June 2011 USDA WASDE Report - Soybeans & Oilseeds

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Summary

The supply-demand information for U.S. and World soybeans and other oilseed crops contained in the June 9th USDA World Agricultural Supply and Demand Estimates (WASDE) report is preliminary in nature – given that the 2011 U.S. soybean crop was either in the later stages of planting or in the early stages of development in the U.S. at the time of the report. With the rest of June, all of July and especially critical August soybean growing season conditions in the U.S. to work through, as well as uncertainty about 2011 U.S. soybean crop acreage, the projected U.S. soybean supply-demand balances for the 2011/12 marketing year contained in the June WASDE report could vary markedly before fall 2011 harvest.

In the June WASDE, the USDA projected that U.S. soybean projection would be 3.285 billion bushels (bb), that U.S. soybean exports in MY 2011/12 would continue at near record high levels (i.e., 1.52 bb), and that U.S. soybean ending stocks would be 190 mb (5.8% S/U) in MY 2011/12 (i.e., an increase from 180 million bushels (5.4% S/U) in MY 2010/11). Marketing year average prices are forecast to stay record high, with the MY 2011/12 price projected to be in the $13.00-$15.00 range (versus $11.40 per bushel in MY 2010/11).

World soybean and broader oilseed crop ending stocks for MY 2011/12 are projected to decline from year ago levels, but to remain above the ending stocks amounts of MY 2009/10. However, with continuing growth in World soybean and broader oilseed crop usage, % ending stocks-to-use are projected to actually decline relative to both MY 2010/11 and MY 2009/10. World ending stocks balances are not currently at critically short levels for either soybeans or the broader category of oilseeds. But they are vulnerable to any unexpected shortfall in production during the 2011 – 2012 period, as ending stocks for oilseed crops are not abundant enough to absorb any significant soybean / oilseed production cutback without the need to seriously ration usage.

Projections of 2011 U.S. soybean production will be critical in the July WASDE report, and especially in the initial 2011 farmer/field survey-based August USDA National Agricultural Statistical Service (NASS) Crop Production and WASDE reports. From there, successive USDA Crop Production and WASDE reports for September, October, and November will provide key soybean market supply-demand information that will be critical to 2011-12 market prospects. Also, prospects for extensive summer flooding of farmland along the Missouri and lower Mississippi River valleys are high this summer, and could cause significant loss of soybean acres that will be accounted for in these coming USDA reports.

Soybean and other grain markets are likely to remain extremely volatile, with crop production as well as financial/currency markets and broader economic factors having sizable influences on soybean futures and cash prices.

I. U.S. Soybean Market Situation and Outlook

Soybean Markets ⇨ Continued strong support for soybean prices, with acreage, yield and production uncertainty dominating markets through summer-fall 2011. An increase in 2011 soybean acres may occur due to switching of farmers from acres that were originally intended for corn, especially in the eastern and northern U.S. Corn Belt. Strong export competition from South American in MY 2011/12.

U.S. Soybean Supply-Demand & Price Projections for MY 2010/11 & MY 2011/12

Changes in Old Crop MY 2010/11 U.S. Supply-Demand & Prices: In the June WASDE report the USDA reduced projected soybean exports by 100 million bushels (mb) to 1.540 billion bushels (bb) (Table 1). Even with this decrease this is still a record high amount of soybean exports for the U.S., eclipsing the previous high of 1.501 bb in MY 2009/10. As a result, U.S. soybean ending stocks for MY 2010/11 were reduced by the same amount down to 3.315 bb – the second highest amount of U.S. soybean usage on record behind 3.361 bb in MY 2009/10.

These supply-demand changes caused a 10 mb increase in MY 2010/11 U.S. soybean ending stocks to 180 mb. As a result, % ending stocks-to-use increased to 5.4% for MY 2010/11 (up from 5.1% in May). Average U.S. soybean prices for MY 2010/11 were estimated to be $11.40 per bushel, which would be a record high except for the projected price of $13.00-$15.00 per bushel for MY 2011/12 (see below).

Table 1. U.S. Soybean Supply-Demand Balance Sheet: MY 2007/08 through MY 2011/12
(June 9, 2011 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	76.6
Harvested Area (million acres)	64.1	74.7	76.4	76.6	75.7
Yield per harvested acre (bushels/acre)	41.7	39.7	44.0	43.5	43.4
	million bushels				
Beginning Stocks	574	205	138	151	180
Production	2,677	2,967	3,359	3,329	3,285
Imports	10	13	15	15	15
Total Supply	3,261	3,185	3,512	3,495	3,480
Domestic Crushings	1,803	1,662	1,752	1,650	1,655
Exports	1,159	1,279	1,501	1,540	1,520
Seed	89	90	90	89	90
Residual	5	16	18	36	25
Total Use	3,056	3,047	3,361	3,315	3,290
Ending Stocks	205	138	151	180	190
% Ending Stocks-to-Total Use	6.7%	4.5%	4.5%	5.4%	5.8%
U.S. Average Farm Price ($/bushel)	$10.10	$9.97	$9.59	$11.40	$13.00-$15.00 *Midpoint =* *$14.00*

2011 U.S. Soybean Production: In the June WASDE report the USDA made no changes in its initial projection of 2011 U.S. soybean production made last month in the May 2011 WASDE report (Table 1). Based on projected 2011 planted acreage and harvested acreage of 76.6 million acres (ma) and

75.7 ma, respectively, and projected U.S. trend soybean yields of 43.4 bu/ac, U.S. soybean production in 2011 was estimated to be 3.285 bb. Planted acres estimates were taken from the USDA National Agricultural Statistical Service (NASS) Prospective Plantings report on March 31st. Harvested acreage projections are based on 5 year average harvested-to-planted acreage ratios by state. Projected 2011 soybean yields are based on U.S. regional yield trends for the 1989-2009 period. The projection of 3.285 bb 2011 U.S. soybean production would be the third highest amount on record, trailing 3.359 bb in 2009 and 3.329 bb in 2010.

This projection of 2011 U.S. soybean production is highly tentative, with the remainder of June, July and the key soybean production month of August yet to occur. Questions linger about U.S. soybean planted acreage, with the possibility of U.S. farmers in eastern and northern Corn Belt states having shifted from intended corn acres that otherwise were too late to (i.e., "plant prevented") to soybeans. Also, there are prospects of significant flooding along the Missouri and lower Mississippi rivers in June and July, with the possibility of destroying appreciable amounts of 2011 soybean acreage. These questions are likely to continue to haunt the U.S. corn and soybean markets at least until USDA NASS releases the August Crop report – the first USDA NASS information based on actual farmer and in-field surveys in 2011.

Total U.S. New Crop Soybean Supplies in MY 2011/12: Projected beginning stocks of 170 mb for MY 2011/12 are up 10 mb from the May WASDA, and are up from 151 mb in MY 2010/11, and 138 mb in MY 2009/10. With imports projected to be 15 mb, and 2011 U.S. soybean production projected to be 3.285 bb, total U.S. soybean supplies for MY 2011/12 are projected to be 3.480 bb, up 10 mb from the May WASDE, but down from 3.495 bb in MY 2010/11 (Table 1).

Projected U.S. soybean total supplies of 3.480 bb in MY 2011/12 would be the fourth highest amount on record, following 3.655 bb in MY 2006/07, 3.512 bb in MY 2009/10, and 3.495 bb in MY 2010/11.

U.S. Soybean Usage in MY 2011/12: Soybean crush for MY 2011/12 is projected to be 1.655 bb, marginally higher than 1.650 bb in MY 2010/11, but down 5.5% from 1.752 bb in MY 2009/10 (Figure 1). The record high levels of U.S. soybean crush were 1.808 bb in MY 2006/07 and 1.803 bb in MY 2007/08 with the recent low being 1.530 bb in MY 2003/04.

Soybean exports are projected to be 1.520 bb, down 20 mb from the May WASDE, and down from the record high 1.540 bb in MY 2010/11, but above 1.501 bb of U.S. soybean exports in MY 2009/10 (Figure 1).

U.S. soybean exports have trended higher from MY 2005/06 to MY 2010/11 – increasing from 940 mb up to a record high of 1.550 bb (Figure 1). Projected U.S. soybean exports for MY 2011/12 of 1.54 bb would be the first year-to-year decline since MY 2005/06.

Seed and residual use of U.S. soybeans are projected to be 90 mb and 25 mb, respectively, with seed use up 1 mb and residual use down 11 mb from MY 2010/11. Total U.S. soybean use for MY 2011/12 is projected to be 3.290 bb, down 20 mb from the May WASDE, and down from 3.315 bb in MY 2010/11, and from the record high 3.361 bb of total U.S. soybean usage in MY 2009/10.

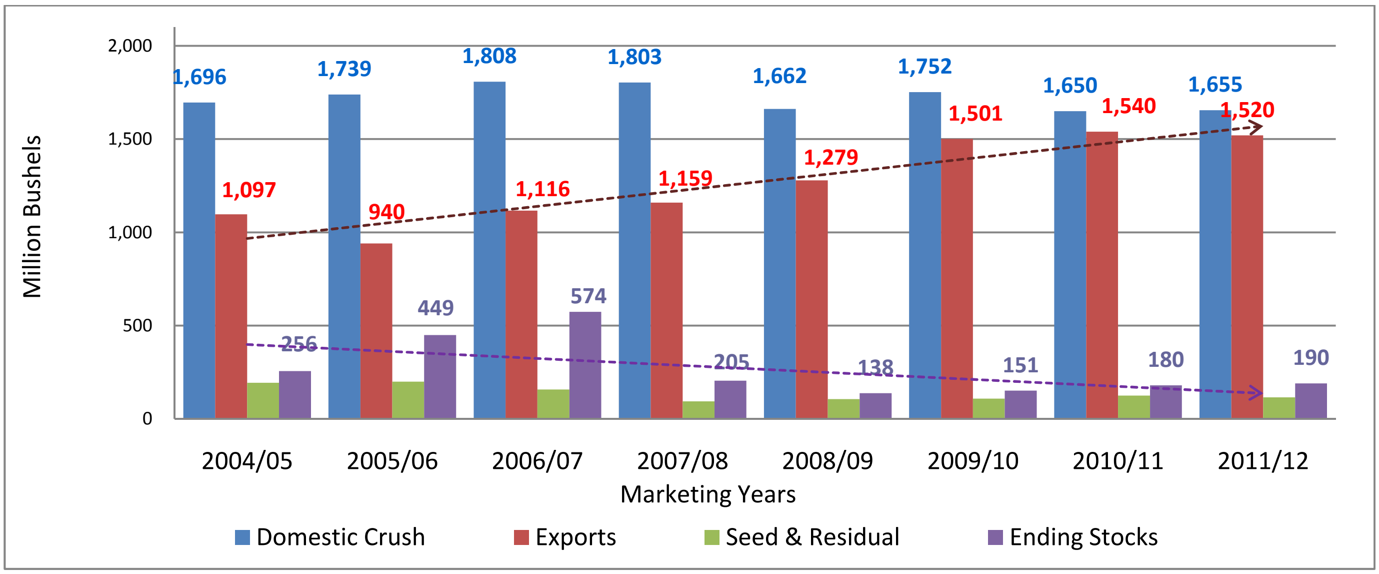
Since MY 2000/01, total U.S. soybean usage has grown at an average rate of 50 mb or 1.8% per year. During this same time U.S. domestic crush of soybeans has grown at a rate of 1 mb or 0.1% annually, while U.S. exports of soybeans have grown at an annual rate of 54 mb or 5.4%. These disparate trends indicate the dependence of the U.S. soybean industry on exports for continued growth, and consequently on continued soybean export purchases by China – the primary buyer of U.S. and World soybean exports.

Soybean Ending Stocks & Ending Stocks-to-Use in MY 2011/12: Ending stocks of U.S. soybeans are projected at 190 mb in MY 2011/12, up 30 mb from the May WASDE, and up from 180 mb in MY

2010/11, and from 151 mb in MY 2009/10. Taking the ending stocks and usage projections together, MY 2011/12 % ending stocks-to-use is projected to be 5.8%, up from 5.4 % in MY 2010/11, but above 4.5% S/U in both MY 2009/10 and MY 2008/09. The record low U.S. soybean % stocks-to-use figure since the early 1970s was 4.2% in MY 2003/04.

If proven to be true over the course of the marketing year, projected MY 2011/12 ending stocks of 190 mb (5.8% S/U) would be the second consecutive year of at least marginally higher U.S. soybean ending stocks-to-use since the consecutive 4.5% ending stocks-to-use levels in MY 2008/09 and MY 2009/10. If production problems occur for the 2011 U.S. soybean crop or the 2012 South American crops (during the December 2011 – April 2012 period) it is likely the U.S. soybean stocks would quickly tighten up again – falling to near minimum MY 2007/08 levels.

Figure 1. U.S. Soybean Use and Ending Stocks: MY 2004/05 through MY 2011/12
(June 9, 2011 USDA WASDE Report)

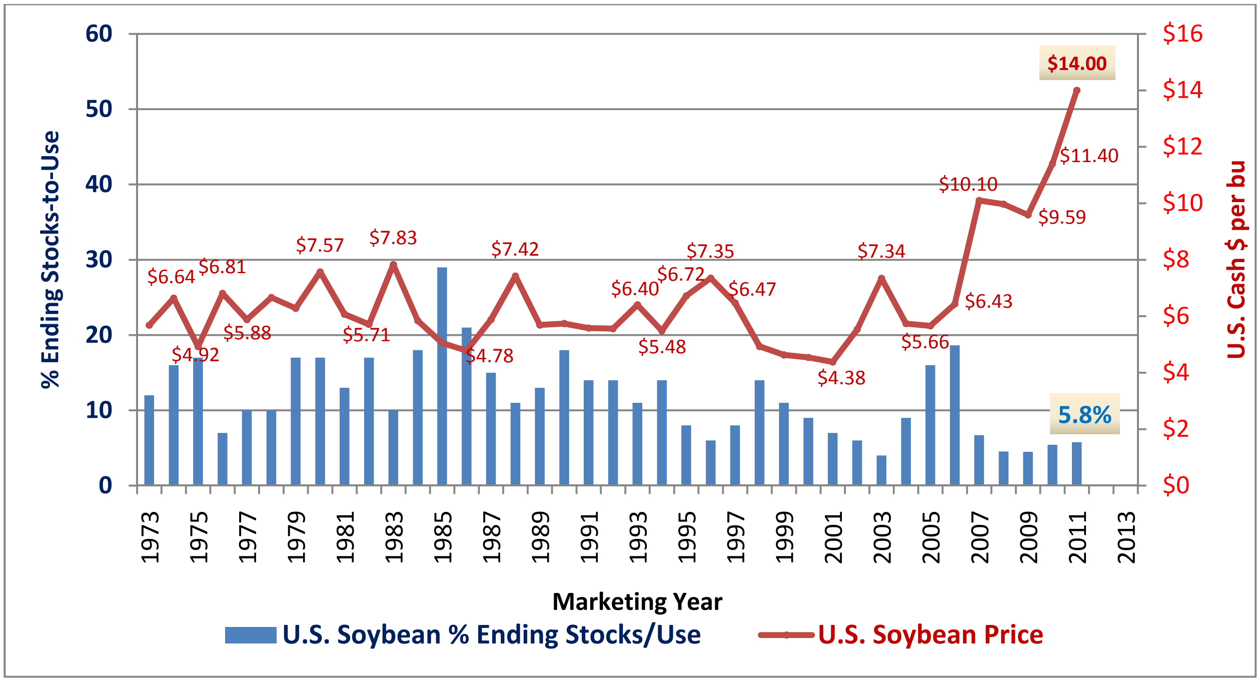


Projected U.S. Soybean Prices in MY 2011/12: U.S. season average soybean prices for MY 2011/12 are projected to be in the range of $13.00-$15.00 per bushel, with a midpoint of $14.00. This is up $1.00 on both ends of the price range from the May WASDE report, and compares to an estimated MY 2010/11 price of $11.40, and to $9.59 /bu in MY 2009/10, $9.97 /bu in MY 2008/09, and $10.10 /bu in MY 2007/08.

Soybean Prices & % Ending Stocks to Use: Figure 2 shows the relationship between U.S. soybean % ending stocks-to-use and season average cash prices since MY 1973/74. Although the negative relationship between stocks-to-use and prices is readily shown in Figure 2, since MY 2007/08 soybean prices have moved markedly higher in response to tight U.S. soybean stocks-to-use than in earlier periods.

Reasons for this apparent inflation or "step higher" in U.S. soybean prices may include a) declines in the value of the U.S. dollar and associated commodity price inflation, b) increased participation in agricultural commodity futures markets by noncommercial speculative traders, c) increased costs of production for U.S. crops, and/or d) the simultaneous occurrence of generally tight U.S. and World stocks for feedgrains, oilseeds and periodically wheat - resulting from a combination of supply and demand factors.

Figure 2. U.S. Soybean Ending Stocks vs U.S. Avg. Cash Prices: MY 1973/74 through MY 2011/12
(June 9, 2011 USDA WASDE Report)



U.S. Soybean Meal Supply-Demand & Price Projections

U.S. Soybean Meal - Changes in Old Crop MY 2010/11 Supply-Demand & Prices: For Old Crop MY 2010/11, a number of U.S. Soybean Meal supply-demand balance sheet adjustments were made in the June WASDE report. Projected MY 2010/11 production was increased 100,000 short tons (st) to 39.683 million short tons (mst). Projected exports increased 100,000 st to 9.250 mst. As a result of these changes, projected U.S. total soybean meal usage for MY 2010/11 increased 100,000 st to 39.850 mst, while projected MY 2010/11 U.S. soybean oil ending stocks were unchanged at 300,000 st. The projected U.S. average soybean meal price for MY 2010/11 was unchanged at $350.00 per short ton.

U.S. Soybean Meal - New Crop MY 2010/11 Supply-Demand & Prices: For New Crop MY 2011/12, U.S. soybean meal production and total supplies are projected to decline in the U.S. in MY 2011/12 from MY 2010/11 levels. Soybean meal production is projected to be 39.285 mst in MY 2011/12, down from 39.683 mst and 41.700 mst in MY 2010/11 and MY 2009/10, respectively. Projected total supplies of 39.750 mst in MY 2011/12 are projected to be down from 40.150 mst in MY 2010/11 and from 42.095 mst in MY 2009/10. While projected domestic usage of soybean meal of 30.800 mst in MY 2011/12 is up 0.7% from 30.600 mst in MY 2010/11 and up from 30.619 mst in MY 2009/10, projected soybean meal exports for MY 2011/12 of 8.650 mst are down 6.5% from 9.25 mst in MY 2010/11 and down 22.6% from 11.175 mst in MY 2009/10.

U.S. soybean meal exports are down markedly in MY 2011/12 mainly due to at least marginal increases in soybean meal exports by the Brazil and Argentina in MY 2011/12.

Projected U.S. total soybean meal usage of 39.450 mst in MY 2011/12 is down 1.0% from 39.85 mst in MY 2010/11 and down 5.6% from 41.794 mst in MY 2009/10. Projected ending stocks of 300 mst in

MY 2011/12 are essentially equal to the amounts of the previous two marketing years. Projected U.S. soybean meal prices for MY 2011/12 are $375-$405 per short ton compared to $350 in MY 2010/11, $311.27 in MY 2009/10 and from $331.17 in MY 2010/11.

U.S. Soybean Oil Supply-Demand & Price Projections

U.S. Soybean Oil - Changes in Old Crop MY 2010/11 Supply-Demand & Prices: For Old Crop MY 2010/11, a number of U.S. Soybean Oil supply-demand balance sheet adjustments were made for in the June WASDE report. Projected MY 2010/11 production was increased 50 million pounds (mp) to 19.090 billion pounds (bp). Projected domestic use for food, feed and other uses decreased 100 mp to 14.200 bp. Projected domestic use for methyl ester (biofuel production) decreased 100 mp to 2.400 bp. Projected exports decreased 100 mp to 3.200 bp. As a result of these changes, projected U.S. total soybean oil usage for MY 2010/11 decreased 300 mp to 19.8 bp, while projected MY 2010/11 U.S. soybean oil ending stocks declined 348 mp to 2.823 bp. The projected U.S. average soybean oil price for MY 2010/11 increased $0.50 per pound to $54.00.

U.S. Soybean Oil - New Crop MY 2010/11 Supply-Demand & Prices: For New Crop MY 2011/12, U.S. soybean oil production and total supplies are projected to decline from MY 2010/11 levels. Soybean oil production is projected to be 18.900 bp in MY 2011/12, down from 19.09 bp and 19.614 bp in MY 2010/11 and MY 2009/10, respectively. Projected total supplies of 21.908 bp in MY 2011/12 would be down 3.2% from 22.623 bp in MY 2010/11, and down 3.0% from 22.577 bp in MY 2009/10. Projected domestic usage of soybean oil for food, feed and other uses of 14.450 bp in MY 2011/12 is up from 14.200 bp and 14.182 bp in MY 2010/11 and MY 2009/10, respectively. Projected domestic usage of soybean oil as methyl ester for biofuel production of 3.5 bp in MY 2011/12 is up from 2.4 bp and 1.681 bp in MY 2010/11 and MY 2009/10, respectively. Conversely, projected soybean oil exports of 1.800 bp in MY 2011/12 are up 0.200 bp from the May WASDE, but are down 43.8% from 3.200 bp in MY 2010/11, and down 46.4% from 3.357 bp in MY 2009/10.

U.S. soybean oil exports are down markedly in MY 2011/12 mainly due to increased U.S. domestic usage of soybean oil, but also because of marginally larger increases in soybean oil exports by the European Union and Brazil in MY 2011/12.

Total soybean oil usage of 19.750 bp in MY 2011/12 is up 0.20 bp from the May WASDE. The projection of 19.750 bp in MY 2011/12 is down from 19.800 bp in MY 2010/11, but up from 19.219 bp in MY 2009/10. Projected ending stocks of 2.158 bp in MY 2011/12 are down 23.6% from 2.823 bp in MY 2011/12, and down 35.7% from 3.358 bp in MY 2009/10. Projected U.S. soybean oil prices for MY 2011/12 are $58-$62 per million pounds, up from $54.00 in MY 2010/11 and $35.95 in MY 2009/10.

II. World Supply-Demand for Oilseeds & Soybeans

World Oilseed Supply-Demand in MY 2011/12

Although projected World oilseed production is 19.3% larger than World usage in MY 2011/12, World oilseed % ending stocks-to-use is projected to tighten compared to MY 2010/11 and MY 2009/10. World oilseed total use is projected to increase 9.0% from MY 2009/10 to MY 2011/12, while production and total supplies are expected to increase 3.3% and 6.9%, respectively, over the same time period. World oilseed market supply-demand balances will be markedly affected by U.S. soybean production – even with record large Brazilian soybean production in 2011.

Production of World oilseeds in MY 2011/12 is projected to be 456.9 mmt, up from 450.6 mmt in MY 2010/11, and up from 442.3 mmt in MY 2009/10. **Total oilseed supplies** are projected to be 531.6 mmt in MY 2011/12, up from 521.5 mmt in MY 2010/11, and up from 497.4 mmt in MY 2009/10. World oilseed **trade** is projected to be 115.2 mmt, up from 109.6 mmt in MY 2010/11, and up from 108.1 mmt in MY 2009/10. **Total use** of oilseeds is projected to be 389.6 mmt, up from 377.5 mmt in MY 2010/11, and up from 357.6 mmt in MY 2009/10.

Ending stocks are projected to be 71.1 mmt (18.3% S/U) in MY 2011/12, down from 74.7 mmt (19.8% S/U) in MY 2010/11, but up from 71.0 mmt (19.8% S/U) in MY 2009/10. The category of "Oilseeds" includes soybeans, sunflowers, cotton, canola, flaxseed, peanuts, and other oilseed-type crops.

World Soybean Supply-Demand in MY 2011/12

Projected World soybean production accounts for 57.5% of projected World oilseed output in MY 2011/12, while soybean usage accounts for 67.6% of World oilseed usage. Projected World soybean production is marginally lower in MY 2011/12 than in MY 2010/11, but is more than offset by larger beginning stocks. However, strong growth in World soybean usage has led to a projected tightening of ending stocks in MY 2011/12 over the previous year, and a continued tightening of World soybean ending stocks-to-use since MY 2009/10.

Production of World soybeans in MY 2011/12 is projected to be 262.8 mmt, down from 263.5 mmt in MY 2010/11, but up from 260.8 mmt in MY 2009/10. World soybean **exports** are projected to be 98.8 mmt in MY 2011/12, up 4.2 mmt from 94.5 mmt in MY 2010/11, and also up 6.1 mmt from 92.7 mmt in MY 2009/10. **Total domestic use** of soybeans is projected to be 263.2 mmt, up 2.9% from 255.8 mmt in MY 2010/11, and in particular up 10.4% from 238.4 mmt in MY 2009/10.

Ending stocks are projected to be 61.6 mmt (23.4% S/U) in MY 2011/12, down from 64.5 mmt (25.2% S/U) in MY 2010/11, but up from 59.3 mmt (24.9% S/U) in MY 2009/10. As stated above, although MY 2011/12 ending stocks are projected to be higher than in MY 2009/10, % ending stocks-to-use is less because of continued expansion in World soybean usage.

Longer Term Trends in World Soybean Supply-Demand

Figure 3 shows the general trend towards larger World soybean crush and total usage that has occurred since MY 2004/05, as well as the rationing effect of reduced supplies on usage and ending stocks during MY 2008/09.

World soybean supply-demand balances have been "driven" in recent years by strong trend increases in World soybean usage or demand on the one hand and increasing but variable World soybean production on the other (Figure 4). For the 11 year period from MY 2000/01 through MY 2010/11, World soybean use grew at an average rate of 7.7 mmt or 4.5% per year. Projected total usage in MY 2011/12 of 263.2 mmt would be an increase of 7.4 mmt or 2.9% over the previous year. World soybean production has increased by 8.0 mmt or 4.5% per year over the same 11 year period. Projected World soybean production in MY 2011/12 of 262.8 mmt would be a decrease of 0.7 mmt or 0.3% over the previous year.

Figure 3. World Soybeans Usage & Ending Stocks: MY 2004/05 thru MY 2011/12
(June 9, 2011 USDA WASDE Report)

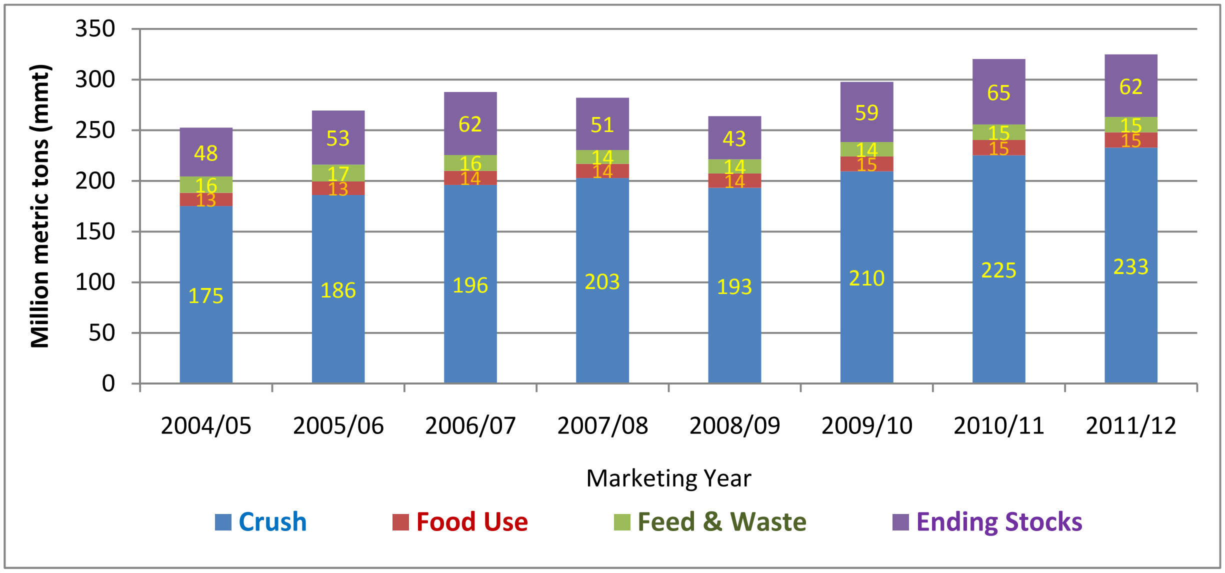
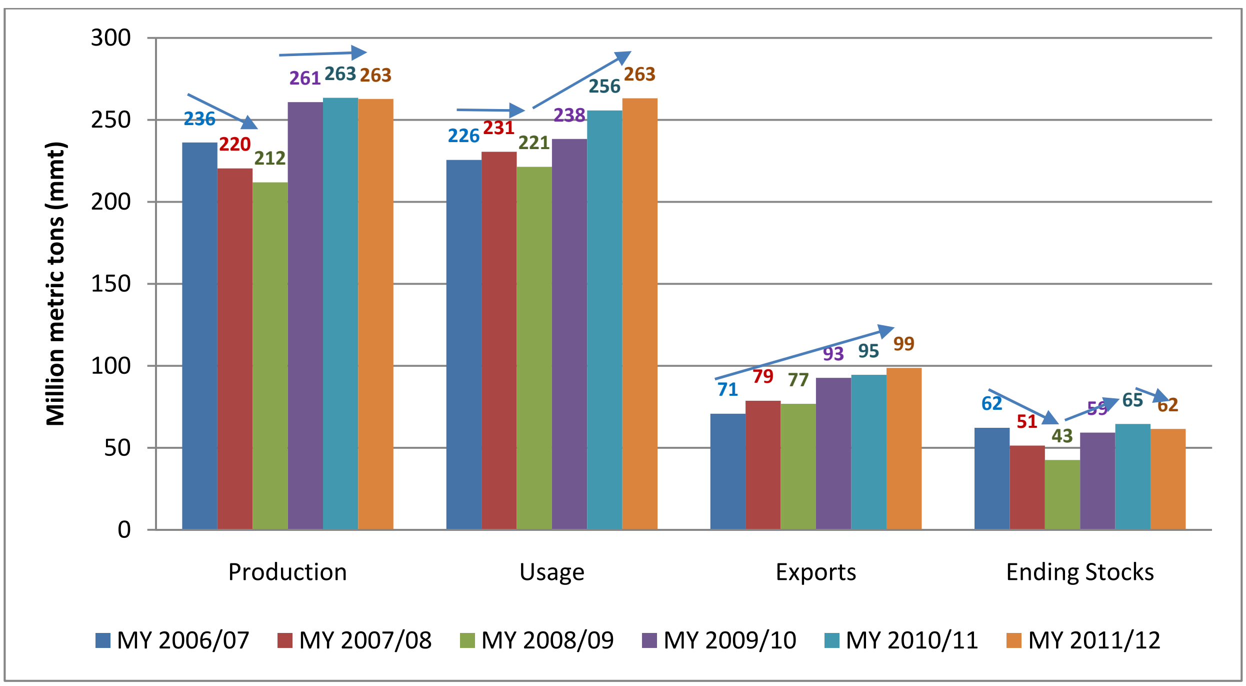


Figure 4. World Soybean Supply-Demand: MY 2006/07 thru MY 2011/12
(June 9, 2011 USDA WASDE Report)



World soybean exports have grown at a rate of 3.7 mmt or 6.9% over the MY 2000/01 through MY 2010/11 period. Projected World soybean exports in MY 2011/12 of 98.8 mmt would be an increase of 4.2 mmt or 4.5% over the previous year. World soybean ending stocks have been variable over the last 11 years, but generally have increased at a rate of 2.8 mmt or 8.2% over the MY 2000/01 through MY 2010/11 period. Projected World soybean ending stocks in MY 2011/12 of 61.6 mmt would be a decrease of 2.9 mmt or 4.5% from the previous year.

This World soybean market data indicates the vulnerability of World soybean supply-demand balances to any significant shortfall in World soybean crop production in either MY 2011/12 or MY 2012/13. With consistent growth in World soybean usage and World soybean exports, and with moderate (but not "plentiful") World soybean ending stocks, a 2011 World soybean crop that is, say, 20 mmt below projections of 263.3 mmt would have a marked impact on MY 2011/12 ending stocks, likely dropping them down to near 42-47 mmt, i.e., down to levels last seen in MY 2008/09.

The following section provides a detailed breakdown of the May 11, 2011 USDA WASDE report for World oilseeds, soybeans, soybean meal and soybean oil - focusing on country-by-country projections for production, supplies, usage and ending stocks.

World Production

<u>Global Oilseed Production</u> is projected to be 456.9 mmt in MY 2011/12, up 1.4% from 450.6 mmt in MY 2010/11, and up 3.3% from 442.3 mmt in MY 2009/10. The category of "Oilseeds" includes soybeans, sunflowers, cotton, canola, flaxseed, peanuts, and other oilseed-type crops.

<u>Global Soybean Production</u> is projected to be 262.8 mmt in MY 2011/12 (a record high), down 0.3% from 263.49 mmt in MY 2010/11, but up 0.7% from 260.8 mmt in MY 2009/10. The World's largest soybean producers and their projected production for MY 2011/12, are listed below.

1) **United States** down 1.3% to 89.4 mmt from 90.6 mmt in MY 2010/11, and down from 91.4 mmt in MY 2009/10
2) **Brazil** down 2.7% to 72.5 mmt from a record high 74.5 mmt in MY 2010/11, but up from 69 mmt in MY 2009/10
3) **Argentina** up 7.0% to 53.0 mmt from 49.5 mmt in MY 2010/11, but less than 54.5 mmt in MY 2009/10
4) **China** down 5.9% to 14.3 mmt from 15.2 mmt in MY 2010/11, and down from 15 mmt in MY 2009/10

Lower soybean production prospects in China are likely to make the Chinese even more aggressive importers of World soybean and soybean products in MY 2011/12.

World Trade

<u>Global Oilseed Export</u> projections of a record high 115.2 mmt in MY 2011/12 are up 5.1% from 109.0 mmt in MY 2010/11, and up 6.5% from 108.1 mmt in MY 2009/10, showing continued growth & few signs of price rationing.

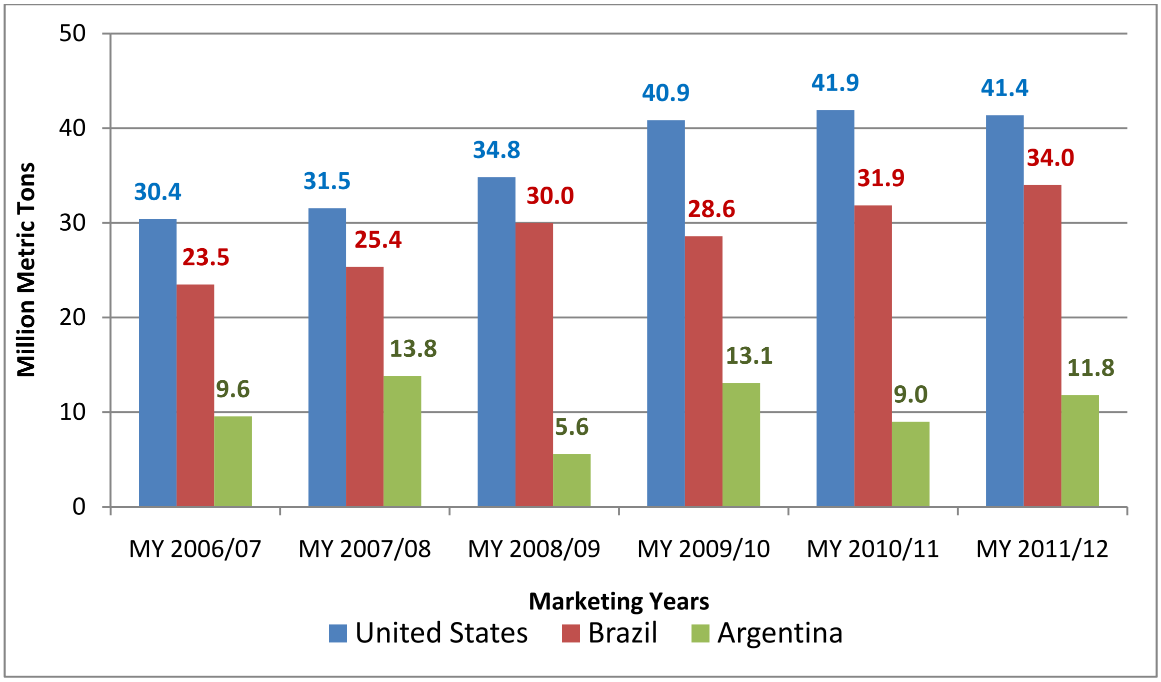
<u>Global Soybean Exports</u> are projected to be a record high 98.8 mmt in MY 2011/12, up 4.5% from 94.5 mmt in MY 2010/11, and up 6.6% from 92.7 mmt in MY 2009/10. World soybean exports account for 85.7% of World oilseed product (in terms of mmt). Figure 5 illustrates trends in soybean exports for the United States, Brazil and Argentina – the World's 3 largest soybean exporters – over the MY 2006/07 through the projected MY 2011/12 time period.

1) **United States** down 1.3% to 41.4 mmt from 41.9 mmt in MY 2010/11, but up from 40.9 mmt in MY 2009/10
2) **Brazil** up 6.8% to 34.0 mmt from 31.9 mmt in MY 2010/11, and up from 28.6 mmt in MY 2009/10
3) **Argentina** up 31.1% to 11.8 mmt from 9.0 mmt in MY 2010/11, but down from 13.1 mmt in MY 2009/10

Record high MY 2010/11 Brazilian soybean production and prospects for another large crop in MY 2011/12 lead to projections of higher Brazilian soybean exports in MY 2011/12. A projected return to regular soybean production in Argentina in MY 2011/12 is the impetus for a sizable increase in Argentine soybean exports in the coming marketing year. Projected shortfalls in Chinese soybean production and the requisite need for more soybean and soybean product imports all work together to increase expectations for MY 2011/12 soybean exports from South America.

From Figure 5 note the more pronounced uptrend in Brazilian soybean exports over the MY 2009/10 through projected MY 2011/12 than for the United States over the same period. In contrast, Argentina soybean exports are more variable, owing to both weather-production issues, to Argentine farmers' responses to governmental export tax policies toward soybeans, and to their focus on soybean meal exports.

Figure 5. Soybean Exports for the U.S., Brazil & Argentina: MY 2006/07 thru MY 2011/12
(June 9, 2011 USDA WASDE Report)



Global Soybean Meal Exports are projected to be a record high 61.1 mmt in MY 2011/12, up 0.3% from 60.8 mmt in MY 2010/11, and up 9.6% from 55.7 mmt in MY 2009/10.

1) **Argentina** up 3.0% to 30.2 mmt from 29.6 mmt in MY 2010/11 and up from 24.9 mmt in MY 2009/10
2) **Brazil** up 5.3% to 14.6 mmt from 14.1 mmt in MY 2010/11, and up from 13.0 mmt in MY 2009/10
3) **United States** down 6.4% to 7.85 mmt from 8.4 mmt in MY 2010/11, and from 10.1 mmt in MY 2009/10
4) **India** down 13.3% to 3.9 mmt from 4.5 mmt in MY 2010/11, but up from 3.2 mmt in MY 2009/10

Note the greater focus of Argentina on soybean meal exports than for either the United States or Brazil, as well as the decline of U.S. soybean meal exports over the 3 year period.

Global Soybean Oil Exports are projected to be 9.3 mmt in MY 2011/12, down 6.6% from a record high 10.0 mmt in MY 2010/11, and up 0.8% from 9.3 mmt in MY 2009/10.

1) **Argentina** up 0.2% to 5.13 mmt from 5.12 mmt in MY 2010/11, and up from 4.45 mmt in MY 2009/10
2) **Brazil** up 3.8% to 1.66 mmt from 1.60 mmt in MY 2010/11, and up from 1.45 mmt in MY 2009/10
3) **United States** down 43.4% to 0.82 mmt from 1.45 mmt in MY 2010/11, and down from 1.52 mmt in MY 2009/10
4) **European Union** down 12.5% to 0.35 mmt from 0.40 mmt in MY 2010/11, but down from 0.38 mmt in MY 2009/10

Global Soybean Imports are projected to be a record high 96.2 mmt in MY 2011/12, up 3.9% from 92.6 mmt in MY 2010/11, and up 10.9% from 86.8 mmt in MY 2009/10.

1) **China** up 7.4% to 58.0 mmt from 54.0 mmt in MY 2010/11, and up from 50.3 mmt in MY 2009/10).
   - China is projected to account for 60.3% of World soybean imports in MY 2011/12, following 58.7% in MY 2010/11 and 58.0% in MY 2009/10.
2) **European Union** down 5.0% to 13.3 mmt from 14.0 mmt in MY 2010/11, but up from 12.3 mmt in MY 2009/10
3) **Mexico** up 1.4% to 3.8 mmt from 3.7 mmt in MY 2010/11, and from 3.5 mmt in MY 2009/10
4) **Japan** up 1.5% to 3.4 mmt from 3.35 mmt in MY 2010/11, but unchanged from 3.4 mmt in MY 2009/10

China has a dominant position among global soybean importers, accounting for over 60% of World soybean imports in MY 2010/11. Any change in economic policy or reduction in the ability of China to aggressively purchase soybean imports would have a marked, significant impact upon World soybean markets. China's role in World soybean import markets is the classic case of a "strong but narrow" demand base.

<u>Global Soybean Meal Imports</u> are projected to be a record high 59.1 mmt in MY 2011/12, up 2.0% from 58.0 mmt in MY 2010/11, and up 11.3% from 53.1 mmt in MY 2009/10.

1) **European Union** up 1.8% to 23.3 mmt from 22.9 mmt in MY 2010/11, and up from 20.7 mmt in MY 2009/10

The European Union has a dominant position among global soybean meal importers, accounting for 39.4% of World soybean meal imports in MY 2010/11.

<u>Global Soybean Oil Imports</u> are projected to be 8.9 mmt in MY 2011/12, down 4.9% from a record high 9.4 mmt in MY 2010/11, but up 2.3% from 8.7 mmt in MY 2009/10.

1) **China** up 8.8% to 1.85 mmt from 1.70 mmt in MY 2010/11, and up from 1.51 mmt in MY 2009/10
2) **India** down 20.0% to 0.80 mmt from 1.00 mmt in MY 2010/11, and down from 1.60 mmt in MY 2009/10
3) **European Union** down 25.0% to 0.75 mmt from 1.00 mmt in MY 2010/11, but up from 0.54 mmt in MY 2009/10

World Usage

<u>Global Oilseed Total Use</u> projections of 389.6 mmt in MY 2011/12 are up 3.2% from 377.5 mmt in MY 2010/11, and up 9.0% from 357.6 mmt in MY 2009/10, showing continued growth in total World oilseed usage & few signs of significant major price rationing of use.

<u>Global Soybean Domestic Total Use</u> projections of 263.2 mmt in MY 2011/12 are up 2.9% from 255.8 mmt in MY 2010/11, and up 6.6% from 238.4 mmt in MY 2009/10. Projected global soybean usage would account for 67.6% of all World oilseed usage in MY 2011/12, compared to 67.7% in MY 2010/11 and 66.7% in MY 2009/10.

1) **China** up 8.1% to 72.5 mmt from 67.1 mmt in MY 2010/11, and up 22.0% from 59.4 mmt in MY 2009/10
2) **United States** down 0.3% to 48.2 mmt from 48.3 mmt in MY 2010/11, and down 4.8% from 50.6 mmt in MY 2009/10
3) **Argentina** up 2.5% to 41.7 mmt from 40.7 mmt in MY 2010/11, and up from 35.7 mmt in MY 2009/10
4) **Brazil** up 3.6% to 40.5 mmt from 39.1 mmt in MY 2010/11, and up from 36.8 mmt in MY 2009/10
5) **European Union** down 2.7% to 14.4 mmt from 14.8 mmt in MY 2010/11, but up from 13.4 mmt in MY 2009/10
6) **Mexico** up 0.8% to 3.84 mmt from 3.81 mmt in MY 2010/11, and up from 3.62 mmt in MY 2009/10
7) **Japan** up 0.8% to 3.60 mmt from 3.57 mmt in MY 2010/11, and up from 3.58 mmt in MY 2009/10

<u>Global Soybean Meal Domestic Total Use</u> projections of 181.8 mmt in MY 2011/12 are up 4.1% from 174.6 mmt in MY 2010/11, and up 12.9% from 161.1 mmt in MY 2009/10. Projected global soybean meal usage would account for 68.9% of all oilseed usage in MY 2011/12.

1) **China** up 9.7% to 48.3 mmt from 44.0 mmt in MY 2010/11, and up 28.5% from 37.6 mmt in MY 2009/10
2) **European Union** up 1.4% to 33.4 mmt from 32.9 mmt in MY 2010/11, and up from 30.1 mmt in MY 2009/10
3) **United States** up 0.6% to 27.9 mmt from 27.8 mmt in MY 2010/11, and up from 27.8 mmt in MY 2009/10
4) **Brazil** up 3.7% to 14.0 mmt from 13.5 mmt in MY 2010/11, and up from 12.8 mmt in MY 2009/10
5) **India** up 7.3% to 3.2 mmt from 3.0 mmt in MY 2010/11, and up from 2.8 mmt in MY 2009/10

<u>Global Soybean Oil Domestic Total Use</u> projections of 43.7 mmt in MY 2011/12 are up 4.8% from 41.7 mmt in MY 2010/11, and up 14.25% from 38.3 mmt in MY 2009/10. Projected global soybean oil usage would account for 29.0% of all oilseed usage in MY 2011/12.

1) **China** up 9.4% to 12.8 mmt from 11.7 mmt in MY 2010/11, and up 22.8% from 10.4 mmt in MY 2009/10
2) **United States** up 8.1% to 8.1 mmt from 7.5 mmt in MY 2010/11, and up from 7.2 mmt in MY 2009/10

3) **Brazil** up 4.9% to 5.6 mmt from 5.3 mmt in MY 2010/11, and up from 5.0 mmt in MY 2009/10
4) **European Union** down 5.9% to 2.9 mmt from 3.1 mmt in MY 2010/11, but up from 2.4 mmt in MY 2009/10
5) **India** down 5.6% to 2.6 mmt from 2.7 mmt in MY 2010/11, and down from 2.8 mmt in MY 2009/10
6) **Argentina** up 8.2% to 2.5 mmt from 2.3 mmt in MY 2010/11, and up from 1.9 mmt in MY 2009/10

World Ending Stocks & % Ending Stocks-to-Use

<u>Global Oilseed Ending Stocks</u> projections of 71.1 mmt (18.1% S/U) in MY 2011/12 are down from 74.7 mmt (19.8% S/U) in MY 2010/11, but up from 71.0 mmt (19.8%) in MY 2009/10.

Although global oilseed ending stocks are projected to increase from MY 2009/10 to MY 2011/12, % ending stocks-to-use is projected to decrease because of growth in the Global oilseed usage is expected to outpace the increase in ending stocks over the same period.

<u>Global Soybean Ending Stocks</u> projections of 61.6 mmt (23.4% S/U) in MY 2011/12 are down from 64.5 mmt (25.2% S/U) in MY 2010/11, but up from 59.3 mmt (24.9% S/U) in MY 2009/10.

Just as for global oilseed ending stocks and % ending stocks-to-use relationships, although global soybean ending stocks are projected to increase from MY 2009/10 to MY 2011/12, % ending stocks-to-use is projected to decrease because of growth in the Global soybean usage is expected to outpace the increase in ending stocks over the same period.

Projected global soybean ending stocks would account for 86.6% of all oilseed ending stocks in MY 2011/12, compared to 86.4% in MY 2010/11 and 83.6% in MY 2009/10.

1) **Argentina** down 2.0% to 21.7 mmt from 22.2 mmt in MY 2010/11, and down from 22.3 mmt in MY 2009/10
2) **Brazil** down 10.0% to 17.5 mmt from 19.4 mmt in MY 2010/11, but up from 15.8 mmt in MY 2009/10
3) **China** down 3.3% to 14.7 mmt from 15.2 mmt in MY 2010/11, but up 10.9% from 13.3 mmt in MY 2009/10
4) **United States** up 5.7% to 5.2 mmt from 4.9 mmt in MY 2010/11, and up from 4.1 mmt in MY 2009/10

<u>Global Soybean Meal Ending Stocks</u> projections of 6.7 mmt (3.7% S/U) in MY 2011/12 are up marginally from 6.8 mmt (3.9% S/U) in MY 2010/11, but up from 6.1 mmt (3.8% S/U) in MY 2009/10. Projected global soybean meal ending stocks would account for 83.8% of all oilseed ending stocks in MY 2011/12, compared to 84.0% in MY 2010/11 and 81.2% in MY 2009/10.

1) **Brazil** unchanged at 2.5 mmt from MY 2010/11, but up from 2.2 mmt in MY 2009/10
2) **Argentina** up 12.8% to 2.2 mmt from 2.0 mmt in MY 2010/11, and up from 1.9 mmt in MY 2009/10
3) **European Union** down 28.2% to 0.28 mmt from 0.39 mmt in MY 2010/11, but up from 0.13 mmt in MY 2009/10
4) **United States** unchanged at 0.27 mmt from MY 2010/11 and from MY 2009/10
5) **India** down 47.6% to 0.11 mmt from 0.21 mmt in both MY 2010/11 and MY 2009/10

<u>Global Soybean Oil Ending Stocks</u> projections of 2.4 mmt (5.4% S/U) in MY 2011/12 are down from 3.1 mmt (7.5% S/U) in MY 2010/11, and down from 3.3 mmt (8.5% S/U) in MY 2009/10. Projected global soybean oil ending stocks would account for 24.6% of all oilseed ending stocks in MY 2011/12, compared to 27.9% in MY 2010/11 and 25.1% in MY 2009/10.

1) **United States** down 23.4% to 0.98 mmt from 1.28 mmt in MY 2010/11, and down from 1.52 mmt in MY 2009/10
2) **European Union** down 23.1% to 0.20 mmt from 0.26 mmt in MY 2010/11, and down from 0.28 mmt in MY 2009/10
3) **Brazil** unchanged at 0.26 mmt in MY 2010/11, and down from 0.35 mmt in MY 2009/10
4) **Argentina** down 13.6% to 0.19 mmt from 0.22 mmt in MY 2010/11, but up from 0.18 mmt in MY 2009/10
5) **China** unchanged at 0.18 mmt from MY 2010/11, but down from 0.21 mmt in MY 2009/10
6) **India** down 66.7% to 0.09 mmt from 0.27 mmt in MY 2010/11, and down from 0.28 mmt in MY 2009/10