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GLOBAL AGRI TRADING NEWS

COMPANY NEWS



Cargill has launched a newly expanded world class chocolate facility in Mouscron, Belgium that will increase the supply of Belgian chocolate. The €35 million investment would lead to doubling of the production capacity for a range of products including dark and milk liquid chocolate, drops and chunks and lactose-free dark chocolate. The set up comprises additional production lines, storage tanks and warehouse space and is complemented by new social rooms for operators and office space. The new building has been designed with innovative high-tech equipment aiming to reduce energy consumption by up to 30%. According to company sources, this is an effort to optimize on a strong heritage in cocoa and chocolate together with their customers. They are now in a position to open up to several new opportunities, which in turn enables them to address the future consumer trends. They are in a position to provide their customers with market insights, creative solutions, high quality products and reliable supply.



Swiss food major Nestlé is reportedly planning to invest around \$120m in a new production plant in Dubai, the UAE. Expected to become operational by the end of this year, the plant will produce coffee and cookery products. The proposed plant is expected to create close to 400 new jobs by 2017. According to company sources, recruitment has already begun and will go on till the end of 2015. The recruitment team is travelling to various countries, predominantly in Asia to ensure diversity in nationalities and skill sets. Nestlé Dubai is currently involved in the manufacturing of milk powder, chocolate and culinary products. So far, Nestlé Middle East has invested around \$400m in its operations across the region in the past five years. It currently employs 11,000 people across 18 factories.



US-based specialty gum and mint brand **'Project 7'** is voluntarily recalling Sour Caramel Apple Gum as the caramel flavoring ingredient in the gum contains dairy that is not mentioned on the packaging, according to the US Food and Drug Administration. The products associated with the recall include all lots of Sour Caramel Apple Gum with UPC code 844911 002919. Each 0.53oz white and green film pouch package contains 12 pieces of chewing gum. The recalled product was distributed to various retailers across the nation from 20 August 2014 through 11 June 2015. The recall was initiated after it was found that the product contains milk that is not mentioned on the label during a product packaging review. No other Project 7 products have been affected by the recall. Consumption of the recalled product may cause a serious or life-threatening reaction in people allergic or sensitive to milk.

AGRICULTURAL COMMODITIES

COCOA

Dry weather and the late application of pesticides and fungicides to protect cocoa trees have caused the crop to shrink by nearly a third, raising the possibility that Ghana won't be able to deliver enough cocoa to fulfill its contracts. However, according to some analysts, **Ghana's cocoa farms are poised to bounce back in the next season** because the national government has agreed to provide seedlings and pesticides directly to farmers, backtracking on some of the changes it had made to reduce its \$400 million cocoa-subsidy program. The erratic output spotlights a major vulnerability in the \$6.5 billion cocoa futures markets, relying heavily on Ivory Coast and Ghana, which together account for more than half of the world's cocoa supplies. Last year, prices surged to a 3½ -year high when the world's **worst Ebola outbreak** hit West Africa, fanning fears that cocoa production would be disrupted. The disease never spread to either Ivory Coast or Ghana, and prices retreated nearly 21% over a four-month period. Though initial forecasts had hinted at an increase in output to around 1 million tons, the International Cocoa Organization says that Ghana is likely to produce only 6,96,000 tons of cocoa beans this year. The smaller harvest raises questions about whether Ghana can fulfill its sales contracts, which COCOBOD, the country's cocoa purchasing body had made early in the season based on the initial forecasts. In March, COCOBOD had offered to sell 850,000 tons of cocoa.

COFFEE

Though Americans are spending more money on coffee than ever before, for the first time in six years, they will be drinking less of it as the single-serve revolution transforms the brewing habits of the world's largest coffee-drinking nation. Coffee consumption in the United States is expected to fall to

23.7 million 60-kg bags in the upcoming 2015/16 season, down from 24 million bags in the year that ends in September and the first drop since 2009/2010, says a forecast of the USDA. The nation will be the only one of the top eight global coffee-drinking countries to see a decline in consumption, with overall global demand rising by nearly 2 million bags to 147.6 million bags. The growing popularity of single-serve pods, dominated by **Keurig Green Mountain's** K-Cups, is having a material impact on U.S. demand for green coffee beans, market sources said. As Americans shift from traditional roast and ground coffee toward single-serve, they are brewing only what they intend to drink, thus buying less coffee as coffee pods increase the efficiency of consumption. While consumption by volume is falling, Americans spent a record \$11.9 billion on coffee in 2014, and are expected to spend \$12.8 billion in 2015 and \$13.6 billion in 2016, according to a market research. Roasters often charge a hefty premium for single-serve coffee.

Honduran coffee production, and exports, will hit a record high in 2015-16 as it reaps the benefit of efforts to counter rust, which badly hurt the region's output two seasons ago. Honduras, Latin America's third-ranked coffee exporter after Brazil and Colombia, and renowned as an origin of higher quality supplies, will produce 6.11m bags of beans in 2015-16, on an October-to-September basis, say reports. This is a 37% rebound in output from a low last season, caused by the dreaded 'rust disease', which spread through the country as well as other Central American coffee producing nations. This would lift the output of all Arabica beans above the record 5.60m bags achieved in 2011-12, before the outbreak of rust, which cuts yields dramatically and can result in tree death. Damage was reduced because Honduras has been carrying out research and produced leaf rust resistant coffee varieties. Some of the plantations which were affected by rust, but have now been replanted with resistant varieties, are beginning to

return to production. The trees replanted three years ago are beginning to produce and provide an increase in volume of the coffee harvest in the current year. The extra supplies will lift Honduran exports in 2015-16 to 5.44m bags, up 10.2% year on year on the bureau's estimates, and beating the record 5.29m bags set four years before.

CORN

US ethanol production is poised for fresh all-time highs, as strong demand and the prospect of a great harvest of corn support margins, according to reports. An official report on Wednesday showed US ethanol production gaining 14,000 barrels a day last week to hit 9,94,000 barrels a day, the highest on data going back to 2010. As farmers sell stocks of left over corn from last year's record harvest, the rise in production is sustainable thanks to the prospect of ready supplies of corn ahead. Many growers are however, holding out for higher prices, a strategy which has proved successful in many recent years. A key US Department of Agriculture report is expected to show overall US corn inventories at 4.56 bn bushels as of the start of this month, a rise of 18.5% year on year. The boost to supplies as growers bring crop to market, to clear storage space for the next crop, will be akin to a "mini harvest", with the potential for pressure on prices.

RICE

Currently **Myanmar exports** milled rice to the European Union at zero percent duty and the EU has been assisting Myanmar to develop its rice sector and supply them quality rice. In order to export quality rice to the EU, the government of Myanmar needs to expand and upgrade domestic mills and infrastructure which would require heavy investment, according to a World Bank report. To promote exports, Myanmar needs to work on both quantity and quality of its rice to receive a good price from the European

Union. Myanmar exported 1,00,000 tons of rice to the EU in 2014 and is targeting 2,00,000 tons in the year 2015. EU statistics show that Myanmar's rice exports to the EU increased about 81% to around 1,44,552 tons during Sep – Apr 2015 from around 79942 tons during the same period last year.

The government of Thailand is planning to sell about one million tons of rice in an open tender in early July as part of its efforts to cut down its rice stocks accumulated from the rice pledging scheme introduced by the previous government in October 2011, according to sources. The upcoming rice auction is the fourth one this year and the eighth auction since the military government took over in May 2014. The commerce ministry sold about 2.73 million tons rice in the first seven auctions since it came to power, raising over \$ 888 million. The Thai military government currently holds over 16 million tons of rice in its warehouse and is planning to sell about 10 million tons this year and about 6 million tons next year.

Indian basmati rice exporters are expecting a bleak year ahead as the export deal with Iran, India's biggest basmati buyer, is getting delayed. According to government sources, India's basmati rice exports have declined marginally to around 3.7 million tons in FY 2014-15 from around 3.76 million tons exported during the same period in FY 2013-14. The decline is largely attributed to the fall in basmati rice shipments to Iran. Iran, which accounts for more than a third of India's basmati rice export temporarily, banned rice imports in November 2014, due to surplus stocks at their end. India's basmati rice exports to Iran declined about 35% to around 9,35,568 tons in the FY 2014, from around 1.44 million tons last year.

SUGAR

The decline in sugar production in Brazil's key Centre South areas this season has risen to 1.0 m tons, due to the appeal of turning cane into Ethanol instead of sugar, according to

information disclosed by from business group, UNICA. Mills within the Centre South, which are responsible for some 90% of Brazilian, sugar output, produced 6.75m tons of sugar in 2015-16, down from 7.76m tons at an equivalent time of last season, Unica said. The decline represents partially a drop by volumes of cane processed, with the crush this season reaching 153.9m tons, a drop of 3.1 %. However, the huge drop of sugar output by 12.9% year on year to date clearly indicates the preference by mills for manufacturing Ethanol from cane instead of sugar.

Sugar exports from India may double as farmers prepare to harvest the third-biggest crop ever, extending the country's surplus for a sixth year. Shipments will be 2 million metric tons in the 12 months starting 1 October, in the current year according sources. The surplus in the world's second-largest producer threatens to extend a 35% slump in New York futures in the past year. The decline in prices to the lowest since 2009 has forced the government to subsidize exports and waive interest on bank loans to processors. Stockpiles of 10 million tons will add to supplies and exceed demand of 25.5 million tons, according to the sugar mills. That will force producers to export as much as possible. Prices have fallen below the cost of production to a seven-year low because of weak demand and mounting stockpiles. The cabinet approved interest-free loans of Rs 6,000 crore (\$943 million) this month to help mills clear Rs. 21,000 crore owed to farmers. The government has pledged a subsidy of Rs. 4,000 a ton for raw sugar exports as domestic rates are above global prices.

WHEAT

Egypt, the world's largest wheat buyer, is making significant changes to its bread subsidy program in an effort to reduce its reliance on imported wheat. The country's bread subsidy program typically uses 10 million tons of wheat per year to feed about three-quarters of the country's 89 million people. According to newspaper reports, , the

cash-strapped country is attempting to reduce the costs of the program by sourcing more of that wheat from local farmers, who produce eight to nine million tons per year. Poor farmers are being encouraged to sell their wheat to the government rather than using it to feed their families. In return, they get access to bread through the subsidy program. About half the wheat used in the program during the latest fiscal year was sourced domestically compared to 36 percent the previous year. The goal is to have 70 percent of the wheat sourced locally. The biggest constraint in achieving this is the fact that Egypt doesn't produce enough wheat for its own purposes and requires imports to keep food price inflation in check.

DAIRY

China will start importing milk powder from Andhra Pradesh based Ongole Dairy for six months, with Indian media expecting shipments to increase further. A **memorandum of understanding** has been signed for the trade of 500 tonnes of milk powder every month for the next six months. Present capacity at the company is 20,000 tonnes of milk powder per day, supplying 50,000 litres to regular district customers. The product portfolio includes flavored milk, butter milk, curd and an Indian sweet 'doodh peda'. Milk prices plumbed new five-year lows as the market remains dominated by very huge global inventories and ample supply. Prices fell by 4.3% in the last trading event, dropping for a sixth successive auction. The decline took the GDT index to its lowest level since July 2009, with particularly sharp falls in prices for butter, down 10.0%, and anhydrous milk fat, down 7.4%. The decline reflected continued ideas that production has not been curtailed to match better demand.

India's dairy producers are feeling the effects of the global dairy commodity price crash, having to produce milk for ten rupees per litre below year ago prices. Processors in the north, which focus on skimmed milk powder

manufacturing (SMP), ghee and other bulk products are offering 30 rupees per litre against 40 rupees last year. According to newspaper reports, Maharashtra dairies, in the midlands, are paying 19 rupees, whereas last year it was closer to 30 rupees.

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