



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE DEPARTMENT OF AGRICULTURAL ECONOMICS

Urbana, Illinois 61801

March 9, 1977

SOYBEANS--HOW MUCH ARE THEY WORTH?

DURING THE WEEK OF FEBRUARY 28-MARCH 4, soybean prices continued the uptrend begun in November of 1976. With bean futures over \$8 a bushel for the old crop and about \$7.30 for the new crop, many people are wondering if beans are really worth that kind of money, and how much higher prices might go.

Rising prices for a commodity reflect the need to ration available supplies among users. When users do not respond appreciably to prices, a large price increase is required to ration a moderately smaller supply. With soybean oil in surplus, \$8 a bushel for soybeans reflects the price insensitivity of soybean meal users. The \$64 question centers around the meal price that will get their attention.

As the 1976 soybean crop year began, supplies were down about 9 percent from the previous year. However, the expanding hog economy guarantees an expanding domestic demand base for meal. To date, the result has been an increase of \$90 per ton in meal prices over the past year, with virtually no impact on usage.

U.S. soybean crushers processed 360 million bushels from September of last year to February 1 of this year. Crushings a year earlier, out of substantially larger supplies, were only 352 million bushels--or 8 million less than the figure above.

Export markets for beans and meal have also been strong since last September. As of February 25, bean exports were running 5 million bushels above last year's level. Meal exports from October, 1976, through January, 1977, were 129 thousand tons--or 8 percent above last year's October-January level. Thus, export customers, like domestic users, have not yet cut back on soybean or meal purchases in the face of higher prices.

The situation can be summarized in terms of the monthly rate of soybean crush and exports. From September, 1976, through January, 1977, some 608 million bushels of beans were crushed or exported. To that figure add 1 percent of waste, giving a total use of 614 million bushels. That translates into an average of about 123 million bushels a month. The total for crush and exports in January was about 120 million, so there's little apparent downward trend in the rate of use.

Given soybean carryover and seed needs, as of February 1 there were 751 million bushels of beans available for use during the last seven months of the 1976 crop year: an average monthly rate of 107 million bushels, or 16 million bushels less than in the first five months.

Monthly export rates for U.S. soybeans will fall when Brazil begins to market her 1977 crop. This could give about half of the needed cut in total monthly use. The remainder will come from our crush rate.

Monthly U.S. soybean crushings will fall when meal prices drop in relation to beans, cutting the crush margin. This will happen when U.S. livestock and poultry producers reduce their use of soybean meal. A price of \$200 a ton has not done the job, thus the market will now move higher.

Prices will continue to increase until the rationing job is accomplished. In the meantime, the soybean market will continue to be highly sensitive to reports on export volumes and crush rates. At the first sign of demand weakness, both bean and meal prices could be in for a tumble.

T. E. Elam

T. E. Elam, Extension Economist, Prices and Outlook

Cooperative Extension Service
United States Department of Agriculture
University of Illinois
At Urbana-Champaign
Urbana, Illinois 61801

Official Business
Penalty for private use, \$300

FIRST CLASS

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF
AGRICULTURE
AGR 101

