



WEEKLY OUTLOOK



A joint publication of the Department of Agricultural Economics, College of Agriculture, Purdue University, West Lafayette, Indiana, and the Department of Agricultural and Consumer Economics, College of Agricultural, Consumer and Environmental Sciences, University of Illinois at Urbana-Champaign.

MARCH 20, 2006

SOYBEANS: CONSUMPTION, STOCKS, AND ACREAGE

The magnitude of U.S. soybean exports during the current marketing year continue to be disappointing. The USDA now forecasts 2005-06 marketing year shipments at only 900 million bushels.

At the beginning of the 2005-06 marketing year, the USDA expected U.S. exports would reach a record 1.115 billion bushels. That forecast has been lowered every month since October 2005. So far this year, USDA weekly export estimates have been tracking the monthly Census Bureau estimates very closely. Through January 2006, both the cumulative inspections estimate and the cumulative estimate from the *Export Sales* report were just 5 million bushels below the Census Bureau estimate of 510.7 million bushels. As of March 16, 2006, exports totaled about 671 million bushels, 200 million less than on the same day last year. Only Taiwan and Mexico have imported more U.S. soybeans this year than were imported last year. Shipments to China, which have accounted for 46 percent of all U.S. exports, are running nearly 22 percent behind the pace of a year ago. Unshipped sales of U.S. soybeans to all destinations on March 9, 2006 totaled only 98.3 million bushels, compared to 119 million on the same date last year. Only China has larger sales on the books than at this time last year. That total, however, is only 29 million bushels. With a record large South American harvest underway, U.S. exports may struggle to reach 900 million bushels by August 31, 2006.

The domestic crush of soybeans so far this year has exceeded the early USDA forecast. The projection in September 2005 was for a marketing year crush of 1.685 billion bushels, 11 million less than the crush of the previous year. The March 2006 forecast was at 1.72 billion bushels, 1.4 percent larger than last year's crush. The cumulative crush through the first five months of the marketing year was 2.2 percent larger than that of a year ago. Indications, however, are that the crush slowed in February 2006. The larger than expected crush to date has been fueled by slightly larger soybean meal exports than forecast at the beginning of the year and a slightly lower meal content of the 2005 crop. Soybean oil consumption is currently expected to be 19.125 billion pounds, compared to the September 2005 forecast of 19.15 billion pounds. The soft export market for U.S. soybean oil along with the record high oil content of the 2005 crop is expected to result in year ending U.S. oil stocks of 2.679 billion pounds, only slightly below the record year-ending inventory of 2.877 billion pounds in 2000-01.

The USDA will release the estimate of March 1, 2006 inventories of U.S. soybeans on March 31. If seed, feed, and residual use of soybeans is following the pattern established during the first quarter of the marketing year, consumption of U.S. soybeans during the second quarter of the marketing year should have been near 827 million bushels, about 98 million less than use during the same quarter last year. March 1 stocks of soybeans, then, should have been near 1.675 billion bushels, 294 million more than the inventory of a year ago and 218 million above the previous record inventory for that date in 1999.

The USDA will also release the annual *Prospective Plantings* report on March 31. That report is expected to show a significant increase in intentions for soybeans compared to last year's planted acreage of 72.142 million acres. Planted acreage in 2005 was 3.066 million less than planted in 2004 and 1.768 million less than intended in March 2005. The decline in 2005 was spread across all regions, but the largest decline (1.55 million acres) was in the western corn belt. Plantings declined by 400,000 acres in Minnesota and 800,000 acres in North Dakota. Combined acreage in those two states was 700,000 less than March intentions, reflecting a wet spring and a large area of prevented plantings.

The expectations for an increase in soybean acreage in 2006 are driven by the cost advantage of soybeans over competing crops like corn, increased acreage of double-cropped soybeans stemming from an increase in acreage of soft red winter wheat, and a rebound in acreage in Minnesota and the Dakotas if spring weather is more normal.

Expectations for 2006 U.S. soybean acreage appear to be centering on an increase of about 2 million acres, to a total of 74.1 million. At that level of planting, harvested acreage would likely be near 73 million. U.S. average yields have been record large the past two years, at 42.2 and 43.3 million bushels, respectively. The National Weather Service forecast through June 2006 suggests no significant deviation from normal weather conditions in any production area. A yield of 42.8 bushels in 2006, then, would produce a crop of 3.124 billion bushels, equal to the record crop of 2004 and 38 million larger than the 2005 crop. While consumption of U.S. soybeans during the 2006-07 marketing year will likely be larger than the 2.782 billion projected for this year, a crop of 3.124 billion would still lead to another buildup of U.S. soybean stocks, perhaps to near 670 million bushels by September 1, 2007.

Stocks at 670 million bushels would project to a 2006-07 marketing year average farm price near \$5.30, even if strong speculative demand for soybeans continues. Without that speculative demand, prices would be much lower. The futures market is currently reflecting a 2006-07 marketing year farm price near \$6.00.

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