



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE DEPARTMENT OF AGRICULTURAL ECONOMICS

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MANY BRAZILIAN FARMERS ALSO HELD SOYBEANS TOO LONG

IF IT IS ANY CONSOLATION to the U.S. farmers who held 1976-crop soybeans until prices declined rapidly in June, July, and August, a lot of farmers in Brazil made the same mistake. They are carrying an unusually large share of their 1977 crop into the start of 1977 U.S. marketing year. They had their chance at high prices, and many of them missed it. The Brazilian stocks will put pressure on U.S. soybean prices this fall and winter.

Since the rapid increase in soybean production in Brazil, the soybean marketing year has become a two-stage process. The crop in Brazil is harvested in April and May; the U.S. crop, in September and October. Brazil has been selling heavily during the early parts of its marketing year to fill the gap in the last part of the U.S. marketing year and to avoid competing with the U.S. harvest. During this crop year, registrations so far for export from Brazil have been about 1.8 million metric tons out of an expected total export of 3.4 million. Those registrations constitute a much-smaller-than-usual percentage of the total.

How much of the slowdown is peculiar to this year and how much may represent a long-term change is uncertain. Probably some of each is involved.

The 1977 acreage in Brazil was up sharply from 1976. Early expectations were that the crop would be about 12.6 million metric tons (463 million bushels), compared to 11.23 (413) in 1976. Weather and other problems developed, so the final crop may be no more than 11.4 million tons. Apparent shortage is usually conducive to holding. The crop damage in Brazil occurred at a time when U.S. prices were soaring. Rising prices, of course, are conducive to holding.

Longer-run forces stem from a program on the part of Brazilians to reduce soybean exports and increase domestic processing. Because of the very rapid rise in soybean production, the Brazilians have not been able to increase processing fast enough to handle all of the soybeans available. But processing has grown from 1.68 million metric tons out of the 1971 crop to an estimated 7.66 million from the 1977 crop, an increase of more than four fold.

There are two reasons behind the expansion of soybean processing in Brazil. First, is the contribution it makes to industrialization and employment. Second,

The soybean crop estimate has more potential for change than does the corn estimate. The weather affecting corn yields the most occurs during July. For soybeans, the most important period is in August. During the first half of August, the weather has been very good. Most of the moisture deficiencies have been made up.

The soybean crop year will start with a minimum carryover. Assuming a modest increase in the carryover next year and that the crop of 1.6 billion bushels materializes, the amount available for crush and export will be about 1.5 billion bushels. This compares to a crush and export this year of 1.37 billion and the record crush and export of 1.42 billion in 1975-1976. The supplies of soybeans are large and the current rate of use is low. Substantial price concessions, particularly in soybean meal, will be necessary to rebuild use.

T.A. Hieronymus, Extension Economist, Prices and Outlook

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

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