



# ILLINOIS FARM AND FOOD OUTLOOK

## COLLEGE OF AGRICULTURE DEPARTMENT OF AGRICULTURAL ECONOMICS

Urbana, Illinois 61801

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### FOCUS ON SOYBEANS

THE RATE OF USE FOR THE 1979 SOYBEAN CROP continues to be very rapid. From September through December, the domestic crush was 393.7 million bushels of soybeans, 14 percent more than last year. Weekly estimates indicate that the rate of crush continues to be high, setting a record for the week ending January 30. If this situation continues for the remainder of the crop year (through August), the total crush would be 70 million bushels above the current USDA estimate of 1.09 billion bushels.

The high crush rate for soybeans reflects a very strong demand for soybean meal. The domestic use of soybean meal is running about 15 percent ahead of last year. Exports of soybean meal are up about 6 percent. As a result of the strong demand, the prices of soybean meal have averaged very close to those of a year ago.

Although exports of soybean oil through December were about a third greater than a year ago, domestic consumption increased less than 1 percent. At the end of December, the stocks of soybean oil were approximately 6 percent above year-ago levels. The oil content of the 1979-crop soybeans apparently is relatively low. If the oil content had been normal, the inventories of soybean oil would be even larger.

As a result of the accumulation of soybean oil, prices declined about 10 percent in January. The average price of crude soybean oil in Decatur, Illinois during January was 23.6 cents per pound, compared to 26.2 cents in December and 25.7 cents in January of 1979.

Soybean exports for the first 5 months of the marketing year totaled 399 million bushels, up about 20 million bushels from last year. The harvest of the South American crop will cut into U.S. soybean exports. The USDA expects exports to reach 815 million bushels by August 31, the end of the marketing year.

Over the past 2 years, the size of the South American soybean crop has been reduced by adverse weather. As a result, U.S. exports during the first 6 months of the following crop year have been very large. The 1980 crop of soybeans in South America is expected to set a record. The USDA projects a crop of 18.6 million tonnes (almost 700 million bushels) in Argentina and Brazil, an increase of about 30 percent above last year. Apparently, the crop there is now beyond the time when dry weather could cause a severe loss.

Because of our record soybean harvest last fall, soybean stocks at the end of the marketing year (August 31) are expected to be at record levels, perhaps in excess of 400 million bushels. This suggests that further price increases have limited possibilities in the near term, even through the demand is strong. At current prices for livestock, soybean meal, and corn, livestock feeders are near the break-even point on profits. So they are not likely to bid up the price of feed. The large crop expected in South America suggests no shortage of soybeans in the world market during 1980.

The case for higher soybean prices rests with reduced production this year. Nothing now suggests a reduction in soybean acreage within the Corn Belt. A small reduction might come at the expense of cotton in the South. It is too early to project soybean yields.

Because of the large carrying charge in the market, new-crop prices are currently at a substantial premium in relation to spot prices. Producers should be making decisions about how much of the 1980 crop to price at current levels.

*D. L. Good*

D.L. Good, Extension Specialist, Prices and Outlook

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

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