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US Soybean Export Surge Likely

US soybean exports through the first twelve weeks of the season have totaled only 11.9 million tons. This marks a year-on-year decrease of 9.1 million tons (-43%) and has put exports on pace to fall year-on-year this season by 24.9 million tons. By all accounts, the US-China trade war has been detrimental for overall US soybean exports -- but over the weekend China and the United States reached a truce of sorts, and we believe the next few months will now see a large jump in US soybean exports to China.

The Trump-Xi meeting on Saturday ended with both sides agreeing to stop imposing new tariffs, and for the United States to not raise existing 10% tariffs to 25% (as was previously announced would start on Jan 1st). According to the United States, this agreement will be in place for 90 days, but tariffs will jump to 25% if ongoing negotiations are ultimately unsuccessful. Also announced, and very significant to the dry bulk shipping market, is that China will agree to buy a "substantial amount of agricultural, energy, industrial, and other products" from the United States. Bloomberg, citing White House officials, has reported that "China will start buying US agriculture products immediately."

We expect US soybean exports to China will surge. US farmers have been paid by the Trump administration to harvest but not ship their soybeans, and with so many soybeans domiciled in the United States, the market is likely to see great export volume going forward. The 90-day negotiation window is also a smart decision that will allow US farmers to ship out their soybeans in advance of making planting decisions for the next harvest.

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