

WHAT DOES FOOD 2040 TELL US ABOUT CHINA'S ROLE AND AMERICA'S NECESSARY RESPONSE TO INCREASED POPULATION AND WEALTH?

<http://www.grains.org/index.php/key-issues/food-security>

FOOD

2040

The Future of Food and Agriculture in East Asia



U.S. GRAINS
COUNCIL

6 KEY THEMES FROM THE 2040 Study (Related to CHINA)

- **Whatever China Wants. . . .**
 - But do they know what they want?
 - There is more One USA than “Our Land” or China
 - Name 2 cultural events that define the American Consumer?
 - Two that define who the Chinese Consumer is?
 - China is many lands under one rule.
 - Will modernize Africa dramatically improving growth. . .for some. . .
 - China sets Asian pricing. . . And can distort pricing.
 - Need for high intensity agriculture will change the rural landscape, but at what cost to rural sentiment?
- **China Will Become a Leader In Biotechnology**
 - Will create large market acceptance of GMO
 - Whose biotechnology? Is ours even appropriate?
 - Traits for different needs (drought, poor water quality)
- **Food Security Will Be Front and Center**
 - Will not rely upon the commodity legacy systems of the West

6 KEY THEMES FROM THE 2040 Study (Related to CHINA)

- **The Chinese Diet is Changing But Not to A Western One**
 - Increased processed food and convenience merged with
 - Increased Emphasis on Food as Health and Wellness
 - China is where you will test new food products
 - Pent up demand for new tied to lack of slow introduction to Western foods.
- **China Will Move To Food As Service Vs Food as Product**
 - China's food service market will overtake Japan's.
 - 1/3rd of Japanese new brides don't own a kitchen knife. The kitchen is next.
- **Hyper-Nichification Supports Exporting Value Added Versus Commodity**
 - China building a logistics system better equipped to handle value added product versus just commodities.
 - Real possibility of multiple and fragmented distribution systems (even GM versus GM free)
 - Commodities will even be asked to be “nutritionally enhanced”
 - Much greater emphasis on food as part of integrated health and wellness strategy
 - How will government respond to “diseases of affluence” given the aging population occurs at the same time?

Population and Increased Income Changes Everything. The Question is For Whom? The Greatest Opportunity on Earth.



CHINA FACES THREE CONCURRENT PROBLEMS:

- 1) Basic Nutrition Food Security (e.g. dairy and meat)
- 2) Increasing Rural and Producer Income to Avoid Unrest
- 3) Meeting the Demands of an Increasingly Wealthy Population Needing A Wholly New Diet.

So Who Stocks Which Aisles of Retail Grocery and Which Food Service Providers?

How Does America Respond to Such a Challenge? Less About Policy and More Driven by Process.

1. Resiliency & Adaptability

Resiliency and adaptability of all business processes and systems.

2. Science & Technology

Broader adoption of best in class science and technology

Science will guide you to farm gate. Technology will take you from farm gate.

4. CoDependency

Creating Profit and Reducing Risk for Producer (US) and Customers (China).

There are no separate “parts” of the value chain

3. Human Capital

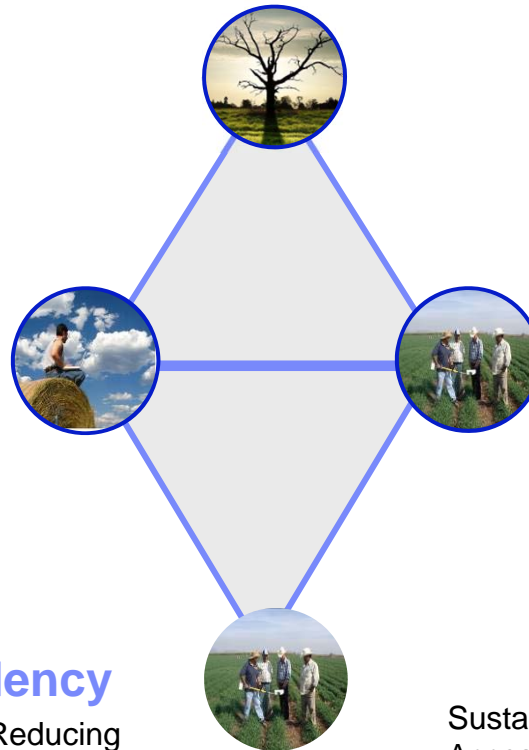
Increased focus on human capital training and retention.

Skills change because market changed.

All while American demographics change and not to favorably for rural employment

5. Sentiment

Sustainability, Biotechnology, Market Access and Best of Breed tied often to winning hearts not minds.



Five Steps to Execution

