



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE DEPARTMENT OF AGRICULTURAL ECONOMICS

Urbana, Illinois 61801

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SOYBEAN OUTLOOK

IF THE SOYBEAN AND CORN CROPS MATERIALIZE AS PROJECTED ON AUGUST 1, the chances are low that soybean prices will be high enough during the year ahead to be competitive with corn. In spite of a much smaller crop than last year (1,344 million bushels versus 1,521 million), soybean supplies are not low enough to force profitable prices.

Other than seed, soybeans are processed into oil and meal. About 62 percent of the available supply is crushed at home. Some 38 percent is exported for processing, primarily in Europe and Japan. We depend on export markets. During the past three years, about 47 percent of the oil and 55 percent of the meal from the soybean crop have been exported as such, and as soybeans.

The markets for oil and meal are quite different. Oil is a high-quality, edible vegetable oil. Soybean oil is used mainly in margarine, shortening, and salad and cooking oils. It is about 60 percent of the domestic consumption of all edible fats and oils, and 25 percent of world consumption. Consumption is not price-sensitive. Lower prices do not encourage greater use, and it takes very high prices to decrease use. As fats and oils supplies are large, inventories are increased; and as they are small, inventories are liquidated. There is an increasing trend in use of about 2 percent per year.

Soybean meal is a protein supplement for livestock feeds. The amount used depends on, how many livestock are being fed, the profitability of livestock feeding, and the price meal in relation to corn. As meal is abundant, its price must be low relative to corn, and as it is in short supply, its price can go quite high relative to corn. The consumption of meal is price-sensitive. Soybean meal is about 60 percent of world's oilseed meal supply.

In recent years, there has been an increase in total oilseed meal consumption in the world of about 4 percent a year. Consumption in the United States has been about stable since 1969.

On a world scale, supplies of edible fats and oils are abundant. The oilseed crops have been large the past two years. The same appears likely for 1976, in spite of a small soybean crop in the United States. Brazilian soybeans and Malaysian and Indonesian palm oil have been the principal sources of increasing world

abundance during recent years. After reaching quite high levels in the summer of 1974, the prices for world fats and oils have declined to about 35 percent above their pre-1972 levels. World commodity prices generally are about 80 percent above those levels. Thus, the increases for fats and oils are far below those for other commodities. The U.S. must export at world prices. As long as the oversupply situation exists, 16 to 18 cents a pound is a high price for soybean oil.

There is a ready market worldwide for all the protein supplement produced. The consumer demand for livestock products is expanding. The U.S. exports as much as livestock numbers abroad require and uses the balance at home. The price of meal is determined in the domestic market. As meal prices go above 1.8 times the price of corn, consumption is retarded. If the corn crop materializes at the August 1 projection, making the price about \$2.35 a bushel, it will be difficult to sell meal at prices above \$150 per ton.

A meal price of \$150 and an oil price of 17 cents per pound makes a bushel of soybeans worth between \$5 and \$5.20. Unless supply prospects change, soybean prices above \$6.50 will have a short life expectancy, and should be used to price 1976 crop soybeans.

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