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The Outlook for Soybean Processing

A Global Market Perspective

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Oilseed Processing

CHS

Agricultural Outlook Forum 2004

Washington D.C.

February 20, 2004

A Few Facts About Soybean Use...

- ***More than 90% of world soybean production is processed into meal and oil.***
- ***Soybeans are 80% protein meal (primarily fed to commercially-produced poultry, swine, dairy, fish).***
- ***Remaining 20% of soybean content is vegetable oil.***
- ***Protein (meat) consumption in developed countries is generally stable at relatively high levels.***

Soy Consumption and Global Prosperity

- ***Per capita vegetable oil consumption in poorest countries is used by IMF as barometer of advancing living standards.***
- ***The very poor do not purchase commercially-produced meat.***
- ***In many developing countries, massive job creation and radically advancing incomes spur improved dietary intake.***
- ***The result? An unprecedented explosion in consumption of vegetable oils and protein.***

A Retrospective

Looking Back 23 Years...

Remarkable Sequence of Events Leads Global Transformation

- ***1980 – Margaret Thatcher becomes U.K. Prime Minister and Ronald Reagan elected U.S. president.***
- ***June '82 – Reagan's British Parliament speech inspires dramatic reforms inside Russia and China.***
- ***Thatcher privatizes 2/3 of U.K. state-run industries, setting an example for the rest of the socialized world.***
- ***Reagan tax cuts (top tax of 78% cut to 35%), deregulation, S.D.I. promote further changes. U.S./U.K. economies lead global economic recovery (S&P & FTSE triple '82 -'87)***
- ***Thatcher, Reagan, Gorbachev forge a new relationship.***
- ***Gorbachev introduces reforms: Glasnost (openness), Perestroika (bureaucratic restructuring).***

A Remarkable Sequence of Events, continued

- *Deng Xiaoping introduces "market socialism" in 1984.*
- *Deng promotes **individual property rights** through enhanced de-collectivization of state-run farms in 1985.*
- *Tiananmen Square (June '89); Solidarity wins 99% in Poland, Soviets blink, Berlin Wall falls (Nov. '89).*
- *Cold War ends . . . a global shift from **"Guns to Butter"**.*
- *1992/93 Uruguay Round (GATT) completed. Global industrial trade tariffs radically reduced. China creates "Free-trade zones" . "Globalization" takes root.*
- *NAFTA signed in 1994. Latin America "opens".*
- *Global GDP growth accelerates.*
- *Widespread growth of **"sustainable prosperity"** ensues.*

The Building Blocks of Prosperity

- ***Rule of Law***
- ***Capitalism (individual opportunity)***
- ***Competition (creative destruction)***
- ***Trade (comparative advantage)***
- ***Property rights (i.e. limited taxation)***
- ***Sensible immigration policy***
- ***Democracy? In America, capitalism predated democracy by more than 100 years.***



Standard & Poor 500 – Monthly – 36 Years



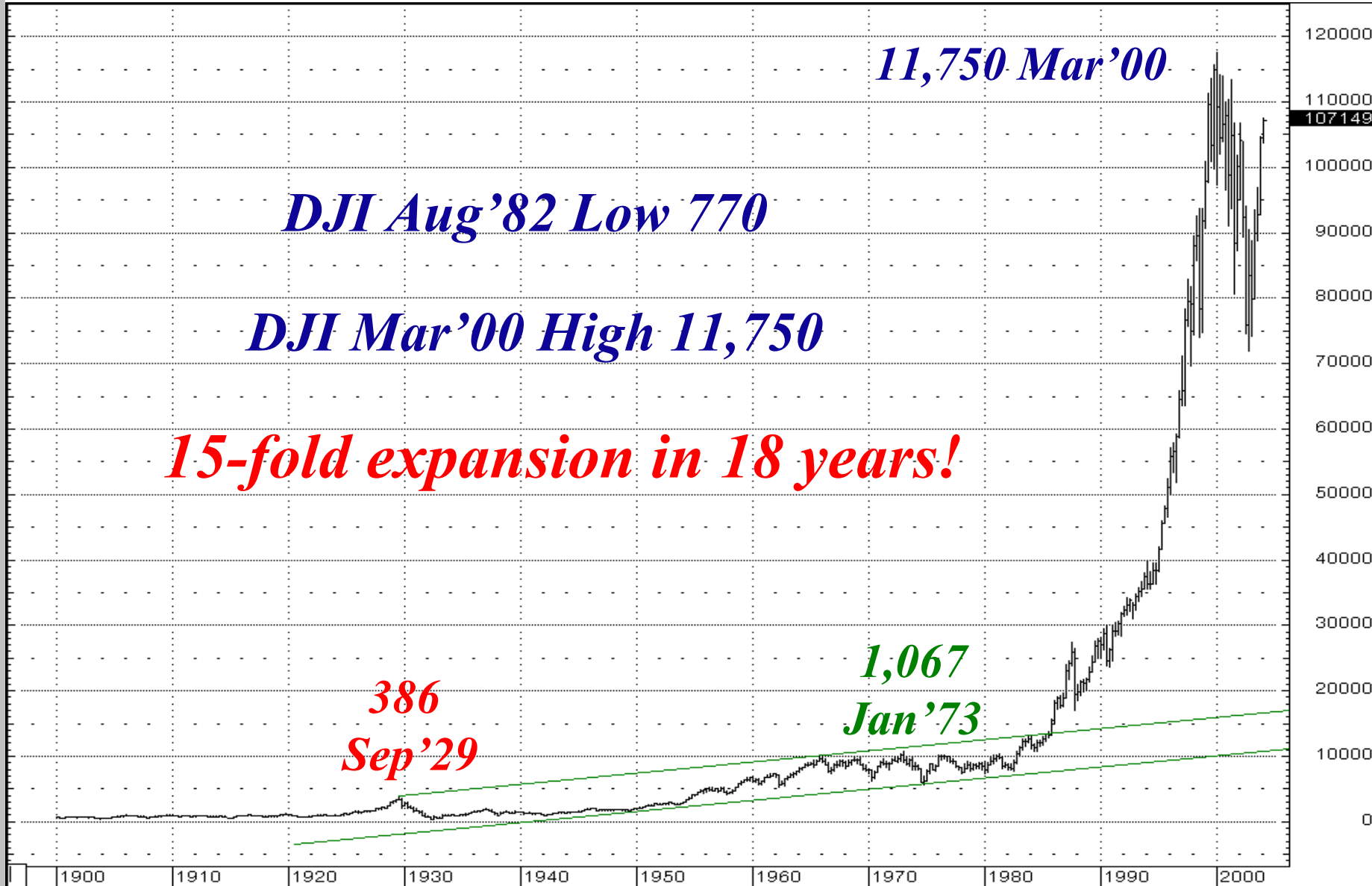


Standard & Poor 500 – Quarterly – 70 Years





Dow Jones Industrial Index - Quarterly - 103 years



World Soybean Production

Supply Concerns

Soybean Harvest - Mato Grosso, Brazil

*Soybean harvest followed by planting of double crop corn
(31 combines & 12 planters)*

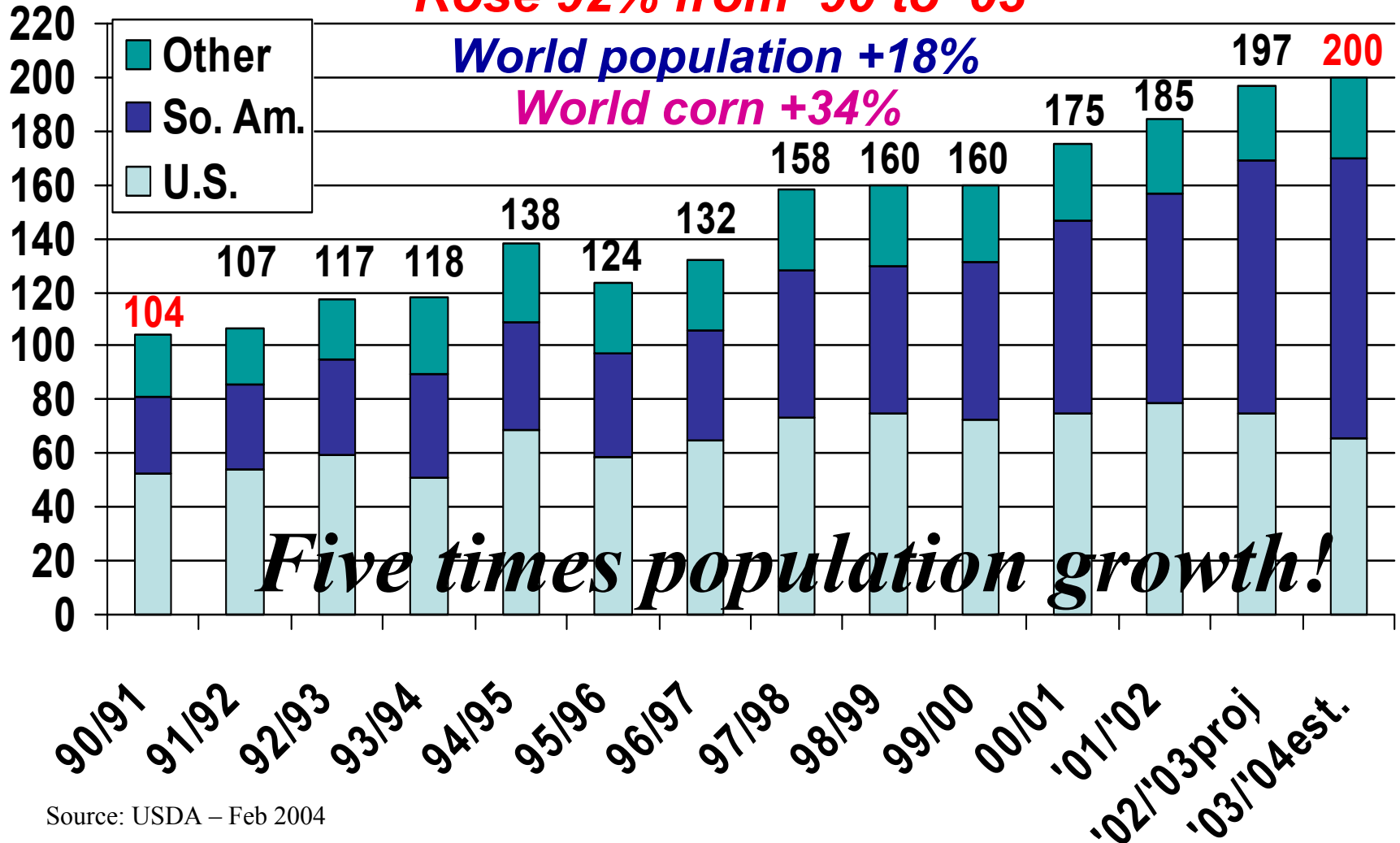


"Expansion in Brazil is the most important shift in global agriculture since the Midwest was settled in the 1800s."

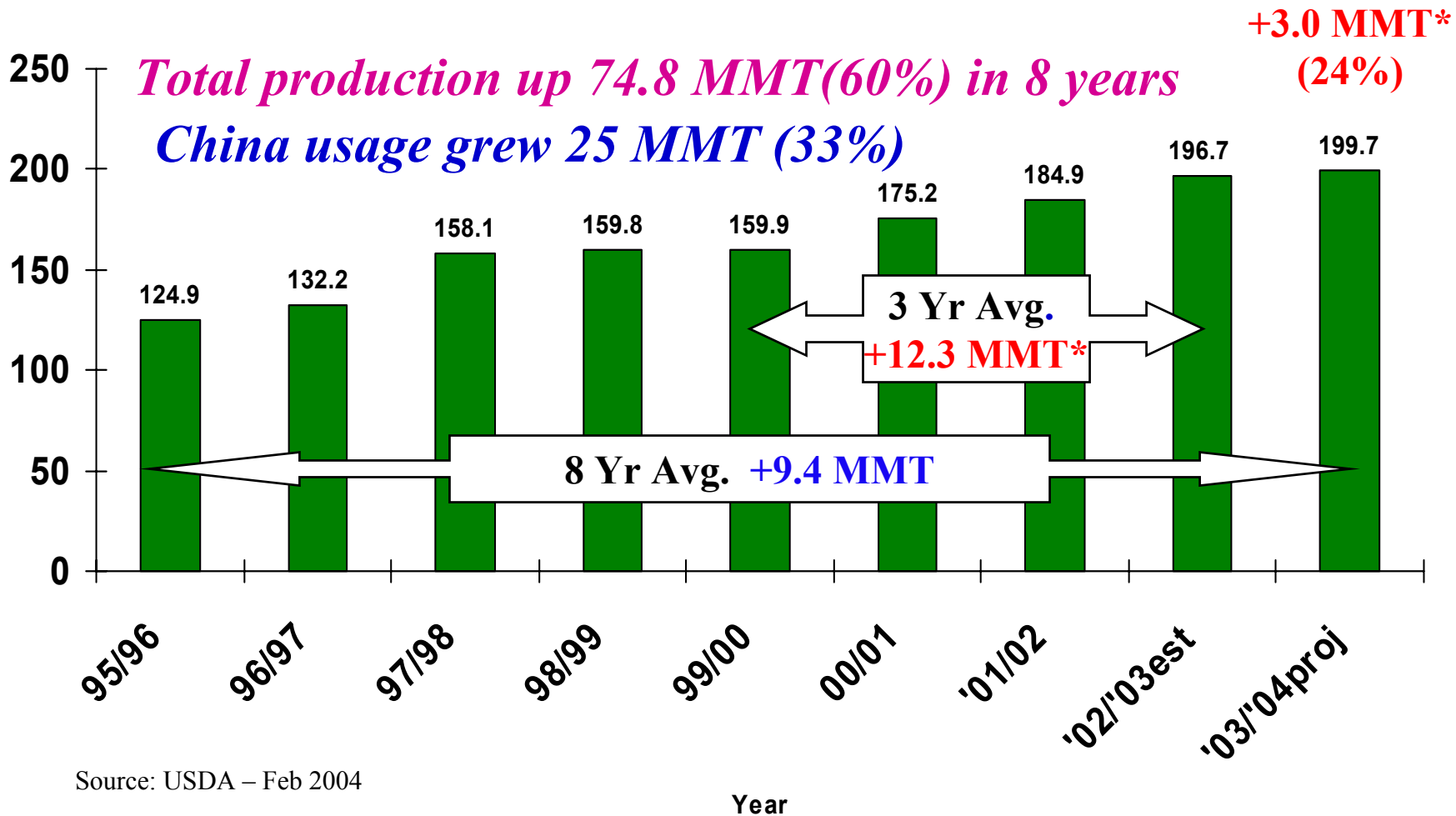
- USDA Economist

World Soybean Production (Million Metric Tons)

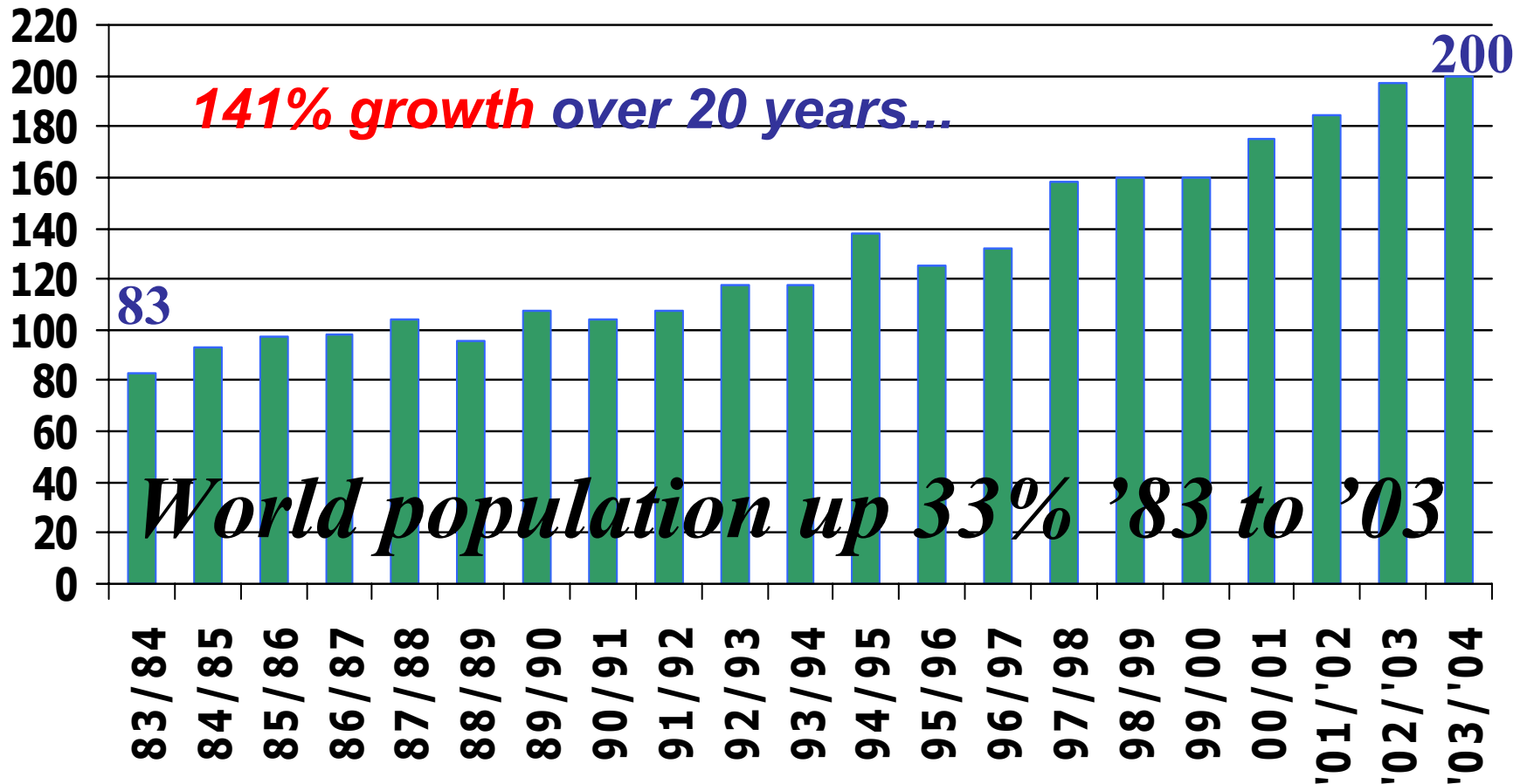
**** Rose 92% from '90 to '03 ****



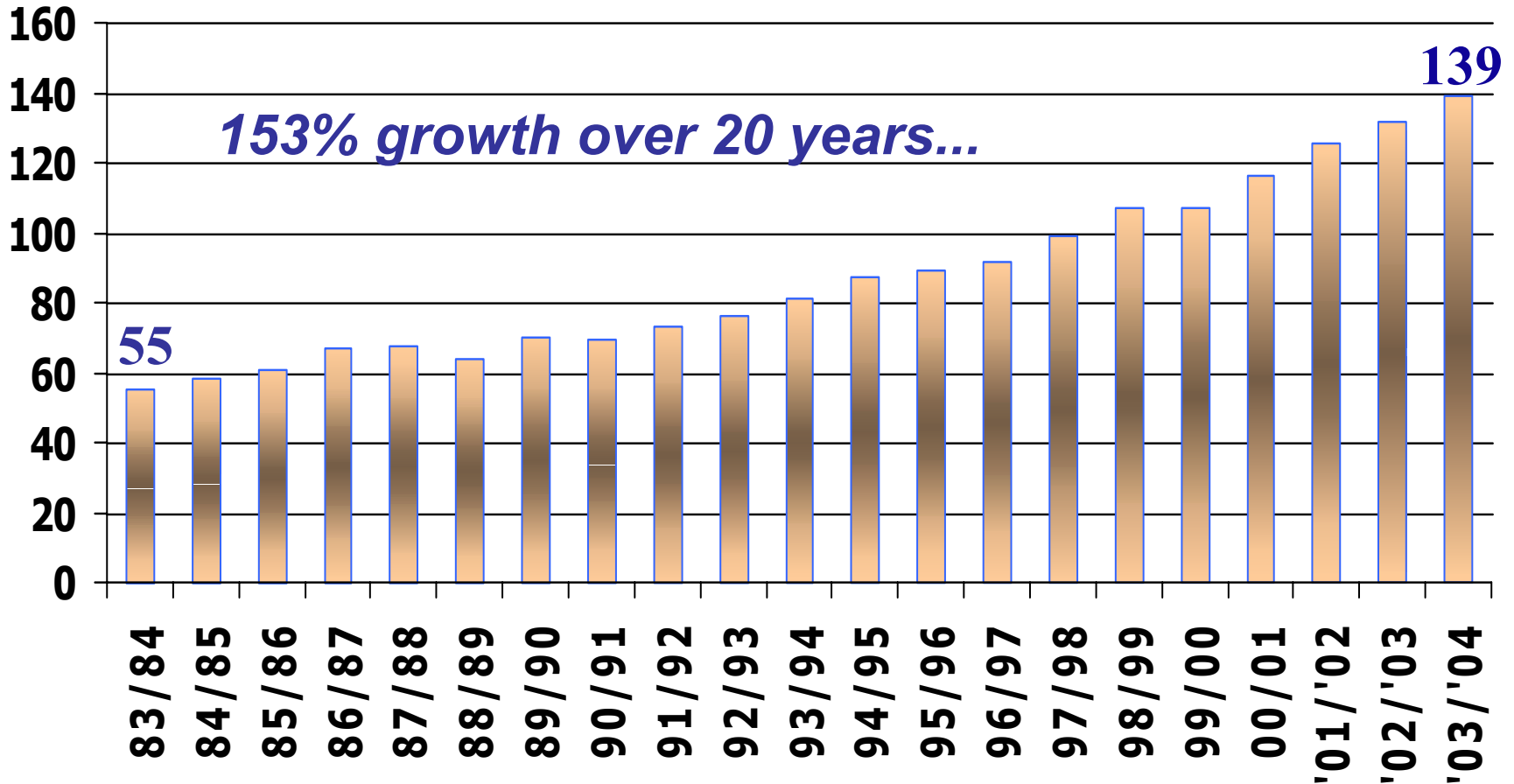
World Soybean Production 1995-2003 (Million Metric Tons)



World Soybean Production (Million Metric Tons)



World Soybean Meal Production (Million Metric Tons)

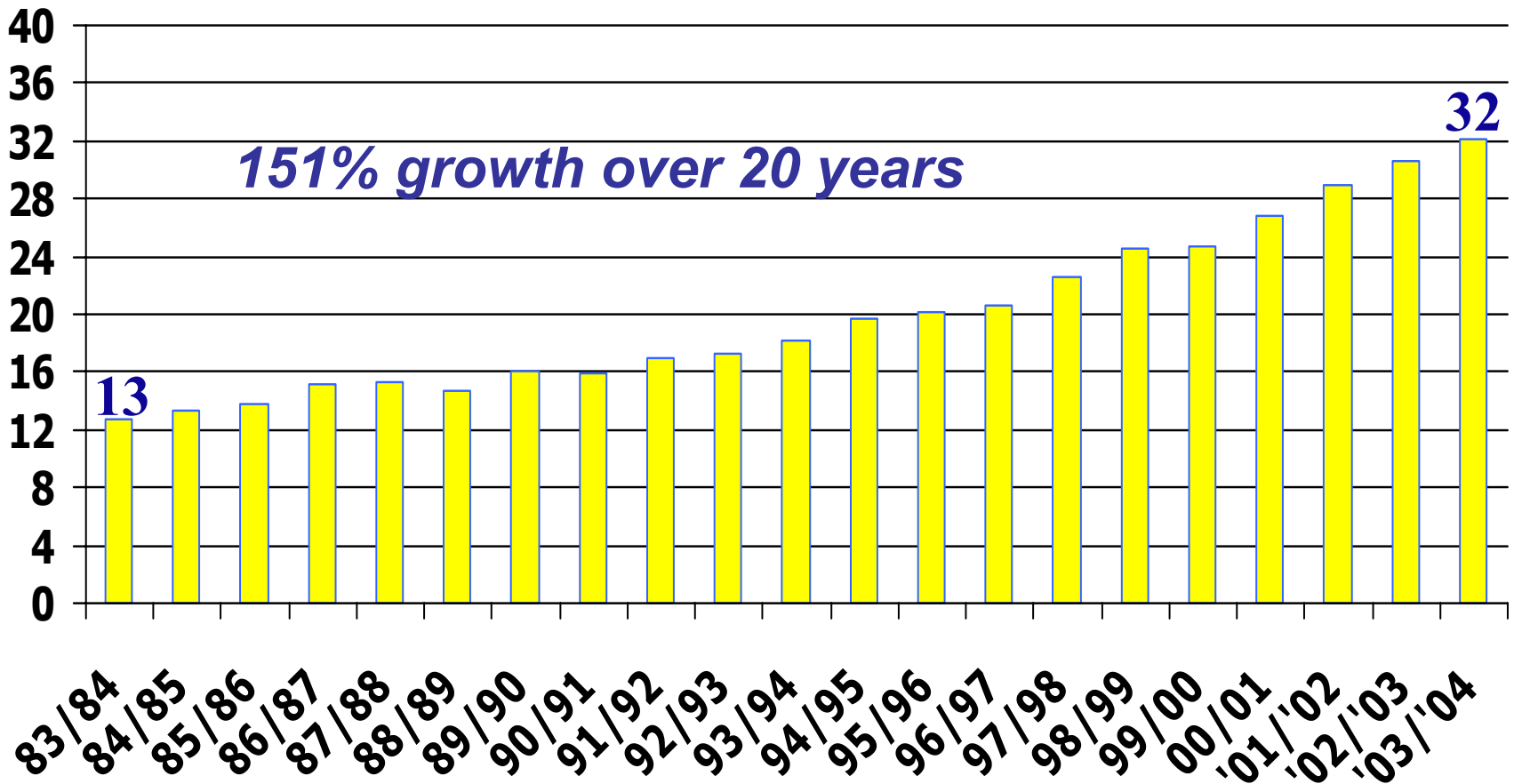




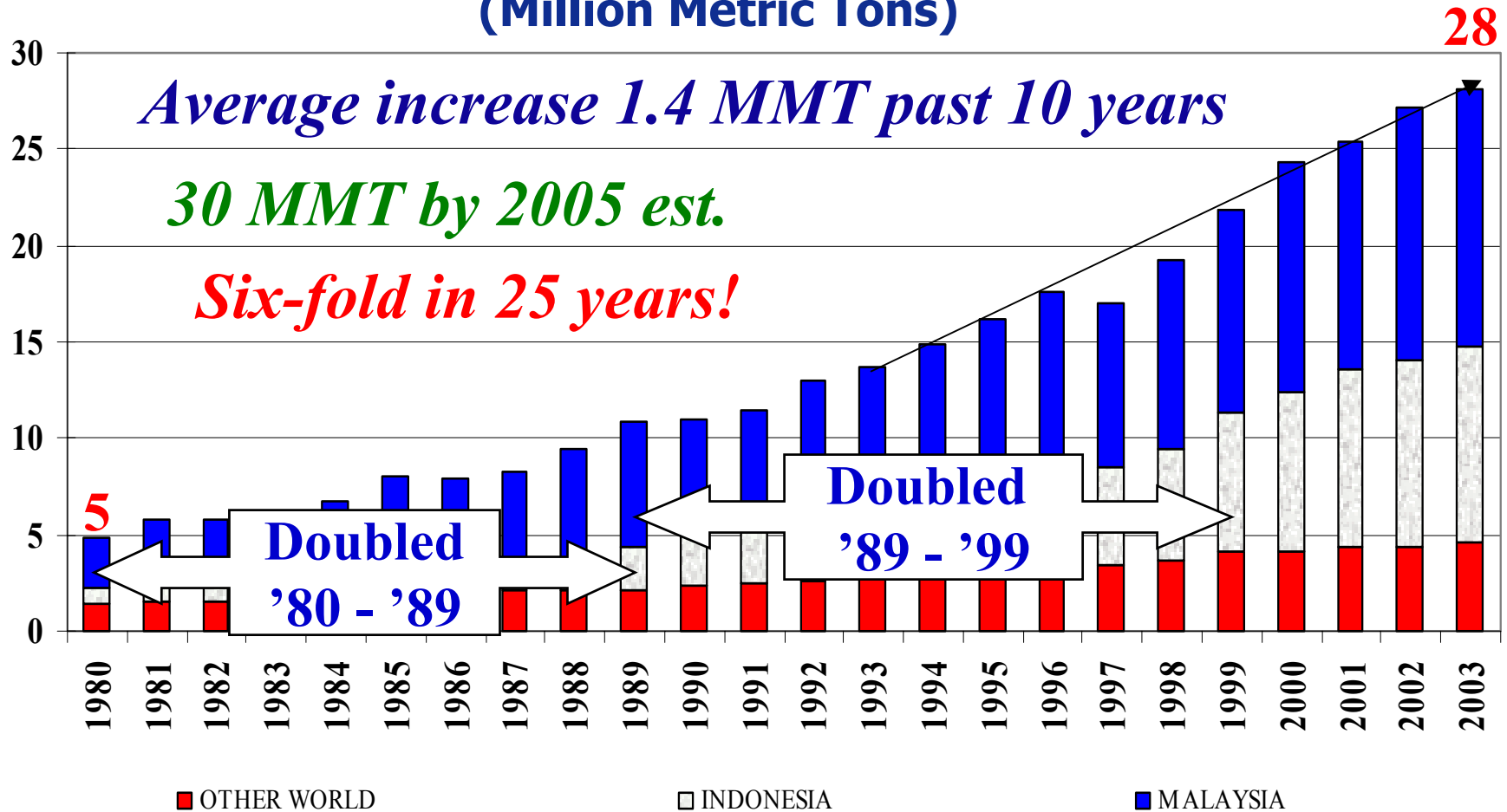
Soybeans - Monthly - 36 Years



World Soybean Oil Production (Million Metric Tons)



Malaysian, Indonesian & other World Palm Oil Production (Million Metric Tons)



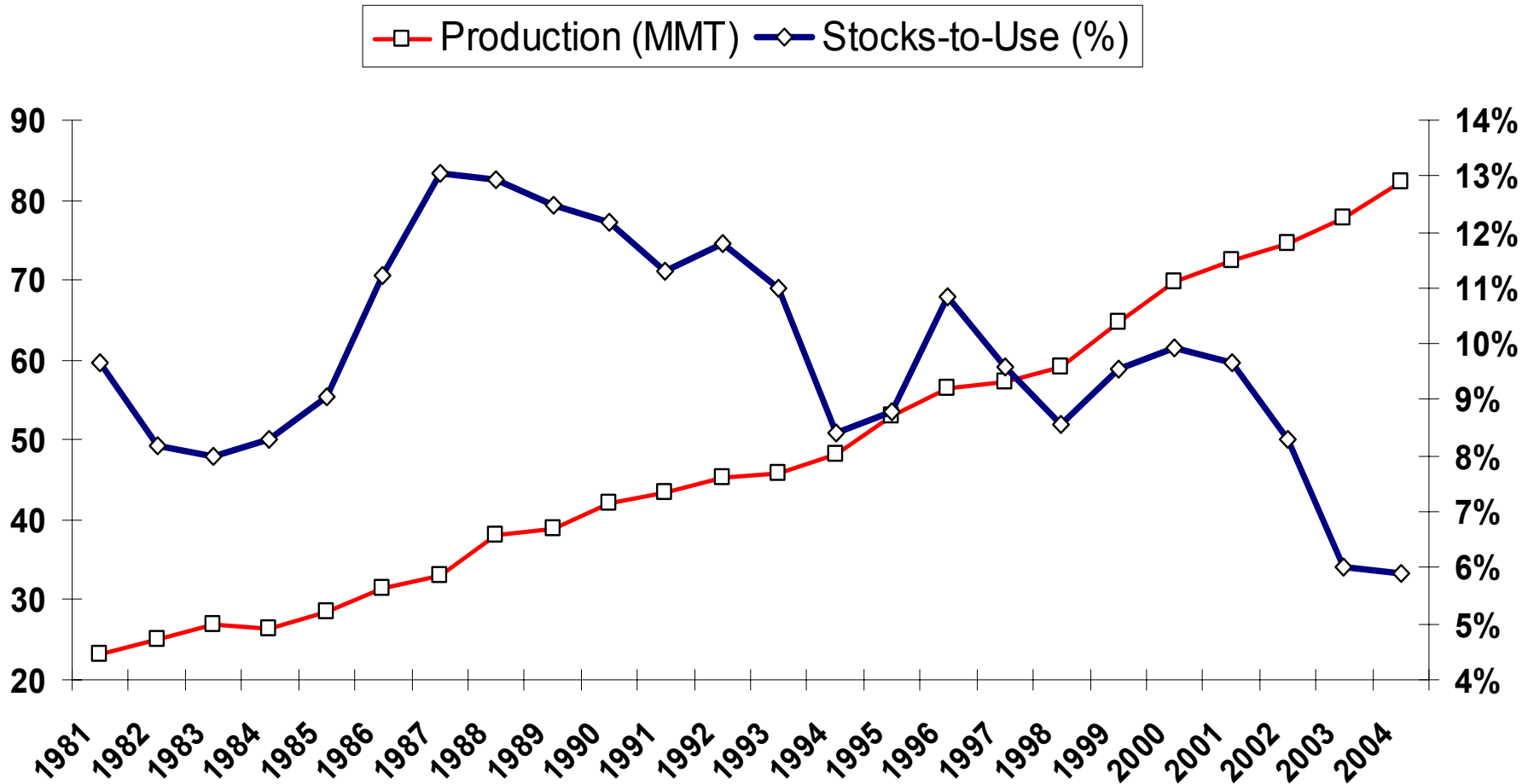


World Vegetable Oil Production (Million Metric Tons)

	1980/81		2003/2004		Percent Change
Soybean	9.8	} 23.2	32	} 82.4	+227%
Palm	4.9		28.2		+473%
Rape	3.9		13.3		+233%
Sun seed	4.6		8.9		+93%
Groundnut	2.3		5.0		+117%
Olive	1.9		2.8		+47%
Coconut	2.8		3.3		+18%
Palm Kernel	0.5		3.5		+600%
Cotton	2.9		<u>3.8</u>		<u>+28%</u>
	33.6		100.8		+200%

World Production Triples in 23 years!

World Production versus Year-end Stocks-to-Use Ratios (Combined Palm oil, Rape oil, Soy oil, Sun oil)





Soybean Oil - Monthly - 36 Years



Global Food Demand Surges in Spite Of:

- ***Global equity market collapse in 2000***
- ***September 11, 2001***
- ***Three-year global economic slump***
- ***Afghanistan and Iraq wars***
- ***S.A.R.S.***
- ***Food-safety challenges (GMO, BSE, Avian flu)***
- ***Ongoing international trade disputes***
- ***Continuing "War on Terror"***

Demand Realities



Chinese GDP Growth

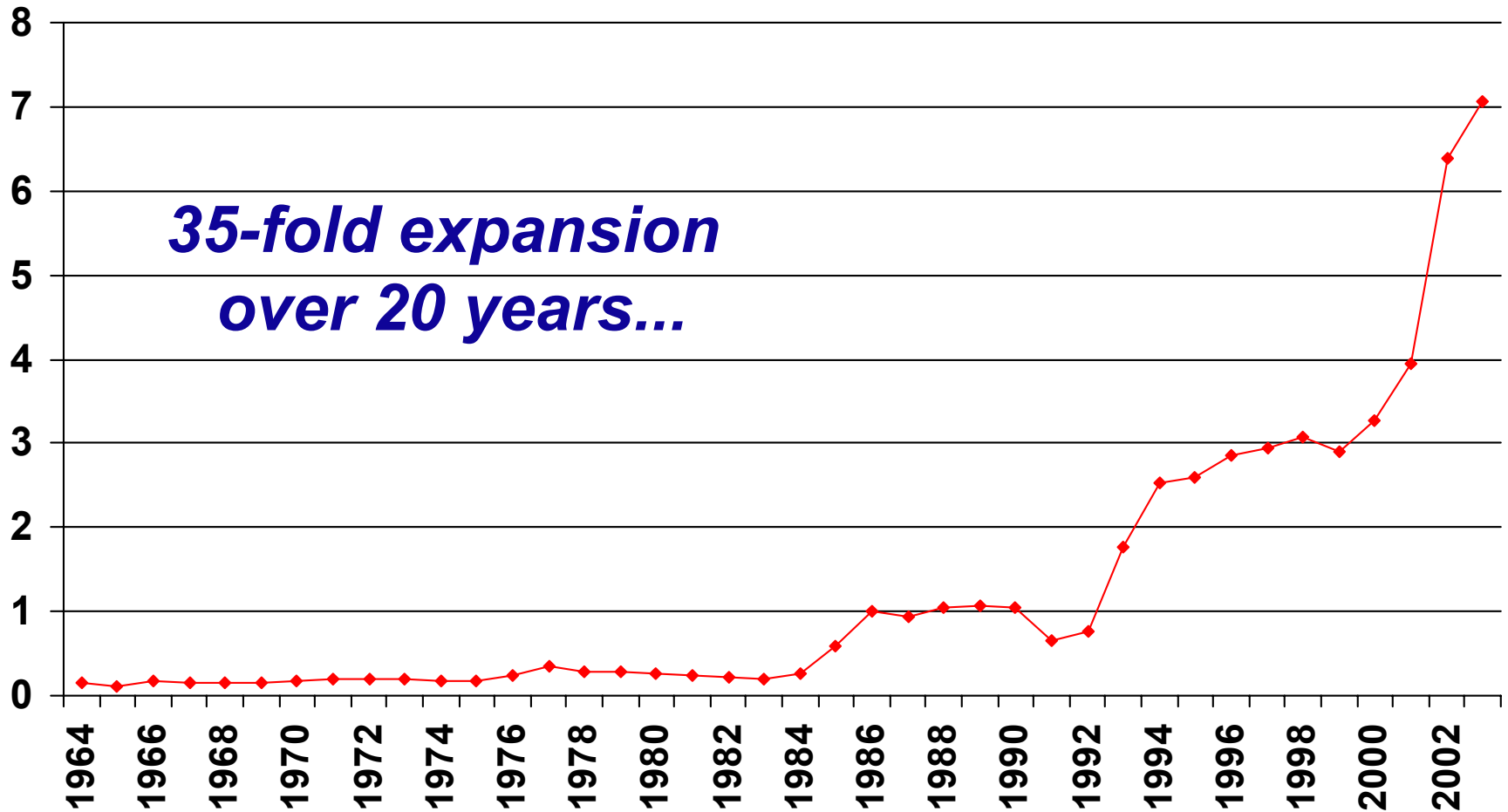
• 1992	14.2%	} 258%
• 1993	13.5%	
• 1994	12.8%	
• 1995	10.5%	
• 1996	9.6%	
• 1997	8.8%	
• 1998	7.8%	
• 1999	7.1%	
• 2000	7.9%	
• 2001	7.4%	
• 2002	8.0% E.	
• 2003	8.7% E.	
• 2004	8.2% F.	

U.S. GDP DATA

• 1992	3.1%	} 138%
• 1993	2.4%	
• 1994	4.0%	
• 1995	2.7%	
• 1996	3.6%	
• 1997	4.4%	
• 1998	4.3%	
• 1999	4.1%	
• 2000	3.8%	
• 2001	0.3%	
• 2002	2.4% E.	
• 2003	3.0% E.	
• 2004	4.5% F.	



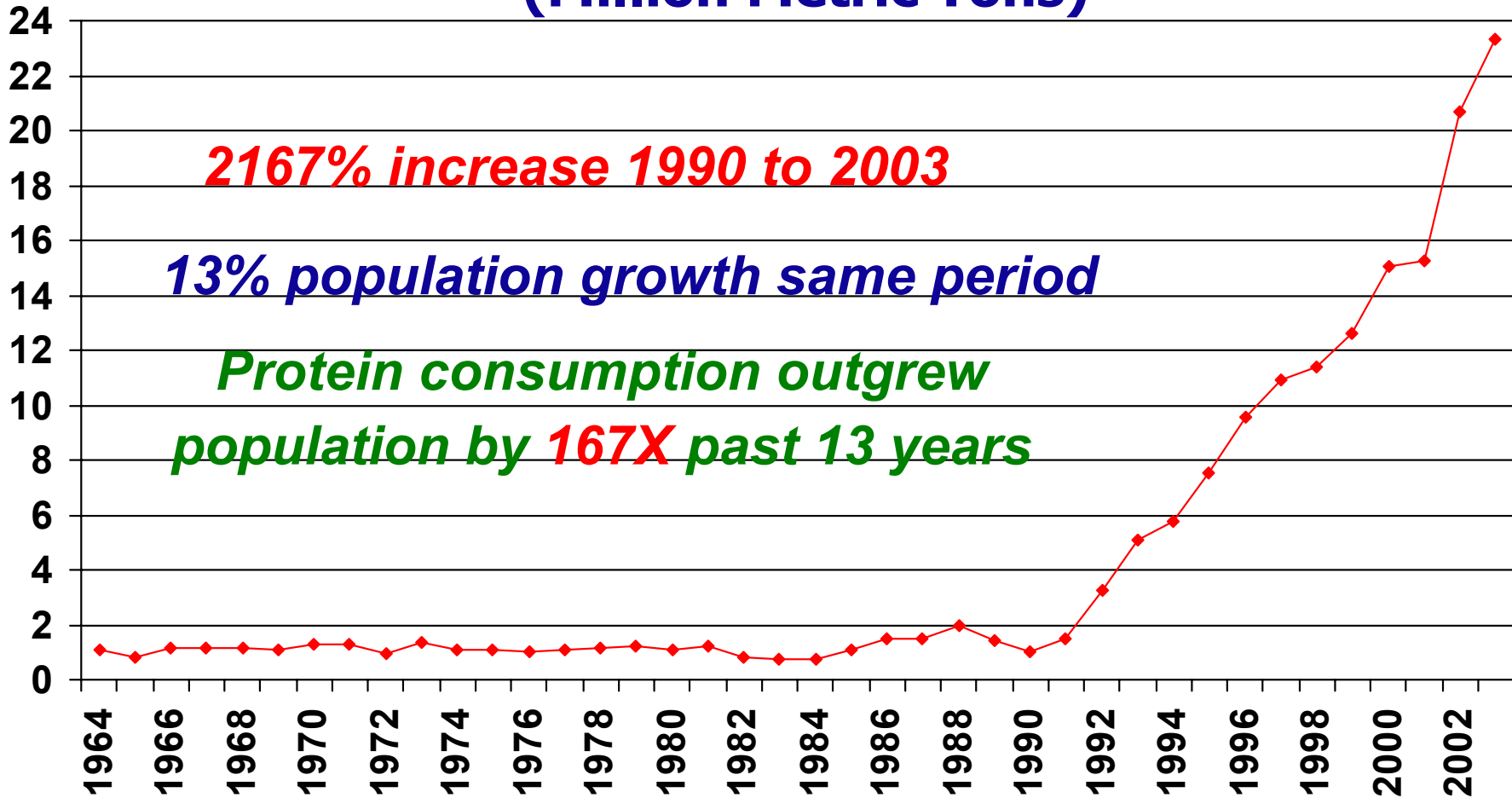
Chinese Soybean Oil Consumption (Million Metric Tons)



Source: USDA – Feb 2004

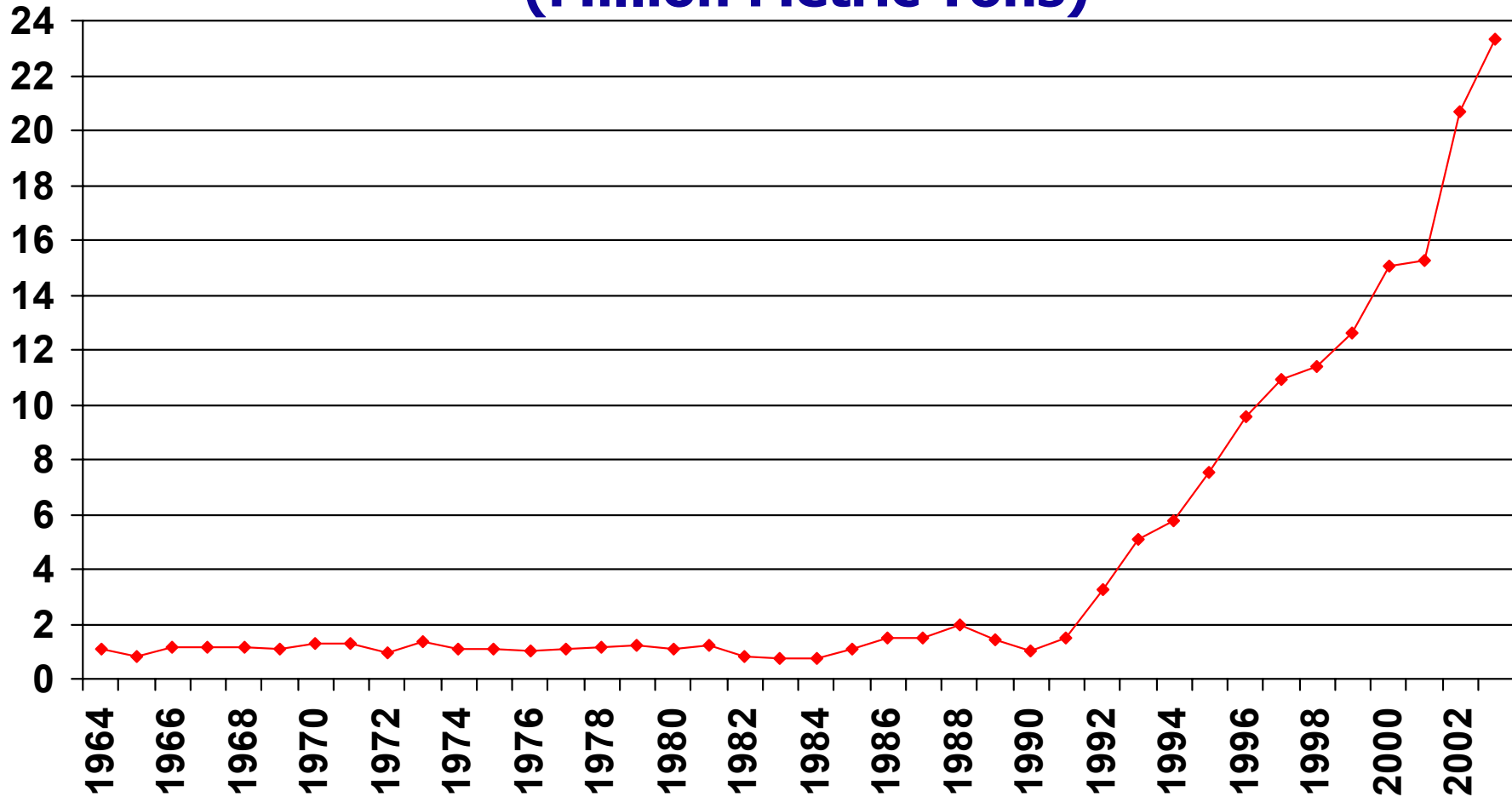


Chinese Soybean Meal Consumption (Million Metric Tons)





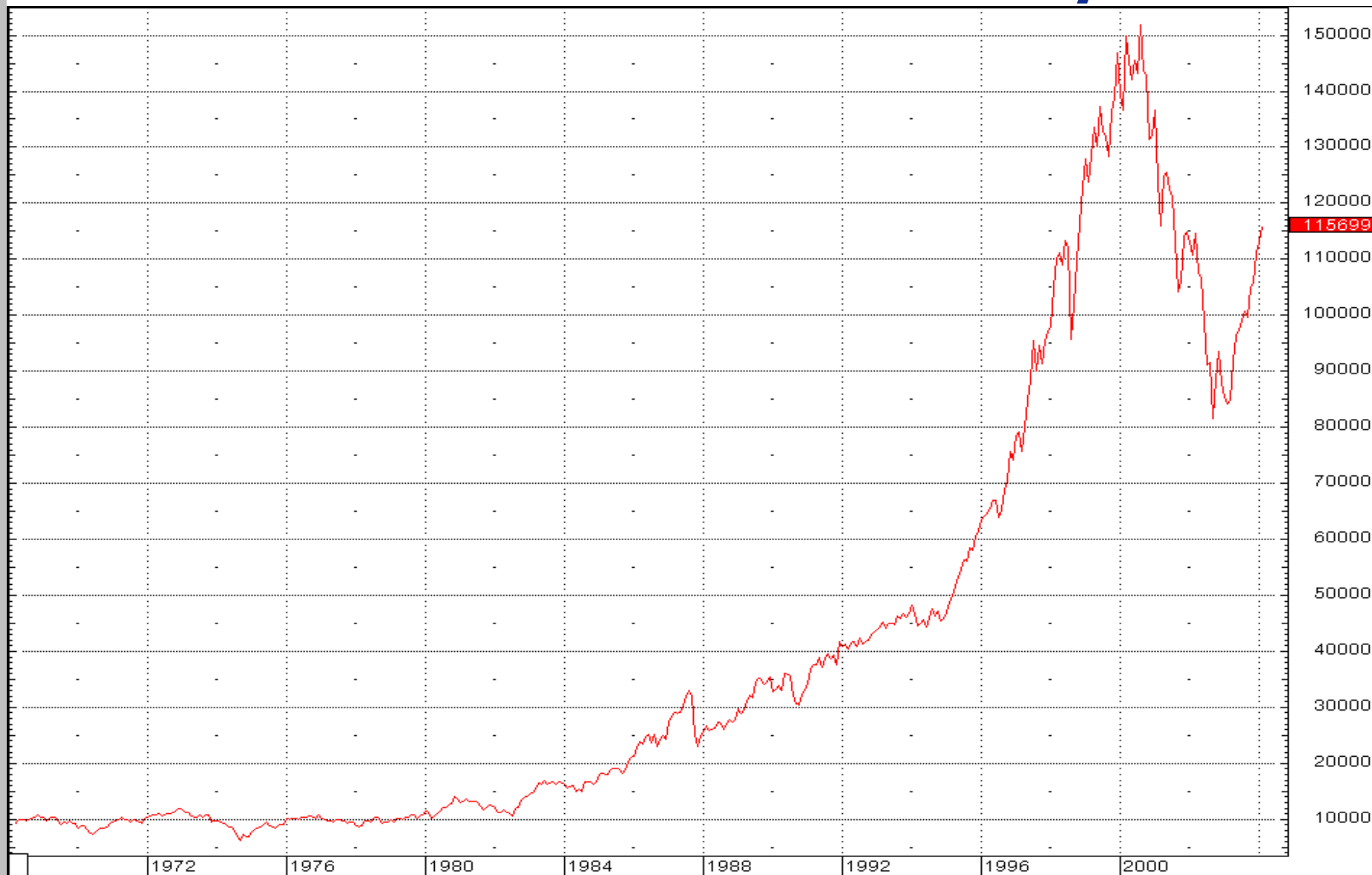
Chinese Soybean Meal Consumption (Million Metric Tons)



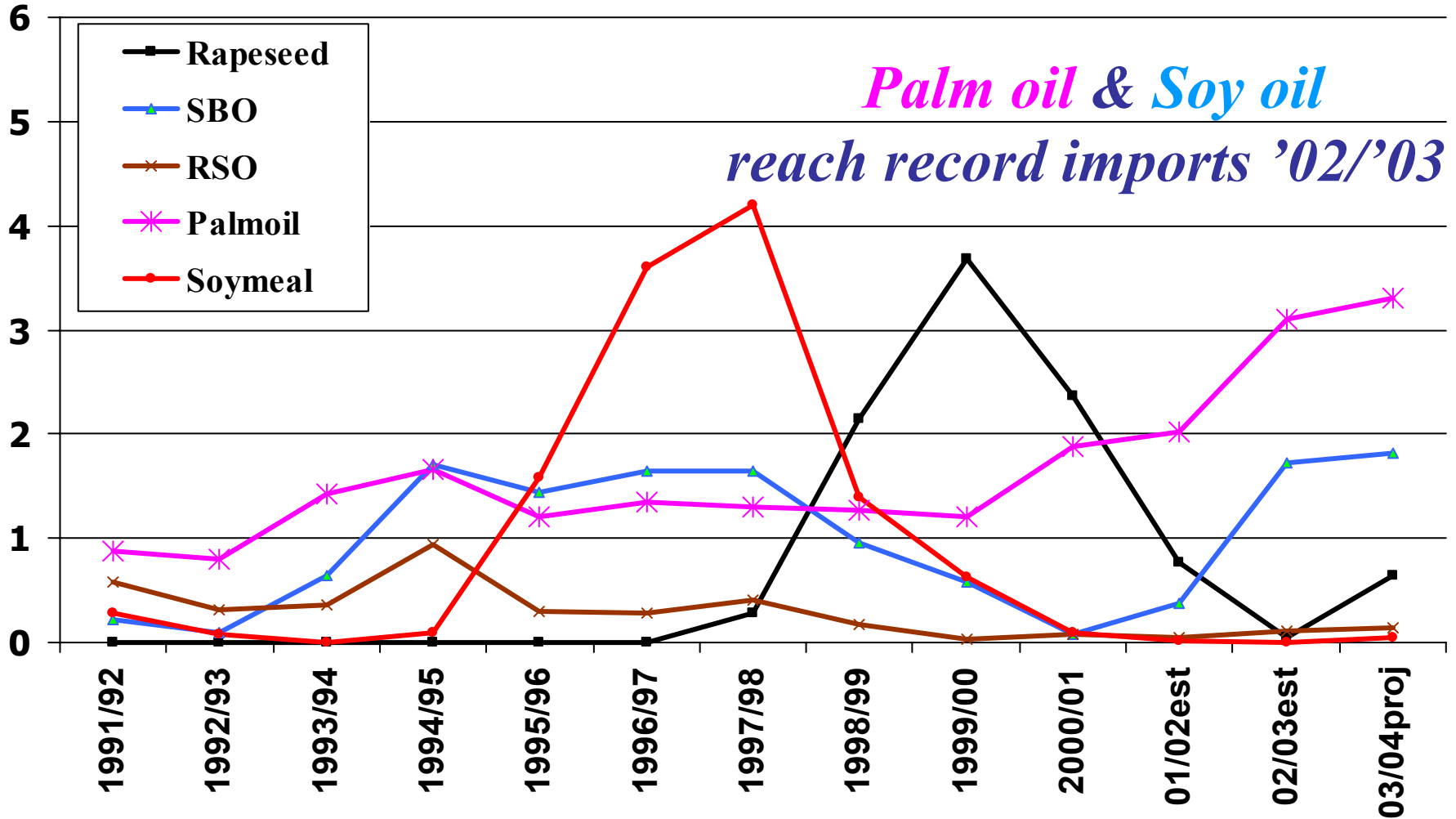
Source: USDA – Feb 2004



Standard & Poor 500 - Monthly



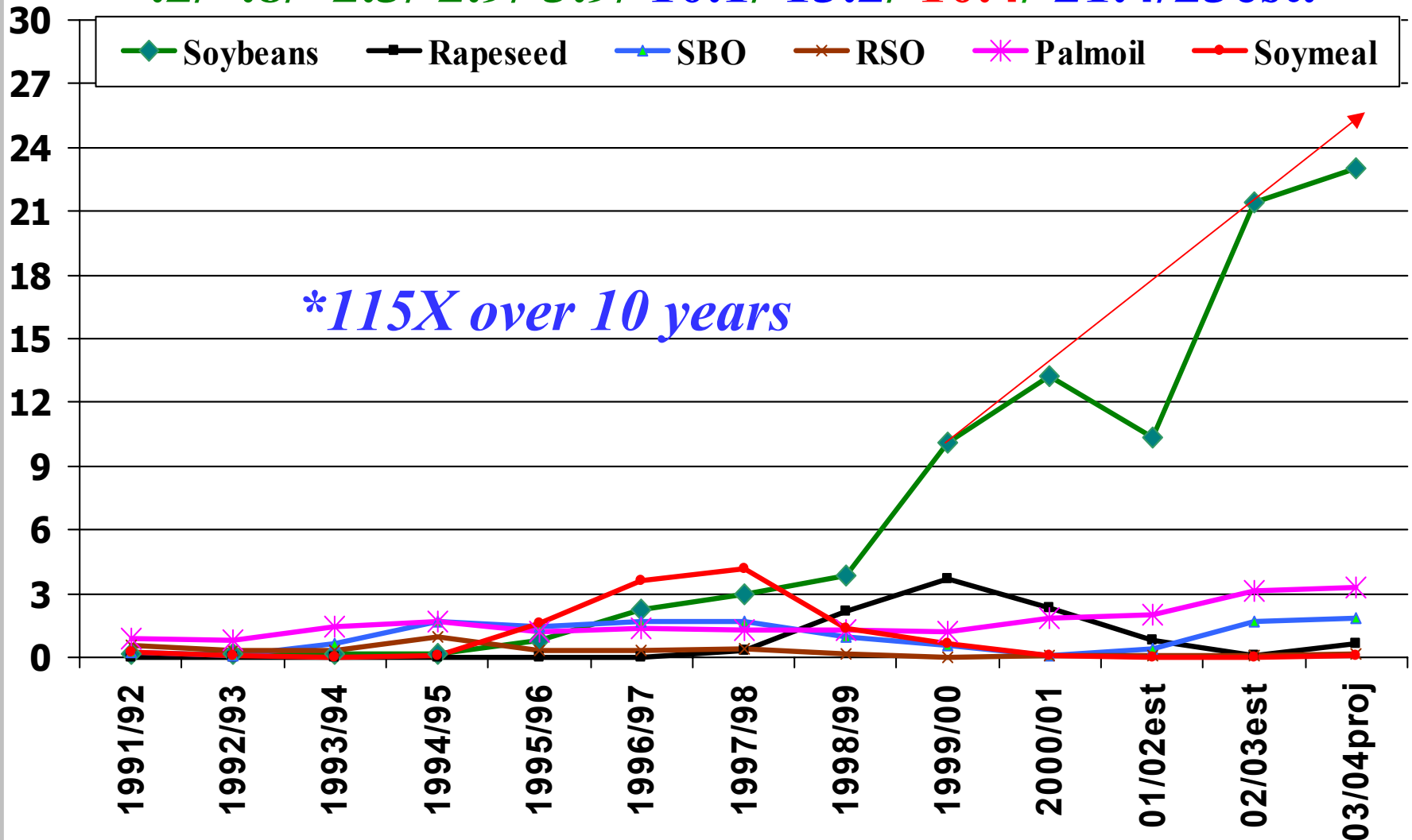
Chinese Imports of Oilseeds, Oil & Meal (Million Metric Tons)



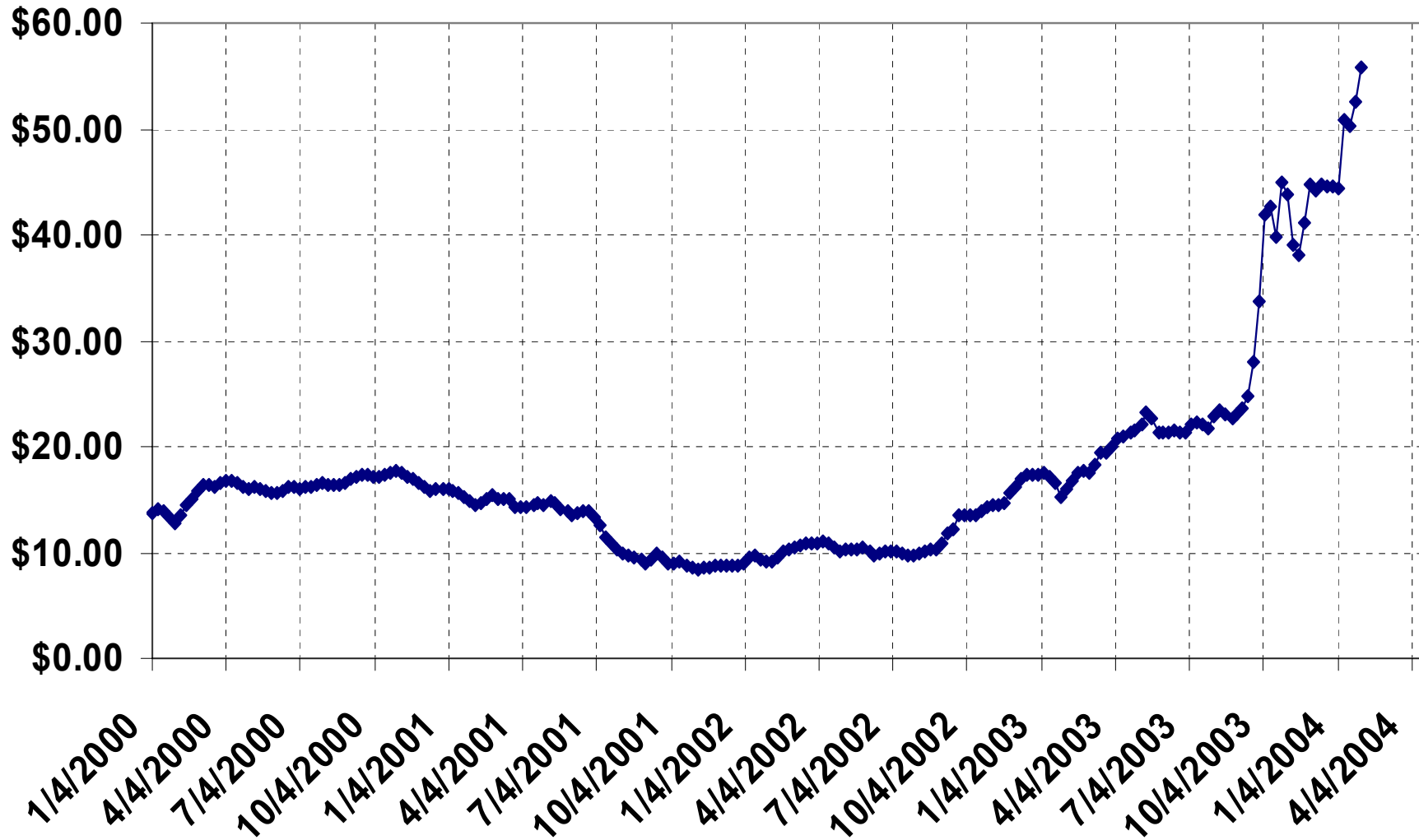


Chinese Imports of Oilseeds, Oil & Meal (MMT)

.2/ .8/ 2.3/ 2.9/ 3.9/ 10.1/ 13.2/ 10.4/ 21.4/23est.*



Baltic Panamax Freight Index



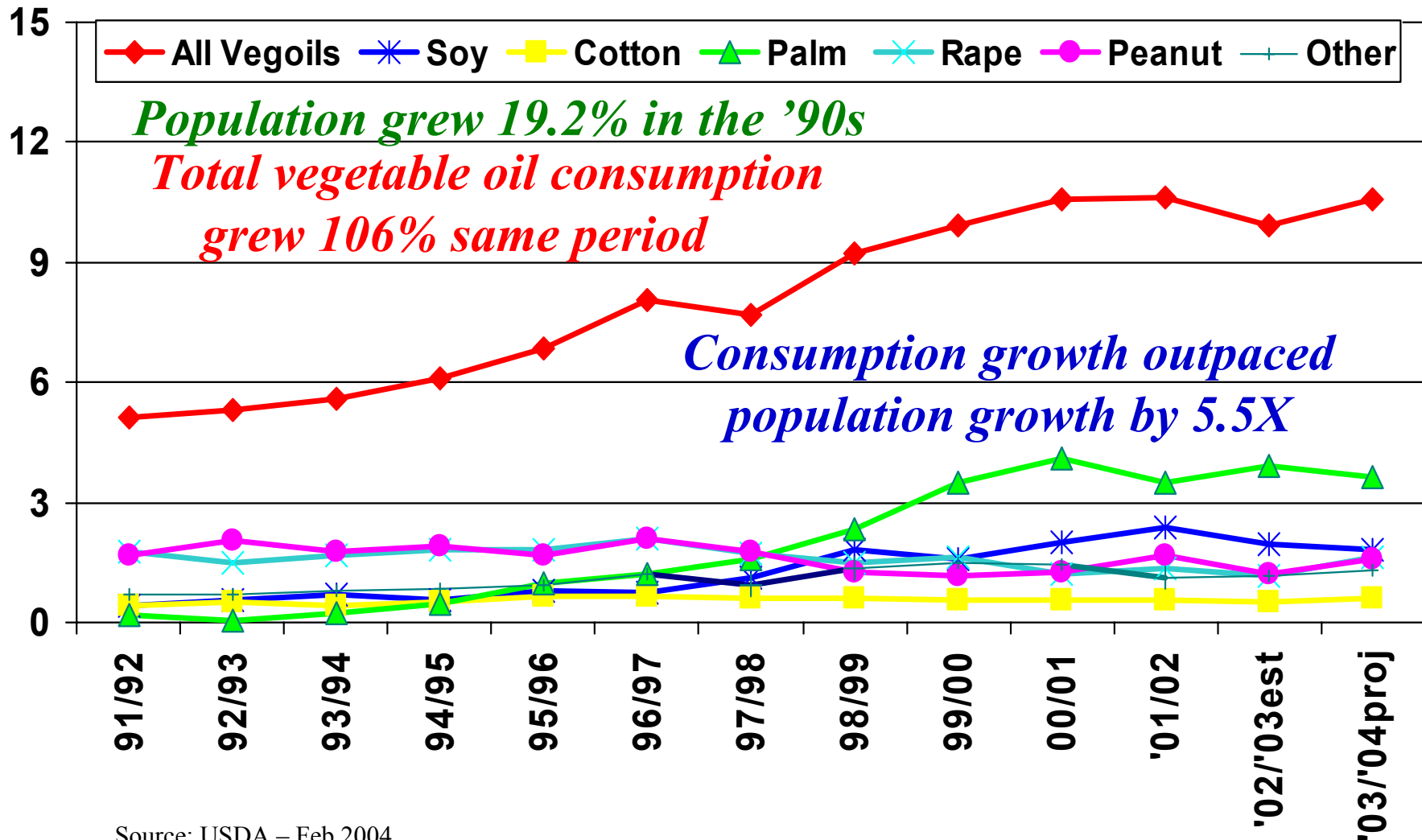


Indian GDP Growth

• 1992	5.4%	} 177%
• 1993	5.0%	
• 1994	7.3%	
• 1995	7.7%	
• 1996	7.2%	
• 1997	4.4%	
• 1998	6.0%	
• 1999	7.1%	
• 2000	3.9%	
• 2001	4.7%	
• 2002	4.8% E.	
• 2003	5.9% E.	
• 2004	6.8% E.	

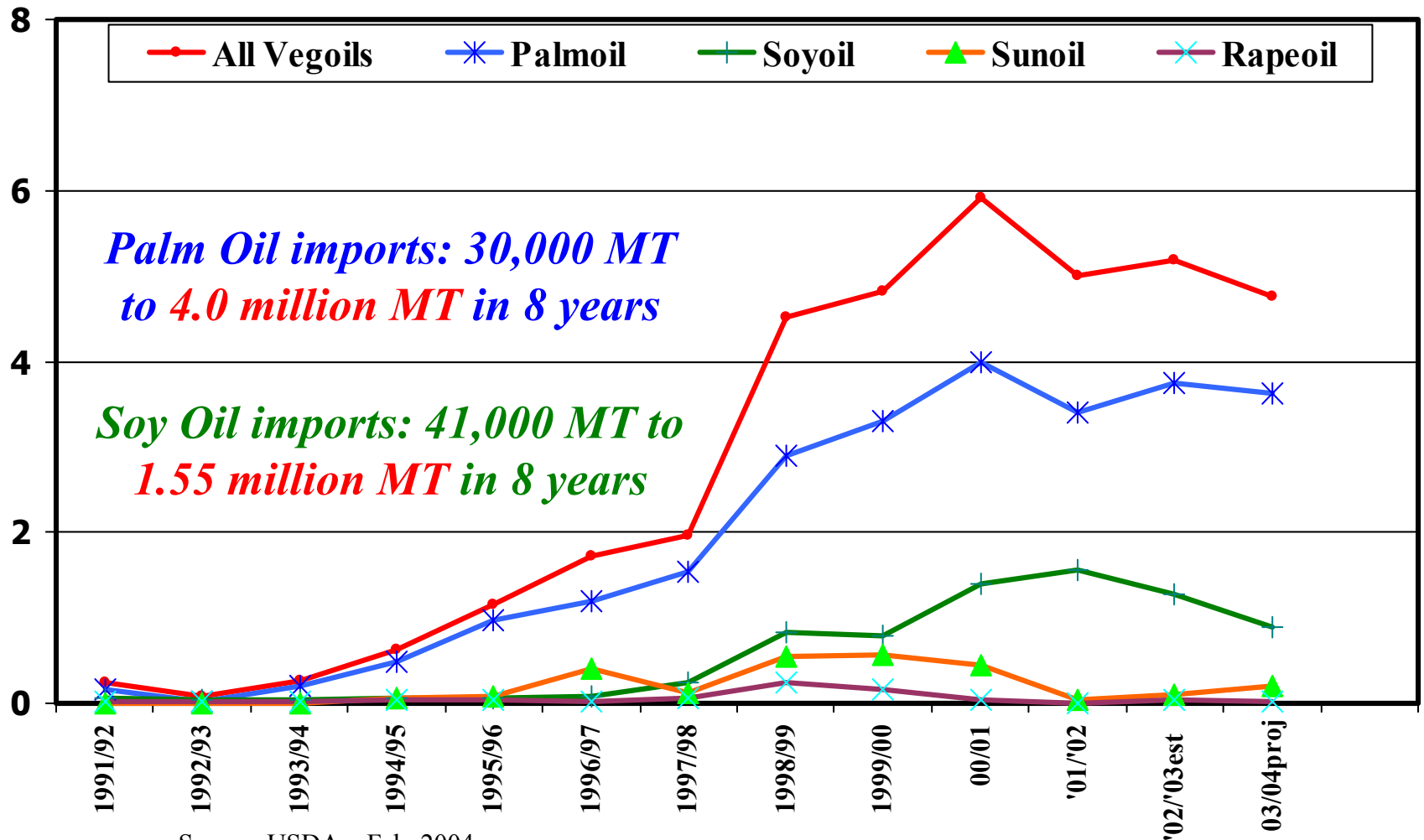
U.S. GDP DATA		} 138%
•1992	3.1%	
•1993	2.4%	
•1994	4.0%	
•1995	2.7%	
•1996	3.6%	
•1997	4.4%	
•1998	4.3%	
•1999	4.1%	
•2000	3.8%	
•2001	0.3%	
•2002	2.4% E.	
•2003	3.0% E.	
•2004	4.5% F	

Indian Vegetable Oil Consumption (Million Metric Tons)

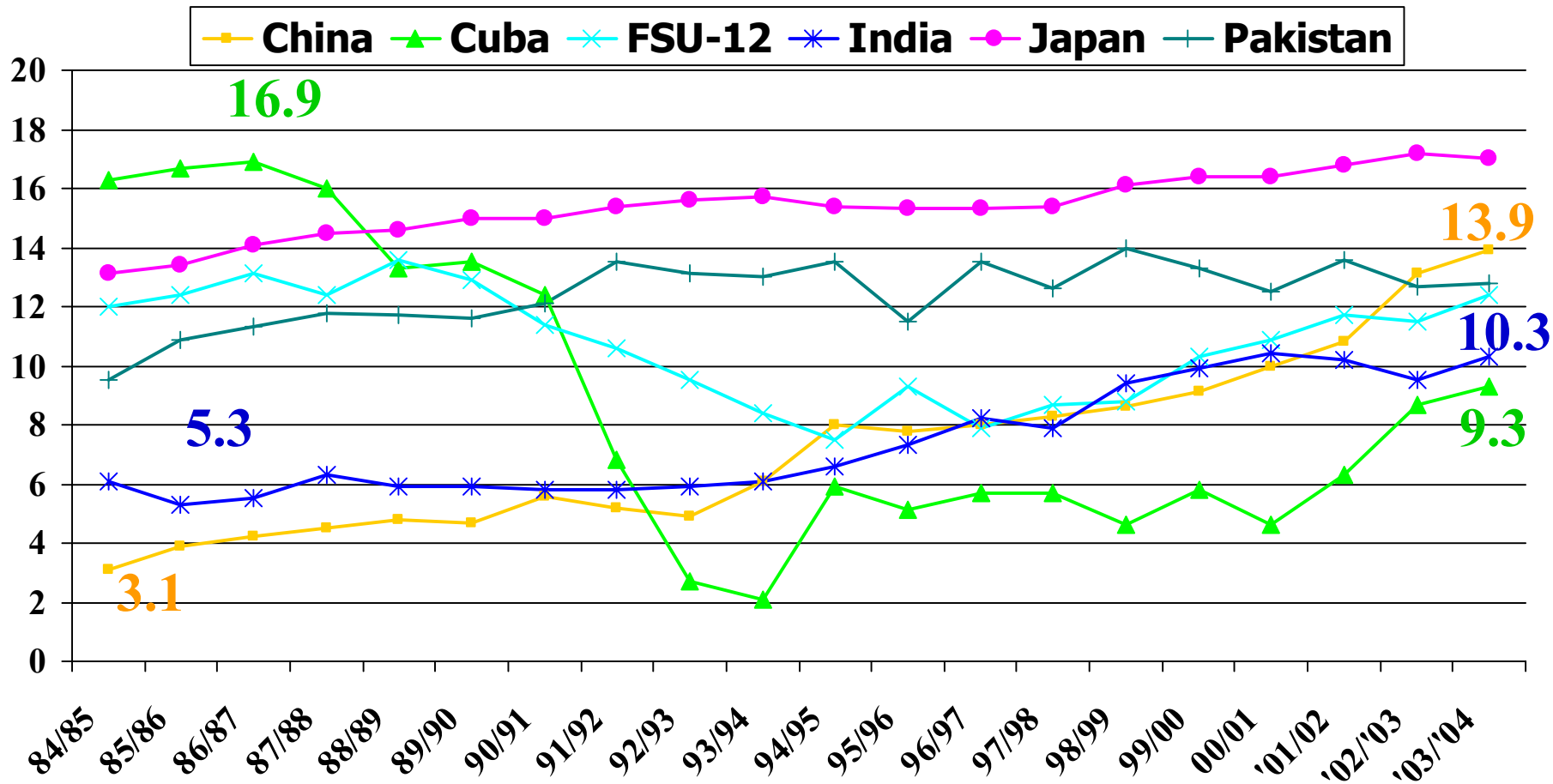


Indian Vegetable Oil Imports (Million Metric Tons)

Imports of all vegetable oils... 71-fold expansion between '92-'00



Vegetable Oil Disappearance (KG P/C)



The Ideal Solution...

An Interdependent World

*Nine Selected Equity Markets
1994-2004*



Standard & Poor's 500 - Monthly





Dow Jones Canada Index - Monthly





Dow Jones Mexico Index - Monthly



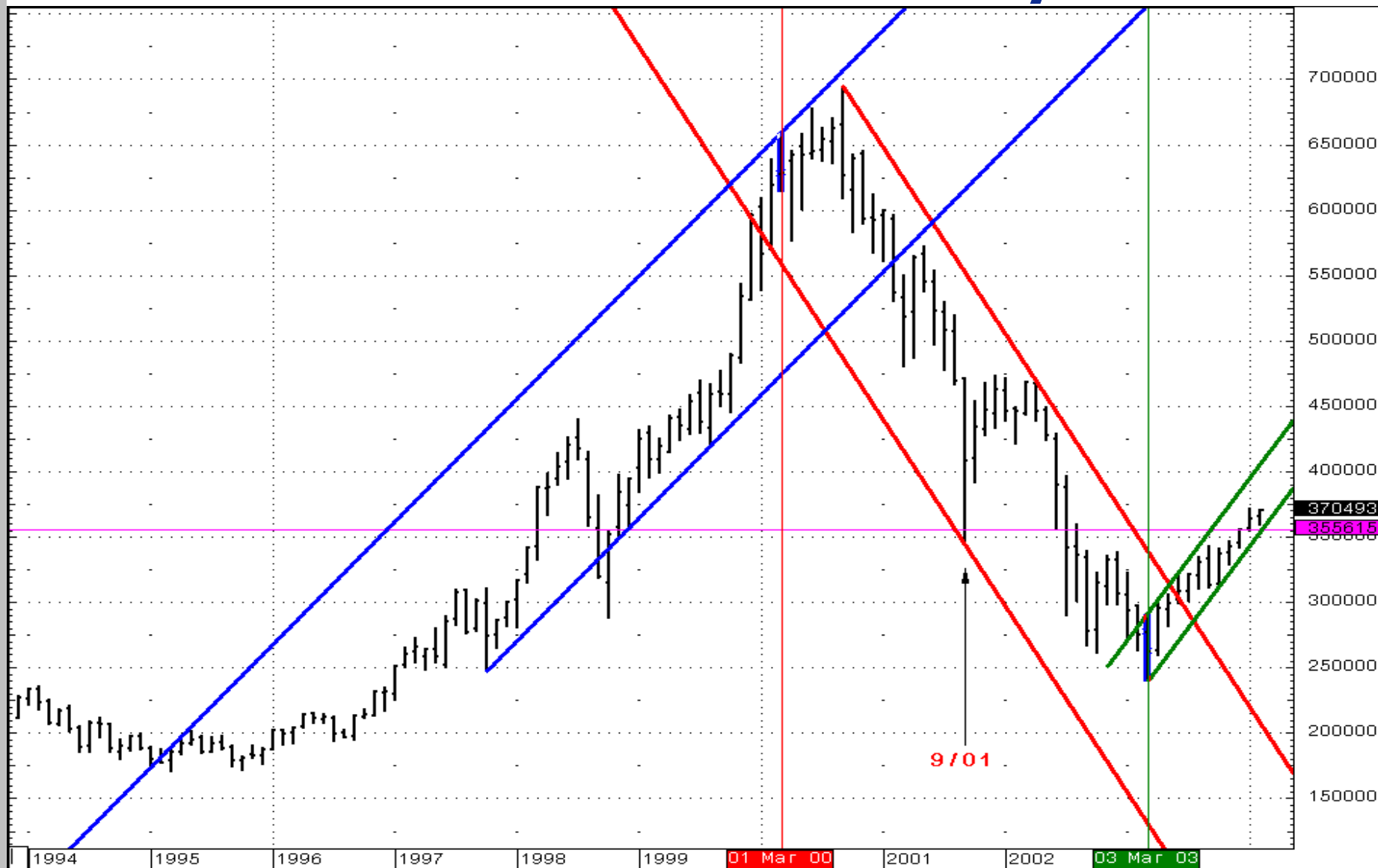
German DAX Index - Monthly



London FTSE Index - Monthly



Paris CAC Index - Monthly



Nikkei Index - Monthly





Dow Jones South Korea Index - Monthly





Dow Jones Taiwan Index - Monthly



Nearly Identical Patterns:

- ***Dow Jones Industrials Index***
- ***Nasdaq Composite Index***
- ***Hang Seng Index– Hong Kong***
- ***Dow Jones Singapore Index***
- ***Dow Jones Malaysia Index***
- ***Dow Jones Indonesia Index***

The Next Great Opportunity?

Global Agricultural Trade Reform

- ***Global industrial tariffs average: 4%***
- ***Global agricultural tariffs average: 40%***
- ***There has never been a better time!***

Threats to Global Economic Expansion

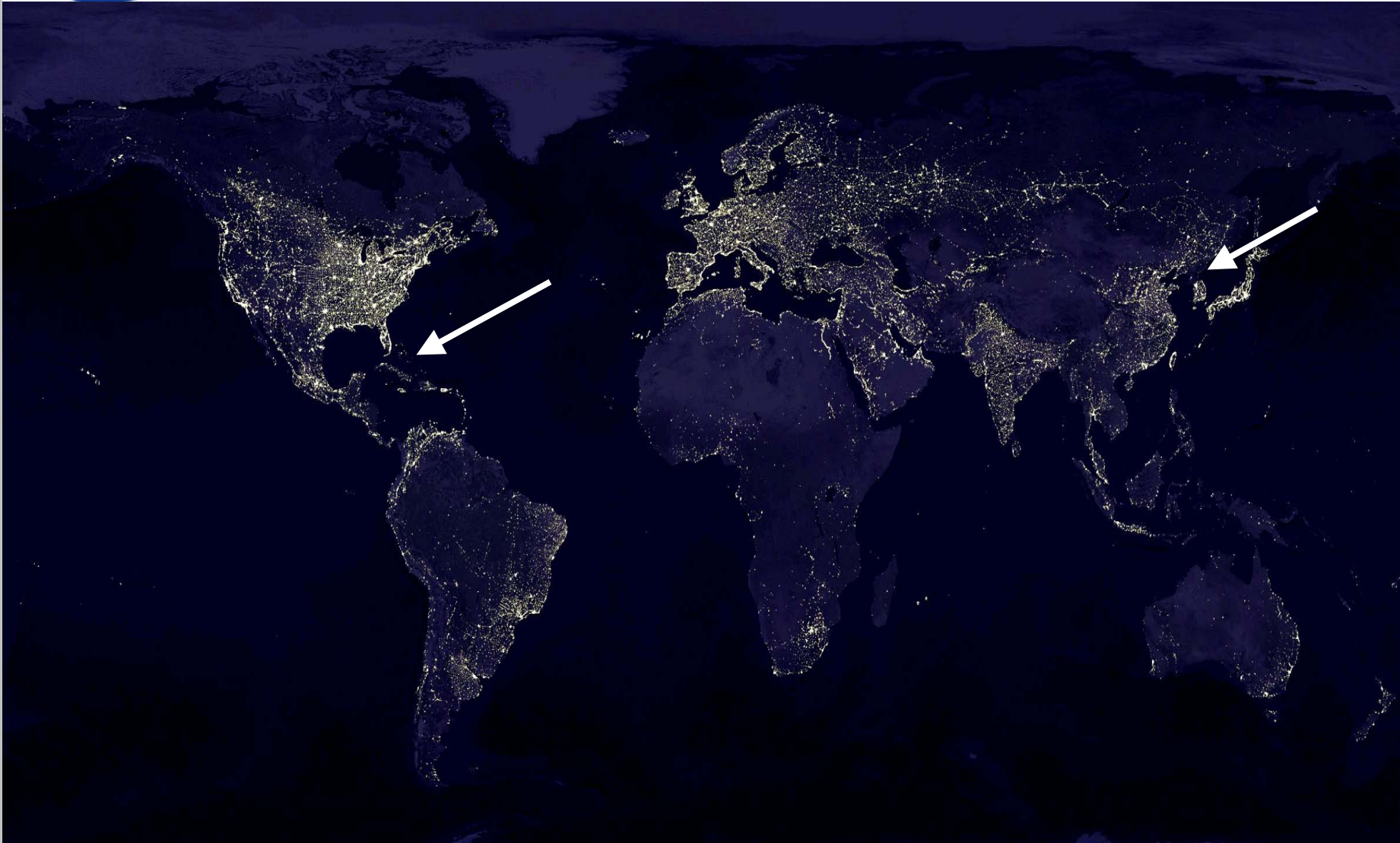
- ***Rise of isolationism/nationalism***
- ***Broadening protectionism*** **1930s**
- ***International trade wars***
- ***Global warfare***
- ***Food-supply contamination issues (B.S.E., Avian flu, Hoof and Mouth)***
- ***Extreme terrorism (closing shipping lanes, ports, severely diminished trade flows)***
- ***Reversion to failed policies of the past (e.g. protectionism, socialism, communism)***

Outlook

- ***Pervasive spread of capitalism and optimism trump terrorism***
- ***The advance of global prosperity continues***
- ***Food-demand growth rate accelerating***
- ***Domestic price supports rendered moot by widespread **"sustainable prosperity"*****
- ***Free-market principles, progressive policies, and the indomitable human spirit combine to advance human condition***

***"You are not here merely to make a living.
You are here to enable the world to live more
amply, with greater vision, and with a finer
spirit of hope and achievement.
You are here to enrich the world.
You impoverish yourself if you forget this
errand."***

- Woodrow Wilson



Earth at Night
More information available at:
<http://antwrp.gsfc.nasa.gov/apod/ap001127.html>

“Let there be light!”

Astronomy Picture of the Day
2000 November 27
<http://antwrp.gsfc.nasa.gov/apod/astropix.html>



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Thank You

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