



WEEKLY OUTLOOK



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FOCUS ON SOYBEAN EXPORTS

The high rate of soybean exports during the 1992-93 marketing year has been highly publicized. With the marketing year nearly half over, accumulated exports are 16 percent larger than a year ago, based on USDA export inspection figures. Figures from the Department of Commerce, however, indicate that the increase has been less than indicated by USDA figures. Export estimates from the Department of Commerce are available only through December 1992. For the first 4 months of the marketing year, those figures showed that the increase in exports was 5 percentage points less than indicated by USDA figures. For the entire marketing year, the USDA currently projects soybean exports at 745 million bushels, about 9 percent above the exports during the 1991-92 marketing year. That projection will be updated this week.

The increase in soybean exports this year compared to last year reflects larger shipments to the European Community (34 percent) and Asia (12 percent). As of February 25, 152 million bushels of soybeans had been sold for export, but not yet shipped. A year ago, outstanding sales stood at only 110 million bushels. The large outstanding sales are destined for the European Community, Japan, Taiwan, Indonesia and South Korea.

The continued rapid rate of exports suggests that exports for the year could exceed the USDA projection. However, the approaching harvest of a record South American crop means that the rate of U.S. soybean exports will begin to decline sharply. For the week ended February 25, less than 1 million bushels of soybeans were sold for export. Sales in the previous three weeks had averaged 14 million bushels per week.

The seasonal pattern of exports can be used to project exports for the rest of the year. In recent years, when South America has had a large crop, the U.S. export pattern has been very consistent. Exports during the last half of the marketing year have averaged about 60 percent as large as exports during the first half of the year. The range has been from 57 to 65 percent. With a record crop expected in South America this year, the seasonal decline in exports may be more pronounced. If we use export figures from the Department of Commerce and expect a 57 percent reduction in exports during the last half of the year, current exports project to a total of 770 million bushels for the year.

If exports do exceed the USDA projection by 25 million bushels, stocks of soybeans at the end of the marketing year will be close to 330 million bushels, perhaps less if the domestic cash rate remains high. Stocks at the end of the year will represent about 15 percent of total consumption. That level of carryover would be slightly above the average of the past 5 years.

The excellent rate of soybean consumption provides a base for slightly higher soybean prices over the next few months. The extent to which prices rally will be influenced by prospects for the 1993 crop. In each of the past three years, periods of weather concern have allowed the cash price of soybeans to rally into the \$6.20 to \$6.25 range. That high price came in June last year. In 1990 the rally came in July, and in 1991 the increase did not materialize until August. A late rally in price is somewhat problematic for old crop soybeans, but provides an excellent opportunity to forward price new crop soybeans. In each of the past three years, November futures have moved up to the mid \$6.00 range during the growing season. That contract is currently trading just under \$6.00. Opportunities to forward price the 1993 crop are expected to materialize again this year. The timing and magnitude of the price increase will be directly related to the nature of the growing season.

Darrel Good

**Issued by Darrel Good
Extension Specialist
University of Illinois**

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

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