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Weekly Outlook: Soybean Export Prospects for 2017-18

Todd Hubbs

Department of Agricultural and Consumer Economics
University of Illinois

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U.S. soybean exports will play a significant role in determining soybean prices this marketing year. The recent level of soybean exports from the United States trails last year's pace. The prospect of ending stocks for soybeans once again diminishing throughout the marketing year hinge on increased soybean exports. The development of a lowered ending stock scenario during 2017-18 may require a shortfall in South American production or U.S. exports capturing a greater market share of the world soybean trade.

The current projection for U.S. soybean exports during the 2017-18 marketing year is 2,250 million bushels. This forecast is 76 million bushels larger than last marketing year's total exports. While we are only twelve weeks into the marketing year, exploring the current pace of exports is of value since soybean exports from the U.S. typically slow as the South American soybean crop enters the world market during spring. Census Bureau export estimates are only available for September. September exports came in at 170.5 million bushels, up 32 million bushels over the previous period last marketing year. Census Bureau exports exceeded weekly export inspections by 9 million bushels over the same time. Soybean exports through November 16 equaled 713 million bushels if the margin at the end of September stayed consistent. Soybean export inspections currently trail last year's pace by approximately 12 percent. At this point in the marketing year, export inspections need to average 37.7 million bushels per week to meet the USDA projection. As of November 9, 573 million bushels of soybean had been sold for export but not shipped. The current unshipped export sales number trails the 716 million bushels sold at the same time last year. The pace and sales of soybeans currently lag last year's pace. A brief look at the supply and demand situation can provide clarity on the prospects of meeting or exceeding the USDA projection.

U.S. soybean production is currently projected at 4,425 million bushels for the 2017 crop. This production level is 129 million bushels larger than the 2016 crop and is set to push ending stocks for the current marketing year above 400 million bushels despite the current export projection level. South American production is forecast to be 4.8 percent lower than the 2016-17 production levels. This lower projection is despite a three percent increase in projected harvested acres in the region, mainly driven by an increased prospective planting of soybean acreage in Brazil. The lower production levels occur due to a lower projected yield in the region. Brazil's soybean yield in 2016-17 came in at a record 50.1 bushels per acre, up from the drought-induced 43.1 bushels per acre yield in 2015-16. Current yield projections for Brazil in the 2017 crop sit at 45.9 bushels per acre. While it appears reasonable to assume Brazil will not reach its record yield level again in 2017, the increased production level in the U.S. and expanded acreage in South America provide the prospect of plentiful supplies over the next year.

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Export demand over the last decade has been driven by the dramatic expansion of soybean imports from China. Currently, USDA projections for Chinese soybean imports for 2017-18 are 3,564 million bushels. The current level is a 3.7 percent increase from last year's Chinese soybean import estimate. By using data from the USDA's Foreign Agricultural Service, the U.S. share of Chinese soybean imports since the 2010-2011 marketing year averaged approximately 38 percent of total Chinese imports. If we assume this market share for the 2017-18 marketing year, total U.S. exports to China would equal 1,343 million bushels, a mere 11.5 million bushels greater than the 1,331 million bushels exported to China in the 2016-17 marketing year. If China expands imports to 3,764 million bushels as some reports have indicated, a similar calculation of U.S. share comes to 1,385 million bushels. Current projections for other major importers (the European Union, Japan, Mexico, and Southeast Asia) are expected to increase 52 million bushels to 1,112 million bushels for the 2017-18 marketing year. The prospect of meeting the current U.S. soybean export forecast may rely on acquiring a larger market share of the world's soybean import expansion when considering the prospects for crops in South America.

U.S. soybean exports need to continue to build on the strength seen in the 2016-17 marketing year. The ability to exceed the current USDA export projections in 2017-18 is a possibility, but it is heavily dependent on South American production and the continued growth in demand from importers. If major importer demand grows at the projected rate, the soybean export and ending stock projections outlined in the November WASDE supply and demand figures appear to be reasonable approximations for the 2017-18 marketing year.