



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.

MARCH 26, 2001

LARGE SOYBEAN EXPORTS, BUT ANOTHER LARGE CROP EXPECTED

The pace of U.S. soybean exports and export sales remain large. For the year, the USDA projects U.S. exports at 975 million bushels, about the same as shipped last year. As of March 22, the USDA's weekly export inspections report indicated that soybean exports for the year have reached 765 million bushels, about 50 million more than on the same date last year. As of March 15, about 153 million bushels of soybeans had been sold for export but not yet shipped. On the same date last year, unshipped sales totaled only 108 million bushels.

Almost all of the increase in total export commitments (shipments plus outstanding sales) is to China. China is committed to about 205 million bushels of U.S. soybeans, compared to 116 million bushels at this time last year. Last year, China imported about 100 million bushels of U.S. soybeans from September 1 through March 15 and about 90 million bushels from March 15 through August 31. Shipments to China for the 1999-00 marketing year were about 2.4 times larger than during the 1998-99 marketing year. China had imported about 172 million bushels as of March 15 this year.

With 23 weeks left in the marketing year, soybean export commitments exceed 92 percent of the USDA projection for the year. To reach the USDA projection, shipments need to average only 9 million bushels per week from now through August. New sales need to average only 3.5 million per week. Many analysts believe that exports for the year will exceed the current USDA projection. If exports for the last 23 weeks of the year are near those of last year, shipments for the year will exceed 1 billion bushels. The key will likely be the rate of shipments to China. There is some concern that China may be a bit over committed to U.S. soybeans, given the large South American crop being harvested. If that is the case, some cancellations of U.S. purchases could occur.

If exports do exceed the current projection, year ending stocks would be smaller than the current projection of 330 million bushels. Even then, stocks would be more than adequate given the size of the South American crop and the expectation of increased soybean acreage in the U.S. this year. Prospects for some cool, wet weather to persist into April will likely fuel the expectations of more soybean acreage. Historically, planting delays into late May have been required to shift intentions from corn to soybeans. The recent collapse in new crop corn prices to the loan rate, however, may encourage a few more soybean

acres earlier than normal. More acres and a trend yield in 2001 would produce a crop in excess of 3 billion bushels and keep supplies in surplus for another year.

Even with prospects of large supplies, the recent decline in soybean and soybean meal prices may have been overdone. Part of the decline was associated with prospects of reduced feed demand in Europe due to trade restrictions and livestock slaughter associated with the outbreak of foot-and-mouth disease. Some modest recovery in soybean and soybean meal prices might be expected over the next few weeks, particularly if the *Prospective Plantings* report shows only a modest increase in soybean acreage planned for this year. However, price recovery will only be modest, keeping prices well below the loan rate, unless some threat to the crop develops during the growing season.

Low soybean prices, and low crop prices in general, will likely have a significant impact on the farm policy debate if the low prices persist into the 2001-02 marketing year. At a minimum, the provisions of the marketing loan program should be re-evaluated and obvious inequities corrected. More significant changes could be considered in order to provide a less cumbersome mechanism for providing a safety net for farm incomes. This may be the time that the components of crop/revenue insurance, disaster assistance, and income payments could be rolled into a program that provides a modest level of revenue protection for crop producers. It may even be possible to eliminate the marketing loan program entirely. As with most farm legislation, provisions of the new "farm bill" will be heavily influenced by economic conditions over the next year.

In the meantime, producer pricing decisions for soybeans need to be focused on old crop inventories for which the loan deficiency payment has been established. A near term price recovery would provide an opportunity to price some of that inventory to capture a net price near or above the loan rate.

Issued by Darrel Good
Extension Economist
University of Illinois

U of I Extension Newsletter Service
University of Illinois
at Urbana Champaign
1917 South Wright Street
Champaign IL 61820