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ANY HOPE FOR SOYBEAN PRICES?

The USDA currently projects the average price of soybeans received by farmers during the 2001-02 marketing year in a range of $4.00 to $4.80 per bushel. That projected range is consistent with the average price of the 1999-00 and 2000-01 marketing years when prices averaged $4.63 and $4.54, respectively. During the first 15 weeks of the marketing year, the average cash price of soybeans in central Illinois has ranged from $3.985 (October 22) to $4.715 (September 3) and has averaged $4.285 per bushel. The average price on December 14 was $4.27. The average price to date is nearly $.35 below the average during the same period last year.

The low prices during the first quarter of the marketing year reflect three major factors: a record large harvest in the U.S., a slow pace of export shipments through mid-October, and prospects for another record soybean harvest in South America in 2002. For soybean prices to move higher, a change with respect to one of these factors will be required.

The USDA will release the final estimate of the size of the 2001 U.S. crop on January 11, 2002. Even though there is some tendency (13 out of last 20 years) for the January estimate to be below the November forecast, it is unlikely that the final estimate this year will be lower than the November forecast by enough to alter the large supply picture. There is some chance that the January estimate could be higher. Over the past 20 years, there were 11 years when the November forecast exceeded the October forecast, as was the case this year. In six of those 11 years, the January estimate exceeded the November forecast.

On the other hand, there has been a significant increase in the pace of export inspections since mid-October. From October 18 through December 13, export inspection averaged about 38 million bushels per week, compared to about 29 million per week during the same period last year. Even more impressive is the magnitude of unshipped sales. As of December 6, those sales stood at 311 million bushels, compared to 216 million on the same date last year. It is likely that almost 70 percent of the one billion bushels that the USDA expects the U.S. to export this year have already been sold. Shipments plus sales are running nearly 20 percent ahead of last year’s pace, even though shipments for the year are projected to be near those of last year. The increase in export sales compared to last year is primarily to Asian destinations and unknown destinations (perhaps China). The USDA increased it projection of marketing year exports by 20 million bushels, to a total of one billion, in last week’s monthly report.
A more rapid pace of exports of soybean meal and oil will also help support the domestic crush. The USDA now projects marketing year crush at 1.67 billion bushels, an increase of 29 million, or 1.76 percent, from last year’s crush. Crush during the first quarter of the year was up about 1.3 percent from the crush during the first quarter of last year. After a slow start in September and October, crush was up about 3 percent in November. Some analysts now believe that both crush and exports will exceed the USDA projections. Even so, year ending stocks of soybeans will likely be at the highest level in three years and well above the level of stocks at the beginning of the year.

For the most part, early season weather in South America, particularly in Brazil, was favorable for soybean planting and early crop development. Wet weather in Argentina delayed corn planting and probably resulted in some switch to soybeans. Recently, however, dry weather has developed in Argentina, raising concerns about potential crop damage. Continued dry weather, particularly if it spreads to southern Brazil, has the most potential to push soybean prices higher over the next two to three months. The market has already factored in a record large South American crop so that a significant threat to that crop, in conjunction with the rapid pace of consumption and futures prices hovering near contract lows, could result in a quick price response.

Longer term, prospects for the U.S. crop will become an important price factor. The first consideration will be acreage, with planting intentions to be revealed on March 28. The winter wheat seedings estimate to be released on January 11 may also provide some insight into potential acreage of spring planted crops.

Some modest recovery in soybean prices seems likely over the next few weeks. The market will pay especially close attention to the South American weather patterns and crop conditions. If dry conditions persist, targets for March 2002 futures are near $4.60 and $4.75. If weather conditions improve, prices will continue to languish.

This is the last issue of the newsletter for 2001. The next issue will be released on January 7, 2002.

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