WEEKLY NEWS ARTICLE UPDATE

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Happy New Year!

Articles in This Issue

Weekly Highlights

Because of the Christmas holiday not much new happened this week of significance in the soybean sector. USDA announced 299,000 MT of soybean export sales for 2013/14 and 120,000 MT for shipment in 2014/15. China rejected more corn shipments from the U.S. as well as some shipments of DDGs because they were found to contain an unapproved biotech corn event. And China has indicated it wants to shift away from using stockpiles to support its soybean and cotton farmers and instead shift to a target price system. The normal weekly USDA export sales report showed large soybean export sales and moderate soymeal export sales. US soybean export sales for shipment in 2013/14 now exceed USDA's forecast for the entire marketing year.

Export Sales Highlights

This summary is based on reports from exporters for the period December 13-19, 2013.

Soybeans: Net sales of 720,200 MT for 2013/2014 were up 74 percent from the previous week, but down 23 percent from the prior 4-week average. Increases were reported for China (517,700 MT, including 254,300 MT switched from unknown destinations and decreases of 18,300 MT), Mexico (105,500 MT), Turkey (51,200 MT), Japan (43,900 MT, including 22,700 MT switched from unknown destinations and decreases of 3,300 MT), and the Netherlands (23,100 MT, including 21,000 MT switched from unknown destinations). Decreases were reported for unknown destinations (38,500 MT), Italy (24,900 MT), and Israel (22,000 MT). Net sales of 68,100 MT for 2014/2015 were reported for unknown destinations (60,000 MT) and Japan (8,100 MT). Exports of 1,445,600 MT were down 8 percent from the previous week and 17 percent from the prior 4-week average. The primary destinations were China (1,167,500 MT), Mexico (47,800 MT), Tunisia (33,000 MT), Japan (32,400 MT), and Taiwan (31,700 MT).

Optional Origin Sales: For 2013/2014, outstanding optional origin sales total 280,000 MT, all China.
Exports for Own Account: For 2013/2014, the current exports for own account balance is 29,800 MT, all Canada.
Export Adjustments: Accumulated exports to the Philippines were adjusted down a total of 410 MT for week ending December 12th. Exporters this week correctly reported these shipments as soybean meal.

Soybean Cake and Meal: Net sales of 83,300 MT for 2013/2014 resulted as increases for Thailand (45,000 MT switched from unknown destinations), the Philippines (40,100 MT), Italy (38,300 MT, including 40,000 MT switched from unknown destinations and decreases of 1,700 MT), Japan (35,100 MT, including 3,000 MT switched from unknown destinations), and Ecuador (32,300 MT, including 30,000 MT switched from unknown destinations). Decreases were reported for unknown destinations (189,600 MT), France (15,900 MT), and Israel (5,800 MT). Net sales of 1,100 MT for 2014/2015 were reported for Nicaragua. Exports of 292,900 MT were up 11 percent from the previous week, but down 6 percent from the prior 4-week average. The primary destinations were Mexico (47,000 MT), Italy (38,300 MT), Ecuador (32,300 MT), Colombia (31,600 MT), and Poland (29,000 MT).

Soybean Oil: Net sales of 83,900 MT for 2013/2014 were up noticeably from the previous week and from the prior 4-week average. Increases were reported for Panama (42,000 MT), the Dominican Republic (15,400 MT), Peru (14,500 MT), and Mexico (8,200 MT). Exports of 25,400 MT were up 81 percent from the previous week and 26 percent from the prior 4-week average. The primary destinations were Colombia (10,200 MT), Mexico (4,800 MT), Venezuela (4,000 MT), and Jamaica (3,500 MT).

High Cash Rents to Squeeze U.S. Midwest Grain Farmers in 2014

By Christine Stebbins

CHICAGO, Dec 24 (Reuters) - Rents on prime U.S. crop land are expected to stay high in 2014 despite a sharp drop in grain prices, raising financial pressure on farmers who rent most of their land and risk big losses in the coming year, analysts and bankers say.

More than half the 250 million acres (101 million hectares) of corn, soybean and wheat land in the United States, the world's biggest grain exporter, are rented. Negotiations on 2014 farm land leases are going on in the Corn Belt and Great Plains, with farmers, absentee owners and their farm managers, and farm lenders all penciling out projected grain growing profits and losses.

"With the recent drop in crop prices and the stickiness of land rents not falling as quickly as crop prices, many farmers are feeling the squeeze once again between revenue, costs and rent," said Kent Olson, an economist at the University of Minnesota.

That is a marked difference from five years of record or near-record farm income driven by record demand for biofuels and exports, capped with record grain prices in 2012 during the worst U.S. drought in 50 years. Now things have changed. The record large U.S. harvest in 2013 bins has dropped grain prices 30 percent in six months.

Bottom-line estimates for growing corn in 2013 in northern Illinois, for instance, now project a loss of $81 an acre compared to net gains of $188 an acre in 2012 and $251 in 2011, according to farm economist Gary Schnitkey of the University of Illinois.

For 2014, projections based on current costs and prices pencil out to a loss of $53 an acre for corn, he says. The outlook is similar in Iowa and Minnesota, which with Illinois produce more than a third of all U.S. corn and soybeans.

The problem for renters, though, is two-fold. Lease rates almost always lag drops in grain prices as landowners see what the market will bear. And farmers usually chase land prices for fear of losing the acreage in future to some other neighbor who will risk and pay more.

"We've negotiated about 75 percent of our leases and we have not seen cash rents change from last year. In some isolated cases, they are going up," Jim Farrell, head of Farmers National, the largest U.S. farm manager with 1.2 million acres under contract, told Reuters.

Farrell, who has negotiated farm rents for decades, said: "The level of tension with landowners is perhaps a bit higher. But cash rents are kind of sticky. They don't move down as rapidly as farmers would like and they certainly didn't move up as rapidly as landowners would like."

Economist Schnitkey agreed that landowners have the upper hand. They often charged lower rents in recent years before catching up with record high grain prices. So they are in no mood to lower rents. Tenants, on the other hand, fear the loss of acreage even at currently projected negative returns.

"A crop farmer can't make money if he doesn't farm land," Schnitkey said. "Actually, they are a pretty optimistic about their chances. They have money and they are in a pretty good financial situation. Over the past 10 years, if you bid too high a cash rent, higher prices have bailed you out. So it's worked out in the past," he said. "Now, it may not work out."

THE BIG SQUEEZE
"Iowa remains the bellwether farm state with more land under cultivation than any other state," said Michael Duffy, an Iowa State University economist and author of the state's annual farm land survey, a benchmark for bankers and farm economists.

Average cash rents in Iowa and Illinois run about $260 an acre to $300 an acre, but there are some who have paid $500 an acre to $700 an acre in recent years to ensure a big land base and grain market supplies.

"For some people it is going to be very serious," Duffy said of the high rents, "but I don't think it's going to be the majority."

Most Iowa farmers have strong balance sheets, paid off their debt after years of record income, and many own a large percentage of the ground they farm. In Iowa, three-quarters of farmland is now held without any debt, Duffy said.

"Those farms with all cash rent farmland will have much higher cash outflows than farms with owned land," Schnitkey said. "The 90 percent figure is a benchmark for those who will face difficulties."

Why do farmers agree to rents that project a net loss?

Kevin Dhuyvetter, a farm manager at Kansas State University, said that the nature of farmers – a hopeful and optimistic breed – often means their desire to keep a hold on acreage and gain production out-weighs caution.

"Farmers probably have to lose money one or two years in a row before rents back off," Dhuyvetter told Reuters. "I think the horror stories more likely will be coming out of the Corn Belt because that's where we heard of the astronomically high rents."
1 acre = .405 hectares

India's 2013/14 Soymeal, Corn Exports Seen Down 28 Percent
By Ratnajyoti Dutta and Meenakshi Sharma

NEW DELHI, Dec 26 (Reuters) - India's soymeal and corn exports are expected to drop more than a quarter to a total 6 million tonnes in the year to September 2014 as buyers opt for cheaper supplies from South America, trade sources said on Thursday.

Latin American producers, which compete with India to sell animal feed in markets such as South Korea, Japan, Vietnam, Thailand and Iran, have already raised sales to Asian buyers.

"Soymeal prices in India are ruling high on lower soybean output as rains in October caused severe damage to the crop during the start of harvest," said Rajesh Agrawal, chief co-ordinator at Soybean Processors' Association of India.

Indian soymeal - main protein ingredient in animal feed derived by processing soybean - is priced at around $570 per tonne, about $20 costlier than supplies from South America.

The country is expected to sell 3 million tonnes each of soymeal and corn in 2013/14, a decline of almost 28 percent from a total 8.3 million tonnes exported a year ago, traders said.

An expected 14 percent drop in India's soymeal output to 7.8 million tonnes in 2013/14 will also drag on exports, they said.

While corn output is expected to be slightly higher at 22.5 million tonnes, overseas sales by Asia's top exporter of the grain will come off about 38 percent on year amid high prices.

Indian corn is priced at about $220 per tonne, also around $20 more than global prices due to ample supplies from countries such as the United States, Brazil and Argentina.

"Despite a good crop year, India may not be able to export much because domestic prices are higher and the international market is flooded with cheap American supplies," said Amit Sachdev, India representative of the U.S. Grains Council.

Traders said domestic demand for soymeal and corn was likely to remain flat as a slowdown in the Indian poultry industry, the biggest consuming sector, would cap consumption.

China Turns Away US Distillers Grains Over GMO, More Rejections Expected
BEIJING, Dec 26 (Reuters) - China has turned away about 2,000 tonnes of U.S. dried distillers grains (DDGs), a corn by-product, and more rejections are expected in coming weeks as Beijing imposes strict checks over an unapproved genetically-modified (GMO) strain, traders said on Thursday.

The move follows the rejection of more than half a million tonnes of U.S. corn after authorities detected the presence of MIR 162, a GMO variety developed by Syngenta AG and not approved for import by China's agriculture ministry.

"The containers, which were sealed for a while, have been rejected at a port in Shanghai," said one trader with a domestic trading house.

Another industry source confirmed the volume. Quarantine authorities in Shanghai declined immediate comment.

Traders had been fretting about possible DDG rejections after earlier saying that the strain, already approved by destinations such as Japan, South Korea and the European Union, had been found in shipments of the protein-rich product of corn ethanol.

China, the world's top buyer of U.S. DDGs, accounted for about 40 percent of U.S. exports during the 2012/13 marketing season.

Worries over possible rejections have pressured Chicago Board of Trade corn prices. Traders are concerned that cargoes will be difficult to switch to other destinations as the substitute for corn and meal in animal feed is not widely used in the rest of Asia.

They said more rejections were likely after the General Administration of Quality Supervision, Inspection and Quarantine (CIQ) this week issued a notice to local authorities asking them to step up checks for MIR 162 in DDG cargoes.

"Quarantine authorities at major ports have been notified and will be strict in testing," said another trader, with a major state-owned trading house.

"Before, authorities were just checking on selective shipments, but now all shipments will have to be tested and a large volume may be turned away."

The traders said they had asked their U.S. suppliers to halt shipments.

"It comes at short notice. The shipments already delivered may not be easily resold to other countries," said the trader.

Chinese imports of DDGs were expected to hit a record high of more than 4 million tonnes in 2013/14 due to cheap U.S. prices and strong domestic demand.

Monthly imports in December and January were estimated at between 450,000 tonnes to 500,000 tonnes. China's imports in November rose 253 percent on the year to 538,498 tonnes, almost all of which came from the U.S.

The rejection supported domestic futures prices for soymeal and rapeseed meal on Thursday. The most-active May 2014 rapeseed meal contract was trading up 1.3 percent at its highest in more than two months.

Strict testing for MIR 162 comes as Beijing seeks to curb cheap corn imports and support domestic prices for the grain, industry sources have said.

The U.S. has urged China to act promptly to approve the strain.

China to End Soy, Cotton Stockpile Policy

BEIJING, Dec 27 (Reuters) - China, the world's top buyer of soy and cotton, will scrap its controversial scheme to stockpile the commodities and replace it with direct subsidies to farmers, the official Xinhua news agency reported.

This would bring an end to a system blamed for distorting the market to such a degree that it has been cheaper for mills in China to import cotton rather than buy domestic produce.

Global cotton prices, which have climbed around 12 percent this year, could come under pressure as the change in policy will free up more locally grown cotton, denting China's imports of the fibre in the short term.

Finance Minister Lou Jiwei was cited by Xinhua as saying the ministry would set up target prices and offer subsidies to soy and cotton farmers on a trial basis, but he did not give any details on the time frame.

The market was widely expecting the cotton, soy and rapeseed stockpile program to end next year.

The ministry would also establish a mechanism to use imports to refill state reserves to help ensure domestic supplies, Lou was cited as saying at a Thursday meeting of financial sector officials. China has already been buying corn, wheat and sugar for its state reserves.

China would make full use of both domestic and international markets and "expand the trade volume in some agricultural products", Lou was further quoted as saying.

There were no further details.

Beijing stockpiled about 10 million tonnes of cotton over the past two years, accounting for 60 percent of global stocks, while its soy stocks are at about 4 to 5 million tonnes.

The end of the program could mean these stocks will be released on the domestic market, although this will not hurt China's soy purchases as a majority of crushers in the coastal regions are already dependent on imports.

The ministry would also push for changes in its minimum purchase prices for grains, Lou said without elaborating.

Lou promised more financial support for the agricultural sector next year and more aid to protect and restore farmland polluted with heavy metals, according to the report.

China's Gansu Province Orders Separate GM Food Sales

LANZHOU - The food and drug authority in northwest China's Gansu Province on Thursday told markets to set up special zones for genetically modified (GM) food.

The move guarantees the consumer's right to know what they are buying and choose what they want to buy, according to a circular from the administration.

All food marketers in the province must establish a special counter or shelf for the GM food in their stores from March 1, 2014. They are also ordered post notices in prominent positions to tell consumers they can buy GM food in special zones.

All GM food should clearly indicate contents on their labels, it said.

GM food remains controversial nearly two decades after being introduced to the commercial market, as there is still no consensus on whether it is harmful to humans.

China has a strict trademark mechanism for GM products, including clear labeling, but many transgenetic products remain without such labels.