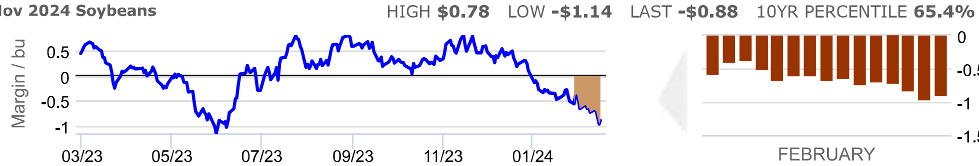
Soybeans Margin Watch: February

Soybean futures fell throughout the first half of February, sitting at three-year lows amidst USDA reports and projections signaling climbing available stocks. On February 8, USDA released its monthly WASDE report. The domestic soybean 2023/24 balance sheet called for lower expected exports reflecting the slow pace of shipments through January as well as increased competition with Brazil. This being the sole adjustment to the balance sheet this month, ending stocks are forecast higher by 35 million bushels to 315 million bushels. This comes in slightly above the high-end of pre-report estimates (245-312 million bushels). Stocks-to-use continues to climb and sits at its highest point since 2019/20. On February 15, USDA released its Grains and Oilseeds Outlook at the Annual Agricultural Outlook Forum. The U.S. soybean outlook for 2024/25 calls for higher supplies, use, and ending stocks, along with lower prices compared to the prior year. Soybean supplies are projected at 4.8 billion bushels, 8% higher than 2023/24 with increased beginning stocks and production. Production is projected at 4.5 billion bushels, 8% higher than last year. Crush capacity continues to expand in the United States and is projected to rise a record 2.4 billion bushels in 2024/25. USDA notes that reduced meal prices will likely make meal a more competitive feed ingredient, and potentially prompt stronger demand. Export shipments for soybeans have improved some over the first two weeks of February. Despite the uptick, the pace of export shipments now sits at 48.5 million bushels behind the historical pace needed to meet USDA's annual forecast. Outstanding export sales remain average for this point in the year. Managed money net short positions continued to grow, nearing their largest level since 2019. The U.S. dollar has risen steadily throughout the month thus far, partially in response to the January Consumer Price Index (CPI) report indicating inflation ticked up higher than expected. Internationally, WASDE indicated minor adjustments were made to the global balance sheet. Increased exports are expected from Ukraine for the current marketing year as well as Argentina for the previous marketing year based on shipment data. CONAB cut Brazilian production estimates to 149.4MMTs, down 5.9MMTs from January estimates, while USDA projects a bit higher at 156MMTs. In Argentina, the Rosario Grain Exchange announced last week that one-hundred thousand hectares (247,100 acres) of the country's soybean crop in the core zone have been lost due to "irreversible stress symptoms" after extreme heat over the previous two weeks. They also note that an estimated 500,000 hectares (1.23M acres) are in regular to poor condition in the core zone. The fair-to-poor rating went from 10% to 26% in a week. It noted 40% of the area is in good condition and 10% was very good. Moving into the second half of February, our clients are active lightening delta as reports indicate strong domestic supply, but retaining flexible strategies to take advantage of upside opportunity should South American production estimates continue to fall.

Mar 2024 Soybeans HIGH **$1.45** LOW **-$1.14** LAST **-$1.04** 10YR PERCENTILE **64.6%**

The estimated yield for the Mar 2024 crop is 64 bushels per acre and the non-land operating cost is $510 per acre. Land cost for Mar 2024 is estimated at $292 per acre [1]. Basis for the Mar 2024 crop is estimated at $-0.21 per bushel.

Nov 2024 Soybeans HIGH **$0.78** LOW **-$1.14** LAST **-$0.88** 10YR PERCENTILE **65.4%**



The estimated yield for the Nov 2024 crop is 67 bushels per acre and the estimated operating cost is $498 per acre. Land cost for Nov 2024 is estimated at $300 per acre [1]. Basis for the Nov 2024 crop is estimated at $-0.45 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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