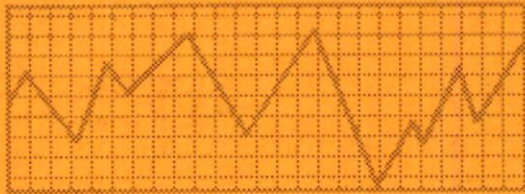




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WEEKLY OUTLOOK

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SOYBEAN ACREAGE WILL DECLINE IN 1990

Planted acreage of soybeans in the United States reached a peak of 71.4 million acres in 1979. This exceeded 1976 plantings by 20 million acres. Increased world demand for protein and high soybean prices triggered the expansion in acreage. Most of this expansion represented full season production. Double cropping of soybeans following another crop represented an estimated 4.3 million acres in 1979. The increase in acreage was uniformly distributed by region of the country. The percentage of total acreage planted in each region was essentially the same in 1979 as in 1976.

Planted acreage remained relatively high through 1984 (excluding 1983 when government programs idled large acreages). Double cropped acreage reached a peak in 1981 and 1982 at 10.1 and 11.3 million acres, respectively. Double cropped acreage accounted for approximately 15 percent of all soybean plantings in those two years.

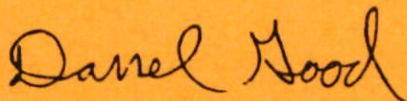
Soybean acreage declined sharply from 1985 through 1987. Only 58.2 million acres were planted in 1987, an 18 percent decline from the 1979 peak and 14 percent less than the amount planted in 1984. Compared to the peak year of 1979, all of the decline was in full season acreage. All but about 500,000 acres of the decline came in southern production regions. Within the Midwest, there was a slight shift of acreage from east to west.

The decline in acreage resulted from a slowdown in world protein demand, an accumulation of soybean stocks, and a sharp decline in soybean prices. For the five crop years 1980 through 1984, the average price of soybeans was about \$6.50 per bushel. By 1985 and 1986, the average price had dropped to about \$5.00 per bushel.

Total soybean acreage increased slightly--by 2.3 million acres--in 1988 and 1989 in response to higher prices. About half of the increase was in the Midwest. Percentagewise, the largest increase was in the Southeast. All of the increase in soybean acreage from 1987 through 1989 was in double cropped acreage. Estimates from the USDA show full season acreage declining by 300,000 and double cropping increasing by 2.6 million acres during that time.

Soybean acreage is expected to decline in 1990. Current and expected soybean prices are low in relation to the market price and/or target price for many of the competing crops. Full season soybean acreage has remained stable for the past three years, averaging 53.8 million. Plantings of full season soybeans may decline to about 52.8 million acres as wheat, corn, and cotton acreage increases. Double cropped acres will depend on moisture and price conditions in early summer. Soft red winter wheat acreage in areas where double cropping is possible is up about 800,000 acres. Unless prices improve, double cropped soybeans will be less than the 6.7 million acres in 1989. If 6 million acres are double cropped, a total of 58.8 million acres will be planted. Harvested acreage in 1990 will then total about 57.6 million acres. With a good growing season, the 1990 crop may be near 1.9 billion bushels. That figure is 125 million bushels above the projected level of use for the current marketing year. Unless export demand increases significantly, soybean stocks may continue to accumulate during the 1990-91 marketing year.

The decline in soybean acreage and production in the United States since 1984 has been countered by expanded production in South America. As a result, the United States has lost world market share. The conditions are right for that trend to continue in the year ahead. That trend is of obvious concern to the soybean industry and will receive attention in the 1990 policy debate. The American Soybean Association has proposed a Graduated Equity Loan program as a way to make soybean production more competitive with other crops in the United States. The USDA has rejected the proposal as too expensive and has suggested complete planting flexibility as a solution. That suggestion has not received widespread support, however. The problem of loss of market share is generally recognized. The solution is more elusive.



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