



China's Impact on U.S. Agriculture



Brett Stuart
March 2012

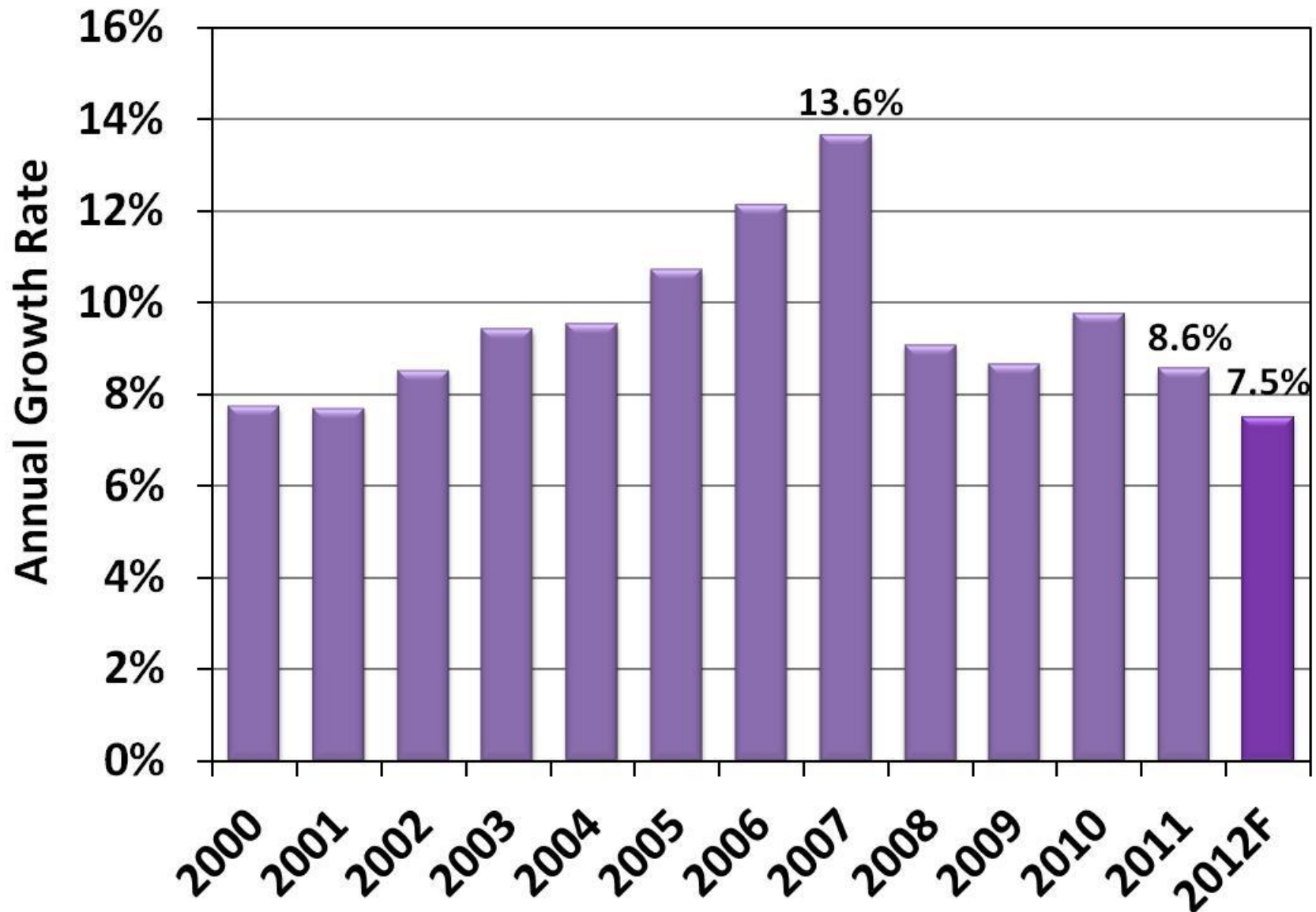
Outline

- China Ag Situation
- U.S. Ag Exports to China
- Key Issues
- Outlook



The Economist

China Per-Capita Income Growth



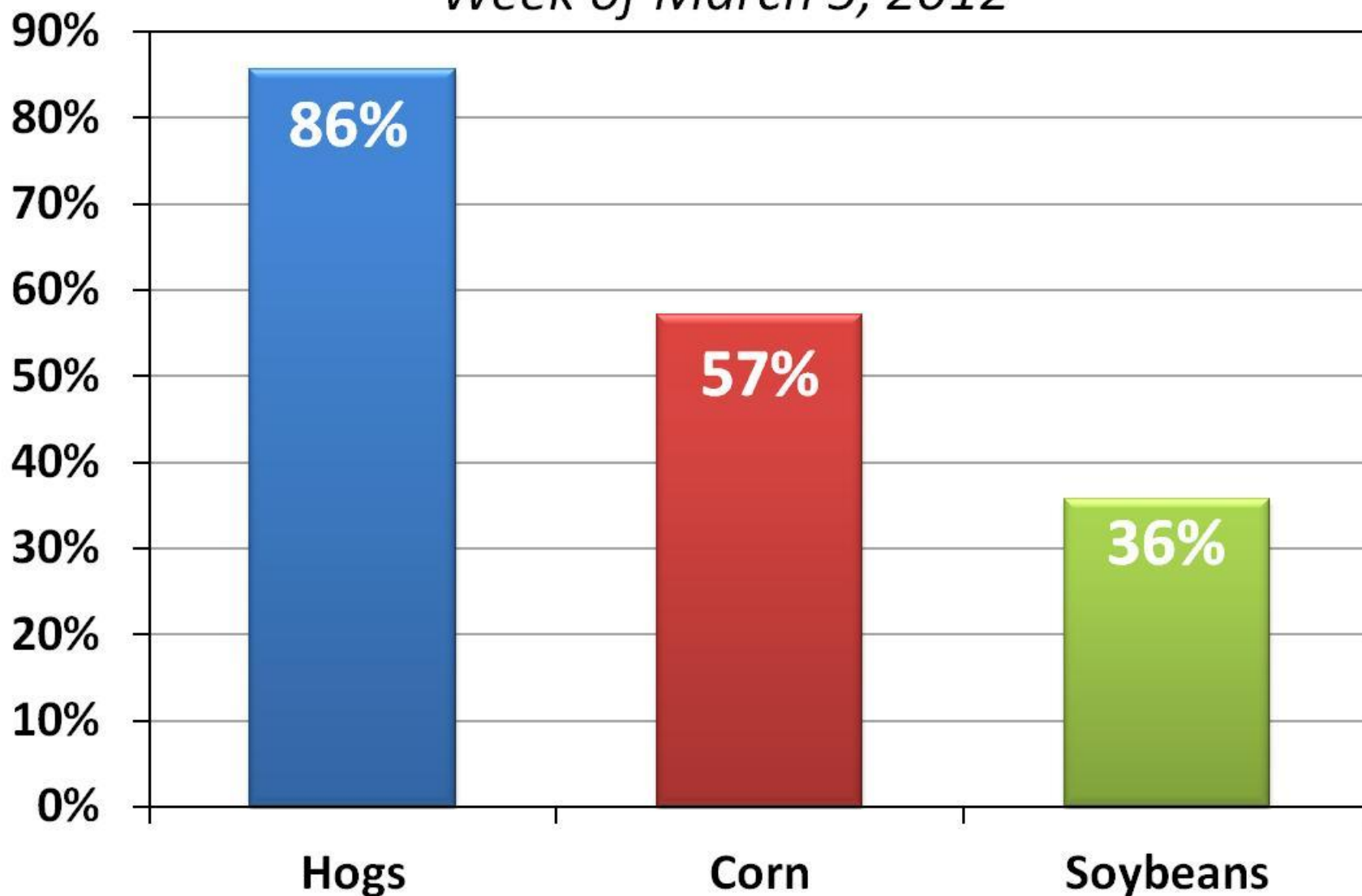
Source: ERS International Macroeconomic Data Set

CHINA AG SITUATION



China Prices vs. U.S.

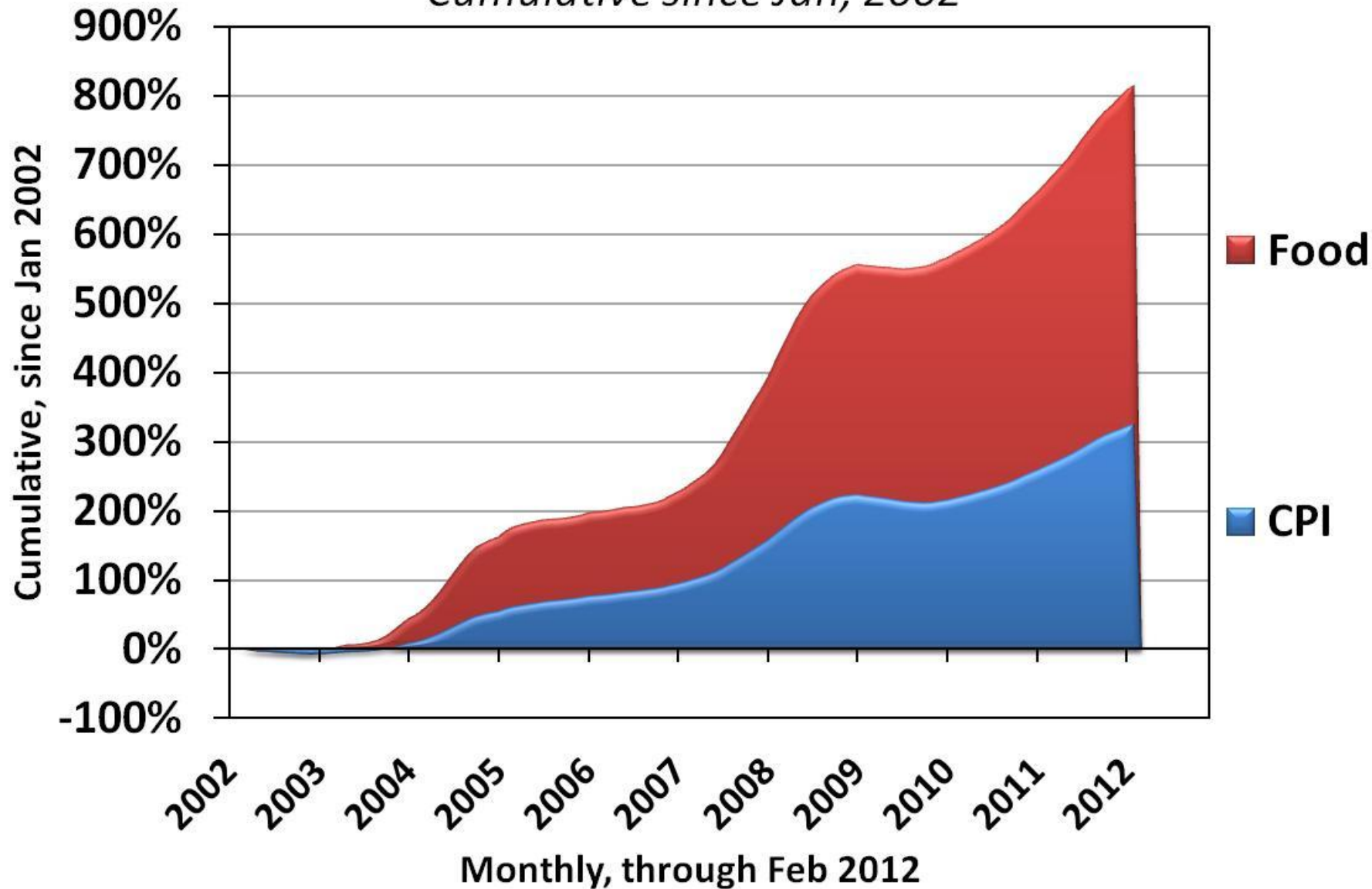
Week of March 5, 2012



Source: Weekly average of Chinese regional markets, USDA

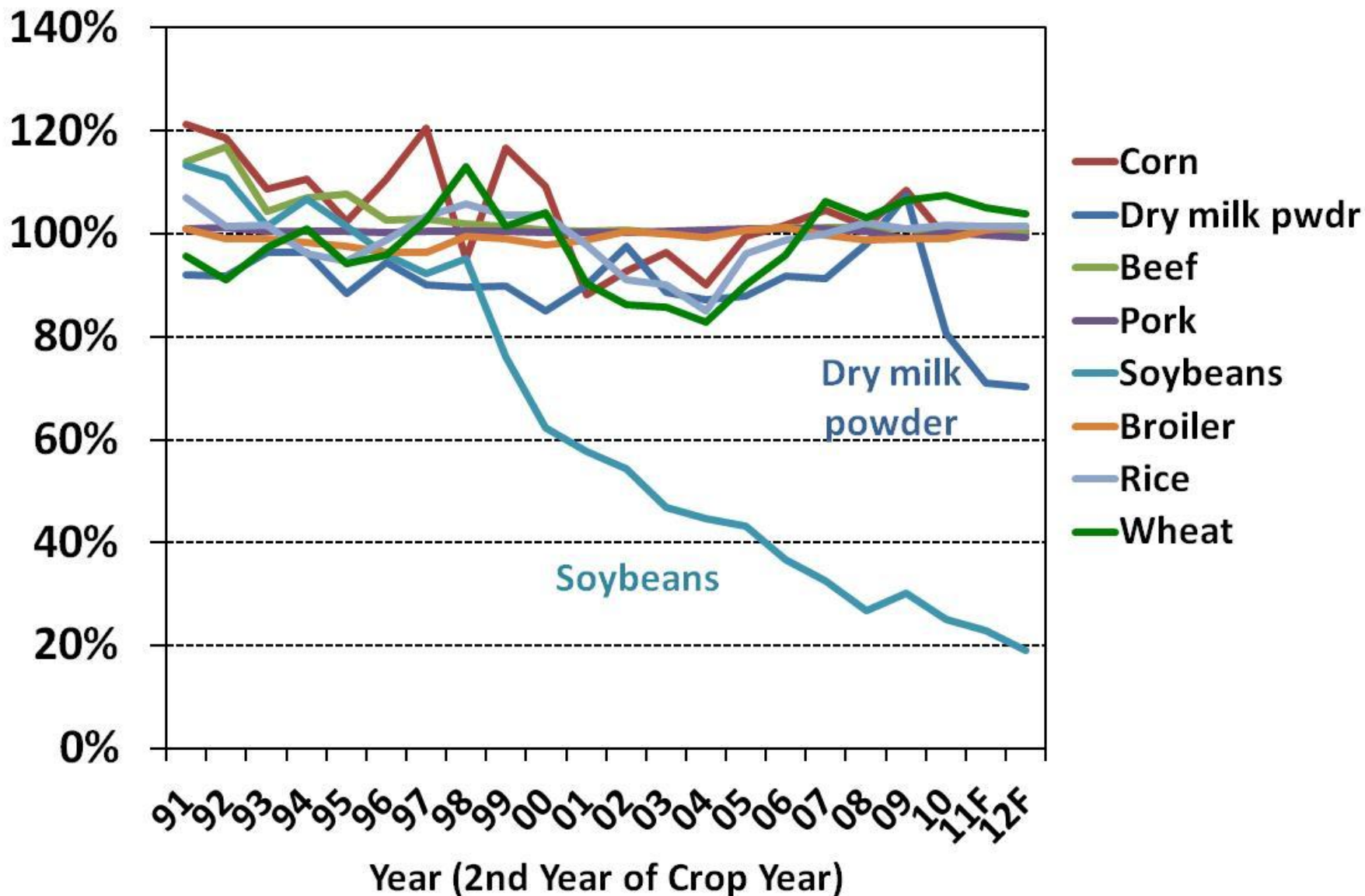
Chinese Inflation

Cumulative since Jan, 2002



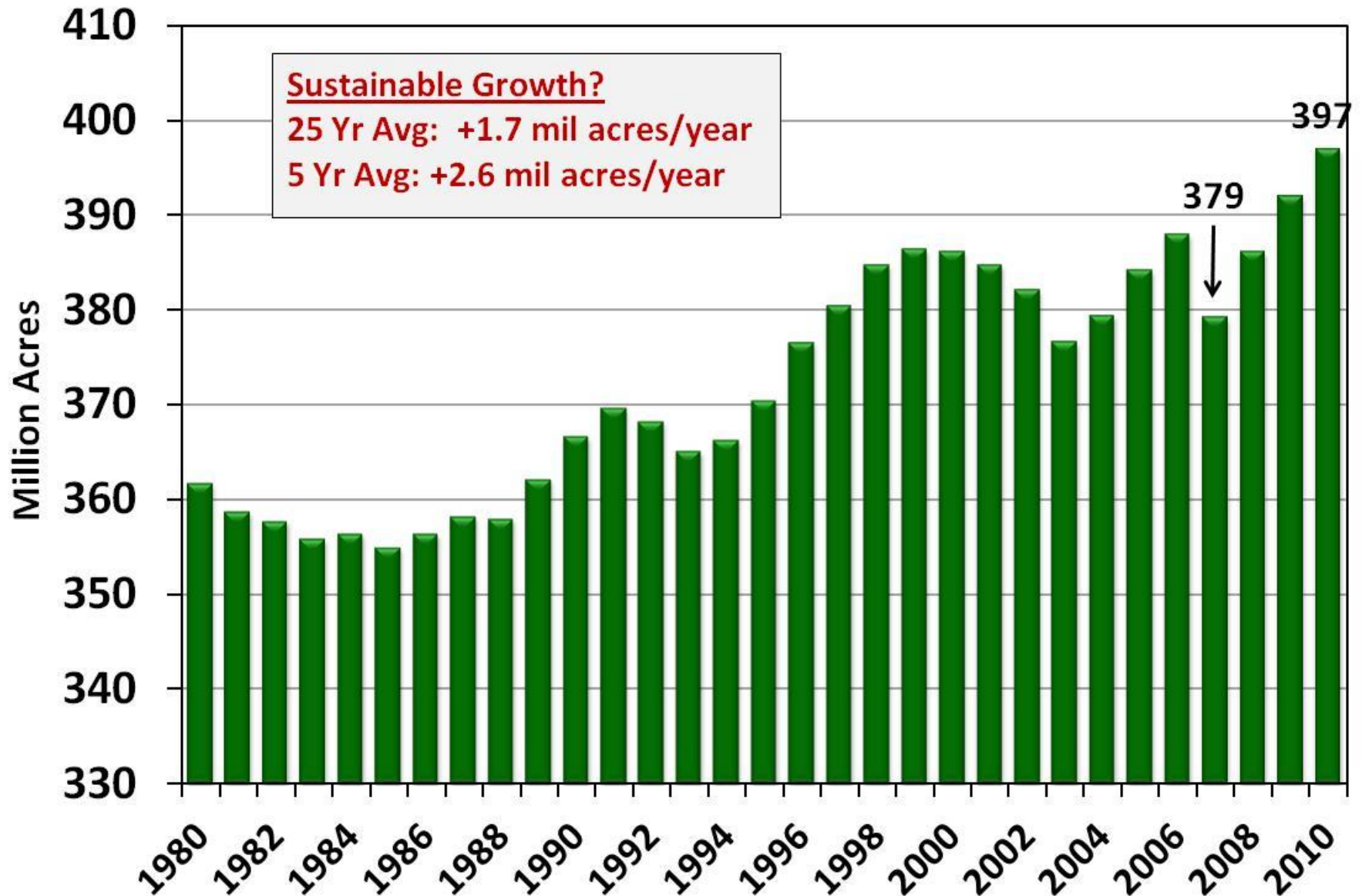
Source: China National Bureau of Statistics

China Ag Self-Sufficiencies



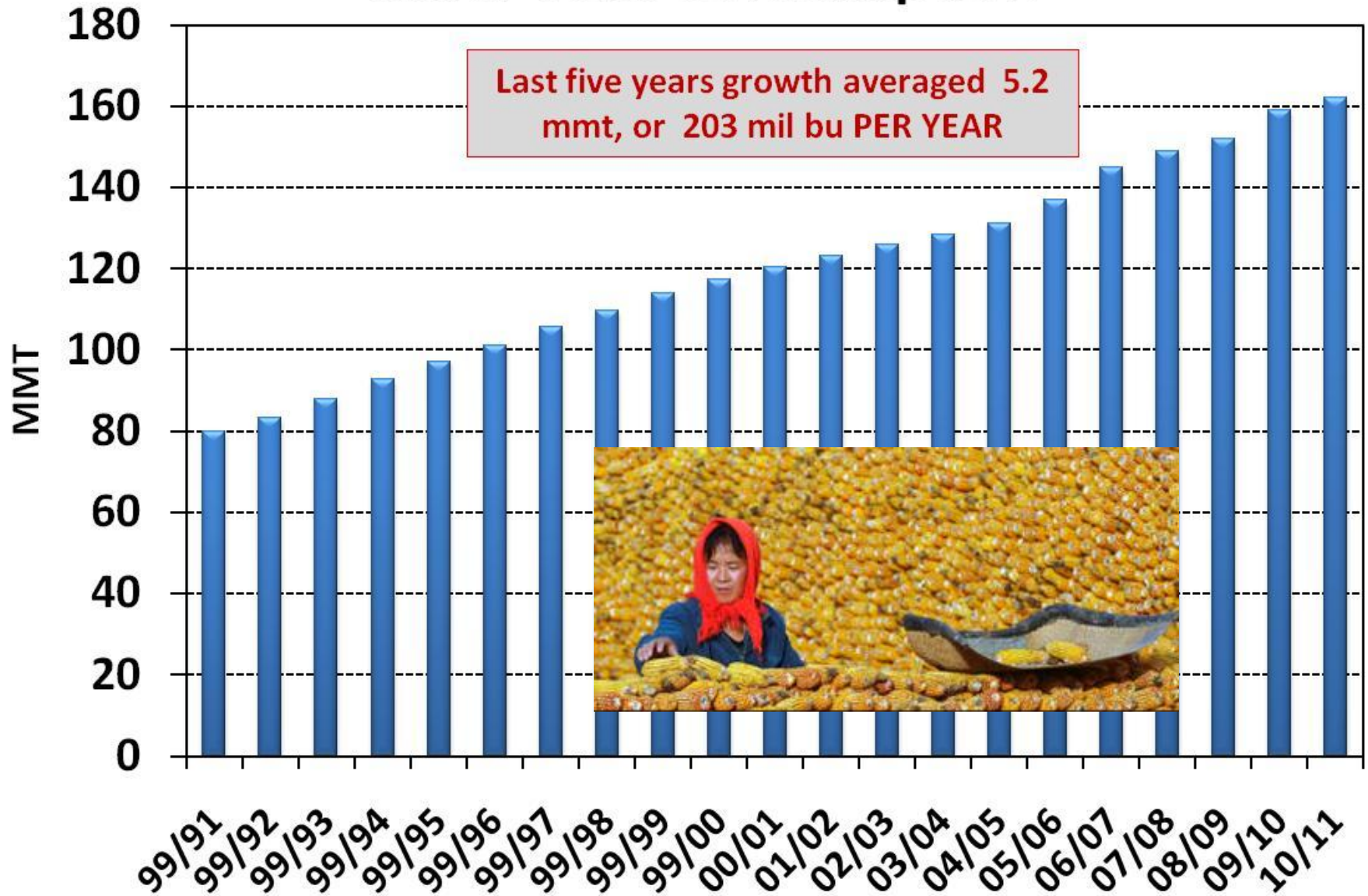
Source: USDA/FAS

Fact or Fiction: China's Total Sown Acres



Source: USDA/ERS

China Corn Consumption



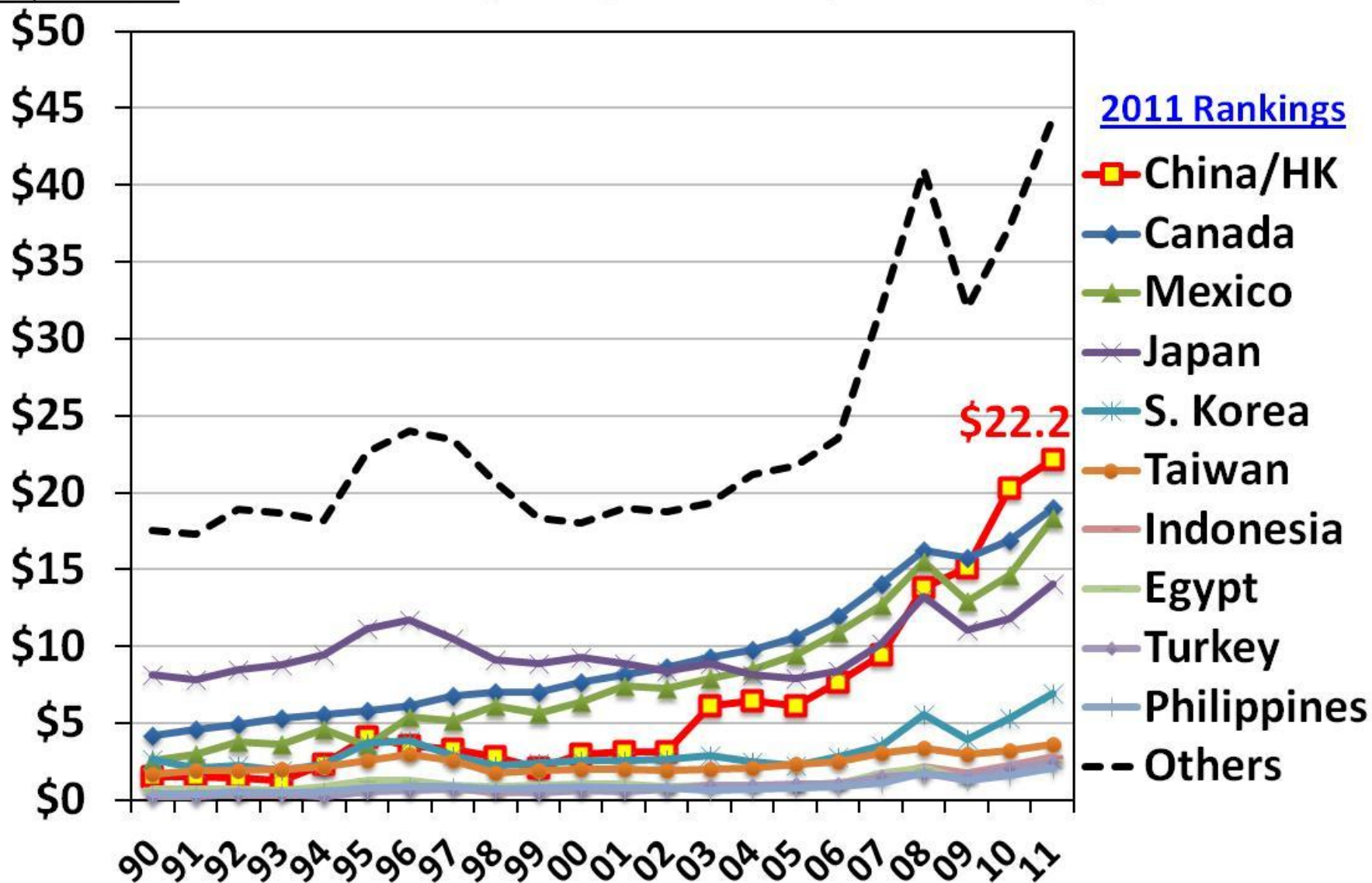
Source: USDA/FAS

U.S. AGRICULTURE EXPORTS TO CHINA



U.S. Ag Exports by Country

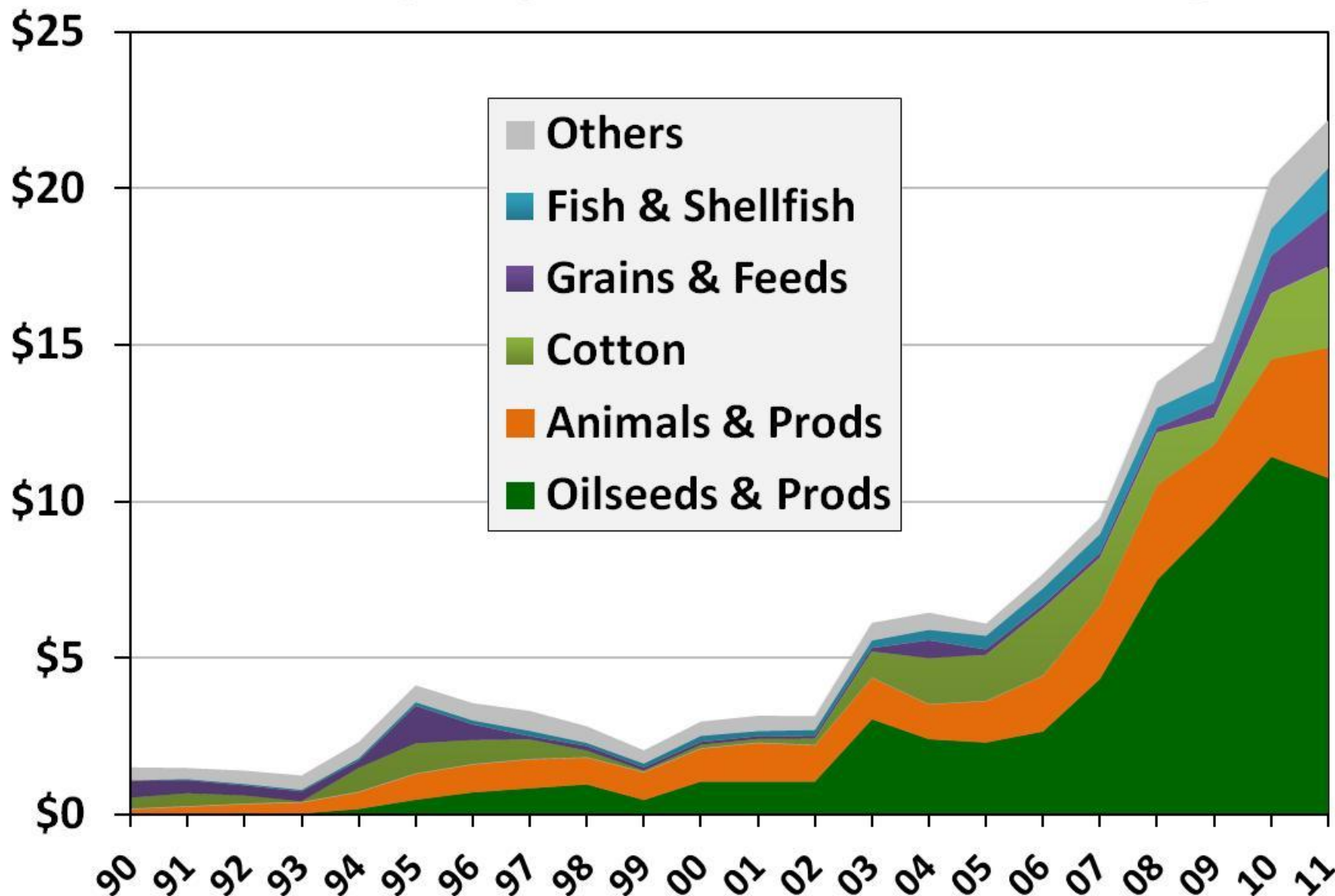
US\$ Billions



Source: USDA/FAS

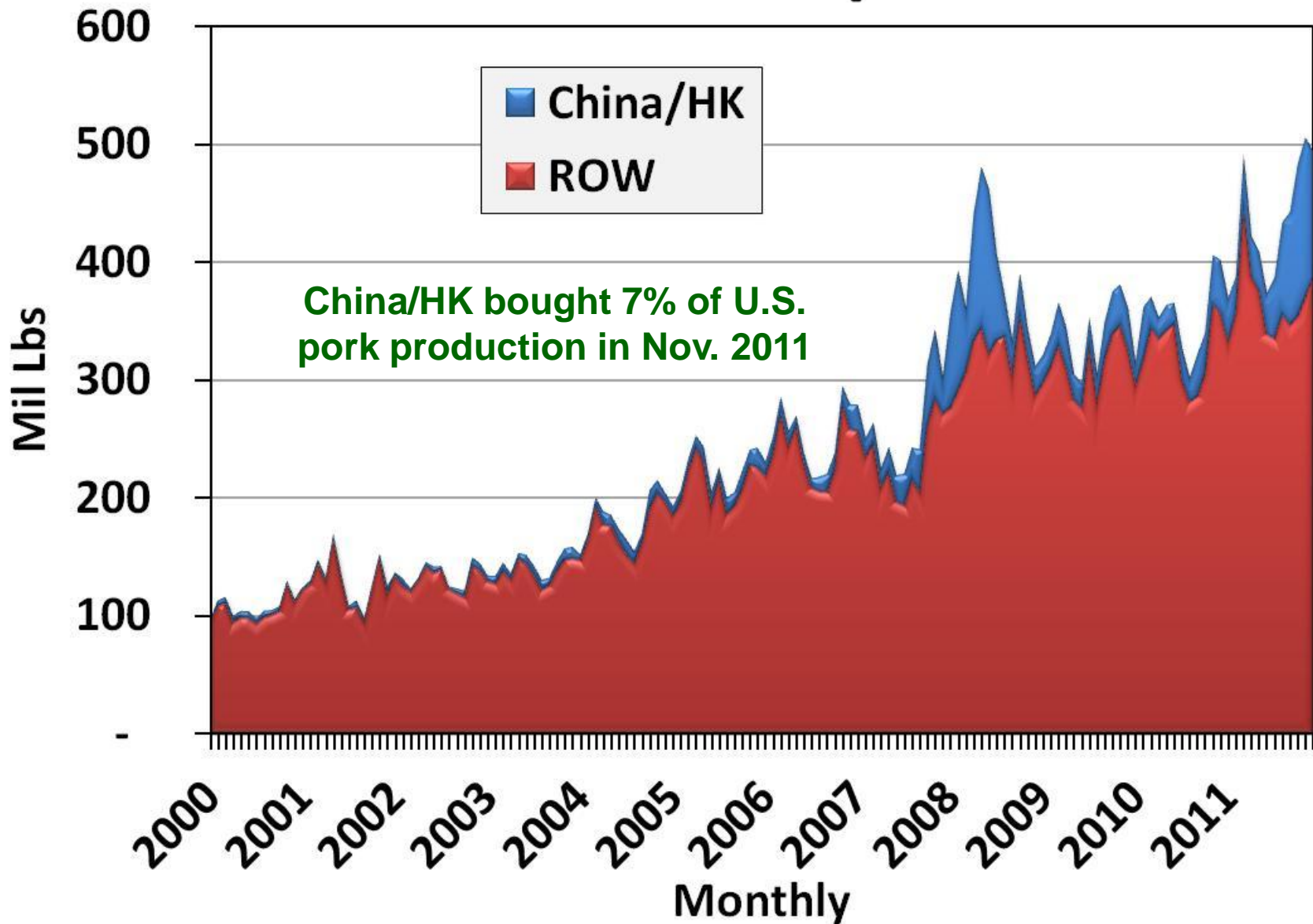
US\$ Billions

U.S. Ag Exports to China/H. Kong



Source: USDA/FAS

U.S. Pork Exports



Source: USDA/ERS

KEY ISSUES



Key Ag Issues

Internal:

- Acreage constraints, technology, self-sufficiency
- Inflation – the “right” level
- Regulation – food safety
- Food safety scandals are building the brand of “Imported Food”

External:

- WTO Cases (dumping/countervailing on US poultry)
- SPS (Sanitary/Phyto-Sanitary) Issues
 - beta-agonist use in meat
 - genetically modified crops

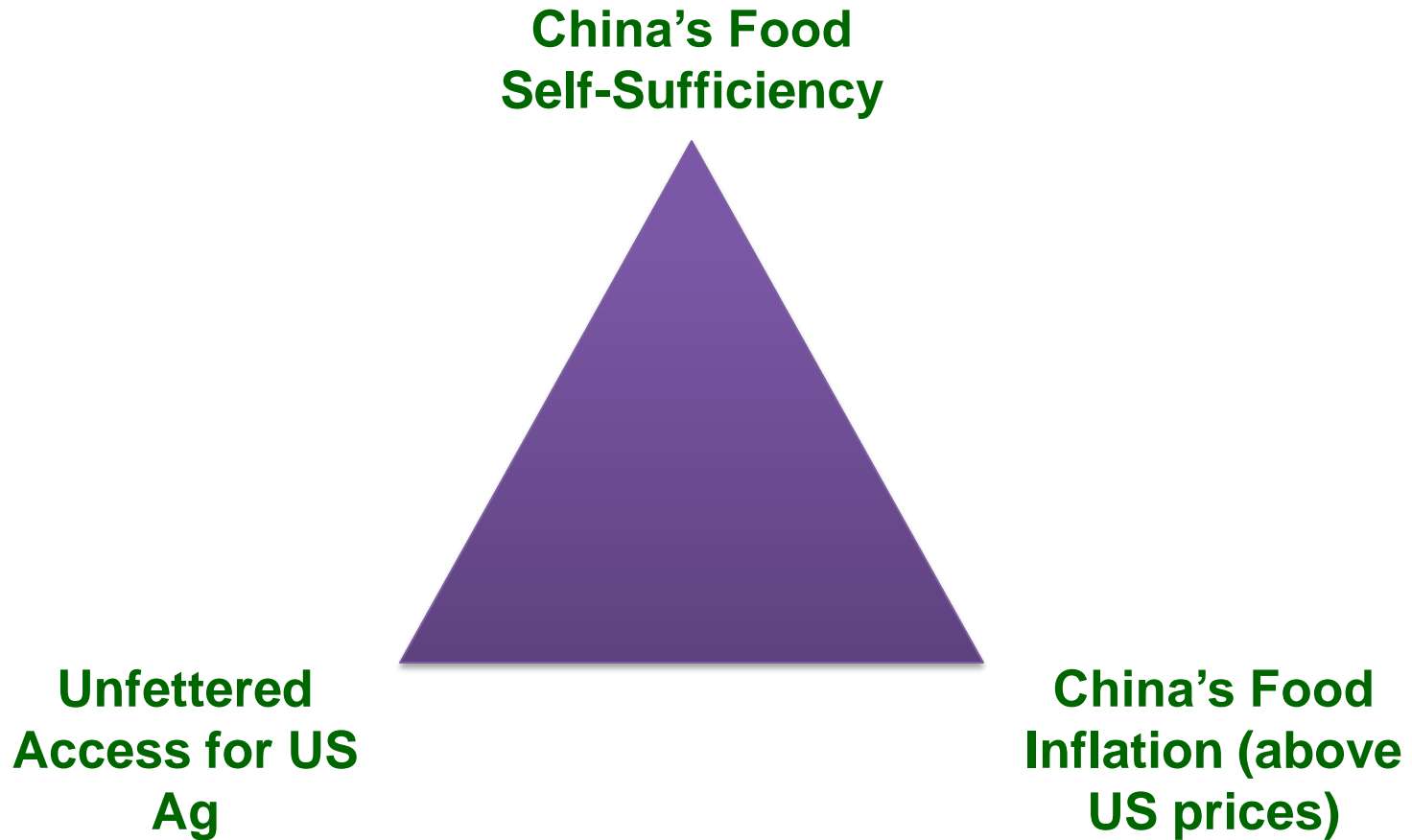
Outlook

- China is losing grip on food self-sufficiency and will allow some import growth
- Rising incomes will continue shift diets; China will need more corn, pork, oilseeds, and dairy
- Economic growth will slow, yet likely remain around 7.5% in 2012; that rate will double incomes in 10 years. Where will our commodity prices be then?



An Inconsistent Triad

Pick any two, but only two...



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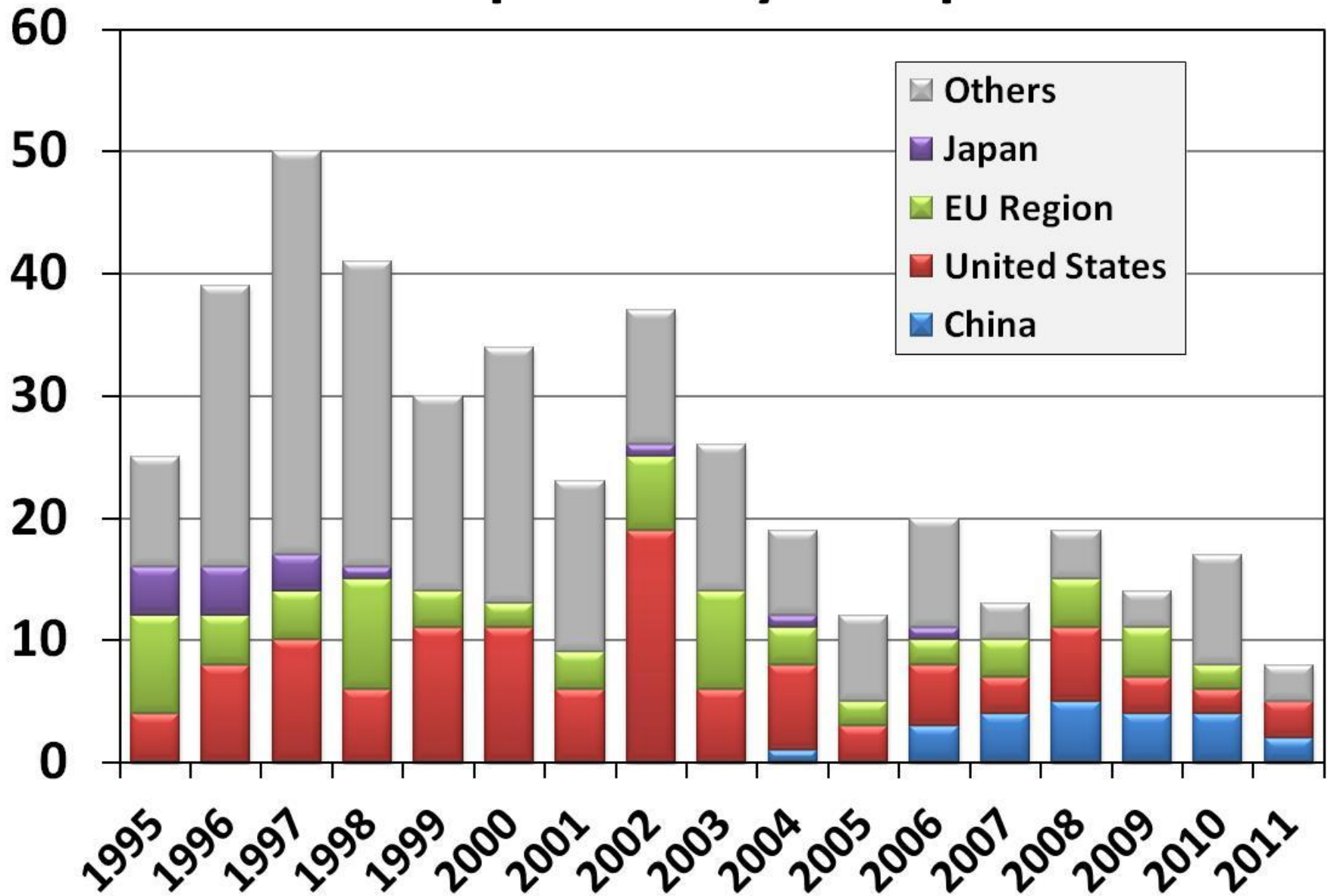
Brett Stuart, CEO

bstuart@globalagritrends.com

303-803-8716

MISC SLIDES

WTO Disputes - By Complainant

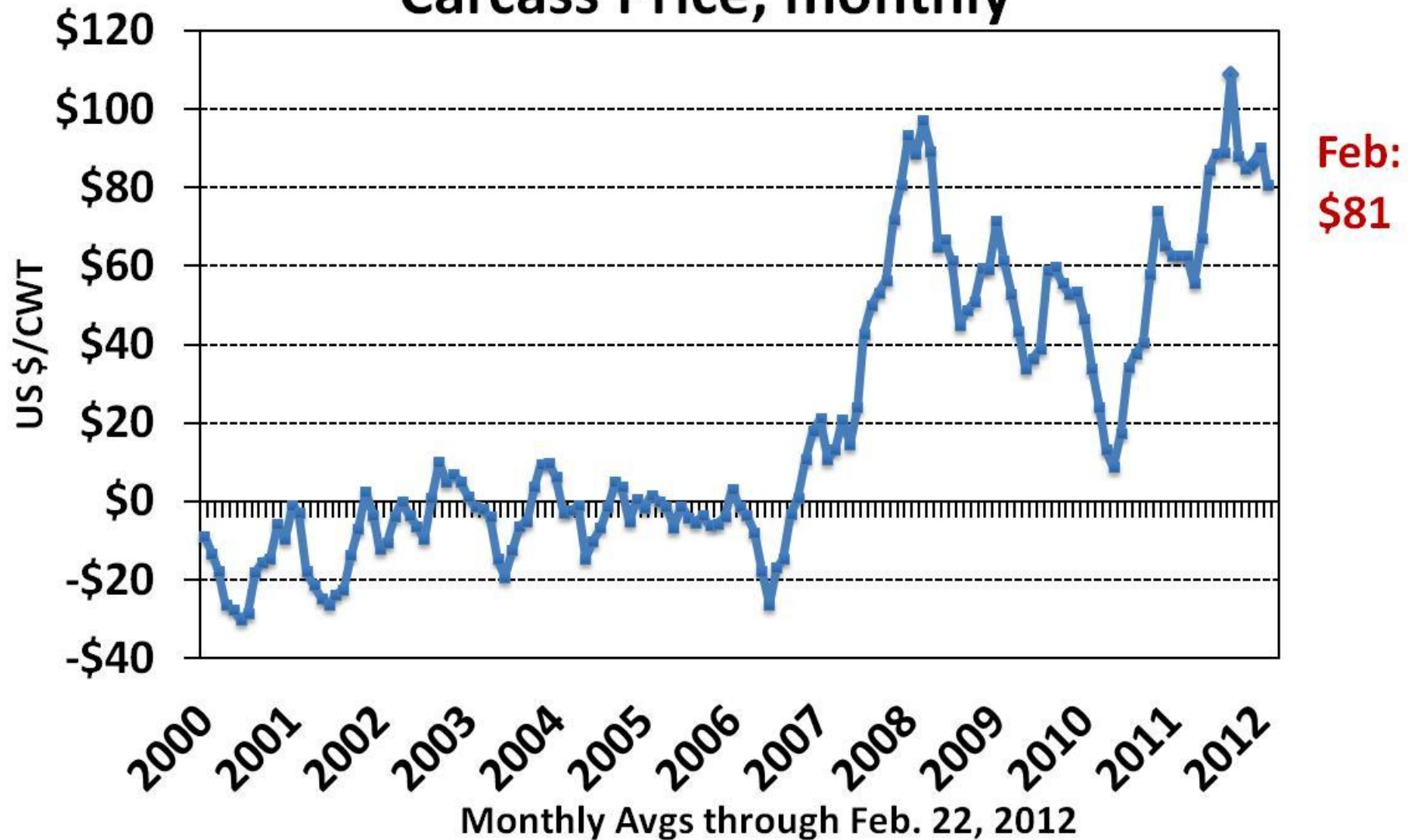


Source: World Trade Organization

U.S. Pork Exports to China/HK

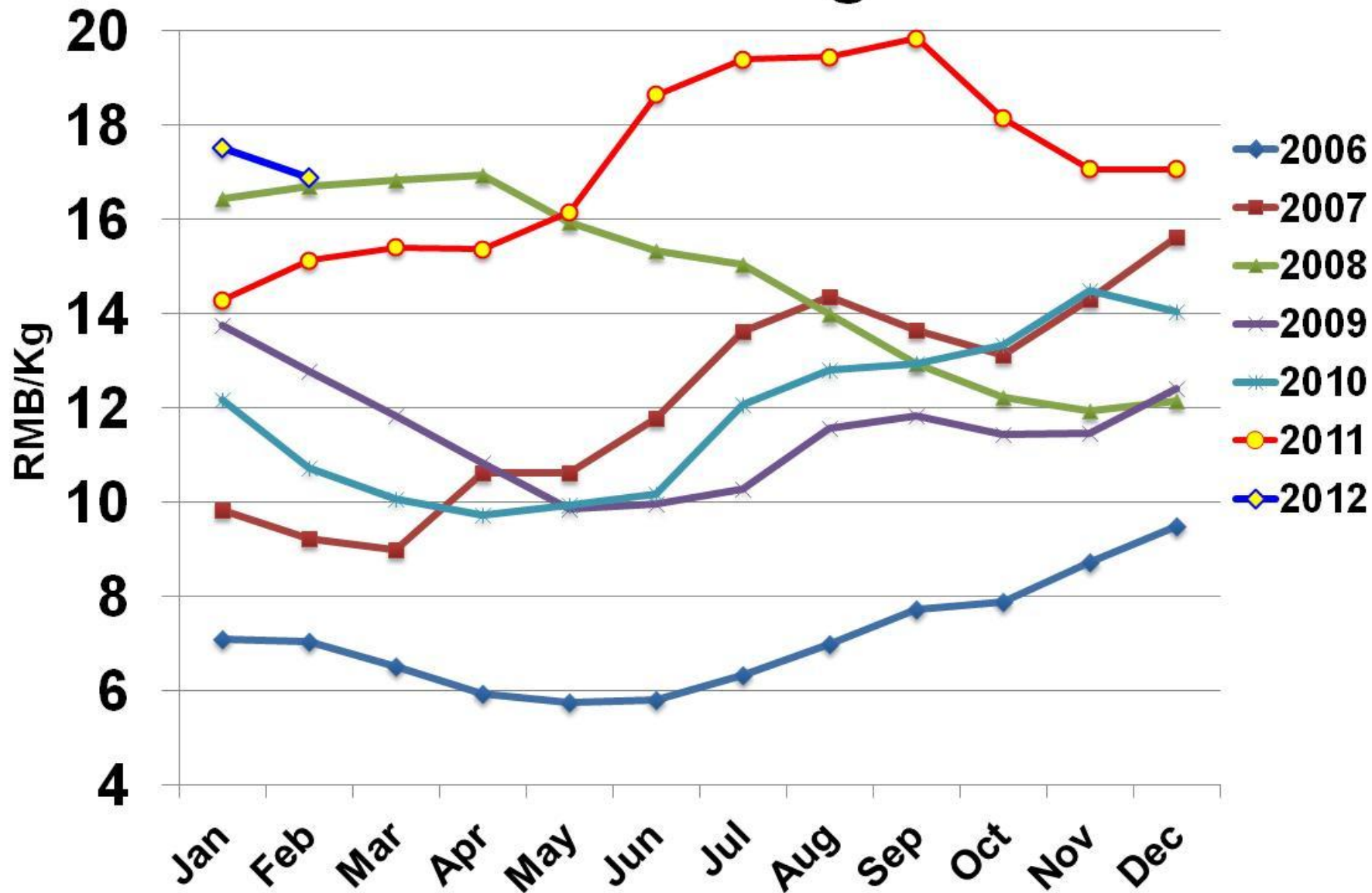


Spread: China Carcass Price less U.S. Carcass Price, monthly

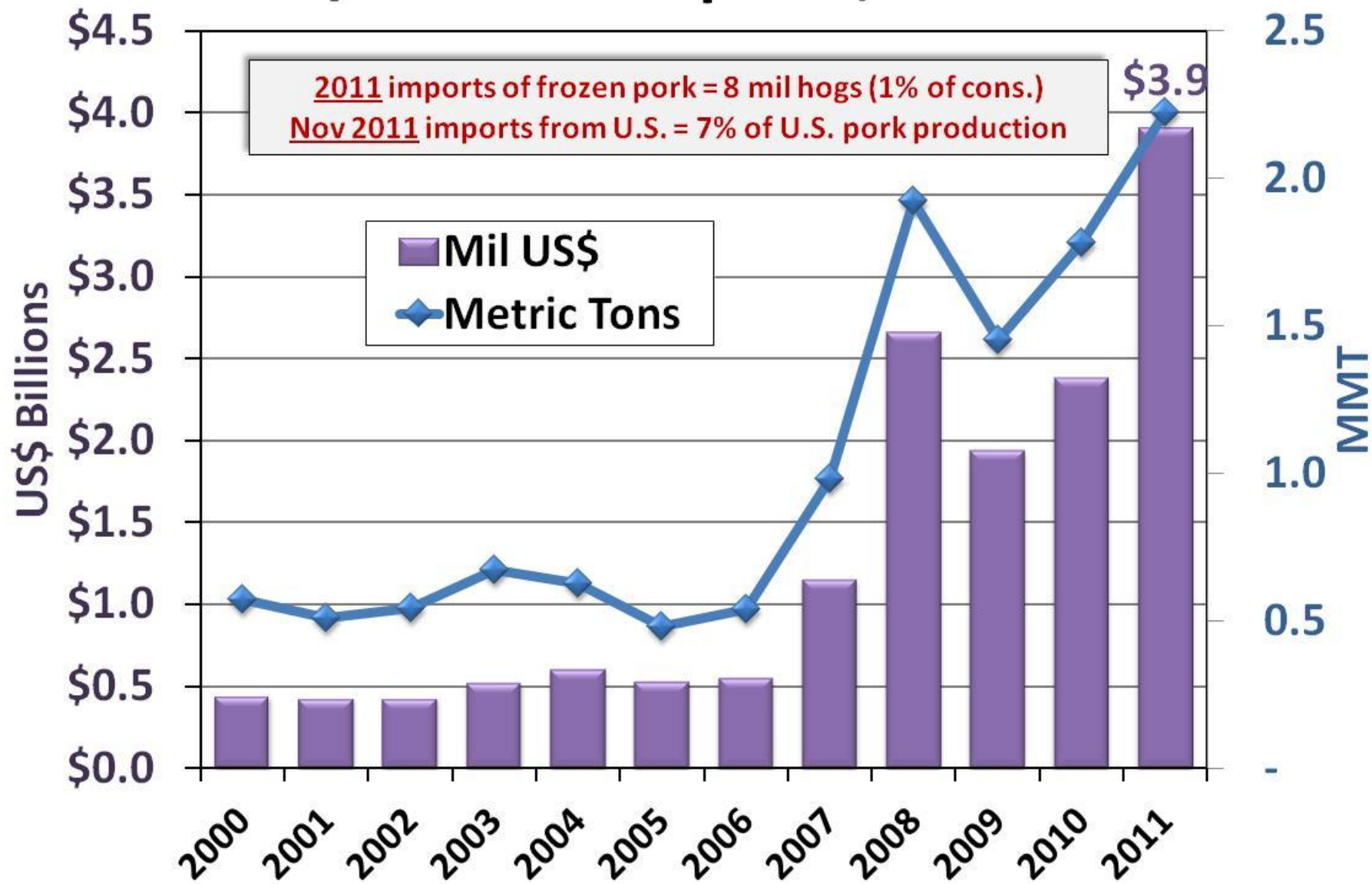


Source: USDA, Average of various regional Chinese hog prices, converted to carcass basis

Chinese Live Pig Prices



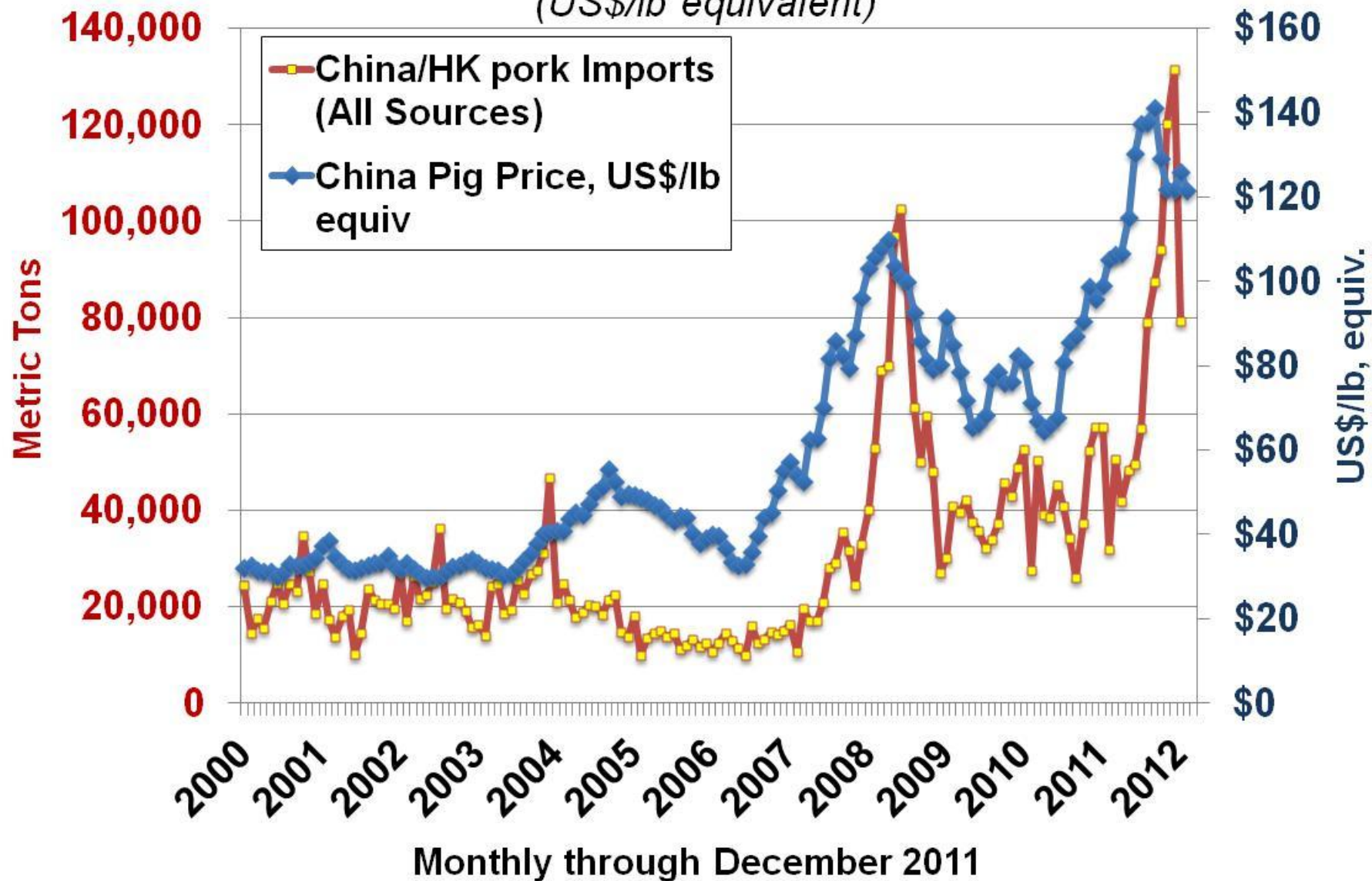
China/HK Pork Imports, all sources



Source: China and H. Kong Customs

China/HK Pork Imports and China Hog Prices

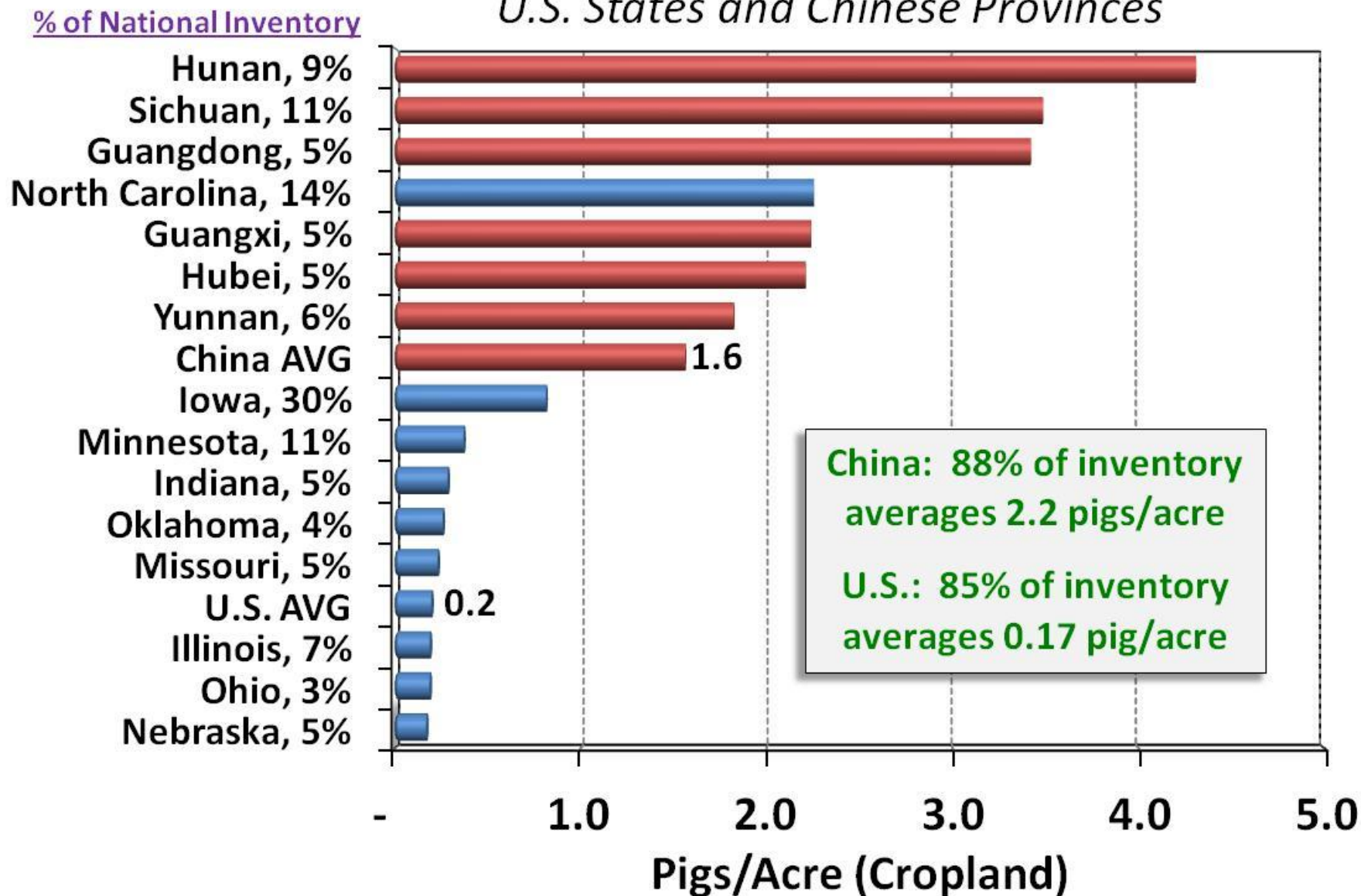
(US\$/lb equivalent)



Source: China/H. Kong Customs, Average of Various Chinese hog price reportings, no variety meats incl.

Pig Density - Pigs/Acre (Cropland):

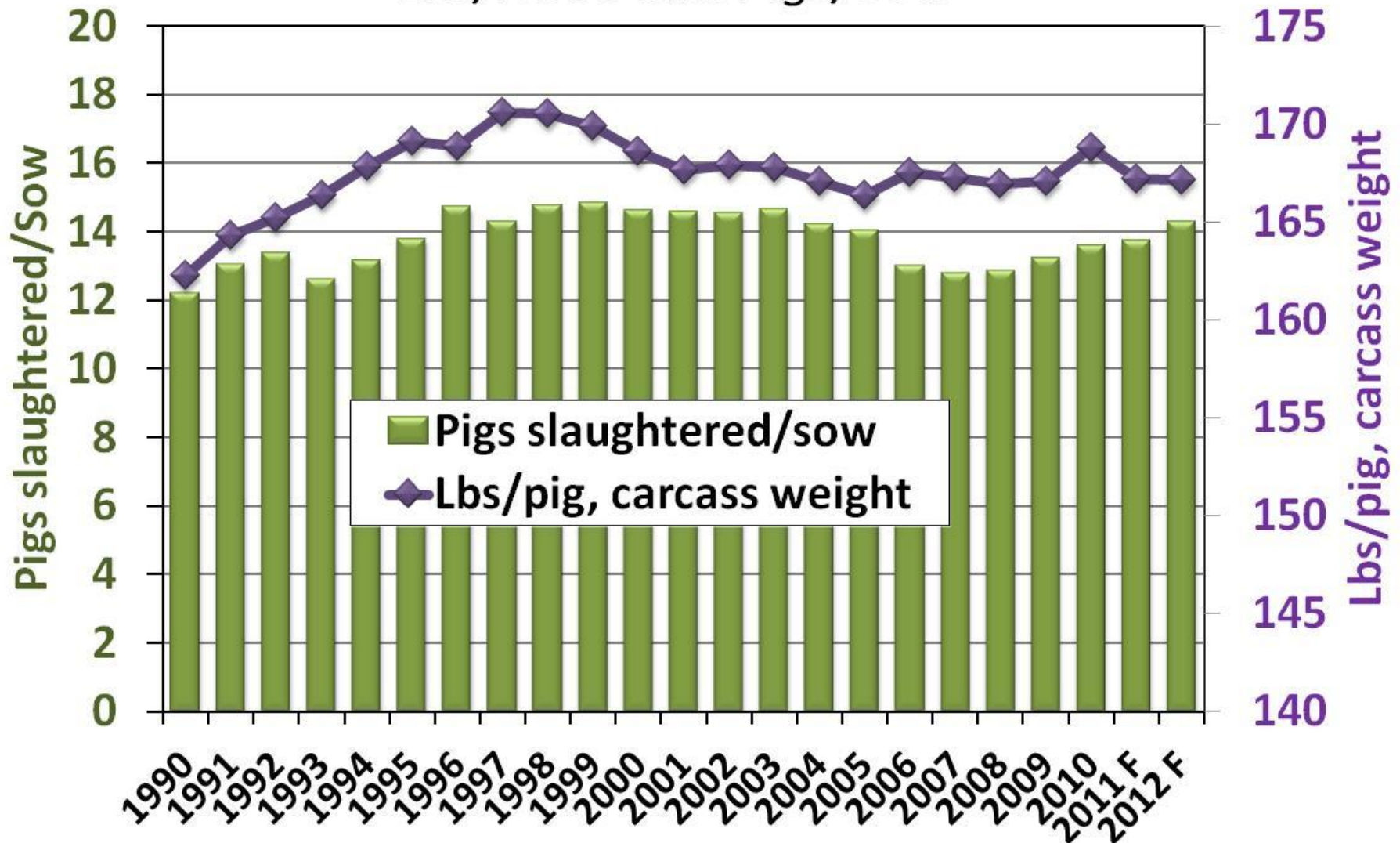
U.S. States and Chinese Provinces



Source: USDA/ERS, Chinese Yearbook of Animal Husbandry

China Pig/Pork Efficiency:

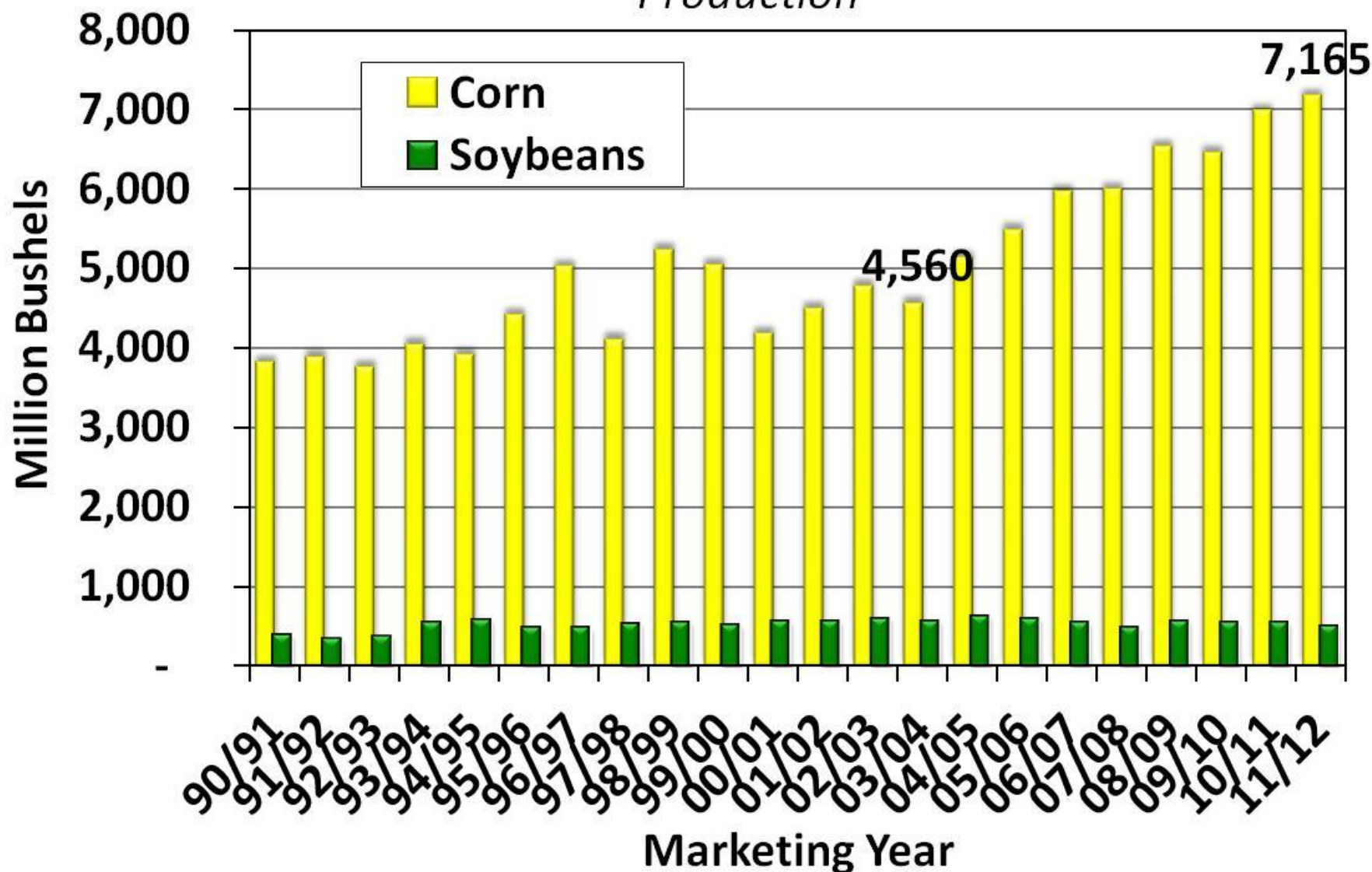
Lbs/Head and Pigs/Sow



Source: USDA/FAS

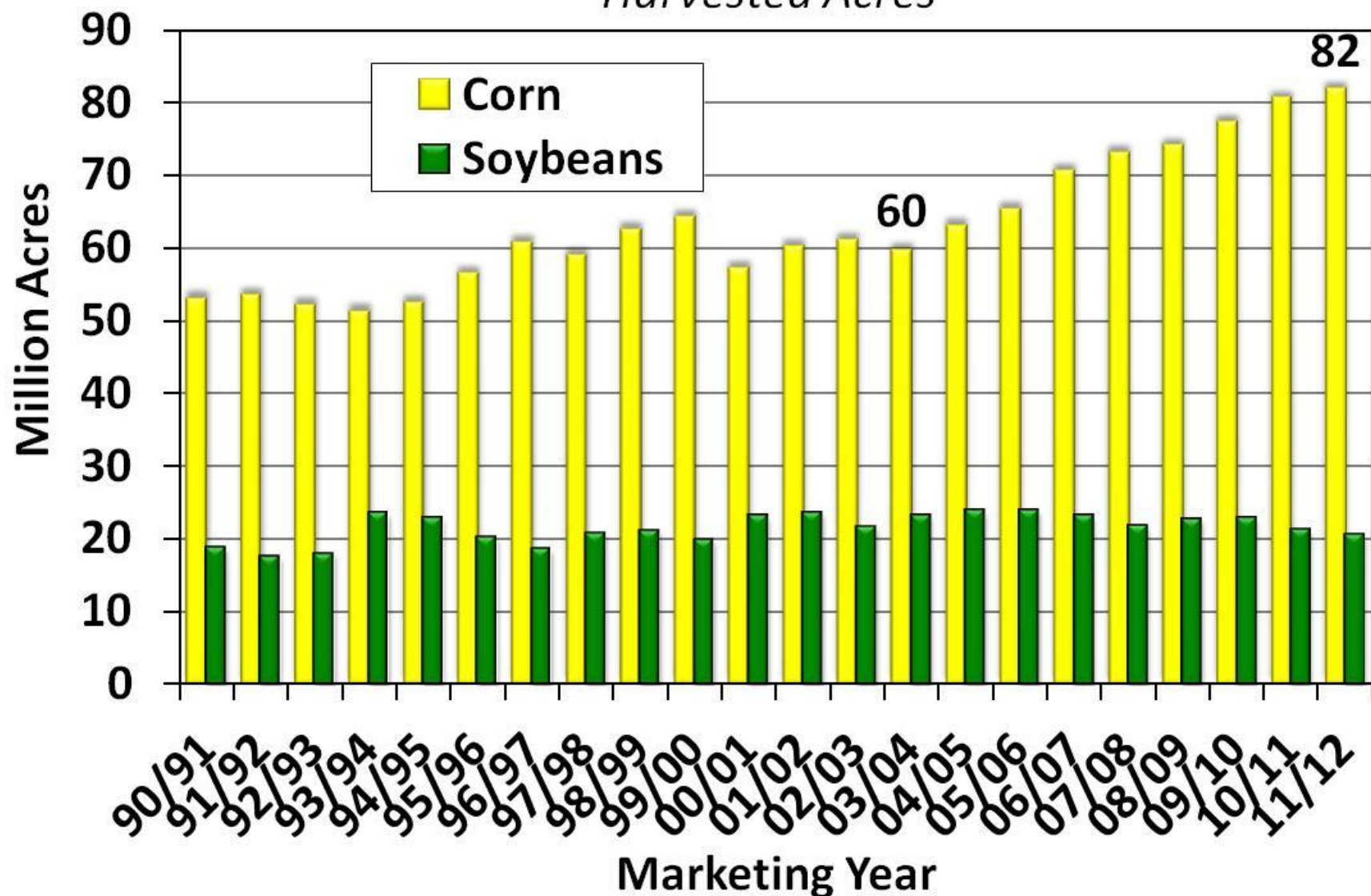
China Corn and Soybeans

Production

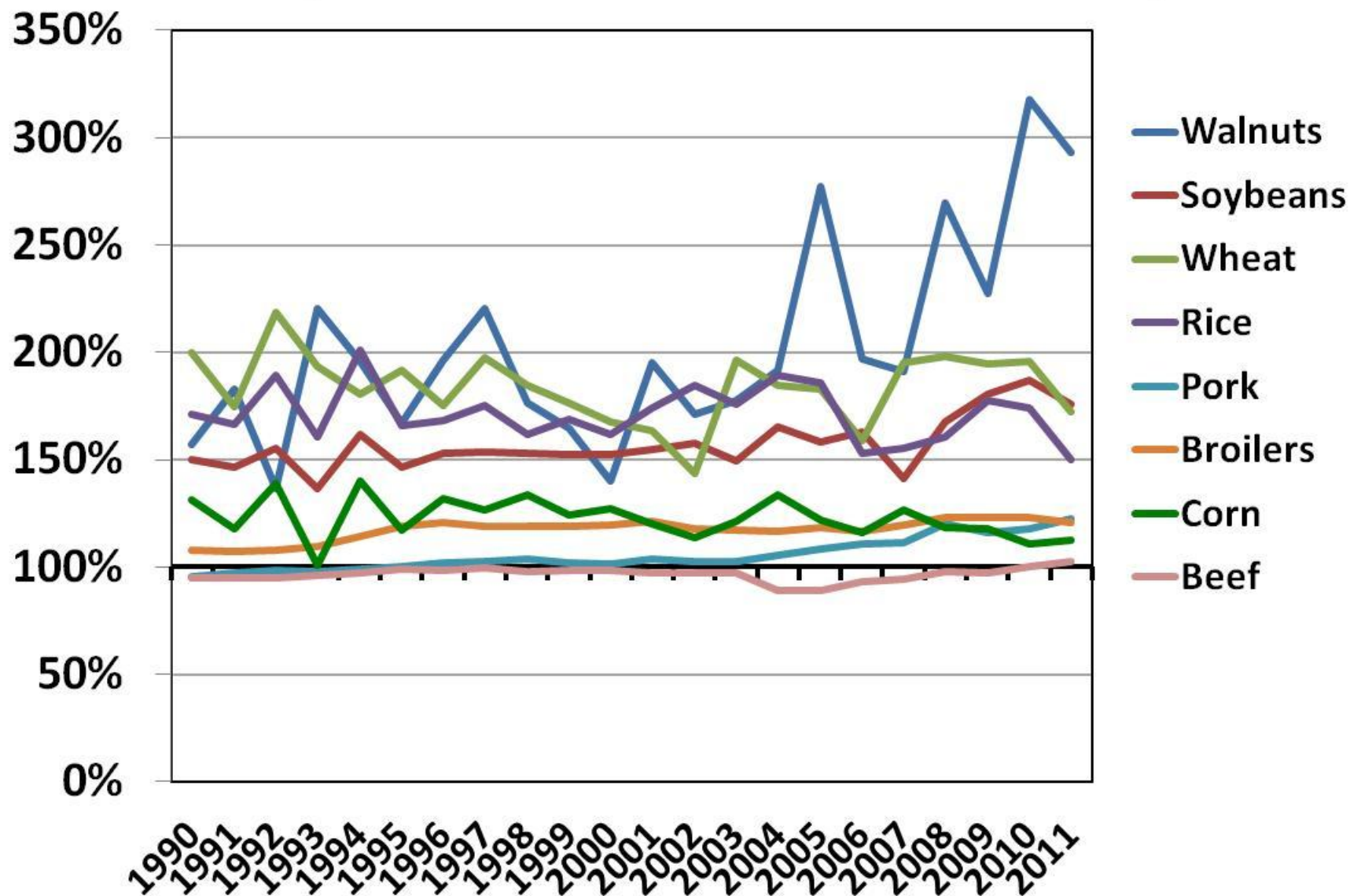


China Corn and Soybeans

Harvested Acres



U.S. Ag Commodities: Self Sufficiency



Source: USDA/FAS



Russian Pork Imports

FEBRUARY 2012



Prepared Exclusively for

Current Situation

Russia's pork/pvm imports ended the year just by a big shift for 2011 was the decline in Brazil's imports post the year, down 96,647 mt. Germany's shipments also fell

Global AgriTrends

International Meat Market Update

Mid March 2011

Volume 7 Issue 8

Japan Earthquake/Tsunami Impacts

While it is difficult to write about the Japanese situation in light of the tragic circumstances and loss of life, the widespread market volatility in recent days warrants discussion. As fellow citizens of planet earth and participants in the agriculture sector, our sympathies are with those so sorely affected by this tragedy. As of Thursday, March 17th, over 5,300 have been confirmed dead, 9,300 missing and 430,000 are living in temporary shelters.

First of all, know one currently knows the extent of future damage from the nuclear reactor situation. We offer no speculation on the potential outcomes relating to the nuclear issue. Further, no official livestock estimates have been released as of this writing. We seek only to provide context around the current crisis and offer our opinions.

The 3 hardest-hit prefectures (Iwate, Miyagi, and Fukushima) represent the following shares of livestock/poultry:

Hogs: 9%
Beef cows: 10%
Broilers: 19%
Dairy cows: 6%

While initial ag concerns focused around grain exports and demand, analysts are recently softening the stance. Northern ports are not as significant as the larger ports in the South and imported feed demand is not expected to drop.

As we consider the future relating to food and ag relationship with Japan, here are a few key points:

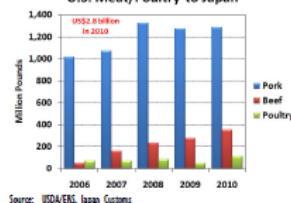
- Considering possible radiation contamination, imported foods may see increased value through the remainder of 2011.

Bottom Line

- The nuclear situation remains uncertain at this point, driving strong volatility in overall financial markets.
- Beef, pork and poultry imports will likely increase to some degree in 2011. Official assessments of loss have not been reported for livestock and ag products yet. Japan reported Jan 1 stocks of pork at 168,003 mt and Jan 1 beef stocks at 91,512 mt.
- If a significant radiation release occurs, imported food may see demand grow rapidly.

- A reported 17% of Japan's feed milling capacity is in the hardest hit region and while damage is reported the extent is unknown.
- In 2010, Japan imported 57% of its beef consumption, 47% of its pork consumption and 37% of its broiler consumption.
- The market impact has been confusing as hog and cattle futures initially reacted negatively to the Japan situation. However, consider this: Over the past 3 months, non-commercial mt long (spec) positions in the live cattle markets represent 23% of total open interest (10-yr avg is 16%). For lean hog futures the percentage is 16% (10-yr avg is 6%). The "outside money" influence on futures has been evident. While the Japan event is likely to increase demand for imported beef and pork, futures have pulled lower (clearly lower for beef) as fundamental supply/demand variables have taken a back seat to overall global financial fundamentals. Livestock futures will remain somewhat in "three-jerk" mode until stability resumes in the broad global markets.

U.S. Meat/Poultry to Japan



Source: USDA/ENR, Japan Customs

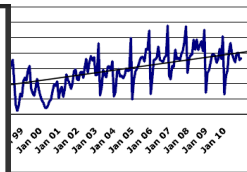
RUSSIAN PORK IMPORTS

-- BY COUNTRY --

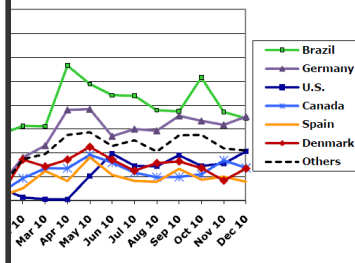
Pork-only, no offal/variety meats

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MONTHLY TREND

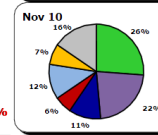
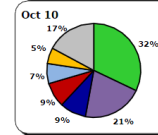
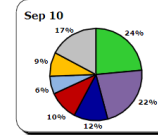
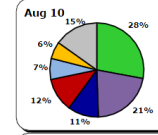
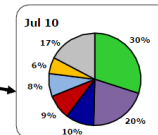


TRENDS BY SUPPLIER



PORK IMPORTS, BY SUPPLIER - METRIC TONS

	10	Chg	%	2009 (1-12)	2010 (1-12)	Chg	%
	307	-28,677	-28%	837,245	832,302	-4,943	-1%
	262	-16,599	-49%	260,158	241,242	-18,916	-7%
	601	-3,987	-18%	153,955	173,357	19,403	13%
	359	-872	-8%	136,390	68,574	-67,816	-50%
	871	3,378	97%	77,186	85,595	8,408	11%
	969	-1,044	-21%	50,841	74,286	23,445	46%
	762	-5,755	-46%	47,536	56,713	9,177	19%
	530	-3,880	-61%	38,701	43,009	4,308	11%
	953	82	1%	72,478	89,526	17,048	24%



- # Other reports:
- Japan
 - China/HK
 - S. Korea
 - Australia
 - Mexico
 - Russia
 - Denmark and Canada (exports)

Brett Stuart

From: Brett Stuart [bstuart@globalagritrends.com]
Sent: Friday, January 06, 2012 9:28 AM
To: list-serv@globalagritrends.com
Subject: MARKET UPDATE: Chinese Hog Prices Gaining Attention

Reuters reporter Nick Edwards posted an article yesterday stating that, "*The price of pork in China could soon rival U.S. payrolls as the world's most watched economic indicator*" <http://reut.rs/zAhFE9>. Maybe, maybe not, but Chinese hog prices are the nearest thing we have not only to forecast Chinese economic behavior, but also China's appetite for imported pork. While pig/pork prices fell from September to November, recent November import data from China and H. Kong showed record large pork imports - both in total and from the U.S.

For the week ended Dec. 30, China's hog prices dropped slightly after posting 3 consecutive weekly gains. The current price of 17.35 rmb/kg is 12.9% below the September highs, but is also 23.4% above levels one year ago. The spread between Chinese and U.S. hog carcasses (estimated equivalent) is now US\$85/cwt; said another way, China hog carcass-equivalent prices were 120% of the U.S. carcass price the last week of 2011. China's hog prices are expected to remain stable in this range, likely declining post-Chinese New Year (1/23/12). However, prices are expected to remain high enough to drive large pork imports even beyond the Chinese holiday.

Bottom Line: China will continue to import large volumes of pork. China/H. Kong's pork/pvm imports are up 24% through Nov 2011, but would be down -9% without U.S. volumes. China/H. Kong will import over 2.2 mmt of pork/pvm in 2011 (over 115,000 loads) from all suppliers, the pig equivalent of 9.8 million hogs; the equivalent of 9% of U.S. production or 1.4% of Chinese production. Look to see China remain a significant pork importer in 2012 as well. Note the charts below and China Daily article on China's declining food self-sufficiency.

See the following charts:

Weekly Chinese Hog Prices: <http://bit.ly/ygcf7R>

China-U.S. Carcass Price Spread: <http://bit.ly/yOOdng>

China Pork Imports (from the U.S.) and Prices: <http://bit.ly/AmDqml>

A good China Daily article: [China to rely more on foreign food suppliers to feed population](#)