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## *The Soy Export Weekly Update*

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### **Large New-Crop Export Sales Bode Well for 2006-07 Exports**

U.S. soybean exports appear as though they will get off to a considerably better start in 2006-07 than they did last year. New crop soybean export sales of 5.1 million tonnes as of August 24 are well above last year's 2.9 million because of record-large sales to China. New-crop soybean export sales to unknown destinations, many of which likely are sales to China, also are above year-ago levels, but no bigger than 2 or 3 years ago. Sales to Asian destinations other than China are about even with the trend of the last 2 years. There are virtually no USDA-reported sales to the EU, which suggests that there could be further erosion in U.S. soybean exports to that market. Fewer soybeans and more soybean meal are being exported to the EU as it boosts the rapeseed crush in order to produce more vegetable oil for an expanding biodiesel industry and a food sector that would rather use rapeseed oil that is produced from a GMO-free crop.

China is expected to account for nearly one-half of 2006-07 U.S. soybean exports. The vast majority of new-crop export sales to China were announced last April when a Chinese delegation signed deals in Chicago. While these sales may be viewed largely as ceremonial since they could be shipped anytime during the 2006-07 marketing year, a similar announcement was made in December 2003 ahead of the 2004-05 marketing year in which soybean exports to China got off to a record fast start.

Argentine shipments to China this fall are not expected to be as strong, which should bolster U.S. export prospects. The United States likely will face less overall South American competition this fall because September 1 Brazil stocks are nearly 1.7 million tonnes smaller than a year ago and Argentine soybean exports will fall well short of last year despite larger September 1 stocks because of a large increase in the crush.

### **Biodiesel Use of Soybean Oil Surprisingly Low**

The Census Bureau reported a surprising drop in methyl esters (biodiesel) usage of refined soybean oil as July usage dropped to 106 million pounds from June usage of 141 million that was revised lower by 9 million pounds. This likely reflects a slow down in biodiesel production in existing facilities.

However, the drop in use could be a result of the Bureau missing production from new facilities that have not been added to their survey list or from plants that responded too late to be included in the July report. In the past, refined soybean oil usage in biodiesel production has been revised higher to make up for reporting errors in previous months surveys.

### **Trade Groups Review Farm Bill Option**

A coalition of ag trade associations recently reviewed a revenue-based 2007 farm bill option. Reviewing the draft plan and providing input were American Soybean Association (ASA) Farm Bill Task Force chairman; Ron Heck, ASA Farm Bill Task Force member; Dale Schuler, National Association of Wheat Growers (NAWG) president; Bart Ruth; National Corn Growers Association (NCGA) Public Policy Action Team Chairman Steve Pigg; Dale Thorenson, U.S. Canola Association director and Craig Hill, Iowa Farm Bureau vice president.



The multi-tiered revenue-based program concept is designed to provide a broader safety net for farmers and cover both price and yield, Pigg said, adding the concept protects farmers with greater variability in their yields. The current farm bill offers a producer protection against adverse markets and crop losses through a combination of price-based support programs and federal crop insurance.

Additionally, the coalition has commissioned a study to show the option's impact on other commodities besides corn. "We are very interested in continuing our discussion with farm groups about this proposal and other farm bill proposals that may come along," Schuler said.

### **Senators Introduce \$6-Billion Agriculture Disaster Bill**

Senators Kent Conrad (D-N.D.) and Tim Johnson (D-S.D.) have introduced emergency agricultural disaster assistance legislation that would provide about \$6 billion to producers that suffered weather-related crop and livestock loss in 2005 and 2006.

The bill includes language from an earlier Conrad bill (S. 2438) that would have provided \$3.5 billion for producers harmed during 2005. The new agriculture disaster package combines that bill, which supported ranchers and farmers impacted by frost, flood and disease during the 2005 growing season, with emergency legislation to aid producers suffering from the 2006 drought devastating the Great Plains. The measure has 11 other co-sponsors.

### **Brazil Prepares \$470 Million Soybean Aid Package**

Brazil plans to advance about \$470 million to the nation's soybean farmers in an attempt to avoid a sharp decline in soybean planting for next year's crop, a senior agriculture ministry official told *Reuters* last week. "It's a crisis and the soybean area will be smaller, but we want to reduce the fall," said Edilson Guimaraes, the ministry's new secretary of agriculture policy. Guimaraes added that the government plans to start the soybean support program when the new crop is planted in October so as to ensure that funds reach farmers in time.

Meanwhile, the central bank's dollar purchases and new rules that allow international trading companies to keep dollars overseas for longer periods of time do not appear to have helped in the way most in the soy market have hoped. International investors like Brazil's economic outlook and are pouring money into its fixed-income investments. Meanwhile, export revenue keeps bringing in more dollars to the country, helping the real gain strength.

### **Soy Complex Mostly Higher As Soybean Prices Follow Corn**

The soy complex closed mostly higher on September 7 as higher corn prices helped pull the market up late in the session and short-covering emerged to boost prices into the close. Soybean futures are under pressure from improving crop prospects and farmer marketing of large remaining old-crop supplies. Meanwhile, soyoil continues to be under pressure from weak energy markets. September bean futures closed up \$1.65 finishing at \$197.86; November was \$1.19 higher, closing at \$202.09; and January gained \$1.29 ending at \$206.96. September meal was up \$1.10, closing at \$176.92; October was \$1.43 higher, finishing at \$176.92; and December was up \$1.76 to finish at \$179.90. September oil closed \$0.44 lower to finish at \$534.84; October was down \$0.66, closing at \$538.36; and December decreased \$1.32, ending at \$547.40.



### 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
<b>Soybeans</b>	<i>thousand tonnes</i>								
Carryin	3,059	6,960	15,502	1,657	810	673	3,400	1,535	1,147
Production	85,013	83,999	83,824	39,000	40,500	41,300	53,000	55,700	56,000
Imports	152	108	109	779	800	860	408	428	450
Crush	46,160	46,675	47,627	29,010	29,551	30,700	29,730	28,200	28,500
Exports	30,011	24,494	29,665	10,000	10,250	9,800	22,798	25,700	25,500
Other	5,093	4,396	4,326	1,616	1,636	1,652	2,745	2,616	2,324
Usage	81,264	75,565	81,618	40,626	41,437	42,152	55,273	56,516	56,324
Carryout	6,960	15,502	17,817	810	673	681	1,535	1,147	1,273
<b>Soymeal</b>	<i>thousand tonnes</i>								
Carryin	191	155	227	1,350	877	594	753	896	546
Production	36,938	36,708	37,816	22,907	23,340	24,330	22,917	22,071	22,565
Domestic use	30,448	30,300	30,935	537	573	602	8,735	9,350	9,550
Net Exports	6,526	6,336	6,881	22,843	23,050	23,796	14,039	13,071	12,970
Usage	36,974	36,636	37,816	23,380	23,623	24,398	22,774	22,421	22,520
Carryout	155	227	227	877	594	526	896	546	591
<b>Soybean oil</b>	<i>thousand tonnes</i>								
Carryin	488	771	1,265	660	542	431	293	128	126
Production	8,781	9,101	8,970	5,404	5,496	5,850	5,588	5,400	5,415
Domestic use	7,910	8,142	8,618	408	433	488	3,059	3,136	3,210
Net exports	588	465	519	5,114	5,174	5,400	2,694	2,266	2,200
Usage	8,498	8,607	9,137	5,522	5,607	5,888	5,753	5,402	5,410
Carryout	771	1,265	1,098	542	431	393	128	126	131

### USDA Export Sales (tmt) - Week of 31 August 2006

Country	Commodity	New Sales	Accum. Exports
Canada	Soybeans	4.7	1850.3
Indonesia	Soybeans	2.6	1211.1
Malaysia	Soybeans	3.4	226.7
Mexico	Soybeans	9.3	3594
Canada	Soymeal	9.9	1058.7
Hong Kong	Soymeal	0.3	17.9
Korea, Rep.	Soymeal	0.7	4.7
Morocco	Soymeal	17	1351.3
Nicaragua	Soymeal	0.2	58.9
Panama	Soymeal	0.7	131.4
Salvador	Soymeal	10.4	127.7
Saudi Arabia	Soymeal	8	1203

Country	Commodity	New Sales	Accum. Exports
Turkey	Soymeal	15	128
Canada	Soyoil	0.6	28.3
Hong Kong	Soyoil	0.1	8.6
Morocco	Soyoil	7.7	22
Turkey	Soyoil	4	0
UAE	Soyoil	0.1	1.3

#### Export Sales Totals (tmt)

Commodity	Outstanding Sales	Accum. Exports	New Sales
Soybeans	813.8	25,510.3	17.9
Soymeal	802.9	5,871.6	57.5
Soyoil	52.1	313.0	8.7



**Thursday Spot and Futures Prices, 07 September 2006**

<i>Item</i>	<i>Location</i>	<i>Sep</i>	<i>Dec</i>	<i>Jan</i>
Soybeans (\$/mt)	Central Ill./Chicago	197.86	202.09	206.96
	FOB Gulf (Basis)	218.07	223.77	231.94
	CIF Gulf Coast (Basis Chicago)	218.07	223.77	231.94
Board Crush Margin	\$/mt	29.20	26.35	25.32
		<i>Sep</i>	<i>Oct</i>	<i>Dec</i>
Soybean Meal 48%, HiPro (\$/mt)	Central Ill./Chicago	175.93	176.92	179.90
	FOB Gulf (Basis)	203.48	203.37	205.25
	West Coast (Basis)	226.63	225.42	228.40
Soybean Meal 44% (\$/mt)	Central Ill./Chicago	175.93	176.92	179.90
	FOB Gulf (Basis)	192.46	192.35	194.23
	West Coast (Basis)	215.61	214.40	217.37
Soybean Oil, Crude (\$/mt)	Central Ill./Chicago	534.84	538.36	547.40
	FOB Gulf (Basis)	512.79	516.32	525.36
		<i>Beans</i>	<i>Meal</i>	<i>Oil</i>
1 year ago prices	Chicago, \$/mt	216.97	203.26	493.83

