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Rebecca Jones takes over Gafta Presidency

At the well-attended Gafta AGM, **Jean-Raymond Senger** formally handed over his medal to the 2024 President, **Rebecca Jones** of ADM. We look forward to the year ahead with Rebecca and are very grateful to Jean-Raymond for his inspiration and thoughtful input during his presidency year.

Rebecca serves as the Chief Counsel for ADM's Ag Services & Oilseeds business. She leads the legal strategy for the origination, transportation, global trade, fertiliser, crush and refined oils businesses, along with providing strategic legal advice for ADM's sustainability programme.

"Our purpose at ADM is to unlock the power of nature to enrich the quality of life around the world, and to build a culture of innovation that continues to drive our strategy forward," Rebecca told Gaftaworld. "From our unparalleled capabilities to meet customer needs every day, to our strategic planning, to our personalised services with growers, all of us at ADM are committed to delivering ag and food products to ensure we're meeting global nutritional needs."

Rebecca has been a Gafta Council Member since 2020 and has served on the Corporate Governance Sub-Committee and is the Committee Chair for the Arbitration Committee. "I am honoured to step into the Presidency role most recently held by Jean-Raymond Senger, who along with his predecessors, provided excellent leadership, support and advocacy for Gafta and the industry," she added. "I will strive to continue Gafta's efforts of increasing its diverse and global membership, protecting Gafta and its members' best interests and intellectual property rights, and highlighting the importance of all the services Gafta seamlessly provides its members and the industry."

Gafta Committees met during week of AGM in London

Gafta kicked off 2024 activities with a number of meetings in the week of 15 January, at the beautiful Caledonian Club in London. The International Contracts Committee met to consider various agenda items and the Gafta Council discussed Gafta's ambitions for the year and also looked forward to what is coming next for the trade. Following the AGM on 18 January we ended the week's activities with the Past Presidents' lunch, catching up with many old friends who have given their time to the association. Thank you to everyone who attended and contributed. We are looking forward to an exciting and busy 2024 with you all!

Current Gafta President Rebecca Jones with previous Presidents Gavin Millar, Rolf Peters, Roberto Rocco and Pedro Palomo

Paul Harrison has been appointed as Deputy President at Gafta. Based in Geneva, he currently holds the position of Vice President - Agri Commodities at SGS Société Générale de Surveillance SA. He oversees the commercial and strategic aspects of a business that offers inspection, testing and certification services to the global agri-commodity trade, spanning 102 countries worldwide. Paul told Gaftaworld: "SGS is actively engaged in all major trade flows of agri-commodities, providing important services that reduce risk and add value to the global food supply chain. It's an exceptionally dynamic and interesting environment to be a part of."

Paul has consistently recognised Gafta's pivotal role in the success of the international grain trade since attending a Trade Foundation Course 35 years ago. He has served as a Gafta Council member since 2020, actively contributing to Gafta's Sustainability Sub-Committee and Finance Sub-Committee.

Reflecting on his experience, Paul commented, "Serving as a Council member has been extremely rewarding, and I am deeply honoured to now

take on the role of Deputy President. I am particularly passionate about Gafta's education programmes and am committed to supporting others in achieving their sustainability goals and enhancing efficiency through digital initiatives. My dedication is directed towards assisting Gafta in promoting international trade and best practices in the times ahead."

Letters of credit, sanctions and fraud

By Stephanie Morton, Senior Associate and Brian Perrott, Partner, HFW

Letters of credit are an indispensable tool in international trade. They intend to provide a seller with certainty that it will receive payment. However, certain situations can cast doubt on that certainty. It can be especially unclear how issues relating to fraud and sanctions affect payment obligations under letters of credit. If seller confidence is undermined, this could seriously impact their usefulness.

Two recent cases show how the courts in the UK and Singapore are approaching these issues.

Celestial Aviation Services Limited v UniCredit Bank AG [2023] EWHC 663 (Comm)

Celestial Aviation Services (the "**Claimant**") was an Irish aircraft lessor involved with leasing aircraft to Russian companies. Letters of credit were issued to the Claimant in connection with these activities. These letters of credit were confirmed by UniCredit (the "**Defendant**"). The letters of credit were governed by English law and were payable in USD.

The Claimant made valid demands under the letters of credit. It was common ground that the Defendant was liable to pay subject to sanctions. However, the Defendant refused payment on the basis that it was prohibited from doing so by sanctions. The English High Court was asked to decide whether UK or US regulations prohibited payment or excused non-performance.

The Court decided the UK regulations in question[1] did not relieve the Defendant of the obligation to pay the Claimant. In doing so, it took a purposive approach to interpreting the statute rather than a literal one. It also emphasised that letters of credit are fundamentally independent of the underlying transaction.

With respect to US sanctions, the Court notably referred to *Libyan Arab Foreign Bank v Bankers Trust*[2] which held that a beneficiary is entitled to demand payment in cash where a contract requires a USD payment. This meant that even if it would have been unlawful to transfer payment via a US correspondent bank, the Defendant was not discharged from an obligation to make payment via other means.

Crédit Agricole Corporate & Investment Bank v PTT Energy Trading Co Ltd [2023] SGCA(I) 7

This matter concerned a fraud perpetrated by Zenrock Commodities Trading ("**Zenrock**") in connection with a circular chain of FOB crude oil trading contracts.

Zenrock had applied for a letter of credit to be issued to PTT Trading Co ("**PTT**"). In doing so, it had provided the Bank with a fabricated sale contract with another party which contained a much higher price than the true sale contract. PTT itself was not held to have acted fraudulently in these transactions.

The letter of credit allowed PTT to be paid upon presentation of the commercial documents and an LOI rather than original bills of lading. On discovery of the fraud, Crédit Agricole aimed to restrain payment to PTT under the letter of credit. Two issues were considered by the Singapore Court of Appeal.

First, could Crédit Agricole set aside the letter of credit and avoid liability by relying on Zenrock's fraud?

The Singapore Court of Appeal held it could not. The letter of credit was held to be separate and autonomous from the underlying contractual relationship. Furthermore, the beneficiary was not a party to the fraud and so Crédit Agricole was not entitled to rely on the exception on the basis that there was a fraudulent presentation by the beneficiary.

Second, did the LOI entitle Crédit Agricole to indemnification by PTT?

The LOI contained a warranty that PTT had marketable title. It also provided that PTT would indemnify Crédit Agricole for damage resulting from the original bills of lading remaining outstanding. Payment by Crédit Agricole on the due date was not held to be a condition precedent to its reliance on the LOI. Crédit Agricole was therefore entitled to indemnification from PTT.

Commentary

Reassuringly for sellers, both cases uphold the principle of autonomy, that the letter of credit is fundamentally separate from the underlying transaction. As such, the fact that a broader transaction may be tainted by fraud or subject to sanctions may not excuse non-performance under a letter of credit. Further, even though payment might be more difficult to achieve, where payment remains possible without breaching sanctions, the obligation to pay remains.

Holman Fenwick Willian Singapore LLP is licensed to operate as a foreign law practice in Singapore. Where advice on Singapore law is required, we will refer the matter to and work with licensed Singapore law practices where necessary.

[1] Regulations 11, 13 and 28 of the Russia (Sanctions) (EU Exit) Regulations 2019 No. 855
[2] Libyan Arab Foreign Bank v Bankers Trust [1989] 1 QB 728

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Minor Update to the Gafta No. 132 Fumigation Rules

Gafta's Approved Registers Committee and the International Contracts Committee approved a minor amendment to the Gafta No.132 Fumigation Rules. The new version is published on the Gafta website, and is effective immediately. It can be accessed at: **www.gafta.com/contracts**.

Red Sea shipping - risks and contractual considerations

By Julie Mangiante, Vice President, Claims and Ganna Feldman, Senior Claims Executive, Skuld Western Europe, Assuranceforeningen Skuld (Gjensidig)

Gafta members will be very much aware of the importance of the Suez Canal transit route, which was reportedly used in more than 11% of grain and oilseed shipments in 2022[1]. The following year saw an increase in the Suez use as a grain and oilseed transit route due to the congestion of the Panama Canal[2].

The maritime security situation in the Suez Canal, Red Sea and Gulf of Aden deteriorated significantly in late 2023 and early 2024 with the renewed Israel/Gaza conflict and the Houthi reaction to this. Since 14 November 2023, at least 27 targeted attacks against specific vessels by Houthi forces have been recorded in the Red Sea and Gulf of Aden[3] (by end of January).

Initially, it was considered that only vessels proceeding to or from Israeli ports, or vessels with another clear Israeli nexus, were at risk. However, analysts now view the risk to all merchant vessels to be elevated in the Red Sea and Gulf of Aden, with a severe risk to Israeli linked vessels (whether via port calls, ownership or commercial relationships) and vessels linked to the US, UK and other countries engaged in the anti-Houthi Operation Poseidon Archer[4]. The risks involved to vessels include the risk of a missile, aerial or drone attack, as well as possible seizure and detention[5].

This has resulted in some difficult decision making for trade: either risk the vessel being attacked whilst proceeding via the Red Sea/Gulf of Aden or face the extra costs of the vessel waiting for instructions in a "safe area" or deviating via the Cape of Good Hope. Whether the vessel is at liberty not to proceed via the Red Sea/Gulf of Aden and who the ensuing extra costs rest with depends on the content of the charter party[6].

If the vessel is on time charter that incorporates the BIMCO CONWARTIME 2013 clause, which says .."*(b) The Vessel shall not be obliged to proceed or required to continue to or through, any ports, place, area or zone, or any waterway or canal (hereinafter "Area"), where it appears that the Vessel…, in the reasonable judgement of the Master and/or the Owners, may be exposed to War Risks whether such risk existed at the time of entering into this Charter Party or occurred thereafter…*", then anything done in compliance with Owners' rights under the clause will not be deemed as a deviation. The clause does not expressly entitle the Owner to proceed via a different route, if triggered.

If the vessel is on a voyage charter that incorporates the BIMCO VOYWAR 2013 clause, then provided that *"in the reasonable judgement of the Master and/or the Owners, performance of the Contract of Carriage, or any part of it, may expose the Vessel, cargo, crew or other persons on board the Vessel to War Risks"*, the Owner would have the right to cancel the charterparty prior to loading, discontinue loading operations or cease to proceed or continue the voyage, or give notice to the Charterer that a longer route will be taken if certain conditions are met.

In terms of the potential financial exposure to the Charterer, the triggering of the above clauses would mean that if it is decided for the vessel to proceed via the Red Sea/Gulf of Aden, the Charterer may be exposed to the Owner's Additional War Risks Premium, as well as crew bonuses (in a time charter context). Should the Red Sea/Gulf of Aden be avoided via the operation of the above clauses, a Time Charterer may be exposed to a greater sum of hire and bunkers expenditure on account of the vessel waiting for instructions or taking a longer route, whilst a Voyage Charterer may be exposed to extra freight.

Older versions of the BIMCO war risks clauses may be incorporated into charter parties. Some of these have a narrower definition of the war risks. At times, there are no express provisions for Additional War Risks Premium compensation to an Owner.

Any war risks charter party clause must, of course, be read within the wider context of the charter. For instance, if a charter party contains a provision such as *"Red Sea/Suez always allowed"*, then a recent Supreme Court of the UK decision, *The Polar* ([2024] UKSC 2) regarding piracy risk, confirmed that if an Owner has agreed to proceed on a particular route, then a change in the nature of the risk, or a change in its degree sufficient to make it *qualitatively different from the one known and contemplated at the time the charter was agreed, may be necessary to justify a changing route.*

Apart from the difference in contract terms, each Red Sea/Gulf of Aden voyage case will be highly fact sensitive and dependent on the risk assessment performed by the Owner and vessel at the relevant time. Charterers are recommended to consider this when requested for instructions from Owners on how to proceed on the voyage.

If a dispute arises as to whether the Owner was within his contractual rights to deviate in order to bypass the Red Sea/Gulf of Aden and the extra costs claimed remain unpaid, an Owner might seek to exercise a lien on the cargo or the sub-freights. The likelihood of Owner's success will not only depend on the terms of the charter and bills of lading, but also on the local jurisdiction at the port of discharge.

Gafta members chartering vessels expected to proceed via the Red Sea/Gulf of Aden are recommended to become very familiar with the daily changing situation in the area, and to avail themselves of assistance from their Charterers' Liability insurer, publications and seminars of various London shipping and trade law firms as well as maritime security providers. Potential longer transit times may need to be accounted for if the cargo is at risk of deterioration during a prolonged period onboard. Where Gafta members are entering into new charters, they should carefully consider whether the terms sufficiently protect their interests, and if not, attempt to agree additional terms. Contingency reserves for potential increased costs of the voyage are advisable.[7]

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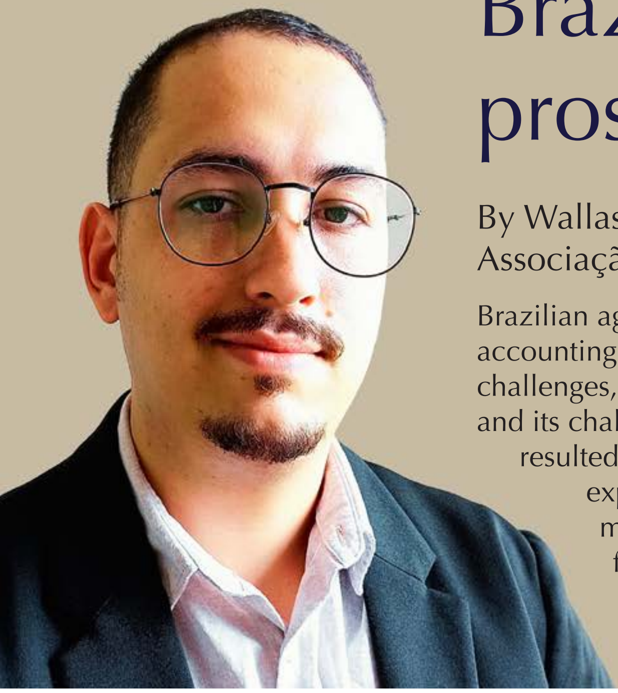
1 https://www.tradewindsnews.com/bulkers/grain-most-likely-dry-commodity-to-be-affected-by-any-disruption-to-red-sea-shipping/2-1-1566619
2 Ibid; https://www.ams.usda.gov/sites/default/files/media/GTR11232023.pdf
3 RiskIntelligence Report dd 31 January 2024, p. 8.
4 https://www.skuld.com/topics/port/piracy/updated-threats-to-shipping-in-the-red-sea/
5 Ibid.
6 This articles presumes that the charter party contracts discussed are subject to English Law and jurisdiction of a London Tribunal or English Court.
7 This article was prepared using materials previously prepared by Mr. Glenn Winter of Winter & Co.

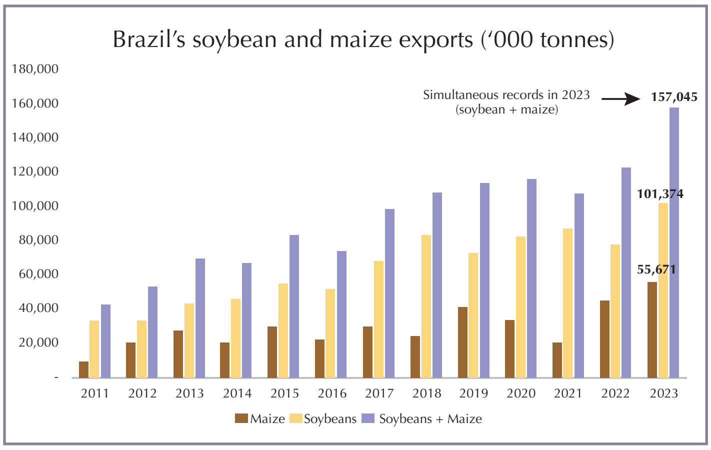


Brazil: Harvest 2023 and prospects for harvest 2024

By Wallas Felippe de Souza Ferreira, Agricultural Engineer, Associação Nacional dos Exportadores de Cereais (ANEC)

Brazilian agribusiness exports in 2023 amounted to $166.55 billion in sales, accounting for 49% of the Brazilian export agenda. Faced with agricultural challenges, the year 2023 highlighted the robustness of the Brazilian grain chain and its challenges in storage and export logistics. This remarkable performance resulted in a simultaneous record in soybean and maize exports, with Brazil exporting over 180M tonnes of grain, including soybeans, soybean meal, maize and wheat. The process began with the production of grains from more than 200,000 agricultural properties. These grains were transported by road, river and rail and delivered to processing units or directly to Brazilian ports.

Efficient logistics ensured that these goods arrived punctually at 14 Brazilian ports equipped with 61 maritime terminals. The operation involved a significant volume of grains, meeting the price and quality requirements demanded by importing countries. Exports were distributed globally through more than 3,000 ship journeys, reaching 70 different countries.



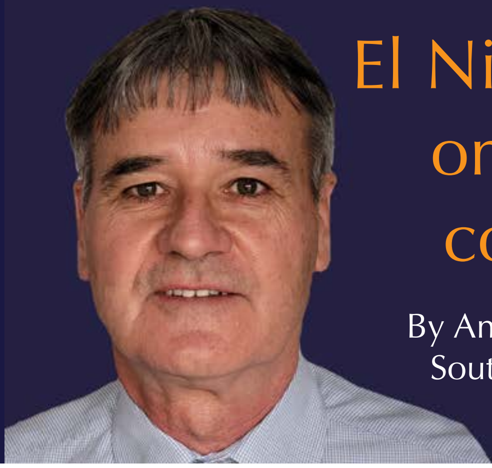
Brazilian soybean and maize achieved production and export records in 2023. **Soybean production reached 154.6M tonnes, and maize production reached 131.9M tonnes.** In 2023, 101.3M tonnes of soybeans and 55.7M tonnes of maize were exported, totalling 157M tonnes. The primary destination for Brazilian soybeans was China, accounting for 75% of the total volume (75.6M tonnes). Additionally, there were unusual destinations during the year, such as Argentina, which imported 2.2M tonnes due to a crop failure, and the United States, which imported 420,000 tonnes due to the attractive prices of Brazilian soybeans.

The main destination for Brazilian maize in 2023 was China, a shift from previous years. Through the protocol signed between Brazil and China, maize exports to the Asian country began in November 2022. Since then, more companies have been obtaining the necessary registrations from the Ministry of Agriculture of Brazil (MAPA) and the General Administration of Customs of the People's Republic of China (GACC), becoming eligible to export to the country and thereby intensifying volumes during 2023. China contributed to the Brazilian record in maize exports, placing Brazil in the top rank of the world's largest maize exporters, surpassing the United States, which exported 42.2M tonnes (13.4M tonnes less than Brazil). Brazilian maize was attractive to the Chinese market, leading them to cancel shipments from the U.S. between April and May in exchange for maize from Brazil. China imported 17M tonnes of Brazilian maize, representing 31% of total maize grains exported by Brazil in 2023.

The 2023/24 harvest will face a reduction due to the impacts of El Niño and climatic conditions that delayed planting of the summer crops, especially soybeans and first-crop maize. In the U.S. and Argentina, on the other hand, an increase in production is expected throughout 2024, which could exert downward pressure on prices and result in stockpiling. A challenging scenario is anticipated for the agricultural sector in 2024.

It is also relevant to consider indicators reflecting global demand. Projecting more moderate global growth, the World Bank estimates a 2.4% increase in the global economy in 2024, below the pre-pandemic historical average. Despite China, the destination for 38% of Brazilian agribusiness exports in 2023, continuing to show growth (4.5% in 2024), the rate is lower than the country's historical record. Other important regions, such as the EU, U.S., and Japan, are also expected to register more modest growth.
In 2024, the Brazilian and global agricultural sectors may face challenges such as climatic, sanitary and geopolitical issues. In this context, the production and export sectors must be vigilant to market signals and elements that can positively or negatively impact supply and demand results, leading to price instability. The adaptability of the Brazilian agricultural sector to numerous changes, especially in production and exports, is highlighted for its significant growth.

See page 13 for update on new pesticide legislation in Brazil.



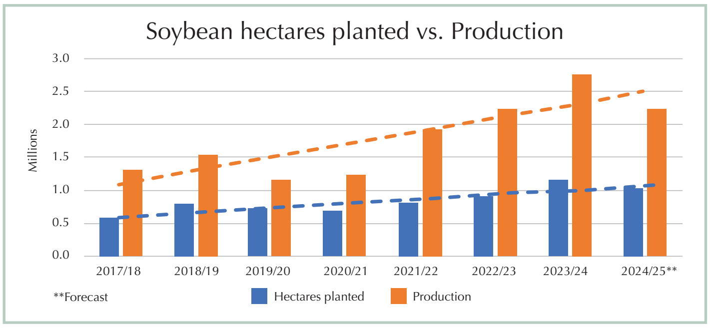
El Nino's potential impact on the South African commodity outlook

By André van der Vyver & Juan-Pierre Kotze, South African Cereals and Oilseeds Trade Association (SACOTA)

Soybeans

In recent years, South Africa has witnessed a surge in soybean production. Just five years ago, in the 2019/20 season 730,500 ha were dedicated to soybean cultivation, yielding 1.167M tonnes. The area planted increased to 1.15M ha for 2023/24, an increase of 57%. Accompanied by the increase in planted area, South Africa increased the local production of soybeans to 2.76M tonnes, representing a 136% increase in production for the same period.

This impressive increase in tonnage is not solely attributed to the expansion of cultivated hectares, but is also a testament to the growing efficiencies in soybean yield of South African farmers. As new technologies continue to be implemented and farmers gain expertise in soybean cultivation, efficiencies are expected to rise even further. Soybeans are a relatively new crop in South Africa compared to the traditionally planted maize, showcasing the potential for continuous improvement.

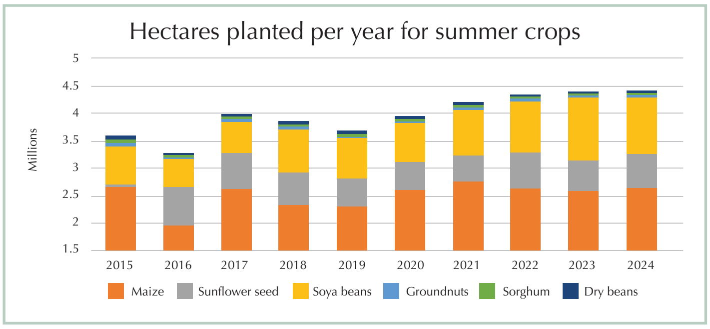


This surge in production has not only made South Africa self-sufficient in soybeans but has also positioned the country as an active player in the global soybean market. In 2022/23, South Africa exported 277,500 tonnes of soybeans. This comprised nine export vessels and a small portion (9%) of exports to neighbouring countries. During the current season (March 2023 to February 2024), South Africa anticipates exports of around 600,000 tonnes of soybeans. This is a significant increase and the number of vessels will also increase from 9 to 17. Local cross-border exports remain small at approximately 5%. The 17 vessels were shipped to six countries, four of these countries being in Southeast Asia due to South Africa's geographical competitive advantage. China and Malaysia accounted for 70% of these exports, with South Africa exporting 147,000 tonnes and 271,000 tonnes respectively to these countries. Furthermore, South Africa has since opened the market for exporting soybeans to Indonesia, another lucrative market opportunity, although no transactions have been concluded yet.

For the upcoming 2024/25 season, the government's Crop Estimates Committee (CEC) estimated that South Africa has planted approximately 1.04M ha of soybeans, slightly down from the 1.15M ha in the previous season. This could be attributed to the El Niño year South Africa is currently experiencing. Rains came late which made some farmers switch from soybeans to maize. For most areas there are two months of the growing season left - February and March. With El Niño prevailing, although it is weakening, there are some uncertainties over weather conditions. However, in most areas there is sufficient sub-soil moisture due to good rains experienced in December 2023 and January 2024, mitigating the potential impact on overall production. Nonetheless, due to late plantings, yields are expected to be slightly lower than last year. It is too early to accurately predict the crop size and particularly potential exports.

Maize (Corn)

South Africa has seen good maize production for the past four years since 2020/21, consistently producing over 15M tonnes each year. This constant production has led to sufficient carry-over stocks and exportable surpluses every year. Despite the current uncertainties regarding the El Niño phenomenon this trend is expected to continue in the upcoming 2024/25 season. As indicated below, maize hectares planted for this season were less affected and increased slightly.



Over the last three years, South Africa typically produced 4M tonnes of surplus maize after supplying the local market. Assuming existing carry-over stocks of approximately 2M tonnes, the surplus is then exported.

Wheat

South Africa typically produces around 2M tonnes, supplemented with imports of around 1.6M tonnes. In 2023/24 (October to September) production is forecast to be 2.1M tonnes and imports to be 1.65M tonnes with total demand at 3.25M tonnes. Demand has seen only a modest 0.3% average annual increase over the past decade. Hectares planted have remained fairly constant at 514,000 hectares.

While South Africa imports a significant portion of the total wheat required, the country also exports wheat to neighbouring countries. This is due to South Africa having some logistical challenges, leading to the export of wheat from northern regions to neighbouring countries while concurrently importing wheat through ports. This season South Africa forecasts to export approximately 270,000 tonnes of raw wheat and wheaten products.

Sunflower seed

The South African sunflower seed market is expected to shrink slightly in 2023/24 (May to April) compared to the previous season, with an expected production of 724,000 tonnes from 555,700 hectares planted. Current projections are for production to increase in 2024/25 with hectares planted forecast at 613,200. This increase in area planted can be attributed to the late rains which impeded soybean planting and prompted farmers to allocate additional land to maize and sunflower seed cultivation.

André van der Vyver holds the position of Executive Director at SACOTA and Juan-Pierre Kotzé is responsible for research and projects.

Australian harvest overview

By Philip Hughes, CEO, Viterra Australia/New Zealand

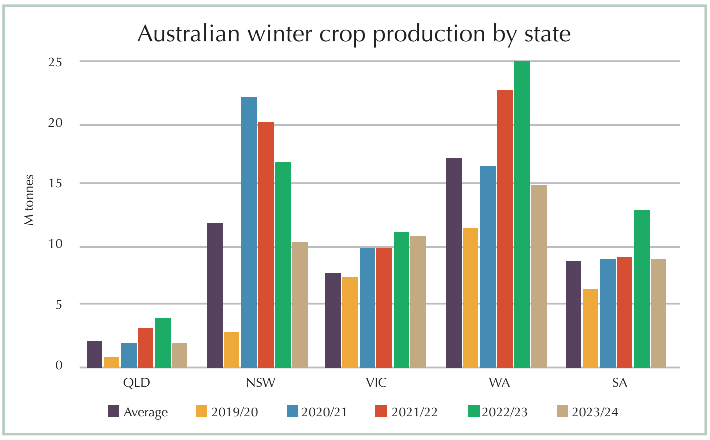
The 2023/24 season has seen Australia produce a statistically average winter crop of 46.4M tonnes, a remarkable result given the dry spring conditions experienced by most of the country's growing regions.

After three consecutive record seasons of 59-70M tonnes, Australia's 2023/24 production came in very close to the 15-year average, though below the trend average.

The impacts of an El Niño weather pattern over the growing season saw reduced rainfall, less than 50% of average in most regions. Modern farming practices, some deep subsoil moisture from the prior year and relatively mild temperatures gave growers a result that was much better than expected.

The cereal crops of wheat and barley made up close to 80% of Australian winter production at 55% and 25% respectively. The pulse crops of chickpeas, field peas, faba beans, lupins and lentils collectively accounted for around 8% of Australian production, while canola came in at 14%.

Winter crop production overall was down 33% from the record production of 69.9M tonnes in 2022/2023. Most of Australia's five major producing states individually saw production decreases close to 35% apart from Victoria (VIC) which was down just 5%.

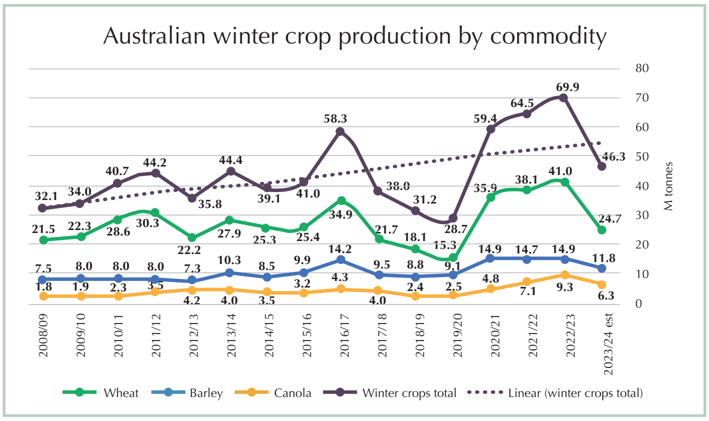


Australia's largest production state is Western Australia (WA) which produced a winter crop of 14.9M tonnes in 2023/24. While this was a reduction of 10.2M tonnes from last season's record 25.1M tonnes, it was marginally below the long-term average. Similarly, production in New South Wales (NSW) was reduced after three successive large crops, with 10.2M tonnes in 2023/24, compared to last season's 16.8M tonnes, though not much below their longer-term average crop size.

Australian wheat production in 2023/24 is estimated at 24.7M tonnes, a reduction of almost 40% from last season's record 41M tonne crop. Wheat hectares were down around 9%, with the biggest reductions in Queensland (QLD) and NSW on the east coast of Australia. Some of the hectares that growers had planned for wheat went to barley at sowing time. With the dry start in May growers took the less risky option and sowed barley. A key feature of the wheat quality from WA, South Australia (SA) and VIC has been above average proteins with high test weights due to the dry finish to the season. NSW and QLD produced wheat with below average protein after successive seasons of strong production and a lack of in-crop rains dispersing applied fertiliser. Some regions saw late rains in the final weeks of harvest contributing to some wheat quality downgrades, but this will be mainly consumed by local feed markets.

Barley hectares were up over 10% year on year while lower canola pricing signals in April and May at sowing time saw growers nationwide decrease canola planted area by 400,000 hectares, after two years of very large increases. As a result, canola production was down over 30% from the previous season's production to 6.3M tonnes.

The five major pulses produced an estimated 3.6M tonnes combined which was 1.1M tonnes less than the 2022/23 season. Australian lentil production continues to grow on the back of continuing hectare growth, despite production in 2023/24 being lower than last year's record crop on the back of lower yields.



Australian crop conditions

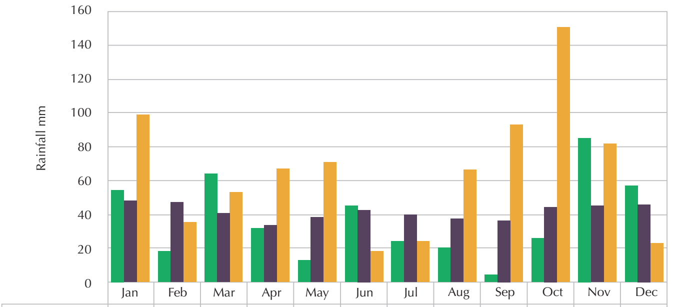
Australian winter crops are sown late April until early June with most sowing activity taking place in May. May rainfall was quite low in WA, NSW and QLD and marginal at best in SA and VIC.

Northern NSW and QLD both rely heavily on good summer rainfall, typically December to March, which was also lacking this season. With three strong seasons under their belt, growers in these regions reduced their risk and put some crop in with a barley bias, as well as leaving fallow for sorghum summer crop later in the year in the hope that rainfall might eventuate.

Mid-year El Niño warnings were discussed but not officially confirmed until September. Each Australian state could see the climate effects with much drier weather and changed patterns.

Grower moisture conservation, modern varieties and no-till practices have demonstrated the ability of growers to adapt to changing weather conditions and still produce reasonable crops.

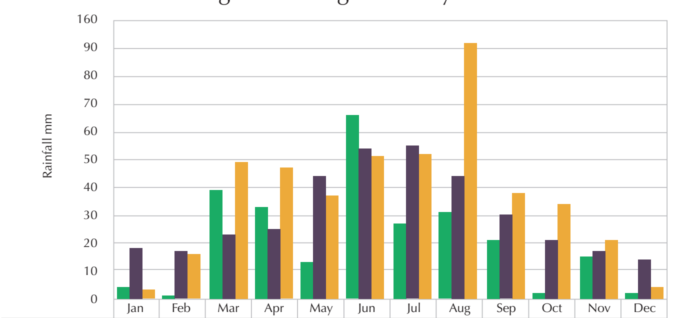
NSW weighted average monthly rainfall



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2023 rainfall	54	18	64	32	13	45	24	20	4	26	85	57
Avg Rain	48	47	40	33	38	42	39	37	36	44	45	46
2022 rainfall	99	35	53	67	71	18	24	66	93	151	82	23

Both SA and VIC had an average start to the sowing season in April and May and whilst June rainfall was good in SA, June rainfall in VIC was above average. However, July to October rainfall was barely half of average across the board, which put the crop under pressure at springtime. SA saw 198mm (72%) of growing season rainfall (GSR) against an average of 272mm. VIC saw relatively better conditions with 248mm (85%) of GSR received, compared to an average of 290mm. VIC fared better than SA as it had near 200% of rainfall in June 2023 which was timely in marrying up topsoil with the stored subsoil from good rains in October to November the season before. SA didn't quite get enough rainfall to link topsoil and subsoil in that critical winter period.

WA weighted average monthly rainfall



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2023 rainfall	4	1	39	33	13	66	27	31	21	2	15	2
Avg Rain	18	17	23	25	44	54	55	44	30	21	17	14
2022 rainfall	3	16	49	47	37	51	52	92	38	34	21	4

WA received a break to the season in April but experienced a dry May. The region gained some confidence from a solid wet period in June but was let down with July to October rainfall resulting in GSR of just 194mm (68%) compared to an average GSR of 283mm. Without a good subsoil profile from residual 2022 rainfall, it was exposed to the dry spring which resulted in below average yields.

Supply chains

Australian supply chains were stretched from the three recent record seasons resulting in a buildup of carryover grain.

Carryover of all grains topped out at 15M tonnes at the end of last season, compared to a more typical 6-7M tonne forecast at the end of this season. The 2022/23 marketing year saw a record volume of 51M tonnes of grain exported.

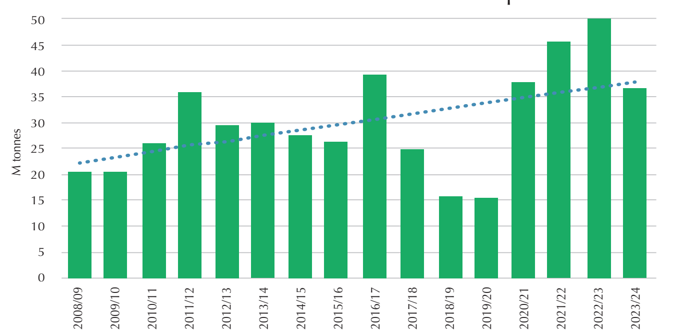
With continued demand, we expect Australia to export an above average volume of 36.5M tonnes due to carryover flowing into this 2023/24 marketing year.

This season, stock availability will be in the traditional export states of WA, VIC and SA with around 32M tonnes of exports and just 4.5M tonnes of exports likely from NSW and QLD combined. NSW and QLD are more domestically focussed with 10M of the 15M tonnes of production this season likely to be consumed locally, limiting exports.

Exports and supply

The Australian balance sheet for winter crops sees strong availability of grains at a predicted 35-36M tonnes. With lower production, export availability this season will be supported by the large carryover from previous seasons. With export supply chains stretching to accommodate the record crops of the past three seasons, the task this season should be more straightforward, although export pace is always focussed on the first half of the marketing year from October 2023 through to April 2024. This will likely see the last half of the export campaign much more subdued as stocks return to a more typical level. Exports in bulk dominate with a predicted 32.5M tonnes, whilst exports in containers are likely to be 4M tonnes.

Australian total bulk and container exports



Wheat is the largest export grain, with an expected 20M tonne export volume compared to last year's massive 31M tonnes. Barley exports for the 2023/24 season are estimated at 7.5M tonnes, very similar to last season's total. Canola exports for 2023/24 are estimated at 5.5M tonnes compared to last season's record of 6.5M tonnes. Pulse exports are forecast at 2.8M tonnes against last season's massive 4M tonnes. Lentils are now the biggest pulse crop and have become a bigger focus over the past two years as growers increase hectares.

Summer crop prospects

The NSW and QLD regions are Australia's sub-tropical climates that produce summer crops, typically focused on cotton and sorghum. Largely, there are three distinct regions: central QLD, southern QLD and northern NSW. The same regions are also smaller producers of corn and soybeans targeted towards domestic consumption. The summer grain focus is on sorghum which is largely planted over the later months of 2023 depending on soil moisture.

Our current forecast for the 2023/24 sorghum planted area is a reduction versus last season of around 15% with much of that decrease in the northern NSW zone where rainfall was poor in early spring. Our early production estimate is for a 2M tonne crop in 2023/24 based on average conditions for the coming months which would be down around 20% year on year.

Viterra is a world-leading, fully integrated agriculture network connecting Australian growers with domestic and international consumers. We supply sustainable, traceable and quality controlled agricultural products to end users around the world. We are one of the largest buyers and exporters of Australian wheat, barley, canola, pulses, sorghum and cotton. We purchase directly from growers nationally with accumulation offices in Western Australia, South Australia, Victoria, New South Wales and Queensland. We supply these commodities to consumers in Australia and more than 50 international destinations through our marketing and logistics network.

Argentina - harvest and market news

By Ezequiel Hajnal, Agrosud SA, Buenos Aires, Argentina

This February report marks the tenth opportunity Gafta has given me to write about Argentina's crop and general context. During this past decade we have had numerous ups and downs, and 2023 was indeed one of the toughest. In terms of macroeconomics, Argentina faced one of the highest inflation rates in the world (213%), enduring twin deficits (both commercial and fiscal). Regarding crops, we had the worst drought in over 80 years, which resulted in a reduction in exports of about 40% against 2022; a drop of 38M tonnes in absolute numbers. We shall review below the 22/23 export figures in further detail and share our forecast for the 23/24 crops.

The good news is that by the end of 2023, "La Niña" seemed to be over and we began to see weather patterns consistent with "El Niño", which for Argentina means wetter conditions and milder summer temperatures. Sub-soil moisture levels began improving in December 2023, and by early January 2024 we saw complete recovery in most growing areas.

We are expecting 23/24 to be a bumper crop, with total agricultural production of 139M tonnes, over 40% higher than 22/23. This is the second largest crop on record after the 18/19 crop. Agricultural exports could see a sharp increase to over 60M tonnes, becoming Argentina's main export product with a share of 45% of total exported goods. In absolute numbers, agricultural exports could account for USD 38 Billion in 2024, compared to less than USD 20 Billion in 2023.

Government changes

Last year was also marked by heavy political uncertainty. The government of the Peronist coalition came to an end on 15 December 2023 after an extremely turbulent four-year term, characterised by high inflation, economic crisis, twin deficits and zero growth. The lack of economic direction led to a technical blockage on all imports due to currency restrictions, which snowballed into a private commercial foreign debt of about USD 30 Billion, a spread of 200% between the official (restricted) exchange rate and the free market rates, plus an enormous distortion of most internal prices stemming both from the imposed restrictions and subsidised prices.

The election calendar began in June and had three ballot sessions, with a final round taking place in November between the two candidates who gained the most votes in the October election. Since June 2023, the market began to hold onto their scarce grains anticipating better conditions with a change of government.

The winner ended up being an outsider **Mr. Javier Millei**, with a resounding victory of 57% of the votes in November. A radical liberal economist, he focused on cutting government expenditure, rationalising taxes and liberalising the economy in general for a free-trade oriented market, even promising the dollarisation of the Argentine economy. He assumed office on 15 December and quickly began to work on eliminating distortions, devaluing the Argentine peso official exchange rate from about 400 to 830 pesos per dollar. This alone significantly improved export margins in terms of real exchange rates by reducing the currency spread from 200% to 20%, which meant farmers were able to convert their peso earnings into more US dollars for every tonne they sold.

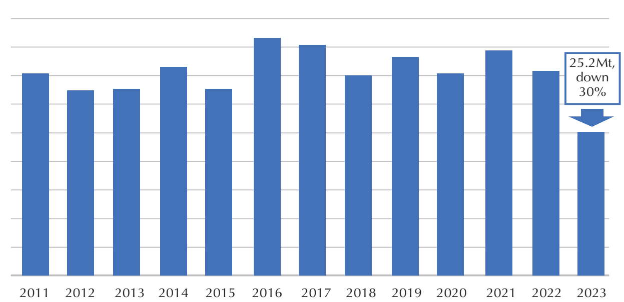
During his first weeks as president, Millei introduced an executive order and a legislation bill covering most of the reforms he had promised during his campaign in a wide range of areas. The initial bill proposed an increase in export taxes on all Argentine products (including agricultural goods) to 15%, with the exception of the soybean complex, which would have climbed from 31% to 33% for soybean oil and soybean meal, levelling them with the current export tax on soybeans. Export taxes for grains would have increased by 3% over the current 12%. During the last week of January 2024 the article on taxes was excluded from the bill under negotiation, so export taxes should remain unmodified for the time being.

The rumour of changes in export taxes plus the improvement in currency spreads pushed exporters to declare sales in advance, so export sale declarations in December 2023 jumped to unusual numbers. New crop sales declarations in December totalled 1.266M tonnes for corn and 670,000 tonnes for soybeans. The bill also included other changes which could have an impact on our sector, like accession to UPOV 91 for seed legislation, the removal of land ownership restrictions for foreign entities and other labour and trade legislation.

Soybeans

The 2022/23 crop will be hard to forget for the local soybean industry. Drought reduced the crop by half as compared to previous years, and Argentina's crushing industry had the lowest use ratio in two decades. Only 32% of total capacity was used throughout the year. Crushers struggled to find suitable beans to crush, even despite a strong import programme from Paraguay and Brazil. Crush margins remained negative throughout 2023. The crusher's association (CIARA) reported that only 25M tonnes were processed in Jan-Nov 2023, compared to over 35M tonnes during the same period in 2022. This, in turn, translated into half the exports of soybean oil and meal compared to 2022, causing Argentina to lose its podium as the world's top soymeal exporter. Soybean exports were only 1.7M tonnes, with China as the main destination, compared to 5.2M tonnes the previous year.

Argentina's soybean crush, Jan-Nov, 2011 to 2023 ('000 tonnes)



Source: CIARA-CEC

For the coming crop, we expect a strong recovery, with planted area increasing by about 7% up to 17.3M ha. At the time of writing, 92% of planted area presented good/excellent crop conditions (down 6% from the previous week), showing some signs of stress although a consistently better situation than the previous year, when 52% of the area was under regular/bad conditions. Market analysts forecast a crop of above 52M tonnes for soybeans. Crushers are expected to process about 40M tonnes, which would translate into a supply of about 7M tonnes of soybean oil and over 31M tonnes of meal for 23/24.

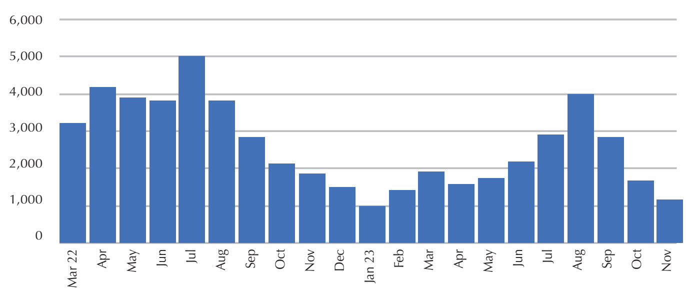
Corn

The 2022/23 corn crop was also meager at 34M tonnes, with exports pegged at 26M tonnes, compared to the previous year's exports of 35.7M tonnes. Main destinations were Vietnam, Peru, South Korea and Algeria. As already mentioned, the 2023/24 crop started off with much better weather conditions, and while total area remained similar to the previous year at 7.4M ha, yields are expected to be significantly higher. By end of January 2024, 94% of planted corn was in good/excellent condition, versus 38% considered to be in bad condition at the same time last year.

Total production is expected to reach 60M tonnes under current weather conditions, although some additional rains are needed to maintain present projections. Should such tonnage be achieved, we would have a record crop, breaking the previous record of 51M tonnes (in 2018/19). This means Argentina could have an exportable surplus of 44M tonnes during 23/24.

One point to follow closely in terms of demand this year will be if, or more likely when, China will begin buying Argentine corn. Even if Chinese demand remains slow, Argentine corn shipped into China opens the door to potential demand of an additional 2 or 3M tonnes, which were unaccounted for until now.

Argentina's monthly corn exports ('000 tonnes)



Source: CIARA-CEC

Wheat

Crop 2022/23 ended with really poor numbers. Only 3M tonnes were exported, compared to 14M tonnes exported in 2021/22. Main destinations for 22/23 crop were Brazil, Peru and Indonesia, with Colombia also on the list.

Total area harvested for the 23/24 wheat crop is 5.3M ha, and total production is estimated at 15.1M tonnes with a yield of 2.84t/ha. This represents a 25% increase in yield compared to the previous crop, yet still 22% lower than the average of the last five years. Wheat sowing took place under sub-soil moisture levels that were still too low, and plantings were delayed, impacting negatively on yields. Based on these numbers, we expect to have an exportable surplus of 9.5M tonnes for 23/24, which is more than triple the exports of 22/23.

It is also important to mention that Argentine wheat has recently been approved into China. China became the biggest wheat importer in 22/23, buying over 12.1M tonnes, mostly from Australia and Canada, with EU and US origins following behind. In terms of relative prices, Argentina would need to be very competitive to make it into China, yet having the option is already great news.

Barley

Barley crops, similar to wheat, saw yields way below average in 22/23. Total exports for 22/23 crop were 3M tonnes, mainly to China, Brazil and Colombia. During the 23/24 planting season rains were delayed and planted area decreased to 1.08M ha (1.38M ha in 22/23). The entry of "El Niño" currents during Oct/Nov 2023 brought some relief and barley yields were able to recover averaging 4.3t/ha, an improvement of 43% on the previous year. Total crop was 4.6M tonnes, out of which we expect 3M to be exported, mainly as malting and/or FAQ quality.

Sorghum

Crop 22/23 ended with only 600,000 tonnes exported, which were all destined to China. While crop numbers were not as impacted as in other products, exports were hit most. Our reading of this is that given the drought conditions in many parts of Argentina last year, farmers decided to feed their cattle with sorghum plants rather than harvesting them, more by habit than by economic logic, as sorghum was paid at least USD 15 per tonne more than corn throughout the whole year.

For 23/24, we expect production at about 3.7M tonnes. Exports could potentially be significantly higher at 2.4M tonnes since the local market should have plenty of corn and other feedstuffs this year, but it will all depend on Chinese demand. Sorghum has been priced out of most other traditional destinations (Chile, Japan, Colombia) since Chinese importers began buying from Argentina.

Peas

In line with challenges faced by other crops, export of peas experienced a significant decline throughout 2023. In an unprecedented move, the country even imported over 4,000 tonnes from Canada to meet local consumption demand. The beginning of the 23/24 crop was very challenging, primarily due to insufficient soil moisture and a remarkable scarcity of high-quality seeds. However, through the concerted efforts of farmers, exporters and local authorities, these issues were effectively addressed in a timely manner. Total planted area reached 75,000 ha, a 5% reduction compared to the previous 5-year average and a substantial 30% decrease from the record-breaking 2021/22 crop year. Of the 75,000 ha, 75% was dedicated to green peas, while the remaining 25% comprised yellow peas.

Global markets are undergoing a shift in dynamics, particularly for yellow peas. Russia has emerged as a major player and secured a significant market share following an agreement with China to import Russian peas. Moreover, India has temporarily opened its borders after years of restrictions, contributing to the evolving landscape. Argentina is re-establishing its presence in traditional markets such as Brazil, Senegal and Gambia. Nevertheless, considerable efforts will be required to reclaim markets lost to Russian competitors, particularly in Venezuela and China. At the time of writing, the Indian market is open to yellow peas until 31 March. Unfortunately, the extended transit times from Argentina to India lessen the chance to leverage this opportunity and regain a portion of this market.

Where do we go from here?

With Argentina re-entering the global supply markets for grains and with the recent change in government there are a few questions that arise. What will Argentine crops be for the coming years? What are the challenges moving forward?

The current changes proposed by the new government, and a possible normalisation of sub-soil moisture conditions for main growing areas suggest that Argentina could be headed towards a new cycle of agricultural expansion. While port infrastructure and crushing capacity are not creating a bottle neck at this stage, there are certain ongoing improvements in inland logistics which should help boost production in areas that are most distant from the ports. One of them is the development of railway infrastructure towards the West and North of Argentina, where distances from farms to ports range from 600 to 1,000km.

The main change Argentina needs to boost production and increase farmer selling is to give producers incentives to sell. During the last 10 years, farmers have used grains as a hedge against currency devaluation, inflation and any potential changes in export regulations, as it was safer to hold grains in a silo-bag than pesos at a bank account. Should there be bi-monetarisation, whereby farmers could sell their grains and collect in hard currency, a reduction in export taxes and more favourable conditions for farmers, then we might see more liquidity on the origination side.

While all these scenarios appear to be the direction this government is aiming at, there is still a long way to go to see if these changes eventually take place or not.

April semester approaches

The April semester of the Distance Learning Programme (DLP) will be here before we know it, so if you've ever considered kick-starting your Gafta contracts education, now is the time! With a hefty discount for those who bulk-buy all six modules, you can still study at your own pace – over several years if you wish to – and improve your understanding whilst still doing your day job. There is more information on our website at **www.gafta.com/DLP** including a breakdown of the content covered in each module.

New Distance Learning Programme for supervision firms

Coming Spring 2024!
Gafta is launching a NEW distance learning programme aimed at Approved Registers firms.

Module 1: Introduction to Gafta and Supervision

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- Gafta Code of Practice
- Gafta Standard for Supervision
- Supervision and Gafta contracts
- Sampling Rules 124 and Weighing Rules 123
- Best practice for working with traders

Register your interest: **https://www.gafta.com/Supervision-DLP**

Modules on Advanced Sampling Rules, Fumigation and Analysis will follow!

Introduction to new Gafta staff

Hannah Strong – Marketing and Communications Assistant

Hannah has now been with Gafta for nearly a year, having joined the events team in March 2023 as the Marketing and Communications Assistant. She came to Gafta after graduating from the University of Exeter in 2022 and completing various marketing internships and voluntary positions in B2B companies. "The entire Gafta team has been very welcoming," Hannah told Gaftaworld, "and I have loved being a part of Gafta. I have especially enjoyed meeting many members at Gafta networking and training events."

Hannah's role is quite extensive, but in summary, she is the first point of contact for delegate communication. She runs Gafta's social media and is responsible for all email marketing. "In addition to this, I also manage our external partnerships. I love the variety my role offers and the combination of creativity and analytical work," said Hannah.

"I am a very creative and colourful person. In my free time I enjoy creating, whether it is sewing pretty clothing, trying my hand at knitting or pottery, decorating furniture in a bright joyful colour or cooking an exciting new dish. I find the process of creating comforting. Additionally, I am often found with a book, or two, or three on the go. I am an avid reader, and I can't stand being tied down to just one option."

Agne Češkevičiūtė - Executive Assistant

Agne started at Gafta in October 2023. She was born and raised in Lithuania, and after completing her studies in International Business Management and Administration, she moved to London, a city that has always held a special place in her heart. "I had the opportunity to work in a telecoms engineering-based company, where I supported the Chairman and CEO in various aspects of the business. I had the privilege of managing the R&D centre in Austria, overseeing finances and administration in the UK and Austria, and conducting field trials worldwide," said Agne

"London has always been my favourite place to live, and its vibrant energy and endless opportunities continue to inspire me. I made a career transition by joining Gafta and am immensely grateful to our Director General, Jaine Chisholm Caunt OBE, for welcoming me to the team and giving me this wonderful opportunity. Working in a completely different field has been an exciting challenge, and I am eager to learn and grow professionally.

Outside of work, Agne has a deep passion for crafts, including candle making, cross-stitching, crocheting, painting, upholstering furniture, and making jewellery. "Additionally, I greatly appreciate cultural experiences and enjoy attending performances, musicals, concerts and cinema. Nature also holds a special place in my heart, and I find solace in activities like cycling, hiking, reading and basking in the warm sunshine. With a diverse background, a love for creativity and a thirst for knowledge, I am excited to make a positive impact in both my professional and personal endeavours."


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EU Deforestation Regulation – Countdown to 30 December: the impact on contracts

By Julie Vaughan, Counsel, Reed Smith LLP

From 30 December 2024, the EU Deforestation Regulation (EUDR) will bite.

Commodities traders who physically deliver to the EU customs border only may wonder why they need be concerned with the new regime, since they won't qualify as an 'operator' or 'trader' with direct obligations under the EU Deforestation Regulation (EUDR). However, it is clear that once EU importers have worked out their EUDR obligations, they will be seeking to ensure that purchase contracts include provisions to ensure that their suppliers:

- have gathered and hand over the information that the importer requires in order to complete the EUDR due diligence (DD) process
- are able to communicate with and require action from their own suppliers back up the supply chain, should the EU importer's DD conclude that the product is not 'deforestation-free', or that there has been a breach of local laws in the source country. (The importer will be looking to discuss mitigation measures with the producer to allow the goods to enter the EU market, without which they will need to switch supplier)
- provide contractual assurances that compliant products will not be co-mingled with non-EUDR compliant products whilst in storage or transit and that they can be tracked through to delivery
- allow the importer to call on co-operation from the supplier if compliance issues come to light only after delivery has been made.

This may affect contracts being concluded now for delivery to EU buyers even before the EUDR requirements go live on 30 December 2024. This is because any goods sitting in EU warehouses on that date that have not already been offered for sale will need to comply with the EUDR when they are placed on the EU market. The requirements are not limited to volume supplies, as the EUDR applies to trade in even a single unit of a relevant product.

EU buyers may additionally be seeking restrictions on the countries or regions from which supplies may be sourced, or may stipulate that the product is only sourced from certain pre-vetted EUDR compliant suppliers.

Paying for non-compliance

Because of the potentially considerable losses that non-compliance may entail for EU buyers, they may be seeking to push down their liabilities and cost to suppliers. This may take the form of indemnities whereby the supplier agrees to reimburse the EU buyer's losses and/or rights for the buyer to reject deliveries and ultimately to terminate the contract. There is likely to be a tussle between buyers and sellers as to which of them should bear these risks and to what degree. Trade organisations have a potential role to play here in shaping market positions and designing industry standard provisions.

Room for disagreement over unclear concepts

The drafting of the EUDR text is far from perfect, meaning there is scope for disputes between contract parties over whether goods supplied to EU buyers, or that originate in the EU and are exported, are compliant. This may make it very difficult for sellers to give contractual assurances of compliance of the goods with law. Some particular areas of uncertainty are:

- **Deforestation**
  The precise meaning of deforestation is unclear. Although a forest is defined as an area of trees of over 0.5m, there is no requirement that the whole area, or a given proportion of trees on it need to have been felled to amount to deforestation.
- **Breach of local laws**
  There must be no cause for concern that the commodity was produced in breach of a list of categories of local law, in so far as they concern the legal status of the area of production. The categories are extensive and go beyond laws forbidding deforestation, eg laws on 'environmental protection' might involve not using certain pesticides as opposed to just not cutting down the trees...

  It is also perhaps unlikely that breach of labour rights and human rights laws will have been framed so as to affect the legal status of the land?

Need for guidance

The level of official guidance on offer on the EUDR is currently insufficient and businesses are therefore struggling with interpreting the requirements. The European Commission has to date promised to issue guidance only on specific aspects, such as the requirement to comply with local law, which seems to fall far short of the level of support that will be required. The Commission's FAQ document first published in June 2023 and updated on 13 December 2023 fails to address many of the key concerns. Readers are directed for additional guidance to the minutes of the EU Multi-Stakeholder Platform on Protecting and Restoring the World's Forests, which are available online* after the event, but so far few of them have shed much light on the key interpretation and implementation difficulties, focussing instead on creation of the new Information System and the EU Observatory satellite data repository.

And as if the above were not enough, EU buyers will shortly be facing a further wave of environmental and human rights due diligence requirements in the shape of the Corporate Sustainability Due Diligence Directive. The two regimes are supposed to be complementary, but whether there is any friction between them is yet to emerge.

***https://ec.europa.eu/transparency/expert-groups-register/screen/expert-groups/consult?lang=en&do=groupDetail.groupDetail&groupID=3282**

See page 14 for information on new UK policy which will affect four critical forest-risk commodities.

Julie Vaughan (Counsel) is a senior environmental lawyer in the London office of global law firm Reed Smith LLP; **julie.vaughan@reedsmith.com**

Brazil updates its pesticide legislation

By Wallas Felippe de Souza Ferreira, Agricultural Engineer, Associação Nacional dos Exportadores de Cereais (ANEC)

President Lula sanctioned Law No. 14,785 on 27 December 2023, establishing the new Legal Framework for Pesticides in Brazil. The text regulates various aspects related to the research, production, commercialisation, and control of pesticides; a subject debated for over 24 years in the National Congress. The law aims to modernise the previous legislation.

However, the president vetoed some provisions of the draft. Among them was the coordination of the Ministry of Agriculture of Brazil (MAPA) in the reassessment process of active ingredients in agriculture, arguing that MAPA lacked technical competence to replace the role of IBAMA (Brazilian Institute of the Environment and Renewable Natural Resources) and ANVISA (National Health Surveillance Agency), mentioning that such a change would be unconstitutional; several other important points for streamlining Brazilian legislation were also vetoed.

Key points retained in the law include a clearer definition of the responsibilities of federal agencies (ANVISA, IBAMA, and MAPA), the mandatory consideration of risk analysis as a criterion for pesticide registration, the establishment of deadlines for the analysis of new registrations and reassessments, the unification of the computerised registration system for greater efficiency, and an increase in penalties for crimes related to pesticides.

In terms of international trade and Maximum Residue Limit (MRL) policies, there were advancements in the new legislation, which considers guidelines from international organisations on pesticide use, as stated in Article 4: *"Requirements for the registration of pesticides, environmental control products, and the like, (...) must follow the GHS (Globally Harmonised System - classification and labelling of chemicals), the Agreement on the Application of Sanitary and Phytosanitary Measures (SPS) (World Trade Organisation), and the Codex Alimentarius."*

This measure may help Brazil align better with practices adopted in other countries and with MRL policies, thereby avoiding potential non-tariff barriers in crucial destinations for Brazil's grain exports. Modern technology, such as more advanced and selective pesticides, may even reduce the use of outdated pesticides and those resulting from contraband of unapproved pesticides. Over time, the toxicity of Brazilian pesticides has decreased by 160%, and this trend continues, as numerous studies show.

A significant portion of the approval of new products involves new and safer modern technologies. It's worth noting that the approval process includes not only chemical pesticides and new chemical molecules but also the approval and advancement of biological pesticides; those not covered by the old legislation. In 2022, out of the 641 products approved in Brazil, 32% were chemical pesticides developed from old molecules, and 20% were biological pesticides. Only 5% were chemical pesticides developed from new molecules, albeit new in Brazil but approved and used in other countries for some time.

The Brazilian pesticide legislation from 1989, in effect until now, is outdated and has not kept pace with scientific progress. Considering that, as our knowledge advances, more sustainable products are developed, Brazil is missing opportunities to have an increasingly efficient and competitive agriculture. Therefore, the modernisation of the law could result in the arrival of more modern molecules and more sustainable alternatives for Brazilian agriculture. The scenario suggests a clash between agribusiness interests and environmental concerns, promising intense debates when the Brazilian parliament resumes activities in February 2024.

EU: Sustainable Use of Pesticides Regulation withdrawn

One of the key aspects of the EU's Green Deal, the proposed EU regulation on the Sustainable Use of Pesticides (SUR), aiming to reduce the risks and impacts of chemical plant protection products, has failed to make progress in the Council of Ministers or the European Parliament, and will be withdrawn according to the EU Commission President. The Commission will start to work on an alternative proposal, which would then be presented (probably not before 2025) to the next EU Parliament which will be formed following elections in June, when there will be new and possibly quite different priorities set, compared to those of the current Parliament.

GM maize and soybeans approved for sale in China

China's Ministry of Agriculture and Rural Affairs (MARA) granted licences in December to 26 companies to produce, distribute and sell genetically modified (GM) maize and soybean seeds in designated areas. This followed the approval of 51 GM maize and soybean varieties for production in approved pilot programmes in five provinces. These approvals include 37 GM maize varieties and 14 GM soybean varieties, bred for resistance to certain pesticides or insects (such as the Asian corn borer) and higher yields and are part of a national drive to increase self-sufficiency and food security in staple crops. An update in January from MARA noted that GM maize and soybean varieties in earlier pilot projects demonstrated superior performance in terms of yield increase, cost reduction and efficiency enhancement compared to conventional varieties of these crops.

TELA maize – progress in Kenya and Nigeria

The Federal Government of Nigeria approved the commercial release of GM maize varieties, known as TELA maize, on 11 January. The new varieties are drought-tolerant and are resistant to stem borer and fall armyworm, with significant yield advantages for growers. It is the second country behind South Africa to approve the cultivation of TELA varieties of maize. Following a judgment by Kenya's Environment Court in October 2023, which upheld the Kenyan government's decision to allow the cultivation and import of GM crops under its regulatory system, TELA maize is expected to be available to growers in that country too.

SPS Declaration to MC13

Chaired by **Mr Tayutic Mena** of Costa Rica, WTO members have discussed progress on the Work Programme aimed at identifying and addressing challenges in the implementation of the SPS Agreement. At a meeting of the SPS Committee on 15-17 November, members agreed to continue efforts to build consensus on the report to be presented to the 13th Ministerial Conference (MC13) in February 2024 on challenges and opportunities facing international trade in food, animals and plants, with only India requiring extra time to reach consensus. The Global Pulse Confederation's Market Access Committee has reached out to authorities in India asking for their support.

MC13 will take place from 26 to 29 February 2024 in Abu Dhabi, United Arab Emirates. Based on the draft text introduced by the Chair of the WTO's Agriculture Committee, no major decisions are expected on the three principal themes: domestic support, export subsidies and market access, with suggestions that members should agree to finalise modalities by MC14. A particularly challenging issue remains finding a permanent solution to WTO rules on the buying of food products for public stockholding programmes in developing countries.

UK policy on deforestation

The UK has introduced new legislation to remove certain products, produced on land illegally occupied or used, from UK supply chains. The secondary legislation will set out details on how these provisions will be implemented. The UK will regulate four critical forest-risk commodities initially: soy, palm oil, cocoa and relevant cattle products (excluding dairy). The system will be based on due diligence and tracing back through supply chains from source, rather than a zero-tolerance approach. Geo-coordinates back to farm will not be required. Importers bringing in cattle products (beef and leather), soy, palm oil and cocoa to the UK will have to make a declaration showing the commodity was not produced on illegally deforested land. There will be no border controls but transfer and sharing of knowledge; if false information is provided a penalty system will be in operation. Supply countries will not be benchmarked according to high, medium or low risk. It is set to apply to businesses with a global annual turnover of over £50 million allowing exemptions for organisations that use 500 tonnes or less of each regulated commodity in the reporting period. Gafta will continue to monitor developments as the timeline on implementation becomes clearer. Our members are involved in the design of the digital service to support the implementation.

Update on potential EU ban of AVK rodenticides

In spring 2023, Gafta was co-signatory to an industry letter opposing a potential ban in the EU of AVK rodenticides. A Commission Decision paper of the EU's Biocidal Products Committee (BPC), presented in December 2023, did not support a ban, referring to the eight member states opposing the ban, and acknowledging the strong message from stakeholders. The Committee will leave it to individual member states to determine whether to take the BPC Opinion into account in making product approvals at national level. The Commission will proceed with its internal inter-service consultations on the road to the formal adoption of the Decision by the college of 27 Commissioners during the first half of 2024.

Congratulations to Alexander Tvarovsky, Gafta Qualified Arbitrator

Alexander Tvarovsky has completed the Gafta exams and is now a Gafta Qualified Arbitrator. Gaftaworld asked him for some comments following his success:

"My interest in Gafta's regulatory framework, governed by English law and ethical standards, prompted my integration into the global grain trading realm. Educationally, I hold a Bachelor's degree from the College of Informatics and Foreign Languages and a legal education in Economic Law from Moldova State University, followed by an MBA from the International Institute of Management. I believe in lifelong education and self-improvement.

"My grain trading career began in 2012 in Moldova, at RusAgro-Prim. Here, I managed the export and logistics department, overseeing the supply chain from production to final destination. During this period, I became acquainted with Gafta contracts, valuing the principle 'my word is my bond,' particularly in a market prone to contractual breaches. Three years later, I joined AGROGRAIN IMPEX LTD as Head of Trading and COO. We significantly increased export volumes and became the first Moldova company to enter East Asian markets. Currently, as an independent consultant, I specialise in the grain export sector, ensuring all contracts adhere to Gafta's balanced standards, protecting parties' rights and obligations. My ambition to undergo Gafta's DLP and become a Qualified Arbitrator reflects the value I place on Gafta's educational resources. Their accessible and engaging content has been instrumental in my professional development.

"In today's market, especially with the recent influx of companies in the Black Sea region, understanding 'Who is your counterparty?' is crucial. I advocate for Gafta membership and comprehensive education for traders and their staff. Gafta's Distance Learning Programme is a unique educational resource in the grain trade. For trade dispute resolution, I recommend Gafta arbitration as the most efficient and effective solution. Its platform ensures fair and expedient dispute settlement, underscoring the importance of reliable, ethical trading practices."

Covantis plans expansion to Australia, Europe and South Africa in 2024

Following a year of impressive growth in 2023, during which 719M tonnes of volume were executed through the Covantis platform (37% increase on 2022), there are now plans to launch in Australia, Europe and South Africa early in 2024. After the successful launch of sugar trading on the platform in 2023, execution of global vegetable oil exports is also due to be added shortly. In a press release of 15 January, Covantis reported on its growth and expansion of active participants from 130 to 180 last year. **Petya Sechanova**, Covantis CEO, commented: *"I am very pleased to see the remarkable growth we achieved in 2023 and excited about the new commodity and market expansions as well as new product capabilities we will be releasing in 2024."*

NEW MEMBERS

Full contact details for all members are available on the Gafta website Members Directory

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2024 CALENDAR

Commodity Shipping

22-23	May 2024	Lisbon	
11-12	Sep 2024	Bucharest *Sponsored by*	GAA

Seminars

5&7	Mar 2024	Know Your Gafta Contracts Online - AM (UK time)
17&19	Sep 2024	Know Your Gafta Contracts Online - PM (UK time)

Commodity Contracts

6-7	Nov 2024	Cape Town

Trade Foundation Course

23-26	Apr 2024	London

Commodity Dispute Resolution

8-9	Oct 2024	Athens *Sponsored by*	GAA

Social Events

12	Jun 2024	Gafta Annual Dinner, London

For more information on all Gafta events, go to: www.gafta.com/events

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@Gaftaworld

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