# The Ghost In The Machine


Q2 EDITION 2025

ADM

ADM Investor Services International Limited

# EDITORS NOTE

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# Globalization, geopolitics, trade tensions, tariffs, shipping, freight rates, currencies, CFTC, trading hours, Sugar, French Fries, liquidity, China, Brazil

**Welcome to the Q2 edition of the Ghost In The Machine, as the conflict between Iran and Israel is added to the wars in Gaza and Ukraine, and global trade tensions continue to run high, even though financial market risk appetite appears to remain relatively robust.**

In this edition, we take a look at the realities of globalization, the current push back ('deglobalization') against it, how much of the populist political agenda can actually be realized, and some of the potential opportunities. The USTR's measures to try and counter China's dominance in maritime shipping and shipbuilding are due to come into force in October 2025, there is a detailed look some of the strategies that are being adopted to deal with them, and how these will likely change vessel deployment and freight rates.

In April of this year, the US CFTC issued a public consultation document on moving to 24-hour, 7 day a week markets, and the potential uses, benefits and risks in derivatives markets.

This is not a genuinely new idea, we consider some of the lessons from prior initiatives, and some of the implications for liquidity, risk management and compliance. The USD's role as the world's primary reserve currency and safe haven is once again being questioned, but what are the realities in terms of actual flows, and how are FX reserve managers adjusting and diversifying their portfolios.

Sugar like many other agricultural commodities has had another choppy ride in price terms this year, so what are the supply prospects in key producers such as India, Thailand and above all Brazil, and price outlook implications.

Like many industries in Europe, the market for frozen fries looks to be at a major crossroads, there is an in-depth look at key challenges for industry, and how are market strains likely to play out.

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## THE GHOST IN THE MACHINE


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Image credit: Jakob Carlsen / Copenhagen Merchants Group (Cover and pages 3/10/11)

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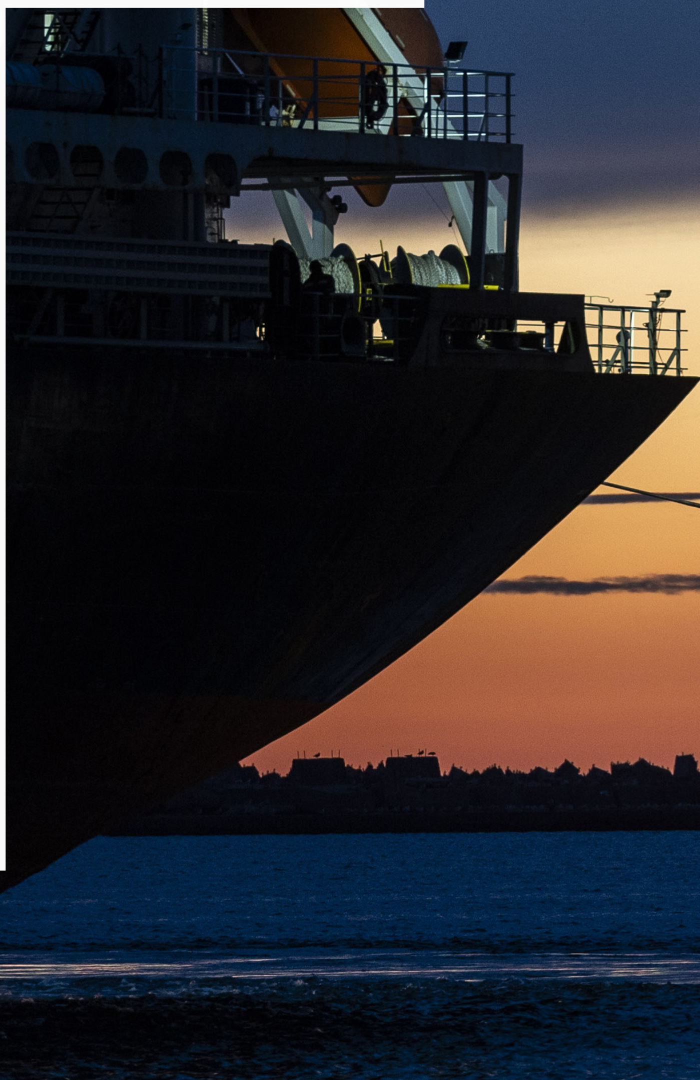

# UNPACKING 'DEGLOBALIZATION' MYTHS

Fragmentation and polarization are key aspects of our 'G Zero' world, in which no single country or group of countries is able, let alone willing to drive some form of 'global' agenda, and thereby maintain some semblance of 'world order'.

As with so many problems in the world, it reflects amongst other things a failure to reform and adapt regional and supranational organisations (such as the UN, IMF/World Bank, EU or NATO) to changes in the world's economic architecture and multilateral balances of power. Those changes have clearly been accelerated by the technological or fourth Industrial Revolution, which along with the post 'Cold War' peace dividend facilitated the processes of globalization. But those processes which went largely unchecked, thanks in no small part to a spirit of 'laissez faire', and also allowed enormous imbalances to accrue, which are at the heart of current geopolitical tensions.

*"DEGLOBALIZATION IS IN THEORY A WAY OF ASSERTING HEGEMONY IN THE WORLD ECONOMIC ORDER, WITH THE DISINGENUOUS IMPLICATION THAT 'DERISKING'"*

'Deglobalization' is a sweeping generalization that fails to convey underlying economic and geopolitical realities. It can be argued that it is a lazy, but convenient way to describe the current reaction to the period of intense globalization borne on the wings of the post Cold War 'peace dividend', which unleashed the ongoing fourth industrial (or technological) revolution. But taking a brief moment to reflect on this narrative, it is very much a European and North American perspective on the world. One that assumes their primacy in the global economic order, which Asia's de facto status as the primary engine of global economic growth denies. Deglobalization is in theory a way of asserting hegemony in the world economic order, with the disingenuous implication that 'derisking' (from China primarily), 'reshoring' or 'near shoring' will serve to remind the rest of the world that it is dependent on demand from US and European businesses and consumers, and be thankful for that 'privilege' (according to populist rhetoric).

> *"A KEY POINT TO BEAR IN MIND ON GLOBALIZATION WAS AN UNDERLYING ASSUMPTION THAT THE DEVELOPED WORLD WAS OUTSOURCING 'LOW END' MANUFACTURING..."*

However it overlooks the point that US and Europe were fully complicit in the outsourcing processes of globalization. They were looking for ever cheaper sources of manufactured goods and materials, as part of the 'efficiency' drive of 'just in time' production processes to maximize profits, and lower investment costs in order to improve returns on equity (ROE) and investments (ROI). As but one example, by 2018 China's production of intermediate goods was larger than the total output of all other developed economies. While this facilitated the processes of the financialization and commoditization of everything, it was underpinned by linear and solutions based thinking. Had there been greater application of critical, lateral and systemic thinking, it would likely have fostered greater awareness of the accumulating imbalances in the global economy, as well as the increased and complex interconectivity, concentration and supply chain risks, which were so brutally exposed by the Covid-19 pandemic and the Russian invasion of Ukraine.

A key point to bear in mind on globalization was an underlying assumption that the developed world was outsourcing 'low end' manufacturing, which would allow it to reallocate resources to developing high end, higher value production. Whether there was much thought given to the risks from technology transfers, and the likelihood that China and other countries would also look to develop higher level production, just as Japan and South Korea had done in the decades following World War II is a matter for debate. But that risk was likely seen as subordinate to maximizing profits, particularly given that the lowering of security concerns after the Cold War fostered a Wild West mentality in expanding businesses into Central and Eastern Europe and South East Asia, and was also evident in the 'dot com' bubble. Most western economies abandoned any remants of their industrial strategies, and took a very 'laissez faire' approach to the regulation of their respective financial sectors. The latter resulted in explosive sector growth which ultimately culminated in the global financial crisis (GFC), and all the measures to preserve what was and is a financial sector that is no longer fit for purpose. But that is a topic for a different discussion.

China was little better in reforming and adapting its financial sector to its rapidly growing economy. But the GFC made it painfully aware that it needed to secure the supply chains for its vast and rapidly growing industrial sector, especially in its drive to develop higher end products. It formalized what had hitherto been a rather piecemeal approach in its Belt and Road initiative in 2013, which also served to expand its political sphere of influence. It also offered some protection from growing trade tensions with the US and EU. As the latter tensions have grown, China has sought to circumvent tariffs and sanctions by outsourcing production to other countries (so-called connector economies such as Vietnam or Mexico), as well as deepening its supply chain of raw materials, and secondary and tertiary processing thereof. The latter underlines a simple point about so-called 'critical minerals', which are not actually scarce, as the epithet implies.

They are rather ones where a country, or its allies, do not have 'control' over the relevant supply chains.  ESG considerations and regulations, as well as risks associated with financing, payments and security of supply have individually or collectively created barriers to alternative sources, above all in Africa and other emerging or developing economies. But necessity as they say makes beggars of us all, and is now (belatedly) shifting evaluative processes about sourcing raw materials and resources from higher risk origins.

*"IF THE DEVELOPED WORLD WANTS TO PARTIALLY OR EVEN WHOLLY EXCLUDE CHINA FROM ITS SUPPLY CHAINS..."*

Perhaps China's greatest success on this front has been in the advanced development of production of raw materials, intermediate and  finished goods related to the energy transition, with its related technologies widely recognised to be far ahead of most of the developed world. If the developed world wants to partially or even wholly exclude China from its supply chains, in this area or any other, be that to address trade imbalances, for security or any other, likely politically motivated reasons, then the costs are going to be high. The willingness of its businesses and consumers to bear these costs and the likely accompanying disruptions will be the ultimate arbiter of the success or failure of pursuing such a course of action. For many businesses the primary consideration will be whether supporting such political policies is a commercially viable proposition, regardless of any perceived benefits of currying political favour.

In conclusion two observations: much of what might be described as the low hanging fruit in bringing back production to the USA has already been set in motion, thanks to the IRA and CHIPS acts, as evidenced by the 150% increase in US Manufacturing Construction between Q4 2022 and 2024. Eminently this has been via costly subsidies and tax credits, but that is a separate issue. Secondly this is a likely golden opportunity for the the 'global south' (better described as 'non-aligned' countries) to decouple from the West and develop the myriad opportunities to forge stronger multilateral commercial and trade alliances, which will fortify their resilience in economic terms, with Asia and the GCC countries likely to be at the forefront. Deglobalization by extension becomes a case of re-routing and rebalancing, which is unlikely to be an orderly process, but more than likely achieved at the expense of those that pursue isolationism.

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# SUGAR EYES ARE ON BRAZIL AGAIN!

The weather in Brazil this year has improved vs. last year i.e. there is more rain. The rainning season, which tends to start in Sept and go until March was better in 24/25 (from mid September) than 23/24, but the rainfall during Feb/March 25 wasnt great. Brazil CS is getting some rain still, every so often and the Cane on the ground is benefiting from it.

So, the total rainfall is not yet back to normal, but is certainly better. At this stage, the total daily crush is unlikely going to be as high as it was last year, on an average basis.

Brazil Centre-South (CS) with 20% of the estimated Cane crop harvested as of end of May 25 was 11% lower YoY and Sugar production 11% lower also. The amount of Sugar "juice" used to produce Sugar has increased to around 49% so far i.e. 1,77% higher or higher by 3,71%. That's good, but the Sugar content (ATR) is down 3,71kg or 3% lower, therefore offsetting the higher sugar Mix.

All eyes are on Brazil as it's share of the World Sugar Trade rose to 56% in 2024 from 50% in 2023, which was already higher than 42% in 2022!

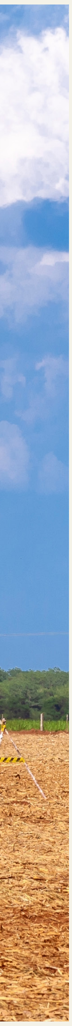
As the Sugar World just ended 24/25 with a small deficif (+/- 2,5 mln m/t) and is heading to a small surplus in 25/26 (+/- 2 mln m/t) and Sugar stocks are lower in most places, what Brazil will produce will be very important.

India has been exporting very little from its own sugar production i.e. this year is less than 1 mln m/t and is struggling to get the price they want so they are holding back. So far they exported less than 600k m/t and for the balance they were aiming to get over US$ 520/530 per m/t. The World market is at US$ 460/470!

The 2025/26 Indian cane crop is expected to be better despite the total acreage may not increase. The Weather seems better and domestic prices are holding, so cane farmers will do their best to produce the most on the areas they have for cane. Is expected the 25/26 sugar production could bounce back up from 26 mln to 30/32 mln m/t and domestic needs are around 29 mln m/t. Despite a very lower carry over of around 3 mln m/t, the Indian Government could allow some 1 to 3 mln m/t exports.

> *"THE REST OF THE WORLD DIDN'T ADD MORE SURPLUS INTO THE EQUATION IN 24/25, WITH VERY FEW EXCEPTIONS LIKE THAILAND, SO THE WORLD HAS TO RELY ON BRAZIL, TO A VERY LARGE DEGREE STILL"*

Thailand 24/25 cane crop was better and their export volumes for 2025 is around 1,2 mln m/t higher, which is good. Thailand is expected to have a better cane crop in 25/26 and therefore more sugars to exports. In 2026 we could have an extra 1 mln m/t, but we are talking modest increases all going well.



So, will Brazil CS harvest more or less cane than last year? Estimates range from 590 / 620 mln m/t with most at around 600 mln m/t. The Agri yields in March and April 25 were lower than last year and it seems it will be the case at least until July or even Aug. Given the rainfall improved, the cane that will be harvested from Aug or Sept to Dec will likely be better than last year. At this stage, based on a small sample and better rainfall, we estimate the Brazil CS cane harvest from 592 to 605 mln m/t. Brazil CS cane harvest in 24/25 was 622 mln m/t.

**Ethanol prices in Brazil are lower than Sugar still i.e. around 14sh cts for Hydrous and 16sh cts for Anhydrous while Sugar nr 11 is around 16sh cts/lb.**

Brazilian cane Millers will still do all they can to produce more Sugar vs. Ethanol, which has been the case since mid 2022. Mills have a daily limit on how much they can produce therefore, the slower the harvest (which will be the case this year) the higher the percentage that can be allocated towards Sugar.

Brazil CS Sugar Mix was 47.77% in 24/25 (fast harvest) down from 48,59% in 23/24 and is expected to rise to 50/51% this year, so Millers need to make a strong effort to end higher this year. Last but not least, the total acreage for Cane in the CS increased 6,25% in 24/25 and at best is expected to be similar this year.

So, assuming similar area (at best) lower Cane (average -4%) lower ATR (min -1,3% perhaps -1,8%) and higher Sugar Mix by 2,82% (max) the Braz CS sugar production would be at 40,3 mln m/t, so extremely similar to last year, which was 40,2 mln m/t.

Brazil exported 5,27 mln m/t less sugars during Nov 24/May 25, but exports from May/June 25 are improving! World sugar demand for Brazil dropped from Nov 24, which enabled Brazil not to run out of Sugars by Feb/March 25. The Carry over was less than 1,2 mln m/t by end of April 25.

> *"BRAZIL SUGAR STOCKS FOR END OF MAY 25 WERE ESTIMATED AT 2,8 MLN M/T, DOWN 2 MLN M/T YOY. GIVEN THE STRONGER SUGAR PRODUCTION BY NORTH/NORTHEAST, BUT DUE TO THE STRONGER EXPORTS, BRAZIL SUGAR STOCKS WERE PRETTY MUCH ALL IN THE SOUTH."*

So, a quick reminder that Brazil is starting with 2,5 mln m/t less stocks (end of April 25) and may have a smilar sugar production. Demand during May 25 through April 26 should improve. That's the constructive point for Producers.

The White Premium is weaker, so demand by tolling Refineries (Raws in Refined out) may take time to get much stronger again.

India is expected to produce 4 to 6 mln m/t more sugars from Nov 25, but will need to get approval from the Gov to allow exports (1 to 3 mln m/t surplus) and Thailand is expected to produce 500k to 1 mln m/t more sugars from Dec 25. Central America is expected to have similar crops from Nov 25. Australia may produce 100/200k m/t more sugars from June 25.

EU is expected to produce 500k m/t less sugar and export less, but Russia/Ukraine are expected to have a similar nett exports from Sept 25 (Russia better sugar production, but lower carry over) and Pakistan is not expected to export any sugars.

**Overall the expected 25/26 small surplus is so far on Raws and we need to watch what India may or may not do.**

Sugar consumption is the great "uncertainty", but despite some may dispute whether demand has gone down, stayed steady or rose a bit, the difference would be small anyway.

One point to take into consideration is that stocks at Producing countries are lower and are at very low levels in Brazil and India and not high in other places. Stocks at Importing Nations are unlikely higher given the lower imports. Are most under estimating demand?

"Specs" in sugar were short i.e. Funds and Specs around 4 mln m/t by the 3rd of June and likely shorter by the 10th! The nett Spec short position is being caused by larger Gross Shorts by Funds. Specs and Index Funds likely reduced some Gross Longs and possibly increased some Gross Shorts.

Consumers are taking advantage of lower prices and remain "nibbling" on a scale down basis while producers are mostly on "stand by" waiting for a bounce, but some are pricing into 2026.

We see producers priced around 70% for 2025, perhaps a touch more and Consumers unpriced by about 40%. Looking ahead, into 2026, we see producers priced max 25% and 3% for 2027.

In terms of price, if we put the current S&D scenario on the front line and the current uncertain Macro, higher Oil production (now higher prices due to the Middle East issues) and a weaker Dollar so far, one may say that Sugar prices may continue under some pressure, but perhaps most damage has taken place.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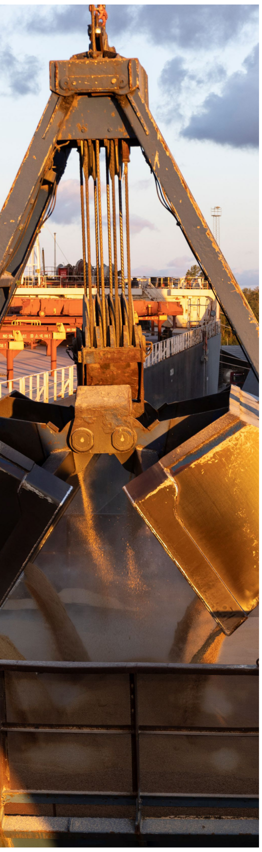


# COULD USTR SHIFT GRAIN SHIPPING STRATEGIES?

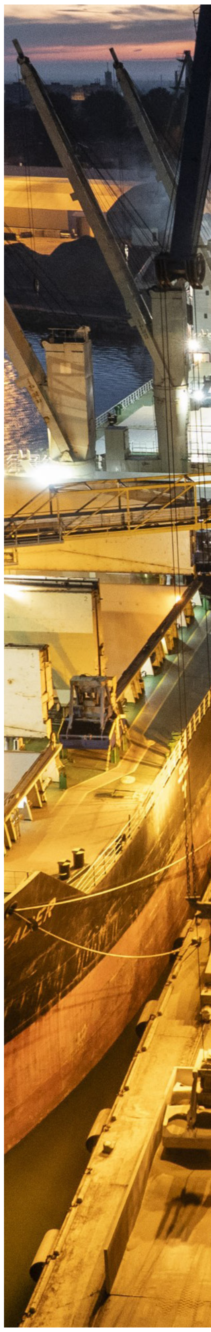
In April 2025, the Office of the U.S. Trade Representatives finalised a set of measures under Section 301 of the Trade Act aimed at countering China's dominance in maritime shipping and shipbuilding. The new policy, set to take effect in October 2025, introduces escalating fees on vessels entering U.S. ports if they are built, owned, or operated by Chinese entities. However, the details have so far been somewhat vague.

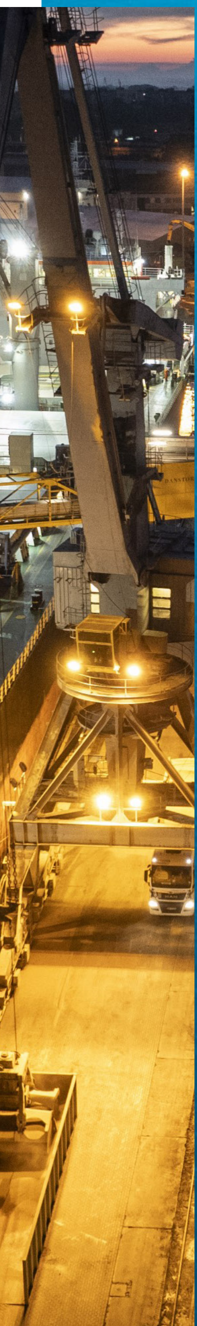
The regulation creates two main fee categories. Annex I targets vessels owned or operated by Chinese companies with no exemptions. Annex II targets Chinese-built vessels, but offers exemptions for those arriving empty, under 80,000 deadweight tonnes, or on short voyages if vessels are operated by non-Chinese companies. These fees will begin at low levels but increase annually through 2028. The intended effect is to gradually price Chinese-linked vessels out of U.S. port calls, encouraging the use of alternative tonnage and indirectly boosting demand for U.S.-built or allied-built ships.

> *"THIS REGULATORY SHIFT INTERSECTS DIRECTLY WITH DRY BULK SHIPPING IN GRAIN BECAUSE MOST OF THE GLOBAL DRY BULK FLEET IS EITHER CHINESE-BUILT OR AT LEAST PARTIALLY OPERATED BY CHINESE INTERESTS"*

Panamax and Supramax vessels, the mainstay of grain trade, are especially exposed. Although many grain carriers arrive empty to U.S. ports and might qualify for exemptions under Annex II, Annex I applies universally to Chinese operators, regardless of whether the vessel is in ballast. The result is an added layer of compliance complexity and commercial risk for any shipment that begins in the United States.

For grain exporters selling on Free on Board (FOB) terms, these developments introduce new operational considerations. Under FOB, the seller loads the grain at the U.S. port while the buyer arranges and pays for freight. In principle, the seller should be shielded from transport issues. In practice, that assumption no longer holds. If a buyer nominates a vessel that is subject to Section 301 fees, the ship may be delayed at berth or incur costs that affect the port operation as the USA might insist of these costs to be paid before the ship leaves US waters. Sellers will need to be more proactive in vessel acceptance, possibly including new clauses in contracts that specify the buyer must nominate a vessel that does not fall under the fee regime. Even if the legal burden of the fee rests with the shipowner, the seller has a clear interest in ensuring the loading operation proceeds without regulatory delays or disputes.





The indirect impact on FOB trades is also felt through freight rates. If fee-compliant vessels become scarcer, charter rates for U.S. port calls will likely rise. Buyers adjusting for higher shipping costs will in turn reduce their FOB bids (which sellers will have to accept as the domestic market cannot absorb supply planned for export). This translates into lower prices at the U.S. export point and tighter margins for sellers. Some exporters may respond by shifting more volume to Cost, Insurance, and Freight (CIF) contracts to gain greater control over shipping.

CIF trades expose the seller to the new fees more directly. In this structure, the seller is responsible for chartering the vessel and delivering the grain to the destination port. If the selected vessel falls under Annex I or fails to qualify for exemptions under Annex II, the seller will face either an inflated freight quote or a direct surcharge. These additional costs may be passed on to the buyer, but only if market conditions allow. In competitive tenders any cost advantage lost to fees could mean losing the sale.

Sellers operating on CIF terms will need to vet vessels more carefully than before. This includes verifying the build location, ultimate ownership, and operational control of each vessel offered. Charter parties may need new language to address potential fees or dispute resolution in the event of misclassification. Some shipowners may refuse to call U.S. ports entirely if they believe the compliance burden or fee cost is too high. Others will include the fee in their rate, whether or not the ship ends up liable. CIF sellers must be ready to absorb this volatility or switch to safer tonnage, even if it means fewer options or higher base costs.

The choice between FOB and CIF now involves a fresh set of trade-offs. FOB offers lower exposure to fees but less control over the vessel. CIF allows greater control but brings the risk of being caught out by compliance errors or sudden rate spikes. Sellers with in-house freight capacity may continue offering CIF where they can secure compliant tonnage, possibly gaining market share if competitors avoid the complexity. Those with less shipping expertise may shift more to FOB, pushing the freight challenge onto buyers and focusing on margin stability.

*"SOME SHIPOWNERS MAY REFUSE TO CALL U.S. PORTS ENTIRELY IF THEY BELIEVE THE COMPLIANCE BURDEN OR FEE COST IS TOO HIGH..."*

Examples from key trade routes illustrate the real-world implications. In the U.S. Gulf to North Africa corridor, Supramax vessels are the norm. Many of these are Chinese-built, though often owned or chartered by Western firms. A ship arriving in ballast may escape Annex II fees, but if it is Chinese-operated, it will still face charges under Annex I. This dynamic may lead to fewer willing vessels and higher freight rates, eroding U.S. competitiveness versus European or Black Sea origins.

On the Pacific Northwest (PNW) to Asia route for soybeans and corn, Panamax vessels are more common. These may fall under the weight exemption or arrive in ballast, limiting the applicability of fees, yet many of them are above 80,000 deadweight tonnes. Chinese-operated ships remain exposed. If Chinese buyers insist on using their own carriers, as they often do, they may face higher freight costs or logistical barriers, prompting them to consider alternative origins such as Brazil, or shift more procurement to non-U.S. sources.

In this shifting environment, data-driven decision-making will become essential. At Copenhagen Merchants we built the CM Navigator are already helping traders adjust to this new landscape. By recalculating over 500,000 dry bulk freight rates every 15 minutes, the platform combines these with global FOB prices, for buyers and sellers to constantly access most competitive CFR price. Our thesis is that in a market where vessel origin can tip the balance of trade, technology that translates complexity into clear, actionable insight is now central to staying competitive.

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# TRADING HOURS, DAYS, WEEKS...& CFTC RELEASE NO. 9068-25!

## Trading 24 hours...365 days a year...it's up once again!

The use of the clocks and spiralling clockfaces in the artwork for this article is very appropriate! In mid-April this year, the Commodity Futures Trading Commission (the 'CFTC'), an agency of the U.S. Government that regulates many derivative markets in the United States, released a public comment document (number 9068-25) on the potential uses, benefits & risks of trading on a 24-hour, 7 day a week basis in the derivative markets, the ones that the CFTC regulates. It requested interested parties to comment on the implications of moving to such a basis, including the effects on trading, clearing trades & risk management. It also recognised the risks for associated clearing systems, market integrity, customer protection & retail trading. The comment period is now over...but as Acting Chairman of the CFTC said '**As I have long said, the CFTC must take a forward-looking approach to shifts in market structure to ensure our markets remain vibrant and resilient while protecting all participants. One evolving trend is the move to 24/7, 24/6, or 24/5 trading hours. I look forward to the public comments on this market innovation.**'[1].

> *WHILE AUTO-LIQUIDATION MAY BE A USEFUL RISK MANAGEMENT TOOL IN CERTAIN CASES, IT IS NOT AN APPROPRIATE SOLUTION FOR DERIVATIVES MARKETS'*

1 Finance Magnates > Retail FX (22nd April 2025)

Why is this coming up…or…in my case, why is this coming up once again? So, before I go into this latest attempt, let me discuss some previous attempts and also some historical context. The last real time I saw this contemplated was back in the 'Dot Com' boom of the late 1990's when the exchanges wished to take advantage of all the hyped up trading in new companies back in the day. Specifically, they discussed starting a Saturday morning session of the markets, which wasn't as hard to do as you might imagine. You see, until 1950, the New York Stock Exchange (the 'NYSE') did have a Saturday morning session between 09.00 – 12.00 New York time. Admittedly, I understand it was mainly used to tidy up the previous week's trading, much as the Wednesday afternoon sessions had been back then…but it was still there! This was obviously before the advent of fast international communications such as we have today…but what I always found interesting was that to my understanding, the Saturday morning sessions rule was 'suspended' and never really abolished, so fairly easy to restart. I could be wrong on this, as I only heard this second-hand from grizzled old traders when I was a lot younger…but it would be a lot easier to bring back a suspended rule, than one that had been abolished.

So, let's look at some of the responses given to the CFTC, at least, those that have been made public. I will not go into detail, as some of these are quite extensive (the FIA responded with 14 pages…others with only 4 or 5 pages) but I will detail some of the core issues that were raised & the concerns. To start with, some see many operational, infrastructure, risk, compliance & regulatory issues whereas others do not. There are also understandable differences in risk mitigation tools used in, for example, the crypto markets when compared to more traditional markets in both trading a clearing longer days & hours.

The Futures Industry Association (the 'FIA') raised concerns about liquidity access to collateral, margin, collateral calls & default management stating **'The current framework and infrastructure for margining is not prepared for wide scale 24/7 trading and clearing.'[2]**. Yet the Crypto Council for Innovation (the 'CCI') highlighted how **'The broader U.S. financial system was already adapting to real-time, 24/7 operations.'[3]** going on by using the example of the 24/7/365 FedNow Service operated by the U.S. Federal Reserve as well as similar services in the UK, EU & Singapore.

The question of auto-liquidation also caome up as a risk management tool and many pointed out how it was not appropriate, especially in low liquidity environments, even that it may actually be against the core of some participants legal obligations. Additionally, the chance of a cascading markets effect, adding to more market volatility, would be very real…and I tend to agree with this given the number of 'flash-crashes' I've seen in illiquid very early Far

2 FIA > Articles (21st May 2025)
3 www.cryptoforinnovation.org (21st May 2025)

> *WOULD EXTENDED HOURS HELP SOME PRODUCTS OR HINDER THEM…*

East markets, notably ones in GBPUSD and USDJPY, enough that they warrant their own Wikipedia page. Indeed, the International Swaps and Derivatives Association ('ISDA') plus the Securities Industry and Financial Markets Association ('SIFMA') in a joint submission came out dead against this with **'While auto-liquidation may be a useful risk management tool in certain cases, it is not an appropriate solution for derivatives markets.'** [4]. However, the CCI countered this under a section headlined **'Real-Time Infrastructure is a Risk Mitigant – Not a Risk-Creator'**[5] by discussing **'Rather than introduce new risk, continuous trading infrastructure – when properly designed – can serve as a stabilizing force.'**[6]. This last point led nicely onto another discussion…on Operational Issues! These were many & varied…and in no particular order covered staffing issues at customers (one should not just think of oneself as a broker…you have to think of such shortfalls at customers as well), brokers, clearers, exchanges and even at the CFTC (something I kind of bet no-one had thought about) also systems and processing issues plus obligations to broker-dealers.

I also saw discussion over market integrity, specifically how lower weekend liquidity would increase risk, how thin markets would become more liable to fraud & market manipulation, how there could and would be no 'overnight' processing, how we might have a skewed marketplace with some firms offering 24/7 whilst others choosing not to. Would extended hours help some products or hinder them, agricultural products for instance…would hedgers be taken away from producing their products by having to watch a market continuously? The issue was also highlighted as to whether 24/7 clearers should pay a higher premium to any guarantee fund held at exchanges & whether capital requirements would need to reflect some potential higher risk from those offering 24/7 services. Finally, there was the BANE of every single broker I have ever known…potential RE-PAPERING of client documentation to reflect these changes. I shudder!

4 SIFMA > Submissions (21st May 2025)
5 www.cryptoforinnovation.org (21st May 2025)
6 www.cryptoforinnovation.org (21st May 2025)

Whilst all these were going on, 2 other features caught my attention. The first was a report published by Eventus and Datos Insights titled **'The Trade Surveillance Revolution: Compliance Shifts and Cutting-Edge Tech Shake-up Transforming the Surveillance Function'**[7] …you can see they tried to make it sound jazzy…but I don't think they really managed it. However, one piece within it struck me as very relevant to this discussion…and Finance Feeds summed it up thus **'Among the study's most striking findings is that over 70% of firms report false positive alert rates above 25%, placing a significant burden on compliance teams. Many respondents cited "alert fatigue" as a growing risk that could lead to oversight of critical threats'**[8]. Can you imagine how this figure translates into the 'fatigue alert' we would see within 24/7/365 trading? A very big question I'm sure, that needs attention! Secondly, and perhaps more relevant to the decision the CFTC may make, was an excellent article in Waters Technology by Nyela Graham titled **'No, no, no, and no: Overnight trading fails in SIP vote'**[9]. It details how the Securities Information Processors Committees consisting of the Consolidated Tape Association and the Unlisted Trading Privileges Plan recently voted on plans to extend trading on a number of venues… and none of them reached a unanimous consensus. The way the committees apparently work is that a unanimous vote has to be passed to achieve change…and it wasn't…so it didn't!

This last piece…and I really recommend reading this article as it is quite insightful. This last piece just brings to my mind this ultimate point. If we as an industry, cannot seem to even manage to work together to agree on something like this…should we really be tampering or even entrusted to tampering, with extending markets 24/7/365? All this…and I didn't even get to talking about 'perps' aka…Perpetual Contracts!

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7 www.eventus.com
8 www.financefeeds.com (30th May 2025)
9 www.waterstechnology.com (12th March 2025)

# EUROPE'S FROZEN FRY SECTOR STALLS AS EXPORT MARKETS CRACK UNDER PRESSURE

Europe's frozen fry industry is facing significant challenges as export markets weaken under mounting economic pressures. Amid rising costs, shifting consumer demands, and increasing competition, the sector finds itself at a crossroads, with growth opportunities dwindling and supply chain disruptions adding to the complexity.

## HOW EUROPE IS LOSING MARKET SHARE TO UPCOMING COUNTRIES

Europe's frozen potato industry, once buoyed by boundless optimism and expanding acreage, is now reckoning with the fallout of overextension and fierce international competition. As export volumes shrink and prices for processing potatoes collapse, processors are coming to terms with a stark new reality: the global fries market is no longer theirs to dominate.

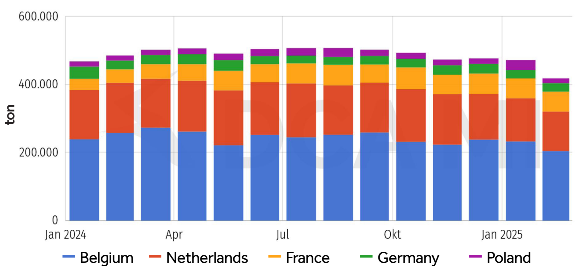
The crisis has its roots in early 2024. Anticipating continued post-pandemic export growth, European processors aggressively expanded contracted acreage for processing potatoes. This was made more complex by a shortage of certified seed potatoes, forcing processors to accept second-tier varieties. The assumption: quantity would trump quality. The growth in processing plants in Belgium and France has meanwhile also been unprecedented. Dutch company Aviko and Belgian fries gigant Clarebout both opened brand-new factories. Numerous other factories have seen upgrades in their capacity and efficiency, bringing processing levels – mainly for deep frozen French fries – to record levels.

## EUROPE TAKES A HIT

Recent data reveals a 18% decline in EU-27 exports of frozen fries in February 2025 year-on-year, with major destinations like the UK, Middle East, and Asia all showing double-digit drops. Over a period of 12 months the export level is 7% lower. The UK – Europe's biggest customer – reduced imports by 16%, while exports to Asia fell 37%.The underlying causes are no mystery. European fries are expensive relative to global alternatives, the euro remains unfavourable, and countries like China and India have aggressively undercut the EU in key markets. India, for instance, saw export volumes jump 50% in February, with product sold to the Gulf States at €162 per tonne less than the European average. Export levels to the Middle East from Europe dropped by 35% and those to South America by 12%.

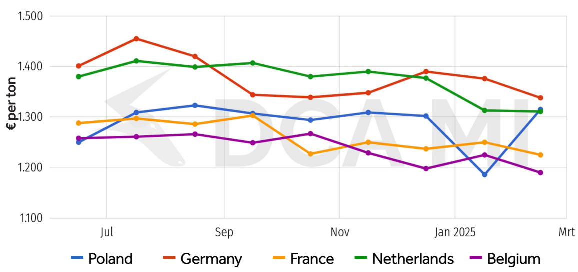
In extreme cases, processors have been forced to offload bulk fries as livestock feed, while export-oriented production now exceeds demand in several regions. This has its impact on the stock position of companies in Europe. Factories are trying to shift more produce in their European home market, which means greater competition and further price pressure.

**Graph 1: Export in tons**




Source: DCA Market Intelligence

**Graph 2: Value per tons**




Source: DCA Market Intelligence

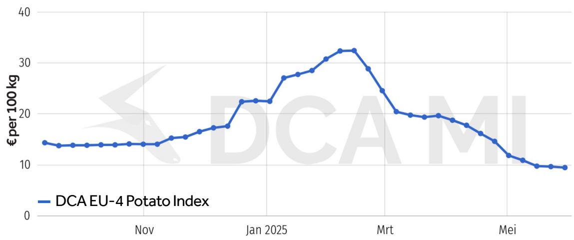
> PRICES FOR PROCESSING POTATOES HAVE PLUNGED BELOW €10, LEAVING LITTLE INTEREST—AN UNEXPECTED CRASH THAT CAUGHT THE INDUSTRY OFF GUARD.

## BELGIUM AND NETHERLANDS TAKE A BEATING

Looking at the EU-5 (Belgium, Netherlands, France, Germany and Poland), sales fell by 1,3% at the start of the year. It is Belgium and the Netherlands that are taking a beating, losing 7% and 12% in volume. France and Poland meanwhile show another picture altogether. They are facing 75% and 98% growth. This is due to the fact that France's production has increased enormously, with Belgian and Dutch companies fuelling its growth. Poland held favourable cards with a good potato production last season and relatively low sale prices for fries.

The impact has been brutal on free-buy raw potato prices. At the start of 2025 they were still trading above €25 per 100 kg. Prices for processing potatoes have since plunged below €10, with virtually no buying interest. The price crash was unforeseen—even as late as early February, processors were offering high prices to secure supplies. There were already big difference seen among varieties, with some more wanted than others.

**Graph 3: DCA EU-4 Potato Index**




Source: DCA Market Intelligence

Potato contract prices were slightly raised for the new season, in a bid from processors to out-compete each other and keep growers growing. With no alternatives offering the same revenue per hectare, growers didn't disappoint and signed up readily. When the export market was in doldrums, some processors and potato trades quickly anticipated by offloading contract volume among their growers – something that is virtually unheard of.

## RECORD NUMBER OF POTATOES IN EU-4

This didn't prevent EU-4 farmers planting more potatoes. So far, France and Germany have published official preliminary area figures for the 2025 crop, which are both on the rise by 1.4% and 4.8%. We estimate that the EU-4 will see a record area of 795,500 hectares, which is a 3.4% growth, mounting to 26,000 hectares of extra potatoes. This could mean that processors will face a significant surplus in the coming season, unless the export market turns back in to their favour.

> EU-4 FARMERS PLANTING MORE POTATOES

### THE PRICE OF INFLEXIBILITY

The current crisis has laid bare the risks of rigid contracting. Belgian processors, traditionally more adept at flexible sourcing, are faring better than their Dutch counterparts. On the other hand it's also the Belgians that have mainly focussed on bulk export fries, where the Netherlands have been more adapt at adding value – for example aiming at the QSR (Quick Service Restaurants) segment. Those with the agility to respond to market shifts – by trimming volumes or pivoting to higher-value products – are now in a stronger position. Recovering lost ground will depend on offering high quality at competitive prices.

While the volume of exports within Europe remains sizeable, regaining share in the Middle East and Asia will require more than just price adjustments – it will take strategic repositioning. India and China are ramping up fries production, supported by strong investments from North American and European companies, and they are here to stay. In the current market they are competitive – mainly in Asia. They also have the edge when it comes to politically-sensitive countries. This for example explains the rise of Egypt as an upcoming exporter, becoming the foremost supplier of Russia.

> *"REGAINING MARKET SHARE IN THE MIDDLE EAST AND ASIA DEMANDS STRATEGIC REPOSITIONING, AS INDIA AND CHINA, BACKED BY STRONG INVESTMENTS, ARE HERE TO STAY AND COMPETITIVE—ESPECIALLY IN POLITICALLY-SENSITIVE REGIONS LIKE RUSSIA."*

### OUTLOOK: PRICE PAIN FOR GROWERS

The ripple effects are reaching growers. The last four months of the current market season saw a total lack of demand in free-buy potatoes. Contract prices will come under pressure for the season to come if the export market doesn't improve. For the coming season, which will start late July in Western Europe, the writing is on the wall. Open-market demand is evaporating and many growers are left with low-value crops and little recourse. The sector's assumption of unending global demand has proven illusory. Flexibility, not scale, may now be the golden rule.

Unless European fries regain price competitiveness or currency trends shift dramatically, the current market strain is likely to persist into the 2025–26 season. For now, the boom in frozen fries has entered a painful correction – one that may reshape the continent's potato industry for years to come.

**Edwin Burgers** is the Managing Director at ADM Investor Services B.V. and founder of DCA Market Intelligence in the Netherlands.
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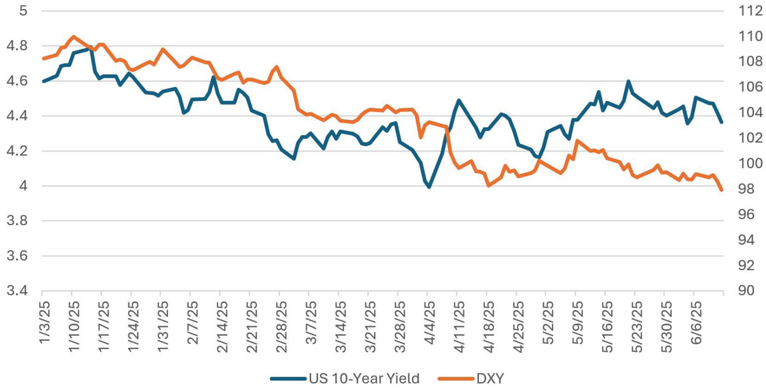
# ROTATIONS AWAY FROM SAFE-HAVEN ASSETS

We are arguably living in a new macroeconomic regime marked by persistent geopolitical tensions, elevated inflation and interest rates, trade fragmentation and the lingering after-effects of the pandemic.

In this new macro-environment of high uncertainty and market volatility, the role of US treasuries as a safe-haven asset and the US Dollar as the global reserve currency are under scrutiny. An increasing US fiscal deficit, rising interest debt payments and recent events such as the US treasury sell-off in April after 'liberation day', are prompting a re-evaluation of Treasuries as a safe-haven asset. This raises the question: are investors rotating away from US Treasuries in search of alternative safe-have assets?

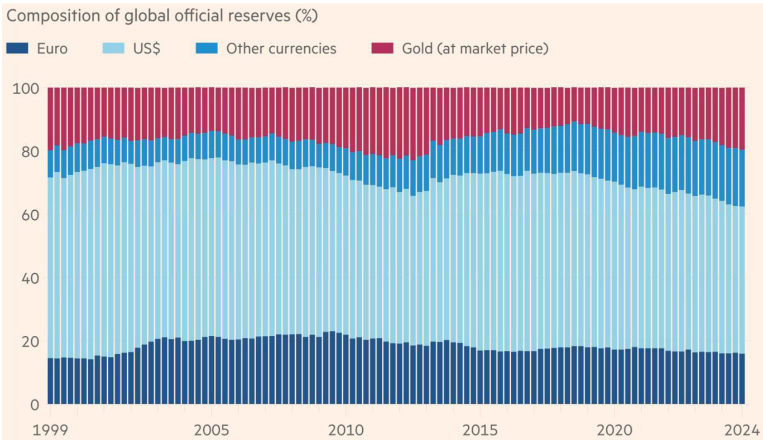
With US Treasuries exhibiting greater volatility and price sensitivity, they are increasingly being perceived as risk-bearing rather than purely defensive assets. Gold, as a store of value and inflation hedge attracted inflows from both central banks and private investors recently. The price of gold rose rapidly from around $1800 a troy ounce in late 2023 to around $3300 a troy ounce currently. Central banks worldwide have rapidly been increasing their gold reserves, adding 1080.1 tonnes; 1050.81 tonnes and 1044.63 tonnes of gold in 2022, 2023, 2024 respectively. This accumulation reflects an effort to diversify reserves away from the dollar and Treasuries, driven by gold's role as an inflation hedge, its absence of default risk, and its strong performance during periods of crisis (World Gold Council, 2025). In fact, as reported by the Financial Times on 11 June, gold has overtaken the Euro as the world's second most important reserve asset for central banks (Financial Times, 2025).

**Figure 1: US 10-year Treasury Yield and DXY index YTD. We see a sharp spike in yields after 'liberation day' and depreciation of the DXY index.**




Source: Bloomberg

**Figure 2: Gold is now the second most important reserve asset for central banks**

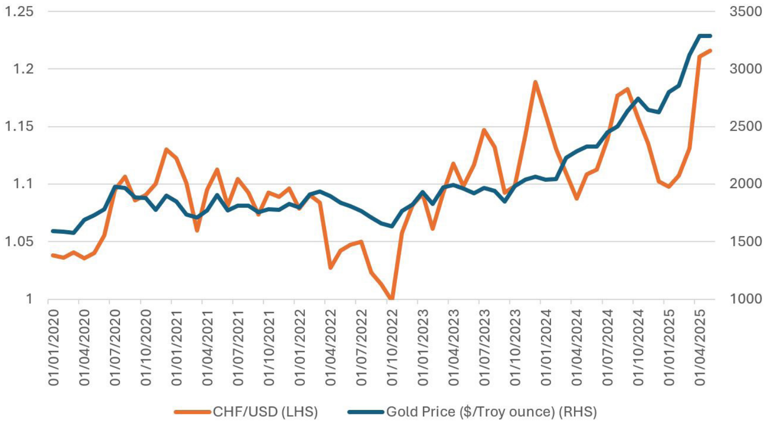



Source: Financial Times and ECB

*GOLD'S RAPID RISE AND INCREASING CENTRAL BANK RESERVES SIGNAL A SHIFT AWAY FROM US TREASURIES AS THE PREFERRED SAFE-HAVEN IN TODAY'S VOLATILE MACRO-ENVIRONMENT..*

Another beneficiary of this rotation is the Swiss Franc (CHF). Switzerland's stability and neutrality saw the CHF surge in safe-haven demand. From 2023, the CHF has appreciated strongly against both the Dollar and Euro. The Swiss National Bank managed to keep inflation in check relative to other central banks during the 2022-2023 hiking cycle and at a time when high-for-longer US yields were battering other havens (Reuters, 2023). The dynamic has persisted into 2024 with the CHF appreciating nearly 8% against the dollar in the first half of 2025 amid renewed trade tensions and US policy uncertainty. The yen, another traditional safe-haven currency, has been more mixed, weighed down by Japanese yield curve policy.

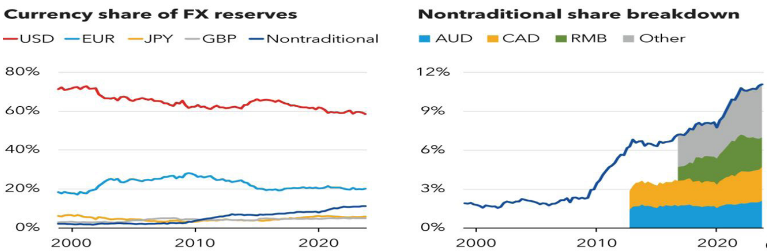
**Figure 3: CHF/USD and Gold Prices since 2020. From late 2022 we see both have risen sharply.**




Source: Bloomberg

Beyond traditional safe havens, reserve manager and investors are increasingly considering nontraditional alternatives. IMF data shows the US dollar share of global FX reserves has been on a gradual decline falling from about 70% twenty years ago to around 58% by 2024. The increased allocations have been to smaller currencies such as the Australian dollar and Canadian Dollars, Chinese renminbi, South Korean Won, Singapore Dollar and Nordic currencies. These "nontraditional" reserve currencies collectively gained notable share as they offer greater diversification and often higher yields than traditional havens. By 2023, at least 49 countries have more that 5% of reserves in such alternative currencies-a broad-based shift confirming that central banks have indeed been shifting gradually away from the dollar over the past decade (IMF, 2024).

**Figure 4: Falling share of "big four" currencies mirrored bu increasing holdings of nontraditional reserve currencies.**




Source: IMF COFER

Among Emerging Market (EM) currencies, the Chinese yuan (RMB) has drawn the most attention as a potential safe asset, given China's economic size being the second largest economy in the world. China has actively promoted RMB internationalisation, establishing cross-border payment systems, extending swap lines and even piloting a digital yuan. These steps alongside China's role as a top trading partner led many to expect a rising RMB role in reserves, however, recent data show RMB reserve growth stalling. Due to China's relatively low interest rates and capital controls the RMB's share has edged downs since 2022 (IMF, 2024).

EM's are also benefitting from this shift in capital flows, particularly those with high yielding debt and growing trade independence. Countries like China, India, Brazil, Saudi Arabia and Mexico are benefitting from investor rotations out of US treasuries and the dollar. These countries offer strong fundamentals, high-yielding local debt and growing roles in de-dollarized trade. China and Brazil are settling more trade in yuan and reals, India is attracting bond inflows, and Mexico's peso has surged on stable policy and nearshoring tailwinds. These EM countries are gaining credibility as alternative safe havens driven by stable outlook and monetary policies and investment destinations in more multi-polar world (Lubin, 2024).

In conclusion, investors gradual rotation away from US treasuries as the dominant global safe-haven is a defining shift in the last few years. It is driven by a confluence of factors, a growing US debt burden, increased fiscal spending, higher real yields, geopolitical shock events and US recessionary worries. In response, there has been a shift in global capital allocation towards a multipolar framework, with investors seeking refuge in alternative safe assets like the Swiss Franc, gold, and select EM and DM currencies and bonds which offer reserve diversification.

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PANEL DISCUSSION
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PANEL DISCUSSION
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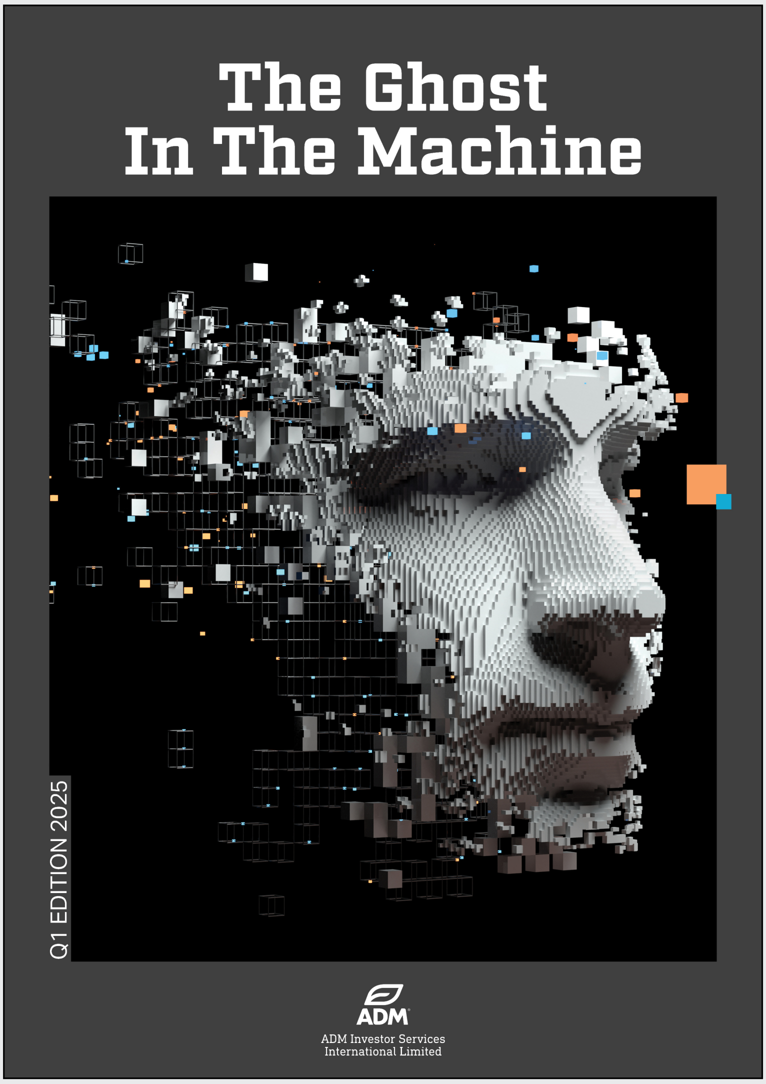


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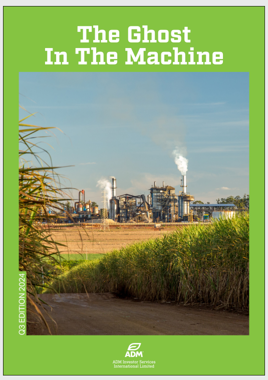


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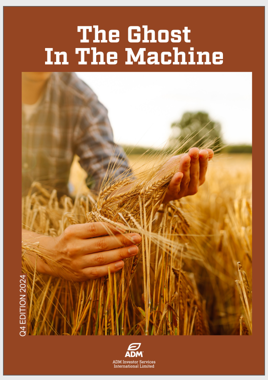


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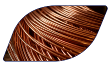

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