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WEEKLY OUTLOOK

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EXPORT PROJECTIONS - CORN UP, SOYBEANS DOWN

On March 9, the USDA released revised supply and demand estimates for the 1986-87 marketing year. Revised world grain production estimates were also released. Following is an overview of the significant changes by commodity.

CORN. The corn export projection for the current marketing year was increased from 1.125 billion to 1.25 billion bushels. The increase of 125 million bushels reflects a number of recent developments--purchases of U.S. corn by the Soviet Union, deteriorating crop conditions in Argentina, and prospects for smaller exports from China than last spring and summer. Revised estimates place the Argentine coarse grain crop at 15.4 million tons, down 0.5 million tons from the February estimate and 1.7 million less than last year's crop.

Through March 5, corn exports totaled 653 million bushels compared with 917 million a year ago. To reach the USDA projection, exports during the last half of the marketing year will have to be 80 percent larger than the extremely depressed levels of a year ago.

As a result of the larger export projection, the projected level of carryover stocks was reduced by 125 million bushels to 5.595 billion bushels.

SOYBEANS. The soybean export projection for the current marketing year was reduced by 30 million bushels from the February figure and 60 million below the January projection. Exports are now expected to total only 700 million bushels, compared with 740 million a year ago. The lower export figure reflects the expectation of a larger soybean harvest in South America this spring. The Brazilian crop is estimated at 17 million tons (625 million bushels) compared with last year's small harvest of 13.7 million tons (503 million bushels). Rapid exports of Brazilian soybean meal will reduce the export demand for U.S. soybeans during the last half of the marketing year.

Domestically, the USDA raised its estimate of soybean meal use to 19.75 million tons. That estimate is 250,000 tons above the previous estimate and 632,000 tons above last year's use, an increase of 3.3 percent. For the period September 1986 through January 1987, apparent domestic use was up 6 percent from a year ago.

Meal exports are projected at 6.35 million tons, unchanged from last month's figure, but 6 percent above exports a year ago. Oil exports are expected to reach 1.35 billion pounds. That estimate is up 8 percent from the projection made a month ago and 7.5 percent above exports a year ago.

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As a result of the increase in the projection of domestic meal use, the projection for the domestic crush of soybeans was increased by 10 million bushels, to 1.115 million bushels, up 6 percent from last year's crush. That increase did not offset the decline in export expectations. As a result, the forecast of carryover stocks was increased by 20 million bushels, to a record 635 million bushels.

WHEAT. Supply and demand estimates for wheat remained essentially unchanged from last month's figures. Total wheat use is projected at 2.13 billion bushels, slightly above the size of the 1986 crop. Carryover stocks are expected to decline marginally but will still total nearly 1.88 billion bushels.

The world wheat production estimate was increased slightly. Production outside of the U.S. is expected to total a record 471.6 million tons, up 9 percent from a year ago.

The revisions outlined above do not alter the short term price outlook for corn, wheat, or soybeans. However, the revised corn export projection indicates that there has been some positive response to lower prices. If that continues into 1987-88 and if the size of the 1987 harvest is reduced sufficiently, the corn surplus could be reduced slightly during the 1987-88 marketing year. Depending upon the nature of the growing season, storage space in the Fall of 1987 will probably not be any tighter than last year.



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