# WEEKLY NEWS ARTICLE UPDATE

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### Export Sales Highlights

This summary is based on reports from exporters for the period June 26-July 2, 2015.

**Soybeans:** Net sales of 41,400 MT for 2014/2015 were up noticeably from the previous week, but down 59 percent from the prior 4-week average. Increases were reported for the Netherlands (72,600 MT, including 70,000 MT switched from unknown destinations and decreases of 3,000 MT), Indonesia (17,600 MT, including decreases of 10,000 MT), Costa Rica (15,300 MT, including 14,000 MT switched from unknown destinations), Mexico (13,800 MT, including decreases of 2,500 MT), and Colombia (4,400 MT). Net sales reductions were reported for unknown destinations (75,000 MT), Japan (5,600 MT), and Canada (4,700 MT). Net sales of 201,100 MT for 2015/2016 were reported for Mexico (61,000 MT), unknown destinations (55,600 MT), Indonesia (41,500 MT), Japan (35,000 MT), and Taiwan (8,000 MT). Exports of 202,200 MT were down 30 percent from the previous week and 22 percent from the prior 4-week average. The primary destinations were the Netherlands (75,600 MT), Japan (34,000 MT), Mexico (20,400 MT), Costa Rica (20,300 MT), Turkey (16,500 MT), and Morocco (10,600 MT).

*Optional Origin Sales:* For 2014/2015, outstanding optional origin sales total 475,000 MT, all China. For 2015/2016, outstanding optional origin sales total 385,000 MT, all China.

*Exports for Own Account:* The current exports for own account balance is 1,900 MT, all Canada.

**Soybean Cake and Meal**: Net sales of 101,700 MT for 2014/2015 were up 17 percent from the previous week, but down 3 percent from the prior 4-week average. Increases were reported for Mexico (57,600 MT), Thailand (45,000 MT, switched from unknown destinations), Colombia (22,300 MT, including 10,000 MT switched from unknown destinations), Guatemala (14,600 MT, including 15,100 MT switched from unknown destinations and decreases of 500 MT), Canada (9,500 MT), and Belgium (6,000 MT). Decreases were reported for unknown destinations (58,900 MT) and Peru (8,300 MT). Net sales of 111,000 MT for 2015/2016 were reported primarily for Ecuador (90,000 MT) and Mexico (11,000 MT). Exports of 225,500 MT were up 38 percent from the previous week and 32 percent from the prior 4-week average. The primary destinations were the Philippines (92,000 MT), Mexico (23,100 MT), Colombia (20,600 MT), Guatemala (14,600 MT), Morocco (13,900 MT), and Canada (12,200 MT).

**Soybean Oil**: Net sales of 1,400 MT for 2014/2015 were down 74 percent from the previous week and 70 percent from the prior 4-week average. Increases were reported for Mexico (900 MT), the Dominican Republic (400 MT), and Vietnam (100 MT). Exports of 3,500 MT were down 54 percent from the previous week and 77 percent from the prior 4-week average. The primary destinations were Mexico (3,100 MT), Trinidad (100 MT), and Canada (100 MT).

## China's COFCO in Talks to Raise Stake in Grain Trader Nidera –Sources

By Sarah McFarlane and Silvia Antonioli

LONDON, July 9 (Reuters) - China's food giant COFCO CNCOF.UL is ready to increase its stake in Dutch grain trader Nidera, speeding up a deal which will help its transformation into a global agricultural trader, sources familiar with the matter told Reuters.

The state-run company acquired 51 percent of Nidera in February last year. Two sources said discussions were now underway for COFCO to increase its stake by buying at least a further 15 percent.

COFCO has embarked on an aggressive expansion into international grain trading, having invested $2.8 billion in 2014 via joint ventures with Noble Group NOBG.SI agribusiness and Nidera, after taking substantial stakes in the companies.

Sources say it is now looking to build on those steps, integrating operations of the three entities, ahead of plans to eventually list all of COFCO's, Noble's, and Nidera's agricultural assets together.

The move would catapult COFCO into the select "ABCD" stable of companies dominating global agricultural trade: Archer Daniels Midland, Bunge, Cargill and Louis Dreyfus.

COFCO's deal with Nidera included an earnout clause, which could see the 51 percent stake increase after three years depending on Nidera's performance, one of the sources said.

But that clause is now under discussion as the parties consider bringing forward the three-year timeframe with a conclusion as soon as possible, with COFCO wanting a larger stake after Nidera missed targets in its results following the $1.5 billion deal, the source added.

COFCO and Rotterdam head-quartered Nidera declined to comment.

As Nidera is a private company it is not obliged to publish detailed financial results.

Some sources said COFCO was also interested in raising its stake in Noble, although this deal did not include an earnout clause. Noble declined to comment.

"COFCO intend to integrate Noble and Nidera by the end of this year, that could mean that they buy the remaining shares of both companies," said an industry source, adding that COFCO was currently undertaking a new valuation of the assets of both firms, which could indicate that this is its intention.

"It is logical that they take 100 percent of the companies prior to an IPO."

COFCO is targeting an IPO of the combined entity in the next three to five years.

One of the sources said the new company would not be head-quartered in Asia, but locations including Rotterdam and Switzerland were possibilities.

Exchanges being considered for the listing included Singapore, Hong Kong and somewhere in Europe, the source added.

The investments in Noble and Nidera marked the biggest overseas acquisitions by China's grain sector, giving COFCO assets in some of the world's top grain and vegetable oil producing regions, including Brazil, Argentina, Indonesia and the Black Sea area and enabling it import food supplies into China independently of the top global operators.

## China Stems Stocks Rout, but Market Faces Lengthy Hangover

By Koh Gui Qing and Kazunori Takada

BEIJING/SHANGHAI, July 9 (Reuters) - Beijing's increasingly frantic attempts to stem a stock market rout were finally rewarded as Chinese shares bounced around 6 percent on Thursday, but the costs of heavy-handed state intervention are likely to weigh on the market for a long time.

The rebound came after China's securities regulator, in its most drastic step yet to arrest the slump, banned shareholders with large stakes in listed firms from selling. The banking regulator said separately it would allow lenders to roll over loans backed by stocks.

The CSI300 index of the largest listed companies in Shanghai and Shenzhen raced higher to close up 6.4 percent, while the Shanghai Composite Index bounced 5.8 percent for its biggest daily percentage gain in six years.

But China's malfunctioning stock markets remained semi-frozen, with the shares of around 1,500 listed companies worth around $2.8 trillion - roughly half the market - suspended, and many of those still trading propped up by state-directed buying.

"The authorities are capable of slowing the selling and extending market support," said Mark Konyn, chief executive officer at Cathay Conning Asset Management Ltd in Hong Kong.

"However, this high level of intervention comes at a significant cost. Such intervention locks up ownership of shares, reduces liquidity and creates an overhang that could plague the market for years."

More than 25 percent has been knocked off the value of Chinese shares since mid-June, and for some global investors the fear that China's market turmoil will destabilise the financial system is now a bigger risk than the crisis in Greece.

"We are inclined to believe that Beijing will escalate policy responses until they start working," said economists at Credit Suisse in a research note.

"If market conditions do not stabilize, we expect a statement of 'whatever it takes' from the Chinese government, given that social stability is at stake and financial systemic risks are evident."

The United States has voiced worries the stock market crash could get in the way of Beijing's economic reform agenda.

REFORM DERAILED?

The plunge in China's previously booming stock markets, which had more than doubled in the year to mid-June, has created a major headache for President Xi Jinping and China's top leaders, who are already grappling with slowing growth.

Beijing, which had made handing a "decisive" role to the market a centrepiece of its economic reforms, has responded with a battery of support measures, including an interest rate cut, suspension of initial public offerings and enlisting brokerages to buy stocks, backed by cash from the central bank.

"The government will be able to stabilise the market because they have a lot of tools in the toolbox," said Christopher Moltke-Leth, head of institutional client trading at Saxo Capital Markets.

"But it is concerning that the Chinese government doesn't allow market forces to work, and that's something China must change over time."

The Global Times, an influential tabloid published by the Communist Party's official newspaper, invoked the "national team" in an editorial rallying support behind the authorities' efforts to turn the market tide.

"While there are disaster victims everywhere in China's stock market, the other scene is that the 'national team' is truly taking action," the paper said.

"BIG FIST"

The China Securities Regulatory Commission (CSRC) said on its website late on Wednesday that holders of more than 5 percent of a company's stock would be barred from selling for the next six months.

The CSRC, which warned on Wednesday of "panic sentiment" gripping a market dominated by ordinary retail investors, said it would deal severely with any shareholders who violated the restriction.

The prohibition is unlikely to have much impact on foreign investors. No Qualified Foreign Institutional Investor (QFII), one of the main channels of foreign investment in China, holds more than 5 percent of a Shanghai or Shenzhen listed company. Foreign investors with more than a 5 percent stake in Chinese firms are all strategic investors.

As the daily barrage of official measures to prop up the market continued, the banking and insurance regulators announced a series of moves to ease margin lending requirements and terms on stock-backed loans.

Two Chinese development banks said they would not sell Chinese stocks, but would look to increase their holdings.)

In the latest salvo against short sellers, who bet on falling prices, official news agency Xinhua said police were investigating suspected "malicious" selling of shares. The probe showed that the authorities would "punch back" with a "big fist" against illegal activities, Xinhua said on its microblog.

Some analysts believe more government action will be necessary in the coming days, as investors seeking to cut their risk exposure head for the exit on the back of any bounce.

"It is far from calling it a victory for the rescuers as more than half of listed companies are not trading in the market," said Du Changchun, analyst at Northeast Securities in Shanghai.
The Irish Government's stance on genetically modified organisms (GMOs) has been slammed by some of the country's top agriculturalists.

## Irish Stance on GMOs Criticized

The Agricultural Committee chairman, Andrew Doyle, stated that his committee would not be supporting an EU proposal to loosen the controls on GMOs because they believed that the move could "excessively increase the presence of GMOs within the EU food-chain".

"The agricultural heritage of Ireland has traditionally been non-GMO based and the Committee is apprehensive of Commission proposals which may impinge on this," he added.

However, the stance has been branded another retrograde step by UCD's professor of crop science, Jimmy Burke.

"Europe has gone backwards over the last 10 years, and the situation in Ireland is only getting worse," he said.

"We're losing pesticide active ingredients all the time, and if we are serious about changing the plant production model, we need to be looking at genetics. I just cannot see the economic advantage of Ireland's position. There's never been an issue with GM technology, it's got a long safety record, and it makes farming easier," he said.

One of the committee's main concerns was what they referred to as the "very restrictive" criteria on which a Member State could object to the entry of a GMO product into its country.

It also noted its scepticism about who would really benefit from the liberalization of GMOs, citing the possibility of larger corporations exploiting and controlling markets.

Damage

It also concluded that GMO production flourished in low-income economies.

"The expansion of GMO products across the EU may damage European economies by lowering the economic value of production.

Increased yields of crops with the assistance of GMO materials could severely damage the indigenous grain industry in Ireland as such crops are generally much cheaper to produce," it said.

The stance, which will dictate Ireland's position in up-coming EU votes was dismissed as nonsensical by Dublin farm advisor, Richard Hackett.

"This is a completely anti-science stance that flies in the face of what the agri sector as a whole in Ireland wants. It's a completely retrograde step that is in the opposite direction that our nearest neighbours in Britain are going," said Dr Hackett.

"To claim that GM technology only suits low income countries is bizarre to say the least, and the idea that Ireland can protect its grain farmers by preventing them from accessing seeds that will allow them to grow cheaper grain is just silly."

## Squeezed Margins Bite Brazil's Soy Crushing Industry

07-Jul-2015

By Gustavo Bonato

SAO PAULO, July 7 (Reuters) - Some of Brazil's soybean crushers have cut production in recent weeks as their margins have been squeezed by soaring bean prices and only modest domestic demand for soymeal, specialists and industry sources said.

Brazil is the world's second-largest exporter of soymeal, which is used primarily in animal feed. While soybean spot prices climbed 8 percent at Brazil's Paranagua port from May until the end of June soymeal cash market prices fell 3.3 percent over the same period.

Sao Paulo-based EG Log, which crushes 120,000 tonnes per year, has almost halted production.

"Since May, we have had negative margins... I have interrupted almost all our crushing operations," EG Log's marketing director, Eduardo Fogaça, told Reuters. Meanwhile, the company is focused on buying and selling crude soyoil and corn, which are currently profitable, he said.

Profit margins differ at each crushing plant, depending on logistics, commercial deals and operational efficiency, and the margins are neither disclosed nor estimated by private consultants.

According to Fogaça, if his company were crushing, net margins would be negative 8 percent.

"Margins in the industry are now near zero... Some factories have reduced production," a purchase manager at a pork company in southern Brazil told Reuters, citing reports from animal feed producers.

The most recent data from industry association Abiove shows soymeal production in May was the smallest for that month since 2006 even though a record crushing had been projected in 2015 due to abundant soybean supply in Brazil after a bumper harvest.

One thousand kilos of soybeans are crushed into 190 kilos of soyoil and 780 kilos of meal, on average, with 30 kilos of losses, so meal prices are decisive for industry margins.

"Despite recent gains in soymeal prices, that is not happening at the same pace as in soybeans," said Adelson Gasparin, analyst at XPF Agro brokerage. "Crushers are not able to compete for their supply with the export market."

Gasparin said soymeal prices have been under pressure due to lower demand from the pork and poultry industry as inflation and economic slowdown in Brazil reduce meat consumption.

Margins in Brazil are expected to increase in the second half of the year, as the U.S. harvest knocks down soybean prices and animal feed demand recovers.

"We still have a huge soybean availability, and global economies are recovering, so animal protein sales will be firm," Lucílio Alves, senior analyst at Cepea research institute.

## GM Crops Growing in Iran Amid Lax Laws

Mon Jul 6, 2015

Iran imports $5 billion of genetically modified crops a year despite government restrictions on the production of biotech products, local media said on Monday.

In the absence of clear regulations, the Ministry of Agriculture has approved repeated imports of GM crops such as rice, soybeans, rapeseed and edible oil “with prior knowledge”, a review by the ministry's Behzad Qareyazi says.

The imports mostly come from Brazil, Argentina, Canada and the US but those countries do not declare them as GM products “in violation of Cartagena Convention” for protection and development of the environment, he says.

“The Iranian officials’ failure to discover the imported GM products leads to public misconceptions about the inability at a national level to distinguish them.

“Moreover, the Ministry of Agriculture Jihad’s denials despite continued imports and its prevention of growing such products in the country are a boost to the aliens which contradicts national interests,” Qareyazi says in his review.

According to Babak Nakhoda at the Agricultural Biotechnology Research Institute of Iran (ABRII), GM crops, including maize, rapeseed or canola and soybeans, constituted $5 billion out of the total $16 billion of agriculture imports by the country in 2013.

Unlike Europe and the US, GM products are not a subject of much debate among the public in Iran but officials are already divided on whether to embrace biotech crops.

Proponents say genetically modified organisms (GMOs) have better yields and use less pesticides but others are wary of their hazards to the environment.

An adviser at the Iranian Department of Environment (DOE), Esma’eel Kahrom, says his organization is opposed to the introduction of GM crops into the country since this would “sacrifice the quality for quantity” besides affecting the environment.

“The DNAs of Iran’s agriculture products are original because they have not been genetically manipulated. Hence, the quality of our agriculture products including their taste and texture is a byword in all European and American countries,” he said.

Iran is wary of opening the floodgates to GM crops but the country has been dabbling with biotechnology for years.

Iran 2006, Iran's first cloned animal, a sheep, was born. A year earlier, state officials approved Iran’s first genetically modified rice and the crop is being commercially grown for human consumption.

In May, the first sample of Iran's genetically modified cotton was unveiled during a national biotechnology congress attended by Minister of Agriculture Mahmoud Hojjati.

Iranian and French officials meanwhile signed several agreements in Tehran, including for cooperation on the production of GM fruits and livestock.