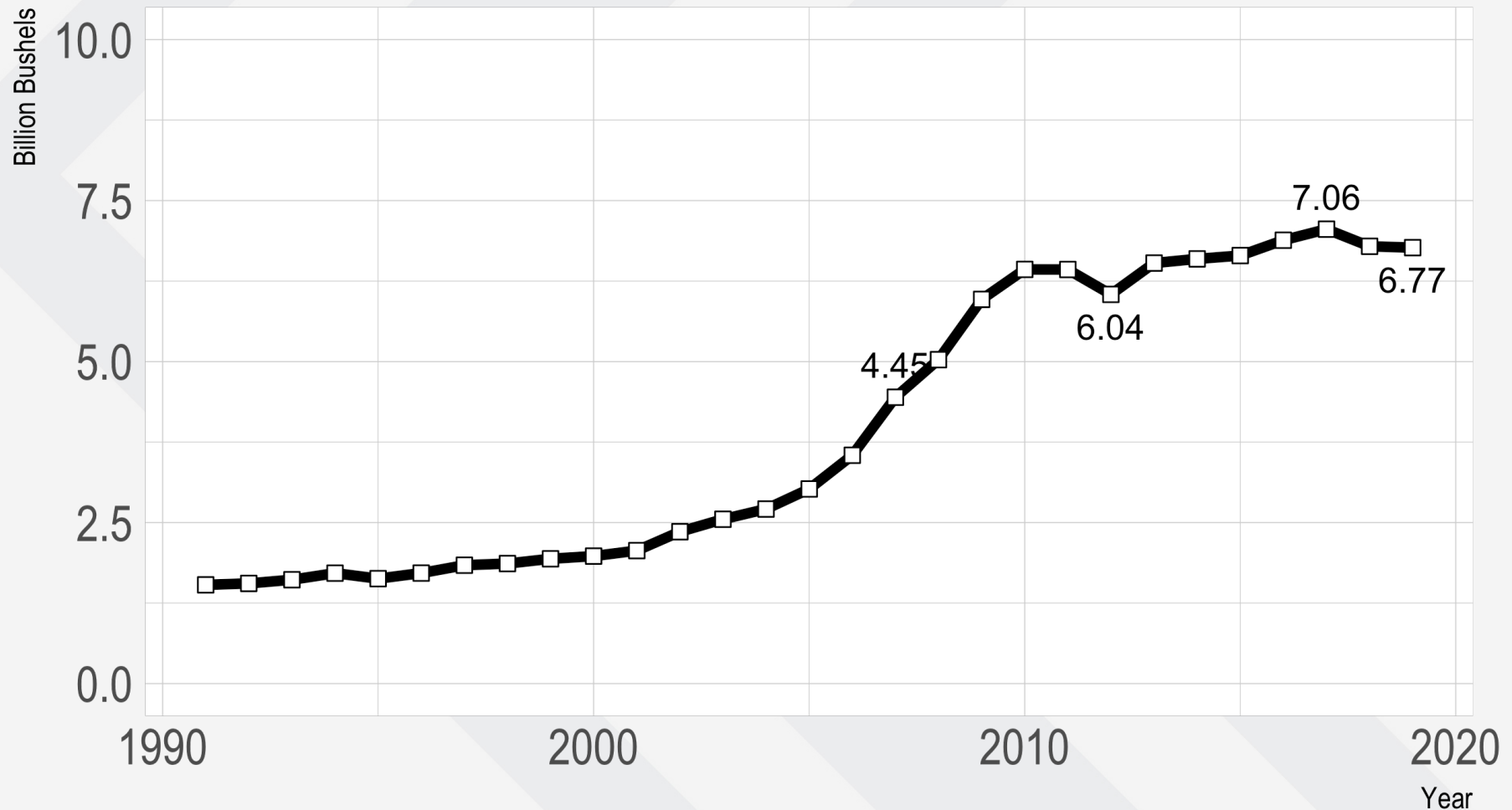


cattle-us-beginning-beef-stocks , Source: USDA PSD 20 Jan 2020

Swine Numbers Continue to Climb; 2H19 will be slower...but...ASF?



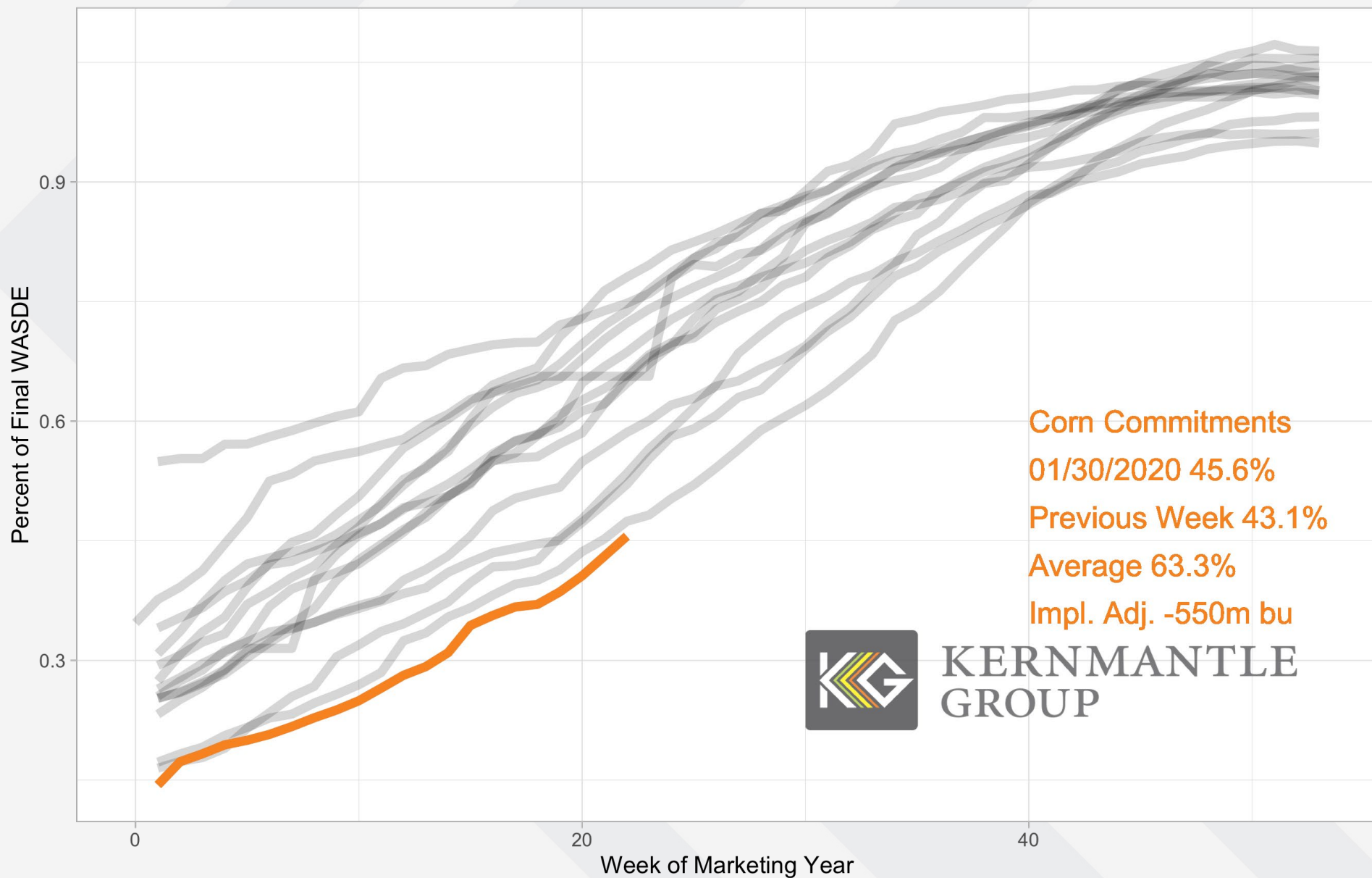
Food Seed & Industrial is Flat on weak Ethanol Exports & Stagnant Domestic Demand



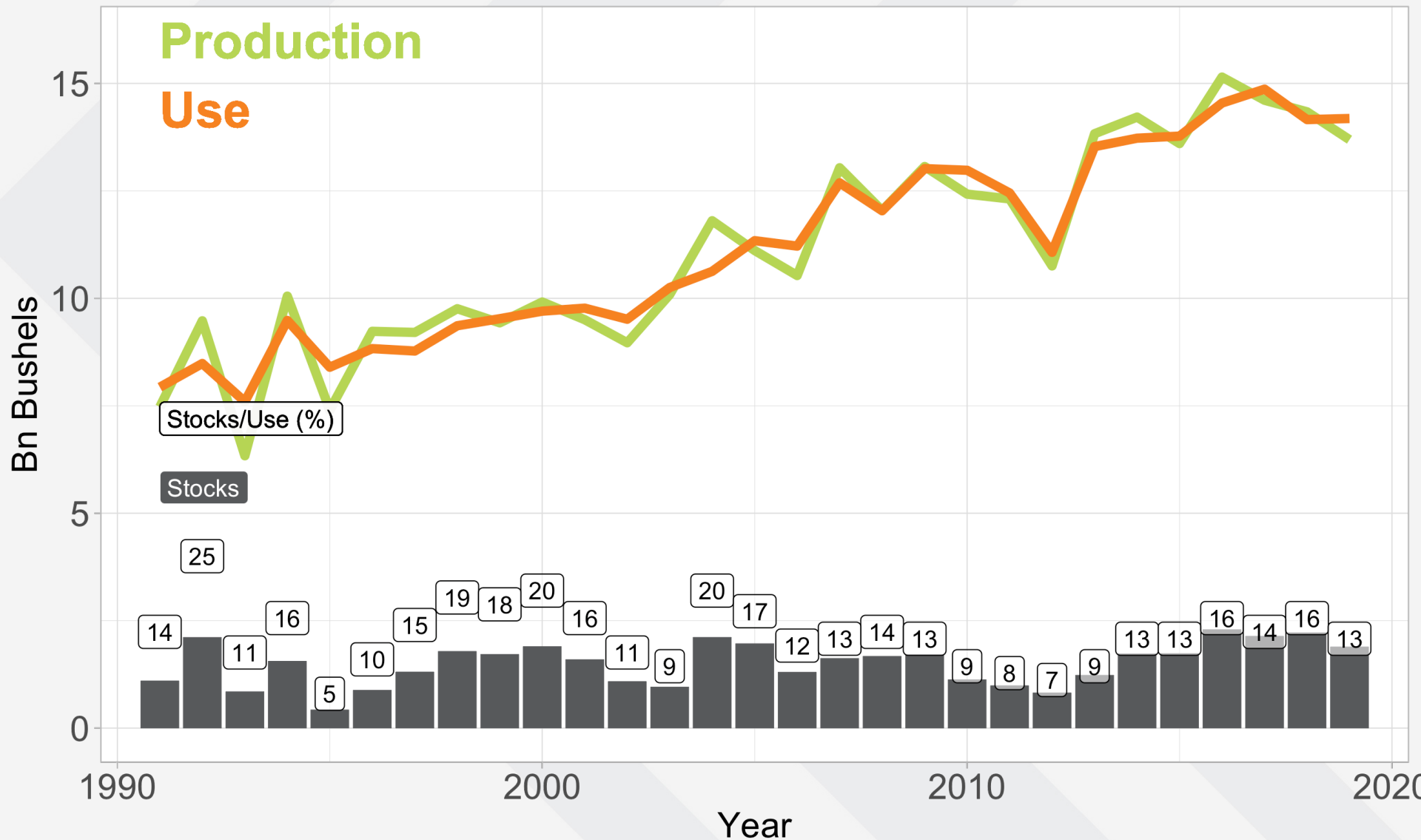
US Corn Exports Projected to Rebound?



Corn Exports Slow So Far.



US Corn Stocks Continue to Decline



Corn Prices Have Fallen 50c Since mid June...

CORN MAR 2020 .. daily OHLC plot

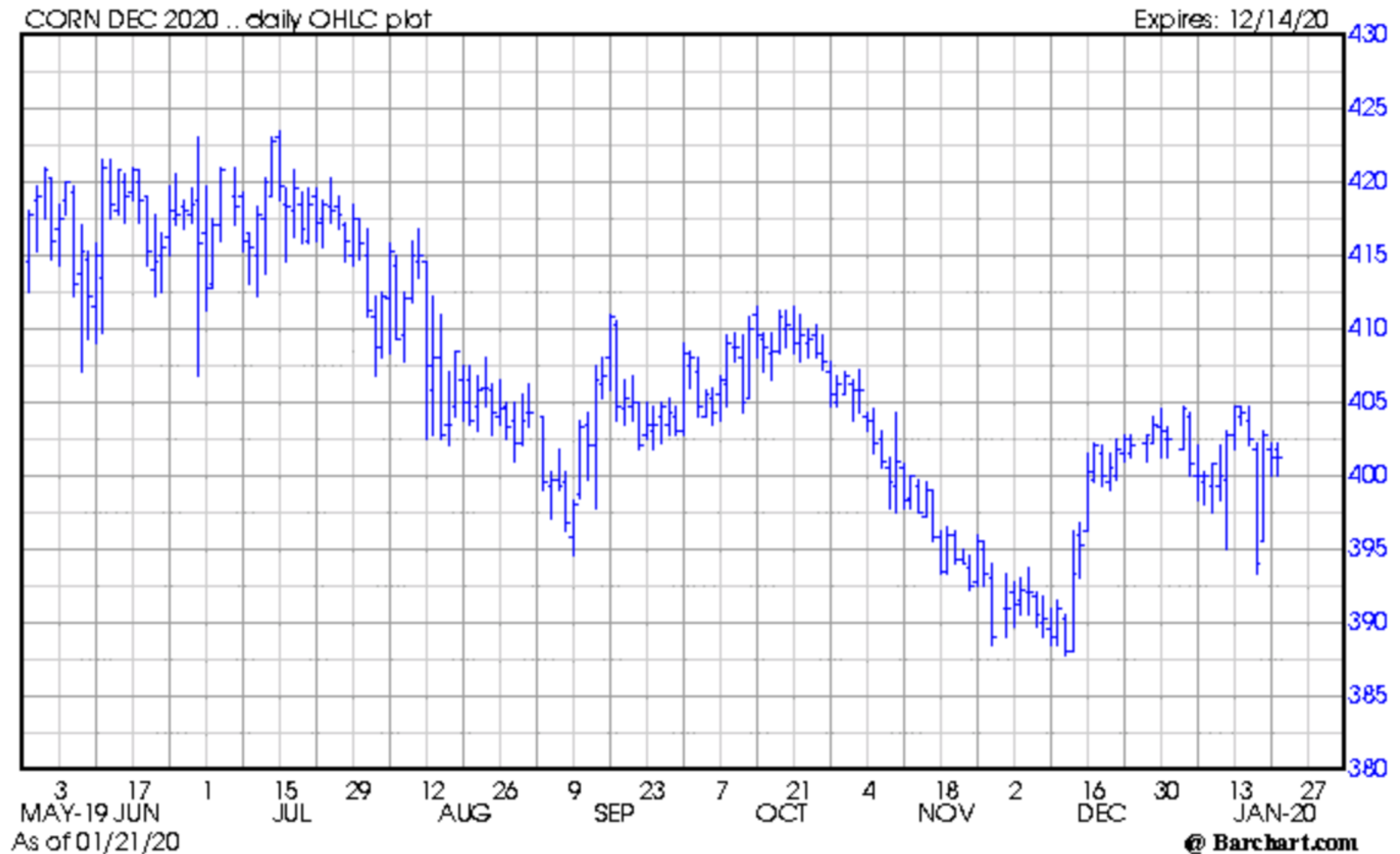
Expires: 03/13/20



As of 01/21/20

@ Barchart.com

New Crop Corn:



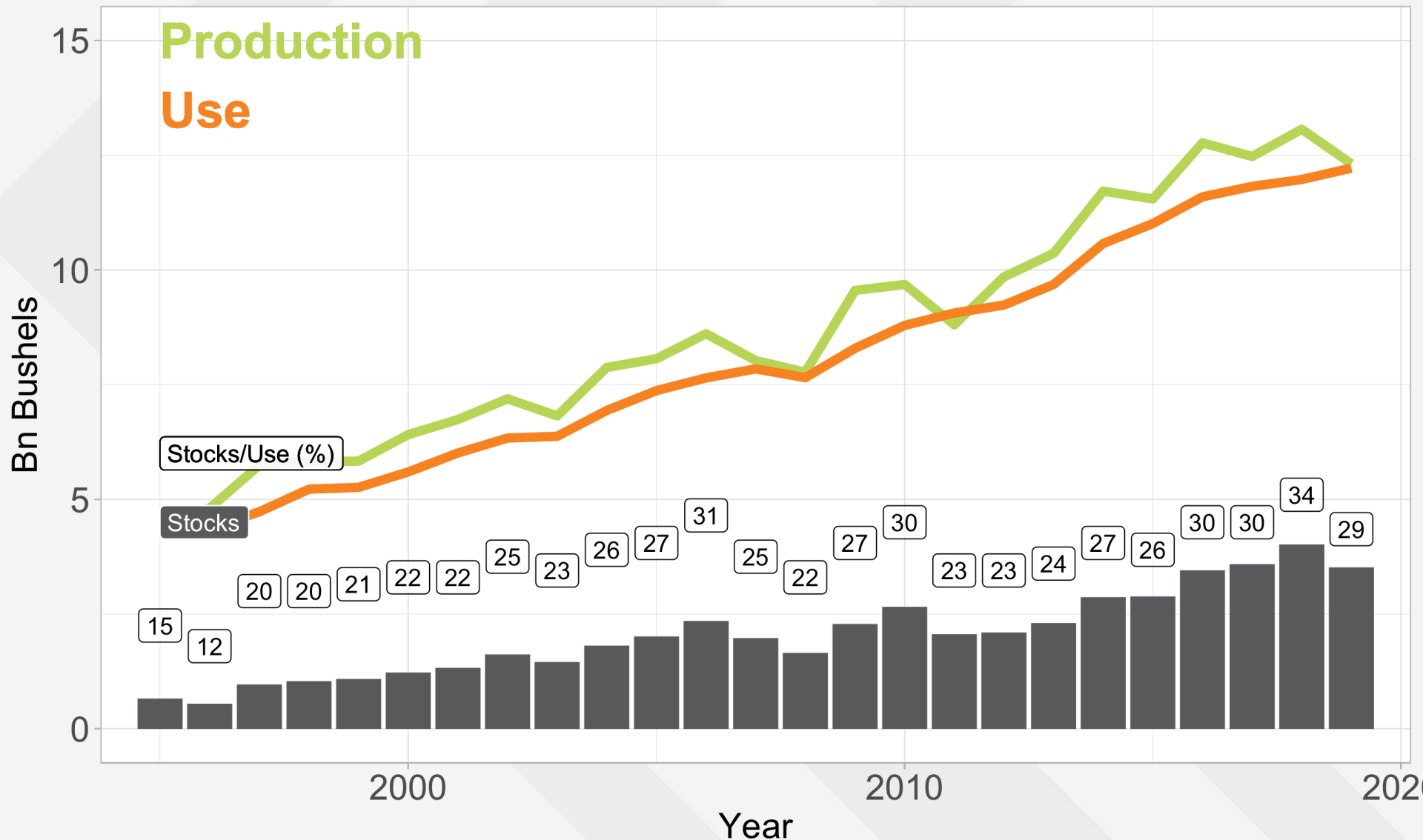
Corn Market Thoughts...

- Old & new crop prices remain supported
- Some support from tightening wheat market in US & abroad.
- What will push corn prices?
 - Safrihna failure in BR?
 - Problems in AR?
 - Planting in the US?
- What will pull acres?
 - Corn vs. Soy—how does the market perceive Phase I?

Corn Marketing...

- '19 bushels:
 - How many do you have?
 - In short years, profits come more from basis appreciation than carries.
 - Carries are 3c/month
 - Rallies will be short-lived.
- `20 bushels
 - Market will watch Phase I results
 - Prices could be volatile, but the market isn't that tight

World Soy Consumption Continues to Climb



Chinese Soy Imports Resume Growth in 19.



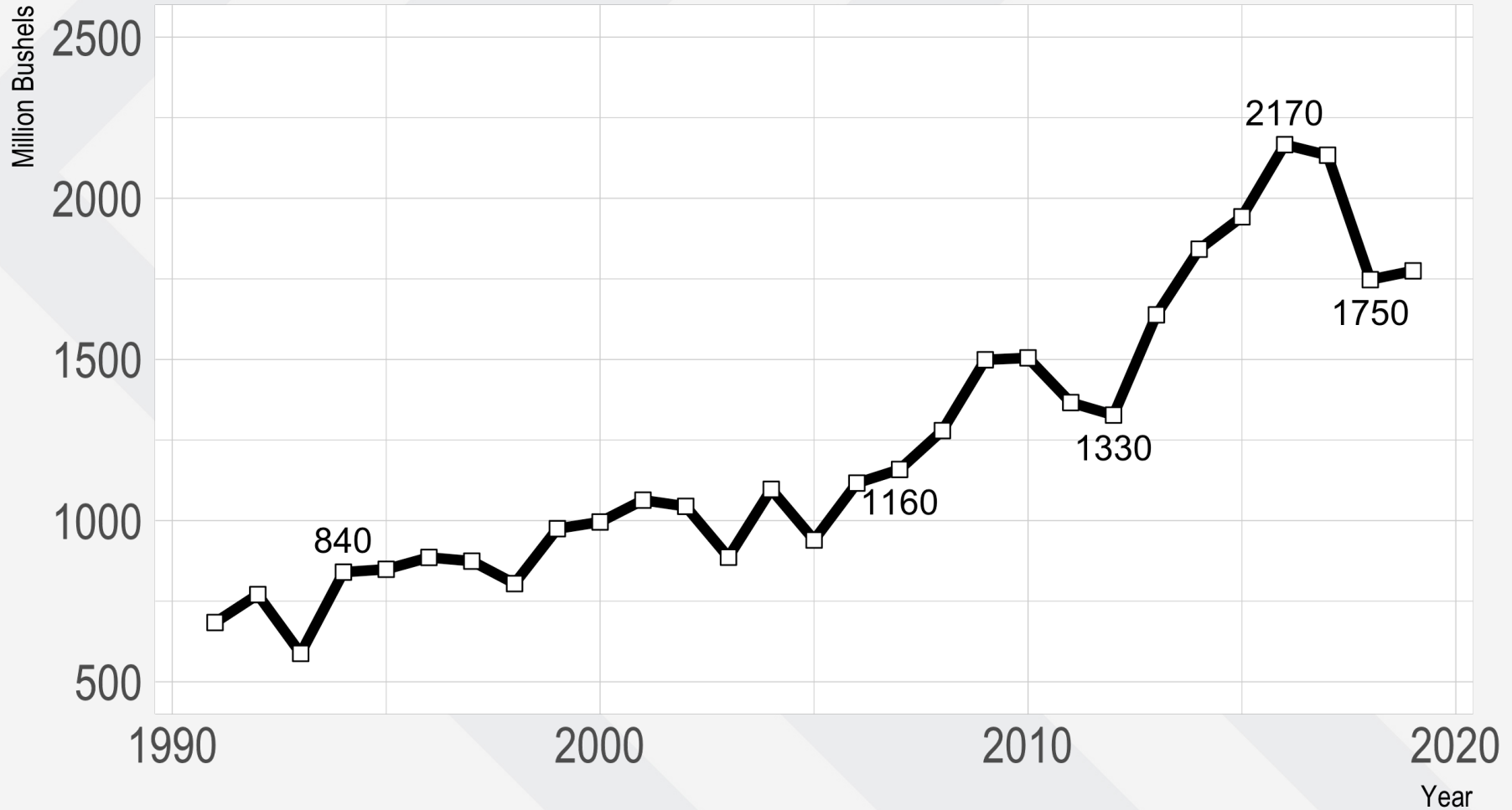
soybean-ch-imports, Source: USDA PSD Mon Jan 13 21:53:16 2020

US Soy Crush Continues to Climb



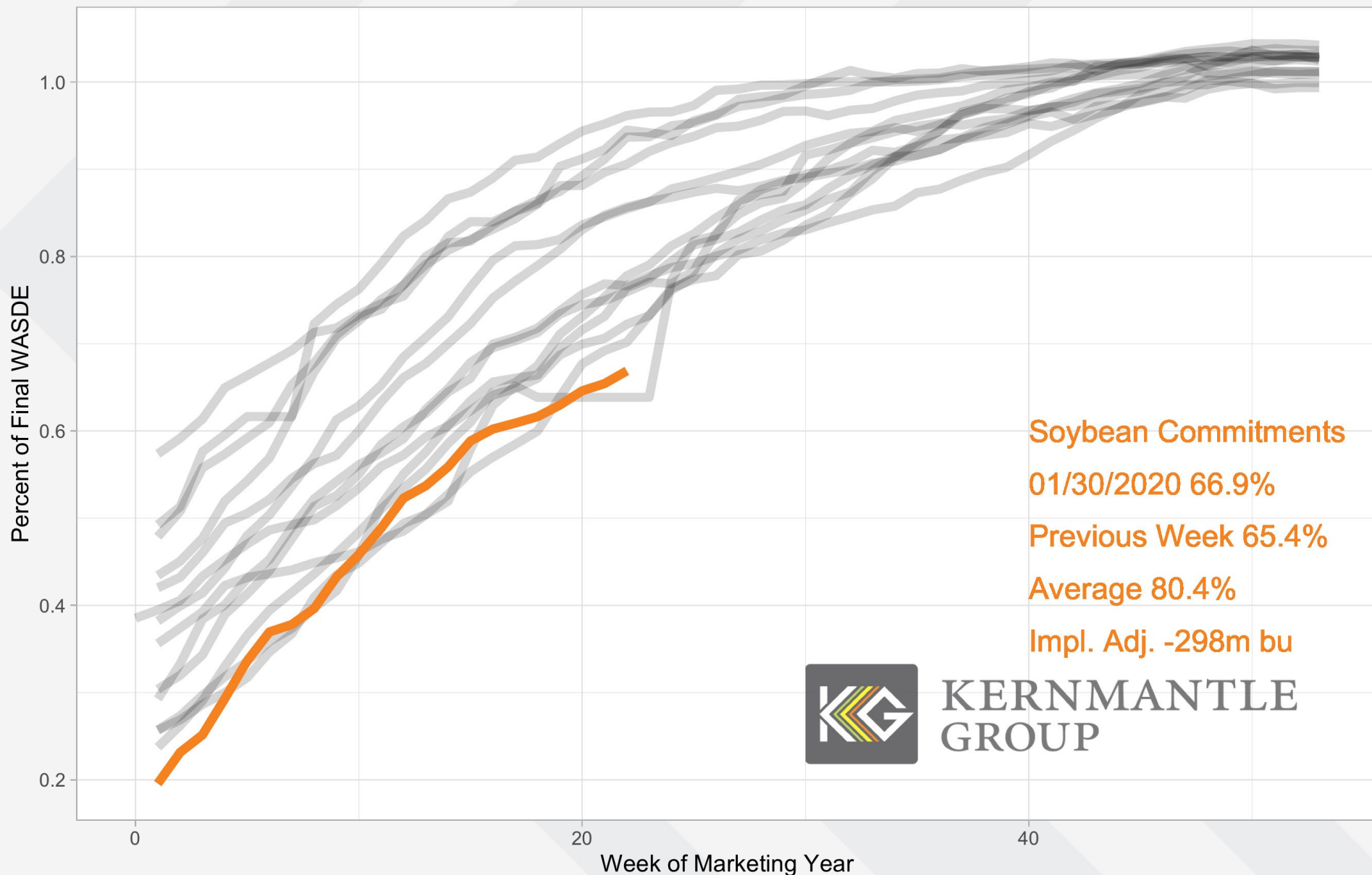
soybean-us-crush, Source: USDA PSD Mon Jan 13 21:53:07 2020

US Soybean Exports Projected to Rebound

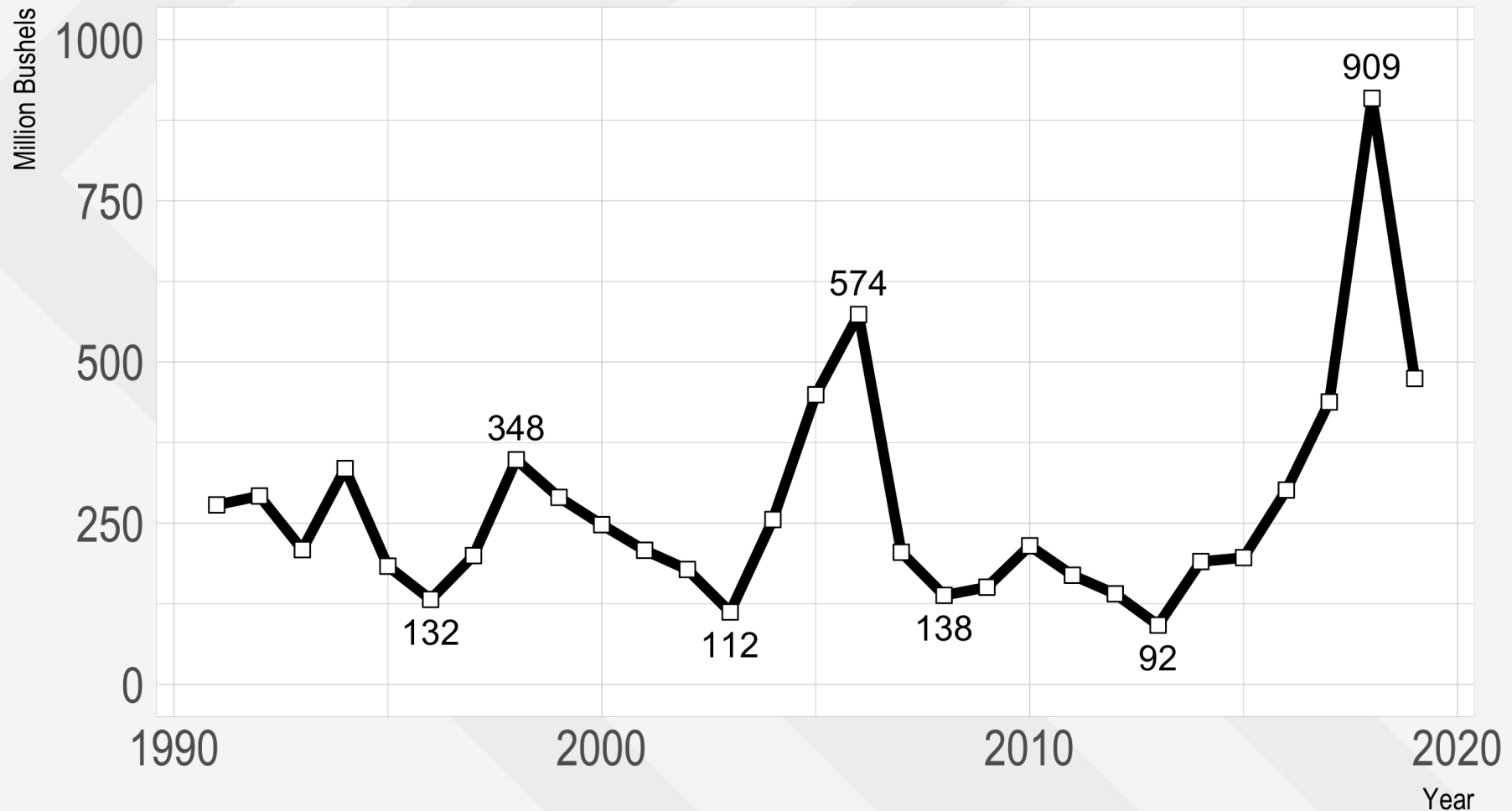


soybean-us-exports, Source: USDA PSD Mon Jan 13 21:53:06 2020

Soybean Exports Weak

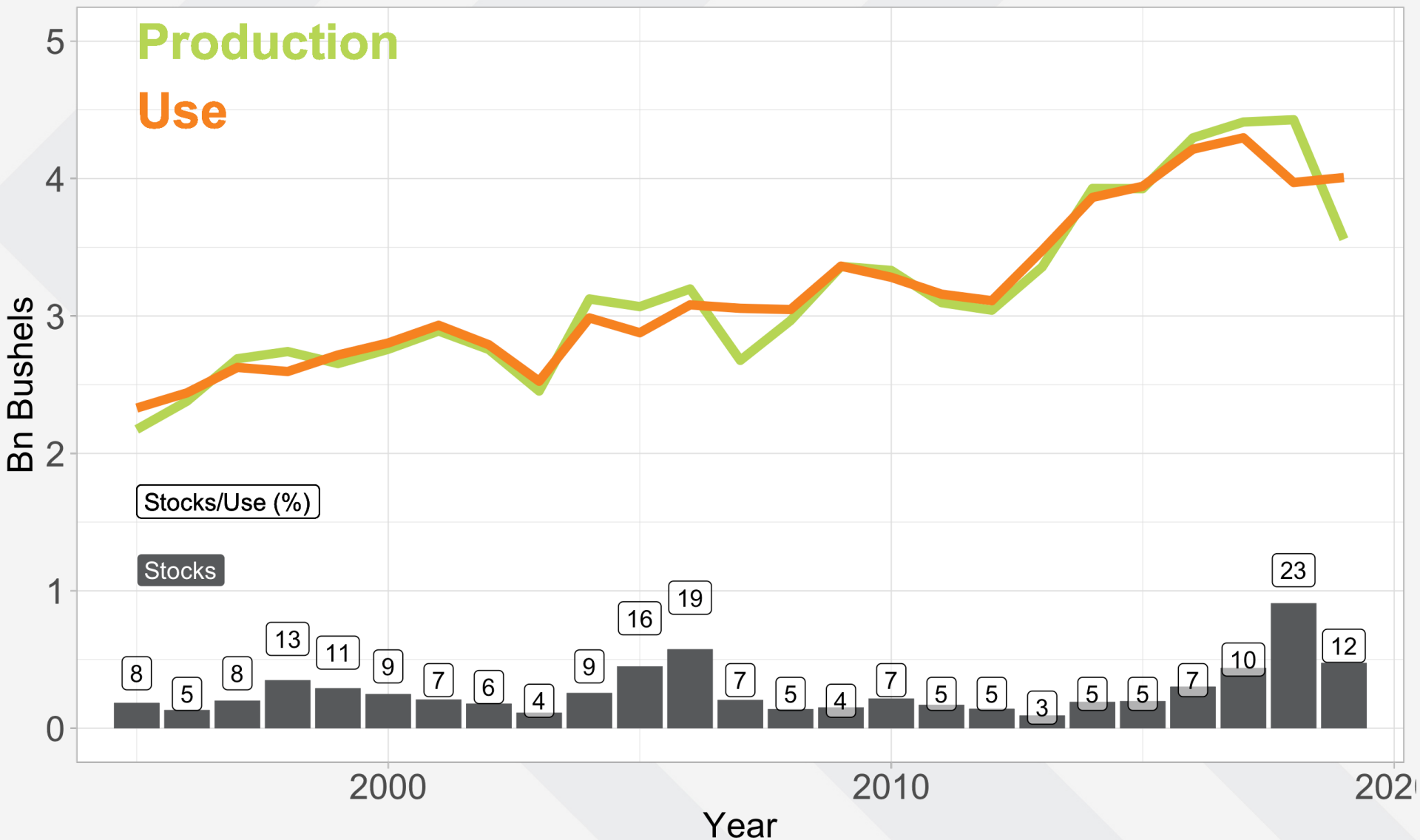


Soybean Stocks Stage Giant Decline...



soybean-us-stocks, Source: USDA PSD Mon Jan 13 21:53:07 2020

Soybean Stocks Stage Giant Decline...



Soybean Marketing

- Don't store soy beyond S. Am harvest.
- ASF has hurt the market structure
 - Maybe more than even tariffs
- Sell rallies aggressively.
- Buy 10.00 July Calls if you must.

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Questions?

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