



World and U.S. Vegetable Oil Outlook And Its Relation to Biodiesel

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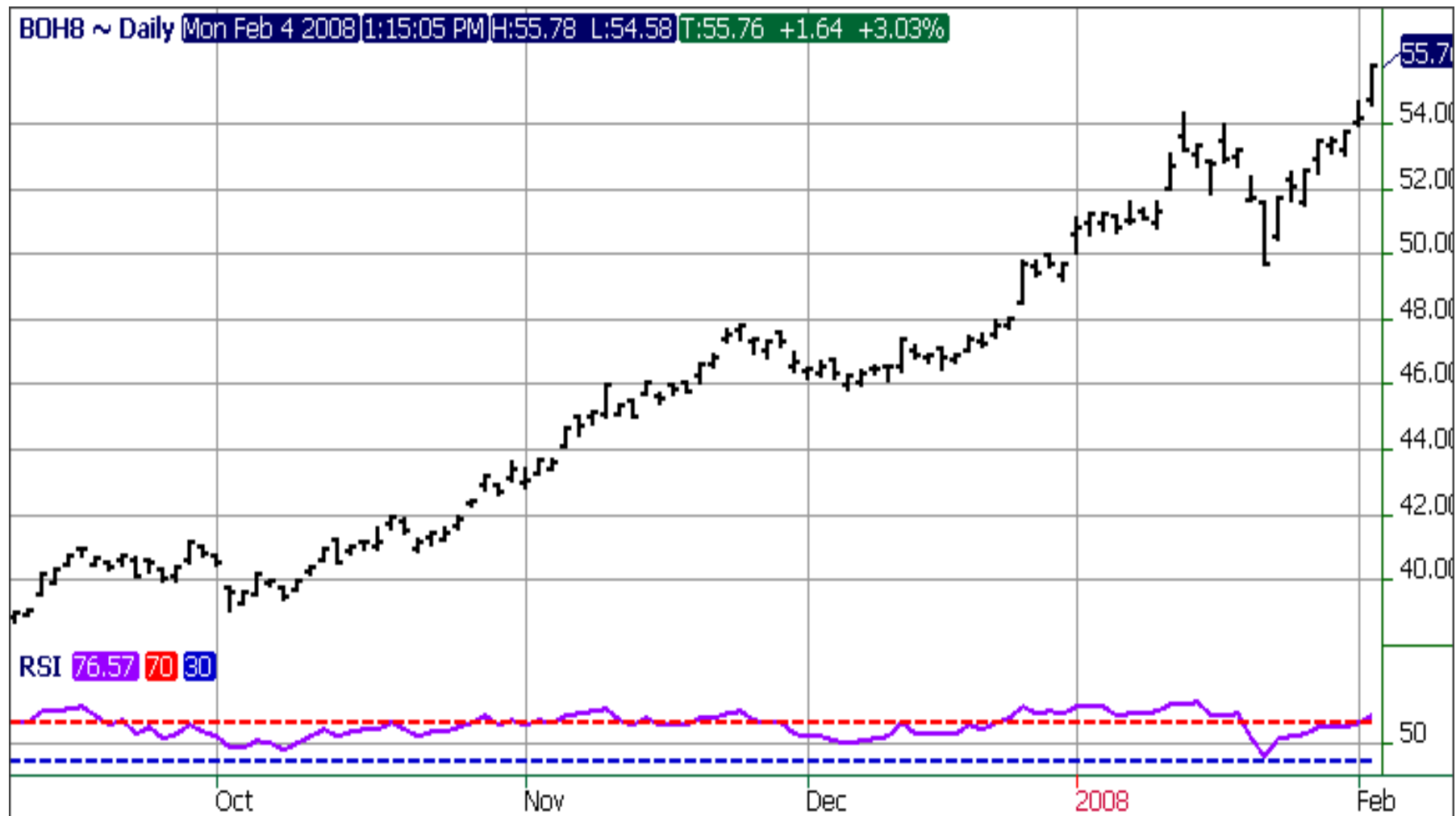


Estimated U.S. Biodiesel Cost of Production (\$/gallon)

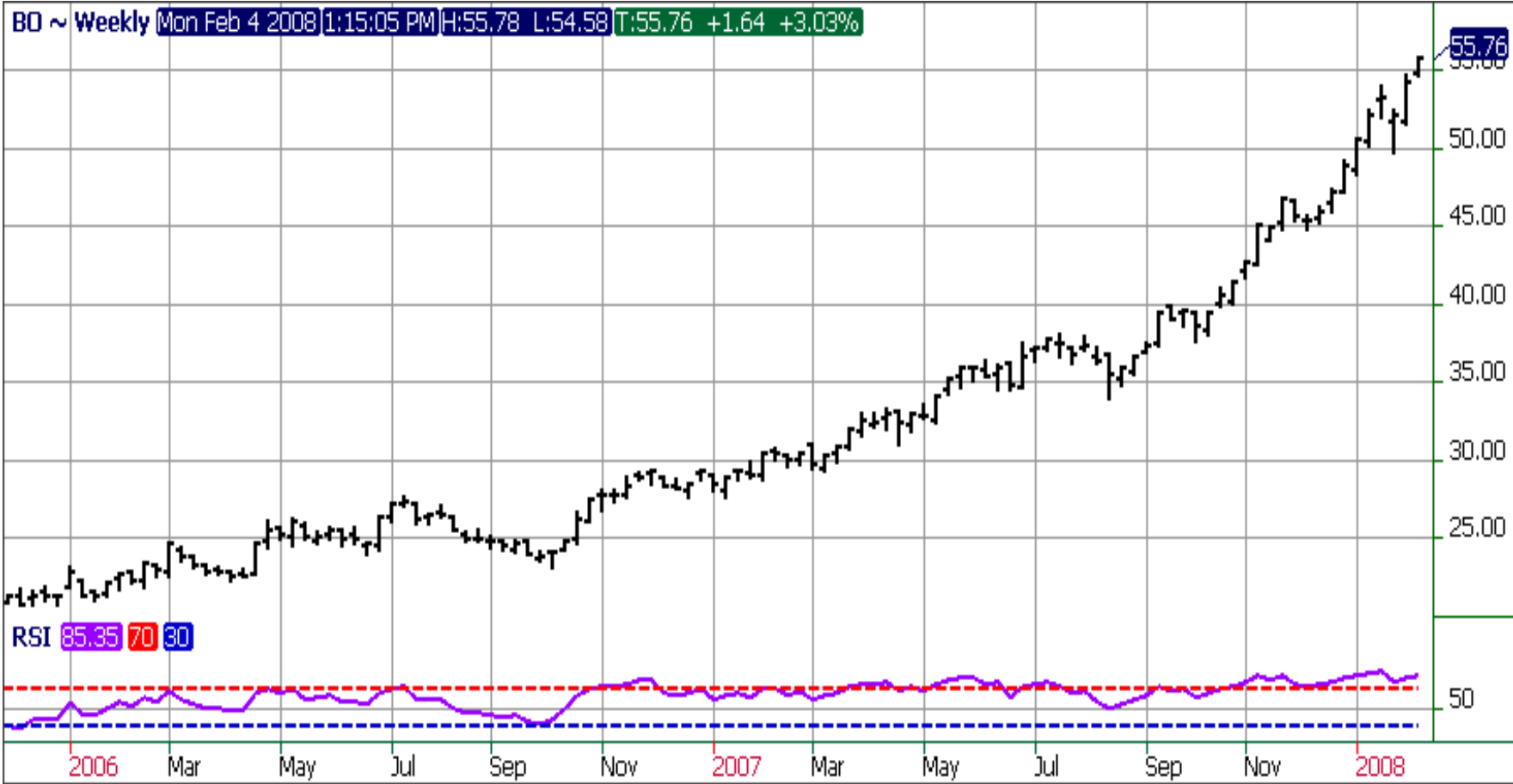
	08/06/06	01/18/07	07/16/07	01/18/08
Soybean Oil	\$2.19	\$2.35	\$2.91	\$4.04
Production Cost*	\$0.50	\$0.50	\$0.50	\$0.50
Blender's Credit	\$1.00	\$1.00	\$1.00	\$1.00
Variable Cost	\$1.69	\$1.85	\$2.41	\$3.54
Diesel Rack Price	\$2.61	\$2.01	\$2.44	\$2.75
<i>Spread</i>	+\$0.92	+\$0.16	+\$0.03	-\$0.79

* Includes slight credit for glycerin

Soybean Oil – Daily March 2008 Contract (\$/cwt)



Soybean Oil – Weekly March 2008 Contract (\$/cwt)



World Oilseed Situation and Outlook

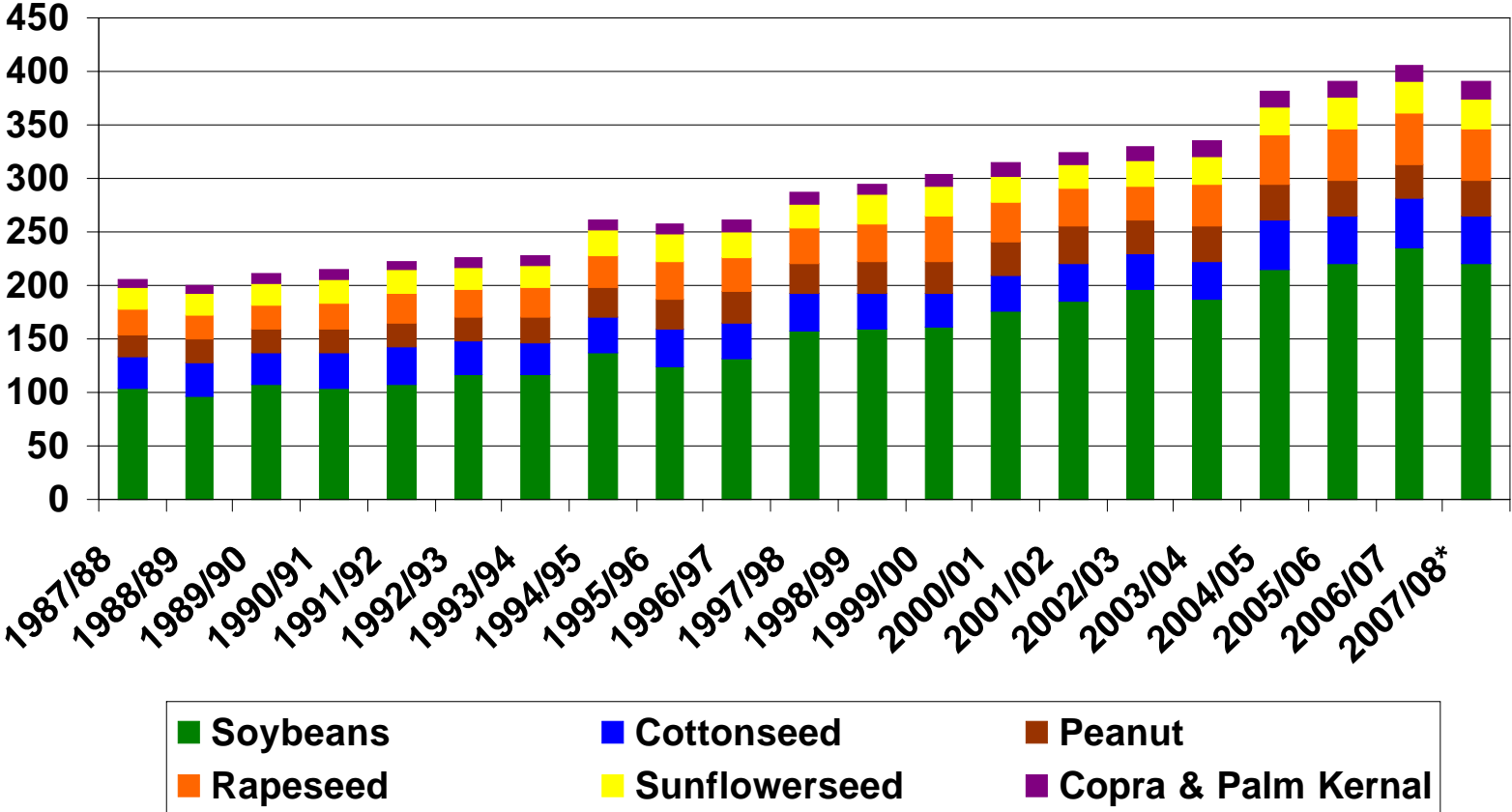
- **World Supply/Demand Situation**
 - Record soybean stocks, production, and demand in 2006
 - Production and stocks decline in 2007 and prices sky-rocket

- **South America**
 - Doane estimates Brazil's 2007 soybean production at 61 mmt---a record
 - Nearly ideal growing season after dry start
 - Summer rainfall helped crop catch up
 - Asian rust was prevalent this year, but appears to have been well managed
 - Argentina is forecast to produce a record crop---47.0 mmt
 - Nearly ideal planting conditions but hot, dry now
 - Changes in import/export taxes will make Argentine exports more expensive
 - What about next year?
 - Higher prices should stimulate global production
 - We are looking for further growth in Brazilian soybean area in 2008---potential record area
 - Argentina is expected to continue their trend of higher area and production

- **China**
 - Chinese soybean production---has dropped off to just over 14.0 mmt
 - Chinese imports continue to be strong at 34.0 mmt this year vs. 28.7 mmt last year---U.S. continues to loss market share to South America

Global Oilseed Production

Million metric tons

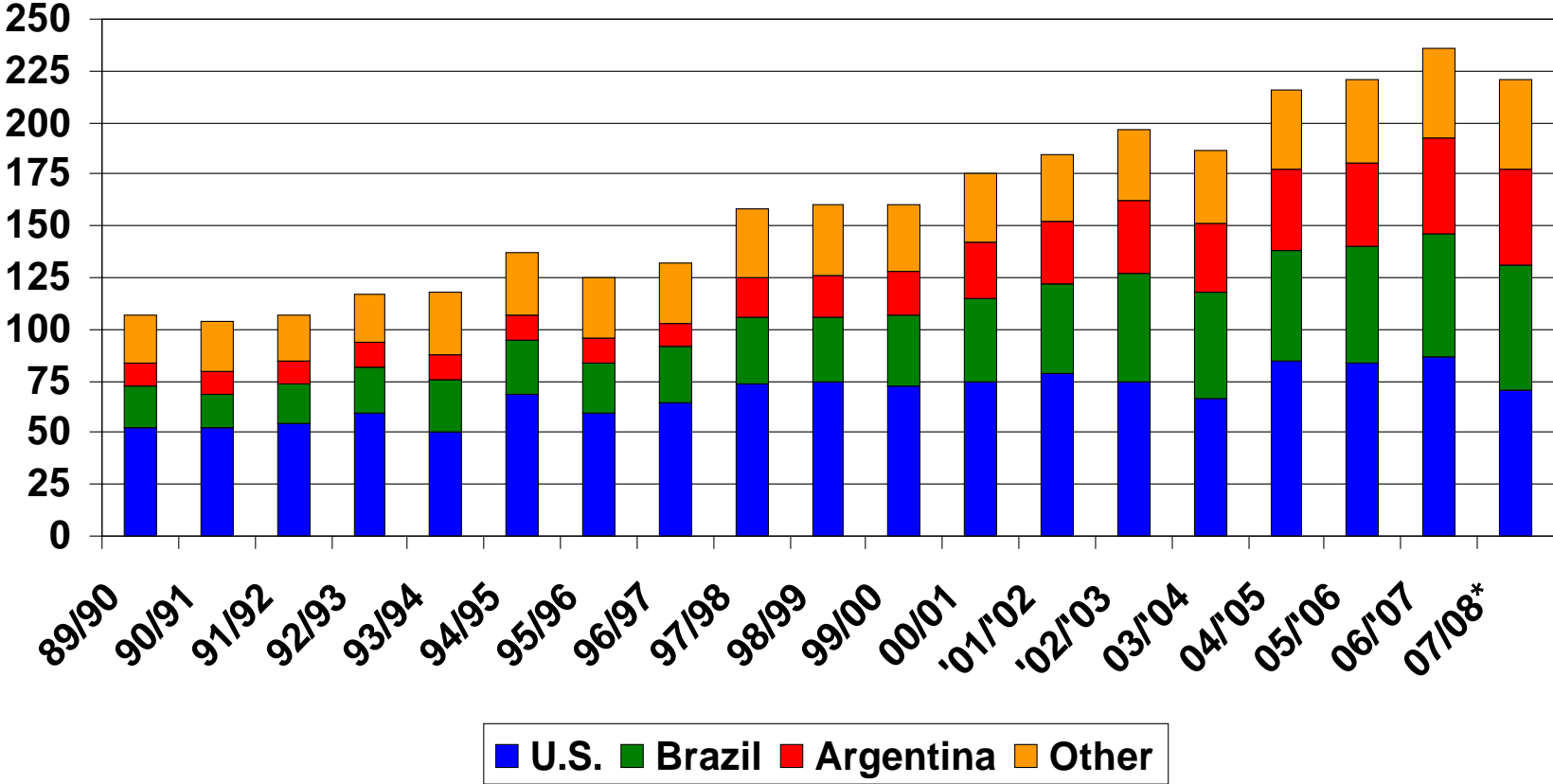


* Projection



World Soybean Production

Million Metric Tons

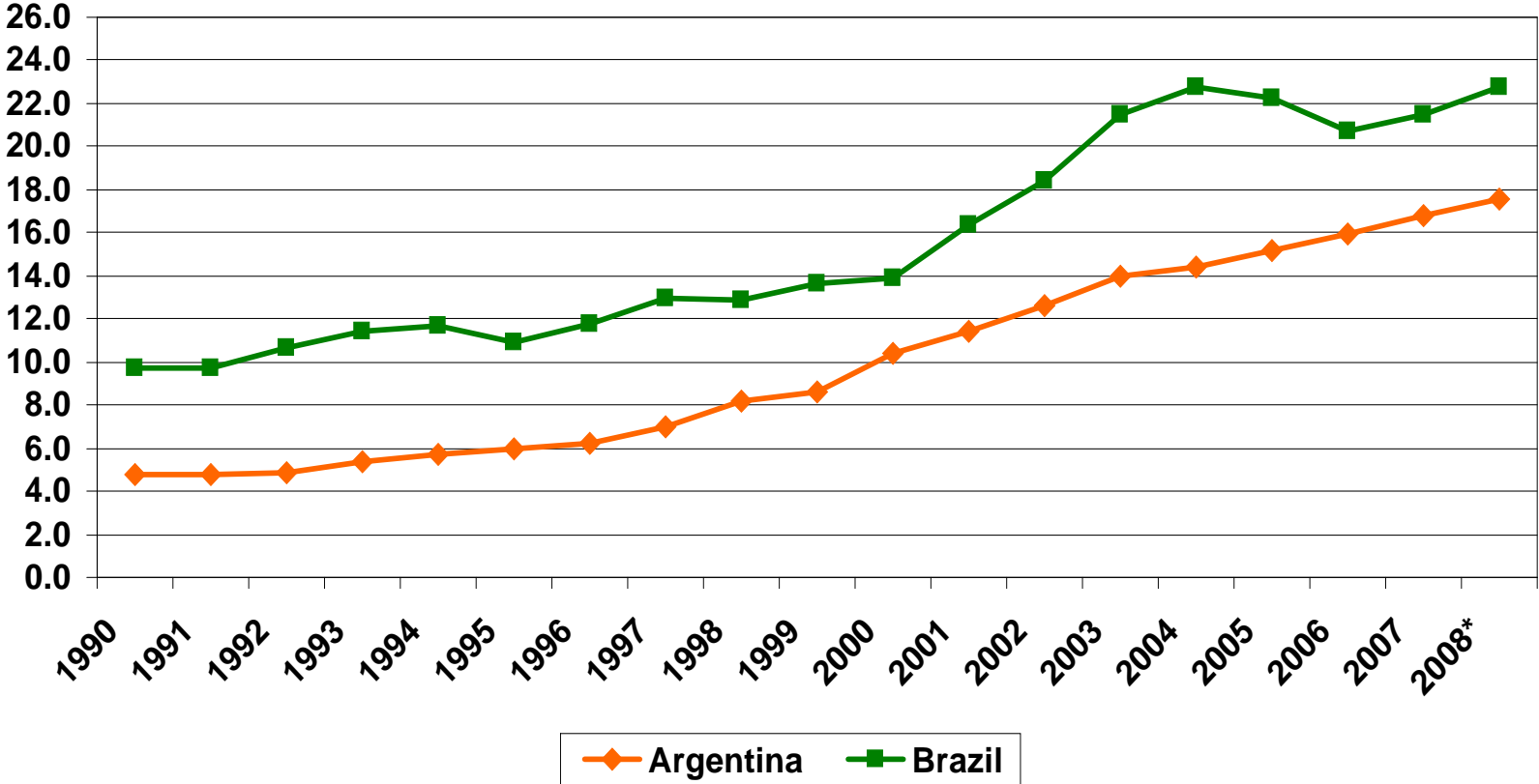


* Doane Projection



Argentine and Brazilian Soybean Harvested Area

Million Hectares



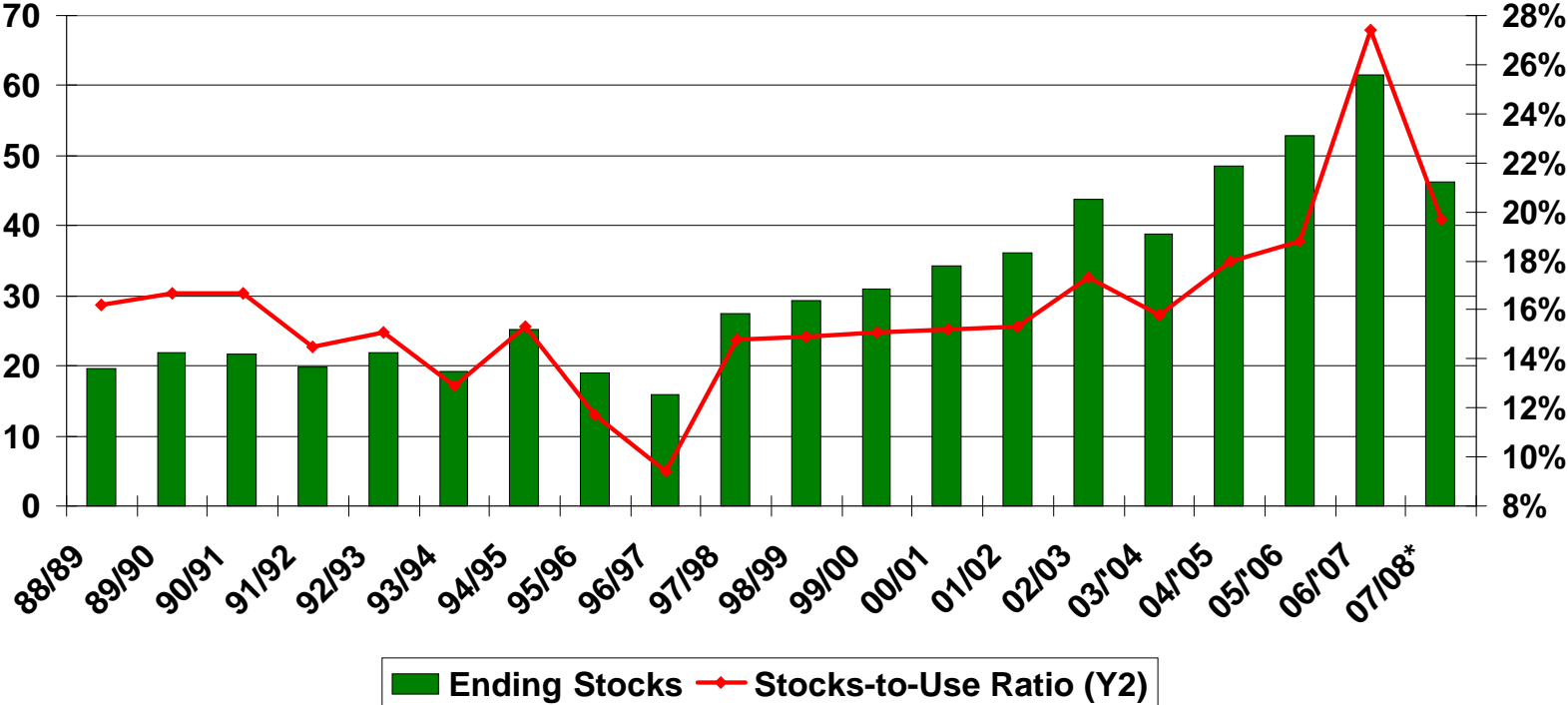
* Doane Projection



World Soybean Ending Stocks

Million Metric Tons

Percent



* Doane Projection



U. S. Soybean Market Factors

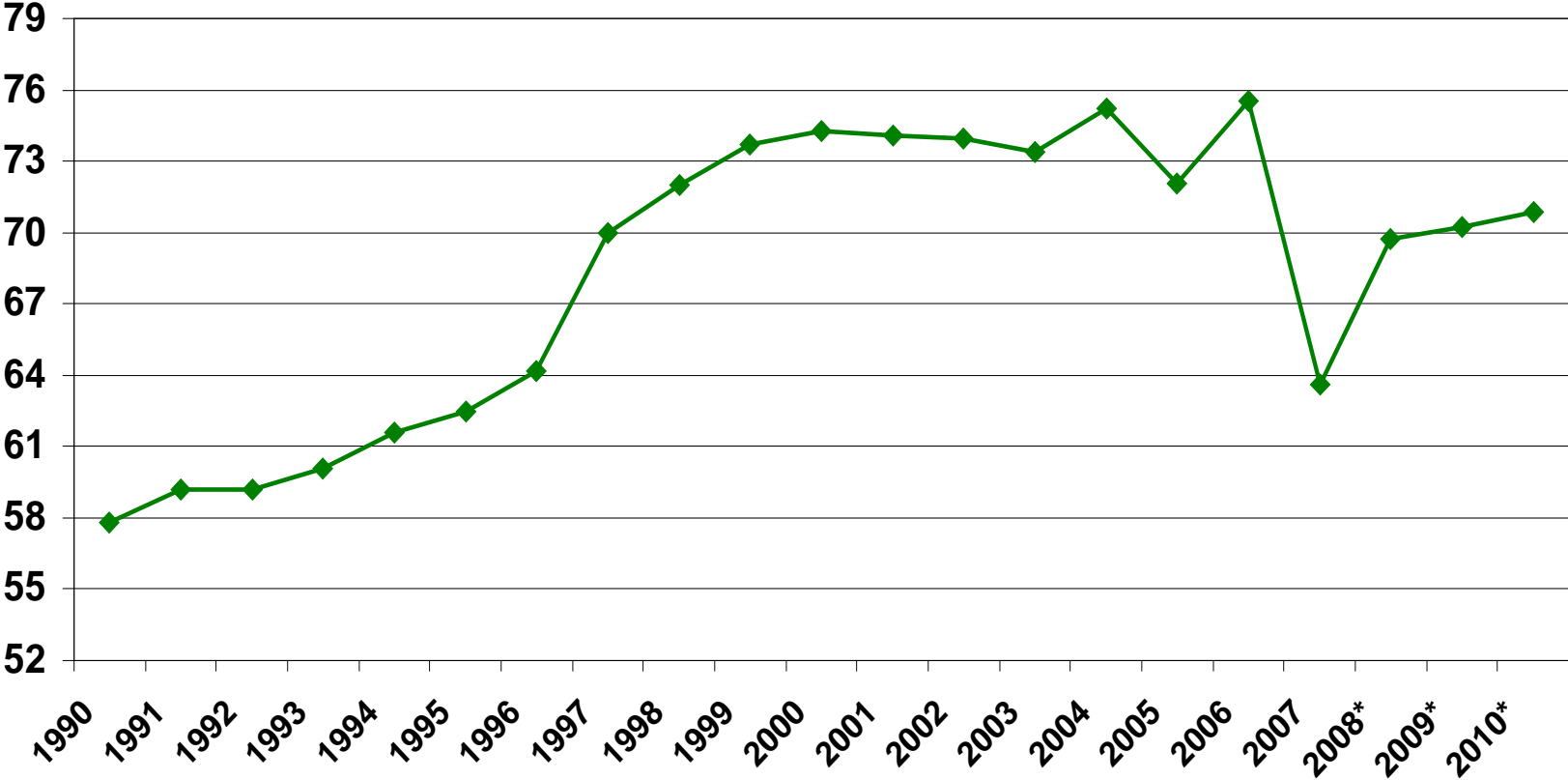
- **It is all about planted acres**
 - Doane is forecasting 69.7 million acres in 2008
 - Our survey this year showed a switch back to soybeans
 - Corn prices will have to keep up with soybeans

- **Soybean prices**
 - The huge disconnect between prices and fundamentals has been solved
 - Soybean futures may trade in board range between \$11 - \$13 per bushel into the growing season
 - Harvest lows probably will not fall below \$9.00, even assuming normal weather

- **Supply/Demand Situation**
 - Record disappearance for 2006/07, but
 - Still a record level of stocks accumulated at 574 million bushels
 - Strong crush based on decent crush margins
 - Exports still strong despite high prices
 - However, 2007/08 ending stocks will be drawn below 175 million bushels

U.S. Soybean Planted Acres

Million Acres



* Doane Projection

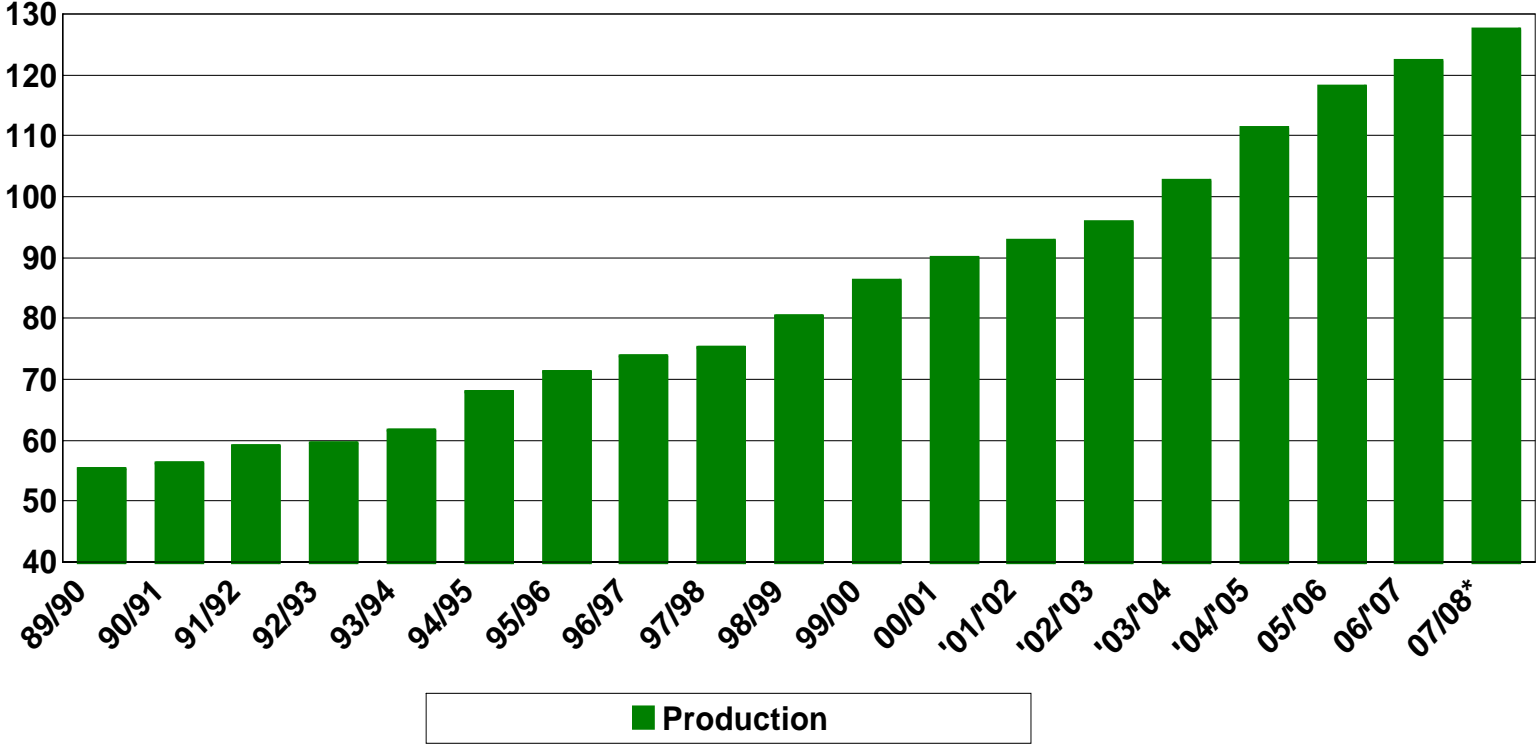


World Vegetable Oil Situation

- **World**
 - It is all about energy prices and biodiesel---waning?
 - European Biodiesel industry struggling?
 - High vegetable oil prices has reduced profitability
 - Imposition of taxes in Germany has hurt biodiesel there
 - Record low world vegetable oil stocks-to-use ratio
 - High prices of vegetable oil impacting demand & production?
 - Palm oil production is gearing up---new investments in Indonesia and Malaysia?

Global Vegetable Oil Production

Million Metric Tons

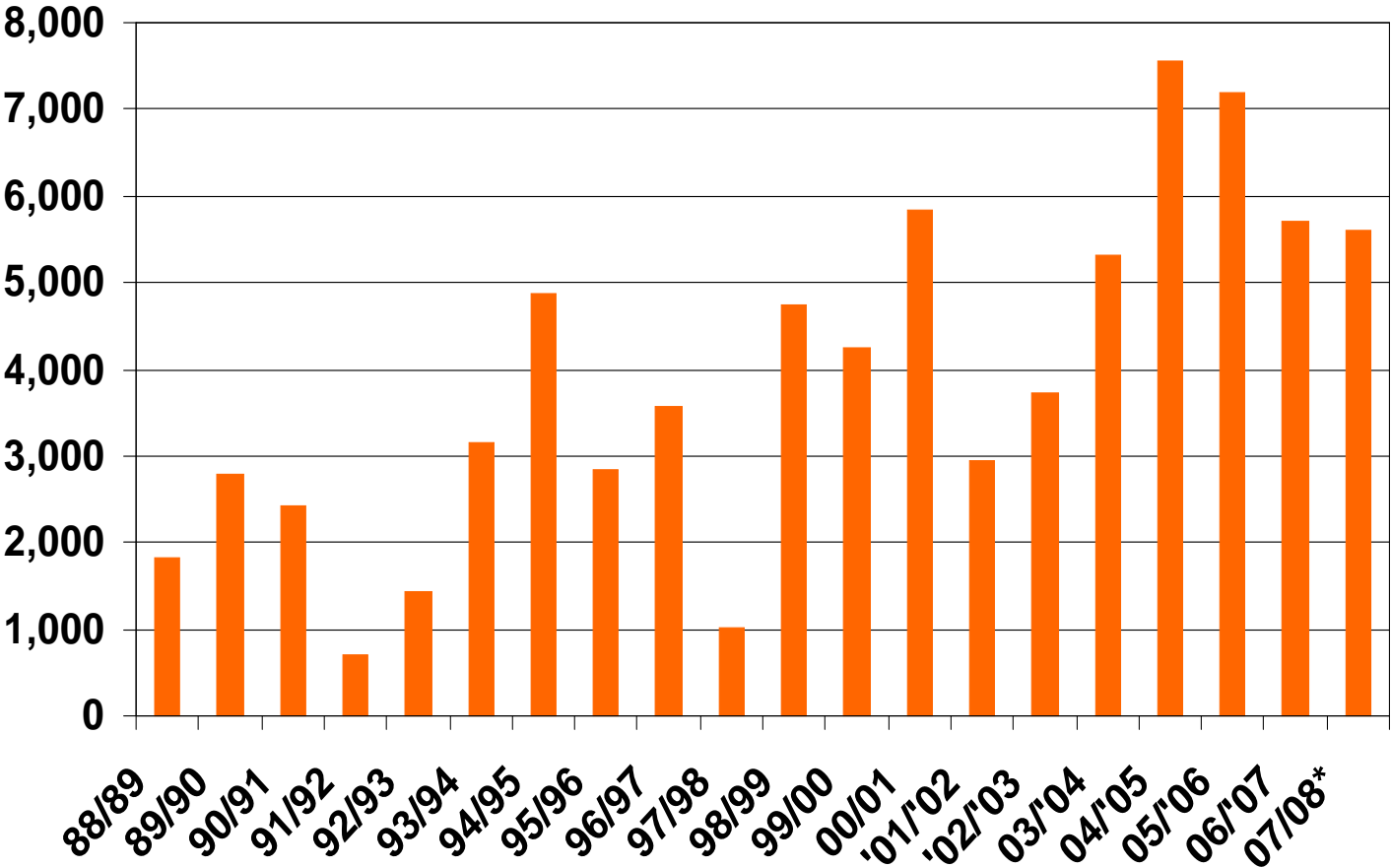


* Projection



Annual Change in World Vegetable Oil Domestic Disappearance

1,000 Metric Tons

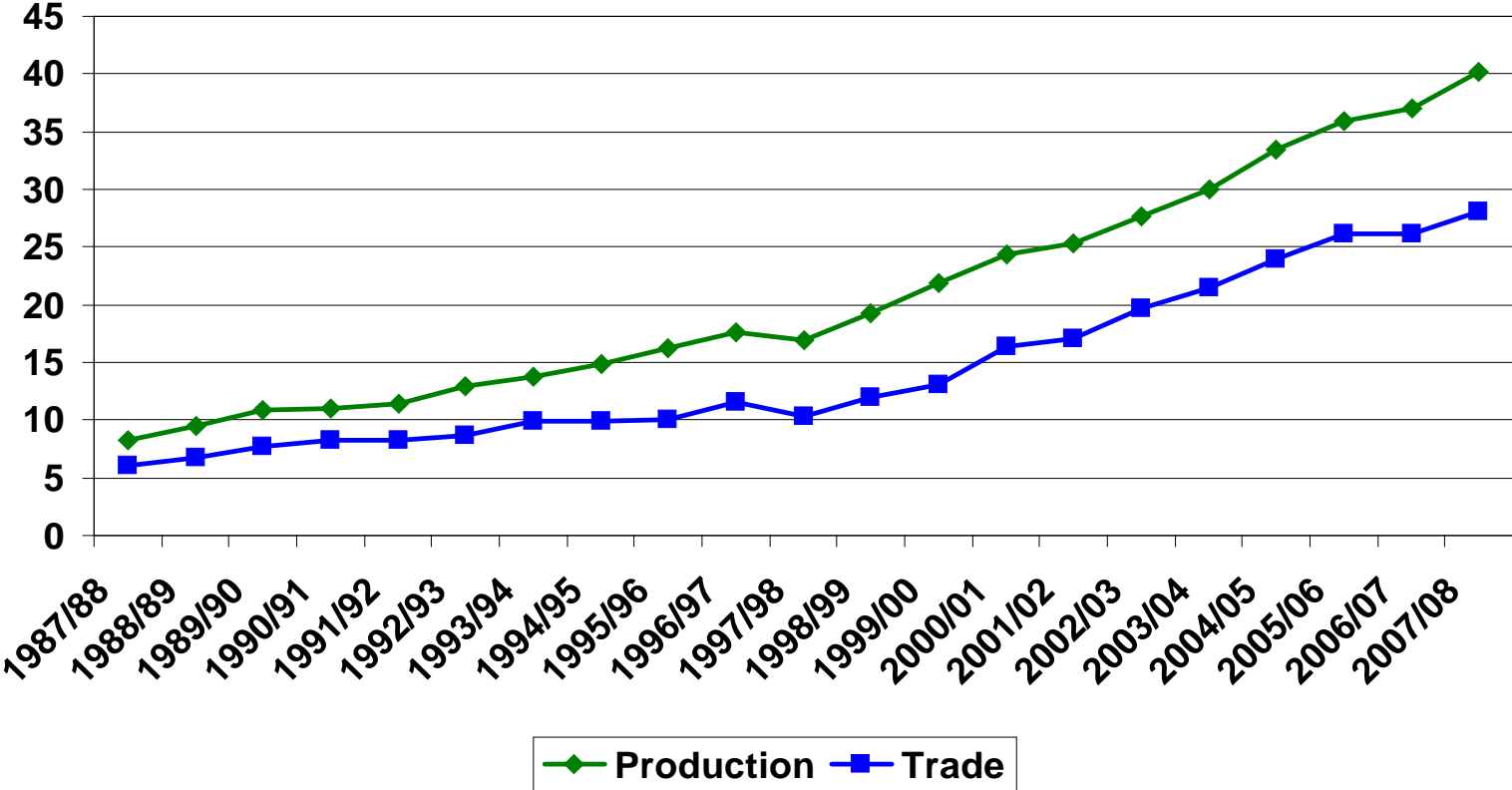


* Projection



World Palm Oil

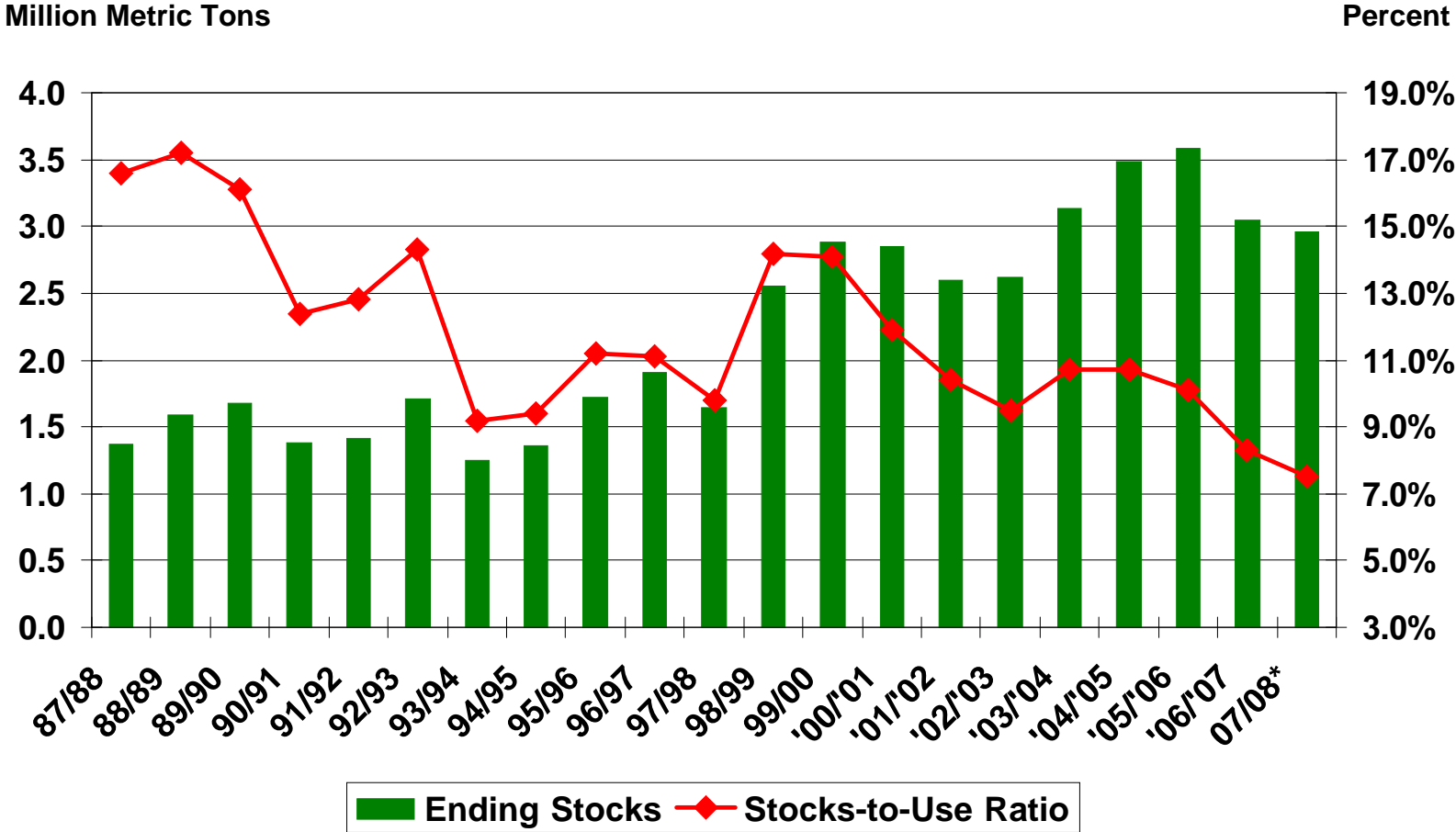
Million Metric Tons



* Projection



World Vegetable Oil Stocks – Palm Oil

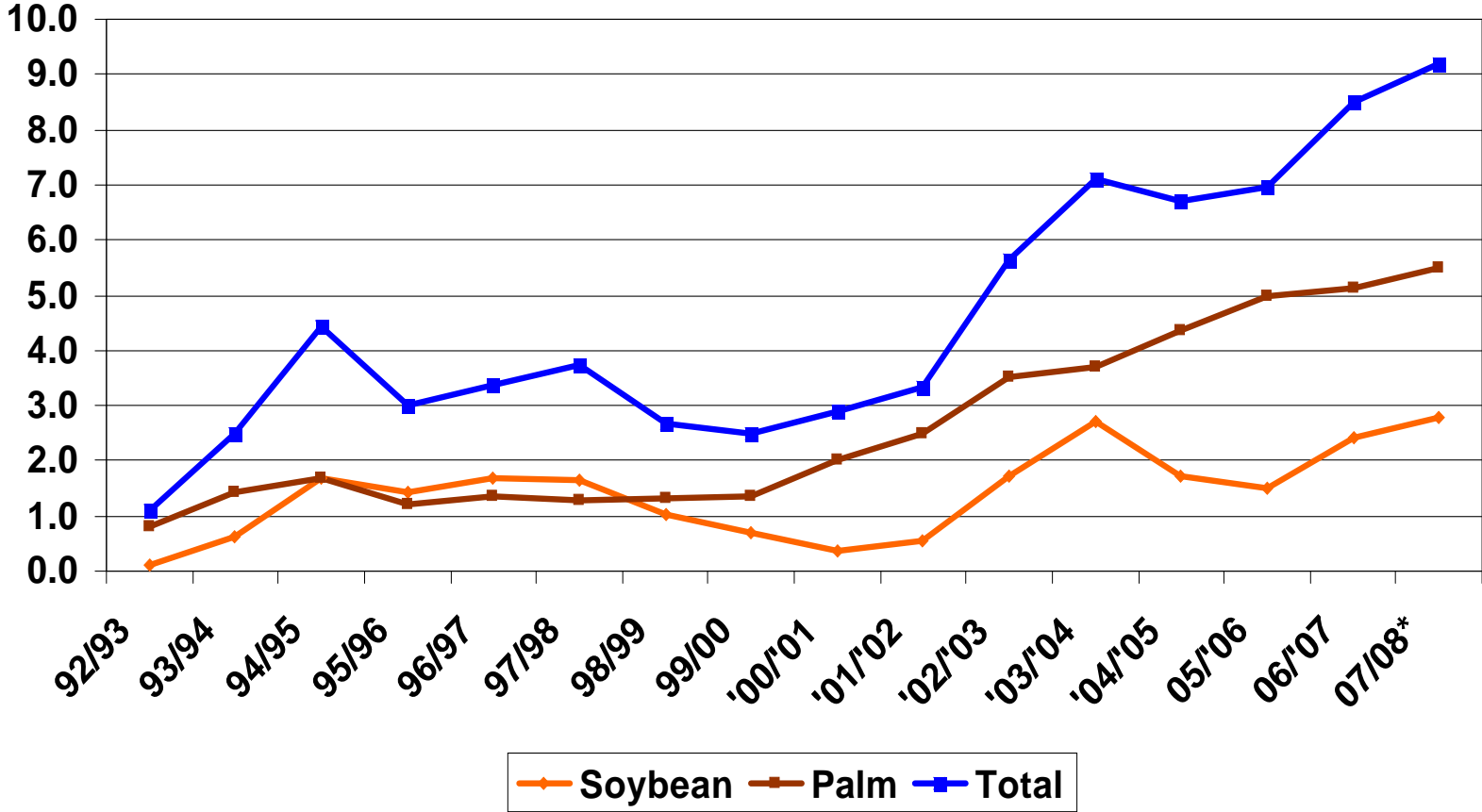


* Projection



China Vegetable Oil Imports

Million Metric Tons

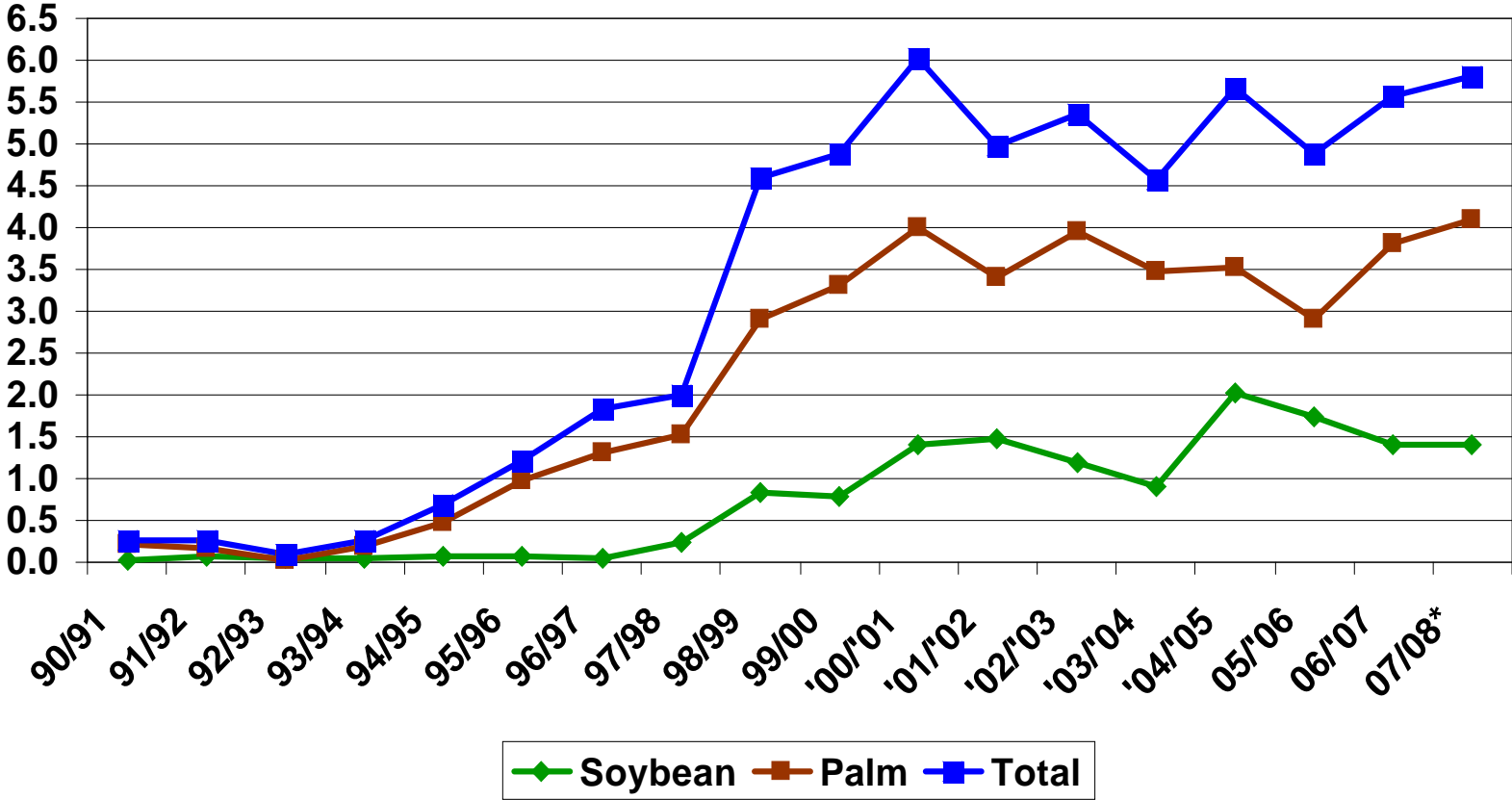


* Projection



Indian Vegetable Oil Imports

Million Metric Tons



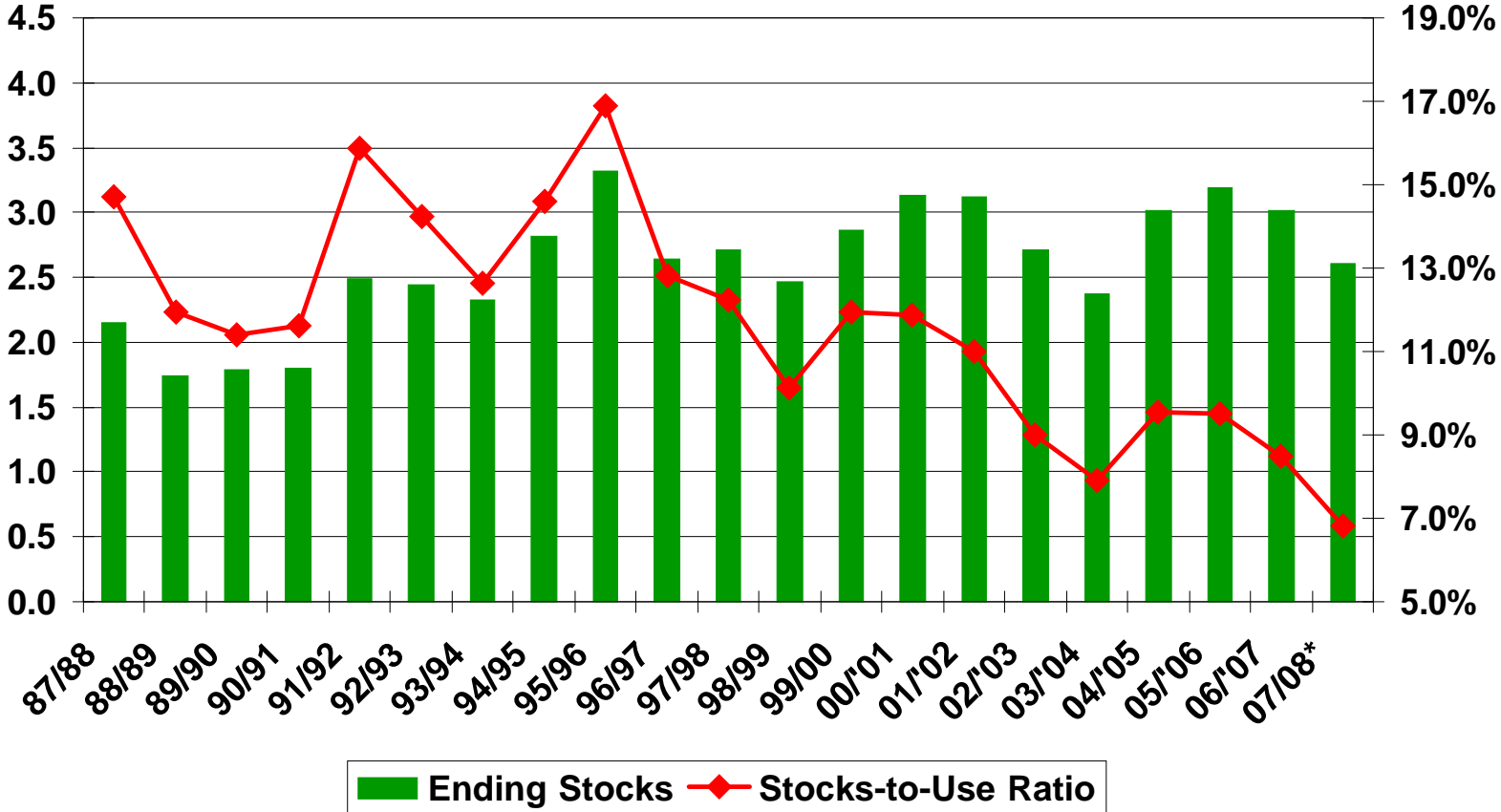
* Projection



World Soybean Oil Stocks

Million Metric Tons

Percent



* Projection



U.S. Vegetable Oil Situation

- **The market has been all about biodiesel**
 - Higher soybean oil relative to energy prices has reduced profitability
 - 2005/06 biodiesel production consumed 1.555 billion pounds of soybean oil
 - In 2006/07, soybean oil use for biodiesel was 2.796 billion pounds-- down from earlier forecasts of 3.0 billion pounds
 - This year consumption is should move to 3.8 billion pounds
- **U.S. soybean oil stocks are falling from record levels---from 3.0 billion pounds at the end of 2005/06 to 2.25 billion this year**
- **Forecasted 2007/08 domestic food use is steady**
 - Food use is steady to down due to TFA
 - Restaurant chains continue to make the switch – Krispy Kreme, etc.
- **Strong demand for “healthy” oils---sun, cottonseed, corn & canola**
 - Wide premiums to soybean oil to stay in place – this has been supportive to soybean oil prices
 - Sunflower and canola oil supplies are likely to be tight next year

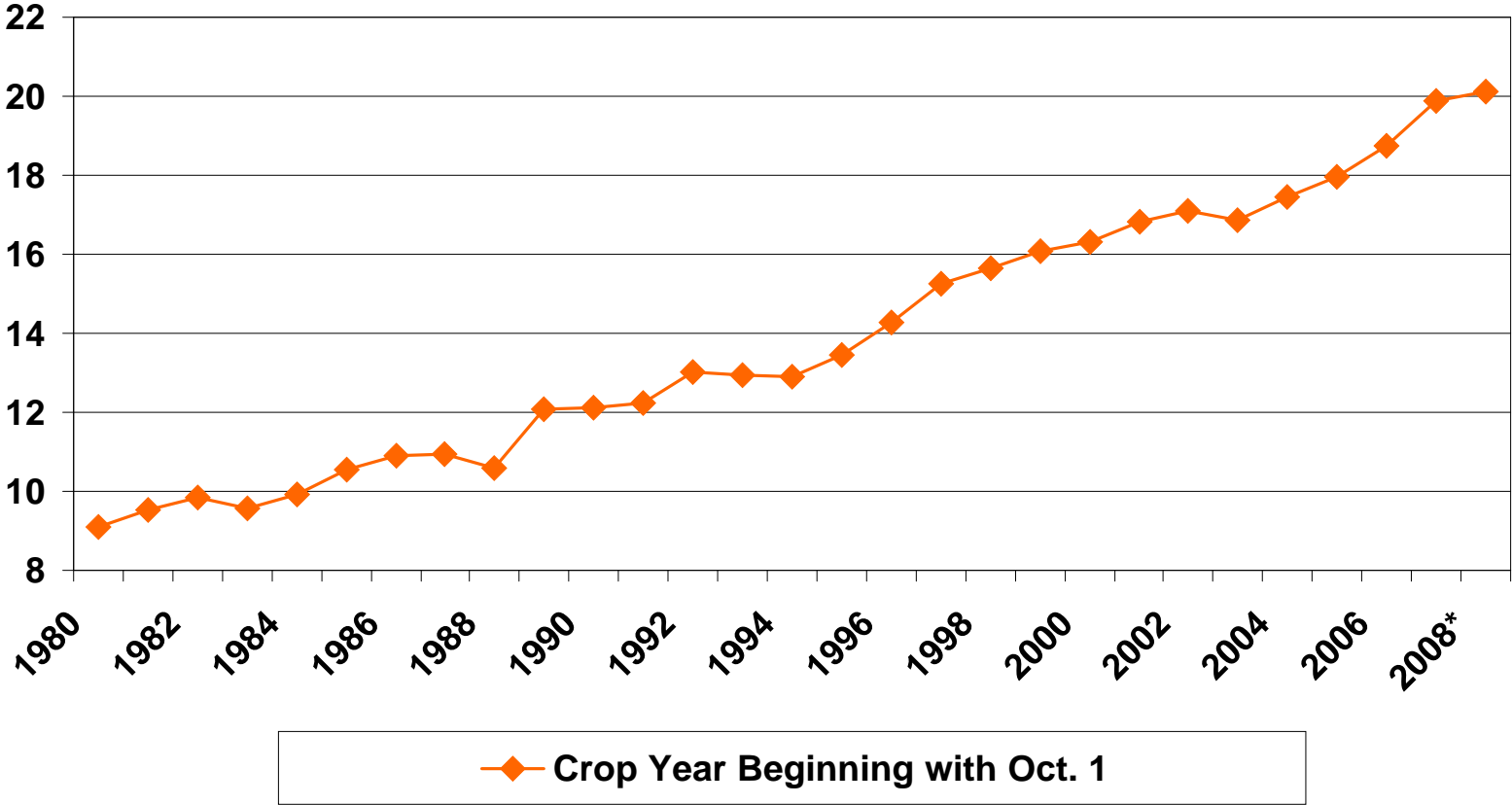
U.S. Soybean Oil Balance Sheet (million pounds)

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08*
Supply						
Beginning Stocks (10/1)	2,358	1,489	1,076	1,699	3,010	2,904
Production	18,430	17,081	19,360	20,387	20,487	20,860
Total Supply	20,836	18,876	20,462	22,122	23,535	23,802
Disappearance						
Domestic Use	17,081	16,864	17,439	17,959	18,743	19,900
<i>Biodiesel</i>	85	141	483	1,555	2,796	3,800
Exports	2,263	936	1,324	1,153	1,888	1,650
Total Disappearance	19,344	17,800	18,763	19,112	20,630	21,550
Ending Stocks	1,492	1,076	1,699	3,010	2,904	2,252
Stocks-to-Use Ratio (%)	7.7%	6.0%	9.1%	15.7%	14.1%	10.4%
Price-U.S. average (cents/lb.)	22.04	29.97	23.01	23.41	31.02	47.50

* Projection

U.S. Soybean Oil Domestic Disappearance

Billion pounds

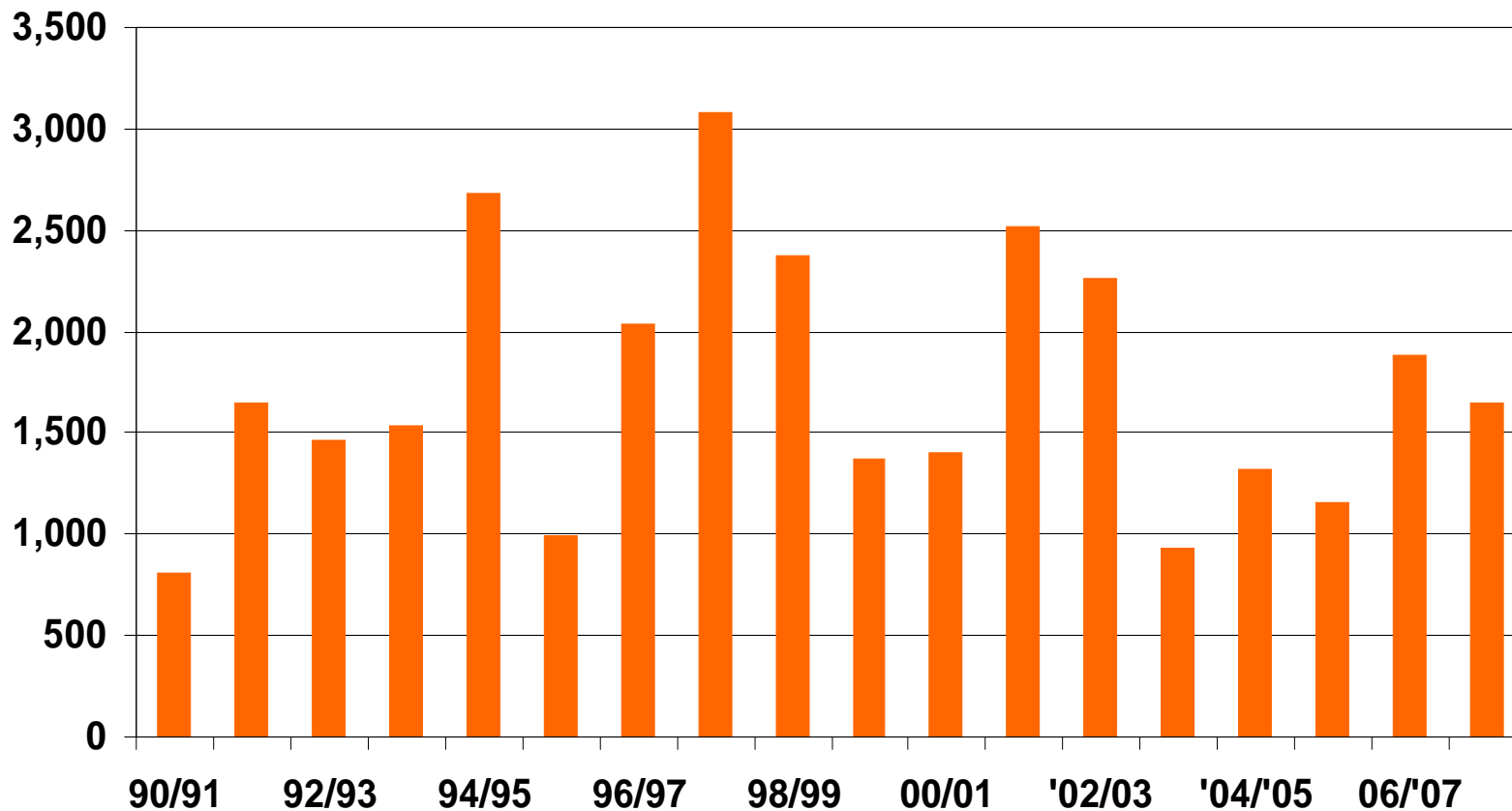


* Doane Projection



U.S. Soybean Oil Exports

Million pounds

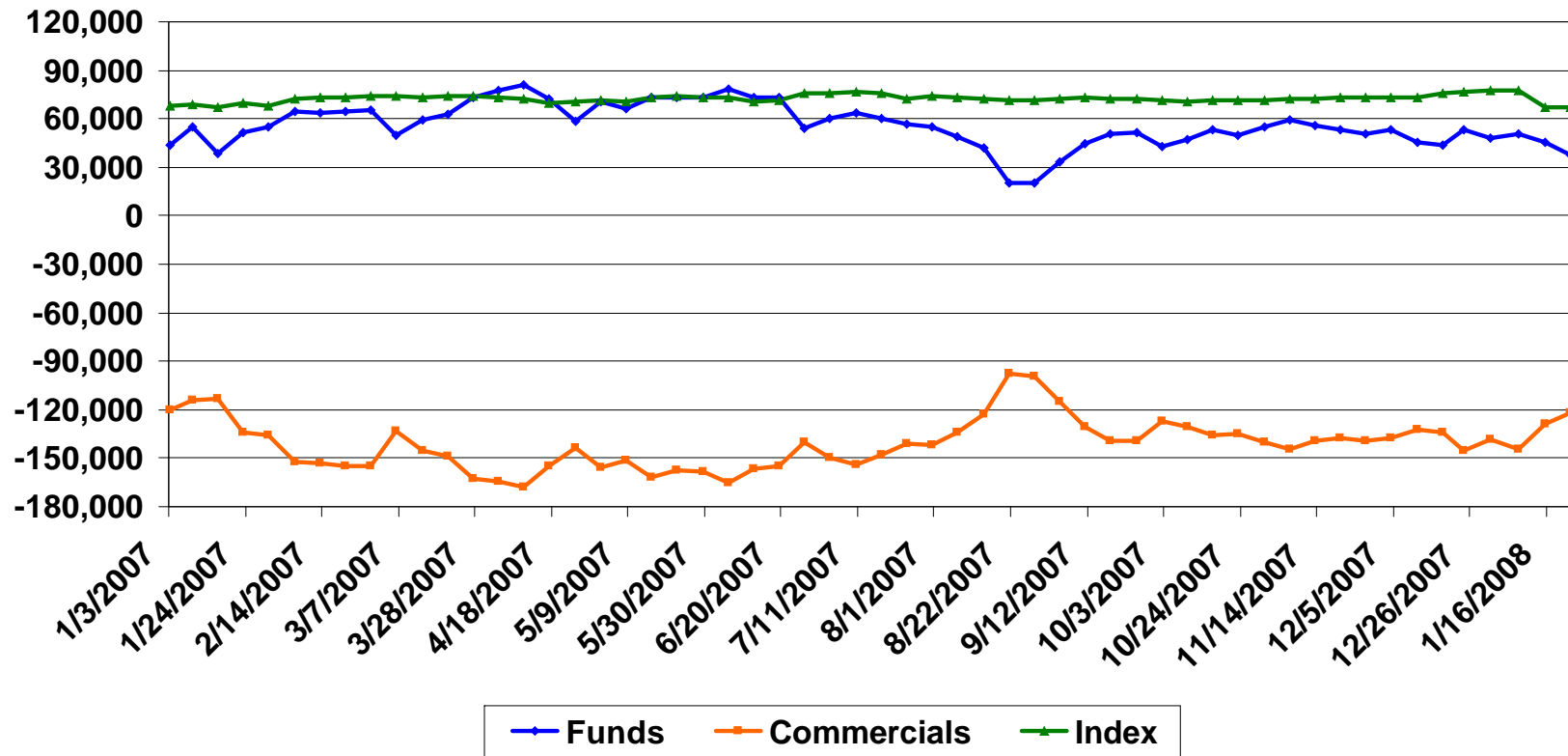


* Doane Projection



CBOT Soybean Oil Net Positions

of Contracts

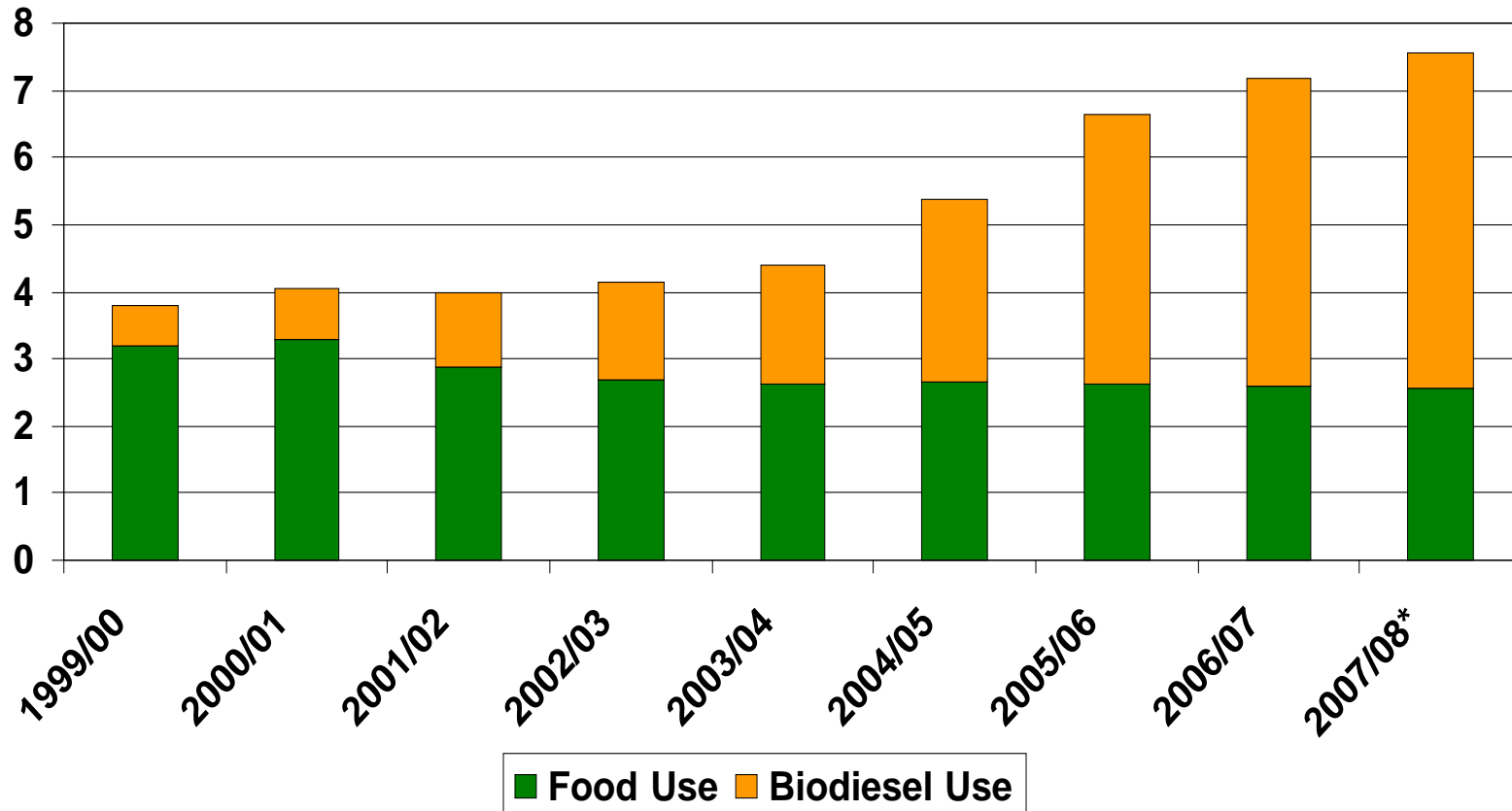


World Impacts of Biofuels

- **Rapid rise in vegetable oil prices**
- **Vegetable oil trade patterns have changed**
 - In Europe, imports of soybean and palm oil have increased significantly
- **Loss of tax revenue**
 - Germany has introduced tax on biodiesel
- **Environmental concerns**
 - Clearing rain forests for palm plantations
- **Price and food availability are key issues**
 - India has cut import duties on vegetable oils
 - Indonesia added export duties on palm oil
- **Economic interplay of biofuels and petroleum**
 - More biofuels---less consumption of petroleum products
 - As prices fall for petroleum---tougher competitive environment for biofuels

EU-25 Consumption of Rape Oil

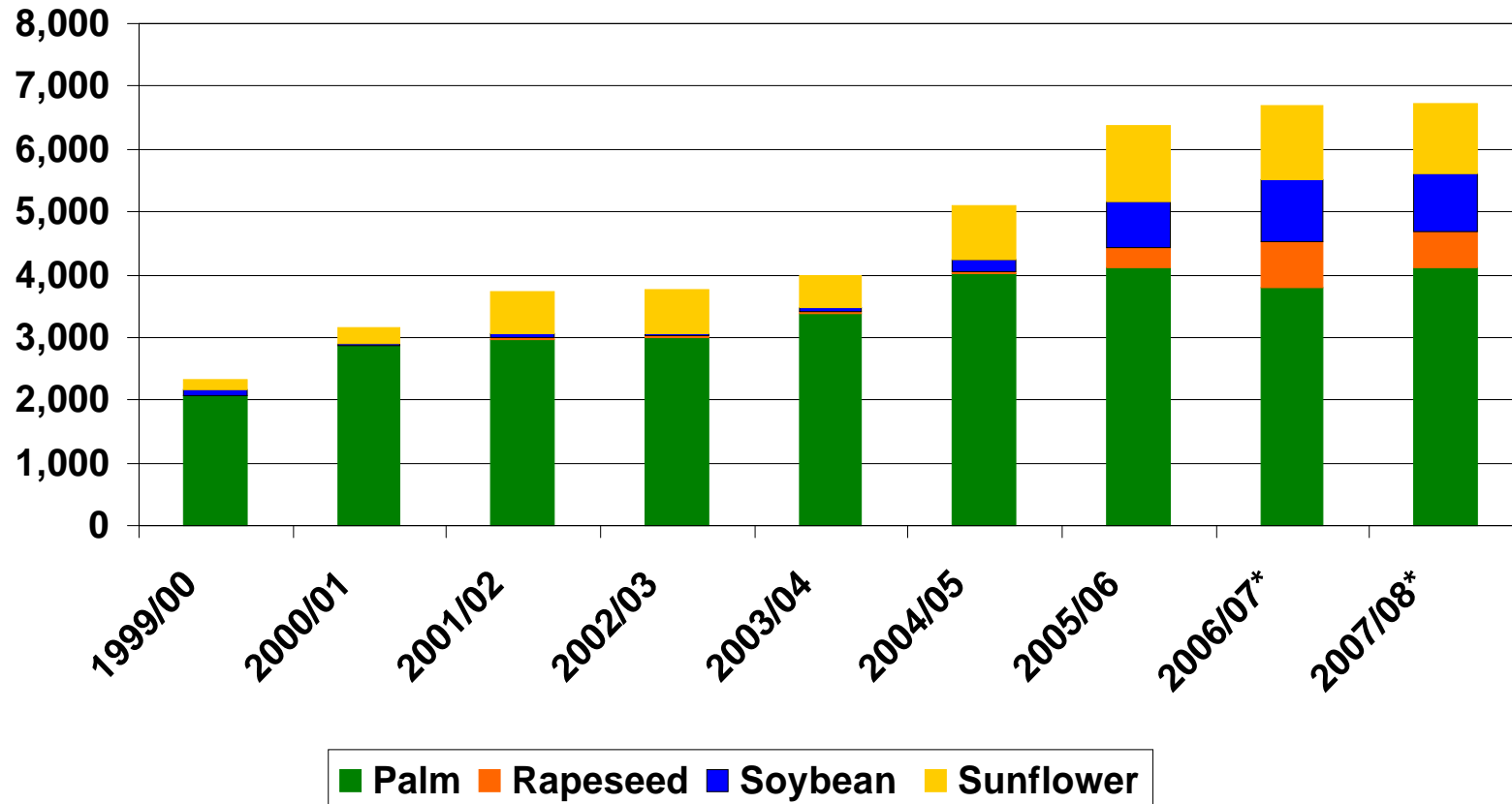
Million Metric Tons



Source: Oil World

EU-25 Imports of Major Vegetable Oils

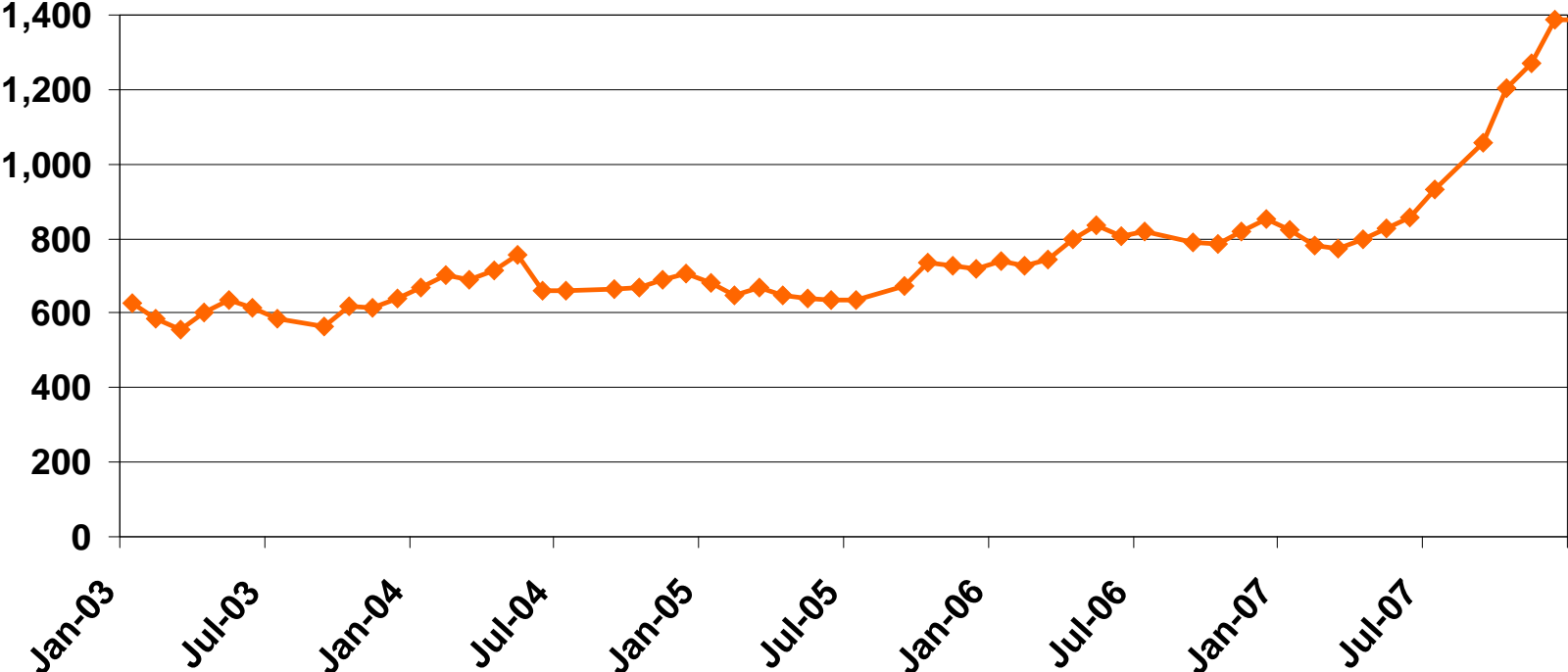
000 Metric Tons



* Projection

Rapeseed Oil Prices – FOB Hamburg

US\$/Metric Ton



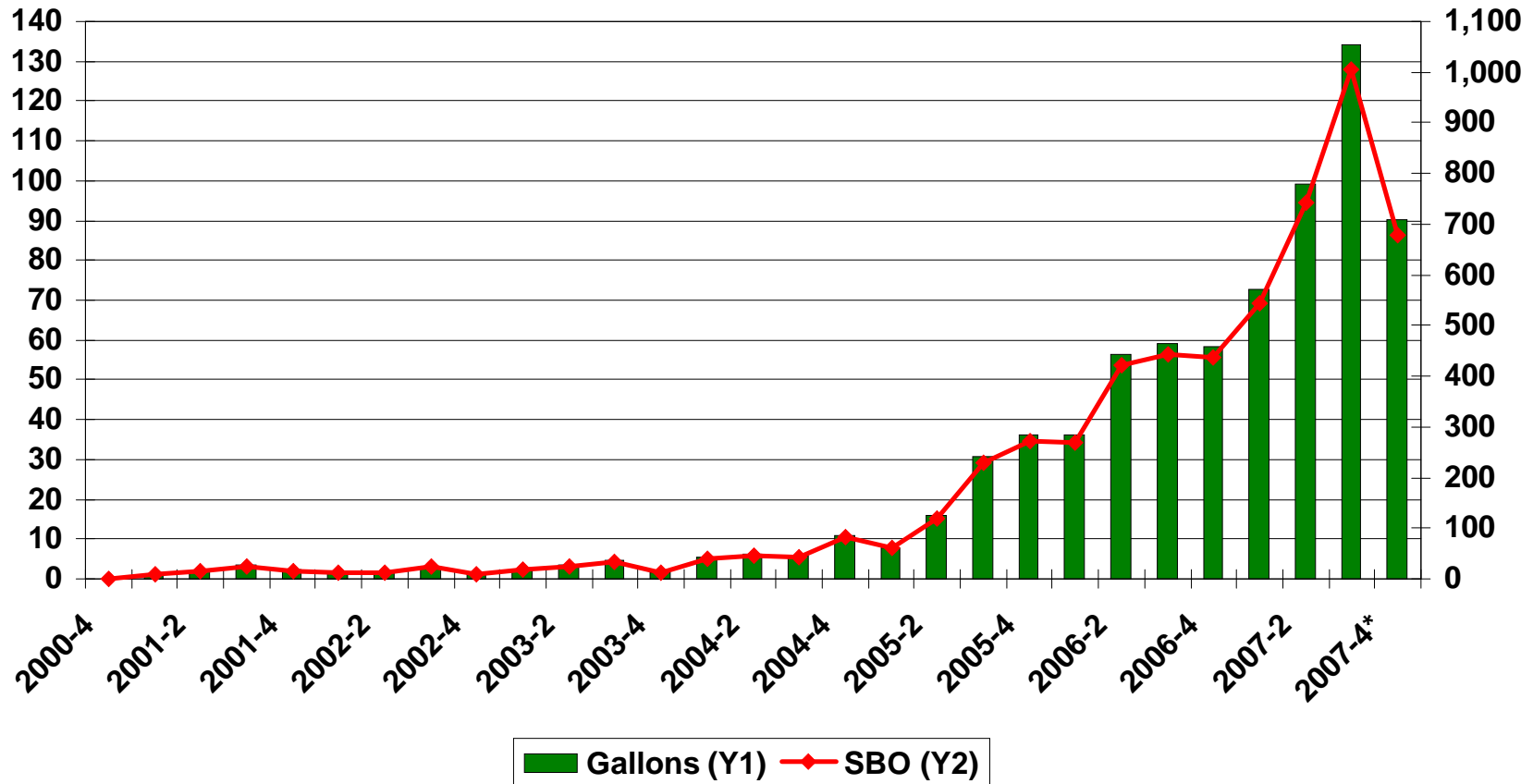
* Projection



U.S. Biodiesel Production – Soybean Oil

Million Gallons

Million Pounds

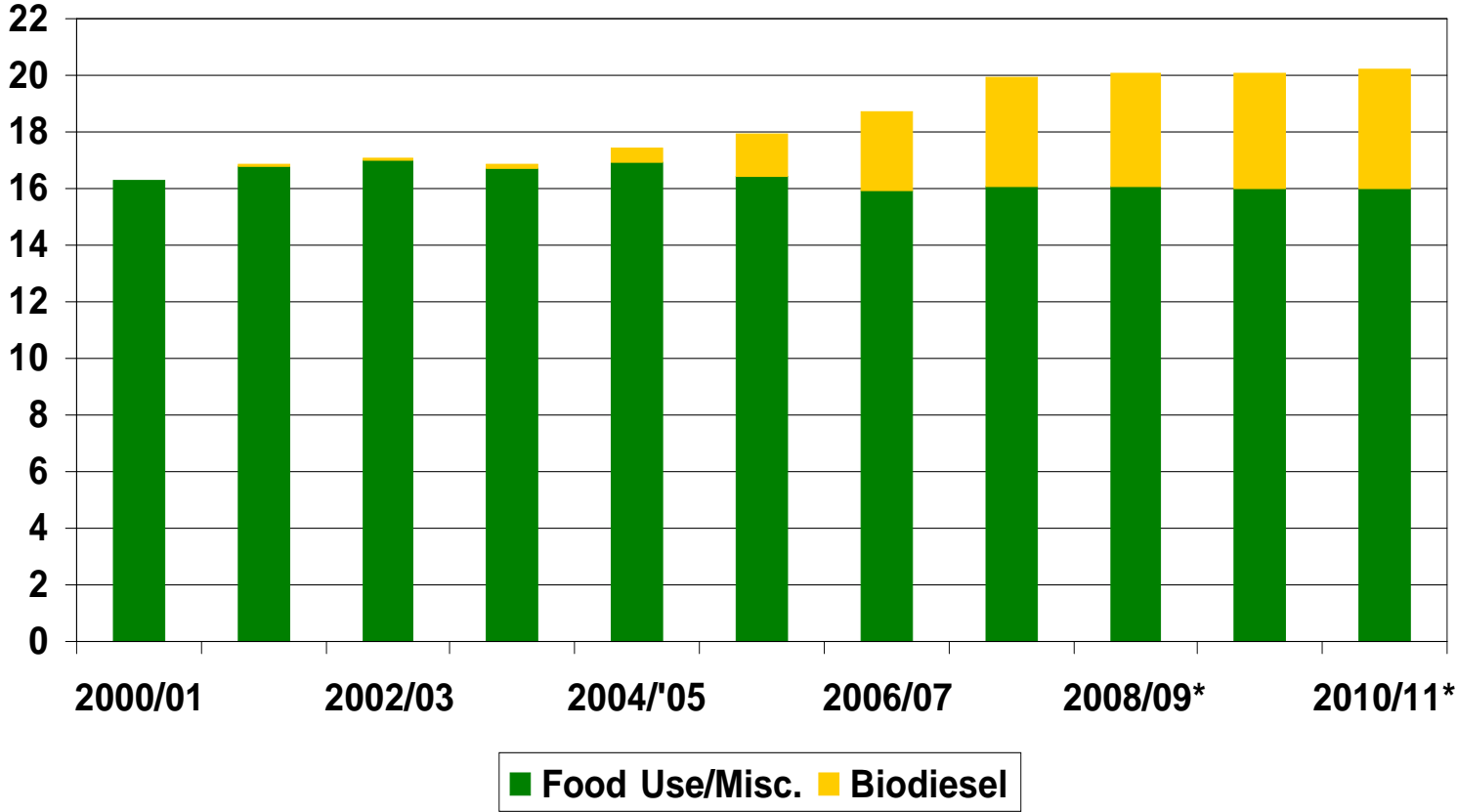


Source: USDA/FSA



U.S. Soybean Oil Domestic Disappearance

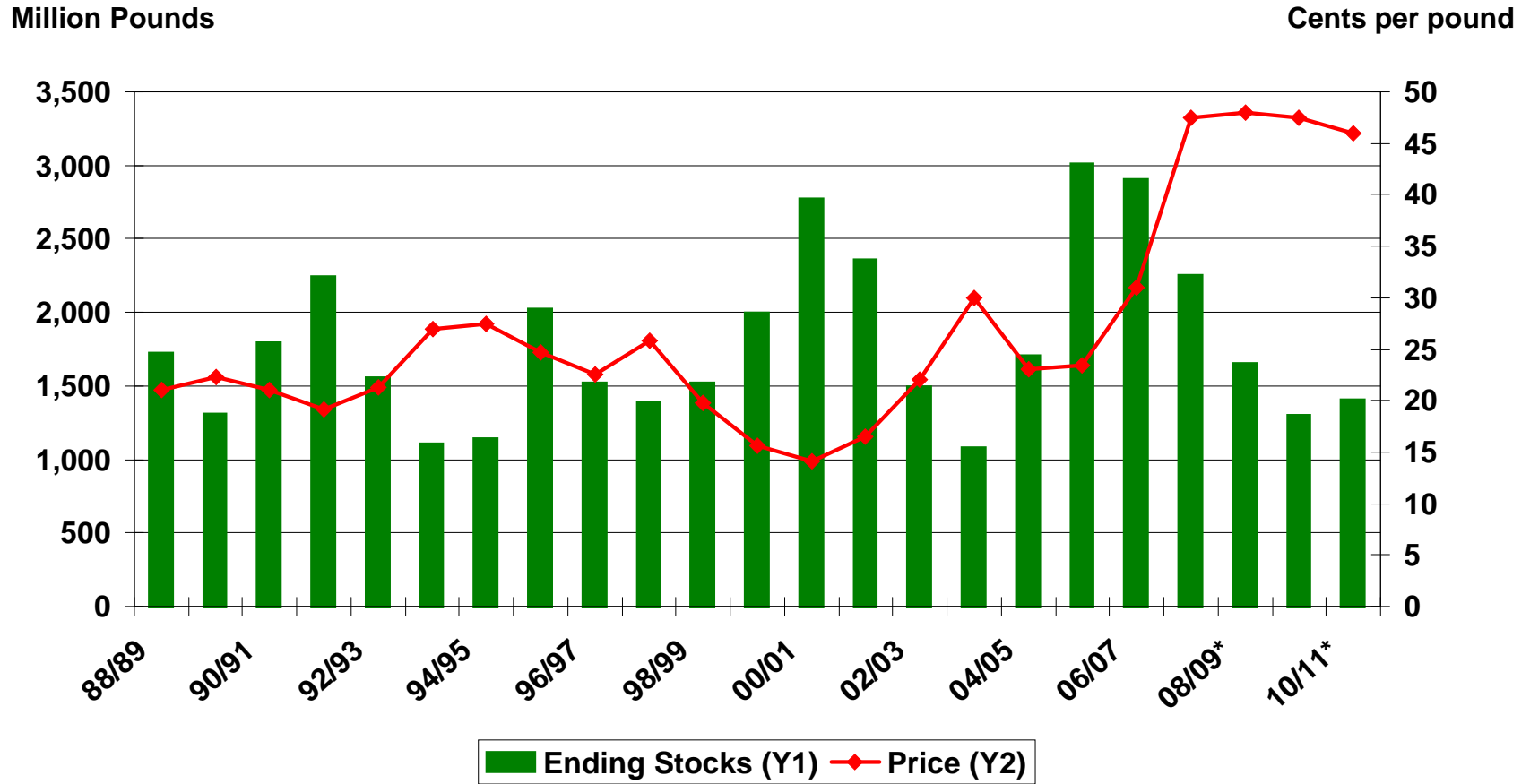
Billion pounds



* Doane Projection



U.S. Soybean Oil Ending Stocks vs. Price



* Doane Projection



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