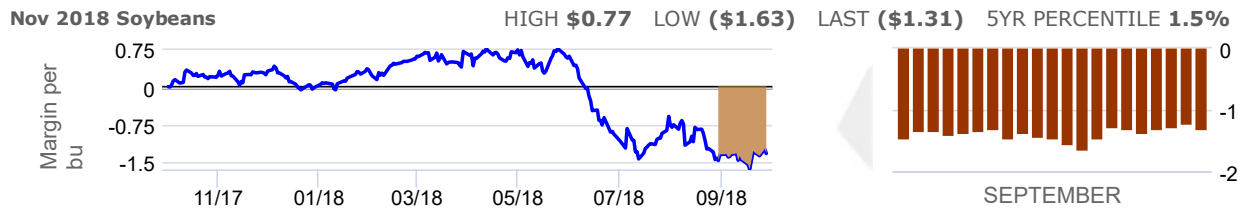


Soybeans Margin Watch: September



Soybean prices and margins were slightly higher the past two weeks, but got big jolt from news that a NAFTA 2.0 was on the horizon when the U.S. and Canada came to terms. The last minute resolution right at the deadline was a big sigh of relief across the entire agricultural sector as well as in the equity markets. The U.S. relented on demands to overhaul the dispute mechanism within the original NAFTA, a big sticking point among the Trump administration, while Canada agreed to additional opportunities for U.S. dairy imports, as well as scrapping the Class 6 & 7 Milk categories. The bean market got the lift on the perception of averting a trade war, even while its main trade outlet in China remains closed. Hope is high this will precipitate other new agreements. One provision of the new so-called U.S.-Mexico-Canada Agreement (USMCA) includes exchange rate curbs, rules to deter artificial currency manipulation to gain trade advantages; many believe this will be a benchmark feature in all future trade negotiations. U.S., Mexico and Canada all need approval for the new treaty, and ratification will likely spill into 2019. The Quarterly Stocks report, out prior to the treaty news, revealed higher beans stocks than expectations by 44 million bushels. September 1 stocks of 438 million bushels were also 45% greater than 2017 levels. USDA and NASS adjusted the previous production and yield estimates for the 2017 bean crop, static acreage assumptions coupled with higher yields of 0.2 bpa to 49.3, brought production up by 19.1 million bushels. Bean harvest is running ahead of average by 3% at 23% complete, and outpaces last year's 14% clip. The October WASDE report will incorporate the updated stocks estimates, as well as dial in 2018 yield and production projections.



The estimated yield for the 2018 crop is 59 bushels per acre and the non-land operating cost is \$319 per acre. Land cost for 2018 is estimated at \$222 per acre ¹. Basis for the 2018 crop is estimated at \$-0.6 per bushel.



The estimated yield for the 2019 crop is 59 bushels per acre and the estimated operating cost is \$319 per acre. Land cost for 2019 is estimated at \$222 per acre ¹. Basis for the 2019 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.

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