

# WEEKLY OUTLOOK

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## **SOYBEAN PRICES -- SIDEWAYS UNTIL SPRING**

**March 1992 soybean futures** established a contract low of \$5.38 per bushel on July 10. The contract high of \$6.66 was established on August 2, 1991. The July rally was weather related. The decline in prices since early August was associated with improved growing conditions and large crop prospects. Prices have traded in a very narrow range since the release of the USDA's October *Crop Production* report. That report showed a much larger crop than expected, pushing futures down by the daily permissible limit of 30 cents the following day. Since October 11, March soybean futures have traded between \$5.53 and \$5.83 per bushel. Prices are currently at the low end of that range.

In addition to the larger than expected U.S. soybean crop, some other market fundamentals have turned more bearish. During the first 5 weeks of the marketing year, figures from the National Oilseed Processors Association indicated that the domestic crush of soybeans was nearly 6 percent larger than the crush of a year ago. While the weekly crush rate has shown a typical seasonal increase since early October, the crush for the past 7 weeks has been only about 1 percent larger than the crush of a year ago. The USDA projects a 4 percent larger crush during the 1991-92 marketing year. To date, the increase is less than 3 percent. It appears that there has been a slow down in the rate of domestic soybean meal consumption.

A second bearish development is the outlook for a larger South American soybean harvest in 1992. The USDA currently projects that crop at just under 1.1 billion bushels, 8 percent larger than the 1991 harvest. Most of that increase is expected in Brazil. The combination of generally favorable weather conditions at planting time and expectations that Brazilian acreage will exceed early estimates has the market looking for an even larger crop than projected.

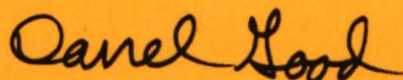
One very positive factor in the soybean market is the relatively rapid pace of exports. Through the first 12 weeks of the 1991-92 marketing year, soybean exports totaled 137 million bushels, 30 percent above the exports of a year ago. Exports were lagging the pace of two years ago by about 7 percent. Export commitments (shipments plus outstanding sales) now stand at 300 million bushels, about 35 percent above commitments of last year.



For the year, the USDA projects a 17 percent increase in exports. The rapid pace of sales to date reflects the small South American soybean crop of 1991.

Assuming that favorable weather persists in South America, soybean prices could remain in a narrow trading range through the winter months. That pattern would be consistent with the pattern of the past two years, when March futures traded between \$5.50 and \$6.00 per bushel from early December through contract maturity. Increased price volatility might be expected in the late spring/early summer of 1992.

Over the past 16 years, the cash price of soybeans in central Illinois during the September through August marketing year has varied by as much as \$5.20 per bushel (1976-77) to as little as \$.62 (1985-86). The average difference between high and low prices in years not affected by extremely poor weather was \$1.35 per bushel. During the first 3 months of the 1991-92 marketing year, cash prices have ranged from a high of \$6.05 on September 18, to a low of \$5.28 on October 10. The range of \$.77 will likely be exceeded before the year is over. If \$5.28 is the low for the year, the high might be expected in the \$6.25 to \$6.50 range. In 9 of the last 16 years, the highest cash price for the marketing year occurred in the April through August time period. That type of pattern is expected to occur again this year, with rallies associated with spring/summer weather concerns.



Issued by Darrel Good  
Extension Economist  
University of Illinois

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