Global Compliance

Weekly Newsletter

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Govt Tweaks Cattle Ship Routes After First Two Voyages End in Failure

Indonesia tweaks cattle ship routes after first two voyages end in failure. (ID Photo/Emral Firdiansyah)

Jakarta (23/1/2016) - The government is expected to add two ports of call for its flagship cattle vessel, hoping to secure additional livestock at lower prices after the first two voyages ended in disappointment.

The cattle ship, known as Camara Nusantara I, will now call on Waingapu and Lembar, on its planned route from a starting point in Kupang; other stops include Bima, Tanjung Perak, Tanjung Emas and Cirebon, according to Bobby R Mamahit, Director General of Sea Transport at the Transport Ministry, speaking on Friday.

The Camara Nusantara I was launched in December 2015 in an attempt to provide a subsidized means of transport for traders to source livestock from cattle-producing centers in East and West Nusa Tenggara. It will in turn ideally hold down national beef prices, particularly for buyers in densely- populated Java.

In the event, the cattle farmers declined to sell their animals at a price that would allow traders to make a profit, holding livestock back as they figure they could fetch a higher amount during Christmas and Year-End holidays.

Further, farmers found they had to pay clearance fees at up to 15 government checkpoints between their village and the official portside quarantine inspection center, stated Rochadi Tawaf, Secretary General of the Cattle and Buffalo Breeders Association (PPSKI), as quoted by detik.com.

Adamant not to cause embarrassment to President Joko Widodo, who had personally launched the commercial maiden voyage, traders accepted the quoted prices and swallowed their losses on the vessel's first trip, amounting to some Rp 498 million ($36,000), according to Rochadi. *To the next page…*

This week topics

INDONESIA THIS WEEK

Traders were however reluctant to bear a similar loss on the second voyage, buying just 100 head of cattle for the vessel, which has a capacity of 500 animals.

Bobby expressed his hope, on behalf of the government, that the two new stops would allow buyers to source at least 400 head of cattle per trip.

The Ministry coordinates closely with the Agriculture Ministry to depress extraneous costs incurred to the sellers, before any cattle even board the ship.

The Transport Ministry works with state ship operator Pelayaran Indonesia (Pelni), accessing Rp 20 billion in subsidies this year for this part of Pelni marine operations.

It is estimated that the new ship transport would successfully depress the cost of moving cattle from Kupang to Cirebon from a previous Rp 1.8 million to just Rp 320,000 a head.

Camara's next departure is scheduled for Feb 2.

(Jakarta globe)

Dharma Jaya's capital injection scrapped

Jakarta (22/1/2016) - The Jakarta administration's food security measures may be hampered after a planned Rp 50 billion (US$3.59 million) capital injection for city-owned slaughterhouse PD Dharma Jaya was scrapped.

Governor Basuki "Ahok" Tjahaja Purnama expressed his anger after the allocation for Dharma Jaya was completely scrapped, although he had requested that the firm be given extra capital due to its role in maintaining food security in the city.

Ahok said the allocation might have been scrapped by the administration's budgetary team, which consists of the city secretary, the city's financial and asset management board (BPKAD) and the Jakarta Development Planning Board.

"I've said time and again that Dharma Jaya must receive the capital injection. It plays an important role in maintaining beef supply, especially during Idul Fitri, when prices soar," Ahok told reporters at City Hall recently.

"I don't understand why they scrapped the allocation. We will have to wait for the revised budget to give a capital injection to Dharma Jaya. Meanwhile, it will have to seek loans from a bank for beef supply for Idul Fitri," Ahok said.

The revised budget is normally approved in August, while Idul Fitri this year is expected to fall in July.

Over the years, Dharma Jaya's performance has continued to decline due to corruption within the company under previous directors.

Ahok said the city administration had planned a total overhaul of PD Dharma Jaya's business and return it to its function of providing beef for Jakarta.

Ahok said that with Dharma Jaya's involvement in the business, meat could be sold at a lower price in Jakarta, especially at traditional markets where most customers are from lower-class households.

Separately, BPKAD head Heru Budi Hartono reprimanded Dharma Jaya for being late in submitting their investment analysis report to the Home Affairs Ministry. Without the report, the city administration may not give capital injections to city-owned firms.

However, according to Article 16 of Home Ministry Regulation No. 52/2012 on regional investment management, the BPKAD as regional treasurer is tasked with drafting and submitting an investment analysis report to the ministry.

Dharma Jaya president director Marina Ratna Dwi Kusumadjati said the company could not seek bank loans, as it was blacklisted by Bank Indonesia since 1996 as former directors failed to pay an initial debt of Rp 4 billion to city-owned lender Bank DKI. Over the years, the company's debt has increased to Rp 17 billion with interest.

Marina said she had done her part of the job by proposing a request for capital injection with the BPKAD and discussing her plan with city authorities. Dharma Jaya is the only city-owned firm to have its application for a 2016 capital injection rejected.

A bylaw to approve Jakarta's 2016 budget at Rp 67.1 trillion was approved last week. The budget includes more than Rp 7 trillion in government investment participation (PMP) in various city-owned firms.

Marina said the Rp 50 billion in capital injection had been intended to fund cattle-breeding in Banten, renovate cold storage facilities and slaughterhouses, among others. She said Dharma Jaya currently had about Rp 60 billion in capital, but those funds had already been allocated for other purposes.

"For the time being, we will use the funds we have efficiently. We will submit a new request for a capital injection in the revised budget," Marina told The Jakarta Post. *(thejakartapost.com)*

Indonesian Government scraps controversial cattle tax

Jakarta (24/1/2016) - The Indonesian Government will scrap its controversial 10 per cent value-added tax (VAT) on imported cattle following butcher strikes and mounting pressure from consumers and livestock industry representative bodies.

As reported by ABC Rural last week, the Government applied the revenue-raising tax to cattle imported from Australia, in a move which surprised everyone along the live export supply chain.

But on Friday, the Government's chief economics minister, Darmin Nasution, told reporters in Jakarta that cattle would once again be exempt from the VAT.

"We've asked the Finance Ministry to temporarily stop imposing the value-added tax because it has a tremendous impact on strategic food [stocks]," he said.

The Jakarta Globe described the decision to axe the newly introduced tax as the latest "policy flip-flop" by the Jokowi Government.

Speaking to ABC Rural on Friday, the Indonesian Meat Importers Association's Thomas Sembiring said the tax would have definitely hurt Indonesian consumers.

"There definitely would have be an increase in the price of beef [because of this tax]," he said.

"The price of live cattle from Australia is already quite high and that's why in West Java a few days ago the meat traders went on strike and for the whole day they did not sell any beef.

"The butchers went on strike, because they know the consumption of beef will decline [if the price of beef increases further]."

Mr Sembiring said a tax on cattle from Australia would have contradicted the Government's aim to bring down beef prices.

"The Minister for Agriculture is too obsessed with achieving self-sufficiency," he said.

"Even [without] the 10 per cent tax [on cattle], the beef price is already high, over 100,000 rupiah ($10) [a kilogram] ."

Mr Sembiring said the Government's "obsession" with self-sufficiency had also affected the price of other commodities such as rice and corn.

Local cattle have little impact on prices

Last year the Indonesian Government launched a fleet of livestock vessels to ship cattle into Java from outer islands, such as Nusa Tenggara.

Mr Sembiring said some cattle had arrived, but it was having no impact on the price of beef, and some traders did not want to buy local cattle.

Indonesian Beef Traders Association chair Asnawi has told local media that cattle from East Nusa Tenggara would not be able to meet demand in Jakarta.

He said that every day the capital city needed about 700 head of imported Brahman-cross cattle, which he said was the equivalent of 1,400 local cattle from Nusa Tenggara (NTT).

"From local cattle with an average weight of 125kg, the carcass yield is only 100kg. So if the Government wants to control the price of beef in Jakarta, they would need to bring in at least 1,200 head of cattle from NTT per day," he said.

The Jakarta Globe reported the government was expected to add two extra ports of call for its cattle vessels, in a attempt to source additional livestock from outer islands at lower prices.

It said the first two voyages of the livestock ship 'Camara Nusantara I' had "ended in disappointment," with Indonesian farmers reluctant to sell animals and traders in Java buying just 100 head of cattle from the vessel, which has a capacity of 500 animals. Read more at : http://www.abc.net.au/news/2016-01-25/indonesian-government-scraps-cattle-tax/7108344

VIETNAM THIS WEEK

Vietnam slaughter cattle market could be 450c/kg liveweight

Vietnam (19/1/2016) - THE slaughter cattle market in parts of Vietnam could currently be around 450c/kg liveweight, an Australian trade source currently passing through Central Vietnam told Beef Central this morning.

He was responding to yesterday's article on Beef Central, which highlighted recent live exporter procurement activity, taking heavy grainfed cattle for the first time out of southern feedlots for export to Vietnam out of Townsville.

The trade source said it was likely that the cattle would be going to the Hanoi area in the northern part of the country, where current temperatures were 'very cold – heavy coat and hat weather,' making conditions perfect for heavy flat back cattle out of Australia.

The suggested Vietnam market price goes some way towards explaining how live exporters can pay +300c/kg liveweight for heavy grainfed steers in southern Queensland, and transport them to Townsville by road for loading on a live export vessel bound for Vietnamese ports.

"There's no issues with liveweight. So as long as the numbers add up, this live export strategy makes sense, while ever there is a shortage of heavy cattle in northern Australia, as there currently is," the trade contact said.

"It's a fascinating development, though."

The contact reported that last month, the liveweight was higher than Ho Chi Minh (southern Vietnam), at about 71,000 dong.

Asian slaughter steer liveweight price. By : Beef Central

"Currently, the A$ rate is about Dong15,500, much stronger than the December rate, so if the price was $4.26/kg in Ho Chi Minh in December, it could be in the $4.50's in Hanoi for January," he said.

"It looks like there is plenty of scope for live export of more southern cattle into the cooler Hanoi region, especially at this time of year."

As this mid-December graph published earlier on Beef Central shows, Vietnam is currently the second highest priced market for Australian cattle, on a liveweight pre-slaughter basis. Prices in southern Vietnam in mid-December were quoted at $4.26/kg, liveweight. China was the only country with a higher slaughter liveweight price, at $5.43/kg, while Indonesia was third at $4.15.

More at : http://www.beefcentral.com/live-export/vietnam-slaughter-cattle-market-could-be-450ckg-liveweight/

Livestock ship arrives in Vietnam from WA

Vietnam (24/1/2016) - A livestock ship that spent almost two weeks stranded in Perth with sheep and cattle aboard following an engine problem has completed its journey to Vietnam.

The MV Ocean Outback discharged 5607 cattle to accredited feedlots in Vietnam at the weekend, with only three animals dying during the journey.

Including the animals that died before Wellard Live Exports purchased the cattle from Otway Livestock Exports and sailed the vessel, that is a voyage success rate of 99.87 per cent - above the required 99 per cent minimum.

The 7500 sheep from the vessel are currently under quarantine in Wellard's feedlot and will be processed in a WA export-accredited abattoir. MV Ocean Outback is now sailing to Singapore to repair the malfunction in one of its two engines. *Read more at* *http://www.9news.com.au/national/2016/01/25/12/41/livestock-ship-arrives-in-vietnam-from-wa#HcSweXSmoYrYZWLz.99*

VIETNAM Business In Brief

Agricultural centre to offer more support

The National Agriculture Extension Centre plans to carry out reforms that will enable it to offer greater practical support to farmers and assist with the restructure of the agriculture sector and building of new rural areas under a Government programme. Speaking at a review meeting in HCM City yesterday, the centre's director, Phan Huy Thong, said with the country's deeper international integration, the agriculture sector must focus on improving quality and cutting costs to improve competitiveness.

Thus, besides its usual job of helping farmers boost productivity, now agricultural extension centres must also help farmers improve quality, he said. "Agricultural extension work needs to be reformed to better serve farmers. "We must consider farmers as our customers, and agricultural extension work must be based on their needs."

Tran Van Dung, chief of the centre's representative office in the south, said efforts would be stepped up to transfer advanced technology to farmers as well as most effective production models to improve their efficiency and incomes.

The extension work would closely follow the programme on restructuring agriculture, with a focus on key tasks like applying GAP standards and technology in production, urban agricultural extension, supplying plant and animal strains that can withstand climate change, and others, he said. This year his centre would strive to create linkages between all stages from production to consumption, he said. Future training for extension workers and farmers would feature more practical sessions, he promised.

Ngo Dong Hai, deputy head of the Ministry of Agriculture and Rural Development's HCM City office, said with increasing trade barriers in overseas markets, agricultural extension services should provide greater assistance to farmers to improve the quality and competitiveness of the nation's agricultural output.

Nguyen Thanh Hai, owner of Nguyen Thanh Hai Co., Ltd, which produces fertilizers, said quality would decide the survival of agriculture, and so future agricultural extension services need to focus on helping farmers improve quality. Dung said the centre has carried out many national projects to transfer advanced technologies to farmer and achieved significant success in improving the output of key agricultural items.

Large-scale rice cultivation, F1 rice hybrids, producing poultry varieties in border provinces, and breeding shrimp to GAP standards have been among the successful projects, he said. Besides, it had, together with provinces and cities, organised many extension events last year, including forums, competitions, and fairs, to help farmers adopt new production techniques and find more outlets for their produce.

It also worked with the media to disseminate information about the Government's agricultural and rural policies besides useful tips on cultivation, harvesting, and post-harvest processing, he added.

ATIGA to remove tariffs in ASEAN by 2018

Viet Nam has signed nearly 10 free trade agreements (FTAs) bilaterally and multilaterally at different levels, notably a pact to become a member of the ASEAN Economic Community (AEC) from December 31, 2015 and the ASEAN Trade in Goods Agreement (ATIGA) to remove tariffs among the member countries by 2018. ATIGA, the first comprehensive agreement of ASEAN to monitor all commercial activities of the block, was built on the basis of the Common Effective Preferential Tariff (CEPT),the ASEAN free trade agreement (AFTA) and other related agreements and protocols.

Accordingly, the ASEAN member countries will grant priorities to each other equal or higher than those to partners in FTAs in which the block has participated in. Tariffs on most of goods were removed in 2015 and 7% of them will be flexible until 2018. Several agricultural products of Viet Nam are allowed to keep a 5% tariff after 2018.

Implementing ATIGA, by the end of 2014 Viet Nam cut 6,859 types of tax, equivalent to 72% of the import-export tariff and 1,720 tariffs were down to zero in 2015. The 687 remaining tariffs, mainly related to sensitive products in Viet Nam-ASEAN trade, will be removed by 2018.

Viet Nam mainly exports to the ASEAN member countries rice; crude oil; steel; mobile phones and components; machine, equipment, tools and spare parts; petroleum and gasoline; computers, electronic products and components. Viet Nam’s imports from the region include fundamental products; materials for local production; computers, electronic products and components; machines, equipment, tools and spare parts; and material plastic.

Agencies join hands to shorten goods clearance at port

Six agencies and entities are coordinating to form a special checkpoint at Cat Lai Port in HCMC to help import and export firms save time for customs clearance. They are the Institute of Public Health, Veterinary Center for Region 6, Phytosanitary Center for Region 2, Quality Assurance and Testing Center 3 (Quatest 3), HCMC Vinacontrol Co, and the control center for animal and animal feed. They opened offices at the port on January 14.

Dinh Ngoc Thang, deputy director of the HCMC Department of Customs, said the establishment of the office would help reduce customs clearance for cargo by two to three days and 20-30% of storage fees. Data on the department's portal will be shared and used by the agencies for cargo clearance at the port. However, some kinds of cargo are still subject to thorough checks.

Currently, the volume of cargo subject to inspections conducted by more than one agency accounts for 34% of declaration forms and 30% of goods value. A second special checkpoint will come on stream at Tan Son Nhat airport on January 15 to facilitate customs clearance at the biggest international airport in Vietnam.

Nguyen Ngoc Tuc, head of the General Department of Customs, said some special checkpoints will be activated in the northern provinces of Lao Cai and Quang Ninh to bring the number of localities having such checkpoints to seven. The seven localities are Haiphong, Hanoi, Danang, HCMC, Lao Cai, Quang Ninh and Lang Son.

Quarantine to facilitate farm produce exports: deputy minister

Deputy Minister of Agriculture and Rural Development Le Quoc Doanh said that quarantine works this year will aim at creating transparent and better conditions for businesses to boost fruit and vegetable exports, besides preventing diseases in farming production. He made the statement at a conference hosted in Hanoi yesterday.

At the event, the Plant Protection Department under the ministry said last year a landmark in Vietnamese fruit export as it started penetrating into strict markets in the world.

So far, Vietnam has exported over three tons of Thieu litchi and over 100 tons of longan to U.S. market, over 1,200 tons of dragon fruits and 10 tons of mango to Japan. Australia has officially opened its door for Vietnamese fresh litchi, a total of 16 consignments with 28 tons have been shipped to the country as of now.

The Ministry of Agriculture and Rural Development said that fruit export hit the record turnover of US$1.83 billion last year, up 23.4 percent over 2014. Many types of fruit specialties, vegetables and other high-quality farm produce will continue conquering new markets this year, it said.

Big-wig dairy producers narrowly escape $45.87 million toll

A group of domestic dairy producers that hold massive shares in the Vietnamese milk market will likely be set free of a tax arrear toll of nearly $45.87 million. In a document recently sent to the prime ,inister, the Ministry of Finance (MoF) stated that it would revoke the subordinate General Department of Customs (GDT)'s decision of collecting the tax sum from eight milk manufacturers. GDT's move aimed to recover the import tax sum that had not yet been collected. Including big names, such as Vinamilk, Nutifood, Friesland, and Hanoi Milk, the group submitted a proposal to the prime ,minister in December 2015, requesting the termination of GDT's decision.

In their proposal, dairy producers argued that a heavy toll around VND1 trillion ($45.87 million), would inevitably find its way to weigh on consumers by means of higher sales prices for many products. "Dairy products for children aged 1-6 years are currently the main output of the dairy industry. These are products that the government has already expressed concerns over, regarding the continuous rise in prices," the document stated.

The consequences may be even more serious if the new classification of 'imported material' was applicable from now on, the document added. Importing goods since 2000, these firms claimed that they have always classified their goods as Anhydrous Butterfat (ABF), coded 0405.90.10, and subject to an import tax tariff of 5 per cent. However, in 2014, the customs determined that some containers declared as such contained in fact Anhydrous Milk Fat (AMF), coded 0405.90.90, and subject to a threefold tax level of 15 per cent.

Under the existing Law on Customs, a toll can be imposed in cases where customs authorities investigate violations within a time period of five years after customs were declared. Thus, the GDT decided to review and collect tax arrears since 2010 until present. Besides withdrawing the tax arrear toll, the MoF also plans to adjust the import tariff level of AMF, recognising that the current 15 per cent is too high and could hinder the local manufacturing of many milk-extracted products. The ministry, therefore, lowered the import tariff to only 5 per cent, equal to that imposed on ABF.

MALAYSIA THIS WEEK

Boosting Sarawak's agricultural produce

Sarawak (24/1/2016) - The slide in commodities prices offers agriculture players and smallholders in Sarawak the opportunity to venture further into the downstream industries.

Despite weak commodities prices, demand for food remains robust with growing population and changing lifestyles of the people. With healthy demand for food and agriculture produce, smallholders and agriculture players should capitalise on producing more for commercialiastion as they could enjoy higher return from their businesses.

Sarawak, with its vast amount of land and rich in natural resources, has the potential to enhance the development of the downstream industries especially food processing.

Deputy Minister of Rural and Regional Development Datuk Alexander Nanta Linggi said the development of downstream industries especially food processing in Sarawak Corridor of Renewable Energy (SCORE) will create higher value products for sale.

He said the commercialisation of higher value products will enhance the agriculture sector and in turn increase the state's gross domestic product (GDP) which will also boost Sarawak's economy.

"Strong global demand, together with on-going efforts to modernise and mechanise processing of food crops such as rice, fresh produce and spices should contribute to sustained growth in the agriculture sector.

"Industrialisation within SCORE will provide greater demand for agricultural inputs as downstream food processing activity expands.

"By prudently managing its natural resources and emphasising on more downstream processing, Sarawak is ensuring higher value from agriculture produce," he opined.

Sarawak continues to grow its niche economic activities and resource-based industries, Nanta added. Sarawak also plays a central role in Malaysia's agriculture sector as a whole producing foodstuffs for local consumption and cash crops for export.

Concurring with Nanta, the Regional Corridor Development Authority (Recoda), the agency tasked with overseeing and managing SCORE believes the development of downstream industries will enable the state to enhance its economic growth.

Its chief executive officer Tan Sri Datuk Amar Wilson Baya Dandot is confident that downstream industries could spur the economic growth of the state in the future.

He remarked, "Downstream industries have the potential to grow the state's economy. The cluster of downstream industries (to be developed) will be huge."

At the same time, Samalaju Industries Sdn Bhd chief executive officer Dato Isaac Lugun foresees huge opportunities for downstream industries to set up their businesses in SCORE following the construction of Southeast Asia's first integrated phosphate complex in Samalaju, Bintulu which will come on stream in the future.

Malaysian Phosphate Venture Sdn Bhd's executive director Lim Lee Wan was quoted as saying, "The Sarawak phosphate complex will enable Malaysia to both reduce imports of phosphate products and to expand the production of halal animal feed and fertilisers.

"For Malaysia's food and fertiliser industries, this will enhance both supplies security and price competitiveness as well as establish a platform for future export oriented downstream industries," Lim said.

Meanwhile, the integrated phosphate complex will have an approximate annual production capacity of 500,000 metric tonne (mt) of phosphate and related products.

Cahya Mata Sarawak Bhd's (CMS) group managing director Datuk Richard Curtis noted phosphorus is an essential base nutrient for animal and plant growth with no substitute and is widely used in food, feed and fertiliser products.

He believed the demand is growing due to population growth, changing dietary preferences and the increased use of fertilisers in the agriculture sector.

Livestock

Read more at : http://www.theborneopost.com/2016/01/24/boosting-sarawaks-agricultural-produce/

CHINA THIS WEEK

Chinese firm cuts cattle station deal

WA (21/1/2016) - A Chinese entity with big plans for cattle production in WA has swooped on a prized station in the heart of the Kimberley.

The group is understood to have paid about $9 million for Yakka Munga, which carries about 7000 cattle and covers 189,000 hectares near Broome.

China eyes WA farms in $35m deal

The deal comes less than 18 months after oil and gas explorer Buru Energy purchased the station through receivers KordaMentha.

Buru confirmed that a wholly-owned subsidiary had entered into a conditional agreement to sell Yakka Munga.

The sale is subject to State and Federal Government approval and an agreement on Buru’s continued access to the pastoral lease.

The lease includes Buru’s Ungani oil drilling operations.

“If any of the conditions are not satisfied or waived, the sale agreement may be terminated,” the company said.

Buru did not disclose the sale price but said it reflected the increase in the value of cattle stations in the Kimberley since 2014.

Buru trumped five other bidders, including Gina Rinehart and a Malaysian group, the last time Yakka Munga was on the market.

The name of the Chinese investor behind the latest purchase was not disclosed. It is understood the group has not ruled out other acquisitions in the cattle industry.

Yakka Munga was owned by companies controlled by the family of former Pastoralists and Graziers Association vice-president Ruth Webb-Smith before they went under with debts of more than $12 million. The family blamed the 2011 ban on live cattle exports to Indonesia for much of their financial woes.

Buru also said production at the Ungani oilfield would be suspended after its next lifting was completed because of the plummeting oil price and encroaching wet season.

“During the suspension period the joint venture intends to move to a more cost-effective export route than the current arrangement through Wyndham,” the company said. Buru’s share price fell 1.5¢, or 6.5 per cent, to 21.5¢. *(au.news.yahoo.com)*

Namibia, China discuss beef exports – Official

China (23/1/2016) - A Chinese delegation arrived in Namibia on Friday to finalise an agreement for the export of Namibian beef to China, an official in the agriculture ministry has confirmed.Tina Shilongo, deputy chief veterinary officer in Namibia’s Ministry of Agriculture, Water and Forestry, said the delegation was expected to visit meat producers and livestock farmers in the southern African country.

“They are coming to do the last final arrangements,” she said, adding that the export of Namibian beef to the Chinese markets “will become a reality soon”.

Namibia and China signed a protocol on veterinary health conditions and quarantine in august last year. Under the agreement, Namibian meat producers can export frozen deboned and bone-in meat to the Asian country.

This will make Namibia the first country to sell beef to China.

Namibia exports about 17,000 tonnes of beef to its southern neighbour South Africa per year and another 10,000 tonnes to the European Union, including 1,850 tonnes to Norway. *(en.starafrica.com)*

ASIA PACIFIC THIS WEEK

CME: Volatility in Livestock Trading as Other World Markets Falter

Illustration photo by : thecattlesite.com

US (22/1/2016) - Extreme volatility appears to have become the order of the day in livestock trading as market participants struggle to price risk, write Steve Meyer and Len Steiner.

While market participants have a fairly good handle on beef, pork or chicken supply conditions and outlook, quantifying the impact on demand from another global recession is exceedingly difficult and may prove to be a fool's errand.

Do we use 1997 (Asian financial crisis) or 2007 as a template? Are global financial institutions in much better shape today or are we about to relearn the lessons of the past? Is this the third leg of the debt supercycle as a Harvard economist recently noted?

Central Banks took some extreme measures in order to fight the last recession and stave off deflation. Those measures may work when modelled on paper but they have not been tested in the real world and we may get to see their unintended consequences.

And what happens with China? The second largest economy in the world has embraced capitalism but not its political institutions.

There is more to the current market than just what are retailers featuring this week or if burger sales are holding up. The purpose of futures is to price risk and that has become an extremely difficult job these days.

USDA normally gives us an update on weekly beef and pork sales on Thursday but the report was delayed by one day due to the MLK holiday so look for those numbers tomorrow.

It is always a good idea to keep an eye on exports given that they make up a significant portion of demand for US meat products. In the current environment, staying attuned with export trends is indispensable.

As we noted earlier in the week, chicken exports remain vulnerable to new outbreaks of bird flu. USDA has worked hard with trading partners to adopt regionalised rules, whereby countries only stop buying from affected areas rather than the entire nation.

This does not mean that countries will agree to adopt these rules. Just as producer groups here fight hard to ban imports whenever there are disease outbreaks in other countries, so do other countries have to contend with their producer groups that want to ban US products.

So far the bird flu in Indiana appears to have been quickly contained but it highlights the risk for the poultry industry going forward.

Between 20 to 25 per cent of the pork produced in the US is exported. Thus small changes in export demand can have significant implications for pork availability in the US.

Last fall there was a lot of speculation about the outlook for US pork exports to China, with both packers and analysts insisting that the big spread between US and China pork prices would translate in a big surge of US shipments there.

China did in fact buy a lot of pork last fall. According to their statistics November imports were up about 86 per cent from a year ago. Unfortunately, they bought much of this pork from the EU.

Imports from Canada more than doubled in November while imports from the US were up about 10 per cent. Which highlights the effect that the strong dollar is having on our ability to stay competitive in global markets.

The latest WASDE report shows US pork exports in 2016 are expected to be up just 3.6 per cent compared to 2015 levels. Read more at : http://www.thecattlesite.com/news/49180/cme-volatility-in-livestock-trading-as-other-world-markets-falter/

INDONESIA

New cattle tax surprises live export trade to Indonesia

[22 January 2016] The live cattle trade between Australia and Indonesia is coming to terms with a surprise decision by the Indonesian government to introduce a new tax on cattle imports. In mid-January Indonesia's Ministry of Finance imposed a value added tax of 10% on feeder cattle – interpreted to mean both imported and domestic stock. Tracey Hayes, from Australia's Northern Territory Cattlemen's Association, said the tax would be of concern to the entire supply chain. "It's still difficult to determine the consequences of this decision, but one can only imagine it's going to exert pressure on pricing of meat in Indonesia," said Ms Hayes. A trade source said the tax will impact the balance between Indonesia's live cattle and boxed beef imports.

Indonesia needs 12.1mt of corn for animal feed

[22 January 2016] Indonesia's feed industry is expected to demand around 12.1 million tonnes of corn this year. The Indonesian Feed Millers Association (GPMT) projected that this year animal feed consumption will reach around 17 million tonnes. This means that feedmillers in the country will need around 8.5 million tonnes of corn. On the other hand, the National Layer Farmers Joint-secretariat revealed that layer farmers in the country this year in total need around 3.6 million tonnes of corn for their home-mixed feed.

Nampa urges cooperation to face AEC

[21 January 2016] The Indonesian Meat Processors Association (Nampa) has reminded all industry stakeholders to strengthen synergy in the wake of the Asean Economic Community (AEC) "Stakeholders should cooperate to improve competitiveness," Ishana Mahisa, Nampa Chairman, told Asian Agribiz. "To be able to compete with other Asean countries, we also hope the government will create a policy to separate meat supply for the meat processing industry. We need consistent supply especially of good quality boneless chicken at a competitive price. For now we have to follow the volatile market price," Mr Ishana informed. He urged the government to consider opening to imports of chicken MDM.

CAB to place 9.1% of its shares with Salim Group

[21 January 2016] In a filing with the local stock exchange Malaysia-based poultry integrator CAB Cakaran Corp Bhd said it has entered into a placement agreement with Plant Wealth Holdings Ltd, a company controlled by KMP Investments Pte Ltd, which in turn is 67% owned by Salim Group Chairman Anthoni Salim. CAB will place 9.1% of its shares to Salim Group for USD 7.14 million. The proceeds will allow CAB to reduce its bank borrowings and reduce its gearing from 1.05 times to 0.74 times. "By leveraging on KMP's agribusiness and retail presence in Indonesia CAB will be able to realise benefits for its customers and existing shareholders," said the company.

AI on the decline in Indonesia

[20 January 2016] In its new release, Indonesia's Ministry of Agriculture announced results of rapid tests on avian influenza (AI) reported by veterinary officers in the country through the SMS gateway. In November 2015, there were five AI cases in five villages in two provinces. The cases caused the death of 250 native birds. From 2007 to 2015, AI case in Indonesia have declined significantly ie from 2,751 in 2007 to 111 between January to November 2015.

NTT cattle not able to meet Jakarta's beef demand

[20 January 2016] As many as 353 head of local cattle from Indonesia's East Nusa Tenggara (NTT) transported via a special livestock vessel developed by the government arrived in Jakarta last December and the beef was sold at USD 5.76-6.84 per kg. According to Asnawi, Chairman of the Indonesian Beef Sellers Association, cattle supply from NTT will not be able to meet demand in Jakarta. Every day the capital city needs around 700 heads of imported (Brahman cross) cattle or equal to 1400 head of local cattle. "From local cattle with an average weight of 125kg, the carcass yield is only 100kg. So if the government wants to control the price of beef in Jakarta at USD 5.76-6.84 per kg, they should bring in at least 1200 head of cattle from NTT per day," he said.

Indonesia's measures against illegal fishing bear fruit

[19 January 2016] Indonesia needs to maintain its momentum in fishery exports as its strict measures against illegal fishing has contributed to an increase in exports last year, according to a researcher. Suhana, a researcher from the Centre for Policy Analysis, said the moratorium on permits issued to foreign fishing vessels in 2014 and 2015 had contributed to an increase in tuna exports to the US last year, while neighbouring Thailand and the Philippines saw decreases. "We need to take this opportunity to become the largest fishery-product exporter," Mr Suhana said. Based on the Ministry of Fisheries & Marine Affairs data, Indonesia's tuna exports to the US booked a 7.73% increase year-on-year from January to September 2015, while exports from Thailand and the Philippines declined by 17.36% and 32.59% respectively.

Illegal Indian beef suspected in Indonesia

[18 January 2016] The Indonesian Cattle and Buffalo Farmers Association (PPSKI) suspects that there was an illegal circulation of Indian beef in traditional markets in Indonesia between 2012-2015. Teguh Boediyana, PPSKI Chairman, said based on India's trade data, "we found around 800 tonnes or 120 containers of Indian beef were exported to Indonesia in 2012 while in 2015 the beef exports was 82 tonnes." Mr Teguh explained that India is not free from foot and mouth disease (FMD) and Indonesia prohibits beef from India due to the FMD status. "We suspect that the beef is repacked and sold at traditional markets," he said.

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MALAYSIA

Malaysia's DBE Gurney to focus on processing

[20 January 2016] DBE Gurney Resources Bhd of Malaysia which clinched a one-year contract to supply poultry to KFC last November, expects to return to the black in the financial year ending December 31, 2016 by focusing on poultry processing and its new food and beverage franchising business, reported The Edge Financial Daily. The company has also stopped supplying live poultry to focus on processed poultry products. “The profit margin for live chicken is thin and the selling price is volatile,” Managing Director Alex Ding said. Prior to this the company sold 50—50 live chicken and processed poultry products.

INDIA

Fresh outbreak of bird flu detected in India’s Tripura state

[19 January 2016] An avian influenza outbreak has been confirmed in a state owned farm in India’s Tripura state. Animal Resource Development Department Director Manoranjan Sarkar said that following reports of unusual deaths in Gandhigram State Poultry Farm samples were sent to the Bhopal High Security Laboratory. “It is confirmed to be a H5N1 outbreak and we have started the culling process,” he said. According to him, all poultry within one kilometre radius of the farm will be culled. This is the first time in the last three years that an outbreak of bird flu has been reported from Tripura.

THAILAND

EU delegation to make decision on Thai seafood ban

[22 January 2016] The European Union delegation, currently visiting Thailand to assess its progress in combating illegal, unreported and unregulated (IUU) fishing, will not make a decision this week on whether to ban Thai seafood products, the Thai government said. Vice Admiral Jumpol Lumpiganon, a spokesman for the Royal Thai Navy, said that the EU team is monitoring Thailand’s progress after it set up a centre last year to combat illegal fishing. “Once they are satisfied, they will go back and then make a decision,” Vice Admiral Jumpol told Reuters, adding that there was no timeframe for the decision.

Thai Union hires workers from former pre-processing suppliers

[21 January 2016] Thailand’s Thai Union (TU) has hired almost 1,200 former employees from external pre-processing facilities. After ending all relationships with external pre-processing facilities to help ensure full oversight of the entire processing and supply chain, TU has offered safe and legal employment to workers from former suppliers. The new employees will work at TU’s factories in Samut Sakhon. “Ensuring transparency and traceability of our supply chain and upholding the rights of our employees is of paramount importance,” said Rittirong Boonmechote, President of TU’s Global Shrimp Business. The new employees will be paid wages consistent with the minimum wage policy under Thai law.

Thailand develops key systems to fight illegal fishing

[21 January 2016] Thai authorities have developed key systems to combat illegal fishing. The Command Centre for Combating Illegal Fishing (CCCIF) said recently that two main systems have been set up. First, Monitoring, Control and Surveillance systems have been established at the CCCIF and the Department of Fisheries. Vessel monitoring systems have been installed in 2,076 out of 2,216 fishing vessels of over 60 tonnes gross. This system has led to more effective monitoring and detection of vessels that engage in illegal fishing. A traceability system has also been launched, which enables officers and consumers to detect whether fishery products originate from illegal fishing.

Thailand's DLD urges goat farming amid declining rubber prices

[20 January 2016] With declining rubber prices, Thai plantation owners are being urged to reduce their rubber-growing area and shift to raising goats and beef cattle, said Ayut Harintranon, Director General of the Department of Livestock Development (DLD). Thailand will see low rubber prices for the next four years amid global oil supply glut. However, goat and beef cattle are in high demand and there is not enough land to raise them in Thailand, Dr Ayut said, adding that DLD is supporting farmers to raise goats as a group. Each farmer group should have at least 10 goat farms, with 32 goats on each farm. "There is a strong demand for goat meat in Vietnam," Dr Ayut said.

EU delegates to inspect Thai fishing industry this week

[18 January 2016] Thailand is prepared to report on the progress of its clampdown on illegal, unreported and unregulated (IUU) fishing to the European Union this week, said General Prawit Wongsuwan, Deputy Prime Minister. General Prawit told The Nation that 2,076 fishing vessels of over 60 tonnes gross were equipped with a vessel monitoring system. EU representatives will visit Thailand from January 18 to 22. Meanwhile, Captain Benjamaporn Wongnakornsawong, secretary for public affairs at the Command Centre to Combat Illegal Fishing (CCCIF) said that the authorities have completed 80% of the IUU requirements in terms of law and policy. The EU gave Thailand a warning last year to fix the problem or face an export ban to the EU.

VIETNAM

Vietnam hit by H5N6

[18 January 2016] Vietnam has reported two more H5N6 avian flu detections in poultry, according to a report last Thursday to the World Organization for Animal Health, OIE. Both were in backyard poultry, in Tuyen Quang province in the north and in Kon Tum province in the south central region. The virus killed 1,045 birds, with the remaining 3,511 were culled to curb the spread of the disease. Vietnam is among four countries reporting recent H5N6 detections. The others are China, Laos, and Hong Kong.

ASIA PACIFIC

South Korea halts US poultry imports again due to AI

[22 January 2016] South Korea has halted imports of US poultry and poultry meat just two months after shipments resumed, following a fresh discovery of avian influenza (AI) in the US, the Agriculture Ministry said. The ban will not apply to imports of poultry meat that has been heat-treated. A new strain of AI H7N8 was detected at a turkey farm in Indiana State, the US Centres for Disease Control and Prevention said. South Korea had lifted a ban on US poultry and fresh meat imports on November 19 last year.

South Korean food producers set sights on halal market

[19 January 2016] South Korean processed food companies and farmers are increasing efforts to tap into the rapidly growing global halal market. According to data by the farm ministry, shipments of food and agrofisheries products to Muslim countries belonging to the Gulf Cooperation Council (GCC) moved up 5.9% year-on-year to USD 339 million in the January-November 2015 period. From 2010 through 2014, halal exports rose a solid 69.3%, outpacing the 51.5% growth in farm and food exports for the country overall. Besides the GCC countries, exports to Indonesia, Malaysia and Iran have all risen significantly. "With the global Muslim population on the rise, the possibility for growth is limitless," an official at CJ CheilJedang said.

Philippines' GenOSI celebrates 25th year

[19 January 2016] GenOSI, a Philippine food processing company that is a joint venture between the OSI Group and the Philippines' General Milling Corp and Alaska Milk Corp, celebrated its 25th year in December 2015. From producing only two items and supplying only 31 restaurants when it started in 1990, the company is now a leading processor of beef, pork, chicken and fish products for global and local chain restaurants throughout the Philippines, supplying almost 500 restaurants a variety of high-quality food products. GenOSI also manufactures private label retail brands for area grocery stores.

Aman feed to tie up with Tamim Agro

[18 January 2016] Bangladesh's fisheries and livestock feed producer Aman Feed Limited has decided to tie up with Tamim Agro for floating fish feed production and supply. Under the agreement, Aman Feed will provide raw materials and Tamim Agro will produce and supply floating fish feed to the company on a monthly basis. Aman Feed will sell this floating fish feed through its existing distribution network in the country. According to a disclosure posted on the Dhaka Stock Exchange, the agreement will be implemented from March 1, 2016.

Source : Asian-agribiz.com