



Weekly Outlook: Soybean Stocks, Acreage, and Weather

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July 2016 soybean futures have increased by 25 percent since April 1, led by the nearly 50 percent increase in soybean meal prices. Soybean oil prices declined by nearly 10 percent. The higher soybean prices generally reflected the 200 million bushel reduction in the estimated size of the combined Argentine and Brazilian soybean crops from March to May and the resulting surge in export demand for U.S. soybeans.

The USDA's *Grain Stocks and Acreage* reports to be released on June 30 will provide important fundamental information for the soybean market and influence prices into the critical summer growing season. The stocks report will provide an estimate of stocks held on June 1 and the size of that estimate can be anticipated based on the estimated size of March 1 stocks, imports during the third quarter of the marketing year, and estimates of consumption during the quarter. March 1 stocks were estimated at 1.531 billion bushels and imports during the third quarter were likely near 6 million bushels based on Census estimates of exports in March and April. Based on the soybean crush estimates for March and April in the USDA's monthly *Fats and Oils: Oilseed Crushings, Production, Consumption and Stocks* report and the National Oilseed Processors Association (NOPA) estimate for May, the domestic crush during the third quarter of the marketing year was about 487 million bushels, slightly larger than the crush during the same quarter last year. The NOPA crush estimate for May was record large for the month and exceeded the crush of May 2015 by three percent. To reach the USDA projection of 1.89 billion bushels for the year, the crush during the last quarter needs to be about 450 million bushels, or about the same size as the crush last summer.

Cumulative marketing year soybean export inspections through May 2016 totaled 1.598 billion bushels. Through April, however, cumulative Census export estimates exceeded inspections by 41 million bushels. If that margin persisted through May, exports during the first three quarters of the year totaled 1.639 billion bushels. Exports during the third quarter were likely near 173 million bushels. To reach the USDA projection of 1.76 billion bushels for the year, exports during the last quarter of the year need to total about 121 million bushels, about equal summer exports of a year ago. As of June 9, the USDA reported that 221 million bushels of soybeans had been sold for export during the current marketing year, but not yet shipped. That exceeds outstanding sales of a year earlier of ago by 104 million bushels. With 11

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weeks left in the marketing year, cumulative exports plus outstanding sales likely exceed the USDA projection of marketing year exports by 100 million bushels, or nearly six percent.

Seed, feed, and residual use of soybeans during the third quarter of the year is calculated as total use during the quarter, as revealed by the June 1 stocks estimate, minus the crush and export estimates for the quarter. Calculated use in that category has varied from -13 million bushels to 63 million bushels and averaged about 35 million bushels in the previous 10 years. If use this year was near the average of 35 million bushels, total use would have been near 695 million bushels, leaving June 1 stocks at 842 million bushels, 215 million larger than stocks of a year earlier.

The USDA's March *Prospective Plantings* report revealed producer intentions to plant 82.236 million acres of soybeans this year, slightly less than last year's estimated planted acreage of 82.65 million acres. Over the previous 20 years, when producer planting decisions were not directly influenced by federal acreage programs, the final estimate of planted acreage was less than intentions revealed in March in 10 years, equal to intentions one year, and larger than intentions in nine years. This year, the consensus seems to be that the June *Acreage* report will reveal that acreage exceeded intentions due to some switching of intended corn acreage to soybeans as the result of the increase in soybean prices relative to corn prices since March and the delayed corn planting in parts of the eastern Corn Belt. As previously mentioned, soybean acreage may also exceed intentions as a result of total acreage of spring planted crops exceeding intentions reported in March.

The uncertainty about planted acreage of soybeans means there is room for a surprise in the estimate this year. In addition, the final planted acreage estimate has differed from the June estimate by 400,000 acres or more in 15 of the past 20 years. The final estimate was less than the June estimate in nine of those 15 years. With minimal prevented acreage this year and soybean planting mostly complete by mid-June, except for double cropped acreage to follow wheat harvest, we would expect the final acreage estimate to be relatively close to the June estimate this year.

The recent increase in soybean prices has also reflected above normal temperatures, scattered rainfall patterns, and continued discussion of potentially stressful summer weather conditions in the U.S. November futures are now \$2.45 per bushel above the crop revenue insurance price established in February and harvest bids in the eastern Corn Belt have moved above \$11. While there is potential for prices to move even higher with stressful summer weather, that potential may be less than the potential for corn prices, depending on the magnitude of planted acreage, since soybean prices have already experienced a sharp rally and soybean yields are generally less sensitive to summer weather than are corn yields.

References

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