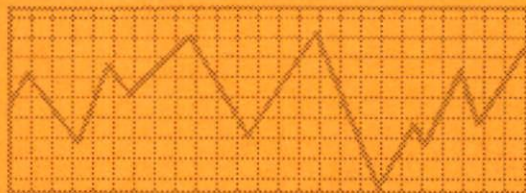




Cooperative  
Extension  
Service



# WEEKLY OUTLOOK

A joint publication of the Departments of Agricultural Economics, Colleges of Agriculture of Purdue University, West Lafayette, Indiana, and the University of Illinois at Urbana-Champaign

January 24, 1990

## **SOYBEAN DEMAND: A MIXED BAG**

Soybean supplies are abundant and prices are much lower than they were a year ago, but export sales of soybeans and soybean meal have been disappointing. The marketing year for soybeans began on September 1, 1989. By January 11, only 356 million bushels of soybeans had been sold for export. Sales almost equal those of a year ago. Last year, however, exports for the entire marketing year reached only 527 million bushels--a 14-year low. Only Taiwan and South Korea have bought more U.S. soybeans than they did a year ago. For the coming year, the USDA expects shipments to increase by 53 million bushels over last year's exports.

More disturbing than the lackluster sales of soybeans is the sharp decline in export sales of soybean meal. The marketing year for meal began October 1. By January 11, only 2.33 million tons of meal had been sold for export, down from 3.6 million on the same date a year ago. Sales to the European Community have been almost nonexistent. The largest buyer of U.S. meal has been the USSR, and sales are running 30 percent below last year's level. For the entire marketing year, the USDA expects meal exports to total 4.8 million tons, only 6 percent less than the amount shipped last year. To reach that level, sales during the rest of the year will have to be 60 percent higher than sales during the same period last year.

Between October 1 and January 11, 580 million pounds of soybean oil were sold for export, an increase of 6 percent over sales of a year ago. For the year, the USDA expects oil shipments to drop nearly 13 percent below exports of a year ago.

In contrast to exports, the domestic use of soybean meal and oil rose sharply over last year's level, although statistics are available only through November 1989. During the months of September, October, and November, domestic soybean meal use totaled 5.66 million tons, an 11 percent increase from the first quarter of last year and the second highest level for the quarter on record. (It should be noted that calculation of domestic use does not account for changes in inventories at locations other than processing plants.)

Domestic meal use follows a very consistent seasonal pattern. Use during the first quarter has averaged 26.5 percent of total use for the year. If that pattern is repeated this year, use will reach 21.35 million tons, just short of the record reached in the 1987-88 marketing year.

Domestic soybean oil use during September, October, and November is estimated at 3.16 million pounds, nearly 22 percent more than was used in the same period last year. Variation in inventory levels at locations other than processing plants may

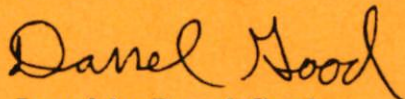
STATE • COUNTY • LOCAL GROUPS • U. S. DEPARTMENT OF AGRICULTURE COOPERATING

The Illinois and Indiana Cooperative Extension Services provide equal opportunities in programs and employment.

account for some of the apparent increase in consumption. The rate of consumption during the first quarter projects to total use for the marketing year of a record 12.44 billion pounds. That figure is 18 percent higher than domestic oil consumption of a year ago and is not likely to be a realistic forecast. The 5 percent increase projected by the USDA, on the other hand, may be too low.

Combined exports and domestic use of soybean meal during the September-November period was nearly identical to that of a year ago, but about 7 percent lower than use during the same period in 1986 and 1987. Poor exports account for the disappointing level of use. Prospects for a recovery in export sales are limited due to expectations of a record soybean harvest in South America this spring. That crop is expected to reach 1.19 billion bushels, 4.5 percent larger than last year's record harvest. An improvement in exports will have to be generated by better-than-expected world demand. The USSR and Eastern Europe may provide some increased demand, but it is slow developing.

Soybean prices have come under renewed pressure in the face of weak demand and excellent crop prospects in South America. On January 19, March futures closed at \$5.655 per bushel, within 2 cents of the contract low established in October and 40 cents below the November highs. Little recovery is expected in the next few weeks and new lows may be established. It is probably not the time to make panic sales, however. A substantial price recovery remains a possibility with the entire U.S. growing season still to come.



Issued by Darrel Good  
Extension specialist  
Prices and Outlook  
University of Illinois

Cooperative Extension Service  
United States Department of Agriculture  
University of Illinois  
At Urbana-Champaign  
Urbana, Illinois 61801

FIRST CLASS