



Weekly Outlook: Have Small U.S. Soybean Supplies Finally Been Rationed?

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Smaller than expected U.S. soybean crops in 2011 and 2012 resulted in the need to limit consumption of U.S. soybeans during the 2011-12 and 2012-13 marketing years. After reaching a peak of 3.361 billion bushels in the 2009-10 marketing year, consumption declined to 3.155 billion bushels last year and is limited to about 3.085 billion bushels this year. A rebound in South American soybean production in 2013 has helped reduce the demand for U.S. soybeans, but prices also increased to record highs in order to ration those smaller supplies.

Year-ending stocks of U.S. soybeans are expected to be at a minimum pipeline level of 125 million bushels, which represents about four percent of marketing year consumption. The USDA has projected stocks at that level in the monthly WASDE reports since February this year. The task of the market this year has been to monitor the rate of soybean consumption to determine if the pace has slowed sufficiently to maintain minimum pipeline stocks at year end. Prices have traded in a fairly wide range as evidence about the actual and likely pace of consumption has varied. After peaking near \$18 in August, for example, the average spot cash price of soybeans in central Illinois traded under \$14 in January and again in April. That average is now near \$15.30. With only about 10 weeks left in the marketing year, the uncertainty about rationing persists.

In the June 12 WASDE report, the USDA projected marketing year exports of U.S. soybeans at 1.33 billion bushels. That projection has only varied by 20 million bushels since November 2012. Through June 20, 2013, the USDA's weekly export inspections report indicated cumulative marketing year export inspections of 1.282 billion bushels. The Census Bureau estimate of cumulative marketing year exports through April was about 3 million bushels larger than the cumulative export inspection estimate. If that margin has been maintained, exports during the remaining 72 days of the marketing year need to total 45 million bushels (4.4 million bushels per week) in order for the marketing year total to reach the USDA projection. Inspections averaged 4.2 million bushels per week during the seven weeks ended June 20. As of June 13, the USDA reported unshipped export sales for the current marketing year of 59 million bushels. Some additional sales will be made, some sales may be cancelled, and some sales may be shifted to the 2013-14 marketing year, but it appears exports for the year will be very close to the current USDA projection.

The USDA now projects the domestic crush of soybeans during the current marketing year at 1.66 billion bushels, 2.5 percent less than the crush of last year. Unlike the export projection, the projection of the domestic crush has increased as the marketing year progressed and the pace of the crush exceeded the projected rate. The current projection is 100 million bushels larger than the November 2012 projection. The Census Bureau no longer provides monthly soybean crush estimates so the market relies on estimates of the monthly crush by members of the National Oilseed Processors Association (NOPA) to monitor the pace of the crush. Those estimates showed a year-over year increase of 9.6 percent in the first quarter of the marketing year and 7.0 percent in the second quarter. The crush during the third quarter of the 2012-13 marketing year, however, was 7.5 percent less than during the same quarter a year ago. To reach the USDA projection for the year, the crush during the last quarter of the year needs to be 19.7 percent less than during same quarter last year. The NOPA estimate for the size of the domestic crush during June is scheduled for release on July 15. That report will provide a very important indication of whether the pace of crush is slowing enough to maintain pipeline supplies by year end.

It now appears that soybean and soybean product prices will have to remain strong through the final quarter of the 2012-13 marketing year in order to limit consumption to the available supply. The USDA estimate of June 1 stocks of soybeans to be released on June 28, however, will provide an important benchmark for verifying the supply of soybeans available for export or crush during the final quarter of the marketing year. As reported last week, the magnitude of March 1 stocks and estimates of consumption in the March-May quarter should result in a June 1 stocks estimate near 438 million bushels. Any substantial surprise in the size of that estimate could mean that the pace of consumption would have to slow even more than calculated here, or that supplies are more abundant than projected.