

# **External Market Factors Impacting US Soybean Meal**

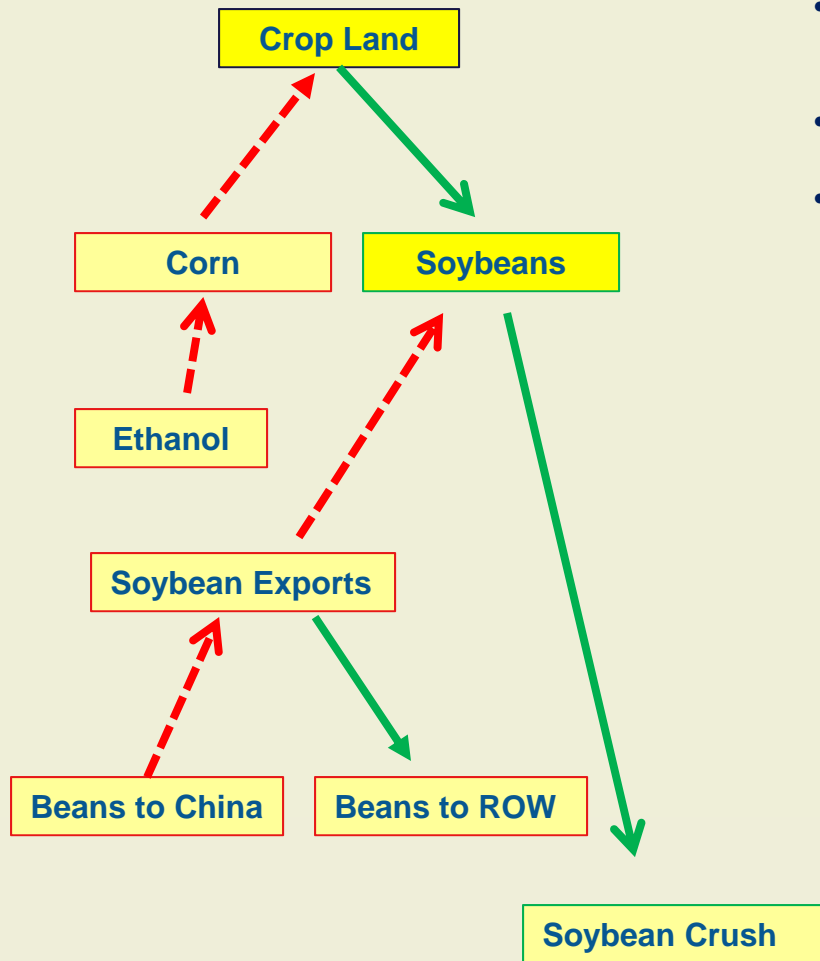
**USSEC Luncheon  
International Production and Processing Expo**

**January 30, 2013  
Atlanta, GA  
Paul Smolen**

## Presentation Objectives

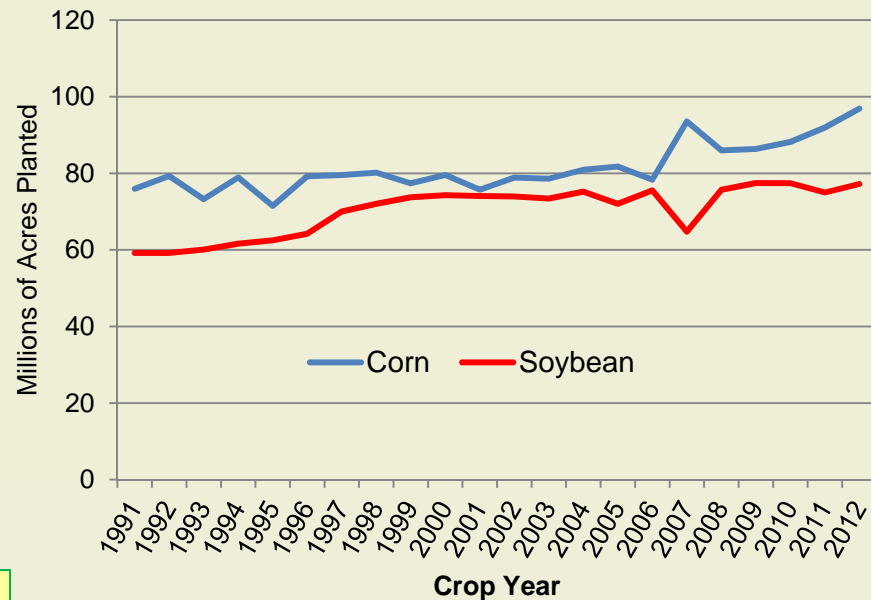
- Examine the economic drivers of trade flows impacting U.S. soy complex in general, and soymeal in particular.
- Determination of US competitiveness is mostly external.
- Key factors impacting the US soybean market environment.
  - Competition for available crop land.
  - Impact of ethanol policy on corn production and use.
  - Impact of China demand on US soybean exports and crush.
  - Impact of DDGS on US domestic soybean meal demand.
  - Impact of South American SBM supplies on US export competitiveness.
  - Impact of DET policy on Argentine crush profitability and product exports.
  - Impact of transfat replacement and biodiesel on US SBO exports.

# US soybean supply is limited by available crop land.



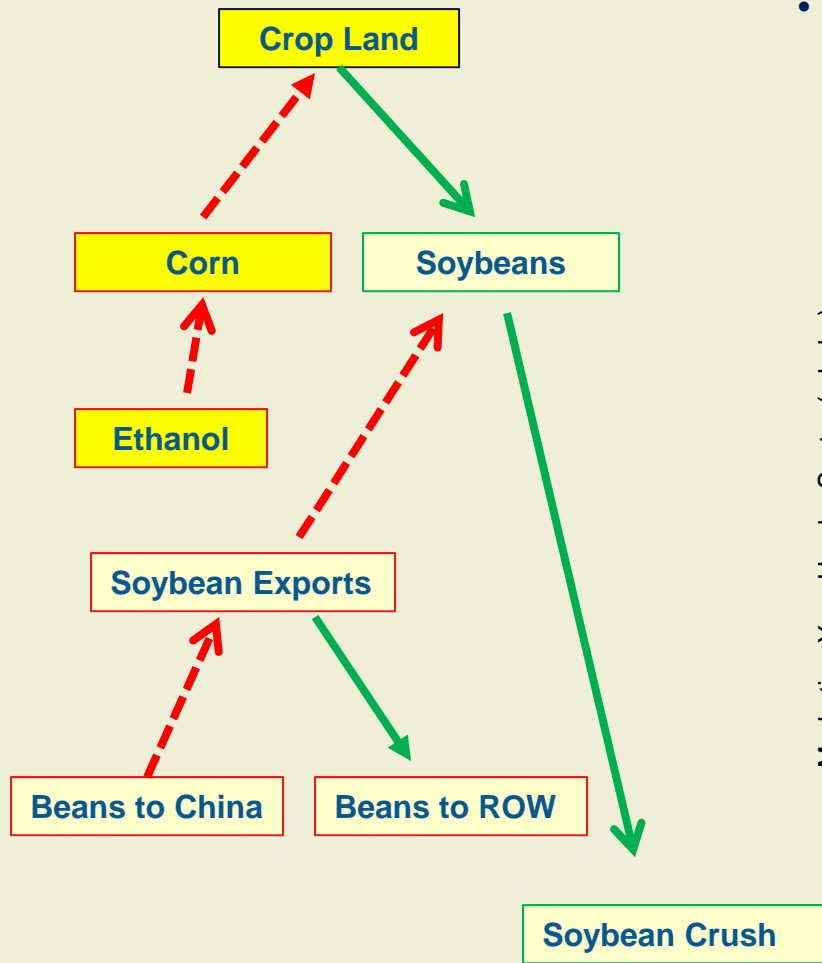
- Competition for US crop land reduces available land for soybean production to 75 to 80 million planted acres.
- 42 bu/acre yields a 3.1 to 3.3 billion bu. soybean crop.
- Necessary rotation helps to maintain balance in plantings.

US Soybean vs. Corn Planted Acreage



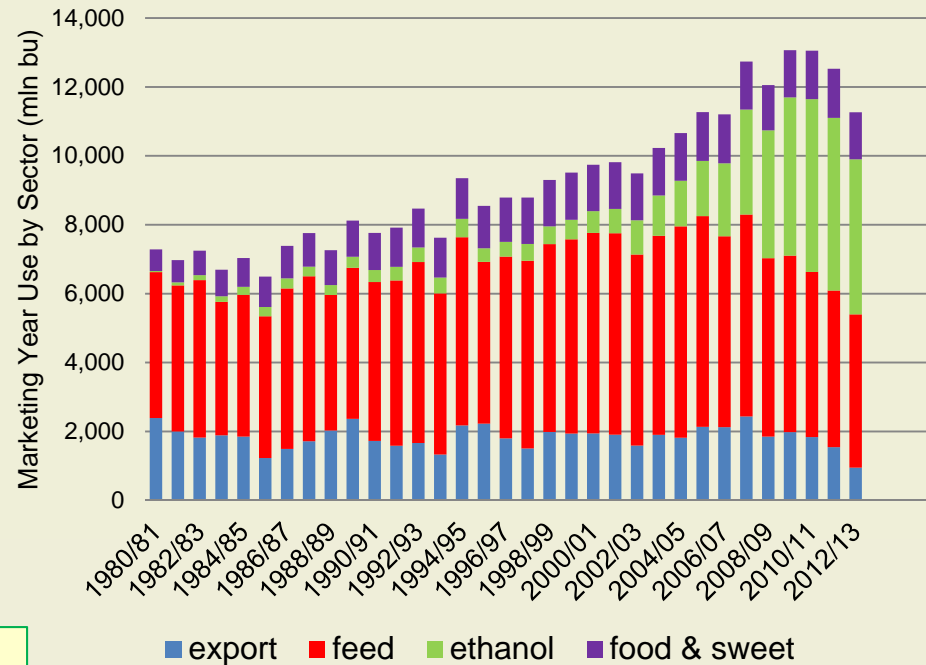
SOURCE: USDA GATS,

# US ethanol policy drives corn production; limits other usage.



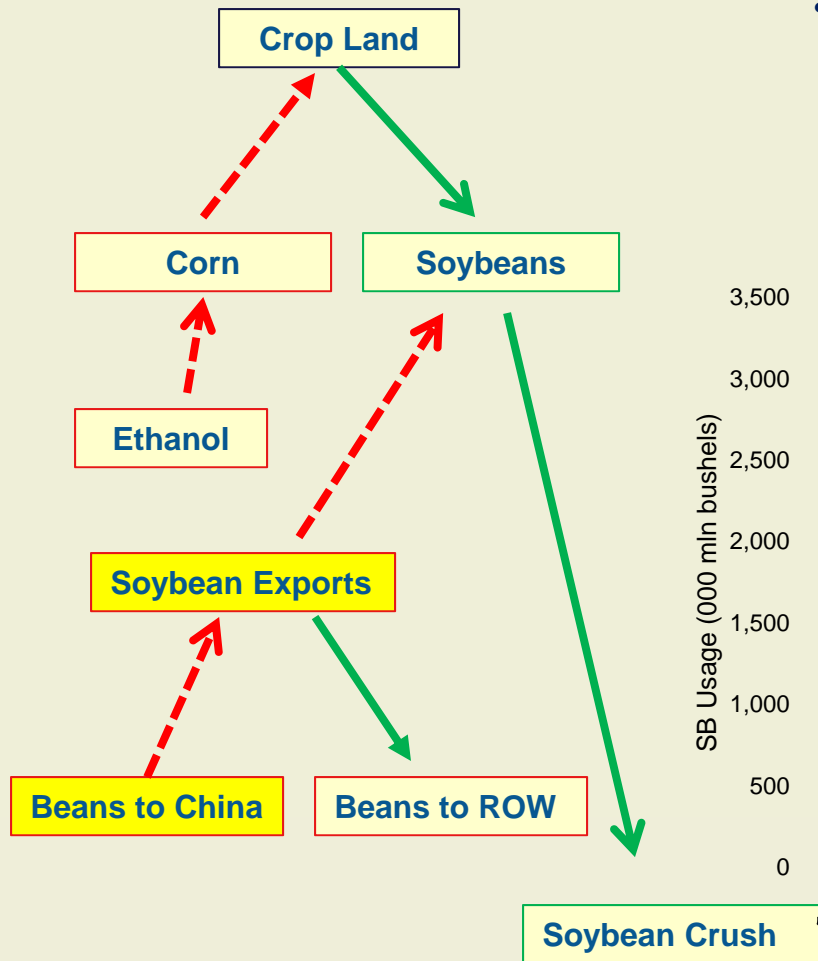
- Ethanol production consumes 5 billion bushels of corn
  - Amounts to 40% of the 12.4 billion bushels crop.
  - Requires 92+ million acres of corn at 149 bu/acre.

Impact of Corn Use for Ethanol on Export Availability

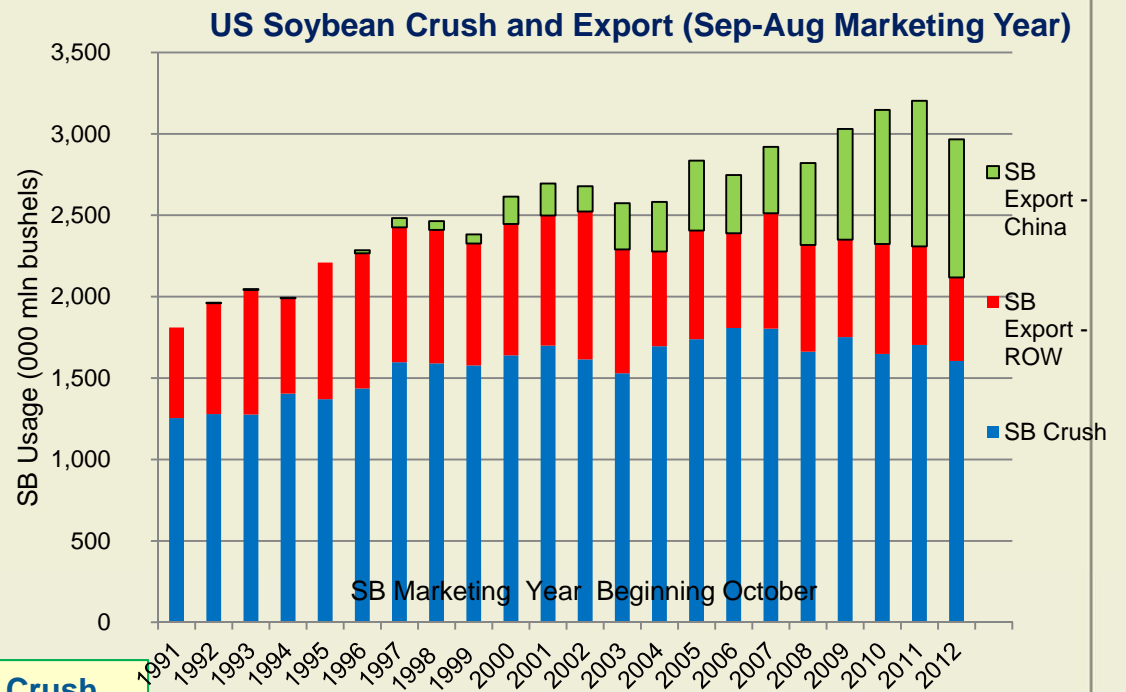


SOURCE: USDA GATS,

# China demand drives US soybean exports; competes with crush.

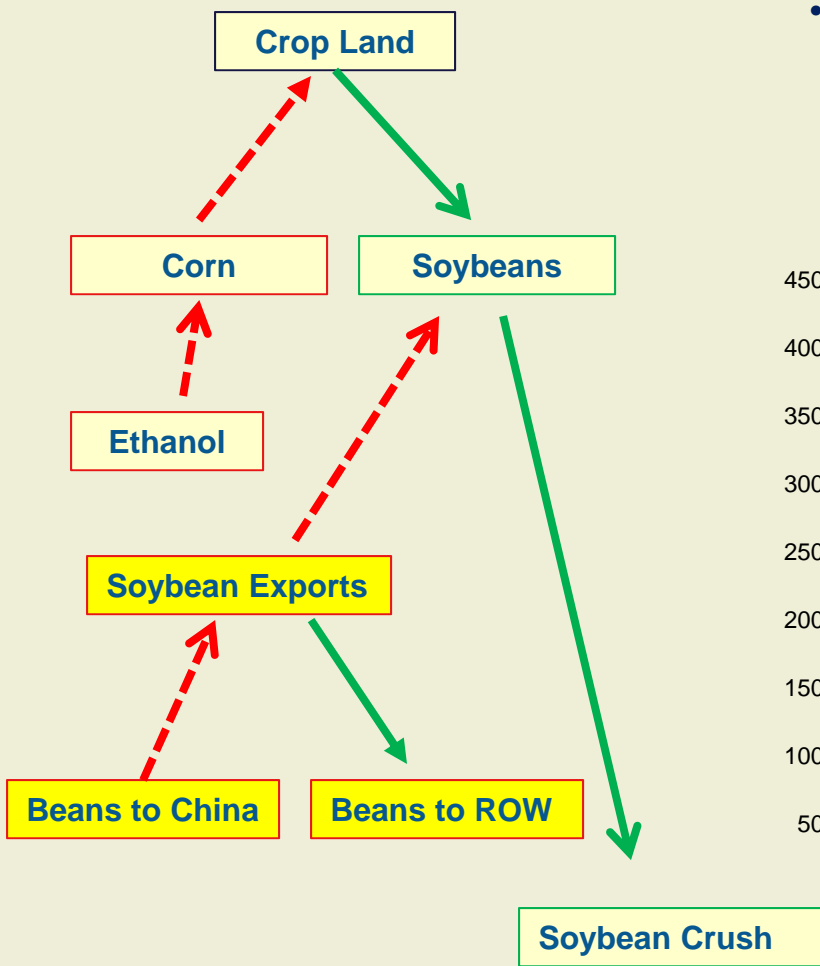


- Overwhelming demand for soybeans by China limits export availability of US soybeans to traditional customers. Also rations soybeans available for US crush; thus limits supply of US soybean meal and oil.

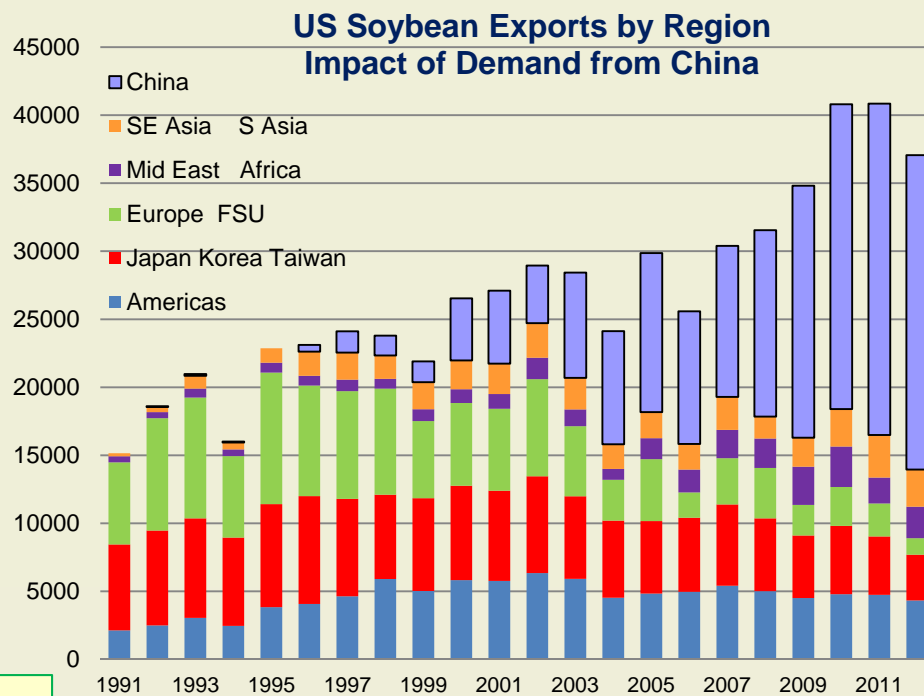


SOURCE: USDA GATS,

# China has gained share of SB exports from other US customers.



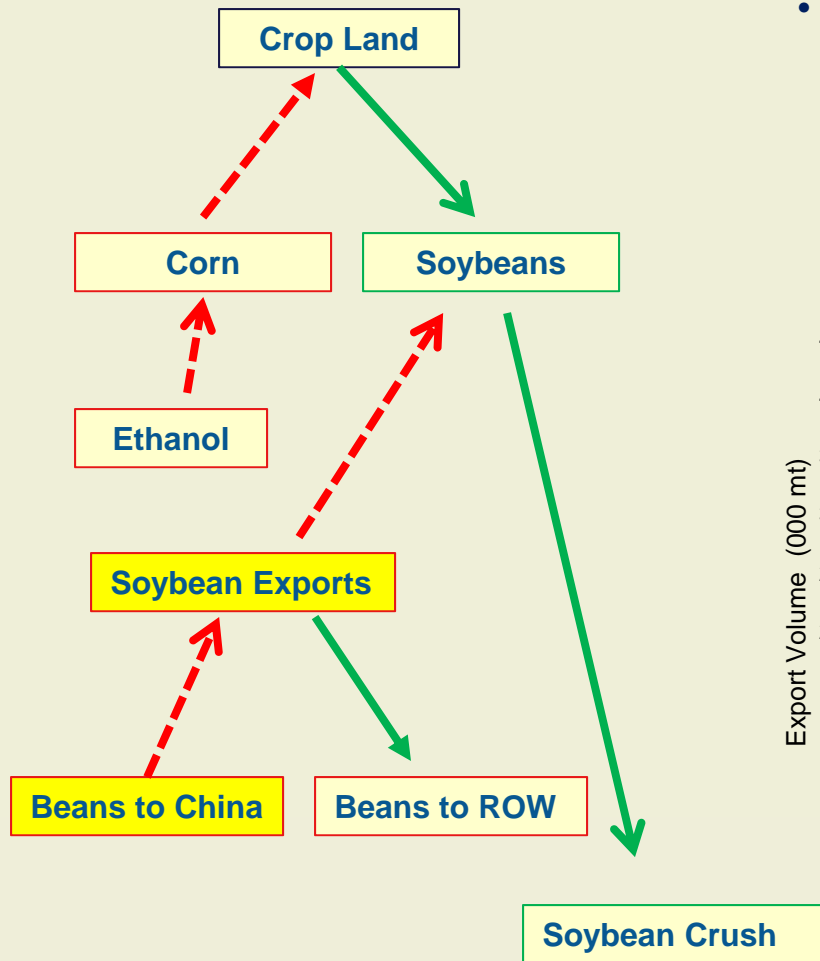
- A combination of increased soybean demand from China, and alternative export supplies from South America have resulted in declining share of US exports to traditional European and East Asian destinations.



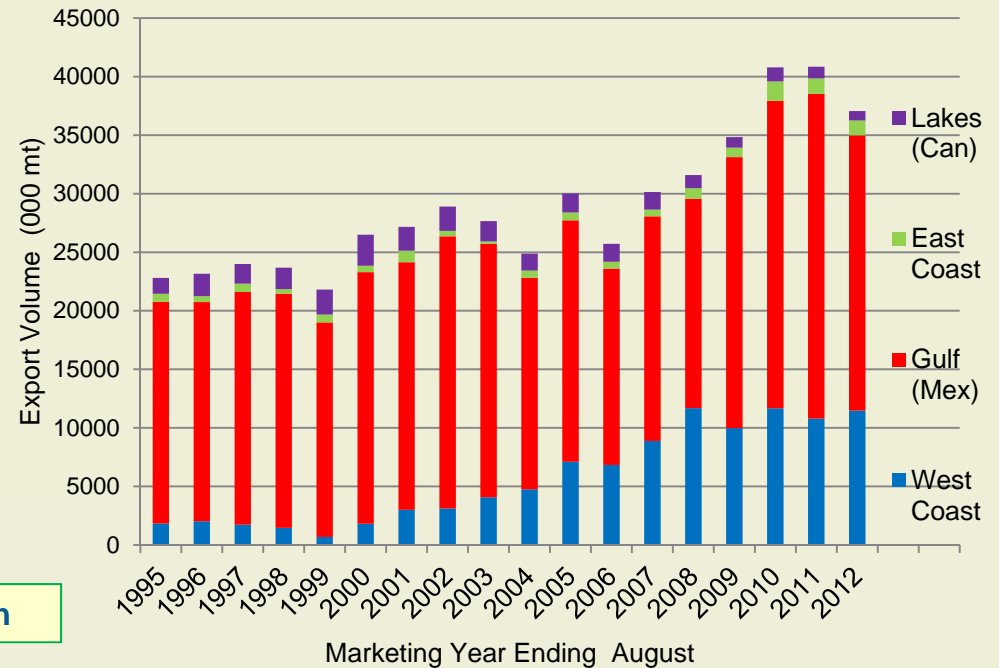
SOURCE: USDA GATS,

# US soybean exports from West Coast ports have increased.

- Asian demand for US soybeans has supported the expansion of US production to the north and west.

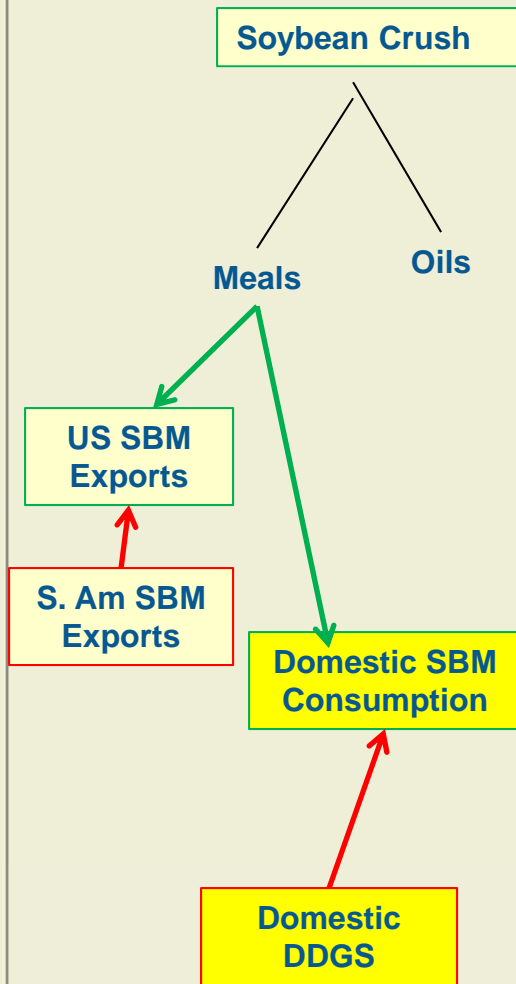


US Soybean Exports - Volume by Port Region

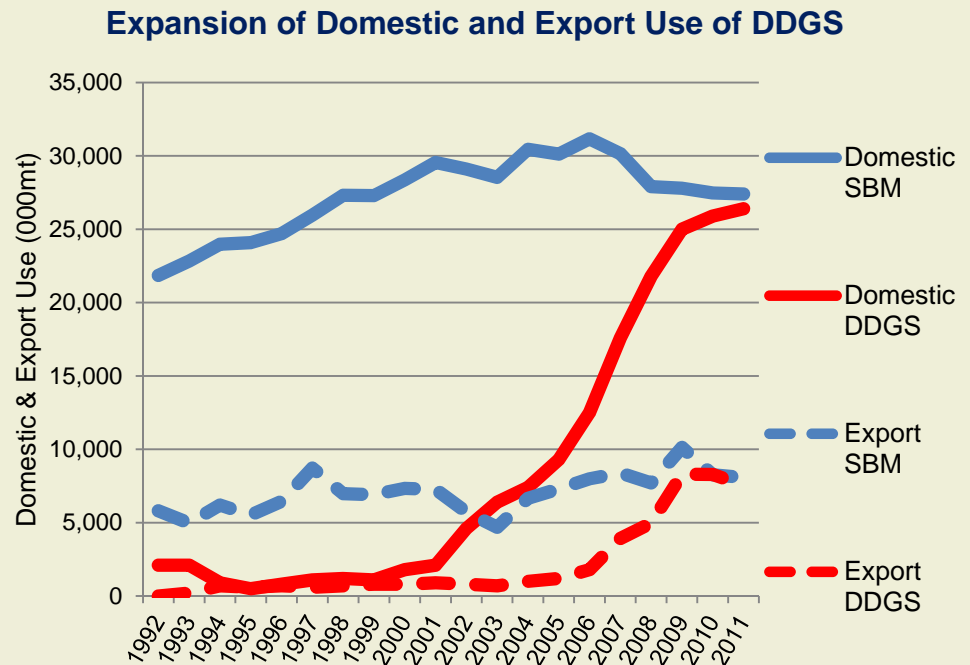


SOURCE: USDA GATS,

# DDGS has displaced 3-4 mln mt of domestic SBM usage.

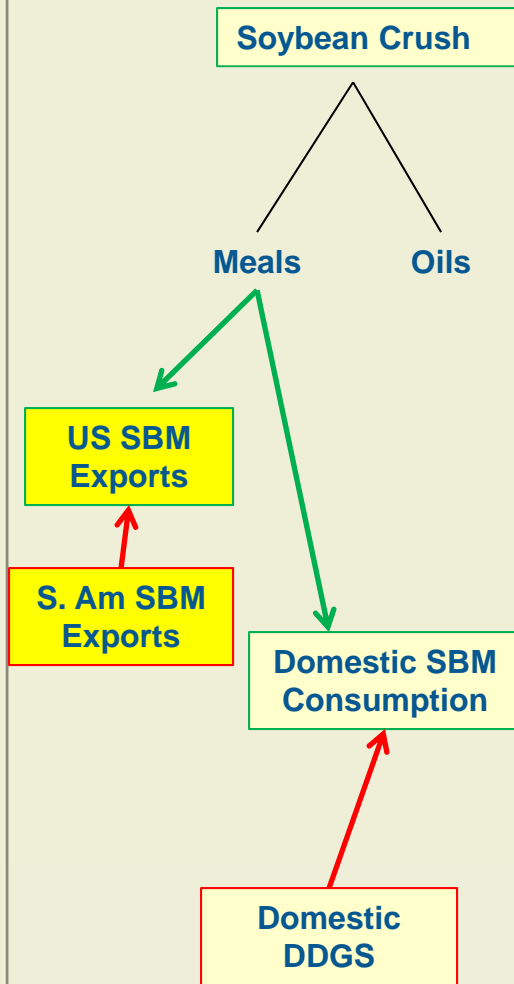


- Domestic soybean meal demand faces pressure from increased supply and consumption of DDGS
  - DDGS supply pressures soybean crush margins

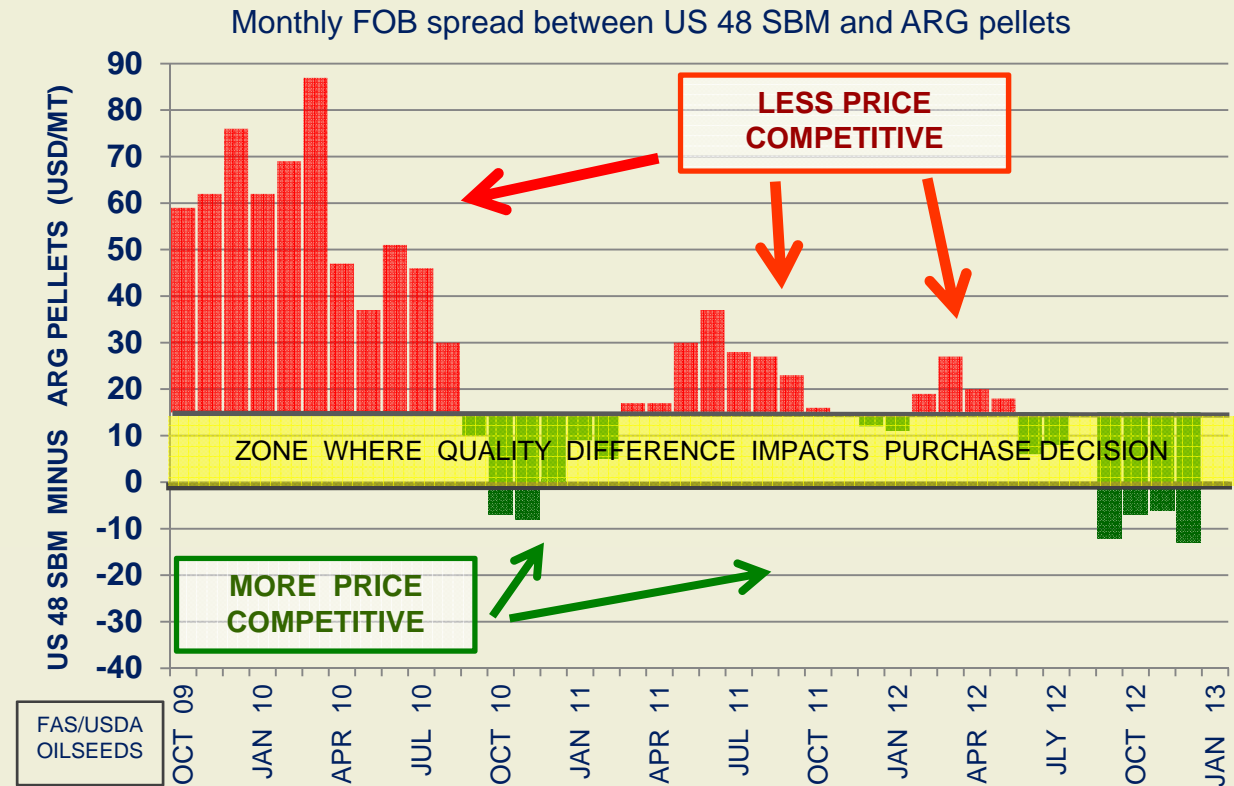




# Export demand for US SBM is driven by South.American availability.

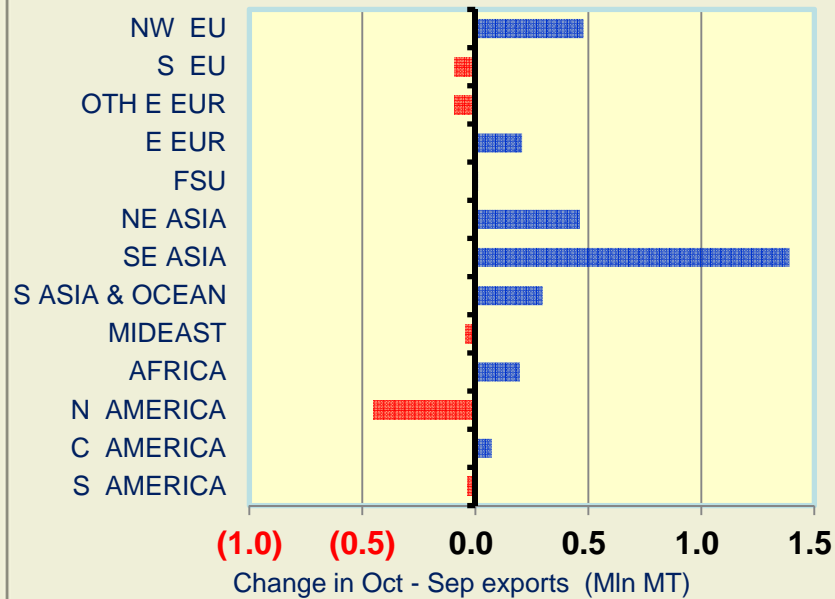


- Export soybean meal demand is driven by competitiveness between US and Argentina/Brazil prices.
  - South American crop conditions determine if ARG soybean meal needs to be rationed or more aggressively priced.

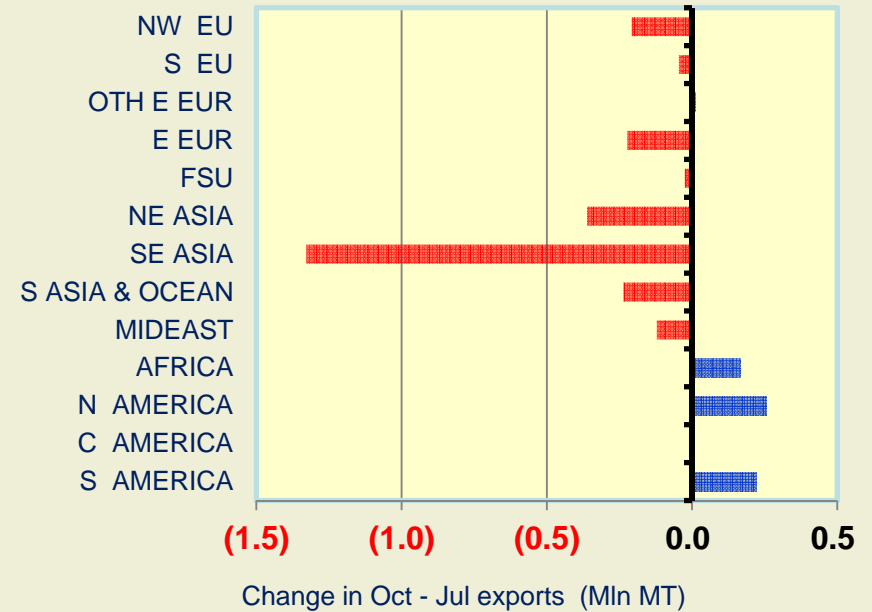


# US export flow determined by competitiveness at each destination.

U.S. Soymeal Exports by Destinations  
Oct 2009 - Sep 2010 vs prior year

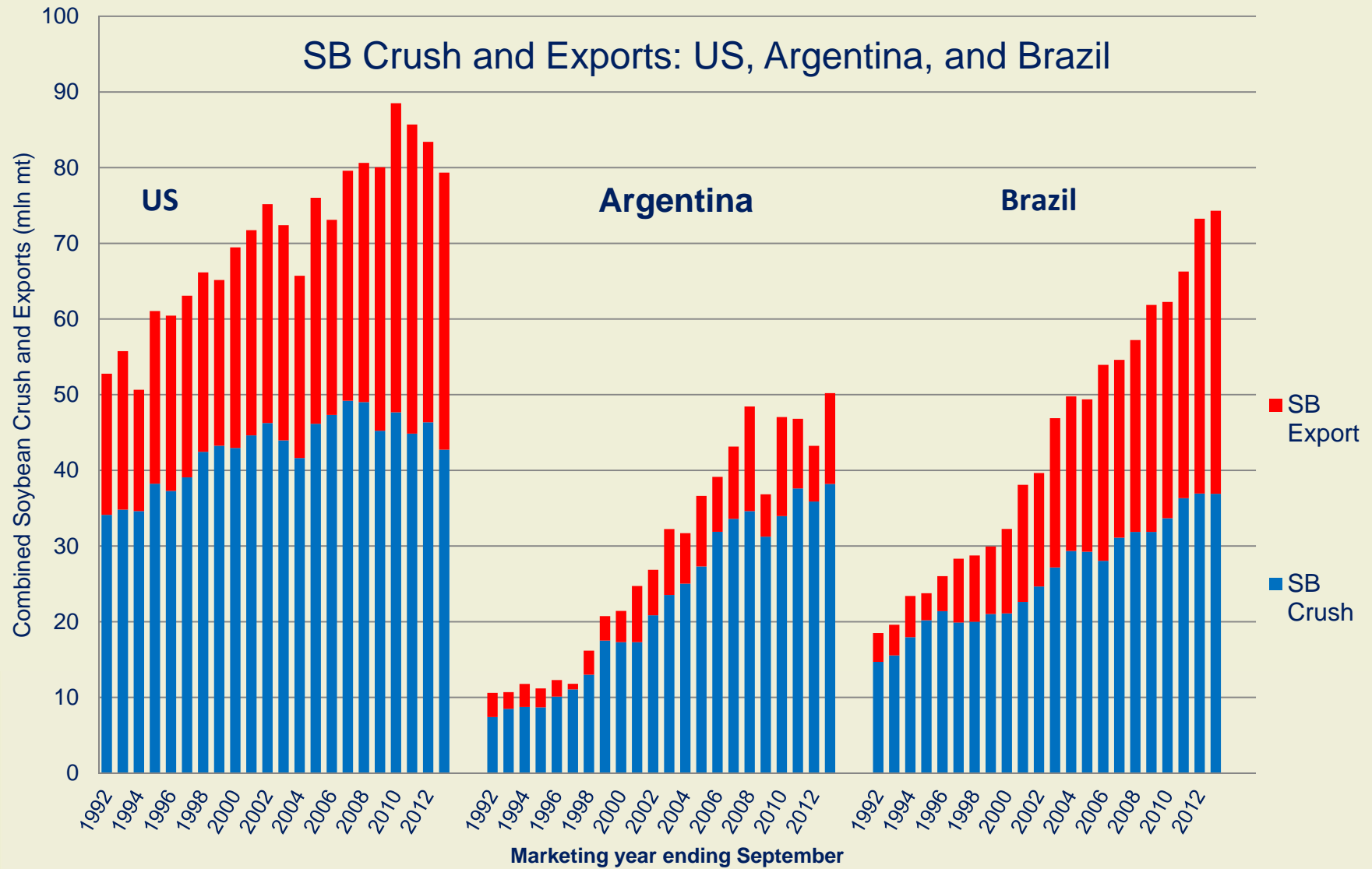


U.S. Soymeal Exports by Destination  
Oct 2010 - July 2011 vs. prior year

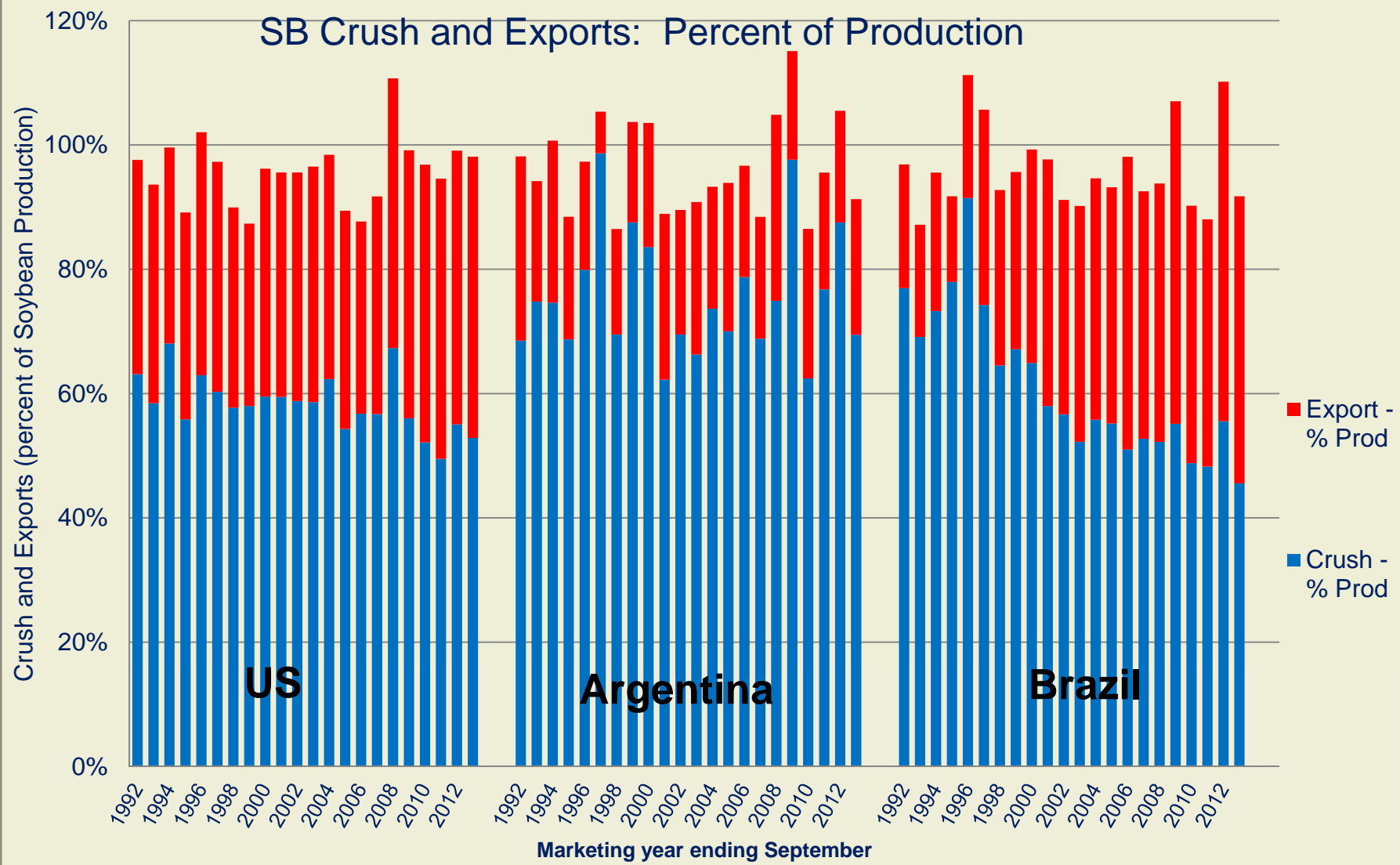


- During the US 2009-10 marketing year, US SBM exports to SE Asia jumped by 1.4 million MT as major shippers switched entire programs from Argentina. US exports also increased to NE Asia and Europe.
- During the US CY '10/11, improved conditions in South America increased soybean meal export availability. Argentina was able to compete again in world markets, reversing most of the gains by US 48 SBM a year earlier.

# Brazil has become #1 soybean exporter

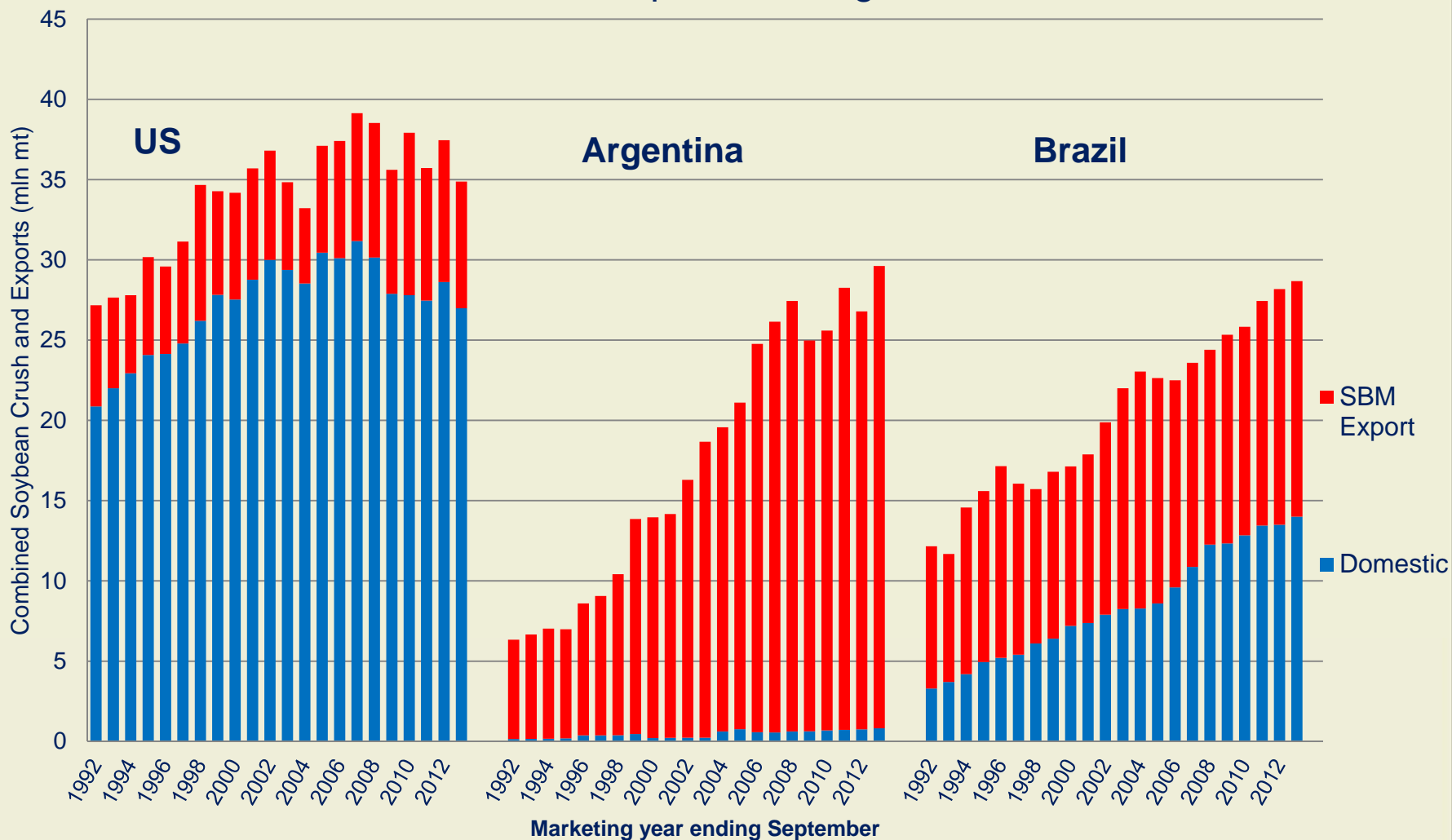


# Argentine policy of DET stimulates growth of SB crush vs export.

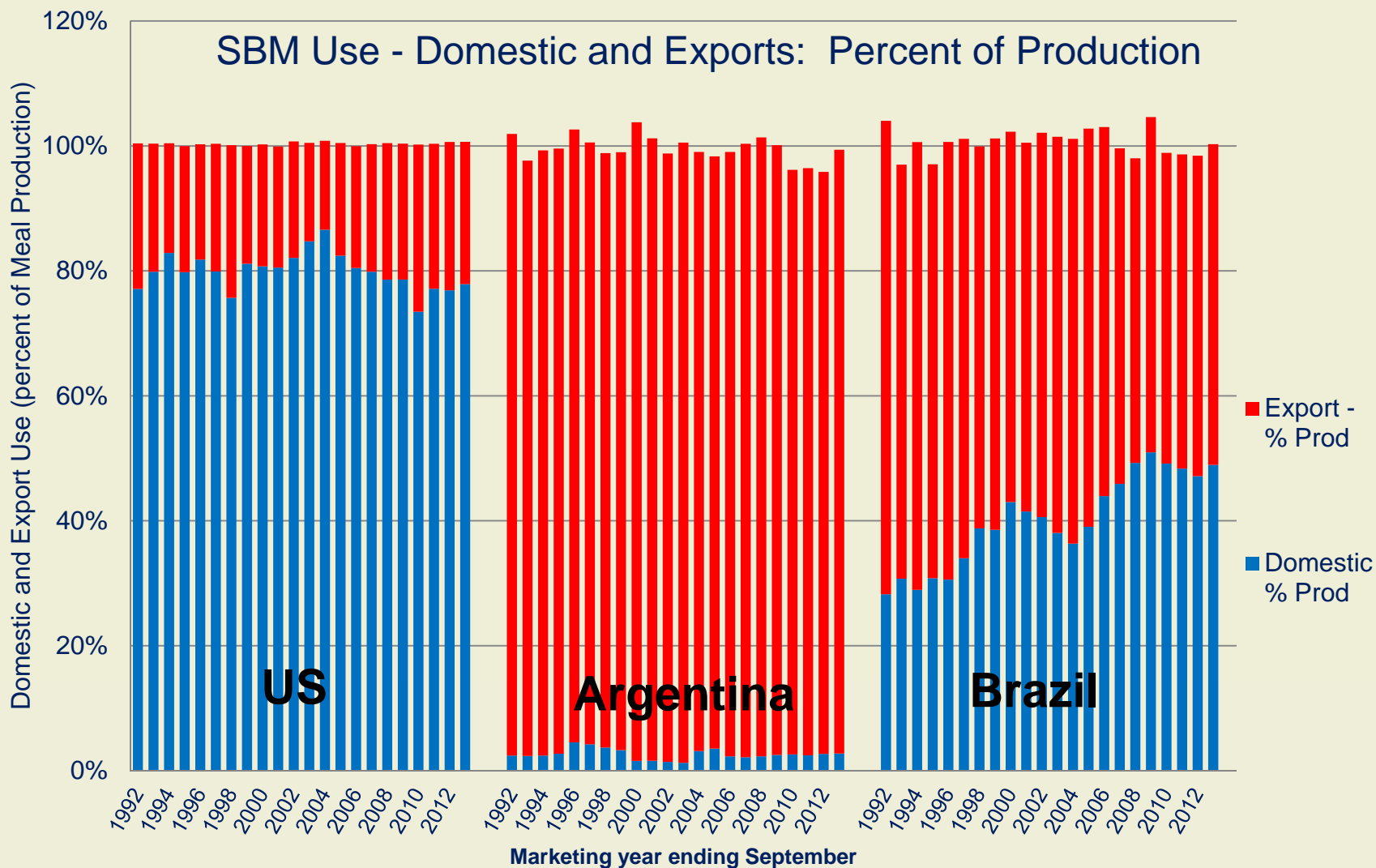


Argentina supplies 1/2 of world SBM exports; Brazil 1/4; US 1/8.

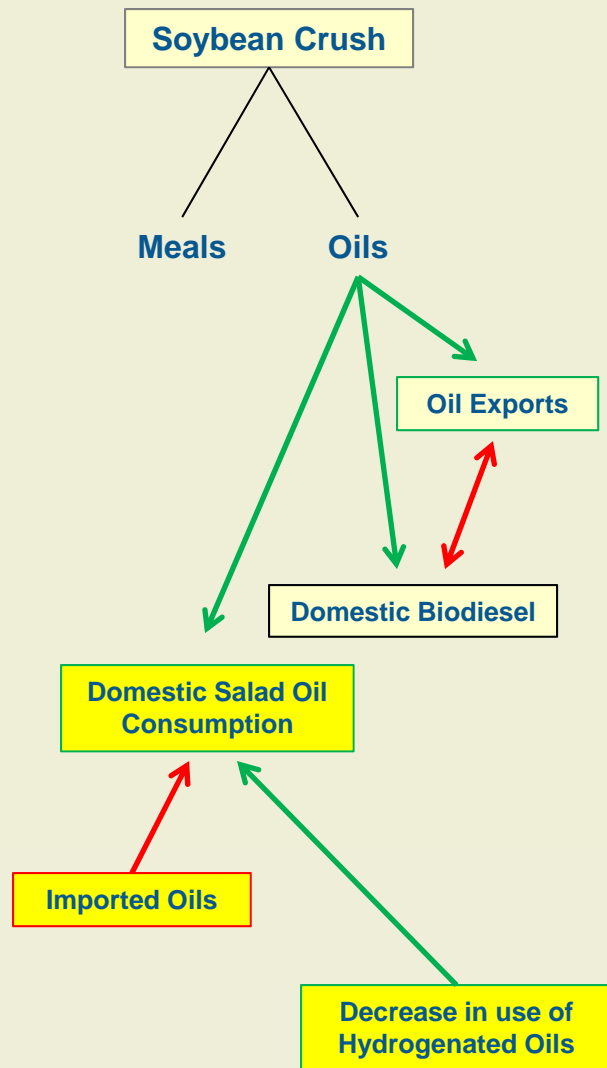
SBM Use: Domestic and Export: US, Argentina, and Brazil



Argentina is most dependent on export demand. Must price to sell!

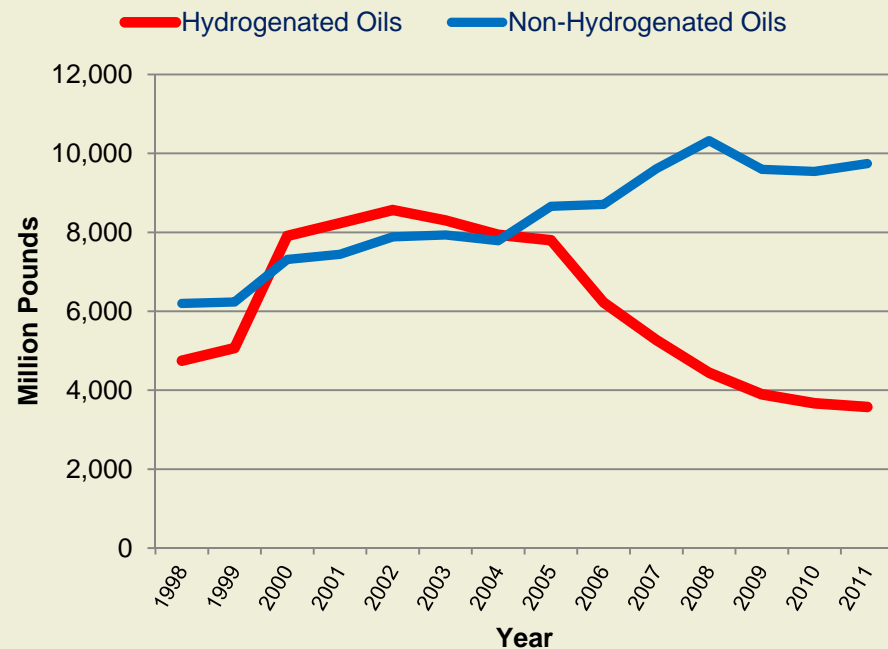


# Transfat concern has reduced demand for hydrogenated soybean oil

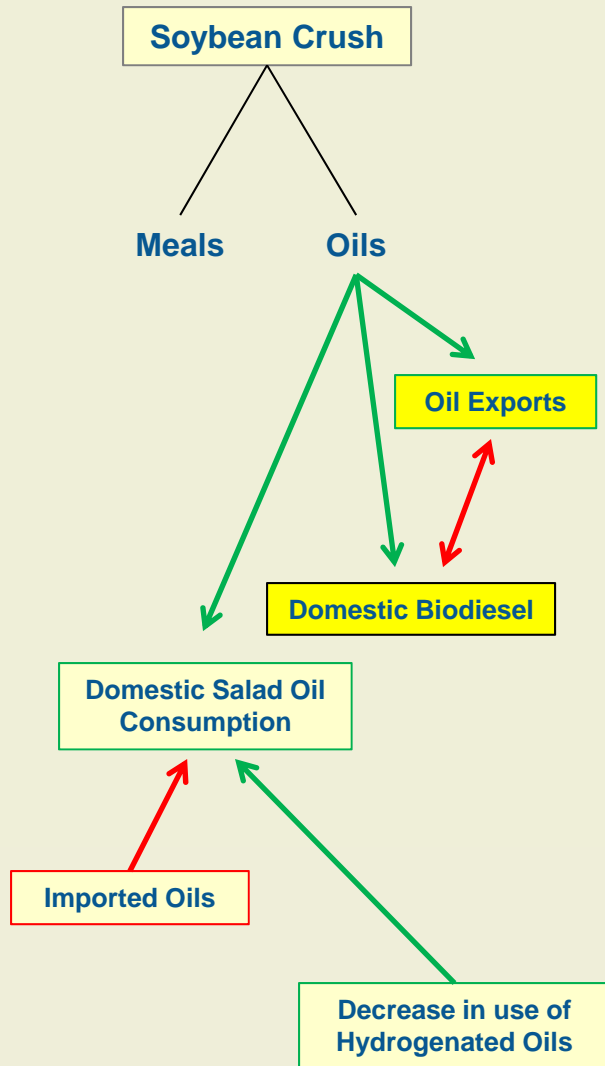


- The concern over transfat has reduced the demand for hydrogenated soybean oil and total consumption of soybean oil for edible uses.
- Other vegetable oils, in particular canola and palm, have gained share of the edible market depending on functionality provided.

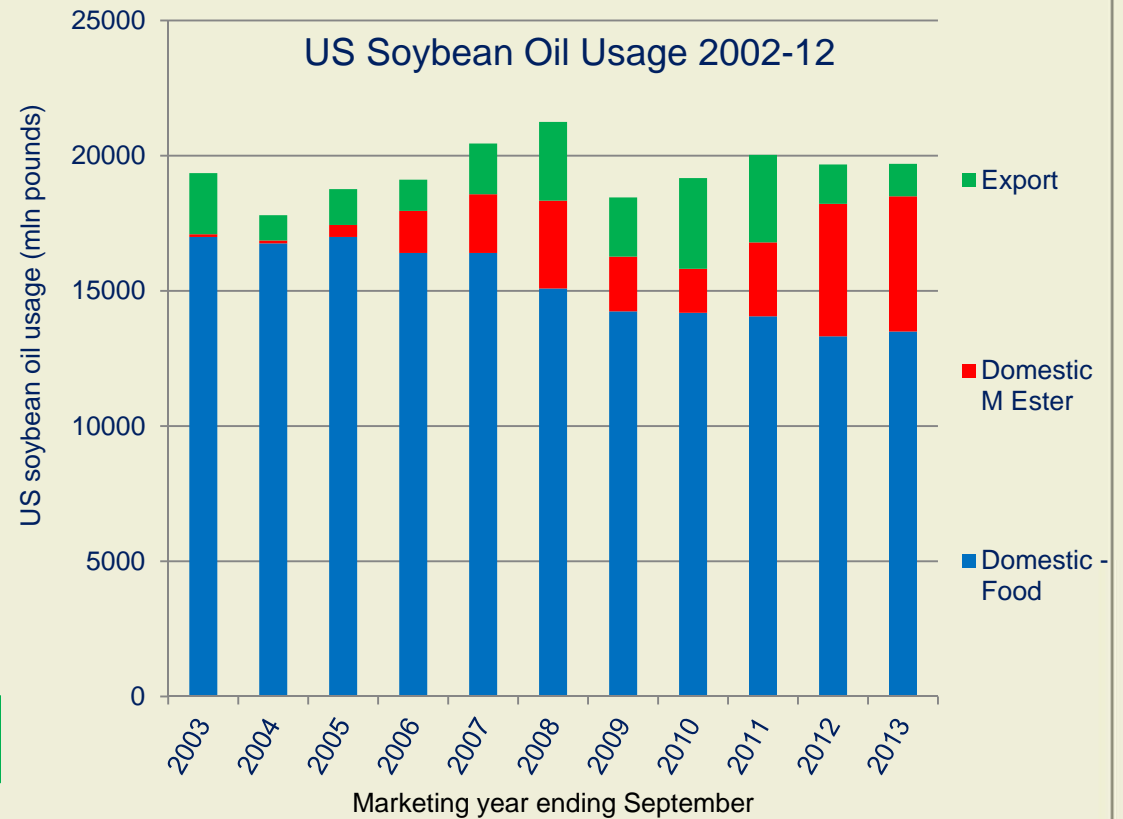
**Domestic Consumption of Hydrogenated Oils vs. Non-Hydrogenated Oils (Edible Uses)**



# Increase in use for biodiesel has offset loss to hydro alternatives



- Domestic demand for soybean oil is impacted by the profitability of producing biodiesel
  - Supply of oil for export is inversely related to domestic demand





Thank you!