

Soybeans Margin Watch: February



Soybean prices and margins continued higher over the past two weeks, as conditions in Argentina have stayed dry. This year's Argy drought is being compared to 2008/09 when the bean crop was almost 30% below the trend line yield. The Buenos Aires Grain Exchange (BAGE) has cut 3.0 million metric tons off their production estimate in each of the past two weeks reducing the total to 44.0 million. This compares to 2016/17 production of almost 58.0 million and the current USDA 54.0 million estimate, which will likely receive a large haircut in the March WASDE report. BAGE is also reporting close to half of the bean crop to be in very poor condition versus around 20% two weeks ago. Countering the deficits in Argentina are rising private production estimates in Brazil, where some are above last year's record 114.1 million metric tons. The Brazilian soybean harvest at 25% complete is behind last year's and the five year average pace due to moisture impeding field work, but prospects are there for another bumper crop. As soon as those beans are ready, they will offer headwinds to U.S. soybean export sales. In fact those sales already have had a rough couple of weeks, cancellations by China and unknown destinations last week accounted for negative totals, as well as speculation that trade relations between the U.S. and China are intensifying in a negative way. President Trump announced intentions to place tariffs on steel and aluminum imports, joining those already placed on solar panels and washing machines leading many to worry China will return the favor and target U.S. soybeans for tariffs. At the annual USDA Ag Outlook Forum U.S. seedings of beans are estimated to be 90.0 million acres, slightly below last year. NASS will soon begin to survey producers of their actual intentions, and will release that report at the end of March. The soybean market will continue to focus on South American weather and touchy trade relations between U.S. and China.



The estimated yield for the 2018 crop is 59 bushels per acre and the non-land operating cost is \$319 per acre. Land cost for 2018 is estimated at \$222 per acre¹. Basis for the 2018 crop is estimated at \$-0.35 per bushel.



The estimated yield for the 2019 crop is 59 bushels per acre and the estimated operating cost is \$319 per acre. Land cost for 2019 is estimated at \$222 per acre¹. Basis for the 2019 crop is estimated at \$-0.35 per bushel.

¹ 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.

The information contained in this publication is taken from sources believed to be reliable, but is not guaranteed by Commodity & Ingredient Hedging, LLC, nor any affiliates, as to accuracy or completeness, and is intended for purposes of information and education only. Nothing therein should be considered as a solicitation to trade commodities or a trade recommendation by Commodity & Ingredient Hedging, LLC. All references to market conditions are current as of the date of the presentation. Futures and options trading involves the risk of loss. Past performance is not indicative of future results. Please visit www.cihmarginwatch.com to subscribe to the CIH Margin Watch report.