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Weekly Outlook: Soybean Consumption Finishes Strong in 2016-17

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The 2016-17 marketing year for soybeans closed with strong consumption in soybean crush and export numbers. USDA's current estimate of 370 million bushels for the 2016-17 marketing year soybean ending stocks may be lowered due to the stronger than expected finish in consumption. Despite the recent strength in soybean consumption, the current focus is squarely on the level of production for the 2017 soybean crop and, in particular, national yield potential.

The USDA's [Oilseed Crushings, Production, Consumption and Stocks report](#) released on September 1 estimated domestic crush for July at 156 million bushels. At 1 percent higher than July 2016, the report confirmed a strengthening trend in soybean crush levels that began in June after four consecutive months of lower crush number from last year. Through July, total yearly soybean crush totals 1,747 million bushels. For crush to meet the USDA estimate for the 2016-17 marketing year, August crush is required to be 137 million bushels. August 2016 crush came in at 140.6 million bushels. If crush levels continue to see recovery from early year weakness at the pace witnessed in June and July, soybean crush for the fourth quarter is estimated to total 451.6 million bushels. The potential to exceed the current USDA estimate of 1,890 million bushels by five million bushels is a distinct possibility.

USDA projections for 2016-17 marketing year soybean exports total 2,150 million bushels as of the [August 10 WASDE report](#). Census Bureau export estimates through July place soybean exports at 2,061 million bushels. Census Bureau export totals came in 47 million bushels larger than cumulative marketing year export inspections over the same period. As of August 31, cumulative export inspections for the current marketing year totaled 2,123 million bushels. If the same difference in export pace through July is maintained, soybean exports totaled 2,170 million bushels for the 2016-17 marketing year, 20 million bushels larger than the current USDA estimate. Fourth quarter soybean exports would total 258.5 million bushels.

Seed and residual use through the third quarter of the marketing year is estimated at 203.1 million bushels. If the USDA's estimate of feed and residual use of 128 million bushels is correct, fourth quarter disappearance for seed and residual use would total -75.1 million bushels.

Soybean stocks on June 1 were estimated at 963.4 million bushels. By including an estimate of soybean imports during the fourth quarter, an estimate of total supply available during the quarter can be calculated. Census Bureau estimates of soybean imports in June and July totaled 2.8 million bushels. Imports for the quarter could come in at around 4.8 million bushels, resulting in a total supply of 968.2 million bushels.

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Total consumption of soybeans during the fourth quarter is calculated to be 635 million bushels. Given a supply during the quarter of 968.2 million bushels, September 1 stocks are calculated at 333.2 million bushels. While uncertainty exists for the magnitude of seed and residual, the final ending stocks estimate is expected to be within a relatively narrow range.

Strong finishing numbers for the 2016-17 marketing year are currently being eclipsed by the USDA forecasts for soybean crop production. The August Crop Production report forecast 2017 soybean production at 4,381 million bushels. In particular, the soybean yield forecast of 49.4 bushels per acre is the subject of extensive speculation due to higher than expected yield forecasts in major producing states. The question is whether the soybean acreage or yield will change enough to result in lower soybean production.

Historical data suggests the soybean yield forecast will change in future Crop Production reports. Using data from 1990-2016, the change in the soybean yield forecast from August to September declined in 12 of those years. The decline exceeded one bushel in four of those years and exceeded two bushels in 2003. During the last five years, USDA August and September forecasts of soybean yield have been below the final yield estimate. Recent cool temperatures and relatively dry conditions in many areas could be detrimental to soybean development. Despite the potential weather impacts, many market analysts have raised previous soybean yield projections with a general expectation of the September forecast coming in at or slightly lower than the August forecast.

Current developments in soybean acreage can be inferred from data reported to the Farm Service Agency (FSA) by producers enrolled in federal farm programs. FSA released the first report for 2017 on August 10. Producers reported 88.2 million acres of planted soybeans, which is lower than the 89.5 million acres currently used by NASS. The FSA figures should grow as reporting is completed. The FSA report indicated that 436,610 acres of prevent planting in soybeans had been certified thus far in 2017. Last August, prevent plant soybean acreage was reported at 237,057 million acres and the final 2016 report totaled 236,609 acres. While higher than last year, the current prevent planting acreage provides no indication of a significant change in soybean planted or harvested acreage in 2017.

The release of the USDA reports on September 12 could induce significant volatility in soybean prices. A major adjustment of soybean yields in either direction will have an outsized impact of price movements over the short run. Over a longer horizon, the current strength in soybean consumption provides a positive signal for soybean prices.

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