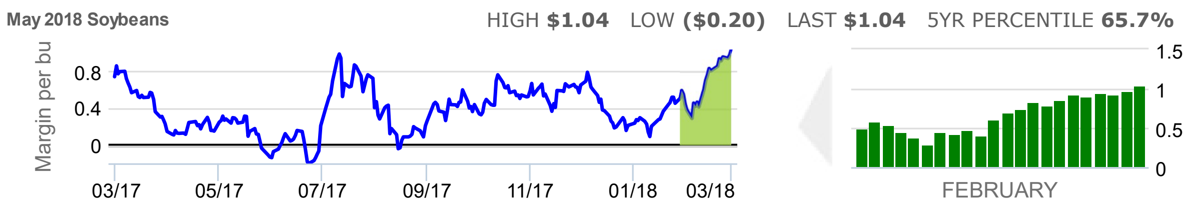
Soybeans Margin Watch: February

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.



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[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.