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Outside Influences on the Grains & Oilseeds Industry

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Covid-19's Impact on All F&A Sectors

It is impossible to summarize the impact Covid-19 is having on all the different F&A sectors, but readers can find all of Rabobank's [Covid-19 F&A reports here](#). The range of issues is wide, no matter if upstream, where [fertilizer and crop protection](#) companies are working to mitigate supply chain risks, or downstream where Q3 [beef production](#) in key countries of the world will feel the impact of the Q2 declines in processing and Q2 and Q3 declines in demand. And in [global pork markets](#), Covid-19 threatened to overtake African swine fever (ASF) as the main market driver, at least in the first half of 2020.

Impact on G&O: [Biofuels](#) and malt were among the G&O industries hit hardest by Covid-19. Still, many of the impacts of Covid-19 will be passed on to G&O from other F&A sectors, be it on the farming side or on the demand side. Besides Covid-19, ASF will remain a key market driver for feed demand, as China is on the way to posting a +10% YOY increase in 2019/20 soybean imports.

SEA Meat Consumption Braces for Covid-19, ASF, and Recession Hits

Based on a 40% to 50% YOY average drop in Southeast Asia's foodservice traffic between February and June due to Covid-19 measures as well as reduced spending power as a result of the economic slowdown, [meat demand in Southeast Asia is expected to suffer](#). Rabobank projects an 8% to 13% YOY drop in beef consumption in 2020, a drop of 7% to 16% YOY in pork, a 2% to 6% fall in poultry, and a 6% to 11% YOY decline in fish & seafood.

Impact on G&O: The forecast 2020/21 record global corn and soybean crops might face feed demand cuts in developing countries, which in the past usually delivered strong YOY growth.

Beer Bears the Covid-19 Burden, and Malt Feels the Pain

[European brewers of all sizes are struggling](#) with changing market conditions and the effects of Covid-19 on their businesses. If severe social distancing guidelines aren't lifted soon, [60% of US craft breweries might close](#).

Impact on G&O: Malt demand in 2020 might fall by more than 10% YOY. April and May were likely two of the worst months in 2020 beer sales, but even with foodservice around the world slowly opening up again, it will take a long time for sales to return to normal. While there are no supply shortages for barley, logistical risks have increased, which might drive some brewers to move from ['just in time' to 'just in case'](#).

Technology, Resilient Supply Chains, & Affordability

Technology has come to the rescue during the Covid-19 crisis. Already, consumers' new habits are becoming so hardwired that we might struggle to go back to our old food routines. [Critics of](#)

[globe-spanning supply chains](#) are calling for more locally diverse alternatives. And all that in recession times when expenditure, confidence, and employment levels have all gone south.

Impact on G&O: G&O is a global business. Supply chains are working very well in this unprecedented time, but they need to modernize and digitalize to continue to be cost competitive. Pre-Covid-19 trends, such as [plant-based proteins](#), have taken a bit of a back seat to more pressing concerns, and some even question if we will return to them with the same vigor. Still, year-on-year US retail sales of plant-based meat, cheese, tofu, and tempeh outpaced total food retail sales growth even in March and April 2020.

Bakery Goods, Noodles, and Flour: Stockpiling Favorites Overshadowed by Foodservice Cuts

While food hoarding benefited bakery and home-baking goods in the early days of Covid-19, [foodservice reductions cannot be offset by increased retail sales](#). The post-Covid-19 consumer will likely demand new and better food options. If it is true that the economic slowdown will make consumers cautious to spend, the food industry could use the uniqueness of the current health crisis to appeal to customers.

Impact on G&O: The flour and pasta industries already had to, and will continue to have to, deal with shifts in their sales outlets.

Containerboard: Booming Online Shipping Offset by Foodservice Closures and Recession

North American consumers have stormed online platforms and offline supermarket shelves to stock up on absolutely everything, which also benefited corrugated packaging, but foodservice closures and event cancellations, as well as the [outlook of a recession, weigh on packaging](#), especially industrial packaging, which faces a less certain prospect.

Impact on G&O: The US and Europe might see a greater than 10% YOY cut in 2020 starch demand from the paper & packaging industry, adding to Covid-19-related corn demand worries, which also include significantly lower US corn use for ethanol and recession concerns for feed globally.

An EU Green Deal That Hopefully Will Not Make G&O See Red

To reduce its carbon footprint, the European Commission has put forward several goals in the [Farm-to-Fork strategy](#) it wants to achieve by 2030. 1) Reduce the overall use and risk of chemical pesticides by 50%, reduce the use of fertilizers by at least 20%, and decrease antibiotics use by 50%. Moreover, organic farming should grow to 25% of agricultural land in Europe. 2) Increase the sustainability of all processes in the food value chain, ranging from primary producers and food processors to retailers. This includes food formulation and food packaging. 3) Improve the healthiness and sustainability of European diets by, among others, providing information on healthier choices. 4) Halving per capita food waste at retail and consumer levels.

Impact on G&O: We do not expect an immediate impact on yields when reduced use of fertilizer and plant protection products is implemented. Still, it may reshuffle the EU's grain production competitiveness against imported goods, and the future impact on imported goods and EU trade needs to be considered in the implementation process of the EU Green Deal policy.

Imprint

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