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Record Animal Protein Production Forecast out to 2020

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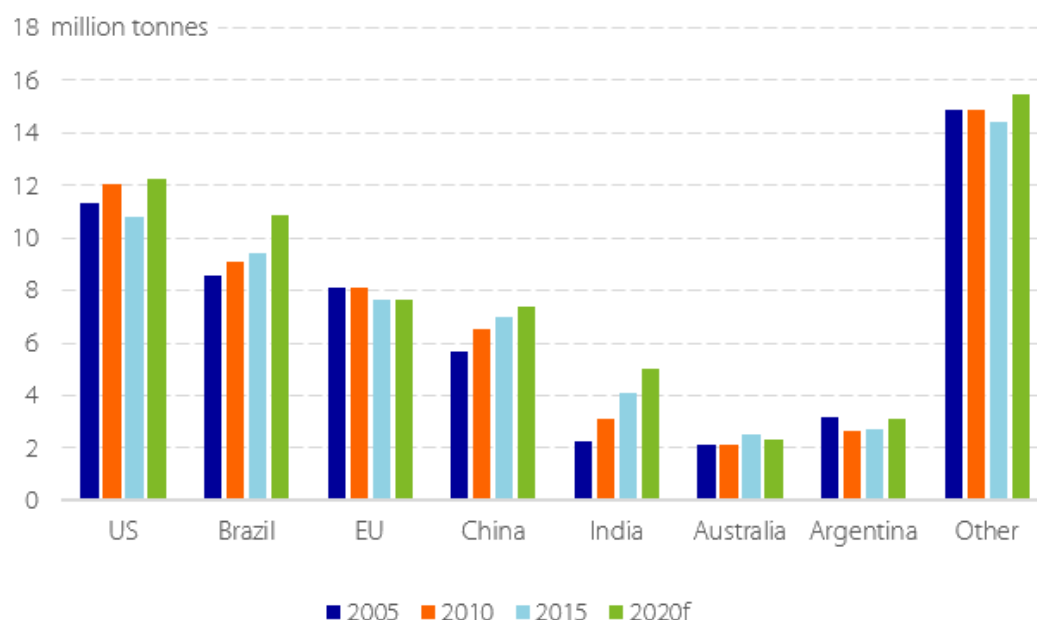
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Rabobank forecasts record global beef production out to 2020, underpinned by increasing production from the world's two largest beef producers, the US and Brazil. Furthermore, other key proteins are also expected to see significant increases in production out to 2020.

With the exclusion of Australia and New Zealand, who are facing lower beef supplies out to 2020 compared to 2015, nearly all key beef-producing countries in the world are expected to increase beef production (see Figure 1).

Figure 1: Global beef production, 2005-2020f



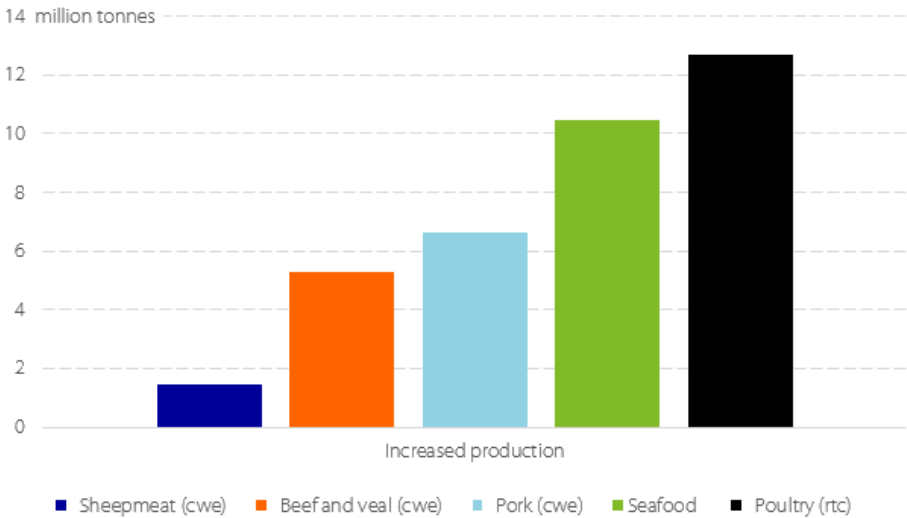
Source: USDA, Rabobank 2016

This expected increase in global beef production equates to an increase of roughly 9%, or an additional 5m tonne increase, in comparison to 2015. Obviously this outlook is dependent upon weather events.

The two countries that account for most of this expected production growth are the US and Brazil. As the world's largest beef producer, the US's rising beef production is going to underpin increased global beef production out to 2020. The aggressive heifer retention and cow herd expansion seen over the past few years will drive a 3% to 4% increase in beef production in 2017, with an overall production increase expected out to 2020. The Brazilian beef industry is optimistic about growing its exports in line with increasing production, with the majority of this growth likely to be driven by an increase in productivity through more intensive, feedlot-style beef production. The much weaker currency has also made returns in Brazilian real terms highly attractive, incentivising further increases in production.

Beyond beef, production is expected to increase across all major animal proteins out to 2020—notably poultry, pork and seafood, with the growth in production expected to come exclusively from aquaculture production and not wild-catch seafood production (see Figure 2).

Figure 2: Change in global animal protein production, 2015-2020f

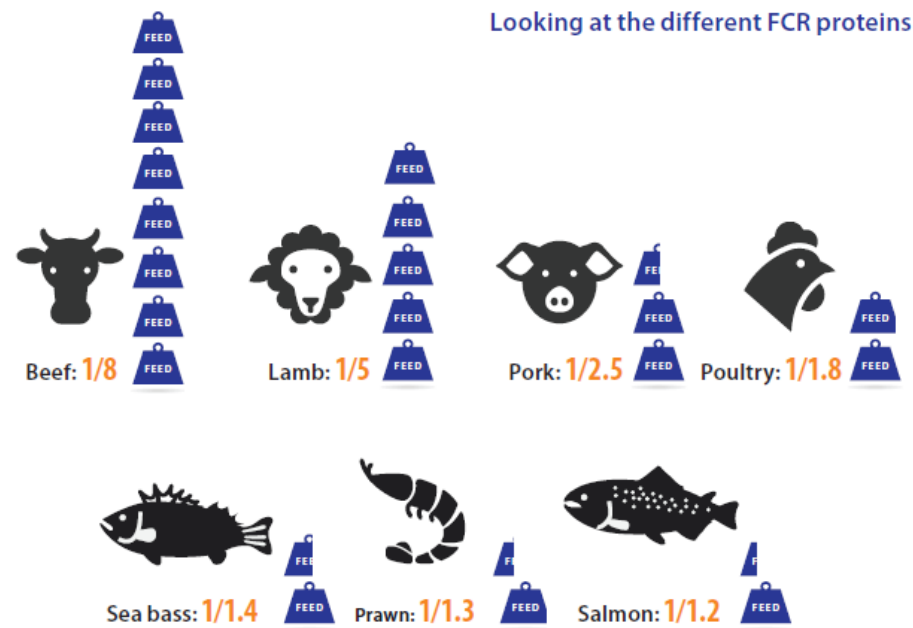


Source: USDA, OECD-FAO, Rabobank 2016

There are three primary drivers of expected production increases across all key animal proteins. Firstly, global grain & oilseed production is forecast to remain at historically high levels, which will support cheap feed inputs for intensive production systems such as poultry, aquaculture and pork. Secondly, the production cycles of these animal proteins are much faster than, for example, beef production. Lastly, feed conversion rates for these intensively fed species are much more efficient and effective in converting feed to weight gain (see Figure 3).

These factors clearly provide the more controlled and intensively produced animal proteins a comparative advantage against grass-fed production systems, helping to underpin stable and lower wholesale and retail prices.

Figure 3: Feed conversion ratios for animal and seafood proteins



Source: Rabobank 2014

As a result of record beef and key animal protein production, Rabobank expects greater competition in both domestic and export markets. Specifically for the global beef industry, with Rabobank estimating around 1.5m tonnes of the 5m tonne increase in beef production being exported, we are likely to see greater competition in key export markets and a softening in beef prices.

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