

# 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)

September 5, 2016

## Articles in This Edition

- [Export Sales Highlights](#)
- [Crop Hoarding No Longer Option for Farmers as CHS Sees Full Bins](#)
- [Brazil Soy Planting Seen Limited by Tight Credit, Weather -FCStone](#)
- [China Targets 56 Percent Rise in Soybean Output by 2020 -NDRC](#)
- [China Importers in Deals to Buy Nearly 4 MMT of US Soybeans](#)
- [The U.S. is on Track This Year to Post the Longest Stretch of Falling Food Prices in More Than 50 years](#)
- [Aquaculture Market in China to Grow 3.29% by 2020](#)
- [U.S. Soybean Plantings to Rise in 2017, Corn to Fall -Farm Futures](#)
- [Americans Love Genetically Modified Mosquitoes Much More than Other GMOs](#)

## Export Sales Highlights

This summary is based on reports from exporters for the period August 19-25, 2016.

**Soybeans:** Net sales of 107,500 MT for 2015/2016 were down noticeably from the previous week and 50 percent from the prior 4-week average. Increases were for China (329,900 MT switched from unknown destinations), Germany (221,200 MT, previously reported as the Netherlands), Indonesia (78,800 MT, including 70,000 MT switched from unknown destinations), Italy (55,100 MT, including 55,000 MT switched from unknown destinations), and Morocco (22,000 MT, including 20,000 MT switched from unknown destinations). Reductions were reported for unknown destinations (633,000 MT) and Colombia (100 MT). For 2016/2017 net sales of 1,476,400 MT were reported primarily for China (679,000 MT, including 183,000 MT switched from 2015/2016), unknown destinations (519,500 MT), Pakistan (87,500 MT), Saudi Arabia (66,000 MT), and Indonesia (37,000 MT). **Exports of 1,119,600 MT** were up 55 percent from the previous week and 38 percent from the prior 4-week average. The primary destinations were China (579,100 MT), Germany (221,200 MT), Indonesia (97,300 MT), Italy (55,100 MT), and Mexico (33,300 MT).

*Optional Origin Sales:* For 2015/2016, the current optional origin outstanding balance is 120,000 MT, all China.

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

*Exports Adjustments:* Accumulated exports to the Netherlands were adjusted down 77,000 MT for week ending August 11<sup>th</sup> and 144,150 MT for week ending August 18<sup>th</sup>. The correct destination is Germany and is included in this week's report.

**Soybean Cake and Meal:** Net sales of 12,100 MT for 2015/2016--a marketing-year low--were down 81 percent from the previous week and 84 percent from the prior 4-week average. Increases were reported for Guatemala (19,500 MT, including 18,600 MT switched from unknown destinations), the Dominican Republic (15,700 MT), Venezuela (7,900 MT), Morocco (5,400 MT), and Saudi Arabia (5,000 MT). Reductions were reported for unknown destinations (62,800 MT), and Peru (1,400 MT). For 2016/2017, net sales of 69,900 MT reported primarily for Ecuador (33,000 MT), Canada (11,900 MT), unknown destinations (9,600 MT), and the Dominican Republic (7,200 MT), were partially offset by reductions for Colombia (1,300 MT). Exports of 177,600 MT were up 38 percent from the previous week and 29 percent from the prior 4-week average. The primary destinations were the Dominican Republic (38,800 MT), Peru (28,600 MT), Mexico (27,000 MT), Guatemala (20,000 MT), and Colombia (16,500 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 800 MT for 2015/2016 were down 79 percent from the previous week and 92 percent from the prior 4-week average. Increases were reported for Mexico (500 MT) and Canada (200 MT). Exports of 12,500 MT were up 18 percent from the previous week, but down 37 percent from the prior 4-week average. The primary destinations were the Dominican Republic (8,900 MT), Mexico (3,300 MT), and Canada (300 MT).

### **Crop Hoarding No Longer Option for Farmers as CHS Sees Full Bins**

The days of farmer hoarding are likely ending in the U.S. So says the country's largest growers' cooperative.

Corn and soybean bins are still holding supplies from last season's crops and farmers are tighter on space and cash, said Carl Casale, chief executive officer of Inver Grove Heights, Minnesota-based CHS Inc. That means that even though prices are near multi-year lows, farmers may not be able to wait for a rebound before they sell, he said.

"There's going to be a lot of grain that has to move at harvest," Casale said in a telephone interview Wednesday.

Increased selling would be a reversal from last year, when farmers hunkered down during price declines and held on to their crops. At the time, they had plenty of space and cash on hand to help them play the waiting game — both silos and balance sheets had been built up during the boom years when corn and soybeans surged to record prices. But now, years of slumping crop prices have eroded profits and consecutive bumper harvests means that storage space is harder to find, Casale said.

## Big Crop

"We are prepared to handle a big bean crop physically and financially," Casale said. "We have made sure we have liquidity on the balance sheet to handle it."

More farmer selling could exacerbate the prolonged downturn for crop prices. On Wednesday, corn futures in Chicago fell to the lowest since 2009, while soybeans dropped for a seventh straight day, the longest slide in two years. Bankers may urge farmers not to wait for a recovery in the markets and instead sell more immediately to raise cash to pay bills, said Casale, who doesn't expect the farm economy to bottom and start recovering for at least another year.

While Casale's perspective centers on corn and soybean farmers in the northern U.S. states, where the cooperative has its biggest footprint, the logic follows for most growing regions, he said.

"We expect there's going to be a lot of companies physically buying a fair bit of grain at harvest just because logistically farmers are going to have to move it," Casale said.

## [Brazil Soy Planting Seen Limited by Tight Credit, Weather -FCStone](#)

By Gustavo Bonato

SAO PAULO, Sept 1 (Reuters) - Brazil producers are not expected to plant significantly more area with soy in the new crop due to tight credit amid the country's worst recession in decades and the prospect of erratic weather, analysts at INTL FCStone said on Thursday.

Farmers are expected to plant 33.56 million hectares (82.9 million acres) with soy in 2016-17, an increase of just 315,000 hectares, or 0.9 percent, over this year's crop, the brokerage and consultancy said at a conference in Sao Paulo.

Total soybean output should reach 101.85 million tonnes, considering recent years' average yields, compared with drought-hit production of 95.42 million tonnes in 2015-16.

"It is a difficult crop year to project Brazil's summer grains production," said Natalia Orlovicin, head of market intelligence at INTL FCStone in Sao Paulo.

"The La Nina phenomenon is one of the main worries," she said.

Meteorologists expect La Nina to start developing in October. In Brazil, the climate pattern normally brings dryer than normal weather to the center-south agricultural region.

Orlovicin said weather models suggest rains could come later than usual, possibly affecting the planting season in Brazil, but she added that she does not expect a major impact.

The brokerage estimates a larger increase in corn seeding in the summer crop after good profit margins for producers this year. Planted area should grow 7.6 percent, or 412,000 hectares.

INTL FCStone estimated Brazil's total 2016-17 corn output at 85 million tonnes, compared with 68.5 million tonnes in 2015-16, when a dry spell hurt yields in the main, winter corn crop.

## [China Targets 56 Percent Rise in Soybean Output by 2020 -NDRC](#)

By Dominique Patton

BEIJING, Sept 2 (Reuters) - China, the world's top buyer of soybeans, is aiming to lift its output of the oilseed to 18.9 million tonnes by 2020, up 55.6 percent from 2014 levels, as it strives to meet growing demand while raising rural incomes.

China also wants to increase its output of rapeseed and peanuts, also major food oils for Chinese consumers, said the National Development and Reform Commission (NDRC), the country's top policy-making body, in a report on Friday.

China has struggled to meet demand for oilseeds from its rapidly developing livestock sector and growing middle class.

It is set to import 86 million tonnes of soybeans during the 2016/17 crop year but produce only 12.5 million tonnes, according to a forecast by attaches of the United States Department of Agriculture.

Consumption of soybean, rapeseed and peanut oils will hit 130 million tonnes by 2020, said the NDRC, underlining the need to raise domestic production.

The push for more oilseed production is also part of a rejig of China's crop structure, as the government encourages farmers to grow alternative crops to corn, currently in oversupply.

Soybean acreage should reach 140 million mu (9.3 million hectares) by 2020, up 37 percent from 102 million mu in 2014, said the report. A mu is a Chinese unit of land equivalent to 0.067 hectare.

Production of rapeseed will hit 16.2 million tonnes, a rise of 9.68 percent, the NDRC added, and peanuts will rise to 18.7 million tonnes from 16.5 million tonnes two years ago.

China has also struggled to maintain production of rapeseed, relying on substantial imports to meet demand. It recently agreed to delay introducing stricter quality rules on shipments of the oilseed from top exporter Canada, allowing for continued imports.

An increase in oilseed output will be achieved by more planted acreage and higher yields, said the report. It wants soybean yields to reach 135 kg per mu in 2020 from 119 kg in 2014.

#### [China Importers in Deals to Buy Nearly 4 MMT of US Soybeans](#)

Aug 30 (Reuters) - A delegation of soybean buyers from China signed agreements on Tuesday to purchase 146 million bushels, or nearly 4 million tonnes, of U.S. soybeans at a signing ceremony in Indianapolis, according to the U.S. Soybean Export Council.

The purchase agreements were valued at about \$1.8 billion, the group estimated after the event.

Details about the timing of shipments and the buying and selling companies were not immediately available.

Some of the purchase agreements between U.S. exporters and buyers from China, the world's top soybean importer, are believed to be "frame contracts" with terms to be finalized at a later date.

Traders expect some of the purchases to be confirmed as sales by the U.S. Department of Agriculture in the coming days via the government's daily sales reporting system, which requires exporters to promptly report deals totaling more than 100,000 tonnes in a single day. Past signing ceremonies have triggered large sales announcements.

### **The U.S. is on Track This Year to Post the Longest Stretch of Falling Food Prices in More Than 50 years**

The U.S. is on track this year to post the longest stretch of falling food prices in more than 50 years, a streak that is cheering shoppers at the checkout line but putting a financial strain on farmers and grocery stores. The trend is being fueled by an excess supply of dairy products, meat, grains and other staples and less demand for many of those same products from China and elsewhere due to the strong dollar.

Lower energy costs for transportation and refrigeration also are contributing to sagging food prices, say economists. "Deflation is a godsend for consumers," said Bob Goldin, vice chairman of food consultancy Technomic Inc.

Nationwide, the price of a gallon of whole milk on average was down 11% to \$3.06 in July over a year ago; the price of a dozen large eggs fell 40% to \$1.55 in the same period.

Those great bargains at the grocery store are spreading pain across the Farm Belt. Farmers and ranchers are getting less money for raw milk, cheese and cattle, forcing them to slash spending. Tractor suppliers like Deere & Co. are cutting production due to the farming slump. Economists and food analysts say the supermarket price declines could last at least through year-end.

The drop comes as weaker demand from China is resetting commodities prices in everything from cheese to iron ore. The current food-price slump soon could beat the nine months of year-to-year declines experienced in 2009 and 2010 -- the longest stretch since 1960, according to the Bureau of Labor Statistics. The price of food at home is down 1.6% on a seasonally unadjusted basis in the 12 months through July, says the BLS.

Stephanie Hegre, a 46-year-old nanny in Thousand Oaks, Calif., has noticed a drop of about 10% in her weekly food shopping bill. Her 16-year-old twin daughters go through a lot of milk, meat and bread, adding up to an average weekly grocery bill of about \$200.

"I feel it has dropped by \$20 a week which, when you're on a budget, is noticeable," said Ms. Hegre, who has been stockpiling staples in case prices increase. "We freeze bread and buy two weeks' worth of bacon at a time," she said.

The glut is so severe in some places that dairy farmers have been dumping millions of pounds of excess milk onto fields. The U.S. Department of Agriculture just bought \$20 million worth of cheese in response to hard-hit dairy farmers' requests. The cheese was given to food banks and others through USDA nutrition-assistance programs.

Ben Moore, a sixth-generation farmer who grows corn and soybeans on some 5,000 acres in Indiana and Ohio, said 2016 is shaping up to be his least profitable year in 20 years. Facing weak crop prices, he is making do with his current tractors and combines rather than upgrading his equipment, and is pushing for lower prices on pesticides, seeds and fertilizer. On Monday, corn

futures, which peaked in 2012 at more than \$8 a bushel, closed at \$3.11 3/4 a bushel, a seven-year low, on the Chicago Board of Trade. "We cannot withstand \$4 a bushel corn," Mr. Moore said.

Farmers who had built a nest egg after a robust period earlier this decade now have exhausted those reserves, said Karl Setzer, a market analyst for MaxYield Cooperative, a West Bend, Iowa, grain marketer. "The guys that are heavily leveraged and those who don't have a plan of action will suffer for a while."

Falling costs are taking a toll on many food retailers. Grocery stores already have thin profit margins and deflation tends to reduce the value of their inventory. To stay competitive, they must cut prices on existing goods before lower-priced staples land on the loading dock, and have fewer opportunities to raise prices. At least six national food retailers, including Costco Wholesale Corp. and Whole Foods Market Inc., and four of the five largest publicly traded food distributors, including Sysco Corp. and US Foods Holding Corp., have reported that their margins suffered in the last quarter because of food deflation, the first time analysts can recall so many grocers singling out deflation as a big problem.

"Deflation is kind of the elephant in the room," Dennis Eidson, chief executive of SpartanNash Co., which operates 160 grocery stores from Colorado to Ohio and distributes food to 1,900 retailers across the country, told investors this month. Grocers such as Supervalu Inc. and Smart & Final Stores Inc. have been hit particularly hard. Even when the volume of products increased, profits have decreased in some categories because the price declines were so steep. Smart & Final's division catering to restaurants sold 42% more packages of eggs during its most recent quarter but recorded a 34% drop in egg revenue because of the lower prices, Chief Executive David Hirz told investors.

Not all food has gotten cheaper. Total fruit and vegetable prices were up 1.4% in July from a year earlier in part due to the drought in California. Wal-Mart Stores Inc., the nation's largest food retailer, has been one of the few to benefit from the falling prices, partly because it attracted more customers after slashing prices earlier this year. It reported strong second-quarter results this month despite "ongoing deflationary impacts in food."

### **Aquaculture Market in China to Grow 3.29% by 2020**

Rising Awareness of High Nutritional Content in Seafood - Research and Markets

Research and Markets has announced the addition of the "Aquaculture Market in China 2016-2020" The report forecasts the aquaculture market in China to grow at a CAGR of 3.29% during the period 2016-2020.

According to the report, favorable geographic conditions will be a key driver for market growth. The very location of China has provided it with an easy access to natural reserves and resources. The aquaculture market in China is diversified as it stretches over many different climate zones, giving rise to a wide variety of natural environments within the country. Aquaculture areas include the sea, tidal flats, harbors, pools, lakes, reservoirs, and brooks.

Further, the report states that slow growth rate of aquaculture will be a key challenge for the market. The aquaculture market is growing at a slow pace, i.e., around 3%. At this rate, the market will not be able to meet the growing demand for aquaculture products. The major reasons for the

slowing growth are rapid urbanization. In 2015, 56% of the total Chinese population lived in urban areas, an increase from 26% in 1990. The investment in facility expansion has also decreased. In addition, the availability of cheap labor has decreased, and there is increased pressure on land.

### [U.S. Soybean Plantings to Rise in 2017, Corn to Fall -Farm Futures](#)

BOONE, Iowa, Aug 30 (Reuters)

U.S. farmers plan to increase their soybean plantings in 2017 to an all-time high, encouraged by robust demand for the oilseed, while reducing corn and wheat acreage, according to a producer survey released by Farm Futures magazine on Tuesday.

Growers will plant 84.4 million acres of soybeans next spring, up from 83.7 million in 2016, and 93.1 million acres of corn, down from 94.1 million this year, according to the survey, the magazine's first for the upcoming season.

Low prices will prompt farmers to slash wheat area for a fourth straight season to 49.1 million acres, which would be the lowest U.S. all-wheat acreage since 1970, according to the online survey of 1,225 farmers conducted in late July and early August.

A moderate increase in white wheat seedings will be more than offset by declines in plantings of all other major classes of wheat, the survey showed.

"Farmers show a tendency to base planting decisions on what worked the previous year, and soybeans were profitable for growers able to take advantage of hedging opportunities this summer," Bryce Knorr, Farm Futures senior grain market analyst, said in a statement.

"Strong buying from China also provides a much better fundamental underpinning for the market compared to corn and wheat, which lack demand drivers," he said.

The survey also forecast moderate increases in cotton and sorghum acres.

### [Americans Love Genetically Modified Mosquitoes Much More than Other GMOs](#)

Nathanael Johnson

[Grist](#) |

When the news started to spread about a plan to release genetically engineered mosquitoes in the Florida Keys, it seemed laughable. The idea was to release hordes of engineered male mosquitoes that would mate with the [disease-carrying females](#) and cause them to produce non-viable eggs. The average Facebook post on this was something like: "LOL, you've got to be kidding me."

I don't see that reaction much anymore. A poll out this week found that [60 percent of Florida residents](#) support tweaking mosquitoes' genes to fight diseases, while 30 percent opposed. This isn't statistical noise: [Polls are](#) consistently [finding](#) that [big majorities](#) of Americans [support](#) the idea. Conventional wisdom has been flipped on its head. Disdain has morphed into support.

What happened? In a word, Zika. It was the accumulation of those pictures of babies with Zika-related microcephaly, the news that Zika-carrying mosquitoes are buzzing around Miami, and the realization that climate change will usher the disease farther north.

This is a perfect demonstration of the way humans, those peculiar creatures, grapple with risk. There's a principle at work here that helps explain why we reject some things as being too risky and embrace others. We shrug off the suspicion of cellphone radiation but worry about genetically modified foods, even though neither has any demonstrated harm. We fret about nuclear accidents but don't think twice about people driving cars through our neighborhoods, even though a total of three people have [been killed by nuclear power](#) in the United States, while [100 people are killed in car accidents](#) every day.

This can all be explained by what I'll call, a bit grandly, the self-centeredness principle of risk perception. I'm not condemning this mode of reasoning by using the pejorative term *self-centered*, just observing that our intuitions about risk are informed by calculations centered on ourselves, not centered on, say, humanity or the planet. The benefits of any change are distributed unevenly and when the benefits are centered mostly on others, or diffused among many, it's easy for me embrace a scary, sci-fi scenario as a reason for opposition. But if it becomes clear that I stand to benefit, I'll want to know how likely those scenarios really are; I'll weigh the pluses and minuses of change.

You can see how this plays out with climate change. The benefits of cutting carbon are diffuse — they go mostly to unborn generations. So if I'm a conservative, predisposed to dismiss climate science, the self-centeredness principle makes it irrational for me to consider the evidence. I'm unlikely to see any meaningful benefit, reading voluminous scientific reports is hard, and changing my mind would make me a villain to my friends.

Or take GMOs. Farmers and seed companies reap most of the benefits. The rest of us get lower food prices — but that benefit is spread so thin that most of us haven't noticed. Therefore the risks don't have to be probable, or even plausible, for us to balk. You want to put something new in my food that doesn't directly benefit me? Hells no. You can line up all the scientists, carrying all the authoritative data you want, but again, I have little incentive to read it.

It's another story when you see the benefits. Mobile phones are so clearly beneficial that people can't stop using them, even when they really should — like, when accelerating into an intersection. The outrage over the use of genetic modification to make plants for farmers doesn't extend to the use of genetic modification to make medicines for us.

Follow the GM mosquito story and you can watch American perspectives do a 180 as we begin to see benefits for ourselves. Last year, [a survey](#) of people in Key West found that 58 percent opposed using them to control Zika, whereas, the latest poll found that 30 percent of Floridians were opposed. That's not exactly comparing apples to apples (all Floridians don't live in Key West) — but it does suggest a shift. The real test will come in November [when residents of the Florida Keys vote on releasing the mosquitoes](#). That vote will tell us if the people of Key West have gone from feeling comfortable in the status quo, where experimenting with a new technology looks like an unacceptable risk, to feeling uncomfortably itchy and ready to consider something new.