



Global Protein Update

April 20, 2016

Brett Stuart



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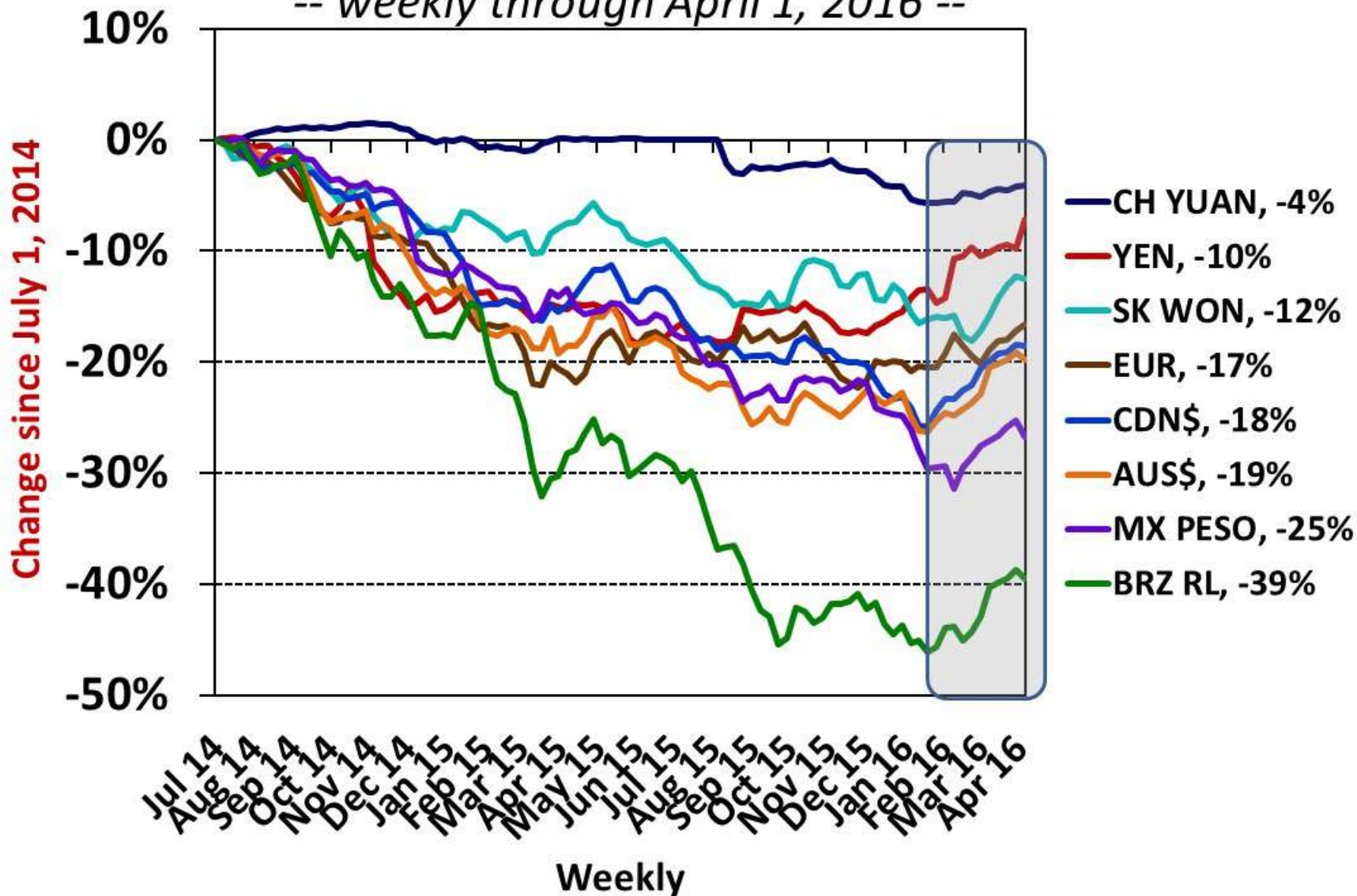
Brett Stuart

Outline

- Macro Ag Market Factors
- Key Global Protein Trends
- Global Poultry and Eggs
- 2016 and Watchlist
- U.S. Agriculture and the Future

Changes vs. the US Dollar

-- weekly through April 1, 2016 --



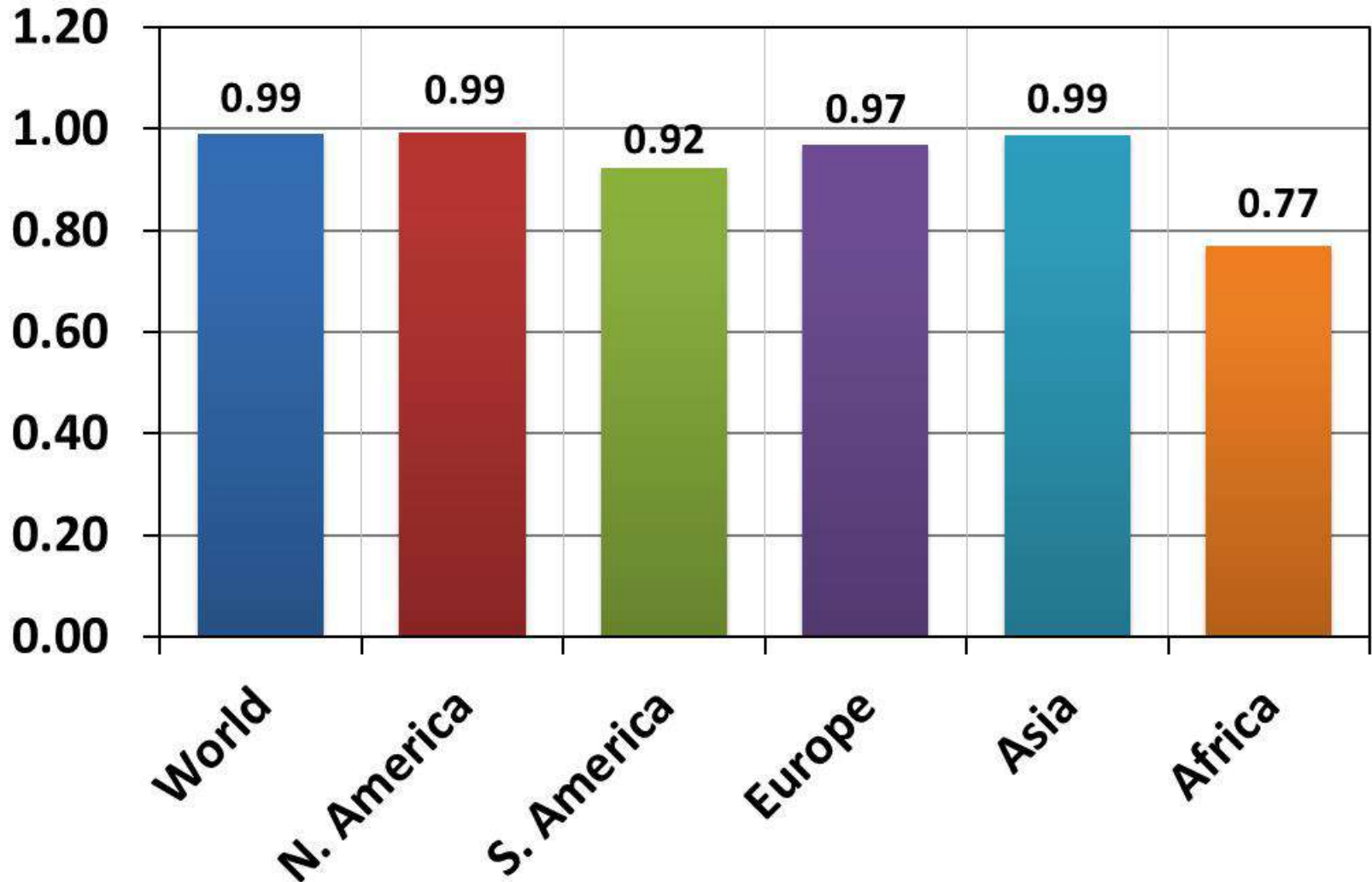
Source: Pacific Exchange, AgriTrends

Global Economy

- Wobbly
 - IMF again reduced 2016 GDP forecasts
 - Negative interest rates?!
 - Big economy difficulties
 - EU: Greece \$300+ bil; Italy and Portugal concerns remain
 - Japan: into recession, Abe-nomics, 10-year GDP avg +0.6%
 - Developing economy difficulties:
 - Brazil recession deepens, big problems
 - China economy slowing
 - 3rd world debt crisis, U.S. dollar pressure

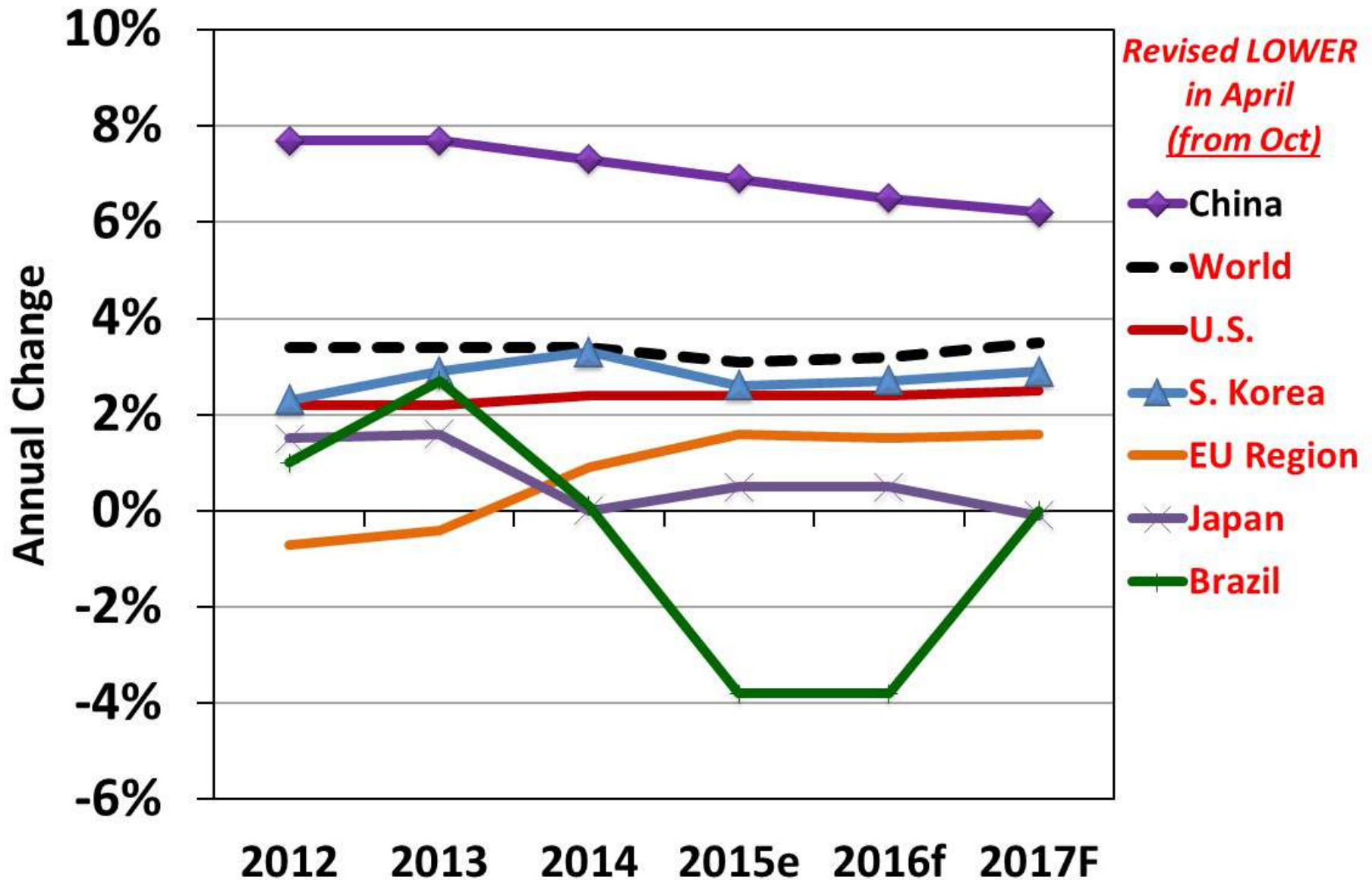
Correlations: PCI x PCC

(per capita poultry consumption x per capita income)



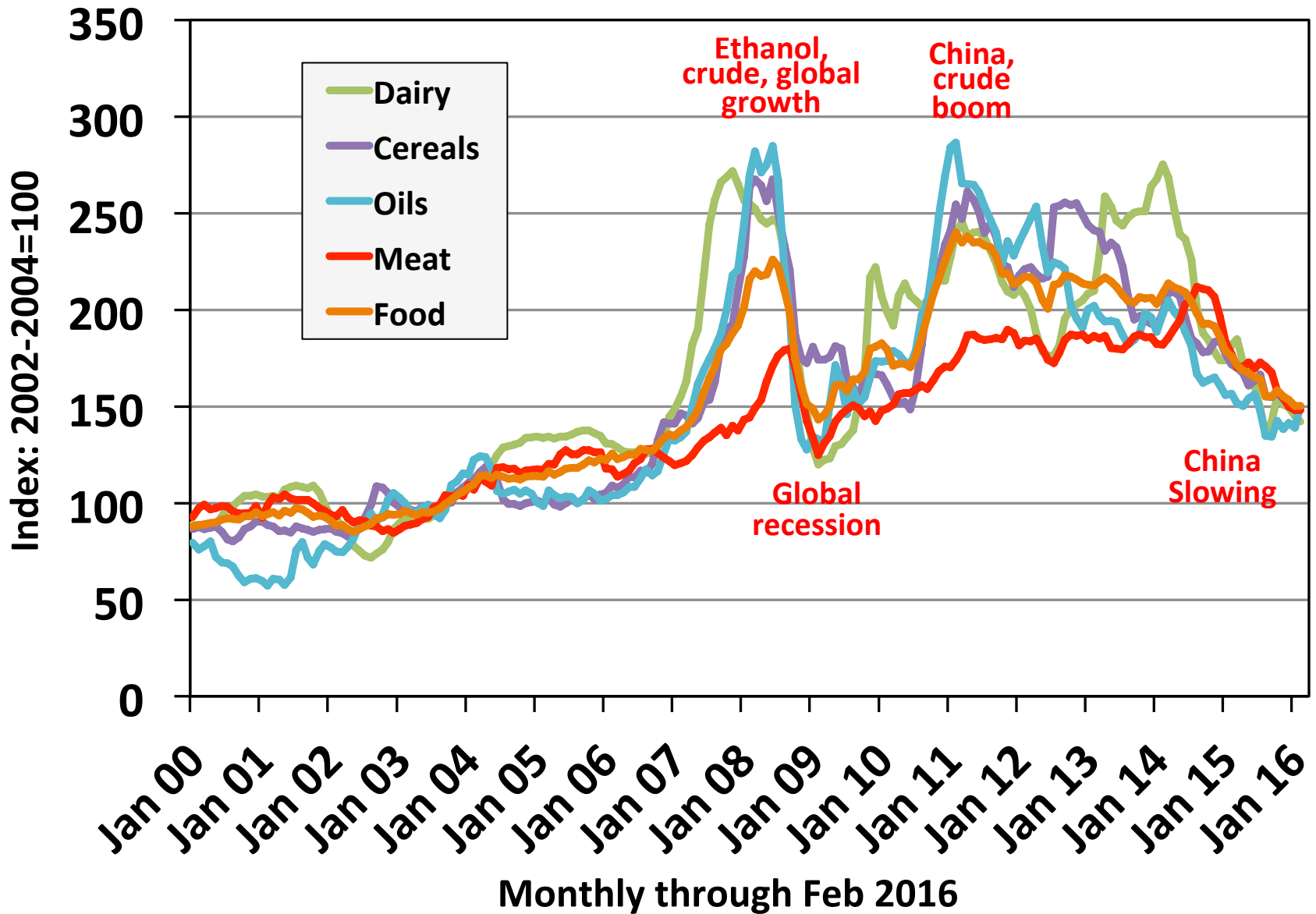
Source: USDA/ERS, UN/FAO, 1980-2011 data

IMF GDP Forecasts



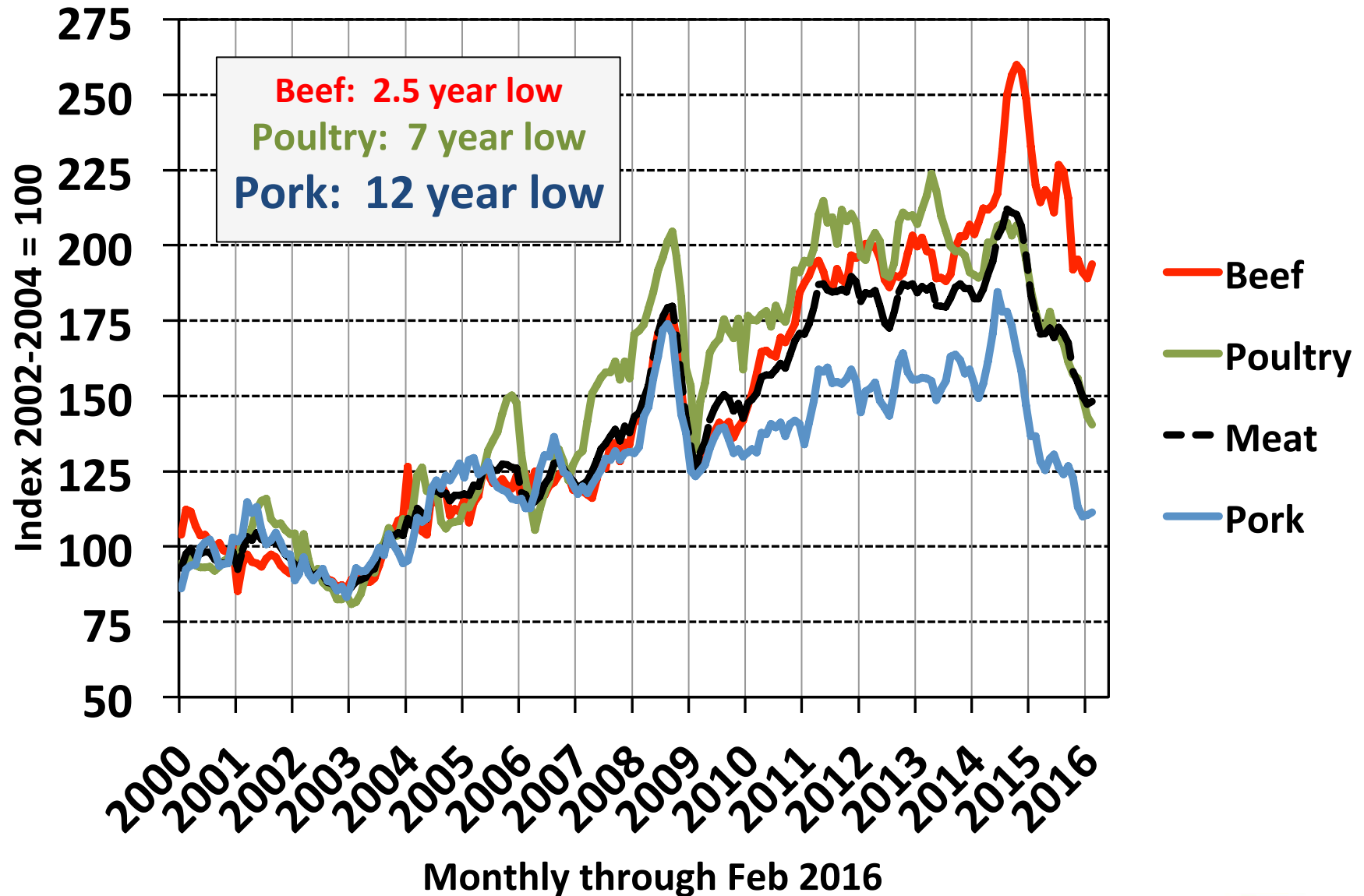
Source: IMF

Global Food Indices



Source: UN/FAO

Global Meat Price Indices



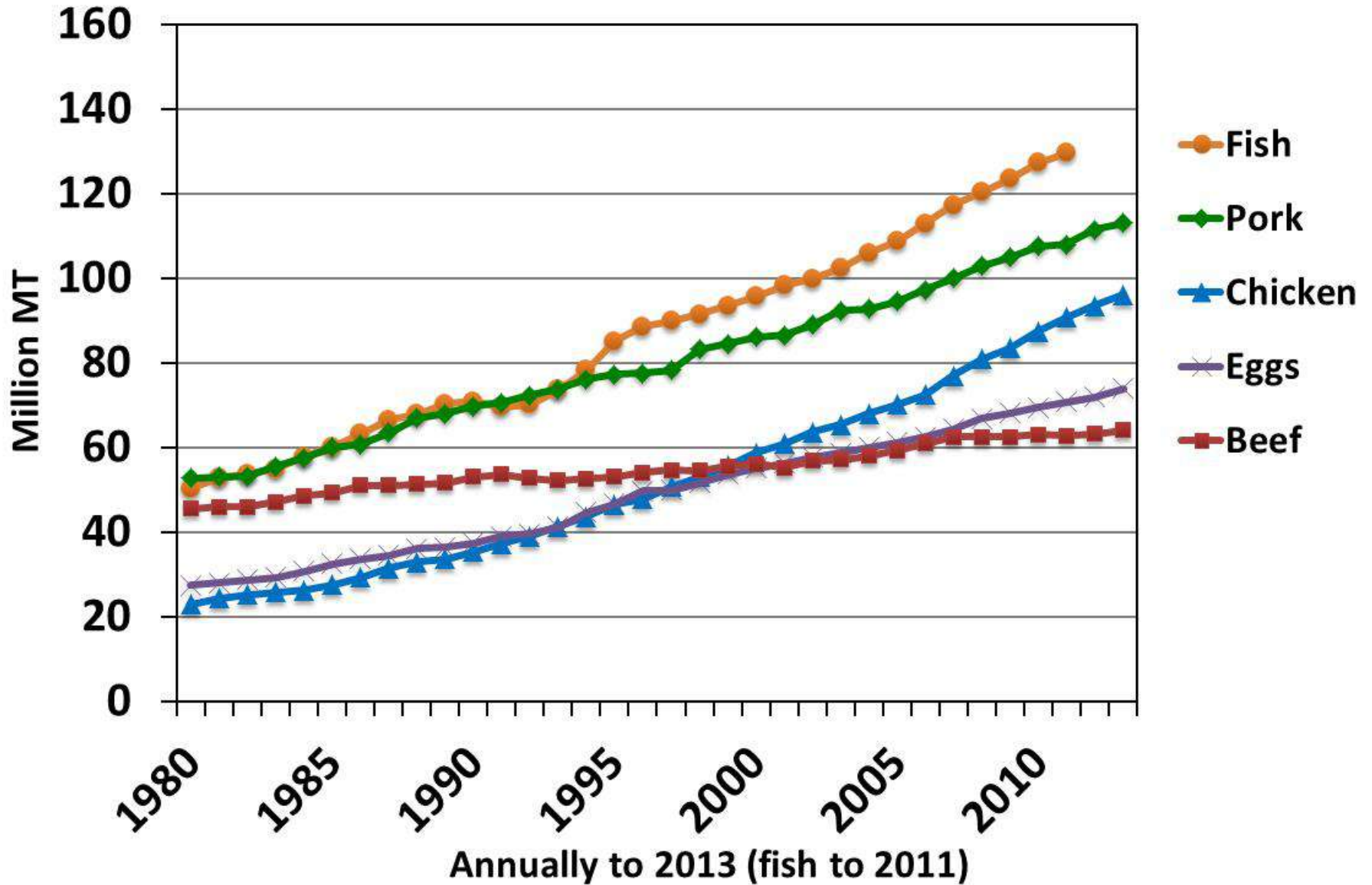
Global Food Demand

- **+78 million** people per year (global growth)
- Global middle class to rise **from 2 billion to 4.9 billion by 2030**
 - Asia driving global food demand
 - But also, less-developed nations globally
 - New opportunities for **further-processed and consumer-ready** food products

(Guangzhou, China) The Pearl River Delta has now surpassed Tokyo as the largest urban population on earth (42 mil). East Asia has 8 megacities (>10 million) and 123 cities with 1-10 million people

Key Global Protein Trends

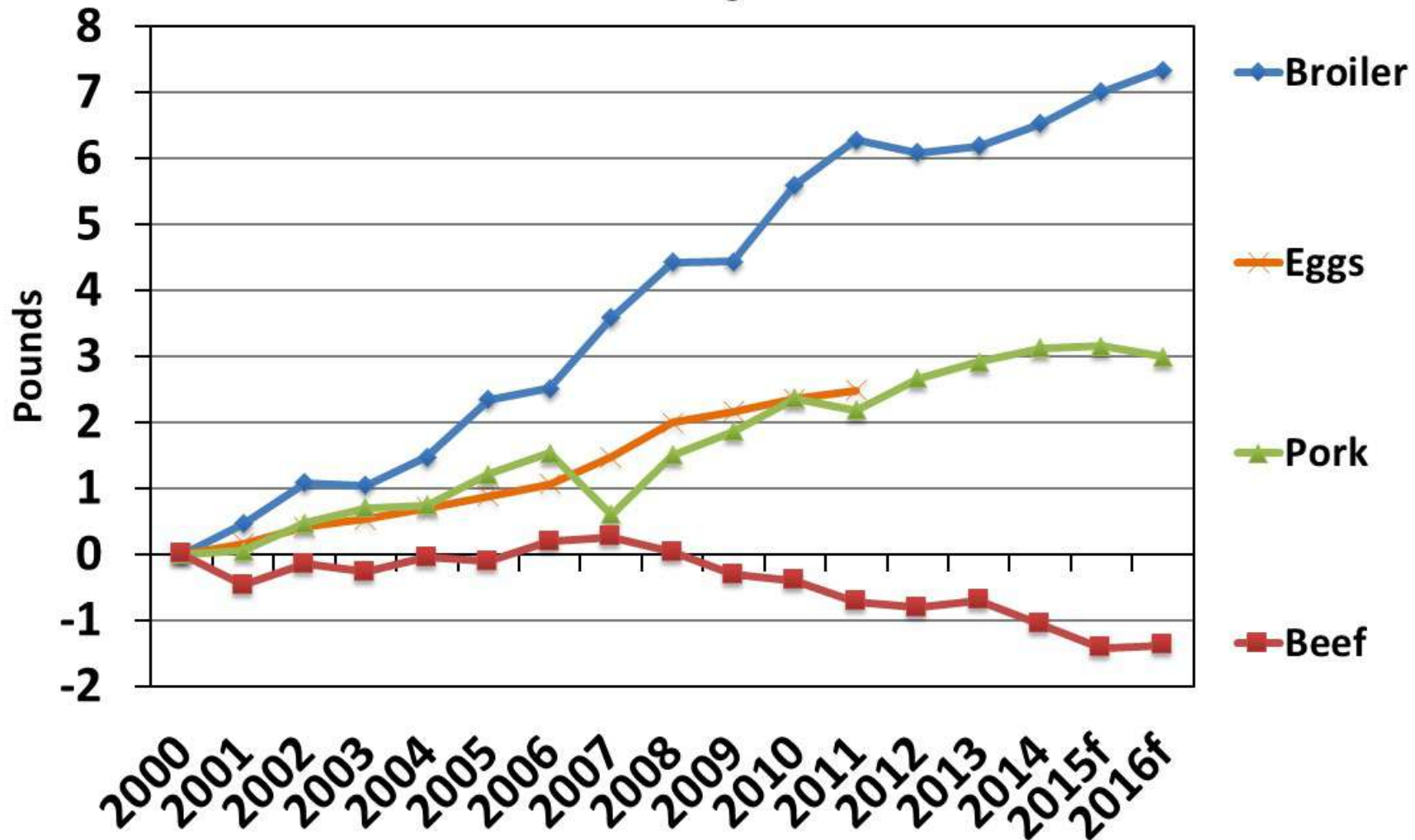
Global Protein Supplies



Source: UN/FAO

Global Pounds Per Capita

cumulative change since 2000



Source: USDA/FAS, UN/FAO

Key Global Protein Concerns

- **Chinese pig prices** record high (food inflation concerns, import surges)
- **Chinese grain policy** shifts (250 mmt stocks; 9 bil bu down -30% from a year ago)
- **Brazil's economic/political problems**
- **Rising production** (nearly all global poultry and livestock producers are profitable; excl dairy and EU pork)
- **Russia's food experiment**
- **Cheaper feed** (at least in the U.S.)

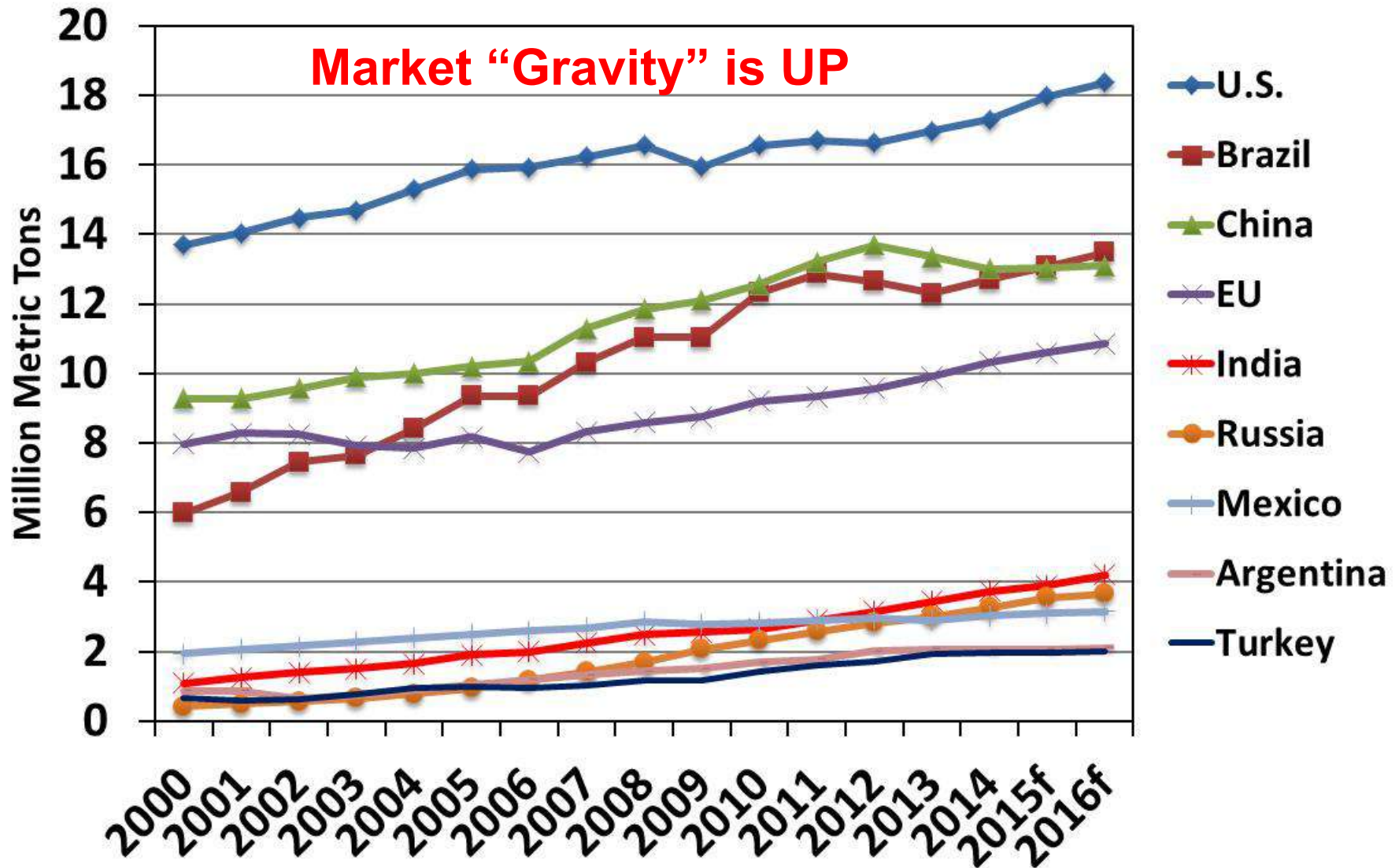
Global Poultry & Eggs

Global Trade

HPAI

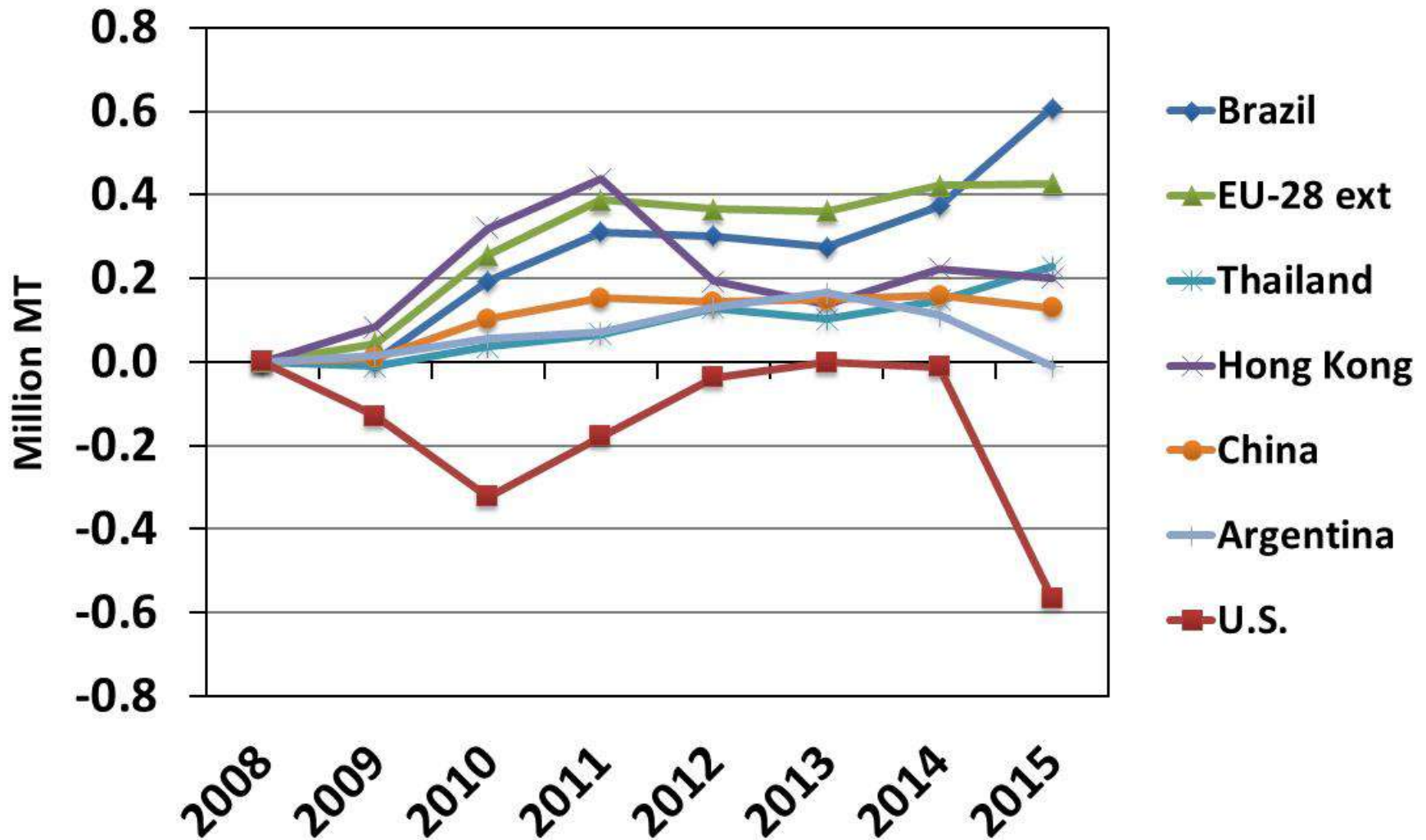
U.S. Trade

Broiler Production



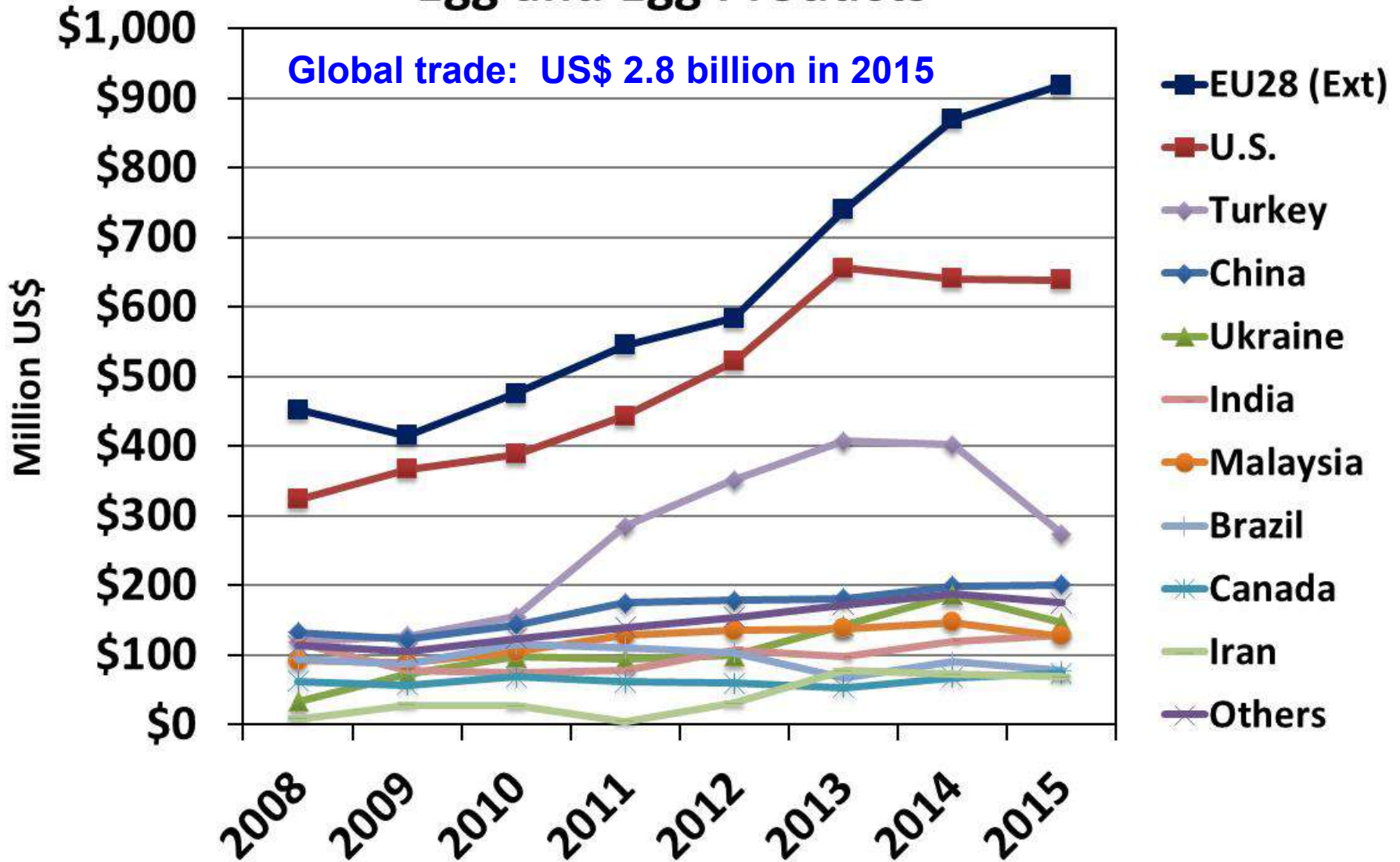
Poultry Exports

Cumulative Change from 2008



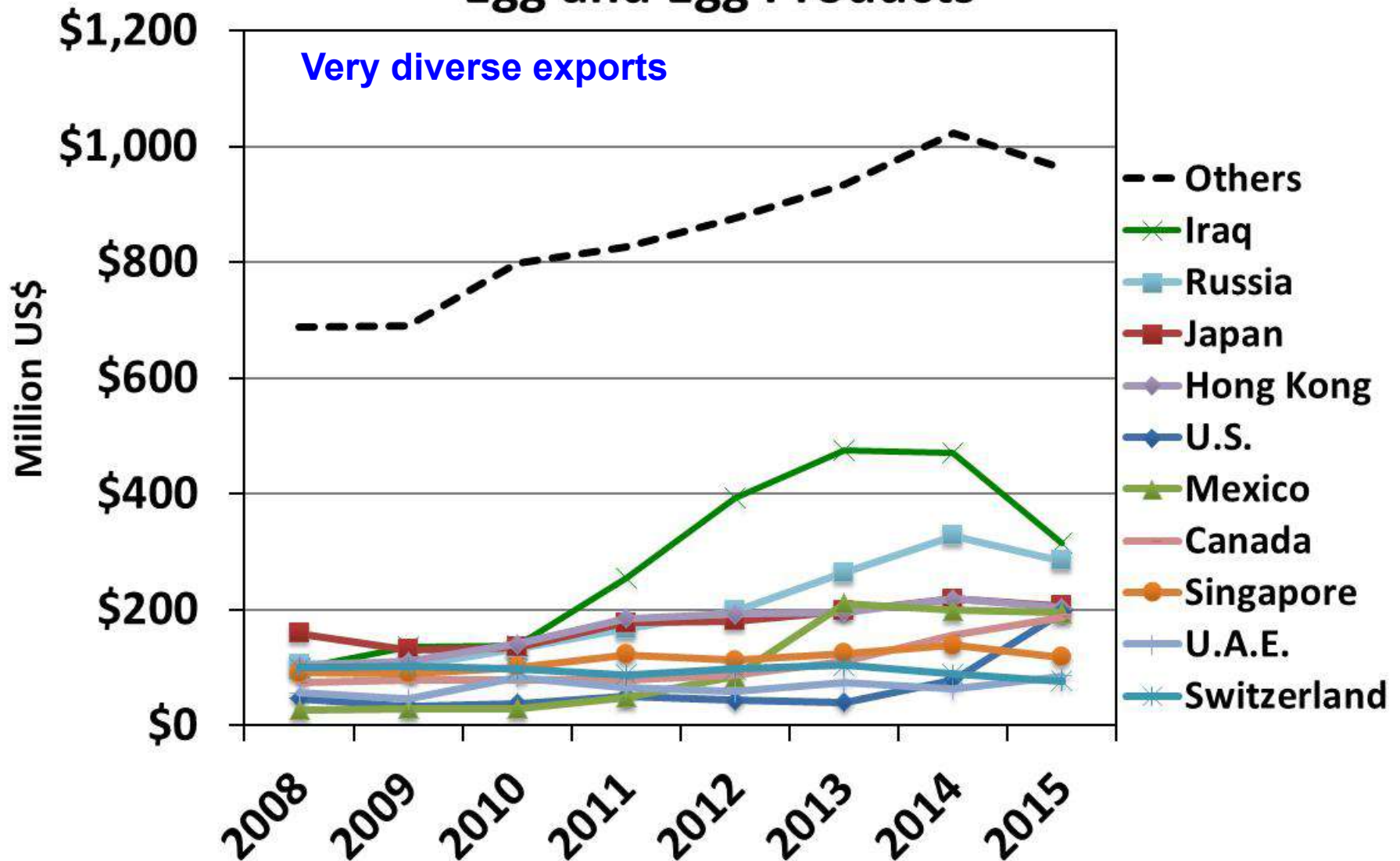
Source: GTIS, AgriTrends

Global Exporters: Egg and Egg Products



Source: GTIS, AgriTrends

Global Destinations: Egg and Egg Products



Source: GTIS, AgriTrends



Global Poultry

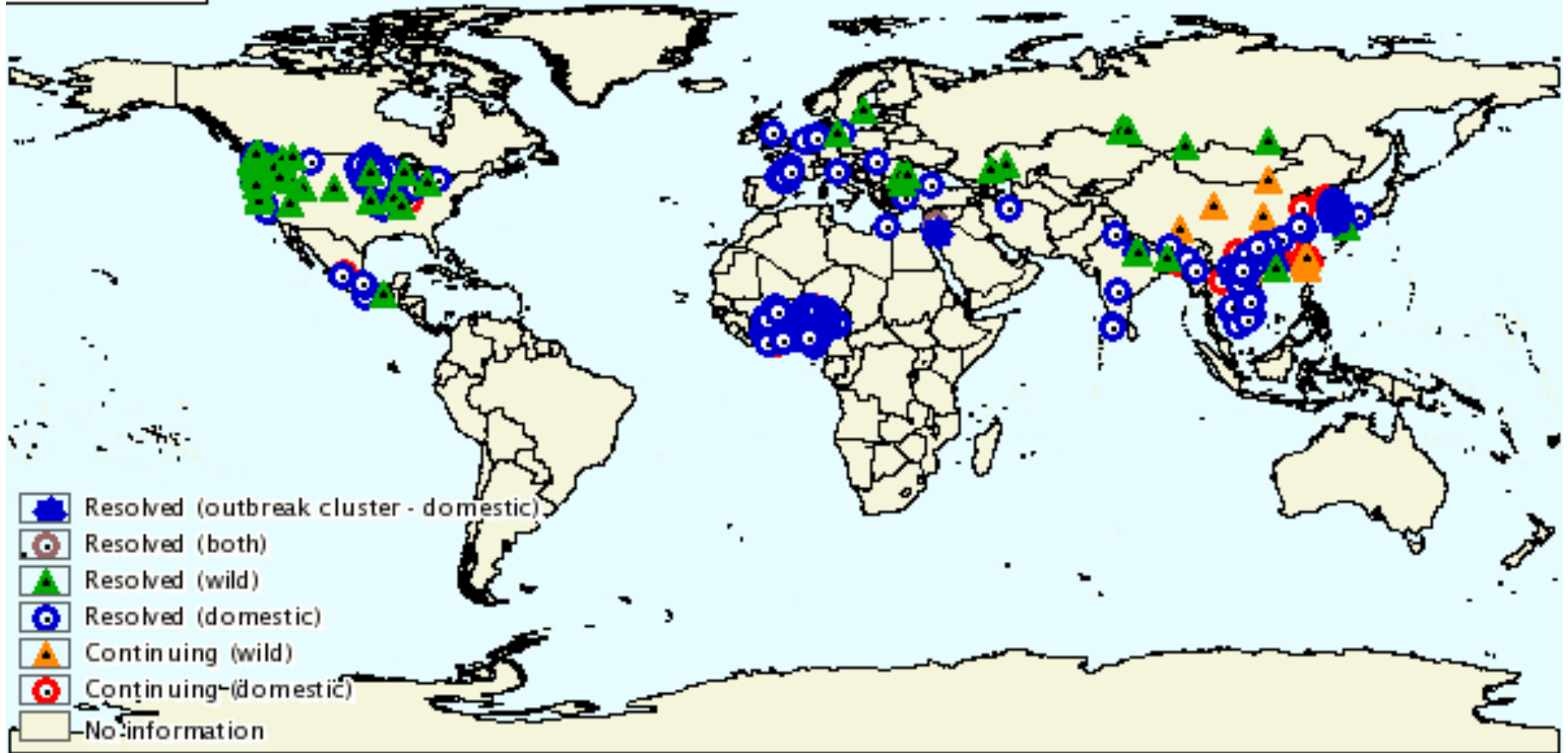
- High-Path Avian Influenza (HPAI) is now global (only S. America excluded)
 - this is affecting trade flows
 - China and S. Korea have banned all U.S. poultry
 - Other countries have state bans
- Global poultry sector remains profitable due to abundant feed supplies (global expansion)
- Global poultry demand outpacing other proteins (UN: 27 mmt more by 2023)

U.S. Poultry and Egg Trade

HPAI Outbreaks

2015-2016 YTD

WHD/DOIE © 2016



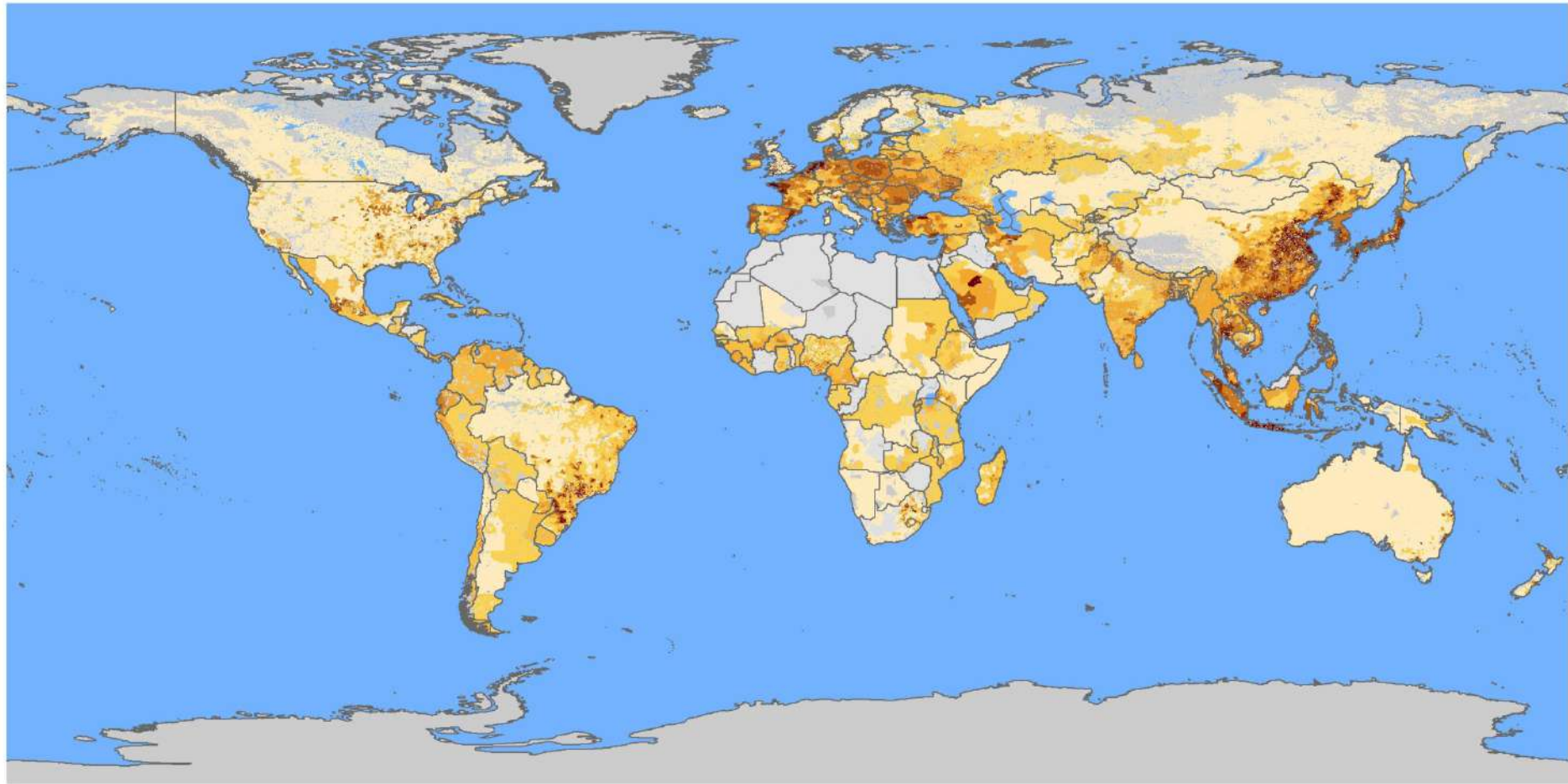
Source: OIE



Poultry density map – 2005 (census data)

AGRICULTURE AND CONSUMER PROTECTION DEPARTMENT

Animal Production and Health Division



Number per square km

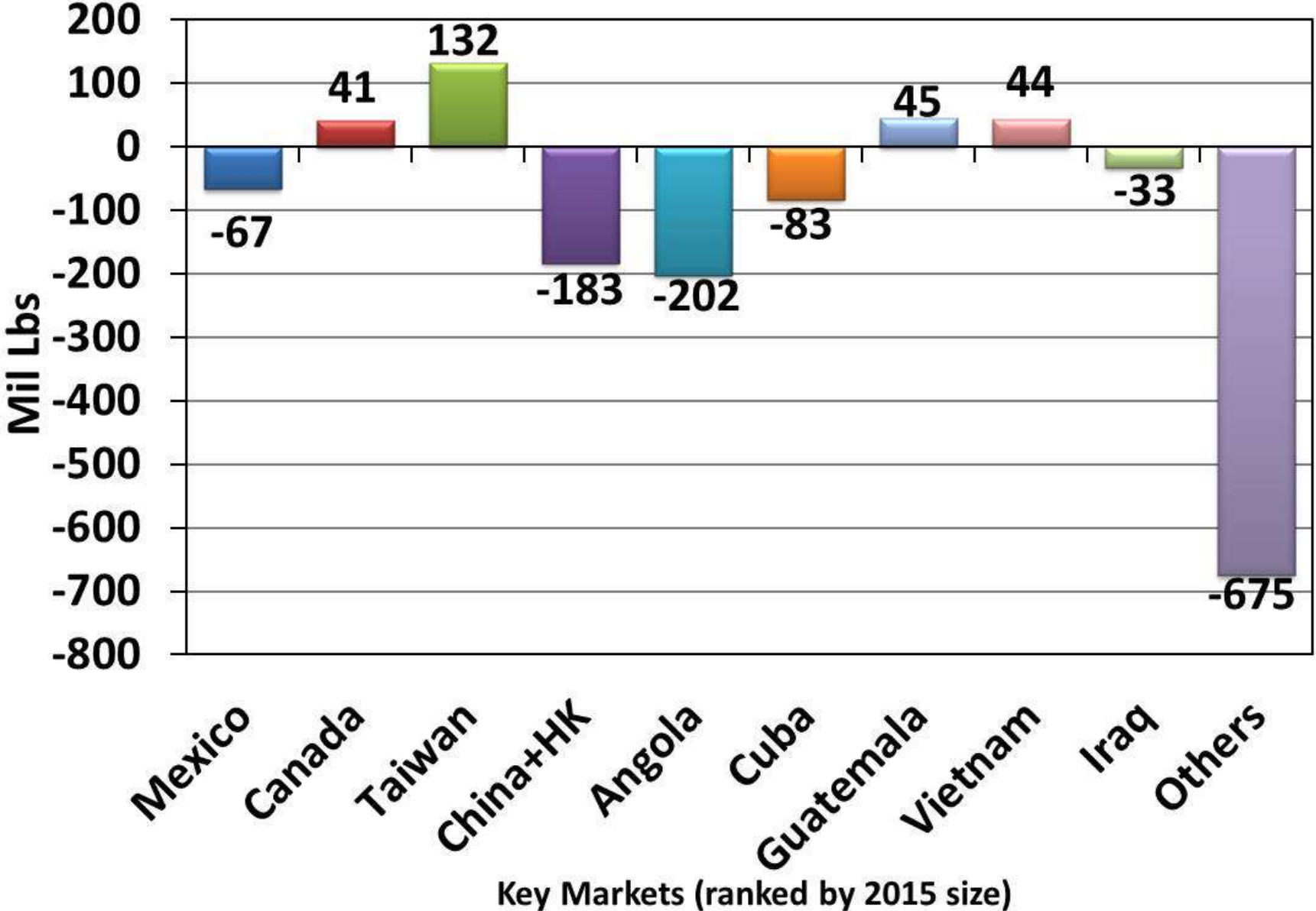


Source: Gridded Livestock of the World

U.S. HPAI Export Bans

- U.S. – wide bans: S. Korea, China, Russia
- Remainder are mixed regional bans (region, state, county)
 - Many have been relaxed ([MEXICO](#))
- U.S. can submit to OIE for “HPAI free” status after 12 months.
- HPAI remains a **major** wildcard

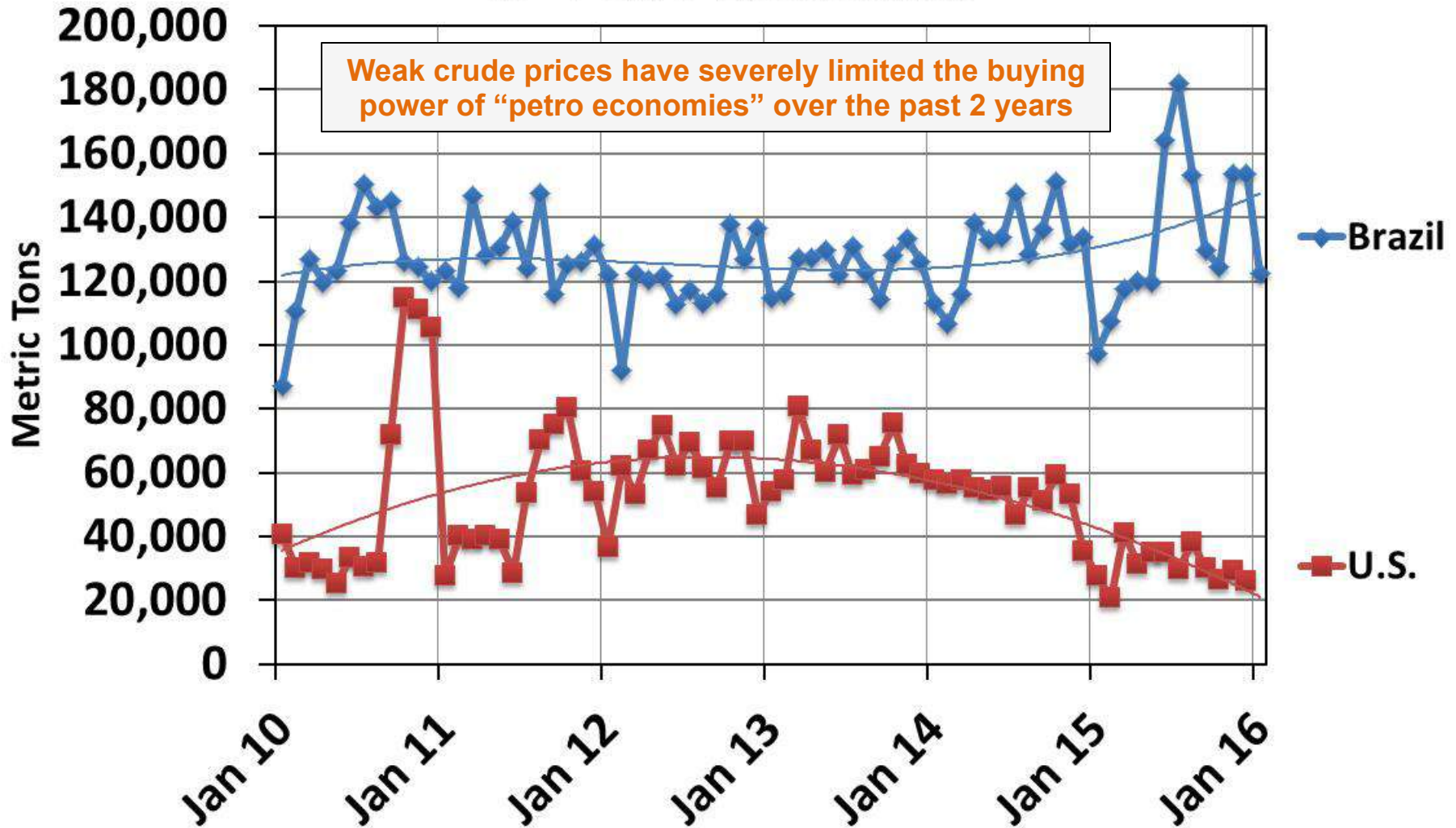
2015 Change in U.S. Broiler Exports



Source: USDA/FAS, AgriTrends

Chicken Exports:

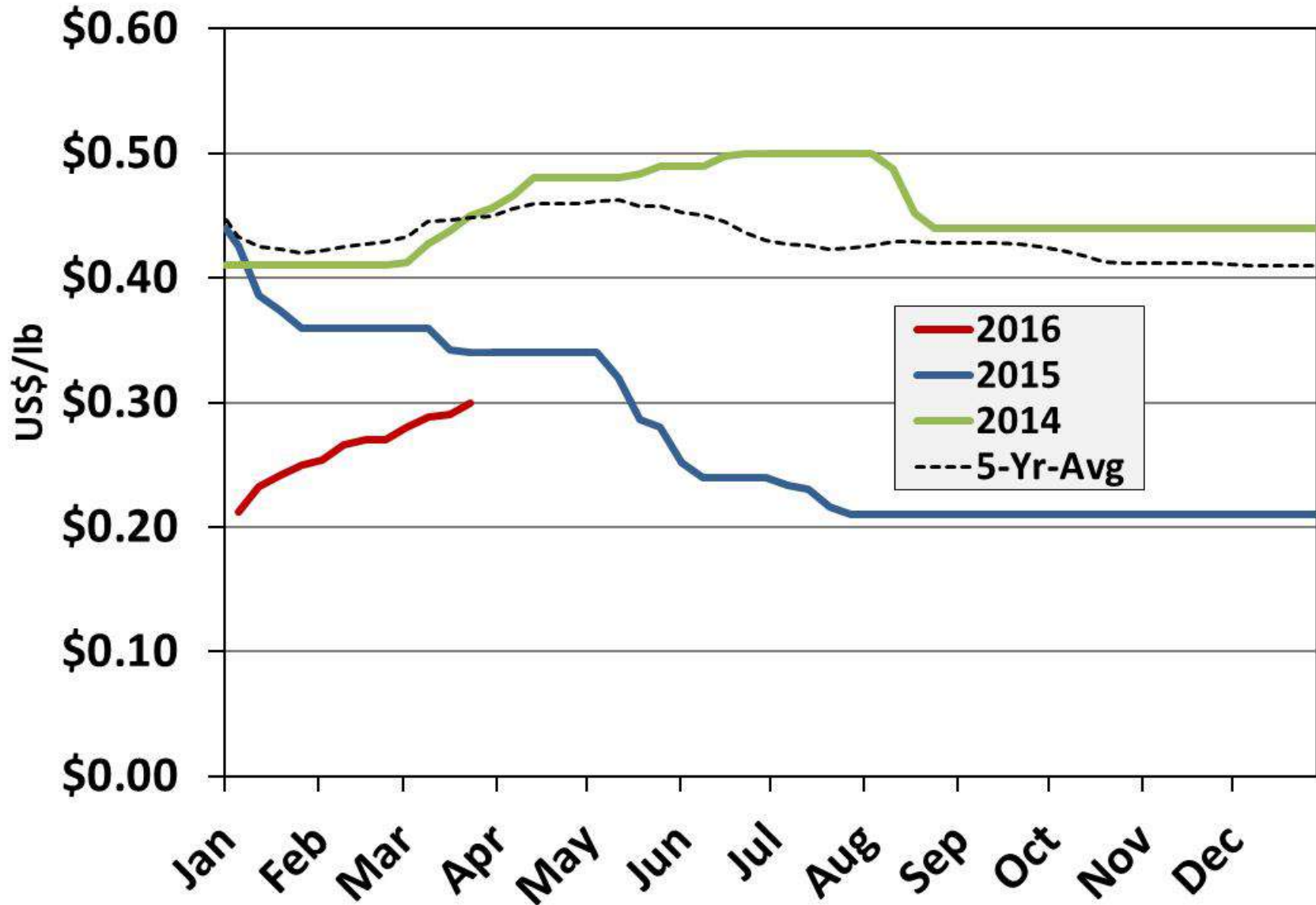
to "Petro Economies"



Source: GTIS, AgriTrends

Petro Economies include: Saudi Arabia, U.A.E.
Angola, Venezuela, Kuwait, Iraq, Qatar, Russia,
Kazakhstan, Niger, Iran

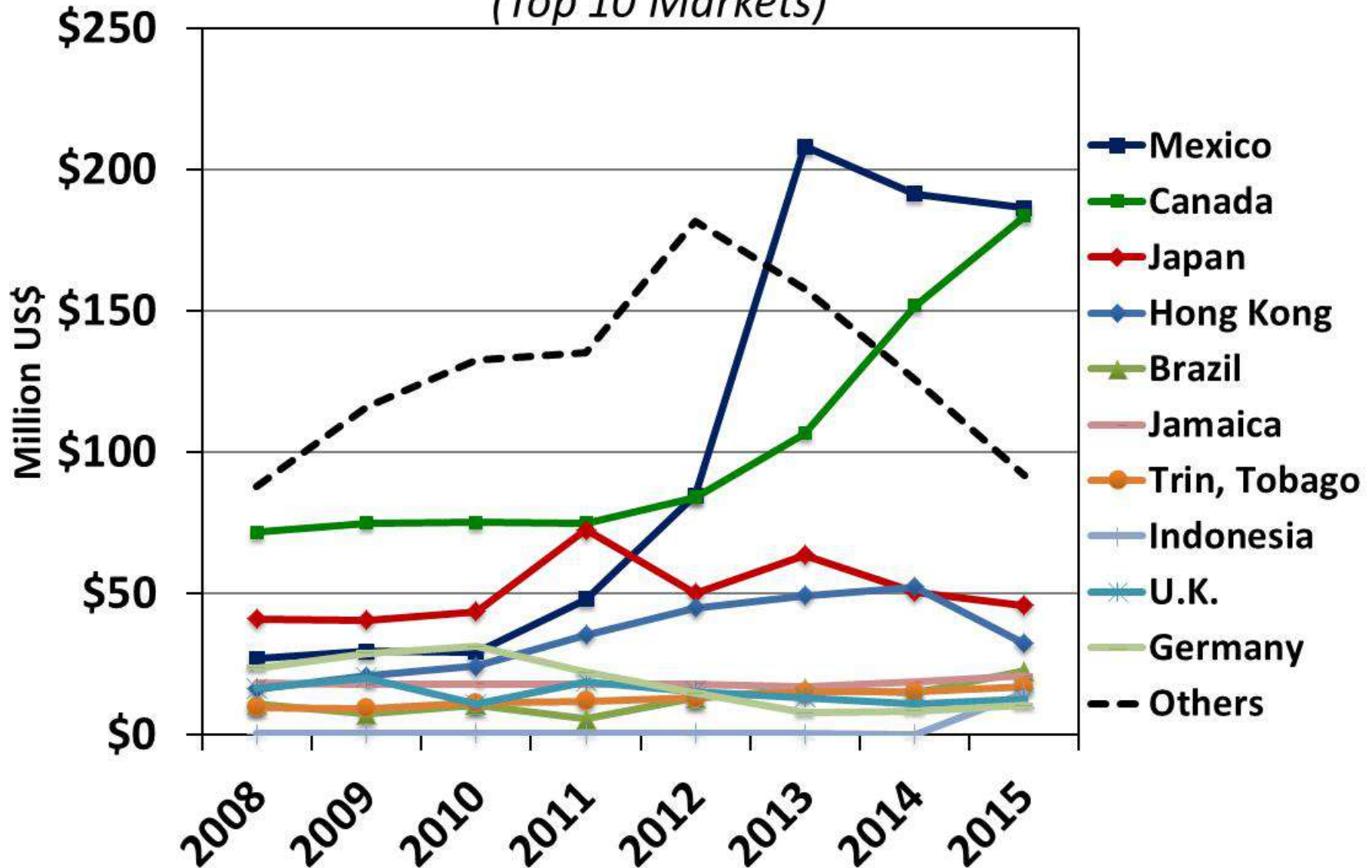
Leg Quarter Prices, bulk



Source: Urner Barry

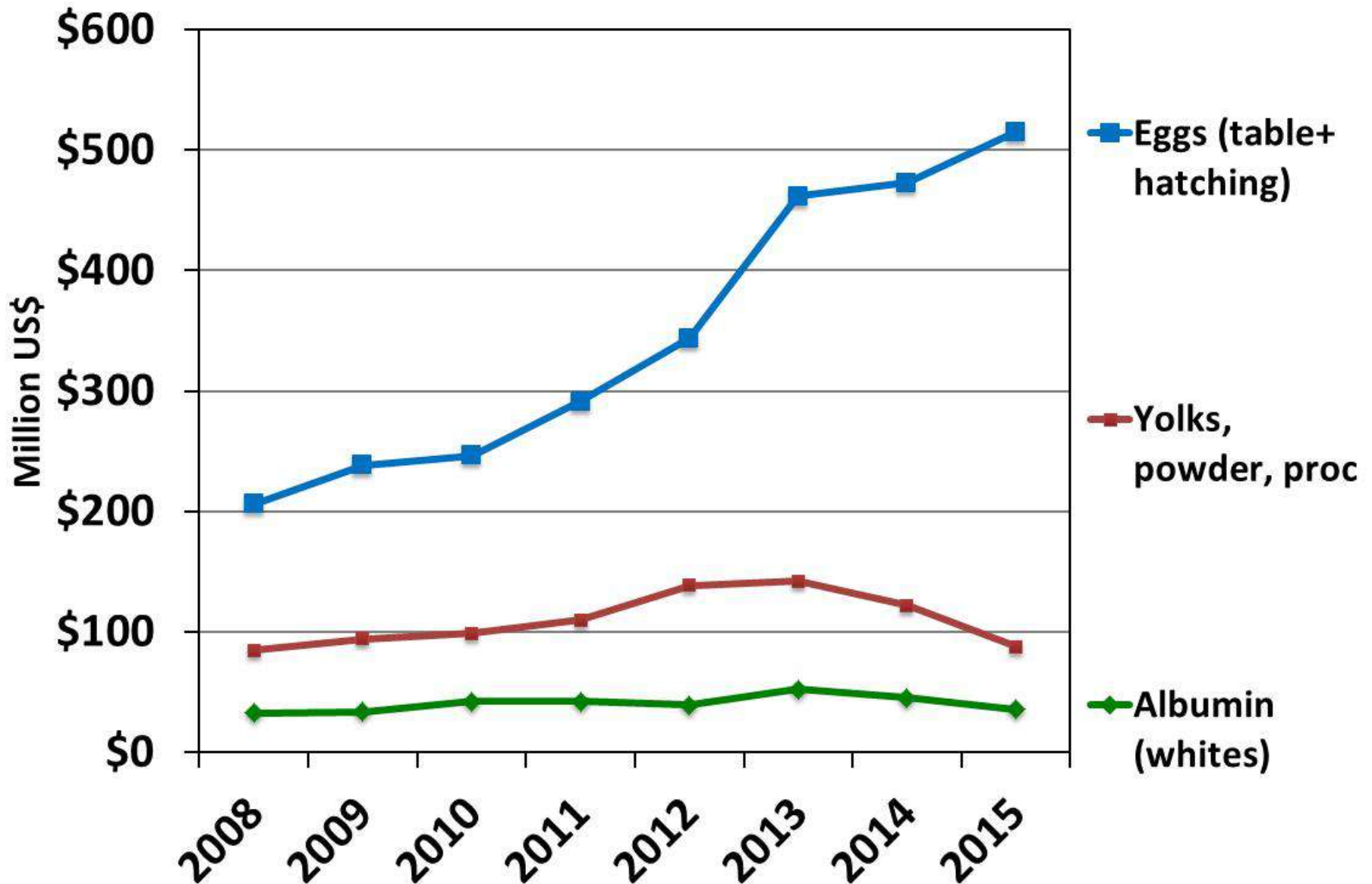
U.S. Exports: Egg and Egg Products

(Top 10 Markets)



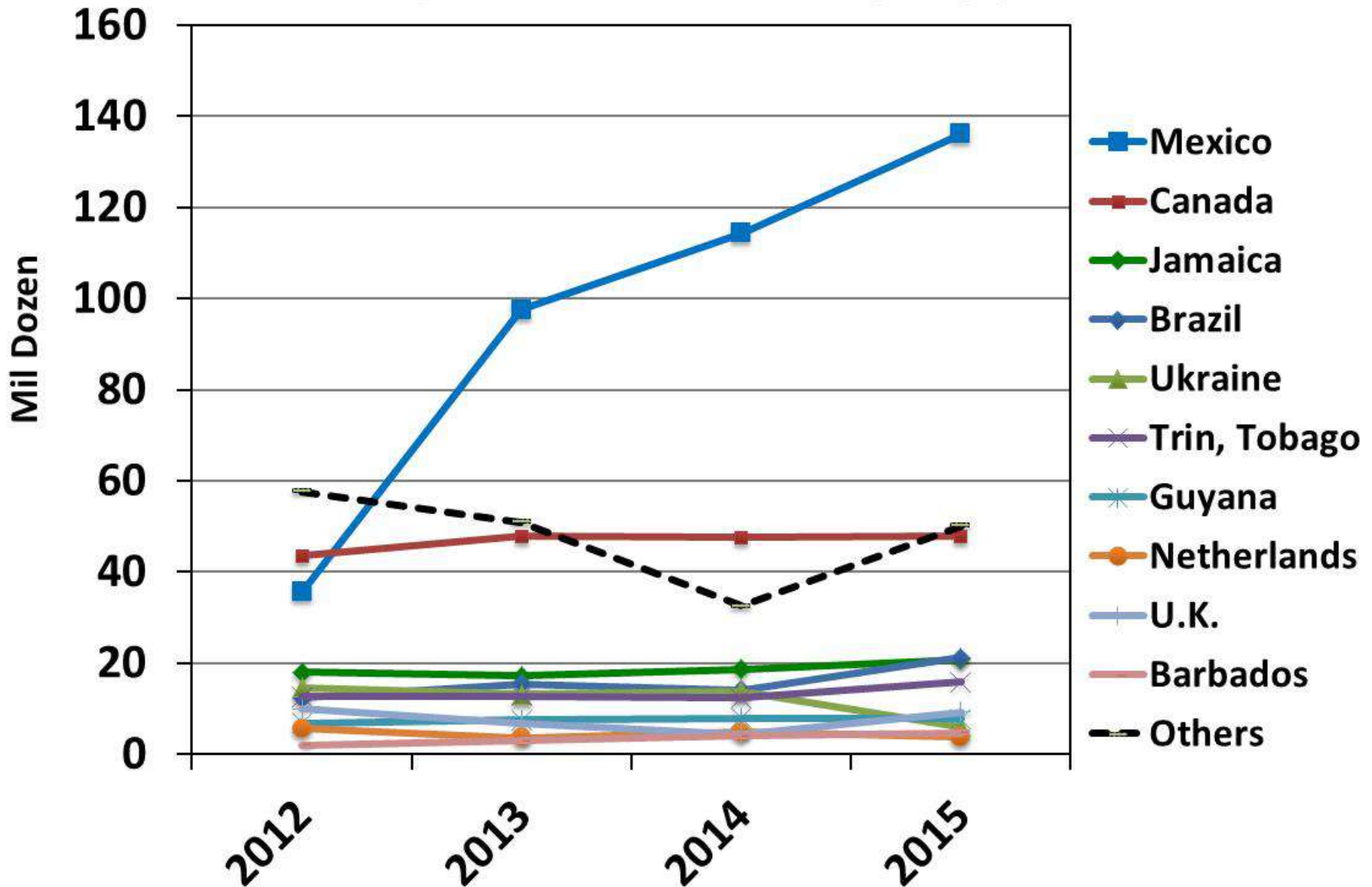
Source: GTIS, AgriTrends

U.S. Exports: Egg and Egg Products



Source: GTIS, AgriTrends

U.S. Exports: Hatching Eggs

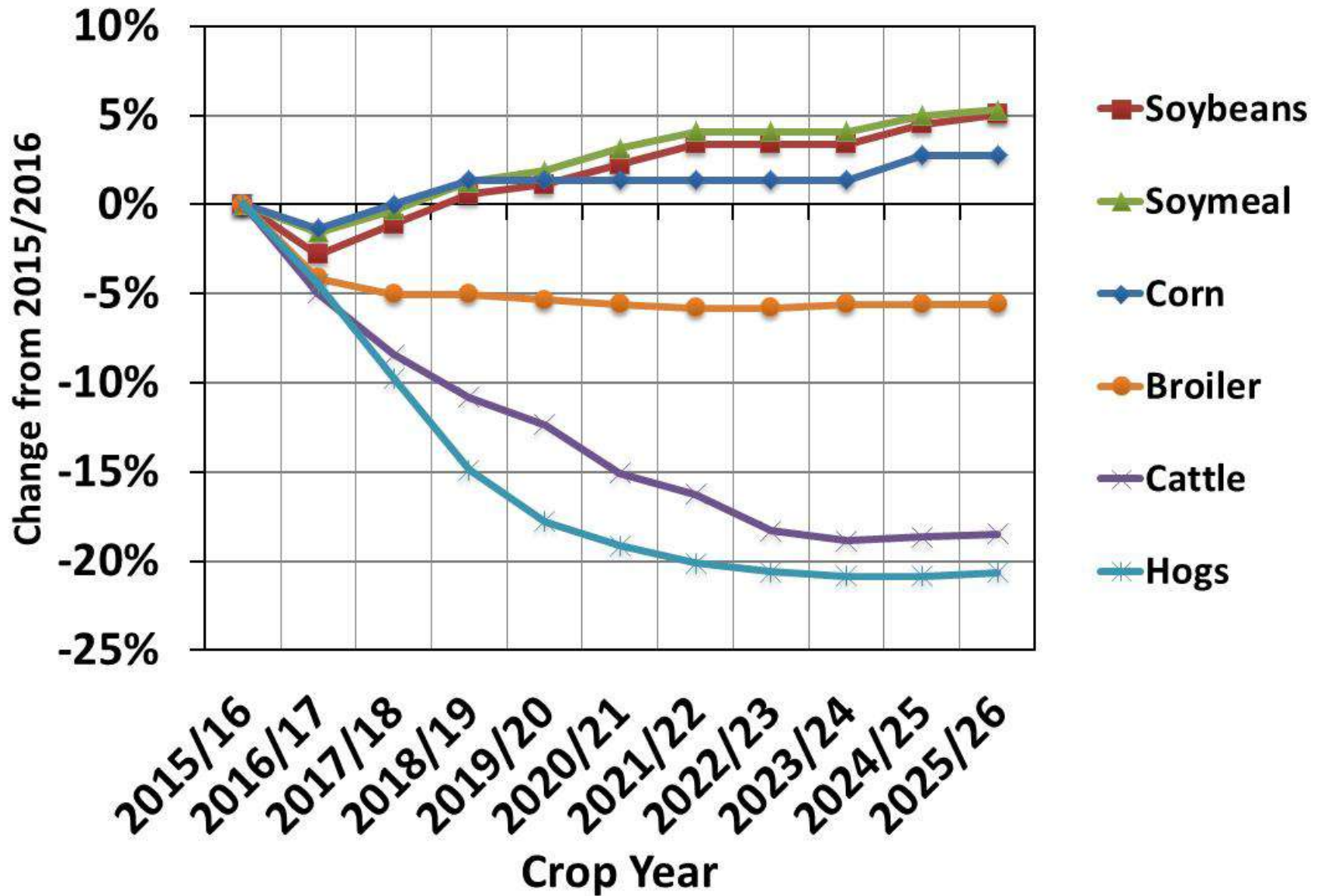


Source: GTIS, AgriTrends

U.S. hatching eggs to China declined by 575,000 dozen in 2015

Forecasts & Watchlist

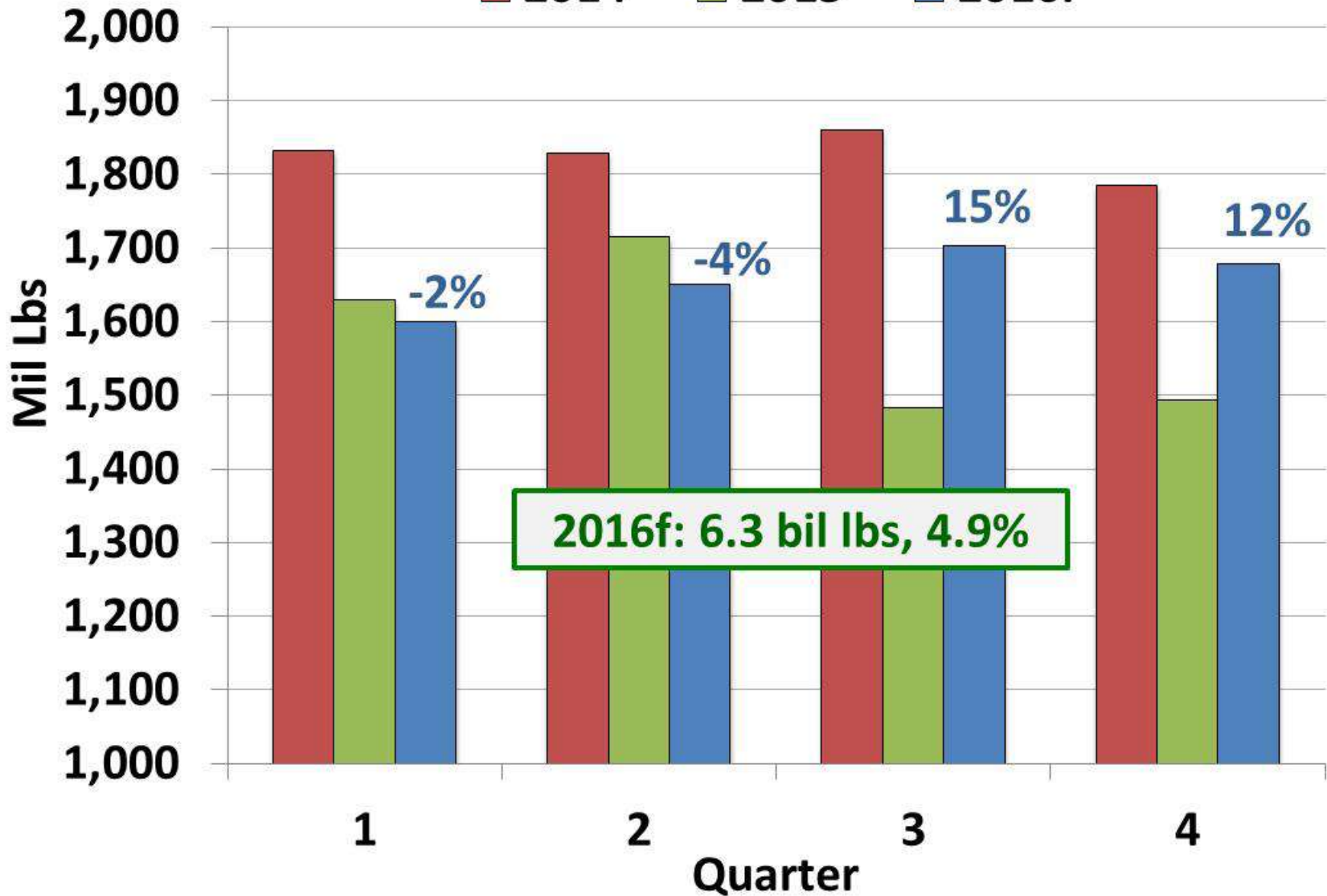
U.S. Price Forecasts



Source: USDA, Long Term Projections

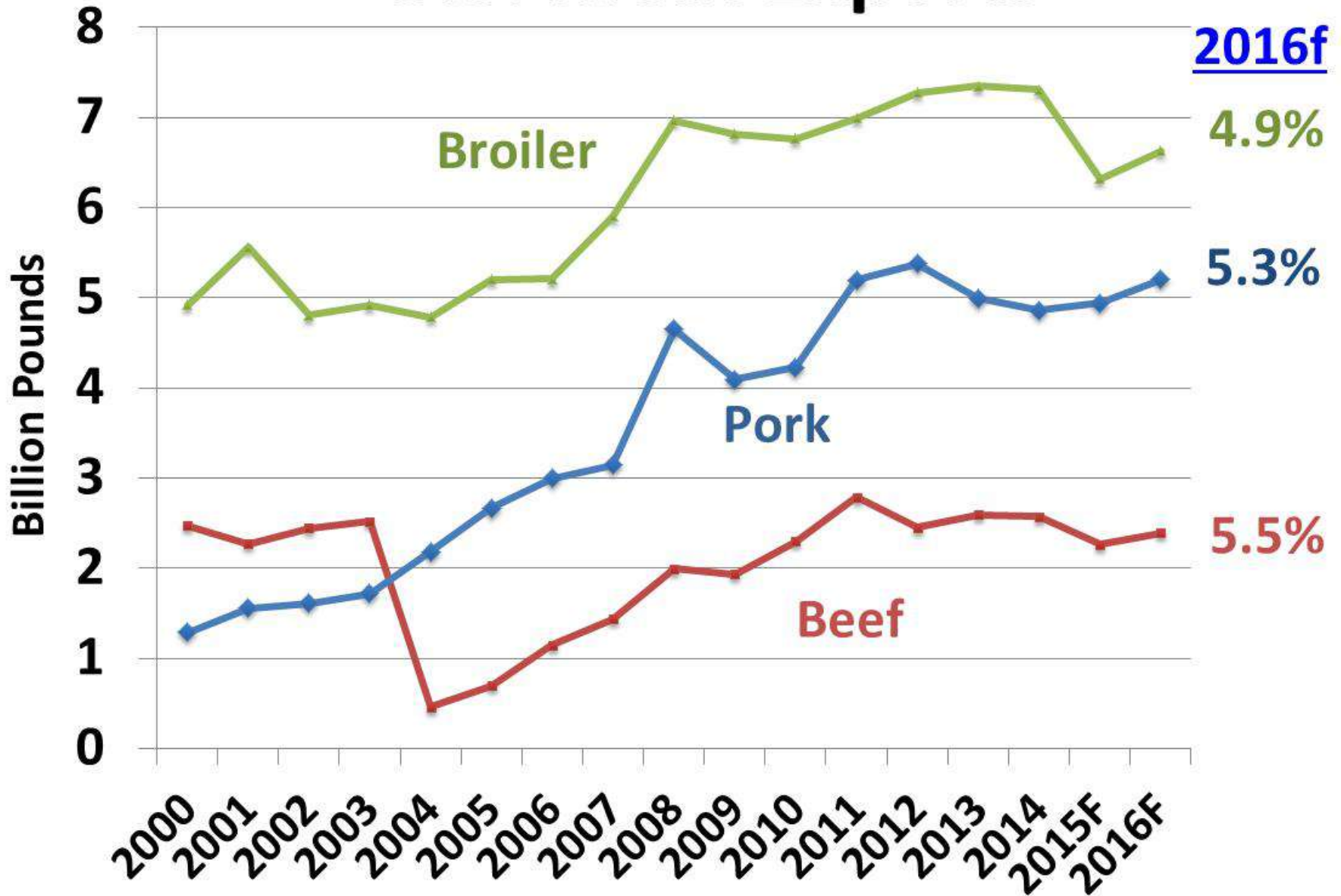
U.S. Broiler Exports & Forecasts

2014 2015 2016F



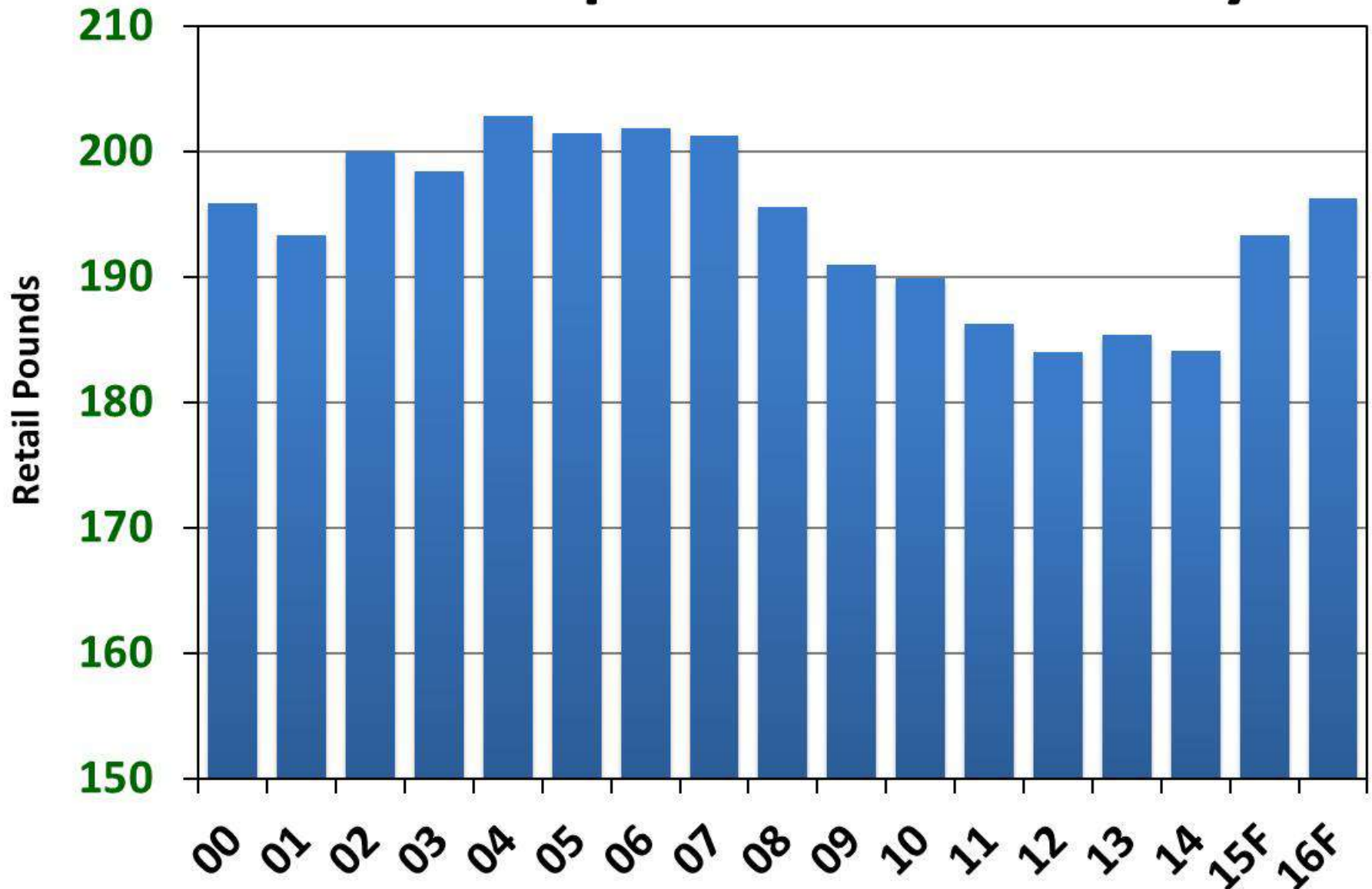
Source: USDA/ERS, AgriTrends forecasts

U.S. Meat Exports



Source: USDA/ERS, AgriTrends forecasts

U.S. Per Capita Meat & Poultry



Source: USDA/FAS, AgriTrends forecasts

- Watchlist 2016 -

- Dollar strength – trend settling/reversing?
- High-priced beef – U.S. prices fell but stabilized, global supplies remain tight
- HPAI poultry bans - ??? Cautious optimism currently
- BIG Chinese pork spread – but will it matter?
- Cheap EU pork – Unlikely to change in 2016
- Big U.S. supplies – beef, pork, poultry all currently profitable (and expanding)



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Thank You!

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Get plugged in!

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ABF

- British report: total use of antimicrobials has reduced 44% since 2012