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Outside Influences on the Grains & Oilseeds Industry

What do Rabobank's Insights into Other Sectors Mean for Grains & Oilseeds?

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Food & Agribusiness
far.rabobank.com

Stefan Vogel

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

Outlook 2019 – Trade war, El Niño, African Swine Fever (ASF)

Animal protein growth will continue in 2019 but only by ~1m tonnes across beef, pork, and poultry, compared to ~4m tonnes in 2018. US growth is expected to be strong, especially in pork. In contrast, pork production in China will continue to slow materially due to ASF while poultry will drive growth in the EU.

The agri commodities price outlook is impacted by trade and the low sugar price in regions like the EU that should result in an acreage shift to grains. El Niño risk is at 80%.

Impact on G&O: Feed demand will benefit from the continued strength of the US pork sector but will suffer in China. Wheat, corn, and soybean prices are expected to face volatility from the trade war and from acreage switch.

Economic pains of the US-China trade war

Global economic growth will end 0.7 percentage points lower in 2030 than in a trade-war-free world if the current trade restrictions stay in place. In the case of a further escalation, global economic growth could even be 2.0 percentage points lower. In both cases, the average Chinese citizen will have to bear a larger burden than the average US citizen.

Impact on G&O: US farmers are not the average US citizen. For them the equation is not that easy, and, for US soybean farmers especially, the trade war impact is huge.

Brexit – Deal or no deal? For UK G&O the impact will be bigger than for EU G&O

A Brexit based on the deal agreed between the EU and UK, which still needs to be voted on in the House of Commons on 11 December, includes a transition period until the end of 2020. It will have a significant impact on farmers, consumers, and the industry.

Impact on G&O: After the transition period, the sizeable UK wheat and barley exports to the EU will fall under the TRQ system and thus face import duties if no specific trade agreement is reached. German and French wheat exports to the UK might also face obstacles. In addition, adverse changes to UK livestock and dairy could negatively influence UK feed demand.

China's antibiotics reduction to impact the chain

China's feed players will upgrade feed formulations as nutrition ratio and raw material composition are key for antibiotic-free feed. In addition, feed processing technology will be updated. Moreover, the new protein feed standards will bring radical change.

Impact on G&O: Feed manufacturers will pay more attention to raw-material quality and supply stability in antibiotic-free feed and will also incorporate new soymeal inclusion standards to cut back soymeal use.

Foodservice accelerates Asian poultry consumption

Poultry consumption in Vietnam, India, Indonesia, and the Philippines has outperformed global growth in the past five years and will continue to do so as [change in consumer demand](#) in these countries is driven by: (1) value for money and convenience; (2) the millennials' increasing influence; and (3) foodservice as a more important channel than retail.

Impact on G&O: Growth in the region's poultry demand benefits feed use and G&O imports and potentially could result in the [construction of a soybean processing industry](#) in Indonesia.

The data goldmine – and how to mine it

Data has increasingly become [a must-have tool for businesses](#) to improve their operations' efforts in a way that drives revenue growth and profitability, partly requiring substantial investments.

Impact on G&O: In G&O, data analytics needs to catch up as systems are often outdated, and data availability, or efficient gathering and analytics of data, can be further improved.

Carb-itrage: substitutes challenge sweeteners

Food & beverage companies are committing themselves to [sugar-reduction targets](#) for their product portfolio. Blends of different sugar substitutes are often used to tackle the challenges of taste, cost, regulatory approval, and label-friendliness. A perfect replacement has not been found yet.

Impact on G&O: Besides sugar, this negatively impacts grain-based sweeteners like high fructose corn syrup (HFCS).

So special, so innovative: millennials love it

[Consumer trends are changing](#). Younger Brazilian consumers are looking for innovation, new experiences, and product traceability. This mindset change moves the specialty-coffee market, bringing investments to the sector as well as new formats to commercialise these products.

Impact on G&O: Such changes in consumer trends are not only seen in Brazil or in coffee. G&O will also likely see increased demand for specialties that require higher traceability

Food-waste reduction & the circular economy of food

In order to [design waste out of the food system](#), big food companies and others in the chain are collaborating.

Impact on G&O: Every mouldy bread, every bottle of milk turned sour, every schnitzel returned to the kitchen required grains and oilseeds in the production process. Waste reduction is coming quick, and it will slow the growth of G&O use in the food chain.

Regional food & agri updates

[China:](#) Trade war, African Swine Fever, e-commerce shopping festival, and more.

[Australia:](#) Dairy farmer margins are squeezed. Drought forces decade-low wheat exports

[North America:](#) Disappointing G&O exports and record pork supply add risk.

Imprint

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Stefan Vogel

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

stefan.vogel@rabobank.com

+44 20 76649523

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