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

August 18, 2014

Articles in This Edition

U.S. Soy Export Sales Highlights

This summary is based on reports from exporters for the period August 1-7, 2014.

Soybeans: Net sales of 61,400 MT for 2013/2014 were down 35 percent from the previous week and 55 percent from the prior 4-week average. Increases were reported for China (61,100 MT, including 58,000 MT switched from unknown destinations), Taiwan (18,200 MT), Indonesia (17,000 MT), and Venezuela (12,000 MT, switched from unknown destinations). Decreases were reported for unknown destinations (70,000 MT) and Japan (12,100 MT). Net sales of 1,081,800 MT for 2014/2015 were primarily for China (640,000 MT), unknown destinations (293,500 MT), and Taiwan (115,000 MT). Exports of 146,900 MT were up noticeably percent from the previous week and 41 percent from the prior 4-week average. The primary destinations were China (60,100 MT), Mexico (27,500 MT), Japan (25,000 MT), and Venezuela (12,000 MT).

Optional Origin Sales: For 2013/2014, outstanding optional origin sales total 110,500 MT, all China. For 2014/2015, new optional origin sales were reported to China (60,000 MT). Options were exercised to export 55,500 MT to China from other than the United States. Outstanding optional origin sales total 902,500 MT, and are for China (737,500 MT), Egypt (120,000 MT), and Mexico (45,000 MT).

Soybean Cake and Meal: Net sales reductions of 31,700 MT for 2013/2014--a marketing-year low--resulted as increases for Spain (40,000 MT, switched from unknown destinations), Canada (19,100 MT), the Dominican Republic (11,000 MT), Sri Lanka (6,200 MT), and Vietnam (6,100 MT), were more than offset by decreases for Ireland (86,000 MT), unknown destinations (40,000 MT), and Guatemala (5,000 MT). Net sales of 151,800 MT for 2014/2015 were reported primarily for Mexico (76,900 MT), the Philippines (50,000 MT), and Indonesia (45,000 MT). Decreases were reported for unknown destinations (26,000 MT) and Vietnam (300 MT). Exports of 136,000 MT were up 69 percent from the previous week and 27 percent from the prior 4-week average. The primary destinations were Mexico (38,700 MT), Venezuela (21,500 MT), Guatemala (18,900 MT), Canada (18,800 MT), and Morocco (18,800 MT).

Soybean Oil: Net sales reductions of 4,700 MT for 2013/2014 were down noticeably from the previous week and from the prior 4-week average. Increases reported for Canada (5,500 MT) and Nicaragua (700 MT), were more than offset by decreases for Chile (6,200 MT), Mexico (2,400 MT), and the Dominican Republic (2,200 MT). Net sales of 6,700 MT for 2014/2015 were reported for Guatemala. Exports of 6,500 MT were down 47 percent from the previous week and 71 percent from the prior 4-week average. The primary destinations were Canada (4,300 MT), Mexico (1,300 MT), and Nicaragua (700 MT).

El Nino Signs Re-Emerge as Weakening Trade Winds Warm Pacific

By Phoebe Sedgman

Aug. 12 (Bloomberg) -- The Pacific Ocean has shown renewed signs of a developing El Nino weather pattern, which brings drought to Asia and heavy rains in South America, after trade winds weakened, according to Australia's weather forecaster.

The chance of the event this year is at least 50 percent, with five of eight climate models suggesting the pattern is likely during the spring, which starts in September, the Bureau of Meteorology said in an update on its website today. If the phenomenon was to occur, it is unlikely to be strong, it said.

The bureau maintained a watch for the weather pattern.

El Ninos can roil agricultural markets as farmers contend with drought or too much rain. Palm oil, cocoa, coffee and sugar are among crops most at risk, according to Goldman Sachs Group Inc. The U.S. last week lowered the odds of the pattern developing this year and forecast that the event will be weak.

"Some warming has occurred in the central and eastern equatorial Pacific Ocean in the recent fortnight, due to a weakening of the trade winds," the Melbourne-based forecaster said. "If the trade winds remain weak, more warming towards El Nino thresholds is possible."

The odds of the pattern fell to about 65 percent during the Northern Hemisphere fall and early winter, the U.S. Climate Prediction Center said Aug. 7. Last month, the probability was almost 80 percent. The chances of the phenomenon occurring this autumn and winter are lower than earlier projections, the Japan Meteorological Agency said yesterday.

Weak Event

The approximate 30-day Southern Oscillation Index to Aug. 10, which indicates the development and intensity of El Nino or La Nina events, was minus 5.2, according to Australia's weather bureau. Sustained negative values below minus 8 may indicate an El Nino event, according to the bureau.

The pattern will probably develop as a weak event in late summer or early fall, according to MDA Weather Services. Commodity Weather Group LLC said last month that it may be delayed for several months as Pacific Ocean warming slows.

El Ninos, caused by periodic warmings of the tropical Pacific, occur every two to seven years and are associated with warmer-than-average years. The last El Nino was from 2009 to 2010, and the Pacific has either been in its cooler state, called La Nina, or neutral since then.

More Than 100 Grain Cargo Ships Held Up in Argentina by Strike

BUENOS AIRES, Aug 11 (Reuters) - A wage strike by Argentine tugboat captains forced more than 100 grains ships to drop anchor along the Parana River on Monday, preventing the loading of freshly harvested corn and soy, a local industry official said.

The work stoppage affected grains terminals in Timbues, Puerto General San Martín and San Lorenzo, all just north of Argentina's main port of Rosario, said Guillermo Wade, president of the country's Port and Maritime Activities Chamber.

"We are very concerned," Wade told Reuters, referring to the backup of cargo ships waiting to take on corn, soy and related products at the end of harvesting for the 2013/14 crop year.

Argentina is a major exporter of corn and the No. 1 supplier of soymeal livestock feed used around the world.

Tug captains, needed to guide cargo ships into port, walked off the job on Saturday to press for a hike in wages that would offset the South American country's high inflation rate.

Private economists say the rate may exceed 30 percent in 2014, compared with about 25 percent last year.

Official data released last month showed inflation slowed for a fifth consecutive month in June, but still stood at 15 percent since the start of the year, one of the highest rates in the world.

Farmers on the Argentine Pampas were expected to harvest 54 million tonnes of soybean this year and 26 million tonnes of corn, according to the U.S. Department of Agriculture.

The Argentine government sees a soy take of 53 million tonnes this year and a 33-million-tonne corn harvest.

USDA Soybean Yield and Production Forecast by State

Soybeans for Beans Area Harvested, Yield, and Production - States and United States: 2013

and Forecasted August 1, 2014

	Area harvested	Yield per acre	Production

State	2013	2014	2013	2014	2013	2014
	--- 1,000 acres --		---- bushels ---		--- 1,000 bushels ---	
Alabama	425	500	43.0	41.0	18,275	20,500
Arkansas	3,230	3,350	43.5	46.0	140,505	154,100
Delaware	163	183	40.0	42.0	6,520	7,686
Georgia	225	270	40.0	37.0	9,000	9,990
Illinois	9,420	10,050	49.0	54.0	461,580	542,700
Indiana	5,190	5,490	51.0	51.0	264,690	279,990
Iowa	9,240	10,040	44.5	50.0	411,180	502,000
Kansas	3,540	4,190	36.0	36.0	127,440	150,840
Kentucky	1,640	1,690	49.5	40.0	81,180	67,600
Louisiana	1,110	1,440	48.0	50.0	53,280	72,000
Maryland	475	495	39.0	44.0	18,525	21,780
Michigan	1,890	2,290	44.0	44.0	83,160	100,760
Minnesota	6,620	7,420	41.0	42.0	271,420	311,640
Mississippi	1,990	2,220	45.0	48.0	89,550	106,560
Missouri	5,550	5,650	35.5	44.0	197,025	248,600
Nebraska	4,760	5,350	53.0	52.0	252,280	278,200
New Jersey	87	93	39.0	40.0	3,393	3,720
New York	278	397	48.0	49.0	13,344	19,453

North Carolina .....:	1,420	1,670	33.0	37.0	46,860	61,790
North Dakota .....:	4,620	5,950	30.0	32.0	138,600	190,400
:						
Ohio .....:	4,430	4,940	49.0	49.0	217,070	242,060
Oklahoma .....:	335	295	30.0	31.0	10,050	9,145
Pennsylvania .....:	535	600	49.0	49.0	26,215	29,400
South Carolina .....:	310	440	28.0	29.0	8,680	12,760
South Dakota .....:	4,580	4,910	40.0	40.0	183,200	196,400
Tennessee .....:	1,520	1,580	46.0	44.0	69,920	69,520
Texas .....:	95	125	25.0	27.0	2,375	3,375
Virginia .....:	590	590	38.0	40.0	22,420	23,600
Wisconsin .....:	1,550	1,780	38.0	43.0	58,900	76,540
:						
Other States 1/ ....:	51	60	43.1	42.8	2,196	2,570
:						
United States .....:	75,869	84,058	43.3	45.4	3,288,833	3,815,679

1/ Other States include Florida and West Virginia. Individual State level estimates will be published in the "Crop Production 2014 Summary."

USDA Oilseed Narrative From August Supply and Distribution Report

OILSEEDS: U.S. oilseed production for 2014/15 is projected at 113.7 million tons, up 0.6 million from last month mainly due to a higher soybean production forecast. Soybean production for 2014/15 is forecast at 3,816 million bushels, up 16 million due to a higher yield. Harvested area is forecast at 84.1 million acres, unchanged from July. The first

survey-based soybean yield forecast is a record 45.4 bushels per acre, 0.2 bushels above last month and 2.1 bushels above last year.

Soybean supplies for 2014/15 are projected slightly above last month based on the higher production forecast. With minimal supply gains, soybean exports and crush are unchanged, leaving ending stocks projected at 430 million bushels.

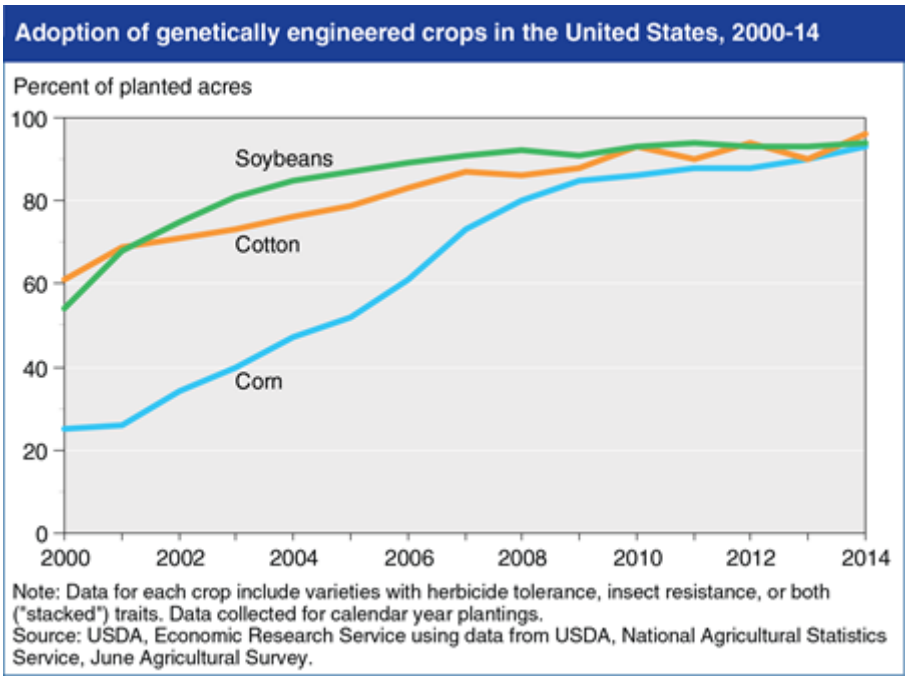
The U.S. season-average soybean price for 2014/15 is forecast at $9.35 to $11.35 per bushel, down 15 cents on both ends. Soybean meal and oil prices are forecast at $340 to $380, down 10 dollars at the midpoint. Soybean oil prices are forecast at 35 to 39 cents per pound, down 1 cent at the midpoint.

U.S. soybean balance sheet changes for 2013/14 include reduced imports and increased exports. Imports are lowered 5 million bushels to 80 million based in part on revised import data for September – December 2013 from the U.S. Department of Commerce. Exports are raised 20 million bushels to 1,640 million reflecting both revised export data for September through December 2013 from the Department of Commerce and inspections data for July 2014. These changes are offset with lower residual use, leaving ending stocks unchanged at 140 million bushels. With these changes, the 2013/14 soybean stocks-to-use ratio is projected at 4.2 percent, which if realized would be the lowest in more than 40 years.

Global oilseed production for 2014/15 is projected at 521.8 million tons, slightly below last month. Gains for rapeseed and cottonseed are more than offset by reductions for soybeans, sunflowerseed, and peanuts. Higher soybean production for the United States is offset by a reduction for India where the delayed monsoon results in lower planted area. Rapeseed production is raised for China, EU, and Ukraine. These gains are partly offset by a smaller crop projected for Canada with lower area resulting from flooding in parts of Saskatchewan and Manitoba. Other changes include lower sunflowerseed production for Russia, reduced peanut production for China, and increased cottonseed production for India.

How GMO Crops Conquered the United States

by Brad Plumer on August 12, 2014



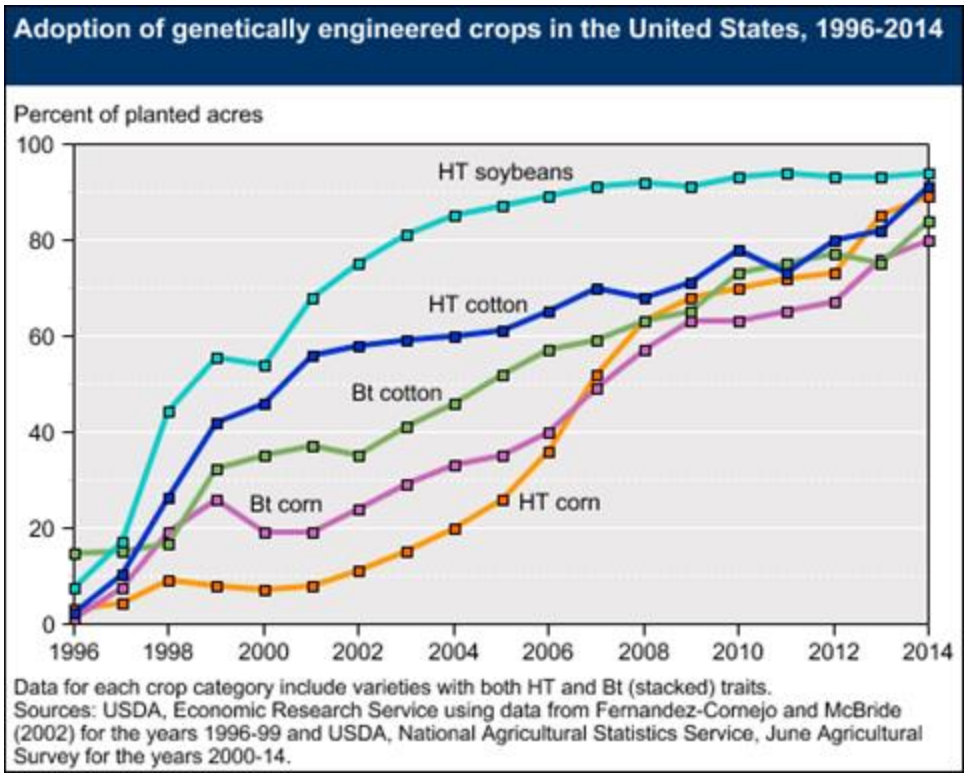
US Department of Agriculture

In 2014, GMO crops made up 94 percent of US soybean acreage, 93 percent of all corn planted, and 96 percent of all cotton.

That's a big leap even from the previous year (when the figures were 93 percent of soy, 90 percent of corn, and 90 percent of cotton).

It's also worth adding that 95 percent of sugar beets in the United States are now genetically engineered to be herbicide tolerant — an event that took just three years after they were first introduced in 2008. Roughly 55 percent of US sugar production comes from sugar beets. There are a number of other GMO crops in the US — including canola, alfafa, papaya, and squash — but the ones above are the big ones.

2) Herbicide tolerance and insect tolerance are the most popular traits



US Department of Agriculture

So how did GMOs become so popular? Mainly because of two traits — herbicide tolerance (HT) and insect tolerance (BT):

Herbicide tolerance: Crops that are engineered to be resistant to herbicides have become particularly widespread in the last decade — in part because they make it easier for farmers to kill weeds without damaging crops. (Since 1996, Monsanto has sold both Roundup herbicide and plants that are engineered to be resistant to Roundup.) Herbicide tolerance has become widespread in the last decade

The USDA has noted that herbicide-tolerance technology doesn't appear to boost crop yields significantly or increase profitability. But it *does* seem to save time and make weed management easier — by, for instance, allowing farmers only to use a single herbicide — which likely explains why it continues to be so popular.

Critics of HT technology argue that this has led farmers to use more herbicides and raises the risk of creating herbicide-resistant weeds. (Some scientists also think that heavy spraying of herbicides has killed off milkweed in the Midwest, leading to the decline of monarch butterfly populations.)

Proponents often retort that farmers are now using a less-toxic herbicide (glyphosate) than they were using before, which is safer for workers — and that herbicide-resistance was a problem with older, conventional crops too. But throughout this debate, herbicide-tolerant crops have continued to soar in popularity in the United States.

Insect tolerance: Meanwhile, the vast majority of US corn and cotton are now engineered to carry a gene from the soil bacterium Bacillus thuringiensis (Bt), which is toxic to insects and protects the plants from pests.

How useful is this? The Department of Agriculture notes that Bt technology doesn't necessarily increase the maximum yields of plants. But it *can* help farmers limit their losses to pests — and studies have found that the technology boosts profitability. Bt technology also appears to have led to a reduction in insecticide use over time.

One downside? There's a some evidence that over-planting of Bt corn in some regions is leading to the rise of pesticide-resistant insects.

The USDA notes that use of insect-tolerant crops has fluctuated over time — a lot depends on what pests are prevalent in the United States in a given year. In the early days, Bt corn mostly protected against a moth known as the European corn borer. In recent years, new varieties have been introduced to protect against corn earworm and corn rootworm — and adoption has soared. Meanwhile, insects haven't yet posed a major problem for soybeans, so there's not a lot of demand for Bt soy, at least so far.

(The other big GMO crops being commercially grown in the United States are herbicide-tolerant canola, herbicide-tolerant sugar beets, herbicide-tolerant alfalfa, virus-resistant papaya, and virus-resistant squash.)

3) Up to 70% of processed foods in the US now contain GMO ingredients

There are a few other GMO crops in the United States — particularly canola, alfafa, papaya, and squash — but corn, soy, and sugar beets are the big ones.

Most processed foods contain ingredients like corn syrup or soy lecithin

As a result, an estimated 60 to 70 percent of processed foods in US grocery stores contain at least *some* GMO ingredients like high-fructose corn syrup or soy lecithin. About half the sugar consumed in the United States is also GMO. On top of that, companies have used genetic engineering to create certain enzymes and hormones for **cheese** and milk production.

The fact that genetically engineered corn and soy are so widespread has also made it difficult for companies to avoid them. Annie Gasparro of *The Wall Street Journal* recently wrote about how Ben & Jerry's was trying to avoid GMOs entirely in response to consumer pressure. One problem? The vast majority of feed for dairy cows in the United States is made with GMO corn, soy, or alfafa — so the company is having a hard time finding "GMO-free" milk.

(By the way, it's worth reiterating that there's no good scientific evidence that GMO crops are particularly harmful to your health, although they remain unpopular in many corners for a variety of reasons.)

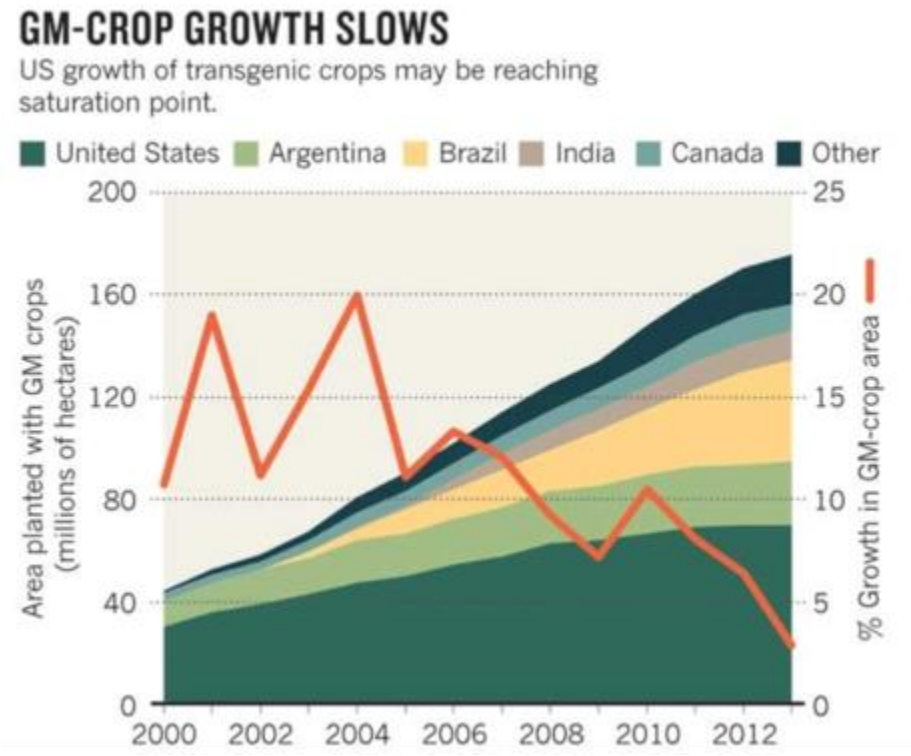
4) Worldwide, about 12% of farmland is devoted to GMOs

The Department of Agriculture doesn't keep tabs on genetically modified crops grown worldwide, but the International Service for the Acquisition of of Agri-Biotech Applications does.

Globally, GMOs were planted on 175 million hectares in 2013 — or roughly 12 percent of global farmland. That's up one-hundred-fold from two decades ago. And GM crops are now planted in 27 countries.

5) But GM crop growth may be slowing

The map above is a little simplistic, however. The vast majority of GM crops are grown in just five countries: the United States, Argentina, Brazil, Canada, and India. And as the chart below from *Nature* shows, growth seems to be slowing. One reason is saturation. Virtually all corn and soy and cotton in the United States is now genetically engineered.



(**Nature**)

China Soy Imports to Hit Record in 2013/14 -Think Tank

BEIJING, Aug 13 (Reuters) - Soy imports by China, the world's top buyer, will surge 17 percent in the year ending September to a record of over 70 million tonnes, according to a forecast by an official think-tank issued on Wednesday.

Appetite for soy has been growing as the world's second-largest economy expands, with farmers feeding products made from the grain to pigs and chickens.

The forecast by the China National Grain and Oils Information Centre (CNGOIC) is higher than an estimate of 69 million tonnes by the U.S. Department of Agriculture (USDA) for the current year.

"The large increase in imports is being driven by sustainably strong domestic demand. Crushing capacity and volumes have been increasing constantly," the centre said in a report.

The use of soy imports as collateral in financing deals has also boosted shipments, it said.

Beijing's stockpiling of domestic soybeans has kept local soy prices high above imported prices, leading more inland crushers to shift to cheap imports.

A large volume of cheap imported soy has also been used in food processing, said the centre. It did not elaborate.

Beijing is set to scrap soy stockpiling in 2014, however.

NOT SO FAST

Import growth is likely to slow in 2014/15, with total shipments seen up 4 percent at 73 million tonnes, the centre said. That is in line with USDA forecasts.

"Imports next year will slow down as the market has to digest large stocks after excessive imports in the current year. Domestic soy supply will be ample next year," said an analyst with the centre.

China's soy imports from August onwards are likely to fall. Imports in August are seen at about 6.2 million tonnes, down from a record monthly import of 7.47 million tonnes in July, it said.

Beijing has been releasing its state soy reserves to the market since May.

US Soybean Yields Have More Upside Risk Than Corn: Maguire

By Gavin Maguire

CHICAGO Aug 14 (Reuters) - The latest crop yield updates from the U.S. Department of Agriculture came in largely in line with analyst expectations, and confirmed that American growers are on course to haul in record-large harvests of both corn and soybeans this fall.

But while USDA surveyors saw fit to confirm that corn yields are likely to score a record across a slew of key growing areas thanks to friendly growing conditions so far this season, they held off from lifting soybean yields to similar heights due to the fact that weather conditions through the remainder of August still have a major role to play in determining productive potential.

However, this somewhat restrained approach to projecting U.S. soybean yields thus far means that there is potentially greater risk of an upward revision to soybean yields than corn yields in upcoming crop reports. This in turn means that bearish pressure may build in the soybean market at a faster pace than in corn at the tail end of the growing season, and encourage a pick-up in long corn/short soybean positioning by traders.

SLOW GOING

USDA forecasters took a fairly conservative approach to adjusting yield projections for both corn and soybeans in the August crop report, with the government's projections coming in below the average estimate of industry analysts by nearly 2.7 bushels an acre in corn and 0.18 bushels an acre for soybeans. The chief reason for this undershoot in yield estimates is that the data used by USDA to formulate its assessments were as of August 1, and so still ahead of the final phases of the growing season when a large proportion of critical crop development is set to occur.

Nonetheless, the USDA saw fit to lift its national corn yield projection by more than 2 bushels an acre from its previous estimate, and by more than 2.7 bushels an acre above the previous all-time high – and so clearly view the 2014 corn crop as being in a very healthy state. This was particularly evident in the top growing states of Iowa, Illinois and Indiana, where corn yield projections handily surpassed the previous record and helped justify the confidence in the national yield record.

CAUTIOUS BUT CONFIDENT

The USDA took a more cautious approach to its soybean yield projection because a greater portion of the soybean growing season is still ahead relative to corn, and so weather conditions over the month of August can have a larger impact on soy yields than corn yields.

Still, as it stands the August soybean yield estimate would mark a new record, and so the USDA clearly has been impressed by the state of the crop even before it has finished growing. Yet across the top growing states only Illinois is so far expected to register a record yield in 2014, with all other major states projected to average slightly below record yields. With such an important amount of production still to unfold in those crops, the

cautiously confident approach to yield projections was sensible and widely predicted by the marketplace.

Yet the very fact that soybean yields across most of the top growing regions have upside room does pose a risk to soybean market prices, especially in the immediate wake of any such upward revision by the USDA.

CORN/SOY TRADES ALREADY UNDERWAY

The next crop report is due September 11, by which point USDA crop assessors should be able to project the soy crop's overall potential with greater confidence. And if weather conditions remain broadly non-threatening until that point, USDA will likely feel inclined to boost yields across many areas in that assessment.

If at the same time the USDA opts to hold corn yields flat, or raise them by a lesser degree, price pressure could well build aggressively in the soybean market relative to corn, and set the stage for corn prices to outperform soybean prices for a spell. Corn prices have already outperformed soybean prices in recent sessions, with the December corn - November soybean spread rallying from negative $7 a bushel just before the latest report to roughly negative $6.77.

But even after that modest gain corn prices remain at their largest ever discount to new crop soybeans for this time of year. What's more, corn prices have shown a tendency to advance on soybeans during the month of September, having narrowed the new crop corn-soybean spread from early to late September in four of the past five years.

This means that even though corn has gained on soybeans already in recent days, a much greater contraction in the price spread between those two commodities could well unfold over the coming month.

USDA Shows "Prevented Plantings" of U.S. Corn at 1.5 Million Acres, 0.827 Million Acres of Soybeans

WASHINGTON, Aug 15 (Reuters) - Farmers who participated in U.S. crop subsidy programs reported "prevented plantings" for 2014 of 1.541 million acres of corn and 827,131 acres of soybeans, much lower than a year ago, the Department of Agriculture said on Friday.

Producers enrolled in subsidy programs for 2014 reported plantings, including failed acres, of 83.322 million of corn and 79.249 million of soybeans.

Producers who enroll in several Farm Services Agency programs must submit to the USDA an annual report regarding all cropland use on their farms. The USDA uses the information

as an element in its crop estimates, which cover all farms, not just those that participate in the farm program.

In 2013, for example, farmers reported 3.1 percent fewer corn acres under the subsidy umbrella than the USDA's acreage estimate at the end of the crop year. In some years the discrepancy can be much larger.

The next prevented plantings data will be released by USDA on Sept. 16.

Following are comparisons of farmer-reported plantings in August and the USDA's June estimate, based on a survey of farms:

U.S. corn and soybean plantings
Prevented planting
(thousands of acres)

Crop	June 30	Aug 15
Corn	N/A	1,541
Soybeans	N/A	827
Wheat	N/A	1,360

U.S. corn and soybean plantings
Plantings
(thousands of acres)

Crop	June 30	Aug 15
Corn	91,641	83,322
Soybeans	84,939	79,249
Wheat	56,474	52,569