

Soybeans April, 2012

The dramatic, 9.1% drop in world soybean production for the 2011/12 season leaves the soybean market's focus on the "need" for a jump in planted area and the "need" for a high yield for the 2012/13 season. The soybean market rallied sharply in the first three months of 2012 in a last-ditch effort to secure more acres, but with the strong corn market the rally was not enough to cause a significant shift in producer planting ideas for this season. The drop in South American production that was reported in the April 10 USDA supply/demand report means that demand for US soybeans will likely remain very strong, even with their relatively high price. Brazil's soybean production for 2011/12 came in at 66 million tonnes, down from the 68.5 million-tonne estimate in the March report and down about 1 million tonnes from trade expectations. The Brazilian government's official crop estimate, also released on April 10th, came in at just 65.6 million tonnes, and this news was seen as supportive. This, along with talk of further losses in Paraguay, opens the door for further revisions lower in South American production for future supply/demand updates. South American production is already projected to fall 17.6 million tonnes from last year. The fast pace of shipments so far to China has more and more traders believing that China's import demand for the 2011/12 season will be closer to 58-59 million tonnes than the current USDA estimate of 55 million. China customs data reported March soybean imports at 4.83 million tonnes, a 58 million-tonne annualized pace. Last year China imported 52.3 million tonnes. China's Ministry of Commerce believes that China's soybean imports for April will be near 5.6 million tonnes, up 16% from March and up 44% from last year.

The technical action on the day of the report, with new highs for the move, a lower close, and an outside-day, may be a sign that the market has put in a near-term top. Traders view the market as extremely overbought basis traditional technical indicators, and the recent Commitments of Traders report showed the fund traders holding record high net long positions in the soybeans and soybean meal. Many traders are already looking for an increase in planted area of 1-2 million acres due to the recent run higher in prices. In their April update, the USDA pegged US soybean ending stocks at 250 million bushels, down 25 million from last month. World ending stocks for the 2011/12 season came in at 55.52 million tonnes, down from 57.3 million last month and down from 69.12 million last year. The enclosed supply/demand table, with planting intentions acreage updates and various yields, illustrates the potential for extreme tightness for 2012/13. With the smaller beginning stocks, a trendline yield will not be enough to leave much carryover for the coming year. Even with a record yield the market will need to slow the demand trend. If an additional 1.5 million acres do get planted, another 65 million bushels could be added to ending stocks, but the situation will still be historically tight. The USDA will release its first official 2012/13 supply/demand update on May 10th. Our table suggests that the soybean market will be extremely sensitive to planting and growing conditions in the coming year.

USDA SUPPLY/DEMAND US SOYBEANS								2012-13 Outlook		
								Planting Intentions Acreage		
	05-06	06-07	07-08	08-09	Apr USDA 09-10	Apr USDA 10-11	Apr USDA 11-12	Various Yields		
							Low	Trend	High	
Planted Area (M Acres)	72.0	75.5	64.7	75.7	77.5	77.4	75.0	73.9	73.9	73.9
Harvested Area (Acres)	71.2	74.6	64.1	74.7	76.4	76.6	73.6	72.9	72.9	72.9
Yield (Bu/Acre)	43.1	42.9	41.7	39.7	44.0	43.5	41.5	42.4	43.4	44.4
Beginning Stocks (M Bu)	256	449	574	205	138	151	215	250	250	250
Production	3,068	3,197	2,677	2,967	3,359	3,329	3,056	3,091	3,164	3,237
Imports	3	9	10	13	15	14	15	15	15	15
Supply, Total	3,327	3,655	3,261	3,185	3,512	3,495	3,286	3,356	3,429	3,502
Crushings	1,739	1,808	1,803	1,662	1,752	1,648	1,630	1,650	1,650	1,650
Exports	940	1,116	1,159	1,279	1,499	1,501	1,290	1,625	1,625	1,625
Seed	93	80	89	90	90	87	86	89	89	89
Residual	101	77	5	16	20	43	30	37	37	37
Use, Total	2,878	3,081	3,056	3,047	3,361	3,280	3,036	3,401	3,401	3,401
Ending Stocks	449	574	205	138	151	215	250	-45	28	101
Stocks/Use Ratio	15.6%	18.6%	6.7%	4.5%	4.5%	6.6%	8.2%	-1.3%	0.8%	3.0%

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