



## Weekly Outlook: Soybean Supply and Demand Tug of War

Darrel Good

Department of Agricultural and Consumer Economics  
University of Illinois

July 20, 2015

*farmdoc daily* (5):131

---

Recommended citation format: Good, D. "[Weekly Outlook: Soybean Supply and Demand Tug of War.](#)" *farmdoc daily* (5):131, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, July 20, 2015.

Permalink: <http://farmdocdaily.illinois.edu/2015/07/soybean-supply-demand-tug-of-war.html>

---

November 2015 soybean futures traded to a low of about \$8.96 on June 15, rebounded to \$10.45 on July 14, and are currently trading near \$9.90. The volatility in prices reflects the market's reaction to generally positive supply factors and some negative demand factors.

On the supply side, the smaller than expected June 1 stocks estimate resulted in the USDA lowering the projection of 2014-15 marketing year ending stocks to 255 million bushels in the [July 10 WASDE](#) report. That is 75 million bushels less than projected a month earlier and 220 million bushels less than projected in the fall of 2014. The June 30 USDA [Acreage](#) report indicated that harvested acreage of soybeans this year would be about 700,000 acres more than projected based on the planting intentions reported in March. However, there is a general consensus that not all of the intended acreage was actually planted due to extremely wet conditions in Missouri, Illinois, Indiana, and Ohio. In addition, flood damage may result in more than the usual amount of abandonment of acreage that did get planted. Those same conditions are also expected to result in an average U.S. soybean yield below the projection of 46 bushels in the July 10 WASDE report. In short, the 2015 crop is expected to be smaller than the current USDA projection of 3.885 billion bushels, but expectations are in a wide range. The USDA will release the first survey based production forecast in the Crop Production report to be released on August 12. That report will reflect the results of the re-survey of soybean planted and harvested acreage in a few states.

Consumption of old crop soybeans remains strong and on track to reach the record levels currently projected. The National Oilseed Processors Association reported that the crush by its members in June 2015 was 20 percent larger than in June 2014. Crush in July and August needs to be about 7.5 percent larger than that of a year earlier in order for the marketing year crush to reach the current USDA projection of 1.83 billion bushels. With about 6.5 weeks left in the 2014-15 marketing year, exports need to average about five million bushels per week in order to reach the current USDA projection of 1.825 billion bushels. That is less than the 8.4 million bushel average of weekly export inspections for the seven weeks ended July 16. Unshipped sales of 94 million bushels as of July 9 were sufficient to supply the necessary shipments.

The concern about soybean demand centers on potential export demand for the 2015 crop. The USDA currently projects 2015-16 marketing year exports at 1.775 billion bushels, only 50 million bushels less than the record large exports expected of the current year. As of July 9, the USDA reported that only about 252

---

*We request all readers, electronic media and others follow our citation guidelines when re-posting articles from farmdoc daily. Guidelines are available [here](#). The farmdoc daily website falls under University of Illinois copyright and intellectual property rights. For a detailed statement, please see the University of Illinois Copyright Information and Policies [here](#).*

million bushels of soybeans had been sold for export during the upcoming marketing year. Sales are at the lowest level for that date since 2009 and are only about half as large as the average level of sales on that date in the previous three years. Current new crop sales represent 14 percent of the projected exports for the upcoming marketing year. In the previous three years, sales at this time of year accounted for 25 to 41 percent of the marketing year total exports. Sales to China, by far the largest customer for U.S. soybeans, stood at only 89.5 million bushels as of July 9 this year. Sales to unknown destinations, which likely include China, totaled 120 million bushels. In the previous three years, combined sales to China and unknown destinations averaged 457 million bushels, compared to only 209.5 million bushels this year.

It is possible that the slow pace of new crop export sales so far this year reflects a shift away from the recent seasonal pattern of export sales back to the pattern that prevailed during the period from 2006 through 2010. During those five years, new crop export sales as of about July 9 accounted for an average of only 14 percent of marketing year exports. If the pattern has shifted, then sales for the upcoming marketing year are currently on track with the USDA projection. The concern, however, is that the slow pace of export sales so far this year may be reflecting the loss of market share to lower priced South American soybeans. The trade, for example, has reported large export sales of South American soybeans for delivery early in the 2016 calendar year.

The current USDA projections are for year-ending stocks of U.S. soybeans to increase from 255 million bushels this year to 425 million bushels next year. Even if the crop is smaller than currently projected, supplies should be fully adequate to meet expected consumption during the year ahead. At the projected level of consumption, the crop would have to be 170 million bushels smaller than currently projected in order to prevent a build-up of stocks and 275 million bushels smaller to reduce year-ending stocks to 150 million bushels. If export demand is weaker than projected, an even smaller crop would be required before U.S. supplies were small enough to require some rationing

Confirmation of smaller U.S. production prospects in the August 12 USDA Crop Production report might well result in some price strength from current levels. A combination of smaller than expected production and improved export sales, however, may be required to push prices above recent highs.

## References

NASS/USDA. *Acreage*. Released June 30, 2015, accessed July 20, 2015.  
<http://usda.mannlib.cornell.edu/usda/nass/Acre//2010s/2015/Acre-06-30-2015.pdf>

USDA Office of the Chief Economist. "World Agricultural Supply and Demand Estimates (WASDE)." Released July 10, 2015, accessed July 20, 2015.  
<http://usda.mannlib.cornell.edu/usda/waob/wasde//2010s/2015/wasde-07-10-2015.pdf>