

# Soybeans Margin Watch: July



Soybean prices and margins got off the mat the past two weeks and finished at monthly highs. The nearly full effect of the Chinese tariff on U.S. soybean imports appears in the market price as U.S. sourced beans hover at a 20% to 25% discount to Brazilian beans. A meeting between President Trump and E.U. President Jean-Claude Juncker yielded a commitment to work on trade disagreements down the road. President Trump backed off talk of tariffs on European autos and parts, and he said he received assurances of additional E.U. purchases of soybeans; however, his E.U. counterpart rebuffed that. Nonetheless, future talks are to be coordinated to work out a framework for better trade relations. Last year the E.U. imported roughly 13 million metric tons of beans, with the U.S. supplying around 4 million or close to a third of the total, however even if the U.S. were to capture 100% of the imports, there would still be a large gap from losing the Chinese bean market. In addition, the E.U. purchases non-GMO soybeans, a reality that is unlikely to change down the line. The USDA rolled out a \$12 billion plan to mitigate farmer loses due to the trade war, but the details have yet to be released. The U.S.-China relationship continues to sour, particularly in light of the latest U.S. proposal, going from 10% to 25% tariffs, on an additional \$200 billion of Chinese imports. Some believe the move to be a negotiation tactic to kick start more talks. While old crop beans have shipped near pace needed to reach the USDA expectation, a resolution before new crop beans normally move to China is critical. U.S. bean conditions remain in the 70% good to excellent area, with all important August pod fill ahead.



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<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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