

# ***Soybean Situation & Outlook for 1998-99***

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Soybean prices have shown the weakness that comes with continued huge acreage increases and near record yields in 1998. March '99 futures prices for the recently harvested (**1998**) crop are currently at **\$5.48** (\$/bu) at this writing. Also, futures prices for the **1999** crop are currently trading **\$5.66** on the November, 1999 contract. This is a price one would generally expect given the U. S. and world crop size in 1998 and the projected carry into 1999 supplies.

## ***The 1998 U. S. and South Carolina Soybean Crop***

U. S. Soybean production in 1998 is currently estimated at an enormous 2.76 billion bushels which is a nine percent increase over the previous production record in 1994 (Table 1). The called yield for the 1998 crop was 38.6 bushels per acre (third behind 1997 (38.8) and 1994 (41.4)) on a massive near 72 million acres harvested (over 11 million acres above the 1990's average). Fortunately 1998 carry-in stocks were only 200 million bushels. With the huge acres harvested, 1998 total supplies are set at a record 2.968 billion bushels.

**Table 1. U. S. and S. C. Harvested Acres, Yield and Production, 1990-97 Marketing Year Averages and 1998 Estimates.**<sup>1/2/</sup>

<b>Item</b>	<b>Units</b>	<b>Year</b>	<b>U. S.</b>	<b>So. Carolina</b>
<b>Acres Harvested</b>	<b>Thou. Ac</b>	<b>1998</b>	<b>71,600</b>	<b>540</b>
		<b>90-97 Avg.</b>	<b>60,800</b>	<b>604</b>
<b>Yield</b>	<b>Bu/Ac</b>	<b>1998</b>	<b>38.6</b>	<b>19</b>
		<b>90-97 Avg.</b>	<b>36.4</b>	<b>22</b>
<b>Production</b>	<b>Thou. Bu.</b>	<b>1998</b>	<b>2,763,000</b>	<b>10,260</b>
		<b>90-97 Avg.</b>	<b>2,219,000</b>	<b>13,197</b>

1/ U. S. information from USDA, WAOB data;

2/ S. C. information from USDA-NASS, S. C. Agricultural Statistics Service.

In South Carolina, soybean acreage planted and harvested was set at 610,000 and 540,000 acres, respectively. This reflects a significant increase in abandonment (70,000 acres for the '98 crop as opposed to the typical 30,000).

Adverse weather, particularly a hot and dry summer, which severely affected all soybeans, led to a state yield of 19 bushels per acre. This was three bushels lower than the 90's average 22 bushels per acre. South Carolina's production was set at 10,260,000 bushels, down nearly 3,000,000 bushels) from 1990-97's average production.

## ***1998 Utilization***

Both domestic utilization and exports are projected to absorb a great deal of this crop (Table 2). Domestic usage is projected to take 1.64 billion bushels in the 1997-98 market year. High domestic demand is expected to continue for soybean meal, fueled by existing and projected hog and poultry numbers.

**Table 2. U. S. Soybean Supply and Use, 1994-97 and 1998 Projection.**<sup>1/ 2/</sup>

<b>Item / Year</b>	<b>Units</b>	<b>94-95</b>	<b>95-96</b>	<b>96-97</b>	<b>97-98</b> <i>Est.</i>	<b>98-99</b> <i>Projection</i>
<b><i>Acres Harvested</i></b>	<b><i>Mill Ac</i></b>	<b>60.9</b>	<b>61.6</b>	<b>63.4</b>	<b>69.6</b>	<b>71.6</b>
<b><i>Yield</i></b>	<b><i>Bu/Ac</i></b>	<b>41.4</b>	<b>35.3</b>	<b>37.6</b>	<b>38.8</b>	<b>38.6</b>
<b><i>Carry-In</i></b>	<b><i>Mill Bu</i></b>	<b>209</b>	<b>335</b>	<b>183</b>	<b>131</b>	<b>200</b>
<b><i>Production</i></b>	<b><i>Mill Bu</i></b>	<b>2,517</b>	<b>2,177</b>	<b>2,382</b>	<b>2,763</b>	<b>2,376</b>
<b>U. S. SUPPLY</b>	<b><i>Mill Bu</i></b>	<b>2,731</b>	<b>2,516</b>	<b>2,575</b>	<b>2,839</b>	<b>2,626</b>
<b><i>U. S. Use</i></b>	<b><i>Mill Bu</i></b>	<b>1,558</b>	<b>1,482</b>	<b>1,572</b>	<b>1,768</b>	<b>1,753</b>
<b><i>Exports</i></b>	<b><i>Mill Bu</i></b>	<b>838</b>	<b>851</b>	<b>882</b>	<b>870</b>	<b>840</b>
<b>UTILIZATION</b>	<b><i>Mill Bu</i></b>	<b>2,396</b>	<b>2,333</b>	<b>2,443</b>	<b>2,593</b>	<b>2,450</b>
<b>U. S. STOCKS</b>	<b><i>Mill Bu</i></b>	<b>335</b>	<b>183</b>	<b>131</b>	<b>200</b>	<b>375</b>
<b>U. S. PRICE</b>	<b><i>\$/Bu</i></b>	<b>\$5.48</b>	<b>\$6.72</b>	<b>\$7.35</b>	<b>\$6.48</b>	<b>\$5.15</b> <b>to \$5.75</b>

1/ US numbers from USDA, WAOB 345-11 Estimate December 11, 1998 and prior data.

Export prospects for U. S. soybeans are projected down at 840 MB. This is due in part to strong Southern hemisphere production prospects and severely weakened Asian currencies vis-a-vis the U. S. dollar. Exports will continue relatively strong, in part, because the U. S. is the primary exporter of whole beans globally. But, with Japan and China typically the destination of approximately 20 percent of global imports, exports of 840 MB may be difficult to achieve if the Pacific Rim economy worsens. None-the-less, this projection is well over the recent average export performance of 755 MB.

With 1998 utilization projected at 2.6 billion bushels, ending stocks are projected at a larger-than-average 375 million bushels and a 14 percent stocks-to-use ratio. This is a near 90 percent increase from last year and provides a burdensome start for the 1999 crop.

Should you sell any unsold 1998 crop now or hold out for higher prices? (Hopefully we sold earlier!) Current prices reflect a market consensus that has probably completely discounted this year's large production. There is always a chance for a spring rally due to reports of adverse South American weather affecting their crop. There is also a chance for another May-June U. S. weather scare.

But with the turbulence that is possible in export markets, I'd tend toward a strategy of accepting current prices at a minimum by selling and reinvesting some of the crop proceeds in reopening the top by buying call options. July 1999 options don't expire until the end of June which should provide sufficient time to benefit from any Latin or U. S. weather problems.

## ***Prospects for 1999***

As stated above, weather scares (here or in Latin America) could strength 1998 crop prices and lend support to 1999 crop prices. The size of the 1999 U. S. crop will be the primary market mover from planting until harvest. A fair bit of U. S. land could shift to corn next year given current price ratios. This alone could greatly affect soybean crop size. My guess at the size of the 1999 U. S. crop is that it will fall in the 2.2 to 2.5 billion bushel range. This production level is set assuming the following:

- 1 . U. S. harvested acres at 66 million acres (ma) in 1998. This is based on an expected reduction due to lower soybean prices relative to corn and corn-soybean rotation patterns typical in the Midwest;
- 2 . U. S. average yield set at 36 bushels per acre (bu/ac). This is a return to average yields (1990-98) and assumes that higher than trend yields (such as the 38+ bu/ac produced in 1998) tend to return to trend in subsequent years.

Needless-to-say, with the larger carry-over stocks that we are currently projecting and market conditions as they are, there are numerous price pressures weighing on this market. However, based on recent history and South Carolina costs of production, current prices don't appear too great a place to start marketing some 1999 crop. It might be wise to wait and watch for better market opportunities for some of next year's crop in the spring. Again, I'd prefer buying put options or combining cash contracting with call option purchases (when the basis is favorable) if forward pricing is entered. With these methods, a floor is protected and the final price would be set later -- hopefully at much higher levels this summer.

**S. C. Soybean Acreage, Yield & Production, 1990-98**

<b>Year</b>	<b>Acres Planted (ac)</b>	<b>Acres Harvested (ac)</b>	<b>Yield (bu/ac)</b>	<b>Production (bu)</b>
<b>1990</b>	<b>800,000</b>	<b>750,000</b>	<b>19</b>	<b>13,875,000</b>
<b>1991</b>	<b>650,000</b>	<b>630,000</b>	<b>22</b>	<b>13,860,000</b>
<b>1992</b>	<b>690,000</b>	<b>670,000</b>	<b>22</b>	<b>14,740,000</b>
<b>1993</b>	<b>600,000</b>	<b>520,000</b>	<b>15</b>	<b>7,800,000</b>
<b>1994</b>	<b>600,000</b>	<b>580,000</b>	<b>27</b>	<b>15,660,000</b>
<b>1995</b>	<b>550,000</b>	<b>530,000</b>	<b>24</b>	<b>12,720,000</b>
<b>1996</b>	<b>560,000</b>	<b>540,000</b>	<b>25</b>	<b>13,500,000</b>
<b>1997</b>	<b>620,000</b>	<b>610,000</b>	<b>22</b>	<b>13,420,000</b>
<b>90-97 Avg</b>	<b>633,750</b>	<b>603,750</b>	<b>22</b>	<b>13,196,875</b>
<b>1998</b>	<b>610,000</b>	<b>540,000</b>	<b>19</b>	<b>10,260,000</b>

**Source: USDA-NASS**

### U.S. Soybean Supply & Utilization, 1990 Through 1998 and 1990-97 Averages.

Soybeans	1990	1991	1992	1993	1994	1995	1996	Estimated	Projected	1990-97	1998
Item (Units)	(90-91)	(91-92)	(92-93)	(93-94)	(94-95)	(95-96)	(96-97)	1997	1998	Average	Percent of
								(97-98)	(98-99)		Average
Planted (Mil Ac)	57.8	59.8	59.1	60.1	61.7	62.6	64.2	70.6	72.7	62.0	117%
Harvested (Mil Ac)	56.5	58.6	58.2	57.3	60.9	61.6	63.4	69.6	71.6	60.8	118%
Yield (Bu/Ac)	34.0	33.5	37.6	32.6	41.4	35.3	37.6	38.8	38.6	36.4	106%
Carry In (Mil Bu)	239	329	278	292	209	335	183	131	200	250	80%
Production (Mil Bu)	1,926	1,987	2,188	1,871	2,517	2,177	2,382	2,703	2,763	2,219	125%
Total Supply (Mil Bu)	2,168	2,319	2,468	2,170	2,731	2,516	2,575	2,839	2,968	2,473	120%
Seed & Residual (Mil Bu)	95	103	127	96	153	112	136	171	148	124	119%
Crush (Mil Bu)	1187	1254	1279	1,276	1,405	1,370	1,436	1,597	1,605	1,351	119%
Exports (Mil Bu)	557	684	770	589	838	851	882	870	840	755	111%
Total Use (Mil Bu)	1,839	2,041	2,176	1,961	2,396	2,333	2,443	2,639	2,593	2,229	116%
Ending Stks (Mil Bu)	329	278	292	209	335	183	131	200	375	245	153%
Stks to Use (%)	18%	14%	13%	11%	14%	8%	5%	8%	14%	11%	128%
Price (\$/Bu)	\$5.74	\$5.58	\$5.56	\$6.40	\$5.48	\$6.72	\$7.35	\$6.48	\$5.45	\$6.16	88%
									(\$5.15 to \$5.75)		
Loan Rate (\$/Bu)	\$4.50	\$4.92	\$4.92	\$4.92	\$4.92	\$4.92	\$5.27	\$5.27	\$5.27	\$4.96	n/a
Price/Loan (%)	128%	113%	113%	130%	111%	137%	139%	123%	103%	124%	n/a

Source: USDA, WAOB, WASDE 345-11, December 11, 1998 and prior USDA data.

## World Soybean Supply, Trade and Ending Stocks, 1995-98

ITEM	1995	1995 (%)	1996	1996 (%)	Est. 1997	1997 (%)	Proj. 1998	1998 (%)
<b>Production (MMT)</b>								
World	124.96		131.67		156.19		154.13	
U.S.	59.24	47%	64.84	49%	73.50	47%	75.19	49%
Brazil	24.15	19%	27	21%	31.00	20%	29.00	19%
Argentina	12.43	10%	11.2	9%	18.70	12%	17.00	11%
Other	29.14	23%	28.63	22%	32.99	21%	32.94	21%
<b>Exports (MMT)</b>								
World	31.95		36.1		40.20		38.93	
U.S.	23.17	73%	24	66%	23.69	59%	22.86	59%
Brazil	3.45	11%	8.15	23%	8.75	22%	8.30	21%
Argentina	2.09	7%	0.75	2%	3.17	8%	3.20	8%
Other	3.24	10%	3.2	9%	4.59	11%	4.57	12%
<b>Imports (MMT)</b>								
World	31.95		36.48		40.23		39.02	
E.U.-15	14.24	45%	15.39	42%	16.87	42%	15.80	40%
Japan	4.78	15%	5.04	14%	4.87	12%	4.70	12%
China	0.8	3%	2.27	6%	2.94	7%	3.60	9%
Other	12.13	38%	13.78	38%	15.55	39%	14.92	38%
<b>Ending Stocks (MMT)</b>								
World	17.45		13.03		19.15		22.24	
U.S.	4.99	29%	3.58	27%	5.44	28%	10.21	46%
Brazil	5.8	33%	3.6	28%	5.35	28%	4.65	21%
Argentina	4.22	24%	3.4	26%	6.08	32%	5.13	23%
Other	2.44	14%	2.45	19%	2.28	12%	2.25	10%

Source: USDA, WAOB, WASDE-345-21, December 11, 1998.