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

April 27, 2015

Articles in This Edition

Export Sales Highlights

This summary is based on reports from exporters for the period April 10-16, 2015.

Soybeans: Net sales of 102,100 MT for 2014/2015 were down 67 percent from the previous week and 29 percent from the prior 4-week average. Increases were reported for China (32,300 MT, including 30,000 MT switched from Vietnam), Mexico (23,500 MT), Japan (20,900 MT), Morocco (20,000 MT), Taiwan (15,300 MT, including 15,000 MT switched from unknown destinations and decreases of 1,500 MT), and Indonesia (11,200 MT, including 10,000 MT switched from unknown destinations). Decreases were reported for Vietnam (37,000 MT), unknown destinations (1,300 MT), and Israel (1,100 MT). Net sales of 8,100 MT for 2015/2016 were for Japan. Exports of 155,900 MT were down 72 percent from the previous week and 75 percent from the prior 4-week average. The primary destinations were Mexico (50,100 MT), China (32,900 MT), Indonesia (25,700 MT), Taiwan (19,700 MT), Thailand (7,600 MT), and Canada (6,500 MT).

Optional Origin Sales: For 2014/2015, outstanding optional origin sales total 656,000 MT, all China.

Exports for Own Account: The current exports for own account balance is 1,900 MT, all Canada..

Soybean Cake and Meal: Net sales of 107,400 MT for 2014/2015 were down 18 percent from the previous week and 30 percent from the prior 4-week average. Increases were reported for Venezuela (58,000 MT, including 42,000 MT switched from unknown destinations), Thailand (45,000 MT, switched from unknown destinations), the Dominican Republic (33,500 MT), Mexico (27,400 MT), Canada (16,200 MT), and Colombia (12,800 MT). Decreases were reported for unknown destinations (96,800 MT), Panama (11,200 MT), Vietnam (4,100 MT), and Ecuador (4,000 MT). Net sales of 22,800 MT for 2015/2016 were reported primarily for El Salvador (9,000 MT), Ecuador (9,000 MT), unknown destinations (2,400 MT), and Guatemala (1,900 MT). Exports of 171,400 MT were down 32 percent from the previous week and 40 percent from the prior 4-week average. The primary destinations were Venezuela (42,000 MT), Ecuador (38,000 MT), Mexico (22,200 MT), Colombia (17,300 MT), Canada (17,300 MT), Peru (13,300 MT), and Japan (4,700 MT).

Soybean Oil: Net sales of 4,400 MT for 2014/2015 were down 3 percent from the previous week and 70 percent from the prior 4-week average. Increases reported for Colombia (5,600 MT) and Canada (1,200 MT), were partially offset by decreases for Morocco (2,000 MT), Mexico (400 MT), and Peru (100 MT). Exports of 12,200 MT were up 45 percent from the previous week, but down 39 percent from the prior 4-week average. The primary destinations were the Dominican Republic (4,400 MT), Mexico (3,600 MT), Jamaica (3,500 MT), and Canada (500 MT).

Chinese Farmers to Grow Up to 15% Less Soy in 2015/16 -Analysts

By Niu Shuping and Dominique Patton

BEIJING, April 23 (Reuters) - Farmers in China, the world's top buyer of soybeans, could slash the amount of land they use to grow the oilseed by as much as 15 percent in 2015/16 due to uncertainty over how a new subsidy scheme will work, industry analysts said.

A sixth straight annual drop in soy acreage could boost imports by a country that already accounts for 65 percent of global traded volumes, buoying international prices 0#S: that are hovering near four-year lows on ample global supply.

"Farmers will reduce soy acreage as they so far have no idea how they will be subsidized," said Liang Yong, a Galaxy Futures analyst based in Heilongjiang, the country's top soy growing province.

Beijing scrapped a soy stockpiling program last year, and said it would subsidize farmers if domestic prices dropped below a target price of 4,800 yuan per tonne. But it is yet to reveal the size of those subsidies, even as farmers begin sowing this month with prices currently around 3,600 yuan.

Galaxy said acreage could fall by 15 percent, while initial estimates from the China National Grain and Oils Information Centre (CNGOIC) and Beijing Orient Agri-Business Consultant Co. Ltd put the drop at more than 10 percent.

Analysts said that acreage in Heilongjiang could decline as much as 30 percent in the 2015/16 marketing year, with farmers shifting to corn and rice.

Farmers can make 5,000 yuan ($806) more per hectare of corn than by growing soybeans, said Liu Min, a farmer with Sunwu Soybean Association in the far north of Heilongjiang, bordering Russia.

"Farmers here now have more choice and they are choosing to grow corn instead of soy," he said.

The U.S. Department of Agriculture has forecast China's 2014/15 soy imports at 74 million tonnes, up from 70.36 million tonnes the year before.

Soybean-Hoarding Farmers Make Argentina Pay in Peso Bond Market

By Pablo Gonzalez

(Bloomberg) -- With Argentina mired in default and plagued by a swelling deficit, the nation's record soybean harvest couldn't come at a better time.

There's just one problem: Farmers won't let the government get its hands on it.

Growers in the South American country, the world's biggest producer of the oilseed after the U.S. and Brazil, are holding onto an estimated $2 billion of soybeans on a bet the winner of presidential elections in October will devalue the peso, boosting the value of their exports. They've cut shipments by 30 percent this year versus the same period in 2014.

The move is causing soybean tax revenue to sink to an eight-year low, forcing President Cristina Fernandez de

Kirchner's government to sell debt in the local market at yields as high as 27 percent to finance a budget gap that will be the biggest since 2001. Argentina's ability to obtain financing abroad has been curtailed by U.S. courts since June, when its failure to reach a settlement with disgruntled creditors pushed it into default for the second time in 12 years.

"The government can't make the economy grow because it doesn't have dollars from farmers and can't sell debt in New York," Mariano Lamothe, the head economist at abeceb.com, said by telephone from Buenos Aires.

Bond Yields

The Treasury issued 4.7 billion pesos ($530 million) of bonds last week, including notes due March 2016 to yield 27.06 percent. That was less than a month after selling 5 billion pesos of debt in what was its first offering in a year. As part of that auction, it issued 12-month notes to yield 26.2 percent.

In its previous bond sale in pesos, the Treasury paid a 21.88 percent yield in September.

Economy Ministry spokeswoman Jesica Rey didn't respond to an e-mail seeking comment on its debt sales and soybean tax revenue.

Farmers will likely continue to hoard their soybeans for the rest of the year, which will deprive the government of

dollars, said Eduardo Hecker, a former securities regulator who now heads consultancy DEL. They're also betting a new government will cut an export tax that's as high as 35 percent and that they say makes their operations unprofitable, he said.

Farmers have harvested just a third of their estimated 58 million metric tons of soybean crops. It's a big issue because soybean export taxes support about a third of government spending.

Budget Gap

"It's clear that the farmers will delay most of their sales," Hecker said by telephone from Buenos Aires. "They'll

wait until the next administration for a better exchange rate or a cut in the tax."

Hecker projects Argentina's budget shortfall will widen to 6 percent in 2015.

Opposition presidential candidates Mauricio Macri and Sergio Massa have said they'll reduce export taxes to promote investment. Ricardo Delgado Morales, spokesman for Daniel Scioli, the candidate closest to Fernandez's government, had no immediate comment, he said in a phone interview.

Tension between Fernandez and the agriculture industry dates to at least her first term. In 2008, farmers led months of anti-government demonstrations that eventually forced Fernandez to abandon plans to increase export taxes.

"Farmers are tired of financing a government which has only sowed hate against farmers," Gabriel De Raedemaker, vice president of the Argentine Rural Confederation, said from Oliva, Cordoba province. "Waiting for a wind of change is our best investment."

Indian Monsoon Rains Seen Below Average in 2015 - Government

NEW DELHI, April 22 (Reuters) - India's monsoon rains could be below average in 2015 due to an impact of El Nino weather pattern, which can bring on a dry spell in the region, the weather office said on Wednesday.

Rains are expected to be 93 percent of a long-term average, Earth Science Minister Harsh Vardhan said, after releasing the forecast of the India Meteorological Department.

India's weather office defines average, or normal, rainfall as between 96 percent and 104 percent of a 50-year average of 89 cm for the entire four-month season.

The latest forecast raises concerns for output prospects for major summer crops such as rice, cane, soybean and cotton in the country that is a key global producer of these farm commodities.

Indian monsoon rains were hit by El Nino weather pattern in 2009, when the four-month long monsoon season turned the driest in nearly four decades.

Brazil Farm Belt Roads Blocked in New Trucker Strike

SAO PAULO, April 23 (Reuters) - Truckers in Brazil began to block roads across the country's main farm belt early on Thursday, after failing to reach common ground in negotiations in recent weeks with the government and freight companies regarding pay and fuel prices.

In early March, truckers had agreed to end a strike that choked off deliveries of food, fuel, exports and industry supplies for more than a week beginning in late February, after entering talks to secure a national scale for freight rates and a reduction in diesel prices.

Transport and logistics companies have resisted accepting set rates for freight in negotiations with truckers. The government also said it would not lower diesel prices.

Highway operator Rota do Oeste said striking truckers had blocked the movement of cargo on three roads in the main grain state of Mato Grosso, where the company is based.

Passenger cars and critical services such as police, fire and ambulances are moving normally through the blockades, with striking truckers typically parked along the shoulder of roads near towns, Rota do Oeste said.

Trucks carrying dry bulk such as soybeans, corn, fertilizer and other non-perishables risk vandalism to their vehicles if they attempt to drive by protesting truckers.

Across Brazil's center-south agricultural region, roads in other farm states including Parana and Rio Grande do Sul were also being blocked by protesting truckers.

So far, Brazil's main southern ports were not affected, they said, receiving trucks normally for unloading and loading ships with exports.

The level of participation by truckers in the new strike is still not clear but it has not approached the adherence in early March when protests choked off the flow of traffic at more than 90 points along Brazil's network of highways.

Police in Rio Grande do Sul said some trucks were pelted with rocks when they tried to break the strike line by driving around the protesting vehicles parked along the highways.

Traders and futures markets have kept cautious watch on negotiations with the truckers, assessing the risk of new disruptions to supplies of sugar, coffee, soybeans, beef and orange juice. Brazil is one of the world's largest exporters of agricultural commodities.

EU Proposes GM Opt-Out for Members, Angering Pro- and Anti-GM Camps

By Philip Blenkinsop
BRUSSELS, April 22 (Reuters) - The European Commission proposed on Wednesday a new law allowing individual EU countries to restrict or prohibit imported genetically modified crops even if they have been approved by the bloc as a whole.

The proposal covering GM crops in human food and animal feed upset trading partners, notably the United States, which wants Europe to open its doors fully to U.S. GM crops as part of a planned EU-U.S. free trade deal.

U.S. Trade Representative Michael Froman expressed his disappointment, saying it appeared to divide the European Union into 28 separate markets for certain products.

"Proposing this kind of trade-restrictive action is not constructive." he said in a statement.

The proposal has also drawn criticism from environmental groups, who fear the new rules do not provide the legal grounds for national governments to opt out, opening them up to legal challenges from biotech companies or the United States.

The Commission said member states that opted out would have to justify their decision to do so without referring to health or environmental issues already assessed at EU level.

The new law would mirror legislation signed last month by the European parliament covering the cultivation of GM crops in the European Union, giving member states a similar opt-out right.

Widely grown in the Americas and Asia, GM crops have divided opinion in Europe. Britain is broadly in favour of them, while France is among the countries that opposes them.

Only one GM crop is currently grown in Europe: Monsanto's maize MON810 in Spain and Portugal.

However, there are 58 GM crops approved for use in feed and food in the European Union, the Commission said.

In practice, there are hardly any GM products on sale for human consumption, but some 60 percent of the EU's needs of vegetable proteins for cattle are met by imported soy and soymeal from countries where GM cultivation is widespread.

The biotech industry and the United States have repeatedly complained that while there is a clear process for approving GM products in Europe, it appears to be blocked.

Industry group EuropaBio says the Commission has not cleared any crops since November 2013. There are 59 crops pending approval, with 17 awaiting a final decision from the Commission after clearing checks by the European Food Safety Authority.

The King of Soya Focuses on a High-Tech Vision of Farming in Argentina

Argentina's "king of soya" wears his crown reluctantly. Gustavo Grobocopatel winces at the mention of his nickname, dismissing it as just the result of people "putting a face" on a story — in this case, Argentina's remarkable rebound from its economic collapse in 2001, powered by its booming soya industry.

"I'm not the only one who was doing what I was doing, I didn't invent anything. It's unfair the position I occupy," says one of Argentina's most influential business leaders and a pioneer of its soya industry, which took off in the 1990s to become the third-biggest exporter of the beans in the world after Brazil and the US, and the top exporter of soybean oil.

In reality, Mr. Grobocopatel is anything but regal. The jovial, bulky 53-year-old, who moonlights as the singer of a folk music trio, meets the Financial Times in the trendy waterfront district of Puerto Madero in Buenos Aires wearing a short-sleeved shirt tucked into his shorts.

His bearded, ruddy cheeks betray his rural origins: he was born into a family of "Jewish gauchos" in the fertile plains of the Pampas some 200 miles outside the capital city. His great-grandfather, who lived in what is now Moldova, joined the wave of immigration to Argentina in the early 20th century when it was one of the most prosperous countries in the world.

Despite his success — Mr. Grobocopatel's innovative management practices are the subject of business school studies, including Harvard — he remains down to earth. He recalls that his own studies were not at all promising: "When I graduated as an agricultural engineer I was told I had no future, but it turned out to be a blessing."

Indeed, Mr. Grobocopatel was able to apply his knowledge to Los Grobo, the family business which his father Adolfo founded in 1984, the same year he graduated. The young Gustavo suggested planting soya and set about modernizing the company. Before long they were among the first in Argentina to adopt the most advanced techniques being pioneered in the US, such as no-till farming and transgenic seeds, and so revolutionized productivity.

Within three decades, he had transformed the company from a small-time family business with scarcely a thousand hectares of agricultural land to an international operation, which remains privately owned, farming up to 350,000 hectares with revenues of more than $1bn. It had become one of Latin America's largest producers of grains, also including wheat and maize.

Lately, though, the "king of soya" has been accused of abdicating his throne. Los Grobo has been gradually cutting back its grains production, after making a "tactical, not strategic" exit from Brazil, and today farms 50,000 hectares in Argentina, compared with 120,000 hectares three years ago. That is partly because farmers' profits in Argentina have been obliterated by taxes and trade restrictions implemented by the government of President Cristina Fernández, as well as runaway inflation, while commodity prices have tumbled.

©Javier Pierini

But a more market-friendly administration is expected to take power after presidential elections in October, and Mr. Grobocopatel bats away fears of the end of the commodity boom.

"Price is not synonymous with boom," he says confidently. "Every day there is greater demand for grains. What happens is that there are temporary decouplings which make prices rise or fall, but for me the boom continues."

As optimistic as ever about the prospects for Argentina's powerful and advanced agricultural sector, Mr. Grobocopatel says he is simply preparing for the future. Arguing that technology will become more central to agriculture, he says Los Grobo is shifting its focus from growing soya to providing services, especially biotechnology and precision planting.

"We are just at the beginning of technological changes of great magnitude," assures Mr. Grobocopatel.

He is convinced that Argentina's vibrant and entrepreneurial farming sector is perfectly positioned to be at the vanguard of a "new green industrial revolution", as developments in 3D printing, nanotechnology, robotics, communications and artificial life converge. More traditional farming powerhouses like the U.S. are too protected and inflexible, he says, while European farmers are "so subsidized that they are almost like gardeners; it doesn't matter if they produce more or less".

Leaning across the table, eyes narrowing, Mr. Grobocopatel then launches into an impassioned speech on his vision of the future of farming, in which he believes we are going to have to think of plants as factories, which can produce energy, bioplastics, enzymes, even molecules. "A plant is a factory without a chimney, it doesn't emit carbon dioxide but it consumes it; it is a factory that uses the light of the sun, or renewable energy; it is a factory which is in the countryside, reversing migration to cities back to the countryside; it is a clean factory that resolves problems of food security, the environment, geopolitics and rural poverty."

With that in mind, Mr. Grobocopatel is preparing to launch a precision planting project called Frontec, a joint venture with a state-owned satellite company. By using satellite imagery to determine soil quality and yields, he thinks he can help farmers boost their operating profit about 30 per cent by optimizing the density of seeds planted, and the amount of fertilizer used.

He thinks it will revolutionize agriculture: "This technology is to agriculture what the microscope was to medicine."

Los Grobo's diversification has been enabled by its flexible business model, renting much of the land it farms and outsourcing labor and machinery. Although agricultural land in Latin America has been one of the hottest hedge fund and private equity plays in recent years, Mr. Grobocopatel says this strategy has helped his company to adapt to the diverse risks it faces, from the climate, to politics and prices.

And in the long term, he believes that the technological expertise in which he is investing is going to be worth more than land anyway.

"The difference between rich and poor is not going to be determined by capital but by knowledge, and the flow of that knowledge," he says. "The closer you are to the technological and knowledge revolution, the greater your ability to capture value . . . and I believe that sooner or later the market will copy that."

Revered by peers in Argentina as a kind of philosopher-farmer, Gustavo Grobocopatel has caught the eye of business schools around the world.

David Bell, a professor of agriculture and business at Harvard Business School, says there is "tremendous potential" to make farming more efficient, and is one of several academics to have chosen Los Grobo as an example to follow.

"Gustavo is doing interesting things. Farming is a slow-changing industry, and he is a fast-changing guy," says Professor Bell, author of a case study called "Los Grobo: Farming's Future?".

Los Grobo does more than just work the land. With a huge network of third-party providers making the company uniquely asset-light, it spans a broad range of functions, including logistics, risk management, financing and technology transfer. Instead of investing in land or machinery, Los Grobo reinvested most of its profits into human resources and IT.

"Gustavo's father believes that owning land is the secret to success, but Gustavo says that there are two ways to skin a cat," says Prof Bell. "One is owning land; the other is knowing how to use it."

Cargill Seeking Poultry Play, Building Palm Oil Mills In Indonesia

Minnesota-based company is also considering entering aquaculture for the first time

Ben Otto

The Wall Street Journal

April 20, 2015

JAKARTA, Indonesia—Cargill Inc. is seeking to enter the Indonesian poultry sector and is investing in mills for its growing palm oil business there, part of its plans to pour $1 billion into Southeast Asia's largest economy in the coming years.

The Minnesota-based company is "in active discussions" to enter the poultry sector in Indonesia, which will include building a new facility and likely partnering, Alan Willits, Cargill chairman for Asia-Pacific, said in an interview.

"We'll most likely partner with someone that is an integrated poultry producer, and we'll do the value-added piece, the same thing we do in Thailand and China," Mr. Willits said on the sidelines of a World Economic Forum event in Jakarta.

He said Minnesota-based Cargill, one of the world's largest privately held companies, is also building mills to follow investments it made earlier this year in palm oil. He declined to specify the amount of that earlier investment, but said it was "very significant" and part of efforts to reach "critical mass" in the Indonesian palm oil sector, the world's largest.

Last year, Cargill announced plans to invest $1 billion in Indonesia in various sectors over the next three to four years. In the four years before that, the company invested $700 million, including $120 million in a cocoa processing plant, its first in Asia, to meet growing demand across the region.

The company is now looking to grow its sweetener and starch business, Mr. Willits said, and is currently building a $70 million factory in West Java that will produce sweeteners for infant formula for domestic and regional sales.

He also said the company is "very interested" in entering aquaculture in Asia, something it has yet to do anywhere else. "We'll most likely buy a global company that" could have a presence in Indonesia, he said.

Mr. Willits said Indonesia remains a good long-term bet despite weaker economic growth, with five million people joining the consuming class every year and raising demand for meats and safer food.

He said the investment climate appears to be improving under new President Joko Widodo, with the current government "saying all the right things."

Still, new rules to limit foreign ownership plantations to minority stakes, currently under legislative discussion, “would dramatically change our appetite for investing in plantations.”

He also said the company could consider investing hundreds of millions in building a large-scale corn-processing facility, but would likely need assurances that importing some amount of corn to feed it wouldn’t conflict with the new government’s food self-sufficiency goals.