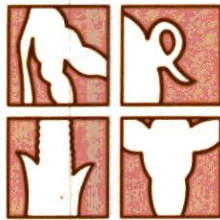




Cooperative
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University of Illinois
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WEEKLY OUTLOOK

Department of Agricultural Economics
College of Agriculture
University of Illinois at Urbana-Champaign

February 25, 1987

EXPORTS REMAIN SLUGGISH, RUMORS OF SOVIET PURCHASES

THE FIRST HALF OF THE 1986-1987 CORN AND SOYBEAN marketing year will be completed at the end of February. The wheat marketing year will enter the final quarter in March. Through February 12, 1987, weekly export inspection figures showed cumulative corn exports of 582 million bushels, nearly 170 million bushels less than a year ago. Wheat exports (not including wheat flour) had reached almost 700 million bushels compared with 635 million a year ago. Soybean exports totaled 409 million bushels, an increase of 20 million bushels from the same date a year ago.

The primary reason for the decline in corn exports is the lack of sales to the Soviet Union. By this time a year ago, over 200 million bushels of U.S. corn had been shipped to the Soviet Union. So far this year, no sales to the Soviet Union have been reported. In addition, shipments of U.S. corn to western Europe are down by nearly 80 percent, and sales to eastern Europe are off by 50 percent. Japan, South Korea, China, and Egypt have purchased more U.S. corn than a year ago.

For the marketing year, the USDA projects corn exports at 1.125 billion bushels, the lowest level in 15 years. Without sales to the Soviet Union, the export projection may not be reached. Rumors of sales to the Soviet Union sparked a rally in the corn market last Friday. Rumors circulated that the Soviet Union had pushed 0.5 to 1.0 million tons (approximately 20 to 40 million bushels) and would eventually need up to 4.0 million tons (about 160 million bushels) of U.S. corn. Routine meetings of U.S. and Soviet officials early this week were hoped to result in some announcement of Soviet purchases.

The increase in soybean exports during the first half of the marketing year was primarily due to a 14 percent increase in shipments to western Europe. Shipments of U.S. soybean meal to western Europe were up 36 percent. Increased sales to western Europe reflected the small Brazilian soybean harvest of a year ago.

While soybean exports to date exceed last year's level, the USDA expects that exports for the entire marketing year will fall short of last year's total. Exports for the year are now projected at 730 million bushels, 30 million less than earlier expectations and 10 million bushels less than a year ago. The smaller projection reflects improving crop conditions in Brazil. The USDA's estimate of the Brazilian harvest is 16.5 million tons, up 300,000 tons from earlier estimates and 2.8 million tons above last year's crop. Combined production in Brazil, Argentina, and Paraguay is estimated at 25.05 million tons, compared with production of a year ago of 21.6 million tons. If crop prospects continue to improve in Brazil, U.S. soybean exports could fall short of the current projection.

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The increase in wheat exports so far this year reflects larger sales to eastern Europe, Egypt, and Algeria. The export bonus program has boosted sales to Egypt and Algeria. For the 1986-1987 marketing year, the USDA projects exports at 1.025 billion bushels 110 million bushels more than sold last year. Rumors of another export bonus offer to the Soviet Union, while denied by USDA officials, rallied the wheat market last Friday. No U.S. wheat sales to the Soviet Union have been reported so far this year. Both the Soviet refusal of the earlier export bonus offer and the fact that the Soviet winter wheat crop is still in the dormant stage cast doubt over the rumors.

The confirmation of corn and/or wheat sales to the Soviet Union would be good news for floundering U.S. grain markets. However, sales of quantities large enough to alter the prospects of record or near record surpluses are not likely.



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