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## *The Soy Export Weekly Update*

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### **Biodiesel Industry Needs Government Mandates To Survive**

The implementation of a new renewable fuels standard that calls for 500 million gallons of biodiesel production in 2009 and 1 billion gallons by 2012 has been delayed; without that mandate, producers question the industry's sustainability, says *Dow Jones Newswires*. As it is, concerns are growing that soybean-based biodiesel might be disqualified because of a way to calculate for greenhouse gases.

"If the (renewable fuel standard) does not get implemented, biodiesel production could slide from 2008's 700 million gallons to 300 million in 2009," said Leland Pahn, economist with Mark IV Consulting, who works with the biodiesel industry. The standard and its mandate are critical for the biodiesel industry, Pahn said.

The delay is attributed to EPA not putting a rule out to implement the program, although the agency is expected to publish the rule soon for a 60-day comment period, with expectations for full program implementation by January, industry analysts said.

As it is, biodiesel margins are being squeezed as petroleum diesel prices are down. Biodiesel prices are dictated by the spread between biodiesel and diesel. Biodiesel production targets, based on the use of relatively expensive soybean oil, have long appeared optimistic given transitory profitability, according to a *JP Morgan* research note.

### **Scientists Identify Asian Rust Resistance Genes In Soybeans**

Using state-of-the-art genomics techniques, a team of scientists from USDA's Agricultural Research Service, Iowa State University and Brazil have identified a cluster of soybean genes that provide resistance to the fungus *Phakopsora pachyrhizi*, which causes Asian soybean rust. According to a USDA statement, the discovery will help defend the \$27 billion U.S. soybean crop against the yield-robbing disease, either through conventional breeding or biotechnological means.

Asian soybean rust was first detected in the continental United States in 2004. Although fungicide use is effective against Asian soybean rust, providing farmers with resistant cultivars is more sustainable, according to USDA geneticist Michelle Graham.

### **Farm Program Payment Cap Amendment Defeated**

Senator Chuck Grassley (R-Iowa) last week continued his efforts to modify the existing farm program payment-cap language by offering an amendment to the budget resolution that was being debated in the Senate Budget Committee. The language would have capped farm payments at \$250,000 per farmer, a proposal supported by President Obama and USDA Secretary Tom Vilsack. However, the amendment failed by a vote of 10-13.

Senators Robert Byrd (D-W.V.), Patty Murray (D-Wash.), and Ron Wyden (D-Ore.) reversed their previous positions in support of the farm payment-cap language, providing the decisive votes to defeat the subsidy payment-cap amendment. Proponents of the more restrictive pay-cap language noted that all three voted in favor of the Grassley amendment to the budget resolution and it passed 13-9.



In a successful attempt to oppose the pay-cap language, Budget Committee Chairman Kent Conrad (D-N.D.) offered an alternative amendment to cut crop insurance funding, an amendment that passed on a 14-10 vote. The successful Conrad amendment would reduce spending designated for the budget function for farm support and would shift part of the savings to the budget function for nutrition programs. Conrad's proposal assumed crop insurance funding cuts of about \$350 million over the next five years. That amendment was approved by a vote of 14-9. How such savings ultimately would be achieved is up to a plan devised in the Agriculture Committees, not the Budget Committee. However, the Budget Committee makes assumptions about where the money likely comes from.

### **India Abolishes Import Tax On Crude Soyoil**

India's government has issued the formal order to abolish the 20 percent import tax on crude soyoil. The decision brings soybean oil back in line with palm oil, a main substitute product, which had been exempted from the tax. "Orders have been issued and a notification on the official website should be uploaded anytime," the unnamed official at the Central Board of Excise and Customs said, confirming a report in the Hindu Business Line newspaper. G.K. Pillai, the trade secretary, said last week the government had cut the import duty on crude soyoil to keep domestic prices stable.

Edible oil stockpiles may triple to as much as 1.5 million tonnes in the year to October 31, said Davish Jain, president of the Central Organization for Oil Industry and Trade, the country's biggest group of oilseed processors and traders. Unbridled imports of palm and soyoil may depress local prices of the edible oils, discouraging farmers to plant oilseeds. India relies on overseas purchases to meet almost half its cooking fat demand.

Vegetable-oil imports may reach 7.2 million tonnes in the year to October 2009, up 14 percent from a year ago, B.V. Mehta, executive director of the Solvent Extractors' Association, said. Purchases surged 68 percent to 2.95 million tonnes in the four months ended February from a year ago, the association said.

In related news, the Central Organization for Oil Industry & Trade said March 22 that India's production of oilseeds may be 24.65 million tonnes in the year ending June 30, little changed from 24.59 million tonnes a year-earlier period.

### **Soy Complex Mixed Reflecting Talk That China May Release Import Reserves**

The soy complex closed mixed on March 26. After opening higher following stronger-than-expected export sales and crush reports, soybean prices eroded amid talk that China would release soybeans from its import reserves and optimism that the Argentine farmer strike would not be extended. Soybean meal futures also were lower with soyoil futures higher on support from higher petroleum markets. The combination of a resolution of the Argentine stand off and big U.S. acreage would be quite bearish for soybean and soybean meal futures, especially if the Chinese buying pace slows because it has either filled its reserves or plans to release some of them. May bean futures were down \$2.57, finishing at \$346.86; July lost \$2.02, closing at \$345.57; and August was down \$1.10, ending at \$339.51. May meal decreased \$3.86, closing at \$320.55; July was \$2.87 lower, finishing at \$315.26; and August meal closed down \$2.09, ending at \$307.21. May soyoil was \$5.07 higher, finishing at \$740.75; July was up \$4.63, closing at \$746.92; and August gained \$4.63, closing at \$750.45.



### U.S. & South America Soybean/Products Balance

	United States			Argentina			Brazil		
	Actual	Estimate	Proj.	Actual	Estimate	Proj.	Actual	Estimate	Proj.
	2006/07	2007/08	2008/09	2006/07	2007/08	2008/09	2006/07	2007/08	2008/09
<b>Soybeans</b>	<i>thousand tonnes</i>								
Carryin	12,229	15,617	5,580	334	1,876	4,160	2,252	3,110	4,464
Production	86,770	72,859	80,536	48,800	46,200	43,800	59,000	61,000	57,000
Imports	246	269	245	2,336	2,810	1,800	108	88	50
Crush	49,198	49,024	44,906	35,962	33,200	33,700	31,511	32,245	31,000
Exports	30,428	31,598	31,298	12,132	11,954	12,700	23,805	24,514	24,750
Other	4,002	2,543	4,447	1,500	1,572	1,600	2,934	2,975	3,025
Usage	83,628	83,165	80,651	49,594	46,726	48,000	58,250	59,734	58,775
Carryout	15,617	5,580	5,710	1,876	4,160	1,760	3,110	4,464	2,739
<b>Soymeal</b>	<i>thousand tonnes</i>								
Carryin	285	314	267	2,003	1,144	1,313	863	1,563	1,884
Production	39,058	38,322	35,372	27,856	26,060	26,355	24,420	25,000	24,025
Domestic use	31,184	30,078	27,896	619	634	660	11,520	12,180	12,391
Net Exports	7,845	8,291	7,471	28,096	25,257	26,058	12,200	12,499	11,995
Usage	39,029	38,369	35,367	28,715	25,891	26,718	23,720	24,679	24,386
Carryout	314	267	272	1,144	1,313	950	1,563	1,884	1,523
<b>Soybean oil</b>	<i>thousand tonnes</i>								
Carryin	1,365	1,399	1,126	487	310	475	300	341	535
Production	9,294	9,329	8,532	6,917	6,331	6,442	6,050	6,190	5,950
Domestic use	8,420	8,313	7,984	580	1,106	1,205	3,550	3,925	4,011
Net exports	840	1,289	657	6,514	5,060	5,445	2,459	2,071	2,150
Usage	9,260	9,602	8,641	7,094	6,166	6,650	6,009	5,996	6,161
Carryout	1,399	1,126	1,017	310	475	267	341	535	324

### USDA Export Sales (tmt) - Week of 19 March 2009

Country	Commodity	New Sales	Accum. Exports	Country	Commodity	New Sales	Accum. Exports
China	Soybeans	251.3	15009.7	Japan	Soymeal	21.5	106.0
Colombia	Soybeans	4.6	79	Mexico	Soymeal	34.1	693.2
Egypt	Soybeans	45	531.6	Morocco	Soymeal	10.5	55.9
Guatemala	Soybeans	2.1	3.4	Nicaragua	Soymeal	2.4	23.3
Indonesia	Soybeans	35	761.1	Venezuela	Soymeal	68.8	288.8
Israel	Soybeans	7.9	150.6	Canada	Soyoil	0.5	18.5
Japan	Soybeans	1.3	1390.9	China	Soyoil	30.9	0.1
Malaysia	Soybeans	4.6	37.2	Jamaica	Soyoil	1.7	10.3
Mexico	Soybeans	100.8	1617.1	Jordan	Soyoil	1.5	3
Netherlands	Soybeans	65.0	884.9	Mexico	Soyoil	5.6	57.9
Taiwan	Soybeans	15.8	1098.2	Salvador	Soyoil	0.5	4.6
Turkey	Soybeans	19.7	285.4	<b>Export Sales Totals (tmt)</b>			
Canada	Soymeal	10.1	497.7	<b>Commodity</b>	<b>Outstanding Sales</b>	<b>Accum. Exports</b>	<b>New Sales</b>
Colombia	Soymeal	1.1	65.1	Soybeans	4,104.8	24,393.4	428.7
Costa Rica	Soymeal	3.5	13.8	Soymeal	1,186.0	3,530.2	140.8
Egypt	Soymeal	32.0	53.5	Soyoil	213.5	232.9	48.6
Jamaica	Soymeal	2.1	53.0				



### Thursday Spot and Futures Prices, 26 March 2009

<i>Item</i>	<i>Location</i>	<i>May</i>	<i>July</i>	<i>Aug</i>
Soybeans (\$/mt)	Central Ill./Chicago	346.86	345.57	339.51
	FOB Gulf (Basis)	369.64	366.88	360.45
	CIF Gulf Coast (Basis Chicago)	369.64	366.88	360.45
Board Crush Margin	\$/mt	24.02	22.55	23.36
		<i>May</i>	<i>July</i>	<i>Aug</i>
Soybean Meal 48%, HiPro (\$/mt)	Central Ill./Chicago	320.55	315.26	307.21
	FOB Gulf (Basis)	359.13	353.84	342.48
	West Coast (Basis)	384.48	379.19	371.14
Soybean Meal 44% (\$/mt)	Central Ill./Chicago	320.55	315.26	307.21
	FOB Gulf (Basis)	348.11	342.82	331.46
	West Coast (Basis)	373.46	368.17	360.12
Soybean Oil, Crude (\$/mt)	Central Ill./Chicago	740.75	746.92	750.45
	FOB Gulf (Basis)	718.70	724.87	717.38
		<i>Beans</i>	<i>Meal</i>	<i>Oil</i>
1 year ago prices	Chicago, \$/mt	487.68	384.48	1267.20

### Weekly Statistics, Past Five Weeks (\$/mt)

	<i>19-Feb</i>	<i>26-Feb</i>	<i>5-Mar</i>	<i>12-Mar</i>	<i>19-Mar</i>
Nearby Soybean Futures (CBT)	324.99	319.39	313.05	324.08	345.57
Basis Central Illinois	332.34	326.74	321.14	331.42	351.27
Basis Gulf	350.35	340.70	336.94	346.86	369.09
Nearby Soybean Meal Futures (CBT)	304.79	296.52	288.03	304.79	326.61
Basis Decatur	315.81	307.54	304.57	319.12	338.74
Basis Gulf	352.18	331.79	329.92	342.26	362.99
Basis West Coast	376.44	368.17	361.89	374.23	396.06
Nearby Soybean Oil Futures (CBT)	670.64	697.54	677.03	668.66	703.05
Basis Decatur	571.43	587.31	577.83	559.53	603.84
Basis Gulf	637.57	675.49	643.96	633.38	669.98
BIFFEX Ocean Freight Rates					
US Gulf/Cont., grains basis	18.43	19.26	23.61	23.66	18.61
US Gulf/Japan, grains basis	35.27	37.06	45.19	43.21	34.72
PNW/Japan, grains basis	18.22	18.58	22.79	22.72	19.01
PNW/Japan Spread	17.05	18.48	22.40	20.49	15.71
US Corn, CBOT Nearby Futures	139.07	142.51	137.49	148.32	156.09
US Sorghum, Gulf Cash Price	141.09	144.40	145.17	155.64	160.16
Canadian Canola, Nearby Winnipeg	328.75	326.55	320.58	317.06	338.80



