WEEKLY OUTLOOK
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February 11, 1981

# SOYBEANS IN PERSPECTIVE

THE ATTITUDE IN THE SOYBEAN MARKET GENERALLY HAS BEEN BEARISH since the first of the year. During January, prices for soybeans and soybean products declined to the levels that existed before last summer's drought. A number of factors contributed to the reduction in soybean prices.

The most important one is the disappointing export demand. Through the first 5 months of 1980-81 crop year, soybean exports ran below last year's pace by about 22 percent. Much of the decline can be accounted for by reduced shipments to the countries in Western Europe and the loss of the Russian market. Exports of soybean oil have been running nearly 40 percent behind last year's rate. Reduced shipments to Brazil and India and the loss of the Russian market account for most of the cutback, although shipments to Eastern Europe have been large. Exports of soybean meal have held up better, trailing last year's rate by only 9 percent. European demand has been the most disappointing element to date.

A second negative factor influencing the price of U.S. soybeans has been the progress of the soybean crop in the Southern Hemisphere. Reports indicate good moisture conditions all year in Brazil and Argentina. As harvest time approaches, the 1981 crop in South America looks as if it could be slightly larger than the current USDA estimate of 19.8 million metric tons.

Sagging livestock prices have been a third factor contributing to price weakness. Narrowing feeding margins suggest cutbacks in livestock numbers and a reduced demand for soybean meal.

Despite the negative overtone, the soybean market is not without some bright spots. Domestic soybean meal consumption over the first 3 months of the crop year totaled 5.3 million tons, only 1.7 percent less than during the same period last year. Although current livestock prices may not favor an expansion, livestock numbers will remain high through the summer.

The recent revision of the USDA's January stocks report is a second encouraging factor. The revised estimate of 1.528 billion bushels implies that the 1980 U.S. soybean crop may have been overestimated by about 20 million bushels.

Third, weekly soybean exports have increased, averaging 18.3 million bushels for the past 4 weeks. To reach the USDA's estimate of 800 million bushels, weekly exports would need to average only 15.8 million bushels from now through August 31.

The USDA projects that 1.875 billion bushels of U.S. soybeans will be crushed or exported during the 1980-81 crop year. As a weekly rate, the average would be 36.06 million. Through the first 5 months of the crop year, the combined domestic crush and exports have averaged 36.1 million bushels per week. It may be too early to conclude that carryover stocks will be above the USDA's estimate of 210 million bushels, especially if the 1980 soybean crop has been overestimated. The South American crop may be marginally larger than that of a year ago, but world demand continues to require expanded production.

Conclusion. Recent declines have left prices for soybeans and soybean products at low levels. During January, the soybean meal-corn price ratio averaged 1.83:1, which is below last year's average when soybean inventories were increasing. Soybean oil prices averaged 12.1 cents per pound on a deflated basis. Only once in the past 10 years have annual deflated oil prices averaged below 12 cents. Recent price declines may have been steep, but a quick recovery is not expected. Further short-term declines are possible. If the current rate of soybean use continues, better pricing opportunities will exist later on. The size of an eventual price increase will be tied to the planting intentions and spring weather conditions.

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