China, Smithfield and the Global Meat Industry Webinar

Jim Harkness
Shefali Sharma
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Even on a per capita basis, China is already a significant pork consumer, especially among Asian peers.

中国已经是一个人均猪肉消费大国，尤其与亚洲其他国家相比

Per capita animal protein consumption (kg/capita/annum) 人均动物蛋白质消费量（千克/人/年）

Source: FAO, 2009  来源：联合国粮农组织，2009
Exhibit 14

China’s Hog Herd Triple the Size of the Next Largest Producer

Swine inventory

(thousands of heads)

Source: USDA, Morgan Stanley Commodity Research estimates.
Trade: China Soybean Imports by Country

Soybean imports (metric tons/millions)

Source: JCI, Morgan Stanley Commodity Research.
China’s Livestock Sector Already Makes up a Large Share of Domestic Grain Consumption

Total domestic consumption

Source: USDA, Morgan Stanley Commodity Research estimates.
Trade: China Corn Imports by Country

China corn imports (thousands metric tons)

Source: JCI, Morgan Stanley Commodity Research.
Chinese Pork Industry Structure and Future Prospects
Trends toward upscale farming

Evolving structure of pig farming in China

Source: Ministry of Agriculture, Rabobank, 2011

- 2000:
  - Backyard farm (1~49 heads/farm): 74%
  - Specialized farm (50~3000 heads/farm): 21%
- 2005:
  - Backyard farm (1~49 heads/farm): 57%
  - Specialized farm (50~3000 heads/farm): 36%
- 2010:
  - Backyard farm (1~49 heads/farm): 37%
  - Specialized farm (50~3000 heads/farm): 51%
- 2015F:
  - Backyard farm (1~49 heads/farm): 27%
  - Specialized farm (50~3000 heads/farm): 57%

Legend:
- Blue: Backyard farm (1~49 heads/farm)
- Light blue: Specialized farm (50~3000 heads/farm)
- Orange: Commercial farm (+3000 heads/farm)

散户（1~49头）
专业农场（1~49头）
商业农场（3000头以上）
Rapid consolidation in slaughtering and processing...
屠宰和加工业的快速整合

Changing trends of swine slaughtering equipment
生猪屠宰结构趋势
Source: Rabobank, 2012 来源：荷兰合作银行，2011

<table>
<thead>
<tr>
<th>Year</th>
<th>Hand Slaughtering</th>
<th>Half Mechanized</th>
<th>Mechanized</th>
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</thead>
<tbody>
<tr>
<td>2010</td>
<td>35%</td>
<td>45%</td>
<td>20%</td>
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<tr>
<td>2020</td>
<td></td>
<td>25%</td>
<td>70%</td>
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Changes in number of designated abattoirs
定点屠宰场的数目变化
Source: China Commerce Department, Rabobank, 2011
来源：商务部，荷兰合作银行，2011

<table>
<thead>
<tr>
<th>Year</th>
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<td>2011</td>
<td>12000</td>
</tr>
<tr>
<td>2020F</td>
<td>2000</td>
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Shuanghui – Smithfield:
Why This Deal, at This Time?
### Potential risk: Overcapacity

潜在风险：产能过剩

<table>
<thead>
<tr>
<th>Million head (单位：百万)</th>
<th>Slaughter capacity by end 2011</th>
<th>Estimated real slaughtering numbers in 2011</th>
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</thead>
<tbody>
<tr>
<td>Shineway双汇</td>
<td>25</td>
<td>10</td>
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<tr>
<td>Yurun 雨润</td>
<td>46</td>
<td>15</td>
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<tr>
<td>People`s Food大众食品/金锣</td>
<td>20</td>
<td>8</td>
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<td>Shunxin Agriculture顺鑫农业</td>
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*Source: Company Data, Rabobank, 2012*
Potential Impacts:

Economic

Health

Environment

Food Security
OECD-FAO Agricultural Outlook 2013-2022: China

Figure 5. Indices of agriculture and fish consumption and production in China

Growth of consumption will modestly outpace production.
Increasing pork imports
猪肉进口近些年不断增加


Source: UN Comtrade, BOABC, 2011

Unit: Thousand tons

Pork by products (HS 020630 and 020649) - 蛋白质类
Fresh, chilled, frozen pork (HS 0203) - 新鲜冷冻猪肉
Ten Largest Meat Companies in the World

2010 Sales (USD)

Conversion rates from close 3/30/2011