

# Newsletter March 2014



Global Executive Search  
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GLOBAL AGRI TRADING NEWS



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## COMPANY NEWS

**Gasrec**, Europe's leading supplier of liquefied gas fuel to the transport sector has entered in to a strategic partnership with **Arla Foods**, to introduce low emission Bio-LNG fuel for its heavy goods vehicle fleet across its European operations. The initiative supports Arla's U.K. Logistics target of a 25 per cent reduction in CO2 emissions by 2020 within the areas of production, transport and packaging.

The three-way \$4 billion merger between **ConAgra's** mill operations and the **Horizon Milling** joint venture of **Cargill** and **CHS** would lead to the concentration of more than a third of the U.S. flour market in its hands. This would result in dwarfing the 17% share held by No. 2 miller Archer - Daniel Midlands, and more than five times bigger than the third- and fourth-largest flour milling companies. The new independently operated milling unit named **Ardent Mills** would have combined sales of \$4.3 billion, operate 44 flour mills, three bakery mix plants, and a specialty bakery facility that would spread out across the U.S., Canada, and Puerto Rico. **Cargill** and **ConAgra** would each own a 44% stake, while **CHS** would get a 12% share of the company. However, objections have been filed to Ardent Mills creation, saying it will depress the price for wheat that farmers get while raising prices at Stores.

## COCOA

Rise in demand for chocolates in the emerging markets is pegged at 10% annually and is expected to continue for the next five years. However, supplies of cocoa beans, the key-ingredient in chocolate, have been stagnant. The growing deficit have fueled cocoa prices on the futures market in New York to 29-month highs and have also increased prices of candy. It is felt that farmers need to increase cocoa production by about one million metric tons, or about 25% of current output, by 2020 to avoid a shortage. To combat the supply shortage, Candy makers including **Mars**, maker of **M&M's** and **Twix**, and **Nestlé SA**, maker of the **Kit Kat** and **Crunch** bars, have poured millions of dollars into research and development of new, high-yielding cocoa varieties. They are also expanding outreach programs to train growers. This is perhaps the greatest challenge to the chocolate industry's efforts to boost production.

## CORN

Russia's corn export prices are on the rise as it has picked up demand from rival supplier Ukraine, where political turmoil has held up new deals, according to the Russian analytical firm **Sov Econ**. Former Soviet republic Ukraine, which is expected to be the world's second largest grain exporter in 2013/14 behind the US, says it needs USD35 billion to get through 2014 and 2015, due to its protracted political crisis

Corn imports into China, the second-biggest consumer of the grain, slumped in January as inspectors rejected some shipments that contained a gene-modified variety developed by **Syngenta AG**. Rejections of U.S. corn cause losses to farmers and traders from the world's biggest supplier. As of February 2014, there were 1.5 million tons of undelivered contracts for China, according to the **USDA**.

## COFFEE

The price of Arabica Coffee, which was trading as low as \$1 per pound in November, has since spiked to \$1.50 per pound, and some analysts say it could go as high as \$2 per pound in the months ahead, if Brazil does not get rain soon. The price spike has been caused by prolonged drought in Brazil. The hot and dry weather has been affecting the beans which are still in the crucial early stages of development. Moreover, Brazil is responsible for one-third of the world's coffee production. Significant production losses in Brazil could cause the Arabica supply to fall short of demand.

## DAIRY

France's **Danone** is spending € 486 million to lift its stake in the dairy firm, **China Mengniu Dairy**, China's top milk producer. The aim is to tap into booming local demand and secure greater control over supply quality in a region often hit by food

afety scares. **China Mengniu Dairy**, has agreed to sell more of itself to **Danone** as it tries to win customers. Denmark's **Arla Foods**, another dairy supplier, also has a stake in **Mengniu**.

**Lactalis**, the French dairy group and the third-largest processor worldwide, has confirmed that it would enter India with the acquisition of local group **Tirumala Milk Products**. In November last, **Tirumala** confirmed that **Danone** had made a bid for the business but it was **Lactalis** that won out.

The New Zealand Government announced on Tuesday that it has set up a working group to improve dairy product traceability. This is in the wake of **Fonterra's** global recall of whey protein concentrate last year, mistakenly suspected of botulism causing bacteria. The group would investigate changes to regulations and industry practices to improve the traceability of dairy products. The aim is to protect the public in the event of suspected food safety issues.

## EDIBLE OIL

India's crude palm oil imports rose last year by 8.6% to 8.3m tonnes, underlining the country's place as the buyer, ahead of the European Union and China. This trend is expected to continue, driven by population growth and high incomes apart from a drop in soya bean production, the main source for production of soy oil.

The palm oil market faces stiffer competition from rival oils, especially soy oil, given the prospect of a record soybean harvest in South America. Furthermore, there are concerns that "negative perceptions" of palm oil are gaining momentum in parts of Europe based on messaging about its impact on health and the environment.

## RICE

Thailand's rice exports may plunge in both the Asian and global markets this year due to low output and high production costs, according to the Vietnam News Agency (VNA). Thai rice exports would not exceed 6.8 million tonnes in 2014 compared to last year's 7 million tonnes. A fall in exports could push Thailand's position to third as the world's major rice exporters after India and Vietnam. Thailand faces stiff competition from Myanmar as its rice exports could reach 1.05 million tonnes which is a massive jump from 750,000 tonnes last year. Other rice suppliers in the region such as the Philippines, Indonesia and Malaysia have stepped up their rice production, becoming a cause of great concern to the future of Thai rice exports..

Rice shipments from India, the world's largest producer after China, will probably expand to a record as buyers from Iran to Saudi Arabia boost purchases of aromatic basmati grain. Exports are set to increase 7.8 percent to 11 million metric tons in the 12 months through March from a year earlier, according to reports. India is targeting production of 106.3 million tons in the year through June, compared with a record 105.3 million tons in 2011-2012, according to the Agriculture Ministry.

## SOYABEAN

Soybeans rose to a five-month high on speculation that excessive rain in Brazil, the biggest exporter, damaged crops. While some areas of Brazil are experiencing drought, the nation's main soybean-growing state of Mato Grosso received 230 millimeters (9 inches) of rain in the past week, reducing crop quality and affecting yields. Production would reach 87 million metric tons, down from 88.8 million estimated on Jan. 31.

In the US, Soybeans inspected for export in February this year, rose 68 percent to 1.271 million metric tons, compared with 755,809 a year earlier, according to the USDA. China, the biggest importer and consumer, took 54 percent of the total, USDA data show.

## SUGAR

Sugar shipments from Thailand, the second-biggest exporter, will surge 22% to a record this year as output expands to an all-time high. Exports will climb to 9 million tonnes this crop year, beating the 8.5 million tonnes estimated in December and last year's 7.4 million tonnes, reports say. Output of sugar from the cane harvest now in progress will be as much as 11.5 million tonnes, more than 11 million tonnes estimated in December. Indonesia and China are the region's largest buyers.

The sugar cane crop in Brazil will decline in the 2014-15 season that starts in April 2014, according to researcher Datagro Ltd. Sugar prices have begun to soar as a drought in Brazil fueled concerns about smaller crops from the world's biggest exporter. January and February have been the driest months in Brazil in 30 years, according to a São Paulo-based private weather service.

## WHEAT

With hot, dry weather and the threat of a dry El Nino weather pattern developing, the supply picture from Australia, the world's second largest exporter is uncertain. Analysts are expecting an estimate of around 25 million tonnes, which if realised would be the country's fifth largest crop. While global wheat prices hit multi-year lows, a record low in Australian beef prices and weaker canola futures are incentives for growers to maintain wheat acreage.

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