

Perspectives for U.S. Oilseed Processors

11th S.E. Asia Agricultural
Cooperators Conference

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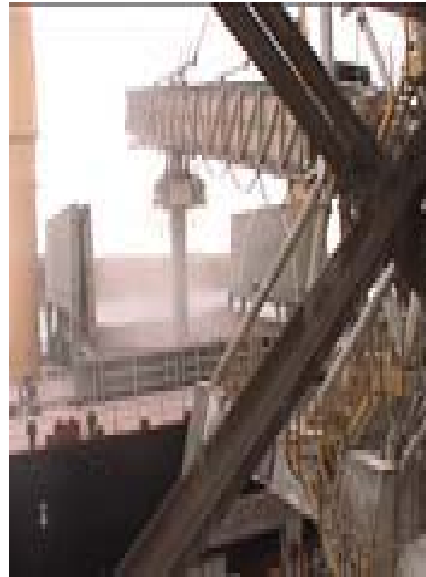
Topic to be Discussed

- ▶ **NOPA Members & Vision:**
 - Statistics: Soybean Crush & Soy Meal Exports
 - Priority Policy Issues & Market Challenges
- ▶ **S.E. Asia Region:**
 - Dynamic & Growing Market
 - Growing U.S. Soybean and Soy Meal Exports
- ▶ **Advantages of U.S. Soy**
 - Reasons to buy U.S. Soy Meal
 - Sustainability of U.S. Soybeans & Products
- ▶ **U.S. Soy Suppliers & S. E. Asia Buyers must:**
 - Build upon Strong Trading Relationships
 - Work to Ensure Open Market Access between U.S. and Region
 - Increase Mutual Understanding of U.S. Soy Product Value and S.E. Asian Customer Needs

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NOPA Members

- ▶ 13 NOPA member companies
- ▶ Account for 95% of US soybean crush
- ▶ Operate 63 processing plants in 19 states, including 57 that process soybeans
- ▶ Crush 1.63 billion bushels, comprising over 47% of U.S. soybean farmers' production in 2012/13



NOPA Membership

- | | |
|--|-------------------------------|
| ▶ Ag Processing Inc. | ▶ Louis Dreyfus Commodities |
| ▶ Archer Daniels Midland Company | ▶ Northstar Agri Industries |
| ▶ Bunge North America | ▶ Owensboro Grain Company |
| ▶ Cargill, Incorporated | ▶ Perdue Grain & Oilseed, LLC |
| ▶ CHS | ▶ Riceland Foods, Inc. |
| ▶ Consolidated Grain and Barge Company | ▶ Zeeland Farm Soya |
| ▶ Incobrasa Industries, Ltd. | |

NOPA Vision

- NOPA favors a market-based trading environment that encourages the efficient production of an abundant, safe and high-quality supply of oilseeds and oilseeds products for domestic and world consumers of food, feed-ingredients and renewable fuels.

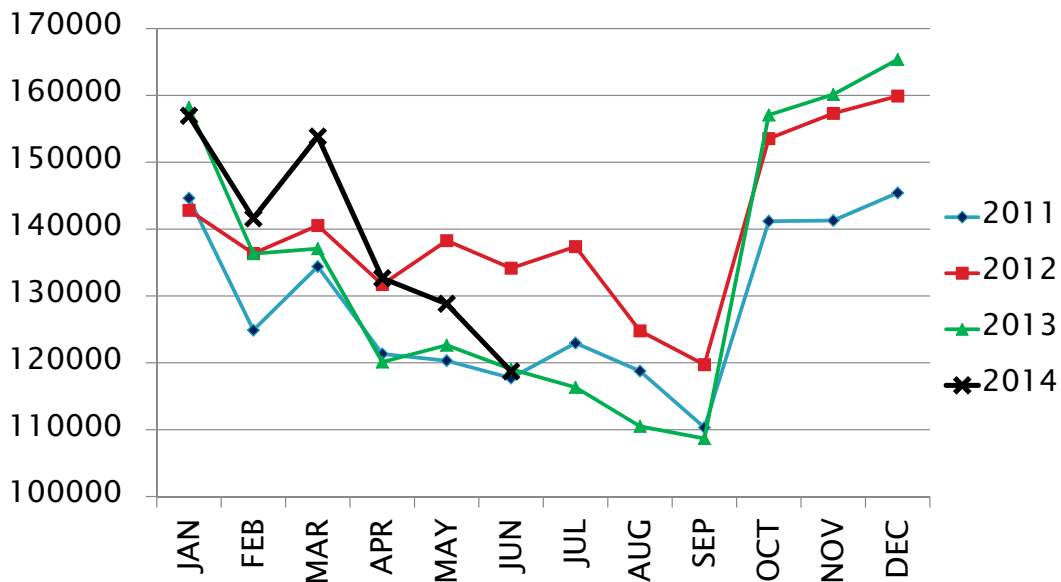
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NOPA Members – Monthly Crush Statistics

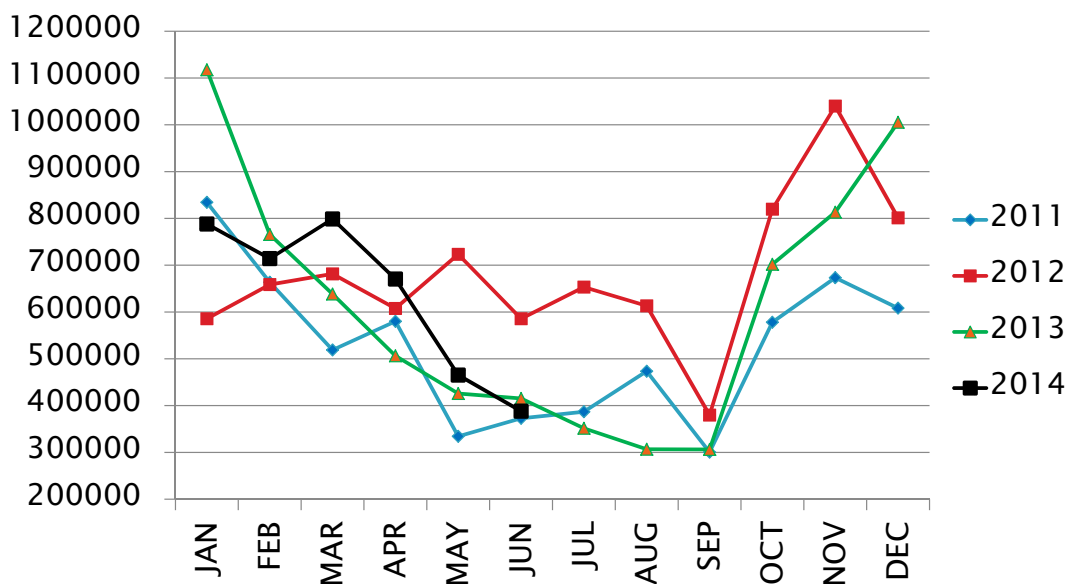
- ▶ Soybean Crush
- ▶ Soybean Meal Exports



NOPA Soybean Crush CY2011–2014 (000Bu.)



NOPA Soybean Meal Exports CY2011– 2014 (tons)



NOPA Priority Issues

- ▶ Food/Feed Safety Regulations
- ▶ Environmental & Safety/Health Regulations
- ▶ Market-Oriented Farm Policies (Farm Bill)
- ▶ Threats to Animal Agriculture
- ▶ Global Trade Issues:
 - Differential Export Taxes – Argentina, et al.
 - Sanitary/Phyto-Sanitary Issues – Meat Products
 - WTO – Doha Agreement; Dispute Settlement
 - Regional Free Trade Agreements – TPP, TTIP
 - Enforcement of International Trade Rules
- ▶ Agricultural Biotech Releases & Acceptance

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Challenges Facing U.S. Soy Processors

- ▶ Battle for acreage between corn and soybeans in the U.S. (including ethanol, DDG)
- ▶ Increasing soybean demand in China
- ▶ Argentine Differential Export Taxes
- ▶ Lost soy oil market share in baking and frying industries
- ▶ Non-tariff trade barriers – especially U.S. meat and poultry exporters
- ▶ Lack of asynchronous approvals and/or low level presence (LLP) policy for biotech crops
- ▶ How will we collectively deal with potentially record global grain crops?

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S.E. Asia Excellent Market for U.S.

- ▶ Politically & economically stable – market-driven.
- ▶ Good relations with U.S.
- ▶ Strong affinity for trading with the U.S.
- ▶ Quick to adopt new technologies and managements systems.
- ▶ Biotech acceptance is not a major issue.



S.E. Asia: Excellent Opportunities for U.S. Soybean and Soy Meal Exporters

- ▶ Population of 620M – growing to 676M by 2020
- ▶ 5th largest trading partner & 4th largest export market for U.S.
- ▶ Healthy economies with 6% annual average growth rate
- ▶ Meat consumption to grow 50% by 2020
- ▶ U.S. enjoys 61.5% share of soybean market and 17.5% share of the soybean meal market in the region.
- ▶ S.E. Asia market is growing and very dynamic for US soybean and soybean meal exporters



S.E. Asia Markets for U.S. Soybeans

Soybeans	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Indonesia	1,472,393	1,674,548	1,939,074	1,773,497	1,551,991	2,255,400
Malaysia	236,451	383,759	380,280	191,869	319,694	199,400
Philippines	49,651	80,171	57,016	55,760	43,012	61,700
Thailand	209,528	475,705	505,294	375,007	568,025	424,400
Singapore	1,030	8,173	1,143	3,399	25,184	36,600
Vietnam	156,437	136,276	191,032	327,759	653,612	506,300
Total	2,125,490	2,758,632	3,073,839	2,727,292	3,161,518	3,483,800

Source: U.S. Census Bureau

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S.E. Asia Markets for U.S. Soymeal

Soymeal	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Cambodia	0	0	919	5,421	5,615	0
Indonesia	141,820	528,871	29,313	109,274	91,412	30,200
Malaysia	22,002	123,786	21,565	15,184	14,045	20,200
Philippines	493,350	957,514	862,842	1,159,491	1,039,271	1,206,900
Singapore	24	368	877	1,526	1,168	500
Thailand	116,639	203,937	11,949	28,314	29,649	368,400
Vietnam	126,004	474,442	36,828	66,725	275,035	315,300
Total	899,839	2,288,918	964,292	1,385,934	1,456,195	1,941,500

Source: U.S. Census Bureau

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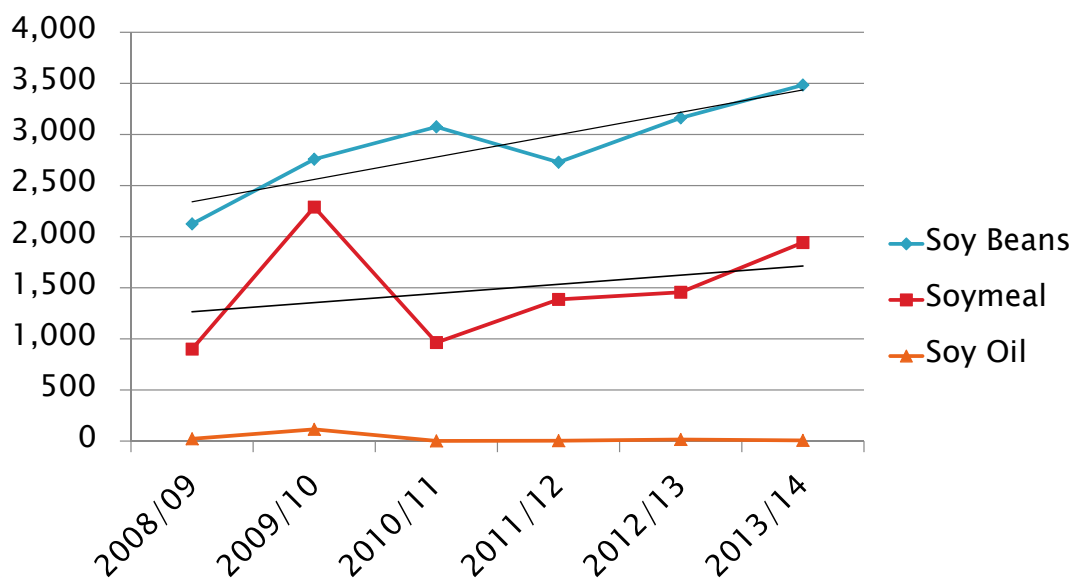
S.E. Asia Markets for U.S. Soy oil

Soy oil	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Indonesia	206	489	277	347	309	200
Malaysia	7,012	65,106	2	2,005	14,996	5,000
Philippines	543	256	405	454	87	400
Singapore	182	135	300	431	43	300
Thailand	52	56	16	41	3	0
Vietnam	15,000	49,012	12	11	0	0
Total	22,995	115,054	1,011	3,288	15,439	5,900

Source: U.S. Census Bureau

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U.S. Soy Exports to S.E. Asia Region 2008/09 – 2013/14 (1,000 M/T)



Source: U.S. Census Bureau

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Top Ten Reasons to Buy U.S. Soy Meal

1. Nutritional Advantages
2. Availability of Supply
3. Reliability of Product
4. Consistency of Product
5. Quality/Claims Process
6. Quality Adjustments for Feed Ingredient Buyer
7. Transportation Diversity
8. Sustainable Production
9. Market-Driven Policies
10. USSEC Real-Time Support to Foreign Buyers with "Boots of the Ground"



Nutrition Advantages

- ▶ **Balanced Amino Acid Profile:** Soybean meal has high levels of amino acids, which balance well with those in cereal grains for poultry and swine feed applications.
- ▶ **Amino Acid Digestibility.** Lysine in soybean meal is typically estimated to be over 85% digestible. Similarly high digestibility levels are true for other amino acids found in soybean meal, like threonine.
- ▶ **Other Nutritional Characteristics.** In addition to serving as a source of amino acids, soybean meal provides additional nutritional value by contributing energy, minerals and vitamins.
- ▶ **Nutritional Value Proposition.** For over half a century, U.S. soybean meal has been extensively used in livestock feeds because it delivers nutrients critical to animal health and performance at a competitive cost.

Reliability Advantages

- ▶ **Availability:** With about 60 domestic soybean processing plants, soybean meal has multiple providers delivering a consistent product over a wide area that provides geographic and weather diversity in terms of both growing conditions and shipping options.
- ▶ **Reliability:** The consistency and “everyday known product quality” can provide a source of highly digestible amino acids that is easily formulated with little or no adjustments for quality differentials or inconsistencies.
- ▶ **Quality/Claims Process:** The long-established NOPA Trading Rules provide a proven process to ensure that what is paid for is received in terms of protein, fiber and moisture value. Any reductions in quality are offset financially in a fair, consistent and proven system.



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Reliability Advantages

- ▶ **Hedgeability:** All parts of the U.S. soybean complex – beans, meal and oil – trade in large volumes, with known and relatively predictable price relationships, so soybean meal can reduce risk of ingredient exposure in terms of both market price fluctuation and hedgeability.
- ▶ **Transportation Diversity:** Due to the diversity of U.S. soybean processing plants, multiple delivery means are available to ensure consistent and timely soybean meal deliveries, reducing overbuying to ensure availability. Shorter logistical trails allow for less lead-time and less freight expense. Truck, rail or barge delivery is available on a daily basis from multiple sources. Rail delivery is available on multiple rail lines, in various size cars, and can effectively increase the usable storage space of a feed plant.



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Physical Characteristics

- ▶ **Grind:** Soybean meal is ground by the processor, enabling it to be used without additional grinding expense prior to use. This also facilitates blending, bulk bin utilization and minimizes dust and fines at the feed mill. Customers can partner with their processor to achieve the specific grind characteristics that meet their individual needs.
- ▶ **Moisture:** Although consistent moisture is a key advantage of U.S. soybean meal, plants have the ability to increase or decrease moisture based on the feed formulator's demands.
- ▶ **Flowability:** Soybean meal has many characteristics that enable consistent flow from rail cars, storage bins and feed mixers. Limited hang-ups ease feed manufacturing, enable delivery of a more consistent feed and lower feed production costs.

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Physical Characteristics (cont'd)

- ▶ **Soybean Processing Plant Quality Adjustments:** If a feed ingredient buyer is willing to work with a processor, there are many soybean meal traits that can be adjusted to fit a particular end use. Beyond moisture and grind, protein and fiber can be adjusted in the process—within certain limits and based on crop year soybean quality factors—to provide a more valuable feed ingredient. Flow coating agents that ease handling could be changed. Toasting can be adjusted to change color, digestibility or palatability. There is a cost/benefit analysis to all of these, and a processor can work with an end user to optimize costs relative to value.

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Other Advantages

- ▶ **Sustainability:** Domestic soybean meal has a proven track record of being a protein/amino acid source that does not negatively affect the environment. And, U.S. soybean producers have improved the sustainability of their operations in recent years with reduced weed control, reduced trips across the field (requiring less fuel), more no-till, and improved land rotation and yield for other crops, reducing weed/insect control and fertilizer for corn.
- ▶ **Market Driven:** U.S. soybeans are a relatively low- or no-subsidy crop compared to other crops and industries. World supply and demand are the primary determinants of the final value of soybeans and soybean meal. Many competing protein sources receive heavy subsidies from foreign governments or from short-term domestic government programs.



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Other Advantages

- ▶ **“All Vegetable” Considerations.** U.S. soybean meal is an all-vegetable product, increasing marketing opportunities for some end users. “All Natural” and “Vegetable Diet” labels are increasing in quantity and many consumers are willing to pay more for these products.
- ▶ **U.S. Soybean Industry Support:** The soybean checkoff works to support animal agriculture through programs to enhance soybeans, improve soybean meal, emphasize the economic importance of animal agriculture to influencers at the local, state and national level, increase meat and poultry exports, and to provide reliable, third-party educational information about today’s food system to consumers. When we “value add” to soybeans, it is good for the entire value chain from farmers, truckers, livestock producers, processors and seed technology companies to consumers.



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U.S. Soy is Very Competitive

- ▶ Best farm-to-market system in world
- ▶ Best farm crop management
- ▶ Best delivery system
- ▶ Best risk management programs
- ▶ Diverse growing areas
- ▶ Overall quality of the soybean is world-class



Adding Value for our
Global Customers

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U.S. Soybeans You Can Trust

- ▶ U.S. soybeans & meal are the **most** sustainable in the world.
- ▶ U.S. laws & regulations governing farmers, grain handlers, processors & exporters are the **most** rigorous in the world.
- ▶ US soybean meal is the **best** overall value in the world.



U.S. Soy Suppliers & S.E. Asia Buyers: Keep Supply Chain Communications Open

- ▶ Strengthen Trading Relationships
 - Bring decision makers closer together via trade conferences & direct visits.
- ▶ Improve Market Access
 - Work together to resolve any trade irritants that may unduly or unfairly inhibit mutually beneficial trade.
- ▶ Increase Understanding of Product Value
 - Help customers to recognize & utilize quality advantages of U.S. soybean meal via quality measurement and feeding demonstrations.



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Follow Up Steps...

- ▶ Continue to bring the key U.S. & S.E. Asia soy value chain partners together to discuss their specific needs & concerns.
- ▶ Develop a much deeper understanding of each party's priorities & goals.
- ▶ Work diligently to link the supply chains together to:
Achieve the common goals that create the greatest overall value & profitability for all.



USSEC has the platform to
continue these
conversations

U.S. Soy Processors Value Our Partnership with S.E. Asian Customers

- ▶ Thank you for allowing me to be a part of this important conference.
- ▶ On behalf of NOPA's soybean processing members, I thank you for our past relationships and look forward to a closer partnership in the future.
- ▶ Questions...



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