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## **NEWS COLUMN**

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### **Soybean Production and Consumption Uncertainty**

URBANA - Soybean prices have been trending downward in recent weeks. The November CME Group futures peaked at \$14.65 a bushel on the last day of August. The same contract traded more than two dollars lower on Sept. 26.

The sharp decline, thinks University of Illinois agricultural economist Darrel Good, reflects the continuation of poor economic performance and concerns about financial conditions in Europe and the United States. He says the financial problems raise serious concerns about commodity demand. However, the 15 percent decline in soybean prices over the last four weeks may be too much.

The price decline appears particularly large when compared to losses of 8 to 10 percent in the livestock and livestock product prices from the highs made earlier this year.

“One might expect that demand concerns would result in larger price declines in the livestock sector than in the crop sector. It may have been that crop prices were pushed too high in August on the basis of crop concerns,” Good said.

Whether or not soybean prices have moved too low should be known very soon. USDA will release a stocks report this week (September 30, 2011) and a crop production update in mid-October. The last estimate of soybean stocks projected a 225 million bushel supply on hand at the end of the fiscal year. The fourth quarter stocks report sometimes deviates from the projections. Still, the Illinois economist says it would take a large deviation to substantially alter the supply outlook for the current year.

The bigger supply question is the size of the 2011 soybean crop. USDA's September average national yield forecast was 41.8 bushels to the acre, 0.4 bushel above the September forecast. From 1975 through 2010 the September yield forecast exceeded the August forecast 17 times, as it did this year. In 10 of those 17 years, the October U.S. average yield forecast exceeded the September forecast. The increase ranged from 0.1 bushels to 2.3 bushels. In 8 of those 10 years, the January yield estimate exceeded the October forecast.

“There is some tendency, then, for a yield increase in September to be followed by further increases”, Good said. He tempers that thought with the yet to be determined impact of the mid-September frost and freeze in the northern Midwest.

The other factor driving supply is acreage.

The uncertainty on this point rests with the Farm Service Agency (FSA) estimate of planted acreage for those producers participating in federal programs. That FSA estimate is 1.375 million acres (1.8 percent) less than the current National Agricultural Statistics Service (NASS) estimate of planted acreage. It compares to a difference of 1.086 million (1.4 percent), in 2010 and 1.045 million (1.3 percent) in 2009. The larger difference suggests the NASS October estimate of planted acreage could be reduced by 340,000 to 350,000 acres.

The USDA stocks and crop production forecasts will set the supply stage for the coming fiscal year. The trade will then turn to the pace of soybean consumption. Weekly USDA data will provide a steady flow of export information, but the monthly Census Bureau domestic soybean crush estimate along with estimates of soybean meal and oil production and stocks will be missing. These reports were terminated in a budget-cutting exercise. The National Oilseed Processors Association provides an alternate monthly estimate for its membership.

Good noted that not all of the soybean crush capacity is represented by members of that Association. "The lack of monthly information comes at a time of tight supplies when more information, not less, is needed," he said.

The lacking Census data will result in more uncertainty about the pace of consumption and will put more focus on USDA's quarterly estimates of soybean stocks.

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