



Weekly Outlook: Old Crop Soybean Consumption and Weather

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Soybean prices continue to reflect weather and crop conditions. The volatility in price movements associated with weather will continue for the next six to eight weeks. An initial indicator of price direction will be provided by the USDA reports to be released on August 10.

USDA’s [Drought Monitor](#), released on July 25, indicated 14 percent of soybean acreage is currently experiencing drought conditions. Large areas of the western Corn Belt and a significant portion of Iowa soybean acres represent the majority of acreage under drought conditions. Portions of Indiana and Ohio are currently experiencing excess moisture issues impacting the soybean yield potential as well. Soybean crop condition ratings moved lower for the week ending July 23. The deterioration in crop conditions in the recent report continues a five-week trend. The soybean crop rated in good to excellent condition came in at 57 percent, a four percent decline from the previous week and 14 percent below last year’s condition report. Illinois good to excellent ratings declined eight percent to a total of 57 percent. Nebraska, South Dakota, and Kansas declined by four percent. North Dakota, South Dakota, and Indiana have the lowest soybean condition ratings and comprise 20 percent of total planted acreage. Declines in good to excellent ratings in many Southern states provides confirmation to the view that below trend yield in this year’s soybean crop looks more likely.

The current 6-10 day weather outlook indicates lower-than-normal temperatures and the possibility of one to three inches of rain in the Midwest. While the current USDA yield projection for the 2017 crop year is at 48 bushels per acre, the likelihood of reduced soybean yield projections in the August 10 crop production report is increasing. The current USDA yield forecast is based on trend analysis while the August 10 forecast is based on NASS yield forecasting procedures. The August 10 yield forecast will set the benchmark for the market to evaluate the potential impact of August weather on final yield estimates. Using crop condition ratings from July 23, my yield forecasting model currently projects national soybean yield at 46.6 bushels per acre.

The USDA may also revise the forecast of use and ending stocks for soybeans during the current marketing year, but the impact on prices will likely be minimal. Current USDA projections for the 2016-17 marketing year crush sit at 1,900 million bushels. Estimates of monthly soybean crush from the [Oilseed Crushings, Production, Consumption and Stocks](#) report through May totaled 1,443 million bushels. On July 17, the NOPA crush report indicated a June crush of 138.1 million bushels. For this marketing year, USDA monthly crush numbers have run approximately 6 percent above NOPA crush report estimates. At this rate, June

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crush equaled 146.5 million bushels and brought the total crush for the first ten months of the marketing year to 1,589 million bushels. Crush during the last two months of the marketing year needs to total 311 million bushels to reach the USDA projection, 5.7 percent more than crushed last year over the same period. If the current marketing year crush pace continues through August, total crush for the year would be approximately 1,885 million bushels, 15 million bushels short of the USDA projection.

Current USDA soybean export projections for this marketing year are 2,100 million bushels. Cumulative soybean export inspections through July 20 totaled 1,980 million bushels. Through May of this marketing year, Census Bureau exports outpaced soybean export inspections by approximately 40 million bushels. If this pace continued, soybean exports through July 20 totaled 2,020 million bushels. Soybean exports over the next six weeks need to average 13.3 million bushels per week to reach the USDA projection. Soybean export inspections over the previous four weeks averaged 14.9 million bushels. The current pace of exports appears to be on track to meet the USDA projection.

Following the large price increase in early July, November soybean futures prices have traded in a range between \$9.84 and \$10.35. While the potential for a small increase in ending stocks exists, prices will continue to respond to weather and crop conditions. A continued decline in crop condition ratings and a confirmation of lower yields on August 10 may provide the basis for prices moving above recent highs. In the short term, weather factors will dominate prices. As we move into the 2017-18 marketing year, weak crush numbers combined with large soybean stocks could provide obstacles to maintaining those large price movements associated with weather. It will depend on the magnitude of yield loss for the 2017 crop year.

References

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