



Weekly Outlook: Surprising Strength in Soybean Prices

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The U.S and world soybean situation continues to be one of surplus. The USDA's [WASDE report](#) of March 9 projected 2015-16 marketing year ending stocks of U.S. soybeans at 460 million bushels, 10 million bushels above the February projection. The projection of world ending stocks, with stocks for Argentina and Brazil adjusted to an October-September marketing year, was lowered by 57 million bushels, but those stocks are still expected to be record large.

At the projected level, U.S. stocks would represent 12.5 percent of projected use for the year. Stocks as a percent of use have been larger on numerous occasions, with a high of 28.5 percent for the 1985-86 marketing year. However, stocks at the level projected for this year are considered surplus in light of the record large South American crop being harvested. Soybean prices declined from the summer high as the large U.S. crop unfolded. May 2016 futures have traded in a post-harvest range of \$8.535 to \$9.175. The price of that contract was near contract lows on March 2, but moved about \$0.40 higher by mid-March. The modest price strength was somewhat of a surprise, coming in the face of a slowdown in the pace of the domestic crush and the impending large South American harvest. That price strength may have come from a number of factors. The USDA did not increase the forecast size of the South American crop on March 9 as many had expected. The recent strength in the value of the Brazilian currency may also make U.S soybeans a little more competitive in the world market. If that strength persists, there will also be less incentive to expand soybean acreage in Brazil in the coming year. In addition, the more widespread discussion of the elevated yield risk for the 2016 soybean crop may be reflected in the recent price strength.

An additional factor that may be somewhat supportive to soybean prices is the current pace of U.S. soybean exports. The USDA projects 2015-16 marketing year exports at 1.69 billion bushels, unchanged from the February projection and 153 million bushels less than the record exports of last year. The export projection was not increased in the March 9 WASDE report even with a 55 million bushel increase in the projection of imports by China during the current year. That increase is partially offset by smaller import projections for Mexico (seven million bushels) and the European Union (18 million bushels). The projection of Brazilian exports was also increased by 37 million bushels.

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With about 25 weeks left in the marketing year, the USDA reports that cumulative marketing year export inspections for U.S soybeans have reached 1.48 billion bushels, 105 million bushels less than cumulative inspections of a year ago. However, cumulative Census Bureau export estimates (which are the estimates eventually reflected in the USDA soybean balance sheet) through the first five months of the current marketing year exceeded inspections by 32 million bushels. A year ago, cumulative Census export estimates through February were only six million bushels larger than cumulative inspections. If the 32 million bushel margin through January has persisted, cumulative exports have now reached 1.512 billion bushels, only 79 million bushels less than the total of a year ago. To reach the USDA projection of 1.69 billion bushels for the year, exports during the remainder of the marketing year need to total only 178 million bushels. That is about 74 million bushels less than exports during the same period last year. Weekly shipments, then, need to average only about 7.2 million bushels per week to reach the projected total for the year, compared to the average of 10.3 million bushels in the same period last year. Weekly inspections have exceeded those of a year ago in each of the past five weeks.

As of March 3, the USDA reported that 138 million bushels of U.S. soybeans had been sold for export, but not yet shipped. To reach 1.69 billion bushels, new sales need to average 5.34 billion bushels per week for the remainder of the marketing year. Since some sales are typically carried forward to the next marketing year, sales likely need to average about 6.7 million bushels per week for cumulative sales to result in exports of 1.69 billion bushels. The pace of sales will continue to slow in a seasonal fashion as the world turns to South American supplies, but new sales averaged 14.5 million bushels per week for the four weeks ended March 3.

While 2015-16 marketing year U.S. soybean exports may marginally exceed the current USDA projection, year ending stocks of soybeans will still be quite large. The USDA's March 1 *Grain Stocks* report should confirm mid-year soybean stocks that were well above those of a year ago. For soybean prices to continue to move higher, expectations of a stronger demand environment will have to emerge or conditions will have to begin to point to a much smaller U.S. soybean crop in 2016. Expectations for the size of that crop will begin to unfold with the USDA's *Prospective Plantings* report to be released on March 31.