



Tipping Points

Perpetually on the Verge

The Road to 2050: the China Factor

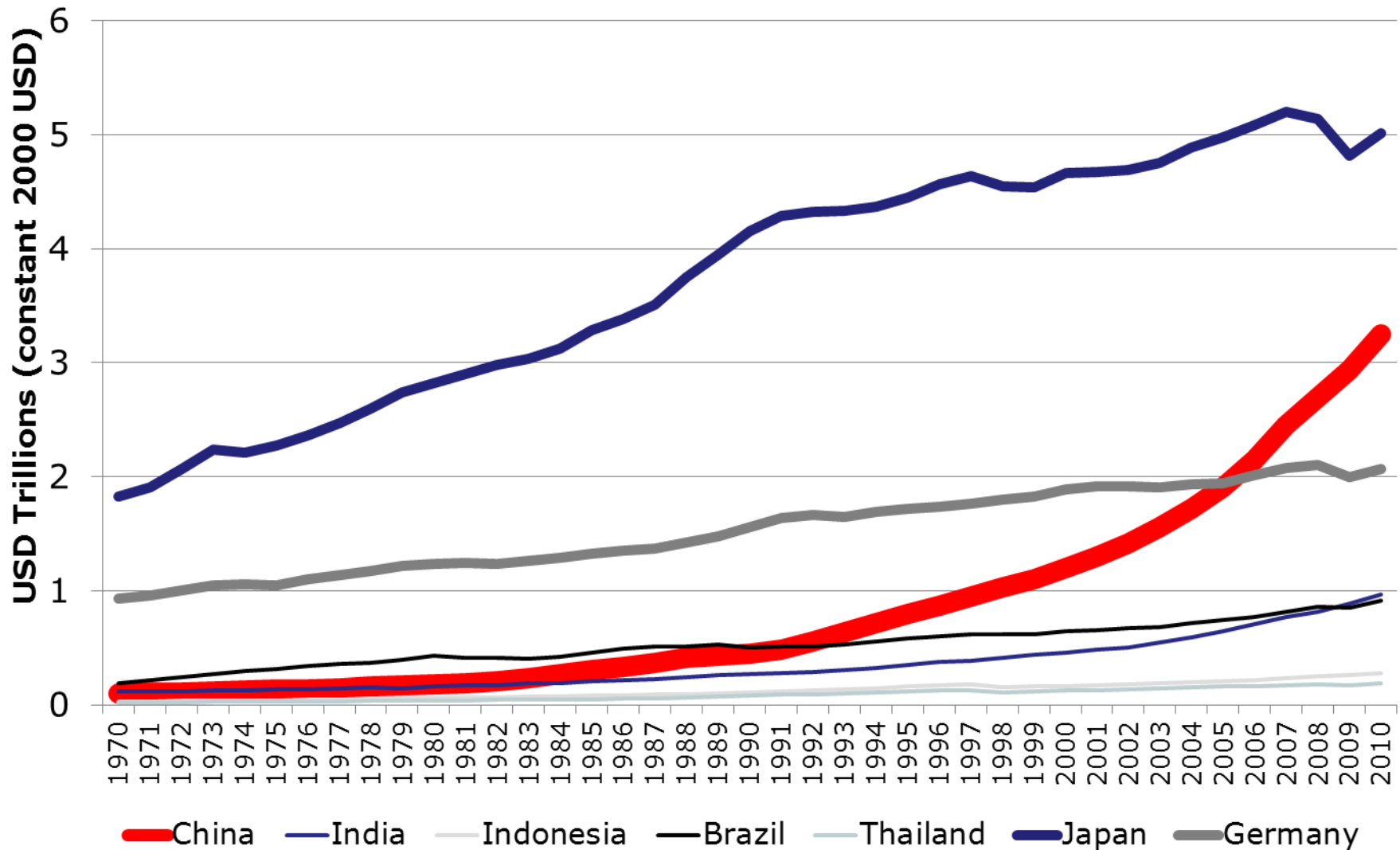
14 June 2012, Shanghai

IFAMA



A World of Food Solutions

China's impressive 30+ year growth curve

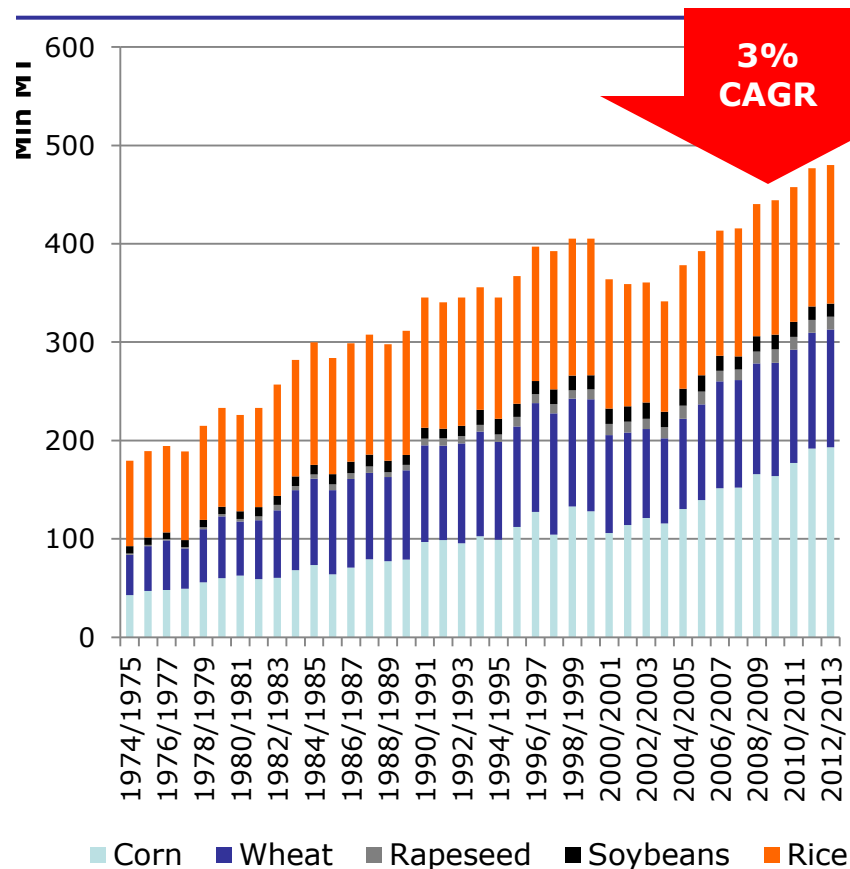


No less impressive has been the growth in agricultural output



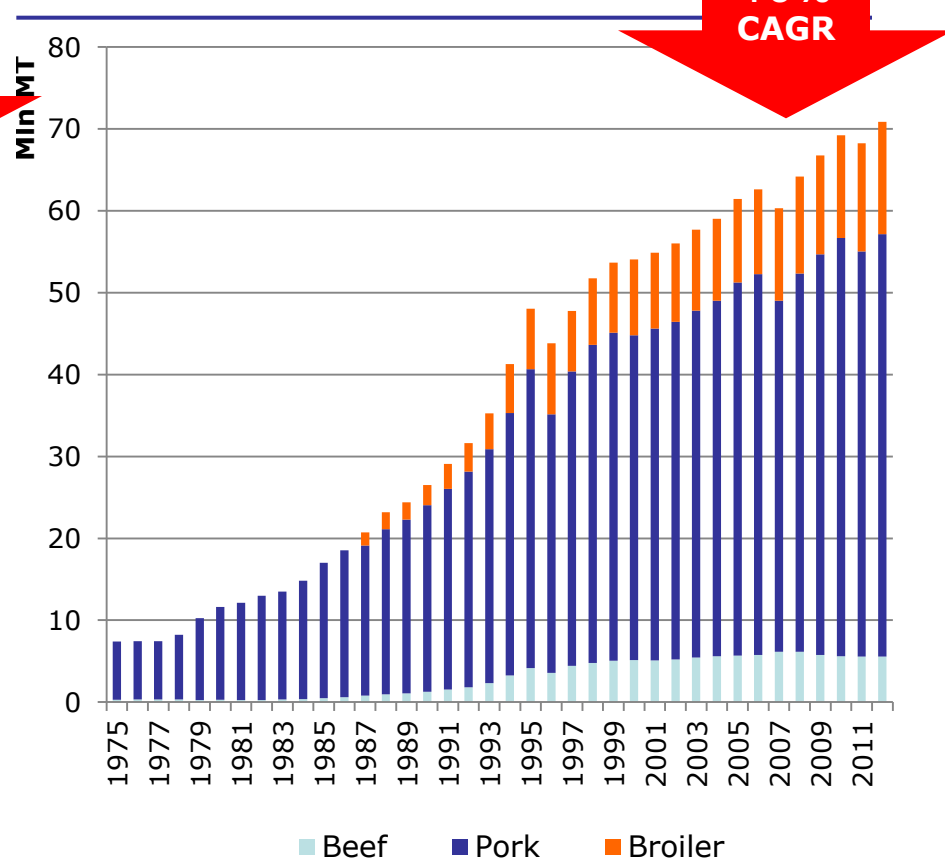
China's grain and oilseed output

Source: China Statistics Yearbook



China's animal protein output

Source: China Statistics Yearbook



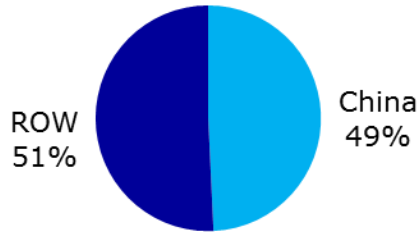
This has made China the world's largest local protein market (today)



Pork

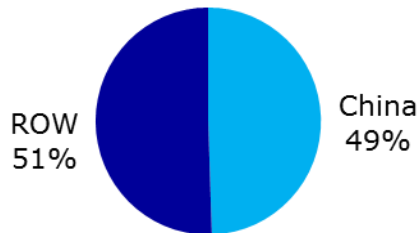
6% of global production traded

Producer



50 MMT

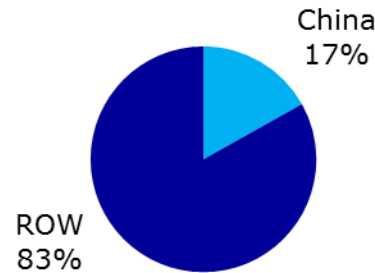
Consumer



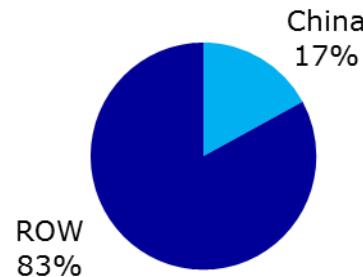
50.05 MMT

Poultry

12% of global production traded



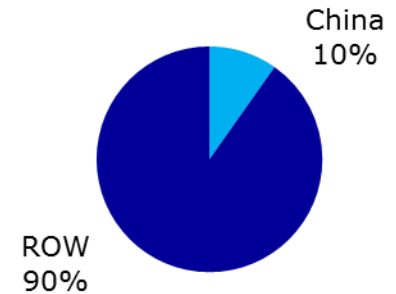
12.6 MMT



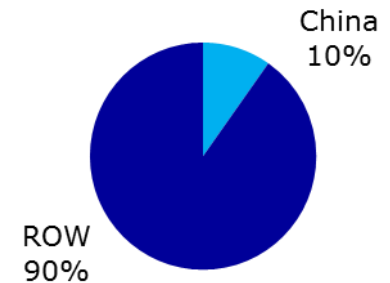
12.5 MMT

Beef

12% of global production traded



5.6 MMT



5.5 MMT

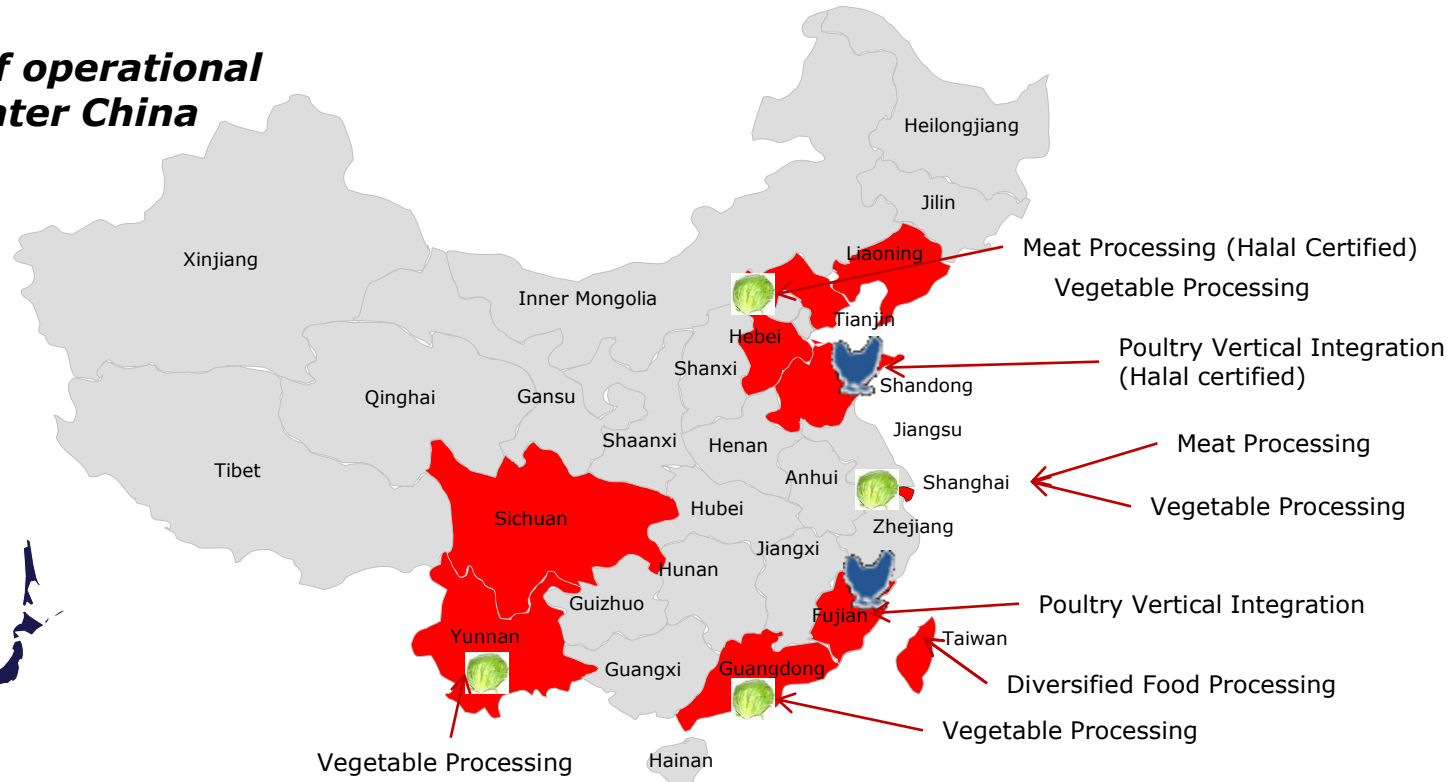
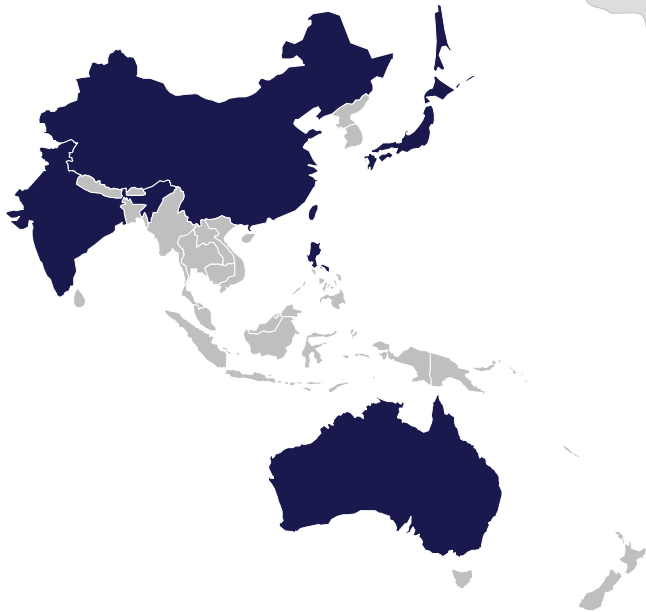
However, China is significantly land constrained which will require choices for resources

"In China, for China" strategy from the start



Nearly 25 years of operational excellence in Greater China

OSI in Asia-Pacific



Husi
Food Company Ltd.

K
FOODS

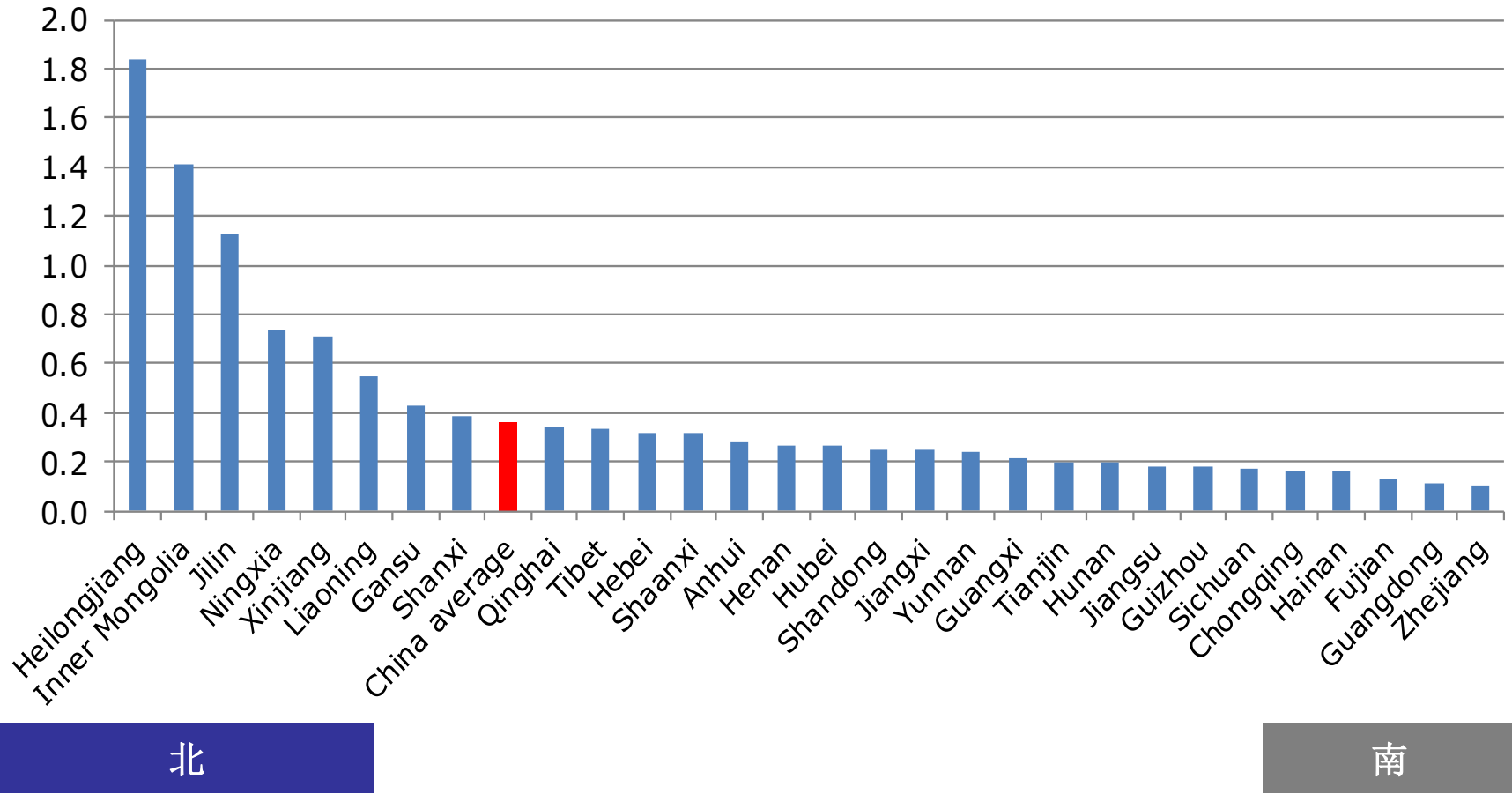


This is of particular note considering average farm sizes



China's farm size by province (acres / person)

Source: China Statistics Yearbook



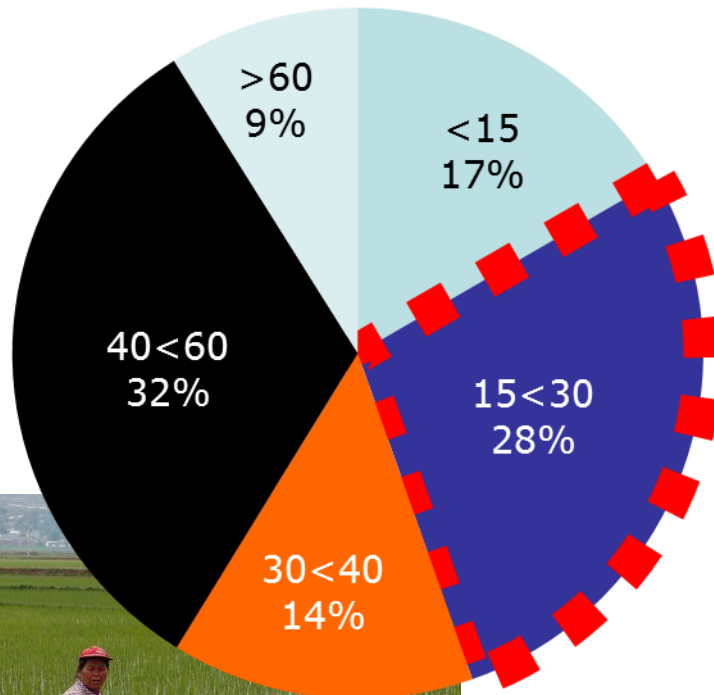
Demographics of rural China changing more than we realize



Age of China's rural half

Source: United Nations

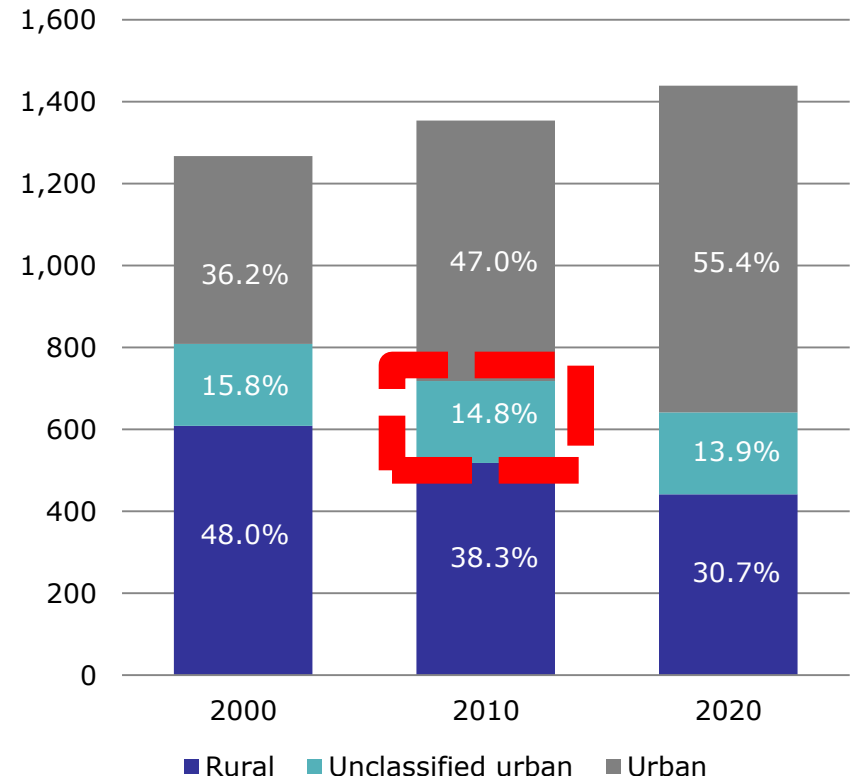
713 million "rural" inhabitants



China's population breakdown

Source: China Statistics Bureau

Million inhabitants

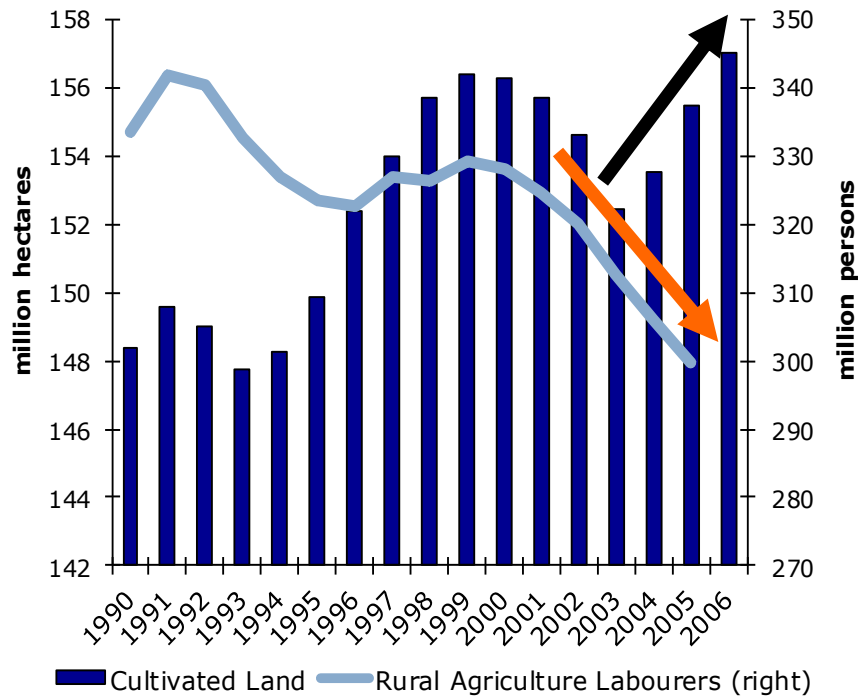


Shifting demand & farmers' planting decisions



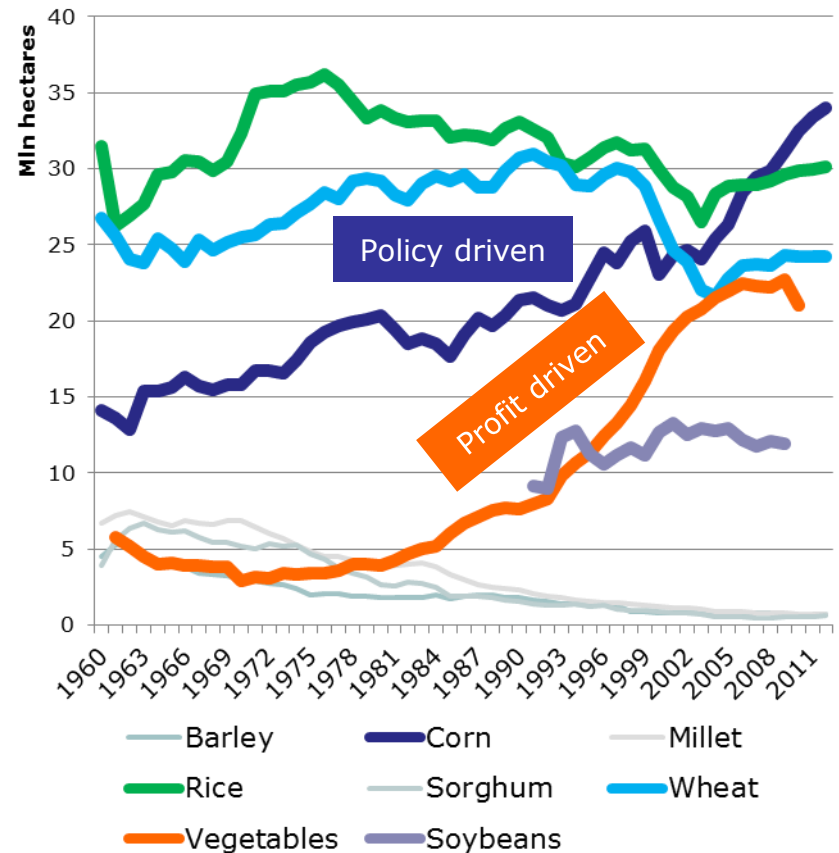
Cultivated land and rural laborers

Source: China Statistics Yearbook



Harvested acreage by crop

Source: China Statistics Bureau



Urban consumers are evolving at a faster pace than production agriculture



And capturing the attention of China's rural youth

Producers
40% of the labour force

VS.

Consumers
55% of GDP



1. Double farmers incomes by 2020
2. Grain self sufficiency
3. Arable land no less than 120 mln hectares

Trade

Inventory
Mgmt



1. 2012 GDP growth of 8%
2. CPI at 4% (3% in '10)
3. Food safety

Rural welfare

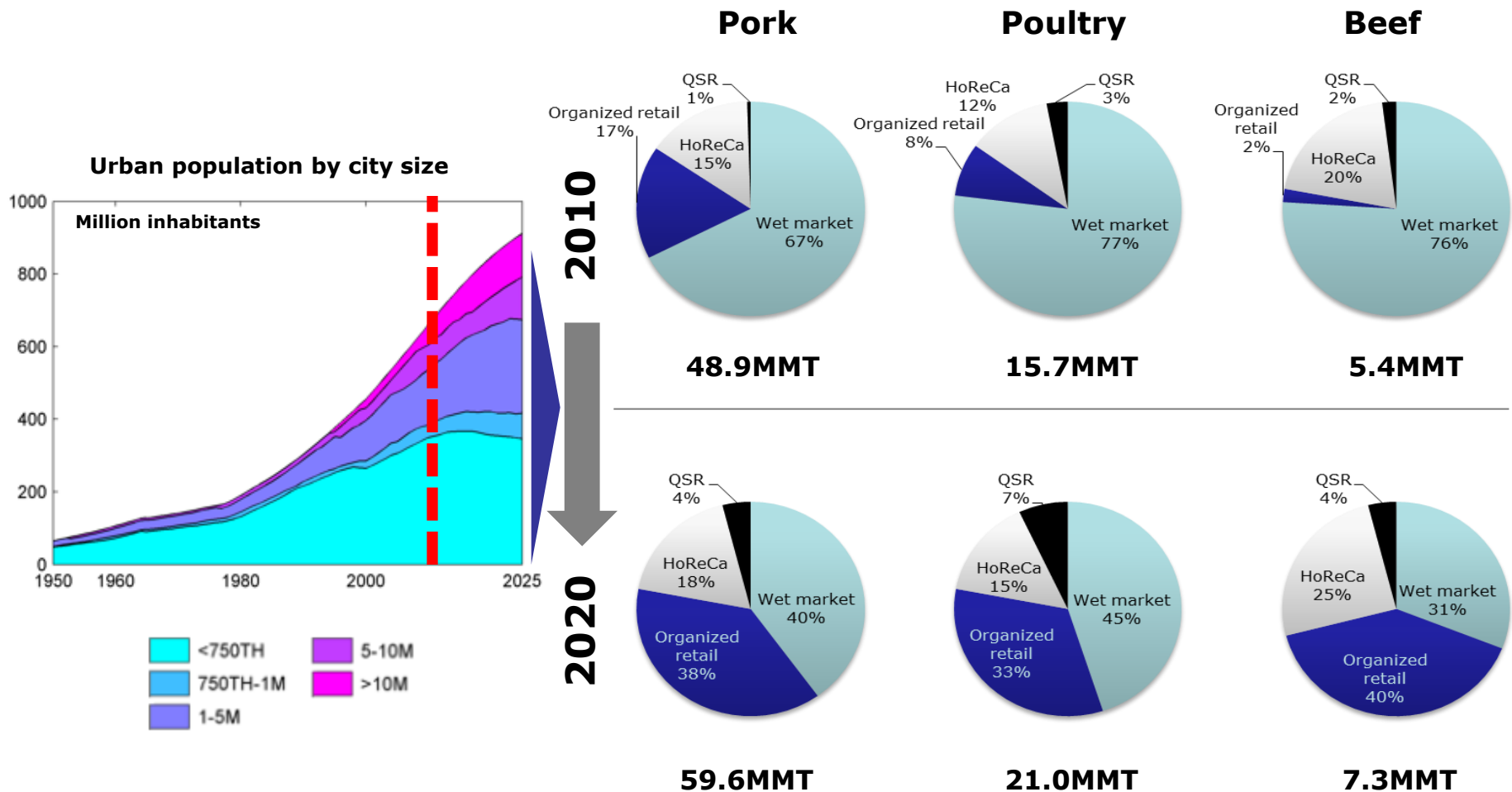
Consumer welfare

Urbanization will transform the supply chain



China's urban population boom and coming changes in consumer channels

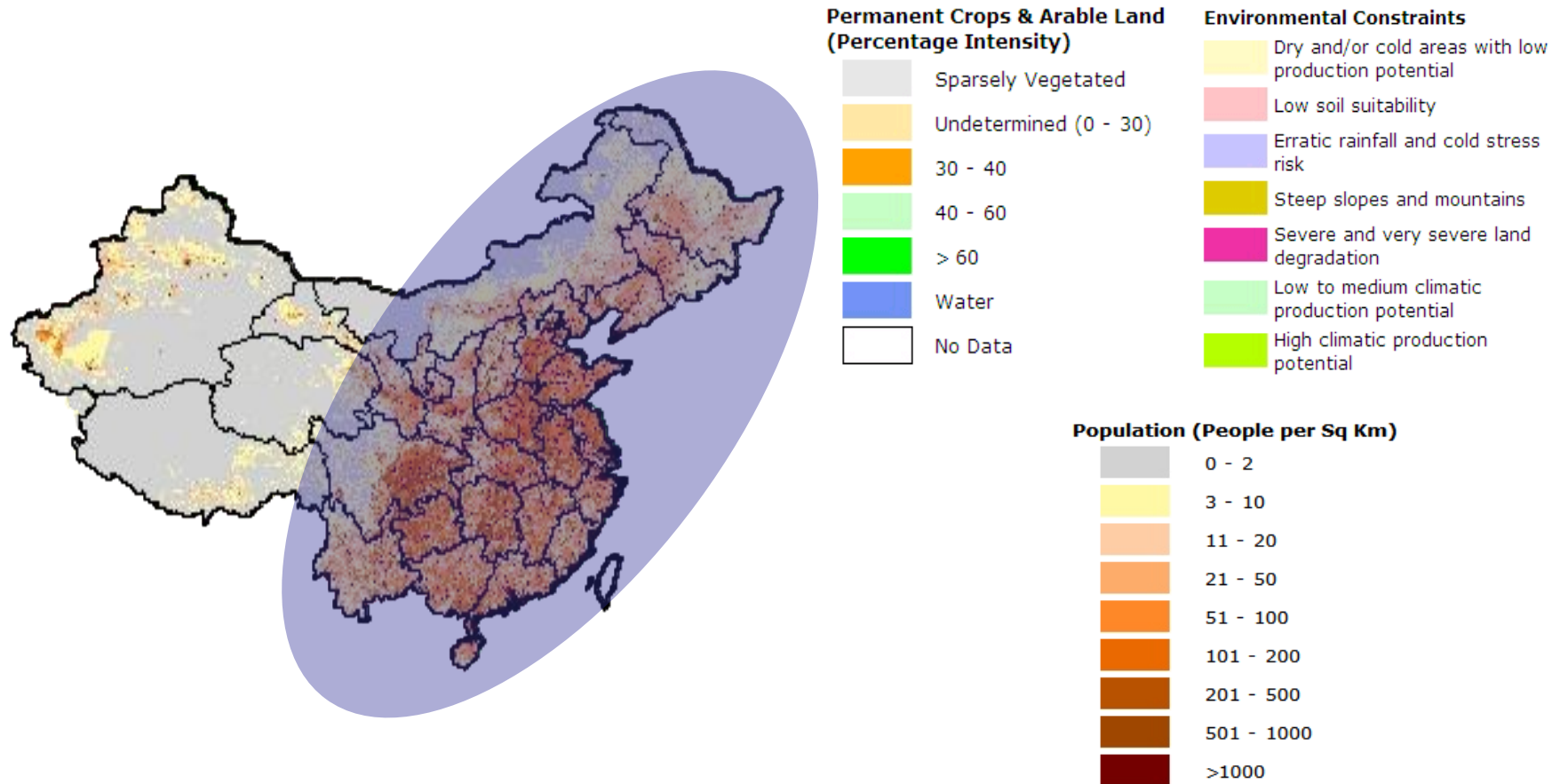
Source: United Nations, OSI



And further strain existing resources



22% of the world's population on 7% of the world's arable land.



What worked in the past won't necessarily work in the future

- Food safety, quality and security clear focus
 - Fragmented production base part culprit for food safety issues
 - Labor and land not answer to China's future productivity q's
 - Genetics and rightly applied fertilizers are key, but that's not all...
-
- Farm scale significant part of ability to activate
 - Generational transformation is opportunity
 - Important elements of sustained local productivity
 - Capital!
 - Infrastructure (equip, storage and drying)
 - Risk management (transparency, crop insurance)
 - Property rights
 - Water!



Clear direction (but flex enforcement)

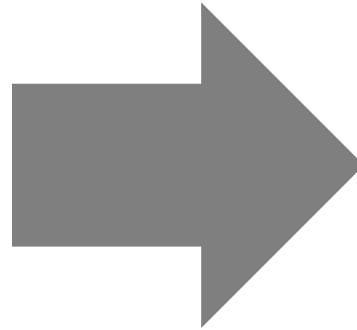


3rd Five Year Plan

1966-1970

Spare no efforts to develop agriculture, solve problems concerning people's food...

In order to support agriculture, to enhance infrastructure, continue to improve production quality, increase production variety and quantity, to build an economy of self-reliance, and to develop transportation, commerce, culture, education and scientific research






12th Five Year Plan

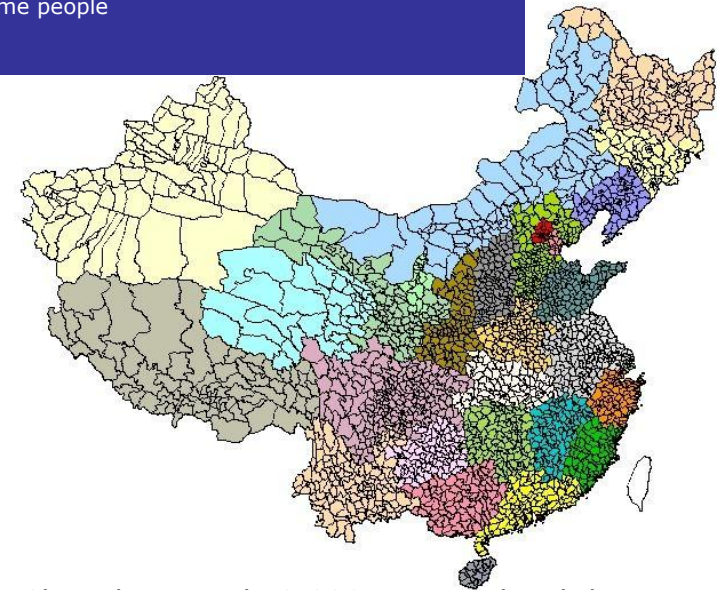
2011-2015

- 1. Urbanization rate reaching 51.5%**
2. Value-added output of emerging strategic industries accounting for 8% of GDP
- 3. Inviting of foreign investment in modern agriculture, high-tech, and environment protection industries**
4. Moving coastal regions from being the "world's factory" to hubs of research and development, high-end manufacturing, and the service sector
5. Increased momentum for large-scale hydropower plants in southwest China
6. Length of high-speed railways reaching 45,000 km
- 7. Length of highway networks reaching 83,000 km**
8. 36 million new affordable apartments for low-income people

2015 annual meat output target

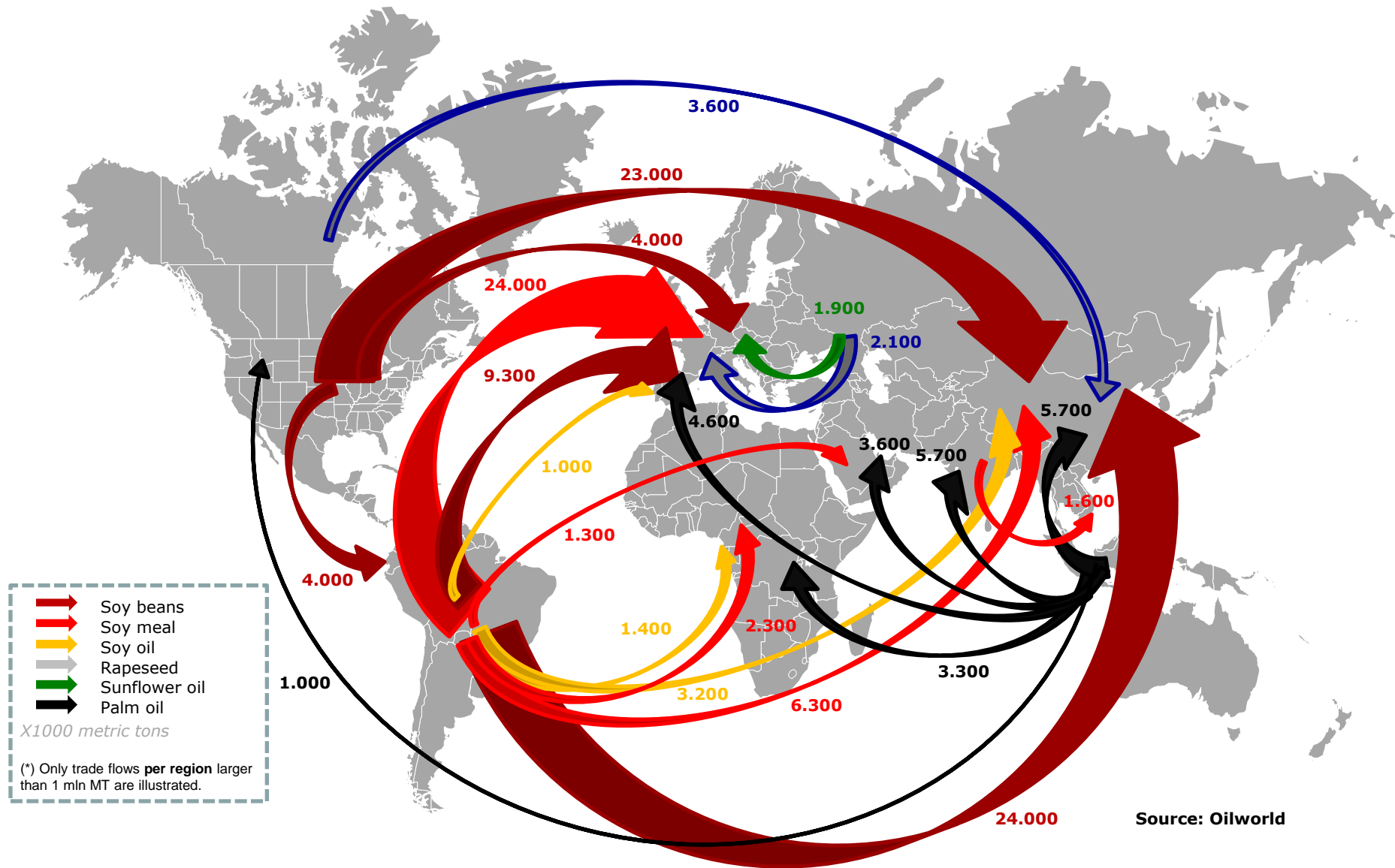
Category	Output (million tons)	Percentage (%) among total
Pork	53.6	63% 
Poultry	17.8	21% 
Beef	6.9	13.9% 
Mutton	5	
Others	1.7	2.1%

As per the National Meat Development Plan released by the State Council under China's 12th 5 Year Plan



China has nearly 3,000 country-level districts

Not all categories will be supported



While others will – and we agree



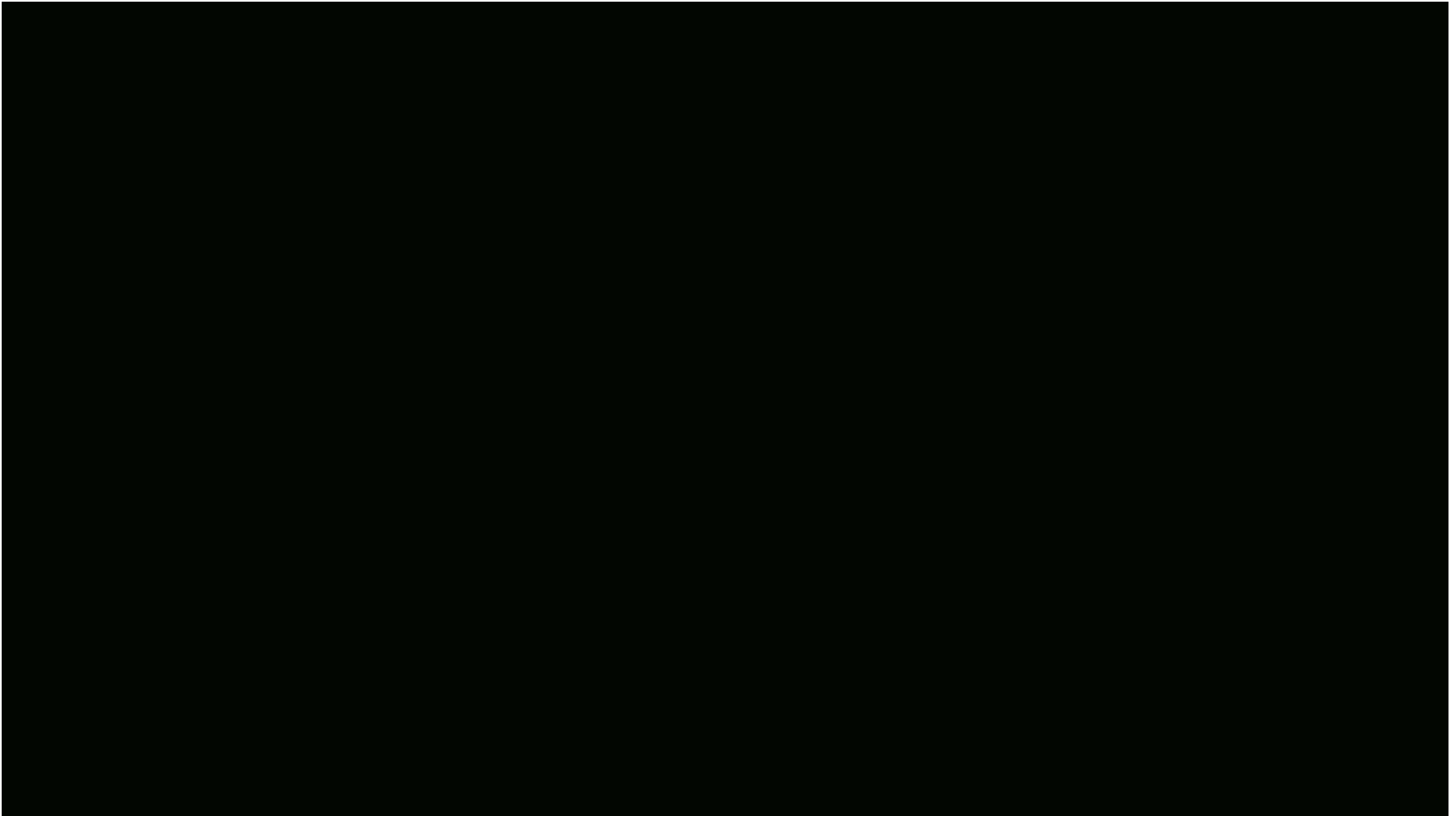
Modern broiler farms



Modern feedmill



Something about the future



In China...



OSI Asia, Pacific, Middle East and Africa

Brady Sidwell

VP, Corp. Development & Strategy

OSI Group

One Island East

18 Westlands Road, Quarry Bay

Hong Kong

www.osigroup.com.cn



GenOSI

