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GLOBAL AGRI TRADING NEWS

COMPANY NEWS



The International Finance Corporation (IFC) would inject \$18 million in the Iraq unit of Saudi Dairy Company, Al Safi Danone, a rare foreign investment in the country's non-oil sector. The funds will help expand operations, which include a new dairy processing plant in the Kurdish region with an annual target production capacity of 59,000 tons of yogurt products, cheese and milk, according to a statement issued by the Institution. Such investments are uncommon in Iraq, which has been embroiled by conflict for more than a decade and is now battling hard line militants. Low global oil prices have worsened Iraq's economic woes in the past year. The injection is part of a plan by IFC, a World Bank Group member, to increase its investment and advisory services in Iraq over the next few years to the tune of \$100 to \$130 million a year in sectors such as infrastructure and financial markets. The relative security of Kurdistan, in northern Iraq, has made it a safe haven in an oil-abundant country.



US Agri-food group CNFA and farm machinery firm GSI Group have launched a partnership to promote food storage and protein production systems as a critical way to improve farm productivity and food security. This partnership will strive to reduce the multi-billion dollar food losses that occur yearly due to insufficient and inadequate post-harvest infrastructures in sub-Saharan Africa. The venture will leverage CNFA's proximity to thousands of smallholder farmers in Africa with GSI's technologies for grain and perishable storage. GSI, a global brand of AGCO, is a manufacturer of grain storage, material handling, conditioning and drying equipment, and a supplier of swine and poultry production equipment. This partnership can dramatically improve smallholder farmers' incomes and nutritional status by reducing their post-harvest losses. This can result in new and innovative approaches to address food losses.



The head of COFCO, the Chinese state-owned grains trader, has laid out plans to turn the company into a publicly listed global powerhouse, highlighting Beijing's decision to relax its policy of food self-sufficiency. The Chairman of COFCO has said in a press statement that China's agricultural imports would rise from about 120m tons to 200m tons in a decade as its people consumed more meat and milk. The diets of the country of 1.4bn have changed as China's living standards have risen in line with industrialization. More meat and dairy on tables has strained arable land and water resources, pushing China abroad in search of grain to feed livestock. COFCO's ambitious plans will put it in competition with foreign suppliers that dominate global flows of agricultural commodities such as US-based Archer Daniels Midland and Cargill.

AGRICULTURAL COMMODITIES

COCOA

Cocoa demand will keep climbing in Asia as increasing incomes boost the consumption of chocolate bars, ice cream and drinks, according to reports. Demand in the region is expected to **grow by 8 percent annually** in the next 10 years. As costs climbed and economic growth slowed in Europe and China, processing declined from the US to Asia. However, this does not mean that the end user, the final consumer is not loving chocolate any more. They are just absorbing excess inventory and supply. The decline in processing has hurt bean prices that fell **7.3 per cent in the first quarter after a 12 percent slump the previous three month**. An increase in grinding capacity in Asia has also curbed processor margins, reducing demand for beans. However, after a brief lull, cocoa prices have rebounded strongly, despite a drop in demand for beans from Asia, where the grind fell even further than in Europe and North America. The Asian cocoa grind, at 144,738 tons, was 9.3% lower in the January-to-March quarter than a year before, according to data reports. This is bigger than the 5.8% drop for the quarter reported for North America, and the 1.6% decline for Europe. It was also represented the weakest start to the year for cocoa grinding volumes since at last 2010.

COFFEE

Prices of Kenyan coffee in the global market are forecast to start a steady climb upwards, due to a growing demand for high quality beans, according to projections of a leading exporter.

Higher coffee prices would be a major boost for the country's struggling exports market where thousands of coffee farmers have already ditched the plant for alternative crops and real estate development after a price slump witnessed in the 1990s. Favorable weather and high altitude have ensured that Kenya retains the top spot as the producer of the finest crop,

despite accounting for only 0.5 per cent of the global production by volume. In the six months to March for instance, coffee farmers sold coffee worth Sh8.5 billion at prices that was 10 per cent higher than a comparable period in the year before, the **Nairobi Coffee Exchange (NCE)** has reported. Dorman's, one of the oldest players in the country's coffee export business has set its eyes on raising its exports by more than double to over 250,000 bags a year.

CORN

Corn prices have fallen to **\$3.64 per bushel this April**, the lowest level since November. Prices have been dropping due to last year's surplus corn crop and tepid foreign demand, which has led to a surplus stock of the grain. An additional **15-cent plunge** in prices has occurred because of the traders focusing on this year's crop, which is being planted ahead of schedule. Meanwhile, the mounting concerns about bird flu have encouraged even more selling in the corn market. The main factors, thus causing the price of corn to drop is an oversupply of corn combined with the recent outbreak of bird flu or avian influenza. The psychological effect of this oversupply of corn is likely to be worsened by the bird flu. Birds just love eating corn whether it's cracked or whole kernels. This brings in the fear factor in that potential buyers of corn may hold off until the environment is more stable.

RICE

The **government of Cambodia** is planning to double rice exports to China in 2015-16 (May – April) to around 2,00,000 tons, according to local sources. The current annual contract between Cambodia's state owned Green Trade Co and China National Cereals, Oils and Foodstuffs Corporation will end shortly. Cambodia had signed a one year agreement in August 2014 to **export 100,000 tons of rice to China**. Cambodia is going all out to double the rice export quota in 2015-16 to about 2,00,000 tons. China is a

part of Cambodia's efforts to diversify its rice export destinations and increase the volume of exports. China appears to be fairly satisfied with the quality and hygiene of Cambodian rice exports. The renewed contract with China would be a step forward for Cambodia to achieve the one million ton rice export mark.

Pakistan's exports of Basmati and non Basmati rice has increased sharply in March 2015. They have exported around **4,72,357 tons** of rice in March 2015, which is up by about **33%** from around 3,55,737 tons exported in February 2015. Rice export earnings have increased about 24% to around \$ 215 million in March 2015. Year on Year, Pakistan's rice exports have increased about 40% from around 3,38,415 tons exported in March 2014.

India's basmati rice exports have declined about 4% to around 3.3 million tons in April 2014-February 2015 from around 3.44 million tons exported during the same period in FY 2013-14. In value terms, basmati rice exports declined to about Rs. 25,087 crores (around \$ 4.12 billion) during the first eleven months of FY 2014-15, down about 5% from around Rs. 26,515 crore (around \$ 4.4 billion) earned in the same period in FY 2013-14. In USD terms, India's basmati rice exports declined by 6% year on year in April 2014 – February 2015. Indian exports have primarily been impacted by Iran's ban on rice imports since November 2014.

SOYABEANS

Farmers in China, the world's top buyer of soybeans, could slash the amount of land they use to grow the oilseed by as much as **15 percent in 2015/16** due to uncertainty over how a new subsidy scheme will work, industry analysts said. A sixth straight annual drop in soy acreage could boost imports by a country that already accounts for **65 percent** of global traded volumes, buoying international prices, that are hovering near four-year lows on ample global supply. Farmers will reduce soy acreage as they so far have no idea how

they will be subsidized. Beijing scrapped a soy stockpiling program last year, and said it would subsidize farmers if domestic prices dropped below a target price of 4,800 Yuan per ton. But it is yet to reveal the size of those subsidies, even as farmers begin sowing this month with prices currently around 3,600 Yuan.

SUGAR

Sugar production in Thailand is set to hit an all time high, thereby raising exports to a record, despite falling world prices and intense competition in trade from Brazilian supplies. According to reports, sugar exports from Thailand, the world's second largest sugar exporter, will soar **by 10.0% to 8.80 m tons in 2015-16**. Record exports will be supported by a rise in sugar production of 11.4 m tones, up 3.9% year on year. The Thai government has abandoned its policy of rice stockpiling, intended to support rice farmers, and is now trying to attract farmers to switch from rice to sugar. Changes in policy are forecast to push up sugarcane planted area, as Thailand undergoes a restructuring of its agricultural industry, favoring sugar production. Thailand will see sugar cane planted area rise by 2% to 1.50m hectares in 2015-16, from 1.47m hectares in the previous year, and 1.41 in 2013-14.

The Egyptian government is committed to the stability of sugar prices within the local market, in an effort to protect local production from the internationally fluctuating sugar prices. Egypt's Trade and Industry Ministry has imposed a 20 percent tariff on imported sugar for 200 days, with a minimum tariff of 700 Egyptian pounds per ton. The tariff aims to protect local production from external threats due to a drop in sugar prices in the international market which could lead to a surge in sugar imports within the domestic market. Sugar is considered as a "strategic" good and is among the subsidized goods in the state of Egypt.

WHEAT

After a consecutive two years of good harvests, Pakistan is poised to witness another year of bumper wheat crop, and official estimates put production over **25m metric tons** this season. According to the **Ministry of National Food Security**, wheat consumption in Pakistan is below 20m tons annually. With intensified crop production, Pakistan could increase annual wheat production from 32.5m to 38m tons from the area currently under cultivation. However, any support programme aimed at increasing wheat productivity must take into account existing constraints in the wheat supply chain, especially the lack adequate of storage facilities. As wheat purchase, transportation and storage are financially supported by the government and taxpayers, wheat traders, flour mills could be encouraged, to invest in improving infrastructure. They can simply maintain minimum wheat stocks while the government pays for wheat storage and associated losses.

Despite the **export tax** which has been imposed on it since February, **Russian wheat** is now looking competitive on the world market once again. Immediately after the introduction of the tax, Russian wheat offers disappeared from global markets as it could not be sold competitively. However, in tenders from Egypt and Iraq in the past few days, Russian wheat has once again proved competitive. Although most of the wheat estimated to be exported from Russia this season was shipped before February, there were signs of a slowdown following introduction of the tax. With spring rapidly progressing, cash flow is critical for Russian farmers at this point in the season, as the majority of Russian wheat is spring sown. This has reportedly increased selling pressure from Russian farmers in the last week. The export tax is due to expire at the end of June, and there is uncertainty over whether it will be extended.

DAIRY

Prices of skimmed milk powder have hit their lowest since 2009 but **Danone, the French based water** to infant formula group, stands by its expectations of a recovery in Chinese dairy imports leading to a recovery in milk prices eventually. The French-based **water-to-infant** formula group, the world's **largest yoghurt** maker, said that its analysis continued to support a forecast it made earlier in 2015 of dairy prices recovering in the second half of the year. The expectation reflected ideas of a return to buying by Chinese importers, whose slower purchases since a stock-building spree early in 2014 have been seen as a major cause of the tumble in world dairy prices over the past year. Chinese dairy imports in February were down **36% year on year**, led by a 49% slide in volumes of whole milk powder.

Industry consensus is also building around a recovery for dairy prices but only in the second half of the year. For the current **April – June** quarter, any sharp recovery in dairy prices looks unlikely because of consumers already sitting on large stocks. A recovery should be helped by lower milk prices, which would start biting into the main exporting countries, forcing them to slow down supply and helping rebalance the dairy market.

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