



# 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.

**JULY 13, 1998**

## **SOYBEANS: CONSUMPTION REMAINS HIGH, PRODUCTION IS UNCERTAIN**

Soybean use remained at a very high level through the first week of July. The domestic soybean crush, as reported by the National Oilseed Processors Association, totaled a surprising 28.7 million bushels for the week ended July 7, nearly 25 percent more than during the same week last year. The large crush came in spite of very narrow cash crush margins. With only 7.5 weeks left in the marketing year, cumulative crush is about 11 percent larger than the crush of a year ago. In its monthly update released on July 10, the USDA projected crush for the entire marketing year at 1.58 billion bushels, 10 percent larger than last year's record crush. That projection is 85 million bushels larger than the projection made last fall.

The large crush is being driven by a high rate of use of both soybean meal and oil. The USDA now projects meal consumption at 37.45 million tons during the year ending September 30. That is a 9 percent increase from use of last year, with the largest increase (29 percent) coming in exports. The current export projection of 9.05 million tons is 22 percent larger than the projection made in October 1997. Soybean oil consumption is projected at 17.9 billion pounds, nearly 10 percent above use of a year ago. Exports, projected at 2.8 billion pounds, are expected to be 37.5 percent larger than exports during the 1996-97 marketing year and 24 percent larger than projected in September 1997.

Exports of whole soybeans are now projected at 880 million bushels, about the same as exported last year and 80 million bushels below the projection made in October 1997. Exports need to average only about 4 million bushels per week from now through August to reach the USDA projection. The average for the last 10 weeks has been 5.5 million bushels, with 4.3 million exported in the most recent reporting week. It appears, based on USDA export inspection figures, that exports could exceed the most recent projection of 880 million bushels. However, Census Bureau export estimates through April were less than the estimates in the weekly inspection reports.

The apparent overestimate of the 1997 soybean crop forced the USDA's World Outlook Board to use a large projection of feed and residual use in its latest projections for the current marketing year. Subject to the September stocks estimate, it appears that the 1997 crop was overestimated by 50 to 60 million bushels. Year ending carryover stocks are now projected at 215 million bushels, 70 million less than projected in September 1997.



For the 1998-99 marketing year, the USDA currently sees a 20 million bushels increase in the domestic soybean crush and a 5 million bushel decline in exports. The larger crush would be driven primarily by an increase in domestic soybean meal consumption. Export projections are difficult to make due to the uncertainties about world feed and vegetable oil demand and production of competing crops. The size of the 1999 South American soybean crop will be especially important. In its first projection of that crop (to be planted later this year) the USDA expects a significant reduction in South American soybean production. At 1.74 billion bushels, that crop is projected to be 144 million bushels (7.6 percent) smaller than the 1998 harvest. That projection is obviously very tentative, but a reduction of that magnitude might support U.S. exports at a higher level than projected.

Based on the June Acreage report, estimating planted acreage at 72.72 million acres and harvested acreage at 71.7 million acres, and a trend yield of 39.5 bushels per acre, the World Outlook Board calculates a 1998 soybean harvest of 2.83 billion bushels. With a more normal residual use, total consumption is projected at 2.615 billion bushels, leaving carryover stocks (September 1, 1999) at a huge 435 million bushels. Based on current crop conditions, the calculation of a crop of 2.83 billion bushels may be optimistic. It appears that some soybean acreage did not get planted and/or was lost to flooding. The USDA's crop condition report released on July 6 showed only 59 percent of the crop in good to excellent condition, compared to 68 percent on the same date last year. Crop conditions are expected to improve over the next few weeks, with higher temperatures in the midwest posing little threat to the crop. However, given the damage that has already been done and the likely overestimate of last year's crop, the trend projection of yield may be too high. If the crop is closer to 2.73 billion bushels, and use is 40 million larger than projected (supported by reduced competition and some recovery in Asian demand) carryover stocks would be slightly less than 300 million bushels. That is an ample ending inventory, but would support prices above the \$4.85 to \$5.85 average currently projected.

*Darrel Good*

Issued by Darrel Good  
Extension Economist  
University of Illinois

Presorted First Class  
U.S. Postage Paid  
Permit #75  
Champaign, IL

Return Service Requested

CES Newsletter Service  
University of Illinois  
at Urbana-Champaign  
69 Mumford Hall  
1301 West Gregory Drive  
Urbana IL 61801