

Soybean Price Outlook: How Low for How Long?

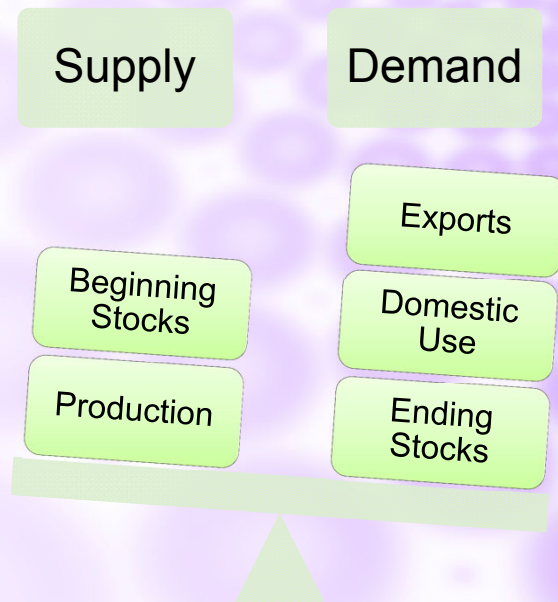
Joseph Janzen
Presentation to Kansas Soybean Expo
January 9, 2019

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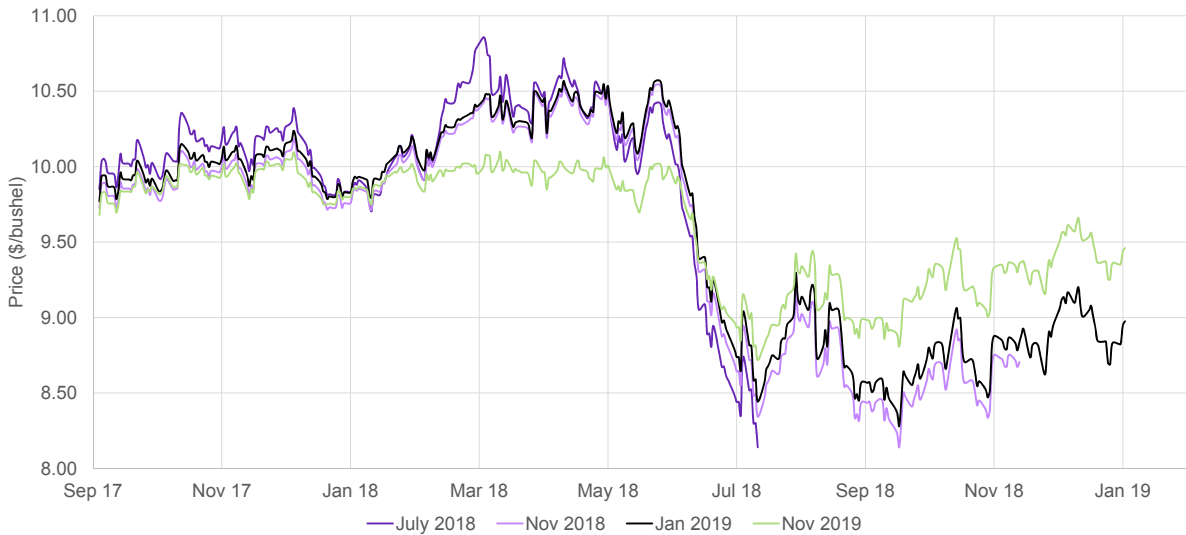
What are prices for?

- **Price is the number needed to balance supply and demand:**
 - **At current time in specific locations**
 - **Across time and across locations**



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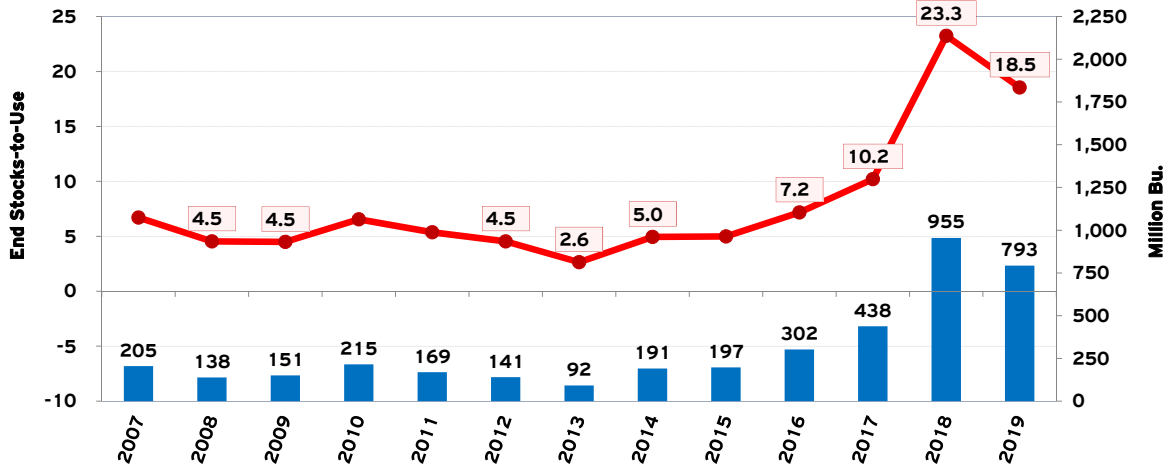


What did prices do?

CME Soybean Futures Prices for given contracts/expiration dates, Sept 2017 to present. Source: Bloomberg

Where do prices go from here?

- **Four major (known) variables:**
 - **Stocks: Large US Soybean Supplies/Carryout**
 - **Trade: China-US Trade War and Shift in US Exports**
 - **Competition: Expectations for 2019 SA Production**
 - **Acres: US Planting Intentions for Spring 2019**



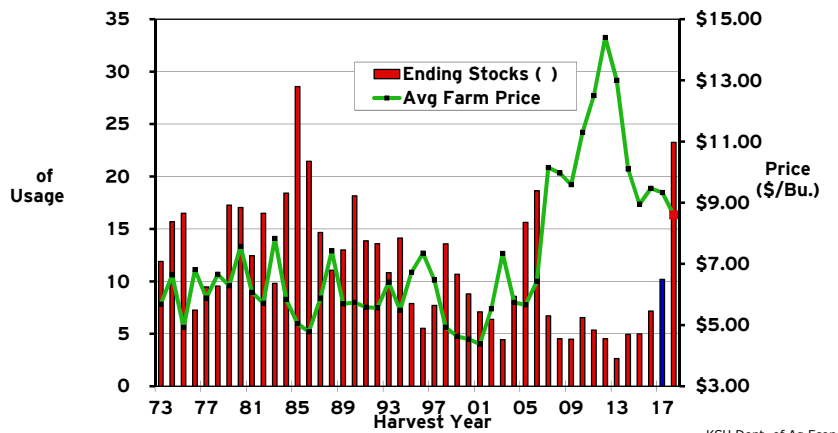
US Soybeans Will Be Plentiful Heading Into Next Marketing Year

US Soybean Stocks and Stocks-to-Use Ratio by Marketing Year, 2007/08 to present

Source: USDA World Agricultural Supply and Demand Estimates and Agricultural Projections to 2028



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Source: USDA WASDE Report 12.11.18

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Soybean Stocks to Use vs. Price



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Top 5 Importers¹ of U.S. Soybeans

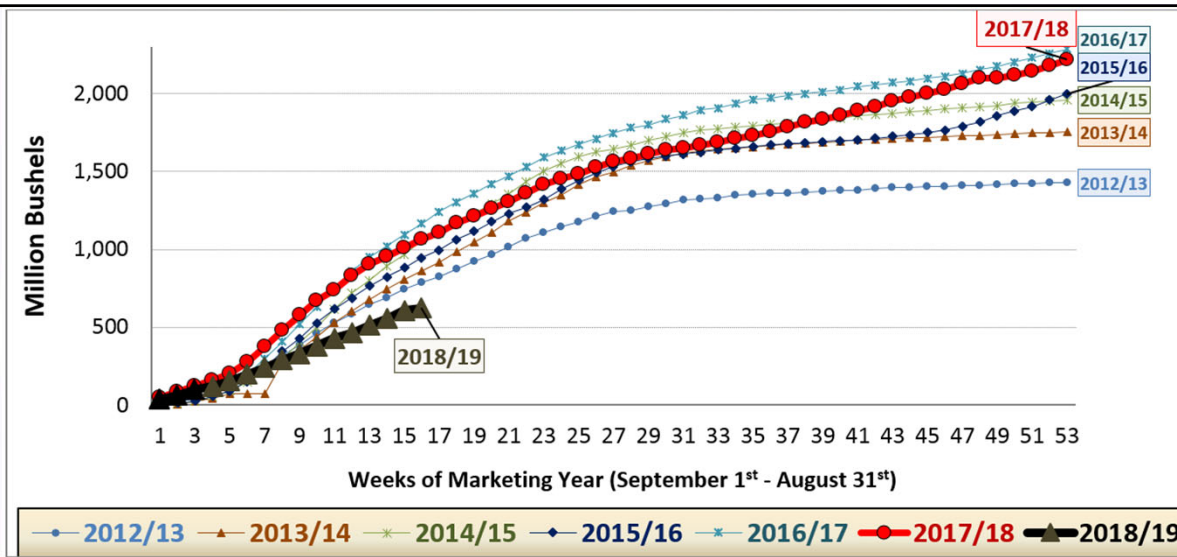
For the week ending 12/06/2018	Total Commitments ²		% change current MY from last MY	Exports ³ 3-yr avg. 2015-2017
	2018/19	2017/18		
	Current MY	Last MY		
	- 1,000 mt -			- 1,000 mt -
China	524	21,529	(98)	31,228
Mexico	3,420	1,924	78	3,716
Indonesia	833	713	17	2,250
Japan	1,180	1,121	5	2,145
Netherlands	1,131	586	93	2,209
Top 5 importers	7,087	25,874	(73)	41,549
Total US soybean export sales	24,941	37,654	(34)	55,113
% of Projected	48%	65%		
Change from prior week ²	792	1,382		
Top 5 importers' share of U.S. soybean export sales	28%	69%		75%
USDA forecast, December 2018	51,771	58,011	89	

US Soybeans Are *Slowly* Finding New Destinations

Source: USDA Agricultural Marketing Service, *Grain Transportation Report*, December 20, 2018



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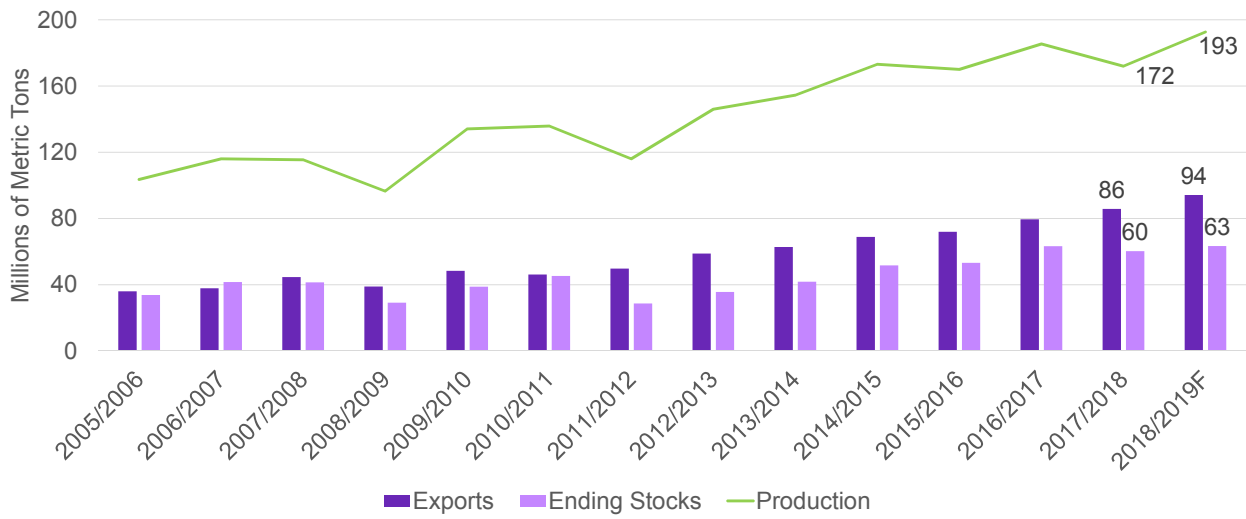


...but US Export Pace Remains Well Behind Even Poor Years

Source: USDA-FAS, Dan O'Brien, KSU AgManager.info



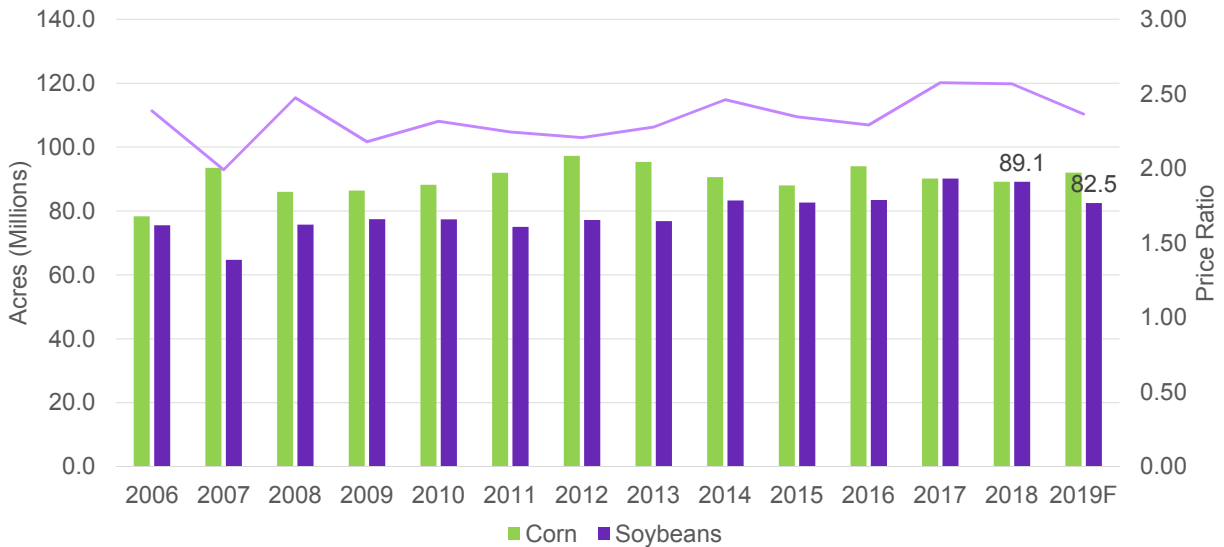
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South American Production Will Rebound in 2019

Production, Exports, and Ending Stocks for All S. American Countries by Marketing Year, 2005/06 to present, including projected 2018/19 numbers.

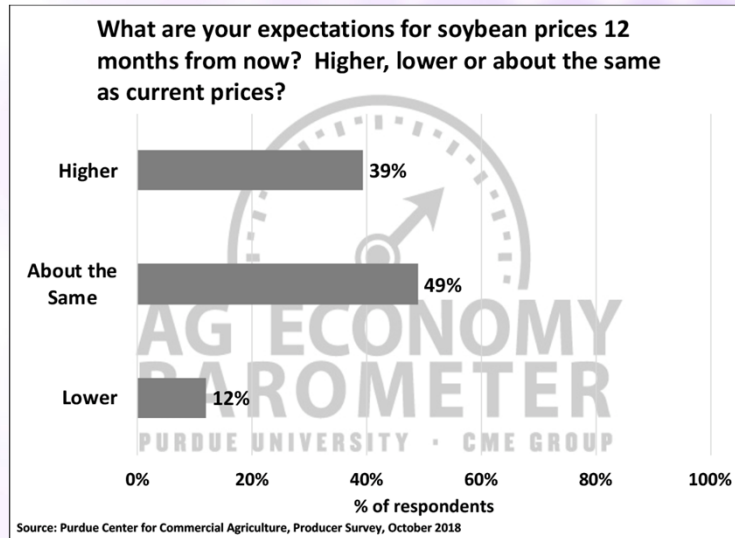
Source: USDA-Foreign Agricultural Service



May 100 Early USDA Forecast for Much Lower US Soybean Acres in 2019

US Corn/Soybean Planted Acres and Soybean:Corne Planting Time Price Ratio, 2006-present.

Source: National Agricultural Statistics Service, Bloomberg



Soybean Growers Are Still Optimistic About 2019

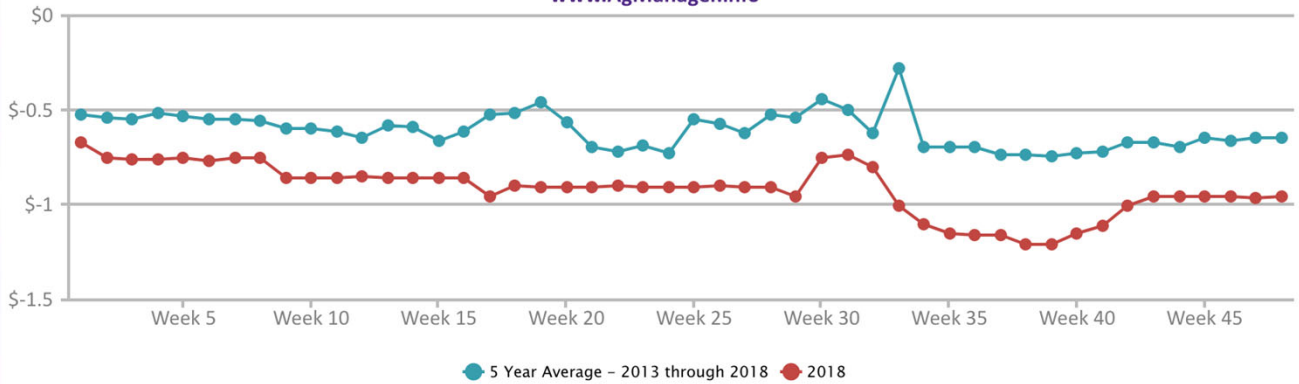
Source: Purdue/CME Ag Economy Barometer, October 2018

Considerations for Growers in 2019

- **Old-crop (2018 harvest):**
 - What return are you earning on stored beans?
 - How long can/should you store?
- **New-crop (2019 harvest):**
 - How much upside exposure do you want?

SALINA, KS: Soybeans Basis - CARGILL

www.AgManager.info



In Kansas, Significant Improvement After Very Weak Basis in Early Fall

Source: AgManager.info



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Calendar spreads are recently steady but can be extremely volatile

CME Soybean Futures November 2019-January 2019 calendar spread, Sept 2017 to present. Source: Bloomberg



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Local Markets

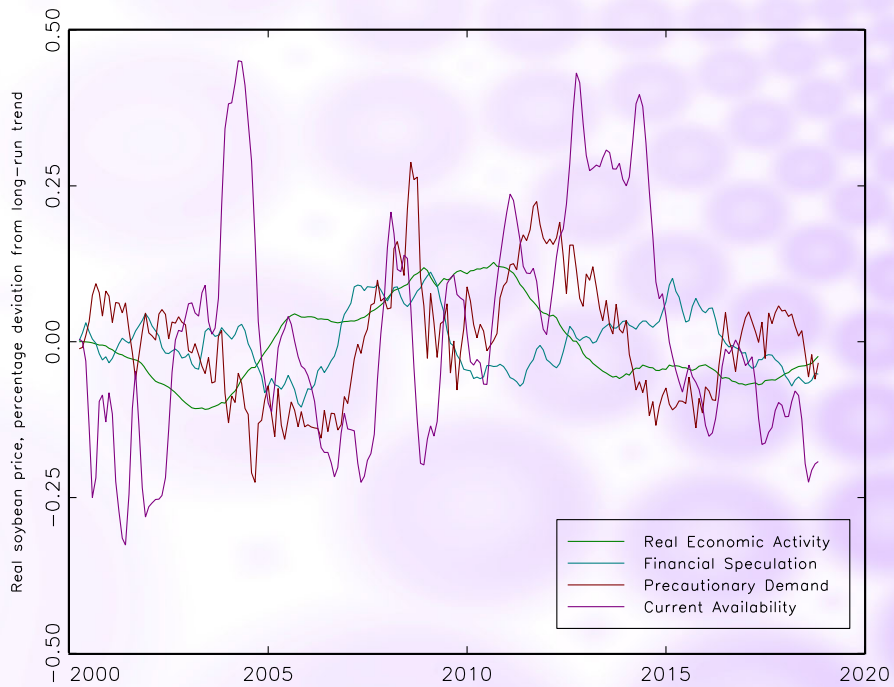
- **Cash and futures markets are trying to moderate the flow of soybeans through the handling and transportation system**
- **No one wants to be caught holding too much grain**
- **Given ample stocks,**

Old Crop vs New Crop

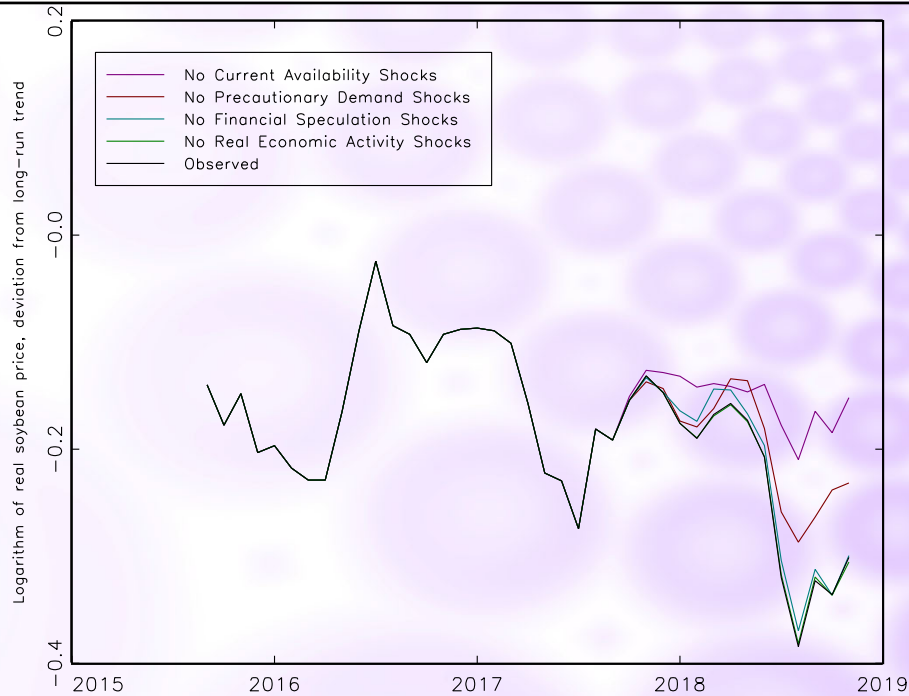
- **Futures forward curve, or Nov 18-Nov 19 spread**
- **Evolution of Fwd Curve over time**
- **Price level of new crop: Got to \$9.60-ish in early December**
- **How large can spreads get? Fin. Full carry from Jan-Nov = about 0.85 cents**

HOW LONG WILL ALL THIS LAST?

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- **Some discussion of MFP**
- **Govt shutdown**
- **Everyone loves to rip on USDA, but still follow their numbers**

Takeaways

- **Current prices likely to persist across maturities due to large stocks. Upside is limited, but so is downside.**
- **Continued uncertainty about new-crop pricing**
 - **Be cautious holding old-crop beans - have an exit strategy**
 - **Be opportunistic pricing new-crop beans - look for market signals, not ``news''**
- **Significant and growing proportion of current price weakness is due to expectations about the 2019/20 marketing year and beyond.**

Joe Janzen

Assistant Professor of Agricultural Economics

Kansas State University

jjanzen@ksu.edu

(785) 422-9490

 **@JosephJanzen**

QUESTIONS?



Joe Janzen is an assistant professor in the Department of Agricultural Economics at Kansas State University. His research addresses price and trading dynamics in agricultural commodity markets, especially grain markets. He teaches classes in agricultural marketing and farm management. From 2013 to 2018, Joe was an assistant professor at Montana State University. He received his Ph.D. in Agricultural and Resource Economics from the University of California, Davis in 2013. He also holds M.Sc. and B.Sc. degrees in Agribusiness and Agricultural Economics from the University of Manitoba. Prior to his doctoral studies, he farmed with his father and brother, growing wheat, canola, oats, and soybeans at St Francois Xavier, Manitoba, Canada.