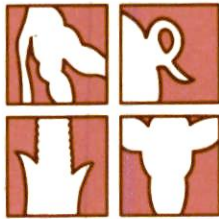




Cooperative
Extension Service
University of Illinois
at Urbana-Champaign



WEEKLY OUTLOOK

Department of Agricultural Economics
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SOYBEAN USE IS DISAPPOINTING

Soybean use was less than expected through the first quarter of the 1989-90 marketing year, barely exceeding use during the same quarter last year and about 40 percent less than during the first quarter of the 1987-88 marketing year.

The National Oilseed Processors Association (NOPA) estimated that their members crushed 234 million bushels of soybeans during the first quarter of the year. Based on estimates for September and October, crush totals from NOPA represented almost 86 percent of the Bureau of the Census estimate of crush. Through November then, the total U.S. crush was probably close to 273 million bushels, almost identical to the total for the first quarter of last year.

For the past five years, soybean crush during the first quarter of the year accounted for 24.6 to 26.0 percent of the total crush for the marketing year. The average was 25.2 percent. Based on the crush during the first quarter of the 1989-90 marketing year, the total for the year is projected at 1.083 billion bushels. The latest USDA projection is for a crush of 1.115 billion bushels. To reach that estimate, crush during the next nine months will have to total 842 million bushels, an increase of 7.5 percent from the crush during the same period last year. The record crush for that time period is 880 million bushels.

Soybean exports during the first quarter of the year totaled almost 160 million bushels. While that figure is about 15 million bushels larger than the export figure during the first quarter of last year, it is the third smallest figure for that quarter in the last 12 years. To reach the USDA's projection of 575 million bushels, exports will have to total only 415 million bushels during the last nine months of the 1989-90 marketing year. That figure is about 25 million bushels larger than exports during the same time period last year. As of November 23, however, undelivered export sales of soybeans totaled only 118 million bushels, about 40 million bushels less than undelivered sales on the same day last year.

The fate of U.S. soybean exports and domestic crush will hinge partly on the development of the South American crop. The USDA currently estimates that combined production in Brazil and Argentina will reach 1.14 billion bushels in the spring of 1990. Such a crop would be 50 million bushels larger than last year's record crop. The Brazilian crop is expected to be 11 percent smaller than the 1989 crop due to reduced acreage. Now that the planting pace there has accelerated, acreage may be cut by considerably less than 10 percent. Planting progress in Argentina has been excellent, and that crop is expected to be 60 percent larger than last year's drought-reduced crop. No significant weather problems are reported in South America.

The other factor that will influence soybean use will be the demand for soybean meal in the USSR and Eastern Europe. For the year, soybean meal exports to all destinations are expected to equal last year's 5.1 million tons. To date, however, sales are nearly 40 percent less than sales of a year ago. Purchases by the USSR will have to be extremely large to offset a large South American crop and weak demand in Western Europe.

The slow rate of soybean use, the slow rate of export sales in November, and the good crop prospects in South America have pushed soybean futures about 20 cents lower over the past two weeks. Prices will likely remain under pressure for the next several weeks, even though export sales will likely improve. Unless weather problems develop in South America, January futures will have difficulty going above the \$6.00 mark.

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