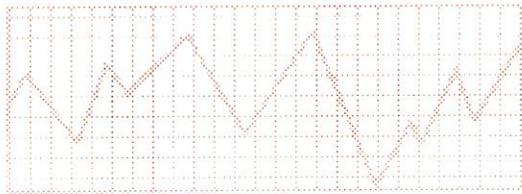




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WEEKLY OUTLOOK

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SOYBEAN PRICES - HOW MUCH HIGHER?

Soybean prices recovered steadily from the low during the first week of October to the middle of January. The cash price in central Illinois advanced about \$.65 per bushel during that time. For the most part, the recovery reflects the rapid rate of consumption of soybeans and the expectation that use will remain large over the next 12 to 15 months.

For the period September 1, 1992 through January 21, 1993, soybean exports totaled 377.2 million bushels, 20 percent more than during the same period last year, according to USDA export inspection figures. Through November, monthly export figures from the Census Bureau were consistent with the inspection figures. As of January 21, 201 million bushels of soybeans had been sold for export, but not yet shipped. Export commitments of 578 million bushels represent 77.5 percent of the USDA's projected exports for the year. A recent large sale of soybeans to an "unknown" destination (thought to be China) has raised expectations that exports could exceed the USDA projection, even though South America will soon begin harvest of a record soybean crop.

The Census Bureau's December crush report released last week revealed a record monthly crush of 116.3 million bushels. The cumulative crush from September through December 1992 was 444.5 million bushels, 2.8 percent more than the previous record during the same period last year. Soybean meal consumption, domestic plus exports, was a record 8.08 million tons during the October through December quarter. Soybean oil consumption during the quarter was also record large, at 3.641 billion pounds. In spite of a record crush, soybean oil production during the October-December quarter was less than that of a year ago (down 2.5 percent) due to lower oil content of the 1992 crop of soybeans. The average oil yield during October, November and December was 10.71 pounds per bushel, down from 11.32 pounds during the same period last year. In spite of reduced soybean oil production and increased consumption during the first three months of the 1992-93 marketing year, stocks of oil at the end of December were equal to those of a year ago. Stocks have been accumulating since the end of October.

Even with a record consumption of soybeans during the 1992-93 marketing year, stocks at the end of the year are currently projected at a 6-year high of 355 million bushels. Use

could exceed the current USDA projection by 26 million bushels and stocks would still be at a 6-year high. Stocks at the end of the 1991-92 marketing year were reduced to 278 million bushels, yet concern about weather in May and June 1992 was required to push soybean prices above \$6.00 per bushel.

A period of weather concerns may be required to push soybean prices above \$6 again this year. The market will be quick to react to periods of adverse weather because of the record pace of consumption and expectations that the 1993 crop will be significantly smaller than the 1992 crop. A smaller crop is expected if soybean acreage does not increase and the U.S. average yield falls from the record level of 1992. A 3 bushel decline in the average yield would result in a 175 million bushel reduction in production and allow stocks of soybeans to be reduced significantly by the end of the 1993-94 marketing year. Periods of weather and crop concerns develop every year. For the months ahead, the question may not be will there be a weather market? but when will it develop? and how severe will it be? Assuming those concerns do materialize, nearby soybean futures would likely rally to the \$6.40 level achieved in each of the past two years. If conditions were severe enough to push prices above the \$6.60 level of three years ago, aggressive speculative buying would likely surface. As indicated last week, now is the time to develop plans for marketing the 1993 crop.

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