



Weekly Outlook: The Pace of Soybean Use

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USDA's soybean ending stocks forecast of 425 million bushels for the marketing year may show little if any change in the upcoming WASDE report. Despite the recent strength in soybean crush, the current focus is squarely on the impacts of the coronavirus and the implications for both crush and exports as the disease continues to evolve.

Soybean crush in January saw a record total for the month of 188.78 million bushels. Thus far this marketing year, crush set monthly records in October, December, and January. Even with those monthly records, the crush pace during the first five months of the marketing year, at 897 million bushels, equaled last year's pace. The USDA's current projection for crush indicates a 13 million bushel increase over last year. To reach the crush forecast, crush needs to total 1.2075 billion bushels over the remainder of the marketing year. Soybean crush at that level comes in higher than last year's 1.194 billion bushel total over the same period. The recent strength in crush led many market observers to raise the prospects for soybean crush totals. The implementation of higher export taxes on soybean products in Argentina helped to bolster this narrative. While soybean crush may see an increase in marketing year use, the prospect of coronavirus issues hurting meat demand may limit the upside potential later in 2020.

Soybean meal prices in Decatur rallied from the low \$290 per ton range in early February to settle near \$305 last week, which coincides with the marketing year average price put forth in the February WASDE report. The forecast for domestic soybean meal use sits at 36.8 million short tons, up 708 thousand tons over last year. Plentiful livestock on feed supports strong domestic soybean meal use this marketing year. However, the spread of the coronavirus around the world may put a damper on meat consumption. The prospect of lower meat consumption in the U.S. remains a serious concern. At 13.2 million short tons, the forecast for soybean meal exports came in 354 thousand tons lower than last year. Soybean meal exports weakened significantly in January and put the pace of exports through January seven percent behind last year's export total at 4.576 billion short tons. Total commitments through February 27 sit a little over six percent behind last year's pace. If the expansion of export tariffs on soybean meal in Argentina impact exports, the pace of meal exports could increase.

Soybean oil prices in Decatur fell back to levels seen last September in recent weeks at between 28 and 30 cents per pound. Vegetable oil prices remain under pressure from the impacts of coronavirus spreading around the world. As Chinese crushers come back online, an expectation of growth in world

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soybean oil stocks over the short term seems a forgone conclusion. Weaker biodiesel production led to a decrease of 300 million pounds in the February WASDE report to 8.2 billion pounds. Through December, the EIA biodiesel production report put soybean oil use at 1.625 billion pounds, down 545 million pounds from the first quarter last year. Biodiesel production from soybean oil needs to increase by fifteen percent over last year for the remainder of the marketing year to hit the USDA's forecast. Soybean oil exports continue to exhibit strength and provide a counterbalance to relatively weak domestic demand. At 1.9 billion pounds, the USDA's forecast for soybean exports seems well within reach this marketing year. Census Bureau soybean oil exports through January came in at 809 million pounds. To reach the projection, soybean oil exports need to total 1.09 billion pounds over the rest of the marketing year, 110 million pounds less than the total over the same period last year and hints at an increase to the forecast for soybean oil exports this marketing year in the next WASDE report.

The large Brazilian soybean crop and the potential for expanded Chinese buying continue to be the main factors shaping the potential for soybean exports. USDA projections for soybean exports total 1.825 billion bushels. Estimates of soybean exports from the Census Bureau are available through January. Soybean exports came in at 1.02 billion bushels. As of March 5, cumulative export inspections for the current marketing year totaled 1.107 billion bushels. By using the relationship between Census Bureau data and export inspections, soybean exports total 1.153 billion bushels for the marketing year. Soybean exports need to equal 672 million bushels, approximately 26.3 million bushels per week, during the remainder of the marketing year to reach the USDA forecast. Over the last four weeks, export inspections averaged 26.1 million bushels per week.

A Brazilian crop near 4.6 billion bushels looks in the offing this year. A large crop in combination with a Brazilian real that depreciated almost fifteen percent against the dollar since the turn of the year promise competition from Brazilian soybeans in 2020. Chinese buying of U.S. soybeans remains the key to hitting export projections. For now, Chinese total commitments (export sales and accumulated exports) through February 27 sit at 449 million bushels, up from 344 million bushels over the same period last year. Census Bureau data through January showed soybean exports to China at 431 million bushels thus far this marketing year. The small growth in exports since January highlights the low level of buying from China since the onset of the coronavirus. The recent exemptions on U.S. soybean tariffs granted for some crushers in China provide support to the notion of China attempting to meet its commitments to the Phase 1 trade deal.

Uncertainty about the impacts of coronavirus looks to set market expectations over the near term. Soybean prices will reflect this uncertainty. Volatility appears set to remain high and developments in soybean product export markets seem destined to determine ending stocks this year.

Podcast: Discussion and graphs associated with this article at:

https://farmdoc.illinois.edu/assets/podcasts/weeklyoutlook/2020-03-09_PaceOfSoybeanUse.mp3