



Cooperative
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WEEKLY OUTLOOK

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LOWER SOYBEAN PRICES AHEAD?

Soybean prices have declined about \$3 per bushel from last summer's peak. The average monthly price offered to farmers in Central Illinois declined by \$1.70 per bushel from June 1988 to April 1989. With reasonably good growing conditions, prices are expected to be even lower by the fall of 1989. That expectation is based on the price patterns in 1981 and 1984, following the droughts of 1980 and 1983.

In the spring of 1981, soybean prices averaged about \$7.60 per bushel. The average price in the fall of that same year was about \$6.20 per bushel. A very similar price pattern occurred in 1984. Prices in the spring averaged about \$7.65 but declined to an average near \$6.15 by the fall of 1984. The average price for the 1981-82 marketing year was \$1.50 per bushel below the average for the 1980-81 marketing year. The average for the 1984-85 marketing year was \$1.90 per bushel below the average for the previous year.

One reason for the sharp price decline in 1981-82 was that prices averaged much higher than was necessary to ration the 1980 crop. The 1980 crop totaled 1.8 billion bushels, 460 million bushels below the record crop of the previous year. Total supplies (production plus carryover stocks) for the 1980-81 marketing year were 280 million bushels less than supplies for the previous year. Soybean use during the 1980-81 marketing year declined by 235 million bushels, and ending stocks remained at a lofty 313 million bushels. Production increased by 200 million bushels in 1981, even though soybean acreage declined by 2.4 million acres. The price decline in 1984-85 stemmed from a 4-million-acre increase in soybean acreage, a 225-million-bushel larger crop, declining exports, and a large increase in ending stocks.

The current situation has characteristics of both 1981 and 1984. The planted acreage of soybeans is expected to increase by 2.85 million acres. Normal yields will result in a crop about 400 million bushels larger than the 1988 crop. Total soybean supplies for the 1989-90 marketing year could be 245 million bushels larger than the supplies for the current year. The expected increase in soybean supplies is much larger than the increase that occurred in either 1981 or 1984. Soybean use during the 1989-90 marketing year will apparently have to increase by about 15 percent to prevent an increase in stocks at the end of the year.


The price required to stimulate a 15 percent increase in soybean use is difficult to predict. The size of the 1989 South American soybean crop, the worldwide level of



production of vegetable oils, foreign demand for soybean protein, and the level of profitability of the domestic livestock industry will all be important price factors.

Soybean prices in the spring of 1989 averaged about \$7.40 per bushel. The average price for the marketing year will also be near \$7.40. A price pattern similar to that of 1981 and 1984 would result in prices this fall near the \$6.00 level. The average price for the 1989-90 year might also be expected to be near \$6.00.

The potential for a significant reduction in the price of soybeans suggests that producers may want to consider forward-pricing a portion of the 1989 crop now. Given the uncertainties of the size of the U.S. crop, the supply of competing crops, and the demand for vegetable oil and soybean protein, early sales should probably be limited to 20 to 25 percent of an expected crop. A more accurate forecast of the size of the U.S. crop will be possible when the estimate of planted acreage is released in July.



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Prices and Outlook



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