



WEEKLY OUTLOOK

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HOW LARGE IS THE SOUTH AMERICAN SOYBEAN CROP?

In recent weeks, the soybean market has been pre-occupied with planting and growing conditions in the United States. Ideas that planted acreage would exceed March intentions and generally favorable growing conditions pushed prices for the 1991 crop to new lows last week. In the longer term, the size of the South American harvest will impact U.S. exports and prices.

In its June *Crop Production* report, the USDA estimated this spring's harvest in Brazil, Argentina and Paraguay at 1.033 billion bushels. That figure is 167 million bushels less than last year's harvest and would be the smallest crop in 4 years. Since that estimate was released, excessive moisture and storm damage is thought to have reduced the size of the Argentine crop. Estimates of crop loss from Argentine sources run as high as 20 million bushels, or about 5 percent of the USDA's estimate. Private estimates from Brazil tend to be smaller than the USDA's figure of 570 million bushels.

While exportable supplies of soybeans and soybean products from South America are currently ample, future supplies are uncertain. The size of the crop will determine the magnitude of total exportable supplies and the magnitude of soybean or soybean product imports required by Brazil later in the marketing year. The size of the South American crop will obviously have some impact on the export demand for U.S. soybeans during the 1991-92 marketing year.

The correlation between the size of the South American soybean harvest and U.S. soybean exports in the subsequent marketing year, however, is not especially high. An analysis of the production and export record for the past 14 years suggests that about 60 percent of the variation in U.S. soybean exports is explained by the size of the South American soybean harvest the previous spring. The same results are obtained when correlating South American production to combined U.S. exports of soybean and soybean meal. A large number of other factors, including production of alternative crops, price, and economic growth, obviously influence export demand for U.S. soybeans.

While the relationship between South American production and U.S. exports is not high, it does provide a useful perspective. The analysis of the period 1977-78 through 1990-91 suggests that with no South American production, U.S. soybean exports would reach about 980 million bushels (80 percent larger than the projection for the current year). For each bushel of soybeans produced in South America, U.S. exports decline about .3 bushel. Based on that relationship, U.S. exports during the current marketing year should reach 620 million bushels. The current projection is for exports of 540 million bushels. Exports are being curtailed by the availability of other oilseed crops.

Based on the USDA's projection of a 1991 South American harvest of 1.033 billion bushels, U.S. soybean exports during the 1991-92 marketing year would be expected to reach 670 million bushels. If the crop is closer to 1 billion bushels, U.S. exports should come in near 680 million bushels. The USDA is currently projecting next year's exports at 600 million bushels, 60 million bushels above the projection for the current year. That magnitude of increase projected by the USDA is consistent with the results of the simple correlation model. The difference is that current exports are well below the level expected from past relationships. A similar pattern is revealed for soybean meal exports. Based on past relationships, exports during the current marketing year would be expected to reach 5.6 million tons, but are projected at only 5 million tons. An increase of 200,000 to 300,000 tons would be expected next year. The USDA projects an increase of 250,000 tons.

Soybean and soybean meal exports will likely increase during the 1991-92 marketing year. That increase could be much larger than expected if demand conditions return to a more normal relationship. The factors to watch are the development of European oilseed crops and the purchasing patterns of the USSR.

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