Soybean Market Outlook: My Opinions

Frayne Olson, PhD
Crop Economist/Marketing Specialist
Director – Burdick Center for Cooperatives
frayne.olson@ndsu.edu  701-231-7377 (o)  701-715-3673 (c)

NDSU Extension Service
ND Agricultural Experiment Station
Dept. of Agribusiness & Applied Economics
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.
    • Social restrictions and business closings may be re-instated.
  – Long term recovery will not begin until widespread 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.
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.
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.
Questions?