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

April 18, 1994

CORN AND SOYBEAN EXPORTS DECLINE, WEATHER IMPROVES

Last week we mentioned the pattern of seasonal decline in U.S. soybean exports. That decline typically begins about this time of year and persists through September, as the South American crop is marketed. Last year, exports started the seasonal decline about the first week of April. Weekly exports for the period September 1992 through March 1993 (30 weeks) averaged 19.64 million bushels per week. Weekly exports for the final 22 weeks of the marketing year averaged 8.92 million bushels per week. The weekly rate during the last 5 months of the year declined 55 percent from the rate of the first 7 months. That was a larger than normal decline, reflecting two factors. First, western European buyers bought U.S. soybeans very aggressively in the fall of 1992 on the basis of low prices and favorable exchange rates. Second, the 1993 South American soybean harvest was record large, providing additional competition for U.S. soybeans.

This year the decline in weekly soybean exports appeared to begin the last week of March. Weekly exports averaged 14.94 million bushels during the first 29 weeks of the 1993-94 marketing year, but only 8 million bushels per week during the last week of March and the first week of April. If weekly exports during the last 23 weeks of the year average one-half the rate of the first 29 weeks, the total for the year will be near 605 million bushels. Last week, the USDA lowered its export projection for the year from 605 million to 590 million bushels. The smaller export projection reflects expected competition from another record South American crop in 1994. The crop in Brazil, Argentina, and Paraguay is expected to total 1.41 billion bushels, 10 percent larger than the 1993 crop.

In last week's monthly Supply and Demand report, the USDA increased the projection of domestic soybean crush during the current marketing year by 10 million bushels, to a total of 1.25 billion. That projection is only 29 million bushels (2.3 percent) below the record crush of a year ago. The large crush is being supported by record domestic consumption of both soybean meal and soybean oil. In addition, the oil content of the 1993 soybean crop was extremely low. Carryover stocks of soybeans on September 1, 1994 are now projected at 160 million bushels. At that level, ending stocks will still be at a 17 year low, but 10 million bushels above the projection made two months ago.

The USDA also lowered its projection of corn exports for the current marketing year. That projection, at 1.25 billion bushels, is 25 million below last month's figure and 150 million below the projection made last fall. At the projected level, exports are only slightly above the extreme low of the 1985-86 marketing year

(1.227 billion bushels) and are 47 percent below the recent peak of 2.368 billion bushels reached during the 1987-88 marketing year. Carryover stocks are now projected at 827 million bushels, low by historic standards, but 50 million above the projected level just two months ago.

The transition from a short crop year to what appears to be a normal crop year continues. Heavy rainfall and local flooding in the eastern corn belt is being followed by a period of dry, warm weather that should allow fieldwork to get back on track. It appears that corn and soybean planting will be timely this year. Corn and soybean prices have retreated to the levels that existed about mid-October 1993. December corn futures have declined to about the $2.50 area and November soybean futures to $6.10. New crop prices are at about the same level as this time last year. Old crop prices are still significantly higher than during the third week of April last year — $.30 for corn and $.60 for soybeans.

If the 1994 crops reach their potential, 8.7 to 8.9 billion bushels for corn and 2.04 to 2.1 billion bushels for soybeans, further declines in prices can be expected by harvest. As pointed out last week, however, the May through August time period typically produces very volatile prices. Marketing strategies should be based on pricing additional quantities of both corn and soybeans on short term rallies. Continued weakness in prices for the near term, might offer an opportunity to buy call options with relatively low strike prices. Having those options in place should give the producer confidence to sell weather rallies later in the growing season.

Darrel Good

Issued by Darrel Good
Extension Economist
University of Illinois

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

FIRST CLASS