



WEEKLY OUTLOOK

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THE BRAZILIAN SOYBEAN CROP

NOVEMBER SOYBEAN FUTURES INCREASED 25 CENTS PER BUSHEL in the last week of January. Much, if not all, of this increase was attributed to reports of dry weather in the soybean-producing areas of Brazil. Rainfall in some parts of Brazil during the first week of February resulted in a 15-cent decline in November futures. Because the Brazilian soybean harvesting season is so long, fluctuations in weather can still affect the harvest. Nevertheless, the Brazilian soybean crop should be kept in proper perspective.

Soybean production in Brazil last year totaled an estimated 570 million bushels. Production has tripled over the last 9 years, yet the 1981 harvest was only one-third the size of the drought-reduced U.S. crop of 1980. Over the past 9 years, the Brazilian crop has averaged one-fourth the size of the U.S. crop, and the range has varied from 15 percent in 1973 to 36 percent in 1977.

The soybean yield in Brazil has averaged 23.2 bushels per acre over the last 9 seasons, which is nearly 5 bushels below the U.S. average over the same period. The range of annual average yields has been large in both countries. The lowest yield in Brazil was 17.8 bushels per acre in 1979; the largest was 26.5 bushels harvested last year. The range in the United States has been from 23.2 bushels in 1974 to 32.1 bushels in 1979.

While the size of the Brazilian crop is considerably smaller than that of the United States, a much higher proportion of the crop is exported. As the soybean industry in Brazil has developed, the trend has been towards exporting soybean products rather than whole soybeans. During 1974-75 for example, Brazil exported 117 million bushels of whole beans and about 148 million bushels of soybeans in the form of soybean products. Exports accounted for about 73 percent of the crop. During 1980-81, Brazilian soybean exports totaled only 65 million bushels, while soybean product exports were equivalent to about 340 million bushels. Thus, about 70 percent of the total crop was exported. In comparison, during 1980-81, the United States exported 724 million bushels of whole soybeans and about 300 million bushels in the form of soybean meal or oil.

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About one-half of the total crop was exported. In two of the last four years, Brazil has, in actual quantities, exported more soybean meal than the United States. Similarly, Brazilian soybean oil exports also exceeded U.S. exports last year.

In any year then, the size of the South American crop (of which Brazil's accounts for 80 percent) is important in determining the demand for U.S. soybeans and soybean products in the world market. For the current year, world demand for soybean meal has been especially strong. Exports of U.S. soybeans are running nearly 23 percent above last year. Soybean meal exports are about 6.5 percent ahead of last year's. A shortfall in Brazilian production would result in this rate remaining high for the remainder of the crop year.

As a result of recent dry weather, many analysts feel that the potential crop size in Brazil has been reduced by 5 to 10 percent. A 10-percent reduction in earlier USDA estimates would put the crop at about 505 million bushels. Such a crop would be only 65 million bushels less than the record harvest of a year ago. On the other hand, current USDA estimates suggest that 360 million bushels of U.S. soybeans will be carried into the 1982 harvest. Such a carryover is about double the "normal" level. Consequently, a 65-million bushel reduction in the Brazilian crop and a corresponding increase in the demand for U.S. soybeans would not significantly alter the abundant supply situation.

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