

# AGRI TRADE HIGHLIGHTS

A GLOBAL OVERVIEW ON MARKETS, COMMODITIES AND REGIONS

N° 9 • APRIL - MAY 2015

## EDITORIAL

Delivering services of the highest quality, both accurately and reliably, as well as offering fast turnaround times, is SGS' continued focus in 2015.

Investment in new laboratories, service expansion and state of the art equipment in 2014 was the springboard for success. To meet client needs and expanding global markets, this programme of investment and expansion will continue.

Increasing our capabilities and the reach of our network delivers improved client access to our services and allows us to better meet your needs. In addition, more capacity means we can deliver quicker turnaround times and provide a broader range of analyses in more locations.

At SGS, we provide a complete suite of solutions at every stage of the value chain to bring your agricultural commodities to market. We control and analyse products to be sure they meet quality, safety and compliance requirements for all your global destinations.

For your peace of mind, our laboratories are GAFTA and FOSFA approved. We can make sure that your commodities are safe, of good quality and compliant with your contractual requirements.



**JOHNY BOERJAN**

Vice President Technical Governance

## GLOBAL PALM OIL MARKET UPDATE

Driven by the food and biodiesel industries, global palm oil production has grown exponentially in recent years. Industry experts, producers, refiners and traders gathered in Kuala Lumpur last month for the 26th Annual Palm & Lauric Oils Conference & Exhibition to share ideas and present views on the challenges and opportunities faced by the palm oil industry in 2015 and beyond.



Global palm oil production is dominated by Indonesia and Malaysia, and has been for many years. In Indonesia, Food and Agriculture Organisation of the UN (FAO) data shows that between 1994 and 2004 alone, palm oil production increased by over 400%. More recently, in 2014, Indonesia and Malaysia produced 30 million tons and 20 million tons of crude palm oil (CPO) respectively. These figures represent some 85-90 per cent of total global palm oil production. As well as meeting domestic needs, much of this production is destined for export markets.

Earlier this year, a local newspaper in Kuala Lumpur reported that in February Malaysia's palm oil exports dropped by

18.5% to 971,640 tonnes, the lowest since 2007. Despite an apparently bullish market, these results demonstrate that there is some weakness in the marketplace. In February, lower demand from major importers such as China, Pakistan, the European Union and the United States impacted exports.

Some concerns raised by the palm oil experts at the Conference were the drop in crude oil price, recent floods on the east coast and in some of states in Peninsula Malaysia that affected harvesting of fresh fruit bunch (FFB), and the reduction of high palm oil inventory by the continuing implementation of biodiesel programs in Indonesia and Malaysia.

**SGS**

The drop in crude oil prices in 2015 has had a significant impact on the price of CPO. Weak demand from China due to a slowdown in its economy, the availability of alternative cheap cooking oils, such as soya bean, to replace palm oil, and high palm oil stocks have also contributed to the palm oil price slide. As a result, in December 2014, we saw prices plunge by almost 20%.

At Palm & Lauric Oils, palm oil experts described 2015 as "the year of two halves for CPO price". With lower inventory and production caused by recent floods in Malaysia, palm oil should perform better in the first half of this year. In the second half of the year, the palm oil price is predicted to weaken due to a build up in palm oil inventory,

unless the Malaysian and Indonesian governments introduce diesel blends, B10 and B15, respectively. That would help to ensure price stability for the crude palm oil price this year.

Indonesia and Malaysia may lead the palm oil production league, but Africa, the third largest consumer for palm oil is keen to develop its production capacity. Though eager to increase production, Africa is facing numerous barriers and challenges, for example, finding arable land for planting, competition from biofuel growers, logistical inefficiencies/bottlenecks and investment in infrastructure.

In India, palm oil demand capital of the world, consumption, and consequently demand, has been growing over the last

25 years. Indeed, imports of palm oil to the country have doubled in the last 10 years alone. Palm oil is the country's leading edible oil and the shortfall between domestic supply and demand has only widened in recent years.

These growing markets, combined with removal of the threat of restrictive plantation ownership regulations in Indonesia, offer a glimpse into a future of growth and diversified production. The competing need for palm oil for use as an edible oil and in the production of bio diesel should continue to drive demand and continued increases in production into the future.

**GOH BENG WAH**  
Division Manager

## CAPE SIZE INSPECTION IN THE USA

SGS inspects and verifies the world's largest corn vessel and its cargo before it sails for Saudi Arabia.

SGS will oversee the loading of one of the largest bulk carrier cape size vessels in operation, scheduled to receive approximately 105,600 MT of yellow corn, to ensure the quality and safety of the cargo on its journey from the load port of Convent, Louisiana in the USA to Saudi Arabia.

Prior to its departure, SGS will inspect the vessel's cargo holds for cleanliness before loading, verify the elevator scales that will determine the cargo weight, to ensure they have been calibrated and are up to date, and witness the application of mold inhibitor. In addition, the company will monitor the quantity and quality of corn during loading and take samples for verification testing and analysis conducted by SGS laboratories in St. Rose, Louisiana and Brookings, South Dakota laboratory.

Commodity bulk carriers used to transport grains traditionally have a capacity in the region of 20,000-30,000 MT (Handysize), with larger vessels able to carry 40-60,000 MT (Panamax). Although corn is a common cargo carried by bulk carriers, Capesize vessels (80,000 MT and over) are more commonly used to carry mineral



commodities such as coal and iron ore. It is extremely rare to see one cargo of 105,000 MT of corn on one vessel.

### SPECIALIST SERVICES

Loading and discharge services protect the safety, integrity and quality of products throughout the supply chain. SGS inspectors can supervise every operational stage of vessel loading

and discharge. They will ensure that clients receive a constant and direct flow of information. Personnel can also support the transfer of cargoes with a range of solutions, including cleanliness inspections, damage surveys, fumigation and pest management, as well as guarantee services and logistics support.

**RICKEY REESE**  
Operations Manager

## SGS UKRAINE EXPANDS LABORATORY CAPABILITIES

In 2014, SGS invested in GMO, pesticides residues and dioxin testing to better serve Ukraine's growing agrarian economy.

In Odessa, our facility now offers genetically modified organism polymerase chain reaction (GMO PCR) testing. Following investment in unique equipment for pesticide residues and dioxin testing, this lab is now also able to test for and identify the presence of these substances in agricultural products. The recent installation of state of the art quantitative detection equipment has significantly improved our laboratory capabilities.

Opened in 2014, SGS's newest facility in Ukraine is our microbiological laboratory, which started delivering testing services in December 2014. Following a successful audit, this lab has been awarded International Laboratory Accreditation Cooperation (ILAC) accreditation. At the present time, clients using this facility receive certificates just 3-4 days after loading is completed.



Our team drew on experience from across SGS's agriculture services business to ensure that all new testing services were implemented and available as quickly as possible, without compromising quality.

Plans are already in place to support clients during Ukraine's hot summer season. Our labs will operate around the

clock to deliver sampling and test results as quickly as possible.

These investments allow us to tailor service packages to each client's specific requirements.

**EDUARD ERSHOV**  
Business Manager

## SGS INVESTS TO IMPROVE GRAIN SERVICES AT KLAIPEDA

Building on its reputation for excellence and responding to client needs, SGS is at the forefront of efforts to add assurance and quality control to its agriculture services in Klaipeda, Lithuania.



In the port, SGS has invested in incoming truck controls. This development enables clients to purchase grain from farmers without the need to use inland silos, thereby reducing transport and cargo handling expenses. To increase quality, our probe sampling set up and processes now includes camera footage. Covering

sampling and analysis processes in two terminals, the footage validates the quality of the services provided. It is also a demonstration of the confidence that we have in our team and the training they have completed.

Specialising in express testing, SGS's agriculture laboratory has branches located at the biggest grain terminals

in Port Klaipeda, conduct sampling and analysis on wheat cargoes delivered for accumulation and onward transport. In this busy port, SGS laboratories in Klaipeda receives up to 500 delivery trucks daily, some 1,600,000 MT per season. Quality control is of the utmost importance.

Equipped with Infraneo, nilema litre, FN apparatus, equipment for physical grain control and a truck vacuum sampler, SGS employs samplers, inspectors and analysts to delivering services 24 hours a day seven days a week.

**NIKOLAY BALKOV**  
Division Coordinator

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