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## Weekly Outlook: Soybean Price Prospects Moving into 2020

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The two major drivers of uncertainty impacting soybean prices in 2019 appear set to carry over into 2020. The status of trade negotiations with China continues to move soybean markets despite numerous fits and starts in the process. Another USDA estimate of the 2019 soybean crop comes out in January. Without supportive information on either issue, the sustainability of the recent price rally into 2020 seems remote.

Nearby soybean futures prices since the middle of September ranged between \$8.70 and \$9.40. The highest prices came in mid-October in association with a reduced soybean production level in the October WASDE report and thawing relations on the trade front. The lowest prices occurred in early December after another round of trade frictions. Soybean basis during the recent rally in central Illinois sits in a stronger position than during the October price jump. Soybean basis strengthened almost twenty cents in the region from October levels with cash prices at soybean processors showing particularly strong bids.

The size of the 2019 soybean crop size remains an open question. Weather impacts during a later harvest may lower current yield projections of 46.9 bushels per acre or see some harvested acreage come out of the production equation. Production level changes may be minimal when the final estimate comes out in the January 10 crop production report. A substantial downward revision of soybean production would tighten up ending stocks considerably and alter consumption and price prospects. For now, an assumption of minimal changes seems appropriate and turns the focus to consumption for indications of price direction over the next few months.

The USDA's use projections for the 2019-20 marketing year have crush levels at 2.105 billion bushels. Through the first two months of the marketing year, soybean crush totals 349.5 million bushels. To reach the current projection, crush for the remaining ten months must average 175.5 million bushels a month. This required monthly pace sits slightly above the last marketing year's average over the same period. Higher soybean oil prices and extensive livestock inventories point toward a supportive demand for crush products this marketing year. Crush looks to remain on pace to meet current projections unless a dramatic change in the size of the 2019 crop or a significant expansion of exports materializes.

Exports, as currently projected, sit at 1.775 billion bushels. Exports got off to a stronger start this marketing year than in 2018-19. After two months of official Census Bureau data, soybean exports

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through October came in at 361 million bushels, up almost 12 percent over last year. Chinese buying drove exports higher. After placing a tariff waiver on approximately 367 million bushels in September, China imported 100 million bushels of U.S. soybeans during September and October period. This export amount came in almost 90 million bushels above the previous marketing year. Recent announcements of additional waivers on soybean exports remain murky but hold the promise for further purchases. This announcement is timely since export sales through November 28 showed total commitments for soybean exports to China approaching the previous tariff waived quantity at 353 million bushels. Export inspections through December 5 place soybean exports at 635.6 million bushels, 22 percent above last year's pace. South American competition and trade negotiations hold the key to export potential.

Forecasts of soybean production in Brazil and Argentina indicate an increase over last year's production by 25.7 million bushels, at 6.47 billion bushels. Reports out of South America at present indicate the Brazilian and Argentine crops appear in good shape despite the delay in planting associated with dryness. Projections of higher Brazilian exports and domestic consumption accompany the big crop. The forecast for Brazilian exports sits at 2.79 billion bushels, 51 million bushels above last year. Argentine exports look set to contract slightly, but a 126 million bushel expansion of crush holds implications for soybean oil and meal.

Globally, world production of soybeans looks set to come in almost 800 million bushels lower than last marketing year at 12.4 billion bushels. The sharp reduction in U.S. production captures all of this drop. The WASDE world domestic consumption projection comes in at 12.85 billion bushels, up 197 million bushels over last year. The increase in global consumption data shows the growth consists of approximately 167 million bushels of expansion within major South American exporters.

The progress of trade negotiations remains the prime driver of soybean price potential. World import projection for soybeans sits at 5.46 billion bushels, up 103.6 million bushels over last year. Import growth outside of China accounts for a mere 13.2 million bushels of the total. If a trade deal comes into place, the specific terms of the agreement remain crucial. A guaranteed increase in Chinese imports of U.S. crops seems destined to impact international competitors. Export expansion to non-Chinese markets may whither and mitigate price gains as Brazilian exporters look to move abundant projected crops. The competition will be intense for the remaining soybean markets without a general economic expansion in the world to boost soybean demand in 2020.

**YouTube Video:** Discussion and graphs associated with this article at: [https://youtu.be/78\\_OvCFN\\_zc](https://youtu.be/78_OvCFN_zc)