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 January 17-23, 2014.

Soybeans: Net sales of 494,800 MT for 2013/2014 were down 22 percent from the previous week and 18 percent from the prior 4-week average. Increases were reported for China (251,300 MT, including 233,000 MT switched from unknown destinations), the Netherlands (209,200 MT, including 200,000 MT switched from unknown destinations), Mexico (165,100 MT), Japan (76,800 MT, including 61,300 MT switched from unknown destinations), and Spain (67,100 MT, including 60,000 MT switched from unknown destinations). Decreases were reported for unknown destinations (610,300 MT) and Cuba (5,000 MT). Net sales of 371,000 MT for 2014/2015 were reported for unknown destinations (243,000 MT), China (126,000 MT), and Japan (2,000 MT). Exports of 2,114,600 MT were up 39 percent from the previous week and 36 percent from the prior 4-week average. The primary destinations were China (1,312,600 MT), the Netherlands (209,200 MT), Japan (128,800 MT), Spain (67,100 MT), and Germany (66,000 MT).

Optional Origin Sales: For 2013/2014, outstanding optional origin sales total 280,000 MT, all China.

Export Adjustments: Accumulated exports to the Netherlands were adjusted down 66,019 MT for week ending January 16, 2014. Germany is the new destination for these shipments and is included in this week's report.

Soybean Cake and Meal: Net sales of 68,300 MT for 2013/2014 were down 72 percent from the previous week and 59 percent from the prior 4-week average. Increases were reported for the Philippines (59,900 MT, including 43,300 MT switched from unknown destinations), Thailand (45,000 MT, switched from unknown destinations), Turkey (40,200 MT, including 40,500 MT switched from unknown destinations and decreases of 4,500 MT), South Korea (25,000 MT, switched from unknown destinations), and Panama (25,000 MT). Decreases were reported for unknown destinations (275,100 MT) and Japan (6,900 MT). Net sales of 120,000 MT for 2014/2015 were reported for unknown destinations. Exports of 352,700 MT were down 12 percent from the previous week, but up 22 percent from the prior 4-week average. The primary destinations were the Philippines (97,900 MT), Turkey (54,200 MT), Mexico (38,500 MT), Egypt (25,800 MT), and South Korea (25,100 MT).

Soybean Oil: Net sales of 6,700 MT for 2013/2014 were down 67 percent from the previous week and 48 percent from the prior 4-week average. Increases were reported for the Dominican Republic (5,000 MT), Peru (3,800 MT), Mexico (1,800 MT), and Trinidad (800 MT). Decreases were reported for Mozambique (3,300 MT) and unknown destinations (2,100 MT). Exports of 67,600 MT--a marketing-year high--were up noticeably from the previous week and from the prior 4-week average. The primary destinations were China (35,000 MT), Peru (19,200 MT), Malaysia (5,000 MT), and Jamaica (3,500 MT)..

House-Senate Negotiators Announce Bipartisan Agreement on Final Farm Bill

Bill Reforms Agricultural Policy, Reduces the Deficit, Grows the Economy

WASHINGTON – House and Senate agriculture leaders today announced a bipartisan, bicameral agreement on a five-year farm bill that will reduce the deficit, grow the economy and provide certainty to the 16 million Americans whose jobs depend on agriculture. The Agricultural Act of 2014 contains major reforms including eliminating the direct payment program, streamlining and consolidating numerous programs to improve their effectiveness and reduce duplication, and cutting down on program misuse. The bill also strengthens our nation's commitment to support farmers and ranchers affected by natural disasters or significant economic losses, and renews a national commitment to protect land, water, and other natural resources.

"I am proud of our efforts to finish a farm bill conference report with significant savings and reforms," said Rep. Frank Lucas (R-OK), Chairman of the House Agriculture Committee. **"We are putting in place sound policy that is good for farmers, ranchers, consumers, and those who have hit difficult times. I appreciate the work of everyone who helped in this process. We never lost sight of the goal, we never wavered in our commitment to enacting a five-year, comprehensive farm bill. I ask my colleagues to join me in supporting its passage."**

"Today's bipartisan agreement puts us on the verge of enacting a five-year Farm Bill that saves taxpayers billions, eliminates unnecessary subsidies, creates a more effective farm safety-net and helps farmers and businesses create jobs," said Sen. Debbie Stabenow (D-MI), Chairwoman of the Senate Agriculture Committee. **"This bill proves that by working across party lines we can reform programs to save taxpayer money while strengthening efforts to grow our economy. Agriculture is a bright spot in our economy and is helping to drive our recovery. It's time for Congress to finish this Farm Bill and give the 16 million Americans working in agriculture the certainty they need and deserve."**

"I am pleased that we were able to work together, putting aside partisanship to finally advance a five-year farm bill," said Rep. Collin Peterson (D-MN), Ranking Member of the House Agriculture Committee. **"Compromise is rare in Washington these days but it's what is needed to actually get things done. While it's no secret that I do not support some of the final bill's provisions, I believe my reservations are outweighed by the need to provide long term certainty for agriculture and nutrition programs. This process has been going on far too long; I urge my colleagues to support this bill and the President to quickly sign it into law."**

"This bill reflects a lot of hard work and conscientious effort to help strengthen American agriculture and assure consumers of food and fiber that it is nutritious and affordable," said Sen. Thad Cochran (R-Miss.), Ranking Member of the Senate Agriculture Committee. **"The reforms, savings and other significant changes in this**

agreement will provide greater certainty to producers and rural communities, as well as American consumers. It deserves to be considered and enacted as soon as possible."

Enacting the Agricultural Act of 2014 will reform agriculture programs, reduce the deficit, and help farmers, ranchers and business owners grow the economy. The legislation:

• Repeals the direct payment program and strengthens risk management tools
• Repeals outdated programs and consolidates duplicative ones, eliminating nearly 100 programs or authorizations
• Helps farmers and ranchers create jobs and provides certainty for the 16 million Americans working in agriculture
• Strengthens conservation efforts to protect land, water and wildlife for future generations
• Maintains food assistance for families while addressing fraud and misuse in SNAP
• Reduces the deficit by billions of dollars in mandatory spending

Ends Direct Payments, Strengthens Risk Management
The Agricultural Act of 2014 reforms farm programs and saves taxpayer dollars by ending direct payments and other farm programs. The bill provides risk management tools that help American farmers and ranchers survive weather disasters and market volatility.

The bill also strengthens crop insurance, which is an essential cost-effective risk management tool. With crop insurance, farmers invest in their own risk management by purchasing insurance policies so they are protected in difficult times. Crop insurance also helps protect Americans from spikes in food prices. Without crop insurance farmers would have no way to recover from disaster unless the government steps in and provides unplanned disaster assistance. The effectiveness of crop insurance was underscored during the historic droughts of 2012, which impacted more than 80% of the country. Crop insurance protected farmers without the need for an emergency disaster relief bill.

Additionally, the bill provides a permanent livestock disaster assistance program for producers affected by natural disasters, and also covers producers who were affected by recent droughts, winter storms that hit the Northern Plains last year, and spring freezes that affected fruit growers in the Midwest.

Streamlines Programs, Strengthens Conservation
The Agricultural Act of 2014 consolidates 23 existing conservation programs into 13 programs while strengthening tools to protect and conserve land, water and wildlife. By streamlining programs, the farm bill provides added flexibility and ensures conservation programs are working for producers in the most effective and efficient way – an approach supported by nearly 650 conservation organizations from all 50 states.

Protects SNAP for Families, Reduces Fraud and Misuse
The bipartisan farm bill conference agreement maintains critical assistance for families while stopping fraud and misuse to achieve savings in the Supplemental Nutrition Assistance Program (SNAP). The farm bill agreement closes a loophole being used by some states to artificially inflate benefits for a small number of recipients. Additionally, the bipartisan agreement stops lottery winners from continuing to receive assistance, increases program efficiency, cracks down on trafficking, fraud and misuse, and invests in new pilot programs to help people secure employment through job training and other services. Savings in this section are reached without removing anyone from the SNAP program, and will ensure that every person receives the benefits they are intended to get under the current rules of the program.

Grows the Agricultural Economy
The Agricultural Act of 2014 reduces the deficit while strengthening top priorities that help to grow the agricultural economy. The bill:

• **Boosts export opportunities** to help farmers find new global markets for their goods
• **Continues investments to meet growing consumer demand for fresh fruits and vegetables, local foods and organics** by helping family farmers sell locally, increasing support for farmers' markets, and connecting farmers to schools and other community-based organizations
• **Supports beginning farmers and ranchers** with training and access to capital
• **Increases assistance for food banks**
• **Reduces regulatory barriers**
• **Invests in state-run pilot projects to encourage and incentivize employment and training opportunities for families in need**
• **Creates initiatives to help veterans** start agriculture businesses
• **Grows American bio-based manufacturing** (manufacturing processes using raw agricultural products grown in America)
• **Expands bio-energy** production, supporting non-food based advanced biomass energy production such as cellulosic ethanol and woody biomass power
• **Invests in research** to promote productivity and new agricultural innovations
• **Strengthens rural development** initiatives to help rural communities upgrade infrastructure and create a better environment for small businesses

Maine Voices: GMOs' Benefits to World's Hungry Belie Claims by Crops' Critics

By Shoa L. Clarke, M.D.

BOSTON — Recently, Maine passed a bill to require labels for genetically modified foods (called "genetically modified organisms" or GMOs). The local media has framed the debate as a struggle between a grass-roots movement and "big agriculture." Unfortunately, the viewpoint of health care professionals and researchers has been absent.

Now, more than a decade later, I am a physician and a biologist with a doctorate in genetics, and it's clear to me that I was wrong. Born and raised in Portland, I spent much of my youth working with Portland advocacy groups that focused on hunger and food security. Back then, I was a vocal opponent of GMOs. My anti-GMO spiels frequently included the phrase, "I'm not a geneticist, but ... ."

The motivation behind GMOs is simple. We need a way to provide good nutrition for the world's population.

Every year, hundreds of thousands of children die due to vitamin A deficiency, and many more go blind. Careful research has shown that vitamin A supplementation prevents death and blindness. Golden Rice, a GMO, does just that.

Rice is a staple food for billions of people, but it lacks vitamin A. Golden Rice is a strain of rice that has been modified to produce beta-carotene, the precursor to vitamin A. Because of Golden Rice, more children are living to see their fifth birthday.

This technology's impact reaches beyond improved nutrition. GMOs use fewer resources, require less pesticide and are able to grow in harsher environments. Last year, Mark Lynas, the famed environmentalist who started the anti-GMO movement, apologized for his mistake.

He wrote, "I am also sorry that I helped to start the anti-GM movement back in the mid 1990s, and that I thereby assisted in demonising an important technological option which can be used to benefit the environment. As an environmentalist, and someone who believes that everyone in this world has a right to a healthy and nutritious diet of their choosing, I could not have chosen a more counterproductive path."

Despite the benefits of GMOs, it is still important to ask, "Are GMOs safe?" Decades of research tell us "yes."

Pick up a fresh cut of broccoli at any organic farmers market, and you've picked up a genetically modified organism. Broccoli first arose after the genes of two distinct plant species mixed together to form a new species.

Humans further modified the broccoli genome through breeding. Each season, farmers chose the broccoli with the best color, taste and size to produce the seeds for next season's crop.

For centuries, humans used this process to produce better crops of all types, blind to the fact that they were selecting randomly occurring mutations (genetic changes) that conferred the traits that they desired.

With a modern understanding of genetics, the blinds have been lifted. We can now directly make genetic changes that we know are beneficial, rather than wait for such changes to arise by chance. Traditional plant breeding is simply a slow means of creating GMOs.

Some Mainers are concerned that GMOs such as “Bt corn”are engineered to produce a pesticide. Anti-GMO propaganda suggests that plants that produce pesticides are unnatural and dangerous. Nothing could be further from the truth.

For millions of years, plants have struggled for survival against predatory insects. This evolutionary arms race led plants of all types to evolve pesticides. Bt corn has been modified to produce a naturally occurring pesticide that is made by bacteria.

Organic farmers first championed the use of this exact pesticide as an environmentally friendly alternative to chemical pesticides, and many continue to spray their crops with spores that produce the pesticide. Since our very beginnings, humans have been consuming natural pesticides like that contained in Bt corn.

The safety of GMOs is not only theoretical. Study after study has found no harmful effects of GMOs. The American Association for the Advancement of Science, the National Academy of Sciences, the American Medical Association and the World Health Organization have all concluded that GMOs are safe.

However, campaigns against GMOs have ignored the research. I have seen claims that GMOs are associated with pediatric cancers, increasing rates of allergies and autism. All lies.

This complete defiance of empiric observation – the cornerstone of sound reasoning – worries me. Maine has let fear overshadow fact.

Twenty years ago, the anti-science movement in America consisted of small groups campaigning to teach creationism in public schools. Since then, we’ve seen the spread of climate-change denial, a deadly wave of anti-vaccine parents and the currently growing anti-GMO movement.

We are drowning in misinformation and pseudoscience. Now, more than ever, we must be humble to the data. For GMOs, the data is clear. They are safe, and they are our best hope for a sustainable future where no child suffers due to lack of nutrition.

ABOUT THE AUTHOR

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A Slower Pace of Soybean Consumption Is Needed

Issued by Darrel Good
Department of Agricultural and Consumer Economics
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The pace of consumption of U.S. soybeans continues to draw a lot of market attention. The pace of domestic soybean consumption accelerated in December 2013 and the pace of export commitments continues to exceed expectations. Even with the normal seasonal slowdown in exports of soybeans, soybean meal, and soybean oil consumption seems to be on track to exceed the available supply.

For the 2013-14 marketing year, the USDA projects the domestic soybean crush at 1.7 billion bushels and projects exports at 1.495 billion bushels. With seed, feed, and residual use of 109 million bushels, consumption at the projected level would leave year ending stocks of 150 million bushels, or 4.5 percent of projected consumption. The projection of the domestic crush is 11 million bushels, or 0.7 percent, larger than the crush during the previous marketing year and 45 million bushels larger than projected in September 2013. Based on estimates from the National Oilseed Processors Association (NOPA), the crush during September 2013, the first month of the marketing year, was nine percent less than the crush during September 2012. The monthly crush, however, exceeded that of a year earlier in each month from October through December 2013, with the cumulative crush during those three months exceeding last year's crush by 2.5 percent. While the total crush during the first four months of the marketing year is only marginally larger than that of a year ago, the recent pace has exceeded expectations and suggests that the marketing year total could exceed the current USDA projection.

The USDA projection of marketing year exports is 175 million bushels, or 13 percent, larger than last year's exports which were limited by small supplies and high prices. The projection is very close to the record large exports of 2009-10 and 2010-11. Exports are expected to be large in spite of record large soybean production outside the U.S in 2012-13 and expectations of even larger foreign production in 2013-14. The large export expectations reflect expectations of very strong demand from China. China is projected to import 2.535 billion bushels of soybeans from all origins during the current marketing year, up from about 2.2 billion bushels in each of the previous two years. Through the first 21 weeks of the current marketing year, the USDA reported soybean export inspections to all destinations at 1.115 billion bushels, 17 percent more than cumulative inspections of a year ago. The pace of shipments to date, then, is higher than the pace implied by the USDA's projection of the size of the year-over-year increase in exports.

The magnitude of unshipped sales is also much larger than that of last year. As of January 16, the USDA reported that those outstanding sales stood at 514 million bushels, compared to 307 million bushels at the same time last year. Nearly 53 percent of those sales were to China and 23 percent were to unknown destinations. Total export commitments (shipments plus outstanding sales) stood at 1.549 billion bushels, 54 million bushels more than the USDA's projection of exports for the entire year. Sixty-four percent of the commitments were to China.

If exports for the current marketing year reach 1.549 billion bushels, year ending stocks would total only 96 million bushels, or 2.8 percent of projected consumption. Stocks cannot realistically be reduced to such a low level, with 125 million bushels being a likely minimum level of ending stocks. Exporters appear to be selling soybeans that will not be available. So how does the apparent discrepancy between the pace of consumption and available supplies eventually get resolved?

There are a number of ways or combination of ways that the difference between the USDA's projections and the current pace of consumption will be resolved. These include a slowdown in the pace of the domestic crush, cancellation of some export sales, rolling some export sales into the 2014-15 marketing year, larger imports of South American soybeans this summer, and smaller year-ending stocks than now projected.

Prices for the 2013 soybean crop will be determined by how the soybean supply and consumption balance is maintained. Cancellation of export sales would be the most negative development for prices. The market continues to expect cancellations by China, but none have been confirmed. A slowdown in the pace of the domestic crush would also indicate that supplies are adequate and point to lower prices. A lot of attention, then, will be focused on the January NOPA crush report. A continuation of large export shipments and sales would be the most friendly for prices, indicating that larger imports would be needed this summer and that year ending stocks will be smaller than now forecast. Prices appear locked into a broad side-ways pattern until the likely pathway becomes more obvious. For producers still holding old crop soybeans, the higher price pathway would be welcome, but holds the most risk since a larger U.S. crop in 2014 is expected to eventually lead to lower prices. Protecting the downside price risk on old crop soybeans still seems prudent.

Global Oilseed Output Forecast Raised by Oil World on Soybeans
By Whitney McFerron Jan 28, 2014 9:30 AM ET

Global oilseed production will be larger than estimated a month ago because of improving prospects for soybeans in Brazil and sunflowers in Russia and Ukraine, Oil World said.

Production of seven major oilseeds will be 490.9 million metric tons in the 2013-14 marketing year, 1.9 million tons more than previously estimated and 7 percent higher than the prior season, the Hamburg-based researcher said in an e-mailed report. The outlook was raised for world harvests of soybeans, sunflower seed and rapeseed, signaling ample supplies of the crops used in cooking oil, biofuel and livestock feed and potentially falling prices, according to the report.

“We are quite bearish on soybean prices and see considerable downward potential, with soybeans likely to fall below rapeseed and sunflower seed” on average through June, Oil World said. Global inventories of all three crops will rise to records by the end of the season, according to the report.

Soybean futures declined 11 percent in the past year on the Chicago Board of Trade, the global benchmark. Oil World expects spot prices for the oilseed delivered in Rotterdam to average $480 a ton from January through June, compared with $515 a ton for European sunflower seed and $500 a ton for rapeseed. Soybeans were $555 a ton from October to December, sunflower seed was $480 a ton and rapeseed $511 a ton, it said.

World Soybeans

World production of soybeans will be 287.8 million tons, up from an estimate in December of 287.6 million tons, Oil World said. The researcher pegged Brazil’s crop at 89.5 million tons and reduced its outlook for Argentina to 54 million tons because of dry weather. Global inventories at the end of the 2013-14 season may be 79.2 million tons, up 26 percent from the past year. World production of rapeseed was pegged at 69.3 million tons, up 8.4 percent from a year earlier.

Global production of sunflower seed rose to 41.6 million tons in 2013-14, 1.4 million tons more than estimated in December and 17 percent higher than the previous season, Oil World said. Combined output in **Ukraine** and

Russia, the biggest producers, may jump 27 percent from the prior year to 20.7 million tons, offsetting a decline in Argentina's crop to 2.4 million tons, the smallest since 1987, it said.

"This is an unprecedented year for sunseed and products, with global production setting all-time highs and thus creating an extremely bearish scenario this season," Oil World said.

Global production of palm oil may total 58.34 million tons in the 2013-14 season that ends Sept. 30, Oil World said. That's 2.5 million tons more than a year earlier, while a smaller growth rate than in the prior season. In Indonesia, the biggest producer, domestic demand is increasing for biofuel use. World exports may decline for the first time in 16 years, dropping 2.3 percent from the previous season to 43.2 million tons, according to the report.

INTERVIEW-Marubeni Turns to Brazil After Gavilon Purchase

By Caroline Stauffer

SAO PAULO, Jan 29 (Reuters) - Marubeni Corp is relying on Brazil for more of its international grain sales as it strives to boost exports after purchasing U.S. firm Gavilon's agricultural assets, its New York-based grains chief said in an interview.

William Gallo, President of Grains for Marubeni America, said the Japanese trading house sells some 25 million tonnes of grain worldwide each year and in 2013 bought 10 million tonnes of soybeans and 1.5 million tonnes of corn from Brazil.

That was nearly a quarter of the soybeans Brazil exported in 2013, the year it became the world's top supplier, and up from the 8 million tonnes of grains Marubeni bought from Brazil in 2012, despite the country's underdeveloped roads and ports.

Its dependence on Brazil could increase in coming years, after Marubeni invests 200 million reais ($82.6 million) to double export capacity from the current 3.95 million tonnes at Sao Francisco do Sul port and looks for new opportunities in a new shipping route through northeastern Brazil.

"At the moment we are focused very much on Brazil," Gallo said in a phone interview. "Brazil is the one country that has the ability to produce more and deliver more grain to meet the world demand that we see in Southeast Asia and all over. It's better than any other alternative."

He said Marubeni eventually wants to expand into all grains-producing countries but that Argentina and Ukraine are too risky politically.

Gallo declined to say how much the $2.7 billion purchase of Gavilon's grains and fertilizer business, completed in July, would boost exports, but he noted that much of its operations are geared towards meeting domestic U.S. demand.

"A tremendous amount of what they trade stays local and supplies the processing plants, the ethanol plants and feed plants in the U.S.," he said, noting that Gavilon did have a presence in Geneva that handled orders to the Middle East.

The logistics of incorporating Marubeni's largest-ever acquisition are largely still being worked out, Gallo said.

"We are going through a difficult time of integrating... determining how we are going to use the origination base of Gavilon," he said.

As part of the acquisition, Marubeni got Gavilon's 45 percent stake in the Kalama Export terminal in Washington state, and it already owned the Columbia Grain International (CGI) facility in Oregon, both key gateways to lucrative Asian markets as well as the western United States.

"There will probably be some arrangement where those two facilities work together," Gallo said. "How the ownership will be distributed is to be discussed."

BRAZIL ALTERNATIVE

In Brazil, rather than deal with the chaotic main export ports of Santos and Paranagua, Marubeni acquired 100 percent control of the Terlogs terminal at the port of Sao Francisco do Sul, 81 kilometers south of Paranagua, in 2011.

Gallo said cheaper soybeans and wait times of 10 to 12 days in Sao Francisco do Sul rather than 50 to 70 days at Brazil's main ports compensated for the distance.

"Other ports like Santos demand a higher price which may not be offset by the freight difference," he said. "Sao Francisco do Sul is a very competitively priced port."

Though he sees China's demand for Brazilian soybeans rising, Gallo isn't very optimistic about Brazilian corn shipping there any time soon.

"I don’t know of any exports of Brazilian maize to China," he said.

China gave a long-awaited green light to Brazilian corn imports late last year, after approving Argentine shipments, but the Asian giant produced a larger than expected corn crop this season, Gallo said. That combined with less domestic demand decreased its import need.

"Once China imports more than 10 million tonnes of corn, which I believe could happen within two to four years, then Brazil will most likely be an acceptable origin to meet the Chinese feed demand,” said Gallo.

He believes Brazil will produce 100 million tonnes of corn annually before it produces that amount of soybeans. Brazil is expected to produce 89 million tonnes of soybeans and 70 million tonnes of corn in the current 2013/14 season, according to the U.S. Agriculture Department.

In coming years, Brazil's soy and corn exports are expected to change course and journey by river barge to the northeastern coast, closer to the Panama Canal, rather than flowing across crowded roads to the distant southeast ports.)

Gallo said Marubeni's move north is inevitable, but that the company has not yet acquired terminals in the region like competitors Cargill and Bunge and prefers to wait for the area's infrastructure to improve.

"As to when we move to the north, that is something that is in the works right now. Marubeni would like to see those ports operational and working before they invest," he said. "It could happen in a few months or in a few years."

Marubeni would also prefer to collaborate with another company with an established footprint in the region, he said.

Construction to expand storage space at the Terlogs terminal and build a new pier in Sao Francisco do Sul will take about a year and is pending final government approval, which is expected in coming months.

Brazil's efforts to expand port capacity with private investment has stalled, and auctions to lease terminals at Santos and ports in Para state scheduled for last year have yet to take place. That means the long wait times and frustrating logistics that grain exporters experienced in Brazil in 2013 isn't likely to see any relief in 2014, Gallo said.

"I think the demand, the shipments to China out of Brazil will probably increase yet port capacity hasn't increased fast enough," he said. "I think it will take years to improve."

ANALYSIS-Argentina to Restart Soy Exports as Farmers Forced to Sell

By Hugh Bronstein

BUENOS AIRES, Jan 29 (Reuters) - Grains powerhouse Argentina will jump-start soy exports over the weeks ahead as farmers, who have hoarded beans to protect themselves from the weakening peso and galloping inflation, are forced to sell by the time harvesting starts in March.

The country is the world's No. 3 soybean exporter and top supplier of soymeal at a time of booming Chinese demand.

A wobbly currency and fast-rising consumer prices have prompted growers to save in soybeans rather than in pesos, drying up Argentine supply and providing a boon to U.S. exporters.

The official exchange rate is 18.5 percent weaker this month while the black market peso has slumped 22.5 percent. The Rosario soy market has virtually shut down in recent weeks as growers pile up beans on their farms to protect themselves from inflation fueled in part by the anemic peso.

With the March-May soy harvesting season approaching, farmers say they will be forced to re-start selling.

"You have structural expenses on any farm, so at some point you just have to sell your reserves," said Alexis de Noailles, a grower in the bread-basket province of Buenos Aires.

"Most of us pay income taxes around March, for example, and they cannot be paid in soybeans," he said. "And you wouldn't want to wait until the last minute to sell your soybeans because there is a lot of soy in the world this year and the closer we get to March the lower prices are likely to be."

A resumption of farmer selling is expected once the harvest begins, but has not yet been fully priced into the futures market, said Rich Nelson, chief strategist with agricultural trade consultancy Allendale Inc.

March futures on the Chicago Board of Trade may fall to $12.50 a bushel by mid-February, about 17 cents below levels today, and July futures may sink to $11.75 a bushel by the peak of harvest, down about 65 cents from today, as export volumes from both Argentina and Brazil increase, he said.

Argentina's upcoming soy crop is seen at 53.0 million tonnes, up from 48.5 million in the previous season, according to the Buenos Aires Grains Exchange.

"The local soybean market will come back to life when the harvest starts coming in. Farmers will need to sell 20 percent of their 2014 soy crop to pay production costs that cannot be bartered for in beans," said farm consultant Pablo Adreani.

"You will see at least 11 million tonnes of new soybeans hit the market between now and May," he said.

Over the months ahead big harvests are also expected in Brazil (89.0 million tonnes) and Paraguay (9.4 million), according to the U.S. Department of Agriculture and private analysts. Demand is driven by China, where beans are crushed into cattle feed for the country's fast-growing beef industry.

Despite huge investments made by exporters in Argentine soymeal plants, idle capacity at the facilities is approaching 50 percent as growers pile beans into white, vacuum-packed plastic bags that serve as horizontal silos dotting the Pampas.

"They see soybeans as a kind of currency now, like the dollar or the euro, which represent a more reliable store of value than the peso," said Leandro Pierbattisti, an analyst with Argentina's grains warehousing chamber.

It is not only the farm sector that is feeling the pinch.

Years of erratic policymaking in Argentina have created a gnarl of capital and price controls that have made simple transactions - like buying a refrigerator - impossible, as merchants are unsure what prices to charge.

"The fact that the economic team does not seem to have a comprehensive strategy, especially to deal with reducing fiscal spending, is likely to hurt the efforts to stem the decline in reserves and lower inflation," said a recent note from the Eurasia Group consultancy.

EIGHT IS ENOUGH

Economy Minister Axel Kicillof - who engineered the 2012 nationalization of Argentina's top oil company, YPF has warned merchants not to hike prices. He has hinted that the government will use central bank reserves to intervene in the foreign exchange market to keep the peso at 8 to the dollar, a level he calls "adequate".

Central bank reserves fell 29 percent last year to $31 billion. They stand at under $29 billion after the bank burned through $420 million over the last four days to hold the official peso at 8 per dollar.

Inflation is meanwhile likely to keep climbing, due in part to generous state energy and transportation subsidies at the heart of President Cristina Fernandez's populist policy model.

Her policies, like high soybean export taxes and curbs on corn and wheat shipments aimed at ensuring ample domestic food supplies, tend to take money from sparsely-populated farm areas with crumbling infrastructure and funnel it toward her base in the vote-heavy suburbs surrounding capital city Buenos Aires.

She easily won re-election in 2011 and the race to replace her next year is wide open. Opposition candidates bet that discontent over the consequences Fernandez's policies will pave the way for voters to embrace a more pro-investment candidate in the 2015 election. She is banned by law from running again.

Meanwhile, farmers like Alberto Pereyra in Buenos Aires province say they are preparing to take their soybeans back to market as costs mount and alternative financing runs dry.

"You can hoard crops as long as you have the financing to keep planting and producing," he said. "That's going to run out for most of us before March."

Cargill to Close Soybean Processing Operation

January 30, 2014

RALEIGH, NORTH CAROLINA, U.S. — Cargill said on Jan. 30 that it will idle soybean processing activities at its facility in Raleigh, North Carolina, U.S., later this spring. Cargill will continue to operate the Raleigh elevator as a viable market for soybeans, purchasing soybeans from area producers and elevator customers.

“This is a difficult decision because we have an excellent team of employees in Raleigh, where we have been in business since 1985,” said Don Camden, a regional manager for Cargill’s soybean processing business. “The North Carolina market is very important to us, and we look forward to serving both crop producers and livestock industry customers through our remaining activities at Raleigh as well as through other Cargill facilities.”

Camden said the elevator at Raleigh will continue to be a competitive buyer of beans from farmers in North Carolina and surrounding states. Soybean meal customers will be served by Cargill’s plant in Fayetteville, North Carolina, U.S., in addition to rail shipments into the region from other Cargill plants.

Mark Stonacek, president of Cargill Grain & Oilseed Supply Chain North America, said: “In recent years, demand for U.S. soybean processing has become more variable and seasonally driven.”

Among other factors, Stonacek cited a downturn in demand for U.S.-produced soybean meal in the face of expected large bean crops in South America. Those factors combined with strong global demand for U.S. soybeans has made operating the Raleigh plant during the spring and summer periods economically challenging.

“Cargill will continue to monitor the global situation and will consider restarting the plant if conditions change,” Stonacek said.

Cargill currently employs 47 people at Raleigh. Camden said 20-25 employees associated with soybean processing will be laid off, although they can apply for openings at Cargill’s 12 other crush plants.

“This is an unfortunate outcome for these employees and we will work with them to try to find opportunities,” Camden said. “Cargill will still remain an important buyer of local soybeans by keeping the elevator open and maintaining our regional office. Again, this was a hard decision, but the uncertainty in U.S. soybean crush demand necessitated this difficult decision.”