



Weekly Outlook: 2020 Soybean Price Prospects

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Soybean prices put in a moderate rally last week. An outlook for a large South American soybean crop and uncertainty of the impact on economic growth associated with the evolving coronavirus situation hang over U.S. soybean demand scenarios moving forward. Expanding soybean acreage in 2020 looks to test the prospects for lower ending stocks despite stronger Chinese buying.

The latest release of USDA's WASDE projections for the 2019-20 marketing year increased the export forecast to 1.825 billion bushels. At 425 million bushels, forecast stocks of U.S. soybeans at the end of the current marketing year fell 50 million bushels and come in on par with ending stocks seen in the 2016-17 marketing year. Additionally, the current projection for South American soybean production sits at 6.9 billion bushels, up 144 million bushels over the last marketing year. The prospect of current marketing year ending stocks decreasing remains dependent on stronger export numbers. Hopes associated with the phase one trade deal with China diminished over the last month. Through February 6, China's total commitments for soybean exports total 446 million bushels, up 318 million bushels over the same period from the previous year. While the possibility of surpassing the 1.825 billion bushel USDA export projection for soybeans exists, the massive Brazilian crop and economic problems in China associated with the virus may affect buying this marketing year. Any uptick in Chinese buying for this marketing year could provide pricing opportunities for old crop soybeans as rallies may be limited.

The potential for stronger prices moving into the 2020-21 marketing year begins with the 2020 crop. Current expectations for soybean planted acreage encompass a wide range of possibilities. The prospect of increased acreage from 76.1 million acres planted in 2019 seems certain. Most forecasts to date place soybean acreage somewhere between 84 and 86 million acres. Current USDA long-term baseline projections have planted acreage at 84 million acres this year. Over the last ten years, USDA long-term forecasts for the upcoming marketing year averaged 1.06 million acres below the eventual March Prospective Plantings acreage.

Multiple factors currently drive the expectation of an increase in soybean acreage. It seems unlikely that 2020 provides another opportunity to set aside a significant amount of soybean acres like 2019. Winter wheat seedings are down 355 thousand acres to 30.8 million acres. Recent surveys of cotton producers place cotton acreage down 5.5 percent with many growers pointing toward corn and soybean acres as substitutes. Given the number of factors pointing toward higher soybean planted acreage in 2020,

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planted acreage near 85 million acres seems a reasonable expectation. The USDA will survey producer's planting intentions next month and release an estimate of those intentions in the March 31 Prospective Plantings report.

Since 1996, the difference between planted and harvested acreage of soybeans ranged between 595 thousand to 1.858 million acres. Years associated with inclement weather accounted for outsized differences between the two data points. Under a typical weather scenario, the expected level of planted acreage may see the abandonment of approximately 800 thousand acres in 2020. Planted acreage of 85 million acres leads to a harvested acreage of about 84.2 million acres.

Despite a tough growing season, soybean yields look to total near 47.4 bushels per acre nationally in 2019. Current USDA baseline projections place 2020 soybean yields at 50.5 bushels per acre. Based on the growth in soybean yields over the last decade, typical weather during 2020 could provide an average U.S. soybean yield near 50.3 bushels per acre. At this national yield total, the 2020 soybean crop comes in at 4.235 billion bushels.

A 2020 soybean crop of 4.235 billion bushels combined with the current USDA soybean stock projection of 425 million bushels and imports of 15 million bushels leads to a marketing year supply of 4.675 billion bushels, 193 million bushels larger than the supply for the current year. Soybean consumption needs to be greater than 4.25 billion bushels to prevent 2020-21 ending stocks from increasing under this scenario.

Soybean consumption at this level sits between the 4.214 and 4.297 billion bushels used in the 2016-17 and 2017-18 marketing years, respectively. In those two marketing years, U.S. soybean exports totaled 2.17 and 2.13 billion bushels with China accounting for 1.33 and 1.04 billion bushels. A smaller crop in Brazil in 2016 and a production shortfall in Argentina in 2017 helped in achieving those use totals. A similar situation does not seem plausible for 2020. While crush increased around 50 million bushels this marketing year from 2017-18 levels, expansion on 2.105 billion bushels of crush may be limited under an increased export scenario. If China commences buying soybeans at higher levels to meet the trade agreement, soybean exports may not eclipse two billion bushels due to the strong competition out of South America.

If one assumed soybean crush increased by 15 million bushels next marketing year to 2.12 billion bushels and exports totaled two billion bushels, total consumption when including seed and residual totals 4.25 billion bushels. Under this scenario, ending stocks stay at 425 million bushels. Increased soybean consumption at this level does not seem likely under current demand scenarios. A good 2020 soybean crop exacerbates the carryout issues for the 2020-21 marketing year.

Expectations for the 2020-21 marketing year include increased acreage and a slight increase in ending stocks. The scenario discussed places seasonal-average farm prices for soybeans in a range of \$8.65 - \$8.80 for the 2020-21 marketing year.

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