



WEEKLY OUTLOOK

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SOYBEAN PRODUCT DEMAND--KEY TO PRICES

THE SMALL 1983 SOYBEAN CROP MEANS THAT SOYBEAN use will be reduced sharply during the 1983-84 marketing year. In its latest supply and demand estimates, the USDA predicts that the domestic crush of soybeans will total 985 million bushels, 11.1 percent less than a year ago. Exports of soybeans are projected at 725 million bushels, 19.9 percent less than a year ago.

The domestic use of soybean meal is projected at 17.6 million tons, 8.8 percent less than was used a year ago. Meal exports are expected to reach only 6 million tons, 15.6 percent less than a year ago. Domestic soybean oil consumption is expected to be about unchanged from last year's use of 9.8 billion pounds. On the other hand, soybean oil exports are projected at 1.4 billion pounds, 30.9 percent less than last year's exports.

The USDA's January *Grain Stocks* report and the Census Bureau's December reports of product exports and stocks provide the data to evaluate soybean demand during the first quarter of the marketing year.

Soybean exports during the September through December period totaled 265.1 million bushels, 21 percent less than a year ago. The decline in exports is near the level projected by the USDA for the year. Almost all of that reduction is accounted for by the 31 percent cut in exports to western Europe. Japan and Taiwan have imported slightly more U.S. soybeans than a year ago. Russia has taken 13.6 million bushels of U.S. soybeans, compared with none a year ago.

During the September through December 1984 period, the domestic crush of soybeans totaled 359.1 million bushels, 9.3 percent less than during the same period last year. The reduction is somewhat less than that projected for the year. However, both the November and December crush were 20 percent below last year's crush. Weekly estimates of crush during January suggest that the crush demand remains weaker than projected.

The recent weakness in domestic crush demand is the result of weak product demand. Domestic oil consumption for the first quarter of the marketing year was slightly higher than a year ago. This is in line with USDA projections. The distribution was abnormal, however. Use was very large in October and sharply lower in November and December. Perhaps inventories were being accumulated

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during October and used in November and December. Soybean oil exports during the first quarter were 59 percent less than during the same period a year ago, compared with USDA's projection of a 31 percent cut for the year. The high prices early in the year apparently put soybean oil at a competitive disadvantage to other vegetable oils.

Soybean meal exports during the first quarter were about 2 percent larger than a year ago, compared with USDA's projection of a 16 percent cut for the year. The domestic use of soybean meal, however, was 17 percent less than during the same quarter last year. Part of that reduction may be explained by inventory accumulation last August and a drawdown since then. That certainly does not account for all of the reduction.

If USDA projections actually materialize, soybean meal exports should run well below year-ago levels for the remainder of the marketing year. Evidence of that is already surfacing. Domestic oil consumption should remain near year-ago levels. Soybean oil exports and domestic meal consumption will need to rebound sharply to reach USDA projections. In light of the good South American crop prospects, a rebound in soybean prices would not be expected unless this demand materializes.

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