WEEKLY NEWS ARTICLE UPDATE

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Weekly Highlights

USDA on Tuesday raised its forecast for U.S. soybean exports by 25 million bushels to 1.475 billion bushels (40.14 MMT). It also raised its forecast for U.S. soybean crush by 5 million bushels to 1.69 billion bushels (45.99 MMT). As a result, USDA lowered its forecast for U.S. soybean ending stocks in 2013/14 to 150 million bushels (4.07 MMT). And USDA's estimate for average soybeans prices in 2013/14 was raised from $11.15 - $13.15/bushel to $11.50 - $13.50/bushel.

The other significant changes in the report for the soy sector were the following:

- The forecast for U.S. domestic soymeal demand was reduced by 140,000 MT (0.5%) to 27.03 MMT.
- The forecast for U.S. soymeal exports was raised by 230,000 MT to 9.53 MMT.
- The forecast for Argentina's 2014 soybean crop was raised by 1 MMT to 54.5 MMT, but there was no change in the forecast for the Brazilian soybean crop of 88 MMT.
- The forecast for Argentina's soymeal exports was increased by 400,000 MT to 29.4 MMT, but USDA made no change in Brazilian soymeal exports.
- The forecasts for soybean imports by the EU-28, Japan, and Mexico were raised by 0.2, 0.1 and 0.1 MMT respectively.
- The forecast for soymeal imports by the EU-28 in 2013/14 was increased by 500,000 MT to 20.6 MMT and its domestic soymeal demand was increased by 500,000 MT to 29.43 MMT.
- The forecast for global soybean ending stocks on August 31, 2014 was increased by only 390,000 MT to 70.62 MMT. Market analysts surveyed by Reuters on average expected stocks to rise to 71.64 MMT.
- The changes in USDA's forecasts for the U.S. indicates 56.6 percent of the soybeans produced in the U.S. in 2013 will be exported as either whole soybeans, soymeal or soyoil.

The increase in the forecast for U.S. soybean exports to 1.475 billion bushels was expected in the market. Last week's USDA export sales report showed U.S. exporters already have sold soybeans for export that totaled over 95 percent of USDA's forecast for the entire marketing year and there have been additional sales this week. The increase in the forecast for U.S. soymeal exports also was no surprise considering the very strong sales thus far to Europe and Asia in particular. The export sales report on Thursday raised indicated U.S. soybean export sales last week totaled 40.66 million bushels (1,108,600 MT) of soybeans for export in 2013/14. That means last week's sales of soybeans for export more than offset the increase in USDA's forecast. As a result U.S. soybean export sales now equal 96.4 percent of USDA's updated forecast for exports in the entire marketing year.

It has been increased exports of soybeans and soymeal that have been key to maintaining low ending stocks of soybeans in the U.S. since domestic soymeal demand has fallen by over 4 MMT mainly because of increased consumption of DDGS. Expanded ethanol production has been good for the corn sector, but is not been positive for U.S. soymeal demand.

Export Sales Highlights

This summary is based on reports from exporters for the period November 29-December 5, 2013.

Soybeans: Net sales of 1,108,600 MT for 2013/2014 were up 38 percent from the previous week and 2 percent from the prior 4-week average. Increases were reported for China (558,100 MT, including 58,200 MT switched from unknown destinations and decreases of 9,200 MT), Mexico (108,400 MT), Germany (74,800 MT), Saudi Arabia (70,000 MT, switched from unknown destinations), and South Korea (59,800 MT, including 55,000 MT switched from unknown destinations). Decreases were reported for unknown destinations (102,500 MT) and the United Kingdom (7,400 MT). Net sales of 413,900 MT for 2014/2015 were reported for unknown destinations (300,900 MT), China (111,000 MT), and Japan (2,000 MT). Exports of 1,711,200 MT were primarily to China (1,029,900 MT), Germany (74,800 MT), Mexico (74,300 MT), Saudi Arabia (70,000 MT), South Korea (59,800 MT), and the United Kingdom (58,600 MT).

Optional Origin Sales: For 2013/2014, outstanding optional origin sales total 280,000 MT, all China.
Exports for Own Account: For 2013/2014, new exports for own account totaling 24,700 MT to Canada were reported. Export for own account totaling 58,600 MT to Canada were applied to new or outstanding sales. The current exports for own account balance is 3,000 MT, all Canada.

Soybean Cake and Meal: Net sales of 82,700 MT for 2013/2014 were down 31 percent from the previous week and 60 percent from the prior 4-week average. Increases were reported for France (51,500 MT, including 49,000 MT switched from unknown destinations), Turkey (39,700 MT), Morocco (24,000 MT), and Venezuela (21,000 MT). Decreases were reported for unknown destinations (57,600 MT) and Colombia (44,300 MT). Net sales of 300 MT for 2014/2015 were reported for Mexico. Exports of 334,300 MT were up 5 percent from the previous week and 23 percent from the prior 4-week average. The primary destinations were France (51,500 MT), Thailand (49,500 MT), Egypt (42,900 MT), Spain (31,600 MT), and Italy (27,500 MT).

Soybean Oil: Net sales of 2,300 MT for 2013/2014 resulted as increases for the Dominican Republic (1,800 MT), Mexico (1,100 MT), Guatemala (500 MT), and El Salvador (500 MT), were partially offset by decreases for Canada (2,100 MT). Exports of 29,300 MT were up 1 percent from the previous week and up noticeably from the prior 4-week average. The primary destinations were China (16,100 MT), Mexico (4,200 MT), Senegal (4,200 MT), and Hong Kong (2,000 MT).

U.S. Farmers Lose as Bumper Grain Harvest Overwhelms Ships, Trains

By Julie Ingwersen and Karl Plume

CHICAGO, Dec 9 (Reuters) - Bumper corn and soybean harvests in the U.S. Midwest are stretching the system for moving crops from fields to markets beyond its limits this year, driving up export costs and crimping profits for farmers and grain dealers.

After years of drought, the bountiful harvests may have come as a relief to America's heartland if it were not for the severe transportation bottlenecks that have developed.

The rising tide of corn and soybeans is causing severe slowdowns along an interlocking network of railroads, highways and rivers. Barges and hopper cars are overbooked in a system already strained by new demand for delivery of oil by rail, a delay of repairs to river locks, and backlogs at international shipping terminals.

"Every elevator and co-op I've talked to says the same thing: They don't know how they are going to get all their December deliveries delivered," said Mike Hall, a grain broker in central Illinois. "There is just a world of grain to move in December. Huge amounts."

The Mississippi River and its tributaries are a highway for grain barges and the cheapest means to haul crops from the heart of the Midwest farm belt to Gulf Coast export terminals.

When bottlenecks develop in the Mississippi system and the grain belt's rail lines, the delays can drive up export prices, making U.S. grain less competitive. They also create a glut in the interior, which can chip away at profits for the nation's farmers.

Indeed, farmers are expected to see net cash receipts from grain crops fall by 3 percent in 2013 in a year of overall robust volume, according to a late November report from the U.S. Department of Agriculture.

Many farmers protect themselves from price fluctuations after harvest by locking in prices during the summer with futures trading and other forms of forward contracting.

The decline will occur in a year of robust profits overall for farmers, with income forecast to hit $131 billion, up 15 percent from last year and the most profitable performance in 40 years. Much of the increase is due to sky high livestock prices, the USDA said.

Corn is the largest U.S. crop in volume and typically is a major contributor to farm income. But American farmers have faced significant challenges with this year's crop.

A late spring planting meant the harvest, which typically lasts 10 to 12 weeks, was condensed into about nine weeks. Farmers rushed to make up for the delay, bringing in the harvest from late October to early November - the very surge that is taxing the transportation system.

"We went from zero to 60 in about two weeks' time, once this harvest started kicking in," said Martin Hettel of AEP River Operations, comparing the acceleration of this year's harvest to a race car. Hettel helps supervise the operation of more than 2,900 barges.

Operators who were stuck with empty boats in the last two years, when summer drought produced weak U.S. harvests, were expected to be booked through at least February, Hettel said.

Some shippers are already racing against encroaching winter weather and ice buildups on some waterways. Northern stretches of many Midwest rivers are closed to barge traffic, with more closures expected in coming weeks. That is expected to exacerbate the backlog for grain merchandisers already struggling to find empty space on vessels.

The USDA has pegged this year's corn crop at a record 13.989 billion bushels and the soybean crop at 3.3 billion bushels.

The corn harvest - up 30 percent from last year - is expected to more than double domestic stockpiles, which had been depleted by drought in 2012 to a 17-year low. For soybeans, stockpiles were seen rising 21 percent after what is estimated as the third-biggest crop on record.

Grain elevators that had gone nearly empty a year ago, suddenly are stuffed with grain, thanks to the famine-to-feast shift in grain production.

TRACING THE SURGE

The slowdowns start on the road. Trucks have been hard to come by this year, shippers say. The drought of 2012 forced some drivers who typically move grain to seek work in other industries, such as hauling rocks out of quarries, and some have not returned, they say.

On railroads, grain dealers have struggled to find empty train cars. To make matters worse, railway construction and expansion have caused trains to travel slower than usual this autumn, further squeezing capacity.

Stuffed with grain, hopper cars on the BNSF Railway last month were moving at about 20.5 miles per hour (33 kph), compared with 23.3 mph during the last quarter of 2012, according to data on the Association of American Railroads website.

As a result, trains stretching 100 cars long, which normally can make three trips a month between the Corn Belt and export terminals on the Pacific Northwest, are logging only two trips, grain handlers say.

Development of the huge Bakken shale deposit, which has created demand for transporting oil by rail across the northern U.S. Plains, has contributed to the slowdown. Bakken oil traveling from the Dakotas to refineries in the Midwest and elsewhere is competing for existing track capacity.

Freight costs to the Pacific Northwest are soaring. Some grain handlers who had booked freight in advance of the harvest have been able to re-sell the space at a tidy profit to other grain shippers caught short by the reduced flow of trains.

But those re-sellers can lose money elsewhere. Huge piles of grain stored on the ground outside country elevators have steadily lost value as surpluses cause prices to tumble.

"You might be able to give up a train here and there, and make $300,000 or something. But at the same time, your grain is sitting there," said a rail freight broker, who declined to be identified because he was revealing competitive business information. "The freight division makes money, and the others lose it."

Premiums for rail freight are rolling forward into the winter months.

"A month ago, December was trading at like $500 a car, and now it is worth $1,300," said Dan Mostad, grain marketing manager at Berthold Farmers Elevator in Berthold, North Dakota.

One farmer in Mattoon, Illinois, estimated that his local elevator had 750,000 bushels of corn piled on the ground in a mound 60 feet (18 metres) high and 260 feet wide. Such stockpiles suggest traffic out of the Midwest will remain congested for a long time, grain handlers said.

RIVER TRAFFIC BUILDS AS TEMPERATURES DROP

Grain shipments on Midwest river systems are slowing to a trickle, too, with delays extending from Iowa and Minnesota down to the massive export ports at the Gulf of Mexico.

Near the junction of the Mississippi and Ohio rivers in the central Midwest, stalled repairs at one of the nation's busiest lock systems caused three-day delays. The blockage pushed shipping costs on the Ohio River to a five-year high.

Locks on rivers north of St. Louis are nearly a century old, but tight federal budgets have meant repairs can be made only on a piecemeal basis. Older locks typically have only one locking chamber, meaning unscheduled repairs can at times completely block the mile-wide Mississippi.

"The river is essentially closed until that is repaired, and you never know which lock it's going to be," said Andrew Schimpf, operations manager for the Army Corps of Engineers' Mississippi River Project.

The backups come to a head at the country's largest grain port complex around New Orleans. Delays in loading vessels are running to 10 days, the worst in at least four years.

The delays are all the more remarkable given that private owners of port facilities, such as Archer Daniels Midland Co, Cargill Ltd and Louis Dreyfus Corp, have invested heavily in expanding capacity in recent years to capture rising demand from Asia.

The early winter river traffic is expected to get worse before it gets better. As temperatures fall, water levels drop and ice narrows the navigable channels on the rivers that remain open. For many upstream grain elevators, that means storing more grain on the ground through winter, leaving it exposed to rot and causing losses for the owners of the grain.

First Default Seen as Record $427 Billion Debt Due: China Credit

By Bloomberg News

Dec. 9 (Bloomberg) -- Chinese company debt twice the size of Ireland's economy will come due in 2014, spurring concern the nation is on the cusp of its first corporate bond default.

A record 2.6 trillion yuan ($427 billion) of interest and principal on securities issued by non-financial companies must be repaid next year, 19 percent more than this year and the most since China International Capital Corp. began compiling the data in 2008. Ten-year AAA corporate bond yields surged 88 basis points since Dec. 31 to 6.17 percent, touching a record 6.23 percent on Nov. 27. That compares with a 69 basis-point rise to 2.67 percent for similar-rated notes globally.

People's Bank of China Governor Zhou Xiaochuan's signal the central bank will act to prevent excessive leverage has contributed to the surge in borrowing costs and forced many firms to delay financing plans. Rising interest rates may cause a "partial debt crisis to explode," the official China Securities Journal said in a Nov. 26 editorial.

"The probability of default will get much higher in 2014 as maturing debt reaches a record," said Shi Lei, the Beijing- based head of fixed-income research at Ping An Securities Co., a unit of the nation's second-biggest insurance company. "The central bank's policy of controlling leverage, which may last a long time, will crowd out companies with bad credit profiles and, ultimately, help restructure the economy."

Sales Pulled

Bond sales by Chinese companies are down 24 percent to 1.55 trillion yuan this half-to-date compared with the first six months of the year, according to data compiled by Bloomberg. Companies postponed or scrapped 96.1 billion yuan of bonds in November compared with 29.8 billion yuan the month prior, according to filings on the websites of Chinamoney, Chinabond and Shanghai Clearing House.

The 2.6 trillion yuan of debt due next year consists of a record 2.13 trillion yuan of notes which must be redeemed, and a record 470 billion yuan in interest, the CICC data show. Investors also have options to sell some 200 billion yuan of bonds back to issuers, according to CICC.

Prominent Problems

There have been no defaults in China's publicly traded domestic debt market since the central bank started regulating it in 1997, according to Moody's Investors Service. Guosen Securities Co. estimates Chinese non-financial companies' debt ratios reached 93 percent last year, while the average in Asia hasn't surpassed 70 percent in the last 10 years, according to a report released on Dec. 2.

The central bank warned on Nov. 5 the economy may see a decline in leverage over a long period, and said there are
"prominent" problems in local government and property industry borrowings. China's broad debt ratio has also been
rising sharply, PBOC Deputy Governor Hu Xiaolian said on Nov. 20.

Following the Communist Party's Nov. 9-12 plenum, China's leaders pledged to allow market forces a "decisive" role in the allocation of resources. Societe Generale SA China economist Yao Wei said the announcement signals the government may stop saving troubled companies which can't meet debt obligations and allow the first bond default in the coming 12 months.

'Doomed Companies'

"If the government is going to let market forces play an important role, it should let those doomed companies fail," said Yao in Hong Kong. "In industries with overcapacity, such as steel and shipbuilding, there's a higher likelihood of bond defaults."

Credit risks are most concentrated in highly leveraged sectors, including heavy industries, according to Ping An's Shi, who said rising borrowing costs will begin to have a "real effect" on the world's second-largest economy next year.

Falling Peso Saps Fears of Argentine Soy Selling Spree

By Agrimoney.com

Argentine farmers' reluctance to sell soybeans, blamed for paralysing trading on the Rosario grains exchange, looks set to continue, thanks to the continuing decline in the peso - and to the spread of silo bags.

Growers in Argentina, the third-ranked producer of the oilseed, are sitting on 11.5m tonnes of soybeans, according to newspaper Cronista Commercial - equivalent to more than 20% of the latest harvest and more than the country usually exports - viewing the crop as a hedge against rising inflation and a falling currency.

The peso this week fell below $0.16, a drop of 22% year on year, and down by nearly one-half over the last five years.

Crops, being dollar denominated, offer growers protection against currency decline, prompting the withholding, and lack of offers, which has been blamed for five successive days without soybean trading on the Rosario grains exchange, the country's main ags market.

'Very little being transacted'

"Farmers refused to sell their beans in light of the unstable domestic currency," Vanessa Tan at broker Phillip Futures said.

At the Rosario exchange, a spokesperson told Agrimoney.com that ideas that the weakening currency was to blame was a "fairly accurate opinion.

"Very little is being transacted, and one of the reasons is that the dollar goes up day by day, so sellers prefer to wait a bit to get more value in peso terms," the spokesperson said.

'I would not sell'

The extent of the withholding has raised concerns that global soybean markets could face a flood of Argentine supplies as the country's next harvest approaches, and farmers sell up to make room for the new crop.

However, that looks unlikely given the extensive use of silo bags, large storage sacks, which can store crops for some 18 months, leaving farmers a further nine months or so before they need to sell for fear of quality deterioration, said respected crop scout Michael Cordonnier.

"The fear of inflation is much higher than the fear of losses to deterioration," Dr Cordonnier, at Soybean and Corn Advisor, told Agrimoney.com.

"Sure, you might suffer some discount from deterioration in quality, but the risk of loss is far greater from a declining currency.

"If those were my soybeans, I would not sell," unless the government devalued the currency, "when I would sell the next day".

'More troubled weather'
The comments came despite a forecast by Dr Cordonnier, who while based in the US has close connections with South America, that Argentina will harvest a record 56m tonnes of soybeans this year, a figure higher than the 54.5m tonnes at which the US Department of Agriculture pegs the crop.

However, he was more downbeat that the USDA on expectations for Argentina's corn crop, which is forecasts at 24m tonnes, down some 10% year on year, citing the impact of dryness in slowing plantings, and encouraging growers to switch to soybeans instead.

"Sowing of more than half the corn crop was delayed into the month of December, the most corn ever planted that late," he said.

While late planting need not mean a weak harvest, as the US proved this year, "the weather is becoming more troubled going forward", with ideas of dryness in some areas.

Weather service MDA said in a long-range forecast that "some heat may become an issue in north western Argentina in January", although drier weather in other parts would counter excessive wetness of late.

U.S. Soybean Exports to China to Reach New High
SHANGHAI, Dec 10, 2013 (Xinhua via COMTEX News Network) -- About 26 million tonnes of soybeans will be exported from the United States to China for the period from September 2013 to August 2014, U.S. Soybean Export Council said on Tuesday in Shanghai.

The amount will be a record for China's soybean imports from the U.S., the world's largest soybean producer.

Zhang Xiaoping, the council's chief representative in China, said the record demonstrated China's strong buying power.

During the period, China will import nearly 70 million tonnes of soybeans while producing 15 million tonnes domestically.

Soybeans yield a bigger sum than any other commodity exported from the U.S. to China.

Soymeal Prices May Stay Strong into 2014: Maguire
By Gavin Maguire

CHICAGO Dec 12 - Front-month soymeal prices have outperformed deferred contracts lately, as robust domestic demand coupled with near-term supply tightness spurred a scramble for coverage by processors ahead of the year-end.

But the physical shortage of soymeal does not appear to be solely a short-term problem, as bullish maneuverings have also been evident in the options markets tied to futures contracts with delivery slots in the opening months of 2014. January call options have shown the fastest demand growth of late, but open interest has also climbed in March calls to suggest traders feel the current spate of price strength may extend well into the New Year.

RAMPANT CRUSHING

Robust demand from livestock feeders has helped lift soymeal prices over the past month or so, which in turn has boosted soy crushing margins for processors across the country.

In response, the U.S. soy crushing rate has accelerated strongly, with the latest monthly report from the National Oilseed Processors Association (NOPA) featuring the highest October soymeal production total in more than a decade.

Persistent strength in crush margins has raised expectations for an equally robust November production total when that data is released later this month.

However, despite the sharp jump in meal production stemming from the torrid crush pace, meal output is being somewhat constrained by the relatively low soymeal yield levels being reported as processors adjust to the first waves of the 2013 soybean crop filtering through the processing chain.

The 2012/13 soybean crop featured historically low protein content after the crop was stressed during the critical pod-fill stage, resulting in relatively low meal yields throughout the year. It is likely that processors emptied their reserves of the 2012/13 crop during September and October in order to make way for this year's harvest, so it remains unclear whether the soft meal yield readings in the latest NOPA report presage another year of low protein content, or just reflect the final dregs of last year's crop.

Greater clarity on meal yield potential should emerge in forthcoming NOPA reports as processors transition more fully to the new crop.

But in the interim the uncertainty regarding how much soymeal crushers can generate per unit of soybeans that are processed should continue to lend a supportive hand to soymeal values.

EXPORT COMPETITION

In addition to being supported by firm demand among the domestic feeding industry, soymeal values have found support from strong U.S. soybean exports, which so far in the 2013/14 marketing year have far outstripped their usual pace.

Indeed, the cumulative total of U.S. soybean export sales to date has already reached more than 93 percent of the total projected for the entire crop year (Sep 1-Aug 31), which still has more than 8 months to run.

That said, U.S. exports do traditionally grind to a near complete halt once South American supplies become available in the February/March timeframe, and are expected to do so again in 2014 as Argentine, Brazilian and Paraguayan growers start to harvest what is projected to be a record crop next year.

Still, that harvest remains months away, and importers are bracing for a repeat of the logistical logjam that slowed the flow of fresh soy supplies out of South America last year as inadequate road and port facilities struggled to accommodate the enormous quantities of crop supplies emerging from the fields.

With early projections calling for crops that are even larger than the totals seen a year ago, waiting times at port loading facilities could exceed even last year's record durations. This would force global consumers to remain reliant on U.S. suppliers for longer than many currently expect.

This is why traders seem bullish on soymeal prices during the opening quarter of 2014, and why soymeal prices for March delivery have advanced alongside prices for immediate shipment.

The options arena has manifested this bullish positioning, with bullish call buying apparent lately in the January and March contracts at strike prices above current futures values.

January options hold the larger level of overall positions, with more than 1,500 contracts residing at the $470 per short ton strike price compared to less than 500 lots at the equivalent strike in March options.

But the rate of growth in March options has accelerated at a faster pace than January positions lately just as March futures surpassed January futures as the most liquid 2014 soymeal contract in terms of open interest.

Additional purchases of bullish options tied to March futures should further underpin prices and sentiment in that market, and potentially provide a leading indicator on just how long the current stretch of strength in the soymeal market may last.

Fertilizing Sustainable Farms

Walmart, General Mills Seek to Reduce the Carbon Footprint of Commodities

CHICAGO (DTN) -- More farmers are going to be faced with documenting their environmental practices and reducing fertilizer usage when selling to certain markets.

Laura Sands, a consultant with Vela Environmental, spoke Wednesday at the DTN/The Progressive Farmer Ag Summit about the growing environmental traceability pressures farmers will face in the future. Those pressures are largely being driven by major retailers. Sands said farmers will have to begin thinking about issues such as sustainability risk management. She also noted Walmart is sending out questionnaires to suppliers asking for more information about environmental performance and sourcing of basic commodities.

"Right now, you might not be getting questions, but the people you sell to are having to answer these questions," Sands said.

Companies such as Unilever have vowed to ensure soybeans and soy oil are sustainably sourced. Parts of the U.S. dairy industry also want to reduce their carbon footprint by 25% by 2020.

Beyond fertilizer, water sustainability is another factor major food companies are starting to consider when sourcing grains and oilseeds.

Such supply-chain initiatives can have wide-ranging effects, particularly when the country's largest grocer, Walmart, is becoming more aggressive in sustainability efforts. Walmart announced in September it is requiring food companies that use commodity grains to develop a "fertilizer optimization plan." That plan should outline goals to reduce fertilizer usage. Walmart has a goal that the retailer and its suppliers will reduce fertilizer use on 14 million acres in the U.S. by 2020.

That 14-million-acre figure is based on a number of different pilot programs Walmart already is engaged in. Brittni Furrow, a senior manager for sustainability initiatives at Walmart, focuses specifically on the company's food and agriculture. In a phone interview, Furrow said Walmart began examining its supply chain and found nitrous oxide from fertilizer was one of the largest opportunities to lower overall emissions from suppliers.

"That is why it has been a real focal point for us over the last couple of years," Furrow said.

Working with commodities as a retailer is challenging because Walmart is so far removed from the farmers who make cropping decisions. The commodity supply chain also is largely untraceable. Walmart doesn't have a lot of direct conversations with farmers, but the retailer has worked to connect with regional and local experts whom farmers trust. Furrow acknowledged that reaching out to commodity farmers hasn't been easy.

"How we engage in that sector of the supply chain is the thing we really have to figure out," Furrow said.

Walmart actually has been exploring a number of different issues. Corn rose to the top, but a number of the beta projects touch on other practices as well. Furrow noted Walmart also is looking at issues such as water usage and no-till crop production.

"We're now looking at next year and how we can look at resilient sourcing across commodities," Furrow said.

ENVIRONMENTAL GROUPS PUSH RETAILER CHANGES

Walmart began its drive on fertilizer by working with groups such as Environmental Defense Fund. Jenny Ahlen works for EDF in Bentonville, Ark., where Walmart is headquartered. Ahlen said EDF and other groups pushed Walmart to examine its supply chain for environmental impacts. The chain had largely focused its efficiency and climate efforts on its individual stores up until that point.

"But they hadn't really addressed their supply chain, which is where we think 90% of their impact actually happens," Ahlen said.

Thus, Walmart set a goal to reduce 20 million tons of greenhouse gas emissions by 2015. In studying the issue, the company found fertilizer is a focal point because about 50% of Walmart sales come from food.

Nitrous oxide emissions from commodity corn stuck out because one ton of nitrous oxide is the equivalent of 300 tons of carbon dioxide. Agriculture accounts for nearly 70% of nitrous oxide emissions, according to EPA.

"When you look at food more closely, fertilizer, particularly nitrogen fertilizer, produces some really powerful greenhouse gases," Ahlen said.

Walmart works with the Sustainability Consortium to survey suppliers as well as Field to Market to look at ways farmers can reduce their environmental footprint.

MAJOR FOOD COMPANIES STEPPING UP

In a similar vein, General Mills also is trying to cut its carbon footprint. The processor of breakfast cereal and other products determined two-thirds of its carbon footprint and 99% of its water usage is tied to raw materials.

"So working on sourcing is a really critical thing for us if we want to make sure our business model operates affordably," said Steve Peterson, head of sustainability sourcing for General Mills. Peterson spoke to DTN about General Mills' efforts in November.

General Mills has committed to be sustainably sourced on ten major commodities that represent more than 50% of global purchases. About half of those commodities come from larger commercial North American farmers -- wheat, oats, dry mill corn, sugarbeets and dairy. The rest of those commodities come from small-scale farmers globally.

General Mills has been a member the agricultural industry group Field-to-Market since its inception and has helped develop the continuous improvement approach that General Mills is applying to those major commodities in the U.S. by 2020. "We're all in there together, including our customer, Walmart," said Peterson, who is now vice chairman of Field to Market's board.

Peterson said General Mills is looking for "the sweet spot" when it comes to reducing inputs on the farm level but not create a separate, segregated supply chain that would drive up costs for everyone. The goal is to demonstrate a baseline of inputs to produce a crop and improve from that baseline over time.

"That, in our mind, is enough to make a claim that whatever we source, or any other Field to Market member, would be deemed sustainable," Peterson said.

General Mills is starting its sustainability work with a select group of farmers in the Snake River Valley basin of Idaho. General Mills chose Idaho because that's the region most vertically integrated for commodity purchases.

It's the only place General Mills owns the grain elevators. General Mills selected a group of representative farmers throughout the valley. They then worked together to create a baseline for how the farmers grow their crops regarding inputs.

WORKING WITH FARMERS

Over the last year, Walmart also has started to establish more relationships with major commodity groups to help spread the message to farmers. Walmart's sustainability team is talking with groups such as the National Corn Growers Association and participating in some of their events, as well as state soybean associations and some animal-agriculture associations.

"Specifically, the fertilizer piece has been a great learning opportunity for us," Furrow said. "Ultimately, what it comes down to is the fact that for farmers to move forward in that direction, you have to have that trusted resource, such as the agronomist, the crop advisers and working through some of the producer associations and NGOs."

Walmart wants to work with more suppliers and major brands to scale up these initiatives and make them more mainstream. That would include looking for ways to differentiate products on the shelf that may have some more efficient fertilizer inputs vs. a more standard product.

"We're definitely looking for new opportunities and finding ways to incentivize our suppliers to engage in these activities," Furrow said.

Russia to Be Allowed Cultivation of GMO Crops

Russia wil be allowed to cultivate genetically modified crops – according to government decree number 839 dated September 23, said Russian Agroholdings head of market researches of Bunge Company Oleg Sukhanov.

The decision shall enter into force on 1st July 2014, while the registration of seeds, he said, will take a couple of years, so the first harvest of genetically modified soybeans in Russia can be harvested in 2016-2017.

Now Russia GMOs can be cultivated only on experimental fields. Also it is only allowed imports of certain varieties of corn, potato, soybean, rice and sugar beet (in total 22 plant lines). However, several interlocutors of the Russian media "Vedomosti" disclose that vertically integrated agricultural holdings already cultivated and used GMO feed crops, but unofficially.

First resolution for cultivating of GMO crops can be obtained in 1.5-2 years after the start of registration, according to the president of the Russian Grain Union Arkady Zlochevskiy. ICAR University CEO Dmitry Rylko said that this process will take at least three years. How much the certificate will cost, the regulation does not say. "It will depend on the regulations, which will govern this procedure ," - said the representative of Rosselkhoznadzor Alexei Alexeenko.