Trade friction clouds an already bearish soybean market

The global soybean market is set to be well supplied through 2025, which should continue to cap prices. Meanwhile, the potential for escalation in trade tensions is a bearish risk hanging over the market

Soybean silo in Minas Gerais, Brazil

Record high stocks in 2024/25

Soybeans have come under significant pressure through 2024, with the global balance looking increasingly comfortable. Ending stocks for the 2024/25 season are estimated at a record high of almost 132mt, up more than 17% year-on-year. It also leaves the stocks-to-use ratio at a very comfortable 33%, compared to 29% in 2023/24.

US soybean supply has been bearish for the market. Soybean area in 2024/25 increased by 4.2% YoY, while yields also increased by more than 2% YoY. As a result, US soybean production is estimated to increase by 7% YoY to 4.46b bushels (121mt), which as a result also saw ending stocks surging higher. Through the peak of the US harvest, the outlook appeared even more bearish, however yield estimates have been lowered somewhat from earlier expectations.

Adding to the bearishness is the expectation that South American soybean output will also surge. Brazilian and Argentine production are expected to grow by 10% and 6% respectively. This would see Brazilian soybean production hit a record high of 169mt, surpassing the previous record high of

162mt in 2022/23. For Argentina, production is forecast to hit 51mt, its highest level since 2018/19.

While the outlook for the soybean market is somewhat subdued, there is uncertainty going into 2025. This uncertainty arises from soybeans potentially getting caught up in trade tensions, particularly for US flows to China.

Global balance to remain comfortable next season

The 2024/25 US soybean harvest is largely complete, so the market is now more focused on the outlook for the 2025/26 crop, with plantings set to get underway in the spring. Currently the soybean-corn ratio suggests that farmers should reduce soybean plantings in favour of corn. Soybean area is expected to fall by 2.4% YoY to 85m acres. Assuming average yields, this would translate to crop of almost 4.3b bushels (116mt), down 4.1% YoY.

However, if US President-elect Donald Trump moves aggressively with his trade agenda soon after entering office, this could influence plantings – particularly if it becomes clear early on that China will respond with retaliatory tariffs on US agricultural exports. This would potentially mean that we see a more aggressive switch from soybeans to corn plantings.

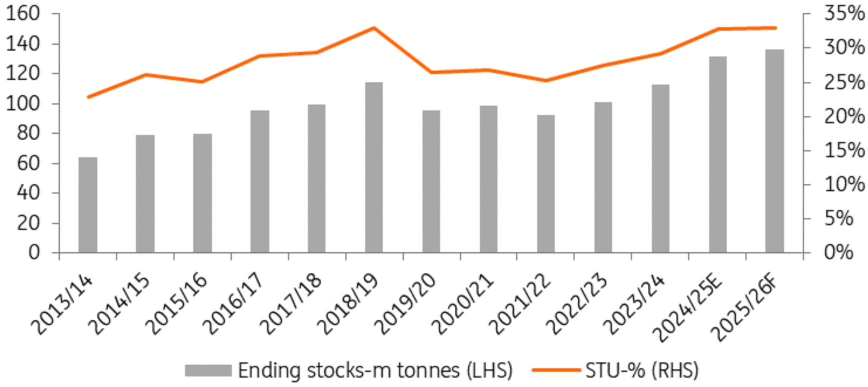
It is a bit early to have a strong view on 2025/26 South American soybean crops, with harvesting yet to take place for the 2024/25 crop. Retaliatory trade tariffs on US agricultural products would, however, benefit Brazil and it could see stronger plantings for the 2025/26 season in turn. The weakness in the Brazilian real this year also means that in local currency terms, farmer returns have held up better than one may think. Assuming yields align with the five-year average, this would mean that Brazil sees a crop largely unchanged from 2024/25.

For Argentina, we expect little change to area, but assuming yields revert to average levels would see the crop in 2025/26 fall by around 4% YoY.

Despite early forecasts pointing towards smaller US and Argentine production in 2025/26, our preliminary numbers suggest that global ending stocks will still edge higher next season, which should keep a cap on prices. Meanwhile, the domestic US balance is set to tighten on the back of lower output. However, this is assuming no significant drop in exports due to an escalation in trade tensions.

We forecast that CBOT soybeans will average around $9.70/bu through 2025. Essentially, prices need to stay low in order to ensure a reduction in soybean area.

Global soybean stocks to continue edging higher in 2025/26



Source: USDA, ING Research

Strong Chinese imports, sluggish consumption

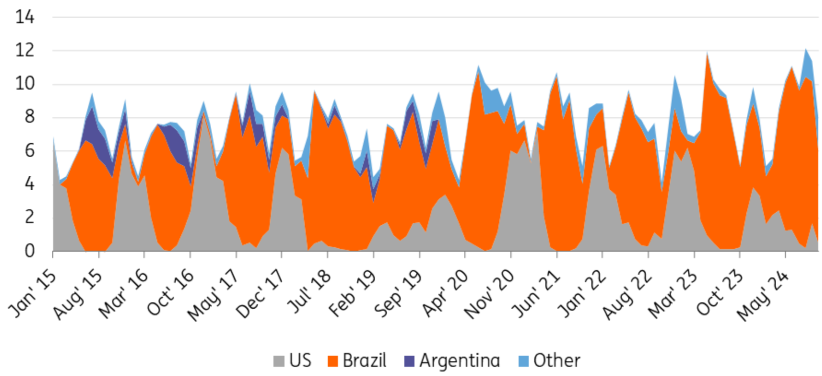
China's imports of soybeans have been strong this year. Cumulative imports are up more than 11% YoY and are set to hit record levels in 2024. However, while import demand is strong, domestic consumption indicators for soybean products is weaker. This is reflected in domestic soybean crush margins, which have been negative for large parts of the year. In addition, soymeal stocks in China have been fairly bloated.

Domestic meat consumption has slowed in China this year, which has weighed on pork output. The pig herd size has also fallen, which is part of the government's plan to deal with overcapacity. This will weigh on demand for soymeal.

High stock levels of soybean product suggests that we could see weaker imports moving forward – although in the short term, imports (particularly from the US) may be supported by front loading of buying given the risk of tariffs.

Since 2018, China has continued to increase its share of soybean imports from Brazil, which has helped to reduce the impact of a trade war with the US. China is in a better position than it was prior to the 2018 trade war, but around 26% of its soybean imports still came from the US in 2023.

Chinese soybean imports from Brazil continue to grow (m tonnes)



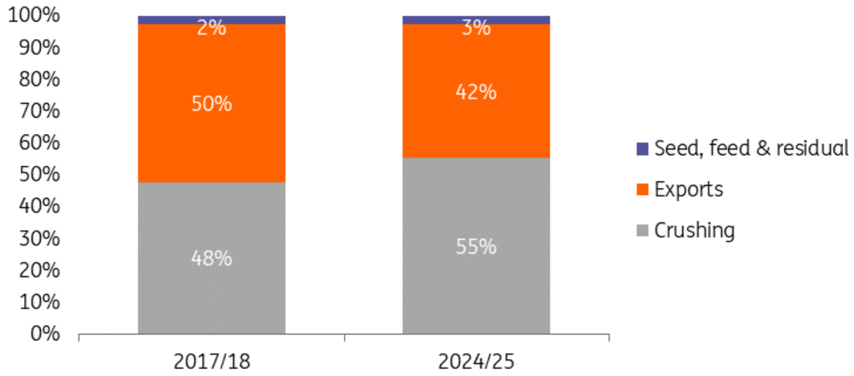
Source: China Customs, ING Research

US domestic crush continues to grow

What has changed in the US soybean industry since 2018 is that the domestic crush has increased quite significantly in recent years as stronger crush margins have stimulated investment in capacity. The domestic crush in 2024/25 is estimated at 2.4bn bushels (65mt), up around 17% since 2017/18. And this capacity is set to continue to edge higher through 2025 as new capacity starts up.

Stronger crush margins have come about largely due to growth in renewable diesel production. Soybean oil is an important feedstock for renewable diesel and biodiesel in the US. This helps to reduce US dependence on soybean exports, which over the same time period has fallen by around 14% to around 1.8bn bushels (49mt). This is still a sizeable volume at risk from trade tensions, particularly considering that more than 50% of this ends up in China.

US soybean demand shifts more to the domestic market (%)



Source: USDA, ING Research

ING forecasts

	1Q25	2Q25	3Q25	4Q25	FY25
CBOT Soybeans (USc/bu)	950	1,000	970	960	**970**

Source: ING Research

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