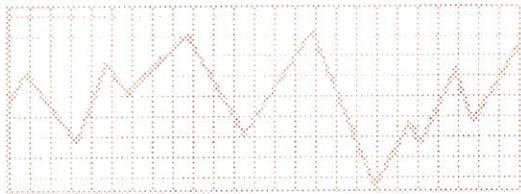




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WEEKLY OUTLOOK

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CORN AND SOYBEAN EXPORT SALES START SLOWLY

A year ago we were reporting on the extremely fast start of corn and soybean export sales for the 1992-93 marketing year. In contrast, export sales have started slowly this year. Crop supplies outside of the United States are more abundant than a year ago.

For the first nine days of the 1993-94 marketing year, the USDA reported corn exports at 35 million bushels, compared with 57 million bushels last year. Outstanding sales stood at 275 million bushels on September 9, compared with 358 million bushels last year. Sales of corn to Japan are larger than a year ago, but other large customers, including Taiwan and South Korea have bought considerably less U.S. corn than at this time last year. In addition, sales to southern African countries are down from the inflated sales of a year ago. The poor crop in South Africa in 1992 created a market for additional U.S. corn last year.

For the 1993-94 marketing year, the USDA is projecting corn exports at 1.4 billion bushels, down 275 million bushels from exports of this past year. At the projected level, exports are at the second lowest level of the past 20 years. Corn exports need to average only 27 million bushels per week to reach the USDA projection.

Soybean exports during the first nine days of the 1993-94 marketing year were reported at 6 million bushels, compared with 23 million bushels last year. Outstanding sales stood at 78 million bushels on September 9, compared with 188 million bushels last year. Sales to all major buyers are down sharply, with the largest decline being in sales to the European Community (EC). The EC was a large buyer early last year due to very favorable exchange rates and a decline in European oilseed production.

For the 1993-94 marketing year, the USDA is currently projecting soybean exports at 645 million bushels, down 130 million bushels from exports during the year just ended. To reach that projection, exports need to average 12.6 million bushels per week through next August.

Dimming export prospects have offset part of the effects of declining U.S. production in 1993. December corn futures, for example, are only \$.17 per bushel higher than the low

reached in mid-June and are \$.20 below the July high. November soybean futures are only \$.55 above the June low and are \$1.25 below the July high.

As reported last week, the USDA expects stocks of corn to be reduced to 1.34 billion bushels by September 1, 1994. While that is 810 million bushels lower than the projection for September 1, 1993, it is 240 million bushels above the level of stocks on September 1, 1992. If the projections of use for the year ahead are correct, the size of the 1993 corn crop could be reduced by another 240 million bushels (3.3 percent) and still result in stocks of 1.1 billion bushels by September 1, 1994. The market would be willing to allow stocks to be reduced to that level if the 1994 crop appears to be large.

In the case of soybeans, the USDA projects stocks at the end of the year at 215 million bushels. That is 75 million bushels below the projected level of stocks on September 1, 1993, but 25 million above last month's projection and about 35 million above the 180 million bushels we consider to be a minimum pipeline supply. If the projections of soybean use are correct, the projected size of the 1993 crop could decline by 35 million bushels (1.8 percent) and still result in stocks of 180 million bushels by September 1, 1993. Again, the market would be willing to allow stocks to be reduced to such low levels if South American and U.S. production are at normal levels in 1994.

Whether or not corn and soybean prices need to move higher in the near term is a function of crop size. The October 12 *Crop Production* report will be extremely important. Between now and then, the timing and severity of frost in major growing areas will be the major market factor. If the market puts a significant weather premium back in the price structure, producers will have an opportunity to make additional sales.

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