Soybeans Margin Watch: July

Soybean futures tumbled in the final trading days of the month to give back its previous gains in the last half of July. Geopolitical risk kicked off the initial rally as Russia terminated the Black Sea export corridor deal with Ukraine and the marketplace digested the hit to global oilseed availability. Ukraine and Croatia on July 31 announced they agreed on the possibility of using Croatian ports on the Danube and Adriatic Sea to export Ukrainian grain, underpinning some of the market pullback. Additionally, an improved weather forecast throughout much of the central U.S. provided a headwind to soybean prices as the crop heads into the critical weeks of pod filling. NASS indicated through July 30 the soybean crop was rated 52 percent good/excellent. This was 2 points behind the previous week, 10 points behind the 5-year average, and marked the lowest rating for the category at this point in the year since 2012. Fifty percent of the crop was setting pods. Through June 27, 53 percent of soybean production area was affected by drought. As is typically the case, old crop soybean export shipments have cooled off as global demand remains focused on South American product. Shipments are about 10 million bushels behind the historical pace needed to meet USDA's annual forecast as the marketing year wraps up at the end of August. USDA on July 24 announced new crop soybean sales to Chine for only the 2nd time in 2023. Excluding the years of the trade war, outstanding new crop sales to China are at their lowest level since 2006. Outstanding new crop sales to all destinations are at the lowest level for this point in the year since 2019. Old crop soybean oil exports are at the lowest level in at least a decade and new crop oil sales are nearly nonexistent. Old crop soybean meal exports are record large. New crop soybean meal export sales are up 32 percent from last year as world demand is rerouted from Argentina to the U.S. June NOPA soybean crush was slower-than-expected at 165 million bushels. This was higher than a year ago but 5.5 million bushels below the average trade estimate. Despite the slowdown, it was the 2nd largest June crush on record. Our clients were active in layering into new coverage on market strength earlier in the month but are evaluating adjustments to incorporate flexibility given the recent volatility we have witnessed.

The estimated yield for the Jul 2023 crop is 64 bushels per acre and the non-land operating cost is $520 per acre. Land cost for Jul 2023 is estimated at $292 per acre [1]. Basis for the Jul 2023 crop is estimated at $-0.37 per bushel.

The estimated yield for the Nov 2023 crop is 64 bushels per acre and the estimated operating cost is $520 per acre. Land cost for Nov 2023 is estimated at $292 per acre [1]. Basis for the Nov 2023 crop is estimated at $-0.4 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.