

AUSTRALIA

Australian PMI reports growth in the food and beverage sector

The Australian Industry Group Australian Performance of Manufacturing Index (Australian PMI) indicated growth across the manufacturing sector in September 2019, improving by 1.6 points to 54.7. An Australian PMI reading above 50 points indicates increases in manufacturing activity, with points below 50 indicating a decline in activity. The distance from 50 indicates the strength of expansion or decline.

The Australian PMI uses the ANZSIC industry classifications for manufacturing sub-sectors and sub-sector weights derived from ABS industry output data. Employment and new orders accelerated in September, driven by continued strength in the food and beverage sector. The food, beverages and tobacco sector produced \$27.6 billion in real value-added output in the year to Q2 2019 (27% of manufacturing real value-added output). The sector employed 237,000 people in August 2019, making up 27% of manufacturing employment.

"Performance was most robust in the large food and beverage and the machinery and equipment sectors and was supported by positive contributions from the chemicals and building products sectors. While sales and production were down in September, the lifts in employment and new orders are encouraging pointers for



coming months — particularly as the favorable impacts of income tax cuts, interest rate falls and the lower Australian dollar continues to build," said Innes Willox, Chief Executive of the AI Group.

Food and beverage manufacturing makes up over a quarter of manufacturing in Australia, with new orders and employment elevated in September. The sector has been steadily expanding since 2012. The production index was broadly stable in September, after falling 3.4 points to 49.8 points (seasonally adjusted). Food and beverage and machinery and equipment manufacturers reported strong production for the month. The input prices index reported its highest reading of 2019 in September, up 5.7 points to 71.9, while the selling prices index fell back into contraction, down 3.8 points to 48.9.

CHINA

New soybean could make China more self-reliant during trade war

Scientists create Henong-71, whose seeds produce nearly four times the average yield for the plant in China. A drop in imports from the US left a shortfall for the world's biggest soybean consumer.

A new hybrid species of soybean could help China get around the higher cost of importing them during its trade war with the US – despite a domestic ban on the high-yield GM crops that dominate the market.

Trials of soybean in Xinjiang Uygur autonomous region, in western China, have achieved a record yield after scientists from the country's northeast created a hybrid species that grew extra pods and was more resistant to harsh weather.

Henong-71 seeds produced nearly four times the average yield for soybeans grown in China, according to the Ministry of Science and Technology. Imports of the plant from the United States plunged after China slapped 25 percent punitive tariffs on American soybeans in July last year. That forced the world's biggest soybean consumer – China imported 88 million tonnes last year, according to its customs data – to buy from other countries and boost domestic production.

It was traditionally a global leader in producing a crop that provides the raw material for tofu and has been an impor-



tant source of protein for Chinese people since the earliest archaeological records, in 1100BC.

But more than 80 percent of soybean plantations worldwide now use genetically modified (GM) species that have been modified with a foreign gene to provide herbicide resistance. Planting GM crops is illegal in China, so researchers from the Northeast Institute of Geography and Agro-ecology in Changchun had to find alternative ways to increase yields and reduce costs.

EUROPEAN UNION

EU leading in global agri-food trade

In a recently published report, the EU confirms for yet another year its position as the largest global exporter of agri-food products, with EU exports reaching 138 billion euros in 2018.

Agriculture products represent a solid share of 7% of the value of EU total goods exported in 2018, ranking fourth after machinery, other manufactured goods and chemicals. Agriculture and the food-related industries and services together provide almost 44 million jobs in the EU. The food production and processing chain account for 7.5% of employment and 3.7% of total value added in the EU.

Phil Hogan, Commissioner for Agriculture and Rural Development said: "The increasingly market-oriented Common Agricultural Policy has made a

decisive contribution to the EU's success in agricultural trade. The EU's reputation for having safe, sustainably produced, nutritious and quality products is a winning formula in the global marketplace. The Commission is here to assist producers in taking full advantage of opportunities around the globe, while always making sure that our more sensitive sectors are provided with sufficient safeguards."

The top five destinations for EU's agri-food products continue to be the United States, China, Switzerland, Japan, and Russia, accounting for 40% of EU exports. In addition to negotiating trade agreements that provide further opportunities for EU farmers, the European Commission helps EU exporters to enter new markets and benefit from business possibilities through promotion activities, including high-level missions led by Commissioner Hogan. In 2018 and 2019, Commissioner Hogan accompanied by EU producers traveled to China, Japan, and the United Arab Emirates.

Regarding imports, the report concludes that the EU became the second biggest importer of agri-food products with 116 billion euros worth of imports. This brings the EU trade balance for this sector to a positive net of 22 billion euros.

The EU mainly sources three types of products: products that are not, or only to a small extent, produced in the EU such as tropical fruit, coffee and fresh or dried fruits (representing 23.4% of imports in 2018); products that are destined for

animal feed (including oilcake and soybeans – together 10.8% of imports); and products used as ingredients in further processing (such as palm oil).

Imports from the U.S. were the fastest growing in 2018, with an increase of 10%, which makes this country the EU's top supplier of agri-food products. The full report also includes an overview of the trade performance of the EU's key partners (United States, China, Brazil, Japan, Russia) and their trade flows with the EU, as well as a chapter on trade and cooperation with Least Developed Countries (LDCs).

FRANCE

France's path towards sustainable farming eroded by increased droughts

This year's intense drought in France has already led to the elimination of fallow fields. It has also created tensions that are not so favorable to the negotiations over the EU's new Common Agricultural Policy.

According to France's main agricultural trade union, FNSEA, 14,000 farms out of 440,000 have filed compensation claims, following the extreme heat and lack of rain that ravaged France during the spring and summer.

These periods of extreme heat and rain have created severe problems for a sector that is already fragile. Crop loss leads to a loss of revenue, especially for the summer crops, such as maize, sugar beet, potatoes, and pastures, which have been hit the hardest. Winter crops, such as wheat, barley, and rapeseed, are doing quite well in terms of volumes, but international market prices are relatively low.

For affected crops, compensation only works for farmers who are insured, and few farmers can fully insure their crops. According to the French Insurance Federation, the annual cost of drought periods is continuously increasing, reaching up to €700-900 million a year, depending on the year.

For 2019, FNSEA estimated agricultural losses to amount to €80 million. The problem is mainly that these losses will



affect some parts of the country, such as the Massif Central and the North-East more than others.

In response to this situation, the French agricultural ministry has decided to advance the payment of CAP subsidies to October, exempt farmers from property tax on undeveloped properties and delay the payment of contributions to the country's primary social cover system for farmers, the Mutualité Sociale Agricole (MSA).

Faced with droughts, which are known to be facilitated by climate change, the French government has also authorized the suspension of a measure to combat climate change. That is quite a paradoxical move.

As part of the CAP's 'greening' measures, farmers leave 15% of their land to rest each year, so that they can be used as fallow fields. This allows for the better absorption of water and CO₂. It also will enable soils to capture water and CO₂ better, thus limiting carbon emissions from the agricultural sector. However, this summer, the agricultural ministry authorized 33, then 60 of France's 95 departments to mow down the fallow fields for the land to be used as fodder.

GERMANY

Germany plans to introduce Nutriscore, a milestone in nutrition policy

Germany's food minister Julia Klöckner has backed the controversial NutriScore system as Germany plans to establish a national voluntary food labeling scheme in the coming year.

After a long, often toxic debate in Germany about clearer labeling of sugar, fat and salt contents in food, Klöckner has announced that the Nutriscore model should be used to display the nutritional value of food. "Consumers expect above all a summary rating that gives quick orientation," she said.

Making the statement in Berlin, she called the move a 'milestone in nutrition policy'. "As an extended nutritional label for Germany, I want to introduce the NutriScore, so I make a valid decision in a



debate that has been going on for over a decade in a very emotional - sometimes polarizing - atmosphere," she said.

In Germany, some food companies have already voluntarily committed to Nutriscore labeling - including Danone, on its 'fruit dwarfs' product. Bofrost and Iglo also use the model in their online shops and websites.

"The desire of consumers for more security and transparency in the purchase of food is great," said Klöckner. "For many, it has so far been difficult to do much right with healthy nutrition and to feel secure when making a quick purchase decision. Especially at a time when more and more finished products are being used, some of which contain too much sugar, salt or fats. This has health, but also economic consequences that I do not want to accept."

Nutriscore classifies foods and beverages according to their nutritional profile by using a color-coded system with a scale ranging from A (healthier choices) to E (less healthy choices). Critics complain the system discriminates against 'healthy' foods with a high-saturated content such as fish and olive oil.

According to Klöckner, the model itself will not solve the overweight problem, but it can make 'a healthy choice the easy choice'.

"Nutriscore meets many of the requirements that formulate the consumer to an additional nutritional label," she said. "It is at first glance detectable, easy to understand and uses the catchy, already learned color world of a traffic light. The Nutriscore does not allow any

conclusions about the composition of the nutritional values. Above all, consumers expect a summary rating that provides quick orientation. Further information can be found in the nutritional table and the list of ingredients."

INDONESIA

Indonesia joins Malaysia in banning 'palm oil-free' products from stores to protect industry

Indonesia and Malaysia together account for about 85 percent of global palm oil supply but are under pressure after the EU moved to phase out palm oil use. The country says it has a duty to protect the palm oil industry and will educate people through an awareness campaign.

Indonesia, the world's top palm oil producer, and consumers are joining Malaysia in removing anti-palm oil products from grocery store shelves. Local and imported food items labeled "palm oil-free" or "no palm oil" that is found at some high-end stores will be removed, Penny K. Lukito, head of the National Agency of Drug and Food Control, said recently in an interview.

Indonesia and Malaysia, which together make up about 85 percent of global palm oil supply, are upping their fight against what they say are discriminatory actions by some developed countries. They have threatened to retaliate in a potential trade war with the EU after the bloc decided to place stricter limits on the tropical oil's use in biofuels on concerns over deforestation.

"The labeling is part of a black campaign to undermine the competitiveness of Indonesian palm oil," Lukito told reporters in Jakarta. "Palm oil is very important for Indonesia and it is the government's duty to protect the industry."

The agency will initially educate and persuade the sellers, she said. Legal action will be taken if the stores continue to sell those products, she added. She declined to name the retailers.

The agency, as well as the Indonesian Palm Oil Board and the Trade Ministry, will hold a campaign to raise health awareness, she said.

Malaysian Prime Minister Mahathir Mohamad on Monday called on Britain to engage with palm oil growers to incentivize sustainable production, rather than pursuing boycotts after its scheduled exit from the European Union on October 31.

"The key is to rethink the European Union's misguided policy on palm oil," Mahathir said. "A fresh attitude toward palm oil, unencumbered by influential special-interest groups, could lead to even better trade terms between the UK and the region than it currently enjoys."

The world's most used vegetable oil can be found in everything from biscuits to shampoo and biofuel but has come under constant fire from environmentalists saying that production of the crop causes deforestation and aggravates climate change.

In March, the European Commission determined that palm oil cultivation had resulted in excessive deforestation and it should no longer be considered a renewable transport fuel, albeit with some exemptions.

SAUDI ARABIA

Saudi Arabia donates \$2m for food security among Muslim countries

Saudi Arabia is to pump \$2 million (SR7.5 million) into efforts to improve agricultural output and food security among Muslim countries.

The Kingdom's Minister of Environment, Water and Agriculture Abdulrahman Al-Fadhli, who is also chair-

man of the general assembly of the Islamic Organization for Food Security (IOFS), said the contribution was aimed at enhancing the organization's work and the adoption of food security strategies by all its member countries.

Al-Fadhli's announcement of the funding came during the second session of the IOFS' general assembly in Jeddah. The minister said that Saudi Arabia attached great importance to agricultural development, environment and food security in all its policies relating to national, regional and global food security.

Secretary-General of the Organization of Islamic Cooperation (OIC) Dr. Yousef Al-Othaimeen said that the organization was working to implement a comprehensive policy to develop agricultural products and food security and improve Islamic environmental cooperation in the food and agriculture sectors.

He added that food security was one of the highest priorities of the OIC, particularly as the economies of most of its member states were based on agriculture, with the sector accounting for about 12 percent of their GDP.

Al-Othaimeen thanked the government of Saudi Arabia under the leadership of King Salman and Crown Prince Mohammed bin Salman for hosting the meeting in Jeddah and for the Kingdom's \$2 million donations to support the work of the IOFS.

VIETNAM

Vietnam and South Africa strengthen trade ties

Joint trade sub-committee meets in Hanoi, Vietnam with aims to improve bilateral economic and trade partnerships

South Africa is currently Vietnam's largest trading partner in Africa, with bilateral trade in 2018 worth more than US\$1bn. That figure is anticipated to grow. The first nine months of 2019 recorded US\$951m worth of trade, with Vietnam recording trade surplus.

Vietnamese deputy minister of industry and trade, Cao Quoc Hung, said the two countries share many similarities in agricultural production, but they still have their own strengths that are complementary to each other.

The goal from the meeting was to encourage cooperation in trading of agricultural products, with Vietnam calling on South Africa to open its market to fresh produce including dragon fruit, lychee, longan, rambutan, and star apple.

South African deputy minister of trade and industry, Fikile Majola, affirmed his country's belief of Vietnam as an important partner in Southeast Asia.

Discussions also centered on the possibility of a 'Vietnamese goods week' to be held in Johannesburg in the near future, in order to help promote Vietnamese produce in South Africa. ♦

