

# Soybeans Margin Watch: October



Soybean futures traded the last half of October higher as logistical issues continue to dominate market headlines. Mississippi River water levels plummeted to all-time lows over the last two weeks. Although the freight market has relaxed moderately, low river depths have kept the export pace well behind last year. Soybean export shipments have picked up recently but remain 98 million bushels behind the historical pace needed to meet USDA's annual forecast. Outstanding soybean sales remain historically large for this time of the year and attention will be focused on converting those sales into shipments. Total commitments to China are at their second-highest level for this point in the year since 2014. USDA reported 88 percent of the soybean crop was harvested as of October 30. This was 8 points higher than the previous week and 10 points higher than the historical average for this time of the year. The domestic crush industry continues to enjoy windfall profits. Historically strong forward board crush margins continue to incentivize domestic processors to run at capacity. Internationally, rainfall in Brazil is limiting stress to the soybean crop in southern growing regions. Nearly half of Brazilian soybeans have been planted, slightly behind a year ago but ahead of the average pace for this point in the year. Argentina has also benefited from recent precipitation, but dryness is expected over the next month. Russia suspended its participation in the Black Sea grain corridor deal, putting into question the availability of Ukrainian vegetable oils on the global market. Market attention will be focused on domestic supply chain issues, international buyer demand, South American weather, and the future of the Black Sea export deal. Our clients have employed flexible positions to provide protection to the downside but maintain opportunity to higher prices. They are patiently evaluating adjustments to lighten delta if the market continues to break and reopen opportunity to the upside.



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 acre<sup>1</sup>. 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 acre<sup>1</sup>. Basis for the Nov 2023 crop is estimated at \$-0.3 per bushel.

<sup>1</sup> 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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