



## GLOBAL AGRI TRADING NEWS

## Newsletter October 2014



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### COMPANY NEWS



**Hinduja Global Solutions**, part of the diversified conglomerate Hinduja Group, would launch a multi-channel consumer care line for the **UK-based FMCG company Danone UK** to provide customer care services. Hinduja Global Solutions has secured a contract with Danone UK to provide consumer care for its early life nutrition, water and fresh dairy products businesses, a company statement said. As per the contract, HGS would deliver through voice, e-mail and web chat and would be done from its contact centre operations based out of HGS offices in West London. HGS would provide subject matter experts for Danone's Early Life Nutrition business, including a five member team of qualified nutritionists and it is expected to go live this month, Hinduja Global Solutions has presence in North America, Latin America, Europe, Asia and Africa. It serves 141 clients in healthcare and insurance, banking and financial services and consumer products, among others.



**Archer Daniels Midland (ADM)** has acquired the Swiss based food ingredients firm **Wild Flavors** for **2 billion £**. This will be the company's biggest purchase ever, this year. The deal will allow the grain giant to protect itself against the volatile grain market by increasing its presence in the ingredients sector. ADM plans to design ingredients for protein drinks and nut bars, which is more profitable than trading grain and less susceptible to the changes in the commodity market, according to company sources.



**Cargill Inc.** filed has filed a suit against **Syngenta Seeds Inc.** over a genetically engineered variety of corn that led China to largely shut down imports of U.S. grain. Cargill alleges in the lawsuit that it has lost more than \$90 million because of the disruption.

### AGRICULTURAL COMMODITIES

#### COCOA

West Africa's Ebola crisis has generated fear in the cocoa industry that the deadly virus will cross into Ivory Coast and Ghana and swipe half the world's cocoa supply, leading to an upsurge in prices of cocoa beans. The two countries, so far free of Ebola, produce 60 percent of the world's cocoa. Experts say if an outbreak occurs, bean prices will surge beyond the 3.5-year high reached earlier in September and affect retail chocolate prices. The cocoa market has always been very fragile, and there are several issues like labor, transportation etc. which already affect the market. The market has been further shaken with nearly two-thirds of the 3000 Ebola deaths that have occurred in Guinea and Liberia, which share a fragile and poorly policed border with the Ivory Coast, a vital source for chocolate giants Cadbury and Nestle. The US health authorities have predicted another 1.4 million people could be infected in West Africa by January without extra intervention. If the virus spreads into the Ivory Coast, transport restrictions may be enforced, swaths of farming land

quarantined, and migrant workers barred. This could bring the economy sustaining cocoa industry to its knees, hitting the incomes of millions of farmers, buyers and exporters.

## COFFEE

Dry weather earlier this year affected coffee production in Brazil. Rains are crucial during September-October for the Brazilian coffee crop. However, forecasts say that no showers are likely till the end of the month. This means, the already stressed coffee plants could be weakened further and production could be hit next year too, according to reports. Coffee trade across the globe now fears that next year's crop could be lower than 40 million bags. This has resulted in prices surging to near 30-month high of \$2.20 a pound. On Thursday, coffee on ICE US for delivery in December ruled at \$2.175 a pound.

Coffee prices in India have hit a record high due to a rally in the global market, caused by the Brazilian Coffee Crop running into problems due to dry weather. Currently, farm gate prices of Arabica parchment are quoting at a record of over Rs. 12,000 for a 50-kg bag, while Robusta parchment is ruling near Rs. 8,000. Robusta cherry is being quoted around Rs. 3,750 per 50-kg bag. Robusta cherry accounts for over 40 per cent of Indian coffee exports which total to three lakh tons in the last couple of years.

## CORN

The giant corn harvest about to hit America can prove to be a challenge for storage, grain industry sources said, raising quality issues and making it hard to keep supplies moving. This year's record corn crop of 14.4 billion bushels alone would fill up 60 percent of the country's grain storage of 24 billion bushels. The challenge will be to preserve the quality of the crop left on the ground and keep it safe for later use by food processors, ethanol and starch

makers, livestock feeders and exporters. Grain merchandisers need to make sure the corn is dried to about 13 percent moisture before storing. It also needs to be properly aerated during the months it is on the ground to prevent spoilage and stop toxins from growing.

## EDIBLE OILS

Malaysia has extended its exemption of palm oil from export duties, to the end of this year, even as the boost to volumes from the perk showed signs of waning. The Malaysian Government has revealed a two-month extension up to December this year on export levies which was introduced last month, after a poor start to 2014 for shipments. As of August, palm exports from Malaysia, the second-ranked producer and shipper of the vegetable oil, were running 7.0% lower than a year before, against a backdrop of soaring output, leading to a rapid build-up in inventories. The introduction of the waiver on export levies spurred a sharp pickup in exports last month, with data from the Malaysian Palm Oil Board showing shipments of 1.63m tons, up 13.3% from the previous month.

## RICE

Global rice production will shrink after weak rains in India and the end of a subsidy program in Thailand hurt supplies from the world's biggest exporters, according to the Food & Agriculture Organization. Worldwide output will probably drop 0.4 percent to 496.4 million metric tons in the 2014-2015 season from a year earlier, the United Nations agency said in a quarterly report. Closing stocks of rice will drop 2 percent to 177.7 million tons in 2014-2015, the first contraction in a decade, while global trade expands 1.1 percent to a record 40 million tons in calendar year 2015, the Rome-based FAO said.

Thailand ended a farmers' support program in February that had boosted supply to a record, prompting some growers to turn away from the crop, while the late arrival of the monsoon in India this year hurt harvest prospects. Global rice prices will still face downward pressure as northern-hemisphere crops are harvested, and exporters have abundant inventories after years of uninterrupted output gains, according to the FAO.

Farmers affected by recent floods in Punjab, Pakistan, have demanded crop compensation to be paid for all and have put forth a demand that there should not be any discrimination based on acreage. According to the government., 2.3 million acres of orchards and crops have been damaged in 3,055 villages of Punjab. On an average, damage is estimated to be Rs. 30,000 per acre totaling to Rs. 70 billion. The planned compensation was limited to farmers owing 10 acres or less. However, this is felt to be lopsided and inequitable by locals, who have proposed that irrespective of acreage holding, all farmers should receive a reasonable amount as compensation without the discrimination of acreage. Rice being a cost and water intensive crop, especially basmati rice that was destroyed in large quantities in Hafizabad, Gujranwala, Narowal and other rice producing areas, some officials have put forth a demand for compensation worth at least Rs, 10,000 per acre for rice, equal to one third of the average estimated damage.

## SOYABEAN

Brazilian officials, in their first estimates for 2014-15, forecast a rise in domestic soybean production but less than that expected by other observers, amid a caution over the extent of price falls. The Conab crop agency estimated the Brazilian soybean crop of which sowings began last month, and for which harvest will begin early in the new

year, at 88.83-92.41m tonnes. The range of estimates represents an increase on the 86.12m tonnes harvested last season, but is below forecast of up to 98m tonnes from private analysts.

The US Department of Agriculture, whose data set world benchmarks, has pegged Brazil's soybean crop at 94.0m tonnes.

## SUGAR

A mixture of rainy weather, a rundown in cane to cut, and a focus by mills on producing ethanol sends Brazilian sugar output sharply lower than last year. Sugar production in Brazil's Centre South, responsible for some 90% of domestic output, slumped to 1.64m tonnes in the second half of September, down 29% from the first half, cane industry group Unica said. The slide reflected largely a sharp slowdown in the cane harvest, due to unexpected rains in the cane producing regions. A smaller supply of raw material for processing, resulting from intense drought, also has accelerated the early end of the harvest," Unica said, noting that 10 mills had closed so far in 2014-15, compared with two a year ago. Sugar output in the second half of last month was also squeezed by mills turning a greater proportion of the available cane into ethanol rather than sugar.

Futures in New York plunged 53 percent from the highest in three decades in 2011 as farmers planted more cane. Dry weather in Brazil and India, the two biggest producers, may cut output and reduce global reserves for the first time since 2010, the U.S. Department of Agriculture estimates.

## WHEAT

Global wheat prices declined by six per cent in August, nine per cent in July and eight per cent in June, according to the International Monetary Fund's primary

commodities index. The IMF's commodity price data shows that wheat prices have been decreasing month-on-month in international markets since June as global supply improves.

Russian wheat has bounced back into business by holding its prices while those of France rose, and many other countries failed to offer at all to the latest tender by Egypt's **GASC**, the world's top buyer of the grain. **GASC** said, at its second tender this month, that it had purchased 55,000 tonnes of Russian wheat, besides 120,000 tonnes from France, which has dominated business over the last six weeks. The Russian purchase was Gasc's first tender since August, since when offers in the country, already handling record exports over August and September, lost competitiveness against other origins, failing to match price declines.

## DAIRY

Poland will push for more aid from the EU, as Russia's embargo and lower prices on the world market hit Poland's dairy sector. Since the beginning of 2014, prices of skimmed powdered milk and butter have declined by some 30 percent and Edam-style cheese by 25 percent, according to government sources. The wholesale price of milk has declined by 15.4 percent, says the report, and the Agricultural Market Agency expects a further fall. The ministry added that Russia's import ban has also caused a fall in prices, by 10 percent in the case of milk and butter and by 6 percent in case of cheese. The ministry vowed to press the European Commission to increase aid to the sector.

Global dairy demand is set to surpass supply over the next decade, despite the current slump in global milk prices, a study by Tetrapak has suggested. The study has predicted that demand for dairy products would

surge by 36% over the next 10 years, to the equivalent of 710 million tons of liquid milk a year by 2024. The main causes of the booming demand for dairy products would be population growth, coupled with rising prosperity and urbanization in Africa, Asia and Latin America, which is likely to outstrip global dairy supplies from 2018 onwards. This would create a dairy deficit that would be inevitably met by climbing prices and would provide huge opportunities for dairy companies in developed markets to export powder and ambient liquid dairy products to developing countries, according to reports.

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