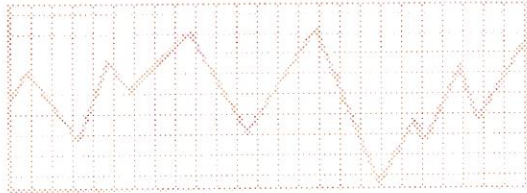




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# WEEKLY OUTLOOK



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## **WILL STRONG SOYBEAN DEMAND CONTINUE?**

**Soybean prices continue to be supported by a higher than expected rate of consumption. In its latest *Supply and Demand* report, the USDA projects soybean consumption for the current marketing year at a record 2.152 billion bushels, nearly 100 million bushels above the September 1992 projection. Based on the total use of soybeans to date and the level of outstanding export sales, it appears that soybean consumption will exceed even the most recent projection.**

**During the first half of the 1992-93 marketing year (October 1992-March 1993) domestic soybean meal consumption totaled a record 12.08 million tons, a 2.8 percent increase from use during the same period last year. The increase was generated by slightly lower soybean meal prices, an increase in livestock and poultry production, and profitable livestock prices. Based on the historical seasonal pattern of use, consumption to date projects to a total of 23.7 million tons for the year, very close to the current USDA projection.**

**Domestic soybean oil consumption during the first half of the marketing year was record large, at 6.386 billion pounds, an increase of 6 percent from consumption of a year ago. Based on the historical seasonal pattern of consumption, use to date projects to a total of 12.75 billion pounds for the entire marketing year, about 100 million above the current USDA projection.**

**With slightly less than 16 weeks left in the marketing year, USDA figures show that soybean exports have reached 653 million bushels, 16 percent more than the total of a year ago. With an additional 83 million bushels sold for export, but not yet shipped, it appears that the total for the year will exceed the USDA projection of 765 million bushels. It should be noted, however, that export figures from the Census Bureau show fewer soybean exports than do the weekly USDA figures. Through March, the difference was 13 million bushels. A third source of export estimates, the weekly *U.S. Export Sales* report, shows cumulative exports identical to those of the USDA inspection figures. Most major importers have taken more U.S. soybeans than was the case a year ago. The primary exception is Mexico. The largest increase in sales has been to the European Community, where sales are up 26 percent. The smaller 1992 rapeseed crop in Europe in combination with the low value of the U.S. dollar have supported sales to the European Community.**

Soybean meal exports during the first half of the 1992-93 marketing year totaled 3.927 million tons, up nearly 4 percent from exports of a year ago. The increase has been led by sales to the European Community. Exports were exceptionally large during the last half of the 1991-92 marketing year. It will be difficult for shipments this year to match that high level, even with relatively large export credits for Russia. For the year, the USDA projects a 3 percent decline in meal exports. That projection may be a little pessimistic.

Soybean oil exports through the first half of the marketing year totaled 853 million pounds, 9 percent above exports during the same period last year. For the year, the USDA projects a 3 percent decline in exports. As in the case of meal exports, the projection appears low. It now appears that the domestic soybean crush, as well as exports, will exceed projections.

The high rate of domestic meal and oil consumption should continue into the 1993-94 marketing year. Meal consumption will be supported by ongoing expansion in the livestock industry and prospects for profitable livestock prices. The USDA, however, projects further declines in soybean meal and oil exports during the 1993-94 marketing year and a decline in soybean exports. Even with those declines, soybean use during the year ahead is expected to exceed the size of the 1993 crop.

Any indication that 1993 soybean yields will be adversely affected by poor weather or that export demand will stay strong will give soybean prices another boost. The probability of a spring weather rally in soybean prices now appears small. July and August weather now becomes critical for determining soybean yields. Summer weather rallies in 1990 and 1991 carried November futures to \$6.80 and \$6.50, respectively.

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