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GLOBAL AGRI TRADING NEWS

COMPANY NEWS



Fonterra, New Zealand's huge dairy cooperative, has begun buying milk from non-members for the first time in its history, a major strategic shift as it battles foreign-backed processors that have sprung up in the world's No.1 dairy exporting nation. Fonterra has signed up "a number" of farmers that are not members to supply the My-milk subsidiary it started late last year, according to Reuters. International dairy markets have been closely watching how the company, that accounts for nearly a third of all New Zealand's exports, copes with the onslaught of foreign rivals as the race to tap booming demand from emerging economies intensifies. The increased competition for market share could also stoke production, dragging on global milk prices that have already been hit by growing global supply, particularly as Europe deregulates its dairy sector.



Mars has announced to invest more than US\$160m to establish a production plant for its Snickers brand in Pune, Maharashtra, to cater for growing demand for confectionery products in India. The company, through its Indian subsidiary Mars International India, signed a Memorandum of Understanding with the Maharashtra government in Mumbai. The project is expected to generate direct employment opportunities and indirect employment opportunities. This will help in deepening its presence in India. India is one of the most rapidly emerging chocolate markets in the world. Chocolate industry in India is growing at nearly 20% every year which provides huge opportunities to expand in chocolate portfolio. Mars India currently imports chocolate and manufactures its Pedigree and Whiskas pet care products.



H.J. Heinz Company and Kraft Foods Group signed Definitive Merger Agreement to Form the Kraft Heinz Company. The merger will build the 3rd largest food and Beverage Company in North America and the 5th largest food and Beverage Company in the world. The combined company name will be The Kraft Heinz Company and to be co-headquartered in Pittsburgh and the Chicago area. The new company will have revenues of approximately \$28 billion, with eight \$1+ billion brands and five brands between \$500 million-\$1 billion. Berkshire Hathaway and 3G Capital will invest an additional \$10 billion in The Kraft Heinz Company; existing Heinz shareholders will collectively own 51% of the new company. Significant synergy opportunities with a strong platform for organic growth in North America, as well as global expansion, by combining Kraft's brands with the Heinz's international platform.

AGRICULTURAL COMMODITIES

COCOA

Demand for cocoa is not expected to pick up till late 2015. Cocoa grinding, which represents demand from producers for raw beans, has dropped globally in the October-to-December period of 2014. Asian grinding was down 17.2% year on year to the lowest level in at least three years. Grinding in Europe, the largest processing region, was down 7.4% over the same period. Demand is also down in North America. The urgency for processors to buy beans is also being depressed by the extent of inventories built up last year, prompted by a series of plant openings, and by concerns of the Ebola outbreak interrupting supplies.

COTTON

World cotton prices will fall further next season, to their lowest since 2006-07, despite some erosion in world stocks, according to sources in the Australian farm sector. Cotton prices, as measured by the Cotlook, an index of physical values, will average a nine-year low of 60.4 cents per pound in 2015-16, down from a forecast 70.3 cents per pound for this season, according to sources. On the other hand, the International Cotton Advisory Committee has restated a forecast of the Cotlook A averaging 68 cents a pound this season. Large world stocks, built up largely due to a generous farm subsidy regime in China until its reform last year, will continue to place downward pressure on cotton prices, according to reports. The drop could be even bigger, depending on how China manages its inventories, which at more than 13m tons are set to account for some 55% of the world total as of the end of 2014-15. If the Chinese government decides to release cotton holdings onto the world market, prices could average

significantly lower than currently forecast.

CORN

China, the world's second largest corn consumer, has booked over 600,000 tons of corn from Ukraine this year and more deals are expected as Beijing's stockpiling dries up supplies and boosts domestic prices. China's move to import Black Sea shipments under a loan-for-grain deal is seen as a blow to US corn exporters who are struggling to sell the country's record crop. US corn futures are trading near a six-week low with additional pressure from China's purchases of Ukrainian corn.

PALM OIL

Crude palm oil futures fell to their lowest, after Malaysia announced that it would re-impose taxes on exports of the vegetable oil, next month. Malaysia, the second-ranked palm oil producing and exporting country, will impose a duty of 4.5% on shipments of the vegetable oil. Palm oil tariffs are set month-by-month. Malaysia suspended export duties on palm oil last September, in order to support prices by boosting exports and shrinking domestic stocks. The return of export tariffs has provoked concerns over reduced competitiveness for palm oil, at a time of bumper supplies of rival vegetable oil soy-oil, after a succession of strong harvests in South America and the US. World soy-oil production will rise by 2.4m tonnes to a record 47.4m tons in 2014-15, according to the US Department of Agriculture.

RICE

Vietnam has exported about 5,36,571 tons of rice for the period January – March 2015, down about 56% from about 1.22 million tons of rice exported

in the first three months of 2014, according to Govt. sources. Average rice export price so far in this year is around \$ 440 per ton, up about 2% per ton from the same time last year. During March 1 – 19, 2015, Vietnam exported about 115,369 tons of rice, down about 80% from about 5,83,294 tons rice exported in March 2014 and down about 43% from about 200,814 tons rice exported in February 2015. Average export prices in so far in March is at about \$ 396 per ton, down about 10% from a year ago and down about 13% per ton from a month ago.

A farmer in India's northern state of Uttar Pradesh has developed a new variety of basmati rice through organic farming using seeds brought by his ancestors from Pakistan, according to local sources. The new variety, "Jhumka Basmati", can withstand heavy rain as its roots are strong as it is grown through organic methods using organic green manure. The seeds thus produced are rich in nutrition, and also pest free. The new variety matures in 110 days and produces an yield of about 14 quintal per acre which is around 3.5 tons per hectare. Steps have been taken to apply for a patent for the above quality rice.

Increasing rice imports have been severely hurting Bangladesh rice sector, according to local sources. Rice millers across the country are facing huge losses as they have bought paddy from local farmers at very high prices and are now holding huge stocks of locally produced coarse medium quality rice, facing severe competition from cheap imported rice. According to sources, 60% of rice mills are facing closure due to difficulties in repaying huge loans and the rice industry per se is on the verge of collapse. Bangladesh' private sector imported about 1.07 million tons of rice in July 2014 – March 2015,

nearly three times more than 3,74,560 tons of rice imported in the fiscal year 2013-14. So far, in the fiscal year 2014-15, rice imports have reached a four year high despite a good production of rice from all seasons, mainly due to lower prices in India as well as zero duty on rice imports. The data from the Food Ministry shows that the government has so far not imported any rice in this fiscal year and all the overseas purchases are carried out by the private sector. The government has in fact set a target to import about 200,000 tons of rice in the fiscal year 2014-15, to replenish falling stocks in the country.

SUGAR

Sharp falls in the Brazilian currency 'Real' have dragged the price of sugar to a six year low, straining the Australian sugar industry that relies heavily on exports. The price of sugar tumbled about 20%, the lowest since March 2009, moving in tandem with the Brazilian currency, which hit a 12 year low against the US Dollar. However, neither lower sugar prices nor global oversupply have deterred Brazilian growers who are receiving similar payments due to the devaluation of the 'Real'.

In Australia, prices have dropped below the cost of production for the local cane industry which exports 80% of its crop. A sustained period of low prices can have a catastrophic effect on production and may even lead to closure. The four to five years of oversupply in the sugar market has been worsened by the falling Brazilian Real, plus India's decision last year to export 1.4 million tons of raw sugar. However it is expected that the price would not fall much further and the world would experience a modest sugar shortfall in 2015-16.

WHEAT

Saudi Arabian wheat imports are to reach a record high, as local production hits its lowest since at least the 1950s. Saudi Arabian wheat imports for 2015-16 will rise 8% to an all-time high of 3.8m tons, according to USDA bureau in Riyadh. The increase in import demand is being driven by a sharp predicted fall in wheat production, which Saudi Arabia is phasing out, through subsidy reforms, in an effort to reduce pressure on the country's scarce water supplies. Domestic wheat production this year is forecast at only 30,000 tons, down from 425,000 tons in 2014-15, and 660,000 tons in 2013-14. This increase in imports was needed to make up for discontinued domestic wheat production and to maintain strategic reserves to cater to domestic consumption. The government is keen to avoid periodic flour shortages, which it has said have been artificially created by dealers.

DAIRY

Average dairy cows yields in Ireland will increase by approximately 15% over the next five years to reach 5,258L/annum in 2020, according to the latest projections from the Department of Agriculture. Built into the 2020 growth plan for dairy is a growth in overall cow numbers of around 325,000 head. To date almost half of these animals are in the national herd. As a consequence, a 2% year-on-year increase in breeding numbers, between now and 2020, will allow the aforementioned numbers target to be achieved.

It is also envisaged that the trends towards improved milk protein levels, recorded over recent years, will be maintained. The latest figures show that in 2014 Irish dairy farmers produced milk with an average fat and

content of 3.99% and 3.43%. The equivalent figures for 2009 were 3.83% and 3.33%.

LIVESTOCK

Chinese pork imports will soar to record highs this year, as rationalization of the country's hog industry, which is currently witnessing an exit by small-time producers, leaves the world's biggest pig-meat market reliant on foreign supplies. There are signs that the Chinese domestic market, which consumes more than half the world's pork, will see more sluggish growth. Pork consumption this year will reach 57.20m tons, only slightly up on last year's forecast of 57.17m tons, the USDA's Beijing bureau said, highlighting growing health awareness by consumers. Consumption in urban areas has been negatively impacted by increased consumer interest in low-fat diets, according to the bureau. It also noted that urban consumers are also paying more attention to feed safety, resulting in growing popularity of branded pork, while beef is also growing in popularity as an alternative protein. Demand for beef remains firm due to a steadily growing middle-class, rising incomes, continued urbanization and increasing awareness that beef can be a lower fat protein source compared with pork.

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