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CONTACT: +91-11-47008453, 42267455 NEWSLETTER@GLOBALAGRITRADINGJOBS.COM

COMPANY NEWS

Bumitama Agro, a palm oil supplier to Wilmar with a track record of forest destruction, has hit headlines in Indonesia. It has been framed with charges of forest destruction and killing of Orangutans. Wilmar International, the world's largest palm oil trader, is a cornerstone investor in Bumitama Agri as it buys more than half of Bumitama's production. In a bid to set its records right, Wilmar has now signed a deal with consumer goods giant Unilever, which has promised that 100 per cent of the palm oil used in its supply chain would be fully traceable by the end of 2014.

Australia has blocked Archer Daniel Midland's (ADM) A\$3.4bn (\$3.09bn) takeover of Grain Corp, claiming it would not be in the interest of the country. Grain Corp is one of the last remaining independent grain trader of Australia. An industry spokesperson says that Australia needs foreign investment and is not against it, provided it is of national interest.

U.S. agribusiness giant Cargill is building a \$100 million cocoa processing facility in Gresik, East Java, with a capacity of 70,000 tonnes per year. The plant is expected to start operations in mid-2014.

Tyson Foods (TSN), the traditional meat-processing company, is becoming more involved in the prepared food business that can provide added value and often earn higher margins. The company has long been in the production of primal and sub-primal raw meat, along with its animal breeding-related business and

feed productions. Its conventional business, though essential and staple, presents little growth opportunities and hence its foray into prepared food business, which can potentially increase sales and lift profit margins.

COFFEE

Coffee prices in Indonesia, which may this year lose third-rank among global coffee growing countries to a revived Colombia, are holding well above those of the international market. Indonesians are expected to consume a record 2.5m bags of coffee in 2013-14, 30,000 bags more than the official USDA forecast. With output falling year on year, Indonesia is one country expected to see lower exports in 2013-14, down 12% year on year to 7.8m bags. This would leave inventories at the end of the season at just 48,000 bags, which would be the lowest in at least 50 years.

COTTON

China is hoarding a record amount of cotton to aid farmers as global production exceeds demand for a fourth consecutive year, increasing the risk of a supply surge that would tip prices into a bear market.

The 2013-14 world production is projected at 25.6 million tonnes (mt), down 1.2 mt from the last season. World consumption is forecast at 23.8 mt in 2013-14, up two per cent from last season. Cotton traders and market analysts do not expect cotton prices to increase in near future. The upside trend may start after January 2014 when there is demand in the market.

DAIRY

Fonterra's sales in China are nearly back to pre-botulism scare levels. Fonterra's top executives have travelled the world in the last two months, meeting 5,000 business people, in a bid to rebuild the company's reputation after a recall of its whey protein powder in August damaged its reputation. It turned out the powder was not contaminated.

US milk prices which stand at \$3.50 a gallon, may rocket by as much as \$3, if a new Farm Law is not passed by the Congress before the end of this year. If the Congress is unable to pass the new Farm Bill, then the legislation dating back to 1949 will come into force, under which the US govt. will buy milk direct from the producer, at around twice the current market rate.

EDIBLE OIL

Palm oil shipments from Indonesia, the world's largest producer, climbed to the highest level in eight months, as a decline in supplies of substitute oils in India and China spurred demand from the biggest buyers. Exports increased 13 percent to 1.86 million metric tons from 1.64 million tons in September, the Indonesian Palm Oil Association, said.. Increased demand for palm oil, used in everything from candy to cosmetics, amid a drop in output due to heavy rains, may help extend a rally in prices.

RICE

Scientists from Japan and the International Rice Research Institute (IRRI) have discovered a rice gene that in preliminary testing increased

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production by 13-36% in modern long-grain indica rice varieties, the world's most widely grown types of rice. Incorporating the rice gene, SPIKE, into Indica varieties that are very popular and widely used across 70% of global rice growing areas could significantly contribute to food security

The latest nuclear deal between Iran and global powers is likely to go against Indian basmati rice exporters. This deal would facilitate easy entry for Thailand and Pakistan in Iran's big rice market. Till now India has been the only supplier of rice to Iran in spite of cheaper availability in other origin. Due to sanction imposed on Iran, trade in dollar term was not possible. However, India got a waiver on the condition that it would cut its oil import from Iran. Besides, India and Iran entered into an agreement for a payment mechanism based on the rupee. This encouraged rice trade between the two countries. Now situation has changed with recent deal and other suppliers would start approaching Iran and offer attractive quotes to clinch India's major share in Iran.

RUBBER

Prices dipped on news of weakening consumer confidence in the United States and expectations that a global rubber surplus will widen through to 2015. The Malaysian Rubber Board's benchmark SMR20 dropped to 230.15¢ ringgit a kilo from 230.35¢ ringgit the previous week.

SOYABEAN

Soybeans climbed to a 10-week high on signs of surging demand for U.S. exports. U.S. exporters sold 1.4 million metric tons of soybeans during the week ended Nov. 21 for delivery this season, more than triple the amount a year earlier.

The crash in corn prices is spilling over into soybeans. As a result, Brazil will grow more of the higher-value oilseed, helping push global markets into a record glut and replacing the U.S. as the top producer. Soybean farmers in the largest exporting nation plan to sow a second crop in the off-season rather than rotate to corn, as they traditionally do after corn lost 42 percent in a year. This will result in a record surplus of Soyabean, used in everything from tofu to salad dressing.

SUGAR

On account of huge surpluses in major producing countries like Brazil, India and China, global sugar prices have dropped to a three-year low.

In Brazil, the world's largest producer of sugar, numerous mills are on the verge of shutting down. The International Sugar Organization estimates the global surplus stood at 6.1 million tonnes in 2011-12, 10.2 million in 2012-13 and will be 4.5 million tonnes in 2013-14. In the main sugar producing region in Brazil, output

has more than trebled this year compared to the last.

WHEAT

According to IGC report, Global wheat production forecast has been increased by 2 million tonnes to 698 million tonnes owing to better crop prospects in US and China. Global consumption too is expected to increase from 690 million tonnes to 692 million tonnes. Global wheat trade is forecasted to remain unchanged at 142 million tonnes in 2013-14 and global carryover stocks are expected to fall to 181 million tonnes from 182 million tonnes.

In Pakistan, people have been facing shortage of 'atta' (wheat flour) at the Utility Stores Corporation (USC) outlets countrywide, especially in Punjab, including Rawalpindi and Islamabad. For more than a month now, mill-owners have completely stopped its supply to the USC at the subsidized rate of Rs765 for a 20-kilogram bag, due to an increase in wheat prices in the open market by Rs 225 per 40 kilograms from Rs1,425 to Rs1,650 a month ago. The wheat flour crisis is likely to worsen further, especially in Punjab, because mill-owners demand Rs 850 for a 20-kilogram bag.

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