

Global AgriTrends



Mega-Trends in Global Agriculture

December 2020

Brett Stuart, President
Global AgriTrends

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My Business: Global AgriTrends

- Global analysis of agriculture markets, est. 2006; focused on global priorities (beef, pork, poultry)
- Economic, policy, forecasting
- Extensive global network of clients and contacts
- On-the-ground research on 6 continents
- Clients include multinational processors, ag banks, Wall St banks, hedge funds, brokers, producers (hogs, cattle, chickens), trade associations, feed companies, and others seeking market intel in the global protein space



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My Job

- I analyze global agriculture markets...
 - Beef, pork, poultry, dairy, hay
- ... and give my opinions on prices, exports, and policies
- To a wide variety of groups
 - Banks, farmers, ranchers, meat packing companies, overseas traders, hedge funds, etc
- And speak at conferences and client meetings / web conferences



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The Future is
Unpredictable.

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**But some trends are
unmistakable...**

Is the future predictable?

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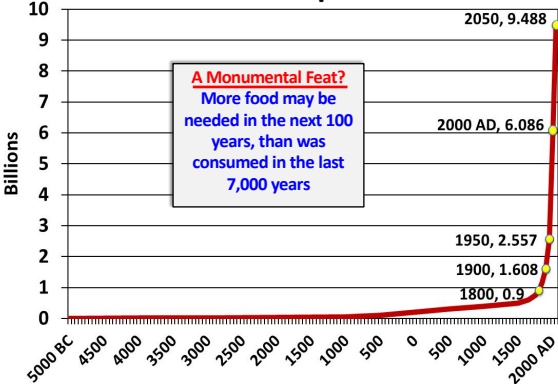
Megatrend #1

More mouths...

Is there enough?

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World Population

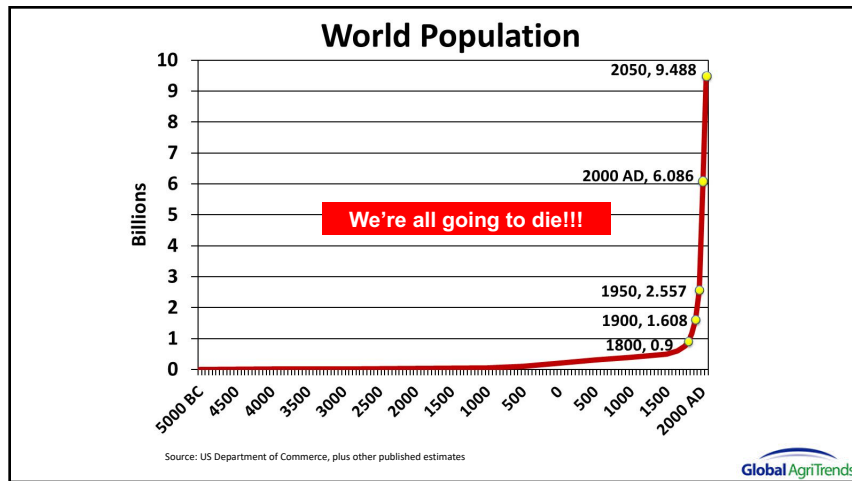


A Monumental Feat?
More food may be needed in the next 100 years, than was consumed in the last 7,000 years

Source: US Department of Commerce, plus other published estimates



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When Will Food Shortages Begin?

- They already have; 815 million are considered “food insecure” today.
- >6,000 children perish every day due to malnourishment
- More hungry people in the world today than the combined populations of the U.S. and EU

Source: Kevin Carter

This is unacceptable.

But it is not due to productive capacity...

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I Have Done the Math

- World resources will be adequate to feed 9 billion **IF** technology & productivity are allowed to spread globally

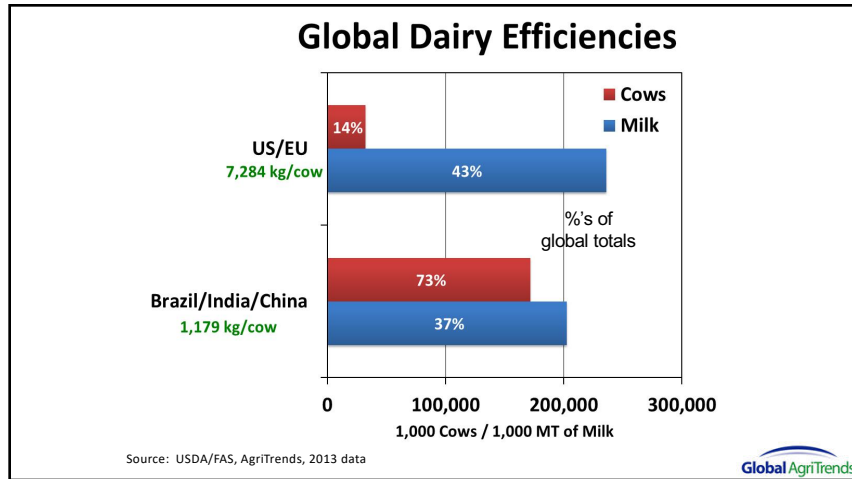


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Two Methods



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Megatrend #2

More money.

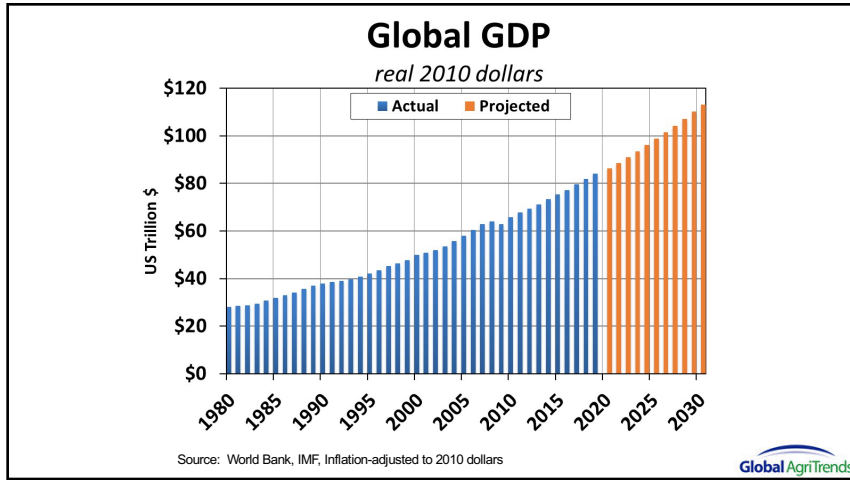
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Global Food Demand

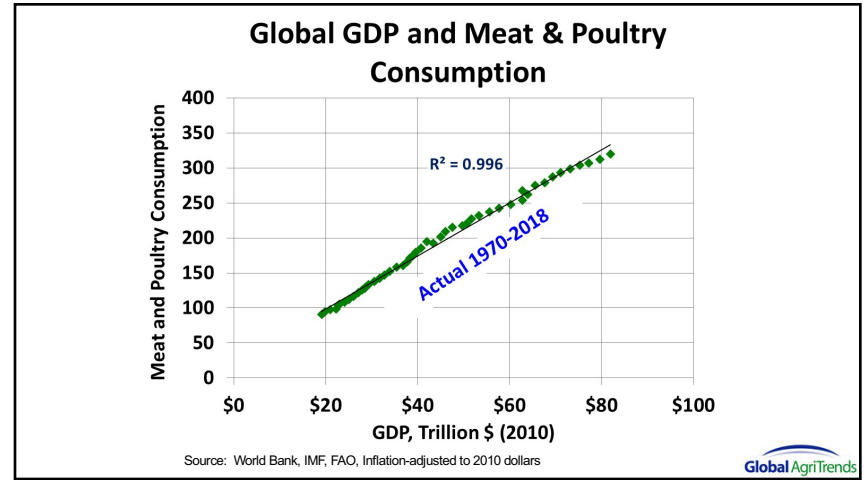
- Global middle class to rise *from 2 billion in 2014 to 4.9 billion by 2030*
 - China: 850 new million middle class ('09-'30)
 - China retail foods section now at US\$45 billion (+18%)
 - But also, less-developed nations globally
 - New opportunities for further-processed and consumer-ready food products

The logo for Global AgriTrends, featuring a stylized blue and green wave above the text "Global AgriTrends".

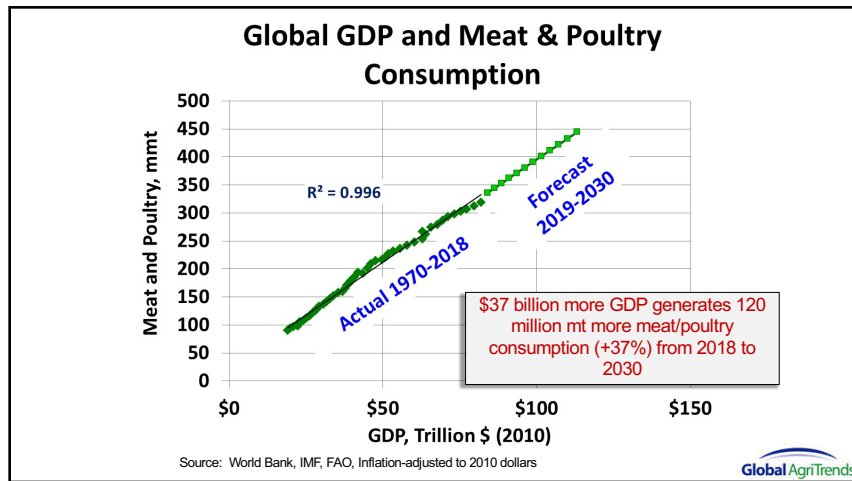
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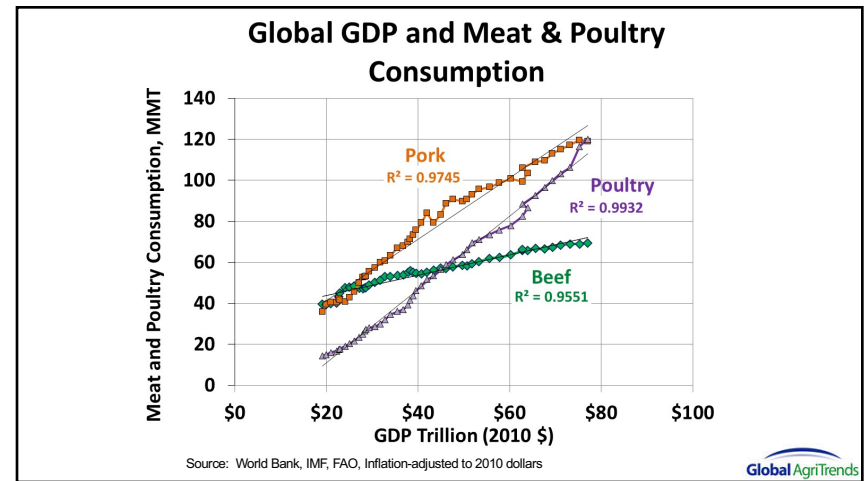
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Megatrend #3 CHINA

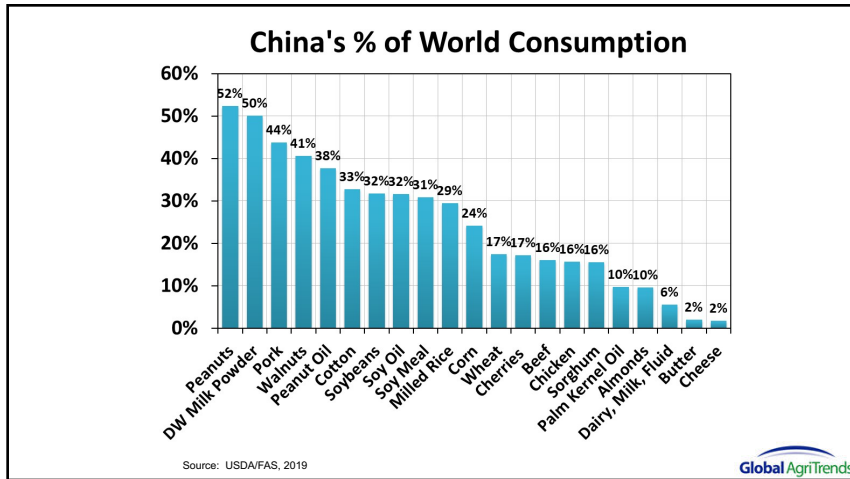


Flush with cash, Chinese hog producer builds world's largest pig farm

DECEMBER 7, 2020



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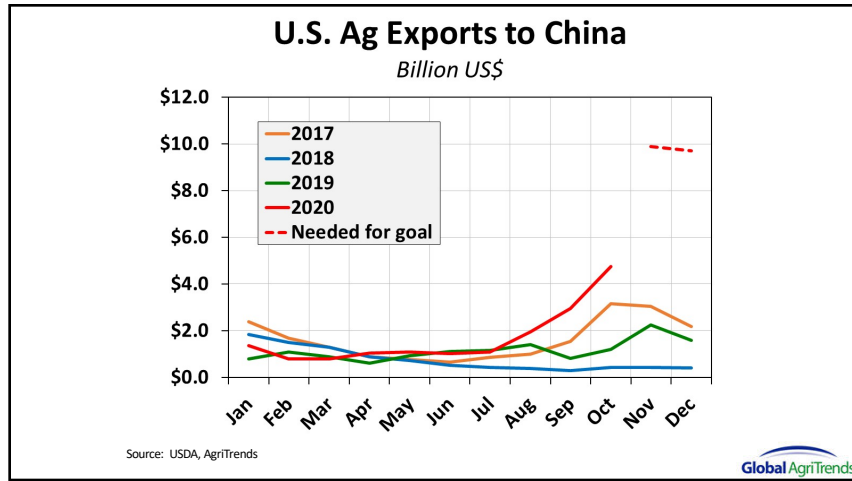
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CHINA

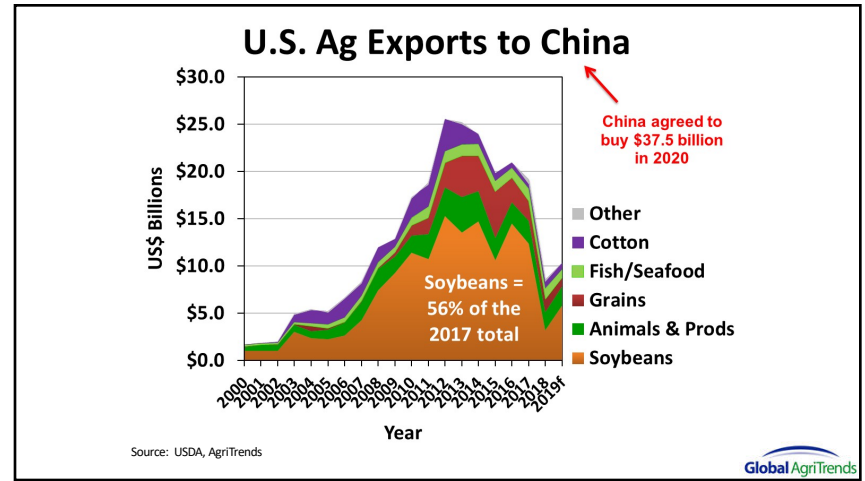
- The “China Math” has taunted U.S. farmers for years
- But the U.S. relationship has always been COMPLICATED
- Agriculture exporters have been frustrated for decades

- What about The PHASE 1 DEAL?
 - \$37 billion per year? Peak was \$25 billion

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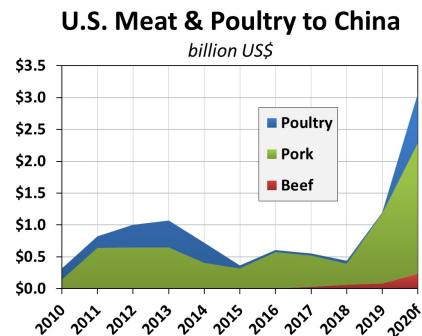
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Phase 1 Deal: More than Purchase Agreements

- Opened the market to U.S. beef and poultry
 - Both had been closed
- Very liberal access
 - USDA plant list approval
 - Few restrictions



Source: TDM, AgriTrends



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*From 2018 through 2020
African Swine Fever (ASF) led to more than
50% of China's swine herd being culled*

- China: 50% of world's swineherd
- Highest per-capita consumption rates of pork
- 42+ million hog farmers
- Fragmented industry



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Why ASF is A Global Protein Game Changer?

- **The virus is very strong (hard to kill)**
- Mortality rates > 95%
- **There is no vaccine**
- 75% of the world's hogs are now threatened
– (EU and Asia)
- Chinese pork supplies = **20% of total global meat/poultry**
- The losses in China and Vietnam are **massive**



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ASF in 2020 (and beyond)

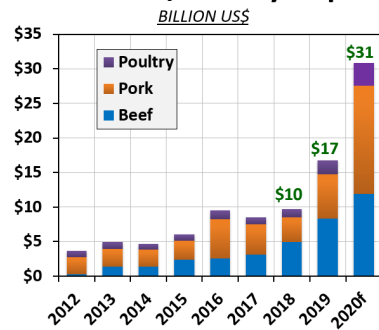
- ASF has driven **global protein inflation**
 - **Initially** for “preferred suppliers” (BRAZIL)
 - **Next** for global corn markets due to China's ban on swill feeding (30 mmt)
- China's government reports a “**successful recovery**” for 2021 (????)
 - ASF still exists in China, half of their hogs are on small farms (not biosecure)
 - **What if they're right?**



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China Driving Global Protein... For Now.

China Meat/Poultry Imports



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The Market of the Future...

(and it always will be...)



- China has long enticed global agriculture producers
 - But has disappointed in nearly every instance (exception: soybeans)
- Is “this time different”?
- China **will rebuild their swine sector** over the next 5 years
- But they face some **difficult decisions over resources**
 - Land, water, environment, and strategic food commodities
- **They can hold onto self-sufficiency longer than most expect**

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Megatrend #4

The wealthy 3%...

...of the planet

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Consumers have a tendency to romanticize the past...



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And condemn the present ...



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Neither view is fair.



“There never were any good, old days...”



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Core Principles of Food

Food MUST be:

- Safe
- Affordable
- Humanely-raised



Food CAN be:

- Organic
- Traceable
- Free range, locally grown, etc..



Changing Consumers

- **Old thought:** food to sustain life
 - All about cost
 - Homogenous products
 - Purchase decision: price
- **New thought:** food as identity
 - Consumers want to spend more \$
 - New products every week
 - Purchase decision: company's foreign policy & political views, sustainability, responsibility (anything but price)

Is the Customer Always Right?



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Opposing Forces



1. Ag markets drive **producers** to maximize yield and profit (*technology adoption that leads to higher yields and lower costs*)

AND

2. Buzzwords on the rise with **consumers**: Organic, natural, antibiotic-free, free range, locally grown (*product-enhancement practices that generally reduce yields and increase costs*)

How is this reconciled?

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The Key is CHOICE

- **Preserving choice allows both producers and consumers to win**
- Markets are very efficient at allocating resources
 - (lower-yield practices = higher priced goods and vice-versa)
- This doesn't seem so difficult....
- **BUT...**
- Where does the "noise" come from?
 - **Social agendas:** "Angry Acronyms" are well funded and organized; and seek to **legislate** yield-reducing (and cost adding) regulations



Keep in mind...



89% of the world is poor

An “Inconvenient Truth...”

“It is **socially irresponsible** to **legislate** **yield-reducing practices**”

Nearly a billion of our common population is food insecure; now is **NOT** the time to legislate costs and regulations that reduce supplies



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Summary

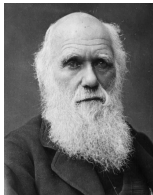
- More People: **Bullish for global agriculture**
- More Money: **Bullish for global agriculture**
- China: **A complicated opportunity, bullish for global agriculture**
- Wealthy 3%: **A challenge for conventional agriculture, risk to the global food supply**

Global dynamics ensure rising demand ahead for global food producers



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The Future...



"... it is not the **most intellectual** of the species that survives; it is not the **strongest** that survives; but **the species that survives is the one that is able best to adapt and adjust to the changing environment** in which it finds itself." - Charles Darwin

Adapt... **or** **Perish**

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Thank You

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