

Soybeans Margin Watch: February



The soybean rally continued throughout the first half of February due primarily to strong export demand and shrinking global supplies. These export sales mostly old crop and largely to China. Despite a strong couple weeks of sales, outstanding soybean export sales are average for this time of the year over the past decade. The pace of shipments is 3 million bushels ahead of the historical pace needed to meet the annual forecast. USDA on February 9 released its monthly WASDE report. The domestic soybean 2021/22 balance sheet was largely unchanged from last month. Soybean crush was increased by 25 million bushels on favorable crush margins and prospects for soybean meal exports. Domestic ending stocks of 325 million bushels were slightly larger than the pre-report estimate of 314 million bushels. Global production was reduced by 2.4 percent. Production in Brazil (134 MMT), Argentina (45 MMT), and Paraguay (6.3 MMT) was reduced a combined 8.7 MMT from last month. Brazilian production has been decreased by 7 percent since December. Soybean meal exports for Argentina, Brazil, and Paraguay were reduced as continued drought limits crush prospects in the region. Chinese soybean imports were also reduced by 3 percent. USDA lowered global vegetable oil production by 703,000 MMT from the previous month but remains record large. Global soybean ending stocks were reduced 2.4 MMT to 92.8 MMT. This was slightly higher than the average trade estimate of 91.3 MMT but within the range of estimates (86.0 to 94.6 MMT). A crush plant fire in Indiana proved supportive for the meal and oil markets. Much attention will be paid to domestic acreage estimates ahead of USDA's forecast in March. The price discovery period for new crop insurance base prices will be completed by the end of the month and, coupled with price and availability of fertilizer in local markets, could play a large role in determining the acreage mix. Our clients have benefited from layering into strategies to provide protection to the downside. They will be patiently evaluating adjustments to strengthen delta should the market continue higher.



The estimated yield for the Mar 2022 crop is 62 bushels per acre and the non-land operating cost is \$345 per acre. Land cost for Mar 2022 is estimated at \$275 per acre¹. Basis for the Mar 2022 crop is estimated at \$-0.15 per bushel.



The estimated yield for the Nov 2022 crop is 62 bushels per acre and the estimated operating cost is \$385 per acre. Land cost for Nov 2022 is estimated at \$275 per acre¹. Basis for the Nov 2022 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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