



Weekly Outlook: Tracking the Pace of Soybean Consumption

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Recent developments in trade negotiations with China provided support to soybean prices and raised hopes of reducing the 910 million bushel ending stock projection for this marketing year. The current pace of soybean consumption confirms the notion that any reduction of ending stocks lies with increased soybean exports.

Soybean crush during the first four months of the marketing year equaled 714 million bushels, 6.5 percent higher than the total of the previous year. The USDA estimated the December 2018 crush level at 184 million bushels, up four percent from last year's crush level. By using NOPA crush estimates from January and recent crush numbers provided by the USDA, total soybean crush through January sits near 896 million bushels. Assuming the crush calculation through January is correct, soybean crush during the last seven months of the marketing year must total 1.194 billion bushels to reach the USDA projection of 2.09 billion bushels. Over the same period the previous year, soybean crush totaled 1.209 billion bushels which are 15 million bushels higher than the current forecast necessary to meet the USDA crush forecast.

The strong crush pace which began last year with the Argentine crop shortfall continues despite lower soybean meal and soybean oil prices. The growth in soybean meal prices associated with potential shortages saw the spread between soybeans and the value of soybean meal and oil in Decatur peak at \$3.02 in early September last year and subsequently fall to the current level of \$1.80. Soybean meal prices in Decatur fell from an average near \$380 per ton last March to \$308 per ton over the last month. The forecast for domestic soybean meal use sits at 35.85 million tons, up 1.12 million tons over last year. At 13.75 million tons, the forecast for soybean meal exports came in 1.07 million tons lower than last year. Soybean oil prices continue to see some recovery after falling last year. Soy oil stocks came in at 1.945 billion pounds in December, down 0.6 percent from the previous December. Despite higher projections in the February WASDE report for biodiesel and export use of soybean oil, the growth in forecast production increased marketing year ending stock projections for soybean oil to 2.095 billion pounds.

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A continuation of strong crush numbers through the remainder of the marketing year may come down to increased competition in the export market from Argentina. Current forecasts of Argentine production reflect large yield potential at 2.02 billion bushels for the current crop year, up 632 million bushels from last year's production. Soybean crush projections for Argentina rose 0.2 million tons in the February WASDE to 43.2 million tons. The crush projection is on par with normal crush levels in the country and a recovery from last year's 36.9 million tons. Expanded crush capacity within the U.S. holds the potential to pressure margins over the next year as well. An increase in soybean crush use for this marketing year is limited and any decrease in current ending stocks lies with soybean export potential.

A potential trade deal with China hangs over any projections for soybean exports in the current marketing year. USDA projections for soybean exports total 1.875 billion bushels. Estimates of soybean exports from the Census Bureau are available through November. Census Bureau export totals came in 21 million bushels larger than cumulative marketing year export inspections over the same period. As of February 21, cumulative export inspections for the current marketing year totaled 920 million bushels. If the same difference in export pace through November continued, soybean exports totaled 941 million bushels for the marketing year. Soybean exports need to equal 934 million bushels during the remainder of the marketing year to reach the USDA forecast.

Recent confirmed and announced sales to China continue to lift the soybean market. Export sales through February 14 place outstanding sales near 495 million bushels. An additional purchase of 10 million metric tons (367 million bushels) of soybeans by China, as announced over the weekend, places soybean exports on pace to hit current projections. For now, total commitments (export sales and accumulated exports) through February 14 sit at 1.356 billion bushels, down from 1.64 billion bushels over the same period last year. If the sales to China materialize into actual exports, the potential for increased soybean exports leading to a reduction in ending stocks is strong. The magnitude of the decrease in ending stocks remains highly uncertain.

Record high ending stocks look certain with only the size of the number in doubt. A consideration of marketing old and new crop soybeans seems prudent in this rally associated with the trade negotiations. The uncertainty surrounding the negotiations looks to continue through March with a resolution materializing around the release of a potentially bearish March Prospective Plantings report.

YouTube Video: Discussion and graphs associated with this article at <https://youtu.be/nNCGZ7i-J1k>