



## OILSEEDS, OILS & MEALS

### MONTHLY SOYBEAN SUPPLY & DEMAND ROUND-UP

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#### 1. World at a glance

During the last two months (November and December) the global soybean production estimate for 2011/12 has been revised downwards to 258.6 mill tons, now amounting to a 2.6% reduction from 2010/11 (compared to the less marked 1.9% fall estimated in October).

Concurrently, year-on-year growth in global soybean utilization, now estimated at 2%, is lower than forecasted previously (i.e. 2.8%). The prospective shortfall in 2011/12 production relative to 2011/12 utilization is confirmed in the range of 6 mill tons range. As to end-of-season stocks, the marked year-on-year drop in global inventory levels (-13%) is confirmed. Although recent revisions in individual country utilization and stock estimates have lead to an upward adjustment in the global stock-to-use ratio however, at 12.4%, the ratio remains low in historic terms (especially when compared to the last two season's average of about 14%). Also the stock-to-disappearance ratio has had an upward correction, though the new estimate for 2011/12 remains below the value recorded in the last two seasons. As to global trade, no significant changes have been introduced for 2011/12.

#### 2. Country details

Production: The main players behind the year-on-year drop in global soybean output remain the United States, Brazil and China (where production is now set to be, respectively, 7.7, 2.5

and 1.5 mill tons below the 2010/11 level). The earlier reported year-on-year growth in production in Argentina and India has been corrected downward (by the tune of, respectively, 1.0 and 0.4 mill tons), following reports of below-average sized kernels harvested in India and stronger than anticipated competition for land (maize) limiting soybean plantings in Argentina. By contrast, latest harvest results from Canada are better than previously reported. From now onward, the key factor to watch will be climatic conditions in South America; with weather strongly determined by the La Niña phenomenon, the development of the soybean crop is potentially threatened by prolonged dryness in various parts of the continent.

Utilization: Global soybean utilization is estimated to continue growing compared to last season. However, based on latest country estimates, we see a reduction in the annual growth rate from 2.8% to 2.0%. Consumption estimates have been revised downward in several major soybean-using countries: China, India, USA, Argentina and Brazil. The downward adjustments seem to suggest substitution of soybeans by more attractively prices feed grains in feed rations, probably along with overall reductions in feed demand following weaker than originally expected global economic growth. While utilization continues to grow in aggregate terms, in the USA, latest estimates point to a year-on-year decline in domestic demand of almost 2%, down to an 8-year low.

**Trade:** As to trade, latest estimates for soy imports and exports confirm earlier estimates of an about average year-on-year growth in global trade. Interestingly, however, the 2011/12 estimate for the United States exports (to China but also to the European Union) has been revised downward sharply – with Brazil and Argentina stepping in as suppliers, thus further raising this season's reliance of the global market on that region. The shift in the export pattern reflects a tighter supply demand balance in the USA (and thus reduced export availability) on one side and higher export availabilities (thanks to ample opening stocks) and favorable terms of trade in Argentina and Brazil on the other side.

### **3. Price developments**

During the November/December period international soy prices, both spot and futures, maintained the downward trend started in October

- despite a tightening overall S/D situation. Apparently, the soybean market has been strongly influenced by the persistent weakness in world grain prices as well as continued concerns about global economic growth. However it appears that prices have bottomed out towards mid December, finally reflecting market concerns about the prospective gradual tightening in the global soybean S/D balance. This follows, in particular, a more uncertain production outlook for South America.

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