



# EU Poultry Outlook 2020

*Shapen the industry from a  
global perspective*

Nan-Dirk Mulder, 9 November 2016

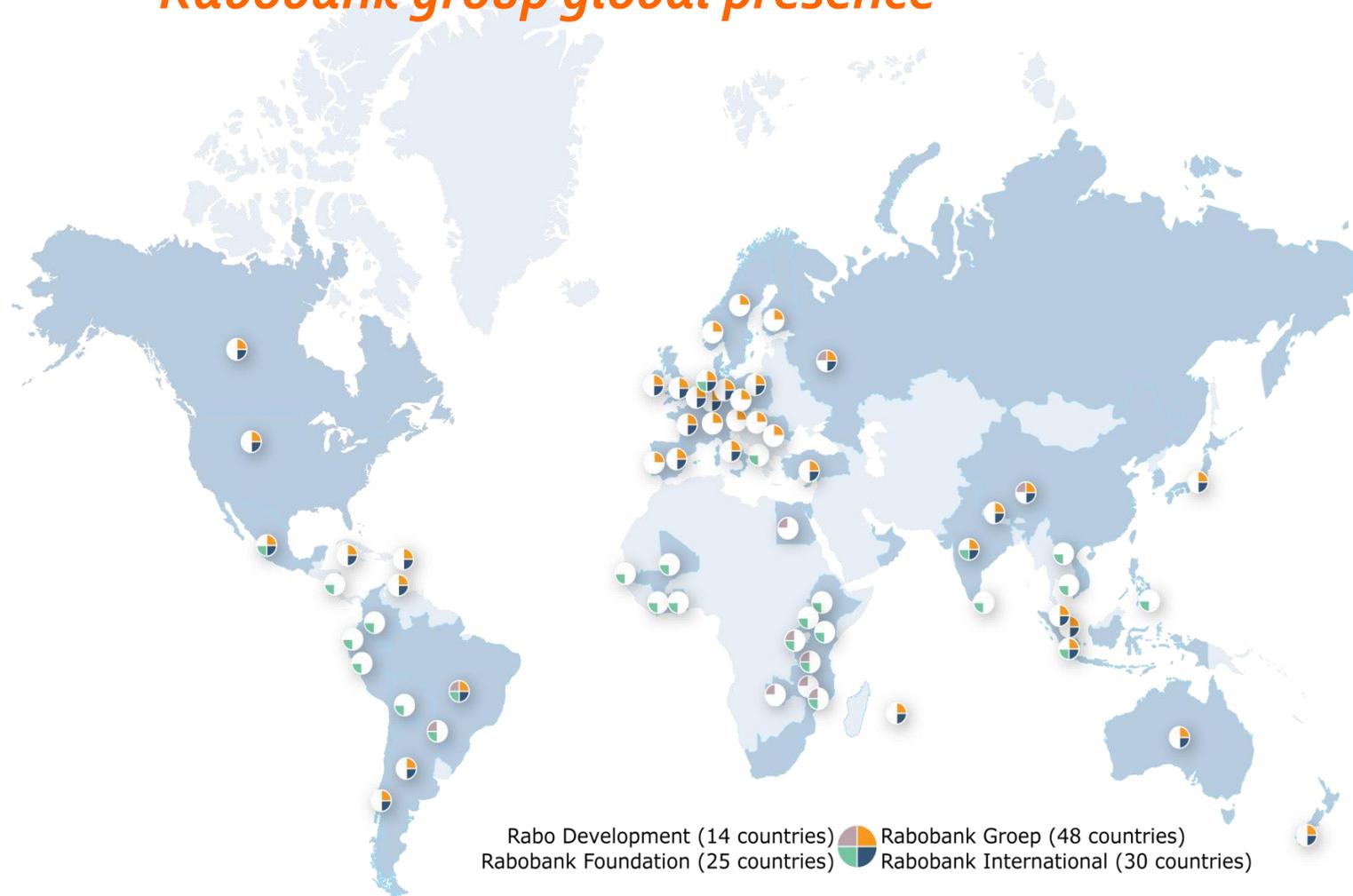


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# Rabobank: The world's leading global F&A bank



## *Rabobank group global presence*



# Animal protein is our sweet spot



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North America

South America

Europe

Asia & Oceania

14 out of top 20 meat companies are client of Rabobank  
 Exposure in Animal Protein: EUR 19 billion

# Content

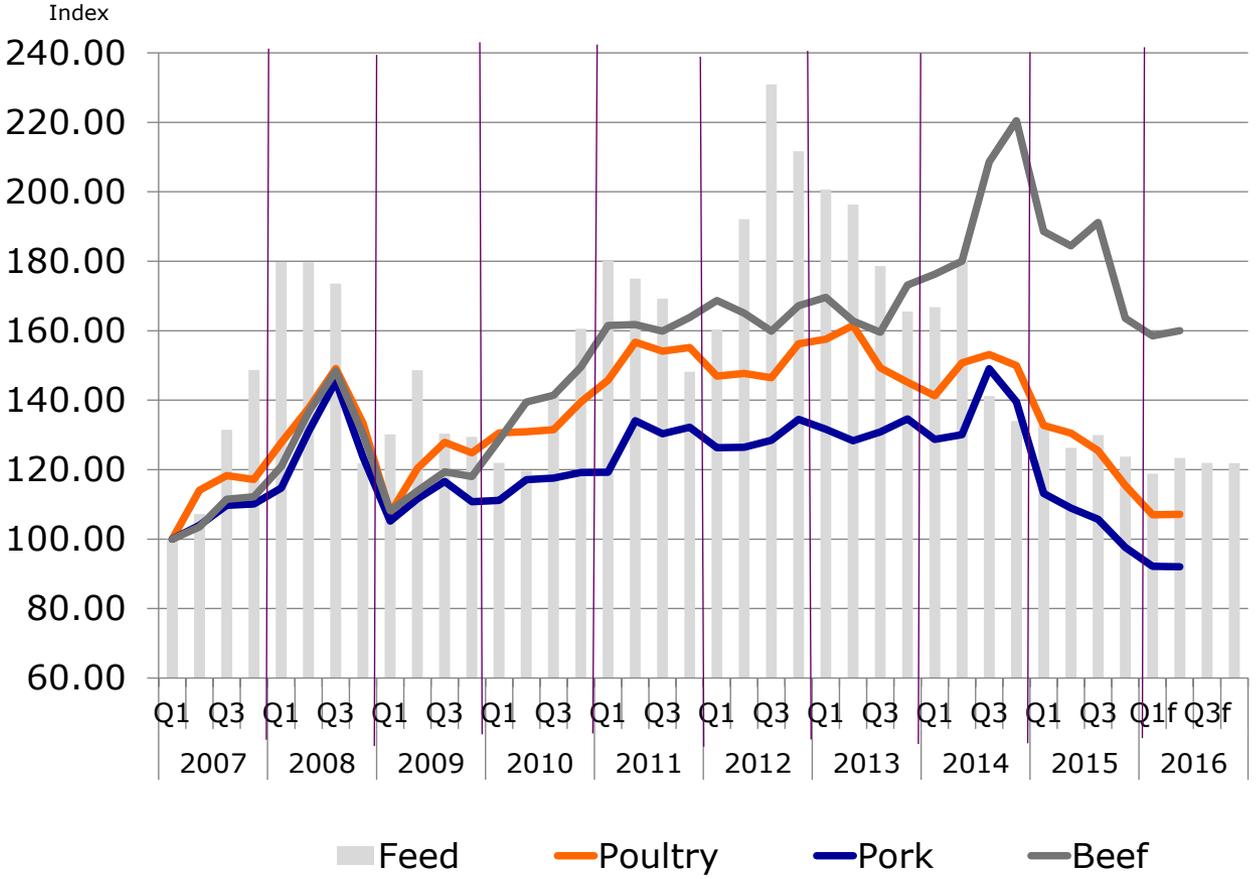


- 1. Global poultry industry outlook***
- 2. EU Poultry industry outlook***
- 3. Key investment themes for EU poultry players***

# Global market: Improving poultry fundamentals, but falling red meat prices



## Rabobank global protein market monitor



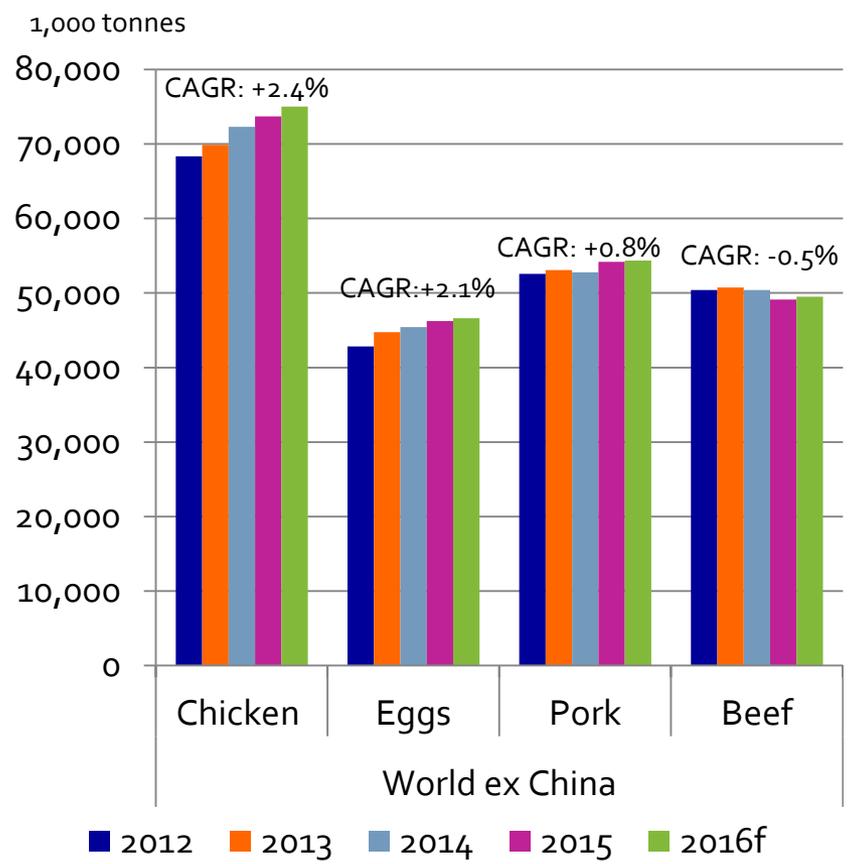
- Supply reduction
- AI leads to tight Asian supply
- Global stable feed price level
- Falling competing meat prices

Source: Rabobank analysis based on USDA, FAO and local statistics, 2016

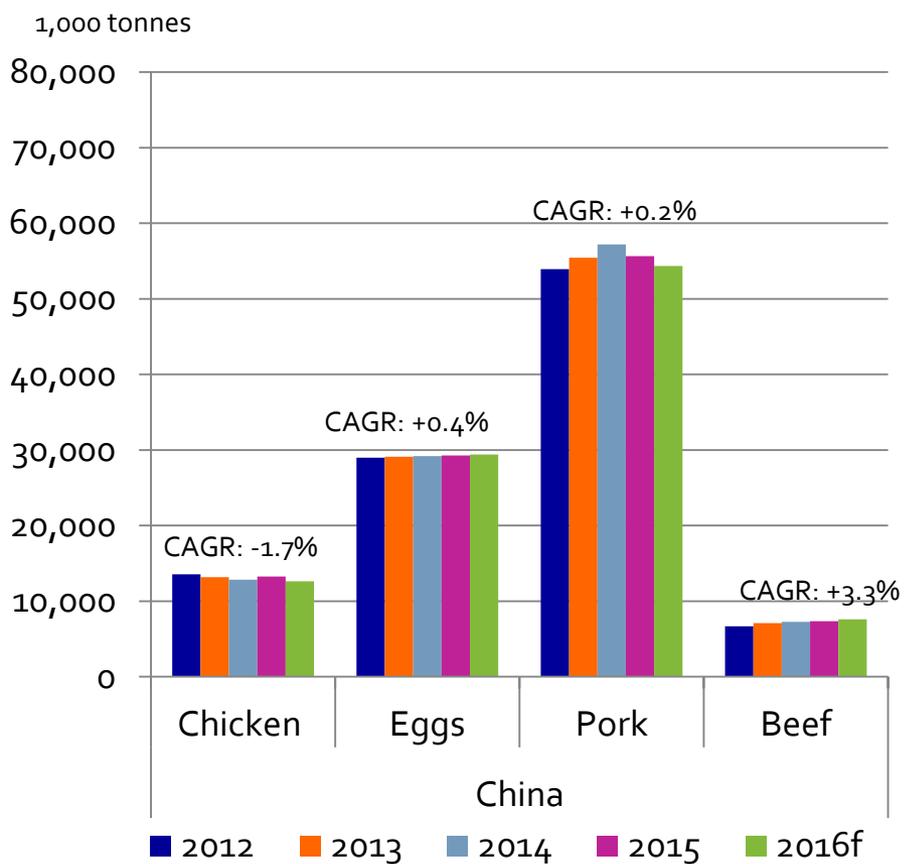
# Chicken is the global winning animal protein, China trends are very different



## Global market excl. China



## China meat and egg market

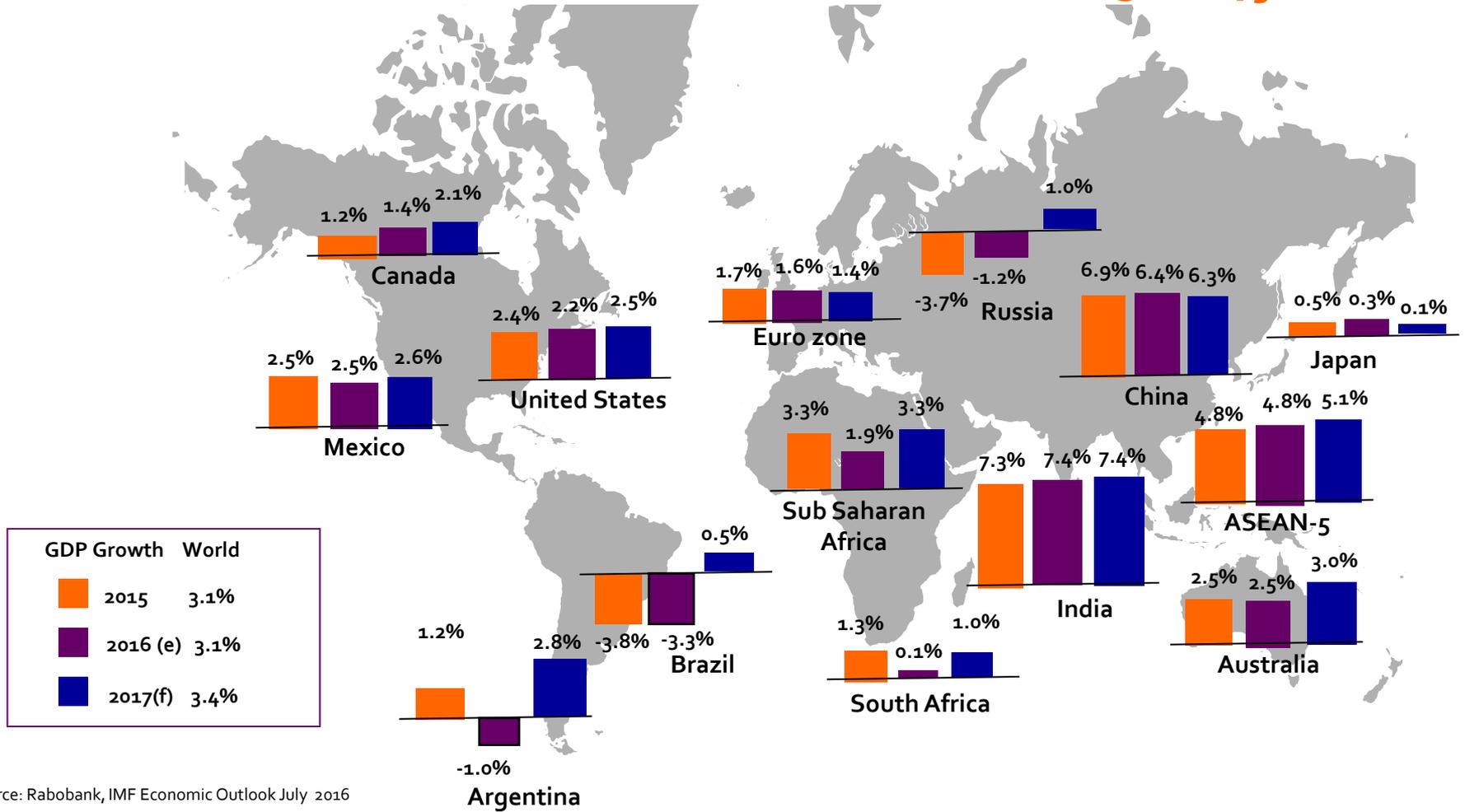


Source: Rabobank analysis based on USDA, FAO and local statistics, 2016

# Weaker global economic climate leads to more trading down to chicken



## IMF Economic outlook: GDP Growth 2015-2017f

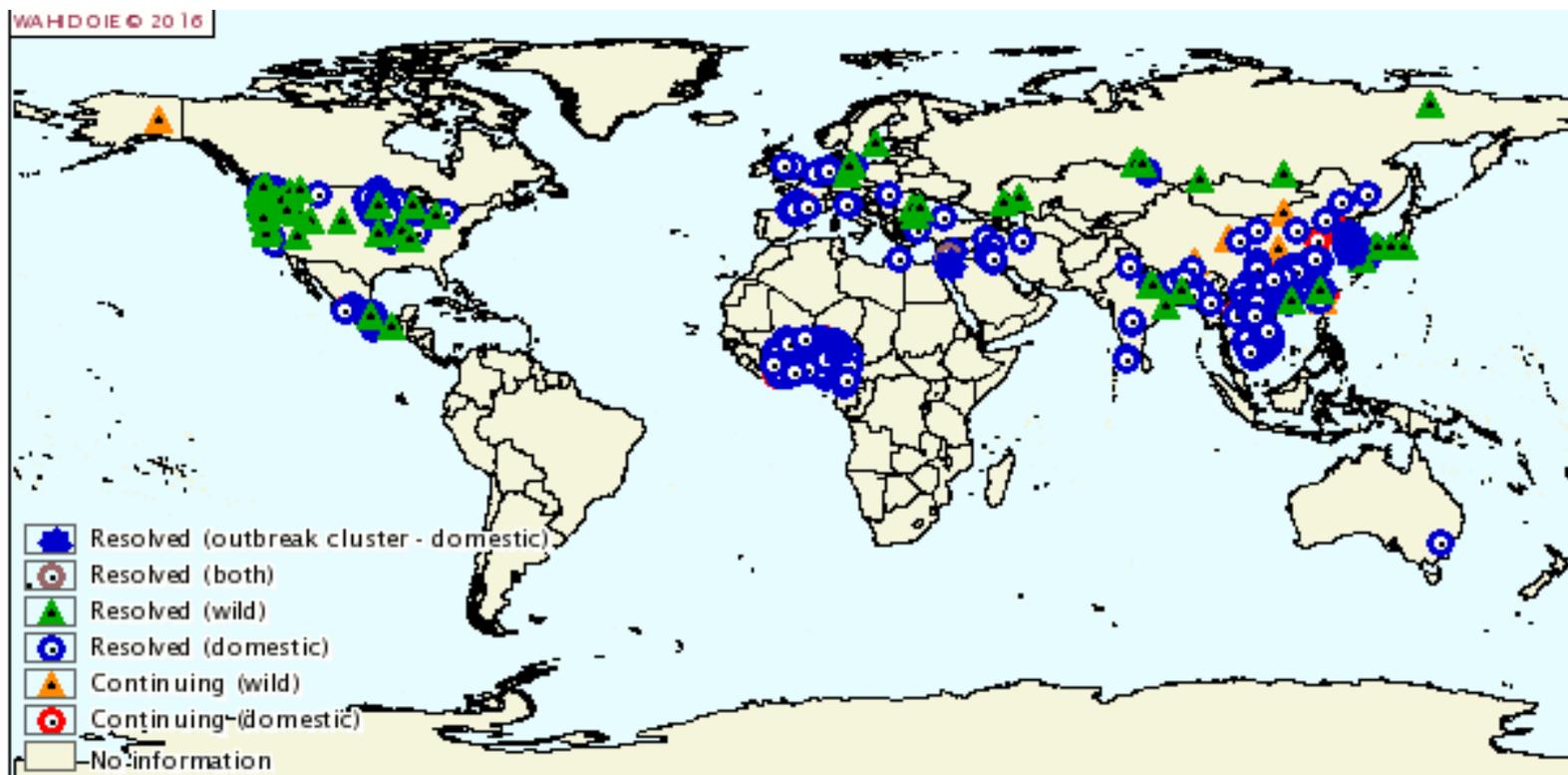


Source: Rabobank, IMF Economic Outlook July 2016



# 2015 Avian influenza crisis has shaken up global markets

## Global avian influenza outbreaks Jan 2014- Sept 2016

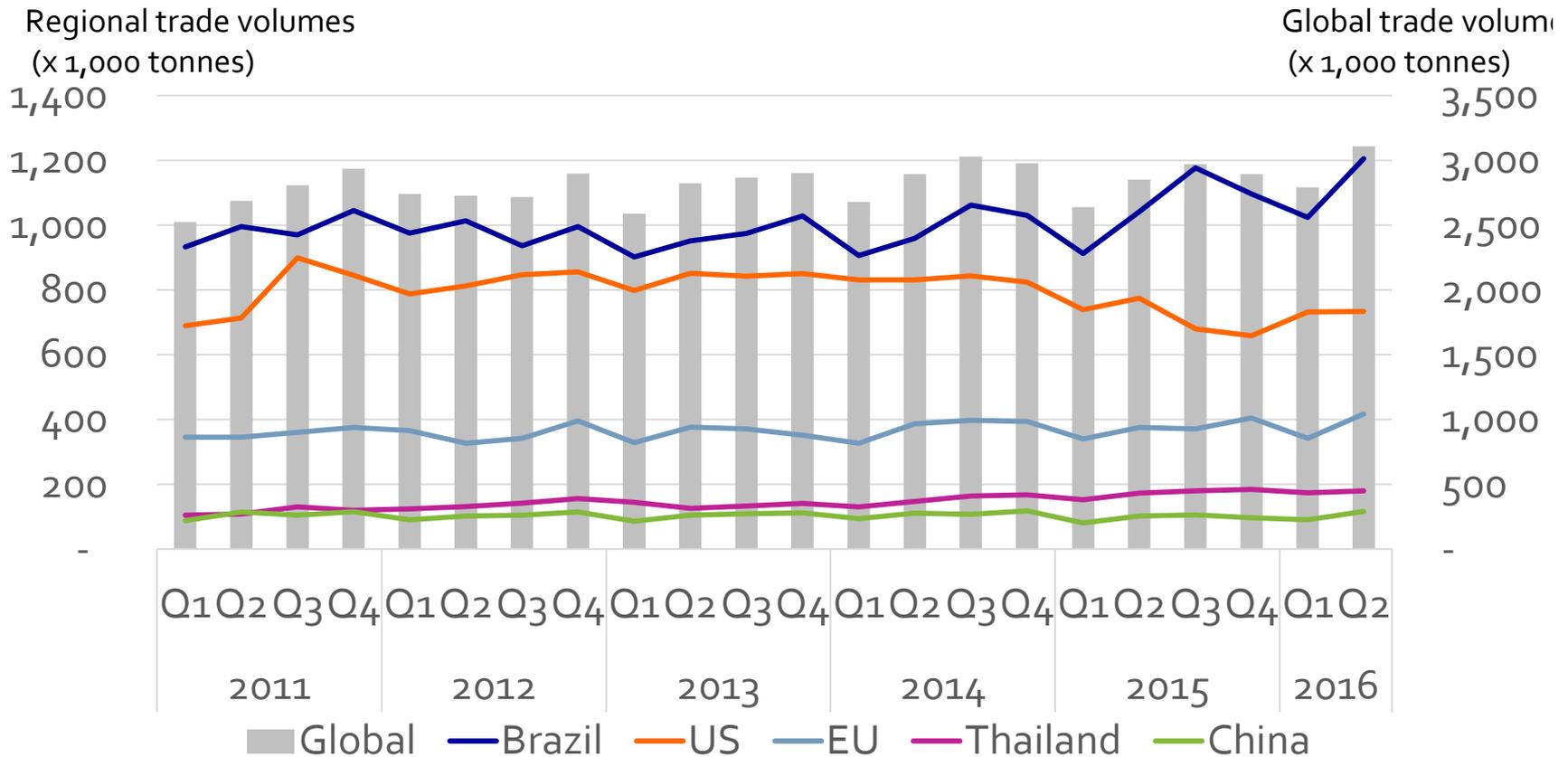


Source: OIE, 2016

# US return after 2015 makes global trade highly competitive



## Global chicken trade 2011-2016

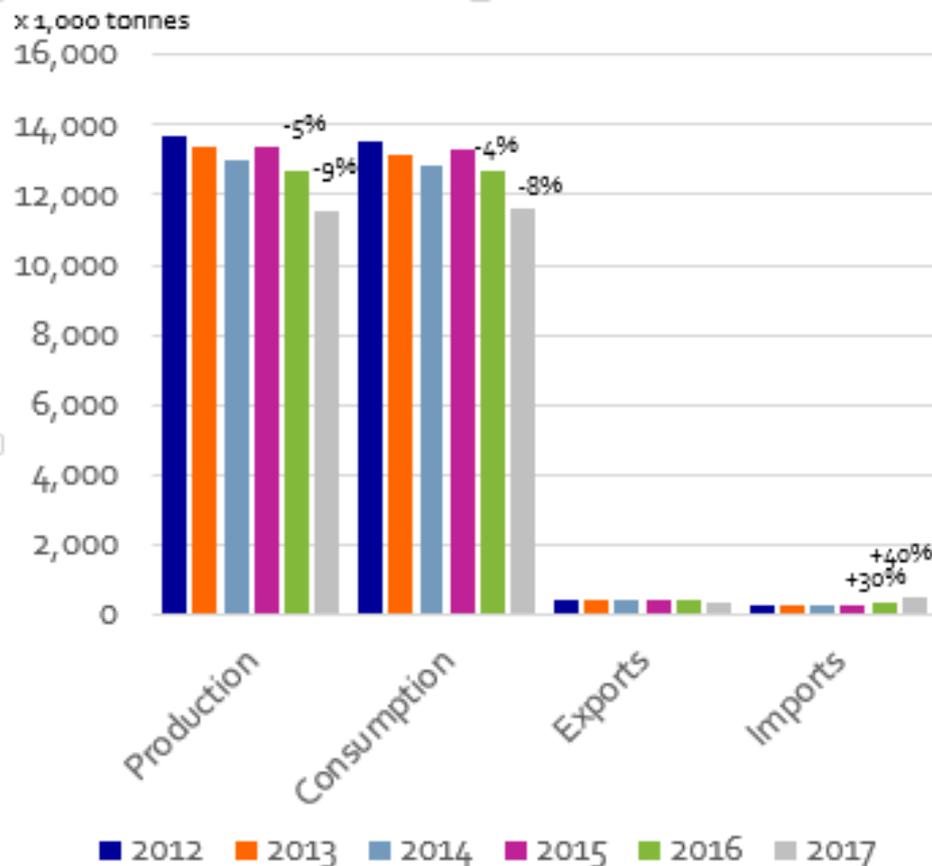
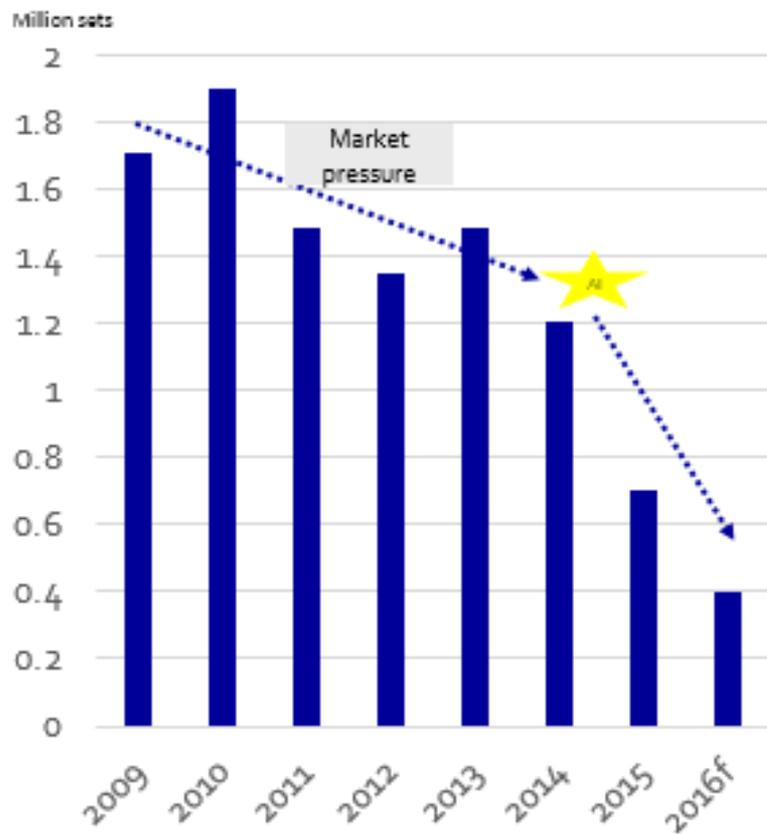


Source: Rabobank analysis based on local statistics, 2016

# China: The big swing factor for 2016 and 2017



*China Declining breeding stock imports    China poultry supply: lower, more imports*

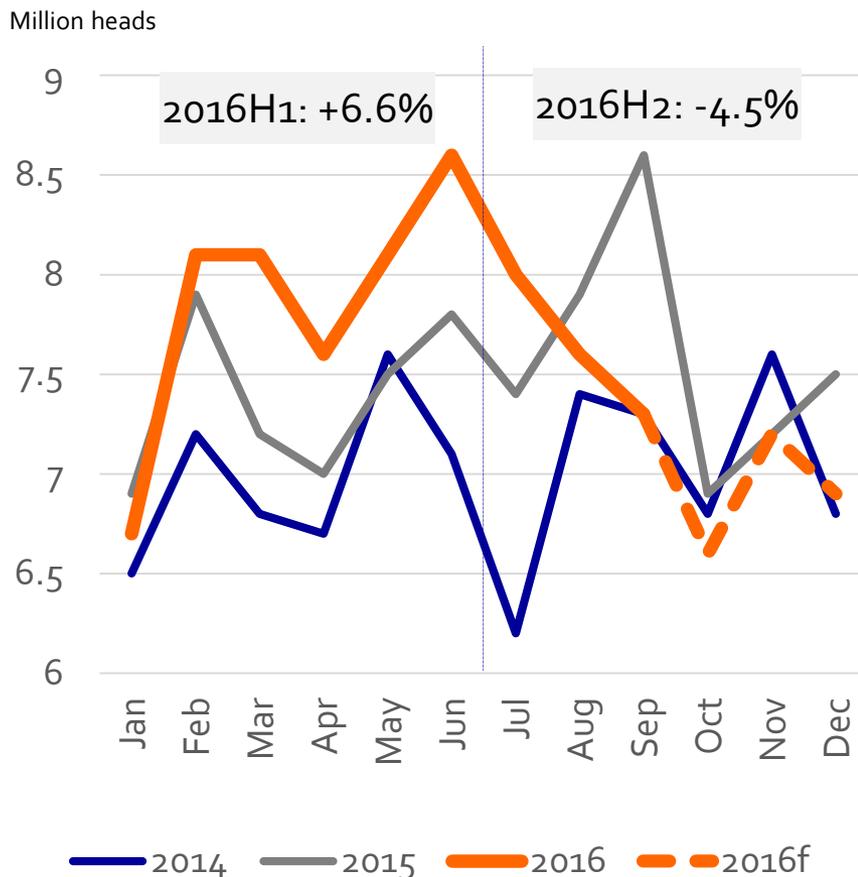


Source: Rabobank analysis based on local statistics, 2016

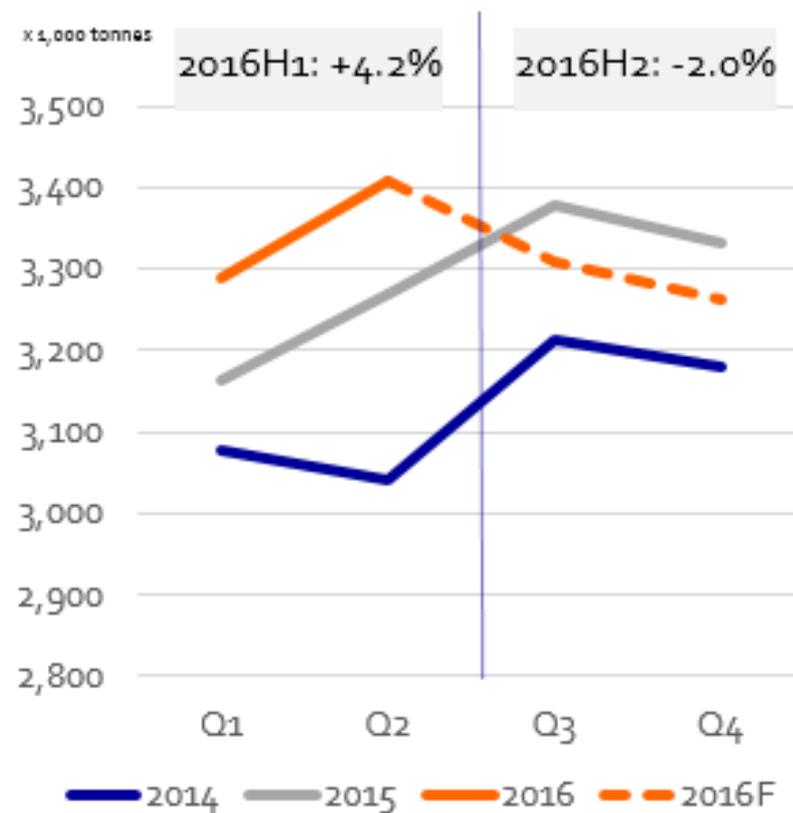
# Brazil and US: Slower growth in the remainder of 2016



## US Chicken placements 2014-2016



## Brazil chicken production 2014-2016

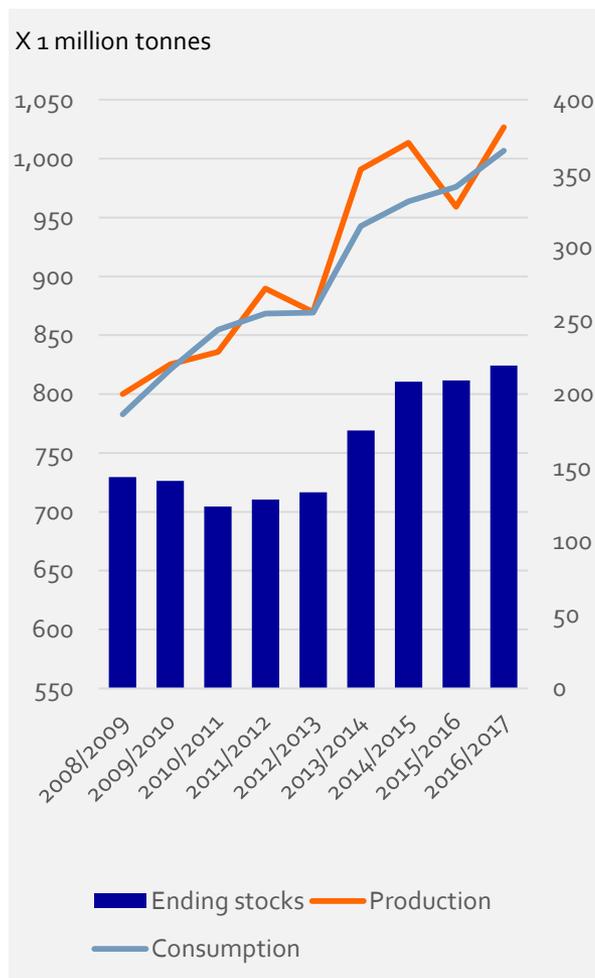


Source: Rabobank analysis based on USDA, GCMA, 2016

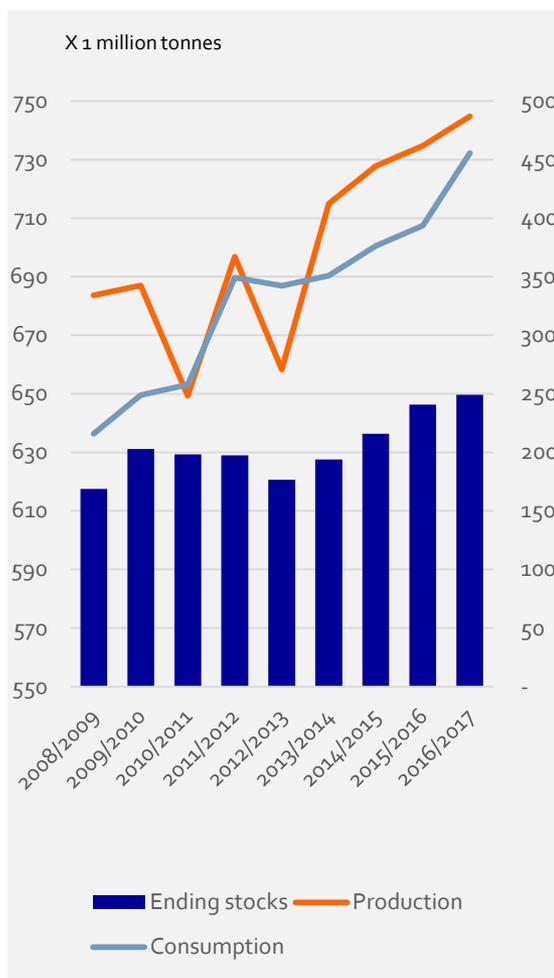
# Feed grains: Ongoing high stock level on abundant supply



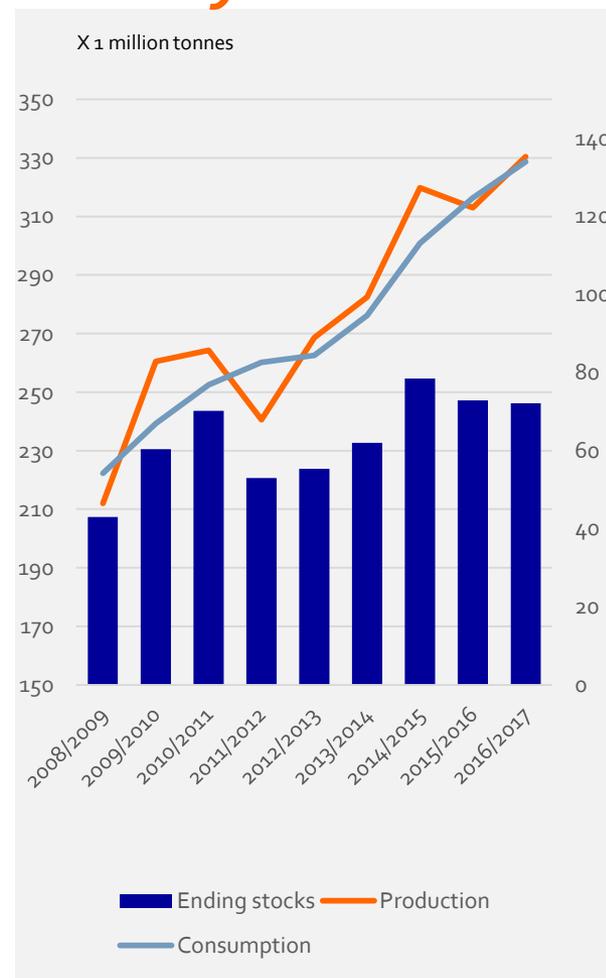
## Corn



## Wheat



## Soybeans

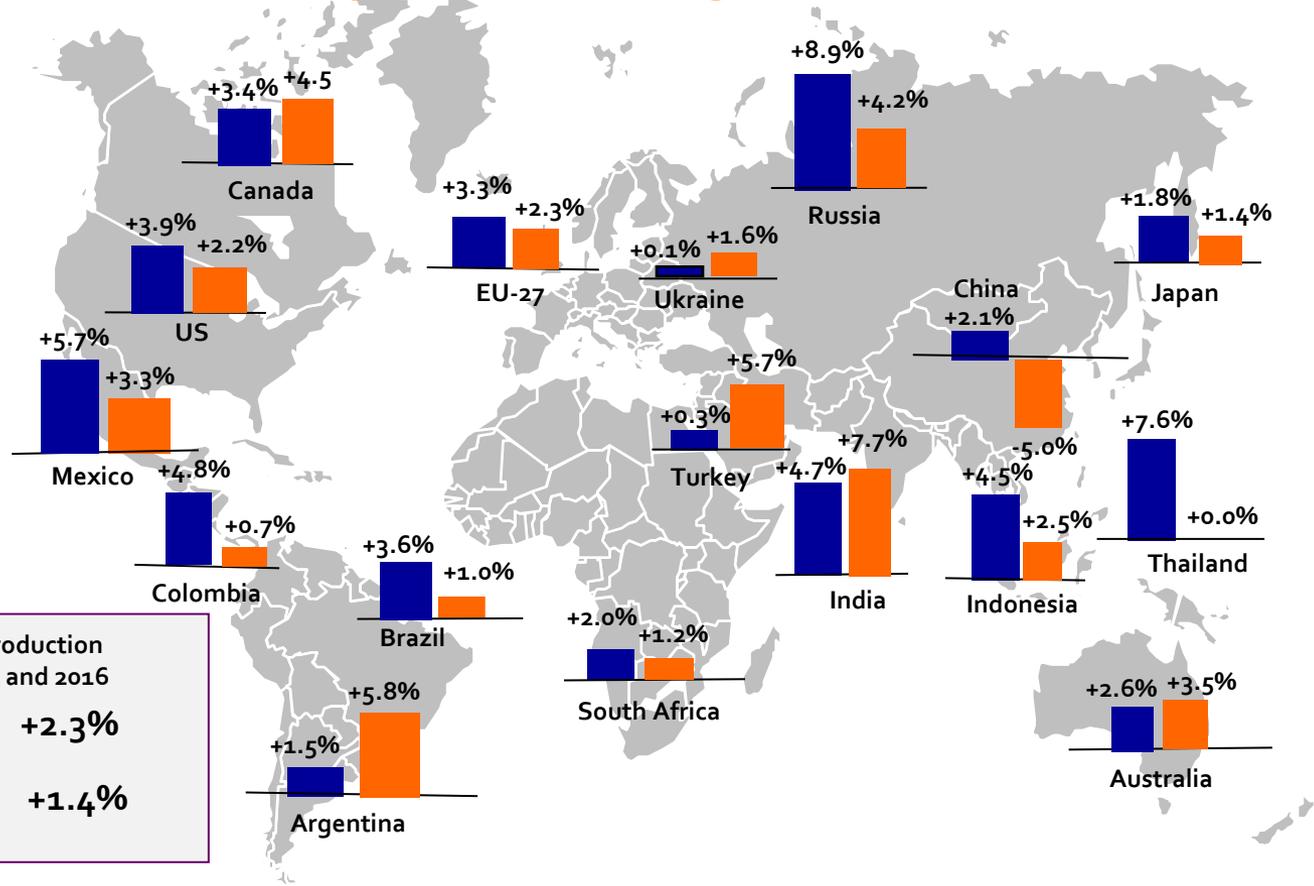


Source: Rabobank analysis based on USDA, 2016

# Poultry growth everywhere, Eastern Europe and South (East) Asia in the lead



## Global poultry production growth in 2015 and 2016f



Source: Rabobank analysis based on USDA and regional data, 2016

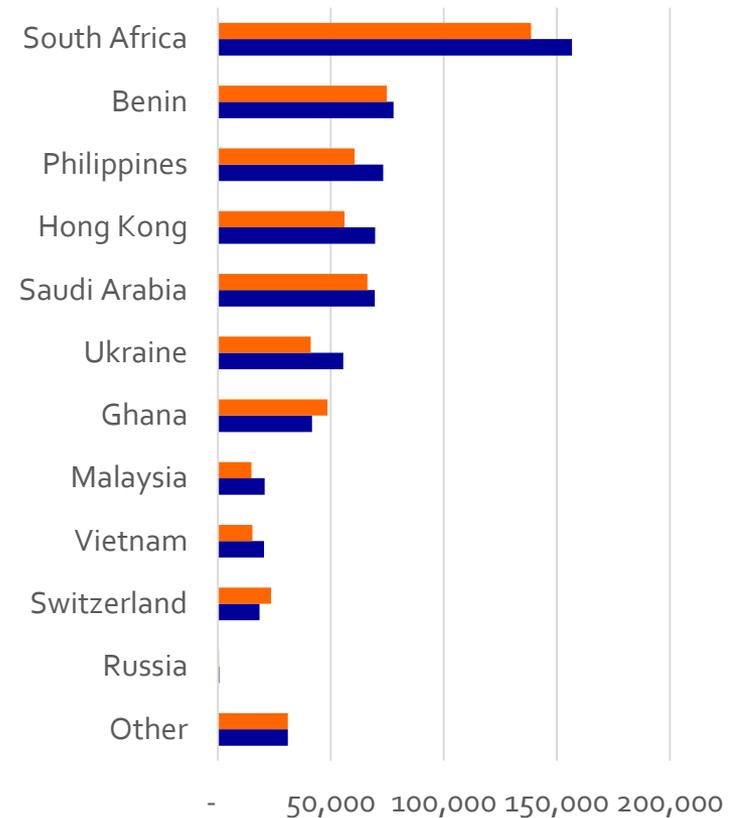
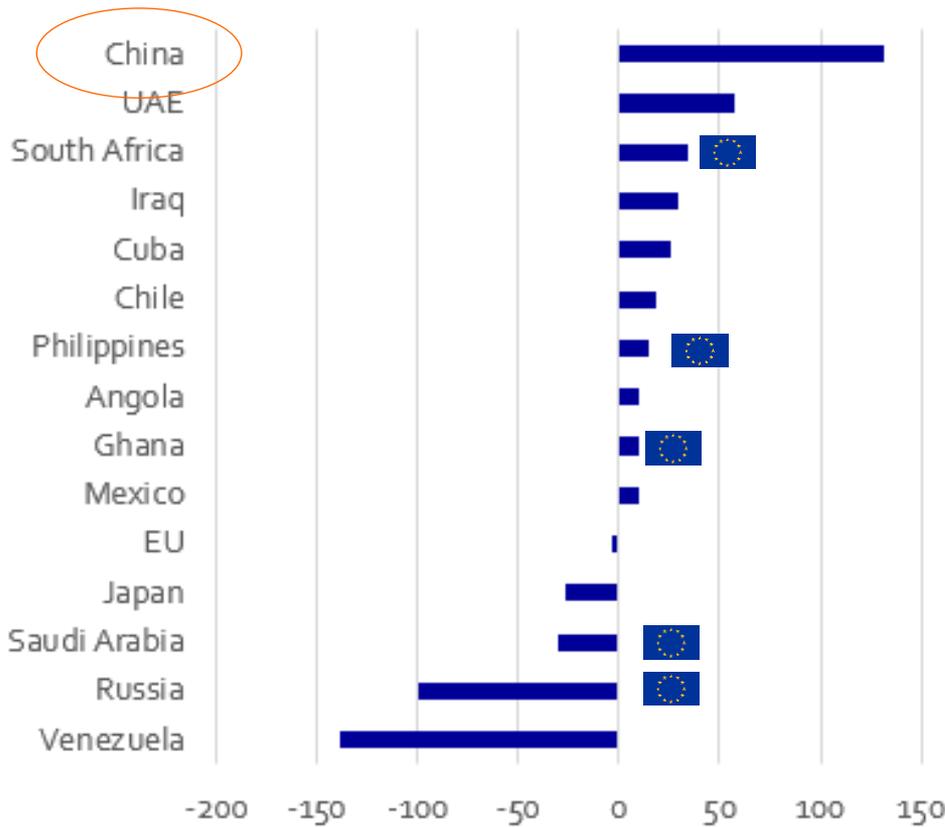
# Global imports: where's the growth?



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*Global chicken imports 2016 vs 2015*

*EU chicken exports Jan-Sept 2015-2016*



■ 2015 ■ 2016

# Content

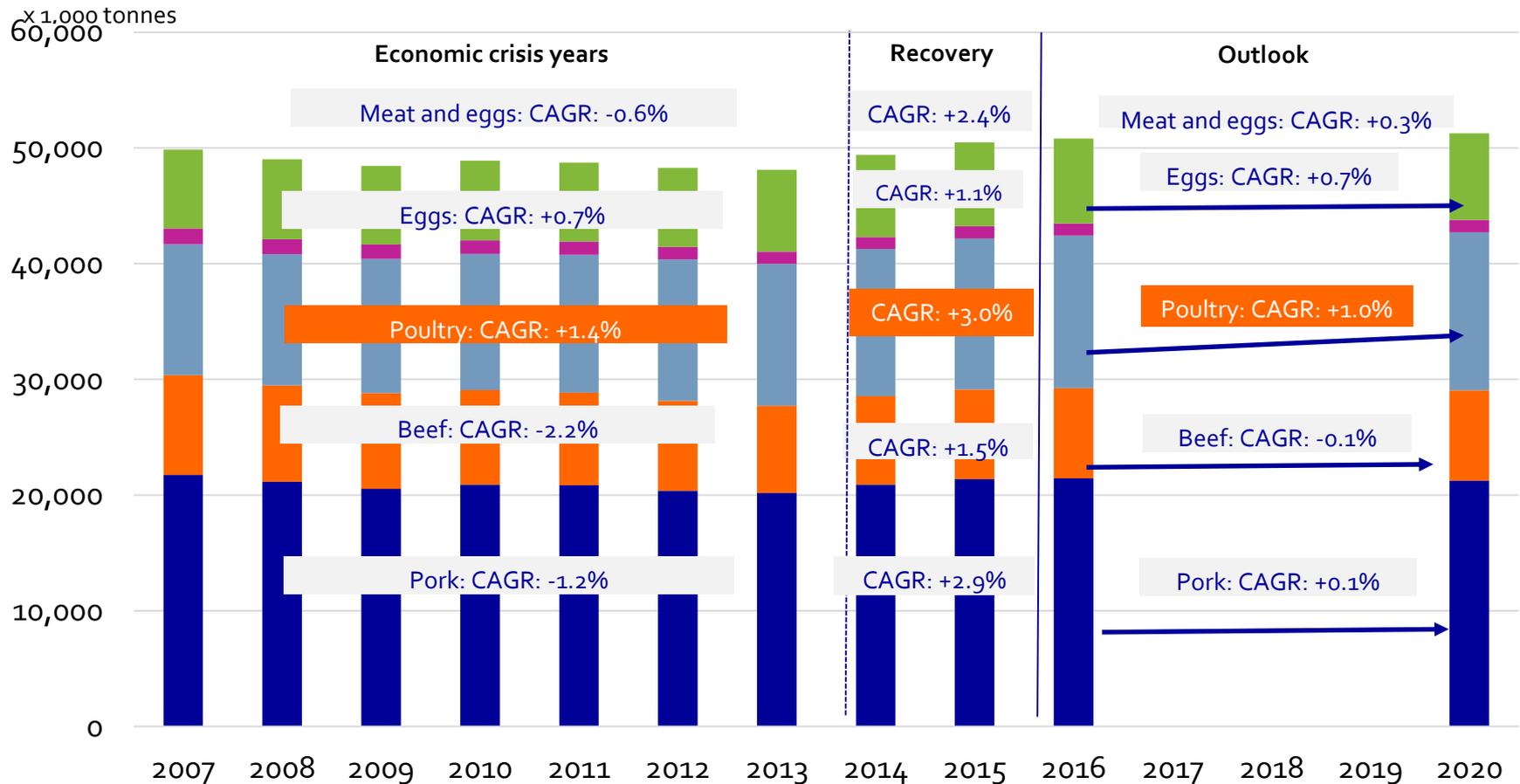


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# EU poultry industry to gain further market share in flat EU meat market



## EU animal protein market 2007-2015 and forecast 2020

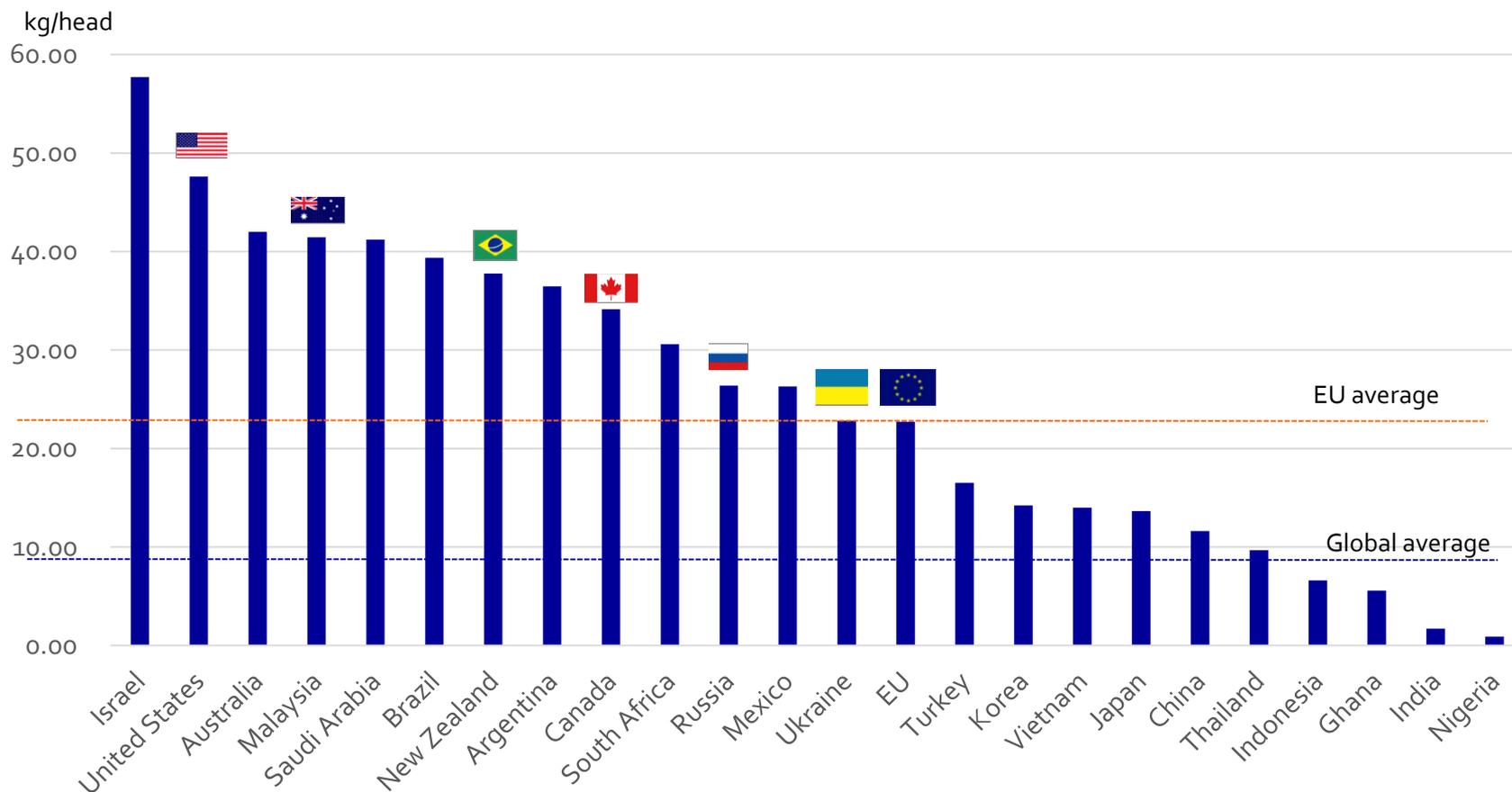


Source: Rabobank analysis based on Eurostat historic data, 2016

# How high can EU poultry consumption fly?



## Global per capita consumption poultry in 2015

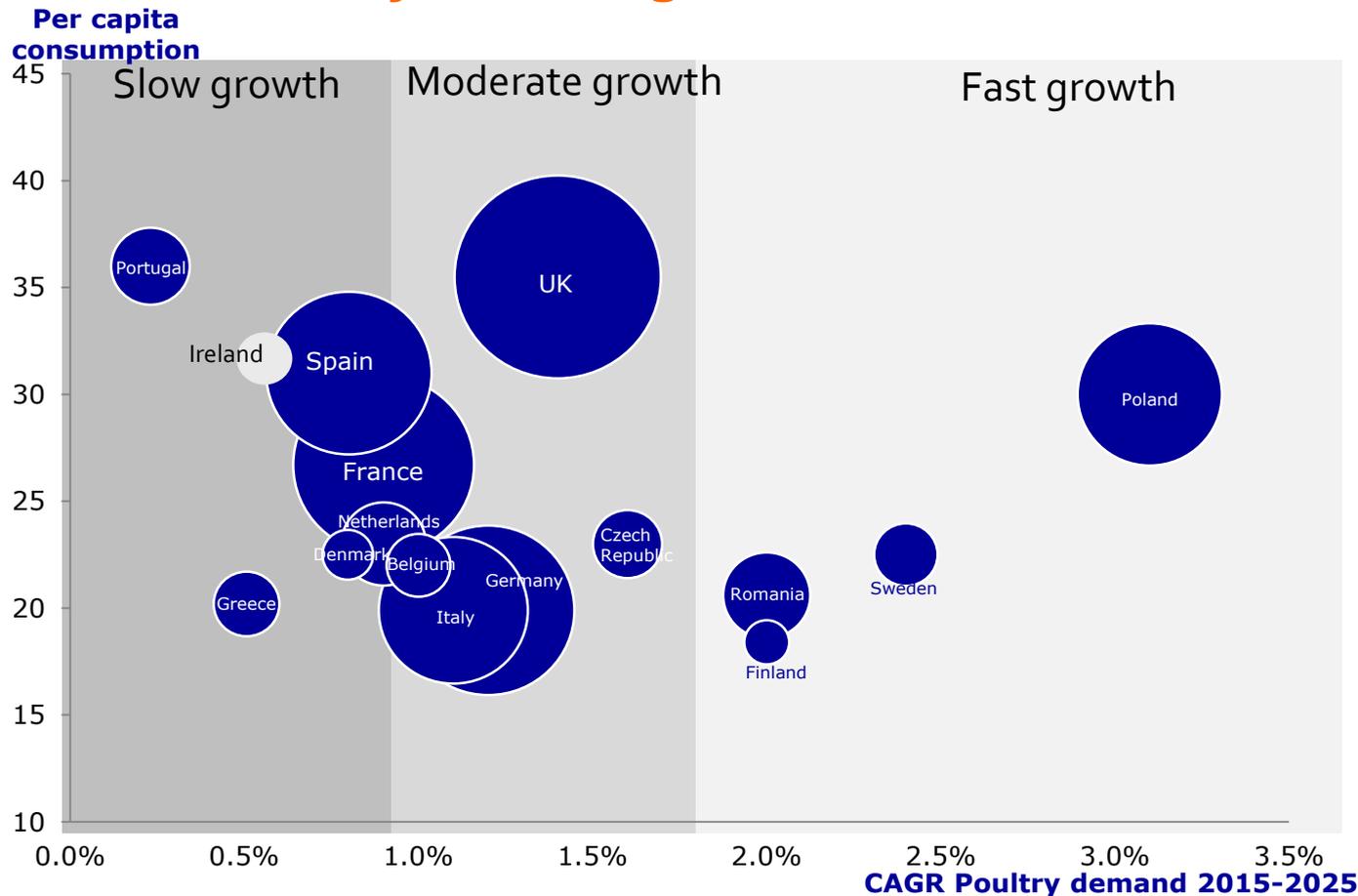


Source: Rabobank analysis based on USDA, FAO and local statistics, 2016

# North, Central and East Europe drive growth in poultry market

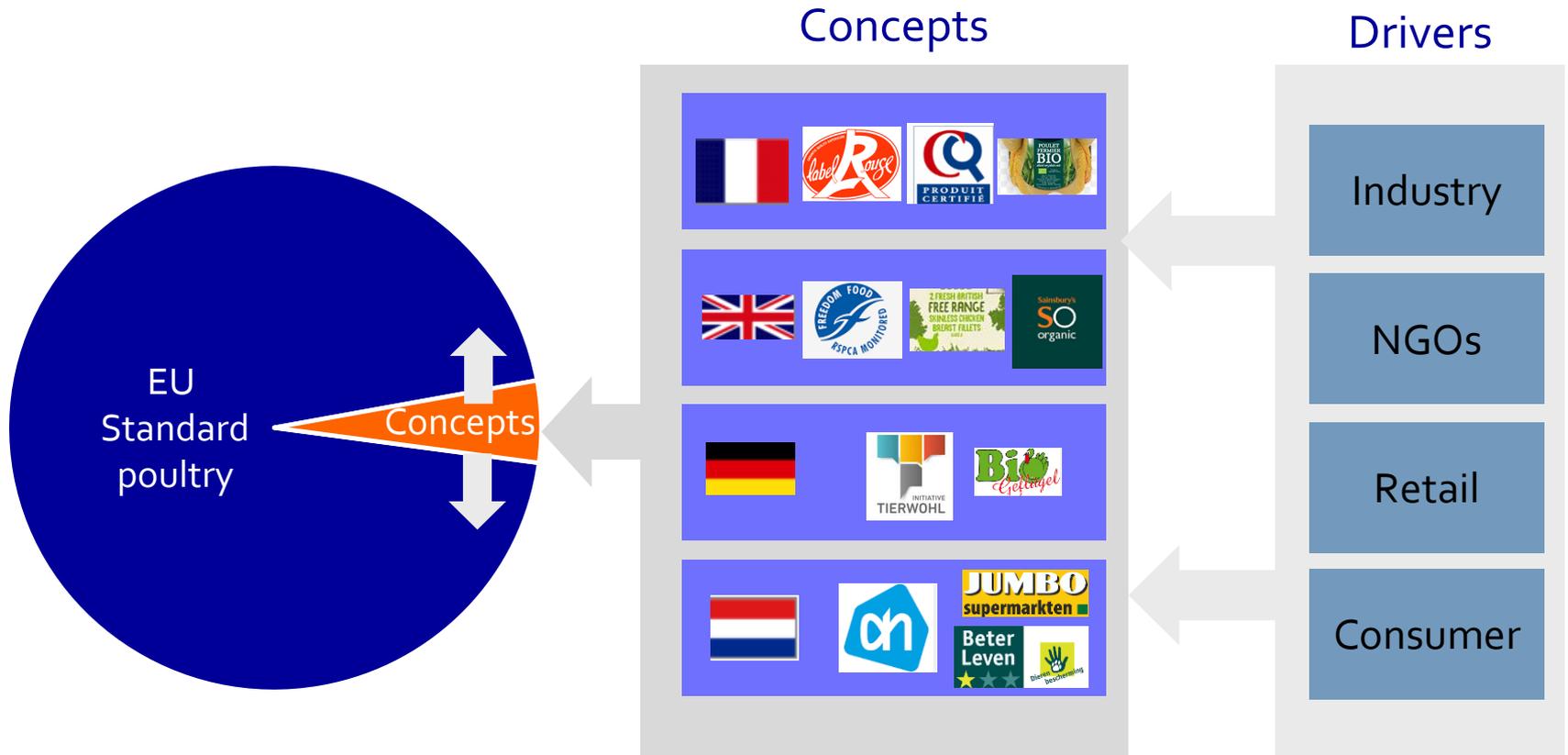


## EU Poultry market growth 2015-2025



Source: Rabobank projections based on Eurostat, 2016

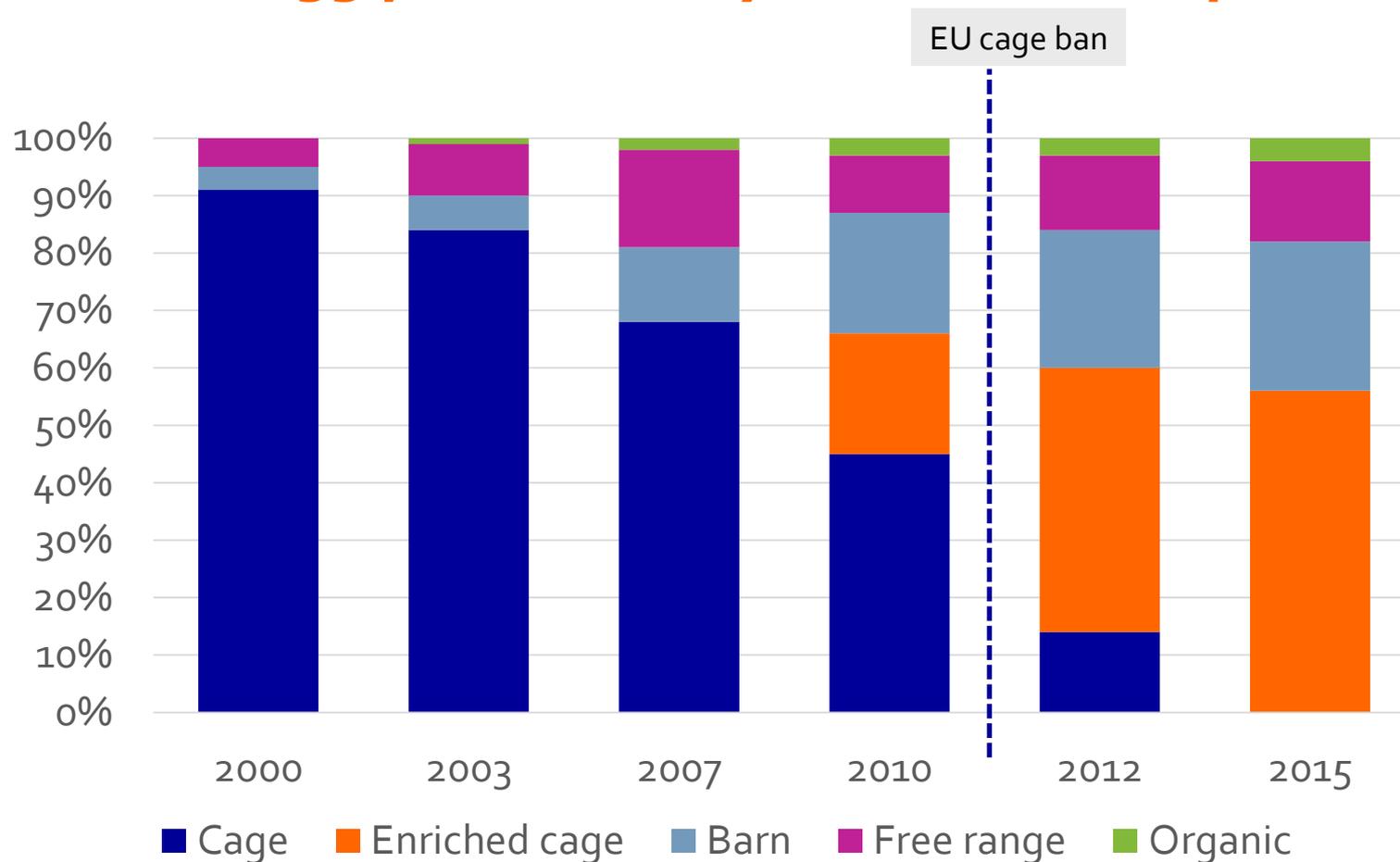
# The EU market is changing: More concepts leads to differentiation



# Will the poultry industry follow the egg industry example?



## EU egg production by different concepts



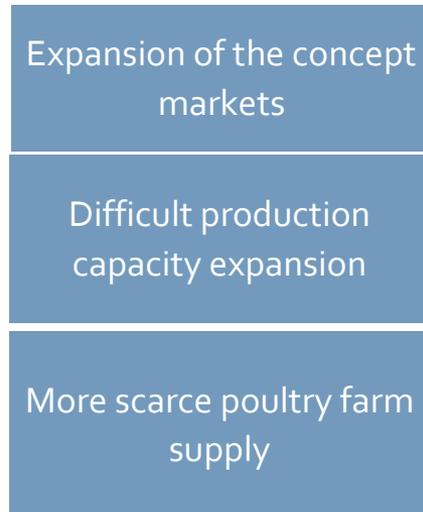
Source: Rabobank analysis based on Eurostat data, 2016

# Towards a new EU equilibrium: Slow growing versus standard chicken



## Northwest Europe

“Less volume, more value”



## Central and Eastern Europe

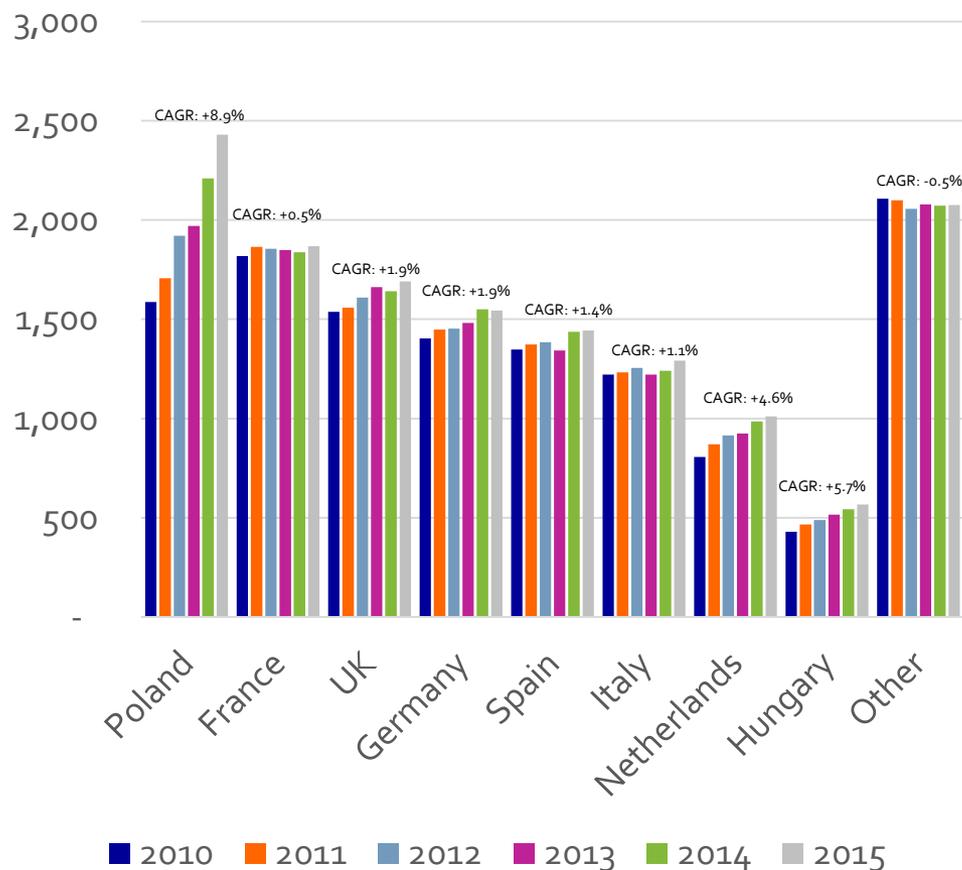
“Volume growth”



# Fast production growth in CEECs will continue in next years

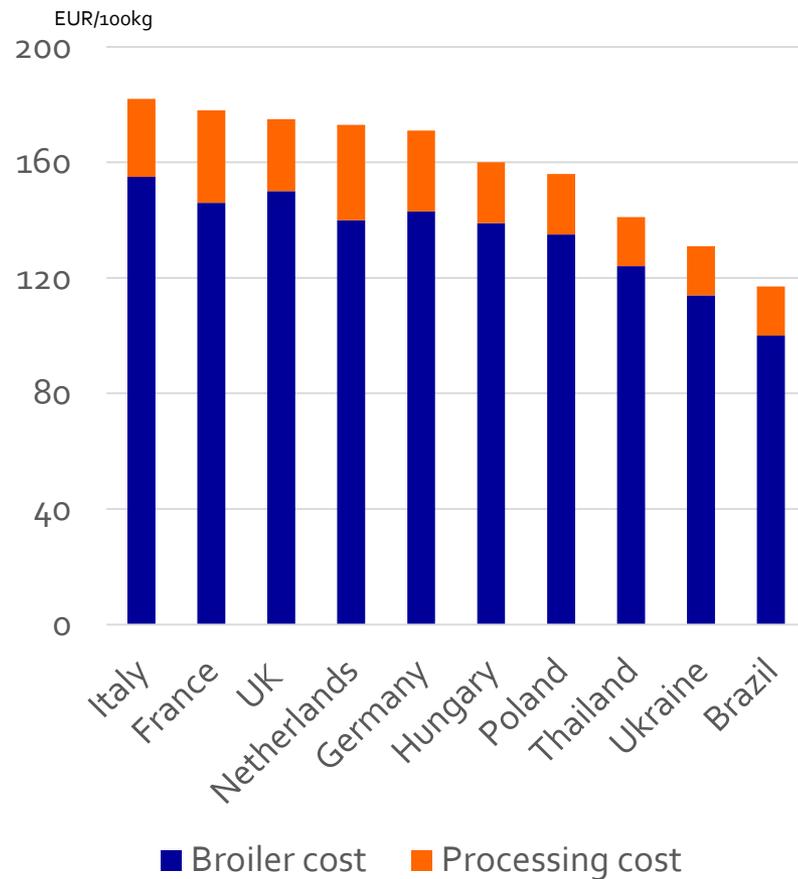


## EU Big 6 Poultry production 2010-2015



Source: Rabobank analysis based on MEG, AVEC, 2016

## Whole chicken cost of production in 2013

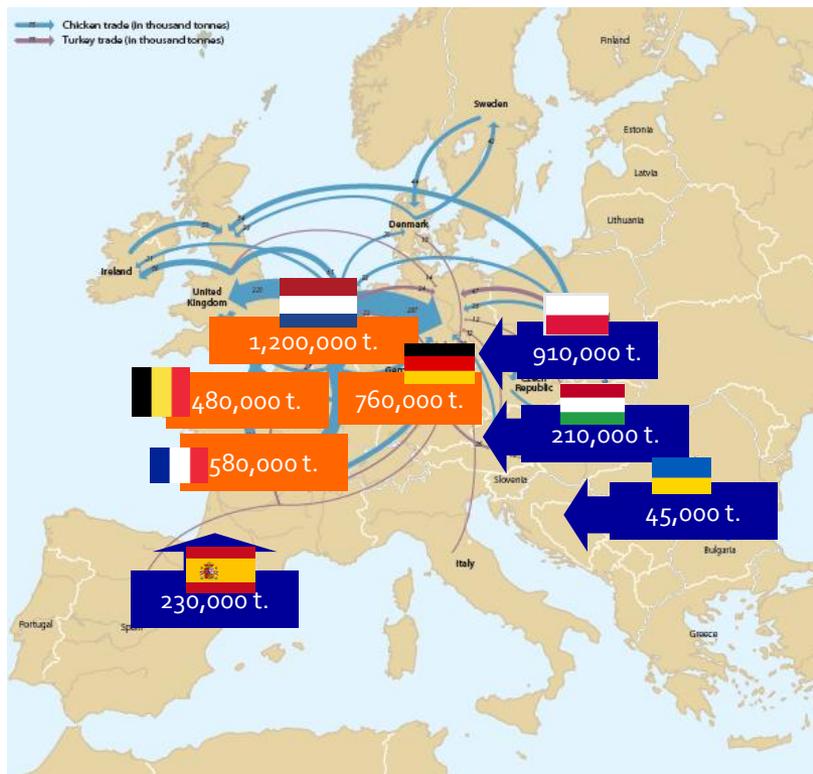


Source: Rabobank analysis based on LEI, 2016

# CEECs will further gain market share in EU standard chicken export market



*EU poultry exports by country 2013*

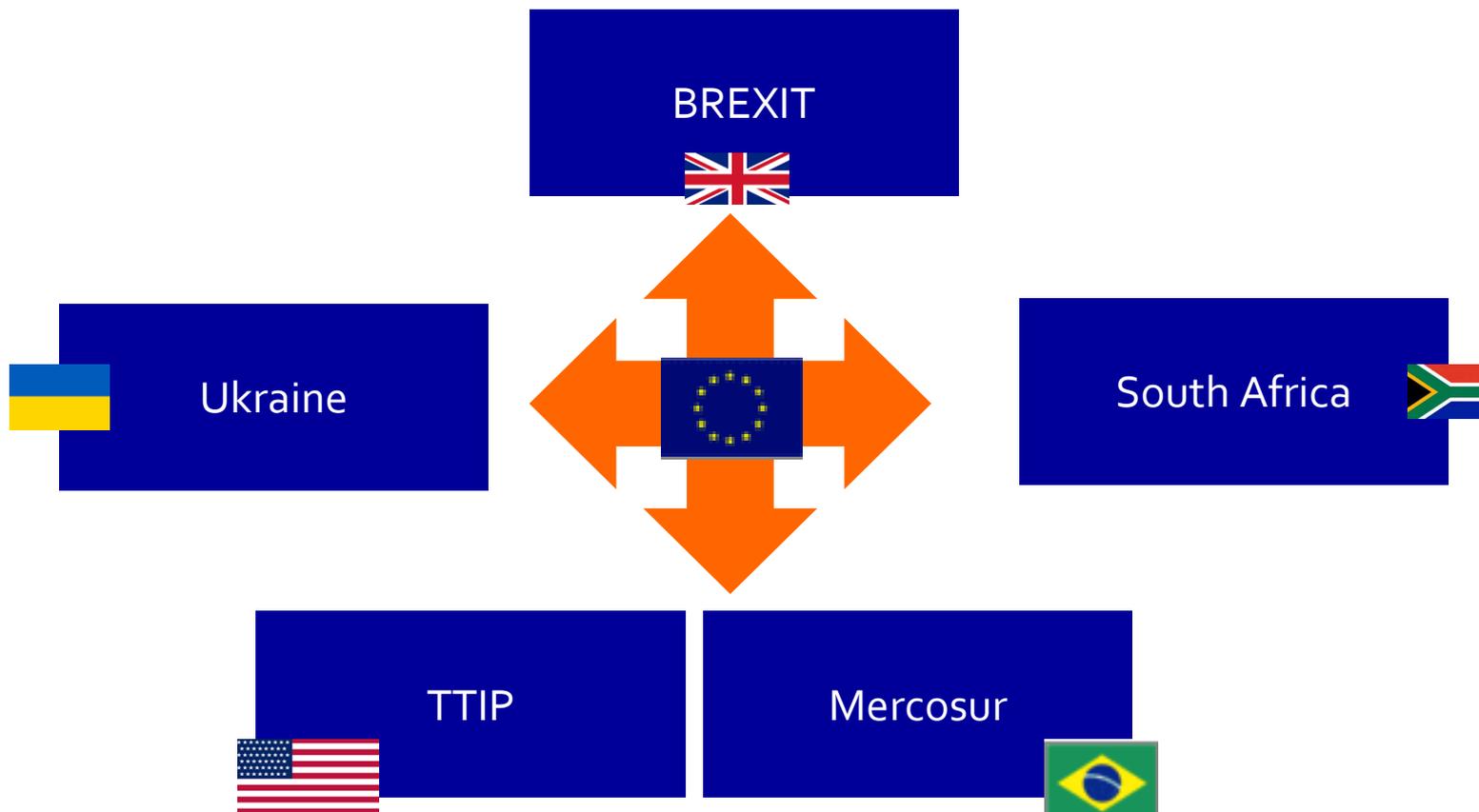


*Grains exports by country*



**Ukraine and Russia can become sizeable fresh chicken exporters**

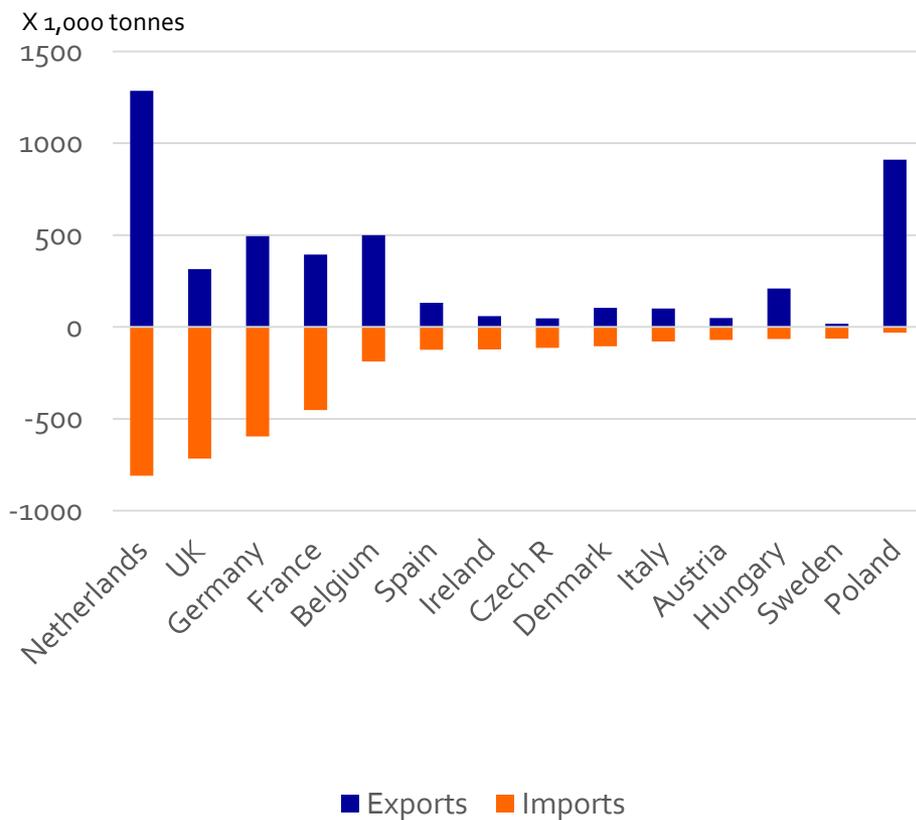
# Factors which could affect future market balance in EU



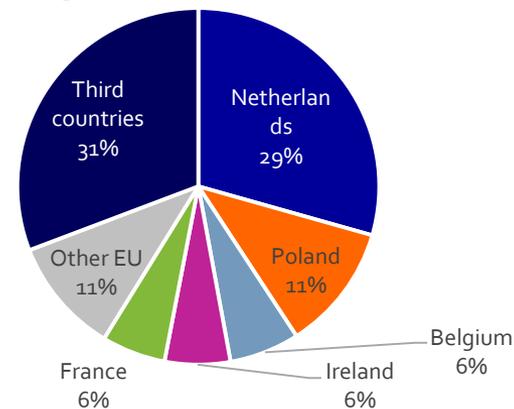
# Brexit can highly affect EU and Irish poultry industry



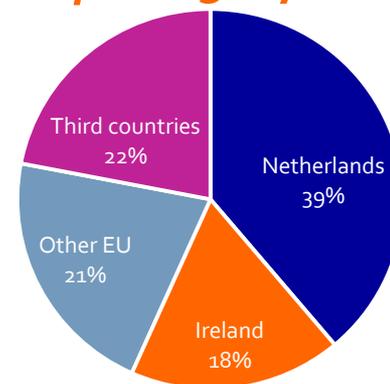
*EU poultry trade by country in 2014*



*UK poultry imports 720,000 tonnes*



*UK poultry exports 320,000 tonnes*

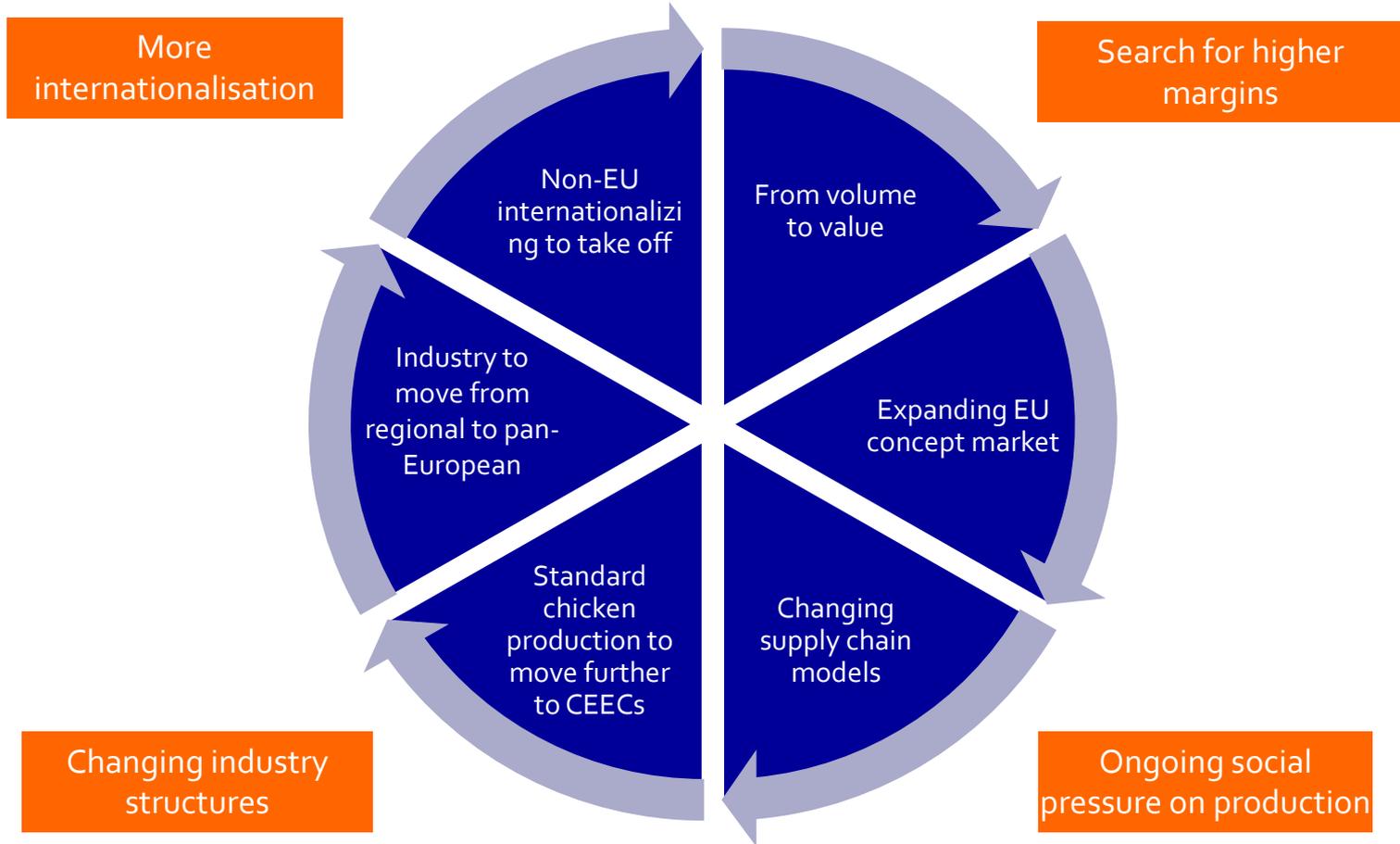


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# The key investment themes in the EU poultry industry for 2016-2017



# From volume to value: The journey to higher margins



## The poultry value added pyramid



Investors who follow this strategy



# Move out the standard segment: Poultry concepts offer opportunities



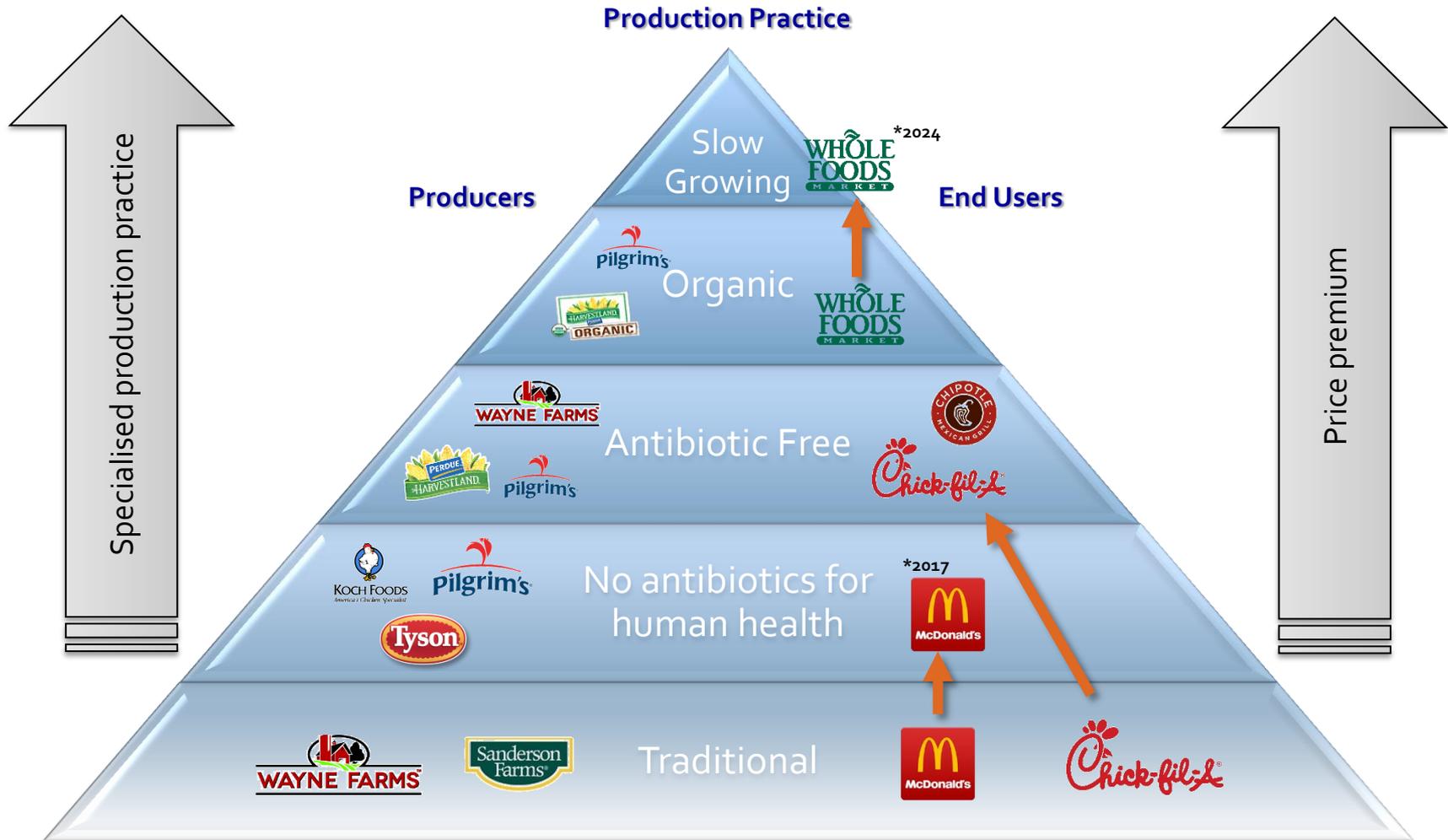
## EU poultry market differentiation opportunities



# Same sort of movement in US poultry market



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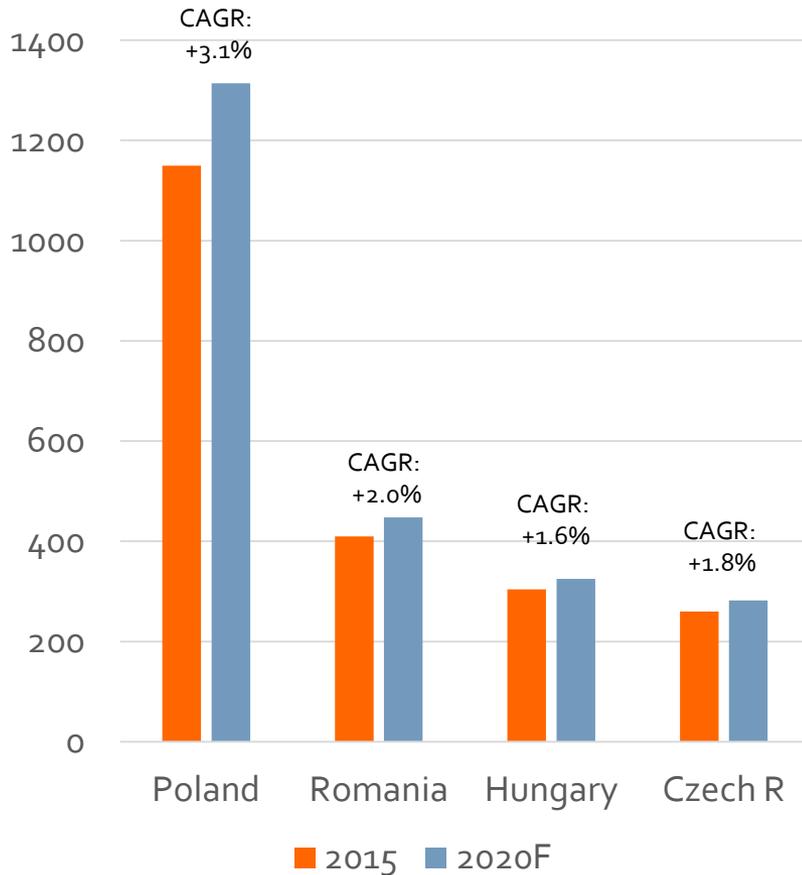
• Source: Company Announcements, Rabobank Estimates, 2016

# Capture the growth: Invest in Central and Eastern Europe

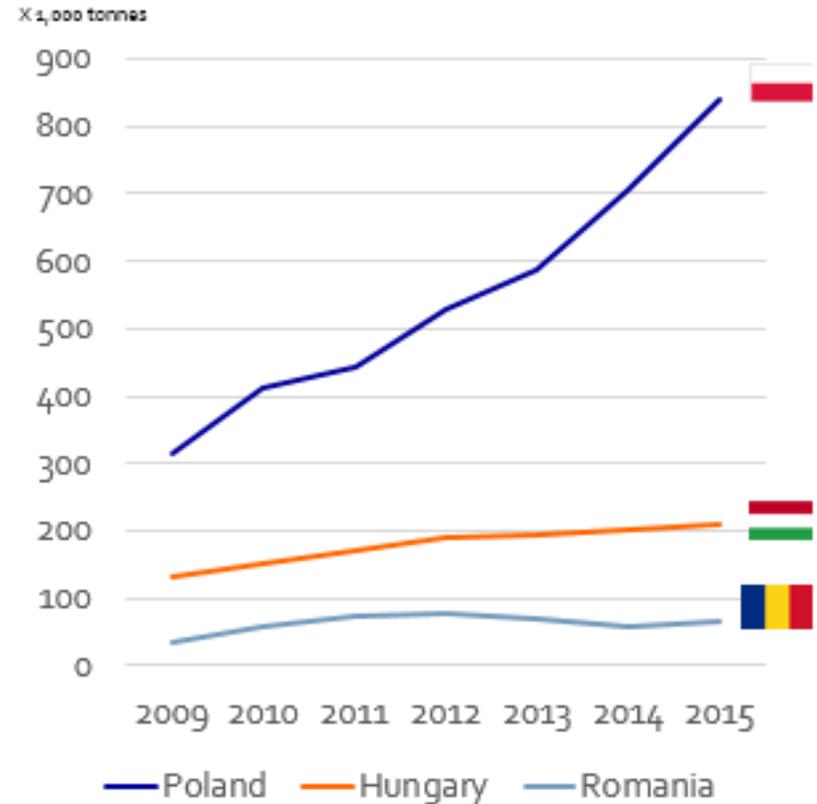


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## Central Europe's market growth



## Central Europe's export potential



# EU poultry industry to move from national to regional to pan-European



## Northwest - 173 million consumers



## Nordic region- 20 million consumers



## South- 171 million consumers



## East- 120 million consumers

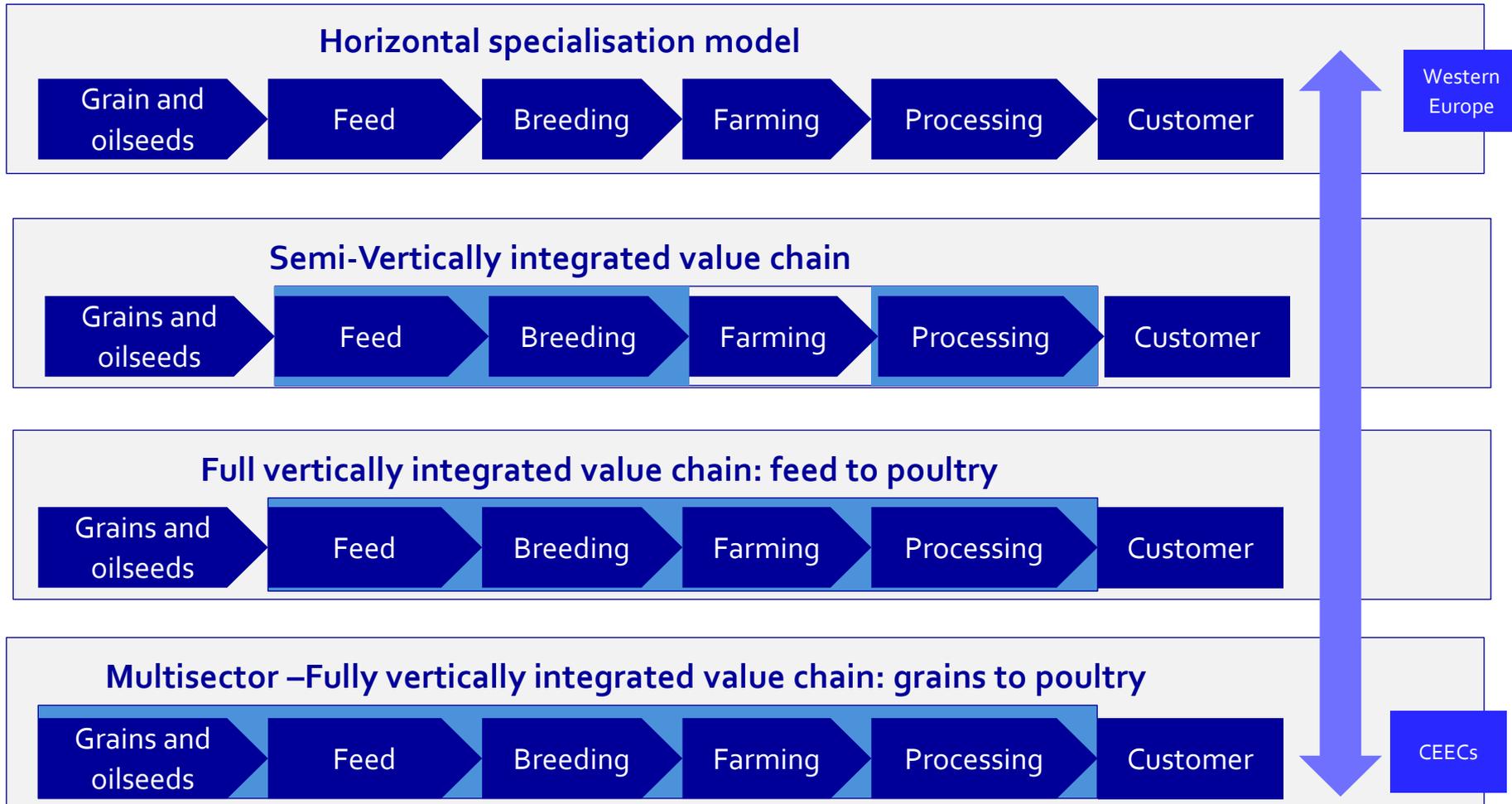


2014-2025  
From national  
to regional to  
pan-European

# Need to rethink supply chain models



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Source: Rabobank analysis, 2016

# Capture the emerging market growth: Invest outside the EU



## Investments by EU animal protein companies outside the EU

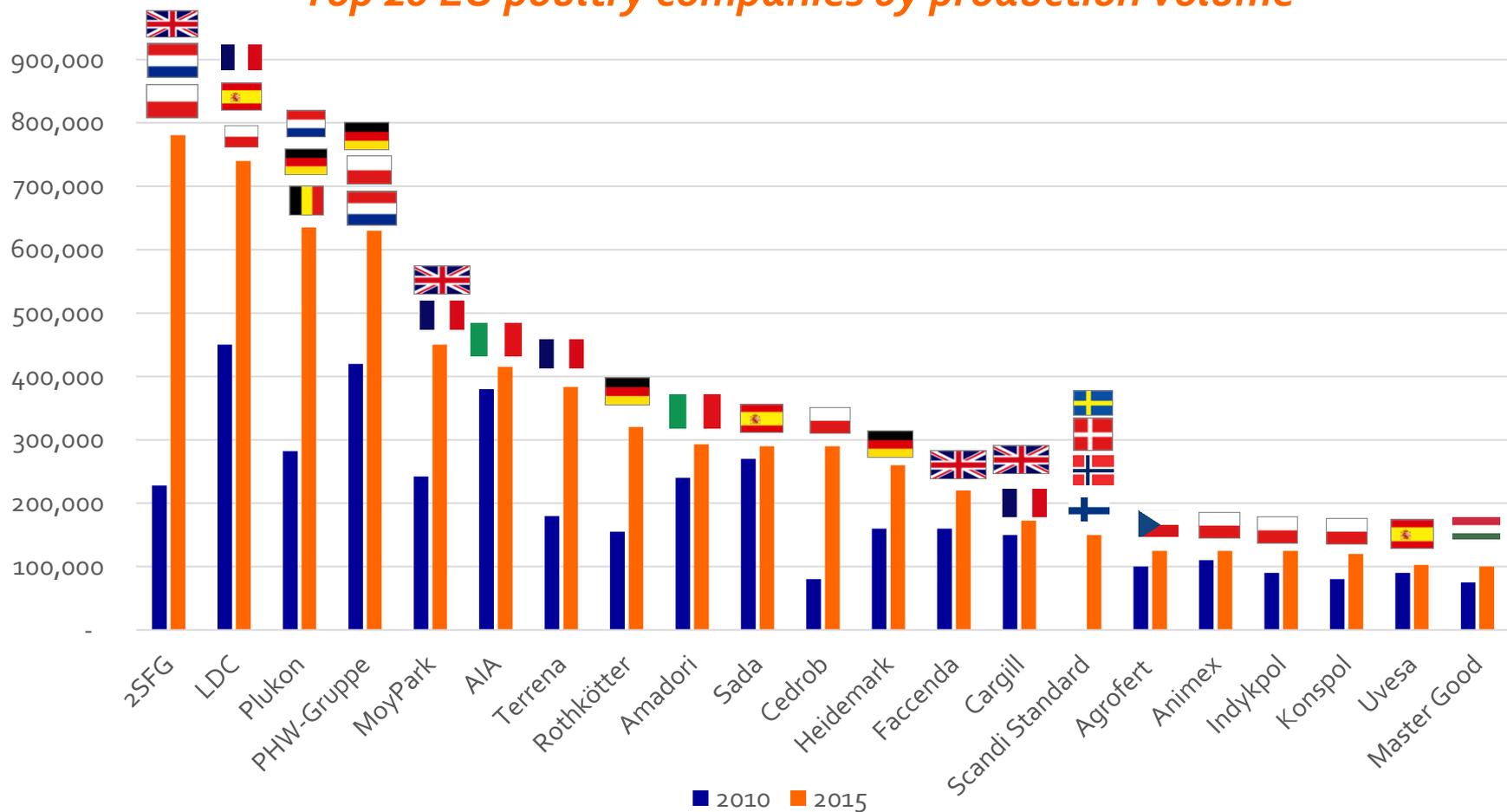


Source: Rabobank analysis, 2016

# The EU poultry landscape will keep changing



*Top 20 EU poultry companies by production volume*



Source: Rabobank analysis based on public available data, 2016

# Conclusions



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## Short term global outlook is bullish driven by:

- Low Chinese supply
- Supply reductions in US and Brazil
- Ongoing “low” feed price

Falling red meat prices is major threat

## EU poultry market will keep growing in the next years (CAGR +1.0%):

- More differentiated market
- Bullish CEECs industry
- North(west) Europe more concept focussed

## Investment direction to change in next years:

- From volume to value
- More concept chicken
- More focus on CEEC investments
- Changing value chain models
- More non-EU investments
- Changing ownership models



Thanks for your attention

*Questions?*

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



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