

Soybeans Margin Watch: July



Soybean prices and margins moved lower over the past two weeks, even while crop conditions worsened and drought areas expanded. The market recently took solace from pockets of timely moisture events and a change in the weather picture that presently offers hopes of cooler climes, as well as increased chances of rains into mid-August. The soybean production areas experiencing drought conditions has grown to 14%, bringing the last couple of condition ratings down to the high-fifties in the Good/Excellent categories. Many believe that some amount of yield reduction has been priced into the market, but questions remain over how much is the dilemma. The August WASDE report will incorporate the NASS producer and actual field surveys into the updated soybean yield estimate, guiding the market on how off-trend this crop will be from the July forecast of 48.0 bpa. Soybean export sales and shipments of old crop continue to be robust, and while new crop sales have begun to show some life, they lag both last year and the average needed to meet the USDA's expectation of 2,150 million bushels of beans shipped in 2017/18. The soybean, and particularly soybean oil, markets did get a brief jolt from a court ruling last week against the EPA, which in years past had waived the minimum statutory requirements for biofuels blended into gasoline and diesel predicated on demand factors rather than supply constraints as laid out in the 2007 RFS Act. Given the 10% blend wall for corn-based ethanol, the development triggered a more intense reaction in the soybean complex; however, the ruling is expected to be appealed. Soybean producers who were previous proactive in the early summer rally, continue to consider position adjustments to reduce hedge firmness.



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 acre¹. Basis for the 2017 crop is estimated at \$-0.3 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 acre¹. Basis for the 2018 crop is estimated at \$-0.4 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.