

Soy 2020 Market Indicator Tracking: Round Four Results September 2009

The Soy 2020 planning process uses bi-annual tracking of leading market indicators (combined with interviews with leading industry experts) to measure the current (and future) state of the global soy industry. Steering committee members meet twice a year to review the tracking research and provide perspective to the findings from each industry segment.

The final results for the first three rounds of indicator tracking pointed the U.S. industry towards a “Shared Success” scenario for both the one- and five-year outlooks. The fourth (and most recent) round also indicated “Shared Success” for both the short- and long-term outlooks.

The three main soy-specific market factors with the greatest impact on the **one-year outlook** included:

- **Investment in Research:** The findings showed an expected increase for both investment in soy production and end consumer technologies by more than ten percent in the next year.
- **Crop Acreage and Yields:** Experts expected a decrease in soybean yields for Argentina as the country recovers from its recent drought.
- **Investment in Infrastructure:** The research suggests a decrease in private investment of rails for the next year, due to the recession and lack of capital funds. Many interviewed experts also predicted sparse private investments for roads due to a lack of capital funds. The expected delay of action in passing portions of the Transportation Bill caused experts to become more pessimistic about near-term investments.

The main soy-specific factors with the most impact on the **five-year outlook** included:

- **Technology Adoption:** The findings showed an expected increase in technology adoption for both farmers and processors (by more than 30 percent in the next five years).
- **Soybean consumption:** Experts predicted Americans will be more health conscious about the foods they eat, prompting an increase (approximately ten percent) in the consumption of healthier foods and oils. The research also pointed to increased meat intake for China, as its economy recovers and the population continues to grow.
- **Status of Renewable Fuels:** The research forecasted increases in biodiesel mandates, demand and prices. Most of the interviewed experts believed the economy will recover within the next five years, which will increase demand (and prices) for biodiesel.

The next round of indicator tracking concludes March 2009.

Round Four Gap Analysis Summary

The **one-year outlook gap analysis** showed difference in several areas from round three to round four:

- **Investment in Research:** Experts in round four believed the private sector was even harder at work researching and investing soy production and end consumer technologies than in the third round.
- **Investment in Infrastructure:** The expected delay of action in passing portions of a transportation bill caused experts to become more pessimistic about near-term public investments in infrastructure. Poor economic conditions prompted experts in round four to say private investment in infrastructure would decrease from round three levels.
- **Crop Acreage and Yields:** Round four experts were less optimistic about U.S. soybean planted acres in the near term compared with the thoughts of round three experts.
- **Value Chain Profitability:** Experts predict profitability across farmers and processors alike to increase in the near term. In round four, other crop processor profitability remained the same from round three, though other crop farmer profitability increased.

- **Status of Renewable Fuels:** In round four, experts were much less optimistic about the one-year outlook for ethanol than in round three due to the lack of volatility in energy prices this past summer.
- **Investments in Infrastructure:** The expected delay of action in passing portions of the transportation bill caused experts to become more pessimistic about near-term public investments in infrastructure. Poor economic conditions prompted experts in round four to say private investment in infrastructure would decrease from round three levels.

The **five-year outlook gap analysis** showed difference in several areas from round three to round four:

- **Status of Renewable Fuels:** Experts in the fourth round were more bullish on biodiesel than experts in the third round. Future competition for soybean oil for industrial use, as opposed to biodiesel, led round four experts to see more profitability in the biodiesel industry even though future biodiesel prices were not as optimistic.
- **Investment in Infrastructure:** In round four, experts were somewhat pessimistic that improvements in infrastructure would come in the next five years due to the recession (lack of private capital available) and the lack of swift government legislature and swift action to support aspects of the transportation bill.
- **Crop Acreage and Yields:** As trait penetration continues and new technologies come out of the pipeline (namely drought tolerance), experts are more optimistic about future corn yields. Round four participants see an explosion in planted horticulture and other crop acres with more U.S. growers likely shifting to production of high value crops and goods.
- **Status of Renewable Fuels:** Compared with round three, five-year ethanol prices were not as optimistic due to several reasons: the gradual use of alternative feed stocks for advanced biofuels, capped demand for corn based ethanol (from capped supply), and questions about the long-term sustainability of corn based ethanol.
- **Investment in Infrastructure:** In round four, experts were somewhat pessimistic that improvements in infrastructure will come about in the next five years due to the recession (lack of private capital available) and the lack of swift government legislature and lack of swift action to support aspects of the transportation bill.