



# Global and EU poultry outlook

*Strategic investment opportunities  
in a fast changing world*



Nan-Dirk Mulder, 3 May 2019



**Rabobank**

# Content

- 1. Global poultry outlook*
- 2. EU poultry outlook*
- 3. Strategic perspectives for EU poultry industry*



Rabobank

# Rabobank: Leading global Food & Agri bank



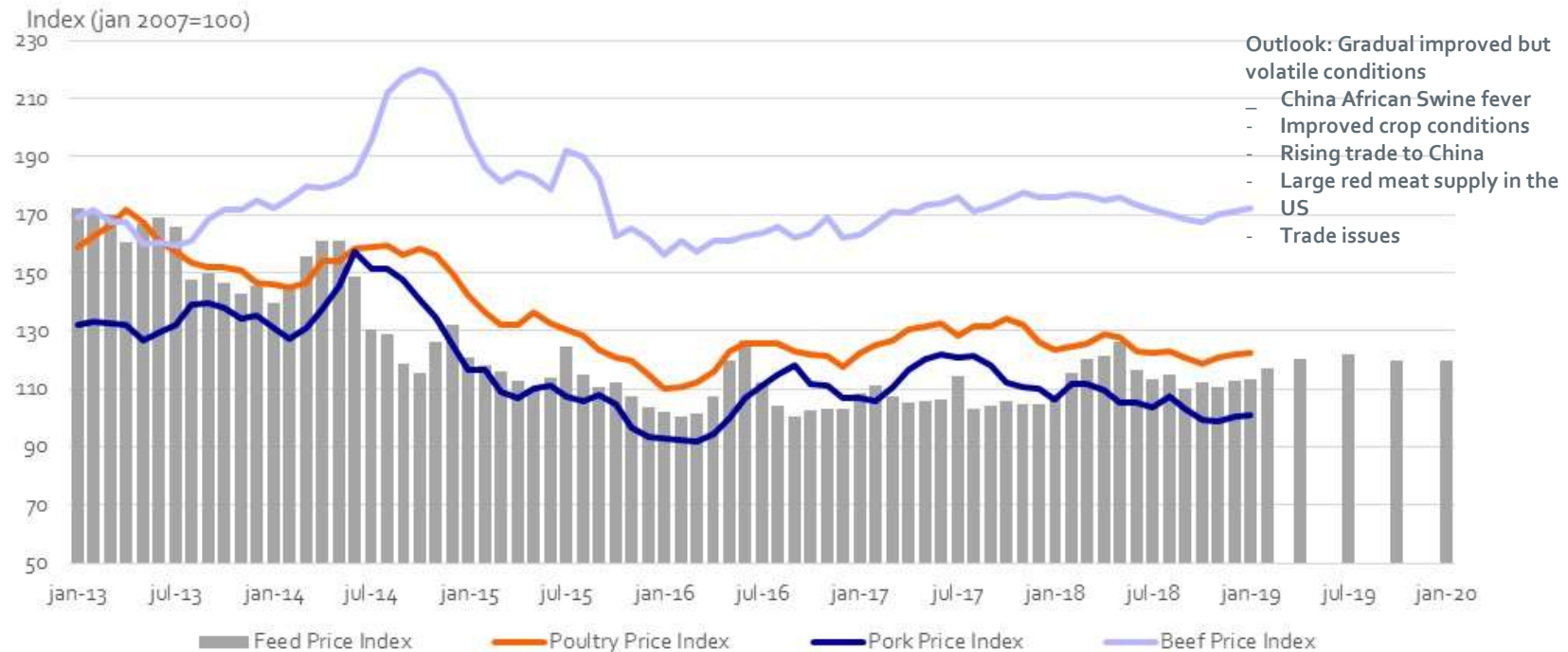
Rabobank global presence



# Global industry performance: Oversupply challenges in 2018H2 and 2019Q1



## Global meat protein margin monitor

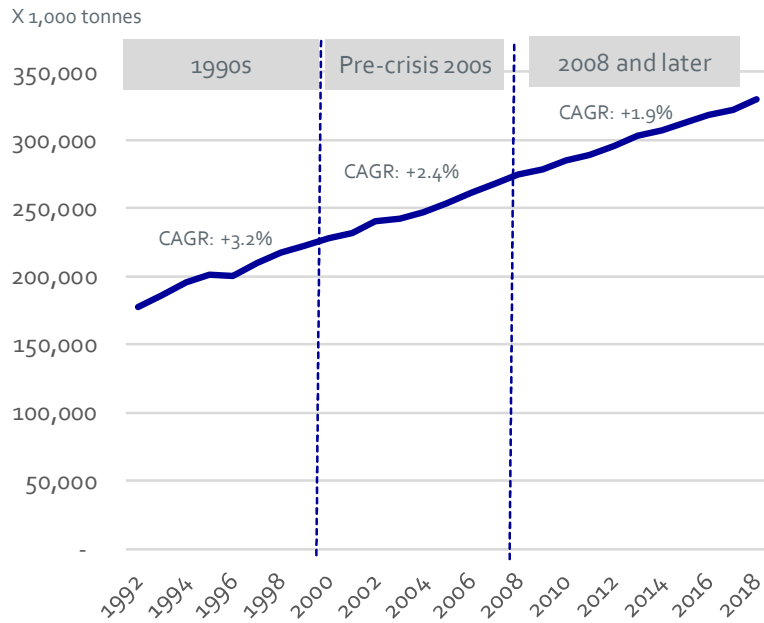


Source: Rabobank analysis based on Bloomberg, CBOT and USDA, 2019

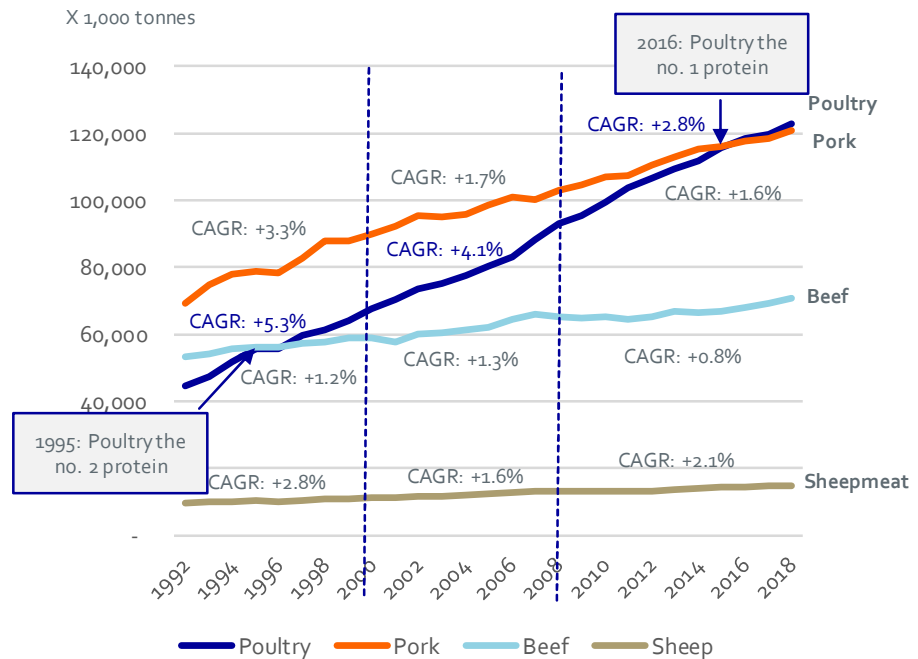
# Global meat market: Ongoing but slower growth: poultry no. 1 meat specie



**Global meat market growth 1992-2018**



**Growth by specie 1992-2018**

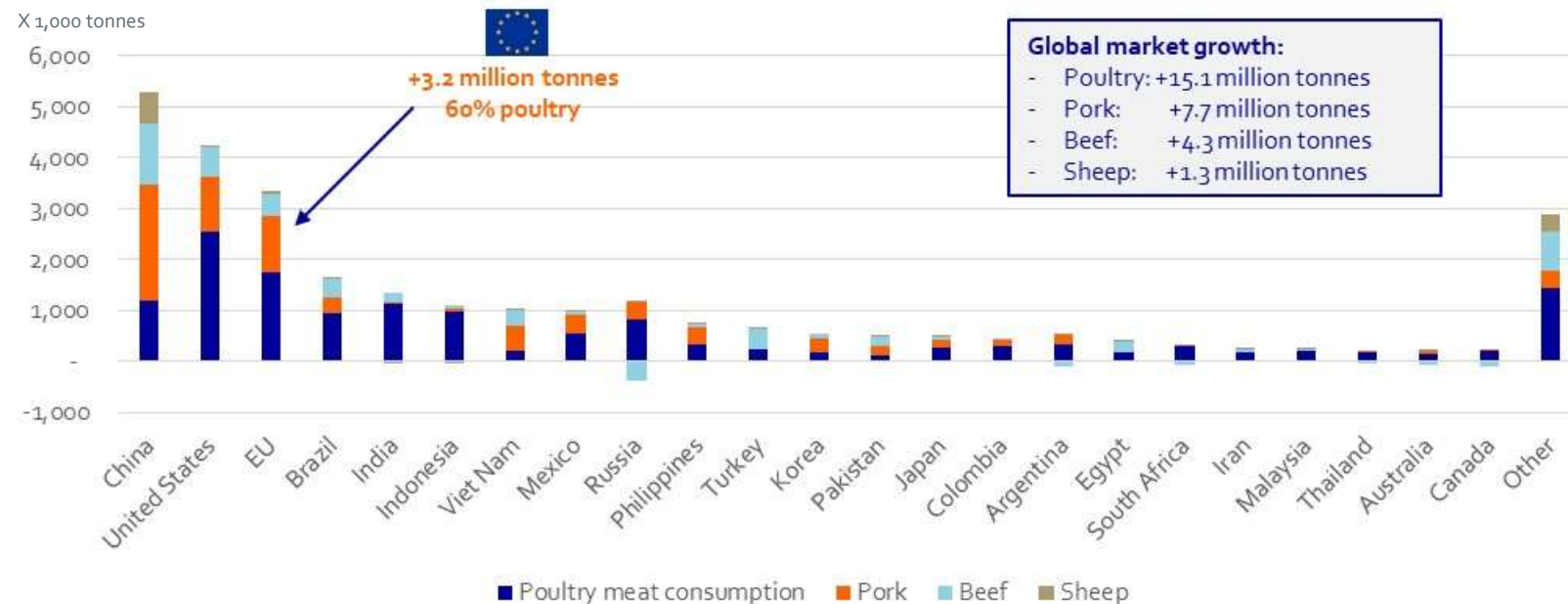


Source: Rabobank analysis based on FAO, USDA and local statistics, 2019

# Where's the growth? Increasingly more emerging market focussed



## Worldwide change in meat consumption by country 2013-2018

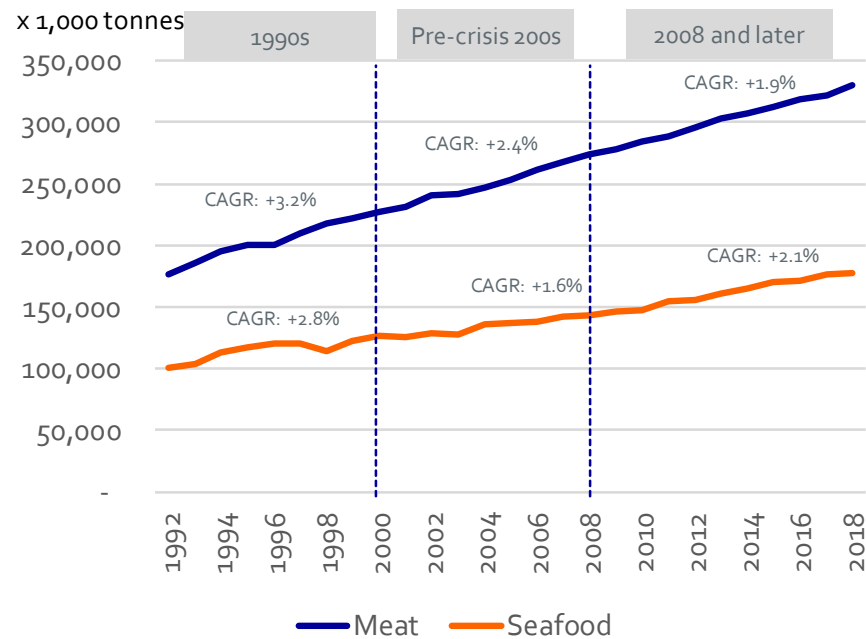


Source: Rabobank analysis based on FAO, USDA and local statistics, 2019

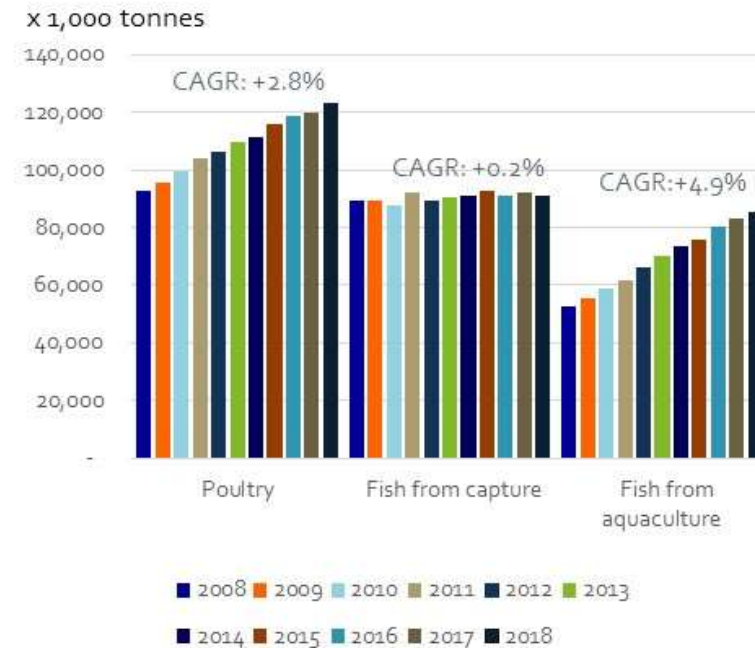
# Where is the competition? Aquaculture production is rising fast



## Global animal protein market



## Poultry and aquaculture: key drivers

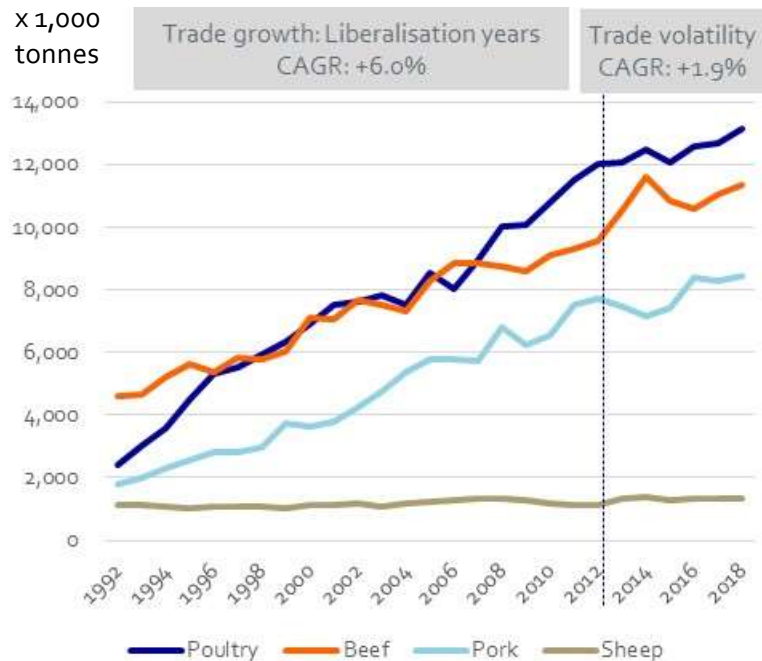


Source: Rabobank analysis based on FAO, USDA and local statistics, 2019

# Global trade: Slowdown after years of fast growth

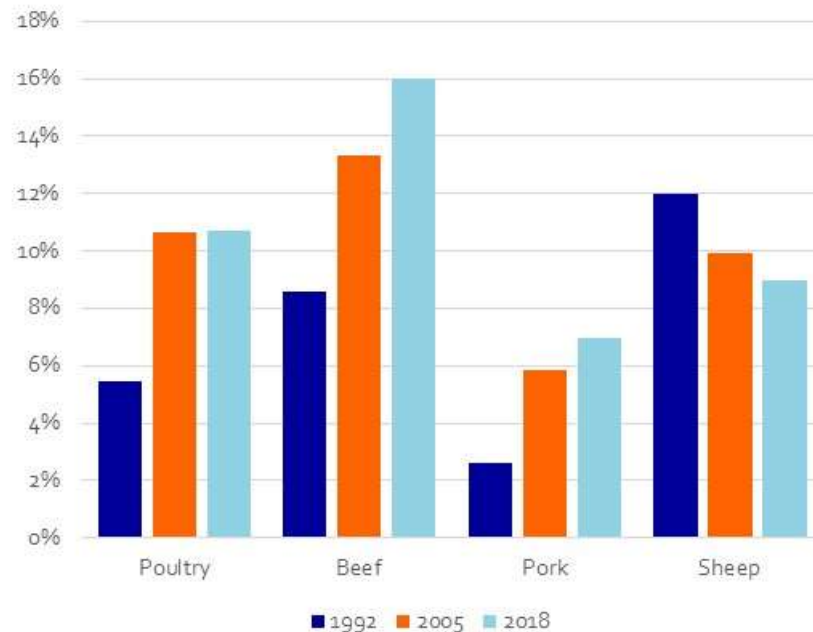


## Global meat trade growth: slow down



Source: Rabobank analysis, 2019

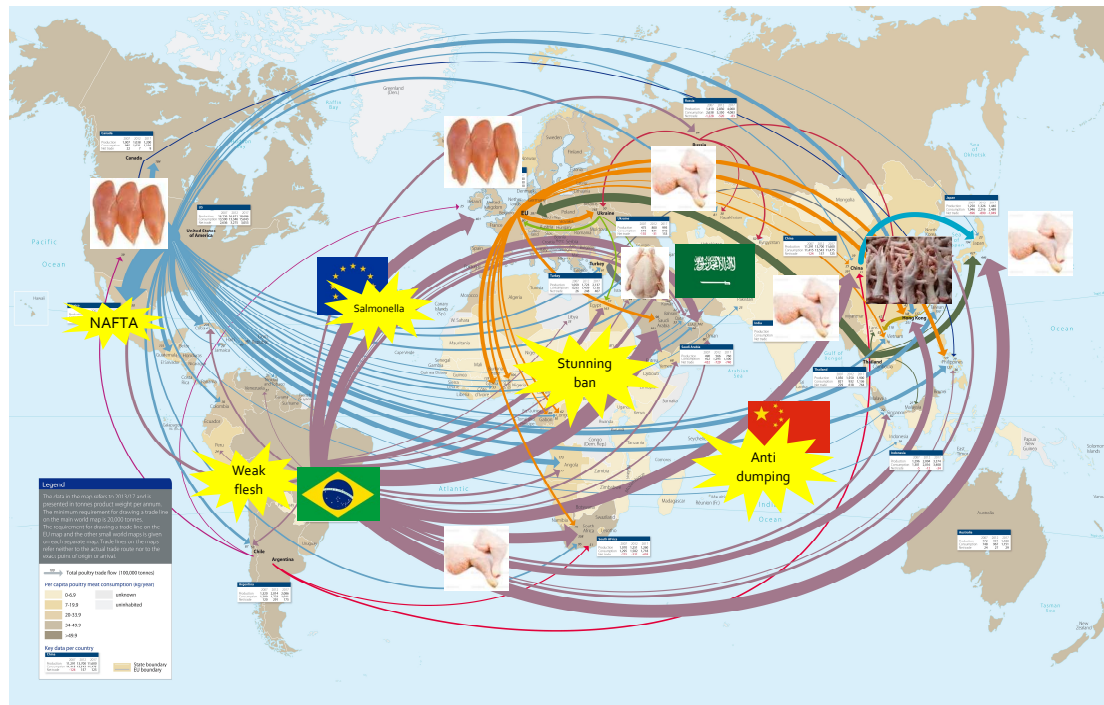
## Share of trade in global meat markets








# Poultry trade: big shake up in trade flows and volumes in 2018/2019

*Rabobank world poultry trade map*



Source: Rabobank analysis, 2019

-  Weak flesh investigation
-  EU-Brazil trade restrictions
-  Saudi/Emirates pending stunning ban
-  China-Brazil anti dumping investigation

# China: ASF outbreaks since August have big impact



China: ASF between Aug 2018 and May 2019

China: Regional pricing differences through year



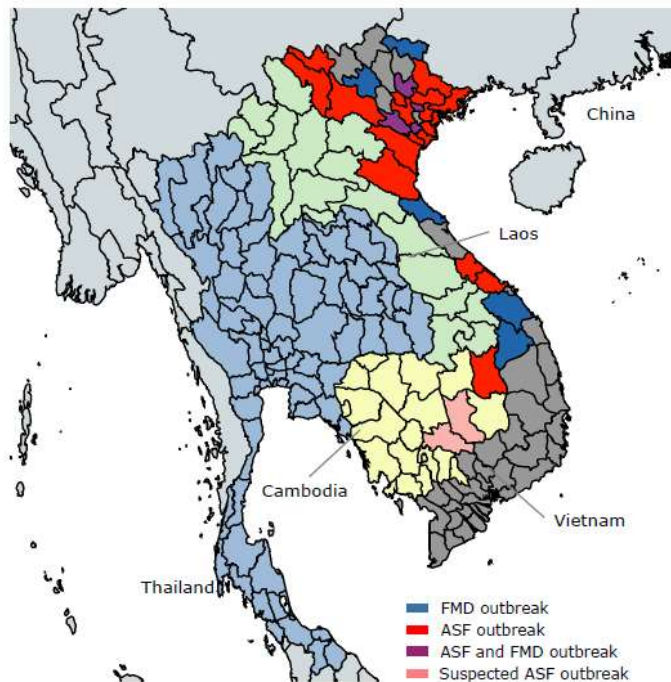
Source: Rabobank/FAO, 2019



# ASF (and FMD) in Southeast Asia is challenging pork and meat outlook for region



## ASF and FMD outbreaks in Southeast Asia



First case reported on 19 February, now spread into 23 provinces in Vietnam

Stock liquidation of sow herd will impact supply

Big price differences between Northern and Southern Vietnam

Concerns about potential spread in other Southeast Asian countries

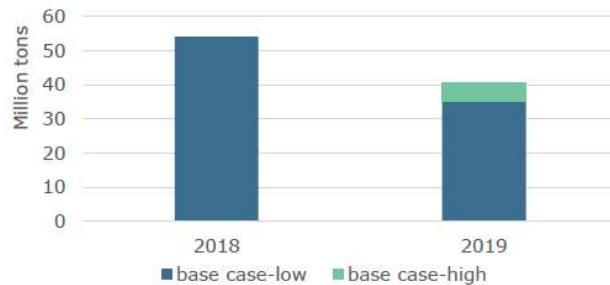
Source: Rabobank analysis, 2019

# Pork production to drop 25-35% this year in China

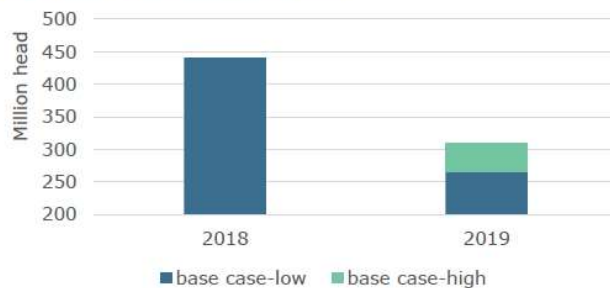


## China pork production: -25-35%

Unprecedented decline forecast in China's pork production



Herd decline drives production losses



Source: Rabobank, 2019

Base case: -25-35%

Impact will be mid-to long term

Massive stock liquidation in Q4-Q1

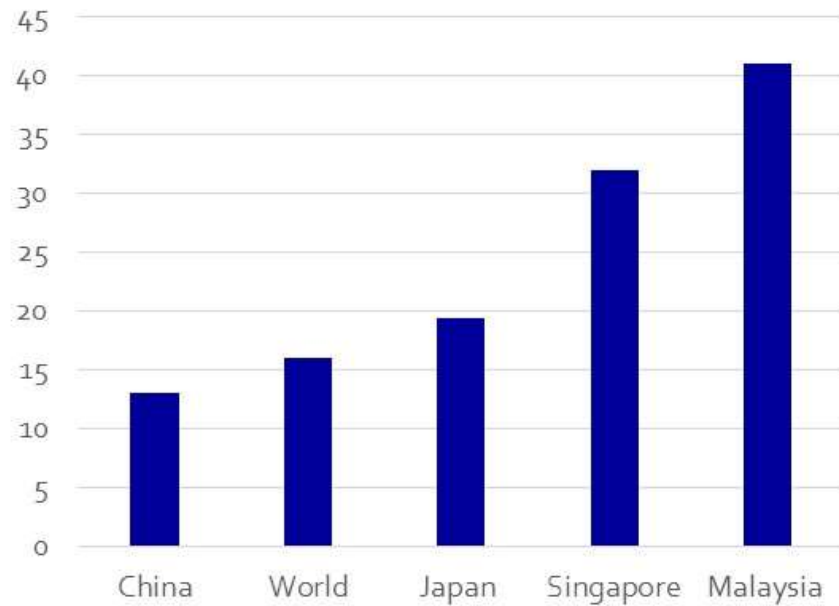
Need for more vertically integrated production facilities

Search for a vaccin against ASF Strain

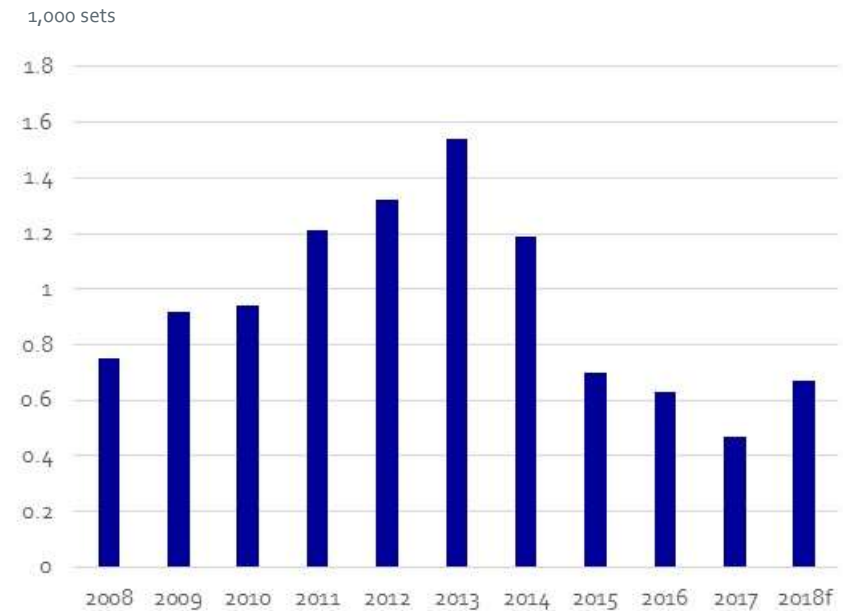
Substitution to other proteins, more imports

# Chinese poultry to benefit in next years, but production growth is limited

*China poultry per capita consumption: big upside*



*Grand parent stock imports in China*

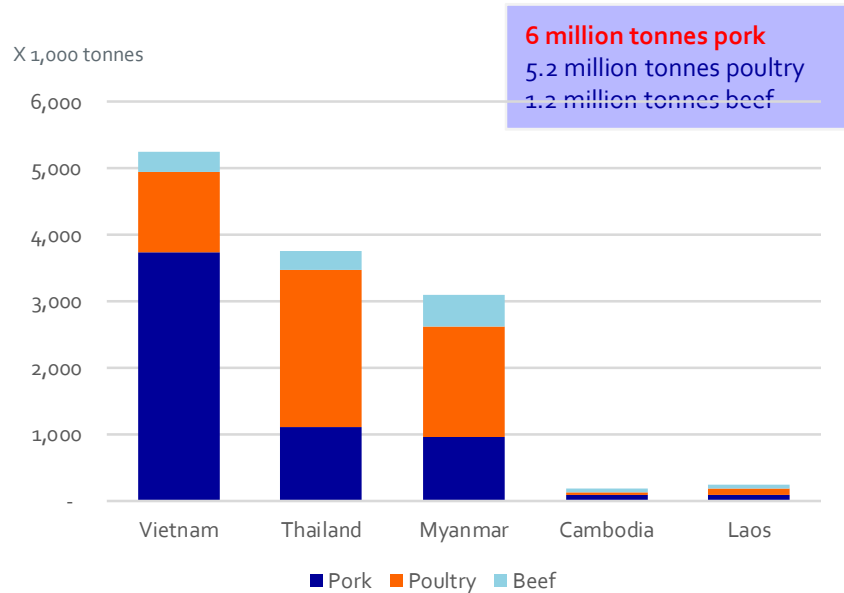


Source: Rabobank analysis based on USDA, FAO and local statistics, 2019

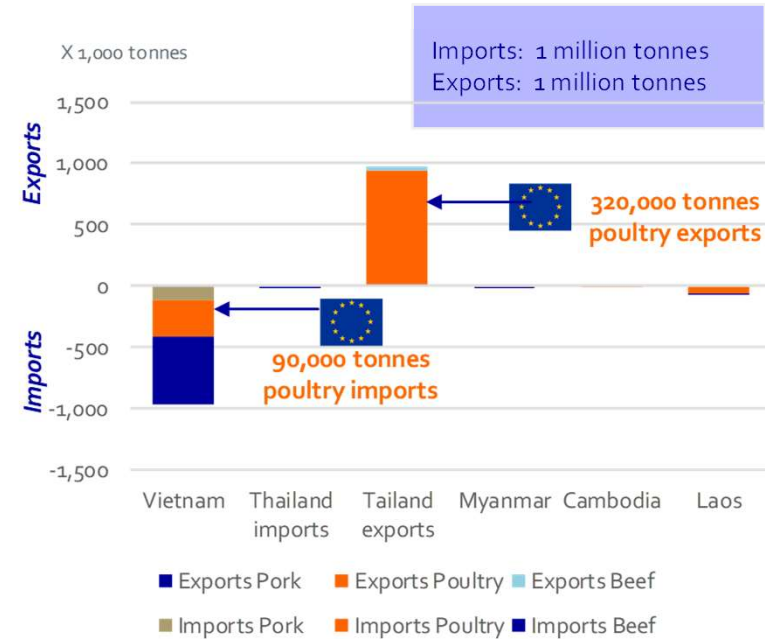
# More local non-Pork protein production in Asia in next years



## Southeast Asia meat consumption in 2018



## Southeast Asia meat trade in 2018

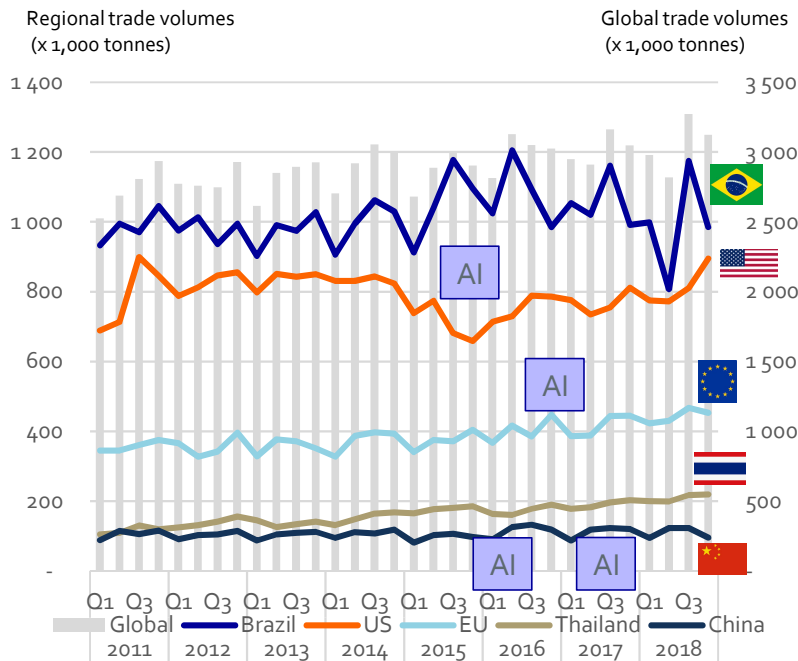


Source: Rabobank analysis, 2019

# Global meat markets will benefit from ASF crisis; chicken trade growth restricted

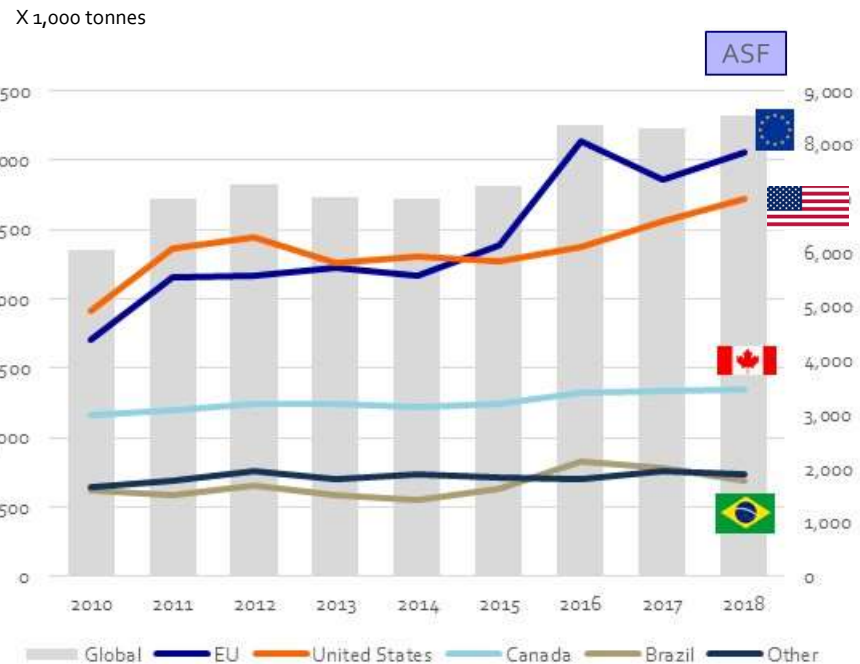


Global chicken trade 2011 Q1- 2018 Q4



Source: Rabobank analysis based on Bloomberg, OIE, 2019

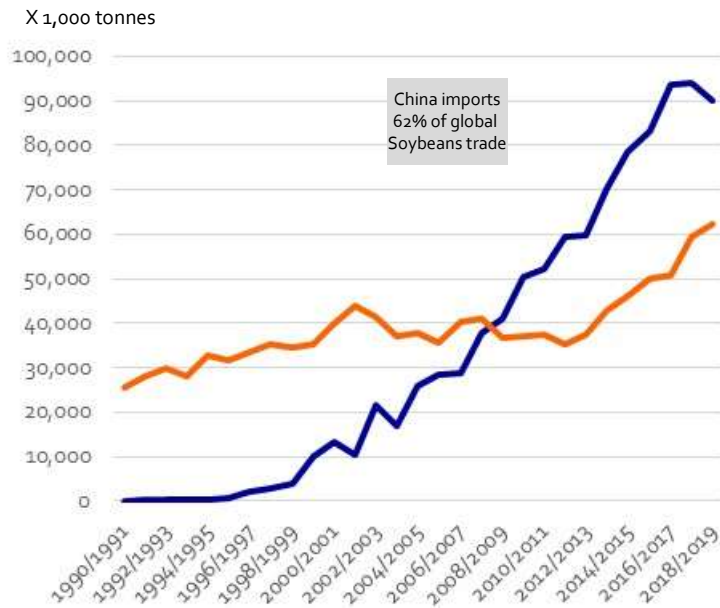
Global pork trade 2010-2018



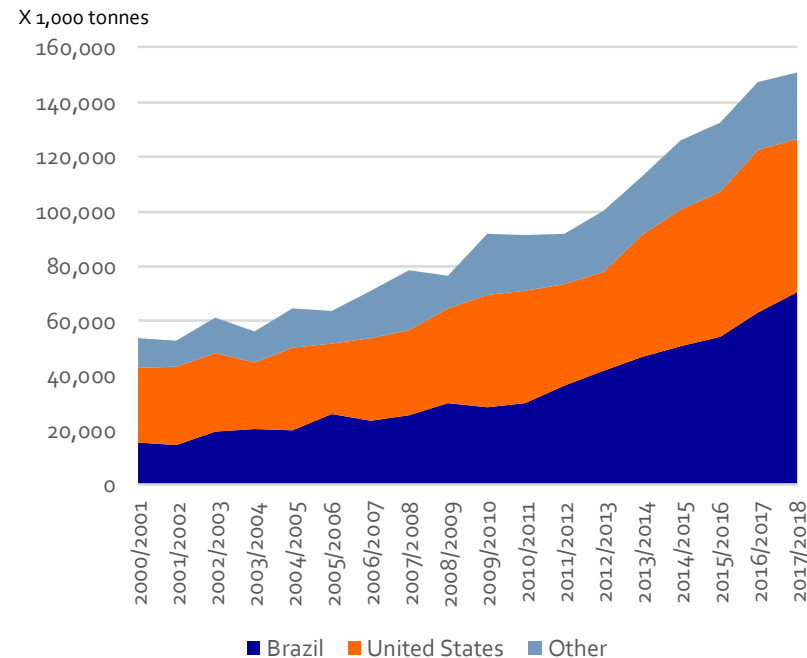
# Global grains and oilseed markets: China ASF, US-China trade war, improved supply



## Global soybean imports



## Global Soybean exports



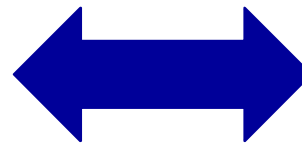
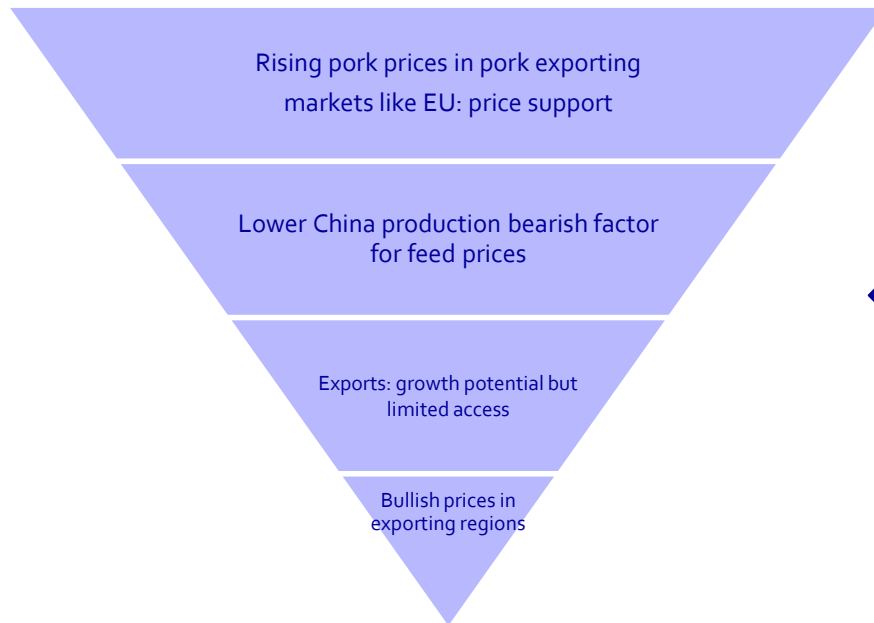
Source: Rabobank analysis based on USDA, FAO and local statistics, 2019



# Will this lead to bullish global poultry markets in 2019/2020?



## Poultry market impact in 2019/2020 in base case scenario



## Potential change factors



Source: Rabobank analysis, 2019

# Content

*1. Global poultry outlook*

*2. EU poultry outlook*

*3. Strategic perspectives for the EU poultry industry*

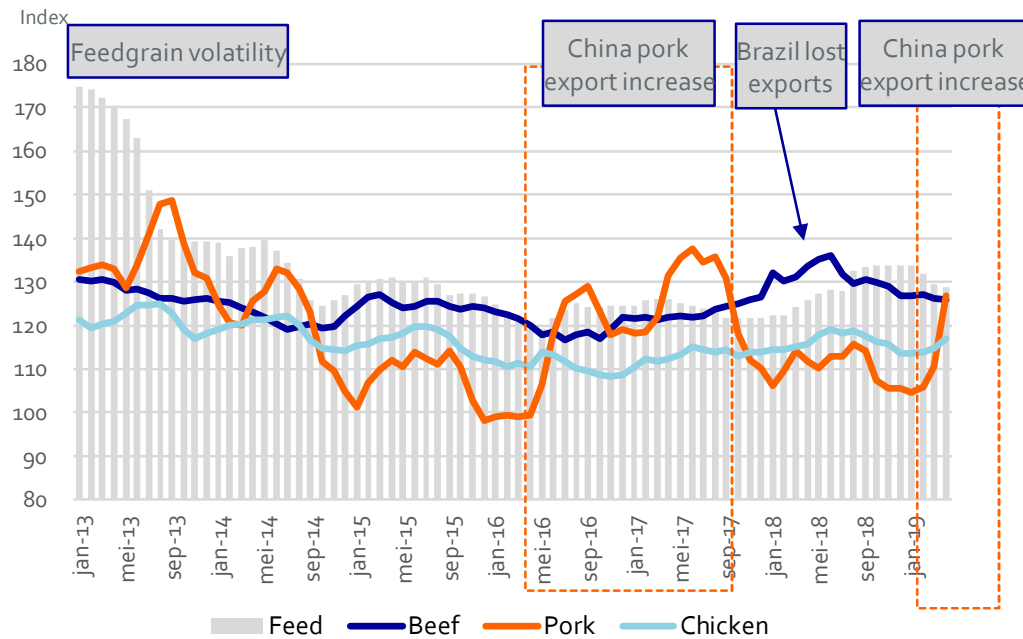


Rabobank

# EU meat market: will bullish pork markets support poultry prices?



*EU meat prices 2013-2019*

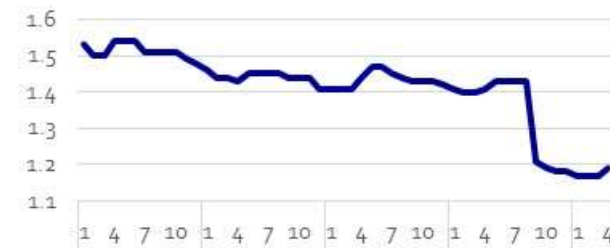


Source: Rabobank analysis, 2019

*Germany frozen breast prices*



*Germany frozen leg prices*

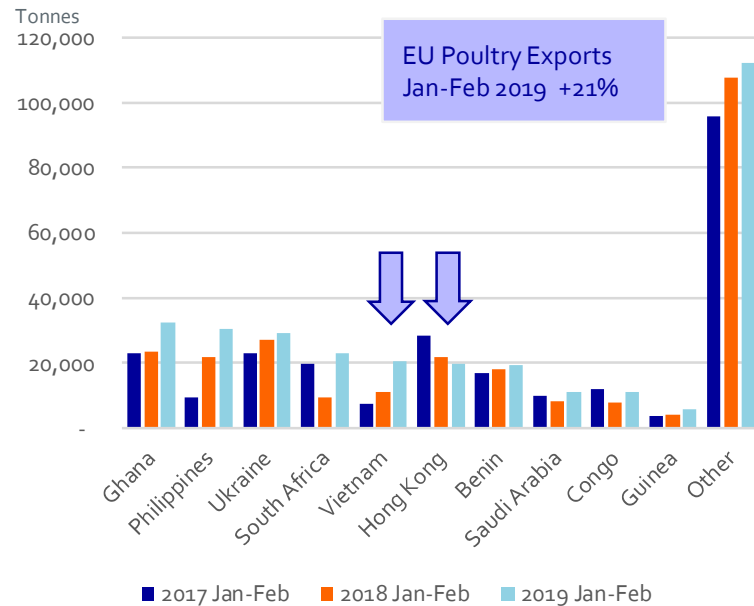


Source: Rabobank analysis based on MEG, 2019

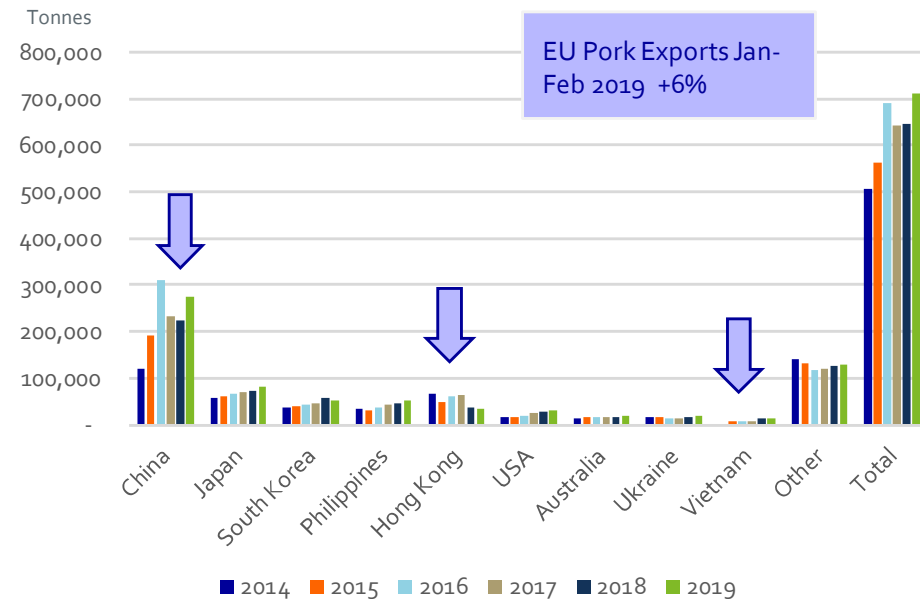
# EU exports are already rising but EU poultry lacks access to China



## EU Poultry exports Jan-Feb 2017-2019



## EU pork exports jan-feb 2014-2019

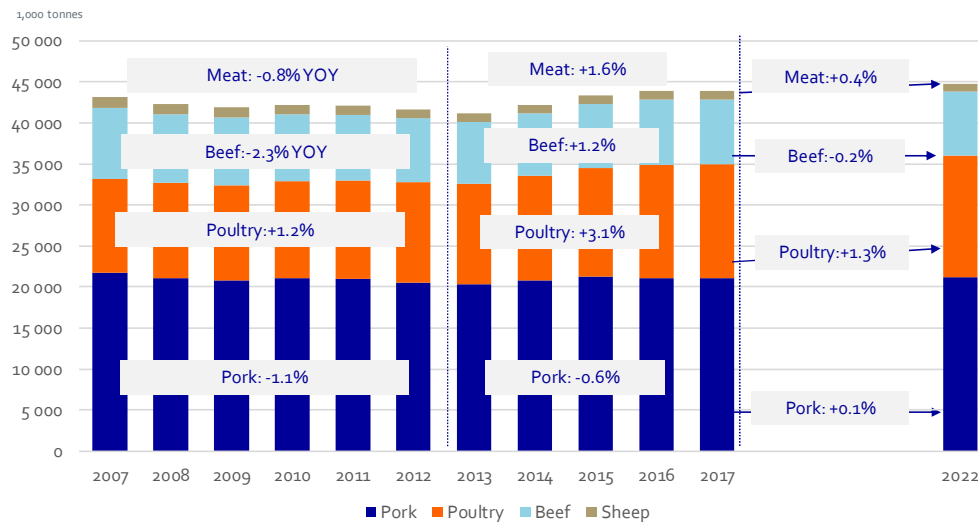


Source: Rabobank analysis, 2019

# EU meat market recovered from economic crisis; poultry will stay in lead



## EU meat market 2007-2017, 2022 outlook



## Alternative protein <1%, but big investments

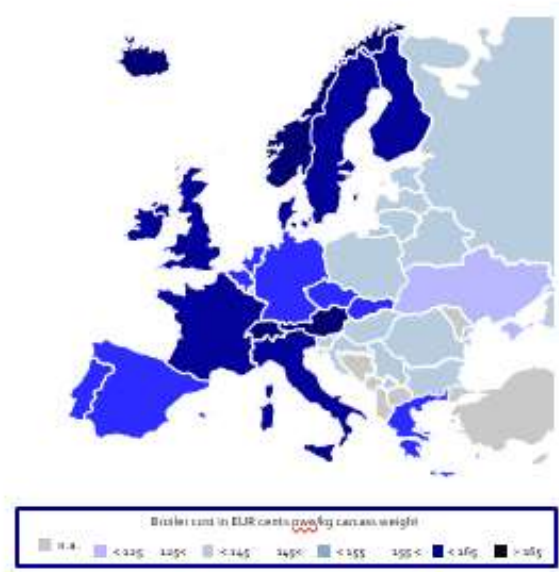
	Startup	Funding	Protein industry investor
	2011	\$387 m	TEMASEK HOLDINGS
	2011	\$220 m	TEMASEK HOLDINGS, MITSUBISHI & CO.
	2012	\$85 m	TEMASEK HOLDINGS, Cargill, MITSUBISHI & CO.
	2009	\$72 m	Tyson
	2015	\$20 m	Tyson, Cargill
	2015	\$4 m	Tyson, P/H/W

Source: Rabobank projections based on Eurostat and AVEC data, 2019

# New reality in EU poultry: More chicken concepts and changes in cost leadership

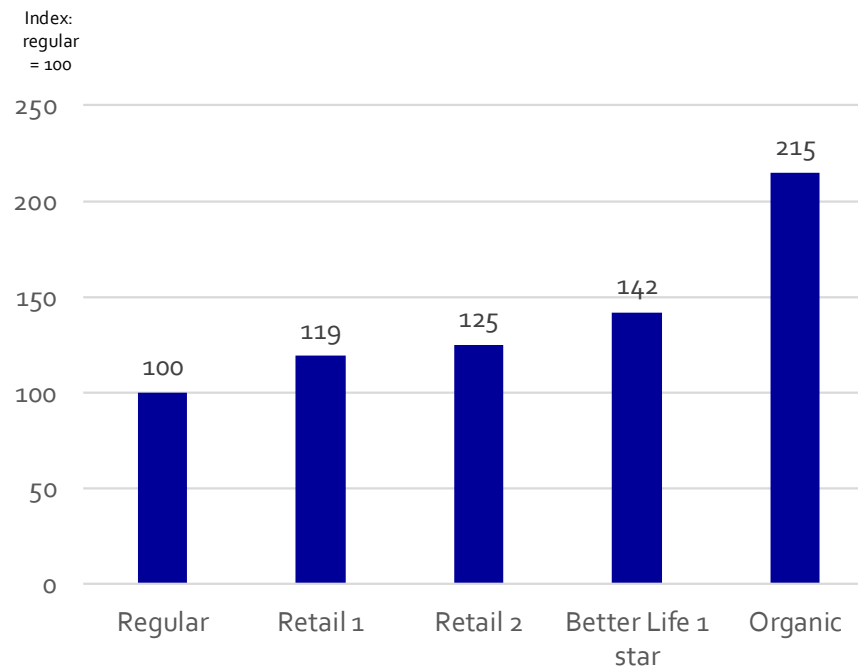


## Cost price broilers per region



Source: Rabobank analysis based on Wageningen UR, Cobb, FAO, 2019

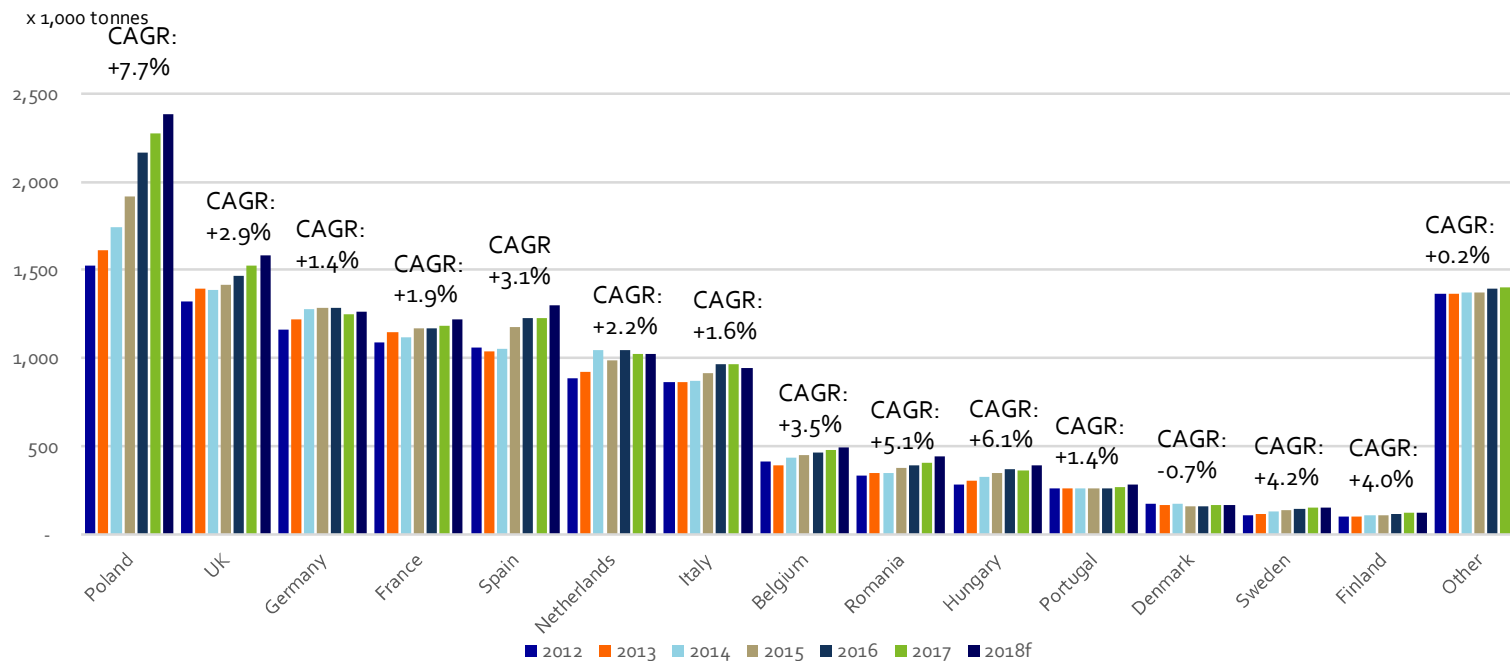
## Broiler concepts cost price comparison in NL



# EU chicken production: the move to Central and Eastern Europe



## EU chicken production 2012-2018f

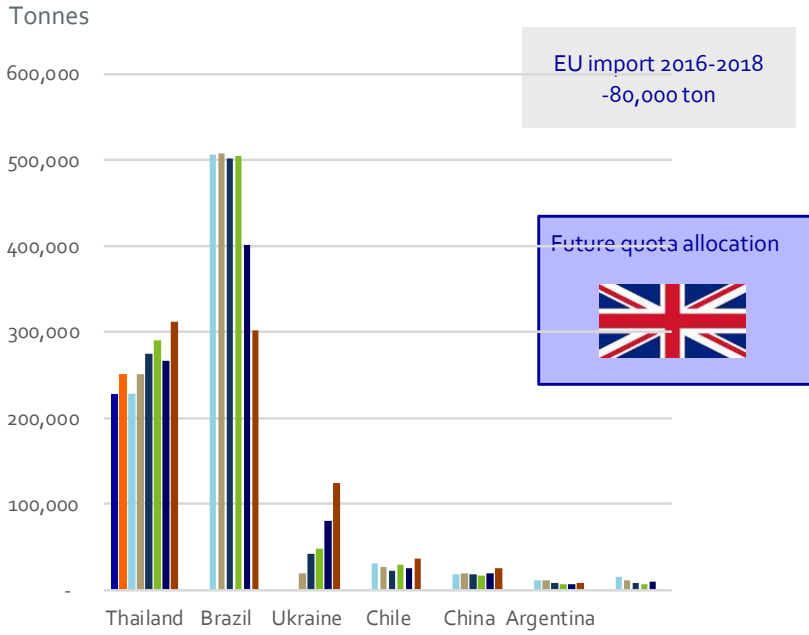


Source: Rabobank analysis based on Eurostat, 2019

# Ongoing growth in EU's net-trade position in volume

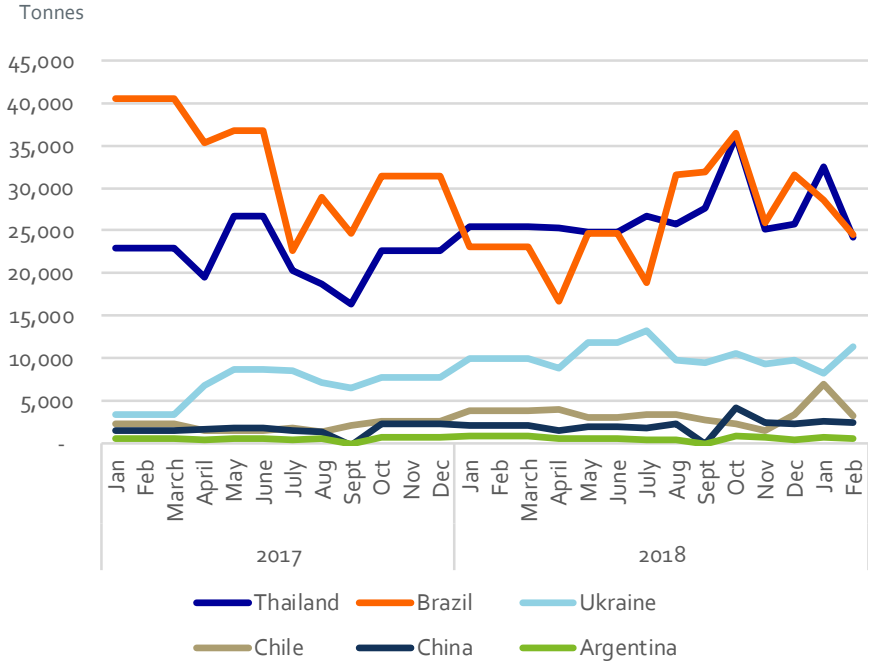


## EU poultry imports 2013-2018



Source: Rabobank analysis based on Eurostat, 2019

## EU monthly import volumes

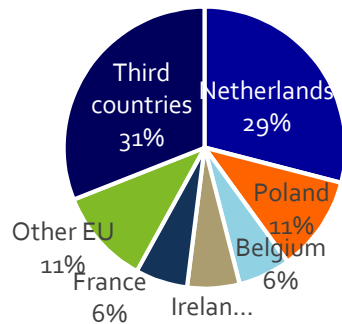




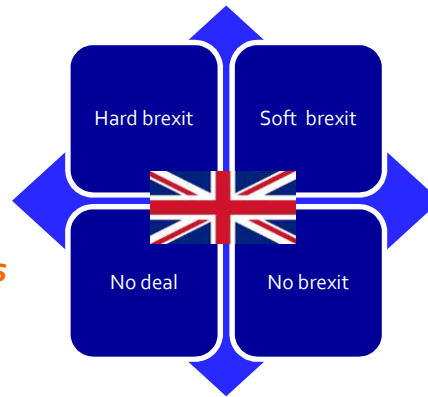
# Brexit can have big impact on EU poultry industry



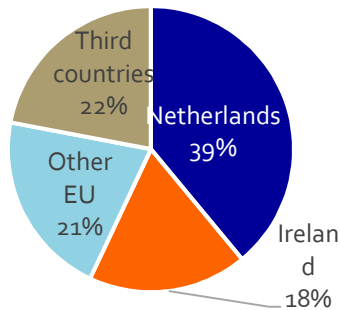
**UK Poultry imports: 720,000 tonnes**



EU trade surplus 280,000 tonnes



**UK poultry exports: 320,000 tonnes**



Source: Rabobank projections based on Eurostat, 2019

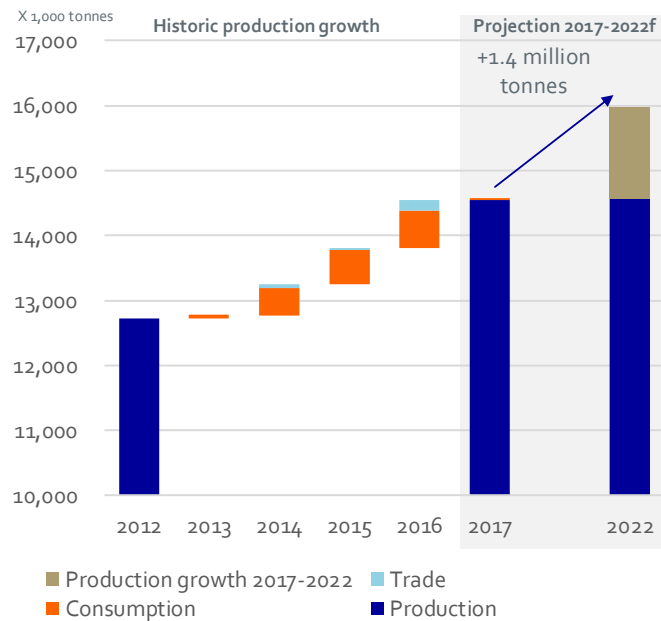
**Intra-EU poultry trade**



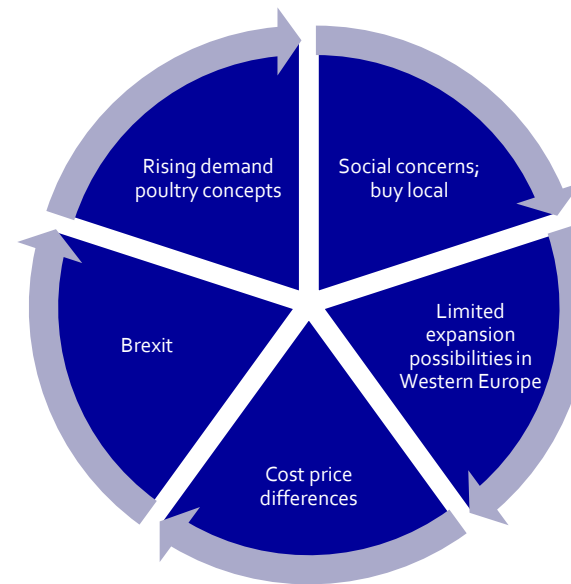
# EU need 1.4 million tonnes more poultry supply in next 5 years



## EU poultry production 2012-2017, 2022f



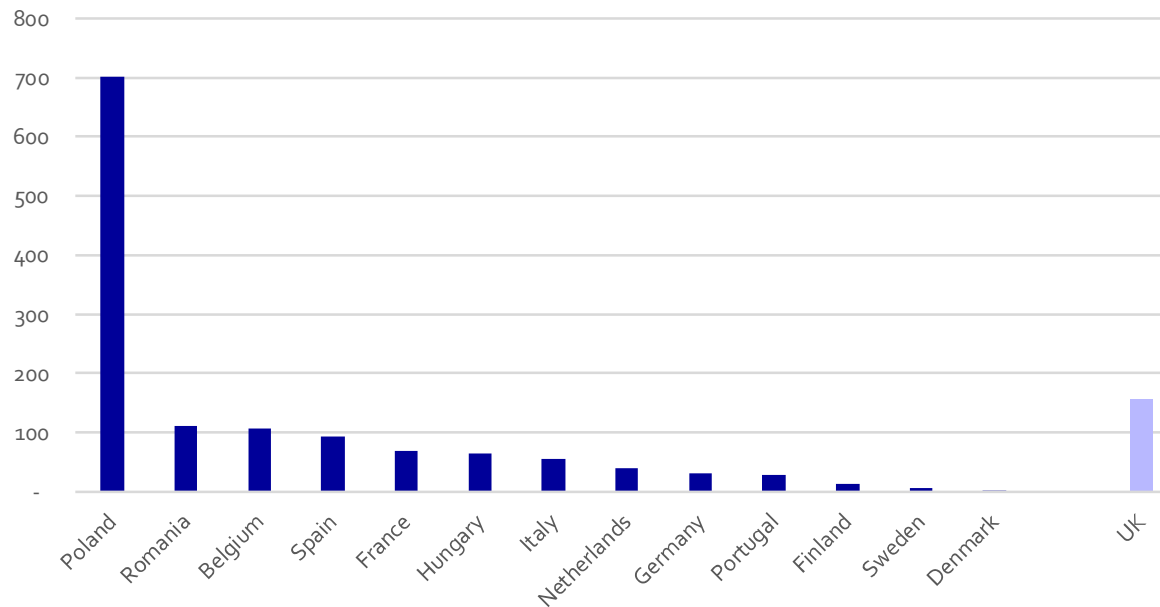
## Where to be produced?



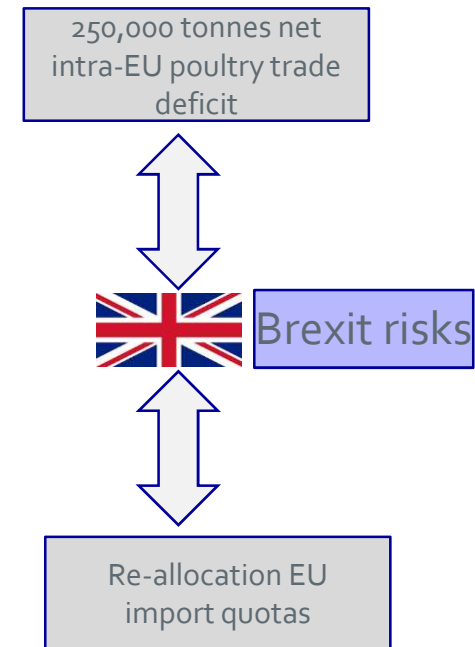
# Production outlook Europe 2022: 2/3 of growth will be CEECs; Brexit uncertainty



## Production outlook EU and UK poultry production



Source: Rabobank analysis, 2019



# Content

*1. Global poultry outlook*

*2. EU poultry outlook*

*3. Strategic perspectives for the EU poultry industry*



Rabobank

# Strengthening leadership in a fast changing world

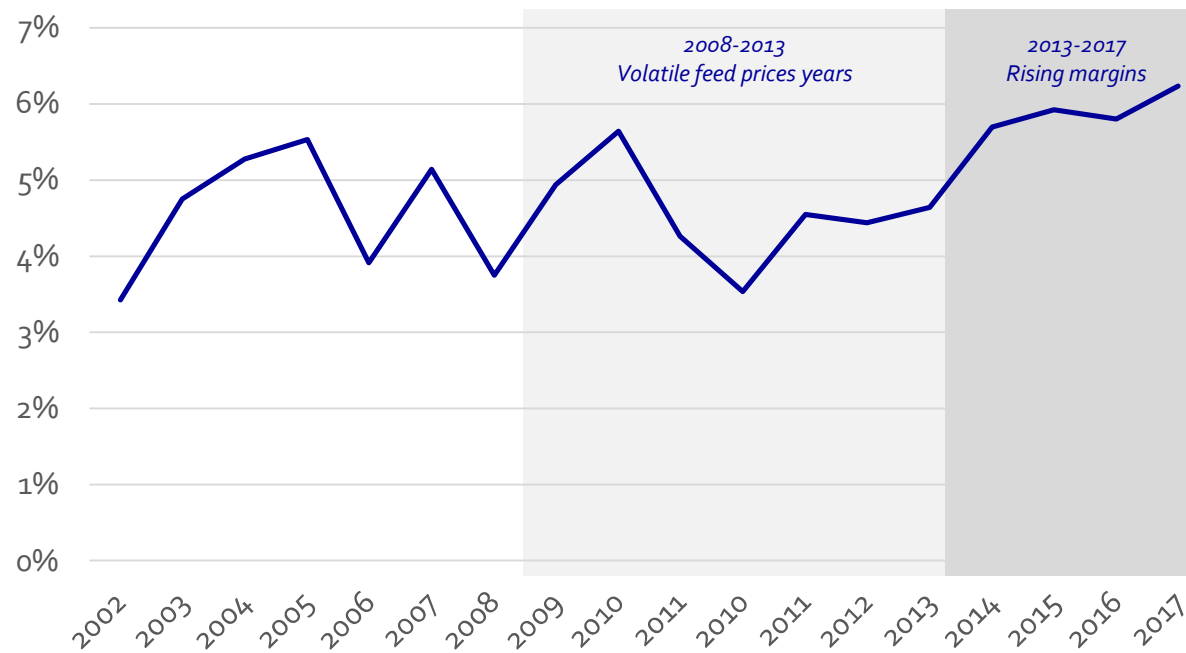


Source: Rabobank analysis, 2019

# Sustainable economic performance in EU poultry industry



*EU average EBITDA margin poultry industry 2012-2017*



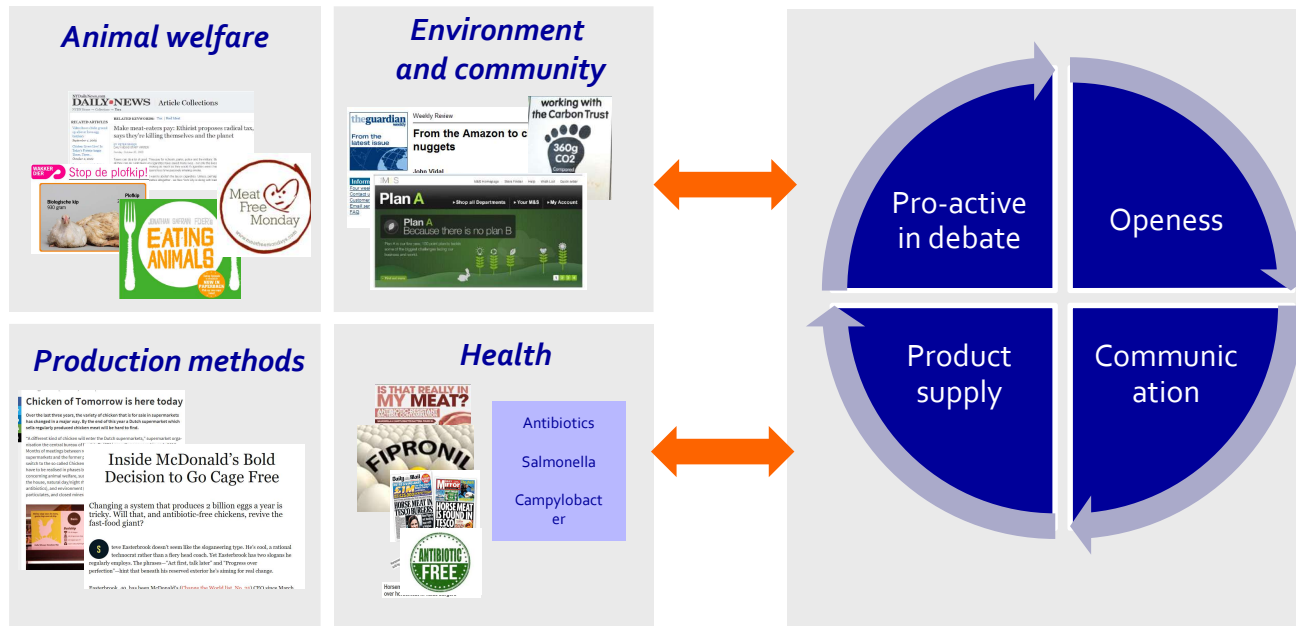
Source: Rabobank analysis based on publically available financials, 2019

# The society is changing, follow the change



## Changing requirements of society

## A changing focus of the industry

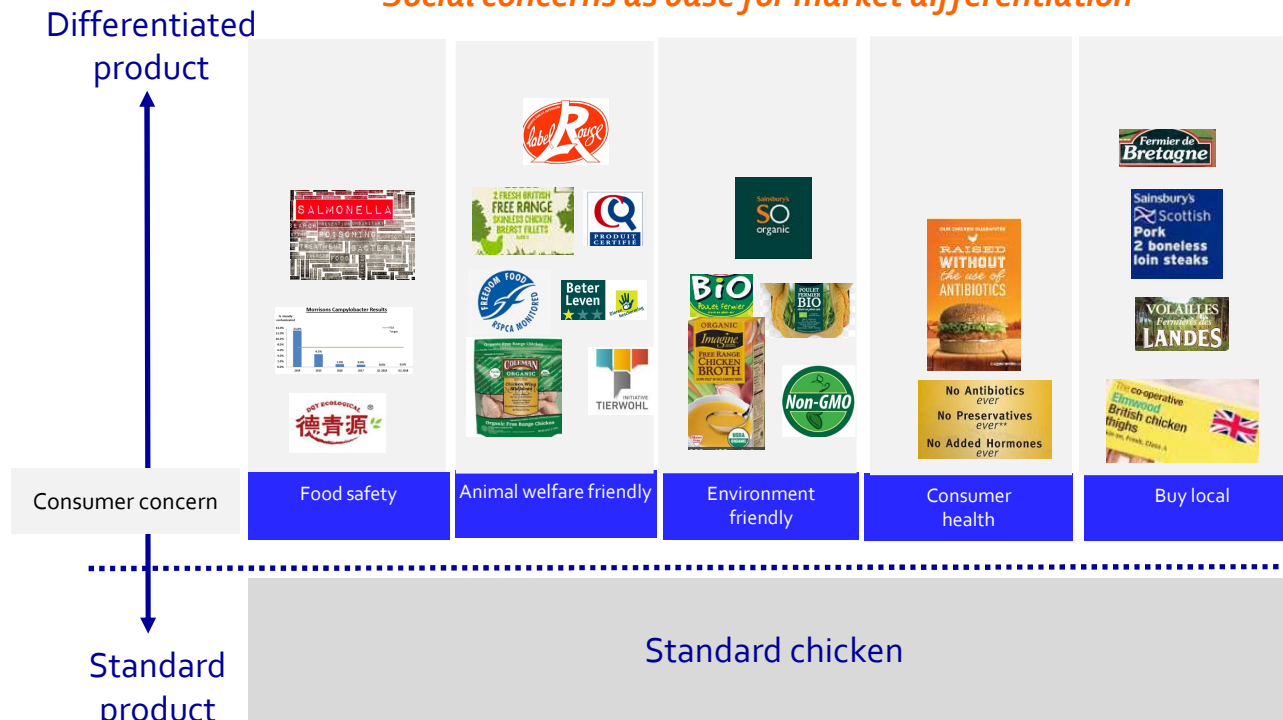


Source: Rabobank analysis, 2019

# Social concerns are opportunities for market/product differentiation



*Social concerns as base for market differentiation*



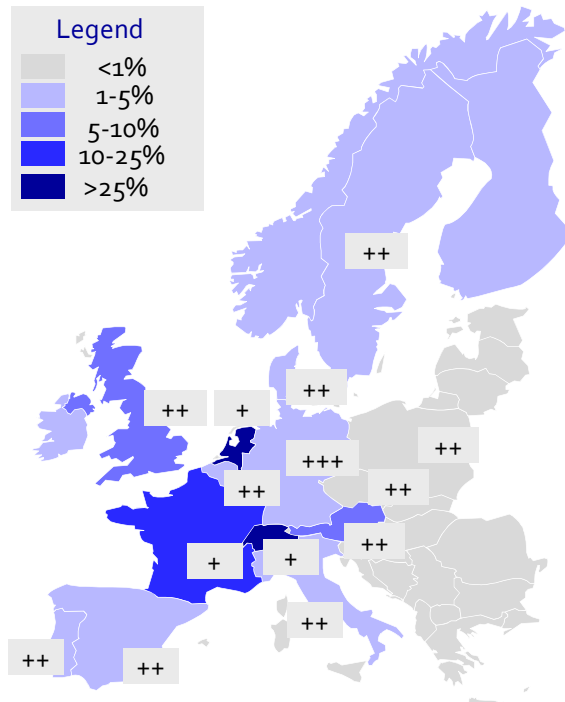
Source: Rabobank analysis, 2019



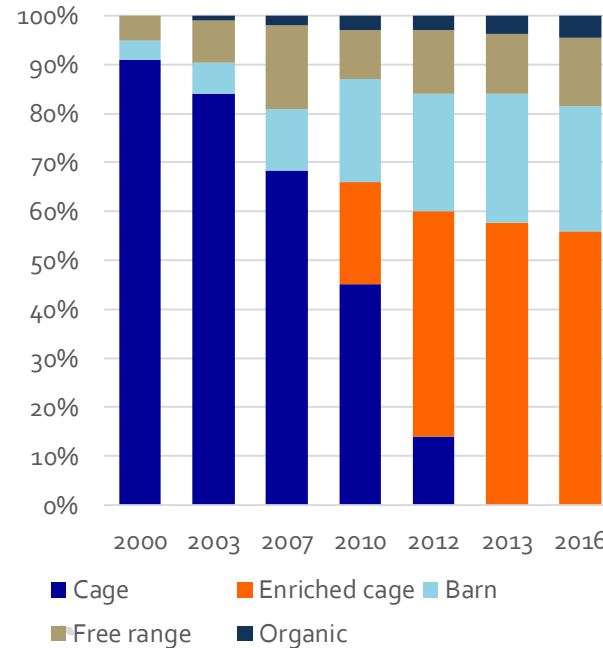
# EU poultry concept market up to 15-20% of total EU market in 2025



*EU market for concepts*



*Egg industry: complete transformation*



Source: Rabobank analysis, 2019

# Efficiency improvement is and will remain a key focus of the industry



## Benchmark costs in broiler production in 2017

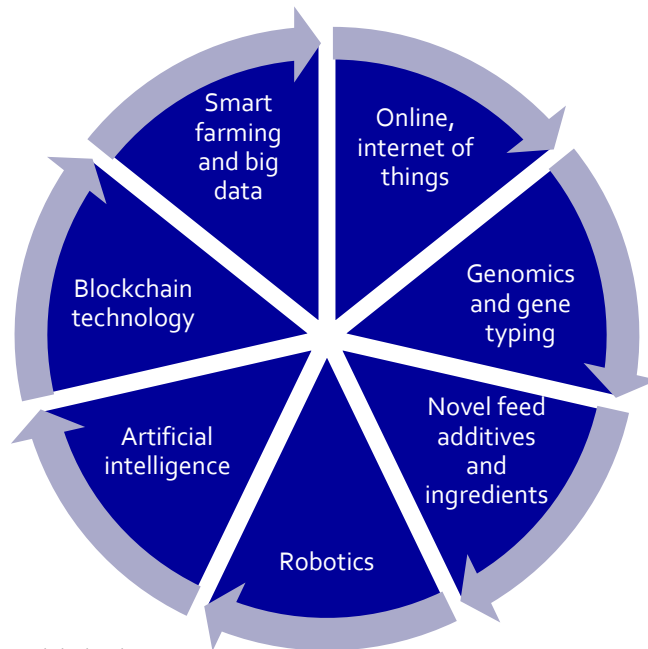
	Feed price (EURct/kg)	DOC (EURct/kg)	Feed conversion	Weight	Wage EUR/hour	Processing costs	Total cost whole chicken
China	37.5	23.5	1,85	2.0	3	19	152
Netherlands	31.1	31.1	1.58	2.4	22	33	147
<b>Hungary</b>	<b>30.2</b>	<b>30.9</b>	<b>1.63</b>	<b>2.3</b>	<b>5</b>	<b>21</b>	<b>136</b>
Poland	31.4	31.5	1.62	2.3	6	22	134
Thailand	29.6	28.9	1.68	2.4	2	17	120
US	24.1	27.0	1.83	2.7	14	25	117
Ukraine	24.2	32.0	1.74	2.5	2	18	112
Brazil	24.4	22.3	1.79	2.6	3	17	108

Source: Rabobank analysis based on WUR/LEI, 2019

# New technology will help to solve key supply and social challenges

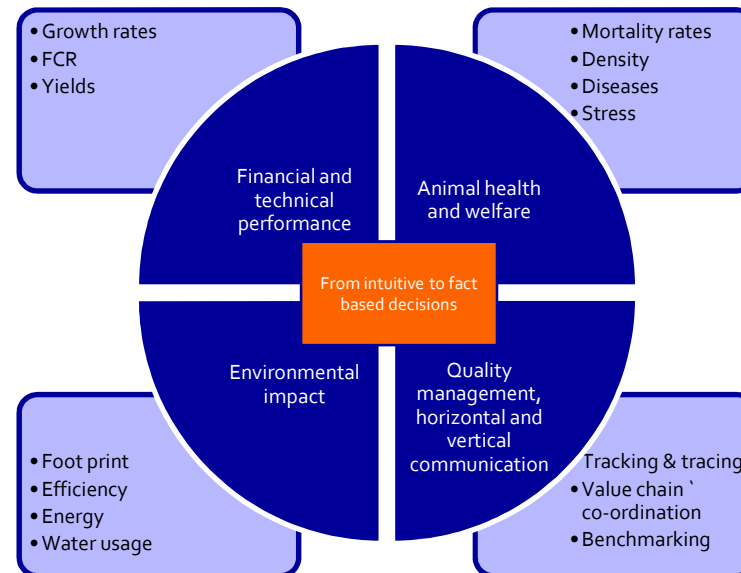


## Upcoming new technology



Source: Rabobank analysis, 2019

## From intuitive to more fact based decisions



# Sustainable economy: finding optimal value for all individual cuts



## Optimizing the value of chicken cuts

## Opportunities for further valuation



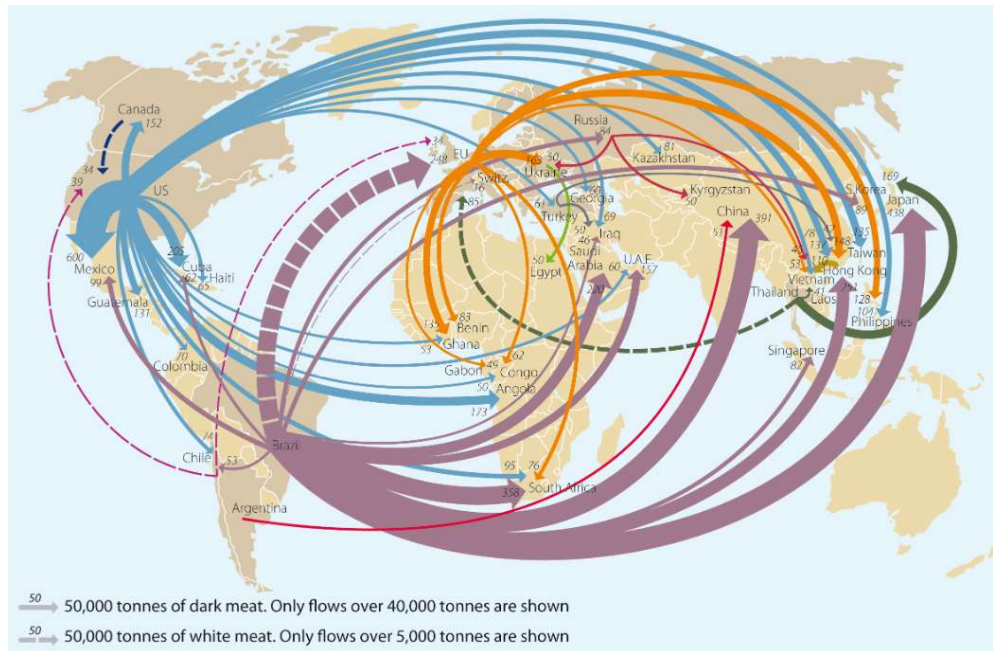
				
Chicken breast	Chicken wings	Legs/leg quarters	Feet	By-Products
Direct retail/QSR sales	Retail/QSR sales	Improve EU preference	Export to Hong Kong	Pet food
Marinating / Cooking	Marinating / Cooking	Marinating / Cooking	Export direct to China	Meat and bone meal
Value added products		Deboning		

Source: Rabobank analysis, 2019

# Global trade is a way to optimize global preferences



## Global white and dark meat trade 2017



Source: Rabobank global poultry map, 2019

Western markets  
tend to prefer white  
chicken

Non-Western  
markets tend to  
prefer dark meat

# EU poultry has a lot to add in the feeding the world challenge



## Investments of EU companies outside EU



# Conclusions



Rabobank

## **Global poultry markets to benefit from ASF driven bullish pork markets**


- Price support in regional markets with pork exports
- China pork production reduction bearish factor on feed prices
- More trade opportunities in Asia, but restricted access
- Wild cards: trade agreements/improved access

## **EU short term market conditions look better due**

- High competitive pork prices, but don't be too bullish on broiler price impact
- Improved exports, but restricted by limited China access
- Supply/balance improvements this year but uncertainty on big capacity expansion

## **Strategic refocus needed for EU poultry industry in next years**

- Need for 1.4 million tonnes more poultry, most will move East
- Sustainability licence to supply
- Concept market to grow to 15-20%
- EU industry to move from regional to pan-European
- EU companies to become more global in trade and investments



# Thanks for your attention

*This document is meant exclusively for you and does not carry any right of publication or disclosure other than to Coöperatieve Rabobank U.A. ("Rabobank"), registered in Amsterdam. Neither this document nor any of its contents may be distributed, reproduced, or used for any other purpose without the prior written consent of Rabobank. The information in this document reflects prevailing market conditions and our judgement as of this date, all of which may be subject to change. This document is based on public information. The information and opinions contained in this document have been compiled or derived from sources believed to be reliable; however, Rabobank does not guarantee the correctness or completeness of this document, and does not accept any liability in this respect. The information and opinions contained in this document are indicative and for discussion purposes only. No rights may be derived from any potential offers, transactions, commercial ideas, et cetera contained in this document. This document does not constitute an offer, invitation, or recommendation. This document shall not form the basis of, or cannot be relied upon in connection with, any contract or commitment whatsoever. The information in this document is not intended, and may not be understood, as an advice (including, without limitation, an advice within the meaning of article 1:1 and article 4:23 of the Dutch Financial Supervision Act). This document is governed by Dutch law. The competent court in Amsterdam, the Netherlands has exclusive jurisdiction to settle any dispute which may arise out of, or in connection with, this document and/or any discussions or negotiations based on it. This report has been published in line with Rabobank's long-term commitment to international food and agribusiness. It is one of a series of publications undertaken by the global department of RaboResearch Food & Agribusiness. ©2018 - All Rights Reserved.*



**Rabobank**