

WEEKLY NEWS ARTICLE UPDATE



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Export Sales Highlights

This summary is based on reports from exporters for the period July 29-August 4, 2016.

Soybeans: Net sales of 308,000 MT for 2015/2016 resulted as increases for China (500,800 MT, including 335,000 MT switched from unknown destinations), Vietnam (70,800 MT, including 65,000 MT switched from unknown destinations), Spain (67,500 MT, including 65,000 MT switched from unknown destinations), the Netherlands (66,600 MT, including 70,000 MT switched from unknown destinations and decreases of 3,400 MT), and Pakistan (66,000 MT, including 65,000 MT switched from unknown destinations). Reductions were reported for unknown destinations (613,800 MT). For 2016/2017, net sales of 2,792,200 MT were reported primarily for China (1,844,000 MT), unknown destinations (743,000 MT), Mexico (153,000 MT), Japan (40,000 MT), and Taiwan (10,500 MT). Exports of 1,074,200 MT were up 49 percent from the previous week and up noticeably from the prior 4-week average. The primary destinations were China (496,100 MT), Vietnam (75,800 MT), Spain (67,500 MT), the Netherlands (66,600 MT), and Pakistan (66,000 MT).

Optional Origin Sales: For 2015/2016, the current optional origin outstanding sales balance is 423,000 MT, all China. For 2016/2017, the current outstanding balance is 63,000 MT, all China.

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

Soybean Cake and Meal: Net sales of 47,900 MT for 2015/2016 were down 36 percent from the previous week and 57 percent from the prior 4-week average. Increases were reported for Mexico

(8,900 MT), Guatemala (8,500 MT, including 8,000 MT switched from unknown destinations), Venezuela (7,000 MT), Morocco (6,000 MT), and El Salvador (4,600 MT, including 3,600 MT switched from unknown destinations). Reductions were reported for unknown destinations (8,500 MT). For 2016/2017, net sales of 50,400 MT were reported primarily for unknown destinations (45,000 MT), Nicaragua (2,000 MT), Burma (1,000 MT), and Cambodia (1,000 MT). Exports of 79,200 MT were down 62 percent from the previous week and 59 percent from the prior 4-week average. The primary destinations were the Dominican Republic (14,100 MT), Mexico (11,000 MT), Canada (10,700 MT), the Philippines (9,300 MT), and Colombia (8,400 MT).

Optional Origin Sales: For 2015/2016, the current optional origin outstanding sales balance is 36,000 MT, all unknown destinations.

Soybean Oil: Net sales of 11,400 MT for 2015/2016 were down 35 percent from the previous week and 49 percent from the prior 4-week average. Increases were reported for Peru (7,000 MT), Mexico (3,000 MT), Canada (900 MT), and the Dominican Republic (500 MT). For 2016/2017, net sales of 1,000 MT were reported for Mexico (500 MT) and the Dominican Republic (500 MT). Exports of 20,300 MT were down 53 percent from the previous week and 31 percent from the prior 4-week average. The primary destinations were Algeria (14,700 MT), Mexico (4,500 MT), and Canada (1,000 MT).

[China Set to Slam Door on Canadian Canola](#)

Toronto Globe and mail, 12-Aug-2016

The Chinese government is poised to effectively shut the door on \$2-billion in annual exports of canola seed from Canada - a potential blow to bilateral trade with the Asian giant that could land just as Justin Trudeau makes a historic visit to the country to try to rebuild relations with Beijing.

China is preparing to enact a rule as of Sept. 1 that would require the amount of extraneous plant material in canola-seed exports to make up less than 1 per cent of each shipment. The Chinese are a major customer for 43,000 farmers, mainly in Western Canada but also Ontario and Quebec, who export their product through grain handlers. Last year, China bought more than 40 per cent of all canola Canada sold abroad.

Canada's canola industry says this new measure would all but halt shipments to China, where the canola seeds are mostly used to make cooking oil and livestock meal. It says it's impractical for Canadian shippers to filter and remove sufficient plant material to meet this new standard.

Canadian government officials and canola-industry representatives are in China trying to head off the new rule as the clock ticks down to a visit by Mr. Trudeau - one where both countries are trying to move beyond a chill in relations that persisted throughout the Stephen Harper era.

The Canadian Prime Minister is scheduled to attend Group of 20 meetings in Hangzhou in early September - and he is expected to undertake an official visit to China ahead of this international gathering. It would be the first such visit since winning election, and Mr. Trudeau's father, Pierre, is still held in high regard there.

Asked whether there is any chance Beijing may stay the measure, China's embassy in Canada on Thursday said both sides are still trying to resolve the matter.

"The quality-inspection departments from China and Canada are in close contact with each other and striving to find a reasonable solution to this issue," said Yang Yundong, an embassy spokesman.

Beijing has explained the measure by saying it's trying to prevent the spread of blackleg fungal disease that canola growers around the world have contended with for decades. The Chinese believe the "dockage," or extraneous plant material, contributes to the spread of this disease. In March, it delayed implementing the new rule until Sept. 1.

Over the past half-decade, canola has regularly ranked among the top exports to China from Canada and the industry warns a new Chinese trade barrier would create a ripple effect through Canadian agriculture. It would have adverse impacts for not only farmers but grain handlers operating in Canada including, potentially, Richardson International, Viterra, Cargill and Parrish & Heimbecker, among others.

"It would be a big blow to the entire value chain, reducing incomes and creating uncertainty," said Patti Miller, president of the Canola Council of Canada. "Canola is Canada's crop. It was invented here and is our most valuable export to China."

Asked what they are doing to forestall the new measure, the Trudeau government called the matter a priority, saying canola is a "key aspect" of the bilateral trade relationship with China and they will keep working to resolve this.

International Trade Minister Chrystia Freeland's office said she has repeatedly pressed the matter with the Chinese.

"[She] personally raised the issue in meetings with the Chinese Minister of Commerce, Gao Hucheng, last week in Laos, and last month at the Shanghai G20," press secretary Alex Lawrence said. "In May, the minister also met in Ottawa with the Chinese ambassador and spoke with the president of the Canola Council of Canada."

The canola industry says Canadian producers have found a way to mitigate the impact of blackleg, including fungicides and crop rotation, and noted that growers are enjoying record yields in Canada. It said it wants to help China reduce the risk of blackleg based on the best scientific evidence available.

Ms. Miller said there's a big incentive to solve this before Mr. Trudeau arrives in China.

"A science-based, practical solution before the visit would be very positive. If we get this right, we are optimistic about the future for Canada-China trade."

[China Focus: China's Technology Innovation Plan to Support GM Crops Research](#)

HAIKOU, Aug. 11 (Xinhua) -- China will allocate more resources to GM crop R&D, according to a five-year plan for science and technology progress published Monday by the State Council.

The plan lists science and technology targets for the 2016-2020 period, as well as the government action needed to achieve the proposed results.

China has identified GM as an important area on many occasions, ordering research and supervision to be improved, the development of a GM food evaluation system and the industrialization of certain GM food crops.

A GM research project, approved by the State Council in 2008, explored the creation of new GM varieties alongside their application value and proprietary intellectual property rights. The project was part of a wider push to ensure the sustainable development of China's agriculture.

"Since 2008, China has built a GM technology system," according to an official with the Ministry of Agriculture. "The system covers gene cloning, genetic transformation, new variety breeding and safety evaluation."

The new plan, with its emphasis on innovation, advantages of hybrids and breeding by molecular design, will help elevate GM research to the next level.

"Innovation is extremely important in the industry," said Zhang Shihuang, a researcher with the Chinese Academy of Agricultural Sciences.

Agricultural experts had predicted, for example, that the industrialization of genetically modified corn would be realized in the next five years, but a suitable breed has yet to be identified. Zhang attributes this to a lack of innovation.

SAFETY SHOULD BE PRIORITY

GM remains shrouded in controversy due to safety concerns. The new plan reveals that China is taking a prudent attitude toward the research and application of GM crops. Safety, however, has always been, and will always be, put first.

China has a sound safety evaluation system for genetically modified crops, according to Guo Anping, a member of the country's GM crop bio-safety committee and vice president of the Chinese Academy of Tropical Agricultural Sciences.

"China's safety evaluation system on genetically modified crops is the world's strictest in terms of technical standards and procedures," said Wu Kongming, from the Chinese Academy of Engineering and also a member of China's GM crop bio-safety committee.

Compared to China's regulation on GM crops over the past five years, which places emphasis on improving the GM organism cultivation and safety evaluation systems, the new plan proposes that a standardized bio-safety evaluation technical system should be established over the following five years to ensure the safety of GM products.

The safety management of GM organisms must be improved to avoid any risks to people, micro-organisms, animals and plants as well as the environment, Guo said.

From field experiments to application, every procedure concerning GM organisms requires a rigid evaluation and approval process, he continued.

Experts said China should focus on GM research of fields that can solve agriculture problems, such as insect resistance, water scarcity as well as high yield and high quality.

For GM crops, China currently only allows insect-resistant cotton and antiviral papaya for commercial purposes to be planted.

For instance, China has cultivated 147 species of GM insect-resistant cotton, which has helped reduce pesticide consumption by 400,000 tonnes, saving 45 billion yuan (6.78 billion U.S. dollars).

China has released a GM crop roadmap, giving priority to the development of non-edible cash crops, according to official Liao Xiyuan, with the Ministry of Agriculture (MOA), in April.

Next in line comes indirectly edible and then edible crops, reflecting China's prudent attitude to GM crops, said Liao.

[Facing Tough Market, Brazil's Grains Farmers Brace for Slower Sales](#)

By Gustavo Bonato

SAO PAULO, Aug 10 (Reuters) - Sales of corn and soybeans in Brazil are expected to wind down in the coming months as farmers retreat in the face of an appreciating local currency and lower grain prices in Chicago, according to market agents.

Brazilian soybean and corn exports are already expected to plunge in August after strong sales abroad earlier in 2016 due to the then-weaker real that left producers comfortably capitalized.

"New sales should be stalled for a while," said a senior trader at a São Paulo-based grains brokerage. "I've already booked my vacation for September."

But he noted that China's demand for soy and corn will turn back to Brazil in early 2017, when the new crop begins harvesting, adding: "I think in January, I'll work four times as much as in September."

Farmer sales of the old soybean crop (2015-16) have advanced two percentage points in July, reaching 85 percent by Aug. 5, França Junior consultant said.

Forward sales of the 2016-17 soy crop, which starts harvest in January, advanced only three percentage points last month, to around 20 percent of the expected crop volume.

"Farmers are betting on waiting," said Vanderlei Angonese, head of Confiança Agrícola brokerage in Sinop, Mato Grosso, a bellwether state for Brazil's grain belt.

Bids for soybeans on the spot market in northern Mato Grosso touched 83-84 reais per bag several weeks ago, said Angonese. But bids are currently around 63 reais with very little interest from farmers.

Bids for soybean deliveries in February-March 2017 are around 57-58 reais per bag, down from 68-70 reais in previous months, when most of the new-crop sales occurred.

Brazil's currency, the real, firmed on Wednesday hitting 3.13 reais per dollar for the first time since July 2015. The real's appreciation and the approaching bumper harvest in the United States are weighing on local sales.

Chicago Board of Trade soybean futures dipped below \$10 per bushel, almost 20 percent below an early June peak of more than \$12. Corn futures are near a 22-month low.

A grain buyer for an Asian merchant in southern Brazil said soybean importers will shun high Brazilian premiums and turn to cheaper U.S. cargoes in the coming months if the North American harvest projections are confirmed.

The situation with corn was similar, he added.

After strong first-half exports of soy and corn, brokers said local producers have enough cash on hand to focus on the new planting season that starts in September, selling only hand to mouth when fresh operating cash is needed.

[Argentina Needs More Soy to Fill Crusher Capacity - Industry](#)

By Maximilian Heath

BUENOS AIRES, Aug 10 (Reuters) - Argentine soybean crushers are working at only about 80 percent capacity, the head of the grains export chamber said, as farmers have not yet increased production despite more farm-friendly policies from the new government.

President Mauricio Macri ended years of tension between the farm sector and the state when he took office in December. Spurred by tax cuts and Macri's open market policies, wheat and corn planting has increased. It remains to be seen if soy production will also rise.

While investment is needed in transportation and other logistics, Alberto Rodriguez, president of CIARA-CEC, which represents grains exporters, said that crushers are waiting to fill their idle capacity.

"If soy production does not increase we are going to keep having problems with high idle capacity," said Rodriguez, speaking on Tuesday at a Reuters Summit on Argentina.

The country is the world's top exporter of soymeal livestock feed and soyoil, which is used in making biofuels.

Multinational giants like Cargill Ltd, Bunge Ltd and Louis Dreyfus Commodities have crushing plants along the country's waterways, which lead out to the shipping lanes of the South Atlantic.

With a capacity of 65 million tonnes per year, Argentine crushers are operating with an idle capacity of 20 to 23 percent, Rodriguez said.

The Rosario grains exchange estimates that Argentine farmers harvested 55.3 million tonnes of soybeans this season.

Macri ditched corn and wheat export taxes early in his term and cut soybean export taxes to 30 from 35 percent. He has promised to cut the soybean export tax by an additional 5 percentage points per year.

With overall farm production expected to increase in coming years, Rodriguez warned of transportation bottlenecks ahead.

"Infrastructure is certainly a limiting factor for our sector at the moment," Rodriguez said. "Any increase in production will require roads, railways, energy and natural gas."

Macri's policies led to a 32 percent increase in wheat planting area in the 2016/17 crop year to 4.5 million hectares, according to the exchange. The season's corn planting, which has not yet begun, is also expected to increase dramatically.

Brazil Farmers Plant More Corn at Expense of Soy as Prices Jump

By Tatiana Freitas

(Bloomberg) --

After losing millions of acres to soybeans over the past eight years, corn planting is making a comeback in Brazil as farmers there sow more of the crop to take advantage of skyrocketing domestic prices.

The area covered by Brazil's summer corn crop this year will increase as much as 13 percent, or by 760,000 hectares (1.88 million acres), mostly by expanding across fields previously sown with soybeans, according to Pine Research.

It will be the first time since 2007 that soybeans have lost out to corn like this. Soy has been the Brazilian agricultural success story of recent years. The country now vies with the U.S. as the biggest producer and is the largest global exporter. However, the expansion of Brazilian soybean output will now be at its slowest in a decade, according to five analysts surveyed by Bloomberg, amid tighter margins and a shortage of farm credit. Meanwhile, the country's corn crop has been hurt by a drought and a severe frost.

More corn planting may help ease the domestic shortage that boosted prices to a record earlier this year. The grain is an important source of animal feed, and higher costs led BRF SA and some other meat producers to cut chicken output.

Brazil has two corn crops each year. The winter crop is the largest and thus has the greater potential to boost domestic stockpiles that are at a four-year low.

"Only the winter corn harvest next year will define if domestic corn prices will fall and the intensity of the decline," said Aedson Pereira, an analyst at Informa Economics FNP.

Profit margins for corn should be almost twice as big as last year and exceed those for soybeans by as much as 33 percent, according to Brazilian agricultural consultancy firm Celeres.

"It's very unusual for corn to be more profitable than soy," Celeres analyst Enilson Nogueira said in a telephone interview.

At Três Capoes farm in Guarapuava, Parana state, the corn area will double next season to 1,050 hectares, says Eliton Marcondes, a manager at the property, out of a total area of about 4,100 hectares. "We had plans to increase corn planting due to the necessity of crop rotation, and increasing prices have encouraged us even more."

Soybeans' Advantages

Brazilian farmers are still allocating the vast majority of their land to soybeans. The latest crop will cover about 33 million hectares, according to the average of analysts' estimates, while corn will occupy 5 million to 6.5 million hectares during the summer. Brazil's state crop agency Conab is scheduled to publish its first forecast for 2016-17 crop on Oct. 6.

"Soy is our currency," says Leandro Cantarelli, a manager at the C. Vale cooperative in Assis Chateaubriand, Parana, where just one of the group's 260 farmers will grow corn during the summer.

Soybeans hold two important advantages over corn: strong demand from trading companies willing to buy in advance, and the fact that the oilseed is less susceptible to adverse weather. The looming La Niña weather phenomenon usually causes drier-than-normal conditions in southern states.

"We intended to plant corn in half of the property, but La Niña forecasts were discouraging," said Silvia Medina, a farmer in Faxinal, Parana.

Chinese Chicken Demand to Hit 10-Year Low

08/08/2016

Rising prices will send chicken consumption in China, the world's second biggest poultry market, to a ten-year low next year, US officials forecast.

The US Department of Agriculture's Beijing Bureau forecast broiler meat consumption next year at just 11.6m tonnes, the lowest level since 2007.

This would leave consumption down 13% between 2015 and 2017.

Tighter supplies

Falling consumption is being driven by lower domestic supply, at a time when avian flu restrictions make it impossible to import supplies from the US.

"As supply for broiler meat tightens, prices will increase, and consumption will decrease," the USDA said.

Production is seen at a ten-year low of 11.5m tonnes.

Squeeze on white feather broilers

The drop in production is primarily the result of a squeeze on white feather broiler stock.

Chinese production of white feather broilers, the cheap and fast growing species favored by fast food and retail buyers worldwide, is dependent on imported grandfather stock from the US and France.

With the quarantine restrictions both countries preventing import of grandfather stock, broiler egg production has ground to a halt, leaving a shortage of chicks for broiler meat production.

Supplies of the local yellow feather birds will increase, but not enough to make up for the shortfall in white feather broilers, the bureau said.

Export hopes trimmed

Although imports are set to rise, thanks to the tighter supplies, the rate of imports will be slower than previously thought.

The bureau trimmed its ideas of 2016 imports by 50,000 tonnes, to 350,000 tonnes, citing "lackluster consumption and reduced exports".

This is 10,000 tonnes below the official USDA forecast, although still up some 31% from 2015

And imports are expected to pick up pace next year, at an all-time high of 480,000 tonnes next year.

"As a result of the United States' avian influenza restrictions, Brazil, Argentina, and Chile have all increased exports of broiler meat to China," the USDA bureau said.

The bureau noted Brazilian supplies now making up around three quarters of Chinese imports, citing "additional Brazilian factories being approved to export to China and the depreciation of the real".