



The Soy Export Weekly Update

Fischer Boel Demands “Significant” U.S. Subsidy Cuts; Some Congressman Seek Additional Farm Funding

The United States must make “significant” cuts to its farm subsidies and the EU has little room to make additional cuts to its own agricultural spending, EU Agriculture Commissioner Mariann Fischer Boel said last week. According to Dow Jones Newswires, Fischer Boel told an audience in Berlin: “We need to see a significant commitment from the U.S. to reduce the level of trade-distorting domestic farm subsidies.” At the same time, she insisted she was “committed to maintaining the current agricultural budget up to 2013.”

The EU currently spends more than €40 billion (\$51.7 billion) a year on farm subsidies, almost half its total spending.

In related news, some U.S. congressional leaders want to secure additional funding to boost production of cellulosic crops, increase the number of acres covered by the conservation security program, and extend other support programs.

Senate Agriculture Committee Chairman Tom Harkin (D-Iowa) last week acknowledged recently that demand — and hence the price — for soybeans and corn is going to be strong over the next few years. However, he added, “it is nice to have a safety net,” for farmers in case prices were to tumble. Harkin argues that reduced spending brought about by higher market prices should be used “to provide some transitional support for farmers to begin to grow some energy-related crops.

According to Harkin, there ought to be “a little bump up” in farm spending even though market prices are strong. He said that when the 2002 farm bill was being written, “maybe farmers were in more trouble” than they are today. “But the nation is in trouble today,” he added. “We now know that the pathway to the future is biofuels. What we really need to do is jumpstart this and push it, so we can cut down on the importation of foreign fuel.”

Low Profit Margins Could Be Driving Decline In Soyoil Consumption For Biodiesel

The Census Bureau recently released data on soyoil used in biodiesel production for November. It revealed a continuing decline in soyoil consumption for biodiesel from the August peak of 95,700 tonnes to 82,100 tonnes during November. Attached is a table of biodiesel production and soyoil consumption. Although new biodiesel production capacity continues to be completed, there is little financial incentive to operate it or existing capacity because of narrow or negative profit margins.

Increase In Global Biotech Planted Area

Farmers planted more acreage to biotech crops in 2006, with plantings of GMO crops rising 13 percent compared with 2005. According to a survey by the International Service for Acquisition of Agri-biotech Applications, farmers in the U.S. remained the main users of biotech crops, planting 54.6 million hectares of the 102 million hectares seeded to such crops worldwide in 2006. In the United States, biotech plantings grew by 4.86 million hectares last year, accounting for more than one-third of the global increase of 12.1 million hectares.



However, the impact of the European Union's GMO crop stance is expected to have some impact in a country like Romania, one of the few European countries where any GMO crops are grown. (The survey relies on estimates from a combination of public reports, crop associations and proprietary databases. The survey was sponsored by the Rockefeller Foundation and a Spanish bank.)

2006 Transportation Recap

Oilseed and grain carloadings among the U.S. Class I railroads for 2006 totaled 1,177,803 railcars, 2.6% higher than 2005, and the highest level since 1999. Only two railroads reported fewer carloadings, the Union Pacific down more than 3% and the NS down less than 1%. The CSXT and the BNSF reported carloading increases better than 6%.

Carloadings to export position were up 12% at the seaports, totaling 436,352 railcars. The largest increases were to the Mississippi Gulf or Center Gulf where carloadings were up nearly 91% to 96,593 railcars. This was in response to higher barge freight rates. To the Atlantic and East Gulf ports, carloadings were up 85% to 29,181. To the Pacific Northwest (PNW) carloadings were down 4.5% to 213,221 railcars, the second highest level since 1999. The Texas Gulf reported 2% fewer carloadings at 97,357 railcars mainly because of fewer exports of wheat. Implied domestic carloadings continued its trend, down 2% to 741,451 carloadings.

Southbound oilseed and grain barge movements through the key locks in 2006 displayed solid gains, up 11% to 36.7 million tonnes for corn, soybeans, wheat and other grain products. Grain barge movements through these locks were last this high in 2003 and were supported by stronger second half exports through the Center Gulf.

Soybean movements were up 5% to 7.7 million with lock 52 up 14% to 2 million tonnes and the lock 27 up slightly to 4.9 million. Movements of corn were up 14% overall to 27.4 million tonnes, the highest throughput since 2004. Wheat movements experienced another disappointing year, down 7% to 1.4 million tonnes.

Oilseed and Grain exports through the seaports in 2006 totaled 106 million tonnes during 2006, up 9% from last year. All ports reported higher throughput except the PNW where grain exports were down more than 2% to 28.1 million tonnes, but still a decent level compared to the past few years. The Center Gulf handled 15% more grain volume, totaling 60.7 million tonnes. Texas Gulf exports were up 1% to 10.7 million tonnes, mainly on a surge of corn exports that were up 74% to 3.29 million tonnes. Otherwise the Texas Gulf would have seen an extraordinary drop associated with weakness in wheat exports.

Soy Complex Down On Pressure From Speculative Selling And Lower Energy Prices

The soy complex closed lower on January 18 reflecting pressure from speculative selling and a drop in energy prices. The underlying soybean fundamentals are burdensome for the United States and are not likely to become less so for the 2006-07 marketing year if the South American crops continue to be treated well. March bean futures closed down \$2.11 finishing at \$263.17; May was \$1.84 lower, closing at \$268.69; and July lost \$1.75 ending at \$273.83. March meal was down \$2.76 closing at \$232.92; May was \$3.20 lower, finishing at \$237.33; and July decreased \$2.43 to finish at \$242.51. March oil closed \$3.31 lower to finish at \$635.37; May was up \$3.31, closing at \$646.17; and July lost \$3.09, ending at \$655.87.



U.S. & South America Soybean/Products Balance

	United States			Argentina			Brazil		
	Actual	Estimate	Proj.	Actual	Estimate	Proj.	Actual	Estimate	Proj.
	2004/05	2005/06	2006/07	2004/05	2005/06	2006/07	2004/05	2005/06	2006/07
Soybeans	<i>thousand tonnes</i>								
Carryin	3,059	6,960	12,214	2,434	514	379	3,400	1,440	640
Production	85,013	83,368	87,196	39,000	40,500	41,300	53,000	55,000	56,000
Imports	152	92	109	708	900	950	353	86	100
Crush	46,160	47,320	48,444	29,560	32,600	33,700	29,730	28,000	27,300
Exports	30,011	25,778	31,161	10,548	7,400	7,000	22,798	25,550	26,700
Other	5,093	5,108	4,531	1,520	1,535	1,536	2,785	2,336	2,024
Usage	81,264	78,206	84,136	41,628	41,535	42,236	55,313	55,886	56,024
Carryout	6,960	12,214	15,383	514	379	393	1,440	640	716
Soymeal	<i>thousand tonnes</i>								
Carryin	191	156	290	1,350	1,187	2,165	870	640	856
Production	36,936	37,413	38,478	23,347	26,101	26,548	22,928	21,874	21,435
Domestic use	30,446	30,194	30,935	537	573	602	9,162	9,556	9,511
Net Exports	6,525	7,085	7,561	22,973	24,550	25,800	13,996	12,102	12,220
Usage	36,971	37,279	38,496	23,510	25,123	26,402	23,158	21,658	21,731
Carryout	156	290	272	1,187	2,165	2,311	640	856	560
Soybean oil	<i>thousand tonnes</i>								
Carryin	488	771	1,346	660	542	712	293	248	450
Production	8,781	9,250	9,124	5,404	6,228	6,397	5,708	5,352	5,233
Domestic use	7,910	8,169	8,709	408	433	563	3,059	3,168	3,205
Net exports	588	506	542	5,114	5,625	5,950	2,694	1,982	2,180
Usage	8,498	8,675	9,251	5,522	6,058	6,513	5,753	5,150	5,385
Carryout	771	1,346	1,219	542	712	596	248	450	298

USDA Export Sales (tmt) - Week of 11 January 2007

Country	Commodity	New Sales	Accum. Exports	Country	Commodity	New Sales	Accum. Exports
China	Soybeans	454.2	787.8	Ireland	Soymeal	5.4	5.4
Colombia	Soybeans	8.9	131.5	Israel	Soymeal	2.6	38.3
Costa Rica	Soybeans	9.4	89.4	Jamaica	Soymeal	3.1	32.6
France	Soybeans	57.6	170.2	Japan	Soymeal	12	90.8
Germany	Soybeans	141.4	710.2	Mexico	Soymeal	39	370.4
Indonesia	Soybeans	97.2	475.1	Morocco	Soymeal	21.8	12.3
Israel	Soybeans	8	141.3	Nicaragua	Soymeal	5.1	18.5
Italy	Soybeans	0.5	35.5	Panama	Soymeal	7.2	46.3
Japan	Soybeans	66.3	1080.9	Philippines	Soymeal	1.6	116.5
Mexico	Soybeans	105.5	1417.1	Salvador	Soymeal	4	37.7
Netherlands	Soybeans	57.2	823.3	Saudi Arabia	Soymeal	16	19.5
Philippines	Soybeans	8	27.7	Canada	Soyoil	1.4	7.9
Taiwan	Soybeans	108.4	787.8	China	Soyoil	25.7	108.3
Thailand	Soybeans	66	399.3	Guatemala	Soyoil	1.5	7.4
UAE	Soybeans	65	124.1	Hong Kong	Soyoil	12.7	6.3
Canada	Soymeal	50.7	387.4				
Chile	Soymeal	26.6	75.8				
Colombia	Soymeal	15.5	89.8				
Cuba	Soymeal	9	32.7				

Export Sales Totals (tmt)			
Commodity	Outstanding Sales	Accum. Exports	New Sales



Dom. Rep.	Soymeal	1.5	7.5	Soybeans	7,138.7	14,466.3	1,095.8
FW IND	Soymeal	0.5	7.5	Soymeal	1,968.2	1,870.0	271.2
Indonesia	Soymeal	4.5	16.4	Soyoil	76.8	236.0	15.3

Thursday Spot and Futures Prices, 18 January 2007

<i>Item</i>	<i>Location</i>	<i>March</i>	<i>May</i>	<i>July</i>
Soybeans (\$/mt)	Central Ill./Chicago	263.17	268.69	273.83
	FOB Gulf (Basis)	276.40	282.65	288.53
	CIF Gulf Coast (Basis Chicago)	276.40	282.65	288.53
Board Crush Margin	\$/mt	24.11	23.82	24.25
		March	May	July
Soybean Meal 48%, HiPro (\$/mt)	Central Ill./Chicago	232.92	237.33	242.51
	FOB Gulf (Basis)	246.14	251.66	256.84
	West Coast (Basis)	282.52	288.03	294.31
Soybean Meal 44% (\$/mt)	Central Ill./Chicago	232.92	237.33	242.51
	FOB Gulf (Basis)	235.12	240.63	245.81
	West Coast (Basis)	271.50	277.01	283.29
Soybean Oil, Crude (\$/mt)	Central Ill./Chicago	635.37	646.17	655.87
	FOB Gulf (Basis)	646.39	657.19	666.89
		Beans	Meal	Oil
1 year ago prices	Chicago, \$/mt	207.06	195.65	464.73

Selected Ocean Freight Rates, Grains Basis

