External Market Factors Impacting US Soybean Meal

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Presentation Objectives

- Examine the economic drivers of trade flows impacting U.S. soy complex in general, and soymeal in particular.
- Determination of US competitiveness is mostly external.
- Key factors impacting the US soybean market environment.
  - Competition for available crop land.
  - Impact of ethanol policy on corn production and use.
  - Impact of China demand on US soybean exports and crush.
  - Impact of DDGS on US domestic soybean meal demand.
  - Impact of South American SBM supplies on US export competitiveness.
  - Impact of DET policy on Argentine crush profitability and product exports.
  - Impact of transfat replacement and biodiesel on US SBO exports.
US soybean supply is limited by available crop land.

- Competition for US crop land reduces available land for soybean production to 75 to 80 million planted acres.
- 42 bu/acre yields a 3.1 to 3.3 billion bu. soybean crop.
- Necessary rotation helps to maintain balance in plantings.

SOURCE: USDA GATS,
US ethanol policy drives corn production; limits other usage.

- Ethanol production consumes 5 billion bushels of corn
  - Amounts to 40% of the 12.4 billion bushels crop.
  - Requires 92+ million acres of corn at 149 bu/acre.

Impact of Corn Use for Ethanol on Export Availability

SOURCE: USDA GATS,
China demand drives US soybean exports; competes with crush.

- Overwhelming demand for soybeans by China limits export availability of US soybeans to traditional customers. Also rations soybeans available for US crush; thus limits supply of US soybean meal and oil.

US Soybean Crush and Export (Sep-Aug Marketing Year)

SOURCE: USDA GATS,
China has gained share of SB exports from other US customers.

- A combination of increased soybean demand from China, and alternative export supplies from South America have resulted in declining share of US exports to traditional European and East Asian destinations.

US Soybean Exports by Region
Impact of Demand from China

SOURCE: USDA GATS,
Asian demand for US soybeans has supported the expansion of US production to the north and west.

US soybean exports from West Coast ports have increased.
DDGS has displaced 3-4 mln mt of domestic SBM usage.

- Domestic soybean meal demand faces pressure from increased supply and consumption of DDGS
  - DDGS supply pressures soybean crush margins

Expansion of Domestic and Export Use of DDGS
Export demand for US SBM is driven by South American availability.

- Export soybean meal demand is driven by competitiveness between US and Argentina/Brazil prices.
- South American crop conditions determine if ARG soybean meal needs to be rationed or more aggressively priced.

Monthly FOB spread between US 48 SBM and ARG pellets

- MORE PRICE COMPETITIVE
- LESS PRICE COMPETITIVE
US export flow determined by competitiveness at each destination.

During the US 2009-10 marketing year, US SBM exports to SE Asia jumped by 1.4 million MT as major shippers switched entire programs from Argentina. US exports also increased to NE Asia and Europe.

During the US CY ’10/11, improved conditions in South America increased soybean meal export availability. Argentina was able to compete again in world markets, reversing most of the gains by US 48 SBM a year earlier.
Brazil has become #1 soybean exporter
Argentine policy of DET stimulates growth of SB crush vs export.
Argentina supplies 1/2 of world SBM exports; Brazil 1/4; US 1/8.
Argentina is most dependent on export demand. Must price to sell!
Transfat concern has reduced demand for hydrogenated soybean oil

- The concern over transfat has reduced the demand for hydrogenated soybean oil and total consumption of soybean oil for edible uses.
  - Other vegetable oils, in particular canola and palm, have gained share of the edible market depending on functionality provided.

Domestic Consumption of Hydrogenated Oils vs. Non-Hydrogenated Oils (Edible Uses)

- [Graph showing domestic consumption of hydrogenated and non-hydrogenated oils from 1998 to 2011]
Increase in use for biodiesel has offset loss to hydro alternatives

- Domestic demand for soybean oil is impacted by the profitability of producing biodiesel
- Supply of oil for export is inversely related to domestic demand

US Soybean Oil Usage 2002-12

Marketing year ending September

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Thank you!