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Outside Influences on the Grains & Oilseeds Industry

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African Swine Fever Update: Impact on Feed

[China's hog herd is estimated to have declined by 55% in 2019, and a small recovery is forecast for 2020.](#) Restocking of hogs will take years, and hog farming will move towards large-scale commercial farms – all of which is good news for feed demand. China's pork production has fallen 25% in 2019 and will further decline in 2020 before recovering in 2021. Poultry has increased by over 10% in 2019 and will grow even faster in 2020.

Impact on G&O: Rabobank estimates [China's feed use declined by 17% in 2019](#), as a 40% drop in hog feed was partially offset by rising demand for broiler feed, layer feed, and aquaculture feed. The recovery of hog feed should start in 2020 and continue in the years thereafter. China's feed output will shift further towards layer and broiler feed, which will account for 45% of feed by 2025, compared to 35% in 2018, while hog feed is projected at 41%, vs. 54% in 2018. Rabobank will release its next ASF update, in which feed implications for other Asian countries will also be discussed, by mid-December.

Global Animal Protein Provides Feed Opportunities

Global animal protein production is forecast to show a [small increase again in 2020, after a sharp ASF-related fall in 2019](#). Globally, [poultry](#) and aquaculture will show strong growth in 2020, offsetting the decline in Asian [pork](#). [North American](#) animal protein production is seen rising for all species in 2020, driven by pork and followed by poultry and beef. Likewise, Brazilian production will rise for all species. European pork and poultry production are set to rise. In all those regions, exports will be an important but unpredictable growth driver.

Impact on G&O: Feed demand in the America's, as well as Europe, will benefit in 2020.

The Asia Food Challenge

Asia will more than double its total spend on food to USD 8 trillion by 2030, driven by population growth, rising affluence, and changing consumer demands. Key areas with [great potential to address the challenge](#) are: sustainable proteins, high-tech inputs, modern aquaculture, controlled environment farming, efficient marketplaces, digital adoption, and greater traceability. Investments of USD 800bn are needed through 2030, predominately in processing, followed by farm production and distribution. Half of these investments will be in China, followed by India and Southeast Asia.

Impact on G&O: the quest for sustainable protein. Meat consumption – though plateauing in developed markets – will continue to grow in most of Asia. This will automatically also raise animal feed demand, impacting the global supply chain for feed grains and oilseeds. However, this will not remain unchallenged. The development of appealing alternatives to meat-based protein is a significant opportunity. Alternative protein, in both feed (i.e. insect based) and food (i.e. plant and cellular based), will continue to be developed. Given its low base, plant-based or cellular-based protein is likely to grow faster than the overall protein market and will gain consumer acceptance.

US Tariffs on EU Goods Hurt Malt and Olive Oil

In October 2019, the [US imposed a record USD 7.5bn of tariffs on EU goods](#), impacting various EU food and agri products. For EU pork, grains, and oilseeds, the impact is small, but...

Impact on G&O: More than 20% of Scottish single malt whiskey exports move to the US, and some US consumers may shift to American whiskeys. If that shift materializes, the malting industry in Scotland would feel some impact. Also, packaged Spanish olive oil is subject to tariffs. Spain shipped 11% of its exports to the US, and we expect more olive oil from other countries to move to the US or more Spanish olive oil to go in bulk to the US.

Top of Mind for Farmers, Big Food, and G&O Players

1) For farmers and food companies, the *consumer* is proving to be a common headache. [Farmers in Brazil experience first-hand the impact of changing consumer tastes](#), with “the demand for healthy food flow[ing] all the way back along the supply chain.” Big Food companies will need farmers to help reach their sustainability goals. 2) Farmers, similar to Big Food companies, search for opportunities to *add value* on the farm “to shake off the shackles of commoditization and avoid a price race to the bottom.” 3) *Plant-based foods* are growing fast but are still small and provide opportunities for farmers to supply the plant protein needed. “Lab-grown [meat] is a ways away.”

Impact on G&O: The G&O industry will feel the impact of a supply chain shifting away from the traditional farm-to-fork model (farmers-traders-processors-retailers-consumers) towards a new consumer-driven setup (individuals-platforms-diverse processors-empowered farmers).

Packaging Challenges Impact Corn Wet Milling

Stricter environmental policies are stimulating consolidation of [China’s containerboard industry](#), while weakening consumption is making new capacity additions unlikely in the short to medium term. India’s strong demographic and economic prospects help grow demand for packaged foods and beverages, driving a [7.6% CAGR in the Indian corrugated packaging industry](#). The [key topics for plastic packaging](#) are recycling, sustainability, and collaboration. Innovation in (plastic) packaging is critical, but don’t bank on the consumer to pay for sustainable solutions.

Impact on G&O: The packaging industry is a crucial demand driver for starch, bio-plastics, and bio-chemicals. Rabobank’s [global starch industry report](#) finds that the desire for ‘cleaner’ labels will change the mix of starch products, which will require product innovation to capture long-term sustainable growth.

Designer Cows: Price Premiums and Resource Use

[Technologies are reshaping dairy herds](#), as specific genetics are bred into cows. This will allow the production of specific types of milk, give producers a price premium, increase (feeding) efficiency, and change supply chains.

Impact on G&O: Breeding, livestock farming, and feeding will change significantly over the coming decades to address goals well beyond the traditional challenges, including improved feed conversion, reduced waste, lower emissions, and specialty products. All this will impact demand for feed, both in volume and in quality terms.

Agri Commodity Outlook 2020

[Bullish](#) outlook for sugar, coffee, soy, and corn if demand steps up again.

Imprint

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