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Soybean Trade Prospects

One issue that remains troubling for the panamax and handymax markets for Q4 is that, at present, US peak grain export season is likely to be much weaker than normal. So far, there are still no signs of China and the United States being poised to come to a trade agreement anytime soon. As a result, China (for now) appears likely to keep its defacto ban on US soybean exports in place.

We believe that the United States Department of Agriculture (USDA) has a far too optimistic forecast for 2019/20 US soybean exports. The USDA is predicting that exports to all buyers will total 48.3 million tons. This would mark a year-on-year rise of 2 million tons (4%). We see no reason to be expecting any increase (unless, of course, an agreement is reached). At present, the current 2018/19 grain trade year has seen US soybean exports to all buyers fall year-on-year by 10.9 million tons (-20%). If no agreement is reached, it is reasonable to expect that a similar decline will occur in 2019/20. Also remaining a negative factor is that China's soybean import demand remains in contraction regardless of the trade war. Swine flu continues to decimate China's pig herd, and there is no reason to expect that China will have any strong demand for soybeans in upcoming months. The USDA is predicting that Chinese soybean imports from all exporters will increase by 2 million tons (2%) in 2019/20, but this is seemingly ignoring swine flu and the reality that Chinese soybean imports have been in contraction since February 2018.

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