



Weekly Outlook: Soybean Prices Focus on Trade and Weather

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Soybean prices moved lower last week despite the positive outlook in the USDA's May WASDE report. The report, released on May 9, projected that stocks of U.S. soybeans at the end of the current marketing year would total 530 million bushels, slightly less than generally expected. The recent choppy price pattern reflects uncertainty in trade negotiations, the large Brazilian soybean crop, and weakening South American currencies.

November soybean futures prices moved in a band between \$10.20 and \$10.50 after the release of the surprisingly low March Prospective Planting report placed soybean acreage at 89 million acres. Prices broke lower on May 7 and continued to show weakness through May 18. The July – November price spread moved into negative territory on May 7 and reflects near-term uncertainty regarding trade prospects and planting issues. An additional level of uncertainty is the recent strengthening of the U.S. dollar to the Brazilian real which saw Brazilian export prices move on par with U.S. Gulf export prices. Brazilian production estimates of 4.3 billion bushels are equal to last year's record crop with some reports indicating the potential for even higher levels. The rapid drop in the Brazilian real last week brought increased sales by Brazilian farmers. Weekly exports of U.S. soybeans face increased competition from Brazil.

Currently, soybean exports are ahead of the pace needed to meet the projection of 2.065 billion bushels for the 2017-18 marketing year. As of May 17, soybean export inspections total 1.677 billion bushels. Cumulative Census Bureau export estimates from September 2017 through March 2018 exceeded weekly export inspections by 42 million bushels. If the same margin exhibited at the end of March continued through this period, exports through May 17 equaled 1.719 billion bushels. With 15 weeks remaining in the marketing year, 23.7 million bushels per week are necessary to meet the USDA projection. Over the last six weeks, soybean export inspections averaged 22.9 million bushels per week but varied with a low of 16.4 million bushels on for the week ending April 12 and a high of 32.8 million bushels for the week ending May 17. As of May 10, 397 million bushels of soybean had been sold for export but not shipped. This number exceeds the 346 million bushels necessary to reach 2.065 billion bushels based off of current sales figures and estimated export levels through May 17. A note of caution is warranted in the sales figures as China currently sits on 75 million bushels of unshipped sales and a 35 million bushel sales cancellation occurred on May 18. Recent developments in trade negotiations place a positive outlook for the remainder of the marketing year, but the uncertainty is not alleviated.

Soybean crush continues to provide support for soybean prices this year. April crush estimates by NOPA came in at 161.06 million bushels. Census Bureau estimates of crush during this marketing year run

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approximately six percent above NOPA estimates. If this pace continued, the Census Bureau crush estimate for the marketing year equals 1.365 billion bushels through April, 5.8 percent above last year's total over the same period. The current estimate implies that the crush during the remaining four months of the year must total 625 million bushels, 2.1 percent higher than the crush of a year ago, to reach the USDA projection of 1.99 billion bushels. Soybean meal exports continue to be strong due to issues in Argentina, the world's leading meal and oil exporter. Argentine production estimates sit at 1.43 billion bushels for the 2018 crop year, down 691 million bushels from last year's production. Issues associated with soybean crushing in Argentina continue to crop up with a possible worker's strike, port issues, and a weakening currency all looking to impact their potential for soybean crush over the next few months. Soybean crush shows no signs of weakening this summer in the U.S.

Early concerns about the 2018 soybean crop due to a slow start to the planting season have mostly dissipated. Concerns were mainly alleviated by the USDA's weekly *Crop Progress* report that indicated that planting progress in the 18 major soybean producing states came in at above average pace on May 13 with particularly strong performance in the eastern Corn Belt. Still, there should be some concern about crop progress, acreage allocations, and yield prospects in northern growing areas where planting progress sat well behind the average pace as of May 13. The USDA's *Acreage* report to be released on June 29 will also reveal any acreage changes from intentions published in the March survey.

Weather and trade issues will dominate price movements in the soybean market over the next few months. A resolution to the trade dispute with China would provide support for both new and old crop soybean prices, but uncertainty remains. Planting progress, crop conditions, and weekly export levels remain important variables to monitor as we move into the summer.

YouTube Video: Discussion and graphs associated with this article at: <https://youtu.be/wUG6yCk-eA>