# WEEKLY NEWS ARTICLE UPDATE

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## Articles in This Edition



## Export Sales Highlights

This summary is based on reports from exporters for the period October 2-9, 2014.

**Soybeans:** Net sales of 935,000 MT for 2014/2015 were reported primarily for China (709,400 MT, including 242,200 MT switched from unknown destinations and decreases of 66,900 MT), Taiwan (77,100 MT), Germany (75,500 MT), the Netherlands (70,600 MT, including 70,000 MT switched from unknown destinations), and Turkey (68,000 MT, including 30,000 MT switched from unknown destinations). Decreases were reported for unknown destinations (231,000 MT). Net sales of 4,900 MT for 2015/2016 were reported for Japan. Exports of 1,528,700 MT--a marketing-year high--were primarily to China (1,165,900 MT), Mexico (113,100 MT), **Germany (75,500 MT), the Netherlands (70,600 MT),** and Japan (42,900 MT).

*Optional Origin Sales:* For 2014/2015, options were exercised to export 55,000 MT to China from the United States. Outstanding optional origin sales total 1,569,500 MT, and are for China (1,343,500 MT), Egypt (181,000 MT), and Mexico (45,000 MT).

*Export Adjustments:* Accumulated exports to the Netherlands were adjusted down 75,497 MT for week ending September 25th. The correct destination for these shipments is Germany and is included in this week's report.

**Soybean Cake and Meal**: Net sales of 195,900 MT for 2014/2015 were reported primarily for Thailand (60,700 MT), Colombia (42,100 MT), Mexico (34,300 MT), the Dominican Republic (32,800 MT), and Honduras (8,900 MT, including 7,900 MT switched from unknown destinations). Decreases were reported for unknown destinations (34,900 MT) and Jamaica (500 MT). Net sales of 1,700 MT for 2015/2016 were reported for Mexico (1,200 MT) and Canada (500 MT). Exports of 73,600 MT were reported to the Dominican Republic (22,800 MT), Mexico (21,900 MT), Canada (12,600 MT), Honduras (8,700 MT), and Morocco (4,000 MT).

**Soybean Oil**: Net sales of 46,400 MT for 2014/2015 were reported primarily for Colombia (21,000 MT), Morocco (15,000 MT), Mexico (4,200 MT), Guatemala (2,300 MT), and Peru (1,500 MT). Exports of 5,300 MT were reported to Nicaragua (2,400 MT), Mexico (1,500 MT), Canada (1,100 MT), and Belgium (100 MT).

China September Soybean Imports Fall 16.6 Percent, Processing Margins Hurt Outlook
By Dominique Patton
BEIJING, Oct 13 (Reuters) - China, the world's largest soy buyer, purchased 16.6 percent fewer soybeans in September than in the previous month, amid expectations that poor processing margins will prevent fourth-quarter shipments from gaining on last year.

China, which imports more than two-thirds of globally traded soybeans, typically sees a drop in imports in September as the South American sales season comes to an end.

Soybean imports in September were at 5.03 million tonnes, down from 6.03 million tonnes in August, figures from the General Administration of Customs of China showed on Monday.

The September purchases were 7 percent higher than the 4.7 million tonnes bought in the same month of last year, helped by the faster delivery of beans from South American ports that had suffered loading congestion last year.

Imports in the fourth quarter will likely be lower than last year, with large stocks of beans pushing down soy crushing margins, said an official at the government-backed think-tank China National Grains and Oils Information Center.

China bought a record 70 million tonnes of the oilseed in the 2013/14 year.

The strong imports, coupled with slowing demand from the livestock sector, have pushed processing margins to their lowest in two years, according to industry sources.

Expectations of poor fourth-quarter shipments compared with last year come as the United States prepares to harvest a record soybean crop, and have weighed on benchmark prices that last month hit their lowest in four years.

The lower raw material prices, however, could boost demand from the livestock sector, which is heading into its peak season with the upcoming new year holidays, said Monica Tu, an analyst at private consultancy Shanghai JCI Intelligence.

China is forecast to import 74 million tonnes of soybeans in the year to September 2015, according to a US agriculture department forecast on Friday. The forecast was unchanged from the previous month's estimate.

Imports of vegetable oils in September were 430,000 tonnes, down 8.5 percent from the previous month, the customs data showed.

## Barge Fees Limit U.S. Exports as Crops Compete for Space

*By Jeff Wilson - Oct 10, 2014*

As U.S. farmers begin the biggest corn and soybean harvests ever, the bins at Elburn Cooperative Co. in Illinois remain almost empty. It simply costs too much to send Midwest crops by barge to New Orleans export terminals.

Shipping fees along the Mississippi River, the world's busiest inland waterway, have more than doubled to a record in the past year as an avalanche of new crops compete with oil, coal and chemicals for limited space, government data show. The cost surge is more than normal for harvest season and may strand more grain during the busiest time of year for handlers in the U.S., the biggest global exporter.

"Our storage facilities are as empty as they have ever been coming into the harvest season," said Phil Farrell, the grain division manager at Elburn, which tripled its holding capacity over the past eight years to 21 million bushels as domestic output surged. "The high barge costs mean more corn will be put on the ground or into storage."

An emerging logjam of crops is compounding the financial pinch for some Midwest farmers who already are getting the lowest prices since at least 2010, as buyers demand bigger discounts to cover higher shipping costs. U.S. export-sales of corn for delivery by Aug. 31 are down 4.2 percent from a year earlier and commitments by importers are growing at the slowest pace since 2009, U.S. Department of Agriculture data show.

The cost of sending grain almost 1,000 miles by barge from Morris, Illinois, to the Gulf of Mexico via the Illinois and Mississippi rivers almost doubled from a year earlier to a record $55.91 for 2,000 pounds on Oct. 1, U.S. Department of Agriculture data show.

**Fewer Buyers**

"Barge operators have indicated there have been limited freight buyers at current spot rates," especially in the main growing area of the upper Midwest, including Illinois, Iowa and Minnesota, where harvests are just starting, the USDA said Oct. 2. Most of the activity is in the lower Mississippi River, where crop collection is more advanced and barge fees are lower.

The USDA boosted its 2014 production forecasts today. Corn output will reach 14.474 billion bushels, 3.9 percent more than last year and the most ever, leaving inventories before the 2015 harvest 68 percent larger than a year earlier, the agency said. Soybean output will jump 17 percent to 3.927 billion bushels, leaving inventories next year at 450 million, the most in eight years, the report showed.

**Crop Slump**

Corn futures are down 21 percent this year, closing today at $3.34 a bushel on the Chicago Board of Trade, after touching a five-year low of $3.1825 on Oct. 1. Soybeans plunged 29 percent in 2014 to $9.225 a bushel, reaching a four-year low of $9.04 on Oct. 1. Slumping crop prices helped send the Bloomberg Commodity Index of 22 raw materials down 6 percent this year. The MSCI All-Country World Index of equities slid 2 percent, while the Bloomberg Treasury Bond Index rose 4.8 percent.

Higher barge fees are forcing buyers to demand deeper discounts on purchases, said Kent Theisse, vice president at MinnStar Bank N.A. in Lake Crystal, Minnesota.

The Elburn Co-op, based in Elburn, Illinois, paid 58 cents a bushel less than Chicago futures for spot delivery of corn on Oct. 8, compared with a 23 cents a year earlier. The average cash price for corn was $3.0257, down 25 percent this year, while soybeans slid 32 percent to $8.7516, Minneapolis Grain Exchange data show.

Goldman Sachs Group Inc. cut its three-month and six-month outlooks for corn and soybeans on Sept. 30, predicting prices will stay “below marginal production costs” in the face of constrained demand growth.

**Advancing Harvest**

The barge premiums may not last, and shipments may increase as the harvest progresses.

As of Oct. 7, the cost to ship a ton of grain from Minneapolis to the Gulf fell to $49.02 from $54.66 a week earlier, USDA data show. While that’s a third higher than the four-week average of the past three years, river shipments in the week ending Oct. 4 totaled 510,000 tons, up from 276,000 in the same period a year earlier, the USDA said yesterday.

The harvests are usually complete by the end of November. As of Oct. 3, 17 percent of the corn crop was collected and 20 percent for soybeans, USDA data show.

“Barge rates could collapse as the harvest progresses if farmers find a way to hold off selling,” said Glenn Hollander, a partner at broker Hollander & Feuerhaken in Chicago. “At some point, the laws of supply and demand will take over, and people will find alternative modes to move grain.”

At Elburn Co-op, as much as half the annual corn-barge traffic usually occurs in the fourth quarter, Farrell said. While the company has sent very little down the Illinois River since March, it is moving grain via truck or railroad, mostly to buyers in the Midwest rather than export terminals, he said.

**More Competition**

Rates have remained high because crops are competing for space on the river with raw materials shipped along Mississippi waterways, and alternatives aren’t always accessible.

A surge in domestic oil production has led to a jump in energy shipments on rail networks at the expense of grain, Roger Krueger, the executive vice president for the South Dakota Wheat Growers Association, the state’s biggest locally owned cooperative. The Association of American Railroads says crude moved by rail almost doubled last year. The bottlenecks may persist because the Energy Department is predicting the most oil output in 45 years in 2015.

**Railroad Delays**

Railroad congestion has compounded delays for U.S. grain handlers for the past year, Arthur Neal, a deputy administrator for transportation and marketing at the USDA, told a Senate committee at a hearing on Sept. 10. Since October 2013, the USDA has reported delays, missed shipments, backlogs and higher costs for railroad services, Neal testified.

In land-locked South Dakota, bids of $4,500 per rail car by users are well below the offers from rail car owners of $6,000, compared with a $3,500 bid and $5,000 offer in 2013, according to Krueger at the Aberdeen, South Dakota-based co-op. Cars normally cost about $700 each, so the increase this year has added $1.50 a bushel to ship corn and soybeans from South Dakota to export terminals on the West Coast.

Expenses are going up because of slow train speeds rather than a shortage of rail cars, Krueger said. Train speed averaged 23.18 miles (37.3 kilometers) per hour in the week ended Sept. 26, down from 25.27 mph a year earlier, according to the Association of American Railroads. It now takes 18 days for a train to make a round trip to the West Coast, up from 12 days two years ago, Krueger said.

Higher shipping costs are contributing to the erosion of the U.S. share of world exports, after high grain and oilseed prices in the past decade helped fuel expanded production in South America, Eastern Europe and Asia. The U.S. accounted for 38 percent of the global corn trade last year, down from 67 percent in 2006, while U.S. accounted for 36 percent of soybeans, down from 40 percent, USDA data show.

“In the long run, high transportation costs limit U.S. competitiveness and reduce export market share,” Krueger said.

Dry Weather Threatens Brazil Soy Crop in Main Growing State
By Gustavo Bonato
SAO PAULO, Oct 16 (Reuters) - The absence of rain in the last two weeks is threatening crop potential in Mato Grosso, Brazil's top soybean-growing state, as producers struggle to plant on schedule, the president of the country's most important local farmer's association said.

Planting in Mato Grosso, which accounts for 30 percent of Brazil’s soybean crop, has been stalled at around 8 percent of the total planned area since last week.

"We should have reached 20 or 30 percent of the area at this point," Ricardo Tomczyk, head of the state's Aprosoja farm lobby, told Reuters late on Wednesday. "Dry weather is disrupting our planning and it could reduce yields."

Brazil should harvest a record soybean crop of 94 million tonnes this season, according to U.S. Department of Agriculture estimates published before the latest dry period. If confirmed, USDA figures indicate Brazil will once more be the world's largest soybean exporter in the 2014/15 season, slightly ahead of the United States.

In Brazil's center-west grain belt, soybean sowing starts in mid-September, as soon as spring rain arrives and provides enough soil moisture. Usually, harvesting begins as early as January and speeds up in February and March.

This year, the usual time frame may not apply, as steady rain will only come after Oct. 21, according to a note from local forecaster Somar on Thursday.

Farmers may have to replant seeds that sprouted but were killed by the heat, adding another risk factor to the bumpy early season, Tomczyk said.

When rain finally does reach the fields, allowing seeds to develop, the time for sowing will be much shorter.

Specialists recommend consistently paced sowing and harvesting so the risk of having to reap the entire crop under wet and damaging weather is minimized.

Prolonging the growing season results in more exposure to the rain and a heightened occurrence of tropical fungal diseases, like the feared leaf rust.

Aprosoja already anticipates higher fungicide costs for farmers in Mato Grosso this season, further squeezing profit margins as soybean prices plunge amid expected record crops in Brazil and the top-growing United States.

Mato Grosso could very well still manage a record crop, and Tomczyk said the losses could not yet be estimated. But he expects a decrease in yield potential when Aprosoja publishes a new Mato Grosso crop estimate in a few weeks. The latest report indicated a record of 27.7 million tonnes from the state.

In the southern state of Parana, Brazil's second-largest grain producer, dry weather has also slowed down sowing in recent days, according to state government agency Deral. Late September, however, was quite rainy, and the moisture deficit in the soil is less dramatic than in Mato Grosso.

Rabobank Report Offers 10 Big Ideas to Increase Availability and Improve Access to Food by 2025

NEW YORK--(BUSINESS WIRE)--Oct 14, 2014--Global food & agribusiness (F&A) faces a remarkable conundrum. Right now the sector is struggling in an operating environment characterized by slow growth, soft demand and ample supply, which in combination are challenging business confidence. Yet the sector has a bright future. Over the longer term, growth in global F&A will be strong, driven by a powerful combination of population expansion, rising wealth and urbanizantion.

So how can global F&A navigate its way through the sluggish operating environment it finds itself in towards the stronger growth that lies ahead? How can it find new ways to profit through the current uncertainties while positioning and preparing for future opportunities?

In its 2014 flagship report "Unleashing The Potential For Global F&A - A Call For Innovation And Leadership," which was presented in Washington during the Duisenberg Lecture held in conjunction with the IMF and World Bank Annual Meetings, Rabobank has developed ten big ideas in global F&A aimed at boosting global food availability and improving access to food over the next decade.

These ten ideas are:

1. Adopt big data in U.S. agriculture, boosting grain and oilseed production and resource efficiency, leading to another 20 million tonnes of grain and oilseed output by 2025.

2. Close the yield gap in Central and Eastern Europe, consolidating F&A to increase production. This will create an additional nine million tonnes of grain production over the next decade.

3. Improve China's food security, taking domestic actions to complement agriculture imports. This will drive a 61 million tonne improvement in grain production and a three million tonne lift in oilseed output by 2025.

4. Strengthen South-South trade, linking South America's production potential to Asia's demand, leading to another 20 million tonnes of soybean trade from South America to China over 10 years.

5 . Invest in local storage, reducing post-harvest food losses in Sub-Saharan Africa and creating an 8 million tonne increase in grain and oilseed availability over the next decade.

6. Boost production in the F&A engine room, capitalizing on Brazil's grain and oilseed and animal protein potential. This will create an 11 million tonne lift in meat production and a 22 million tonne increase in grain and oilseed output by 2025.

7. Develop cold chains in China, leading to a 40 million tonne increase in meat and seafood availability over 10 years.

8. Grow aquaculture, kickstarting the tilapia industry in Latin America and increasing production by two million tonnes by 2025.

9. Lift dairy production in India, improving rural incomes and increasing output by the liquid milk equivalent of 30 million tonnes over the next decade.

10. Raise sugarcane's productivity, improving consistency of yields and cane quality in Brazil, and boosting sugar output by 16 million tonnes by 2025.

Rabobank argues that a stronger focus on innovation is needed to move these ideas forward and provide the all-important bridge between the near-term challenges and the longer-term opportunities for global F&A. Innovation can and should help global F&A to do more with less-that is, increase food availability and improve access while stepping more lightly on the planet. However, while innovation may be the key ingredient, leadership will be the single most important tool in overcoming these difficulties and putting these big ideas into practice.

"This leadership will come from CEOs of global and local F&A companies, from investors in global F&A, from scientists with the ability to promote new and improved technologies and practices, from government experts, from NGOs, from international networks, and from international commercial and institutional banks. Where these leaders sit is not what sets them apart - it is their vision, the way they drive the case for change and their ability to inspire action that differentiates them," said Wiebe Draijer, Rabobank Executive Board Chairman.

The report argues that harnessing innovation requires a shift in mindset and an acceptance that business as usual is not likely to be the right way forward. Although global F&A has seen much change over the past decade, there is still some reluctance to appreciate how different global F&A is going to have to be in order to successfully respond to the significant constraints that come with the long-term opportunities.

Rabobank suggests that innovation should be focused in two areas. The first is in basic research and development (R&D), to discover new technologies and practices that are implementable at a commercial scale. The second is in business models, which need to change to accelerate the take-up of new technologies and practices in ways that better manage risk and better align investments and returns.

Although there are some significant hurdles ahead, Rabobank is positive about the sector and confident in the ability of global F&A to rise to the challenge. The future of global F&A requires leaders with the confidence to invest in the future by thinking big and embracing change.

Wiebe Draijer, Rabobank Executive Board Chairman, presented the report to Mr. Dave MacLennan, President and Chief Executive Officer of Cargill during the Duisenberg Lecture. MacLennan said, "Cargill is optimistic about the ability of the world to feed itself." MacLennan said that despite many challenges, including climate change, he sees a lot of upside. "Africa is critical to feeding the planet's growing population. We have huge opportunity and challenge within our grasp."

Wiebe Draijer conveyed his congratulations to MacLennan on a speech full of vision and hope for the future. "I am impressed by the coalitions that are formed worldwide to address the challenge of feeding a global population of 9 billion people – or even more. Rabobank is committed to continue its financial services delivery to the F&A sector and aims to play a leading role in international coalitions focused on increasing food and nutrition security."

## Oregon GMO-Labeling Campaign Gets Money, Major Endorsement

By Dan Flynn | October 14, 2014

Among the first signs of trouble for California’s Proposition 37 and Washington’s Initiative 522 were critical newspaper editorial writers who found flaws in the food-labeling measures, both of which ended up narrowly failing at the ballot box.

But this year in Oregon and Colorado, anyone looking to newspaper editorials for an early cue on how Measure 92 (OR) or Initiative 105 (CO) are going to come out will have to be satisfied with mixed results.

The Eugene Register-Guard in Oregon's southern Willamette Valley, the state's most influential newspaper outside of Portland, is the first big daily to endorse a ballot measure requiring labeling of food containing genetically modified organisms (GMOs). In urging voters to approve Measure 92, the Register-Guard said that Oregon should be on the "cutting edge" of the GMO-labeling movement.

That position marks a reversal in the R-G's previous editorial stance on the issue. The newspaper opposed Measure 27 in 2002, which was overwhelming defeated by Oregon voters in every county, opining then that the Beaver State should not be out of sync with national food markets.

This year, the Eugene newspaper says the fact that peer-reviewed scientific studies have found no evidence that GMOs pose a food safety risk to humans "is irrelevant if a problem exists in the minds of a majority of voters."

"If Oregonians have concerns that genetic engineering may have health consequences, then they have the right to know if their food contains GMO ingredients," the editorial states.

The Denver Post, Colorado's largest daily newspaper, has come out against I-105, calling the GMO food-labeling initiative "a badly flawed measure." The Post says that the ballot measure will hurt Colorado farmers and food producers without providing any health benefit to consumers.

"Backers of the measure say all they want is transparency. So Prop 105 would require the phrase 'Produced with Genetic Engineering' to appear on certain foods. Such a rule might be relatively harmless if it were carefully written and implemented as part of national labeling law, but neither is the case,' states the Post. It goes on to say, "To begin with, the measure would put Colorado food producers who ship to other states at a disadvantage. Will grocery stores in those states be as willing to stock Colorado products once they stand out in this fashion?"

The Post points out the many exemptions to the proposed labeling law, from cheese to alcoholic beverages. "Either GMO labeling is a vital consumer tool or it is not," the newspaper states.

While the GMO food-labeling ballot measures in Colorado and Oregon are similar, the campaigns for them are not equal efforts.

Colorado's "No on 105" is clearly dominant in the Centennial State. The "No" side went up on television in early September and has a targeted direct mail campaign well underway. "No on 105" campaign finance reports, filed with the Colorado Secretary of State, show more than $9.7 million raised through contributions and more than $4.2 million in cash remaining to be spent during the final three weeks.

By contrast, the "Right to Know Colorado GMO" campaign has raised only $320,696, with just under $82,000 remaining as a cash reserve. That is not enough to conduct a statewide operation, especially in a year when campaigns for governor and the U.S. Senate are dominating across all advertising platforms.

Oregon's "Yes on Measure 92" campaign is clearly not as cash-strapped as its Colorado counterpart. It has raised more than $4.2 million and was recently sitting on $626,000 in cash, according to filings with the Oregon Secretary of State's office.

The Oregon "Yes" campaign has gotten contributions from the same organic industry sources which helped finance the unsuccessful California and Washington state campaigns.

In addition to getting money to support the GMO food-labeling initiative, the Oregon campaign is getting the services of SKDKnickerbocker, a Washington D.C.-based issues management firm with close ties to the White House.

Oregon's "No on 92 Coalition" has raised more than $7.2 million in contributions and is committed to spending at least $1 million more.

In both states, the campaign against labeling genetically engineered food is financed by major food manufacturers and the biotechnology industry, while it is also opposed by most major farm groups.

The "No" campaigns in both states have enlisted Winner & Mandabach, a Los Angeles-based political consulting firm that specializes in killing initiatives.

US Monthly Soy Crush Falls to Lowest Since August 2004 - NOPA

CHICAGO, Oct 15 (Reuters) - Monthly crush levels at U.S. processors fell to their lowest since August 2004 during September due to tight old-crop ending stocks of soybeans and a slow start to harvest, a trade industry group said on Thursday.

The National Oilseed Processors Association said that U.S. members crushed 99.970 million bushels of soybeans during September, down from 110.633 million in August. A year ago, the September soybean crush was 108.680 million bushels.

It was the second smallest monthly crush on record and the lowest since August 2004, when processors crushed 96.494 million bushels.

Analysts had forecast a monthly crush of 107.553 million bushels, according the average of estimates in a Reuters poll. Forecasts ranged from 95 million to 117 million.

The tight supplies of soybeans in the country forced processors to push soybean basis levels sharply higher throughout much of September.

The U.S. Agriculture Department said that domestic soybean ending stocks for the 2013/14 crop year that ended on Aug. 31 were just 92 million bushels.

USDA data also showed that farmers had only completed 10 percent of their harvest by the end of September, below the five-year average of 17 percent.

NOPA said that soyoil stocks fell to 936.880 million lbs, the smallest since November 2004. Analysts had expected soyoil stocks to be 1.051 billion lbs. A month ago, soyoil stocks stood at 1.214 billion. They were 1.372 billion a year ago.

Soymeal exports rose to 308,515 tons from 263,440 a month ago. Exports were 306,226 tons in September 2013.

NOPA is the largest U.S. trade group for oilseed crushers.

## E.U. Groups Push for GM Approval

10/17/2014 - by World Grain Staff

BRUSSELS, BELGIUM — E.U. food, feed and farm groups again urged the E.U. commission on Oct. 17 to not delay authorization of new varieties of genetically modified (GM) grain.

Copa-Cogeca, representing European farmers and cooperatives; COCERAL, which represents the trade in cereals, rice, feedstuffs, oilseeds, olive oil, oils and fats and agrosupply; FEDIOL, the federation representing the European Vegetable Oil and Proteinmeal Industry in Europe; the European Feed Manufacturers' Federation (FEFAC), Uecbv and A.v.e.c., urged the E.U. commission not to delay authorization of eight new varieties of genetically modified grain for import, food and feed processing which have scientifically proved to be safe, to avoid a further threat to the E.U. food and feed supply and market balance, warning they are especially essential for the livestock industry.

Any further delays by the E.U. will result in a suicidal situation for European growth and will leave the E.U. food and feed business operators exposed to a possible risk of disruptions in the vital supply of soybeans, maize and various protein-rich products derived thereof. Regardless of whether they are genetically modified or not, consignments of grain imported to the E.U. could be halted at the borders if the authorization process is postponed, the groups said. This will trigger further uncertainty about market balance, supply chain disruptions and price hikes for basic food products and major feed ingredients as well as undermine the competitiveness of the E.U. food, feed and livestock sectors, they said.

Copa-Cogeca Secretary-General said, “If the outgoing commission postpones authorization of these crops, it could cause uncertainty about feed supplies in the E.U. Livestock farmers are already suffering from trade bans, particularly the Russian embargo. We cannot jeopardize their livelihoods by adding uncertainty about the market stability for feedstuff. Supplies are critical to the E.U. livestock industry and there are real dangers that the livestock industry will be drastically damaged due to a lack of raw material supplies. Overall, the E.U. is 78% dependent on imported vegetable proteins necessary also for the animal welfare. The E.U. livestock industry could consequently face a massive loss of competitiveness, unless the process for import approvals for new GM varieties continues. Moreover, Copa-Cogeca has just confirmed a bumper E.U. cereals harvest this year up 6.1% on last year levels which needs to be exported. This will only be possible if traders are not reluctant to come to the E.U.”

U.S. Soybean Export ‘High Season’ May Disappoint in 2014: Maguire
By Gavin Maguire
CHICAGO Oct 16 (Reuters) - The October to December period is make-or-break time for U.S. soybean exporters, with shippers traditionally securing more than half their total annual export deals during that three-month stint.

Last year, U.S. exporters raked in more than $12.5 billion in sales receipts, shipping out a record 17.1 million tonnes during the October-December window, close to 70 percent of the calendar-year total.

With soybean prices down more than 30 percent from a year ago, traders are optimistic for a similarly aggressive burst of export activity over the remainder of 2014. The recent climb in crushing margins in top import market China to their highest levels in a year is also fueling upbeat expectations.

But traders should not expect a late-year sales bonanza to cure all the soy market's ills. A number of important factors this year make it unlikely that U.S. soy shipments can match, never mind surpass, last year's record pace.

## DENTED DEMAND

China's hog industry, chief driver of the country's soy demand, is being squeezed by the poorest margins in years for this time of year. It is not likely to fuel a lasting surge in domestic purchasing rates even if domestic crushers dial up import orders.

What's more, banks have cut back lending across the commodities industry. The tighter credit access has served to scale back the purchase, storage and shipment of nearly all food and feed ingredients. Hog producers are expected to rely on hand-to-mouth feed purchasing even though the price of soybean meal may be far cheaper than a year ago.

The go-slow approach by commodity handlers and tight margins for the top soy consuming industry should limit overall demand for U.S. soybeans this fall, regardless of the offer price.

## AMPLE STOCKS

Relatively high domestic stockpiles in China are also set to undermine import interest for the remainder of the year. Soybean inventories at the country's top handling facilities have been above 2013's levels all year, and so provide a stark contrast to the situation last year when tight supply pipelines fueled a sense of urgency among buyers - especially into the U.S. harvest "gut slot."

Enduring competitive soybean export offers out of South America are also working to suppress purchaser interest in China, as are projections for a record-large U.S. crop to weigh on spot prices even more before harvest is wrapped up.

Certainly, China’s crush plants and hog facilities will continue to consume soybeans and soy products at a steady rate this year, and so will pull in millions of tonnes of soybean supplies from overseas.

But to keep pace with last year, exports must average more than 1.9 million tonnes a week for the rest of the year. That target will be tough to meet given competition out of South America even if this year’s U.S. crop comes in as the largest ever.

This means that traders hoping that the start of the export high season may trigger a turnaround in prices may be left disappointed.