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Export Sales Highlights
This summary is based on reports from exporters for the period January 8-14, 2016.

**Soybeans**: Net sales of 985,100 MT for 2015/2016 were down 13 percent from the previous week and 5 percent from the prior 4-week average. Increases were reported for China (717,900 MT, including 309,000 MT switched from unknown destinations and decreases of 71,500 MT), Mexico (102,400 MT), Germany (76,000 MT), South Korea (57,500 MT, including 55,000 MT switched from unknown destinations), Spain (39,900 MT, including 40,000 MT switched from unknown destinations and decreases of 100 MT), and Portugal (25,000 MT, switched from unknown destinations). Reductions were reported for unknown destinations (90,900 MT), Colombia (4,500 MT), Israel (2,600 MT), the United Kingdom (1,900 MT), and Tunisia (1,400 MT). Net sales of 27,100 MT for 2016/2017 were reported for unknown destinations (25,000 MT) and Japan (2,100 MT). Exports of 1,575,100 MT were up 17 percent from the previous week and 5 percent from the prior 4-week average. The primary destinations were China (1,024,500 MT), Germany (76,000 MT), the United Kingdom (64,100 MT), South Korea (57,600 MT), Mexico (54,600 MT), and Japan (47,300 MT).

Optional Origin Sales: For 2015/2016, the current outstanding balance totaling 235,000 MT is for China (175,000 MT) and unknown destinations (60,000 MT).

Exports for Own Account: The current outstanding balance is 500 MT, all Canada.

Export Adjustments: Accumulated exports to the Netherlands were adjusted down 75,967 MT for week ending December 31st. The correct destination is Germany and is included in this week’s report.
Soybean Cake and Meal: Net sales of 280,600 MT for 2015/2016—a marketing-year high—were up noticeably from the previous week and from the prior 4-week average. Increases were reported for Mexico (90,100 MT), the Philippines (56,600 MT), Egypt (43,500 MT), Thailand (30,000 MT, including 28,000 MT switched from unknown destinations), Turkey (16,000 MT), and Colombia (12,900 MT). Reductions of 11,000 MT were reported for unknown destinations. Net sales of 300 RB for 2016/2017 were reported for the Other Pacific Islands. Exports of 274,200 MT were up 15 percent from the previous week and 23 percent from the prior 4-week average. The primary destinations were the Philippines (81,200 MT), Ecuador (32,300 MT), Thailand (30,000 MT), Mexico (29,300 MT), and Spain (23,800 MT).

Optional Origin Sales: For 2015/2016, outstanding optional origin sales total 99,000 MT, all unknown destinations.

Soybean Oil: Net sales of 19,300 MT for 2015/2016 resulted as increases for Egypt (18,500 MT, switched from unknown destinations), Mexico (9,500 MT), Guatemala (4,600 MT), and the Dominican Republic (3,700 MT), were partially offset by decreases for unknown destinations (20,000 MT) and Canada (500 MT). Exports of 39,400 MT were down 26 percent from the previous week and 11 percent from the prior 4-week average. The destinations were primarily Guatemala (13,400 MT), Peru (11,800 MT), Mexico (5,700 MT), the Dominican Republic (4,000 MT), and Jamaica (3,500 MT).

Farmland’s Record Values Fall As Crop Surpluses Grow
Investor’s Business Daily | The American farm boom is all but over. Farmland values are down from all-time highs. Global surpluses left corn and soybean prices below the cost of production. And the amount of agricultural debt relative to income ballooned to the highest in three decades, just as the Federal Reserve has begun raising interest rates for the first time since 2006.

While many growers remain profitable, the global commodity slump is increasing pressure on a Midwest economy that was largely shielded from the worst of the financial crisis by high crop prices and land values. Last year, farm income was the lowest since 2002. This year’s agriculture-trade surplus in the U.S. — the world’s top exporter — will be the smallest in a decade. Meanwhile, sales are dropping for the likes of tractor-maker Deere and seed supplier Monsanto.

"The farm economy had a near-perfect five or six years," built upon record U.S. demand for corn-based ethanol in fuel, surging food purchases in Asia and near-zero-percent interest rates that helped spur land investment, said Brent Gloy, an agricultural economist at Purdue University in West Lafayette, Ind. With the oil slump eroding ethanol margins and a strong dollar dampening U.S. exports, the Fed’s decision last month to start raising borrowing costs "means there’s nothing left of the boom," Gloy said.

Prices Down By More Than Half
With the prices of corn and soybeans, the nation’s biggest crops, down by more than half from records in 2012, net farm income probably tumbled in 2015 to a 13-year low of $55.9 billion, down 55% from a record $123.3 billion in 2013, the U.S. Department of Agriculture says. Debt is 6.6 times larger than net income, up from 3.8 a year earlier, and the ratio is the highest since 1984, when farm foreclosures were the highest since the Great Depression, government data show.
The U.S. crop glut may be worsening. Inventories of corn, wheat and soybeans on Dec. 1 were bigger than a year earlier, the USDA said this month, as farmers kept their bins full, waiting for a better price. A separate government report forecast record global wheat production in the current marketing year.

As surpluses keep prices low, demand for American farm exports is dropping as other countries boost output, and the strong dollar makes competing supplies from Brazil to Ukraine cheaper for importers.

Compounding the strain is higher borrowing costs, which makes it more difficult for farmers to finance operations or purchase land and equipment. The Fed raised interest rates by a 0.25 percentage point last month — ending more than seven years near zero percent. Cheap loans and high crop prices helped fuel a U.S. farmland boom, with values doubling over a decade.

'Beyond True Value'
"Low rates pushed ag markets and farmland beyond true value," said Jim Farrell, president of Omaha, Neb.-based Farmers National Co., which manages more than 5,000 farms and ranches in 24 states. "Rising interest rates are another headwind" that could reduce farmland values by as much as 15% within two years, he said.

Rural bankers are getting more bearish, according to the Rural Mainstreet Index created by Creighton University from a survey that measures attitudes of lenders across 10 Midwestern states. Its gauge of farm and ranch land prices sank to 28.8 in December, the 25th straight month below a growth-neutral rating of 50.

"Land prices are down very little relative to the drop in farm income," said Dan Kowalski, director of research at CoBank, a cooperative member of the U.S. Farm Credit System in Greenwood Village, Colo. "As the liquidity situation for farmers changes, buying farmland will become a more difficult decision."

Philippines Rushing New GMO Rules to Avert Import Disruption
By Enrico Dela Cruz and Manolo Serapio Jr
MANILA, Jan 22 (Reuters) - The Philippines is set to issue new rules next month on GMO imports, seeking to avert food supply disruptions when a court-ordered stoppage kicks in as import permits for animal feed expire this year, government officials said.

In a landmark ruling in December, the country's Supreme Court struck down a 2002 government regulation that allowed the import of genetically modified organisms (GMO) and imposed a temporary ban until new rules were formulated.

The order covers imports of corn, soybeans, soybean meal and sorghum, among others. The biggest impact would be on soymeal, the Philippines' top GMO import at 2 million tonnes a year.

The government challenged the ban by motioning for a reconsideration by the top court shortly after the ruling, officials said. For now, existing import permits remain valid, although no new ones will be issued as they expire.
"We are aware of the urgency of coming up with the new rules," said Dr. Jaime Montoya, a government health scientist who heads an inter-agency panel that drafted new guidelines for GMO use and imports.

Weak demand for U.S. soymeal cargoes overseas has dragged front-month soymeal on the Chicago Board of Trade to near six-year lows this month, extending a December rout partly sparked by the Philippine court ruling.

The panel on Friday began a series of public consultations on a draft joint administrative order to be issued by five government agencies including the Department of Agriculture. Two more will be held next week.

The draft order should be ready for signing by heads of the five agencies on Feb. 16, Montoya said.

Farm officials said animal feed millers can ship in GMO products until their import permits expire.

One permit will expire in March and five more later this year, said Merle Palacpac, chief of the plant quarantine service division at the Bureau of Plant Industry.

"We are maintaining status quo since a (motion for reconsideration) has been filed," Palacpac told Reuters.

Estefania de Vera, president of the Philippine Association of Feed Millers, said her group has not received any reports of shipment disruption so far following the court ruling.

"Our concern is the succeeding ones if they stopped issuing new permits," she said. "We hope this (administrative order) will be out soon to cover and continue the flow."

If GMO soymeal imports are banned, Philippine buyers would need to purchase non-GMO supply that would easily be $80-$100 a tonne more expensive, traders said.

**Export-Happy Brazil May Have Created a Corn Shortage for Livestock**

By Karen Braun

CHICAGO, Jan 22 (Reuters) - A rush to export a record Brazilian corn crop may send domestic prices higher over the next few months which could ultimately drive up poultry prices internationally.

Brazil exported over 11 million tonnes of corn in the last two months of 2015, according to Williams Shipping Agency, more than doubling the volume observed during the same period in 2014. Almost 1 million tonnes of this increase was devoted to North Africa following disappointing Ukrainian and European corn harvests.

Corn cash prices in the interior of Brazil have skyrocketed this month, leading many to sense the anticipation a domestic shortage. Meanwhile, port prices FOB remain at the relatively lower levels of late.

It is not hard to understand the eagerness of Brazilian farmers to aggressively ship their supply overseas while the real is tumbling, especially coming off a record corn crop.
But domestic grain supply is crucial for feed in Brazil’s massive livestock industry and JBS SA the world’s largest meat packer.

Brazil is currently the world’s leading poultry supplier, second in beef and third in pork, according to the U.S. Department of Agriculture.

With another off-the-charts volume of corn scheduled to leave Brazilian ports in January, livestock farmers may be left scrambling to secure enough grain for their animals, and this could send waves through the global markets.

THE HUNGRIEST? CHICKENS
As the world's biggest poultry exporter, a spike in domestic corn prices would surely ripple through the international market.

Poultry producers are more vulnerable to price shocks than cattle or pork exporters because chickens go from egg to market ready in about four to six weeks and corn is a big component of their diet unlike Brazil’s grass-fed cattle.

Most poultry is produced in southern Brazil but that region produces mainly full-season corn, which only accounts for one-third of Brazilian production. So if local corn supply is particularly tight, they would increasingly have to rely on Central Brazil’s safrinha corn crop, which is not harvested until at least June. The hog industry would encounter the same problem as it is also concentrated in the south.

Frozen chicken spots are already at five-year highs in Paraná, the leading Brazilian state in poultry production. This trend is generally true elsewhere in the country, though other locations have seen a marked decline in recent weeks.

Higher corn prices would likely only affect pork producers if prolonged as hogs take six to eight months to reach market weight. While corn makes up the majority of a typical hog's diet, other feeds can be substituted. And unlike Brazil’s 36 percent share of the global poultry market, the South American country accounts for only 8 percent of the world’s pork exports.

Brazil’s beef industry is unlikely to be affected by a potential corn shortage. Although farmers have been increasingly feeding grain to their herds in order to increase the efficiency, the vast majority of Brazil’s cattle are grass-fed.

Additionally, cattle generally require a minimum of 15 months from birth before reaching market weight, but this process can take two or more years. Because of this slow turnover time and the feeding habits, only a prolonged corn deficit would begin to make a dent in the market.

IMPACTS AND SOLUTIONS
If Brazilian poultry becomes considerably more expensive, Middle Eastern and Asian consumers would be the most affected. Saudi Arabia imports the biggest share of Brazilian poultry at 20 percent, and Japan and China also combine for 20 percent. Together, United Arab Emirates, South Africa, and the European Union round out another 20 percent.
Higher Brazilian prices could shift buyers to the U.S. supply, which places a close second behind Brazil with 30 percent of world poultry trade.

In terms of securing corn for feed, Brazil could be looking to its neighbors, Argentina and Paraguay. The recent Argentine policy changes lifting corn export quotas and banishing the export tax surely support this, but with stocks dwindling to four-year lows (seven years for Paraguay), the tightening of South American supply could end up straining the pockets of Brazilian livestock farmers anyway.

Poultry producers might look to soybean meal more than they are used to doing, though soymeal prices have also bumped in recent weeks, so it still could mean an extra burden for producers. Soybeans will start arriving at the ports for export fairly soon, so if producers are looking for any soybeans, they ought to act fast before they too disappear out of the country.

**U.S. Corn Acres to Rise, Soy to Fall in 2016-Farm Futures**

CHICAGO, Jan 21 (Reuters) - U.S. farmers plan to increase their corn acreage and cut back on soybean plantings in 2016, with low prices threatening profitability of both crops, according to a producer survey released on Thursday by Farm Futures magazine.

Corn seedings were seen at 89.5 million acres while soybean seedings were seen at 82.2 million acres, the survey said. In 2015, farmers planted 88 million acres of corn and 82.7 million acres of soybeans.

"Neither corn nor soybeans is showing a profit based on current 2016 crop prices, but corn has better potential to break even this year," Bryce Knorr, Farm Futures senior grain market analyst, said in a statement. "Farmers are beginning to recognize this, even though corn will require more cash flow in a tight year to plant due to higher production costs."

The magazine surveyed more than 1,550 growers between Dec. 7 and Jan. 4.

The survey also forecast spring wheat seedings rising slightly to 13.3 million acres. Sorghum acreage was seen at 8.25 million acres, down 2.5 percent from 2015.

**Varying Local Climate in Top Brazil Soy State Complicates Forecasting**

By Gustavo Bonato

SORRISO, Brazil, Jan 21 (Reuters) - A highly irregular climate in Brazil’s top soy-growing state Mato Grosso has made forecasting difficult, meaning doubts remain about Brazil’s soy output even though harvesting is well underway.

The unusual climate, in which one farmer reported 20 to 40 days without rain in November and December while a neighbor received average rainfall, is blamed at least in part on the El Nino climate phenomenon.

Uncertainty over output in the state that normally produces about 30 percent of Brazil’s soybeans has led to widely varying estimates for national output - from a still-record 98 million tonnes to as much as 103 million tonnes.)
"I've been here for 38 years and never saw this kind of climate," said farmer Sesino Enzweiler of Sinop, in northern Mato Grosso. Enzweiler originally expected to harvest 70 60-kilogram bags per hectare and is now hoping for 55.

Just south of Sinop, the town of Sorriso, the top soy-growing municipality in Brazil, is doing a special analysis of its crop and may declare a state of emergency to enable farmers to renegotiate sales contracts and avoid steep losses.

Even so, just a few miles away some farms said they had received sufficient rainfall.

"We are harvesting with good results," said farmer and agronomist Juliano Ferla, who expects higher yields than last year.

Marcos Rubin, partner and analyst at Brazilian consultancy Agroconsult, said forecasts have been made more complicated with such disparity and more sampling may be required.

"In a macro view, the situation in Brazil is not so bad... the difference this year is that the problems are in Mato Grosso," he said.

Agroconsult on Tuesday cut its estimate for Brazil's soy crop to 99.2 million tonnes from 100.6 million tonnes in October.

Mato Grosso's state agricultural institute IMEA forecasts a state crop of 27.8 million tonnes, nearly 1 percent less than the previous year. If confirmed, it will be the first decline in output in a decade in Mato Grosso, which has largely been responsible for Brazil's surging production in recent years.

Brazil is the world's No. 2 soy producer after the United States, and Mato Grosso's soy output is equivalent to the crops of Illinois and Iowa combined.

Farmer Jean Agostini of Ipiranga do Norte said an accurate evaluation likely will only be possible when the harvest is complete.

"The myth of Mato Grosso never having climate problems is over," he said.

**Building Binge by Iowa Pig Farmers May Lead to Even Lower Prices**

By Theopolis Waters  
CHICAGO, Jan 19 (Reuters) - Farmers have ramped up construction of swine farm buildings in Iowa, home to about a third of U.S. hogs, as they take advantage of cheap feed and strong demand for pork from countries including China and Mexico.

Some are also looking to add space for the heavier pigs currently favored by customers and to cater for extra piglets as sows become more fertile, experts said.

But with hog prices languishing near six-year lows and profits slashed from the boom year of 2014 when Porcine Epidemic Diarrhea virus (PEDv) ravaged supplies, adding numbers to the U.S. herd could cut incomes further this year from 2015, experts say.
Last year, Iowa farmers built 280 hog barns capable of holding more than 1,250 head, over 60 percent more than 2014 but shy of the 347 constructed in 2012, according to data recently released by the state's Department of Natural Resources.

"There is a demand from our customer for heavier market weights, 5-10 pounds heavier than two years ago," said Allen Whiley, who oversees raising hogs at Iowa Select Farms, one of the state's biggest producers.

"At the same time our sow productivity has increased, meaning there are more pigs weaned and marketed per sow," he added. U.S. sows on average gave birth to a record 10.53 piglets in a litter in the September-November quarter.

Josh Flint, a spokesman with pig farmer and pork producer The Maschhoffs, said the company had contracted with some Iowa family farmers for new buildings where pigs are fattened up for slaughter, called "finishing barns."

The company itself, which says it produces enough pork to feed 16 million Americans a year, did not expand in 2015 and has no plans to do so this year.

The U.S. hog inventory hit 68.3 million head as of Dec. 1, the highest since 1988 when the U.S. Department of Agriculture started collecting data.

"Generally, I think the farmer who partners with us to build a finishing barn is looking to diversify their source of farm income," said Flint.

Farmers view building a hog barn as an effective way to increase income without having to spend a lot of cash to expand their corn and soybean operations.

But they may be disappointed. Pork profits are already weak and could head lower this year, Iowa State University economist Lee Schulz said.

ISU estimates that Iowa producers who take hogs from birth to slaughter made a profit of $7.93 per head in 2015 - little better than a tenth of the $61.85 per head in 2014 when PEDv-constricted supplies sent hog prices climbing. This year, farmers could struggle to make any profit in the first half, the university predicts, with annual earnings sliding to $5.41 per head.