



Will Soybean Consumption Reach the USDA Projection?

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With plentiful supplies of soybeans available, the magnitude of 2014-15 marketing year ending stocks of U.S. soybeans has limited implications for old crop prices. Those stocks, however, will reveal the strength of demand for U.S. soybeans, will be part of next year's supply, and could have some influence on prices during the 2015-16 marketing year.

The [USDA's April 9, 2015 WASDE report](#) projected year-ending soybean stocks of 370 million bushels, reflecting expectations that the domestic crush this year will reach a record 1.795 billion bushels and exports will reach a record 1.79 billion bushels. The projection of year-ending stocks is 105 million bushels smaller than the September 2014 forecast, even though the crop turned out to be 56 million bushels larger than forecast in September and imports are projected to be 15 million bushels larger than projected in September. The smaller projection of year ending stocks compared to the September projection reflects expectations that the crush will be 25 million bushels larger, exports 90 million bushels larger, and seed and residual use 22 million bushels larger than projected in September. In addition, the inventory of old-crop soybeans at the start of the current marketing year was 38 million bushels smaller than projected in September.

The USDA projection of the domestic soybean crush during the current marketing year that started on September 1, 2014 is 3.5 percent larger than last year's crush. The pace of the domestic crush in September 2014 was very slow as the result of limited supplies of old crop soybeans and the slow start to the 2015 harvest. The pace has accelerated since then and crush estimates from the National Oilseed Processors Association (NOPA) indicate that the cumulative crush during the first seven months of the marketing year (September 2014-March 2015) was 1.3 percent larger than the cumulative crush of a year earlier. The crush during March 2015, however, was 5.8 percent larger than in March 2014. To reach the USDA projection, crush during the final five months of the current marketing year will have to be 7.3 percent larger during the same period last year. The prospects of such a large increase in the domestic crush are enhanced by the fact that the crush during those five months last year was relatively small. It also appears that exports of soybean oil and meal could exceed the current USDA projections. USDA projects a 1.2 percent year-over-year increase in soybean oil exports and a 10.8 percent increase in soybean meal

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exports. Cumulative soybean oil shipments plus outstanding sales as of April 9 exceeded those of a year ago by 12.7 percent. Soybean meal exports plus outstanding sales were up 13.4 percent.

The domestic soybean crush may also get some support from accelerating biodiesel production. The USDA currently projects a six percent year-over-year decline in the amount of soybean oil used for biodiesel production during the marketing year that began on October 1, 2015. Data from the Environmental Protection Agency (EPA) indicate that biodiesel production was down 10 percent during the first quarter of the marketing year, but up by 32 percent during the second quarter. Production during the first half of the marketing year was two percent larger than during the same period last year. Soybean oil consumption likely has benefitted from the increase. In addition to the monthly pace of biodiesel production, the EPA announcement about the 2014 and 2015 biofuels mandates expected in June will provide further guidance on likely biodiesel production for this year. The NOPA estimate of the April crush is scheduled for release on May 15. On August 3, the USDA will release its first Oilseed Crushings report that will replace the Census Bureau report that was discontinued in July 2011. This report should provide more complete data on the size of the monthly soybean crush than are available from NOPA.

The USDA projection of current marketing year exports of 1.79 billion bushels exceeds last year's exports by 143 million bushels. The USDA weekly reports indicate that cumulative marketing year export inspections reached 1.67 billion bushels as of April 16, 161 million more than the total of a year earlier. With 19.57 weeks left in the marketing year, inspections now need to average 6.1 million bushels per week to reach the USDA projection. As of April 9, 130 million bushels of U.S. soybeans had been sold for export during the current marketing year, but not yet shipped. Total export commitments, then, have already reached the USDA's projection of total marketing year exports. However, some current outstanding sales may be cancelled and it is typical for some sales to get carried into the next marketing year. Additional net sales of about 60 million bushels are probably needed for exports to actually reach 1.79 billion bushels.

At this juncture in the marketing year, it appears that the total of the domestic soybean crush and exports during the 2014-15 marketing year will be close to the current USDA projection. However, even as prospects for total consumption become clearer over the next five months, uncertainty about the magnitude of year-ending stocks will remain until the USDA releases the estimate of September 1 stocks on September 30. As mentioned above, September 1, 2014 stocks were 38 million bushels smaller than expected just three weeks before the release of the stocks report. The level of uncertainty this year is magnified by the March 1, 2015 stocks estimate that hinted that the 2014 crop may have been overestimated.

References

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