

Minor lift in global animal protein production expected, despite unfavourable market conditions – Rabobank

Animal protein production growth will slow as margins remain tight in 2024, with producers and processors needing to adapt to sustain success, according to Rabobank's annual Global Animal Protein Outlook report.

After four years of growth in animal protein production globally, 2024 will see the pace slow or even decline across some protein types, the specialist food and agribusiness bank predicts.

The shift comes as producers and processors navigate tighter margins due to structural changes to market conditions. Higher production costs and tighter supplies will push animal protein prices up and constrain global consumption in 2024.

Input costs and inflation are likely to fall, but will remain at a higher level than pre-pandemic. There are also signs that consumers are growing used to higher prices and, in some markets, willing to pay a quality premium.

Some market changes appear to be permanent, Rabobank notes. Demographic shifts will see the labour market tighten and raise production costs, while reduced population growth will slow consumption.

Elsewhere, there will be pressure to invest in upgrading production systems to serve emerging market needs, meet regulatory requirements and cater to changing consumer preferences around sustainability. Adverse weather conditions and disease also present challenges.

"It's a testament to the resilience and flexibility of companies along animal protein supply chains that they continue to grow production and deliver on customer expectations amid such challenging market conditions. Despite a cost-of-living crisis putting pressure on consumer finances, there continues to be demand for animal protein, and companies have been able to overcome challenges, from high costs to regulatory uncertainty and disease, to capitalise on it," Rabobank global strategist animal protein, Justin Sherrard said.

"For companies to sustain the success of the past few years, it's essential that they adapt to the structural changes in the market. Instead of simply riding out the storm, animal protein businesses need to take stock of their strengths and prepare to transition their supply chains to operating in an environment with high costs and tight margins."

Global production growth

Rabobank analysts forecast marginal year-on-year production growth in the major markets of North America, Brazil, Europe, Oceania, China and Southeast Asia of 0.6 million tons to a total of 247 million tons next year. This is against a 2.1 million tons growth in 2023.

Poultry and aquaculture will be the only two protein groups to see production grow in 2024, predicts Rabobank, though it will be slower than in 2023. Beef will continue the decline seen in 2023, moving with changes in cattle cycles in North America, while pork production will also contract modestly.

Wild catch seafood will return to its longer-term pattern of declining production after a year of expansion in 2023.

Salmon looks set to be one of 2024's success stories. Following two years of production contracting and flatlining, supply will expand by four to five per cent, and its relative price competitiveness against other proteins will boost demand.

However, plant-based meat alternatives will continue their decline with customers and investors. Foodservice is expected to be the key buyer for players in the category in 2024.

New Zealand update

The report says ongoing pressure – particularly environmental – on New Zealand's livestock industries will continue in 2024 and prevent any major production growth.

“Our expectation for 2024 is that beef production will fall slightly – down three per cent – as a result of the ongoing contraction in dairy and beef herds. With more favourable seasonal conditions through 2023, we expect ewe numbers and breeding conditions have improved, leading to higher lamb numbers in 2023/24. This, in turn, will see an increase in sheepmeat production and exportable lamb volumes in 2024,” it says.

The report says prices for New Zealand beef and lamb are expected to show some improvement, but the upside for pricing remains limited.

With forecast beef and lamb production close to the five-year average, the report says, New Zealand producers will be looking for an increase in global demand to support livestock prices.

“The contraction in the US beef production system should support beef export prices and, in turn, cattle prices. While increased Australian volumes will keep prices competitive, we believe a lift in US import demand should see New Zealand cattle prices trade slightly above the five-year average through 2024,” it says.

The report says New Zealand lamb prices have been confronted with softer-than-expected global demand and higher Australian volumes in key export markets – particularly China – through 2023.

“Prices dropped to their lowest levels in 10 years, as a result. We believe a gradual improvement in global markets – particularly China – will support slightly

stronger prices in 2024, but ongoing large volumes from Australia will limit upside,” it says.

Other production regions

Brazil and Southeast Asia will show the fastest production growth for poultry and meat, according to the Global Animal Protein Outlook. In Brazil, production will grow across all species led by pork and poultry, although it will slow against 2023 levels.

Meanwhile, China and Australia will see marginal growth, with poultry best placed in China and pork and beef under pressure. Europe and North America will see an overall production contraction.

<ends>

Rabobank New Zealand

Rabobank New Zealand is a part of the global Rabobank Group, the world's leading specialist in food and agribusiness banking. Rabobank has more than 120 years' experience providing customized banking and finance solutions to businesses involved in all aspects of food and agribusiness. Rabobank is structured as a cooperative and operates in 38 countries, servicing the needs of about 8.6 million clients worldwide through a network of close to 1000 offices and branches. Rabobank New Zealand is one of the country's leading agricultural lenders and a significant provider of business and corporate banking and financial services to the New Zealand food and agribusiness sector. The bank has 27 offices throughout New Zealand.

Media contacts:

David Johnston
Media Relations Manager
Rabobank New Zealand
Phone: 027 477 8153
Email: david.johnston@rabobank.com

Denise Shaw
Head of Media Relations
Rabobank Australia & New Zealand
Phone: +61 2 8115 2744 or +61 439 03 525
Email: denise.shaw@rabobank.com