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SLUGGISH DOMESTIC SOYBEAN MEAL AND OIL DEMAND

While exports of soybeans, soybean meal and soybean oil are running well ahead of last year's pace, domestic demand for meal and oil is sluggish. Domestic consumption of those products is calculated from data in the monthly report of exports and the quarterly report of soybean crush, both from the Department of Commerce. The reports provide data on total production of meal and oil, stocks at the end of the period, and monthly exports. Domestic consumption is a residual calculation, equal to beginning stocks plus production plus imports minus ending stocks minus exports.

Only an estimate of stocks at processing plants is provided, so that changes in inventories at other locations can result in errors in the estimates of domestic use. In addition, there are relatively large time lags in the data. The report on December 1991 exports, for example, was released on February 20, 1992. Estimates of domestic consumption can be generated from weekly data provided by the national Oilseed Processors Association, but those estimates are not always close to those based on Department of Commerce data.

Using the procedure described above, domestic soybean meal consumption during October, November, and December 1991 totaled 6.118 million tons. Use during the quarter was 1.7 percent larger than during the same quarter last year. The magnitude of increase is much less than expected, given the level of livestock production and the level of corn feeding. It is generally believed that the magnitude of corn feeding and soybean meal feeding are highly correlated, resulting in a fairly constant feeding ratio from year to year. The calculation of that ratio, however, has been complicated by the lack of monthly soybean meal production data for the past year. Only quarterly data has been available, but the quarters do not match the quarters for the corn stocks report. On a quarterly basis, domestic corn feeding is calculated for the September-November period, while domestic meal consumption is calculated for the October-December period. For the six years 1984 through 1989, domestic corn consumption averaged 6.93 times larger than meal consumption during these respective periods. (The range was 6.47 to 7.16.) In 1990, that ratio increased to 7.56 and in 1991 increased to 7.92.

The dramatic increase in corn feeding relative to soybean meal feeding during the first quarter of the 1991-92 marketing year may be explained, in part, by an increase in the feeding of other protein meals. In addition, there may have been an overestimation of domestic corn feeding during that quarter in each of the last two years. That estimate is a residual calculation and reflects any errors in production estimates as well.

Domestic soybean oil consumption during October, November, and December 1991 totaled 2.956 billion pounds. That figure is nearly 8 percent smaller than consumption during the same period last year. If that pace continues for the entire marketing year, domestic consumption would reach only 11.2 billion pounds, nearly 1 billion less than was consumed last year. As in the case of soybean meal, the slow down in domestic soybean oil consumption is likely related to increased competition from other vegetable oils due to large crops in 1991. That competition may subside as the year progresses. Domestic meal and oil consumption will be easier to track with the move back to monthly oilseed crush reports beginning this month.

The sluggish domestic demand for soybean meal and oil explains the relatively low prices of soybeans which have persisted since October in spite of sharply higher export sales. A recovery in that demand will be required to offset declining exports if the South American crop continues to improve.

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