



# Newsletter May 2014



Global Executive Search  
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GLOBAL AGRI TRADING NEWS

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## COMPANY NEWS

Carrefour, the world's second largest retailer, has started to work on an exit plan from India. The French company sees no hope of the Government allowing foreign chains to set up multi-brand outlets in the country. The 76 billion Euro Retail Chain is the first foreign retailer to plan an exit after the Government failed to convince states to open up the multi brand segment to overseas players.

Mosaic has recently declared its interest in buying Archer Daniels Midland Co.'s fertilizer distribution business in Brazil and Paraguay for a consideration of \$350 million. The deal will allow the company to acquire four fertilizer blending and warehousing facilities in Brazil and one in Paraguay in addition to supplying fertilizer to Archer in respective countries. The buyout will increase Mosaic's annual distribution capability in Brazil to about 6 million metric tons from approximately 4 million metric tons.

Cargill has set up the first Cocoa Technology Transfer Center in Ba Ria Vung Tau, Vietnam. The Center, supported by Cargill, its employees, dealers and suppliers, was constructed at a cost of US \$60,000. It is the first centre to serve as a cocoa training campus for around 2,000 farmers in Ba Ria Vung Tau, Dong Nai and Binh Thuan provinces. The Center, together with other technical training programmes, will help farmers improve yields by 30% to 50%

in three years. Cocoa is a new crop in Vietnam currently grown by about 25,000 farmers in the central highlands, Mekong delta and southeast provinces. As a new crop, many farmers still lack the knowledge, skills and expertise to achieve higher yields.

JBS Global UK Ltd, part of the JBS Group, supplies fresh, frozen and processed food to the UK, including fresh and frozen beef, canned meat such as corned beef, and fresh and frozen chicken, pork and lamb. Until now it has used two ports of entry to the UK, in the north and south, but now it will concentrate all imports through DP World London Gateway. The change has been made possible by the arrival of new services, which will link DP World London Gateway with South American ports such as Santos (Brazil), Montevideo (Uruguay) and Buenos Aires (Argentina).

## AGRI-COMMODITIES

### BARLEY

China's Corn and Soybean imports may be in decline, but its Barley purchases are rising, leading to increasing competition with other buyers, and supporting prices. The country is expected to import a record 2.7m tonnes of barley this season, following a poor domestic harvest. Even assuming better yields this year, purchases will not decline much in 2014-15, lifting China's imports by

100,000 tonnes. That volume is second only to Saudi Arabia's imports, estimated at 9.0m tonnes, with Japan ranked the third-biggest buyer with volumes of 1.3m tone.

### COCOA

The price of chocolate could soar over the next few years as surging demand puts further pressure on the global cocoa crisis – and experts predict the demand could become unsustainable by 2020. Experts are warning that a growing taste for chocolate in Asia – particularly in China – means cocoa farmers will need more help to provide a greater amount to export or manufacturers will be forced to use less cocoa in their products. It is predicted chocolate prices will soar to keep up with the rising demand.

### COFFEE

Brazil's Arabica coffee prices have recently surged 94 percent, to \$2.144 a pound on the New York futures market. The harvest in Brazil, which accounts for more than a third of world output, will drop more than expected in the 2014-2015 season to 49 million bags, down from a January forecast of 55 million and last year's crop of 53.3 million. That decline will leave global production 7.1 million bags below demand, reports say. That would be the biggest deficit since the 2009-2010 season. The price spike is a result of bad weather in Brazil. First, growers were hit with a sustained drought during the growing season

brought on by El Niño tropical weather. Then, at harvest time, flooding hampered collection of the few remaining crops.

Coffee farmers in Vietnam have been slowing down sales on expectations that prices could rise while demand is also low. Farmers are holding the beans and waiting for prices to bounce back to about 42,000 dong, which is not a difficult proposition given the excellent storage conditions available. Vietnam, the world's top robust a coffee producer, will export an estimated 220,000 tonnes (3.67 million bags) of coffee this year, up 98.6 percent from a year ago, according to Govt. reports. Traders have forecast Vietnam's coffee shipments for this month at 150,000-180,000 tonnes, well above the 110,800 tonnes exported in the same month last year.

## RICE

India's rice exports could slide by nearly a quarter this year and knock the country off its perch as top exporter of the grain due to stiff competition from Southeast Asian rivals that have recently slashed prices. A drop in Indian exports could help Thailand trim a record inventory built up under a controversial rice-buying scheme. Thailand may also be able to reclaim its status as the world's biggest rice exporter, which it lost to India two years ago. It will also leave more rice in Indian hands at a time when the country's stocks are bulging and it faces the prospect of a record harvest, creating problems of storage.

The Viet Nam Food Association (VFA) expects to export 1.8 million tonnes of rice for the second quarter this year, according to reports. Many enterprises have registered a large volume in rice

export contracts so the nation could reach the target. Rice export volumes are estimated to reach 650,000-700,000 tonnes this month. In April, Viet Nam exported 631,000 tonnes of rice, earning US\$278 million. In the first four months of this year, the exports had a year on year reduction of 6.9 per cent in volume to 2.04 million and 4.7 per cent in value to \$931 million.

Asian rice prices are forecast to keep slumping from a near 6 year low as Thailand clears out record stock piles threatening a price war with Vietnam & India. The Thai Government plans to sell 1 million metric tons a month compared with average monthly exports of 550,000 tons last year. Thailand's accumulated reserves under the state buying programme which ended this year under political unrest reached record levels. Its stockpile rose to 12.8m tons in 2013 equivalent to 1/3 of the global export market. While stock piles increase, dry weather in Thailand may curb harvests this year just as farmers adjust to the absence of guaranteed prices.

## SUGAR

China's cane sugar production is set for a large drop next season, potentially of 1m tonnes, as the country's first cases of cane payment arrears, prompted by weak prices, drive farmers to other crops.

The US Department of Agriculture's Beijing bureau - cutting its estimate for China's cane sugar output this season by 465,000 tonnes to 13.54m tonnes thanks to frost damage to crops - pegged production in 2014-15 at 12.86m tonnes. The forecast reflects the impact of falling sugar prices, which have been undermined by,

besides a soft world market, a move by the government to drop market purchases at times of weak values. While supporting the domestic sugar industry, this support policy - much as with cotton - landed the government with huge inventories, expected by the USDA bureau to end this season at 8.39m tonnes.

## WHEAT

Geo-political crisis in Ukraine has raised the world wheat prices. The crisis is causing uncertainty in the EU's food supply chains, since Ukraine and the countries surrounding it are an important source of global grain supplies. Farmers in Ukraine have started to withhold the grains from sale in order to protect the country's falling currency, thereby causing the prices to rise.

## DAIRY

Fonterra Australia has been selected for '2014 Best of Sustainable Supply award' by McDonald. The award is in recognition of the positive results achieved by suppliers by identifying opportunities and applying sustainable solutions in diverse places across the world. In addition, it also recognizes Fonterra's 'Doing More with Less in Dairy' programme, which helps farmer suppliers in Australia become more profitable through the more efficient use of high impact inputs such as energy, water and fertilisers. Fonterra provides cheese and dairy beverages to McDonald's in many markets, including Australia, NZ and across Asia.

French dairy giant Danone has declared that it will buy milk powder factories in New Zealand to make up for supplies lost when it ended its supply contract with Fonterra last year. Its local subsidiary Nutricia will

buy Gardians drying plant and Sutton Group's blending and packing plant in Auckland, allowing it to maintain and possibly increase its exports to China. Danone's net profit slumped 15 percent in 2013 after a food safety warning by key supplier Fonterra last year forced the group to launch a massive recall in Asia. The purchase is subject to regulatory approval and is expected to complete in the next few months.

China's new infant-formula regulations are likely to lead to more foreign interest in New Zealand dairy companies, an agriculture expert says. The rules, which kicked in at the start of this month, require companies selling infant formula in China to have strong control over their supply chain to reduce the risks of further food-safety scares. This has led to some companies being locked out of the market. Only five out of 13 New Zealand-based infant-formula makers have been approved to sell milk in China.

Arla Foods has ploughed in DKK 10m into the development of an innovative lab in Beijing to support the development of 'unique cheese' for China. The lab developed by Arla and its Chinese strategic business partner, Mengniu, will have cheese specialists and innovation specialists from Denmark and China working as a team. The team will work with customers, consumers and Mengniu to launch new products, exclusively developed and designed for Chinese consumers.

## **LIVESTOCK**

US - Cornell scientists have created the first vaccines that can prevent

Metritis, one of the most common cattle diseases. The infection not only harms animals and farmers' profits, but also drives more systemic antibiotic use on dairy farms than any other disease. The new vaccines prevent Metritis infection of the uterus in cattle from taking hold and reduce symptoms when it does, a prospect that could save the United States billions of dollars a year and help curb the growing epidemic of antibiotic resistance.

China faces growing beef shortages in spite of Govt. efforts. Faced with long term decline in cattle stock and a widening gap in productivity compared to other beef producing countries, it is finding it difficult to catch up with increasing demand at home. Despite the Chinese Govt's efforts to provide some support to local producers, the country will need to allow a substantial increase in imports, to cover the supply gap.

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<b>1.</b> Head Rice Sourcing, 10-15 years, Singapore, Global MNC	<b>2.</b> CEO- FMCG, 20+ years, Delhi, Indian MNC	<b>3.</b> Head Operations, 15-20 years, Dubai, Large Flour Mill
<b>4.</b> Head of Sugar Sales-Arabian Speaking Countries, 7-10 years, Dubai, MNC	<b>5.</b> Finance Manager, 6-8 years Nigeria, Singapore Based Trading House	<b>6.</b> Cotton Buying, 5-8 years, Mumbai, Indian Corporate House
<b>7.</b> Grains Trader, 4-8 years, Delhi (NCR), Fortune 500 MNC	<b>8.</b> Bio diesel Trader, 4-6 years, Singapore, MNC	<b>9.</b> All India Head- Sales and Marketing (Rice), 10-15 years, Delhi (NCR), MNC
<b>10.</b> Grains Trader, 10-15 years, Kazakhstan, MNC	<b>11.</b> Financial Controller, 6-10 years, Delhi, MNC	