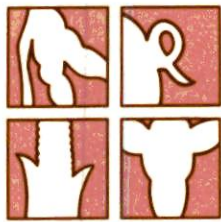




Cooperative
Extension Service
University of Illinois
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WEEKLY OUTLOOK

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

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DOMESTIC USE OF SOYBEAN PRODUCTS HAS BEEN DISAPPOINTING

Domestic use of soybean meal and soybean oil was less than expected through the first half of the 1988-89 marketing year. Monthly domestic use of meal and oil is estimated, based on reports from the Bureau of the Census. These reports show the amount of meal and oil produced during the month, the amount of each product on hand at soybean mills at the end of the month, and the quantity of each product exported during the month. The amount of product used, but not exported, is assumed to have been used in the domestic market. Comparisons of use from month to month are not exact because changes in inventory at places other than processing plants are not accounted for. Comparisons of use over a period of several months are more exact.

During the first quarter of the 1988-89 marketing year (beginning on September 1, 1988), soybean meal use was estimated at 5.14 million tons. That figure is 14.2 percent less than the figure for use during the first quarter of last year. Use during the second quarter apparently totaled 4.886 million tons, 8 percent less than during the second quarter last year. The estimate for the second quarter is tentative, as the Census estimate of exports has not yet been released.

Meal use during the first quarter of the year was not as poor as a simple comparison with last year's figure suggests. Use during the first quarter last year, as a percentage of total use for the year, was very large, accounting for 28 percent of total use for the year. During the previous five years, use during the first quarter ranged from 25.7 to 27 percent and averaged 26.4 percent. For the first six months of the 1987-88 marketing year, domestic meal use accounted for 52.8 percent of the total for the year. The previous five-year average was 51.7 percent.

If domestic meal use this year follows a typical seasonal pattern, the total for the year should reach 19.4 million tons, 9.5 percent less than last year's use. To reach that projection, soybean meal use during the last half of the marketing year will have to total 9.38 million tons, about 7 percent less than during the same period last year. It is possible that use will exceed that level. One indicator will be the size of the hog inventory to be revealed by the USDA on March 31.

Domestic consumption of soybean oil during the first half of the 1988-89 marketing year is estimated at 4.966 billion pounds. That figure is 13 percent less than the figure for use during the first half of the previous marketing year. Like soybean meal, however, oil use was unusually large during the first quarter of the 1987-88

marketing year. Use during that quarter accounted for 28.1 percent of the total domestic use for the year. During the previous 12 years, first-quarter use never exceeded 26.4 percent of the annual total.

Typically, domestic soybean oil use demonstrates a very uniform seasonal pattern, with an average of 50.4 percent of the annual total amount consumed during the first six months. If that pattern is followed this year, domestic use will total only 9.853 billion pounds, or 10.5 percent less than during the previous marketing year. To reach that projection, domestic use during the last half of the year will need to total 4.887 billion pounds, about 7.7 percent less than during the same period last year. If domestic oil consumption is close to the projected level, stocks at the end of the marketing year will be near 2.8 billion pounds, 25 percent above last year's record level of stocks.

Soybeans will continue to be crushed to meet the demand for soybean meal. Based on the projection of domestic meal use of 19.4 million tons and exports of 5.1 million tons, 24.5 million tons of meal will be required. Through the first six months of the year, meal production per bushel of soybeans crushed has averaged 47.4 pounds. At that rate, 1.034 billion bushels of soybeans will have to be crushed. The USDA currently projects the crush at 1.05 billion bushels. Unless meal use exceeds the current projection, ending stocks of soybeans could exceed the current projection of 145 million bushels.



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