



The Soy Export Weekly Update

Senate Bill Begins Process To Extend Biodiesel Tax Credit

Two members of the Senate Agriculture Committee have taken the first step to relieve the anxiety of soybean producers who worry that Congress might allow a biodiesel tax credit to expire on schedule at the end of 2008.

Under the legislation introduced by Senators Norm Coleman (R-Minn.) and Blanche Lincoln (D-Ark.), the tax credit would be extended through December 31, 2017. The current tax credit provides a \$1 subsidy for every gallon of agri-biodiesel — which can be made from substances such as virgin vegetable oil and animal fat — that is blended with petroleum diesel. For other types of biodiesel, the tax credit is 50 cents per gallon.

“Biodiesel is central to our efforts to free America from our dangerous dependence on foreign oil,” said Coleman. “By passing the long-term extension of the biodiesel tax credit contained in this bill, we can help ensure that production of this critical renewable fuel continues to grow.”

“The amount of biodiesel that has been produced and the number of producers has exploded across the country since Congress offered these important incentives,” Lincoln said. “If we are serious about reducing our dependence on foreign sources of energy, we must give our renewable fuels industry the tools it needs to grow.”

According to the American Soybean Association, a USDA analysis indicates that every 50 million gallons of biodiesel produced raises soybean prices 1 percent. “Consequently, the 498 million gallons of biodiesel that is projected to be produced between 2006 and 2015 will increase farm level soybean prices nearly 10 percent by 2015,” says ASA.

Congress passed the original biodiesel tax incentive as part of legislation known as the American JOBS Creation Act of 2004. At that time, the U.S. biodiesel industry included 22 plants with a capacity to produce 157 million gallons of fuel. Today, the industry has grown more than four-fold with 105 plants capable of producing 864 million gallons of biodiesel.

NOPA Crush Lower Than Expected, Oil Stocks Still Building

NOPA last week reported its February soybean crush to be 3.56 million tonnes. This suggests a Census crush of 3.76 million tonnes. NOPA’s February oil yield improved from January, but less than was expected. The NOPA oil yield of 11.34 pounds would indicate a Census oil yield of 11.28 pounds.

Though the crush and the oil yield were smaller than anticipated, soybean oil stocks increased for the fourth consecutive month and further into record territory. A slowdown in domestic use for biodiesel production because of poor margins likely has contributed to the building of oil stocks. Domestic use of soybean meal implied by the NOPA report was lower than expected, while weekly export sales were a marketing-year-high of about 227,000 tonnes.

Soybean oil futures have been largely tied to the petroleum market, staying near their break-even price for biodiesel production. Therefore, price expectations are unchanged for the 2006-07 marketing year and with many analysts expecting the price to be 0.1 cent per pound lower for



2007-08. The meal share is expected to decline as soybean oil prices are likely to remain firm along with energy futures and soybean meal has been the weaker product.

Bush Administration Targeting Wealthy Farmers

The Bush administration wants tax breaks for nearly everyone, but not when it comes to wealthy farmers, says *The Associated Press (AP)*. President Bush is asking Congress to halt farm subsidies to anyone making more than \$200,000 in adjusted gross income. The current income cap is \$2.5 million.

The places with the biggest percentage of wealthy farmers, according to tax returns, are in Washington, D.C., New Jersey and California. That's the conclusion of a Bush administration analysis obtained by *the AP*.

Lawmakers warn that such a limit might unintentionally hurt honest, hardworking families in rural America. The Bush analysis, based on IRS data, tells a different story. "A fair number of these people do live in states like New Jersey, some in Washington, D.C.," Agriculture Secretary Mike Johanns said in an interview. "These are probably investor-owners, people that have a large income and they own a farm somewhere. By any definition, they're doing very well," Johanns said.

In all, about 38,000 farmers would be cut off, the administration estimates. That includes 25,000 farmers and 13,000 other people who get rental income from farms. More than 2 million people report farm businesses to the IRS.

Meanwhile, Senator Chuck Grassley (R-Iowa) is trying to use a Democratic budget plan to tighten limits on government payments to farms. Last week, Grassley told the Senate that farmers face losing urban support for agricultural subsidies unless Congress reduces the amount of money that individual operations can collect.

Grassley and Senator Byron Dorgan (D-N.D.) proposed an amendment to the nonbinding budget plan to cap payments to individual farmers at \$250,000 a year. The savings from the subsidy cap would be relatively small, about \$486 million over five years, because commodity prices have risen sharply over the past year. Under current law, farmers can receive up to \$360,000 or more per year.

Soy Complex Up On Strong Energy Markets

The soy complex was up on March 22 reflecting support from speculative buying and strength in the energy markets that included a \$2 rally in crude oil. The funds reportedly bought another 2,000 soybean contracts, and 1,500 contracts each of meal and oil. Though futures are trading well above fundamental value amid burdensome U.S. supplies and good yield reports from South America, many sellers are remaining on the sidelines heading into the March 30 Prospective Plantings and Grain Stocks reports due to expectations for U.S. planted acreage to be down at least 5 million bushels from last year. May bean futures closed up \$1.93 finishing at \$283.57; July was \$2.02 higher, closing at \$289.54; and August gained \$2.11 ending at \$291.83. May meal was up \$1.21 closing at \$246.25; July was \$0.66 higher, finishing at \$251.77; and August increased \$0.99 to finish at \$254.52. May oil closed \$3.97 higher to finish at \$689.60; July was up \$3.97, closing at \$699.74; and August gained \$3.97, ending at \$704.59.



26 March 2007

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 15 March 2007

Country	Commodity	New Sales	Accum. Exports	Country	Commodity	New Sales	Accum. Exports
China	Soybeans	127.5	9426	Mexico	Soymeal	27	6365
Colombia	Soybeans	6.5	177.8	OPAC Is.	Soymeal	0.2	1.3
Costa Rica	Soybeans	0.8	147.3	Russia	Soymeal	6.5	8.4
Cuba	Soybeans	18	109.3	Salvador	Soymeal	0.4	54.4
Denmark	Soybeans	18.4	49	Surinam	Soymeal	1.4	2.5
Egypt	Soybeans	87.9	570.7	Canada	Soyoil	2.4	16.1
Israel	Soybeans	0.5	223	Indonesia	Soyoil	0.1	0.1
Japan	Soybeans	12.4	1782.8	Mexico	Soyoil	7.4	40.2
Mexico	Soybeans	233.5	2053.5	Philippines	Soyoil	0.1	0.1
Taiwan	Soybeans	14.6	1163.1	Salvador	Soyoil	0.4	6.3
Colombia	Soymeal	7.1	156.7	Trinidad	Soyoil	0.2	2.6
Dom. Rep.	Soymeal	32.5	188.2	Export Sales Totals (tmt)			
Guatemala	Soymeal	19.2	142.2		Outstanding Sales	Accum. Exports	New Sales
Honduras	Soymeal	0.7	58.8	Soybeans	4,602.1	22,033.3	515.0
Hong Kong	Soymeal	0.6	10.4	Soymeal	1,739.2	3,162.3	17.5
Hungary	Soymeal	0.9	1.4	Soyoil	50.3	320.4	10.2
Japan	Soymeal	10	102.7				



Thursday Spot and Futures Prices, 22 March 2007

<i>Item</i>	<i>Location</i>	<i>May</i>	<i>July</i>	<i>August</i>
Soybeans (\$/mt)	Central Ill./Chicago	283.57	289.54	291.83
	FOB Gulf (Basis)	285.40	291.37	293.67
	CIF Gulf Coast (Basis Chicago)	283.93	289.90	292.20
Board Crush Margin	\$/mt	23.45	23.38	23.99
		May	July	August
Soybean Meal 48%, HiPro (\$/mt)	Central Ill./Chicago	246.25	251.77	254.52
	FOB Gulf (Basis)	253.97	259.48	262.24
	West Coast (Basis)	289.24	294.76	297.51
Soybean Meal 44% (\$/mt)	Central Ill./Chicago	246.25	251.77	254.52
	FOB Gulf (Basis)	242.95	248.46	251.21
	West Coast (Basis)	278.22	283.73	286.49
Soybean Oil, Crude (\$/mt)	Central Ill./Chicago	689.60	699.74	704.59
	FOB Gulf (Basis)	678.58	688.72	693.57
		Beans	Meal	Oil
1 year ago prices	Chicago, \$/mt	211.18	191.69	507.72

Selected Ocean Freight Rates, Grains Basis

