Weekly Outlook: Soybean Export Potential in 2018-19

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The extension of trade negotiations with China past January 1 and the possibility of a resolution to the current impasse rallied soybean prices after the G-20 summit. While China is supposedly entering the soybean market in the U.S., changes in the soybean export forecast look to be minimal at this time. The potential for strong South American soybean export competition during the marketing year is the limiting factor in expanded U.S. soybean exports despite the possible resolution of the trade issue.

The USDA's World Production Report estimates the size of the 2019 crop for major South American producers (Brazil, Argentina, Paraguay, Bolivia, and Uruguay) at 7.02 billion bushels. The current forecast is probably below the final crop estimate in 2019 by a healthy margin due to excellent conditions in Brazil. The crop year in Brazil witnessed favorable planting and a continuation of excellent growing conditions as we move into December. The soybean harvest could begin as soon as January. While the actual crop size will not be known for several months in South America, the current weather conditions point to a large Brazilian crop with some Brazilian observers placing this year's crop production near 4.78 billion bushels, almost 350 million bushels above the current USDA forecast. An increase in the USDA forecast of Brazilian production levels appears probable for 2019. Argentine production projections sit at 2.04 billion bushels, up from last year's drought-plagued production level of 1.39 billion bushels. Overall, the prospects of a large South American soybean crop look good on top of the excellent U.S. crop in 2018.

Estimates for Brazilian soybean exports in 2018-19 sit at 2.82 billion bushels, up 30 million bushels from last marketing year. Additional increases to Brazilian exports look likely in the near term. From September to October, Brazilian soybean exports came in near 552 million bushels, up 225 million bushels over the same period last year. Over 90 percent of this total went to China. On top of the Chinese tariffs on U.S. soybeans, reports indicate an uptick in buying of Brazilian soybeans scheduled for shipment after March 2019 to non-China sources. Soybean prices in post-March months in Brazil fell below U.S. prices when taking account of freight and protein quality. Plentiful Brazilian supplies and lower prices increase competitiveness for U.S. exports in 2019. The forecast for Argentine exports in 2018-19 sits at 294 million bushels, up 216 million bushels from the last marketing year. South American

competition for the soybean export market looks to be quite robust this year under the current trade environment.

The 1.9 billion bushel forecast for U.S. soybean exports during the marketing year reflects the loss of the Chinese market. Census data on U.S. soybean exports to China in the 2016-17 and 2017-18 marketing years indicated 1.327 billion bushels and 1.036 billion bushels respectively. Current U.S. Census Bureau trade data for soybeans is only available through October but shows a mere 12.4 million bushels of exports to China, down 354 million bushels from the same period last year. U.S. soybean exports typically exhibit a pattern of strong export levels in the first half of the marketing year and then dissipation through the second half of the marketing year as South American production becomes available to the world market. A somewhat muted version of this pattern looks probable this marketing year. While Chinese exports continue to show weakness, U.S. exports benefitted from the large share of Brazilian soybeans taken by China. The E.U., Egypt, Argentina, and Pakistan registered a noticeable increase in U.S. imports through October. Through October, Census Bureau exports sit at 325 million bushels, down 37 percent from last marketing year.

As of the November 29 export sales report, accumulated exports through 13 weeks of the marketing year are 484 million bushels. Outstanding sales over the same period came in at 403 million bushels. Current sales and exports place total commitments of soybean exports at 887 million bushels. As a percent of the WASDE forecast level of 1.9 billion bushels, total commitments sit at 47 percent of the marketing year total. Total commitments of soybean exports as a percent of the WASDE forecast level at this point in the marketing year ranged from 64 percent to 84 percent over the last five marketing years. The current pace places this year's export level well below average.

Uncertainty remains regarding the number of soybeans China may buy from the U.S. in the near term. A 90-day extension to the possible implementation of additional tariffs by the U.S. on Chinese goods leaves a narrow window for buying and shipping of soybeans to China. Additionally, Chinese importers of U.S. soybeans would assume a substantial amount of risk under the present environment. The continuation of current trade patterns for soybeans appears probable at this time with considerable competition from South America as we move into 2019.

YouTube Video: Discussion and graphs associated with this article at youtu.be/Pa8c8MxuTlw