


Rabobank

Outside Influences on the Grain & Oilseed Industry

Far.rabobank.com

RaboResearch

Food & Agribusiness
far.rabobank.com

Stefan Vogel

Global Sector Strategist
Grains & Oileeds / Head of
Agri Commodities Markets
Research
+44 20 76649523

What do Rabobank's insights into other sectors mean for grains & oilseeds?

Companies delivering more than shareholder value

[Consumers prefer companies that inspire trust and deliver benefits to society as a whole](#), and not only to their shareholders. Large food companies like Danone North America are joining the club of B-Lab certified companies, and in general, companies in F&A recognize that having a higher calling than just shareholder value, resonates with their customers.

Impact on G&O

The sustainability of G&O products as well as the role of sustainability in the G&O company's strategy continues to gain in importance.

Clean meat among the biggest F&A opportunities

In a Rabobank survey of food industry professionals asking for [major opportunities and disruptors in F&A, both "clean meat" and "plant-based food" scored very high](#). But when these "chicken fingers and burger products that are 100% lab-grown, cost-competitive, and scalable" will be widely available is unknown. In five years seem ambitious to experts, but in ten or twenty years is considered very realistic. [Are you curious about what alternative meats are and what the status quo is?](#)

Impact on G&O

Imagine a G&O world not only without growth in global demand for soymeal and corn for feeding, but with rapid decline in feed use. In the next five years, we expect that alternative proteins (including plant-based burgers, which are already on the menu in many eateries around the world) will [steal only some growth from the growing traditional meat production](#) in the US and Europe. The G&O and feed industry needs to prepare for what comes next!

EU organic consumption to continue to rise

The value [growth of European organic processed food](#) is expected to slow to 3% to 4% per year through 2025, having ranged from 6% to 7% in past years. This mainly results from an expected decline in organic food price premiums rather than slowing volume growth. 2016 annual growth of the largest EU markets is: Germany +10%, France +22%, Italy +14%, Switzerland +8% and the UK +7%.

Impact on G&O

EU demand for organic G&O for food and feeding will continue to rise. It's hard to find good data on organic G&O in Europe, and [this analysis](#) gives a good perspective.

South American rise in corn-based ethanol

21% of [Mato Grosso's ethanol production is produced from corn](#), currently generating almost 300m litres for which almost 1m tonnes of corn is used.

Impact on G&O

By 2023, Rabobank expects the corn ethanol demand in Mato Grosso and neighbouring Amazonas and Rondonia regions to triple, requiring 2.5m tonnes of corn for ethanol in Mato Grosso in five years from now. This is equivalent to 10% of current Brazilian corn exports. Rabobank will publish an in-depth English report on this topic later this year.

More M&A across segments & industries

[Coca-Cola's acquisition of Costa](#) shows that the M&A battlefield is moving towards acquisitions along the value chain and across beverage categories. This is a notable change from the past decades, in which horizontal mergers created global champions across various beverage segments, benefitting from economies of scale and cost synergies. The future of beverage M&A will consist of buying platforms outside of core operations – to provide new capabilities as well as access to new channels and consumers.

Impact on G&O

We'll see exactly the same thing in the G&O sector: acquisitions beyond the traditional space and further than just the next link along the G&O value chain, into new categories such as higher-value and higher-margin products. Major G&O companies are struggling to grow rapidly in the traditional G&O supply chain, where they will continue to lead consolidation. But strategic M&A moves beyond G&O are already taking place and we will see more of that in the future.

Craft beers & the impact for the malt industry

A [new mainstream will emerge in US beer](#) – a segment above the core four brands, featuring lagers with a more aspirational image and a higher price point.

Impact on G&O

For the malt industry, the trends in beer and especially also the craft beer wave brings changed malt product offering needs that fit the user demand. Maltsters like GrainCorp recently emphasised the importance of serving the growing demand for specialty malt products in the craft beer and distilling sectors.

Slowing meat market growth & impact on feed

Rabobank expects a [change in Chinese consumer patterns for meat](#), and the volume growth of China's animal protein consumption through 2025 will only be half that of the past seven years.

Impact on G&O

Demand growth for [soymeal and feed grains will slow in China](#).

Farmed seafood

[Farmed seafood production is expected to remain the fastest-growing animal-protein-producing industry](#) in the next decade, driven by crustacean- and freshwater-fish-farming in developing economies in Asia, followed by South America and, to a limited extent, Africa.

Impact on G&O

Innovations in aquafeed will be one of three key factors determining aquaculture's future. Fish- and soymeal play a key role in feed, but insect meal may also gain shares.

Shrimp

[The shrimp price crashed](#) and will stay low, slowing the growth of the sector.

Impact on G&O

Low prices will drive consolidation, probably also in the adjunct feed sector.

Pork

[US pork imports to China face a 25% duty](#), but US pork moves partly through Hong Kong and Vietnam. In addition, opportunities for [US chicken and pork to SEA](#) could rise.

Impact on G&O

Healthy demand for US soymeal and feed grain requires a strong US livestock sector and exports. So far, no slowdown has been noted.

Regional pork, poultry and beef prices and S&D

Detailed info per region and livestock type is available in the [Animal Protein quarterlies](#).

Imprint

RaboResearch

Food & Agribusiness
far.rabobank.com

Stefan Vogel

Global Sector Strategist Grains &
Oileeds / Head of Agri
Commodities Markets Research

stefan.vogel@rabobank.com
+44 20 76649523

© 2018 – All rights reserved

This document is meant exclusively for you and does not carry any right of publication or disclosure other than to Coöperatieve Rabobank U.A. ("Rabobank"), registered in Amsterdam. Neither this document nor any of its contents may be distributed, reproduced, or used for any other purpose without the prior written consent of Rabobank. The information in this document reflects prevailing market conditions and our judgement as of this date, all of which may be subject to change. This document is based on public information. The information and opinions contained in this document have been compiled or derived from sources believed to be reliable; however, Rabobank does not guarantee the correctness or completeness of this document, and does not accept any liability in this respect. The information and opinions contained in this document are indicative and for discussion purposes only. No rights may be derived from any potential offers, transactions, commercial ideas, et cetera contained in this document. This document does not constitute an offer, invitation, or recommendation. This document shall not form the basis of, or cannot be relied upon in connection with, any contract or commitment whatsoever. The information in this document is not intended, and may not be understood, as an advice (including, without limitation, an advice within the meaning of article 1:1 and article 4:23 of the Dutch Financial Supervision Act). This document is governed by Dutch law. The competent court in Amsterdam, the Netherlands has exclusive jurisdiction to settle any dispute which may arise out of, or in connection with, this document and/or any discussions or negotiations based on it. This report has been published in line with Rabobank's long-term commitment to international food and agribusiness. It is one of a series of publications undertaken by the global department of RaboResearch Food & Agribusiness.

