Soy Complex Outlook

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Global Soybeans

- Production 222
- Use 234
- Stocks-to-Use Ratio (%)
US Soybeans: Domestic Use

US Soybeans: Exports
US Soybeans: Situation

Soybeans: Stocks/Use vs. Price
Soybean Futures Prices

<table>
<thead>
<tr>
<th>Month</th>
<th>Price</th>
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<tbody>
<tr>
<td>Aug-07</td>
<td>8.21</td>
</tr>
<tr>
<td>Nov-07</td>
<td>8.46</td>
</tr>
<tr>
<td>Mar-08</td>
<td>8.75</td>
</tr>
<tr>
<td>Jul-08</td>
<td>8.93</td>
</tr>
<tr>
<td>Nov-08</td>
<td>8.91</td>
</tr>
<tr>
<td>Jul-09</td>
<td>9.05</td>
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<tr>
<td>Nov-09</td>
<td>8.80</td>
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</tbody>
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Soybean Meal...

- Mixed competition in feed rations from DGS...
  - DGS can substitute against SBM...
    - But primarily in dairy and monogastrics
    - Most DGS fed to feeder cattle...
    - But with DGS volumes rising...
      - Corn/DGS spread must rise...
    - Keeping pressure on SBM.
Biodiesel

- 05/06: 1.55bn lbs SBO
- 06/07: 2.4bn lbs (14% of domestic SBO cons)
- 07/08: 3.5bn lbs
- SBO demand is highly inelastic:
  - Competing directly w/ human consumption
- European production is larger & growing faster, reducing global oil availability.
Acreage Details…

• If all Corn Belt states go 2:1 corn:bean, that is 17.7m more corn acres than 2006 (about 5m more than ‘07)
  – Will happen fastest in WCB, more full-time farmers, generally better soils.

• Soybean net acreage losses will be smaller as soybeans will displace wheat in Great Plains.

• In 2007, ~1.2m acres of cotton to corn.

• Sorghum unlikely to lose acres, may gain.

Acreage Details…, cont’d

• Hay/Forage is a big question mark. Generally low quality land, but at sufficient prices, can still be profitable.

• CRP: Best land is also likely to be most sensitive: buffer strips, etc.

• Most land available from 2006-2009 already resigned.
  – About 7.7m has not yet. Likely good ground.
  – Will CRP rates go up in 2007 Farm Bill? Yes.
  – Some will leave, but many like stewardship/stability of CRP
2007 Situation/Outlook

• Yield:
  – Market will watch closely: inventories falling fast.
• S. Am. Plantings:
  – Lots of different stories, flat to +5m acres
• Basis:
  – What the #@!! is going on in Chicago?
• 2008 Pressure:
  – Corn acres cannot decline.
  – Soybean acres cannot decline.
    • SX8, CZ8 will remain high
    • => Strong returns to storage in ’07

Planting: 2008

• In 2007:
  – SX07 Jan/Feb Avg: $7.96
  – CZ07 Jan/Feb Avg: $4.08
    • Beans -11.4m ac, Corn +14.6m ac
• In 2008:
  – SX08: $8.91
  – CZ08: $3.83
Thank You For Your Time

If you would like a copy of this presentation, please email me, citing the date and location of the presentation.

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