

## Letters/Opinions

## Global demand drives up food, land prices



GUEST  
EDITORIAL

By MURRAY WISE

**Editor's note:** This is Part 1 of a two-part editorial on global agriculture written exclusively for Western Farmer-Stockman. Part 2 will appear in our June issue.

**H**ISTORICALLY, the U.S. has enjoyed an enviable position of being able to produce ample supplies of food to feed its citizens as well as much of the global population.

We can look at historical data to know that over the past two centuries the American farmer has become vastly more efficient. In 1800, 80% of Americans were food producers. But by the turn of the 20th century, that number had dropped to 35%. Today, only 1.5% of the U.S. population is involved with food production, while our country's population continues to increase.

As trend lines for acreage devoted to farming practices and population growth continue to move in opposite directions, the U.S. is still able to produce enough food to meet our own and global demands. But we are about to embark on an era of heightened domestic and global food demand that will test these production efficiencies.

In the U.S., burgeoning ethanol production has driven a significant rise in commodity and food costs, creating a domestic "war for acres." Around the globe, the changing dynamic of emerging countries is creating previously unseen demand for food products.

For only the second time in more than 30 years we're seeing a demand-driven market, where consumers are demanding more food than is being provided — and have the money to pay for it. Growing economies in developing countries are the real drivers in the global agriculture market.

One of the major players in the global food market is China. With more than 1.3 billion people, China is home to 20% of the world's population, yet has only 7% of the world's arable land and continues to grow in both size and economic development.

The country's expanding middle class and their higher annual incomes allow more disposable income to be spent on food. Chinese citizens are now eating bigger, higher-calorie meals that include meat, eggs and dairy products, compared to the historical fare of fish, rice and vegetables.

#### China syndrome

Chinese trends are important as they impact all global markets, simply because of the size of the population.

However, many developing countries — like India, Mexico, Brazil and Russia — have a similar emerging middle class and agricultural trends. Some of these trends include the following:

- U.S. wheat export commitments are the largest in history, driving up the price of wheat to historic levels.

- World soy oil usage in 1990 was slightly more than 15 million metric tons. Today it exceeds 36 million metric tons.

- China has increased poultry production by 400% in the past 30 years.

- Even with rising milk prices, world milk demand remains strong, causing tight supplies.

The threat of a tighter food supply continues to spur demand for land, driving global land values to historic highs. Europe has seen rapid increases in land values with some countries, like Ireland, soaring 27% in just the first six months of 2007. English land prices jumped 22.6% from July 2006 to June 2007, while Scottish prices rose 30% in 2007.

In the U.S., land in the Midwest has seen the greatest jump, with prices rising 22% in 2007. Additionally, Western land values have followed suit. "While Western land hasn't reached a level comparable to Midwestern land, we have seen prices take a significant jump over the last six months," says Scott

Shuman, manager of Westchester's recently opened Eaton, Colo., office.

Based on current information, it does not appear global food demand will decrease or level off anytime soon, painting a very optimistic future for those in production agriculture.

Stay tuned for Part 2 of our series about trends in global agriculture, in which we discuss what's in store for the rest of 2008 and beyond.

#### About the author

Murray Wise has been an observer of U.S. and global agriculture markets since childhood. His experiences growing up on his family's farm planted the seeds that grew into his lifelong commitment to the ag and land value industries. This allowed him to successfully launch and grow Westchester Group Inc. into the nation's leading agricultural management firm.

Westchester Group is an industry authority, providing consultation resources on a complete range of agricultural real estate and auction services, as well as asset management. More information can be requested at [wgi@westchester-group.com](mailto:wgi@westchester-group.com) or at 217-352-6000.

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