



Weekly Outlook: Soybean and Corn Export Outlook

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The escalating trade issues between the U.S. and many of our trading partners continue to affect the outlook in both corn and soybean markets. Drastic price declines since Memorial Day show the impact of trade uncertainty and yield potential. The prospect of large yields combined with trade issues set the baseline for determining export potential and price formation in both corn and soybean markets moving forward.

The USDA soybean export projection for the current marketing year totals 2.085 billion bushels, up 20 million bushels from last month's estimate. Census Bureau export estimates through May place soybean exports at 1.762 billion bushels. Census Bureau export totals came in 42 million bushels larger than cumulative marketing year export inspections over the same period. As of July 12, cumulative export inspections for the current marketing year totaled 1.873 billion bushels. If the same difference in export pace continued through the current period, soybean exports would total 1.915 billion bushels as of July 12. For the remainder of the current marketing year, 24.2 million bushels of soybean exports are required each week to meet the USDA projection. During the last four weeks, export inspections of soybeans averaged 24.5 million bushels per week. Low soybean prices encouraged sales to destinations other than China over the last few weeks. As of July 5, total outstanding sales for the current marketing year totaled 263 million bushels, which is well above the estimated 170 million bushels required to meet the USDA projection. While China looks to cancel the 26 million bushels of outstanding sales it possesses, total outstanding sales still sit above the estimated total to meet USDA projection for this marketing year.

Adjustments to 2018-19 marketing year trade numbers in the latest USDA forecasts present a bearish picture for soybean exports. A reduction of 250 million bushels, to 2.04 billion bushels, from last month's soybean export forecast is not a surprise given the current trade environment. In conjunction with lower U.S. soybean export projections, the USDA reduced the Chinese soybean import forecast to 3.491 billion bushels. The 73 million bushel reduction from last marketing year is the first decrease in year over year imports by China since the 2003-04 marketing year. While Chinese imports appear set to decrease, the USDA projects substantial increases in South American production next marketing year. Argentine recovery from last season's drought and expanded acreage in Brazil place soybean production forecasts in the region at 7.1 billion bushels, up 808 million bushels from the current marketing year. Barring a resolution to current trade issues, soybean exports next marketing year will struggle despite the low prices currently in place.

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The prospect of record corn yields and the uncertainty surrounding trade continue to place pressure on corn prices. At 2.4 billion bushels, the USDA estimate for corn exports during the current marketing year appears somewhat optimistic given cumulative exports to date and unshipped sales. Export estimates by the Census Bureau through May place corn exports for the marketing year at 1.656 billion bushels. Through July 12, cumulative export inspections totaled 1.907 billion bushels. Using the relationship between export inspections and Census Bureau totals, exports for corn currently sit at 2.01 billion bushels. For the remainder of the marketing year, export inspections need to average approximately 56 million bushels per week to meet the USDA projection. For the last four weeks of export inspection data, corn exports averaged 56.7 million bushels per week. Total outstanding sales for the current marketing year sit at 454 million bushels, which is above the 394 million bushels required to reach the USDA projection. While corn exports may fall short of the current estimate, the blistering export pace in the second half of this marketing year looks set to continue into the fall.

Current USDA projections for corn exports during the 2018-19 marketing year total 2.225 billion bushels, up 125 million bushels from last month's projections. World import projections during the upcoming marketing year provided by the USDA sit at 5.95 billion bushels, up 193 million bushels over the current marketing year estimates. A low price and poor corn crops in South America and the Black Sea region provide an outlook for continued strength in corn exports as we move into the next marketing year. Current export sales data give indications to support this idea. As of July 5, corn outstanding sales for the 2018-19 marketing year sit at 183 million bushels, a 41 percent increase in sales from the same time last year.

Exports in both corn and soybeans built some strength over the last few weeks as lower prices spurred demand. Current estimates of export pace place both crops on track to meet or come near USDA projections for this marketing year. The size of the 2018 crop domestically and in key producing regions will provide a critical factor in determining U.S. export potential next marketing year. A resolution of trade issues with China and NAFTA partners would provide needed support. Current developments appear to make this a low probability event in the near term.

YouTube Video: Discussion and graphs associated with this article at URL available at : <https://youtu.be/dJV-2WZlvxA>