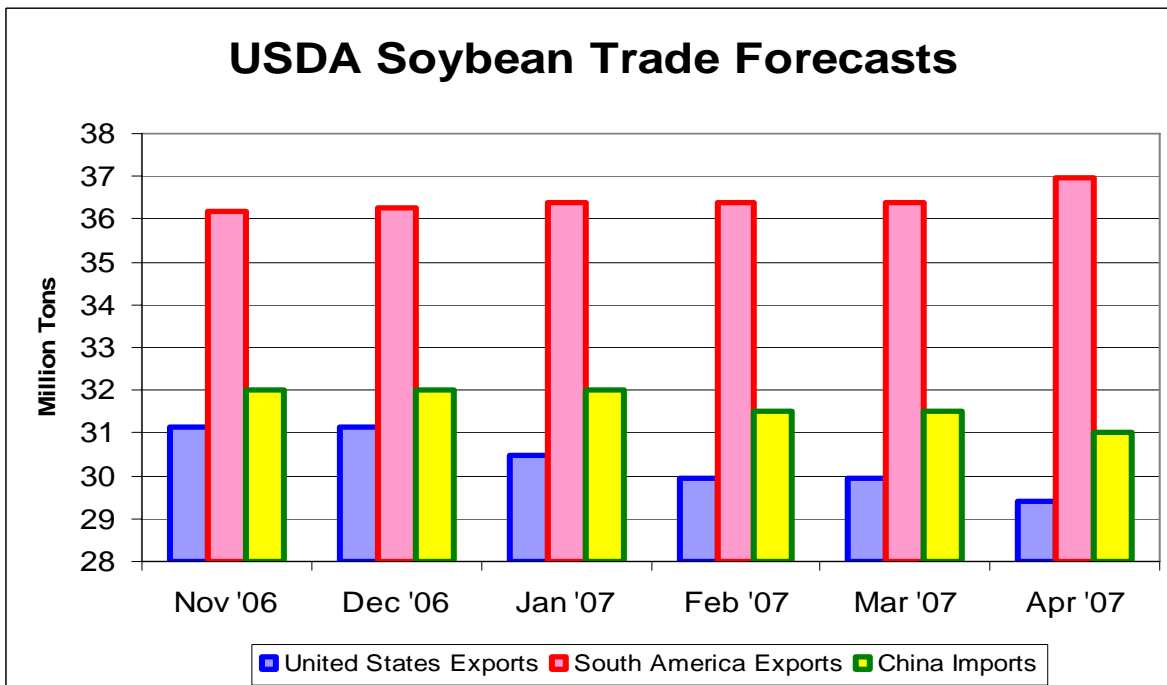




Oilseeds: World Markets and Trade

Strengthening Prices and Increased South American Production Leads to Further Cuts in the U.S. Soybean Export Forecast.



The U.S. soybean export forecast for 2006/07 was reduced to 29.4 million tons in April due to a slower export pace to date and reduced export prospects for the remaining 5 months of the marketing year. The current forecast is nearly 2 million tons below the December forecast. The pace of U.S. exports has been slowed by strengthening soybean prices that have reduced demand growth, particularly in China. High prices, currently averaging \$7.24/bu (Decatur cash price, Apr 2-6) are 13 percent above December's average and nearly 41 percent above the September average of \$5.15/bu. Reports out of China indicate that crushers are facing extremely tight margins on soybean crush, squeezed by high bean prices and strong competition in domestic meal and oil markets. Accordingly, China's 2006/07 import forecast was reduced to 31 million tons this month.

The U.S. export forecast is further reduced this month in response to growing competition from South America soybeans. Better than expected weather has pushed the combined 2007 production forecast for Argentina, Brazil, and Paraguay to nearly 110 million tons, up nearly 8 percent from December. This should lead to higher exports from the region which will further constrain U.S. exports during the remaining months of the 2006/07 marketing year.

