



Weekly Outlook: Soybean Crush Outlook

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Soybean crush pace picked up substantially in February and March. Crush remains a bright spot for soybean use as exports continue to disappoint. The USDA raised the crush forecast in April to 2.125 billion bushels, up 20 million bushels over the March forecast. Disruptions in meat supply chains, both foreign and domestic, may blunt further expansion in crush totals this marketing year due to lower than expected soybean meal use.

Soybean crush during the first half of the marketing year equaled 1.073 billion bushels, 1.1 percent higher than the previous year. USDA's current projection indicates a 1.6 percent increase for the year and implies that the crush during the last half of the year will be two percent larger than during the previous marketing year. The NOPA crush report placed March crush levels at 181.4 million bushels, implying a USDA crush report estimate near 190 million bushels. The March crush total suggests that crush during the last five months of the year must total 864 million bushels, 1.2 percent higher than the crush of a year ago, to reach the USDA forecast of 2.125 billion bushels.

The pace of domestic crush accelerated in February and March. Strengthening crush totals coincided with a drop in soybean prices that began in late January. Gross crush margins in Decatur weakened in the early part of April due to lower soybean meal prices. Soybean meal prices in Decatur fell from approximately \$326 per ton in the last week of March to below \$293 at the end of last week. Weakness in meal prices relates to concern about feed demand issues as the pandemic shuts down processing plants and backs up the supply chain for livestock. The April WASDE report increased domestic consumption of soybean meal by 300 thousand tons and expanded exports by 250 thousand tons. Total use is forecast at 50.55 million tons in April, up 1.8 percent from last year. The loss of distiller's grains on reduced ethanol production looks to support meal use in rations. A lengthy disruption to the livestock supply chain may diminish the prospects of higher meal consumption.

While domestic consumption of soybean meal holds concern, soybean meal exports need to pick up the pace. An uptick in meal exports during February and March hold the promise of continued growth in export totals. Although the current projection for soybean meal exports sits down one percent from the previous marketing year, the current pace sits well below last year. As of April 9, the export sales report indicated meal export total commitments down 6.4 percent from last year. Outstanding sales sit over twelve percent lower than last year. The USDA's current projection implies that the exports during the rest of the marketing year will be 2.1 percent larger than last year. While this remains possible, economic

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recovery around the world, particularly in Southeast Asia and reduced competitiveness out of South America are necessary.

Argentina typically exports the most substantial amount of soybean meal in the world. Recent issues with Argentine shipping and production support the idea of increased meal exports out of the U.S. Current forecasts of Argentine soybean production reflect a difficult end to the growing season and sit at 1.91 billion bushels for the 2020 crop year, down 122 million bushels from last year's production. Soybean crush projections for Argentina fell to 1.53 billion bushels and continued issues associated with soybean crushing in the region may lower this number over the next few months. The forecast for soybean meal exports sits on par with last year's totals despite lower crush and production numbers.

Soybean oil prices continue to exhibit weakness due to reduced vegetable oil demand. Lower projections in the April WASDE report for domestic use of soybean oil and the growth in production increased marketing year ending stock projections. The forecast for biodiesel production dropped 300 million pounds in April. Exports offset weak domestic use. The forecast for exports increased to 2,400 million pounds, up 23.6 percent over last year. As of April 9, total commitments for soybean oil came in up 47 percent over last year with stronger sales and accumulated exports. Sales to South Korea are particularly strong. Exports look to meet projections under the current pace. Soybean oil prices varied in a range between 25-27 cents per pound since early March in Decatur and this pattern looks to continue over the near term.

While soybean exports continue to disappoint, soybean crush levels maintain a pace to set record levels of use this marketing year. Domestic consumption of soybean meal appears uncertain due to developments with the pandemic's impact on livestock production. The progression of soybean meal exports through the remainder of the year merit monitoring and may provide insight into the potential for crush levels as we move into the next marketing year.

Podcast: Discussion and graphs associated with this article at:

https://farmdoc.illinois.edu/assets/podcasts/weeklyoutlook/2020-04-20_Weekly_Outlook.mp3