Cooperative Extension Service

WEEKLY OUTLOOK

A joint publication of the Departments of Agricultural Economics, Colleges of Agriculture of Purdue University, West Lafayette, Indiana, and the University of Illinois at Urbana-Champaign

MAY 22, 1995

MORE TO THE SOYBEAN MARKET THAN PLANTING DELAYS

Soybean prices moved about $.13 higher last week, with all of the increase coming on Thursday. The higher prices were more of a reflection of positive demand factors than concerns about planting delays. Planting progress is extremely slow and another week of relatively wet weather is expected for the midwest. A drier pattern is generally expected to emerge after this system has passed. If so, the majority of the soybeans will be planted no later than early June.

A review of the past 16 years reveals 5 years of relatively late soybean planting — 1979, 1983, 1984, 1990 and 1993. Average U.S. soybean yields for those 5 years do not reveal any consistent patterns. The average yield was a record 32.1 bushels in 1979, a record (tied with 1985) 34.1 bushels in 1990, and a respectable 32.6 bushels in 1993. The average yield was extremely low, at 26.2 bushels, in 1983 and increased to only 28.1 bushels in 1984. The history of late planting suggests that summer weather, not necessarily planting date, is the major determinant of average yields. Both the 1983 and 1984 growing seasons were hot and dry, while 1979 and 1990 had very favorable growing conditions. Of all the late planted years, 1993 was the latest. While the average yield was quite good, acreage was lost to flooding that year.

The small rally in prices experienced last week and the growing optimism about soybean prices stems from two other sources. First, soybean prices are low in relation to the price of the major grain commodities. At the beginning of last week, for example, November soybean futures were priced only 2.2 times the price of December corn futures. That is at the low end of the recent historical range of 2.1 to 2.7. The low price in relation to corn has been justified by the relative surplus of soybeans and prospects of only a small reduction in acreage in 1995. As the price declined to low levels in relation to corn prices, however, the risk of further reductions seems remote, stimulating buying interest in soybeans.

A second, and more important reason, is the ongoing high rate of consumption of soybeans and soybean products. With 16 weeks left in the 1994-95 marketing year, 702 million bushels of soybeans have been exported. As of May 11, an additional 95 million bushels had been sold for export, but not yet shipped. New sales for the week ended May 11 were exceptionally large at about 18 million bushels. With 16 weeks yet to go in the marketing year, exports have already reached nearly 88 percent of the USDA projection of 800 million bushels and export sales represent essentially 100 percent of the projection. So far this year, exports have averaged 19.5 million bushels per week.

To reach the USDA projection, weekly exports through August need to average only 6.13 million bushels. There is growing optimism that exports will significantly exceed the USDA projection.

While the domestic soybean crush pace has slowed in a typical seasonal pattern, the crush for the year will be record large and should at least reach the USDA projection. At the same time, the high crush rate is not resulting in any accumulation of oil or meal inventories. Both domestic and export use remain large and the large livestock numbers in the U.S. and strong Asian demand for oil are expected to keep the consumption rate high. Soybean supplies are more than ample to meet market needs for the foreseeable futures. However, year ending stocks may be considerably less than currently projected, increasing the importance of the 1995 growing season.

Soybean prices have traded in a very narrow range since late July 1994. So far during the 1994-95 marketing year, the cash price of soybeans in central Illinois has ranged from a low of about $5.00 at harvest to a high of nearly $5.80 during the second week of April. November 1995 futures have traded as high as $6.45 in May 1994 and as low as $5.7325 in February 1995. From a historical perspective, the trading range in November futures of $.7175 is quite small. The narrow range mostly reflects the relatively high low price of $5.7325. The lowest price for November futures over the past 13 years has ranged from $4.6025 (1987) to $5.686 (1983 and 1984). The average low over that period was $5.235. The highest price for November futures over the past 13 years ranged from a low of $5.565 (1986 contract) to a high of $10.46 (1988 contract). The average price was $7.445.

It seems likely that soybean prices will become more volatile as the growing season progresses. Unless planting is delayed more than currently expected, new highs in November futures will likely require adverse summer weather conditions.

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