

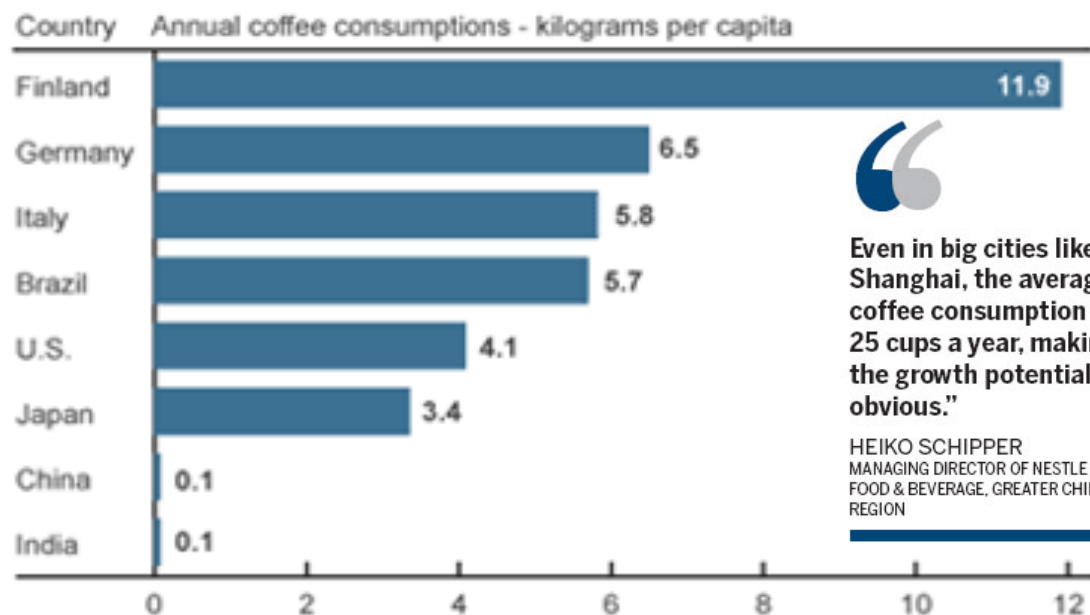
A Tale of Two Continents: Avenues of Synergy Between Asia & LATAM

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Executive Director
CropLife Asia

25 April 2017

-
- Had your morning coffee? And ready for the cocktail this afternoon?
 - From 2014 to 2019, Chinese coffee consumption is projected to rise 18% annually, as compared to the 0.9% in the US

World coffee consumption per capita



Even in big cities like Shanghai, the average coffee consumption is 25 cups a year, making the growth potential obvious."

HEIKO SCHIPPER
MANAGING DIRECTOR OF NESTLE
FOOD & BEVERAGE, GREATER CHINA
REGION

Sources: International Coffee Organization, Reuters data

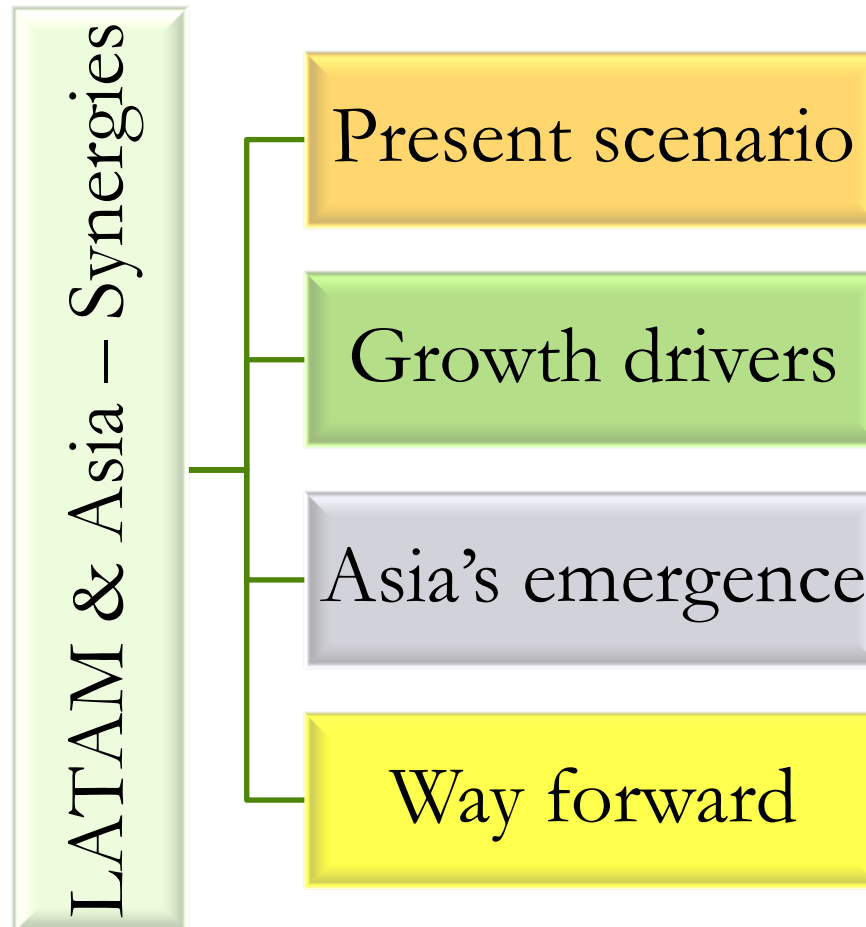


Reuters graphic/Scott Barber, Nigel Hunt

Drinks.....

- 5th largest wine consumer in the world
- Spending wine imports grew 32% in 2014 from US\$1.13 billion to US\$1.49bn in 2015

Outline



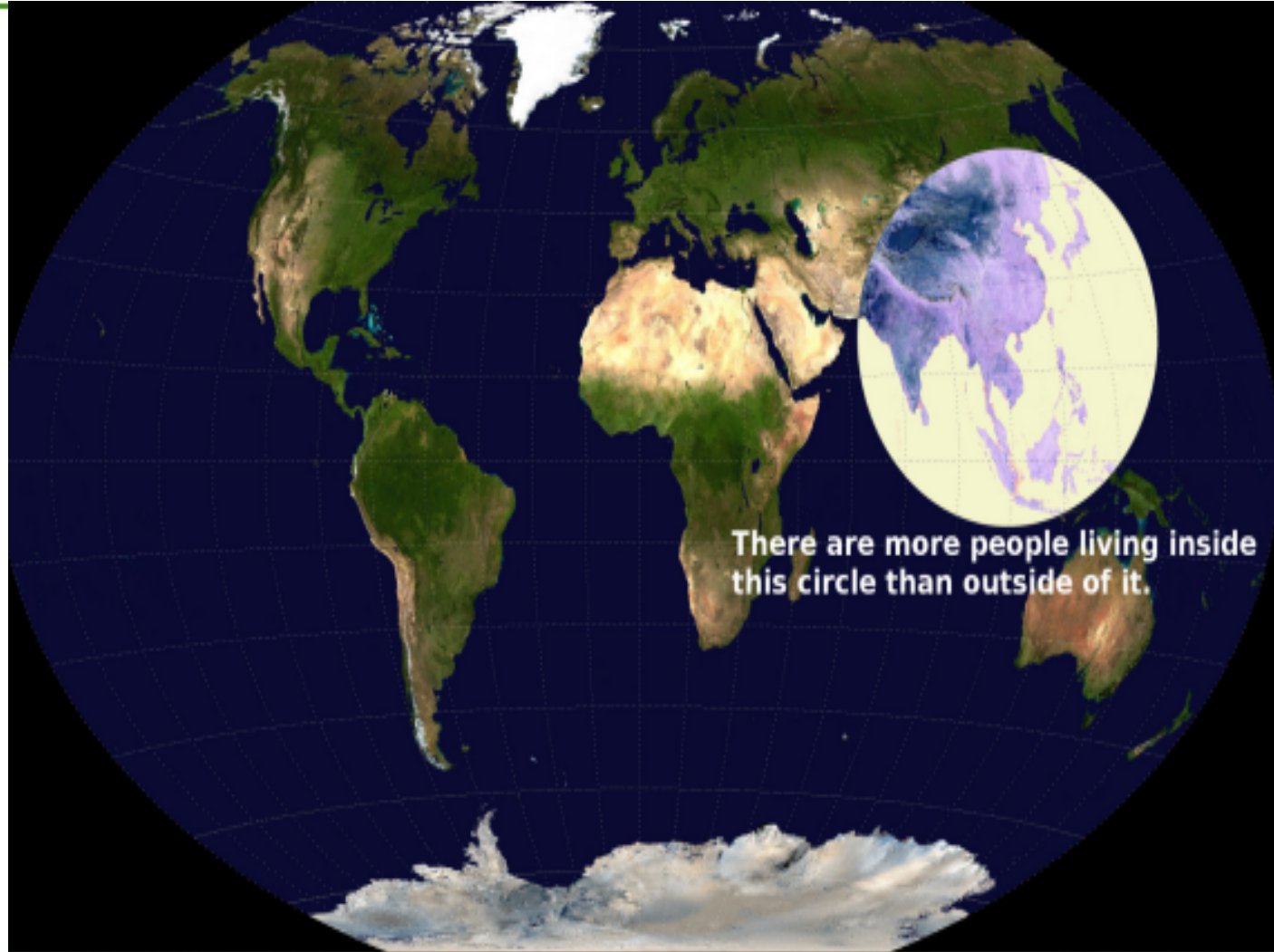
Demand Exceeds Projections

- An overview of the Brazil-China soybean trade
- China demand's for Soy – 85 million MT by 2025.
- MY16/17 soybean imports forecast at 85 MMT
- Gain report GAIN Report Number: CH16035 (2016)

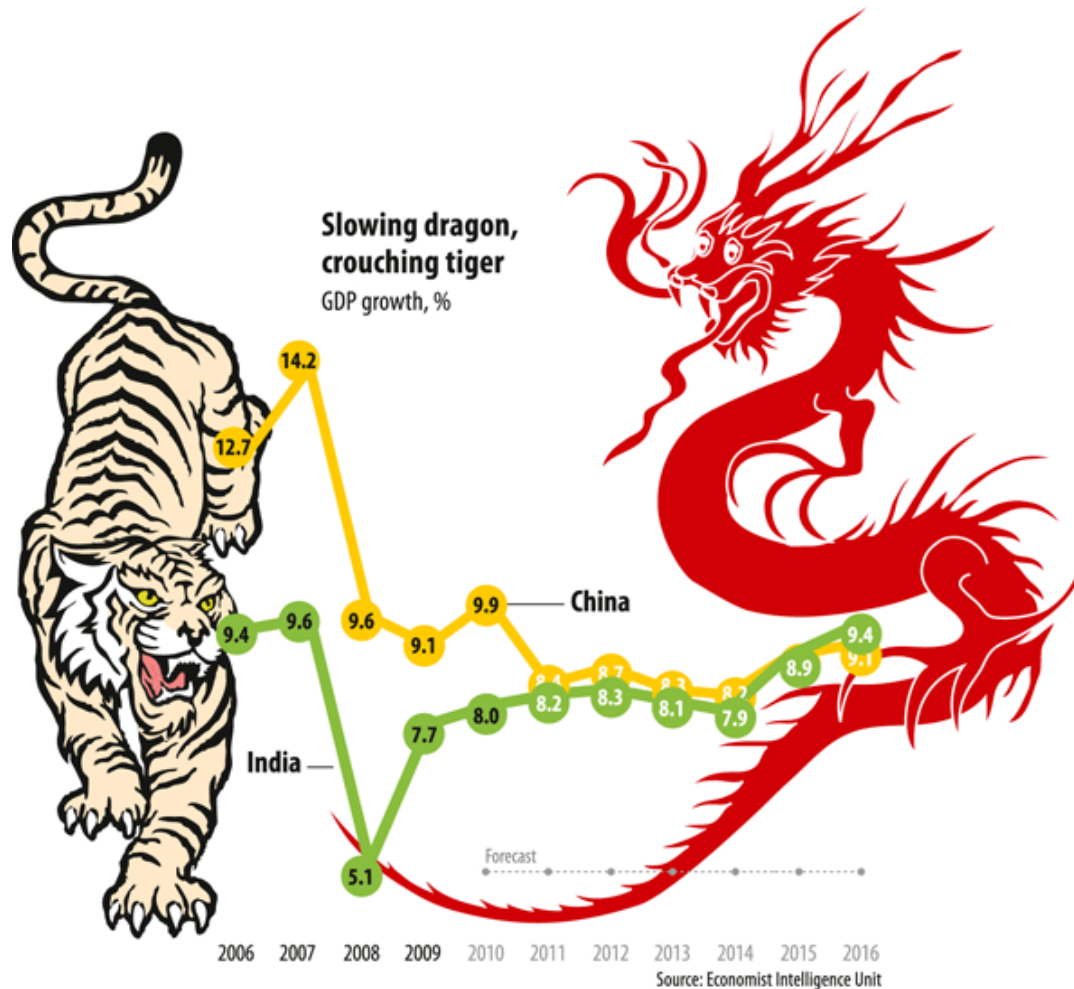
The Dragon and the Elephant in the Room

Why Asia?

- China
- India



Population growth → Increasing Demand for Food



- Rising incomes and reducing farmlands are increasing demand for imported food products
- Key driver is huge rise in online purchases and e-commerce forecast to grow nearly 50% from 672 billion in 2015 to 911 billion US dollars in 2016
- In line with Asia – young population is driving force behind changing tastes

Asia's population

China and India together constitute 36% of the world's population

19 Asian countries with more than 20 million people each



Year: 2014

China, India, Indonesia, Pakistan, Bangladesh, Japan

Asian population		
Countries	Million	%
1 China	1 356	33,6%
2 India	1 236	30,6%
3 Indonesia	253,6	6,3%
4 Pakistan	196,1	4,9%
5 Bangladesh	166,2	4,1%
6 Japan	127,1	3,1%
7 Philippines	107,6	2,7%
8 Vietnam	93,4	2,3%
9 Thailand	67,7	1,7%
10 Burma	55,7	1,4%

Others	M
Australia	23
N. Zealand	4,4
World	7 165
USA	319
U.E.	509
Asia	4 037

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CURIOUS
STATS

Source: CIA FactBook

Megacities

Cities will become more powerful than nations²



Megacities merging to form global city regions whose populations dwarf many countries²



120M

Hong Kong-Shenzhen-Guangzhou

185 countries are smaller



60M

Tokyo-Osaka-Kyoto-Kobe

173 countries are smaller



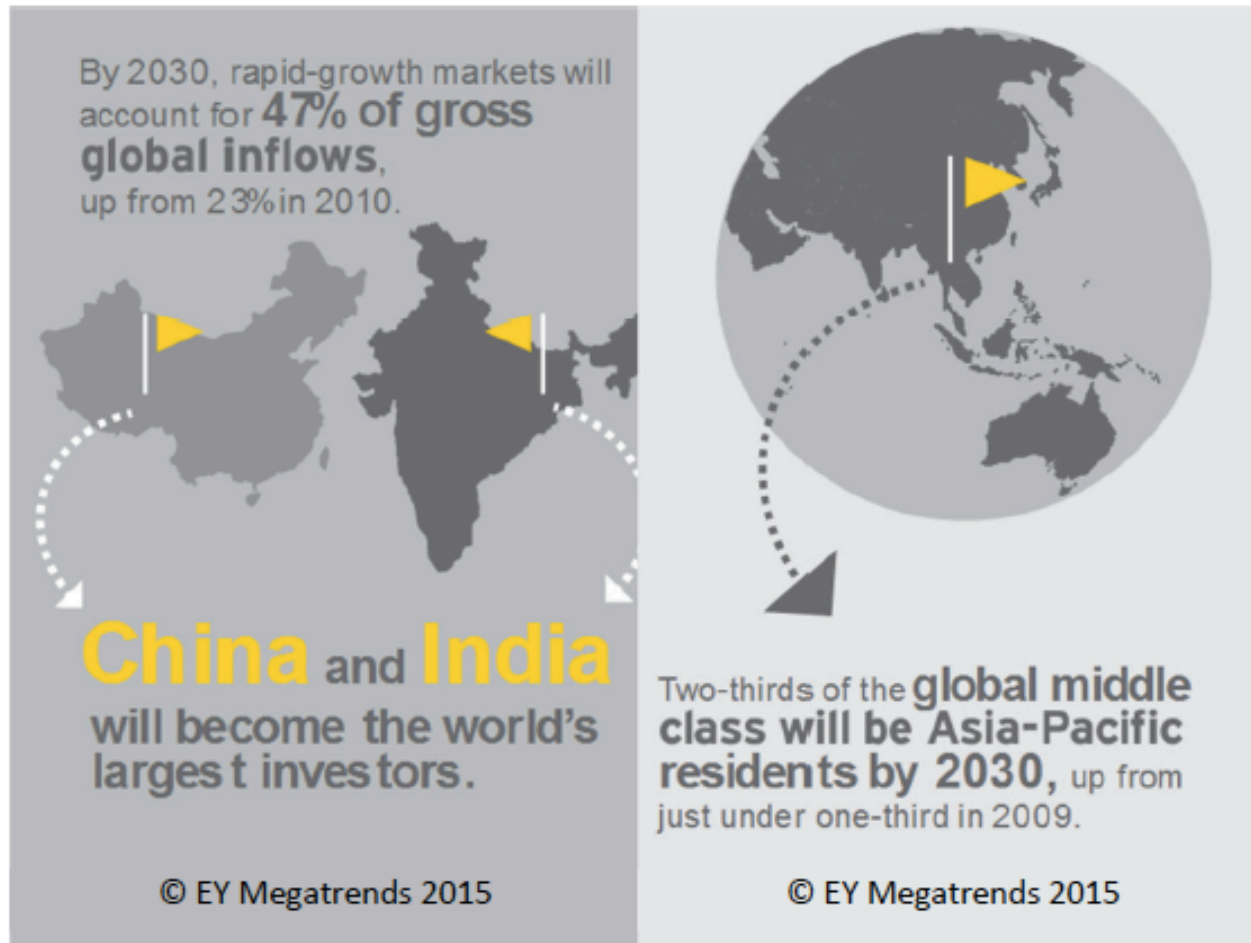
40M

Sao Paulo-Rio de Janeiro

160 countries are smaller

Investment Hotspots

www.placard-network.eu



Source: *Capital for the Future : Saving and Investment in an Interdependent World*, World Bank 2013.

Source: *Hitting the Sweet Spot: The Growth of the Middle Class in Emerging Markets*, EY and Skolkovo Institute for Emerging Market Studies, 2013.

Recent Developments



China

- Feb 5, “Number one document” – Published
 - omitted any reference to "**basic self sufficiency**" in food crops, a key pillar of the country's agriculture policy over the past decade.
 - Shifting gears after years of supporting the production of major grains like corn, wheat and rice, which has led to huge grain stockpiles without a market.
-
- China **abandoned minimum prices** for **corn** last year, it confirmed this week it will **maintain support** for **wheat** and **rice** this year. But officials indicated on Monday that future prices would be **more in line with the market**.
 - focus less on the size of harvest and instead make the farming sector better prepared to meet future supply crises by investing billions of yuan in irrigation, rural infrastructure and rehabilitating farmland.

Recent Developments



China

By 2020

- Invest US\$450 billion to modernize agriculture
- Create 53 million hectares of high quality farmland to ensure a stable grain supply

Land Reform

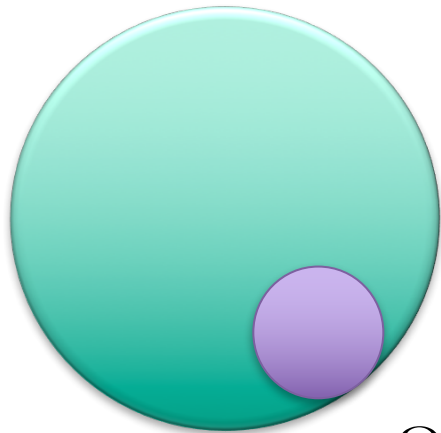
Possibility of corporate farming – village may collectively transfer land to a corporate for yearly payments

- Reduce corn production and surplus
- Nurture high quality and competitive farming companies
- Encourage new business models for farmers

Recent Developments (cont.)



China e-commerce in agriculture



Agricultural
inputs market in
China >
US\$312 billion

Online
transactions -
US\$16.5 billion
3% of market

**Alibaba's Platform and Data Driven
Planting Advice**

**Legend Holdings and Lenovo's 200
Country-level Service Centres in 10
provinces**

The Balancing Act



Increase food
availability

Improve access to
food

Enhance
Stability and
Sustainability

Quantity &
Quality

Affordable &
Safe food

Increasing economic
growth &
Urbanisation

Shifting market power
and margins

Feeding 9 billion
people

Low prices and
volatility

The great crossover

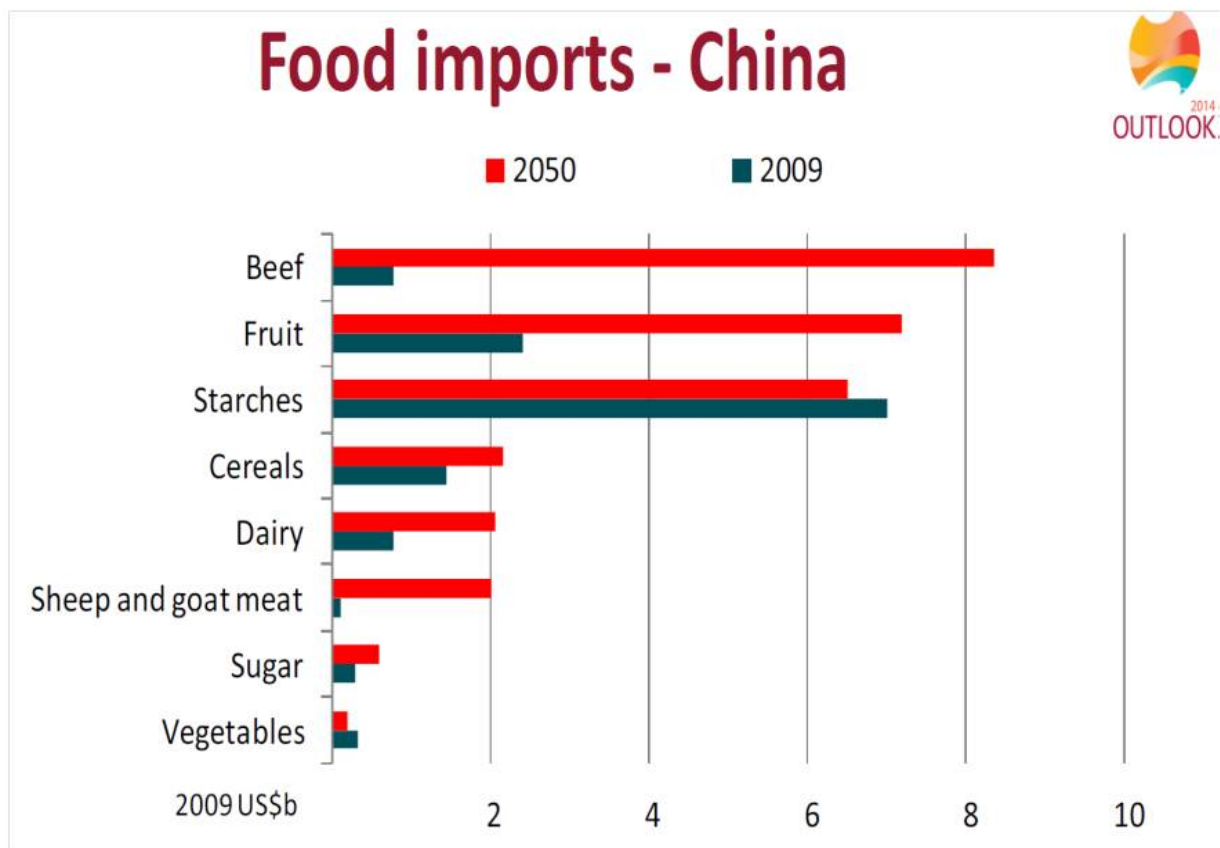
F&A supply chains

- 9% of the world's agricultural land
- 7% of the world's fresh water
- 6 climatic zones and a Government

What is on the Menu?

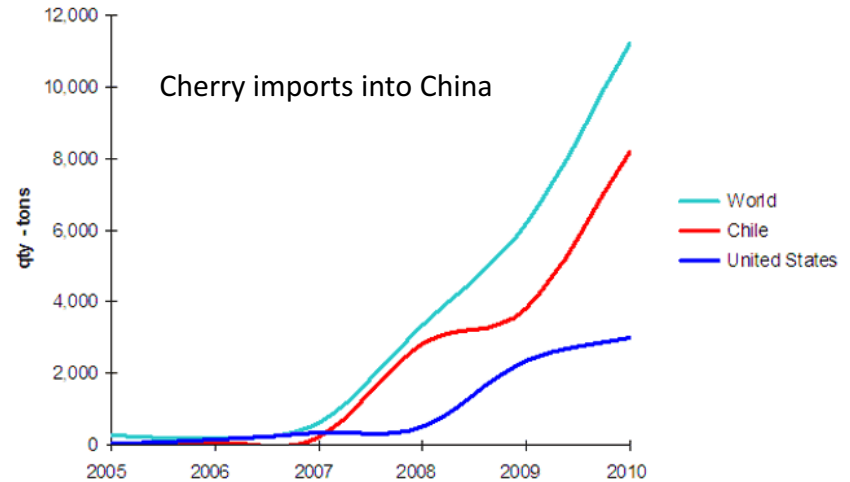
- Largest food and beverage importer in the world
- China consumes 28% of world meat
 - Pork consumption is forecast to rise to 61 million tonnes this year, up from 50 million 5 years ago and imports have risen on average 20% each year in this period
 - Beef imports increased by 50% in 2015 compared to 2014
- China's fish imports are projected to hit 4.4 million tonnes by 2022, growing by an average 2.1% annually.

What is on the Menu?

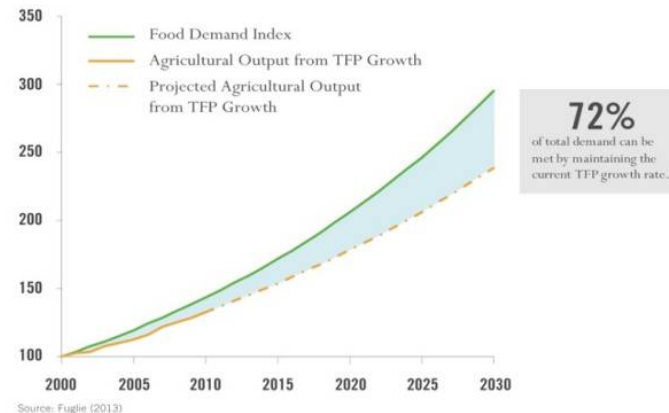


China – Fruit

- Decline in farmable land and increasing population has created a growing demand for fresh fruit
- Food safety fears mean imported fruit is seen as higher quality, and more reliable
- In 2014, China's fresh fruit imports increased 22.8% compared to the previous year.
- Huge demand for high quality fruits namely: apples, grapes, cherries, blueberries and citrus fruits
- Large preference for fresh fruit
- 4 of 5 top fruit/veg imports are from Northern Hemisphere
- Non-native fruit requires focused promotion, as awareness will be lower

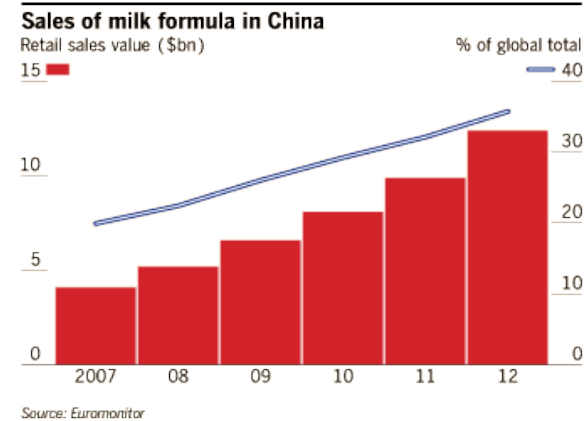


Food Demand Compared to Agricultural Output from TFP Growth in China
(2000-2030)



China – Dairy

- 40% increase in dairy imports in Q1 of 2016
- Increases in demand for milk powder imports
- Driven by demand from yoghurt and children's food manufacturers
- Nutritional demands, population growth and higher incomes have pushed almost all dairy products demand up as well. Supply in China is already largely outpaced by demand due to increased urban living and reduction in producers
- The expanding middle class has led to an increase of cheese imports (average expansion of 14% per year since 2011)

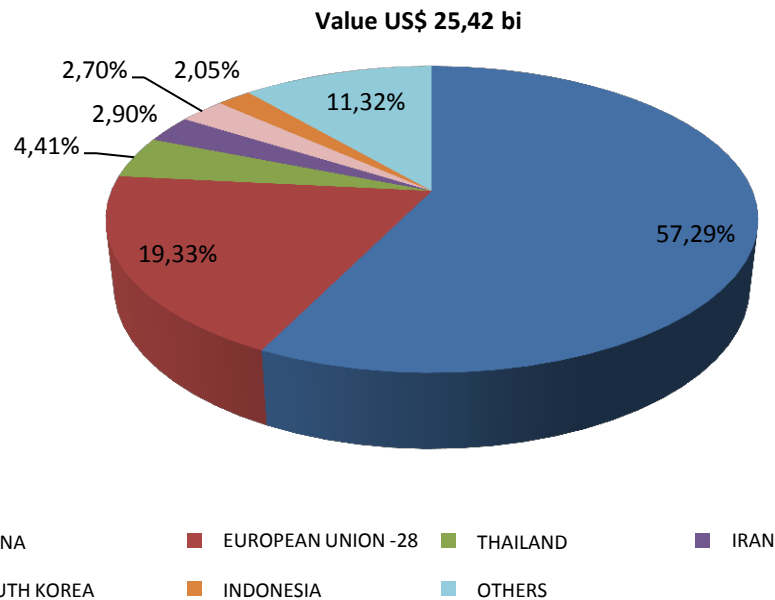


Trade Brazil – China

Soybean and Maize Brazilian Exports 2016

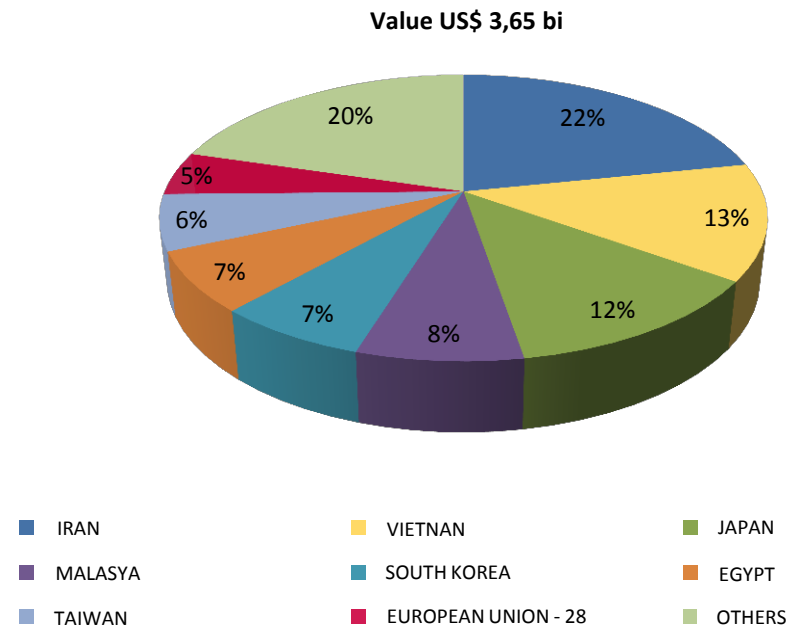
- China is the largest Soybean Complex partner with imports near US\$ 14.5 bi
- China is not a relevant Maize importer

**Brazilian Exports 2016
SOYBEAN COMPLEX**



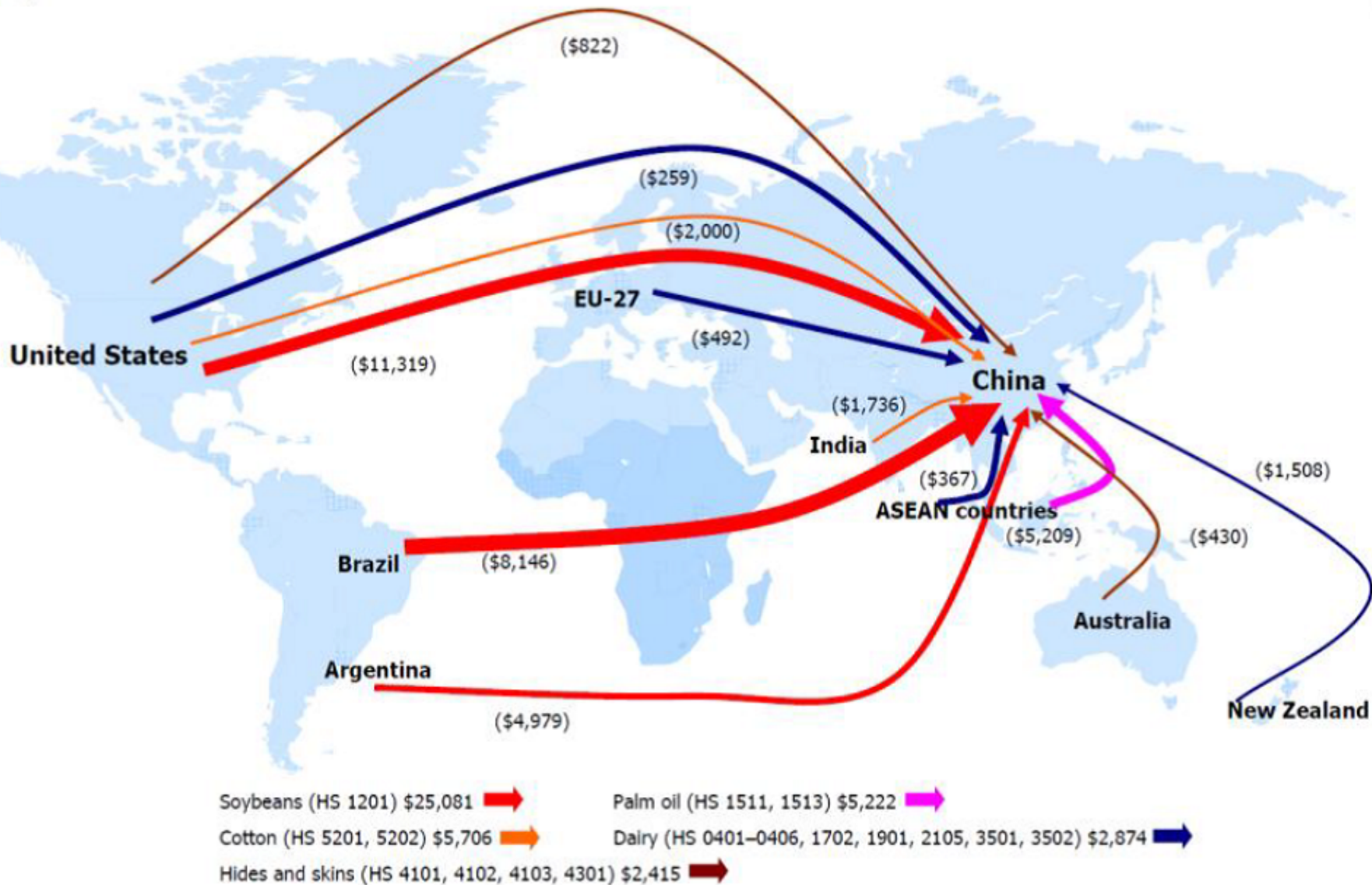
Source: MAPA/AgroStat

**Brazilian Exports 2016
MAIZE**



Source: MAPA/AgroStat

Delicate Balance



Growth drivers: LATAM & Asia Trade

- Falling trade barriers → Rise of FTAs (25 expected by 2020)
- Technological advancements in ICT, logistics → better and faster trade
 - Greater cooperation between the Exporters & importers
- Comparative advantages:
 - LATAM's vast unexploited land resources vs Asia's growing food demand
 - Commodities from LATAM vs Manufactured goods from Asia
- Rise of Asian tigers and Elephants: Post 2008 financial crisis
- LATAM: Growing destination for Asia's FDI and investments in industrial goods

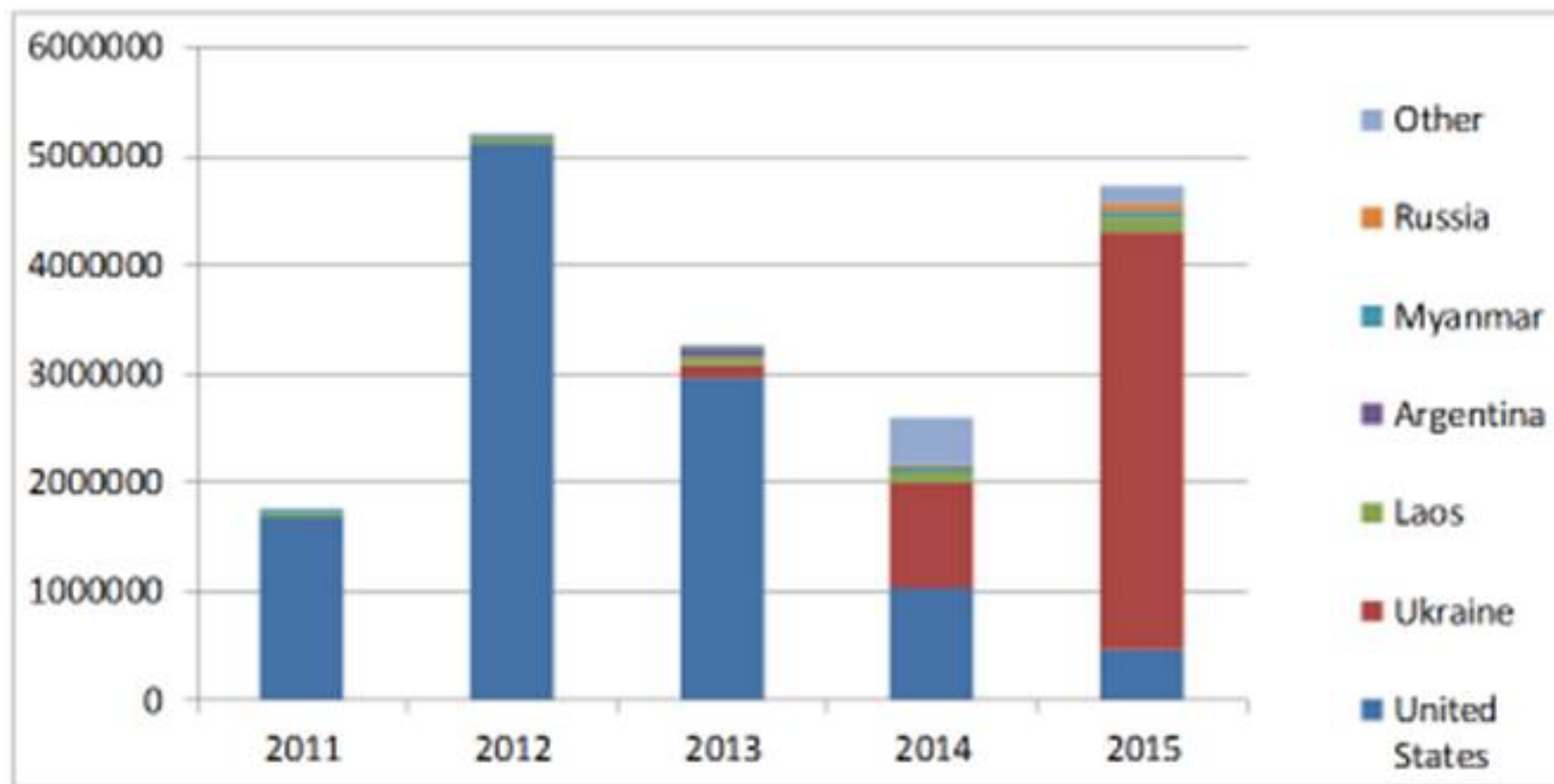
Thank You!!!

I ♥ Agriculture



China's Corn Imports

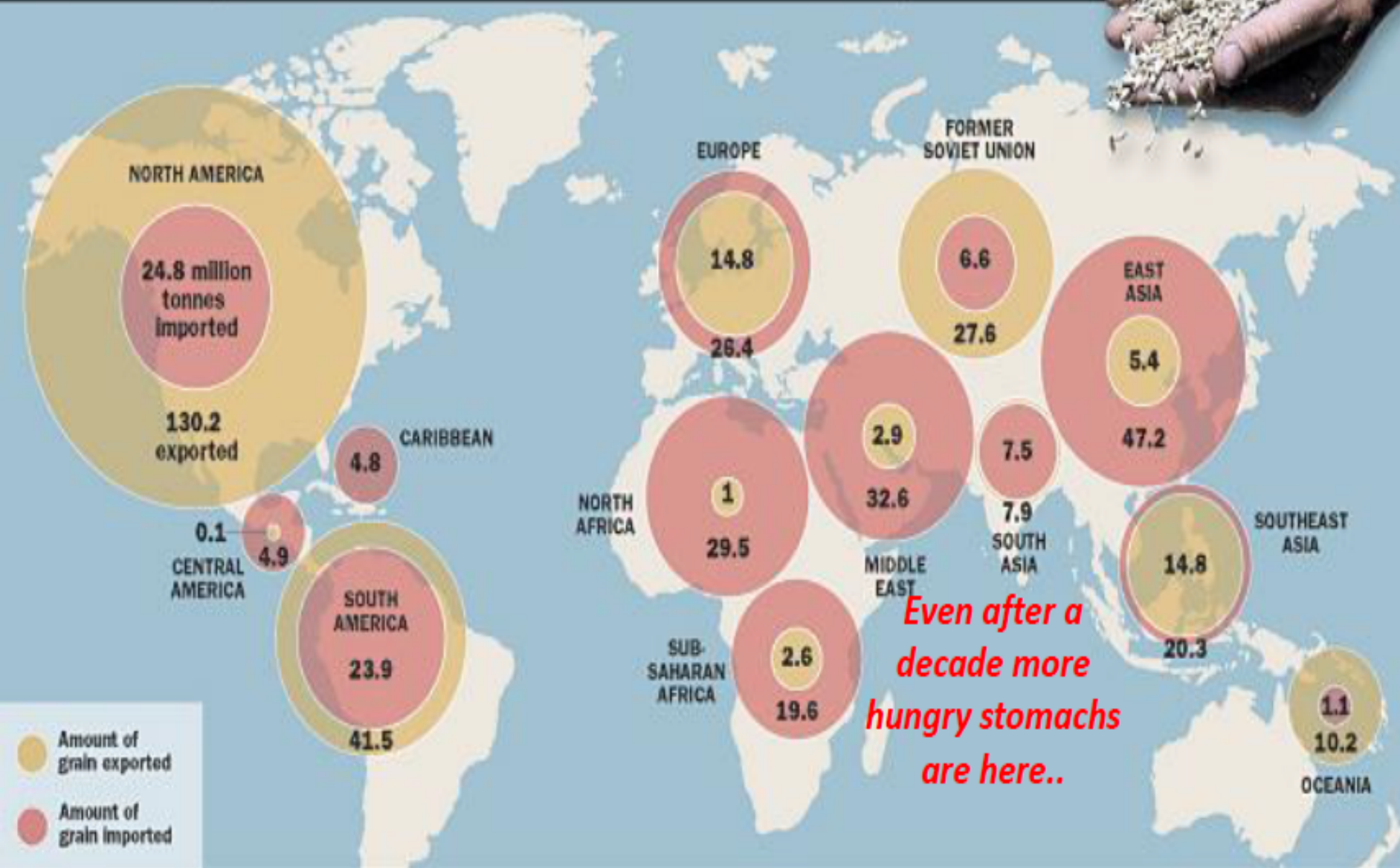
Corn imports by country 2011-2015 (in metric tons)



Source of data: China Customs

DELICATE BALANCE

GLOBAL GRAIN TRADE (MILLION TONNES OF GRAIN IMPORTED AND EXPORTED BY REGION 2007)



Even after a decade more hungry stomachs are here..