



GLOBAL AGRI TRADING NEWS

Newsletter September 2014



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COMPANY NEWS



**American Foods
Company Con Agra**

announced this month that by December 2015 it will only source palm oil that can be traced back to suppliers independently verified as not developing on high carbon stock or high conservation value forests, peat lands, or engaged in human rights abuses. This, the company says, means it will be “sourcing 100% sustainable palm oil”.

The rampant deforestation for palm oil development has captured public attention, creating real reputational risks for companies that use the ingredient in their branded products, say reports. Palm oil production is a leading driver of deforestation – the cause of 20% of greenhouse gas emissions. Despite this, production has quadrupled in the past decade and the oil is now the most widely used in the world. Production is predicted to double by 2020.

Companies are taking note of this and with a little support from shareholders, they are establishing commitments that are now going beyond standards set by the Roundtable on Sustainable Palm Oil (RSPO), of which ConAgra is a member.



Bunge is speeding up its re-entry into Australia, by building a bulk grain-export terminal at Geelong, in the state of Victoria. The port shall handle 4,50,000 tons of grain every year and will comprise of a grain receiving facility and three storage silos, and link to an existing loading facility at the port.



General Mills has entered in to an agreement to acquire Annie’s Inc, a well known producer of natural and organic food products for 820 million USD. Annie’s had sales of 240 million USD in the latest fiscal year ending March 2014. Annie’s will join several natural or organic

brands that General Mills has acquired over the years. General Mills’ company-wide sales grew less than 1 percent (to \$17.9 billion) and net earnings dipped 1.6 percent (to \$1.824 billion), in the fiscal year 2014. This acquisition shall significantly expand their presence in the US branded organic and natural foods industry, where sales have been growing at a 12 percent compound rate over the last 10 years, according to company sources.



Agribusiness giant Cargill has launched a legal battle for compensation from Syngenta, over losses sustained through Chinese rejections of US corn cargoes. Cargill accused Syngenta of creating significant damages on the US agriculture industry by launching a genetically modified corn seed, without the approval of Chinese authorities. The move led to a series of rejections by China from late 2013, of cargos of US

corn containing a genetically modified trait, cleared by Washington but not by Beijing.

AGRICULTURAL COMMODITIES

COCOA

Chocolate makers in the fast-growing Asian market are replacing a bigger proportion of cocoa butter, which gives confectionery its melt-in-the-mouth texture, with cheaper palm oil-based alternatives. The move will help confectioners keep down prices in the price-sensitive Asian region, where chocolate sales are forecast to grow more than 5 percent this year to about 917,000 tons, according to a market research. This is well ahead of growth of less than 1 percent in the United States and about 1.5 percent in Western Europe. Palm oil-based butter mimics the taste of cocoa butter but is much cheaper. Higher demand for butter alternatives, known as cocoa butter equivalent (CBE), has pushed prices up by about 10 percent to \$3,300 a ton in the past year, but this is still more than \$4,000 below the price of butter from cocoa beans.

COTTON

Australian cotton production could plummet by 29% as the country suffers from the effects of drought. The world's third-biggest cotton exporter has slashed its output forecast to 580,000 metric tons for 2014-2015, said a report. The previous estimate had been 820,000 tons. It would be the smallest crop in five years, falling well short of last year's 890,000 tons.

Cotton futures have fallen in 2014 as booming supply in the United States weighed on prices. The world's biggest exporter boosted its forecast by 36% for the coming year. India's cotton imports this season, which ends this month, will be at a 12-year high as global prices have dropped below domestic rates. Some 12 lakh bales have been imported since May and if the usual imports of five lakh bales are taken into account, then shipments into the country will exceed 17 lakh bales. (Extra-long staple cotton is imported normally since the availability of such varieties is not ample.) The last time when imports exceeded 17 lakh bales was during 2002-03.

RICE

The South Korean Government is planning to impose tariffs as high as 500% on rice imports beginning next year when it is likely to liberalize its rice sector. The high tariffs are meant to protect its local rice sector. The South Korean Government has announced its decision to open its rice market from January 2015 as its import quotas under the WTO agreement, end this year. It is likely to confirm its import tariff rate to WTO by the end of September 2014.

India, a traditional rice exporter is likely to import rice for the first time in decade to meet PDS requirements in its two north eastern states of Mizoram and Tripura. The transportation of rice to these two states is likely to be disrupted by the proposed railway gauge conversion work on the 220

kms Assam- Agartala - Tripura line. It is reported that the Government is planning to import 5,00,000 tons of rice from Myanmar. Due to the proposed railway conversion work, transportation of rice from the surplus states of Andhra Pradesh and Punjab would cost the Food Corporation of India Rs. 3200 per quintal including the cost of rice at Rs. 2775 per quintal. Alternatively, importing rice from Myanmar would cost Rs. 2400 per quintal including transportation from borders.

Agricultural experts have criticized Vietnam's policy to import nearly 70% of rice seeds from China even after more than a decade of initiating and operating a project on developing hybrid rice varieties in the country. It is felt that the country lacks adequate facilities to conduct scientific research to create and promote new and improved rice varieties. Business houses also feel that importing seeds is cheaper than making them in house. The agriculture experts have called on the Government to invest more money on rice research.

SUGAR

The US government has announced that it was proposing to impose tariffs on sugar imports from Mexico as an anti-dumping penalty, following pressure from domestic producers. It is claimed that the flood of Mexican Sugar to the tune of almost 2m tons a year in to the US, is highly subsidized by the Mexican govt., and is harming America's sugar producers and

workers. Mexico has termed the proposed levy as running counter to NAFTA trade agreements, and as a backwards step in the integration and delicate balance in the sugar market in Mexico and the US. It is feared that if Washington introduces the levy, Mexico may retaliate by targeting HFCS, a rival sweetener to sugar used in soft drinks, which the country largely imports from the US.

WHEAT

Price of wheat is gradually shedding the gains it achieved due to the Ukraine-Russia conflict. The conflict has so far had no negative impact on grain deliveries from the Black Sea region, according to sources. Robust grain exports have been reported from Russia and Ukraine. Ukraine's grain exports rose to 5.01 million tons in the first two months of the 2014/15 season from about 3.3 million in the same period a year earlier, the agriculture ministry said on Tuesday. Dealers said prices could weaken further if there is firm evidence that tensions in the Black Sea region may be easing.

France's wheat exports to countries outside the European Union will tumble by 35%, and inventories soar, as the country is faced with a poor-quality harvest and tough competition for import business. France, the EU's top wheat producer and exporter, will ship 8.0m tons of wheat outside the bloc in 2014-15, the lowest in seven years, according to bureau reports. France last week won its first wheat order in nearly eight months from

GASC, the grain authority for Egypt, the world's top wheat importing country.

DAIRY

Milk powder production has become the key element of the dairy industry's response to increased milk production. Prices of skimmed milk powder, a key constituent in the milk and dairy products industry, have come down significantly globally and in India due to surplus supplies and lower off take during the past two months. In India, SMP prices have declined to Rs 232-240 per kg, although they are still higher than international rates of Rs 158-160 a kg. While cooperatives and private dairy players say prices of milk and milk products will remain stable over the next six months, a segment of the industry wants the government to allow SMP imports to cool high prices of milk and its products and reduce the gap with overseas rates.

DAIRY farmers are seeing this year's hopes for their industry dashed by world events. At the start of 2014, many UK dairy farmers had seen their milk prices increase, while milk production, both in the UK and abroad, had also risen to meet favorable market conditions. However, by mid 2014, the sector has been hit by a global slump, in returns, hitting farm gate prices around the world and ending the rising milk price trend for British farmers. Russia's ban on importing EU dairy products has added to the crisis. Several dairy firms have announced cuts in the milk prices.

They include First Milk, which reduced the price by 3ppl (pence per litre), Arla (1.2ppl), Muller Wiseman (1.8ppl) and Dairy Crest (1.75ppl).

Dairy co-operative Norco is planning to double its fresh milk exports to China. The northern New South Wales processor is currently exporting between 20,000 to 30,000 litres to China per week. According to company sources, the next step is to increase the volume to 50,000 litres a week, but the long-term objective is to reach the 20-million-litre mark.

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***Errata:** In our August Edition, we had covered an article on rise in chocolate prices. It is hereby clarified that Kit Kat is a Nestlé brand, and Hershey makes this under license in the US only.

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- Rice Trader, 5 to 10 Years, West Africa.
- Pulses Trader, 5 to 10 Years, Mumbai/Kolkata.
- CEO, Indian Foods FMCG, 20 + Years, Delhi.
- Multiple Commodity Trader, 2 to 5 Years, Dubai.
- Branch Manager- Rice, 5 to 7 Years, Ghana, Nigeria.
- Branch Head, 4 to 10 Years, Tanzania.

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