

Soybeans Margin Watch: July



The soybean market dropped sharply over the second half of July as news of a trade war escalation with China sharply increased bearish sentiment. The Trump Administration recently announced it will subject the remaining \$300 billion of imports from China not already subject to additional tariffs to a new 10% duty that will take effect September 1. This came in response to frustration over a lack of progress in talks between U.S. and Chinese negotiating teams in Shanghai, and significantly reduces expectations for any progress to be made in face-to-face discussions expected to resume next month in Washington. The news was met with an angry response from Beijing, as they directed state-owned companies to suspend agricultural imports from the U.S., and also allowed the yuan to depreciate to its lowest level in over a decade against the dollar. There are large quantities of U.S. soybean sales on the books with China that have not yet shipped, and this raises the likelihood that these sales eventually get canceled altogether. Soybean exports were surprisingly strong in June at 3.193 million tons versus 2.56 million in May and the largest June total on record. The total was also around 68 million bushels larger than what weekly inspections data would imply, putting the marketing year total not as far behind the needed pace as once thought. The problem is that large exports are still needed in July and August, and that would appear difficult now for China given recent developments. Ahead of the August WASDE, expectations are low that USDA will make significant adjustments to alter the balance sheet measurably. It will not likely be until October before the market gets a better handle on this year's production and the impact from late planting and slow crop development. Our clients are responding to recent market weakness by adjusting existing hedges to capture trade equity and increase upside price flexibility.



The estimated yield for the 2019 crop is 60 bushels per acre and the non-land operating cost is \$336 per acre. Land cost for 2019 is estimated at \$219 per acre¹. Basis for the 2019 crop is estimated at \$-0.3 per bushel.



The estimated yield for the 2020 crop is 60 bushels per acre and the estimated operating cost is \$336 per acre. Land cost for 2020 is estimated at \$219 per acre¹. Basis for the 2020 crop is estimated at \$-0.5 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.

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