



Weekly Outlook: Soybean Export Progress

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Since the first of October, November 2011 soybean futures have traded in a range of \$1.20, with a high of \$12.72. The price of that contract is currently about in the middle of the recent trading range and \$2.50 below the contract high reached on August 31.

A number of factors have contributed to the lower prices since August and to the weakness since mid-October. These factors include early forecasts of another large South American soybean harvest in 2012. That forecast has been supported by generally favorable weather conditions in Brazil and Argentina in the early part of the planting and growing season. A slow start to the 2011-12 marketing year domestic soybean crush and lagging soybean oil export sales have also contributed to the negative tone. In addition, concerns about world economic and financial conditions have cast a shadow over the future demand for soybeans. The USDA's forecast of the size of the 2011 U.S. harvest increased by 29 million bushels in September, but the October forecast was back near the August forecast. Expectations about the November yield forecast are mixed, with the average reported expectation near the October forecast of 41.5 bushels. The forecast will be released on November 9, with the final estimate of crop size due to be released on January 12, 2012.

Another major negative factor for the soybean market has been the perception that export demand for U.S. soybeans is weak. The USDA currently forecasts 2011-12 marketing year U.S. soybean exports at 1.375 billion bushels. That is 40 million bushels below the September forecast and 125 million bushels below the record level of exports in 2009-10 and 2010-11. The current pace of exports and export sales are certainly much slower than that of last year. Through the first 9 weeks of the current marketing year, soybean export inspections totaled 257 million bushels, compared to 393 million bushels during the same period last year. Unshipped export sales of soybeans as of October 27 stood at 484.3 million bushels, compared to 752.2 million on the same date last year. Export commitments are lower for all major destinations except Mexico.

Comparison of the pace of exports and export sales this year to those of last year may not be appropriate for judging the strength of export demand. Last year, export business was concentrated in the early part of the marketing year. Exports during the first quarter of the year accounted for 41.2 percent of the marketing year total. That compares to the average of 32 percent in the previous 5 years. Exports in the first half of the year accounted for 78 percent of the total. That is similar to the total for the 2009-10 marketing year, but compares to a more typical 67 percent in the period 2005-06 through 2008-09. Last

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year, export commitments (shipments plus outstanding sales) in late October accounted for nearly 71 percent of marketing year exports. China was a very aggressive buyer early in the marketing year. In the previous 5 years, export commitments in late October accounted for an average of 44.4 percent of marketing year exports, in a range of 57.5 percent (2009-10) to 37.7 percent (2005-06). This year, export commitments as of October 27 represented 49.5 percent of the current USDA projection of marketing year exports. Except for the past two years, commitments represent the largest percentage of actual marketing year exports since 1997-98. Commitments are 23 percent larger than at this time in 2008-09, when marketing year exports totaled 1.279 billion bushels.

There may be reasons to be concerned about soybean export demand, but the current magnitude of sales does not appear to be particularly troublesome. The recent pace of sales, however, has been very low. To reach the USDA projection for the year, new sales will need to average 15.5 million bushels per week from November 2011 through August 2012. For the two weeks ended October 27, new sales averaged only 8 million bushels per week. The pace of new sales and weekly shipments need to be followed closely to gauge the potential for marketing year exports. In addition, the monthly Census Bureau export estimates should be monitored as those are the official export estimates. The estimate of September 2011 exports will be released on November 10. Typically, the difference between the USDA export inspection estimates and the Census Bureau estimates are small early in the year. In recent years, however, that difference has often become larger later in the marketing year. By the end of the year, Census Bureau estimates were about 40 million bushels larger than USDA inspection estimates in the three years from 2007-08 through 2009-10. Last year, Census Bureau estimates for the year exceeded export inspections by only 14 million bushels.

The USDA will release new forecasts of U.S. and world soybean production and consumption for the current marketing year on November 9. The market appears to be expecting the forecast of U.S. marketing year exports to be below the October forecast. A smaller forecast seems premature based on the current status of sales and shipments.