



# Global feed grains outlook

*Impact on global egg industry*

Nan-Dirk Mulder, 1 April 2014



**Rabobank**

# Content

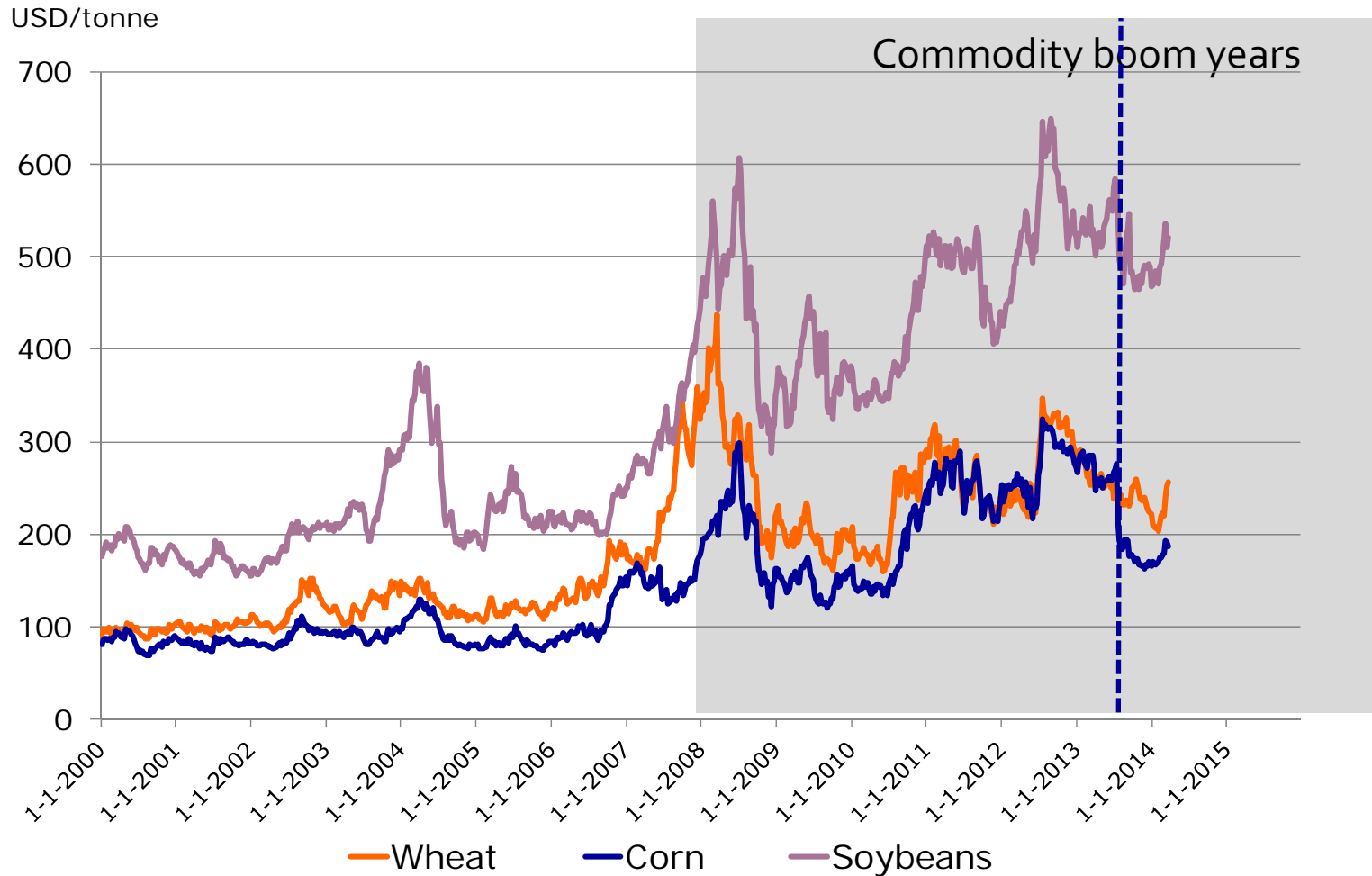


- 1. Grain & oilseed price trend: the key issues***
- 2. Outlook for global feed prices***
- 3. Impact on global egg industry***

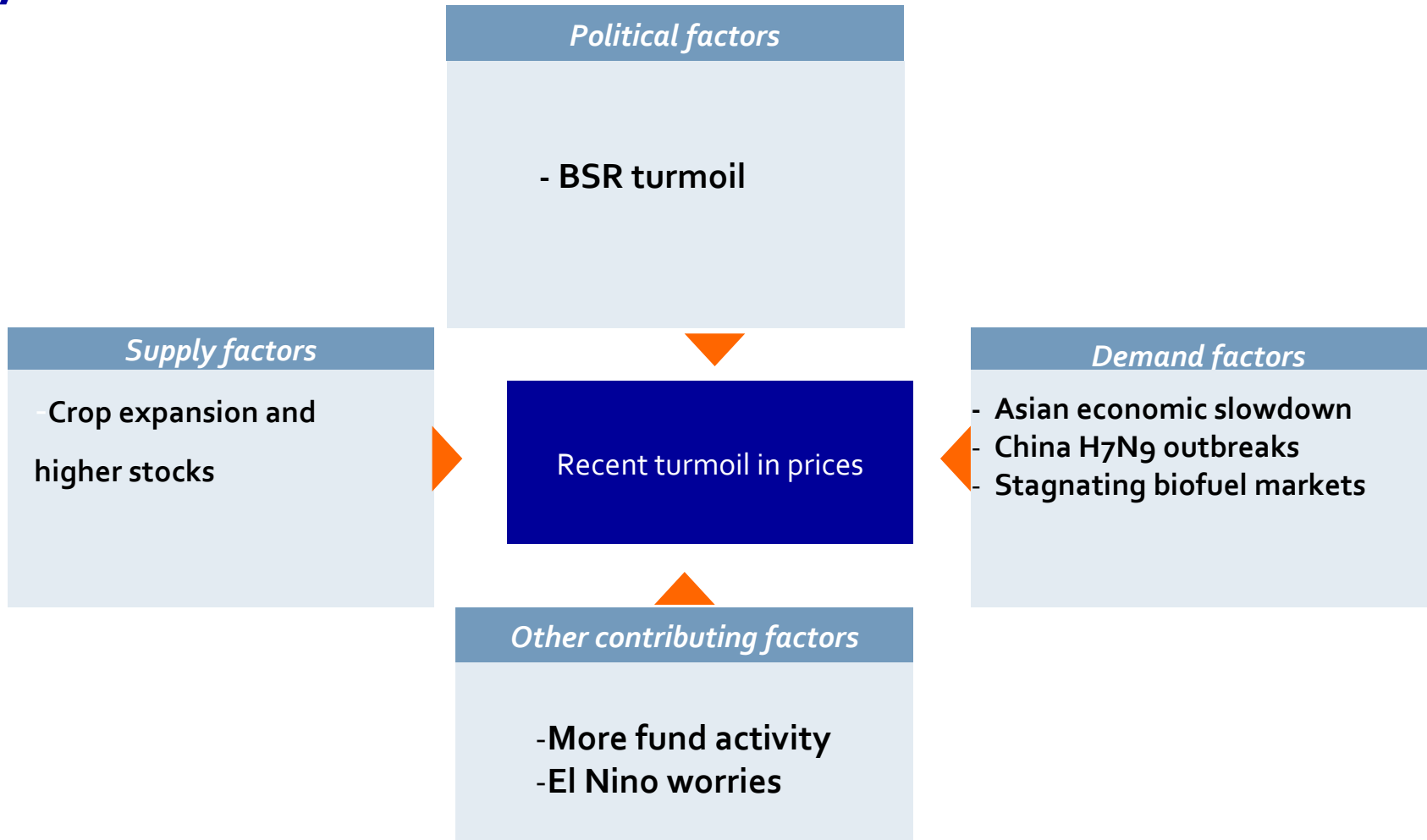
# Grains and oilseed prices: Recent price hike after months of decline



*Grains and oilseed prices 2000-2014 (USD/tonne)*

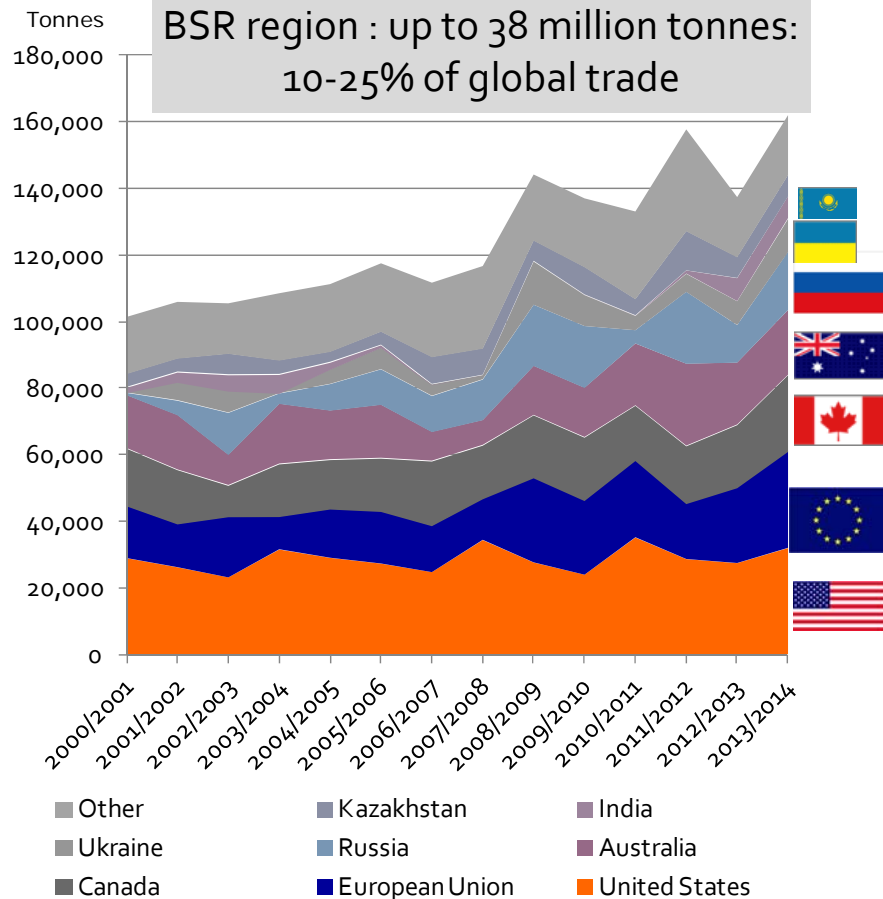


# Grains and oilseed markets affected by recent turmoil

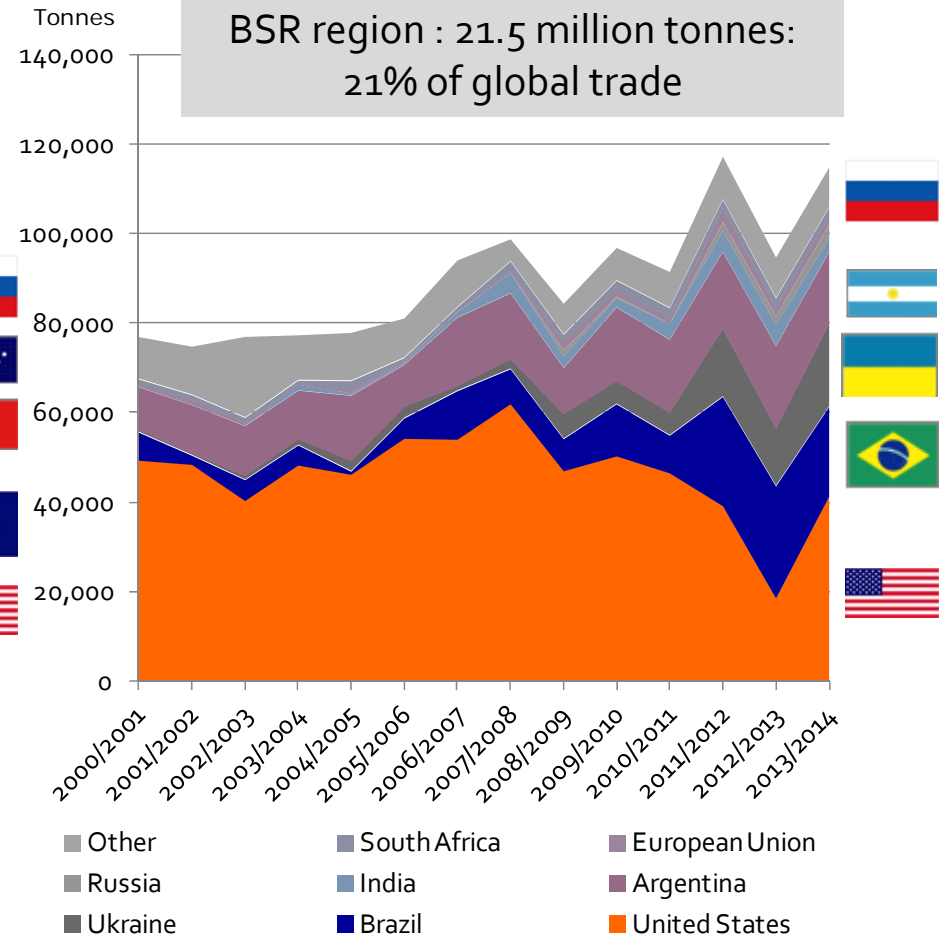


# Turmoil in the black sea region raises new worries

## Global wheat exports



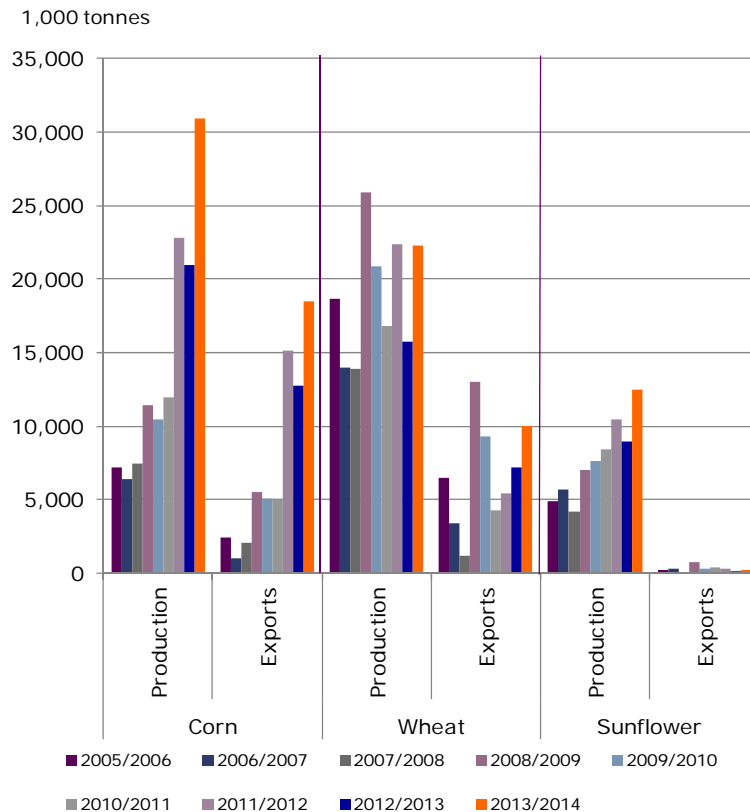
## Global corn exports



# Ukraine: Record high production and export outlook



*Ukraine: production and exports G&O*

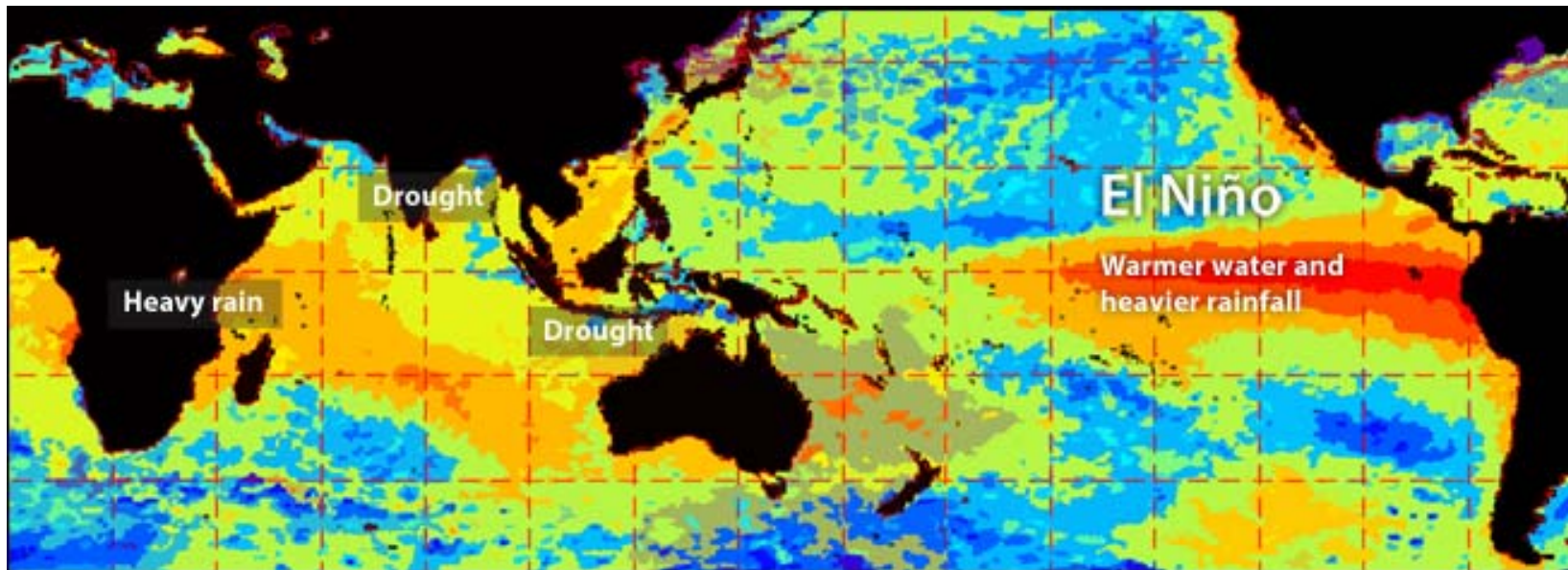


*Ukraine: key ports used by grain exporters*





# Fears for an El Niño return



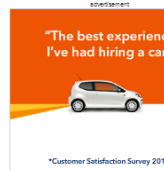
## NEWS

### Return of El Nino Could Bring Rain, Heat, Misery

The infamous El Niño weather pattern, which can trigger droughts and flooding in some regions, could make a comeback this year.

Government forecasters issued an alert Thursday saying there's a 50 percent chance that warming El Niño conditions will develop during the summer or autumn — potentially bringing rain to drought-stricken California and the South, as well as fewer hurricanes along the East Coast and higher temperatures across the globe.

The last El Niño watch was in 2012, although it fizzled out unexpectedly, according to the National Oceanic and Atmospheric Administration.



### UPDATE 2-El Nino could strike as early as summer -U.S. forecaster

THE WALL STREET JOURNAL

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(Recasts first sentence; adds details on strength of prediction, background, market comments, background, link to factbox)

By Chris Prentice

(Reuters) - The much-feared El Niño phenomenon, the warming of sea surface temperatures in the Pacific which can trigger drought in Southeast Asia and Australia and floods in South America, could strike as early as the Northern Hemisphere summer, the U.S. weather forecaster warned on Thursday.

### El Niño Threatens Australian Crops



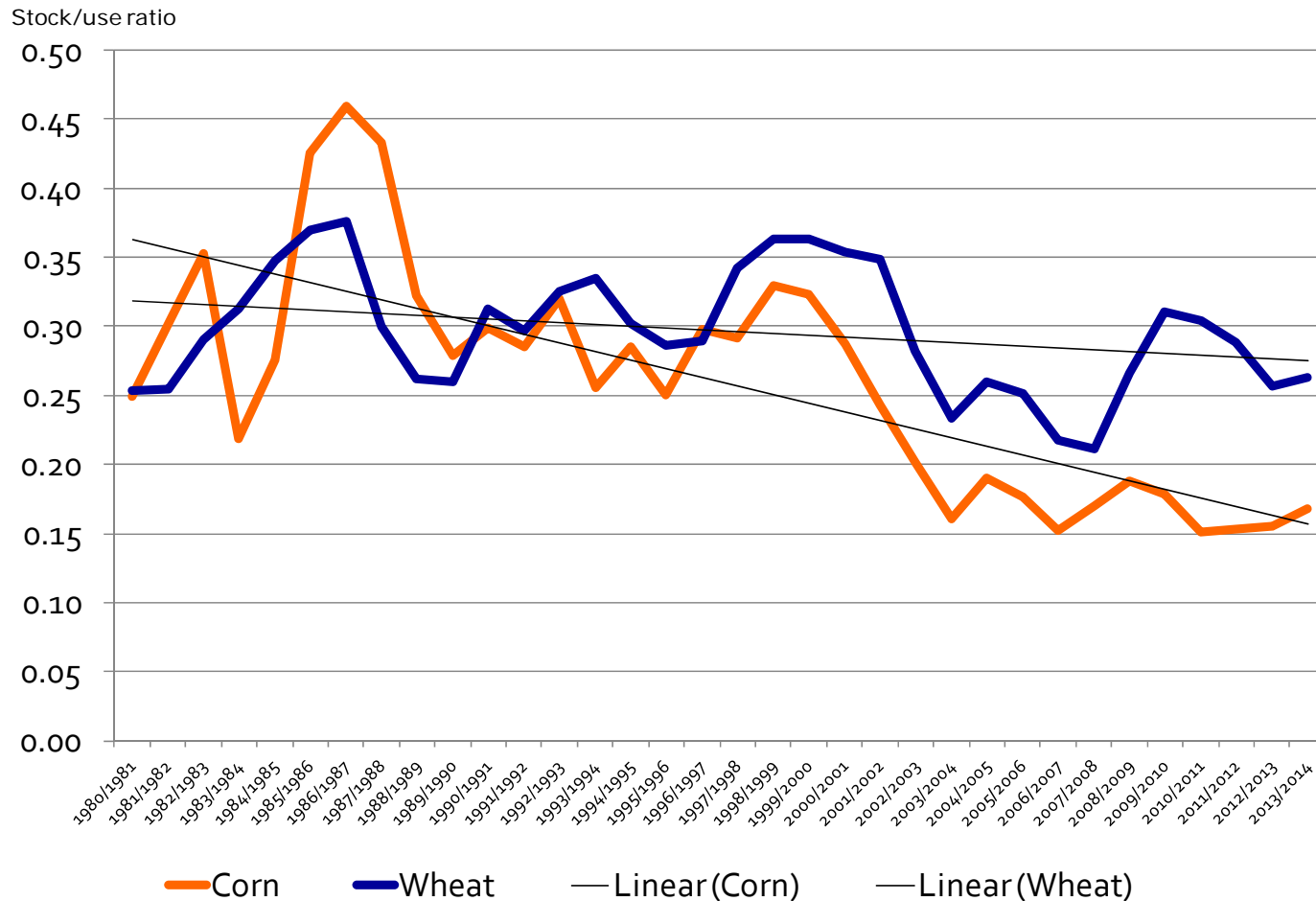
Cornish harvest a field of barley at a farm in Australia. — Reuters

Meteorologists from Australia say the chances are increasing that the volatile El Niño weather pattern will return this year, adding to already difficult growing conditions globally that have sparked a rally in agricultural commodities from coffee to palm oil.

# Fundamentals still bearish: Higher stocks as in previous years



*Corn and wheat stock-to-use ratio 1980-2014f*

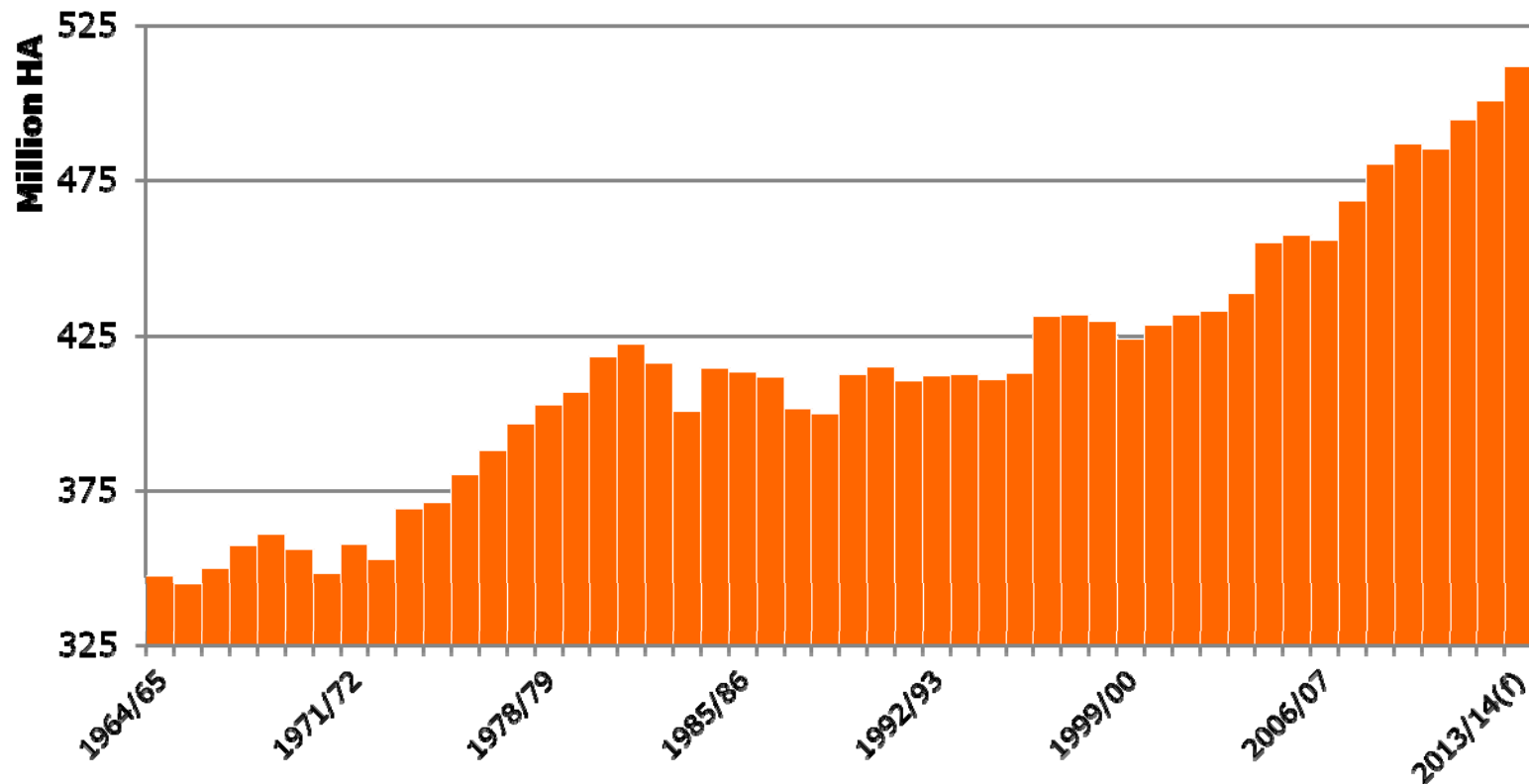




# G&O supply. Record high grains and oilseeds area



*Global grain and oilseed area projection for 2013/2014*

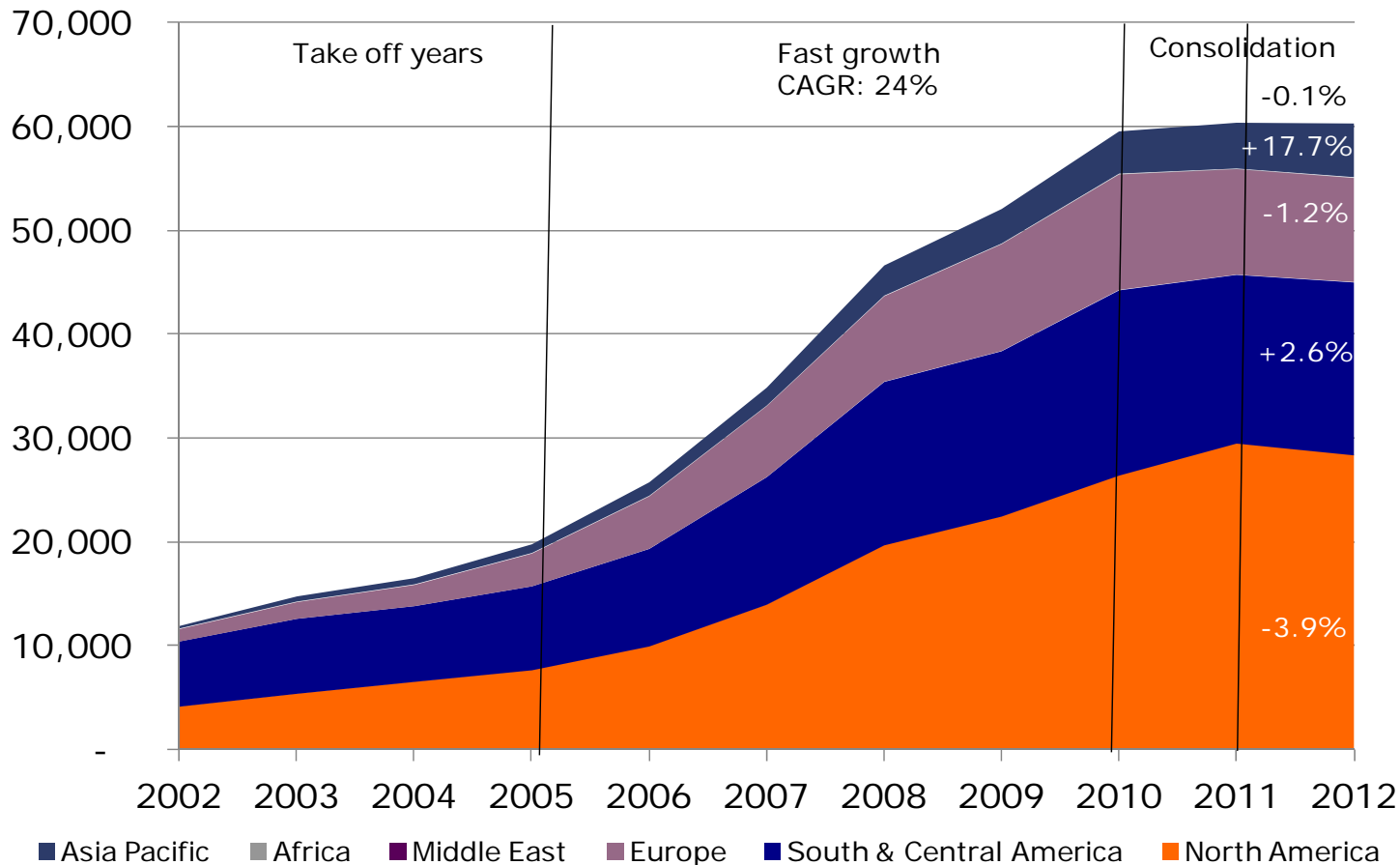


# Slowdown in biofuel demand relieves some pressure from market

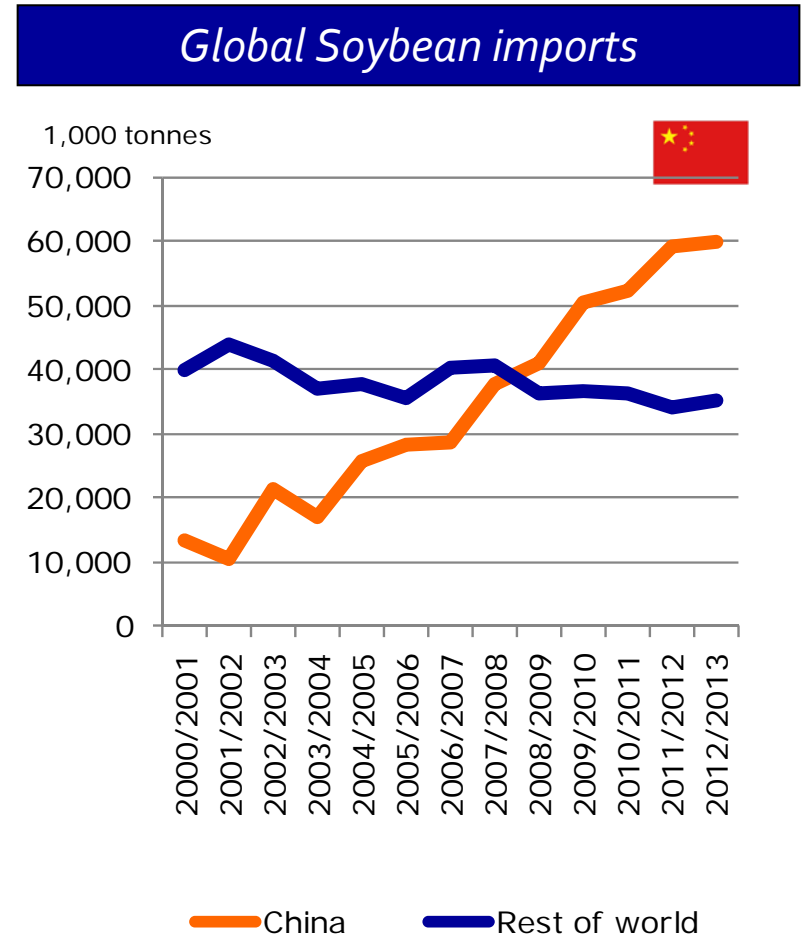
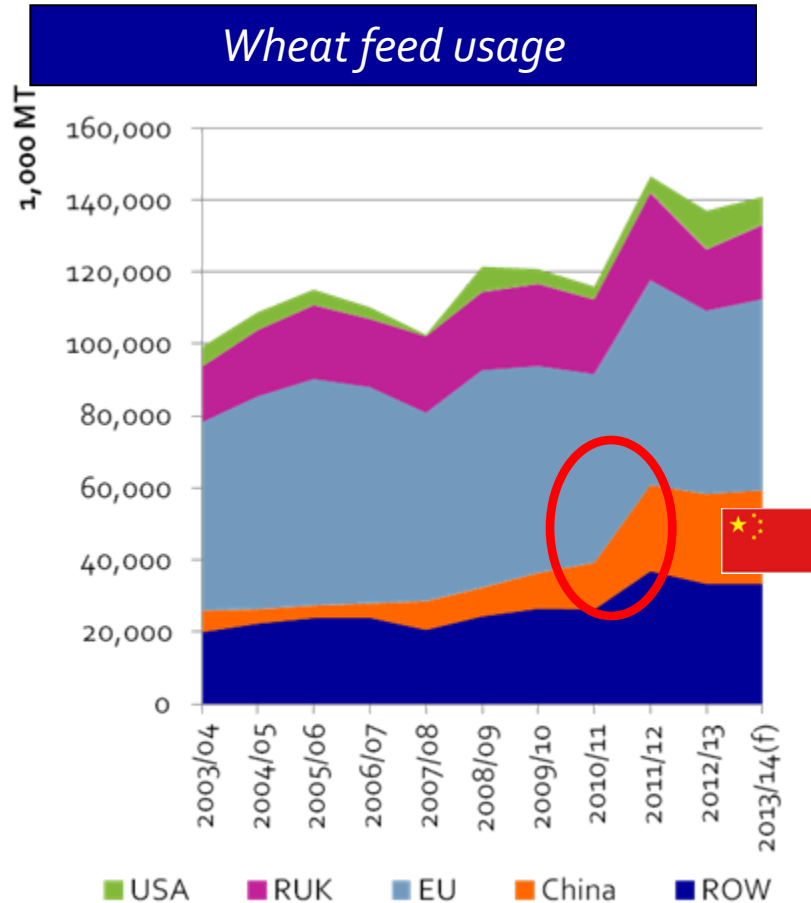


## *Global demand for biofuels*

1,000 tonnes oil equivalent



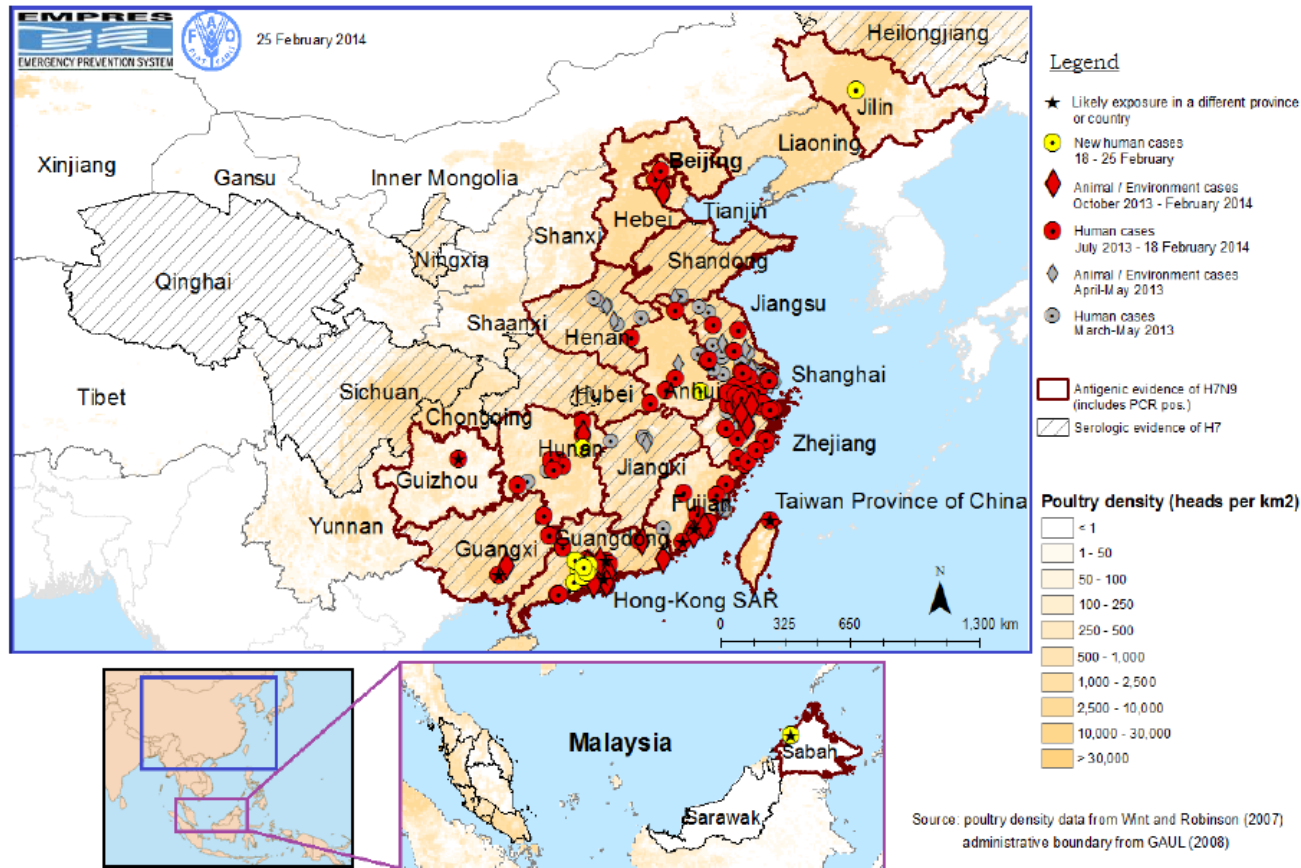
# Slowdown in Chinese G&O demand due H7N9 and economic slowdown



# Avian flu. A New wave of H7N9 outbreaks to affect markets in China

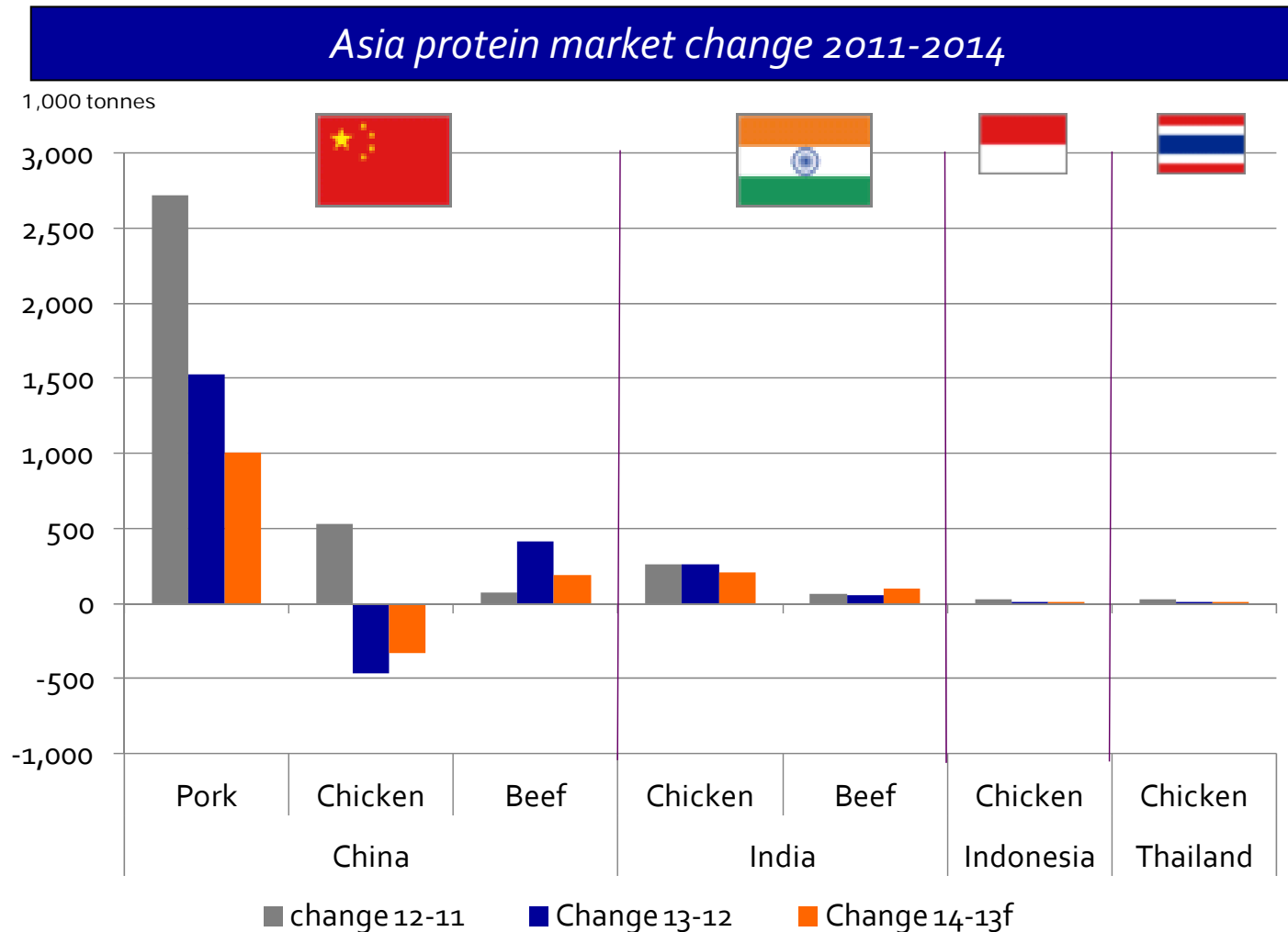


## China H7N9 confirmed Human cases and positive findings



Information sources: human cases - WHO, National and Provincial Government websites; avian and environmental positive findings - OIE, National and Provincial Government websites and scientific literature.

# Economic slowdown and AI to affect Asian protein markets



# Content

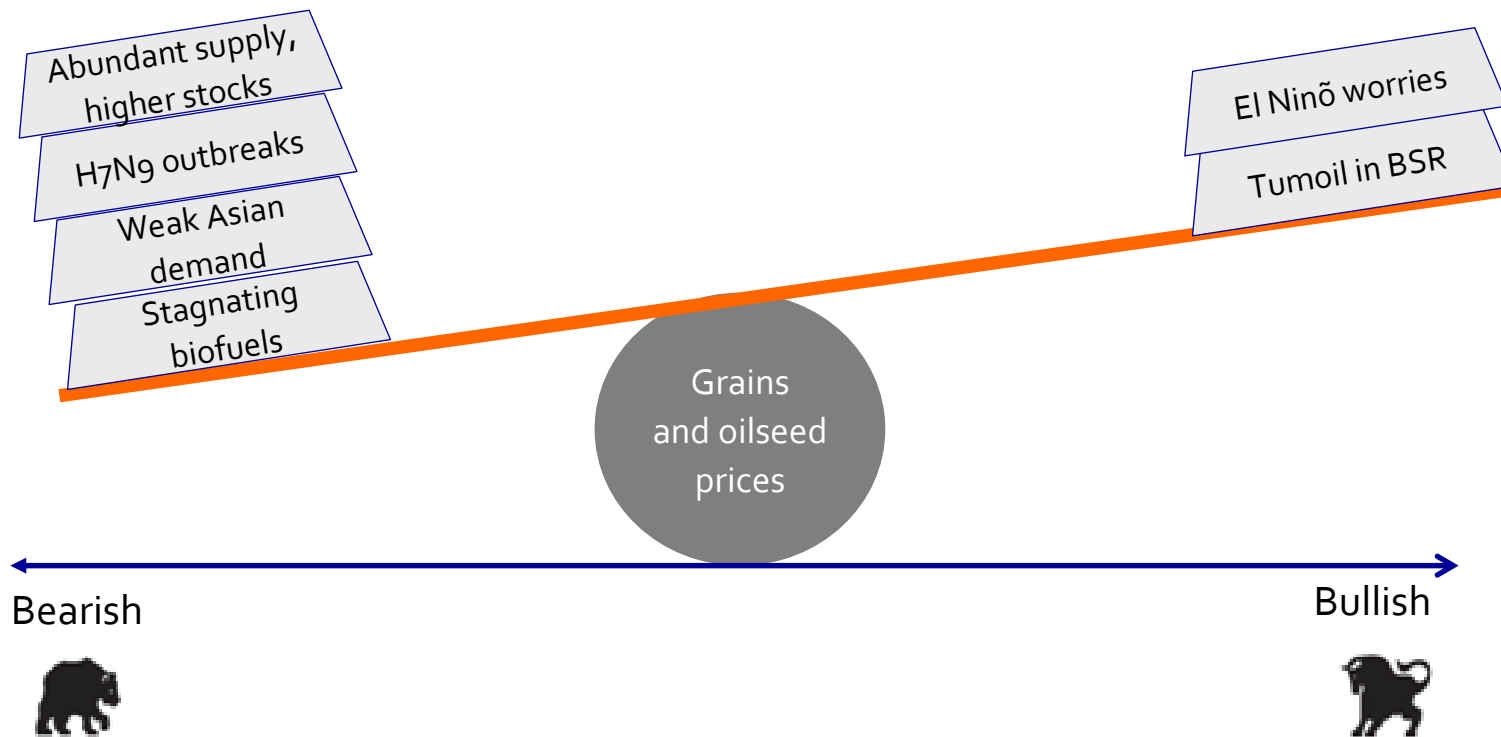


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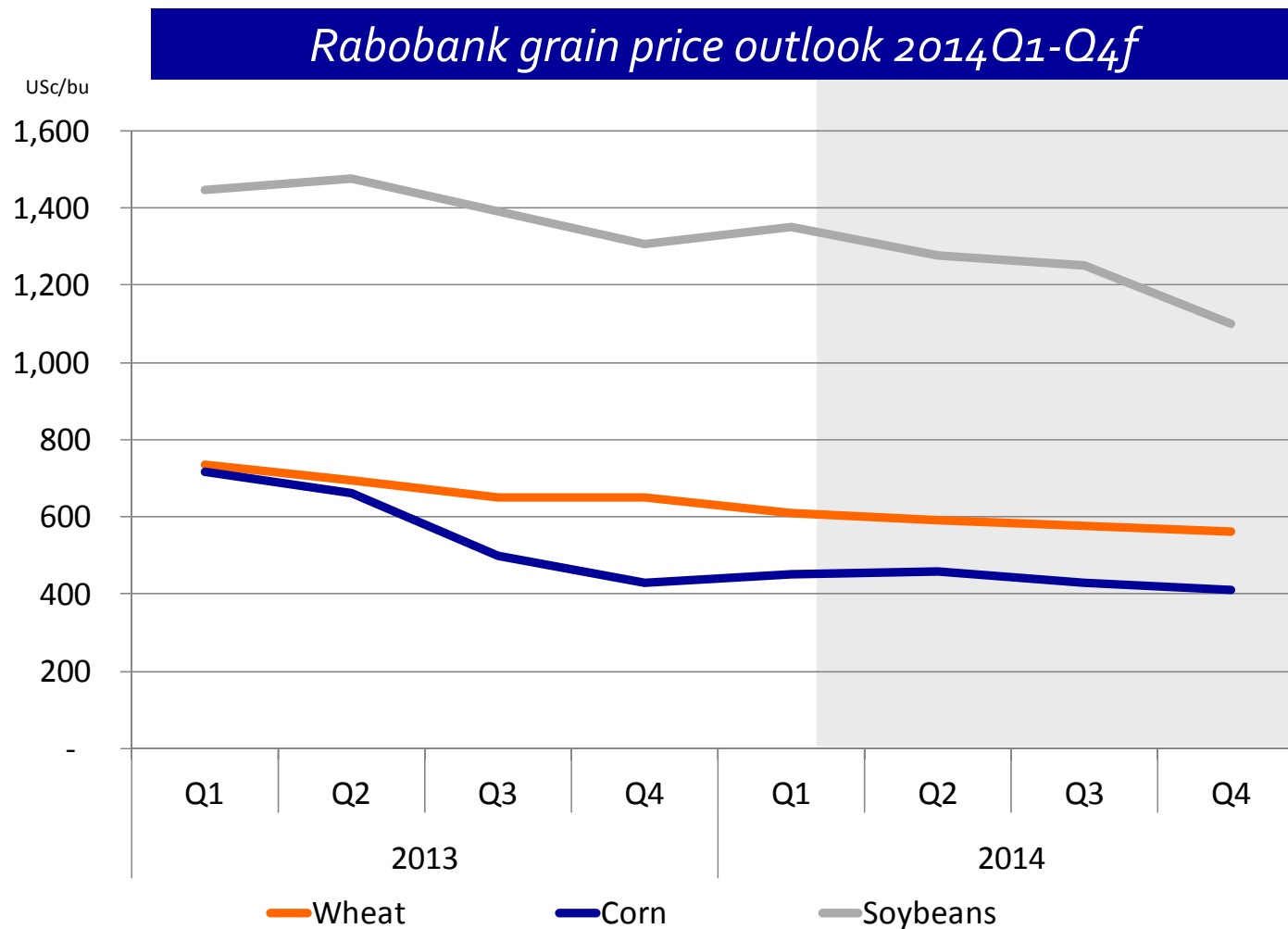


# Grains & Oilseeds market fundamentals

## Grains and oilseed market outlook



# Bearish global grains & oilseed outlook



Abundant global grains and oilseed crop harvest outlook

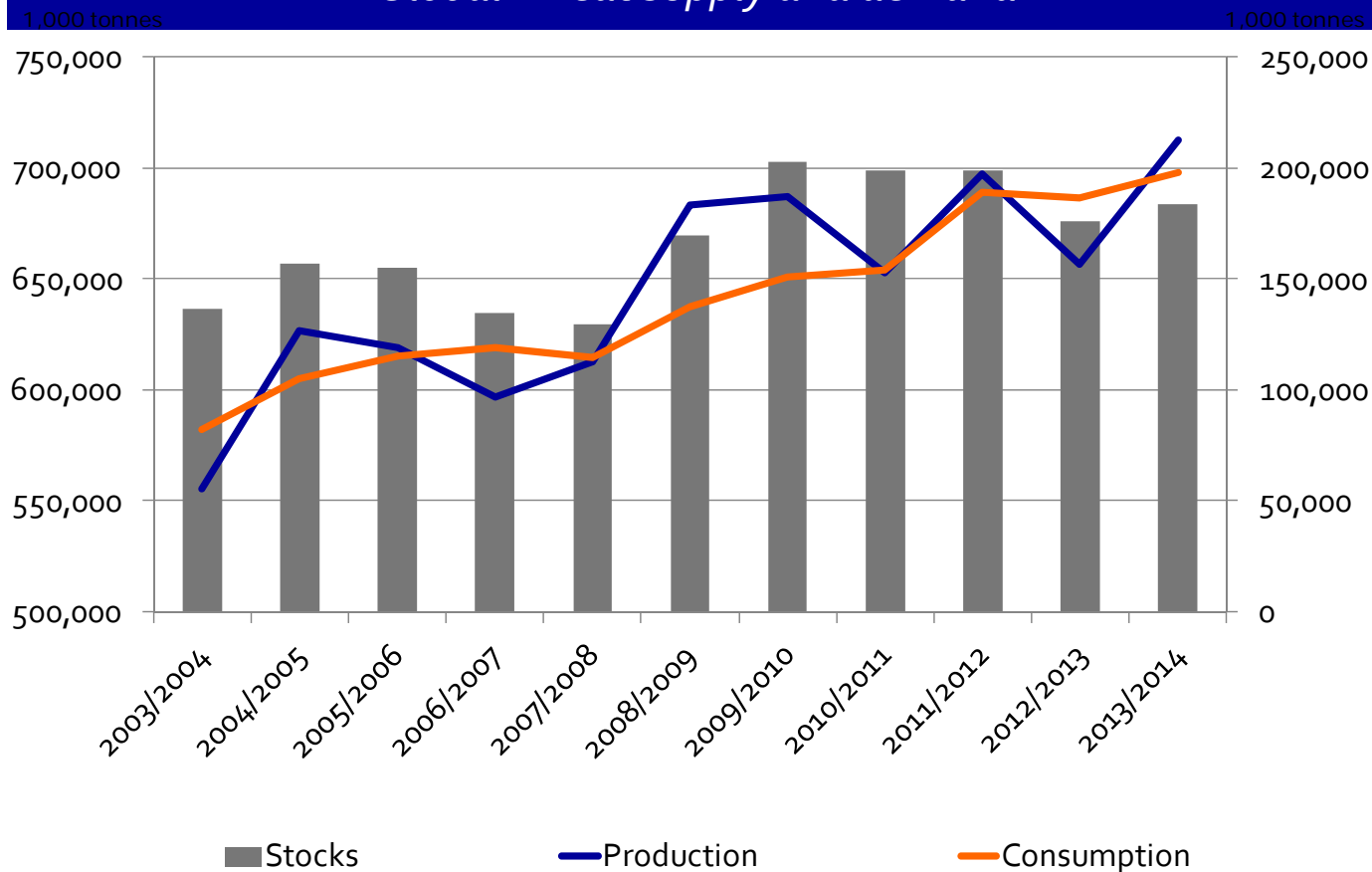
Slowdown in Asian economic growth: G&O purchases

Animal disease outbreaks: H7N9 to affect Chinese demand

# Wheat: Record crop will allow modest stock replenishment



*Global wheat supply and demand*



Good crop conditions  
in EU and Ukraine

US mid west crop  
conditions more  
challenging with  
dry weather

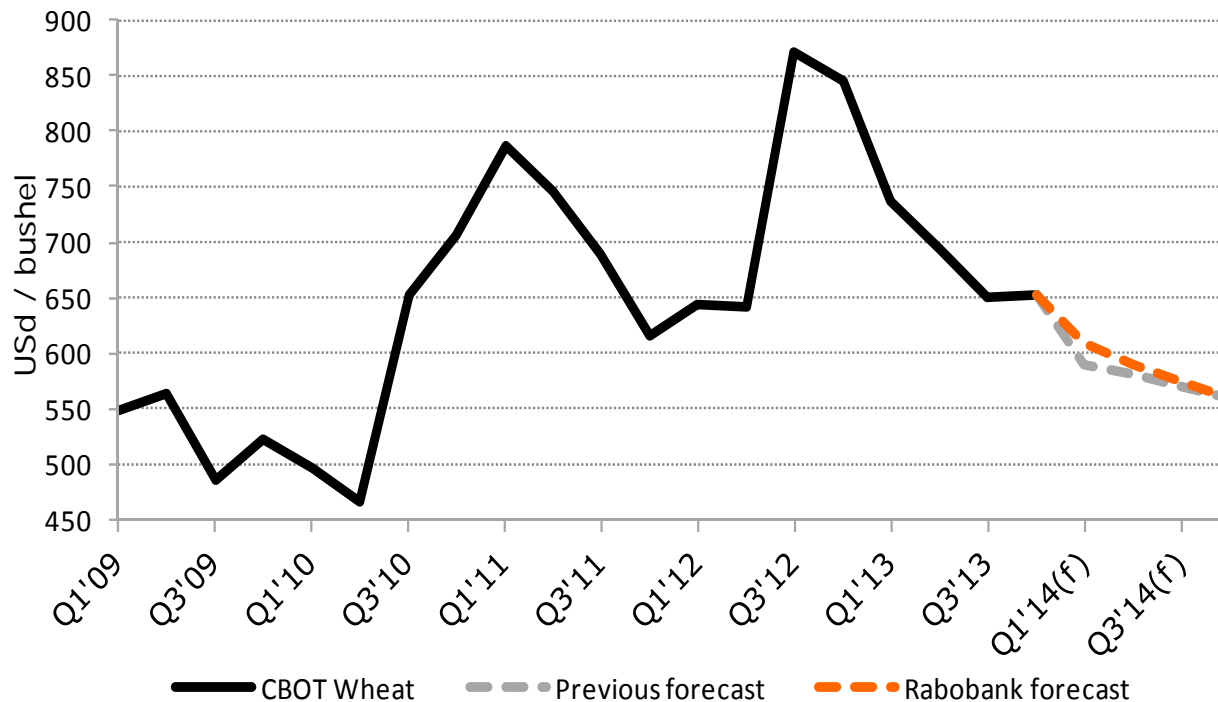
Stock rebuilding

# Wheat: Forecasts edge a little higher, but bearish view maintained



## Rabobank quarterly wheat price outlook

	unit	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14(f)	Q2'14(f)	Q3'14(f)	Q4'14(f)
CBOT	USc/bu	736	694	650	652	610	590	575	560



Recent BSR worries has lead to short term 18% increase in wheat prices

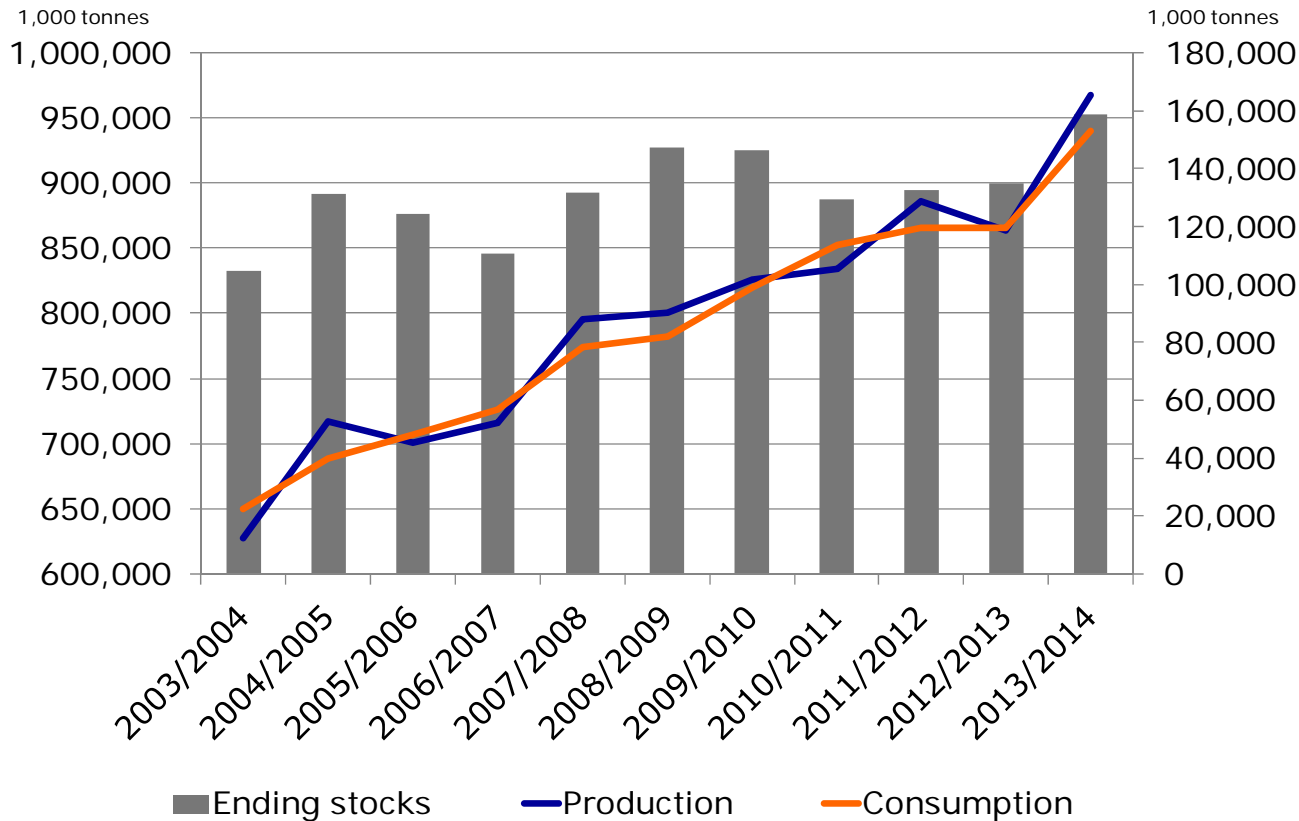
BSR trade flows largely unaffected

Q2: USD 590/bushel barring any trade BSR restriction

# Corn: Massive crop will allow rebound in drawn down stocks



*Global corn supply and demand*



Highest stock level in years

Strong US export sales

Lower US corn plantings,  
neutral to prices

BSR turmoil: Grains flows  
has not been materially  
affected

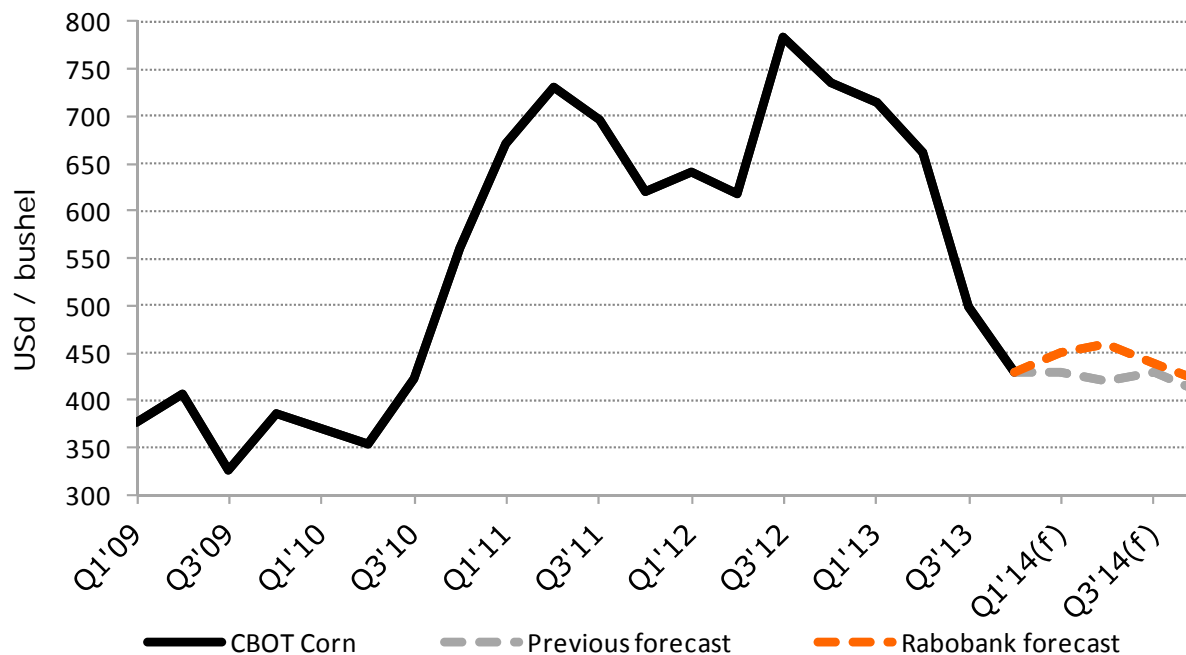
Stagnating ethanol  
markets

# Corn: Corn price forecast edges higher as risk returns to the market



## Rabobank quarterly corn price outlook

	unit	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14(f)	Q2'14(f)	Q3'14(f)	Q4'14(f)
Corn	USc/bu	715	662	499	429	450	460	440	420



Price risk premium due BSR unrest

Lower US corn plantings, neutral to prices

Slightly lower Brazil march crop outlook does not impact prices



# High soy prices is pushing farmers to shift from corn to Soybeans



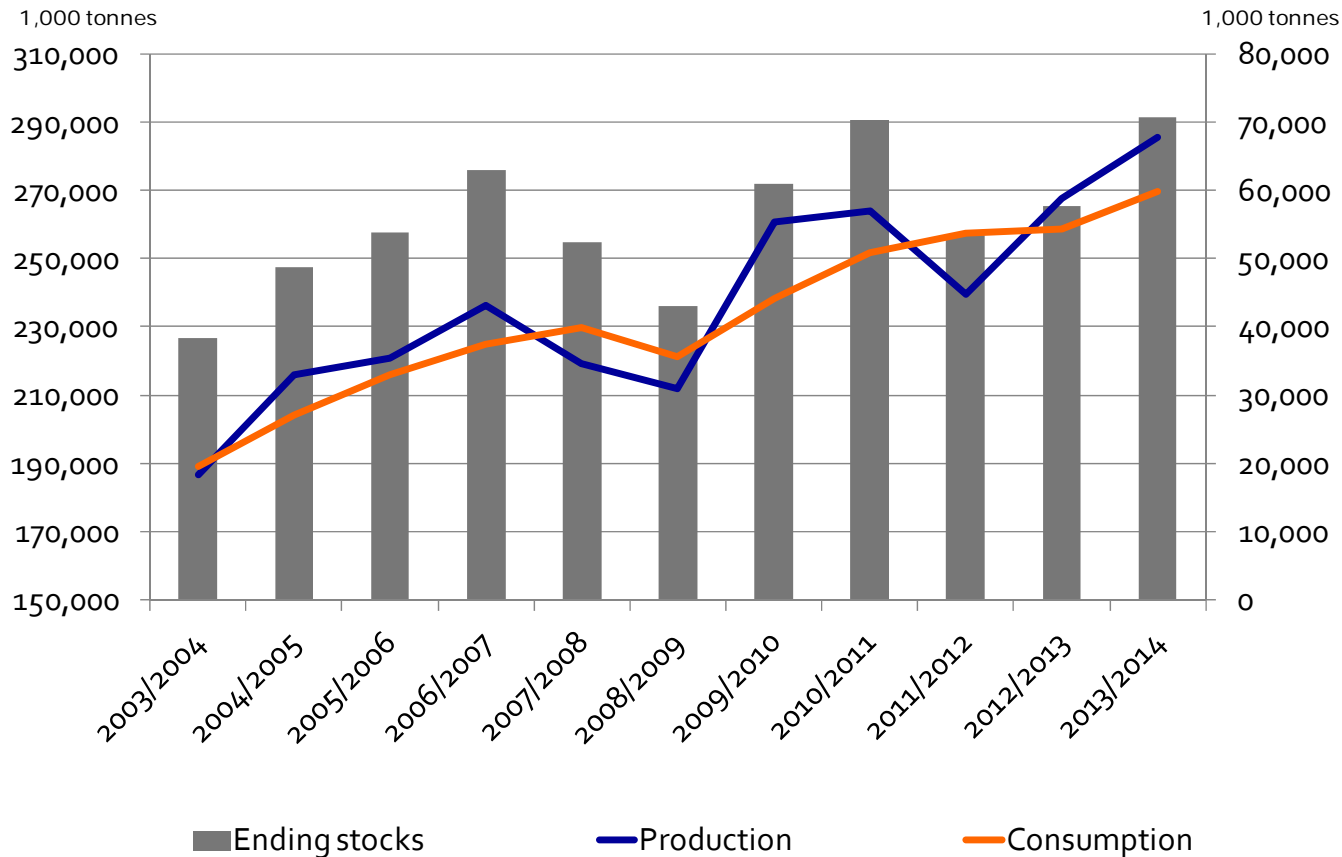
## *Soybeans to corn price ratio 2000-2014*



# Slowdown in global soybean demand to drive stock rebuilding



## *Global Soybean supply and demand*



Record high Brazil  
crop outlook

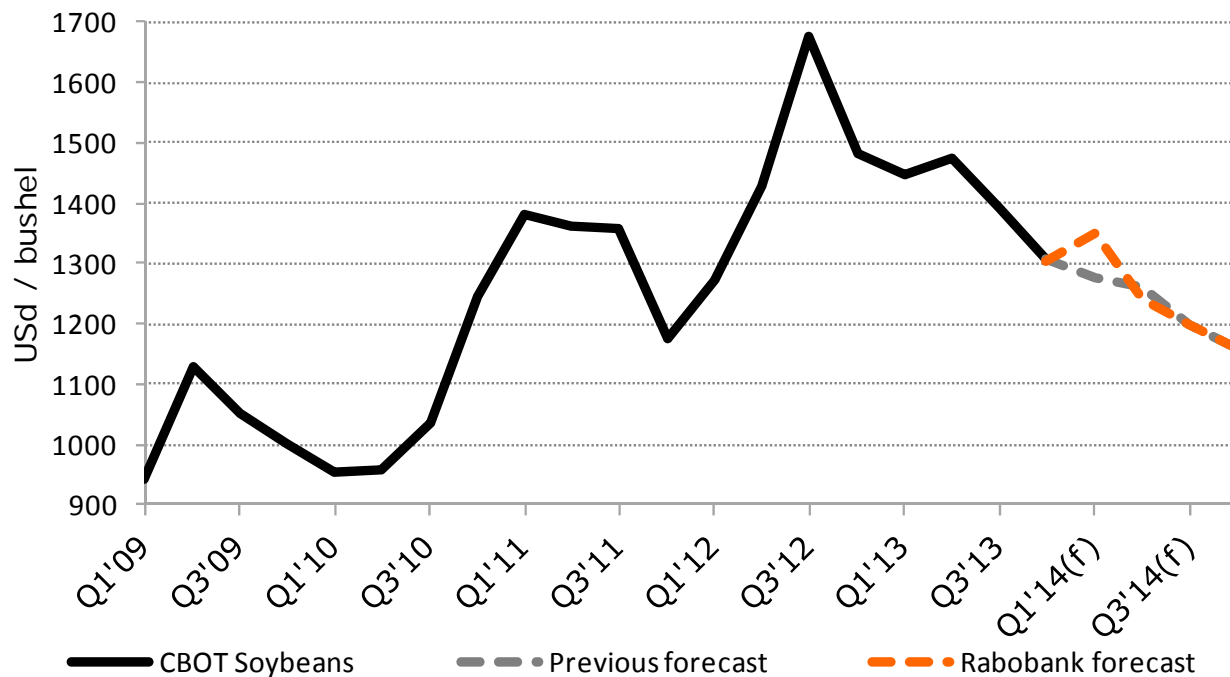
Recent Chinese  
order cancellation

Large US soybean  
plantings

# Soybeans: Slowdown of Chinese demand impacts prices

## Rabobank quarterly soybeans outlook

	unit	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14(f)	Q2'14(f)	Q3'14(f)	Q4'14(f)
Soybeans	USc/bu	1448	1474	1391	1305	1350	1240	1200	1160



### Bearish view on pricing:

- Record high Brazilian crop
- Large US plantings
- Chinese purchases to slow

# Content



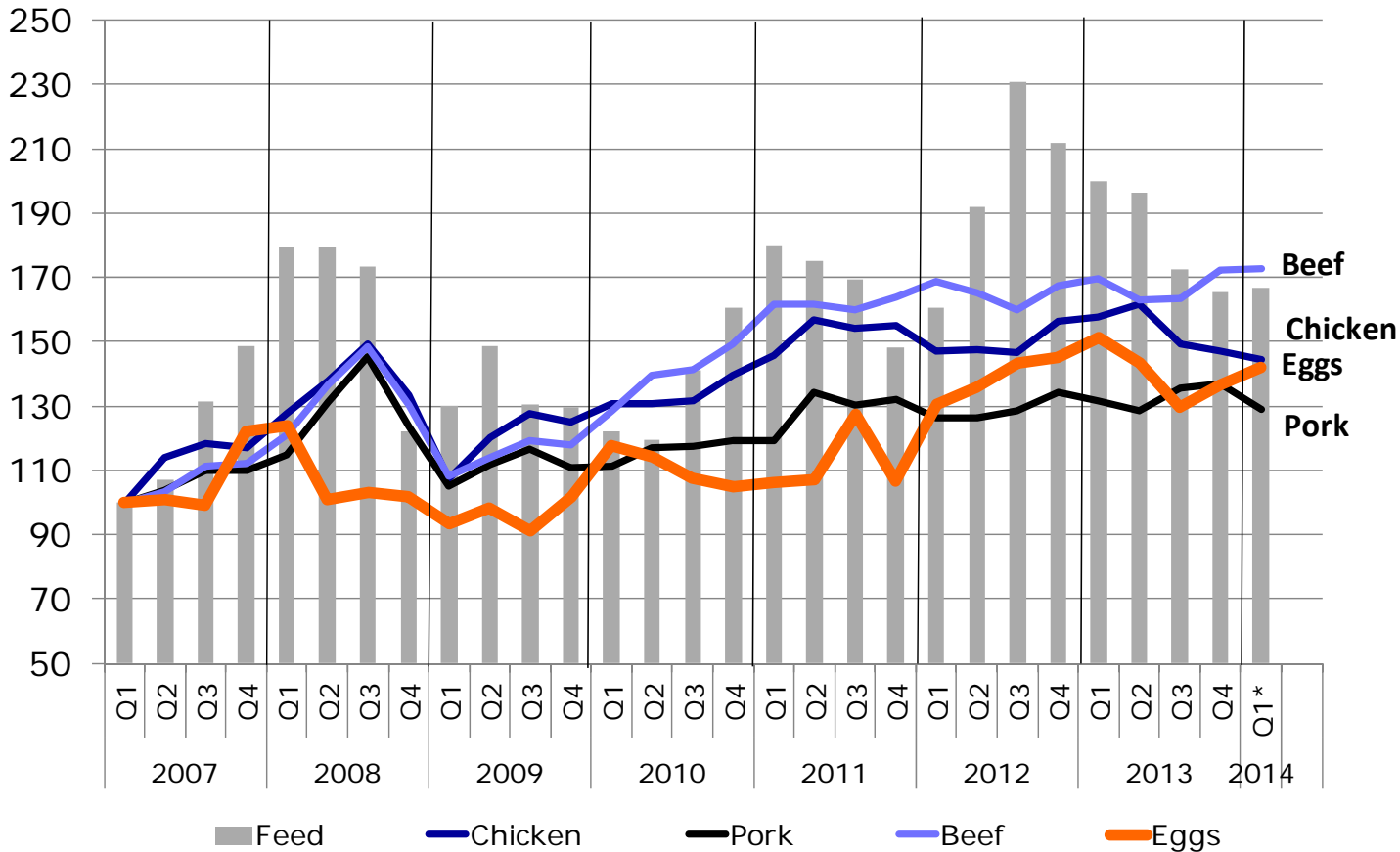
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# Egg industry to benefit from lower feed prices



## *Global meat and egg price index versus feed cost index*

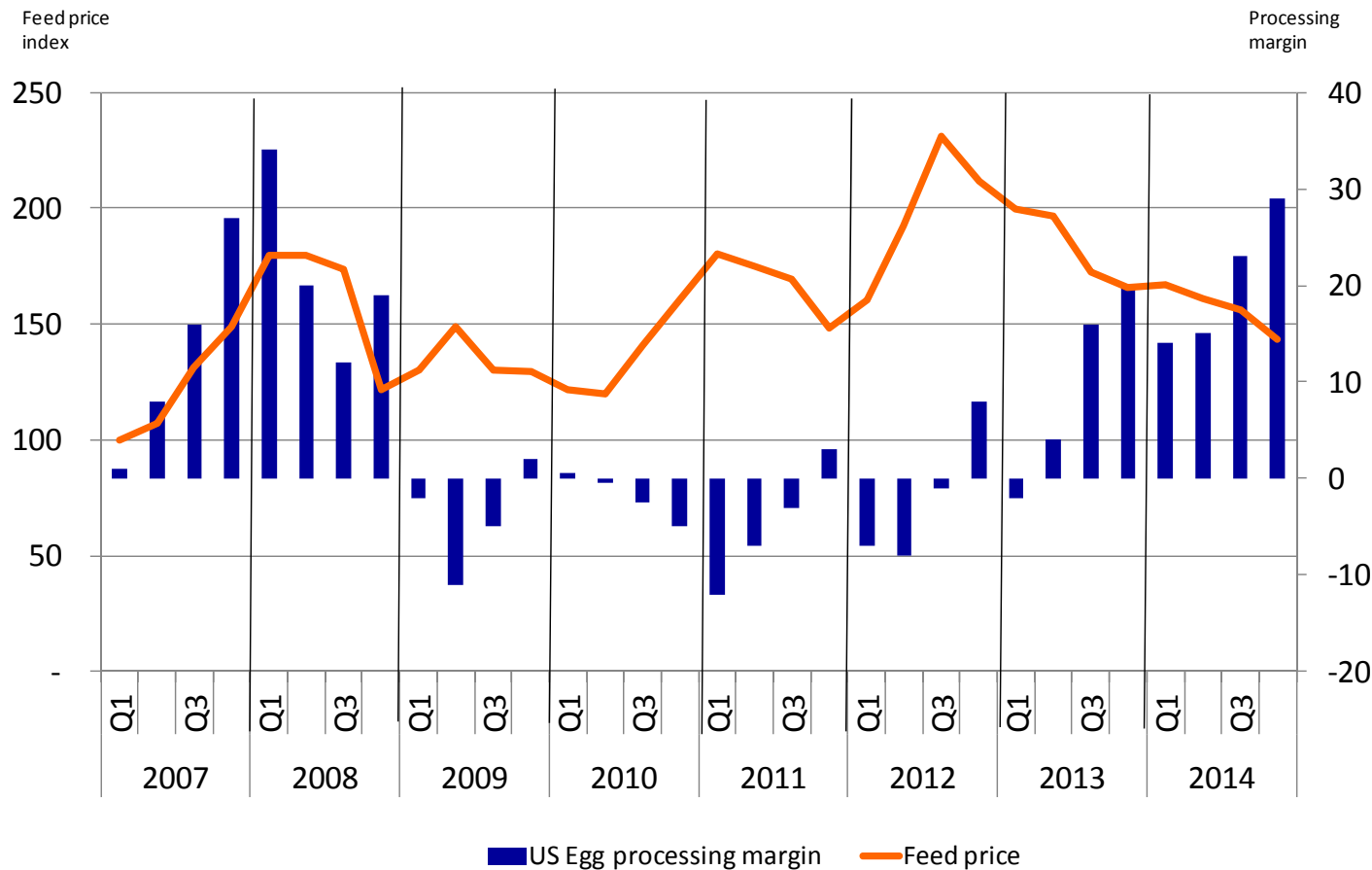
Index, 2007 Q1 = 100



# US Further processed eggs: Margins directly linked to feed costs



*US Further processed egg margins 2007-2014*

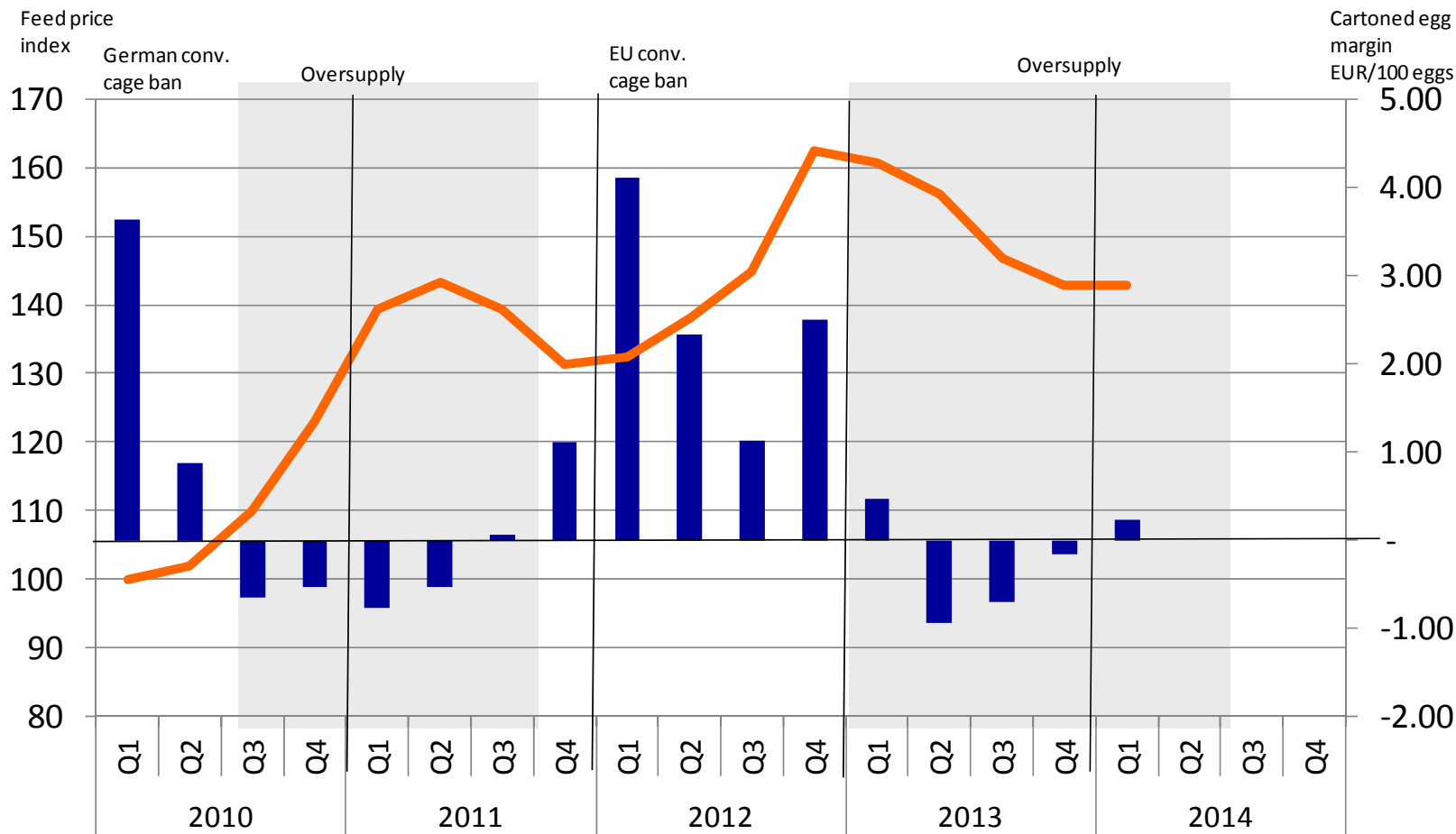




# EU industry: When does feed cost linkage returns after system changes



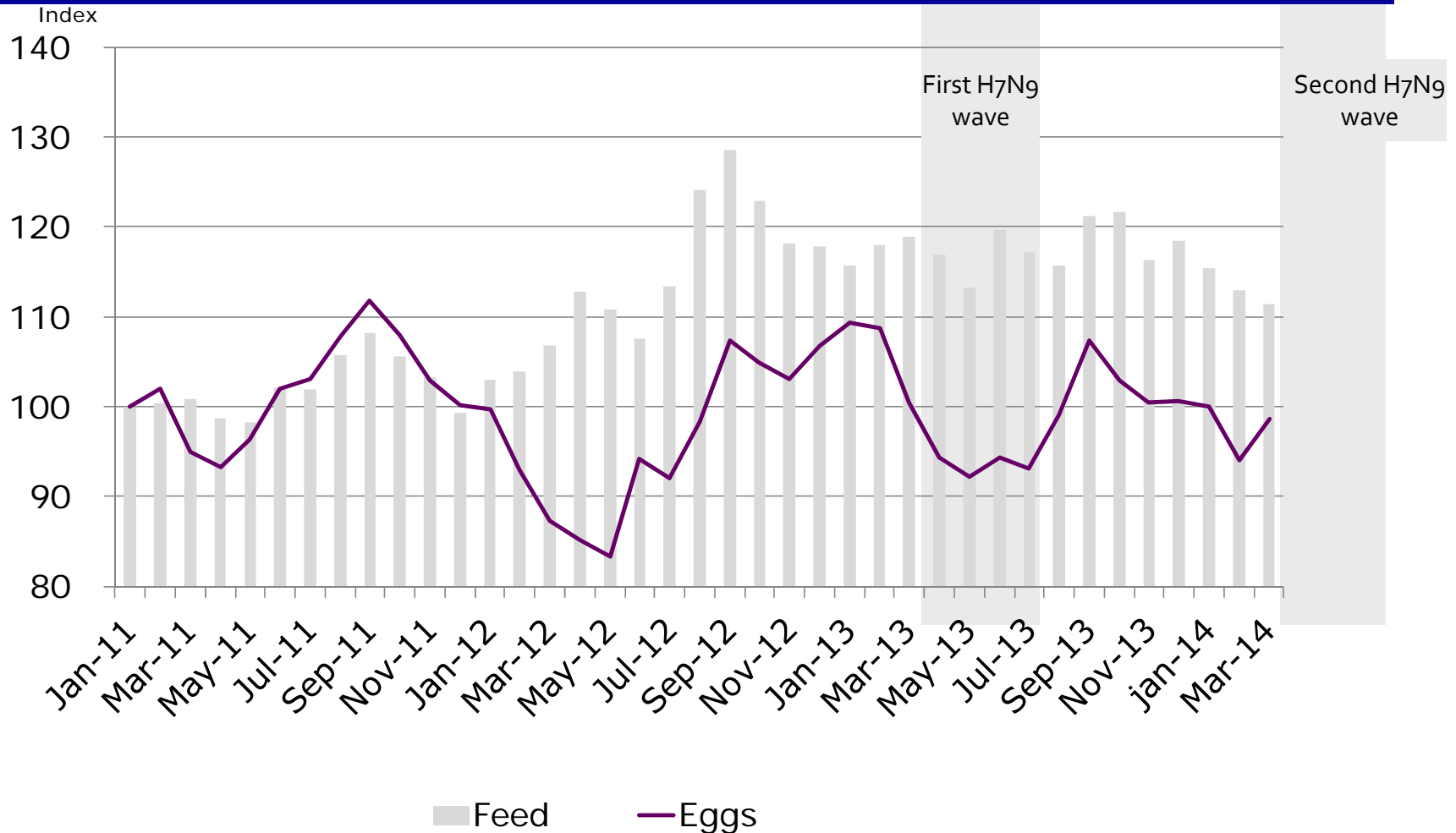
## EU shell egg margins



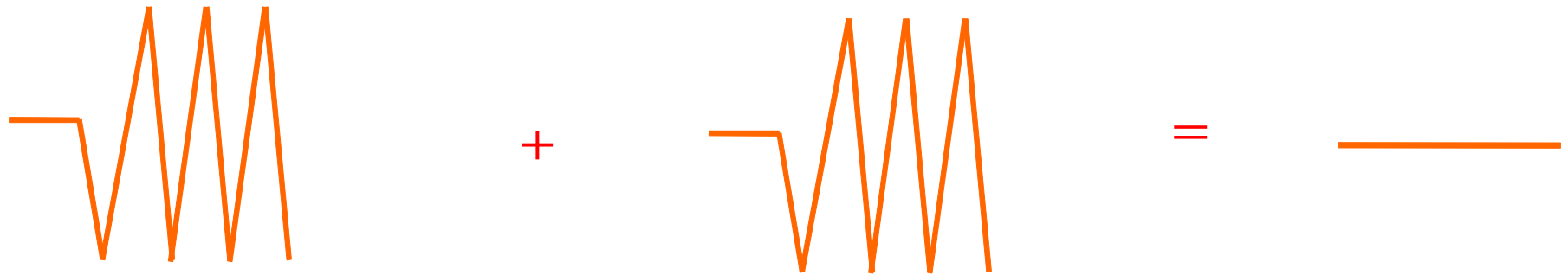
# China: strong short term price impact; culling to support price recovery



*Hen egg prices by main province in China*



# Outlook is bullish for egg industry, but volatility to remain

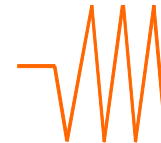
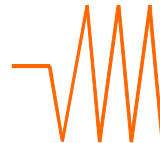
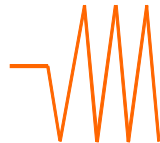
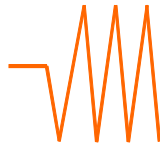


Volatility in grains and oilseeds

Volatility in eggs, livestock and poultry markets

Request for stable sales prices

Volatility in exchange rates



# Global stocks remain tight, wildcards affect price trend

## *Key wildcards for grain & oilseed outlook*

Asia G&O  
demand

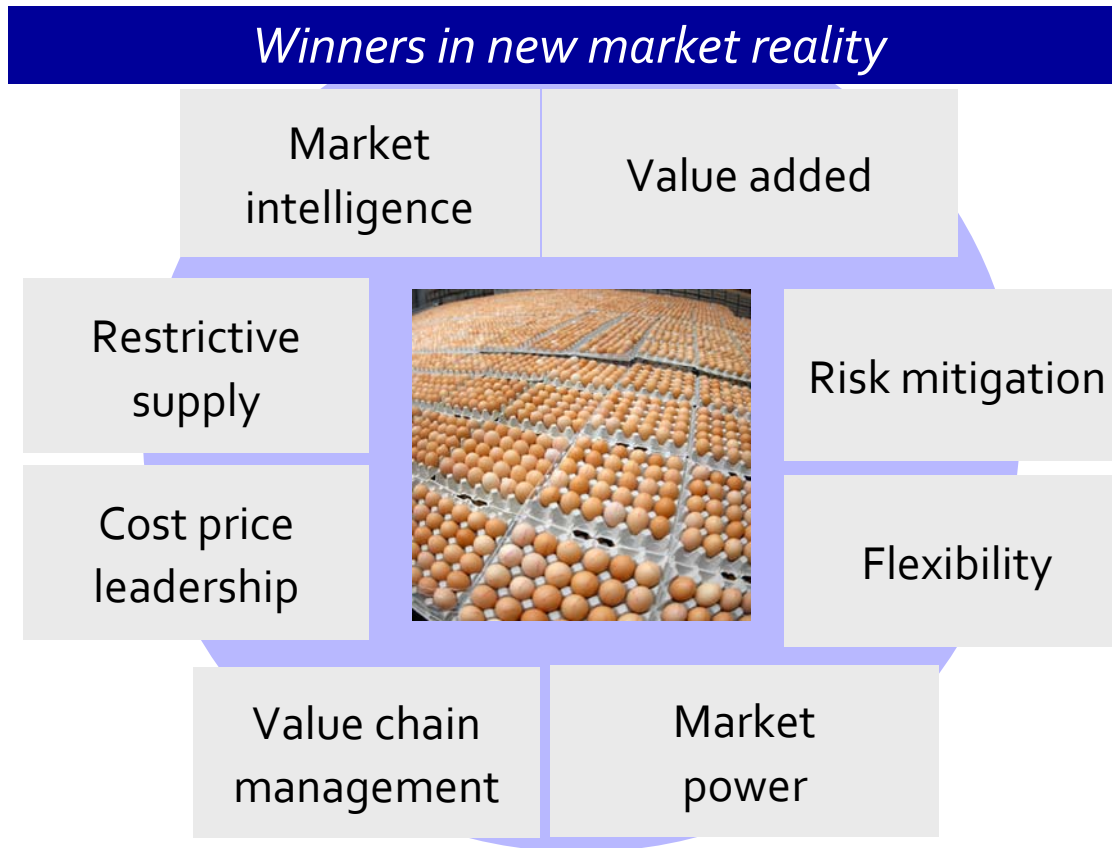
Political turmoil:  
BSR region



Weather  
circumstances in  
key production  
areas

Potential El-Niño  
return

# Winners under current volatile are prepared for volatility



# Conclusions

This rest of the year feed cost outlook remains bearish due to:

- Large crop harvest expectations for grains and oilseeds
- Slowdown in demand: bio fuels and Asian economic downturn
- Higher stock levels in international markets

Margin outlook for the egg industry is promising

- US industry to benefit from bearish G&O price outlook
- EU industry to return to more balanced market conditions in Q3-Q4
- EU feed price linkage to margin achievement to return
- China profitability will return in Q3-Q4 with tight supply

Feed price volatility to remain.

Winners are prepared for changing market circumstances

Key swing factors for 2014 feed price expectations:

- Black sea region turmoil could affect price levels further
- Avian flu outbreaks in China and rest of Asia
- Weather and crop conditions
- Economic outlook





# Thanks for your attention

*Questions?*

*[nan-dirk.mulder@rabobank.com](mailto:nan-dirk.mulder@rabobank.com)*

Nan-Dirk Mulder, 1 April 2014



**Rabobank**