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Soybean Outlook Anticipating the June Planted Acreage Report

Looking for an Upward Revision in Planted Area

Weather will be a key factor for determining the soybean supply for the coming season, but the USDA Acreage report to be released on June 29th could have a significant impact on the outlook as well. Recent weakness in the soybean market seems to have come from all fronts, with poor weekly export sales report, an ideal warm and wet weather outlook, uncertainty over trade between the US and China, G7 Summit concerns, and the weak Brazilian real, which is trading at its lowest level since March 2016. The weak real is encouraging Brazilian growers to aggressively sell their crops, and it could also promote higher acreage next season.

The USDA supply/demand (WASDE) report released on June 12th was considered supportive, with 2018/19 US ending stocks coming in at 385 million bushels, below the average trade estimate of 440 million bushels and down from the USDA's May estimate of 415 million. Ending stocks for 2017/18 came in at 505 million bushels, below the average trade estimate of 524 million and down from 530 million estimated in May.

In the same report the USDA left the China's imports unchanged for 2017/18 and for 2018/19, at 97.0 million and 103.0 million tonnes respectively. The question remains, how much of this will China import from the US?

US Soybeans Planted Area

March Prospective Plantings Vs. June Acreage Reports

Year	March	June	Difference	% Change
2001	76,657	75,416	-1,241	-1.6%
2002	72,966	72,993	27	0.0%
2003	73,182	73,653	471	0.6%
2004	75,411	74,809	-602	-0.8%
2005	73,910	73,303	-607	-0.8%
2006	76,895	74,930	-1,965	-2.6%
2007	67,140	64,081	-3,059	-4.6%
2008	74,793	74,533	-260	-0.3%
2009	76,024	77,483	1,459	1.9%
2010	78,098	78,868	770	1.0%
2011	76,690	75,208	-1,482	-1.9%
2012	73,902	73,636	-266	-0.4%
2013	77,126	77,728	602	0.8%
2014	81,493	84,839	3,346	4.1%
2015	84,635	85,139	504	0.6%
2016	82,236	83,688	1,452	1.8%
2017	88,000	89,513	1,513	1.7%
2018	88,982			
Average			39	0.0%
Max			3,346	4.1%
Min			-3,059	-4.6%
Up			9	
Up Avg			1,127	1.4%
Down			8	
Down Avg			-1,185	-1.6%

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For the June 29th Acreage Report, many traders are looking for a 500,000 to 900,000 acre increase from the March estimate of 88.982 million acres because of the good weather during the planting season. The table below shows the history of the March and June numbers going back to 2001. The average increase for the last four years is 1.704 million acres, and last year the acreage estimate increase by 1.513 million from March to June .

Supply/Demand Scenarios for 2018/19

Given the strong start to the crop this year and the chances for an upward revision in planted area, we assembled the table below to compare the supply/demand setups under various yield and acreage scenarios.

Starting with the current acreage estimates, a “high” yield of 50 bushels per acre this year would leave ending stocks at 515 million bushels, up from the current estimate of 385 million and up from 505 million for 2017/18. A yield matching the previous record at 52 bushels per acre would leave ending stocks at a record-high 691 million bushels.

If we add 1.1 million acres to the planted area, a trend yield of 48.5 bushels per acre would leave ending stocks at 436 million bushels. A 50 bushel/acre yield would leave ending stocks at a record high 570 million bushels, and a yield matching the previous record at 52 bushels per acre would leave ending stocks at a whopping 748 million bushels.

Under these conditions it looks like it would take poor-yielding crops in at least some regions of the US to avoid a burdensome supply for 2018/19.

USDA SUPPLY/DEMAND US SOYBEANS							2018/19		2018/19		
							Current Acreage		Higher Acreage		
							High	Record	Trend	Higher	Record
	13-14	14-15	15-16	16-17	17-18	18-19	Yield	Yield	Yield	Yield	Yield
Planted Area (M Acres)	76.8	83.3	82.7	83.4	90.1	89.0	89.0	89.0	90.1	90.1	90.1
Harvested Area (Acres)	76.3	82.6	81.7	82.7	89.5	88.2	88.2	88.2	89.3	89.3	89.3
Yield (Bu/Acre)	44.0	47.6	48.0	52.0	49.1	48.5	50.0	52.0	48.5	50.0	52.0
Beginning Stocks (M Bu)	141	92	191	197	302	505	505	505	505	505	505
Production	3,358	3,927	3,926	4,296	4,392	4,280	4,410	4,586	4,331	4,465	4,643
Imports	72	33	24	22	25	25	25	25	25	25	25
Supply, Total	3,570	4,052	4,140	4,515	4,718	4,810	4,940	5,116	4,861	4,995	5,173
Crushings	1,734	1,873	1,886	1,901	2,015	2,000	2,000	2,000	2,000	2,000	2,000
Exports	1,639	1,842	1,942	2,174	2,065	2,290	2,290	2,290	2,290	2,290	2,290
Seed	97	96	97	105	103	103	103	103	103	103	103
Residual	10	50	18	34	30	32	32	32	32	32	32
Use, Total	3,478	3,862	3,944	4,213	4,213	4,425	4,425	4,425	4,425	4,425	4,425
Ending Stocks	92	191	197	302	505	385	515	691	436	570	748
Stocks/Use Ratio	2.6%	4.9%	5.0%	7.2%	12.0%	8.7%	11.6%	15.6%	9.8%	12.9%	16.9%

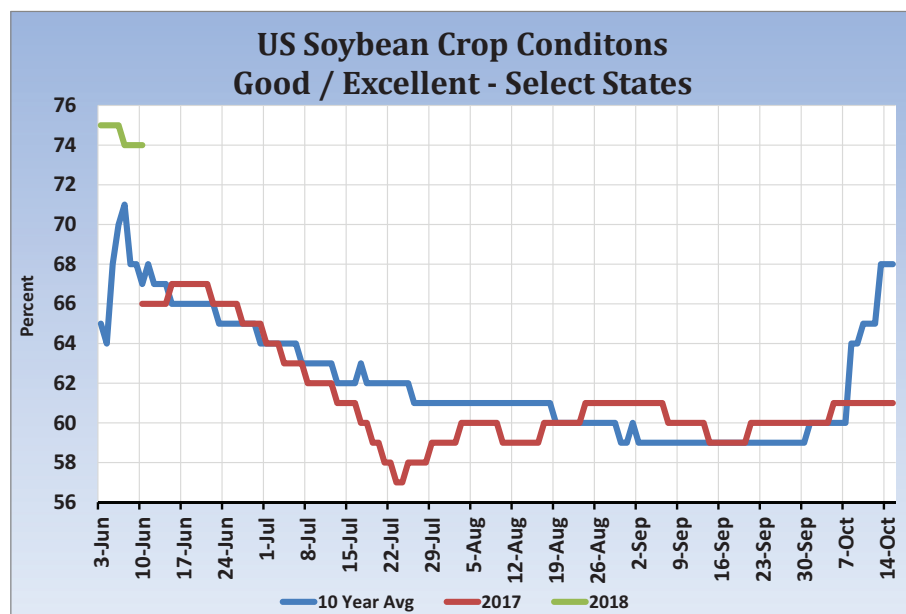
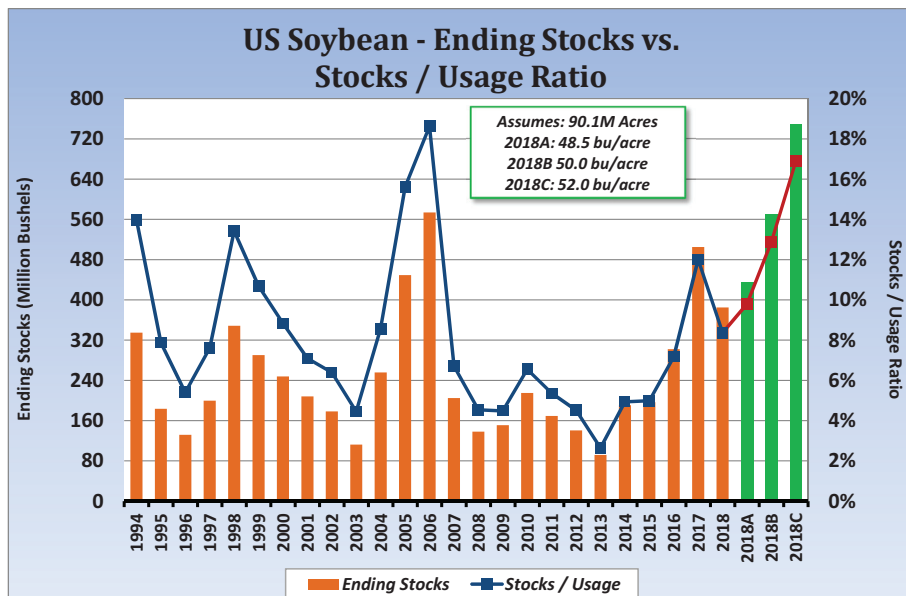
Crop off to a Good Start, but July-August Weather is Vital

The soybean crop is off to a great start, but it is most sensitive to weather and stress from the mid July to early August. There are some weather forecasters starting to talk about a ridge building over the western US for the second half of June and possibly into July. Under those conditions, rainfall in eastern Kansas, in Missouri, and the Delta may not be sufficient to counter evaporation. (Missouri's good-excellent ratings went down 6% to 48% last week, and its 14-day percent-of-normal precipitation is already below 50%.) The recent NWS 6-10 and 8-14 day outlooks show heat in the Midwest and Delta through June 26th.

Price Outlook

The soybean market has cleansed itself of speculative length over the past two weeks, with July Soybeans down as much as \$1.16 3/4 (11%) from the May 24th peak.

It seems too early for traders to expect record-type yield. If the market sees a strong rally into the report, traders might consider selling November Soybeans near the \$9.97 to \$10.03 zone, using \$9.32 as a downside objective. A near term break to \$346.80 for December Soybean Meal could be a buying opportunity in anticipation of a bounce to \$369.60 off of a weather scare.



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