

# CBOT booklet explains soybean price factors

CHICAGO, Ill. - This year the price of soybeans rose above \$10 a bushel for only the third year in history.

Such seemingly unrelated factors as the weather last Summer, the government soybean embargo of 1973 and

soybean buyers' fears of further export controls this year are among the real forces that were behind the price of soybeans - not excessive speculation in the futures markets - according to a new 13-page booklet released Tuesday by the Chicago Board of Trade.

What in the World Is Happening to the Price of Soybeans? And Why? is a careful analysis of the supply and demand factors affecting the price of soybeans in 1977. Yet, far from an economic treatise, the booklet explains this year's crunch in soybean supplies in terms meaningful to America's food producers and consumers.

The booklet begins with the importance of soybeans in today's world markets, then follows with a discussion of the factors of supply, demand and the effects of the market on price. Some of the major points covered are:

High soybean prices seem to make more sense when viewed as a result of the increasing popularity of soybeans as an excellent source of protein and oil. Soybean meal is a major ingredient in most livestock

feeds. Also, soybean meal and soybean oil are finding their way into more and more processed foods and industrial uses.

Soybean supplies are affected each year by carryover, acreage planted, weather and foreign production.

Demand is seen as a delicate, yet logical, balance between price, foreign consumption and availability of substitutes.

Aside from straight supply-demand factors, the expectations of suppliers, buyers and speculators play an important role in determining the short-term price of soybeans. The booklet explains how expectations of high prices become a self-fulfilling prophecy as the marketplace attempts to match supply to demand.

Brazil's emergence as a major agricultural power, especially in the world soybean market, is becoming a major factor in the pricing of soybeans in Chicago. Brazil's production was highly uncertain during the time prices skyrocketed. Also, slight changes in the value of the U.S. dollar in relation to foreign currencies

play a vital role in foreign demand for our soybeans.

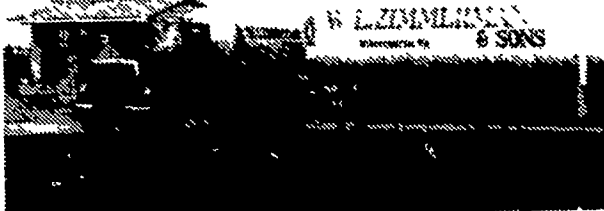
In recent weeks, the balances of world supply and demand tipped sharply in a new direction. Soybean processors reacted to the high prices by buying fewer soybeans and cutting back production of soybean meal and soybean oil. Soybean supplies also appeared to improve as Brazil announced a larger-than-expected crop. In addition, U.S. government reports indicated a large crop of soybeans may be harvested in the U.S. next fall.

Just as in the price surge earlier this year, the world's buyers and sellers of soybeans have adjusted price to balance supply with

demand. The result, based on the new factors, was a rapid price decline.

Soybean prices on the futures markets closely follow cash soybean prices. Uneasiness on the part of soybean processors and producers resulting from uncertain supply and demand is mirrored by the volatility evident in recent soybean futures trading. Futures markets merely reflect the myriad of economic forces behind soybean prices; they do not control them.

Copies of What in the World Is Happening to the Price of Soybeans? and Why? are available on request from: Literature Services, Dept. SB, Chicago Board of Trade, LaSalle at Jackson, Chicago, Ill. 60604.



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ALEXANDRIA, Va. -- Market administrator Joseph D. Shine this week announced a base milk price for June 1977 of \$10.24 per

hundredweight for the Middle Atlantic Marketing Order and an excess milk price of \$8.44. The weighted average June price is \$10.04 and the butterfat differential for the month is 11.6 cents. The June base milk price is up 18 cents from May and is 14 cents higher than the June 1976 base price. Order No. 4 prices are announced for 3.5 per cent milk f.o.b. plant location within 55 miles of Philadelphia, Pa. and also within 75 miles from the nearer of Washington, D.C. or Baltimore, Md. There is a 6-cent direct-delivery differential applicable to producer milk received at plants located within 55 miles of Philadelphia.

Shine reported that June producer receipts totaled 472.4 million pounds, a drop of 3.5 per cent from May on an average daily basis, but 5.7 per cent above a year ago. Class I producer milk accounted for 54.45 per cent of total June deliveries, compared to 53.29 per cent in May and 55.21 per cent last year. Base milk represented 89.17 per cent of total June production. A total of 8030 dairy men supplied Middle Atlantic handlers during the month and the average daily delivery per producer was 1961 pounds, 7.3 per cent above the June 1976 daily average.

Middle Atlantic Order pool handlers reported Class I in-area milk sales of 7.23 million pounds per day during June. When adjustment for variation in calendar composition is made, June fluid sales were down seasonally by 4.8 per cent from May but were 0.9 per cent above last June.



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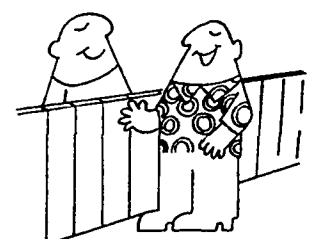
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