



# WEEKLY OUTLOOK

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**SEPTEMBER 8, 1997**

## NEW CROP EXPORT SALES

Over the next few weeks, corn and soybean prices will be influenced primarily by revised estimates of the size of the U.S. crops and by harvest progress. Beyond that, prices will take some direction from the rate of consumption and prospects for the crops in the southern hemisphere. The rate of exports and export sales will be an important factor, as growing demand and a smaller feed grain crop in the rest of the world have generated a lot of optimism about U.S. exports.

In its August report, the USDA projected corn exports during the 1997-98 marketing year at 2.0-5 billion bushels, up from a disappointing 1.8 billion bushels for the year just ended. The projection of a year ago was also at 2.05 billion bushels. Soybean exports will total about 885 million bushels for the year just ended and are projected at 945 million bushels for the current year. Several private analysts are expecting even larger exports. Soybean oil exports are projected to increase by 300 million pounds, to a total of 2.15 billion. Soybean meal exports are projected to increase by 600 thousand tons, to a total of 7.3 million tons. These projections will be updated in the USDA's September 12 *World Agricultural Supply and Demand Estimates* report.

As of August 28, only 248 million bushels of U.S. corn had been sold for export during the 1997-98 marketing year. That is down sharply from sales of 504 million bushels at this time last year. The magnitude of early sales is not a good indicator of total exports for the year. As an example, early sales were large last year, but exports turned out to be small for the year. The extremely high prices of old crop corn last spring and summer encouraged buyers to cover needs early as new crop prices were at a sharp discount. In addition, China is currently still exporting corn into other Asian countries. As a result, new crop corn sales to Japan are half as large as a year ago. Sales to South Korea are only 9 percent as large as sales of a year ago and sales to Central and South America are about 40 percent as large as a year ago.

Except for Taiwan, total corn consumption in the major Asian importing countries is expected to increase in the year ahead. Purchases of U.S. corn will eventually emerge. The key to the magnitude of U.S. exports is China. China imported 87 million bushels of U.S. corn last year, but has not purchased any U.S. corn for delivery in 1997-98. Last month, the USDA projected the 1997 Chinese corn harvest at 4.33 billion bushels, compared to 5.02 billion last year. The shortfall of 690 million bushels, is expected to eventually result in large imports of U.S. corn. If so, exports for the year could exceed the USDA projection even though sales have started

slowly. It appears to be a year when exports will be large in the second half of the marketing year. This scenario, along with the growing concern about the impact of the El Nino, is the major source of forecasts of higher corn prices as the marketing year progresses. Recently, however, China has reportedly sold 1997 crop corn for export. Such sales seem mysterious in light of the expected shortfall in production.

Soybean export sales for delivery in the 1997-98 marketing year totaled 254 million bushels as of August 28, 77 percent larger than sales of a year ago. Sales are larger to almost every major buyer, except Taiwan. China has purchase 21 million bushels of new crop soybeans, compared to none at this time last year. China imported about 58 million bushels of U.S. soybeans this past year.

The rapid pace of export sales along with projections of another modest crop in China, expectations of growing world demand, and the need for Brazil to import U.S. soybeans has resulted in some extremely large projections of total U.S. soybean exports for the 1997-98 marketing year. Some of the projections seem quite bold in the face of projections of increased soybean acreage in South America and increased foreign production of other oilseeds. Recent news that Brazil will not allow imports of genetically altered soybeans raised some concerns about U.S. export prospects. In addition, China reportedly has canceled some purchases of soybeans and soybean meal.

While soybean export prospects still look very promising for the current marketing year, a number of uncertainties exist. The size of the world soybean and total oilseed crops in 1997 and 1998 will be extremely important. We are being told to expect some unusual weather events due to the strength of the current El Nino.



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