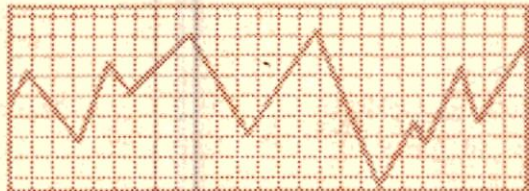




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WEEKLY OUTLOOK

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CORN AND SOYBEAN EXPORT PROSPECTS

Domestic consumption of corn, soybean meal and soybean oil are expected to be record large during the 1994-95 marketing year. Feeding of corn and soybean meal will be supported by the large number of livestock and poultry currently being fed and the plans for expansion during the year ahead. Feeding will also be encouraged by relatively low prices for corn and soybean meal and by reduced feeding of wheat, sorghum, barley, and oats. In addition to large feed use of corn, domestic processing uses are projected to continue a trend increase. Record domestic use of meal and oil should push the domestic soybean crush to a new record level during the 1994-95 marketing year.

There is more uncertainty about export prospects for both corn and soybeans. In its August projections, the USDA forecast a 14 percent increase in corn exports and a 15 percent increase in soybean exports. Exports of both crops were extremely small during the marketing year just ending. Corn shipments were the smallest since 1985-86 and soybean shipments were the smallest since 1990-91.

Expectations of larger corn exports are based on lower corn prices, reduced corn production in South Africa, and smaller coarse grain crops in Canada. In addition, some analysts believe that China may reduce its corn exports from the 472 million bushels of this past year. The reduction would be the result of increased domestic consumption to offset a smaller wheat crop and to accommodate a larger population and increased per capita food consumption. Those expectations of reduced Chinese exports were fueled by a recent sale of 8 million bushels of U.S. corn to South Korea.

The biggest uncertainty in the corn export picture probably centers around the former Soviet Union. At 83.8 million tons, the coarse grain harvest in those republics is expected to be 8 percent smaller than last year's relatively small harvest. It is unclear, however, if smaller crops will result in larger imports. Additional export credits from the U.S. may be required to finance imports by the former Soviet Union.

While an increase in corn exports is generally expected for the year ahead, sales have started slowly. As of August 18, only 126 million bushels of corn had been sold for export during the upcoming marketing year. That compares to 193 million sold at this time last year and 246

million bushels of sales two years ago. The largest customer of U.S. corn is Japan. Current sales to Japan are only about one-third as large as sales of a year ago. It appears that corn exports will be small during the first quarter of the new year, but accelerate as the year progresses.

Exports of U.S. soybeans are expected to benefit from lower prices and a lower value of the dollar in relation to European and Japanese currencies. The biggest uncertainty surrounding export prospects is the size of the 1995 South American soybean harvest. The combined crops in Brazil, Argentina, and Paraguay have been record large in each of the past two years. Another large crop in 1995 would curtail U.S. exports during the last half of the 1994-95 marketing year. On the other hand, a production shortfall there would support U.S. exports at a higher level.

In contrast to new crop corn export sales, soybean sales have started rapidly. As of August 18, 162 million bushels of soybeans had been sold for export during the 1994-95 marketing year. New crop sales stood at only 50 million bushels at this time last year and totaled 131 million bushels two years ago. T

he European Union has been an aggressive buyer of new crop soybeans in response to the favorable exchange rates. Brazil has also bought a small quantity of U.S. soybeans. While such purchases are not unusual, the timing was earlier than in the past. Mexico has also purchased U.S. beans for delivery during the upcoming marketing year. Japan and Taiwan have been slower in purchasing new crop soybeans than at this time last year.

The rapid pace of soybean sales suggests that first quarter shipments will be large and that exports will tail off as the year progresses. For the year, however, exports may well exceed the current USDA projection.

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