

**Rabobank**

# Outside Influences on the Grains & Oilseeds Industry Q3 2021

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## Geopolitical Tension to Disrupt F&A Trade by 2030

Expecting future geopolitical tension between the US and China, Rabobank sees the [risk of trade disruptions](#) between the two countries and their respective allies also potentially increasing over the next decade.

**Impact on G&O:** The scale and impacts of these potential trade disruptions depend heavily on which countries join the US alliance and which join the Chinese alliance. Potential impacts span from manageable but costly scenarios all the way to situations of massive food-security issues in import regions and heavy oversupply in key exporting countries. With the ever rising growth of G&O trade and the US being a major exporter and China a key importer of many products, any disruptions to trade will heavily impact prices, production, and supply chains.

## Cutting Beef Emissions: Feed to Do Its Fair Share

Beef [supply chain emissions](#) can be reduced by more than 30% by 2030 in major markets. Cattle accounts for >60% of the greenhouse gas emissions in the global livestock sector, with pork, poultry, and others delivering almost 40%. Approximately 60% of cattle supply chain emissions originate from the actual production of cattle, with feed and inputs emitting the remaining 40%.

**Impact on G&O:** Decarbonization efforts, driven by private players like large food manufacturers as well as by public policy, will impact the whole F&A supply chain. Still, a lot of emphasis will be placed on emission reductions at the farm level. The primary contributors to emissions in the beef feed sector include: land-use changes (largely for pasture expansion but also for increasing soybean area); feed production, especially the use of fertilizers (largely manure, but also mineral fertilizer); and the processing of feed. G&O production will have to play its part in reducing livestock sector emissions by, for example, changing farming practices, increasing use of technology to lower fertilizer inputs, and adopting practices to reduce land-use changes, as discussed in [How to Unlock the Green Potential of the Agricultural Sector](#).

## Livestock Sector Updates

[Poultry industry performance is improving](#). High feed prices as well as global trade flows shifting focus from China (because of local supply growth) and the Middle East (because of food-security ambitions) toward northeast Asia and Europe remain the key themes.

[Pork has experienced great volatility](#), as Chinese hog and pork price volatility is rippling through the global market. China's slaughter rates were unexpectedly high in Q2, pushing pork production up 36% YOY in 1H, resulting in a sharp price decline. However, Rabobank expects hog and pork prices to rebound in Q3.

**Impact on G&O:** High feed prices may lead to demand rationing in feed, and China's hog market will be one of the most important factors impacting the country's soy and corn import needs, which we expect to remain strong in 2021/22.

## Plant-Based Meat in China Still Has a Ways to Go

[China's plant-based meat alternatives market](#), including traditional tofu and meat imitation products, is expected to grow at a CAGR of 5.4% to 9.4% between 2021 and 2030, but products need to get better and less expensive to move from niche to mass consumption.

**Impact on G&O:** Asia, by far the largest meat market in the world, might become a key driver of demand for ingredients for plant-based meat alternatives. We will release a report in the fall analyzing the ingredients market in more detail.

## Gene-Editing Technology to Disrupt F&A Systems

The potential [impact of gene-editing](#) technology on food and agribusiness is tremendous, and it is already applied in four areas: humans, plants, animals, and microorganisms.

**Impacts on G&O** can arise in different ways:

- Quantity – higher yields, better stress resistance
- Quality – improved content of quality parameters like high oleic or reduced gluten
- Sustainability – producing more with less input
- Trade – increased production in some regions may reduce import needs or provide more exports, while legislation may disrupt trade flows, depending on approvals
- Consumption – improving livestock feed conversion will impact future feed use

We will release a report discussing G&O impacts in more detail shortly.

## Digital Game Changer for Agricultural Supply Chains

A greater onus is on technology to provide the [intellectual power required to optimize decisions](#) in order to improve decision-making on the farm and in the supply chain. This will also reshape the relationship between the farmer and the supply chain, with farm inputs suppliers evolving from supplier to coach.

**Impact on G&O:** We also see digitalization as a future key driver for the downstream part of the supply chain following the farm, especially as consumers and food producers ask more of farmers regarding sustainability, carbon emissions, and quality.

## Detailed Regional Outlooks From Farm to Fork

[Australia:](#) Strong winter rains have set a positive tone for another strong crop year in Australia.

[Brazil:](#) The corn harvest is progressing, and exports are historically low. Due to drought, the USDA lowered its production forecast to 87m metric tons, compared to 102m metric tons in the previous season, and 118m metric tons forecast for the next season, which will keep export availability very low in the next ten months.

[China's](#) government has taken steps to curb price hikes of agricultural commodities, and corn production will rise in 2021. Still, Rabobank expects strong soy and feed grain imports to continue.

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A summary of the methodology can be found on our [website](#)

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