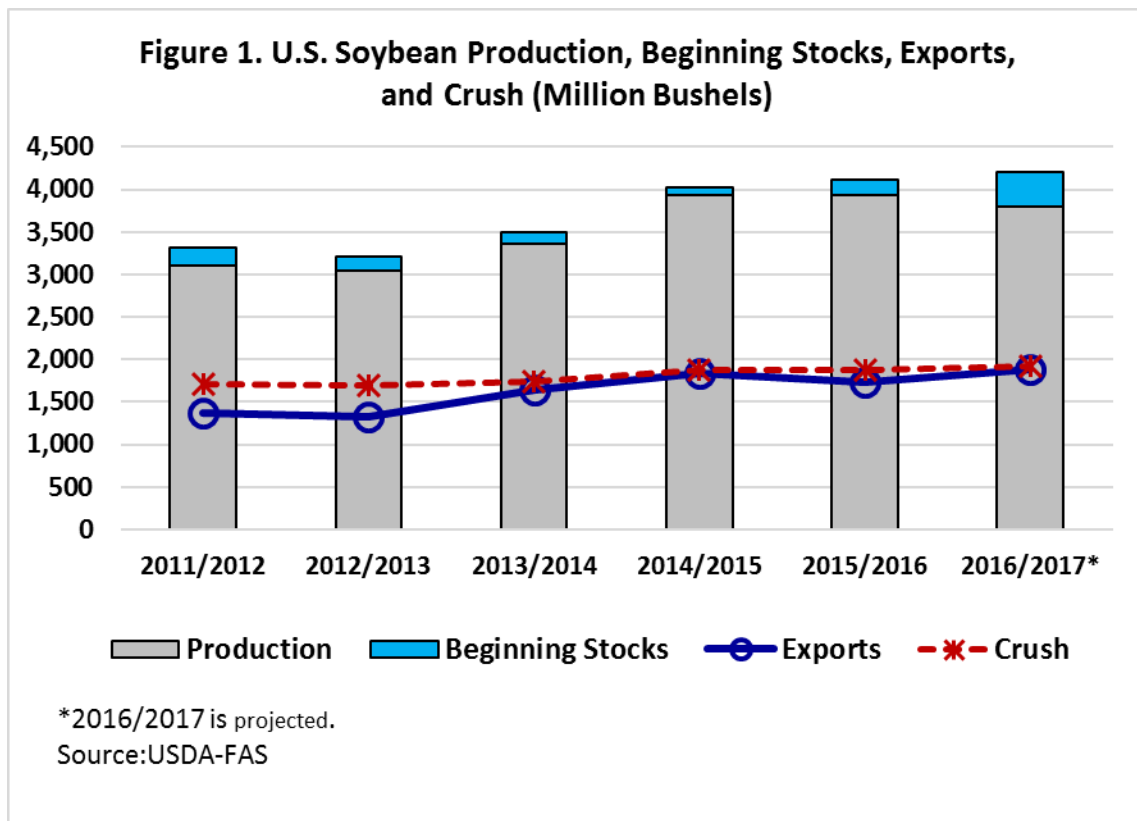


2016/17 U.S. Soybean Production and Exports (05112016)

USDA's WASDE report published on May 10, 2016 showed the first projections for the 2016/17 soybean marketing year. U.S. soybean production for the upcoming year is projected at 3.8 billion bushels, down 3.3% (129 million bushels) from the previous marketing year (3.929 billion bushels) (see Figure 1). Projected soybean planted area (82.2 million acres) is down 0.5 million acres from the 2015/16 estimate. This projection is based on the Prospective Plantings report published by USDA on March 31, 2016.

The 2016/17 soybean production forecast was based on a projected reduction in harvested area and yield. 2016/17 harvested area is projected at 81.4 million acres compared with 81.8 million acres, the estimate for 2015/16. U.S. soybean yield is projected down 1.3 bushel per acre to 46.7 bushels per acre from the actual marketing year (48 bushels per acre). USDA projected harvested acres are based on the five-year harvested-to-planted ratio, while projected yield is based on a weather-adjusted trend model. Normal summer weather conditions are assumed in this projection.



With projected beginning stocks at 400 million bushels (see Figure 1), 2016/17 total U.S. soybean supply (4.230 billion bushels) is projected 1.9% above the 2015/16 levels. About 50% of 2016/17 U.S. soybean production will be used for crushing. U.S. soybean crush for 2016/17 is projected to increase 1.9% (35 million bushels) to 1.9 billion bushels (see Figure 1 above) year over year.

Soybean Meal

2016/17 U.S. soybean meal production is projected at 45.5 million short tons, increasing by 1.0 million short tons relative to the previous marketing year. Domestic disappearance of U.S. soybean meal is projected at 33.8 million short tons, up 0.5 million short tons compared with the preceding marketing year. Expected increased U.S. meat production is boosting the domestic demand for U.S. soybean meal.

Soybean Exports

U.S. soybean exports are also projected to increase in the new marketing year. According to the projection, the U.S. will export 1.885 billion bushels of soybeans in 2016/17. This projection is 8.3% above the 2015/16 level and represents 49.6% of the total expected 2016/17 U.S. soybean production. According to the USDA, decreased soybean stocks in South America this fall, mainly in Argentina, will weaken competition in the first half of the marketing year. Due to heavy April rains that damage some of the soybean crop in Argentina, the USDA reduced Argentina's 2015/16 production estimate by 92 million bushels, declining from 2.168 billion bushels, the estimate reported in the WASDE report published in April 2016, to 2.076 billion bushels. In addition, the latest USDA's estimate for Brazil's 2015/16 soybean production is down by 37 million bushels, from 3.674 to 3.638 billion bushels. Adverse weather conditions in some areas of Brazil earlier in the growing season had a negative impact on the 2015/16 soybean crop. Projected 2016/17 soybean production for Brazil and Argentina are at 3.785 billion bushels (up 4%) and 2.094 billion bushels (up 1%), respectively. USDA indicates that marketing years for Argentina and Brazil are adjusted to an October-September year.

Compared to export numbers in the WASDE report published in April 2016, the current estimate for the 2015/16 U.S. soybean exports was increased by 35 million bushels. The current 2015/16 export estimate is 1.740 billion bushels compared with 1.705 billion bushels. As reported by USDA-FAS (Oilseeds: World Markets and Trade, May 2016), as of the week ending April 28, U.S. outstanding sales plus accumulated exports (export commitments) for the 2015/16 marketing year to China totaled 996 million bushels. U.S. Soybean exports commitments to the world totaled 1.698 billion bushels, this represents about 98% of the current estimate for 2015/16 U.S. soybean exports (1,740 million bushels). Exports commitments to China so far represent about 59% of total U.S. soybean export commitments.

The projected 2016/17 U.S. soybean carry over is 305 million bushels, down 95 million bushels from estimated 2015/16 ending stocks. The season-average 2016/17 farm price for U.S. soybeans is projected at \$8.35-\$9.85 (midpoint \$9.10 bushels per bushel), up 25 cents at the midpoint from this month's estimate for 2015/16 (\$8.85 per bushel).

Despite projected lower U.S. soybean production and higher projected prices in 2016/17, U.S. soybean exports are expected to increase 8.3% year over year and surpass those of the 2014/15 record year. These projections are the first among several that we will see in the coming months. Important factors such as weather conditions, the strength of the U.S. dollar, and global market situation are factors that can affect the outcome of these projections.