

## Strong crush vs. weak exports, but Soybean stocks remain high

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### Market Analysis

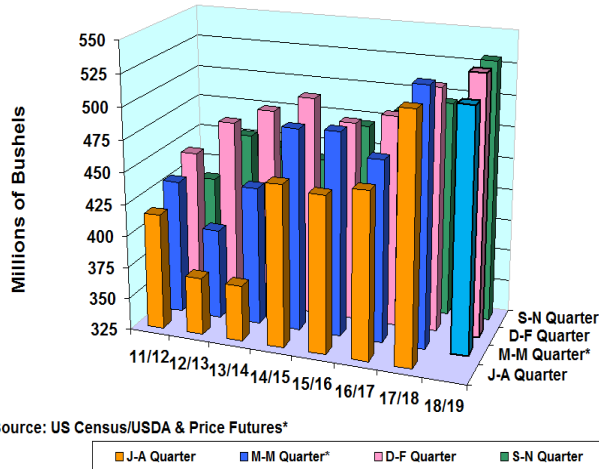
After virtually following the US/Chinese trade talks up and downs, the USDA's upcoming quarterly stocks and acreage reports on June 28 will be the trade's main focus. President Trump and China's Xi are expected to meet during the upcoming June 28 & 29 G20 meetings in Osaka, Japan. However, a major breakthrough will be needed for a positive price reaction by the trade for the soy complex. With 20 million US bean acres still unplanted on the latest June 16<sup>th</sup> update, the USDA's acreage update will probably be trade's first focus.

May's US (NOPA) processing pace released this week surprised the analysts when only a 154.8 million crush was announced. (8 million bu. below expectations) A couple Mississippi River processors being shutdown because of high water stopping barge traffic north of St Louis for virtually all of May was the main reason for the shortfall. Interestingly, this year's overall pace remain 38 million bu. ahead of last year despite this spring's smaller 515 million bu. Overall, this year's crush demand forecast of 2.1 billion looks reachable given the current US live-stock & poultry numbers and export meal demand.

This past year of trade tensions with our leading soybean buyer has dramatically reduced 2018/19's exports, particular last fall when shipments dropped 40%. However, this spring's pace projects 314 million bu. level, 5 million higher than 2018. China has been moving its goodwill purchases made over this past winter negotiations, but these exports remain questionable.

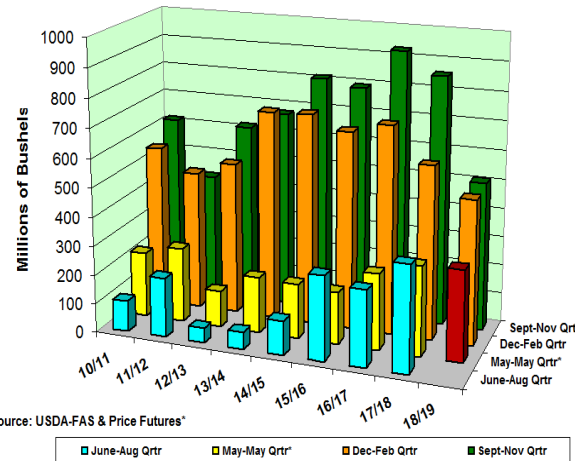
This year's residual disappearance patterns continues to suggest a possible overestimate of the 2019 bean crop after last winter's higher residual level. Reduced transit losses and beans going into US seed plants are behind a declining residual change. We are expecting 77 million bu. drop to 130 million this quarter. This will put 2019's June 1 stocks at 1.87 billion bu., a new all-time high.

U.S. Soybean Crush per Quarter



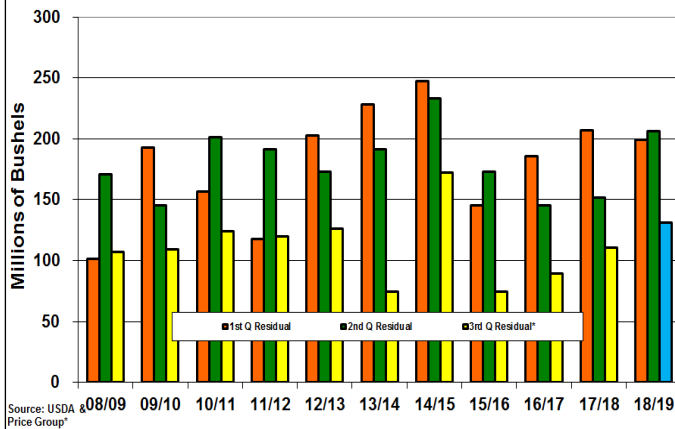
Source: US Census/USDA & Price Futures\*

Quarterly U.S. Soybean Exports



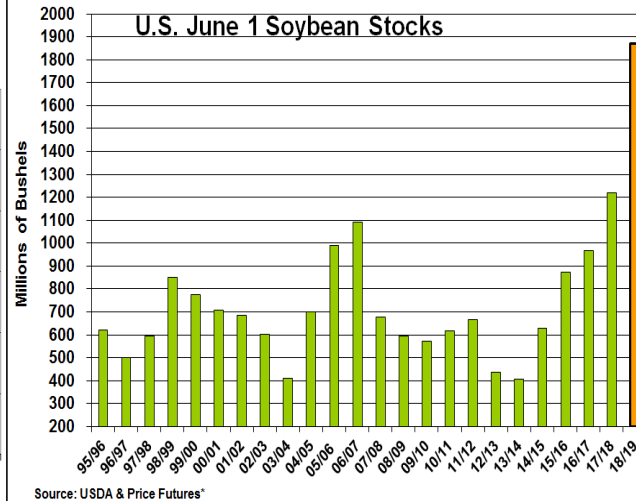
Source: USDA-FAS & Price Futures\*

Quarterly Change in U.S. Overall Soybean Residual Level



Source: USDA Price Group\*

U.S. June 1 Soybean Stocks



Source: USDA & Price Futures\*

**What's Ahead** The upcoming June 28 soybean stocks report will show huge US soybean supplies because of China shifting their purchases to S America during our ongoing trade tensions. This year's extremely late US plantings have shifted concerns from too many bean acres to now worries of prevent plant usage cutting seed-ing. Large US supplies will prevail. **Use Nov strength in \$9.50-\$9.70 range to up 2019/20 sales to 35-40%.**

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