Wheat prices likely to drop

Canadian Wheat Board top official says supply shortfalls triggered the hike

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Global wheat prices will eventually fall, if there are no more major natural disasters in the near future, and the world food market will stabilise.

Shortfalls in production, followed by natural disasters in major wheat producing countries, triggered the rise in wheat prices worldwide in the last few years.

The surging demand for cereals has pushed the prices of food items to go up around the world, including Bangladesh, says Don M Bonner, manager of marketing and sales (Asia Pacific) of the Canadian Wheat Board (CWB), the largest food grain selling agent globally.

Bonner spoke to The Daily Star on the sidelines of the daylong Canada Showcase -2011 at Bangabandhu International Conference Centre on February 20.

In 2007-08, there was a shortfall in the supply of wheat because natural disasters affected production, he says.

During this time, there were bad harvests in Australia, a major wheat producing country, for bad weather conditions. Eight million acres of wheat land in Canada could not be cultivated in Canada last year because of grounds that were too wet and Russia set a ban on wheat exports for bad harvests due to drought.

"All the factors badly influenced the prices of the supply-short wheat market globally," he adds.

On the other hand, the global consumption of flour continued to increase because of changes in food consumption behaviours and a growth in population, he said. As a result, there was a mismatch in the supply and demand for wheat and ultimately, prices rose, he added.

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Last year, Bangladesh was the single largest importer of Canadian wheat. Private sector businessmen of Bangladesh imported one million tonnes of wheat in 2009-10 from Canada. The total import of wheat last year was 3.4 million tonnes.

"Even five years ago, we used to export only 300,000 tonnes of wheat and now the amount has increased to one million tonnes," Bonner says.

Don M Bonner

The CWB is the largest wheat and barley marketer in the world. As one of Canada's biggest exporters, the Winnipeg-based organisation sells grains to over 70 countries and returns all sales revenue, less marketing costs, to farmers, he said.

In 2010, Canada produced 25 million tonnes of wheat and exported 18 million tonnes through CWB. The global production of wheat was 646 million tonnes last year. In the current year, global production might be a bit higher if there are no disasters in the wheat producing countries, he said.

At least 75,000 Canadian farmers sell wheat to CWB. The board of directors of CWB includes five members from the Canadian government and 10 members from the farmers' side.

On Sunday, high quality wheat was sold at $500 a tonne and $280 a tonne for the lower quality varieties, he said. Canada is the fourth largest producer of wheat. The biggest producer is Russia, Ukraine and Kazakhstan combined. The US and EU-27 are the other two top producers of wheat.

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Succession, derivatives on tap in Buffett letter

REUTERS, *New York*

Don't bother calling your favorite value investor on Saturday morning -- he or she will be busy devouring every last word of annual wisdom from the guru of that investing discipline, Warren Buffett.

Buffett's Berkshire Hathaway will release its letter about the previous year at 8 am EST on Saturday, just as it has done in most years past. That will give investors the whole weekend to digest the 20 or so pages of detail from the 80-year-old "Oracle of Omaha."

Buffett's letter touches on everything: the performance of the company, the wisdom of his investing philosophy, the merits of various executives, and even the bargain buys that shareholders can snap up from Berkshire portfolio companies -- from jewelry to chocolate to auto insurance -- if they attend the firm's annual meeting in Omaha in April.

Long-term Berkshire investors will want answers to some key questions, including how the company ended the year and what steps it's taking to plan for a future without Buffett.

"I expect that you're going to see a great number," said Michael Yoshikami, president of wealth manager YCMNET Advisors in California and a Berkshire shareholder.

Yoshikami said he is also hoping for some answers as to why Berkshire's equity portfolio shrank to only 25 stocks in the fourth quarter.

"When I saw that, the first thing I thought is he's cleaning the portfolio for someone to take over," he said.

The letter is expected to provide incremental insight on the hot-button question of Buffett's succession. Though he says he expects to live into his 90s, he has also pointed to the need for a CEO and a team of investment managers to succeed him when he does pass.

Last year, Berkshire named little-known fund manager Todd Combs to look after part of its portfolio, and the expectation is that more investment managers are coming, though it is not clear when or how much control they will have.

Buffett is unlikely to say much about the CEO role, which is most often linked to NetJets and MidAmerican Energy chairman David Sokol.

The company owns dozens of business, from candy maker See's to railroad Burlington Northern, and many of those operations are cash cows. Berkshire had more than $34 billion cash at Sept. 30, and while Buffett famously likes having a big cushion, some wonder if he is gearing up for an acquisition.

Foreign ownership in Indian retail on gradual path

REUTERS, *Mumbai*

The Indian government is increasingly expected to begin easing foreign investment in multi-brand retail as it battles high inflation, but opening is expected to be gradual and a change in policy is seen to be at least a few months away.

Monday's budget is expected to include a mention, at most, that opening the sector to more overseas investment is a possibility.

A finance ministry report on Friday said allowing more foreign investment in retail is worth considering, and would help farmers and consumers.

"I don't expect any announcement in the budget but definitely some announcement in the next three to six months, maybe earlier rather than later," said Thomas Varghese, chief executive of Aditya Birla Retail, part of the Aditya Birla Group, and chairman of the Confederation of Indian Industry's committee on retail.

India's $450 billion retail sector is among the fastest growing in the world, but it remains heavily regulated, with strict limits on foreign investment. Just 6 percent of retail trade is organised.

The world's four largest retailers -- Wal-Mart Stores, Carrefour, Tesco and Metro AG -- are seeking to expand in India, where an economy growing at nearly 9 percent is increasing the spending power of a rapidly burgeoning middle class.

They face opposition from "kirana" stores -- small mom-and-pop shops -- which account for the majority of India's retail market and are valuable vote banks for politicians.

Asia's third-largest economy does not allow any foreign ownership in multi-brand retail, and foreign ownership of single-brand retail is capped at 50 percent. Overseas investment in multi-brand operations is confined to wholesale businesses.

The promise of opening multi-brand retail to foreign investors has seen many false dawns. While officials both on and off the record say a lot of progress has been made and are very upbeat about its prospects, they have never committed to a timeline given the political sensitivities of the move.

India's Trade and Industry Minister said last week that talks to open up the country's multi-brand retail sector to foreign investors were at an advanced stage.

"We do not want to second-guess the Indian government's policy changes. However, it is encouraging to note the recent statement of the Minister of Commerce and Industry," a spokesperson for Bharti Wal-Mart said.

Wal-Mart, the world's biggest retailer, has partnered with Bharti Enterprises to operate wholesale outlets in the country. Germany's Metro also operates wholesale outlets in India.

Foreign participation would enable increased investment in logistics such as cold storage, and unclog supply bottlenecks, which contribute to double-digit food inflation.

Roughly 30 percent of post-harvest produce goes to waste in a country where nearly half the people are malnourished.

"The industry wants foreign investment in multi-brand, as food retailing is the key thrust to easing inflation," Arnab Mitra, analyst at brokerage India Infoline said.

Indian food inflation is among the highest in Asia despite good harvests, and food prices have been in double digits for much of the last year, sparking protests and keeping pressure on a government already under fire over corruption scandals.

Finance Minister Pranab Mukherjee is expected to include measures to boost farm productivity in the budget on Monday.

"There are more and more government officials who are convinced that it is a means to tackling high, rising food prices as it removes supply chain inefficiencies," said Pinakiranjan Mishra, partner and national leader, consumer products and retail, at Ernst and Young.

Mishra believes a decision is still six months away.

Leftist parties and small traders oppose moves to open the sector, which they fear would drive small operators out of business, and imminent liberalisation is not assured.

"In my personal view it is another two years before anything materialises on the FDI issue. The opposition is not in favour of it and the government has to clear it through the parliament," said Govind Shrikhande, managing director at Indian retailer Shoppers Stop.

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