



# WEEKLY OUTLOOK

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## THE SOYBEAN SITUATION

SOYBEAN PRICES HAVE COME UNDER CONSIDERABLE PRESSURE over the past 10 weeks. New crop soybean futures have declined nearly \$1.50 per bushel since mid-July. Nearby contracts have declined more severely than distant ones as the November, 1981, to July, 1982, spread widened about 15 cents. The price decline reflects the general improvement in U.S. crop prospects and the continued slow rate in the use of soybeans and soybean products.

The soybean crush statistics released by the Census Bureau place the 1980-81 soybean crush at 1.023 billion bushels, a decline of 100 million bushels, or nearly 9 percent from the 1979-80 crush. Based on weekly export inspection figures, exports during the 1980-81 crop year totaled only 704 million bushels, down 19.5 percent from a year ago. Not all of the soybean meal and oil figures have been tabulated, but consumption of both is estimated to be 10 percent lower than a year ago.

The USDA estimated soybean stocks at the end of the 1980-81 crop year (August 31, 1981) at 320 million bushels, nearly 40 million bushels less than a year ago and 25 to 40 million bushels less than expected. Based on consumption estimates, the soybean stocks estimate implies that the 1980 soybean crop has been overestimated by 25 to 40 million bushels. Even though carry-over stocks were smaller than expected, the level is quite high, representing about a 9-week supply at the 1980-81 average rate of use.

Soybean price direction from here on depends on a number of factors. In the short run, farmer selling decisions and crop prospects are the most important factors. The structure of the soybean open interest on August 31 suggests that farmer selling of new crop soybeans has been light. At the same time, buyers have not purchased large quantities of soybeans. At current prices farmers are reluctant to sell. With a large crop ready for harvest and interest rates still high, buyers are not anxious to buy. At some price farmer selling will dry up completely, establishing a floor in the cash market. Cash prices may be very near that level now.



The late-maturing soybean crop and the cool temperatures in September have raised some questions about the level of 1981 soybean production. The USDA's September production estimate of 2.089 billion bushels is not likely to be increased in subsequent reports and early yield reports tend to support this conclusion. A possibility still exists for a decline in the production estimate.

In the longer run, price prospects depend on the strength of demand for soybean and soybean products. Demand prospects will depend partly on the health of the U.S. economy. To become optimistic about soybean prices will require some evidence that the Reagan economic plan is working. In particular, lower interest rates and a stabilization or weakening of the dollar will be required to stimulate export demand. Increasing consumer incomes and increased spending on meat products will be required to keep livestock prices at a profitable level and improve the demand for soybean meal. The current confidence level among the investing public is low, as illustrated by the performance of the stock market. As always, the size of the South American crop will be important after the first of the year.

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