



The Outlook for Soybean Processing

A Global Market Perspective

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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: Glastnost (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 predicated 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)*

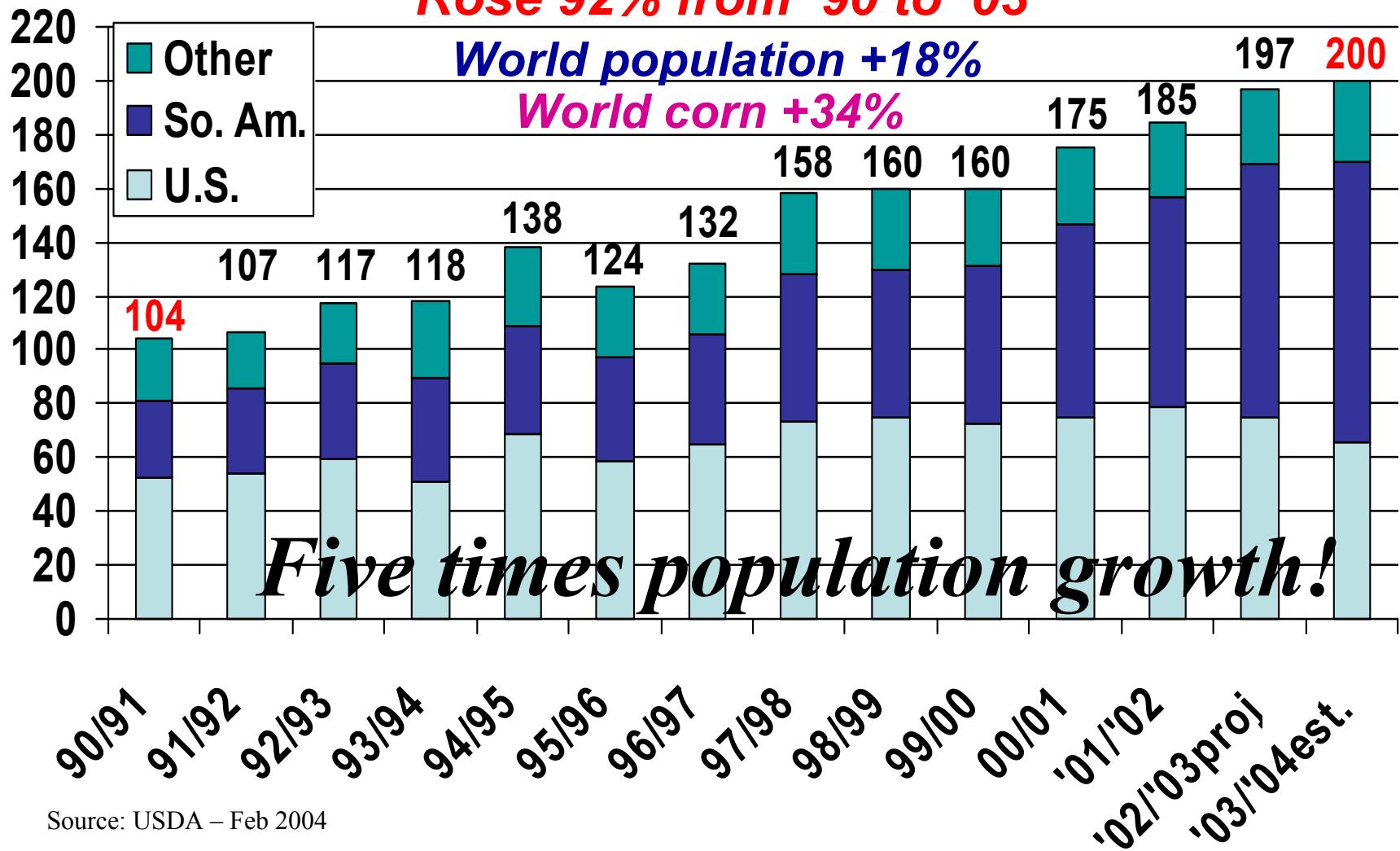


"Expansion in Brazil is the most important shift in global agriculture since the Midwest was settled in the 1800s."

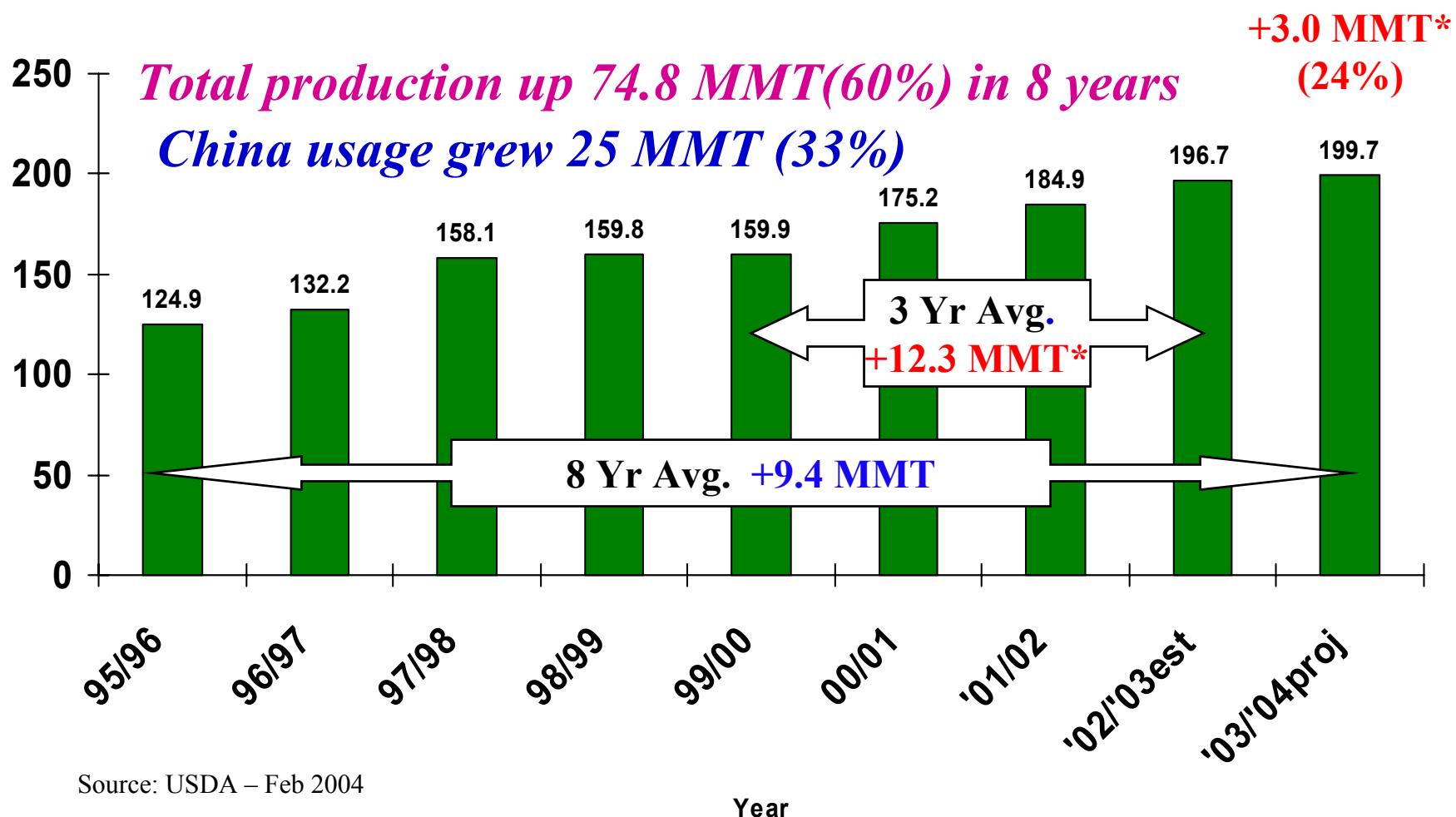
- USDA Economist

World Soybean Production (Million Metric Tons)

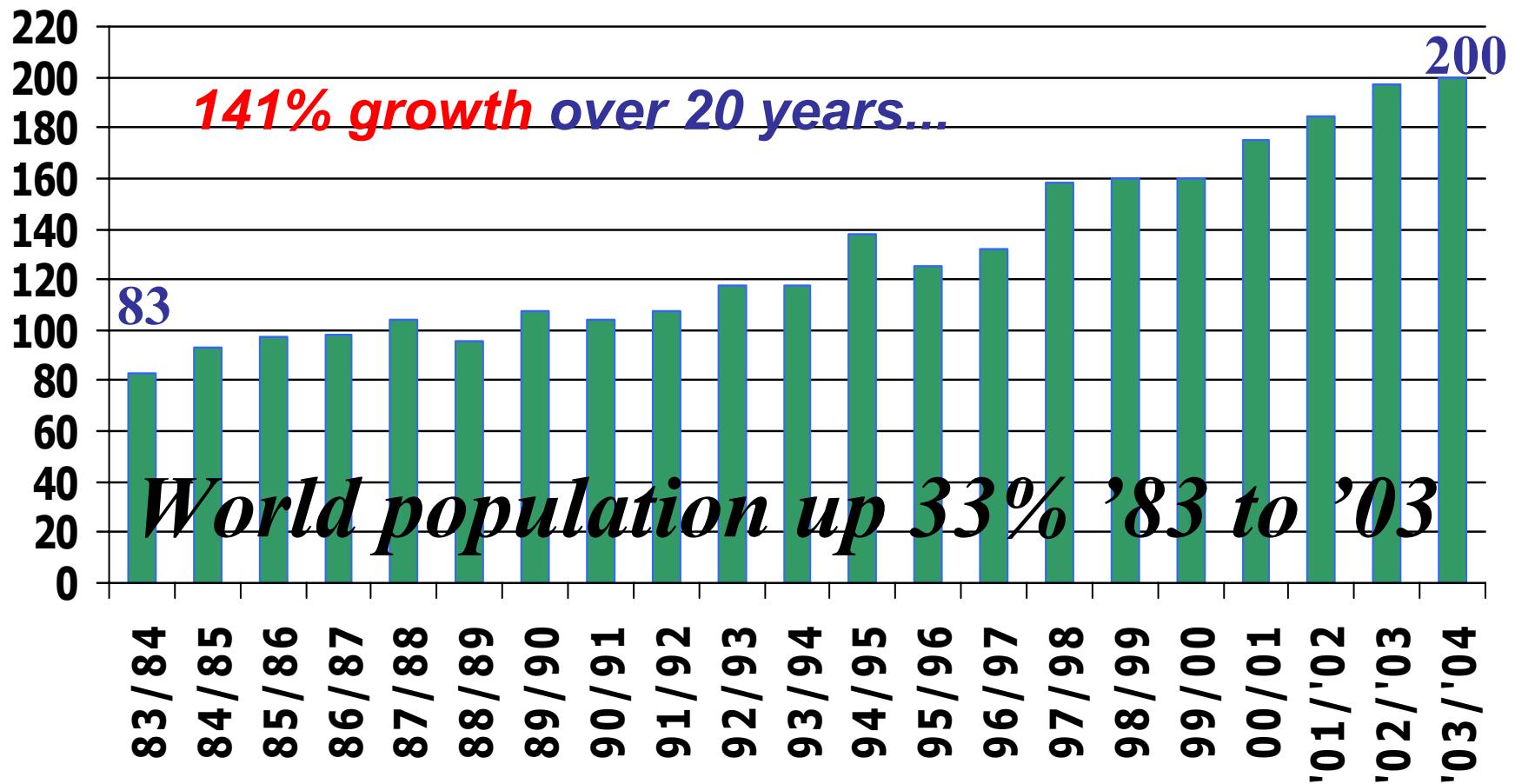
**** Rose 92% from '90 to '03 ****



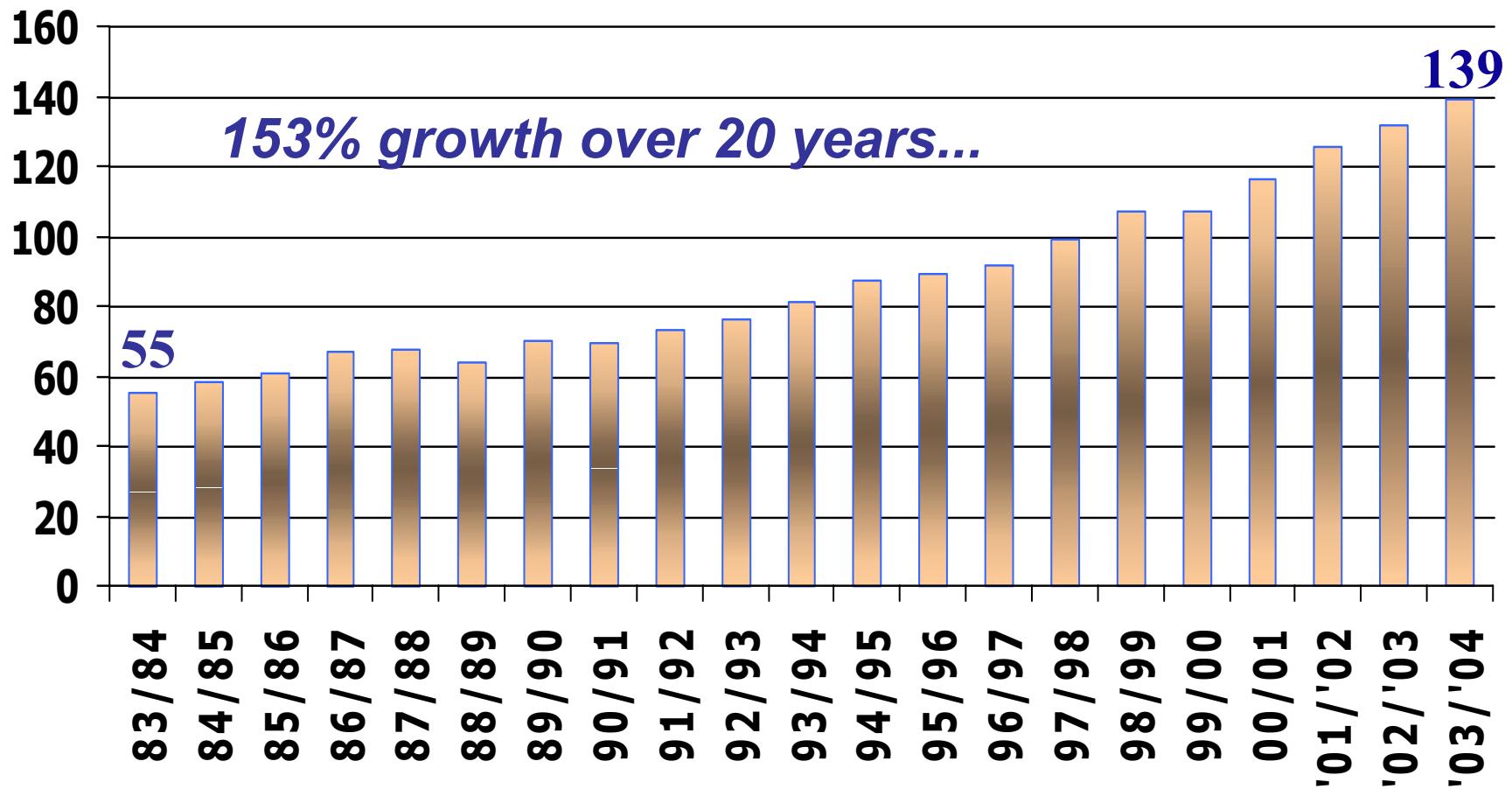
World Soybean Production 1995-2003 (Million Metric Tons)



World Soybean Production (Million Metric Tons)



World Soybean Meal Production (Million Metric Tons)

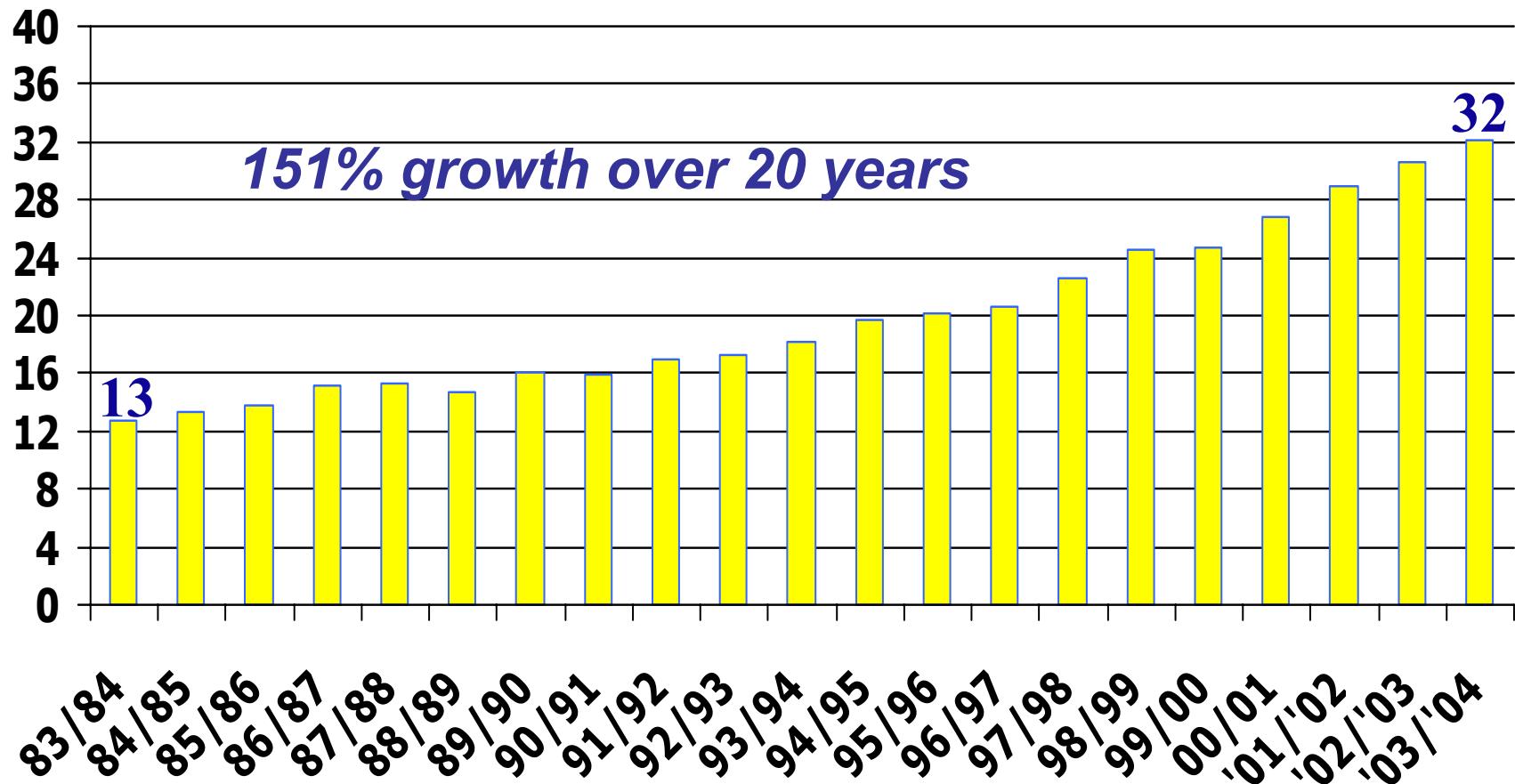


Source: USDA Feb 2004

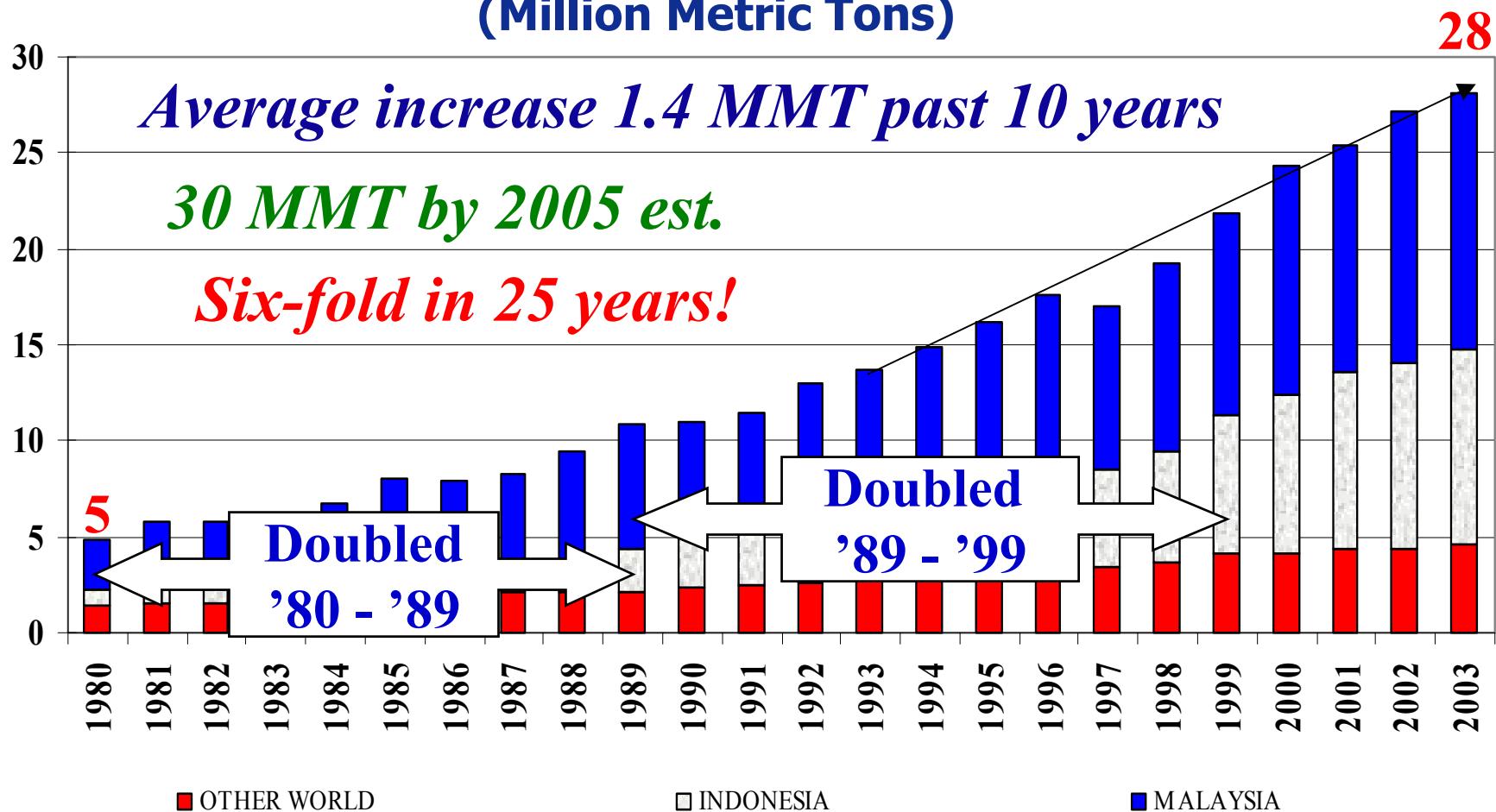
Soybeans - Monthly - 36 Years



World Soybean Oil Production (Million Metric Tons)



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

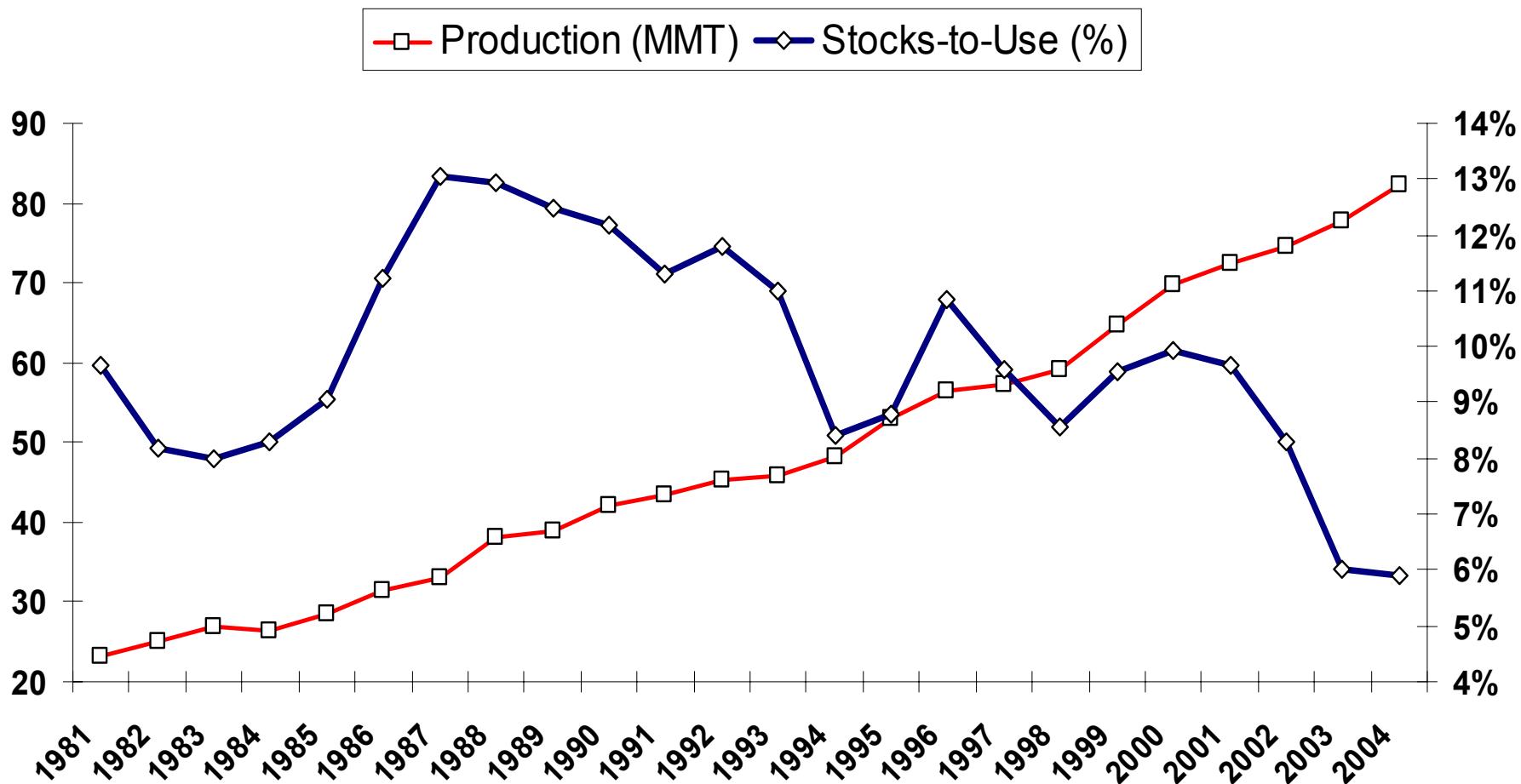


World Vegetable Oil Production (Million Metric Tons)

	1980/81	2003/2004	Percent Change
Soybean	9.8	32	+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

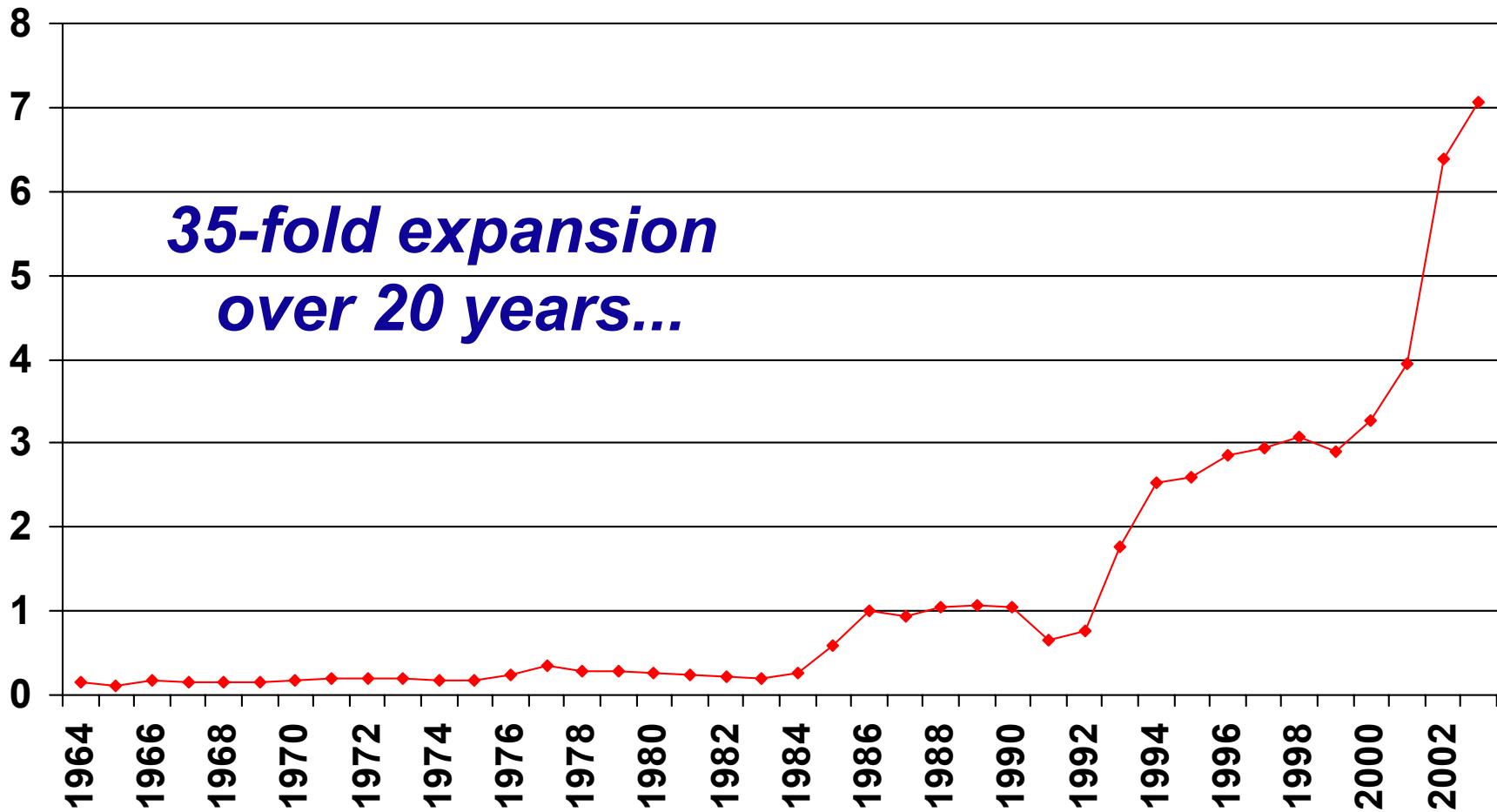


Chinese GDP Growth

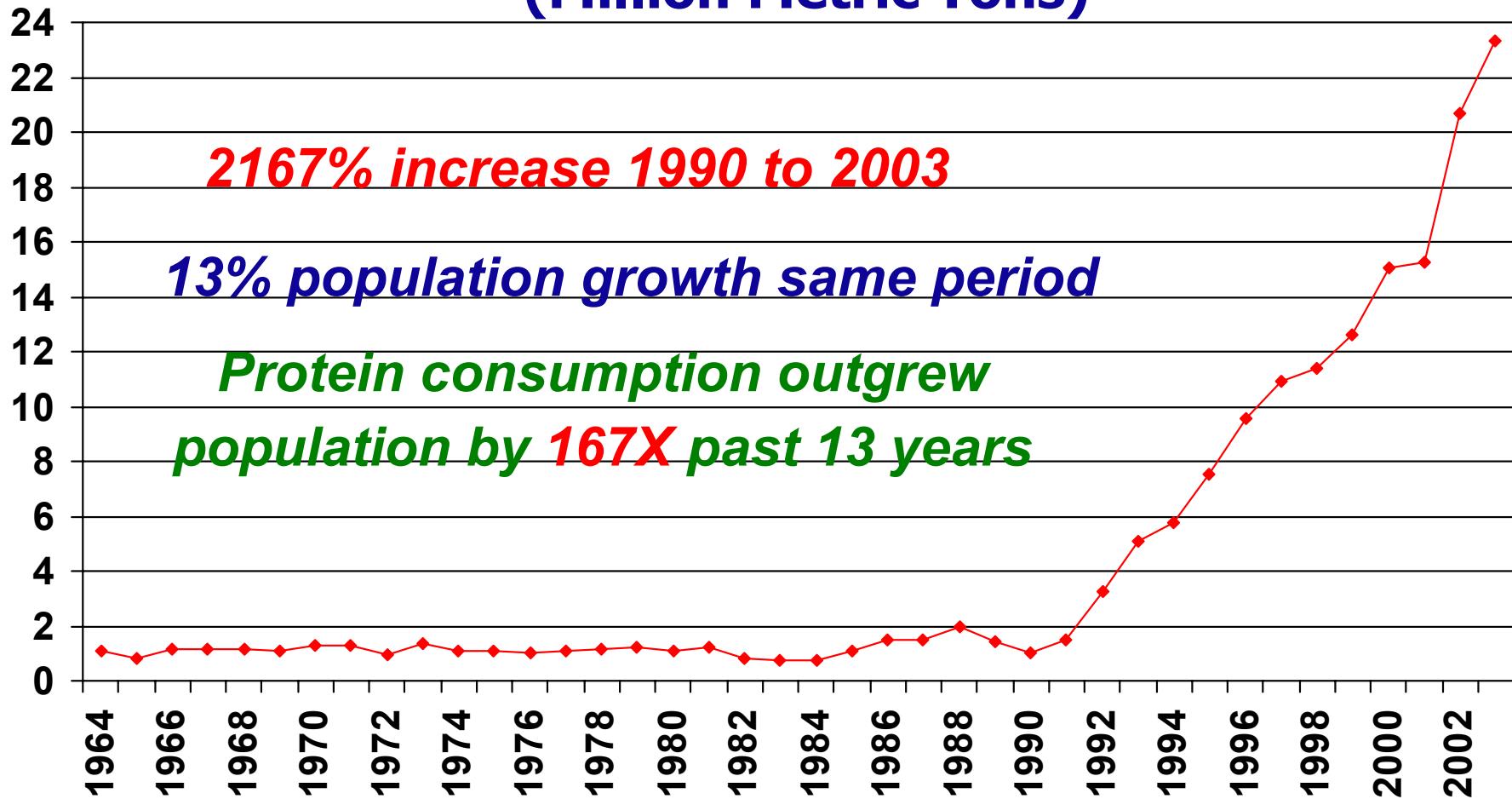
U.S. GDP DATA			
• 1992	14.2%	• 1992	3.1%
• 1993	13.5%	• 1993	2.4%
• 1994	12.8%	• 1994	4.0%
• 1995	10.5%	• 1995	2.7%
• 1996	9.6%	• 1996	3.6%
• 1997	8.8%	• 1997	4.4%
• 1998	7.8%	• 1998	4.3%
• 1999	7.1%	• 1999	4.1%
• 2000	7.9%	• 2000	3.8%
• 2001	7.4%	• 2001	0.3%
• 2002	8.0% E.	• 2002	2.4% E.
• 2003	8.7% E.	• 2003	3.0% E.
• 2004	8.2% F.	• 2004	4.5% F.

Source: ERS/ USDA - Dec 2003

Chinese Soybean Oil Consumption (Million Metric Tons)



Chinese Soybean Meal Consumption (Million Metric Tons)

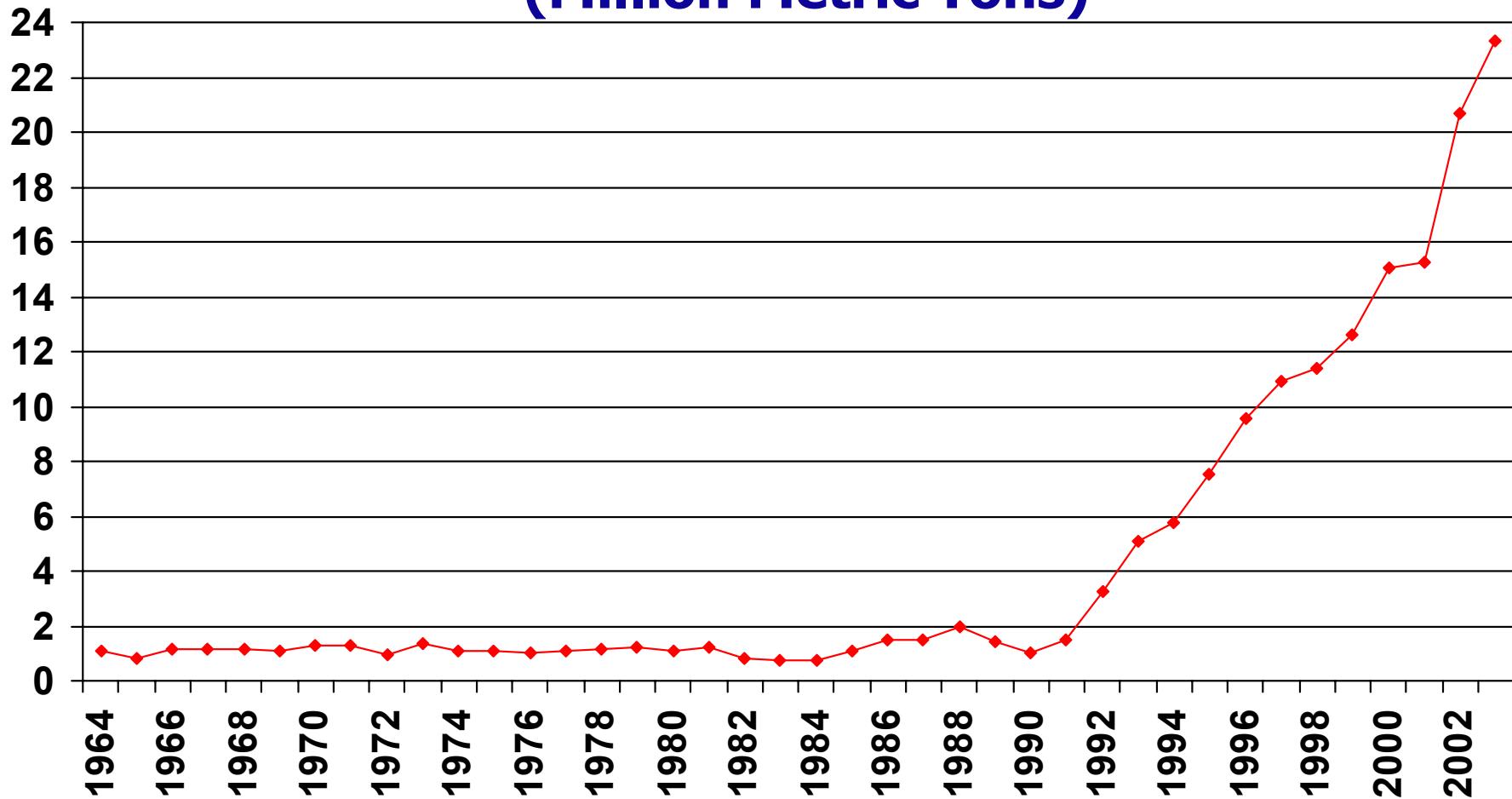


2167% increase 1990 to 2003

13% population growth same period

**Protein consumption outgrew
population by 167X past 13 years**

Chinese Soybean Meal Consumption (Million Metric Tons)



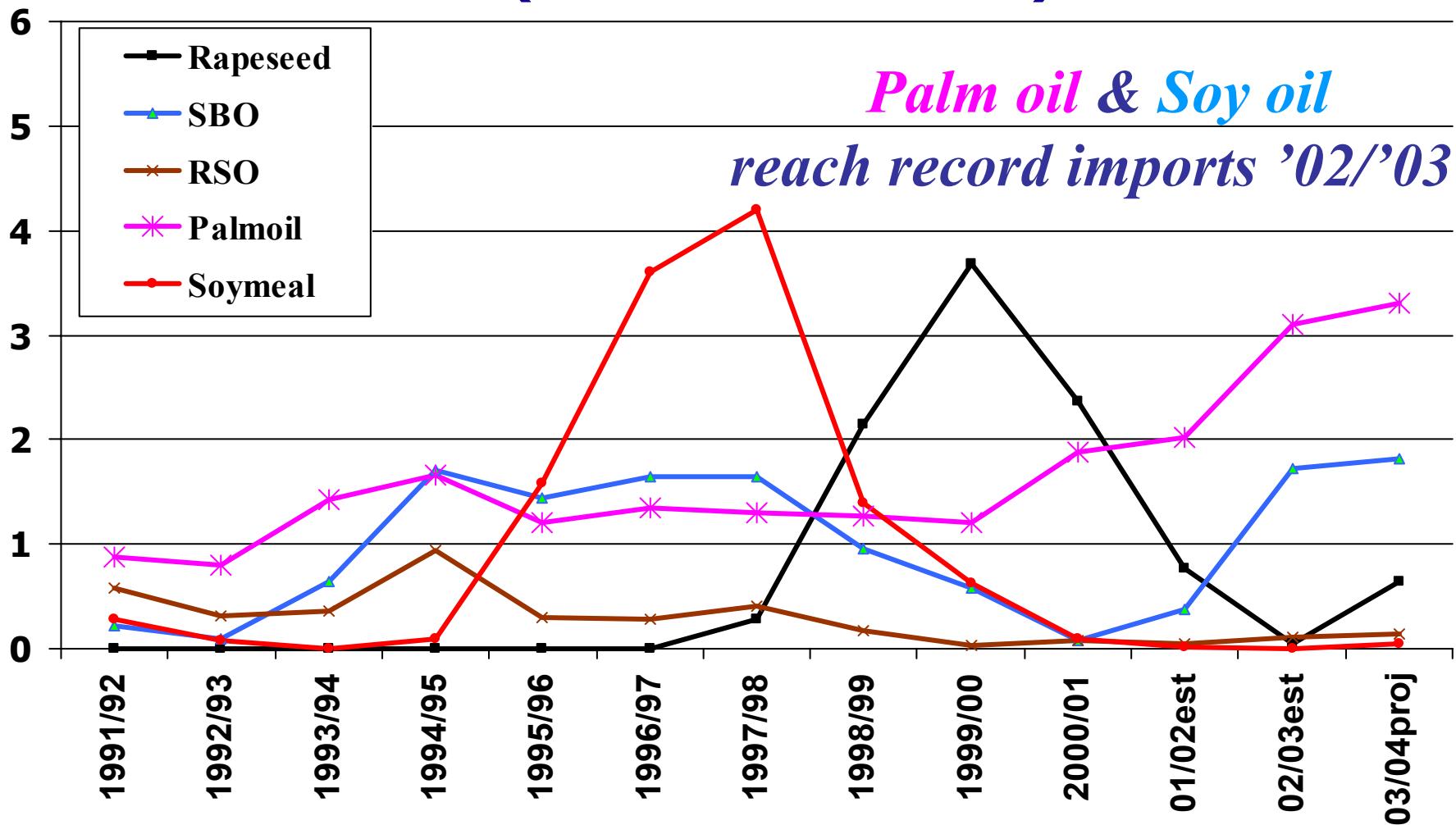
Source: USDA – Feb 2004



Standard & Poor 500 - Monthly

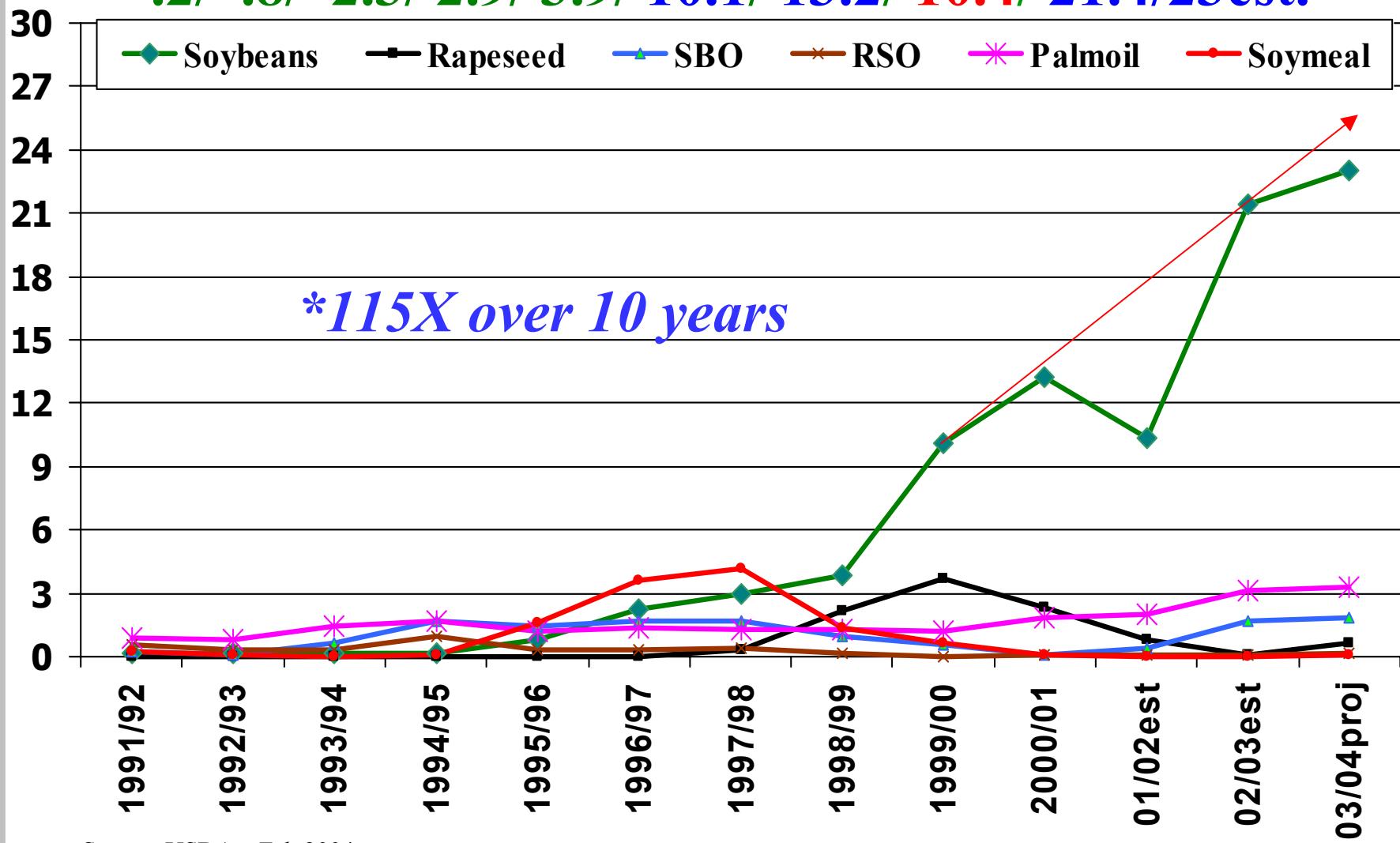


Chinese Imports of Oilseeds, Oil & Meal (Million Metric Tons)

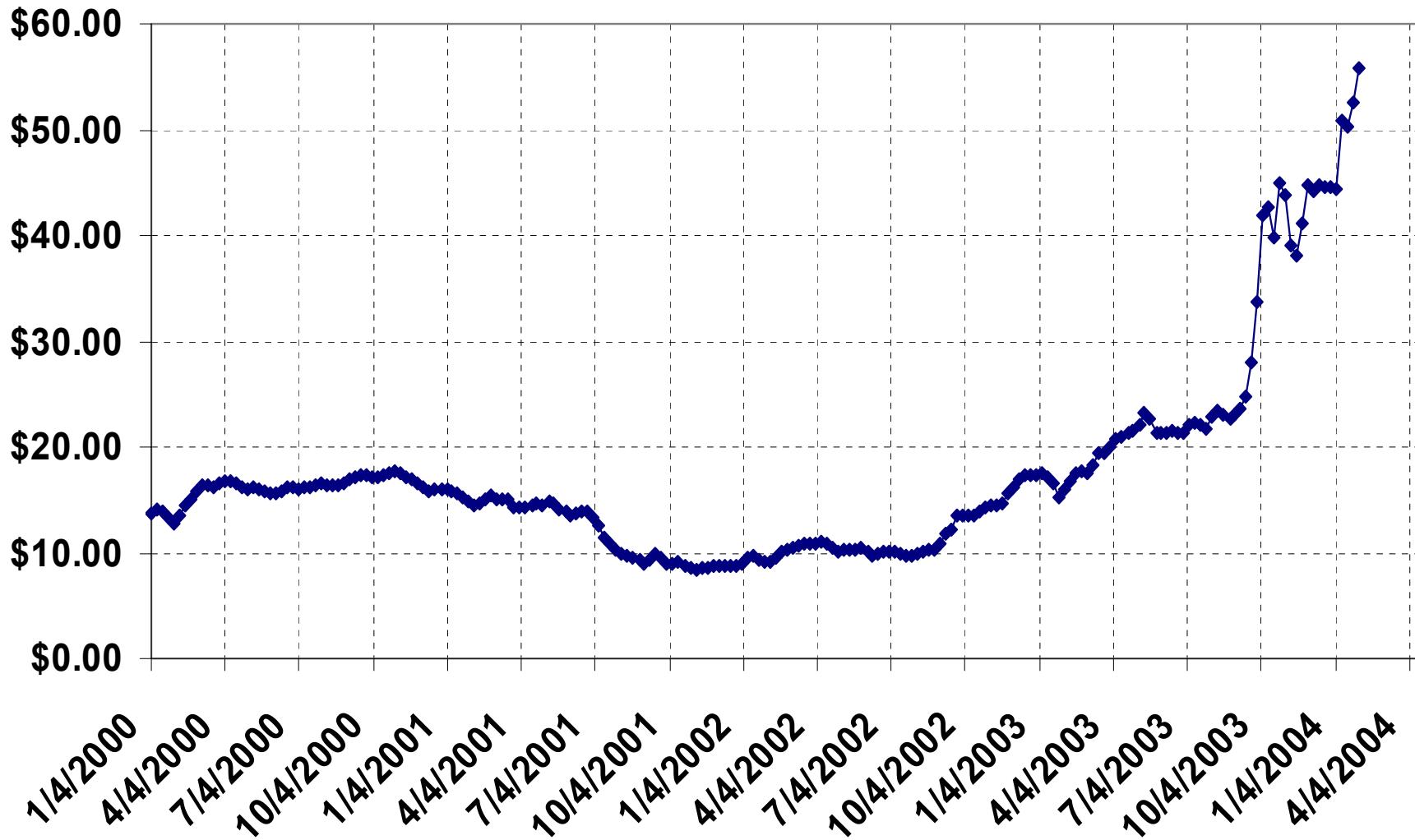


Chinese Imports of Oilseeds, Oil & Meal (MMT)

.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%
• 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.

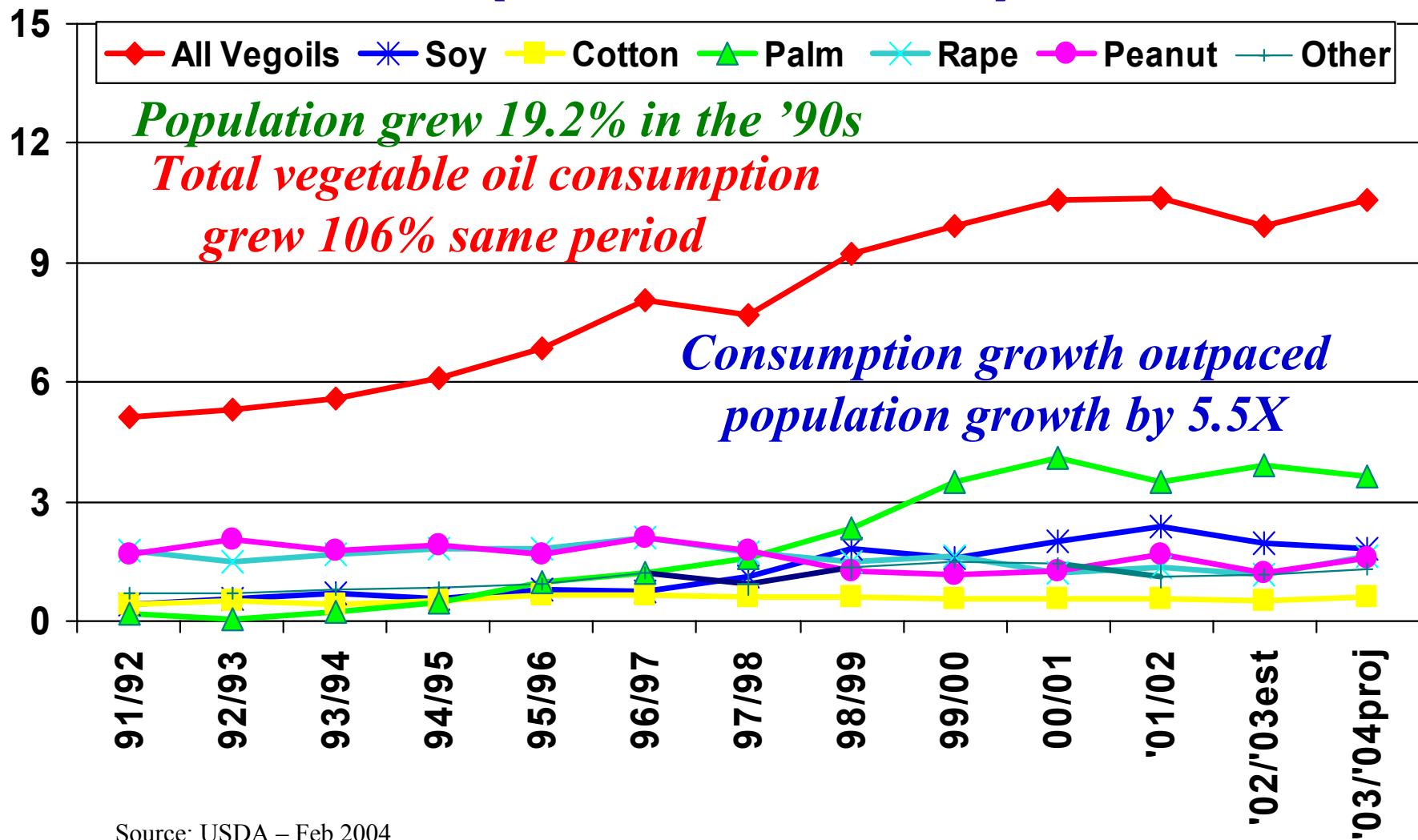
177%

U.S. GDP DATA

• 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

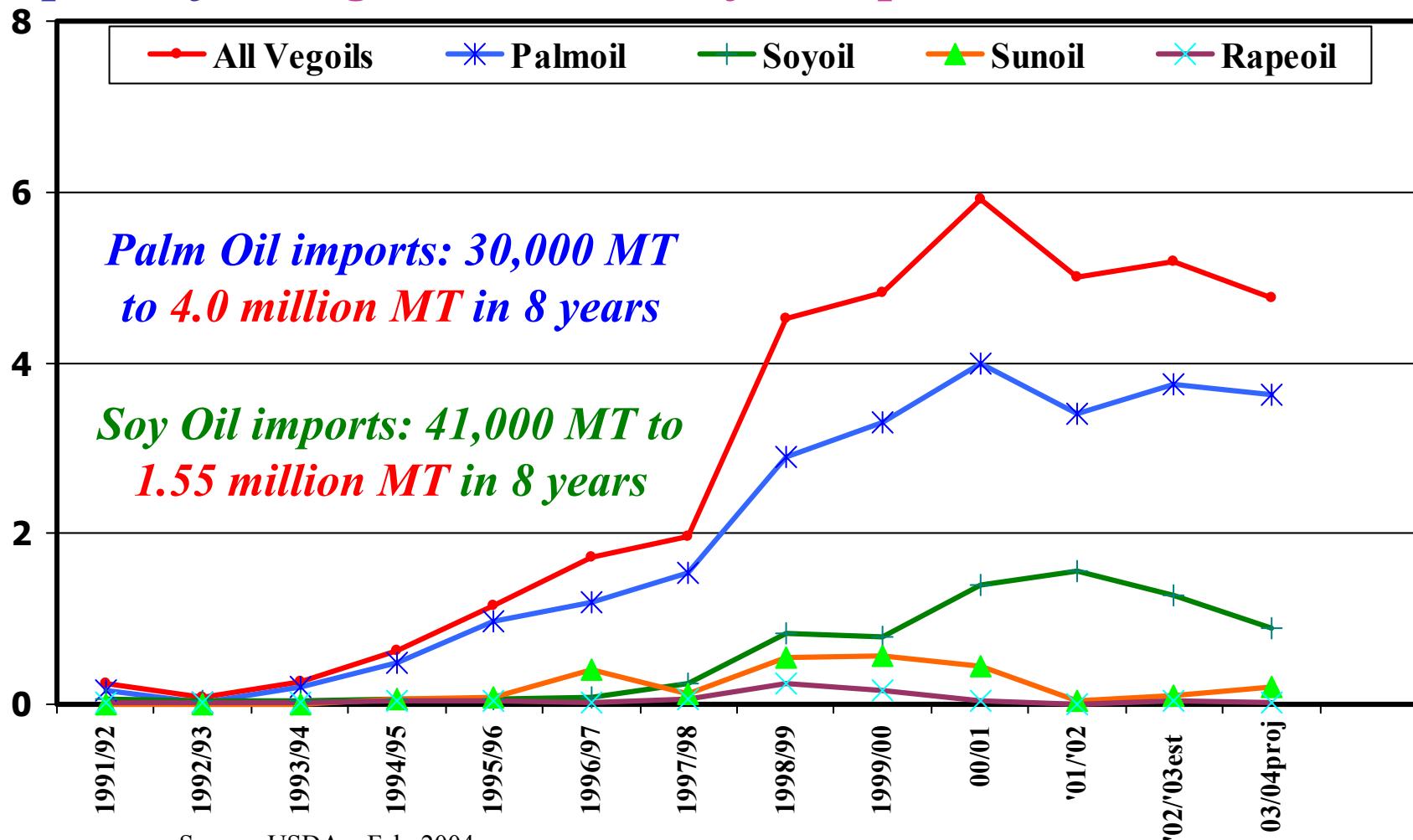
138%

Indian Vegetable Oil Consumption (Million Metric Tons)

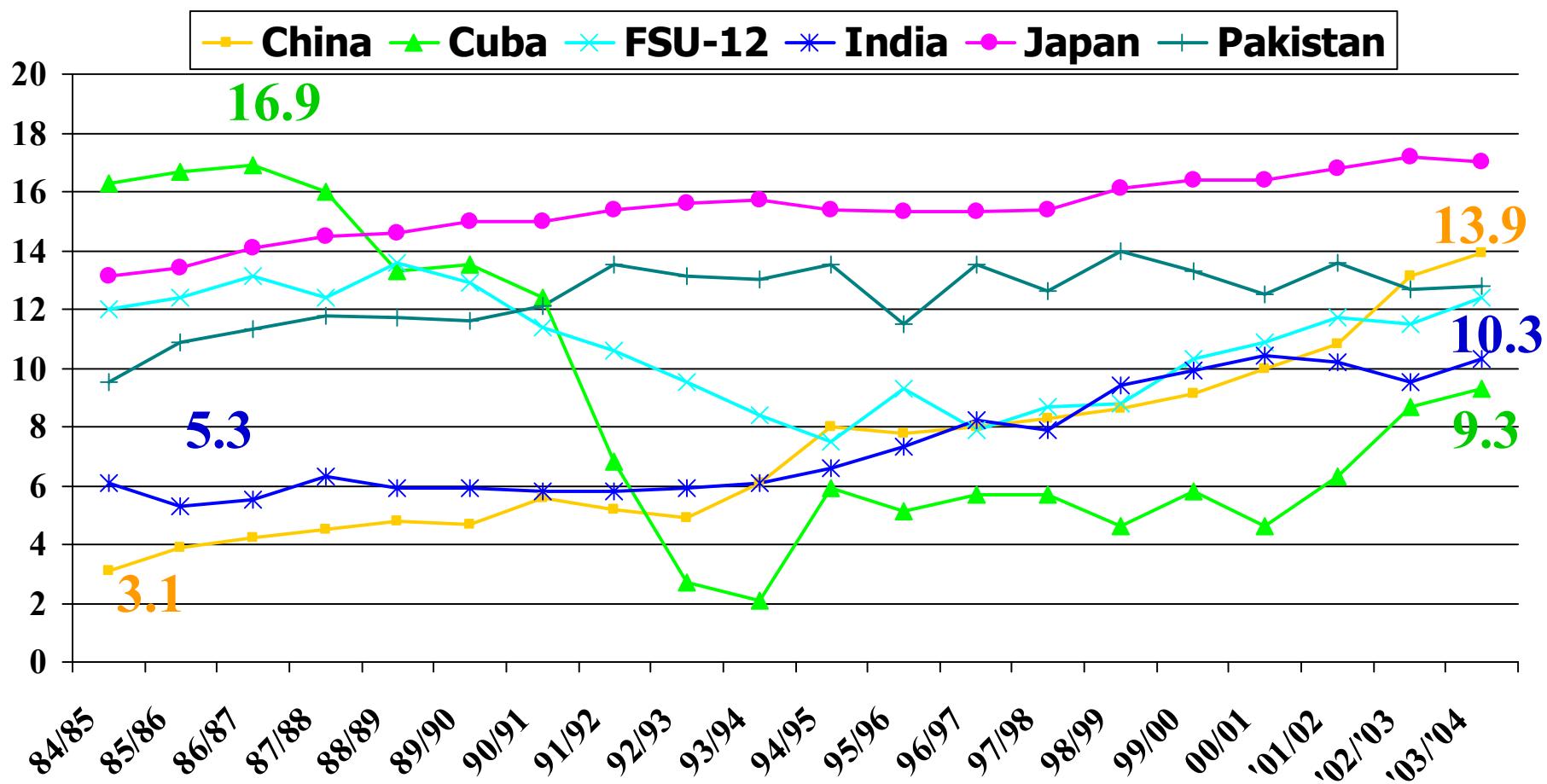


Indian Vegetable Oil Imports (Million Metric Tons)

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*
 - *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)*
- 1930s**

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>

Astronomy Picture of the Day

2000 November 27

<http://antwrp.gsfc.nasa.gov/apod/astropix.html>

“Let there be light!”



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Thank You

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