

AGRI TRADE HIGHLIGHTS

A GLOBAL OVERVIEW ON MARKETS, COMMODITIES AND REGIONS

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EDITORIAL

At SGS, delivering globally consistent services, coupled with local expertise, allow our teams to focus on adding value to your business. Investment in our range of inspection, testing and analysis services, as well as personnel and facilities ensure we support your business to best effect.

In Europe, we have invested in new services and recently opened a new cocoa grading facility in Amsterdam, delivering intake supervision, as well as testing and grading services. Further south, in Spain, we now also offer a broad range of fumigation and pest management services to cargoes in storage and/or transit at every port in the country. Further east, in Thailand, our rubber inspection services go from strength to strength.

Focusing on South America in this issue, we look at current market conditions in two of the region's powerhouses – Brazil and Argentina. These two countries continue to export a considerable proportion of their harvests, and production estimates for 2015 are showing an increase on the previous year.

Adding value to agriculture businesses is at the heart of our activities. We deliver the expertise, support and services you require at a time and location to meet your needs.



ENRIQUE CALDERON
Customer Care Manager

PRODUCTION INCREASES IN BRAZIL AND ARGENTINA

In South America, two powerhouses of the region's agriculture industry, Brazil and Argentina, are in the final throes of their summer corn crops, and production estimates across the board are already showing an increase on 2014.



BRAZIL

In just 35 years, Brazil has developed from a food importer to a major exporter, mostly by improving productivity. Since 1976, based on grain and oilseed production figures, agricultural productivity has increased by about 250%.

Between 1976 and 2014, the area planted for grain and oilseed production increased by 27%, while production increased by 213%. In the 1970s Brazilian farmers could produce food from their land for an average of 73 people. Using the same land, in 2014 that figure had increased to 155.

Today, the agriculture sector is responsible for 25% of Brazil's GDP and employs some 35% of the workforce. According to figures released by the Ministry of Agriculture, 2014/15 grain production is forecast to be 6.6%, ahead of 2013/14, at 206 million MT.

By far Brazil's biggest crop is soybeans. This season, production is forecast to reach 96.2 million MT, an increase of

more than 10% over 2014/15. Much of this crop is destined for export markets, with some 60-70% heading to China.

Two corn crops each year are good not only for the crop rotation on the farms, but also for production. Despite difficult growing conditions in late 2014 resulting in reduced production in this season's first corn crop, better weather, and a forecast 6.5% increase in the second crop, will see the 2014/15 season deliver more than 81 million MT.

Another product where production is outstripping the previous season is peanuts. Across two crops, production is expected to reach 347,000 MT, an increase of almost 10% on 2013/14.

SGS

A strong showing across the board, and increased yields per hectare, are positive signs for trade in Brazil this season.

We cannot forget that currency fluctuations have had a big impact on Brazil's agribusiness too. The dollar super cycle, coupled with a struggling Brazilian Real, means that the movement in basis and currency is offsetting soybean and corn international prices. Therefore, currency will be an important element in decisions about how many hectares Brazilians will decide to plant for the coming 2015/16 season, that will start in October 2015. This can be an extra stimulant to plant more and more grains in the country.

ARGENTINA

Agriculture is an important part of Argentina's economy. Though it has shrunk since its heyday in the 1950s, when it accounted for 20% of GDP, the industry still accounts for 10% of GDP and some 7% of all employment.

¹ Ministry of Agriculture, Brazil

² GAFTA Production Estimates Report – July 2015

In 2015, the country is forecast to produce about 100 million MT of agricultural grains. In a country with a population of just 40 million, much of this production is destined for international markets. Soybeans, corn and wheat are the country's main export products.

Wheat has made a slight return to the export markets this year following several years of falling production. Estimated production for 2014/15 is 13.90 million MT, of which the Ministry of Trade believes some 7.2 million MT will be exported. However, estimates of the area to be cultivated for the 2015/16 crop show a decrease of about 20%.

More than 50% of this year's corn crop will be exported. Argentina's second largest crop, the predicted corn yield for 2014/15 is slightly down on 2013/14, but exports remain healthy and will be destined for markets across Latin America, Asia, Africa, the Middle East and Europe.

Soybean production has leapt again. Production doubled between 2000/01 and 2013/14 to reach 53 million MT, but this year the latest production estimate from GAFTA is 60.80 million MT.

Other crops are showing positive improvements. Sunflower, mainly destined for the oil production industry is predicated to produce a little over 3 million MT in 2014/15, bouncing back from a low of 2 million in 2013/14. At the same time barley and sorghum, both of which are predominantly destined for export, have decreased.

ALEXANDRE FONTOURA

Business Manager, Brazil

PABLO THOMAS

Business Manager, Argentina

NEW SGS COCOA GRADING FACILITY OPENS IN AMSTERDAM

Working with CME Group, the world's leading and most diverse derivatives marketplace, SGS has opened a new state-of-the-art cocoa grading facility in Amsterdam.

SGS has been inspecting cocoa in Amsterdam for more than 50 years. In a global market of more than 4 million MT, Amsterdam is one of the main ports handling cocoa in Europe.

Physically delivered, euro-denominated Cocoa futures were launched on CME Europe in March this year. Since launch it has traded more than 6,000 contracts and has over 1,000 contracts in open interest. This was complemented in June 2015 by the introduction of Cocoa options. Amsterdam was selected as one of three delivery ports for CME Group's new Cocoa futures contracts, on the strength of our cocoa inspection expertise.

Futures markets in cocoa are essential to manage risks in the complex supply chain involved in chocolate and related

manufacturing across Europe. For a futures contract to be an effective hedge for physical cocoa, the process of sampling and grading cocoa held in storage must be rigorous.

"Delivering high quality services and fast turnaround times, our new grading facility puts SGS and CME Europe at the forefront of the European cocoa market," said Albert Wesenhagen, Agricultural Business Development and Branch Manager, SGS. "We will conduct intake supervision, as well as all testing and grading in accordance with CME Europe criteria and procedures and FCC rules."

"Opening a grading facility in Amsterdam puts this important function within close proximity of the key cocoa storage facilities, therefore improving the



efficiency and cost effectiveness of the futures sampling and grading process," said Cees Vermaas, CEO of CME Europe.

ALBERT WESENHAGEN

Business Development and Branch Manager

MEETING INTERNATIONAL RUBBER STANDARDS IN THAILAND

Rubber and its derivatives are used in almost every aspect of modern life. To ensure quality and safety it must undergo scrutiny and inspection, from the raw material to final production.

In Thailand, SGS is leading the way with its rubber inspection services. The country exports 1-1.5 million MT of rubber, in the form of ribbed smoked sheets (RSS) annually, to India, China and Japan, amongst others. In 2014, the country exported US\$ 6 billion worth of RSS, 36% of the global export total.

Rubber producers process raw latex into RSS, which are then ready for despatch and export. We become involved when the producers' customers need independent, third party, confirmation of quality, quantity and weight, as well as that the cargo conforms to the specification detailed on the letter of credit (LC).

RSS inspections demonstrate compliance with the requirements of the International Standards of Quality and Packing for Natural Rubber Grades (IRQPC). Inspections of latex in its liquid form are conducted to confirm compliance with ISO 2004 and/or the relevant American Standard Testing Method (ASTM). Products failing to meet the required standard will be rejected. If required, they can be referred to Thailand's rubber association and/or council for further evaluation.

Most inspections are visual, though our team of trained and experienced inspectors can also request laboratory testing as needed.



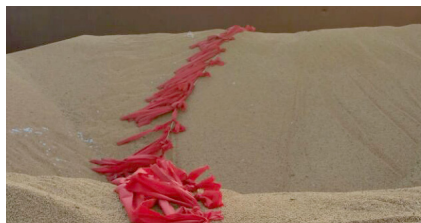
We conducted rubber inspections for more than 30 years. Our team of experienced inspectors know how to inspect, test and verify RSS. They know about the different grades and qualities and can save you an enormous amount of time and money.

PRASERT JUNJAIWONG

Agricultural Services

FUMIGATION AVAILABLE IN ALL SPANISH PORTS

Investment in technical staff and services mean that SGS Spain can now deliver fumigation, pest control, gas-free measurement and residues removal services both inland and in all Spanish ports.



Minimising trade risk is a cornerstone of our services for commodities.

In addition to inland and port loading/unloading services, Spain's Atlantic and Mediterranean coastlines mean that we are geographically and strategically positioned to deliver fumigation, pest control, gas-free measurement and residues removal services to vessels navigating along these busy shipping routes.

Our services comply with stringent national and international legislation, as well as with best practice and globally agreed quality and safety standards.

They include:

- Fumigation of stored goods:
 - Fumigation of bagged and bulk, silos, stacks and warehouses
- Services before or during shipment:
 - Disinfection of empty holds
 - Fumigation of cargos loaded in vessels, containers, trains and trucks
- Biocide treatment of cargos:
 - Treatment against insects and mites
- Services after treatment and/or shipment:
 - Ventilation, gas-free measurement and residues removal
- Monitoring, prevention and curative control of insects, rodents, stored product pests
- Non-toxic pest control systems



- Bio risk assessments
- Documented pest management systems
- Auditing of hygiene and pest management standards

Minimise trade risks with expert protection of your agricultural commodities.

DAVID PÉREZ BATALLER

Agriculture Manager

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WHEN YOU NEED TO BE SURE

