



# WEEKLY OUTLOOK

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## SOYBEAN PRICES--WHAT NEXT?

A YEAR AGO, SOYBEAN AND SOYBEAN PRODUCT PRICES were rising rapidly because of the small prospective harvest. This year, new-crop soybean prices have been dropping as harvest approaches. November futures traded as high as \$7.70 per bushel on June 20 before closing at a low of \$6.063/4 on July 26 and again on July 30. The price decline amounted to 21 percent over a 5-week period.

The price decline resulted from a number of factors. The June stocks report showed larger supplies than expected. Weather conditions and crop prospects improved dramatically in July. The dollar continued to gain strength, and a general deflationary attitude prevailed in the commodity markets.

New crop prices rebounded about 30 cents per bushel in the first week of August. The turnaround reflected a more optimistic economic outlook and renewed weather concerns as a large percentage of the crop entered the podding stage. The stock market rallied sharply, and precious metals prices strengthened. The enthusiasm reflected prospects of lower interest rates and a weaker dollar.

The question now is, what is the likely price pattern for the crop year ahead? The question cannot be answered with a high degree of confidence. The conditions surrounding the 1984-85 crop year are unique. However, the price pattern of other large crop years, particularly those following a short crop year, may provide some insight into the price pattern for the year ahead.

The years 1975, 1977, and 1981 were large crop years following short crop years. Soybean prices behaved similarly in those years. Prices for the new crop were quite high in the winter or spring before planting, dropped sharply to a harvest low, and then rebounded by varying amounts from harvest onward.

In 1975-76, new crop prices declined from \$6.50 in early spring before harvest to about \$4.50 at harvest and then rebounded to \$7.00 in the summer following harvest. In 1977-78, new crop prices were at \$7.00 in the spring of 1977, declined under \$5.00 at harvest, and then rose to \$7.00 in the spring of 1978. For the 1981 crop, prices were at \$8.00 in the spring before harvest, declined to \$6.00 at harvest, and then rebounded to only about \$6.50 by the spring of 1982.

Patterns in other large crop years (1978, 1979, and 1982) followed patterns similar to the three years described. The cash price was lowest at harvest and

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increased substantially by the following summer. The increase from harvest low to summer high ranged from 24 to 45 percent.

The price pattern for 1984-85 is expected to follow a pattern similar to other large crop years. How low prices might go depends primarily on crop size and farmers' storage decisions. Producers have shown a reluctance to sell at prices below \$6.00. That will probably continue to be the case because the CCC loan program is available to all producers.

How high prices might rebound is less certain. The size of the crop, the magnitude of production and other oilseeds (particularly palm oil), the value of the dollar, the size of the 1985 South American soybean crop, and the domestic demand for soybean meal will all have an influence on the price pattern.

If the weakness in soybean meal demand continues, meal prices will be low relative to corn. If palm oil production rebounds, soybean oil prices are expected to average less than this year but above the 20-cent level of 1981-82 and 1982-83. Our current projections are for \$175 to \$180 soybean meal and about 24-cent oil. These prices would result in a season's average price of \$6.50 to \$6.60. As of August 2, the market was offering a season's average price of \$6.25 to \$6.30.

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