



WEEKLY OUTLOOK

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A CLOSER LOOK AT SOYBEAN EXPORT DEMAND

Commodity analysts often erroneously equate consumption or disappearance of a commodity with demand for that commodity. Consumption during a specific time period reflects the interaction of supply, demand, and price. An increase in consumption might result, for example, from unchanged demand and an increase in supply and lower prices. An increase in demand is generally defined as a willingness of consumers to pay higher prices for the same quantity, or to consume more at current prices. An increase in demand for a particular commodity can be created by a number of factors — rising population, increased per capita incomes, change in the price of competing commodities, or changes in tastes and preferences. The demand for a commodity produced in a particular country can also be influenced by the level of production of that commodity in other countries. For example, the demand for U.S. soybeans might increase due to a decline in oilseed production somewhere else even though the world demand for soybeans remained unchanged, and vice versa. Similarly, the demand for U.S. soybeans might not increase even with an increase in world demand if oilseed production increased in the rest of the world.

It is generally agreed that the export demand for U.S. soybeans has increased during the 1996-97 marketing year. The domestic supply of soybeans is larger than the supply of a year ago, yet the average price of soybeans during the first six months of the marketing year was higher than the average during the same period last year and exports have increased. A similar situation has unfolded for soybean meal. In the case of soybean oil, both supplies and exports have increased, but prices have been lower.

It is extremely useful to try to identify the source of increased demand for U.S. soybeans. Is it the result of an increase in world demand, a decline in production of oilseeds in the rest of the world, or some combination? A satisfactory answer to that question may not be possible, but an examination of current and projected world and U.S. production and consumption figures for soybeans and soybean meal may shed some light on the issue.

Soybeans. The USDA currently projects U.S. soybean exports for the 1996-97 marketing year at 24.63 million metric tons (MMT), up 1.47 million tons from last year's exports. The increase is impressive in the face of an expected 2.82 MMT increase in foreign soybean production. However, foreign production of other oilseeds is expected to decline by 7.5 MMT. The decline is led by rapeseed, cottonseed, and sunflower seed. Total foreign consumption of all oilseeds is projected to decline by 2.27 MMT, even though soybean consumption is projected to increase by 0.9 MMT.

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Through February 20, export sales of U.S. soybeans totaled 20.07 MMT, 11 percent above the level of one year ago. Sales to Japan and Taiwan were down 13 and 3 percent, respectively. Sales to all other major customers were up, with the increases led by China (1.2 MMT) and the European Union (EU) (0.4 MMT). Oilseed production has declined by an estimated 4.2 MMT in China and by .54 MMT in the EU. Increased sales to South Korea, Thailand, and Mexico totaled 0.4 MMT.

Soybean Meal. The USDA currently projects U.S. soybean meal exports at 6.03 MMT, up from 5.45 MMT exported last year. The 11 percent increase is projected even through foreign soybean meal production is expected to increase about 1 percent. Foreign consumption of soybean meal is projected to increase by about 1.9 MMT, or about 3 percent. Foreign production of all other oil meals is expected to decline by 2 MMT, or nearly 4 percent. Consumption of those oil meals is expected to decline by 1.6 MMT, just a bit less than the increase in the projection of soybean meal consumption.

As of February 20, commercial sales of U.S. soybean meal were 52 percent larger than on the same date last year, well above the 11 percent increase projected for the year. Sales to other western hemisphere countries were down 20 percent, but sales to China and the European union were up sharply.

Implications. There is general agreement that world demand for soybean protein is increasing. For the current marketing year, however, the increase in U.S. export sales of soybeans and soybean meal seem to be related to the shortfall in world oilseed production as much or more than the increase in world demand. If so, projection of exports for the 1997-98 marketing year need to focus on likely changes in world oilseed production as much as changes in total world demand. Large foreign production of feed grains and wheat this year have resulted in sharp declines in U.S. exports in the face of growing world demand. Exports of U.S. soybeans and products in 1997-98 could be tempered by a recovery in world oilseed production, while a failure of production to rebound would be very supportive for U.S. exports.



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