AUTHOR'S NOTE Working with and observing people in the soybean industry during the late 1940s and early 1950s resulted in a major interest on my part in soybean market growth and soybean and product prices. Prices became a focal point in conversations with farmers and tradespeople, and some forecasts were made and published. An audience had been developed by 1953. *The Soybean Digest* seemed a good forum for discussion of the relationship of market development and price. There followed more than fifteen years of discussion of the price support subject.

Price Supports Should Be Lower!

For the past several years soybean prices have been supported at 90 percent of parity on December 1 of the preceding year. Announcement of supports has been made in the fall. Soybean supports are not mandatory; the level of support is at the discretion of the Secretary of Agriculture. There are indications that a support level of 90 percent of parity for 1954-crop beans would be unwise.

If restrictions on production of soybeans for crops following 1954 are to be avoided, they must be priced at levels that will keep them from being tied up in a loan program. This will likely require prices lower than 90 percent of parity. The support level for the 1954 crop should recognize the likelihood of a sharp increase in soybean production in 1954 as a result of the support programs for wheat, cotton, and corn.

1954 Soybean Acreage

How large an acreage of soybeans will be planted in 1954? It is much too early to make an accurate estimate. For seven years, 1943–1949, an average of 10,555,000 acres was harvested for beans. There was no major trend in acreage during the period. In 1950 the acreage harvested for beans increased 3,332,000 acres to 12,545,000 acres harvested for beans; in 1952, 14,075,000 acres; and 14,335,000 acres are indicated for 1953.

Acreage allotments and marketing quotas for cotton, peanuts, and tobacco were in effect for the 1950 crops. There were acreage allotments for corn, wheat, and rice. Farmers have approved acreage allotments and marketing quotas for the 1954 wheat crop.

Sharp Increase in 1950

The acreage allotments for 1950 indicated reductions of 6,359,000 acres of cotton, 15,987,000 acres of wheat, and 11,333,000 acres of corn. These allotments apparently caused the sharp increase in the 1950 soybean crop. Similar allotments for 1954 will likely have similar results. Since 1950 the soybean belt has spread out

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and become less concentrated. Such states as Minnesota, Kansas, Missouri, Arkansas, and Mississippi have increased soybean acreage. It appears likely that a higher proportion of the land taken out of wheat and cotton will be planted to soybeans than was the case in 1950.

Soybean acreage increased 32 percent from 1949 to 1950. If we assume a 32 percent increase from 1953 to 1954, apply the yields of the past five years, and make allowance for seed, farm usage, and export, we find that soybean oil and meal production from the 1954 crop will be about 40 percent more than from the 1953 crop.

Current indications are that we will be able to use up the 1953 crop of soybeans at prices that will reflect 90 percent of parity. It does not seem reasonable to expect that the market will absorb 40 percent more oil and meal without a reduction in price. The reduction in price will not need to be as great, percentagewise, as the increase in production. Soybean meal makes up about 60 percent of vegetable meal supplies and about 45 percent of high-protein feeds. There will be some compensating decrease in cottonseed meal supplies. We have an expanding market for high-protein feeds. Our vegetable meal supplies are about three times as large as they were in 1935. The market has absorbed this tremendous increase without any reduction in soybean oil meal prices in relation to feed grain prices. We are a long way from a surplus of soybean meal in any fundamental sense.

Soybean oil makes up about 40 percent of our domestic edible fat and oil supply. It makes up about 5 percent of the world supply of fats and oils. After reaching a peak in 1951, world fat and oil supplies per capita appear to be declining.

It is not possible to accurately forecast the price effects, both short and long run, that an increase of 100 million bushels of soybeans would have. If we take the several factors into account and assume a constant to growing livestock population and a constant level of consumer income, it appears that a decline of about 15 percent in the price would keep a large stock of soybeans from developing—that is to say that a support price of 75 percent parity would likely preserve an essentially free market for soybeans and would allow farmers to avoid acreage restrictions on soybeans. Seventy-five percent of parity is currently $2.10 at Illinois farms. Ninety percent of parity is $2.51. Cottonseed is now supported at 75 percent.

CHOICE IS CLEAR

The choice to be made is fairly clear. If soybeans are supported at 90 percent of parity, there will likely be a sharp increase in acreage. Farmers with storage will receive a high price for a big crop. But the following year it will be necessary to restrict acreage, and there will be a price-depressing surplus overhanging the

market. When corn, wheat, and cotton farmers lose soybeans as a crop to substitute on acres taken out of production in compliance with other support programs, they will not have another high-profit crop to which to turn. Land will have to be taken out of high-profit crops and put into low-profit crops.

If soybeans are supported at 75 percent of parity, the increase in acres planted will likely be less. Returns from soybeans will likely be less the first year. Farmers will be able to keep productive land in high-value crops.