

Soybeans Margin Watch: June



Soybean futures finished the second half of June higher as a bullish USDA report outweighed improved weather forecasts throughout the major U.S. growing areas. NASS indicated through June 25 the soybean crop was rated 51 percent good/excellent. This was 3 points behind the previous week. Some 14 percent of the crop was rated poor or very poor and 10 percent of the crop was in the bloom stage. Through June 27, 63 percent of soybean production area was affected by drought. The primary market mover, however, was the June 30 release of the Acreage report. Surprisingly, soybean planted acres were decreased by 4 million acres from March's estimate to 83.5 million. If realized, this would be 5 percent below a year ago. The average pre-report analyst estimate was 87.7 million acres. Decreases were felt across the board, with North Dakota (-900,000 acres) and Illinois (-800,000 acres) leading the way. USDA also released its Quarterly Grain Stocks report. U.S. soybean stocks on June 1 were pegged at 796 million bushels, lower than a year ago and lower than the pre-report trade average estimate of 812 million. The implied March-May disappearance of 891 million bushels was down 8 percent from the same period a year ago. As is typical for this point in the year, old crop soybean export sales have slowed in recent weeks. Despite the pullback, exports are nearly on the historical pace needed to meet USDA's annual forecast. Export demand for U.S. soybeans remains weak. Outstanding new crop soybean export sales are at their second-lowest level for this point in the marketing year over the past decade (only 2019 was lower). The market will continue to focus on weather forecasts across the Midwest and the subsequent impact on crop ratings. Our clients are looking to scale into flexible coverage on the recent rally by increasing delta to provide protection should the weather cooperate but to maintain opportunity to higher prices if it does not.



The estimated yield for the Jul 2023 crop is 65 bushels per acre and the non-land operating cost is \$363 per acre. Land cost for Jul 2023 is estimated at \$252 per acre¹. Basis for the Jul 2023 crop is estimated at \$-0.4 per bushel.



The estimated yield for the Nov 2023 crop is 64 bushels per acre and the estimated operating cost is \$508 per acre. Land cost for Nov 2023 is estimated at \$282 per acre¹. Basis for the Nov 2023 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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