

Soybeans Margin Watch: September



Soybean futures traded the first half of September higher as a bullish crop report was coupled with better-than-expected export demand. A potential U.S. railroad strike dominated headlines but was avoided at the midnight hour when railroad unions and companies reached a tentative agreement. According to USDA, 56 percent of soybeans were in good or excellent condition as of September 11, down from a point from the week earlier and a year ago. Twenty-two percent of the crop was dropping leaves, behind the prior five-year average of 28 percent, and pod-setting was all but complete. USDA on September 12 released its latest WASDE report. This marked the first report with objective yield survey data included. The domestic soybean 2022/23 balance sheet called for lower production, use, and ending stocks. Soybean production was lowered 152 million bushels with a reduction in both harvested area and yield. Harvested acres were reduced 600,000 acres from the August forecast and yield was pegged at 50.5 bushels per acre. This was 1.4 bushels lower than last month and below the range of analysts' pre-report estimates of 50.7 to 52.0 bushels per acre. Soybean crush was lowered 20 million bushels and exports were reduced by 70 million bushels. NOPA reported its members crushed 165.5 million bushels in August, slightly less than the average pre-report estimate. This marked the second-highest August figure of all-time, behind only August 2019. The reduction in supply outstripped the reduction in use and ending stocks were pegged at 200 million bushels. This also fell below the range of analysts' pre-report estimates (203 to 323 million). Global production was increased mainly on higher Ukrainian supplies. Chinese soybean imports were lowered by 1 million tons to 97 million. Pegged at 98.8 million metric tons, global ending stocks were below the average analyst estimate of 101.1 million metric tons but within the range of estimates (98.2 to 102.1 million). China imported only 7.88 MMT of soybeans in August. This was lower than 9.5 MMT a year ago and marks the lowest August import total since 2014. FAS released its weekly export sales data after a technical glitch caused the data to be suspended over the past several weeks. Soybean export sales were larger than expected and ahead of the historical pace needed to meet USDA's annual forecast. Market attention will be focused on domestic harvest progress, international buyer demand, and South American weather. Our clients are looking to extend coverage in both nearby and deferred periods should the market continue higher. They are looking to use flexible positions to provide protection to the downside but maintain opportunity to higher prices.



The estimated yield for the Nov 2022 crop is 65 bushels per acre and the non-land operating cost is \$363 per acre. Land cost for Nov 2022 is estimated at \$252 per acre¹. Basis for the Nov 2022 crop is estimated at \$-0.35 per bushel.



The estimated yield for the Nov 2023 crop is 64 bushels per acre and the estimated operating cost is \$506 per acre. Land cost for Nov 2023 is estimated at \$282 per acre¹. Basis for the Nov 2023 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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