



Weekly Outlook: Soybean Consumption and Yield Potential

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Soybean prices continue to reflect excellent crop conditions and uncertainty regarding trade. Soybean crush and export consumption over the last two months shows an uptick in soybean use. The USDA may revise soybean use and ending stocks for the current marketing year, but the impact on prices will likely be muted.

The instigation of a trade dispute with China in June, which eventually led to a 25 percent tariff by China on U.S. soybean imports, led to a large drop in soybean prices in the U.S. Concurrently, soybean prices in Brazil strengthened as China focused on Brazilian soybeans for demand needs. The shift in export demand by China led to a significant price difference between Brazilian and U.S. export prices for soybeans. The drop in prices domestically saw an increase in soybean exports to destinations other than China in June. On August 3, the release of June export numbers provided by the Census Bureau indicated an increase in soybean exports over last year, up 54 million bushels. Significant increases in exports occurred in June year over year for Mexico (up 6 million bushels), the Netherlands (up 11.5 million bushels), and Pakistan (up 14.5 million bushels). Numerous countries came in up 2-5 million bushels over the previous June. This bargain buying may continue through the rest of the marketing year but one month is not a trend. A continuation of export strength to other markets than China is key to the prospects for exports in the 2018-19 marketing year under the current escalating trade situation.

USDA soybean export projections for this marketing year sit at 2.085 billion bushels. Cumulative soybean export inspections through August 2 totaled 1.961 billion bushels. Through June of this marketing year, Census Bureau exports outpaced soybean export inspections by approximately 51 million bushels. If this pace continued, soybean exports through August 2 totaled 2.012 billion bushels. Census Bureau totals through June indicate 205.5 million bushels are necessary in July and August to meet the USDA export estimate. Soybean exports over the next four weeks need to average 18.2 million bushels per week to reach the USDA projection. Soybean export inspections over the previous four weeks averaged 27.8 million bushels. Outstanding sales through July 26 sat at 211.8 million bushels. The current pace of exports appears to be on track to meet and possibly exceed the USDA projection.

Soybean crush continues to show strength that begun in February of this year with the onset of drought in Argentina. Current USDA projections for the 2017-18 marketing year crush total 2.03 billion bushels.

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Estimates of monthly soybean crush from the USDA indicated total crush through June totaled 1.706 billion bushels. Crush during the last two months of the marketing year needs to total 324 million bushels to reach the USDA projection, 5.5 percent more than the 307 million bushels 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 2.035 billion bushels, on pace for the USDA estimate this marketing year.

While soybean consumption shows promise, the prospects of a large soybean yield in 2018 appears set to hold prices down in the near term. Soybean crop condition ratings stayed constant for the week ending July 29. The soybean crop rated in good to excellent condition came in at 72 percent, 11 percent above last year's condition report for week 30. Large areas of Missouri, Kansas, Michigan, and the mid-South sit under various levels of drought conditions. In total, fifteen percent of soybean acreage is currently experiencing drought conditions according to the USDA's [Drought Monitor](#), released on July 31. The current 6 to 10-day weather outlook pushed the extremely hot weather expected in the western Corn Belt next week further west of many key growing regions. Precipitation forecasts indicate the probability of below normal rain levels in the northern Plains and Western Corn Belt with a higher probability of above normal rain in the South. While the current USDA yield projection for the 2018 crop year is at 48.5 bushels per acre, the likelihood of a higher soybean yield projection in the August 10 crop production report is increasing due to the excellent condition of the crop in many key growing areas. Using crop condition ratings from July 29, my yield forecasting model currently projects national soybean yield at 50.3 bushels per acre.

Significant uncertainty remains regarding the soybean export outlook for the remainder of the marketing year and moving into the next. If exports maintain strength to a variety of destinations, price prospects may change. The potential for large yields in the U.S. and growth in South American production will continue to moderate soybean prices under the current trade scenario despite late marketing year strength in consumption.

References

U.S. Department of Agriculture, Office of the Chief Economist, *U.S. Drought Monitor*, July 31, 2018. <https://www.usda.gov/oce/weather/Drought/AgInDrought.pdf>