

# WEEKLY NEWS ARTICLE UPDATE



Prepared by John C. Baize and Associates | 7319 Brad Street | Falls Church, VA 22042  
TEL: 703-698-5908 | FAX: 703-698-7109 | E-mail: [jbaize@attglobal.net](mailto:jbaize@attglobal.net)

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## Export Sales Highlights

This summary is based on reports from exporters for the period March 25-31, 2016.

**Soybeans:** Net sales of 420,400 MT for 2015/2016 were up noticeably from the previous week and 2 percent from the prior 4-week average. Increases were reported for unknown destinations (112,700 MT), Japan (106,000 MT, including 14,500 MT switched from unknown destinations and decreases of 300 MT), Germany (66,200 MT, including 3,800 MT switched from the Netherlands), Mexico (66,100 MT), Indonesia (33,100 MT, including 25,000 MT switched from unknown destinations and decreases of 100 MT), and Taiwan (20,100 MT). Reductions were reported for the Netherlands (3,800 MT) and Cuba (1,600 MT). For 2016/2017, net sales of 1,500 MT were reported for Japan. Exports of 322,500 MT were down 19 percent from the previous week and 54 percent from the prior 4-week average. The primary destinations were China (70,300 MT), Germany (66,200 MT), Mexico (50,900 MT), Indonesia (49,800 MT), Colombia (22,900 MT), Japan (20,600 MT), and Cuba (14,400 MT).

*Optional Origin Sales:* For 2015/2016, the current outstanding balance totals 420,000 MT, all China.

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

*Export Adjustments:* Accumulated exports to the Netherlands were adjusted down 66,232 MT for week ending March 24<sup>th</sup>. The correct destination is Germany and is included in this week's report.

**Soybean Cake and Meal:** Net sales of 23,300 MT for 2015/2016--**a marketing-year low**--were down 89 percent from the previous week and from the prior 4-week average. Increases were reported for Guatemala (9,100 MT, including 7,900 MT switched from unknown destinations and 600 MT from El Salvador), Canada (6,100 MT), the Dominican Republic (4,000 MT), Belgium (3,800 MT), Trinidad (2,900 MT), Colombia (2,600 MT, including 400 MT switched from Ecuador), the Philippines (2,200 MT, including 500 MT switched from unknown destinations and decreases of 100 MT), and Japan (1,100 MT). Reductions were reported for unknown destinations (5,200 MT), Mexico (5,000 MT), El Salvador (600 MT), and Ecuador (400 MT). For 2016/2017, net sales of 29,300 MT were reported for Mexico. Exports of 146,800 MT were down 32 percent from the previous week and 37 percent from the prior 4-week average. The primary destinations were Mexico (38,600 MT), the Philippines (35,800 MT), Colombia (27,900 MT), Canada (13,600 MT), Guatemala (12,600 MT), Nicaragua (5,100 MT), and Trinidad (3,100 MT).

*Optional Origin Sales:* For 2015/2016, the current outstanding balance totals 99,000 MT, all unknown destinations.

**Soybean Oil:** Net sales reductions of 7,600 MT for 2015/2016--**marketing-year low**--were down noticeably from the previous week and from the prior 4-week average. Increases reported for unknown destinations (11,000 MT), Mexico (700 MT), Nicaragua (300 MT), and China (100 MT), were more than offset by decreases for Canada (19,700 MT). Exports of 9,100 MT were down 74 percent from the previous week and 69 percent from the prior 4-week average. The destinations were primarily to Mexico (5,400 MT), Jamaica (3,500 MT), and Canada (100 MT).

### **As China Reforms Its Corn Market, Farmers Switch to Growing Soybeans**

By Naveen Thukral and Niu Shuping

SINGAPORE/BEIJING, April 4 (Reuters) - Wang Zhonghai, a 49-year-old farmer in China's top corn producing province of Heilongjiang, plans to switch 80 percent of his land to cultivate soybeans this year as the government ends a near decade-old corn price support scheme.

China announced last week it will stop its corn stockpiling programme and allow markets to set prices - a move that should transform the agricultural landscape as farmers shift to more lucrative crops like soybeans, rice and peanuts.

Rising demand for a protein-rich diet in China has since 2001 triggered a six-fold jump in imports of soybeans, which are crushed to make soymeal, an animal feed ingredient, and cooking oil.

Higher output in China, the world's top soybean importer, will hit farmers in top producers Brazil, the United States and Argentina. The trio have presided over a soybean boom, helping nearly double world production over 15 years.

"We calculated and to grow soybeans would give better returns than corn which gives no profit after the price drop," said Wang, who has grown only corn on his 6.7 hectare (16.5 acre) farm for years in Hule village in Heilongjiang.

"Soy prices have picked up and with government soy subsidies, we may be able to make 700 yuan-800 yuan (\$108-\$124) per hectare," said Wang, adding that around a third of farmers in his village had plans to shift to soy.

Wang said farmers did not know what subsidies Beijing would provide instead of a guaranteed price if they grew corn, but he was confident corn prices would fall.

In 2016, China's soybean output is expected to rise by up to 2 million tonnes and increase faster in future years with improved seed technology and a bigger acreage, analysts and traders said.

"Many farmers plan to shift to grow rice and peanuts, about 10 percent of the farmland would be shifted to soybean," said Wang Fuqing, head of the Hule Modern Agricultural Machinery Cooperative.

China's support for corn saw the area under cultivation hit 37 million hectares last year, up from 23 million hectares in 2001, according to U.S. Department of Agriculture data.

In contrast, soybeans was grown on 6.8 million hectares in 2015, down from 9.3 million hectares 15 years ago.

"We know that soybeans and corn compete for acreage, so China's support for corn prices pushed all those soybean acres into corn as it made more profit to grow corn," said Adam Davis, head of commodities at Merricks Capital, a Melbourne-based agricultural fund.

"If it goes back to free market you could certainly see acreage go back to soybeans."

Farmers are expected to make a bigger shift next year as corn falls nearer international prices. Corn has traded at an almost 50 percent premium to world prices in China.

A shift of one to two million hectares to soybeans from corn would be the equivalent of a month's soybean imports for China, said Ken Morrison, a former Cargill executive who publishes a commodity newsletter.

"I think the attention to the impact on global corn is overdone, and I think the attention to the implications of what it will mean to Chinese soybean production is under appreciated," Morrison said.

#### COTTON SHOWS THE WAY

China, which ended price support for cotton in 2014, is forecast to see cotton acreage decline to 3.4 million hectares in 2015/16 from 5.5 million hectares in 2011/12, USDA data shows.

Cotton imports have dropped while the gap between international and domestic prices has narrowed since Beijing stopped paying prices well above the global market.

There could also be scope to improve soybean yields, including by using genetically modified organisms. Though Beijing has been cautious so far, ChemChina's \$43 billion purchase of Swiss seeds and pesticides company Syngenta could bring Chinese planting of GMO soybeans closer.

China produces 1.8 tonnes of soybeans per hectare, well below the 3.2 tonnes of output in the United States.

Boosted by GMOs, annual global soybean output has jumped nearly two-and-half times to 319 million tonnes since 1980.

#### FLOOD OF DDGs

A move to liquidate massive corn stockpiles will also disrupt meal and vegetable oil trading in China and Asia, said grains analyst Roy Huckabay at Chicago brokerage the Linn Group.

China is sitting on close to 250 million tonnes of corn, enough to fill Beijing's Bird's Nest stadium around 34 times.

If lower quality grain from state reserves is processed for ethanol, the market would be flooded with byproduct distillers dried grains with solubles, he said.

Some farmers were taking a cautious approach before switching crops, said a local government official at Tailai county in Heilongjiang.

"Many farmers are holding a wait-and-see attitude because some are still hoping that corn prices may rise again and they are waiting to see how much subsidy the government offers." (\$1 = 6.4646 Chinese yuan renminbi)

#### **Farmer Belt-Tightening Threatens U.S. Ag Companies' Profits**

By Tom Polansek and Karl Plume

April 4 (Reuters) - North Dakota farmer Randy Thompson plans to apply 30 percent less nitrogen fertilizer to his corn this year to save money in the face of crashing crop prices.

In Minnesota, Andy Pulk is trucking crop nutrients to his farm from 350 miles (563.3 km) away because he found a better price than his local cooperative could offer. He has also halted purchases of machinery.

"We're on a complete spending hold across the farm," Pulk said.

With more acres than ever before likely to be planted with soybeans and corn in the U.S. Midwest this year, companies including seed maker Monsanto Co fertilizer seller CF Industries Holdings might have expected a windfall for earnings.

But with grain prices near five-year lows and farm incomes at their lowest levels since 2002, growers are tightening their belts by reducing spending on everything from fertilizer to seeds to chemicals.

Monsanto, the biggest U.S. seed maker, will give investors a glimpse into the impact of the cost cutting on Wednesday, when the agribusiness sector kicks off quarterly earnings reports.

Last month, the company cut its full-year earnings forecast, citing pricing pressure in seeds and farm chemicals, and lowered its guidance for second-quarter earnings from ongoing operations to \$2.35 to \$2.45 per share. That was down from \$2.90 in the same quarter in 2015.

Analysts, on average, expect Monsanto to report an 8.5 percent drop in revenue to \$4.756 billion and a 16 percent decline in per-share profit to \$2.436, according to Thomson Reuters StarMine.

Earnings potential has suffered as farmers have become less willing to pay up for seeds and chemicals, Goldman Sachs said in a note last month.

#### SEED PRICING WAR

Seed discounts by Monsanto and its rivals, including DuPont Pioneer have been the steepest in at least six years, Monsanto executives have said.

Monsanto cut prices to preserve its customer base after Pioneer, in particular, "came out with offers like free seed and other pretty significant discounts," Michael Frank, Monsanto's chief commercial officer, said in a telephone interview last month.

Together, the companies' products blanket some 70 percent of all corn and soybean acres in the United States.

DuPont, in a statement, said it prices its products competitively. It is due to report earnings on April 26.

Some seed dealers said more and more farmers were foregoing new varieties to save money.

Nathan Kizer, seed manager at South Dakota Wheat Growers, a 5,000 member cooperative with locations in North and South Dakota, said farmers have been moving away from costlier seeds that are "stacked" with three or more biotech traits. Instead, they have been buying varieties that have been on the market three to five years.

"We're not planting a bunch of the old dogs but we are using a lot of the middle-of-the-pack stuff," Kizer said.

Some farmers said they were giving up the practice of applying excess fertilizer to their fields to boost yields.

Yet, Bert Frost, senior vice president of sales, distribution and market development for CF Industries, said farmers will not reduce nitrogen use because that could hurt yields. CF Industries is set to report quarterly earnings in early May.

"The one variable that you can count on to pick up maximum yield is nitrogen," Frost said.

Savings are crucial for farmers as the U.S. Department of Agriculture forecasts net incomes will fall 3 percent this year after a 38 percent slump in 2015 and a 27 percent drop in 2014.

"You've got to be really efficient to make money now," said Thompson, the North Dakota farmer who plans to use less fertilizer.

"Unless the markets come back, it's going to be really ugly for a lot of guys."

### [Brazil Soybean Crop Seen at Record 98.98 MMT, Government Says](#)

April 7 (Reuters) -

- Brazil's 2015/16 soybean crop seen at record 98.98 million tonnes in April versus 101.18 million tonnes in March, the government says
- Brazil's 2015/16 corn crop seen at 84.66 million tonnes in April versus 83.52 million t in March, government says
- Brazil's 2015/16 soybean yields drop to average 2.99 tonnes/hectare versus 3.04 t/ha previously due to losses in Matopiba region, government says
- Brazil's 2015/16 corn yields rise to average 5.47 tonnes/hectare versus 5.40 t/ha previously, government say

### [China Aims to Cut Corn Planting in Parts of Farming Belt by a Third](#)

By Niu Shuping and David Stanway

BEIJING, April 7 (Reuters) - China aims to reduce corn planting in parts of its farming belts by around a third over five years, representing an area larger than Belgium, and switch to crops such as soybeans or potatoes after ending policies to support corn prices.

China intended to boost domestic soybean production for human consumption, but the world's top soy buyer would still need to import for feed, said one agriculture ministry official.

Corn acreage will be reduced in areas covering 13 provinces and regions extending from the frozen far northeast, the parched northwest and the desertified southwest by about 8.2 million acres (3.3 million hectares) by 2020, the ministry said.

Around 1.6 million acres of cornfields in these regions deemed unsuitable for corn growing would be reduced this year alone, while the acreage in core growing areas would be stabilized, it said.

The pledge comes after China late last month said that it would abolish its corn stockpile system to free up prices. The policy set domestic price 30-50 percent above the global market, leading to record imports of corn substitutes like sorghum and huge stockpiles of corn.

"The reduction is because we have encountered periodic surpluses of corn and reserves have increased by a huge margin," Ye Zhenqin, an agriculture ministry spokesman, told a news conference.

In 2015, China harvested a record 224.6 million tonnes of corn on 94.2 million acres (38.12 million hectares) of land. Corn has been the country's largest grain crop since 2011, according to the National Bureau of Statistics).

Beijing's corn stockpile policy since 2008 had spurred farmers to shift to corn, even in non-traditional growing areas, leading to huge surpluses, with state warehouses said to hold as much as 250 million tonnes, the equivalent of more than a year of consumption.

## SOYBEAN PRODUCTION

Farmers in arid areas would be encouraged to shift to silage corn and alfalfa, while parts of the northeastern cornbelt provinces would resume the rotation of corn with soybeans in bid to make agriculture more sustainable, the ministry said.

China plans to allocate 3.5 billion yuan (\$541 million) to encourage farmers to shift to crops such as silage corn and alfalfa, meeting demand from the dairy industry, as well as potatoes, soybeans and other crops, Pan Wenbo, deputy director at the ministry's planting department, told reporters.

Pan said China was aiming primarily to boost domestic production of soybeans for human consumption and would try to resume domestic production after years of falling output.

"We will try to stabilize domestic soybean production and aim to meet domestic demand for food use. We are not seeking self-sufficiency in soybeans, nor seeking to resist imports," he said.

Domestic soy supply restraints could only be resolved by importing to meet demand for animal feed and edible oil, said Pan.

China, the world's biggest soybean buyer, imported a record 81.7 million tonnes of soybeans in 2015, accounting for 70 percent of global trade. Domestic output stood at 12 million tonnes, down from a peak of 17.4 million tonnes in 2004.

Pan said the ministry planned to try to resume domestic soy production, which is largely used to make tofu, soy sauce and soymilk.

With ample grain supplies, China has said that it would no longer pursue increases in harvests in next five years, potentially ending 12 consecutive years of increased production.

### **Alltech: China Leads Aquaculture Feed Production**

LEXINGTON, KENTUCKY, U.S. — China is the leading global producer of aquaculture feed, Alltech said in its recently completed [analysis](#) of the aquaculture feed sector and finisher feed prices that it undertook based on industry requests.

After publishing its 2016 Global Feed Survey, Alltech was presented with more questions regarding the aquaculture sector than any other species, said Aidan Connolly, Alltech's chief innovation officer and vice-president of corporate accounts.

"Aquaculture is the fastest growing segment of the feed industry," he said. "According to the Food and Agriculture Organization, fish consumption now exceeds beef consumption per capita, and farmed fish now exceed wild caught. The scale of the industry is leading many policymakers to question practices and methods, particularly in regard to sustainability."

In 2015, China led global aquaculture feed production with 17.3 million tonnes at an average cost per finisher diet of \$850. Vietnam and Norway followed with 2.8 million tonnes and 1.789 million tonnes, respectively; however, the average finisher diets were much higher in cost, with Vietnam at \$1,333 and Norway at \$1,100.

The most expensive finisher diets originated from the Asia-Pacific region, with Korea at \$1,800 and Japan at \$1,700. Nearly 50% of survey responses indicated their region's aqua finisher diets were more than \$1,000 on average.

"Essentially, it comes down to imported raw materials," said Connolly. "What is produced locally is often in a protected marketplace regulated by government tariffs. The high feed prices in this region, in particular Japan, are reflected in other species as well, such as swine and poultry."

Shrimp accounted for 21% of aqua feed production worldwide, with 82% coming from Asia (India at 66%, Thailand at 42% and Indonesia at 33%). Salmon feed production represented 11% of total aqua feed production, and at 52%, Europe was the number one player in this species sector.

Other top species in terms of feed production include:

- Carp (China at 62%)
- Catfish (U.S. at 40%, Vietnam at 36% and Bangladesh at 35%)
- Trout (Peru at 74%)

Brazil, which finished eighth in the aqua feed survey, fed more than 25 different species of fish with its 0.940 million tonnes in 2015. Deep-bodied Amazonian breeds, Pirapitinga, Tambaqui and Pacu, constitute most of the Brazilian fish feed production.

"We found that in Brazil, a major portion of feed production was not allocated to the typical species produced by many other countries," said Connolly. "It turns out that over 40% of Brazil's feed production is allocated to a variety of local, Amazonian species, such as Pacu, Tambaqui, Tambacu and Tambatinga."

Alltech's overall 2016 Global Feed Survey estimated international feed tonnage is now at 995.6 million tonnes, a 2% increase over last year and a 14% increase since Alltech first published Global Feed Survey results in 2011. The analysis of five-year trends showed growth predominantly from the pig, poultry and aqua feed sectors.

### [AgResource Sees Corn, Wheat Prices Fall to 10-Year Lows](#)

By Sybille de La Hamaide

GENEVA, April 8 (Reuters) - Hefty supplies and large expected crops will weigh on grain prices later this year with corn and wheat set to drop to 10-year lows as harvest nears, consultancy AgResource said on Friday.

In its first price forecast for 2016, the U.S.-based consultancy pegged Chicago Board of Trade December corn to fall 25 percent to \$2.80 per bushel as the harvest nears and it becomes the market's front month. That would be the lowest since October 2006 on a front-month contract.

July wheat would drop nearly 14 percent to \$4.00 per bushel, the lowest since September 2006, while soybean November would shed 17 percent to \$7.60 per bushel, the lowest since May 2007, AgResource President Dan Basse told Reuters at the Cereals Europe conference in Geneva.

"For corn, you have a record production both in the U.S. and in Argentina this year, the two combined lead to (a price of) \$2.80" per bushel, he said on the sidelines of the conference.



Corn and wheat crops in Argentina, one of the world's top exporters of the grains, are expected to surge next season as farmers increase plantings, encouraged by the new government's decision to scrap export taxes and restrictions, and improved competitiveness due to the devaluation of the local currency.

AgResource pegged Argentina's corn harvest at 39-40 million tonnes, up from 27 million last year, while the wheat crop would jump to 17 million tonnes in 2016-17, up from 11 million in 2015.

With Brazil's corn crop also expected to rise, Basse described South America as an "export powerhouse" whose harvests would structurally change the world market.

The U.S. corn crop is also expected to reach record highs in 2016-17 as farmers plant the grain on a larger area, which the U.S. Department of Agriculture's (USDA) estimated will be the third-biggest since 1944.

Soybean prices were expected to be pressured by ample supplies, notably in South America, as well as softer demand for soymeal in China.

China, whose soybean imports accounted for 70 percent of global trade last year, said on Wednesday it intended to boost domestic soybean production for human consumption, although it said it would still need to import for feed.

"China's more routine buying and record large stocks in the G3 (United States, Brazil and Argentina) will put pressure on soybean prices," Basse said.

"Next year Brazil will produce more soybean than the U.S. for the first time ever," he noted.

#### [Projection Lowered for Brazil's 2016 Harvest](#)

07-Apr-2016

Rio de Janeiro, Apr 7 (EFE).- Brazil, one of the world's leading food producers, is projected to harvest 210 million metric tons of grain this year, down 0.6 percent from the March forecast, the government said Thursday.

It marked the first time this year that the Brazilian Institute of Geography and Statistics, or IBGE, had lowered its projection for the 2016 harvest.

In March, the agency had projected that Brazil would harvest 211.3 million metric tons of grain this year.

Even with the lower forecast, Brazil's 2016 harvest would still exceed last year's record total of 209.5 million metric tons.

The IBGE projects that soybeans, rice and corn, Brazil's three leading crops, will account for 93 percent of farm production this year and occupy 86.9 percent of the harvested area.

Although the latest soybean forecast was lowered by 1.6 percent relative to March to 100.2 million metric tons, that amount still would represent a 3.2 percent increase over 2015.

By contrast, rice and corn production are projected to decline by 7.8 percent and 2.2 percent, respectively.

The IBGE is forecasting that Brazil's harvested area will rise 1.1 percent this year to 58.4 million hectares (144.2 million acres), compared with 57.7 million hectares in 2015.

#### [USDA Attache Sees Pakistan 2016/17 Soybean Imports at Record 2 MMT](#)

April 8 (Reuters) - Following are selected highlights from a report issued by a U.S. Department of Agriculture attache in Pakistan:

Pakistan's MY 2016/17 vegetable oil imports are forecast to be a record 3.3 million metric tons, up 9.6 percent from a year ago. Palm oil continues to be the major imported oil accounting for 95 percent of imports. Soybean oil imports are expected to increase to 300,000 MT in MY 2016/17.

Given a duty structure that favors soybean imports over soybean meal and the poultry industry's rising inclusion of soybean meal in its feed rations, MY 2016/17 soybean imports are projected at a record 2.0 million metric tons.

Cottonseed continues to be Pakistan's largest domestically produced oilseed and is expected to reach 3.9 million metric tons in 2016/17. In general, all signs point to continued growth in demand for products with the oilseed complex. Growing and modernizing poultry, dairy, and possibly beef sectors suggest that demand for oilseed meals will grow and rising Gross Domestic Product bodes well for slow but steady growth in the consumption of vegetable oils.

#### [Argentina to Boost Ethanol Use in Fuels - Industry Body](#)

By Walter Bianchi

BUENOS AIRES, April 8 (Reuters) - Argentina will more than double the required use of ethanol in gasoline from next year as part of efforts to diversify away from the use of fossil fuels, an executive from a bioethanol industry body told Reuters on Friday.

"The plan of (Argentine President) Mauricio Macri's government is to increase the ethanol blend in fuel from the current 12 percent to a maximum 26 percent, following in the steps of Brazil's decades-long policy," said Patrick Adam, executive director of the country's corn ethanol chamber.

An Energy Ministry spokesman said the government's aim was indeed to increase the required use of ethanol in fuel although specific targets had not yet been fixed.

At a climate change conference in Paris last year, countries signed up to rein in rising carbon levels, gradually reducing the world's reliance on fossil fuels.

But using land to produce fuel rather than grow food also has its detractors.

For Argentina, which has been suffering from an energy deficit for some years and produces all the ethanol it uses from corn and sugar cane, the move is logical.

In February, it increased the amount of ethanol used in fuels by 2 percentage points, boosting its sugar industry, which has been battered by low international prices.

"An increase to 26 percent would lead us to more than double our current production and invest \$400 million," said Adam.

Argentina currently produces around 25 million tonnes of corn annually, most of which is exported. It has five ethanol plants.

It should not be difficult for automakers to adapt, Adam said.

"Argentina is already making cars for the Brazilian market and vice versa, so that will simplify operations," he said.

Argentina first demanded that ethanol be mixed with gasoline at a 5 percent ratio in 2010.