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# Southeast Asian Grain & Oilseed Demand: A Less Rosy Outlook in 2020

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## Summary

- Rabobank estimates total wheat, corn, soybean, and soymeal (Major Grains) demand in Indonesia, Malaysia, the Philippines, Thailand, and Vietnam (Five Countries) will decrease by 1.6% YOY in calendar year 2020 after flat demand growth last year and an average YOY increase of 5.0% for the last five years.
- Animal feed use is the major driver for the expected cut. Total demand for Major Grains in the Five Countries for animal feed is expected to decrease by 3.2% YOY in 2020, compared to a 1.3% YOY decrease last year and an average YOY increase of 5.8% for the last five years.
- Meanwhile, total Major Grains demand for human consumption in the Five Countries is expected to increase by 1.4% YOY in 2020, compared to a 3.0% YOY increase last year and an average YOY increase of 3.9% for the last five years. Wheat imports to the region are forecast to grow by 1.4% in 2020, following 3.7% growth in 2019 and 4.8% average growth for the last five years.
- In terms of YOY growth among the Five Countries, total demand for Major Grains in 2020 is expected to decrease the most in the Philippines, with a 3.2% YOY decrease in 2020, while Indonesia is forecast to perform the best, with flat YOY total demand.
- What's the impact to global grains and oilseeds (G&O)?
  1. Global 2020 G&O prices will remain relatively low, due to a combination of forecast record global production (assuming favorable weather) and slowing global demand growth.
  2. A low G&O price environment provides opportunities for G&O processors to increase their stockpiles and also to hedge their procurement.
  3. Opportunity for consolidation will arise in certain G&O processing sectors in Southeast Asia, as G&O processing margins will be pressured by slowing demand growth.

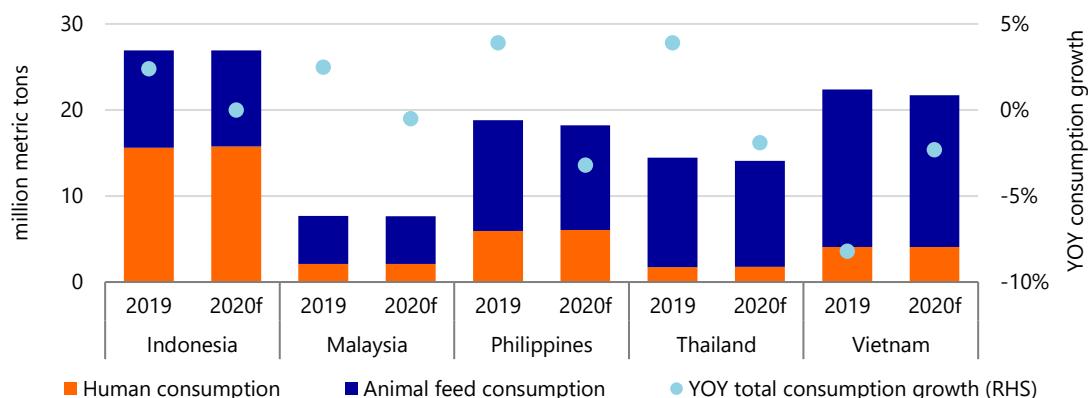
## Southeast Asian G&O Demand

The coronavirus outbreak and lingering ASF impacts, which negatively affect the foodservice and animal protein industries (see our reports, [Covid-19's Impacts on Southeast Asian Animal Protein Markets](#) and [African Swine Fever: A Global Update](#)), are also expected to impact Southeast Asian G&O demand negatively in 2020. G&O demand for home consumption in Southeast Asia, however, is still expected to remain resilient, as consumers resort to stocking up and cooking at home, thus offsetting most of the G&O consumption reduction in foodservice. Meanwhile G&O demand for animal feed is expected to decline, due to reduced animal protein consumption and the impacts of ASF, which have reduced pork production in Vietnam and the Philippines. Around 64% of total annual Major Grains demand in the Five Countries is used for animal feed. Hence, the decrease in G&O use for animal feed outweighs the increase in G&O use for human consumption (see Figure 1).

Among the Five Countries, total demand for Major Grains is expected to decrease the most in the Philippines in 2020, with a decrease of 600,000 metric tons YOY, or -3.2% growth YOY. Indonesia is forecast to perform the best, with YOY total demand for these G&O flat in 2020, while

Vietnamese demand for Major Grains is expected to decrease YOY by 540,000 metric tons in 2020, compared to a YOY decrease of 2.1m metric tons in 2019.

**Figure 1: Major Grains consumption in the Five Countries is expected to decrease by 1.6% YOY in 2020, to 97.4m metric tons**



Source: USDA, Rabobank 2020

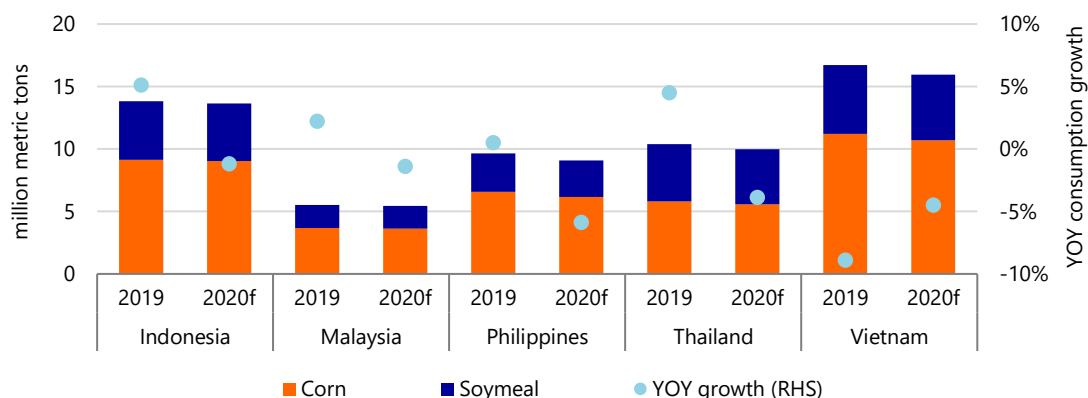
Note: Major Grains = wheat, corn, soybean, and soymeal

## Reduced Animal Consumption to Directly Impact G&O Demand in the Region

The combination of quarantine measures, negative economic growth, and lingering ASF impacts is expected to reduce animal protein consumption and production in Southeast Asia in 2020, which will translate to lower animal feed consumption in the region. Rabobank estimates total demand for hog feed, broiler feed, layer feed, and aqua feed in the Five Countries to decrease by 3.5% YOY, to 92.8m metric tons, after flat YOY demand growth in 2019 and an average YOY increase of 5.9% for the last five years. Major Grains account for 67% of raw materials for these animal feed in the Five Countries. Hence, we estimate that total consumption of Major Grains for animal feed in the Five Countries to decrease by 3.2% YOY, to 62.5m metric tons, in 2020, compared to a 1.3% YOY decrease last year and an average YOY increase of 5.8% for the last five years.

Among the Five Countries, we expect animal feed consumption to decrease the most in Vietnam in 2020 in terms of volumes. Total consumption of hog feed, broiler feed, layer feed, and aqua feed in Vietnam is forecast to decrease by 4.4% YOY, to 26.7m metric tons, in 2020, compared to a 7.6% decrease YOY in 2019. As a result, we expect total corn and soymeal consumption for animal feed in Vietnam to further decrease by 4.5% YOY, to 15.9m metric tons, in 2020 after an 8.9% YOY decrease last year and an average YOY increase of 8.3% for the last five years (see Figure 2).

**Figure 2: Total corn and soymeal consumption for animal feed in the Five Countries is expected to decrease by 3.5% YOY in 2020, to 54.1m metric tons**

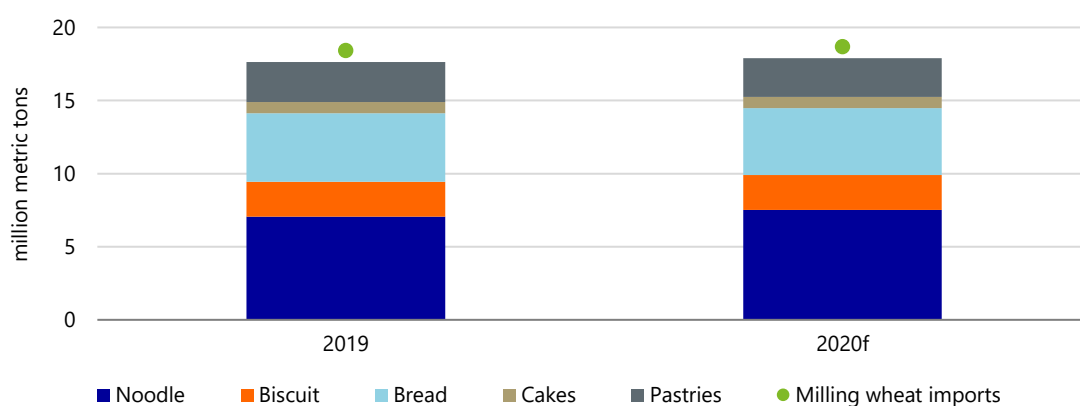


Source: USDA, Rabobank 2020

## Demand for Instant Noodles and Biscuits to Provide Support for Milling Wheat Consumption in Southeast Asia

Rabobank estimates demand for Major Grains for human consumption in the Five Countries to grow by 1.4% YOY, to 30.8m metric tons, in 2020 after a 3.0% YOY increase last year and an average YOY increase of 3.9% for the last five years. Demand for milling wheat will contribute most of this consumption growth. Milling wheat demand from the bread (artisanal and wholemeal), cake, and pastry subsectors is expected to decrease across the Five Countries in 2020, due to slow recovery in the foodservice industry and consumers' lower disposable incomes. However, milling wheat use for instant noodles and biscuits is expected to remain healthy (see Figure 3). Hence, we expect imports of milling wheat to the Five Countries to increase by 1.4% YOY in 2020, to 18.7m metric tons, after a 3.7% YOY increase last year and an average YOY increase of 4.8% for the last five years.

**Figure 3: Total milling wheat demand from the noodle and biscuit industries in the Five Countries is expected to increase by 4.9% YOY, to 9.9m metric tons in 2020**



Source: USDA, Euromonitor, Rabobank 2020

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