

# Soybeans Margin Watch: February



Soybean prices and margins were lower over the past two weeks. Production projections in Brazil and Argentina have grown on an almost-daily basis. Many private forecasters have been ramping up the Brazilian crop to record levels. The harvest there is approaching 50% complete and anecdotes about stout yields have heightened expectations. The export pipeline from Brazil is ready to begin to flow and should soon start to hamper U.S. inspections, as is seasonally typical. The USDA released the first indications of supply and demand expectations at the annual Ag Outlook Forum last week. Planted acres of beans are projected to jump to 88.0 million acres, up 4.6 million from last year. The additional bean acres come at the expense of both lower wheat and corn seedings. Despite the higher bean acreage, lower yields of 48.0 bpa led to lower production projections of 4,180 million bushels. The crush and export expectations were raised and ending stocks were estimated to be unchanged at 420 million bushels. The Ag Outlook Forum projections, coupled with the data from the late March Prospective Plantings and Quarterly Grains Stocks Reports, will form the basis for the initial soybean balance sheet released in the May WASDE report. Rumors of a change in the structure of a bio-diesel tax credit late last month raised the specter of a potential increase in demand for soybean oil, prompting a short-lived price jump. In advance of U.S. spring planting intentions and seeding season, soybean producers continue to focus on flexible hedging strategies.



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 \$-0.4 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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