



# WEEKLY OUTLOOK

Department of Agricultural Economics  
College of Agriculture  
University of Illinois at Urbana-Champaign

March 9, 1983

## SOYBEANS: MIDYEAR EVALUATION

THE 1982-83 MARKETING YEAR REACHED the halfway point at the end of February. This is therefore an appropriate time to review the rate of soybean use and to evaluate prospects for the remainder of the year.

During the first six months of the marketing year, approximately 605 million bushels of soybeans were crushed domestically, up nearly 8 percent from last year. The increase in crushing reflects the stronger demand for soybean meal compared with that a year ago. Soybean meal exports to date are nearly 13 percent larger than they were a year ago. Almost all of that increase comprises larger sales to the European Community, which are up nearly 25 percent from last year. The increase reflects the very favorable price ratio of soybean meal relative to corn. Soybean meal exports are running just a bit behind the pace required for reaching the 16 percent increase (over last year) projected by the USDA.

Through January, the domestic use of soybean meal was only 1 percent higher than that a year ago. This is consistent with the general increase in feed use. The current USDA projection shows an expected 4 percent increase for the year.

In the case of soybean oil, exports are running about 15 percent ahead of last year's pace. The USDA projection for the year indicated no increase over last year. However, domestic disappearance of soybean oil is not keeping up with the projected 4 percent increase over last year.

Over the past three years, the domestic soybean crush during the first half of the year has averaged 53.3 percent of the crush for the year. If that pattern were followed this year, the domestic crush would be 1.135 billion bushels. However, the disappointing rate of soybean meal use domestically and the accumulation of meal inventories suggest that the rate of crush may show more than the normal, seasonal decline. Cash crush margins have also been narrowed in March by the tight farmer-holding of soybeans and the lower prices of soybean products. Processors have temporarily closed some plants. The USDA projects the domestic crush at 1.115 billion bushels--an estimate that seems realistic at this time.

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Through the first half of the marketing year, soybean exports totaled an estimated 500 million bushels, up about 1.5 percent from last year. Most of the major importers have purchased more soybeans than they did a year ago. The seasonal pattern of soybean exports is not as consistent as the seasonal pattern of domestic crush. The size of the South American crop has more of an impact on exports during the last of the year. This year that crop is only about 1 million tons larger than it was a year ago. The seasonal pattern of U.S. exports should not be significantly different from last year's, and if the same pattern is followed, exports will reach 943 million bushels. The USDA currently projects exports at 950 million bushels.

Based on performance to date, projections of soybean use for the year range from 2.06 to 2.08 billion bushels. Carryover stocks are projected to range from 375 to 395 million bushels compared with beginning inventories of 266 million bushels. Soybean supplies are ample.

Soybean prices for the remainder of the year will be supported above the loan redemption price of \$5.40. They are not, however, expected to keep pace with the higher corn prices. Corn prices are being artificially supported by the farmer-owned-reserve program. Unless soybean acreage declines from the February planting intentions, soybean prices are likely to remain under \$6.00.

*Darrel Good*

Issued by *Darrel 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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