



## Newsletter May 2015



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### GLOBAL AGRI TRADING NEWS

#### COMPANY NEWS



Mondelez International has announced that its \$400 million Cocoa Life programme is fully operational in Indonesia. By the end of 2015, Cocoa Life will be operating in more than 100 Indonesian communities and will have trained 8,000 farmers in agricultural and business skills to help improve cocoa yields, protect the environment and boost farmer incomes. By 2022, the programme plans to train 50,000 farmers and in turn benefit about 200,000 people in local communities, promoting women's empowerment and education for children. Cocoa Life is working with farmers in two Indonesian regions – Sulawesi and Sumatra – and along with suppliers Cargill and Olam aims to strengthen the country's position as a leading producer of high-quality, sustainable cocoa.



The world's largest corn processor, Archer Daniels Midland Co, is shifting focus from its long-standing cash generator Ethanol into developing new food ingredients, as the bio-fuel boom which facilitated its financial success has cooled. The shift could be one of the most transformative moves ever made by 113-year-old ADM, prompted by signs of strain in its legacy products. Demand for the gasoline additive Ethanol is forecast to remain flat over the next decade while its other mainstay, high fructose corn syrup (HFCS), is weighed down by health concerns. ADM's corn business profit dropped 39 percent in the first quarter due to poor ethanol margins. Demand is flattening as government targets for ethanol use in gasoline have been reached and increasingly efficient vehicles consume less fuel. But its ingredients business, currently just a tiny revenue generator for the \$31.6 billion company, posted a 17 percent profit jump in the same period. It invested \$3 billion in that

business last summer with the purchase of natural flavorings company Wild Flavors, ADM's largest-ever acquisition. However, analysts say that it is too early to tell if the strategy will be successful.

MONSANTO



Thousands of people across the world have joined together in a global movement, protesting against American biotech giant Monsanto. Activists from over 400 cities are speaking out against GMOs and Monsanto's monopoly over the food supply. Massive marches have been organized against Monsanto in which 48 countries were scheduled to participate. Activists accuse the agricultural corporation of selling toxic chemicals, which are bad for people's health, water supplies, vital crop pollinators and environment in general. The giant is also criticized for its attitude towards food safety regulations and a staunch opposition to GMO labeling. Meanwhile, small farmers blame Monsanto for monopolizing the seed market.

## AGRICULTURAL COMMODITIES

### COCOA

A boom in Asian demand--fueled by growing disposable incomes--contributed to a decade long rally in cocoa that pushed prices to record highs in early 2011. Now, consumers both in Asia and elsewhere are pulling back in response to higher retail costs, industry executives and analysts say. According to the market research, prices for chocolate confections in China rose 5.6% in 2014, in line with increases in the U.S., with all the big manufacturers announcing price increases as high as 8% in 2015. The International Cocoa Organization forecast in February that global cocoa production will fall short of demand this year by 17,000 metric tons, the second deficit in three years. However, chocolate sales in some emerging markets, such as India and Brazil, have stayed resilient even as Chinese demand slows.

### COFFEE

Tanzania's coffee crop will hit a record high, taking a large step towards meeting an ambitious government target, which has been largely boosted by weather improvements and official support measures. The Tanzanian coffee harvest - an important earner for the east African country, will hit 1.25m bags in 2015-16, on a July-to-June basis, according to a USDA report. This would represent a rise of 100,000 bags year on year, and get the harvest closer to the government target of increasing output to 80,000 tonnes (1.33m bags) by 2016, and 100,000 tonnes (1.67m bags) by 2021. Output at this level would lift Tanzanian exports to 1.22m bags, also a record high, and up 25% year on year. Indonesia's coffee industry is poised for an upswing in its fortunes, with production to hit a record and exports to soar 29%, say reports. Better weather

has put Indonesia on course for a 10.9m-bag harvest, a rise of 2.1m bags year on year. The growth will lift Indonesian exports in 2015-16, on an April-to-March basis, to 9.05m bags, a figure second only to the 9.72m bags achieved five seasons before. Shipments at that level would cement firmly Indonesia's fourth rank among world coffee shippers, behind Brazil, Vietnam and Columbia.

### COTTON

Slumping demand from China may lead to cuts in cotton exports to the lowest level in six years as farmers in India may plant fewer acres of cotton. The area is set to drop by 10% in the 12 months starting 1 October from a record 12.97 million hectares a year earlier, according to reports. The harvest was a near-record 39 million bales of 170 kilograms this season, according to another report. A smaller harvest in India, the largest exporter after the US, would ease a global surplus that sent New York prices to a five-year low in January. China, the world's biggest buyer, is importing less of the fibre used to make everything from jeans to tee shirts. That will contribute to a 41% drop in Indian shipments this year, according to estimates.

In the US, the swing by growers from cotton to soybean plantings will take an even bigger chunk out of cotton area than had been thought, according to analysts. However, it is too early to conclude whether it would mean a downbeat cotton harvest too.

### EDIBLE OIL

In India, the edible oil industry is exploring the possibility of increasing oil palm cultivation in the North East. It has asked for transport and plantation material subsidies to boost its cultivation

in the region. The process of evaluating the scope from oil palm cultivation in this region is under way. Oil palm cultivation in some of North East states has good potential. The State of Mizoram has already taken initiative and nearly 20,000 hectares are under oil palm plantation having potential to expand to 80,000 hectares. The State of Arunachal Pradesh has a potential of nearly 1.20 lakh hectare of oil palm plantation. Assam, another north eastern State too offers good potential for oil palm cultivation.

### SUGAR

Sugar imports are set to significantly increase in China, the top sugar buyer since 2011-12. Its buy-ins are poised to rise by 700,000 tons to a record 5.50m tons. Rising consumption driven by continued growth in food manufacturing besides a drop in the country's own production to 10.8m tons, the lowest since 2005-06, are the causes, according to reports. Chinese customs data showed the country's sugar imports last month at 550,150 tonnes – double those for April 2014. Chinese imports for the first four months of 2015, at 1.55m tonnes, are now 36% higher year on year. Most imports so far this year have been sourced from Brazil, at 898,184 tonnes, with some 190,000 tonnes sourced from both Cuba and Thailand, and buy-ins from Guatemala soaring to 157,371 tons.

Unica forecast a rise in the cane crop in Brazil's key Centre South region, but a fall in sugar output, in a downbeat estimate for production of the sweetener. The sugar and ethanol industry group - in its first estimates for the 2015-16 season which started last month - forecast an increase of 18.7m tonnes to 590.0m tonnes in the cane harvest in the Centre South, which is responsible for some 90% of Brazilian

output. Cane yields have been supported by improved weather conditions after the last season which was marked by drought in central Brazil.

## RICE

Thailand has called for high standard rice mills in the country to ensure top quality rice according to sources. Fierce competition in the global rice market is the reason for the same. The government has been paying 10 million baths to farmers and millers every year to maintain warehouses to store government rice. Sub standard mills have been ordered to close down and the govt. has declared that it would use farmers' cooperatives to store its rice. The government is also planning to improve the financial stability and standard of living of the farmers by creating fair and efficient marketing systems for the farmers. Thailand has exported 3.3 million tons of rice during the period January to April 2015, down about 1.3% from around 3.8 million tons exported during the same period last year. Thailand exported 19.97 million tons of rice in 2014 and expects to export about 11 million tons, this year.

The Myanmar Rice Federation has declared that it would export about 2 million tons of rice in the fiscal year 2015-16 due to increasing demand from China, Africa and Europe. Cross border rice exports to china which slowed down between August 2014 to February 2015 due to lack of a proper trade agreement between the two countries have resumed again following the signing of a Memorandum of Understanding between the two countries. According to local sources, around 4,000 tons of rice is being exported to china through the borders every day. Myanmar's rice exports have been steadily increasing

over the last three years. It was 1.7 million tons in FY 2014-15, 1.2 million tons in 2013-14 and 1.4 million tons in 2012-13. The government is keen on increasing rice exports to around 3 million tons over the next few years and has prioritized rice in its National Export Strategy.

## WHEAT

In Pakistan, in a bid to get rid of excess wheat, the federal government has awarded provincial governments the power to directly export their stock, according to an official announcement. In the past, only private parties were allowed to export wheat and now the provinces can export their surplus stock following the permission of the Economic Coordination Committee. The purpose of this move is for disposing the surplus from the provinces so that they would have a space for procuring fresh stock. The country has had two consecutive bumper wheat crops and this has been the case for several countries, which could be a reason behind the lack of demand of Pakistan's wheat in the international market. Provinces are doing their best to approach different countries to sell their surplus stock, as per reports. Neighboring countries like Afghanistan and Tajikistan have reportedly expressed interest to import wheat from Pakistan.

## DAIRY

The long-term fate of national dairy industries within the European Union, will depend on their ability to export – particularly to China since the bloc has lifted its 31-year-old milk production quota regime. The lifting of the quotas last month looks set to provide an immediate benefit to Irish and Polish sectors, given their relatively low milk yields per cow – which offer scope for

quick improvement, according to sources. Danish, French and German dairy industries also offer significant growth potential. However, over the longer term, countries that stand to benefit the most from quota removal will be those that most successfully develop their export channels outside of the EU. Milk prices within European countries will become more reactive to values in the global market, thanks to market liberalization, according to sources. It would also depend on how well the EU countries can develop export channels, particularly to China, the top importing country for many dairy products. China's consumption of milk products will remain the key driver of future pricing.

Fonterra's newly completed mozzarella plant will create enough mozzarella cheese to top more than 300m pizzas a year, the co-operative says. The company's new plant will double the production of the cheese and it says that the cheese is destined for pizza and pasta restaurants across China, Asia and the Middle East. This is seen as a growth in its consumer and food service categories. The expansion is part of the co-ops wider strategy to build on strength in foodservice, along with the doubling of cream cheese production. According to information from official sources, the site will begin 24 hour production immediately, with farmers supporting with milk supply to help meet global demand for individual quick frozen grated mozzarella. Popularity of cheese has really taken off in Asia and so the timing could not have been better. To meet orders from the Asian market, cheese will be produced 24 hours a day, confirm reports.

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