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GLOBAL AGRI TRADING NEWS

COMPANY NEWS



Arla Foods is integrating its dairy business operations in **China and South East Asia** within a new regional market concept called Business Unit Asia. The regional office will be placed in Kuala Lumpur, Malaysia, as of March 1, 2015. The international dairy company has confirmed that Asia is vital to its ambitions for growth. The region is the world's fastest **growing economic region** with a raw milk deficit and a total population of 2.3 billion people. China is a strategic growth market for Arla, while South East Asia (SEA) has been identified as a region, which could potentially become a new strategic growth market. The expectation is that revenue for the region will exceed €1 billion within the next five years.



Gujarat Cooperative Milk Marketing Federation (GCMMF) makers of Amul brand dairy products will start exporting Dairy products to **Russia** in two to three months after getting the necessary regulatory approvals. According to the sources the company will invest **Rs 4000- 5000 crore** in the next three years on capital expansion. This will lead to increase in the revenues from Rs 18000 crore (FY 2014) to Rs 22000 crore. Russia has huge potential for Indian exports in Dairy Products. Russia imports around **8 to 10 lakh tonnes of milk powder and 20 lakh tonnes of cheese per annum**. Amul has aimed to increase their revenue and to reach Rs 50000 crore mark by 2020. This will be achieved by setting up new plants and expanding the capacity of the existing plants.



Kellogg Company has acquired a stake of **86 per cent** in **Bisco Misr**, the number one packaged biscuits company in Egypt. The deal has been finalized for \$ 125 million. This advances Kellogg's presence in the global snack business in emerging market. Egypt is a growing market with a strong economy and this will help provide Kellogg tremendous opportunity for growth. Bisco Misr's manufacturing capabilities, skilled labor and go-to-market infrastructure, coupled with Kellogg's technology, iconic brands and marketing expertise, will enable both to emerge stronger in Egypt and other North African countries.

AGRICULTURAL COMMODITIES

COFFEE

A historic drought in the world's biggest coffee-growing country, Brazil, and a harvest-hurting fungus in the coffee-bean havens of Central America crimped the world's supplies for much of the year, driving up prices. But rainfall returned to Brazil in force last month, helping quench its worst dry spell in 80 years, and that has raised expectations for this year's crop and driven futures prices down.

The **Central American nation El Salvador**, struggling to control an outbreak of the plant disease 'leaf rust', has cut its coffee forecast for the current harvest by about one-third, according to sources. Rain at the end of last year and heavy winds have carried rust spores from infected farms to other plantations, worsening an infestation that has affected crops from Mexico to Peru. The outlook for El Salvador's 2014-15 season, which began in October, was cut to **613,333 60-kilogram bags from 920,000**, reports said. Most of El Salvador's 21,000 coffee growers are small producers who may lack resources to fight the fungus, which attacks coffee leaves. Between 65 percent and 70 percent of the country's coffee crop has been affected, as per reports. El Salvador exported 6,086 bags of coffee through the first two months of the 2014-15 season, down 89 percent from the same period a year earlier, according to a research group.

COTTON

Farmer in Uganda are opposing the sh1,000 indicative price set by the **Cotton Development Organization (CDO)**, arguing that it was not a fair price. They feel that the price was too

low and that the proceeds may not be enough to pay back the loans taken during the production process. It is argued that it should have been at least set at sh1500. The farmers claim that they spend a lot of money to produce a kilogramme of cotton and that most of them depend on borrowed money from Microfinance institutions and Savings and Credit cooperative societies.

CORN

Corn futures tumbled in a decline fuelled by a fall in ethanol prices to their lowest since 2005, after the US said that its inventories of Ethanol had hit a two-year high. The slump followed the release of data showing that while US ethanol production remained strong, up **29,000 barrels a day to 978,000 barrels a day**, consumption was failing to keep up with output. US stocks of the bio fuel jumped 1.38m barrels to 20.23m barrels, the highest since January 2013.

PALM OIL

Monsoons have severely hurt palm oil output in **Malaysia, the second largest grower in the world**. A monsoon surge that brought the worst floods in decades to **Malaysia** is forecast to move south this week, risking further **inundations in Johor and Sarawak**. Johor, at the southern end of Peninsula Malaysia, together with Sarawak in Borneo Island account for about one third of the country's total production.

Palm oil rallied last week to the highest in almost two months after the severe flooding in the north hurt harvesting. The floods will probably cut palm oil output and push prices higher, according to reports.

RICE

The Thailand government is planning to sell around **one million tons** of rice in a tender on January 29, 2015, according to sources in the **Thai Commerce Ministry**. The government is planning to auction around 8,50,000 tons of 5% broken rice and around 1,50,000 tons of jasmine rice in January, this year. Currently, export prices of Thai 5% broken rice are quoted at around \$ **410 per ton** and those of Thai Hom Mali rice are quoted at around \$ 925 per ton. Abundant supplies from Thailand as well as from harvests of other rice exporting countries have pushed down global rice export prices with Vietnam's prices being lowest in the last ten months. The Thai Commerce Ministry has stated its plans to sell around 10 million tons of stockpiled rice in 2015 and around 7 million tons in 2016 through tenders. Thailand currently holds around 17.8 million tons of rice in its stockpiles.

Indonesia may not import rice in 2015 due to sufficient stocks with it according to Bloomberg. The country has around 1.7 million tons of rice with it and is expecting an additional 6,00,000 tons in January 2015, 1.2 million in February, around 3 million in March and 1.9 million tons in April 2014. The new President wants to achieve self sufficiency in rice production and end imports within the next 2 years. For this purpose, the government has allocated 164 million USD and is planning to rehabilitate 1 million hectares of tertiary irrigation channels for paddy production and distribute 25,000 tons of subsidized seeds and subsidized fertilizers for around 1 million hectares of paddy fields.

SOYABEANS

Argentine growers are hoarding soybeans to protect themselves from inflation but by doing so, they are hurting both **state and farm income** in the world's No. 3 exporter of the oilseed, according to a top government official. The **South American** country pioneered the use of plastic horizontal silos to stockpile grains. Growers are hanging onto soybeans, which are priced in U.S. dollars, as a hedge against annual inflation estimated by the government at 24 percent but seen as much higher by private economists. The Rosario grains exchange in Argentina forecasts the country's 2014/15 soy harvest at a record 55 million tonnes.

SUGAR

Suedzucker, Europe's largest sugar producer, said that while it was sticking by its sales figure of E7.0bn for the year ending February 2015, which is a drop of 7%, it faced a "challenge" to meet a target of E200m in operating profits – a drop of 62% year on year. The difficulty reflected setbacks in Europe's sugar sector, where the prospect of the end of production quotas in 2017 has resulted in a particularly strong fall in prices, and in ethanol, of which EU consumption is falling, due to reduction in overall gasoline use. According to company sources, the continuing difficult economic environment in the European sugar and ethanol markets will not only negatively impact fiscal 2014-15, but also weigh heavily on fiscal 2015-16 results.

SPICES

The Government has taken steps to uplift the Cinnamon production in **Sri Lanka** to target international market. Cinnamon, indigenous to Sri Lanka is

the pride among world's spices. Sri Lanka is the world's largest cinnamon producer and accounts for about 70 per cent of the global production, while cinnamon exports from Seychelles have steadily increased. However, cassia a cinnamon like spice obtained from the bark of a plant related to cinnamon is widely traded as a relatively cheap substitute for cinnamon.

WHEAT

US winter wheat plantings fell to their lowest in five years, as low prices and a late autumn corn and soybean harvest, deterred growers from the grain. US farmers sowed **40.45m acres** of winter wheat, down **1.95m acres** year on year, and the lowest area since that planted for the 2010 harvest, US Department of Agriculture data showed. The reduction implies that wheat's reduced area reflects lower popularity for a grain for which Chicago futures hit a four-year low during the planting window.

In the **United Kingdom**, efforts to push up wheat exports have faltered as interest from buyers outside the European Union fell back, thus leaving the country ending the season with huge inventories. The UK exported **206,451 tonnes** of wheat in November, far exceeding imports of 82,632 tonnes, and thus affirming the country's rediscovered status as a net exporter of the grain after two seasons when poor harvests forced it to import significant quantities from other countries. However, November exports fell short of the 218,588 tonnes achieved the previous month.

French wheat merchants dropped their prices sharply, despite a dearth of competition from other origins, to win a further large order from Egypt's **GASC** grain authority, and take their total wins at tender above 1.5m tonnes.

GASC, at its 19th tender of 2014-15, purchased 240,000 tonnes of French wheat, matching an order which was the biggest from this origin in at least three years. The winning cargos were priced as low as \$241.50 a tonne, well below the offers of \$284.94 a tonne or more with which French wheat won a 180,000-tonne order from GASC a week ago.

DAIRY

In an unprecedented campaign, scores of **Chinese farmers** dumped tonnes of milk and killed their own cows to protest against falling milk prices, prompting authorities to intervene and take steps to support the dairy industry. According to dairy farmers, a ton of milk has to be discarded each day. To recover their costs, some dairy farmers are feeding the milk to calves, or simply throwing out the nutritious liquid. Some have even killed their cows to prevent further losses. Following the incident **Ministry of Agriculture (MOA)** has promised measures to boost incomes of dairy farmers.

Dairy commodities, having proved to be one of the worst performers of 2014, got off to a winning start at **Global Dairy Trade**, where prices rose at their quickest in more than a year, lifting hopes of an end to the market rout. Prices at the first auction of the year rose by 3.6%, as measured by the Global Dairy Trade index, the biggest increase since December 2013. It also represented the first time in 11 months that prices have risen at two successive auctions, and reflected gains in all products, albeit with smaller volumes sold at 33,669 tonnes, the lowest in 18 months.

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