

Soybeans Margin Watch: July



Soybean prices and margins moved higher over the past two weeks, but pulled back somewhat after the release of the July WASDE report. Weather worries were briefly put aside after the report's fundamental update. New crop ending stocks were reduced by 35 million bushels as beginning stocks reflected a jump in old crop export expectations of 50 million bushels and a reduction in crush of 10 million. The 2016/17 export estimate at 2,100 million bushels is a record high and was raised again on robust sales and shipments to date. 2017/18 sales however, have gotten off to a slow start at just 7% sold, compared to the average of 20% sold by this time in the marketing year. The new crop demand will be addressed in subsequent reports, but bears watching. NOPA crush rates for June were lackluster, and lagged comparisons to average expectations, and levels crushed last month and last year, reaffirming the USDA's reduction. Soybean crop conditions were down one point to 61% in the Good-to-Excellent categories as the dry, hot early summer, particularly in the High Plains, put the bean crop 10% behind last year. A key indicator of weather impact will come in the August WASDE report when NASS producer and actual field surveys will be incorporated into the bean yield estimate. After quickly digesting the July report data, the soybean market turned its focus back to temperature and moisture outlooks, which presently indicate a continuation of trend. The current USDA Drought Monitor indicates that around 9% of the bean crop is seeded in areas experiencing some level of drought. Soybean producers are dialed in to set additional hedge coverage at favorable levels, and establish targets to adjust flexible positions to strengthen delta.



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 \$-0.26 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 \$-0.3 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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