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Weekly Outlook: Soybean Stocks and Acreage

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The USDA will release the quarterly *Grain Stocks* report, with estimates of crop inventories as of June 1, and the annual *Acreage* report on June 28. The June 1 soybean stocks estimate this year may not provide much new information, but the implications for soybean prices contained in the Acreage report appears set to form expectations about prices moving forward.

The third quarter of the 2018-19 marketing year contained modest soybean export levels and a continuation of the steady crush pace seen in the first half of the marketing year. Anticipating the size of the June 1 soybean stocks estimate begins with the USDA estimate of stocks held on March 1. Soybean supply entering the third quarter of the marketing year totaled 2.716 billion bushels based on the March 1 stocks report. An estimate of soybean imports for the third quarter using Census Bureau data came in at approximately 4.5 million bushels. The total supply for the quarter comes in at 2.72 billion bushels.

The expected level of soybean crush during the third quarter begins with estimates of the domestic crush from the USDA's *Oilseed Crushings, Production, Consumption and Stocks* report for March and April and the NOPA estimate for May crush. For the current marketing year, the USDA monthly crush estimates exceeded the NOPA crush estimates by 5.8 percent. A continuation of the margin for USDA monthly crush estimates above the NOPA May crush estimate indicates a third-quarter crush of 515 million bushels of soybeans.

Soybean export calculations get derived from USDA weekly export inspection reports and Census Bureau export estimates. The USDA's weekly export inspections report shows that cumulative marketing year inspections of 1.255 billion bushels through May. Through the first eight months of the marketing year, cumulative Census export estimates exceeded inspections by 61 million bushels. If that margin persisted through May, exports reached 1.316 billion bushels. Exports during March and April totaled 224 million bushels. A May export estimate of 85 million bushels brings third quarter export to 309 million bushels.

Calculating the level of seed and residual use of soybeans during the third quarter of the year is difficult. Seed and residual use is typically positive in the first half of the year and negative in the last half of the

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year, but the quarterly distribution varies from year to year. Use through the first half of this marketing year is estimated at 206.1 million bushels based on the March 1 stocks estimate. Disappearance in this category during the third quarter is estimated at 26 million bushels.

Total consumption of soybeans during the third quarter of the marketing year is calculated to be near 850 million bushels. With supply estimated at 2.72 billion bushels, June 1 soybean stocks total approximately 1.87 billion bushels, approximately 650 million bushels larger than last year. Given the uncertainty of the magnitude of seed and residual use during the quarter, the stocks estimate would be expected to be within a relatively narrow range.

Expectations of expanded soybean acreage faded as planting fell further behind in June. The prospect of expanded acreage of prevented planting, particularly in the eastern Corn Belt, may mitigate switching into soybean acres from delayed planting of other crops this spring. This year looks set to eclipse the 2.23 million acres of prevent plant in 2015. The March Prospective Plantings report pegged soybean acreage at 84.6 million acres. As of June 16, 18.7 million acres remained unplanted in the 18 states reported in the Crop Progress report with almost 8.9 million acres in the eastern Corn Belt.

The evolving nature of policy announcements concerning Market Facilitation Payments and prevent plant payments injects a considerable amount of difficulty into soybean planting decisions this late in June. As such, the June acreage report may provide a weak indication of soybean acreage this year. The final acreage estimate released in January tends to be less than the June estimate. Since 2007, the final estimate averaged 298 thousand acres less than the June acreage report. During years of prevented planting acreage exceeded one million acres, final acreage averaged 1.2 million acres less than the June acreage report. An expectation of soybean acreage at or below the 84.6 million acres indicated in March seems appropriate due to an expansion of prevented planting despite any acreage shifts from other spring crops.

Information in the acreage report is expected to eclipse the stocks report. The June acreage estimate may indicate the scale of acreage shifts into soybeans, but prevented plant acres may not be known until later in the year. Soybean supply looks set to fall from the current USDA forecast for the 2019-20 marketing year through lost acreage or reduced yield potential. The supply loss needs to be substantial to merit a continuation of the rally in soybean prices given the large beginning stocks facing the 2019-20 marketing year.

YouTube Video: Discussion and graphs associated with this article at <https://youtu.be/8vBbP1X54Mw>

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