# WEEKLY NEWS ARTICLE UPDATE

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## Articles in This Edition



## Export Sales Highlights

This summary is based on reports from exporters for the period November 4-10, 2016.
**Soybeans**: Net sales of 1,418,700 MT for 2016/2017 were up 51 percent from the previous week, but down 23 percent from the prior 4-week average. Increases were reported for China (1,687,500 MT, including 1,082,000 MT switched from unknown destinations and decreases of 212,500 MT), Mexico (74,500 MT, including decreases of 500 MT), Vietnam (72,400 MT, including 65,000 MT switched from unknown destinations), Germany (62,800 MT), and Japan (59,800 MT, including 58,000 MT switched from unknown destinations and decreases of 300 MT). Reductions were reported for unknown destinations (772,100 MT) and Canada (2,500 MT). For 2017/2018, net sales of 500 MT were reported for Japan. Exports of 3,034,100 MT--a marketing-year high--were up 11 percent from the previous week and 10 percent from the prior 4-week average. The primary destinations were China (2,363,500 MT), Mexico (100,100 MT), Vietnam (78,400 MT), Turkey (66,000 MT), Japan (64,500 MT).

*Optional Origin Sales:* For 2016/2017, the current optional origin sales outstanding balance of 235,000 MT is for China.

*Exports for Own Account:* New exports for own account totaling 79,600 MT were reported to Canada. Exports totaling 66,000 MT to Canada were applied to new or outstanding sales. The current outstanding balance of 43,000 MT is for Canada.

*Export Adjustments:* Accumulated exports of soybeans to the Netherlands were adjusted down 62,786 MT for week ending November 3rd. The correct destination for this shipment is Germany and is included in this week's report.

**Soybean Cake and Meal**: Net sales of 437,400 MT for 2016/2017 were up noticeably from the previous week and 76 percent from the prior 4-week average. Increases were reported for the Dominican Republic (194,700 MT), the Philippines (136,000 MT), Mexico (36,300 MT, including decreases of 100 MT), Honduras (24,000 MT), Morocco (22,300 MT, switched from unknown destinations), Thailand (21,000 MT, including 17,700 MT switched from unknown destinations), Nicaragua (12,900 MT), and Colombia (11,000 MT). Reductions were for unknown destinations (47,300 MT) and Costa Rica (500 MT). Exports of 162,800 MT were down 33 percent from the previous week and 5 percent from the prior 4-week average. The primary destinations were Mexico (46,100 MT), Thailand (24,800 MT), Morocco (22,300 MT), Jamaica (13,000 MT), Venezuela (11,600 MT), El Salvador (10,000 MT), Canada (8,700 MT), and Colombia (6,800 MT).

**Soybean Oil**: Net sales of 14,400 MT for 2016/2017 were down 12 percent from the previous week and 8 percent from the prior 4-week average. Increases were reported for Colombia (6,000 MT), Guatemala (4,200 MT), Mexico (3,300 MT), and Canada (700 MT). Exports of 8,300 MT were up 58 percent from the previous week, but down 62 percent from the prior 4-week average. The primary destinations were Mexico (7,500 MT), Canada (600 MT), and Trinidad (100 MT).

## Betting the Farm and Losing: Banks Seek Collateral for Debts

Jeff Wilson and Megan Durisin
Bloomberg.com | 2016-11-13
Betting the farm on record crop, livestock and dairy prices has turned into a losing investment for an expanding share of America's agricultural heartland. The level of debt to income is the highest in three decades, and growers are increasingly unable to make loan payments.

Four years after record U.S. crop and farmland values boosted purchases of land and equipment, a global surplus has sent prices tumbling and farm income into the longest slump since 1977. The Federal Reserve says growers are borrowing more to pay bills, repayment rates are plunging, and the number of bankers requesting additional collateral is the highest in 25 years.

While low interest rates and savings from big paydays not long ago have kept farmers in better financial shape than the bankruptcy crisis of the mid-1980s, signs of stress are increasing, especially for growers who invested during the boom years. Farm income is down 42 percent from a record in 2013, government data show, and MetLife Agricultural Finance predicts farmland values will tumble 20 percent by 2018.

"Unquestionably, some farmers are not going to make it," said Dan Kowalski, director of research at CoBank, an agricultural lending cooperative based in Greenwood Village, Colorado. "If they made aggressive growth decisions and did it with debt, that won't work out well. Credit quality is starting to slip on the farm and smaller agricultural businesses. Bankers are asking if they have the cash flow to pay bills."

**Fewer Repayments**

The Federal Reserve Bank of Kansas City said last week that rural lenders it surveyed are seeing an erosion of financial health and credit conditions for crop and livestock producers in a seven-state region from Missouri to Colorado. In the third quarter, nearly 30 percent of the banks reported a significant deterioration of working capital for farmers, about twice as many as the same time in 2015, the Kansas City Fed said in its Nov. 10 report. An index tracking loan-repayment rates in the region was the lowest since 1985.

"Farmers were fairly flush with cash during the really good times," said Nathan Kauffman, assistant vice president at the Omaha Branch of the Kansas City Fed. "We continue to see deterioration in general in credit conditions, repayment rates, liquidity, farm income, all of those measures that would kind of be wrapped up in the general financial picture for farm borrowers."

About 60 percent of total farm loans have been used this year to finance operating expenses such as seed, fertilizer, animal feed and land rent, the Kansas City Fed said. That's the most in more than two decades.

Bankers are getting more bearish about the farm economy. The Rural Mainstreet Index created by Creighton University, based on monthly surveys of lenders across 10 Midwestern states, sank in October to the lowest since April 2009. The banks expect about 22 percent of farmers to suffer negative cash flows in 2016, and some lenders said farm foreclosures will be an increasing challenge.

**More Auctions**

Farmers National Co., which manages more than 5,000 farms and ranches in 24 states and Canada, said its land-auction business is getting a few calls from banks that are demanding borrowers sell acres to reduce debt or pay off loans.

"I don't see things turning around until next year, and I'm an optimist," said Jim Farrell, the chairman and chief executive officer at Omaha, Nebraska-based Farmers National.

MetLife, which manages a portfolio of mortgages for farms, ranches, food production and timberland, said in a Nov. 10 report that farmland values will keep falling for another two years. Prices are headed for their first significant slump in three decades, MetLife said.

In the five Midwest states monitored by the Federal Reserve Bank of Chicago, farmland values dropped for the fourth straight quarter in the three months through September, the longest slide since 1987. Prices are down 5 percent from a year earlier in Iowa and 4 percent in Illinois, the Fed said in a Nov. 10 report. Those two states are the top growers of corn and soybeans, the biggest U.S. crops.

**Cheaper Grain**
Futures prices for corn are down 3.5 percent this year and have fallen by more than half from their all-time high in 2012. With cattle and hogs plunging more than 38 percent from records in 2014, net-farm income will slip to a seven-year low of $71.5 billion in 2016, compared with $123.8 billion in 2013, the U.S. Department of Agriculture estimates.

Farm debt in 2016 will be five times larger than net income, up for a third straight year and the highest ratio since 1985, USDA data show. At the same time, sales have fallen for the likes of tractor-maker Deere & Co. and seed supplier Monsanto Co.

The crop glut may be worsening. Inventories of corn, wheat and soybeans will rise 38 percent to the largest since 1988, the USDA said Nov. 9. An October survey of farmers by Purdue University showed growing pessimism. About 79 percent of 400 respondents said they expect bad financial times over the next 12 months. According to the University of Illinois, farmers in the central part of the state will lose $28 an acre on corn in 2016, compared with a record $382 profit in 2011, and they will earn $67 on soybeans, down from $229 in 2010.

**Bank View**
The outlook isn't all bad. Most producers remain profitable, aided in part by the highest crop yields ever. And an increasing share of U.S. agricultural output comes from bigger producers with deeper pockets. With long-term growth in food demand, farm values should be rallying again by 2020, according to MetLife.

"Fortunately, most farmers understood the cyclical nature of commodities," said CoBank's Kowalski. "There is an opportunity coming for those producers who played the boom period conservatively."

U.S. October Soy Crush Third Biggest Monthly Total Ever - NOPA
CHICAGO, Nov 15 (Reuters) - U.S. soy processors posted the third heaviest monthly crush on record during October as a likely record soybean harvest provided ample supplies for plants around the country, the National Oilseed Processors Association said on Tuesday.

NOPA said that its members crushed 164.641 million bushels during October, well above trade forecasts and up 3.6 percent from October 2015. In September, the NOPA crush totaled 129.405 million bushels.

Analysts had been expecting an October crush of 160.478 million bushels, based on an average of analysts' estimates in a Reuters survey. Crush forecasts ranged from 158.300 million to 163.118 million bushels, with a median of 160.350 million bushels.

NOPA said that soymeal exports rose to 562,180 tons in October from 439,605 tons in September. A year ago, soymeal exports were 644,069 tons.

Soyoil stocks as of October 31 stood at 1.343 billion lbs, the lowest since February 2015. Analysts had forecast soyoil stocks of 1.323 billion lbs. Stocks were 1.408 billion lbs a year ago and 1.376 billion at the end of September.

NOPA is the largest U.S. trade group for oilseed processors. It releases crush data on the 15th of each month or the next business day.

## Expect More Bird Flu Cases in Europe and in U.S., OIE Says

By Sybille de La Hamaide
PARIS, Nov 15 (Reuters) - More outbreaks of a severe strain of bird flu in Europe are likely to occur in the next few weeks as wild birds believed to transmit the virus migrate southward, the deputy head of the world animal health body said on Tuesday.

North America, especially the United States where bird flu last year led to the death of about 50 million poultry, should also prepare for new cases, said Matthew Stone, Deputy Director General of the World Organisation for Animal Health (OIE).

Eight European countries and Israel have found cases of the highly contagious H5N8 strain of bird flu in the past few weeks and some ordered that poultry flocks be kept indoors to avoid the disease spreading.

Most outbreaks involved wild birds but Germany, Hungary and Austria also reported cases in domestic duck and turkey farms where all poultry had to be culled.

"From the level of exposure that we have seen to date I would expected more detections, hopefully only in wild birds but it is certainly possible that the presence of this virus in wild birds will create an opportunity for exposure in domestic poultry," Stone told Reuters in an interview.

"The OIE is very concerned for the impact on our member countries and particularly those where there has been exposure of domestic poultry and where significant control operations are underway," he added.

Wild birds can carry the virus without showing symptoms of it and transmit it to poultry through their feathers or feces.

The H5N8 virus has never been detected in humans but led to the culling of millions of farm birds in Asia and Europe in 2014.

REDUCING RISKS
In the United States the bird flu crisis last year sent egg prices to all-time highs because of the losses and dozens of countries imposed total or partial bans on U.S. poultry and egg imports.

It would be "no surprise at all" to see new detections in wild birds in North America, Stone said, adding that he hoped the biosecurity framework set up by the U.S. industry and the government would reduce the risk of large-scale outbreaks.

"At this stage we have to take history as our best indicator of what may well play out over the next few months," Stone said.

Bird flu cannot be transmitted through food. The main risk is of a virus mutating into a form that is transmitted to and between humans, potentially creating a pandemic.

As well as Germany, Hungary, Austria and Israel, Switzerland, Poland, the Netherlands, Denmark and Croatia have also reported outbreaks of the highly pathogenic H5N8 avian influenza, more commonly called bird flu, in recent weeks.

Denmark and the Netherlands have ordered farmers to keep poultry indoors and Germany is considering to do so to protect them from wild birds.

Switzerland said it plans to extend to the entire country precautionary measures to prevent the spread of the virus.

France, which saw its foie gras industry devastated by other strains of the virus earlier this year, has been spared by H5N8 so far but called poultry farmers to increase controls and biosecurity measures.

Since an outbreak of the H5N1 crisis in 2003 when the virus passed on to humans, killing hundreds of them in Asia and Egypt, the OIE's 180 member countries are bound to report all new occurrences of the disease to the Paris-based organisation.

## Why Mexico Has a Lot to Lose in a Trump Trade War

Washington Post, 16-Nov-2016

Mexico may have reason to fear Donald Trump's tough talk on trade.

While on the campaign trail, the Republican threatened to impose a 35 percent tariff on some products imported from Mexico into the United States - as well as to renegotiate more favorable terms in the North American Free Trade Agreement, a free-trade pact among the United States, Canada and Mexico.

In the days following Trump's election, Mexico's economic minister declined to speculate on whether the United States might follow through on imposing such tariffs on the country. "We can't anticipate anything, because we'd be anticipating something that wouldn't suit anybody, which is a trade war," said the minister, Ildefonso Guajardo. Yet Guajardo also said that Mexico would be willing to discuss NAFTA with the U.S. president and explain the pact's strategic importance to him.

The tone was far more conciliatory than the statements that have emerged from China. Trump has threatened to label the country a currency manipulator in his first day in office and impose a 45 percent tariff on products imported from the country.

In an editorial published Sunday, a state-run Chinese newspaper argued, "Making things difficult for China politically will do [Trump] no good."

The editorial vowed tit-for-tat countermeasures against the broad range of American businesses that count China as one of their largest export markets. "A batch of Boeing orders will be replaced by Airbus," the state-run Global Times said. "U.S. auto and iPhone sales in China will suffer a setback, and U.S. soybean and maize imports will be halted. China can also limit the number of Chinese students studying in the U.S."

It makes sense that China might take a tougher stand against Trump than Mexico.

The United States accounted for 73 percent of Mexico's exports and 51 percent of its imports in 2014, while Mexico accounted for only about 13 percent of U.S. exports and imports.

For China, in comparison, the United States accounted for 18 percent of the country's exports and 8.8 percent of its imports in 2014. China accounted for 9.2 percent of U.S. exports and 20 percent of its total imports.

Even the smallest of these percentages represent a massive volume of trade. But while a dislocation from the U.S. export market would be highly damaging to the Chinese economy, it could be catastrophic for Mexico.

"It's a question of your alternatives to negotiating," said Daniel Shapiro, director of the Harvard International Negotiation Program and author of "Negotiating the Nonnegotiable."

"For Mexico, they arguably can't walk away without doing substantial damage to their economy. ... They are in a less powerful position than the U.S.," he said. "With China, their alternative to negotiating with the U.S. ... is maybe investing in other European countries or elsewhere. It's still a big deal, but they are more powerful because they are less dependent on the U.S. in that negotiation."

Years ago, it might have seemed unlikely that the United States would follow through with any policies that could trigger a trade war. But the strength of Trump's anti-trade mandate, Britain's surprise exit from the European Union and the rise of far-right parties around the world have made the intellectual elite question some assumptions.

Still, economists agree that any trade wars the United States starts or stumbles into could be devastating to the American economy as well. About $118 billion in cars and auto parts moved tariff-free between the United States and Mexico last year, according to the Commerce Department. If a tariff were imposed, it would take years for companies to rebuild their global supply chains. In the meantime, U.S. consumers would pay significantly higher prices for daily purchases.

Shapiro said that while U.S. trade measures against Mexico would hurt the Mexican economy, "the opposite is true, too. If the U.S. does not negotiate an agreement with Mexico, what is our best alternative? Are there enough factories readily available and suppliers to make up the lost supplies?"

## Congress Urged to Bar US Acquisitions by China State Firms

16-Nov-2016

WASHINGTON (AP) — As Chinese investment in the United States keeps setting records, congressional advisers suggest changing U.S. law so Chinese state-owned companies can be barred from buying or gaining control of American businesses.

The concern is that such enterprises could use technology, intelligence and market power "in the service of the Chinese state," the U.S.-China Economic and Security Review Commission said Wednesday in its annual report. The commission noted, for example, a growth in Chinese attempts to buy U.S. assets in the semi-conductor industry.

The recommendation, stemming from the security implications about foreign investment by the world's No. 2 economy, was one of several proposals in the report, which examines a range of issues in the relationship between the powers.

Chinese investment in the U.S. reached a record $15 billion in 2015 and could climb to $30 billion in 2016. About one-quarter of that investment is from state-owned companies.

"We don't want the U.S. government owning large chunks of the U.S. economy, so why do we want the Chinese Communist Party owning large chunks of the U.S. economy?" said Dennis Shea, the Republican-appointed chairman of the bipartisan commission.

"These state-owned enterprises are arms of the Chinese state and Communist Party. Often they do not act purely on commercial or market basis, they have strategic considerations," he said.

The commission members are selected by leaders of both parties in the House and Senate. They include former U.S. lawmakers, and former U.S. government, military and intelligence officials. The commission is mandated by to provide recommendations to Congress for legislative and administrative action.

The report urges Congress to amend the statute authorizing the Committee on Foreign Investment in the United States, known as CFIUS, to prohibit Chinese state-owned enterprises "from acquiring or otherwise gaining effective control of U.S. companies."

That committee reviews foreign acquisitions for threats to U.S. national security.

A February report by the Rhodium Group, a research organization that tracks Chinese investment in the U.S., said that for the past three years, China was the country with the most transactions scrutinized by the committee. Rhodium said that was not due to increased scrutiny of China, but rather reflected an increase in the volume of foreign investment from China and a shift in its interest toward technology acquisitions.

"The vast majority of Chinese overtures continue to pass CFIUS reviews without any problems," researchers said. According to Rhodium, annual investment flows from China to the U.S. have exceeded American investment flows into China since 2015.

China has long complained that Washington's security review process for investments in the U.S. unfairly targets Chinese investors. The Chinese Embassy in Washington did not immediately respond to a request for comment Wednesday.

Carolyn Bartholomew, the Democratic-appointed vice chairman of the review commission, said that while China restricts foreign investment with laws banning foreign participation in large swaths of its economy, Chinese companies face no such obstacles in the U.S.

"People need to take a harder look at what companies are investing in the United States, why they are investing in the United States," she said. "We just think that people are not paying enough attention to this."

## Argentine Rains Could Delay Corn Planting, Cut Yields: Exchange

By Jonathan Gilbert

(Bloomberg) -- Corn farmers may be forced to postpone planting after recent heavy rains, Martin Lopez, in charge of corn estimates at the Buenos Aires Grain Exchange, says in an interview on Wednesday.

Farmlands are saturated across an area of the country’s agricultural heartland; corn producers need warm weather over next two weeks to be able to plant in drier ground in early Dec.

Planting later would reduce yields because there will be less daylight when crops are growing

NOTE: Argentina to produce record corn crop of 36m tons in 2016/17, according to Exchange estimates

NOTE: From Nov. 10, Argentine 2016/17 soy area may be cut due to floods: Exchange

## Informa Raises U.S. 2017 Soy Area Forecast, Cuts Winter Wheat -Trade

CHICAGO, Nov 17 (Reuters) - Private analytics firm Informa Economics raised its projection of U.S. 2017 soybean plantings to 88.612 million acres and trimmed its corn plantings forecast to 90.841 million acres, two trade sources said on Thursday.

The sources, who requested anonymity, said the firm also lowered its estimate of U.S. winter wheat plantings for 2017 to 33.761 million acres, from 35.421 million previously.

## China Seen Importing More Meat to Curb Impact on Environment

By Bloomberg News

(Bloomberg) -- China is shifting to more meat imports as part of efforts to clean environment from pig and cattle breeding sectors, according to a government researcher.

Annual meat imports of 5m tons or more is possible, Wang Jimin, a researcher at Institute for Agricultural Economics and Rural Development of the China Academy of Agricultural Sciences, says on sidelines of a conference in Beijing on Friday

Rising meat imports may have less impact on farmers' incomes, a concern for government earlier, because many farmers have exited breeding to be replaced by large enterprises, Wang tells conference

Besides high land and labor costs, breeding will face rising environmental costs

Local governments and residents do not like pig farms: Wang

China's imports of rice, wheat not seen increasing much as government targets self-sufficiency in staple grains: Wang

Closure of pig farms near Yangtze River and cities including Beijing and Tianjin set to complete by end-2016, 1 year earlier than scheduled, says Jin Shuqin, a researcher at Research Center of Rural Economy of the Ministry of Agriculture

Local governments' ban of pig breeding in some areas led to pork shortage and pushed up pork price in 1H: Jin

Annual discharge from animal breeding at 3.8b tons, of which less than 60% treated: