



## Weekly Outlook: Will Soybean Ending Stocks Get Larger?

Todd Hubbs

Department of Agricultural and Consumer Economics  
University of Illinois

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Recent rumblings of potential tariffs by China on U.S. soybeans created a stir last week. While the market reacts to the uncertainty associated with trade policy, the upcoming WASDE report, on April 10, will update soybean use projections for this marketing year. The USDA may revise the forecast of ending stocks for soybeans during the current marketing year due to weaker than projected soybean export pace and stronger crush numbers.

The current USDA projection for soybean ending stocks during the 2017-18 marketing year sits at 555 million bushels, an increase of 130 million bushels since the November projection. The steady increase in ending stock projections is due to decreasing export projections. Current USDA soybean export projections for this marketing year are 2.065 billion bushels. On April 5, the Census Bureau released export estimates for February. The updated export estimates for soybeans brings totals for the first half of the marketing year to 1.433 billion bushels. Typically, soybean exports decline in the second half of the marketing year as South American production hits world markets. Due to this factor, the majority of soybeans tend to be exported in the first half of the marketing year. Over the last decade, soybean exports during the first half of the marketing year averaged 76 percent of the final marketing year total. At the average pace, 2017-18 marketing year exports will come in at 1.886 billion bushels. While soybean exports should exceed this level, the current weakness in exports is reflected in five major export markets for soybeans. Through February, soybean exports to China, which typically accounts for 60 percent of U.S. exports, sit 11 percent behind the totals from the three previous marketing years during the same period. In conjunction with the lagging pace of Chinese exports, Japan and Indonesia sit 12 and 3 percent behind the pace of the previous three marketing years respectively. Mexico and Thailand imports of U.S. soybeans are up 3.2 and 110 percent under the same conditions.

Cumulative soybean export inspections through April 5 total 1.572 billion bushels. Through February of this marketing year, Census Bureau exports outpaced soybean export inspections by approximately 33 million bushels. If this difference continued, soybean exports through April 5 totaled 1.605 billion bushels. Soybean exports for the rest of the marketing year need to average 23 million bushels per week to reach the USDA projection. Soybean export inspections over the previous four weeks averaged 19.9 million bushels. Recent soybean export sales witnessed a jump last week as Brazilian export prices ran at a substantial premium to U.S. export prices. The sales indicate an expansion of purchases from buyers who typically leave the U.S. market to purchase Brazilian soybeans at this time of year. If these buying opportunities continue, the potential for an uptick in export pace may be in order over the short run. At this time, soybean exports fall well short of the current projections and the possibility of a significant reduction in the soybean export projection appears likely.

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While exports continue the weaker than projected pace, soybean crush is strengthening as the marketing year progresses. Current USDA projections for the 2017-18 marketing year crush sit at 1,960 million bushels. Estimates of monthly soybean crush from the *Oilseed Crushings, Production, Consumption and Stocks* report through February totaled 1.01 billion bushels. For the first half of the marketing year, USDA monthly crush numbers have run approximately 6.4 percent above last year's crush estimates. Over the previous two marketing years, soybean crush during the first half of the marketing year averaged 51 percent of the final marketing year total. At this rate, the total crush for the marketing year would reach 1.98 billion bushels. Crush during the last half of the marketing year needs to total 950 million bushels to reach the USDA projection, 3 percent larger than last year over the same period.

In support of expanding crush levels, soybean meal exports are on pace to meet the 12.4 million short tons projected by the USDA. Through the first five months of the soybean meal marketing year, meal exports came in five percent above last year's pace, at 5.508 million tons. Given a continuation of current soybean crush margins and export levels in soybean meal, the prospect of exceeding current USDA projections is quite high. While the USDA may not adjust crush totals in the upcoming report, the current crush pace indicates an increase of 20 million bushels in projected marketing year crush is feasible.

The potential for soybean crush levels to make up the difference for weak export totals is limited this marketing year. If the soybean export pace does not pick up substantially over the remainder of the marketing year, 2017-18 marketing year soybean ending stocks will increase. The current weather combined with trade policy issues make the soybean price susceptible to rapid changes as we move into planting season. A marketing plan for new crop soybeans should incorporate this information and provides pricing opportunities during near-term rallies.

**YouTube Video:** Discussion and graphs associated with this article at <https://youtu.be/SVh-HvpBaHw> .