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WILL OLD-CROP SOYBEANS GAIN ON NEW-CROP BEANS?

FORWARD CONTRACT PRICES FOR HARVEST DELIVERY OF SOYBEANS are now about 50 cents per bushel above current cash prices. The market is thus indicating that although supplies are large enough to last until the new crop is available and to leave a comfortable carryover, there is the potential for a shortage during the next crop year. May futures prices are currently about 55 cents less than those for November. This picture is very different from what the market showed last fall. It was then thought that soybeans would be in short supply by mid-1981. On October 31, May soybean futures were $9.66, $1.26 over November, 1981 futures. The price of soybeans has gone down about $2 per bushel and May futures have lost $1.81 in relation to the new-crop November prices.

Why the price decrease and turnaround in the relationship between 1980 and 1981 crop futures? The disappearance of soybeans, particularly exports, has not come up to expectations, and supply estimates have increased. Last October 14 the USDA estimate of the total supply was 2,116 million bushels, compared to the current supply estimate of 2,176 million. In October the USDA projected a crush of 1,040 million bushels, exports of 825 million, and a carryover of 165 million. On March 11 the USDA projections were crush, 1,065 bushels; export, 785; and carryover, 235. The increased supplies and smaller exports lead to a larger domestic use and carryover. The USDA has changed its projections on the basis of usage experience to date. Estimates of the carryover by people in the industry range from 205 million to as high as 290 million bushels. As long as estimates of carryover exceed 200 million bushels, old-crop prices will not gain independent strength, and the focus of the market will be on the size of the 1981 crop. Changes in carryover estimates will depend on rates of use as they develop.

During the first six months of the crop year the crush of soybeans was only 93.2 percent of that the year before, and exports were only 85.2 percent of the previous year's volume. During the five months from October to February, soybean meal exports were down 14 percent and domestic use was down 8 percent from year-before levels. Soybean oil exports were down 45 percent, and domestic use was down 2 percent. Exports have been the major disappointment, and the way of the market during the months ahead will depend on exports of soybeans and their products.

Exports lagged during the first part of the year partly because they were large last summer. As a result, importers could draw down inventories as prices rose. They were also reduced by competition from South America and by changes in the strength of the dollar as compared to other currencies. However, exports have improved recently. During the 12 weeks ending March 26, they averaged 17.7 million bushels per week, compared to 18.6 during the same period in 1980.

Use in domestic markets is down because of price. During the October-November period meal prices averaged $252 per ton, compared to $182 during the same period the year before. The price in March was $208, up 28 percent from March, 1980. Hogs and broilers are major consumers of soybean meal, and unprofitable hog and broiler operations had a dampening effect on use. Soybean oil use has been maintained, but the large reduction in exports has increased storage stocks to a record level.

Lower prices and improving exports should hold the carryover at about 200 million bushels, but there appears to be little chance of old-crop soybeans becoming strong in their own right. With planting intentions down slightly, good yields will be needed to produce as many soybeans as are currently being used. Production prospects will be the dominant force during the months ahead.

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