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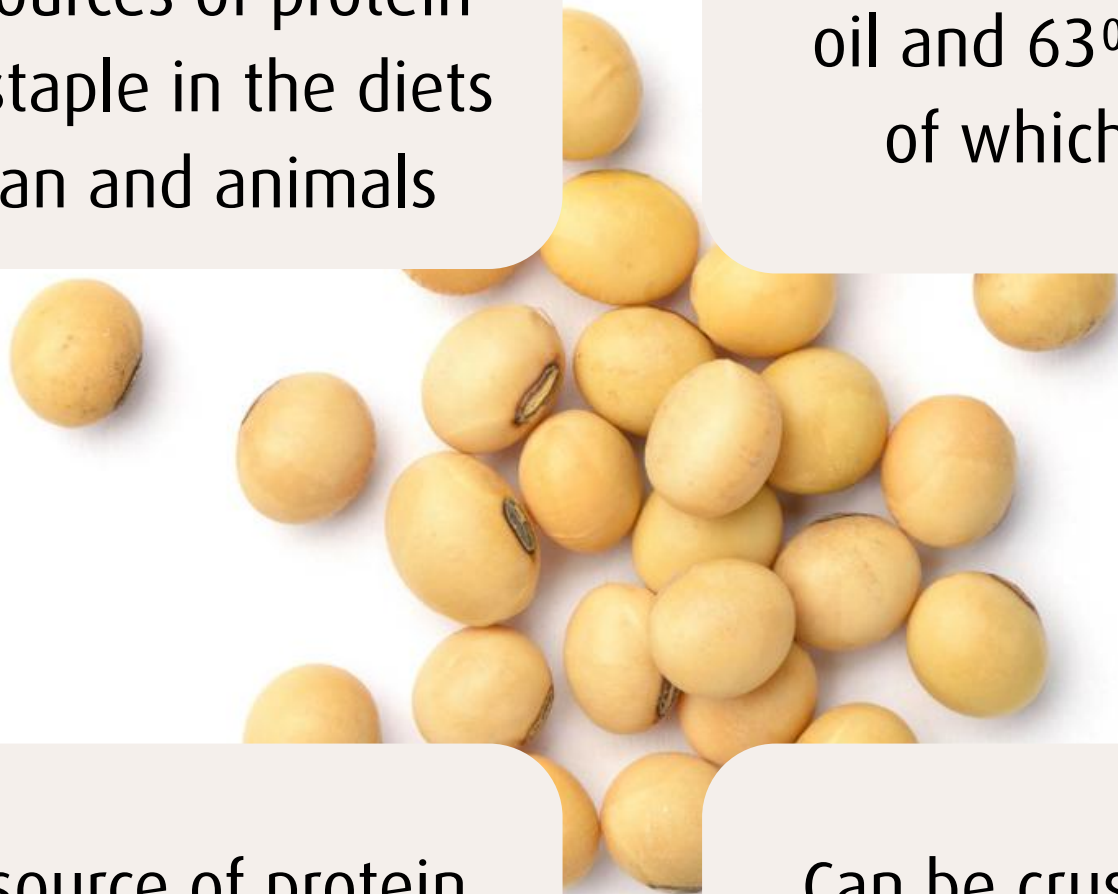
**INTRODUCTION TO  
SOYBEAN  
FUTURES**

**ZS**

# WHAT ARE SOYBEANS?

One of the cheapest and richest sources of protein and is a staple in the diets of human and animals

The seed contains 17% oil and 63% meal, 50% of which is protein



A good source of protein for diabetic patients as it does not contain starch

Can be crushed into two products - soybean oil and soybean meal

## THE SOY FAMILY



Soybean are harvested from plants

Soybean oil is extracted through dehulling and crushing of the beans

The soybean flakes from oil extraction are dried and toasted into soybean meal

The soybean , soybean oil and soybean meal are Futures products that can be traded on the Chicago Mercantile Exchange (CME).

Soybean oil and soybean meal will be covered in the subsequent topics.

## WHAT DO SOYBEANS LOOK LIKE?



An erect branching plant that can reach more than 2 meters in height.



Seeds can be yellow, green, black, brown or bicoloured.

Most have brown or tan seeds, with one to four seeds per pod.



Its self-fertilising flowers are purple or white.

# WHERE DO SOYBEANS COME FROM?

Soybeans may be cultivated in most types of soil, but it thrives in warm, well-drained, fertile and sandy loam.

They are harvested mechanically after the leaves have fallen off and the moisture content of the seed has dropped to 13%



# USAGE OF SOYBEANS








# DEMAND & SUPPLY FOR SOYBEANS

## 2024 Top 5 Soybean Importers

<u>Country</u>	<u>Billion USD</u>
 China	52
 Argentina	5.62
 Mexico	2.36
 Japan	2.2
 Thailand	2.01

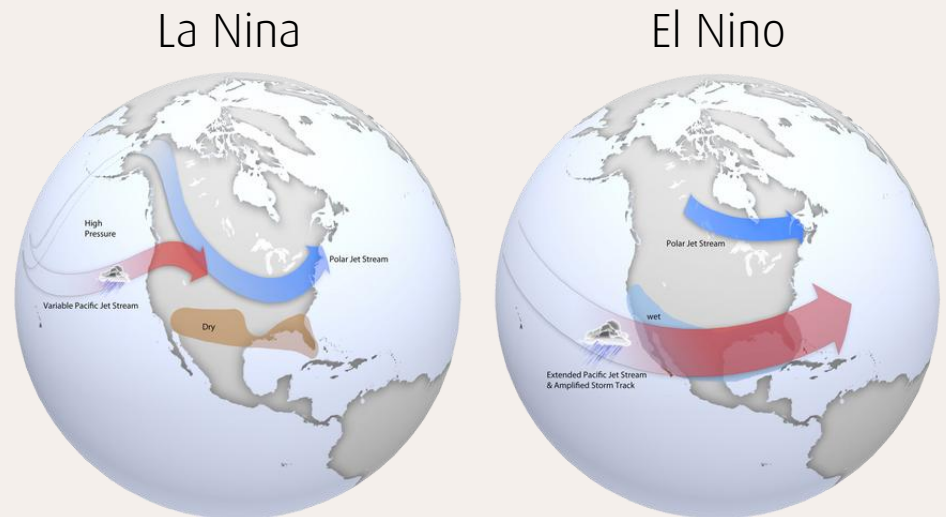
## 2024 Top 5 Soybean Exporters

<u>Country</u>	<u>Billion USD</u>
 Brazil	53.2
 United States	28
 Paraguay	3.4
 Canada	2.6
 Ukraine	1.3

# FACTORS AFFECTING DEMAND AND SUPPLY FOR SOYBEANS

## WEATHER

The warming and cooling of sea temperature, El Nino and La Nina threaten the optimal mean temperature requirement (20°C - 30°C) for soybeans.



## INPUT COSTS

The cost of input for soybean plantation such as fuel and fertiliser will impact supply.

## GOVERNMENT POLICY

Crop subsidies have significant impact on prices.

## PRODUCTION FORECAST

United States Department of Agriculture (USDA) periodically releases information on projected production.

## VALUE OF USD

Soybean is highly traded on the international market.



# WHAT ARE SOYBEAN FUTURES (ZS)?

A fully electronic, exchange-traded contract on the **Chicago Mercantile Exchange (CME)**

A popular commodity that is used as a **trading tool** to trade futures

A highly **liquid** investment tool to diversity portfolios and manage risks



# TRADING SOYBEAN FUTURES (ZS)?

## SPECULATE

Use Soybean Futures to speculate on the price of soybeans

## LEVERAGE

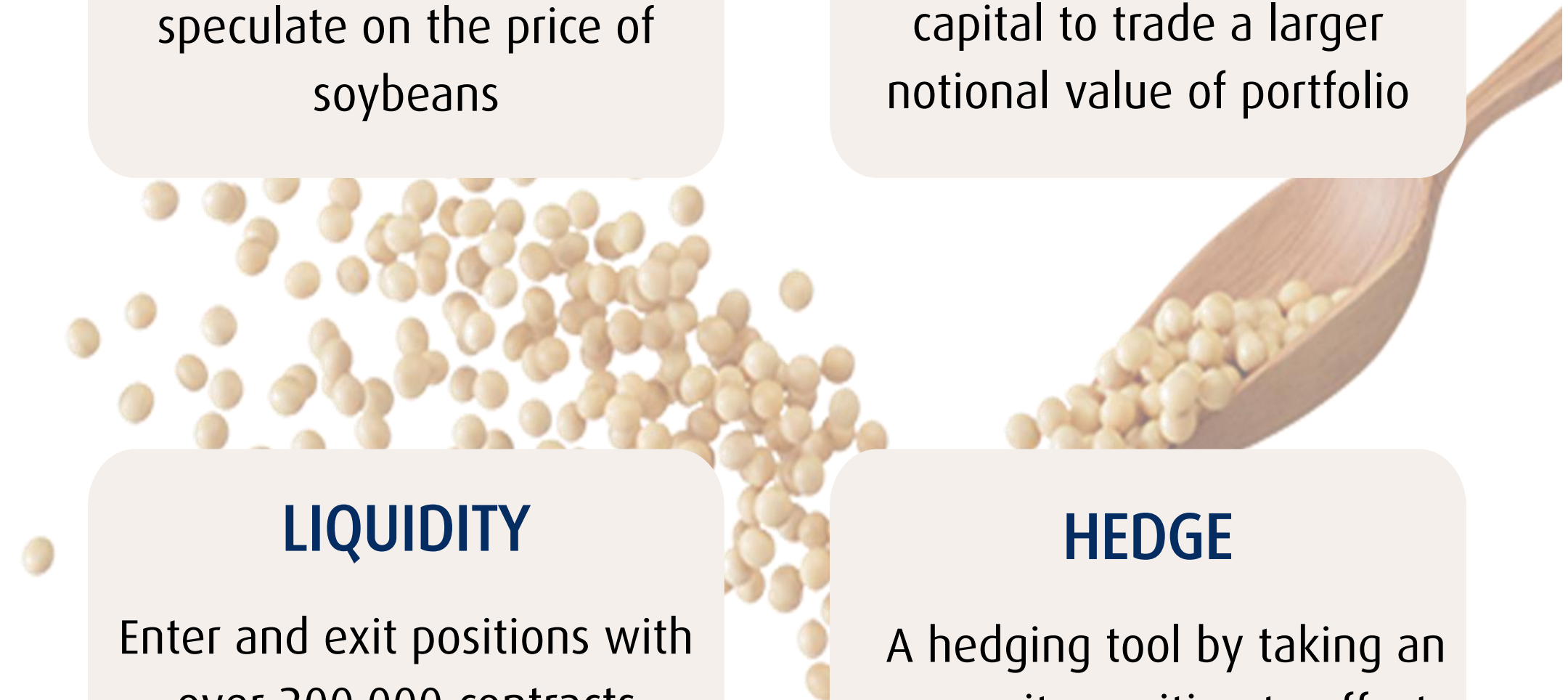
Use a smaller amount of capital to trade a larger notional value of portfolio

## LIQUIDITY

Enter and exit positions with over 200.000 contracts traded on average per day

## HEDGE

A hedging tool by taking an opposite position to offset adverse price movements



# CONTRACT SPECIFICATIONS

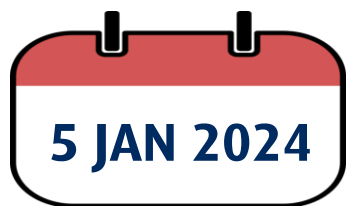
	Soybean Futures	Mini Soybean Futures	Micro Soybean Futures
Underlying Instrument	Soybean		
Contract Code	ZS	XK	MZS
Contract Size	5,000 bushels (~136 metric tons)	1,000 bushels (~27metric tons)	500 bushels
Minimum Fluctuation	0.25 pt = \$12.50 (1 pt = \$50)	0.125 pt = \$1.25 (1 pt = \$10)	0.50 pt = \$2.50 (1 pt = \$5)
Contract Month	Monthly contracts (Jan, Mar, May, Aug, Sep) listed for 15 months and Jul and Nov listed for 8 months.		Two Nov and all prior Jan, Mar, Jul, Aug, Sep.
Settlement Method	Physical		
Trading Hours*	21:30 - 02:15 08:00 - 20:45, 21.30 - 02:20 (Globex)		

Sources: CME Group  
\*Malaysia time

# SOYBEAN FUTURES (ZS)

## Trading Examples

### Bullish Market



You think the price of ZS will go up and BUY 1 lot @1,156.25



You close your position and SELL 1 lot @1,196.25

Gross Profit  
= Price Difference x Contract Size  
= (1,196.25 - 1,156.25) x USD 50  
= **USD 2000**

### Bearish Market



You think the price of ZS will go down and SELL 1 lot @1,120.75



You close your position and BUY 1 lot @1,089.50

Gross Profit  
= Price Difference x Contract Size  
= (1,120.75 - 1,089.50) x USD 50  
= **USD 1,562.50**

# MICRO SOYBEAN FUTURES (MZS)

## Trading Examples

### Bullish Market



5 JUL 2024

You think the price of MZS will go up and **BUY 1 lot @1,020**



31 JUL 2024

You close your position and **SELL 1 lot @1,060**

$$\begin{aligned}\text{Gross Profit} &= \text{Price Difference} \times \text{Contract Size} \\ &= (1,060 - 1,020) \times \text{USD } 5 \\ &= \text{USD } 200\end{aligned}$$

### Bearish Market



5 JUL 2024

You think the price of MZS will go down and **SELL 1 lot @1,050**



31 JUL 2024

You close your position and **BUY 1 lot @1,030**

$$\begin{aligned}\text{Gross Profit} &= \text{Price Difference} \times \text{Contract Size} \\ &= (1,050 - 1,030) \times \text{USD } 5 \\ &= \text{USD } 100\end{aligned}$$

# SOYBEAN FUTURES OVERVIEW 2024



Soybean prices in 2024 dropped more than \$3.00 a bushel from the start of the year, as US weather was usually favorable for most of the Midwest and yields and production hit record highs.

Therefore, Chinese demand and weather in South Africa and US will be driving factors for price action in 2025.



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