



## Weekly Outlook: Soybean Balance Sheet Projections Remain Unsettled

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The USDA will release the monthly WASDE report on October 9. For soybeans, there are a number of potential changes in the supply and consumption projections that were made in the September report.

On the supply side, the forecast of planted and harvested acreage of soybeans in the October report will reflect any new information coming from the National Agricultural Statistics Service (NASS) crop production survey as well as administrative data, primarily from the Farm Service Agency (FSA). Producers participating in federal farm programs report planted acreage to the FSA and reporting is typically nearly completed by October. Those reported plantings provide additional input into the NASS forecast of planted and harvested acreage. In the previous five years, the NASS forecast of harvested acreage in October (November in 2013) ranged from about 700,000 acres less than the September forecast to about 1.1 million acres more than the September forecast. Based on the FSA reports of planted acreage in September this year, we expect the October NASS forecast of harvested acreage to be less than the September forecast of 83.5 million acres (see Weekly Outlook for [September 21, 2015](#)).

The October forecast of the U.S. average yield of soybeans will reflect information collected in the late September/early October survey of a sample of producers as well information collected in field measurements in 11 states during the same time period. Over the past 44 years, there was a slight tendency (55 percent) for the yield forecast to increase in October following an increase in the forecast from August to September, as was the case this year. Basing yield expectations on a limited number of non-random farmer yield reports during the first half of the harvest can be very misleading. Those reports this year, however, have been heavily weighted by instances of very high yields across much of the Midwest. The exceptions have been in the areas that received excessive precipitation early in the season. While some expect yields of later-planted acreage to be lower, an increase in the U.S. average yield from the September projection of 47.1 bushels would not be a surprise.

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The magnitude of old crop soybean supplies on hand at the start of the 2015-16 marketing year (September 1) was estimated at 191 million bushels in the USDA's [Grain Stocks](#) report released on September 30. That is 19 million bushels less than forecast in the September WASDE report. Smaller beginning stocks and a smaller forecast of harvested acreage would reduce the projected supply of soybeans for the current marketing year, while a higher yield forecast would increase the supply forecast. Our expectation is that the net result will be a larger projection of marketing year supplies than the 4.175 billion bushels forecast last month. Expectations by market participants about the direction and magnitude of the change are widely varied.

The WASDE report will also update projections of the magnitude of the domestic crush and exports during the current marketing year. Expectations for changes in the projection of the domestic crush may be influenced by the newly released [Fats and Oils: Oilseed Crushings, Production, Consumption and Stocks](#) report. This USDA report replaces the Census Bureau report of monthly soybean crush that was discontinued after June 2011. Since then, USDA has estimated the magnitude of the marketing year crush based on National Oilseed Processor Association (NOPA) monthly estimates of crush by member firms. From 2010-11 through 2014-15, the USDA estimate of the marketing year crush has typically been about five percent higher than the NOPA crush estimate, consistent with the previous relationship between annual NOPA and Census crush estimates. The newly released report has estimates for the soybean crush in May through August this year. Those estimates exceeded NOPA estimates by five percent for May, six percent for June, seven percent for July, and eight percent for August. While monthly ratios of NOPA and Census crush estimates varied historically, these newly released estimates hint that the recent crush may have actually been larger than estimated in the WASDE reports. If that is the case, the projection for the crush during the current marketing year could be increased modestly from the September projection of 1.87 billion bushels.

Without much new information about the likely size of the 2016 South American soybean harvest, expectations for the marketing year export projection will likely reflect recent export sales activity. Weekly sales were large for the week ended September 24, reflecting large purchases by China and some very large daily sales have been reported since then. Still, export commitments are running well behind those of last year, suggesting that the September projection of 1.725 billion bushels will not be increased in the October report.

The upcoming USDA projections are not expected to alter expectations for abundant year-ending stocks of soybeans. Those stocks were projected at 450 million bushels last month and the projection is expected to be near that level in the October WASDE report. Last September, 2014-15 marketing year ending stocks were projected at 475 million bushels. Those stocks turned out to be only 191 million bushels. Such a development is not expected this year.