

Abstract GFFC 2016 presentation – Matthijs Mondria, Rabobank

China's Quest for Protein

Through its '**Banking for Food**' vision, Rabobank is committed to help bridge the gap between global food supply and demand by providing financing and sharing knowledge and networks to drive sustainable productivity improvements around the globe and optimize the mix of supply and value chains within the global F&A complex. A key topic is China's quest for protein.

The world is facing a period of sustained lower agri commodity prices. Price levels are expected to remain well below the levels we have seen from 2010 to 2014. Global stocks are very high – for some crops even at record levels – and supply is ample. Yet, there is a category of commodities that may be the exception to this outlook: vegetable proteins. This is driven by the increasing demand for protein crops to be used in livestock feed. In the last twenty years, in response to growing demand, the production of vegetable protein crops, such as soybeans, rapeseed and sunflower, has grown twice as fast as energy crop production – such as corn and wheat. We expect this shift in demand from energy to protein to continue. The need for more proteins for feed purposes is caused by several changes taking place simultaneously, such as the modernization of global agriculture, population growth, income growth and growth of per capita meat consumption.

China is responsible for a large part of this global demand growth for feedstuffs. More specifically, the Chinese pork sector will require one-third of the global increase in feedstuff production with a pork destination. Now what are China's options to satisfy the pork appetite of its population? China needs to feed almost 20% of the world's population with a shrinking land base that now accounts for 7% of agricultural land in the world and that's home to more than 45% of the global pig population. It is obvious that China's agricultural modernization has significant relevance when addressing the world's food challenge. Rabobank has studied 2 possible scenarios that will both satisfy China's growing pork demand, albeit with different priorities for Chinese resource optimization. Each scenario has different implications for the global agricultural complex. One scenario relies on technological breakthroughs in crop farming which will likely benefit the agricultural complex around the US crop farmer. The other scenario relies on improving 'best practices' in livestock farming which will likely benefit the agricultural complex around China's pig farms. With the evolution of China's agriculture in mind, it is our view that more emphasis will be placed on implementing scenario 2, opening a USD 30 billion investment opportunity for the companies represented in the audience.

By Rabobank Food and Agribusiness Research & Advisory