



**Rabobank**

*Media release  
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## ***Raising the 'steaks' – demand drivers are changing in the global protein matrix***

New York-based head of Rabobank's Food and Agribusiness Research Bill Cordingley, is visiting Australia this week with the message that demand drivers are changing within the global protein matrix, with developing markets' needs surging ahead.

Graziers, processors and industry stakeholders from south-eastern Australia will hear from Mr Cordingley this week, with presentations taking place in Sydney and the Coonawarra region of South Australia.

Mr Cordingley says a shift is taking place on the global protein stage – with traditional, developed markets facing the challenge of stagnating or slow-growing economies, declining household real incomes, and stalling top-line volume growth.

“Adding to this, strong developing market demand for animal proteins has increased the cost and volatility of commodity inputs globally, making meat more expensive for western consumers,” Mr Cordingley says.

“Lifestyles are changing in the west: single-person households, double income households, a greater focus on obesity and general wellness, and an already incredibly high per capita meat consumption combine to make the meat industry in the west now driven by finding growth and value in a declining volume market.”

On the “other side of the fence”, Mr Cordingley says developing markets hold the future for protein consumption growth based on strongly-growing population and income growth, with a large cohort of consumers moving into the sweet spot for diet change.

“This change sees accelerated demand growth for animal protein in the diet, but cost and efficiency is key,” he says.

“This means the ‘first cab off the rank’ is usually seafood or poultry. We see enormous increases in poultry imports to Africa at present reflecting this demand drive. However, all developing markets do not develop the same way, based on population and income.”

Cultural drivers play a huge role, including how meat is traditionally produced and delivered, through wet markets or more modern retail, cooking preferences and indeed religious preferences, Mr Cordingley says.

“For this reason there is limited opportunity for pork in Indonesia and other Muslim countries whilst beef is not preferred in India,” he says.

“Poultry is the most efficient and low-cost animal protein alternative beside seafood and suffers fewer of the cultural challenges. We expect poultry to be the number one consumed meat in the world by 2020.



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“While developing demand growth is driving volume growth for meat consumption, it’s also driving volatility in margins for producers and processors who are trying to tackle the new opportunity.”

Higher feed costs have caused significant challenges over the past decade. In addition weakening consumers in the west looking to trade down are also chasing cheaper protein alternatives and this is causing a convergence creating a strong drive to produce more efficient animal protein.”

As a result, feed costs are pushing prices up for traditionally cheaper items like poultry, pork or ground beef as people want more of this than there is to go round.

Keen to capitalise on the emerging market demand growth opportunities are Australian protein producers. The question is, how?

Mr Cordingley says a proactive export market development approach is essential.

“Persistent upgrading of the brand, demonstrating reliability in international markets, and excellent food safety are all key elements that will help Australia leverage the opportunities in emerging protein market,” he says.

“Partnerships along the supply chain are also important – which help stakeholders to gain stronger relationships with each other allowing for better access and shared responsibility in securing market share.”

Mr Cordingley is part of Rabobank’s Food & Agribusiness Research and Advisory division (FAR) where he is responsible for analysing the beef and protein sectors. Comprised of a network of some 80 analysts spread across every major production and consumption region of the world, FAR is a central component of Rabobank’s capacity for informed credit decision making, product development, advisory services and strategic client partnerships.

With a deep connection to the agricultural industry, Mr Cordingley was raised in south eastern Australia where his family operated a mixed cropping and livestock enterprise and a meat processing business. He previously held roles in consulting, as a commodities trader and as manager of the livestock export program with Meat and Livestock Australia. In 2005, Mr Cordingley joined Rabobank in Sydney as the senior analyst for animal proteins. He was promoted to head of FAR in Australia and New Zealand in June 2006 and in early 2009 transferred to the U.S. to take up his current position head of Food & Agribusiness Research and Advisory for Rabobank International in the Americas region.

Mr Cordingley graduated from the University of Sydney with a degree in Agricultural Economics and holds an Masters of Business Administration from Macquarie Graduate School of Management (MGSM) in Australia.



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Also touring with Mr Cordingley this week is Rabobank animal proteins analyst Matt Costello.

Taking a look at the sheepmeat industry, Mr Costello says there has been a lift in prices in Australia, as supply has been tightening as 2014 progresses. He says there has been more consistent supply in recent months – yet demand has been very strong.

“Due to the large volumes of sheepmeat processed in the drier periods in 2013, this year we have seen supply tighten and prices have responded accordingly, boosting returns for producers – in both Australia and New Zealand,” Mr Costello says.

“Sheepmeat prices are expected to hold firm for the remainder of 2014. We are also continuing to see the growth in emerging markets – particularly China for sheepmeat – as they have tight domestic supplies of sheep.

“Technically, China has the world’s largest sheep flock, however there is a shortage of protein in China which is requiring the Chinese to look to markets like Australia to source their protein.”

Mr Costello joined Rabobank in early 2013 and has been responsible for analysing trends and market developments within the animal proteins sectors, predominantly in Australia and New Zealand. He has a degree in Agricultural Economics from Sydney University and began his career in market analysis with Meat and Livestock Australia.

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