‘A Quick Trip Around the World’

An overview of Global AgriTrends
Market Volatility is Rising

• Rising global food demand is outpacing production growth

• Population growth adding 78 million/year (9 NYC’s each year)

• Weather shocks are amplified

• Higher global trade brings new risks
Global Food Inflation

Index

Source: FAO, monthly through 2012
We are living in **extraordinary times**!

What does this tell us about agriculture the past 100 years?

What about the next 100 years?

Source: US Department of Commerce, plus other published estimates
UN/FAO Projections

• Global food production will need to increase 40% by 2030 and 70% by 2050; beef and dairy production will need to DOUBLE by 2050

• Farming in 2050 will occupy only 13% more land than is used in 2008
U.S. TRADE

U.S. Meat/Poultry Exports

Source: USDA/FAS
But Global Markets are COMPLEX

India becomes main world beef exporter in 2012, and probably 2013
Global Agriculture is Diverse & Complex

- Perishability
- Bio-safety
- Fragmented markets
- Scientific element
- Politically sensitive
- Culturally sensitive

85% of U.S. chicken “paws” are eaten in China (for higher prices than leg quarters)

60 million peasant farmers raise 40% of China’s pigs (half of the world’s pigs in China)

Seoul, Korea – Riots against U.S. beef, June 2008
Source: worldmapper.org
Net Meat Imports

Source: worldmapper.org
Our Mission

- Global AgriTrends seeks to provide quick concise market intelligence
  - Electronic alerts (email)
  - Newsletter analysis
  - Webinars
  - Presentations
  - Market and/or product specific reports
Example: China Hog/Pork Study

- Chinese pork demand can alter world markets
  - 2008 (pre Beijing Olympics)
  - 2011 (food inflation soars)

- Both instances, China bought significant volumes of U.S. pork (7% of production, Oct-Nov 2011), sending markets spiraling higher

- Data/analysis out China is vague and opaque

- We developed a multi-client study on the China hog/pork sector, fall 2010
“Rising pork demand from 1.3 billion people in a country losing its grip on feed independence is sending market shocks through the global agriculture sector.”

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<thead>
<tr>
<th></th>
<th>China</th>
<th>U.S.</th>
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<tbody>
<tr>
<td>Population, millions</td>
<td>1,331</td>
<td>308</td>
</tr>
<tr>
<td>Per capita income, US$ (IMF)</td>
<td>7,519</td>
<td>47,284</td>
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<tr>
<td>Pork consumption/capita, lbs cwe</td>
<td>86.6</td>
<td>61.9</td>
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<td>Sept 2011 pig price US$/lb equiv.</td>
<td>$1.91</td>
<td>$0.82</td>
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<tr>
<td>Pork production, mmt cwe</td>
<td>51.07</td>
<td>10.2</td>
</tr>
<tr>
<td>Jan 1. sows, millions</td>
<td>49.1</td>
<td>5.85</td>
</tr>
<tr>
<td>Annual hog slaughter, millions</td>
<td>667</td>
<td>110</td>
</tr>
</tbody>
</table>

**Feedgrains**

Self-Sufficiency?

**Imports**

Temporary Fix or Permanent Fixture?

**Disease Issues**

Is Control Possible?
CHINESE PORK PRICES

With per-capita income doubling every 6 years (over the past 18 years), consumers can effectively pay twice as much for pork every 6 years without affecting their income...

... but averages assume classes are equal in China...
Assuming trendline consumption growth and 7.5% per-capita income growth (PPP), China will need an additional 4.3 mil mt of pork by 2015 (55 mil more pigs); An additional 12.2 mil mt of pork will be needed by 2020 (155 mil more pigs).

Source: IMF, USDA, Global AgriTrends
Bottom Line Points:

• The government will continue to support consolidation in both the production and processing of the pork industry. Small producers will continue to exit the market.

• Food safety will remain of major concern; and expect future scandals (the incentive to cheat remains high)

• Those dealing with China should keep a close watch on events leading up to the change in top government leadership in 2012 and 2013.
Bottom Line Points:

• China’s pork price inflation is extreme; the government will continue to implement a variety of subsidies and procedures to ensure long-term domestic pork supply and price stability.

• Pork prices are high, but in an economy that has averaged 11-12% annual growth for 20 years, price inflation is a reality that will likely continue into the future, possibly at rates that seem extreme to the non-China pork sector.

• Pork imports will continue at steady-higher annual rates for the foreseeable future. Imported pork currently accounts for less than 2% of domestic production.
Bottom Line Points:

• Rising incomes will necessitate additional pork supplies in the future. We estimate that from 2010 to 2015 an additional 4.3 mmt of pork (55 mil pigs) will be needed. From 2010 to 2020, and additional 12.2 mmt of pork (155 mil pigs) will be needed (up to ¼ could be imported)

• China can increase pork production but not without pressure on feedgrain supplies; technology may get them there

• Government actions to thwart pig diseases in China have been misguided and will not ensure disease control in the future, particularly PRRS. Expect continued disease issues to roil supplies and markets in the future.
Bottom Line Points:

• In the short-term, we expect imports to continue near current August levels through yearend; we expect prices to break following Chinese New Year (January 23, 2012) as demand wanes and supplies increase (into Apr-May). However, the price break may be minimal suggesting that supplies have not fully recovered. In that case expect stronger import demand through 2012.

• The reason for expected above-average prices in 2012 are due to small-producer liquidation in early 2011 and unwillingness to re-enter production; high prices are not necessarily high profits and many small farmers expect severe price breaks in 2012.
China/HK Pork: Monthly Report

October 2011

Prepared Exclusively for Clients of Global AgriTrends

Current Situation: Imports Jump Sharply in August

- As expected, China/HK's pork/pvm imports jumped sharply higher in August to 206,371 mt, just above our forecast of 202,535 mt. This is the first month of SHARPLY higher import volumes and confirms the rumors/buzz/discussion of China/HK's significant pork imports back in August. We have been following this trend closely just returning from a hog/pork research trip to China in mid-September.

While this report is based on August import data, it is significant to note that China's pork prices were higher in September than in August. We expect these higher volumes to continue. The Chinese economy continues to charge ahead and tight pork supplies have driven farm/wholesale/retail pig and pork prices higher across the country. Chinese hog prices reached new record highs in late September, but declined just slightly last week. The Chinese hog/pork seasonal moves higher into year-end, ahead of Chinese New Year. We expect prices to remain in this sharply higher range through yearend. We also expect significant export volumes to continue into China/HK, led by the U.S., through yearend.

- August imports were the highest month since June 2008 and the 3rd highest on record. These August import volumes jumped 28% from July and were 58% above year-ago levels. The YTD import volumes are now up 11%, or 128,144 mt. Imports from the U.S. reached a new record high at 79,502 mt, up from the previous high of 73,759 mt in June 2008. All key suppliers with the exception of the U.S. and Brazil have seen year-over-year declines with Denmark and Canada each down 49% YTD.
Denver, Colorado

Services Offered:

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