**Soybean Outlook: Will soybeans be the dark horse of 2020?**

*Soybean acres could increase this spring, but lingering doubts remain*

By Jacqueline Holland

As the calendar approaches May, farmers are increasingly eager to make aggressive moves forward with planting. The soybean-corn acreage debate will be no less prevalent this year as the impacts of global volatility rock the surety of soybean markets. Here are a few key factors to consider for the soybean markets while chiseling away at spring fieldwork.

**Planting**

USDA forecasted 83.5 million acres of soybeans to be planted in Spring 2020. Their survey estimate from the March 31 Prospective Plantings report was 9.7% higher than 2019 sowings, which totaled 76.1 million acres – the lowest planted soybean acreage since 2011.

![U.S. Planted Acreage 2010-2020*](image)

Given 83.5 million planted acres as projected by USDA and not counting 2019 into estimates, 2020 yields could easily approach 49.5 bu./ac. based on the five-year average. If 2020 harvested acres are estimated at 99.4% of planted acreage amounting to 83.0 million acres, 2020 production estimates will likely near 4.1 billion bushels of soybeans.

Where does that leave stocks? Without adjusting any other supply and usage figures, 2020 production would increase by 547.9 million bushels from the previous year. Ending stocks could rise to nearly 600 million bushels, up 110 million bushels from the April 2020 World Agricultural Supply and Demand...
Estimates (WASDE) report. The domestic stocks-to-use ratio would rise to 15.0%, alleviating some domestic tightening, but global stocks will likely remain high based on a bumper crop in South America.

But markets have been abuzz with skepticism in the weeks following USDA’s estimates. The recent collapse of the ethanol industry amid a slowdown in global fuel consumption has suddenly made corn acres slightly less attractive than soybeans. So, is a massive migration to soybean acreage possible for 2020?

The honest answer is, it isn’t clear at this point. But several factors at play could influence the ultimate planting decision. Futures price signals have favored soybean acreage following ethanol’s late March demand collapse. The new crop price ratio has flirted with the 2.5 level over the past week, indicating a market preference for soybeans. But neither crop has exhibited strong price favorability in the prime decision-making period for planting in recent months.
If corn acres are switched to soybeans this spring, it likely won’t be in top corn producing areas. Strong anhydrous ammonia demand this spring has resulted in busier terminals, as noted by GROWMARK, Inc.’s Jeff Bunting, as well as rising prices. The flurry of activity suggests farmers are serious about planting 97 million acres of corn in the Heartland.

But there is a chance for higher soybean acreages in areas where corn-on-corn rotations are less prevalent. Bunting reported a slight last-minute uptick in GROWMARK soybean sales in Southern Illinois – an area where wheat-soybean rotations thrive more successfully than corn rotations. Planting decision models from the University of Illinois’ Farmdoc program show that corn acreage planted after late April in these areas will yield lower returns than soybeans.

With that logic in mind, by how much could 2020 acreage shift? In an April 14 University of Illinois Farmdoc webinar, GROWMARK’s Bunting indicated that 99% of corn seeds and 97% of soybean seed sales had already been delivered to farms. The input supply chain should be able to accommodate last-minute decisions to move to soybeans as suppliers draw down inventories left over from 2019, but growing uncertainty around impacts of the COVID-19 pandemic on the logistics sector could deter farmers from making significant acreage shifts.

It is important to keep in mind that the Prospective Plantings report is a summary of what farmers want to happen, not necessarily what will happen. So it’s worth noting that the figure rarely sticks. Not counting 2019, the five-year average change in acreage from the March Prospective Plantings report amounts to an increase of 0.45%, which would support at least 83.9 million planted soybean acres in 2020. Soybean numbers will not be finalized until at least the June Crop Production report and will depend largely on weather in the coming weeks.
Weather

It goes without saying that weather is always a significant factor in food production. But weather will be especially important this year as farmers begin planting, especially in the corn-soybean acreage tradeoff.

Moisture levels remain high in Midwestern soils, particularly in the Northern Plains where snow is still on the ground. The trade will likely track soil moisture in these areas especially close. With a narrowing planting window for corn as many farmers in the Dakotas and Minnesota scramble to finish 2019 harvesting, there is a higher likelihood for corn acres being traded into soybeans in that region, particularly if soils are delayed in drying out or if air temperatures drop.
But extended forecasts are showing drier weather through the end of April. And the cold snap will lift by the time this article goes to press. Warm soil temperatures in the Central and Southern Corn Belt, as reported in USDA’s Weekly Weather and Crop Bulletin, in addition to a warm and dry second half of April could move corn planting progress past any second thoughts of switching acreage to soybeans.
Exports

Soybean prices have lived and died by export news so far in 2020. Rightfully so – with the exception of a few weeks during 2019 harvest, in the week following the signing of the Phase 1 trade agreement, and this past week, U.S. weekly soybean exports for the 2019/20 marketing year have lagged 21.7% behind the previous five years’ average.

![Weekly U.S. Soybean Exports](chart)

Year to date soybean exports are down across all purchasing countries for the 2019/20 marketing year. Excluding China, the next 10 largest export destinations for U.S. soybeans had purchased 10.5% fewer soybeans in the current marketing year than in 2018/19. Reduced purchase volumes from Mexico, Germany, and the Netherlands have offset increased sales to Taiwan with over a third of the marketing year remaining.

Lacking Chinese demand has been the main culprit for the decrease in exports. Coronavirus lockdowns in China early this year drew 2019/20 Chinese exports nearly 50% lower to date than the previous five-year average.
While government officials assure American farmers of a demand rebound as the world’s second largest economy comes back online, soybean exports to China have been consistently reported at multi-year lows in recent weeks – if they scheduled any shipments at all. Chinese soybean export pace typically slows in the second half of the marketing year in favor of the newly harvested South American crop. Export sales to China may indeed pick back up after this spring, but don’t bet the farm on it in the short run.

**South America**

USDA cut South American soybean forecasts after dry weather in Brazil’s southern state of Rio Grande do Sul had devastating impacts on the soybean crop. Estimates dropped 55.1 million bushels to 4.6 billion in the April WASDE report. Argentina’s soy crop was hit even harder, with projections falling 73.1 million bushels to 1.9 billion bushels.
Regardless of the drought impacts, Brazil is still on track to produce its largest soybean crop in history. As nervous investors seek safe haven in the U.S. dollar, the weakening Brazilian real has made the newly harvested soy crop an attractive commodity on the world market.
The world is already taking advantage of those prices. Brazil is on pace to set another monthly record for soybean exports in April as soybean harvest approaches 90% completion. Early estimates from Brazilian industry group Anec peg April exports at 532.8 million bushels, which would top the March 2020 record of 462.9 million bushels if realized. An estimated 72% of Brazilian soybean shipments were bound for China in March, a figure that will likely not change significantly in April as tightness in Chinese soy stocks begins to abate following rain delays and COVID-19 disruptions at South American ports.

**Soy Crushing**

Crush demand received a brief boost at the onslaught of the COVID-19 pandemic as livestock producers began changing rations from DDGs to soybean meal. National Oilseed Production Association estimates reflected the increased demand as the monthly crush set a record high after processing 181.4 million bushels of soybeans in March 2020.

![NOPA Monthly Soy Crushings 2015-2020](image)

A quick look at poultry data confirms soy demand for chicken feed at the pandemic’s onset. But a new story unfolded as the virus tore through North American meat processing plants and sent meat output grinding to a halt.

The broiler industry dramatically slashed egg production in response to plant closures, eliminating soymeal demand for hatchling feed rations. Egg sets have dropped a staggering 16.5 million eggs in the first two weeks of April and are down 8% from a month ago. About 55% of soymeal feed for livestock goes to the poultry industry.
Such massive weekly declines at this point in the year are atypical of poultry production which tends to see more production volatility later in the year in preparation of higher chicken demand at the New Year holiday. The good news is that by nature, the poultry industry can adjust production at a much faster rate than cattle and pork producers. This means a rebound in feed demand would come much earlier for poultry than other sectors.

**Closing thoughts**

Turbulent markets and uncertain demand estimates make pricing old crop soybeans challenging at this moment. Call options are typically an easy insurance policy in such conditions. Seasonal rebounds could be right around the corner, especially if a significant weather event upends planting progress.

Soybean demand is by nature harder to track than corn for a couple key reasons, the most immediate being Chinese exports. Demand is not always as localized as corn and per acre costs are higher. In such a time of uncertainty, it would not be surprising to see farmers turn to corn acreage. But that same volatility could create some key opportunities for the soy complex. Don’t hesitate to optimize those chances if they come your way.

As always, stay healthy, keep safe, and be sure to tell the healthcare workers in your lives how much the world appreciates their service.