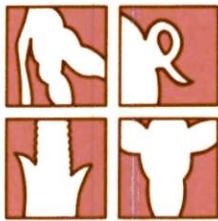




Cooperative
Extension Service
University of Illinois
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WEEKLY OUTLOOK

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

November 1, 1989

CORN EXPORT SALES EXPLODE, SOYBEAN SALES IMPROVING

Early last year, export sales of U.S. corn were large as importers worried about the availability of corn due to the severe drought. By the time the 1988-89 marketing year began on September 1, 1988, 400 million bushels of 1988 crop corn had already been sold for export.

This year, export sales started slowly as importers expected prices to decline at harvest time. On September 1, 1989, only 266 million bushels of the 1989 crop had been sold for export. That total included 66 million bushels of 1988 corn that had not yet been delivered. On September 1, 1989, the USSR had not purchased any 1989 crop U.S. corn. Japan had purchased 105 million bushels, 46 percent less than on the same date last year.

Export sales of the 1989 crop began to escalate during the third week of September. During the five weeks ending on October 19, 490 million bushels of corn were sold for export. Accumulated sales totaled almost 800 million bushels, 16 percent above the total sold by the same date last year. Since October 19, additional large export sales have been announced. Sales now total close to 950 million bushels or nearly half of the projected exports for the entire year.

Through October 26, announced sales to the Soviet Union totaled 310 million bushels, 80 percent more than had been sold on the same date a year ago. Last year, the Soviet Union imported a record 656 million bushels of U.S. corn. Sales to Japan have reached 200 million bushels, only 15 percent less than the large early sales of a year ago. Mexico has purchased 66 million bushels, twice the level of sales a year ago. Sales to South Korea, at 44 million bushels, are also double the sales of last year. Sales to Taiwan total 58 million bushels, one-third larger than a year ago.

A month ago, many analysts questioned whether exports could reach the USDA's projection of 2 billion bushels. Some analysts have now raised the projection to as much as 2.2 billion bushels. The torrid pace of export sales, averaging nearly 100 million bushels per week for the past six weeks, has prevented corn prices from declining in the face of a rapid harvest. Prices have also been supported by a slow rate of selling by farmers. As the rate of export sales subsides and the tail end of harvest comes to market, corn prices may weaken somewhat. December futures are not expected to decline under \$2.25; however, that futures contract will find difficulty going above \$2.50. The November production estimate is expected to be above the October estimate, offsetting some of the influence of improved exports.

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Basis levels may stay very strong if farmers continue to be slow sellers. An exceptionally large quantity of corn will be required to fill export commitments between now and the end of December.

On September 1, 1989, export sales of 1989 crop soybeans totaled only 76 million bushels, 34 percent less than sales on the same date last year. Smaller sales to Japan accounted for all of the decline. By October 19, soybean sales reached 206 million bushels, 18 percent above last year's sales. Sales averaged 22 million bushels per week during the three weeks ending October 19. Accumulated export sales now total 36 percent of the USDA's 1989-90 marketing year projection of 575 million bushels. Smaller sales to Japan have been offset by larger sales to the Soviet Union, Taiwan, South Korea, and Western Europe.

Soybean export prospects are still modest due to expectations of a large South American harvest in the spring of 1990. Soybean prices may come under renewed pressure as harvest is completed in the Southeast. It is generally believed that those soybeans will be marketed rather than stored. Heavy marketings would fill the export demand at the Gulf.

The recent increase in both domestic crush and exports indicates that there is good demand for U.S. soybeans at current prices. Soybeans used for all purposes may exceed the USDA's estimate of just under 1.8 billion bushels if current prices are maintained. Higher prices will be detrimental to use. In addition, the crop is expected to be slightly larger than the October estimate. Significantly higher soybean prices would probably require weather problems in South America.



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