

THE SOYBEAN MARKET AS A SYSTEM

Connecting structure, flow and ownership,
positioning and price.



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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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THE CENTRAL ARGUMENT

A soybean price is an output of interacting markets—not a complete diagnosis of the soybean system.

1 | The question

A merchandiser sees Chicago futures rally while a nearby elevator lowers its basis bid. At the same time, export sales improve, processors report profitable crush economics, and investment funds add length. Is the physical soybean market tightening—or is the futures move running ahead of commercial demand?

None of these observations answers the question alone. They describe different layers: the price of benchmark risk, the price of location and timing, prospective and realized physical movement, control of available inventory, and financial risk appetite. The commercial task is to determine which layers are transmitting a durable signal, which are merely anticipating change, and where the transmission breaks.

Inside the Soybean System uses a consistent discipline: state before forecast; evidence before escalation. Its purpose is not to predict every tick. It is to identify what the market is paying the system to do—and what the evidence does not yet permit us to conclude.

2 | The mechanism

The soybean system can be read through five mutually dependent dimensions. STRUCTURE describes futures spreads and price relationships across delivery periods. FLOW tracks physical soybean deliveries into processing, export and inventory channels. OWNERSHIP identifies who controls deliverable stocks, when those stocks can be released, and the price required to induce movement. POSITIONING describes reported futures and options exposure, including hedging and managed-money participation; such exposure is not a direct measure of physical ownership. PRICE is observed both in standardized Chicago contracts and in location-, quality- and delivery-specific cash bids. These dimensions interact through feedback, not a rigid one-way chain.

Figure 1 — The five-layer system map

STRUCTURE	FLOW	OWNERSHIP	POSITIONING	PRICE
Futures spreads, carry, inversion	Crush, exports, logistics, shipments	Producer, elevator, processor and transit stocks	CFTC-reported derivatives exposure; not physical title	Chicago futures + location-specific basis

READ LEFT TO RIGHT AND BACK AGAIN: relative prices influence storage and movement; physical flows and inventory control influence cash bids; positioning can magnify Chicago moves without proving a nearby shortage. Feedback operates in both directions.

A cash soybean bid can be represented simply as Cash price = relevant futures contract + local basis, after observing contract terms, quality, location, and delivery window. The futures component reflects standardized market risk. Basis carries much of the information about the specific physical transaction: local competition, access to transport, line-up capacity, and the value of immediate versus deferred delivery. Basis is not a pure demand index; freight, timing, contract specifications and local supply also matter.

The futures curve provides another dimension. Carry can compensate an inventory holder for waiting, but apparent carry is not economic profit until storage, interest, shrink, handling, execution costs, and basis changes are included. Inversions may encourage inventory release, but they do not prove that the entire soybean balance sheet is scarce. Both signals require location- and horizon-specific interpretation.

3 | The evidence

A strong diagnosis separates directly observed facts, calculations and interpretation. USDA FAS export sales report commitments and accumulated exports under their own reporting definitions; USDA AMS/FGIS export grain inspections measure grain inspected for export and are not interchangeable with sales, customs exports, arrival, or final consumption. USDA NASS monthly Oilseed Crushings supplies a lagged measure of realized soybean processing. CFTC disaggregated Commitments of Traders classify reportable positioning and have a Tuesday as-of date; they do not identify beneficial ownership of cash soybeans. Dated cash bids, freight quotations and delivery terms test the local price transmission that aggregate statistics cannot establish.

Figure 2 — What each observation can—and cannot—establish

Observation	Supports	Does not establish
Rising futures	Benchmark value or risk appetite increased	Physical shortage at each location
Strengthening nearby basis	Stronger relative local bid for a specified delivery	National scarcity without corroboration
Widening carry	More deferred compensation for ownership	Profitable storage net of all costs
Export sales growth	Contractual demand commitments, subject to reporting definitions	Shipment in the same week, arrival or final consumption
Higher crush activity	Realized processor soybean use	Uniformly stronger farm bids

Larger managed-money net long

Reported derivatives exposure by
trader classification

Ownership of cash inventory or
independent physical-demand
confirmation

Illustrative calculation—not observed market data: a matched futures contract rises 20 cents per bushel, while the local basis weakens 12 cents per bushel over the same measurement window. The quoted cash bid therefore improves 8 cents per bushel (+20¢ – 12¢), before any change in grade discounts, delivery charges or fees. The result demonstrates weaker relative local demand or changed local conditions—not necessarily an outright reduction in the cash bid. Export commitments rising while confirmed inspected movement remains flat would support the narrower inference that contractual demand has improved ahead of inspection evidence; timing and reporting lags must still be considered.

The comparison must be synchronized. A Tuesday futures close cannot be causally paired with a Thursday basis quote and then characterized as an exact daily cash-price change. Contract month, market close, units, delivery period and release lags should be aligned; missing values should remain explicitly missing.

4 | The transmission

Transmission is the route by which a change in one layer becomes economically meaningful in another. Consider rising Chinese purchases of U.S. soybeans. Export commitments may first improve. Merchandisers assess whether vessels, Gulf or Pacific Northwest elevator capacity, barge or rail availability, freight and origination bids can turn those commitments into loading. If exporters compete more aggressively for deliverable supplies, bids may rise at relevant terminals and then, unevenly, upstream. Ownership matters: a producer willing to hold through harvest may demand a different price from an elevator already long inventory.

In the domestic channel, stronger soybean meal or oil values can improve expected crush margins. A processor may increase production and procurement, but the producer bid depends on its existing inventory, maintenance schedule, rail or truck capacity, competing bids, and willingness to protect margin. “Strong crush” and “strong farm basis” are therefore related propositions, not synonyms.

Figure 3 — Transmission checkpoints

Impulse	Commercial channel	Confirming evidence	Possible break
Export buying	Sale → booking → shipment → origin bid	Shipments, freight, terminal and interior basis	Congestion, available stocks, competing origins
Crush profitability	Product values → crush run → bean procurement	Throughput and processor procurement bids	Inventory coverage or capacity limits
Futures rally	Chicago → hedge values → cash bids	Consistent futures/basis dates and delivery	Weakening basis offsets futures

Tighter nearby supply

Ownership → competition for
delivery

Nearby basis, spreads,
delivery premiums

Regional—not national—
constraint

Ownership changes the responsiveness of available supply. Total on-farm and off-farm stocks are accounting quantities; economically available supply depends on owners' willingness to sell, contractual encumbrances, location, quality, transportation and the delivery window. Inventory title cannot be inferred from CFTC position categories or from aggregate stocks alone. Consequently, national inventory can be ample while a processor faces a short-lived local procurement constraint. Conversely, bullish futures positioning can coexist with comfortable nearby physical coverage.

The system should be tested as a set of conditional propositions, not a forced narrative. Ask: Did expectations turn into shipments or crush? Did the transmission reach bids at the appropriate locations? Did nearby spreads confirm urgency? Are we observing durable inventory scarcity or only a timing bottleneck? Are financial flows leading or following the physical evidence?

5 | The decision rule

The correct commercial decision is conditional on a matched location, delivery period, hedge exposure and cost structure. No single headline authorizes a blanket sell, store or hedge instruction. The questions below create a disciplined decision gate.

Figure 4 — Evidence-to-action matrix

Observed configuration	Permitted interpretation	Commercial discipline
Futures stronger; basis weaker; shipments unconfirmed	Price-led move, incomplete physical transmission	Avoid upgrading physical-tightness conviction
Nearby basis stronger; physical movement improving; carry narrowing	Tighter prompt procurement may be emerging	Reassess immediate-delivery and ownership alternatives
Carry exceeds fully loaded ownership costs; basis risk understood	Potential deferred return, only if the executable spread and cost inputs are matched	Net out all costs; distinguish fixed futures return from open basis, shrink and operational risk
Export or crush indicators mixed; ownership opaque	Signal conflict / insufficient confirmation	Maintain conditional posture; identify next verification point

Execution should pass five documented gates: (1) specify the physical obligation, volume, quality, delivery period, counterparty and location; (2) reconcile futures contract and basis reference to that obligation; (3) compare executable net cash alternatives after freight, shrink, handling, interest, storage, commissions and quality adjustments, separating locked spread from open basis exposure; (4) require more than one independently sourced, appropriately timed physical indicator before escalating a systemwide tightness claim; and (5) record risk limits, decision authority, the evidence cutoff and an explicit invalidation trigger. No action is automatically authorized by the table above.

An improvement in futures is not authorization to infer a physical shortage. A stronger local basis is not authorization to generalize across states. Profitable board carry is not proof of profitable storage. A large managed-money position is context for potential volatility, not confirmation of commercial demand. When signals conflict, the appropriate conclusion may be “unconfirmed,” not bullish or bearish.

The system in one sentence

Chicago prices standardized soybean risk; basis locates and times the physical bid; spreads price inventory across delivery periods; ownership controls release; crush and export flows test actual demand; positioning can amplify the observable move. Decisions require these layers to be reconciled, not simply averaged.

Research basis and scope

Evidence protocol | Treat this paper’s tables and worked example as conceptual illustrations.

For any weekly application record source, release date, observation window, geography, futures month, unit, and calculation; do not equate missing confirmation with proof of absence.

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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 condition before price fully reflects it.

About the Author

Leo Rocha

**Founder & Head of Research
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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.

Connect

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AGFLOW Intelligence

Market Governance for Commercial Decisions



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