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GLOBAL AGRI TRADING NEWS

COMPANY NEWS



Olam International, a leading commodity trading company controlled by Singapore's state investment company, agreed to buy Archer Daniels-Midland's cocoa business for \$1.3 billion to boost production capacity. Chicago-based ADM will seek to use the proceeds to make investments in less volatile sectors or distribute excess capital to shareholders, according to company sources. ADM's cocoa unit includes facilities in several countries, including Brazil, Canada, Germany, Ghana and Singapore. A majority of the roughly 1,550 employees in the cocoa business will get transferred to Olam.



A joint venture between two international companies is set to fully plant 26,000 hectares of land in Nigeria

with high yielding palm fruit nuts. The Joint Venture partners are PZ CUSSONS and Wilmar International Limited, and they had formed Wilmar JV in 2010. The core leadership of the partnership, PZ Wilmar JV, is made up of people from the Asian countries like Malaysia and India. They are positioning themselves to reap from the expected world population explosion and increased demands for palm oil and its other palm produce world-wide.

For now, the global market demand for palm oil is around 50m tonnes and some estimates predict that this will double by 2020. The current investment would give Nigeria a great opportunity to become the leader in sustainable palm oil development. If assisted, PZ Wilmar, a global beacon agricultural project, said their investment of \$650 million will create up to 30,000 direct and indirect jobs.



Tension is brewing between Lactalis, the world's largest dairy company, and promoters of the Andhra Pradesh-based Tirumala Milk Products in India, which Lactalis acquired early this year. According to sources familiar with the development, French firm Lactalis is likely to take the legal route against the promoters of Tirumala for breaching a non-compete agreement signed during the acquisition. Sources close to Lactalis said a new dairy business had been launched in Guntur district of Andhra Pradesh, with the knowledge of the Tirumala promoters. In January this year, the \$20-billion Lactalis had announced the acquisition of 100 per cent stake in Tirumala Milk Products. Though the deal size was not disclosed, it was reported at about \$275 million (Rs 1,800 crore).

AGRICULTURAL COMMODITIES

COCOA

With the appreciable containment of the Ebola epidemic in West Africa, Ugandan cocoa producers have to deal with the drop in cocoa prices due to the increased supply of cocoa on the international market from West African producers. Cocoa prices in Uganda and East Africa indicate a drastic drop in the price of cocoa per kilogram from Shs7, 500 around September to Shs6, 500 in November despite the relatively low production. It is expected to hit the Shs7,000 price mark in January, according to analysts. Uganda's cocoa beans produce a unique chocolate that trades higher in countries such as Germany, Switzerland and Italy. This has attracted more buyers from Europe, Asia and the Middle East. Until November, Ebola largely affected Sierra Leone, Liberia and Guinea, which produce relatively little cocoa, but the last two countries share borders with Ivory Coast, which accounts for almost 40 per cent of the world's supply of the chocolate ingredient.

SOYABEANS

Chinese buyers signed nine contracts for a total of more than 1 million tonnes of U.S. soybeans. The purchases are for delivery to China, the world's top soy importer, in calendar year 2015. However, the deals had little impact on soybean futures prices at the Chicago Board of Trade. Traders said the agreements were relatively small for China, which is expected to import 74 million tonnes of the oilseed in the 2014/15 marketing year.

CORN

In China, authorities have informed agriculture industry officials that the government has approved US imports of a type of genetically modified corn developed by Syngenta, according to reports, though no formal notice has been given to the Chinese importers about the impending approval. Expectations of a breakthrough has, however, been fuelled by a sudden big order of the US distillers grain, a corn by product. The sources said that even though China's bio-safety committee had cleared the strain from a food safety standpoint, the agriculture ministry needed to give its stamp of approval. "The final decision will probably come in January or February next year," said one of the trading sources at a state-owned trading firm Syngenta has announced that it was expecting China to clear imports soon. The timing of Beijing's approval of the MIR 162 corn strain is sensitive for industry participants as Beijing has rejected more than 1.2 million tonnes of US corn in the past year due to the mingling of the unapproved variety in shipments.

RICE

An unprecedented decision by Iran to ban rice imports has temporarily hurt Indian exporters very badly. Iran's basmati rice exports from India have been increasing significantly for the last few years. In 2013-14, Iran's basmati rice imports from India accounted for about 1.45 million tons or about 85% of its total rice imports of around 1.7 million tons. Iran has reduced rice imports from India in a phased manner since February this year. In February, Iran revised the acceptable level of arsenic in Indian

basmati rice from around 150 parts per billion (ppb) to around 120 ppb. In September, it increased import duty on basmati rice from 22% to 45 %. It has imposed a ban last month, citing excess stocks as the main reason. Iran is an important market for India and constitutes about 35% of India's basmati rice exports.

Thailand has signed a memorandum of understanding (MoU) with China to export 2 million tons of rice next year, according to local resources. The two countries also signed a MoU under which China will construct two dual track rail lines covering a total of 867 kms. The two MoUs are expected to strengthen trade relations between the two countries. Thailand has so far shipped 3,00,000 tons to China under the existing 1 million tons G2G contract with China and is scheduled to export the remaining 7,00,000 tons by July 2015. Thailand currently has 17.8 million tons of rice in its stockpiles and it could take almost 3 years to clear all the stocks, according to market reports.

SUGAR

The U.S. government's announcement to restore diplomatic relations with Cuba was welcomed by big agricultural businesses like Cargill, Inc. and Archer Daniels Midland Co. However, Cuba is far from a comeback as a producer of Sugar. Amid the prevalent low global prices and new industry leaders, even if investment in Cuba were to resume, there would be little incentive for companies to invest money required to bring Cuba back to the forefront of the sugar world, according to analysts. Cuba accounted for 12% of global production in the late 1960s, but now its output only amounts to about 1% of

global annual production, according to the U.S. Department of Agriculture.

In India, sugar mill owners fear a major crash in prices, with the market getting flooded with Brazilian sugar coupled with an excess stock of 75 lakh tonnes from domestic mills. The country is also expecting production of 255 lakh tonnes in FY15, which is in excess of demand by around 25 lakh tonnes. This will lead to an excess stock of 100 lakh tonnes. Since May 2014, sugar prices have fallen to Rs. 2,700 per quintal from Rs. 3,200 per quintal. Retail sugar price, which was Rs. 40 a kg in September, has come down to Rs. 34 a kg. There is under-recovery in selling sugar as the average cost of production exceeds sale price. According to industry sources, import of sugar has continued due to lower import duty of 25%, in spite of surplus production and stock for over four years, which has affected the sugar industry.

WHEAT

Due to the collapse of the Russian Ruble, which has drastically increased domestic cost of bread, Russia is taking steps to stem its grain shipments and sending wheat prices in the Chicago Board of Trade to the highest, since May. The nation is slowing down shipments by denying certificates that grain sellers and buyers need after sanitary inspections, according to sources in the grain export lobby. The country's main goal is to replenish the domestic market. Wheat futures in Chicago surged 13 percent this month, heading for the biggest gain since March. Russia is the world's fourth-biggest exporter.

DAIRY

Dairy prices will continue to remain low next year, despite the prospect of a sharp fall in milk production growth, US officials said, undermining any hopes that a late-year revival in values may signal the start of a recovery. Milk output growth in the five main exporters, whose volumes have a particular impact on dairy values, will decline to 1.4% next year, from 3.9% in 2014, the US Department of Agriculture said in its first forecasts for 2015. Farmers will be facing reduced margins, and milk production among major exporters is expected to slow down, the USDA said, counting Argentina, Australia, the European Union, New Zealand and the US as the top dairy shippers.

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