

OILSEEDS, OILS & MEALS

MONTHLY SOYBEAN SUPPLY & DEMAND ROUND-UP

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1. World at a glance

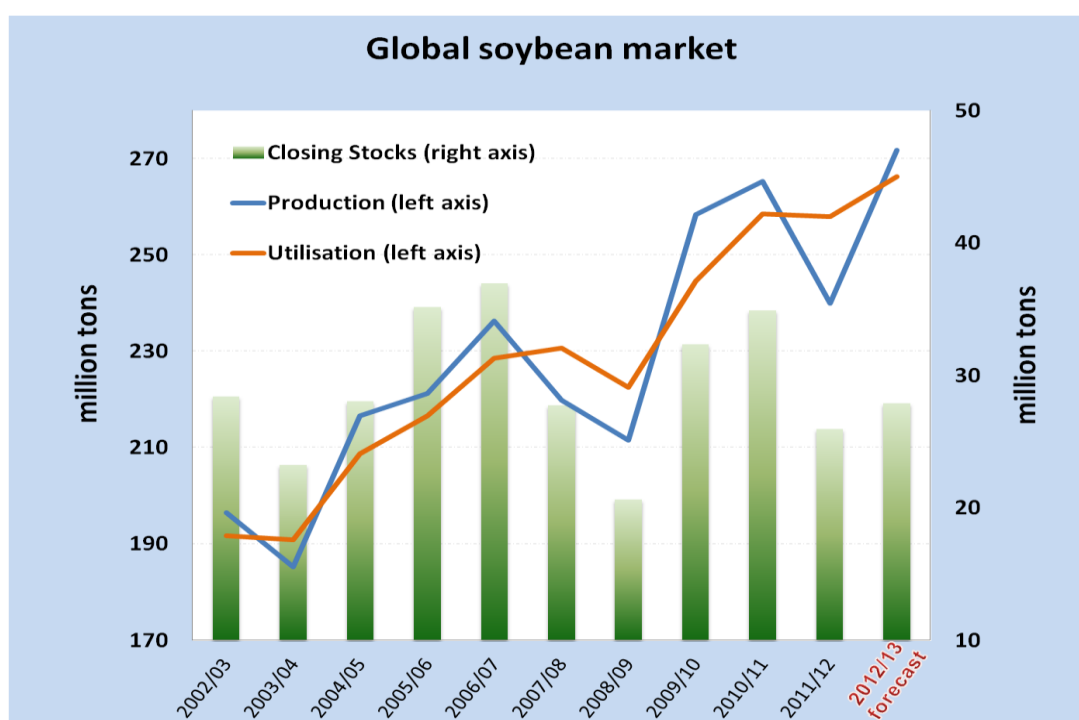
In January, the estimate for 2012/13 global soybean production has been lowered marginally (0.3 percent), maintaining the expected recovery from the previous season in the 13-14 percent range, similar to the forecasts issued in the past 3 months. Close to 272 million tons, the new production forecast represents a new record. Total supplies for the current season are somewhat higher than anticipated earlier as 2011/12 global ending stocks have undergone an upward revision. Notwithstanding, the estimated year-on-year expansion in global availabilities remains around 8 percent.

World soybean utilization is now estimated to increase (year-on-year) by about 3.2 percent to 266 million tons, thus confirming resumption in growth (following the stagnation observed in 2011/12) at a rate comparable to that observed in the past eight years.

As a result of this month's revisions the surplus in world production relative to utilization has now come down to 5 million tons, pointing to a tighter than earlier anticipated supply and demand balance for soybeans in 2012/13 – though still recovering from last season's production shock.

As to world soybean trade, this month's estimates for the current season have been adjusted downwards by about 1 percent, which still implies a substantial increase in total shipments compared to last season.

Estimates for 2012/13 global carry-out stocks have undergone a further downward revision this month, now hardly reaching 28 million tons, which, however, represents a partial replenishment of global inventories after the sharp drop recorded in 2011/12. This leads to downward corrections in both the stock-to-use ratio and the major exporters' stock-to-disappearance ratio. Although recovering from the previous season, both values remain below the levels recorded in past years.



2. Country details

Supply: This month's slight revision in global *production* is the combined result of a downward adjustment for Argentina and a partially offsetting upward correction in the United States. In Argentina, the continued excessive rainfall reported until mid January has hampered planting operations, leading to lower estimates for area sown and possibly also compromising future yield levels. The new production forecast of 53 million tons would still be a record high production, though 2 million tons below last month's estimate. In the United States, on the other hand, the 2012/13 production estimate has been revised upward by 1.2 million tons, based on both higher harvested area and better yields. As a result, the drop in production (compared to 2011/12) now amounts to less than 3 percent – as opposed to the almost 8 percent drop reported at the beginning of this season.

With regard to global *ending stocks* and *supplies*, this month's higher supply forecast comes from an upward revision in China's 2011/12 carry-in stocks. The year-on-year expansion in global availabilities though, continues to be limited (8%) compared to the expected rebound in production (13%). As to 2012/13 ending stocks, a further drawdown in inventories is expected in Argentina – following the deterioration in production prospects – as well as in Brazil and other South American countries, reflecting improved export prospects.

Utilization: World soybean utilization in 2012/13 is now estimated to grow by 3.2% from last season's level – a marked improvement from the 1.9% growth expected earlier this season. The crush estimate for the United States has been raised, thus reducing the previously estimated year-on-year fall of 8 percent to 4 percent. Also China's domestic utilization estimate has been lifted, now growing by over 4% relative to 2011/12 – which, however, remains below the expansion rates observed during the past 5 years.

Trade: As to trade, the 2012/13 forecast for global soybean shipments has been revised downward slightly, bringing the year-on-year increase to around 6 percent. On the export side, lower sales estimates for Argentina are expected to be only partially offset by an increase in exports from Brazil and other South American countries. Due to this season's limited export availabilities in the United States, Brazil is seen to take over the position of the world's leading soybean supplier.

3. Soyoil/soymeal supply and demand

Notwithstanding this month's somewhat lower soybean production estimates for 2012/13, global *output* of both soymeal and soyoil is still expected to experience a year-on-year growth of 13-14 percent, confirming earlier forecasts of record production.

| World soybean supply and demand | | | | | |
|--|------------------------|---------|---------------------|-------------------------|------------------------|
| | 2009/10 | 2010/11 | 2011/12 estimate | 20012/13 forecast | |
| | | | | previous (17/12/'12) | current (15/01/'13) |
| | in '000 mt | | | | |
| Production | 258455 | 265306 | 239900 | 272431 | 271762 |
| Supply ¹ | 279096 | 297677 | 274813 | 297400 | 297696 |
| Utilization | 244625 | 258572 | 257987 | 264077 | 266315 |
| Trade ² | 91743 | 91608 | 94088 | 100800 | 100080 |
| Ending stocks | 32371 | 34913 | 25934 | 29512 | 27892 |
| | in percent | | | | |
| World stock-to-use ratio | 13.2 | 13.5 | 10.1 | 11.2 | 10.5 |
| Major exporters' stock-to-disappearance ratio | 5.5 | 6.9 | 3.6 | 6.4 | 5.6 |

¹ Supply is defined as production plus opening stocks
² Trade refers to exports

With regard to *utilization*, global meal and oil consumption are now expected to grow by 2.2% and 3.4% respectively relative to last season. The prospects for meal consumption have improved (considering that, at the beginning of this season, a growth rate of only 1.2% was predicted), whereas for oils/fats the original forecasts remain valid. In the historic context, however, the envisaged growth levels fair well below the values seen in past years. The key factors contributing to this slowdown remain: weak global economic growth prospects; high prices rationing demand on the meal side; and, with regard to oils, weakening demand for soyoil by the biofuel industry, due to both lower growth in global biofuel production and competition from other, attractively priced oils and fats.

4. Price developments

Following the strengthening of prices throughout the soy complex last December, during the first weeks of January, international quotations for soybeans and, in particular, soymeals weakened again, whereas those for soyoil appreciated further.

The better than anticipated production outturn in the United States, combined with improved weather conditions in both Brazil and Argentina seem to have eased the trade's concerns about global soybean availabilities during the remainder of this season. Furthermore, also the gradual easing in international maize and wheat values is believed to have contributed to the relaxation of soybean and soymeal prices. However, considering the oilcrop market's high reliance on South America's forthcoming harvest, prices can be expected to remain volatile depending on how climatic conditions evolve during the coming weeks.

The renewed strengthening in international soy oil values, on the other hand, can be related to market expectations of a possible acceleration in soyoil import demand as export supplies of other seed oils are likely to tighten as well as to the gradual firming of mineral oil prices. Indicators of economic recovery in China and expectations of other developing countries to follow its lead throughout 2013 are also expected to strengthen demand.

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| Soy products: global supply and demand | | | | | | | | | | |
|--|------------------------|---------|-------------|-------------|---------------|------------------------|---------|-------------|-------------|--------------|
| | Soybean meal | | | | | Soybean oil | | | | |
| | 2009/10 | 2010/11 | 2011/12 | 2012/13 | | 2009/10 | 2010/11 | 2011/12 | 2012/13 | |
| | in '000 mt | | | | | in '000 mt | | | | |
| | | | estimate | previous | current | | | estimate | previous | current |
| | | | (17/12/'12) | (15/01/'13) | (15/01/'13) | | | (17/12/'12) | (15/01/'13) | (15/01/'13) |
| Production | 181951 | 188568 | 168988 | 192495 | 191538 | 43436 | 44923 | 40201 | 45841 | 46000 |
| Consumption | 166613 | 180043 | 183247 | 186422 | 187337 | 39122 | 42155 | 44037 | 44808 | 45527 |

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.

| Average soybean, soyoil and soymeal prices (US\$ per ton) | | | | | | |
|--|----------------------------|------------|-------------|-------------|-------------------------|----------|
| | week ending on | | | | monthly avg. | |
| | 18-Jan-'13 | 11-Jan-'13 | 04-Jan-'13* | 28-Dec-'12* | Dec 2012 | Dec 2011 |
| SPOT | | | | | | |
| soybeans (US no.1, yellow, Gulf) | 562 | 549 | 556 | 563 | 576 | 445 |
| soybean meal (pellets, 48%, Brazilian origin, CIF Rotterdam) | 526 | 517 | 519 | 547 | 573 | 352 |
| soybean oil (Dutch, FOB ex-mill Rotterdam) | 1184 | 1164 | 1180 | 1138 | 1162 | 1200 |
| FUTURES | | | | | | |
| soybeans (CBOT, May contract) | 519 | 504 | 507 | 519 | 528 | 427 |
| soybean meal (CBOT, May contract) | 452 | 443 | 449 | 464 | 470 | 330 |
| soybean oil (CBOT, May contract) | 1136 | 1103 | 1117 | 1090 | 1113 | 1123 |

Source: USDA, CME, BCR, Bloomberg

* Weekly figures are based on a limited number of values as markets remained closed during festivities.