

Weather, exports key to crop's prices

By MARK WELCH and
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SOYBEANS took a backseat to corn on America's farms in 2007 because of the ethanol boom, but demand for soybeans and soy products continued to increase.

Soybean area declined by more than 10 million acres in the U.S. However, soybean oil is in high demand by the

biodiesel industry; soybean meal became important in meeting shortages of feed wheat in Europe; and China continued to increase soybean imports. (China is the destination for 45% of the world's soybean trade.) In addition, the falling value of the U.S. dollar against other major currencies makes U.S. products relatively less expensive on world markets.

As a result, soybean prices rose

2008 SOYBEAN OUTLOOK

dramatically over the 2007 growing season.

The soybean market is intent on buying back acres and, based on early projections, will be successful in doing so. Soybean plantings are expected to increase by 9% in the U.S. in 2008, while the other major soybean

exporters, Brazil and Argentina, are expected to increase their plantings by a combined 5% (about 5 million more acres).

Price expectations for 2008 will depend greatly on export demand and weather variability. A weak dollar and high oil prices will provide support for solid demand conditions. The Brazilian crop was planted in rather dry conditions this fall and it will be important to monitor crop condition ratings to assess yield potential as this crop moves toward maturity in late winter. The presence of a La Niña weather pattern typically results in significant precipitation reduction over many of the most productive crop regions of Argentina and Brazil.

The world stocks-to-use ratio for soybeans is projected to be 16% at marketing year end (Aug. 31), down from last year but not out of line with recent years. Lower stock levels increase the probability that prices will be volatile and react sharply to any changes of the supply-and-demand factors outlined here.

A note of concern for soybean producers in Texas and Oklahoma was the emergence of Asian soybean rust at the end of last season. Producers need to monitor this pathogen very closely as untreated fields can suffer yield losses from 10% to 80%. While ASR is an insured peril, damage due to improper or insufficient application of available disease control measures is not. Stay informed of this and other yield-reducing conditions.

Protection against yield losses at these high prices may justify treatment, where in other years, treatment thresholds were not reached.

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