

USDA January 2012 Reports - Soybean Market Impacts

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Summary

The January 12th USDA Grain Stocks, Annual Crop Production Summary and World Agricultural Supply-Demand estimate (WASDE) reports collectively indicated that supply-demand balances for U.S. soybeans were not as tight as the market generally thought prior to their release. However, concerns about dry conditions in key South American growing areas and anticipation of competition for U.S. crop acres between corn and soybeans in coming months have provided support for soybean prices, and limited the bearish market response to the January 12th reports.

U.S. Soybean Supply-Demand Balances for MY 2011/12: The USDA raised its estimate of 2011 U.S. soybean production marginally to 3.056 billion bushels (bb) with a like increase in total supplies. The USDA also lowered its projection of U.S. soybean crush to 1.615 bb – down 10 million bushels (mb) – and its projection of U.S. soybean exports to 1.275 bb – down 25 mb. Export projections for MY 2011/12 are markedly lower than record highs near 1.500 bb in MY 2010/11 and MY 2009/10. Soybean ending stocks in the U.S. are projected to be 275 mb (up 45 mb from December and up 80 mb from November 2011). Ending stocks-to-use is projected to be 9.1% - up from 7.6% in December and from 6.3% in November, and above the historic low of 4.44% in MY 2003/04. At 9.1%, U.S. soybean % ending stocks-to-use is notably higher than the last 3 marketing years (ranging from 4.5% to 6.6%), and taken by itself would likely have a significant negative impact of U.S. soybean price prices. However, soybean ending supply-demand balances in MY 2011/12 could decline due to unexpected increases in exports (caused by South American crop problems) and possibly other factors during the remainder of the current marketing year (through August 31, 2012).

U.S. Soybean Prices for MY 2011/12: The USDA tightened its forecast range for the average U.S. soybean farm price by \$0.25 on each end, down to \$10.95 to \$12.45 per bushel. This compares to \$11.30 in MY 2010/11, and \$9.59 to \$10.10 during the 2007/08 through 2009/10 marketing years. The \$11.70 /bu midpoint of the MY 2011/12 U.S. soybean price projections is still a historic high.

World Soybean Supply-Demand Balances: Projected MY 2011/12 World soybean ending stocks of 63.4 mmt (24.5%) are down from 68.6 mmt (27.3% S/U) in MY 2010/11, but up from 59.5 mmt (25.0% S/U) in MY 2009/10. The possibility of further declines in projected 2012 South American soybean production with subsequent tighter World soybean stocks-to-use is providing some support for soybean market prices in spite of negative domestic soybean supply-demand trends in the U.S..

Soybean Market Prospects: These reports point toward at least moderately tight supply-demand conditions and historically high soybean prices from January through spring-summer 2012. There is no change in the likelihood of there being strong competitive pressure to at least maintain if not increase 2012 U.S. soybean and corn acreage and production prospects. Grain markets in 2012 will likely be extremely sensitive to any threats to U.S. or South American soybean production. That said, in the longer run, it is possible that markedly lower soybean and corn prices could occur in fall 2012 if South American crop production problems are less than feared and if favorable crop conditions occur in the U.S. Corn Belt this summer.

I. U.S. Soybean Market Situation and Outlook

- A. **Higher 2011 U.S. Soybean Production Prospects:** The USDA National Agricultural Statistical Service (NASS) made minor changes in its 2011 Crop Production Summary report released on January 13, 2012, lowering its estimates of 2011 planted and harvested acreage, while raising yields and production (see Table 1).
- U.S. 2011 Soybean Planted Acreage = 75.0 million acres:** USDA NASS has projected that farmers in the United States planted 74.976 million acres (ma) of soybeans in 2011, up 10,000 acres from December, but down from 77.404 ma in 2010. This is the smallest amount of U.S. soybean planted acreage since 64.741 ma in 2007, and below the 2008-2010 average of 76.9 ma.
 - U.S. 2011 Soybean Harvested Acreage = 73.6 ma:** USDA NASS has projected that the U.S. harvested 73.636 ma of soybeans in 2011, down 40,000 acres from December, and down from 76.610 ma in 2010. This is the smallest amount of U.S. soybean harvested acreage since 64.146 ma in 2007, and below the 2008-2010 average of 75.9 ma..
 - U.S. 2011 Soybean Yields = 41.5 bu/acre:** USDA NASS has projected 2011 U.S. soybean yields at 41.5 bu/acre, up 0.2 bu from December, and below 43.5 bu/ac in 2010 and 44.0 bu/ac in 2009. Over the last 5 years, U.S. soybean yields have been 41.7 bu/ac in 2007, 39.7 bu/ac in 2008, 44.0 bu/ac in 2009, 43.5 bu/ac in 2010, and are now projected to be 41.3 bu/ac in 2011.
Comments on factors limiting 2011 U.S. Soybean Yields: United States' soybean yield prospects in 2011 were affected by the cumulative impact of a) difficult spring planting conditions in the eastern and northern Corn Belt, b) hot, dry July and August weather in parts of the central Corn Belt, and c) continuing drought in the southern and central Plains and the southeastern United States.
 - U.S. 2011 Soybean Production = 3.056 billion bushels:** USDA NASS projected 2011 U.S. soybean production to be 3.056 billion bushels (bb), up 10 million bushels (mb) from December. This was slightly higher than pre-report trade expectations of 3.048 mb U.S. soybean production in 2011, but within the range of estimates of 3.010 to 3.200 bb. Over the last 5 years, U.S. soybean production has been 2.677 bb in 2007, 2.967 bb in 2008, 3.359 bb in 2009, 3.329 bb in 2010, and is now projected to be 3.056 bb in 2011.
Comments on expected future trends in U.S. soybean production: Given the ongoing growth in U.S. soybean export demand – primarily from China – and the competing demands for U.S. cropland to produce feedgrains, wheat and other crops, it seems likely that U.S. soybean supply-demand balances will remain historically tight for at least the next 1-2 years. Either a) a return to yearly trendline increases in U.S. soybean yields, b) a large increase in U.S. soybean acreage in 2012, or c) a sizable reduction in U.S. soybean usage will be needed to appreciably rebuild U.S. soybean stocks in MY 2012/13 and later years.
- B. **“New Crop” U.S. Soybean Supply-Demand for MY 2011/12:** In its January 2012 World Supply and Demand Estimates (WASDE) report the USDA decreased its projections of U.S. soybean production and total supplies, but decreased projected soybean crush and exports to a larger degree, leading to increased projected ending stocks for the 2011/12 marketing year (Table 1 & Figure 1). While there was a projected increase in % ending stocks-to-use, the range of projected U.S. soybean prices for MY 2011/12 was narrowed around the same midpoint estimate.

- a. **U.S. Soybean Total Supplies for MY 2011/12 = 3.286 bb:** With projected MY 2011/12 beginning stocks of 215 bb (up from 151 mb a year ago), 2011 U.S. production of 3.056 bb, and imports of 15 mb, U.S. soybean total supplies for MY 2011/12 are projected to be 3.286 bb.
- i. Projected MY 2011/12 U.S. soybean total supplies of 3.286 bb for MY 2011/12 are up 11 mb from December, but are down from 3.495 bb in MY 2010/11 and from 3.512 bb in MY 2009/10 (**Table 1 & Figure 2**). This amount of U.S. total soybean supplies is the lowest since 3.185 bb in MY 2008/09 and 3.261 bb in MY 2007/08.

Commentary: The year-to-year increase in beginning stocks (up 64 mb) is less than the decline in projected 2011 U.S. soybean production (down 273 mb), causing the projected 209 mb decline in total supplies for MY 2011/12.

- b. **U.S. Total Soybean Use Down for MY 2011/12 = 3.011 bb:** Reduced prospects for U.S. soybean crush and strong competition from South American soybean exports has led to a reduction in the USDA's projection of U.S. soybean usage for the 2011/12 market year (**Table 1 & Figure 1**).
- i. Soybean crush of 1.615 bb for MY 2011/12 – down 10 mb from December – is down from 1.648 bb in MY 2010/11 and 1.752 bb in MY 2009/10. This 2.0% projected decline from last year, and 7.8% decline from 2 years ago are indicators of a recovery in South American soybean production and associated exports since MY 2009/10 on the one hand, and to price rationing to a smaller degree export on the other. Domestic crush has trended lower since the highs of 1.808, 1.803, and 1.752 bb in MY 2006/07, MY 2007/08, and MY 2009/10, respectively (**Figure 1**).
- ii. Soybean exports are projected to be 1.275 bb in MY 2011/12 – down 25 mb from December – is less than the record high of 1.501 bb in MY 2010/11 and the near record of 1.499 bb in MY 2009/10.

Comments on trends in U.S. exports: Exports had been trending strongly higher from 940 mb in MY 2005/06 up to 1.499 bb and 1.501 bb in MY 2009/10 and MY 2010/11, respectively. The projected decline in MY 2011/12 to 1.300 bb in MY 2011/12 signals at least a temporary moderation in that trend (**Figure 1**).

Comments on the impact South American drought in 2012: If drought conditions in key Argentina and Brazil soybean production areas result in marked reductions in production and potential exportable South American soybean supplies, the export business may shift to a greater degree to the United States. To the degree that occurs U.S. soybean export projections for MY 2011/12 may trend higher in later USDA WASDE reports.

- iii. Total soybean use for MY 2011/12 is projected to be 3.045 bb, down 10 mb from November, and down from 3.280 bb in MY 2010/11 and 3.361 bb in MY 2009/10.

Comments on how U.S. and South American soybean Supply-Demand are “inter-dependent”: From MY 2009/10 to MY 2010/11, U.S. soybean use declined 2.4% while U.S. soybean prices increased 17.8%. However, from MY 2010/11 to MY 2011/12, U.S. soybean use is projected to decline another 8.2% while U.S. soybean prices are projected to increase 3.5%. The complicating factor in these calculations is that the U.S. soybean market does not operate “independently” or “in a vacuum”. Rather, U.S. and South American soybean supply-demand and price prospects are

“inter-dependent”, i.e., with supply-demand prospects for one affecting market prices in the other, and vice-versa (see the discussion of World soybean supply-demand below).

C. **U.S. “New Crop” MY 2011/12 Ending Stocks & Ending Stocks-to-Use:**

- a. **U.S. Soybean Ending Stocks in MY 2011/12 = 275 mb:** The USDA projects MY 2011/12 U.S. soybean ending stocks to be 275 mb, up 45 mb from December, and also up 80 mb from November 2011. This amount of MY 2011/12 ending stocks (275 mb) compares to 215 mb in MY 2010/11 and 151 mb in MY 2009/10 (**Table 1 & Figure 1**).
- b. **U.S. Soybean % Ending Stocks-to-Use in MY 2011/12 = 9.1%:** The MY 2011/12 supply-demand balance projection equals 9.1% ending stocks-to-use, up from 7.6% in December and from 6.3% in November. This projected level of U.S. soybean % ending stocks to use for MY 2011/12 is up from 6.6% in MY 2010/11, and 4.5% in MY 2009/10 (**Table 1 & Figure 3**).

Comments on U.S. Soybean % S/U Trends: Soybean ending stocks-to-use of 9.1% in MY 2011/12 would be the 14th tightest since MY 1975/76 (37 marketing years), but only the 13th tightest since MY 1995/96 (17 years). Projected U.S. soybean % S/U of 9.1% is larger than the average and median U.S. soybean % ending stocks-to-use of 8.6% and 7.6%, respectively, since MY 1995/96. This increase in projected U.S. soybean stocks-to-use balances for MY 2011/12 would likely be having a much more negative impact on prices if not for anticipated reductions in 2012 South American soybean production and the likelihood of associated increases in U.S. soybean exports in future USDA WASDE reports.

Comments on possibility of diminishing MY 2011/12 U.S. Soybean Supply-Demand balances:

Soybean % ending stocks-to-use in the U.S. had been at historically “tight” levels in recent years – ranging from 4.2% to 6.6% ending stocks-to-use from MY 2007/08 through MY 2010/11. It is still possible that lower % ending stocks to use levels approaching 5.0%-6.5% may occur in MY 2011/12 if greater usage of soybean occurs in any of the major categories than is currently projected later in the marketing year – likely depending on increased U.S. exports resulting from a shortfall in projected 2012 South American soybean production. U.S. soybean prices are expected to be highly volatile and responsive to any U.S. or South American weather threats or demand shocks through the late winter, spring and early summer of 2012.

- D. **“New Crop” MY 2011/12 U.S. Soybean Prices = \$10.95-\$12.45 /bu.:** On a year-to-year basis, U.S. soybean prices have responded sharply higher in response to tightening of U.S. soybean ending stocks-to-use (**Table 1 & Figure 2**). The USDA projected MY 2011/12 U.S. average soybean prices to be record high in the range of **\$10.95 - \$12.45 per bushel**, tightening \$0.25 on each end of the range from December. The midpoint of the projected price range is \$11.70 /bu. This compares with U.S. average prices of \$11.30 in MY 2010/11 and \$9.59 in MY 2009/10.

Comments on competitive new crop 2012 Corn and Soybean futures price bids: Tight corn supplies and high corn prices have provided carryover support for wheat and soybean prices. Market arbitrage forces are likely to force new crop 2012 futures prices for corn and soybeans higher through the late winter/spring months in a competitive effort to attempt to convince U.S. farmers to plant adequate acreage of both crops. Market concerns about both 2012 U.S. soybean plantings and production and 2012 South American soybean production are likely to provide continued underlying support for soybean markets through at least spring / early summer of 2012.

- E. **World Soybean Supply-Demand Trends:** Consistent growth in World soybean usage since MY 2008/09 has occurred in spite of intermittent periods of record high soybean prices from MY 2007/08 to projections for MY 2011/12 (**Figure 3**). The upward trend in World soybean use

combined with level or declining World soybean production has led to a projected year-to-year decline in World soybean ending stocks in MY 2011/12.

a. **World Soybean Production and Usage:** World soybean usage has increased an average of 9.5 mmt (+4.3%) annually since MY 2008/09. World soybean production has also increased over the same time period, but virtually all of that increase occurred from MY 2008/09 to MY 2009/10 (from 212 up to 261 mmt in one year), with production trends being level to declining over the last three marketing years. In MY 2011/12 World soybean use (259.3 mmt) is projected to be greater than World production 257.0 mmt).

i. South American Soybean Production in MY 2011/12:

- o Brazil soybean production is projected to be 74.0 mmt in MY 2011/12 following the record high of 75.5 mmt in MY 2010/11.
- o Argentina soybean production is projected to be 50.5 mmt in MY 2011/12 – down 1.5 mmt from December, and is the second largest crop on record following 54.5 mmt in MY 2009/10.

ii. South American Soybean Exports in MY 2011/12:

- o Brazil soybean exports are projected to be record high at 39.0 mmt in MY 2011/12 – up 0.5 mmt from December. This follows 29.95 mmt of Brazilian soybean exports in MY 2010/11, 28.58 mmt in MY 2009/10, 29.99 in MY 2008/09 (record), and 25.36 mmt in MY 2007/08.
- o Argentina soybean exports are projected to be 9.80 mmt in MY 2011/12 – down 1.0 mmt from December. This follows 9.21 mmt of Brazilian soybean exports in MY 2010/11, 13.09 mmt in MY 2009/10, 5.59 in MY 2008/09, and 13.84 mmt in MY 2007/08 (record).

iii. Major Soybean Importers in MY 2011/12

- o China soybean imports are projected to be 56.5 mmt in MY 2011/12, versus 52.34 in MY 2010/11 and 50.34 mmt in MY 2009/10. Strength in Chinese soybean imports has been a staple demand component of the World soybean market, with China accounting for 58%, 59%, and 61% of total World soybean imports for MY 2009/10, MY 2010/11 and MY 2011/12, respectively.

Comments on the impact of Chinese soybean imports on World soybean production: Chinese soybean and soybean product imports have helped to spur World soybean and soybean product market prices higher, and have directly led to increased South American soybean production (and also to higher U.S. soybean production in 2009-2010).

- o Other major soybean importers: The European Union (EU-27) is projected to import 12.00 mmt of soybeans in MY 2011/12 – down 0.30 mmt from December, and down from 12.47 mmt in MY 2010/11 and from 12.68 mmt in MY 2009/10. Mexico is projected to import 3.50 mmt of soybeans in MY 2011/12, equal to 12.50 mmt in MY 2010/11 and down marginally from 12.52 mmt in MY 2009/10. Japan is projected to import 2.85 mmt of soybeans in MY 2011/12 – down 0.1 mmt from December – down from 2.92 mmt in MY 2010/11 and from 3.4 mmt in MY 2009/10.

b. World Soybean Ending Stocks & % Stocks-to-Use for MY 2011/12

- i. World Soybean Ending Stocks = 63.4 mmt: The USDA projected MY 2011/12 World soybean ending stocks to be 63.43 mmt, down 1.11 mmt from December. This total is down from 68.58 mmt in MY 2010/11, but up from 59.61 mmt in MY 2009/10.
- ii. World Soybean % Ending Stocks-to-Use = 24.8%: Due to varying World soybean production and growth in World soybean usage, World soybean % ending stocks-to-use have varied from 25.0% in MY 2009/10 to 27.3% in MY 2010/11, and now down to a projected level of 24.5% S/U in MY 2011/12. Tighter World soybean supply-demand balances in MY 2011/12 are likely to provide support for soybean markets during the spring and early summer of 2012.

- F. **U.S. Soybean Oil Supply-Demand Balances in MY 2011/12**: The projected supply-demand balance sheet for U.S. soybean oil in MY 2011/12 reflects tightening stocks and likely record high prices. Lower levels of beginning stocks (2.425 billion pounds (bp), down 29% from last year), and production (18.605 bp, down 1.5% from last year) more than offset higher imports (185 million pounds or “mp”, up 16%). Projected U.S. total supplies of soybean oil of 21.215 bp are down from 22.453 bp in MY 2010/11, the lowest level of U.S. soybean oil supplies since at least MY 2008/09 (i.e., 21,319 bp) (**Table 2**).

Projected domestic methyl ester (biodiesel) use (3.600 bp, up 41% vs a year ago), food, feed & industrial use (14.100 bp, down 1% vs a year ago) and exports (1.200 bp, down 63% versus a year ago) combine to give total projected U.S. soybean oil usage of 18.900 bp for MY 2011/12.

Projected total U.S. soybean oil use of 18.900 bp is down 200 mp from December, and less than 20.028 bp in MY 2010/11, and 19.173 bp in MY 2009/10. Projected U.S. soybean oil ending stocks are projected to be 2.315 bp in MY 2011/12, with % ending stocks-to-use of 12.2% nearly equal to 12.1% in MY 2010/11 – both being above the 5 marketing year low of 11.7% in MY 2007/08.

Soybean oil average prices in the U.S. are projected to be in the range of \$50.50 to \$54.50 per cwt for MY 2011/12, compared to \$53.20 in MY 2010/11, \$35.95 in MY 2009/10, \$32.16 in MY 2008/09, and \$52.03 in MY 2007/08.

- G. **U.S. Soybean Meal Supply-Demand Balances**: Market price prospects for MY 2011/12 for U.S. soybean meal are not as strong in a relative sense as they are for U.S. soybean oil. High beginning stocks (350 thousand short tons or “k-st”, up 16% versus last year), lower production (38.685 k-st, down 1.4% compared to a year ago) and lower imports (165 k-st, down 7.8% versus last year), combine for projected U.S. total supplies of soybean meal of 39,200 k-st in MY 2011/12 (down 1.3%), the lowest amount since 36,820 k-st in MY 2003/04 (**Table 3**).

Projections of U.S. domestic use (30,100 k-st, down 0.6% vs last year) and U.S. exports (8,800 k-st, down 3.3%) combine for total U.S. soybean meal usage of 38,900 k-st in MY 2011/12. This amount of U.S. soybean meal usage in MY 2011/12 would be down from 39,381 k-st in MY 2010/11, and below the range of 39,249 – 42,474 k-st for MY 2007/08 through MY 2009/10. Projected U.S. soybean meal ending stocks of 300 k-st and % ending stocks-to-use of 0.8% reflect typically minimal U.S. soybean meal ending stocks – given the perishability of the product.

Soybean meal average prices in the U.S. are projected to be in the range of \$290 to \$320 per ton for MY 2011/12, compared to \$345.52 in MY 2010/11, \$311.27 in MY 2009/10, \$331 in MY 2008/09, and \$336 in MY 2007/08.

Table 1. U.S. Soybean Supply-Demand Balance Sheet: MY 2007/08 through MY 2011/12
(January 12, 2012 USDA WASDE Report)

Item	2007/08	2008/09	2009/10	2010/11	2011/12
Planted Area (million acres)	64.7	75.7	77.5	77.4	75.0
Harvested Area (million acres)	64.1	74.7	76.4	76.6	73.6
Yield per harvested acre (bushels/acre)	41.7	39.7	44.0	43.5	41.5
	million bushels				
Beginning Stocks	574	205	138	151	215
Production	2,677	2,967	3,359	3,329	3,056
Imports	10	13	15	15	15
Total Supply	3,261	3,185	3,512	3,495	3,286
Domestic Crushings	1,803	1,662	1,752	1,648	1,615
Exports	1,159	1,279	1,499	1,501	1,275
Seed	89	90	90	87	88
Residual	5	16	20	43	32
Total Use	3,056	3,047	3,361	3,280	3,011
Ending Stocks	205	138	151	215	275
% Ending Stocks-to-Total Use	6.7%	4.5%	4.5%	6.6%	9.1%
U.S. Average Farm Price (\$/bushel)	\$10.10	\$9.97	\$9.59	\$11.30	\$10.95-\$12.45 Midpoint = \$11.70

Figure 1. Trends in U.S. Soybean Use and Ending Stocks: MY 2004/05 through MY 2011/12
(January 12, 2012 USDA WASDE Report)

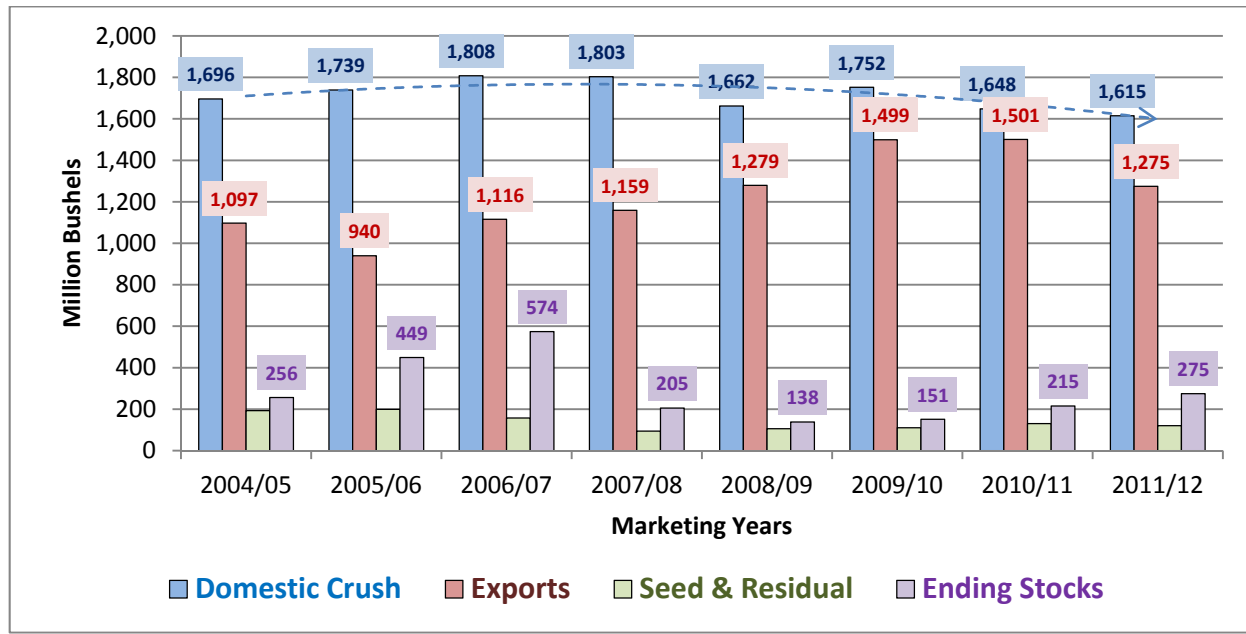


Figure 2. U.S. Soybean Ending Stocks vs U.S. Avg. Cash Prices: MY 1973/74 through MY 2011/12
(January 12, 2012 USDA WASDE Report)

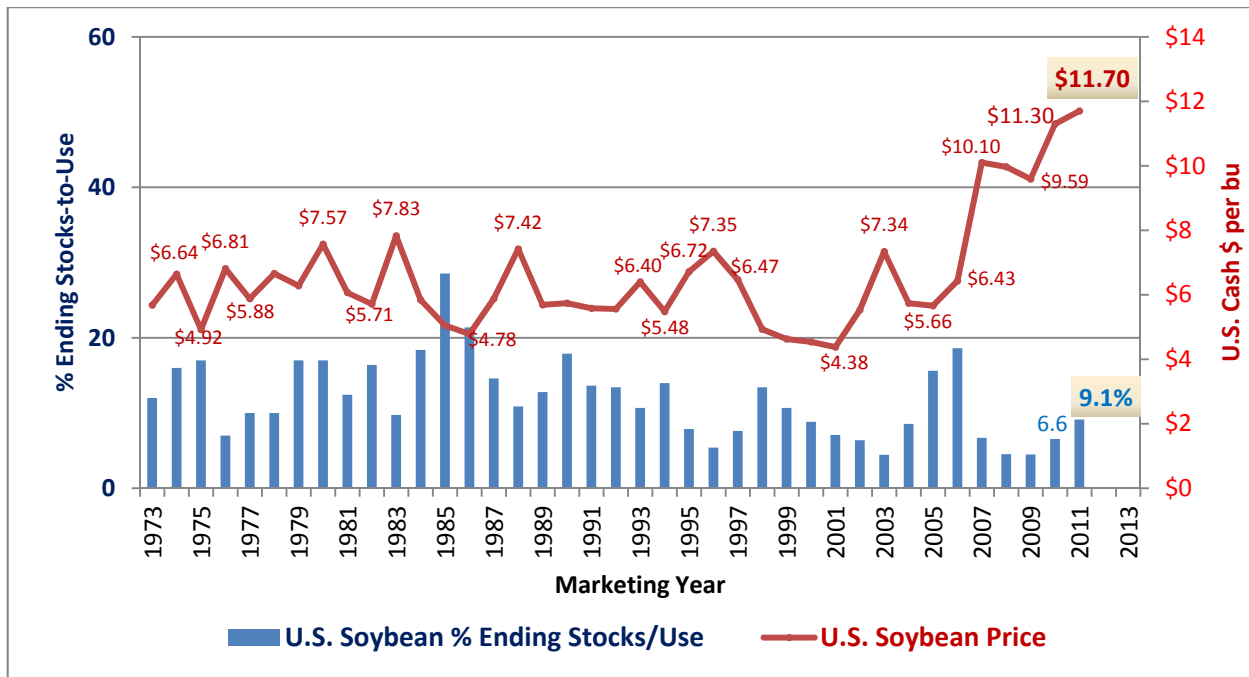


Figure 3. World Soybean Usage & Ending Stocks: MY 2007/08 thru MY 2011/12
(January 12, 2012 USDA WASDE Report)

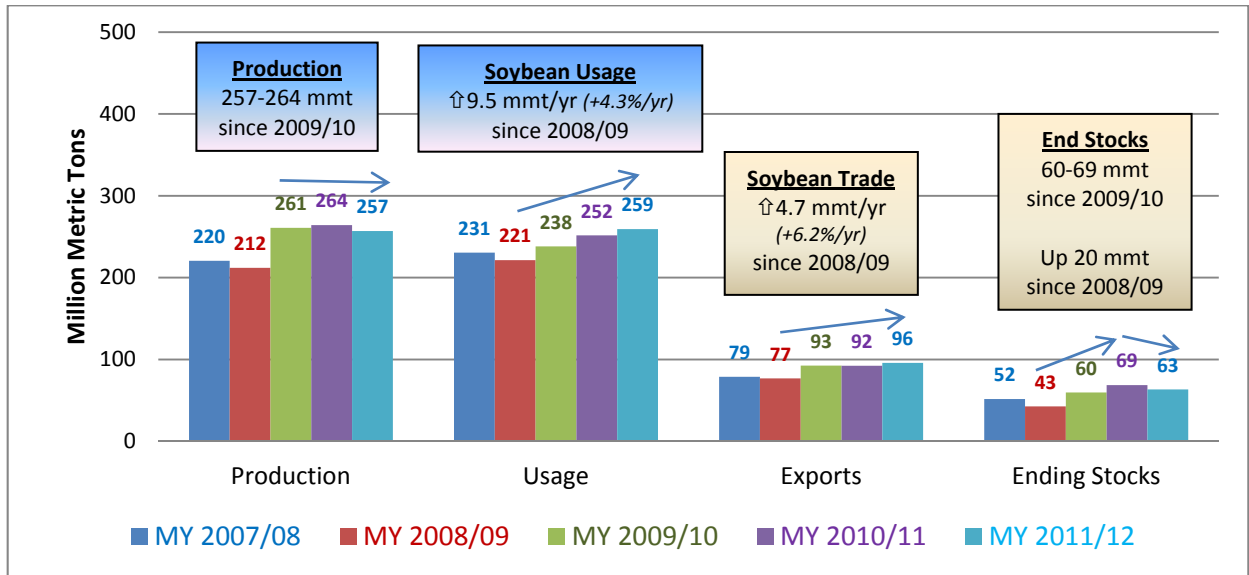


Table 2. U.S. Soybean Oil Supply-Demand Balance Sheet: MY 2007/08 through MY 2011/12
(January 12, 2012 USDA WASDE Report)

Item	2007/08	2008/09	2009/10	2010/11	2011/12
Million Pounds					
Beginning Stocks	3,085	2,485	2,861	3,406	2,425
Production	20,580	18,745	19,615	18,888	18,605
Imports	65	90	103	159	185
Total Supply	23,730	21,319	22,578	22,453	21,215
Domestic – Methyl Ester (Biodiesel)	3,245	2,069	1,680	2,550	3,600
Food, Feed & other Industrial	15,089	14,196	14,134	14,245	14,100
Exports	2,911	2,193	3,359	3,233	1,200
Total Use	21,246	18,459	19,173	20,028	18,900
Ending Stocks	2,485	2,861	3,406	2,425	2,315
% Ending Stocks-to-Total Use	11.7%	15.5%	17.8%	12.1%	12.2%
U.S. Average Price (\$/cwt)	\$52.03	\$32.16	\$35.95	\$53.20	\$50.50-\$54.50 Midpoint = \$52.50

Table 3. U.S. Soybean Meal Supply-Demand Balance Sheet: MY 2007/08 through MY 2011/12
(January 12, 2012 USDA WASDE Report)

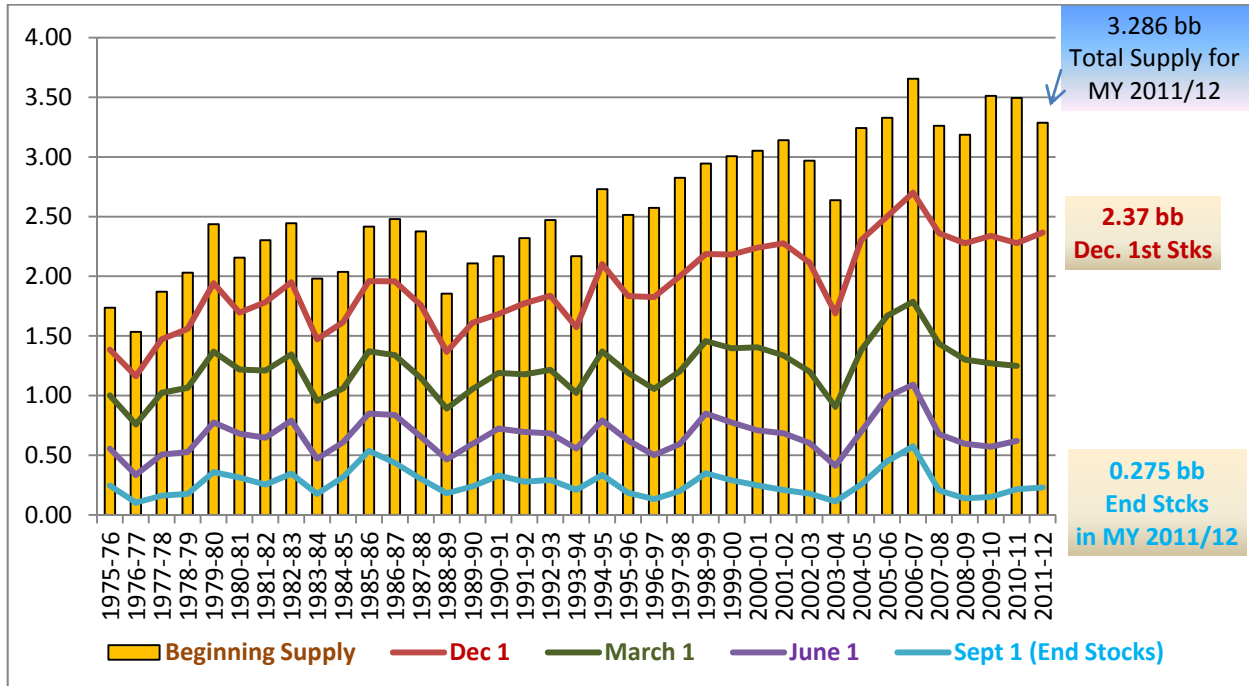
Item	2007/08	2008/09	2009/10	2010/11	2011/12
Thousand Short Tons					
Beginning Stocks	343	294	235	302	350
Production	42,284	39,102	41,707	39,251	38,685
Imports	141	88	160	179	165
Total Supply	42,768	39,484	42,101	39,731	39,200
Domestic	33,232	30,752	30,640	30,277	30,100
Exports	9,242	8,497	11,160	9,104	8,800
Total Use	42,474	39,249	41,800	39,381	38,900
Ending Stocks	294	235	302	350	300
% Ending Stocks-to-Total Use	0.7%	0.6%	0.7%	0.9%	0.8%
48% Protein, Decatur Price (\$/ton)	\$335.94	\$331.17	\$311.27	\$345.52	\$290-\$320 Midpoint = \$305

U.S. Soybean Stocks on December 1, 2011

U.S. Soybean Stocks: The USDA NASS estimate of U.S. soybean stocks in all positions on December 1st 2011 totaled 2.366 bb, up 3.8% from 2.278 bb the previous year (**Figure 4**). This amount of December 1st U.S. soybean stocks was less than the previous 5 year average of 2.391 bb but greater than the median amount for that period of 2.339 bb. The December 1st estimate of 2.366 bb was greater than the average pre-report trade estimate of 2.324 bb, but was within the pre-report estimates range of 2.227 to 2.577 bb.

Of the 2.366 bb total, 1.139 bb were stored on farms (48% of the total and 104% of a year ago), with 1.227 bb stored off farms (52% of the total and 103% of a year ago). **Figure 4** shows generally increasing total supplies of U.S. soybeans since the late 1980s with a type of “plateau” reached since MY 2005/06. December 1st quarterly stocks declined markedly from MY 2006/07 into MY 2007/08, but have been in the range of 2.28 to 2.37 bb since then.

Figure 4. U.S. Soybean Total Supply & Quarterly Stocks: MY 1975/76 thru MY 2011/12
(January 12, 2012 USDA Quarterly Stocks & WASDE Reports)



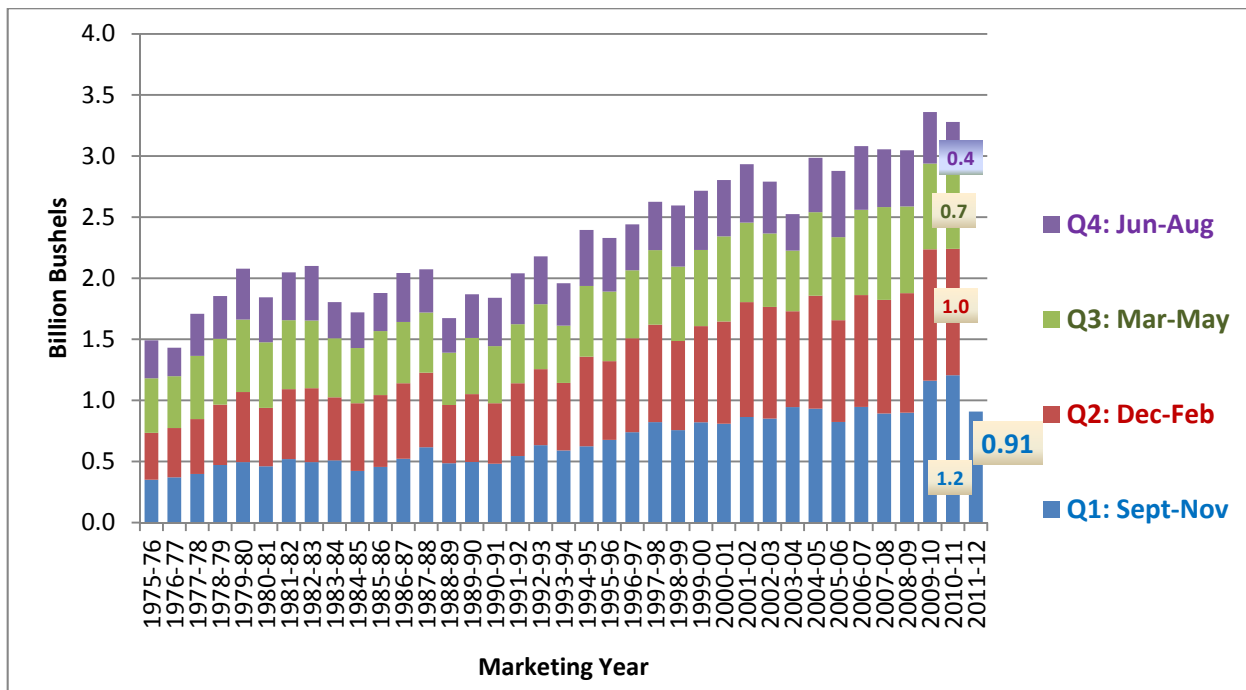
U.S. Soybean Usage: A total of 908 mb of U.S. soybeans were used during the September – November 2011 period (**Figure 5**). September-November 2011 usage is down 24.7% compared to the record high Sept-Nov 2010 usage of 1.206 bb, and is below the previous 5 year average and median usage of 1.021 bb and 946 mb, respectively.

Of total Sept-Nov 2011 usage of 908 mb, approximately 424 mb of U.S. soybeans were exported, while crush, seed and residual use accounted for the remaining 484 mb.

- Soybean exports during the Sept-Nov 2011 period total of 424 mb is markedly below 536 mb of exports during Sept-Nov 2009 and 618 mb of exports during Sept-Nov 2010. However, this amount of soybean exports compares favorably with average soybean exports of 353 mb for the MY 2000/01 through MY 2008/09 period – during the time when China was increasing its soybean imports up to current market dominating levels.
- Soybean crush, seed and residual use during Sept-Nov 2011 of 484 mb is 17.7% below Sept-Nov 2010 usage of 588 mb. It is also 14.9% less than average combined crush + seed and residual usage for the Sept-Nov 2000 through Sept-Nov 2010 of 569 mb.
- Percent of total marketing year usage during Sept-Nov 2011 was projected to be 29.8% of the projected total U.S. soybean use during MY 2011/12, down markedly from 36.8% of total use in MY 2009/10, and below the most recent 5 year average of 32.1% and median value of 30.7%.

Comment of weakness of Sept-Nov 2011 U.S. Soybean usage: Because of high soybean prices, unfavorable trends in U.S. dollar currency exchange rate, and the availability of an abundant supply of exportable soybeans in Argentina and Brazil, export usage of U.S. soybeans during Sept-Nov 2011 was poor, with domestic crush also being weak. Absent some distortion in or misunderstanding of USDA quarterly soybean stocks numbers, the implied usage of U.S. soybeans during September-November 2011 was exceptionally weak. The weakness in Sept-Nov usage was reflected in the January WASDE report, as projected U.S. soybean ending stocks for MY 2011/12 climbed 45 mb to 275 mb, with ending stocks-to-use jumping to 9.1% - much higher than the near historic lows of 4-5% that were feared by many market analysts in the summer of 2011.

Figure 5. U.S. Soybean Quarterly Use: MY 1975/76 thru MY 2011/12
(January 12, 2012 USDA Quarterly Stocks & WASDE Reports)



Market Impacts of the Soybean Stocks Report: The moderately higher than expected December 1st U.S. soybean stocks estimate with its implication of lower than anticipated implied U.S. September-November 2011 soybean usage in and of themselves have a moderate negative impact on U.S. soybean market prospects for the remainder of the 2011/12 marketing year (i.e., January-August 2012). However, other key market factors either are now or likely will merit the attention of the World soybean market in coming months to a greater degree than the December 1st quarterly stocks report results. These include a) the prospect of some degree of drought damage to the 2012 South American soybean crop, b) critical 2012 U.S. corn and soybean planted acreage trends through the spring months, and c) the ever-present possibility of crop production problems in the U.S. during the spring-summer-fall of 2012. Any planting delays or sub-optimal weather conditions during the April-September 2011 period would likely lead to even higher soybean prices and extreme rationing of U.S. soybean usage.