

No More Tofu

Futures and Options and the Importance of Soy Beans in the World Economy

By [David Christensen](#)

When I was in my formative years I thought it'd be great if the world ran out of beans. String beans, pinto beans, baked beans, vanilla beans, even coffee beans – the world is a better place without them. My one concession was cocoa beans; couldn't imagine life without chocolate. Such were the ruminations in the mind of this 10 year old future futures broker. Fast-forward to 2012. World demand for beans is at an all-time high. The US is shipping out beans at an unsustainable rate. China buys beans just about every day. Japan buys our beans on a regular basis. US beans make it to all points on the globe –Taiwan, South Korea, Mexico. You name it, everybody wants our beans. Looks like there will be a little more room on the dinner plate for mashed potatoes. We may just run out of beans. The catch (much to the chagrin of my inner child) is, there is no shortage of string beans. Soy, my boy, is what we are running out of.

The 2012 drought was a killer for US crops. Corn was hit harder than soybeans because there was some easing of the weather during the critical August month when soybeans are doing their thing. 90+% of US grown corn is used domestically, so it will get used up without making the news. Soybeans on the other hand are used worldwide. Exports are reported on a weekly basis; current demand is voracious. Sales are outpacing the 5 year average by about 30%.

Chinese consumption of soybean meal is also through the roof.

This does not even address the issue of domestic use or usage by other countries.

Why is soy so popular? Its uses are about endless: human consumption, animal consumption, fuel, oil, crayons. There are soy plastics, soy dyes, soy gels, soy soap, soy adhesives, soy insulation, soy paint, soy ink... If you ever shot a paint ball gun you were probably using soy products. Soy technologies are expanding all the time. Experts think that we've only just begun to scratch the surface.

Here's the problem: at the current pace of sales we will run out of soybeans. The solution: ration demand with higher prices. How high does the price need to go for China to slow down their buying program? No one knows. What if you are a crayon company using soy byproducts to make crayons? How much is too much to pay before you decide to stop producing crayons? Bio diesel – same question. And as they say, "yada, yada, yada," on and on it goes. There is demand for soybeans everywhere and the drought in the US left supplies tight. Each industry and each buyer must decide for himself where and when to buy. Like a batter watching a curve ball, "is it going to drop into the strike zone or hit me in the face?"

Farmers have plenty of bin space and plenty of cash, so they can hold onto their beans for a long time if they want. South America will be producing soybeans – next year. In the mean time, if we run out it will cause a lot of problems for a lot of industries. You can open an account at:

<https://www.rjobrien.com/esign/index.php?id=40251>

We can help. Call **800-893-7938** and ask for Dave. Our website is: <http://www.futuresandoptionsbroker.com>

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