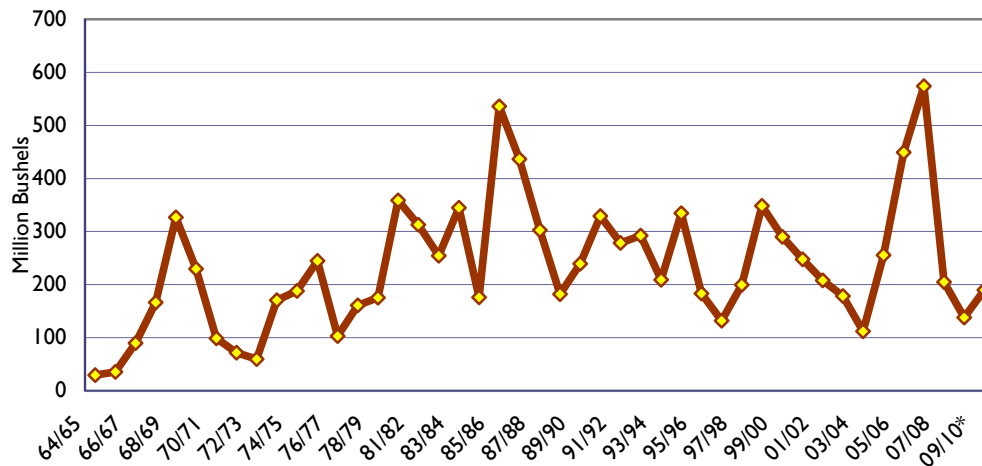


USDA increases soy exports to record-smashing 1.445 billion bushels

U.S. Soybeans

- ❖ 2008/09 soybean supply and demand figures are unchanged.
- ❖ No changes were made to 2009/10 soybean supply figures. Total production is estimated at 3.359 billion bushels and total supply at 3.512 billion.
- ❖ 2009/10 exports were increased 25 million bushels to a record 1.445 billion. Seed use was increased 2 million bushels to 91 million due to expectations of large soybean plantings in 2010/11. A rare reduction in residual use for 2009/10 was made—the projection was lowered 26 million bushels to 57 million. With offsetting adjustments in demand, total use was raised minimally to 3.323 billion bushels. Ending stocks are unchanged at 190 million bushels. The stocks-to-use ratio is fundamentally bullish at 5.7 percent. Projections for the average farm price were changed to range between \$9.20 and \$9.70 per bushel.

U.S. Soybean Ending Stocks

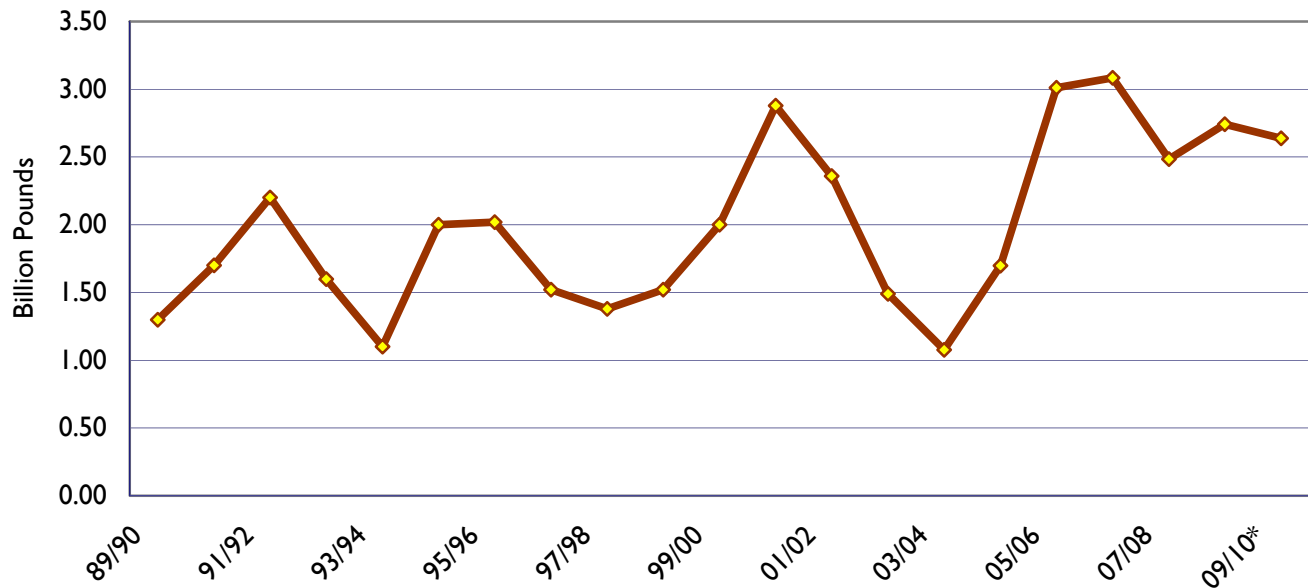


*Estimate

U.S. Soybean Oil

- ❖ Figures for 2008/09 soybean oil supply and demand are unchanged.
- ❖ For 2009/10, supply and demand projections were left unchanged. Production is pegged at 19.270 billion pounds and total supply is expected to reach 22.087 billion pounds.
- ❖ Domestic soybean use for 2009/10 is 16.200 billion pounds, 2.200 billion pounds of which is projected for methyl ester production. Exports are estimated at 3.250 billion pounds, up 48 percent from 2008/09. Total use is projected at 19.450 billion pounds leading to ending stocks of 2.637 billion, down 105 million pounds from the prior crop year. The stock-to-use ratio is bearish at 13.6 percent. Average prices are expected to range between \$0.3350 and \$0.3650 (basis inclusive).

U.S. Soybean Oil Ending Stocks



*Estimate

Global Oilseeds

- ❖ Global oilseed supply for 2008/09 was increased 1.24 million metric tons (MMT) to 396.78 MMT due to an upward revision in output. Total use was increased 520,000 metric tons (MT) and ending stocks were raised 390,000 MT to 55.33 MMT. The global oilseed stocks-to-use ratio for 2008/09 is now at 16.3 percent.
- ❖ Projected 2009/10 global oilseed output was revised higher by 1.40 MMT to 436.70 MMT, up 44.48 MMT from 2007/08 and 39.92 MMT from 2008/09. Total supply is now pegged at 492.03, up 1.80 MMT from last month's report. Total use is projected higher by 30,000 MT at 352.28 MMT. With a projected 2.26 MMT increase in ending stocks to 74.06 MMT, the global oilseed stocks-to-use ratio for 2009/10 is 21.0 percent.
- ❖ Global vegetable oil production for 2008/09 was revised higher by 180,000 MT to 133.17 MMT. Total supply, now pegged at 143.71 MMT, was raised 150,000 MT. With total use estimated at 129.05, global ending stocks were lowered slightly to 12.70 MMT. The stocks-to-use ratio is 9.8 percent.
- ❖ 2009/10 global vegetable oil output was lowered 60,000 MT to 138.51 MMT, up 10.37 MMT from 2007/08 and 5.34 MMT from 2008/09. Total supply is projected at 151.21 MMT, down 220,000 MT from last month's estimates. Total use is estimated higher at 136.02 MMT, subsequently lowering ending stocks to 12.50 MMT. The 2009/10 stocks-to-use ratio is 9.2 percent.

World Soybeans

	Beginning			Total		Ending	
	<u>Stocks</u>	<u>Production</u>	<u>Imports</u>	<u>Use</u>	<u>Exports</u>	<u>Stocks</u>	<u>Stocks/Use</u>
Brazil							
			(Million Metric Tons)				
2008/09	18.90	57.80	0.04	35.41	29.99	11.35	17.4%
2009/10	11.35	67.50	0.15	34.45	26.30	18.25	30.0%
Argentina							
2008/09	21.76	32.00	1.29	32.84	5.59	16.61	43.2%
2009/10	16.61	54.00	0.00	38.03	7.00	25.58	56.8%
China							
2008/09	4.25	15.54	41.10	51.44	0.40	9.05	17.5%
2009/10	9.05	14.50	43.50	56.53	0.25	10.27	18.1%
World							
2008/09	52.96	211.77	77.20	222.16	76.94	42.82	14.3%
2009/10	42.82	257.46	80.78	235.69	82.41	62.96	19.8%

BRAZILIAN SOYBEANS

Brazilian production for 2008/09 was increased to 57.80, leading to a subsequent 800,000 MMT increase in ending stocks, now pegged at 11.35 MMT. For 2009/10, production was raised 500,000 MT and is now projected at 67.5 MMT. Total domestic use decreased 500,000 MT to 34.45 MMT due to reduced crush. Exports were raised 700,000 MT to 26.30 MMT. Ending stocks are forecast higher at 18.25 MMT, a 1.1 MMT increase from last month's report. The 2009/10 stocks-to-use ratio is now pegged at 30.0 percent.

ARGENTINE SOYBEANS

For 2008/09, Argentine projections were unchanged. Production for 2009/10 was increased 1.0 MMT to 54.0 MMT. Crush was raised 400,000 MT to 36.4 MMT causing a subsequent increase in total domestic use, now pegged at 38.03 MMT. Due to the aforementioned changes, ending stocks are projected higher at 25.58 MMT. The projected stocks-to-use ratio for 2009/10 is 56.8 percent.

CHINESE SOYBEANS

Chinese figures for 2008/09 remained unchanged. For 2009/10, imports were raised 1.0 MMT to 43.5 MMT. Domestic use was raised 850,000 MT to 56.53 MMT due to increased crush. Exports were lowered 150,000 MT to 250,000 MT. Ending stocks are projected higher at 10.27 MMT. The stocks-to-use ratio for 2009/10 is projected at 18.1 percent.

Conclusions and Comments

The story of the season is exports, which have been the major driver behind overall demand, futures prices, and basis levels for soybeans and soybean oil. USDA may be a bit too optimistic with today's adjustment. Exports were somewhat disappointing the week ending April 1—only 441,000 MT of shipments. So far, over 1.297 billion bushels of soybeans have made their way overseas. Large crops in South America are sure to limit U.S. opportunities, but seasonal labor issues in Argentina and infrastructure issues in Brazil could limit their shipments while supporting U.S. demand. Interestingly, total exports from these two countries are projected lower by 4.4 percent from last crop year (down 1.58 MMT). Perhaps this is USDA's justification for a 12.6 percent increase in U.S. export demand for 2009/10.

While on the subject of exports, U.S. soybean oil exports are also expected to exceed last year's demand figure by 1.06 billion pounds. Brazil and Argentina are projected to export virtually the same tonnage in 2009/10 as they did in 2008/09—roughly 6.60 MMT. The increase in global soybean oil imports above 2008/09 should amount to about 750 million additional pounds. Unless more import demand presents itself by the end of the next few months, it will be extremely challenging for the U.S. to reach USDA's 2009/10 projection. One supportive factor for U.S. soy oil exports is a recently developed trade tiff between China and Argentina. China is refusing additional shipments of Argentine soybean oil (vessels not already in transit) until the dispute is resolved. This may give the U.S. an opportunity to gain some ground in the next few weeks.

Domestic oil demand remains weak with just limited demand for edible soybean oil and methyl esters for biodiesel production. Despite consumption dynamics, soybean oil futures are holding steady above \$0.3870 per pound (today's May close was \$0.4004 per pound). Soybean oil basis is strengthening, as well, with values in Decatur near -225 below May futures. Oil yields are lower than normal, averaging around 11.15 pounds per bushel due in part to last season's harvest conditions.

Producers have not forgotten the fallout from late plantings in 2009. In fact, many in the Grain Belt are starting plantings early with favorable weather aiding the cause. Not much in the way of soybeans has been planted yet, but as soon as farmers get corn in the ground, their priorities will shift to soybeans. USDA's early projection (from last month's Prospective Plantings report) for planted acreage is 78.1 million acres, up 1 percent from 2009/10. It seems things are potentially shaping up for another record crop.

*We will gladly address any questions or comments you have.
Please call us, or send e-mail to Oils@McKeany-Flavell.com*

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Soybeans	2007/08 Crop		2008/09 Crop		2009/10 Crop	
	<i>Change from</i>		<i>Change from</i>		<i>Change from</i>	
	Apr	Mar	Apr	Mar	Apr	Mar
<i>Million Bushels</i>						
Beginning Stocks	574	0	205	0	138	0
Imports	10	0	13	0	15	0
Production	2,677	0	2,967	0	3,359	0
Total Supply	3,261	0	3,185	0	3,512	0
Crushings	1,803	0	1,662	0	1,730	0
Exports	1,159	0	1,283	0	1,445	25
Seed Use	93	0	95	0	91	2
Residual	0	0	6	0	57	(26)
Total Use	3,056	0	3,047	0	3,323	1
Ending Stocks	205	0	138	0	189	0

Soybean Oil	2007/08 Crop		2008/09 Crop		2009/10 Crop	
	<i>Change from</i>		<i>Change from</i>		<i>Change from</i>	
	Apr	Mar	Apr	Mar	Apr	Mar
<i>Million Pounds</i>						
Beginning Stocks	3,085	0	2,485	0	2,742	0
Imports	65	0	90	0	75	0
Production	20,580	0	18,746	0	19,270	0
Total Supply	23,730	0	21,321	0	22,087	0
Domestic Use	18,335	0	16,385	0	16,200	0
methyl ester	3,245	0	1,907	0	2,200	0
Exports	2,911	0	2,193	0	3,250	0
Total Use	21,246	0	18,578	0	19,450	0
Ending Stocks	2,485	0	2,742	0	2,637	0

Soybean Meal	2007/08 Crop		2008/09 Crop		2009/10 Crop	
	<i>Change from</i>		<i>Change from</i>		<i>Change from</i>	
	Apr	Mar	Apr	Mar	Apr	Mar
<i>'000 Short Tons</i>						
Beginning Stocks	343	0	294	0	235	0
Imports	141	0	88	0	140	0
Production	42,284	0	39,104	0	40,775	250
Total Supply	42,768	0	39,486	0	41,150	250
Domestic Use	33,232	0	30,743	0	30,400	0
Exports	9,242	0	8,508	0	10,450	250
Total Use	42,474	0	39,251	0	40,850	250
Ending Stocks	294	0	235	0	300	0