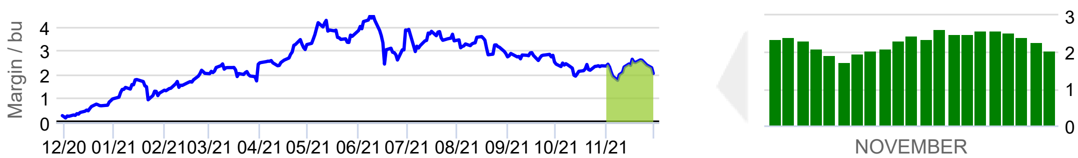
Soybeans Margin Watch: November

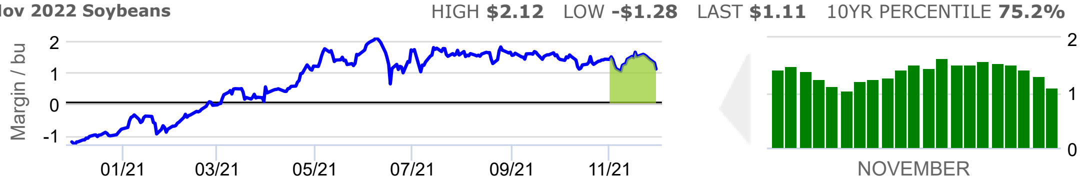
Soybean futures finished the last half of November lower as macroeconomic fears of a new Covid strain spilled into the commodity space. Additionally, the U.S. Federal Reserve appears to have accepted inflation as a structural component of the economy at this time, abandoning their previous notion that it was transitory in nature. Reports earlier in the month indicated U.S. lawmakers are considering a bill to allow for soybean oil to qualify for government tax credits when used for jet fuel. While the news created some support and excitement in the marketplace, there was no indication on timing or a clear path forward for the legislation at this time. Outstanding soybean export sales have seasonally dropped in recent weeks and remain at average levels over the past decade. Soybean export shipments have been strong the last several weeks and are only 7 million bushels behind the historical pace needed to meet USDA’s annual projection. Total commitments of soybean exports (accumulated shipments and outstanding sales) to China are 31 percent below a year ago but well ahead of the historical average. Total Chinese soybean imports are expected to be record large from October through January, but the window of opportunity for U.S. soybeans begins to close in the next two months as the South American new crop comes to market. The soy complex continues to focus on South American weather. Northern and central Brazil have experienced favorable weather conditions, although reports of excessive rainfall across Mato Grosso has caused some to fear an increase in soy diseases. La Niña is impacting Argentina and southern Brazil with lengthy periods of dryness for the next several weeks, although temperatures are expected to be moderate for the time being. There remains plenty of time for the crop to be made, but extreme drought is common in Argentina during La Niña years. Our clients have benefited from layering into strategies to provide protection to the downside. They will be patiently evaluating adjustments to lighten delta should the recent weakness continue.

Jan 2022 Soybeans HIGH **$4.48** LOW **$0.17** LAST **$2.04** 10YR PERCENTILE **71.6%**



The estimated yield for the Jan 2022 crop is 62 bushels per acre and the non-land operating cost is $345 per acre. Land cost for Jan 2022 is estimated at $275 per acre [1]. Basis for the Jan 2022 crop is estimated at $-0.13 per bushel.

Nov 2022 Soybeans HIGH **$2.12** LOW **-$1.28** LAST **$1.11** 10YR PERCENTILE **75.2%**



The estimated yield for the Nov 2022 crop is 62 bushels per acre and the estimated operating cost is $385 per acre. Land cost for Nov 2022 is estimated at $275 per acre [1]. Basis for the Nov 2022 crop is estimated at $-0.33 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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