Cooperative Extension Service

WEEKLY OUTLOOK

A joint publication of the Department of Agricultural Economics, College of Agriculture, Purdue University, West Lafayette, Indiana, and the Department of Agricultural and Consumer Economics, College of Agricultural, Consumer and Environmental Sciences, University of Illinois at Urbana-Champaign.

MAY 5, 1997

SOYBEAN PRICES: OLD CROP VERSUS NEW CROP

Beginning in early April, it appeared that the necessary reduction in the rate of soybean consumption had begun. Weekly export inspections declined to about 12 million bushels for the week ended April 10 and to under 9 million bushels the following week. The weekly crush, as reported by the National Oilseed Processor Association, declined from over 30 million bushels in early March to 28 million in early April to 25 million by the end of April.

As a result of the slowdown in the rate of consumption, prices declined from the early April highs. On a closing basis, May and July futures declined by about $.50 from April 2 to April 11. Prices traded in a very narrow range through April 24.

After declining to 8 million bushels for the week ended March 27, weekly export sales began to increase. For the week ended April 24, sales had increased to over 14 million bushels. Weekly export inspections jumped to 19.7 million bushels for the week ended April 24. The recovery in the rate of consumption rekindled prices. May and July futures rebounded to new highs, trading nearly $9.00 on May 5.

The 1996-97 marketing year ends on August 31. That leaves 17.5 weeks of consumption data to be reported. The job of soybean prices is to force the rate of consumption down to fit the available supply. The USDA already projects year-ending stocks at an extremely low level of 125 million bushels, so there is little room to expand consumption beyond the projected level. For the year, the USDA projects exports at 895 million bushels. Based on the weekly export inspections report, 752 million bushels had already been shipped by May 1. To limit the yearly total to 895, the average for the remaining 17.5 weeks of the year must be reduced to 8.2 million bushels. The rate dropped to 6 million bushels for the week ended on May 1.

Based on comparisons through March, the crush reported by the National Oilseed Processors Association (NOPA) accounted for 97.6 percent of the crush reported by the Census Bureau. For the year, the USDA projects the crush at 1.42 billion bushels. The crush reported by NOPA, then, should total 1.386 billion bushels by the end of the year if that projection is correct. For the remainder of the year, the NOPA weekly crush needs to average 23.07 million bushels per week to reach the projected level.

The combined crush (NOPA) and exports (USDA inspections) need to average 31.3 million bushels per week to stretch available supplies to the end of the marketing year. That rate was reached for the most recent reporting week. The market will follow weekly numbers closely, with prices to remain strong until traders are convinced the necessary reduction in use is accomplished. The market will also be monitoring the progress of the 1997 crop closely. Early planting of soybeans in the eastern corn belt suggest that soybean harvest could begin earlier than normal, with some new crop supplies available in August.

November 1997 soybean futures traded to a high of $7.50 on March 10, declined to $6.81 on April 18, and have since moved back above $7.00 per bushel. The July/November spread closed at $1.84 on May 2. Prices offered for the 1997 crop have generally remained under pressure from prospects of increased soybean acreage in the U.S. and prospects for timely planting of the 1997 crop. In addition, acreage of other oilseeds is expected to expand in the U.S. and Canada.

September 1997 futures are priced between July and November futures. At the close on May 2, September futures were $.65 above November futures, at $7.665 per bushel. For those producers who anticipate some early harvested soybeans, hedging in the September rather than the November contract might be considered. As indicated last week, the generally strong world demand and production uncertainty suggests that prices could be very volatile during the year ahead. Forward pricing should probably be limited to a modest portion of expected production at this time.

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