Cooperative Extension Service

WEEKLY OUTLOOK

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SOYBEAN PRICES CONTINUE TO STRUGGLE

Soybean futures moved about $.25 higher from the low on April 13 to the high on April 24. The closing price on April 24 was about $.20 above the close on April 13. The fundamental reasons for the minor price strength included rain delayed harvest in South America, a strong domestic crush pace, tightness in world vegetable oil supplies, and concerns about delayed planting in the U.S.

Weather conditions in South America have been erratic. Late season dryness once again reduced production potential in some areas, particularly in the state of Parana, Brazil. Wet conditions have hampered harvest progress in some areas of Brazil and Argentina and likely reduced the quantity and quality of the Argentine sunflower crop. The less-than-ideal conditions will likely prevent the huge South American soybean crop estimate from increasing. One private analyst has lowered the expected size of the Brazilian harvest by about 1 percent.

The pace of soybean crush in the United States has remained higher than anticipated. Estimates from the National Oilseed Processor's Association for the first three weeks of April show a crush of 91.5 million bushels, 18 percent above the crush during the same three weeks last year. The crush has been supported by slow movement of the South American crop and strong export demand for soyoil and soymeal. The crush will slow as South American products become more competitive. Crush margins have been relatively small due to low soymeal prices. Even so, the crush for the marketing year may exceed the USDA projection of 1.525 billion bushels. That projection is 6.2 percent larger than last year's crush. The cumulative crush to date is about 10 percent above the crush of a year ago.

Soybean oil prices have risen steadily during April, reflecting the general tightness in world vegetable oil supplies and strong demand for U.S. soyoil from China and Hong Kong. The Indonesian ban on palm oil exports has contributed to the strength. That ban was removed on April 22, but replaced with export taxes. Due to the favorable exchange rates, buyers will still be interested in Indonesian palm oil, even with high export taxes. Soybean oil futures have approached the 30 cent level.

Last week, forecasts of widespread, heavy rainfall in the midwest had the market talking about delayed soybean plantings. In reality, late April is really too early to worry about soybean planting delays. The bigger concern may be ideas that the 1998 weather pattern will follow that of 1983, when a wet spring was followed by periods of hot, dry summer weather. The national average soybean yield reached only 26.2 bushels per acre in 1983, 5.3 bushels below that of 1982.

One factor that has tended to keep soybean prices in check is the slow down in exports and export sales. For the four weeks ended April 23, weekly exports averaged 8.3 million bushels. To reach the USDA projection for the year, exports need to average 8.6 million per week for the next 18.6 weeks. As of April 16, only 54 million bushels of soybeans had been sold for export, but not yet shipped. That compares to 102 million bushels of outstanding sales on the same date last year. It now appears that exports for the year will fall short of the USDA projection.

Price prospects for soybeans now depend primarily on 1998 production prospects. It now appears that the majority of U.S. crop will be planted in a timely fashion. There is still a strong case to be made that the USDA's March *Prospective Plantings* report understated total crop acreage for 1998. Actual soybean plantings may exceed the record 72 million acres reported in March. Average yields will be determined mostly by July and August weather. Between now and then, there is very little to suggest any significant recovery in prices. Futures are expected to challenge recent lows ($6.28 in July and $6.06 in November). A test of contract lows cannot be ruled out. Those lows are $6.115 and $5.97 for July and November, respectively. Longer term price prospects are much more uncertain. The size of the world oilseed crops and Asian economic developments have the potential to move prices in wide ranges. The 1998 crop pricing strategy is still one of making enough early sales to avoid selling during periods of extremely low prices.

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