



Weekly Outlook: Soybean Exports, Acreage, and Yield

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July 2020 soybean futures jumped by 3 percent since June 1. Export prospects and optimism around economic reopening drove prices higher over the last week. As the market turns to the 2020 crop, acreage and yield potential come to the forefront. At present, a continuation of the recent rally appears dependent on export strength as production potential remains at levels seen entering the planting season.

A recent jump in soybean export sales, particularly for the 2020-21 marketing year, boosted soybean prices. A good chunk of the buying came from China. Outstanding sales for the next marketing year through June 4 came in at 152.6 million bushels. China buying sat at 74 million bushels. Since the latest export sales report, soybean sales reported by the Foreign Agricultural Service totaled an additional 40.7 million bushels and helped spark the strong rally last week. While confirmed sales to China only totaled 24 million bushels of those sales, a common assumption is that most of those purchases were moving across the Pacific. The strong pace of the next marketing year's sales sits on par with levels seen before the outbreak of trade hostilities with China. Soybean purchases by China out of Brazil continue at pace, and a large portion of the recent U.S. sales are for the next marketing year. Uncertainty about U.S.-China relations remain, but early soybean buying sets a positive tone.

In the June WASDE report, soybean exports for the current marketing year fell by 25 million bushels. The estimate revision was not surprising given the recent pace. Cumulative soybean export inspections through June 11 totaled 1.327 billion bushels. Through April, however, cumulative Census export estimates exceeded inspections by 58 million bushels. If that margin persisted through the recent report, exports for the year would total 1.385 billion bushels. To reach the USDA projection of 1.65 billion bushels for the year, exports need to be about 265 million bushels. As of June 4, the USDA reported that 273 million bushels of outstanding sales came in during the current marketing year. Since the previous export sales report, an additional 11.7 million bushels of soybean sales occurred for the current marketing year. With 12 weeks left, export inspections need to average 21.1 million bushels per week. Over the last eight weeks, export inspections averaged 14.8 million bushels per week. New buying and the current pace place soybean exports remain on track to hit the recently lowered estimate.

A continuation of the recent strength in soybean prices remains focused on the export potential for the next marketing year. Reports indicate China's demand through September looks mostly fulfilled and potential U.S. sales focus on the last quarter of the year. The strength of next year's exports remains key

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as USDA assumes a 24 percent increase from the current marketing year to 2.05 billion bushels. Brazil may have a say in attaining those elevated numbers. The projected size of the 2020-21 Brazilian soybean crop increased by 257 million bushels from this year to a record production level of 4.81 billion bushels. World soybean production for 2020-21 marketing year came in at 13.33 billion bushels with ending stocks falling 105 million bushels to 3.54 billion bushels. Expectations of Chinese soybean imports growing by 73.4 million bushels to 3.53 billion bushels help lower world ending stocks. While Chinese purchases look set to expand, increased U.S. exports imply recouping market share from South American exporters. The competition looks stiff and deteriorating relations between the U.S. and China may see U.S. soybeans as a secondary supplier in 2021. A projection of strong demand for U.S. soybeans next marketing year by the USDA helps lower ending stocks. Healthy demand is necessary because the 2020 crop looks to grow substantially from last year.

The USDA's March *Prospective Plantings* report revealed producer intentions to plant 83.5 million acres of soybeans this year, up 7.4 million acres from last year. On June 30, the USDA *Acreage* report provides the first indication of soybean acreage after planting. The recent rally in soybean prices and weak corn prices hold the potential of expanded soybean acreage this year. Over the previous ten years, the final estimate of planted acreage was less than March intentions in five years and larger than intentions in five years. The uncertainty about planted acreage of soybeans means there is room for a surprise in the estimate this year. The final planted acreage estimate has differed from the June estimate by over a million acres in five of the past ten years. The final estimate was less than the June estimate in four of those five years. It appears prevented acreage this year may be closer to normal. Since planting stands mostly complete by mid-June, except for double-cropped acreage to follow the wheat harvest, an expectation of the final acreage estimate being relatively close to the June estimate this year seems reasonable.

The recent increase in soybean prices lacks any substantial weather premium. There is potential for prices to move even higher with stressful summer weather. At present, the summer weather outlook projects normal weather conditions across much of the Corn Belt. While dry conditions remain present over a few areas in the western Corn Belt, the seasonal drought outlook forecasts minimal drought risk in major growing areas. A soybean yield near 49.8 bushels per acre seems reasonable for the 2020 crop under typical summer weather.

The 2020 soybean crop is off to a good start and there is no reason to discount production levels. Recent Chinese buying provides some hope for a robust demand recovery next marketing year. However, U.S. China relations and uncertainties associated with the pandemic look to hang over the markets for the remainder of the year.

YouTube Video: Discussion and graphs associated with this article available at:
<https://youtu.be/30VeAeTUR3o>