

MONTHLY SOYBEAN SUPPLY & DEMAND ROUND-UP

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1. 2011/12 round-up

World at a glance

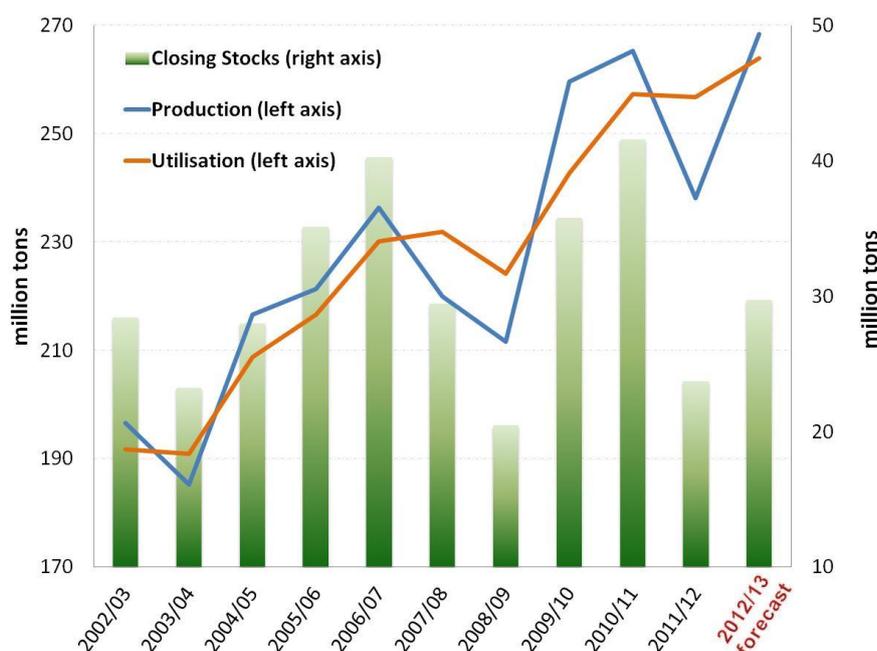
In July, the global production estimate for 2011/12 has been revised upward slightly and now amounts to 238 million, still confirming the unparalleled drop from the previous reason: about 27 million tons or 10 percent.

World soybean utilization is now estimated at around 257 million tons, entailing an unusual (though small) year-on-year decrease. The implied shortfall in production relative to utilization amounts to 19 million tons or more than 7 percent.

The estimate for global soybean trade continues to be virtually unchanged, confirming a 1% increase from the level recorded in 2010/11.

End-of-season stock figures have undergone yet another downward revision, leading to another downward adjustment in the global stock-to-use ratio and, even more so, in the major exporters' stock-to-disappearance ratio – with both indicators now faring significantly below historical levels.

Global soybean market



Country details

Production: The slight improvement in global production is the result of upward corrections for China and Paraguay, although, in the case of Argentina, the official soy production estimate has been lowered further to 40.3 million tons.

Utilization: The downward revision in global soybean consumption is mainly due to lower crush volumes in the EU, the Russian Federation and Ukraine, which are offset only in part by higher crush estimates for the United States and China. Global carry-out stocks are seen lower than estimated last month due to reduced figures for Argentina and the US, driven by, notably in the latter country, higher shipment forecasts.

Trade: Concerning world trade in soybeans, China's import estimate has been raised further, implying larger purchases from the United States.

Soyoil/soymeal supply and demand

Global picture: Current soybean production estimates for 2011/12 translate into an almost 11% reduction in both soymeal and soyoil output. Compared to the previous season, the decrease amounts to around 20 million tons and 5 million tons for meal and oil respectively. As to utilization, global consumption of soymeal and oil is currently forecast to rise by about 2% and 5% respectively. Interestingly, in the case of meals, the projected rise is significantly lower than anticipated earlier in the season, due to successive downward corrections in production forecasts and, as a result, rising world prices.

Country Details: The main players behind the year-on-year drop in global output of both sub-products are the United States, Brazil and Argentina, where poor crops have reduced soybean availabilities. Regarding consumption, on the meal side, the estimates for Brazil, Argentina and the EU have been cut heavily since the beginning of the season: in Brazil and the EU consumption could fall by 3-4 percent from last season, reaching multi-year lows. By contrast, a double-digit

World soybean supply and demand					
	2008/09	2009/10	2010/11	2011/12 estimate	2012/13 forecast (15-7-'12)
 in '000 mt				
Production	211620	259653	265251	238091	268421
Supply ¹	241045	280096	301051	279688	292129
Utilization	224157	242709	257280	256752	264002
Trade ²	78484	91241	92011	92828	95863
Ending stocks	20443	35800	41597	23708	29718
 in %				
World stock-to-use ratio	9.1	14.8	16.2	9.2	11.3
Major exporters' stock-to-disappearance ratio	3.0	7.2	10.2	3.7	7.5

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

Soy products: global supply and demand						
	Soybean meal			Soybean oil		
	2009/10	2010/11	2011/12 estimate	2009/10	2010/11	2011/12 estimate
 in '000 mt in '000 mt		
Production	181853	187931	167700	43414	44843	39979
Consumption	164732	177695	181887	38616	42029	44019

Note: Production data for soybean oil (cake) refer to the oil (cake) equivalent of current soybean production, i.e. they do not reflect the outcome of actual crushing.

growth (around 13 percent) is expected in China. The United States could see a marginal increase in meal consumption. The projected growth in global oil consumption comes mainly from China, where an acceleration in annual growth is expected.

2. 2012/13 soybean production outlook

Compared with the first assessment published in May, the global production forecast for the new season has been corrected downward, mainly reflecting concerns about this year's US crop. Recently released projections suggest lower than earlier anticipated yield levels due to drought conditions, which could more than offset the benefits arising from the projected increase in plantings. By contrast, record breaking crops continue to be expected next year in Brazil and Argentina on the assumption of a return to normal yield levels and further expansions in planting area. However, the actual outcome will strongly depend on the economic situation and market prices - in particular the maize/soybean price ratio - closer to the planting season. Even if the current positive expectations for the South American crop came through, the global supply and demand situation could remain tense in 2012/13 as the current season's exceptionally low carry-out stocks are expected to affect markets.

3. Price developments

The prevailing supply and demand tightness, has kept international prices for soybean and, even more so, soymeal historically high and on an upward trend since the beginning of this year. New upward pressure on prices has been observed in recent weeks, reflecting concerns that market tightness could extend into 2012/13, not only for soybeans but also for grains, mainly because of deteriorating crop conditions in the United States. Furthermore, during the past weeks, a strong dependence on US supplies has developed in the global soy and soymeal export market. As a result, by mid July spot and futures prices for soybeans have reached levels not seen since 2008, while soy meal values have climbed to an all-time record.

*For comments or queries
please use the following Email contact:
Peter.Thoenes@fao.org*

Average soybean, soyoil and soymeal prices (US\$ per ton)						
 week ending on monthly avg.	
	13-Jul-'12	6-Jul-'12	29-Jun-'12	22-Jun-'12	Jun 2012	Jun 2011
SPOT						
soybeans (US no.1, yellow, Gulf)	627	620	582	553	546	529
soya pellets (48%, Brazilian origin, CIF Rotterdam)	594	562	538	528	515	400
soybean oil (Dutch, FOB ex-mill Rotterdam)	1253	1237	1209	1184	1184	1319
FUTURES						
soybeans (CBOT, November contract)	565	546	520	505	496	497
soybean meal (CBOT, December contract)	494	478	456	448	434	376
soybean oil (CBOT, December contract)	1208	1192	1151	1119	1118	1288
Source: USDA, CME, BCR, Bloomberg						