

2019 Soybean Market Outlook

Kansas Soybean Schools

Hoxie & Great Bend

January 25, 2019

DANIEL O'BRIEN

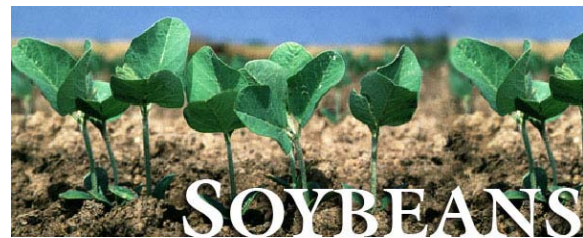
EXTENSION AGRICULTURAL ECONOMIST

KANSAS STATE
UNIVERSITY

Department of Agricultural Economics



Soybean Markets



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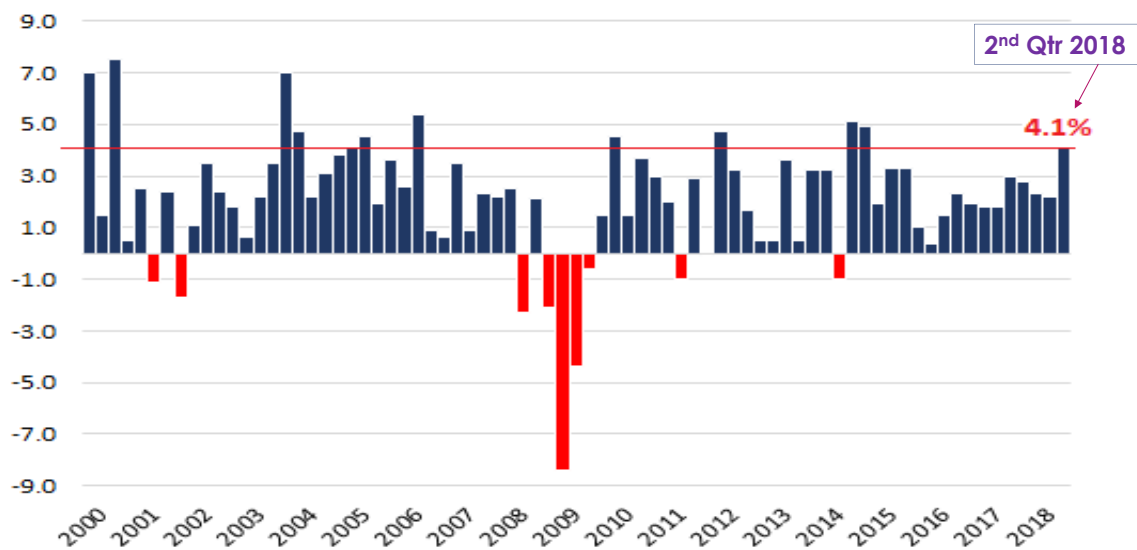
Department of Agricultural Economics

2019 Soybean Market "Drivers"

1) U.S. Economy

- A relatively strong U.S. GDP, but fears of future inflation

**US "Real" GDP Growth, from Prior Quarter
Annualized % Rate**

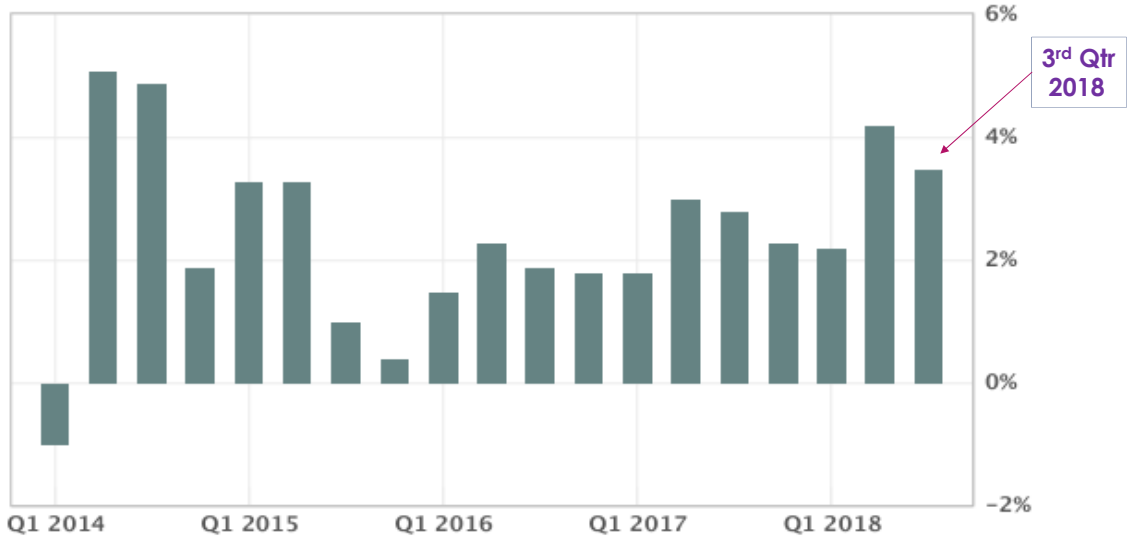


Sources: BEA, St. Louis Fed

WOLFSTREET.com

Real GDP

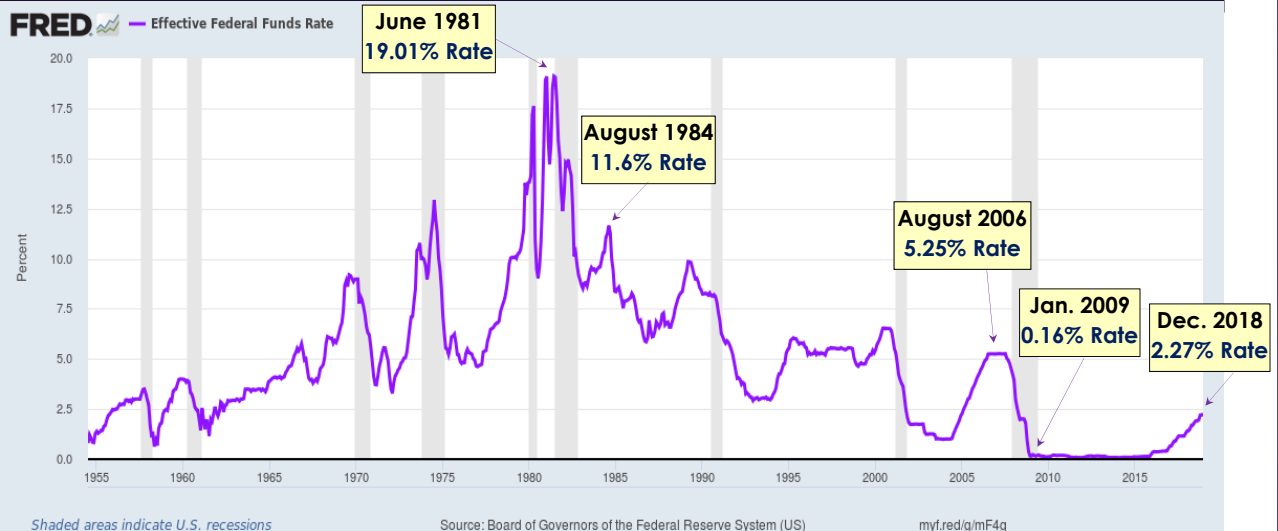
Change from previous quarter at annual rate, seasonally adjusted



Source: Commerce Department via FRED

U.S. Fed: Effective Federal Funds Rate

July 1954 through December 2018



Shaded areas indicate U.S. recessions

Source: Board of Governors of the Federal Reserve System (US)

myf.red/g/mF4g

2019 Soybean Market “Drivers”

1) U.S. Economy

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2) 2019 South America Crop Production Prospects


- “Dry” in Brazil - ↘ Soybean Production (1st vs 2nd Crop Corn?)
- Preliminary forecasts – Down from 120 to 110-115 mmt?

Monthly Crop Calendar for Soybeans

	Plant		Bloom		Harvest							
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Ukraine				P P	P P			H H	H H			
EU				P P P P					H H H H			
Russia				P P	P P				H H H H	H H		
US					P P P		B B B		H H H H	H		
China					P P P P				H H H H	H H		
Canada					P P P P		B B B B		H H H H	H		
Indonesia					P P P P	P P P		H H H H	H H			
Mexico	H H	H H			P P P P	P P P P	P P P P	P P P P	H H H H	H H H H	H H	
India						P P P P	P P P P				H H H H	
Paraguay	H H H H	H H H H	H H H H	H H H H	H H H H					P P P P P P		
Brazil	H H H H	H H H H	H H H H	H H H H	H H					P P P P P P		
Argentina	P	B B		H H H H H H							P P P P	
South Africa		H H H H									P P P P	

Sources: USDA, AMIS, & CHS, Inc.

Monthly Crop Calendar for Corn

	Plant		Silk			Harvest																						
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep																
EU	H	H	H	H				P	P	P	P			H	H	H	H											
US	H	H	H						P	P	P		S	S	S			H										
Mexico Summer	H	H	H	H	H	H	H	H	H																			
Ukraine	H	H	H						P	P	P	P	P	P	P			H										
Russia	H	H	H	H						P	P			S	S	S												
China	H	H			 CHS Hedging Jenna Roe					P	P	P	P					H	H									
Indonesia Dry Region	H	H										P	P	P	P	P	P	P	H	H	H	H						
Philippines Main					P	P	P	P	P	P	H	H	H	H	P	P	P	P	P	P	H	H	H	H				
Canada	H	H	H	H											P	P	P	P	S	S	S	S			H			
India	H	H	H	H	H	H	H	H								P	P	P	P	P	P	P	P	P				
Brazil 1st crop	P	P	P	P	P	P	H	H	H	H	H	H	H	H											P	P	P	
Argentina	P	P	P	P		S	S	S			H	H	H	H	H											P	P	
Philippines 2nd Crop	P	P	P	P	H	H	H	H	H	H																	P	P
South Africa	P	P	P	P	P	P	S	S							H	H	H	H	H	H	H							
Mexico Winter						P	P	P	P	P	P			H	H	H	H	H	H	H								
Brazil 2nd crop						P	P	P	P	P					H	H	H	H	H	H	H	H	H					
Indonesia Rainy Region	H	H	H	H	H	H																						
Nigeria															P	P	P	P	P	P	P	H	H	H	H	H	H	H

Sources: USDA, AMIS, and CHS, Inc. locations

*Production estimates are in million metric tons and come from the FAS/USDA's most recent monthly World Agricultural Production report.

**Production estimates are for ALL CORN. Numbers will be listed next to the variety that comes first in the chart.

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2019 Soybean Market "Drivers"

1) U.S. Economy

- A relatively strong U.S. GDP, but fears of future inflation

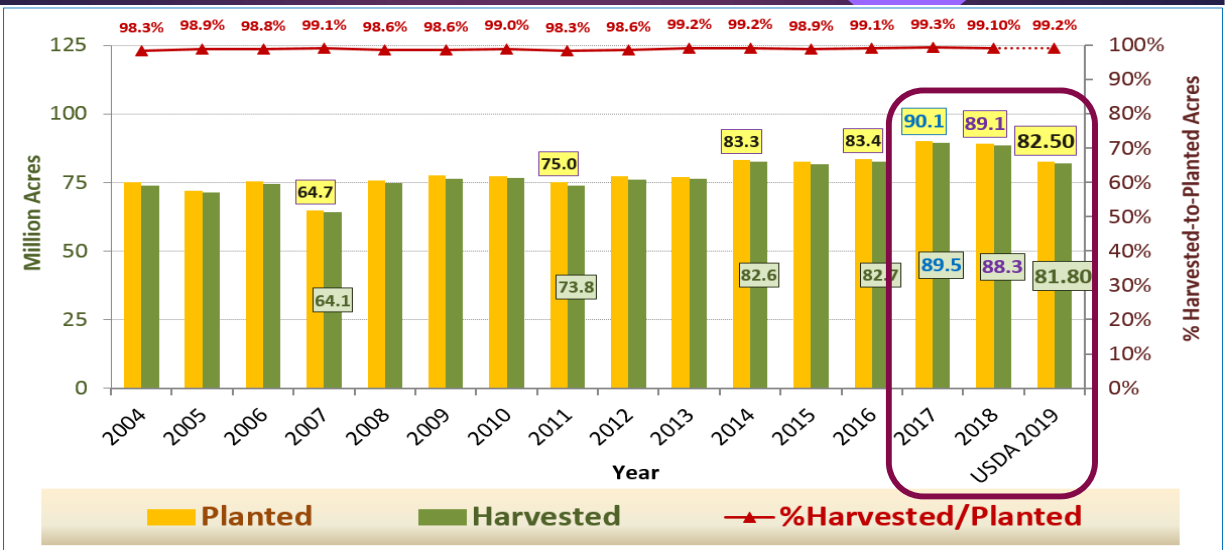
2) 2019 South America Crop Production Prospects

- "Dry" in Brazil - ↓ Soybean Production (1st vs 2nd Crop Corn?)
- Preliminary forecasts – Down from 120 to 110-115 mmt?

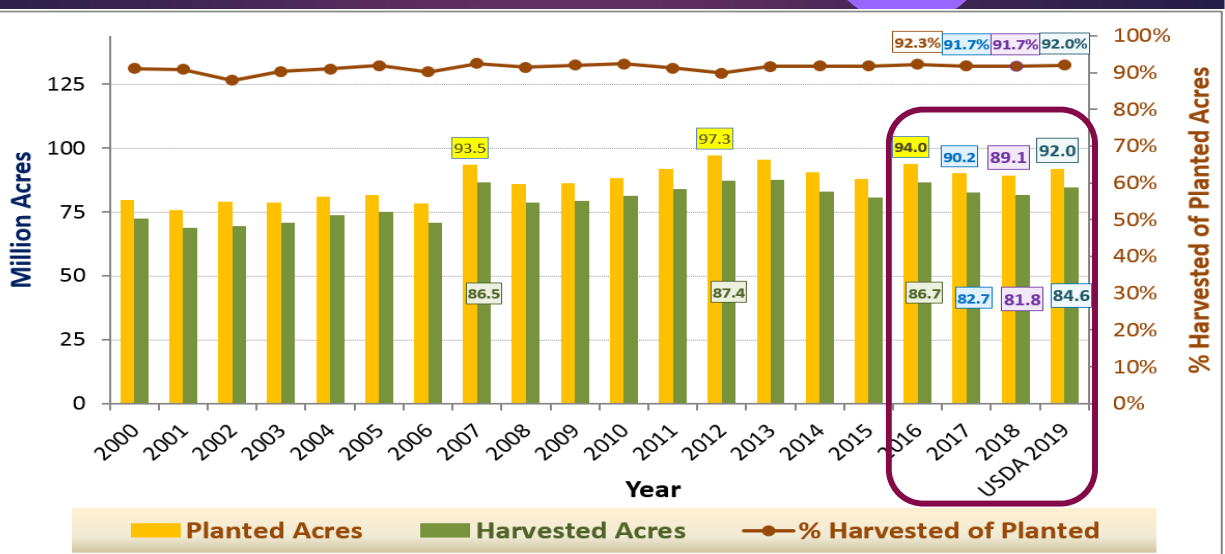
3) 2019 U.S. Soybean Acres

- "Narrative" ⇒ U.S. Soybean Acres **Down 6.5+ mln acres**^{USDA}
- **BUT** now issues in So. America, U.S.-China may change that

U.S. Soybean Acreage



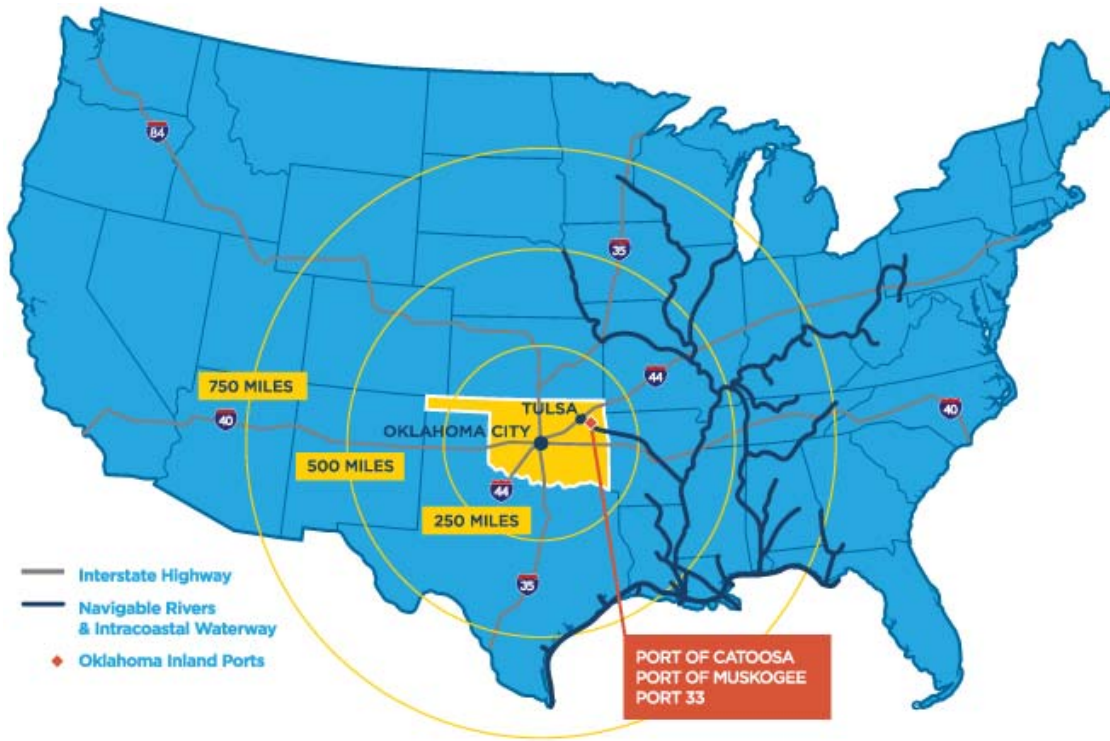
U.S. Corn Acreage



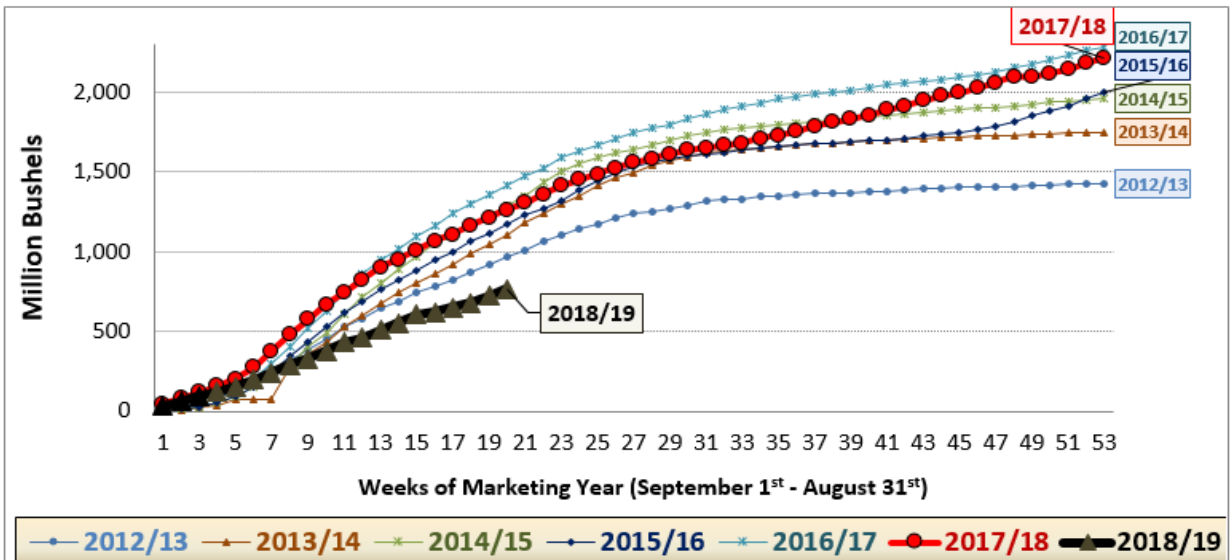
4) U.S. Soybean Usage in “Current” MY 2018/19 (thru 8/31/2019)

- **Soy Crush** 2018/19 = 2.080 bln bu (*Record vs 2.055 bb last year*)
 - **Exports** 2018/19 = 1.900 bln bu (*Down vs 2.129 - 2.166 bb last 2 yrs*)
 - **Total Use** 2018/19 = 4.107 bln bu (*Down vs 4.296 - 4.214 bb last 2 yrs*)
-
- **SBM Exports** 2018/19 = 13.75 mln tons (*vs 14.8 - 11.6 mln tons last 2 years*)

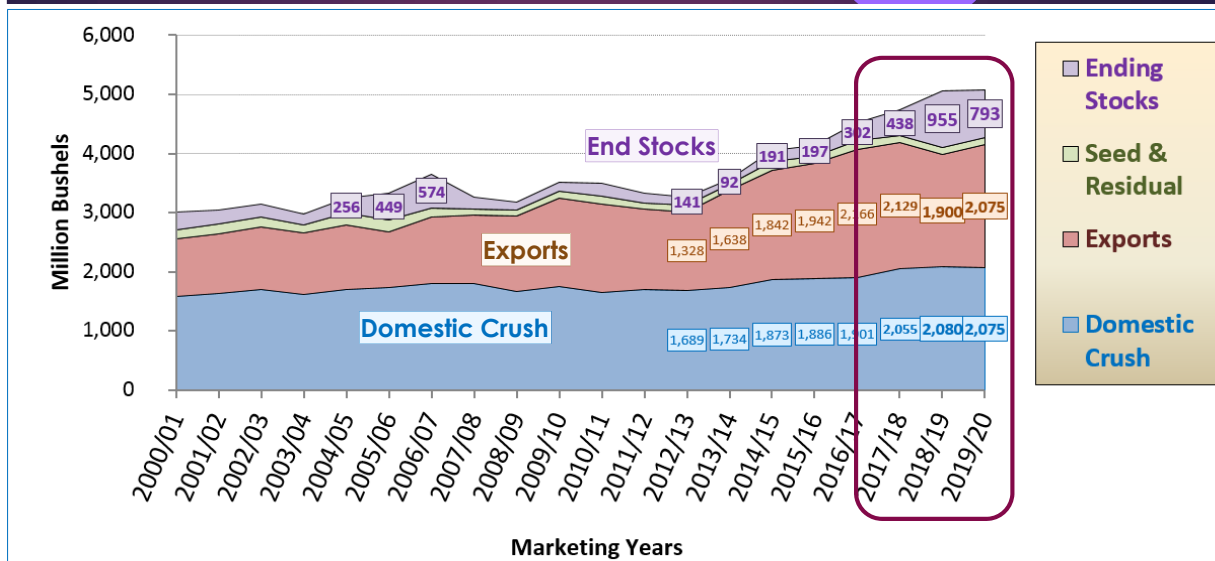




U.S. Soybean Exports – Cumulative Weekly (1/17/2019)



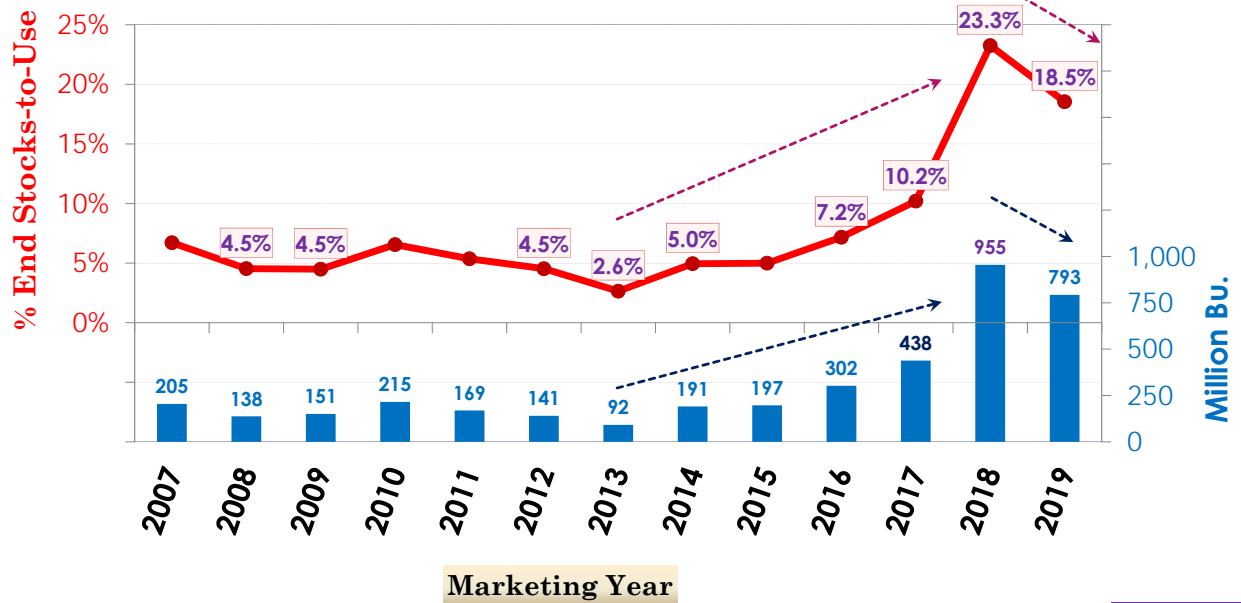
U.S. Soybean Use & End Stocks



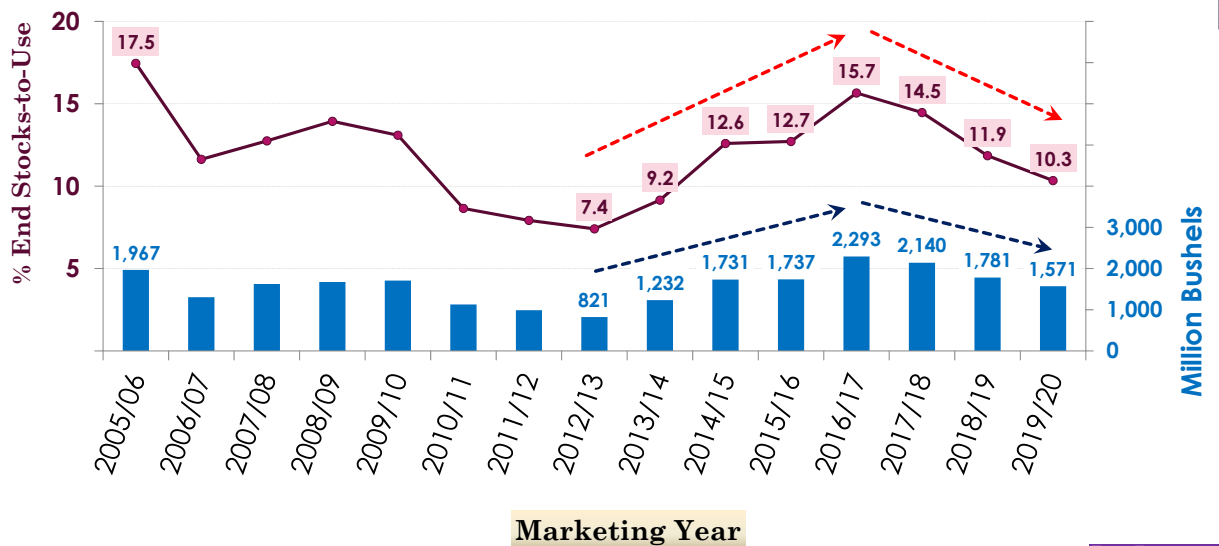
5) “Large” U.S. Soybean Stocks & % Stocks-to-Use

- **955 mb @ 23.25% Stocks/Use** in “Current” MY 2018/19
- **Impact of +/- 250 mb on U.S. soybean S/D Balances?**
 - **705 mb vs 1.205 bb** U.S. soybean ending stocks
 - **≤ 17% vs ≥ 29% Stocks/Use** ⇒ *Significant* +/- \$ effects
 - ❖ “≤ 17% Stks/Use” Scenario – *“Moderate Price Support”*
 - ❖ “≥ 29% Stks/Use” Scenario – *“Overwhelming Supplies”*

U.S. Soybean Ending Stocks & % Stx/Use



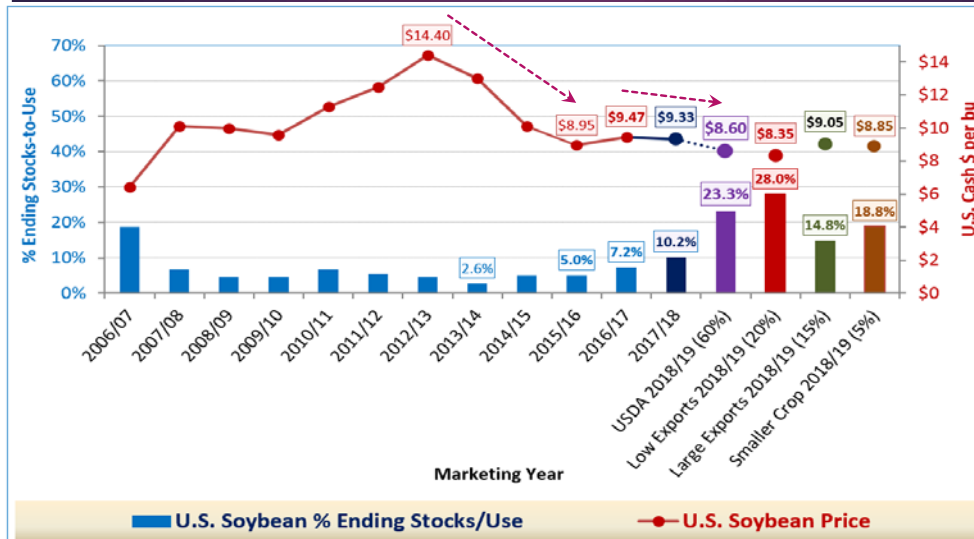
U.S. Corn Ending Stocks & % Stx/Use



U.S. Soybean \$ vs U.S. Stocks-to-Use



MY 1973/74 through "Current" MY 2018/19 + KSU "Alt" Scenarios



MY 2006/07
Through "Current"
MY 2018/19

Including possible
"Higher" & "Lower"

U.S. Soybean Export
Scenario Outcomes

For

"Current" MY 2018/19

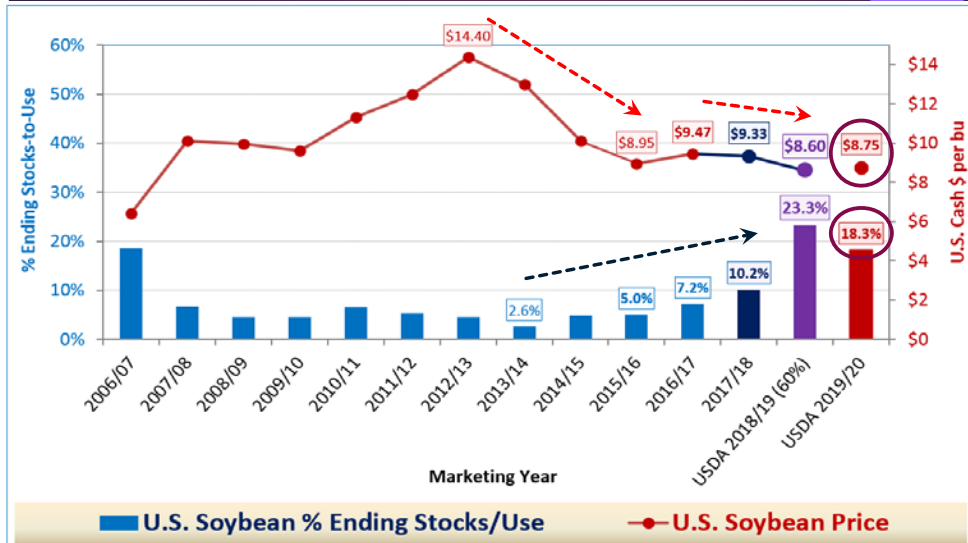
6) U.S. Soybean Price Outlook ^{USDA}

- **\$8.60 /bu** in "Current" MY 2018/19
- **\$8.75 /bu** in "Next Crop" MY 2019/20 (+\$0.15 /bu vs current)

○ USDA Forecast for "Next Crop" MY 2019/20 :

- **82.50 million acres planted** (vs 89.145 ma current)
- **50.0 bu/ac,** (vs 52.1 bu/ac current)
- **4.090 bb Production** (vs 4.600 bb current)
- **2.075 bb Domestic Crush** (vs 2.080 bb current)
- **2.075 bb Exports** (vs 1.900 bb current)
- **793 mb Ending Stocks** (vs 955 mb current)
- **18.5% Ending Stocks / Use** (vs 23.25% current)

U.S. Soybean % Stocks/Use vs Price\$



MY 2006/07
Thru "Next Crop"
MY 2019/20

Including
preliminary
U.S. Soybean
S-D & Prices
For "Next Crop"
MY 2019/20

7) "Other" Market Factors

- Ongoing Negotiations between U.S. & China wrt trade issues
⇒ *More positive prospects for resolution in recent days*

- **USDA Market Facilitation Payments (MFP)**

- *\$1.65 /bu* for 2018 [Soybean Production](#)

Q? What impact could these 2018 Soybean MFP payments have on U.S. farmer's acreage choices in 2019?

- **New Farm Bill ARC vs PLC Choices.....**

CME Soybean Futures



Monthly Chart: Nov. 2009 through December 2018 + 1/25/2019 am



CME Soybean Futures



Weekly Chart: December 2016 through January 25, 2019 am

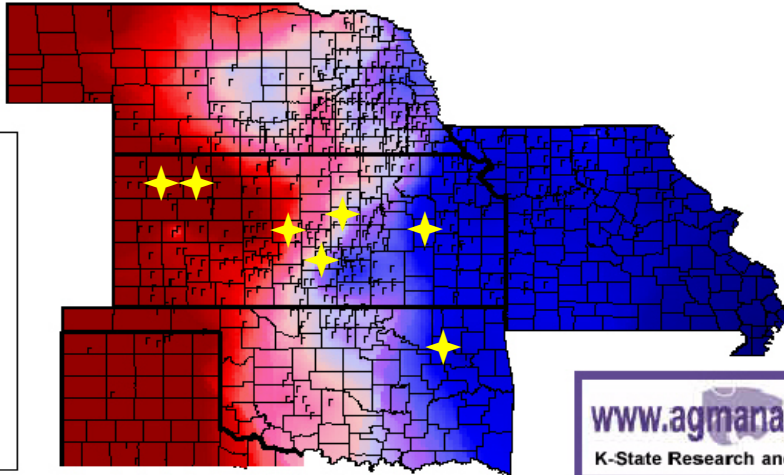
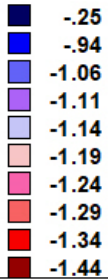


Soybean Basis, 01-23-2019

Basis = Cash Price - Nearby Futures Price

CBT Mar
Futures
Price: \$9.15

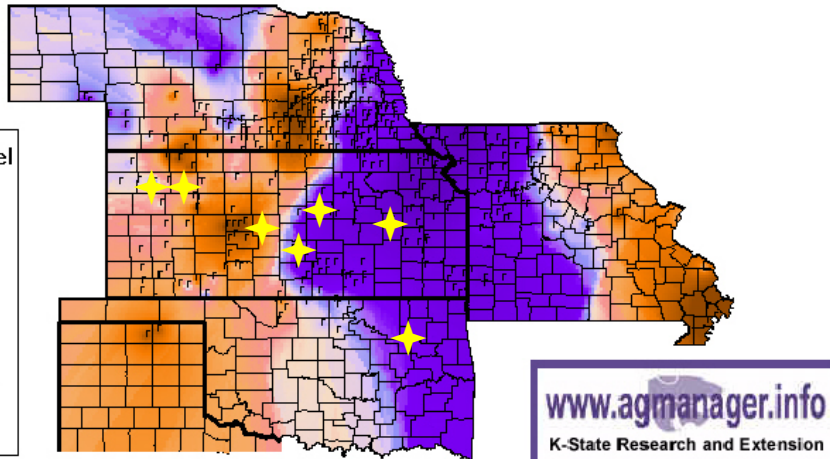
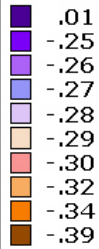
\$/Bushel



Soybean Basis Deviation, 01-16-2019

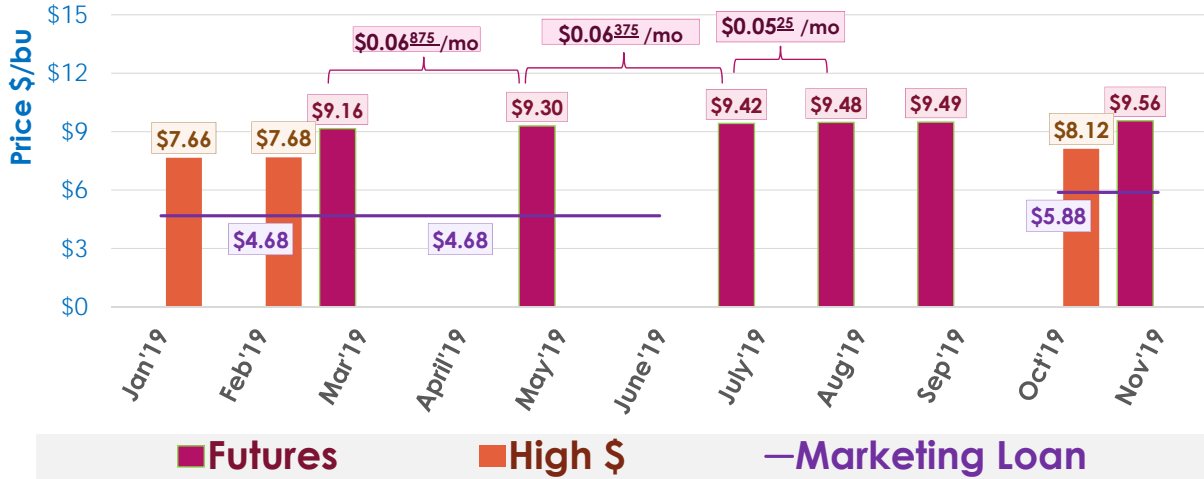
Basis Deviation = Current Basis - 3 Year Average Basis (2016, 2017, 2018)

\$/Bushel



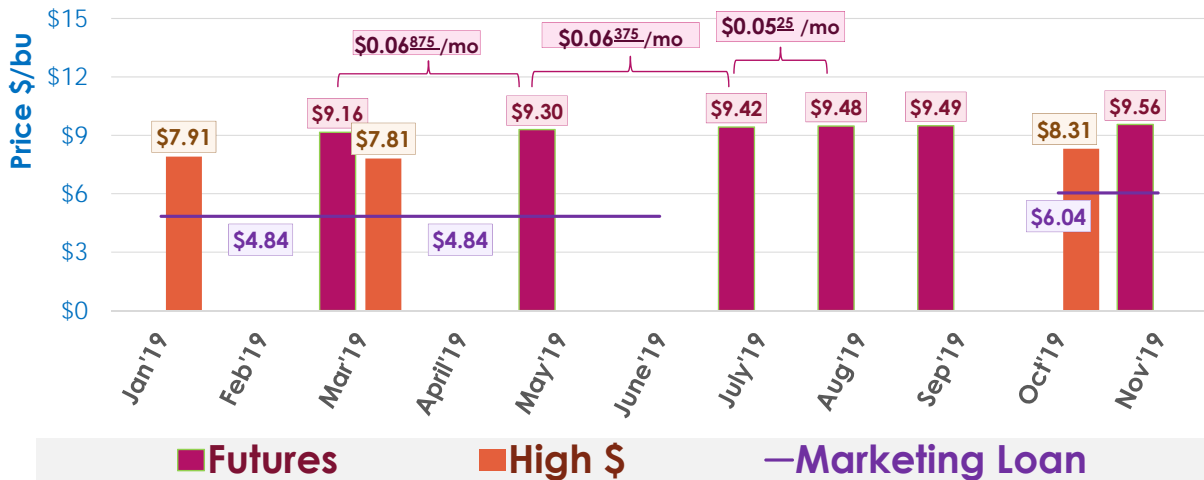
Soybean Cash & Futures Price\$'s

Hoxie, KS Local Elevators - January 25, 2019 a.m.

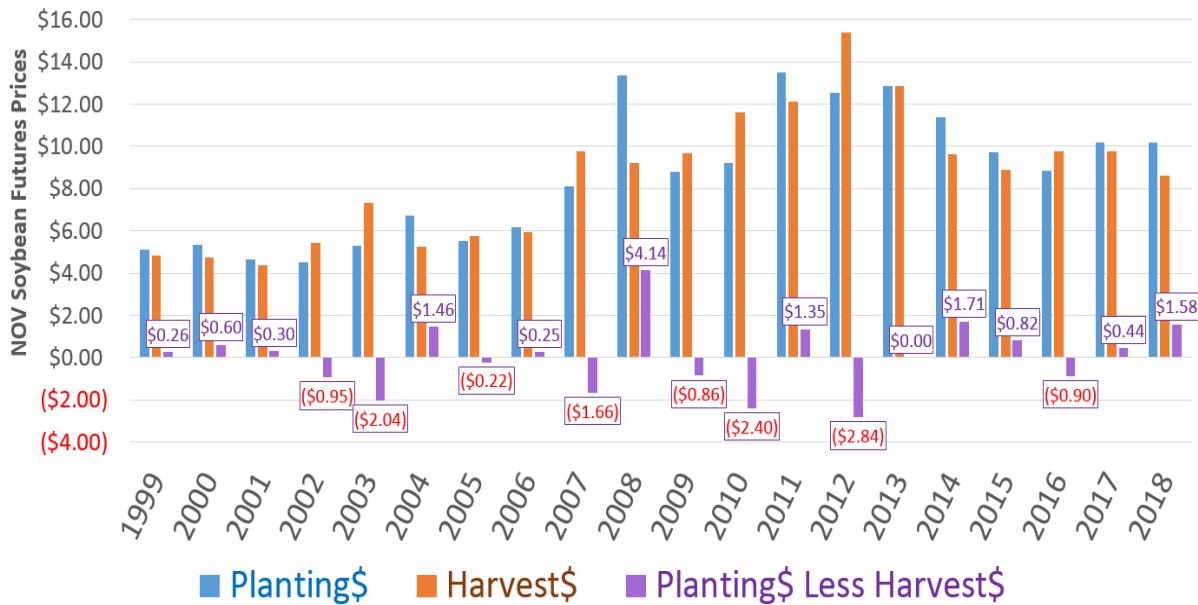


Soybean Cash & Futures Price\$'s

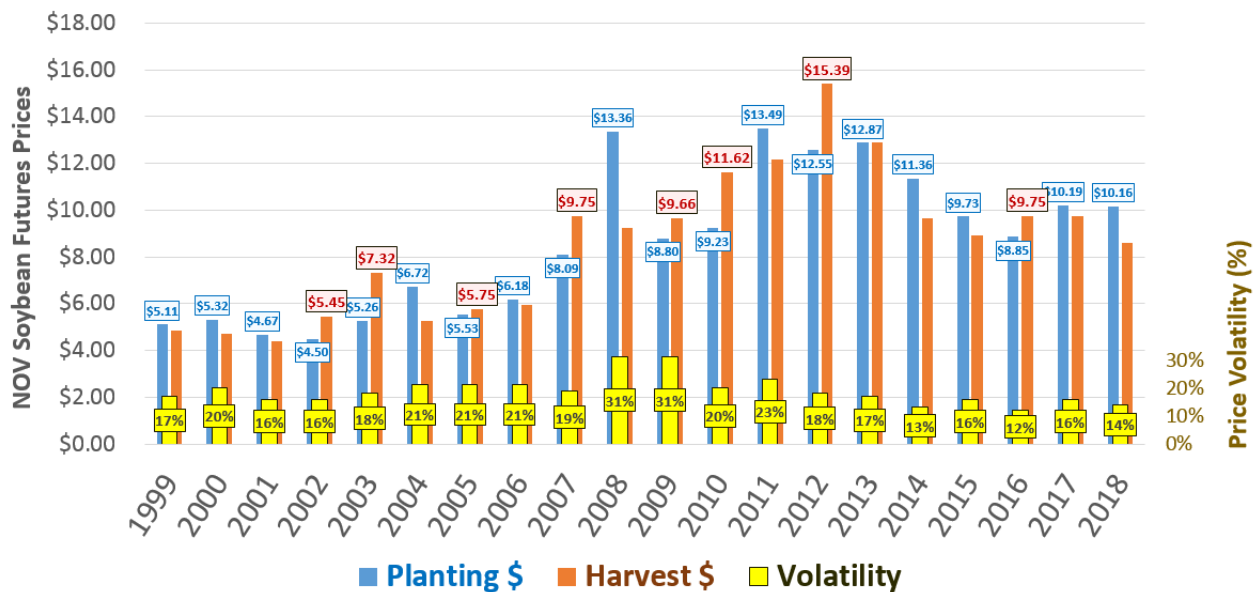
Great Bend, KS Local Elevators - January 25, 2019 a.m.



Soybean Price & Volatility History for Revenue Insurance



Soybean Price & Volatility History for Revenue Insurance



U.S. Soybean Market Prospects in 2019

A. U.S.-China Trade Dispute

- *HAS* has *LIMITED* U.S. export shipments & forward purchases & *HAS* affected U.S. Soybean prices

B. USDA forecasts U.S. Exports to be *large* despite Tariffs

- Foreign buyer "*switching*" between *U.S.* & *South America*, & some "*trans-shipments*" have occurred among countries

C. Market Focus in Winter-Spring 2018-19

- **So. America 2019** crop prospects – their response to high 2018 \$'s

U.S. Soybean Supply-Use

- **2019 U.S. Soybean Production** ⇒ *Record*** 4.600 billion bu.

- Large U.S. & Global Soybean Stocks limit U.S. Price\$'s

- Low Price\$'s DO support "Current" MY 2018/19 Use ***

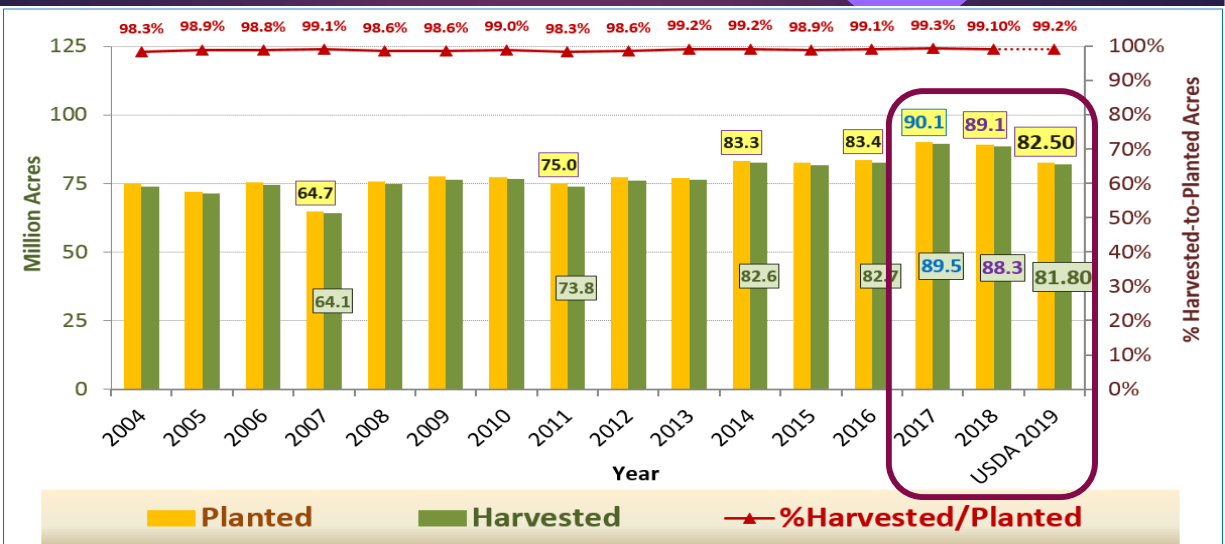
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- **Total Use** 2018/19 = 4.107 bln bu (*Down* – vs 4.296 & 4.214 bb last 2 years)
- **SBM Exports** 2018/19 = 13.750 mln tons (vs 14.826 & 11.580 mln tons last 2 years)

U.S. Soybean Stocks.....

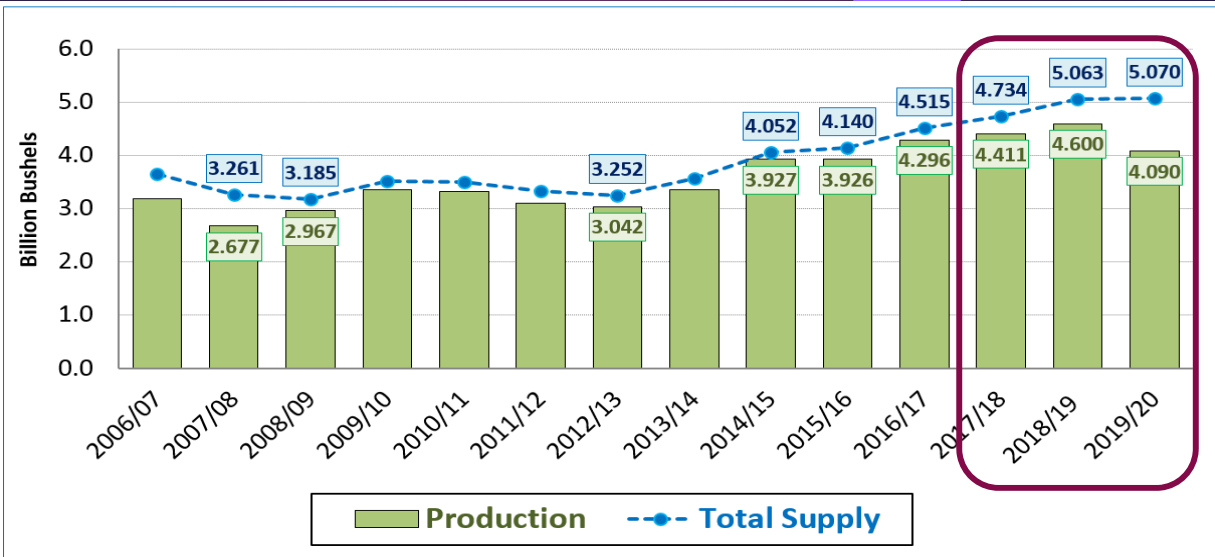
- **Soybean: “Large” Stocks & % S/U**

- **End Stocks** 2018/19 ⇒ 955 mln bu (High vs 438 mb last year)
- **% Stocks/Use** 2018/19 ⇒ 23.25% S/U (High vs 10.20% last year)

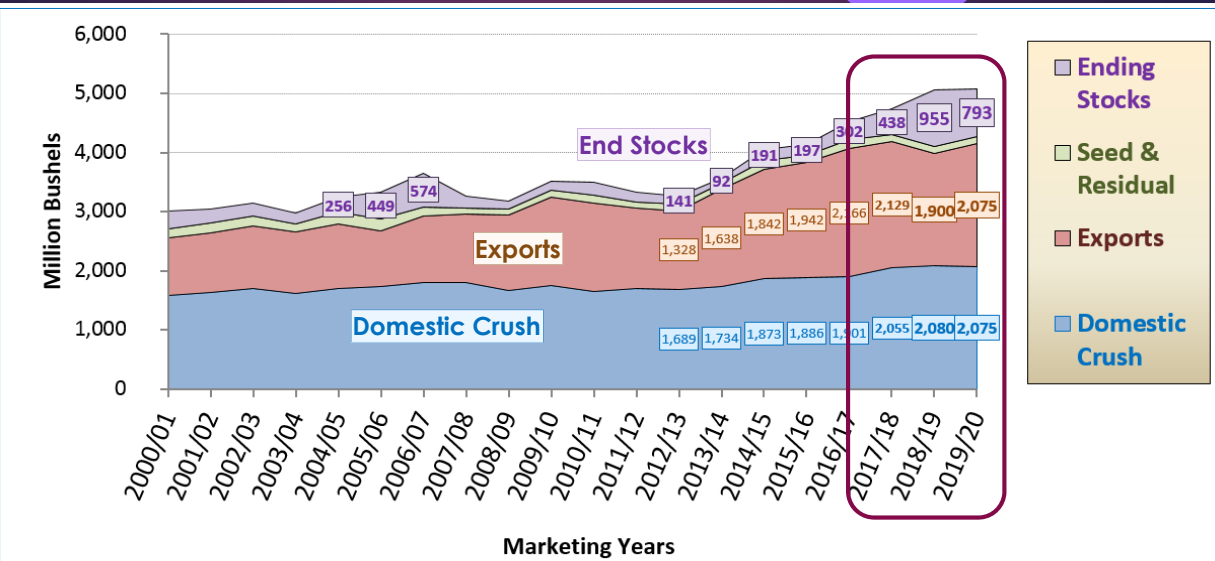
U.S. Soybean Acreage



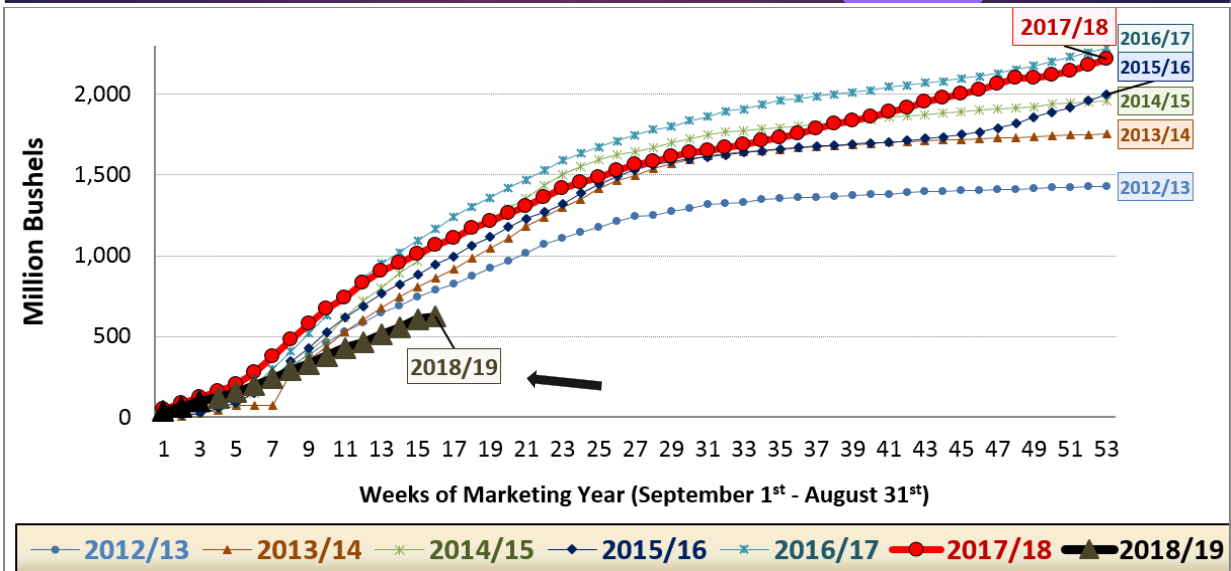
U.S. Soybean Production & Supplies



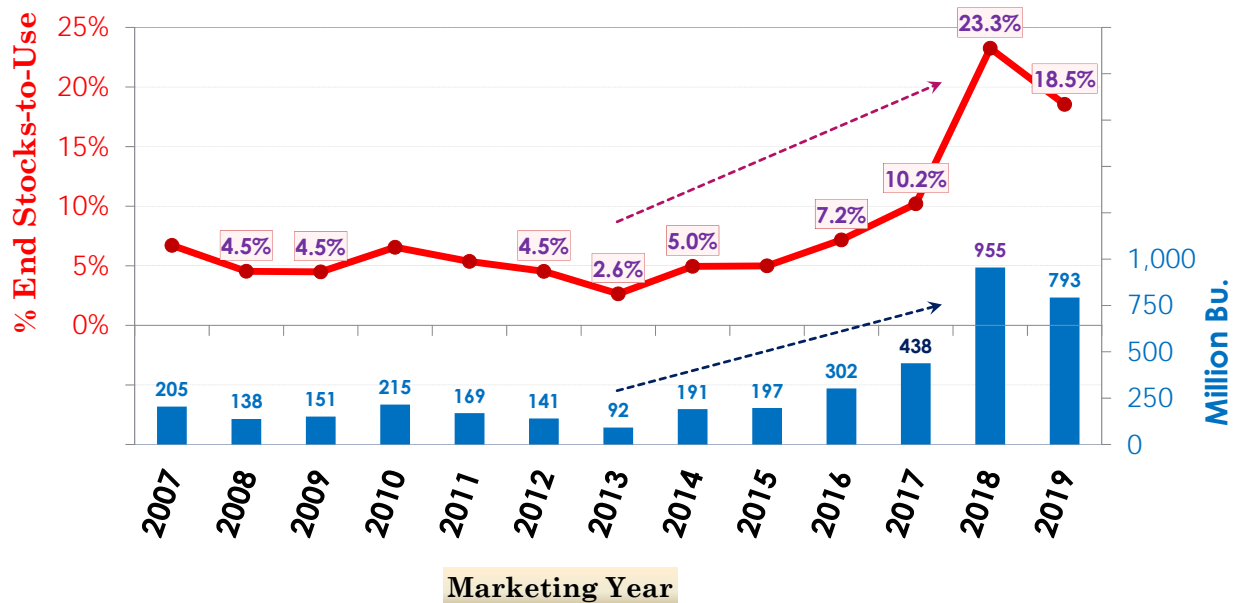
U.S. Soybean Use & End Stocks



U.S. Soybean Exports – Cumulative Weekly (12/20)



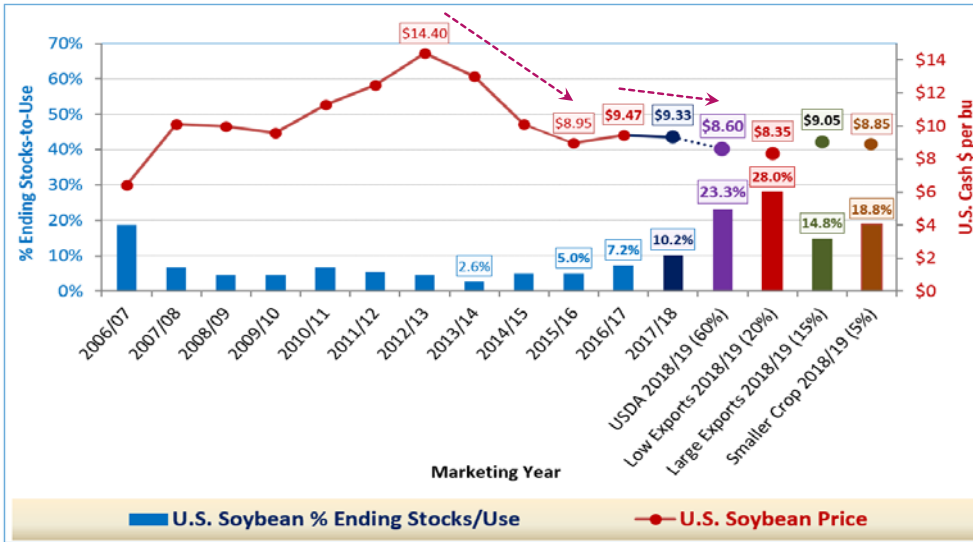
U.S. Soybean Ending Stocks & % Stx/Use



U.S. Soybean \$ vs U.S. Stocks-to-Use



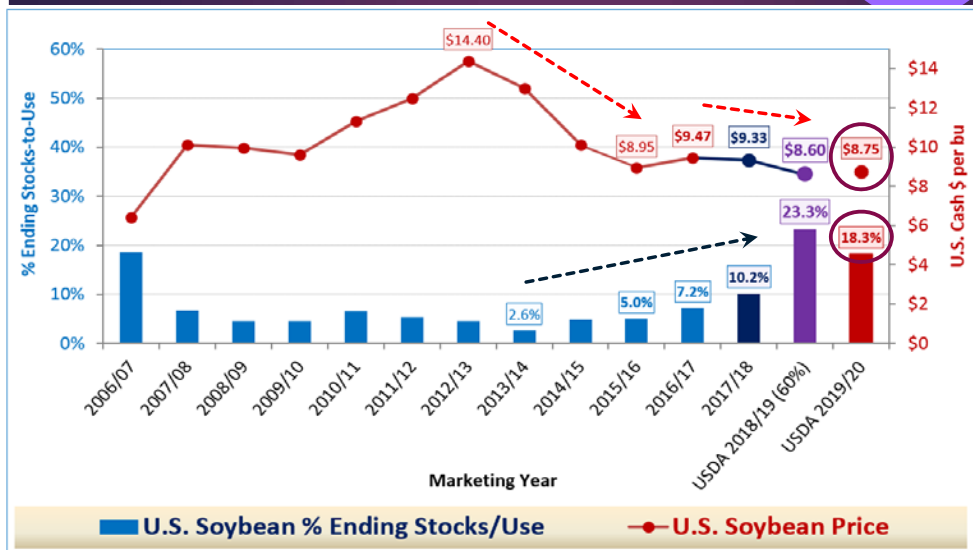
MY 1973/74 through "Current" MY 2018/19 + KSU "Alt" Scenarios



MY 2006/07 Through "Current" MY 2018/19

Including possible "Higher" & "Lower" U.S. Soybean Export Scenario Outcomes For "Current" MY 2018/19

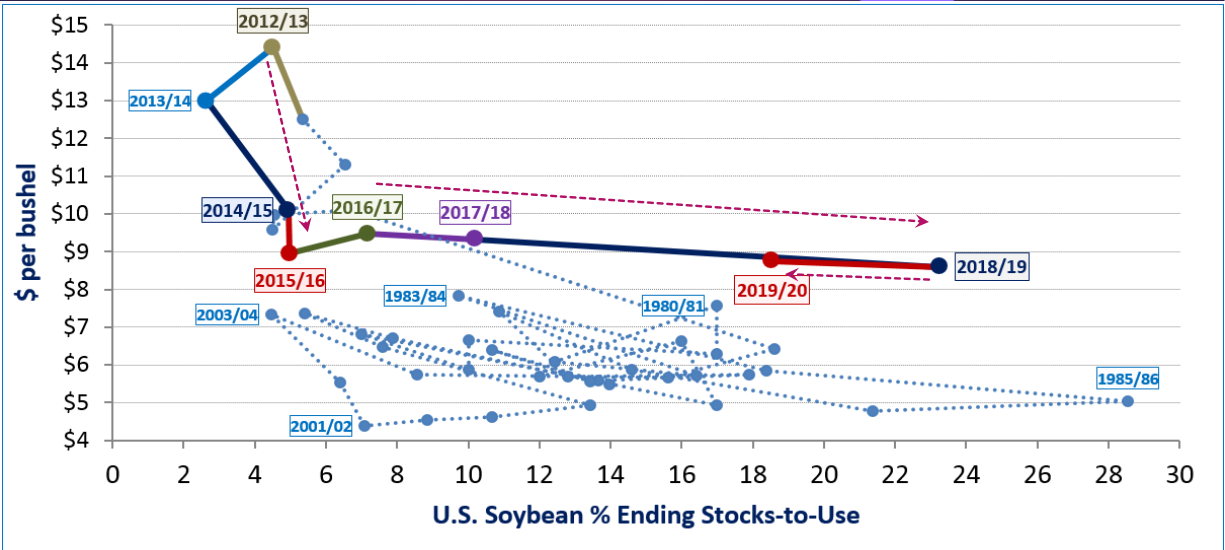
U.S. Soybean % Stocks/Use vs Price\$



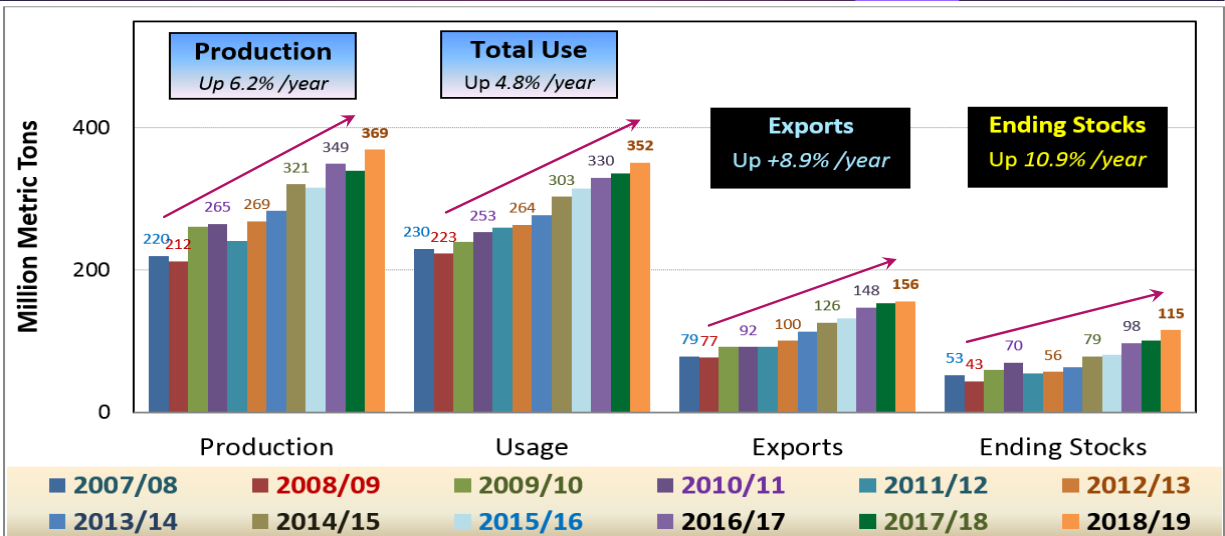
MY 2006/07 Thru "Next Crop" MY 2019/20

Including preliminary U.S. Soybean S-D & Prices For "Next Crop" MY 2019/20

U.S. Soybean % Stocks/Use & Prices

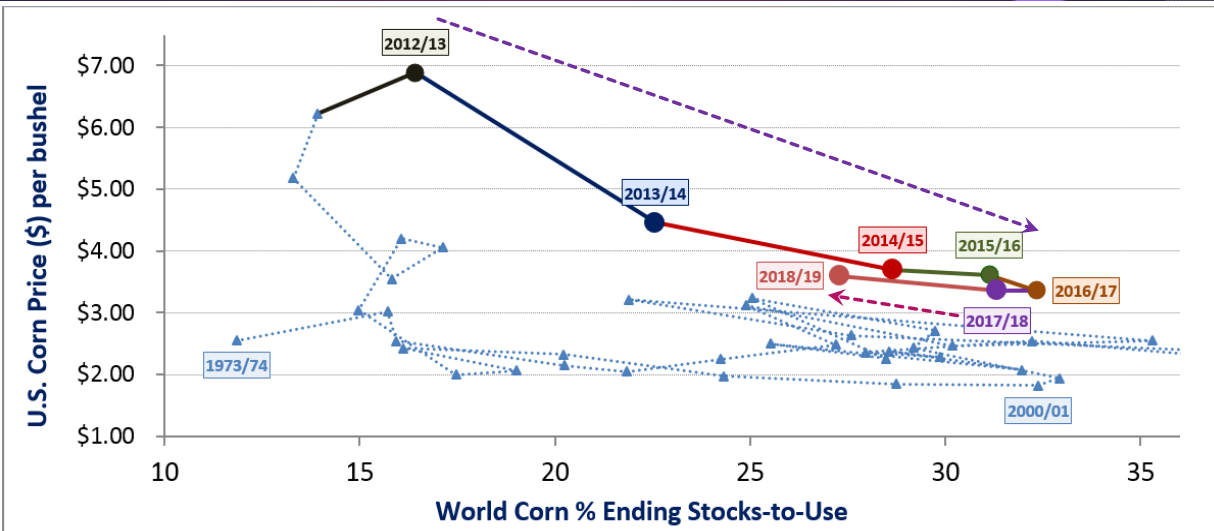


World Soybean Supply, Use & Stocks



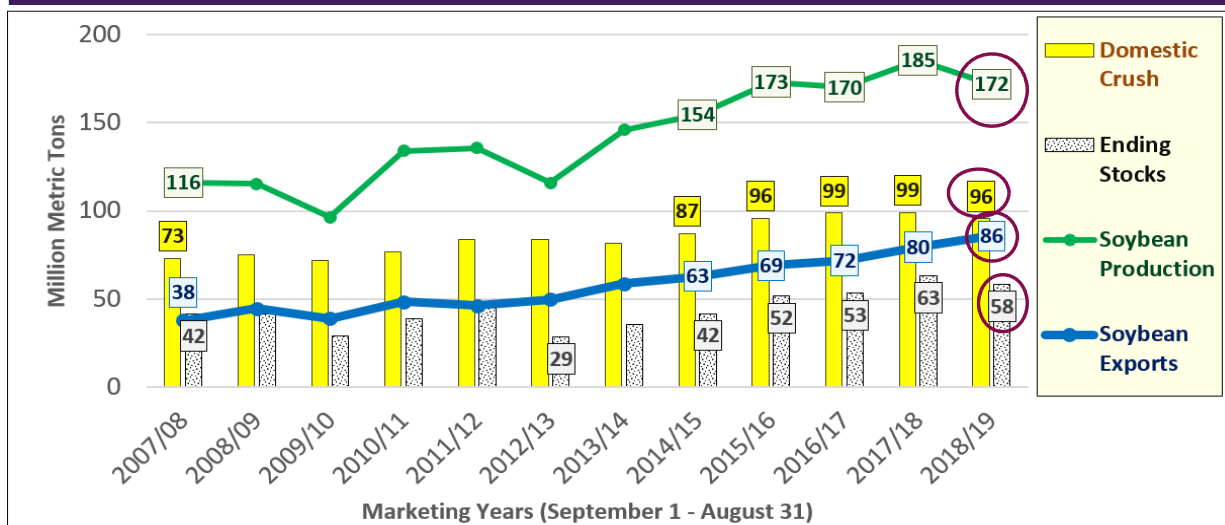
U.S. Corn Price\$ vs World % Stocks-to-Use

MY 1973/74 through "New Crop" MY 2018/19

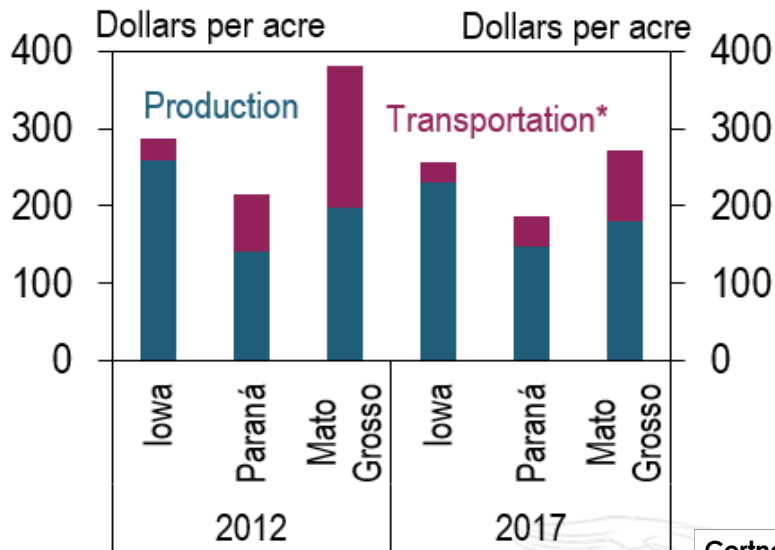


So. America Soybean Supply-Demand

MY 2007/08 through "New Crop" MY 2018/19



Soybean Costs in the U.S. and Brazil

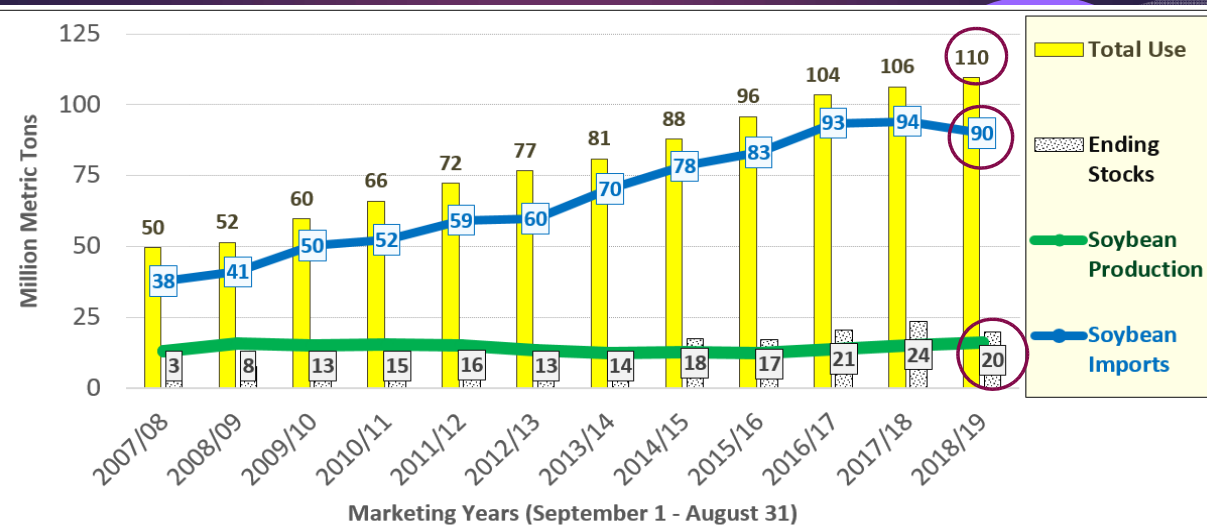


* Costs to ship from farm to port.
Sources: [Gavilon](#) and [USDA](#).

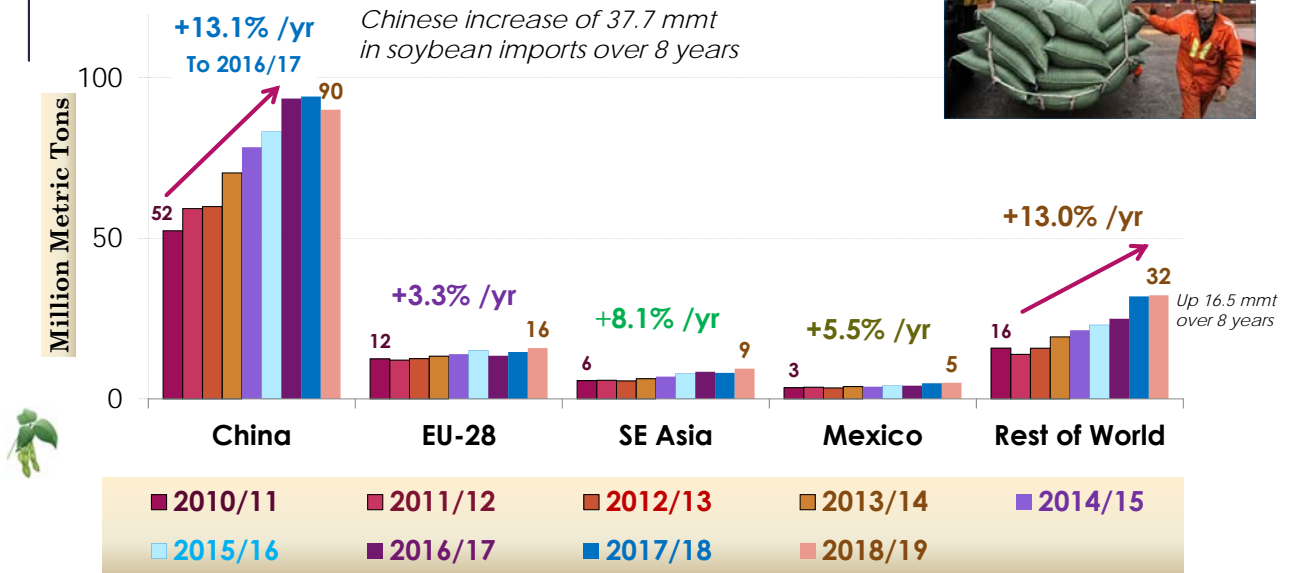
Cortney Cowley
Federal Reserve Bank of KC
Omaha Branch

China Soybean Supply-Demand

MY 2007/08 through "New Crop" MY 2018/19

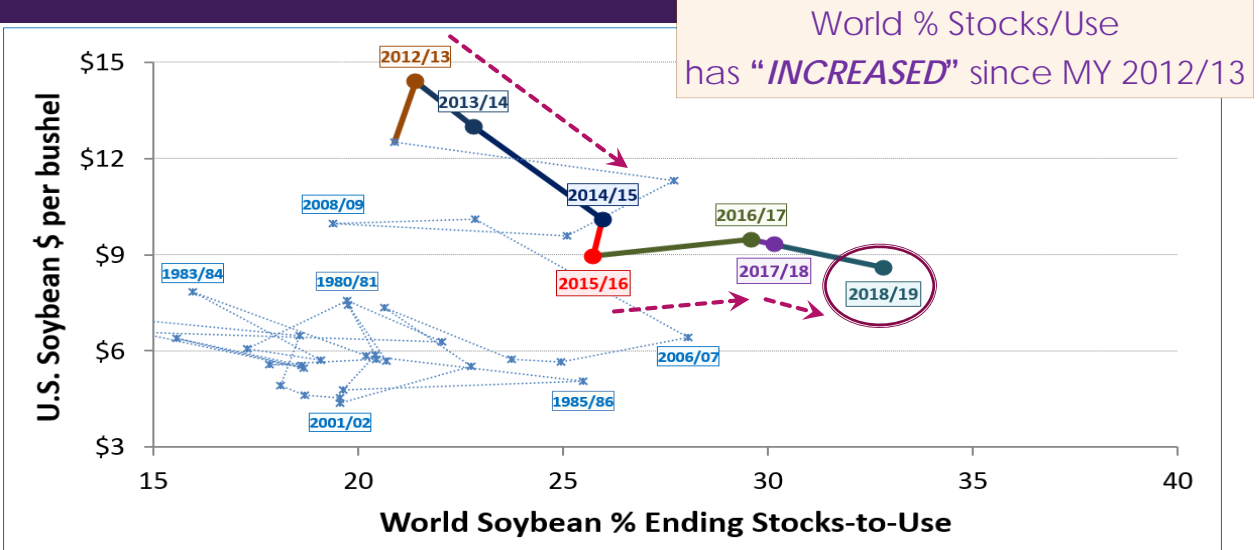


Soybean Importer Purchases



U.S. Soybean Price (\$) vs World % Stx/Use

MY 1973/74 – “Current” MY 2018/19





Questions?

Daniel O'Brien – Extension Ag Economist

Blog: www.ksugrains.wordpress.com

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www.AgManager.info



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