



# WEEKLY OUTLOOK

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## SOYBEANS--THE LUSTRE HAS FADED

PLANTED ACREAGE OF SOYBEANS INCREASED from 43 million acres in 1970 to 64 million in 1978. During that 8-year period, soybean production increased from 1.1 to 1.9 billion bushels. For the most part, carryover stocks remained low, and prices were at profitable levels and increasing.

The increase in production during that time period was in response to growing demand. The export market for soybeans expanded rapidly in 1973-74 and remained strong through 1978-79. The domestic market for soybean meal increased sharply in 1975-76. The increase was associated with increasing animal numbers and a higher rate of feeding of soybean meal per animal unit. Soybean meal prices increased from an average of \$78.50 per ton in 1970-71 to \$190.40 per ton in 1978-79.

Domestic use of soybean oil increased steadily during that period, moving from 6.3 billion pounds in 1970-71 to 8.9 billion in 1978-79. Soybean oil exports were especially large in 1977 and 1978. Soybean oil prices increased from 12.8 cents per pound in 1970-71 to 27.4 cents in 1978-79.

From 1979-80 through 1982-83, soybean prices drifted lower. Prices were supported in 1980-81 by drought-reduced yields in the United States. The lower price trend reflected rapidly expanding production in the U.S. and around the world. U.S. soybean acreage expanded from 64 million acres in 1978 to an average of 70.2 million in the period 1979 through 1982. Production increased from 1.9 billion to an average of 2.15 billion (excluding 1980).

Soybean production outside of the United States increased from 26.6 million tons to 33.2 million tons, an increase of 25 percent. World palm oil production increased nearly 50 percent.

U.S. soybean oil prices declined from 27.4 cents in 1978-79 to about 20 cents in 1981-82 and 1982-83. On the average, soybean meal prices held up very well during the period from 1979-80 through 1982-83. The average price for that four-year period was \$192 per ton, compared with \$190 in 1978-79.

The average price of soybeans was supported at a relatively high level this past year due to the unusually small crop in the United States. However, prices

did not go as high as expected nor did prices average as high as expected a year ago. The main reason for the disappointing price level was the extremely weak demand for soybean meal.

The export demand for soybean meal declined sharply this past year. Exports had to be trimmed because of the smaller crop, but the reduction came at unexpectedly low prices. The major factor was reduced demand from the European Economic Community. Soybean meal exports (including the meal content of whole beans) declined 20 percent from 1982-83 to 1983-84. Shipments to the European Community declined by 38 percent. The European Community share of our meal export market declined from 49 percent to 37 percent.

The declining market in Europe was associated with the withdrawal of the Soviets from the protein market, the large South American soybean crop, and the very strong U.S. dollar. Smaller exports resulted in larger domestic supplies of meal. Soybean meal prices declined from a high of \$255 per ton in August 1983 to \$140 per ton on September 28, 1984. That is the lowest price of soybean meal since October 25, 1977. Soybean prices declined to about \$5.75 per bushel.

The supply of soybeans for the 1984-85 marketing year is estimated at 2.2 billion bushels. Excluding last year, that is the smallest supply since 1980, when soybean prices averaged \$7.57 for the year. Meal prices are now at bargain levels. We should watch closely the rate of meal use. Demand in that market will be the key to the extent of soybean price recovery.

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