

U.S. Soybean Production and Exports (02042016)

The U.S. soybean production for the 2015/16 year was estimated at a record 3.930 billion bushels (see Figure 1). USDA's January 2016 WASDE report indicated that the latest estimate was cut by 51 million bushels compared to the previous month based on reduced estimated harvest and yield. Harvest declined from 82.4 million acres, the December estimate, to 81.8 million acres. Yield, was lowered 0.3 bushels/acre to 48 bushels/acre. Even with this decrease, the 2015/16 yield was a record, increasing 0.5 bushels/acre compared to 2014/15. Adding this record production to larger beginning inventories and it ends up expanding the 2015/16 total supply to 4.150 billion bushels, 98 million bushels greater than last year.

The 2015/16 projection for soybean crush, was left unchanged from the December projection and is expected to increase about 1.0% to 1.890 billion bushels compared to 2014/15. Based on the projection, 48% of the 2015/16 production will be used for soybean crush (see Figure 1). Soybean exports, on the other hand, are expected to represent 43% of the 2015/16 production. Seed and residual will represent 3% of the current marketing year production and 219 million bushels of the new crop are expected to be part of the ending stocks or 6% of the total 2015/16 production. The latest 2015/16 soybean export projection was reduced by 25 million bushels to 1.690 billion bushels relative to the December projection because of lower sales and shipments to date due to the tough competition from South America (Brazil and Argentina), mainly as a result of the strong U.S. dollar. The 2015/16 U.S. export projection is expected to fall 8.3% year-over-year.

The January 2016 projection for 2015/16 ending stocks was down 5.4% to 440 million bushels from the previous month; nevertheless, ending stocks are projected to be the largest since 2006/07. The projected range for the 2015/16 soybean price was reduced 10 cents on each end to \$8.05 to \$9.55/bushel (mid-range \$8.80/bushel).

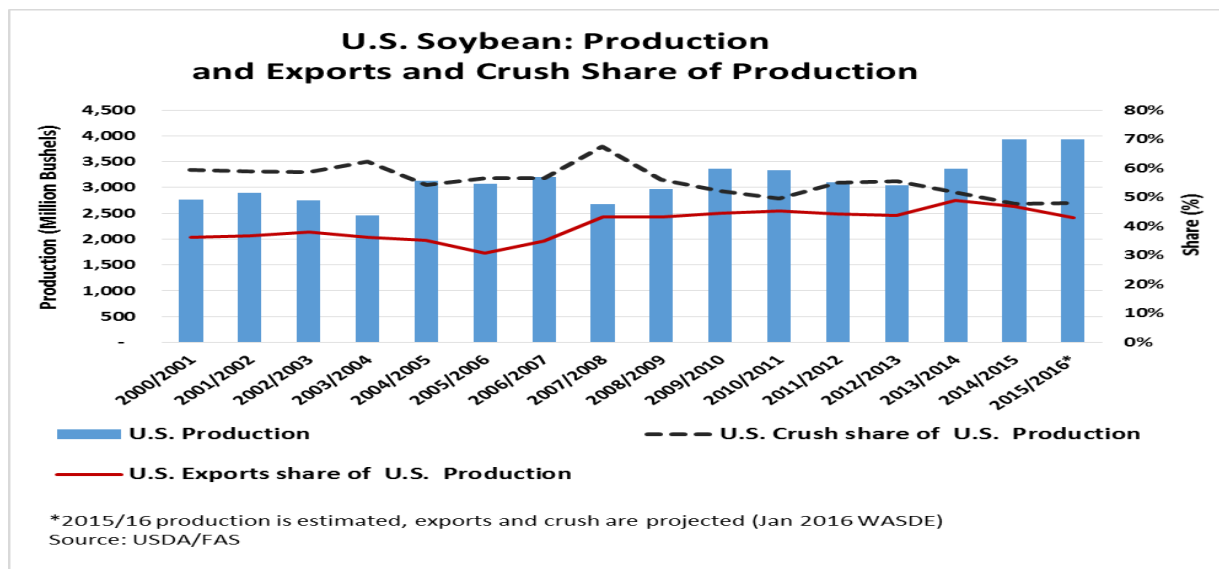


Figure 1. U.S. Soybean: Production and Exports and Crush Share of Production

World soybean production for 2015/16 is projected at 11.722 billion bushels. As indicated by USDA, the new projection was lowered 40.4 million bushels, compared to the December projection on account of reduced production in the U.S. and South Africa. The U.S. is projected to remain as the leading soybean producer with 34% share of the world soybean production in 2015/16 (see Figure 2), closely followed by Brazil with 31% share (3.674 billion bushels). Brazil production is projected to rise 4% year-over-year. In addition, Argentina's soybean production is projected at 2.094 billion bushels, representing 18% of the global production.

2015/16 global soybean exports are projected at 4.769 billion bushels. Brazil is projected to continue as the largest exporter with expected soybean exports of 2.094 billion bushels in 2015/16, representing 44% of world

exports (see Figure 3) and 57% of its own production. Brazil's exports for 2015/16 are expected to increase 12.6% over last year. Brazil's projected production and export expansions are supported by the weak *real*, which currently (January 28, 2016) is about 4.07 reals per U.S. dollar. This has given Brazilian soybean producers an advantage over U.S. producers. The U.S. is expected to continue as the second largest exporter of soybeans globally. Argentina's soybean exports for 2015/16 are currently forecast at 434.0 million bushels, up 11.6% from last season with the recent peso devaluation boosting foreign sales. The share of Argentina's soybean exports relative to global exports is projected at 9%.

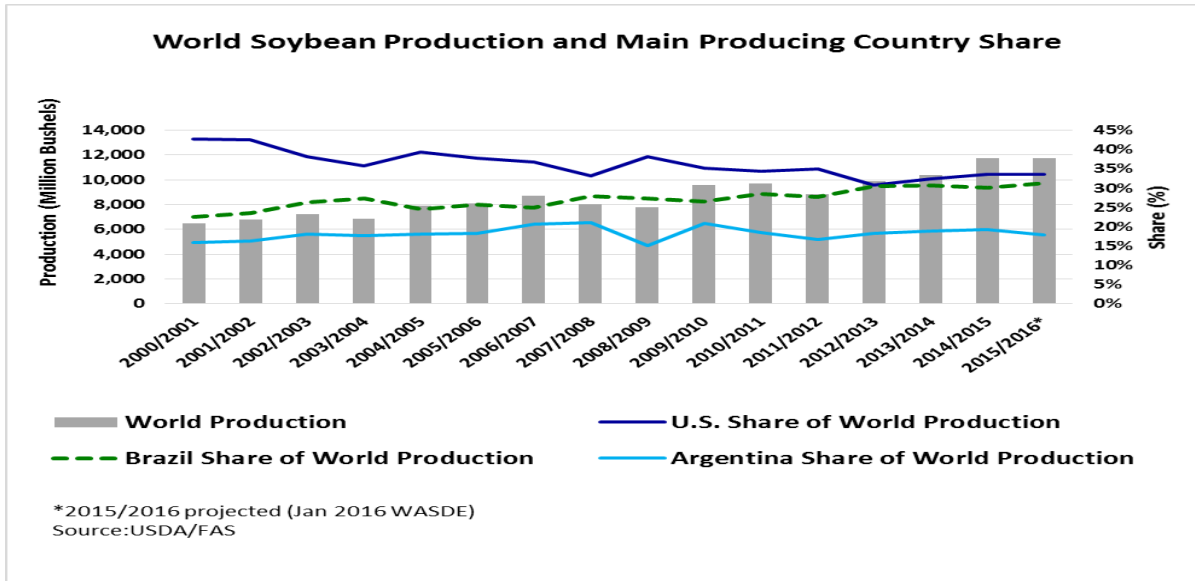


Figure 2. World Soybean Production and Main Producing Country Share

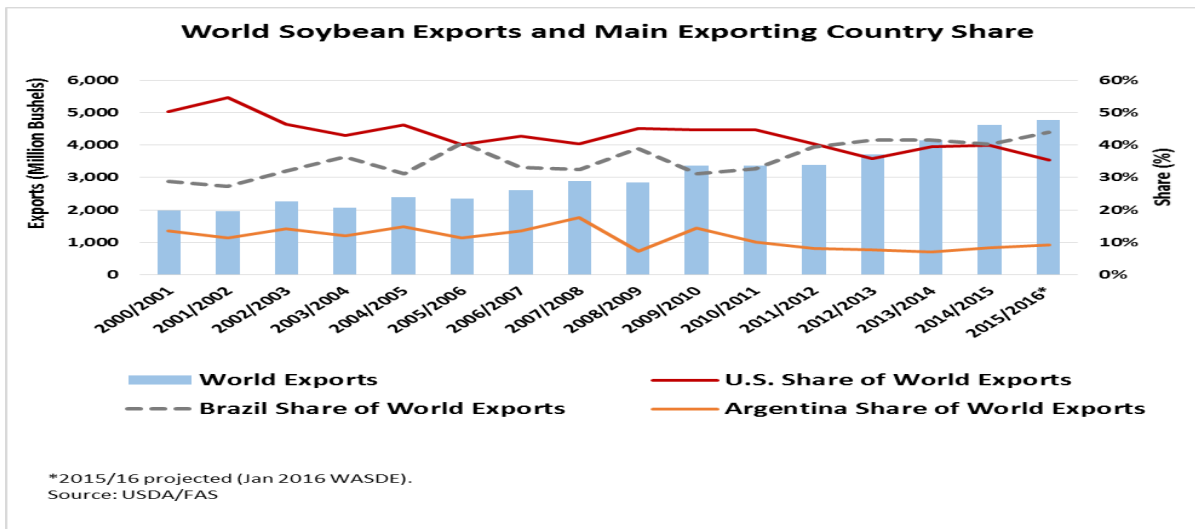


Figure 3. World Soybean Exports and Main Exporting Country Share

China is the largest importer of soybeans in the world, and as such, is the top importer of U.S. soybeans. Over the last five years, on average, 60% of U.S. soybean exports have been shipped to China. Recent reports indicate that China's gross domestic product (GDP) expanded 6.9% compared to 7.3%, the GDP growth in 2014, indicating a deterioration of the economy. The devaluated Chinese yuan is fostering lower Chinese imports of U.S. soybeans this year, and at the same time, is encouraging imports from other major soybean producers such as Brazil and Argentina, whose currencies are weaker compared to the U.S. dollar. According to USDA/FAS, as of January 14, 2016, U.S. 2015/16 soybean export commitments (i.e., outstanding sales plus accumulated exports) to China

reached a volume of 915 million bushels, down 10% relative to a year ago (1.020 billion bushels). In addition, U.S. commitments to the world totaled 1.475 billion bushels in contrast to 1.624 billion bushels for the same period the previous year.

Economic slowdown in China is supporting limited growth for the country's projected soybean imports. In 2015/16 China is projected to increase soybean imports by 3% to 2.958 billion bushels, compared to 18% and 11%, the Chinese soybean import increase experienced in 2013/14 and 2014/15, respectively, relative to their corresponding previous years. Currently Brazil and Argentina soybean producers have advantage over U.S. soybean producers due to those country's weak currencies relative to the U.S. dollar. Under these conditions, any increase in Chinese soybean imports this year most likely benefit Brazil and Argentina producers.