



The Soy Export Weekly Update

USDA Forecasts Net Farm Income To Increase 10 Percent In 2007

U.S. farmers and ranchers are forecast to earn \$66.6 billion in net farm income this year, up 10 percent from last year's \$60.6 billion, according to USDA's first farm income forecast for 2007. If realized, that figure also would be 16 percent above the 10-year average of \$57.4 billion.

Department economists see cash receipts for crops and livestock hitting a record-high \$258.7 billion this year, far surpassing the 10-year average of \$211.4 billion. However, cash expenses for farms and ranches also are forecast to hit a record high of \$222.6 billion in 2007.

According to USDA, this year's market prices for corn, wheat and soybeans are forecast to remain above 2006 levels, which themselves were strong, especially in the last half of the year. In addition, prices for sorghum and hay are projected to be higher in 2007 as higher prices for corn result in increased demand for these commodities as feed substitutes. Cash receipts for all crops are forecast at a record \$133.5 billion in 2007.

The farm income forecast reflects an expected increase in the production of corn and declines in the production of soybeans and sorghum as high corn prices encourage farmers to switch production to corn. However, says USDA, "the risk of losing the benefits of a corn/soybean rotation in the control of pests and disease will restrain the substitution."

STB Rules for Fuel Surcharge Changes

The method that Class I railroads use to calculate and collect increased fuel costs needs to change according to the Surface Transportation Board (STB). In its ruling on January 25, the STB concluded that computing rail fuel surcharges as a percentage of a base rate is an unreasonable practice, that double-dipping (applying to the same traffic both a fuel surcharge and a rate increase based on a cost index that includes a fuel component) is also unreasonable, and that all Class I railroads must report their fuel surcharges.

Presently, all Class I railroads except the BNSF Railway use a percent of base rate to determine the fuel surcharge. The BNSF uses a distance-based approach for coal and agricultural shipments on its network. For shippers, the goal of this announcement means they will pay the representative increased fuel costs for their particular shipment. The railroads have a 90-day transition period to adjust their fuel surcharge programs. A railroad may request an extension if necessary.

The STB did not rule that a single, uniform index to measure changes in fuel prices be used. They do however encourage the use of the Energy Information Agency's "U.S. No. 2 Diesel Retail Sales by All Sellers (Cents per Gallon)" as a reasonable index to apply to measure changes in fuel costs for purposes of a fuel surcharge program. An alternative index may be used, but could be subject to challenge.

Class I railroads will need to report monthly its fuel expenditures and consumption for the STB to monitor the industry's fuel surcharge practices. The STB is seeking further comments on the costs and burdens of the proposed reporting requirement.

Soybeans Likely To Remain Main Source Of Brazilian Biodiesel Through 2010



Brazil's main biodiesel feedstock is likely to remain soy for the next four to five years, despite fears of soaring oilseed prices and keen local interest in non-food crops such as the physic nut.

While a diverse number of local feedstocks from castor, cottonseed and sunflower oils to animal fats can be used to produce biodiesel, soyoil currently accounts for about 90 percent of Brazil's total vegetable oil production.

The physic nut is a leafy tree that blooms with pale, green fruit hanging off twigs or in bunches like gargantuan grapes. However, the tree has been so little researched it is not yet officially recognized by the Brazilian government as a recommended biodiesel feedstock.

Arkansas' Secretary of Agriculture Concerned About Lack Of Crushers And Processors In State

Arkansas farmers grow enough soybeans to supply the feed stock necessary for biodiesel fuel production, but there are too few crushers and processors to grind the beans into oil, the state agriculture secretary said last week, according to the Arkansas News Bureau. "We can only do about 20 percent of our soybean crop into oil," said Arkansas Agriculture Secretary Richard Bell, adding that the two biodiesel producers in the state have, on occasion, had to purchase it from other states.

One component of a \$20 million biodiesel incentive bill, which passed the Arkansas House last week and is headed to a Senate committee for consideration, offers grants to companies wanting to build the equipment needed to grind the soybeans into oil in the state. House Bill 1379 by House Speaker Benny Petrus (D-Stuttgart), is intended to open new markets for farmers in the state, protect the environment and reduce the state's dependency on foreign oil and gasoline. The bill passed the House and is now being debated in the state Senate.

Under the bill, the state Department of Agriculture would have \$16 million available for distributing grants to companies that make biodiesel fuel from soybeans or wood products. Also, grants would be available to farmers who grow the soybeans. Biodiesel distributors also would be eligible for up to \$50,000 to install the necessary heating equipment at stations.

Bell said that the department would oversee the grant process, but the money would be distributed by the state Department of Finance and Administration. Under the bill, \$2 million also would go toward the University of Arkansas agriculture department for research, and \$2 million to the state's weatherization assistance fund, a program directed by the state Department of Health and Human Service.

Soy Complex Hit Contract Highs On Drop In Acreage And Harvest Problems In Brazil

The soy complex reached contract highs on February 15 reflecting talk of a sharp drop in soybean planted acres combined with harvest problems in Brazil. March bean futures closed up \$3.03 finishing at \$278.79; May was \$3.03 higher, closing at \$284.67; and July gained \$3.40 ending at \$289.72. March meal was up \$2.76 closing at \$248.13; May was \$3.09 higher, finishing at \$253.64; and July increased \$3.09 to finish at \$257.50. March oil closed 1.76 higher to finish at \$656.09; May was up \$1.32, closing at \$666.89; and July gained \$1.54, ending at \$676.37.



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	12,229	2,434	514	579	3,400	1,440	514
Production	85,013	83,368	86,770	39,000	40,500	44,000	53,000	55,000	56,000
Imports	152	92	109	708	900	950	353	60	100
Crush	46,160	47,320	48,444	29,560	32,600	36,000	29,730	28,200	27,300
Exports	30,011	25,778	29,937	10,548	7,200	7,350	22,798	25,450	26,700
Other	5,093	5,093	4,521	1,520	1,535	1,566	2,785	2,336	2,024
Usage	81,264	78,191	82,902	41,628	41,335	44,916	55,313	55,986	56,024
Carryout	6,960	12,229	16,206	514	579	613	1,440	514	590
Soymeal	<i>thousand tonnes</i>								
Carryin	191	156	285	1,350	1,187	1,549	870	640	490
Production	36,936	37,414	38,484	23,347	25,487	28,400	22,928	21,850	21,435
Domestic use	30,446	30,097	30,754	537	575	650	9,162	9,950	10,200
Net Exports	6,525	7,188	7,743	22,973	24,550	27,600	13,996	12,050	11,400
Usage	36,971	37,285	38,497	23,510	25,125	28,250	23,158	22,000	21,600
Carryout	156	285	272	1,187	1,549	1,699	640	490	325
Soybean oil	<i>thousand tonnes</i>								
Carryin	488	771	1,370	660	542	659	293	248	450
Production	8,781	9,250	9,147	5,404	6,200	6,800	5,708	5,403	5,233
Domestic use	7,910	8,144	8,641	408	458	709	3,059	3,319	3,385
Net exports	588	507	656	5,114	5,625	6,100	2,694	1,882	2,000
Usage	8,498	8,651	9,297	5,522	6,083	6,809	5,753	5,201	5,385
Carryout	771	1,370	1,220	542	659	650	248	450	298

USDA Export Sales (tmt) - Week of 08 February 2007

Country	Commodity	New Sales	Accum. Exports	Country	Commodity	New Sales	Accum. Exports
Canada	Soybeans	1.7	82.8	Guatemala	Soymeal	3.8	130.8
China	Soybeans	252.1	7799.9	Honduras	Soymeal	4.8	45.8
Colombia	Soybeans	22.7	160.3	Japan	Soymeal	23	128.4
Egypt	Soybeans	9	444.3	Korea, Rep.	Soymeal	0.6	58.2
Germany	Soybeans	121.3	841.8	Malaysia	Soymeal	1.6	0.6
Guatemala	Soybeans	29.5	7.9	Mexico	Soymeal	75.6	480.5
Indonesia	Soybeans	7.9	621.9	Philippines	Soymeal	2.6	140.2
Japan	Soybeans	113	1363.1	Russia	Soymeal	5.6	5.6
Mexico	Soybeans	74	1670.6	Syria	Soymeal	7.9	7.9
Morocco	Soybeans	25	139.6	Canada	Soyoil	1.5	11.2
Netherlands	Soybeans	203.1	1050.4	Hong Kong	Soyoil	0.2	14.7
Taiwan	Soybeans	34.2	947.9	Qatar	Soyoil	0.2	4
Thailand	Soybeans	6.1	530.4	UAE	Soyoil	0.2	0.6
Vietnam	Soybeans	1.9	1.5	Export Sales Totals (tmt)			
Canada	Soymeal	18.6	487.8	Commodity	Outstanding Sales	Accum. Exports	New Sales
Colombia	Soymeal	6.3	107.8	Soybeans	5,862.6	18,219.6	380.7
Dom. Rep.	Soymeal	5.6	146.1	Soymeal	1,970.8	2,367.8	170.3
Ecuador	Soymeal	3.5	28.9				



Egypt	Soymeal	7	30.9	Soyoil	88.6	268.8	2.3
-------	---------	---	------	--------	------	-------	-----



Thursday Spot and Futures Prices, 15 February 2007

<i>Item</i>	<i>Location</i>	<i>March</i>	<i>May</i>	<i>July</i>
Soybeans (\$/mt)	Central Ill./Chicago	278.79	284.67	289.72
	FOB Gulf (Basis)	291.28	295.69	298.54
	CIF Gulf Coast (Basis Chicago)	291.28	295.69	298.54
Board Crush Margin	\$/mt	23.45	23.60	23.11
		March	May	July
Soybean Meal 48%, HiPro (\$/mt)	Central Ill./Chicago	248.13	253.64	257.50
	FOB Gulf (Basis)	263.56	269.07	267.42
	West Coast (Basis)	301.04	308.75	307.10
Soybean Meal 44% (\$/mt)	Central Ill./Chicago	248.13	253.64	257.50
	FOB Gulf (Basis)	252.54	258.05	256.39
	West Coast (Basis)	290.02	297.73	296.08
Soybean Oil, Crude (\$/mt)	Central Ill./Chicago	656.09	666.89	676.37
	FOB Gulf (Basis)	656.09	666.89	676.37
		Beans	Meal	Oil
1 year ago prices	Chicago, \$/mt	217.34	202.16	497.58

Selected Ocean Freight Rates, Grains Basis

