



## Weekly Outlook: Is It Time to Sell New Crop Soybeans?

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Soybean prices rallied over the last week on increased uncertainty in South American soybean production and a weaker dollar. Soybean prices in the 2017-18 marketing year are following a very similar pattern to last marketing year and brings to the forefront the prospects of 2018 soybean sales. New crop cash bid prices for harvest in central Illinois recently ranged between \$9.70 and \$9.80. A prudent marketing plan for soybeans this year may possess some selling of new crop soybeans in this price rally.

Last year, November 2017 soybean futures price saw an early December rally that weakened over the holiday period and then moved higher in late January on potential weather issues in South America and strong soybean exports. November 2018 soybean futures price is following a similar pattern with prices 20 – 30 cents lower than last year. The 2017 November soybean contract stayed well above \$10 until the beginning of March and then declined substantially until a strong weather rally in July. Despite the similarities in South American production, soybean export levels are not as strong this year and an increase in soybean acreage in 2018 sets up another large production year.

Currently, U.S. soybean production estimates for 2017-18 sit at 4.392 billion bushels, down 0.7 percent from the November forecast on lower national yield. December 1 soybean stocks of 3.157 billion bushels came in 23 million bushels below trade expectations. The stocks estimate for the first quarter of the marketing year indicates disappearance of 1.54 billion bushels. First quarter 2017-18 marketing year estimates of exports and crush came in at 849.3 million bushels and 494.6 million bushels respectively. The soybean crush level during the first quarter indicated a two percent increase from last marketing year, while exports lagged last year's pace by 83 million bushels.

At this time last year, expectations for an increase in the number of acres planted in soybeans during 2017 and a potential record South American crop set up a scenario of significant downside risk for prices through the marketing year. Both of these factors materialized during 2017 with soybean planted acres increasing 6.8 million acres and Brazilian and Argentinian production both exceeding the January projection. The Brazilian crop ended up surpassing the January forecast by 371 million bushels. The USDA forecasted ending stocks of U.S. soybeans at 420 million bushels on January 12, 2017. U.S. exports were forecast at 2.05 billion bushels while crush was projected to be 1.93 billion bushels. U.S. soybean crush and exports ended the 2016-17 marketing year at 1.89 and 2.174 billion bushels respectively. Ending stocks came in at 302 million bushels. Soybean cash prices reflected the large

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South American crop and U.S. acreage expansion as the monthly average price for central Illinois decreased from \$9.86 in the first seven months of the marketing year to \$9.50 in the last five months.

The recent WASDE report forecasts soybean crush and exports for the U.S. in 2017-18 at 1.95 and 2.16 billion bushels respectively. At 470 million bushels, the ending stocks forecast is the largest since the 2006-07 marketing year. In 2018, many market observers place current projections of planted acreage of soybeans near 91 million acres, up 0.9 million acres over 2017. At a projected yield of 48.5 bushels per acre and harvested acreage at 90.3 during 2018, soybean production would be at 4.38 billion bushels. If the current projection by USDA for exports and crush materialize, total supply in the U.S. for the 2018-19 marketing year comes in near 4.87 billion bushels. At this point, the USDA ending stocks projections appear reasonable due to slower than expected export levels.

Forecasts by the USDA of Argentine soybean production currently sit at 2.06 billion bushels for the 2018 crop year. Numerous reports out of Argentina indicate substantial dryness with sub-soil moisture issues in many regions may reduce production by 140 to 150 million bushels. The USDA lowered Argentinian soybean production 36 million bushels in January. Current weather conditions in Brazil indicate strong production prospects in 2018, despite some recent issues with too much rain in many growing regions. The Brazilian soybean production forecast increased by 73.48 million bushels over the December forecast to 4.04 billion bushels. The expected increase in soybean production levels led to a 55 million bushels increase in the forecast for Brazilian soybean exports, up to 2.46 billion bushels. Taken together, USDA forecasts 6.1 billion bushels of soybean production and 2.77 billion bushels of soybeans exports from Brazil and Argentina over the marketing year, down from last year but still substantial levels of production for competition in the export markets.

The possibility of a strong downward price movement through 2018 is substantial, much like last year. Despite the potential for production issues in Argentina and Brazil, the South American crop is weeks away from final resolution to these weather issues. The possibility of an increase in soybean production in the U.S. and large soybean ending stocks projections hang over the rest of this year. The March 29 prospective plantings report will provide the next major indication for soybean acreage for 2018. With so much production uncertainty in the U.S. and South America over the next few months, the current bids for 2018 harvest delivery provide an opportunity for locking in prices on new crop soybeans.