
Soybean Outlook for 2007-08

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Southern Region Agricultural Outlook Conference
September 26, 2007



November 2007 Weekly Futures

S X7 [10] - SOYBEANS (DAY)

LAST: 979'0

CHANGE: ▼ 9'4

HIGH: 989'4

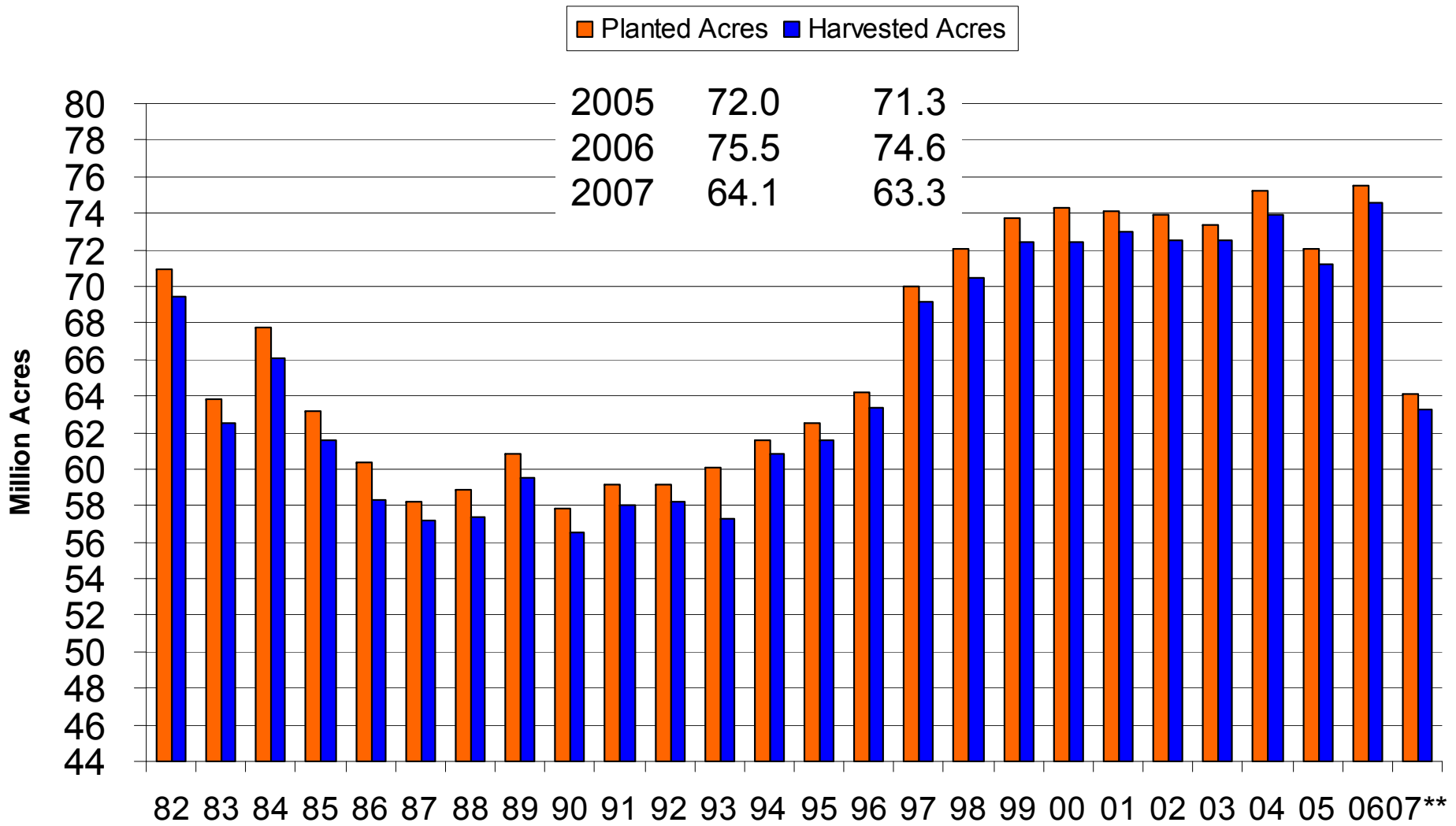
LOW: 978'0

9/21/2007

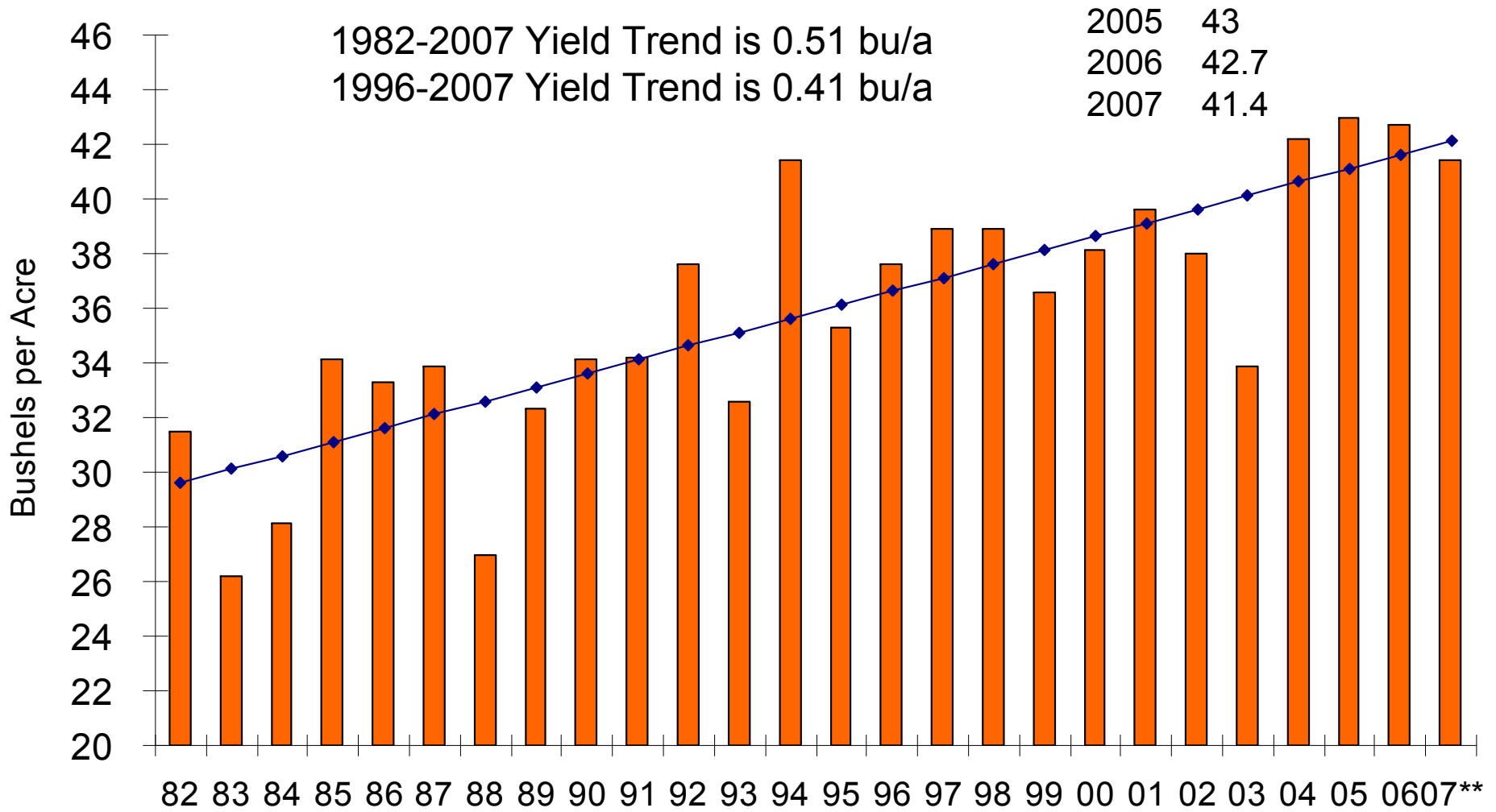


CBOT ADVANTAGE

U.S. Soybean Acreage



U.S. Soybean Yields



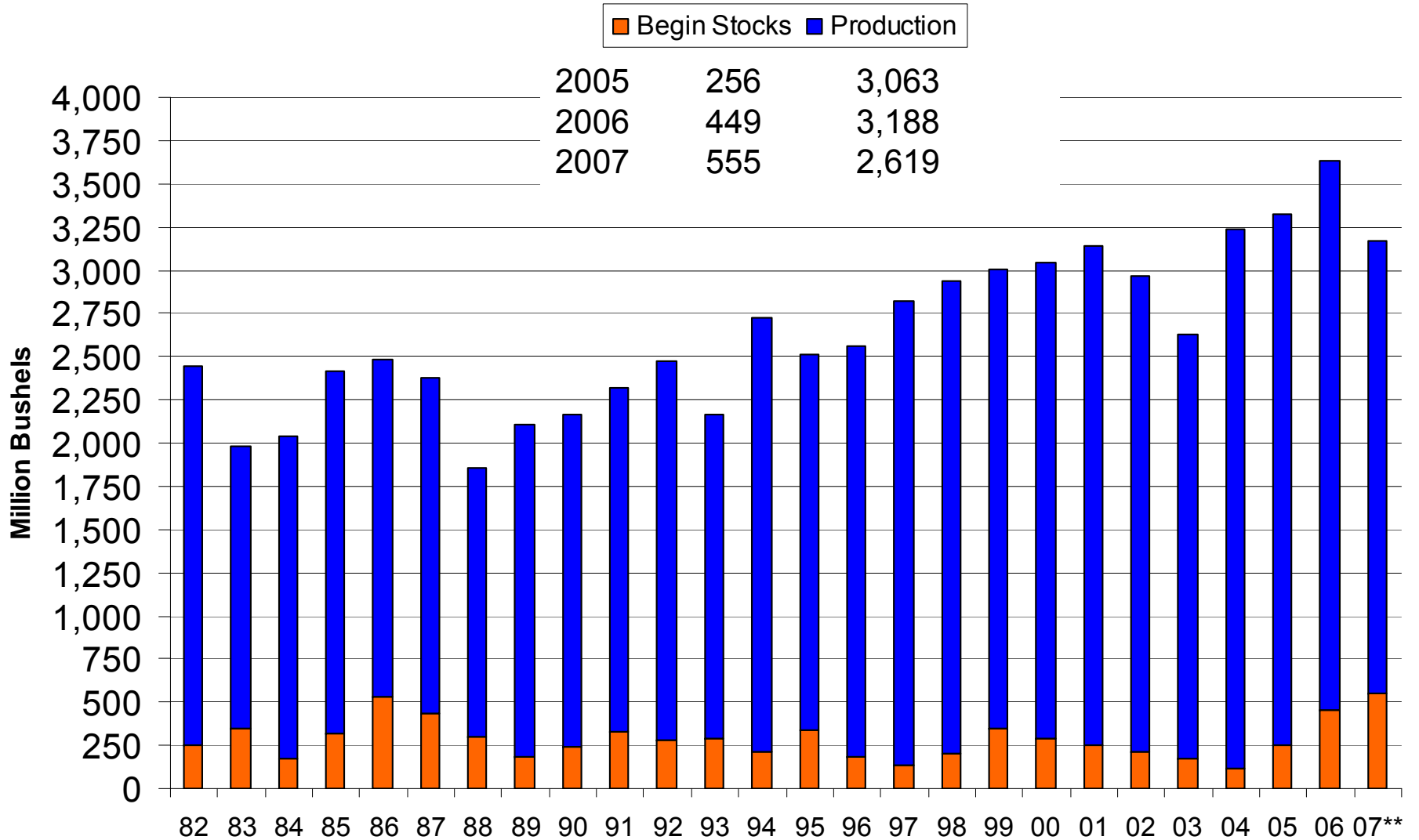
Change in Acreage and Production from 2006 to 2007 for the Midwest

	Harvested Acreage Million Acres			Yield bu/acre			Production Million bu		
	2006	2007	% Δ 2006	2006	2007	% Δ 2006	2006	2007	% Δ 2006
IA	10.10	8.77	-13%	50.5	51	1%	510.1	447.3	-12%
IL	10.05	8.30	-17%	48	46	-4%	482.4	381.8	-21%
NE	5.01	3.95	-21%	50	52	4%	250.5	205.4	-18%
MN	7.25	6.20	-14%	44	42	-5%	319.0	260.4	-18%
IN	5.68	4.58	-19%	50	43	-14%	284.0	196.9	-31%
OH	4.62	3.98	-14%	47	44	-6%	120.0	106.8	-11%
WI	1.64	1.39	-15%	44	42	-5%	72.2	58.4	-19%
MO	5.11	4.45	-13%	38	37	-3%	194.2	164.7	-15%
KS	3.08	2.30	-25%	32	34	6%	98.6	78.2	-21%
SD	3.85	3.25	-16%	34	40	18%	130.9	130.0	-1%
Total Midwest	56.39	47.17	-16%	48.5	47.9	-1%	2,461.72	2,029.79	-18%
US	74.60	63.27		42.7	41.4		3,188.2	2,618.8	
Midwest % of US	75.6%	74.6%		114%	116%		77.2%	77.5%	

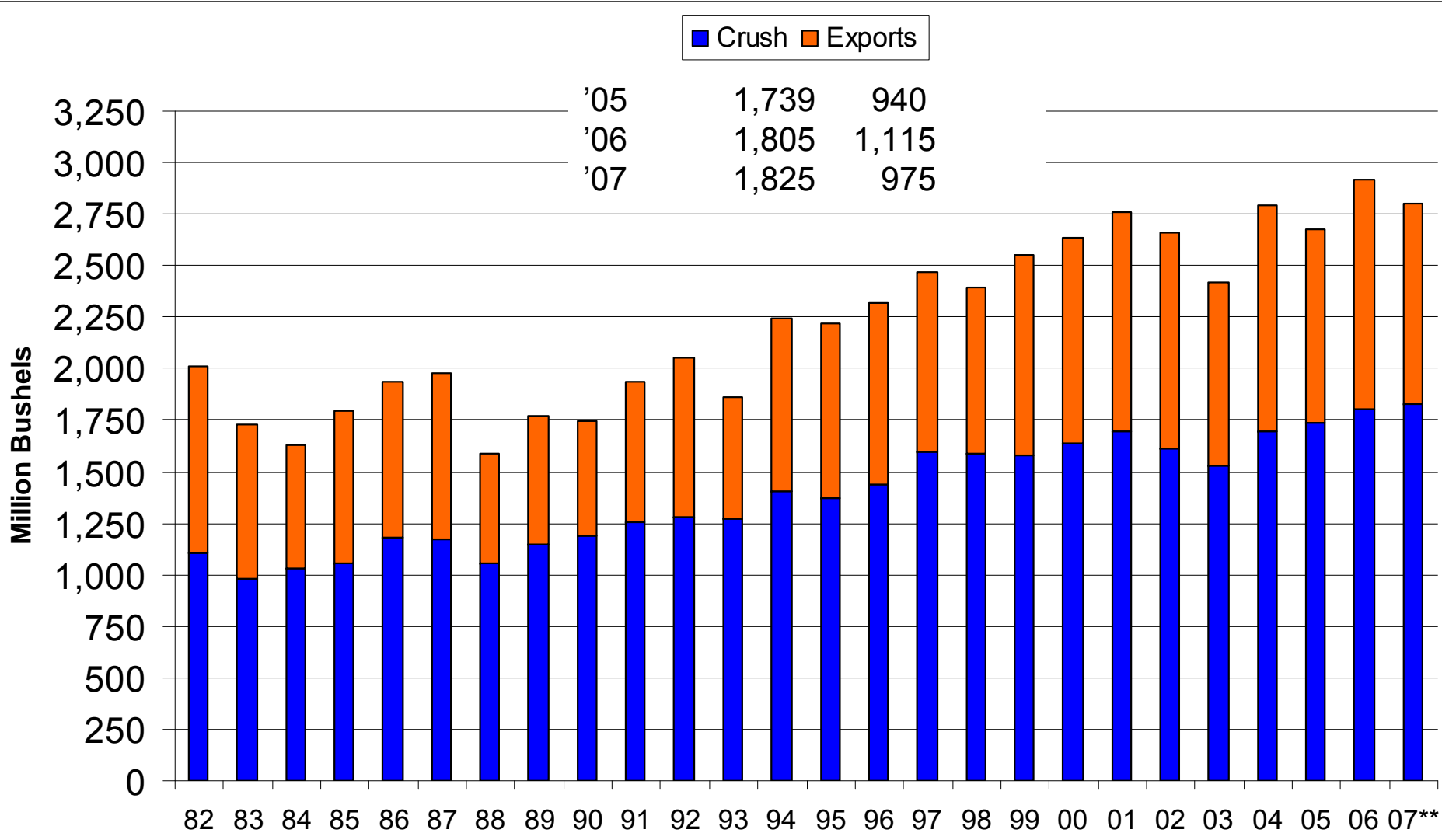
Change in Acreage and Production from 2006 to 2007 for the Southern Region

	Harvested Acreage 1000 Acres			Yield bu/acre			Production Million Bushels		
	2006	2007	% Δ 2006	2006	2007	% Δ 2006	2006	2007	% Δ 2006
AL	150	170	13%	20	20	0%	3.0	3.4	13%
AR	3,070	2,750	-10%	35	38	9%	107.5	104.5	-3%
FL	5	11	120%						
GA	140	205	46%	25	29	16%	3.5	5.9	70%
KY	1,370	1,140	-17%	44	30	-32%	60.3	34.2	-43%
LA	840	580	-31%	35	39	11%	29.4	22.6	-23%
MS	1,650	1,440	-13%	26	39	50%	42.9	56.2	31%
NC	1,360	1,370	1%	32	22	-31%	43.5	30.1	-31%
OK	215	250	16%	17	24	41%	3.7	6.0	64%
SC	390	410	5%	29	22	-24%	11.3	9.0	-20%
TN	1,130	1,050	-7%	39	24	-38%	44.1	25.2	-43%
TX	155	75	-52%	24	32	33%	3.7	2.4	-35%
VA	510	490	-4%	31	27	-13%	15.8	13.2	-16%
Total South	10,985	9,941	-10%	33.6	31.5	-6%	368.6	312.8	-15%
US	74.60	63.27		42.7	41.4		3,188.2	2,618.8	
South % of US	14.7%	15.7%		78.6%	76.0%		11.6%	11.9%	

U.S. Soybeans Total Supply



U.S. Soybean Usage



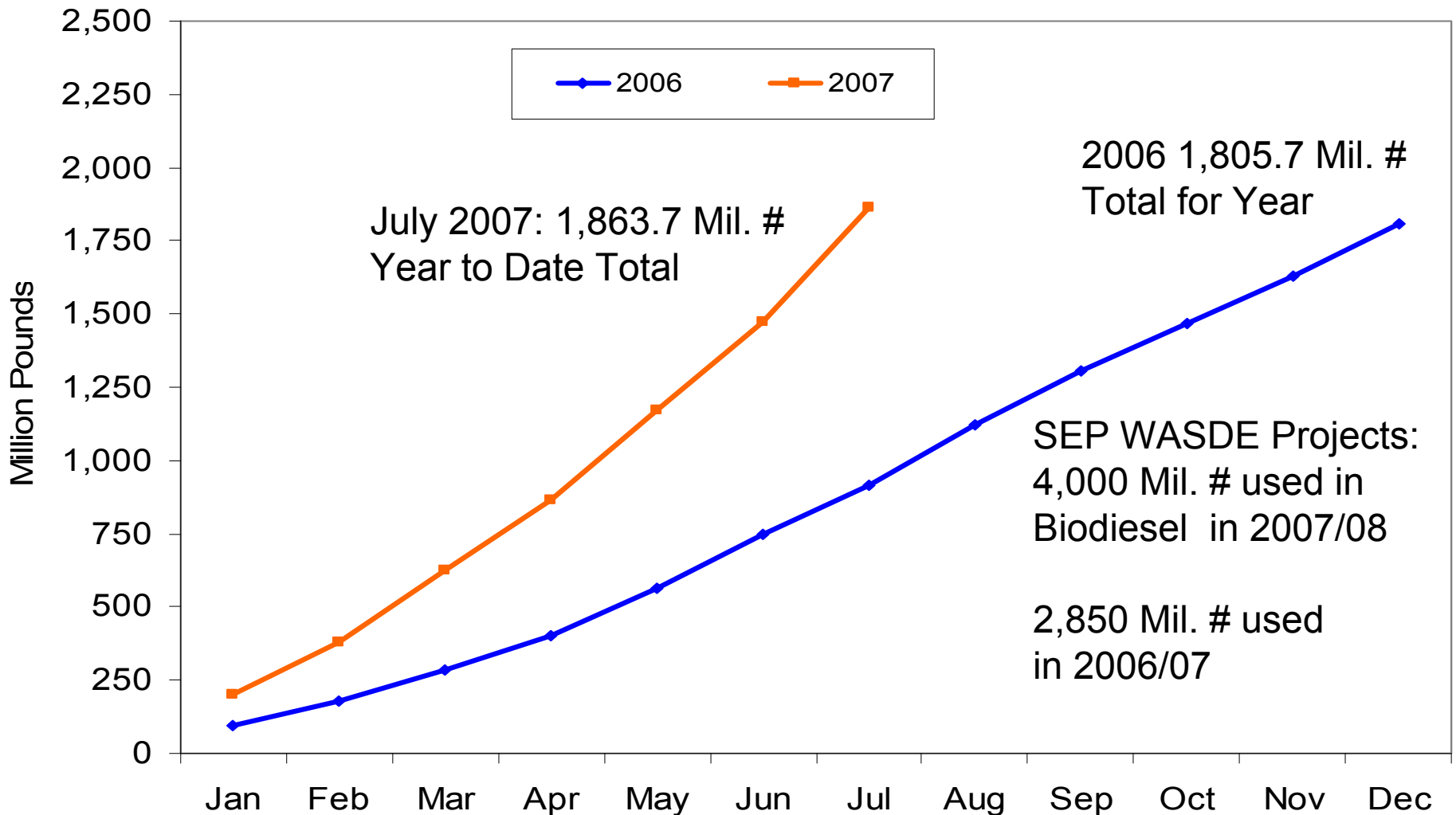
U.S. Soybean Meal Balance Sheet

	2004-05	2005-06	2006-07	2007-08
	Thousand Tons			
Beginning Stocks	211	172	314	300
Production	40,715	41,244	42,771	43,385
Imports	<u>147</u>	<u>141</u>	<u>165</u>	<u>165</u>
Total Supply	41,073	41,557	43,250	43,850
Domestic Use	33,559	33,195	34,350	35,300
Exports	<u>7,343</u>	<u>8,048</u>	<u>8,600</u>	<u>8,250</u>
Total Use	40,902	41,243	42,950	43,550
Ending Stocks	172	314	300	300
Average Price (\$/ton)	\$182.90	\$174.17	\$205.00	\$205-\$235

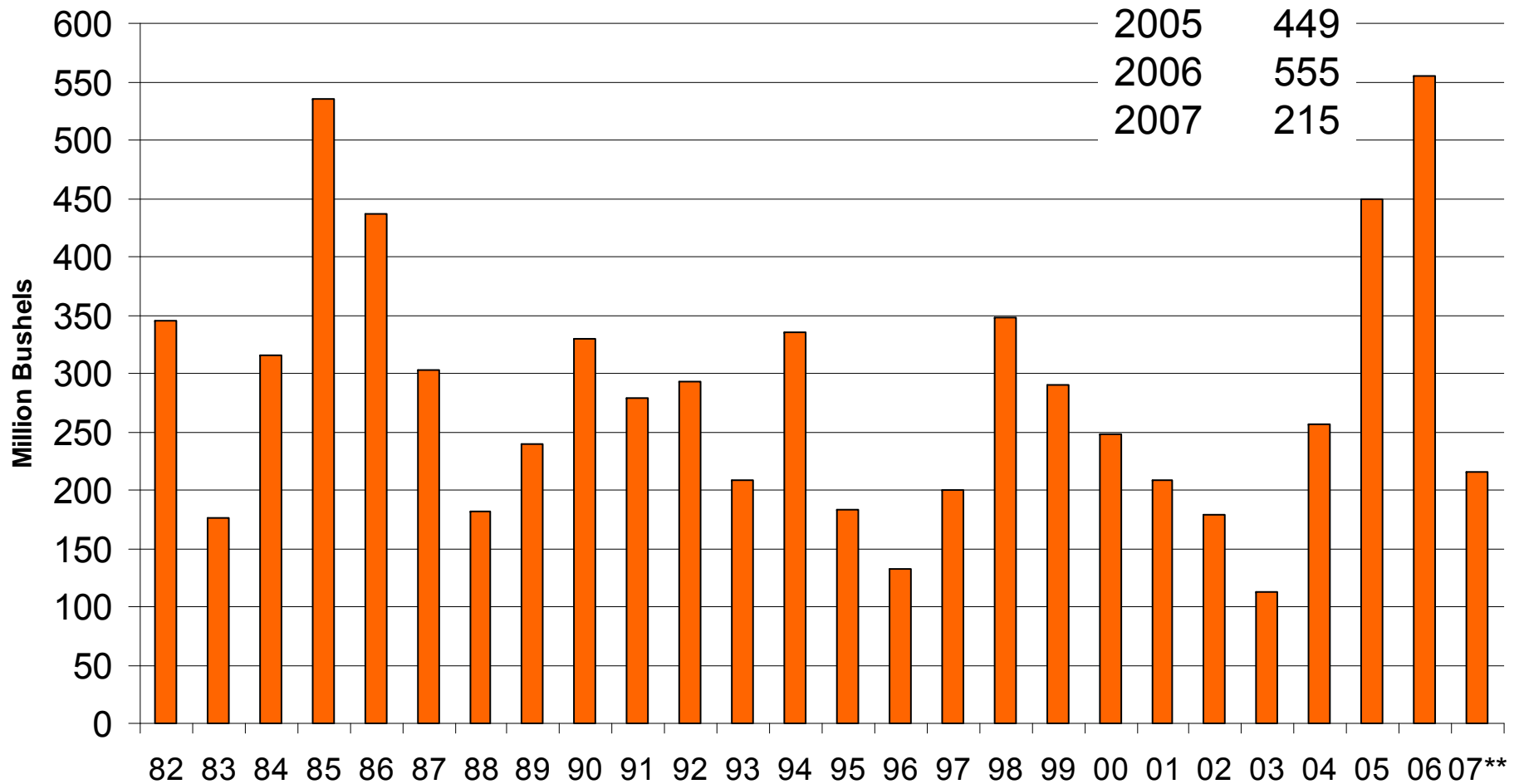
U.S. Soybean Oil Balance Sheet

	2004-05	2005-06	2006-07	2007-08
	Million Pounds			
Beginning Stocks	1,076	1,699	3,010	2,580
Production	19,360	20,387	20,435	20,715
Imports	<u>26</u>	<u>35</u>	<u>35</u>	<u>40</u>
Total Supply	20,462	22,121	23,480	23,335
Domestic Use	17,439	17,959	19,050	20,300
Exports	<u>1,324</u>	<u>1,153</u>	<u>1,850</u>	<u>1,300</u>
Total Use	18,763	19,112	20,900	21,600
Ending Stocks	1,699	3,010	2,580	1,735
Average Price (\$/lb)	\$0.2301	\$0.2341	\$0.31	\$0.33-\$0.37

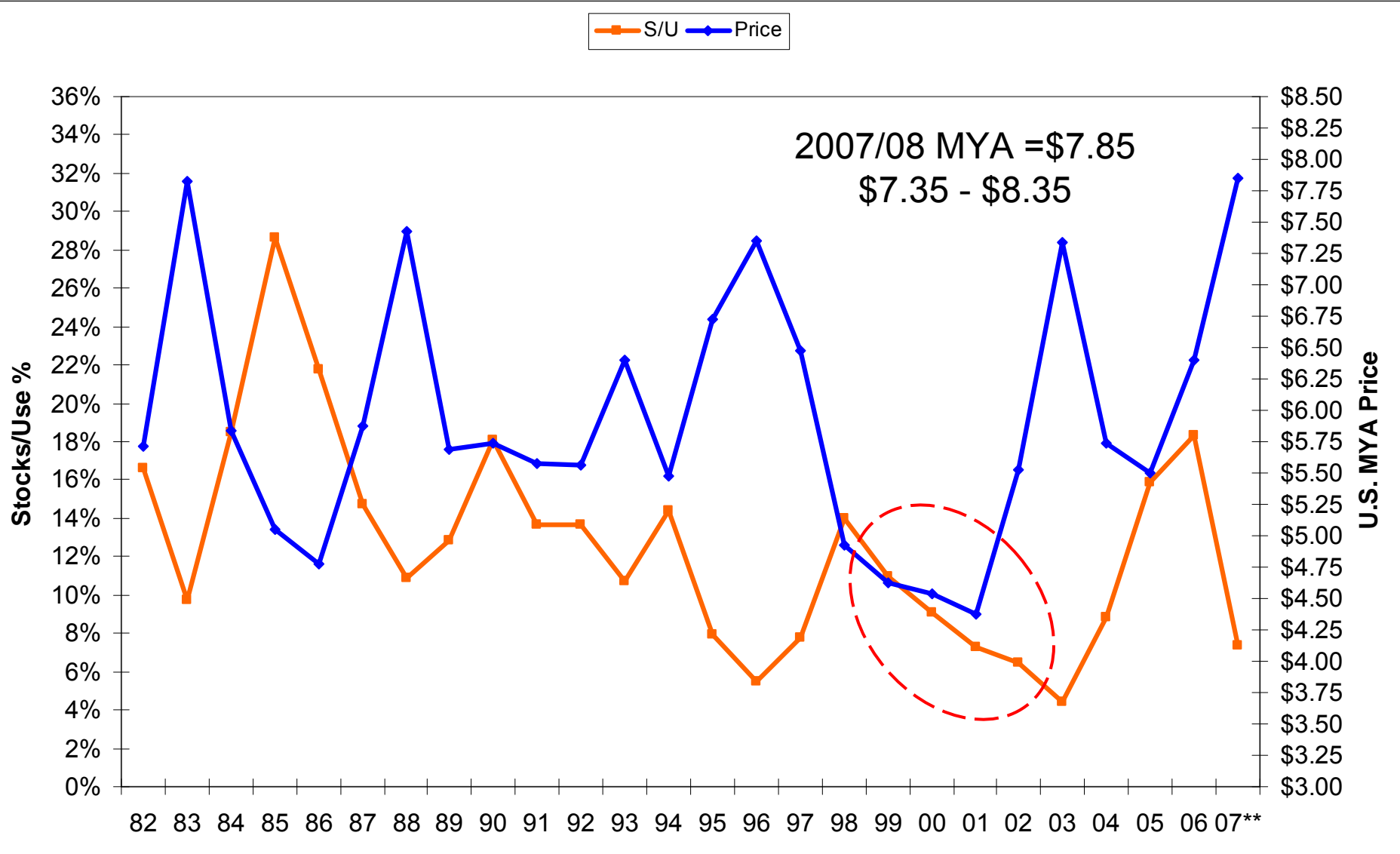
Soybean Oil Consumption for Biodiesel Production in 2006 and 2007






U.S. Soybeans Ending Stocks



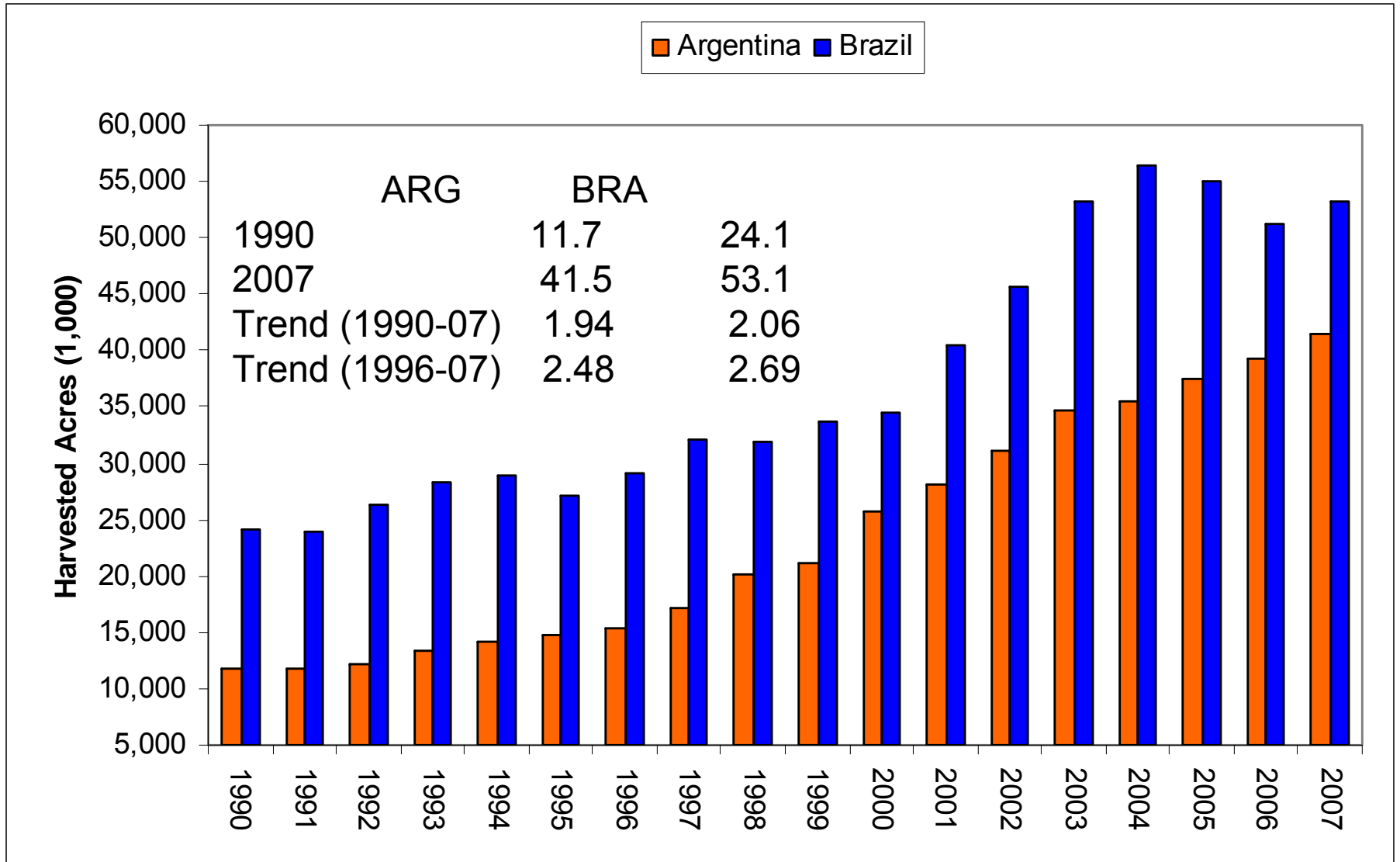
U.S. Soybeans Marketing-Year Average Price and Stocks-Use Ratio



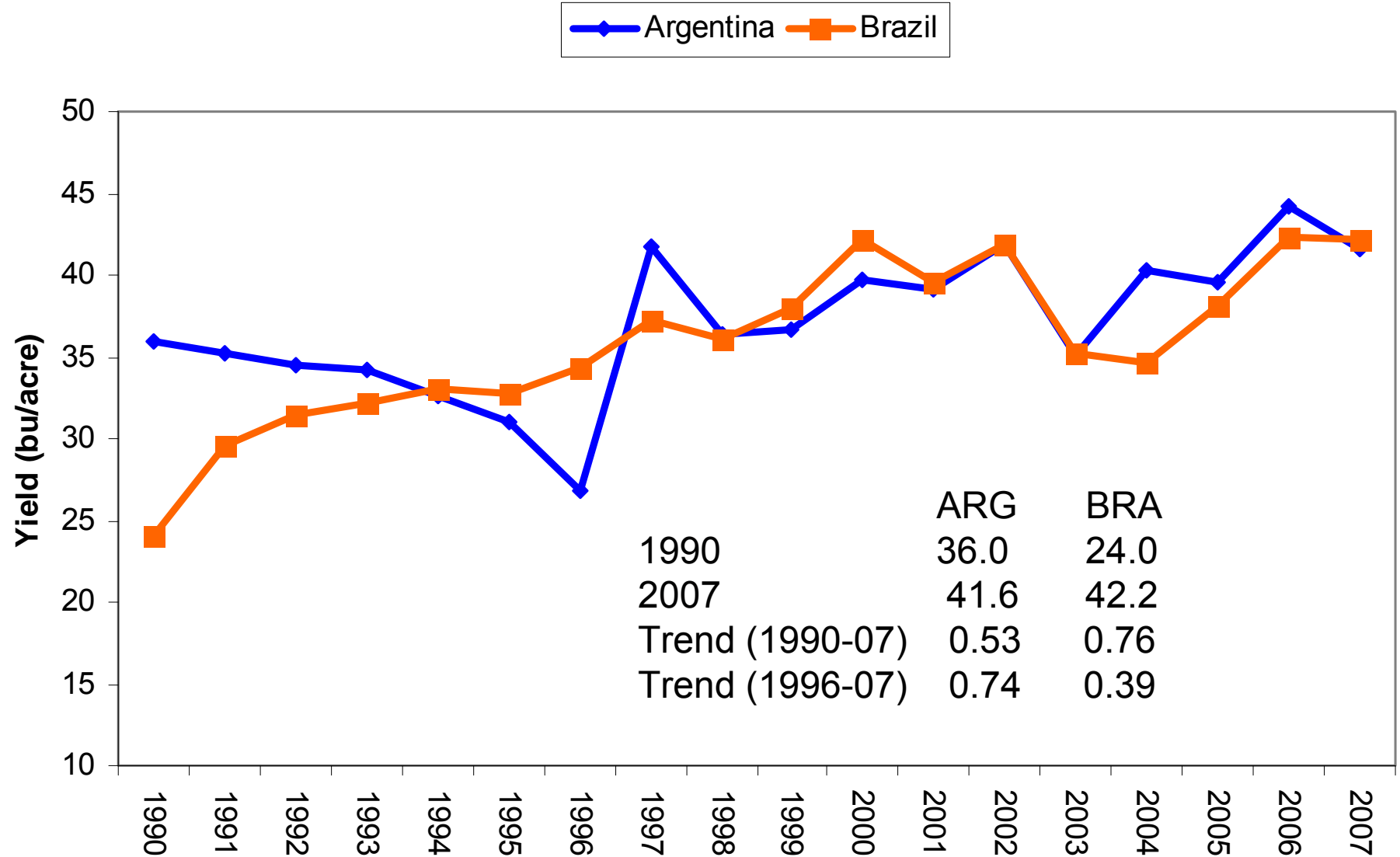
Comparison of Argentina, Brazil and U.S. Soy and Soy Product Exports for 2007/08

Commodity	ARG 	BRA 	USA 	Export Market (Million Tons)
Soybeans	3 rd (13%)	1 st (41%)	2 nd (35%)	82.67
Soymeal	1 st (54%)	2 nd (21%)	3 rd (13%)	61.9
Soyoil	1 st (62%)	2 nd (22%)	3 rd (6%)	11.4

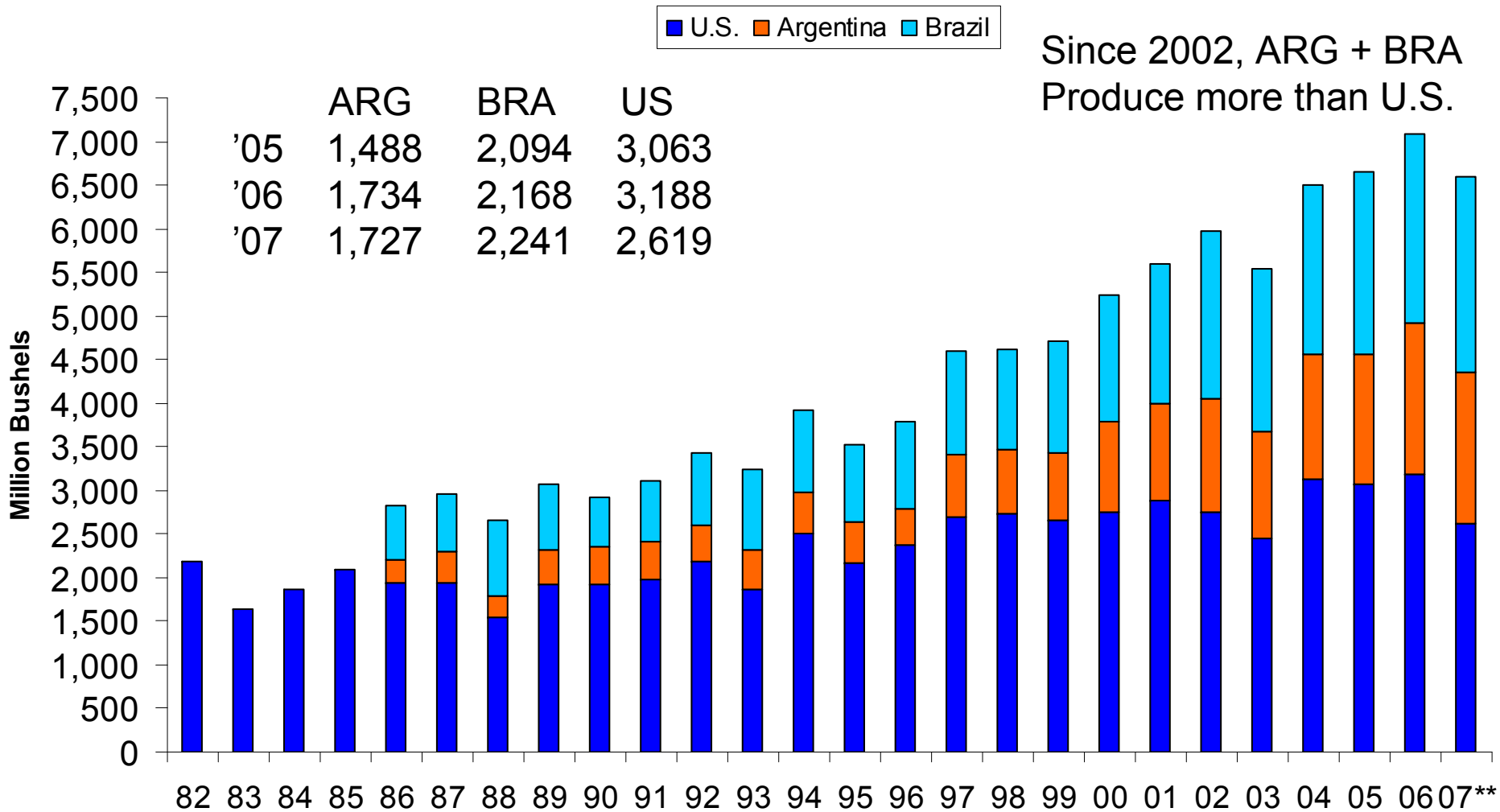
Argentina and Brazil Soybean Harvested Acres from 1990-2007



Argentina and Brazil Soybean Yields from 1990-2007



Argentina, Brazil and U.S. Total Soybean Production



Argentina's and Brazil's Policies Limit Growth

■ Exchange Rates

- Devaluation in Argentina has increased income in pesos for farmers.
- Revaluation in Brazil has severely reduced profitability for farmers.

■ Interest Rates and Credit

- Credit is both scarce and expensive in Argentina and Brazil.

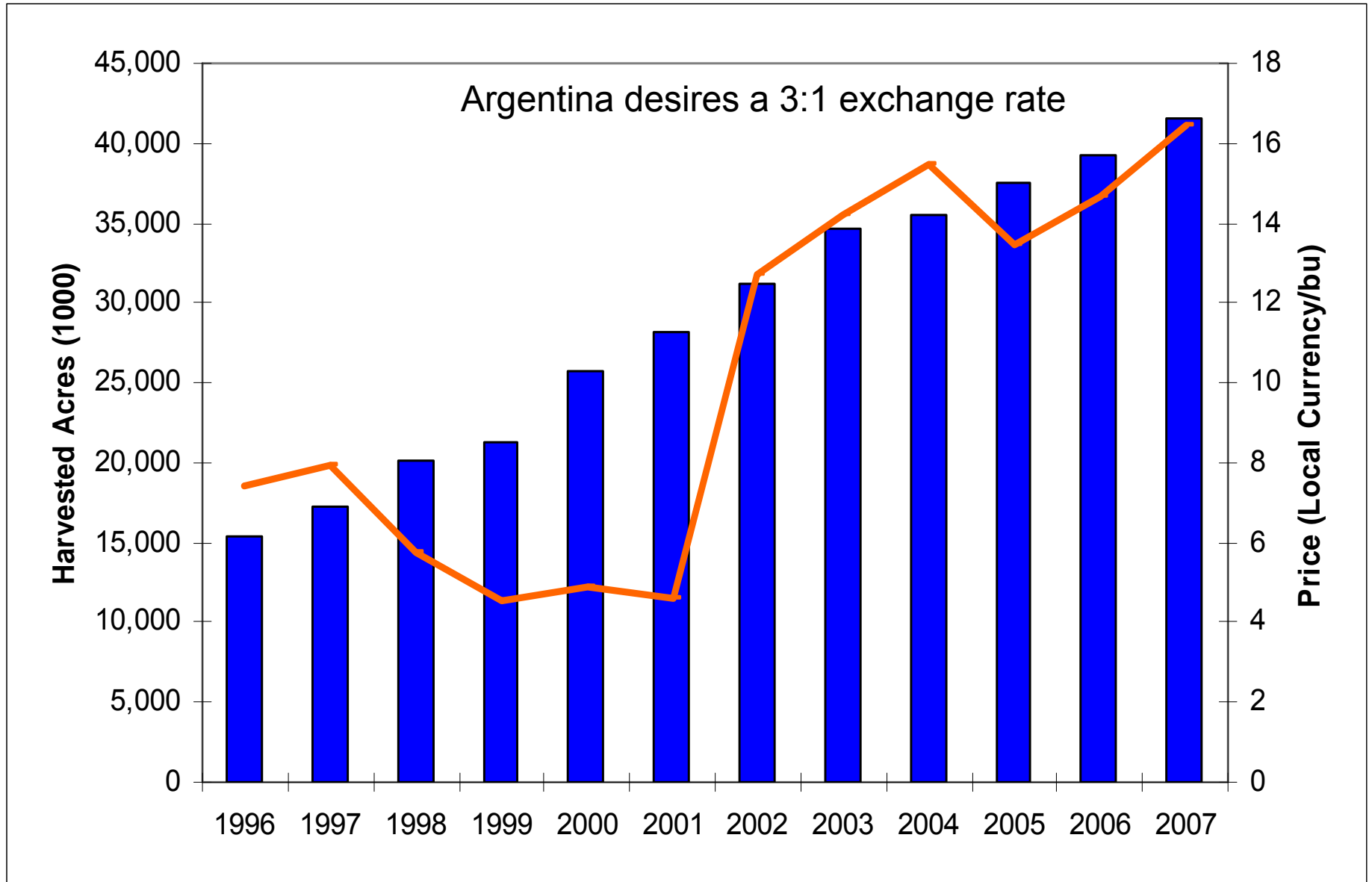
■ Taxes on domestic movement in Brazil

- Discourages investment in crushing capacity and exports of soybean meal and soybean oil.

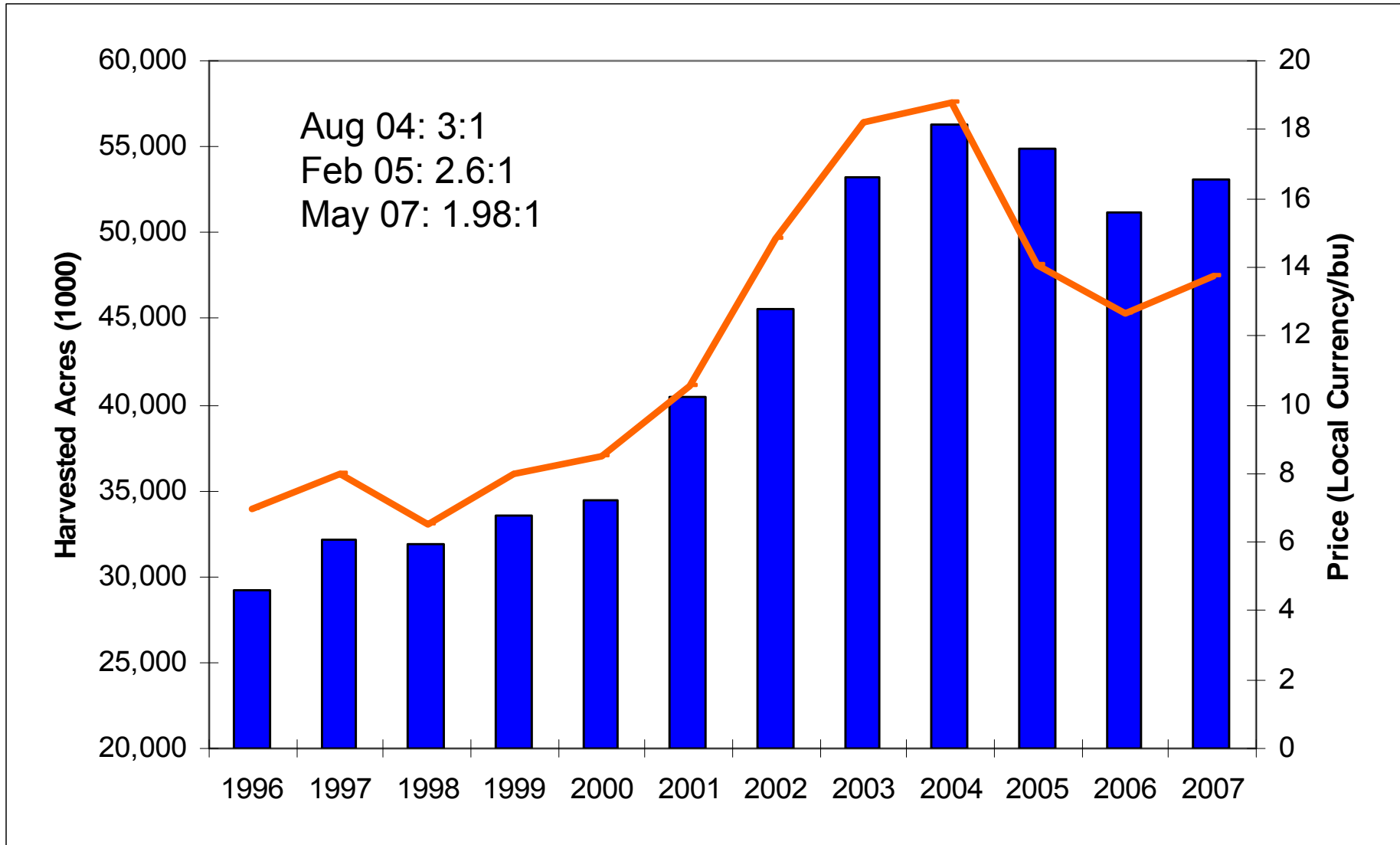
■ Taxes on exports in Argentina

- For government revenue and to curb inflation. Reduces farm price and discourages investment from producers.
 - Soybeans = 27.5% and Soybean meal/oil = 23.5%




Exchange Rate and Harvested Acres in Argentina from 1996-2007



Exchange Rate and Harvested Acres in Brazil from 1996-2007



2008 Estimated South American Soybean Production Costs (\$/acre) – 50 bu/acre Yield

Production Cost Analysis for 2008	Santa Fe 	Mato Grosso 	Parana 
	\$/A	\$/A	\$/A
Machinery Operations	\$47.42	\$34.47	\$63.13
Seed & Inoculants	14.29	15.17	12.35
Fertilizers	6.15	67.51	27.74
Crop Protection	29.62	44.42	44.75
Interest on Capital	27.24	23.07	20.76
Total Variable Costs	\$124.72	\$184.64	\$168.73
Land Cost	129.50	30.64	25.06
Machinery Depreciation and Labor	0.00	19.53	43.35
Total Fixed Costs	\$129.50	\$50.17	\$68.40
Total Production Costs	\$254.22	\$234.81	\$237.13
Short Freight	3.51	8.26	4.13
Reception, Cleaning, Drying and Storage	15.18	6.38	6.38
Long Freight	17.54	118.96	35.40
Reception and Loading	5.50	2.43	2.43
Total Marketing Costs	\$41.73	\$136.03	\$48.33
Total Production and Marketing Cost	\$295.95	\$370.84	\$285.47
Price (\$/bu)	\$6.53	\$8.71	\$8.71
Total Revenue	\$330.23	\$440.30	\$440.30
Return over Total Costs	\$34.27	\$69.47	\$154.83

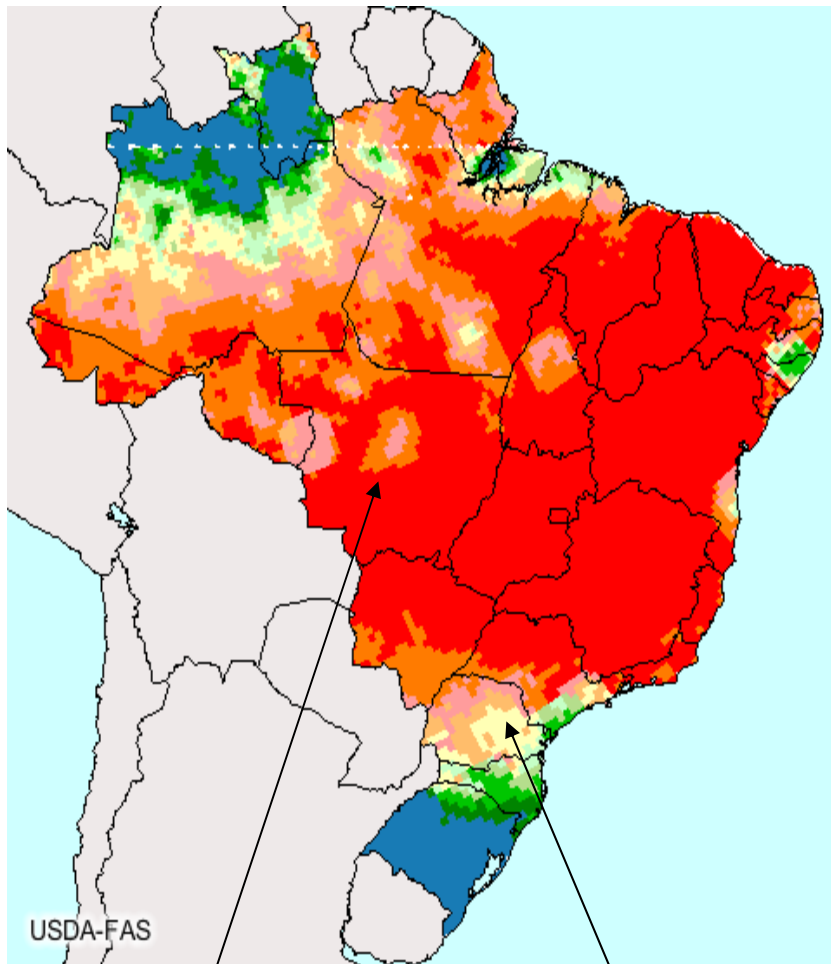
Argentina's and Brazil's Infrastructure Limits Growth

- Most of the grain to export is moved by trucks in Argentina (84%) and Brazil (67%) as compared to 7% in the United States:
 - 75% of the trucks have more than 25 years in Argentina; in Brazil are newer
 - Parking lots of 500 to 750 trucks produce bottlenecks on highways and a **2-day unloading delay or longer** in Argentine and Brazilian crushing and port terminals
 - South America uses rail less to export: Argentina (15%) and Brazil (28%) compared to 38% in the United States:
 - Rail interconnection is not possible as there are multiple gauges and rail lines
 - Smaller unit trains due to smaller engines, railcars and poorly maintained tracks
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Storage Issues in Argentina and Brazil

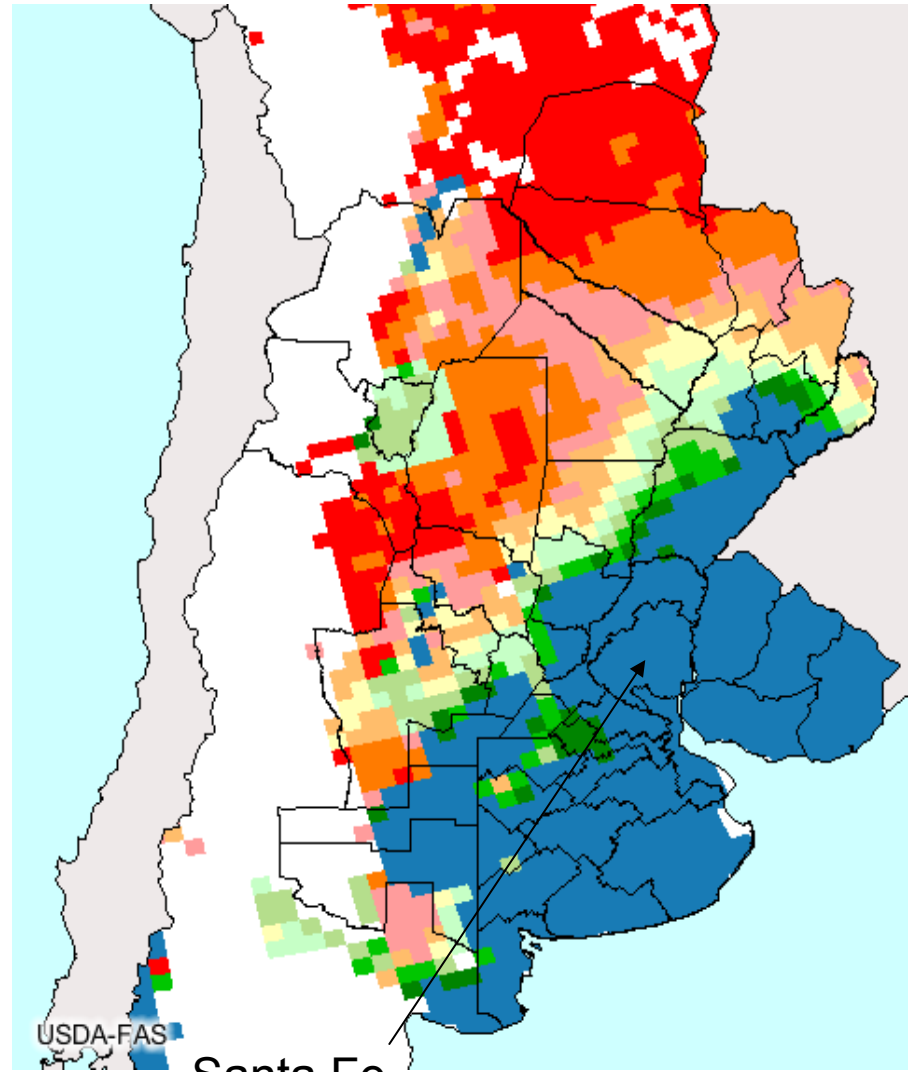
- “Silo-bags” have increased on-farm storage capacity (\$ 0.077 per bushel)
- Farmers can wait for higher prices or lower transportation rates or for roads to dry
- Off-farm storage and Port loading capacity has increased from investments by crushers and exporters
- Low country fixed storage capacity pressures farmers to move their production down-stream to the crushers and export ports at harvest

South American Soil Moisture 9/21/07



Mato Grosso

Parana



Santa Fe

Note: Bright red is 0-10% moisture. Orange is 10-20% moisture. Light yellow is 40-50% moisture. Blue is 90-100%

Closing Soybeans Future Prices 9/21/07

Futures Contract	Closing Price
Nov-07	\$9.7900
Jan-08	\$9.9450
Mar-08	\$10.0250
May-08	\$10.0100
Jul-08	\$10.0275
Aug-08	\$9.9000
Sep-08	\$9.6700
Nov-08	\$9.4225

2007/08 Soybean Outlook

- U.S. Average Prices forecasted to be better than 2006/07.
 - FAPRI (Aug 2008) forecasting 2008 Planted Acres at 68.8 million (4.7 million more than 2007) and 2008/09 Ending Stocks at 248 million bu
 - Expecting strong domestic demand with less exports
 - Soil moisture in Argentina improving but Brazil remains dry. Watch South America
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Marketing and Risk Management

- 2007/08 is a year to understand storage costs and basis relationships.
 - Storage for increased carry, appreciating basis and tax management
 - Understand carrying cost as chase dreams of ever-higher cash prices
 - Producers should strongly consider risk management for 2008 soybeans before planting (e.g. Jan/Feb)
 - Cash-forward-contracts, out-of-money put options can protect revenue
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Thank you! I will be happy to answer any questions you may have.

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