

# 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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As I will be traveling in the Middle East next weekend there will not be a Weekly News Article Update for September 26

## Export Sales Highlights

This summary is based on reports from exporters for the period September 2-8, 2016.

**Soybeans:** Net sales of 1,018,600 MT for 2016/2017 were reported for China (641,700 MT, including 373,000 MT switched from unknown destinations and decreases of 8,900 MT), unknown destinations (100,500 MT), Mexico (66,900 MT), Pakistan (65,800 MT, switched from China), and Japan (30,300 MT). For 2017/2018, net sales reductions of 6,500 MT resulted as increases for Japan (1,500 MT) were more than offset by reductions for Costa Rica (8,000 MT). Exports of 999,800 MT were reported to China (715,600 MT), Mexico (72,200 MT), Pakistan (65,800 MT), Italy (55,000 MT), and Japan (33,600 MT).

Optional Origin Sales: For 2016/2017, the current outstanding balance totals 120,000 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 43,700 MT for 2015/2016 were down 31 percent from the previous week and 33 percent from the prior 4-week average. Increases were reported for El Salvador (18,900 MT), Mexico (12,500 MT), Honduras (12,500 MT, including 23,300 MT switched from unknown destinations and decreases of 10,800 MT), Colombia (7,400 MT), and the Dominican Republic (7,400 MT). Reductions were reported for unknown destinations (28,200 MT), Trinidad (3,200 MT), and Jamaica (2,000 MT). For 2016/2017, net sales of 90,200 MT were reported primarily for Mexico (24,000 MT), the Dominican Republic (21,000 MT), Guatemala (20,000 MT), and unknown destinations (10,300 MT). Exports of 204,500 MT were up 96 percent from the previous week and 50 percent from the prior 4-week average. The primary destinations were Mexico (65,800 MT), the Philippines (49,200 MT), the Dominican Republic (14,900 MT), Venezuela (14,000 MT), and Honduras (12,500 MT).

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

**Soybean Oil:** Net sales of 21,700 MT for 2015/2016 were up noticeably from the previous week and from the prior 4-week average. Increases were reported for South Korea (18,000 MT), Mexico (1,600 MT), Canada (1,400 MT), and the Dominican Republic (400 MT). Exports of 26,800 MT were up noticeably from the

previous week and from the prior 4-week average. The primary destinations were South Korea (18,000 MT), Senegal (4,000 MT), Mexico (3,600 MT), and Canada (1,100 MT).

### [Behind the Monsanto Deal, Doubts About the GMO Revolution](#)

By Jacob Bunge

Sept. 14, 2016

WSJ | 2016-09-14T19:13:00.000Z

Behind a wave of multibillion-dollar mergers in the agriculture business is a moment of change in American farming. The dominance of genetically modified crops is under threat.

Since their introduction to U.S. farms 20 years ago, genetically engineered seeds have become like mobile phones—multifunctional and ubiquitous. Scientists inserted genes to make crops repel insects, survive amid powerful herbicides, survive on less water and yield oils with less saturated fat, in turn eliminating farmers' amateur chemistry. The U.S. Department of Agriculture estimates this year that 94% of soybean acres were planted with biotech varieties, and 92% of corn acres.

Today, farmers are finding it harder to justify the high and often rising prices for modified seed, given the measly returns of the current farm economy. Spending on crop seeds has nearly quadrupled since 1996, when Monsanto Co. became the first of the companies to launch biotech varieties. Yet major crop prices have skidded lower for three years, and this year, many farmers stand to lose money.

Biotech farming has also shown limitations, given how certain weeds are evolving to resist sprays, forcing farmers to fork out for a broader array of chemicals. Some are starting to seek out old-fashioned seed, citing diminished returns from biotech bells and whistles.

"The price we are paying for biotech seed now, we're not able to capture the returns," said Ohio farmer Joe Logan. This spring, Mr. Logan loaded up his planter with soybean seeds costing \$85 a bag, nearly five times what he paid two decades ago. Next spring, he says, he plans to sow many of his corn and soybean fields with non-biotech seeds to save money.

Those pressures have touched off a frenzy of deal making among the world's top seed and pesticide suppliers. Bayer AG on Wednesday said it agreed to buy Monsanto for \$57 billion, creating one of the world's largest agrochemical firms. DuPont Co. and Dow Chemical Co. are pursuing a merger that would eventually spin off a combined agricultural business, along with two other units. Syngenta AG agreed in February to a \$43 billion sale to China National Chemical Corp., after turning down a takeover proposal from Monsanto.

Agrochemical groups are aiming to slash costs and build scale in response to the decline in crop prices, which has forced makers of seeds, crop chemicals, fertilizers and tractors to cut prices and lay off staff.

"The crop boom is over," analysts at Sanford C. Bernstein & Co. declared in a research note last year as combines rolled across the Farm Belt, collecting another bumper harvest after back-to-back record corn harvests in the previous two years.

Following a string of bin-busting harvests, prices for the two main U.S. agricultural crops have plummeted. U.S. farmers this year will collectively earn \$9.2 billion less than they did in 2015, and 42% less than they did in 2013, according to the USDA.

The USDA projects corn, soybean and wheat prices holding near their current low levels over the next decade, and Bernstein projected that seed companies will have a hard time raising prices more than inflation over the next three to five years.

The premise of biotech seeds was simple: Plants engineered to grow even while farmers applied a single, all-purpose herbicide to the field to attack weeds would let farmers buy fewer chemicals. Crops also secreting their own bug-killing toxins would reduce reliance on insecticides. Corn, soybean and cotton were natural markets, spanning tens of millions of acres in the U.S.

Monsanto and other seed companies could charge a premium for biotech seeds that were “Roundup Ready”—engineered to withstand Monsanto’s popular brand of herbicide—for those crops, splitting savings with farmers who would in theory save money spent on chemicals and labor.

Eventually, the company settled on a rough formula that would become an industry standard: For every dollar that biotech seeds saved farmers in pesticides and labor, Monsanto would keep about 33 cents, in the form of a “technology fee” charged on top of each bag of seed.

Monsanto then rolled out soybean seeds engineered to survive glyphosate, the versatile herbicide in Roundup, and cotton seeds capable of repelling destructive worms.

Jim Kline, president of Kline Family Farms, which raises corn, soybeans and wheat near Hartford City, Ind., had mixed feelings. “To me, it took the art away from what we were doing,” he said. He watched as neighbors who had long struggled to keep soybean fields clean from weeds planted lab-developed crops and soon boasted pristine emerald fields.

Genetically engineered seeds initially allowed Mr. Kline’s family to hire employees who didn’t know how to spot emerging weeds, helping Kline Family Farms expand to farm four times the acres it worked in the mid-1990s.

The strategy paid off for Monsanto, which in 2000 began a process to spin off from its parent, Pharmacia Corp., to form a separate, agriculture-focused entity. Monsanto earned profits from selling its own seeds and also licensing out crop genes to other seed companies, such as DuPont and Syngenta. Since many biotech crops were engineered to resist glyphosate, which Monsanto introduced in the 1970s, the St. Louis company also cultivated more customers of its top herbicide.

At the turn of the century, more than half of all U.S. soybean acres grew biotech varieties, and one-quarter for corn. It was also an increasingly expensive proposition. By 2006, the average cost of soybean seeds had more than doubled from a decade earlier, while corn seed price gained 63%, according to USDA data.

Over the same period, warning signs emerged in the fields. Scientists confirmed that certain weeds, like goosegrass and rigid ryegrass, had evolved to resist glyphosate, poking up through sprouting crops when the herbicide a year earlier would have shriveled them.

More-problematic invaders such as waterhemp and palmer amaranth grew to withstand glyphosate and began choking out crops. These “super weeds” required farmers to fill their sprayers’ tanks with older, tougher herbicides like dicamba and 2,4-D—and in some cases attack weeds with hoes.

Crop yields, in many cases, stopped keeping up with the rising cost of seeds. The average soybean farmer over the past 10 years saw the amount of soybeans grown per acre climb just 4% to 48 bushels, according to USDA data, trailing the increase in seed prices. Corn yields climbed 21%.

Jim Zimmerman, a farmer who grows corn, soybeans and wheat near Rosendale, Wis., said biotechnology’s boom changed agriculture for the better despite some of the problems.

He said relying on Roundup-resistant corn and soybeans allowed him to save tens of thousands of dollars on tractor fuel and labor that would be required to kill weeds if he had to till his fields and do more spraying, and helped protect his soil from erosion. The cost savings over the years helped Mr. Zimmerman put his children through college, he says. He plans to plant biotech seeds next spring.

Robert Fraley, Monsanto's chief technology officer who helped develop the company's earliest incarnations of genetically engineered crops in the 1980s, said farmers will remain faithful to biotech crops.

"Even in tough economic conditions like we've seen the last couple of years from a pricing side, farmers still buy the high-tech seeds because it's saving them money on insecticides and other inputs," he said.

Kyle Stackhouse, who grows about 1,600 acres of corn and soybeans near Plymouth, Ind., is questioning the high-price seeds' value.

After turning his soybean fields and nearly three-quarters of his corn fields to biotech varieties, Mr. Stackhouse decided about 10 years ago that biotech seeds weren't delivering harvests big enough to justify their price. "The [genetic] traits weren't putting dollars in our pocket," he said.

Mr. Stackhouse estimates he typically spends about \$53 per acre on soybean seeds and \$40 on pesticides, versus \$83 he would have spent on biotech soybean seeds an additional and \$24 on related crop chemicals. That puts him ahead about \$14 per acre on costs. Mr. Stackhouse says he has planted no biotech crops for three years.

Since 2013, the world has produced millions of tons more corn, soybeans and wheat than it has consumed, according to the USDA. From their 2012 peak at around \$8 a bushel, corn prices fell to half that in mid-2014 and have largely traded between \$3.50 and \$4.00 a bushel since then, skidding to \$3.01½ in late August. Soybean prices have dropped 46% from their 2012 peak.

Monsanto said it expects to ask higher prices for its newest and best-performing seeds, and will likely lower prices for older versions. Overall, Monsanto's prices will rise "just a tiny bit," Mr. Fraley, Monsanto's technology officer, said.

At Beck's Hybrids, a privately owned seed company based in Atlanta, Ind., research director Kevin Cavanaugh says farmers are getting savvier about gene-shopping.

Farmers planning purchases for next spring are sidestepping seeds engineered to repel the corn rootworm, which hasn't been much of a problem in portions of the Eastern Corn Belt where Beck's sells seeds, Mr. Cavanaugh said.

While biotech varieties remain about 86% of Beck's corn seed sales, the percent of non-engineered seeds sold by Beck's has climbed about 17% from 2014. "Farmers are saying, I don't see enough value, or enough [pest] pressure, to justify these technologies," he said.

Adel, Iowa-based Stine Seed Co. has boosted its production of non-biotech corn seed in response to farmers' tightening budgets, according to Myron Stine, the company's president. "We see a trend where growers are going to go away from traits, because traits are expensive," he said.

Mr. Kline, the Indiana-based farmer, in mid-September was repairing a combine as he prepared to harvest this year's corn crop, each plant containing genes protecting against Roundup and root-chewing worms. But he has already placed orders to reserve seed for next year, when he anticipates that only about two-thirds of his cornfields will be sown with genetically engineered seeds.

“Commodity prices go down every day,” Mr. Kline said. Since biotech farming isn’t working as well as it once did, he said, “why spend the money?”—Andrew Tangel contributed to this article.

### [Argentina Said to Favor Keeping Soybean Export Tax at 30 Percent](#)

Pablo Rosendo Gonzalez Pablo\_Rosendo

Bloomberg.com | 2016-09-13T17:36:05.845Z

The government in Argentina, the world’s third-largest soybean producer, is said to favor maintaining a 30 percent export tax of the oilseed, according to two people familiar with the matter.

The government can’t afford to reduce the tax by 5 percent as promised, according to one of the people. The government would receive an extra 20 billion pesos (\$1.3 billion) if the tax isn’t cut. The people asked not to be named because a decision hasn’t been made.

Agriculture Minister Ricardo Buryaile said in an interview on Tuesday that the country is studying the pace of the soy-tax reduction. “What people need to understand is that beyond electoral promises, the reality limits us,” he said from the sidelines of an investment conference in Buenos Aires.

Argentina’s President Mauricio Macri in his first month in office upheld a campaign pledge by eliminating export taxes on farm products including beef, wheat and corn, while trimming the soybean tariff by 5 percentage points to 30 percent. Agriculture Secretary Ricardo Negri in April said the soybean tax would be cut gradually.

“The economic situation will keep Argentina from changing the 30 percent tax rate,” Roy Huckabay at Linn & Associates in Chicago, said in a telephone interview. “No change in tax structure will push farmers to plant more corn and less soybeans.”

Argentina is the largest exporter of soybean meal and oil and is the world’s third-largest grower of the oilseed, behind U.S. and Brazil, U.S. Department of Agriculture data show.

For commodities, 2016 started with a bang. If history is any guide, it will end with a whimper.

The Bloomberg Commodity Index, tracking returns for 22 components, is heading for a third-quarter slump after posting consecutive gains in the first two periods. Since the data begins in 1991, that’s only happened in four other years -- and the final quarter was a loser for three of them.

With supply gluts persisting from corn to oil, traders are already gearing up for declines. Investors pulled \$791 million out of exchange-traded funds tracking commodities over the past month, a reversal from earlier this year that have still left inflows up by \$34.1 billion for the year. Hedge funds have cut their combined wagers on a rally for raw materials in nine of the past 11 weeks, and open interest across the asset class has fallen.

“There’s just not enough to keep speculators interested,” said Rob Haworth, a senior investment strategist in Seattle at U.S. Bank Wealth Management, which oversees \$133 billion. “There’s not been enough momentum or follow-through in any commodity price.”

The Bloomberg Commodity Index fell 6.7 percent since the end of June to 82.87 as of 10:34 a.m in New York on Friday. Losses included a 41 percent plunge for most-active hog futures and a 23 percent drop for soybean meal. Crude oil in New York lost 11 percent.

## **Cocktail of Concerns Dogs Start to Brazil's Soy Sowing Season**

15/09/2016

Brazil's soybean sowing season looks set to begin with a whimper, thanks to a triple setback from price, tight credit and dryness – and with some worries about seed quality on top.

September 15 fires the starting gun on Brazilian plantings of the oilseed, in bringing an end to a soybean-free period, when live crops are not allowed in fields in major growing areas in an effort to curtail the spread of pests and disease.

However, expectations of the rise in sowings suggest a sharp slowdown from the 1m-hectare increase for last season, with the US Department of Agriculture this week near-halving its forecast for the increase 600,000 hectares.

At 1.8%, this would represent the slowest pace of growth in Brazil's soybean area in a decade.

### **Soybeans vs corn**

The USDA overnight, explaining the reasons behind its downgrade, said that the revision reflected the relatively weak price of the oilseed compared with corn, soybeans' arch rival in the sowings campaign.

"Despite soybean prices in Brazil that are currently 20-30% higher than a year ago, the surge in corn prices has been even stronger," the USDA said, with values of the grain boosted by a poor safrinha harvest following on from an overambitious export programme last year.

"The price ratio for soybeans relative to corn is now depressed to a five-year low."

The ratio of soybean prices, as measured at the port of Paranagua, compared with a corn price index kept by research institute Cepea has fallen to 1.9 times, from more than 2.2 times two months ago.

A year ago, it stood at nearly 2.7 times, implying a bigger incentive for growing the oilseed than corn.

### **'Troublesome financial situation'**

The USDA's comments follow a caution two weeks ago from broker FCStone over tight credit conditions, amid Brazil's worst recession in decades, at a time of concern anyway over farm finances.

The broker forecast soybean plantings rising by just 315,000 hectares to 33.56m hectares.

At Soybean and Corn Advisor, Michael Cordonnier said that "the financial situation of many farmers in central Brazil is troublesome.

"They had a bad growing season last year and many farmers are having trouble paying their production loans or fulfilling their forward grain contracts.

"These farmers are being advised to be cautious in their plating plans to avoid the possibility of having to replant."

### **'Little rainfall in the forecast'**

Meanwhile, weather looks set to prevent in farmers making swift early headway in what they do decide to sow, with dryness in central areas, including the main growing state of Mato Grosso, making for poor plantings conditions.

"Meteorologists and farm groups though have advised farmers in Mato Grosso and central Brazil to be cautious about rushing out to the field with their planters due to the uncertain weather forecast," Dr Cordonnier said.

"There were some rains in Mato Grosso during the second half of August, which helped to recharge some of the soil moisture, but it has been dry since then and there is little rainfall in the forecast until the last week of September.

"Meteorologists in Brazil are forecasting that significant summer rains may not materialise until the second half of October."

'Doubts about seed supply'

There are concerns too over the availability of seed this year, after last season's disappointing harvest.

Dr Cordonnier, flagging "doubts about the seed supply", said that "soybean seed production was also impacted by last year's adverse weather", although this was likely to affect most farmers needing to replant failed crops.

"There is a concern that if a farmer needs to replant their soybeans, he may not be able to purchase the variety he likes or the germination may be sub-par."

The poor quality of last year's soybean crop has been cited too as fuelling a surge in Brazilian soyoil prices, which rose 16% last month according to Cepea, which noted a "high percentage of below-standard" beans, particularly in the Centre West region.

"Most batches of soybeans available for sale in Brazil were [of] below-quality standard."

The weak quality of the beans "reduced the supply of Brazilian soyoil" and increased competition in late August for higher specification supplies in particular.

'Less dynamic prospects'

In an extra blow farmers, the USDA cautioned that, despite the weaker prospects for Brazil's 2016-17 soybean harvest - which it downgraded this week by 2m tonnes to 101m tonnes - this would not be reflected in inventories, implying weaker pricing prospects ahead.

"A smaller crop may not further tighten soybean ending stocks in Brazil due to less dynamic prospects for export demand," the USDA said in its briefing overnight.

"This fall, more formidable US competition and limited old-crop supplies will constrain soybean shipments from Brazil."

The USDA also underlined the weaker prospects for soybean purchases by China, the top importer, thanks to a stronger domestic crop, sales from state reserves and a dent to feed demand from the broiler industry, thanks curbs on buy-ins of foreign breeding birds.

Anti-US backlash?

However, there is some concern in Chicago that some Chinese importers may be more tempted to buy agricultural commodities from non-US sources, after Washington on Tuesday revealed it was taking China to the World Trade Organization over grain production subsidies.

In fact, there is talk that China, the top soybean importer, "has been an active buyer of new-crop Brazil soybeans this week", Futures International's Terry Reilly said.

Chinese buyers might only be encouraged to turn to the US's biggest soybean export rival, if they have taken umbrage at Washington's decision to take China to the WTO over some crop subsidies.

"Now there are people wondering if trade implications will affect US soybean shipments in 2017," said Terry Reilly at Chicago broker Futures International.

He also noted talk that "China has been an active buyer of new-crop Brazil soybeans this week".

### [US Complains of Unfair Government Aid for Chinese Farmers](#)

13-Sep-2016

WASHINGTON (AP) — The Obama administration lodged a complaint Tuesday against China at the World Trade Organization alleging excessive government support for rice, wheat and corn that drives up production and makes it harder for American farmers to export the same crops to China.

The complaint alleges that China's support for those products in 2015 exceeded, by \$100 billion, the levels China committed to when joining the WTO. The complaint also comes as the administration has lobbied Congress to approve a trade agreement among 12 Pacific Rim countries called the Trans-Pacific Partnership and gave President Barack Obama another opportunity to warn that failure to pass the agreement would allow China to negotiate its own trade deals with Asian markets at the U.S.'s expense.

"Unless we act now to set our own high standards, the fast-growing Asia-Pacific will be forced to play by lower-standard rules that we didn't set. We can't let that happen," Obama said in a statement coinciding with the announcement of the WTO complaint.

Obama said the complaint is the 14th WTO case launched against China during his presidency. He said the U.S. has won all the cases decided so far.

"We're confident the case we're bringing today will be no different," Obama said.

The complaint comes as U.S. agriculture exports to China have soared. Agriculture Secretary Tom Vilsack noted that the removal of trade barriers in China have allowed agriculture exports to increase from \$2 billion a year to more than \$20 billion a year.

"But we could be doing much better, particularly if our grain exports could compete in China on a level playing field," Vilsack said. "Unfortunately, China's price supports have encouraged wheat, corn and rice production in China that has displaced imports."

Vilsack is scheduled to be joined by U.S. Trade Representative Michael Froman and a bipartisan group of lawmakers in announcing the complaint at a press conference at the federal Agriculture Department.

A Chinese embassy representative in Washington did not immediately respond to an email inquiry seeking comment Tuesday.



China announces each year the minimum prices the government will pay for rice, wheat, and corn during the harvest season. The United States Trade Representative alleges that the support exceeds the level set as part of China's entry into the WTO, increasing production and distorting the Chinese market.

### **COLUMN-Huge Soybean Yields Needed to Keep U.S. Carryout in the Black -Braun**

(Karen Braun is a Reuters market analyst. Views expressed are her own.)

By Karen Braun

CHICAGO, Sept 13 (Reuters) - Record soybean yields seem to have become the norm in the United States, but the world's top grower needs to continue producing monster yields in order to retain any soybean supply at all.

In its supply and demand report issued Monday, the U.S. Department of Agriculture increased domestic soybean yield to an eye-popping 50.6 bushels per acre, some 5 percent above last year's record and 3 percent above market expectations.

The boost to production masked the 45 million-bushel increase in use over the August report for the 2016/17 year as ending stocks in the new crop year were bumped up to 365 million bushels from 330 million, marking their third consecutive monthly increase.

Despite the increasing supply, the overall story is anything but bearish. Soybean carryout for the 2015/16 marketing year, which ended on Aug. 31, dropped to 195 million bushels from 255 million on a huge adjustment to exports.

While 195 million bushels would be the largest carryout since 2010/11, it is a far cry from the 500 million initially projected in May 2015 and roughly half of what was predicted this past May (<http://reut.rs/2cmVvfX>).

Although soybean supply seems plentiful now, it may not be the case a year from now, and the pressure on U.S. farmers to continue producing huge crops is probably greater than ever.

#### **ALL ABOUT THAT YIELD**

If yield ends up as big as USDA thinks, this year will be the third in a row to break the U.S. soybean yield record. The top yields - 47.5 bushels per acre, 48.0 bpa and 50.6 - are in a league of their own compared with the fourth-place 44 bpa, achieved in both 2009 and 2013.

It is safe to say that 2014, 2015 and 2016 were fantastic years for U.S. soybeans. But what if they had been just average?

Early each year, USDA's World Agriculture Outlook Board sets a trend yield corn and soybeans that assumes normal weather throughout the season. This yield is relied upon until August, when the National Agricultural Statistics Service releases season-specific yield forecasts.

In the past three years, prior to the August crop production report, WAOB's trend soybean yields were 45.2 bpa, 46 bpa and 46.7 bpa, respectively. These yields were nothing to scoff at as they would have been the top three yields ever recorded.

If we instead plugged in yields under these "normal" crop assumptions and changed nothing else in the balance sheet, the United States would have been out of soybeans two years ago, and 2016/17 carryout would stand at negative 313 million bushels (<http://reut.rs/2czSwDn>).

Of course if the yields had ended up closer to the initial trends in this manner, the demand side of the balance sheet would likely not be as heavy as it has been. But this exercise proves that record yields are the only way that the United States could have made this degree of demand possible.

Put in a different light, the recent demand trajectory implies that the U.S. soybean crop cannot afford anything other than enormous yields each year from here on out.

The United States has a relatively fixed number of soybean crushing facilities, barges, rivers, and terminals, so there is a reasonable limit to demand. But it is nearly impossible to apply quantitative bounds, so we do have to assume that an even further expansion in demand is possible.

One thing we know for sure is that eventually, the string of record yields will come to an end. But to what degree?

The pressure on yield is ever mounting, and as it stands now, a yield below 46.2 bpa would be enough to put U.S. soybean carryout in the red. Keep in mind that yields of this magnitude had never been seen just three years ago, and that 2016's initial trend was barely higher than this threshold at 46.7 bpa.

Even though new-crop soybean supply seems to be growing on the surface, the situation will likely continue to tighten in the long run, especially if the trends in monthly estimates are any indication (<http://reut.rs/2cgnmBC>).