

AGRI TRADE HIGHLIGHTS

A GLOBAL OVERVIEW ON MARKETS, COMMODITIES AND REGIONS

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EDITORIAL

Agriculture represents a large segment of South America's economy in its wide range of agroecological systems and it is also well positioned to play an increasing role in food production in the coming years. This continent accounts for approximately ten per cent of the world's agricultural product exports including: soybeans, wheat, rice, corn, sugarcane, coffee, cocoa, citrus and bananas.

Traditionally a net exporting region for agricultural products, South America's growing global importance requires significant investment in logistics and infrastructure, as well as continuous development of crop techniques.

Recently, we have seen adverse weather conditions in the region's most important export countries, Argentina and Brazil, affecting crop yields of soybeans and coarse grains. This factor and some logistical concerns regarding Argentinean ports, have become crucial factors impacting the global market.

In the following articles, we will focus on the Brazilian market and SGS' laboratory capabilities in Argentina. We will also present the diversity of our services with regard to fishmeal in Peru and bananas in Ecuador.

Whatever the commodity, SGS provides a wide range of services across the agricultural supply chain. Do not hesitate to contact us for further information or assistance. We are always ready to deliver our best.



ENRIQUE CALDERON
Customer Care Manager

BRAZIL EXPECTS GROWTH IN TOUGH ECONOMIC TIMES

Agribusiness contributes significantly to Brazil's trade balance. The sector comprises 41% of the country's exports, 23% of its GDP formation and generates 30% of all jobs in Brazil.

Production projections for many of Brazil's most important agricultural crops in 2014 are very positive, with some categories expected to break records. In addition, there is potential for growth in the country's soybean, livestock/dairy and coffee segments in the medium term.

However, this is set against a backdrop of tough economic conditions. GDP grew just 2.3% in 2013, but one positive is the weakening of the BRL/USD exchange rate – which may help to offset the impact of lower export prices. While some growth is anticipated from exports, some experts and banks argue that Brazil's competitiveness as an exporter has been hit by rising costs in the services and logistics areas.

Brazil is edging closer to becoming the largest food producer in the world, as it expects to harvest approximately 193.6 million tons of grain this season.

SOYBEANS

Moderate drought conditions affected Brazil's soybean producing regions in late 2013, before conditions improved in January, 2014. As a result, yield reductions of up to 15% are expected across 30% of the region's crops. In 2014, the country's soybean production area is expected to increase by 7%, to 2 million hectares. An anticipated harvest of 90 million tons in 2014 would make Brazil the world's largest soybean producer.

CORN

With global supply predicted to exceed demand in 2013/14, Brazil's corn production is expected to drop significantly – down 11% to 72 million tons – a pragmatic decision by the country's growers.



SUGAR AND ETHANOL

Contrasting fortunes are expected between these two staple crops. Sugar has been in surplus for three years and this is not expected to change for 2013/14. However, ethanol should see a small price increase as a result of increases in Brazil's gasoline price, and the country's growing fleet of biofuel vehicles.

BEEF

After breaking records in 2013, Brazil expects this market to continue to grow in 2014. Driven by robust demand in regions such as Asia, and emerging markets in Thailand, Myanmar and Cambodia, Brazil has also benefited from reduced supplies from Australia and the USA. In the meantime, negotiations are underway to increase access to the Chinese, US and Saudi Arabian markets.

SGS

POULTRY

Falling grain costs and tight competition in other meat markets, such as beef, make for a positive outlook for poultry producers. Globally, this market is expected to grow by up to 2%, suggesting that price increases, or reductions, will depend on the aggregate growth of supplies from major exporters. In recognition of this situation, Brazil's poultry sector has announced modest ambitions for growth in export volumes in 2014.

GROWING GROSS VALUE OF PRODUCTION

A recent survey, from the Strategic Management Advisory Board of the Ministry of Agriculture, Livestock and Food Supply (AGE/Mapa) predicts that as crop production grows, the gross value of production (GVP) will increase to the highest ever achieved in the

country, R\$ 314.8 billion. This would be a 10% increase over 2013 and the first time GVP surpasses the R\$ 300 billion mark in Brazil. The combined GVP of crop production and livestock breeding is expected to reach R\$ 462.4 billion, up 7.5% on 2013.

SGS SUPPORTS BRAZIL'S GLOBAL SUPPLY CHAIN

As an experienced third party certification, inspection and verification company, SGS offers end-to-end supply chain services that reduce risk, ensure quality and improve productivity. We help ensure the integrity of the food chain by managing crops, enhancing seed development, conducting soil testing and harvesting, moving products through the global supply chain, and managing trade inspection at export and import.

In addition, we can assist your company to continuously improve the culture of

safety, quality and sustainable development.

ALEXANDRE FONTOURA

Agricultural Manager Brazil



PERU - WORLD'S LEADING FISHMEAL PRODUCER

Rich in biodiversity, the Pacific Ocean, is an important fishing resource for Peru. Anchovy, the best raw material for fishmeal products, is the most common fish species, and Peru the world's leading producer of fishmeal.

Producing 1.5 million MT and earning around 3 billion dollars per year, fishmeal production is Peru's second most important industry.

CATCH CONTROLLED BY QUOTA

Sold across the globe, the main markets for fishmeal are China, Europe and Chile. In Peru, the annual catch is defined by government quota and controlled through the Discharge Control Programme, being normally in the region of 6 million MT.

Across the supply chain, third party inspectors certify adherence to the quota system under two programmes:

Discharge Control Programme (DCP)

Applicable to all companies operating in the fishmeal business, the DCP is a contractually binding government quota. Inspectors on barges and in processing plants verify compliance and all information gathered is sent to the ministry in real time. This enables the

government to control and protect both the biomass and the environment.

Producers

This scheme controls the production, packing, loading and shipment of fishmeal. All product is sampled, tested and certified.



QUALITY CONTROL

Protein content and the freshness of the product is checked by the use of assays during production and shipment.



SGS EXPERTISE

SGS has been involved in Peru's fishing sector for more than 30 years, operating across the supply chain, from catch control to export shipment control. We contract to Peru's government to deliver DCP and Producer services across the country.

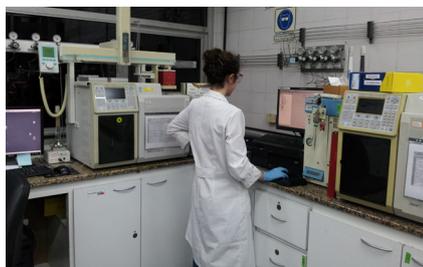
JOAQUIN ARAMBURU

Agricultural Manager Peru

MORE THAN 14,800 ANALYSES, A LEADING LABORATORY IN ARGENTINA

Agriculture plays an important role in Argentina's economy. It is a net exporter of agricultural commodities, with soybean and its derivatives, as well as corn being the main exportable products.

To maintain its position in global markets, Argentina's producers require expert support to ensure the quality, quantity and safety of their commodities. Our Buenos Aires lab, staffed by highly qualified experts, is one of the biggest facilities in Argentina. Last year, the team completed 14,892 determinations on some 7,027 samples, of products including corn, soybean, wheat, barley, sugar, and many more.



Our laboratory services include:

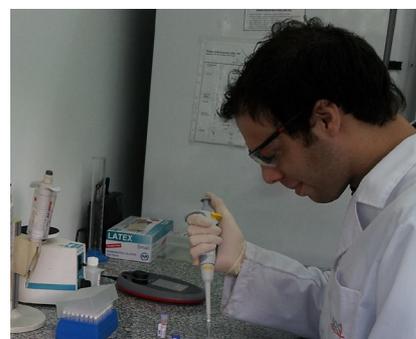
- Physical analysis
- Microbiology
- Genetically modified organism (GMO) detection
- Seed analysis
- Proximal analysis:
 - Analytical routine for cereals, oilseeds, by-products and foods:
 - Nutritional profile
- Residue Analysis
 - Mycotoxins
 - Antibiotics
 - Pesticides
 - Heavy metals
 - And many more.

Providing technical support to our customers, our lab is ISO 17025

accredited, SENASA (Servicio Nacional de Sanidad y Calidad Agroalimentaria) authorised and ISO 9001 compliant. We are also GAFTA and FOSFA member analysts, as well as INASE accredited.

DANIEL TAMAYO

Laboratory Manager - Buenos Aires



SGS ECUADOR CHECKS BANANA QUALITY AND QUANTITY

Bananas are sold around the world, despite the quality challenges presented by the fruit's easily damaged skin and pulp.

With more than 25 years experience inspecting bananas, SGS Ecuador's experts support the industry at all of the key stages.

PACKING FARM INSPECTION

This inspection checks cleanliness and equipment. At the same time, it ensures processes are implemented and that the product is safe and ready for export.

- Patio of clusters: Checks fruit falls within specification, identifies age, external and internal characteristics.
- Almond control: Determines the pulp's health, consistency and colour.
- Deflowering: Inspects the flowers to detect cochineal.
- Control of trimming: Prevents damage and spoiling when hands of bananas are cut.
- Selection, washing and weaning control: Identifies damage to fruit before clusters are split into hands.



- Weighing, sorting and fumigation: Checks weight against exporter specifications and packaging classifications. Fumigation is verified with pH paper.
- Drying and labelling: Checks the runoff on rollers and labelling.
- Package and weight: Packaging is checked and boxes weighed.
- Quality assessment: Random sampling.

LOADING SUPERVISION

To ensure preservation of fruit during transit, this inspection verifies the containers' condition, temperature and cleanliness. The cargo quantity and condition is also certified.

ALVARO TOLEDO

Operations Manager



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WHEN YOU NEED TO BE SURE

