

## MONTHLY SOYBEAN SUPPLY & DEMAND ROUND-UP

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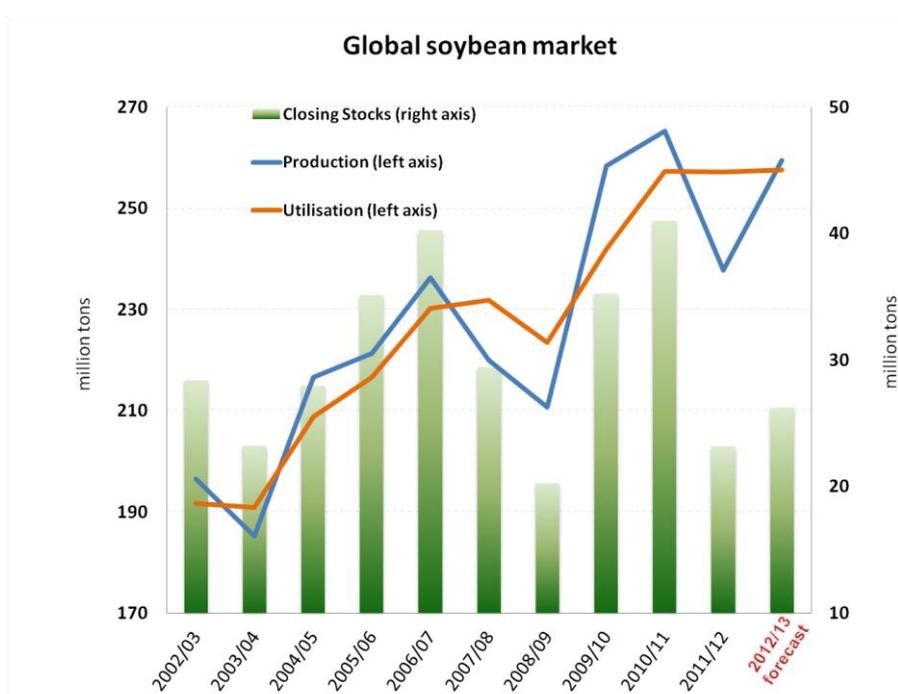
### 1. World at a glance

FAO's global soybean production forecast for 2012/13 has undergone a downward revision in August, now reaching barely 260 million tons. Though recovering from the poor 2011/12 outcome (up by about 9 percent), global output is set to remain below the 2010/11 levels. Lower yield forecasts in the United States have played the key role in the downsizing.

The 2012/13 forecast for global soybean utilization, now lowered to 257 million tons, would be virtually equal to the level estimated for the current 2011/12 season, thus marking a stagnation in consumption levels over three consecutive seasons. If realized, prospective production would just cover expected utilization in 2012/13.

The already very low estimate for this season's closing stocks has been cut further in August, further limiting soybean availabilities for the coming season. Compared to the current season, end-of-season stocks are forecast to recover in 2012/13, remaining, however, at historically low levels. The global stock-to-use ratio and, especially, the stock-to-disappearance ratio calculated for major exporters are anticipated to improve next season.

Global soybean trade is still forecast to grow by almost 3% in 2012/13 compared to the on-going season, notwithstanding a slight downward revision made in the figures for next season.



World soybean supply and demand					
	2009/10	2010/11	2011/12 estimate	20012/13 forecast	
				previous (15/7/'12)	current (15/8/'12)
	..... in '000 mt .....				
Production	258428	265244	237705	268421	<b>259398</b>
Supply <sup>1</sup>	278689	300464	278375	292129	<b>289116</b>
Utilization	241924	257300	257215	264002	<b>257496</b>
Trade <sup>2</sup>	91411	91987	92898	95863	<b>95463</b>
Ending stocks	35220	41030	23191	29718	<b>26250</b>
World stock-to-use ratio	14.6	15.9	9.0	11.3	<b>10.2</b>
Major exporters' stock-to-disappearance ratio	6.9	10.0	3.4	9.0	<b>7.8</b>

<sup>1</sup> Supply is defined as production plus opening stocks  
<sup>2</sup> Trade refers to exports

## 2. Country details

### Soybean production

A substantial climb in global production is expected for the 2012/13 season on account of potential record breaking crops in South America. However, global production would still remain below record due to another poor crop in the United States.

In August, FAO's global 2012/13 production forecast has been revised downward by 9 million tons (or 3 percent), mainly on account of lower yield forecasts in the United States following protracted dry weather. The exceptionally hot and dry conditions prevailing in the United States have caused irreversible damage to the crop. The latest forecasts imply a sharp drop in production for the second consecutive year: the 12% drop anticipated for 2012/13 follows a decrease of 8% this season. The current 2012/13 production forecast of 73.3 million tons represents a 5-year low, and is only marginally above the extraordinary 2007/08 dip.

This month, FAO also cut its soybean production estimate for India, while the forecasts for Brazil and Canada have been raised slightly.

### Focus on South America

Planting of South America's next soybean crop is scheduled to begin coming October. The prospected abundant (or even record) harvest would come primarily from a return to average yield levels, but also from a further expansion in plantings. Given the current very high international soybean price planting prospects in the region look promising. Financial returns from soy operations (comprising the marketing of this year's crop as well as active forward sales of next year's harvest - well before it is planted) are reported to be high, leading farmers to plan extensive soybean plantings.

In Brazil, growing use of crop insurance programs is reported to have strengthened farmers financially. Furthermore, the government has confirmed access to the usual production loan packages. The continued decline in the real's value compared to the US dollar is reported to strengthen the competitive position of soybeans. Overall, local sources believe a doubling in the recent annual soy planting expansion rate to be possible. In principle, there seems to be considerable room for expanding soy plantings via the reclamation of territory recently lost to maize and cotton. Soy could also expand further into underutilized pasture land. On the other hand, some experts caution that logistical difficulties (regarding overland transport and port infrastructure) will likely continue to constrain the country's export capability, thus keeping production growth below potential.

In Argentina, some shifting of land from maize to soybeans also seems likely, which, along with a return to average yield levels, should lead to a record soybean harvest.

Among the unknowns, however, remains the development of the maize-soybean price ratio closer to planting time, which could lead to last-minute adjustments in land allocation. The size of local maize stocks and the two crops' production costs are expected to play a role in this regard.

Further upward corrections in production forecasts cannot be excluded, depending on the development of the region's weather pattern. Global climatic conditions could favour the continent's 2012/13 soy crop: one year after La Niña caused severe drought, South America should experience a neutral weather or possibly benefit from moderate El Niño conditions, which would increase the amount of beneficial rainfall in the region. However, some expert are cautioning that the next El Niño episode may not live up to expectations.

#### Soybean crush

The 2012/13 forecast for global soybean crush has been cut back by 6.5 million tons (or over two percent) this month. Crush forecasts have been revised downwards mainly in the United States (by 3 mill tons) due to lower production forecasts and crush margins, as well as in Brazil and Argentina (by respectively 1.8 and 0.7 mill tons), based on increased export forecasts. Reductions in other South American countries, plus China and India, also contributed to FAO's lower forecast at the global level.

#### Soybean trade

As to global trade, an about average year-on-year expansion is expected for 2012/13. On the export side, a marked fall in shipments from the United States should be more than compensated by record exports from Brazil, Argentina and other South American producers. Meanwhile, on the import side, consignments to China and other Asian countries are forecast to grow further.

### **3. Soyoil and soymeal supply & demand**

#### Global picture

Current soybean production forecasts for 2012/13, translate into a 10% increase in both soymeal and soyoil output, compared to the current season. As in the case of beans, the

anticipated meal and oil output levels would remain below the record levels achieved in 2010/11.

As to global meal consumption, a slight year-on-year fall seems possible in 2012/13, which compares to a small expansion in the current season and a more marked growth in the two preceding years. The stagnation in consumption growth reflects lower overall availabilities as well as the markets' response to the upward trend in prices. Global soybean oil consumption, by contrast, is currently anticipated to continue rising in 2012/13, although at a much lower rate than in the current and last two seasons.

#### Country details

The key contributors to the anticipated rise in global soymeal and oil production are Argentina and Brazil, where output is expected to grow by almost 40 and 20 percent (in the two countries respectively), thus fully recovering from the current season's drop and climbing to new records. More modest production increases are also expected in Canada, India and the Ukraine. By contrast, in the United States, soymeal and oil production levels are expected to fall to multi-year lows.

With respect to global soyoil and soyoil consumption, the anticipated rise in oil consumption is mostly attributable to China, while the prospective stagnation in world soymeal utilization reflects more or less pronounced year-on-year drops in the EU, the United States, Brazil and other South American countries, together with a slowdown of consumption growth in China.

### **4. Price developments**

Spot and futures prices in the soy complex continue to be very high in historic terms. In the case of soybeans and meals, during the recent weeks prices have risen above the peaks recorded in 2008, thus marking new historic

records. In the first half of August, soybean quotations remained about unchanged from their July average, while soymeal prices strengthened further and soyoil prices eased somewhat. Meal continues to show the strongest price response within the soy complex, given the dominant position soymeal occupies in the protein feed market and because of the concurrent, on-going surge in international maize prices.

The soy complex's persistent price strength reflects the tightness in the world soybean balance seen throughout 2011/12, which now is expected to extend into 2012/13. For the current season, soybean ending stocks as well as the stock-to-disappearance ratio (for major exporting countries) are anticipated to drop close to the minimal levels recorded in 2008/09, while an only partial recovery is

expected for next season.

The prospect of another poor soybean crop in the United States has caused widespread supply concerns, maintaining prices under upward pressure and causing high price volatility - a situation that could last until the new South American soybean crop gets underway. In fact, even if South America's soy crops developed according to present forecasts, the global market is expected to heavily depend on US export supplies for another 5-6 months.

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Soy products: global supply and demand								
	Soybean meal				Soybean oil			
	2009/10	2010/11	2011/12 estimate	2012/13 forecast	2009/10	2010/11	2011/12 estimate	2012/13 forecast
	..... in '000 mt .....				..... in '000 mt .....			
<b>Production</b>	181853	187931	167418	183179	43414	44843	39912	43811
<b>Consumption</b>	164576	177673	182105	179998	38578	42038	43933	44590
<small>Note: Production data for soybean oil (cake) simply refer to the oil (cake) equivalent of current soybean production, i.e. they do not reflect the outcome of actual crushing.</small>								

Average soybean, soyoil and soymeal prices (US\$ per ton)						
	..... week ending on .....				..... monthly avg. ....	
	17-Aug-'12	10-Aug-'12	3-Aug-'12	27-Jul-'12	Jul 2012	Jul 2011
<b>SPOT</b>						
<i>soybeans (US no.1, yellow, Gulf)</i>	637	628	652	658	644	523
<i>soybean meal (pellets, 48%, Brazilian origin, CIF Rotterdam)</i>	642	634	634	635	608	408
<i>soybean oil (Dutch, FOB ex-mill Rotterdam)</i>	1232	1213	1208	1215	1241	1337
<b>FUTURES</b>						
<i>soybeans (CBOT, November contract)</i>	593	588	600	586	581	504
<i>soybean meal (CBOT, December contract)</i>	538	538	533	540	511	379
<i>soybean oil (CBOT, December contract)</i>	1183	1166	1167	1169	1194	1283
<small>Source: USDA, CME, BCR, Bloomberg</small>						