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Weekly Outlook: Soybeans and the June 30 USDA Reports

Todd Hubbs

Department of Agricultural and Consumer Economics
University of Illinois

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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 30. For soybeans, the stocks estimate is typically overshadowed by the estimate of planted acreage. The recent drop in soybean prices indicates the large South American crops may finally have impacted prices despite the difficult start to the planting season in the U.S. 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 could make for a long summer of depressed prices.

In March, the USDA reported producer intentions to plant 89.996 million acres of corn and 89.482 million acres of soybeans. A general expectation that corn acres will fall short and soybean acres will exceed the March planting intentions exist due to the rough start to the planting season. Some estimates by market observers indicate a one million acre switch into soybean acreage and away from corn acreage. While these estimates may be too high, they are not out of the realm of possibility. June soybean acreage deviated from March planting intentions by at least a million acres one-third of the time in the last 21 years. If the June Acreage report comes in at these acreage levels, the outlook for soybean production in 2017 on top of the current stocks in the U.S. and South America could keep soybean prices under pressure through the summer.

Anticipating the size of the June 1 soybean stocks estimate begins with the USDA estimate of stocks held on March 1. The estimates of soybean stocks on March 1 was 1,755 million bushels. By including an estimate of soybean imports during the quarter, an estimate of the total supply available during the quarter can be calculated. Census Bureau estimates of imports in March and April totaled 3.8 million bushels, so the total for the quarter may be around 5.8 million bushels, resulting in a total supply of 1,741 million bushels.

The expected level of soybean crush during the third quarter is calculated based on available estimates of the domestic crush. The USDA's *Oilseed Crushings, Production, Consumption and Stocks* report provides estimates of the domestic crush for March and April. The estimate for May will be released on July 5. The National Oilseed Processors Association (NOPA) estimate of the May soybean crush can be used to estimate the total May crush. For the current marketing year, the USDA monthly crush estimates exceeded the NOPA crush estimates by 6.4 percent. A continuation of the margin for USDA monthly crush estimates above the NOPA May crush estimate indicates a third quarter crush of 468.5 million bushels of soybeans. The total crush for the first three-quarters of the marketing year sums to 1,444 million bushels.

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Soybean export calculations for the third quarter are inferred from USDA weekly export inspection reports and Census Bureau export estimates. The USDA's weekly export inspections report shows that cumulative 2016-17 marketing year inspections attained 1,876 million bushels by the end of the third quarter. Through the first five months of the year, cumulative Census export estimates exceeded inspections by 40 million bushels. If that margin persisted through May, cumulative exports reached 1,916 million bushels by June. Exports during the first half of the marketing year totaled 1,659 million bushels, putting third quarter exports at 257 million bushels.

Seed and residual use in the first half this year was estimated at 144.7 million bushels with a surprising -48.4 million bushel use in the second quarter of the marketing year. In the last five incidences of negative second quarter disappearance, seed and residual use for the third quarter tended to show a significant increase in consumption for the quarter. If the pattern continues this year and the USDA's projection of 128 million bushels for the year is correct, second quarter disappearance would be 55 million bushels.

Total consumption of soybeans during the third quarter of the marketing year is calculated to be near 780.5 million bushels. With supply during the quarter estimated at the 1,741 million bushels, June 1 stocks are calculated to total about 960.5 million bushels. Given the uncertainty of the magnitude of seed and residual use during the quarter, the stocks estimate is expected to be within a relatively narrow range.

If marketing year ending stocks remain at the current USDA projection of 450 million bushels, a June 1 stocks at the level point to a final quarter U.S. soybean consumption level of 510.5 million bushels. Information in the acreage report is expected to overwhelm the stocks report by increasing the production possibilities for the 2017-18 marketing year. Despite soybean planting being behind schedule in many areas of the U.S., it is too early to speculate on yield loss or increased prevent planting acreage for this year's crop. A large increase in planted acreage will hang over soybean prices for the rest of the summer and turn attention to soybean crop conditions and the weather's impact on yields.

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