

India

**Neutral** (no change)

# Agribusiness

## China now fortifies granaries after fire power

- US farms are no longer required to feed Chinese hogs; backed by state policy, biotech ambition, & urgency, China is in a genetic modification mode.
- China may project its fire power through aircraft carriers and missiles, but its weakness was always the higher dependence on foreign food supplies.
- Even as the world watched its military muscle grow, the dragon never truly had its strategic autonomy, **until now**.

### Look at the granary, not the armoury

In an age where satellite eyes trace every missile movement and global headlines fixate on troop deployment, our collective gaze is drawn relentlessly to the armoury. Military strength has become a metric of power, deterrence, and dominance. Yet, in this obsession with defence and destruction, we risk forgetting the foundation of true security - the granary.

### Food security is the first line of stability

Food security - quiet and unseen but essential. While weapons may win wars, it is grain that sustains nations. Without it, even the most advanced armies falter. It's time we remember that a nation may stand tall with its infantry but can't sustain without feeding it.

### East versus west - interdependence was always the norm till now

Geopolitics may posture at division, but not at the dinner table. China, the world's manufacturing powerhouse and a symbol of eastern ascendancy, is also the planet's largest grain importer. The US, often cast as its geopolitical counterweight, is the biggest exporter of grains. This isn't just economic symbiosis—it's survival strategy. Every bowl of pork noodles or grilled chicken skewer in Beijing or Shanghai has a silent ingredient—midwestern crops grown in the sun-soaked fields of Iowa or Nebraska. In this respect, the idea of a clean 'East vs West' confrontation becomes absurd.

### Dragon embraces biotech - leaps towards food security via GMO

It's not just about science, it's about sovereignty. Reducing the dependence on foreign grain supplies means controlling the narrative - from the seed to the plate. With land, policy muscle, and an urgency fuelled by both population needs and geopolitical risk, China is betting big on biotech to break its import addiction. In doing so, the world's largest grain importer is redefining its place in the global food chain, not as a passive buyer but as a self-sufficient producer riding on the back of genetic engineering.

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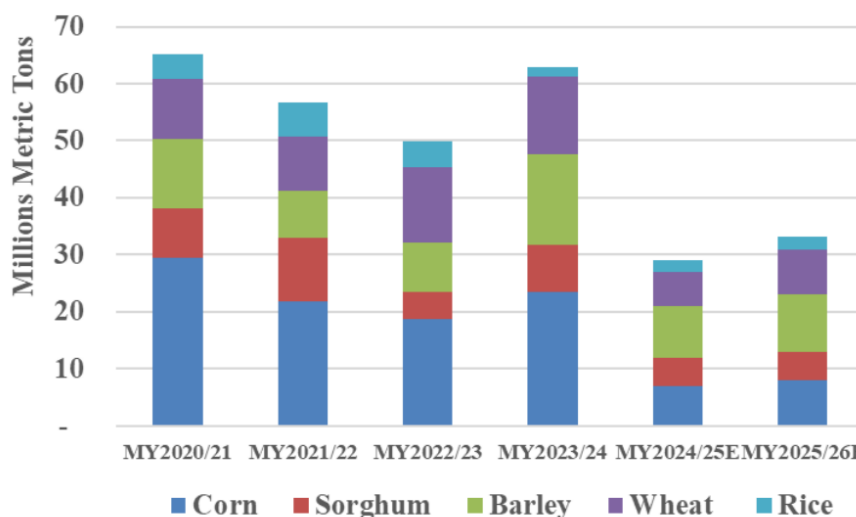


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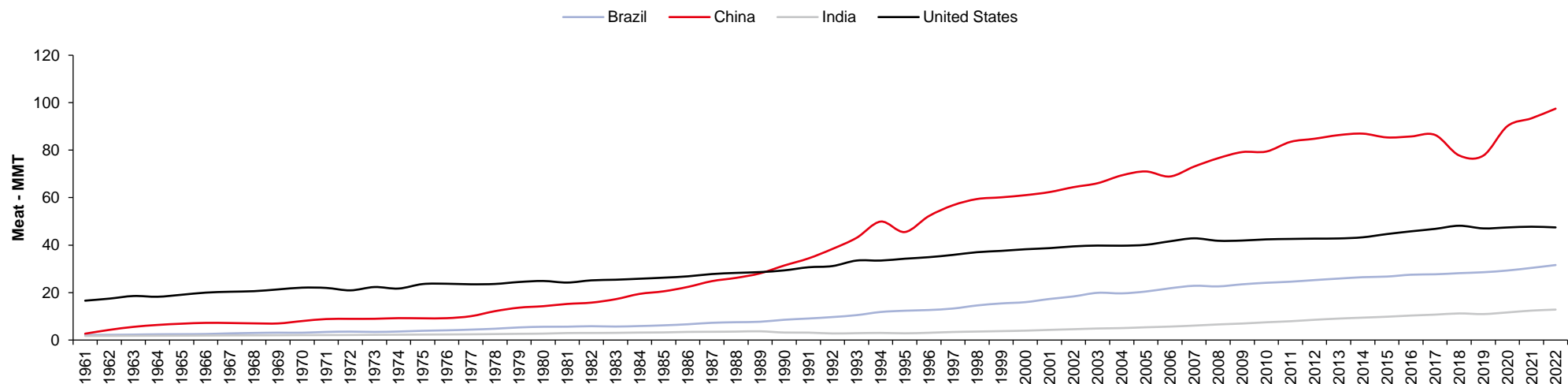
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Figure 1: China's grain imports over the years



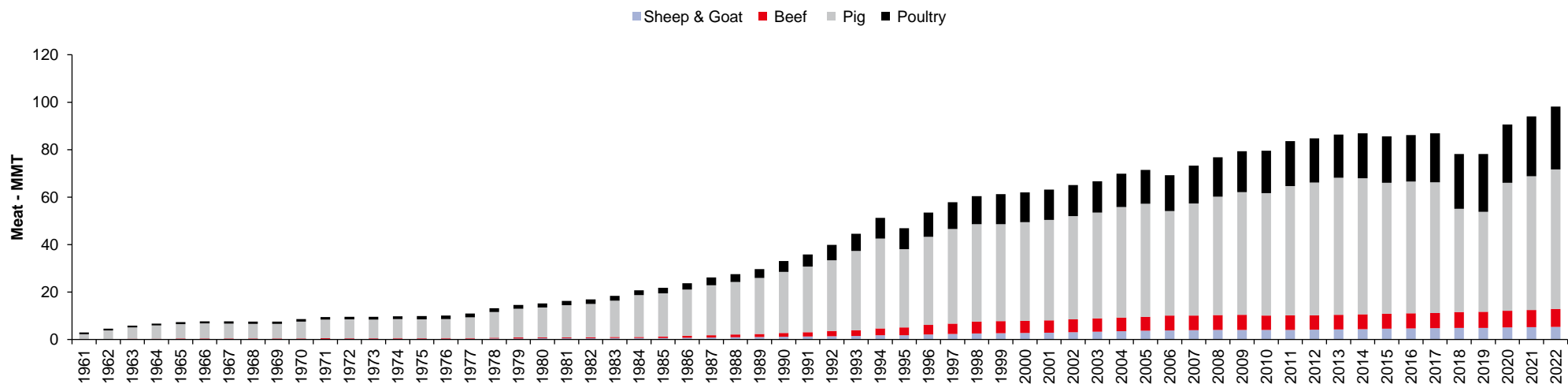
SOURCE: TRADE DATA MONITOR, LLC AND FAS CHINA ANALYSIS  
NOTE: MY STANDS FOR MARKET YEAR IN CHINA

Figure 2: Meat production from 1961 to 2023 includes cattle, poultry, sheep, goat, and pig meat



SOURCE: FAO - FOOD AND AGRICULTURE ORGANIZATION

Figure 3: China's meat production from 1961 to 2023 includes cattle, poultry, sheep & goat, and pig meat



SOURCE: FAO - FOOD AND AGRICULTURE ORGANIZATION

## China now fortifies granaries after fire power

### Feeding the Dragon:

#### The CPC Central Committee and the State Council issued the Rural Comprehensive Revitalization Plan (2024-27) ➤

- Implementation of the rural revitalization strategy is a major decision made by the Communist Party of China or CPC's Central Committee with President Xi Jinping at the core, focusing on the overall situation of the party and the country, and the general approach to 'three rural' works in a new era and new journey.
- The goal by 2027 - substantial progress to be made in the comprehensive revitalization of rural areas, and agricultural and rural modernization to reach a new level.
- The foundation of national food security will be more solid, and the comprehensive agricultural production capacity will be steadily improved, ensuring that Chinese people's rice bowl is firmly in their own hands.

#### Ministry of Agriculture and Rural Affairs (MARA) has announced nine central fiscal agricultural subsidy policies for 2025:

1. Farmland fertility protection subsidy.
2. Agricultural machinery purchase and application subsidy.
3. Wheat 'one spray, three defence' subsidy.
4. Soybean-corn strip intercropping subsidy.
5. Corn, soybean, and rice subsidies.
6. Farmland crop rotation and fallow subsidy.
7. Agricultural socialized services subsidy.
8. Grassland grazing ban subsidy & grass-livestock balance incentive.
9. Agricultural insurance premium subsidy.

#### China's GMO crops & policy move towards food security and self-sufficiency ➤

China has historically been cautious about the commercial cultivation of genetically modified (GMO) crops due to public scepticism and biosecurity concerns.

- One of China's largest international acquisitions is the US\$43bn purchase of Swiss agribusiness giant **Syngenta**. This gave China access to global GMO seeds, biotech R&D, and gene-editing platforms. Syngenta is now central to China's push in GMO commercialization through its **China National Seed Group**.
- China granted approvals for commercial planting of GMO corn and soybean in select provinces.
- Companies Involved: Major domestic seed companies such as Longping High-Tech, Dabeinong, and China National Seed Group have received approval for genetically engineered traits (herbicide and insect resistance).
- Large-scale pilot cultivation of GMO crops has begun in provinces like Hebei, Jilin, and Inner Mongolia.
- Chinese state-backed funds and agritech companies have invested in GMO seed companies and biotech startups, particularly in the US, Brazil, and Europe. The focus is on traits like drought tolerance, pest resistance, and climate-resilient genetics.
- There is an ongoing collaboration between Chinese agri universities and foreign biotech companies for joint development of GMO traits and licensing agreements to use patented seed traits and gene-editing technologies (e.g., CRISPR, Bt, Roundup Ready).

**China's acquisition of global GMO technology is more than a business move—it's a strategic shift in how the nation plans to feed itself in an era of uncertainty. By absorbing and adapting biotech from around the world, the dragon is building not just harvests, but hegemony in agritech.**

### **Grain Drain: The quiet fallout of agro deflation ➤**

The world must prepare for deflation in basic grains (wheat, rice, millets, sorghum, barley, and corn)

#### **Industry-wise Impact of agro grain deflation**

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##### **1. Agriculture & its input industry**

- **Seed companies** - Lower demand as farmers cut back on cultivation or switch to lower-cost alternatives.
  - **Fertilizer & agrochem** - Reduced application rate and purchases due to squeezed farm income.
  - **Farm equipment (tractors, harvesters)** - Drop in sales; lower farmer investment in mechanization.
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##### **2. Food processing & FMCG**

- **Packaged foods (noodles, biscuits)** - Lower input costs = higher margin which gives a boost to profitability.
  - **Bakeries, breweries and feed producers** - Cheaper wheat, barley, corn = better margin for bread, beer, and animal feed makers.
  - **Meat & dairy** - Input feed cost falls, improving margin for poultry, piggery, and dairy farms.
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##### **3. Retail & consumer goods**

- **Food retailers** - More competitive pricing of essentials; possible volume growth.
  - **Consumer staples** - Boost to volume as cheaper food frees up consumer wallets for packaged goods.
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##### **4. Commodities trading & agri exports**

- **Grain exporters (US, Brazil, Ukraine)** - Margin compression, inventory build-up, and potential trade imbalance.
  - **Agri traders (Cargill, ADM, COFCO)** - Pressure on trading spreads and profit volatility. May shift focus to logistics or value-added segments.
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##### **5. Financial & insurance companies**

- **Crop insurers** - Higher risk of claims due to farmer distress. Lower premium collection.
  - **Agri credit** - Drop in user creditworthiness and loan demand; risk models may fail. Increased loan defaults, lower disbursements, risk of NPA build-up.
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##### **6. Biotech & GMO industry**

- **Biotech seed developers** - Adoption may slow if farmers defer premium seed purchases.
  - **R&D-agritech** - Lower investor interest in the short term: Policy support becomes critical.
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## 7. Logistics, storage & warehousing

- **Cold chain & agri-logistics** - Storage volume may fall if crops aren't harvested /stored.
  - **Grain warehousing** - Inventory build-up may increase demand for warehousing but not profitability if grain values drop.
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## 8. International trade & diplomacy

- **Export-reliant economies (US, Canada, Australia)** - Loss of grain-related revenue and leverage in trade talks.
  - **Importing nations (China, India)** - May use deflation to rebuild reserves and exert pricing power in negotiations.
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## Summary

- **Positive** for food processors, retailers, meat & dairy entities as they benefit from lower raw material prices.
- **Negative** for farmers while agri-input makers, exporters, and rural lenders will experience pain.
- **Mixed** for biotech and logistics entities as they have to depend on how policies and supply chains adjust.

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- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

### Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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Definition:

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- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
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