



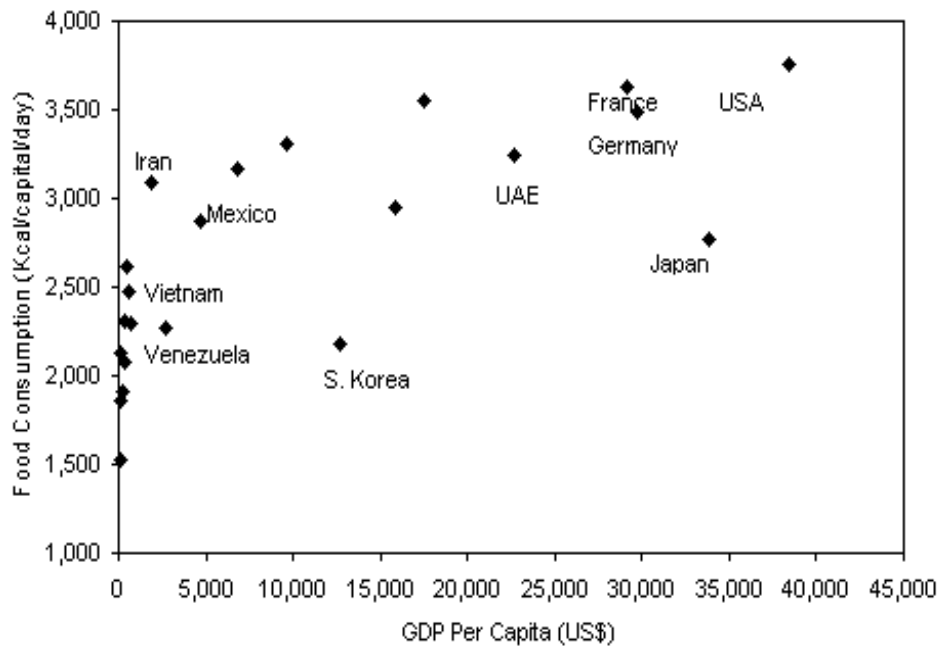
Growing Incomes, Growing Appetites

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The chart below graphs GDP per capita in US dollars against per capita daily calorie intake at 2003 levels. As you'd expect, there is a positive relationship between per capita income and per capita daily calorie intake. In general, richer countries have a higher calorie intake across the globe. The Middle East is a good example of the positive relationship, although this is not entirely linear. Indeed, Iran is much poorer on a GDP per capita basis than UAE, but has only a slightly lower calorie intake. In addition, healthier diets in richer countries such as Japan and Korea complicate this relationship somewhat. Vietnam's calorie intake is very similar to Japan's, even though it is much poorer.

The positive relationship suggests that as emerging markets become wealthier, they will consume more calories and this could have significant ramifications for commodity markets.

- Firstly, stocks-to-use ratios for a host of agricultural commodities have been declining since the mid-1980s, which suggests that agricultural markets are already tight by historical standards.
- Secondly, improvements in yields are increasingly difficult to obtain for a host of agricultural commodities, which will make the replenishing of stocks difficult in the face of strong demand.
- Thirdly, higher energy prices in the future will see increased use of grain-based fuels (ethanol) as substitutes and this will put additional pressure on demand.
- Fourthly, persistent market tightness and higher commodity prices could see governments around the world enact resource and food security policies, which would place further pressure on commodity markets.



Stocks-To-Use Ratios

This suggests that unless agricultural output is increased over coming years – either by increasing yields, acreage, or both – there is a large risk that increasingly wealthy populations will cause a further tightening of agricultural commodity markets, which would be price supportive.