

# TRADEWINDS

Monthly magazine on National and International Trade

Oil prices  
ready to boil?

The Tea  
Triangle

More rain needed  
for Miss Soybeans

Guar—The  
rising star

Growing threat of  
Piracy to Shipping

Shipping—  
All at Sea



# Editor's Desk

Team Trade Winds is proud to bring to you the latest edition of IIFT's monthly trade digest.

Russia, the World's 6th largest economy formally became the 156th member of World Trade Organization. Team Trade Winds believe that this will provide much-needed impetus to the dormant Doha Round by bringing the pressure from forums such as the Group of 20 and BRICS. Living true to its name as the Global Sourcer, China is looking to take over one of Africa's biggest gold mine and successfully concluded a big-ticket deal by acquiring Canadian Oil and gas major Nexen. Back home, a spectacular August Spell cut rain deficit by 14%. This edition features a forecast on the Oil prices, history of Tea and exhaustive analysis on production trends, the curious case of Guar-The rising star, grim future of Shipping Industry, reasons for current upsurge in Soya prices, why bulls are eyeing cotton & the growing threat of piracy to maritime trade. In the company profile section we bring to you a snap-shot of Bunge, a leading global soybean exporter. Trade Winds Wishes all its readers on the eve of Onam, the festival of rain flowers. We hope the visit of king Mahabali on the eve of this colorful festival brings good fortunes to the Indian economy. ).

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*“A wise man does not waste so good a commodity as lying for naught. .”*

**- Mark Twain**



## CHINA BUYS CANADIAN OIL COMPANY, THROWS DOWN \$15 BILLION IN CASH FOR NEXEN

China's CNOOC Ltd. (0883.HK) reached an agreement to acquire Canadian oil and gas producer Nexen Inc. (NXY) for \$15.1 billion in cash. In China's biggest overseas energy acquisition to-date, CNOOC will pay \$27.50 per share for Nexen, representing a 61% premium to their closing price on Friday on the New York Stock Exchange. State-owned CNOOC is China's largest offshore oil company. The deal will give it ownership of oil and gas reserves in western Canada, the U.K. North Sea, the Gulf of Mexico and offshore Nigeria.

In 2012, approximately 70% of Nexen's output is expected to come from offshore fields, ac-

ording to Nexen's website, making it a good fit for the Chinese company's offshore fields. In 2011, Nexen produced around 207,000 barrels a day of oil equivalent. Nexen, which describes itself as a major player in Canada's oil sands sector, is also a producer of shale gas, in northeastern British Columbia. In a statement on the Hong Kong stock exchange, CNOOC said it will fund the deal through existing cash resources and external financing. Nexen's current debt of around \$4.3 billion will remain outstanding, CNOOC said. If the deal is approved by Nexen shareholders, Nexen will become a wholly owned subsidiary of CNOOC, the statement said.



## CHINA IS LOOKING INTO TAKING OVER ONE OF AFRICA'S BIGGEST GOLD MINERS

Barrick Gold, the world's biggest gold producer, is in talks to sell the 74 percent stake in its African mining business to China National Gold Group Corporation, a state-owned enterprise in China, via a statement on its website. The deal is a great example of China's desire to push further into Africa to invest in commodities in order to support its rapidly expanding economy.

The World Gold Council published a big update on global gold demand trends today saying that in the second quarter, "Indian and China continued to dominate global consumer demand, accounting for a combined 45% of total second quarter jewellery, and bar and

coin demand."

The African company – African Barrick Gold – was taken public by parent company Barrick Gold in 2010 and trades on the London FTSE stock exchange, but Barrick Gold still owns a huge 73.9 stake in the stock of the Africa business. African Barrick Gold responded to the announcement with a statement of its own, saying that "Should China Gold acquire more than 30% of the voting interest in ABG, it would then be required to make an offer for the whole of ABG's issued ordinary share capital."

If the deal goes through, African Barrick Gold – located in Tanzania – would be a major addition to China's African mining portfolio.

Following the recommendation from the Board of Directors of the Panama Canal Authority (ACP), the Cabinet Council of the Government of the Republic of Panama approved the proposal to restructure the Panama Canal's pricing system. The new tolls were postponed to October 2012 and October 2013, respectively.

### **New Segments**

The new structure increases the number of segments from eight to ten. It also breaks down the tanker segment into three distinct segments and incorporates the roll-on/roll-off vessels into the vehicle carrier segment. The Panama Canal market segmentation structure includes the following: (1) full container, (2) reefer, (3) dry bulk, (4)

passenger, (5) vehicle carrier and ro-ro, (6) tanker, (7) chemical tanker, (8) LPG, (9) general cargo and (10) others. The container/break-bulk segment, which was included in the original proposal, has been eliminated.

The ACP will increase the tolls for the following segments: (1) General cargo, (2) Dry bulk, (3) Tanker, (4) Chemical tanker, (5) LPG, (6) Vehicle carrier and ro-ro, (7) Others.

The remaining segments will not be adjusted at this time, nor will the price per TEU for containers carried onboard a vessel. Additionally, there will be changes to tolls applicable to small vessels based on vessel length, to incorporate adjustments not previously considered.



## GVK GETS FINAL GREEN NOD FOR AUSTRALIAN COAL PROJECT

In a major relief to India's GVK group and Australia's Hancock Prospecting, the Australian federal government granted final environmental approvals to the GVK-Hancock joint venture's A\$10b Alpha coal and rail project in Queensland state.

GVK owns 79% in the Alpha Coal project, while the balance 21% is held by Australia's richest person Gina Rinehart, who sold the majority stake in favor of the Indian firm in September last year. In a setback to GVK, the project has been hanging fire for nearly three months after the federal government refused to accord environmental clearances the project after the Queensland state government cleared it in May.

The Australian federal government, which had in June halted clearances following serious concerns expressed by the environmentalist led by global

green watchdog Greenpeace, has now prescribed 19 conditions for GVK to protect the environment, while granting final clearances. The Greenpeace led environmentalists have been raising concerns over the adverse environmental impacts on the fragile Great Barrier Reef and threatened species in the area by GVK's Alpha coal, rail and port project.

The Australian federal environment minister Tony Burke granted approvals to construct and operate the Alpha coal mine and a railway line between the mine and the port at Abbot Point near Bowen. GVK said the coal mining projects with superior quality low ash, low sulphur and low gas thermal coal will be reliably exported, largely to the Asian destinations and it expects to start project works early next year expecting first coal to be produced in 2015.

## RUSSIA CUTS GRAIN FORECAST TO 75 MN TONS

Russia's agriculture minister lowered the country's grain output forecast to 75 million tons after already reducing 2012 expectations because of drought conditions in farming regions.

The announcement by the world's third-largest wheat exporter comes amid spiraling global food prices and efforts by developed nations to stabilize the market so that poorer countries in regions such as Africa are not affected too severely. Agriculture Minister Nikolai Fyodorov said Russia went into the year expecting to match the 2011 output of 94 million tons of grain.

**Early winter frost shows effect:** Fyodorov's initial reported comments did not explain what prompted the forecast reduction but Russia has been suffering from drought conditions in its southern farming region. Russia's harvest was also hurt along with those of other European countries because of early winter frost.

## DRY SPELL MAY CUT NILGIRIS TEA OUTPUT BY 15%

The Nilgiris, the largest tea producing district in the South, is heading for a production loss of about 15 per cent this calendar compared to 2011, reveals an analysis of the latest data available with producers' and traders' bodies.

Drought till mid-August is the major cause. Reports suggest that similar drought has not been experienced for the last 60 years. With no rain and irrigation also failing due to drying-up water sources, soil is moisture-less. As factories are getting only one third of normal supply of green leaf for processing, they are functioning only for three days a week. In July, black tea production fell by 30 to 35 per cent. In the seven months, there had been a cumulative loss of 18 per cent.

August was also a dry month in many tea plantation pockets in the Nilgiris. Red spider mites and other pests are spreading. Corporate sector has projected 7.5 per cent output loss in July-Sept quarter. If rain

fails in the coming quarter too, the Nilgiris will suffer a 30 per cent production loss. Otherwise also, there will be a 15 per cent reduction over last year as there is little chance of recouping the earlier loss.



## Rice crop-modeling software update soon

The International Rice Research Institute, the Philippines, has updated the Oryza2000 software, which is used to simulate rice crop growth and yield. "It aims to provide a remote-sensing-driven-crop growth model to estimate actual rice yields using weather, crop management and soil information," Setiyono said.

The institute is implementing a project — Remote Sensing-based Information and Insurance for Crops in Emerging Economies — at Cauvery and Vaigai River basins and the rain-fed rice-growing areas in Sivaganga district

## Zinc futures up on global cues, domestic demand

The metal for August delivery moved up by 10 paise, or 0.10 per cent, to Rs 100.70 per kg, with a trade turnover of 801 lots.

Market men said a firming trend in copper and other base metals at the London Metal Exchange on increased speculation that central banks in the US and China – two of the world's largest users – may add more stimulus to strengthen their economies, raising demand outlook, helped zinc futures to trade higher at futures trade.

## FLOUR MILLS STARVED OF WHEAT DESPITE RECORD PRODUCTION

Despite a record production of over 93 million tonnes, domestic wheat prices have surged to a record high. Consumers, particularly flour



mills, are facing a tough time since they are unable to get supplies though they are willing to pay a higher price.

The situation has turned grim in the last two days with prices on the futures market gaining over Rs 100 a quintal. Flour mills have

been caught stranded since they did not build inventories during the peak arrival season of April-June. Not only drought in the US but also fears on nations in the Black Sea region such as Russia and Ukraine banning wheat exports are driving prices high.

## ETHANOL MAY BE A BUST IN THE U.S.

In the U.S., billions of dollars have been spent on making transportation environmentally friendly and sustainable through the use of ethanol. Despite the magnitude of investments in ethanol, little progress has been made in making transportation cleaner. The country's energy policies concerning ethanol promised economic and environmental benefits, but have been unable to deliver. The ongoing draught is being cited as the major reason behind the apparent failure of ethanol in



transportation. The draught has caused significant damage to the ethanol crops that are grown within the country, causing the government to take a stern look at its plans for the biofuel.

### Did you know:

- *Ethanol cannot be shipped by pipeline because of its high affinity for water posing significant distribution costs and hurdles for gasoline blenders.*

## IRAN MAKES BIG, DISCREET WHEAT BUYS ON GLOBAL MARKETS

Iran's state grains agency GTC has in the past week discreetly purchased around 400,000 tonnes of milling wheat. Iranian wheat imports are usually handled by the private sector but the state had to step in and help with purchasing earlier this year because of the disruption to trade financing caused by Western sanctions aimed at Iran's disputed nuclear program.

Iran's Government Trading Corporation (GTC) continued its discreet method of contacting traders directly for offers rather than issuing purchasing tenders, making it difficult to glean details of total purchases. Sanctions do not tar-

get food shipments, but they make it difficult for importers to obtain letters of credit or conduct international transfers of funds through banks.



## US SOYBEAN FARMERS UNHURT BY RECESSION IN PAST 5 YEARS

Recessionary trends in global economy have not impacted US soybean farmers on rising Asian demand for animal feed and biofuel production in USA, according to a new report from IBIS World.

Depreciating dollar has also helped push exports from USA in recent years. As a result, revenue is expected to grow at an annualized rate of 6.4% in the five years to 2012. In 2012, the US Department of Agriculture (USDA) has lowered its forecast of soybean harvest yield per acre 18.0% due

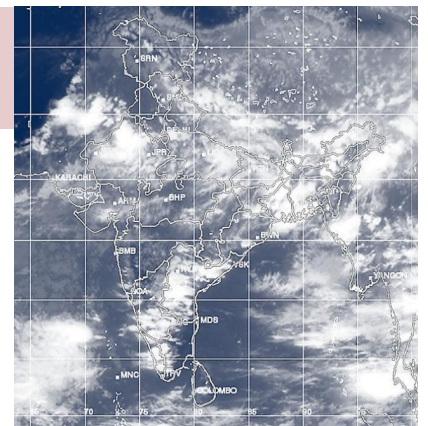
to an extensive drought. Nevertheless, the reduced supply will boost prices 8.0% - 20.0%. Therefore, an industry revenue increase of about 7.2% between 2011 and 2012 to \$39.9 billion is expected by the end of the year.



## SPECTACULAR AUG SPELL CUTS RAIN DEFICIT TO 14%

A spectacular comeback by the monsoon thus far during this month has brought unexpected gains for parts of north-west India. This was beyond the most optimistic forecasts held out by various weather

agencies around the world. Overall deficit for the country as a whole has since been reduced to 14 per cent, with some more rains being forecast for parts of north and east India.



## SHELL AND CHEVRON SWAP MULTI-BILLION DOLLAR STAKES

Chevron Corp. (CVX) and Royal Dutch Shell PLC (RDSB) agreed to swap stakes in two multibillion dollar natural gas projects in Australia, betting on the country's ability to feed Asia's growing energy demand just as competition from Africa and North America intensifies.

Chevron, the second-biggest U.S. oil company by market value after Exxon Mobil Corp. (XOM), will transfer its 17.5% interest in the proposed US\$30 billion-plus Browse export terminal in Western Australia state to Shell in exchange for the Anglo-Dutch company's interest in two gas fields associated with the US\$29 billion Wheatstone export terminal, plus US\$450 million in cash.

Australia has emerged as a crucial plank in both company's development strategies due to its political stability and proximity to fuel-hungry Asian buyers. With close to a dozen natural gas export terminals planned for its coastline, the country is poised to leapfrog Qatar as the world's top exporter of liquefied natural gas by the end of the decade.

The swap might be read as slightly more beneficial to Chevron, as the newly acquired land will give Chevron additional gas to expand its Wheatstone project at a later date, while it allows the company to get out of a field for which it had less strategic use. The extra half a billion in cash was icing on the cake.

The deal represents a bold move by Shell to get involved more heavily in Browse, a development led by Woodside Petroleum Ltd. (WPL.AU) that faces technical and environmental challenges before it can make its first shipments in 2017 as



planned.

But the gas has a high carbon dioxide content and will be technically challenging to extract. It's also far offshore, requiring a long pipeline to be built to processing facilities on the coast.

Due to be built in a place marked with one of the world's longest chain of dinosaur footprints, the development is facing opposition from environmental groups and has angered some traditional land owners. The project received a big boost in July when environmental regulators in Western Australia gave the construction of the project a green light if enough safeguards are put in place.

All of Australia's LNG developments are likely to face rising competition from emerging gas-export industries in North America and Africa, which will make it tougher to secure customers.

LNG from East Africa isn't expected until 2018 at the earliest, but the scale of discoveries by companies including Anadarko Petroleum Corp. (APC) offshore Mozambique, Tanzania and Kenya has prompted talk of a new gas-export hub facing Asia.



# OIL PRICES READY TO BOIL?

by Vanshul Arora (2nd year MBA-IB)

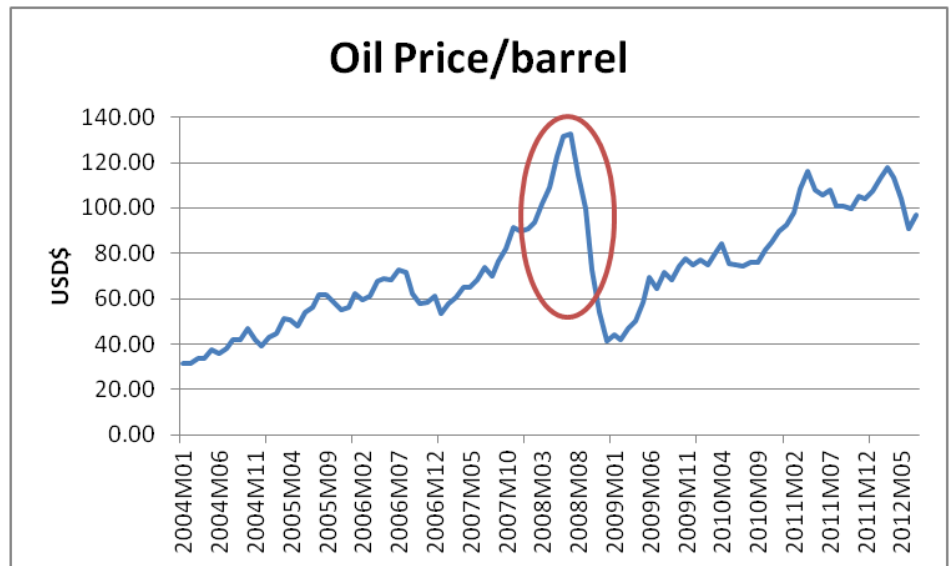


If a person studies the prices world crude oil over a decade ranging from 2004 to 2012, he/she wonders as to how the price of this commodity which was at \$31/bbl dollars in 2004 is now at a bombastic figure of \$96/bbl (World Bank).

So what are the factors that rule this commodity? And what will be the future prices of crude – will they ever come down to the \$20-\$30 price band that was a norm in the past or will they remain at current levels?

## Factors Affecting Oil Prices

The price of a barrel of oil is the result of a number of competing factors: How much oil is available, how much oil is demanded by consumers, how much does it costs to get oil from the ground to the consumer and the prices of dollar.



Demand recently has exploded due to development in countries like China and India. Non-OECD oil demand is said to rise above OECD oil demand in 2013. The forecast for global oil demand will average to 90.9mb/day for 2013. The predicted pace in expansion of demand stands at 1mb/d (1.1%).

The current OPEC supply stands at 31.77mb/d. The biggest producer in OPEC currently is Saudi Arabia with an output of 10mb/d. OPEC's crude oil production capacity is expected to rise in 2013 to 35.03mb/d, with increases by Iraq, UAE, Libya and Angola partially offset by lower Iranian capacity.

The non-OPEC supply is 53.2mb/d, which is set to increase by 700kb/d by 2013. The majority of the growth in the non-OPEC region is said to be centered in the Americas. The decline in Brazilian production, the major source of growth outside OPEC is USA and Canada. Non-OPEC production lies in the Gulf of Mexico and Brazil and should grow by 300kb/d.

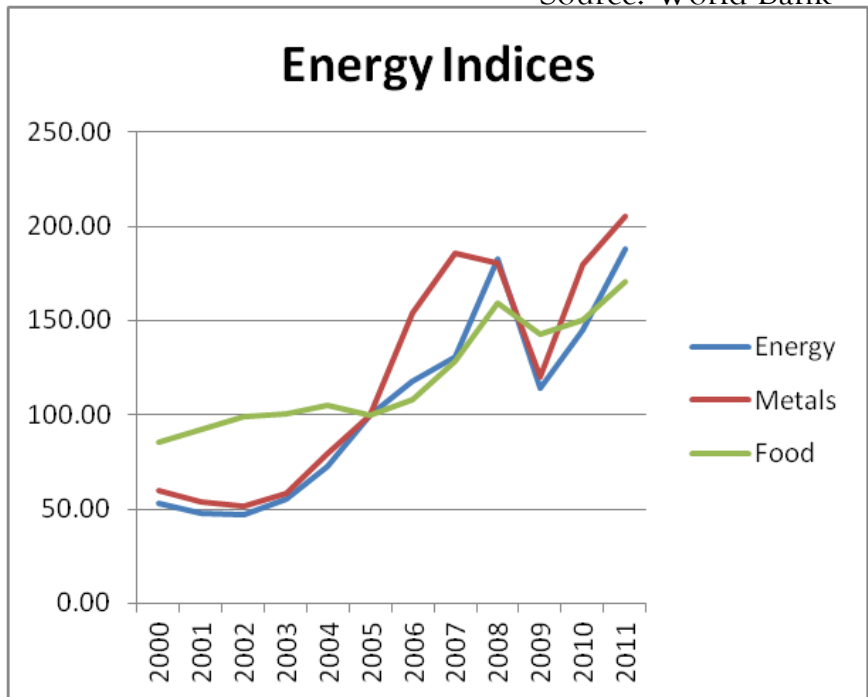
Oil is priced in dollars so movements in that currency also impacts on crude. The weaker the dollar, the higher the dollar price of oil because it takes more dollars to buy a barrel. There is another factor that influences the price of oil. It is speculation by investors across commodity markets in the world. This became an issue of importance in 2008 when critics alleged that speculation in commodity markets pushed the price of oil to record levels of \$147/bbl.

## The Past: Commodity Price Boom

The recent commodity price boom started in the mid-2000s and has been one of the longest and broadest post-Second World War. It is in this price boom that crude rocketed to a high of \$147/bbl.

The price boom of the mid-2000s has similarities to the previous commodity booms that occurred during the Korean War and the 1970s energy crisis. Each of these booms have taken place in an environment conducive to high prices including expansionary macroeconomic policies, followed by a severe slowdown of economic activity.

Source: World Bank



**Emerging Economies.** The recent boom took place in a period when most developing countries sustained strong economic growth. During 2003-07 the growth in developing countries averaged to 6.9%, the highest five-year average in history. In the entire group of growing economies, China has been the key driver of oil prices.

In 1965, OECD countries accounted for three quarters of global crude oil consumption, but by 2010 their share had fallen by half. Over the same period, China's and India's shares grew from less than 1% each to roughly 10% and 4% respectively. Over the past 15 years non-OECD countries' share of oil consumption has increased from 35% to 47%. (World Bank)

There was a soaring domestic demand in China and this is very evident from the fact that in the number of private vehicles on China's road jumped from 9.62mn in 2002 to 18.52mn in 2005. In 2010, there were 10mn new cars added to the Chinese roads (Economic Times).

**Excess Liquidity and Speculation.** Investment fund managers started diversification of investment vehicles and included commodities. This was done primarily because existing asset classes were becoming correlated. This rebalancing of investment portfolios by shifting funds from US\$ holdings to commodities added inflows into commodity markets. A result of this is the strong inverse relationship between US\$ and commodity prices. This relationship is very much evident in the prices of crude oil.

The end result of this "new" money in commodity markets led to speculative buying which ultimately led to a price bubble. (Baffes)

## Current and Future

There is a sustained pressure on the commodity from three major factors: firstly the sluggish movement of the American economy, the demand slump of commodities from China and lastly the sanctions that have been imposed on Iran.

**Slowdown in US.** Recent economic data reveals that the US unemployment rate stands at whopping 8% and the economic growth in the second quarter of this year grew at 1.5% annual rate. Credit rating agency, S&P raised the chances of the US falling into a recession to 25%, up from a 20% chance that was estimated in February. This lowering in demand of oil by the world's largest economy, the US will likely bring about a decrease in the price of oil. (Economic Times)

**Demand Slump in China.** Demand in basic materials weakened as there is a softening of demand in the Europe and US. Growth in exports in June stood at 11.3%, compared to 15.3% in May (Bloomberg). Growth in Chinese manufacturing also fell as factories cut purchases of raw materials such as oil and industrial metals

But there is a different take on China as well; recent news by Bloomberg suggests that China is taking advantage of the low oil prices and building up a strategic reserve to help manage its price swings. Government data shows excessive hoarding of oil to a surplus of 90mn barrels of crude in the first five months of this year and a construction of a storage capacity about 200mn barrels.

So there is a push and pull effect on the price of oil from China.

**Iran Sanctions.** The Strait of Hormuz is a strategic shipping route that connects the Persian Gulf to the Gulf of Oman and Arabian Sea. The Strait is responsible for 40% of all seaborne traded oil. At the narrowest point, the strait is just 21 miles wide. Blocking this neck, theoretically, is an easy possibility for Iran, cutting away 20% of the worlds traded oil. This strait is also a major shipping route for crude exported from Saudi Arabia, Kuwait, UAE, Iraq and Qatar. Almost 85% of the export is for Asian markets like Japan, India, South Korea and China.



So the question to be asked would Iran block the Strait? The answer is a no. The US's fifth fleet is stationed nearby and Iran would be inviting an invasion by taking such a decision. Moreover, if a blockade were to occur Iran's oil too would stagnate. And this would backfire as oil is the mainstay of the Iranian economy. So Iran's new resolution is to make "noise" and lots of it. Iran does this to increase oil prices to sustain revenues from China and India, as significant portion of their oil imports come from Iran. So any threats from Iran could boost the oil prices.

To conclude by keeping the above factors there would be a long term slump in demand and meanwhile in the short term there might be a few more oil spikes due to supply uncertainty. Investment firms have predicted the price of oil in the coming times to fall below \$95/bbl by the end of this year and fall further to \$85/bbl by next year.

## THE TEA TRIANGLE : YIELD, AREA & PRODUCTION

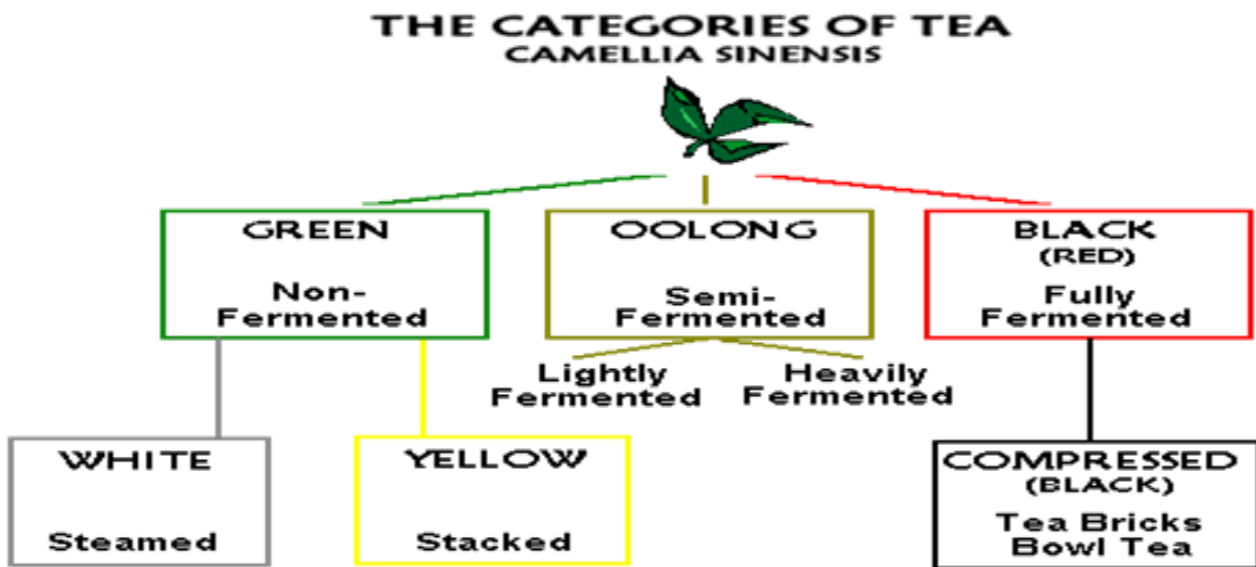
by Ayush Karnani (MBA-IB—2011-2013)

### 'Tea-revolution'

The greatest of Chinese Emperor Shen Nung hardly realized in 2737 B.C., when shriveled leaves blew into his cup of hot water, the potation he smoked out would arouse sensations around the globe. During this time, water was always boiled for hygienic reasons. The pleasant aroma and refreshing taste enchanted him and soon everyone woke to the great discovery of God's very own beverage- Tea.



### Types of Tea



**Black teas** are oxidized and fermented during processing, to give them their distinctive flavor. Black tea has a full, rich taste. This particular variety of black tea is called Keemun



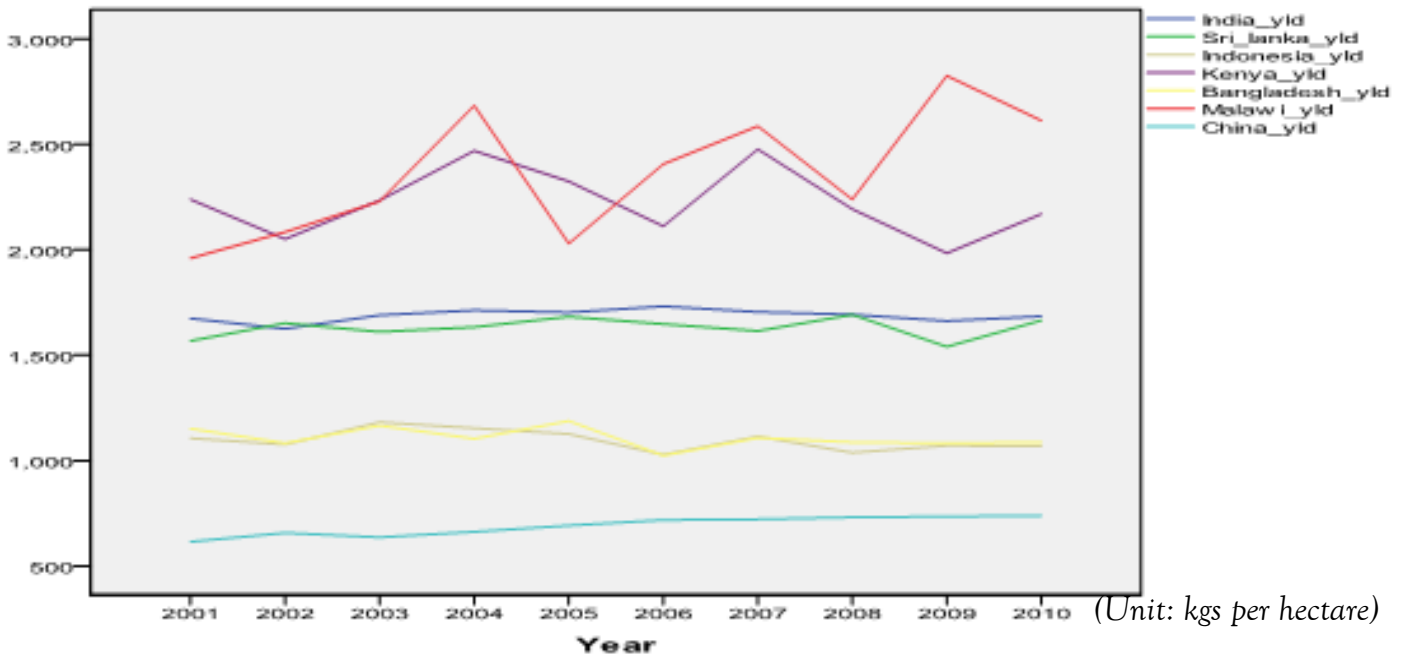
**Oolong Tea** is tea that falls between a black and a green tea. It only undergoes a small amount of fermentation during processing. The variety of oolong tea in this photo is infused with jasmine

**Green teas** have undergone less processing than black teas, and have a much lighter flavor. The health benefits of green tea are seemingly endless. Since the leaves are not fermented, the taste is pleasantly fresh and herbal.

**White Tea** comes from the *Camellia sinensis* plant. But the leaves are picked and harvested before the leaves open fully, when the buds are still covered by fine white hair. Hence the name. White tea is scarcer than the other traditional teas, and quite a bit more expensive. This variety of white tea is called Silver Needle

**Major Tea Growing Regions**

Tea plantations in India are mainly located in rural hills and backward areas of North-eastern and Southern States. Major tea growing areas of the country are concentrated in Assam, West Bengal, Tamil Nadu and Kerala. The other areas where tea is grown to a small extent are Karnataka, Tripura, Himachal Pradesh, Uttaranchal, Arunachal Pradesh, Manipur, Sikkim, Nagaland, Meghalaya, Mizoram, Bihar and Orissa. The competitors to India in tea export are Sri Lanka, Kenya, China, Indonesia and Vietnam.



**Global Yield**

It is observed that Kenya & Malawi have very high yields compared to the world average which also hem & haw each year. China on the other hand compensates for its low yield with astounding acres of tea estates. Since Bangladesh and Indonesia's yield are highly correlated, crop estimation of one country can be projected with the help of the other. This effect is further absorbed by the auction centers in both the countries.

**Correlations**

			Indonesia_yld	Bangladesh_yld
Spearman's rho	Indonesia_yld	Correlation Coefficient	1.000	.787**
		Sig. (2-tailed)	.	.007
		N	10	10
	Bangladesh_yld	Correlation Coefficient	.787**	1.000
		Sig. (2-tailed)	.007	.
		N	10	10

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Forecast:** The below correlation between Malawi & Kenya has been evaluated applying a year lag for Malawi. Kenya's current yield can be predicted with the help of Malawi's previous year's yield, owing

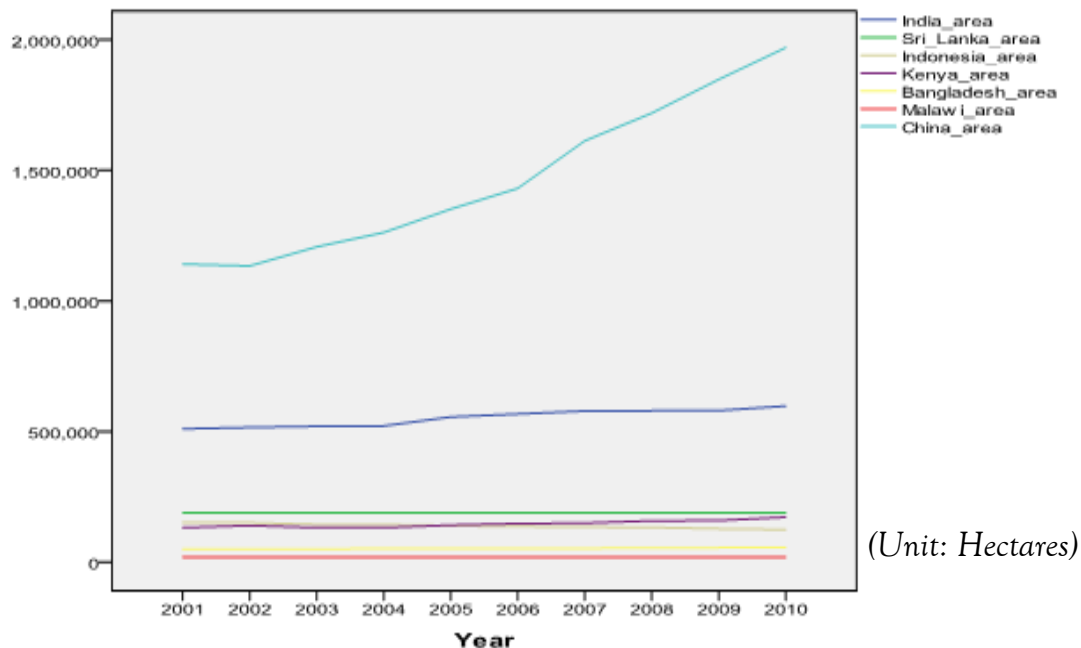
			Kenya_yld	Malawi_yld
Kendall's tau_b	Kenya_yld	Correlation Coefficient	1.000	.511*
		Sig. (2-tailed)	.	.040
		N	10	10
	Malawi_yld	Correlation Coefficient	.511*	1.000
		Sig. (2-tailed)	.040	.
		N	10	10

\*correlation is significant at the 0.05 level. (2-tailed)

to their strong correlation. This can help us in deciding for or against forward contracts for tea estates in Kenya .

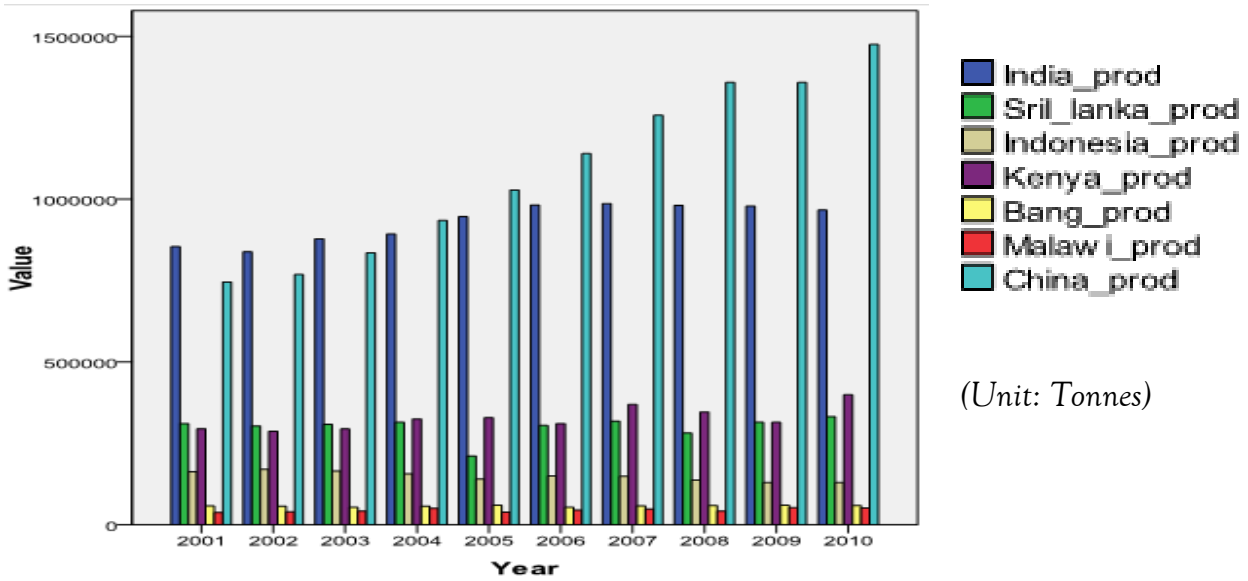
**Area under Tea:**

China has been increasing its tea growing area with a constant gradient of about 118970 hectares every year since 2002. While at the same time other countries have been stagnant in their response.

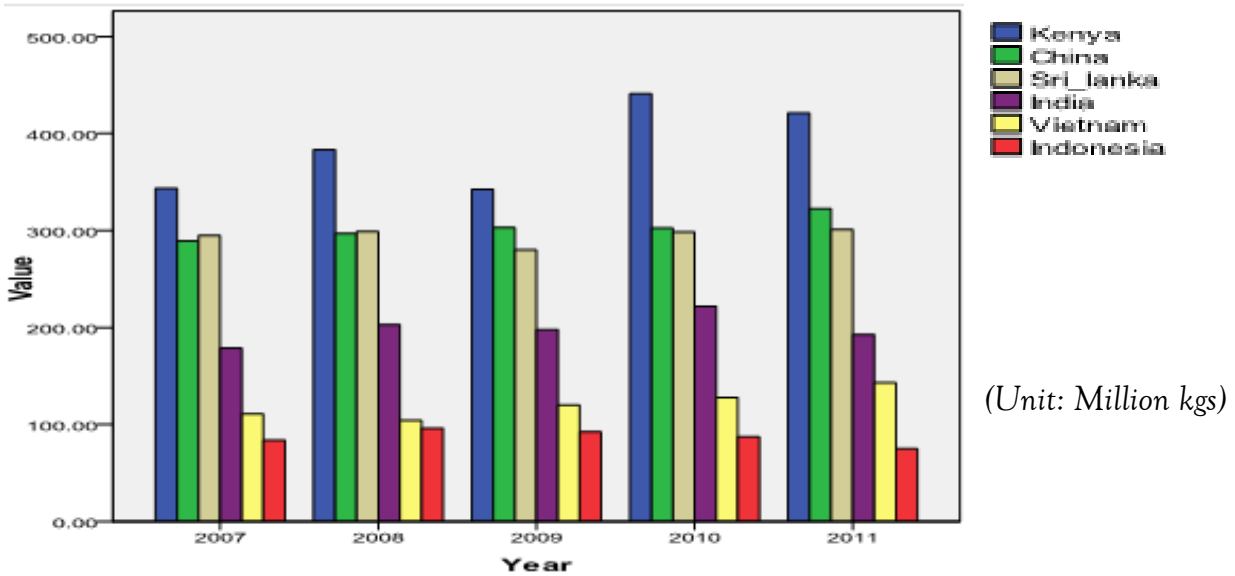


(Unit: Hectares)

**World Production:**



**Leading Exporters**



Based on the table given in the next page, we can infer the following:

**Negative Correlation :** China - Indonesia, Vietnam - Indonesia

**Interpretation:** Chinese & Vietnamese tea are slowly displacing the Indonesian Tea out of the world market. Among the various types of tea available in the market, primarily, Chinese tea has proved to be a good substitute to Indonesian tea.

### Correlations

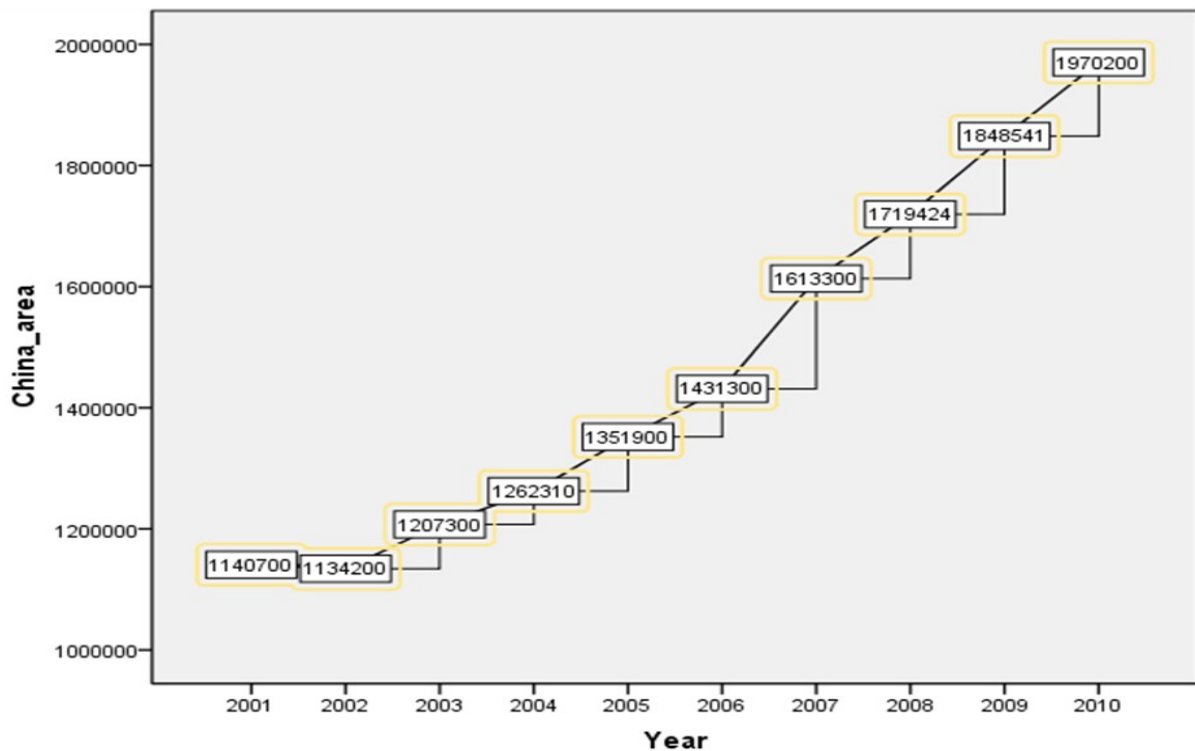
		Kenya	China	Sri_lanka	India	Vietnam	Indonesia
Kenya	Pearson Correlation	1	.573	.698	.691	.617	-.371
	Sig. (2-tailed)		.313	.190	.197	.268	.539
	N	5	5	5	5	5	5
China	Pearson Correlation	.573	1	.234	.153	.893*	-.620
	Sig. (2-tailed)	.313		.705	.805	.041	.265
	N	5	5	5	5	5	5
Sri_lanka	Pearson Correlation	.698	.234	1	.143	.218	-.427
	Sig. (2-tailed)	.190	.705		.819	.725	.473
	N	5	5	5	5	5	5
India	Pearson Correlation	.691	.153	.143	1	.167	.332
	Sig. (2-tailed)	.197	.805	.819		.788	.585
	N	5	5	5	5	5	5
Vietnam	Pearson Correlation	.617	.893*	.218	.167	1	-.793
	Sig. (2-tailed)	.268	.041	.725	.788		.109
	N	5	5	5	5	5	5
Indonesia	Pearson Correlation	-.371	-.620	-.427	.332	-.793	1
	Sig. (2-tailed)	.539	.265	.473	.585	.109	
	N	5	5	5	5	5	5

\*. Correlation is significant at the 0.05 level (2-tailed).

**Positive Correlation:** Vietnam - China , Sri Lanka - Kenya , Kenya - India;

**Interpretation:** Tea produced in Kenya & Sri Lanka cater to similar target groups and have been symbiotic in their consumption pattern. The same is applicable for the tea produced in India (Especially South India) & Sri Lanka. With time, the demand of such tea has increased considerably.

### FIND: Predicting China's Tea Production:







Case Summaries					
China_yld					
Mean	Std. Deviation	Median	Std. Error of Mean	Minimum	Maximum
690.70	45.127	705.00	14.270	615	739

**Production = Area \* Yield**

China's yield does not fluctuate much with a mean of 690 kgs per hectare and a very low standard deviation of 45 kgs per hectare; area increases by almost 118970 hectares each year. Also it is interesting to note that China's policy to expand steadily in the last ten years has helped it surpass India in the year 2005.

# GUAR- THE RISING STAR

*by Vartika Singh (MBA-IB—2012-2014)*



Guar or cluster bean is a crop which was believed to have originated in Africa but is widely grown in the southern Asia. It was initially used as fresh vegetables and other parts were used for feeding the cattle.

But now with the recent discovery that this tiny bean can be used as an essential ingredient for mining oil and natural gas in a process called hydraulic fracturing, it has become a global player and jackpot for the farmers, especially Indian farmers since India is one of the major suppliers of guar seeds.

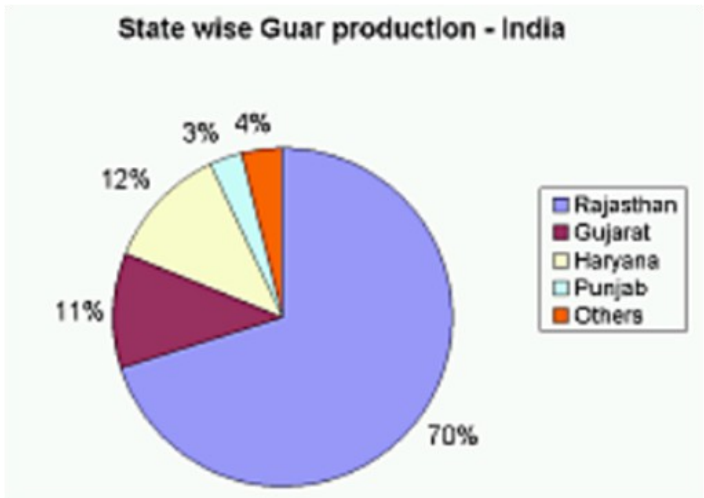
Indian Scenario Till Oct 2010:

India is the largest producer of Guar seed in the world, constitute about 80% of the total production. Out of which about 75% of guar production is exported.

Average cultivation among the states of India for the period 2002-2007:

Guar Gum, the wonder commodity, is a by-product of guar seed and until the discovery was mainly

used as an emulsifier, thickener, and stabilizer for a wide range of textiles, foods, cosmetics, and phar-



maceuticals. It's even a part of shampoos, ice cream, toothpaste and even barbecue sauce!!

Prices of Guar seed were approximately Rs 2,002.9 a quintal and Guar gum prices were around Rs 4,838.1 a quintal for year 2010(till October).

But the picture totally changed with the finding that the guar gum can be used as a fracking agent for the hydraulic fracking.

### Role As Fracking Agent:

Guar gum can be used for thickening the water that is injected into natural gas or oil wells to create fissures in the rock and for transporting sand, which keeps these fissures open, and which can be transported farther if the viscosity of water is increased.

### Latest Price Trend:

Guar gum is the most demanding and profitable commodity of the year. And its exports are reported to rise up to 17 percent in 2012. The January 2, 2011 price was Rs.6,364.30 per quintal which had risen to Rs.22,568.45 in Dec 2011 and to Rs.42000(Jodhpur) as on 12th July 2012 (source: <http://www.siliconindia.com> and <http://agriwatch.com>).

Rs. 100 invested on guar gum and guar seed in January 2011 earned around Rs.354.61 and Rs.290.85 respectively.

The ROI of guar gum has surpassed the profits made from gold. In the period December 2010 to December 2011, the profit for guar seed was of 269 percent, whereas gold has made

only 32 percent, main reason being that India is the producer of around 80 percent of the guar crop of world.

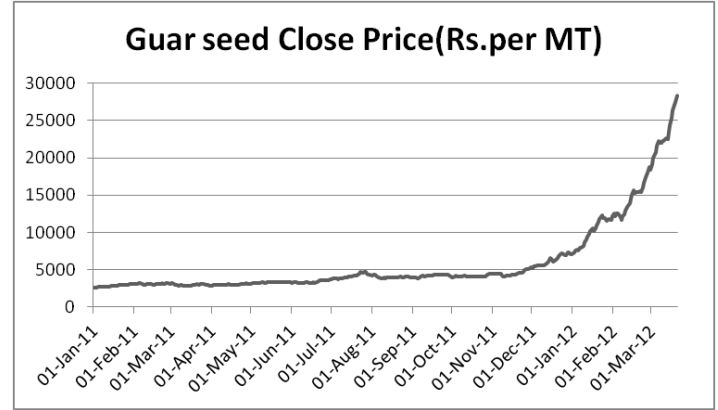
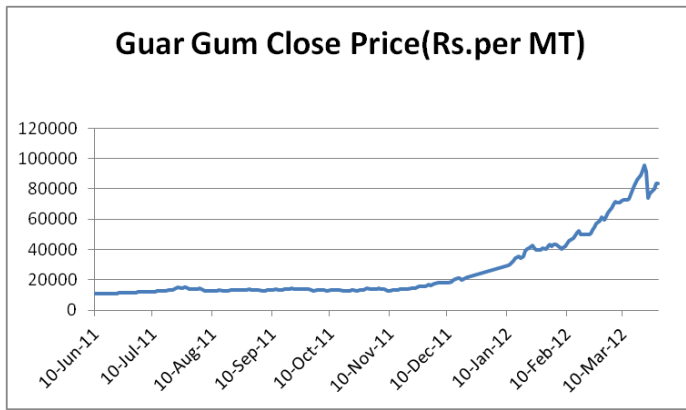
### Reasons For Exorbitant Rise In The Demand Of Guar Gum and Guar Seed:

There is an increasing demand of the Gaur Gum from the oil gas companies. Since the oil drilling technologies are developing so the demand for the guar is expected to rise even more. And guar seeds are the only source of the guar gum.

<b>Best and worst performers</b>				(in Rs)
What Rs 100 invested in the commodity on January 1 last year would have become on December 31				
Guar gum	354.61	Turmeric	30.33	
Guar seed	290.85	Raw cotton	64.95	
Pepper	150.59	Raw jute	62.90	
Furnace oil	149.11	Natural gas	82.70	
Heating oil	140.30	Nickel	87.05	

### Futures Prices Of Guar Seeds:

With the voluminous increase in demand of the guar, the futures prices have soared which is much higher than the cash market price. The rise in the futures for the guar seed and the guar gum is shown in the chart.



### Ban on guar seed & guar gum futures trading:

Forward Markets Commission (FCM) had banned the futures trading in guar and guar gum on March 29, 2012. The reason was that it was defeating the objective of commodities futures by giving artificial and manipulated prices which is against the interest of farmers, who will not be able to get the actual prices of the commodity and who will also not be able to buy expensive guar seed for their next crop. The prices for guar had gone up by 120 per cent in the Feb, 700 per cent in the past four months from March, 875 per cent for Mar 2010-2011 which clearly shows that it was the result of the speculations. So this regulatory measure was taken.

### Affect On Other Commodities:

Due to higher returns profit for the guar in comparison to cotton, the farmers are increasing the proportion of guar cultivation in comparison to the cotton cultivation.

India's cotton production is expected to decline by seven per cent to 5.4 million tonnes (mt) in 2012-2013 compared with 5.9 mt in 2011-12.

### Conclusion:

Even though the trading has been banned by FMC, the prices of guar and guar gum has been rising in the cash market due to the increase in the global demand. And India, being the leading producer of the guar seed will definitely reap results from this. The guar gum was the most profitable commodity in 2011 and will definitely be the best in the year 2012.

# SHIPPING – ALL AT SEA

by Shekhar Kumar (IIFT 2012-2014)

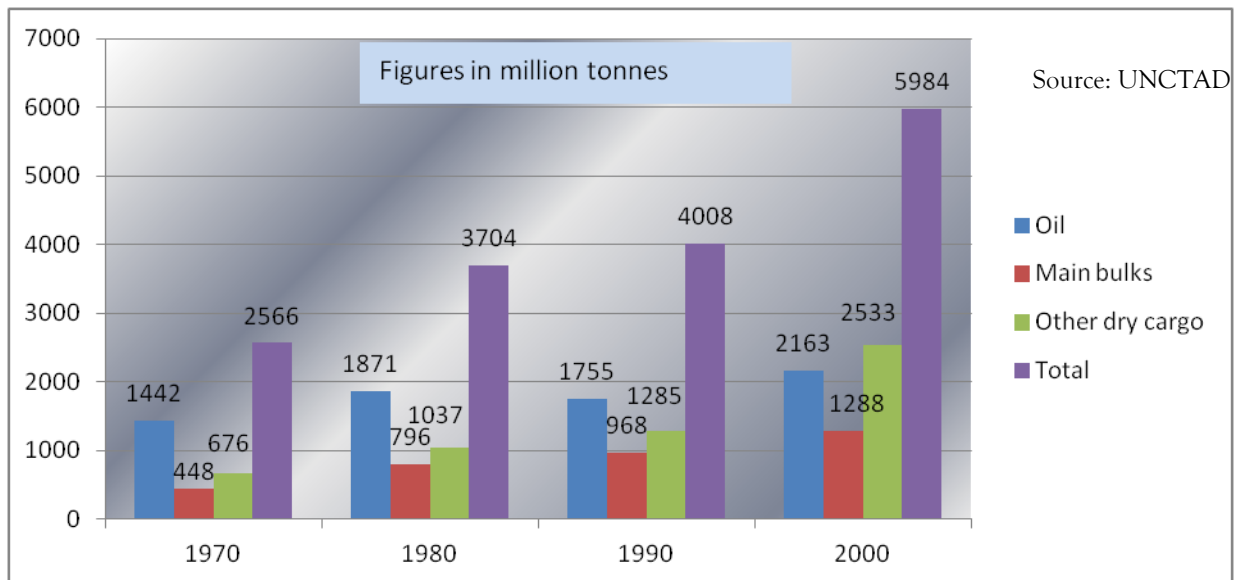


*“All I ask is a tall ship and a star to steer her by...”*

The world has come a long way since the time John Masefield wrote these lines. It is not the star that we need to steer a ship today, it’s the cargo.

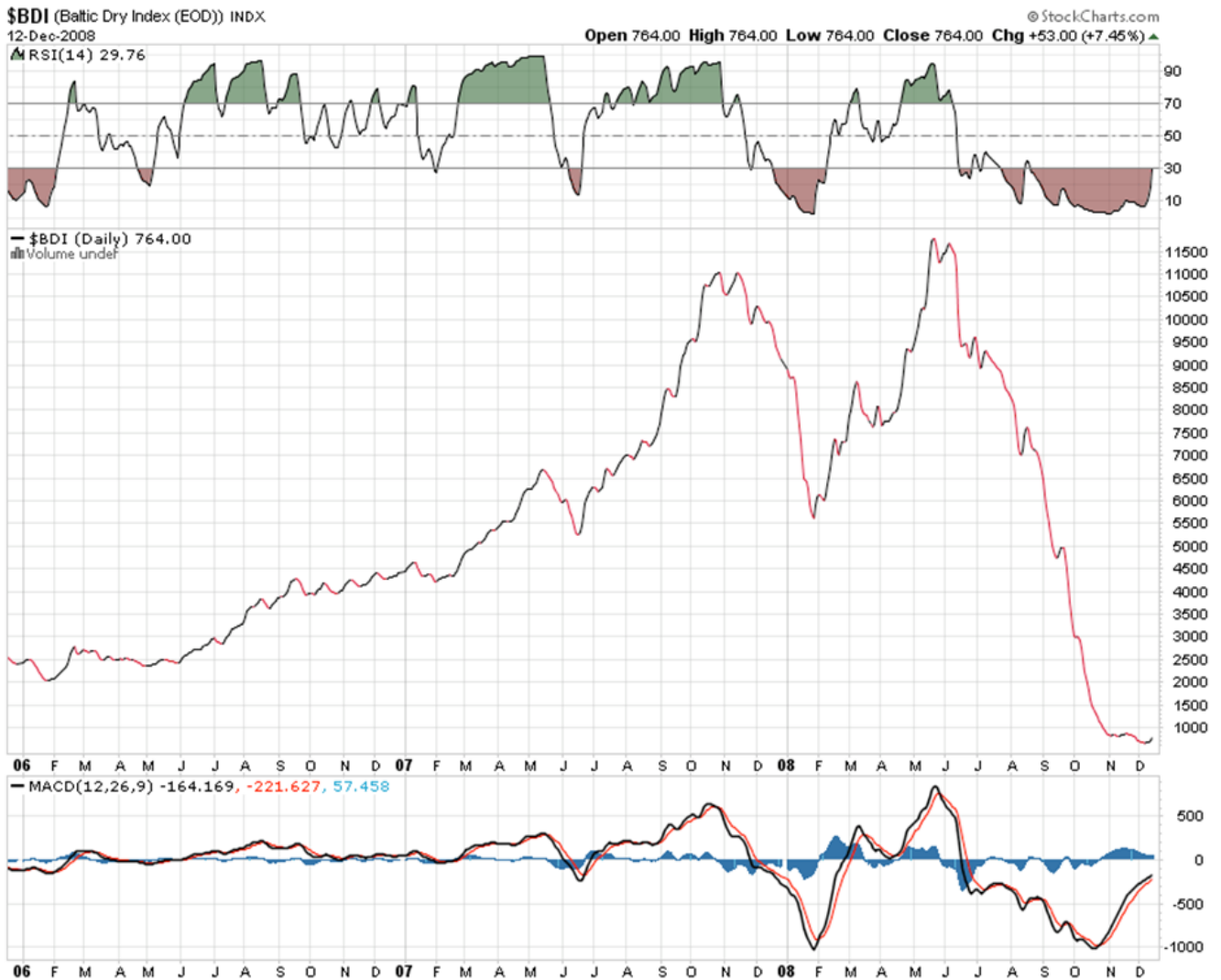
Shipping is basically a derived demand. A derived demand means that the demand for a product/service occurs as a result of demand for another. In our case, “another” refers to the volume of international trade. As a matter of fact, shipping and international trade are so much intertwined with each other that it would not be wrong to say that shipping is the backbone of international trade today. Around 90% of world trade is carried by the international shipping industry. There are over 50,000 merchant ships trading internationally. The world fleet is registered in over 150 nations, and manned by over a million seafarers of virtually every nationality. As it evident from these figures, the import and export of goods on the scale necessary for modern world would not be possible without shipping. In fact, it is no exaggeration to say that almost everything we touch has, at some point in its existence, been transported by sea or derived from something that was transported by sea.

Let us take a look at how exactly has shipping shaped up over the last few decades.



Clearly the figures show a steady increase in trade volumes over the last few decades. That was consistent with the rate at which cross-national trade was increasing. In 2004, the world's shipping fleet carried around 90% of total global exports worth \$8.9 trillion. Shipping firms made a total profit of \$80 billion last year mostly because of China's economic rise which in turn pushed up the figures for world trade. In fact, in 2004, the rate of growth of global trade in goods was 9% compared with 5% in 2003 and 3.5% in 2002.

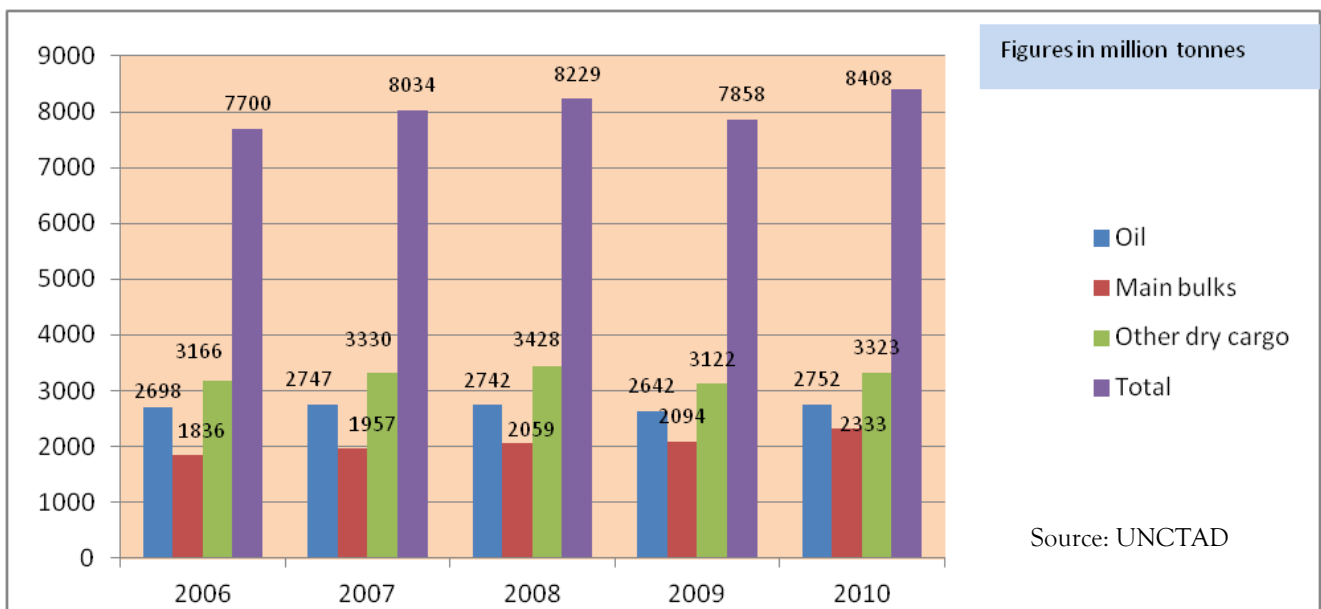
Understandably, all these events lead to an increased demand of tonnage than ever before. In fact, surplus tonnage worldwide in 2005 was standing at a meager 0.7% which drove the ship owners into frenzy. As a result, too many shipbuilding orders were placed with the current positive conditions giving vibes full of hope to those in the industry. Now, shipping is a particularly difficult industry to plan ahead as there is a three year lag between the placing of an order and the delivery of a ship which means orders which were placed in 2005 were to be delivered in 2008. That it exactly why when people tried to stop work on those



new ships after the reality of recession struck them, with contracts signed, down-payments made and work underway, it was like trying to change direction in an ocean liner travelling at full speed towards an iceberg.

In 2006 and 2007, trade was growing at 11%. In 2008, it slowed down by 4.7%. The Baltic Dry Index (BDI), which is a highly accurate leading indicator of global economic activity, had reached a record high since being introduced in 1998, reaching 11,793 points on May 21, 2008. Half a year later, on December 5, 2008, the index had dropped by 94% to 663 points.

The screenshot in the previous page shows the exponential rate at which the index plummeted and sent the global market into a tizzy. Such was the magnitude of the crisis in 2008 that the year 2009 recorded the first and deepest drop in global output since the 1930's, with world GDP contracting by



1.9 percent.

As per UNCTAD, the world merchandise export went down by 13.7 percent in terms of volume and 22.9 percent in terms of value. The total loss in world trade over 2008-2010 is estimated to be at \$5 trillion. The world seaborne trade volumes in 2009 fell by 4.5 percent all of which resulted in newly arriving ships from the orders placed three years back being sent straight to lay-offs.

In the year 2009, from the picture in the next page, we can see an entire fleet of ships, famously known as the Ghost fleet, lying idle off the southern coastline of Malaysia's rural Johor state, 50 miles

east of Singapore. Their numbers were equivalent to the entire British and American navies combined, albeit with a far greater tonnage. Just to give an idea of the market situation, in 2008, it would have cost around \$50,000 to charter an Aframax tanker capable of carrying 80,000 tonnes of cargo. That rate had



Picture courtesy: Mail Online

dropped to \$5500 in 2009.

In the year 2009 picture above, we can see an entire fleet of ships, famously known as the Ghost fleet, lying idle off the southern coastline of Malaysia's rural Johor state, 50 miles east of Singapore. Their numbers were equivalent to the entire British and American navies combined, albeit with a far greater tonnage. Just to give an idea of the market situation, in 2008, it would have cost around \$50,000 to charter an Aframax tanker capable of carrying 80,000 tonnes of cargo. That rate had dropped to \$5500 in 2009.

Figures clearly point out that developing countries played a major role in the global seaborne trade during this period (61.2 percent of all goods loaded and 55 percent of all goods unloaded).

The world economic situation did get better in 2010 and the world GDP grew at 3.9 percent over the previous year. Overcoming the 2009 slump, world merchandise trade grew at 16.2 percent by volume and 22 percent by value in 2010. The world imports also grew at a healthy rate of 15.2 percent in the same year. As a result, the world seaborne trade bounced back and grew by approximately 7 percent over the last year.

The economic recovery was mostly led by large emerging economies, in particular China (10.3 percent), India (8.6 percent) and Brazil (7.5 percent). Activity was volatile with spurts of recovery which again came

to a halt in 2011 thanks to the European debt crisis. The price of new buildings was expectedly lower in 2010. The freight rates for tankers did perform well, rising between 30 and 50 percent by the end of 2010. However tanker freight rates in general still remained depressed compared to the years immediately preceding the 2008 peak. The dry bulk sector did perform well for the first half of 2010. But the BDI lost more than half of its value from the end of May 2010 to mid-July 2010. Overall, the BDI declined by about two-thirds between May 2010 and May 2011.

The future does not exactly seem to be bright for the shipping industry at this current juncture. About \$65 billion is needed in new debt and equity to cover orders for new ships and sales and purchases of existing vessels for 2012 alone. This gap is most likely expected to increase over the next couple of years. In fact, the world shipping companies are turning to private equity to help fill a \$249 billion funding gap left by the European banks pulling out of ship financing. Even though there has been some sort of recovery, it is nowhere close to the early 2008 levels. As of August 15 this year, the BDI was hovering around the 725 mark.

It is hard to predict the future of world shipping. Presently, a series of problems such as the sovereign debt crisis (which, by the way, doesn't really seem to end), natural disasters (Fukushima followed by Tsunami and many more), waves of political unrest the world over, as well as rising and volatile energy and commodity prices has grappled the world economy. Shipping, being a mirror to the world economy, has followed suit. The market is trying to be hopeful but hope doesn't come out of thin air. It is h

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### Did you know:

- *MV Blue-Marlin has the record for transporting the largest cargo. This ship belongs to a class of Semi-Submersible Heavy lift ship. It submerges itself to a depth of 30 feet below water while a tow boat tows the cargo onto it.*





# MORE RAIN NEEDED FOR MISS. SOYBEANS

by Jitin Yadav (IIFT 2011-2013)



## **Soybean – the Current Upsurge in Prices, the Reasons & What Lies Ahead**

Everyone's talking about soybean, and whether its prices have peaked, with heavy sell-offs in the last few days. Bears say yes of course, we have peaked and are selling off, with demand destruction compensating more than adequately for reduced potential in the U.S., and that the drought impact went overboard and is now being reeled in. Bulls say this not yet, that soybeans are about to go into a negative stocks-to-use for 2012-13 and that much higher relative prices will be needed to bring that back in balance. This is a minor correction happening and will cease soon. More about the prices factor later.

## **Soybean-Why it is Popular & Timeline for the Harvest**

Soybean, classified as an oilseed rather than a pulse, is widely grown for its edible bean which has numerous uses. The usage of Soybean has shown to reduce the risk of various forms of cancer, improvement in cognitive function, lowering of cholesterol and hence heart diseases, etc. The optimum time for one to sow soybean is in the last week of June to approximately the first week of July. According to the GOI, the last week of June is the best time for sowing and after the 7th of July, there is a reduction in seed yield by 40 kg/ha/day. The length of the day is an important to the crop as it is highly sensitive to the photo-periods (less than 14 hours of day favorable). Bean harvesting will begin around September and goes on till the end of November.

## **Soybean in India & the World**

India's annual production of soybean has been around 8.5-10 million tonnes in the recent years.

The acreage under this crop has more than doubled in the past two decades to around 11 million hectares currently being sown under this crop, with better returns encouraging more farmers to adopt this new crop.

Madhya Pradesh, Maharashtra, Rajasthan and Andhra Pradesh are the major cultivators of this important oilseed, with their respective contributions usually around 60%, 25%, 6-7% and 1-2%.

India is highly dependent on imports to meet domestic edible oil requirement. Government policies are in favor of developing the domestic crushing industry and supporting Indian farmers and do not promote import or export of soybean. But, there is some amount of both imports & exports of soybeans. India out of

its total soybean production of 10, exports around 3.5 million tonnes with Vietnam, Japan, Thailand, Indonesia, UAE, Greece being the major importers and imports an equivalent amount.

Major Producers of 2010	
	MMT
United States	91
Brazil	72
Argentina	50
China	15
India	10

Major Exporters of 2010	
	MMT
United States	43
Brazil	33
Argentina	11
Paraguay	6
Canada	3

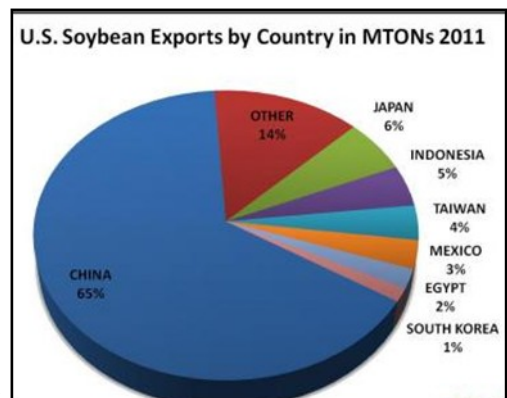
Million Metric Tons/MMT

The biggest producers of Soybean are U.S., Brazil, Argentina, China and India producing 91MMT, 72MMT, 50MMT, 15MMT and 10MMT respectively. China, EU and India are the biggest importers of Soybean.

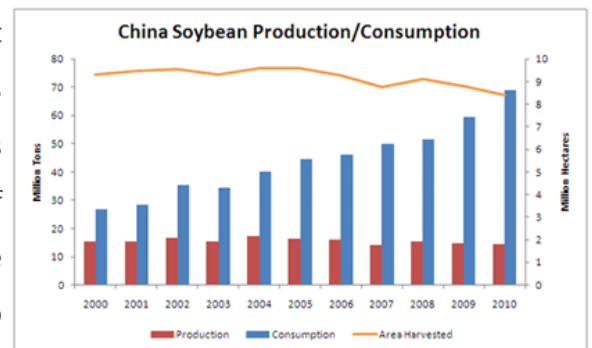
### **Impact of Rainfall on it/Bad Monsoon and the Consequences of it**

The demand for soybean in China is large and increasing. The biggest exporter of Soybean, U.S. exports approximately 65% to China (See break-up in the graph).

Soybean is used heavily for meat in China, and because of the ongoing social change in China with more and more people thronging to meat, the demand for Soybean has increased many folds. It has approximately risen 200% in 10 years, i.e. an average of 20% year-on-year. With the production remaining more or less the same (illustrated in the graph). Dry weather and drought conditions in many parts of the world (specifically



the U.S. considering it is the biggest exporter/producer and it is the second biggest U.S. crop after Corn) are threatening this year's crops and encouraging farmers to withhold supplies left from this year's harvest. The export-pipeline supply of soybeans will shrink in the U.S. in the next few weeks because farmers will fear the weather will prevent building stocks to more comfortable levels.



### **Recent Price Fluctuation –The Reason lies in the U.S.**

The Central Illinois soybean cash price reached \$16/bushel in early July as searing temperatures and drought gripped portions of the United States. The driest conditions, centered on Illinois and Indiana, have impacted about 30 percent of the crop. This recent price surge comes on top of a previous run-up in prices from early 2012 that followed extensive crop losses in South America. At that time, soybean prices peaked at nearly \$15/bushel before falling on the strength of early U.S. plantings and im-

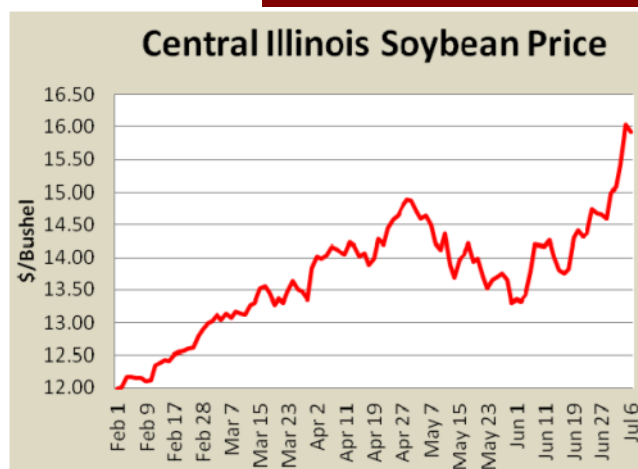
proved production prospects. However, as growing conditions deteriorated, prices moved higher over concerns that current tight supplies could become even more constrained if hot, dry weather continues.

This is illustrated in the figure.

**Futures market of Soybean—Touching Unseen Territory and Future Outlook**

These are prices per 100kg. 100 kg is the quotation value. Trading unit is 100 MT. The current future

prices are the highest ever. Some relief is expected around the month of November because it is around that time that the harvest will start to come into the market, and even then the relief is not expected to be very much. As the topic suggested, rains are needed badly for the crop to bring about some relief to the users. Other than that, it is of prime importance that importers don't go on a buying spree and thus increase prices further. They will need to do proper rationing of the crop for their usage. Similarly exporters need to remove any constraints over exports so that the supply remains smooth and they don't stock p thinking of selling higher. If this level of precaution is taken, the shock can be absorbed to some extent.



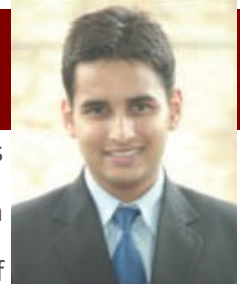
Commodity Futures Price Quotes For Soybeans											
<small>(Price quotes for CBOT Soybeans delayed at least 10 minutes as per exchange requirements)</small>											
<small>Also available: electronic Session Quotes</small>											
Click for Chart	Current Session						Prior Day		Op Int	Opt's	
	Open	High	Low	Last	Time	Set	Chg	Vol			Set
Aug'12	1687	1691	1681	1684 2/8	16:14 Jul 27	1684 2/8	28 4/8	40717	1655 5/8	49408	Call Put
Sep'12	1630	1633	1622	1627 5/8	16:14 Jul 27	1627 5/8	31 2/8	20788	1596 4/8	43367	Call Put
Nov'12	1605	1610	1597 4/8	1601 5/8	16:14 Jul 27	1601 5/8	34 2/8	140915	1567 4/8	386129	Call Put
Jan'13	1592	1592	1591 2/8	1591 2/8	16:14 Jul 27	1591 2/8	36 2/8	11363	1555	84316	Call Put
Mar'13	-	1479	1440	1479	16:14 Jul 27	1479	39	9358	1440	81770	Call Put
May'13	-	1413 2/8	1386	1413 2/8	16:14 Jul 27	1413 2/8	27 2/8	5368	1386	74864	Call Put
Jul'13	-	1398 5/8	1374	1398 5/8	16:14 Jul 27	1398 5/8	24 5/8	2966	1374	53007	Call Put
Aug'13	-	1375 5/8	1351	1375 5/8	16:14 Jul 27	1375 5/8	24 5/8	7	1351	298	Call Put
Sep'13	-	1316 5/8	1292	1316 5/8	16:14 Jul 27	1316 5/8	24 5/8	7	1292	341	Call Put

**Did you know:**

- Soybeans have long been used as human food in Asia in such traditional foods as tofu, soymilk, tempeh and natto.
- Soy is one of the few plants that provides a complete protein as it contains all eight amino acids essential for human health.

# WHY BULLS ARE EYEING COTTON?

*by Ashish Maheshwari (IIFT 2012-2014)*



Cotton, recently, has been the cynosure of all the eyes in the Indian market. Gone is April or say March, when Cotton trade was being strictly regulated. Markets were then inundated with all sorts of regulations; export bans, partial roll-backs, and series of restrictive rules. Such events did set the trade prices to drop sharply in domestic market. Be it a cotton farmer or Chief ministers of the concerned four states, all were frowning upon the commerce and textile ministries. Worried about the then prevailing situation and outcries of policy paralysis, our PM steps in with his magic wand and, now things are as if policy paralysis never existed or rather Policies never existed. Before we go ahead, let's look at the factors that affect the cotton market.

- 1) Import-Export Scenario
- 2) Delay in monsoon, weather or production
- 3) Fluctuations in domestic and global cotton production
- 4) Discovery of new cotton markets
- 5) Price and other policies of the government regarding the sector
- 6) Fluctuations in currency value

**In present scenario all aforementioned factors have come to play. Let's see how.**

Post April, Cotton trade has seen meteoric rise. Strange yet true, in absence of government pricing policies, the cotton trade is flourishing. Everyone is making money- farmers, ginners, traders and millers. The current surge in cotton price could be credited to demand outstripping supply, which cradles from absence of government intervention. Who says ingenuity only applies to sciences! Indian cotton traders exported Cotton in July when globally cotton price was high and now, they are importing cotton when prices globally are low. Traders had this astute eye and started importing cotton from Tanzania for the mills. But, the import level would soon fall: "when September ends", as is the time for harvest season. Market would be again replenished with Cotton. However, situation is as unpredictable as Nostradamus' predictions, It may happen or it may not, given the Scanty rainfall showers. Despite the uncertainties in future, past trend suggests that current rise is here to stay. It is also corroborated by the fact that government is not flinching in offering subsidies to textile industry, though they are bleeding. So, demand is here to stay and bulls would make the most of it.

# GROWING THREAT OF PIRACY TO SHIPPING

*by Amar Budati and Divya Alapati (IIFT 2012-2014)*



## **Overview**

Piracy along the major shipping routes of the world is a cause for concern to the global shipping industry as it not only affects the delivery times of goods but also causes a dent in the operating margins of shipping companies as their vessels have to take a detour to avoid pirate infested waters which adds to the costs. The threat posed by piracy is growing by the day and in 2011-12 the estimated losses were in the range of USD 13-16 billion.

## **Present Scenario**

The global shipping industry is responsible for transporting 90% of world trade; this mammoth task is carried out through around 93,000 merchant vessels, 1.25 million seafarers and almost six billion tons of cargo. Though shipping is one industry that despite its scale of operations is relatively away from the public eye, but in the last few years increasing number of pirate attacks have brought this issue back into focus. The 20th century brought about a sea change in the shipping industry, larger ships were built and this helped in the transport of large cargo in quick time, the completion of the Panama Canal in 1914 gave a fillip to the global maritime industry by cutting the travel time between the Atlantic Ocean and the Pacific Ocean. With the advent of technology, ships became quicker and more reliant on computerized navigational systems for their maneuvering. Most modern ships have a minimal crew as the steering is taken care of by onboard navigation systems and the human interference is minimal. And modern ports have state of the art facilities which lead to very low turnaround times, for example the TAT for the port of Singapore is less than 12 hours. However this minimal presence of crew has made vessels attractive targets for the pirates, it has been noticed that pirates prefer smaller and quicker speed boats to attack the ship and they take the crew hostage, this is followed by taking the ship to the pirate territory before demands of ransom are made. This problem is prevalent in the waters between the Red Sea and Indian Ocean, off the Somali coast, and also in the Strait of Malacca and Singapore, which are used by over 50,000 commercial ships a year.

The prevailing political scenario in Somalia continues to be a cause for concern for ships passing through the Gulf of Aden, as Somalia is located strategically at the entry point of the gulf, pirates leverage this to their advantage by launching attacks on merchant vessels. As on July 29th, 2012 there were a total of 189

attacks and 20 hijackings that were reported from across the world, which when compared to last year's figures is a 30% decrease in the number of attacks over the same period. This drop in attacks can be attributed to a number of measures that have been taken up by both the shipping companies and the governments where these companies are based. Countries like Italy deploy their coast guard personnel on Italian flagged ships to deter pirates from attacking them, some shipping companies employ private security personnel for providing security to the crew and defending the ship from pirate attacks. Combined Task Force 150 (CTF-150) is a 25 nation coalition of combined maritime forces to deter pirate attacks. The force is based in Bahrain to monitor, inspect, board and stop suspect shipping to pursue the "War on Terrorism" and in the Horn of Africa region.

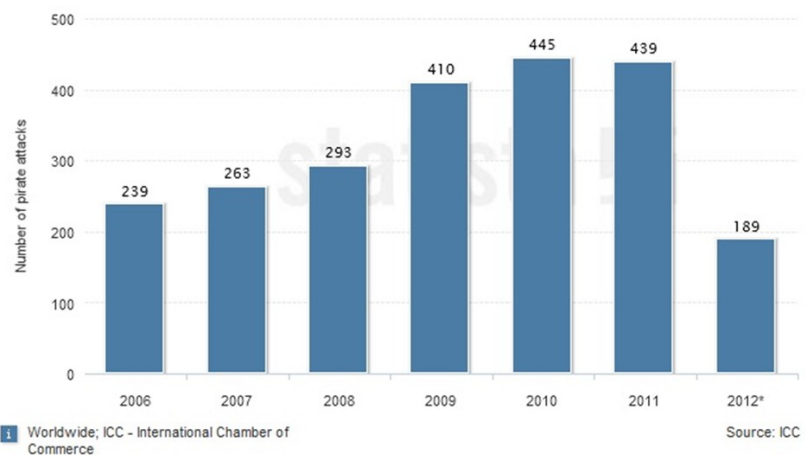
The establishment of a network of naval warships to provide security to vessels passing through the HOA has helped in bringing down the incidents of pirate attacks. But the pirate attacks haven't stopped completely inspite of the presence of warships as instances of these

warships coming under fire by the pirates have been reported. India on its part has also deployed two ships namely INS Tabar and INS Mysore to escort Indian merchant vessels that pass through the Gulf of Aden, not only Indian flagged ships but vessels belonging to other countries are escorted as well.

### **The Way Ahead**

Given the menace of piracy affecting the world's shipping routes, it calls for a concerted effort from all the major countries of the world to come together and set up a task force that would comprise of specialized forces to tackle this challenge. Piracy not only causes disruption to trade it also pushes up the cost for insurers who provide insurance to shipping companies, thereby pushing up costs further. Piracy can be defeated as it has been shown in the Strait of Malacca where a concentrated crack down on pirate vessels has pushed out pirates from the straits, making it incident free over the past few years.

**Number of pirate attacks against ships worldwide from 2006 to July 29, 2012**



# COMPANY PROFILE - BUNGE

by Pavan Chandramouli (2nd Year MBA-IB)



Bunge is a leading agribusiness and food company with integrated operations that circle the globe, stretching from the farm field to the retail shelf.

## BUSINESSES

Agribusiness	Sugar & Bioenergy	Food & Ingredients	Fertilizer
Connects farmers to the global marketplace and supply end customers, from nations to small livestock producers	Leading, integrated producer of sugar and ethanol in Brazil, and a leading trader and merchandiser of sugar worldwide	Produces bottled oils, margarines, mayonnaises, flours and bakery products, as well as custom solutions for end users	Leading blender and distributor of crop fertilizers to farmers in South America and a distributor in North America
<ol style="list-style-type: none"> <li>1) Purchase grains and oilseeds from farmers</li> <li>2) Store, transport and sell raw commodities to end customers</li> <li>3) Process oilseeds into protein meals and crude vegetable oil for</li> <li>4) Provide financial services, risk management and logistics services to end customers</li> <li>5) Execute risk management strategies for Bunge</li> </ol>	<ol style="list-style-type: none"> <li>1) Entered the global sugar market as a trader in 2006</li> <li>2) Operates 8 sugarcane mills in Brazil with a combined capacity of over 20 million metric tons</li> <li>3) 3 sugarcane mills in Brazil are certified by Bonsucro</li> <li>4) Headquartered in London</li> <li>5) Sugar trading and marketing arm sources sugar and ethanol from Brazil, Thailand</li> </ol>	<ol style="list-style-type: none"> <li>1) Comprised of 2 businesses - edible oils and milling - with operations in North and South America, Europe and Asia.</li> <li>2) Produces specialty oils and fats, margarines, mayonnaise, shortenings and whipped toppings for sale in foodservice, food processor and retail markets.</li> <li>3) Milling business creates milled wheat, corn and rice products for food processors, bakeries, brewers, snack food producers and other customers.</li> </ol>	<ol style="list-style-type: none"> <li>1) Sells blended NPK fertilizer formulas, mixed nutrients and liquid fertilizer products to farmers and distributors in North and South America.</li> <li>2) Brazil-Blending and distribution facilities, port terminal.</li> <li>3) Argentina-Phosphate and nitrogen production</li> <li>4) Morocco-One of the world's largest suppliers of phosphates, produces intermediate phosphate products for export to South America.</li> </ol>



## About *BLASH*

BLASH is the official International Trade Club at Indian Institute of Foreign Trade. The club focuses on providing a platform for the student community to learn and discuss about various aspects of International trade. Besides releasing the monthly newsletter, the club organizes various guest lectures, sessions, corporate interactions, quizzes, live-projects and competitions for the student community at IIFT

## About IIFT

**Indian Institute of Foreign Trade (IIFT)** is India's nodal institution of excellence in the field of International Trade and Business. Since its inception in 1963, IIFT has kept pace with the extremely dynamic Global business environment by focusing on International Trade and Logistics-related issues. The rigorous, extremely dynamic and up-to-date course curriculum stands testimony to this fact. Supplementing the classroom, IIFT organizes several events and discussions on currently relevant issues in the field of Trade and Logistics, which are graced by pre-eminent professionals, industry veterans and academicians, alike. Our students have maintained and sustained IIFT's rich legacy by successfully exhibiting their skills time and again in various Live Projects and Competitions. The institution has groomed international business managers for over 40 years and boasts alumni base spread over geographies and business verticals.

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