

April 25, 2018

## Soybean Outlook Anticipating the May WASDE Report

### First Look at 2018/19 Could Set the Tone for the Season

The USDA's first official projections for the new crop season will be released on May 10th, and this may help set the tone for the market into the growing season. While the corn market is likely to show declining US and world ending stocks for the coming year, the outlook for soybeans could be bearish. If the weather is normal and yields are high, the US will be in position to see record ending stocks for the new crop season. This leaves soybean bulls in a position to need poor weather to see a stronger price trend.

Looking at the table on page 2, we see that with a trend line yield of 49.5 bushels per acre and demand numbers that are up 4.7% from this year, ending stocks for 2018/19 would come in around 601 million bushels, a new record. This would result in a stocks/usage ratio of 13.8%, up from 13.2% in 2017/18, 7.2% in 2016/17 and 5% in 2015/16. After the cold, wet spring in the northern and western Midwest, we look for some growers to be forced to switch from corn and wheat to soybeans. This could increase soybean planted area by about 500,000 acres from the March USDA Prospective Plantings estimate to roughly 89.5 million.

If yield comes in below trend at 47.5 bushels/acre (a 5-year low), ending stocks could slip to 423 million bushels, which would be down from 550 million in 2017/18 but still the second highest in 12 years. We would warn bullish traders that if yield comes in at 51.5 bushels/acre (above trend but still 1% below the record) ending stocks could surge to 780 million bushels, with a 17.9% stocks/usage ratio. Given the planting setup so far, we would view a 500 to 600 million-bushel ending stocks estimate for the end of the 2018/19 season as a strong possibility if the weather is normal.

For the 2017/18 season, world ending stocks are expected to fall to 90.8 million tonnes from the record 96.72 million the previous year. For the 2018/19 season, we see the US change in ending stocks has having a minor positive or negative effect on world supply. But China's demand is increasing at a rate of roughly 7 million tonnes per year, and this could tighten world stocks if all other factors are neutral and the US ending stocks do not change much from 2017/18. We do expect Brazil's production to be unchanged to slightly higher in 2018/19, and we could see Argentina's production recover back to nearly 18 million tonnes if the weather returns to normal, and this could bring world ending stocks to a near-record 100 million tonnes.

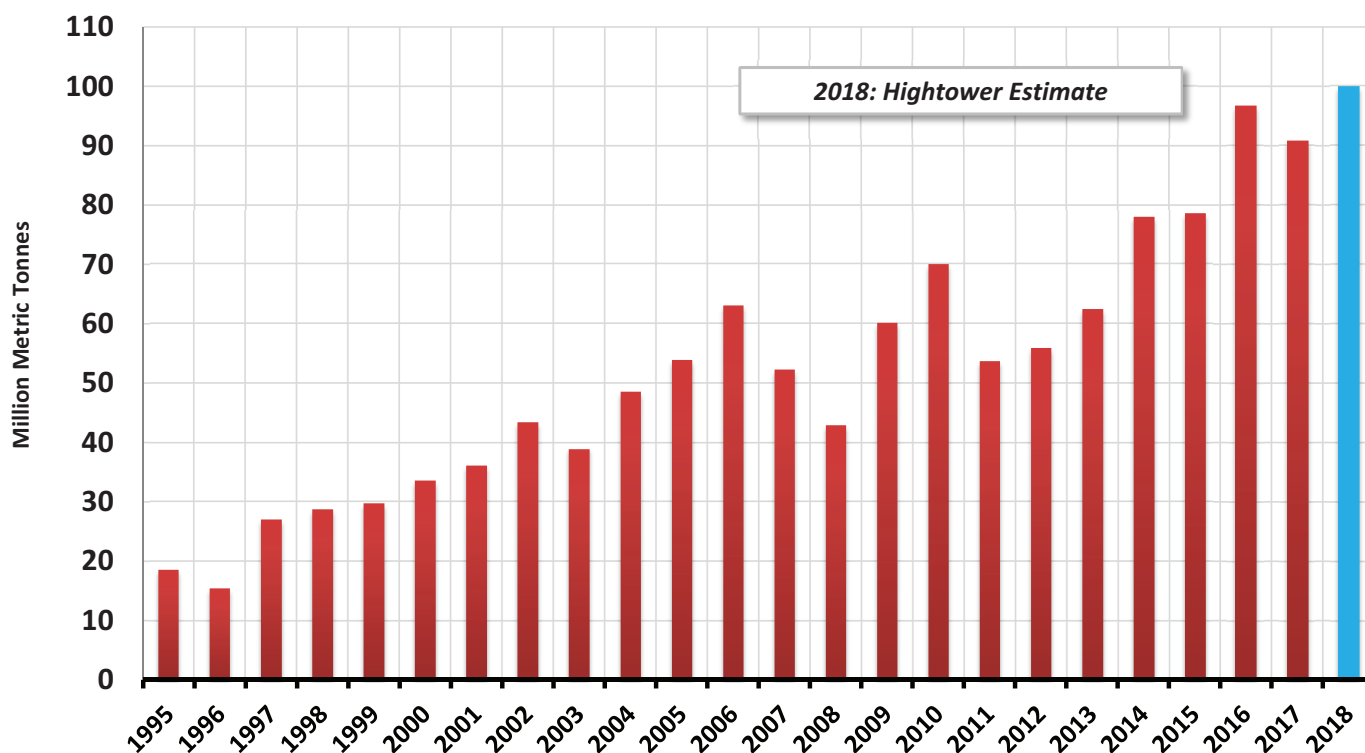
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USDA SUPPLY/DEMAND									2018/19		
US SOYBEANS									Lower Yield	Trend Yield	Higher Yield
	10-11	11-12	12-13	13-14	14-15	Apr USDA 15-16	Apr USDA 16-17	Apr USDA 17-18			
Planted Area (M Acres)	77.4	75.0	77.2	76.8	83.3	82.7	83.4	90.1	89.5	89.5	89.5
Harvested Area (Acres)	76.6	73.8	76.1	76.3	82.6	81.7	82.7	89.5	88.7	88.7	88.7
Yield (Bu/Acre)	43.5	42.0	40.0	44.0	47.6	48.0	52.0	49.1	47.5	49.5	51.5
Beginning Stocks (M Bu)	151	215	169	141	92	191	197	302	550	550	550
Production	3,331	3,097	3,042	3,358	3,927	3,926	4,296	4,392	4,213	4,391	4,570
Imports	14	16	41	72	33	24	22	25	25	25	25
Supply, Total	3,497	3,328	3,252	3,570	4,052	4,140	4,515	4,718	4,788	4,966	5,145
Crushings	1,648	1,703	1,689	1,734	1,873	1,886	1,901	1,970	1,980	1,980	1,980
Exports	1,505	1,366	1,328	1,639	1,842	1,942	2,174	2,065	2,250	2,250	2,250
Seed	87	90	89	97	96	97	105	103	102	102	102
Residual	43	-2	16	10	50	18	34	30	33	33	33
Use, Total	3,282	3,159	3,111	3,478	3,862	3,944	4,213	4,168	4,365	4,365	4,365
Ending Stocks	215	169	141	92	191	197	302	550	423	601	780
Stocks/Use Ratio	6.6%	5.4%	4.5%	2.6%	4.9%	5.0%	7.2%	13.2%	9.7%	13.8%	17.9%

## World Soybeans - Ending Stocks



While the supply situation looks potentially burdensome, the global demand tone for both meal and oil are very strong. As a result, July Soybeans are likely to find solid support near the \$10.14-\$10.12 zone ahead of the key growing season. Resistance is significant at \$10.42 and \$10.53 ½.

#### **Suggested Trading Strategy**

**BUY** July Soybeans at \$10.13 with an objective of \$10.53. Risk a total of 13 cents from entry.

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