

# Soybeans Margin Watch: January



Soybean prices and margins moved significantly higher after the release of the January WASDE and Quarterly Grain Stocks Reports. Recent excessive rains in Argentina also have the soybean market's attention. The final figures of 2016 soybean harvested acreage, yields and production were released in the much anticipated January WASDE report, and were all lower than the pre-report expectations. Final production was 4,307 million bushels on 86.7 million harvested acres, with yields estimated to be 52.1 bpa. Export and crush categories were not adjusted, reducing the carryout by 60 million bushels to 420 million bushels based on the lower yield, acreage and production projections. The December NOPA crush rate was 160.2 million bushels, which was slightly below last month's, rate but 2.5 million bushels ahead of 2015. Stockpiles of soybeans as of December 1, 2016, were 2,951 million bushels, greater than 2015 levels by 237 million bushels, or 8.7%. The USDA raised Brazilian production projections by 2.0 to 104.0 million metric tons, which would be a new record. Meanwhile Argentina's production estimate was left unchanged, but is certainly in flux given the steady wet pattern that has been dominant over the past month there. However, the latest forecast calls for a period of welcome dryness. Given Argentina's status as the world's number one exporter of soybean meal, any loss of soybean production there would be widely felt. Given the move higher in the soybean market, soybean producers are working on setting targets for next year, while considering adjusting deltas on existing 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 \$-0.35 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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