



Newsletter September 2015



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GLOBAL AGRI TRADING NEWS

COMPANY NEWS



The Swiss group, **Syngenta** is all set to sell off its vegetable seeds business, to raise money for a share buyback, according to market sources. The company, whose main business is making pesticides, is under pressure to offer concrete rewards to shareholders after it rejected a \$47 billion bid from **Monsanto**. Syngenta plans to buy back more than **\$2 billion worth** of stock to boost investor returns. The sale of the vegetable seeds business could fetch around \$2 billion, the sources said. The unit had sales of **\$663 million last year**, representing about 4 per cent of group sales. The vegetable seeds business is likely to appeal to other large agricultural chemicals groups, some of who may however shy away due to antitrust concerns, the sources said. Smaller players seeking to expand their product range may also bid. In the seeds business, Syngenta competes with big groups like DuPont, Dow, Bayer and Monsanto. Smaller peers include companies like Australia's Nufarm, Germany's KWS Saat, France's Vilmorin and Limagrain.



Fonterra Brands Indonesia began operations at its **Rp 340 billion (\$23.7 million)** blending and packing plant in Bekasi, east of Jakarta, as part of efforts to meet the growing demand for milk and dairy products in the country. According to company sources, the factory is Fonterra's first investment in Indonesia and it's biggest in Southeast Asia in a decade. It is considered an exciting step for the continuation of **Fonterra's relationship with Indonesia**, as well as the local dairy industry. Fonterra has supplied dairy-based nutrition with the best quality to Indonesia for more than 30 years. Located within an industrial estate in the Cikarang area of Bekasi, the new plant can produce up to **87,000 packages** of Anlene, Anmum and Anchor Boneeto powdered milk products daily. Johan Priem, Fonterra's managing director for Asia, the Middle East and Africa, said the plant placed Fonterra in a strategic place to supply the increasing demand for dairy products in Indonesia, which is projected to grow by 5 percent annually until 2020. The company supplied 41 million packages of Anlene, Anmum and Anchor

Bonneeto to Indonesia last year, according to a statement.



With its shares trading at **three-year-lows since it abandoned a \$46 billion bid to buy Syngenta AG (SYNN.VX)** last month, Monsanto Co plans to offer its shareholders a new corporate vision: a future in big data. **Monsanto (MON.N)** executives are seeking to reposition the company as a business built on data science and services, as well as its traditional chemicals, seeds and genetic traits operations, according to company sources. Monsanto is seeking to provide services, software and hardware tools that use data to help farmers boost their crop yields by understanding what is happening with their fields - including catching shifts in soil chemistry, being more precise with their seed choices and knowing how they should apply pesticides in various conditions. Monsanto's initial moves into the sector have not had good results.

AGRICULTURAL COMMODITIES

COFFEE

Coffee consumption has the potential to boom in **sub-Saharan Africa**, prompting a revival in the stagnated local coffee industry, according to market sources. Lack of a domestic market is seen as a major problem for the coffee industry as indicated by sub-Saharan coffee consumption which is well behind other developing markets. Nonetheless, sub-Saharan coffee consumption is all set to rise as local chains have begun to flourish and the coffee giant Starbucks prepares to enter the region, offering opportunities to revive the industry. Sub-Saharan Africa produces around **12% of world coffee output**, with Ethiopia, Uganda and the Ivory Coast accounting for three quarters of that production. The region is notable for producing some very high quality beans, including high-value Arabica from Ethiopia and Kenya. Market reports say that apart from lack of domestic market, weak and inefficient agricultural value chains and high production costs are seen as major factors for holding back the regional coffee industry. Coffee production in Uganda is held back by susceptibility to disease, while Kenya has an erratic internal marketing chain.

Colombia's coffee crop is under threat from El Nino, according to national growers' association Fedecafe. The El Nino pattern is associated with drier weather in Colombia, caused by drought in key growing regions in recent months. Close to **18% of the anticipated harvest** for the second half of 2015 will be affected in some measure by the absence of rain, according to the above source. This is bound to create a complex situation in terms of income and production costs. Apart from stressing the coffee plants, the drought could also cause an increase in infestations by coffee borer beetles, which thrive in dry weather. Fighting the beetle infestations shall rise labor costs for growers up to 50%. The dry weather is thus threatening to derail the Colombian Coffee industry's recovery. Colombian coffee production has been rebounding after widespread uprooting and replanting of trees, caused

by an epidemic of the fungal disease rust in 2013. In August Colombian coffee production reached 1.26m bags, up 10% from the same time last year.

RICE

In **Pakistan**, exports suffered a sharp decline in the first month of the current fiscal year, giving rise to a pessimistic outlook for the rest of the year. The exports amounted to **\$91m in July 2015, compared to \$125m in July 2014, depicting a decline of 27.24 pc or \$34m**. Basmati rice suffered a major drop of 30pc, total export being worth \$34 million while non-Basmati exports stood at \$57 million, down by 25pc. Export figures in July are some 31pc less than those of June which amounted to \$133 million. **Rice Exporters Association of Pakistan (REAP)** has warned that during the last fiscal year the exporters had managed to keep the exports volume at **\$1.9 billion level**, but now it may be difficult for them to maintain this level. Although last fiscal was not without serious challenges, the current fiscal may prove to be more challenging if corrective measures were not taken by the federal government. One reason for the decline in exports is stated to be the continuing decrease in per-acre yield owing to lack of introduction of new high yielding basmati varieties. In contrast, Indians have been able to dominate global basmati market because of application of new long grain, high yield varieties developed by their research institutes. Before imposition of western sanctions on Iran, Pakistan was the largest exporter of rice to the neighboring country, a position which it lost to India. Currently, almost 90pc of rice is imported by Iran from India. A former REAP chairman says Iran's decision to lift ban will remain ineffective until proper currency transfer arrangements with banks of New York were restored.

SOYABEAN

China's struggle to balance public concern over the safety of genetically modified crops with an increasing demand for

affordable food crops have led to the shrinking of domestic soybean fields. Massive imports of cheaper GM soybeans is adding to its woes. Demand for soybean as food, feed and oil has soared as China's economy booms and eating habits change. China is now the world's largest soybean importer – bringing in more than **80 percent of the soybeans consumed**, mostly from Brazil and the United States. Those imported crops are GM crops. Soybean farming in China is struggling as farmers switch to more profitable crops, with soybean fields becoming more fragmented. However, there are surprising pockets of spirit and identified strengths in soybean cultivation that may give Chinese soybean consumers what they say they want. China's current dependence on foreign imports to fill its growing soybean demand and its decrease in domestic production comes with potential costs around the globe, including the possibility of Amazon rainforest deforestation as Brazil ramps up soybean production to meet demand.

SUGAR

Thousands of acres of India's sugar crop are suffering severe damage from a wavering monsoon, with some farmers in the **world's second-biggest grower** forced to feed withered cane to cattle in Maharashtra, the top producing state. After a string of bumper harvests created an Indian sugar glut, drought could cut supply in the marketing year starting in October and there is a risk of production dropping below consumption for the first time in seven years in the following 2016/17 season. Even though India is still planning to boost exports in the upcoming season to cut stockpiles, a shortfall in output is likely to strengthen global sugar prices which are at **seven-year lows**. Industry officials say thousands of hectares of cane have been damaged after India's first back-to-back drought in three decades, as farmers also refrain from planting cane for the next season due to water scarcity. Market Sources put India's production next season at 28.9 million tonnes and the **Indian Sugar Mills Association** at 28 million tonnes. Some

industry officials and traders see production falling to **26 million tonnes** and even below **25 million tonnes in 2016/17**.

Raw sugar futures on ICE have taken their biggest tumble in more than three years after India called on its sugar mills to export at least **4 million tonnes** in 2015/16. Sugar prices turned negative after India announced new rules making it compulsory for sugar producers to increase exports to at least **4 million tonnes** in the forthcoming crushing season. A weak Brazilian currency is exerting additional pressure on the market. The announcement by India reflects worries over excess inventories. According to market sources however, it is unclear as to how successful the government measures would be, as previous measures had been tied to subsidies to encourage compliance.

WHEAT

In the **US, North Dakota farmers** will provide a large share of the **\$544 million worth of U.S. wheat** that Taiwan has committed to buy over the next two years. Taiwan will buy about **60 million bushels of U.S. wheat in 2016 and 2017**. Taiwan already is a big buyer of U.S. hard red spring wheat. North Dakota leads the nation in the production of that type of wheat.

France is getting beaten in the global wheat market even as the nation produces its largest crop in the current season. The country is having a hard time attracting buyers as a worldwide glut and weakness in the currencies of top growers, such as **Russia, Ukraine and Australia, provide importers with cheaper alternatives**. Egypt, the world's biggest wheat buyer, picked offers from Russia and Ukraine over French bids in six tenders since July, this year. Importers have more choices as larger harvests for exporters including the U.S. and Australia will leave world output close to the previous season's record, the International Grains Council estimates.

DAIRY

A world milk surplus and a decline in Chinese demand for imported **dairy products** have sent prices down by 50 percent. New Zealand Dairy exports in the year ended June totaled **12 billion New Zealand dollars (\$7.6 billion), down from nearly NZ \$16 billion a year earlier**. Dairy trade to China has proved particularly volatile, rising from **NZ\$2.8 billion in 2013 to NZ\$6 billion last year**, then plunging to NZ\$2.3 billion this year. The financial dilemma for New Zealand's dairy farmers, and the economy they help power, underscores that China's quarter century of supercharged growth has given it enough global weight to create not only winners, but losers too. China's growth last year of **7.4 percent** was its slowest in more than two decades, sending ripples around the world. It is forecast to wane to 7 percent or less this year. But the challenge from China is not only its slowing economy. In some industries, its domestic companies are becoming more effective competitors to the foreign exporters who had visions of unlimited growth in the market of **1.4 billion people**. The ruling Communist Party is encouraging many Chinese dairy producers to combine into financially stronger entities. Domestic dairy producers have recently been successful in launching products, including new yogurt brands by Mengniu and Yili, two leading dairies, according market sources.

Agriculture Ministry figures showed a recovery in Chinese milk production in 2014 from 2013 and a substantial drop in total dairy imports in the first half of this year. A possible El Nino weather system has raised hopes of **New Zealand** milk production faltering, allowing global dairy supplies to rebalance. The persisting dry weather is expected not only to accelerate the downturn in New Zealand output but also impact on its grazing and reducing milk production. El Niño is expected to be at its strongest shortly after NZ reaches its peak production period.

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