

Quote of the Week

“Dubai’s competitors cannot match its mixture of investment, quick decision-making, freedoms and incentives.”

Sudhakar Tomar,
Hakan Agro DMCC p21



No respite for soyabeans as trade predicts price rise to all-time high

By Emile Mehmet

SOYABEAN prices, which in recent months have traded at four-year highs, have been tipped to rally further in the coming months to an all-time high if scorching temperatures in the US persist.

November delivery soyabeans on the Chicago Board of Trade jumped to a contract high of \$14.74 a bushel on Tuesday, while the spot month rose to \$15.72 a bushel, the highest since July 2008. Markets were closed on Wednesday for a US holiday.

Abah Ofon, an analyst at Standard Chartered Bank in Singapore, noted: “The market is on fire, it is just rising higher. The yields are going to be decimated if this hot weather continues in the US and the huge crops that we are looking for are not going to be achieved.”

John Baize, president of John C Baize and Associates, said: “Soyabean supplies were going to be very tight between now and April even with a large US crop. However, with the widespread intense heat and dryness across the Midwest the

US crop will be smaller than expected and the situation will be even tighter.”

Mr Baize added: “I think there is a potential for soyabean prices to exceed \$16 per bushel and if it remains hot and dry to exceed the all-time high of 2008.”

Soyabean prices are expected to be supported by a confirmation that an unnamed buyer – widely believed to be China – had at the start of this week purchased nearly 1.2m tonnes of soyabeans from the US, the fifth largest single-day US soya export sale on record.

Philippe Chalmin, professor of economic history at University Paris-Dauphine, said: “Today, probably the market that is the hottest is soyabeans. China is subsidising the import of soyabeans in order to limit its inflation in food prices.”

Mr Chalmin, who forecast earlier this year that the average soyabean price in 2012 would be 15% below last year’s, said prices may remain at current levels or soften slightly.

“We didn’t expect so much maize compared to soyabeans. If we have good weather, I don’t think prices will go up and they may even soften some-

what because these are historically high prices.” Mr Chalmin said.

Lifting the market further was news this week that US soyabean crop conditions declined for a fourth straight week as hot, dry weather curbed yield prospects.

Approximately 45% of soyabeans earned the top two ratings, down from 53% last week and 66% a year earlier, according to the USDA. Little or no rain has fallen in most of the Great Plains and Midwest in the past week, National Weather

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CBOT SOYABEAN PRICES (¢/bushel)



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Trade surprised but now must believe huge USDA peanut planting figure

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Thailand sets new record for soyameal intake

By Ian Hart

THAILAND took delivery of the most soyameal in a single month ever recently, with some of that having to be done because of a slack month previously.

Having slumped to 92,635 tonnes in April, the lowest deliveries in a calendar month since March 2009’s 84,181 tonnes, a massive 362,916 tonnes was taken in May, the highest on records back to 1998.

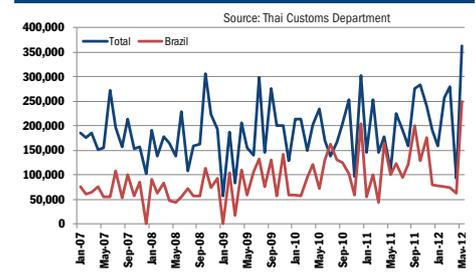
If the two months are averaged out the total imports over the period are not exactly impressive but – so long as the cause was not simply a delay in paperwork or similar – the delivery volume sets a new capacity for uptake in a country where the poultry and livestock sector’s growth has driven the need for more protein-based feeds.

In May, Brazil delivered 249,437 tonnes to Thailand from a steady 60,000 to 80,000 tonnes

for the previous five months. In calendar year 2012 Brazil saw its best ever market share in Thailand of 57%, representing a fourth consecutive year of increase.

Argentina landed 80,122 tonnes, having been absent a month before, while India was at 30,002 tonnes, comparable with the month before but around half that in the early months of 2012.

THAI SOYAMEAL IMPORTS (tonnes)



KEY INDICATOR SNAPSHOT

GSCI TOTAL
4672.36
Weds close

▲ 7.1%

GSCI AGRI
461.48
Weds close

▲ 6.3%

NYMEX CRUDE
89.62
\$/barrel, Weds close

▲ 8.9%

\$ vs €
0.80
Weds close

▲ 0.1%

\$ vs £
0.64
Weds close

▼ -0.1%

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EDITORIAL

WHETHER it is building a palm-shaped island in the sea, a ski resort in the desert or the world's most expensive Christmas tree, Dubai and the wider United Arab Emirates have built a mentality that anything is possible. But equally as important is to get noticed doing it.

On the face of it, Dubai of 30 or 40 years ago would have seemed like the most unlikely centre for agricultural commodity trading, not least because of its small surface area and near total lack of suitable arable land.

However, the leaders in the group of emirates built what could be viewed as the precursor to the Apple app store.

Rather than focus too much attention (and cost) on building the software applications, Apple concentrated on creating the right platform that allows others the freedom to do so. By volume, the results are spectacular. Naturally the quality varies but for every dead duck there is a world-beater.

The UAE (and Dubai in particular) has said 'here is the infrastructure, liberal tax/duty regimes and promotion, come and build a business'. Naturally not everything has worked and risks – like a big chunk of exports to unstable nations – are still there.

But more than building that, a mentality has developed that comes across when talking with entrepreneurs there. The message is 'not only can we do it but we have the capacity to do it better than anyone else'. And then we'll be proud to pass that message on.

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QUOTE OF THE WEEK



"Dubai's competitors still cannot match its pragmatic mixture of capital investment, quick decision-making, freedoms and incentives."

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UAE to unite buyers and sellers for years to come [page 21](#)

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COUNTRY PROFILE



UAE

Infrastructure investment and highly-attractive policies will mean the UAE will only rise in importance for trading

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THIS WEEK'S
INTERVIEW

Jose Lopez of Nestle knows that eradicating exploitation in the cocoa sector will be tough, but is committed to tackling the issue in a transparent way. [See page 24.](#)



UAE to unite buyers and sellers for years to come



Infrastructure investment and highly-attractive policies will mean the UAE will only rise in importance for trading

By Ian Hart

THE United Arab Emirates (UAE) has positioned itself well as an agricultural commodity trading hub, with sufficient infrastructure, the right policies and good access to investment funds to expect growth in the future.

With a population of just over 5m (albeit a growing one due to immigration and relatively high life expectancy) and land area of about 30,000 square miles with little water and thus arable land, the UAE clearly plays a disproportionate role in agricultural commodity trading, with Dubai at the heart of this.

For the 90 or so countries that *The Public Ledger* collates data on, the UAE ranks 22nd by value of imports under the 24 key groupings. By some estimates 85% of its food requirements are imported. It stands at 44th largest exporter, based purely on its ability to import, process where necessary and re-distribute throughout the region and beyond.

Based on 2011's import value of \$13.89bn and the export value of \$5.42bn, the UAE already re-exports just shy of 40% of what it buys.

Sudhakar Tomar, managing director of Hakan Agro DMCC which trades products from oils, oilseeds and grains, to dried fruit, spices and feed from its Dubai base, believes this may well be higher.

"Approximately 60% of imports are further re-exported to Gulf Co-operative Council (GCC) countries, the Commonwealth of Independent States, Iran, the Indian subcontinent and Africa. UAE imports over 8m tonnes of

food valued at about \$7.7bn (2011) with annual growth rate of 10%. This is just the tip of the iceberg as scores of million of tonnes of third country agribusiness does not get reported although routed through Dubai."

But in contrast with the opaque size of the market, the future direction is clear: the UAE's liberal regime that has already attracted Cargill, Louis Dreyfus, Noble, Sucden and so on to boost their local operations will foster further growth.

"Dubai is built on a business ideology of 'Be hospitable to the business and to those who bring that business to the country,'" said Mr Tomar.

Among the ways Dubai in particular is attractive is no taxation of any kind on profits or personal or company income, no foreign exchange controls, no restrictions on capital movement, freehold ownership of property and a freely convertible currency for the past 40 years. To this can be added the stability of the government, safety of the main cities and a strategic location with convenient time zone for both Japan and the US.

Free trade zones

Moreover, Mr Tomar noted the promotion of commodity-centric free trade zones such as the Dubai Multi Commodities Centre as well as all-important general infrastructure such as the ever-expanding Dubai international airport and Jebel Ali Sea port.

"Recently Abu Dhabi has announced huge infrastructure projects in the UAE and invested billions in the purchase of farmland," Mr Tomar con-

KEY COUNTRY DATA

	2010	2011	*2015
GDP (current prices, \$bn)	302.04	358.08	440.90
GDP (per capita at PPP, \$)	47,438	48,598	52,685
Inflation (% change)	0.878	2.516	2.099
Unemployment (%)	n/a	n/a	n/a
Population (m)	5.218	5.375	6.049
Net govt debt (% of gdp)	-76.135	-72.136	-80.155
Currency (average per dollar)	3.67	3.67	n/a

Source: IMF *forecast

tinued. "Once the infrastructure and trade-enabling anchor organisations are in place, support sectors like banks, insurance, maritime and shipping services follow, further strengthening the reputation of Dubai/UAE as a trading hub. Owing to all these benefits more than 150 food processing plants sprang up in Dubai, representing over \$5bn in sales with a growth rate of 10% per annum."

Mr Tomar was emphatic in his belief of better things to come. "Despite the problems of 2009, Dubai remains the most important, free, vibrant trading hub in the growing region of more than 2bn people. I believe Dubai's competitors still cannot match its pragmatic mixture of risk capital being invested by the rulers, quick decision-making, freedoms and incentives. Dubai's leadership has performed a stunning transformation of a poor Arab backwater into flourishing city-states comparable to the best in the world."

In terms of the products that the UAE takes, high consumption of rice internally and in the region slingshots India to the top the ranks of supplying nations. The second-biggest sector is fruit and nuts that is a wide variety, with the US (chiefly almonds) and India as top suppliers. The presence of destination refineries boosts the imports of oilseeds (chiefly Canadian canola) as well as raw sugar (typically from Brazil).

These refineries too shape the UAE's exports, with sugar at \$713.2m in 2011 representing the biggest category and a 58% mark up on the \$450.9m of imports.

Turning to the countries that the UAE supplies, Iran represents close to a quarter of demand. With Western sanctions being placed on Iran, business to the country has become difficult for all suppliers, with Dubai being no exception. Food might officially not come under the sanctions but local and international pressure on banks surrounding the provision of credit and accounts to Iranians or those doing a lot of business with Iran have suppressed all types of trade. An escalation of these problems represents one of the biggest risks to Dubai and the wider UAE's future.

That said, many of the UAE's other agriculture-orientated markets are rich and/or fast-growing nations, while trading operations are remarkably quick to adapt. France practically increased the value of its imports from UAE tenfold to \$163.6m last year as refinery operators seized on a shortage of rapeseed in the EU to sell rapeseed oil to the country. Similar happened in Italy.

Overall, a mentality of making it happen whether the going is tough or not means few would argue the UAE will become an ever-more important agricultural commodity trading hub in years to come. ●

