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

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CropLife Asia

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• 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

<table>
<thead>
<tr>
<th>Country</th>
<th>Annual coffee consumption - kilograms per capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finland</td>
<td>11.9</td>
</tr>
<tr>
<td>Germany</td>
<td>6.5</td>
</tr>
<tr>
<td>Italy</td>
<td>5.8</td>
</tr>
<tr>
<td>Brazil</td>
<td>5.7</td>
</tr>
<tr>
<td>U.S.</td>
<td>4.1</td>
</tr>
<tr>
<td>Japan</td>
<td>3.4</td>
</tr>
<tr>
<td>China</td>
<td>0.1</td>
</tr>
<tr>
<td>India</td>
<td>0.1</td>
</tr>
</tbody>
</table>

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

LATAM & Asia – Synergies

- Present scenario
- Growth drivers
- Asia’s emergence
- Way forward
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

<table>
<thead>
<tr>
<th>Countries</th>
<th>Million</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 China</td>
<td>1 356</td>
<td>33,6%</td>
</tr>
<tr>
<td>2 India</td>
<td>1 236</td>
<td>30,6%</td>
</tr>
<tr>
<td>3 Indonesia</td>
<td>253,6</td>
<td>6,3%</td>
</tr>
<tr>
<td>4 Pakistan</td>
<td>196,1</td>
<td>4,9%</td>
</tr>
<tr>
<td>5 Bangladesh</td>
<td>166,2</td>
<td>4,1%</td>
</tr>
<tr>
<td>6 Japan</td>
<td>127,1</td>
<td>3,1%</td>
</tr>
<tr>
<td>7 Philippines</td>
<td>107,6</td>
<td>2,7%</td>
</tr>
<tr>
<td>8 Vietnam</td>
<td>93,4</td>
<td>2,3%</td>
</tr>
<tr>
<td>9 Thailand</td>
<td>67,7</td>
<td>1,7%</td>
</tr>
<tr>
<td>10 Burma</td>
<td>55,7</td>
<td>1,4%</td>
</tr>
</tbody>
</table>

Others

<table>
<thead>
<tr>
<th>M</th>
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</thead>
<tbody>
<tr>
<td>Australia</td>
</tr>
<tr>
<td>N. Zealand</td>
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<tr>
<td>World</td>
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<tr>
<td>USA</td>
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<tr>
<td>U.E.</td>
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<tr>
<td>Asia</td>
</tr>
</tbody>
</table>

Source: CIA FactBook
Megacities

Cities will become more powerful than nations

2015
300 largest cities = 19% of global population = 48% of global GDP

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

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
By 2030, rapid-growth markets will account for 47% of gross global inflows, up from 23% in 2010.

China and India will become the world’s largest investors.

Two-thirds of the global middle class will be Asia-Pacific residents by 2030, up from just under one-third in 2009.


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.

Source: http://www.reuters.com/article/us-china-policy-agriculture-demand-idUSKBN15L12C
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

Source: http://www.reuters.com/article/us-china-policy-agriculture-demand-idUSKBN15L12C
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

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

Shifting market power and margins

Feeding 9 billion people

The great crossover

F&A supply chains

Low prices and volatility
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?

Food imports - China

- Beef
- Fruit
- Starches
- Cereals
- Dairy
- Sheep and goat meat
- Sugar
- Vegetables

2009 US$B

2050

2009
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
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

Value US$ 25,42 bi

Brazilian Exports 2016
MAIZE

Value US$ 3,65 bi

Source: MAPA/AgroStat
Delicate Balance

Soybeans (HS 1201) $25,081
Palm oil (HS 1511, 1513) $5,222
Cotton (HS 5201, 5202) $5,706
Dairy (HS 0401–0406, 1702, 1901, 2105, 3501, 3502) $2,874
Hides and skins (HS 4101, 4102, 4103, 4301) $2,415

United States ($11,319)
EU-27 ($2,000)
EU-27 ($492)
EU-27 ($822)
India ($1,736)
India ($367)
China
ASEAN countries ($5,209)
Australia ($1,508)
New Zealand ($430)
Brazil ($8,146)
Argentina ($4,979)
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!!!
China’s Corn Imports

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

Source of data: China Customs
Even after a decade more hungry stomachs are here..