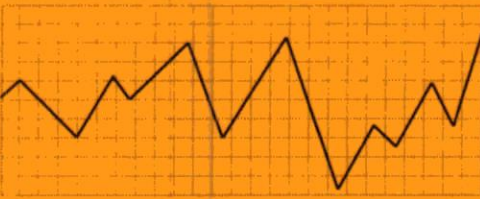




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WEEKLY OUTLOOK

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SOYBEAN DEMAND PROSPECTS

Exports of U.S. soybeans typically decline sharply as the South American harvest finds its way into the market place. The slowdown usually shows up in the weekly export inspection figures around the first of April. In some years, the slowdown is evident by mid-March, while in other years, the decline does not appear until mid-April. For the current marketing year, it is now expected that weekly exports of U.S. soybeans will remain large well into April due to delays in moving the Brazilian harvest. Some late season wetness has interrupted harvest in some areas, but the major problem seems to be congestion in the port areas.

For the most part, observers believe that the size of the South American crop is fairly close to the USDA's March estimate of 1.37 billion bushels. That estimate is only 8 percent below the record harvest of a year ago. If the crop is near the current estimate, competition for U.S. exports will be keen from late April through September of October. The USDA will release an updated estimate of the 1996 crop on April 11. Historically, the weekly rate of U.S. exports drops about 50 percent from April through August as compared to the rate from September through March. Through the first 29 weeks of the 1995-96 marketing year, U.S. exports have averaged 19.9 million bushels per week. If that rate persists for another two weeks and then drops by 50 percent, exports for the year would be near 825 million bushels, about 15 million above the current USDA projection.

The domestic crush of soybeans during the first half of the 1995-96 marketing year was about 8 million bushels less than the crush during the same period last year. Crush was large last fall, but slowed dramatically during the winter months. That slowdown was still evident in March. Figures for the first three weeks of March from the National Oilseed Processors Association showed a decline of 8.3 million bushels, or 10 percent, as compared to the crush in the same three weeks last year. A continuation of the current crush pattern through August would result in a total crush for the year of about 1.33 billion bushels, 40 million below the USDA projection.

There is reason to believe, however, that the domestic crush may improve somewhat. Persistence of high grain prices and large animal numbers will keep domestic meal demand very strong. In addition, European demand for soybean meal may increase as feeding of meat and bonemeal declines as a result of concerns about "mad cow" disease. Delays in shipping South American meal may also give a temporary boost to U.S. meal exports.

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Soybean prices had come under renewed pressure this month as a result of the slow pace of the domestic crush. The cash price in central Illinois dropped under \$7.00 for the first time since early December 1995. Some strength developed late last week as the market began to reflect improved demand prospects for the next few weeks. The improvement is probably not strong enough or permanent enough to propel soybean prices much higher. Producers generally still own a fair amount of old crop soybeans and the tightness that has developed in corn and wheat stocks does not appear likely for soybeans.

Currently, the cash price of old crop soybeans is only about 30 cents below the highs reached in early January and more than \$1.00 above the low reached in September 1995. The current rebound in prices may offer producers an opportunity to price additional quantities of old crop soybeans.

Any significant increase in soybean prices will probably have to be generated by a shortfall in South American production or concerns about the size of the 1996 U.S. crop. If 1996 soybean acreage is near last year's level of 62.6 million acres, prospects for an adequate 1996 harvest can be maintained. Currently, new crop prices are about 25 cents below the highs established late last month. The USDA's *Prospective Plantings* report will be an important benchmark for establishing new crop price targets. Unless acreage falls short of expectations, the market may have to wait on growing season weather to challenge last month's high.



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