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Food giants clash over access to China

By Javier Blas in London

A legal battle between two of the world's most powerful agribusiness companies is shedding light about the growing role of China in agricultural commodities markets.

Syngenta, the Switzerland-based agrochemicals producer, is suing New York-listed **Bunge**, one of the world's largest food traders, for refusing to accept a type of its biotech corn. Bunge – the “B” of the “ABCD” group of companies that includes **ADM**, Cargill and Louis Dreyfus and control agriculture trading – refuses to buy from farmers growing Syngenta's new Agrisure Viptera corn because it has not been approved for sale in China.

Syngenta said the action was illegal and that its new corn is approved for sale into “major” export destinations, including Australia, Brazil, Canada, Japan, Mexico, New Zealand, the Philippines, Korea and Taiwan. But, it acknowledged, not in China.

The lack of approval for sale into China would not have been a problem only a couple of years ago, as Beijing was self-sufficient in corn. But China has recently become a big importer. And Bunge said on Tuesday it was expecting that imports would “grow significantly this year”, one of the strongest statements yet from a trading house about the issue.

The US Department of Agriculture estimates that China imported 1.5m tonnes of corn in the 2010-11 season, which is about to end, the highest since 1994-95. For most of the 1990s and early 2000s, China's corn imports were negligible, at just a few tonnes. For 2011-12, the USDA forecasts imports of 2m tonnes. But private sector analysts are far more bullish, predicting imports anywhere between 5m-10m tonnes, the biggest ever.

The legal battle between Syngenta and Bunge reveals that the trading house believes that imports from China would grow much more than the level suggested by the USDA. It also confirms an open secret in the industry: all the ABCD companies are battling to establish themselves as Beijing's favourite party to carry the corn deals. Until now, Louis Dreyfus of France has been a leading seller, but Cargill and Bunge are battling to keep pace.

The growing Chinese appetite for corn is helping to tighten the market, already suffering from disappointing crops due to bad weather and rampant consumption from the US-based ethanol industry. More imports, as suggested by the Bunge-Syngenta lawsuit, could further tighten the market, pushing corn prices even higher.

The commodity hit an all-time high of nearly \$8 per bushel in June. CBOT December corn futures, the benchmark for the forthcoming new crop, are already at \$7.45 a bushel. Brace

for higher prices.

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