



Peoples Republic of China

中华人民共和国

An expats persepective



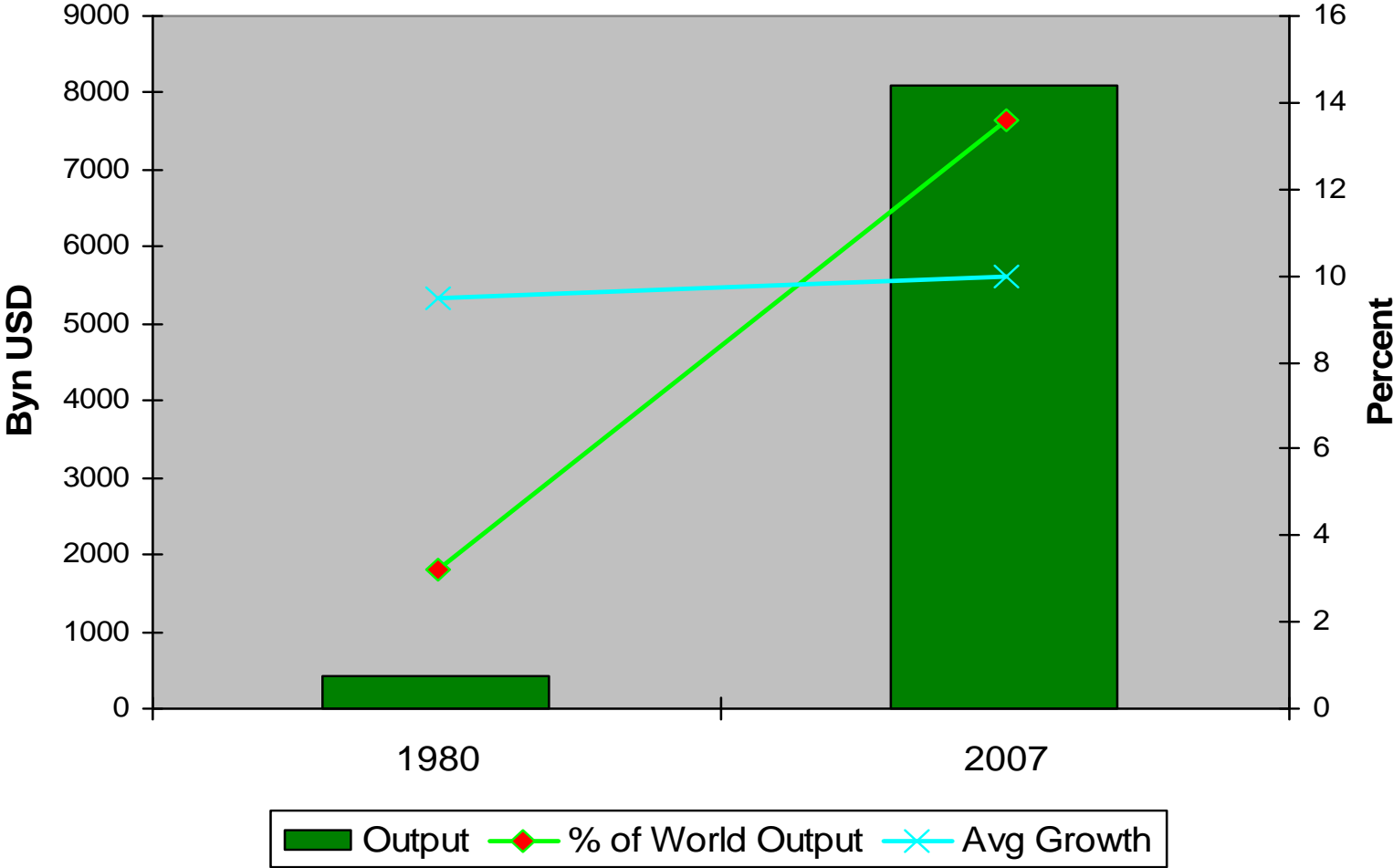
China Economic Growth Status

Macro Level Analysis

China Grain and Oilseeds Industry

Characteristic and Dynamics

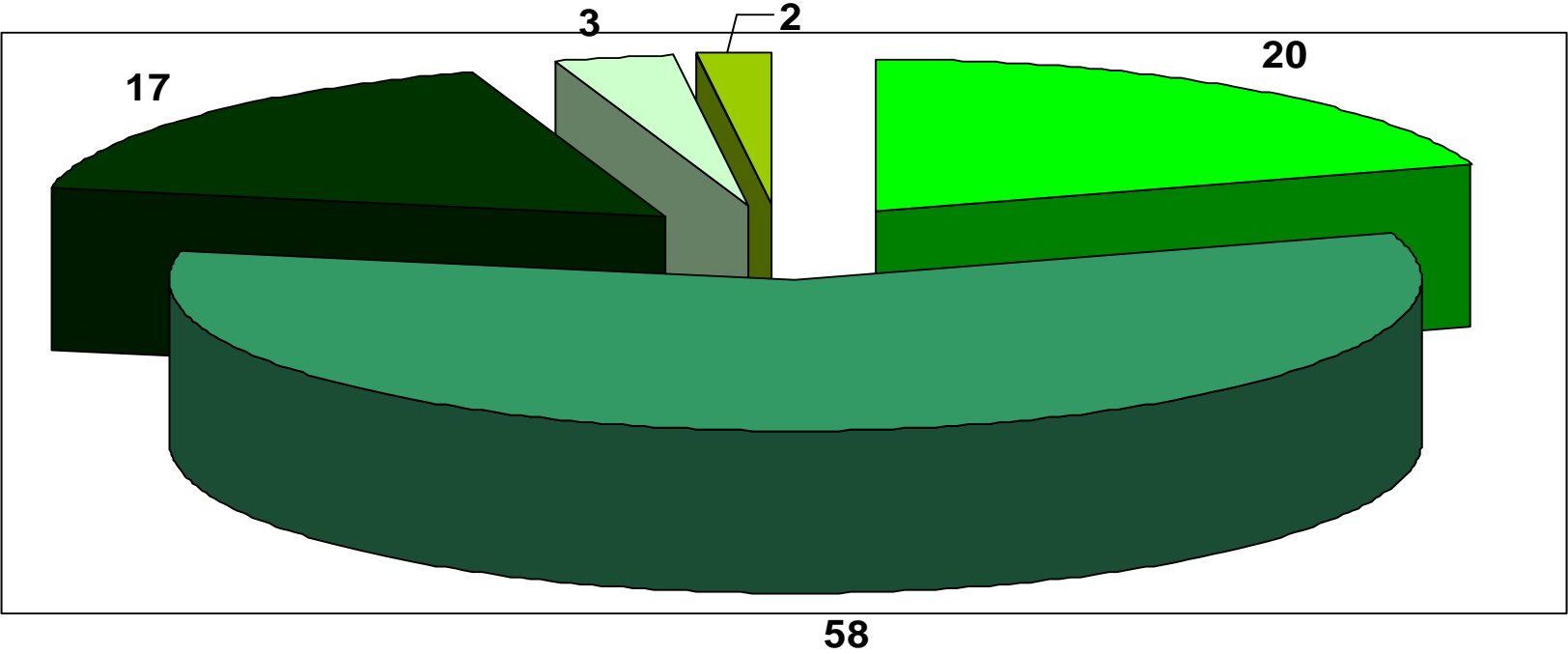
The Background - Chinese Growth



Last year China generated a quarter of the world's economic growth, more than the US.

On current trends, China will over take the US sometime between 2015 and 2025 to become the world's largest economy

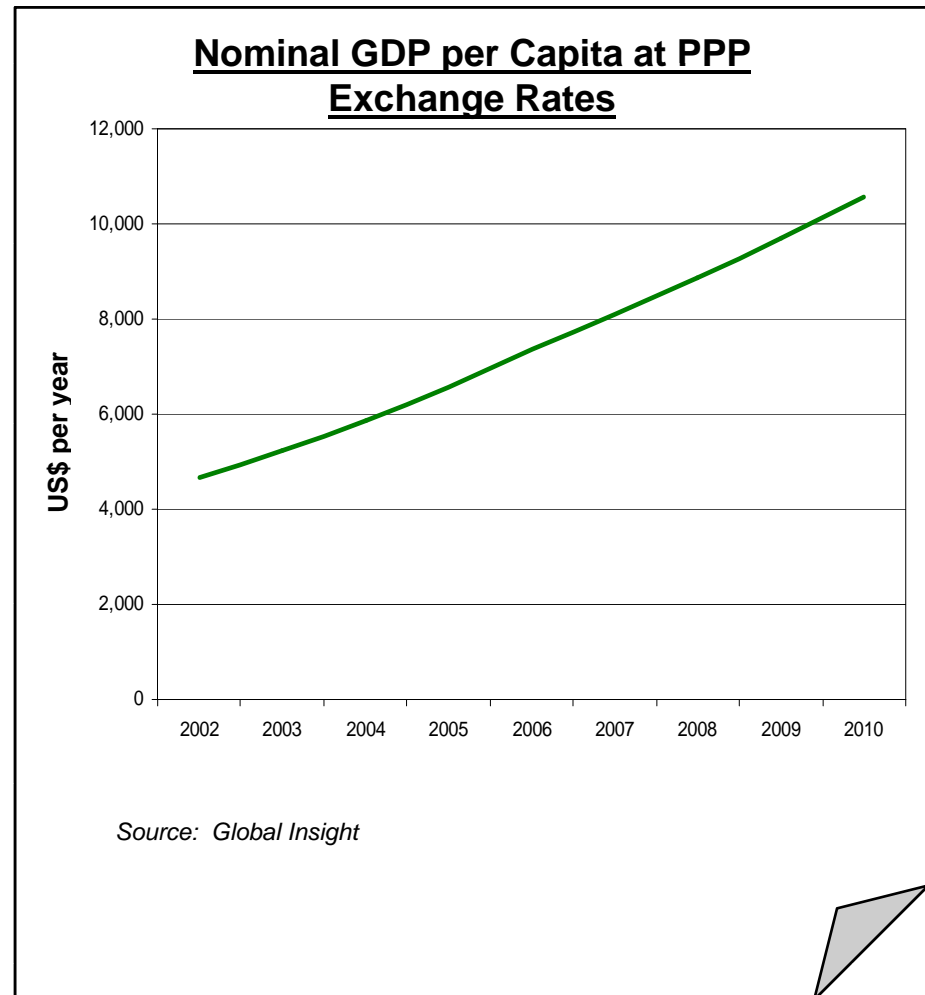
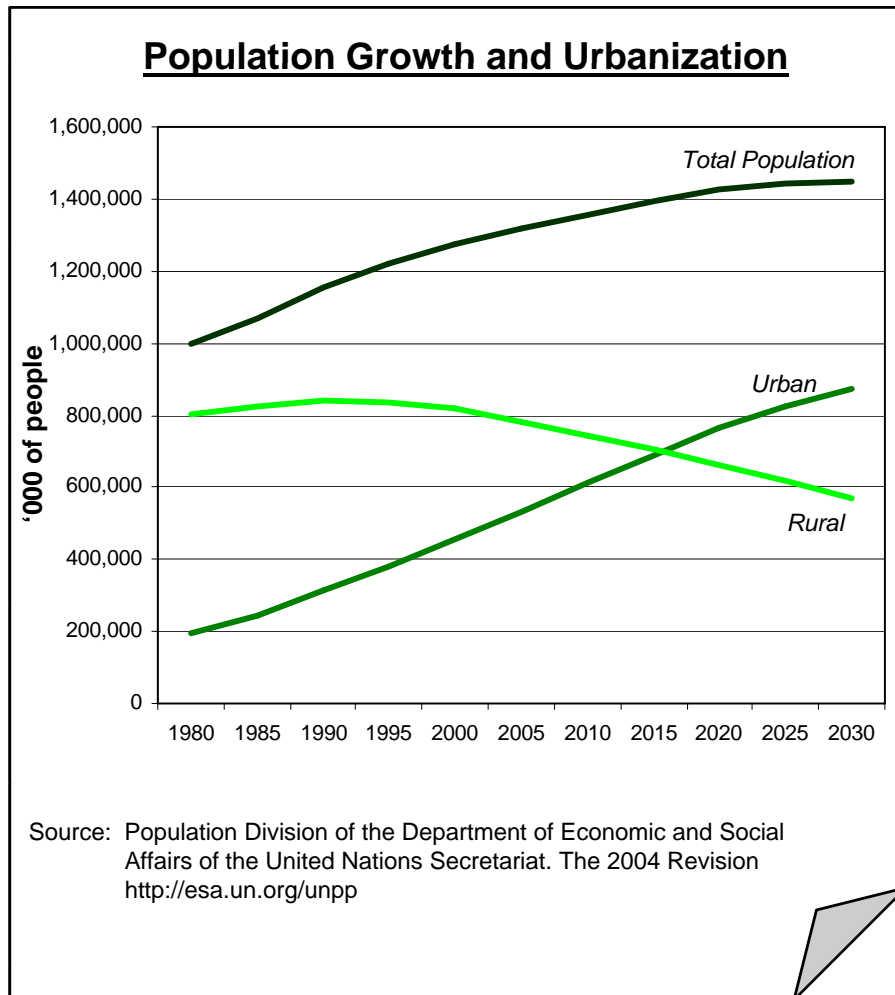
20 % of the worlds population now live in China...



■ China ■ Rest of the World ■ India ■ Brazil ■ Russia

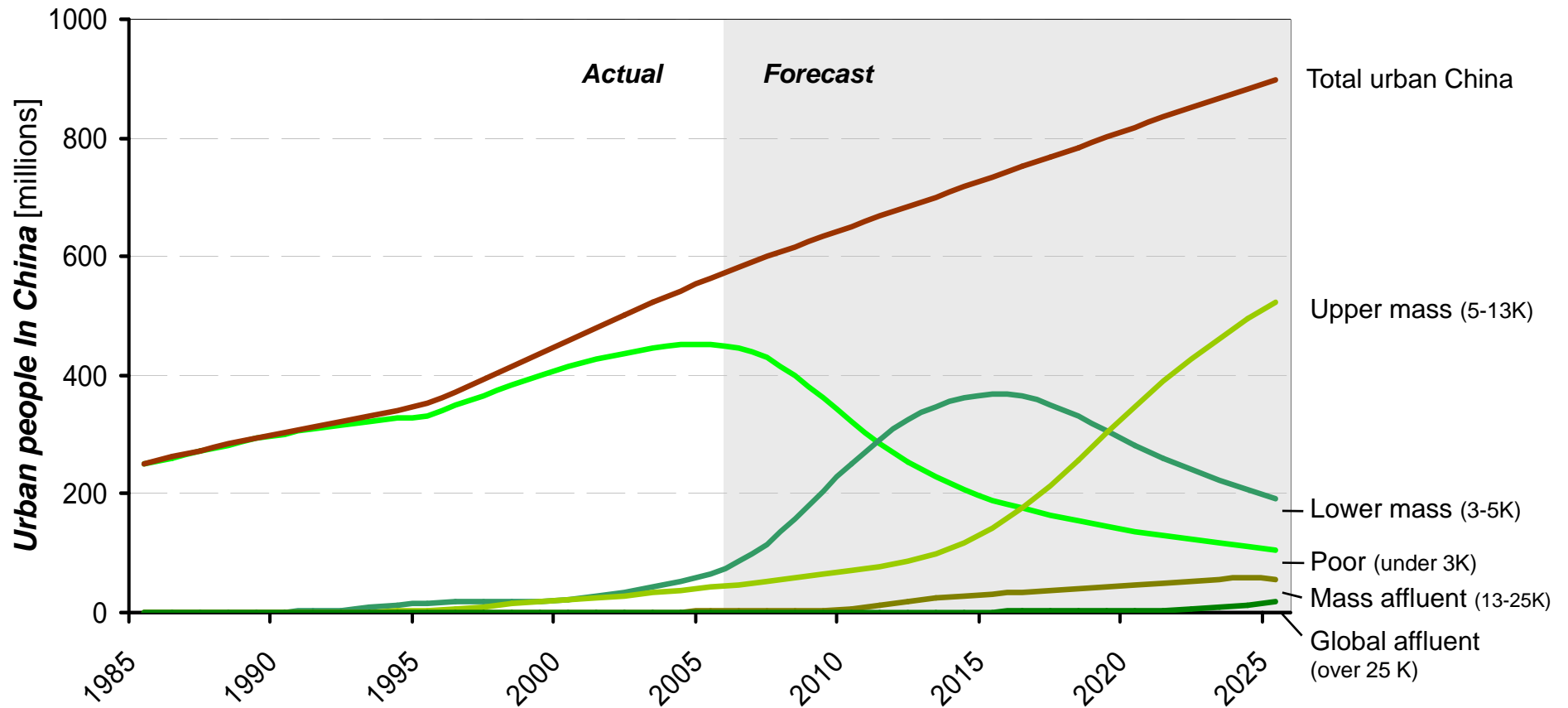
Indicators Point to Growth in (Processed) Food Consumption in China: GDP Per Capita Growth, Urbanization and Total Population Growth

Quick Scan



The Rise of the Middle Class in China Is Starting to Show – More and More People Will Jump From Lower to Higher Income Classes

Million people; income classes based on annual USD household income in real terms as of 2000

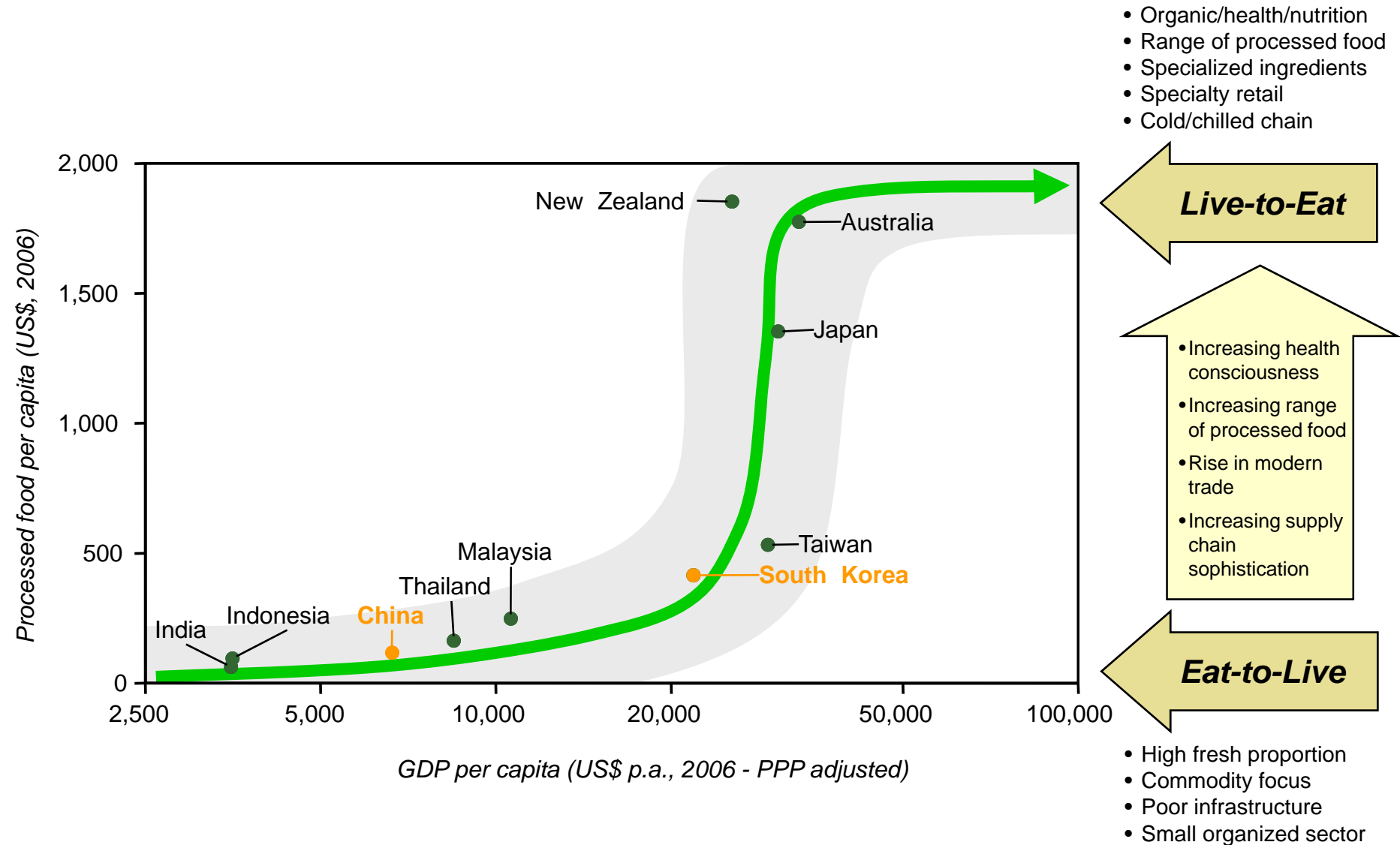


Note: Million people; income classes based on annual USD household income in real terms as of year 2000

Source: McKinsey Global Institute analysis – Q1, 2006 forecasts

(Processed) Food Consumption in Asian Markets is Expected to Follow an S-curve

Processed Food Consumption Per Capita in Relation to GDP Per Capita Development



Source: Datamonitor, Euromonitor, Bain

...But it is still a contrast between new



.....and old



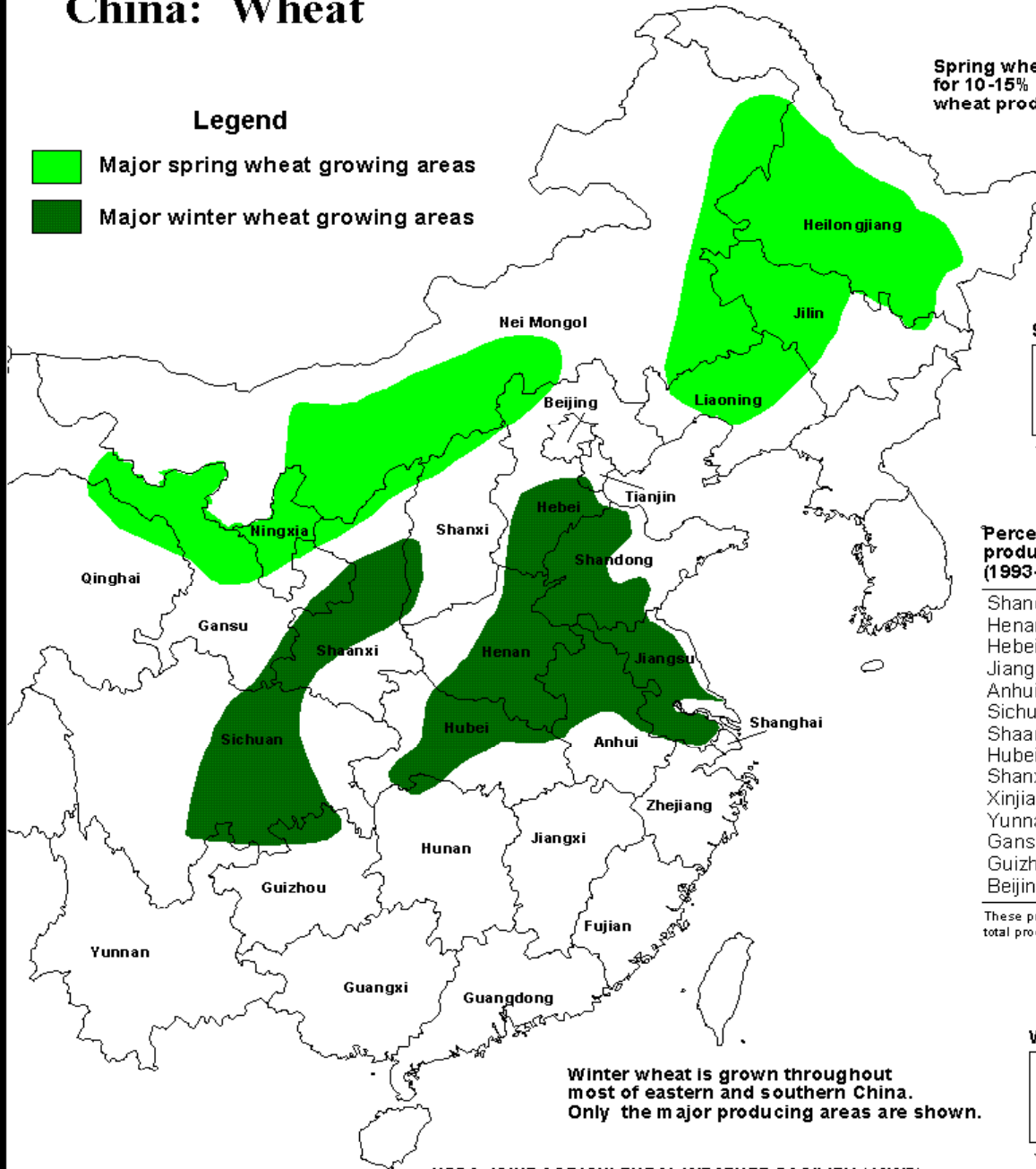
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China: Wheat

Legend

- Major spring wheat growing areas
- Major winter wheat growing areas



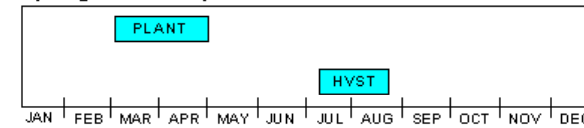
Spring wheat accounts for 10-15% of total wheat production.

Percent of spring wheat production by province (1993-1997)

Heilongjiang	28.5%
Inner Mongolia	24.4%
Gansu	18.6%
Xinjiang	10.3%
Ningxia	6.4%
Qinghai	6.3%
Liaoning	4.9%
Jilin	1.8%

These provinces account for 99.2% of total production.

Spring wheat crop calendar for northern China



Percent of winter wheat production by province (1993-1997)

Shandong	21.2%
Henan	20.4%
Hebei	11.1%
Jiangsu	9.9%
Anhui	7.9%
Sichuan	7.4%
Shaanxi	4.6%
Hubei	4.1%
Shanxi	3.1%
Xinjiang	2.9%
Yunnan	1.4%
Gansu	1.4%
Guizhou	1.1%
Beijing	1.0%

These provinces account for 97.5% of total production.

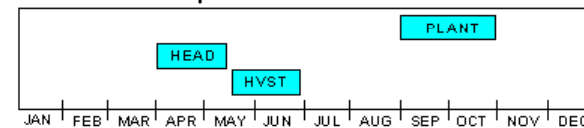
Percent of all wheat production by province (1993-1997)

Shandong	18.9%
Henan	18.2%
Hebei	9.9%
Jiangsu	8.8%
Anhui	7.0%
Sichuan	6.6%
Shaanxi	4.2%
Xinjiang	3.7%
Hubei	3.6%
Gansu	3.0%
Heilongjiang	2.9%
Shanxi	2.8%
Inner Mongolia	2.6%
Yunnan	1.3%
Guizhou	1.0%

These provinces account for 94.5% of total production.

Winter wheat is grown throughout most of eastern and southern China. Only the major producing areas are shown.

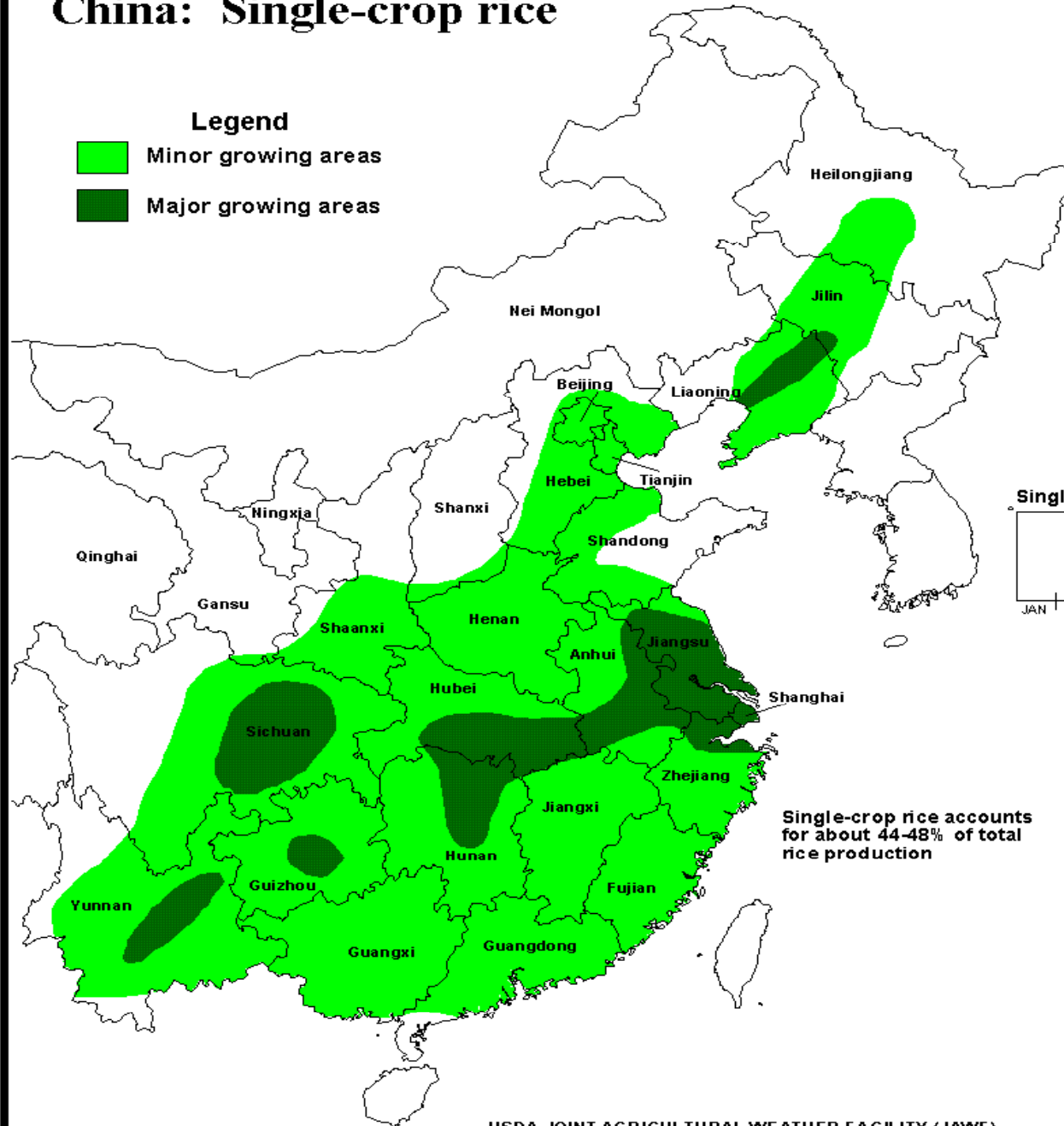
Winter wheat crop calendar for the North China Plain



China: Single-crop rice

Legend

- Minor growing areas
- Major growing areas

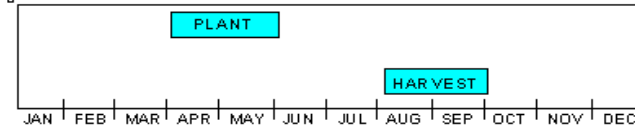


Percent of single crop rice production by province (1993-1997)

Sichuan	23.0%
Jiangsu	15.7%
Hubei	9.6%
Anhui	8.4%
Heilongjiang	6.2%
Yunnan	5.1%
Guizhou	4.7%
Hunan	3.8%
Liaoning	3.7%
Jilin	3.6%
Henan	3.4%
Zhejiang	2.3%
Fujian	2.1%
Jiangxi	1.8%
Shandong	1.1%
Hebei	1.0%

These provinces account for 95.5% of total production.

Single-crop rice calendar for most of China



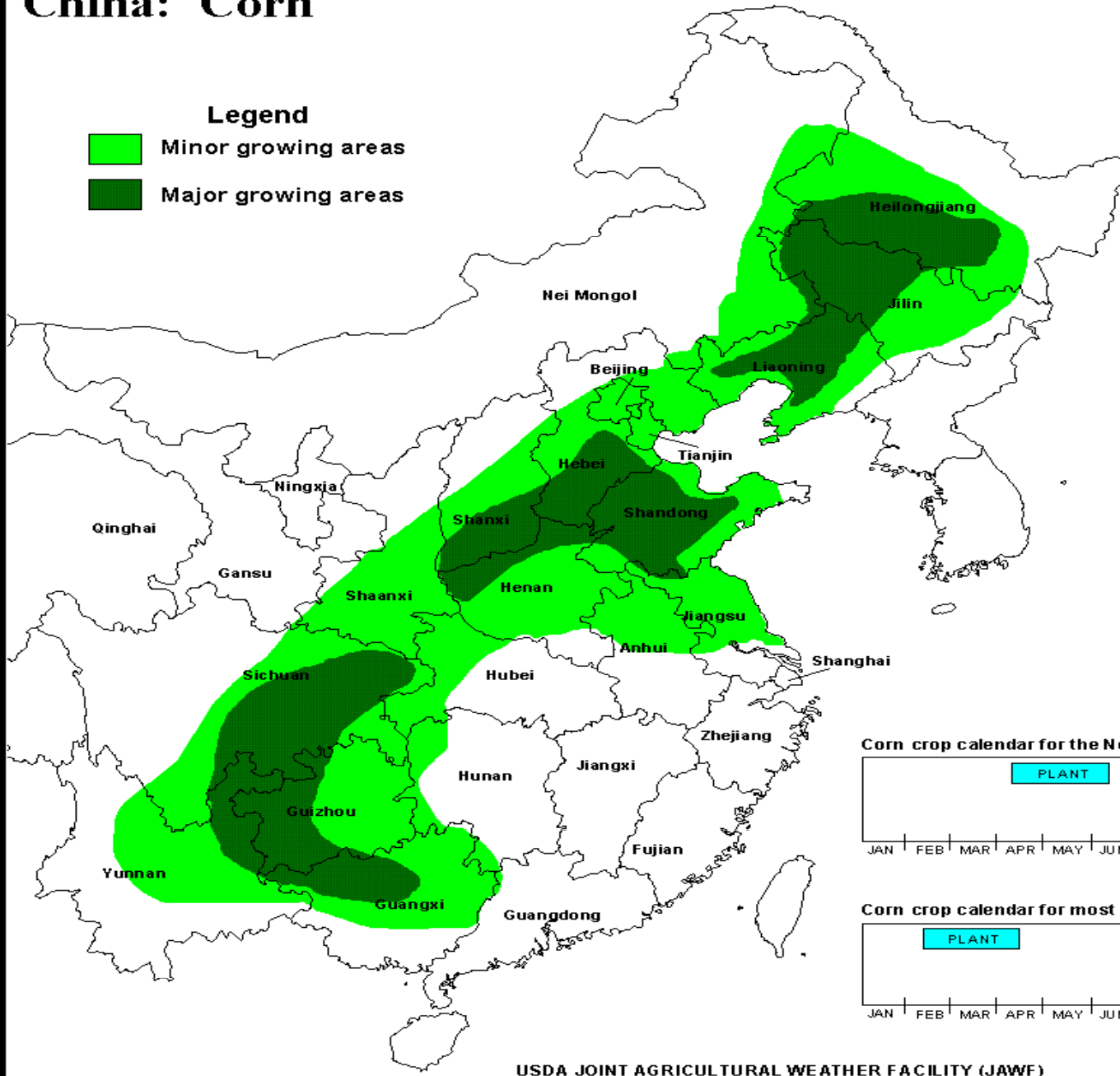
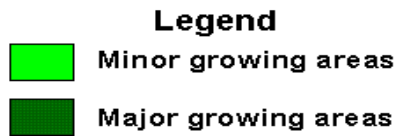
Percent of all rice production by province (1993-1997)

Hunan	13.0%
Sichuan	11.2%
Jiangsu	9.5%
Hubei	9.2%
Jiangxi	8.2%
Guangdong	7.9%
Anhui	6.8%
Zhejiang	6.6%
Guangxi	6.5%
Fujian	3.9%
Heilongjiang	3.0%
Yunnan	2.7%
Guizhou	2.3%
Liaoning	1.8%
Jilin	1.7%
Henan	1.6%

These provinces account for 98% of total production.

Single-crop rice accounts for about 44-48% of total rice production

China: Corn

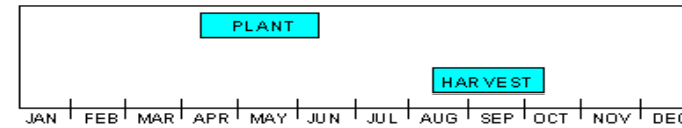


Percent of corn production by province (1993-1997)

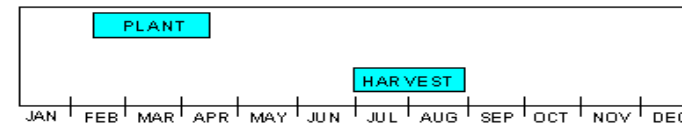
Jilin	13.3%
Shandong	12.6%
Heilongjiang	10.9%
Hebei	9.9%
Henan	8.3%
Liaoning	7.5%
Sichuan	6.1%
Nei Monggol	5.3%
Shanxi	3.4%
Shaanxi	3.2%
Yunnan	3.1%
Jiangsu	2.3%
Guizhou	2.3%
Xinjiang	2.3%
Anhui	2.1%
Guangxi	1.4%
Gansu	1.4%
Hubei	1.3%
Beijing	1.2%

These provinces account for 97.9% of total production.

Corn crop calendar for the North China Plain and Manchuria



Corn crop calendar for most of southern China



USDA JOINT AGRICULTURAL WEATHER FACILITY (JAWF)

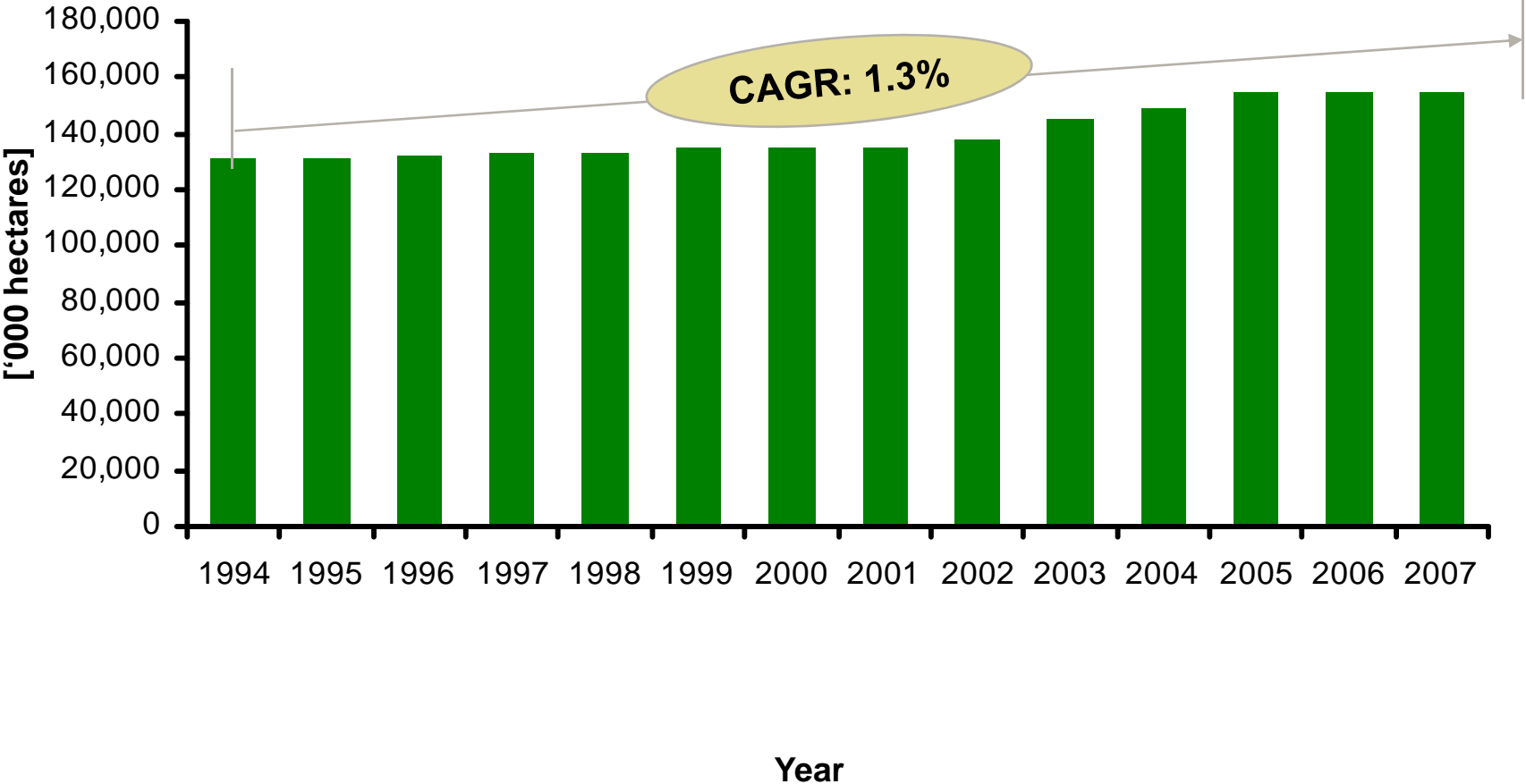
China, with 20 percent of the world's population....



- but only **7 percent of its arable land**, has been losing land to factories and houses, airports and roads in the last 20 years of breakneck industrial growth.
- China's 140 million hectares of arable land covers just 13 percent of its territory. This amounts to **0.27 hectares per capita**, less than **40 percent** of the world per capita average, one-eighth the U.S. level, and one-half that of India's level.
- China became a **net importer** of food in 2004

There Is Not Enough Arable- and Cropland Available to Satisfy the Growing Protein Consumption in China

Arable and Permanent Cropland Development in China From 1994 to 2007

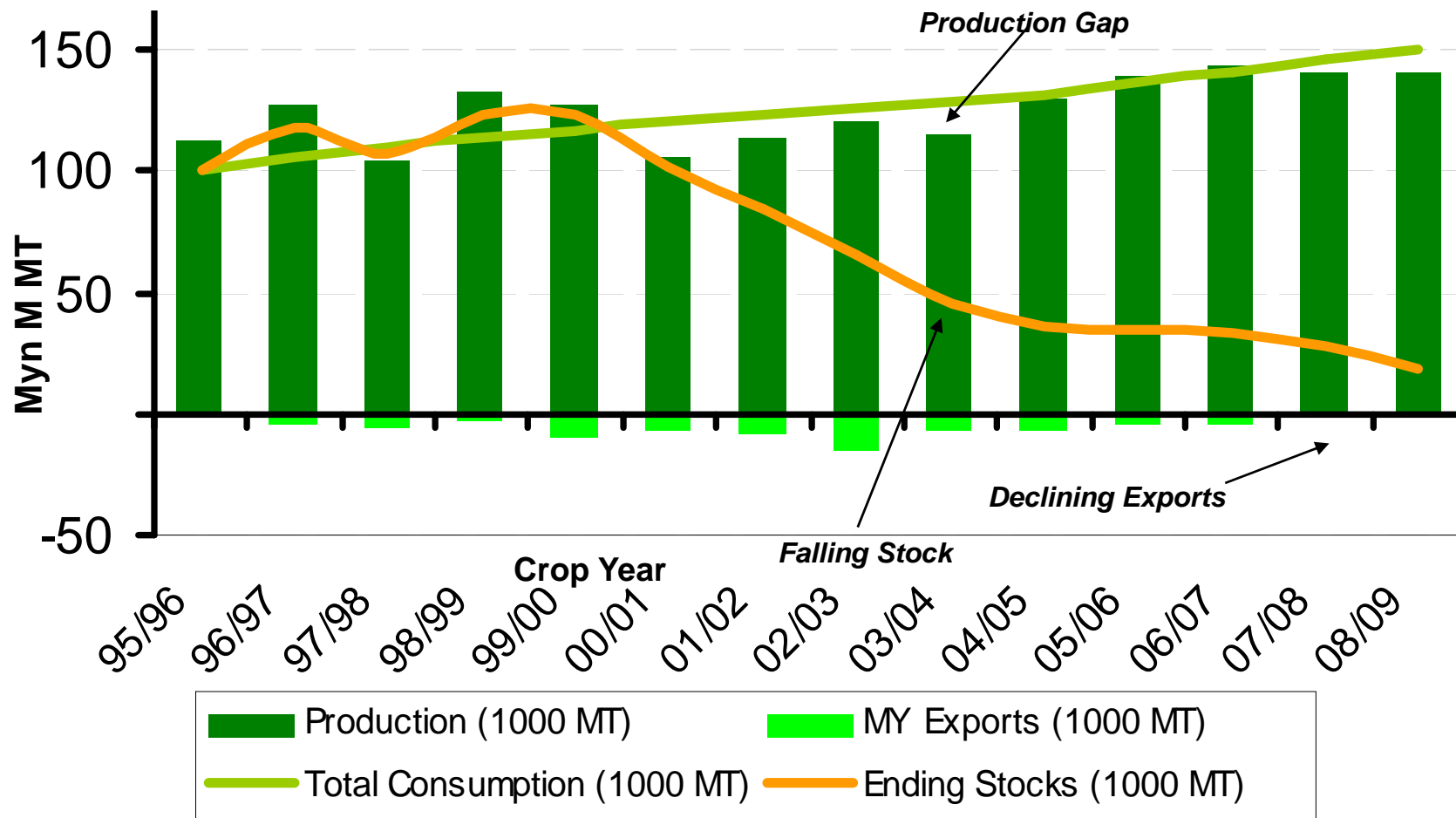


official figures suggest that 15 percent of China's total arable lands are polluted by heavy metals, and more than 40 percent have suffered from soil erosion and desertification

Source: Food and Agriculture Organization of the United Nations (FAO). 2006. FAOSTAT Online Statistical Service. Rome: FAO.

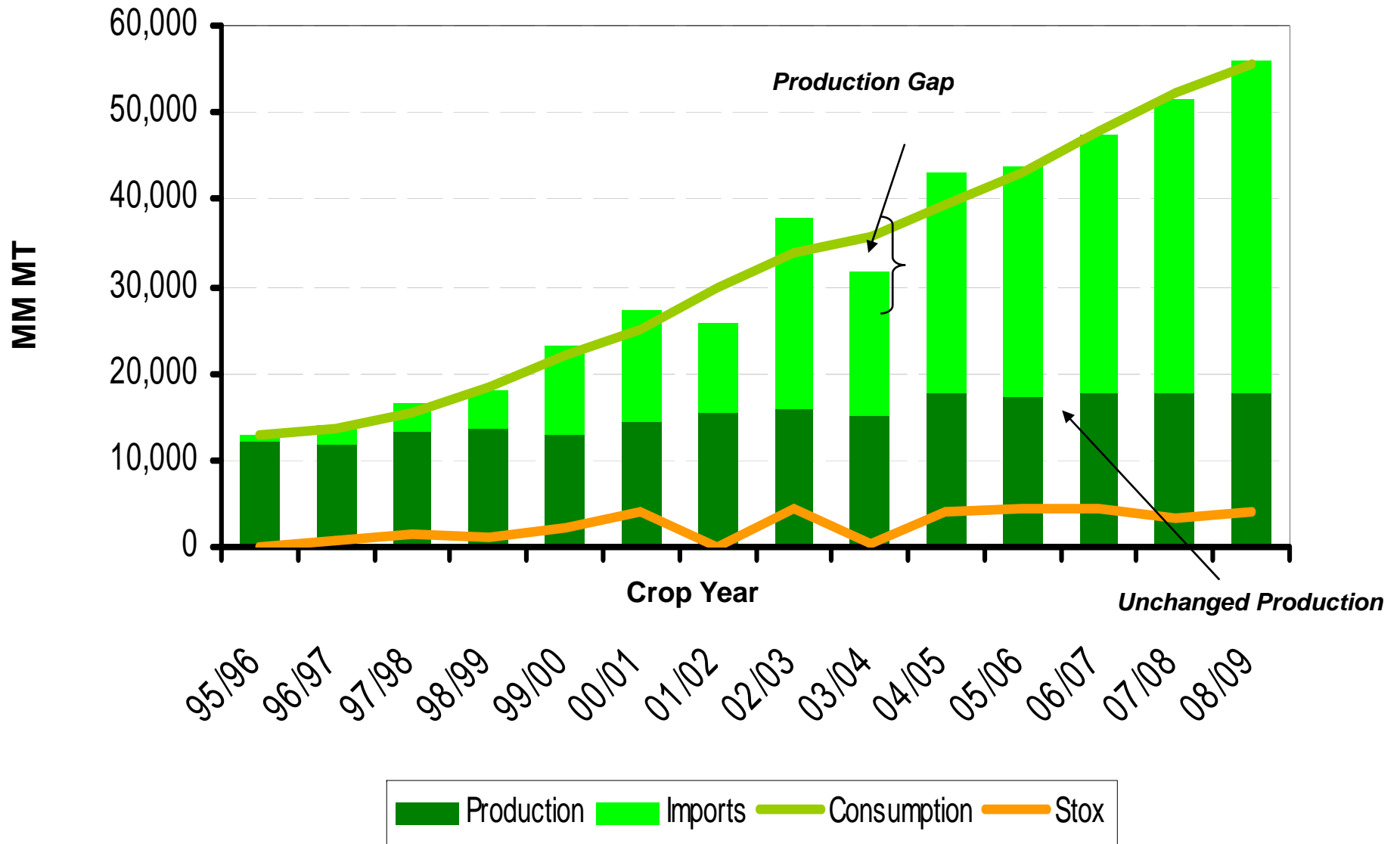
To Illustrate – Today China Is Struggling to Keep up With Its Growing Consumption of Corn

Corn Production, Export and Consumption and Stock Development in China From 1995



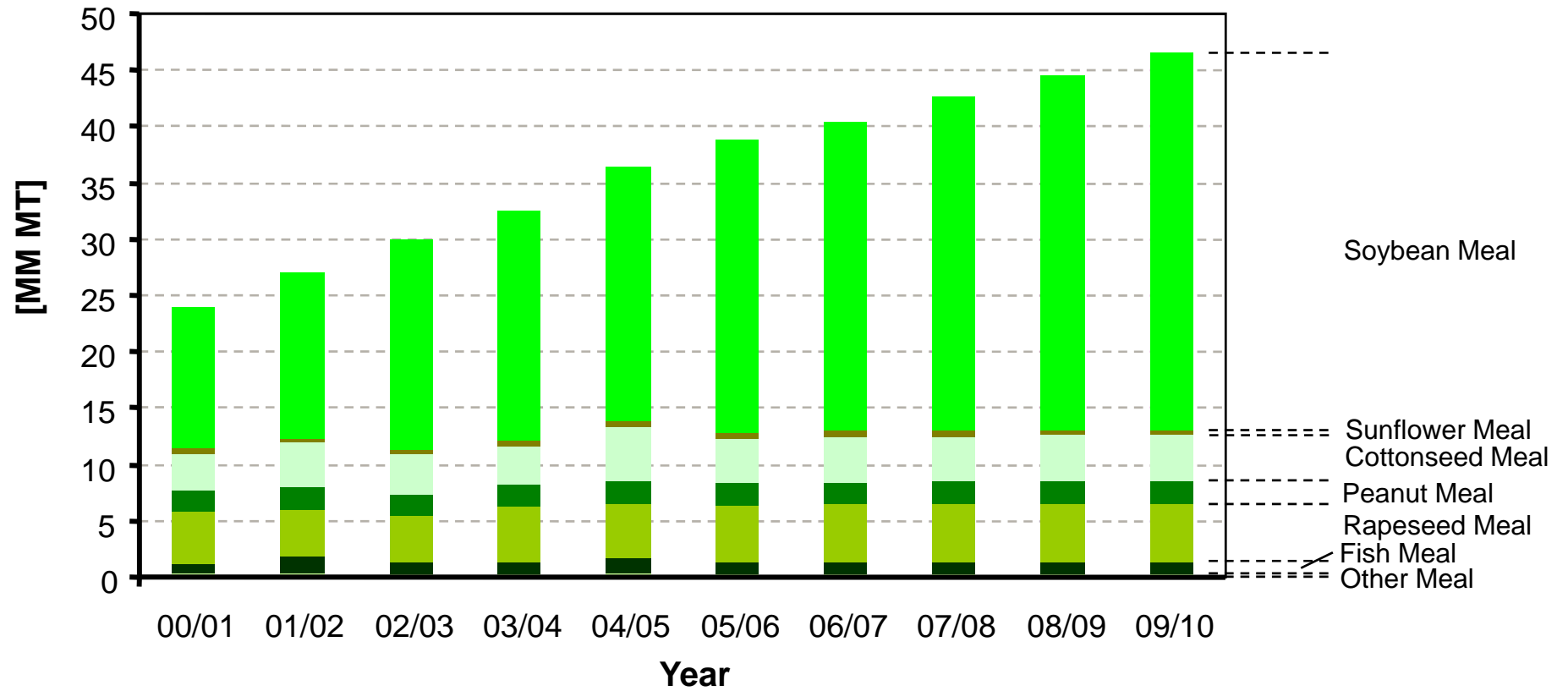
Source: Foreign Agricultural Service, Official USDA Estimates - <http://www.fas.usda.gov/psdonline/psdQuery.aspx>

Soybeans production has lagged domestic demand even longer



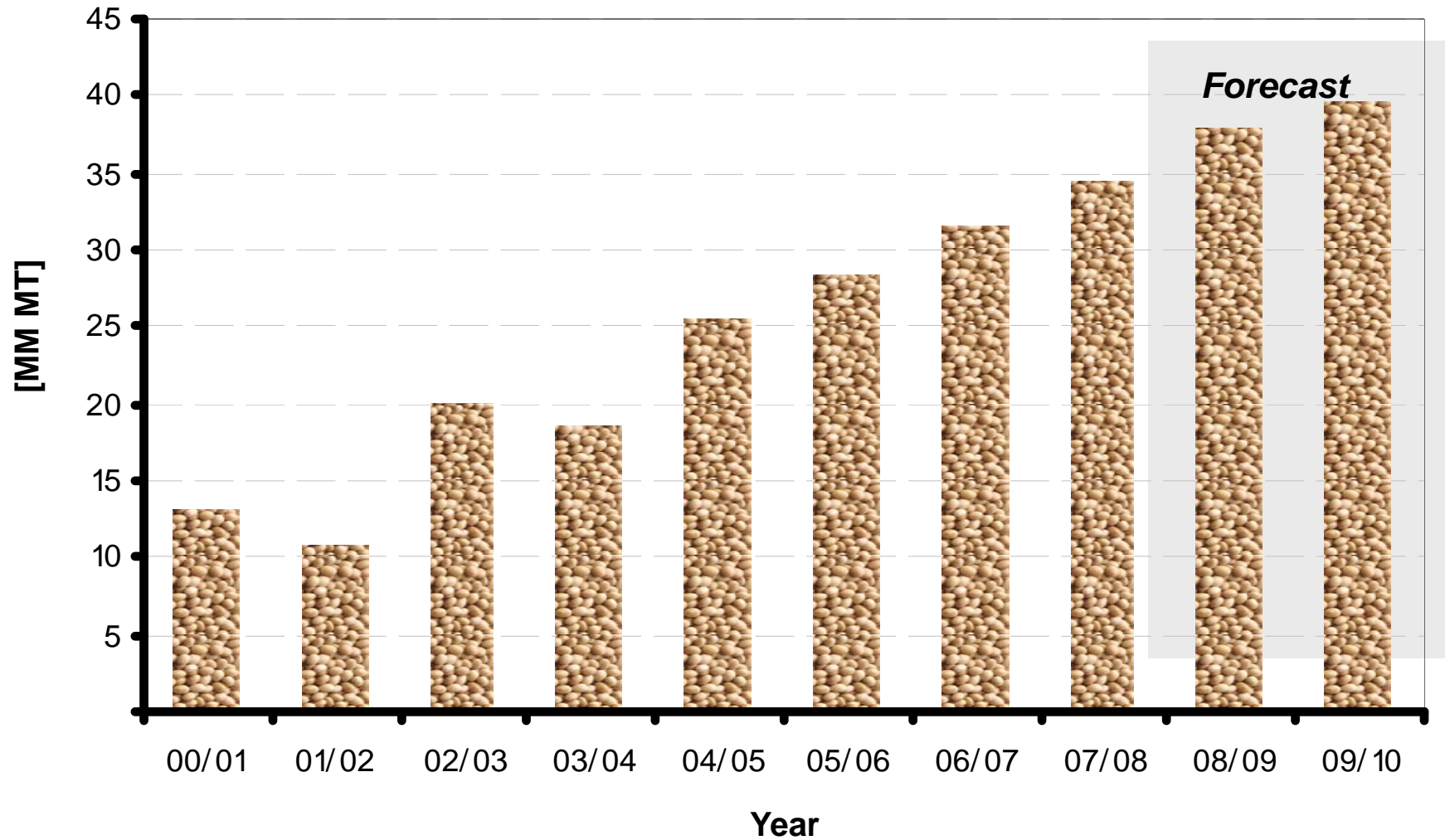
Increasing Vegetable Protein Demand Has Been Met by Imported Soybeans

Protein Feed Demand – History and projections for 2001 to 2010



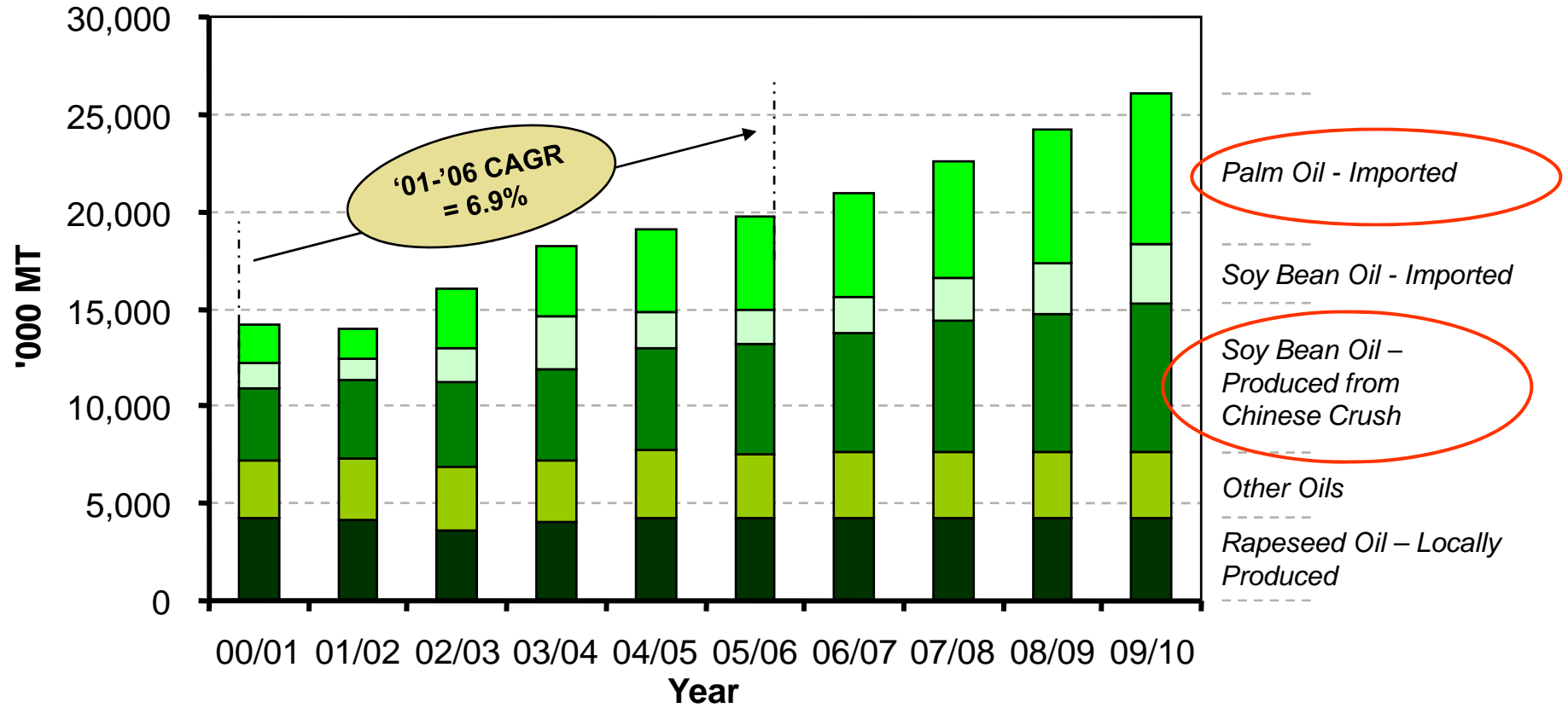
This Trends Is Also Supported by Increased Actual and Projected Imports of Soybeans Into China

Imports of Yellow Soybeans Into China – History and Projections for 2001 to 2010



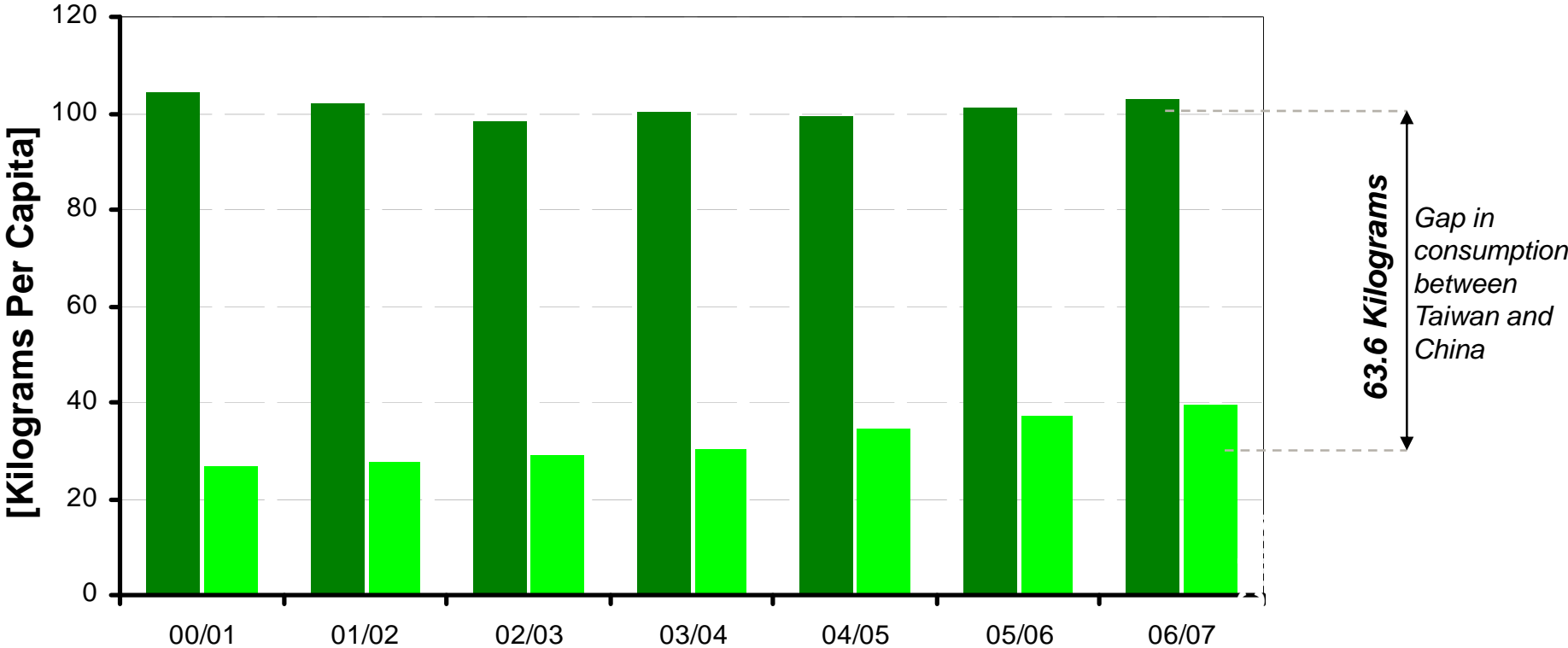
Increasing Oil Demand Will Be Met by Imported Soybeans, Soybean Oil and Palm Oil

History and projections for 2001 to 2010



Analyzing the Gap in Vegetable Protein Per Capita Consumption Between China and Taiwan → There Is Still a Lot of Room to Grow

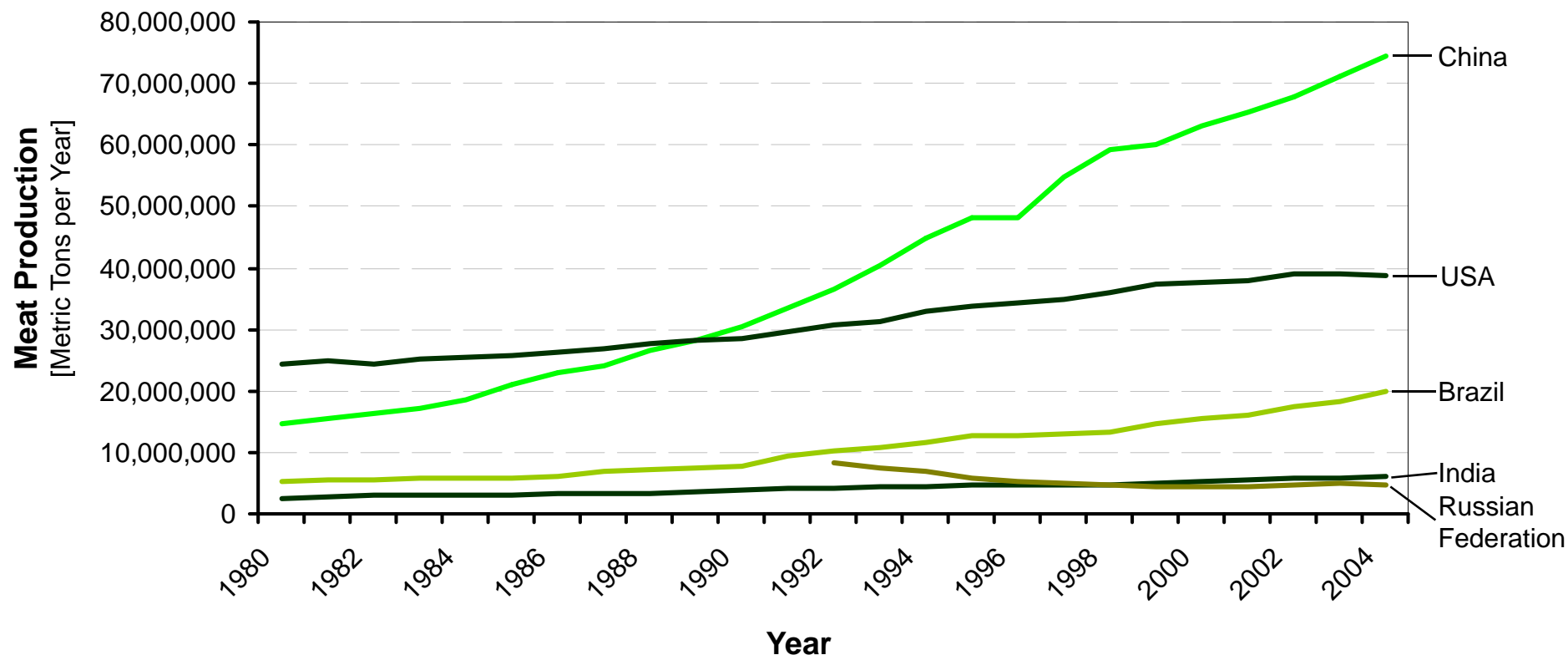
Per Capita Vegetable Protein Usage (Including Fish Meal)



Source: Oil World

Meat Production in China Has Grown Steadily Over the Last Decades

Total Meat Production Development for China and Reference Countries From 1980 to 2004

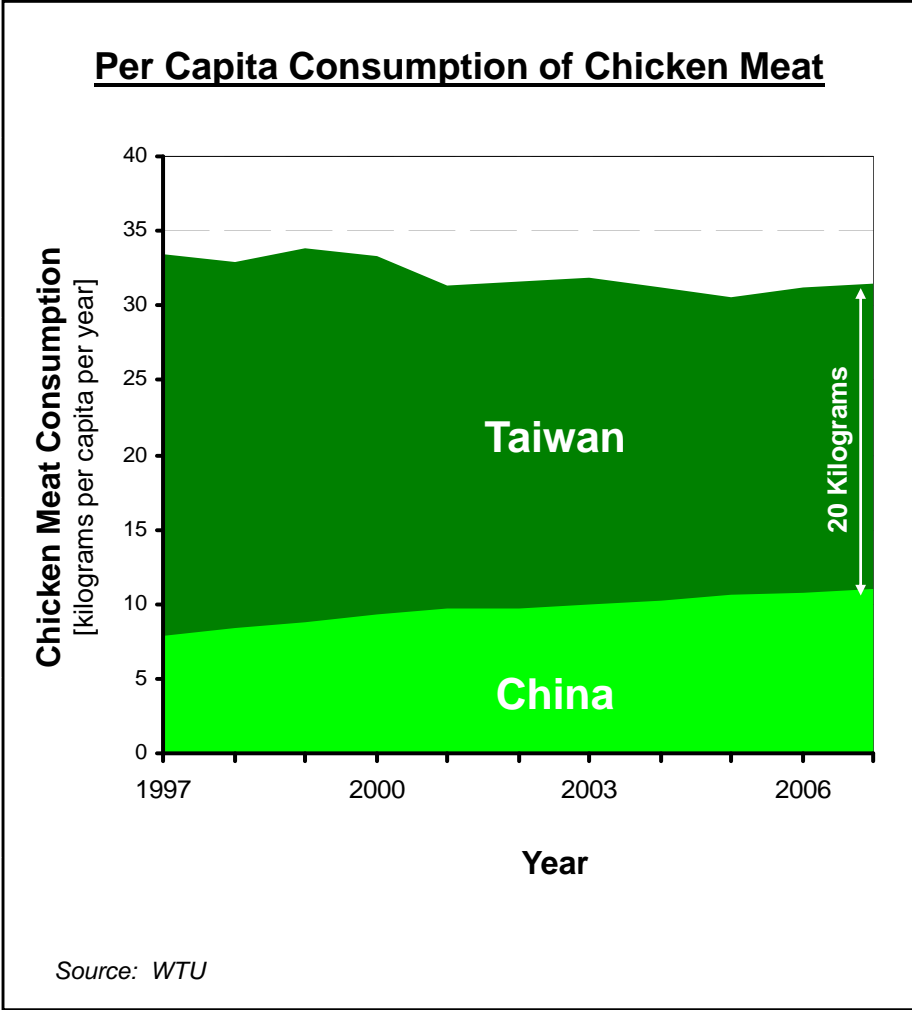
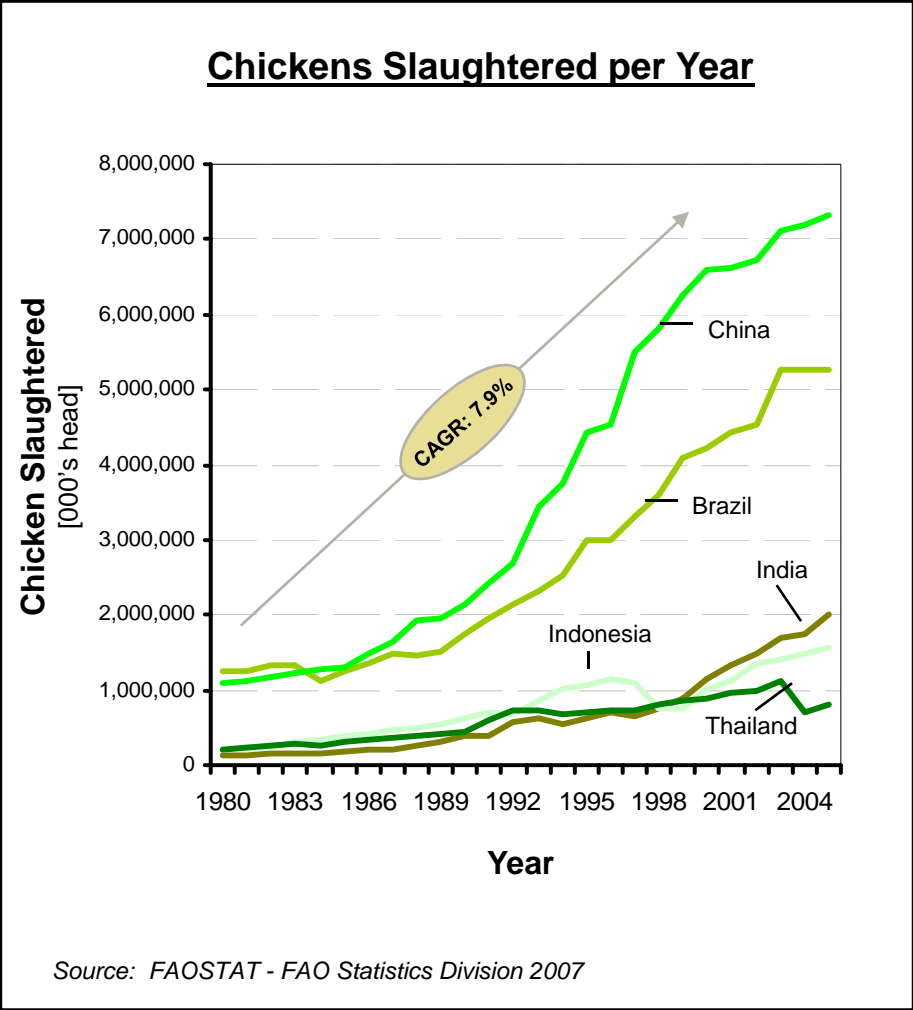


Note: Data describe total meat production that is from both commercial and farm slaughter. Data are given in terms of dressed carcass weight excluding offal and slaughterer fats. Total meat production comprises horse meat poultry meat and meat from all other domestic or wild animals such as camels rabbits reindeer and game animals.

Definition: Meat production data refer to the amount of meat in metric tons produced in a given country or region each year.

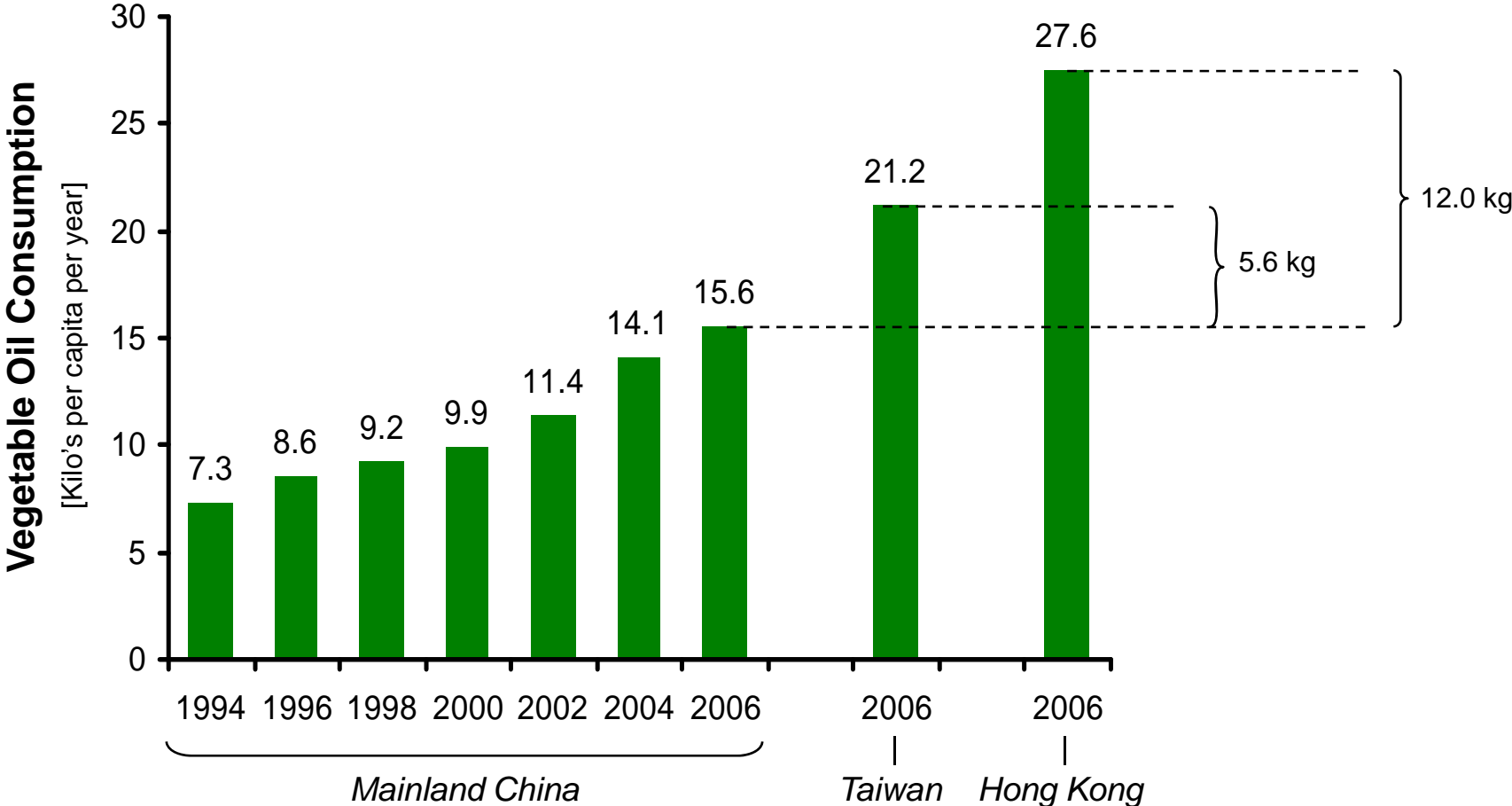
Source: Food and Agriculture Organization of the United Nations (FAO) FAOSTAT on-line statistical service (FAO: Rome 2005). Available at <http://faostat.fao.org>.

In More Detail – The Chicken Industry Is Already Large in China on an Absolute Basis, and It Can Get Even Bigger on a Per Capita Basis



With Close Culinary Affinity to Taiwan and Hong Kong, It Shows That ON AVERAGE Vegoil Consumption in China Still Has Room to Grow

Mainland China vs. Taiwan and Hong Kong



Although Slowing Down, Going Forward Expect The Chinese Growth for Both Protein and Vegoil To Be Strong

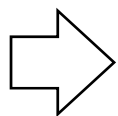
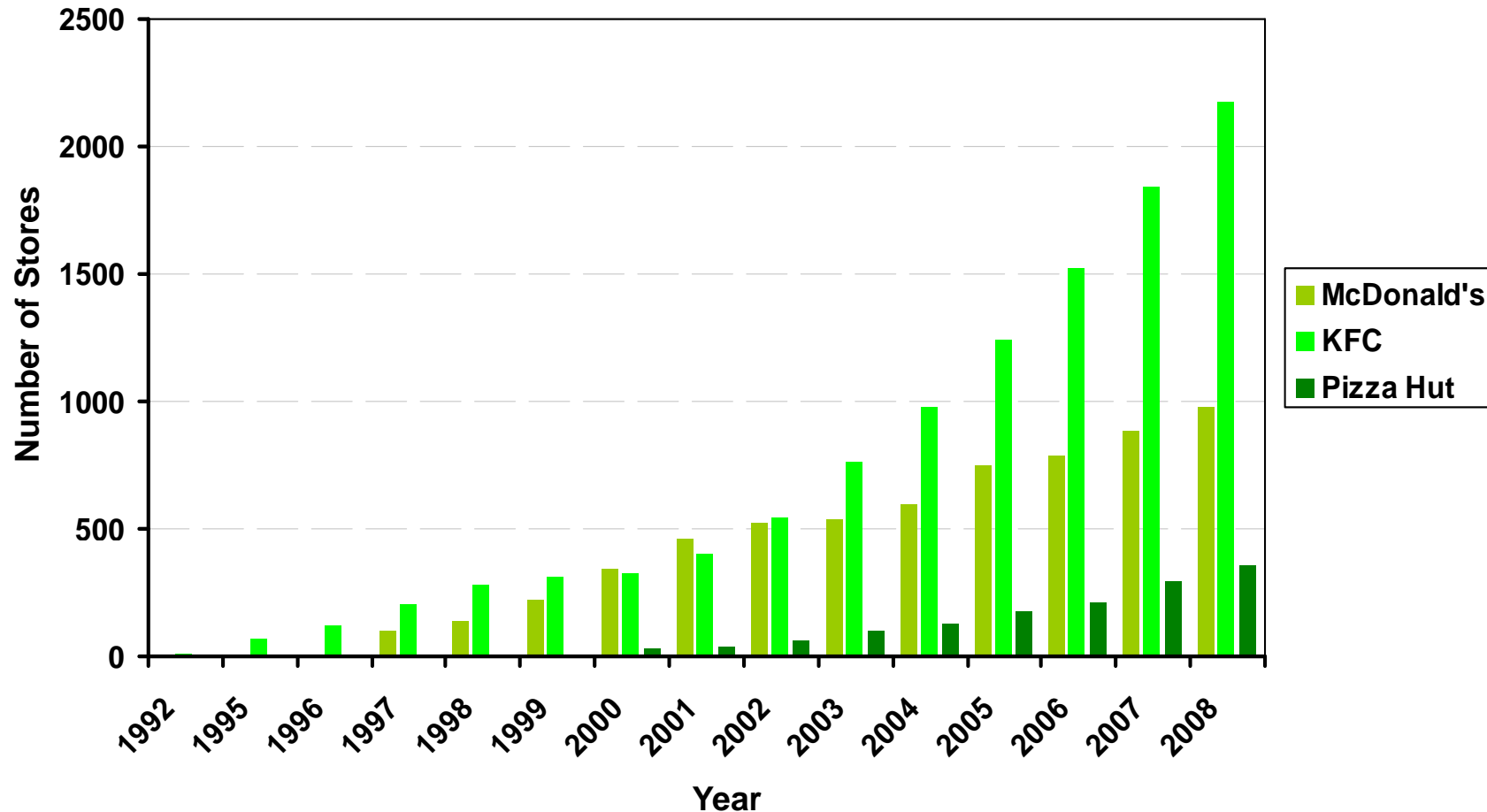
Chinese CAGR's

- Chinese Average **Economic Growth** has been near or above double digit for the past several years and is expected to continue through 2010 > 8-9% - Focus on growth in rural areas has been heightened and more consumer domestic spending is being encouraged
- **Feed demand** has grown at above 5% in the past 5 years and is expected to grow at 3 to 5% through 2010
- **Proteins demand** has exploded and grown 250% in the past 7 years – I expect growth to taper off and settle at 5 to 7.5% through 2010 – *That is > 2 million MT per year.*
- **Vegoil demand** has grown at about 1.5MM MT per year in the past 7 years – Growth towards 2010 will be slower at 1MM MT per year as per capita numbers near other comparable economies / cultures
- **Per capita consumption** of vegetable oil has *increased 80%* over the past 10 years, and China's population has been increasing at a rate of about *13 million people per year*
- Currently 33% **vegoil is consumed as unrefined** but *changing rapidly* – I expect demand for Refined Oils will continue to grow at > 10% per year

Food Service Companies Is One of the Examples

Growth of the food service markets in China

McDonald's / KFC / Pizza Hut Stores in China



Looking at major US fast food company data, the food service industry is growing in China.

Going forward

- China's **1.3 billion consumers will** clamber up the food chain, and start eating beef and pork, fast-food hamburgers and chicken nuggets instead of rice,
- China's **ability to feed itself** will become more and more constrained as more acres are turned over to livestock or urban encroachment.
- As China's growth has fueled the explosion in world commodity prices, which has sent the price of oil and iron ore, steel and shipping and other raw materials so high, the **impact of greater Chinese food consumption** as living standards rise is going to be striking.
- Chinese government will push to **ensure acreage is available** for rice and wheat as they are the staple diets in the poorer parts of the country
- With a strong Renminbi and cheap production costs China will be more likely to be an **importer of raw materials** rather than processed



XIE XIE NI – Thank you

