

# Soybeans Margin Watch: September



Soybean prices and margins reversed their downtrend and recovered slightly over the past two weeks, all in the face of additional bearish news from the USDA. The September WASDE report offered a national soybean yield forecast of 49.9 bpa, 0.5 above the August surprise and 1.2 above the average pre-report expectation. Conventional wisdom prior to the report's release was for reduced yields on the less-than-desirable weather throughout much of the summer across significant sections of production areas. Doubt still exists as to whether actual yields off harvest will match the NASS forecast. Other adjustments included a rise in both old and new crop export expectations and a small bump to old crush. The rise in 2016/17 exports brought the estimate in line with actual monthly shipment data from FAS, while the 2017/18 rise was based on expanded sales with higher supplies and lower prices. However, as the marketing year turns over, sales of new crop have some catching up to do; commitments stand at just 28% of the updated estimate of 2,250 million bushels, compared to the ten year average of 40% sold at this point. The higher yield and production projections coupled with the demand push resulted in new crop carryout unchanged from August at 475 million bushels. The most recent NOPA estimate of 142.4 million bushels of soybeans crushed was a record rate for the month of August, and was over 10 million more than last year. As the U.S. harvest has yet to begin in earnest, the soybean market is beginning to shift its focus to South American weather. While it is still too soon to be overly concerned, excessive rains in Argentina contrasting with persistent dryness in Brazil has slowed the early sowing of seeds in both countries, and bears watching. Given these factors, our soybean producer clients continue to square hedges ahead of coming harvest fieldwork.



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 acre <sup>1</sup>. 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 acre <sup>1</sup>. Basis for the 2018 crop is estimated at \$-0.4 per bushel.

<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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