

All Signs Point to a Record-Breaking South American Harvest for Soybeans, But Logistical Hurdles Remain

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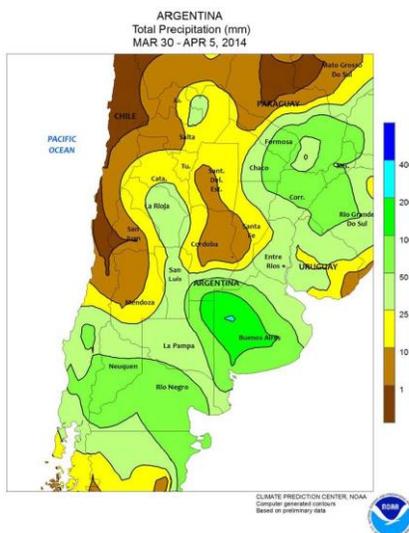
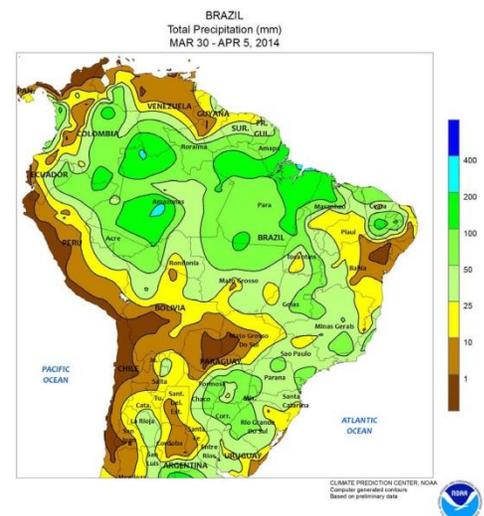
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The harvest outlook in Brazil and Argentina remains favorable with cooler weather and rains, although hot, dry conditions still persist in some areas of both countries. The region saw a significant fall in production due to a drought last season, leading to concerns over similar conditions this season. However, concerns have lessened with rain helping second-crop (safrinha) corn's early stages in Brazil and crop estimate declines slowing in Argentina due to more favorable weather. While soybean harvest projections are strong in both countries, a dry planting season has made corn projections lower than in previous years.

Banking on New Records

Following a bumper grain harvest of 188.2 million tons in 2013, Brazil is banking on a new record in 2014, with a harvest prediction of 189.4 million tons, according to the Brazilian Institute of Geography and Statistics (IBGE). Of this estimate, corn, soybeans and rice will account for 91.4 percent, with increases in soybean estimates offsetting the decrease in corn estimates.

Last year, Brazil displaced the United States as the world's top soybean exporter, according to the National Confederation of Agriculture. All eyes are expected to stay on the country's soybean harvest over the next few months. Soybeans began harvesting earlier than normal, with about 6.8 million bushels loading and shipping in late-January – a month earlier than Brazil's traditional shipping schedule.



While Brazil's soybean crop is expected to increase to 87.5 million tons compared to 82 million tons last year, its corn crop is expected to decrease, with estimates at 72 million tons compared to last year's 81 million tons. Because early season conditions were better for soybeans, 29.5 million hectares were planted this season, up 1.8 million hectares compared to last year. Rainfall in March helped alleviate dryness in February, benefiting second-crop corn but delaying the end of the soybean harvest.

In Argentina, the corn crop is projected at 24 million tons, a decrease from last year's 26.5 million tons. The soybean crop is expected to rise to 54 million tons this year compared to the 49.4 million ton crop in the 2013 season, as the improved conditions for soybeans prompted the harvest area for soybeans to increase by 3.1 percent. Heavy rain in major production areas in central Argentina caused field flooding and hampered pest and disease treatment, raising concerns over maturing summer crop moisture levels.

Feeding a Growing Country

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The rapid growth within China's economy is leading to an increased demand for imports, particularly with the growing, affluent Chinese population and the corresponding demand for more protein-rich diets. With a population of 1.3 billion, and expectations to reach 1.4 billion by 2030, even a small shift in food trends can cause tremendous opportunities for the feed grains necessary for expanding meat production from backyard to commercial operations. For example, China is already the largest swine producer and consumer, accounting for half the world's pig population.

Keeping Up With Demand

Over the next 10 years, imports of coarse grains are expected to double as China struggles to keep up with the rising demand expected to outpace the growth in domestic production of grains. The Chinese domestic grain production is already nearing capacity, largely due to constraints of land and water, as well as access to a workforce to maintain the land.

As food imports become a necessity, major grains exporters like the United States, Brazil and Argentina are building partnerships with China to assist in meeting the mutual goals of food safety, security and sustainability. "As the U.S. continues to grow more corn, we want to develop more markets for exporting that corn," said Nathan Fields, National Corn Growers Association director of biotechnology and economic analysis. "As a market, China has a lot of potential for corn imports, and we are working with them so they will become a consistent importer."

The Value of Biotechnology

A critical hurdle to meeting the demand will include educating the Chinese population on the safety and effectiveness of biotechnology, and communicating the importance of approving such technologies. These ideas are being emphasized by the major grains exporting countries through the International Maize Alliance (MAIZALL), in which member organizations collaborate on a global basis to address key issues concerning food security, biotechnology, stewardship, trade and producer image.

While the adoption of biotechnology has been a significant issue with grains imports in China, it is imperative to continue communication surrounding the importance of biotechnology to improve inconsistencies with exporting countries, and eliminate problems with supply. "We want to work with China as a market so that trade is not impeded," Fields said.

"When problems arise in foreign markets, it is critical to stick with them through the growing pains," said Erick Erickson, U.S. Grains Council vice president. "There is a growing sense of cooperation among major exporters, and an increased effort to build partnerships to ensure the issues of biotechnology are resolved based on science and recognition of its value."

A Growing Partnership

In order to develop a mutually beneficial trade relationship, China and the United States held the 24th U.S.-China Joint Commission on Commerce and Trade (JCCT) in December 2013. The forum for the resolution of trade and investment issues highlighted several topics that needed to be addressed between the United States and China, including the acceptance of biotechnology. The United States emphasized its commitment to helping China streamline its biotechnology approval process and implementing a pilot program for reviewing biotechnologies, as well as proposing a Memorandum of Understanding for science and technology cooperation in agriculture.

Efforts like these are laying the groundwork for future cooperation between China and exporting countries, while increasing the communication vital for more open and transparent trade with China. ♦

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Logistical Hurdles

Despite the anticipated bumper crop, logistics remain an on-going challenge, particularly in Brazil, where corn and soybeans have to travel thousands of miles from Matto Grosso, the country's central producing area, to be exported through coastal ports.

Brazil is aiming to grow its export capabilities for soybeans and other grains through infrastructure investments in docks, barge fleets and terminals on the Amazon River and its tributaries. In northern and central Brazil, soybean producers are required to load their product on trucks that travel via sub-par roadways to overcrowded ports in southeast Brazil. Transportation costs are high and plagued with uncertainty: the crop can be held on trucks anywhere from a few weeks to three months, waiting to unload at congested terminals. The proposed infrastructure will provide producers a more economical option for moving their soybeans and other grains along the Amazon River to ports in the north.



The hope for the \$2.5 billion project is that the river route and the northern ports will become major export centers in Brazil, ultimately cutting transportation costs in half and boosting export capacity by 30 million tons a year. The project is being met with some opposition by activist groups, such as Greenpeace, which are concerned that the new infrastructure will encourage illegal deforestation in the rain forest near the river.

Concerns also exist about the length of time it will take for the investment to be implemented, which could take more than a decade, despite aggressive estimates. Public funds are already being invested in southeastern ports to expand capacity, which may distract from the focus on the northern ports route. For now, the new project is not seen as an immediate fix to the shipping backlogs.

As a result, corn and sorghum producers in the northern and central parts of Brazil are looking for alternatives for their overabundant summer crop. Their reduced prices during this time have captured the attention of sugar mills and alcohol distilleries in Brazil, which are financing adaptations to their milling processes that would allow them to produce ethanol from corn and sorghum in the sugar cane offseason, when mills are typically closed. Although expensive, these investments are seen as a more viable short-term solution. ♦

The Wait is Over: Release of the 2013/2014 Corn Export Cargo Quality Report

The U.S. Grains Council has released the much anticipated 2013/2014 Corn Export Cargo Quality Report, which measures the U.S. corn quality at the point of loading for export. This report is essential for buyers around the globe as corn purchasing decisions are made, and it provides reliable, transparent information to international markets.

When reviewed alongside the Council's 2013/2014 Corn Harvest Quality Report, potential buyers can see the evolution of corn quality from harvest to export and make more informed buying decisions. These reports also provide comparisons between the last three growing seasons to show trends in corn quality year-to-year.

Indications of Good Quality

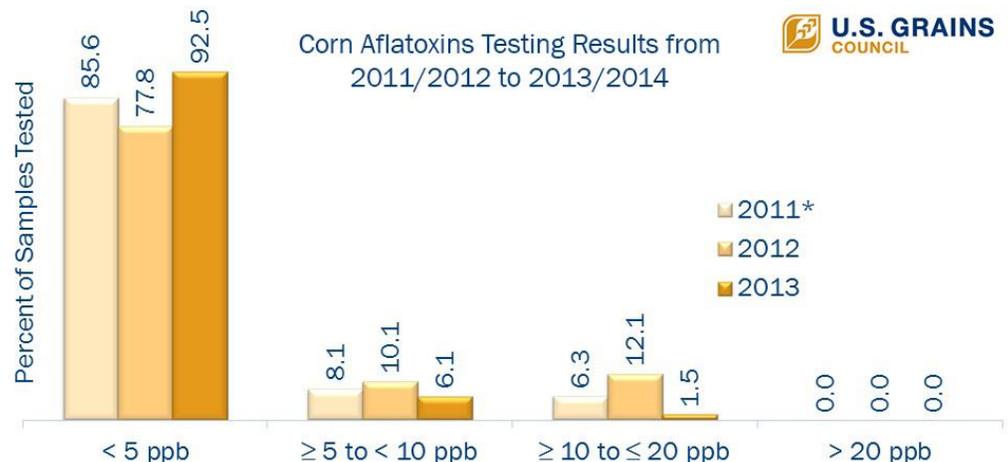
Overall, the quality of corn remains high since harvest, as the average aggregate quality of samples surpassed U.S. No. 2 standards on all grade factors. The average test weight was 57.3 lb/bu (73.8 kg/hl), lower than previous years, but average moisture content of 14.5 percent was higher than in previous years.

Total damage (1.7 percent) and broken corn and foreign material (BCFM) (2.9 percent) rates have increased since harvest, which is expected during storage and transportation. A higher incidence of stress cracks was also seen – likely a result of more artificial drying due to higher moisture content than previous years. However, based on the samples, most of the supply is expected to have reduced breakage during handling.

Rates Remain Positive

The chemical composition of the samples remains largely unchanged from samples tested at harvest. Protein content has returned to more normal levels similar to 2011/2012 at 8.6 percent – lower than last year's 9.2 percent.

As expected, the starch content had the opposite trend, as it was higher than last year at 73.7 percent and lower than the 2011/2012 season. Oil content has remained similar to previous years at 3.7 percent.



* Results for 46 of the 379 samples in 2011/12 are excluded because the analytical methods used in 2011/12 do not allow the samples to be placed into the categories chosen for this year's report. However, the test results for all 46 samples were below or equal to the FDA action level of 20 ppb.

Source: 2013/2014 Corn Export Cargo Quality Report

Mycotoxin rates remain very low in the corn ready for export, similar to rates at harvest. All sampled corn tested below the FDA action level for aflatoxins and the advisory levels for DON. The 2013/2014 season in particular had a significantly higher proportion of samples that tested below 5 ppb for aflatoxins, and around 95 percent of samples fell below 0.5 ppm for DON.

A full copy of the report is available online at grains.org. ♦