

# Soybeans Margin Watch: July



Soybean futures traded higher in the second half of July despite improving U.S. yield prospects and simmering U.S.-China relations. As of Sunday, July 26, NASS reported the soybean crop at 72 percent in good-to-excellent condition, an increase of 3 percent from the prior week. This compares to a crop rating of 54 percent in good-to-excellent condition last year. USDA also reported 43 percent of the crop is setting pods, higher than the 5-year average of 36 percent. Early planting and favorable weather patterns throughout most of the major growing regions point to a potential increase in the national yield estimate in the August crop report. While the size of the new crop comes into focus, question marks remain on the demand side of the equation. The most recent NOPA crush data beat expectations. Animal protein production continues to post gains from year ago levels as those markets look to become current after supply chain disruptions in the spring. The focus of the soybean complex remains on China and geopolitical risks are again taking center stage. Despite the tension, there has been recent interest from the world's largest importer. Chinese soybean import demand is in the process of seasonally shifting from South America back to the U.S. Chinese soybean meal usage is expected to increase 7 percent from a year ago and China has been a large buyer of new crop U.S. soybeans in recent weeks. The sales pace of new crop soybeans is ahead of the historical average for this point in the year. Our clients have been scaling into coverage and increasing delta during the recent market rally and ahead of the next crop report.



The estimated yield for the Jul 2020 crop is 61 bushels per acre and the non-land operating cost is \$340 per acre. Land cost for Jul 2020 is estimated at \$233 per acre <sup>1</sup>. Basis for the Jul 2020 crop is estimated at \$-0.25 per bushel.



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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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