

# Soybeans Margin Watch: December



The soybean market traded higher throughout December as trade developments provided optimism. USMCA was passed by the House of Representatives on December 19 and is expected to be passed by the Senate in early 2020. News broke on December 13 that China had committed to a “phase one” trade deal, which suspends U.S. plans for new tariffs and reduces some existing levies in return for Chinese purchases of American agricultural products. President Trump announced he will sign the trade deal on January 15 at the White House. The exact terms of the agreement have not been revealed but are expected to include ethanol, DDGs, sorghum, wheat, corn, and soy products. The two nations will begin working on a “phase two” agreement immediately, but a resolution is unlikely to occur before the 2020 U.S. election. With domestic harvest completed, attention shifts to January 10 USDA inventory and crop reports, South American weather, and obtaining Chinese purchase target amounts. Both Brazil and Argentina have received advantageous amounts of rain over the past several weeks, improving soil moisture and providing a boost to what is expected to be a record crop. Soybean margins improved throughout the month of December and ended the year near the 50th percentile of the past five years. Our clients have been scaling into coverage while maintaining flexible hedging strategies given expectations of export demand increasing over the next several months



The estimated yield for the 2019 crop is 52 bushels per acre and the non-land operating cost is \$340 per acre. Land cost for 2019 is estimated at \$230 per acre<sup>1</sup>. Basis for the 2019 crop is estimated at \$-0.08 per bushel.



The estimated yield for the 2020 crop is 60 bushels per acre and the estimated operating cost is \$343 per acre. Land cost for 2020 is estimated at \$227 per acre<sup>1</sup>. Basis for the 2020 crop is estimated at \$-0.3 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.

The information contained in this publication is taken from sources believed to be reliable, but is not guaranteed by Commodity & Ingredient Hedging, LLC, nor any affiliates, as to accuracy or completeness, and is intended for purposes of information and education only. Nothing therein should be considered as a solicitation to trade commodities or a trade recommendation by Commodity & Ingredient Hedging, LLC. All references to market conditions are current as of the date of the presentation. Futures and options trading involves the risk of loss. Past performance is not indicative of future results. Please visit [www.cihmarginwatch.com](http://www.cihmarginwatch.com) to subscribe to the CIH Margin Watch report.