SOYBEAN CONSUMPTION TO SLOW, BUT HOW MUCH?

For the current marketing year, the USDA projects the U.S. soybean crush at 1.68 billion bushels, about 2.4 percent larger than the crush during the 2000-01 marketing year. Crush during the first 5 months of the marketing year totaled 735.6 million bushels, 3.6 percent more than crushed during the same period last year. The larger crush is being driven by soybean meal consumption. Consumption, domestic plus exports, during the first 4 months of the 2001-02 marketing year was 4.6 percent larger than during the same period last year. Commercial exports of U.S. soybean meal through February 21, 2002 were 9.2 percent larger than cumulative exports of a year ago. Canada and Mexico account for much of the increase. Stocks of soybean meal (at mills) at the end of January totaled only 290 thousand tons, 44 thousand less than on the same date last year.

Consumption of U.S. soybean oil during the first four months of the 2002-02 marketing year was 3.2 percent larger than during the same period last year. However, the inventory of soybean oil at the end of January 2002 totaled a record 3.045 billion pounds. Stocks were 28 percent larger than on the same date last year. The inventory situation would have been even more burdensome if the yield of soybean oil to date had equaled the yield of a year ago. For the period September 2001 through January 2002, the average yield of oil per bushel of soybeans crushed was 11.07 pounds. A year ago, the yield was 11.2 pounds. The difference represents 95 million pounds of oil. In January 2002, the average oil yield was only 10.9 pounds, 0.3 pounds less than in January 2001.

The pace of the U.S. soybean crush typically begins to decline in February as South American competition increases. If the USDA’s projection for the year is correct, the U.S. crush from February through August 2002 will total 944.5 million bushels, only 0.7 percent more than during the same period last year.

For the current marketing year, the USDA projects U.S. soybean exports at 1.02 billion bushels, 2.2 percent more than exported during the 2000-01 marketing year. Based on the USDA’s weekly export inspections report, U.S. soybean exports during the first half of the 2001-02 marketing year totaled 777 million bushels, 16 percent more than exported during the same period last year. The increase on exports was led by larger shipments to the major buyers – European Union (19 percent), China (14 percent), and Mexico (11 percent). To reach the USDA projection, exports during the last half of the marketing year will need to total only 243 million bushels, 26 percent less than exported during the same period last year. As of February 21, unshipped sales of U.S. soybeans totaled 157 million bushels, 26 percent less than outstanding sales of a year ago. Unshipped sales to China totaled only 10 million bushels, compared to 68 million of a year ago.
China has apparently accelerated the purchase of soybeans before the new regulations relative to genetically modified crops goes into effect later this month. Rumors about the implementation of those rules continue to be circulated, but there is no strong evidence that implementation will be delayed or modified. That development will be extremely important over the remainder of the marketing year.

Recent reports from South America indicate that the areas of dry weather this year have likely had a negative impact on soybean yields. Estimates of the South American crop size are beginning to decline. The crop there will still be large, and probably larger than last year’s crop, but it may not live up to earlier expectations.

It now appears that both the domestic crush of U.S. soybeans and the exports of U.S. soybeans will be slightly larger than the current USDA projection. Year ending stocks, then, may be less than the 270 million bushels currently projected. There is no danger of running out of soybeans, with the South American harvest well underway, but the higher rate of consumption and lower stocks would have implications for the 2002-03 marketing year. The USDA’s Prospective Plantings report to be released at the end of the month will be watched closely. A reduction in soybean acreage in the face of record consumption would be somewhat supportive for prices. The details of the “farm bill” may also have some implications if there are changes in provisions that impact the 2002 crop.

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