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Sales cancellations worry soybean industry officials

By Jenny Schlecht / Agweek Staff Writer on May 4, 2018 at 11:29 a.m.

China has cancelled sales of U.S. soybeans amid an overall decline in exports to that country, leading to fears in the Midwest of what could happen with its biggest market.

[Bloomberg](https://www.bloomberg.com/amp/news/articles/2018-05-02/china-has-stopped-buying-u-s-soybean-supplies-bunge-ceo-says) (<https://www.bloomberg.com/amp/news/articles/2018-05-02/china-has-stopped-buying-u-s-soybean-supplies-bunge-ceo-says>) first reported that China canceled a net 62,690 metric tons of U.S. soybean purchases in the two weeks ending April 19 for the marketing year that ends Aug. 31. Bunge Ltd.'s CEO told Bloomberg that China was buying beans in Canada or Brazil and avoiding purchases from the U.S.

Tom Slunecka, CEO of Minnesota Soybean Growers, says exports to China have decreased from normal levels in the last few weeks. Bunge, while a major exporter, is not the only exporter doing business with China, and China still has purchased some soybean meal and some soybeans recently from other sources, he says. However, the interruption is troubling to those in the soybean industry.

In reaction to announcements about U.S. tariffs on Chinese products, China has said it would increase tariffs on some U.S. goods. Soybeans and other U.S. staples are scheduled to face the tariffs soon.

Bruce Abbe, executive director of Midwest Shippers, a regional trade association cooperative that promotes marketing and facilitates shipping and delivery of specialty grains, including food-grade soybeans, says the news of sales cancellations is evidence of a shift in trade.

"It's only logical that the trade is going to start to look around and say, 'What are we going to do differently?'" Abbe says.

The cancellations appear to be a message from China, "another click in the proverbial trade war," Abbe says.

Spring is not a big time of year for U.S. soybean exports. The busiest export season comes after harvest. South America is harvesting right now, making their crops attractive to customers. It's not unusual for China to cancel sales of old crop U.S. soybeans in spring in favor of new crop shipments after harvest.

"We're still lower than usual, but certainly it is a factor of the time of year and the fact that South American harvest is nearing completion," Slunicka says. "So they're going to have a lot of beans hitting their ports that need to move."

However, even compared to the same season in previous years, U.S. exports are down. According to U.S. Census Bureau data, overall U.S. exports were down 22 percent in January and February, compared to the same months in 2017; U.S. exports to China were down 31.85 percent.

According to Datamyne, a company that provides trade data, U.S. soybean shipments to China are down so far in the first quarter of 2018, as compared to the previous three years in terms of the number of 20-foot equivalent shipping containers, or TEUs. Datamyne indicates there were 6,012 TEUs to China from Jan. 1, 2018, through April 17, 2018, compared to 9,496 in the first quarter of 2017, 8,134 in 2016, and 7,991 in 2015.

Abbe says the decline in shipments to China likely is twofold: China is looking to other sources, and U.S. traders may be worried about having shipments sent back and looking for assurances of payment before making sales.

Food-grade soybeans do not go to China in large quantities, though they do go into other nearby Asian countries, Abbe says. Some of his group's members had been making inroads into the Chinese market, but the trade difficulties have shut down some of that momentum. Instead, China has begun looking more to Canada for its food-grade soybeans. The U.S. has started selling more into Europe and other markets, and Abbe says it's important for grain traders to be nimble.

However, he worries about the relationship disruptions that come with trade disputes with "good customers" like China and Mexico. Building new relationships takes time; plus, even if the new tariffs do not get put into place, Abbe worries that it's "going to take time for this to come back."

Abbe and Slunicka say the ramifications on the U.S. economy as trade disruptions continue will affect more than just agriculture.

"This is big. Sometimes we sort of sit back and watch these things, and maybe that's all we can do," Abbe says. "But it's got a long tail that reaches into a lot of the economy."

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