



Extension Service

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## SOYBEANS ARE IN A RACE WITH THE CALENDAR

Recent weather conditions have been generally favorable for the development of the U.S. soybean crop. A weather scare two weeks ago pushed November futures to a contract high of \$8.25. Since then, however, the price of that contract has declined below the June low and is back near the March lows. In effect, the market has now taken out much of the weather premium that was built in over the past four months.

In spite of the recent price declines, the market is keenly aware of how late the crop is maturing and the forecast for below normal temperatures in much of the corn belt for the first week of August. Only 33 percent of the crop was blooming on July 21, compared to the five year average of 48 percent. Without the concern about development of the crop, it is unlikely that new crop prices would still be \$1.00 higher than at this time last year. The market does not have to fully deal with the maturity issue at this time. A month from now, the issue of crop maturity and the fall weather outlook will be at center stage.

A review of average yields in other years of late planting provides some insight into yield prospects this year. These other years include 1974, 1983, 1984, 1990, 1993, and 1995. Yield performance revealed a consistent pattern in five of those six years. The exceptional year was 1990. For the other five years, two observations can be made. First, the U.S. average yield was well below the previous record yield, and in fact below trend yield. Compared to the previous record yield, the yield in these five late-planted years was, on average, down 15 percent (in a range of 11 to 17 percent). Second, the highest yield estimate in these five years was in either August or September. On average, the final yield estimate was 7.5 percent below the highest estimate for the year. The largest decline of nearly 12 percent was in 1983, when late summer drought conditions trimmed yield potential. It is interesting to note that the decline in the yield estimate in the early frost year of 1974 was very close to the average of the five years (7.6 percent). The smallest yield reductions were in 1993 (4 percent) and 1995 (5.6 percent). It should probably also be noted that in four of the five years, the smallest yield estimate was either in January following harvest or in the final estimate one year later. The exception was 1983, when the smallest yield estimate was made in October.

As mentioned above, the yield and pattern of yield estimates in 1990 were not consistent with the other five years. The average yield in 1990 was 34.1 bushels per acre, equaling the previous record established in 1985. In addition, the yield estimates were almost identical in August, September, and October — 32.5, 32.4, and 32.3, respectively. The estimate increased by 1.4

bushels in November and another 0.3 bushel in January. Late season growing conditions were very favorable in 1990 and early frost was not a problem.

Yield prospects for 1996 are still very uncertain. On average, the development of the crop is very near the pace of a year ago. With good conditions in August and a normal to late killing frost, the U.S. average yield could equal or exceed the 1995 average of 34.9 bushels per acre. Based on current acreage estimates, a 35 bushel average yield would produce a crop of about 2.2 billion bushels. Each one bushel variation from that average would change the crop size by about 63 million bushels. A change in the estimate of harvested acreage is also possible in the USDA's August *Crop Production* report. On average, an increase of about 500,000 acres is expected.

At this juncture, it appears that the 1996 soybean crop will be small enough to require a cut in consumption from the level of the current marketing year and/or a reduction in stocks by the end of the 1996-97 marketing year. The size of the cut is yet to be determined and the price required to ration the crop will be a function of the demand side of the equation. Many analysts are quite optimistic about prospective demand for U.S. soybeans, pointing to the entrance of China in the export market, the rapid movement of the South American crop, and declines in oilseed acreage in other parts of the world. This outlook is tempered with expectations of a decline in domestic soybean meal demand after the reduction of livestock numbers and prospects for a much larger feed grain crop.

For now, it appears that price declines have been sufficient to reflect the recent improvement in weather conditions. Price volatility may be subdued through the August crop estimate. November futures should be supported above the March low of \$7.15, but is unlikely to exceed \$7.60. August and September weather will determine which way prices come out of that trading range.

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