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

January 16, 2017

Articles in This Edition

Export Sales Highlights

This summary is based on reports from exporters for the period December 30, 2016-January 5, 2017.

Soybeans: Net sales of 348,900 MT for 2016/2017 were up noticeably from the previous week, but down 71 percent from the prior 4-week average. Increases were reported for the Netherlands (208,200 MT, including 206,000 MT switched from unknown destinations and decreases of 3,100 MT), China (200,300 MT, including 126,000 MT switched from unknown destinations and decreases of 76,400 MT), Mexico (67,800 MT, including decreases of 2,000 MT), Turkey (66,000 MT), and Japan (60,000 MT, including 56,200 MT switched from unknown destinations and decreases of 600 MT). *Reductions were reported for unknown destinations (471,500 MT) and Costa Rica (1,800 MT).* For 2017/2018, net sales reductions of 57,000 MT resulted as increases for Japan (9,000 MT) were more than offset by reductions for unknown destinations (66,000 MT). Exports of 1,432,000 MT were down 10 percent from the previous week and 20 percent from the prior 4-week average. The primary destinations were China (629,800 MT), the Netherlands (202,700 MT), Egypt (114,600 MT), Japan (89,500 MT), and Saudi Arabia (71,200 MT).

Optional Origin Sales: For 2016/2017, the current optional origin outstanding balance of 120,000 MT is for China.

Exports for Own Account: New exports for own account totaling 28,200 MT were reported to Canada. The current exports for own account outstanding balance of 52,500 MT is for Canada.

Soybean Cake and Meal: Net sales of 119,100 MT for 2016/2017 were up 43 percent from the previous week, but down 29 percent from the prior 4-week average. Increases were reported for Egypt (55,000 MT, switched from unknown destinations), Vietnam (49,400 MT, including 45,000 MT switched from unknown destinations), Pakistan (27,200 MT), Japan (25,800 MT, including decreases of 100 MT), and Canada (16,400 MT, including decreases of 300 MT). *Reductions were for unknown destinations (108,300 MT), Colombia (1,600 MT), and Thailand (1,500 MT).* For 2017/2018, net sales of 1,000 MT were reported for Mexico. Exports of 209,600 MT were up 70 percent from the previous week and 5 percent from the prior 4-week average. The primary destinations were Vietnam (49,400 MT), the Philippines (46,400 MT), Mexico (21,700 MT), Egypt (19,300 MT), and Canada (17,800 MT).

Soybean Oil: Net sales of 7,300 MT for 2016/2017 were down 77 percent from the previous week and 72 percent from the prior 4-week average. Increases were reported for the Dominican Republic (3,500 MT), Colombia (1,500 MT), Canada (1,100 MT), and Mexico (1,000 MT). Exports of 16,200 MT were up noticeably from the previous week, but down 34 percent from the prior 4-week average. The primary destinations were the Dominican Republic (4,900 MT), Mexico (4,700 MT), Jamaica (4,000 MT), and Colombia (2,000 MT).

China's Soybean Imports Climb to Record in 2016, Customs Says

By Bloomberg News

(Bloomberg) -- China, world's top soybean buyer, imported record 83.9m tons of the oilseed in 2016, +2.7% y/y, according to customs data published on Friday.

Dec. imports 9m tons, +15% m/m, -1.3% y/y

Dec. imports were 3rd-largest monthly purchase on record, customs data compiled by Bloomberg showed

"China's imports in 2017 will continue to grow to more than 85 million tons, driven by robust domestic demand for protein meal," says Zhang Liwei,a senior analyst at China National Grain and Oils Information Center

Expectation of high domestic soy production in 2017 may have minor impact on imports: Zhang

Crushers increased soy imports in 2016 to make up for low edible oil imports: Zhang

2016 edible oils imports at 5.5m tons, -18% y/y: customs

Dec. imports at 760,000 tons, highest in 2016

China Trade Surplus With U.S. May Stoke Trump Tension

BEIJING (MNI) - China's trade surplus with the U.S. was little changed last year, even as the Asian nation's overall surplus fell 14%, adding further ammunition to incoming U.S. President Donald Trump's case against unfair Chinese competition.

China exported $250.8 billion more to the U.S. than it imported, accounting for 50% of the country's total 2016 trade surplus of $509.96 billion, according to data released on Friday by the General Administration of Customs. That's almost double China's surplus with the European Union, its second-biggest trading partner, and up from 44% in 2015.

For the full year 2016, China's global trade surplus narrowed by 14% from a record $594.50 billion the previous year, and while the gap with the United States also shrank, it was by a far more modest 2.4%, according to Chinese data.

Trade tensions between the U.S. and China have been increasing for months, and not only through the rhetoric of President-elect Trump, who has threatened to impose tariffs of up to 45% on Chinese imports and label China a currency manipulator. He has chosen several China hawks for key trade posts in his administration, including Robert Lighthizer as U.S. Trade Representative and Peter Navarro as head of a new National Trade Council.

The Obama administration has also been in action and this week announced its 16th and final complaint to the World Trade Organization against China - an objection to Chinese government subsidies to aluminum producers.

China has not been idle either. Just this week, it imposed anti-dumping tariffs of as high as 53.7% on a U.S. animal-feed ingredient known as DDGS. According to the U.S. Grains Council, China accounts for about 30% of the U.S. export market for the product.

COLUMN-Low U.S. Winter Wheat Acres Pave Way for Soybeans, Corn -Braun

By Karen Braun

CHICAGO, Jan 13 (Reuters) - U.S. farmers have likely planted the smallest winter wheat crop since 1909 and current prices suggest that growers will plant a lot of soybeans on those lost wheat acres come spring.

The U.S. Department of Agriculture on Thursday set 2017 winter wheat acreage at 32.4 million acres, down 10 percent from the previous year. This means farmers in the United States, one of the world's biggest wheat exporters, have nearly 4 million extra acres for other crops this year.

This scenario is similar to last year, when winter wheat acreage tumbled 9 percent from 2015 levels. Corn was the big winner at wheat's expense in 2016, but current economics suggest that it could be soybeans in 2017.

The futures price ratio of new-crop soybeans to corn is a key indicator of whether U.S. farmers will favor corn or soybeans. Values around or above 2.5 generally indicate that planting soybeans will turn a better profit for the farmer.

The ratio closed at 2.6 on Thursday, which is the healthiest for January in 20 years and certainly tips the scale in favor of more soybean acres in 2017, possibly at the expense of corn.

Current estimates reflect exactly that. In its long-term projections late last year, USDA pegged 2017 soybean acreage at 85.5 million acres, up from 83.4 million in 2016. The agency expects corn acres to drop to 90 million from 94 million last year.

But many in the industry believe that soybean acreage could push well above the 85.5 million acre mark, and on top of the profit incentive, winter wheat farmers have certainly cleared enough space for that to happen.

COULD CORN GRAB A PIECE?

One year ago at this time, the new-crop soybeans to corn price ratio was 2.3 – by no means low compared to history but lower than the previous two years, relatively favoring corn slightly more than soybeans. (http://reut.rs/2iNacKA)

But once the March planting intentions hit at the end of the month displaying significantly more corn acres than analysts anticipated, the ratio immediately shot to 2.5. It tracked at that level or higher throughout the key planting month of April, and eventually for the rest of 2016.

The timing of this price shift gave many farmers the chance to potentially switch corn or other crop acres to soybeans, a move upon which many market participants began to bank.

However, corn acres did not fall from the 93.6 million given in the March intentions, and final soybean acres rose 1.2 million acres from March – very modest compared to what the market thought would happen.

With the price ratio starting out so high this time around, the market is much more likely to get those extra bean acres in 2017 that it was preparing for in 2016. But corn could also grab a piece of the pie.

The weather may have played a large role in swinging the pendulum towards corn in 2016. Despite a cold, rainy, delayed start, the weather gods opened up a wide window of perfect planting weather by mid-April, and corn farmers clearly took advantage – even in the soybean-friendly economic environment.

The weather will once again take center stage come this spring as it is one of the leading drivers of corn versus soybean acreage aside from the futures price ratio. Regional economic and climatic differences will also come into play in the farmer's decision to plant corn or soybeans - or another crop.

What last year's price action and weather may suggest is that while soybean acres are still expected to be the big winner in 2017, corn acres might not drop as much as expected - if nothing else, based on the old adage "the American farmer loves to plant corn."

2016 ALLOCATIONS

When winter wheat acres fell to a 103-year low in 2016, corn was the clear victor of the summer crops. The yellow grain added 6 million additional acres over 2015, well offsetting the 3.5 million acre loss from winter wheat.

Similar to 2016, the expected acreage declines for 2017 come primarily out of the states that grow hard red winter (HRW) wheat - the most heavily produced variety in the United States.

Last year, some 54 percent of the corn acreage increase came from the HRW states spanning from Texas to North Dakota, including Colorado. This was despite the fact that these seven states combined for only 28 percent of national corn production last year, with 11 percent of that share being Nebraska.

On the net, these seven states were responsible for two-thirds of the increase to national soybean acres in 2016, but U.S. farmers overall only planted 783,000 more acres than the year prior, paling in comparison to the corn gains.

A couple of other spring crops benefited from the drop in HRW acres in 2016. Cotton added 1.5 million acres in 2016, with 850,000 coming out of Texas.

North Dakota made up most of the country's durum wheat area gains, with 370,000 extra acres on the year following the state's winter wheat acreage plunge of more than 75 percent.

But not all of wheat's competitor crops outscored 2015 on acres. Sorghum, sunflower, other spring wheat, canola, barley, and oats all record a drop in national planted acres between 2015 and 2016.

Agroconsult Forecasts Record Brazil 2016/17 Soy and Corn Crops

SAO PAULO, Jan 11 (Reuters) - Brazil is likely to produce a record 2016-17 soybean crop of 104.4 million tonnes, up from a November estimate of 102.6 million tonnes, as favorable climate conditions boost production prospects, consultancy Agroconsult said on Wednesday.

Agroconsult, who will start a crop tour this month visiting key producing areas in the country, also forecast a record 2016-17 corn crop of 94.9 million tonnes, up from a November estimate of 92 million tonnes.

Brazil is the world's largest soy exporter and the second largest corn seller. Unfavorable weather conditions last year reduced production of both grains, hitting corn more severely. Brazil produced 96.3 million tonnes of soybeans and 72 million tonnes of corn in its last crop.

"Without the influence of El Nino this year the conditions are right for a good crop," Agroconsult chief analyst Andre Pessoa said during a briefing in Sao Paulo.

He said soy producers were able to plant ahead of their usual timeframe in places such as the top soy-producing state of Mato Grosso and are also harvesting earlier.

"We are certainly going to see a record soy harvesting volume for January," said Pessoa, declining to provide a number.

He said market conditions will allow Brazilian producers to ship the early soy volumes, since exports from the United States, the world's second largest exporter, were well advanced and should not pose a strong competition this year.

However, Pessoa said there is a risk of the harvest concentrating in a period when rains are still widespread in Brazil, which could eventually hurt soy quality - a risk that he said has not materialized.

China DDGS Import Curbs May Give Small Boost to Soymeal: CNGOIC

By Bloomberg News

(Bloomberg) -- China's soymeal demand may increase by a small margin on expectation of low imports of distillers' dried grains after China increased anti-dumping tariffs on imports from the U.S., the China National Grain and Oils Information Center said Thursday in a report.

Soymeal demand may increase by as much as 700,000 tons/year

That would equate to an increase of 1.1% on last week's estimate for consumption of 61.5m tons in the year to September

Center may increase its estimate for soy imports

Earlier estimate was for record imports of 85m tons vs 83.2m tons in 2015/16

2016-17 DDGS imports est. revised down to below 1m tons

Compares with record 5.6m tons in 2014/15

China Increases Anti-Dumping Duties on U.S. DDGS Imports

By Bloomberg News

(Bloomberg) -- China imposed higher than previously proposed tariffs on U.S. distillers' dried grains with or without solubles in a final ruling in its yearlong anti-dumping probe.

China will levy anti-dumping duties of as much as 53.7 percent and anti-subsidy tariffs as high as 12 percent on imports of the byproduct of ethanol production from the U.S., the Ministry of Commerce said Wednesday. The tariffs will start on Jan. 12 and be in place for five years. Both charges are higher than rates imposed in a provisional decision in September.

Imports of DDGS from the U.S., the top exporter, caused "substantial damage" to China's domestic industry, the ministry said. China imported 6.8 million metric tons in 2015, worth about $2 billion, according Shanghai JC Intelligence Co. estimates, citing official customs data. China is the world's biggest buyer and imports almost all of its supplies from the U.S. Feed mills use DDGS as a substitute for domestic corn and soybean meal in animal feed.

"With the tariff, imports of DDGS have no price advantage compared with domestic corn," said Li Qiang, chief analyst at JCI. Imports may drop by about 80 percent to 90 percent or even stop, he said. The five-year period would help the government to reduce its huge corn stockpiles, according to Li.

China has announced a raft of measures to help reduce a domestic corn glut including ending its state price support system, reducing the area planted to the crop, selling grain from reserves, subsidizing some processors and supporting more corn-product exports. The U.S. Department of Agriculture forecasts China's corn reserves at 106.3 million tons at the end of 2016-17, almost half of global stockpiles. Some analysts in China estimate inventories exceed 200 million tons.

Tariffs
The anti-dumping tariffs range from 42.2 percent to 53.7 percent and the anti-subsidy duties are between 11.2 percent and 12 percent. Imports from companies including Marquis Energy LLC, Archer-Daniels-Midland Co. and Big River Resources LLC will attract the duties, according to the ministry's statement.

The U.S. Grains Council's Beijing office declined to immediately comment on the decision. ADM's Shanghai office also declined to immediately comment.

The ruling comes amid escalating tensions between the U.S. and China. President-elect Donald Trump has made China a frequent target of his attacks and nominated trade-related officials who the Communist Party's Global Times newspaper said would form an "iron curtain" of protectionism. China is prepared to retaliate should Trump take punitive measures against Chinese goods and trigger a trade war between the world's two biggest economies, according to people familiar with the the matter.

Soybean meal futures on the Dalian Commodity Exchange climbed 1.7 percent to 2,824 yuan ($408) a ton. Corn futures rose 0.3 percent to 1,507 yuan a ton.

Bunge to Build New Soybean Plant in Indiana or Ohio

Jan 9 (Reuters) - Global agricultural trader Bunge Ltd said on Monday it will build its first new U.S. soybean processing plant in 15 years in Indiana or Ohio to serve growing domestic and export demand for soy products.

The plant is expected to be on line by the end of 2019, Bunge North America said in a statement.

"As we evaluate the long-term demand for soy products, we see the need to improve our asset footprint in the Eastern U.S., a key market," said Tim Gallagher, executive vice president, Oilseed Value Chain for Bunge North America.

The southeastern United States is home to major hog and poultry production. Processed soy products such as soybean meal animal feed and soybean oil, used for food and fuel, could also reach export facilities along the Gulf Coast and East Coast via river barge, rail or truck.

Bunge did not disclose how the final location of the new plant will be determined, nor when the announcement will be made. The company did not immediately respond to requests for additional information.

China Manipulator Label's Appeal to Trump May Be Irresistible

By Narae Kim

(Bloomberg) -- Donald Trump wasn't the first U.S. presidential candidate to blast China for manipulating its currency for trade advantage since the century began, but it's increasingly likely he'll be the first to follow through on the threat once in office.

That's the perspective of economists at Bank of America Merrill Lynch led by Helen Qiao, chief Greater China economist at the bank in Hong Kong, whose views have evolved in recent weeks given the sustained protectionist rhetoric coming from the incoming president.

Donald J. Trump @realDonaldTrump
Did China ask us if it was OK to devalue their currency (making it hard for our companies to compete), heavily tax our products going into..

"It has been increasingly difficult to dismiss concerns that President-elect Trump will adopt protectionist trade policies that may hurt trading partners as well as the U.S. itself," Qiao and her colleagues wrote in a note last week.

While designating China an official manipulator of its exchange rate for the first time since 1994 poses some technical hurdles not least because the agency in charge of the process is the Treasury Department, not the White House — it may be a more appealing option than some of the alternatives. Trump once broached the idea of a 45 percent tariff on imports from the largest Asian economy, something the president has the power to do though could trigger a U.S.-China trade war.

China has made clear that it's ready to rumble if Trump takes punitive measures on Chinese products, and has reportedly prepared retaliatory options ranging from antitrust action against American businesses to cutting government procurement from U.S. firms. The Treasury's manipulator label, by contrast, doesn't necessarily mean any material punishment for Chinese exports to the U.S.

The labeling in the semiannual Treasury foreign-exchange report, due each April and October, would involve tweaking the rules defined during Barack Obama's tenure. The latest release showed China meeting just one of the three conditions, with its bilateral trade surplus a large multiple of the minimum $20 billion trigger; its current-account surplus and official foreign-exchange purchases were too small to qualify.

Even so, "since they are not legally binding, it is not impossible that the future president would ask his Treasury secretary to revise the criteria, or use his discretion to label China as a manipulator anyway," the Bank of America Merrill Lynch analysts wrote. That's despite the fact that China nowadays has been intervening to support the yuan against the dollar, not drive it down.