

Soybeans Margin Watch: May



Soybean futures traded on either side of unchanged throughout the last half of May before finishing slightly lower in nearby contracts. Despite much focus on states' ability to reopen economies the continued spread of COVID-19 throughout Latin and South America, U.S.-China relations are once again taking center stage. Major state-run agricultural companies have been instructed by Chinese government officials to pause purchases of some American farm goods amid escalating tensions with the U.S. over Hong Kong. This could serve a major blow to the expected rebound in U.S. soybean exports predicted by USDA for the 2020/21 crop year. The USTR is set to review China's purchase of U.S. agricultural products in early July to determine if they meet specific targets. Outstanding sales of U.S. soybean exports remain large and a potential question mark amid growing tensions between the two nations. Realized exports shipments of old crop soybeans remain significantly behind the historical pace needed to meet USDA's annual projection. As of May 24, 65 percent of U.S. soybean acres were planted. This was 10 percent higher than the 5-year average and 36 points higher than a year ago. Soybean margins are between the 2nd and 3rd percentile of profitability over the past five years. Our clients have maintained low delta positions and taken advantage of relatively low implied volatility in recent weeks to participate in upward price movements.



The estimated yield for the 2020 crop is 61 bushels per acre and the non-land operating cost is \$340 per acre. Land cost for 2020 is estimated at \$233 per acre¹. Basis for the 2020 crop is estimated at \$-0.2 per bushel.



The estimated yield for the 2021 crop is 61 bushels per acre and the estimated operating cost is \$340 per acre. Land cost for 2021 is estimated at \$233 per acre¹. Basis for the 2021 crop is estimated at \$-0.35 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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