



WEEKLY OUTLOOK

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GRAIN EXPORTS EXPECTED TO SET NEW RECORDS

GRAIN AND SOYBEAN EXPORTS FROM THE UNITED STATES continue at high rates. Through the first 19 weeks of the 1979-80 corn marketing year, corn exports totaled 892.3 million bushels, almost 46 percent more than a year ago.

About a third of the increase represents purchases by the Russians before the embargo. Exports to countries in Eastern Europe and to Japan have also been significantly higher than a year ago. In the western hemisphere, Brazil and Mexico have imported considerably more U.S. corn than last year.

The weekly rate of corn exports has slowed somewhat since the embargo was placed on exports to Russia. However, corn exports are still above the weekly rate needed to reach the USDA's projection of 2.275 billion bushels by September 30. If the current rate is maintained, corn exports would total about 2.4 billion bushels. Perhaps it is too early to speculate about such a total. However, there is growing evidence that the Russian embargo will be somewhat "leaky." Other customers are also buying more U.S. corn than anticipated.

In addition, the January 31 Report on Commitments of Traders showed that the open interest of corn hedgers reporting long positions increased about 13 percent during January. In the past, there has been a correlation between the magnitude of open interest by long hedgers and the export level. As of January 31, that open interest stood at high figure—509.4 million bushels.

Through the first 23 weeks of the soybean marketing year, exports totaled 411 million bushels, 6 percent more than last year. Added purchases have come from Western Europe, Eastern Europe, the USSR, and China. Purchases of soybean meal by Eastern European countries have also increased dramatically. Brazil has purchased a significant quantity of U.S. soybean oil to supplement the short 1979 crop there. As a result, U.S. soybean oil exports are running well ahead of last year.

The rate of U.S. soybean exports is expected to decline with the harvest of a large 1980 crop in South America. However, the decline may be less dramatic than predicted because of the strong world demand. This would be particularly true if the USSR buys significant quantities of South American soybean meal as a substitute for U.S. corn.

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The 1979-80 wheat marketing year is in the 38th week. Wheat exports are running about 11 percent above last year's rate. This is in line with the USDA's projections for the year.

IMPLICATIONS. The rapid export rates for corn and soybeans are being paralleled by a strong domestic demand. Corn feeding during the first quarter was up 6.5 percent over last year. The domestic consumption of soybean meal is 15 percent higher than last year. This rate of use offers a glimmer of optimism. Although carryover stocks of corn and soybeans will be large, the totals may be somewhat smaller than the current USDA projections of 1.81 billion bushels of corn and 440 million bushels of soybeans. The direction of corn and soybean prices now depends primarily on the size of the 1980 crops.

A corn crop of less than 7.2 billion bushels and a soybean crop of less than 2 billion bushels would result in declining inventories in 1980-81 if the current rate of use continues.

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