



# WEEKLY OUTLOOK



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## **RATE OF SOYBEAN CONSUMPTION REMAINS HIGH**

For the current marketing year, the USDA projects that the U.S. domestic crush plus exports of soybeans will reach 2.88 billion bushels. That projection is 194 million bushels above use during the 2005-06 marketing year.

The USDA projects the 2006-07 marketing year crush of U.S. soybeans at 1.78 billion bushels. That is 41 million bushels, or 2.36 percent, above the record level of crush during the previous year. The Census Bureau estimates that the crush during the first five months of the current marketing year totaled 773.28 million bushels. That estimate is 30.1 million bushels, or 4.05 percent, above the crush during the first five months of the 2005-06 marketing year. The largest year over year increases were in September (6.9 percent) and December (5.9 percent). For the most recent reporting month, January 2007, the year over year increase was 2.95 percent. To reach the USDA projection, the crush during the final 7 months of the current marketing year needs to total about 1.007 billion bushels, only 10.8 million more than crushed during the same period last year. A year ago, the domestic crush was relatively small during February, March, and April, but moved sharply higher during the last four months of the marketing year.

The domestic soybean crush is still being driven by the demand for soybean meal. Consumption of U.S. soybean meal from October 2006 through January 2007 was estimated at 14.875 million tons, 4.7 percent more than consumed during the same period a year earlier. For the year, the USDA projects a 3.3 percent increase in consumption of U.S. soybean meal. Domestic use is expected to increase by 724,000 tons (2.2 percent) and exports are expected to be up by 636,000 tons (7.9 percent). As of February 15, 2007, the USDA reported marketing year cumulative meal exports of 2.92 million tons, 6.6 percent larger than those of a year earlier. Unshipped sales of 2.1 million tons were 43 percent larger than those of a year earlier. The larger South American crop now being harvested will provide increased competition for U.S. export sales beginning in April. Still, with current exports plus export commitments exceeding those of a year earlier by 19 percent, it appears that exports will reach, or perhaps exceed, the USDA projection.

Domestic consumption of soybean meal during the first quarter of the current marketing year (beginning October 1, 2006) is estimated at about 8.8 million tons, only 1.1 percent

more than used a year earlier. Domestic meal use has been supported by high feed grain prices. However, a slow down in livestock production and the recent strength in soybean meal prices may result in some year over year decline in domestic meal use for the remainder of the marketing year. The net result of the large crush to date along with strong near term export demand for soybean meal suggests that the crush for the year may still exceed the current USDA projection, even with a slow down in domestic use of meal.

While the domestic crush is being driven by meal demand, consumption of U.S. soybean oil is on the rise. Census Bureau estimates show a 9.4 percent increase in consumption (domestic plus exports) during the first four months of the marketing year. In addition, the average soybean oil yield from the 2006 crop is down sharply from the record high yield from the 2005 crop. For the period October 2006 through January 2007, the average yield of oil per bushel of soybeans crushed was 11.24 pounds, down from 11.59 during that four month period a year ago. With a crush of 630.91 million bushels, the lower yield resulted in nearly 221 million pounds less oil production than if yield had been at the level of a year ago. Even so, oil stocks at the end of January 2007 were reported at a record 3.257 billion pounds, 762 million larger than the inventory of a year ago.

For the current marketing year, the USDA projects U.S. soybean exports at 1.1 billion bushels, 153 million (16.2 percent) more than exported last year. Export inspections through the first 25 weeks of the marketing year totaled 737.4 million bushels, 24.1 percent more than cumulative inspections of a year earlier. To reach the USDA projection, shipments during the final 27 weeks of the year need to total 362.6 million bushels, only about 10 million more than shipped during the same period last year. Shipments will likely slow dramatically as the record 2007 South American crop is harvested, but total shipments are still likely to reach the USDA projection.

Even with a record level of consumption that may exceed current USDA projections, supplies of U.S. soybeans will be extremely large at the end of the current marketing year. All of the recent strength in soybean prices is in anticipation of sharply lower production in 2007. Unless, the U.S. average yield falls below trend value, however, a shortage of soybeans will not likely occur until the 2008-09 marketing year.

Issued by Darrel Good  
Extension Economist  
University of Illinois