



GLOBAL AGRI TRADING NEWS

COMPANY NEWS

US-based food processing company **Archer Daniels Midland (ADM)** plans to divest its global chocolate business by the end of 2014 third quarter, reports Reuters. ADM operates six chocolate facilities. In April 2014, the company said that it shall hold on to its cocoa presses, which make up around two-thirds of its cocoa business and sell its chocolate business. This was after long-running negotiations to sell both operations to a buyer collapsed. The Company now intends to sign an agreement by the end of the third quarter to sell its global chocolate business.

The vegetable oil industry is in the middle of a revolution to move away from deforestation. Last December, the **Asian agribusiness giant Wilmar International** initiated a "No-deforestation policy" and since then similar commitments are coming in from various companies. The latest to join this group is **Cargill**, which has committed to insure that its palm oil supply chain is traceable, transparent, and not causing deforestation.

Tyson Foods shall be selling its Mexican and Brazilian poultry businesses to **JBS Subsidiaries** in a

deal worth a total of \$ 575 million. Pilgrim's Pride, Mexico, in which JBS USA Holdings has majority stockholdings, has entered into an agreement with Tyson Foods Inc regarding the purchase of its poultry business in Mexico while JBS Foods, a subsidiary of JBS, SA, shall be acquiring Tyson's Brazilian business.

AGRICULTURAL COMMODITIES

COCOA

Cocoa rose to the highest price in almost three years in London this month, on speculation that chocolate manufacturers need to stock up with limited West African supplies, until new harvests start in October. Inventories are probably only enough to meet demand for six months and the industry usually needs seven to eight months of cover, according to reports. Inventories in warehouses monitored by ICE Futures showed the third consecutive decline, dropping 4 percent this month. **Hershey Co**, the No. 1 candy producer in the United States, has hiked its chocolate prices for the first time in three years, a sign that a year-long soaring cocoa market is eating into confectioners' profits. The overall price increase, effective immediately, would be about 8 percent and was aimed at tackling rising commodity costs, the company said. Analysts feel that the cost of

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cocoa butter has been rising since late 2013, which could be one of the main reasons for the price hike. The maker of Reese's, Kit Kat and Ice Breakers candy expects 2014 sales growth to be at the lower end of its long-term target of 5 to 7 percent.

COFFEE

Unseasonal rains in Brazil, the largest grower of Coffee, have created concerns about next year's Brazilian Crop, signaling the return of volatility in the coffee market. Rains in the normally dry month of August prompted worries about early flowering harming bean production for the next crop. Traders and analysts are expecting Brazil's crop this year to total around 45M-52m bags containing 60kg of coffee beans a bag. This compares to about 54m bags last year.

According to Citigroup, the Arabica coffee market is on the course for a bullish run that could drive futures to record highs. Citigroup cut to 41.75m bags, from 44.25m bags, its forecast for this year's coffee output in Brazil, citing drought which, according to its sources, has caused crop losses of typically some 20-30%.

CORN

China, a 3 billion dollar importer of American Corn is refusing to buy the same because America insists on including GMO corn in its exports. The Grain Industry of the USA wants Congress to force the Chinese to buy American GMO Corn. This GMO contains a new version of a gene that protects the corn plant from certain insects. However, this new gene isn't yet approved in China, and Chinese officials didn't appreciate it when traces of the new, as-yet-unapproved GMOs started showing up in boatloads of American grain. Crackdown began in November 2013. China began rejecting shiploads of corn when officials detected traces of the new gene. By February of this year, U.S. exports of corn to China had practically ceased. The Chinese ban on corn and corn products may end up costing American farmers, ethanol producers and traders a total of about \$3 billion.

COTTON

A sharp drop in cotton prices overseas and a weak monsoon have raised India's imports in recent weeks. This could lift shipments more than 25 percent above the official forecast for this season ending September and help support cotton futures. Cotton sowing in India, the world's second-largest producer and exporter of the fibre, has been delayed this year due to erratic monsoon rains. Mills in the coastal textile hubs of southern India buy cotton from Africa due to lower freight costs and are bringing in shiploads now as benchmark prices fell to a five-year low on Aug. 1 because of the prospect of ample global supply. Worldwide inventories could swell to a record of nearly 106 million 480-lb bales by the end of the U.S. crop year ending July 2015, helped by a surge in output in the

United States, according to the U.S. Department of Agriculture.

RICE

Thailand's Commerce Ministry is holding a series of auctions to sell around 5, 00, 000 lakhs tons of rice between August – September 2014, according to local sources. The Government is keen on selling around 5 lakhs tons a month and complete the sale of the existing 18 million rice stocks over the next three years. The Commerce Ministry is targeting to export around 3-4 million tons of rice by the end of this year to meet its export target of around 9 million tons.

Ghana has sought the help of the North Indian state Punjab to increase its rice production and quality of grain. Efforts are being made to seek Punjab's help in better agricultural infrastructure, latest farming techniques, setting up of online post procurement options apart from milling and preservation options, according to a press release.

India has exported rice worth around 7.78 billion dollars during financial year 2013-14, up about 25% from around 6.2 billion worth rice exported in financial year 2012 13. The Middle East remains India's main market. Iran and Saudi Arabia accounted to about 40% of the total Indian rice exports. India's other major rice exporting destinations include UAE, Iraq, Kuwait, Bangladesh, Yemen, Senegal and South Africa.

Unofficial rice exports to china through borders have been a major concern for Vietnam officials as well as exporters. Around 2 million tons of rice are exported to China unofficially according to sources. Efforts to legalize rice sales to china through borders have not made much headway. Consequently, Vietnam rice exporters are being affected by these unofficial rice exports to china. It is

claimed that traders are attracted by the high prices offered by Chinese businesses and are buying rice in huge quantities from the Mekong river delta provinces. It is reported that Chinese were offering around VND 11000 per kg of 5% broken rice against the market price of VND 9500 per kg.

SUGAR

Brazil, the world's largest producer and exporter of sugar, is in the middle of its main center-south cane harvest that is expected to produce 32 million to 34 million tonnes of sugar. This is slightly less than what was initially estimated earlier in the year due to the impact of an ongoing drought. However, a major fire at a sugar terminal operated by one of Brazil's top Sugar producer 'Cosan' threatens to disrupt exports.

Thailand, the world's second-largest sugar exporter after Brazil, will be forced to cut prices further to lure consumers as more than a third of the country's output of its recent record crop remains unsold, according to industry sources. Thailand's supply overhang could cap global prices even as the market is expected to shift to being balanced in the coming 2014/15 crop year - after four straight years of surplus. After harvesting a record 11 million tonnes in the just-ended 2013/14 season, Thailand faces fierce competition not only from rival Brazil but also from India.

WHEAT

Global stockpiles of wheat, may rise to a 15-year high by the end of 2014-2015, according to reports, boosting the forecast for world wheat output by 0.4 percent to 702 million tons.

Tough sanctions on Russia's banks over Moscow's support for rebels in Ukraine are likely to have an unexpected effect – higher wheat prices. Some traders had feared that

Russia, which is expecting a bumper crop this year of about 50 million tonnes, would flood the market ahead of any sanctions. This would put further pressure on wheat prices, which have plunged to four year lows. About 20 million tonnes of Russia's wheat crop is slated for export. Global wheat prices have skidded 27.6 per cent since May, after having rallied when Ukrainian-Russian tensions erupted in February and on the back of US crop concerns, which failed to eventuate.

GASC, the official grain buyer for Egypt, the top wheat importing country, has bought 175,000 tonnes of Russian wheat this month, at prices of \$246.99-249.00 a tonne, excluding freight. With this, GASC'S purchases this month, goes up to 8, 90,000 tons, at a cost of more than \$230m. Of this, 355,000 tonnes has come from Russia.

DAIRY

There has been a 16% fall in global dairy trade since June 2014 mainly due to a slowdown in buying by China. Fonterra New Zealand will cut 114 jobs from a milk powder plant

after the company revealed it over stretched its processing capacity. Australia is better placed to handle the current downturn. In Australia, there are smaller plants and more companies that own those different plants. They also export to a range of other markets and are a lot less dependent on China in pure volume terms than what New Zealand is.

The Dairy Market is approaching a "crunch time" after values at Global Dairy Trade, the twice-monthly dairy auction run by New Zealand-based Fonterra, fell to the lowest in two years. Prices sank by 8.4% at the latest event, the lowest since August 2012. The drop has sent the New Zealand dollar to its lowest in two years, and reflects a 45% slump in values of whole milk powder, which accounts for the bulk of volumes sold. Dairy prices are particularly important for New Zealand's economy as it is the country's top export earner.

Danone has been reprimanded in the UK over an ad featuring its Aptamil with Pronutra+ formula, which was deemed to have made claims not allowed under EU law. The ad, which ran as part of UK supermarket Tesco's

direct mailing was pulled up on three of its claims, which the UK ad watchdog said were not on the EU register of health claims made on food.

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