The World Soybean Situation and Outlook

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Percentage Change in Global Consumption from 1990/91

Source: USDA
Soybean Prices (CBOT Nearby Futures $/bushel)

BEANS IN THE TEENS!!

As of 01/01/10

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U.S. Soybean Price Received by Farmers ($/bushel)

Source: USDA
Soybean Situation and Outlook

- **World Supply/Demand Situation**
  - Soybean production and stocks hit record in 2006, then fell
  - Production and stocks in 2008 were the lowest in five years
  - Production is expected to hit new record in 2009 and stocks will climb

- **South America**
  - Brazil’s 2008 production fell sharply from 2007 record and stocks fell
  - Brazil’s 2009 crop is expected to increase to new record level
  - Argentina’s 2008 crop fell over 30% and stocks were decimated
  - Argentina’s 2009 crop is expected to be a record pushing stocks higher

- **United States**
  - U.S. 2008 production increased over 10% on sharply higher acreage
  - U.S. 2008 stocks fell to 5-year low, prices jumped
  - U.S. 2009 acreage and production will be record high
  - But, high demand will keep stocks very tight and prices relatively high
Global Oilseed Production

Source: USDA
World Soybean Production and Use

Source: USDA
Annual Change in World Soybean Domestic Disappearance

Source: USDA
World Soybean Ending Stocks

Million Metric Tons

Source: USDA
China’s Soybean Production and Use

Million tonnes

Use

Production

Gap increases to almost 50 mmt

Source: USDA
* NPKFAS Forecast
World Soybean Production

Million Metric Tons

Source: USDA
Argentina and Brazilian Soybean Harvested Area

Million Hectares

Source: USDA
* NPKFAS Forecast
## U.S. Soybean Supply/Demand (million bushels)

<table>
<thead>
<tr>
<th></th>
<th>2006/07</th>
<th>2007/08</th>
<th>2008/09</th>
<th>2009/10</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Planted Acres (mln)</strong></td>
<td>75.5</td>
<td>64.7</td>
<td>75.7</td>
<td>77.5</td>
</tr>
<tr>
<td><strong>Yield (bu./acre)</strong></td>
<td>42.7</td>
<td>41.7</td>
<td>39.7</td>
<td>44.0</td>
</tr>
<tr>
<td><strong>Production</strong></td>
<td>3,188</td>
<td>2,677</td>
<td>2,967</td>
<td>3,361</td>
</tr>
<tr>
<td><strong>Disappearance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Crush</strong></td>
<td>1,806</td>
<td>1,803</td>
<td>1,662</td>
<td>1,710</td>
</tr>
<tr>
<td><strong>Exports</strong></td>
<td>1,118</td>
<td>1,159</td>
<td>1,283</td>
<td>1,375</td>
</tr>
<tr>
<td><strong>Total Disappearance</strong></td>
<td>3,073</td>
<td>3,056</td>
<td>3,047</td>
<td>3,262</td>
</tr>
<tr>
<td><strong>Ending Stocks</strong></td>
<td>574</td>
<td><strong>205</strong></td>
<td><strong>138</strong></td>
<td>245</td>
</tr>
<tr>
<td><strong>Stocks-to-Use Ratio (%)</strong></td>
<td>18.7%</td>
<td>6.7%</td>
<td>4.5%</td>
<td>7.5%</td>
</tr>
<tr>
<td><strong>Average Farm Price ($/bu.)</strong></td>
<td>$6.43</td>
<td>$10.10</td>
<td>$9.97</td>
<td>$9.65</td>
</tr>
</tbody>
</table>

Source: USDA
U.S. Soybean Exports

Million Bushels

Source: USDA
U.S. Dollar Index

As of 01/01/10
U.S. Soybean Yield

Source: USDA
U.S. Soybean Ending Stocks vs. Price

Source: USDA
U.S. Soybean Planted Acres

Source: USDA
* NPKFAS Forecast
Soybean Meal Situation

- **World**
  - Increasing demand for protein globally after small dip in 2008
  - Growing livestock production in Brazil, China, India and S.E. Asia
  - Demand expected to increase as world economy improves

- **U.S.**
  - Crush has been declining since the record set in 2006/07
  - Poor profitability in U.S. livestock industry has cut demand
  - Crush will be up slightly in 2009/10 due to good SBM exports
  - Exports fell in 2008/09 and will likely hit a new record in 2009/10
  - Abundant supplies of DDGs will limit growth
Major World Protein Meal Production

Source: USDA
Annual Change in World Soybean Meal Domestic Disappearance

Source: USDA
China Soybean Meal Production and Domestic Consumption

Million Metric Tons

Source: USDA
China Broiler and Pork Production

Million Metric Tons

Source: USDA
Brazil Soybean Meal Production and Exports (February/January)

Source: USDA
Brazilian Broiler and Pork Production

Million Metric Tons

Source: USDA
Argentina Soybean Meal Production and Exports (February/January)

Million Metric Tons

Source: USDA
World Vegetable Oil Situation

- **World**
  - It is all about energy prices and biodiesel---waning?
  - European Biodiesel industry struggling
    - High vegetable oil prices has reduced profitability
    - Imposition of taxes in Germany has hurt biodiesel there
  - Record low world vegetable oil stocks-to-use ratio
  - High prices of vegetable oil impacting demand & production
  - Palm oil production is gearing up---new investments in Indonesia and Malaysia
Major World Vegetable Oil Consumption Market Share

1990/91
58.5 M.M.T.

- SOYBEAN: 31%
- SUNFLOWER: 13%
- OLIVE: 3%
- PALM KERNEL: 2%
- RAPESEED: 14%
- PEANUT: 6%
- PALM: 17%

2009/10
142.0 M.M.T.

- SOYBEAN: 29%
- SUNFLOWER: 8%
- COTTONSEED: 4%
- COCONUT: 3%
- PALM: 31%
- RAPESEED: 15%
- PEANUT: 4%

Source: USDA
World Palm Oil

Million Metric Tons

Source: USDA
World Palm Oil Stocks

Million Metric Tons

Percent

Source: USDA
China Vegetable Oil Imports

Million Metric Tons

Source: USDA
U.S. Biodiesel Production – Soybean Oil

[Graph showing U.S. biodiesel production in million gallons and million pounds from 2001 to 2009.]

Source: USDA/Census
U.S. Soybean Oil Domestic Disappearance

Billion pounds

Source: USDA
* NPKFAS Forecast
# U.S. Average Cost and Returns for Soybeans
(dollars per planted acre)

<table>
<thead>
<tr>
<th>Operating Costs:</th>
<th>2009</th>
<th>2010*</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fertilizer</td>
<td>$ 18</td>
<td>$ 22</td>
<td>22.2%</td>
</tr>
<tr>
<td>Seed</td>
<td>$ 51</td>
<td>$ 57</td>
<td>11.8%</td>
</tr>
<tr>
<td>Fuel</td>
<td>$ 13</td>
<td>$ 15</td>
<td>15.4%</td>
</tr>
<tr>
<td>Chemicals</td>
<td>$ 17</td>
<td>$ 16</td>
<td>-5.9%</td>
</tr>
<tr>
<td>Other Variable</td>
<td>$ 20</td>
<td>$ 22</td>
<td>10.0%</td>
</tr>
<tr>
<td>Total Operating Costs</td>
<td>$ 119</td>
<td>$ 132</td>
<td>10.9%</td>
</tr>
</tbody>
</table>

Gross Revenue  
$ 405  $ 383  -5.4%

<table>
<thead>
<tr>
<th>Returns over Operating Costs</th>
<th>2009</th>
<th>2010*</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 286</td>
<td>$ 251</td>
<td>-12.2%</td>
</tr>
</tbody>
</table>

Source: USDA  
* NPKFAS Estimate
U.S. Crop Price Ratios: Soybeans/Corn

Source: USDA
Corn Yield Growth is Accelerating

Bushels per acre

Source: USDA
Midwest Ammonia Wholesale/Dealer Price ($/ton)

“Higher than expected fall carry-over”

Poor Weather Scenario”

Midwest Urea Wholesale/Dealer Price ($/ton)

“Slightly more upside than downside”

Midwest DAP Wholesale/Dealer Price ($/ton)

Midwest Potash Wholesale/Dealer Price ($/ton)

*NPKFAS projection
### U.S. Average Cost and Returns – 2010*
(dollars per planted acre)

<table>
<thead>
<tr>
<th>Operating Costs:</th>
<th>Corn</th>
<th>Soybeans</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fertilizer</td>
<td>$110</td>
<td>$22</td>
<td>$88</td>
</tr>
<tr>
<td>Seed</td>
<td>$76</td>
<td>$57</td>
<td>$19</td>
</tr>
<tr>
<td>Fuel</td>
<td>$30</td>
<td>$15</td>
<td>$15</td>
</tr>
<tr>
<td>Chemicals</td>
<td>$25</td>
<td>$16</td>
<td>$11</td>
</tr>
<tr>
<td>Other Variable</td>
<td>$28</td>
<td>$22</td>
<td>$6</td>
</tr>
<tr>
<td>Total Operating Costs</td>
<td>$269</td>
<td>$132</td>
<td>$137</td>
</tr>
<tr>
<td><strong>Gross Revenue</strong></td>
<td>$544</td>
<td>$383</td>
<td>$161</td>
</tr>
<tr>
<td><strong>Returns over Operating Costs</strong></td>
<td>$275</td>
<td>$251</td>
<td>$24</td>
</tr>
</tbody>
</table>
Some Final Observations

• Higher crop Prices are here to stay
  – Especially for corn and soybeans

• Total U.S. crop acreage will increase to keep pace with demand growth.

• However, foreign crop acreage will also have to increase.

• World grain demand is rising faster than world production.

• There will be a battle for acreage in 2010 and beyond.
QUESTIONS?

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January, 2010

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