



MARSANTA

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THE EFFECT OF DEAD MAN'S BOUNCE ON COMMODITY PRICING

As we recently pored over the archives, we encountered an article by the title above, and reflected on just how relevant it is to today's situation. The article was in the **Marsanta Bulletin** back in January 2000, and written as we contemplated the coming of the new millennium, and wondered how we would pay for all the new computer equipment we had been panicked into buying so that we would not be wiped out by Y2K.

As we are again caught up by the impact of a rapidly diminishing currency, it seems apt to reprint (and update) those parts which relate particularly to the currency.

How does currency affect prices? Surely if the price is \$1, the price is \$1? Wrong !

Most of the world's food commodities (and in fact commodities generally) are traded in US dollars. Essentially this is for convenience, so that buyers and sellers are talking the same language when negotiating. As the US dollar has become the dominant currency, so too is more trading conducted in it. Thirty plus years ago the Pound Sterling had a similar role, and the Brussels Eurocrats undoubtedly have a vision of the Euro taking that role in the future. But for the moment the US dollar holds sway, and therefore the relationship between the currencies is a critical factor in pricing. Of most importance to us is the value of the NZ dollar in US dollar terms. In recent times the NZ dollar has been trading in the range 0.68 to 0.70, but has now dropped to around 0.60.

What this means is that if we buy a commodity for USD1.00 kg, and the exchange rate is 0.70, it will cost us NZD 1.43 kg (1.00 divided by 0.70 = 1.43). However, if the exchange rate is 0.60, the same commodity will cost NZD 1.67 kg (1.00 divided by 0.60 = 1.67). As this is a change of almost 17%, and most importers are working on margins of well under 10%, fluctuations in the exchange rate can easily wipe out (or double !) their margin.

But wait. There is more !

The same fluctuations can easily occur at the other end. The commodity concerned may well be purchased from the producer, or farmer, in local currency - say, Turkish lira or Chinese yuan. The exchange rate between the originating currency and the US dollar can influence prices even further, particularly if we are talking about a currency which is subject to double digit inflation.

So what of the Dead Man's Bounce ?

The story goes that in the wild west when they strung up an outlaw, the body would drop as far as the rope would allow it, then it would "bounce" up - similar to a modern bungy.

The foreign exchange market (for whatever perverse reason) applies this same "bounce" to currencies. When a currency falls rapidly, it will generally bounce off the bottom of the price curve, and then follow this with several smaller bounces. It doesn't just fall and then stay put. The same happens to commodity prices. Generally when they fall rapidly, there is a good sized "bounce" after they reach the bottom.

The key to a good commodity trader is to know when the bottom is reached !

THE REAL DEALS

Even though many prices are increasing as the currency declines, we do still have some great buys available at reduced prices. For the month of April - or until stocks are exhausted, we can offer:

NATURAL ALMONDS size 20/22

Packed in 50lb (22.68kg) cartons at only \$13.95 kg

DICED APRICOTS 3-6mm

These are good colour, and substantially below current market price at \$2.95 kg. Packed in 10kg cartons.

MEDIUM BRAZILS

Just arrived, and packed in 20kg cartons, at a reduced price of \$10.50 kg. Also available are Midget Brazils and Chipped Brazils at great pricing.

PINEAPPLE CORE DICED 10mm

Packed 20kg (4 x 5kg) at only \$2.55 kg.

IRANIAN SULTANAS

The quality of the carton unfortunately is not the best but the product is excellent quality. Very limited quantity available in 12.5kg cartons at \$2.32 kg

PRICE LIST

As new stock arrives at changed exchange rates we have no alternative but to change our listed prices.

An updated price list is available at any time simply by emailing our customer service department on nuts@marsanta.co.nz or calling 09-573-0587.

We regret any inconvenience caused by the rapid changes in many prices, but with a dramatically decreased NZD/USD value we have little alternative.

NEWSLETTER & REGULAR UPDATES

The Marsanta Bulletin, plus our regular updates, are sent by email. Make sure you are on our mailing list by sending your email address to our trading team at nuts@marsanta.co.nz

The Marsanta Trading Team:

Mike Lane
Shannon King
Grace Henry
Karlene King
Mike Mckee (Christchurch office)

PRODUCT UPDATES:

POPPY SEED : The unpredictable supply of Australian Poppy has forced us to source additional supplies from Europe. We now have available European Poppy seeds, to exactly the same specification as Australian, in 15kg bags, at slightly cheaper price levels than Australian product. Please note however, that forward pricing for Poppy is still increasing.

SAFFRON: Our latest shipment of Saffron is available in 0.5 g threads, packed 15 to a card , 1 gram threads, packed 15 to a card, and 0.5 g ground, packed 15 to a card. The threads are in triangular packs. The ground is packed 4 sachets, each 0.125 g to a retail pack.

IRANIAN SULTANAS: A new shipment of Iranian Sultanas is in store. Packed 12.5 kg, the quality is excellent, with minimal capstem and stalk. With the recent increase in Turkish Sultana prices, these Iranian Sultanas represent excellent value.

CANNED MANGO SLICES: We regret A10 Mango Slices are now out of stock until new crop arrives in May/June. Some supplies of 24 x 425g are still available. Call your Marsanta trader now for indent pricing on new crop A10 Mango Slices.

DEHYDRATED APPLE: Our first , and very late, shipment of new crop Chinese Dehydrated Apple arrives very soon. Included in this shipment are Rings, Broken Rings, and Strips.

PUMPKIN SEEDS: We all know that Pumpkin Seeds (sometimes called Pepitas) are high in protein, potassium, phosphorus, iron and zinc, and have useful supplies of B1,B2 and B3 vitamins.

But what many buyers are not aware is that there are several origins and gradings for Pumpkin Seed Kernels.

AA is the best grade commonly available. It refers to the size and cleanliness of the kernel, but it can refer to all the major origins. Typically in New Zealand, Pumpkin Kernels are available from **Yunnan** (in the southwest of China) , and the **NorthWest** of China (near Mongolia).

Yunnan AA are a dark green Pumpkin kernel, whilst Northwest AA are much lighter green colour. Typically **Northwest** AA should be \$1 kg cheaper in price than **Yunnan** AA .

FRAGRANT (JASMINE) RICE : Supplies of our Pathumthani Fragrant rice in 20kg bags is again available. We regret that due to increased demand we were caught short between shipments, and had to substitute a lower grade Jasmine rice for a short time. We are now back on track with good supplies of premium Pathumthani.

KARA COCONUT CREAM : As with other commodities adversely effected by the movement in the exchange rate, we have been forced to adjust prices for our premium range of Kara Coconut Cream. Kara comes in 425ml cans (25% fat Coconut Cream and 17% fat Milk), and Tetra packs in 500ml , 1 litre and 5 litres. All the Tetra packs are 25% fat.

From time to time we receive questions asking why the Tetra packs have better flavour than the cans. The answer is the manufacturing process. Canned product goes through a retort, which involves heat for a period of time, whilst Tetra packs are flash pasteurised, which involves heat for a much shorter period of time. Both are the same premium (25% fat) coconut cream.

SLICED AND WHOLE PITTED OLIVES : Spanish Black Sliced and Whole Pitted Olives , packed 6 x A10, are both back in stock. There are price rises for both products, but not as substantial as might be expected. We apologise for the length of time these have been out.

TOMATO PASTE: Several new containers of A12 (4.5kg) and A10 (3kg) Tomato Paste arrive during April.

SUGAR - PRICES MAY REACH 24 YEAR HIGH :

The decline in the currency obviously is contributing to the increase in sugar prices in New Zealand.

However, internationally sugar prices have also risen substantially, leading to predictions that prices may hit the highest levels since 1981.

The major reasons for these increases are:

Reduced production in Thailand. Once the world's second largest exporter, Thailand has been hit with drought, and then flooding which has decimated the harvest.

With higher oil prices internationally, Brazil (a major sugar producer) is converting more of it's crop into ethanol. Ethanol is used extensively in Brazil as a motor vehicle fuel, and it makes sense that if oil stays at it's current price highs, then ethanol use internationally is likely to increase.

After the damage due to hurricanes in the south of the USA, more sugar has been imported to make up for the shortfall of both crops and damaged refineries.

The EU, currently the world's second largest sugar producer, cannot make up the shortfall, as it has to start limiting exports to comply with a World Trade Organisation ruling.

In short, don't expect sugar prices to retreat in a hurry !

NO RAIN IN SPAIN

Although most of us associate olive oil with Italy, Spain actually produces a third of the world's olive oil, making it the world's biggest olive oil producer. It was only some 20 years ago that olive oil was an obscure epicurean product, with shoppers knowing it best as a dissolver of ear wax.

Over the last 20 years, helped by it's comparative healthiness - Olive oil has become a major retail and foodservice product.

Although olive trees in the Mediterranean basin are among the hardiest in the world, they are not irrigated. The worst drought since 1947 has hit Spain this year, and production volume is expected to be half that of last year. Olive oil crops are down by 35%. This has impacted on Olive Oil prices from all origins - including Italy, Greece, Tunisia and Turkey, other major producers. Already prices have increased sharply, and expectations are of further increases over the next 6 months.

STAFF

We are pleased to welcome **Cindy Wong** to the Marsanta Team. Cindy takes up the position of Stock Controller with particular responsibility for Quality. Cindy will be responsible for the further development and maintenance of our Food Safety program. **Lezel Zietsman** joins the Marsanta Team soon in a sales support role. Both Lezel and Cindy have food science degrees, and will be able to further assist us to improve our technical support.

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nuts@marsanta.co.nz
and we will remove you from our mailing list.