(Continued from Page E4)

Domestically, relatively high soybean meal prices ran into cheap wheat (which furnished more protein than found in corn) and unprofitable livestock prices.

In 1985, less expensive meal, produced when soybean oil demand was hot, increased utilization but not soybean prices. A strong dollar, competing oilseeds and meals, and vigorous Chinese and South American soybean exports knocked the props from under U.S. soybean sales and prices in the world market.

Now, coming on the heels of poor demand and low prices, we find the carryover this year almost double that of last year (318 million bushels versus 176 million in 1984) with a large crop (2.108 billion bushels versus 1.861 billion in 1984) piled on top of that.

Utilization this season is not expected to cover even the crop, much less the carryover, so the 1986 carryover is projected to rise to 600 million bushels.

Domestic crushings during 1984-85 totaled 1.03 billion bushels, up from the 983 million bushels in 1983-84. The crush for 1985-86 is expected to increase only marginally to 1.065 billion bushels, and more of the soybean price will have to be recovered from meal because competing oils have cut the demand for soybean oil.

Contrary to rational reasoning, soybean exports in 1984-85 of 598 million bushels actually fell from the previous year's 743 million bushels, despite a short crop and much higher prices in 1983-84. The 1985-85 outlook is for a very modest increase to 675 million bushels, which will not do much to enhance prices.

Soybean demand needs a price low enough (it should already be there) and long enough to generate supply tightness. Some of this will be artificially induced by all producers being eligible for the $5.02 national loan. Naturally, some producers will not be able to participate because of a lack of approved storage, but free stocks will tighten much faster than without the loan provision.

The supply-demand imbalance will not be corrected but it will be improved because China's soybean crop was down because of the situation in South America. Brazil and Argentina rushed their 1985 soybeans and products in to the market to beat the price drop, and they (especially Brazil) oversold. From now until April or May, U.S. beans and meal will almost have the world market to themselves.

As a result of the sharp South American decline, soybean crushing in the U.S. and European Community alone may go up 12 percent between October and March. World crushing is expected to be up 6 percent.

The picture may be further improved if two other possibilities come through. South American (particularly Brazilian) producers are said to be discouraged by low bean prices. They may plant fewer acres, and production could drop by more than a million metric tons.

Weather presents another, though less reliable possibility. It had been very dry in some of South America's soybean areas. Dry weather at planting time late this fall could further reduce acreage. And, if it persists, it could reduce yields on planted acres.

Despite these potential bright spots, soybean futures do not reflect much improvement (November beans about $5.05 and July beans about $5.50). Thus any price improvement will have to originate with a squeezed cash market.

With a substantial quantity of beans under loan, farmer prices will have to cover loan rate, interest and storage costs to bid them out.

The USDA price projection last fall for 1984-85 soybeans was $5.75 to $7.25. Even with this wide range, the average farmprice of $5.85 was just barely covered.

The projection for 1985-86 is $5.05 to $5.35, a much narrower range, so they must feel certain there will be no price explosion.

Cattle and hog numbers will be down and poultry cannot take up the soybean meal slack completely. Thus, for prices to improve materially, the demand will have to come from overseas between harvest and March, 1986. That much extra demand is possible but not probable.

WHEAT

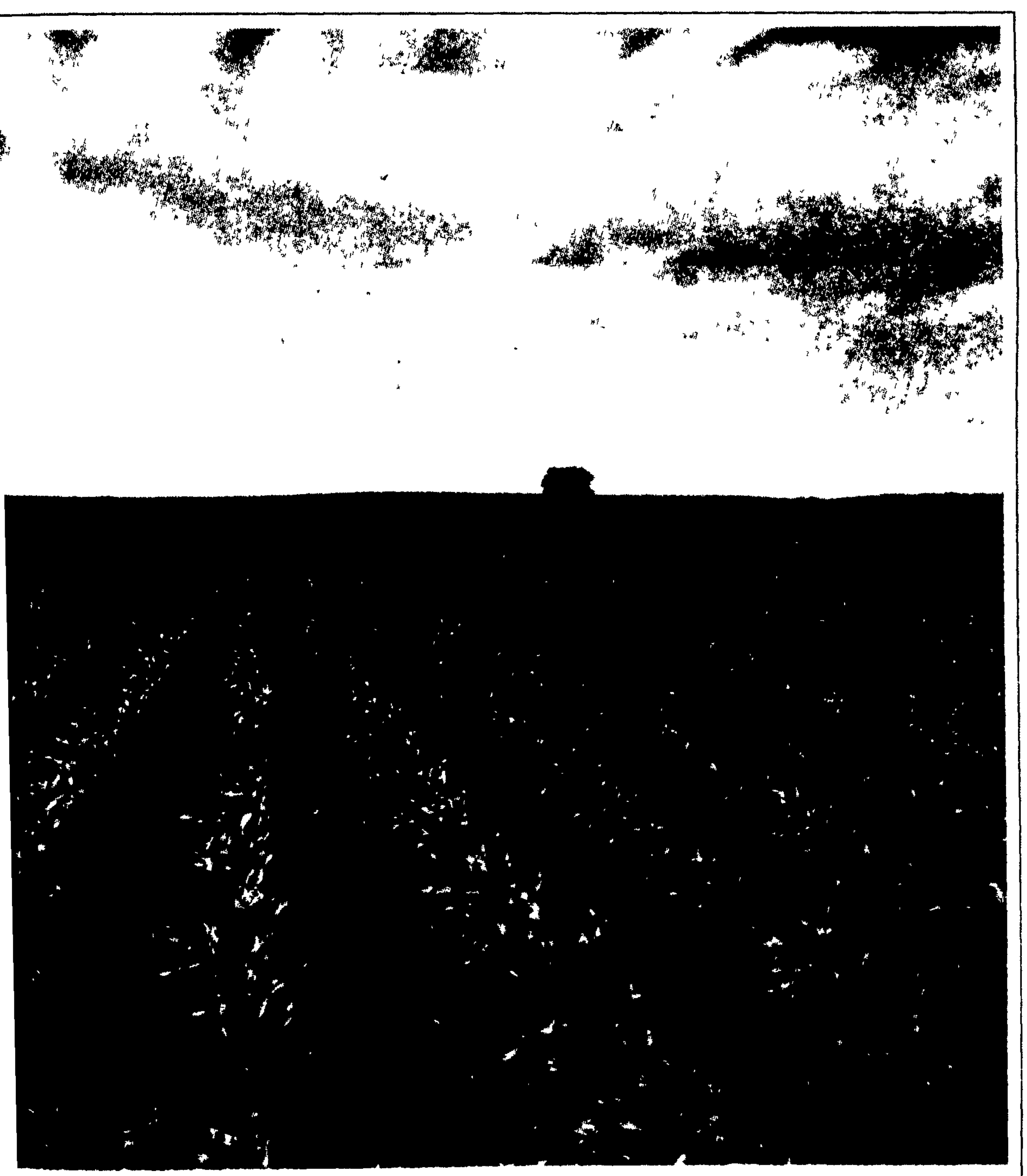
The overall U.S. wheat picture in terms of supplies, surpluses and price is one big frustration. The carryover on June 1, 1983 was 1.399 billion bushels. This figure was up to 1.424 billion in 1985 and is projected to go on up to 1.738 billion by June 1. 1986.

Exports hold the key to wheat utilization, and the U.S. is being bombed out of the world market by termendous competing supplies and lower prices offered by exporting competitors. In fact, this year's domestic use may exceed exports for the first time in 13 years.

Hard wheat producers may derive some benefit from Canada's short crop and poor harvesting conditions, which will limit both quantity and quality of their export wheat. Since China dropped out of the U.S. customer list, soft red winter wheat exports have been mostly limited to small batch purchases and foreign aid shipments.

Soft red winter wheat production in 1984 was 552 million bushels. Poor planting conditions in the Middle West last fall combined with the wheat program to cut the 1985 production to 370 million bushels. Despite a lack of Chinese purchases, this short crop will leave a carryout of 65 million bushels, practically from the carryout in 1985.

Wheat prices in general and soft red winter prices in particular have been depressed and show no real signs of recovery. Unless something unforeseen intervenes, the 1986 harvest price will be even lower.



New York DHI names New Hampshire manager

Brenda Burbank began working for New York DHI as regional DHI manager for New Hampshire on November 1st, 1985, following the state's recent contract with New York DHI. In November, New Hampshire joined Massachusetts and Connecticut in yet another step toward the formation of a Northeast DHI cooperative.

Burbank was born in Portland, Maine. After graduation from college, she held two part-time jobs, working on a dairy farm and as an elementary school teacher. From 1978 to 1984 she worked as a DHI supervisor in Vermont and New Hampshire before assuming the position of field coordinator for New Hampshire and Vermont in August of 1984. Since July 1985, Burbank worked full-time in New Hampshire to centralize funding and rules and to organize supervisors.

Burbank believes that proper training of supervisors is the key not only to providing good DHI services, but also to promoting those services. The contract with New York DHI will help give New Hampshire supervisors better training and needed management, Burbank says.

Even though the contract brings a possible 25 to 30 percent increase in herd fees, members are excited about the move, Burbank says. She adds that members realized they needed to make changes. She says employees will be trained better and stay longer under the contract with New York DHI, and that Extension personnel will now be freed from managing DHI to perform other duties for New Hampshire dairymen.