

# *2018/19 Soybean Market Outlook & Strategies*

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EXTENDING KNOWLEDGE >> CHANGING LIVES

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EXTENSION

# Breaking News

- “Brazil-China joint ventures could boost soymeal trade... Chinese and Brazilian companies could form soy-processing joint ventures as a way for Latin America's largest economy to export more processed soymeal to its top buyer of raw soybeans, a senior Chinese diplomat in Brazil said in an interview.”
- “China's state grain stockpiler Sinograin will pay the extra import duties on its 70,000-tonne cargo of soybeans from the United States, state-run Beijing News said in a report on Monday, citing Sinograin.”

# Objectives

- Review August WASDE yield forecast.
- Highlight changing soybean use estimates.
  - Original presentation focus was on soybean quality differentials.
    - Crude Protein vs Essential Amino Acids.
  - China soybean tariffs have dominated market psychology.
- New focus will be on most common questions I have received.

# Most Common Questions

- Even with the 25% tariffs, China still has to buy soybeans from the U.S., right?
- The U.S. can sell more soybeans to other countries, especially those that were buying from Brazil, right?
  - Example = European Union.
- This will all get fixed before the Mid-term elections, right?
- President Trump is working to increase soybean export sales with China, right?
- Implication: We can store our way out of the problem, right?



# Key Takeaways

- The “trade war” is not due to issues about agriculture; agriculture has be caught up in the fight over other issues.
- We must separate the discussion about the flow of grain (quantities exported) and price.
  - Better question: At what price can we export our soybeans?



# Key Takeaways

- The tariffs can disappear and reappear at any time, but a trade agreement will take months/years.
- There are a range of implications:
  - Short term implications.
    - Futures price reductions and high levels of price volatility.
    - Basis implications – the cash market will need to figure out alternative grain flows.
      - Domestic – Crush and export oil/meal
      - International – Gulf vs PNW vs Interior



# Key Takeaways

- There are a range of implications:
  - Intermediate term implications.
    - What changes will Brazil and Argentina make this fall?
      - Planted acres (hectares)
      - Export tax rates – Argentina
  - Long term implications
    - Will trading partners be concerned U.S. will use trade as political weapon?
    - Will trading partners view U.S. as finally forcing China to “play fair”?
    - Will the U.S. be the “first call” or the “last call” when an importer is looking for soybeans?

# Key Takeaways

- There are a range of implications:
  - Long term implications (cont.)
    - How hard will China work to “diversify” their sources of soybeans?
      - South Africa
      - Black Sea – Ukraine & Southern Russia
    - What will be the new “growth areas” (alternative markets) the U.S. can access?





# U.S. Soybean Supply & Demand Table

U.S. Soybean	2016/2017	2017/2018 (est.)	2018/2019 (Aug.)
Planted A.	83.4 Mill. A.	90.1 Mill. A.	89.6 Mill. A.
Harvested A.	82.7 Mill. A.	89.5 Mill. A.	88.9 Mill. A.
Yield/Harvest A.	52.0 bu.	49.1 bu.	51.6 bu.
Beginning Stocks	197 Mill. Bu.	302 Mill. Bu.	430 Mill. Bu.
Production	4,296 Mill. Bu.	4,392 Mill. Bu.	4,586 Mill. Bu.
Imports	22 Mill. Bu.	22 Mill. Bu.	25 Mill. Bu.
<b>Total Supply</b>	<b>4,515 Mill. Bu.</b>	<b>4,715 Mill. Bu.</b>	<b>5,040 Mill. Bu.</b>
Crushings	1,901 Mill. Bu.	2,040 Mill. Bu.	2,060 Mill. Bu.
Exports	2,166 Mill. Bu.	2,110 Mill. Bu.	2,060 Mill. Bu.
Seed	105 Mill. Bu.	104 Mill. Bu.	103 Mill. Bu.
Residual	41 Mill. Bu.	32 Mill. Bu.	33 Mill. Bu.
<b>Total Use</b>	<b>4,214 Mill. Bu.</b>	<b>4,286 Mill. Bu.</b>	<b>4,256 Mill. Bu.</b>
<b>Ending Stocks</b>	<b>302 Mill. Bu.</b>	<b>430 Mill. Bu.</b>	<b>785 Mill. Bu.</b>

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Crush	5,040 Mill. Bu.	5,040 Mill. Bu.	5,040 Mill. Bu.
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**Planted Acreage is down  
500,000 acres from last  
year.**

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<b>Total Supply</b>			<b>5,040 Mill. Bu.</b>
Crude Oil			460 Mill. Bu.
			100 Mill. Bu.
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Residual			33 Mill. Bu.
<b>Total Demand</b>			<b>4,256 Mill. Bu.</b>
Ending Stocks			<b>785 Mill. Bu.</b>

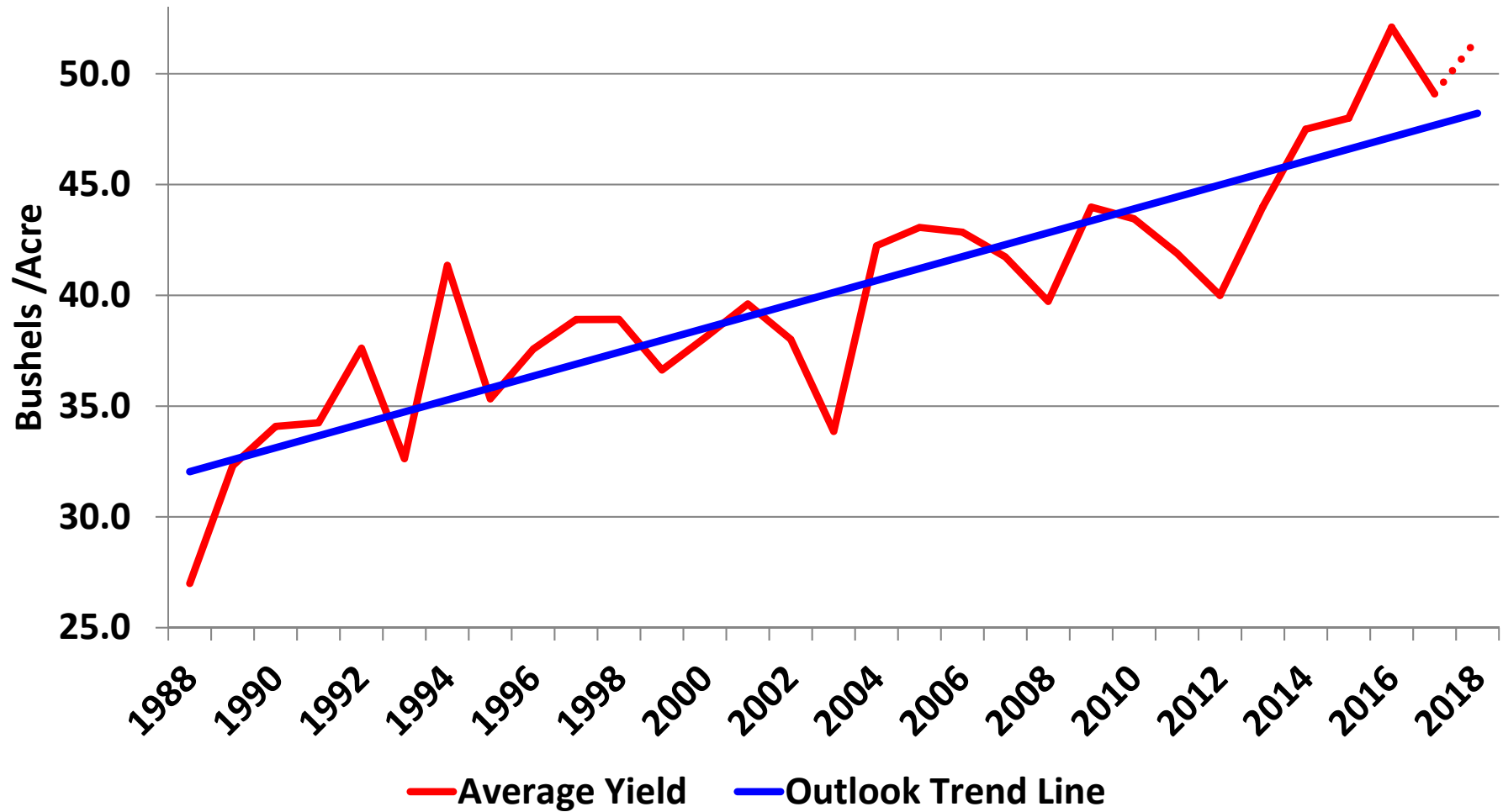
**S.B. yield was the big surprise.**

**Private yield estimates:**

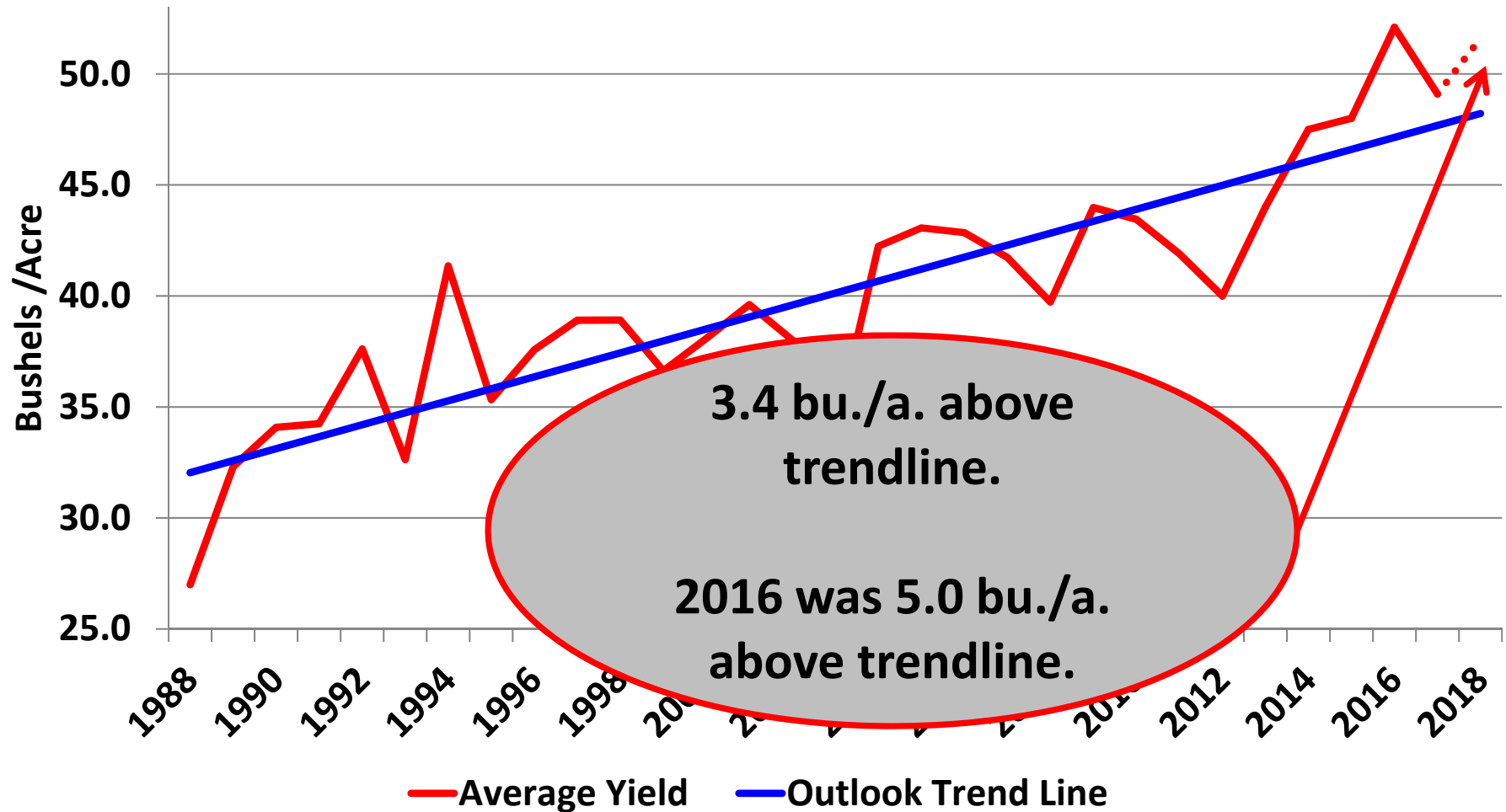
**Average = 48.7**

**Range = 47.5 – 50.0**

# What is U.S. trend line yield? (1988 – 2017)



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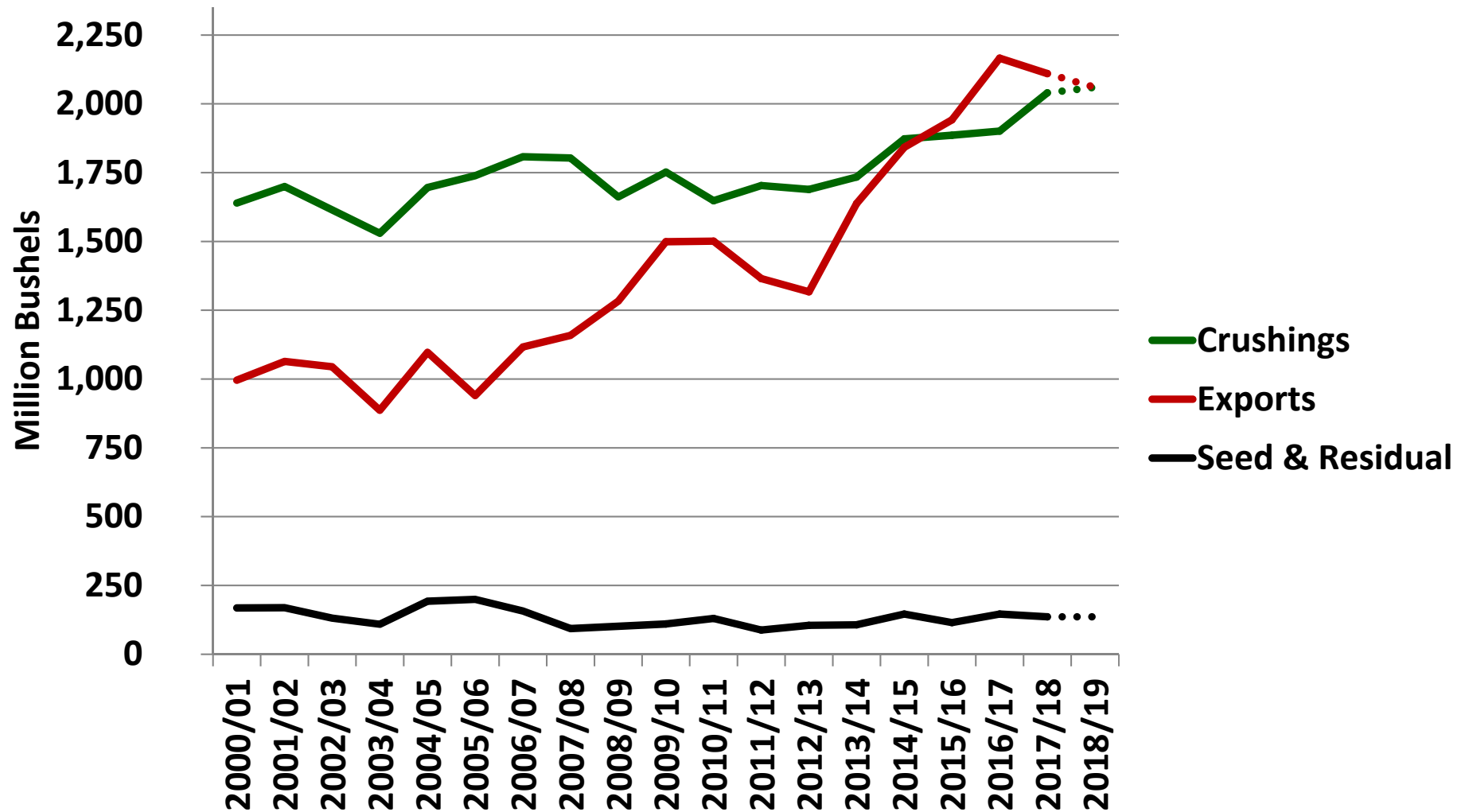
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<b>Total Supply</b>	<b>4,515 Mill. Bu.</b>	<b>4,715 Mill. Bu.</b>	<b>5,040 Mill. Bu.</b>
Crushings			2,060 Mill. Bu.
Exports			2,060 Mill. Bu.
Seed			103 Mill. Bu.
Residual			33 Mill. Bu.
<b>Total Demand</b>			<b>4,256 Mill. Bu.</b>
Ending Stocks			785 Mill. Bu.

**Total Production is forecast to increase 4.4%.**

**Sixth production record in a row.**

# U.S. Soybean Use



# U.S. Soybean Supply & Demand Table

U.S. Soybean Supply and Demand	2017/2018		2018/2019 (Aug.)			
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Imports	22	Mill. Bu.	22	Mill. Bu.	25	Mill. Bu.
<b>Total Supply</b>	<b>4,515</b>	<b>Mill. Bu.</b>	<b>4,715</b>	<b>Mill. Bu.</b>	<b>5,040</b>	<b>Mill. Bu.</b>
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Residual	41	Mill. Bu.	32	Mill. Bu.	33	Mill. Bu.
<b>Total Use</b>	<b>4,214</b>	<b>Mill. Bu.</b>	<b>4,286</b>	<b>Mill. Bu.</b>	<b>4,256</b>	<b>Mill. Bu.</b>
Ending Stocks	302	Mill. Bu.	430	Mill. Bu.	785	Mill. Bu.

2017/2018 *Crushings* have been increasing due to production issues in Argentina.

2018/2019 forecast is up 1.0%.



# U.S. Soybean Supply & Demand Table

U.S. Soybean			2018/2019 (Aug.)	
Production				89.6 Mill. A.
Imports				38.9 Mill. A.
Exports				51.6 bu.
Production				430 Mill. Bu.
Imports				4,586 Mill. Bu.
Exports				25 Mill. Bu.
<b>Total Supply</b>	<b>4,515 Mill. Bu.</b>	<b>4,715 Mill. Bu.</b>	<b>5,040 Mill. Bu.</b>	
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RFS for biodiesel is very important in today's market.

32.2% of soybean oil is forecast to be used in biodiesel.

# U.S. Soybean Supply & Demand Table

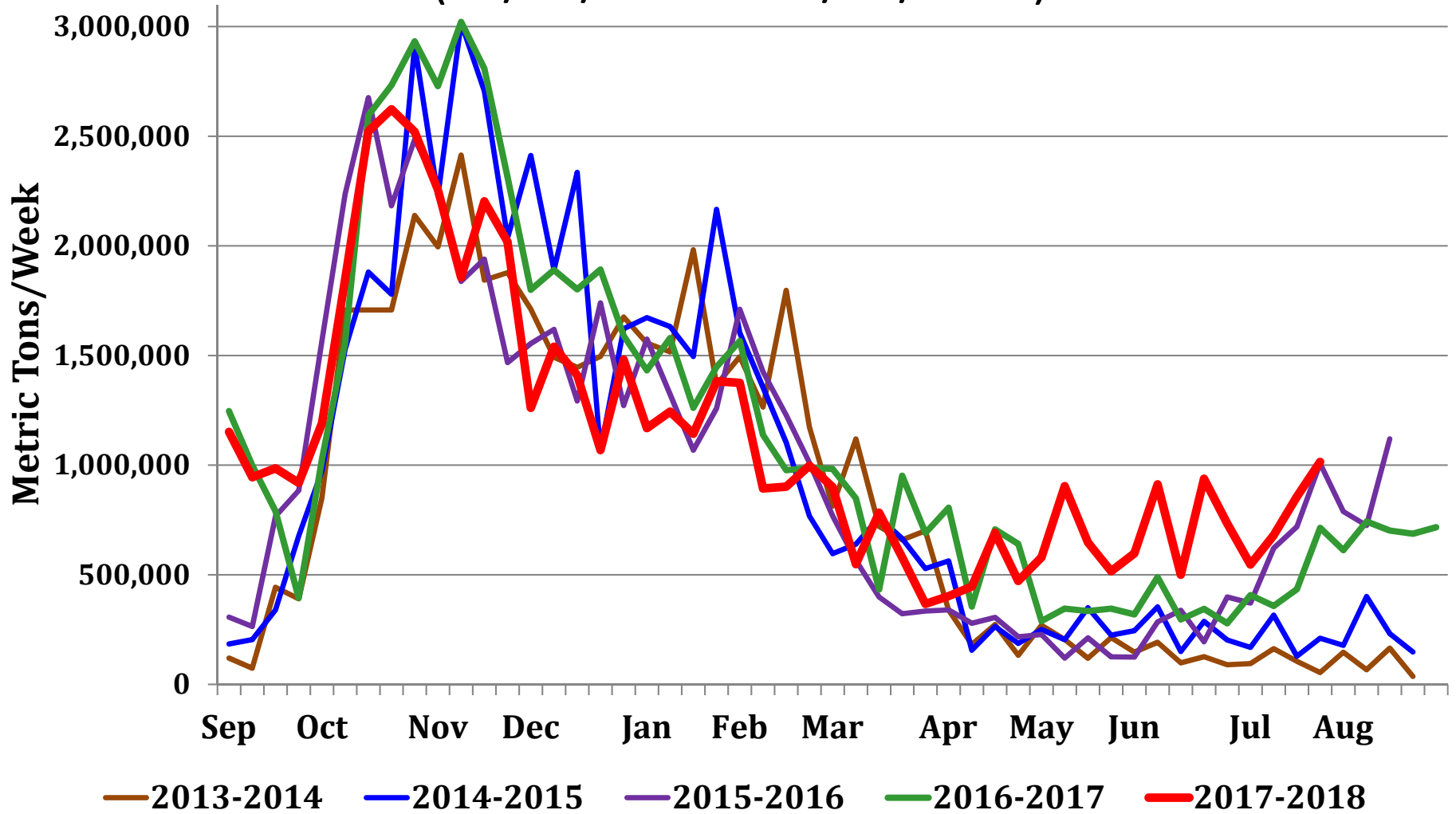
*Exports are forecast to decrease 2.4% from last year.*

*Exports forecast was reduced 230 mill. bu. to adjust for Chinese import tariffs.*

U.S.	2018		2019 (Aug.)	
				Mill. A.
				Mill. A.
				.6 bu.
Beginning Stocks			430	Mill. Bu.
Production			4,586	Mill. Bu.
Imports	22	Mill. Bu.	22	Mill. Bu.
			25	Mill. Bu.
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			785	Mill. Bu.

# Weekly U.S. Soybean Export Sales

(09/01/2013 – 08/02/2018)



# U.S. Soybean Export Destinations

(1,000 Metric Ton)

Country	2012/13	2013/14	2014/15	2015/16	2016/17
China	21,522.4	27,602.2	29,640.8	29,855.0	36,148.3
Mexico	2,565.4	3,194.5	3,438.8	3,252.6	3,665.0
Indonesia	1,682.4	2,291.5	1,875.9	2,028.6	2,296.9
Japan	1,751.0	1,826.4	2,011.4	2,145.6	2,137.2
Netherlands	734.6	1,015.6	1,879.4	2,037.7	2,044.9
Taiwan	1,120.0	1,133.6	1,310.8	1,232.9	1,292.7
ROW	6,867.2	7,462.3	9,644.2	10,286.8	10,532.7
Total	36,243.0	44,526.1	49,801.3	50,839.2	58,117.7

**How will China  
compensate?**



# World Soybean Imports

(1,000 Metric Ton)

Country	2014/15	2015/16	2016/17	2017/18	2018/19 (Jun)	2018/19 (Aug)
China	78,350	83,230	93,495	97,000	103,000	95,000
European Union	13,914	15,120	13,422	14,100	14,200	15,800
Mexico	3,819	4,126	4,126	4,600	4,650	4,750
Japan	3,004	3,186	3,175	3,250	3,250	3,300
Thailand	2,411	2,798	3,077	3,150	3,225	3,250
Egypt	1,947	1,300	2,115	3,000	2,900	3,150
ROW	20,917	23,578	24,913	29,177	28,144	29,579
Total	124,362	133,338	144,323	154,277	159,369	154,829

# World Soybean Exports

(1,000 Metric Ton)

Country	2014/15	2015/16	2016/17	2017/18	2018/19 (Jun)	2018/19 (Aug)
Brazil	50,612	54,383	63,137	74,650	72,950	75,000
United States	50,136	52,870	58,960	56,744	62,324	56,064
Argentina	10,575	9,922	7,026	3,100	8,000	8,000
Paraguay	4,576	5,400	6,129	6,250	5,900	5,900
Canada	3,763	4,236	4,591	5,500	5,800	5,500
ROW	6,548	5,705	7,502	5,993	7,399	7,499
Total	126,210	132,516	147,345	152,237	162,373	157,963

# World Soybean Crush

(1,000 Metric Ton)

Country	2014/15	2015/16	2016/17	2017/18	2018/19 (Jun)	2018/19 (Aug)
China	74,500	81,500	88,000	92,000	102,000	95,000
United States	50,975	51,335	51,742	55,248	54,431	56,064
Argentina	40,235	43,267	43,303	39,150	44,000	43,000
Brazil	40,435	39,747	40,411	43,000	43,200	42,700
European Union	14,450	14,950	14,400	14,900	14,900	16,300
India	7,700	5,500	9,000	7,600	9,100	9,000
ROW	36,515	38,725	40,490	44,396	45,842	46,604
Total	264,810	275,024	287,346	296,294	313,473	308,668



# China Oilseeds Supply - Distribution

(1,000 Metric Ton)

<b>Domestic Consumption</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19 (Jun)</b>	<b>2018/19 (Aug)</b>
<b>Fish Meal</b>	1,474	1,439	2,019	1,440	1,450	1,550
<b>Rapeseed Meal</b>	11,032	11,314	11,634	12,363	12,292	12,292
<b>Soybean Meal</b>	57,467	62,663	68,646	72,094	79,814	<b>74,370</b>
<b>Other</b>	8,761	7,912	8,492	9,552	9,496	9,611
<b>Total</b>	<b>78,734</b>	<b>83,328</b>	<b>90,791</b>	<b>95,449</b>	<b>103,052</b>	<b>97,823</b>

# China Oilseeds Supply - Distribution

(1,000 Metric Ton)

<b>Imports</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19 (Jun)</b>	<b>2018/19 (Aug)</b>
<b>Fish Meal</b>	<b>1,031</b>	<b>1,042</b>	<b>1,583</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>
<b>Rapeseed Meal</b>	<b>142</b>	<b>359</b>	<b>875</b>	<b>1,250</b>	<b>1,000</b>	<b>1,000</b>
<b>Soybean Meal</b>	<b>58</b>	<b>24</b>	<b>61</b>	<b>130</b>	<b>30</b>	<b>30</b>
<b>Other</b>	<b>553</b>	<b>403</b>	<b>657</b>	<b>670</b>	<b>620</b>	<b>735</b>
<b>Total</b>	<b>1,784</b>	<b>1,828</b>	<b>3,176</b>	<b>3,050</b>	<b>2,650</b>	<b>2,865</b>

# China Oilseeds Supply - Distribution

(1,000 Metric Ton)

<b>Total Domestic Use</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19 (Jun)</b>	<b>2018/19 (Aug)</b>
Palm Oil	5,700	4,800	4,830	4,900	4,900	<b>5,250</b>
Peanut Oil	2,819	2,919	2,999	3,110	3,166	3,166
Rapeseed Oil	7,800	8,600	8,700	8,800	8,300	<b>8,650</b>
Soybean Oil	14,200	15,350	16,350	16,850	18,450	<b>17,600</b>
Sunflower Oil	998	1,379	1,332	1,431	1,617	1,517
Other	2,141	1,832	1,891	2,138	2,097	2,097
<b>Total</b>	<b>33,658</b>	<b>34,880</b>	<b>36,102</b>	<b>37,229</b>	<b>38,530</b>	<b>38,280</b>

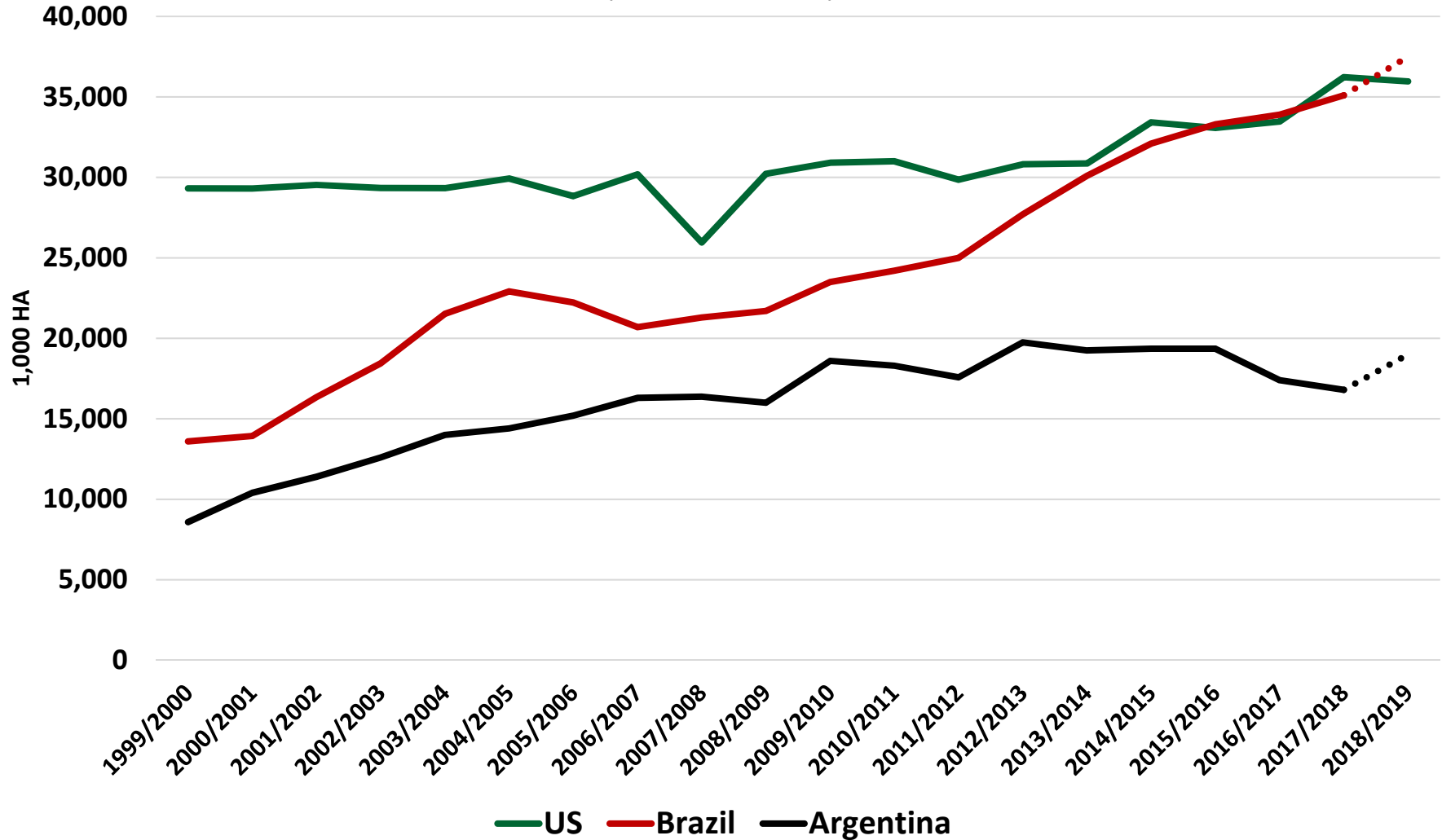
# China Oilseeds Supply - Distribution

(1,000 Metric Ton)

Imports	2014/15	2015/16	2016/17	2017/18	2018/19 (Jun)	2018/19 (Aug)
Palm Oil	5,696	4,689	4,881	5,050	4,950	<b>5,250</b>
Peanut Oil	141	113	111	110	110	110
Rapeseed Oil	732	768	802	900	700	1,000
Soybean Oil	773	586	711	450	350	700
Sunflower Oil	534	878	725	750	900	800
Other	751	737	773	756	758	758
Total	8,627	7,771	8,003	8,016	7,768	8,618

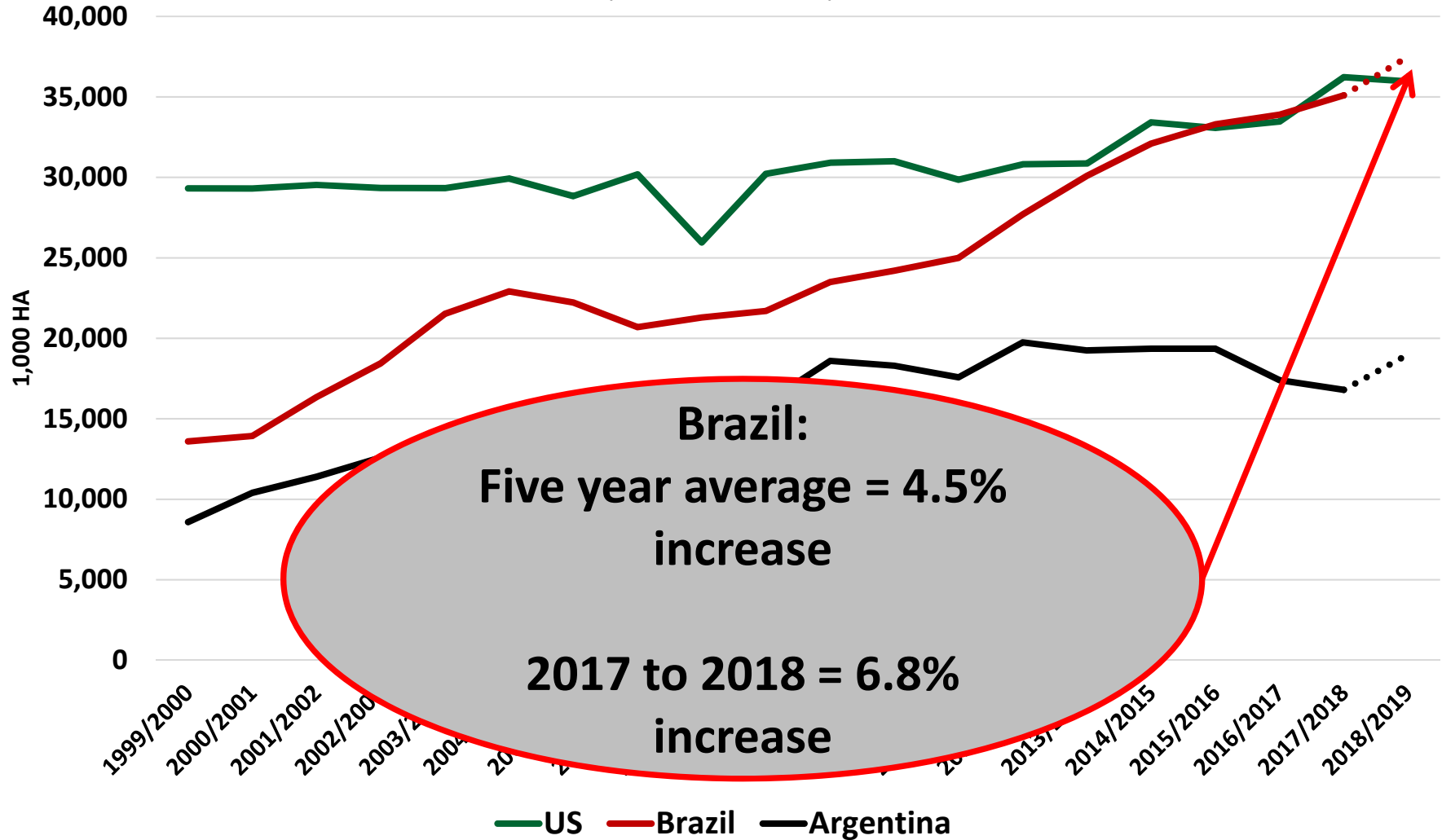
# Historical Soybean Harvested Area

(1,000 Hectares)



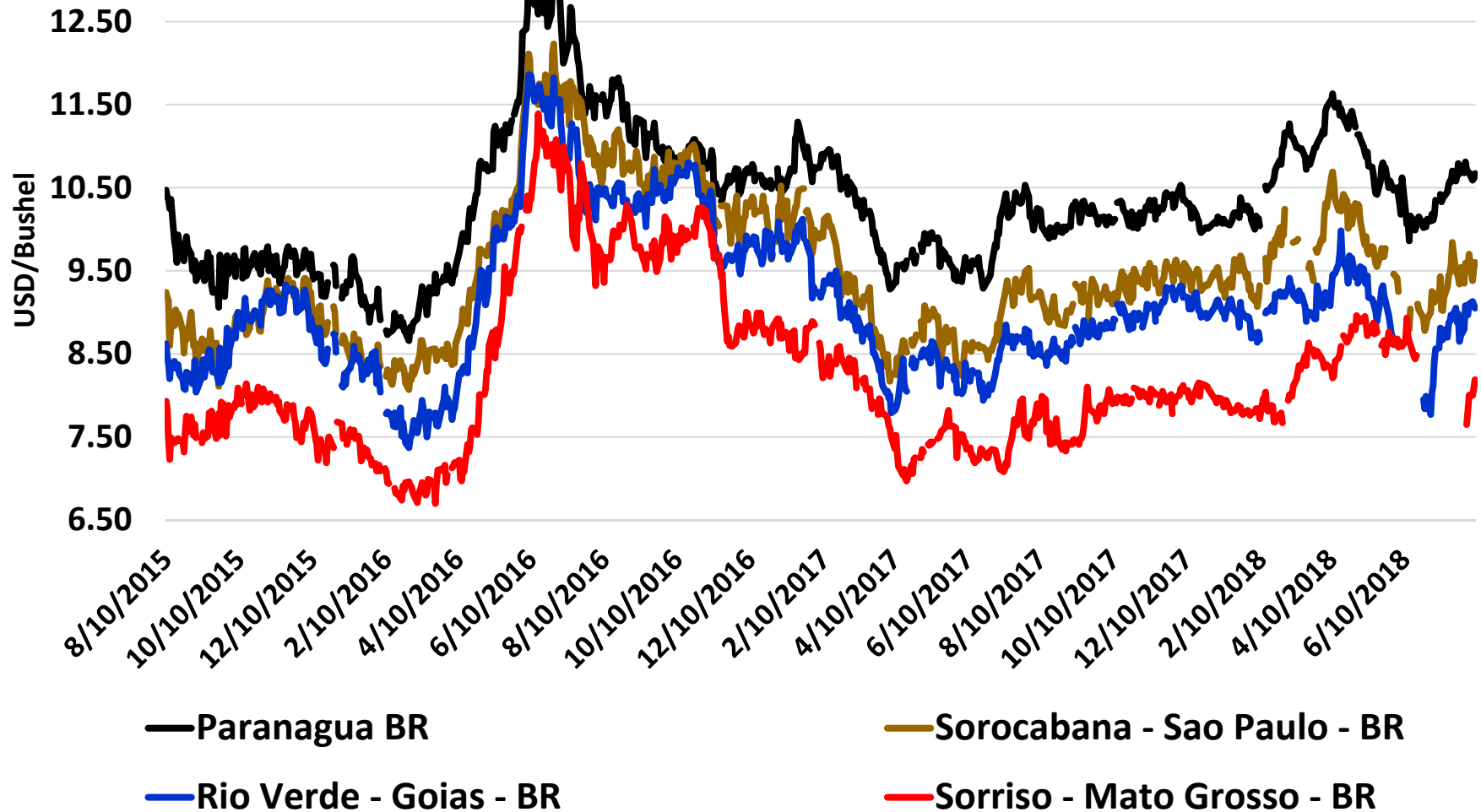
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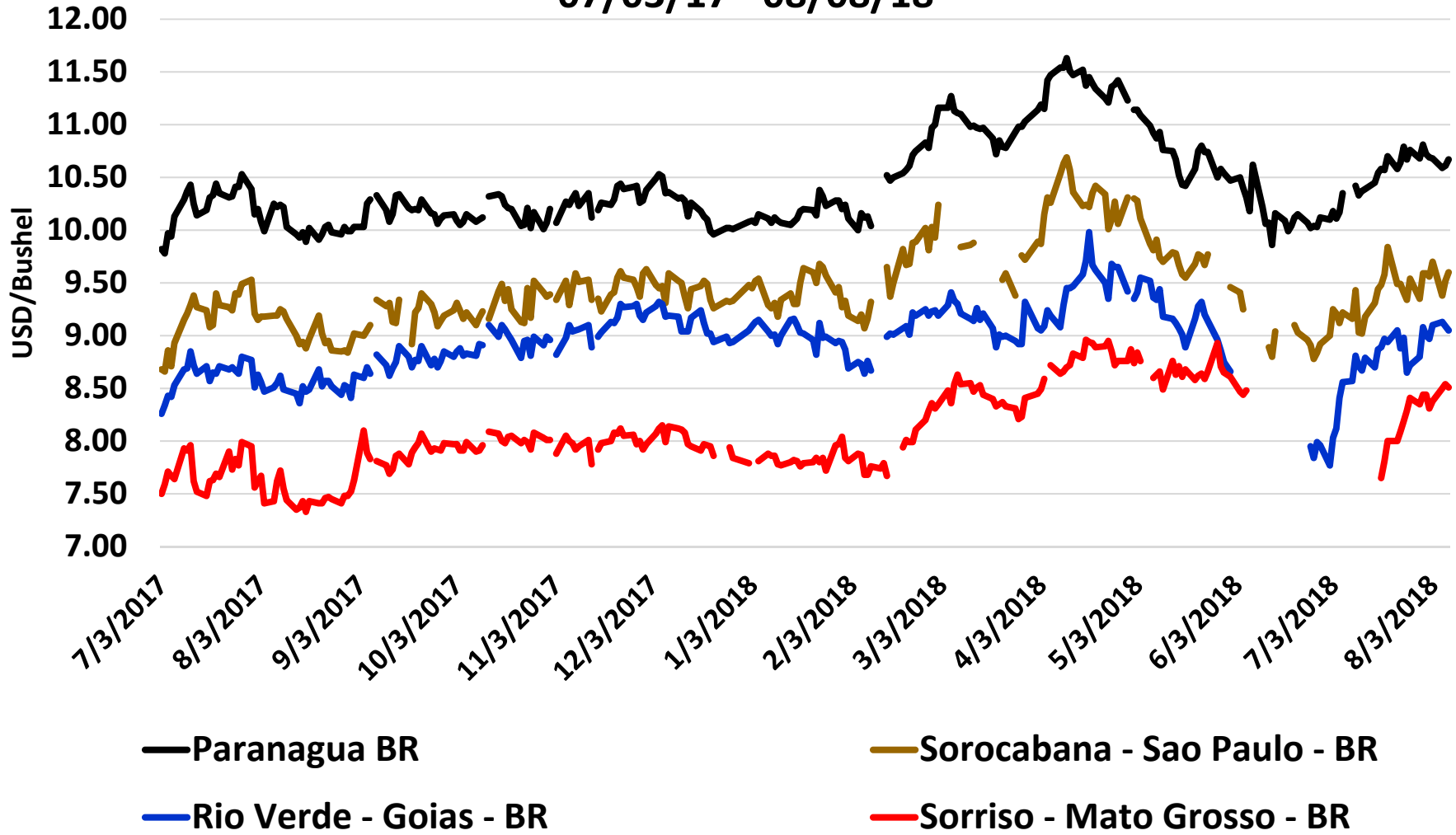
# Brazilian Soybean Bids

08/10/15 - 08/08/18



# Brazilian Soybean Bids

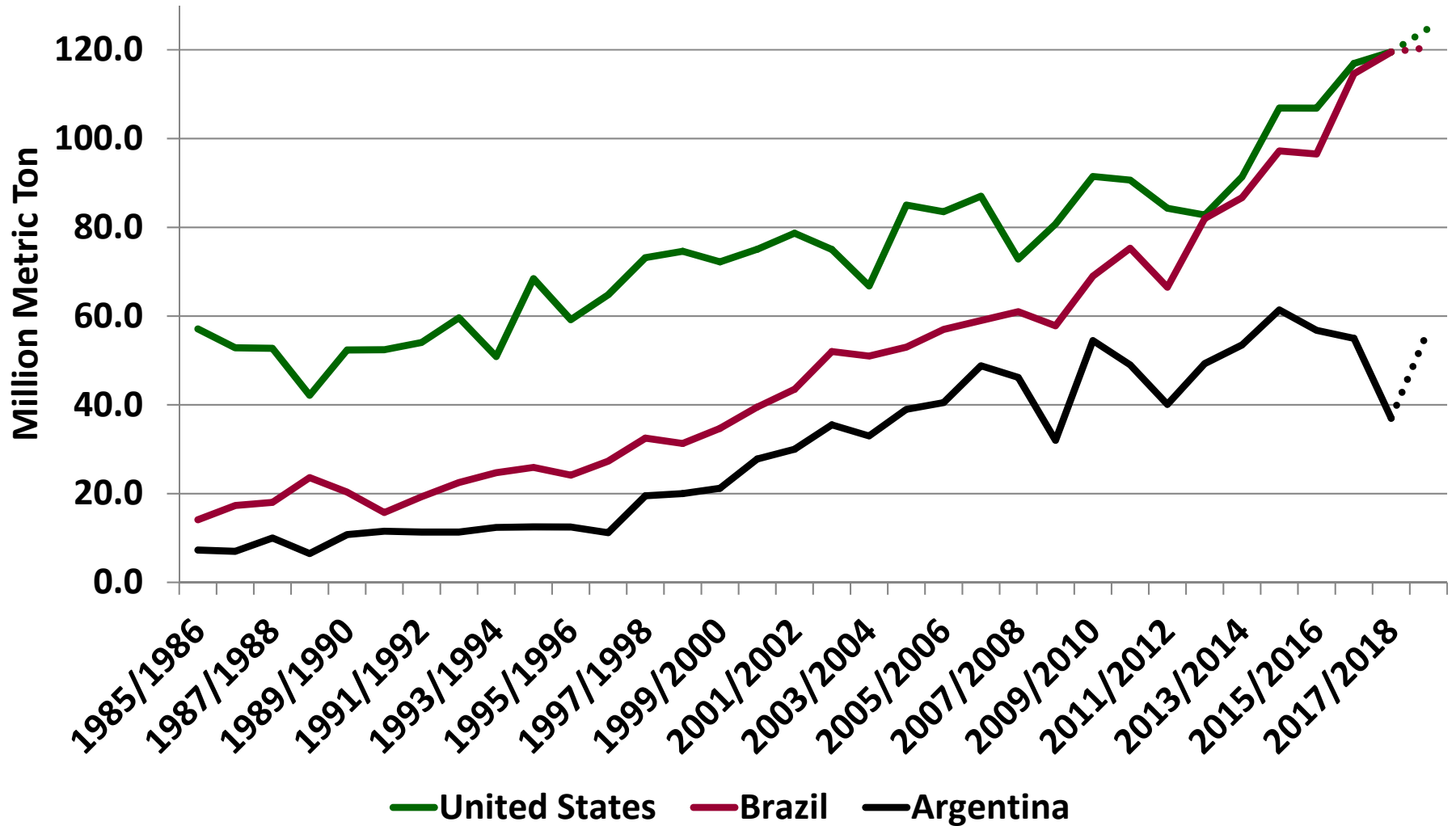
07/03/17 - 08/08/18





# Historical Soybean Production

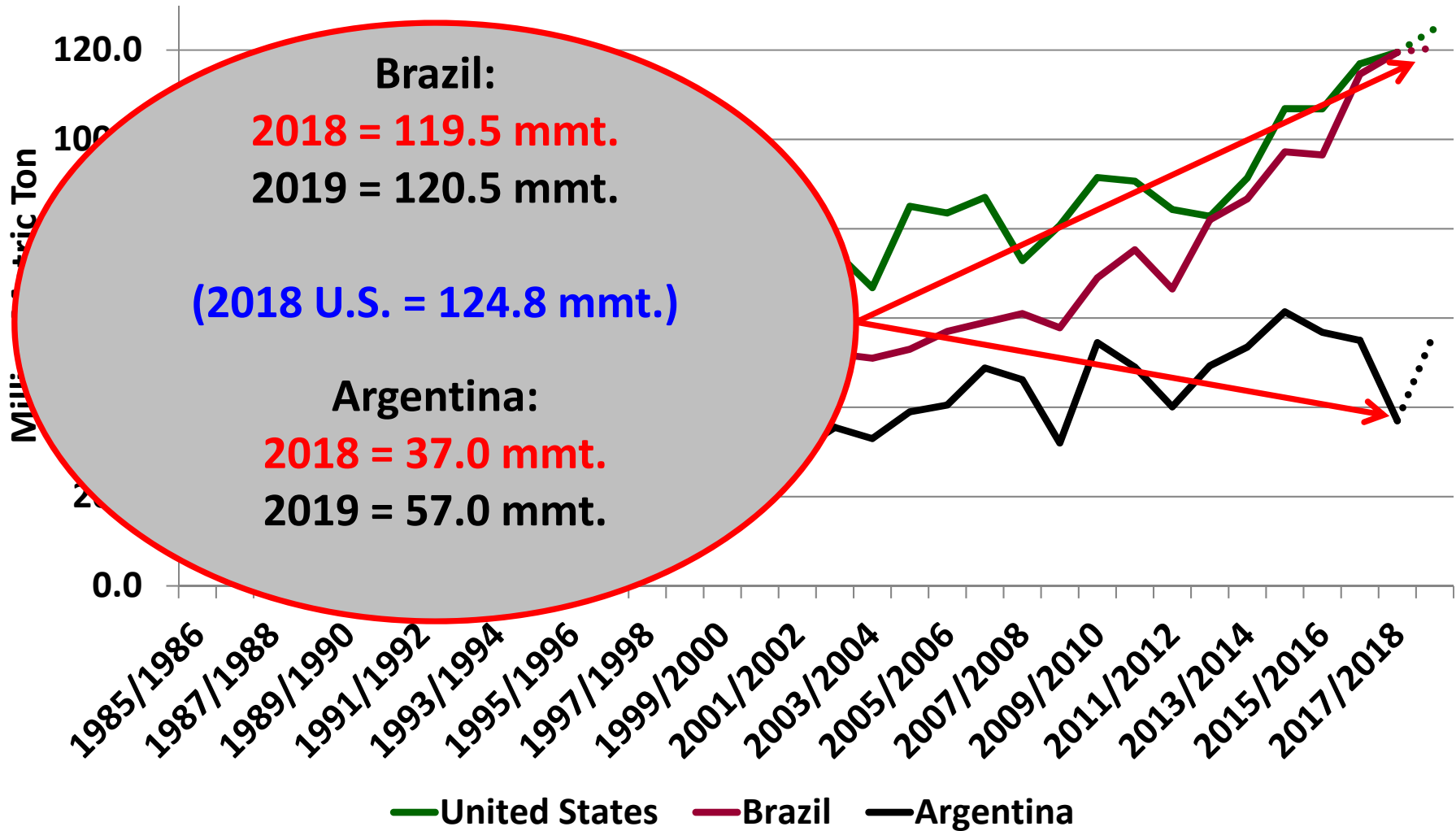
(Million Metric Ton)



# Historical Soybean Production

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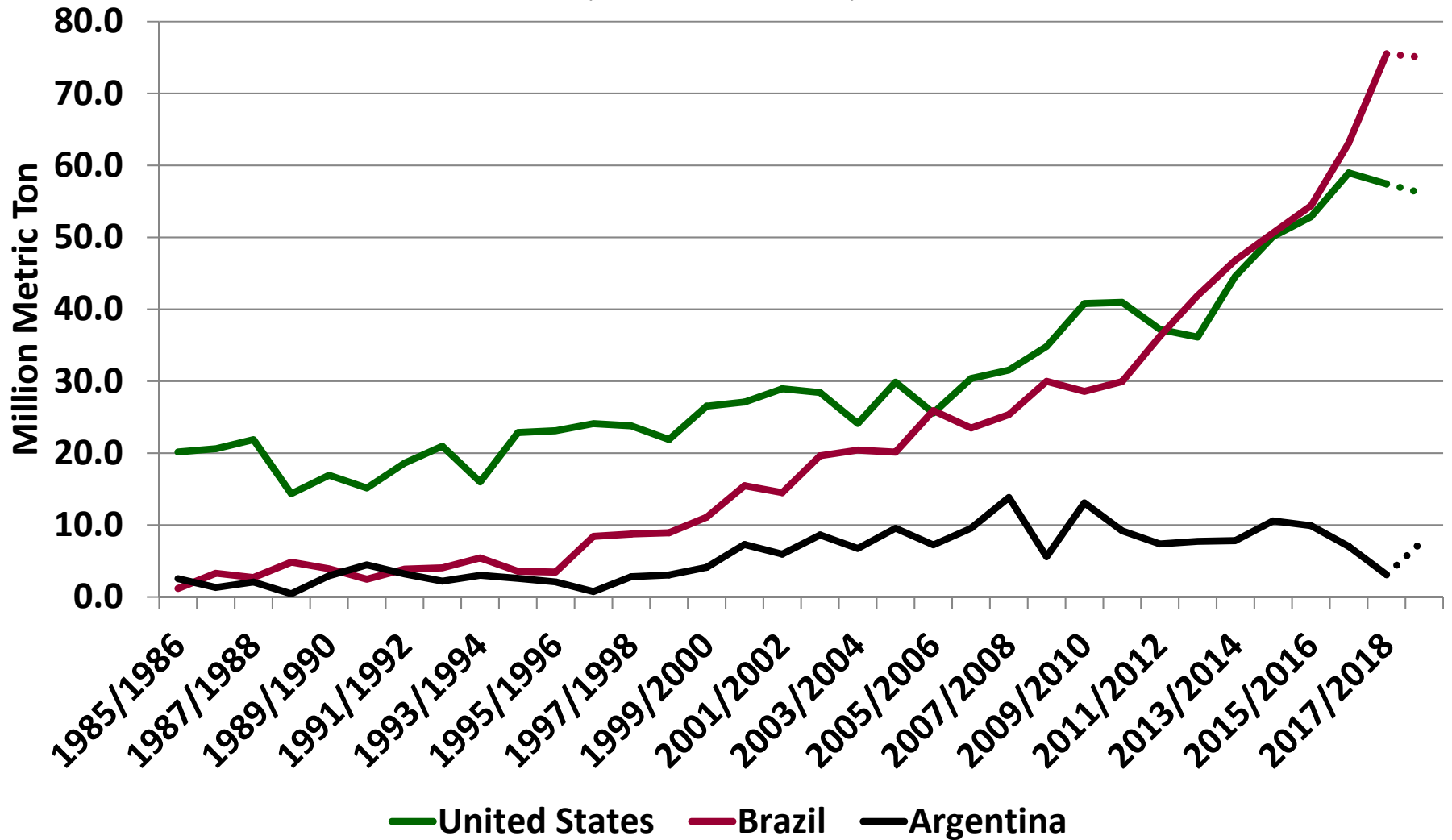
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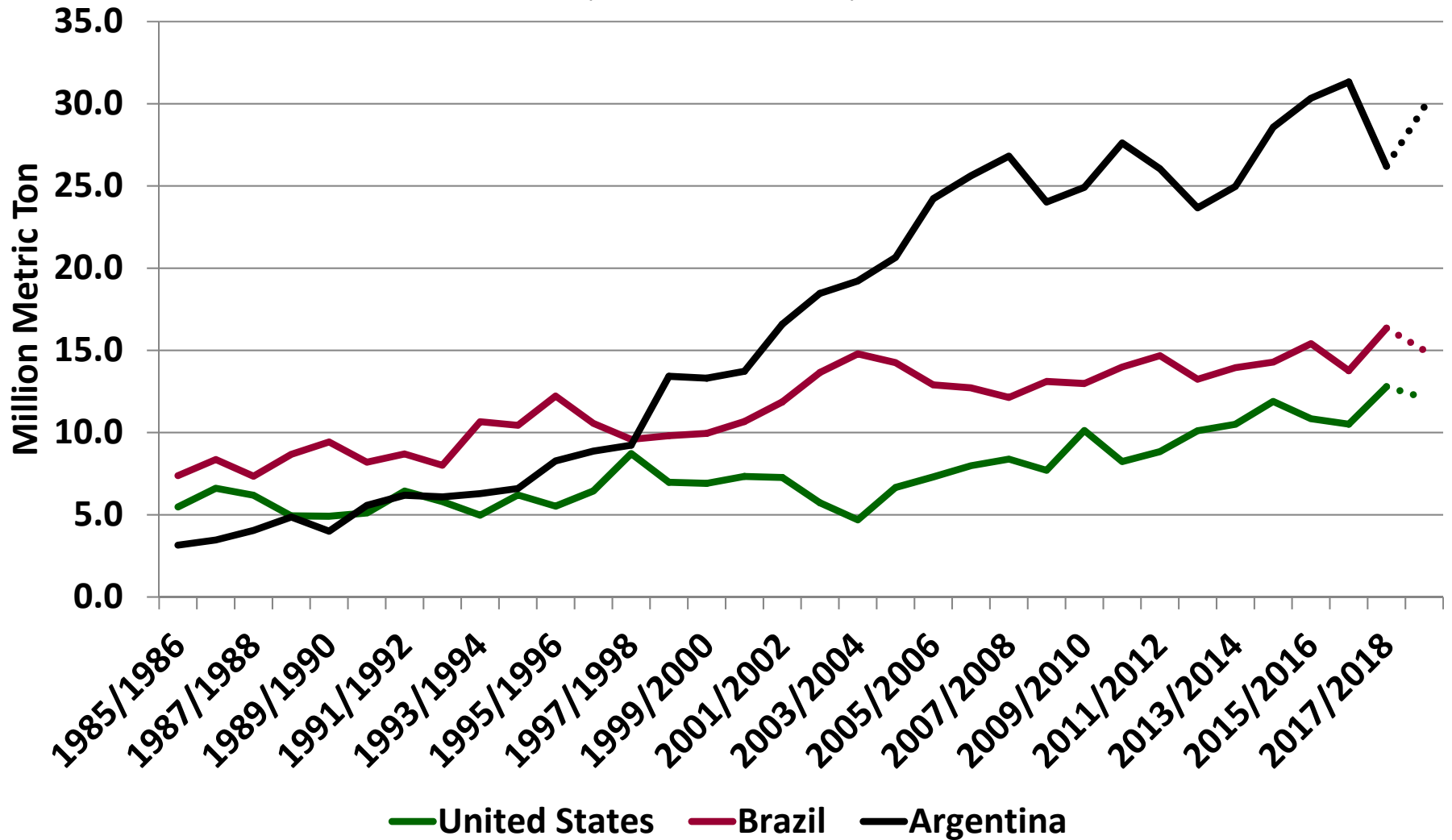
# Historical Soybean Exports

(Million Metric Ton)



# Historical Soybean Meal Exports

(Million Metric Ton)



# U.S. Soybean Supply & Demand Table

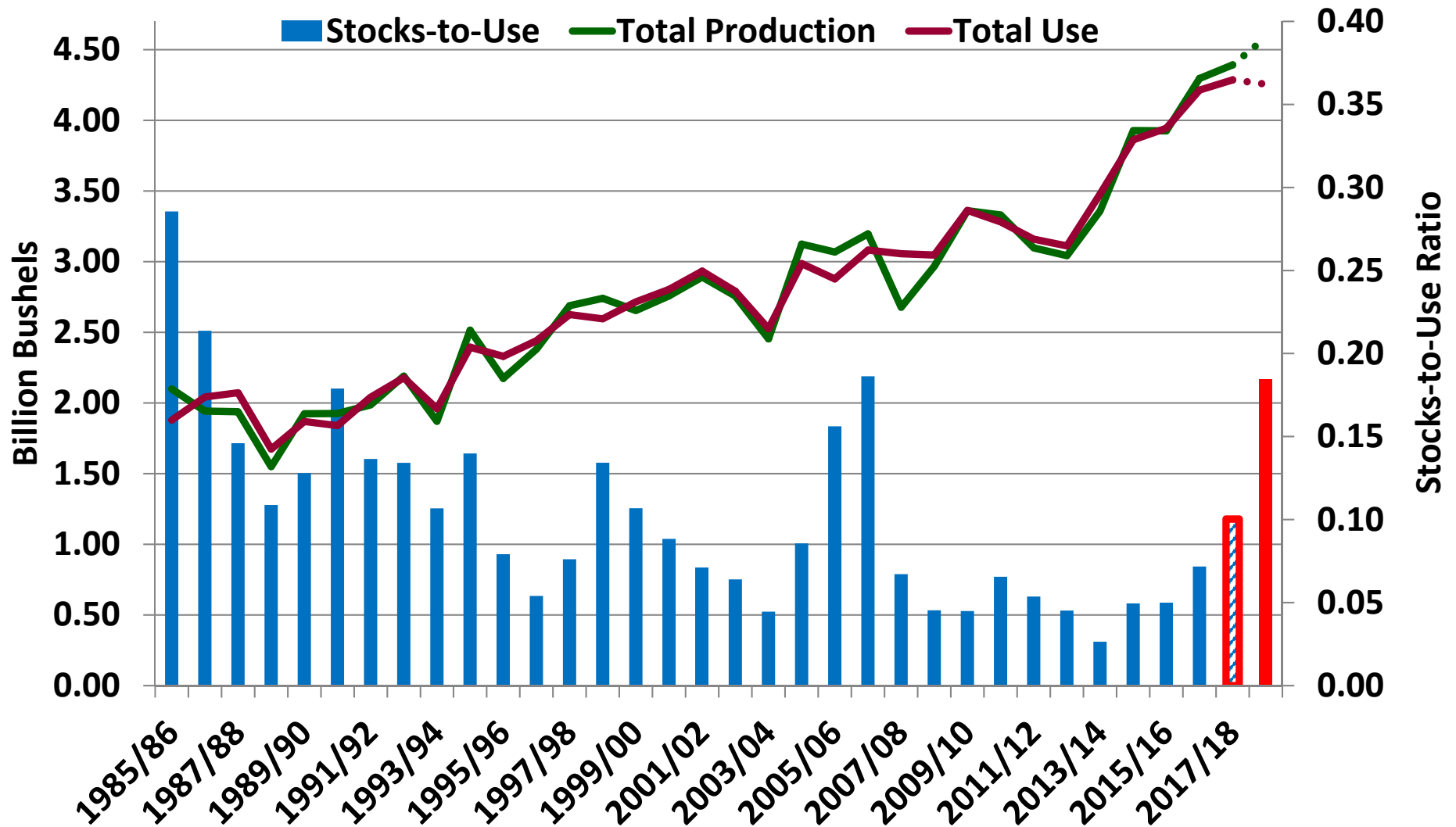
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Harvested			88.9 Mill. A.
Yield			51.6 bu.
			430 Mill. Bu.
			4,586 Mill. Bu.
Imports			25 Mill. Bu.
<b>Total Supply</b>		<b>4,286 Mill. Bu.</b>	<b>5,040 Mill. Bu.</b>
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**Stocks-to-Use Ratio is forecast to increase from 10.0% to 18.4%**

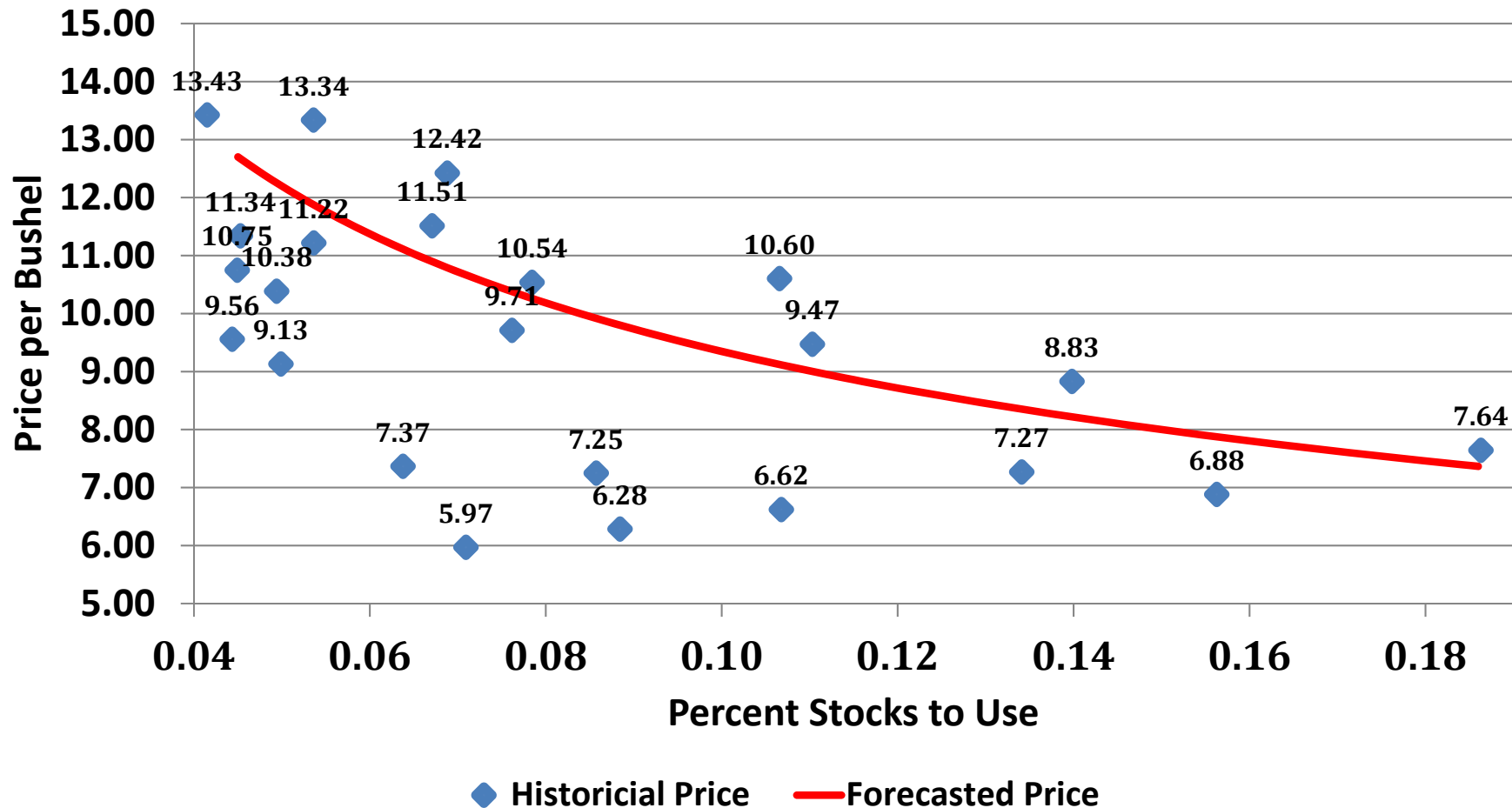
**2018/19 estimate was 8.7% in June, before tariffs.**

# U.S. Soybean – Total Prod. & Use

(Billion Bushels)



# Soybean Price vs. Stocks-to-Use Ratio with Inflation Adjustment 1993/94 to 2017/18



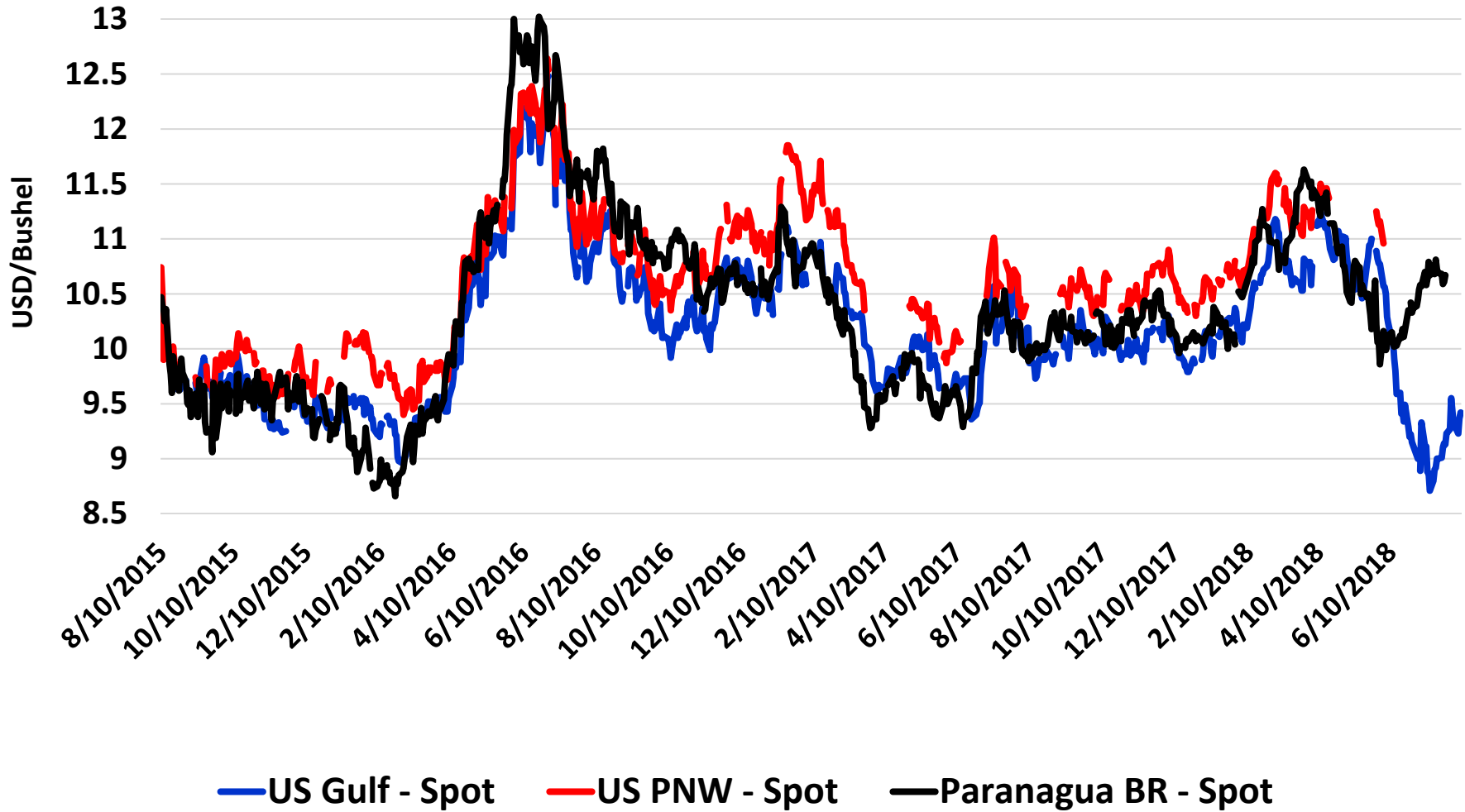


**You Think Your  
Basis Stinks?**



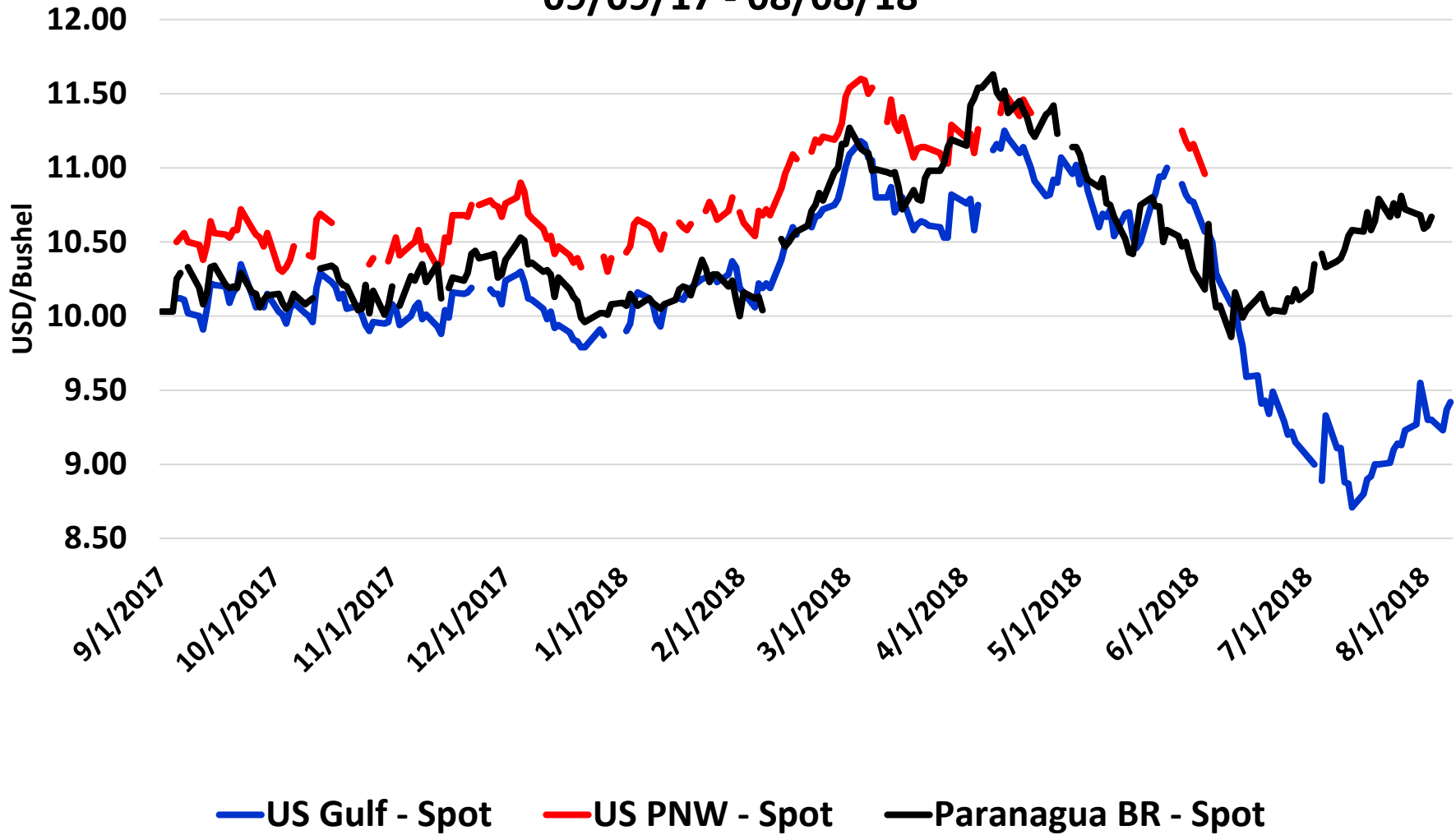
# Soybean Export Bids

08/10/15 - 08/08/18



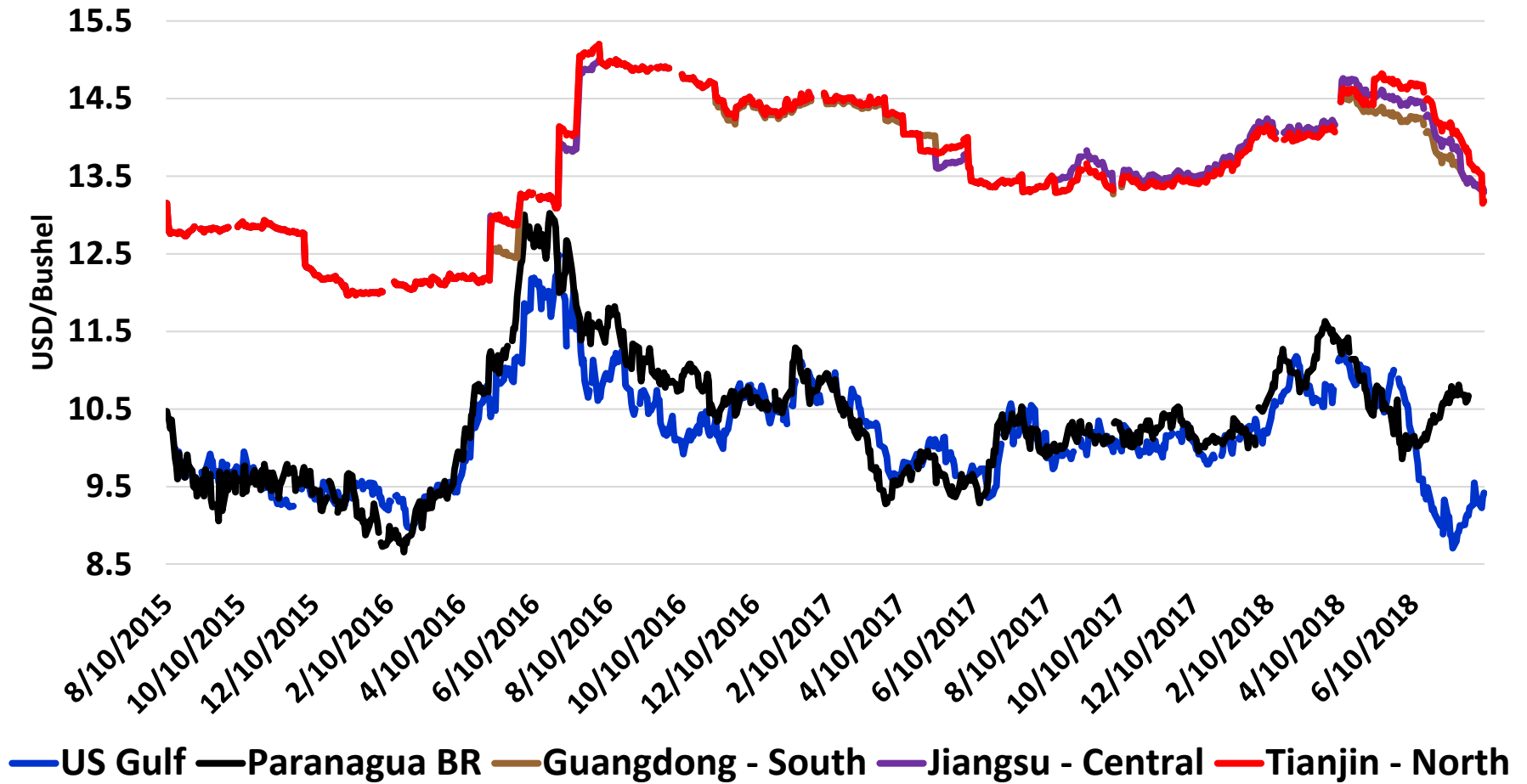
# Soybean Export Bids

09/09/17 - 08/08/18



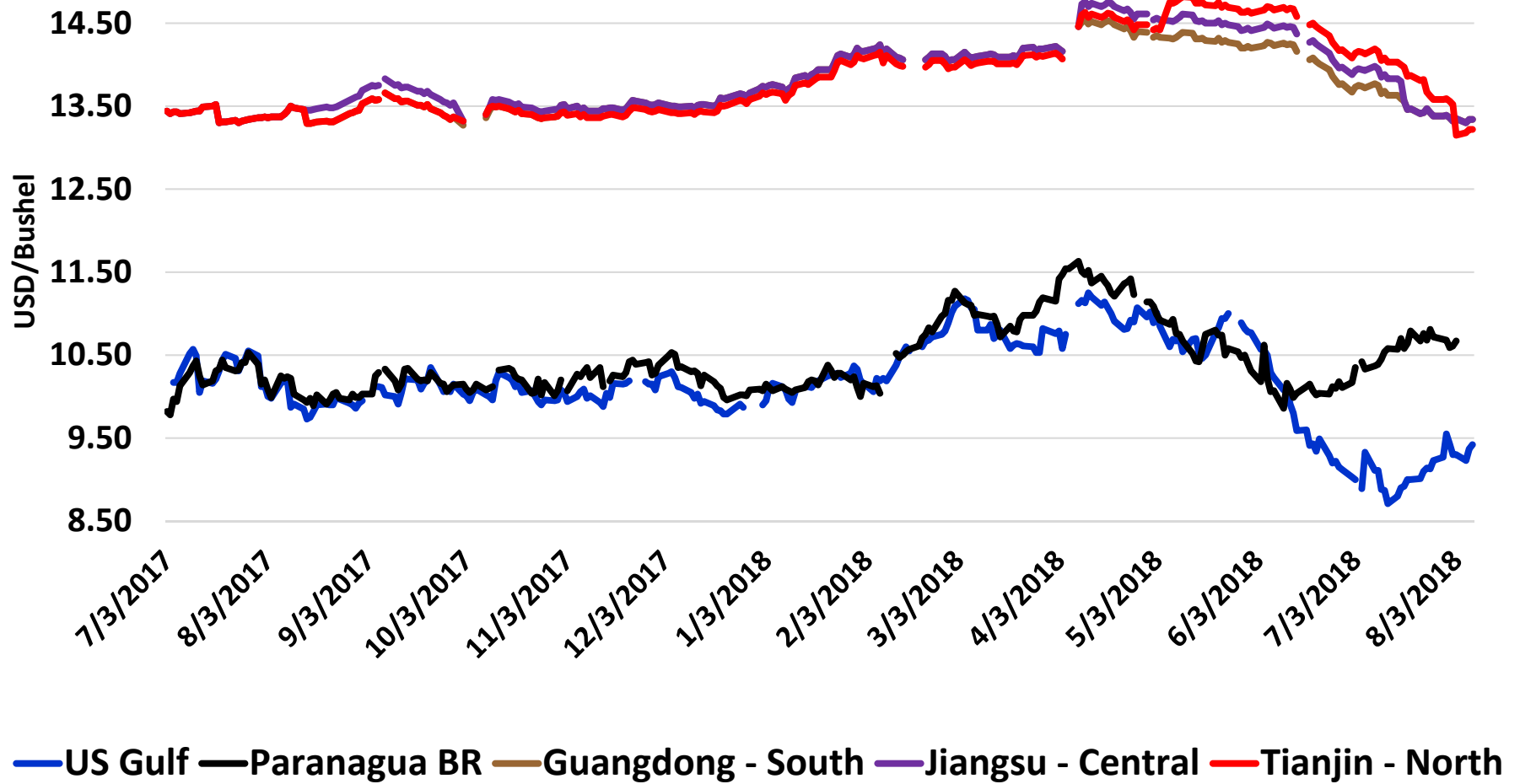
# China Soybean Bids

08/10/15 - 08/08/18

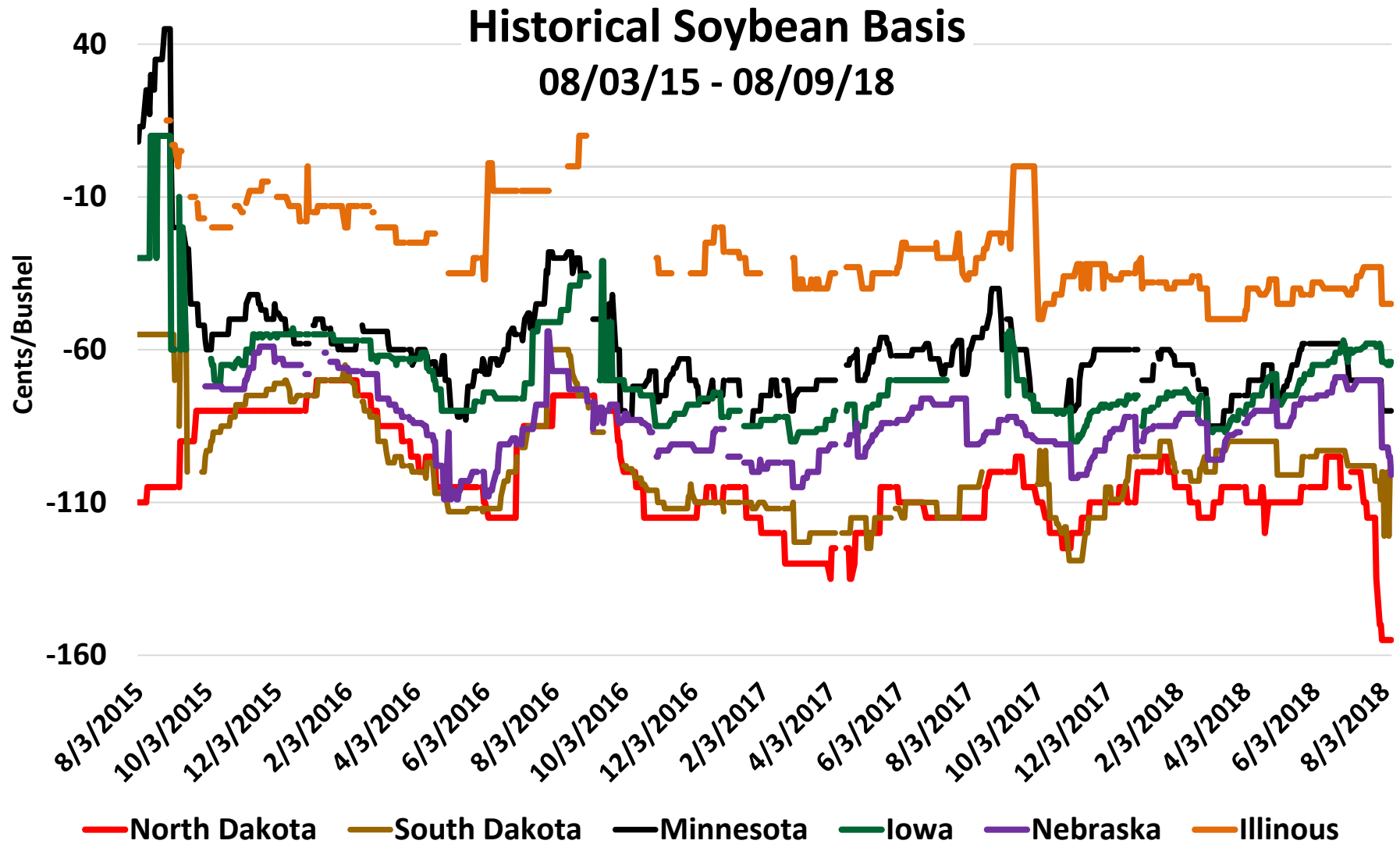


# China Soybean Bids

07/03/17 - 08/08/18

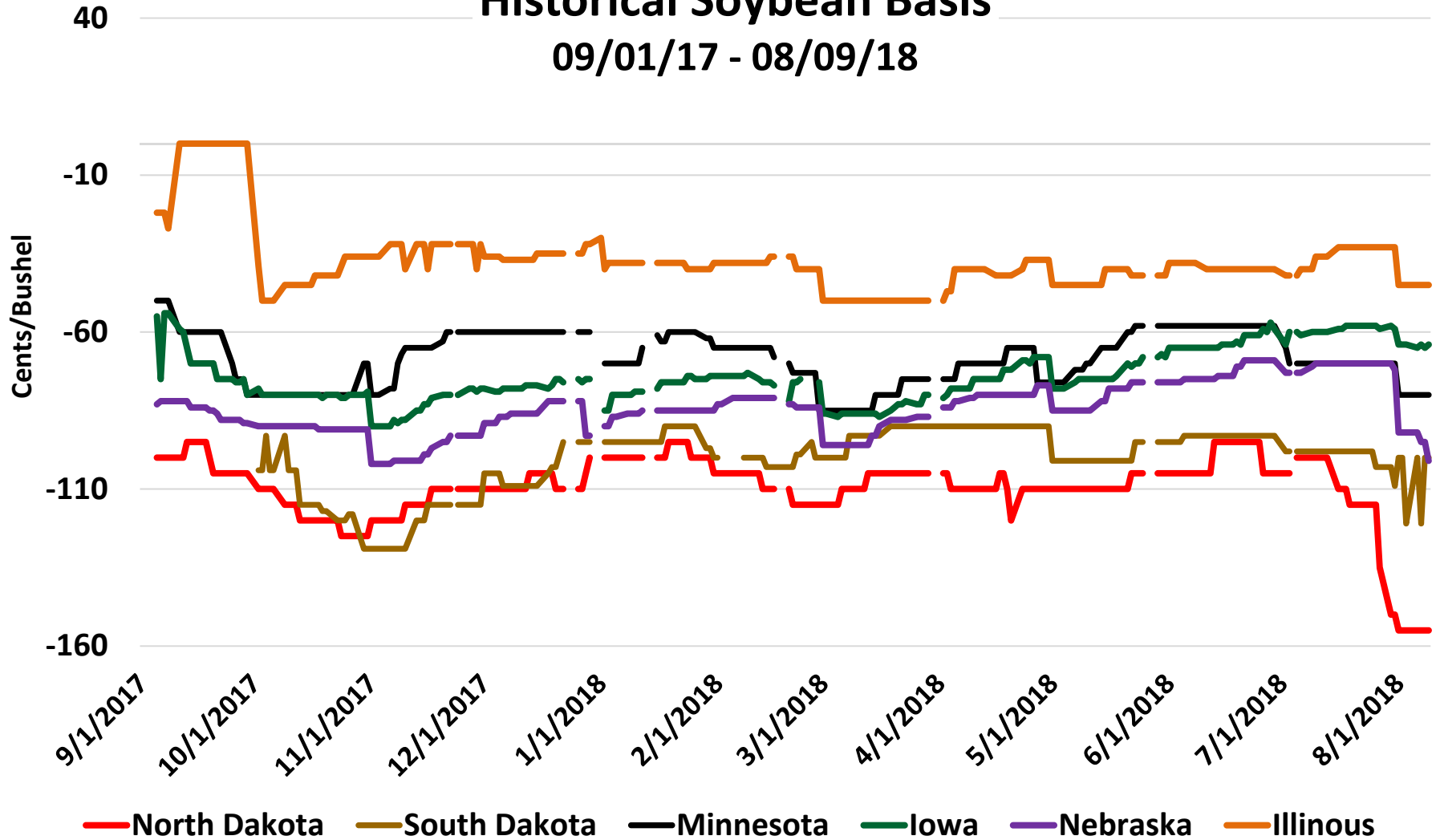


# Shifting Basis Levels



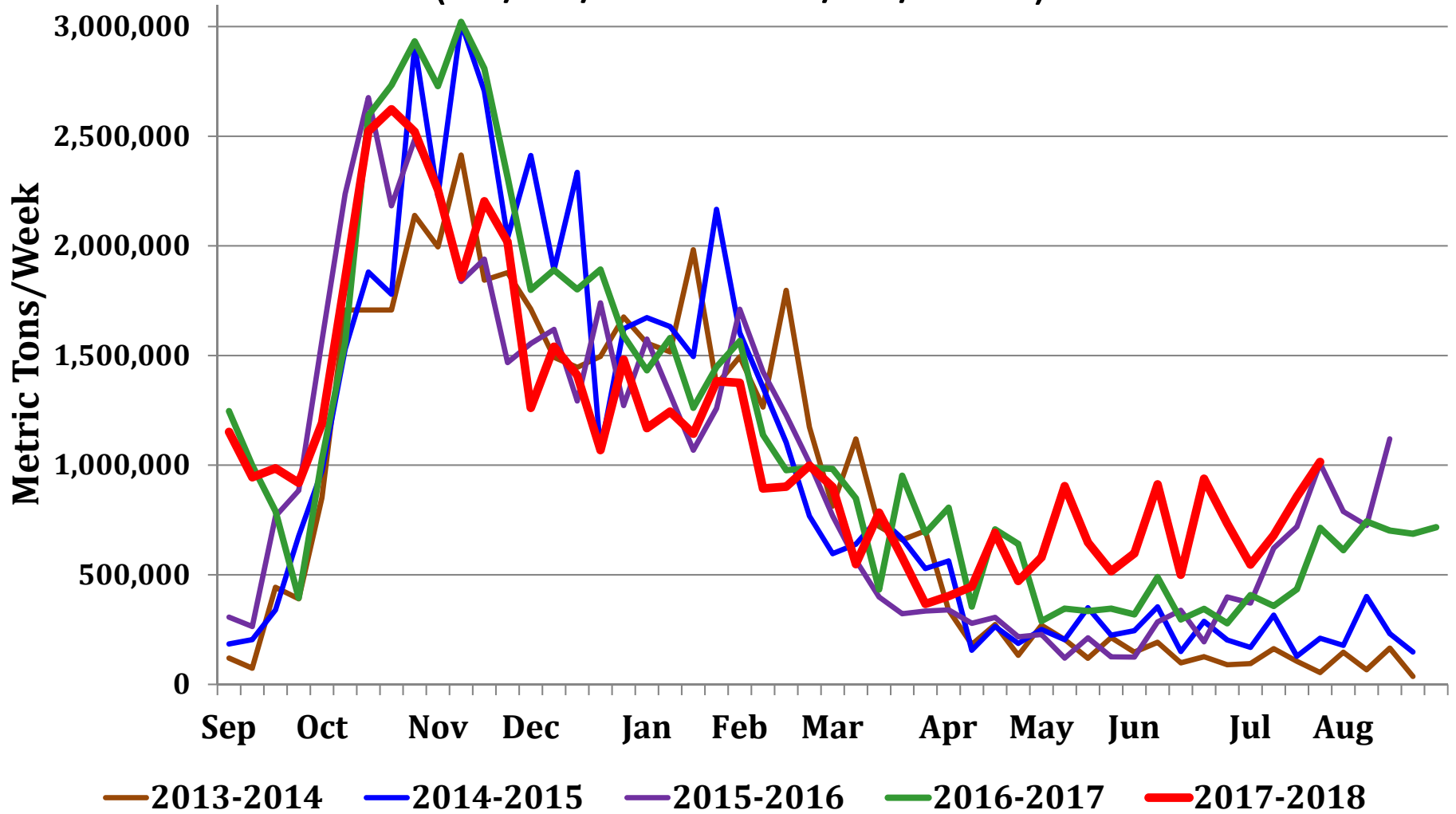
# Shifting Basis Levels

Historical Soybean Basis  
09/01/17 - 08/09/18



# Weekly U.S. Soybean Export Sales

(09/01/2013 – 08/02/2018)





# Questions?

