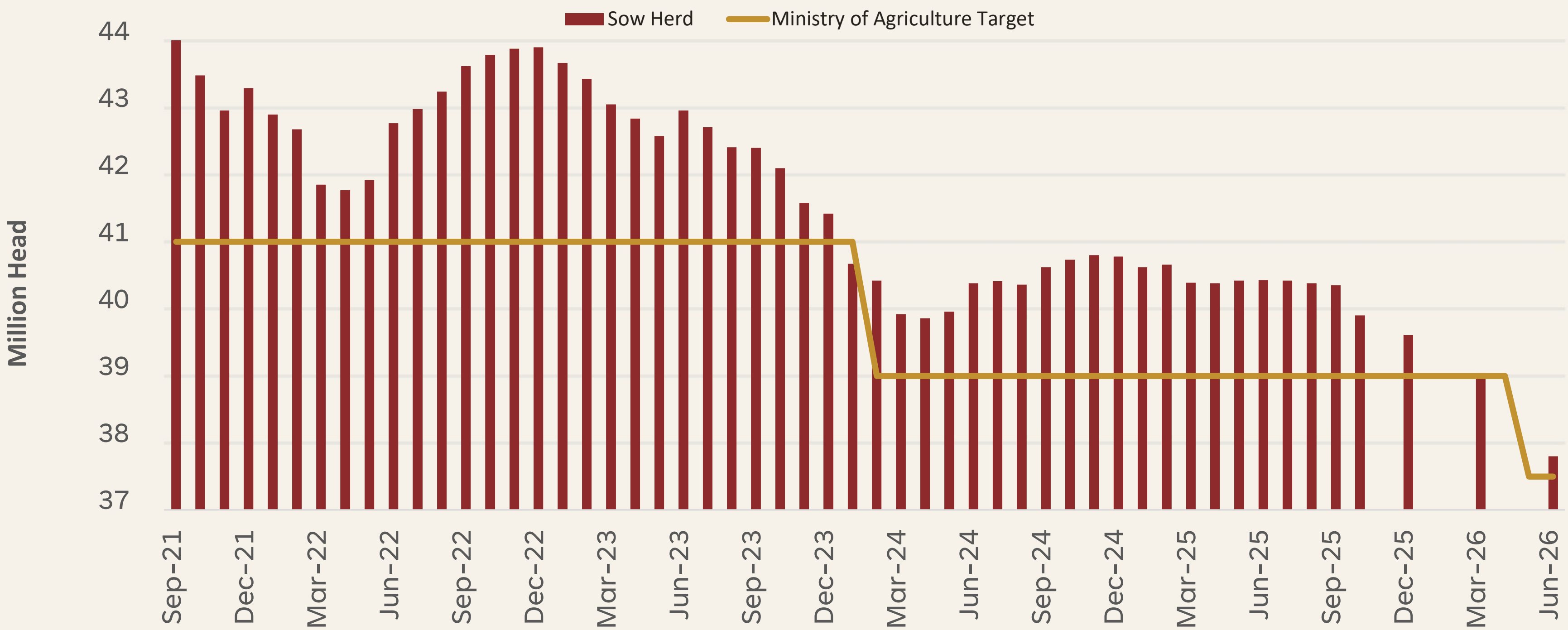
SITONIA CONSULTING · RESEARCH PRESENTATION

China H2 2026 Outlook

Hog-supply reduction: policy, timeline, and impacts for oilseeds and grains

Hog Reduction Plans

The Ministry's 37.5M sow-herd target implies a further ~1.5M-head cut from the Q1 2026 reading of 39.04M — the deepest destocking since 2021.



Source: MARA, NBS
MARA suspended monthly reporting of breeding sow populations in November. The ministry tracks the information monthly, but public data releases are now quarterly and reported by the National Bureau of Statistics

Reduction timeline

When	Event	Sow herd
Feb 2024	Target lowered from 41M to 39M	40.42M
Nov 2024	Herd peaks despite lower target	40.8M
Jun 2025	First talk of a 1M-head reduction	40.3M
Sep 2025	Central government tightens enforcement	40.35M
Q1 2026	Q1 Level	39.04M
May 2026	**Target lowered again, to 37.5M**	—

The May 2026 cut to a 37.5M sow target marks the sharpest downward revision in the cycle — a ~3.5M-head reduction from the 2022 peak.

> *The language in the policy documents, both the No.1 Central Document and the Five*
> *Year Plan documents, has taken a tougher line this year.*
>
> *The central government has already set the groundwork for reining in the industry, and*
> *it will be even more empowered now that prices have fallen to a 16-year low.*

— Sitonia Consulting Hog Update – March 26, 2026

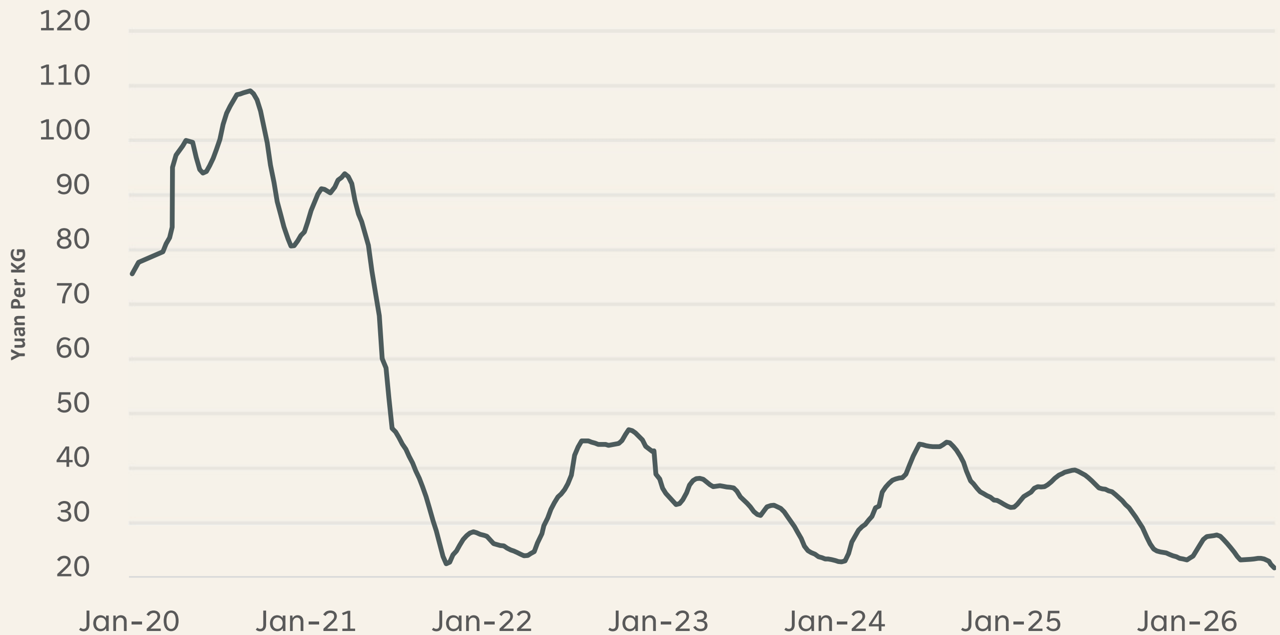
Major changes following June 17 meeting

Policy tightening across seven fronts since the June 17 meeting

- Provinces required to announce capacity targets
- Reduction in slaughter weights to 120kg
- Further restrictions on ‘secondary-fattening’
- Central government inspection teams
- Provinces to increase supervision of companies
- Accelerated destocking and culling of weak piglets
- Rumors of companies having financing limited

Piglet Prices Fall to 7+ Year Low

Prices down over 40% y/y as farmers reluctant to restock amid sharply negative margins



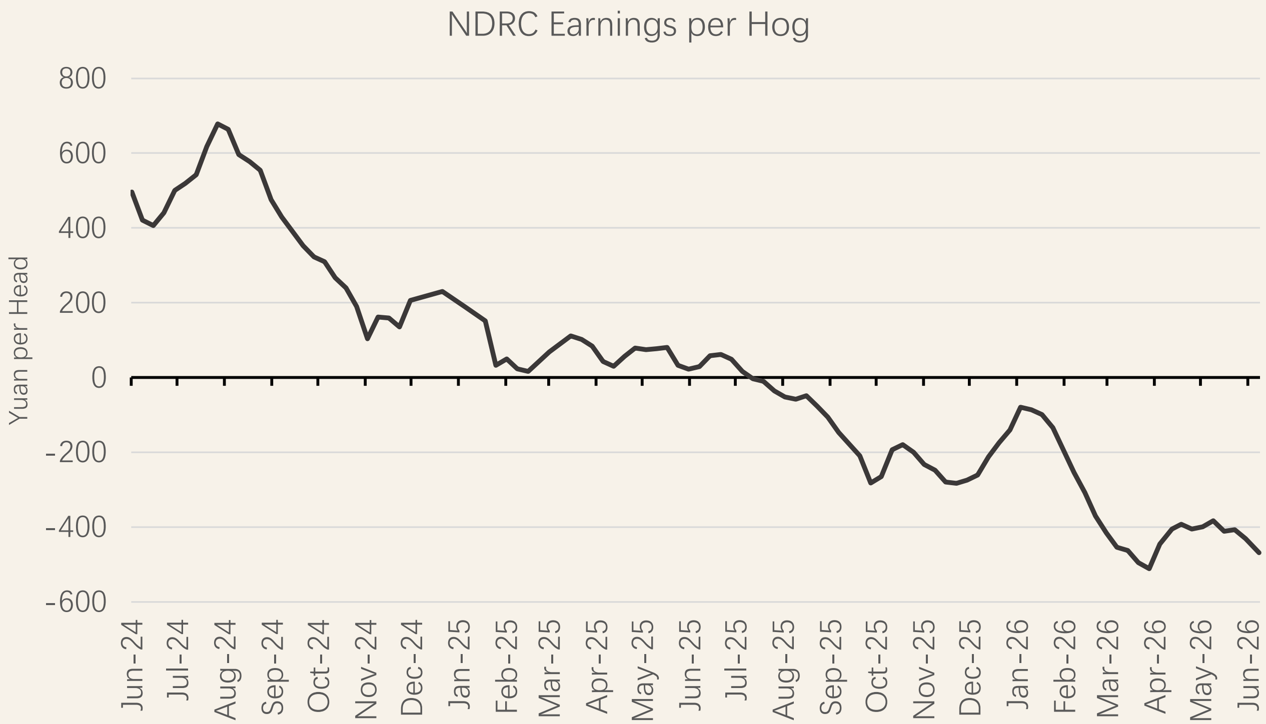
Source: MARA

> *Our company participated in the recent capacity control meeting and will be reducing a certain amount of capacity. This time, it needs to be completed before September, so the timeline has been accelerated.*

— Industry executive quoted by Cailin newswire, June 26

Hog Industry Facing Large Losses

Margins negative since August 2025. Losses exceeding 400 yuan per head.



Source: NDRC

Efficient producers see losses

Muyuan cost of production (May 2026)

11.60 CNY/kg

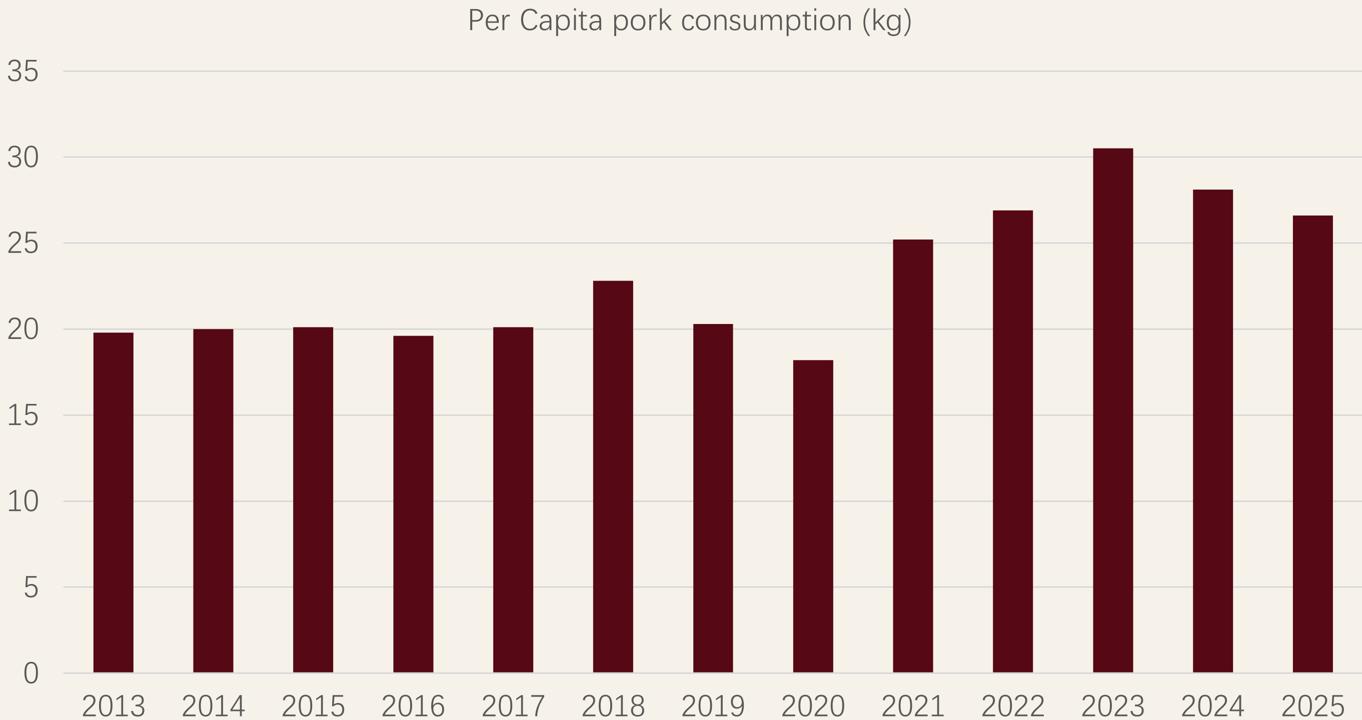
Muyuan average selling price (May 2026)

9.80 CNY/kg

Implied loss: – 1.80 CNY/kg

Pork Consumption Declining

Lower prices will not spur increased demand as consumption has been falling



Source: MARA

Demographic changes are driving a shift in protein consumption

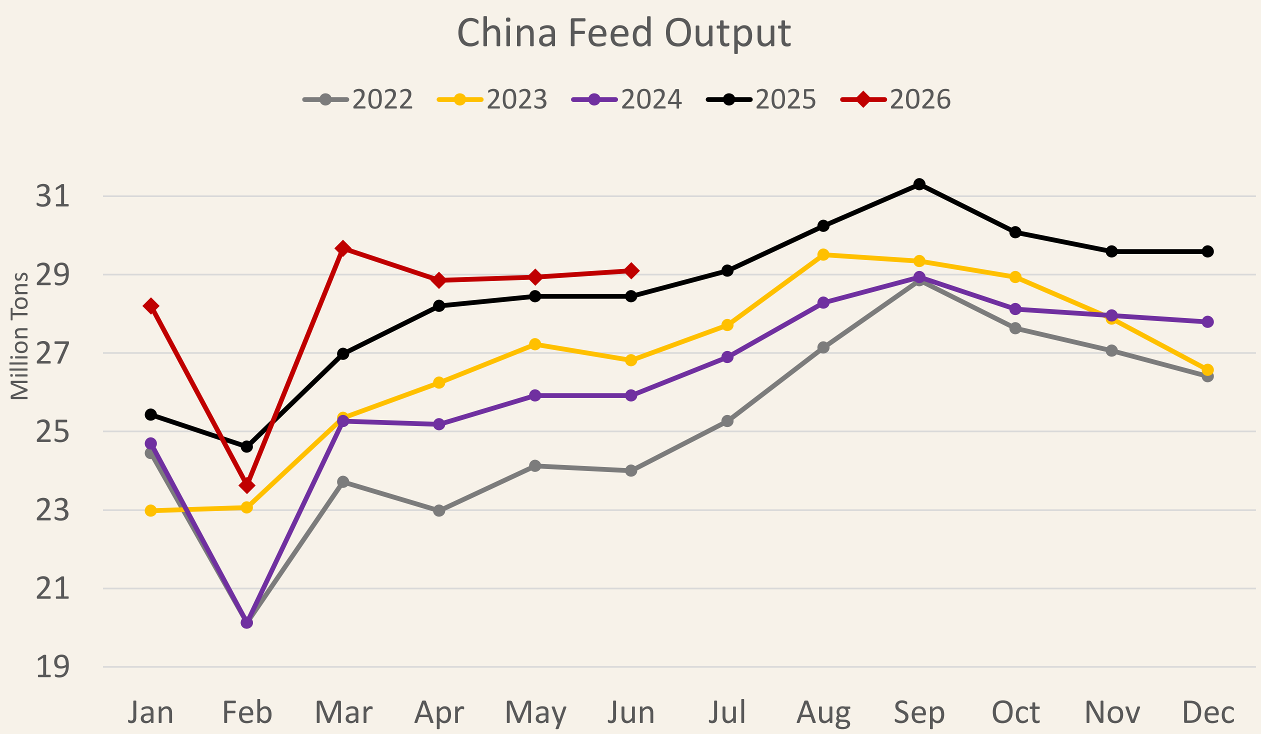
- Birth rates were a record low in 2025
- Both older and younger populations are increasingly focused on healthier diets
- Younger generations increasingly opting for lower-fat, high protein options (seafood, poultry, beef)
- Pork was 34% of protein production in 2025, down from 38% in 2015

Sitonia Consulting Views – Hog Market

- China's central government remains focused on reducing capacity and anti-involution efforts
- The government has always disliked the boom and bust of the 'hog cycle'
- Provinces and companies had little incentive to voluntarily reduce output after rebuilding production post-African Swine Fever
- The central government is concerned about risks of protracted downturns in hog price (e.g. restructuring, deflationary pressure, possible inflationary pressure, unpaid wages, unpaid suppliers)
- The consolidation of the industry post-ASF makes it easier for the government to adjust production, and policymakers are more empowered due to the broader anti-involution campaign

Feed production climbs in 2026

2026 has seen growth in feed production, but the pace of growth slowed in May and June



Source: China Feed Industry Association

In 2025…

- Hog slaughter up 2.4%
- Herd at year-end up 0.5%
- Sow population down 2.9%

Reduction in breeding sows has a delayed impact on fee demand

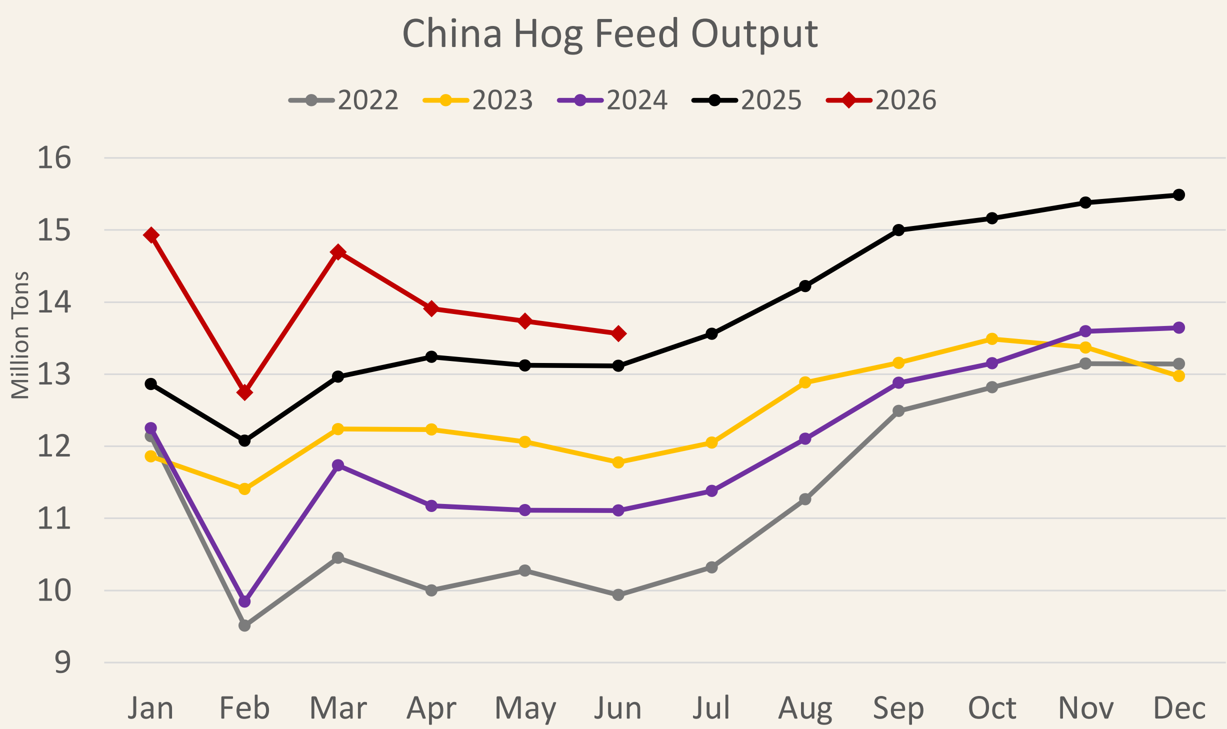
- Growth in broiler feed partially offsets decline in hog feed
- Broiler feed was 101MMT in 2025
    - Up 6.8% y/y

Hog feed production falls since March

Large growth in finishing feed for hogs, but piglet feed barely rose in H1

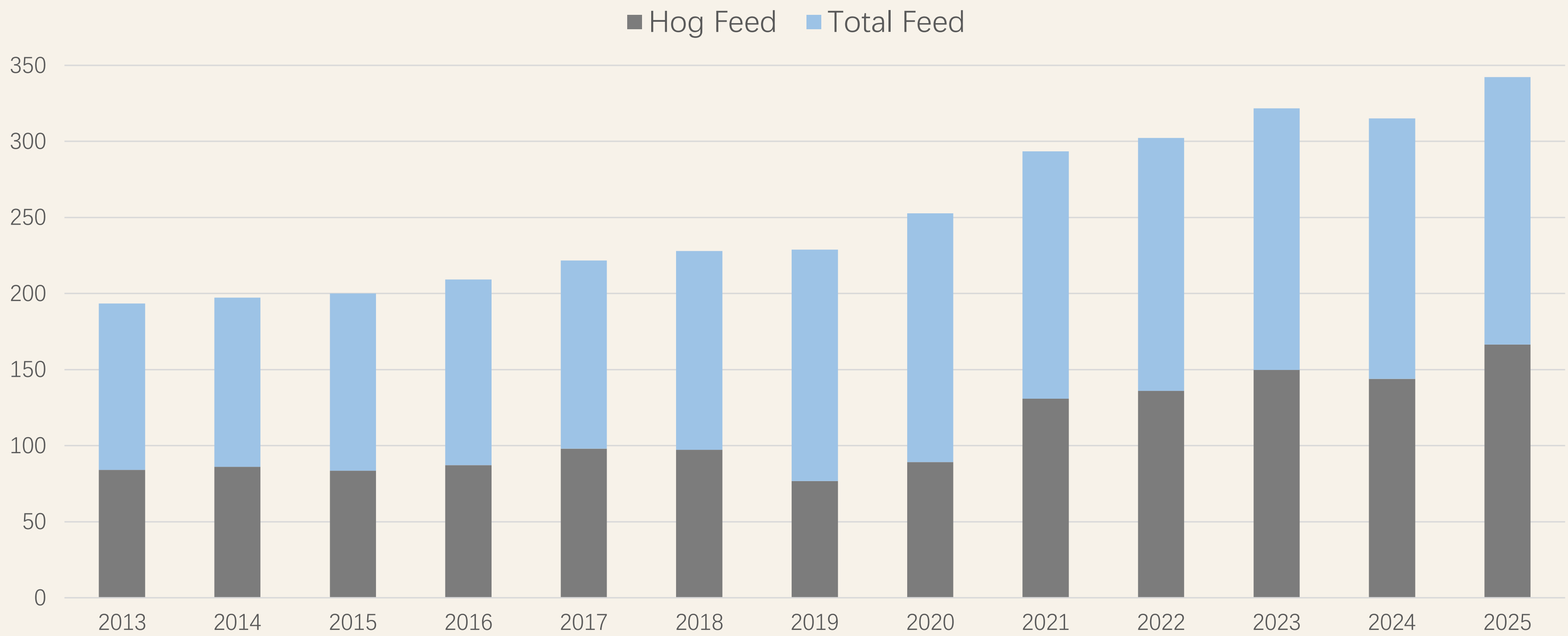
China Feed Output		
Type	H1 2026 (Mil Tons)	Y/Y % Change
Hogs	**83.53**	**7.9%**
Piglet		1.1%
Sow		4.2%
Finishing		11.8%
Layer	**14.90**	**-10.4%**
Chicken		-7.1%
Duck		-19.2%
Broiler	**49.62**	**0.9%**
Chicken		0.9%
Duck		-3.5%
Aqua	**11.10**	**17.4%**
Freshwater		14.5%
Marine		34.7%
Ruminant	**7.20**	**3.6%**
Beef Cattle		5.9%
Dairy Cattle		-0.1%
Sheep		-0.4%
Pet Food	**1.08**	**24.3%**

Source: China Feed Industry Association



Hog feed production

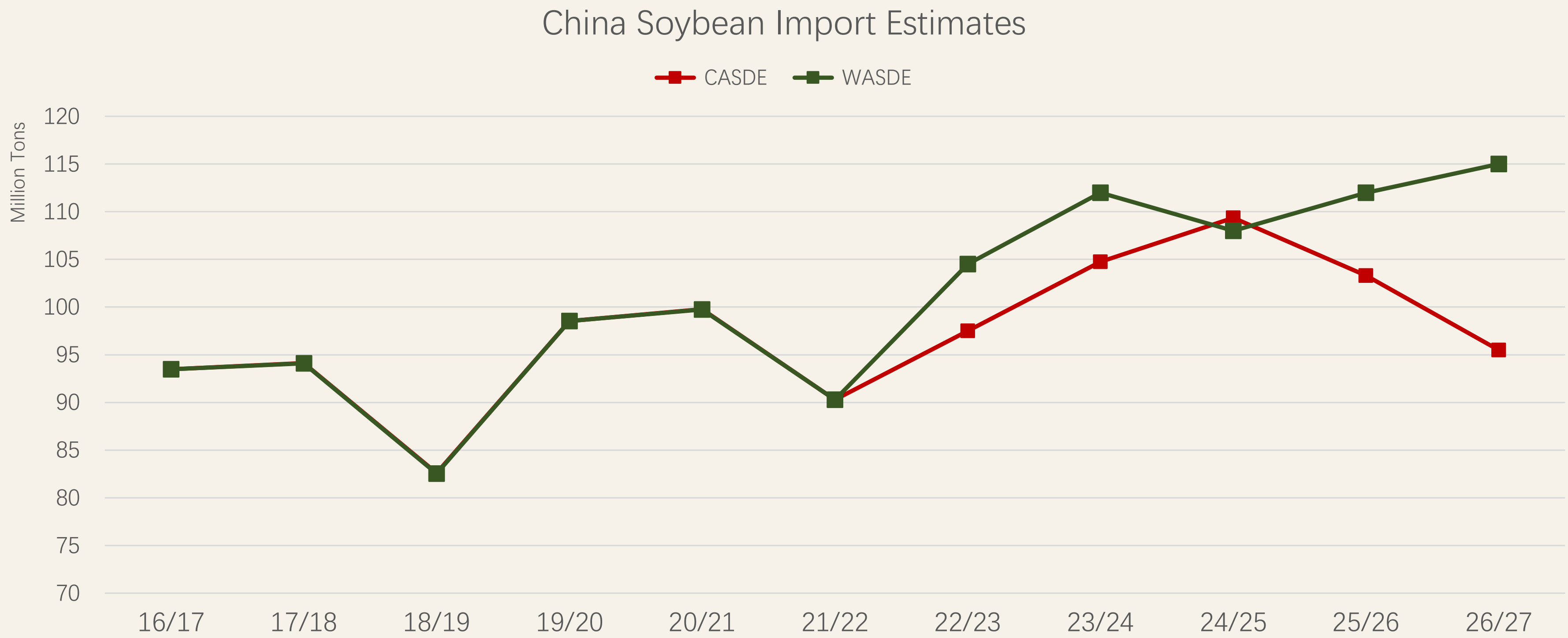
Hog feed accounted for 49% of production in 2025, the highest share in at least a decade



Source: China Feed Industry Association

China Forecasts Declining Soybean Imports

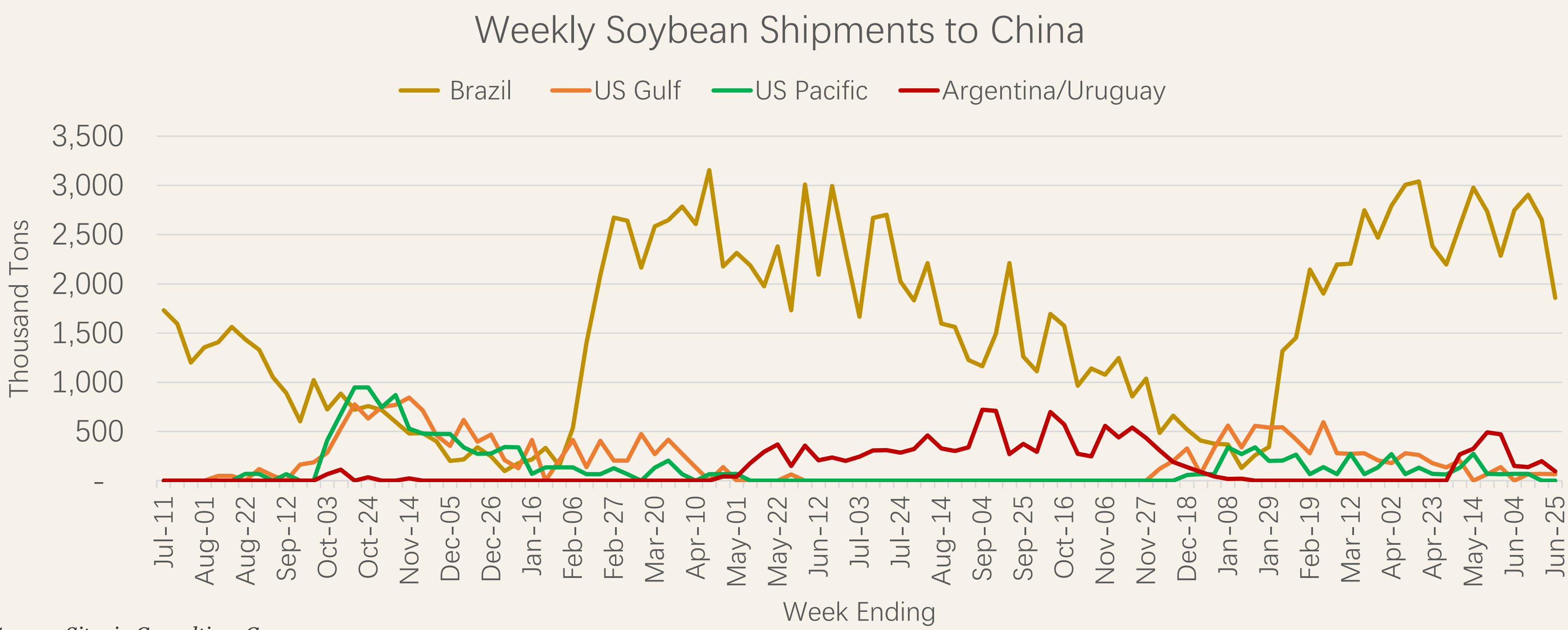
Ministry of Agriculture continues to forecast sharp declines in soybean imports; USDA forecasts growth



Source: MARA CASDE, USDA WASDE

US Soy Shipments to China Lagging

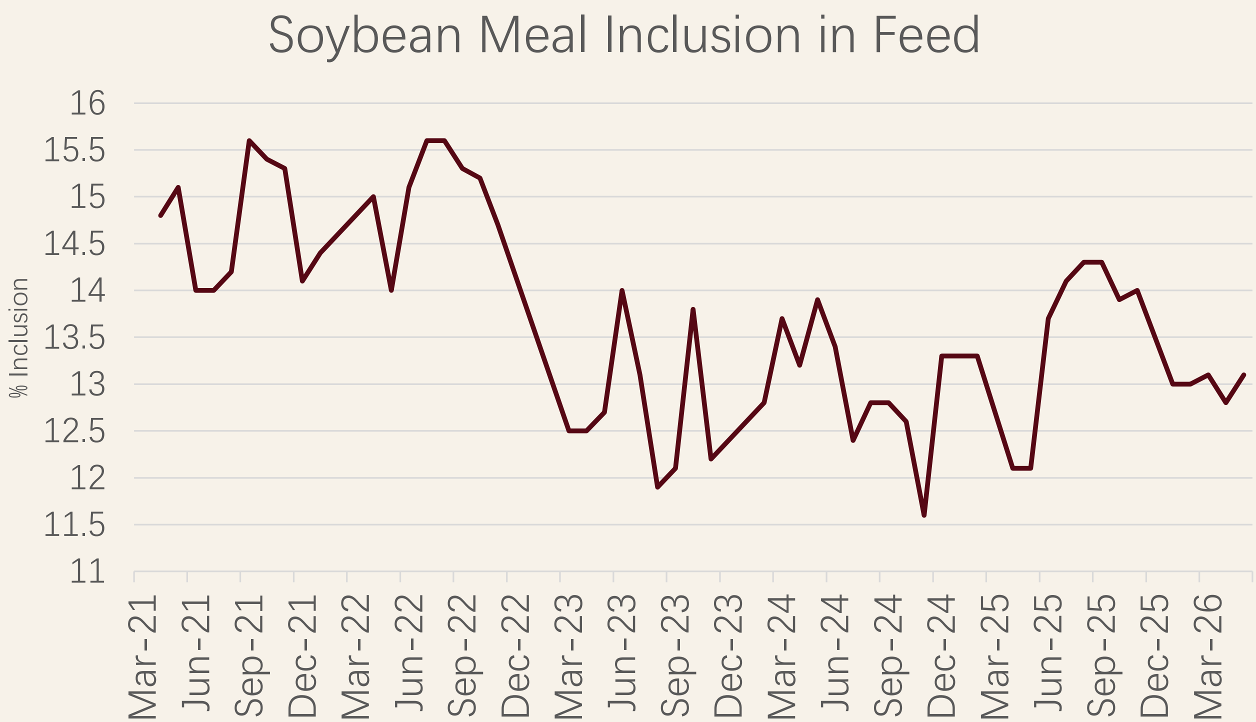
Brazil shipment pace is fast in 2026, but US volumes have remained small



Source: Sitonia Consulting, Cargonave, NABSA, USDA Export Inspections

Soybean Inclusion in Meal

Despite government efforts to reduce soybean meal use, inclusions are steady for 3 years



Source: China Feed Industry Association

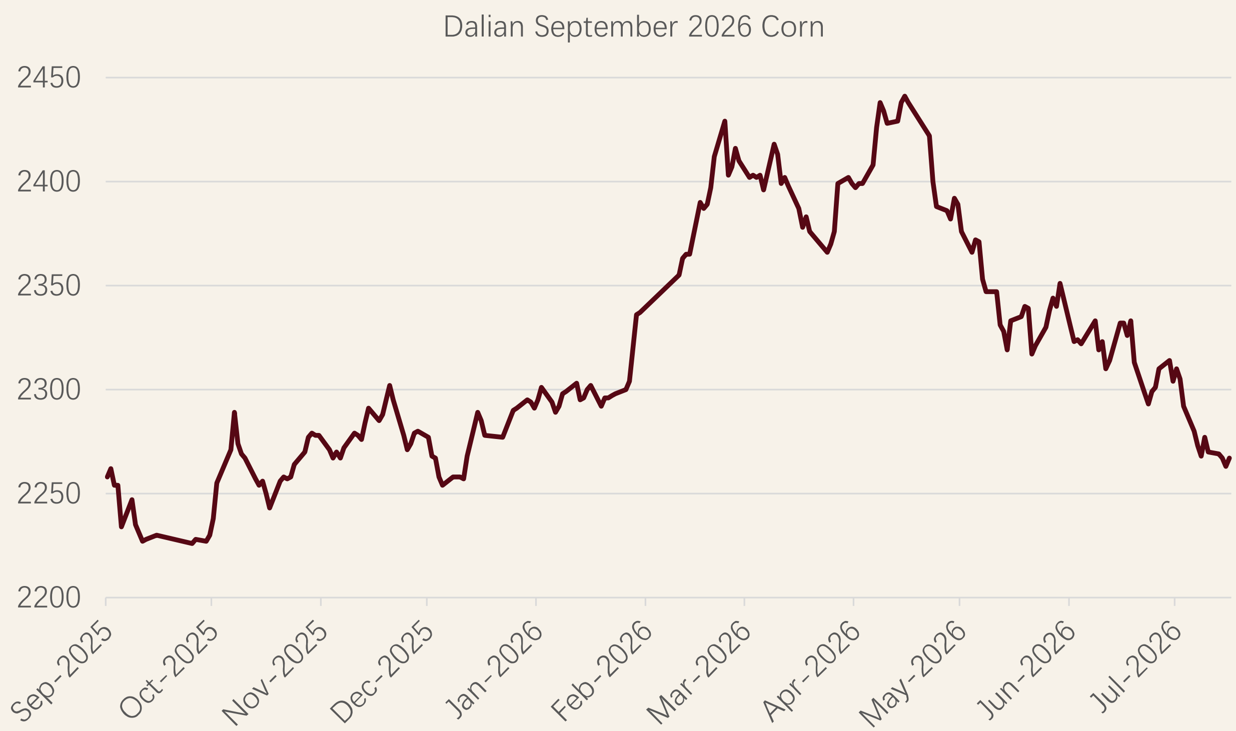
While China is trying to reduce its reliance on imported soybeans, it seems that the easy methods to reduce soybean imports have already been achieved and that it will be difficult to further substantially reduce soybean imports in the absence of speculative and very optimistic projections about developing technologies and practices.

— Sitonia Consulting Daily Note – May 19, 2023

Sitonia Consulting View - Soybeans

- An accelerated reduction in the hog herd will weigh on feed demand and soybean demand in the second half of 2026
- Heavy losses in the industry and capacity reduction add risks to soybean procurement due to uncertain downstream demand and potential liquidity issues
- China's efforts to reduce soybean meal use and increase domestic soybean production have been underwhelming and have not materially lowered the country's reliance on imported soybeans
- China's Ministry of Agriculture initial soybean forecasts are always unrealistically low due to political reasons and are revised higher throughout the year
- USDA's current projection is too high based on hog destocking. Sitonia Consulting view is 109 MMT for 26/27
- China has strong incentives to still purchase US soybeans regardless of actual demand

Harvest losses in Oct ’25 supported corn



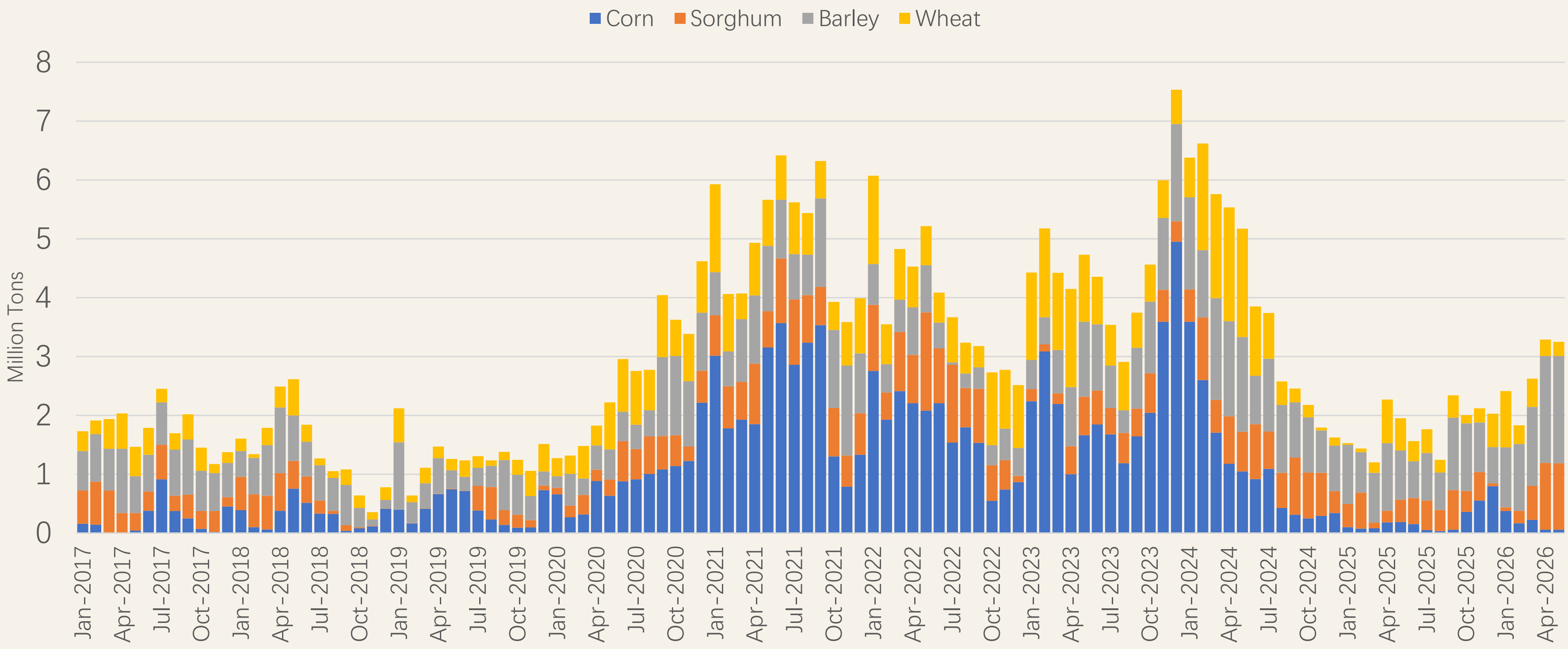
- Heavy rains in northern China during harvest reduced production
- Ag Min announced record production of 301.2 MMT
- Prices rallied post-harvest on supply tightness
- Additional supplies entered the market, weighing on prices

Additional feed grain supplies

When	Event	Volume
Jan-April '26	Auctions of minimum-price reserve wheat	6.2 MMT
May-June '26	Rains during wheat harvest, quality problems, sprouting	~15 MMT
June '26 - Present	Auctions of imported corn reserves	850k MT
May '26-Present	Auctions of old rice stocks to feed mills	~1.6 MMT
Jan-May '26	Imports of corn, wheat, barley, and sorghum up 54% y/y	12.9 MMT

Record barley imports in May

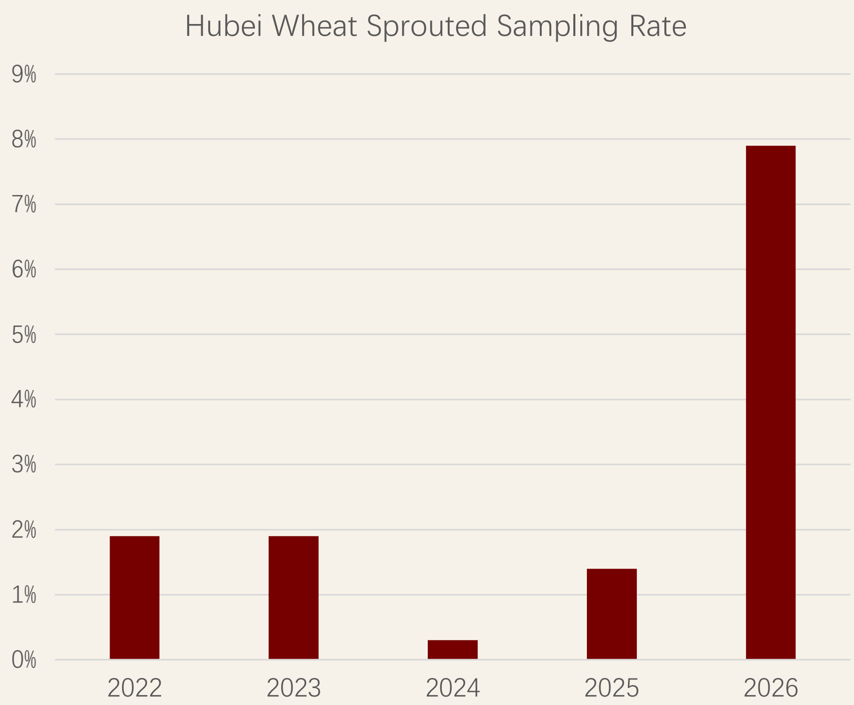
Corn imports remain restricted, driving larger imports of quota-free alternatives

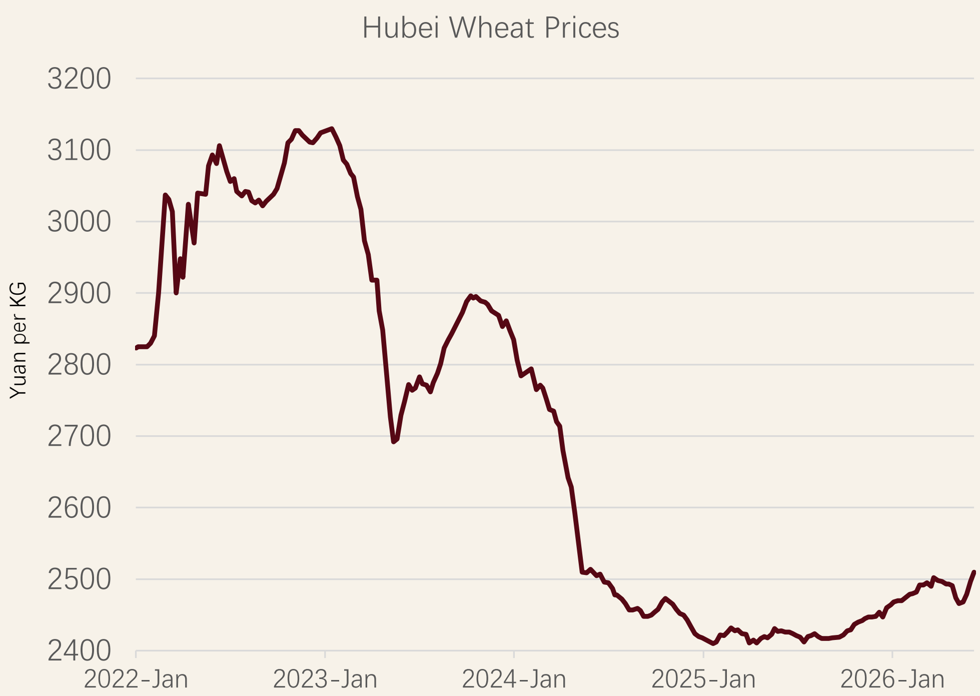


Source: China Customs

Higher damage to winter wheat

Rains during harvest led to a decrease in quality and higher rates of sprouted wheat





Source: Hubei Grain and Materials Reserve Bureau

Sitonia Consulting View - Grains

Corn production for 2025/26 was overstated. Rains during harvest cut production

- Increases in imports of alternatives, auctions of reserves, and damaged wheat have eased supply tightness

Winter wheat was planted very late and was affected by rains at harvest

- Last year's harvest was large, and 16.4MMT was purchased for stockpiles at minimum price, creating a buffer
- High-quality wheat is in relatively short supply already and China will need to import

Corn planting increased in 2026 based on higher prices

China has increased purchases of Brazilian and Argentinian corn in 2026

- China will need to purchase US corn if it wants to reach US-China trade goals of $17B (excl soybeans)

Lower corn production, lower wheat production, and higher feed consumption contribute to high corn prices and increased imports

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US-China Trade Volumes

Volumes mixed through April, with soybeans and sorghum showing growth

2026 US Ag Exports to China					
January-April					
$ Billions	**2022**	**2025**	**2026**	**Y/Y Change**	**Change vs 2022**
Soybeans	4.66	2.44	4.12	69%	-12%
Corn	2.04	0.00	0.01	210%	-100%
Cotton	1.25	0.13	0.12	-7%	-90%
Beef & Beef Products	0.68	0.43	0.01	-97%	-98%
Coarse Grains (excl. corn)	1.07	0.02	0.62	2458%	-42%
Pork & Pork Products	0.36	0.34	0.30	-12%	-18%
Poultry Meat & Prods. (excl. eggs)	0.37	0.12	0.08	-34%	-79%
Seafood Products	0.24	0.27	0.40	51%	69%
Tree Nuts	0.11	0.02	0.04	57%	-63%
Dairy Products	0.22	0.20	0.17	-15%	-25%
Hay	0.20	0.10	0.09	-7%	-56%
Hides & Skins	0.19	0.12	0.10	-19%	-49%
Other Feeds, Meals & Fodders	0.12	0.12	0.12	3%	2%
Wheat	0.00	0.00	0.07	NA	NA
Other	0.62	0.72	0.57	-21%	-9%
Total	**12.14**	**5.02**	**6.81**	**36%**	**-44%**
Total Less Soybeans	**7.48**	**2.58**	**2.69**	**4%**	**-64%**

Source: USDA GATS

- US beef exports have potential as Australia's quota is filled, Brazil's quota is rapidly filling, and China approved export licenses for US producers
- China's cotton regions are currently facing extreme heat and low rain
- Corn imports are necessary to reach trade value goals

US-China Trade Volumes

Value of US ag exports to China peak in 2022. Values have increased y/y in 2026 but remain slow

US Ag Exports to China - Billion USD											
$ Billions	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Ag Exports	22.32	20.87	10.38	14.72	27.18	33.63	39.03	29.87	25.43	9.40	6.81
Less Soybeans	8.12	8.65	7.26	6.72	13.11	19.52	21.11	14.81	12.79	6.40	2.69

2026 US Ag Exports to China												
$ Billions	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
Ag Exports	1.92	1.70	1.77	1.42								
Cumulative	1.92	3.62	5.39	6.81								
Less Soybeans	0.55	0.62	0.77	0.72								
Cumulative	0.55	1.17	1.94	2.66								

Source: USDA GATS

Sitonia Consulting View – US-China

China's government values self-sufficiency in food, but if imports are needed, it also values diversification

China has become overly-reliant on Brazil for soybean imports, especially going into a strong El Niño

- The volumes ensure China has some level of diversification and de-escalates trade tensions

It will be very difficult, but not impossible, to reach the $17B/year figure

- Commodities of focus will be corn, sorghum, cotton, and potentially DDGS
- Beef has opportunities due to rising prices in China and Australia now facing a 55% tariff after filling its quota

Sitonia Consulting 2H 2026 Outlook

Hog prices bottom-out and recover based on capacity reduction but not increased demand

- Price remain low in Q3 as capacity clears, rise to 12-14 CNY/kg in Q4, returning majors to profitability

Capacity reduction weighs on soybean import demand

- COFCO will purchase US soybeans, but likely to stockpile a large portion

Issues with 2025 corn crop and with 2026 wheat crop are supportive of import demand and imports of alternatives (barley, sorghum, DDGS, broken rice)

Weather risks are supportive of corn prices and imports with northern China facing drier and hotter conditions due to El Niño, and northwest China seeing extreme temperatures

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Ongoing coverage of the themes in this presentation

- ***Daily Report –*** *News and analysis of Chinese agriculture markets each day. Data releases, policy announcements, price moves, weather updates, trade data, and emerging trends in supply and demand*
- ***Monthly Reports –*** *In-depth coverage of corn, soybeans, wheat, and hogs with outlooks*
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