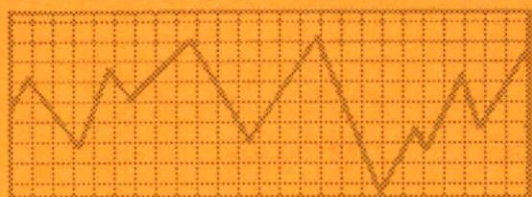




Cooperative
Extension
Service



WEEKLY OUTLOOK

A joint publication of the Departments of Agricultural Economics, Colleges of Agriculture of Purdue University, West Lafayette, Indiana, and the University of Illinois at Urbana-Champaign

September 12, 1990

PROSPECTS FOR CORN AND SOYBEAN EXPORTS

The USDA will release new estimates of the size of the 1990 corn and soybean crops on September 12. The production report is expected to show a soybean crop near the August estimate of 1.836 billion bushels. The corn estimate is expected to be 100 to 150 million bushels above last month's estimate of 7.85 billion bushels. When added to carryover supplies, the year's production will result in total supplies near the level of last year.

Domestic use of soybean meal and oil is expected to remain near the record level of the past 12 months. Domestic use of corn is also expected to remain large. Processing use will be supported by increased demand for ethanol and feed use will be supported by increasing livestock production. Increased competition from wheat feeding was most severe during the summer months, but may persist into the fall due to a later corn harvest and low wheat prices. With adequate supplies and large, but stable domestic use, the market will focus on export demand for post-harvest price direction.

Corn exports for the marketing year ended on August 31 were the largest in 9 years and near the record levels of 1979-80 and 1980-81. The USSR was the largest customer of U.S. corn, followed closely by Japan. Those two countries accounted for about 51 percent of U.S. export sales. Other large customers included Taiwan, South Korea, and Mexico. Those three countries accounted for 26 percent of U.S. export sales of corn.

The biggest uncertainty about corn exports for the 1990-91 marketing year centers around the USSR. Questions abound about the total import requirements of the USSR, the timing of those purchases, and the ability of the USSR to pay for imports. The crops of wheat and feed grains in the USSR are estimated to be 10 percent larger than last year's crops. It is not clear, however, how much of that crop will be lost in the harvesting, transportation and storage process. Losses are reportedly running well above normal levels. Food shortages are being reported in the USSR. Rising petroleum prices will result in higher export earnings and presumably increase the Soviet's ability to pay for grain. The U.S. may extend export credit to the USSR as well. It is generally believed that the USSR will not buy U.S. corn until later in the marketing year. Last year, they bought large quantities from late September through November.

As of August 30, 284 million bushels of U.S. corn had been sold for export during the 1990-91 marketing year. As of September 1, there were about 50 million bushels of outstanding sales of old crop corn that

will be delivered this year. Total commitments, then, are near 330 million bushels. A year ago, that total stood at 266 million bushels. Like a year ago, the majority of early sales have been to Japan.

It appears that corn exports this year could decline by 15 percent from the level of this past year. Most of the decline will be felt in the first quarter of the marketing year. Slow export movement probably means that corn prices will not make a quick recovery from the harvest lows. Significant recovery may not occur until spring.

Soybean exports for the year ended August 31 were near 620 million bushels, an increase of nearly 100 million bushels from a year ago. Exports are well below the 900 million bushel level of 7 and 8 years ago. The U.S. continues to lose market share to South America. The European Community is the largest buyer of U.S. soybeans, accounting for about 40 percent of U.S. export sales this past year. Other large customers include Japan and Taiwan, accounting for 33 percent of U.S. sales.

There are two major uncertainties about export prospects for the year ahead -- the size of the South American crop and potential purchases of soybean meal by the USSR. Reports from South America indicate that acreage may decline this year due to the low price of soybeans relative to feed grains, lack of production credit, and rising production costs. A smaller crop would probably mean that U.S. exports will increase during the year ahead. New crop export sales plus outstanding sales of old crop soybeans total about 70 million bushels, just slightly less than a year ago. If the USSR purchases larger quantities of soybean meal to supplement its grain crop, the crush of soybeans in the U.S. could exceed the current forecast of 1.17 billion bushels.

The carryover stocks of U.S. soybeans could be reduced dramatically by the end of the 1990-91 marketing year. Price increases could come sooner than for corn if South American acreage is reduced.

Darrel Good

Issued by Darrel Good
Extension Specialist
University of Illinois

Cooperative Extension Service
United States Department of Agriculture
University of Illinois
At Urbana-Champaign
Urbana, Illinois 61801

FIRST CLASS