SOYBEAN Outlook

PRICE TRENDS

September futures	$6.10-$6.70
Sales opportunity	GOOD
Trend	UP/RAIN?

"A little weather fear goes a long way in pegging July/August prices . . ."

—John Marten, FARM JOURNAL staff economist

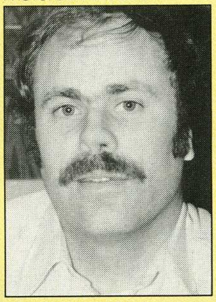
"USDA's $5.70 old-crop average farm-price estimate may now tilt toward our longstanding $5.75+," says Marten. The June stocks report at 596 million bushels came in as expected. "But it's only a nickel factor, compared with acreage, South America's exporting patterns, and U.S. weather, which can all move the market quarters and dollars."

USDA's 58.05 million planted-acres' figure shocked traders (who expected 60) and shoved bean prices ahead by 40¢ in just two days. "Many speculators didn't realize that 0/92 was a better (safer) option for soaked corn acres than late, weedy beans," says Marten. "This two-million-acre surprise wipes out enough beans—70 million bushels—to get traders thinking about weather. A little weather fear goes a long way in pegging July/August soybean prices."

The 0/92 vs. soybeans tug-of-war raged into late June, long *after* USDA completed their survey. From central Iowa through central Illinois, Indiana and Ohio, the $64 (/acre) question was: Do we plant corn, beans (prevented planting) or go into 0/92? "Based on the time of year, the choices, crop prices, and the big 0/92 guarantee, figure very few added bean acres above 58.05," says Marten. "Look for 57 million harvested acres—max."

Don't look now but even a repeat of last year's fairly nice weather and 32.4 bu./acre average yields, times a slightly increased harvested acreage to 57 million, pumps out only a 1.847-billion-bushel crop. With ending stocks under 350 million, this only bumps total supplies to 2.2 billion. Plug in a crush of 1.16 billion, seed and residual use of 100 million, and a 15% export gain to 700 million, and total use climbs to 1.96 billion—dropping carry-over below 250 million. Says Marten: "Not real tight, but cozy—worth an average farm price of $6+."

PHOTO: DARRELL SMITH



DAN DE BOER

"It feels good, psychologically, to hit a top, but my goal is to average in the upper third of the price range," says Dan De Boer (photo). By late June, this Chicago Heights, Ill., producer and farm market adviser had contracted 25% of his anticipated crop, with fall cash prices of $6.17, $6.46, $6.49 and $6.70. He'll keep a close eye on the reports and weather, hoping to scale up more sales.

Both the House and Senate ag bills contain flexibility and a soybean marketing loan in the $5.25/$5.50 area. The conference committee will iron out the differences. "The good news," says Marten: "(1) This provides some needed planting flexibility and includes historical oilseed plantings in farmers' potential 'flex' acres. (2) It gives U.S. farmers some income support during the transition toward flexibility. (3) And it ends the longstanding policy of U.S. soybean price guarantees to South American bean producers."

WHEAT OUTLOOK

September Chicago wheat futures are weak between $3.10 and $3.40; sales opportunity is poor. "The trade is still focusing on the big, near-2.7-billion-bushel crop," says Marten. "But there are potentially bullish factors on the sidelines: (1) Wheat dodged the more-spring-acres bullet, with acreage coming in flat. (2) Feed grain acres are down 2 million. (3) Wheat feeding could be large. (4) The '90 wheat crop may not be as big as the trade expects—USDA's 77.3-million June seedings figure and an excellent 38-bu./acre yield give only a 2.58-billion crop. (5) The EEP faucet could be turned up from its recent trickle to an even flow."

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