



Weekly Outlook: Soybeans Facing More Acres and Weak Demand

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Soybean prices rallied over the last two weeks on planting issues across large swathes of the Corn Belt. Based on current consumption pace, soybean use this marketing year looks to end up at or below the USDA's projection of 4.004 billion bushels. Given that two to three weeks remain until prevented planting dates on soybeans occur over most of the Corn Belt, the possibility of planting more soybean acres than needed under a weaker demand scenario looks inevitable.

As we enter the final quarter of the 2018-19 marketing year, the pace of consumption appears to be at or below the current USDA projection. Soybean crush remains on pace to hit the USDA forecast of 2.1 billion bushels. The forecast is 2.2 percent larger than the crush totals during the previous marketing year. Estimates for soybean crush during the first eight months of the current year exceeded that of last year by 3.4 percent. The year-over-year changes in crush slowed during the third quarter of the marketing year. Crush during the most recent three months reported by USDA (January-March) exceeded that of a year ago by .01 percent, down from an average of 6.5 percent during the first four months. To reach the USDA projection, soybean crush totals during the last four months of the marketing year need to hit the same levels of a year. In total, approximately 690 million bushels of soybean crush from May through August will reach the 2.1 billion forecast.

The USDA projects that U.S. soybean exports during the current marketing year at 1.775 billion bushels, 16.6 percent less than last year. With about 13.3 weeks remaining in the marketing year, soybean exports sit near 1.316 billion bushels. To reach 1.775 billion bushels for the year, exports during the final weeks need to total about 459 million bushels or about 34 million bushels per week. For the eight weeks ended May 23, export inspections averaged 20 million bushels per week. Unshipped export sales as of May 23 were reported at 434 million bushels. Some of those sales will be rolled into the next marketing year or canceled altogether. Continued deterioration in trade negotiations with China led to reports of no buying of U.S. soybeans moving forward. However, no indication of withdrawing the 257 million bushels of outstanding sales currently on the books has been forthcoming. A resumption of trade hostility with Mexico does not help the export situation considering Mexico is the second largest soybean export market this marketing year.

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Planting concerns hang over the 2019 soybean production season. Planting has proceeded at a pace that sits well behind the previous 5-year average. Due to issues with corn planting and uncertainty about Market Facilitation Payments, an expectation of soybean acreage exceeding the intentions reported in the USDA's March *Prospective Plantings* report seems prudent. This acreage scenario is in stark contrast with the situation associated with corn acreage. Corn acreage appears set for substantial prevented planting or acreage switching as wet weather stretches into June. Acreage switching into soybeans will not be on an acre for acre basis from other crops not planted, but the potential for adding more than three million acres is high. Additional soybean acreage is not needed under current consumption expectations and brings the strength of the recent soybean price rally into question.

Soybean acreage left to plant in the 18 states reported by NASS in the weekly *Crop Progress* report sat at 57.8 million acres as of May 26. Due to rainy weather over large areas of the Corn Belt last week, the likelihood of extensive planting seems limited in the upcoming report. In particular, major soybean producing states contain substantial acreage left to plant with Illinois (9 million acres), Iowa (6.4 million acres), and Indiana (5 million acres) all receiving rain from the recent weather pattern. Weather forecasts indicate a return to normal levels of precipitation over the next few weeks which may get soybean acres planted promptly over many areas. While the potential for prevented planting acres exists for soybeans, the prevent plant date still has 10-20 days remaining over most of the Corn Belt.

For the U.S., quantifiable yield loss occurs as the percentage of the crop planted after May 30 increases. The prospect of yield losses eclipsing the potential impact of acreage increases remains to be determined from planting progress and summer weather. It seems prudent at this point to assume soybean production at or above the 4.15 billion bushels projected by the USDA in the May WASDE report.

While the prospects for 2019 U.S. soybean production remain uncertain, the recent price rally in the soybean market may provide a marketing opportunity. The combination of a growing ending stocks during the 2018-19 marketing year due to trade issues and growing supply for the following year may require poor summer weather conditions to sustain higher prices.

YouTube Video: Discussion and graphs associated with this article at <https://youtu.be/FTNFdYzW3l0>