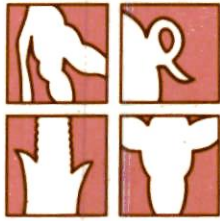




Cooperative
Extension Service
University of Illinois
at Urbana-Champaign



WEEKLY OUTLOOK

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

February 8, 1989

U.S. SOYBEAN ACREAGE: RECENT HISTORY AND QUESTIONS ABOUT 1989

U.S. soybean acreage increased by nearly 70 percent in the 1970s, peaking at 71.4 million acres in 1979. Growing world demand for soybean protein sparked the growth in the soybean industry. All regions of the country experienced an increase in soybean acreage, but growth was especially rapid in southern states. By 1979, those southern states accounted for nearly 40 percent of the soybean acreage. In 1979, the United States produced 66 percent of the world soybean crop.

Soybeans came upon hard times in the 1980s. World soybean meal consumption stagnated in the early part of the decade, South American soybean production increased, stocks accumulated, and prices declined. Soybean acreage in the United States declined in response to low profitability. By 1987, acreage totaled only about 58 million acres. Almost all of the 13.5-million-acre decline came in the southern states. In 1987, those states accounted for less than 25 percent of the U.S. soybean acreage. About half of the acreage reduction in those states was double-cropped soybeans. Soybean acreage went to other crops, into the Conservation Reserve Program, or into other nonrow crop uses. In 1987, the United States produced only 51 percent of the world soybean crop. From 1979 to 1987, U.S. soybean production declined by 338 million bushels, or 15 percent. Production in the rest of the world increased by 681 million bushels, or 37 percent. Production in South America increased by 526 million bushels, or 100 percent.

The generally low soybean prices of the mid-1980s stimulated use. Stock levels declined in the 1987-88 marketing year, and prices improved. Producers, however, responded with only a modest increase of 915,000 acres of soybeans in 1988. Sixty percent of that increase came in the southern states. Extremely high rates of participation in the price-support programs for other crops and the need to maintain the base acreage of those crops limited producers' ability to increase soybean acreage. Low yields due to dry weather resulted in a 20 percent smaller crop than the crop produced in 1987. Based on forecasts of production in South America for the current year, the U.S. soybean crop now accounts for only 44 percent of the world crop.

Prices for the 1989 soybean crop are currently \$1.00 higher than the equivalent prices a year ago. Higher prices and the provision of the 1988 Disaster Act allowing soybeans or sunflowers to be planted on some of the permitted acres of other program crops are expected to attract another increase in soybean acreage in the United States in 1989. The soybean market is now trying to evaluate how large an increase is required, what price is necessary to attract such an increase, and what producers' current soybean planting intentions are. The desired outcome is a U.S. soybean crop that is large enough to discourage another increase in soybean acreage in South

America in the fall of 1989, yet small enough to prevent a significant increase in the level of U.S. stocks and a sharp decline in prices. The determination of the desired crop size is complicated by uncertainties surrounding other world supply-and-demand factors over the next 18 months. Even if a desired crop size could be determined, yield uncertainties would prevent a determination of a desired acreage level. There is a general perception that a 2- to 3-million-acre increase would be sufficient.

Participation in USDA acreage-reduction programs will probably be at a very high level again in 1989, with the possible exception of cotton. An increase in soybean acreage will probably not come at the expense of other crops, except under the provision of the 1988 Disaster Act. Some increase in double-cropped acreage is possible if price and weather conditions are favorable.

The soybean market will focus its attention on producers' intentions to plant soybeans on permitted acres of other program crops. Last Friday was the deadline for registering those intentions. Those figures will represent the maximum potential increase in soybean acres under that program, as intentions cannot be increased in soybean acres under that program, but they are not binding. Intentions for increases are expected to be greatest in areas of the Midwest where producers have followed a continuous corn rotation in recent years. Even then, soybean prices will have to be high enough to compete with the corn target price of \$2.84 per bushel.

The market will react to the release of the figures showing farmers' intentions to plant soybeans on permitted acres of other crops. Those intentions, however, will probably overstate actual increases unless new-crop prices move higher before planting time.



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

FIRST CLASS