WEEKLY NEWS ARTICLE UPDATE

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U.S. Soy Export Sales Highlights

This summary is based on reports from exporters for the period May 2-8, 2014.

Soybeans: Net sales of 73,600 MT for 2013/2014 were up 80 percent from the previous week and up noticeably from the prior 4-week average. Increases reported for Indonesia (90,700 MT, including 66,700 MT switched from unknown destinations and decreases of 1,300 MT), Mexico (37,000 MT), Japan (25,600 MT, including 22,500 MT switched from unknown destinations and decreases of 300 MT), Vietnam (6,700 MT), and Taiwan (1,800 MT), were partially offset by decreases for unknown destinations (89,200 MT) and Malaysia (2,700 MT). Net sales of 324,700 MT for 2014/2015 were primarily for unknown destinations (265,000 MT) and China (53,000 MT). Exports of 269,700 MT were up noticeably from the previous week and 17 percent from the prior 4-week average. The primary destinations were Indonesia (100,100 MT), Mexico (88,500 MT), Japan (50,000 MT), Taiwan (9,100 MT), and the Philippines (8,300 MT).

Optional Origin Sales: For 2013/2014, outstanding optional origin sales total 110,500 MT, all China. For 2014/2015, outstanding optional origin sales total 450,000 MT, and are for China (330,000 MT) and Egypt (120,000 MT).

Soybean Cake and Meal: Net sales of 84,500 MT for 2013/2014 were up 13 percent from the previous week, but down 23 percent from the prior 4-week average. Increases were reported for Canada (17,200 MT), El Salvador (12,200 MT, including 4,600 MT switched from Guatemala), Panama (10,100 MT, including 8,000 MT switched from unknown destinations), Colombia (9,700 MT), the Dominican Republic (7,800 MT), Venezuela (5,700 MT), and Mexico (5,500 MT). Decreases were reported for unknown destinations (12,300 MT) and Guatemala (1,800 MT). Net sales of 204,500 MT for 2014/2015 were reported for Thailand (116,000 MT), the Philippines (80,000 MT), El Salvador (4,300 MT), and Canada (4,200 MT). Exports of 197,300 MT were up 26 percent from the previous week and 10 percent from the prior 4-week average. The primary destinations were the Philippines (47,800 MT), Venezuela (40,700 MT), Mexico (33,200 MT), Canada (19,500 MT), Colombia (13,200 MT), and the Dominican Republic (10,400 MT).

Soybean Oil: Net sales of 1,800 MT for 2013/2014 were down 77 percent from the previous week and 63 percent from the prior 4-week average. Increases reported for Mexico (800 MT) and Nicaragua (800 MT), were partially offset by decreases for Canada (100 MT). Exports of 4,400 MT were down 34 percent from the previous week and 62 percent from the prior 4-week average. The primary destinations were Mexico (1,400 MT), Canada (1,100 MT), Nicaragua (800 MT), and Trinidad (800 MT).

Marubeni Shipping Soybean to China After Getting Payment Promise

By Yuriy Humber and Ichiro Suzuki

May 13 (Bloomberg) -- Marubeni Corp. is insisting Chinese buyers open letters of credit before it ships soybean cargoes to the world's top importing nation amid a slump in demand, Chief Executive Officer Fumiya Kokubu said.

This year some small- and mid-scale Chinese importers were slow to open letters of credit, a trade document that ensures the seller will be paid on delivery, Kokubu told investors and analysts in Tokyo today. The buyers' financial situation began to improve from mid-April and Marubeni is working to make sure it obtains letters of credit for all 20 of its latest China-bound cargos, according to Kokubu.

Stricter lending rules at Chinese banks and a drop in the profit margins of soybean processors eroded Chinese demand for the oilseed. Crushing margins were the "worst ever" in the first three months and will remain negative until July, Kuok Khoon Hong, chief executive officer at Wilmar International, which supplies half of China's cooking oil, told reporters in Singapore on May 9.

The Chinese drop in soybean demand is probably temporary, Kokubu said, denying a May 11 Reuters report that said Marubeni offered to ship soybeans for a deposit instead of letters of credit to expand quickly in China.

"We don't ship cargoes if letters of credit are not opened," Kokubu said. If the buyer in the end doesn't open a letter of credit Marubeni tries to find alternative sales routes, he said.

China Demand

Japan's biggest agricultural trader increased its exposure to Chinese food demand by acquiring U.S. grain merchandizer Gavilon Holdings LLC last year for $2.7 billion. China's anti- trust watchdog approved the purchase on condition that Gavilon and Marubeni maintain separate grain trading desks for Chinese sales to foster greater competition.

The delays from Chinese buyers in opening letters of credit aren't connected with the Japanese trader's ownership of Gavilon because the U.S. unit does not sell directly to China, Kokubu said.

Profit from Marubeni's grain trading, outside of Gavilon, may decline to 10 billion yen ($98 million) in the year ending March 31, from 12 billion yen last year, Kokubu said. Gavilon profit will probably be unchanged at 15 billion yen, he forecast.

China Soybean Imports Seen Recovering as Fish Farms Buy Feed

By Bloomberg News

May 13 (Bloomberg) -- Soybean shipments to China are increasing again amid demand for poultry and aquaculture feed after purchases from the biggest buyer dropped earlier this year because of bird flu, a Bloomberg News survey shows.

Imports in the 12 months through Sept. 30 may reach 66 million metric tons, compared with 60 million tons a year earlier, according to the median of the survey of seven China- based researchers and crushers. The U.S. Department of Agriculture projected Chinese imports of 69 million tons, it said last week.

Demand dropped in the first quarter following outbreaks of H7N9 avian influenza and as economic growth slowed, causing losses in the animal husbandry and soybean crushing industries. That raised concerns that some traders may cancel orders, with the U.S. Soybean Export Council last month estimating possible defaults on as much as 2 million tons of cargoes.

"The market hit the bottom and has got its footing now for a recovery," said Liu Xianwu, the general manager of China Cereals & Oils Business Net, a Beijing-based researcher. "The situation has improved and people who said they were going to default on orders seem to be changing their minds."

Soybeans for July delivery in Chicago rose 0.5 percent to $14.7225 a bushel at 3:51 p.m. Beijing time. Futures gained 14 percent this year, partly driven by advance purchases from China.

Soybean meal on the Dalian Commodity Exchange fell 0.2 percent to close at 3,629 yuan a ton. The protein ingredient has climbed 7.8 percent this year.

Fish Farms

Shipments in the second quarter may total 19 million tons, up 27 percent from the three months through March, according to data from Beijing-based advisory company UniRich Investment Management Ltd.

Seasonal restocking of inventories by fish farms and other aquaculture producers is the biggest driver of demand now, said Tommy Xiao, an analyst at Shanghai JC Intelligence Co. Rising egg prices contributed to purchases from poultry farms, he said.

The most-active egg futures on the Dalian exchange jumped 8.7 percent in the last month, and closed 0.8 percent higher at 5,189 yuan a ton today.

A total of 1.2 million tons of soybeans were crushed in China in the week through May 9, 1.1 percent more than a week earlier, according to a report by UniRich today. The volume may climb to 1.5 million tons this week, it said.

Poultry Feed

Poultry consume about 40 percent of China's animal feed, which is mainly made from corn, soybeans and other protein meal, according to Gao Yanbin, a manager at Shanghai Shenkai Investment Co. Hogs and fish each account for about 30 percent,

Gao said.

Wilmar International Ltd.'s oilseeds and grains unit had a pretax loss of $57.4 million in the first quarter because of excessive imports by China and lower demand for soybean meal following the bird flu and slowing economy, it said in a statement on May 8.

Gross domestic product increased 7.4 percent in the first quarter from a year earlier, the least since 2012, and will

expand 7.3 percent this year, the slowest pace since 1990, based on the median estimate in a Bloomberg News survey last month.

While concerns about economic weakness persist, China's health agencies haven't reported new cases of H7N9 infection since April 21, according to the official Xinhua News Agency. The virus, first reported in China in March 2013, led to more

than 200 human infections, according to Xinhua.

"This boils down to improved demand for soybeans," said Xiao of Shanghai JC. "It's safe to say the worst is over."

In April, about 40 percent of China's soybean crushing capacity was in use, compared with 30 percent in February and March, according to Gao of Shenkai.

China produced 55 million tons of pork last year, 45 million tons of aquaculture products and 18 million tons of poultry meat, according to National Bureau of Statistics.

Argentina Soybeans Smuggled to Avoid Taxes

05/07/2014 @ 10:25am Agricultural freelance reporter from Porto Alegre, Brazil. Editor of AgroSouth-news.com

Long recognized internationally as a very competitive country to produce soybeans, Argentina lost a little bit of its prominence because of a policy enacted in 2003.

At that time, when tax exports (known as retentions) were applied at a rate of 35% on the oilseed, it devalued Argentinian soybeans.

Another factor that slowly started to diminish the gains of soybean growers in Argentina was the fact that the local currency, the Argentinean Peso, devalued over the years against the U.S. dollar. But the government had a delayed update of the official currency - causing farmers to earn less than they could on those exports.

So, how are less productive farmers able to survive? In northern provinces of Argentina, the answer is smuggling to Paraguay and, to a lesser extent, to Brazil. In Paraguay or Brazil, these soybeans are declared as locally produced.

Soybeans are smuggled out of the blue-color Argentine states in this map to Paraguay and Brazil, then are returned to that nation's market in order to avoid paying up to 35% in export taxes paid on Argentine domestic grain.

The soybeans return to Argentina, paid to local players with parallel dollar value, and then exported without the tax retentions from there, according to Argentina's Federal Administration of Public Revenue (their version of the IRS). As of today, a dollar buys AR$ 7.96 officially, while in the black market it buys AR$ 10.35, but this gap was wider in the past.

The administration has made a few seizures monthly with insignificant volumes. However, they think a lot more smuggling is done. Especially in Argentinean provinces close to Paraguay such as Chaco, Santiago del Estero, Formosa, and Misiones: This is very easy to do due to the lack of government personnel to supervise it, some local farmers unwilling to be identified told Agriculture.com. Local website Misiones Online reported that almost the entirety of the oilseed produced in that province is smuggled into the borders.

Some farmers even speculate that the Paraguayan soybean production, in the last season at nearly 9.08 million tons, is fake, and most of it is originated from Argentina.

That speculation about production is unlikely to be proven. Paraguay's minister of agriculture, Jorge Gattini, spoke to Agriculture.com and explained that the total production number is based on the planted area of 7.6 million acres, interpretation of photos, and productivity by the Paraguayan Chamber of Oilseed and Seed Exporter. Asked if the smuggling affected Paraguay's total number of soybean exports of 5 million tons, Mr. Gattini denied that this would be a major factor. "If this really exists, I don't believe it is very relevant (volume). It would be resolved locally," he affirms.

A number as big as 2 million tons is heard through the grapevine as the volume of soybeans smuggled into either Paraguay or Brazil.

Gustavo López, director of Buenos Aires-based consultancy Agritrend, says this is very attractive to some farmers, and the issue is a hot topic of discussion. López believes the number of soybeans smuggled is relatively high, but he's skeptical. "If we consider 1 million tons, we are talking about 33,000 trucks to do the smuggling. It would be hard to handle it," Lopez explains.

López thinks the soybean production in Argentina, registered at 49 million tons in the last season, is suspicious because it does not offer "a balance of supply and demand. Either the number is smaller, the stocks are too high, or a volume 'disappears' from the commercial circuit," questioned the specialist.

Pablo Fraga, a market analyst from BLD, a brokerage based in Rosario, says these talks are not very surprising when talking about the provinces of Santiago del Estero and Chaco. "There, everything is informal. A big amount of the soybeans is moved through the black market," tells Fraga.

There is no estimate on the potential number of soybeans produced for smuggling in Argentina and transported to Paraguay or Brazil.

China's Top Soy Buyer Says to Honor Import Deals, Take Loss-Report

BEIJING, May 14 (Reuters) - China's largest soy buyer Shandong Sunrise Group said it will not default on soybean contracts despite facing big losses, in order to protect its relationship with suppliers, state media reported on Wednesday.

Sunrise, which accounts for 12 percent of China's soy imports, has previously been linked to defaults by Chinese media and traders, but the company denied last month it had defaulted on any contracts.

Buyers in China recently defaulted on at least 500,000 tonnes of soybean shipments and threatened to default on more shipments which have not yet been priced, capping a rally in soybean prices.

Shandong Sunrise chairman Shao Zhongyi said his firm would honour its purchase agreements despite facing a loss of about 200 million yuan ($32 million), as weak domestic demand means crushers are losing money for processing soy into meal and edible oil.

"Based on current prices, if we take all the cargoes as previously planned, the losses will be 200 million yuan," Shao told the Economic Information newspaper, run by the official Xinhua News Agency.

"Despite the losses, we must honour the contracts," he said, adding that defaults risk ruining the long-term relationships Sunrise has built with suppliers and buyers.

Shao Zhongyi is China's 357th richest man according to Forbes' 2012 rich list. The family made its money in the petrochemical business.

His brother, Shao Guorui, told Reuters in an interview last month that Chinese buyers could default on about 1.2 million tonnes of soybeans worth about $900 million being shipped from the United States and South America, to avoid incurring huge losses in a depressed local market.

Sunrise could not immediately be reached for comment.

Shao said some trading firms that were new to the soy industry may have defaulted on cargoes because they were unable to absorb losses. He did not name any firms.

China accounts for 60 percent of the global soy trade and top seller Marubeni has had to divert some shipments to other destinations after buyers defaulted on as many as three of its cargoes.

It is not clear if Marubeni and other sellers have agreed to revise the contracts to lower prices. Sunrise also urged Beijing to support measures to set up China's own pricing centre in Shanghai similar to the Chicago Board of Trade (CBOT) : so that Chinese buyers can have more say in pricing, the Economic Information newspaper reported.

Tu Changming, a member of the board of Yihai Kerry, the China operation of Wilmar International Ltd. also called on Beijing to establish bonded warehouses for soybean and edible oils at major ports, local media reported.

This would allow it to better respond to domestic market demand, he said. ($1 = 6.2291 Yuan)

Southern U.S. Soybeans May Plug Late Summer Supply Gap: Maguire

By Gavin Maguire

CHICAGO, May 14 (Reuters) - Although soggy field conditions across the northern U.S. Midwest are delaying soybean plantings for the country as a whole, many farmers across the southern United States got soy plantings off to their fastest pace in years, and so look set to be able to bring fresh supplies to market weeks ahead of growers across the Midwest.

And considering that nearly half a billion bushels of soybeans emerged from the 10 largest southern soy-growing states last year, the potential tonnage involved is meaningful and could prove to weigh prices during late summer before the majority of the national crop has even completed the growing season.

GROWING SHARE

While soybeans have played a prominent role in the agricultural landscape of states such as Arkansas for decades, they have had something of a renaissance of late in states like Mississippi, Louisiana and Tennessee.

Indeed, soybean sowings are projected to hit their highest level since 1990 in those three states this year, and look set to hit an all-time-high in Alabama as the relatively high price of the oilseed helps it chip acreage away from rival crops such as corn. Combined planted area across the 10 largest soybean growing states across the South – Alabama, Arkansas, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Texas and Virginia – are seen climbing to 11.9 million acres in 2014, the third highest total since 1990.

That acreage tally is up 7.2 percent from 2013’s total, and so sets the stage for a similar-sized bump in collective output, which hit a record 460.8 million bushels last year, or around 14 percent of the national crop.

FAST START

In addition to planting more area to the crop, many southern growers have also planted the crop at a faster pace than usual, with planting progress in most southern states well ahead of last year’s pace and 42 percent complete in Arkansas, 55 percent complete in Mississippi and 78 percent compete in Louisiana.

Considering that the national total is only 20 percent complete and likely to be stalled for the near term due to widespread wetness across the Midwest, this marks a quite a gap between southern growers and the rest of the country.

What's more, due to the relatively warmer temperatures projected across the south compared with the Midwest, soy crop developments is expected to advance at a faster pace than farther north, which should further enable growers to bring their supplies to market ahead of the rest of the pack.

And this does not take into account any short-season varieties that may have been planted in the region designed to bring harvest dates forward even further.

All told, close to 500 million bushels could well emerge from these southern growers this year, which represents more than 50 days of total U.S. use and so could weigh on domestic prices once they hit the market.

What's more, those growers would well seek to hedge that production in the futures market ahead of then, and so could in fact generate some sales pressure in old-crop contracts advance of harvest. Both the August and September futures contracts 0#S: have seen increases in open positions lately – ever as the benchmark July contract has lost open interest – and additional hedge positions look likely to be applied in the coming weeks once growers have a better handle on overall crop potential.

The prospect of the emergence of southern supplies some three months from now may not be enough to break the soybean price aggressively any time soon, especially with crusher inventories still historically tight.
But in conjunction with the continuing flow of imports from Canada and South America that portion of production looks set to at least partially plug any supply gap in the late summer period, and so could bring about the traditional harvest price slump sooner than usual.

Processors, Groups React as FDA Closes Comments on Partially-Hydrogenated Oils

By Dave Fusaro, Editor in Chief

Food Processing

Apr 30, 2014

While everyone seems to agree that a gradual phase-out of partially hydrogenated oils (PHOs) in foods is a good and perhaps inevitable thing, some high-profile food processors and their associations are encouraging the FDA to reconsider withdrawing generally recognized as safe (GRAS) status for the ingredient.

The FDA's November 7 "preliminary determination" that PHOs were no longer GRAS came as a surprise to some but not all. The agency followed that preliminary statement with the traditional comment period, which it extended to March 8 because of the ramifications of this issue.

Now the agency is reviewing the 1,587 comments and is expected soon to make a final determination, although there is no deadline. Most parties expect the FDA will stick with its preliminary determination, essentially meaning an eventual ban on PHOs. If that occurs, "FDA intends to provide for a compliance date that would be adequate for producers to reformulate any products as necessary and that would minimize market disruption."

Sifting through the comments, some big and important food processors wrote in opposition to the agency's stance. All said they support a gradual phase-out and are working to remove PHOs and trans fats from their own product lines. But a sudden switch to alternatives "could have unintended consequences that could raise other public health concerns, such has increased intakes of saturated fat by Americans," as the representative for Schwan Food Co. wrote.

In a 29-page letter, General Mills said: "We recognize and support efforts made by the [FDA] to reduce trans fat consumption from PHOs. However, we do not support the agency's tentative determination … as current low intakes of trans fat are safe. We urge the agency to use other effective regulatory alternatives to make continued progress and achieve FDA's goal of significantly reducing consumption of industrial produced trans fat in a timely manner."

The General Mills letter suggested two options:

- Consider revis[ing] nutrition labeling regulations to permit a declaration of 0g of trans fat only if the product contains less than 0.2g of trans fat and/or
- Establish a threshold limit of [less than] 0.2g of industrial produced trans fat per serving in foods. "We believe a threshold is appropriate for trans fat to permit manufacturers to use small levels of highly functional PHOs in certain food products because these small levels of PHOs have an overall minimal impact on total daily trans fat consumption and are safe for use in food. Replacing these small levels of PHOs would be difficult, especially for products for which there are no functional alternative to PHOs yet."

Getting back to the Schwan letter, "Over the past 10 years, Schwan has removed PHOs from all manufacturing facilities. Nearly 90 percent of the entire product portfolio no longer contains PHOs. However, a number of suppliers of minor ingredients have not been successful in finding acceptable alternatives to PHOs. To formulate out PHOs requires significant time and investment. … It will take three or more years before the food industry can reasonably find suitable, new, alternative oils."

Mark Andon, vice president of research, quality, and innovation at ConAgra, agreed with the agency's goal, but "We disagree that revoking the GRAS status of PHOs is an appropriate approach. Such an action would in essence result in the prohibition of a production process, and otherwise would place potentially thousands of food products at risk of being deemed adulterated due to the presence of an ingredient that has been safely and commonly used in food for over 50 years. Rather, we urge the FDA to explore other, less disruptive approaches to further reduce the dietary intake of trans-fatty acids, such as setting a maximum permissible amount of non-animal derived trans-fatty acids in foods irrespective of the source." ADM said instead of banning PHOs because they are a source of trans fatty acids, FDA should focus its regulatory attention on trans fatty acids themselves.

Nestlé USA, while sounding noncommittal, noted it "is on target for removing all PHOs as functional ingredients by the end of 2016 – and it is likely we will meet this goal in 2015." And it is doing so "with little to no increase in saturated fat levels."

Private citizen comments appeared to be 100 percent in favor of a ban. As expected, so were comments directly from and forwarded by groups such as Center for Science in the Public Interest.

Public health groups, such as the National Assn. of County and City Health Officials (NACCHO), also supported the FDA's determination. "NACCHO applauds the FDA for its preliminary determination that PHOs are no longer generally recognized as safe. NACCHO urges the FDA to act expeditiously to eliminate them from the nation's food supply."

Trade associations and individual vendors who supply alternatives to PHOs also support a ban. "The U.S. sunflower industry offers immediate solutions to partially hydrogenated (PH) oils," wrote the National Sunflower Assn. About the same came from the U.S. Canola Assn. And from IOI Loders Croklaan, a supplier of palm oils: "There is no reason to continue to use PHOs in food products, as there already exists in all cases alternative fats and oils which provide similar functionality at similar cost in bakery, snack food and confectionery applications."

But the American Soybean Assn. said removal of GRAS status would result in significant hardship to soybean farmers. It would "decrease U.S. soybean farmer incomes by approximately $1.6 billion per year."

"We are particularly concerned about this financial hardship on our member companies, including many who are small businesses, when the agency approach is not supported by the underlying science," wrote the Independent Bakers Assn.

Associations representing the broader food industry opposed the FDA. The Grocery Manufacturers Assn. painted a doomsday scenario:

"This sudden and dramatic change in regulatory status could lead to a significant disruption of the food supply, as thousands of food products could be deemed adulterated by FDA and unable to proceed in interstate commerce. The resulting adverse economic consequences would be severe, and would be felt at all points in the chain of food manufacture and distribution. Consumers would be unjustifiably denied access to products such as baked goods, pastries, confectionaries, some flavors, seasonings and many other products.

"We believe the agency should take great care as it considers final action and reexamine the agency's legal and scientific rationale, analysis of costs and benefits, and the numerous issues on which the agency requested comment," GMA continued. "FDA's analysis of available scientific data is inadequate and therefore does not support its conclusion and tentative determination."

FMI asked some questions. "PHOs have been in the food supply for decades and while we agree that consumption should be reduced to minimum levels … the current intake of all trans fat in the diet is one gram per day. How much of that one gram is from PHOs? Is that one gram physiological harmful? What will that one gram be replaced with if PHOs become food additives and disappear from the U.S. food supply?"

And FMI ended with, "We encourage FDA to obtain information on the fats and oils likely to replace PHOs in the food supply and evaluate the public health impact of those compounds." Probably a good idea.

Private Exporters Report Sales Activity for Unknown Destinations and China
WASHINGTON, May 16, 2014--Private exporters reported to the U.S. Department of Agriculture the following activity:

--Export sales of 180,000 metric tons of soybeans to unknown destinations during the 2014/2015 marketing

year; and

--Export sales of 40,000 metric tons of soybean oil to China during the 2013/2014 marketing year.

The marketing year for soybeans began Sept. 1 and soybean oil began Oct. 1.

USDA issues both daily and weekly export sales reports to the public. Exporters are required to report to USDA any export sales activity of 100,000 tons or more of one commodity, made in one day or quantities totaling 200,000 tons or more in any reporting period, except 20,000 tons for soybean oil, made in one day to one destination or quantities totaling 40,000 tons or more in any reporting period, by 3p.m. Eastern time on the next business day following the sale. Export sales of less than these quantities must be reported to USDA on a weekly basis.