

Brazilian Soybean Meal Imports Disappointing To U.S. Growers

WASHINGTON, D.C. — The American Soybean Association (ASA), American Farm Bureau Federation (AFBF), National Association of Wheat Growers (NAWG) and National Corn Growers Association (NCGA) have expressed extreme disappointment with the decision of Wilmington Bulk LLC, a consortium of large hog and poultry producing companies, and Louis Dreyfus Corporation, the trading company involved in the transaction, to import Brazilian soybean meal rather than utilizing U.S. product. The shipment was expected to arrive Aug. 31 at a port facility in Wilmington, N.C.

"This situation is very frustrating for U.S. farmers and ranchers," stated ASA President Dwain Ford, a producer from Kinmundy, Ill. "Although, as businessmen, we understand that seasonal price spreads between U.S. and Brazilian soybean meal, highly competitive ocean freight rates, and uncompetitive internal U.S. rail and shipping rates may have supported the economics to buy South American soybean meal, we cannot support that decision, and we need to determine what can be done to make U.S. products more competitive."

"Unfortunately, this importation isn't likely to be an isolated incident," said Bob Stallman, president of the American Farm Bureau Federation. "These companies didn't build a new port for just one shipment. There will be other shipments of not only soybean meal, but probably wheat and corn in the

future. This affects a much broader segment of agriculture than soybeans alone. All producers need to be involved, and we need to work together to address domestic transportation problems."

ASA, AFBF, NAWG, and NCGA have identified three key reasons why imported Brazilian soybean meal may be able to move into the region at the expense of U.S. soybean meal. "Our organizations are pursuing a comprehensive study to look at each of these factors to determine the best strategies to improve the competitiveness of U.S. farmers," said Stallman.

1. Insufficient Competitive Transportation Infrastructure: Because the Southeastern U.S. is served by only two major railroads that have almost as much non-agricultural freight as they can handle, there is not a lot of competition to carry soybeans and soybean meal to the Southeast. This results in high freight rates to transport soybeans and soybean meal to the region. Furthermore, Brazilian investments to expand their inland waterway system raise the importance for the United States to modernize our river systems to ensure commodities can be transported cost competitively.

2. The Jones Act: Another way to transport soybeans and soybean meal to the Southeast from the Midwest via the Great Lakes or the Gulf of Mexico would be on ships. However, the Jones Act requires that all water transportation of goods between U.S. ports be conducted on U.S. flag vessels, made in the U.S. and

manned by U.S. seamen. This makes their cost far higher than foreign flag vessels.

3. Exchange Rates: American farmers are the most efficient in the world. However, the comparative advantages that our producers generally enjoy — abundant, fertile natural resources, access to high quality inputs and technology, for example — are mitigated by the appreciation of the dollar and the sharp depreciation of currencies among our major competitors, particularly Brazil, Argentina, and Canada. These relationships in currency exchange rates over the past few years have, in many instances, shut our exports out of foreign markets and increased import competition in the U.S. market.

"The first two issues could be addressed through reforms of our domestic transportation system for shipping bulk agricultural products," explained Ford. "Lowering the costs of transporting agricultural goods from the Midwest to the Southeast through a Jones Act exemption for bulk agricultural commodities could also result in more competitive rail rates." There are only seven dry bulk self-propelled U.S. flagged vessels available for bulk agricultural shipments, and these vessels are fully engaged in U.S. food aid shipments that require 75 percent of the commodities to be delivered on U.S. bottoms.

The National Association of Wheat Growers also took notice of the soybean shipment. "Wheat growers are strongly supportive of free trade and

open access, whether it is foreign or domestic markets," said NAWG President Gary Broyles from Montana. "That's why it is important to address problems such as lack of competitive rail service and the Jones Act, which in this case are pricing U.S. products out of our own domestic markets. Rumors are circulating that the same company is purchasing European feed wheat to replace U.S. feed grain. During the same week this rumor circulated, U.S. futures markets dropped significantly. In the case of the wheat market, there was a substantial drop, when prior to this, the market showed signs of recovery."

National Corn Growers Association (NCGA) President Tim Hume said, "We spend a lot of effort trying to get a fair and level playing field through the World Trade Organization to reduce trade barriers. The United States needs to promote policies domestically and internationally that will ensure our producers are not unfairly priced out of the market. The crumbling infrastructure on the Upper Mississippi River System and the Jones Act are just two areas in which we need to focus our efforts to make the United States more competitive in the international marketplace."

ASA President Ford said ASA has taken action to ensure that U.S. soybean farmers aren't being placed at a competitive disadvantage in this particular trade due to the fact that U.S. farmers pay royalties for soybean varieties containing Roundup Ready® technology

while Brazilian farmers are reported to have widely pirated Roundup Ready seeds.

"Ever since this contract was announced in May, ASA and the United Soybean Board have been working closely with Monsanto, which holds the patents on the Roundup Ready technology, to ensure that the imported soybean meal is not derived from pirated Roundup Ready soybeans," said Ford. "Monsanto has assured us that it will enforce its intellectual property rights regarding all importations of Brazilian soybean meal or soybeans."

"ASA suspects that Louis Dreyfus may have had a hard time complying with this requirement, which has delayed the shipment and arrival date by several weeks," said Ford. "In the end, we understand that Dreyfus searched to find some non-Roundup Ready soybeans grown under a 'hard' identity preservation system in order to ship soybean meal that would test negative. Dreyfus probably didn't expect this much trouble and expense when they made the deal, but now they are stuck with trying to fulfill it."

Due to its large swine and poultry industries, the Southeast is a huge consumer of soybean meal. In fact, it is estimated that the region consumes about 30 percent of the 29.5 million metric tons of soybean meal consumed in the U.S. However, the Southeast is no longer a larger producer of soybeans. To meet its high demand for soybean meal, soybeans must be brought into the region, either in the form of whole soybeans for local processing or as soybean meal.

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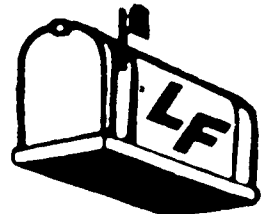
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