

Soybean Market Outlook: My Opinions

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COVID-19 Timeline

- “Stay At Home” orders will be relaxed in about 30 days.
 - Likely to be re-instated in “hot spots”.
- School re-opening?
 - Not this spring.
 - Fall re-opening is unclear.
- Business re-openings:
 - Non-essential businesses – about 30 days.
 - Clothing stores, shopping malls, hair salons, dentists, auto dealers, parks, beaches, ...
 - Social distancing will be required.
 - Masks may be required.

COVID-19 Timeline

- Business re-openings (cont.):
 - Restaurants and movie theaters – 45 to 60 days.
 - Require social distancing.
 - Require employees to wear masks and gloves.
 - What will consumer response be?
 - Attend sporting events and concerts – not until vaccine is widely available (12 – 18 months).
 - Alternative is to limit seating to promote social distancing.

COVID-19 Timeline

- Economic recovery:
 - Strong rebound until fall 2020 (Sep. or Oct.), then slow growth.
 - Second “bubble” of infections likely in winter 2020/21 (Oct. 2020 – Apr. 2021).
 - Social restrictions and business closings may be re-instated.
 - Long term recovery will not begin until wide spread vaccination is available.
 - Consumers will feel comfortable returning to their “normal” lives.

COVID-19 Timeline

- Economic recovery:
 - Crude oil price recovery will be slow.
 - Global supplies are very strong and global demand recovery will be slow.
 - Motor fuel prices (gasoline, ethanol and diesel fuel) will also be slow to recover.
 - Motor fuel demand will be strong this summer.
 - Summer vacations will be “local”.
 - Drive, not fly; no cruises.
 - Transportation fuel (diesel) to refilling supply chain.

COVID-19 Timeline

- Economic recovery:
 - Meat demand will recover slowly, but prices will be weak.
 - Current record meat production and growing cold storage inventories (strong supplies).
 - Summer grilling season will help.
 - Consumers will be worried about being laid off again and will need time to rebuild personal finances (price sensitive buyers).
 - 2021 will see improved U.S. meat demand.
 - 2020 meat exports will be slow due to weakened global economy.

Soybean Supply/Demand Outlook

- 2020 soybean plantings between 85.0 and 86.0 million acres.
 - Prospective Plantings report showed 83.5 million acres.
 - Crushing demand will stabilize.
 - USDA is assuming continued growth.
 - Export demand will return.
 - USDA estimate is close.
 - China will buy U.S. soybeans beginning in mid-August and follow traditional buying pattern.
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Soybean Technical Analysis

- Price volatility will return in July and August.
 - U.S. weather conditions and yield expectations.
 - Small sales to China.
 - July CBOT Soybean futures price targets:
 - First major resistance at \$9.00
 - Second major resistance at \$9.20
 - Possible to reach \$9.50 with weather problems.
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Soybean Basis Analysis

- Old crop soybean basis levels will continue to weaken (get more negative).
 - Increased farmer selling in late July are likely.
 - Clean bins to prepare for 2020 harvest.
 - May trigger Chinese purchasing.

Soybean Technical Analysis

- Look for July volatility.
 - November CBOT Soybean futures price targets:
 - First major resistance at \$9.00
 - Second major resistance at \$9.30
 - Possible to reach \$9.70 with weather problems.
 - Harvest basis will be “typical”.
 - Seasonal basis pattern will hold.
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Questions?

