AgFlow INTELLIGENCE

INSIDE THE
SOYBEAN SYSTEM SERIES
ISSUE 04

WHO OWNS THE SOYBEANS?

THE MARGINAL BUSHEL

Why ownership can matter as much as total supply.



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THE MARGINAL BUSHEL

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About This Series

Inside the Soybean System is a research series from AGFLOW Intelligence designed to help commercial operators understand how structure, flow, ownership, and transmission drive market behavior.

AGFLOW Intelligence provides market governance and decision-support research for merchandisers, elevators, processors, traders, and agricultural businesses.

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Who Owns the Soybeans?

Why ownership can matter as much as total supply

A soybean balance sheet answers an essential question:

How much supply does the system have in aggregate?

But it does not answer another question that can matter just as much to the physical market:

Who controls the next bushel the market needs?

Two markets can have the same total inventory and behave very differently. In one, whoever controls the marginal bushel may be willing to transact at prevailing economics. In another, stronger economics may be required before that bushel moves.

The soybeans exist in both cases. What changes is the incentive required to trigger the next transaction.

That is why understanding soybean supply requires more than counting inventory. It also requires understanding who controls the merchandising decision attached to that inventory.

1. THE QUESTION

If the soybeans exist, why should ownership matter?

Suppose processors, exporters and elevators know that substantial soybean stocks remain in the country. At first glance, that should suggest adequate supply.

But buyers cannot crush, load or export a national stocks statistic. They need actual soybeans delivered to a particular location during a particular period.

So the commercially relevant question is not only:

How much inventory remains?

It is also:

Who controls the inventory the system needs next, and what economics will trigger the transaction?

Quantity and behavior answer different questions

A stocks number measures quantity. It does not reveal the merchandising decision still attached to every bushel represented by that number.

This does not mean ownership is more important than supply. The two answer different questions.

Supply measures quantity. Inventory control helps explain behavior.

And market behavior occurs at the margin.

2. THE MECHANISM

“Who owns the beans?” is really four questions

In everyday market conversation, “Who owns the soybeans?” sounds straightforward. Commercially, it is not.

Legal title alone does not tell an analyst everything needed to understand how a bushel may behave. A more useful framework separates the position into four dimensions.

DIMENSION	COMMERCIAL QUESTION
Physical position	Where is the bushel, and who has physical custody?
Contractual position	Has the bushel already been committed for delivery?
Price position	Which futures and basis exposures remain open?
Residual decision	What merchandising decision can still be made?

Four positions do not imply one decision-maker

These dimensions do not necessarily reside with the same participant.

A producer may physically store soybeans on the farm but already have them committed for later delivery. Another may hold beans while having hedged futures, leaving basis and delivery timing among the important open decisions. A commercial firm may control physical inventory while maintaining an offsetting futures hedge.

So when AgFlow asks “Who owns the soybeans?”, the question is not merely about legal title. It is shorthand for something commercially more important:

Who controls the physical position, what commitments already exist against it, what price exposure remains, and what decision can still be made?

The marginal seller matters

Broad ownership distribution provides useful context. But markets operate at the margin.

Eventually, a processor, exporter or merchandiser needs another increment of supply. Whoever controls the next merchandising decision now matters.

If that seller sees little economic reason to transact, the buyer may have to improve the terms. The question becomes:

What price, basis, spread or delivery incentive is required to trigger the next transaction?

The marginal seller may be a producer, an elevator or another commercial inventory controller. The label is less important than the incentive governing the transaction.

The market does not have to reprice every bushel. It only has to find the economics that release the next bushel it needs.

The stock number describes the reservoir. The marginal seller helps determine the conditions under which the next bushel leaves it.

3. THE EVIDENCE

What we can observe

USDA's quarterly Grain Stocks framework provides an important starting point.

NASS reports stocks, including soybeans, by on-farm and off-farm storage position. The quarterly publication combines information from the Agricultural Survey, which collects on-farm grain stocks, with the Off-Farm Grain Stocks survey covering commercial facilities including elevators, processing plants, terminals and other non-farm storage operations.

The methodology therefore helps establish how reported stocks are distributed between on-farm and off-farm storage, but it does not by itself provide a complete map of contractual commitments, futures hedges or the merchandising decisions attached to individual bushels.

READING THE STOCKS DATA CORRECTLY

OBSERVABLE	WHAT IT HELPS ESTABLISH
Total soybean stocks	How much reported soybean inventory is stored on and off farms at the reference date
On-farm stocks	How much reported inventory is physically stored on farms
Off-farm stocks	How much reported inventory is stored in commercial facilities
Changes over time	How the distribution of reported stocks between on-farm and off-farm positions changes

What reported stock numbers cannot establish

Several commercially important questions remain outside those observations.

ADDITIONAL QUESTION	WHY IT MATTERS
Who has contractual control?	Physical location does not describe every commitment against the bushel
What price exposure remains?	A physical position may already have altered futures exposure
What decision remains open?	Different positions create different merchandising choices
What economics trigger a transaction?	Stocks data alone cannot establish the seller's reservation terms

Storage position is observable. Commercial control requires interpretation.

An analyst should therefore not automatically equate on-farm with uncommitted producer ownership or off-farm with unencumbered commercial ownership. Those categories tell us where reported stocks are stored. They are the beginning of ownership analysis—not the end.

What the mechanism implies

Consider two hypothetical soybean markets. Both contain 1.0 billion bushels of inventory.

	MARKET A	MARKET B
Stock total	1.0 billion bu	1.0 billion bu
Current economics sufficient to trigger the marginal transaction	No	Yes
Additional origination incentive likely required	Higher	Lower
Potential buyer competition for the next bushel	Higher	Lower

The stock total is identical. The merchandising environment is not.

In Market A, the buyer may have to offer stronger economics to induce the next transaction. In Market B, the next increment of grain may transact under existing terms.

This example does not tell us where futures or basis must go. It demonstrates something narrower:

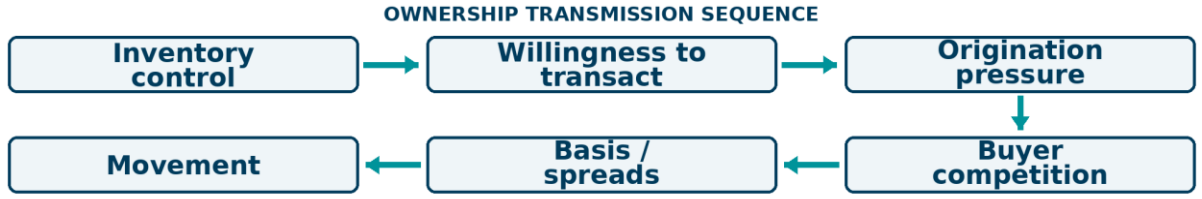
The same quantity of stocks can generate different commercial behavior depending on the incentive attached to the marginal bushel.

4. THE TRANSMISSION

Ownership reaches the market through behavior

Ownership does not move a market simply because one type of participant controls more soybeans than another. The mechanism works through decisions.

Inventory control → willingness to transact → origination pressure → buyer competition → basis / spreads → movement



How inventory pressure reaches the cash market

If buyers can originate the grain they need without improving terms, there may be little reason to bid more aggressively. If they cannot, pressure to originate the marginal bushel may increase.

That pressure may first appear in local cash bids or basis. If nearby origination pressure becomes broad and persistent, it may also contribute to firmer nearby structure—narrower carry, disappearance of carry, or deeper inversion—as nearby futures gain relative value versus deferred contracts.

But neither relationship is mechanical. Basis also reflects location, freight, delivery period, buyer coverage and competing destinations. Calendar spreads incorporate broader expectations about inventory, supply and demand across time.

Ownership should therefore not be treated as a standalone trading signal. It is a context variable that helps explain why other market signals may be changing.

Confirmation still matters

Suppose important inventory holders appear reluctant to transact. That hypothesis becomes more meaningful if buyers simultaneously begin competing harder for the marginal bushel.

CONFIRMING OBSERVATIONS

Firmer basis + stronger nearby delivery incentives + firmer nearby structure (narrower carry or deeper inversion) + sustained nearby physical demand

Together, those signals provide greater evidence that origination pressure is real.

CONTRADICTING OBSERVATIONS

Weaker basis + wider carry + comfortable buyer coverage

Then reluctance among some sellers may have limited immediate market consequence.

A seller's reluctance matters commercially only when a buyer actually needs the bushel.

Ownership therefore requires confirmation from the rest of the physical system.

5. THE DECISION RULE

Do not stop at the stocks number

The balance sheet remains the starting point. But once the analyst knows how many soybeans remain, the next analytical sequence should be:

STOCKS → CONTROL → SELLER INCENTIVE → BUYER COMPETITION → MARKET SIGNAL

Ask:

- How much inventory exists?
- Who controls the marginal bushel?
- What decision remains open on that bushel?
- What economics would trigger the next transaction?

Then test the ownership thesis:

Are basis, spreads and physical movement confirming that buyers actually need to improve the terms for that grain?

This prevents two common errors. A large inventory does not automatically prove that nearby commercial conditions are loose. And reluctant sellers do not automatically create bullish price pressure.

The signal emerges when inventory control interacts with buyer demand.

AGFLOW TAKEAWAY

- Stocks tell you how many beans remain.
- Inventory control tells you who controls the next decision.
- Basis helps reveal how aggressively specific buyers are competing for grain.
- Spreads help show how the market values inventory across time.

The commercial question is not simply:

How many soybeans are left?

It is:

Who controls the marginal bushel—and what economics will trigger the next transaction?

That is how inventory control enters physical price discovery.

Continue Reading the Soybean System

NEXT IN THE SYSTEM

Issue 05 — How Crush Demand Reaches the Farm

How processor economics eventually affect producer bids.

Later in this series, Issue 22 will explore the distinction between commercial and producer ownership, while Issue 23 will examine why available supply is not always the same as total supply.

SOURCE NOTE USDA National Agricultural Statistics Service (NASS), Grain Stocks Methodology and Quality Measures, February 12, 2026. Methodology PDF | Grain Stocks survey documentation

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Every week, AGFLOW tracks:

- Balance sheet structure
- Export flow
- Crush transmission
- Basis behavior
- Carry economics
- Inventory ownership
- Futures structure
- Positioning dynamics

The objective is not to forecast prices.

The objective is to understand market conditions before prices fully reflect them.

About the Author

Leo Rocha

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Leo Rocha is the creator of the AGFLOW Intelligence framework, a governance-based approach to analyzing the soybean market as an interconnected transmission system rather than a collection of isolated indicators.

His research focuses on market structure, physical flow, inventory ownership, basis transmission, carry economics, positioning, and commercial decision-making. Through AGFLOW Intelligence, he develops institutional-grade analytical frameworks that help commercial operators interpret market conditions with greater clarity and discipline.

Rather than forecasting prices, his work focuses on identifying structural conditions, validating confirmation, and determining when commercial escalation is authorized through objective, rules-based governance.

About AGFLOW Intelligence

AGFLOW Intelligence is a market governance and decision-support platform focused on the global soybean complex.

The platform analyzes the soybean market through a structured framework that integrates:

- Balance sheet structure
- Export flow validation
- Crush transmission
- Basis transmission
- Carry economics
- Ownership and inventory control
- Futures structure
- Positioning dynamics
- Global supply and demand transmission

The objective is not to predict markets.

The objective is to determine:

- Whether tightening is real
- Whether confirmation exists
- Whether escalation is authorized
- Whether structure and flow are aligned
- Whether commercial risk is increasing or decreasing

Because better decisions begin with better market interpretation.

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Market Governance for Commercial Decisions

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