

# Feeding THE Global Middle Class

## DISCUSSION POINTS

April 22 – 23, 2015  
Saskatoon, SK

### REDEFINING MIDDLE CLASS

A new wave of consumers is changing the way we think about the middle class. They don't drive SUVs or have flat screen TVs, but they have or will soon have enough money to aspire to a better life, make choices about what they consume and even dream about future purchases.

Within 15 years, 3 billion people from around the globe will be added to this emerging middle class. Many of these people live in countries previously seen as overwhelmingly poor and in need of our charity rather than our exports.

Our middle class paradigm is shifting as we consider the opportunities inherent in these new markets.

DISPOSABLE INCOME  
+ FINANCIAL SECURITY

ABILITY TO  
CONSUME MORE &  
CONSUME DIFFERENTLY

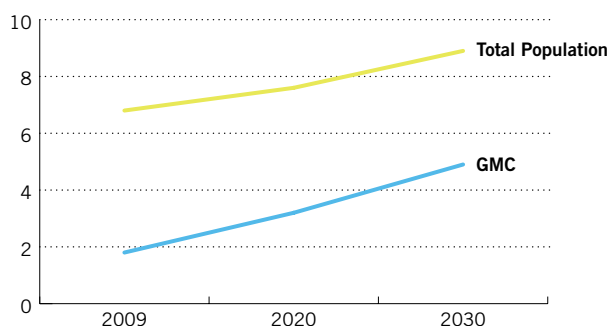
WE DEFINE THE GLOBAL MIDDLE CLASS AS THOSE WHO HAVE ENOUGH DISPOSABLE INCOME LEFT AFTER COVERING THE MINIMUM DAILY ESSENTIALS AND WHO FEEL SECURE ENOUGH ABOUT THEIR INCOME TO BEGIN TO CONSUME MORE AND CONSUME DIFFERENTLY.

# Growing Rapidly

**2.0 BILLION NOW**

**4.9 BILLION BY 2030**

RISE OF THE GMC vs TOTAL POPULATION GROWTH



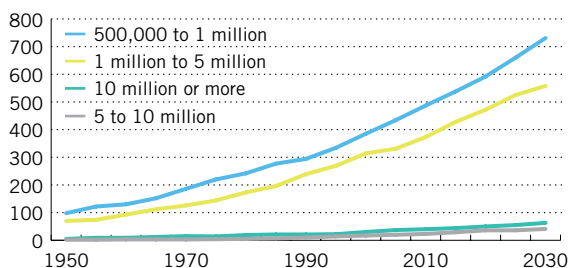
Source: Brookings Institution

## Primarily Urban

The majority of people in the global middle class are moving to cities.

**BY 2032, 173 CITIES WILL GROW TO POPULATIONS GREATER THAN 1 MILLION**

NUMBER OF CITIES BY SIZE CLASS OF URBAN SETTLEMENT



Source: United Nations



# Earning More

**\$10-\$100 US/DAY**

(purchasing power parity)

We can think of the GMC in two tiers:

- 1 Enough money and security to begin expanding the quantity and variety of goods consumed (**\$10-\$22 US/DAY**)
- 2 Higher level of income and security enabling continued increase in discretionary spending, increased attention to quality (**over \$22 US/DAY**)

A third group which may be a market for some producers are the 2-3 BILLION people just emerging from poverty (**\$2-\$10 US/DAY**)

## Consuming More

As incomes rise, consumption increases and also changes. Universally, people want to expand and improve their diets, particularly consuming more protein, fats and oils. Families with the highest incomes spend markedly more on discretionary, high-value food categories.

MIDDLE CLASS HOUSEHOLDS' WEEKLY EXPENDITURES COMPARED TO THOSE WITH LOWER INCOMES

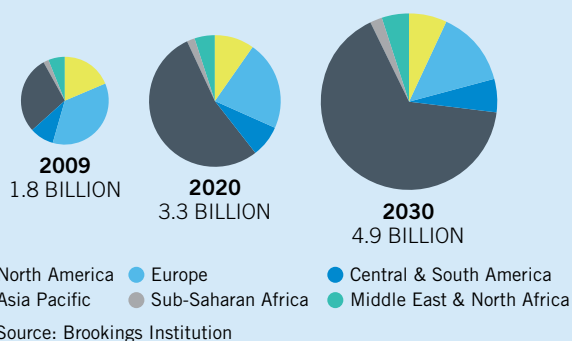
Food Product	Amount of Increase
Fresh vegetables	2.85
Fresh fruit	3.19
Red meat	3.17
Poultry	2.30
Fish & seafood	2.48
Yogurt, butter & cheese	4.55
Restaurants & bars	4.72
Candy & chocolate	8.50
Prepared foods (at home)	6.34
Alcoholic beverages	6.09

Source: Dr. Benjamin Senauer, University of Minnesota & Canada West Foundation

**IN ADDITION TO SIGNIFICANT INCREASES IN FOOD CONSUMPTION, THERE WILL BE A HUGE DEMAND FOR HARD COMMODITIES LIKE STEEL, COPPER AND WOOD AS CITIES GROW.**

# Truly Global

While the largest growth will be in Asia and particularly China, significant opportunities exist in a wide range of countries – Malaysia, Vietnam, Chile and Mexico to name a few. A few of these countries already have trade agreements with Canada.

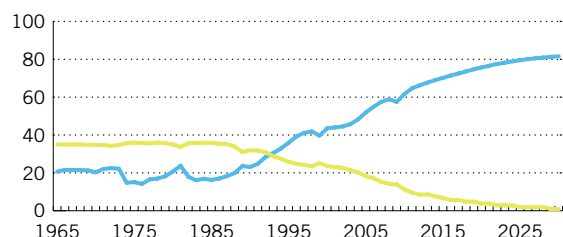


## More Dynamic & Diverse

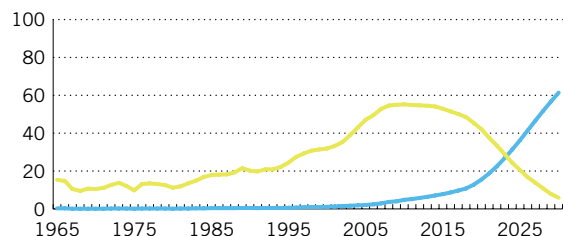
than Legacy Middle Class Markets

Global middle class consumers will continue to improve their financial situation and move rapidly to higher levels of income and consumption. This adds to their value as potential consumers.

### CHILE



### VIETNAM



Source: Brookings Institution

As consumers experience more and more options, their tastes and preferences will also change rapidly, continuing to expand market opportunities.

Markets will vary between countries, and even between cities within countries. Middle class consumers exist in large urban centres in regions with different cultures, tastes and local market dynamics. The high level of diversity will require both national and sub-national trade strategies.

## Impact & Opportunities

**INCREASED DEMAND FOR FULL RANGE OF COMMODITIES**

**INCREASED COMPETITION AS OTHER COUNTRIES RAMP UP PRODUCTION TO MEET DEMAND**

**INCREASED DEMAND FOR SPEED, QUALITY AND CERTAINTY OF DELIVERY**

**INCREASED DEMAND FOR EFFICIENT SUPPLY CHAINS WILL LEAD TO FURTHER CONSOLIDATION**

**NEED FOR IMPROVED COMMODITY PRODUCTION GLOBALLY CREATES A MARKET FOR WESTERN CANADA'S SERVICES AND TECHNOLOGY**

**OPPORTUNITY TO ESTABLISH POSITIVE BRAND ASSOCIATION AND INFLUENCE DEVELOPMENT OF TASTES AND PREFERENCES IN KEY MARKETS**

## THE WEST HAS WHAT THE WORLD NEEDS

**TOP 5 EXPORTS FROM WESTERN CANADA TO CHINA, 2014, VALUE CD\$**

<b>Vegetable products</b>	<b>1,541,416,536</b>
<b>Chemical products</b>	<b>497,054,838</b>
<b>Animal or vegetable fats and oils</b>	<b>468,733,544</b>
<b>Wood pulp</b>	<b>139,177,443</b>
<b>Machinery and electrical equipment</b>	<b>4,568,779</b>

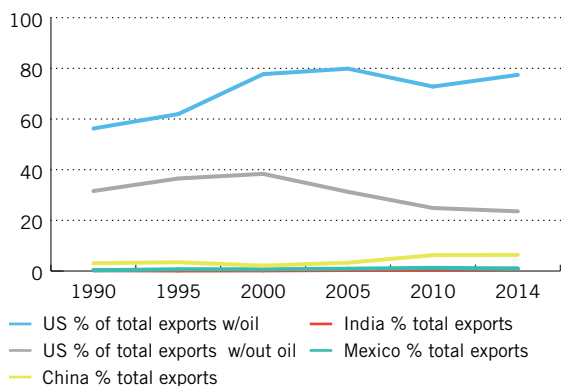
Source: Canada West Foundation calculations from Statistics Canada

Annual growth in consumption in key GMC markets through 2050 averages 3.1% for food and 5.8% for housing and energy. The West's top exports to China show strong alignment with areas of high demand in GMC countries.

## How are we doing?

When oil is removed, western Canada shows progress in diversifying exports beyond the U.S. While the percentage of total exports going to China and India has doubled in the last decade, there is significant room for continued growth in exports to these and other GMC countries. One example of this is Mexico where trade plateaued and recently decreased despite continued growth in the size of its GMC.

**WESTERN CANADIAN EXPORTS TO US & SELECT GMC COUNTRIES, 1990-2014**



Source: Canada West Foundation calculations from Statistics Canada

## What do we need to pay attention to?

ESTABLISHING POSITIVE BRAND ASSOCIATION

PROTECTING REPUTATION

DEVELOPING SOCIAL LICENCE

STRENGTHENING INFRASTRUCTURE

INCREASING COMPETITIVENESS

GROWING OUR UNDERSTANDING OF UNIQUE SUB-NATIONAL MARKETS

CONTINUING TO ENHANCE PRODUCT SELECTION AND QUALITY

LEVERAGING NEW MARKETS FOR OUR SERVICES AND TECHNOLOGY

## QUESTIONS

What's the current state of alignment between global middle class opportunities and the West's trade and export focus and capacity?

What are the criteria that define a market as both advantageous and feasible to pursue?

How might the consolidation of global food supply chains impact producers in western Canada?

Should we be doing anything to respond or prepare?

Are we prepared to address international market concerns about food production and environmental impacts? Do we have the ability to advance and protect our brand?

How can we identify and seize opportunities in services and technology?

What steps do we need to take to ensure our trade infrastructure evolves to support our competitiveness?

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