



Global meat and poultry outlook

Capturing investment opportunities from a Russian perspective

Content

- 1. The long term market perspective*
- 2. Short term market outlook*
- 3. The Russian investment perspective*

Rabobank: Leading global Food & Agri bank



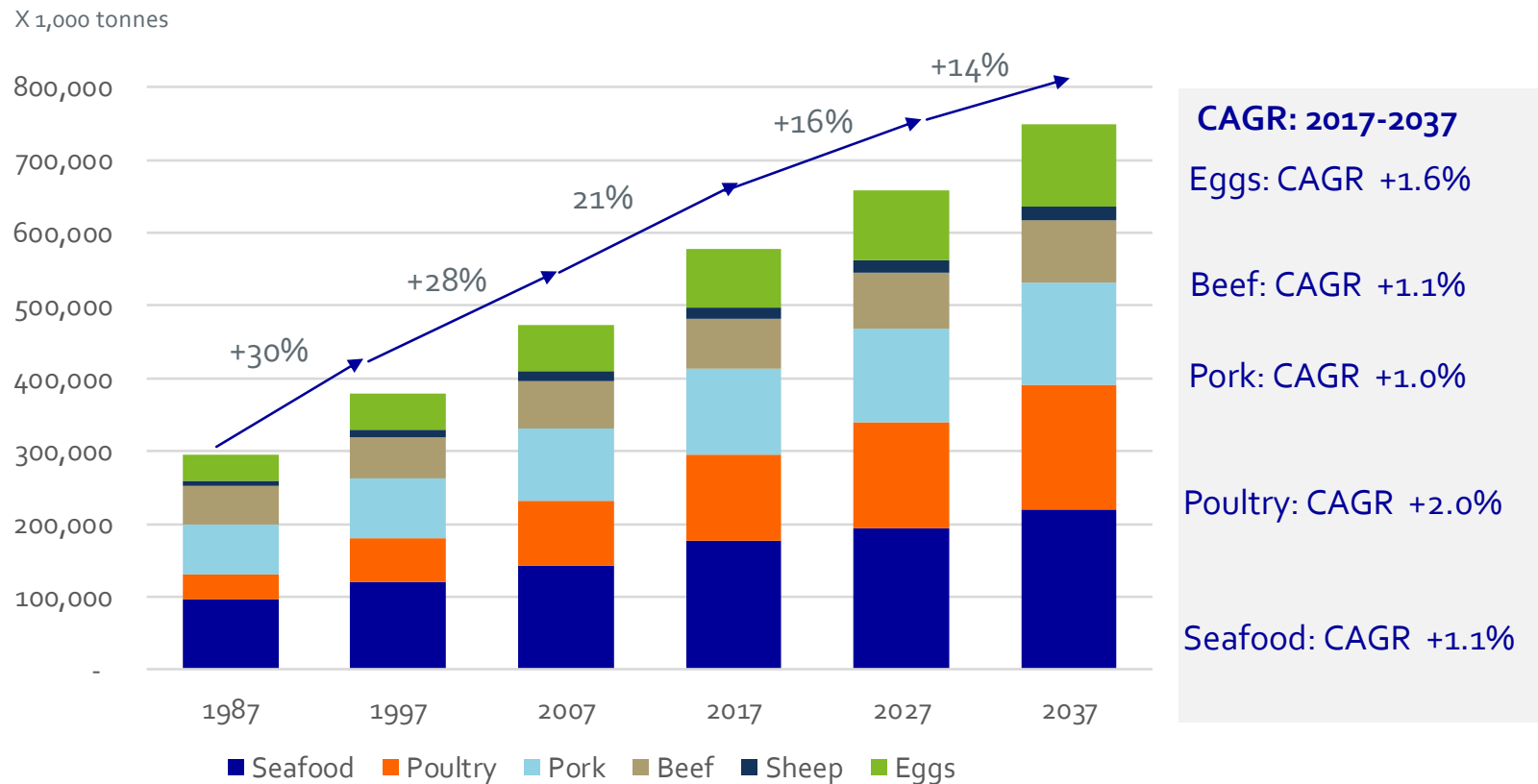
Rabobank global presence



Worldwide 35% more demand for animal protein in next 20 years

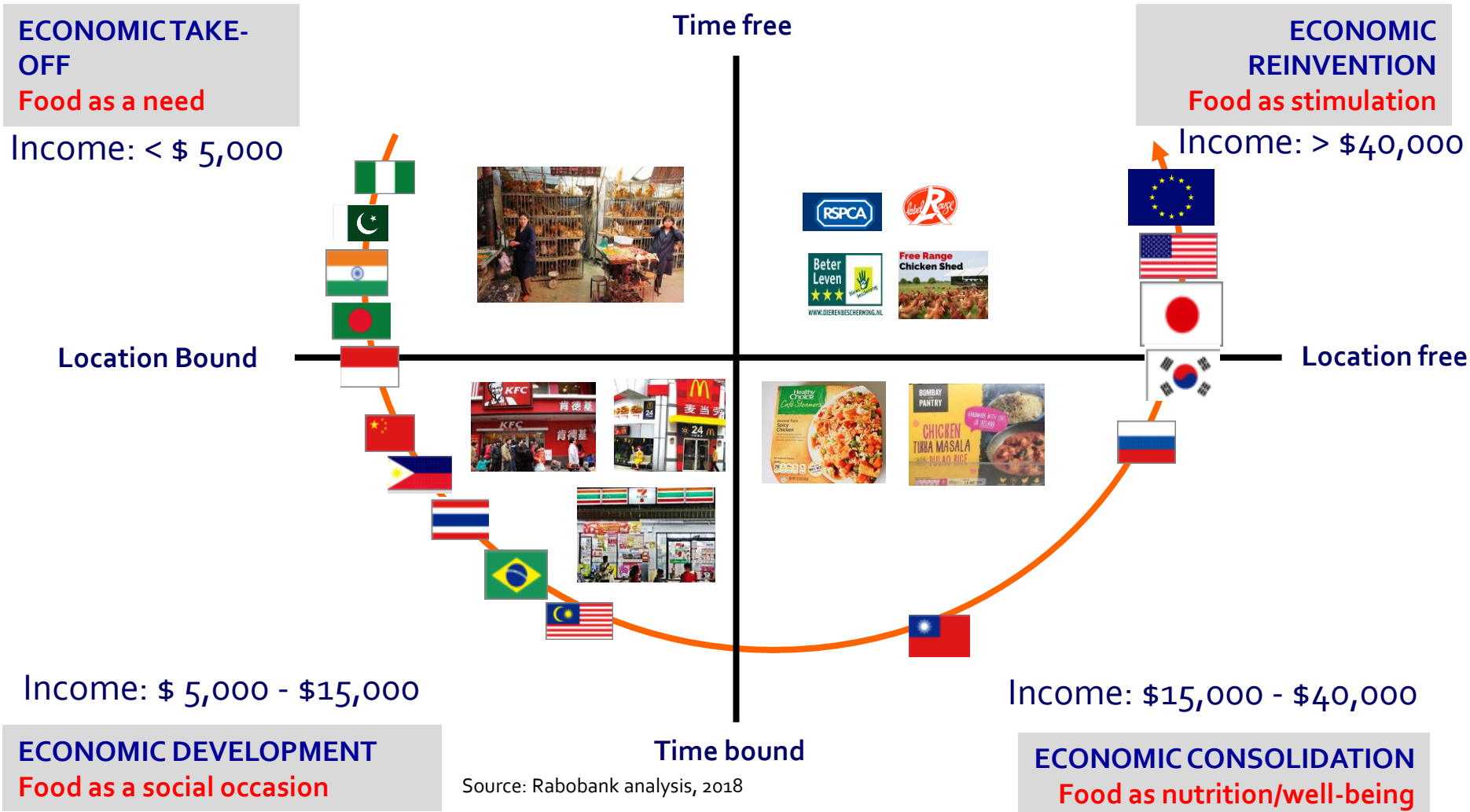


Global animal protein demand projections 2017-2037f



Source: Rabobank projections based on FAO, USDA and local statistics, 2018

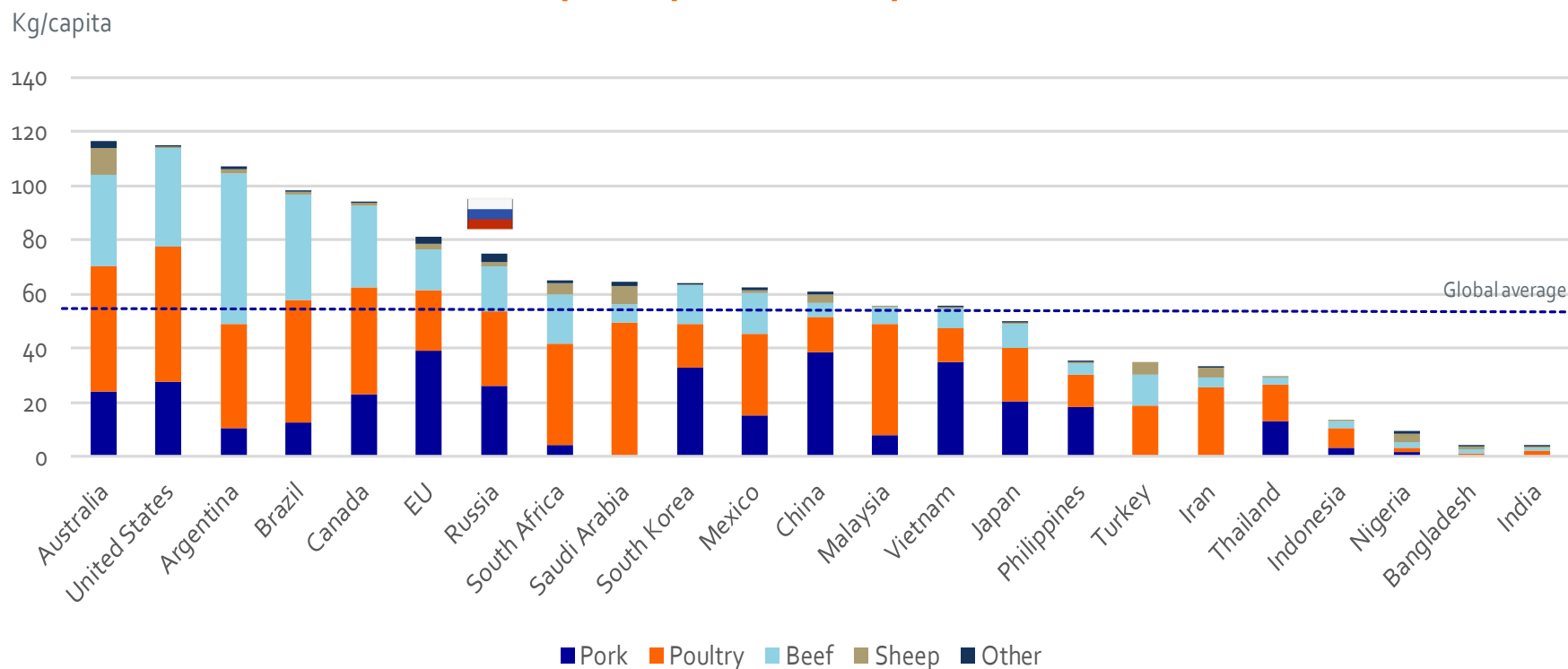
Consumer demand is changing when economies develop further



Global meat per capita consumption; big global differences



Global per capita consumption meat

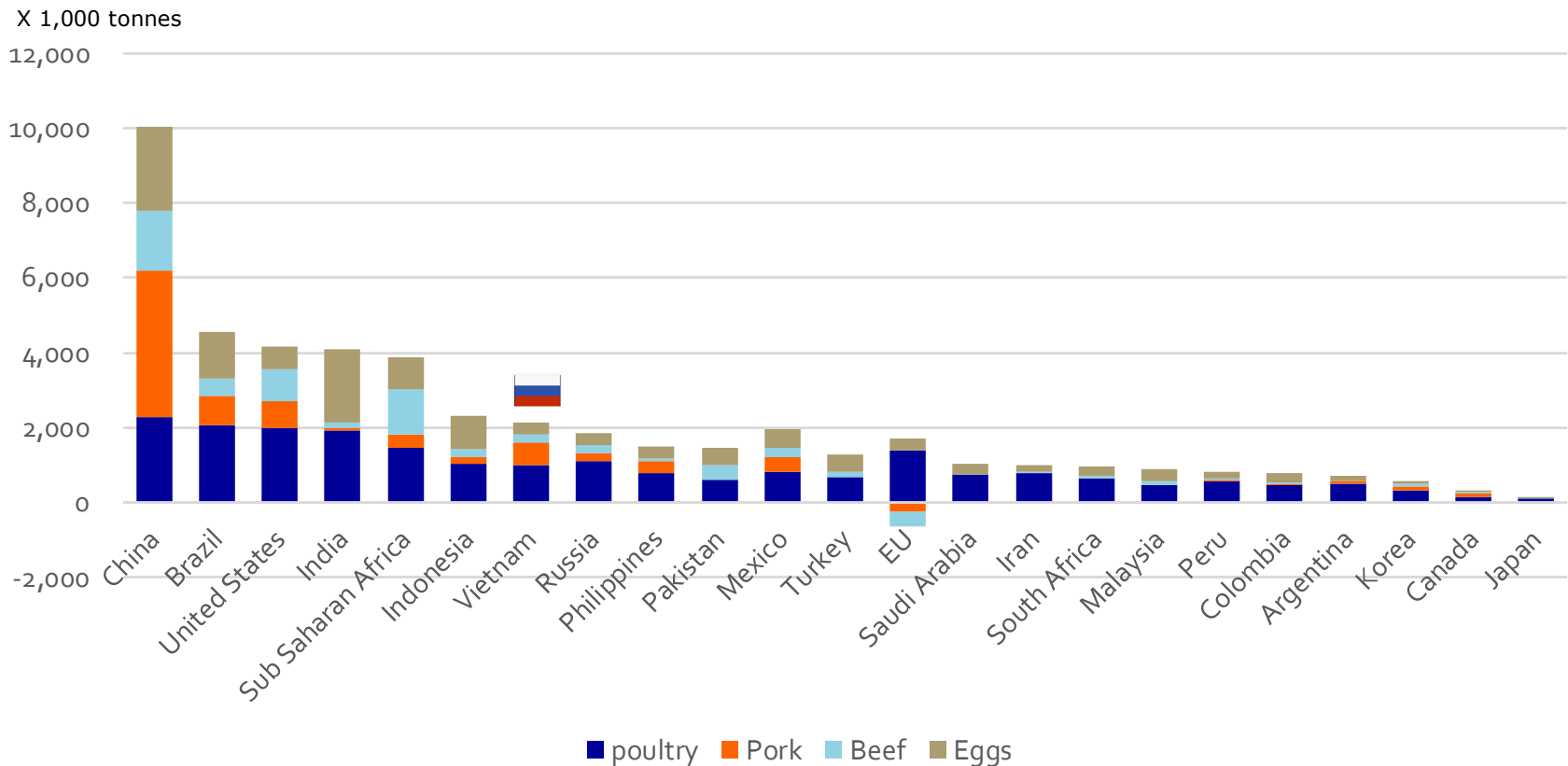


Source: Rabobank analysis based on USDA, FAO and local statistics, 2018

90% of global growth is in emerging markets; 60% in Asia



Global animal protein demand projections 2017-2037

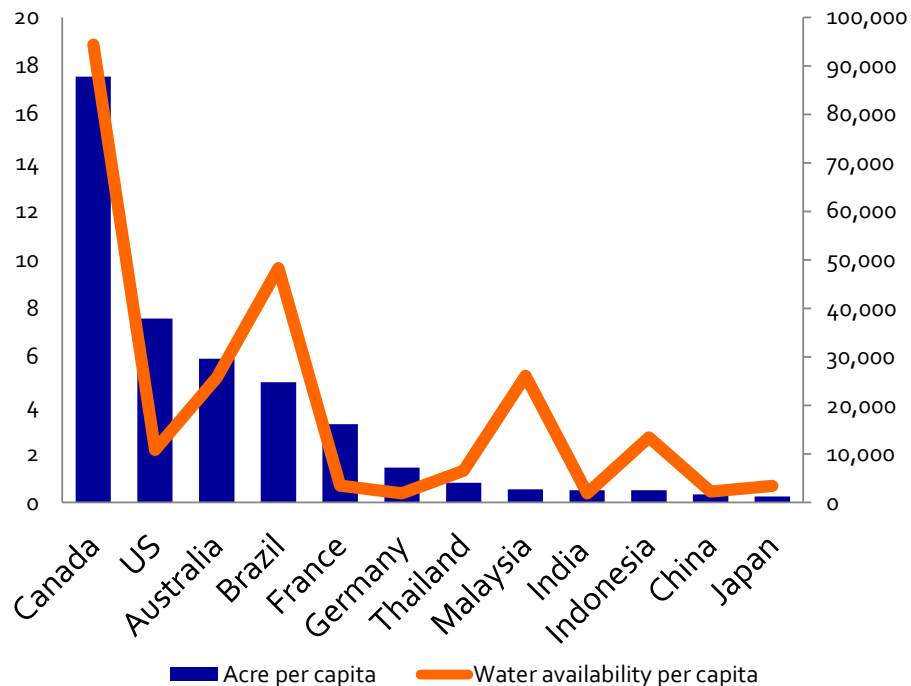


Source: Rabobank projections based on FAO, USDA and local statistics, 2018

Global agricultural land use is declining; while especially Asia has limited resources

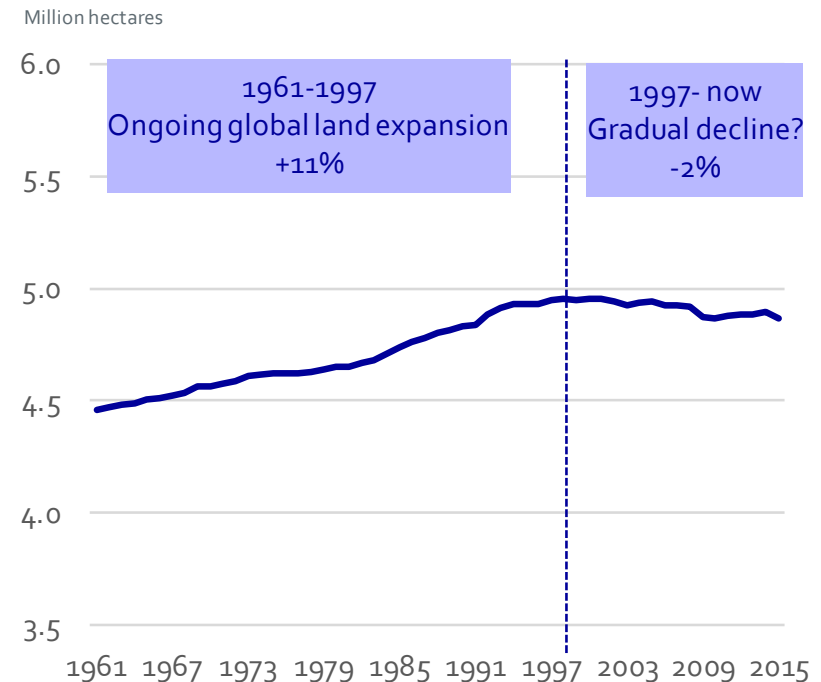


Available land and water per capita



Source: Rabobank, FAO 2018

Worldwide land use 1961-2015

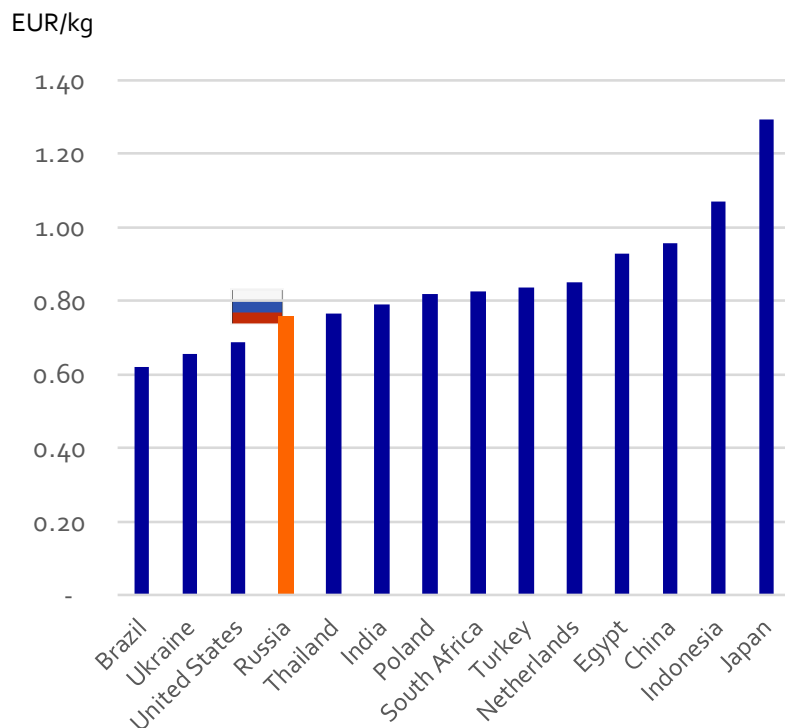


Source: Rabobank analysis based on FAO data, 2018

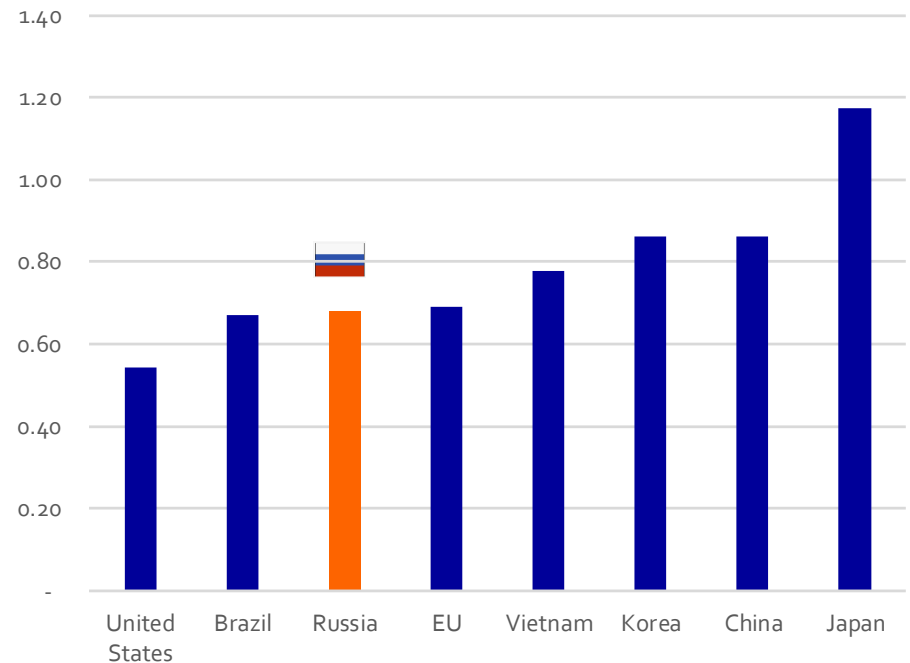
Significant differences in cost of production



Live broiler cost of production, 2015

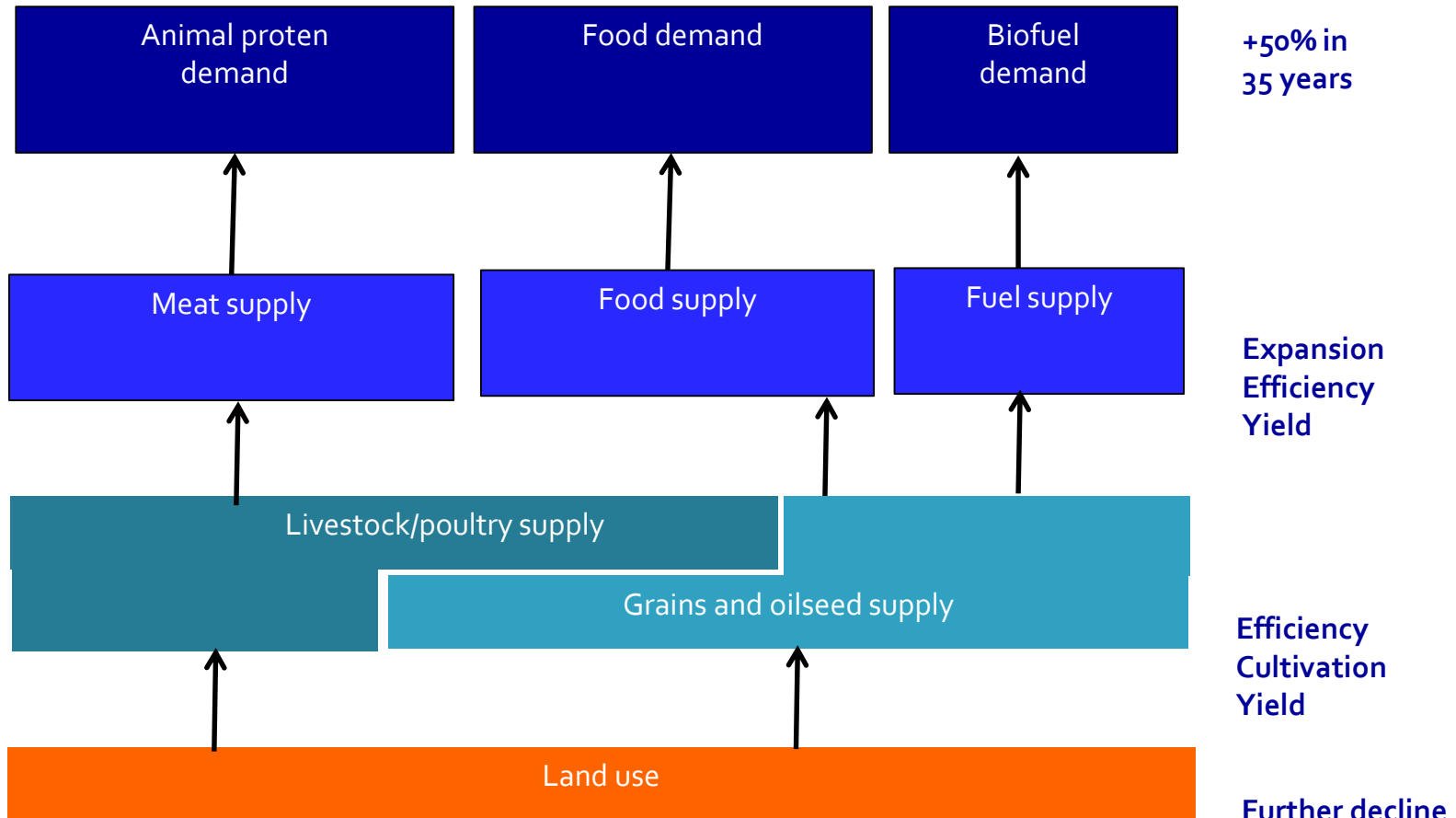


Pork production costs, 2015



Source: Rabobank based on WUR, Cobb and local statistics, 2018

Global food supply challenge

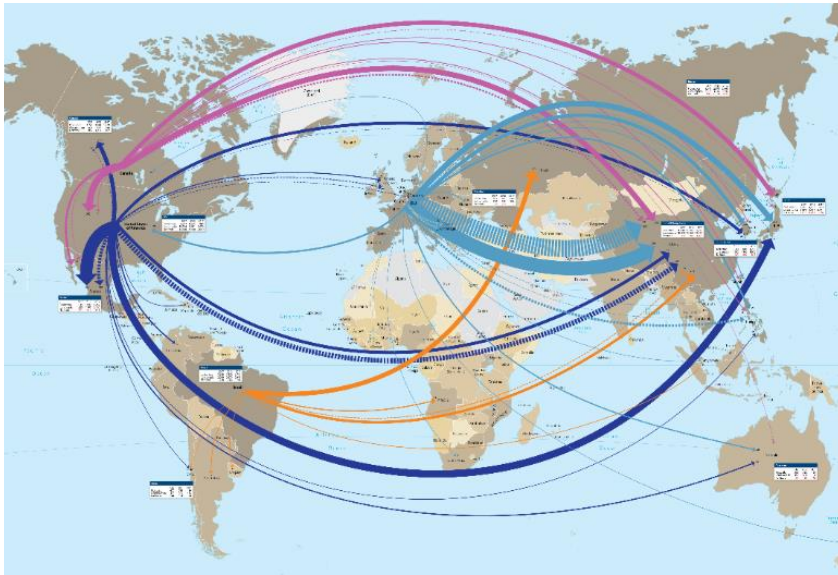


Source: Rabobank, 2018

More West – East trade flows to supply Asian markets

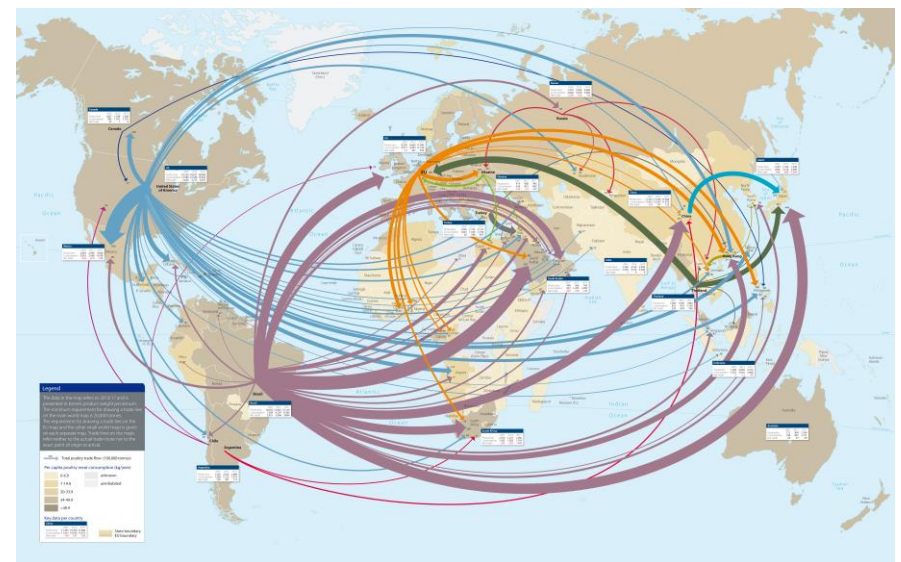


Rabobank 2018 global pork trade map



Source: Rabobank, 2018

Rabobank 2018 global poultry trade map



Source: Rabobank, 2018

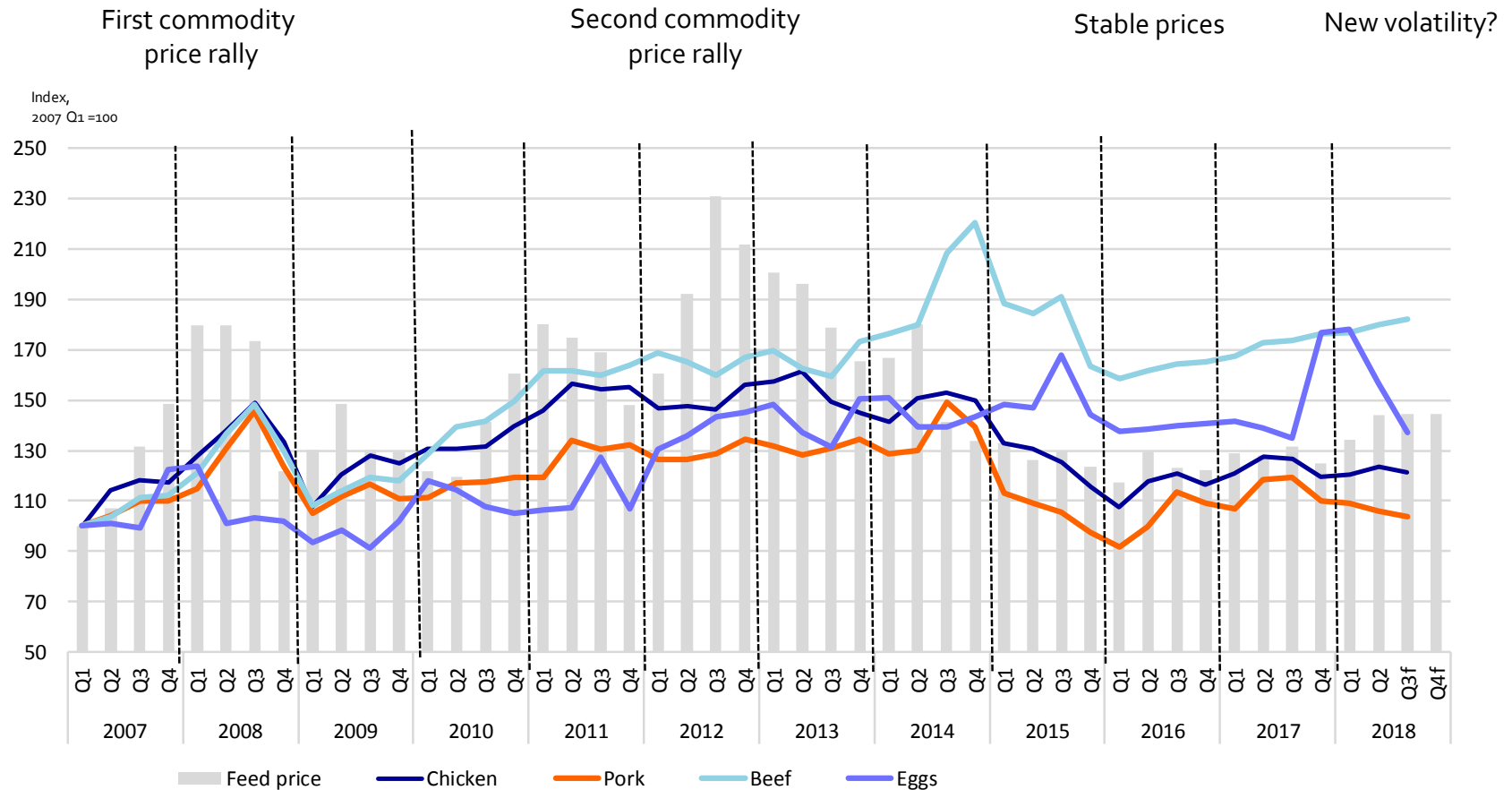
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Global industry performance: New reality after decade of volatility?



Global animal protein margin monitor



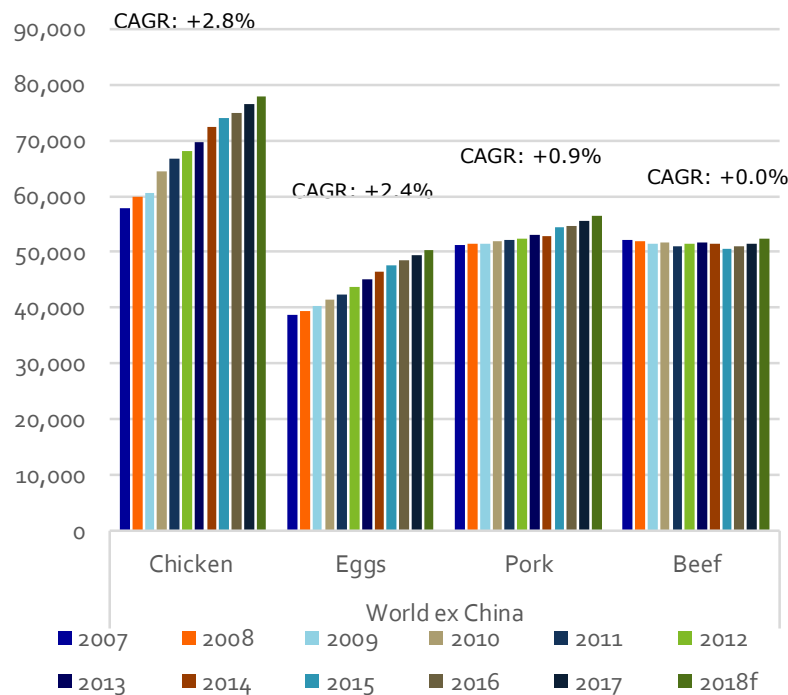
Source: Rabobank analysis based on Bloomberg, CBOT and USDA, 2018

Global market: poultry and eggs the winning protein; China returns to growth



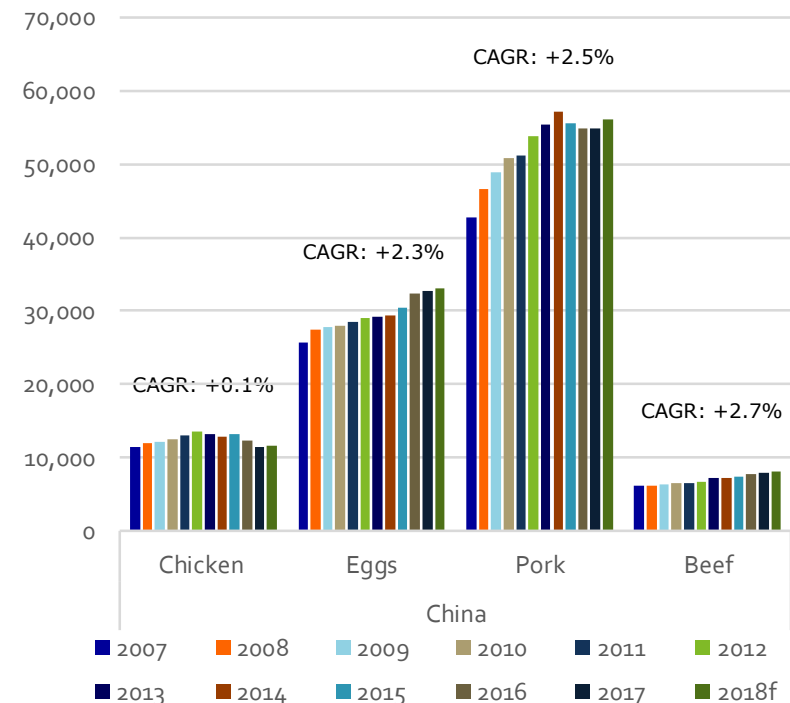
Global market excl. China 2007-2018f

X 1,000 tonnes



China market 2007-2018f

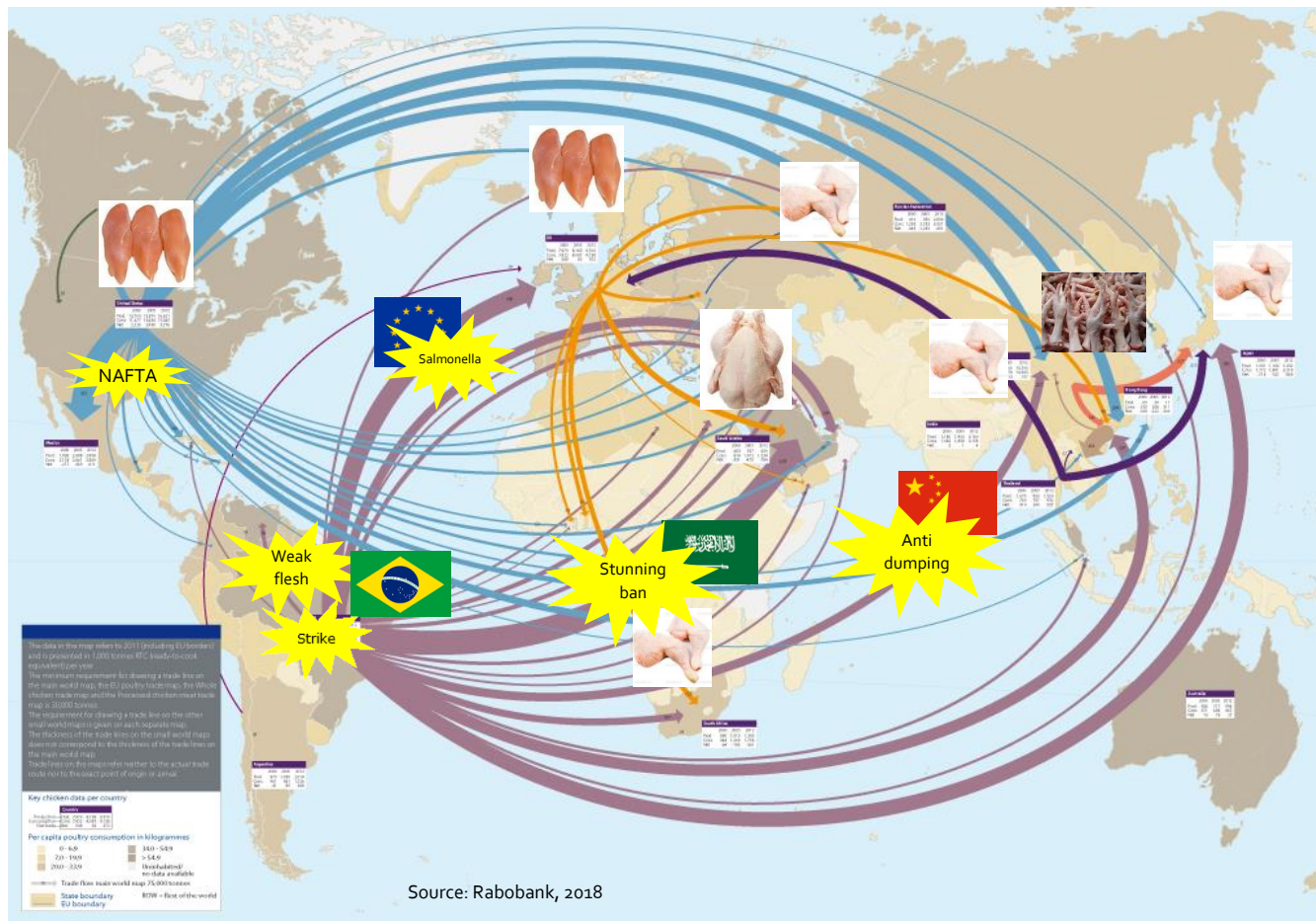
X 1,000 tonnes



Source: Rabobank analysis based on USDA, FAO and local statistics, 2018

Poultry: global trade challenged by Brazil's export restrictions

Global poultry trade 2018: highly volatile



Weak flesh investigation

Truckers strike in May



EU-Brazil trade restrictions



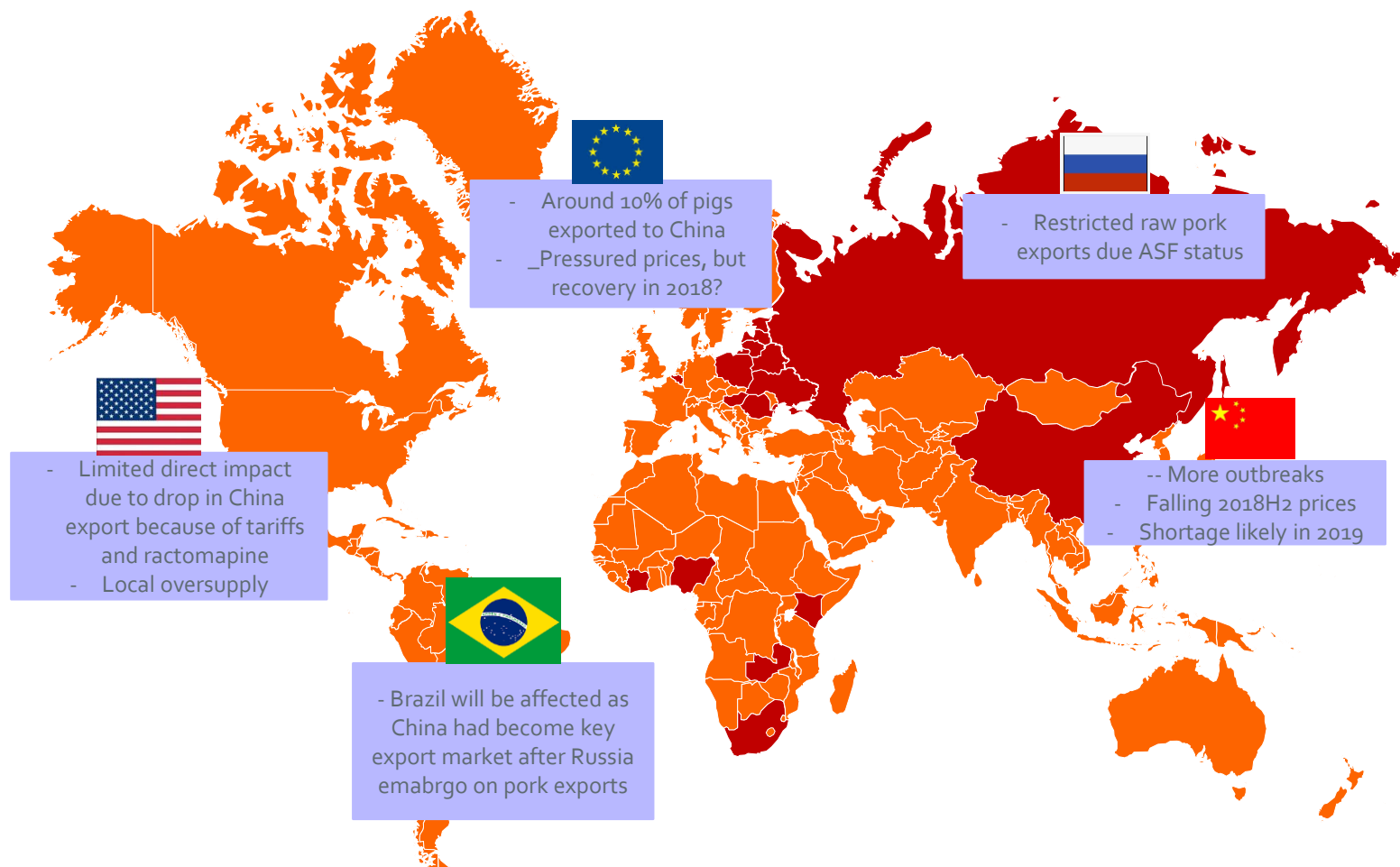
Saudi/Emirates pending stunning ban



China-Brazil anti dumping investigation

Pork: African Swine fever outbreaks shake up market

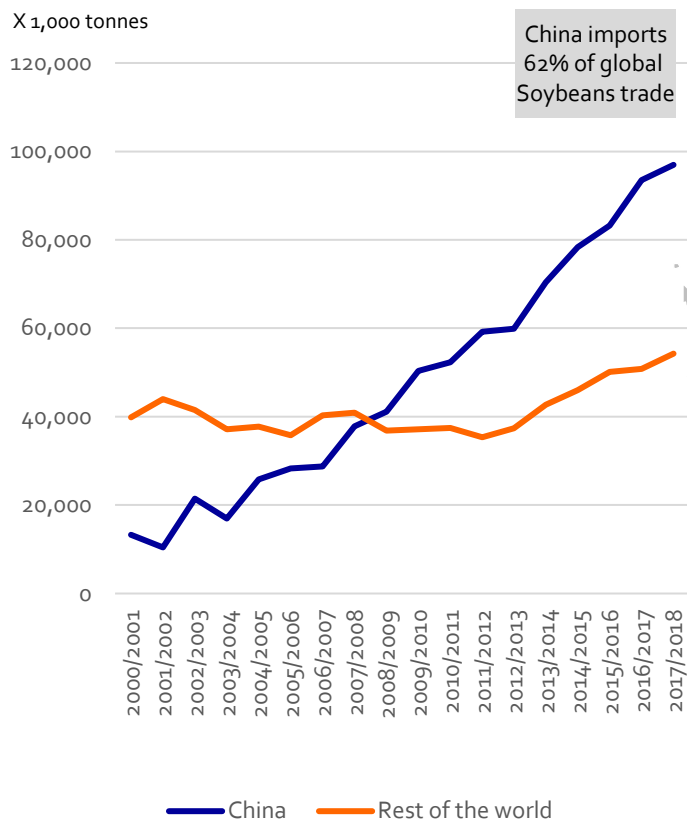
Countries with current ASF events (by October 4th), displayed in red



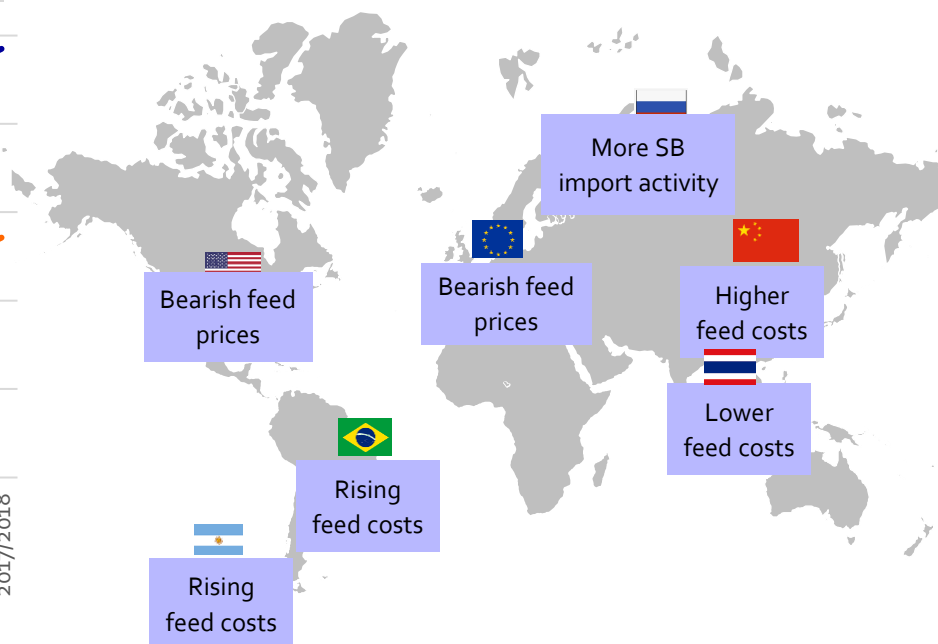
China – US import tariff will further shake up trade – and Brazil



Global soybean imports



Potential impact of China – US Soybean import levies

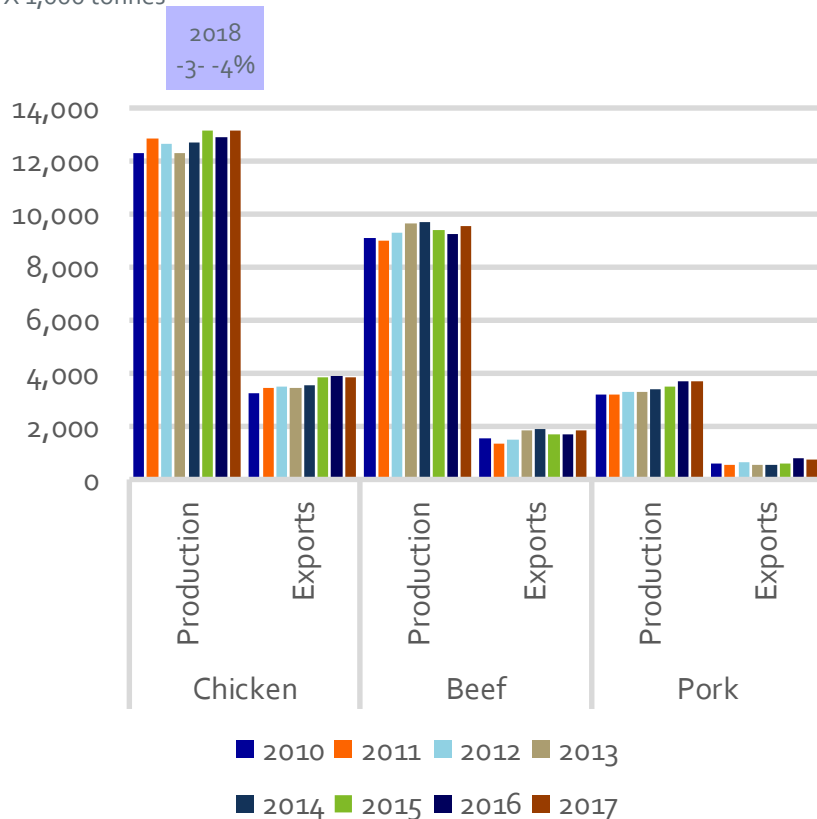


Brazil: 2018 will be the industry's most challenging year in decades



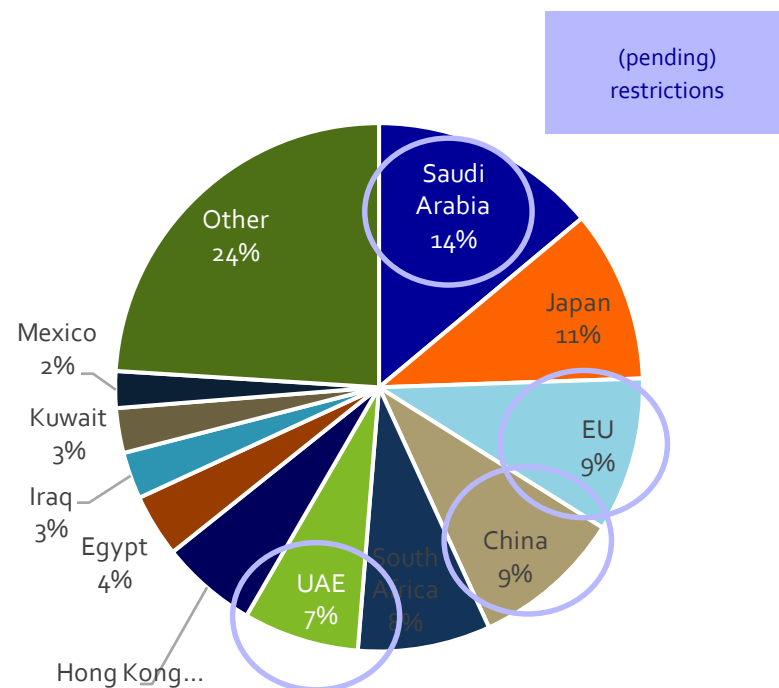
Brazil meat production and exports

X 1,000 tonnes



Source: Rabobank analysis based on USDA and local statistics, 2018

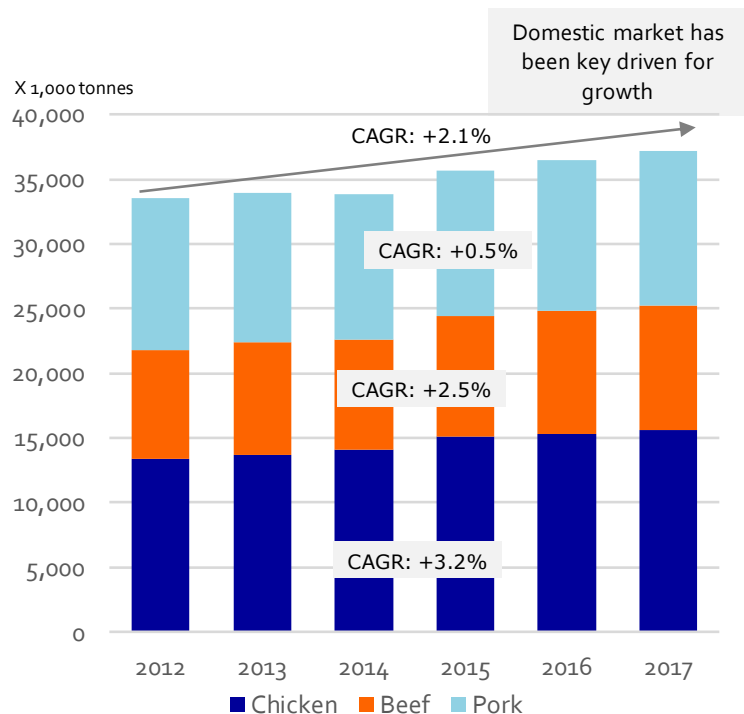
Brazil exports in volume by destination



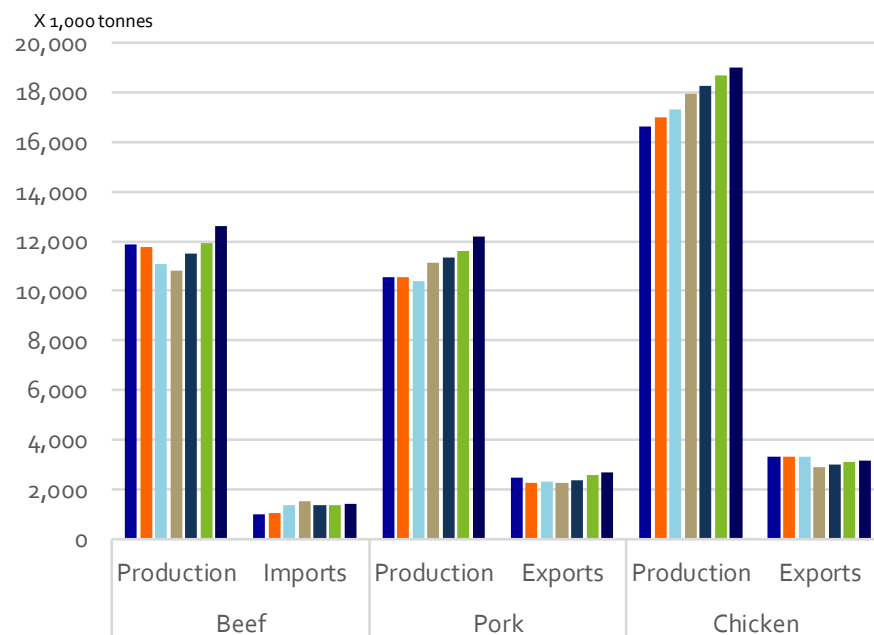
US meat industry growth driven by domestic market



US meat market 2012-2017



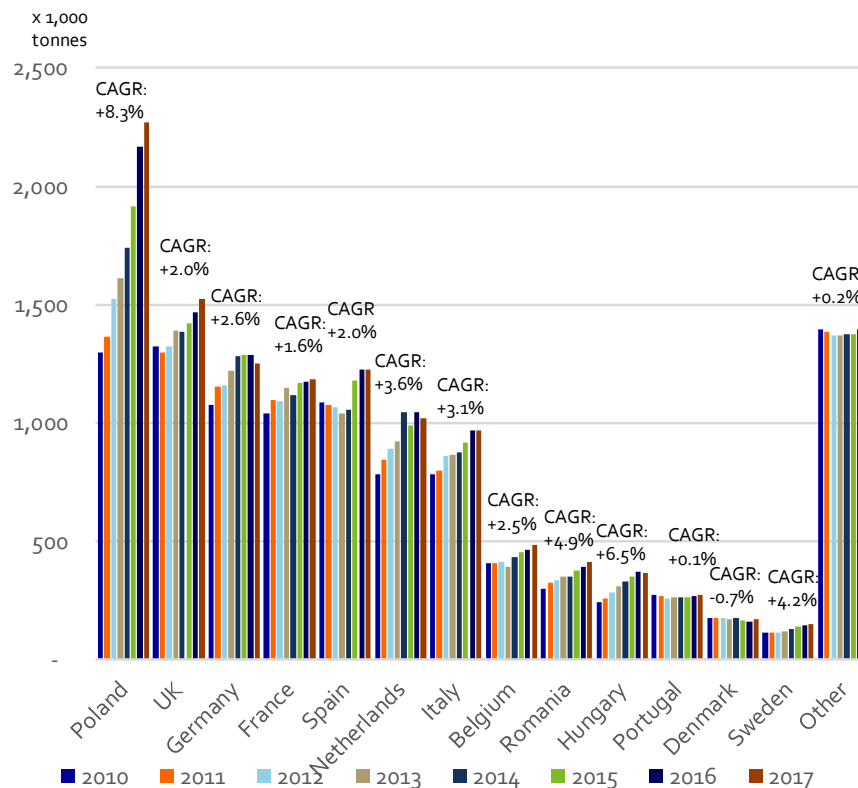
US meat production and trade 2012-2017



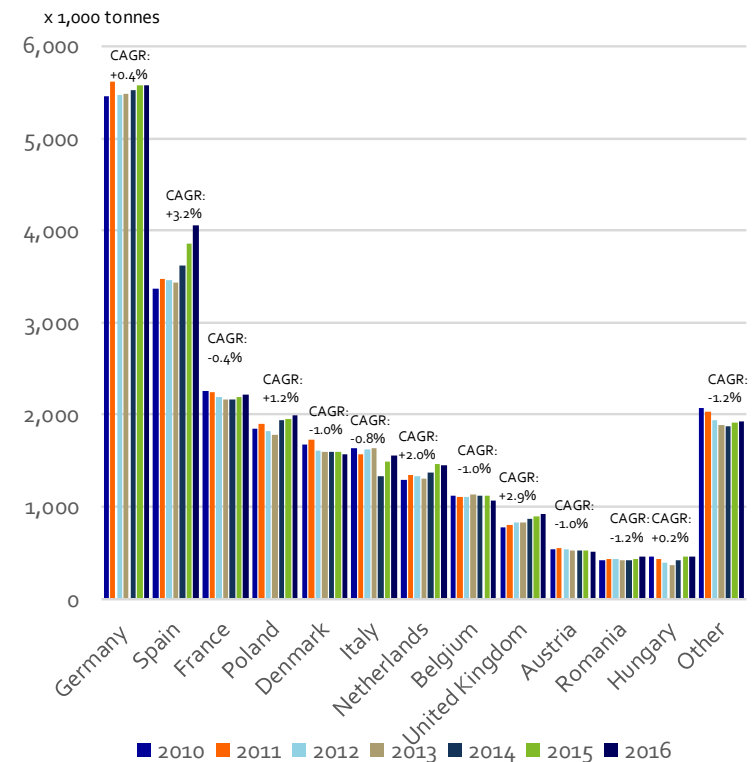
• Source: USDA, Rabobank Estimates, 2018

EU Pork and poultry production; shift to CEECs and Spain

EU chicken production 2010-2017

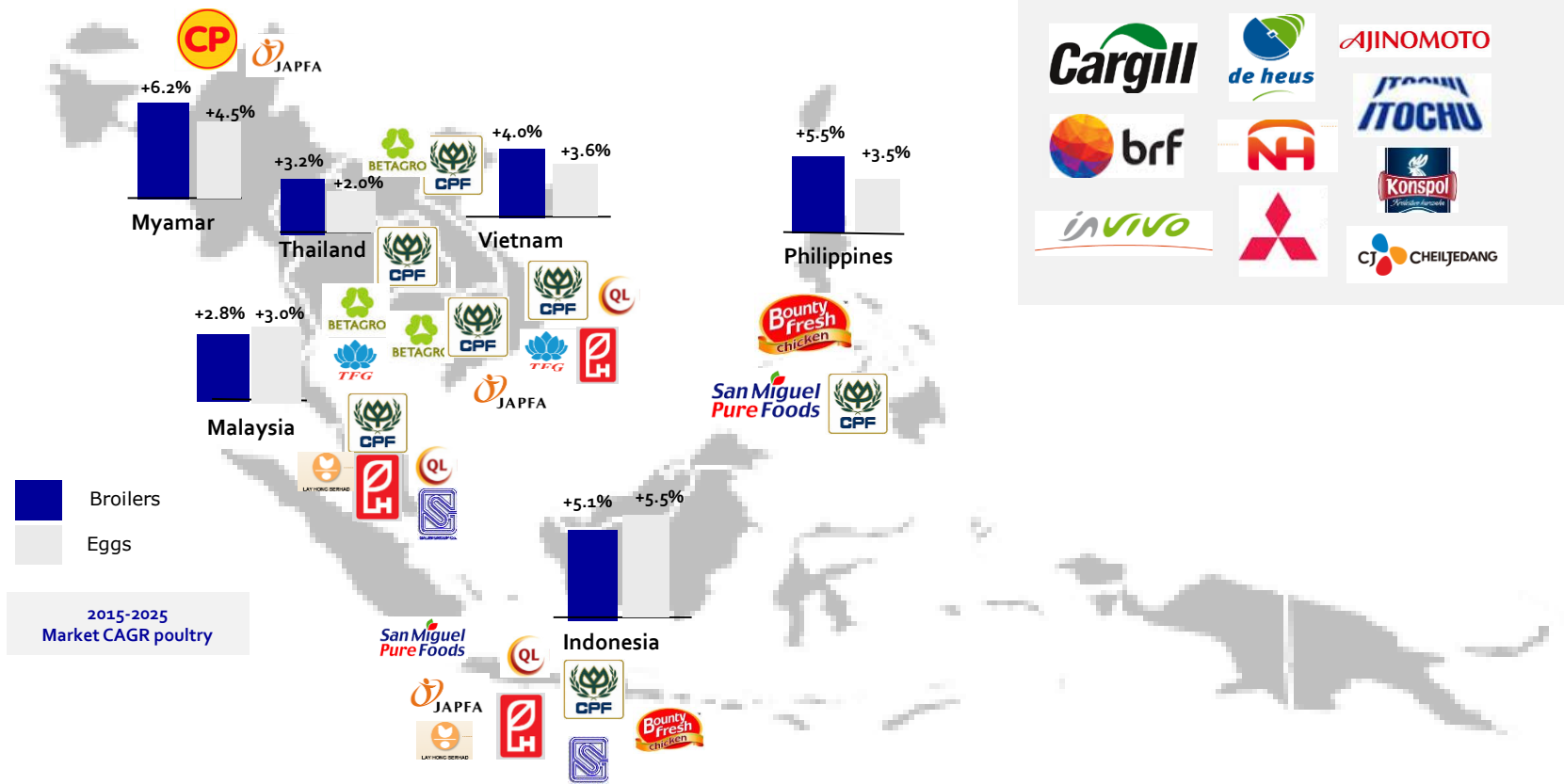


EU pork production 2010-2017



Southeast Asia: fast growth and rising internationalisation

Regionalisation by South East Asian investors



Entrance of International investors

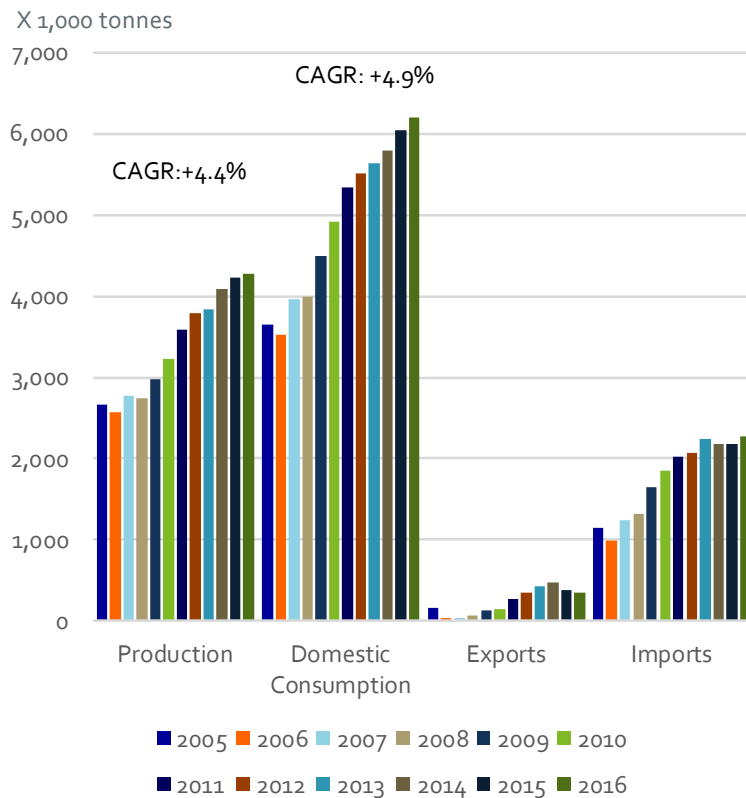


Source: Rabobank analysis based on USDA, FAO and local statistics, 2018

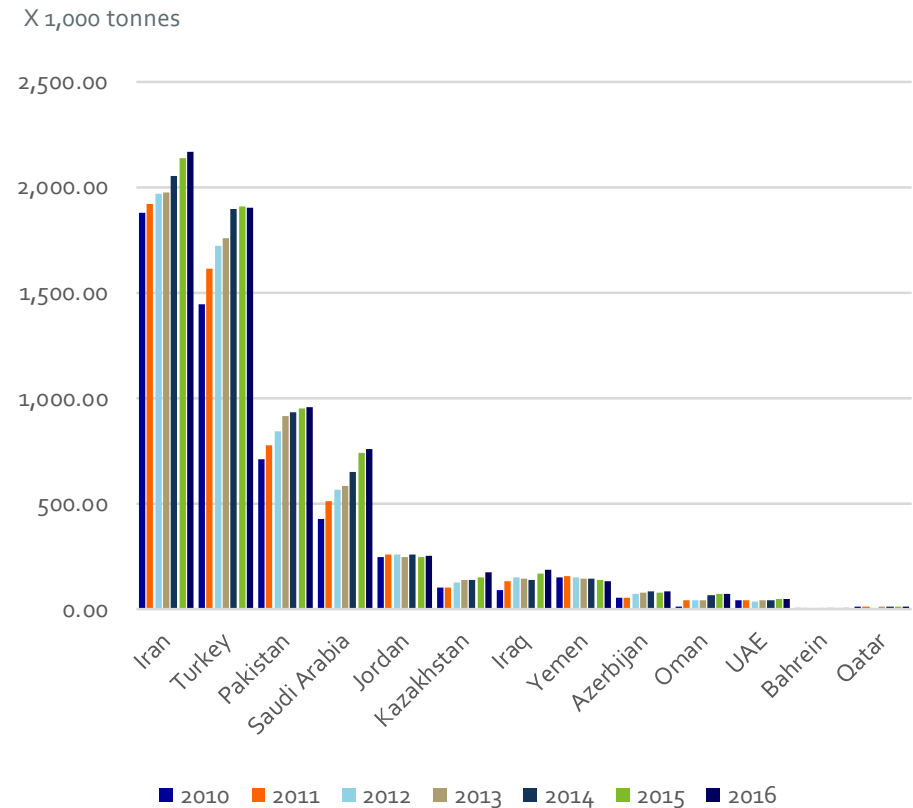
Middle East: A major importer, but with rising self sufficiency



Middle East poultry: fast growth



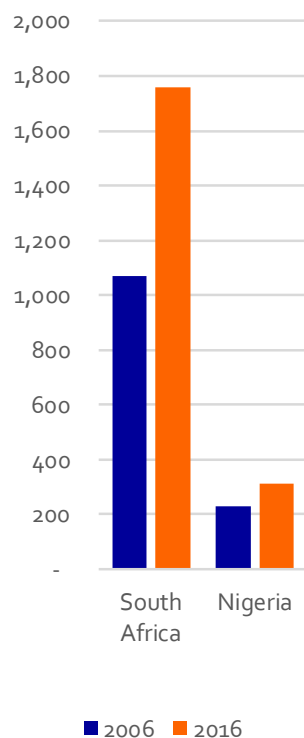
Middle East poultry: fast growth



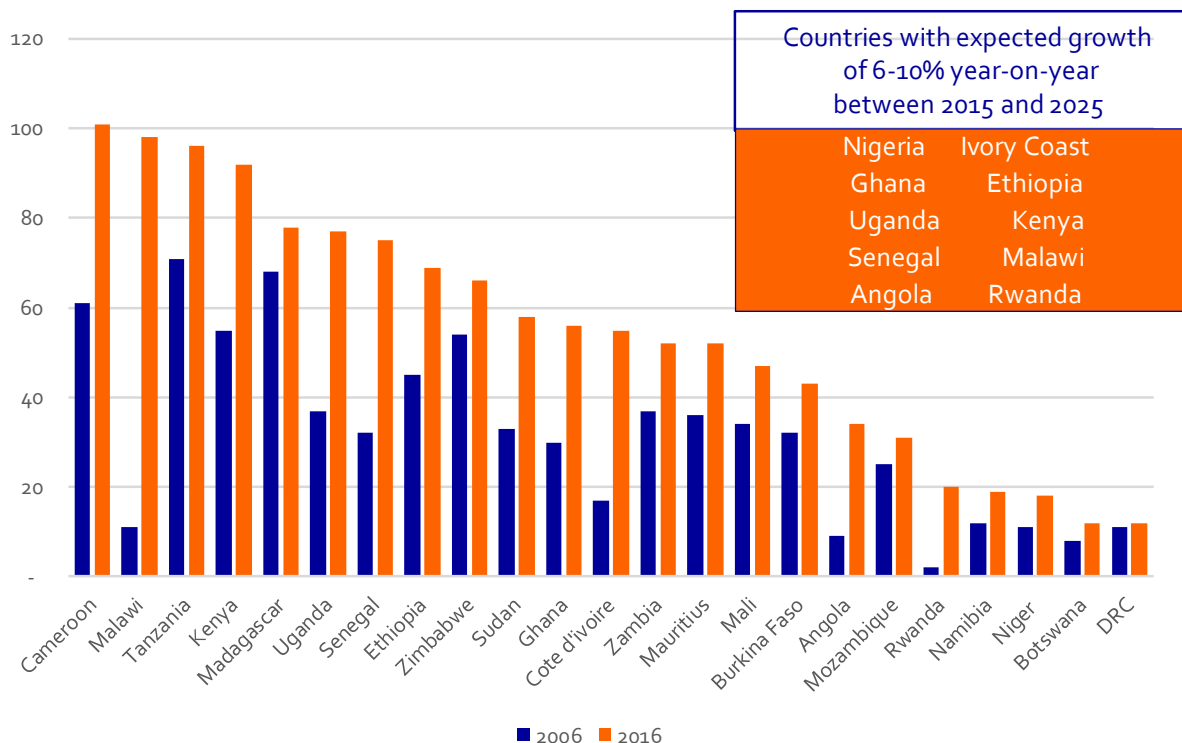
Africa: Accelerating annual 5% growth in next decade



The big 2: 65%



The other Sub Saharan African countries: 35% of production



Source: Rabobank projections based on FAO, OECD, USDA and local data, 2018

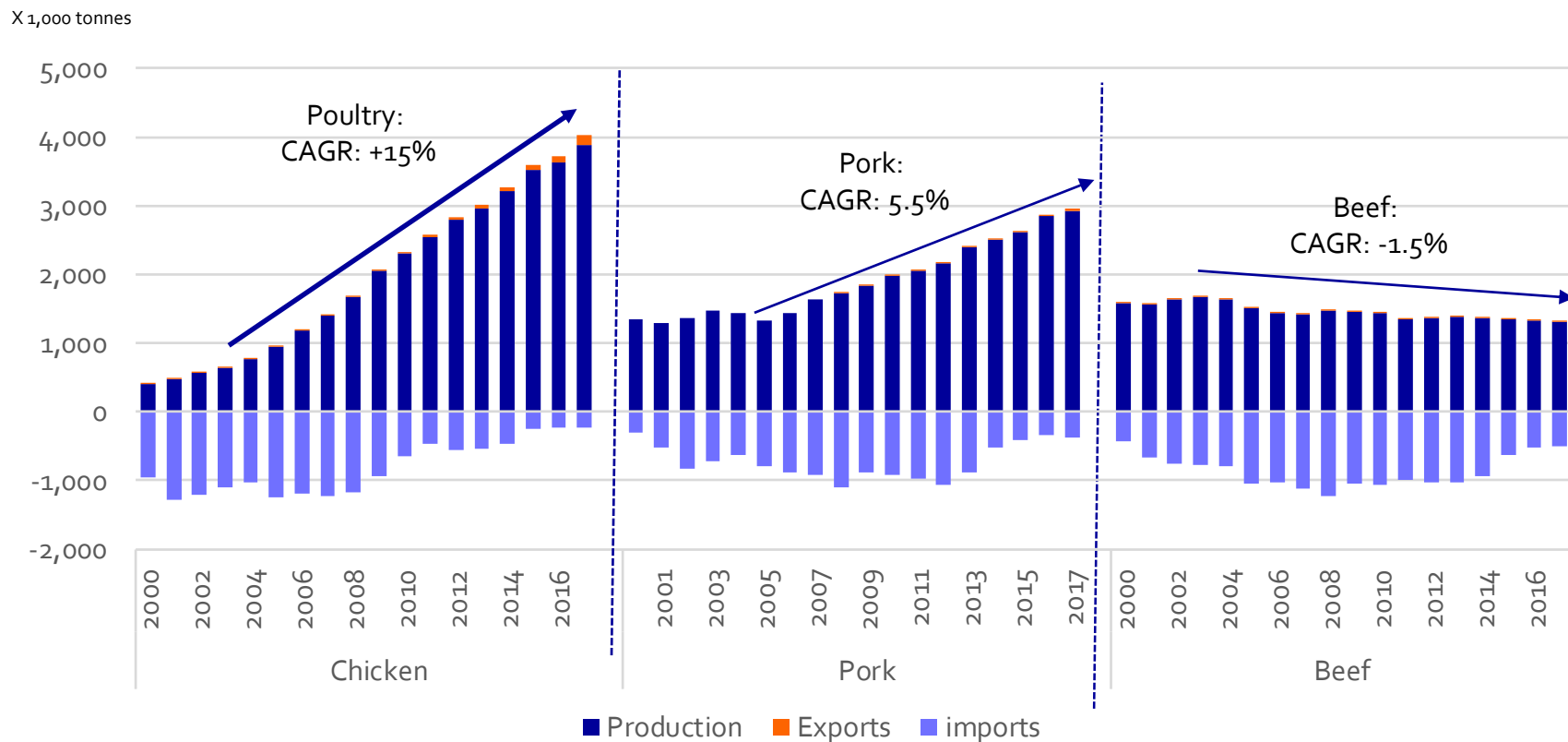
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Russia poultry and pork: fast historic growth, but slowdown



Russia supply balance sheet meat 2000-2017

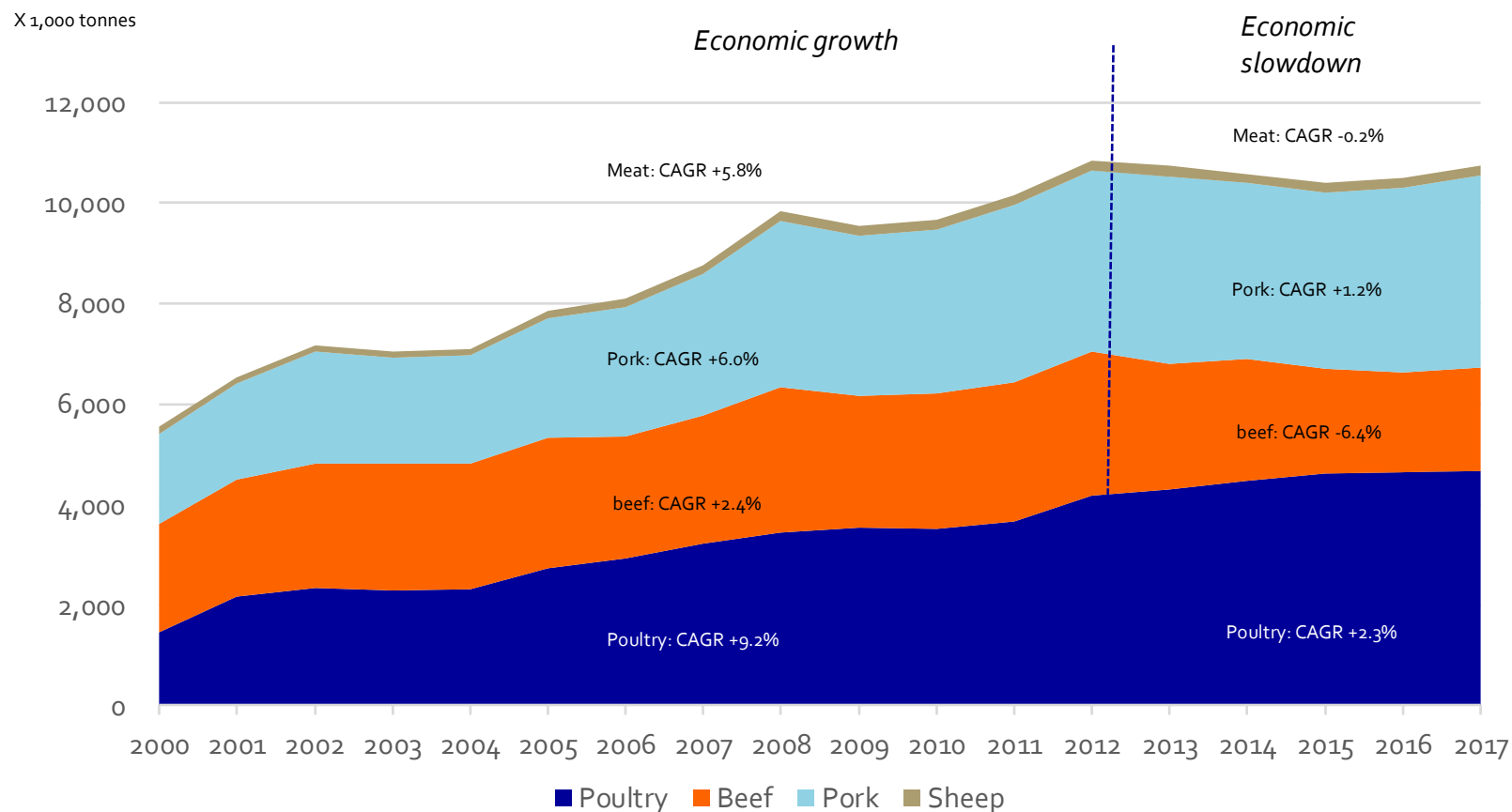


Source: Rabobank based on Rosstat, 2018

Limited upside in domestic Russian market

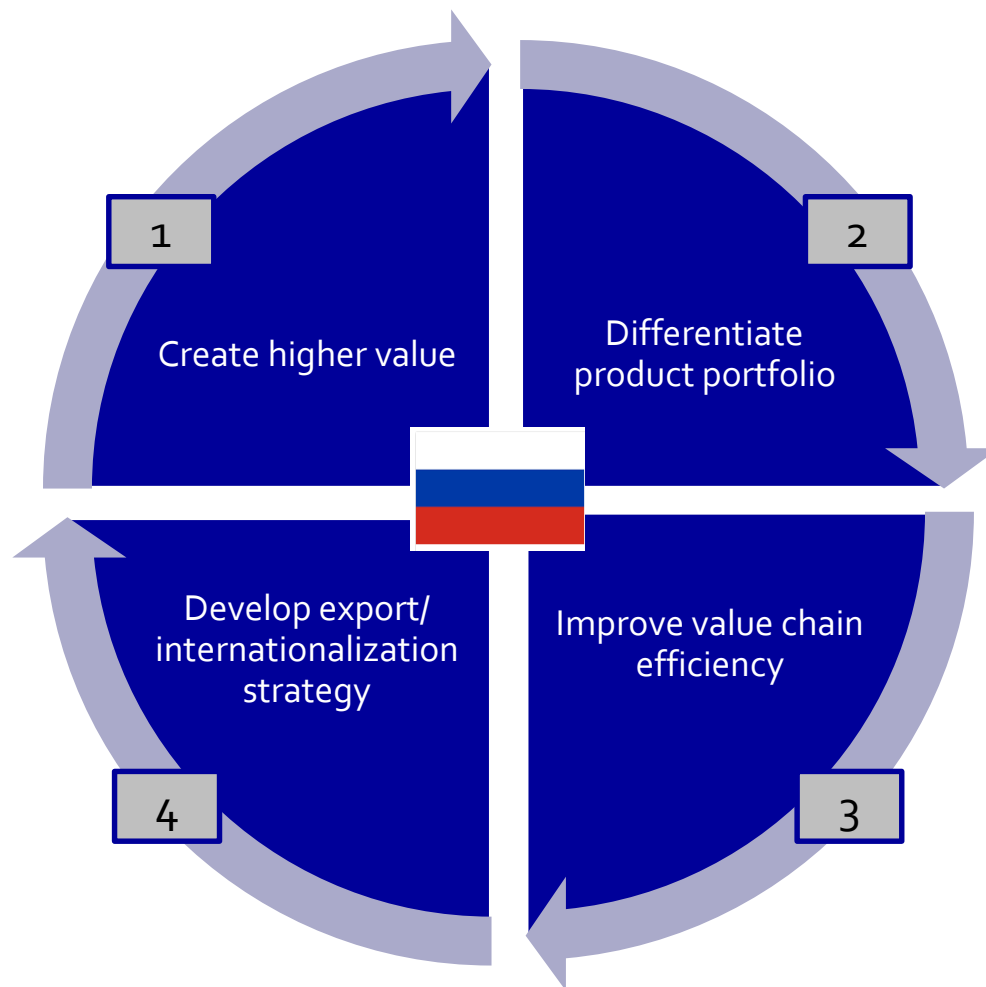


Russian meat market 2000-2017



• Source: Rabobank based on Rosstat, 2018

New investment directions for Russia from a global perspective

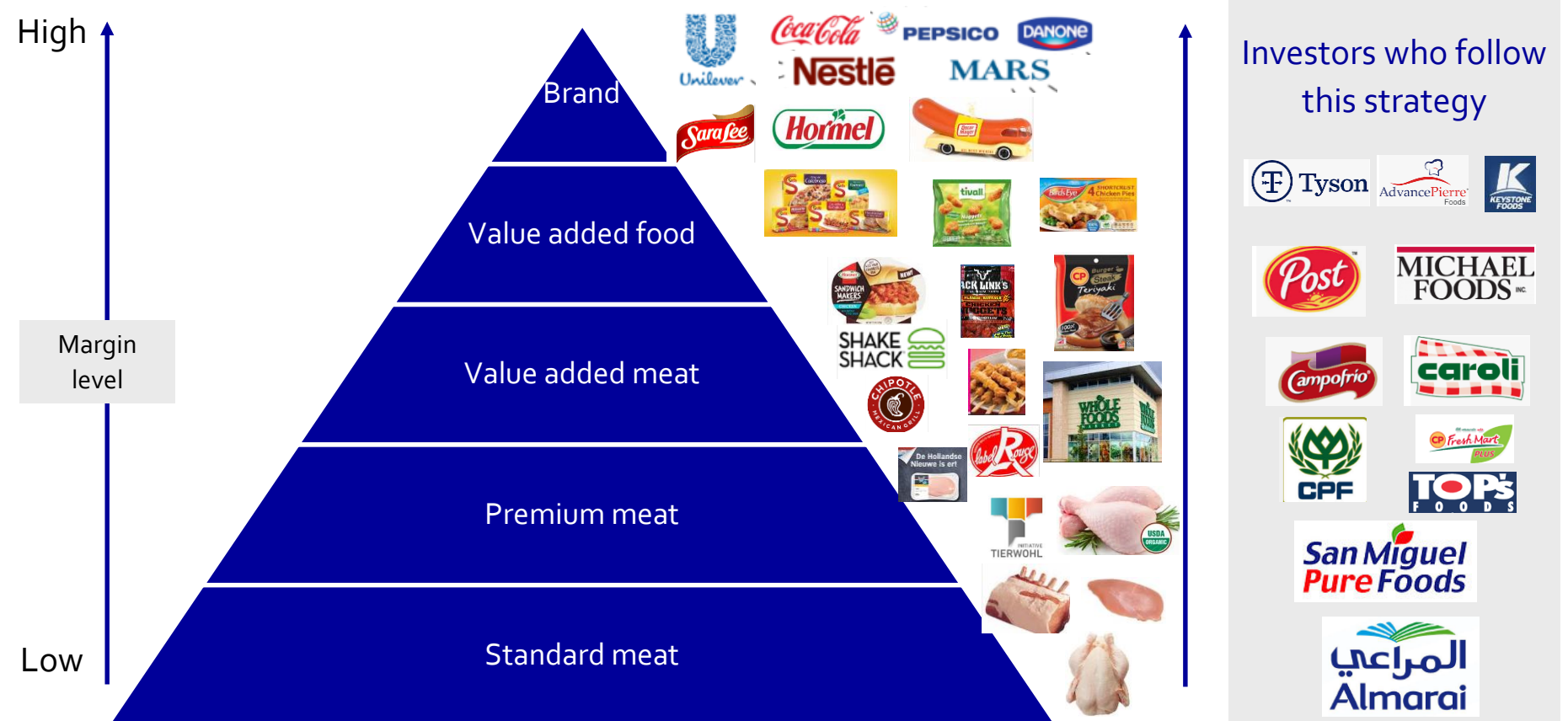


1

Create higher margins: The journey to higher margins



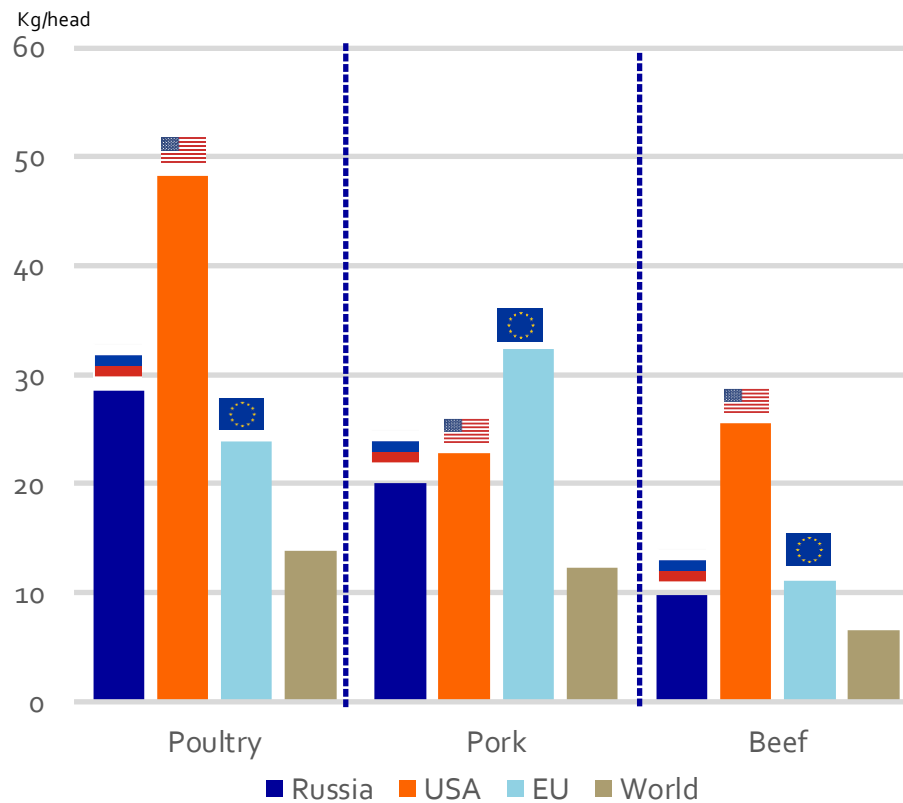
The meat value added pyramid



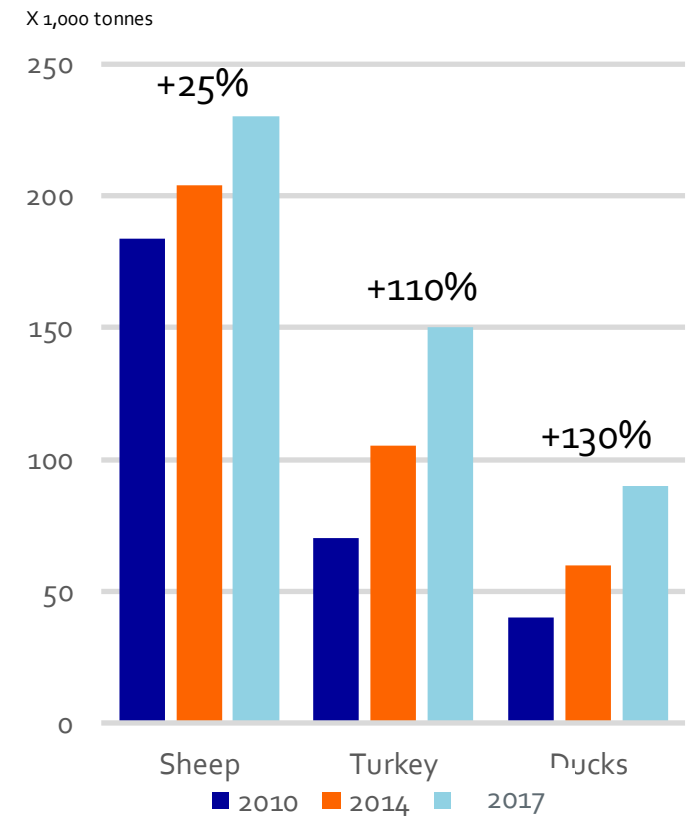
Source: Rabobank analysis, 2018

Diversify product portfolio

Russia per capita consumption vs world



Russia small meat specie production



Speciality focus: consumer concerns to offer opportunities

Market differentiation opportunities

Differentiated product



Social concern



Standard product

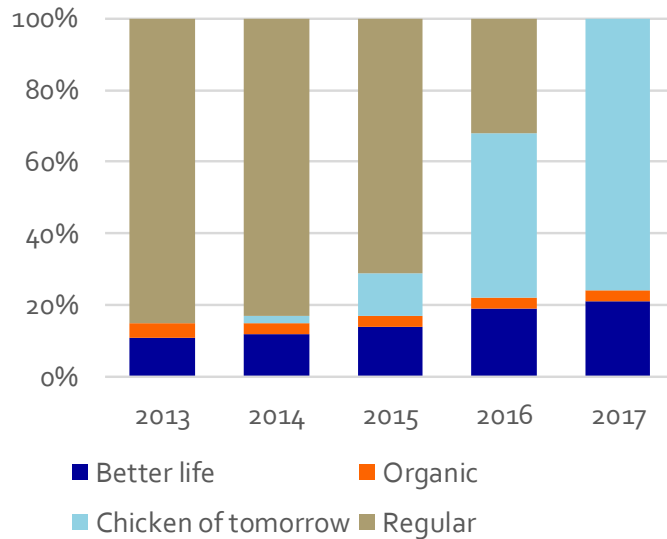


The move to concepts: Netherlands and US example



Europe: animal welfare driven change; NL example

US: Customer driven shift to concepts

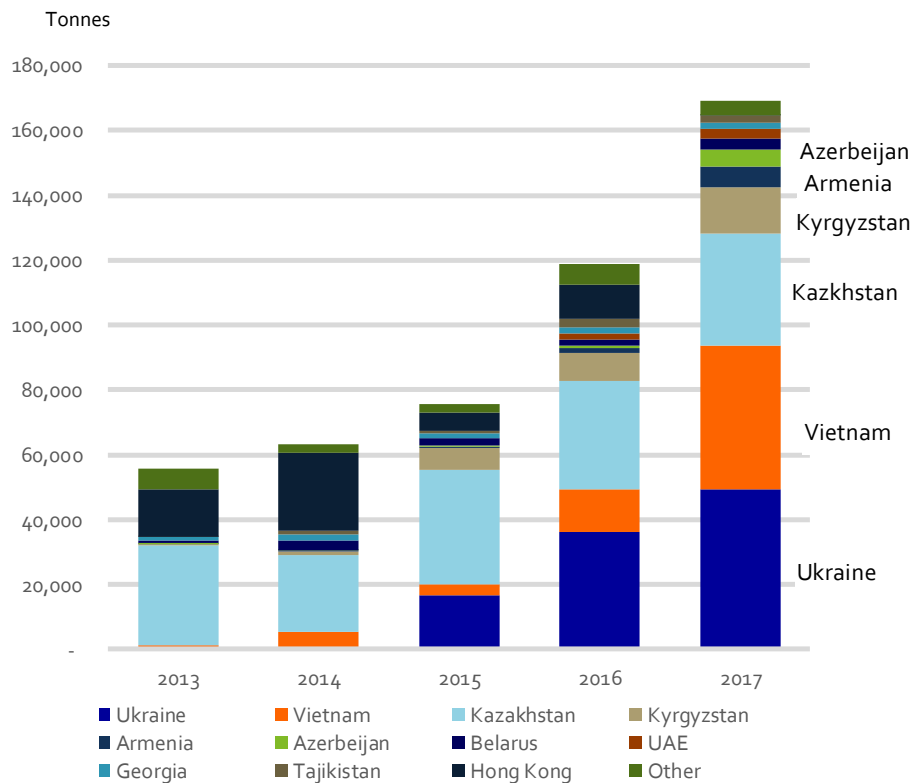


• Source: Company Announcements, Rabobank Estimates, 2018

3 Become a leading exporter and internationalize the industry

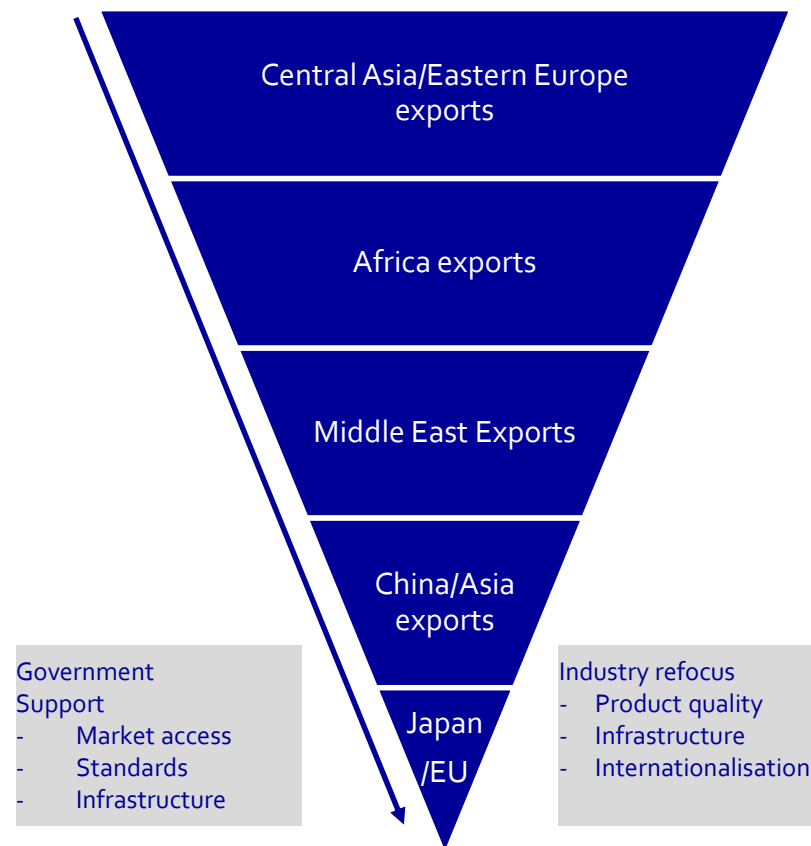


Russia poultry export development



Source: Rabobank analysis, 2018

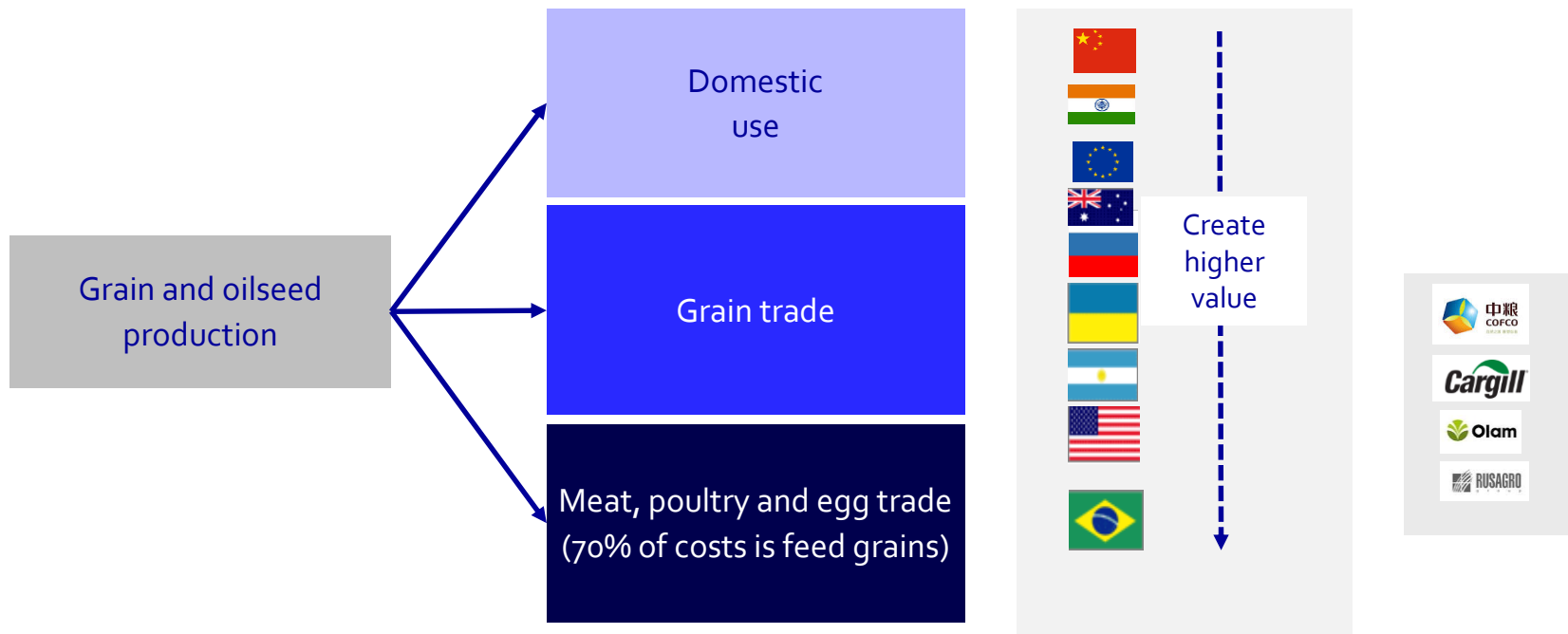
How to develop Russian export?



Valuate Russian grain production; focus more on meat exports



How to optimally value grains and oilseed supply?

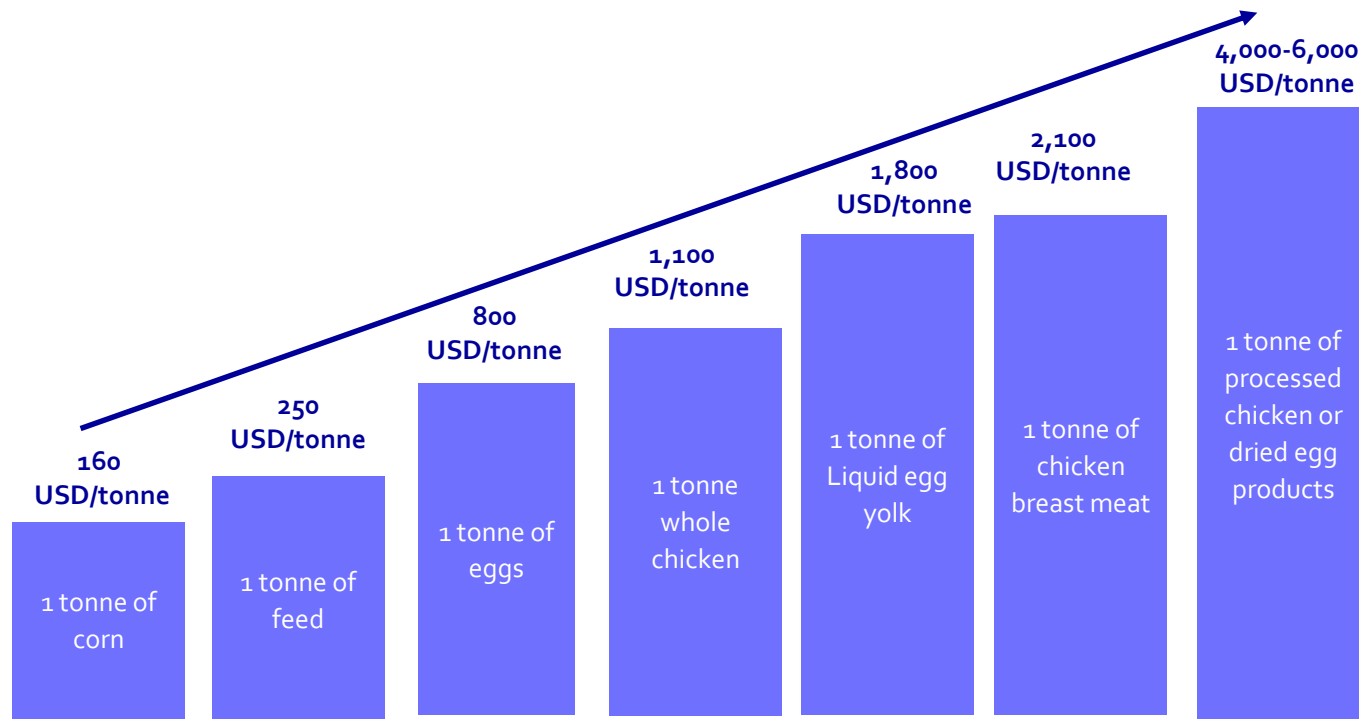


Source: Rabobank analysis, 2018

Why protein trade focus instead of grain trade focus?



Grain and oilseed valuation: where to be positioned?

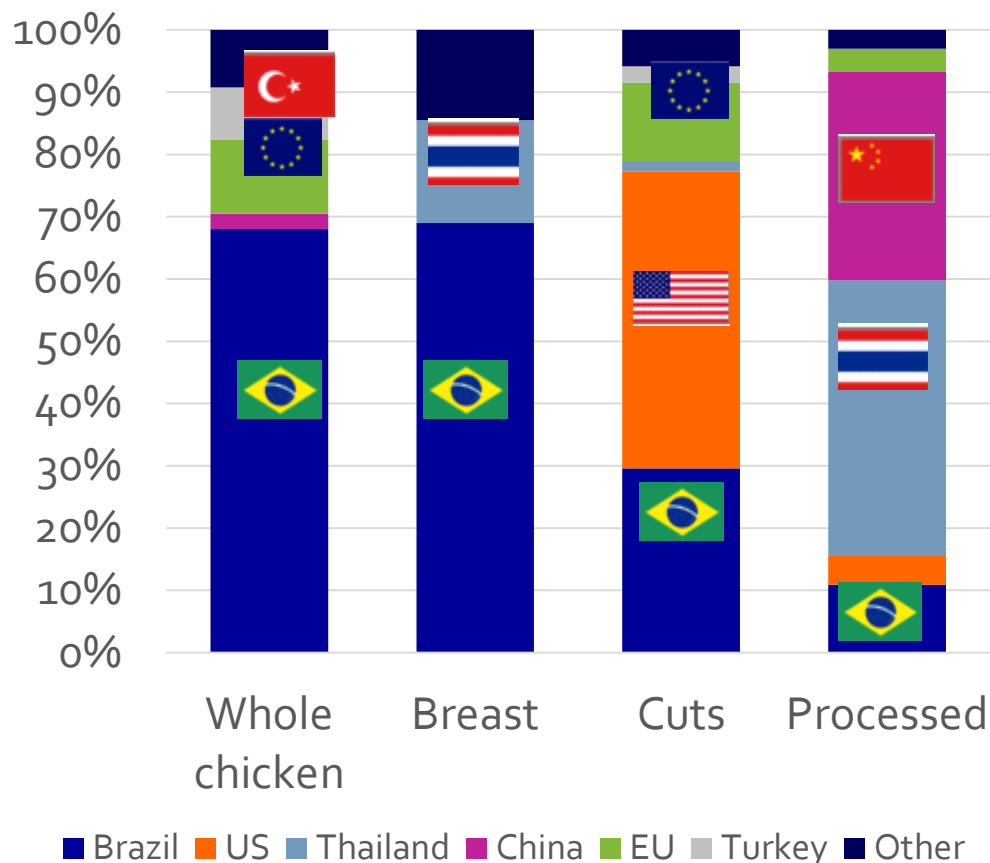


Source: Rabobank analysis, 2018

Need for new exporters to diversify global trade matrix



Global export market shares by country

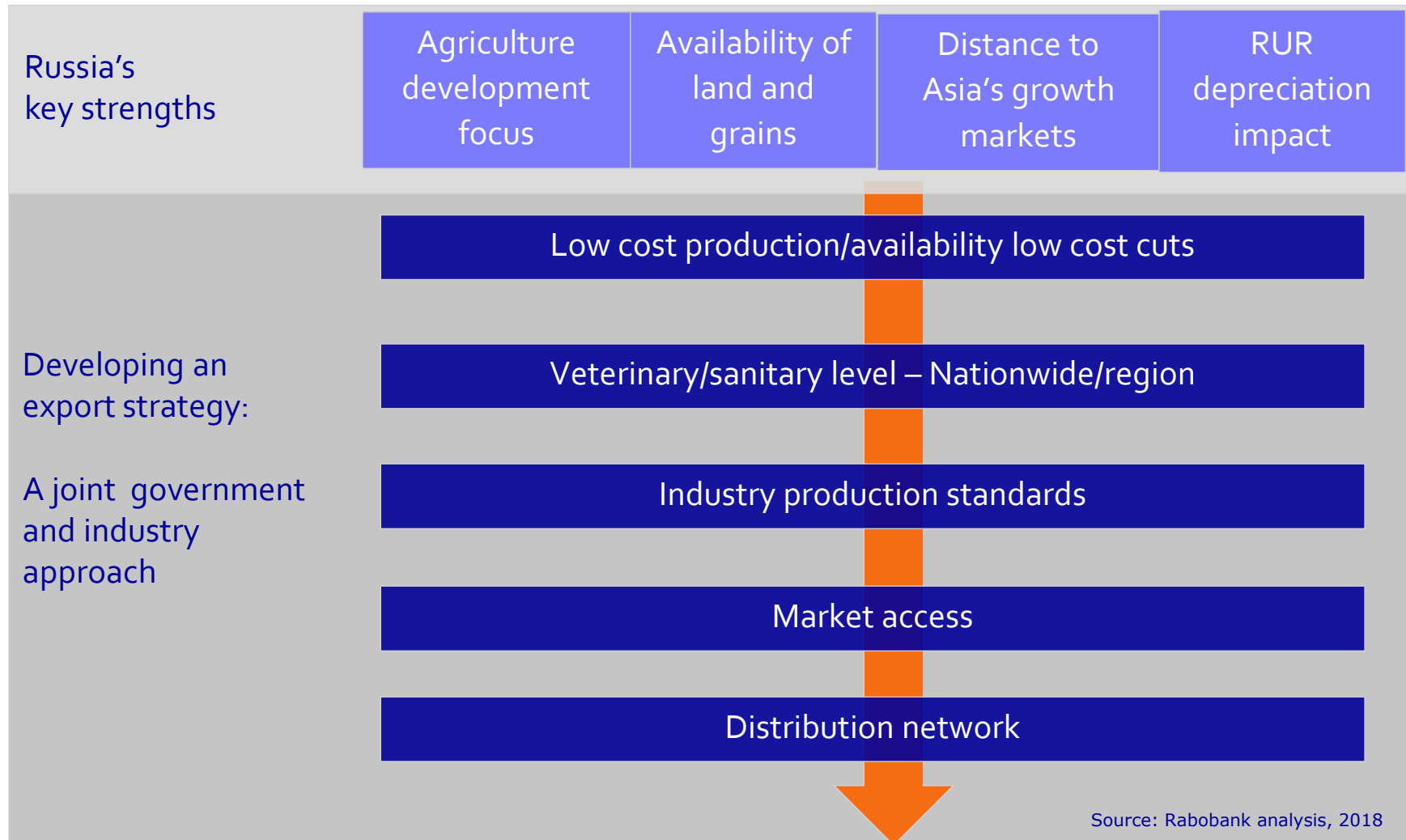


Opportunities for newcomers

Product	High potentials
Whole	  
Breast	  
Cuts	  
Processed	   

Source: Rabobank analysis based on FAO, USDA, local statistics, 2018

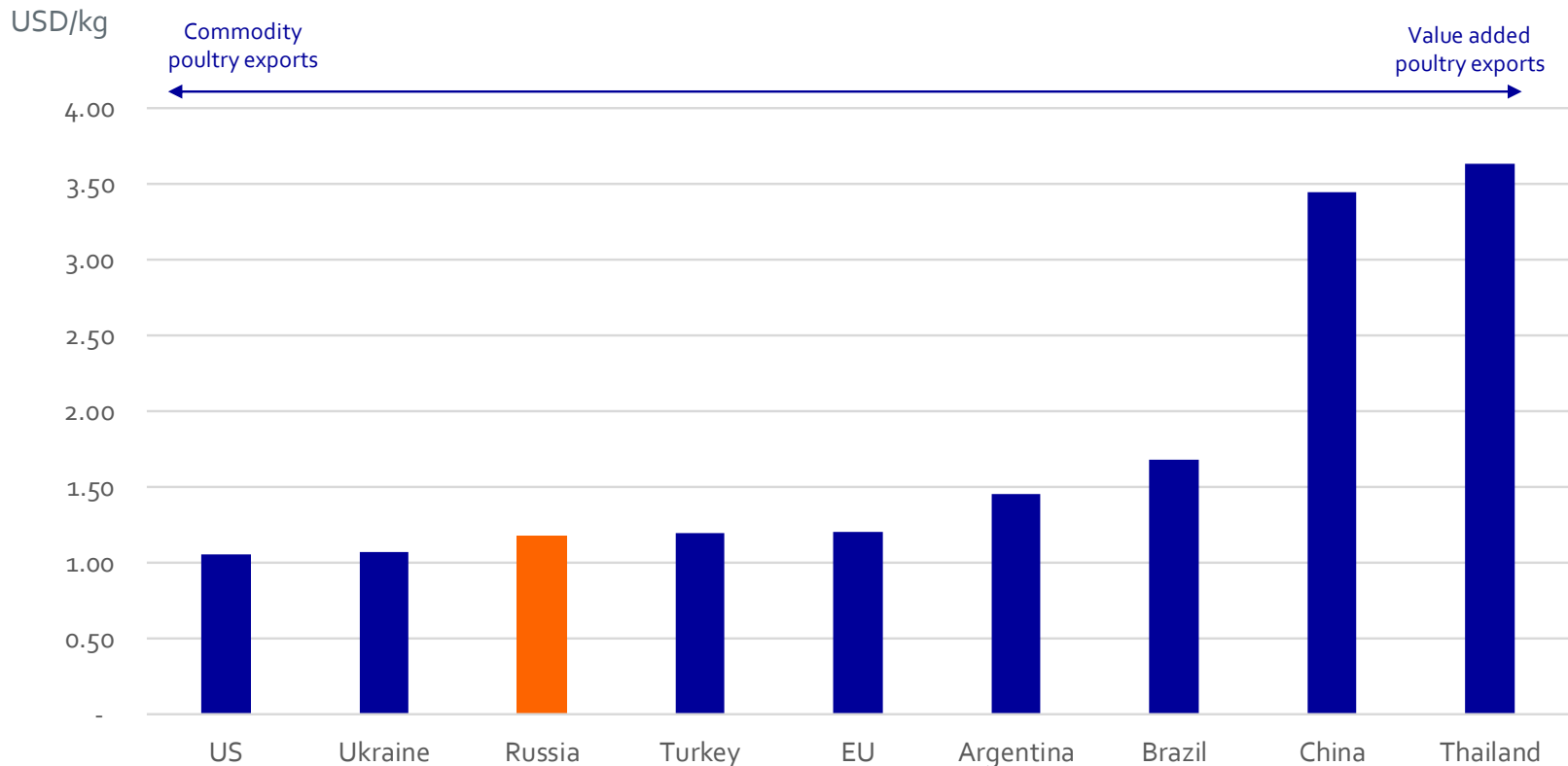
Building up an export position: an integrated approach necessary



Where to position Russia in global trade matrix?



Poultry exporters average poultry prices in 2017



Source: Rabobank analysis, 2018

Upgrade value chains for reality with slower domestic growth and more exports



Benchmark cost of broiler production 2015



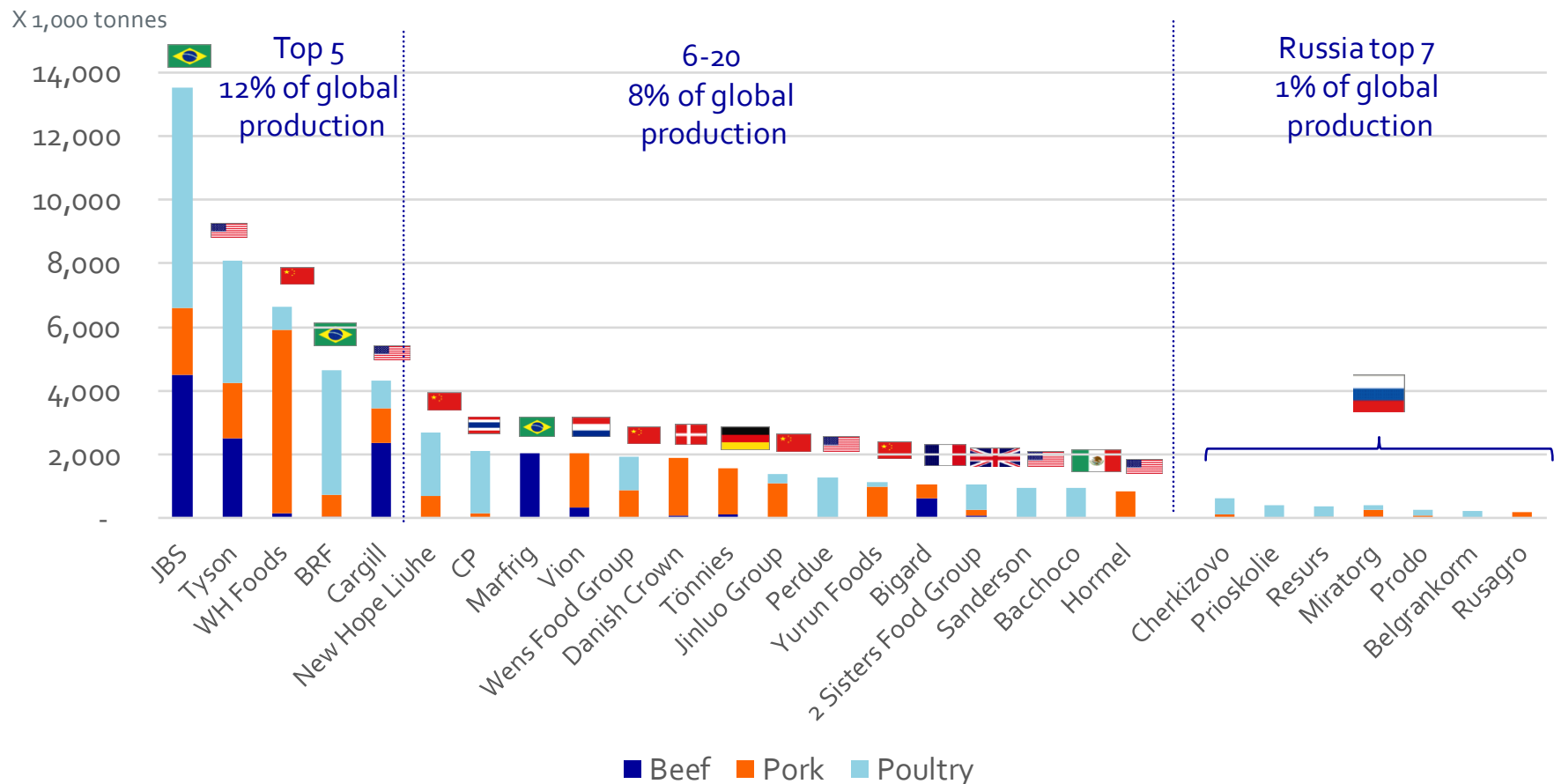
	Feed price (EURct/kg)	DOC (EURct/kg)	Feed conversion	Live weight	Wage EUR/hou	Processing costs	Total cost whole chicken
China	39.1	24.0	1,90	2.0	3	19	157
Netherlands	32.7	31.5	1.61	2.3	22	33	153
Thailand	31.5	28.9	1.68	2.4	2	17	141
Poland	32.6	32.0	1.65	2.3	6	22	139
Russia	28,9	32,5	1,75	2.1	2	19	136
US	26.3	25.1	1.86	2.7	14	25	123
Ukraine	21.8	32.0	1.80	2.5	2	18	112
Brazil	23.6	24.5	1.79	2.6	3	17	106



Global meat industry is fast consolidating with more emerging market influence



Global meat ranking



Be part of the globalization of the meat industry



Globalization in the meat industry



Source: Rabobank analysis, 2018

Conclusions



Bullish global animal protein market outlook; 35% more demand in next 2 decades

Poultry the winning protein, but all proteins will keep growing, including alternative proteins

Emerging market growth, especially coming from Asia will require fast industry modernisation and more trade; industry will internationalize

Russia's industry is moving into a new stage of development: more value added, more diversified, more efficient and more international

Win-wins between global importers and Russian industry well possible to secure future food supply



Thanks for your attention

Questions: nan-dirk.mulder@rabobank.com

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