

MONTHLY SOYBEAN SUPPLY & DEMAND ROUND-UP

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1. World at a glance

FAO's global soybean production estimate for 2012/13 stands at 266 million tons – virtually unchanged for the past two months – confirming a rebound from the previous season's poor crop of about 11 percent, which compares to the recovery of 13-14 percent expected at the beginning of the season.

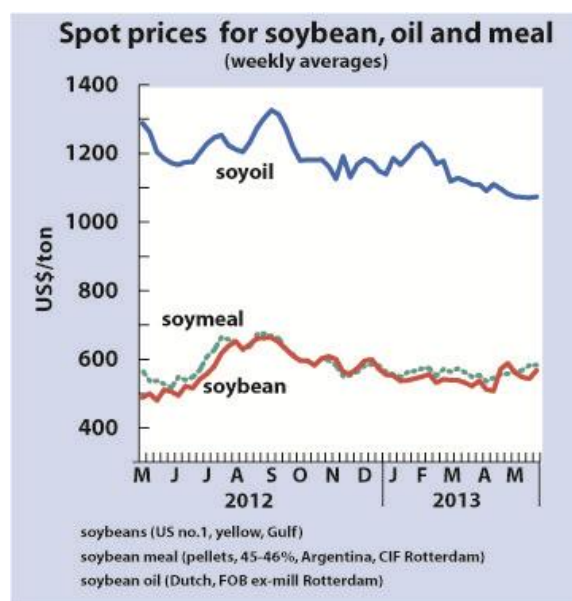
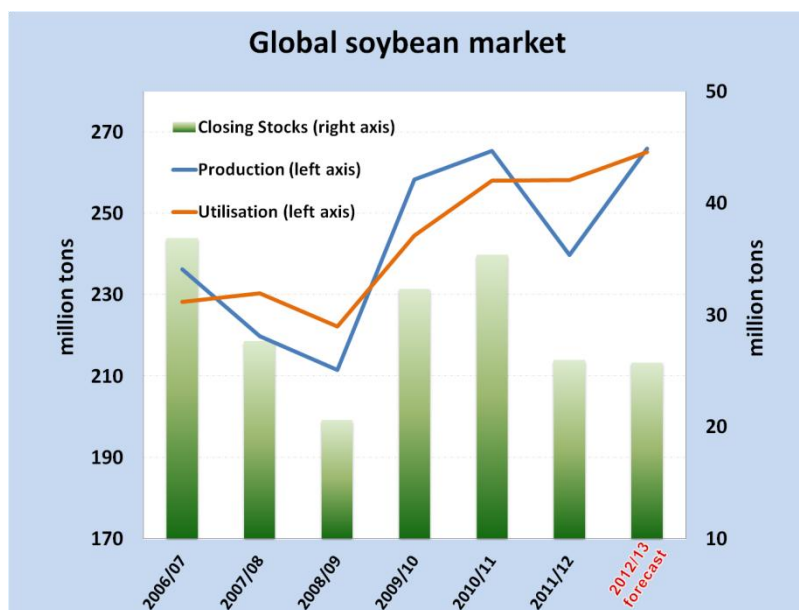
Total supplies (which comprise 2012/13 production and opening stocks) are anticipated to grow by less than 6 percent, reflecting the sharp drop in inventories recorded during 2011/12.

The global soybean utilization estimate for 2012/13 has been raised marginally, confirming an about average growth (2.7 percent) vis-à-vis last season.

The prospective production surplus relative to utilization is now estimated at around 1.2 million tons (or 0.3 percent) – considerably less than the 8 million tons forecast made at the start of this season.

The estimate for world soybean trade is virtually unchanged, confirming the year-on-year increase of less than 4 percent – as opposed to the 7-8 percent range anticipated earlier in the season.

Estimates for 2012/13 carry-out stocks have undergone a downward revision in May, now reaching 25.7 million tons, thus only slightly above 2011/12 global inventory levels



2. Country details

Supply: At 266 million tons, the *production* estimate for 2012/13 is now only marginally higher than the two year-old record set in 2010/11 – as opposed to substantially higher forecasts issued at the beginning of the current season. The recent downward revisions are mainly on account of Argentina due to unfavourable weather conditions affecting both planted area and yields; the crop in Brazil is below earlier expectations as well, though still at a record high.

Current estimates confirm a year-on-year expansion in total *supplies* by about 16 million tons, which compares to 23 million tons projected at the beginning of the current year, when production estimates for South America were considerably higher. Despite the strong rebound, global supplies are set to remain 5-6 million tons (or 2 percent) below the level recorded in 2010/11.

This month, world *closing stocks* have undergone a downward revision by about 5 percent mainly on account of a drawdown in Brazil's inventories, which, however, still benefit from a substantial replenishment vis-à-vis last season's depressed level. The global *stock-to-use ratio* is now estimated to remain close to last season's low level, mainly reflecting diminished inventories in

both China and the United States, while the major exporter's *stock-to-disappearance ratio* is still expected to recover though more modestly than earlier anticipated, due to a downward the revision in Brazil.

Utilization: Global soybean disappearance in 2012/13 has undergone a slight upward revision and is now expected to grow by 2.5 percent compared to last season. This month, domestic utilization has been corrected upwards by about 2 percent in Brazil, where consumption is now envisaged to expand by 15 percent to a record 42.4 million tons. Global consumption is estimated to remain lower than anticipated earlier in the season due to downward corrections in particular for China and, less strongly, for India and the EU.

Trade: Global trade forecasts for 2012/13 have been mostly unchanged this month. Year-on-year expansion in trade is now expected to be more limited than anticipated earlier in the season mainly following lower export availabilities in South America – combined with rising logistical difficulties, in particular in Brazil.

On the import side, the main revisions undergone during the year concern China, in line with the country's subdued demand expansion, and the EU.

World soybean supply and demand						
	2009/10	2010/11	2011/12	2012/13		
			estimate	previous (22/04/'13)	current (22/05/'13)	change in percent
 in '000 mt					
Production	258449	265414	239831	266207	266016	-0.07
Supply ¹	279090	297785	275244	292221	291382	-0.29
Utilization ²	244619	258180	258248	264542	265101	0.21
Trade ³	91743	91608	94023	97700	97650	-0.05
Ending stocks	32371	35413	25366	27386	25736	-6.02
 in percent					
World stock-to-use ratio	13.2	13.7	9.8	10.4	9.7	
Major exporters' stock-to-disappearance ratio ⁴	5.5	6.9	3.6	5.1	4.2	

¹ Supply is defined as production plus opening stocks .

² Utilization is defined as domestic disappearance and includes primarily crush, plus seed, waste and confectionary uses.

³ Trade refers to exports.

⁴ Major exporters considered for this ratio include United States, Argentina, Brazil and an aggregate of other South American countries, and 'disappearance' comprises exports of the countries listed.

Soy products: global supply and demand										
	Soybean meal					Soybean oil				
	2009/10	2010/11	2011/12	2012/13		2009/10	2010/11	2011/12	2012/13	
 in '000 mt in '000 mt				
			estimate	previous	current			estimate	previous	current
				(22/04/'13)	(22/05/'13)				(22/04/'13)	(22/05/'13)
Production	180656	186929	168202	186304	186117	43473	44481	40145	45058	45011
Consumption	165027	177887	183216	182971	180415	39142	42034	43324	45013	44537

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

3. Soy oil/meal supply and demand

The almost unchanged global soybean output forecast for 2012/13 translates into a year-on-year increase in soybean meal and soybean oil production in the 11-12 percent range.

As to utilization, relative to last season, global soybean oil consumption is now expected to grow by no more than 3 percent, while soybean meal is anticipated to even contract by 1-2 percent. The projected growth falls below historic rates. The slowdown mainly reflects subdued global economic growth as well as, in the case of soybean meal, persistent price firmness. Unusual and sizeable drops in meal utilization in developed countries (notably in the United States and the EU) should be only partially offset by increases in Latin American and Asian nations. A similar picture has emerged for soybean oil, where poor demand in the EU, the United States but also Argentina contrasts with further growth in China.

4. 2013/14 production outlook

Although the prevailing relatively firm world prices for oilseeds should stimulate plantings for crops for harvest in 2013/14, the competition for land remains strong due to the fact that also prices for other crops, in particular maize, are historically high.

In the United States, the latest official estimates envisage an only minimal expansion in area planted. Output is nonetheless projected to climb to a new record, as yields are assumed to return to

trend levels. While production could also grow in India, a further drop in output is expected in China, due to further cuts in area planted. In South America, where crops will be planted only later this year, a recovery in yields could boost Argentina's output while in Brazil, persistently high transportation costs are likely to continue weighing on farmers' returns, possibly limiting expansion in area planted and, in turn, production gains.

The current tentative forecasts point to an increase in global production in 2013/14 mainly led by rebounds in the United States and Argentina. As the anticipated production gains may outstrip consumption growth, the current supply and demand tightness could come to an end. This could allow global inventories to be reconstituted during 2013/14, leading to further improvements in stock-to-use ratios and, potentially, a relaxation of prices in the soybean complex.

5. Price developments

After falling for the past two months, during May international quotations for soybeans and soybean meal gained strength in both spot and futures markets, while soybean oil prices weakened further.

The appreciation in soybean and meal prices has been triggered by recent (2013/14) planting delays in the United States as well as fresh export sales from the country's old crop, which imply that the current supply tightness will be prolonged more than expected, thus protracting the nation's difficulties to satisfy both, domestic and

export demand. Furthermore, in Argentina, reserved sales by farmers, followed by strikes of port workers in Rosario, resulted in a slow pace of exports – at a time when shipments usually peak.

By contrast, international soybean oil prices remained relatively weak due to the influence of further slides in the prices for palm oil and other vegetable oils as well as persistent

weakness in the global energy market. Higher than earlier anticipated soybean export availabilities in Argentina – as a result of reduced domestic biodiesel production – has also weighed on prices.

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Average soybean, soyoil and soymeal prices (US\$ per ton)

 week ending on monthly avg.	
	24-May-'13	17-May-'13	10-May-'13	03-May-'13	Apr 2013	Apr 2012
SPOT						
<i>soybeans (US no.1, yellow, Gulf)</i>	583	582	568	565	551	552
<i>soybean meal (pellets, 45-46%, Argentina, CIF Rotterdam)</i>	567	543	548	561	547	459
<i>soybean oil (Dutch, FOB ex-mill Rotterdam)</i>	1073	1071	1072	1074	1094	1309
FUTURES						
<i>soybeans (CBOT, September contract)</i>	476	455	462	463	463	512
<i>soybean meal (CBOT, September contract)</i>	419	403	398	399	395	423
<i>soybean oil (CBOT, September contract)</i>	1083	1082	1071	1072	1084	1186

Source: USDA, CME, Bloomberg