

September 2024

U.S. SOY INGREDIENT BUYER'S IMPORT MANUAL



WISHH
WORLD INITIATIVE FOR SOY
IN HUMAN HEALTH



World Initiative for Soy in Human Health (WISHH)
American Soybean Association
+1-314-576-1770
12647 Olive Blvd, Ste 410, St. Louis, Missouri 63141
www.wishh.org



Checkoff programs from the United Soybean Board and Qualified State Soybean Boards support WISHH's strategy to build new markets for U.S. Soy through the improvement of health, nutrition, and food security.

TABLE OF CONTENTS

INTRODUCTION

4

SECTION 1:

30,000 Feet

5

SECTION 2:

The Goods

7

SECTION 3:

The Flow

10

SECTION 4:

Let's Go!

11

SECTION 5:

Tactical Assistance

13

SECTION 6:

Language Lesson

15

SECTION 7:

Seal the Deal

19

CONCLUSION

21

Prepared by:



Scorpio America!
Advanced Forward Support

INTRODUCTION

United States' Soy products are in-demand from human and animal food manufacturers around the world. Reliability, dependability, high-quality, and consumer preference, are assured by experienced U.S. farmers with a commitment to environmentally sound, regenerative production methodologies.

WISHH fosters teamwork, alliance building, empowerment and adaptability, in the development of long-term value chains that improve health, nutrition and food security through the introduction of U.S. Soy into developing and emerging markets.

This manual is intended to equip potential importers of U.S. Soy protein products with an education on terms, guidance on tactics, insights on industry practices, establishing a rapport, and additional tools and strategies essential to navigate beyond market access barriers and successfully import U.S. Soy products. Proper preparation ensures success!

*Proper preparation
ensures success!*

SECTION 1:

30,000 Feet

AN OVERVIEW OF THE U.S. SOYBEAN AND U.S. SOY PRODUCT MARKETS

Having a general understanding of the U.S. Soy market will give you a firm foundation from which to make buying decisions. Becoming an educated buyer will not only help you make better buying decisions for your business, but it will also communicate to the supplier your credibility, increasing your chances of receiving a competitive price quote and engaging in the importation of U.S. Soy products.

The soy protein product market is complex with many players and many variations of products available. For example, isolate for beverages is different than isolate for meat extension. Typically, a supplier will help you find the exact soy protein product that fits your needs but in some cases it's possible your specific product application is ahead of the global pace, requiring you to work hand-in-hand and educate a supplier on how to make the product you need.

Not all suppliers can supply all products. But all soy products and players have one obvious key ingredient in common, soybeans. This common base links the price of all soy products to the underlying price of soybeans. Furthermore, the supply and demand dynamics of each individual product such as soybean meal, crude oil, and Isolated Soy Protein (ISP) are all interconnected. Movement in one affects the other.

The world price of most all soybeans and soy products, apart from organic, fluctuates with the soybean price set on the Chicago Board of Trade (CBOT). As the price of soybeans moves up or down on the CBOT, so too will the cost of soy products. That said, highly processed or refined soy ingredients are less impacted than products such as soybean meal and oil as many of the manufacturing costs are relatively high and somewhat fixed.

Soybeans are the largest world protein and oilseed crop and are a wonderful source of protein and oil because of their abundance and relative low price to other options.

While many other sources of protein have emerged in recent years, soy is here to stay because it is such an efficient producer of protein in terms of price and quality. Soy is a highly nutritious source of nitrogen due to its amino acid profile and its similarity to the nutritional value of meat.

Soy protein products are produced for human, animal, and aquaculture consumption. In the manufacture of soy protein products, the oil is first extracted from the whole soybean. This oil is used for a variety of products including cooking oil, soy diesel and highly efficient sustainable aviation fuel (SAF). The demand for these products and the resulting market prices impacts the price of soy protein sometimes favorably and sometimes not.

U.S. Soy farmers grow many different varieties of soybeans for many different market usages. Most soybeans grown in the U.S. are GMO varieties known for excellent yield per acre and efficient oil crushing production. Others are grown for specialty soy products for domestic and export retail and animal food manufacturers.

Farmers are very willing to plant specialty soybeans such as non-GMO, high oleic, or clear hilum if asked. In turn, farmers and their lenders require additional compensation to maintain baseline profit per acre values to justify higher costs of production. Yield per acre is the farmers measure of success and yield cannot grow without faithful and relentless stewardship of the land and surrounding environment.

Farmers rotate crops annually for soil health and this rotation also leads to supply changes year to year. With advanced notice, farmers can easily accommodate anticipated supply needs and contract in advance with facilities and processors for crop delivery.

SECTION 1:

30,000 Feet (continued)

There are many grain elevators and processing facilities with procedures in place to identity-preserve soybeans and soy products throughout the system. Third-party certifications are available such as The Non-GMO Project and the US Identity Preserved landmark protocol. In the end farmers and processors want to supply you with the product you want. Growing is their business, and their business grows your business!

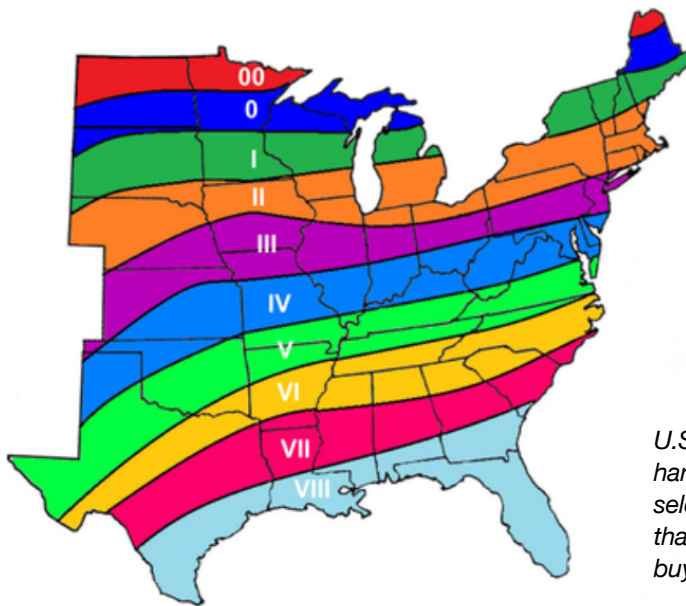
U.S. SOYBEAN PRODUCTION CYCLE & GENETICS

U.S. soybeans are planted in April or May and harvested in September or October. Farmers select varieties based on their growing latitude, that also satisfies their farming operation and buyers' product's needs.

Farmers are also concerned about a soybean plant's ability to resist diseases and work collaboratively with each other and industry professionals to ensure a safe and healthy environment conducive to the plants successful development to maturity.

Soybeans are generally harvested at 13.0 -15.0% moisture. Unlike corn, the moisture content of soybeans is difficult to control and fluctuates in the field and again in storage!

Soybeans are moved with belts into long-term storage until ready to use. Mechanical heat of any kind damages the proteins so farmers use ambient air circulated by fans keeping soybeans at or below 13% moisture.



U.S. soybeans are planted in April or May and harvested in September or October. Farmers select varieties based on their growing latitude, that also satisfies their farming operation and buyers' product's needs.

SECTION 2:

The Goods

A DESCRIPTIVE REPRESENTATION OF MANY KEY U.S. SOY PRODUCTS

By now you may have already noticed that soy products may use differing terminology based on region. In the U.S., soybean meal refers to the basic ground soy protein product that is hexane extracted. Soy cake and/or soy flake could refer to soy meal in your region(s) but note that those terms can be misunderstood when speaking with suppliers.

The following provides a general outline of the more common types of soy protein products, their basic characteristics and typical standards/specifications.

SOYBEAN MEAL

Soybean meal that's hexane extracted typically contains 44% to 48% protein, contains less than 1.5% soybean oil, and is used primarily for animal food. The protein difference factor is almost always determined by the amount of soybean hulls that are blended back into the meal. The first step in processing soybeans is to remove the hulls (shell, outer skin, seedcoat). The hulls are high in fiber and depending on market variables can be processed and sold elsewhere as a fiber input or they are blended back into soybean meal, which decreases the protein content but gives value to the hulls. The 48% protein soybean meal will have very little or no hulls. The 44% meal on the other hand almost always contains hulls.

Hexane is utilized for its high-efficiency performance producing more oil output with less required energy vs. mechanical extraction. After extraction, hexane is removed from the oil with a system of steam and vacuums. Similarly, soy meal is toasted to remove any remaining hexane. Hexane extracted soy products are stable over time due to a 1.5% or less fat content, store well, and are considered the standard request for most soy meal buyers.

The mechanical method of extracting oil is a non-solvent technique using a system of pressure and heat to extract oil and make soy meal. It is not as efficient as Hexane to produce but it does present excellent value-adds in a more natural, non-chemical, product and typical fat content ranging from 4 to 7%. The additional calories from fat earns premiums from livestock producers through increased nutritional utilization and decreased days to market.

SOY HULLS

Hulls are a by-product of oil crushing and contain 10-12% crude protein, 36-40% crude fiber and 9-13% moisture. They are sometimes pelletized and sold as a stand-alone product for cattle feed.

DEFATTED SOY FLOUR AND GRIT

Defatted soy flour and grit contains 52 to 54% protein. Its primary applications are baking, animal and pet food, functional foods such as nutritional bars and energy drinks, industrial applications and meat alternatives.

SECTION 2:

The Goods (continued)

TEXTURED SOY FLOUR

Textured soy flour contains 52 to 54% protein. Its primary applications are plant-based meat production, human, livestock and pet food for crop delivery.

SOY PROTEIN CONCENTRATE (SPC)

SPC contains 62 to 69% protein. Its primary applications include meat alternatives, animal and pet food, industrial applications, functional foods and dairy alternatives and beverages.

ISOLATED SOY PROTEIN (ISP)

Sometimes called Soy Protein Isolate or SPI. It contains 86 to 87% protein. Its primary applications include meat alternatives, industrial applications, dairy and alternative beverages, animal and pet food, functional foods and baking.

SOY LECITHIN

Soy lecithin is a product extracted from soybean oil during the refining process. It is commonly used as an emulsifier and when further processed is a common baking product. It is used in various confections, dairy products and instant foods. Most chocolate contains soy lecithin.

SOY MOLASSES

Soy molasses is a brown viscous syrup with a typical bittersweet flavor. It is a byproduct created when removing sugar/ carbohydrates from defatted soy made into SPC. This brown viscous syrup is used as an animal food ingredient as a pelleting aid, soybean meal additive, and used in liquid animal feed diets.

COMMERCIALY PRODUCED SOYBEAN MEAL & CRUDE OIL

A few large companies manufacture most solvent-extracted soy products. Suppliers can offer product to foreign buyers, U.S. and international trading companies.

NATURALLY PRODUCED SOYBEAN MEAL & CRUDE OIL

There are many small-scale suppliers of expeller-pressed or full-fat products. Their capabilities to sell to foreign buyers will vary greatly. Many have a level of skill and experience in exporting products while others may not. Working with expelling equipment manufacturers is a great way to get connected with this type of product.

WHOLE SOYBEAN SUPPLIERS

Many supply options exist for whole soybeans. It can range quite literally from a single farmer to large international trading companies. As with any transaction, be sure the supplier you are working with has experience in international trade and sufficient expertise to gather the required documents and certifications you need for a successful import. Know that sourcing soybeans directly from a farmer does not necessarily guarantee the lowest price or best quality BUT in time a direct connection should be the most reliable supply option. Farmers are very often locked into local price economics that may make their soybeans too expensive to export. In addition, farmers may not have the ability to access low-cost freight or economies of scale for loading volume. Generally speaking, farmers are not interested in getting involved with exporting their own soy because of the risk, complexity and tough competition with other firms who have the required scale and experience. That said, technology and the common use of shipping containers for exporting soybeans over the past 15 years have created a new group of smaller-sized soy exporters.

If the trend continues, larger U.S. soybean farmers may one day soon find themselves in a position where it is worthwhile to export their own soybeans. Value added/ specialized and niche soybean varieties tend to allow smaller entities to become profitable exporters.

SECTION 2:

The Goods (continued)

Soybean Processing Basics: Products



While most soybean production ends up as components for animal feeds, a notable and growing percentage of the product is used in consumer goods and industrial applications.

Soybean Meal

FEED USES: Poultry Feed, Swine Feed, Cattle/Dairy Feed, Aquaculture, Fish Feed, Pet Foods, Fox/Mink Feed

Loose, Ground or Pelleted Hulls

Animal Feed, Filler Material

Soy Protein Isolates / Soy Flours / Textured Flours / Textured Concentrates / Soy Protein Concentrates

EDIBLE USES: Baby Food, Bakery Ingredients, Beer & Ale, Candy Products, Cereals, Coffee Creamers, Crackers, Diet Food Products, Grits, Hypo-Allergenic Milk, Meat Products, Noodles, Powdered Beverages, Prepared Mixes, Sausage Casings, Yeast

INDUSTRIAL USES: Adhesives, Analytical Reagents, Antibiotics, Asphalt Emulsions, Binders - Wood/Resin, Calf Milk Replacers, Cleansing Materials, Cosmetics, Fermentation Aids/Nutrients, Films for Packaging, Inks, Leather Substitutes, Paints - Water Based, Paper Coatings, Particle Boards, Pesticides/Fungicides, Pharmaceuticals, Plastics, Polyesters, Textiles

Biofuels / Food Additives / Dietary Supplements

EDIBLE USES: Coffee Creamers, Cooking Oils, Margarine, Mayonnaise, Powdered Milks, Salad Dressings, Salad Oils, Sandwich Spreads, Shortenings

INDUSTRIAL USES: Anti-Corrosion Agents, Anti-Static Agents, Biofuels, Caulking Compounds, Core Oils, Disinfectants, Dust Control Agent, Electrical Insulation, Epoxies, Fungicides, Inks-Printing, Linoleum Backing, Lubricants, Metal-Casting/Working, Oiled Fabrics, Paints, Pesticides, Pharmaceuticals, Plasticizers, Protective Coatings, Putty, Soap/Shampoo/Detergents, Solvents, Vinyl Plastics, Wallboard, Waterproof Cement

Lecithin

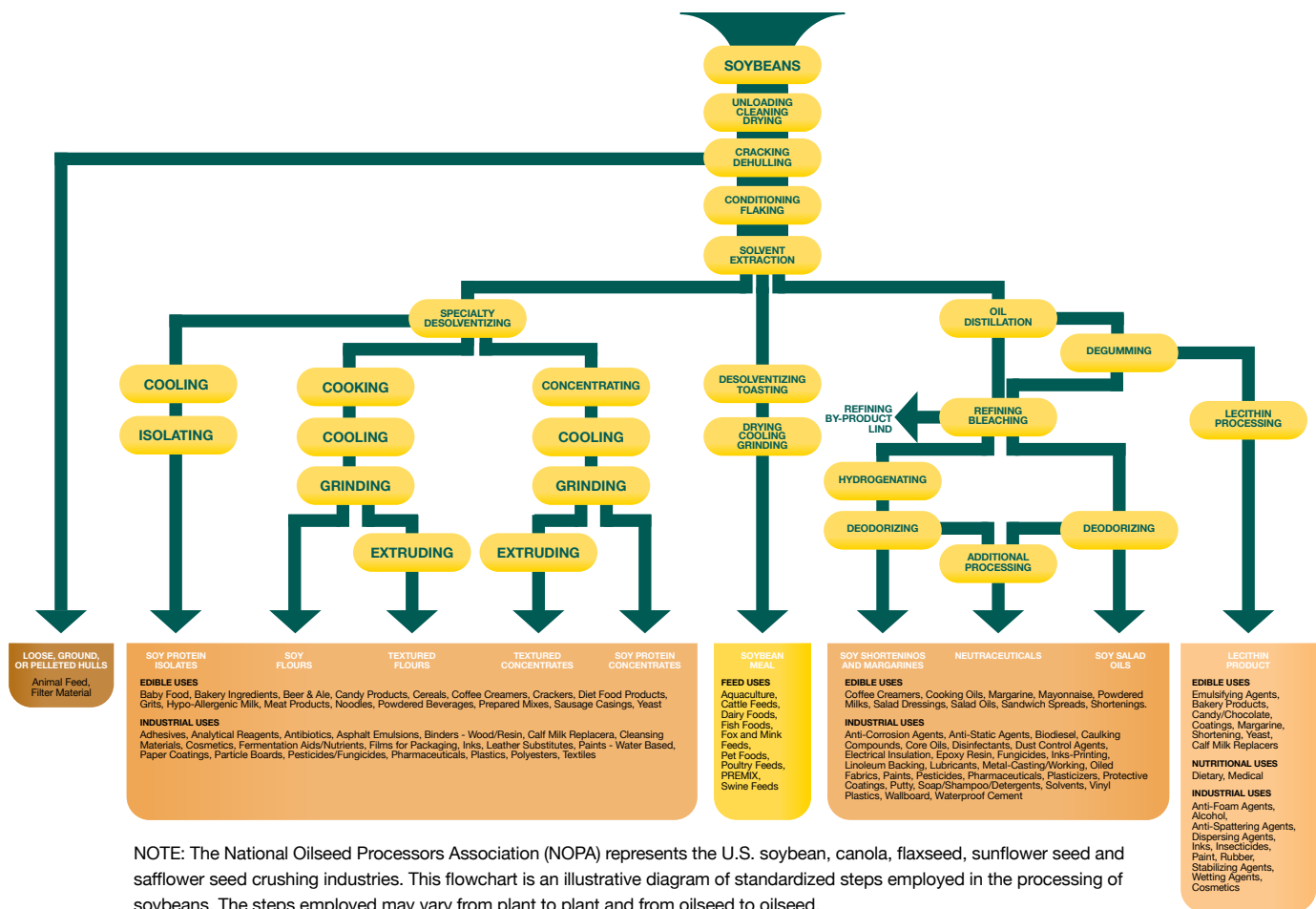
EDIBLE USES: Emulsifying Agents - Bakery Products, Candy, Chocolate, Coatings; Nutritional Uses - Dietary, Medical

INDUSTRIAL USES: Anti-Foam Agents — Alcohol, Yeast; Anti-Spattering Agent - Margarine; Dispersing Agents — Inks, Insecticides, Paint; Stabilizing Agent - Shortening; Wetting Agents - Calf Milk Replacers, Cosmetics

SECTION 3: *The Flow*

A VISUAL EXPLANATION OF U.S. SOY PRODUCT FLOWS FOR CREATION OF SOME OF THE MOST POPULAR PRODUCTS.

Soybean Processing Flowchart



SECTION 4:

Let's Go!

LESSONS ON HOW TO PURCHASE U.S. SOY PRODUCTS

An importer seeking a U.S. Soy product, MUST clearly understand and convey definition with regards to the specific product being sought.

U.S. suppliers are inundated daily with inquiries. In addition to product and ingredient manufacturers, U.S. suppliers receive numerous inquiries from brokers, middlemen, data collectors, and price discoverers. Exposure and experience combined with product and market knowledge provide quick insight to U.S. suppliers as to whether a new inquiry has potential. Most inquiries lack credible or accurate definition and rarely lead to a viable purchase, so receivers label the inquiry as a "UFO" (Unidentified Flying Object) and simply do not respond. To avoid being dismissed and classified as a "UFO," here are some key strategies to utilize.

RESEARCH YOUR PRODUCT

A soy protein isolate used for a beverage differs from a soy isolate used as a meat extender. Soybeans for tofu are not the same as soybeans used to make sprouts, tempeh, or natto. Certain soybeans are more efficient producers of soymeal and soy oil.

Determine key quality factors and fully understand your end use product(s) before inquiring.

Investigate how non-UFOs in your region, or region nearest to you, currently source similar U.S. Soy product(s). What works for them will likely work for you.

SPECIFY YOUR REQUIREMENTS

Specifications must be specific and included with any inquiry.

Avoid using subjective product descriptions such as "top quality," "good bean," or "newest variety;" rather, utilize quantifiable terms such as seed size, hilum color or protein

content. Include requirements for Certificate of Analysis (COA) or any other needed test report or documentation.

Include packaging type needed such as 30kg bag, 1mt tote or bulk loose in container. Disclose specific packaging needed such as a poly bag with weave and denier requirements. Additionally, if you need a container liner make sure to request a 4, 5 or 6 sided liner to avoid disappointment upon delivery.

Convey realistic volume expectations based on the needs of today. Say something like: "My demand may grow to XXX metric tons (MT) but today I am looking for XXX MT."

Shipping requirements are one of the largest cost factors and most complex components for a US exporter so details must be precise. Options can include FOB (Freight on Board) at the processor's location, DAP (Delivered at Place) to a US rail/container yard, or CFR to your in-country port. If you need insurance perhaps you request CIF?

Speak clearly and avoid acronyms for first connections: ETD can be translated as estimated time of departure OR as estimated time of delivery, resulting in increased costing and a 30+ day supply disruption.

When price talks begin, avoid pushing for a price offer too soon or negotiating on the first few exchanges. Accumulating all costs related to your specifications takes a bit of time. The usage of phrases such as "guaranteed LC," boldly representing the ability to pay, or requesting credit terms in the initial inquiry, all present risk to suppliers and greatly increase risk of a UFO label.

SECTION 4:

Let's Go! (continued)

COMMUNICATE

Relationships start with good communication. Buyers and suppliers learn together and grow together with open and honest exchanges.

WhatsApp, Facebook, Line or WeChat are all great platforms, but know that some suppliers only utilize email or phone calls by choice, ability, or corporate directive. Ask your supplier their preferred method of communication to get started and in time they will try their best to learn to accommodate your platform.

If you are new to a U.S. Soy product or market channel and do not know all the details of that specific product and its relative market, you should explain all that you know and all that you do not know. Are you a tofu maker, an animal food producer, or...? When communicating with potential suppliers disclosing such details are crucial to making a connection.

U.S. Soy suppliers have years of experience working with importers and offer targeted and efficient U.S. Soy product solutions based on their extensive knowledge of end-use

product performance. Finding the right partner opens doors of opportunity. Utilizing WISHH to aid in that first contact is a great connection that helps bypass the UFO firewall.

It is extremely difficult to cultivate a relationship with a supplier if you come across as overly secretive, too informed, or unrealistically successful. These types of extremes are quickly tagged as UFO's. Avoid overstated volume requirements. Refrain from requesting exclusivity due to big business status. Forego using unattainable or invalid quality specifications or conveying product price expectations not consistent with market norms.

Remember, in this first step, you are opening a door and not closing a deal. The goal is to establish a connection using clearly defined needs and expectations. Suppliers appreciate your forthrightness and in turn will strive to help you get the U.S. Soy product(s) you need. Be patient!

SECTION 5:

Tactical Assistance

ENLIST WISHH AS YOUR GUIDE TO SUCCESS

Successful expeditions require tactical guidance. WISHH is tasked and staffed with U.S. Soy industry experts working hard with an end-goal of seeing you succeed.

Perhaps you are the type of person who reads the manual first and then attempts assembly and due to your entrepreneurial drive and business skills you have been proven successful. You have done your research, and defined factors such as quality, quantity, and price expectation. You have considered all the essential parts of a contract, done everything right, and have not been successful in connecting to a viable U.S. Soy supplier.

U.S. Soy products are part of a complex, yet well-supported industry offering many types of assistance throughout all supply chain sectors. Now is the time to ask for help and WISHH is here to assist. Let's go!

U.S. EMBASSY, USDA, FOREIGN AG SERVICE (FAS)

A soy protein isolate used for a beverage differs from a soy isolate used as a meat extender. Soybeans for tofu are not the same as soybeans used all costs related to your specifications takes a bit of time. The usage of phrases such as "guaranteed LC," boldly representing the ability to pay, or requesting credit terms in the initial inquiry, all present risk to suppliers and greatly increase risk of a UFO label.

TRADE ASSOCIATIONS

U.S. Soy has many factions supported through trade associations, alliances and other partnerships focused exclusively on getting you the exact product you are seeking. Some have US and non-US operations and could be closer to you than you realize. Connections can be made and WISHH is here to help!

SUPPLIERS' REGIONAL OFFICE

Many U.S. Soy suppliers are large international firms and likely have an established corporate presence in your region. If this is the case, contact WISHH to expedite locating a local or regional office responsible for your product type and inquire about getting connected. It is important to connect with in-region staff to discover the current preferences of existing companies and their consumers within that structure. Even if you've tried and have no reply or do not know of regional suppliers, do not give up. WISHH is here to help!

U.S. STATE-LEVEL MEMBERSHIP ADVOCATES

If you can travel to the U.S. in-person, many of the U.S. soybean producing states have local offices with dedicated members charged with ensuring soybean farmers' success, including new market opportunities to importers. They are eager to meet with you, learn about what you do and, in some cases, can directly connect you to processors or farmers supplying the product you seek. WISHH maintains excellent relationships with these groups and can assist in making connections. WISHH is here to help!

U.S. SOY PRODUCT EXPOS

Seek out trade shows in your region where potential suppliers may be present. These events typically include representation from all the above-mentioned contact options and can be a great single connection point for you to make multiple level in-person connections that can really jump start your progress. Most have virtual connection options as well. Study the list of exhibitors and attendees and determine which event would best meet your current needs. Take advantage of trade shows in your region and remember, WISHH is here to help!

THE INTERNET

The internet provides many research and connection options. In addition to Facebook, Instagram, websites, and Google, be sure to employ LinkedIn to directly connect with a sales representative. www.linkedin.com. Suppliers have profile and possibly contact information posted. Additionally, suppliers' connections are a quick route to many of their competitor's providing many potential suppliers in one location. Review personal and company profiles to find the best fit.

SECTION 5:

Tactical Assistance (continued)

U.S. EVENTS

- IFT FIRST Expo
- Natural Products Expo West/East
- Supply Side West/East
- US Identity Preserved International Summit
- Northern Crops Institute (NCI) various courses
- International Production and Processing Expo (IPPE)

INTERNATIONAL EVENTS

- World Food Fair
- Expo Alimentaria – Costa Rica
- Yummy Food Expo
- Food Japan
- Gulfood
- Thaifex
- Food Export USA, various events
- USDA Trade Missions
- Victam

There are many opportunities to connect with U.S. Soy suppliers virtually and in-person...remember, WISHH is here to help!

SECTION 6:

Language Lessons

GET FAMILIAR WITH THE TALK OF THE TRADE

Technology is a great tool for bridging traditional language barriers. However, translation is NOT interpretation. Breakthrough the barrier by learning the language, terminology, and slang of the soy world.

This section is not a lesson on how to trade grain, but rather a general introduction to the basic mechanisms and jargon used by the industry when communicating pricing, values, and contracting periods.

PRICING

MARKET PRICE

Commonly referred to as Chicago Board of Trade (CBOT), futures, or simply, “the market.” Market prices fluctuate minute to minute daily as U.S. soybeans are an exchange traded commodity. Daily market hours are in U.S. Central time (Chicago), Sunday to Friday 19:00~07:45, and Monday to Friday 08:30~13:20. U.S. suppliers will typically only refer to market trading pricing relative the 08:30~13:20 “day trade.”

MARKET PRICE PERIOD

U.S. soybeans are bought and sold relative to pre-determined market delivery pricing periods. Click the link to connect to a price reporting platform for soybeans:

Link to soybean market price chart:

<https://www.cmegroup.com/markets/agriculture/oilseeds/soybean.quotes.html>

Periods are typically commodity specific and for soybeans are represented by the CME platform for CBOT data as follows:

Z = a CME group classification

S = Soybeans

F, H, K, N, Q, U, X = soybean periods

The number after the period is the calendar year trading and not the crop year growing.

ZSX4 – November 2024

ZSF5 – January 2025

ZSH5 – March 2025

ZSK5 – May 2025

ZSN5 – July 2025

ZSQ5 – August 2025

ZSU5 – September 2025

ZSX5 – November 2025

Other trading platforms may vary and only represent SX4 or similar. With CME, the first 3 letters of the symbol (ZSX) remain the same year to year, the only change is the numeral change coinciding with the current calendar year. 2025=5, 2026=6...

Prices shown on the CBOT for soybeans are expressed in USD/bushel without decimal separation of dollars and cents. The price of 1244 for soybeans on the electronic trading platform represents \$12.44 USD/bu. In most cases the fractional value of cents, represented as 32nd's of a cent, are ignored by suppliers when quoting, indicating and writing contracts. As an example, a CBOT price of 1244'4 will likely be expressed as \$12.44 or \$12.45 at suppliers' discretion.

Conversion of price/bu to price per Metric Ton (MT) requires multiplication of USD/bu price times 36.744.
\$12.45 /bu = \$457.46 USD/MT.

SECTION 6:

Language Lessons (continued)

Pricing typically happens before the period stated in a contract, not during the current period. The pricing movements through the calendar periods are a function of risk protection corresponding with financial measures for grain trading and are not a point of price flex nor negotiation for suppliers.

When a supplier indicates pricing vs “the Jan” in a contract they are communicating to you via contract that the CBOT pricing period to be used is the next January occurring on the calendar. Since it’s June 2024 at the time of publishing this guide, “the Jan” today is ZSF5. If you are reading this in June of 2025 then “the Jan” is ZSF6, and so forth.

The term “nearby” refers to the next pricing period. For example, a spot price contract for 23 crop written in June 2024, would be priced using the July 2024 futures because ZSN4 is the next forward available “nearby” pricing period within the 23 crop year (ending September 2024).

For new crop Advance Purchase Contracts (APC), the new crop nearby period is Jan 25 futures. At 11:59:59 on December 31st, the nearby rolls from the Jan to March period and March becomes the new nearby for new contracts or pricing orders. Jan/Feb contracts and pricings reference March futures period.

Pricing for soymeal on the CME CBOT platform is identified as ZM (remember whole soybeans are ZS). Soymeal trades in different CBOT periods than whole soybeans too so be sure to pay attention!

Link to soymeal market price chart:

<https://www.cmegroup.com/markets/agriculture/oilseeds/soybean-meal.settlements.html>

Soymeal price is displayed with an actual decimal and has a value as US Short Tons (NOT MT!) A price of 350.5 is \$350.50 USD/ST.

Convert to ST of soymeal to MT using a multiplication factor of 1.102. CBOT price of 350.5/ST X 1.102 = \$386.25/MT.

CONTRACTING

FLAT PRICE CONTRACT

Soybean products are contracted at a rate inclusive of all terms/variables of the contract. This style is used for more refined soy products such as isolates, powders, or lecithin. For whole soybeans or soy meal it is typically used only for small lots with prompt movement. A flat price approach for whole soybeans and soymeal can sometimes be a winning strategy for low prices but the buyer risks overpaying or out of stock conditions if not experienced.

SPOT PRICE CONTRACT

Similar in most ways to flat price contracts, except you as the buyer are asking the supplier to sell you the beans at the market trading price of the moment during active market trading hours. In a docile market time or if a quick ship is needed, spot contracting is a low effort method to utilize with a trusted supplier.

PREMIUM CONTRACT

A premium contract is typically utilized for buyers in need of pricing inclusive of containerization and freight CFR to buyer’s destination.

The term premium refers to an amount (cost) in addition to the relative CBOT value. A typical premium includes dunnage, supplier overhead, supplier margin and freight to a buyer’s destination (CFR).

A supplier indicating an \$11 premium for US Identity Preserved soybeans is providing a per bushel premium (cost) in addition to the current CBOT price that day. Using the \$12.45/bu value from the previous pricing section, add \$12.45 + \$11 = \$23.45 USD/bu CFR. Multiply \$23.45 USD/bu X 36.744 = \$861.65 USD/mt CFR your port.

Soybean premiums are typically valid for 1 month but verify with your supplier as global freight, fuel surcharges, inflation and storage all contribute to premium fluctuations.

SECTION 6:

Language Lessons (continued)

ADVANCED CONTRACT

Sometimes referred to as APC, cost plus, priced later, open board or most commonly, a basis contract. Essentially an APC is a premium contract taken out over a long period of time to ensure the required tonnage of a specific supply (for example a US Identity Preserved variety soybeans) is reserved and available for shipping in the future crop year(s) as buyer's need.

An APC also provides time to watch market movements and relative price changes over time and in real time, providing an opportunity to offset cost risk.

Suppliers prefer APC's as well because they too can offset risk and offer buyers a more favorable price, increasing the chance of connecting on some business.

Talk to your supplier(s) about APC's as they are the best collaborative contracting option for exporters and importers, especially soy food and beverage manufacturers, to transact business and minimize cost risk.

Beware! Playing the market can result in loss too. Rely on industry experts and reports for pricing timing decisions. The ultimate risks and/or rewards are yours.

TERMINOLOGY CLARIFICATION

BASIS

The "basis" is simply the price difference between the market price established at the Chicago Board of Trade (CBOT) and the total price being bought or sold. If CBOT is \$9.00 per bushel and the price of soybeans in Decatur is \$9.50, the Decatur soybeans would have +\$0.50 basis. Similarly, if the price of soybeans in Decatur is \$8.50 then Decatur soybeans would have a -\$0.50 basis. Basis communicates supply and demand: negative communicates supply is good and delivery isn't wanted, positive basis fosters grain movement.

QUANTITY

Total contract volume including breakdown of per month volume and per shipment volume requirements. Volume over time accuracy yields a more competitive price offering.

CONVEYANCE

Specify full container (FCL), less than container load (LCL) or airfreight. Any specific routing requirements such as west coast US shipping only must be outlined prior to requesting pricing. Clarify buyer or seller to arrange freight.

UNIT OF MEASURE

Most U.S. Soy suppliers communicate pricing and volume using Metric Tons (MT). Some offer in terms of US bushels (60lb), short ton (ST – 2000lb) or US pounds. If you are a per gram/kg buyer for ingredients such as isolates, lecithin or oils, be sure to inform your buyer.

CURRENCY

Some larger U.S. suppliers can work with non-US currencies but prepare for suppliers to discuss prices and conduct business using only U.S dollars (USD).

DOCUMENTATION

Provide suppliers with a previous document packet as an example of required documentation, assuring adherence to your documentation requirements. Examples are OBL or Seaway Bill, COA, Phytosanitary, etc... Electronic documents save cost and reduce risk so make every effort to adopt technology.

INSPECTION/TESTING

Each country has unique inspection and testing requirements. Inform your prospective supplier of any/all inspections and tests required. As with documentation, if you don't need certain testing, you might be able to lower your purchase price.

WEIGHTS

Discuss with supplier any weight minimums and maximums per container to avoid incurred costs and/or shipment rejection at points of transition. Weights are typically origin weights.

SECTION 6:

Language Lessons (continued)

INSURANCE

Insurance is not included as standard. Clarify with supplier what/if any insurance is needed, coverages and a value requiring insured.

DISPUTE RESOLUTION/TRADE RULES

The most common trade rule on US contracts is agreement to arbitration by the National Grain and Feed Association (NGFA). Another possible option more suited to international transactions is the Grain and Feed Trade Association (GAFTA). Some suppliers might not be able to offer both.

FOB

Free on Board - Seller agrees to load product onto the defined vessel (container, barge, ship, railcar, etc.) at the defined location specified in the contract. The buyer agrees to take ownership and the responsibility to arrange and pay for the freight from the point of FOB.

C&F / CFR

Cost & Freight - Seller agrees to load product on the defined vessel and pay for freight to the defined destination. The buyer assumes ownership when product is loaded on vessel and assumes risk for arrival to destination port.

CIF

Cost, Insurance, Freight - Like C&F/CFR with the addition of buyer owned insurance to the defined destination.

DAP

Delivered at Place - Shipped to the destination specified in the contract with ownership transferal upon arrival.

DTHC/THC

Verify responsibility for Destination Terminal Handling Charges. Generally, buyers bear DTHC but in some countries DTHC is a required inclusion for automated customs clearance.

PAYMENT TERMS

Some buyers require cash in advance of container loading for startup business. If that is the case, accept it and start with a small order. On subsequent orders try a strategy such as paying a small percentage at the time of contracting (5 or 10% - but no more) with balance due at the time of OBL finalization. Whatever the payment terms, have them formalized at the time of contracting and DO NOT WAVER nor try and amend payment terms. Financial responsibility to contracts with suppliers will legitimize your business in the mind of the supplier and quickly solidify a long-term relationship.

This was a BIG section of the manual and may require another reading. It's also a great tool to keep at-hand for review at the time of contract discussions! The terms listed are not all-inclusive and a buyer does not need to have answers to all these questions prior to an inquiry. However, all these questions will likely be answered in the form of a contract and providing suppliers with as much detail as possible from the start separates you from the UFO's.

SECTION 7:

Seal the Deal

CREDIT AND OTHER IMPORTANT RISK FACTORS

There is no room for oversight, miscalculations, or assumptions when trading commodities. A buyer that honors contract terms, pays on time and communicates well, reduces suppliers' risk, receives better service, and ultimately more competitive prices.

It may seem like a great deal if the supplier gives you payment terms, but don't be fooled because there are associated costs for terms!

THE CREDIT CHECK

A credit check is a supplier's way of getting to know a buyer. Suppliers want to know who they are doing business with and their general financial condition. A buyer should help the supplier learn about a buyer's company and be open and transparent in the process. Buyers requesting credit from the supplier early in the relationship are identified as UFO's.

Step one is to deliberately establish and convey a positive financial profile and make it available to a supplier. Reveal key information such as: ownership structure (corporation, partnership, sole proprietorship, etc.), history, scope of operations, banking information and references. Put this together in a simple, easy-to-read document. Or, even better, post it on your website for all to see.

Be prepared to submit the following:

INCOME STATEMENT

BALANCE SHEET

CASH FLOW STATEMENT

As discussions progress, a supplier may request more detailed financial documents to make their assessment. This is a good sign and means they are actively pursuing your inquiry!

After taking a high-level look at the financial statements, the supplier will likely do some basic ratio analysis. The most common ratios credit analysts will calculate from your financial statements are the following:

CURRENT RATIO

Defined as Current Assets divided by Current Liabilities

QUICK RATIO

Defined as Quick Assets divided by Current Liabilities

QUICK ASSETS

Liquid Current Assets

DEBT-TO-EQUITY RATIO

Defined as Total Liability divided by Shareholder Equity

Suppliers' company size plays into the outcome of the credit decision. In the case of larger suppliers, the ingredient salesperson is likely not allowed to conduct a financial assessment or make the decision to offer credit. There is likely a "Credit Department" and they are the ones who decide. If they find favorable information on a buyer's company, the likelihood of receiving credit terms increases.

For smaller suppliers, the salesperson may be very active in the financial analysis, or perhaps the owner of the company and likely has already decided not to offer any terms due to cash-flow risk. You did not ask your bank to sell you soybeans, so do not ask your soybean supplier to be your bank.

If you need credit to get started, it is certainly ok to discuss this with suppliers. Note that in cases where credit terms are extended, the credit is secured through product price increases.

SECTION 7:

Seal the Deal (continued)

THE LETTER OF CREDIT

A letter of credit is perhaps the most common form of payment utilized in international transactions. This is because it provides a third-party vehicle for both the buyer and seller.

A letter of credit (LC or L/C) is a commitment on the part of a bank to pay after a set of defined requirements are met. If you pursue this payment method, start by having a conversation with your bank. Here are some of the very basic participants in a LC transaction:

APPLICANT

That's you, the buyer. The applicant applies to a bank for an LC. Be prepared to have the ability to pay in cash or have a line of credit in place with a bank to make payment.

BENEFICIARY

This is the supplier, the seller who gets paid. The beneficiary is responsible for delivering all the required documents to the bank.

APPLICANT'S BANK

This is the bank that will manage the transaction. Sometimes this is also referred to as the "issuing bank". The applicant along with the applicant's bank will write the terms of the LC and provide them to the supplier for acceptance. This bank will review all the documents prior to payment and will determine that all the written LC requirements have been met.

ADVISING BANK

Also known as the Beneficiary's Bank in the United States. This bank receives the documents from the seller and forwards them to the applicant's bank.

Note - It is common for suppliers to request a confirmed LC, especially if a buyer is new or there are some uncertainties about a trade. It could be political trouble in a country, economic strife, or general uncertainty of the bank or buyer's ability to perform.

A confirmed LC is a guarantee on the part of the beneficiary's bank that this bank will pay if for some reason the applicant or the applicant's bank does not pay. The confirming bank is usually a U.S. bank or a first-class bank outside the U.S. This guarantee has a cost and is dependent upon banking relationships and ultimately the credit-worthiness of the applicant. The reputation of the confirming bank is important. The beneficiary often relies on the confirming bank to assess the risk and ultimately to perform.

GET LISTED WITH DUN & BRADSTREET

If your company is not listed with Dunn & Bradstreet, it is highly recommended that you work to get listed immediately.

A D&B credit score is very important to credit analysts and is perhaps the single most important piece of data that determines the willingness of a supplier to do business.

U.S. credit analysts rely heavily on D&B ratings for valuable financial and credit information about companies around the world. If you are listed with D&B, you should be ready to supply your "DUNS" (Data Universal Number System) number to the ingredient supplier. When the credit analyst submits your DUNS number on the D&B website, a wealth of information about your company's financial health can be retrieved. Most importantly, D&B issues a credit score to all the companies listed with them.

If you do not have a DUNS number, you can get one here:

<https://www.dnb.com/duns/get-a-duns.html>

If the linked site does not list your country, go to the Dun & Bradstreet homepage from the following link and click the small globe in the upper right corner to select your country/region.

<https://www.dnb.com>

CONCLUSION

You KNOW your business so be prepared to share your knowledge of products, the industry and general trade practices when sourcing U.S. Soy and soy products. Below are some reminders for quick reference.

DO NOT

- Try to impress a supplier by conveying excessively large volume potential above and beyond what you realistically need.
- Ask for extraordinary quality that may be impossible or overtly expensive to supply.
- Push a supplier for a price before key details are determined.
- Expect a supplier to finance your operation.

DO

- Educate yourself by learning and understanding basic terminology used in the U.S. Soy industry.
- Communicate honestly and be forthright with information, explaining in detail to potential suppliers how you are using the product today or foresee using it once procured.
- Freely offer information about yourself and the company, including detailed financial information. Tell your story making sure your supplier has a clear picture of who you are and what your company is about.
- Articulate exactly what product quality and volume you seek.
- Be ready to pay immediately.

Above all, stay positive and do not be discouraged! All worthwhile long-term relationships take time to cultivate. While it may seem overly difficult to land a purchase contract, many of your competitors around the globe are facing the same challenges. When you persevere, you are giving yourself a competitive advantage.

WISHH-ING YOU GOOD LUCK!!!



World Initiative for Soy in Human Health (WISHH)
American Soybean Association
+1-314-576-1770
12647 Olive Blvd, Ste 410, St. Louis, Missouri 63141
www.wishh.org



Checkoff programs from the United Soybean Board and Qualified State Soybean Boards support WISHH's strategy to build new markets for U.S. Soy through the improvement of health, nutrition, and food security.