

AGRI TRADE HIGHLIGHTS

A GLOBAL OVERVIEW ON MARKETS, COMMODITIES AND REGIONS

N° 2 • NOVEMBER 2013

EDITORIAL

Welcome to the second edition of our trade services newsletter. There is news of a recent development in the very dynamic situation on the international grain supply and demand market, which is detailed in the first article of this edition. SGS is continually developing its services for this very competitive and demanding sector and our global capabilities are focused on solving our customers' challenges. Country by country we are improving our operational ability, which is demonstrated by an update on Australia that highlights our laboratory capability and export services for this extremely important global supplier of Agricultural products. Enjoy this issue and please contact us for more information about anything to do with our services or this newsletter. We will be delighted to help you.



PAUL HARRISON

Vice-President Sales,
Customer Care and Marketing

GRAIN MARKET

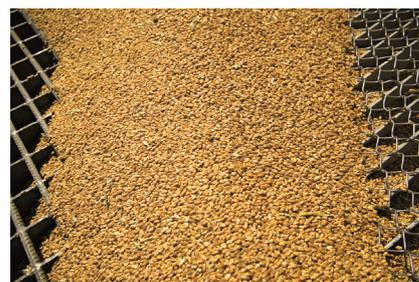
The Marketing year 2012/13 saw reduced grain availability with resulting high prices and low stocks. Cereal, oilseed and protein crop harvests in 2013 have so far improved considerably on last year. This means a large change for the start of the marketing year 2013/14. All major individual crops are seeing an increase in harvest from last year, up by more than 10% on average. For the time being, this signals the end of potential supply shortages and begins what many are terming as the start of a new era of plenty, where supply outstrips demand and the world can build its stocks of cereals. This has the potential of a bear market on pricing and ultimately more freedom to export for producers.

The Black Sea has again become a prominent exporter of grains and in Ukraine a record harvest of corn is anticipated. This country is destined to be one of the major future suppliers of corn to the world markets and with news of recent sales to China and South Korea, it appears the world's major consumers are quick to exploit the opportunity of this new diversity of supply. The wheat supply is also improving and within the first few months of the new season Russia has exported more than 8.0 million tonnes

of wheat to destinations as diverse as Vietnam and Indonesia. Quality is the key to this supply and with the correct logistics, organisation and control, quality sensitive destinations are being satisfied.

Following last year's incidence of mycotoxin presence in many central European harvests, the region has seen a very cautious start to the new campaign. It is hoped that the issues that hampered exports from this region last year will be improved in many countries. A prudent approach is required and accurate supply chain monitoring, particularly in the Danube Region, is being exercised to control any risks and to ensure success of the eventual exports.

Western Europe has made a steady, but solid start to the new export season and longer term opportunities for France and particularly Germany, are anticipated. Cereal crops are plentiful and in most countries, better than last year, with good quality being seen in Germany and the Baltic states. Eventually, long export seasons will be seen, particularly on wheat from these countries, as their high quality becomes more important as others run out. Overall, production numbers on grains increased by



approximately 9% for the EU 28, which should mean an overall increase in exports from this region of 2-3%.

North America has shown significant improvement after a severe drought damaged production volumes last season. Wheat, soybeans and corn all look to be excellent prospects for export from the USA. In Canada, the picture remains the same, with the addition of good prospects for Canola. China recently requested 8.0Mio MT of soft wheat, with the majority of early supply being loaded out of the USA. This situation will probably be the same for corn. According to some sources, China may require as much as 12-14Mio MT of corn imports prior to next season. The future looks busy for North American exporters.

In the meantime, southern hemisphere prospects also look strong, with the possible exception of Argentina, which has been experiencing some weather issues. Brazil looks as though it will produce its biggest soybean crop ever. Australians are anxiously awaiting their

forthcoming wheat crop, which, if all continues to go well, will be excellent for export and may supply much of the increased import demand from China in the new year.

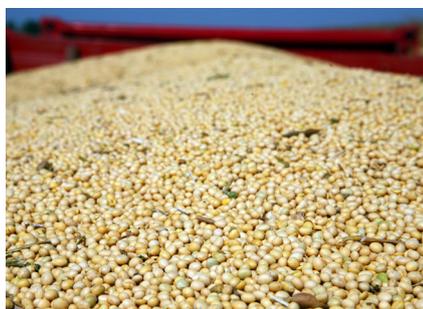
The scene is set for a large export season for the main agricultural

commodities. Be sure to think of SGS when organising your logistics and quality control procedures. We are here to assist you in maximising the potential of this busy season and wish you every success in your trading.

IDENTITY PRESERVATION ENABLES EXPORT OF NON-GMO CROPS FROM UKRAINE

GMO contamination issues arose in Ukraine over two decades ago due to the absence of an effective monitoring system that could prevent the presence of GMO crops varieties in Ukrainian agriculture.

The first parcels, about 600 MT, of Non-GMO soya were shipped in the last season under the IP programme applied by SGS Ukraine for our client. These shipments have been made possible by the strict monitoring system applied by SGS at every stage of the supply chain, from the fields to its loading



into containers. Interestingly, prior to introducing the IP programme our client tried to export Non-GMO soya for two years without success. The project has been so successful that our clients have this year exported some 100,000 MT under this programme.

Farmers in Ukraine cultivate both GMO and non-GMO crops, but until now there has been no effective monitoring system to guarantee their separation. Therefore the marketability of non-GMO crops to international markets, some of which still restrict or prohibit the import of GMOs, is now a real possibility. This means farmers using the IP programme can access the premium non-GMO soya market.

IP PROGRAMME IN DETAIL

Consumers in some countries remain concerned about GMOs, therefore it is important to ensure that products meet the appropriate regulations. Our

IP programme addresses both the issue of consumer confidence and regulatory compliance.

By tracing seed origins, as well as testing products at every point along the supply chain, we can help you allay the public's fears and satisfy the relevant legal requirements.

This level of grain traceability reduces your trade risks and adds value to your products. IP not only lets you detect and rectify problems within storage, transportation and production, but also ensures that your raw materials come from a sustainable source.

NEW GMO LABORATORY

Building on this success and to support more farmers entering the export market, we are establishing a GMO laboratory in Ukraine. This will improve our ability and speed of response in checking cargoes and conducting testing at any stage.

SGS AUSTRALIA LABORATORY MOVES

This summer, SGS' Toowoomba laboratory has moved to Pinkenba, Brisbane, Queensland. This new facility is strategically located to service the growing needs of both our Australian and international customers. We provide a wide range of services, including:

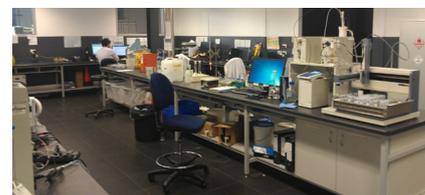
- Grain and oil testing.
- GMO analysis.
- Mycotoxins.

- Heavy metals analysis.
- Food chemistry and microbiological testing.
- Agricultural feed and fodder analysis.
- Nutritional analysis and labelling.

Located across the country, our offices and team help customers worldwide by making risks clear and controllable. With

our industry leading expertise, we make sure that you can concentrate on your core business. SGS Australia is a GAFTA member and provides:

- Inspection.
- Sampling.
- Fumigation and pest control.
- Risk management (guarantee services, CMA, SMA...).



FOOD & GRAIN PRICES INCREASE

Food inflation has reached 3.4% in the 2013/14 season. The main driver behind this increase has been higher livestock prices. Reduced herd sizes and a general increase in meat consumption in developing countries have driven livestock prices up.

FULFILLING DEMAND

The MIST countries (Mexico, Indonesia, South Korea, Turkey) have, in combination, increased their consumption of grains by 60%. With the US supplying only 24% of world's trade in corn, wheat and soy, a new low, other countries are well placed to make up any shortfall and capitalise on increasing global consumption.

Global yields are at an all-time high. Farmers have responded to relatively high prices by expanding and bringing new land into production. The outlook

for higher production and carryover is expected to be maintained in the 2014/15 crop, providing it is not exposed to any adverse weather patterns.

CONSOLIDATION AND ACCUMULATION

World grain markets are entering a period of consolidation and stock accumulation. A supply build up has the potential to put pressure on prices and storage capacity. This trend is expected to continue as yields are maximised and the large seasonal carryover continues.

DAMAGE LIMITATION

The emphasis on correct storage and grain quality analysis, both prior to and during storage is essential to ensure the intrinsic value of the goods is not diluted by potential damage during storage. Excessive moisture and the presence of Mycotoxins in grains prior to storage

can lead to development of harmful substances throughout the cargo.

We offer a variety of pre- and post-storage quality assessments along the supply full supply chain:

- Inland and port elevator sampling
- Sampling of rail cars on arrival into storage facilities and prior to discharge
- Probing and temperature checking of barges
- Opening and closing barge hatch covers for air recirculation
- On-site Mycotoxin testing
- On-site grading
- Stock checking and monitoring of storage bins
- Identity preserve programmes
- Storage bin sealing
- Collateral management services

SGS INVESTS IN PEOPLE, SKILLS AND EQUIPMENT IN ROMANIA

In Constanta, Romania, SGS has launched aflatoxin testing using high performance liquid chromatography (HPLC).

Strategically located and operating since 1995, SGS's Constanta laboratory has been offering aflatoxin analysis using the ELISA method since 2011. The upgrade to HPLC is just part of our investment in new equipment and skills. At the same time, we have invested in the lab's sample preparation capabilities, significantly improving aflatoxin testing turnaround times. Test results can now be delivered within five hours.

Supporting timely decision making for clients and helping them make decisions on cargoes already in port, we have established 24 hour working for aflatoxin analyses.



As of November 2013, our Constanta laboratory has conducted some 3,512 mycotoxin analyses, focusing on aflatoxins and aflatoxin B.



CONTACT US :

E-mail: agriculture@sgs.com

Web: www.sgs.com/commodities

WWW.SGS.COM

WHEN YOU NEED TO BE SURE

