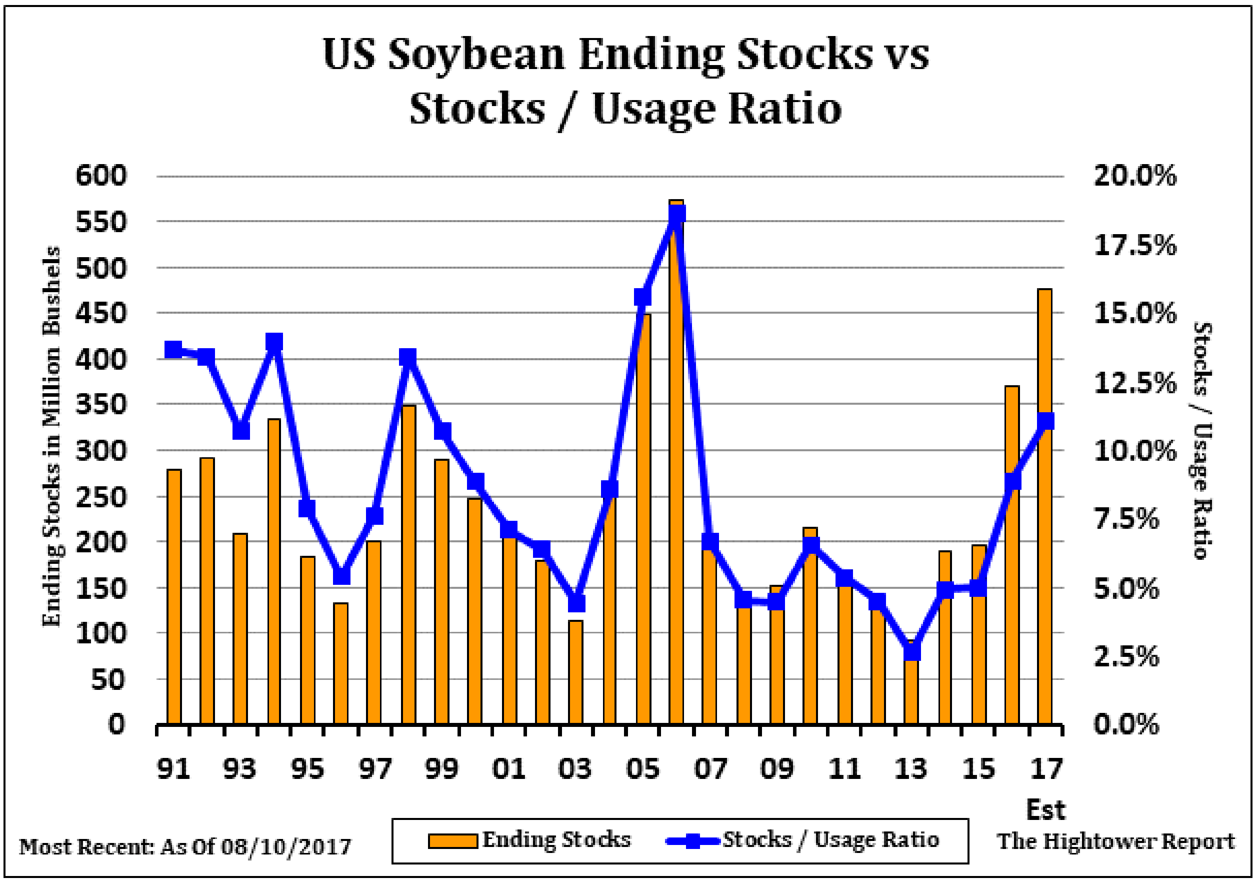
Archer Financial Services, Inc.

SOYBEAN HEDGES ARE RECOMMENDED AHEAD OF USDA REPORT

By Dennis Smith September 7, 2017

The November soybean contract has rallied 55 cents off the August lows. At the same time key resistance, which I'll define as $9.80 has not been penetrated. If you're thinking the soybean fundamentals may have turned a corner and prices may have bottomed, I encourage you to ponder the bar graph below.



Projected U.S. ending stocks at 475 million bushels is the second largest ending stock figure in over twenty years. The stocks-to-use ratio is also increasing substantially from last year and U.S. acreage devoted to soybean production is record large. Most producers, if they're being honest, would tell you that soybean genetics appear to be taking over. In other words, yields never seen before appear to be occurring on a more normalized basis in recent years with soybeans.

We're not expecting much, if any downward revision in the national average yield in the upcoming USDA supply/demand report scheduled for release on Tuesday, September 12th. If ending stock projections remain near the 460-480 million bushel area, the harvest lows are likely not in place. In addition, early surveys suggest that Brazilian producers are preparing to expand soybean acreage this fall. Producers in China are expected to do the same, expand soybean acres at the expense of corn acreage.

It is my opinion that producers should utilize the recent rally in soybean prices to purchase put options designed to establish a price floor for the new crop, yet leave the upside to prices open in the event of an early frost or some other unexpected bullish fundamental development. Utilizing at-the-money October soybean puts, which match up against the November contract, but expire on September 22nd is highly recommended.

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