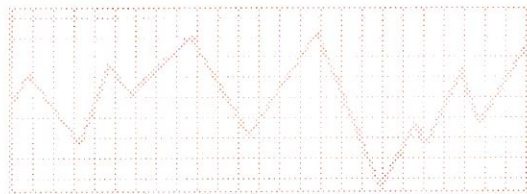




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# WEEKLY OUTLOOK



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## **SOYBEAN MARKET EXPECTING LARGER EXPORTS, LESS ACREAGE**

**Old crop soybean prices have rallied** about 40 cents per bushel since the beginning of January and are at the highest levels since early October 1991. New crop futures have moved about 50 cents higher and are at lifetime highs.

The strength in prices has come in the face of improving crop prospects in South America, particularly in Brazil. Last month, the USDA estimated production prospects in South America at 1.088 billion bushels, 6.5 percent larger than last year's crop. Almost all private forecasters have raised their expectations of crop size. A crop near 1.15 billion bushels now appears likely. A crop of that size would be only about 4 percent smaller than the record crop of 1.2 billion bushels in 1990. The market believes, however, that this year's crop will be marketed in a more orderly fashion than the 1990 crop due to increased availability of credit to soybean producers.

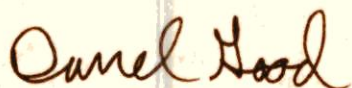
The rate of U.S. soybean exports and export sales has remained larger than expected. Exports for the week ended February 27 totaled 28.1 million bushels, nearly double the exports for the same week last year. Exports during the first half of the 1991-92 marketing year totaled 427 million bushels, up 41 percent from cumulative exports of a year ago. All of the major importers, except Mexico, have imported more U.S. soybeans than they imported last year. Exports are at the highest level since the 1987-88 marketing year, but are running 17 percent behind the pace of exports that year.

As of February 27, 110 million bushels of soybeans had been sold for export, but not yet shipped. That figure exceeds the year ago sales figure by only 17 million bushels. Exports of U.S. soybeans typically begin a sharp seasonal decline during the first half of April. The decline in exports during the last 22 weeks of the marketing year (April through August) was less pronounced last year than is typically the case. Weekly exports during that period last year were 26 percent less than the average during the first 30 weeks of the year. The seasonal decline was less dramatic because of the very poor export demand during the first half of the year and the poor Brazilian harvest in the spring of 1991.

In the three preceding years, weekly exports during the April through August period were 50 to 54 percent less than the average during the first 30 weeks of the year. If that pattern is followed this year, exports for the year should total 665 million bushels, identical to the current USDA projection. The market currently believes that exports will exceed 665 million bushels and that stocks at the end of the year will be less than the current projection of 325 million bushels. Such an expectation does not appear warranted at this time.

Another supportive factor in the soybean market is the expectation that soybean acreage will decline in 1992. The relatively low price of soybeans in comparison to feed grain prices is generally cited as the reason for the decline. However, producers in the eastern corn belt are not likely to reduce acreage in 1992 because of good performance of soybeans last year. In those areas affected by drought, soybeans tended to yield better than corn. In areas of favorable weather, many producers had record soybean yields in 1991. Indications are that they will stay with soybeans in 1992.

Soybean plantings in the mid-south and southeast declined by 1.6 million acres (11.5 percent) last year as producers switched to cotton. Additional reductions are not likely this year. Soybean acreage could actually increase in those regions. Any declines in soybean acreage will have to come in the western corn belt. Acreage in that region was at a record 26.2 million in 1991. Plantings were 2.45 million acres (10.3 percent) larger than in 1990. The increase was partially in response to a late planting season due to excessive moisture. At this time, it appears unlikely that U.S. soybean acreage will decline by more than 1 million acres in 1992. The decline could be less if prices continue to move higher and if producers are concerned about dry weather in 1992. The USDA will release a *Prospective Plantings* report on March 31.



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