

Soybean Exports Strong, But Crush Is Slow



grain outlook

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For the 2008-09 marketing year, the USDA has projected that U.S. soybean exports will reach 1.02 billion bushels, 141 million (12 percent) less than the record exports of a year ago. The domestic soybean crush is projected at 1.745 billion bushels, 56 million bushels (3.1 percent) less than crushed last year.

Through the first 12.5 weeks of the marketing year, export inspections for soybeans totaled an estimated 352 million bushels, 40 million more than exported in the same period last year. The year-over-year increase reflects a faster pace of imports by China. Those imports to date are 45 percent larger than at the same time last year. Shipments to other significant importers including the European Union, Japan, Taiwan, and Mexico are running behind the pace of a year ago.

Unshipped export sales of soybeans as of November 20 totaled 328 million bushels, 30 million less than outstanding sales of a year earlier. Unshipped sales to China were about 48 million bushels less than sales of a year ago. For the year, the USDA projects that China will import 1.323 billion bushels of soybeans from all sources, 67 million less than imported last year. The decline reflects a 103 million bushel increase in soybean production this year, as China is expected to consume 75 million bushels more soybeans this year than were consumed last year.

While the pace of exports of U.S. soybeans to date is encouraging, it may not be an accurate indicator of export demand for the year. Last year, exports started slowly and were stronger as the year progressed. Exports for the year were 45 million bushels larger than during 2006-07, but exports during the first quarter were nearly 46 million less than during the previous year. The pace of purchases by China, the development of the South American crop, and

world economic conditions will be closely monitored to evaluate export demand for the rest of the year.

While exports have started quickly, the pace of the domestic crush is much slower than that of last year. Through the first two months of the 2008-09 marketing year, the Census Bureau estimates that the domestic crush totaled 275.5 million bushels. That total is 36.2 million bushels, or 13 percent, less than during the first two months of the 2007-08 marketing year. The two-month total is the smallest in five years. The slow down in crush reflects a continuation of the slow down in soybean meal consumption that began in May 2008. Apparent soybean oil consumption in September 2008 was less than in the previous year, but consumption appears to have rebounded in October as soybean oil prices declined sharply. Exports and export sales of both soybean meal and soybean oil during the first eight weeks of the marketing year were trailing the pace of a year ago.

Last year, the domestic crush was record large in each of the first three quarters of the marketing year, but declined to a three-year low in the fourth quarter. It appears that the pattern of the domestic crush may be more uniform this year. To reach the USDA's projection of 1.745 billion for the year, crush during the final ten months of the year will need to total nearly 1.47 billion bushels, only 20 million less than during the same period last year. The monthly pace of the domestic crush, as well as livestock and poultry inventories, will be monitored to judge domestic demand potential for soybean meal for the rest of the year.

After the first of the year, more attention will likely be given to any changes in acreage needed in the U.S. in 2009. With a modest increase in consumption of U.S. soybeans in the 2009-10 marketing year and a return to trend yields in 2009, a small reduction in soybean acreage is probably warranted. That assessment, however, could change as the South American crop develops and as demand unfolds over the next four months.

Soybean prices increased about \$1.00 per bushel from mid-October through early November. Since then, prices have been erratic but generally weaker. More of the weakness has come from soybean oil prices than from soybean meal prices. Prices in the near term will likely be influenced by developments in the general economy and the energy markets. Recovery in those markets is not expected soon. △