



OILSEEDS, OILS & MEALS

MONTHLY SOYBEAN SUPPLY & DEMAND ROUND-UP

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1. World at a glance

The month of January has seen another marked reduction in the forecasted global soybean production in 2011/12, now set to decline by 5% from 2010/11. The current estimate for 2011/12 stands at 252.2 mill tons. Global soybean crush, earlier estimated to expand by about 3%, is now anticipated to remain close to the 2010/11 level. The expected stagnation reflects negative production growth on one hand and replacement of soybean meal by more attractively priced feed grains on the other. The prospect of a poor global economic growth in 2011/12 (which should curtail overall feed demand) also contributes to the lower soybean crush estimate. The shortfall of global production relative to demand is now estimated at nearly 7 mill tons. As to global end-of-season stocks, these are foreseen to contract by 13%, leading to historically low stock-to-use and stock-to-disappearance ratios. Similarly, prospects for global trade in soybean has been adjusted downwards, and is now pointing to a 2% year-on-year growth, half the rate forecasted at the start of the season.

2. Country details

Production: January's downward revision for 2011/12 production estimates is mainly due to weather conditions in South America. The timid deterioration of the outlook last December amid concerns about abnormally dry and hot weather conditions, has been followed by an even more pronounced downscaling of output, totaling nearly

6 mill tons in Paraguay, Argentina, and Brazil (by respectively 2.5, 2.0 and 1.5 mill tons).

Conversely the estimate for the United States has been raised slightly, based on higher yield expectations. Development of crops in South America will need to be closely monitored in the coming months as further downgrading of production cannot be ruled out.

Utilization: Global soybean crush is currently estimated at the same level as in 2010/11. Previously anticipated growth rates in utilization have been cut in several major soybean-using countries: Brazil and EU are now expected to experience a decline in soybean crush, contradicting earlier expectations for a rise; in the United States the contraction is likely to be deeper than earlier anticipated, while the expansions in soybean use in China and Argentina have been curtailed.

Trade: As to trade, there has been a downward adjustment in the global growth estimate. The slowdown is mainly due to an exceptional slow down in the United States, where shipments may reach a 4-year low, constrained by reduced export availabilities and less competitive export prices. Conversely, South American shipments should continue growing, in particular from Brazil, thanks to a sharp drawdown of stocks. On the import side, the EU is now forecasting a drop in import volumes (as opposed to the earlier reported rise), while import estimates have been revised downward for China and other Asian buyers.

3. Price developments

The downward trend in international soybean quotations that started last September reflected a variety of factors, including abundant inventories in South America, subdued soybean demand in the United States, growing concerns about global economic recession, the absence of fresh global export demand, and spill-over from grain/feed markets. However, recent information suggests that prices are finally responding to the tightening

in the soybean sector's fundamentals – mostly triggered by downward revisions of the South America's soy crop, at a time when global markets are strongly dependent on that region for supplies.

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