



WEEKLY OUTLOOK



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MARKET ANTICIPATES SMALLER SOYBEAN CARRYOVER

The USDA surprised the market last month by leaving its projection of year-ending soybean stocks at 340 million bushels. A smaller projection was anticipated. Updated supply and demand projections to be released on Tuesday of this week are once again expected to contain a reduction in the carryover projection for soybeans. The expectation is based on the continuing high rate of export sales in the face of a record South American harvest, the inclusion of soybean meal in the food aid package to Russia, and the recent entry of China into the soybean market.

The USDA currently projects soybean exports for the 1992-93 marketing year at 760 million bushels. With nearly 18 weeks left in the marketing year, exports have already reached 639 million bushels, based on USDA weekly export inspection figures. As of April 29 an additional 78 million bushels of soybeans had been sold but not yet shipped. To reach the USDA April projection of exports, only 43 million more bushels need to be sold.

A recent purchase of about 1 million bushels of soybeans by China has raised expectations of additional sales to that country. Sales of perhaps 10 million bushels are anticipated. Total exports of U.S. soybeans during the 1992-93 marketing year may reach 785 million bushels. Some analysts are projecting exports as high as 800 million bushels.

Based on weekly figures from the National Oilseed Processors Association, the domestic soybean crush through the first week of May was 2.6 percent above the cumulative crush of a year ago. Those figures have been consistent with the Census Bureau figures, which showed a 3.2 percent increase in crush from September 1992 through March 1993. The USDA is currently projecting less than a 1 percent increase in crush during the current marketing year. In light of the high rate of crush to date and the recent announcement that \$105 million of food aid to Russia would be for soybean meal, it appears that crush will exceed the USDA's April projection. However, figures for the past two weeks indicate that crush has dropped below the level of a year ago. Prior to those two weeks, crush had been less than during the corresponding week of a year ago only twice this year.

We have been projecting stocks at the end of the current marketing year at 315 million bushels. That projection is based on exports of 775 million bushels and a crush of 1.277

billion. It now appears that stocks will be near that level, but probably not as low as 285 million, as projected by some analysts. In the updated supply and demand estimates to be released this week, the USDA will make its first projections for the 1993-94 marketing year. The supply estimate will reflect the March planting intentions figure of 59.3 million acres and a trend yield, probably between 34 and 35 bushels per acre. A crop near 2 billion bushels in 1993 would likely lead to expectations of a further reduction in soybean stocks by the end of the 1993-94 marketing year.

Questions about the magnitude of soybean acreage will remain until the release of the USDA's *Acreage* report on June 30. Recent dry weather in the eastern corn belt and the beginning of corn planting has reduced concerns about a reduction in corn acreage and an increase in soybean acreage. However, conditions remain very wet in the western corn belt and planting progress is painfully slow. The current weather pattern is reminiscent of 1991, when wet weather persisted into June in the western corn belt, resulting in some switching from corn to soybeans.

Soybean prices will likely continue the choppy pattern of recent weeks as the planting and growing season progresses. If USDA projections confirm prospects for further reductions in carryover stocks, prices will continue to be supported above the \$5.90 level basis July and November futures. Upside potential is mainly a function of weather. Based on the experience of the past three years, concerns will have to be significant to push prices above the \$6.50 level.

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