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World Grains & Oilseeds Map 2021

New Demand Drivers, Political Tensions, and Weather Volatility

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Food & Agribusiness
far.rabobank.com

Maria Afonso

Senior Analyst – Sugar, Grains & Oilseeds
+ 31 (088) 7244232

Vito Martielli

Senior Analyst – Grains & Oilseeds
+31 (30) 712 3821

In the five years up to 2019/20, the global trade volume of all grains and oilseeds increased by about 120m metric tons at a 3.5% compound annual growth rate (CAGR). However, the pace of growth decreased when compared to the 6% CAGR, or 160m metric tons, of the previous five years. Although oilseed complex (oilseed, meal, and oil) prices declined during this period, the upside in grain prices, coupled with the total trade volume increase, resulted in a 17% increase in the total value of flows. Income and population are expected to continue to drive long-term growth in trade flows, while changes in consumer dietary habits might cause further shifts in those flows. Moreover, the growing movement toward protectionism could undermine the benefits of international trade, which is crucial to food security.

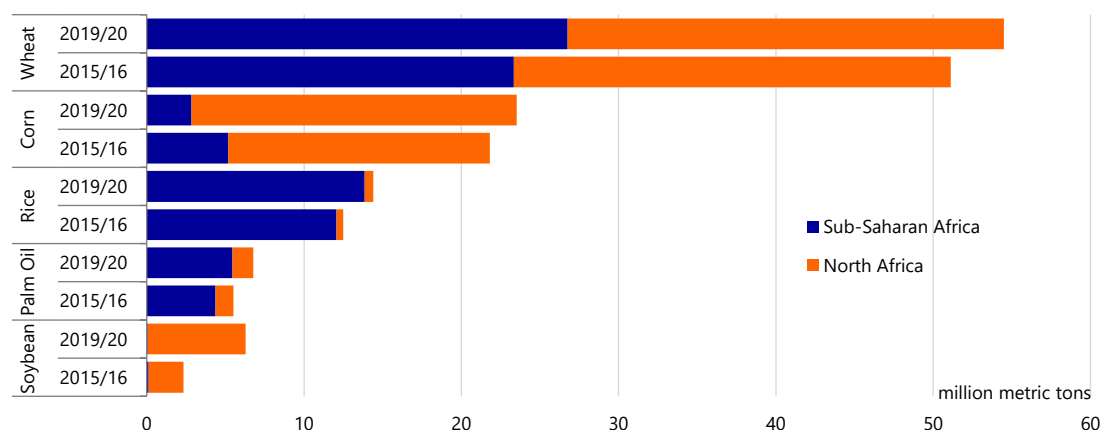
Key Changes in Trade Destinations

Africa: The Rising Grains & Oilseeds Importer

Population growth, increasing household incomes, and urbanization have resulted in changes in food consumption patterns, adding to the use of local traditional staples, such as (white) corn, sorghum, and millet, as well as more wheat, rice, and grain-fed meat. The main agri commodities imported into the continent are wheat, corn, rice, soybeans, and palm oil. The Black Sea Region and EU are the main suppliers of grains, while Southeast Asia and South America are the main suppliers of the oilseeds complex. Egypt has become a key import country of feed grains and oilseeds, driven by a large population and growing feed demand.

During 2019/20, Africa imported around 54.5m metric tons of wheat – more than double the volume of corn imported (see Figure 1). Sub-Saharan Africa imported almost half of the volume and is the second fastest-growing region in the world in terms of wheat demand and imports. Wheat imports for the region showed a 3% CAGR, compared to a global CAGR of 1.8% and zero growth in North Africa. According to [Rabobank’s forecasts](#), East Africa’s wheat imports could increase by 12.3m metric tons (or 75%) in the next ten years.

Figure 1: Top 5 commodities imported to Africa, 2019/20



Source: USDA 2021

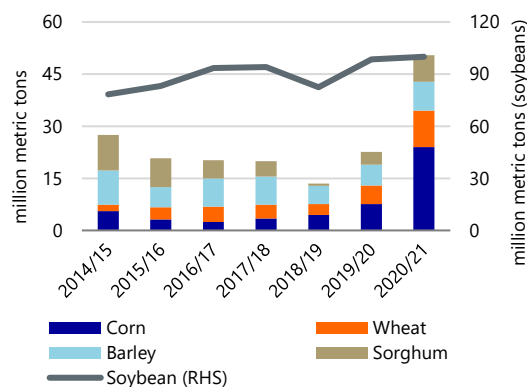
At around 7m metric tons, the volume of palm oil imported into Africa, though significantly less than wheat, has also shown a steady growth over the years, with a corresponding five-year CAGR

of 2.5%. In vegetable oils, the gap between production and consumption is expected to widen, which will trigger additional imports in the medium to long term. The main suppliers of palm oil are Indonesia and Malaysia, with the majority of those imports going to West, Central, and East Africa. We also expect palm oil imports to continue to rise in East Africa, especially given its price competitiveness compared to other vegetable oils and the region's proximity to producing regions (see Rabobank's report [Rising African Vegetable Oil Imports in the Next Decade](#)).

China's Rising Feed Demand Is Shifting G&O Trade Flows

Low Chinese corn inventories and rising feed demand are the key drivers behind higher Chinese imports of corn and soybeans. [Feed demand is rebounding to pre-African swine fever levels](#), due

Figure 2: Rising Chinese imports of five major grains and oilseeds



Source: USDA 2021

to ongoing hog herd rebuilding, broiler growth, and rising penetration of commercial feed, and is expected to grow 3.3% per annum for the next five years. The lion's share of China's recent G&O imports comes from the US, but Ukraine and the EU have also been increasing exports to China. [China's rising demand for feed grains, particularly corn, is expected to continue, with annual imports potentially exceeding 30m metric tons](#). Although the US has a new Democratic president, US-Chinese political relations remain an uncertain and significant swing factor for trade.

Alternative Proteins a New Driver, but No Impact on Pulses Trade Yet

[Plant-based \(or alternative meat\) protein](#) shows strong growth from a small base, attracting significant investment and consumer acceptance in recent years for the use of protein ingredients from soy, wheat, and pulses. In the EU and UK, the sector increased at a 13% CAGR between 2014 and 2019. Of the total raw material of protein ingredients, pulses account for less than 10%. While growth rates in alternative proteins are strong, the vast majority of pulses goes to feed and (traditional) food. Canada and Australia are the main exporters of pulses. China, India, and Bangladesh, which over recent years also faced import duty challenges, are the biggest importers.

Key Changes in Trade Origins

Brazil and the Black Sea Region Are the Supply Power Houses

Production expansion, improving logistics, and weak currencies allowed Brazil to become the top global soybean exporter and second-largest corn exporter for the past five consecutive years. During the next ten years, [Brazil's future production growth is expected to continue to take the lead above the US and Argentina](#) as a result of positive farm margins and land availability. Rabobank estimates Brazil's soybean production will reach 155m metric tons by 2030, vs. 122m in 2019/20, with soybean area growth likely to come at the expense of underutilized pastureland. Meanwhile, Brazil's export terminals in the Northern Arc will help to ensure the future flow of exports. However, additional investments will be needed in order to improve logistics, as well as additional grain storage in MATOPIBA.

[The Danube and Black Sea Region](#) has emerged as the third-largest G&O-exporting region worldwide, after the US and Brazil. By 2030, this region will further strengthen its position due to a number of aspects: its strategic location close to large-consuming and fast-growing regions, strong price competitiveness, good-quality soil, and sufficient growth potential in land bank and yields. In the last five years, Ukraine and Russia have further increased their wheat exports toward

new destination markets in Asia. Ukraine has also emerged as the fourth-largest global corn exporter after the US, Brazil, and Argentina, exporting 28.9m metric tons of corn in 2019/20.

Weather Volatility Impacting Crops Around the World

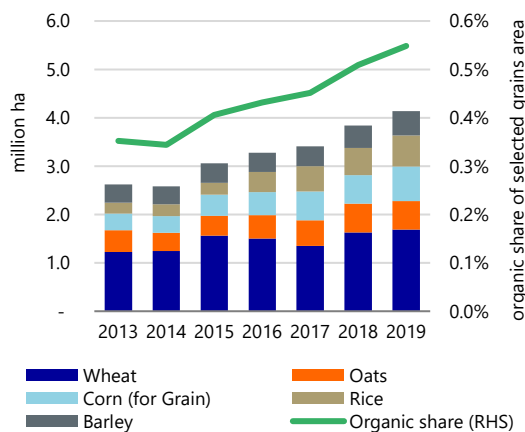
Ongoing weather volatility and climate change have been impacting agriculture around the globe. In grains and oilseeds, the impact can be seen in changing production patterns, increases in pest infestations, and frequent crop failures. Australia’s major drought in 2018 and 2019 affected grain production, especially in the eastern part, and forced New South Wales and Queensland to import large volumes from Western Australia, although [favorable weather in 2020/21 brought record production](#). The EU and Black Sea Region also suffered a drought and heatwave during those years, as well as in 2020, while South America, especially Argentina and parts of Brazil, recently suffered from dry conditions due to La Niña.

Government Policies, Sustainability, and Organic G&O Production

Sustainable farming practices are moving quickly to center stage, as agricultural policies are changing to increase sustainability, organic farming, and/or reduce carbon emissions. Climate policy is a top priority around the world. The EU is on schedule to implement the new Farm-to-Fork strategy as part of the [Green Deal](#), which includes a goal of 25% organic land use by 2030.

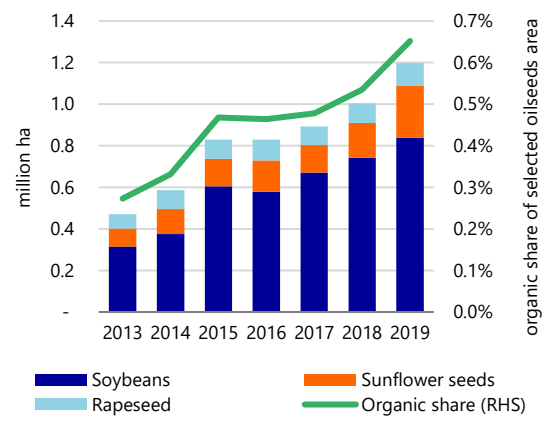
Organic grains & oilseeds area is increasing at a rapid pace. In the US, organic production has increased due to past market incentives for switching to organic farming practices. In the EU, the target to reduce the environmental footprint of farming through regenerative and organic land use will result in a further acceleration of organic areas for grains and oilseeds through 2030.

Figure 3: Organic grains area growth at a 6.5% CAGR, 2013-2019



Source: FiBL 2021

Figure 4: Organic oilseeds area growth at an 11.6% CAGR, 2013-2019



Source: FiBL 2021

Political tensions and protectionism have been recurring themes globally. The impact of **Brexit** on grains has been negligible thanks to the EU-UK free trade agreement permitting continued tariff-free G&O trade. Still, protectionist developments are especially concerning for trade as other countries around the world reduce their dependency on imports or control the pace of their exports.

For the last few years, **China** has been the epicenter of market volatility, given its government interventions and trade policies. The US-China trade war started in mid-2018, with the US imposing import tariffs on China, followed by ongoing and escalating retaliations from both sides that caused a dramatic shift in trade flows, which are also visible in the reduced volumes on Rabobank’s G&O map. US sorghum exports to China were nearly halted during 2018/19 due to import tariffs. US soybeans prices tanked, and Brazilian prices increased as they picked up

some of the US's share of soybean exports to China. Meanwhile, the US had to export a larger share of its exportable surplus soy to Europe, Africa, and Southeast Asia. It was not until January 2020 that the two countries signed the 'phase one' deal, stimulating US-China trade again.

China also imposed 80% import tariffs on **Australian** barley last year, which caused a disruption in traditional trade flows and resulted in China having to source more barley from other countries, such as Canada, Argentina, and France, while Australia had to send most of its exportable surplus barley to Saudi Arabia.

Russia also recently imposed tariffs on wheat, barley, and corn exports to control food price inflation – a move that will impact the country's future export competitiveness, domestic processing, and, potentially, crop rotations on farm. In addition, **Argentina** saw changes to its export duties, and **Ukraine** again imposed temporary export volume restrictions.

Expectations Going Forward

Global G&O trade will continue to grow, driven heavily by rising demand from Asia and Africa as well as increased exports from the America's and the Black Sea Region. However, political tensions, increased protectionism, and weather volatility will continue to change trade patterns. Moreover, sustainability, policy, and consumer trends are expected to continue to incentivize growth of specialty grains such as organic, as well as diversification of crop production toward more pulses.

Imprint

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Maria Afonso	Senior Analyst – Sugar, Grains & Oilseeds	maria.afonso@rabobank.com + 31 (088) 7244232
Vito Martielli	Senior Analyst – Grains & Oilseeds	vito.martielli@rabobank.com +31 (30) 712 3821

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