



ILLINOIS FARM AND FOOD OUTLOOK

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THE SOYBEAN SITUATION IN PERSPECTIVE

THE SOYBEAN SITUATION IS FILLED WITH TYPICAL UNCERTAINTY. However, the season for making decisions about selling or holding is at hand. Scenarios can be written for both high and low prices. Some central facts can be sorted out.

First, the U.S. soybean crop probably will be very large. The estimate was 2.129 billion bushels on August 1, up 15.5 percent from last year's record. Weekly reports during August indicate improvements in most states during August. The odds favor a larger crop estimate on September 12. The crop is not any more vulnerable to frost than usual.

Second, oilseeds have a large production potential worldwide. The USDA is currently projecting the 1978-79 production of world fats and oils at 59 million metric tons, up 4.1 million tons from 1977-78. This compares to an average increase from 1970 to 1978 of 1.9 million metric tons. Protein meal production for 1978-79 is projected at 92 million metric tons, up 8.5 million from 1977-78. The average increase from 1970 to 1978 was 3.4 million metric tons.

Those estimates are likely to change. For example, they include soybeans to be harvested in Brazil and Argentina next February-April. The magnitude of the potential makes a substantial increase highly probable.

Third, Brazil has sold a short crop rapidly. In fact, the Brazilians may have oversold and may have to cover some commitments from other sources, such as Canadian rapeseed oil.

Fourth, the world demand for U.S. soybean oil and soybean protein is larger than expected. Last August, soybean oil exports (including soybeans) were projected at 10.7 billion pounds. The actual figure will be about 11.1 billion. Soybean protein exports were projected at 23 million short tons, and will be about 24.8 million. Part of the larger-than-expected increase came about because of the small 1979 crop in Brazil.

Fifth, the domestic use of soybean oil and soybean meal has been larger than generally expected a year ago. Last year's soybean crop was up 4.6 percent from the record crop of 1977, and all of it is being used. The central question is whether this year's increase of 15.5 percent can all be used. The possibility seems small unless a major shortfall occurs in the South American soybean crop.

