



# NEWSLETTER

## September

### 2013



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GLOBAL AGRI TRADING NEWS

#### Coffee

Robusta coffee prices in Vietnam, the world's largest producer of the variety, dropped to 37,800 dong (\$1.79) per kg, extending earlier falls which could hurt domestic trading. The country's coffee export this August is forecast at 70,000-80,000 tons, down from 90,700 tons in July this year.

Robusta coffee stockpiles are poised to slump to a 13-year low as torrential rain in Indonesia disrupts supply and consumers wait three more months before Vietnam's new crop gets shipped. Rain in the largest growing regions of Indonesia, the biggest producer behind Vietnam and Brazil, was as much as twice the 30-year average since April this year.

The coffee industry support outlined by Brazil's government may mop up high-quality beans for which supplies are already relatively tight. Brazilian growers are awaiting details of the operation of a government programme which will, through options, guarantee 343 reais (\$149) per 60-kilogramme bag of coffee to growers. This comes as a boon to many who face financial hardship because of depressed market prices.

#### Corn

With the U.S. harvest of corn, the nation's biggest crop and the source of most of its ethanol, expected to set a record this year, ethanol producers don't see sugar as a competitive substitute. The price of corn has plunged 43 percent since reaching a record \$8.49 a bushel during last year's U.S. drought. The government said this month that farmers will boost production by 28 percent to an all-time high of 13.763 billion bushels.

#### Cotton

Cotton production in India has received a boost from a good monsoon this year, increasing domestic availability of the key cloth-making input. The country is expected to produce 35.8 million bales in 2013-14, up 5.7 per cent from 2012-13 levels. Domestic consumption of cotton, however, is likely to rise only by 3.6 per cent to 29.8 million bales. This leaves a 6-million bale surplus available for exports. Weakness of the rupee against the dollar provides a strong impetus for exports of cotton by India and presents a lucrative opportunity.

China, which uses about a third of the world's cotton, will reduce imports by 46 percent, or 9.33 million bales, from last year as it focuses on supporting local producers. It is accumulating the biggest stockpiles ever after the government bought supply to aid farmers as economic growth slowed.

#### Dairy Products

Fonterra, New Zealand's top dairy exporter, processing nearly 90% of the country's milk, announced in early August this year that batches of whey protein containing bacteria that can cause Botulism was found in a number of its products. This included infant formula, exported to countries including China, Malaysia, Vietnam, Thailand and Saudi Arabia. However, amid fears that demand for milk from New Zealand may fall sharply, the country's dairy futures market points to milk prices remaining near record levels into 2014.

Rabobank highlighted the potential for the US to grow dairy exports as New Zealand-based Fonterra is investigating the botulism scare which prompted product recalls. US could emerge as a significant competitor in

dairy exports, thanks to a slowdown in domestic demand at a time of elevated international prices. Already prices of some US dairy exports are showing significant growth, with milk powder exports rising from some 300,000 tons in 2007 to 500,000 tons last year, and cheese shipments rising from 100,000 to 250,000 tonnes over the same period.

Russian liquid-milk production this year will be smaller than projected because the dairy herd is shrinking after feed-grain prices jumped, the U.S. Department of Agriculture said.

#### Edible Oil

Falling prices of edible oil in the global markets is likely to soften impact of depreciating rupee on edible oil prices in India. Prices of imported oils have declined by 8-14%, except in case of Crude Palm Oil which has seen fall of 4%. RBD palmolein, crude palm oil, soybean oil and sunflower oil are imported by India to meet growing consumption of edible oils.

#### Livestock

Russia may be fading as an import market for chicken meat, but the growth in the domestic poultry industry behind the change is opening up an expanding demand for foreign eggs. Russia's broiler industry will produce a record 3.05m tons of meat this year, up 120,000 tons year on year, and a bigger increase than previously expected, the US Department of Agriculture bureau in Moscow said. It will rise even further next year, to 3.30m tons, the bureau said in its first forecast for 2014. Cattle producers in Australia, after a tough year, look set for higher prices thanks to soaring exports to China – one market where the country enjoys favorable market access, compared with rivals such as the US. Australian cattle prices, as measured by the

eastern young cattle indicator, look set to average 356 Australian cents per kg in 2013-14, up 4.5% on last season, National Australia Bank said.

### Oilseeds

#### Groundnut

Groundnut prices have yet to respond to a devastated U.S. crop and may be undervalued compared with other oilseeds, according to *Oil World*. The U.S. harvest of shelled groundnuts may be 1.3 million metric tons this year, down from 2.29 million tons a year earlier,

#### Sesame

Ethiopia, the world's fourth-largest sesame grower, may see earnings from exports of pulses, oil seeds and spices rise by a third to more than \$900 million this year. Sesame seeds accounted for around \$460 million of last year's revenue of \$660 million from oil seeds, pulses and spices. In less than a decade, Ethiopia has jumped from being a minor producer of sesame to the largest producer in Africa and fourth largest in the world. During the same period, China has switched from being a net exporter to a net importer, providing the main destination for Ethiopia's sesame seeds.

#### Rapeseed

Global oilseed production will rise to a record in 2013-14, propelled by higher-than-predicted rapeseed and sunflower seed crops that will improve two years of tight supplies, according to *Oil World*. Production of rapeseed, the world's second-largest oilseed crop after soybeans, was estimated at 20.8 million tons in the European Union, up 6.8 percent from a year earlier. Canada's crop will be 6.5 percent bigger at 14.8 million tons while the harvest in a bloc of former Soviet Union countries will be 41 percent higher at 4.5 million tons, *Oil World* said.

#### Soyabean

Soybean futures jumped the most in a week on speculation that lack of rain in the past 30 days damaged prospects for yields in the U.S., the world's biggest producer. The U.S. soybean harvest may total 3.146 billion bushels, down from a previous estimate of 3.309 billion bushels, *INTL FC Stone Inc.* said yesterday.

### Rice

The U.S. Department of Agriculture (USDA) has forecast Myanmar rice production at 11 million tonnes in the 2013/2014 fiscal year, up from 10.6 million tonnes a year earlier. This is just above the 10.25 million tonnes expected to be consumed by the estimated 60 million people in Myanmar, where rice is the dietary staple. This leaves a surplus of just 750,000 tonnes for export. Even if Myanmar manages to produce more rice in the next few years, it might not be able to find buyers for it. Countries like Thailand, India and Vietnam, which have better quality grains than Myanmar, are struggling to sell because importing countries have grown more rice this year.

### Sugar

Global sugar supplies will exceed demand for a fourth consecutive year in the season that starts Oct. 1, possibly sending prices even lower, the *International Sugar Organization* said. Sugar production will exceed demand by 4.5 million metric tons in 2013-14, the London-based organization said in a report. It forecast a surplus of 3.5 million tons last month. Raw sugar prices have dropped 16 percent this year with the surplus for 2012-13 at a record 10.3 million tons, ISO said.

Millers in Brazil's center-south, the main growing region of the world's biggest producer, directed 47.8 percent of all the cane processed in the first half of August to making sugar, according to industry group Unica, which is up from 45 percent, two weeks earlier. Producers switched to making more sugar as a weaker real meant ethanol is 2 cents a pound cheaper than Sugar.

Indonesia's raw sugar imports could more than double to 5.4 million tons in 2013 from 2.5 million tons last year after heavy rains hit domestic output. Rising consumption and population growth have further added to the country's woes. Total imports could reach 5.4 million tons as there is a weather anomaly and there's no increase in its plantation areas.

### Tea

Orthodox teas, which were fetching \$5 per kg in the global markets, are now being offered a price of \$4 per kg. Similarly, CTC teas, which were garnering \$4 per kg, are now fetching \$3.2 per kg," said AN

Singh, chairman, Indian Tea Association. A decline in tea prices in dollar terms will increase India's competition with Kenya in the world tea market.

Kenya's production has been good this year and the African nation has been loading teas in the world markets at an average price of \$2.8-\$3 per kg.

### Wheat

Egypt, the world's biggest importer of wheat, bought 295,000 tons of Russian, Ukrainian and Romanian wheat for shipment in October 1-10. It could obtain financing for its imports of the grain from countries like Qatar, Russia and the U.S. Egypt will probably need \$1.5 billion to \$1.8 billion to import 5.5 million metric tons of the grain for its subsidized baladi bread program, the U.S. Department of Agriculture said. Egypt has the Arab world's largest populace.

Russia's wheat crop will be 92.1 million to 93.7 million metric tons in the 2013-14 season, lower than the forecast of 96 mts due to rain hampering crops. However, it has expanded its exports of wheat to new customers including Sri Lanka, Congo, Madagascar & Mexico in the current season. .

China may boost wheat purchases from Australia by 67 percent this year, said grain handler Emerald Group Australia Pty, adding to signs that imports by the largest user will jump after rains hurt domestic crops.

A late-winter cold snap in Argentina raised concern about the country's recently sown wheat crop at a time of high world demand and soaring local prices. The weather worries have come just as Argentina's northern neighbor and main wheat buyer, Brazil, said it will have a smaller-than-expected crop this year due to July frosts. World demand for wheat is solid this year due in part to steady demand from China.

### Company News

Earlier this month, Cargill bought Joe White Maltings, the biggest Australian malting group, while Archers Daniels Midland is in the process of acquiring GrainCorp.

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