Drought, debt and politics drive economic outlook  Terry Barr  CoBank

The global economy faces major headwinds entering 2013 as the drive for deficit and debt reduction in the advanced economies will limit the much needed job creation amid significant political turmoil. The major driver of global growth, China, will be undergoing a once-in-a-decade leadership transition. As a result consumer purchasing power and demand in the U.S. and world will grow modestly. At the same time drought-reduced grain production in the U.S., Russia and Europe has reduced supplies and pushed grain and oilseed prices to record levels. This combination will present a challenging market environment for the cattle, hog, poultry and dairy sectors. Output adjustments to restore profitability will be difficult and will place a heightened premium on strong balance sheets, liquidity and risk management strategies.

**Key Words:** Global economy, China, Market environment