

Soybeans Gaining Market Ground

Market Column

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Local soybean spot bid affected by many factors

Soybean acres have seen tremendous growth in Manitoba over the past several years, and have even started to gain some traction in Saskatchewan and Alberta. The benefits of including soybeans in the rotation have not just been agronomic, but financial as well as prices have been strong in recent years. As local production and volumes have increased, so has the depth of marketing opportunities and flexibility.

It was only a few years ago when making good selling decisions for soybeans revolved as much around the ability to get movement as it did about picking trends in the broader market. But as the tonnage grew, so did the number of commercial players that started participating. Today, virtually every major grain company buys soybeans to at least some extent, along with numerous other smaller handlers and brokers. Soybeans still don't have the depth of bids on a consistent basis the way a crop like canola has, but it's certainly much improved as the local market has matured.

One of the important dynamics of our soybean market is that the overwhelming majority of our production gets exported. There is some local processing, which is an important source of steady bids, but the absolute tonnages are not that large, and have been shrinking as a proportion of total crop as the number of acres have increased. Some



Soybeans Weekly Chart- December



of our soybeans get sent by rail to the coasts and exported directly, but much of it also gets trucked down to elevators in the northern U.S., where it is absorbed into their system.

It's also important to remember that our production is a tiny fraction of the North American total. So, essentially this means that local prices take their direction from what is happening through the northern U.S. states.

Of course, the soybean futures prices in Chicago are very transparent and easy to monitor, but an almost equally important aspect for the price received by prairie growers is the shift in local basis levels. This is also driven largely by basis levels in the northern U.S., since that's where so many of our soybeans go. This isn't always the case, as there are times when a local processor leads the market or one of the elevator companies puts together a program to move supplies directly through one of our ports, but these opportunities are somewhat more sporadic.

So, while the soybean basis at U.S. elevators have their normal fluctuations just like any other crop, such as canola basis levels do at Western Canadian elevators, this is just one factor that plays into what our own local soybean basis levels do. Other considerations include the availability and cost of freight, including the potential for shippers to arrange efficient backhauls, the exchange rate, since the futures and cash business south of the border is all done in U.S. dollars, and whether market opportunities allow for the various players in the marketplace to put sizeable programs together.

For example, there have been times when differences in our respective crop qualities allowed our local soybeans to blend nicely with what was grown in the U.S. This in turn created opportunities for everyone in the supply chain to benefit from efficiencies and movement, and had a positive effect on our basis.

While marketing soybeans on the Prairies has some unique aspects and challenges compared to many other crops, the opportunities have improved as the market has grown. Farmers still need to be cognizant of all the various factors that come into play in determining their local price, but the greater depth of the market has benefitted everyone in the local supply chain as it has become increasingly established. 

