

# Soybeans Margin Watch: January



Soybean prices and margins finished the month near mid-month levels, but only after reaching recent highs. The vanishing South American weather premiums and trade war uncertainties had the soybean market reversing course. The excessive rainfall in Argentina has subsided along with some of the dire predictions of production loss. The Buenos Aires Grain Exchange now estimates production at 53.5 million metric tons, 3.5 million less than the current USDA projection, but well above some other worst-case estimates. The Brazilian crop has had fewer weather concerns and its harvest is in the beginning stages. Perhaps of even greater importance are the current political anti-trade winds blowing, particularly from the new Trump administration. President Trump is lobbying for a renegotiation of NAFTA, a tariff to finance a wall and new tougher trade terms with China, the U.S.'s main outlet for soybean exports. While all of these issues are still just trial balloons that ultimately could take many months, if not years, to play out, the soybean market is obliged to take heed. However, in spite of all the worries, U.S. soybean exports continue to excel as both sales and shipments continue to outpace the average needed to meet the USDA estimate. Given the current political trade climate, as well as some doubt as to the ultimate size of the South American soybean crop, many producers are focusing on flexibility in their hedging positions.



The estimated yield for the 2017 crop is 52 bushels per acre and the non-land operating cost is \$365 per acre. Land cost for 2017 is estimated at \$238 per acre<sup>1</sup>. Basis for the 2017 crop is estimated at \$-0.25 per bushel.



The estimated yield for the 2018 crop is 53 bushels per acre and the estimated operating cost is \$290 per acre. Land cost for 2018 is estimated at \$228 per acre<sup>1</sup>. Basis for the 2018 crop is estimated at \$-0.3 per bushel.

<sup>1</sup> The Soybeans Margin Watch yield, land and non-land operating cost values are based upon central Illinois low productivity farmland crop estimates in the "Historic Corn, Soybean, Wheat, and Double-crop Soybeans" report published by the Department of Agricultural and Consumer Economics at the University of Illinois.

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