

MONTHLY SOYBEAN SUPPLY & DEMAND ROUND-UP

No.06, May 2012

Date of aggregation: 16th May

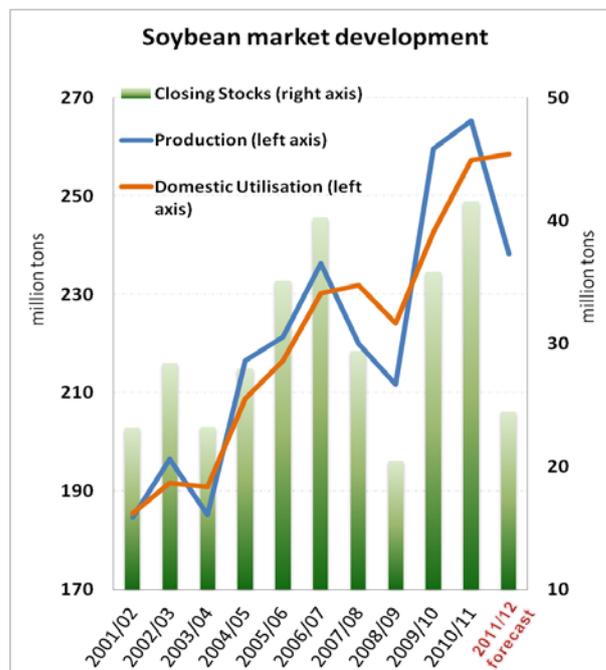
1. World at a glance

In May, the estimate for 2011/12 global soybean output has been cut by another 1.7 million tons, mainly because of further deteriorating crop prospects in Argentina. The global 27 million tons, or 10% decline compared to 2010/11, marks an unparalleled year-on-year drop in global production. Meanwhile, the forecast for global utilization has undergone a slight upward adjustment: at 258 million tons, consumption is now expected to be almost unchanged from last season. The resulting deficit in global production relative to utilization amounts to more than 20 million tons.

With regard to trade, following the previous months' consecutive cuts, the estimate for global soybean shipments has been raised slightly to 92.8 million tons, which would be 1% above the 2010/11 figure.

As to the 2012/13 season, which will start next October, first tentative estimates point towards a partial recovery in soybean production among northern hemisphere producers, possibly followed by record breaking crops in the southern hemisphere. Notwithstanding, the current season's record low ending stocks should keep the global soybean balance tight at least during the first half of the new season.

| Soybean supply and demand | | | | |
|--|------------------------|----------|------------|---------------|
| | 2009/10 | 2010/11 | 2011/12 | |
| | | estimate | previous | current |
| | | | (13/04/12) | (16/05/12) |
| | in '000 mt | | | |
| Production | 259653 | 265251 | 239993 | 238278 |
| Imports | 91270 | 91921 | 91659 | 92849 |
| Utilization | 242709 | 257280 | 256892 | 258469 |
| Exports | 91241 | 92011 | 91673 | 92733 |
| End. stocks | 35800 | 41597 | 23577 | 24455 |
| | in % | | | |
| World stock-to-use ratio | 14.8 | 16.2 | 9.2 | 9.5 |
| Major exp. stock-to-disapp. ratio | 7.2 | 10.2 | 5.2 | 4.5 |



2. Country details

Production: The further downward revision in global production results from compensating effects within South America: a further production cut in Argentina (3 million tons) is partially offset by upward revisions for Brazil (1 million) and Paraguay and Bolivia (together 0.5 million). As to Argentina, the downward revisions made since the start of the season amount to a total of 12 million tons.

Utilization: After successive downward adjustments, the estimate for global utilization has been corrected upward slightly. China, most notably, but also the United States and India have reported a possible rebound in crush volumes, which could more than offset the reductions anticipated in Brazil, Argentina and other Asian countries, thus leading to a small year-on-year increase at the global level.

Trade: Also the global trade estimate has been revised upwards after several consecutive cuts: now 2011/12 soy transactions are anticipated to grow marginally from the 2010/11 record level. On the export side, the biggest upward revision concerns Brazil, which could become the world's largest supplier, ahead of the United States. By contrast, the estimate for Argentina has been lowered further. It remains to be seen whether Brazil or the United States are going to take the lead in filling the Argentinean gap. As to global imports, China accounts for most of the global upward revision. The various adjustments relative to trade have also led to changes in end-of-season stock forecasts, in particular lower than earlier expected inventory levels in Brazil and the United States.

3. 2012/13 production outlook

In principle, the current firmness in international prices should act as an incentive for 2012/13 soybean plantings in the northern hemisphere, notably the United States. However, similar to last year, sharp competition for land is expected between soybeans and maize, with the latter likely to attract more interest based expected higher returns. As a result, US soybean output is currently forecast to increase by no more than 5% compared to 2011/12, thus remaining well below the record level of recent years. More important gains could be achieved in Brazil and Argentina, where further planting increases and a return to normal yields could lead to record-breaking crops. However, the current tightness in global supplies may well carry on into 2012/13, given the current season's record-low ending stocks.

4. Price developments

Overall, international prices for soybeans have stayed firm in response to sliding South American production estimates, which, combined with active import demand from China, have resulted in a further tightening of the US soybean balance. Even though overall fundamentals remain supportive, recently soybean prices have eased somewhat, mainly in response to weak maize prices and renewed market concerns regarding poor macroeconomic performance in the EU.

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

| Average soybean prices (US\$ per tonne) | | | | | | |
|---|----------------------------|------------|-----------|------------|------------|------------|
| | week ending on | | | | | |
| | 18-May-'12 | 11-May-'12 | 4-May-'12 | 27-Apr-'12 | April 2012 | April 2011 |
| SPOT: US no.1, yellow, Gulf | 537 | 537 | 567 | 573 | 557 | 529 |
| FUTURES: Chicago CBOT, July contract | 519 | 529 | 547 | 541 | 530 | 505 |
| Source: USDA, CME | | | | | | |